

# PORTFOLIO MANAGERS' VIEWS



18 July 2022

# MALAYSIA & REGIONAL

## THE WEEK IN REVIEW (11-15 July 2022) & OUR MANAGERS' VIEWS

**1. Tech:** After global chipmakers such as Micron, AMD and TSMC guided for a lower-than-expected revenue outlook in the previous week, Taiwan's TSMC and South Korea's SK Hynix are reportedly looking to trim their expansion expenditures for year 2023. The less-sanguine outlook reinforces our underweight stance on the sector, on the back of high inflation, higher interest rates and growing economic uncertainties.

**2. Crude oil:** Brent Oil price breached below US\$100/bbl on continued recession fears from rampant inflation and the potentially further interest rate hikes. This is despite OPEC's guidance of a 1mbpd deficit for 2023 as the organization struggles to reach its oil production targets. The underperformance is mainly caused by African producers that have severely underinvested in infrastructure due to a lack of foreign investment capital. Hence, the decrease in oil price is likely driven by the forecasted weakness of oil demand while supply remains structurally tight. Thus, we reiterate our view that oil prices will trade over US\$100/bbl as supply-side constraints remain and we remain invested in the upstream sector.

**3. Crude palm oil (CPO):** Palm Oil Board (MPOB) announced Malaysia's June palm oil inventory increased by 9% MoM to 1.66mil tons due to higher production and lower export as Indonesia ends its export ban. Indonesia has since allowed for more exports (seven-times the domestic market obligation, or DMO), increased biodiesel mix requirements and even considered to reduce its export levy to clear off its excess CPO inventories. Despite this, we remain positive on Malaysia's upstream planters as we believe that Indonesia's excess inventory will be cleared in 2H22 and will then trade between RM4,500/t to RM5,000/t from thereon for the rest of the year. We remain invested in the upstream sector.

## MALAYSIA & REGIONAL (cont'd)

**4. Telecommunications:** Local Mobile Network Operators (MNO) are now more supportive of the government's Single Wholesale Network (SWN) plan for 5G. Negotiations are still ongoing on share buyouts and commercial arrangements but the development solidifies that Malaysia's 5G rollout will be under this SWN model. We believe this model benefits smaller mobile players with value-added propositions than the larger MNOs. Hence, we are selectively invested in the telco sector.

**5. Inflation:** The US reported its June consumer price index (CPI) at 9.1% YoY, higher than the May CPI of 8.6% YoY. Based on Bloomberg readings, the US Fed fund futures has already implied up to a 100 bps hike in the upcoming FOMC meeting on 28 July on the back of this high CPI rate. Going forward, we think the elevated CPI rate may be approaching its peak given that crude oil has fallen by 17% from the June intra-month peak of US\$124/bbl. To reflect the potentially lower inflation rate in the longer term, the US 10Y Treasury yield has fallen by 60 bps in the last four weeks, indicating that the US Fed may be reaching the end of its rate hike cycle in the coming months.

**6. Valuations (KLCI):** As share prices slipped further last week, KLCI's valuations have become more attractive. Based on last week's closing levels, the market is trading at one-year forward price-earnings ratio (PER) of 13.6x for year 2022. This is minus 1.5 standard deviation below its 5 years average of 16.5x. The market's price-to-book ratio (PBR) ratio of 1.4x is now below its 5-year average of 1.6x) and prospective dividend yield of of 4.9% (above the 5 years' average of 3.6%) are also supportive of the stock market. We have a positive market stance and our Malaysian funds remain invested.

# MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

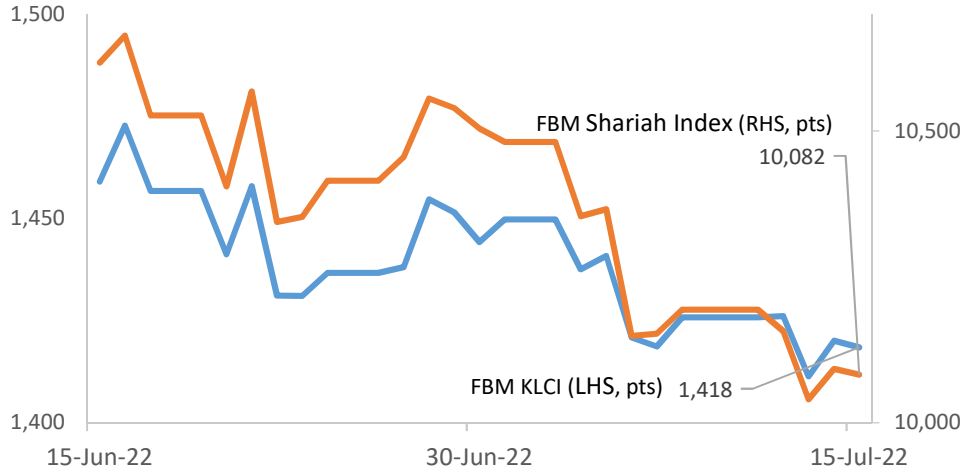


Exhibit 2: USDMYR FX



Exhibit 3: Sector Performance Indices (1 Week, %)

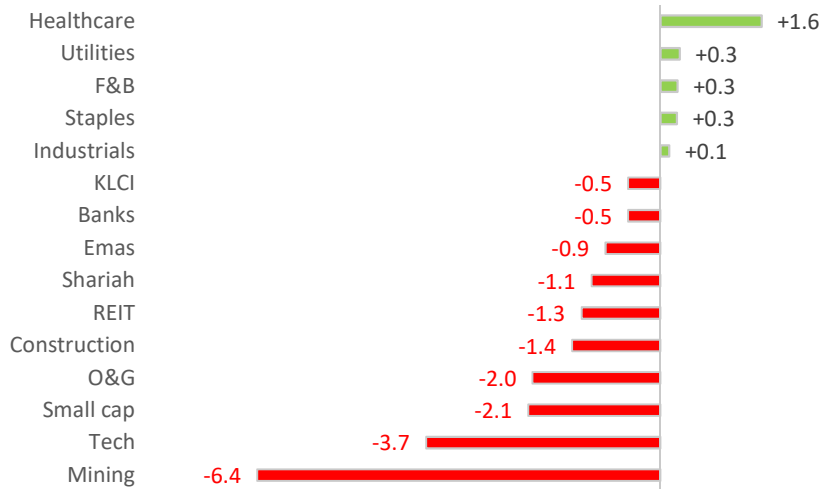
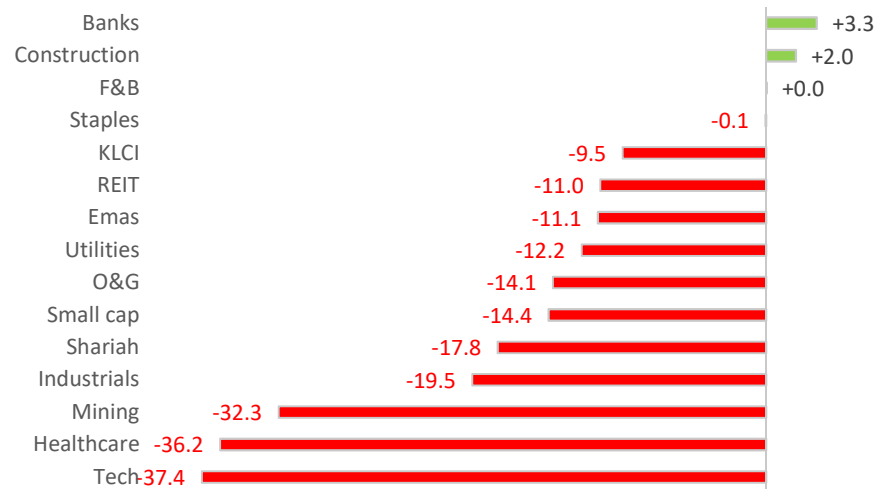


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



# MALAYSIA

Exhibit 5: Malaysia's Premium/Discount (%) to Asia ex-Japan based on Current PER (%)

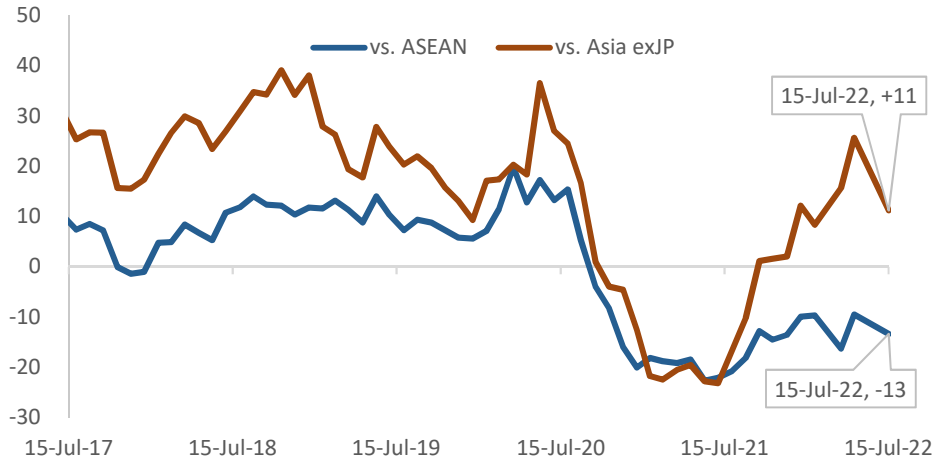


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

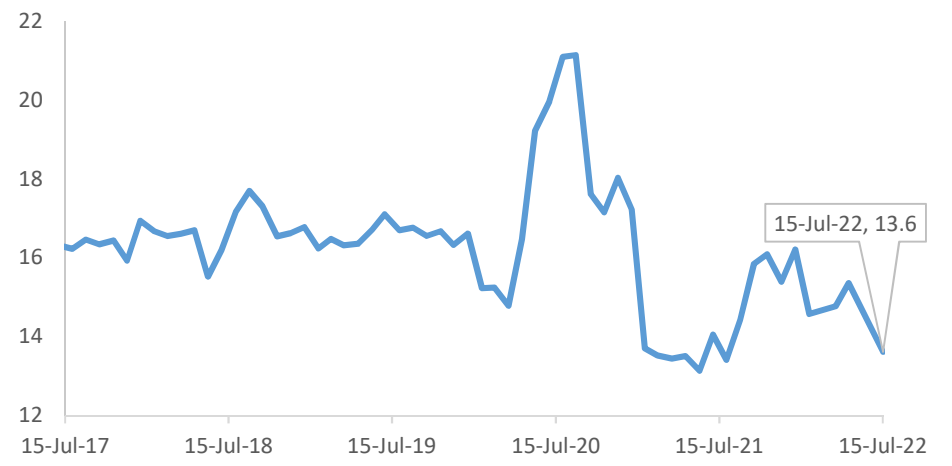


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

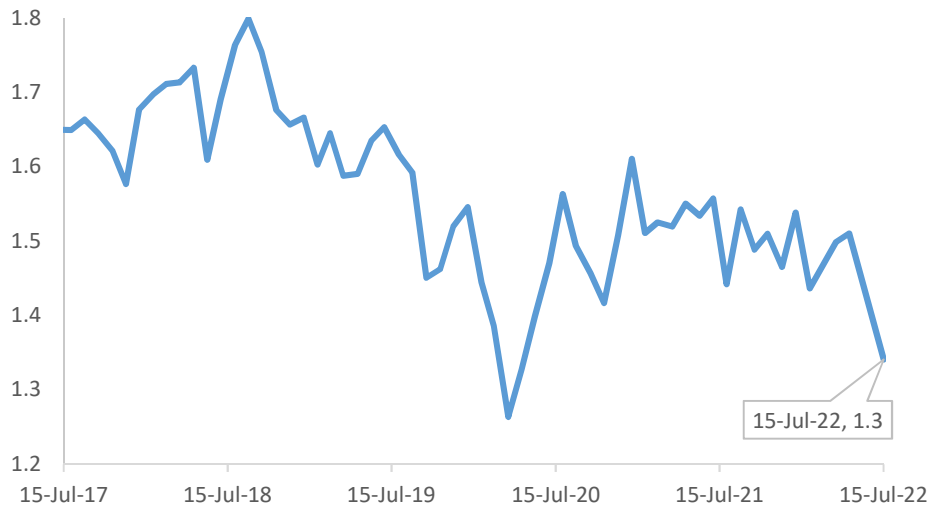
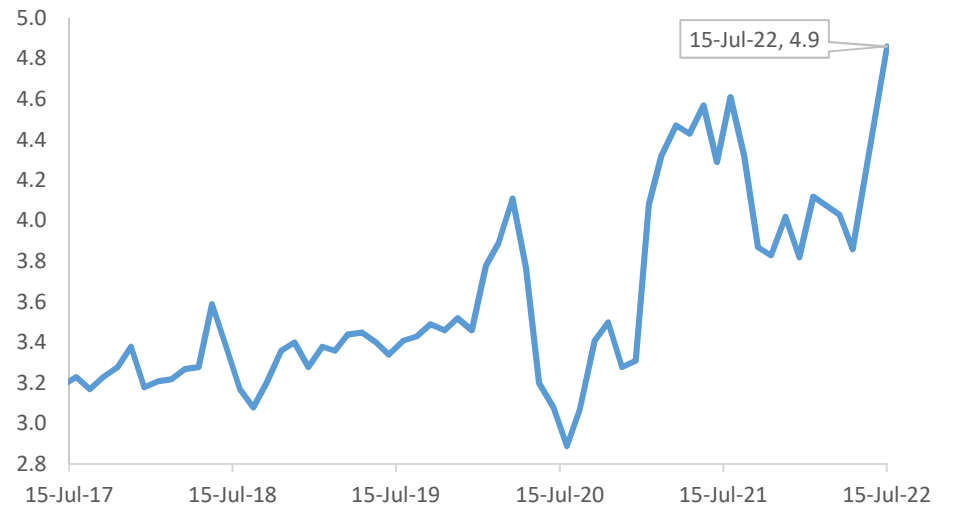


Exhibit 8: KLCI's Dividend Yield (DY, %)



# REGIONAL

Exhibit 1: MSCI Country Performance Indices (1 Week, %)

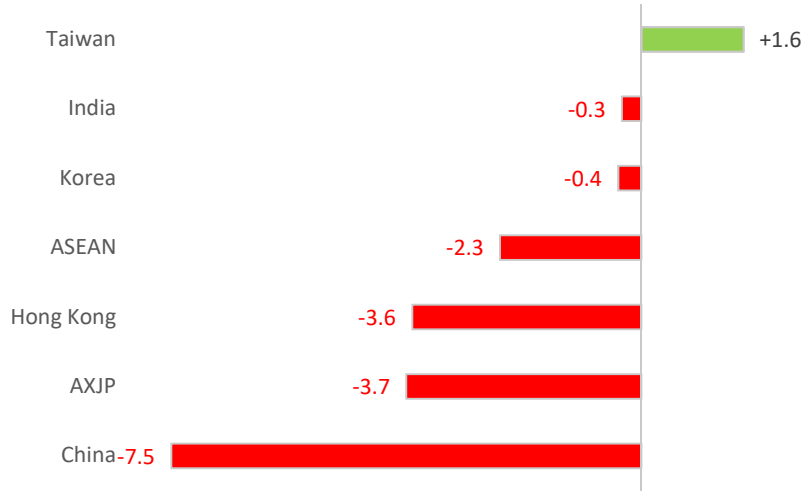


Exhibit 2: MSCI Country Performance Indices (Year-to-Date, %)

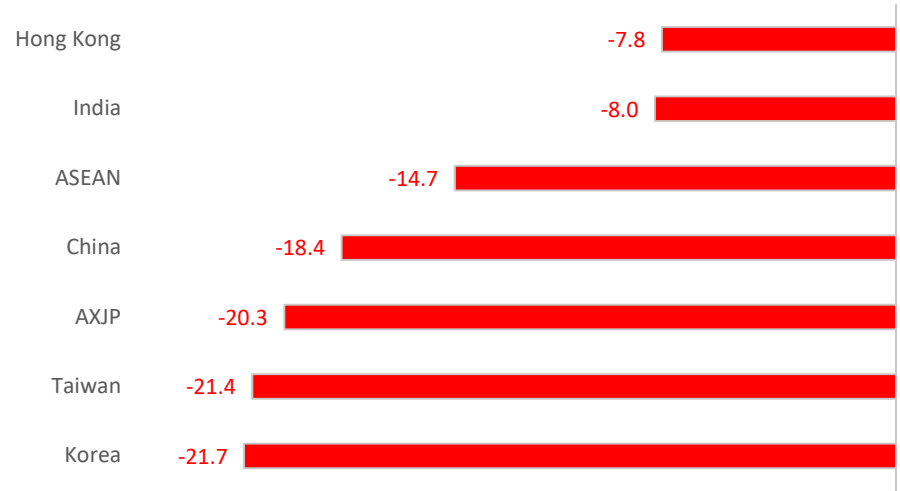


Exhibit 3: MSCI Sector Performance Indices (1 Week, %)

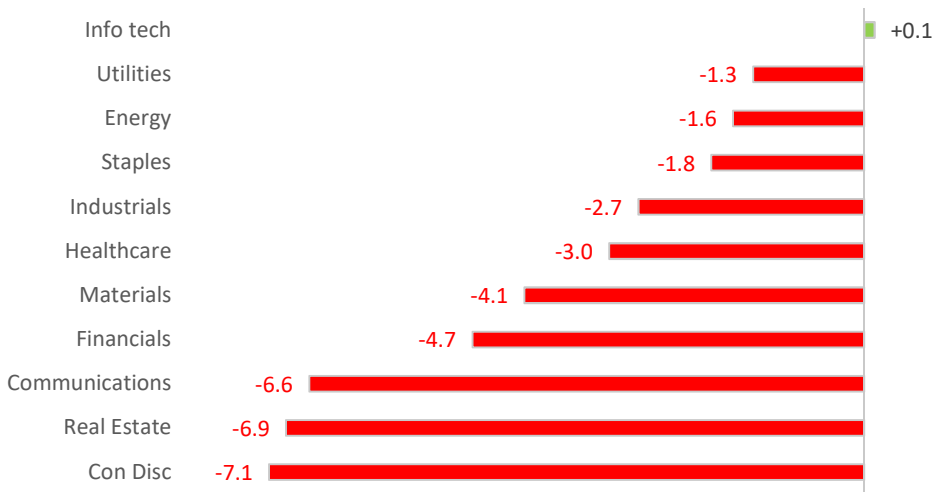
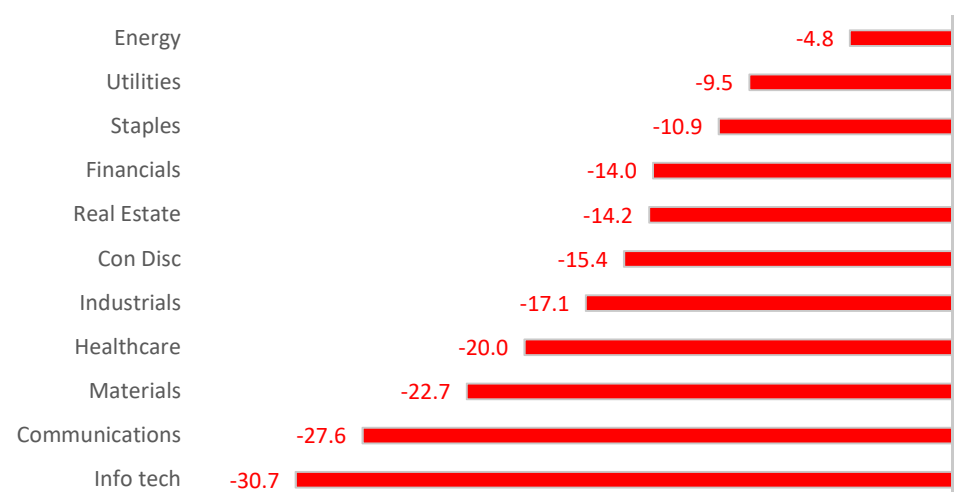
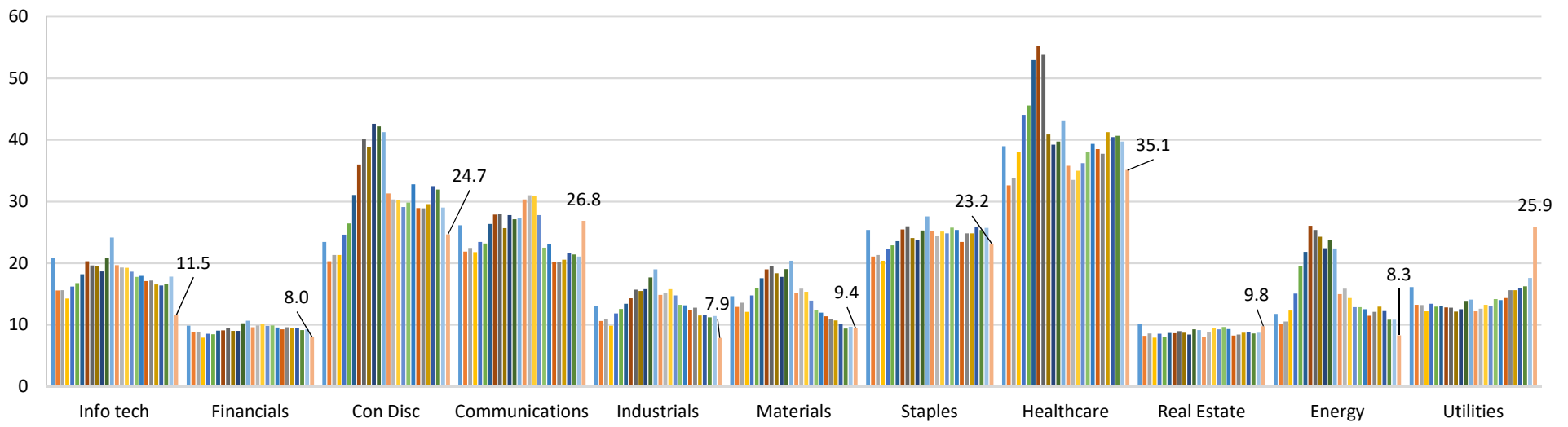
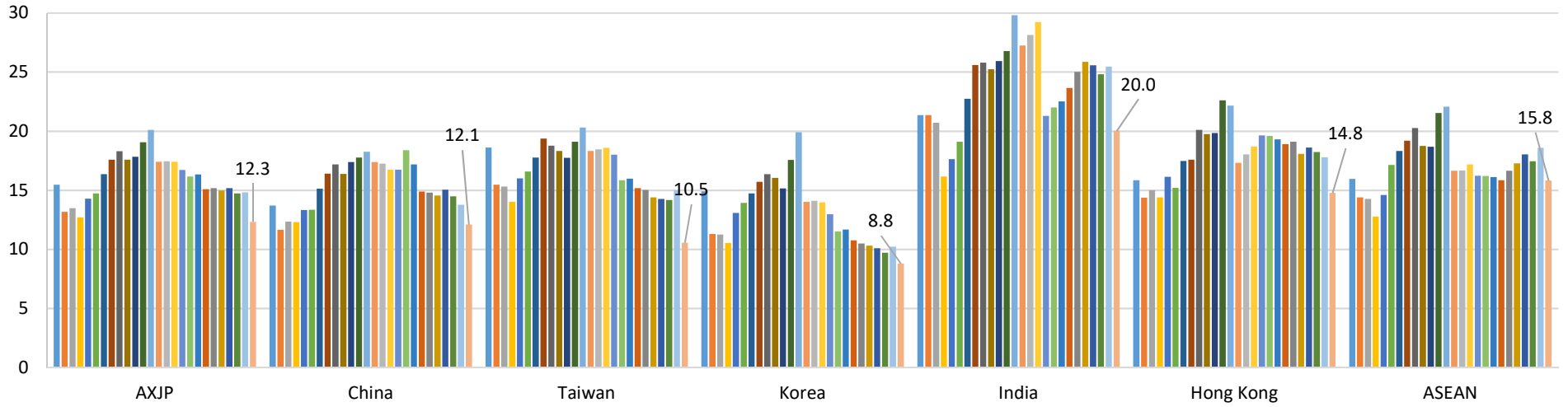


Exhibit 4: MSCI Sector Performance Indices (Year-to-Date, %)



# REGIONAL

Exhibit 5: Year 2022 Price-Earnings Ratio (Dec 2019-Current)



# FOREIGN NET FLOWS

Exhibit 6: Selected ASEAN Equity Markets (Net USD mil)

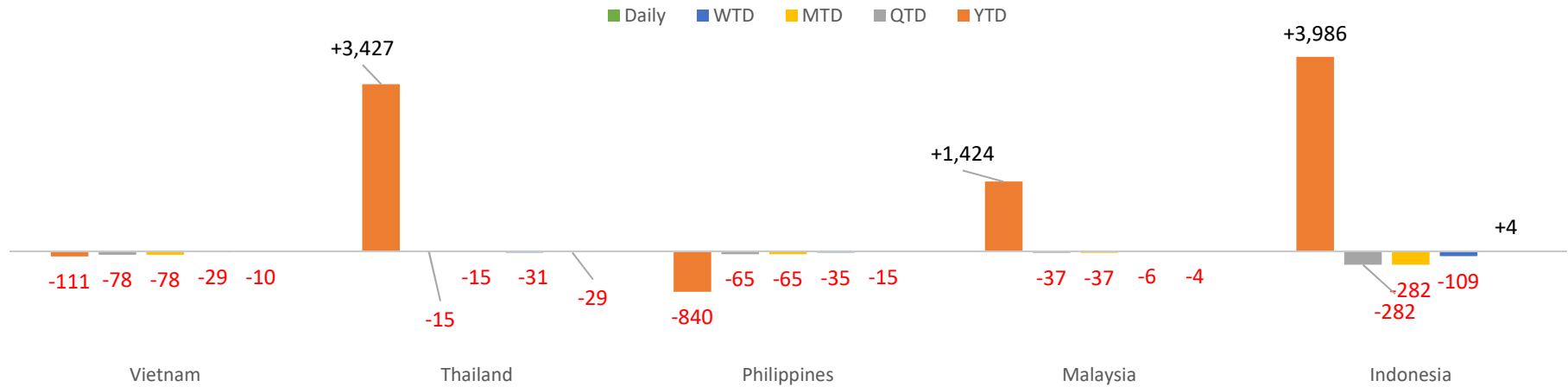
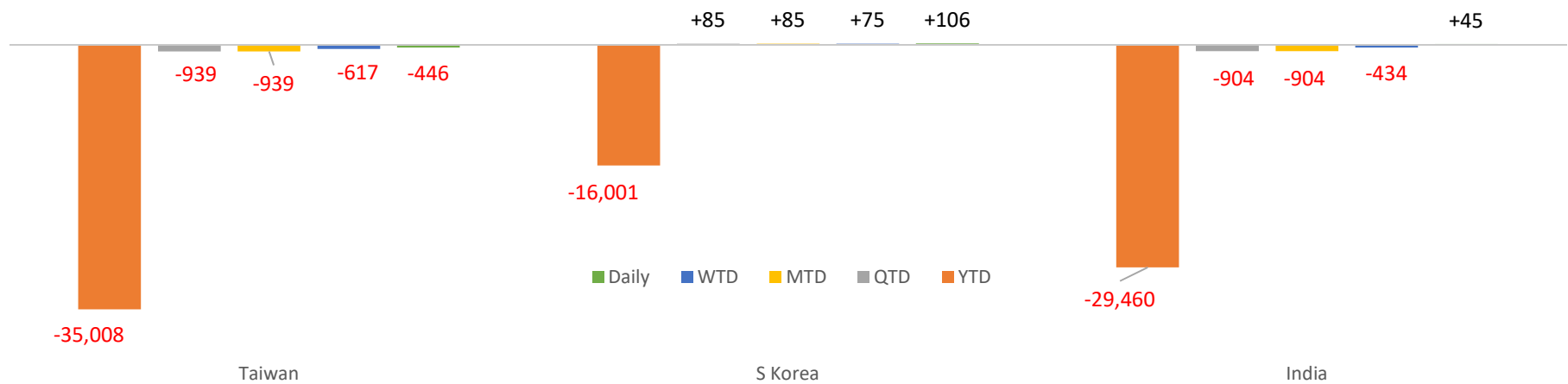


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)





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