

# PORTFOLIO MANAGERS' VIEWS



15 August 2022

# MALAYSIA & REGIONAL

## THE WEEK IN REVIEW (8-12 AUG 2022) & OUR MANAGERS' VIEWS

**1. Malaysian Economy:** Malaysia's second quarter 2022 gross domestic product ("GDP") increased by 8.9% YoY. This is higher than the market's estimate of 6.7% YoY. We expect GDP momentum in the second half of the year to remain positive but at a slower pace as Malaysia continues to benefit from economic recovery and pent-up demand. The slower pace is attributed to higher interest rates, lack of fiscal stimulus and uncertainties in the external macro environment. Still, private economists expect Malaysia to achieve full year 2022 growth of 6.1%, at the top end of the official 5.3-6.3% growth forecast. Malaysia is one of the fastest-growing economy in Asia and our local and regional funds are invested in beneficiaries of this strong growth, notably in stocks in the banking, plantation, consumer and industrial sectors.

**2. Palm oil:** According to the Malaysian Palm Oil Board (MPOB), stockpiles rose 7.7% MoM to 1.8mil tonnes due to higher production and imports. As Indonesia exports more crude palm oil (CPO) after cutting its CPO export tax and levy, the higher supply in the market would elevate Malaysia's CPO inventory, downplaying local palm oil prices. However we expect CPO price to eventually trade higher in the coming months after Indonesia depletes its excess stockpiles. We maintain our target CPO price of RM4,000 to RM4,500/ton in the second half of 2022, and are positive on the Malaysian and Indonesian upstream CPO producers.

## **MALAYSIA & REGIONAL (cont'd)**

**3. Semiconductor:** The US signed its Chips Act which grants US\$53bil to promote the country's semiconductor industry. This will spur investments in new chip making facilities in the US over the next 5 years. This is positive for Malaysia's technology industry, particularly equipment makers and Outsourced semiconductor assembly and test (OSAT) as the US will largely be focused in front-end manufacturing.

**4. Foreign Funds Flow:** Foreigners were net buyers with a total net inflow of RM451mil. After net selling for 3 consecutive weeks, local retail turned net buyers (RM121mil) but local institutions were net sellers for the fifth consecutive week. Malaysia is believed to be attracting inflows due its attractive valuation and its equities are a beneficiary of rebounding commodity prices, economic and travel opening and attractive valuations (see below).

**5. Valuation:** Despite the recent recovery, Malaysia remains cheap. Based on the KLCI level of 1,506.19 as at 12 August and using the consensus market earnings per share (EPS) integer of 103.6 for 2022, the market is trading at a 2022 price-earnings ratio ("PER") of 14.5x. This is -1.0 standard deviation below its 5-year average of 16.1x. The market's price-to-book ratio ("PBR") of 1.48x (below 5-year average of 1.55x) and DY of 4.1% (above its 5-year average of 3.6%) are also supportive. Finally, Malaysia is trading at a 15% premium against the Asia ex-Japan PER, at the low end of its 5-year average of zero to 40% premium (ex-pandemic years in 2020 & 2021).

# MALAYSIA

Exhibit 1: FBM KLCI and FBM Shariah Index

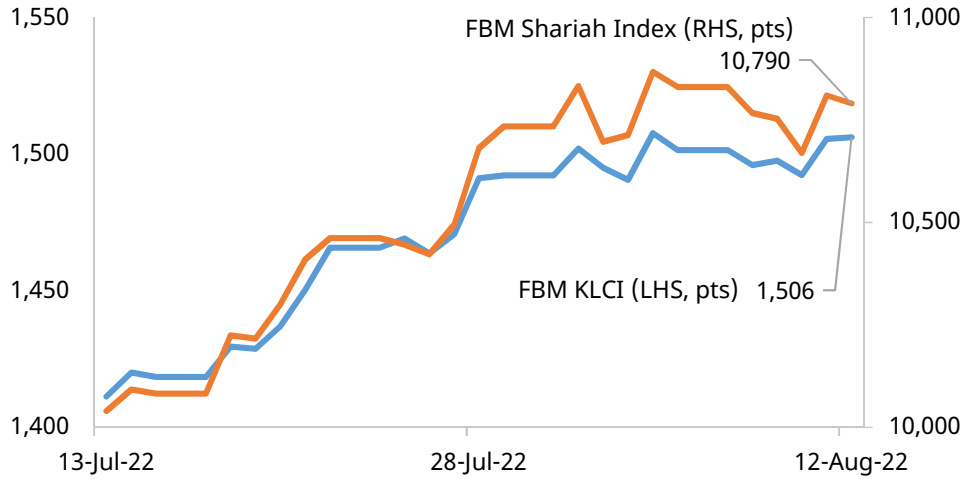


Exhibit 2: USDMYR FX

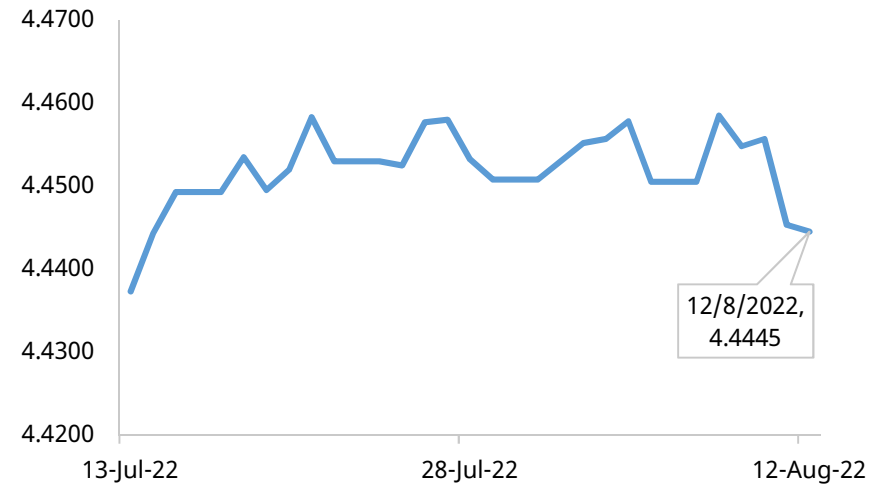


Exhibit 3: Sector Performance Indices (1 Week, %)

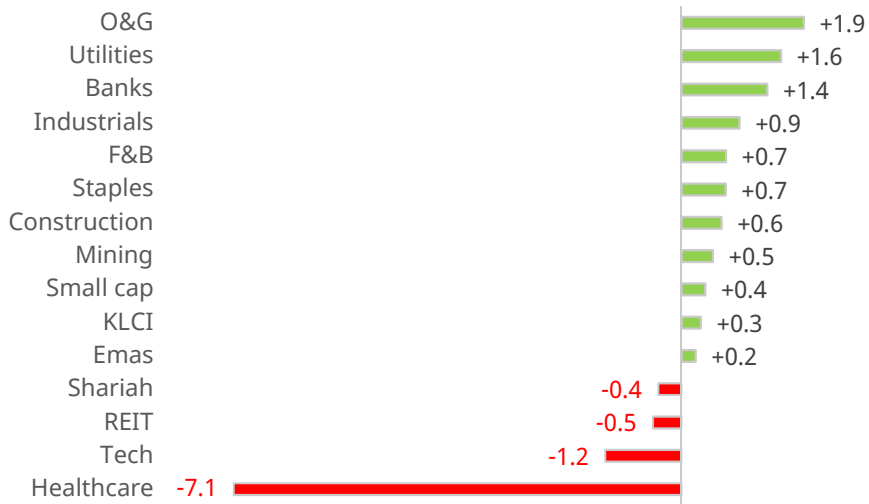
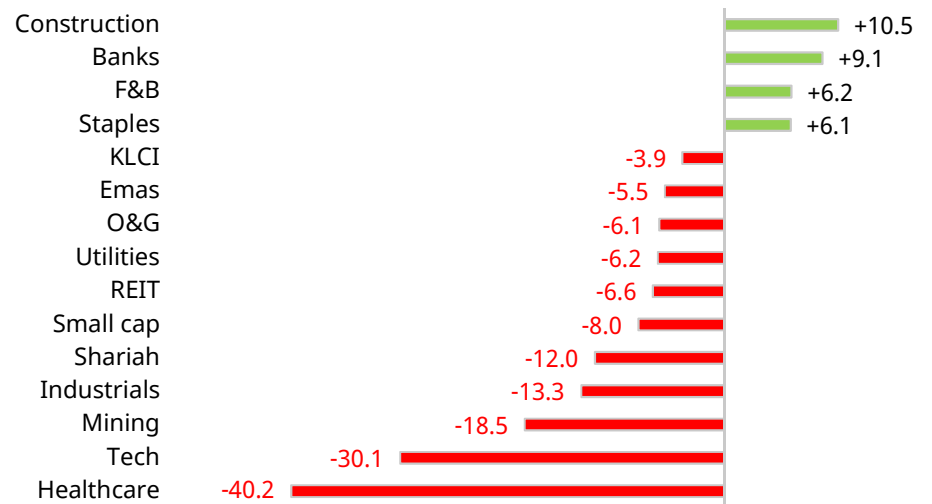


Exhibit 4: Sector Performance Indices (Year-to-Date, %)



# MALAYSIA

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

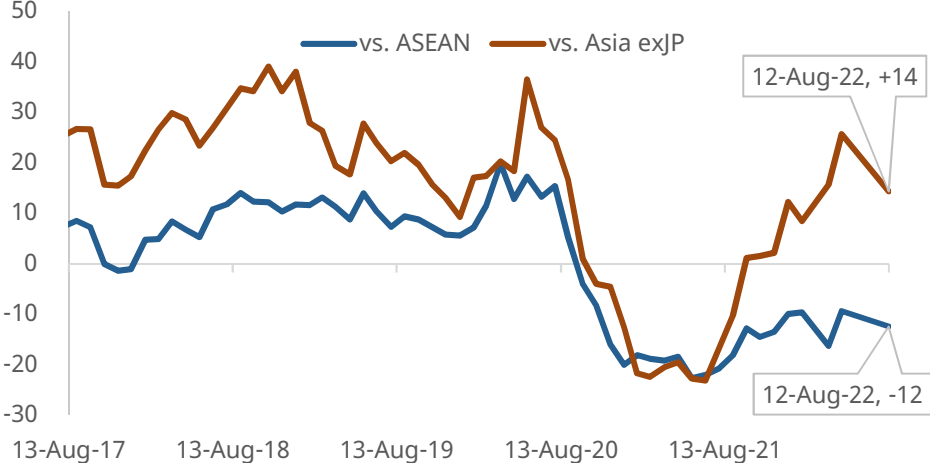


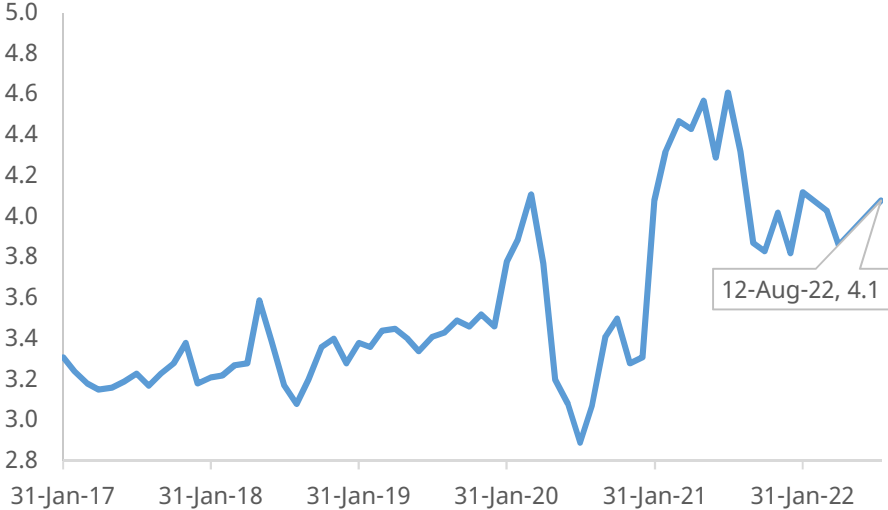
Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)



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, %)

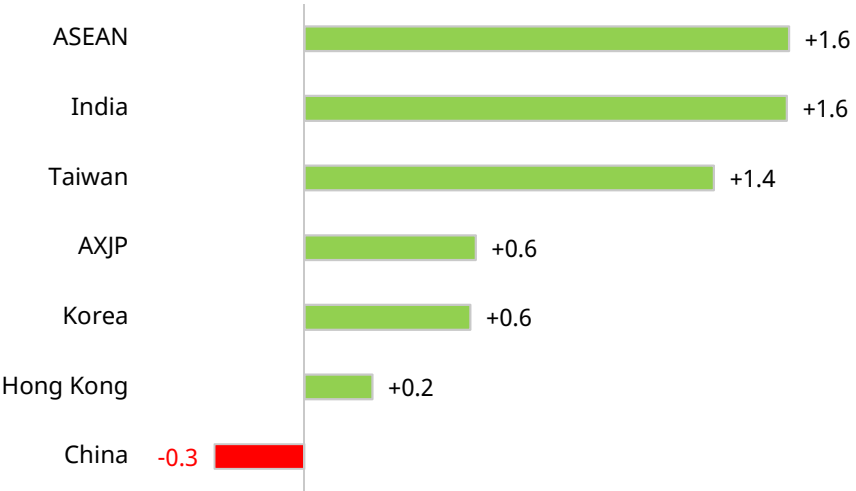


Exhibit 2: MSCI Country Performance Indices (Year-to-Date, %)

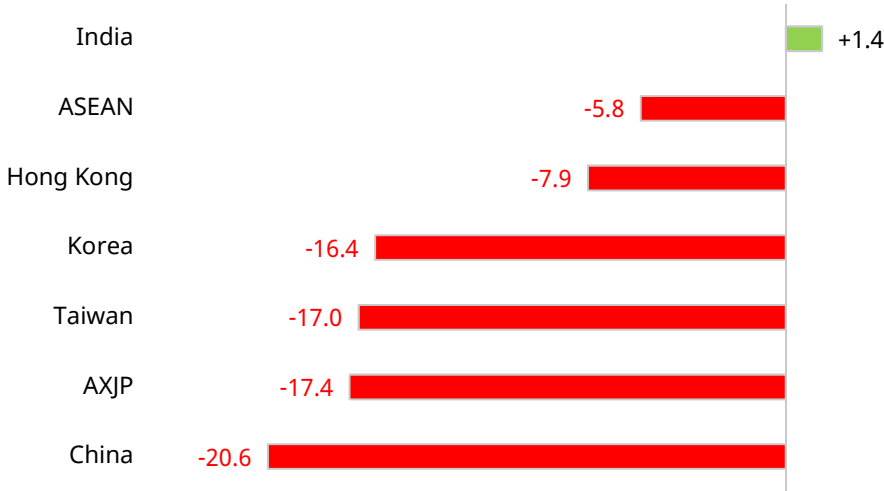


Exhibit 3: MSCI Sector Performance Indices (1 Week, %)

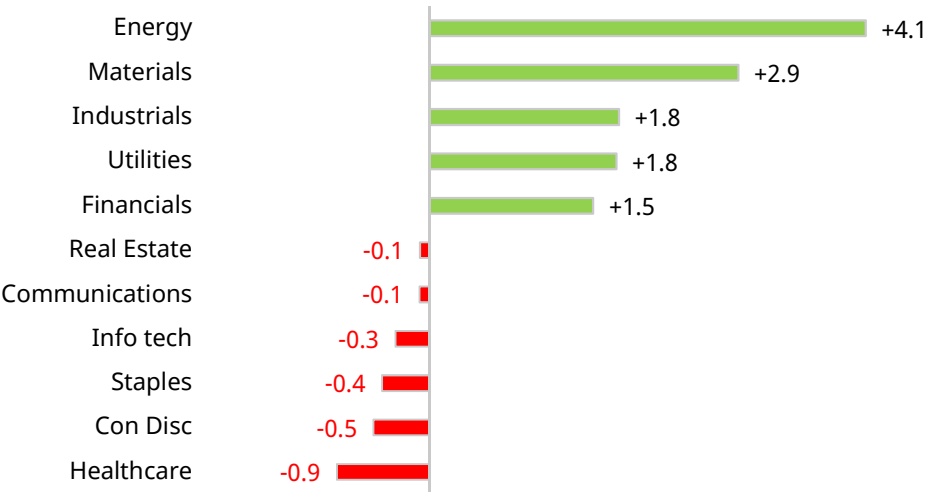
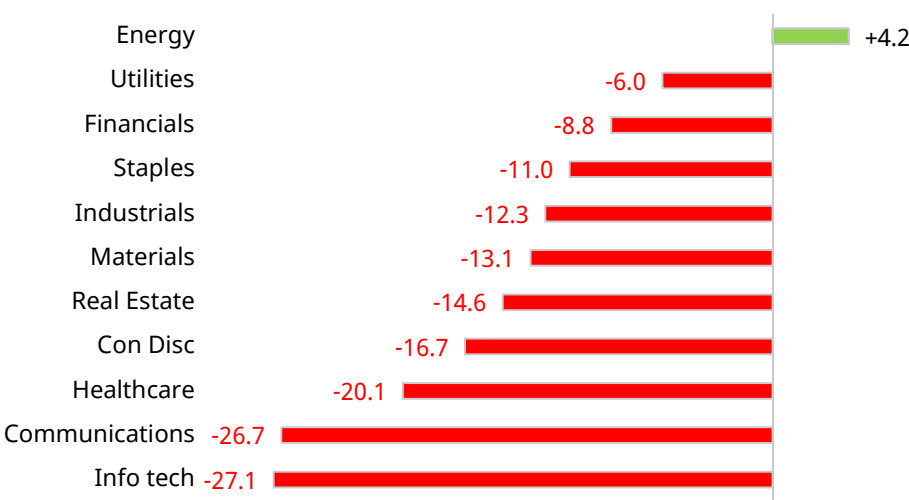
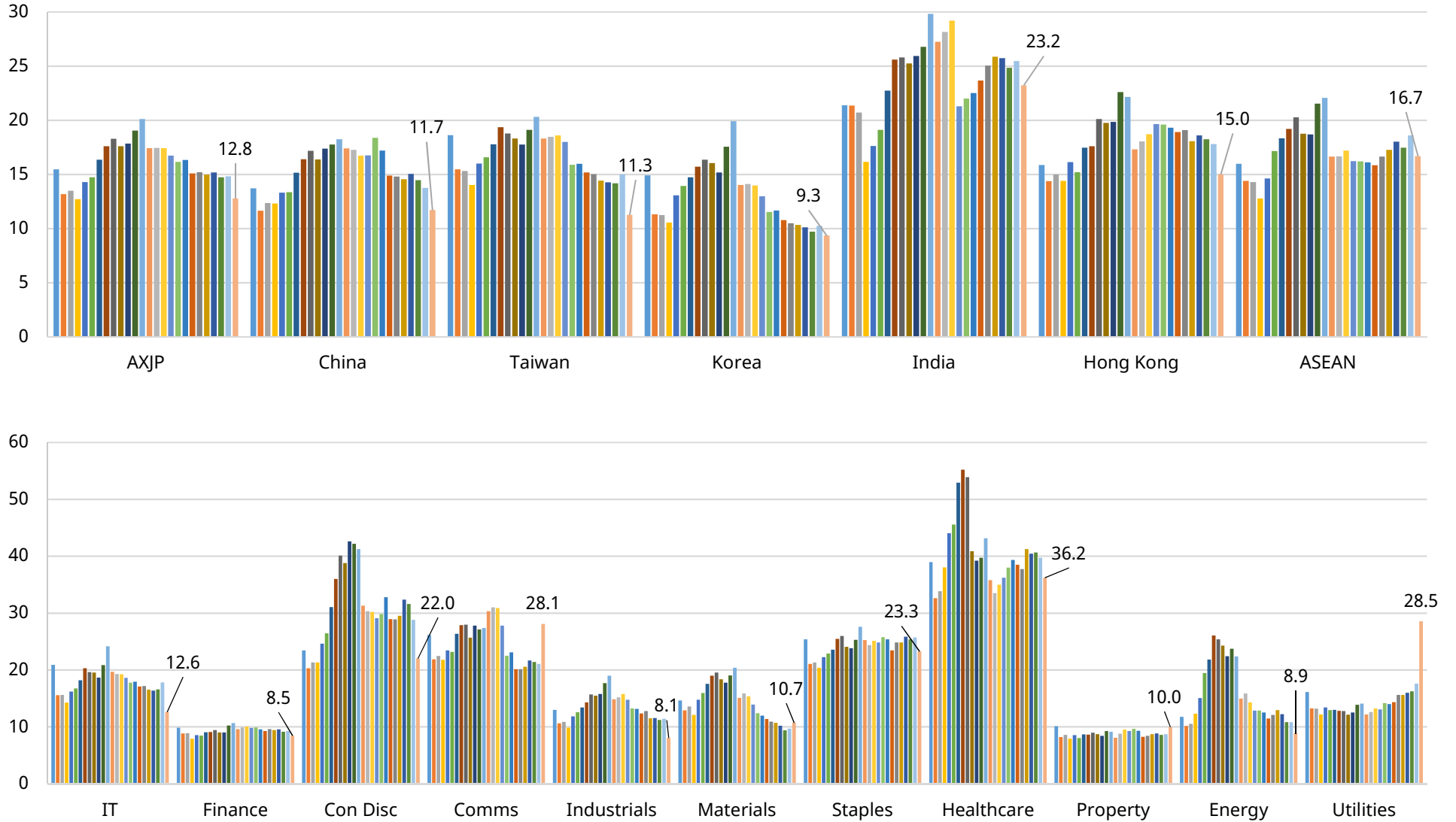


Exhibit 4: MSCI Sector Performance Indices (Year-to-Date, %)



# REGIONAL

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



# FOREIGN NET FLOWS

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

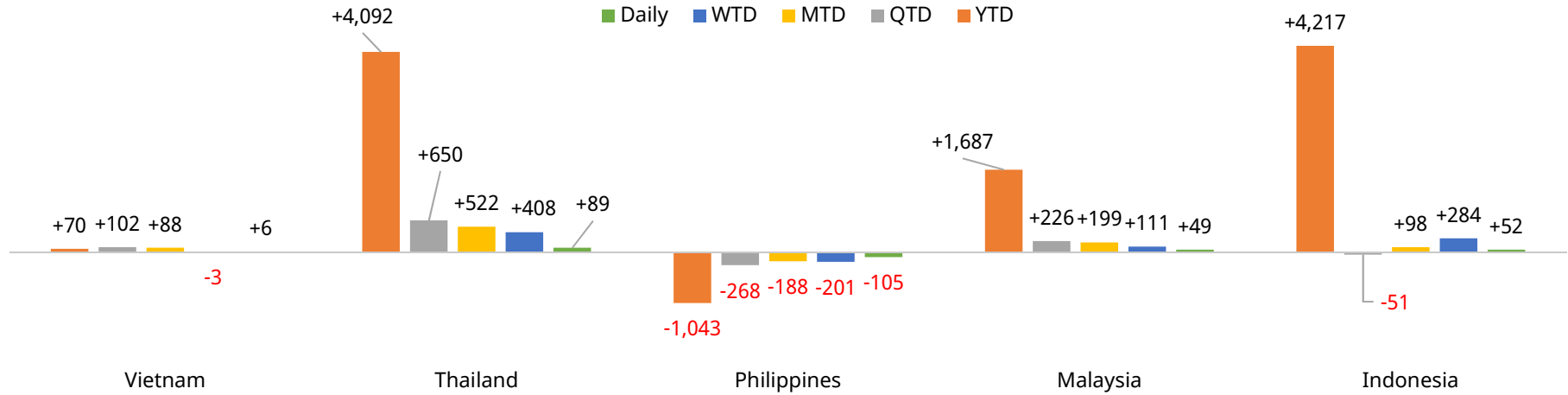
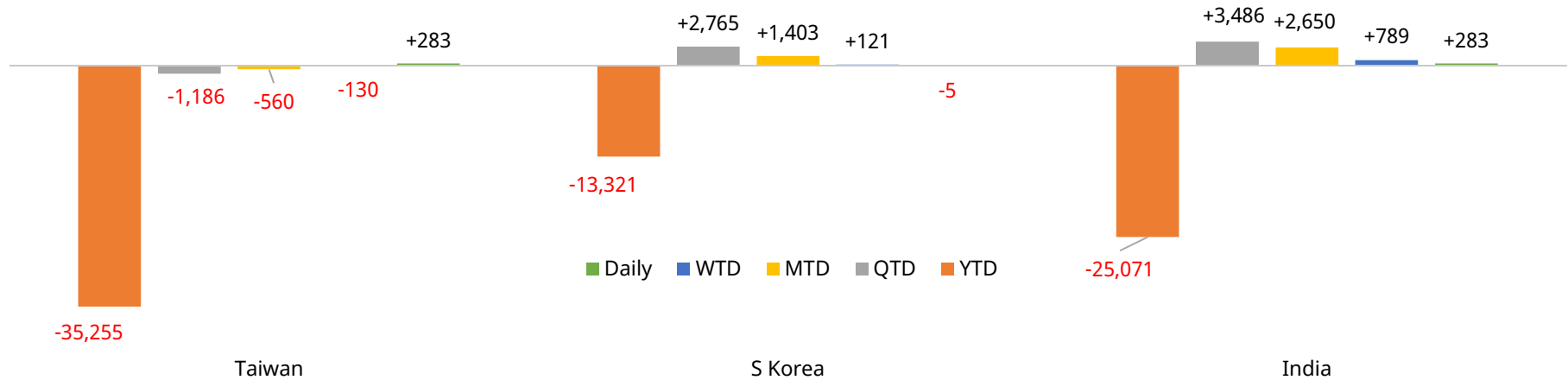


Exhibit 7: Selected North Asian Equity Markets (Net USD mil)





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