

# Portfolio Managers' Views

  
**03 July 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (26 - 30 June 2023) & Our Managers' Views

- 1 We remain invested in Innoprise and United Plantation for their potential better earnings and dividends:** Malaysian crude palm oil (CPO) spot price increased by 11.7% MTD to RM3,721/ton as the El Nino weather condition is expected to lower palm oil production yield and output. Additional CPO catalysts include the tight supply situation and potentially higher demand from by China's economic reopening.
- 2 We are cautious about the Food & Beverages (F&B) companies' outlook due to potential muted earnings growth in 2024:** According to US National Oceanic and Atmospheric Administration, the possibility of a strong El Nino weather condition in 2H23 is increasing. As higher agricultural commodity prices will negatively impact F&B producers, we prefer net cash F&B companies that are able to pass down the higher input costs to customers.
- 3 We are neutral on the construction sector but remain positive on building materials:** As Malaysia undergoes state elections, we expect contract awards to be muted in the near term. Key projects such as the MRT3 are largely priced-in while the potential Penang LRT project may take time to materialise. We are more positive on building materials, particularly cement as its prospects will come from organic demand growth and lower production costs in 2H23.
- 4 China's tourism-related activities remain robust, benefitting China and regional tourism plays.** China's travel-related spending and movements rose further during the recent Dragon Boat festival, which saw spending reach 95% of pre-COVID levels of 2019. Tourism trips hit 106 mil, exceeding 2019 levels by 13%. In this segment, we favor travel tech companies that are engaged in airline and tourism bookings, mobility product producers, airports and resorts.
- 5 Valuations:** FBMKLCI is trading at very attractive levels now. For instance, its 2023 price-earnings ratio ("PER") of 13.3x is the lowest levels its been in the last 13 years. Similarly, price-to-book ratios are also attractive at 1.2x, which are levels last seen only during the market bottom for Covid in Mar-20. Dividend yields are also trading at 4.5%, above the 10-year high of 4.3% last seen in Q1 of 2021. Hence, we remain optimistic for the prospects of the Malaysian markets.

# 2.0 MALAYSIA MARKET REVIEW

Bursa Utilities Index rose by 2.1% WTD led by YTL Corp & YTL Power

Exhibit 1: KLCI vs Shariah Index

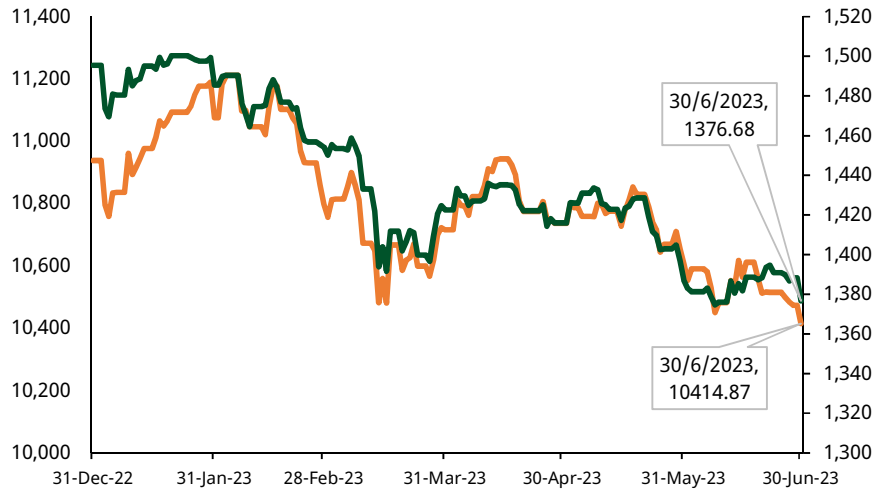


Exhibit 2: USDMYR

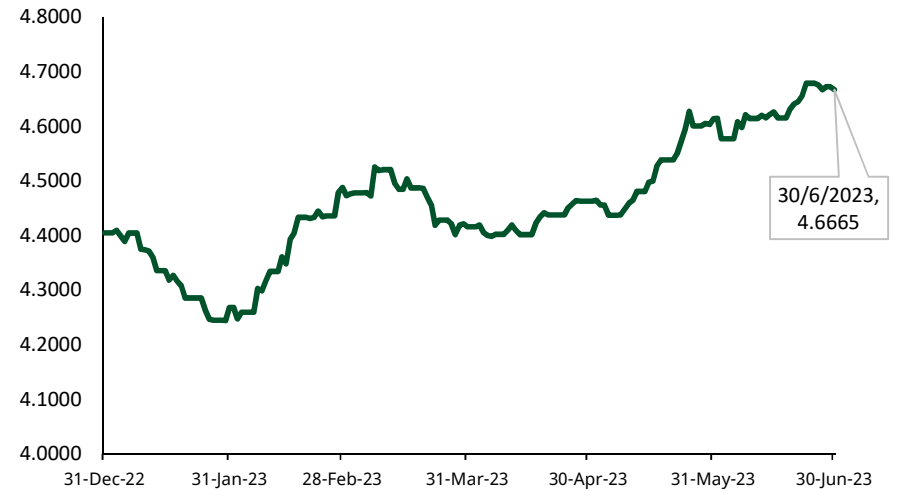


Exhibit 3: Sector Performances Week-to-Date (%)

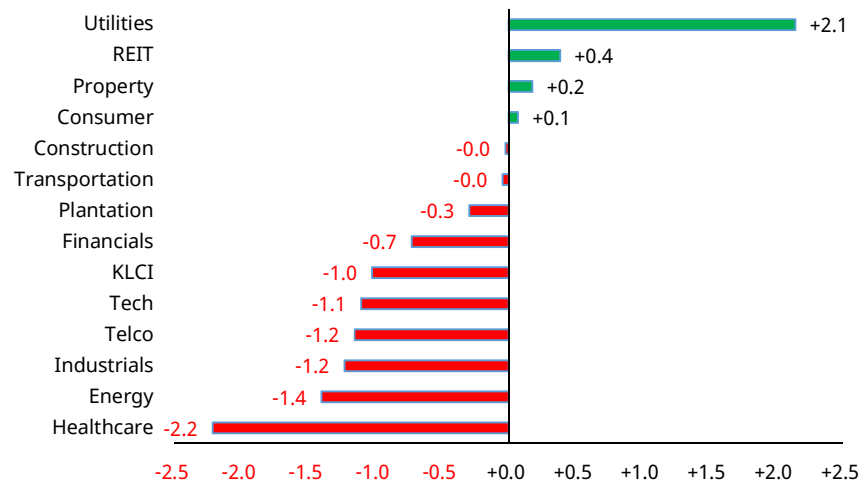
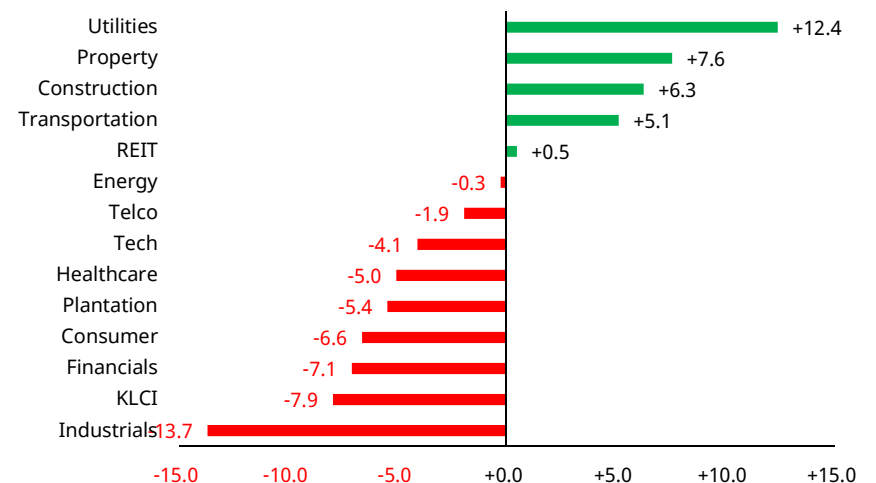


Exhibit 4: Sector Performances Year-to-Date (%)



# 2.1 MALAYSIA VALUATIONS

## Valuations Remain at Historical Bottoms - BUY Territory

Exhibit 5: MY's Premium/Discount (%) to ASEAN & Asia (on Current PER, %)

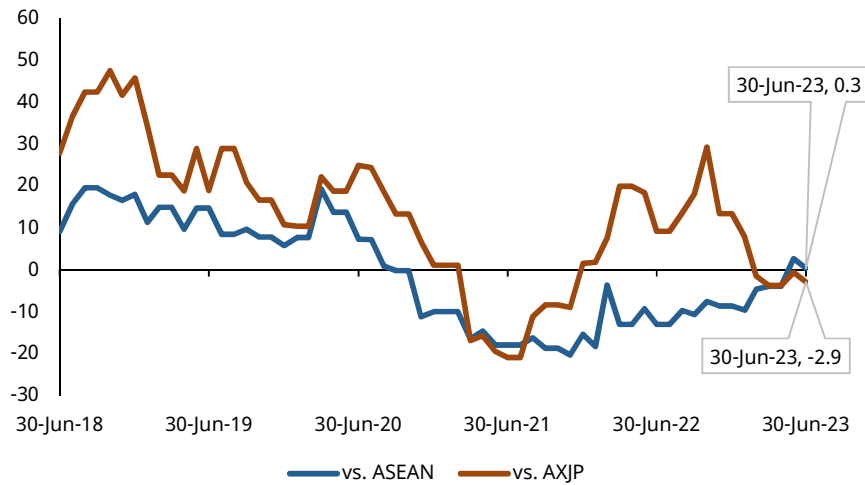


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

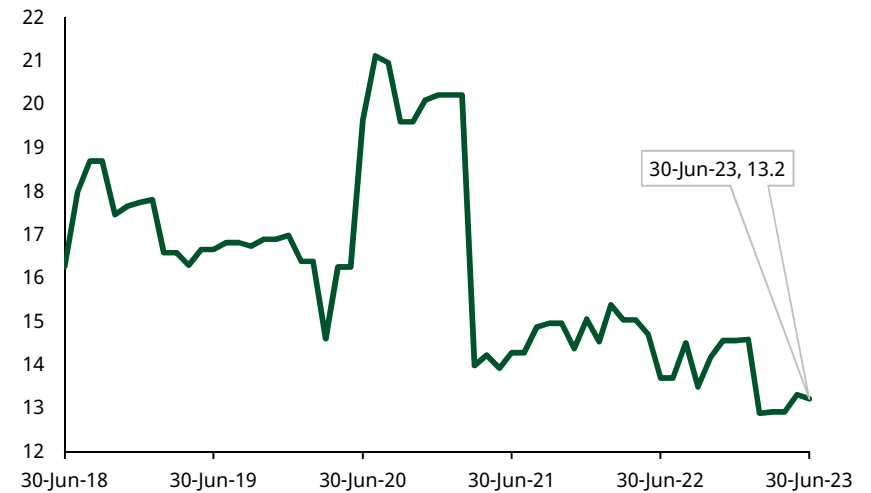


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

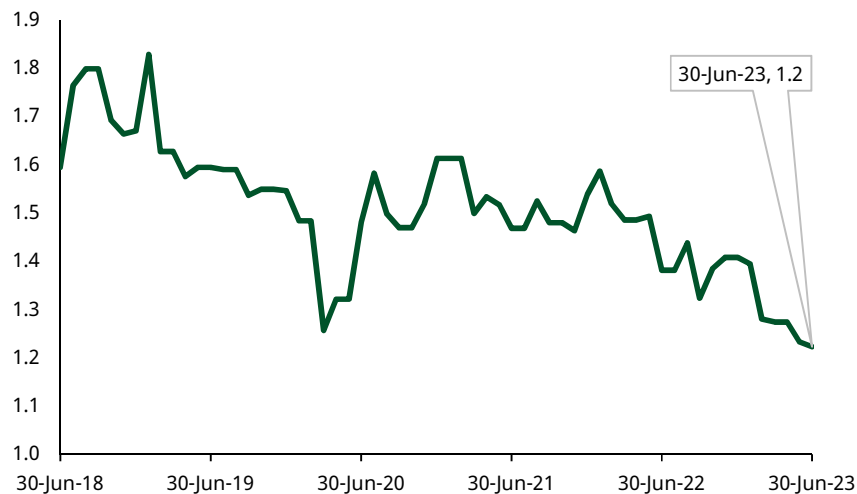
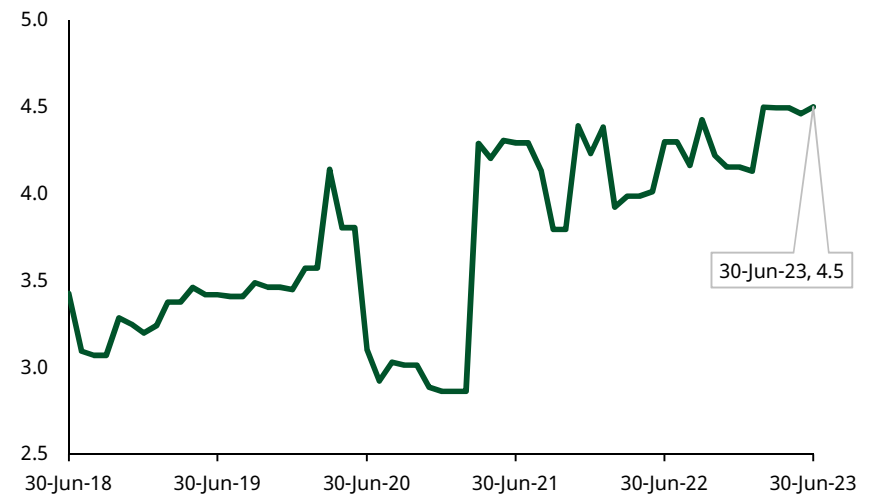


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# 3.0 REGIONAL MARKETS REVIEW

## Taiwan markets were dragged by technology stocks

Exhibit 1: Country Performances Week-to-Date (%)

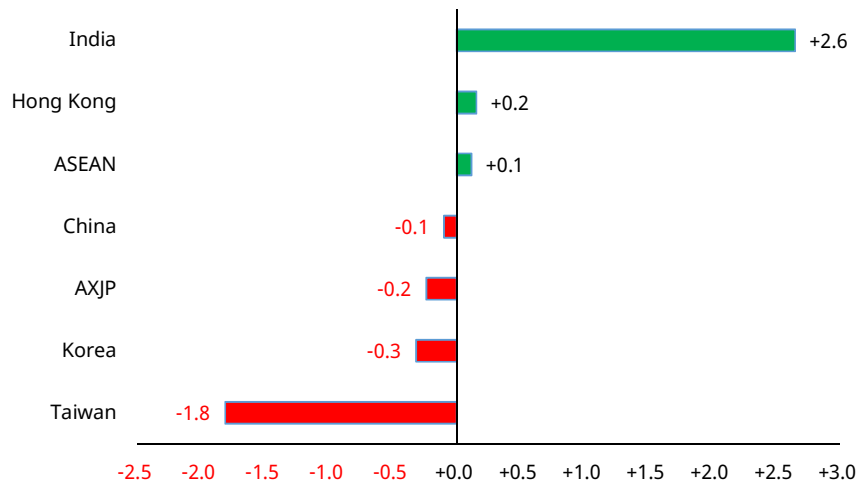


Exhibit 2: Country Performances Year-to-Date (%)

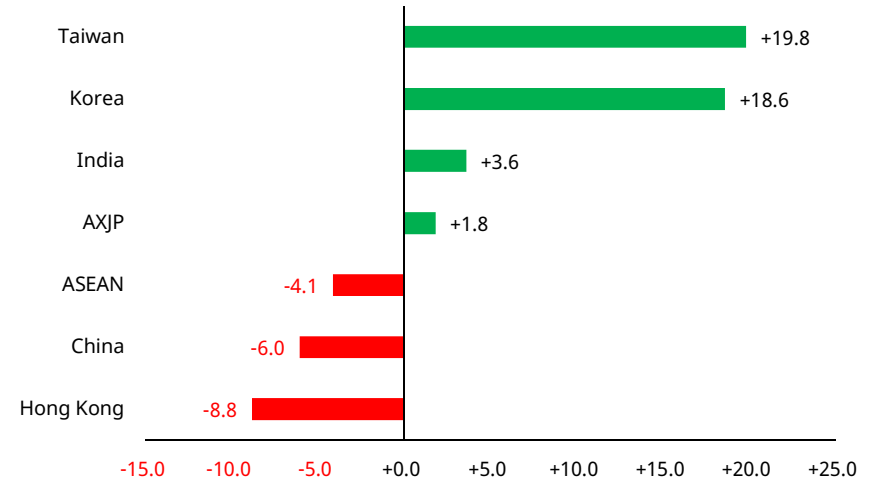


Exhibit 3: Sector Performances Week-to-Date (%)

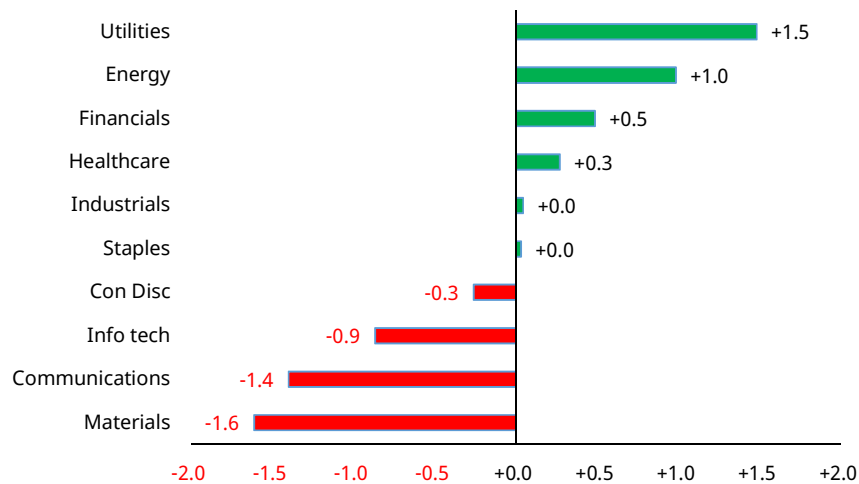
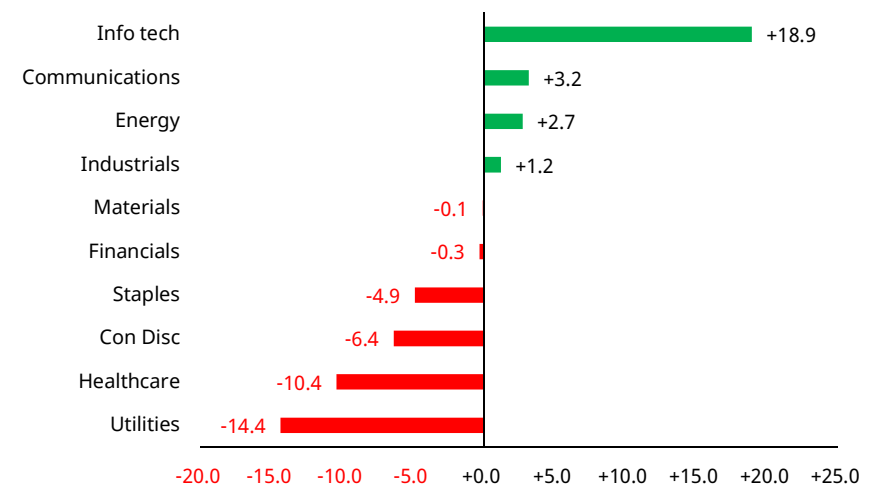


Exhibit 4: Sector Performance Year-to-Date (%)



# 3.1 REGIONAL VALUATIONS

We See The Market's Retracement As An Opportunity To Buy

Exhibit 5: Regional Price-Earnings Ratio (x)

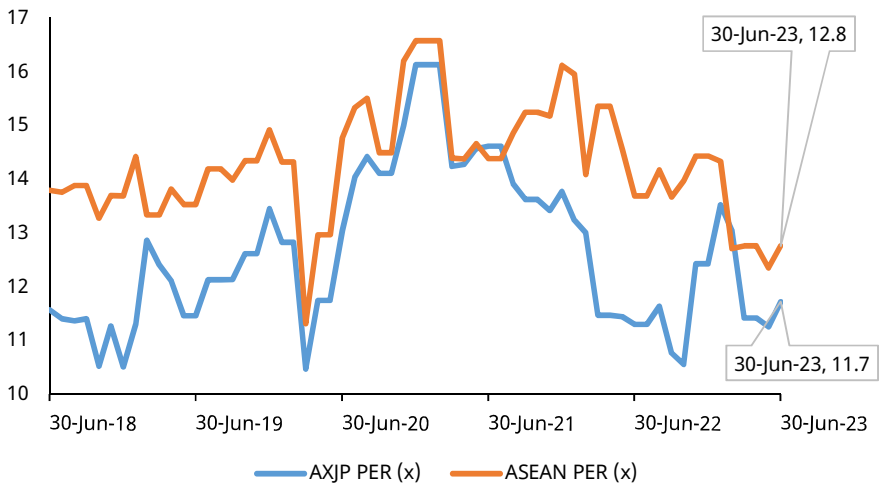


Exhibit 6: Regional Price-to-Book Ratio (x)

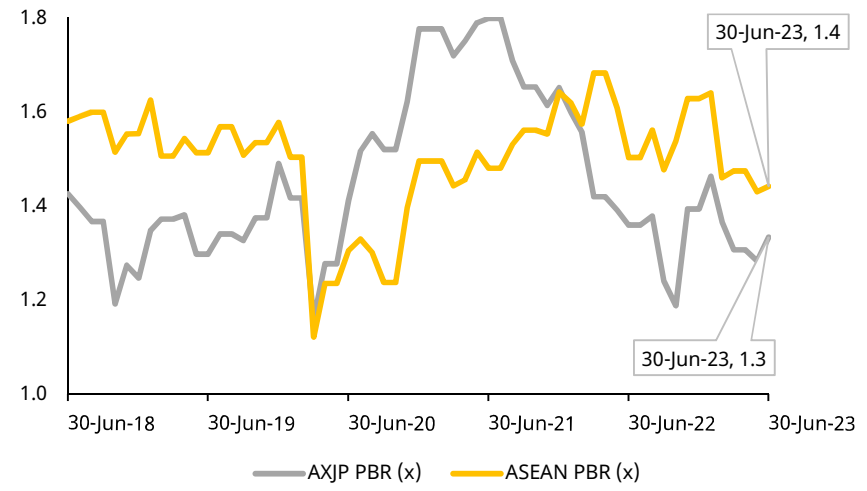


Exhibit 7: Regional Dividend Yield (%)

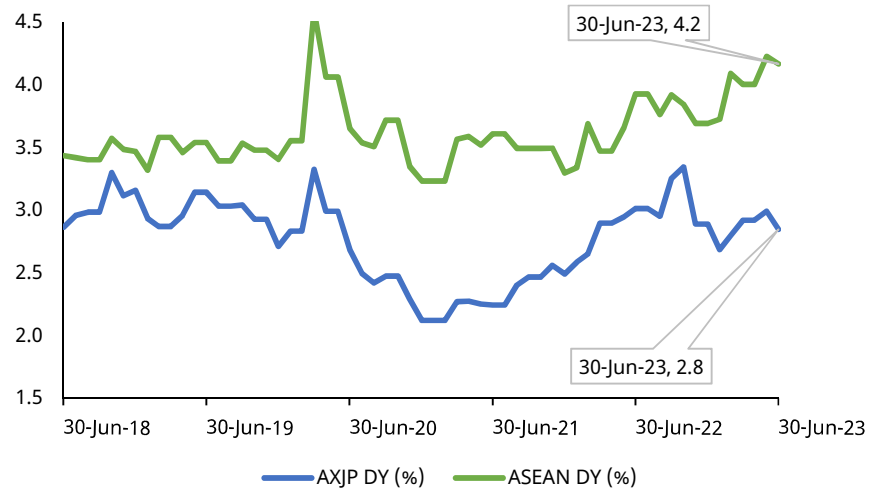
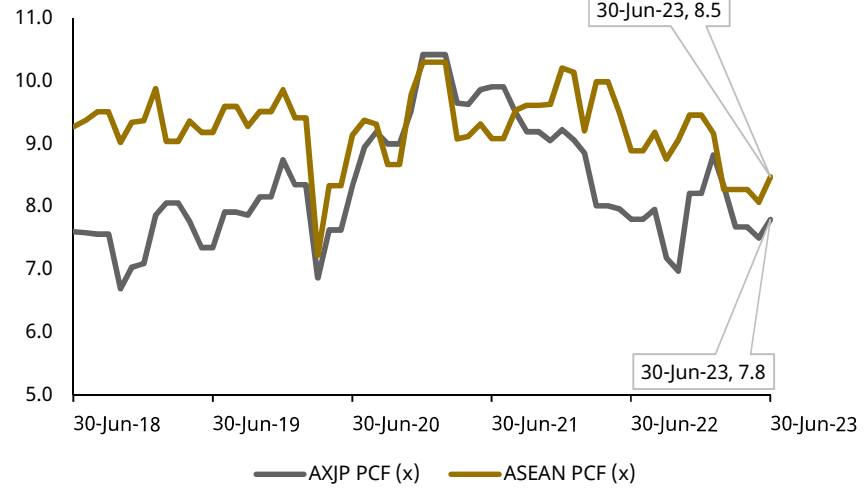


Exhibit 8: Regional Price-to-Cash Flow (x)



Source: Bloomberg

# 4.0 FOREIGN FUND FLOWS

## Foreign Funds Were Net Buyers of Taiwan & India since end-May

Exhibit 9: Selected ASEAN Equity Markets (Net USD mil)

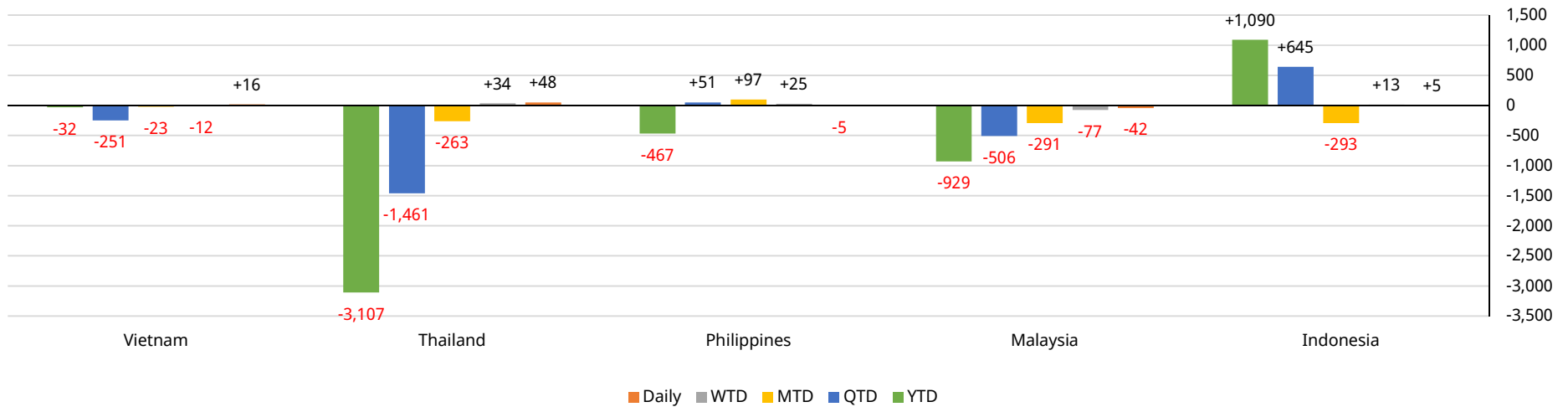
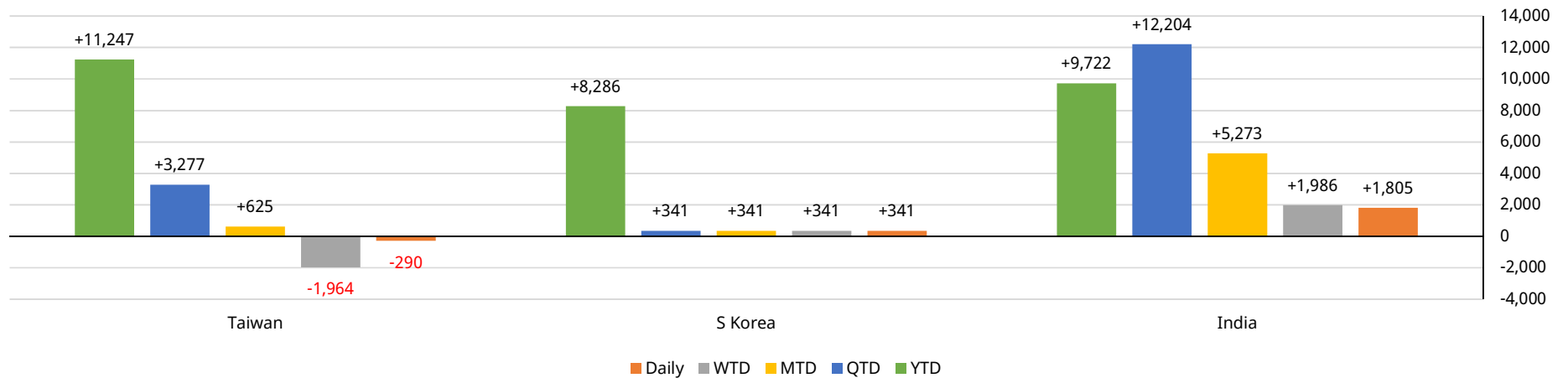


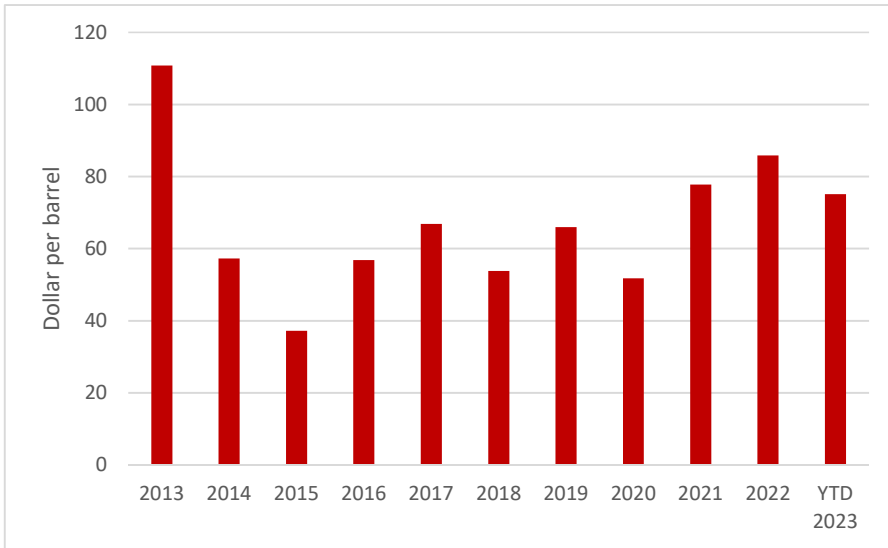
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



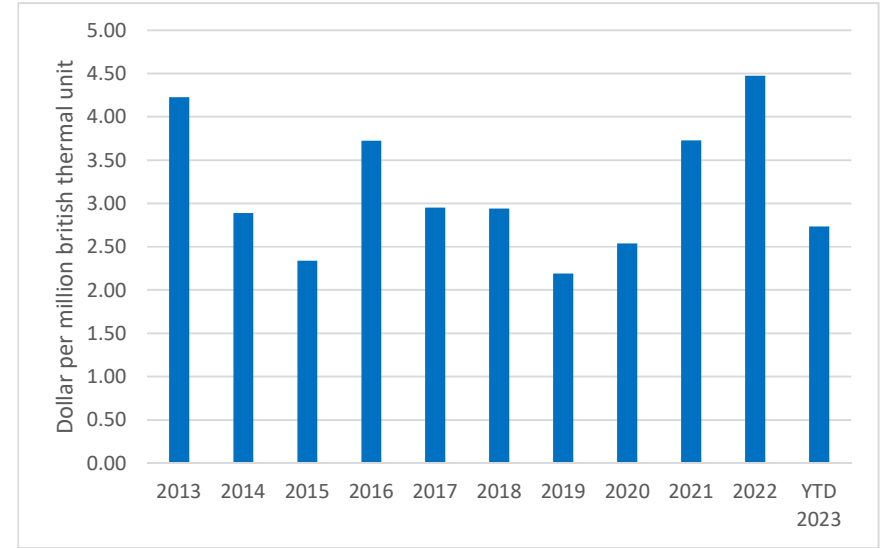
# 5.0 Energy Annual Prices

## Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

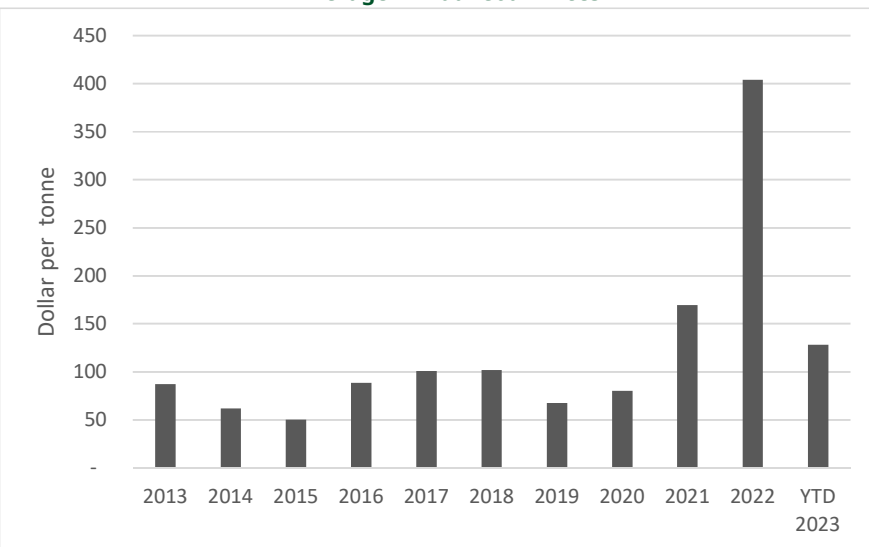
Average Annual Brent Oil Prices



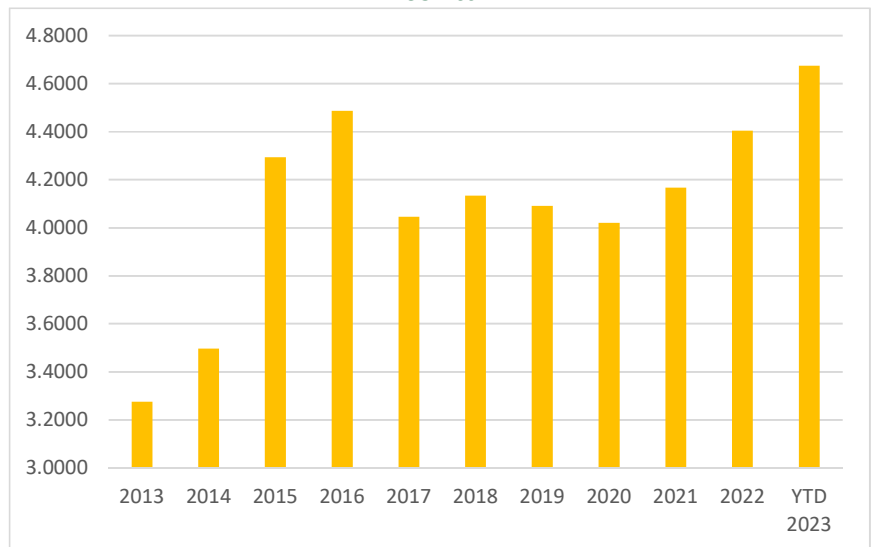
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR



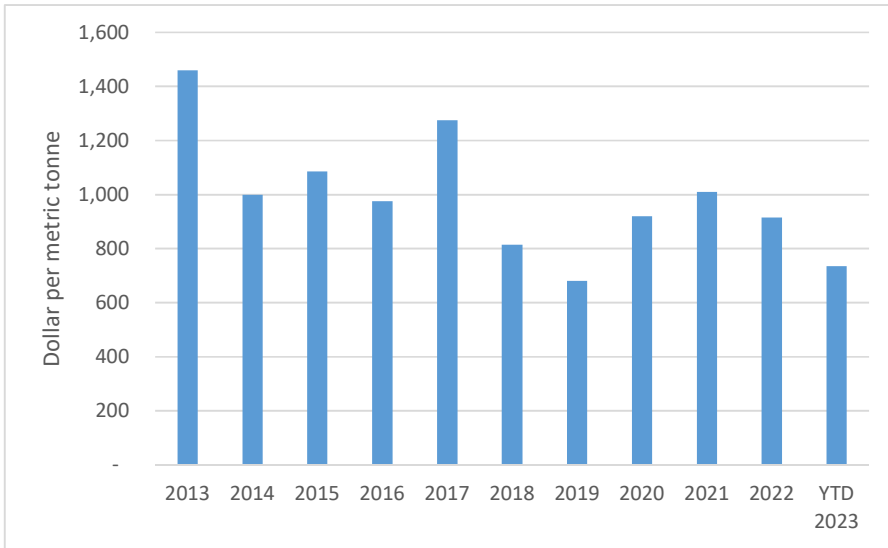
Source: Bloomberg



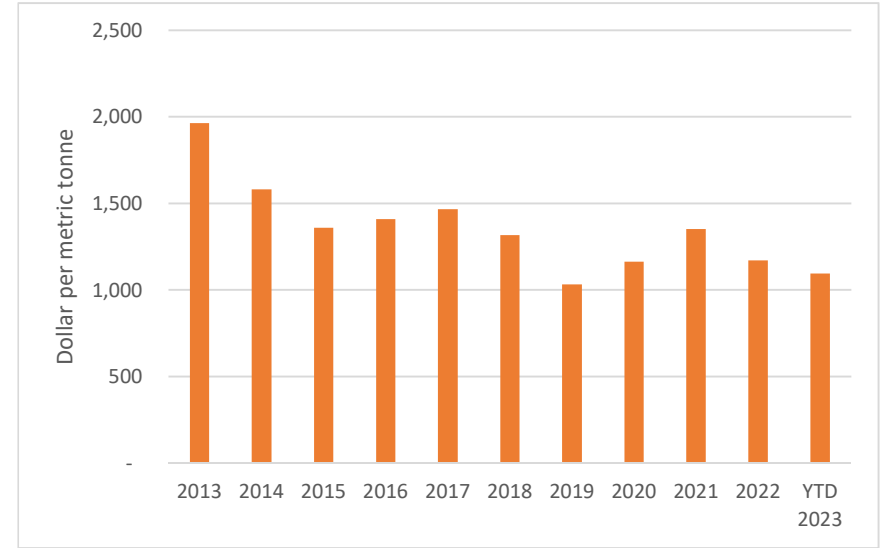
# 5.1 Petrochemical Annual Prices

## Modest Price Increase On China's Reopening Demand

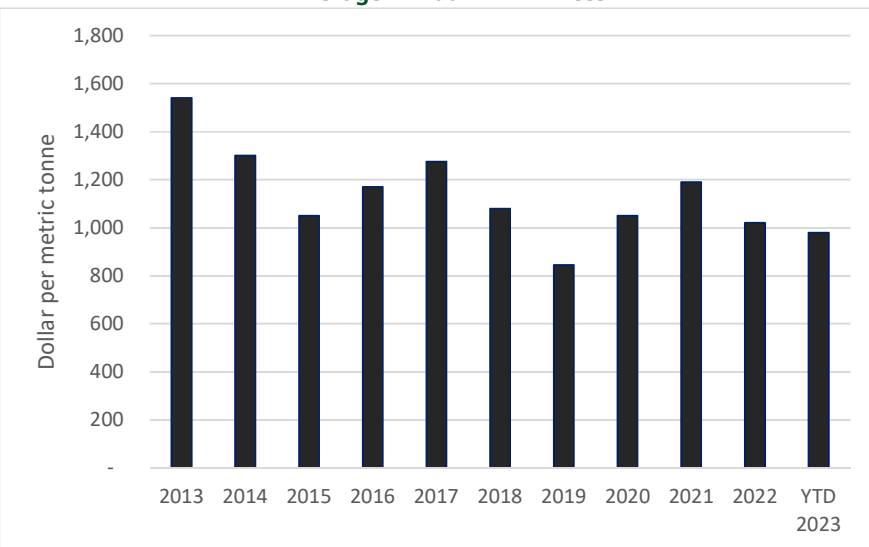
Average Annual Ethylene Prices



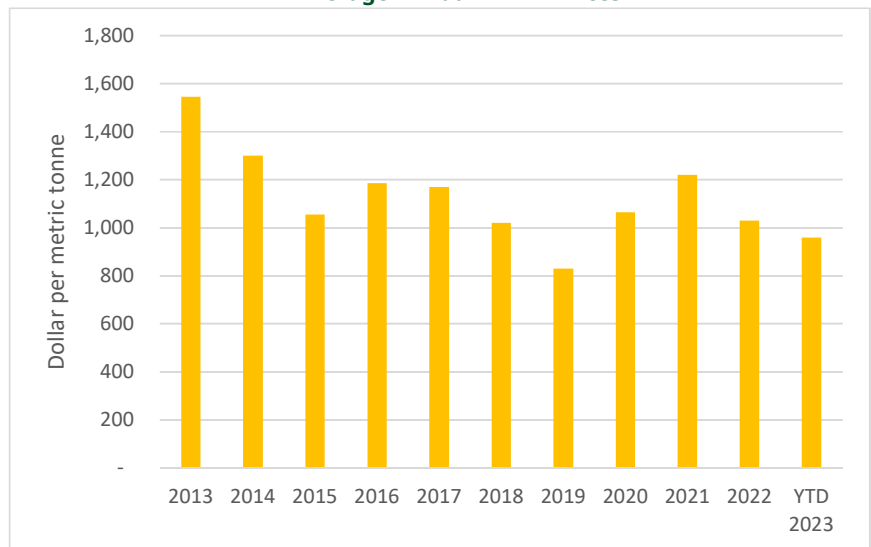
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

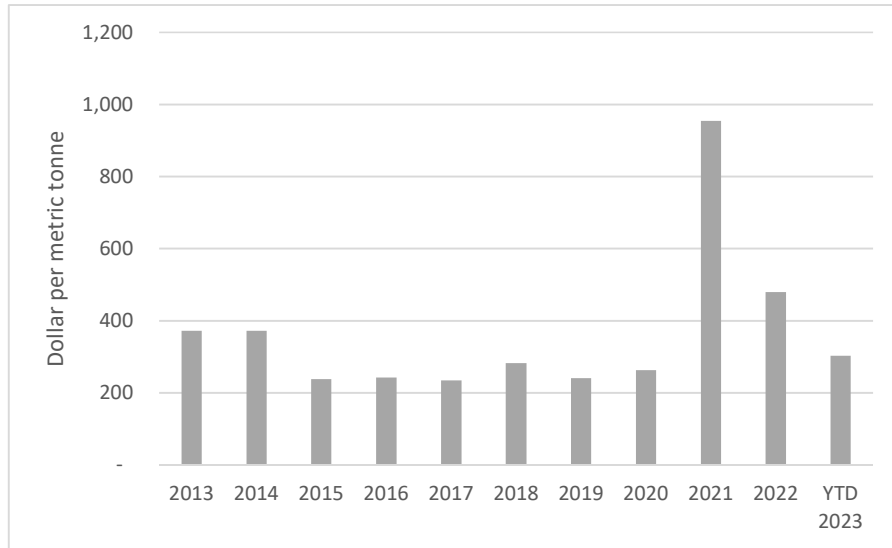


Source: Bloomberg

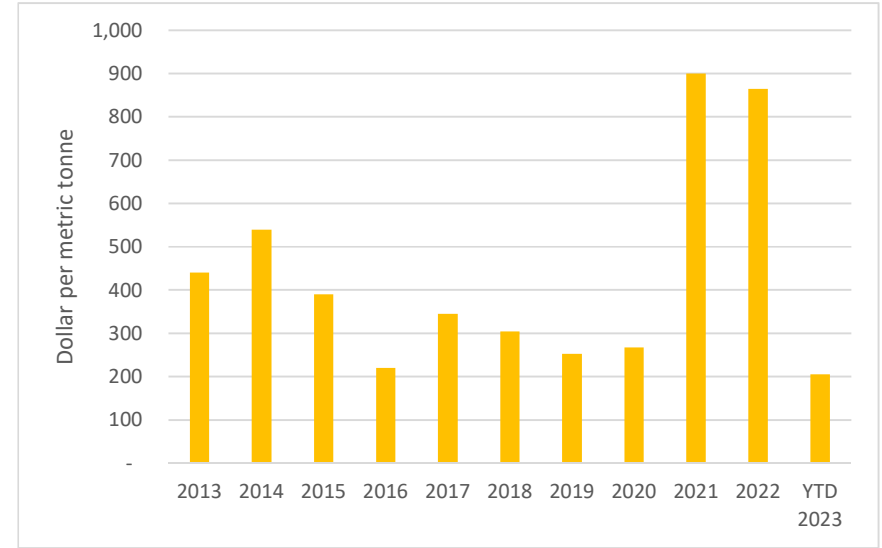
# 5.2 Fertiliser Annual Prices

## Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

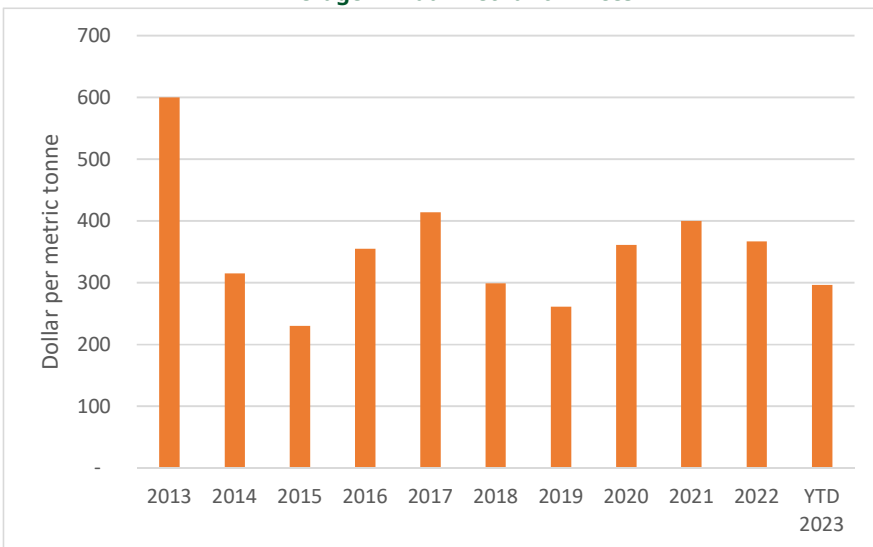
Average Annual Urea Prices



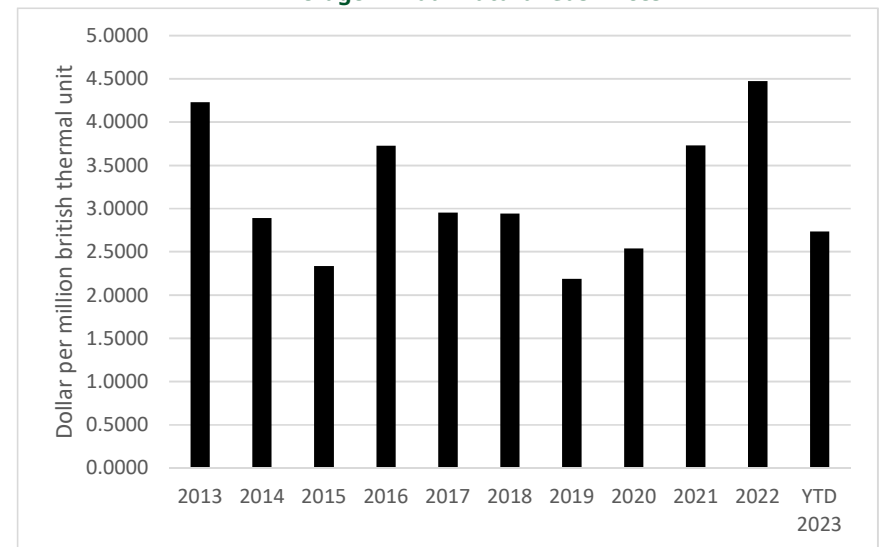
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

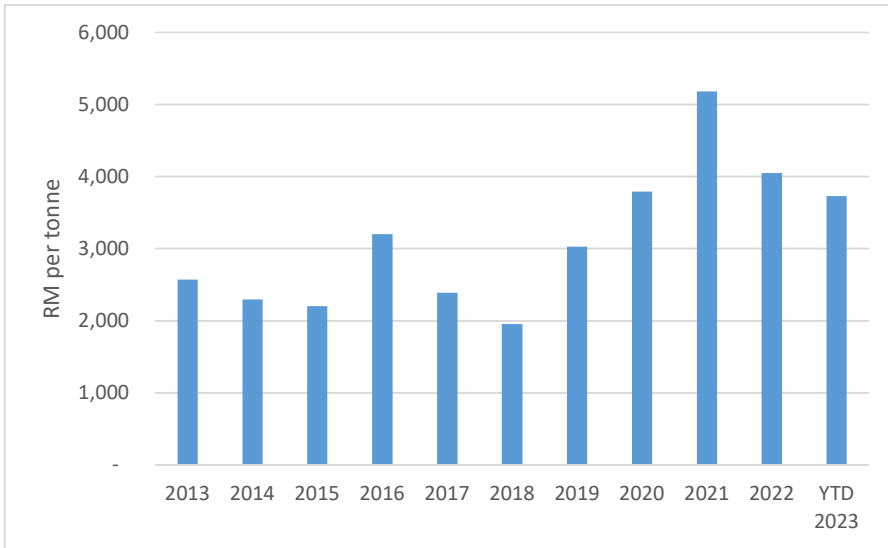


Source: Bloomberg

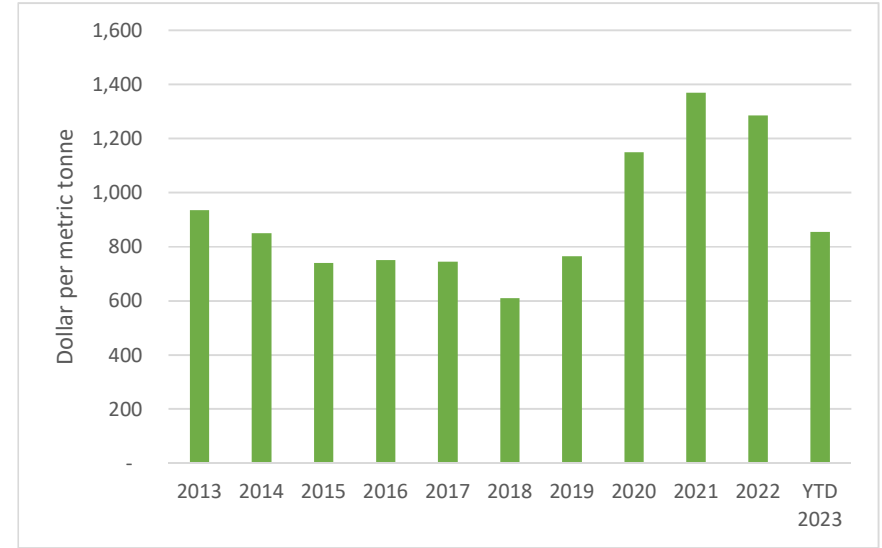
# 5.3 Agricultural Annual Prices

## Palm Oil Prices Supported By Resilient Demand

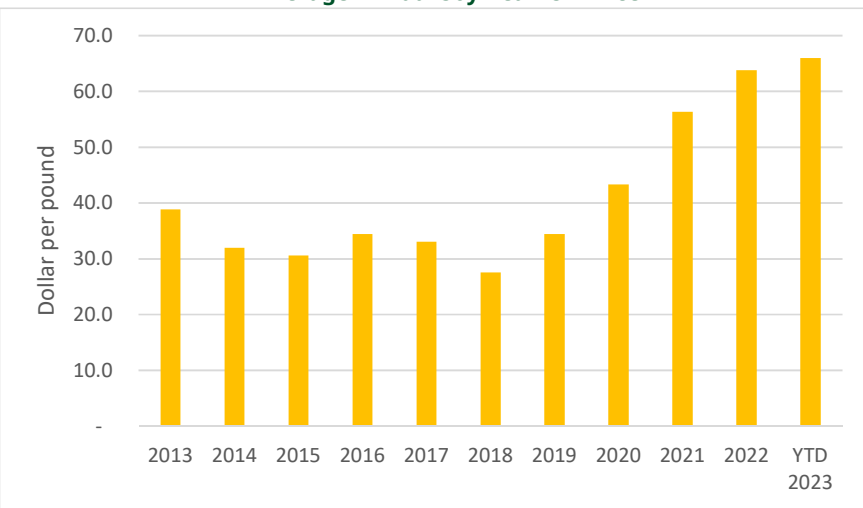
Average Annual Palm Oil Prices



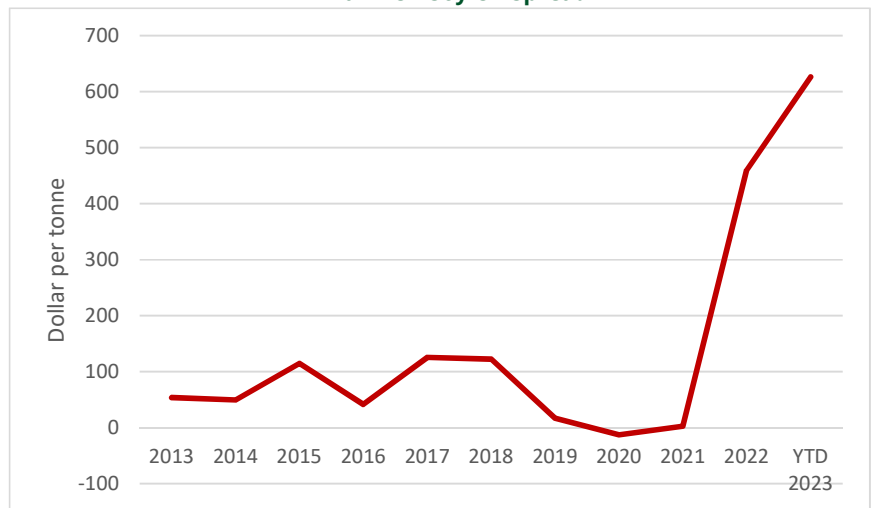
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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