

Portfolio Managers' Views



22 August 2022
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (15-19 Aug 2022) & Our Managers' Views

- 1 Automotive:** New car sales for July 2022 fell 23% MoM to 49,000 units due to chip shortages and higher booking fulfilments. We view this as temporary, as the Malaysian Automotive Association forecasts new car sales of 630,000 units for 2022 (at the top end of its 10-year historical range of 509,000-667,000 units). This is positive, and we are invested in Malaysia's car sector.
- 2 Travel:** Malaysia's international flight passenger movements for July 2022 rose 26% MoM to 1.6mil (35% of normalised pre-Covid traffic from July 2019). The further easing of Covid-19 related SOPs from 1 August 2022 is expected to raise inbound traffic going forward. We are invested in consumption-related sectors that benefit from Malaysia's travel reopening prospects.
- 3 Oil:** Prices fell 6% intra-week to US\$92/bbl after Europe attempted to revive the Iran nuclear deal in order to raise oil output. However, Iran is unlikely to replace Russia, the second-highest oil exporter globally, when Europe imposes oil sanctions on Russia come 5 December. We believe the tightness in oil markets will persist, and are positive on upstream oil producers.
- 4 Telecommunications:** Malaysia's Finance Minister reaffirmed that the dispute on the take-up for Digital Nasional Berhad's 5G services by Mobile Network Operators (MNOs) will be finalized on 31 August 2022. This clears the overhang on Malaysia's 5G roll-out and affirms that the service is able to proceed. Our funds are expected to benefit from this positive development.
- 5 Fertiliser:** Bloomberg estimates 25% of Europe's fertiliser production had been curtailed by high gas prices (+274% since early 2020 due to inflation and the Russia-Ukraine war. Russia accounts for 45% of Europe's gas imports). We expect fertiliser prices to be high in the current planting season as demand is seasonally stronger. We are invested to benefit from this development.
- 6 Valuation:** Despite recent gains, KLCI remains cheap at a 2022 price-earnings ratio ("PER") of 14.5x (-1.0 standard deviation, below its 5Y average of 16.1x). Its price-to-book ratio of 1.48x (below the 5Y average of 1.55x), dividend yield of 4.1% (above its 5Y average of 3.6%) and 15% premium against the Asia ex-Japan PER (at the low end of its 5Y average) are also supportive for the Malaysian market

MALAYSIA

Exhibit 1: KLCI vs Shariah Index

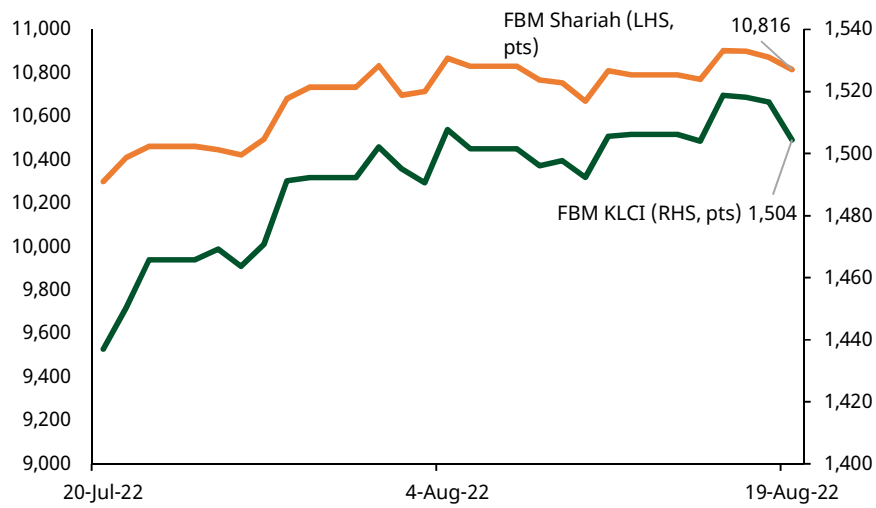


Exhibit 2: USDMYR

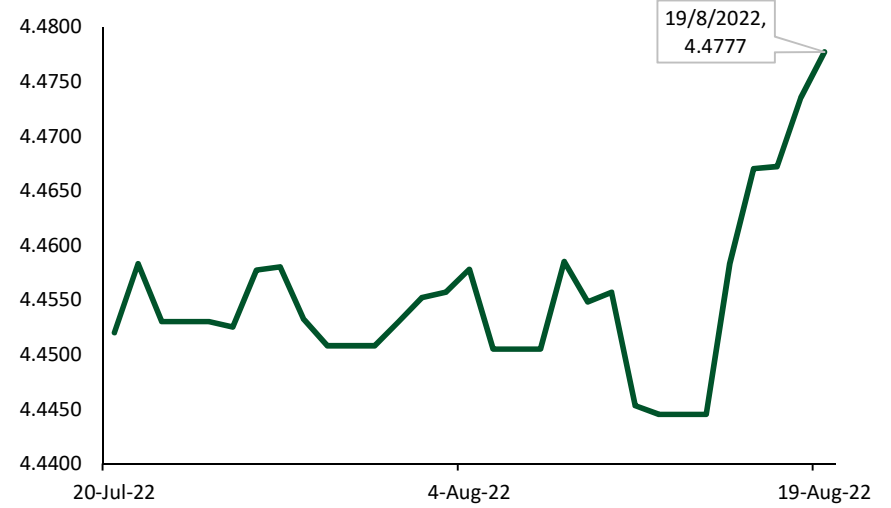


Exhibit 3: Sector Performances Week-to-Date (%)

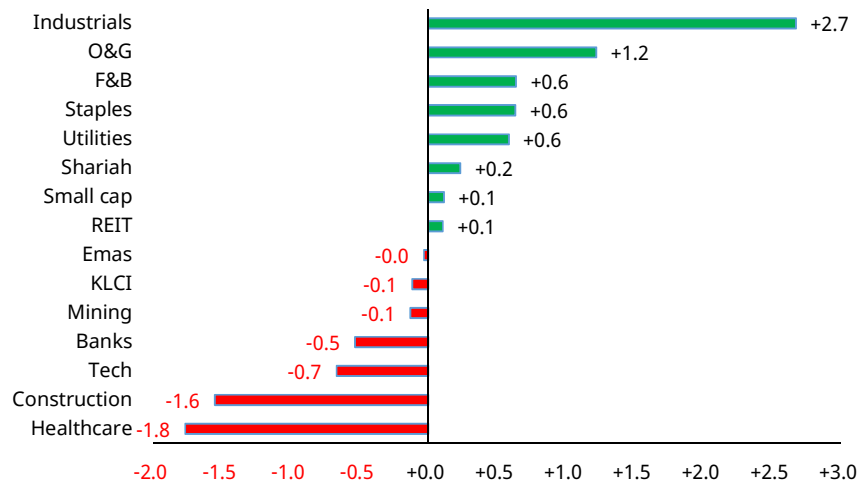
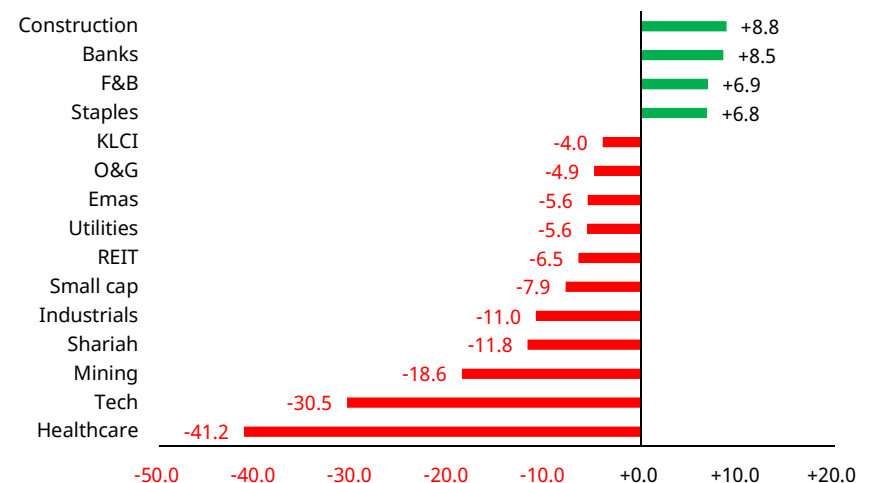


Exhibit 4: Sector Performances Year-to-Date (%)



MALAYSIA

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

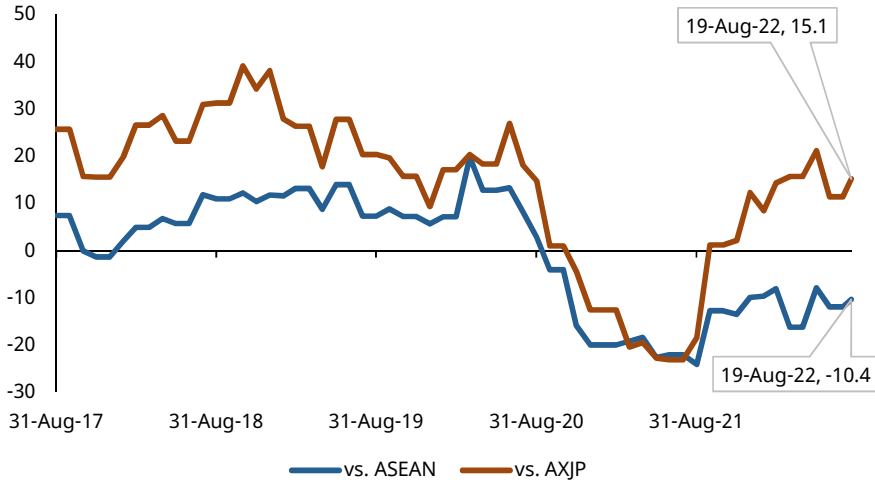


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

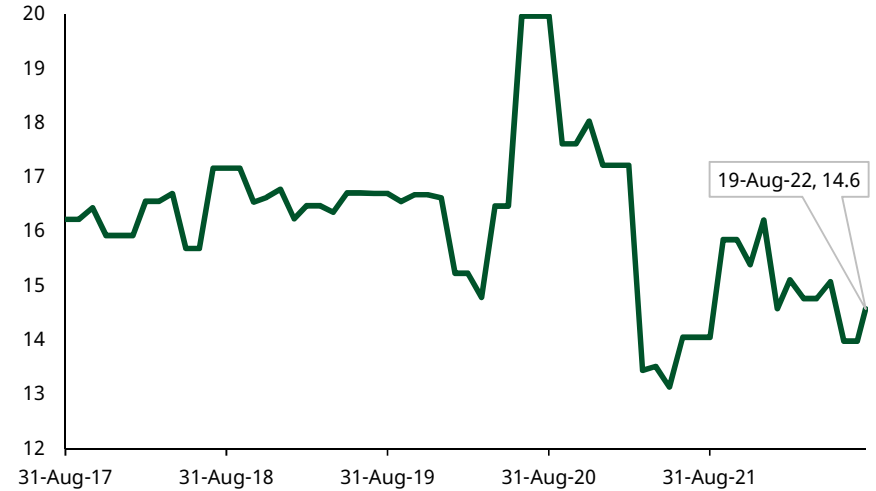


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

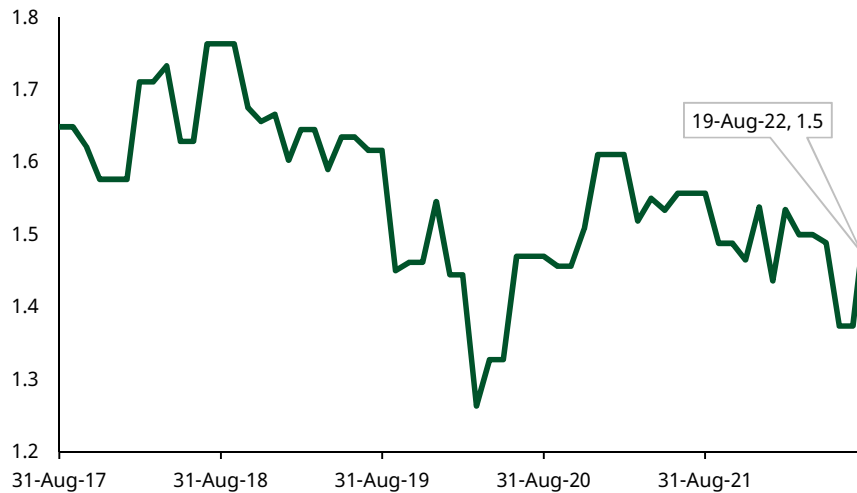
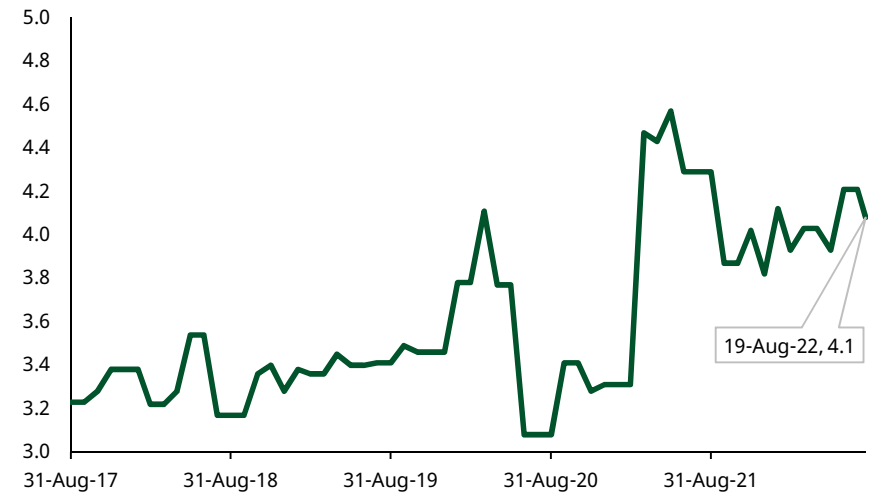


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

REGIONAL

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

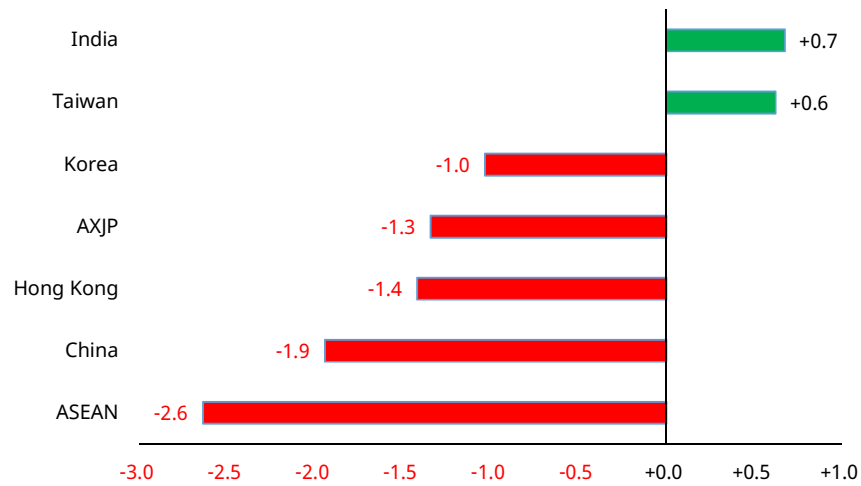


Exhibit 2: Country Performances Year-to-Date (%)

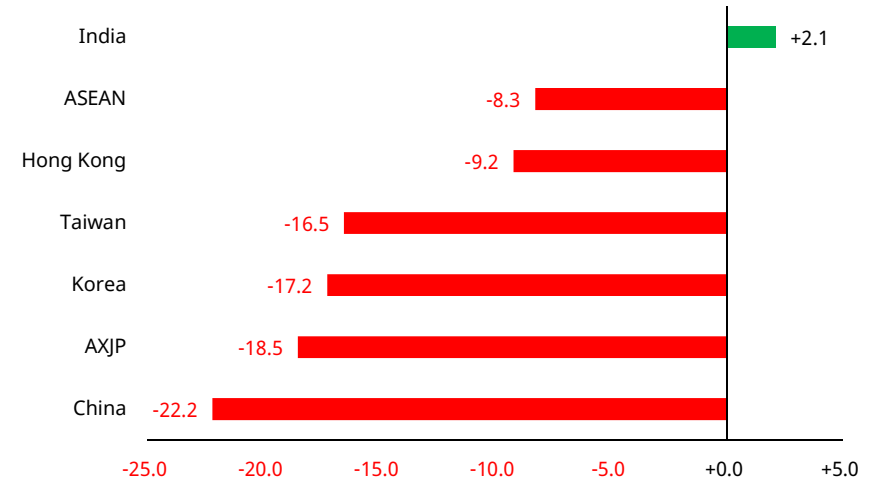


Exhibit 3: Sector Performances Week-to-Date (%)

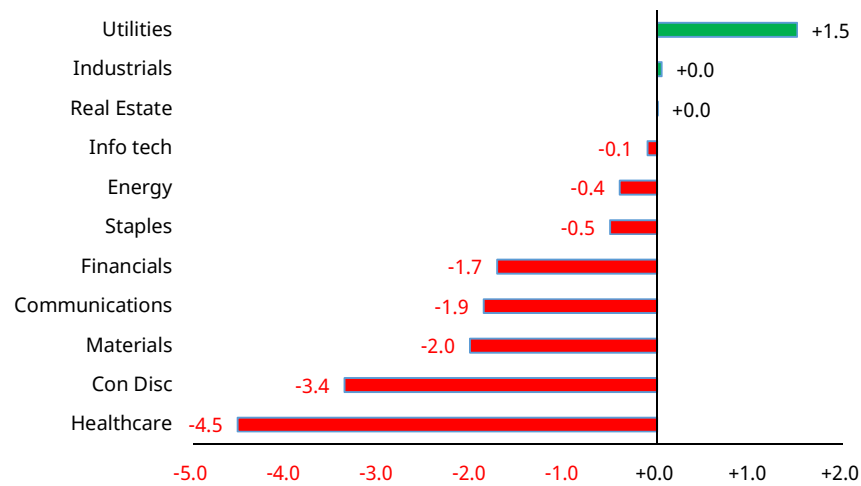
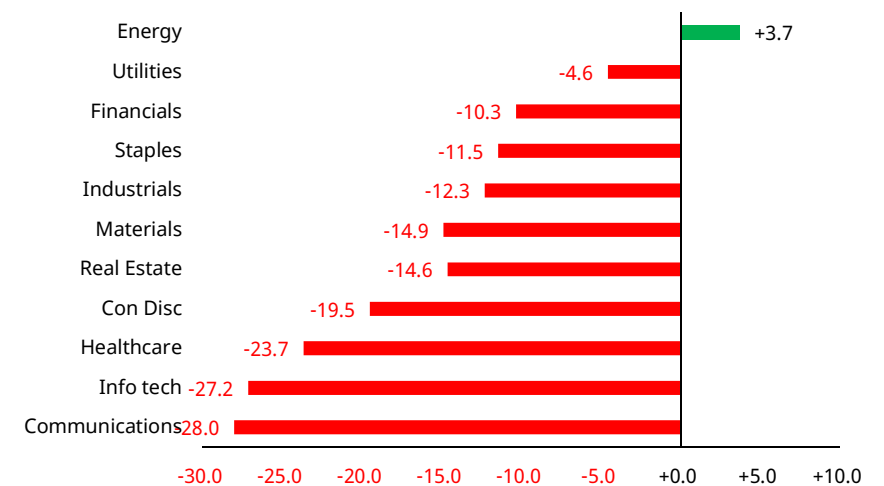


Exhibit 4: Sector Performance Year-to-Date (%)



REGIONAL

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Exhibit 5: Regional Price-Earnings Ratio (x)

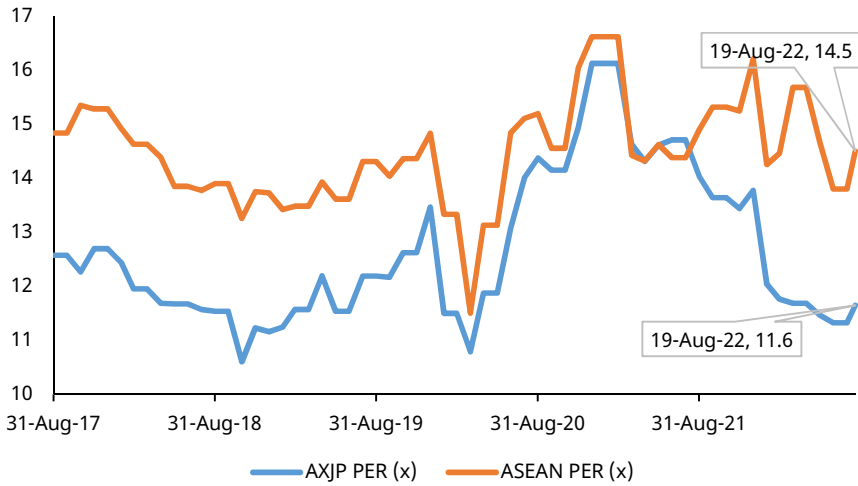


Exhibit 6: Regional Price-to-Book Ratio (x)

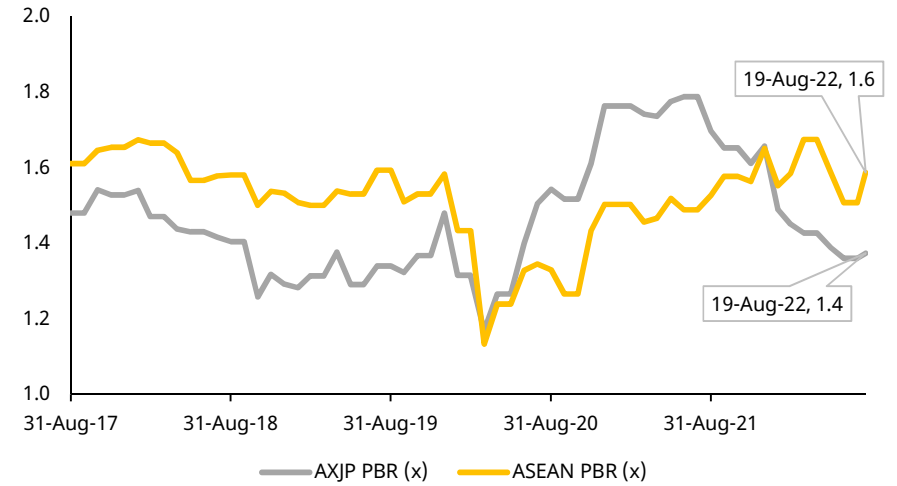


Exhibit 7: Regional Dividend Yield (%)

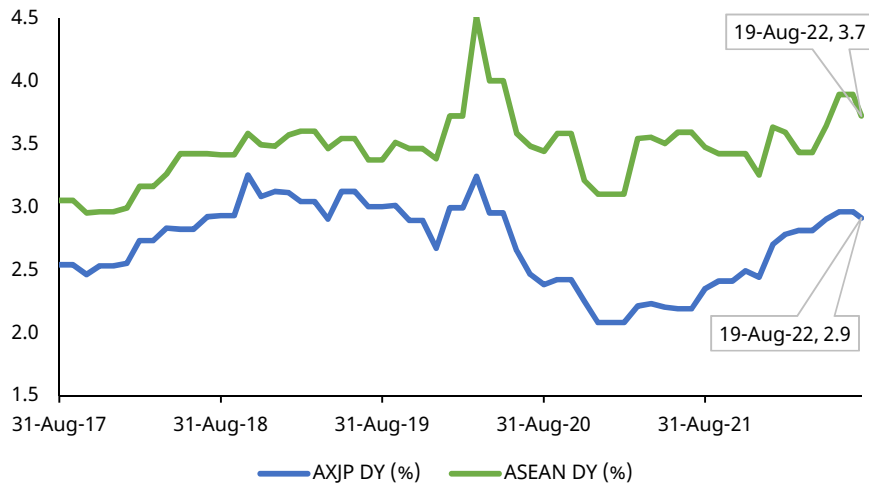
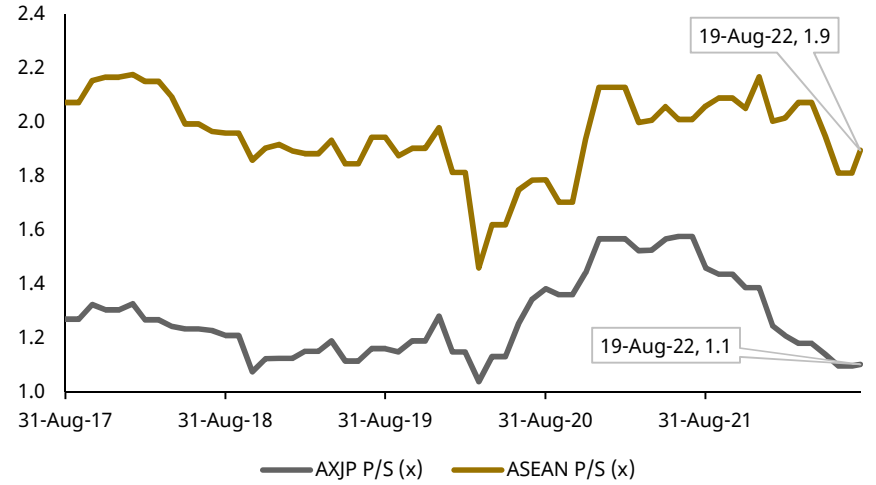


Exhibit 8: Regional Price-to-Sales (x)



FOREIGN FUND FLOWS

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

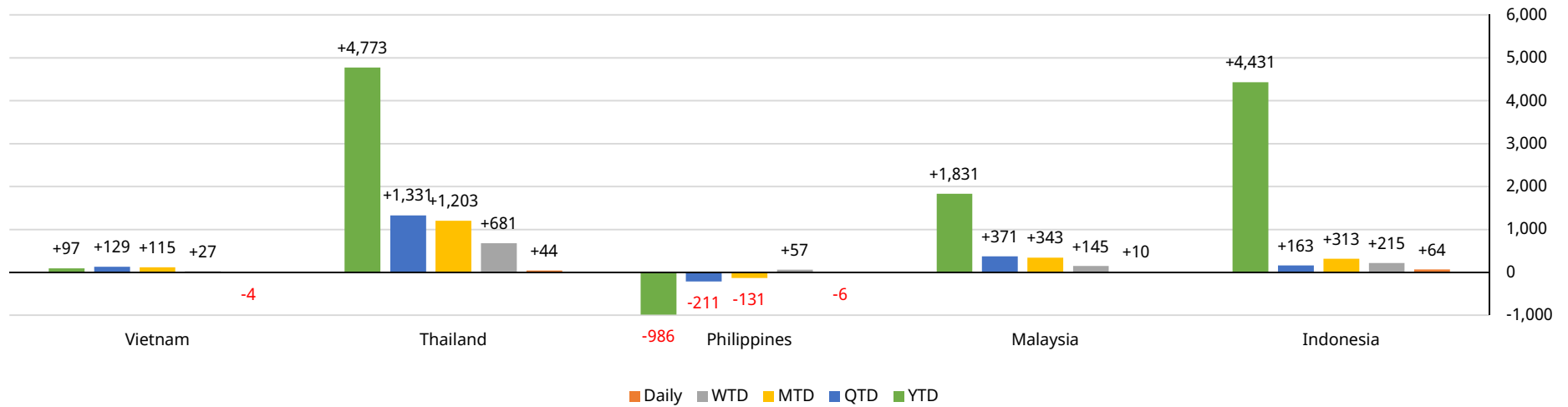
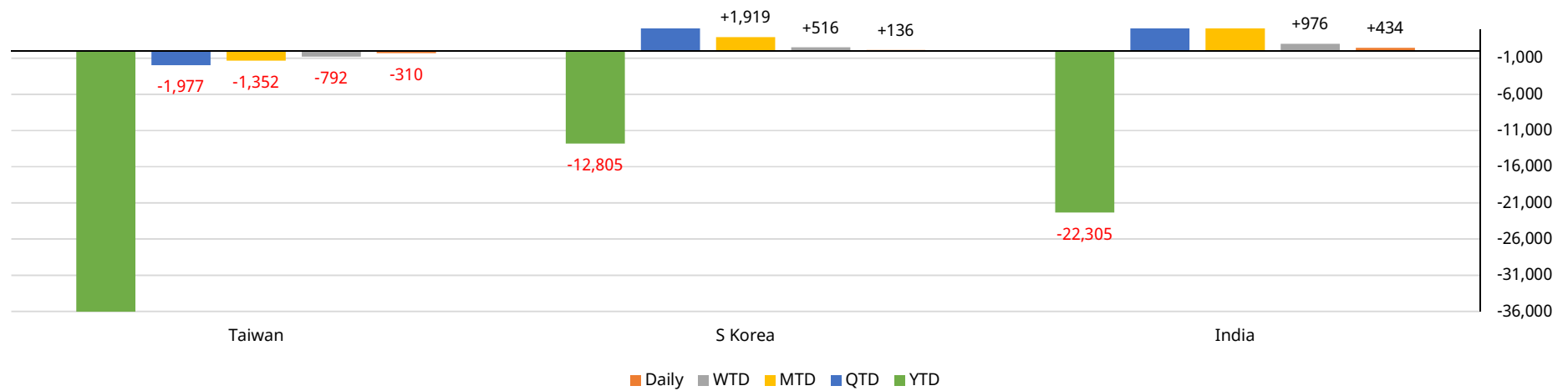


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



Source: Bloomberg

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