

# Portfolio Managers' Views



**September 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Month of September 2023 in Review & Our Managers' Views

1

**Interest rate expectations triggered a market sell-off:** The US Fed's chair Jerome Powell spooked markets as he cautioned that rates may remain higher for longer to curb inflation in light of a resilient job market and service inflation. Higher interest rates are negative for capital markets as they translate to lower profits (from higher interest expenses), growth expectations (from tighter access to financing) and valuations (as discount rates move higher).

When checked against the market implied policy rates (MIPR), expectations for interest rates remained unchanged from 3 months ago. The MIPR suggests that the Fed may cut rates by 85bps in 1 year's time, and subsequently another 85bps for the following year. We still hold the thesis that markets are being overpessimistic and we believe that this presents an opportunity to continue to build our positions in companies and sectors that we favour.

2

**Oil prices remained high on production discipline and low US inventories:** Oil prices staged a sustained rally in Sept-23 from \$88/bbl to a high of \$96/bbl as key producers in OPEC and Russia maintained production cuts. Prices then fell on month end \$84/bbl as the Fed signalled for higher interest rates for longer which could have lasting effects on expected oil demand in 2024.

We think that demand expectations are erratic and speculative. Instead, we focus on more solid data points such as declining OPEC oil production numbers to maintain high oil prices (see Chart 1) and the largest oil consumer, the United States, having oil reserves at historically low levels (see Chart 2). We think these subject oil prices to greater upside risk if any potential disruption occur (such as the Israel-Hamas conflict). We are invested in upstream oil producers.

3

**Tech demand bottomed out, but strength of recovery in question:** Based on the latest global semiconductor sales data, Aug-23 sales rose to \$44bil. Although this is a YoY decline of -6.8%, this was a sequential increase of 1.9% MoM. We think this reinforces our view of the sector's bottoming out as the YoY trend has passed its inflection point (see Chart 3) and should have seen the worst in the sector behind us.

However, we gathered anecdotes that the demand outlook for tech in 2024 remains muted due to global macroeconomic factors such as high inflation rates, interest rates and geopolitical tensions. As such, prefer to look at bottom-up ideas for tech exposure in subsectors with individual drivers. For example, we like the memory market which benefits from AI-related drivers and product price recovery which correlates with global semiconductor sales' YoY trend (see Chart 4).

# 1.1 OIL PRODUCTION DISCIPLINE & LOW US INVENTORY

Oil Markets Susceptible to Upside from Supply Shocks or Surprise Demand

Chart 1: OPEC Oil Production (Black) vs Brent Oil Price (Red)

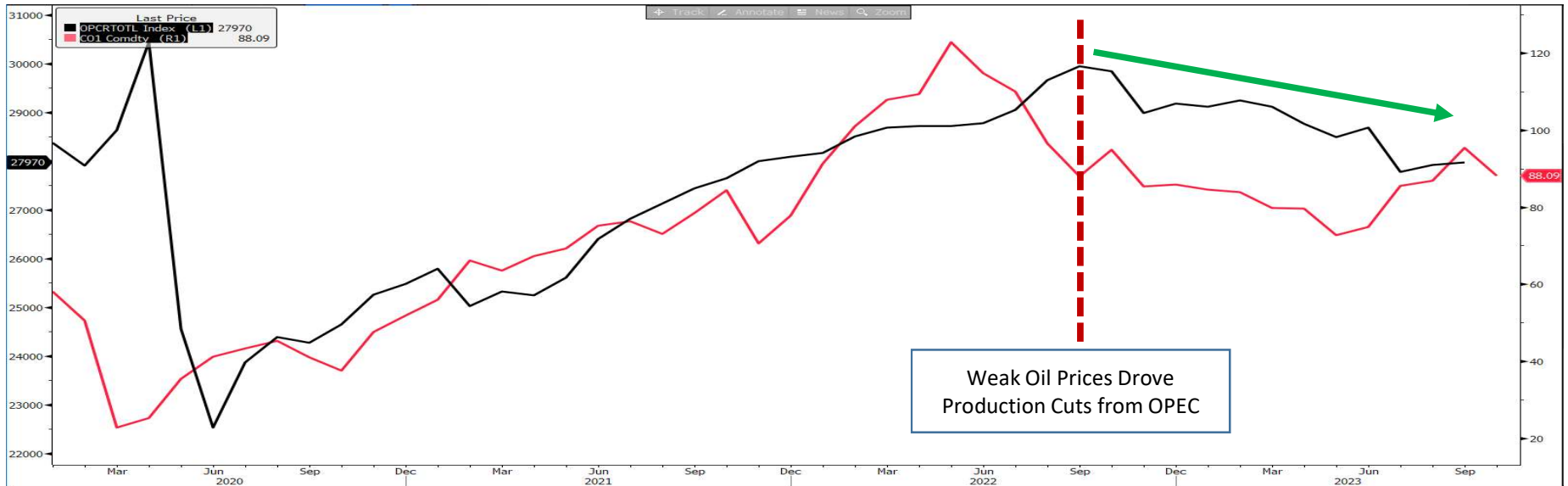


Chart 2: US Total Oil Inventory (Including Strategic Reserves) - Lowest Point in over 20 Years



Source: bloomberg

# 1.2 TECH BOTTOMING PROCESS

## 2024 Outlook Remains Muted for Most Tech Subsectors with Some Exceptions

Chart 3: Global Semiconductor Sales Had Passed an Inflection Point (Potential Bottoming Out for Tech)

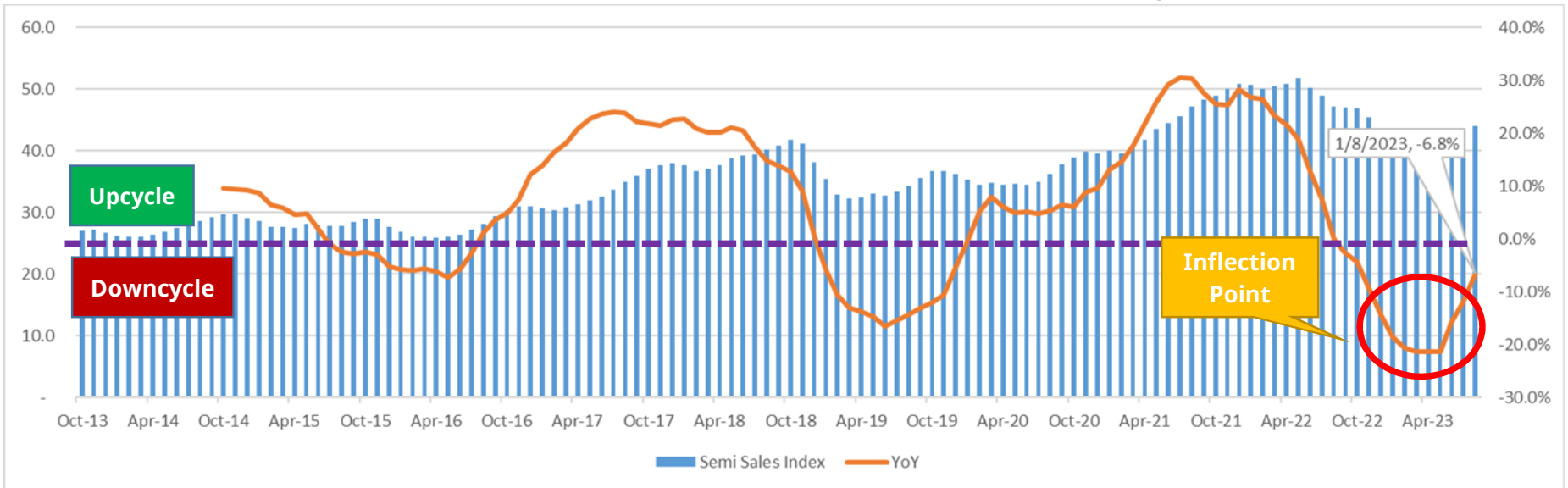
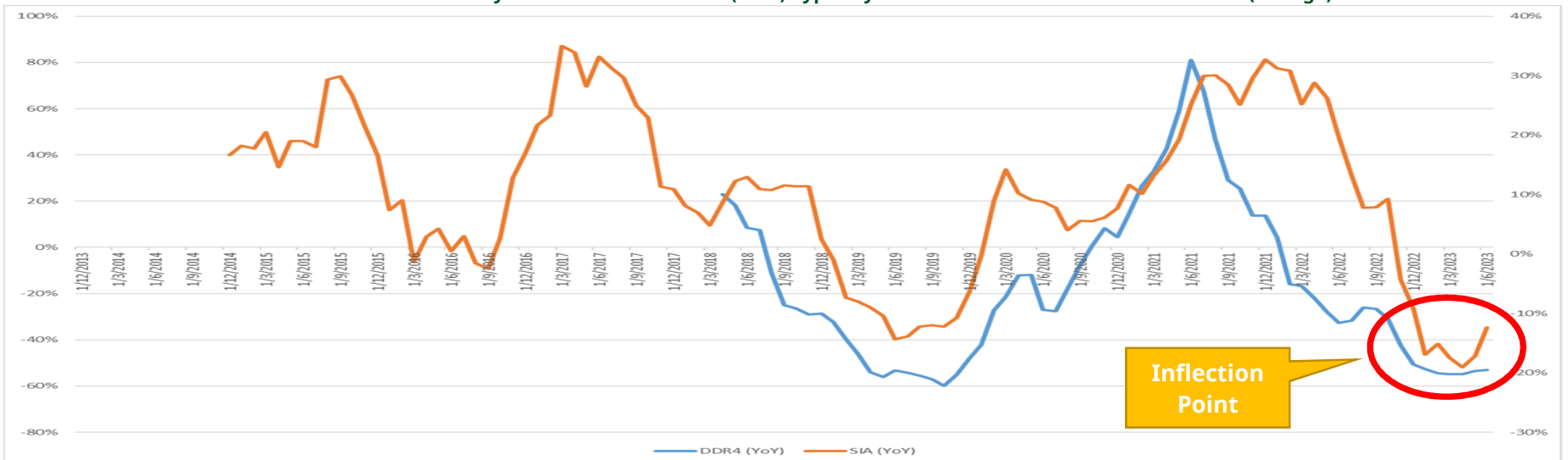


Chart 4: DDR4 Memory Product YoY ASP Trend (Blue) Typically Tracks Semiconductor Sales YoY Trend (Orange)



Source: Bloomberg

# 2.0 MALAYSIA MARKET REVIEW

Malaysia Tracked Global Market's Decline | Energy Rallied on Higher Oil Prices

Exhibit 1: KLCI vs Shariah Index

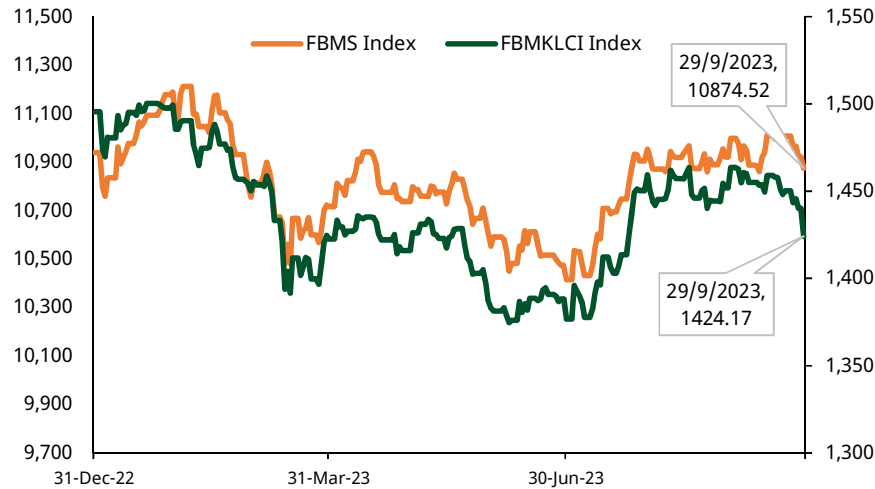


Exhibit 2: USDMYR

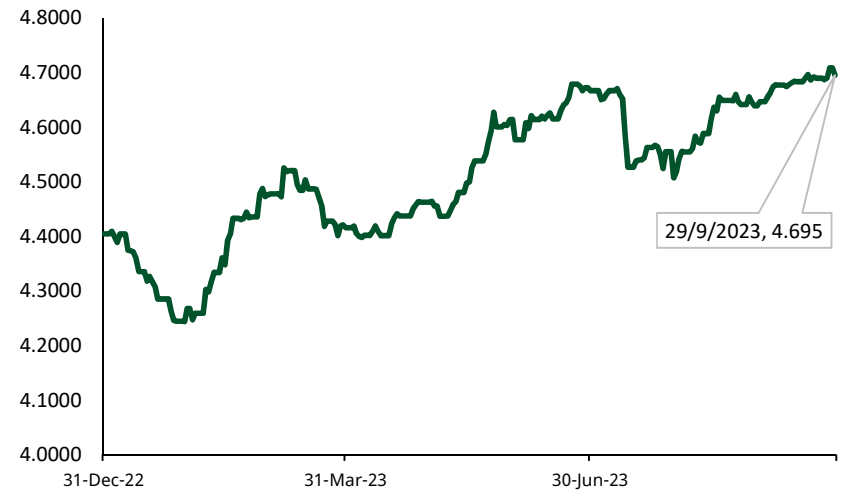


Exhibit 3: Sector Performances Month-to-Date (%)

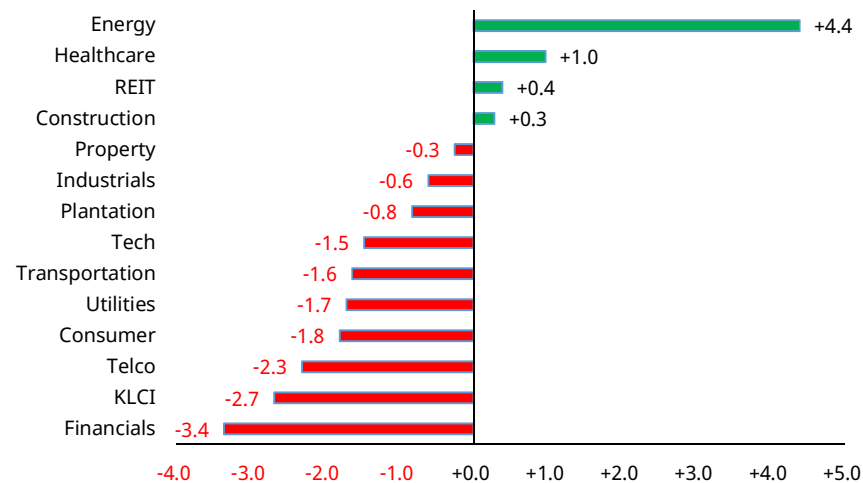
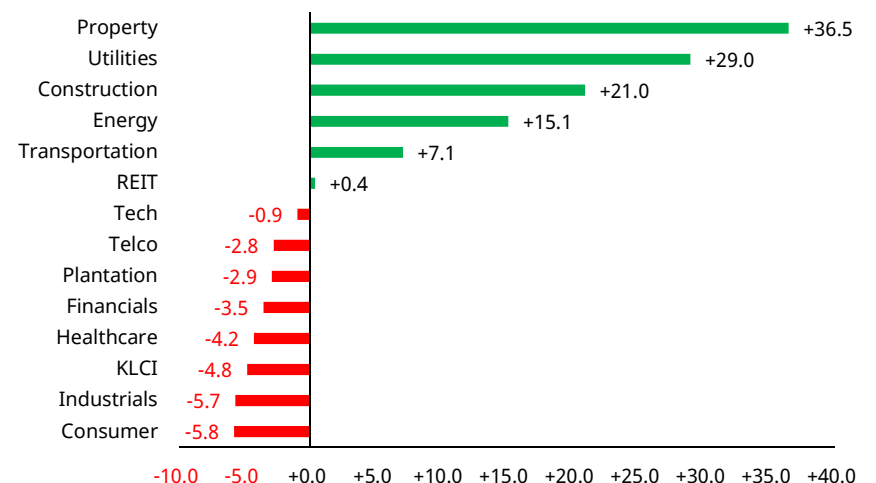


Exhibit 4: Sector Performances Year-to-Date (%)



Source: Bloomberg

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