

Portfolio Managers' Views

30 January 2023
FUND MANAGEMENT DEPARTMENT

MALAYSIA & REGIONAL

The Week in Review (23-27 January 2023) & Our Managers' Views

- 1 US Recession Overestimated:** 4Q US GDP recorded a higher than expected growth of +2.9% despite high interest rates and inflation. This eased market fears of an impending US recession in 2022. For 2023, it is estimated that US GDP will slow to +0.5% yoy, which just barely avoids a recession. Given that the market expects a 65% probability for a recession, we are cautious that the US markets may tilt into a deeper-than-expected-recession. Our funds do not have exposure to the US economy.
- 2 Buy Proxies to China's Travel Reopening:** According to China's Ministry of Culture and Tourism, 308mil domestic tourists travelled across China during Chinese New Year. This represented 89% of the tourist travel in the same period of 2019. Moreover, China's demand for travel further supported by the resumption of pilot outbound group tours starting from 6 Feb 23. We remain invested companies engaged in travel technology, consumer discretionary and mobility products.
- 3 Buy Tech on Weakness:** Texas Instruments, a leading semiconductor manufacturer, reported a 14% QoQ fall in 4Q earnings (below consensus expectations). Its management guided Q1 to be "weaker than a seasonal decline" as customers cancel orders and reduce inventories. This reinforces our view of weak tech earnings between 4Q22 until 2Q23. Although we believe in the sector's long term prospects, we will only look to accumulate when share prices reflect the poor earnings ahead.
- 4 Stay invested in Oil:** Year-to-date, Brent Oil rallied from \$77/bbl to \$87/bbl (+13%). The recovery of oil prices was supported by China's adamant stance to continue its economic reopening despite rising Covid cases which will then drive its consumption of oil higher (China is the largest importer of oil). We remain invested in the oil sector as we expect prices to remain around \$90/bbl, supported by China's returning demand from its reopening and historically low oil inventory levels.
- 5 Stay invested in Plantation:** Reuters reported that India is likely to reduce its palm oil import as inventories rise. This is in line with the export statistics released by Intertek (cargo surveyor). However, we are not overly concerned as January's palm oil export decreased for 6 out of the previous 10 years. Moreover, CPO price will remain stable as lower palm oil supply offsets the impact of lower export. We favour net cash planters as they offer good dividend yield when CPO price trades at RM4,000/ton.
- 6 Valuation:** KLCI valuation remains flat WoW. We maintain our view that the KLCI continues to remain cheap at a 2023 price-earnings ratio ("PER") of 14.7x (-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

Ringgit Strengthens on Weaker Dollar | Mining Rallies on China Reopening

Exhibit 1: KLCI vs Shariah Index

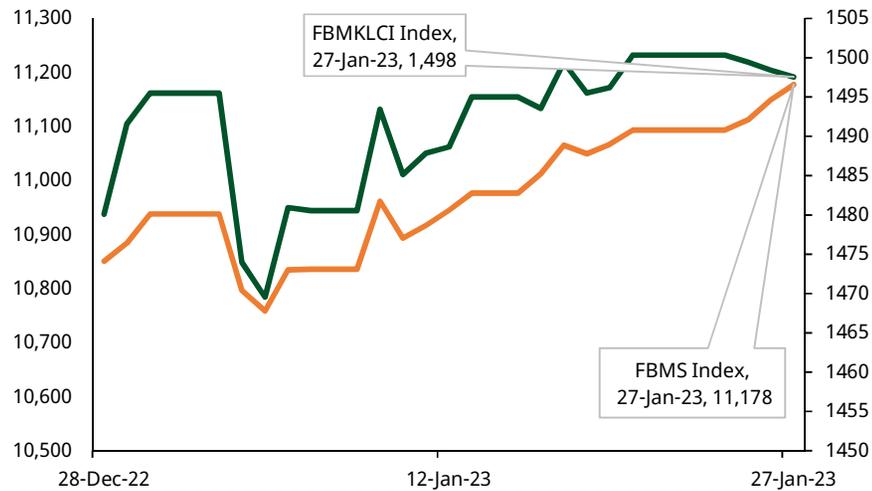


Exhibit 2: USDMYR

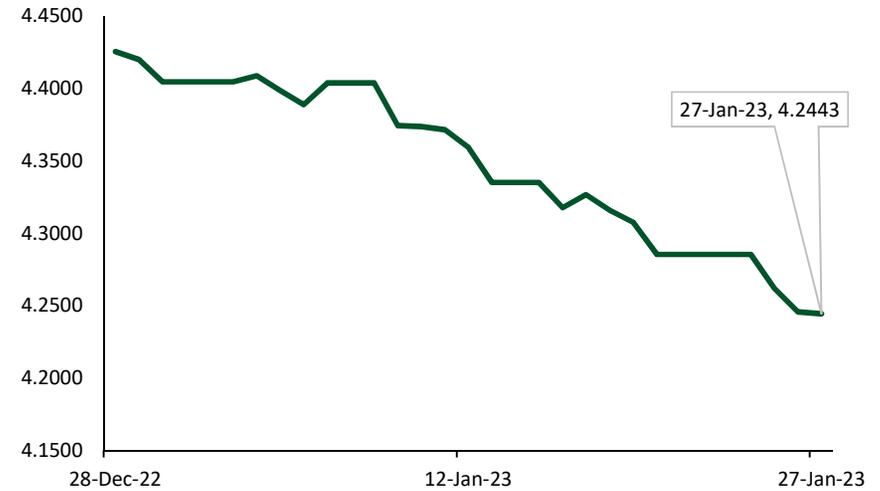


Exhibit 3: Sector Performances Week-to-Date (%)

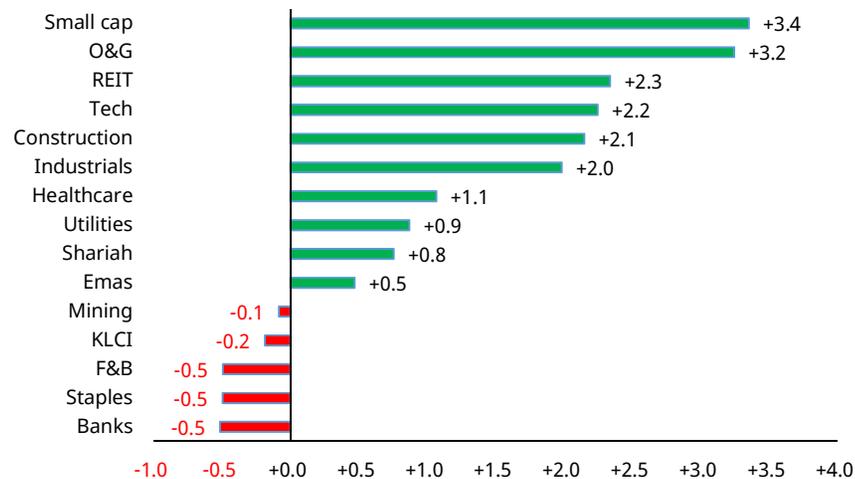
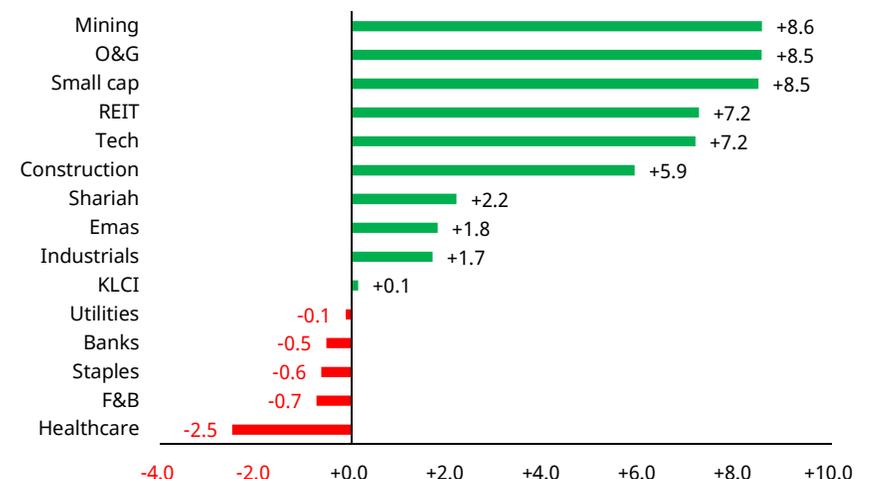


Exhibit 4: Sector Performances Year-to-Date (%)



MALAYSIA VALUATIONS

Malaysia remains in BUY territory

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

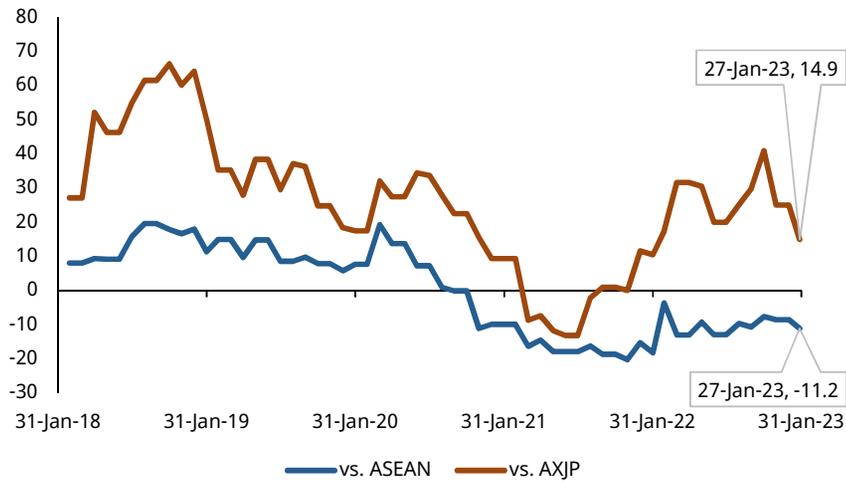


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

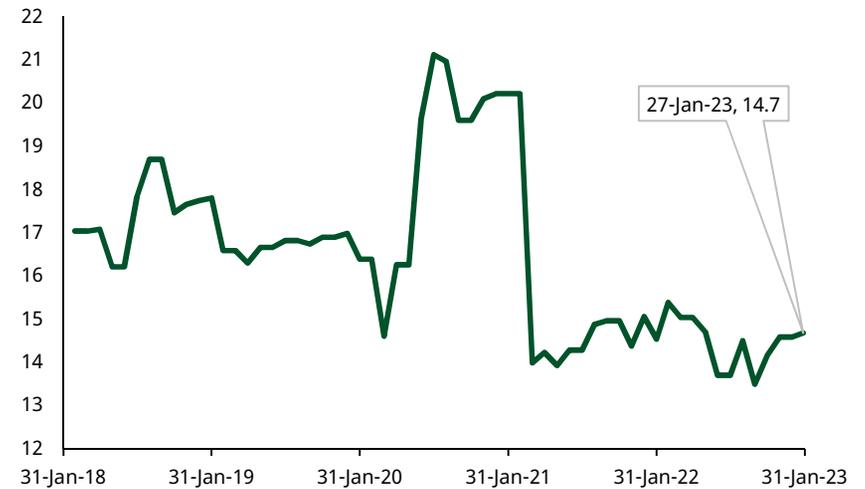


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

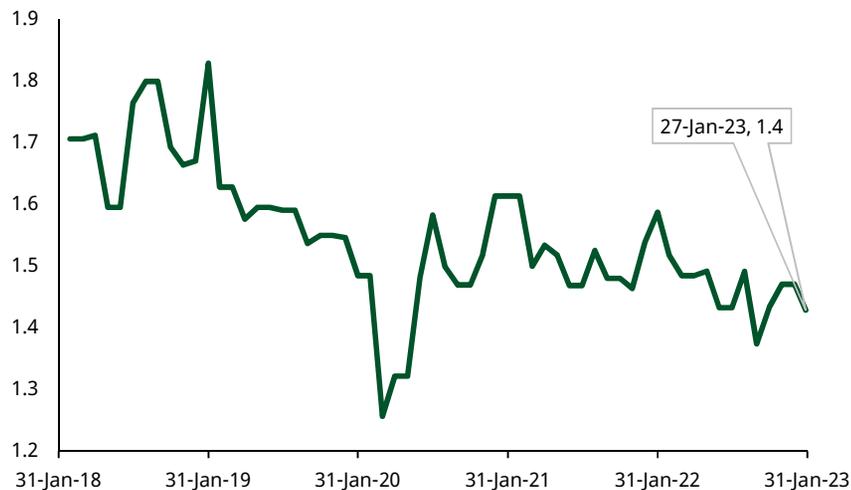
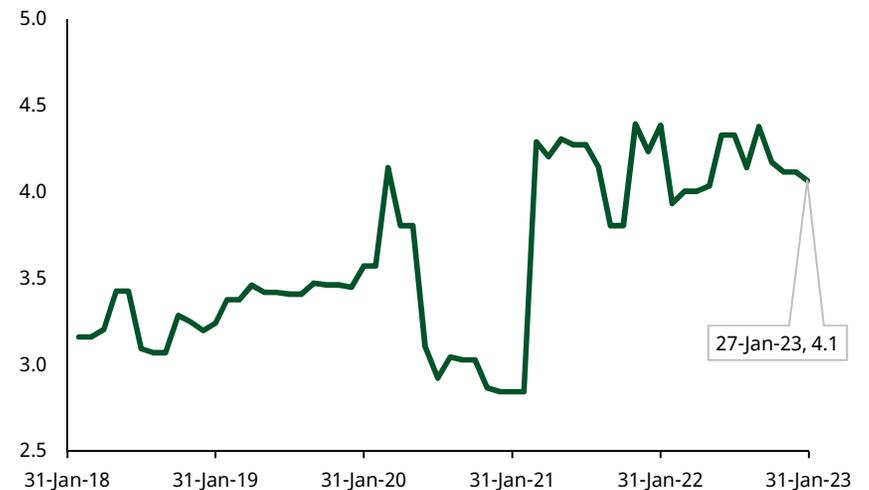


Exhibit 8: KLCI's Dividend Yield (DY, %)



REGIONAL MARKETS REVIEW

The China reopening and technology themes drove regional markets higher

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



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

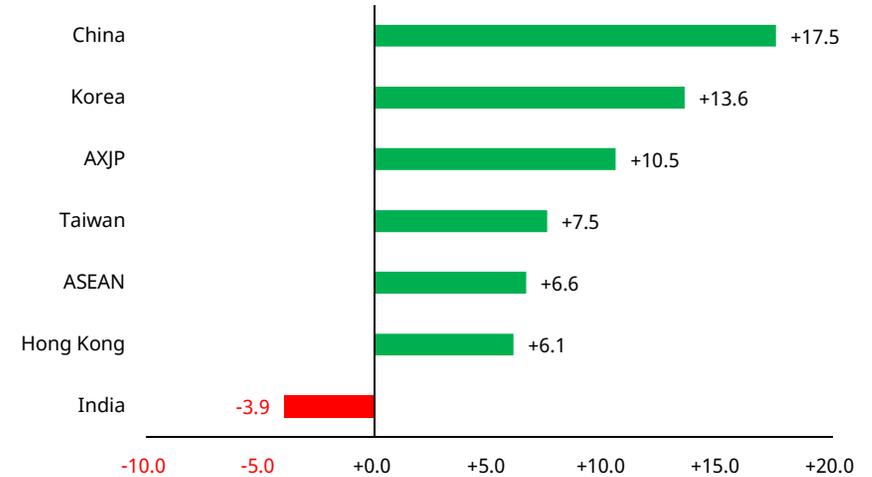
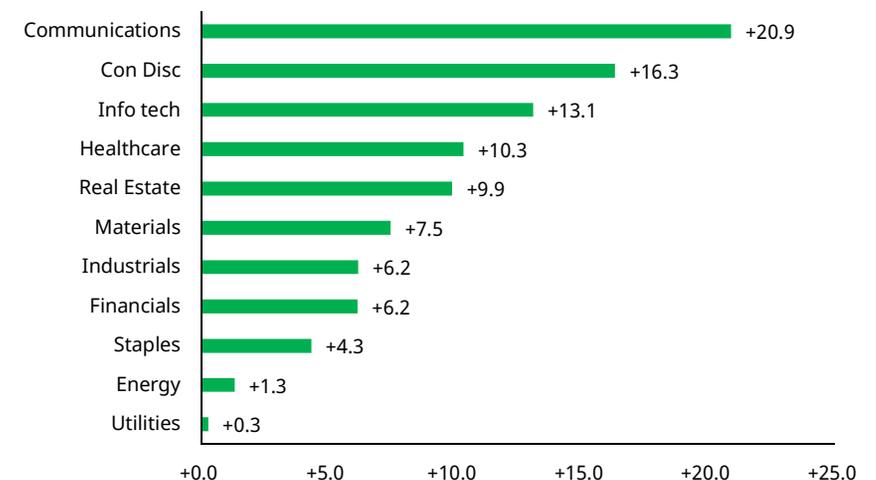


Exhibit 3: Sector Performances Week-to-Date (%)



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



Source: Bloomberg

REGIONAL VALUATIONS

Asian valuations remain attractive despite the recent rally

Exhibit 5: Regional Price-Earnings Ratio (x)

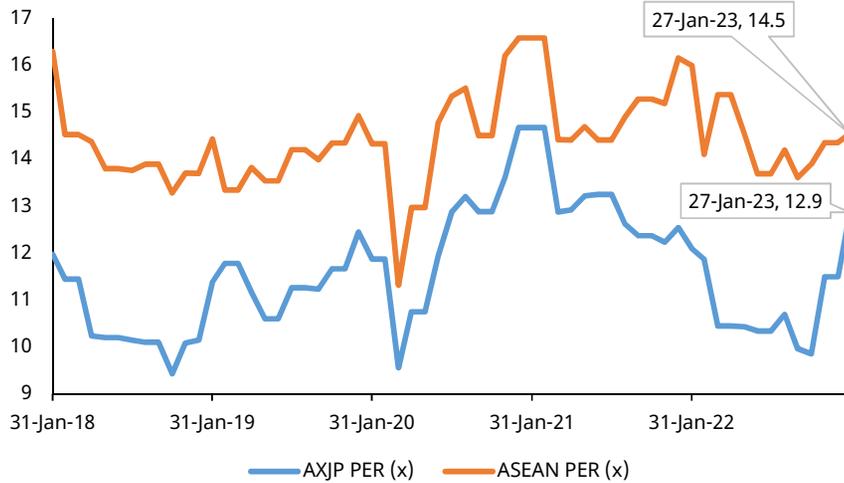


Exhibit 6: Regional Price-to-Book Ratio (x)

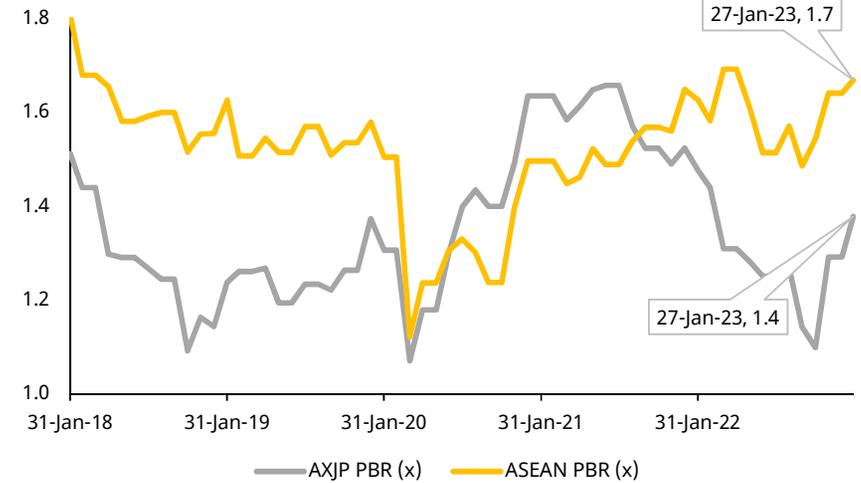


Exhibit 7: Regional Dividend Yield (%)

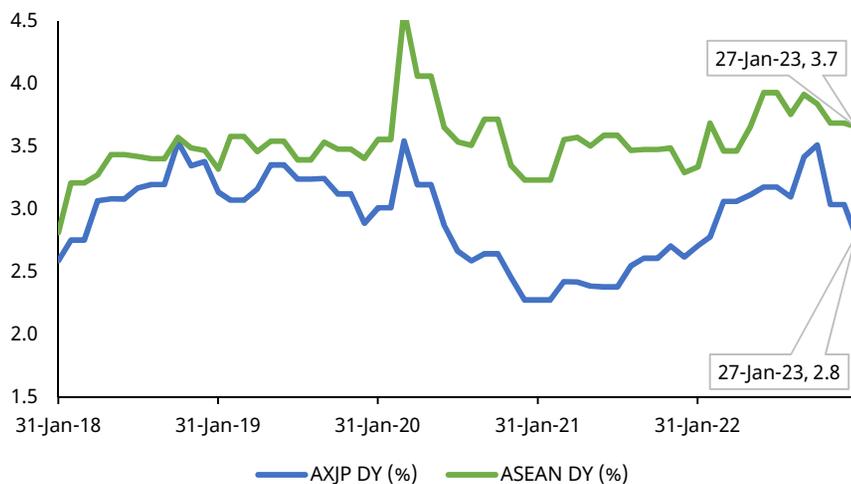
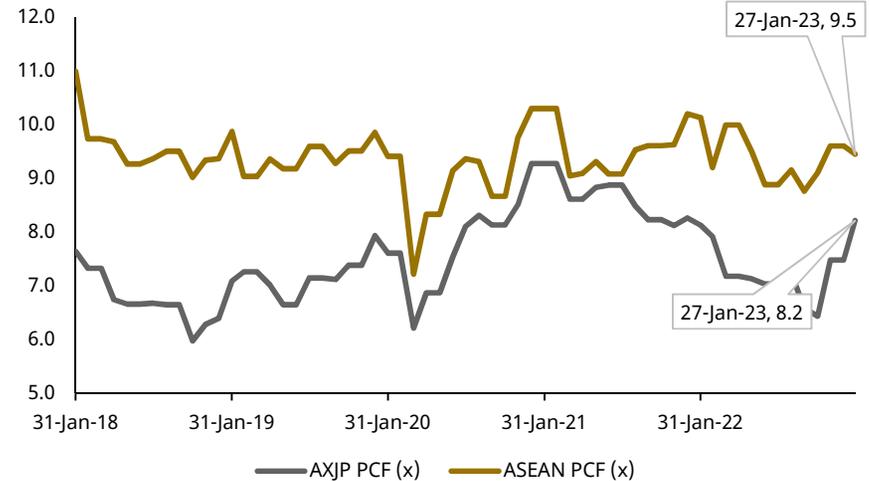


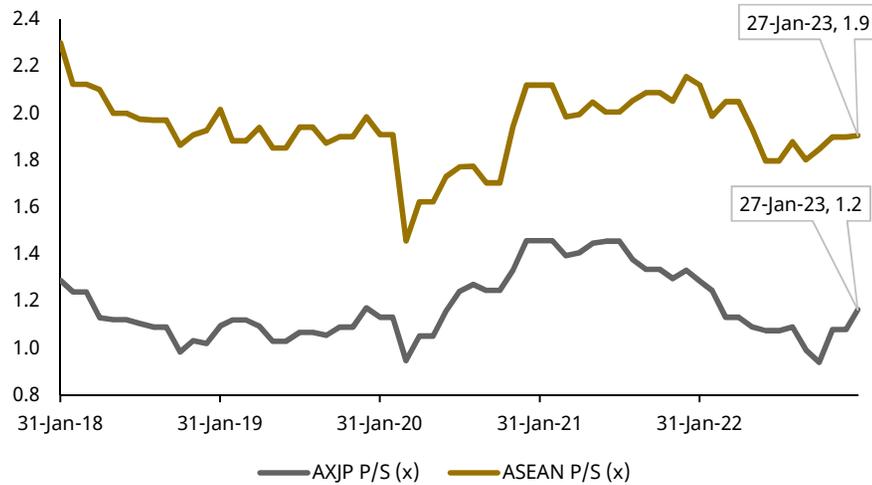
Exhibit 8: Regional Price-to-Cash Flow (x)



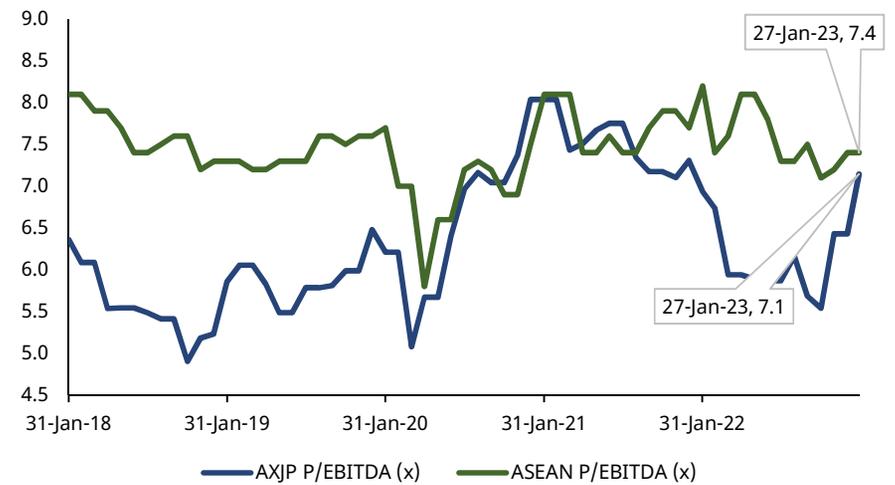
REGIONAL VALUATIONS

Asian valuations remain attractive despite the recent rally

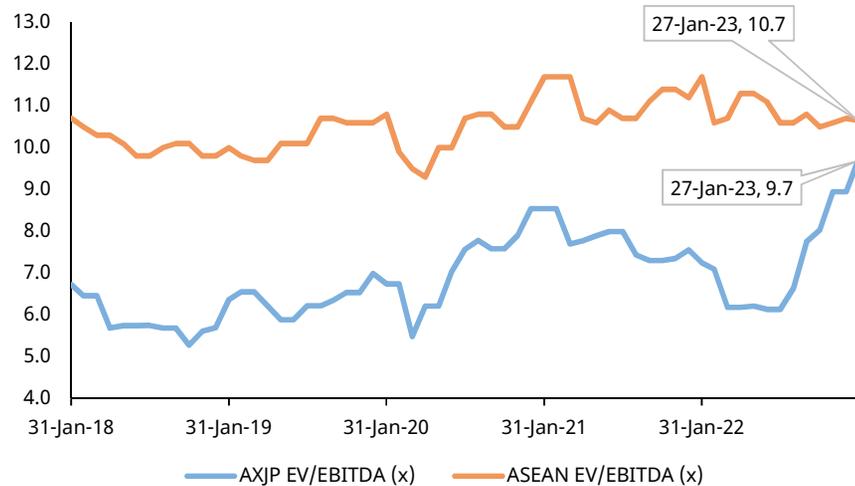
Regional Price-to-Sales Ratio (x)



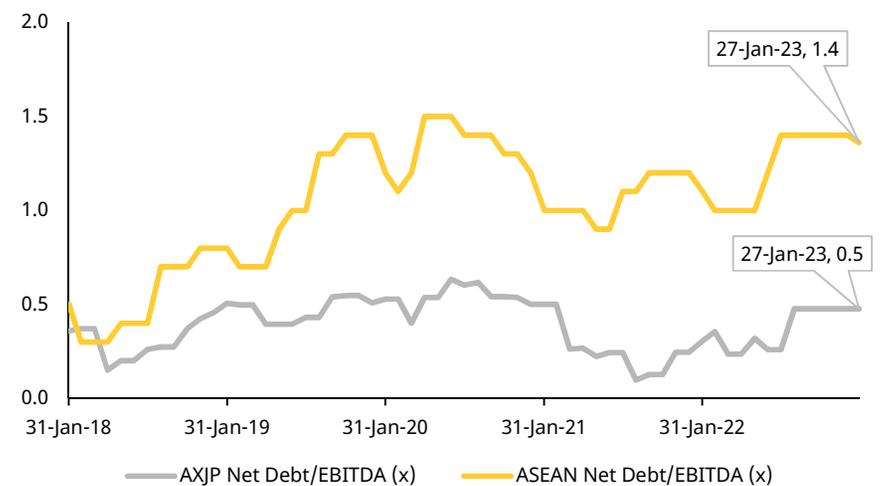
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



FOREIGN FUND FLOWS

Foreign funds net buy North Asia

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

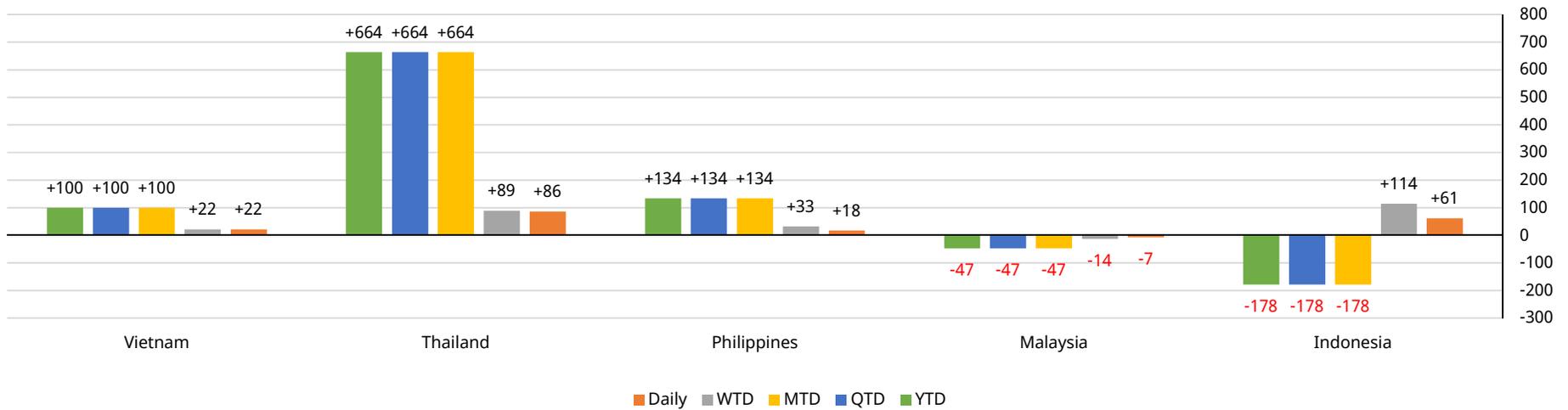
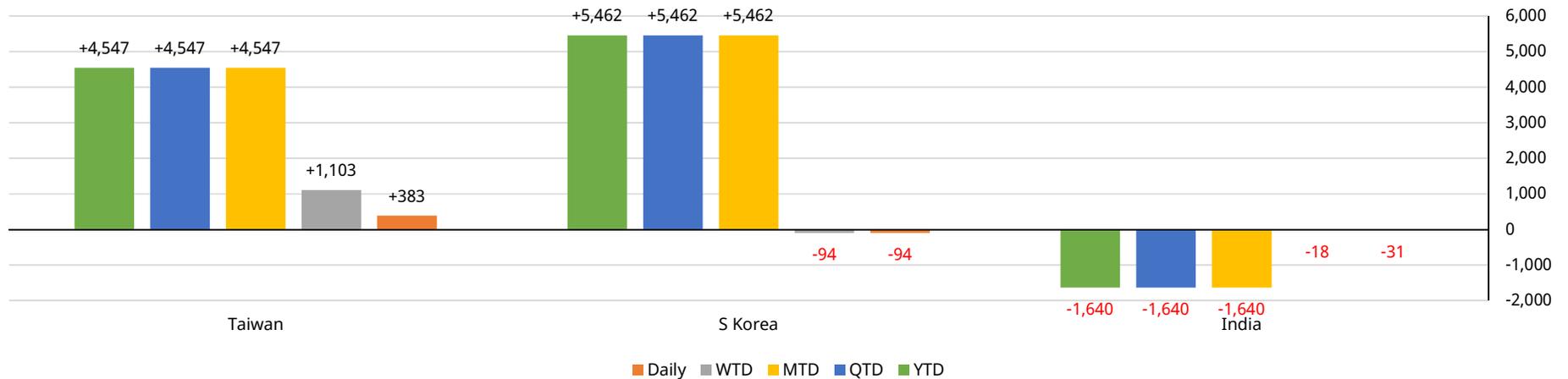


Exhibit 10: Selected North and West Asian Markets (Net USD mil)



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