

Portfolio Managers' Views


21 November 2022
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (14 - 18 Nov 2022) & Our Managers' Views

- 1 Malaysian Politics:** Over the weekend, Malaysia concluded its 15th General Election with no single party commanding a majority of 112 seats. The parties with the most seats were Pakatan Harapan (81), Perikatan Nasional (73) and Barisan Nasional (30). Currently, Malaysia faces a hung parliament until a coalition government can be formed between parties. We believe the markets have largely priced this in prior to the election and expect the sell-off to be contained despite this news.
- 2 US Dollar weakness:** From 8-18 Nov, the US Dollar spot index (DXY) fell by 2.8%. Likewise, the USD fell against MYR by 4% from 4.74 to 4.55 after the US October inflation data of 7.7% came in lower than expectations of 7.8%. As US inflation peaked in June-22, the moderation over the last four months points to peak US Fed fund rate by Mar-23. As the interest rate futures also implies a pivot by then, we will look to invest in beneficiaries of lower interest rates and bond yields like tech (see item 5).
- 3 China reopening:** We are invested in the metals sector. During the week, Chinese markets rallied by 2.6% after China announced its recalibrated Zero Covid policies. The new policy aims to reduce the impact of its covid mitigation measures. Similarly, the government also announced policies to assist its ailing property sector. We believe these two developments will translate to higher demand of metals such as Steel and Aluminum as China accounts for most of its global demand.
- 4 Oil & Gas:** Based on a foreign broker report, concerns of lower global oil supplies from Russian oil sanctions have alleviated. They highlighted that the US will allow India (and possibly China) to purchase Russian oil as long as Western services are not used and they expect that the combined tanker capacities of Russia, China and India will be sufficient. In the short term, we turn cautious but maintain our average \$90/bbl target for 2023.
- 5 Tech:** We remain Underweight on technology as we approach the tech downcycle period. Global memory chipmaking leader, Micron guided that it will cut production by 20% as demand fell and inventory levels are high. We see this as a leading indicator for weaker demand for PCs and data centres. Although we are underweight for now, we will look for buying opportunities in the sector as it benefits from secular trends such as EVs, IoT and cloud computing.
- 6 Valuation:** KLCI fell WoW due to political uncertainty as Malaysia's 15th General Election approaches. We maintain our view that the KLCI remains in BUY territory and has largely priced-in the election outcome. The KLCI remains cheap based on 2022 price-earnings ratio ("PER") of 14.2x (-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 4.2% (above its 5Y average of 3.6%).

MALAYSIA MARKET REVIEW

Equity weakened on political uncertainty. USDMYR fell on Fed pivot hopes

Exhibit 1: KLCI vs Shariah Index

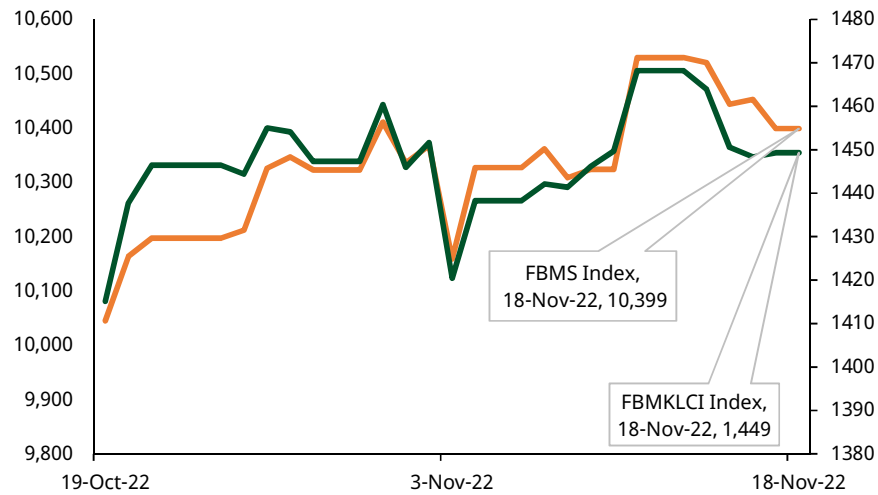


Exhibit 2: USDMYR

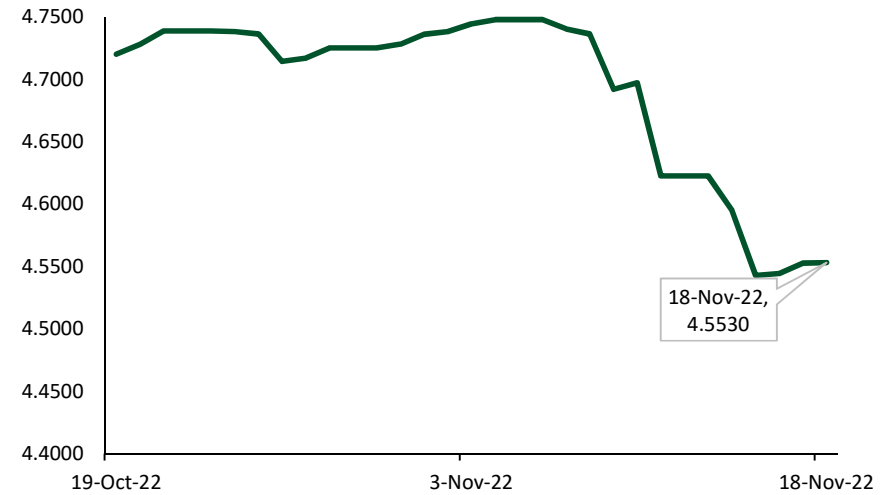


Exhibit 3: Sector Performances Week-to-Date (%)

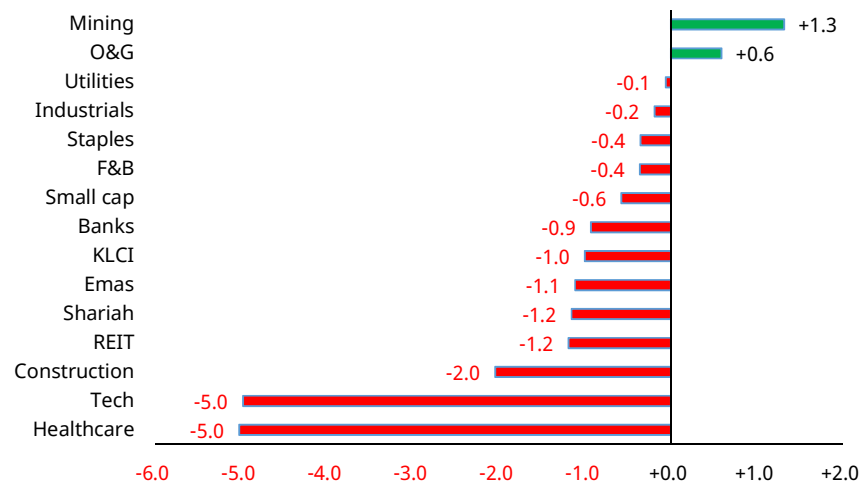
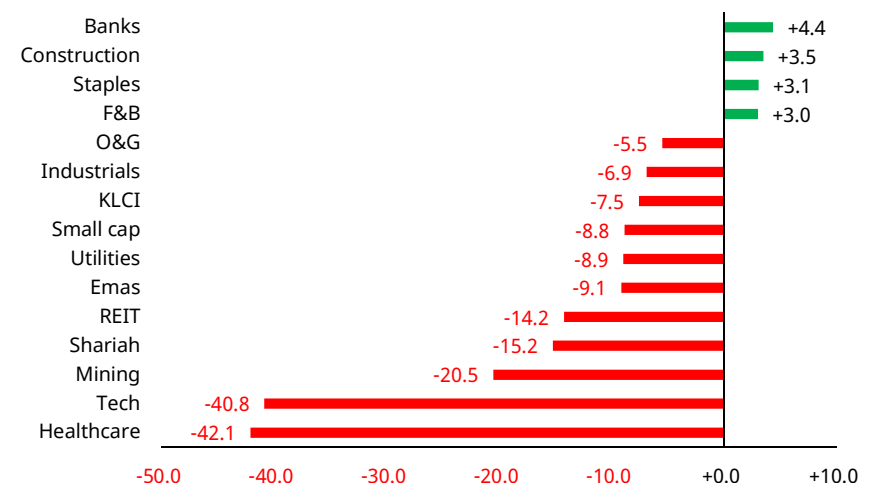


Exhibit 4: Sector Performances Year-to-Date (%)



MALAYSIA VALUATIONS

Remains relatively attractive compared to long-term averages

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

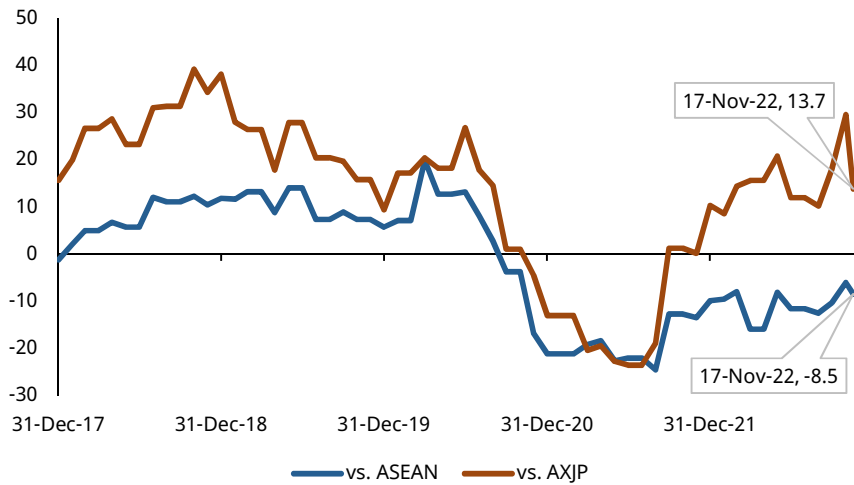


Exhibit 6: KLCI's 2022 Price-Earnings Ratio (PER, x)

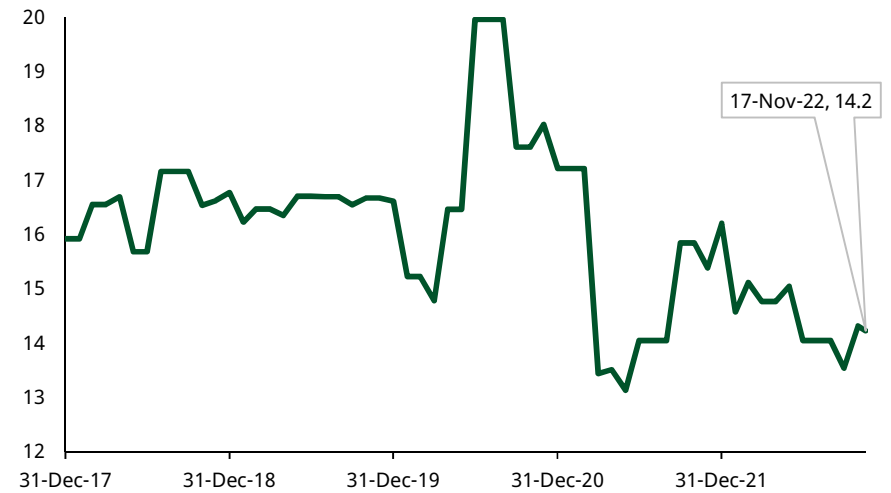


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

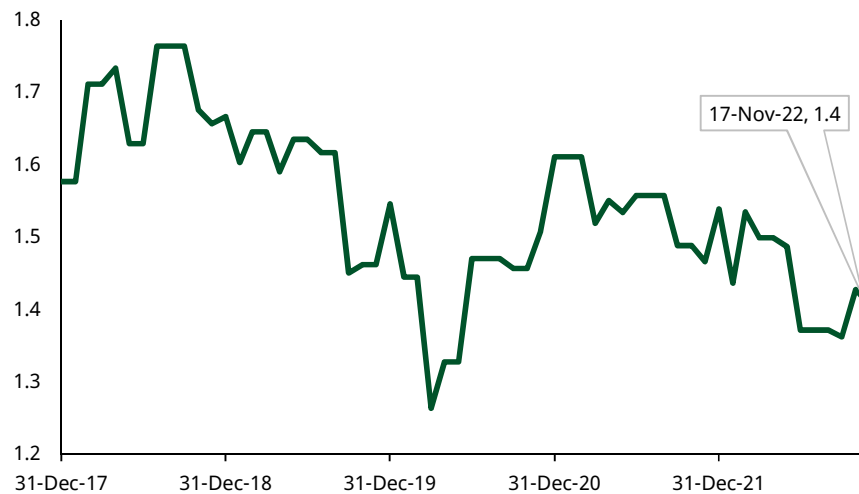
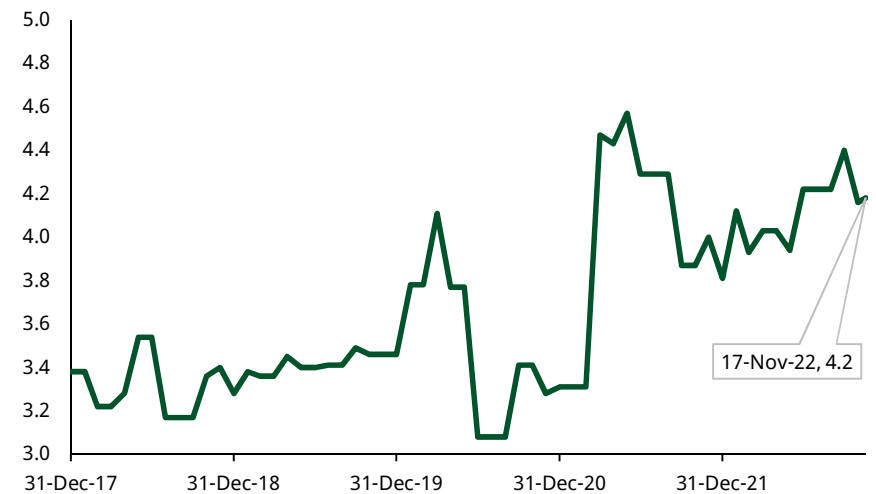


Exhibit 8: KLCI's Dividend Yield (DY, %)



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 (%)

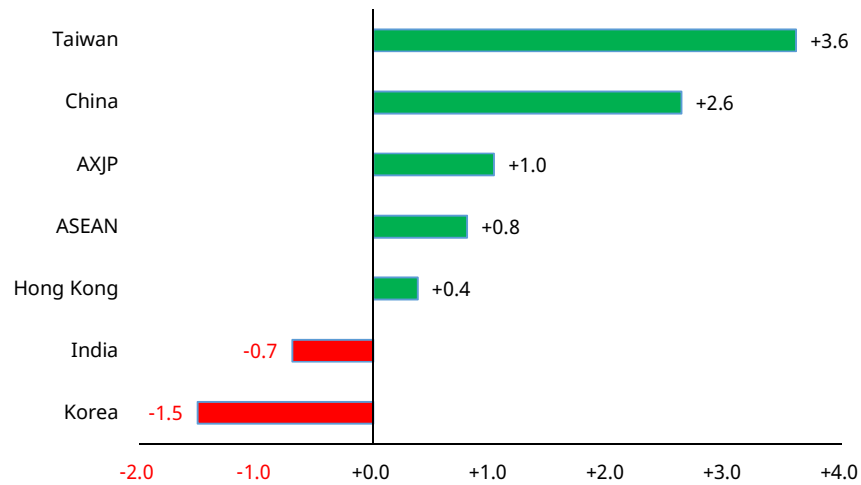


Exhibit 2: Country Performances Year-to-Date (%)

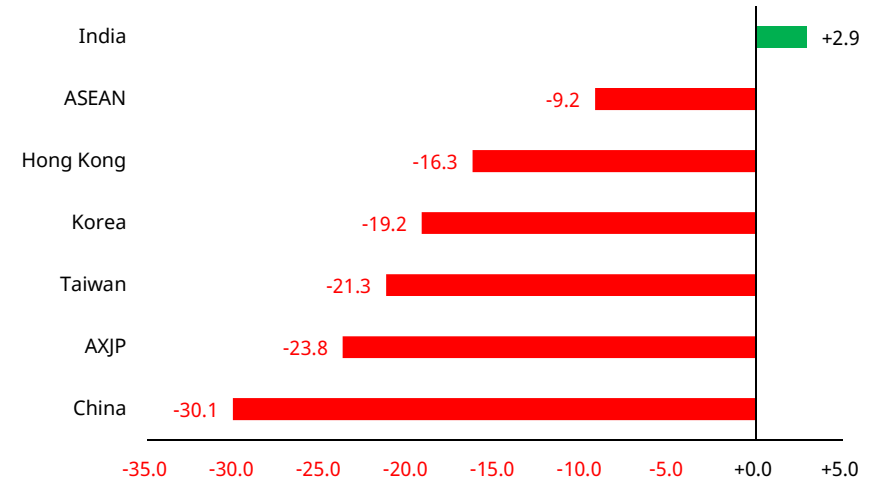


Exhibit 3: Sector Performances Week-to-Date (%)

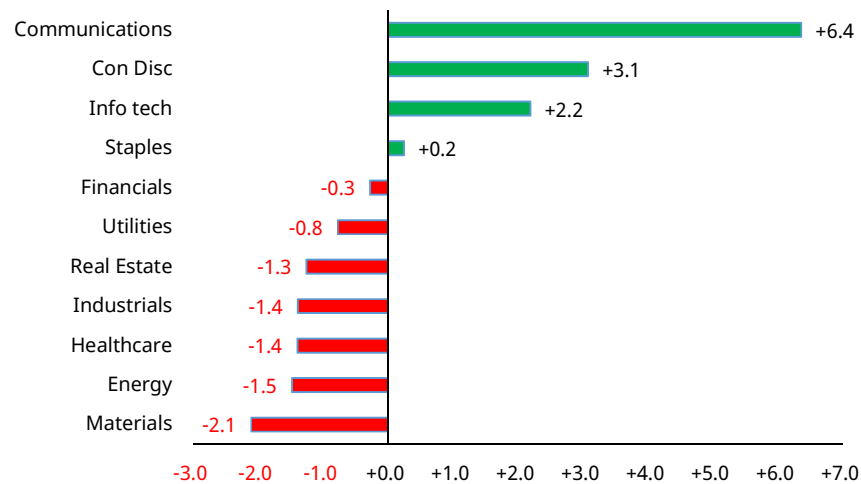
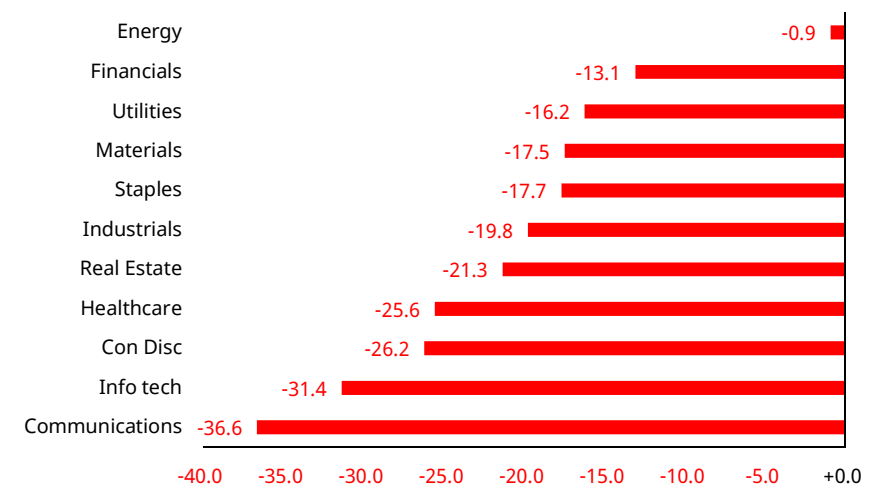


Exhibit 4: Sector Performance Year-to-Date (%)



REGIONAL VALUATIONS

Asian valuations remain attractive despite the sharp rallies last week

Exhibit 5: Regional Price-Earnings Ratio (x)

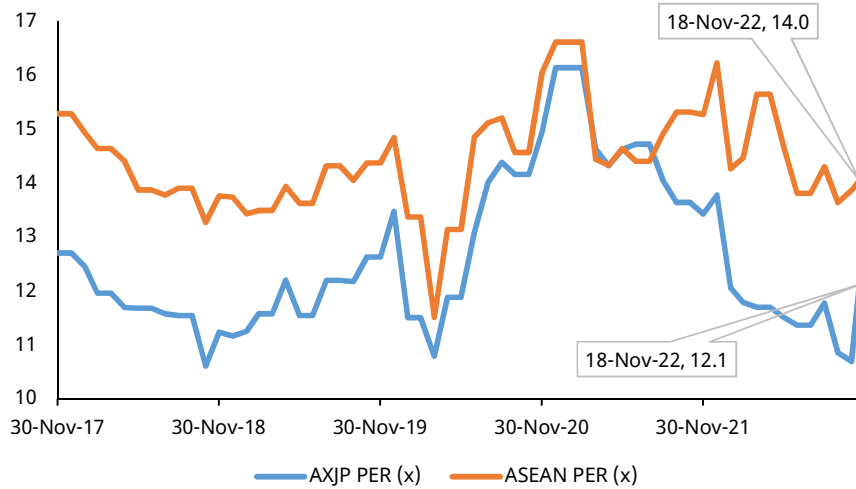


Exhibit 6: Regional Price-to-Book Ratio (x)

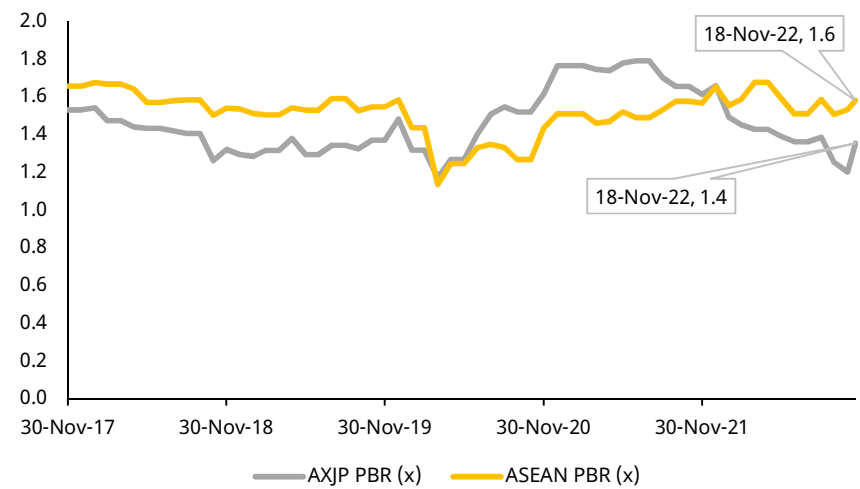


Exhibit 7: Regional Dividend Yield (%)

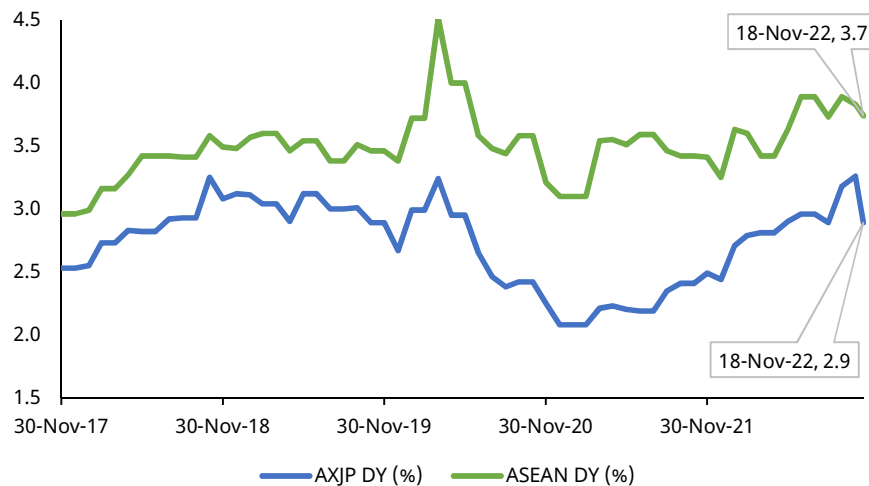
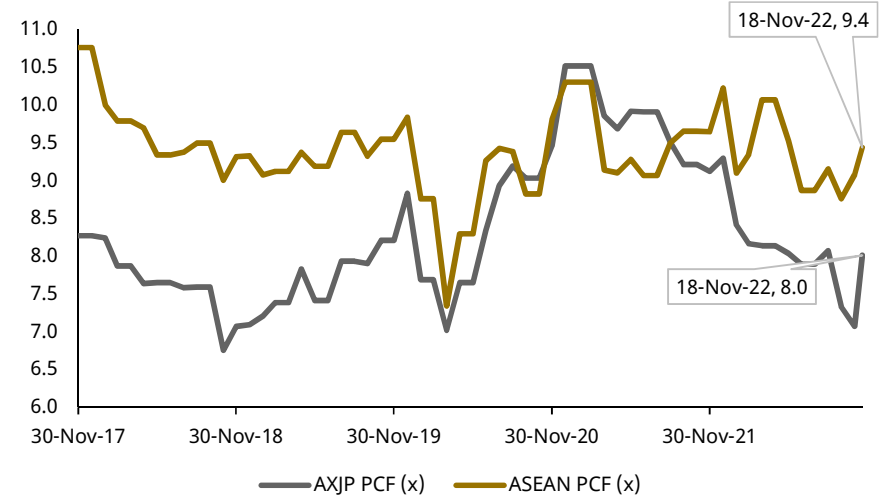


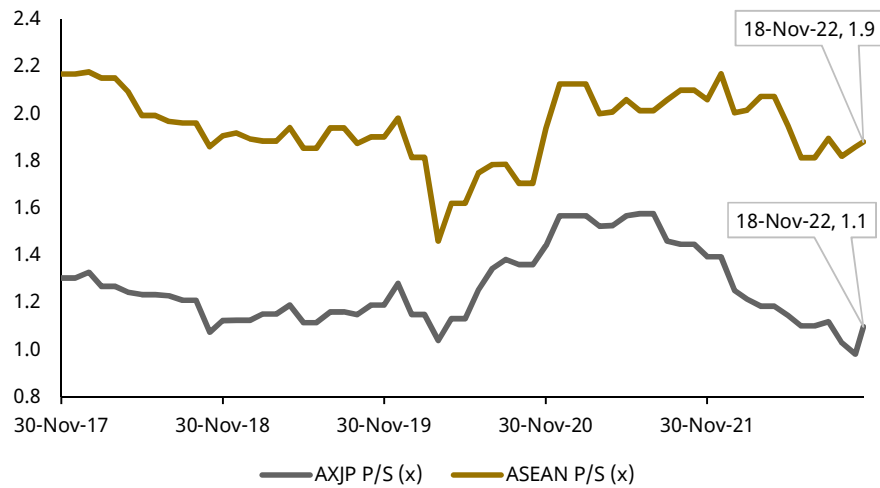
Exhibit 8: Regional Price-to-Cash Flow (x)



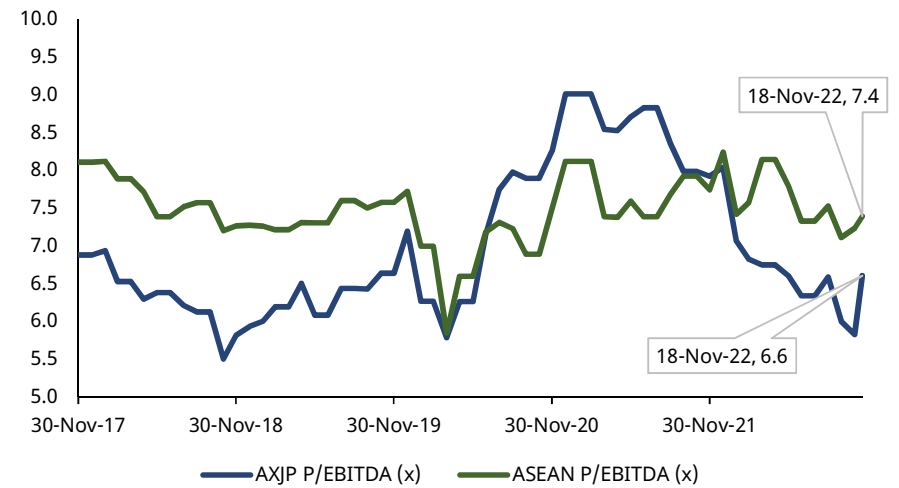
REGIONAL VALUATIONS

Asian valuations remain attractive despite the sharp rallies last week

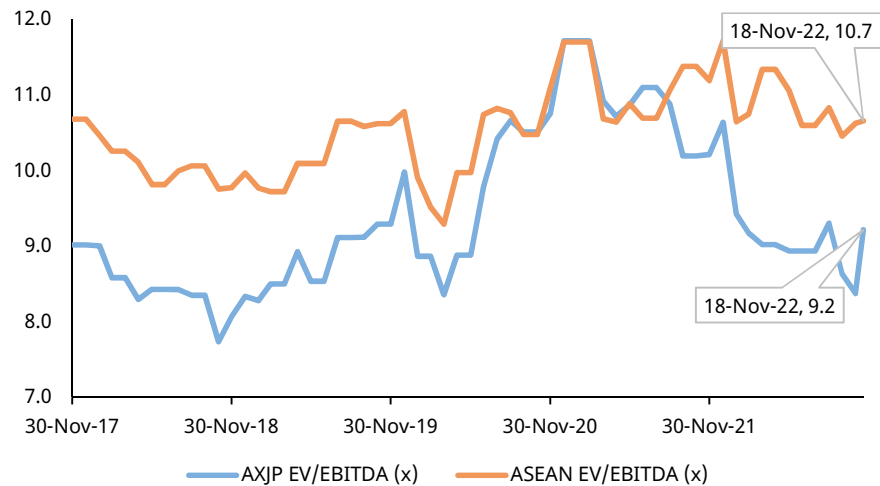
Regional Price-to-Sales Ratio (x)



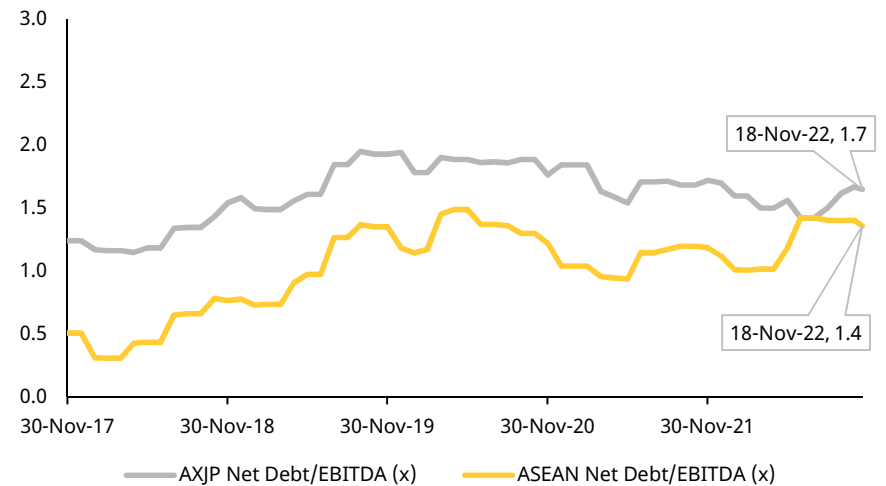
Regional Price-to-EBITDA (x)



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)

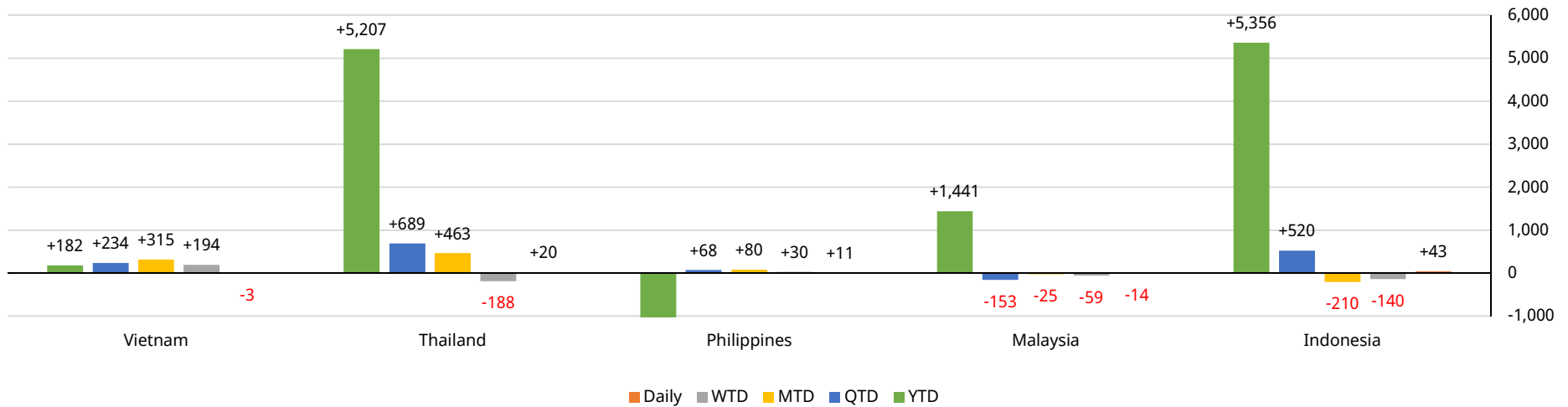
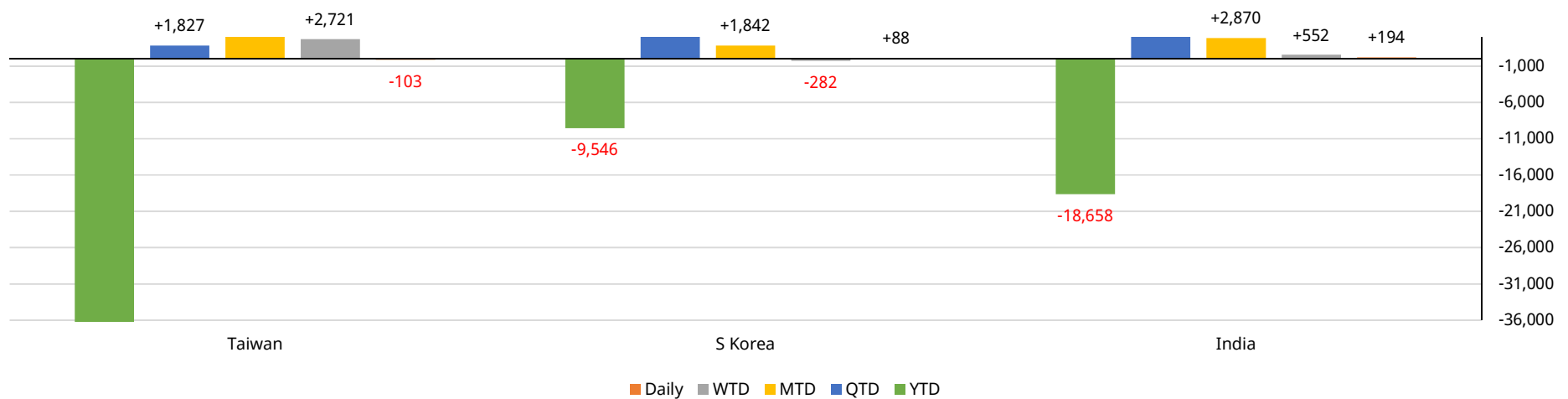


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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