

Portfolio Managers' Views


12 September 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (04 - 08 September 2023) & Our Managers' Views

- 1 We remain invested in oil price proxies:** Brent oil prices broke past \$90/bbl during the week as key OPEC+ producers, Saudi Arabia and Russia, extended their production cuts until the end of the year. We believe that this signals the OPEC's cooperation and resilience in maintaining high oil prices to stimulate more investments into the sector. We continue to remain invested in Hibiscus, the only upstream oil producer in Malaysia as high oil prices will drive earnings higher.
- 2 We remain Underweight on Gloves due to competition and unattractive valuations:** During the week, the top 3 glove stocks rallied between 6-12%. This follows Hartalega's management comments that they believe the bottom of demand has passed and prospects should improve by 2H24. Regardless, we still believe that uncertainties surrounding Chinese competition still remains while valuations are not attractive enough to justify the heightened competitive environment.
- 3 GLC restructuring newsflow:** In recent months, we have seen multiple restructuring announcement such as Sime Darby's RM3.57bil acquisition of UMW, KLK's RM 1.15bil acquisition of Boustead Plant and LTAT's estimated bid of RM700mil to privatise Boustead Holdings. We are positive on these corporate activities and other similar moves to restructure Government-Linked companies.
- 4 Government projects to drive growth in 2024:** We attended a strategy outlook call with one of Malaysia's top banks. They remained bullish on the KLCI as they expect 2024 earnings to grow +12.3% YoY which is largely driven by Budget 2024, new rail projects and green energy projects. We note that strong earnings growth may be subject to decline as the year progresses, similar to 2023, if macroeconomic conditions remain unfavorable.
- 5 Valuations:** FBMKLCI is now trading at very attractive levels. Its 2023 price-earnings ratio ("PER") of 14.6x is nearly at the bottom end of its 12-year low. 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 4.2% 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.

2.0 MALAYSIA MARKET REVIEW

Gloves Rallied on Demand Bottoming News

Exhibit 1: KLCI vs Shariah Index

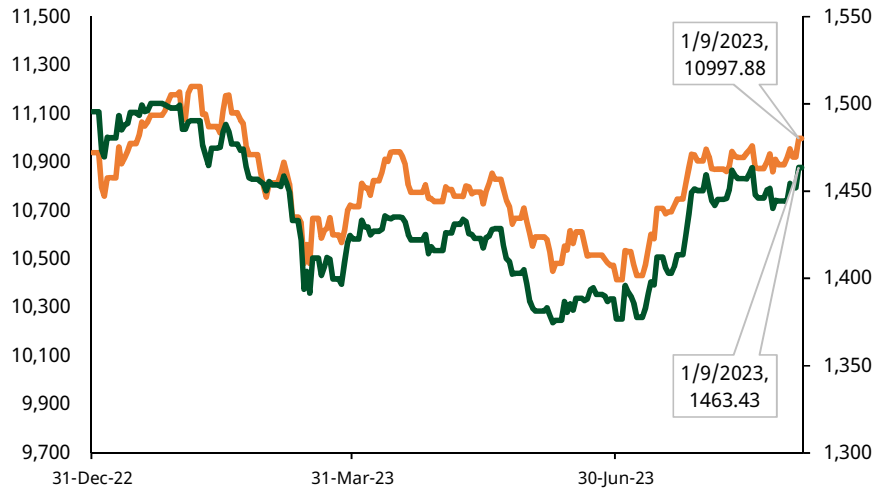


Exhibit 2: USDMYR

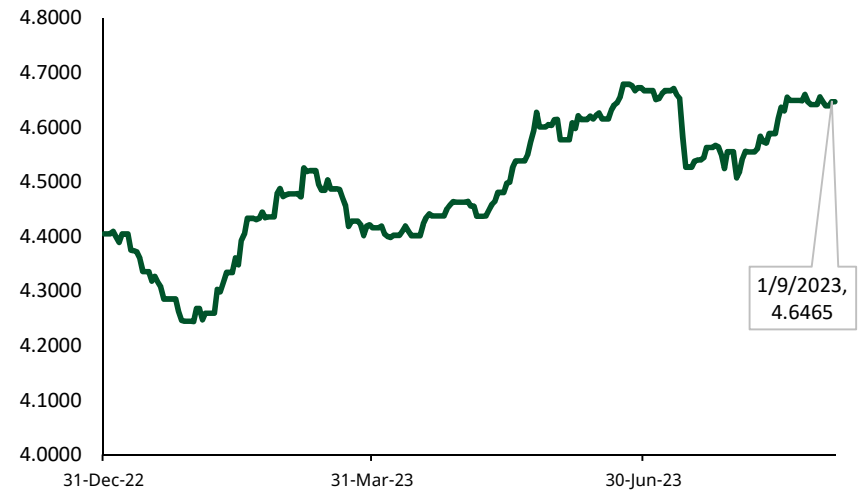


Exhibit 3: Sector Performances Week-to-Date (%)

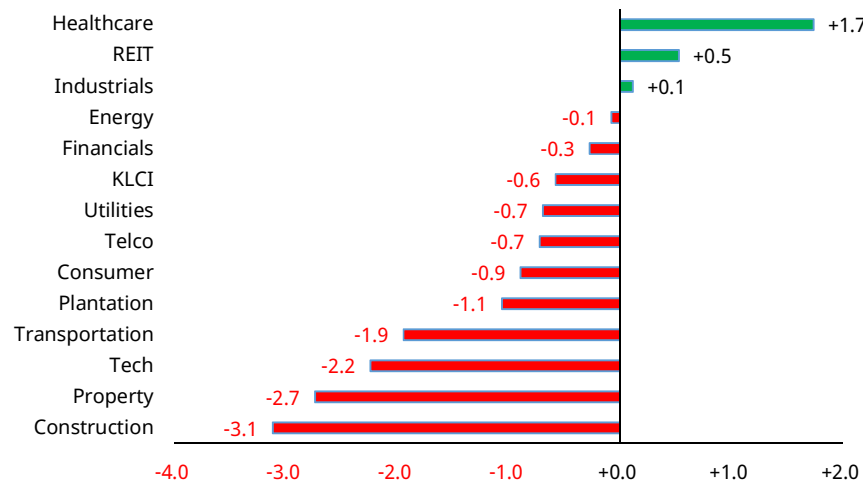
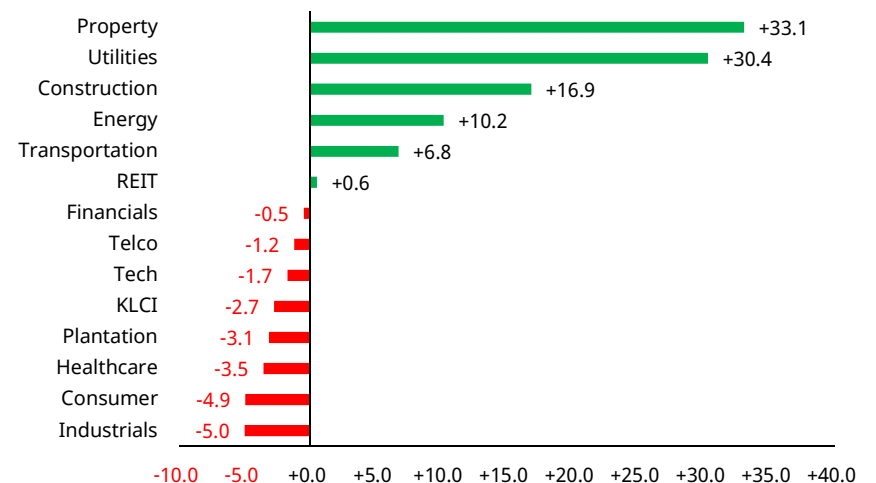


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Valuations Remain at Historical Bottoms - BUY Territory

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

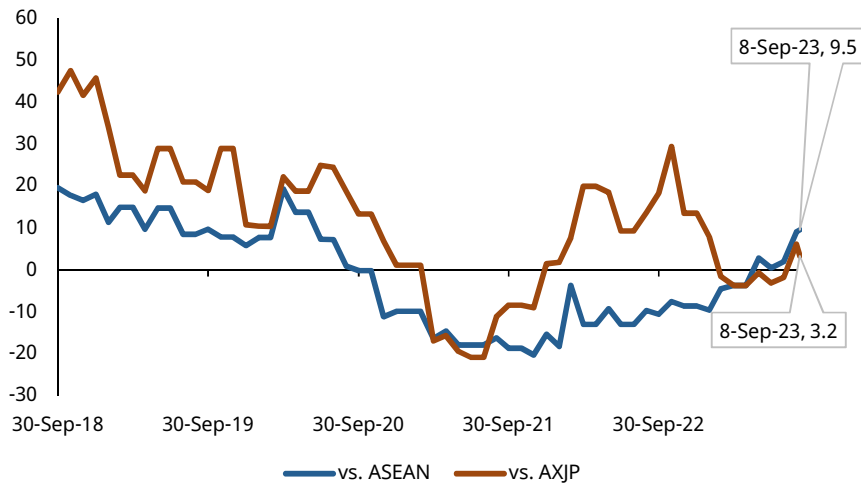


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

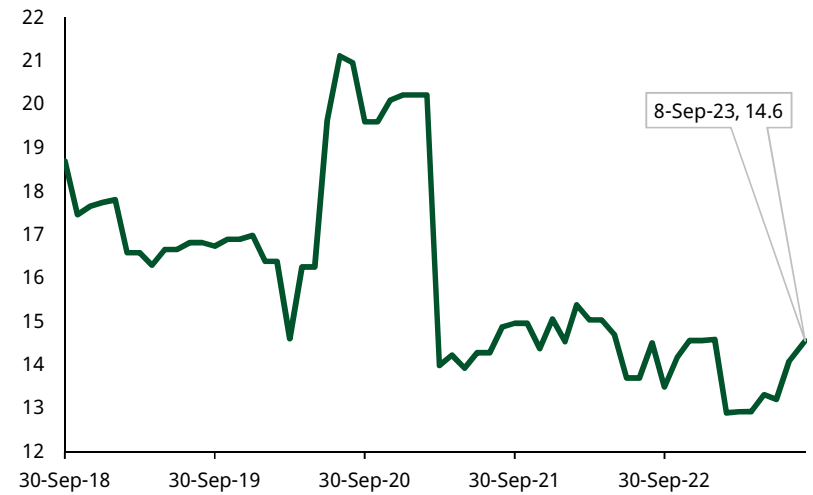


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

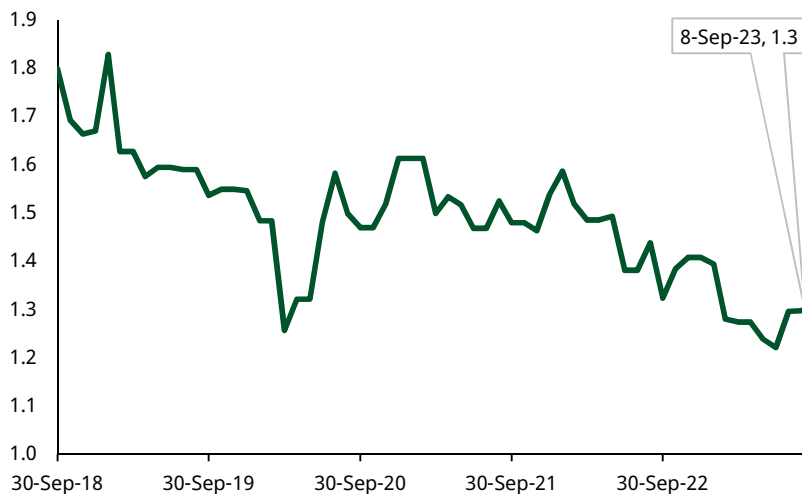
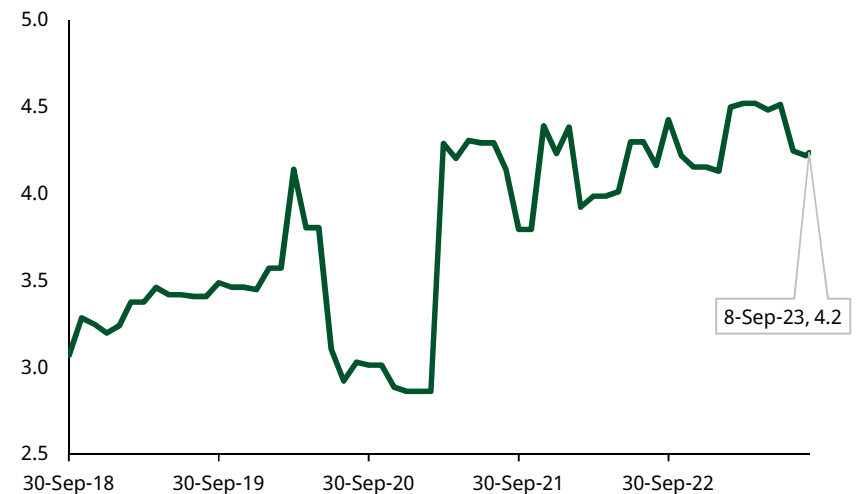


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

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



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

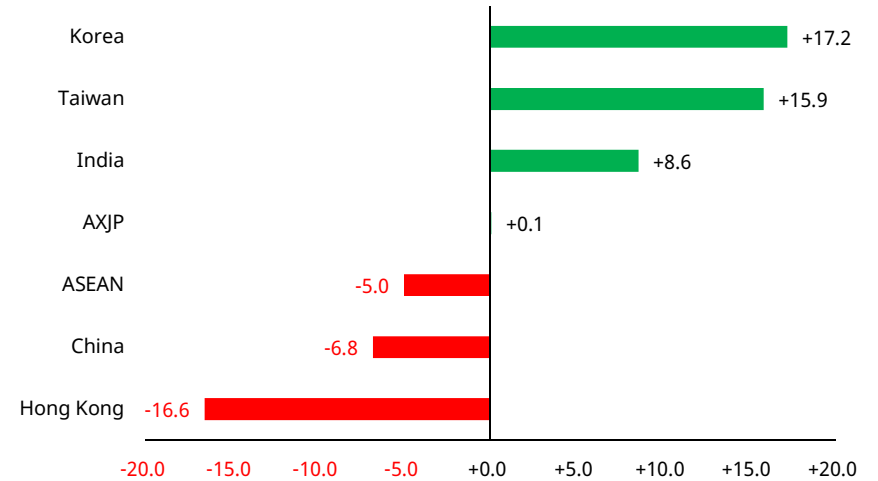


Exhibit 3: Sector Performances Week-to-Date (%)

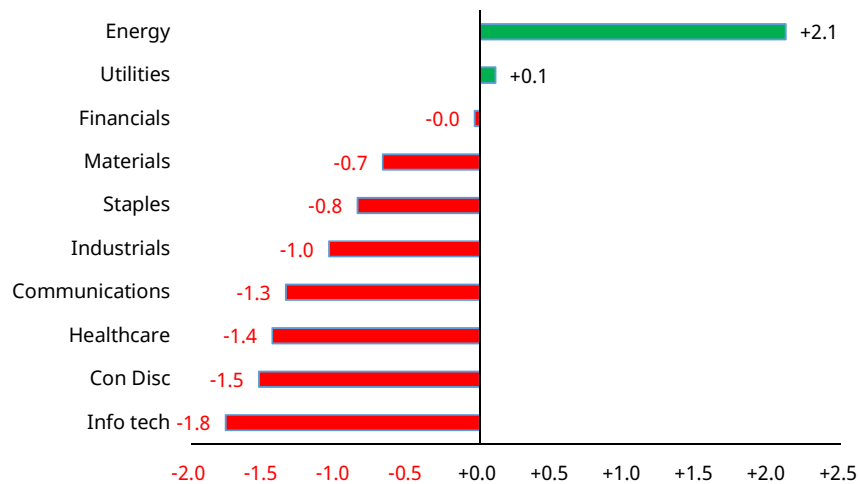
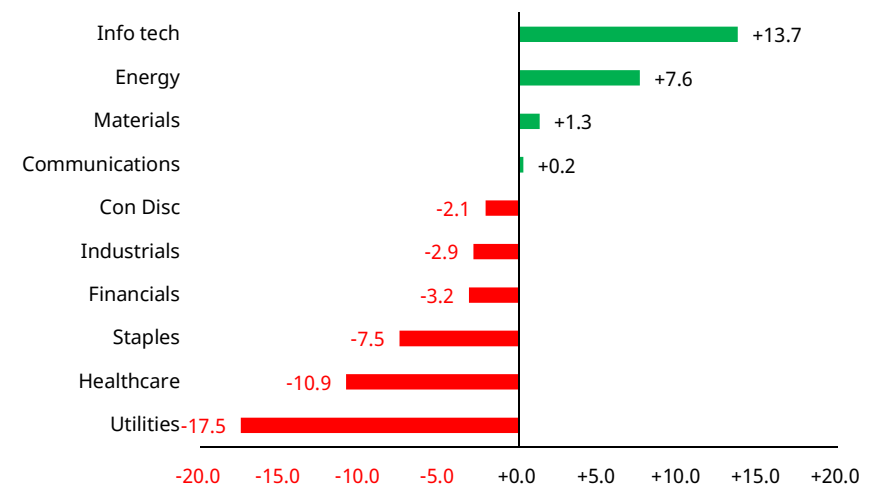


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

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

Exhibit 5: Regional Price-Earnings Ratio (x)

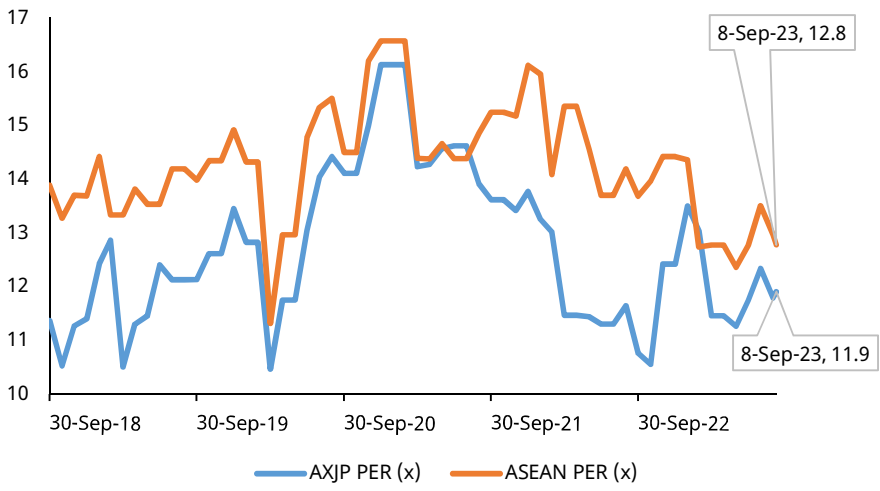


Exhibit 6: Regional Price-to-Book Ratio (x)

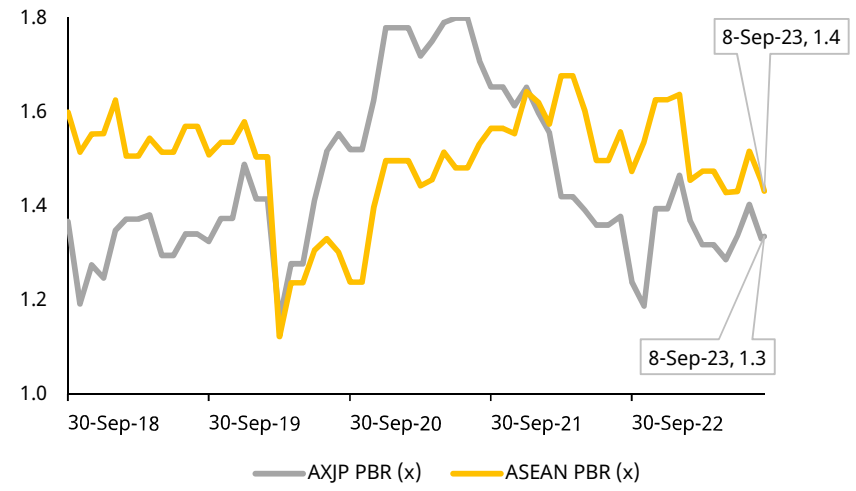


Exhibit 7: Regional Dividend Yield (%)

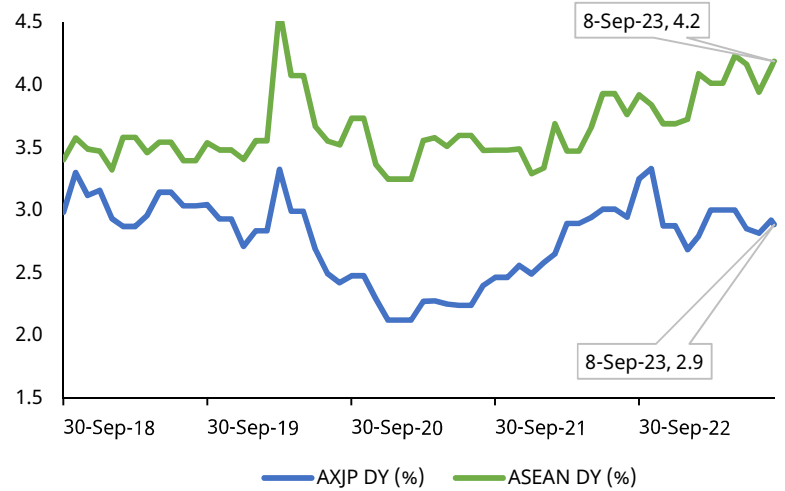
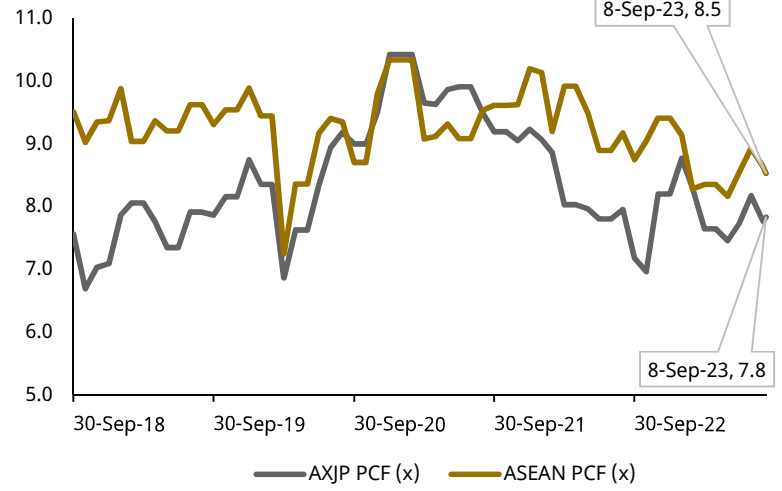


Exhibit 8: Regional Price-to-Cash Flow (x)



Source: Bloomberg

4.0 FOREIGN FUND FLOWS

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

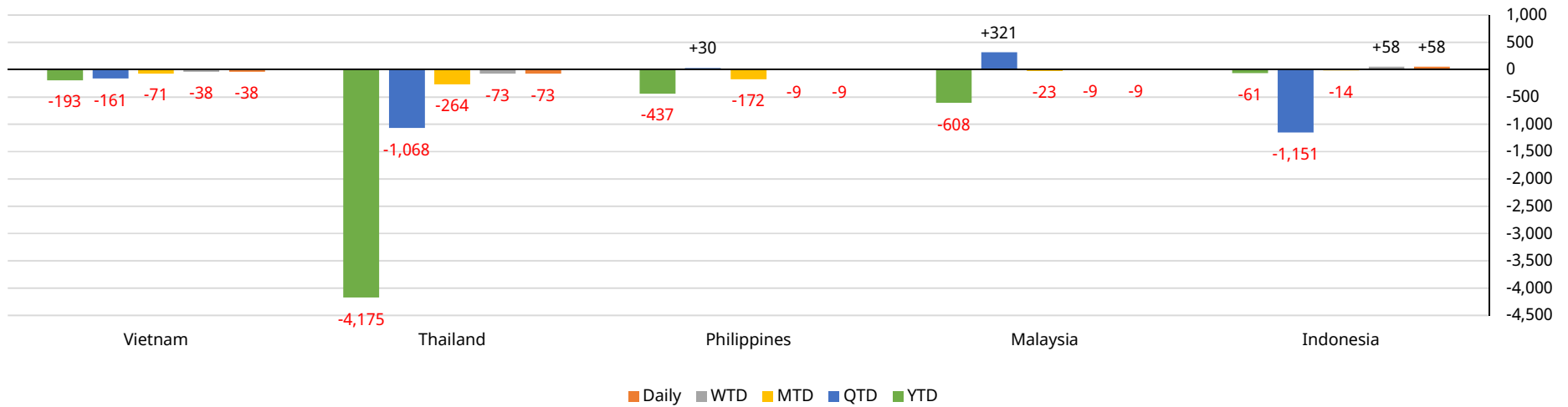
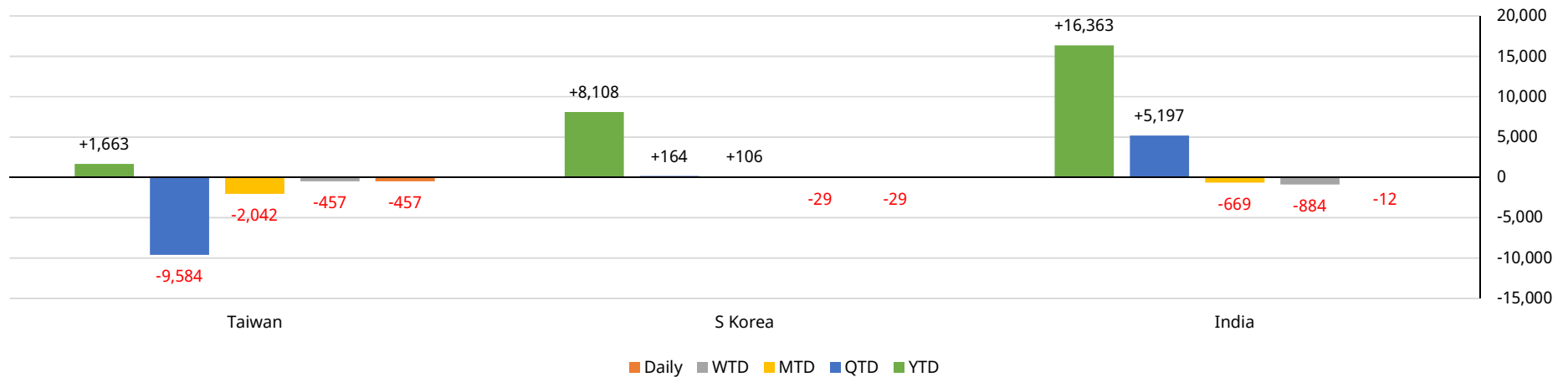


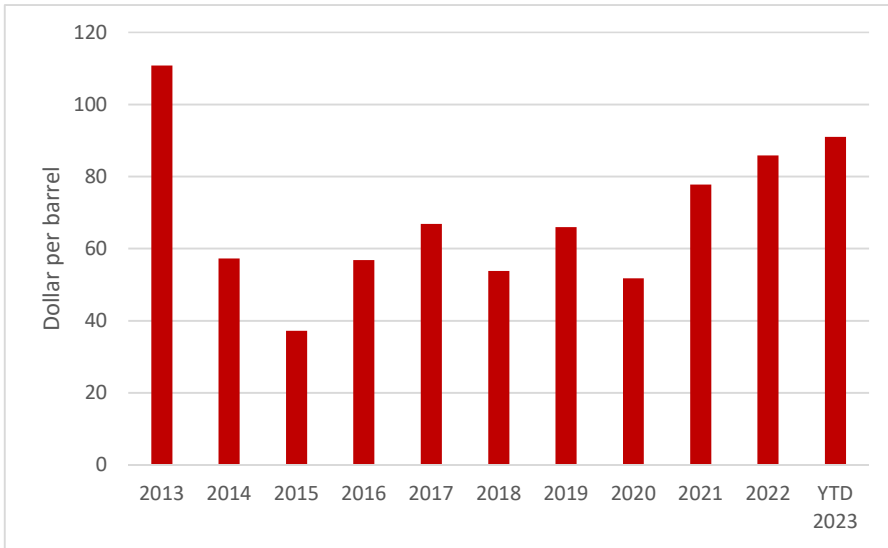
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



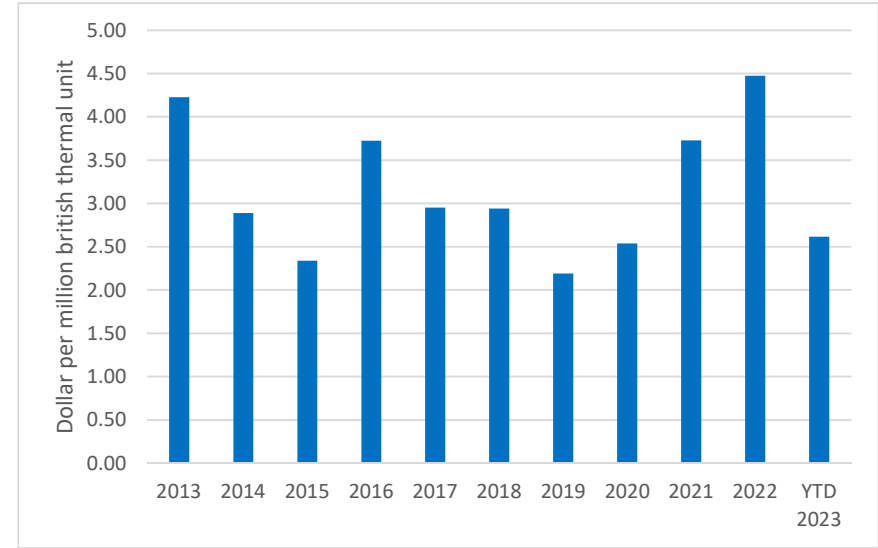
5.0 Energy Annual Prices

Oil Prices Rose above \$90/bbl as Key Producers Extend Production Cuts

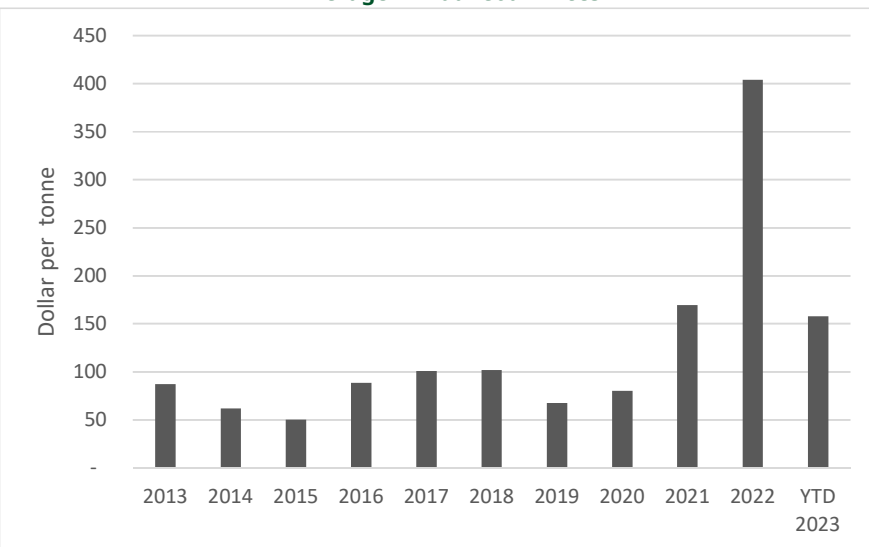
Average Annual Brent Oil Prices



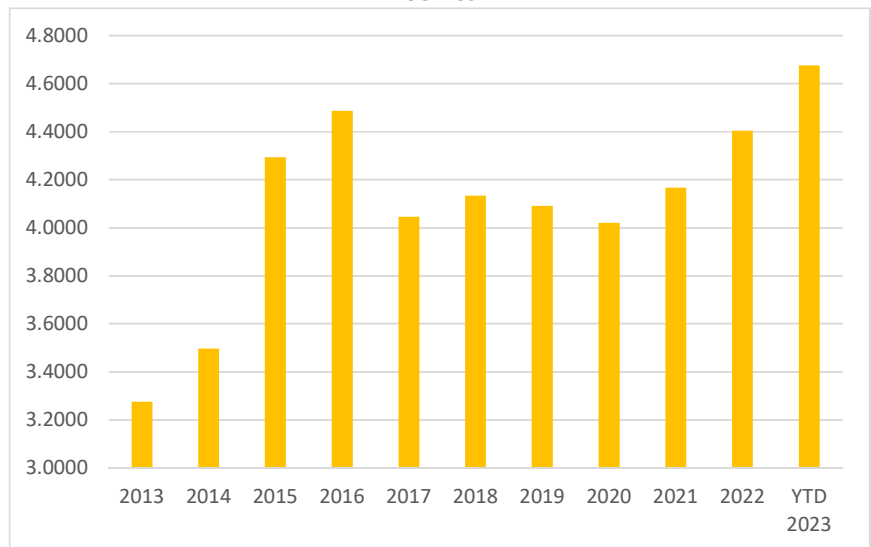
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

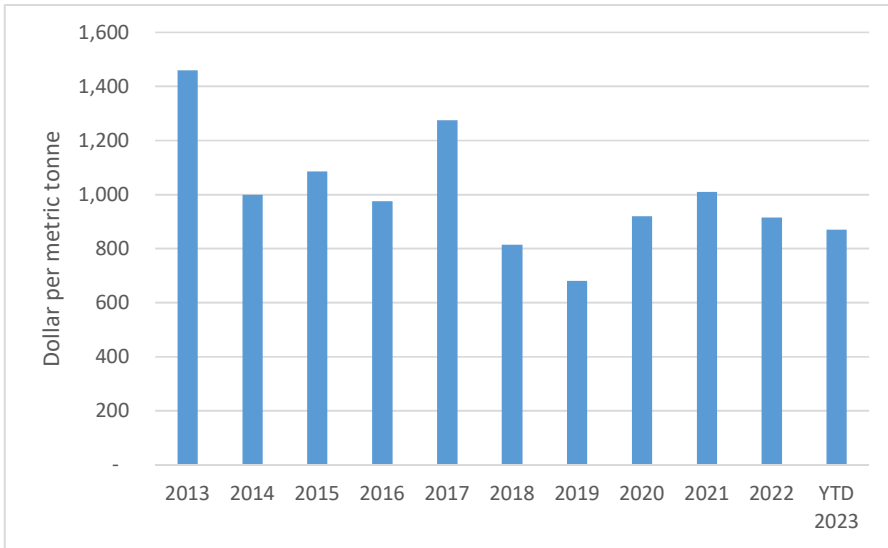


Source: Bloomberg

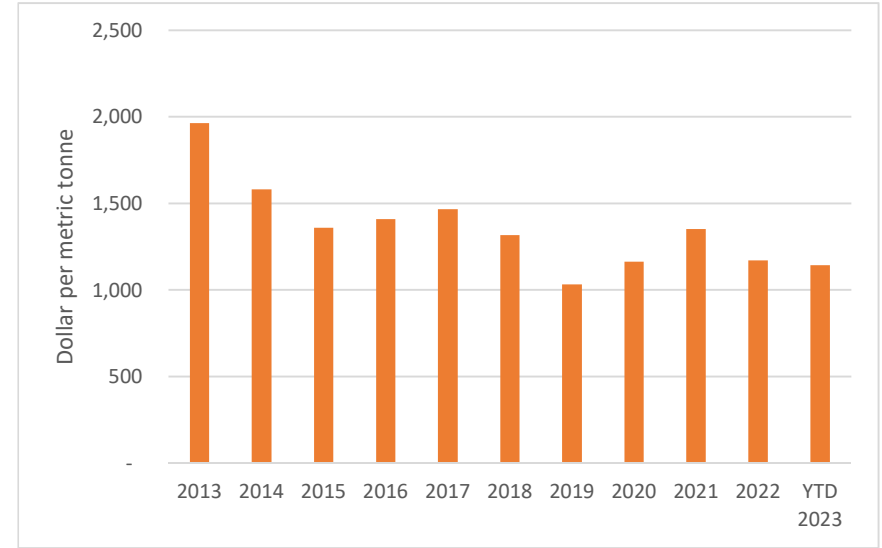
5.1 Petrochemical Annual Prices

Prices Decline on Weaker Global Demand

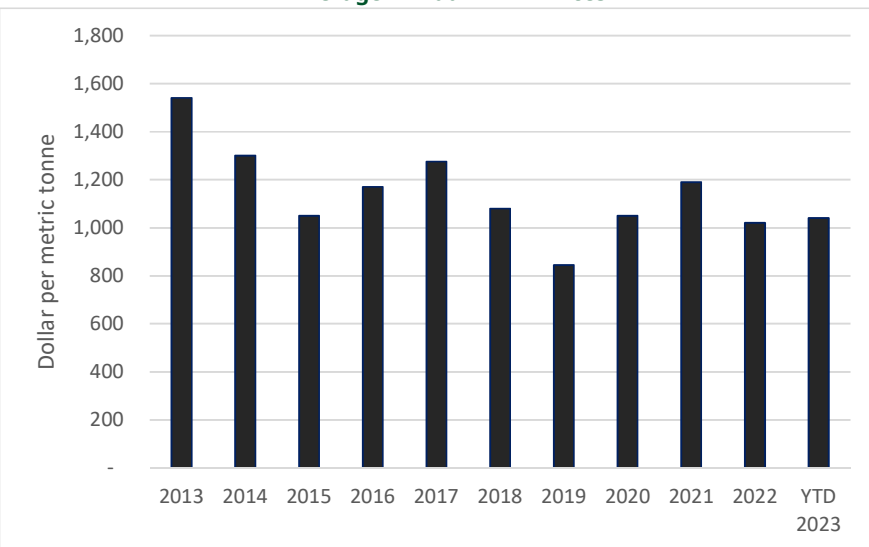
Average Annual Ethylene Prices



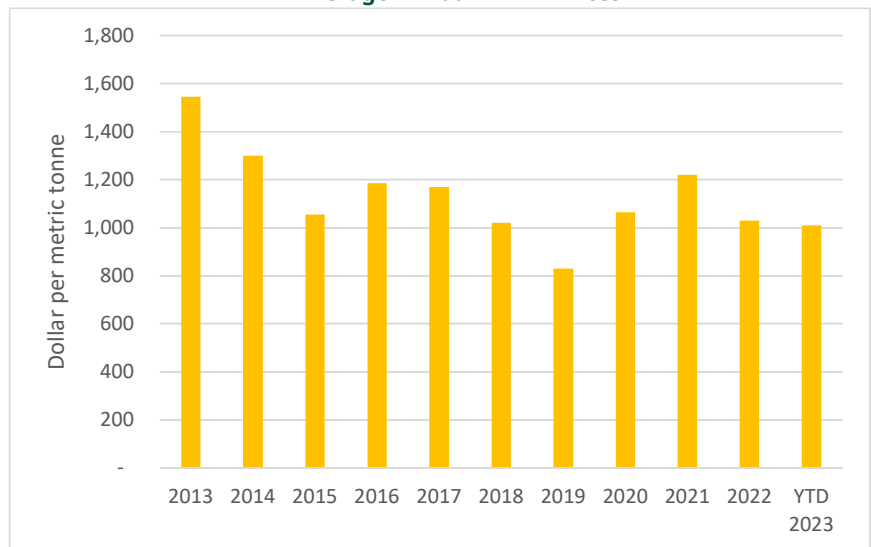
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

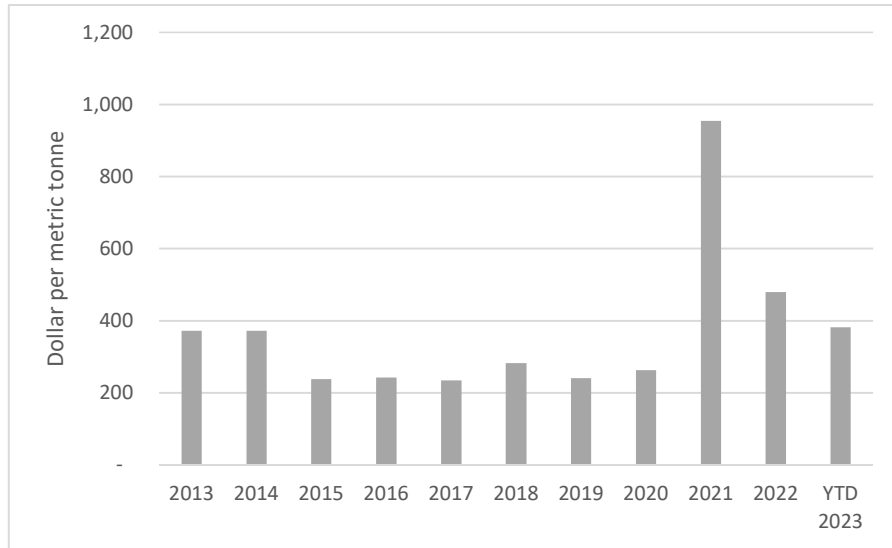


Source: Bloomberg

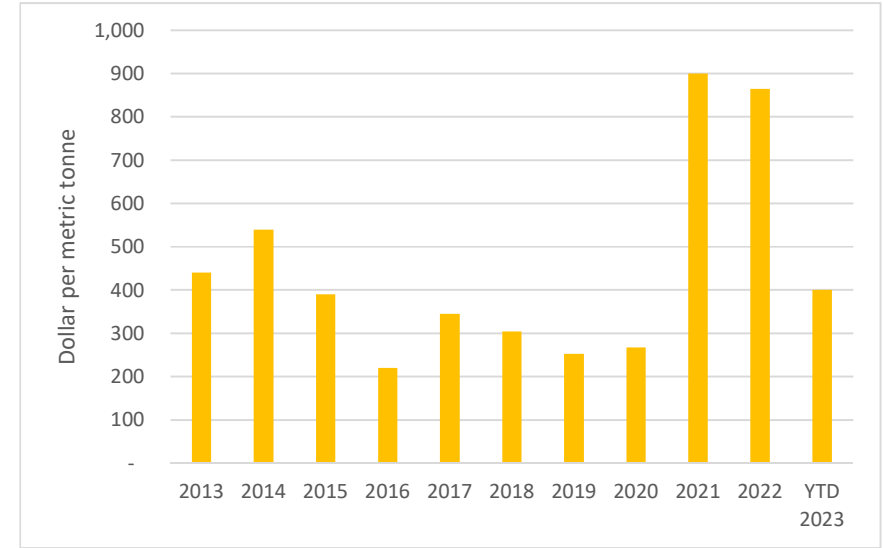
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trended Lower, Tracking Natural Gas Prices

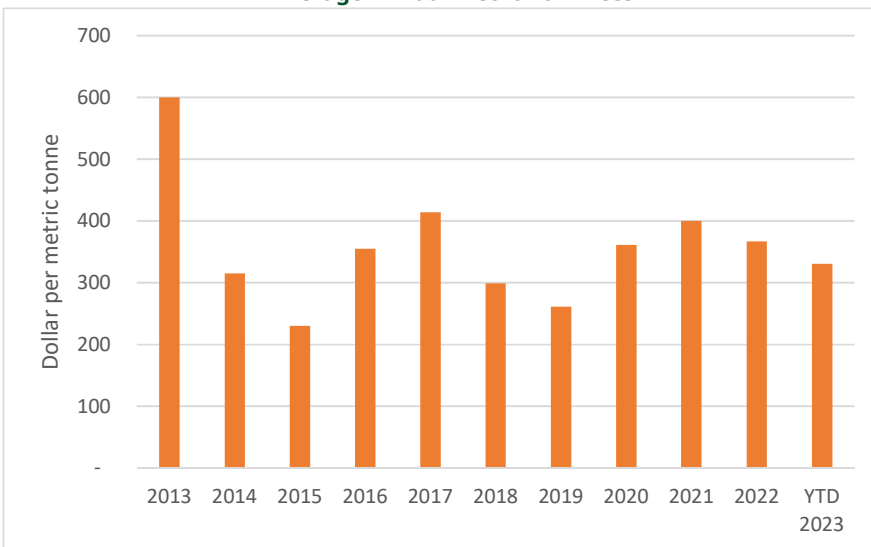
Average Annual Urea Prices



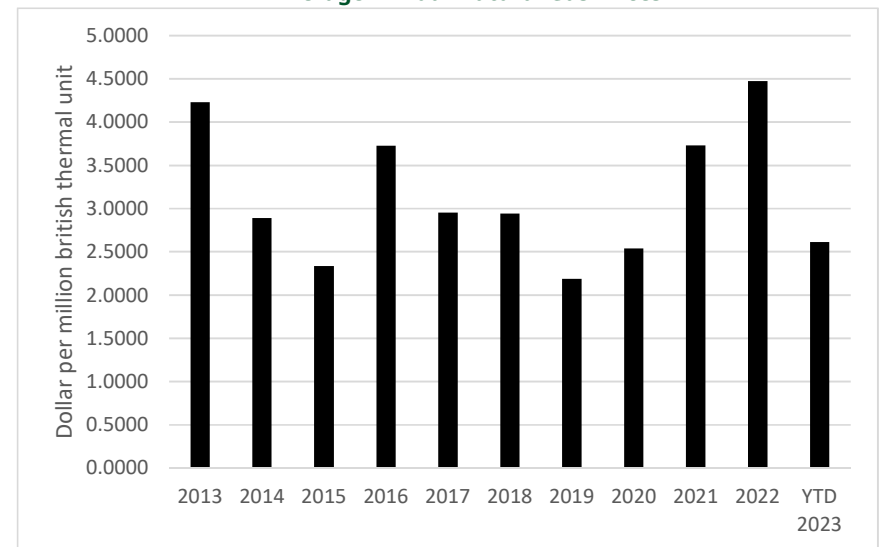
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

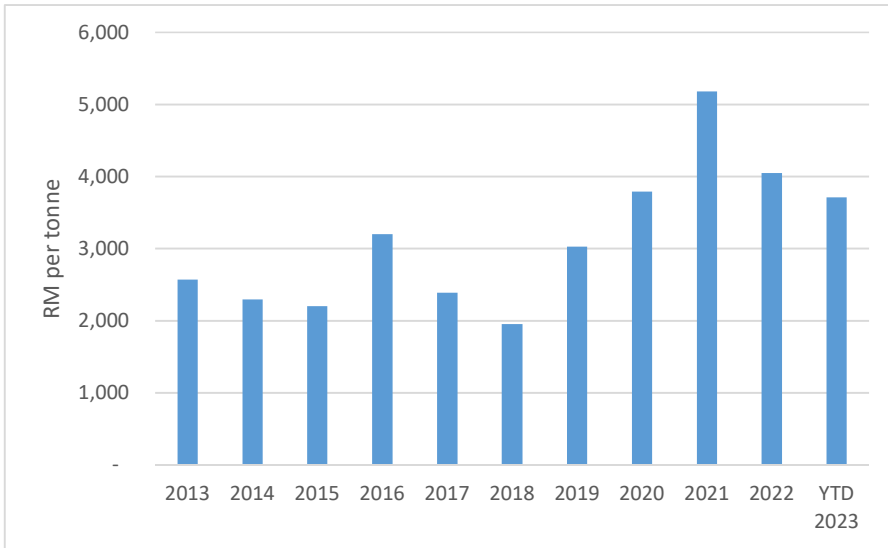


Source: Bloomberg

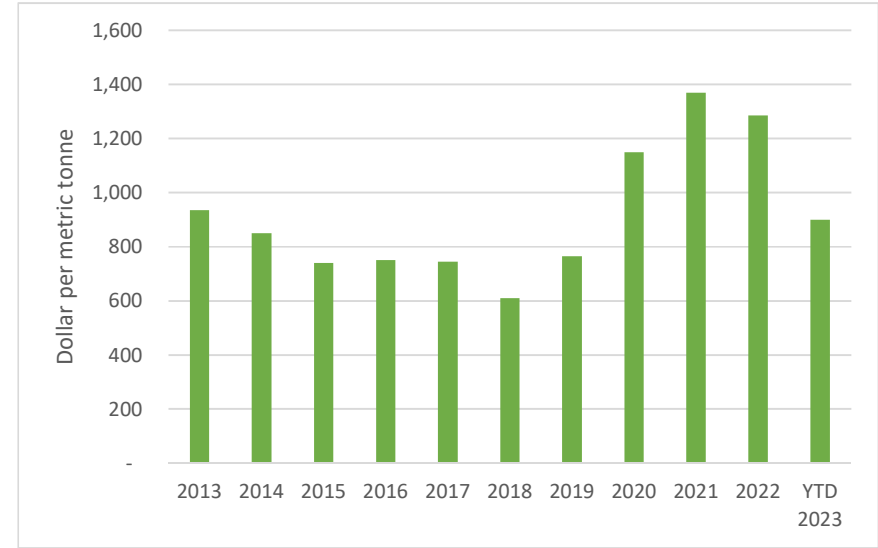
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

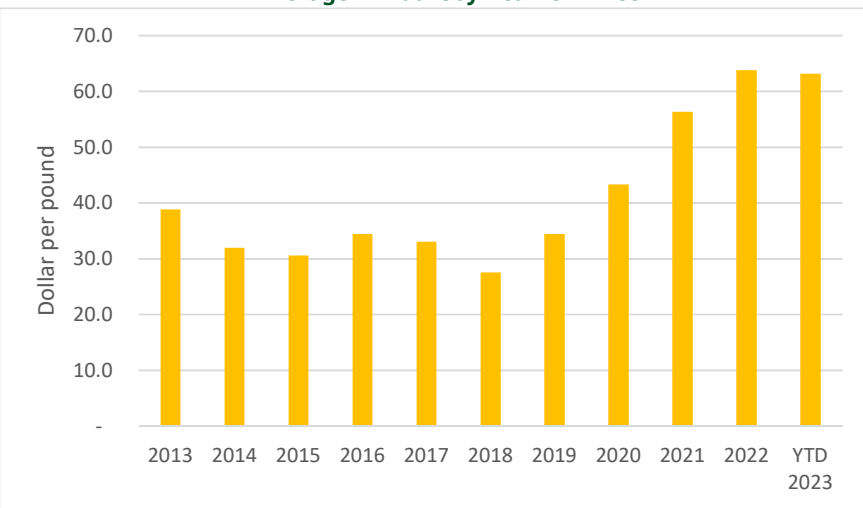
Average Annual Palm Oil Prices



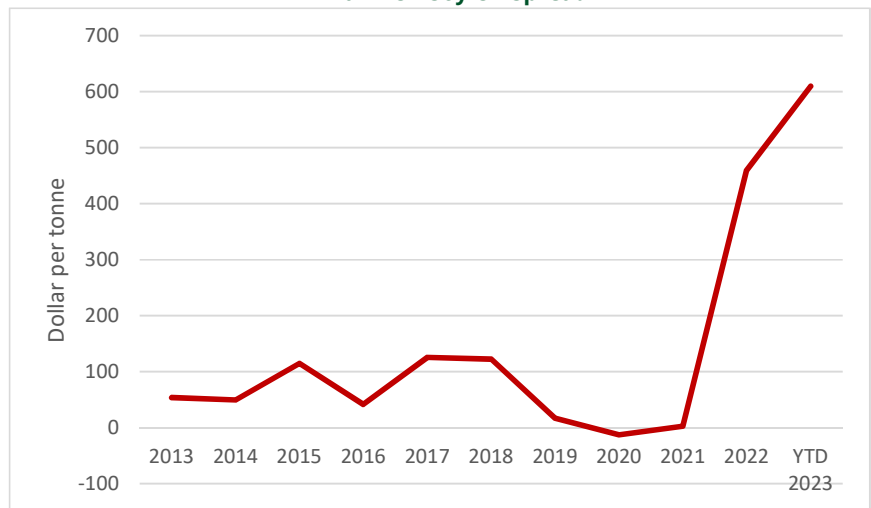
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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