

Portfolio Managers' Views


27 February 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (20-24 Feb 2023) & Our Managers' Views

- 1 Expectation on Fed rate hikes:** The US labour market remains tight as the weekly jobless claims declined WoW which continues to drive wage growth and keep inflation high. Moreover, the US' core Personal Consumption Expenditures Price Index rose by 4.7% in Jan-23, showing that consumers paid a higher price for goods and services. Both data points signal higher inflation which fueled the fear of further Fed rate hikes and caused the global market performance to weaken.
- 2 Regional tech boosted by NVIDIA's strong outlook:** Chip designer NVIDIA reported strong fourth-quarter 2022 earnings that beat consensus and gave an upbeat outlook on tech demand, driven by artificial intelligence (AI)-related requirements. This buoyed regional tech equities, despite the elevated US Treasury yields. We remain invested in regional tech that are benefiting from the strong outlook of NVIDIA and AI.
- 3 Mixed tech earnings, buy on weakness:** As tech companies report earnings, we observe that 4Q22 results were mixed as some companies showed resilience while others declined substantially. The commentary has turned more pessimistic as companies expect weaker 1Q23 earnings but they remain optimistic about 2H23 and 2024 prospects. In taking a longer term view, we maintain our stance to accumulate tech stocks once valuations turn attractive and earnings declines are priced in.
- 4 Remain invested in Aluminium:** Based on a foreign broker report, aluminium producers in Yunnan, China were ordered to cut production due to unstable hydropower supply. The cut is expected to reduce China's production by 2% (China accounts for 60% of global output). This shows how China's shift from coal to hydro plants have introduced volatility in aluminium supply and this is supportive of higher aluminium prices. We are invested in a Malaysian aluminium producer.
- 5 Remain Invested in Automotive:** Malaysian Automotive Association reported that the number of cars delivered in Jan-23 decreased by 34% MoM to 49.5k units due to lesser working days in the month which impacted production. However, we remain optimistic on Perodua car sales due to its huge backlog of orders and strong demand for its new Axia model. In short, we remain invested in Perodua-related companies that offer high dividend yields.
- 6 Valuation:** KLCI's valuation remains unchanged WoW. We maintain our view that the KLCI continues to remain cheap at a 2023 price-earnings ratio ("PER") of 13.0x (-1.0 standard deviation, below its 5Y average of 16.1x). Price-to-book ratio and dividend yields are also attractive at 1.4x (below the 5Y average of 1.55x) and 4.1% (above its 5Y average of 3.6%).

2.0 MALAYSIA MARKET REVIEW

Fear of further Fed rate hikes weighs on market performance

Exhibit 1: KLCI vs Shariah Index

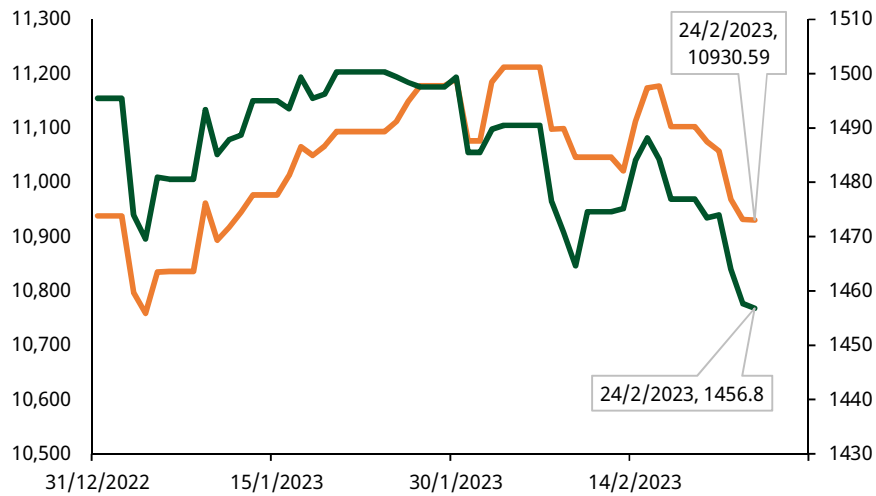


Exhibit 2: USDMYR

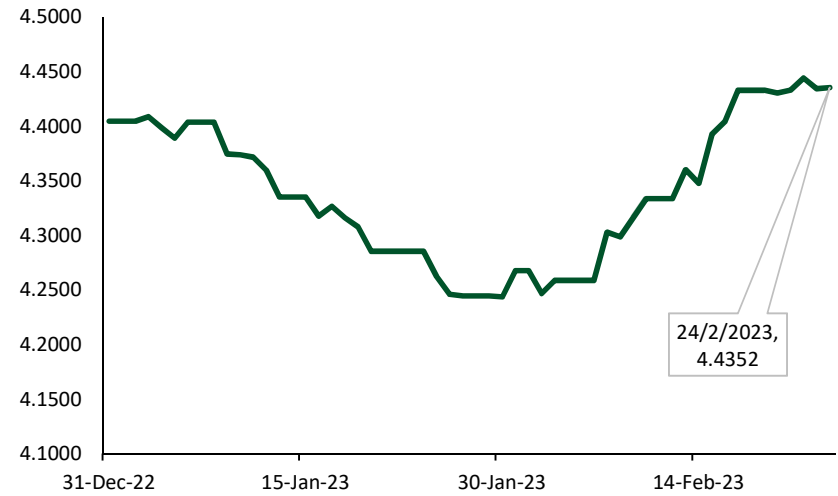


Exhibit 3: Sector Performances Week-to-Date (%)

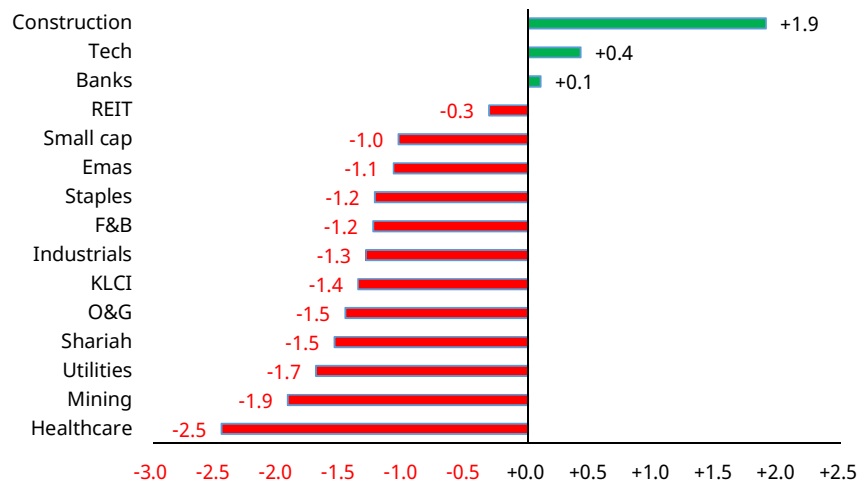
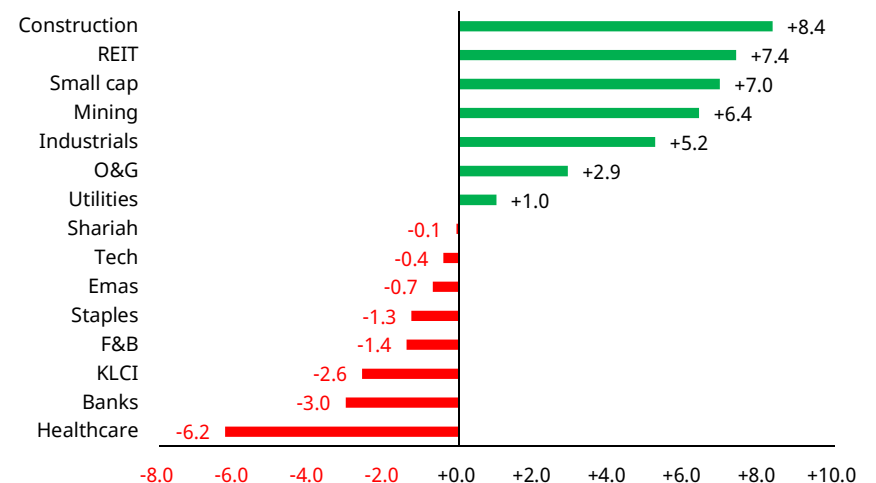


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Malaysia remains in BUY territory

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

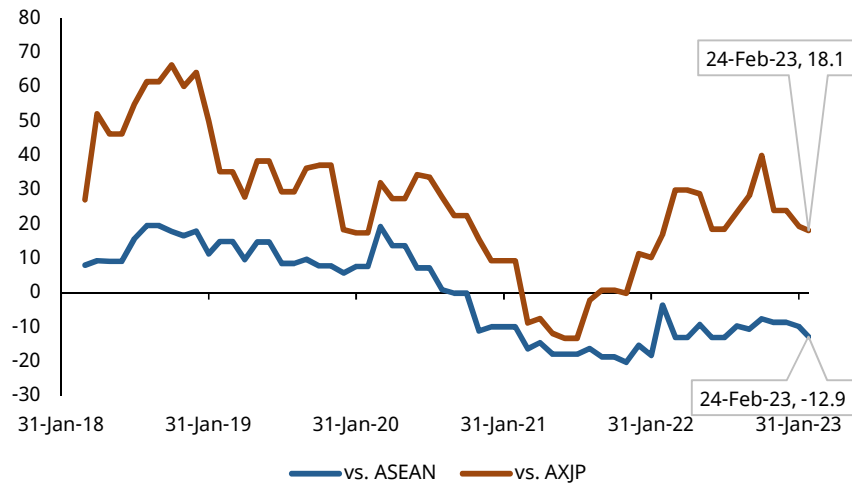


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

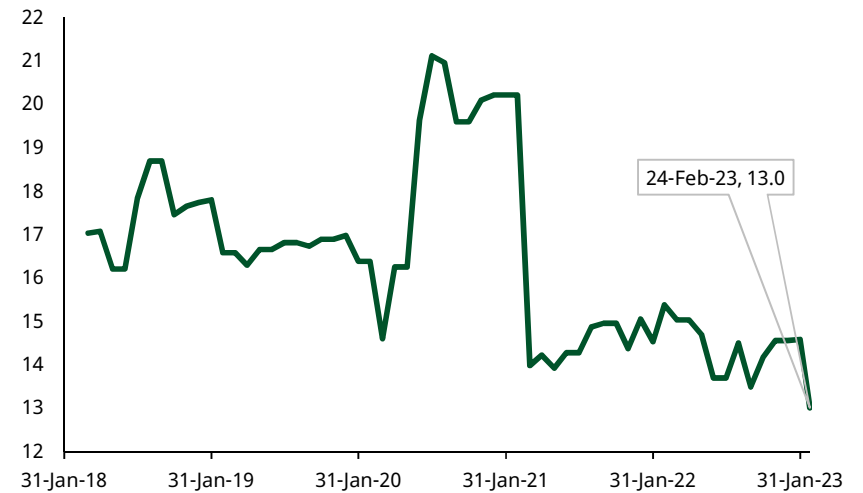


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

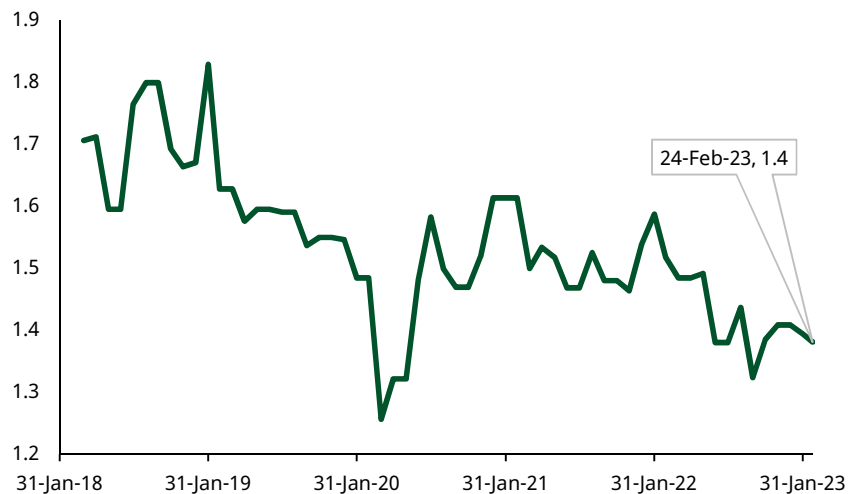
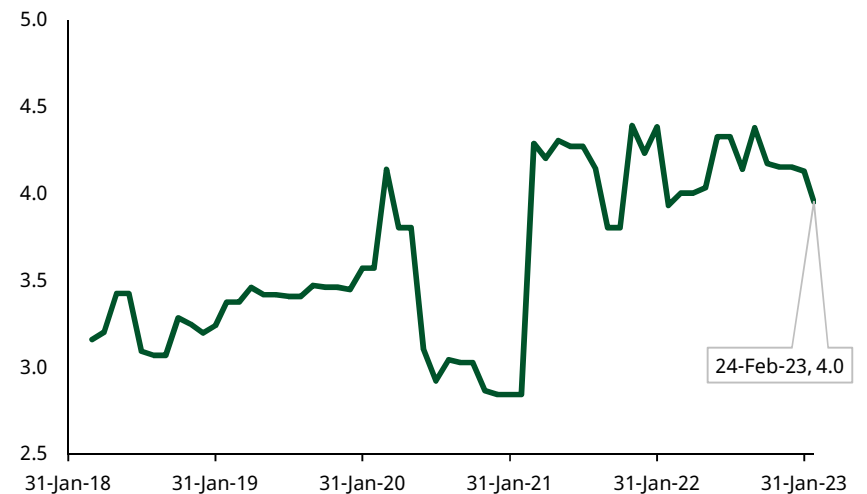


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

Geopolitical tensions between US and China weighed on China equities

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

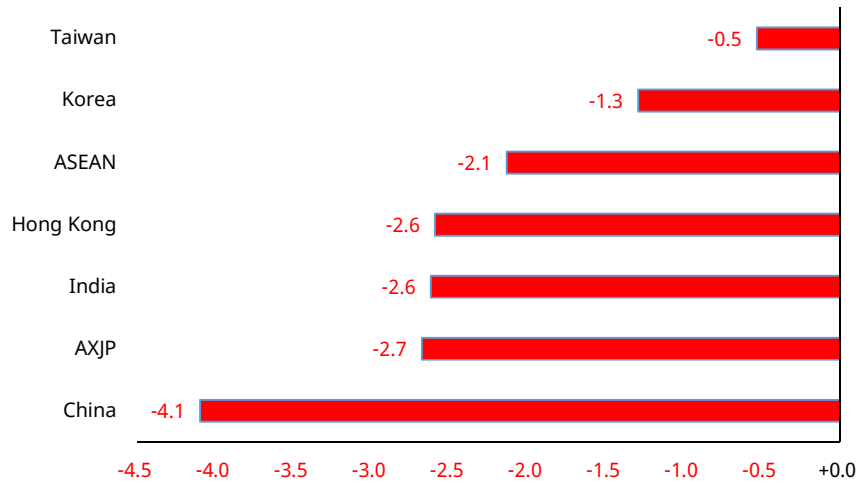


Exhibit 2: Country Performances Year-to-Date (%)

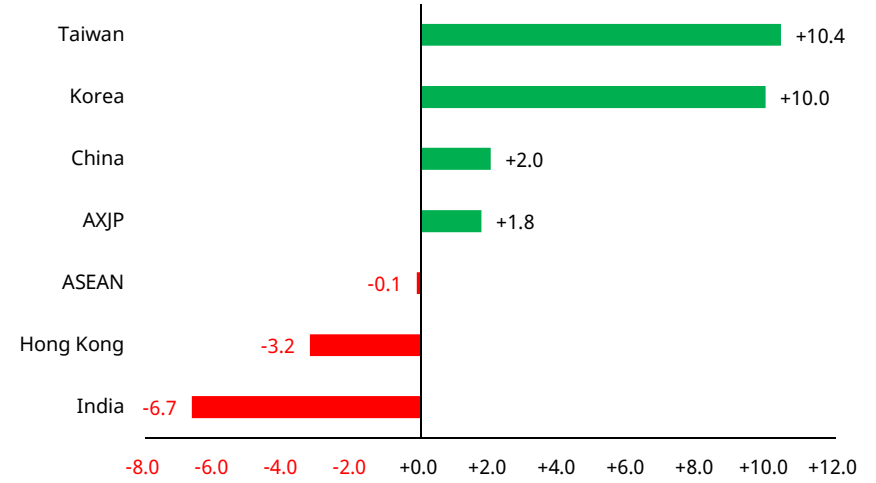


Exhibit 3: Sector Performances Week-to-Date (%)

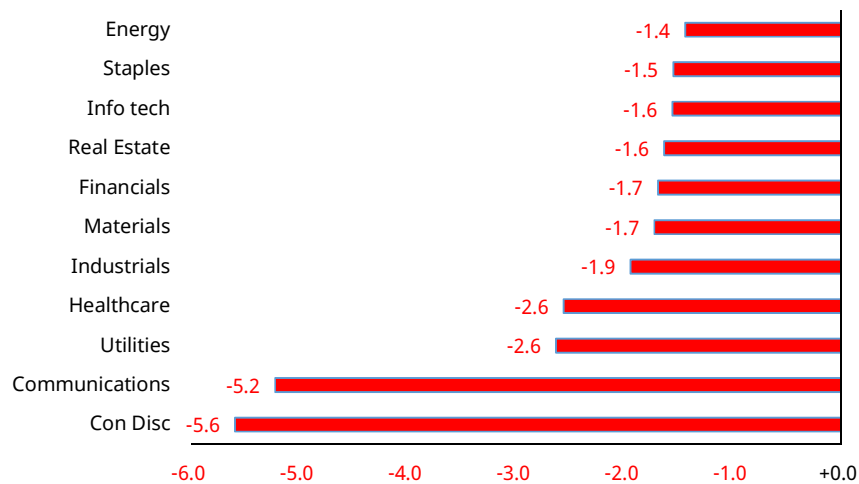
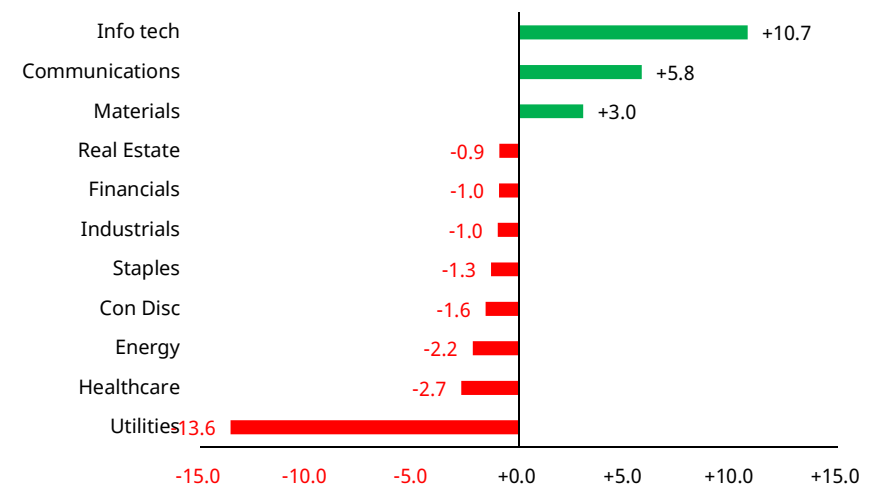


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

We see last week's market retracement as an opportunity to buy

Exhibit 5: Regional Price-Earnings Ratio (x)

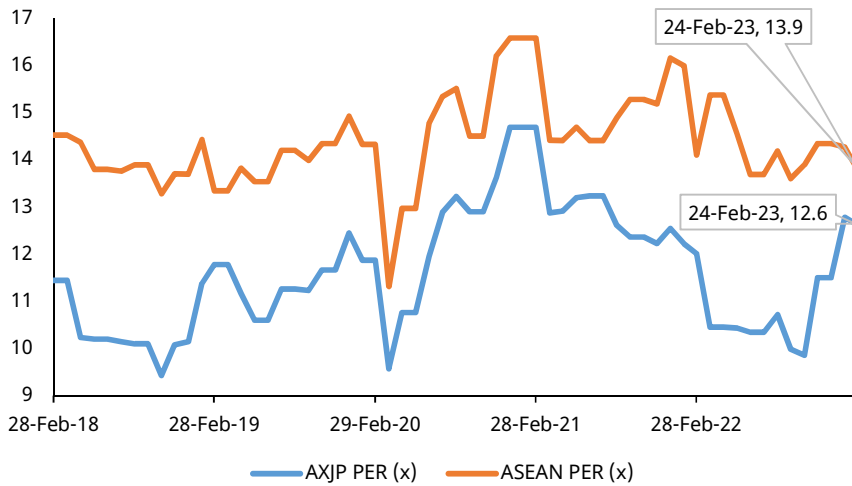


Exhibit 6: Regional Price-to-Book Ratio (x)

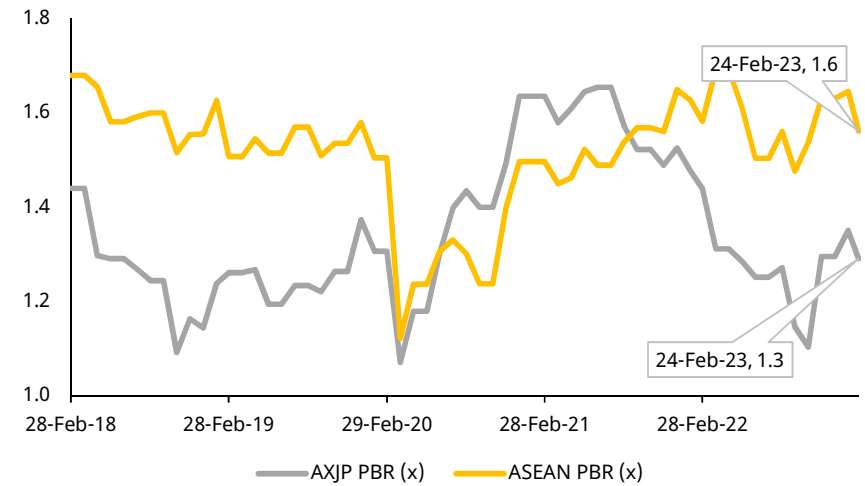


Exhibit 7: Regional Dividend Yield (%)

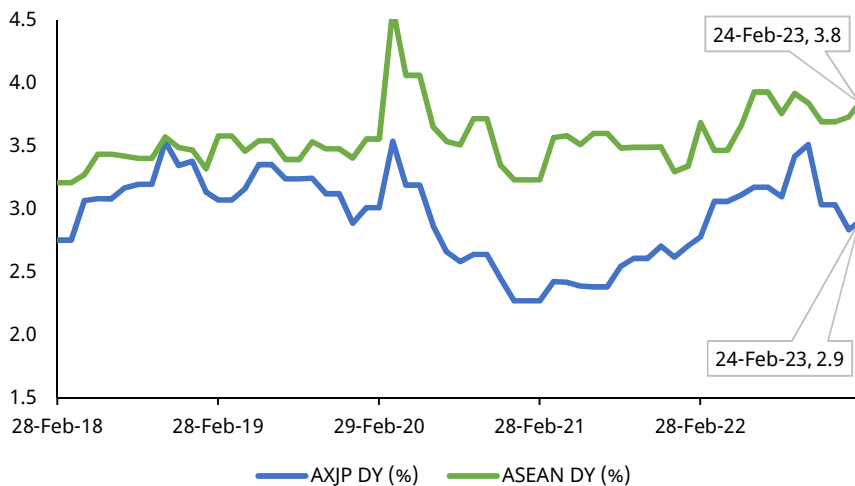
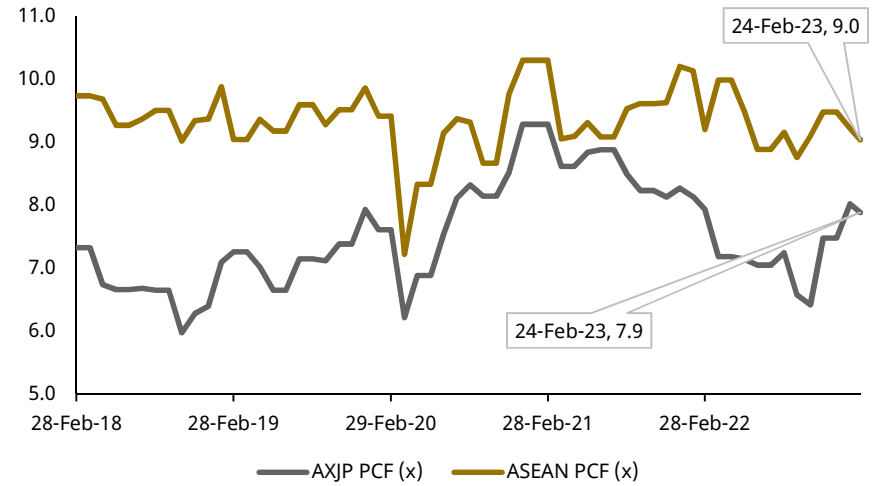


Exhibit 8: Regional Price-to-Cash Flow (x)

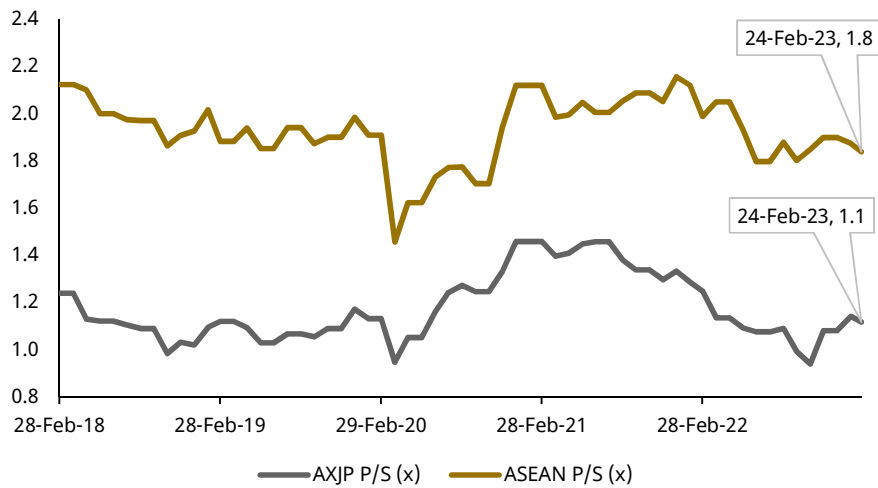


Source: Bloomberg

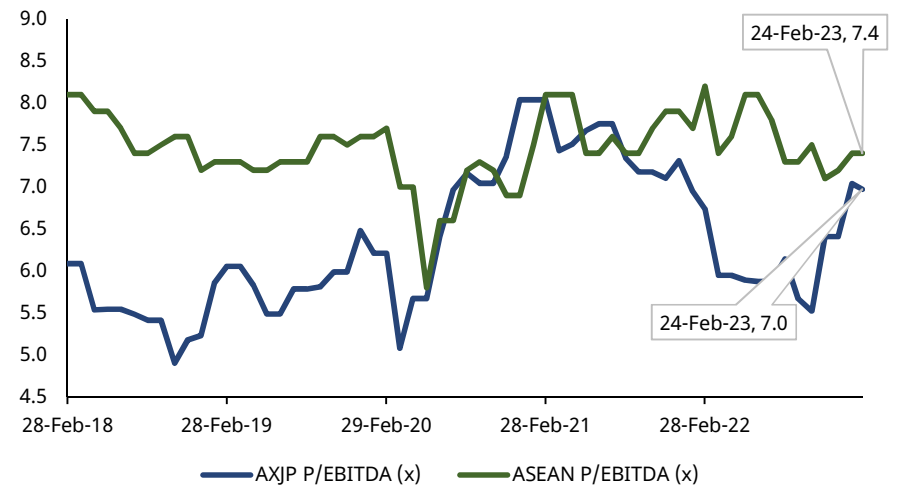
3.2 REGIONAL VALUATIONS

Asian valuations are looking more attractive with the recent price falls

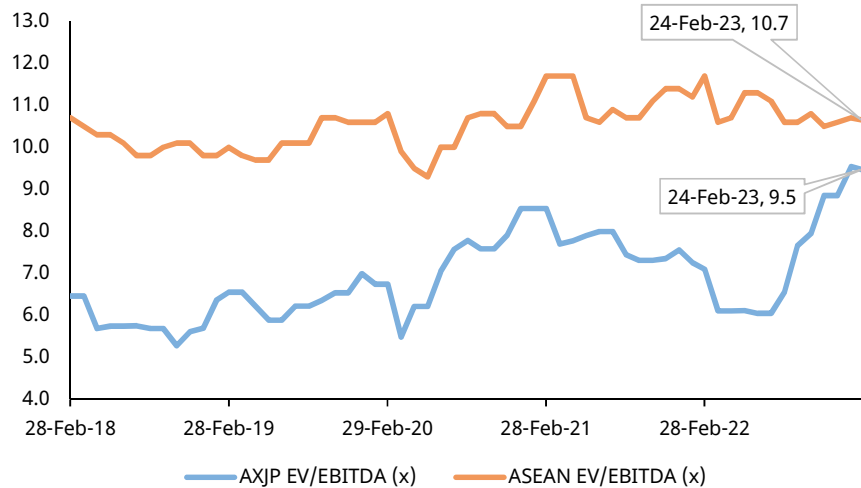
Regional Price-to-Sales Ratio (x)



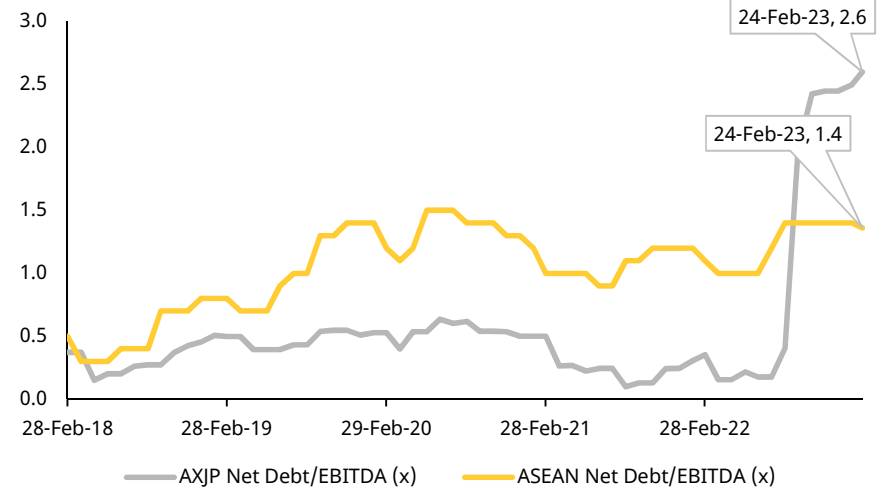
Regional Price-to-EBITDA (x)



Regional EV-to-EBITDA (x)



Regional Net Debt-to-EBITDA (x)



Source: Bloomberg

4.0 FOREIGN FUND FLOWS

Foreign funds have turned net buys of tech-heavy markets in North Asia

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

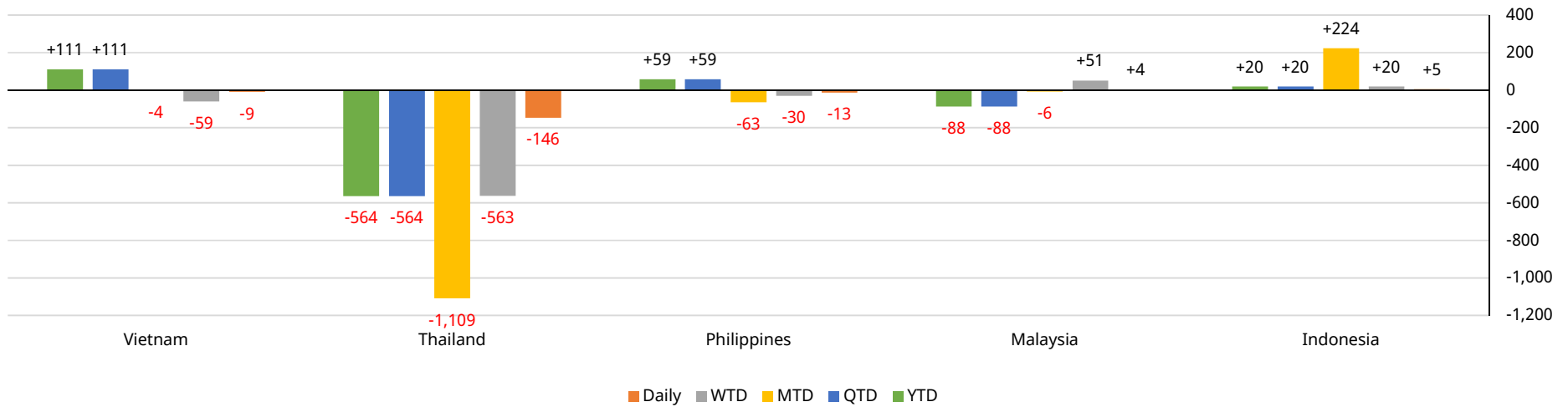
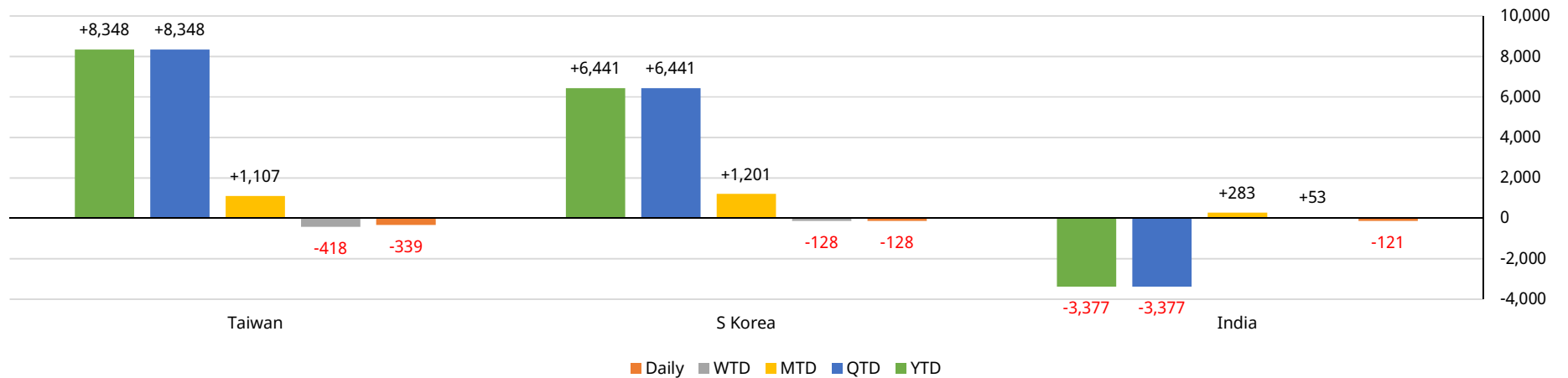


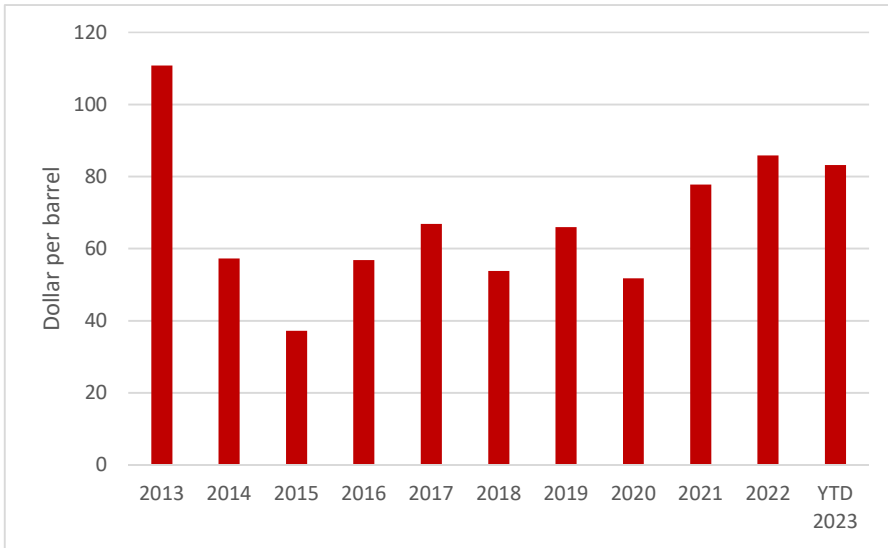
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



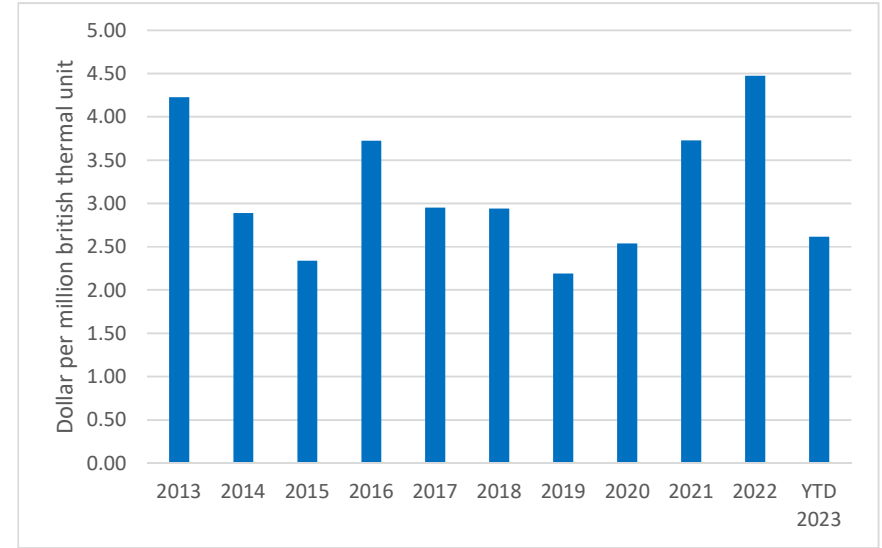
5.0 Energy Annual Prices

Coal and Natural Gas prices decline as panic buying subsides

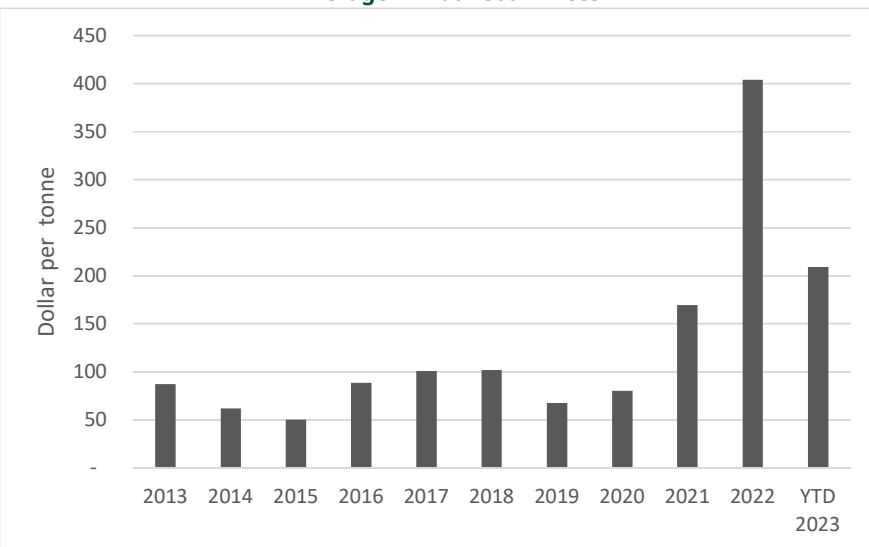
Average Annual Brent Oil Prices



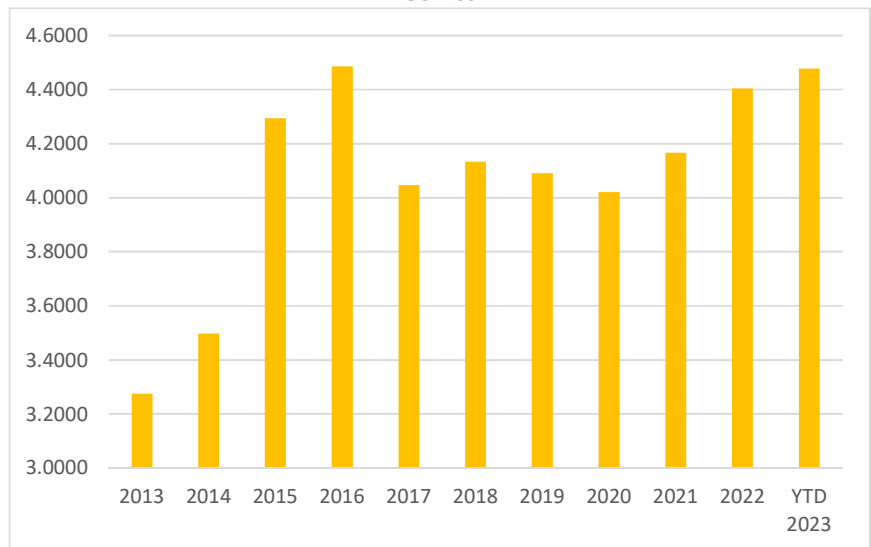
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

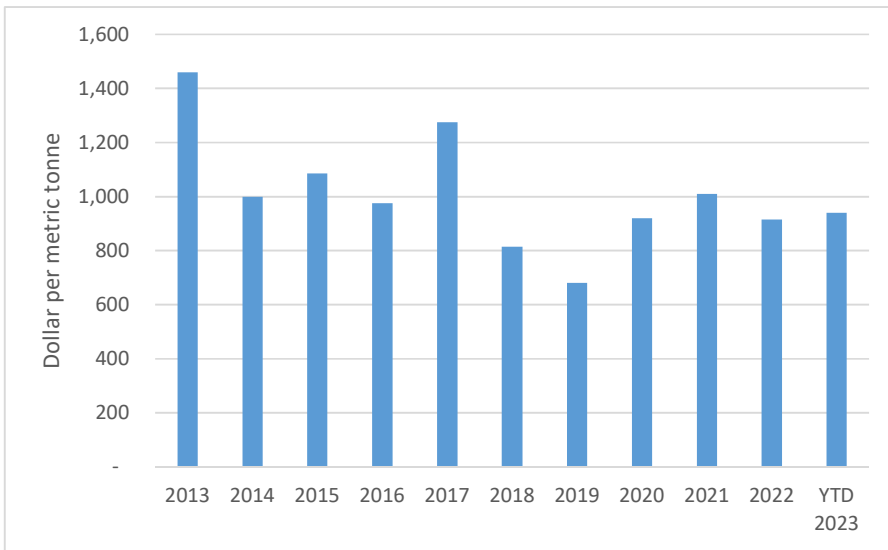


Source: Bloomberg

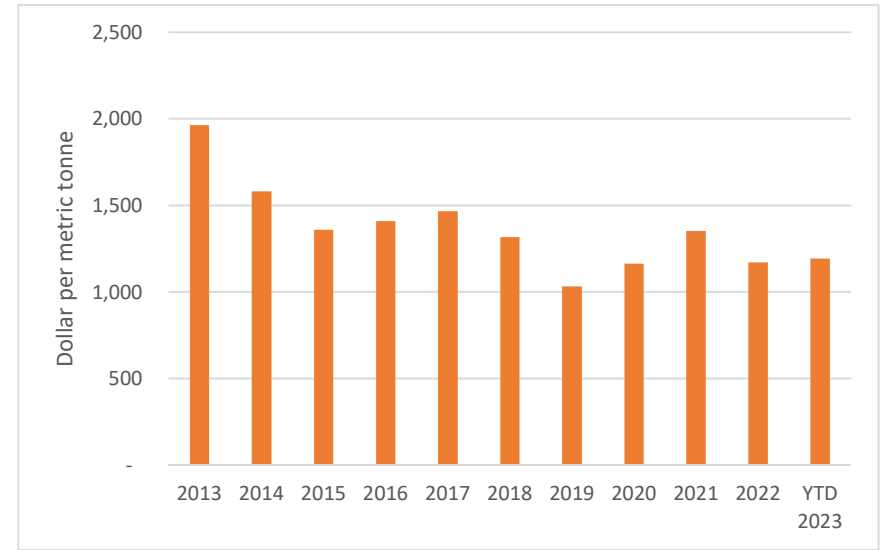
5.1 Petrochemical Annual Prices

Prices remain flat as China reopening demand to be absorbed by local supply

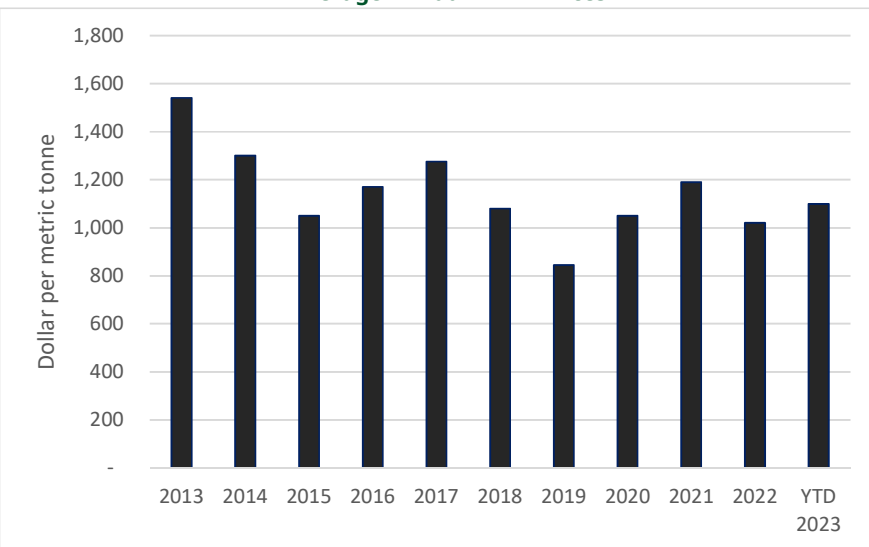
Average Annual Ethylene Prices



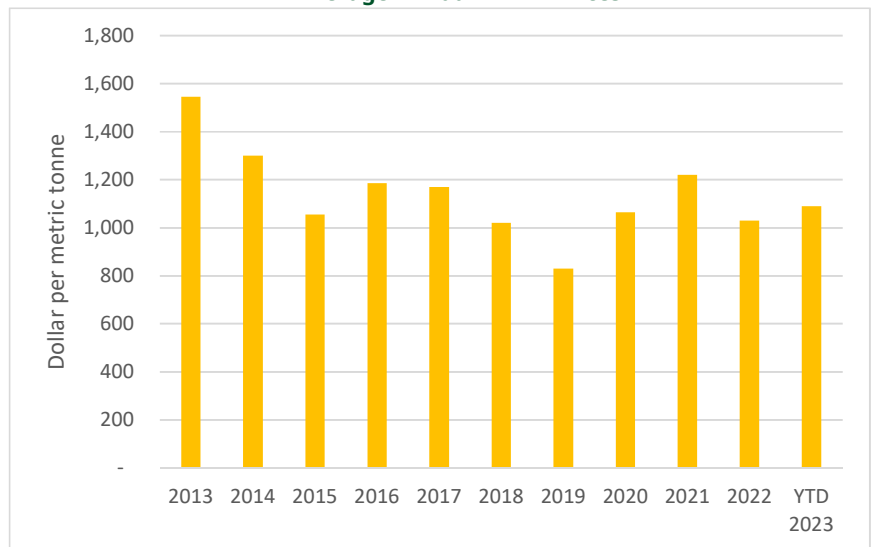
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

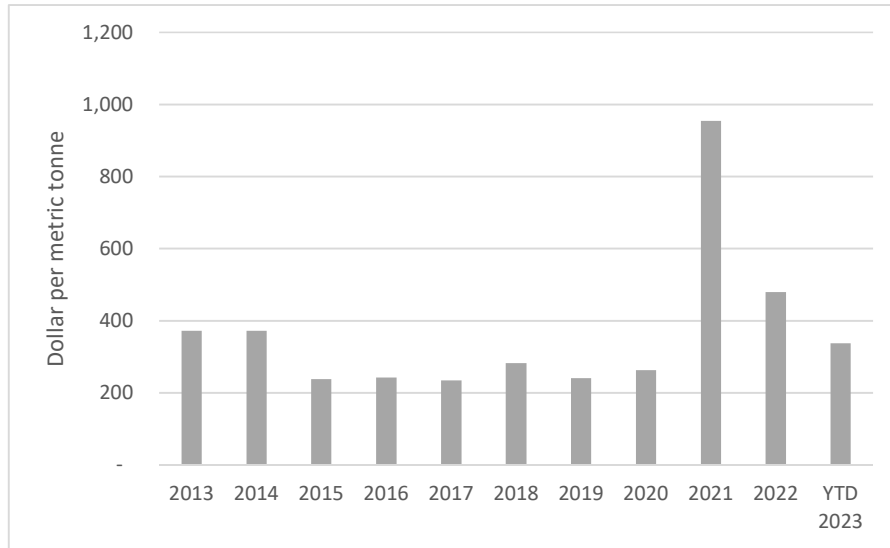


Source: Bloomberg

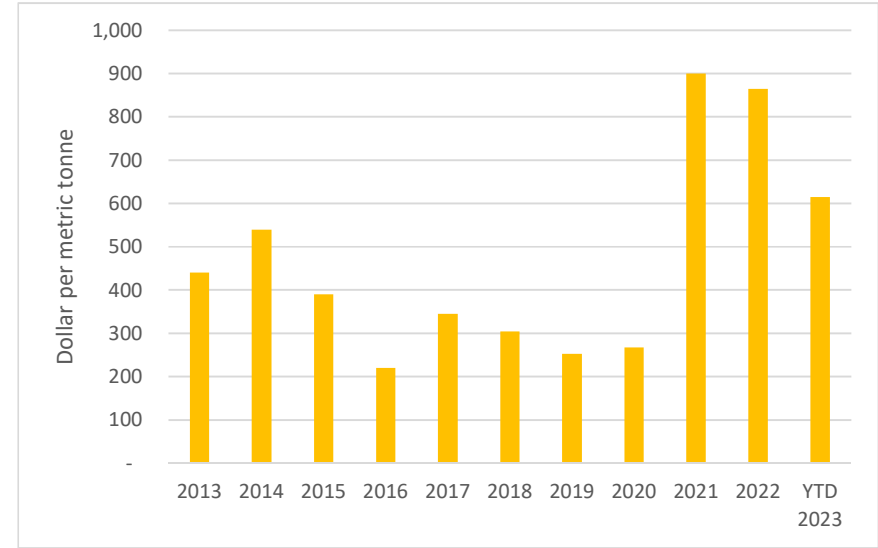
5.2 Fertiliser Annual Prices

Ammonia & Urea prices to decline, tracking decline in Natural Gas prices

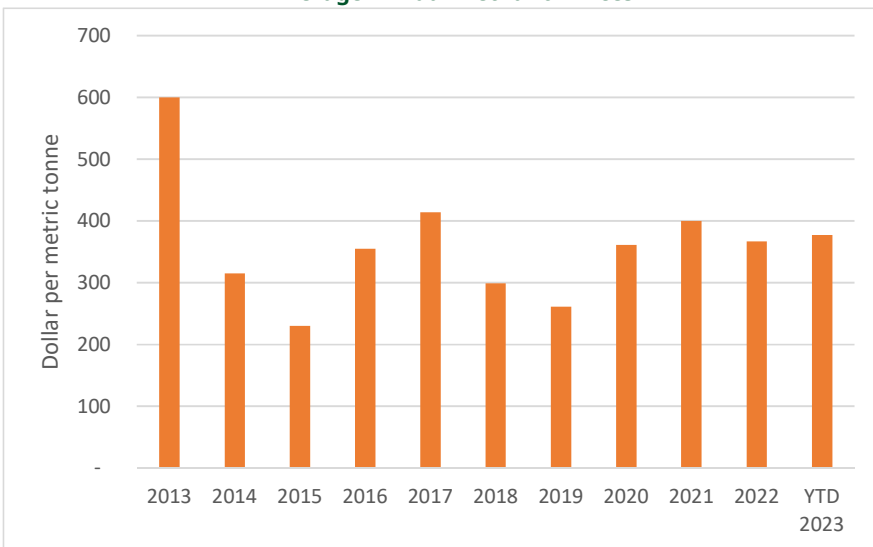
Average Annual Urea Prices



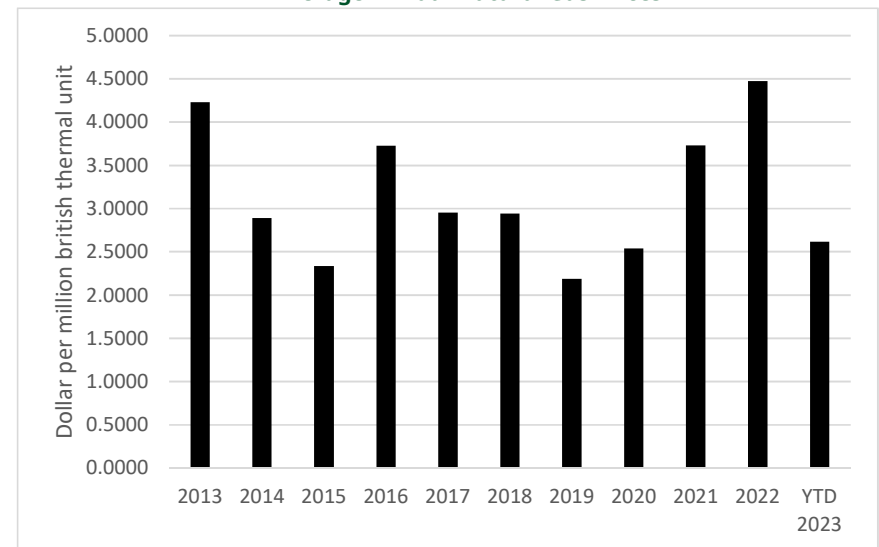
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

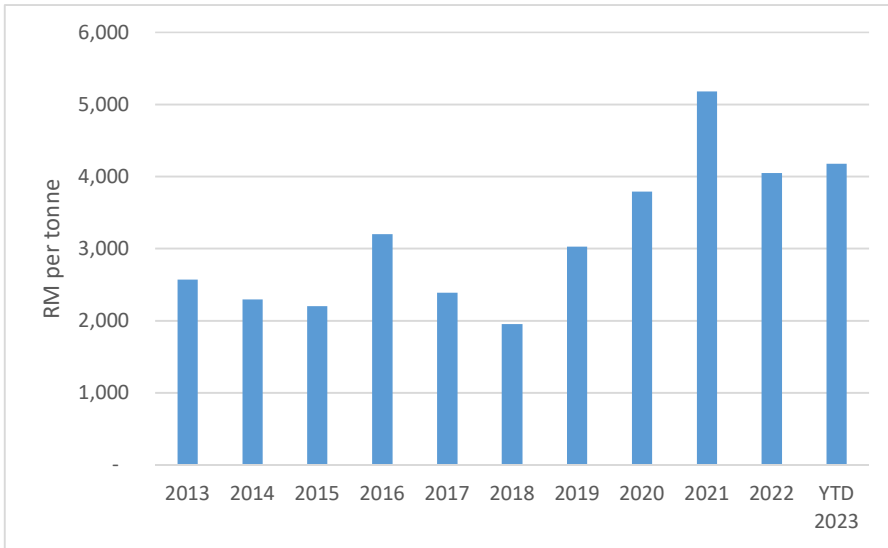


Source: Bloomberg

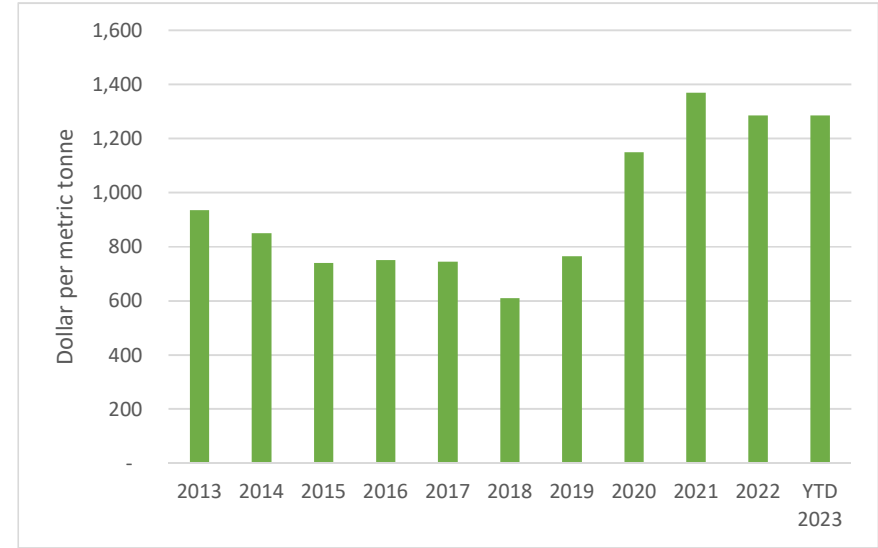
5.3 Agricultural Annual Prices

Prices to trade range bound

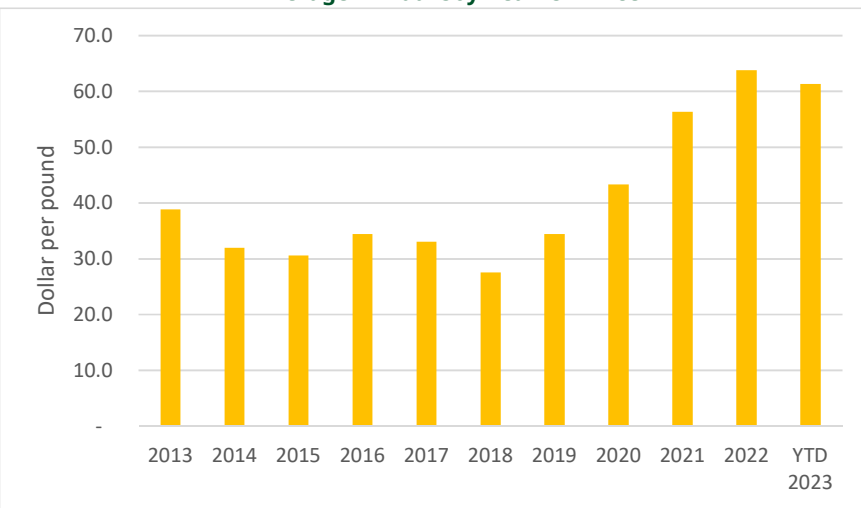
Average Annual Palm Oil Prices



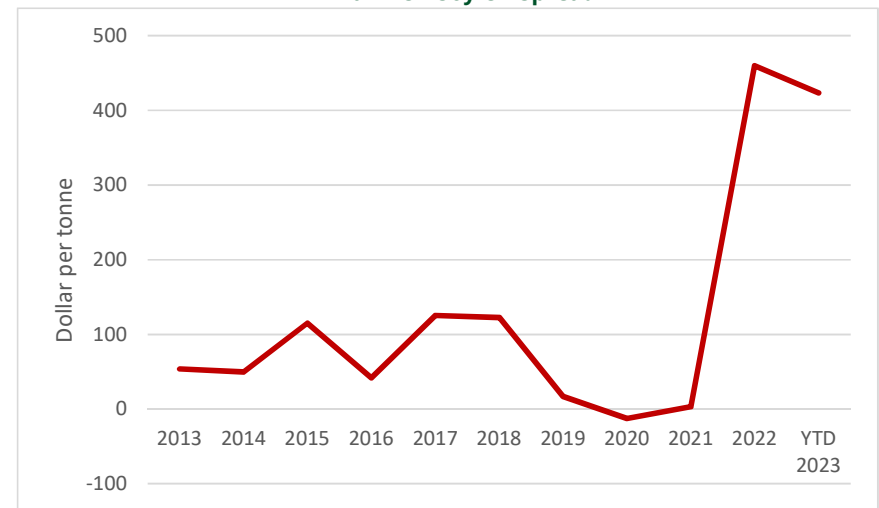
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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