

# Portfolio Managers' Views

  
**14 November 2022**  
FUND MANAGEMENT DEPARTMENT

# MALAYSIA & REGIONAL

## The Week in Review (7-11 Nov 2022) & Our Managers' Views

- 1 Oil & Gas:** We remain bullish on oil prices. Brent oil price declined 6.1% WTD to trade at \$92/bbl. This comes after US reported that its oil inventories rose by 3.9mil bbls vs expectations of 1.4mil bbls. Speculations of stronger consumption from China also failed to materialise after its government decided to maintain its lockdown. However, we believe oil price will rally after OPEC's production cuts and US's sanction on Russian oil take effect towards the end of year 2022.
- 2 Glove Sector:** We attended an earnings briefing by a leading glove manufacturer last week. Its CEO says that its customers are clearing excess inventories, other producers are scrapping expansion plans and aggressive downpricing by Chinese competitors are tapering off. We remain Underweight in glove stocks which have declined 55% YTD on average as we expect earnings to remain weak in the coming quarters but we view this reconsolidation as positive for the sector.
- 3 Palm Oil:** We remain bullish on CPO prices. Based on Malaysian Palm Oil Board's Oct-22 statistics, Malaysia's palm oil inventory rose by 4% MoM to 2.4mil ton which is lower than consensus estimates. We believe inventory has peaked due to upcoming low production season and stronger export. Stronger export is driven China consumption and tightening of Indonesia's export policy. These reinforced our view that CPO prices will trade between RM3,500-4,000/ton in 2H2022.
- 4 Brewers:** We remain invested in brewers. Heineken Malaysia's recent 3Q2022 result indicated positive earnings growth and margins expansion, driven by strong on-sales trade and higher product prices. We expect brewers' earnings in 4Q2022 to remain strong due to the festive season coupled with travel reopening. Further, Malaysia-listed brewers are more attractive compared to global peers due to their cheaper valuation, better return on equity and higher dividend yield.
- 5 US Fed Pivot:** Despite raising the Fed Fund rate by another 75 bps to fight inflation, US CPI has been declining since peaking at 9.1% in June, as it fell for the next four months to 7.7% in October. The continued moderation in inflation support expectations in the futures market that point towards the Fed pausing its rate hikes in 6 months' time, and potentially lowering it in one year's time. This is positive for equities, as regional and Malaysia valuations trade in BUY territories.
- 6 Valuation:** KLCI rose WoW, tracking a broader market rebound after US announced a lower inflation rate. We maintain our view that the KLCI remains in BUY territory and remains cheap based on 2022 price-earnings ratio ("PER") of 14.4x (-1.0 standard deviation, below its 5Y average of 16.1x). Price-to-book ratio and dividend yields are also attractive at 1.40x (below the 5Y average of 1.55x) and 4.1% (above its 5Y average of 3.6%).

# MALAYSIA MARKET REVIEW

Equity rallied on lower CPI growth for Oct. USD weakened on Fed pivot hopes

Exhibit 1: KLCI vs Shariah Index

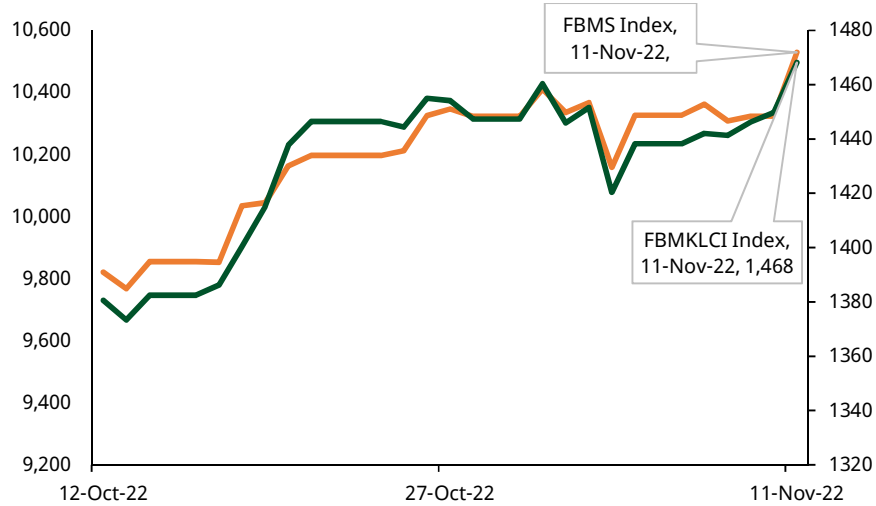


Exhibit 2: USDMYR

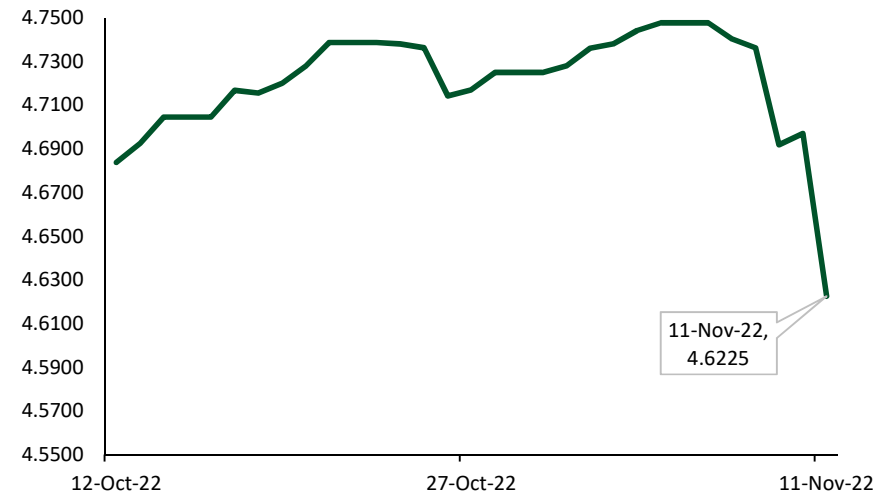


Exhibit 3: Sector Performances Week-to-Date (%)

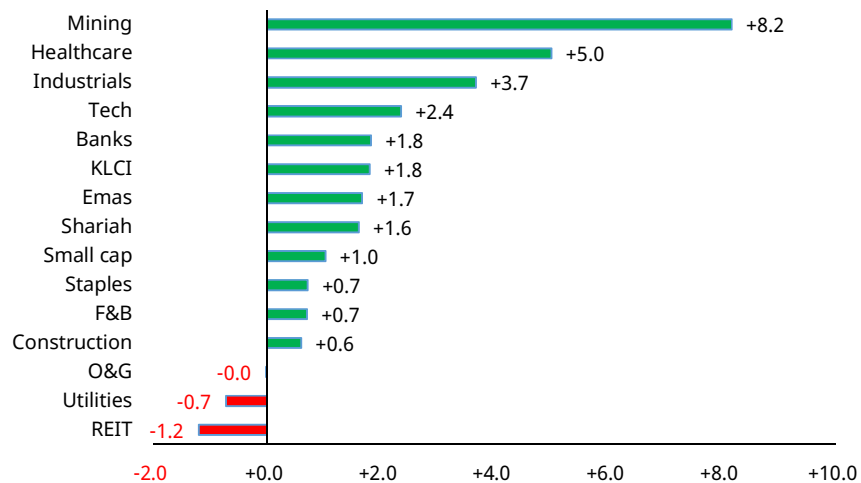
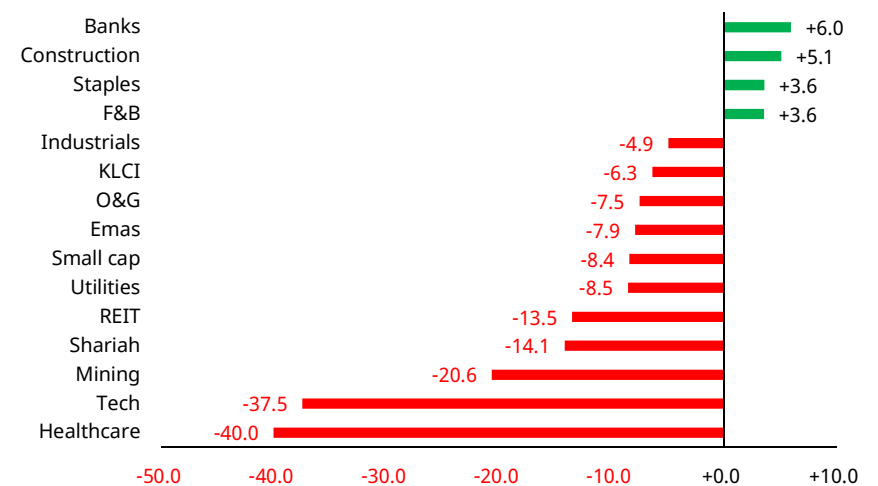


Exhibit 4: Sector Performances Year-to-Date (%)



# MALAYSIA VALUATIONS

Although Malaysia gained, it is still attractive historically and versus the region

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

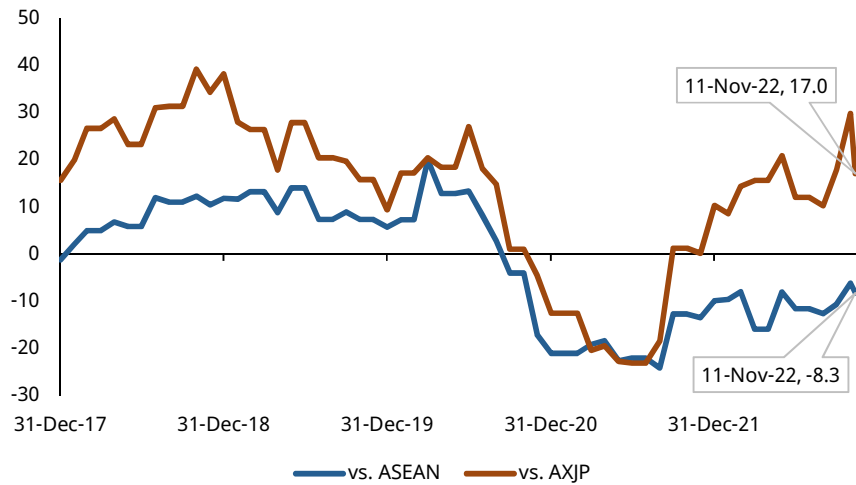


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

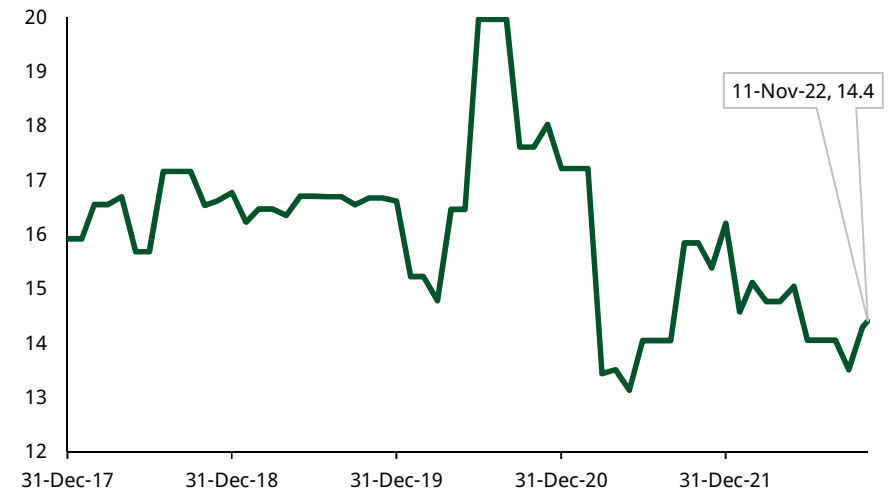


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

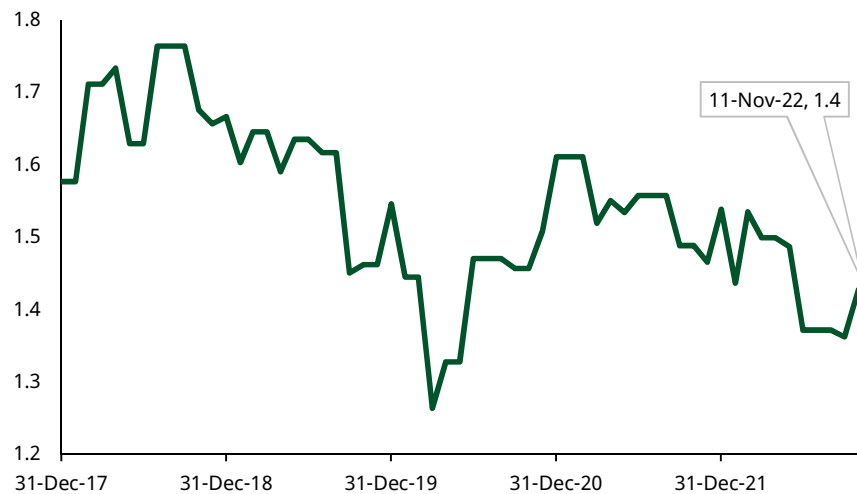
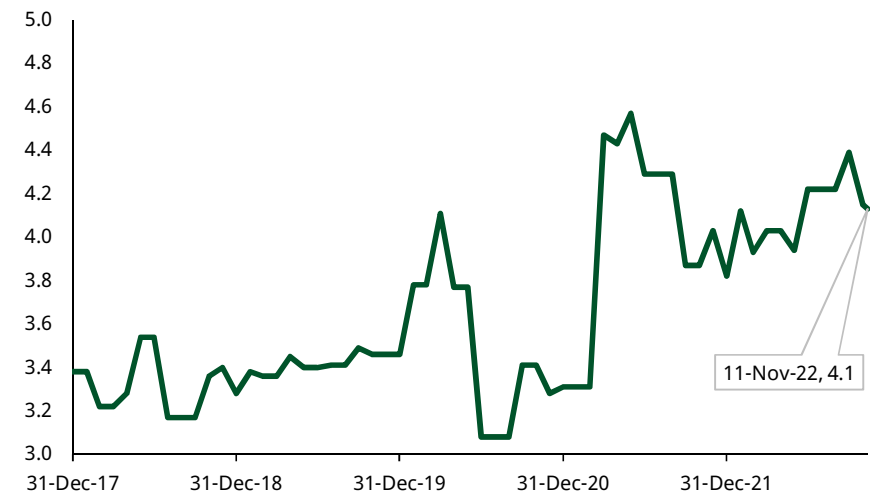


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# REGIONAL MARKETS REVIEW

Tech-driven markets outperformed as they benefit from lower rate hopes

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

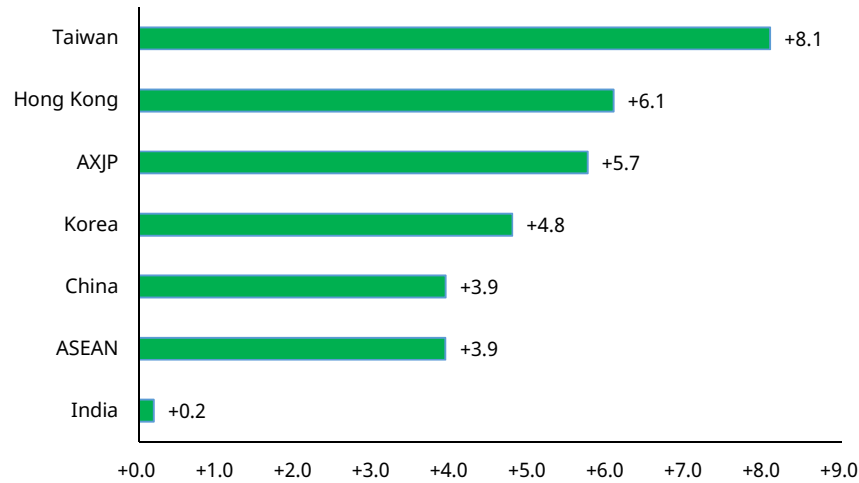


Exhibit 2: Country Performances Year-to-Date (%)

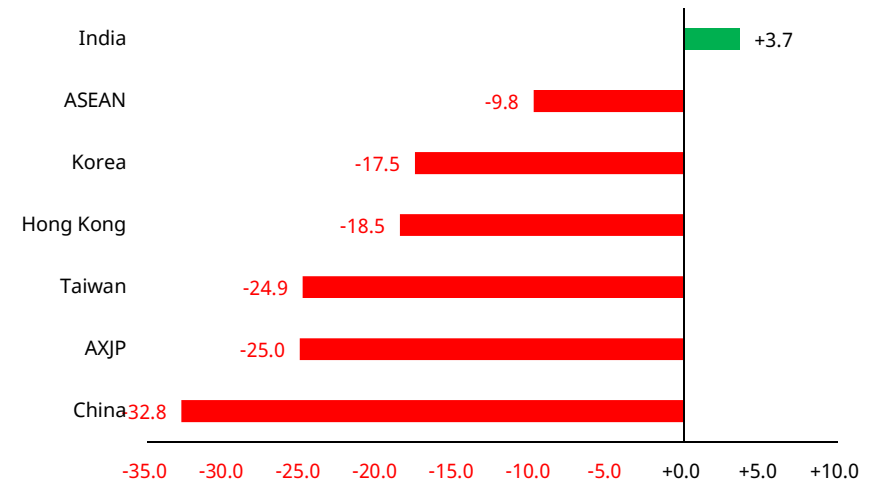


Exhibit 3: Sector Performances Week-to-Date (%)

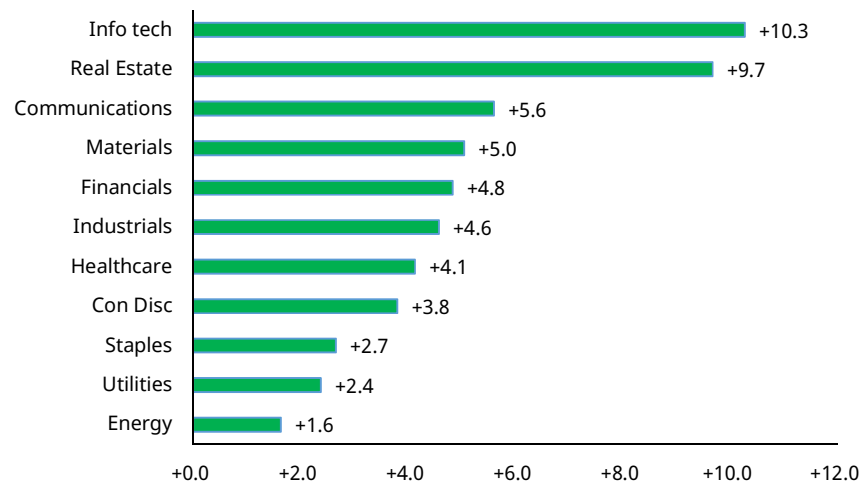
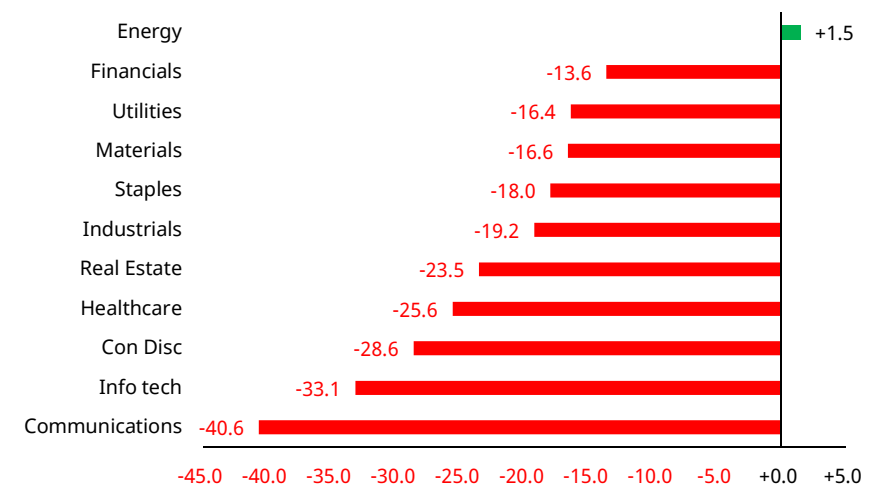


Exhibit 4: Sector Performance Year-to-Date (%)



# REGIONAL VALUATIONS

Asian valuations remain attractive despite the sharp rallies last week

Exhibit 5: Regional Price-Earnings Ratio (x)

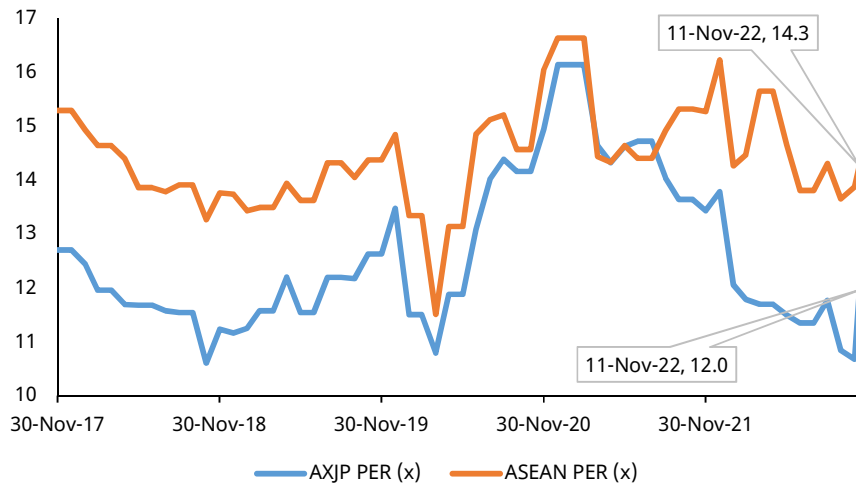


Exhibit 6: Regional Price-to-Book Ratio (x)

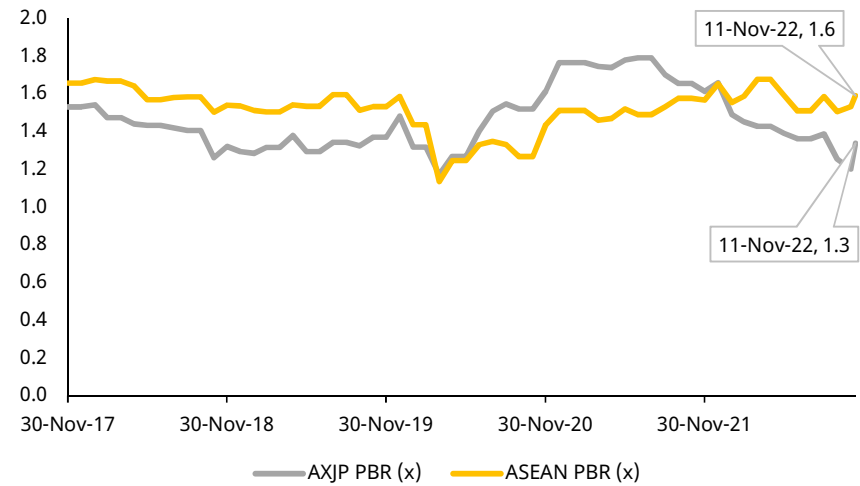


Exhibit 7: Regional Dividend Yield (%)

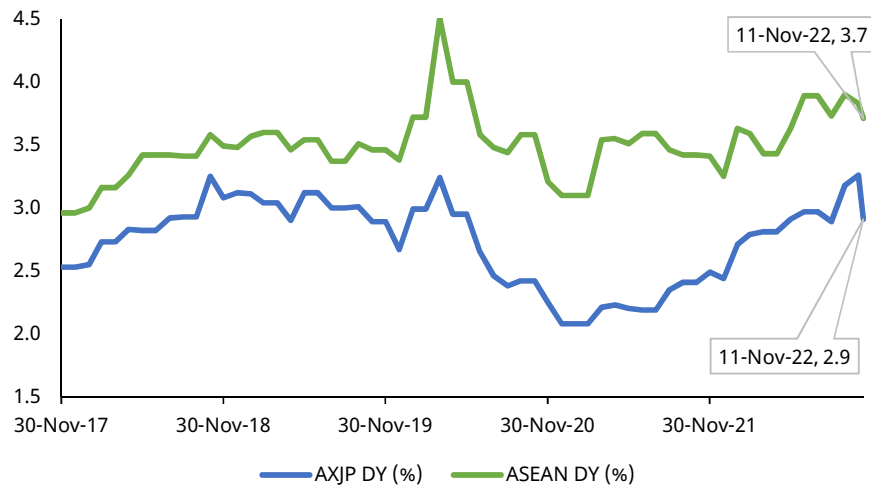
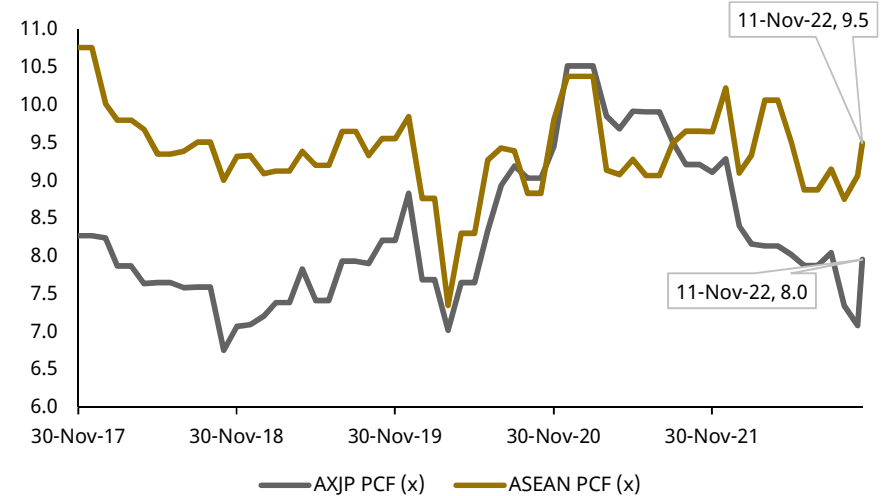


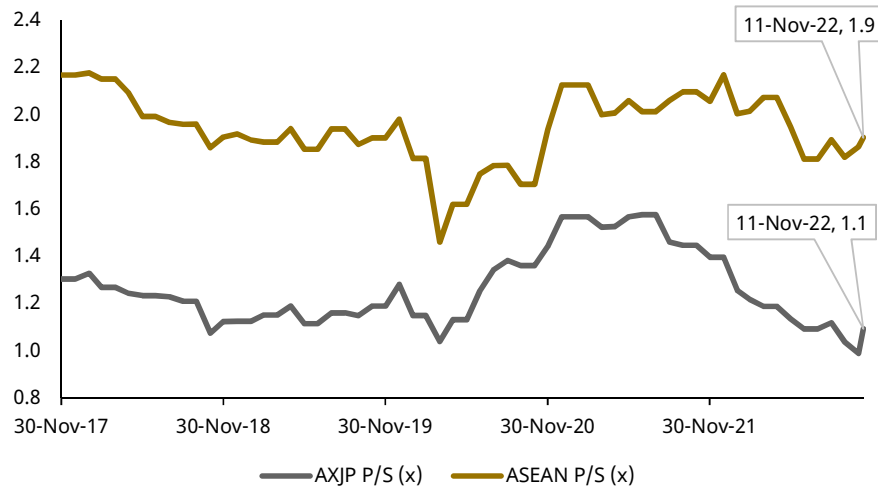
Exhibit 8: Regional Price-to-Cash Flow (x)



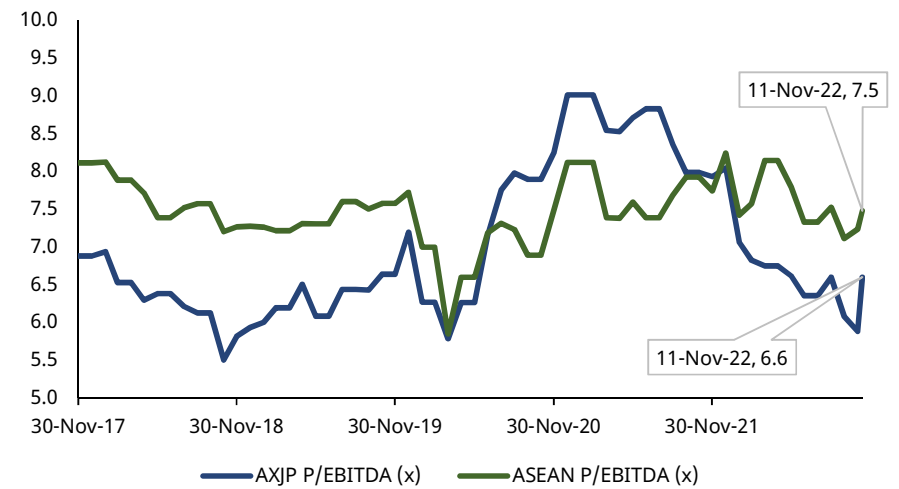
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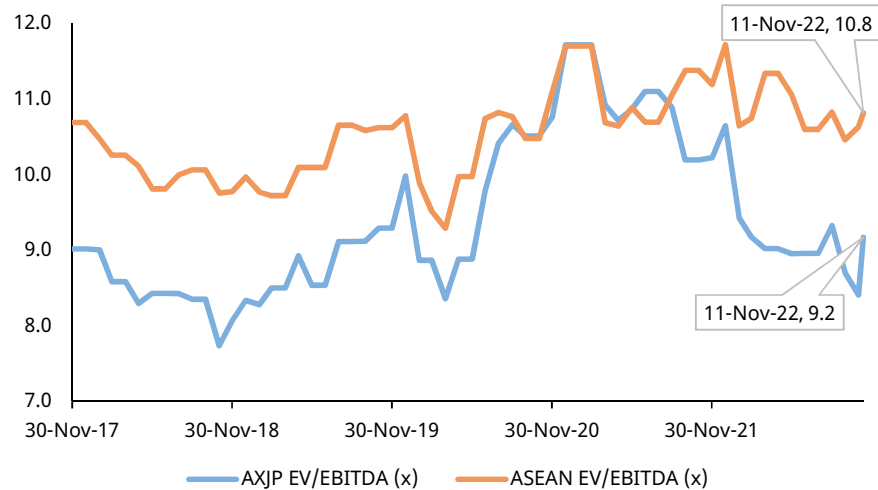
Regional Price-to-Sales Ratio (x)



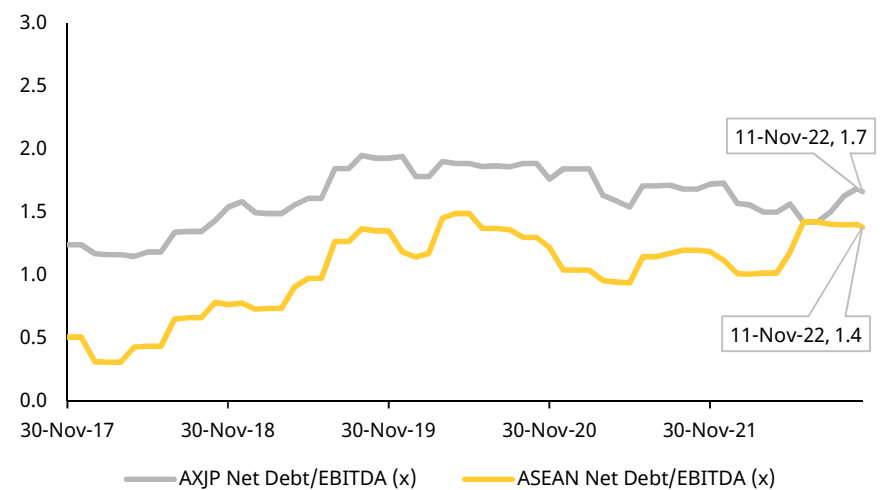
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



# FOREIGN FUND FLOWS

Fund flows are now favouring growth markets and tech sectors

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

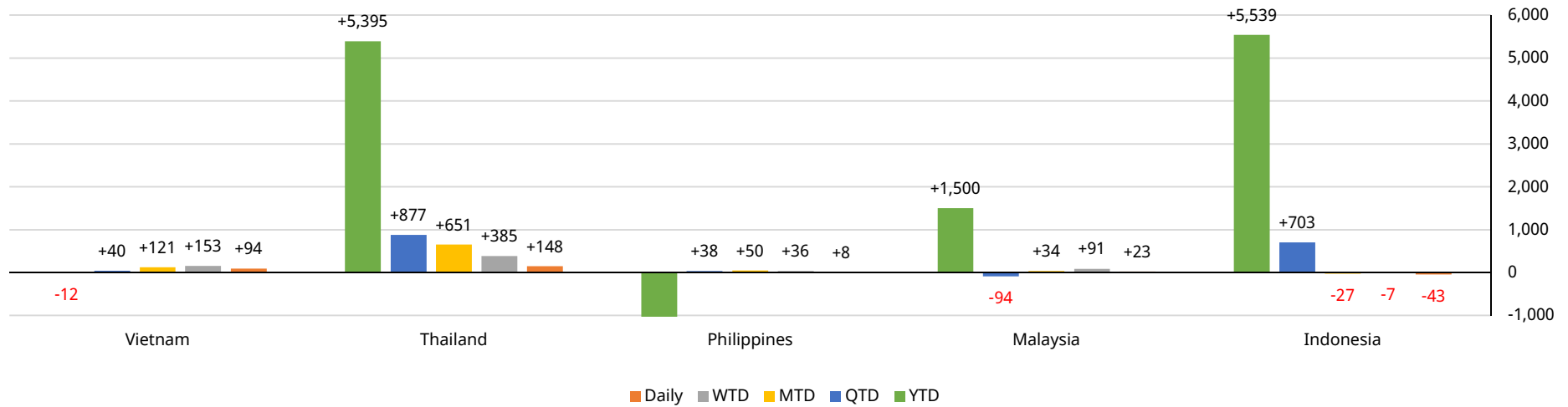
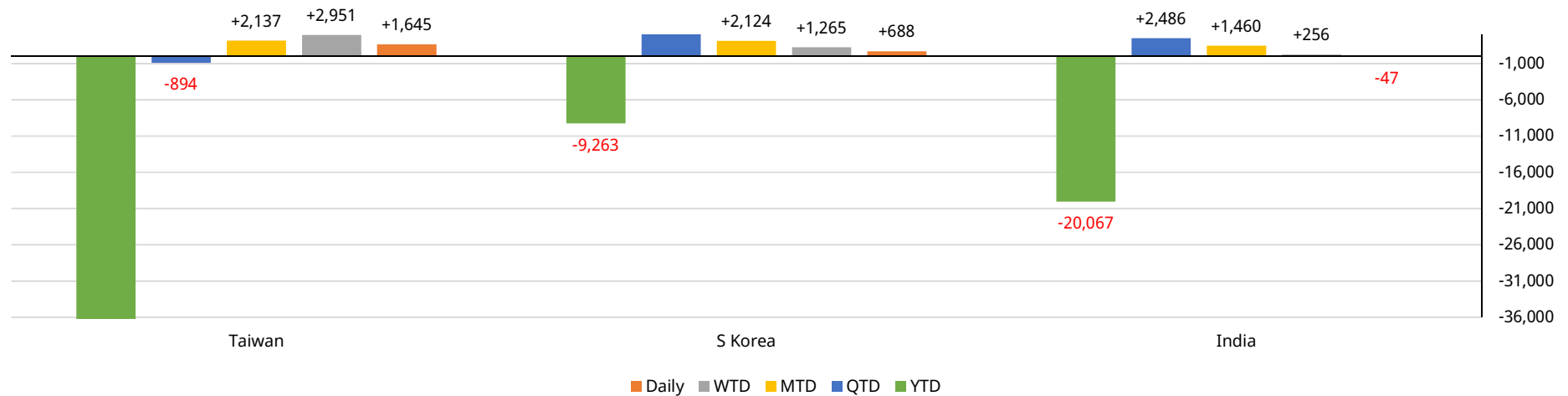


Exhibit 10: Selected North and West Asian Markets (Net USD mil)





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