

# Portfolio Managers' Views

**14 August 2023**

FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (7- 11 August 2023) & Our Managers' Views

- 1 Genting Singapore (GENS) to benefit from the potential increase inbound tourists from China.** GENS reported a higher-than-expected earnings due to higher gaming and non-gaming revenues as visitor numbers rose. According to the Singapore Tourism Board, 231,000 tourists from China visited Singapore in July 2023 - just 60% of July 2019 levels. We expect inbound tourists to rise during China's National Day holidays, supporting GENS' 2H'23 earnings and dividends.
- 2 CPO prices have more upside than downside:** The Malaysian Palm Oil Board reported a flattish palm oil inventory of 1.73mt in July 2023 as robust exports offset higher production. Edible oil supply remains a concern as El Nino will likely impact production yield, and the intensified Ukraine war threatens the sunflower oil supply. Palm oil demand remains resilient as it is a cheaper substitute for soybean oil and higher gas oil prices will likely increase biodiesel demand.
- 3 Alibaba, a proxy to China consumer spending:** Alibaba announced its recent quarterly earnings, which exceeded market expectations. The better results are a testament to the company's recent organisational restructuring, which allows each business segment to operate as its own business unit and improve domestic consumption in China. We remain invested in Alibaba as its restructuring plans and China's domestic consumption recovery should continue to unlock its value.
- 4 The rising EV trend:** Li Auto, one of the prominent EV names in China, reported a 53% QoQ increase in revenue for its recent quarter. This was largely attributed to rising sales volume as consumers switched from traditional cars to electric vehicles, despite concerns of a price war and faltering demand in China. We have exposure to this secular trend through BOE Varitronix, a leading display panels manufacturer, and LK Technology, a global mega die casting machines manufacturer.
- 5 State election results were status quo:** The Pakatan Harapan-Barisan National coalition retains Selangor, Negeri Sembilan and Penang, whereas Perikatan Nasional (PN) won Kedah, Kelantan and Terengganu. We expect no change in existing government policies and regulations, which is a relief to the sin sector. We remain invested in Genting Malaysia and Carlsberg for the potential increase in tourist arrival and consumer spending.
- 6 Valuations:** FBMKLCI is now trading at very attractive levels. Its 2023 price-earnings ratio ("PER") of 14.1x is nearly at the bottom end of its 12-year range. Similarly, the price-to-book ratio is at 1.3x, which was last seen only during the market's low during the COVID crisis in Mar-20. Dividend yield of 4.3% is in line with the 10-year high of 4.2%, last seen in Q1 of 2021. Hence, we are positive on Malaysia and our portfolios are also seeking situational opportunities in restructuring plays.

# 1.0 MALAYSIA & REGIONAL

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**US inflation cooling:** The US core consumer prices index (CPI) declined 0.3% MoM, showing signs of inflation moderation. Moreover, the US weekly jobless claims increased from 21k to 247k indicating a cooling labour market. Economists expect the Federal Reserve to achieve a "soft landing"; thus, we expect the rate hike cycle to end soon.

# 2.0 MALAYSIA MARKET REVIEW

Bursa Health Care Index fell 2.8% WTD dragged by Top Glove & Hartalega

Exhibit 1: KLCI vs Shariah Index

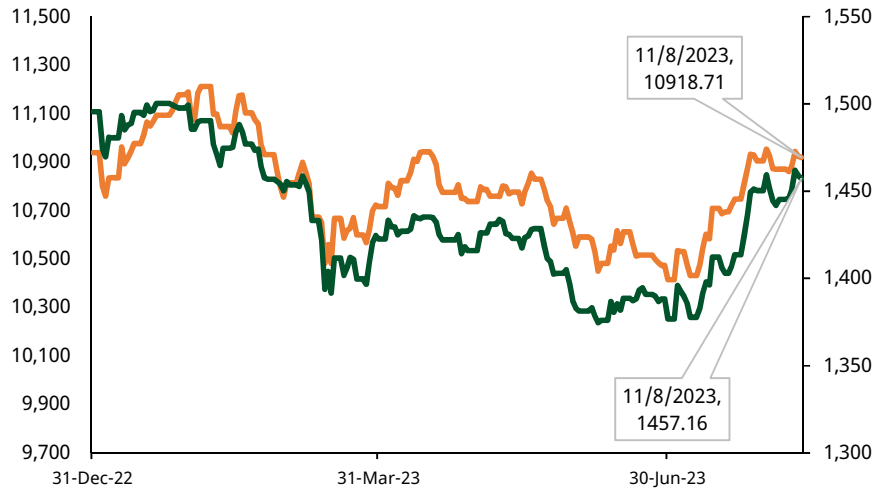


Exhibit 2: USDMYR

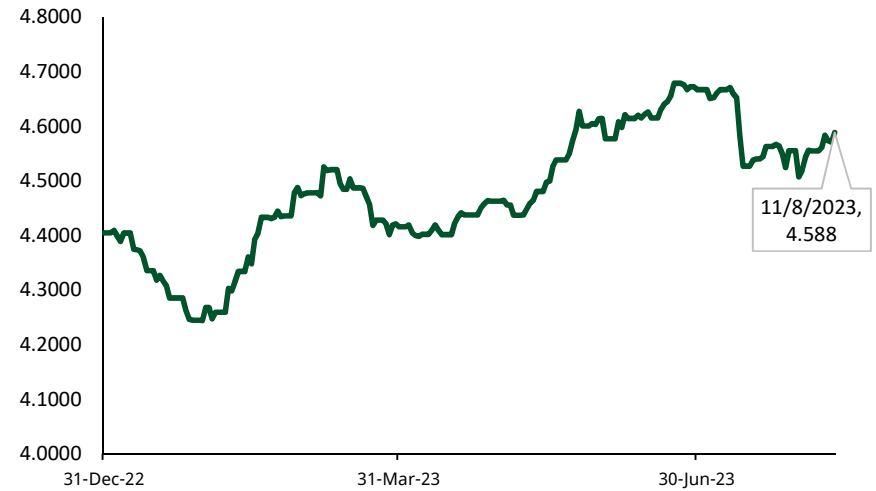
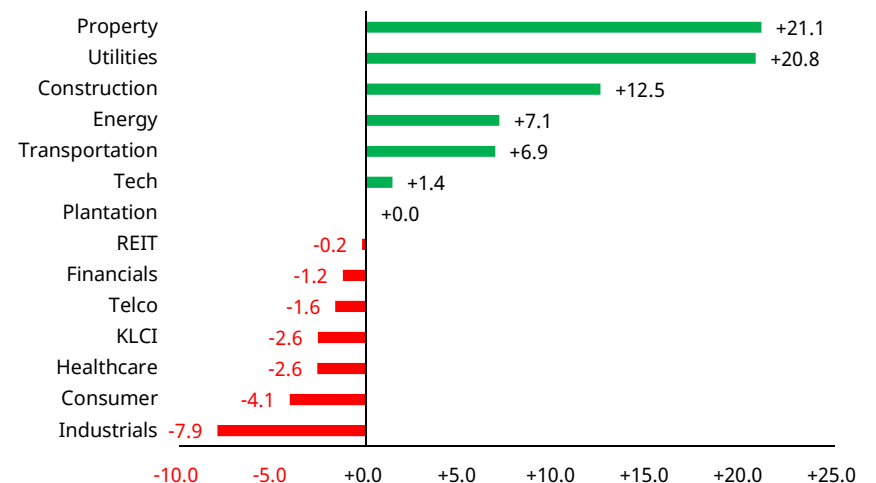


Exhibit 3: Sector Performances Week-to-Date (%)



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



Source: Bloomberg

# 2.1 MALAYSIA VALUATIONS

## Valuations Remain at Historical Bottoms - BUY Territory

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

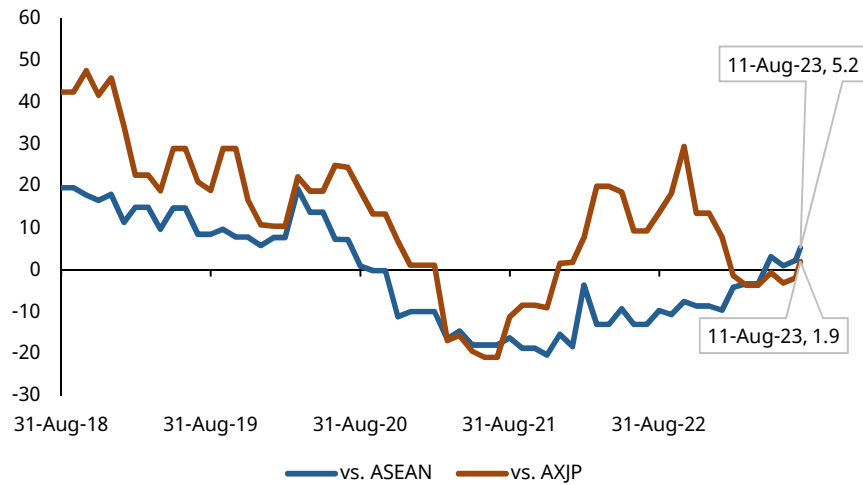


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

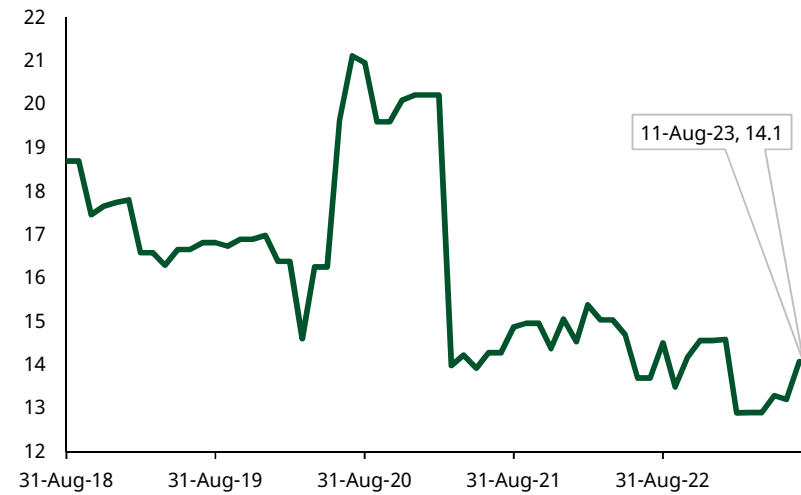


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

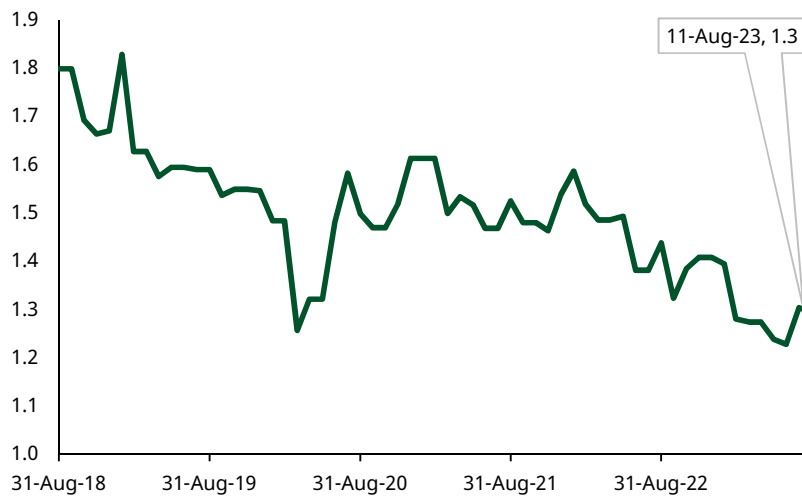
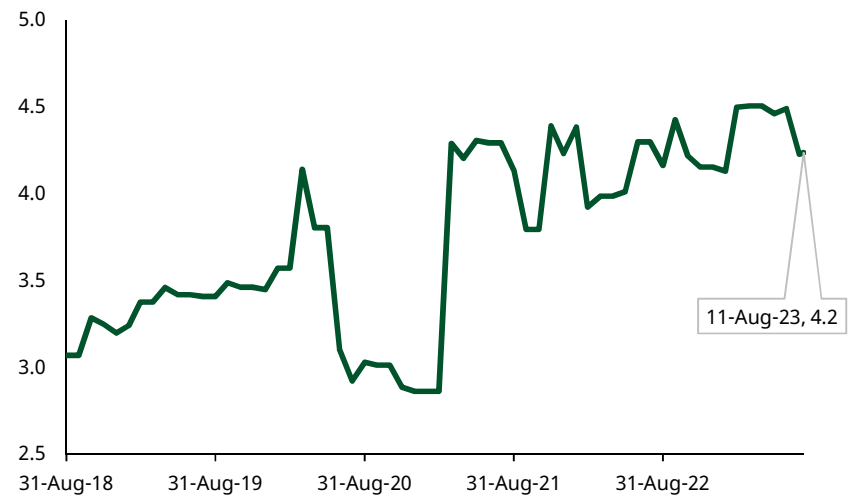


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# 3.0 REGIONAL MARKETS REVIEW

China's market tumbled as the property sector woes worsened.

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

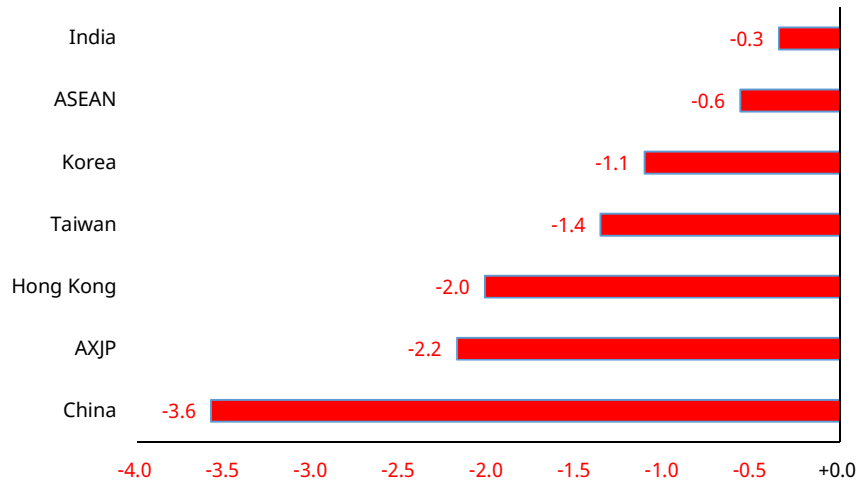


Exhibit 2: Country Performances Year-to-Date (%)

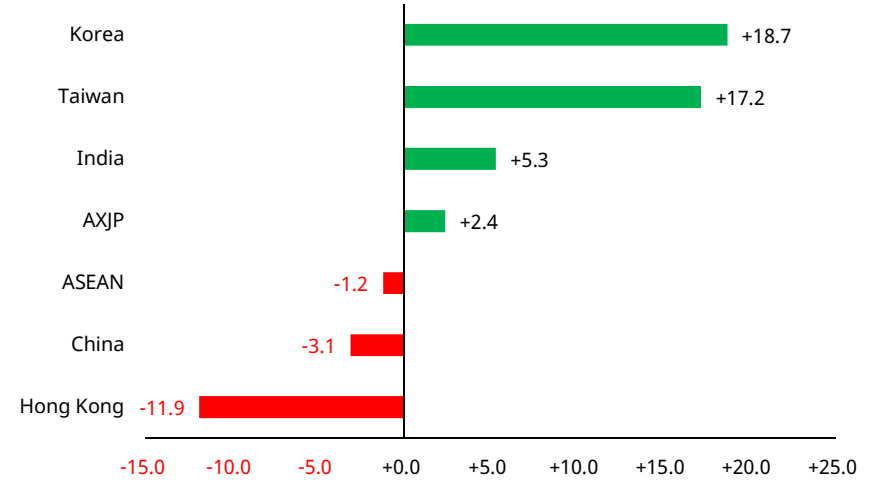


Exhibit 3: Sector Performances Week-to-Date (%)

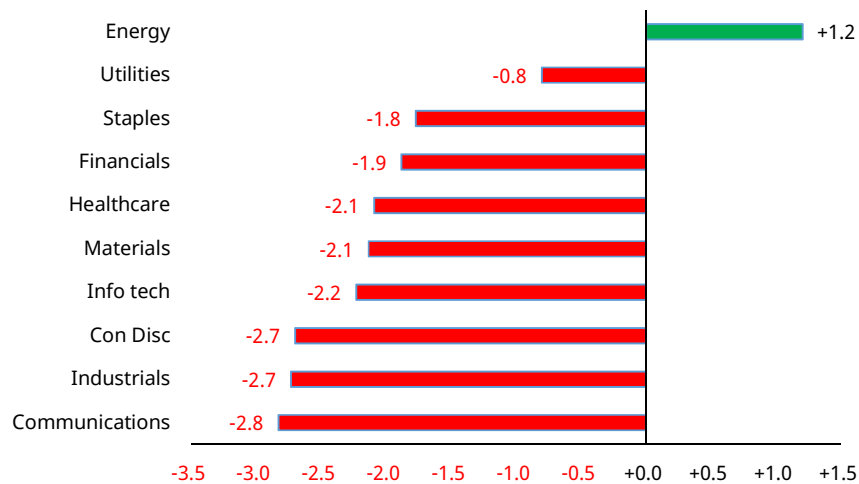
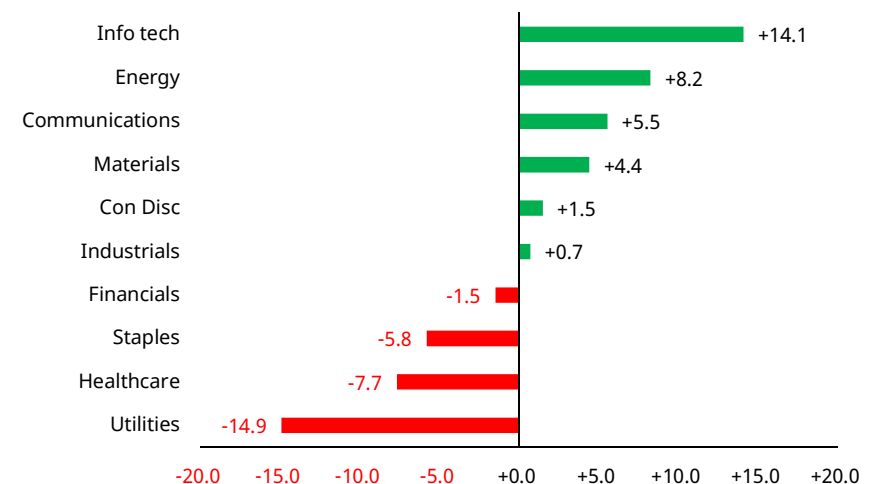


Exhibit 4: Sector Performance Year-to-Date (%)



Source: Bloomberg

# 3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

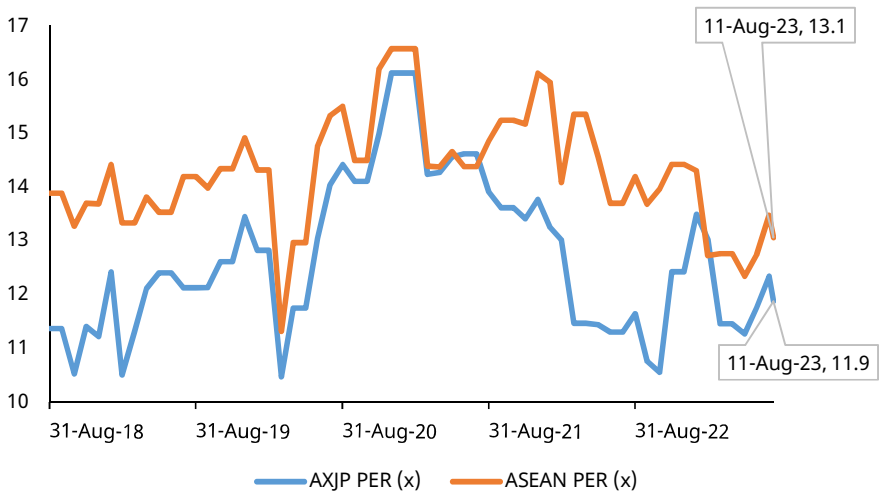


Exhibit 6: Regional Price-to-Book Ratio (x)

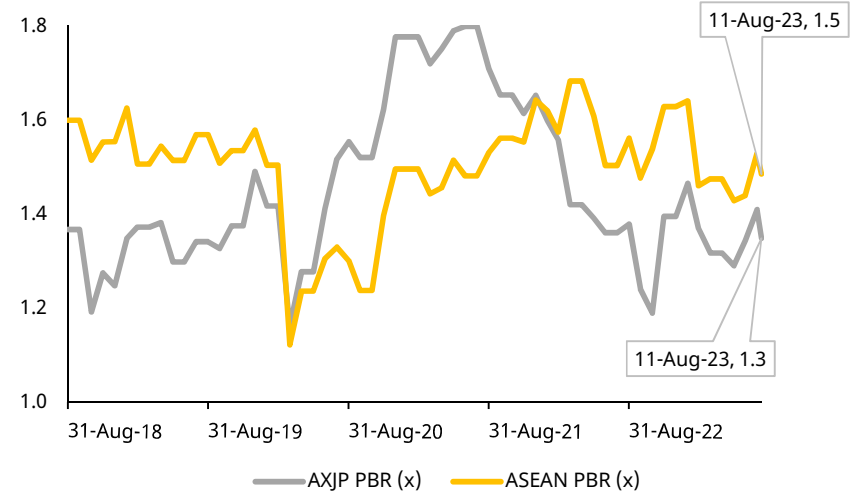


Exhibit 7: Regional Dividend Yield (%)

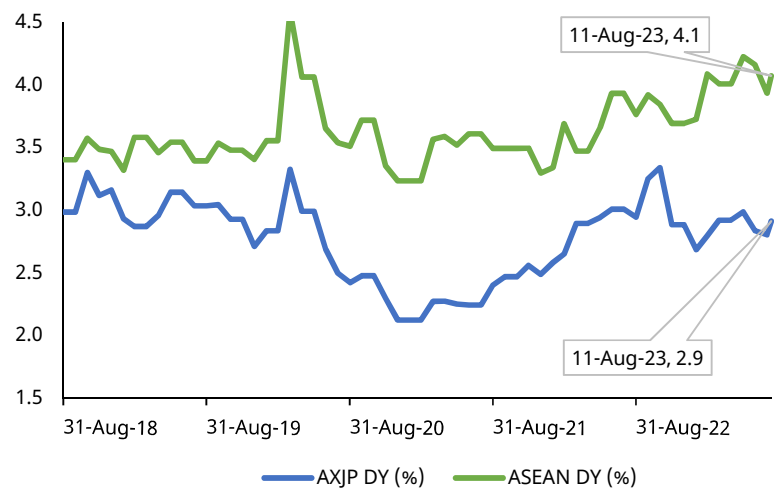
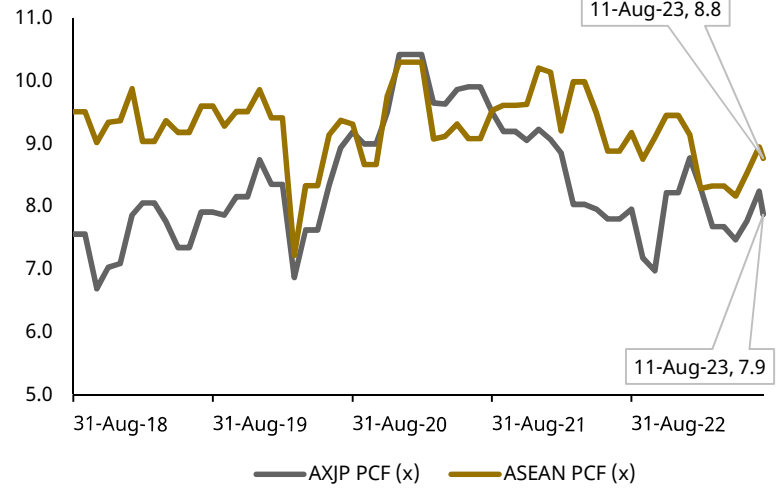


Exhibit 8: Regional Price-to-Cash Flow (x)



# 4.0 FOREIGN FUND FLOWS

## Foreign Funds Net Buy Malaysia & India since end-July

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

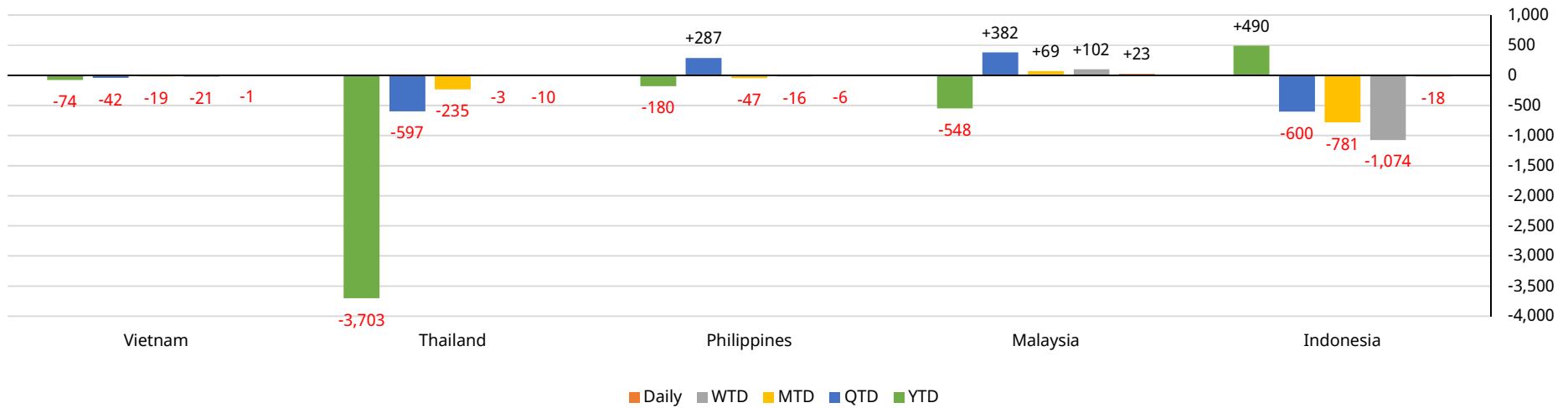
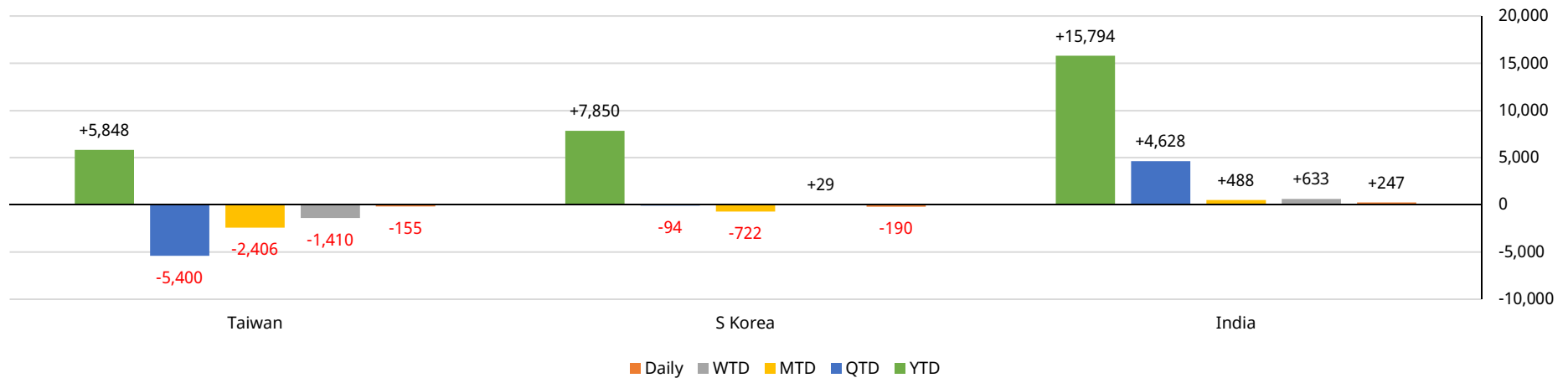


Exhibit 10: Selected North and West Asian Markets (Net USD mil)

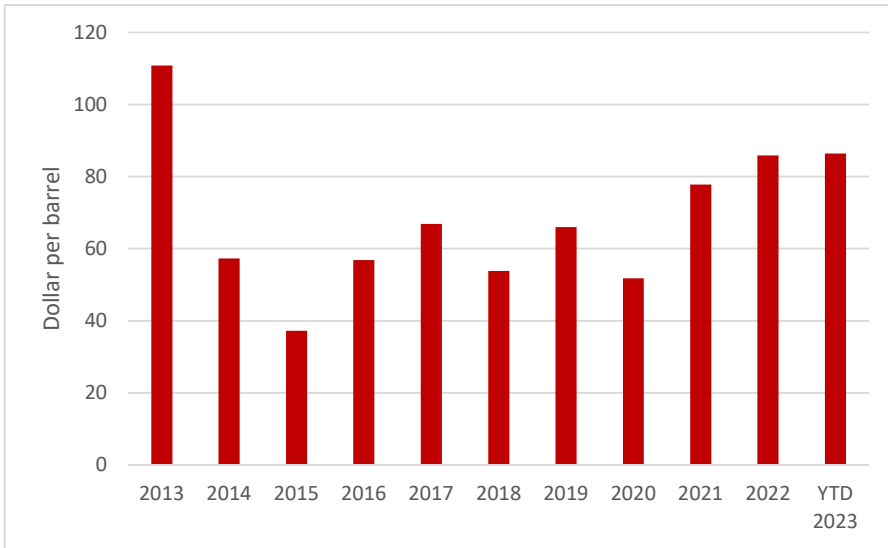




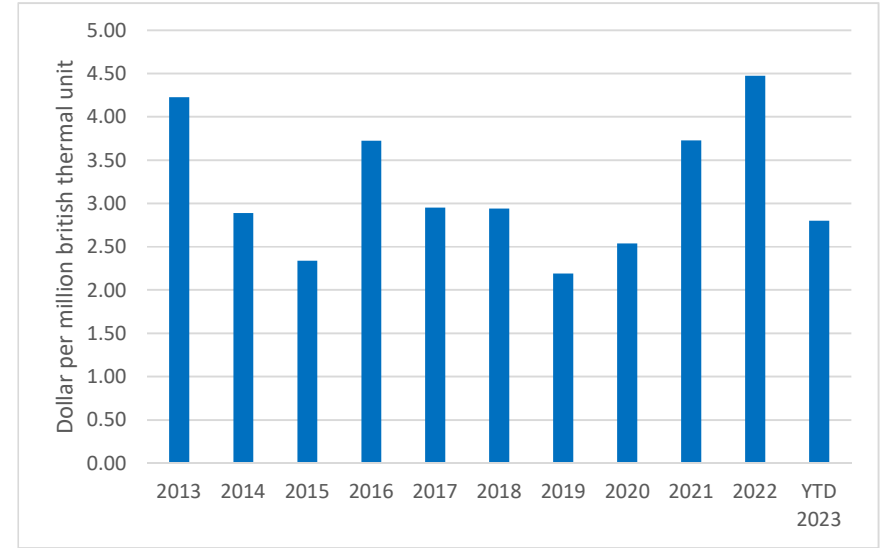
# 5.0 Energy Annual Prices

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

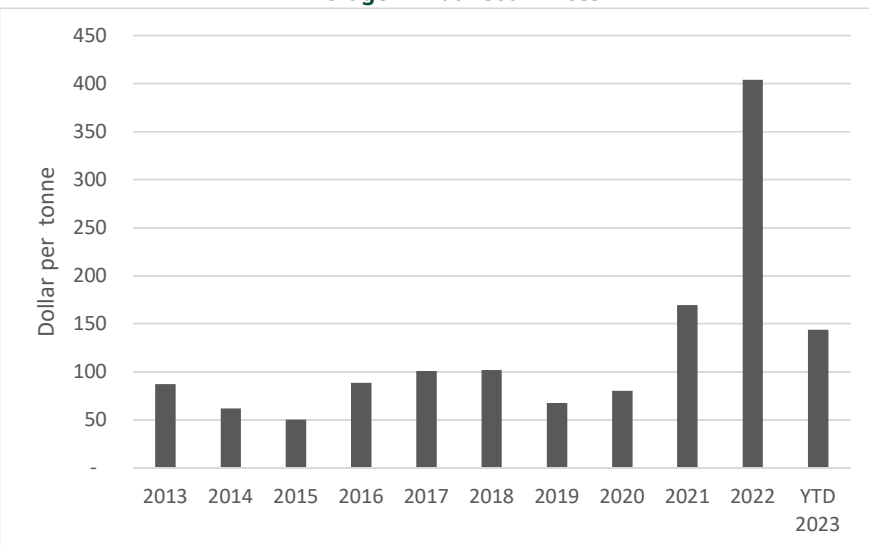
Average Annual Brent Oil Prices



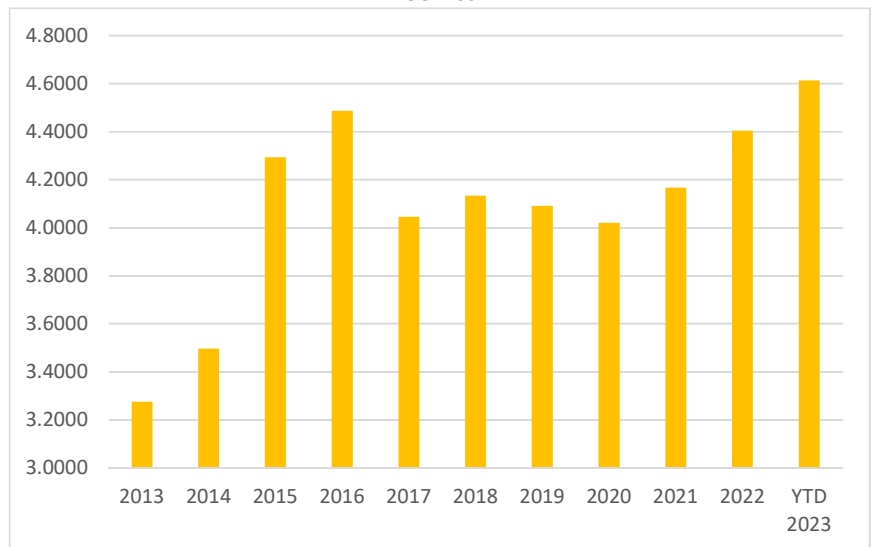
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

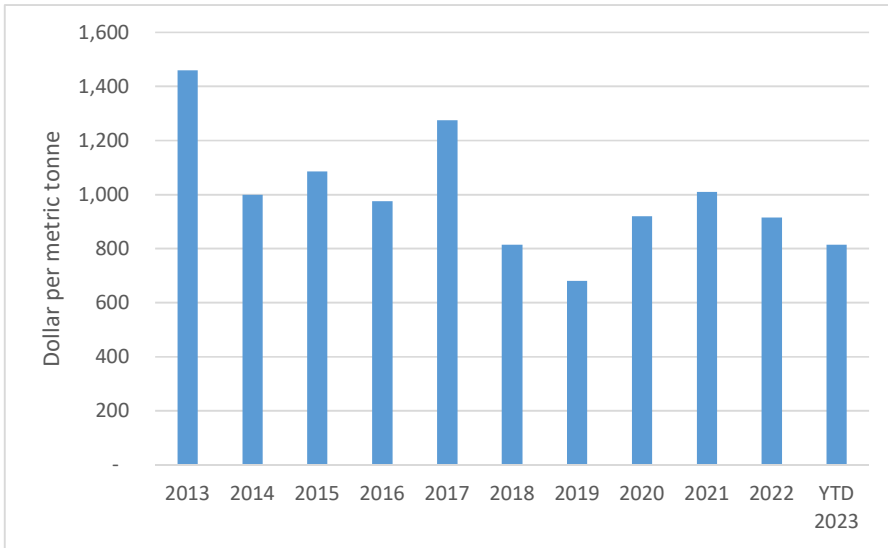


Source: Bloomberg

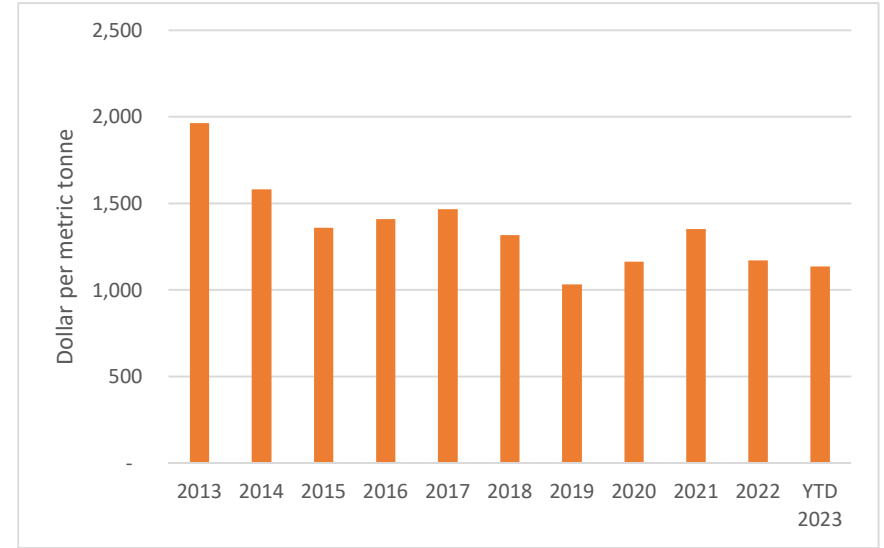
# 5.1 Petrochemical Annual Prices

## Prices Decline on Weak China Demand

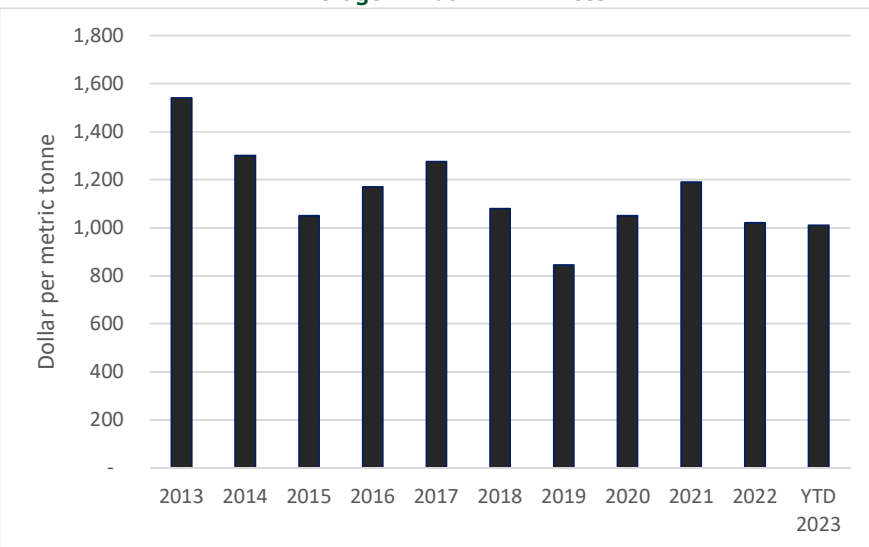
Average Annual Ethylene Prices



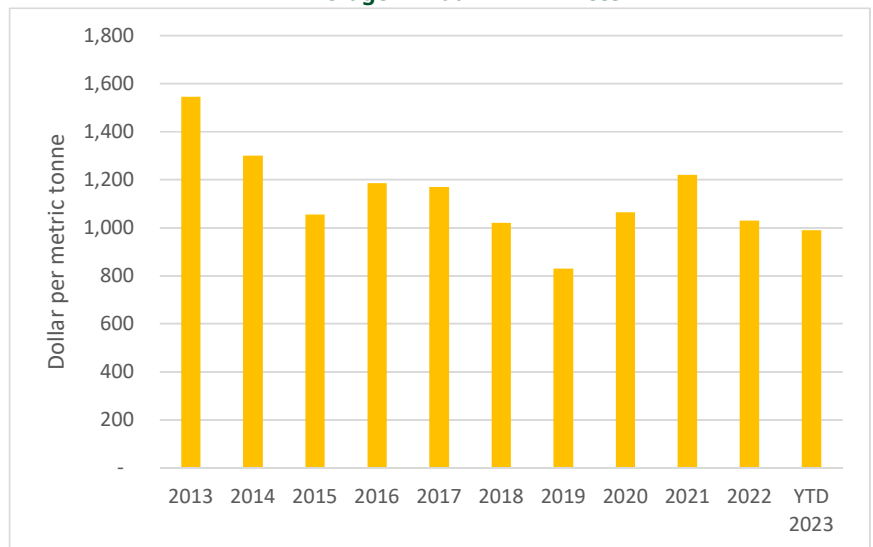
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

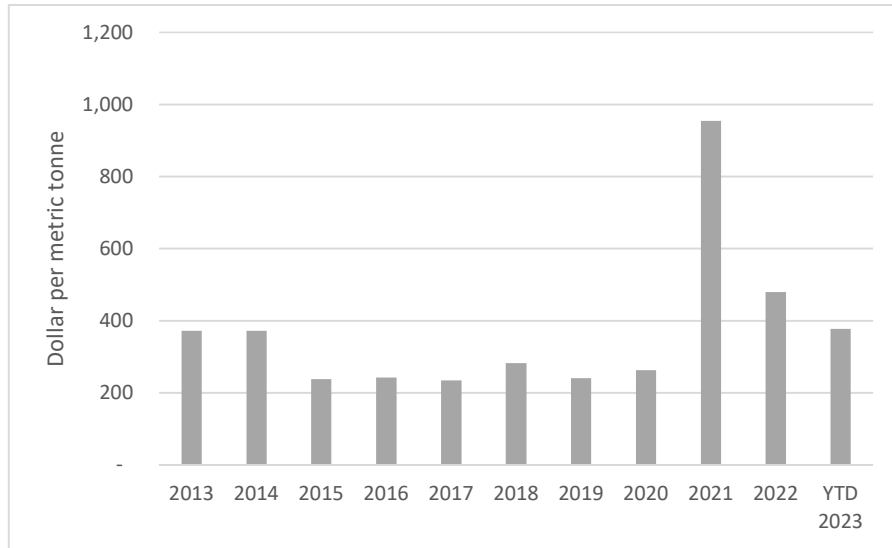


Source: Bloomberg

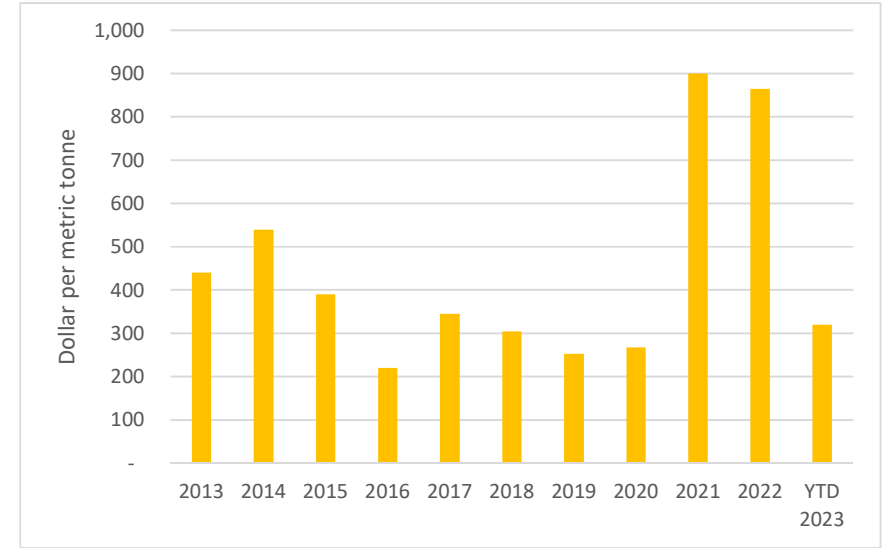
# 5.2 Fertiliser Annual Prices

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

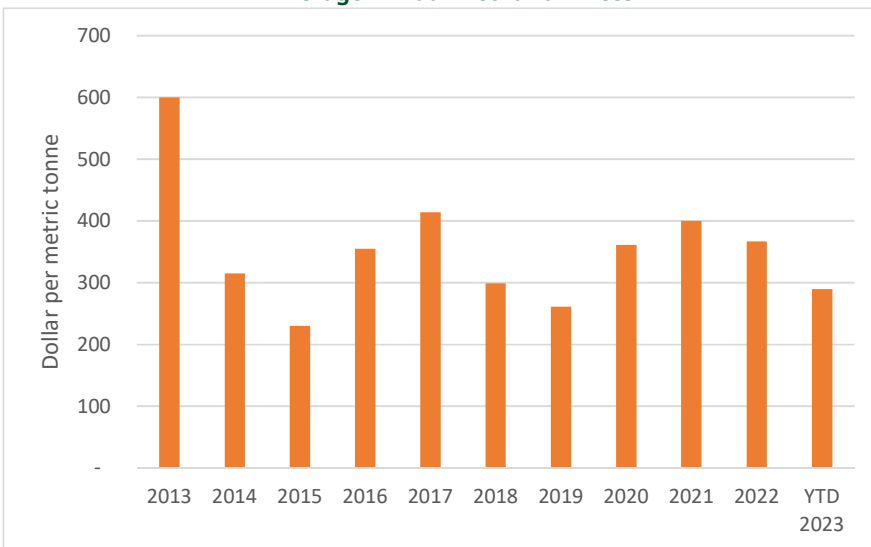
Average Annual Urea Prices



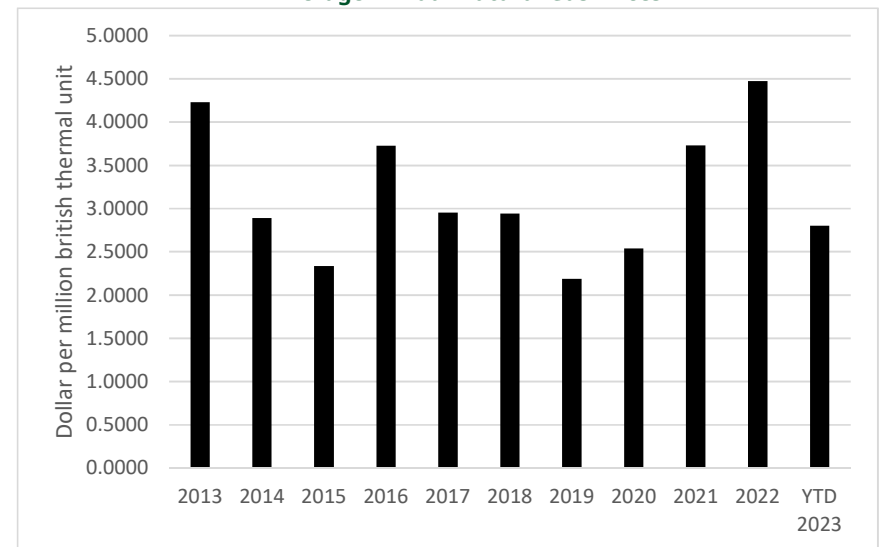
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

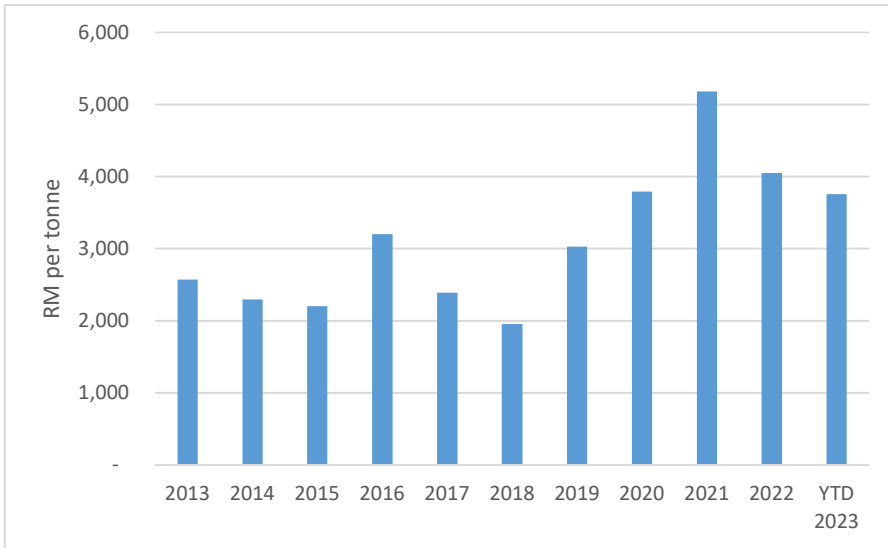


Source: Bloomberg

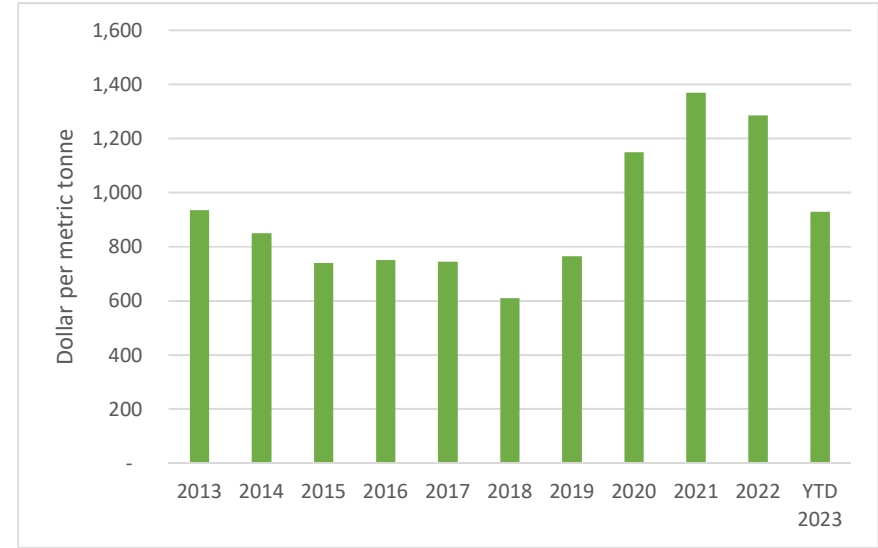
# 5.3 Agricultural Annual Prices

## Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

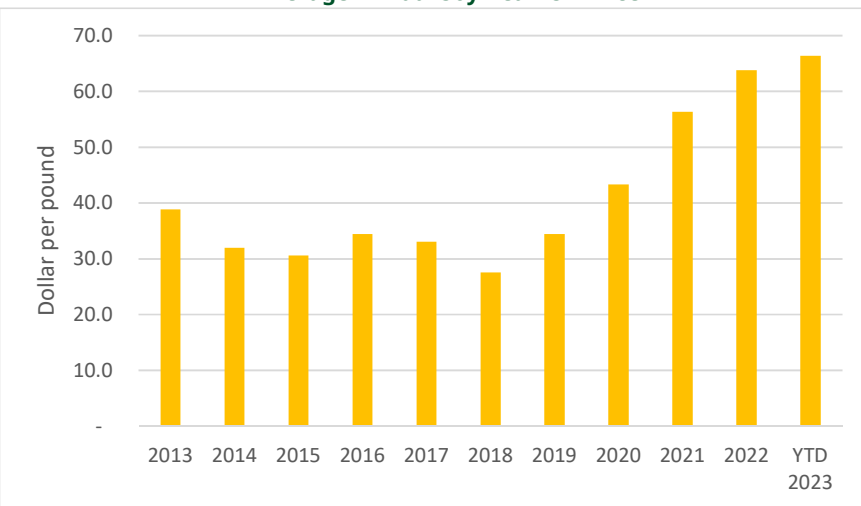
Average Annual Palm Oil Prices



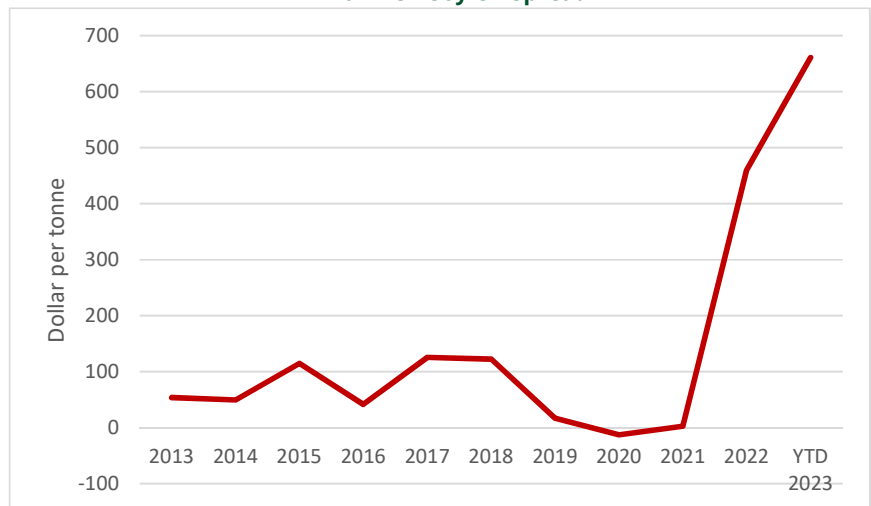
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



Source: Bloomberg

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