

Portfolio Managers' Views



12 September 2022
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (5-9 Sept 2022) & Our Managers' Views

- 1 Oil:** On Monday, OPEC+ cut its production quota by 100kbpd as they forecast oil demand weakness from China and Europe because of prolonged lockdowns and energy shortages respectively. This is the first production cut since July 2020. This also signals OPEC's commitment to maintain high oil prices. We closely monitor the developments on the demand side as it poses a downside risk to our view on oil prices.
- 2 Cement:** Malaysia's cement industry reported satisfactory Q2 earnings despite rising costs as they were able to pass costs down to its customers. The industry had been loss-making since 2016 until its industry consolidated to just a few major players recently. They are now better positioned to benefit during a construction upcycle. We are invested in this sector.
- 3 Bank:** Bank Negara Malaysia (BNM) increased the Overnight Policy Rate (OPR) by 25bps to 2.50% on 8 September 2022. Consensus expects BNM to increase OPR by another 50 bps to 3.00% by March 2023 to tame inflation and manage economic growth. In addition to the OPR rate hike cycle, banks are beneficiaries of potential write-back of provisions and the ceasing of Cukai Makmur in 2023. Selectively, they offer high dividend yields and our portfolios are invested in such banking stocks.
- 4 Plantation:** Based on a broker's report, Malaysia's August 2022 palm oil stocks is expected to reach its 10-year average of 2mil ton due to higher production. Although Crude Palm Oil (CPO) price has fallen by 8.4% MTD to RM3,680.50/ton, we expect CPO price to rebound when Indonesia's excess palm oil stock reduces. Moreover, soybean's price is currently USD735/ton more expensive than CPO, which will increase demand for the latter. We are positive on Malaysian upstream planters.
- 5 Flows:** Last week, Malaysia remains a top-3 recipient of flows into ASEAN equity markets, albeit with a net outflow of minus-USD 41m. ASEAN benefits from tourism-led economies (positive on consumer discretionary spending and tourism receipts), rate hike cycle (higher earnings for banks) and higher commodity prices (positive for plantation and energy stocks). Our funds are invested in the above beneficiaries.
- 6 Valuation:** Relatively unchanged WoW. 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 1.50x (below the 5Y average of 1.55x), dividend yield of 4.1% (above its 5Y average of 3.6%) and 14% premium against the Asia ex-Japan PER (at the low end of its 5Y average) are also supportive for the Malaysian market.

MALAYSIA MARKET REVIEW

Led by Press Metal Holdings after inking a long-term agreement with Glencore

Exhibit 1: KLCI vs Shariah Index

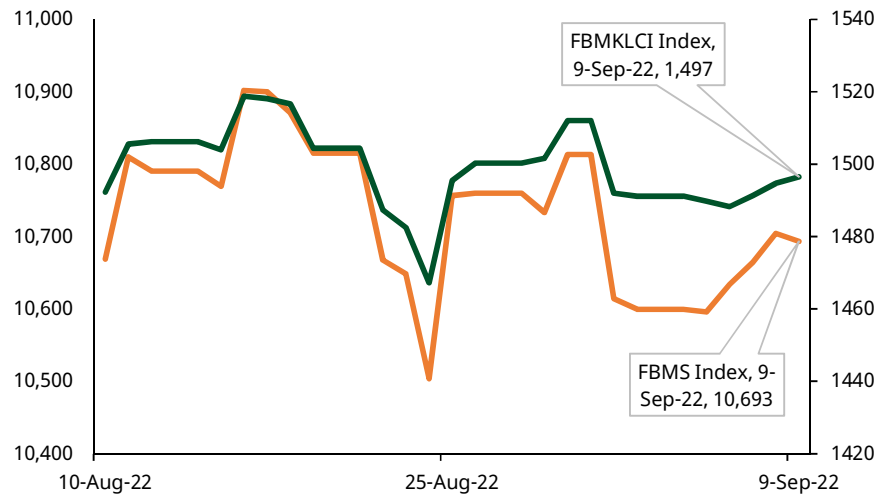


Exhibit 2: USDMYR

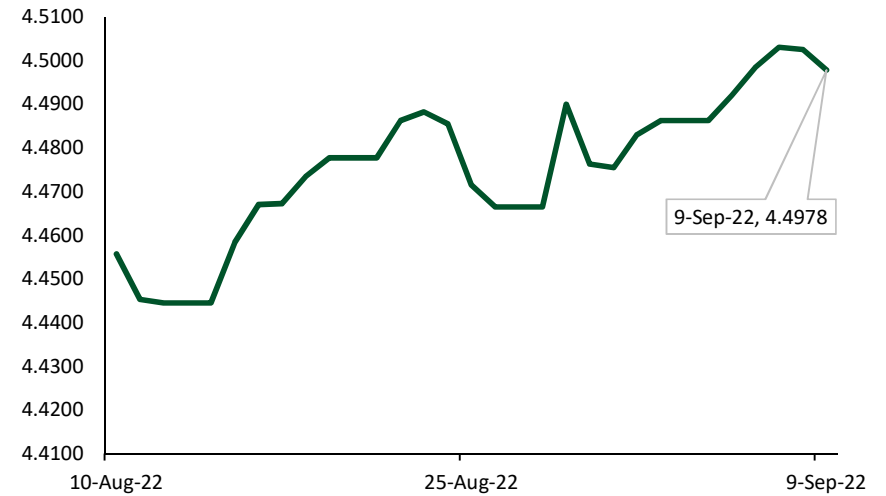


Exhibit 3: Sector Performances Week-to-Date (%)

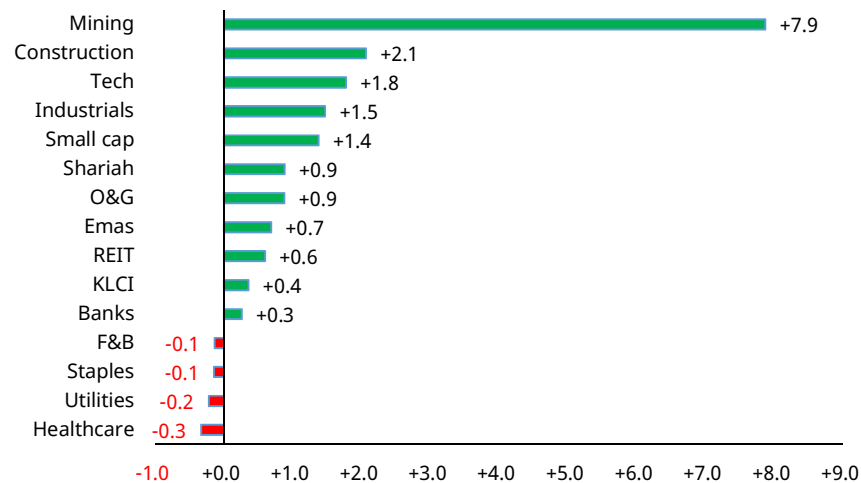
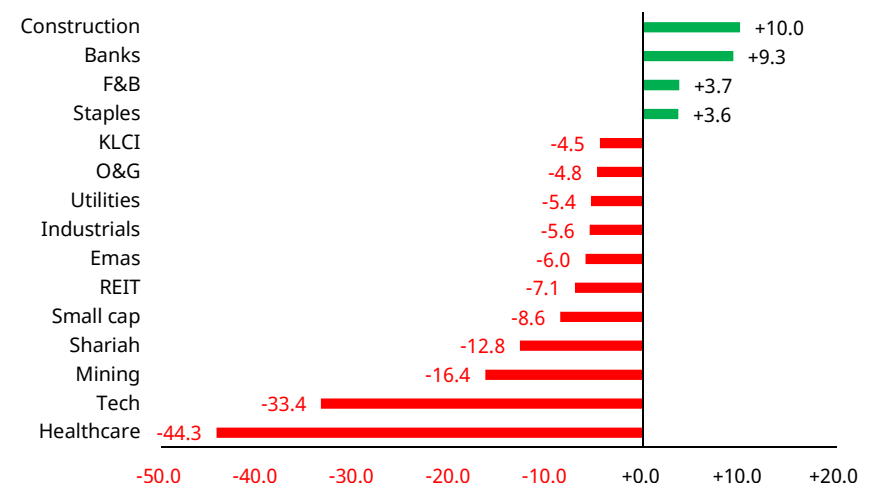


Exhibit 4: Sector Performances Year-to-Date (%)



MALAYSIA VALUATIONS

Remains attractive historically and versus the region

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

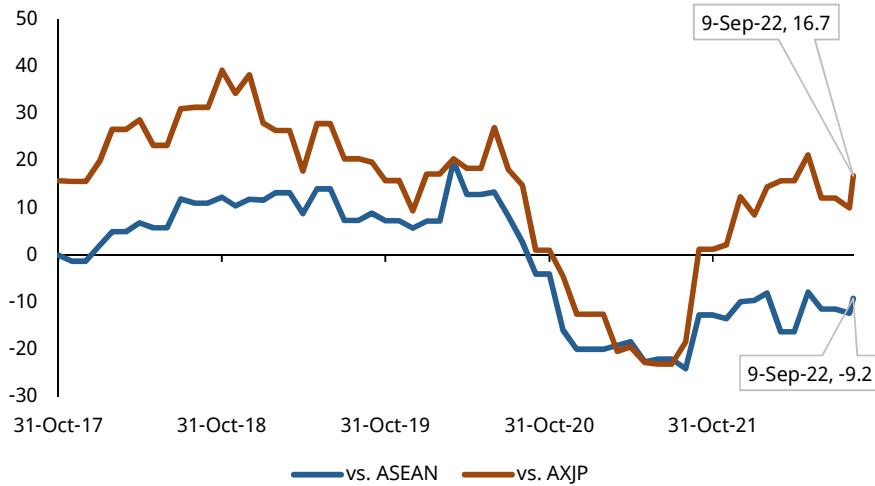


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

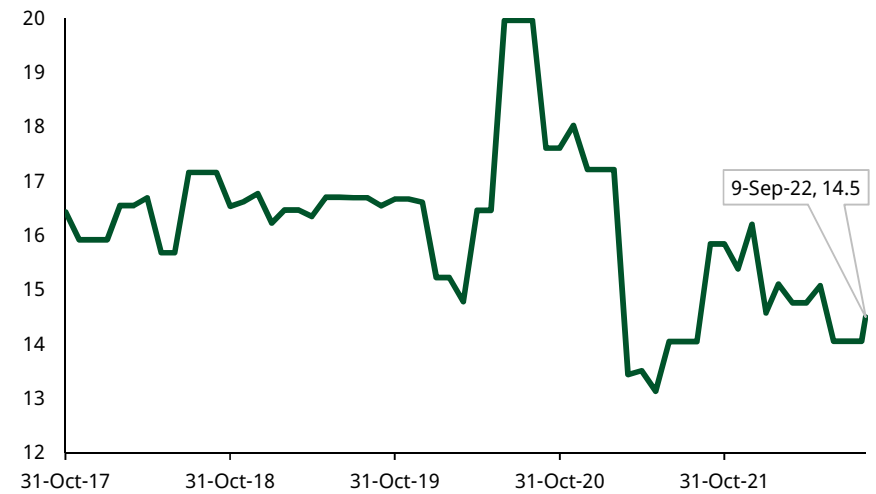


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

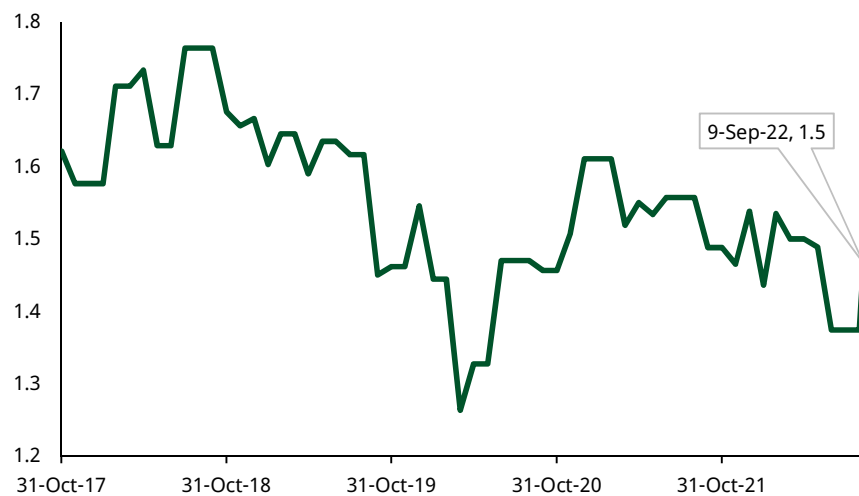
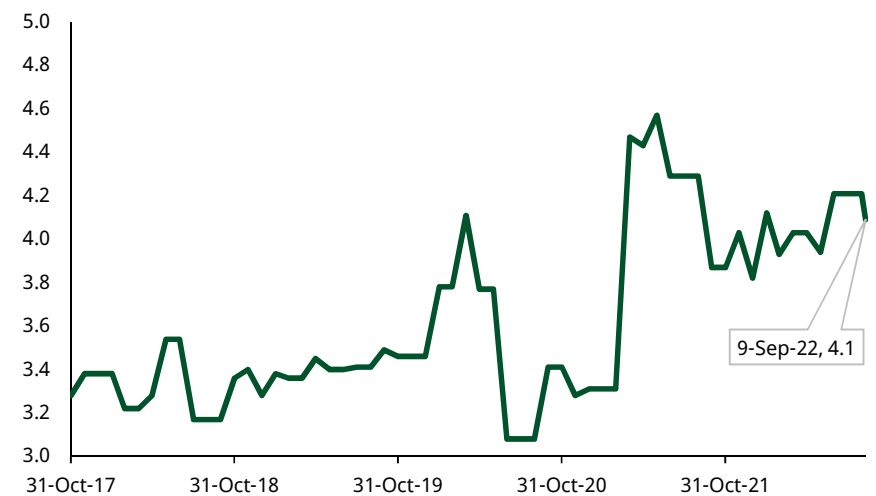


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

REGIONAL MARKETS REVIEW

ASEAN benefitted from strong inflows into Indonesia

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

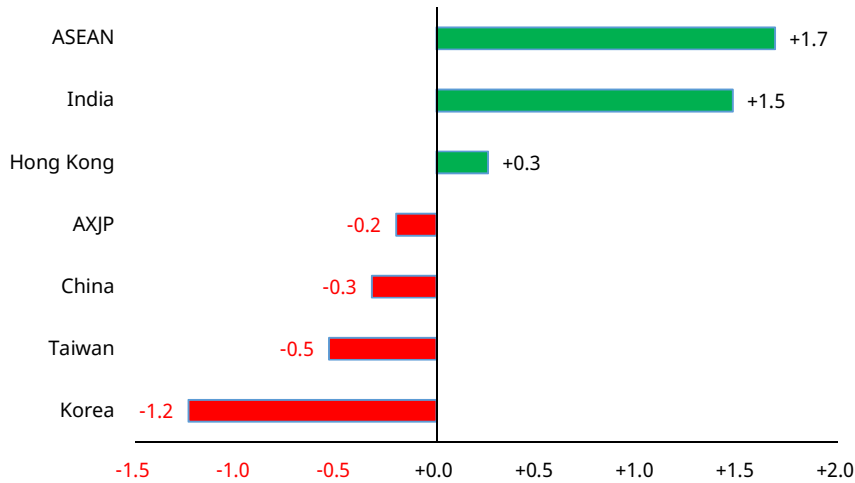


Exhibit 2: Country Performances Year-to-Date (%)

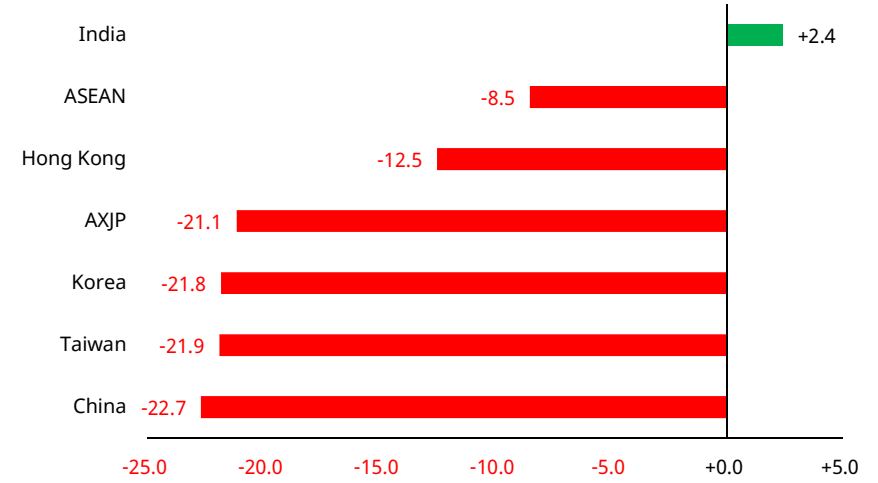


Exhibit 3: Sector Performances Week-to-Date (%)

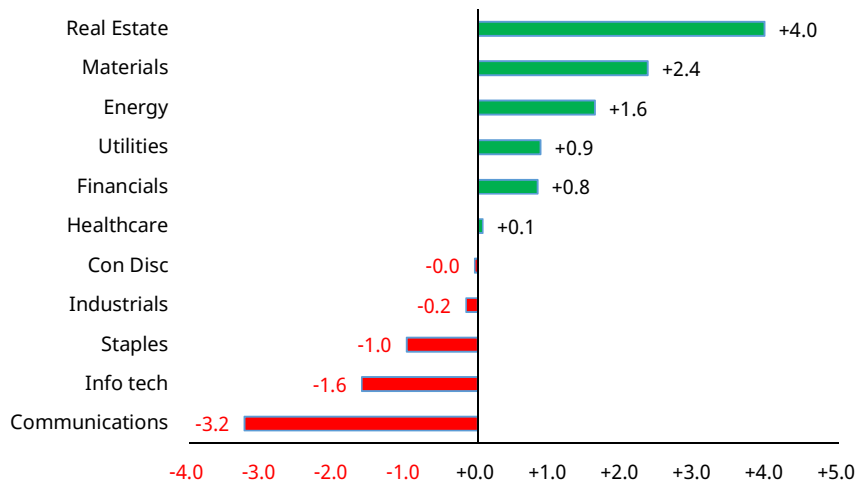
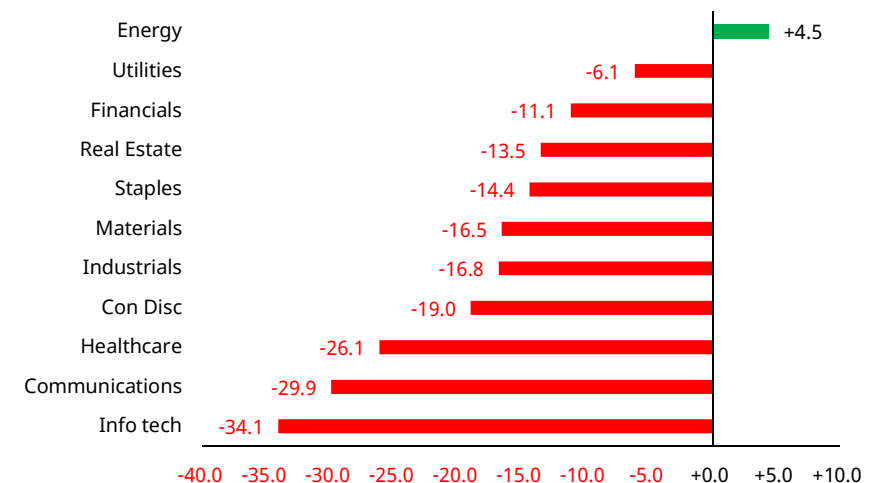


Exhibit 4: Sector Performance Year-to-Date (%)



REGIONAL VALUATIONS

The Asian region is trading near historical lows. ASEAN offers attractive yields

Exhibit 5: Regional Price-Earnings Ratio (x)

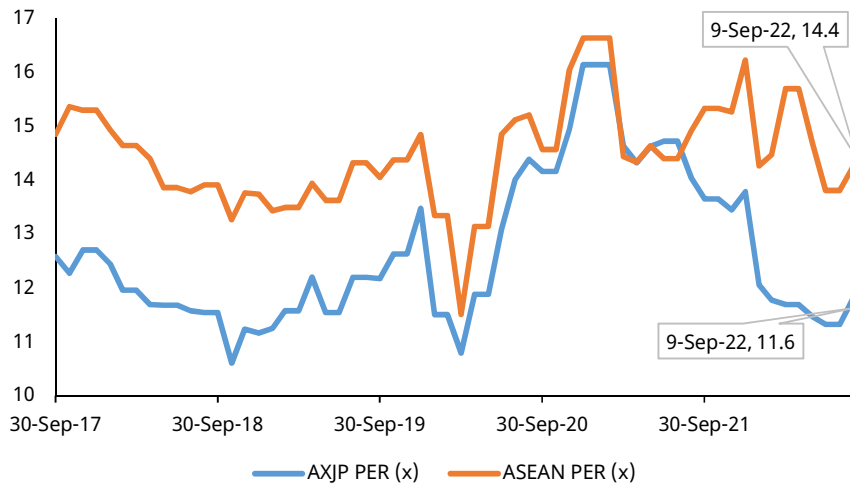


Exhibit 6: Regional Price-to-Book Ratio (x)

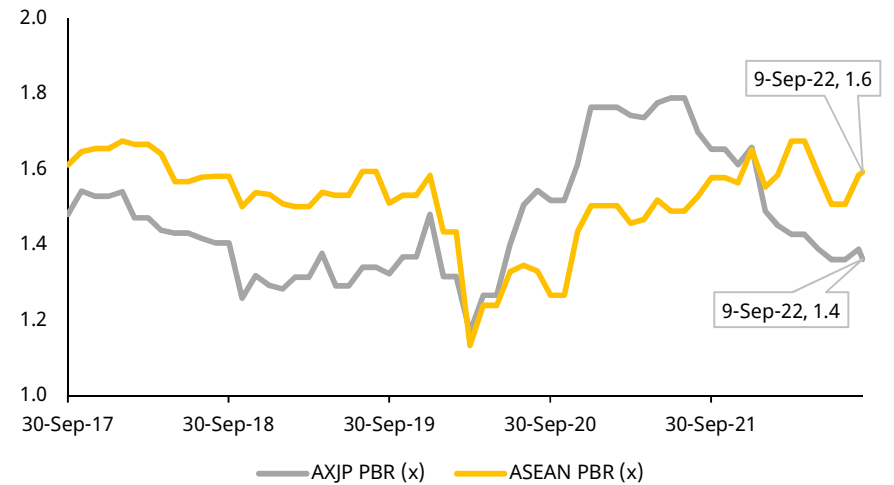


Exhibit 7: Regional Dividend Yield (%)

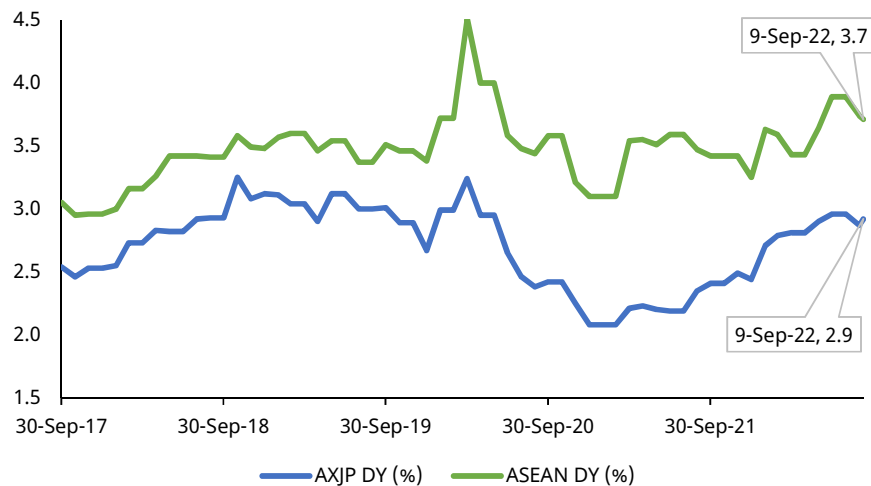
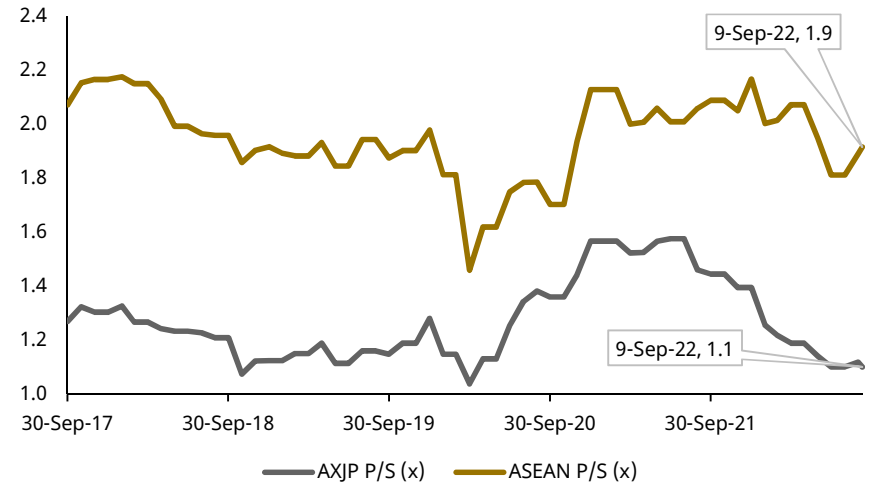


Exhibit 8: Regional Price-to-Sales (x)



FOREIGN FUND FLOWS

Year-to-date, Malaysia was the third-highest recipient of net flows into ASEAN

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

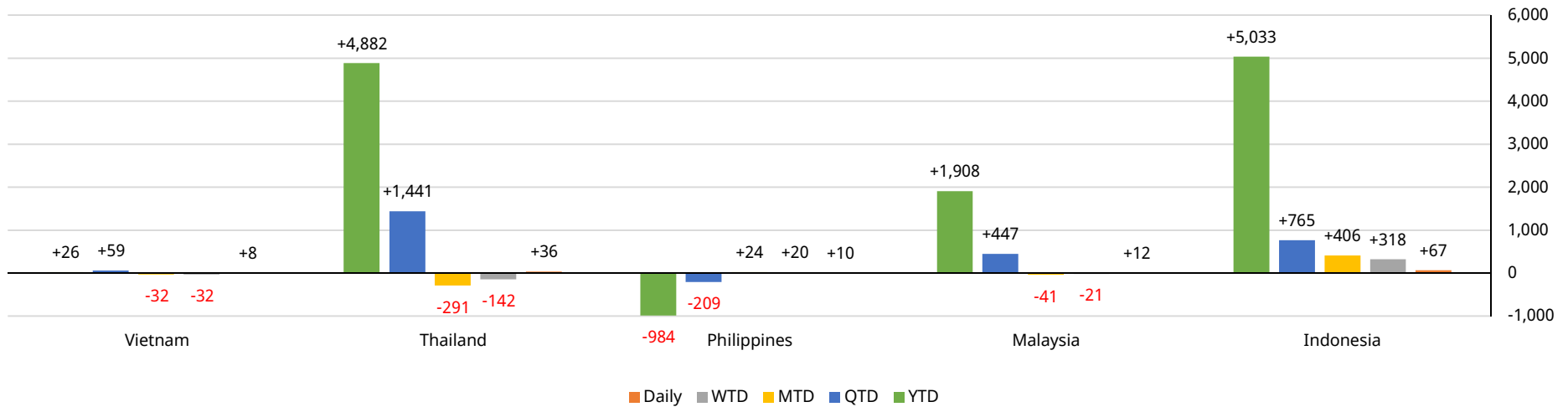
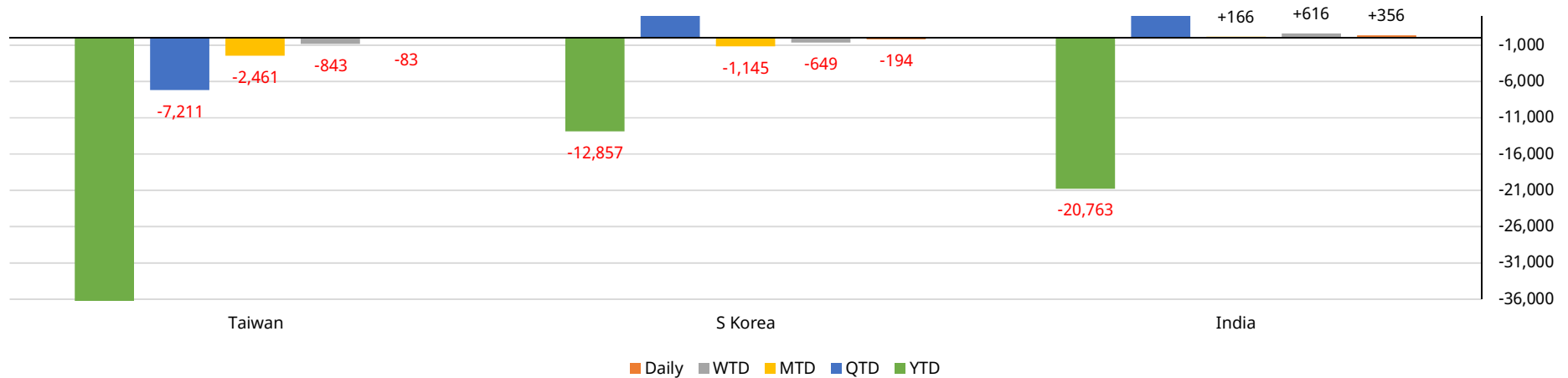


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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