

# Portfolio Managers' Views



**6 March 2023**  
FUND MANAGEMENT DEPARTMENT

# 1.0 MALAYSIA & REGIONAL

## The Week in Review (27 Feb - 03 Mar 2023) & Our Managers' Views

- 1 Weaker consumer demand:** We had a call with a company that assembles products for Dyson. They guided that Dyson had reduced their 2023 forecasts as they see weakness in consumer demand. Anecdotally, this highlights the impact of higher interest rates and inflation on consumers' spending power. Our view is that this is a lagging effect from the slowing economy and China lockdowns but similar to the management's view, we are optimistic of an eventual recovery in 2024.
- 2 Sanctions on Russia Aluminium Imports:** The United States imposed a 200% tariff on Russian aluminium exports. We had highlighted these rumours in our previous bulletins. Regardless, we reiterate that the impact is not substantial as Russian aluminium only accounts for 5% of US aluminium imports. The catalyst for aluminium prices remains to be China's demand from its reopening. We remain invested in a local aluminium producing company.
- 3 Remain invested in banks with high dividend yields:** Bank Negara Malaysia reported that the banking industry's current and savings accounts ratio declined from the peak of 32% to 29%. This is in line with the bank's guidance on potentially higher costs of funds due to lower liquidity. We expect banks' earnings to be flat YoY as the removal of prosperity tax will offset the higher cost of funds. We remain invested in banks that pay out high dividends.
- 4 Silicon Carbide (SiC) Worries:** Tesla's Investor Day hinted that its new car model could potentially reduce SiC content in its power chips by 75%. This news casts uncertainties on global SiC chipmakers' total addressable market but we believe it is too early to react to these rumours and maintain that there is still an opportunity to ride this trend. We remain invested in a company that assembles and tests SiC chips for the largest SiC chipmaker in the world.
- 5 Buy tech after 1Q23 bottom earnings:** The International Data Corporation revised its 2023 smartphone demand forecast from +2.3% to -1.1%. This is due to increasing costs and ongoing weakness in consumer demand. However, it remained positive that 2H22 will see improvement, with 2024 expected to show a 5.9% year-on-year growth. We continue to look to buy tech on weak earnings which believe will be in 1Q23 as we price in the positive prospects from 2H22 onwards.
- 6 China's reopening play is on track:** In Feb-23, China's Purchasing Managers' Index for manufacturing and services notched a new high since Apr-12 and follows two consecutive months of expansion. Also, the National Party Congress outlined a GDP growth target of 5% for 2023, which we believe will be driven by consumption. We remain invested in consumer and travel-related stocks that benefit from the recent relaxation of COVID restrictions.

# 1.0 MALAYSIA & REGIONAL (cont'd)

## The Week in Review (27 Feb - 03 Mar 2023) & Our Managers' Views

7

**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 12.9x (-1.5 standard deviation, below its 5Y average of 16.4x). Price-to-book ratio and dividend yields are also attractive at 1.3x (below the 5Y average of 1.55x) and 4.5% (above its 5Y average of 3.6%).

# 2.0 MALAYSIA MARKET REVIEW

## Markets Weighed on Global Macro Weakness & Foreign Fund Outflows

Exhibit 1: KLCI vs Shariah Index

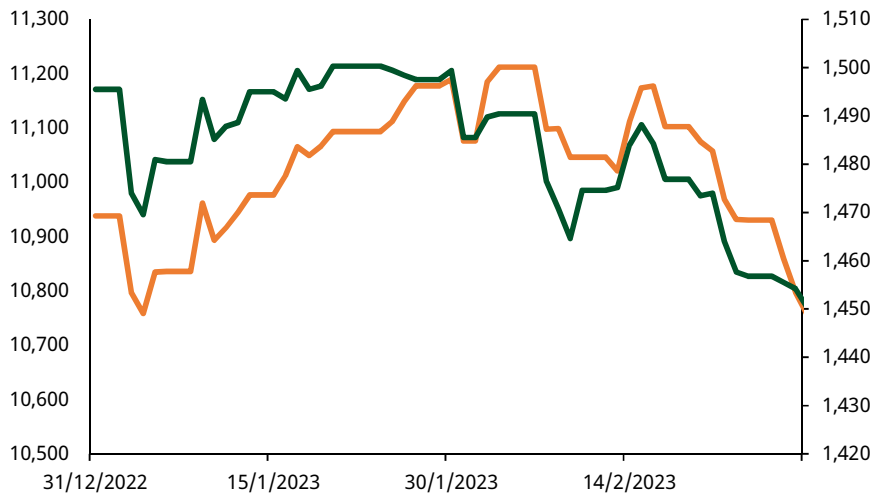


Exhibit 2: USDMYR

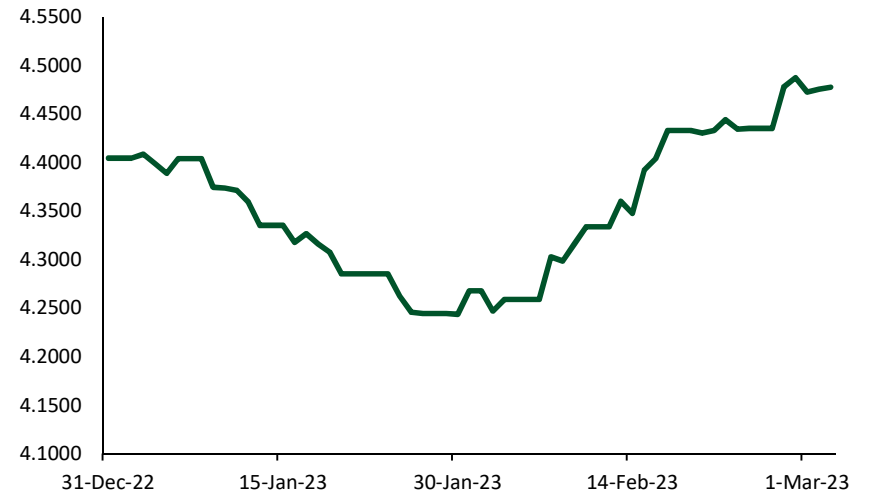


Exhibit 3: Sector Performances Week-to-Date (%)

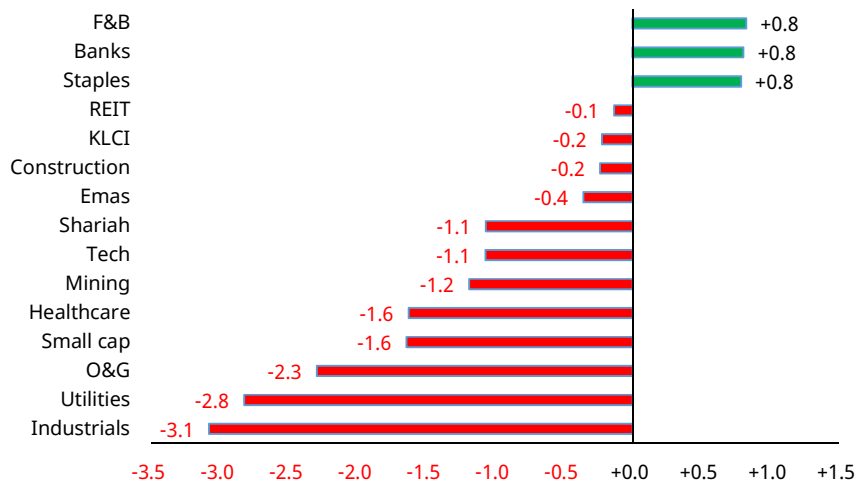
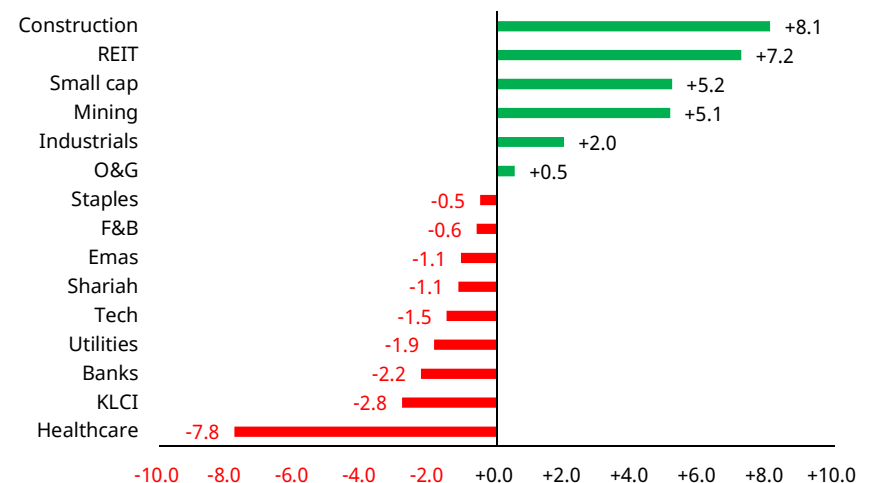


Exhibit 4: Sector Performances Year-to-Date (%)



# 2.1 MALAYSIA VALUATIONS

## Malaysia remains in BUY territory

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

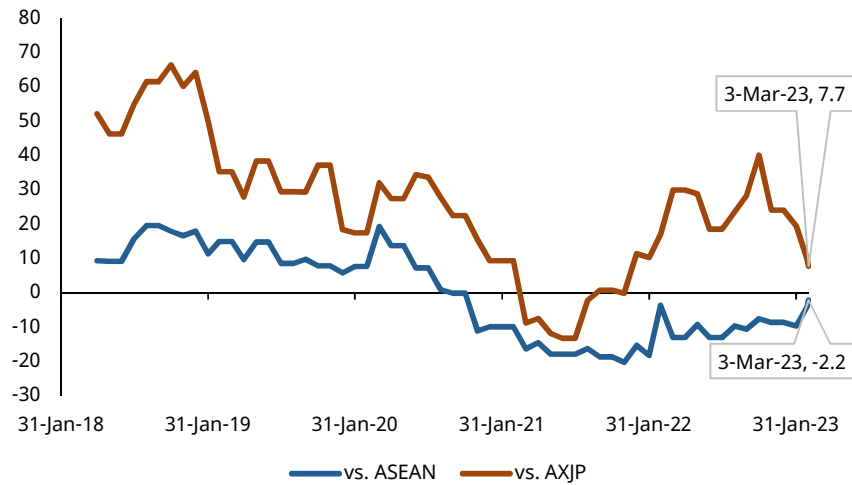


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

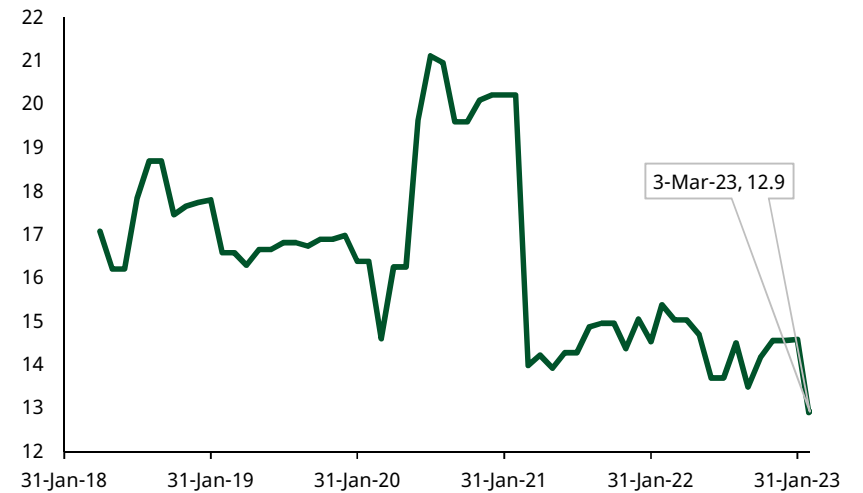


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

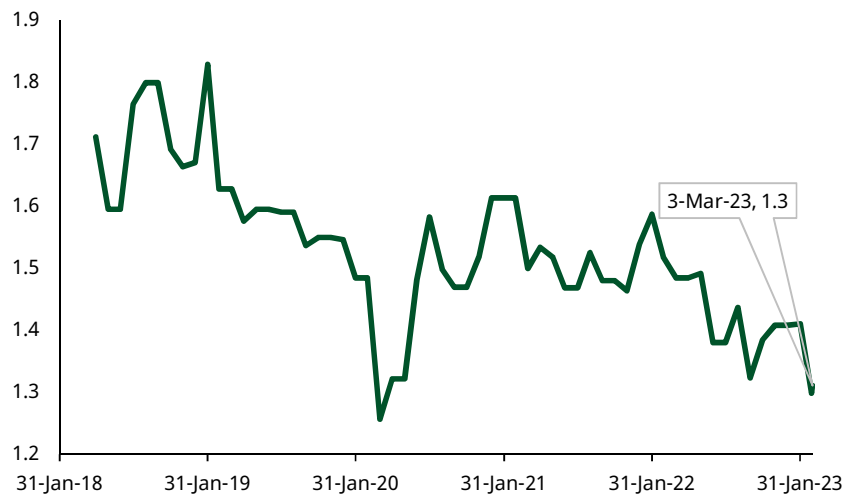
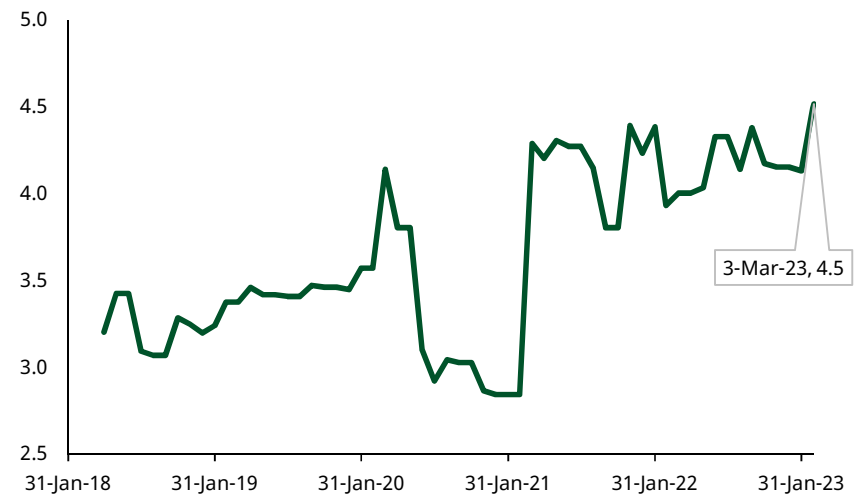


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

# 3.0 REGIONAL MARKETS REVIEW

## China Market's Rally Led by Telcos on New Incentive Plans

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

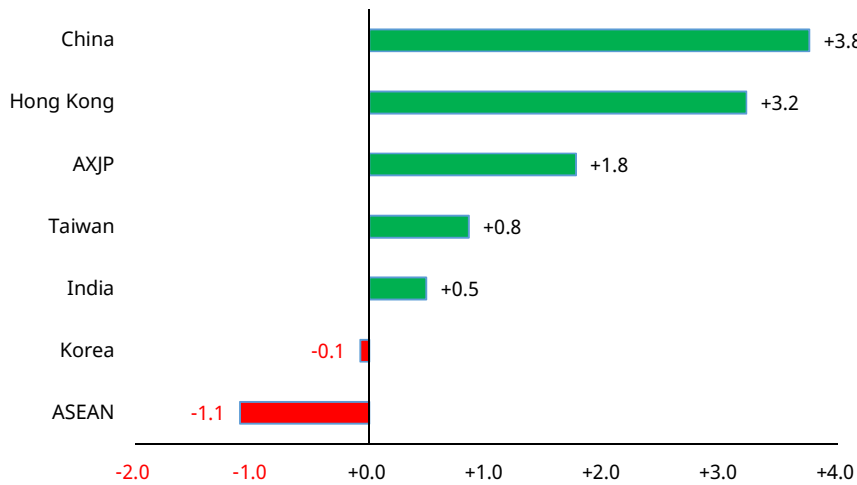


Exhibit 2: Country Performances Year-to-Date (%)

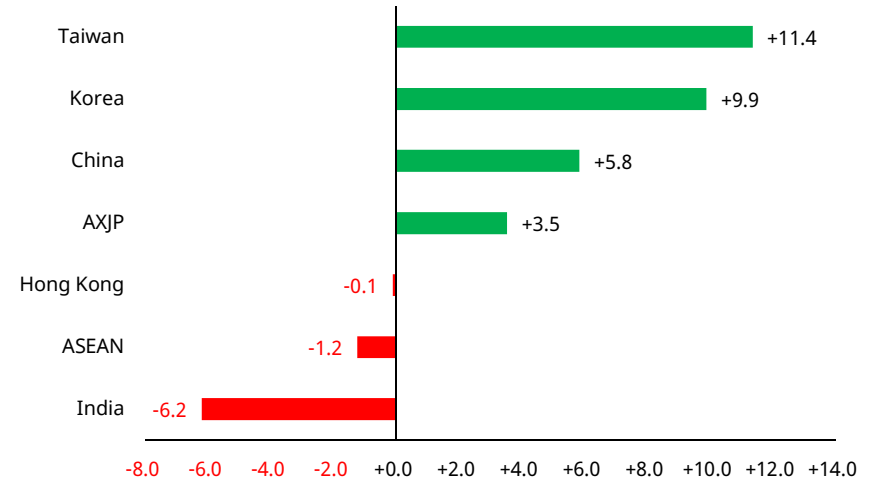


Exhibit 3: Sector Performances Week-to-Date (%)

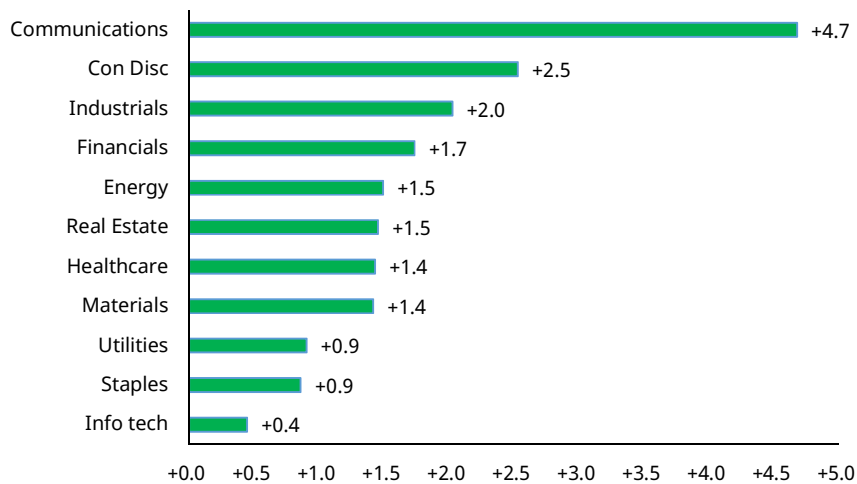
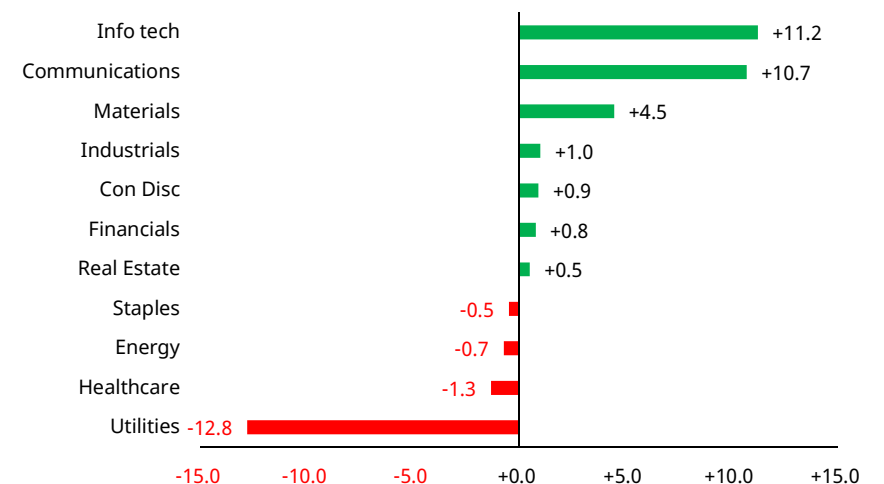


Exhibit 4: Sector Performance Year-to-Date (%)



# 3.1 REGIONAL VALUATIONS

We see the market's retracement as an opportunity to buy

Exhibit 5: Regional Price-Earnings Ratio (x)

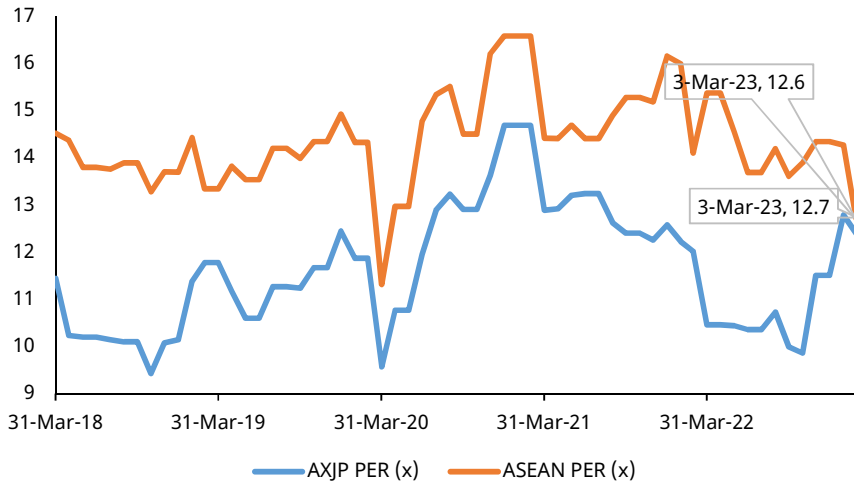


Exhibit 6: Regional Price-to-Book Ratio (x)

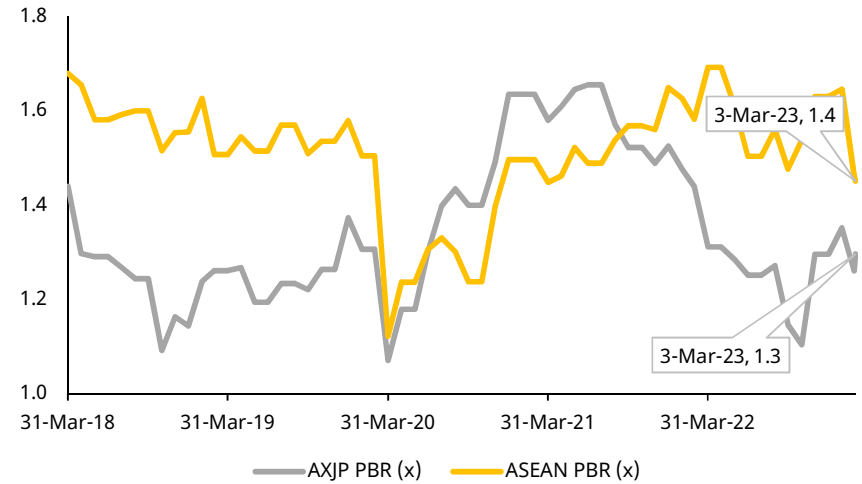


Exhibit 7: Regional Dividend Yield (%)

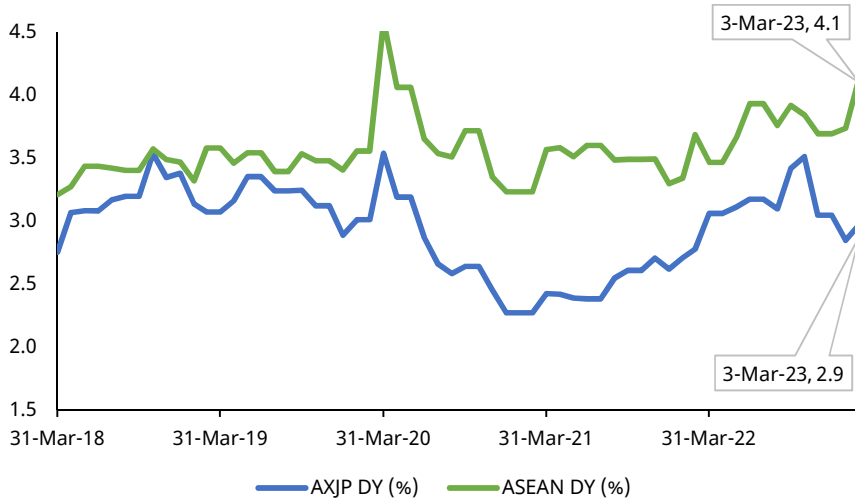
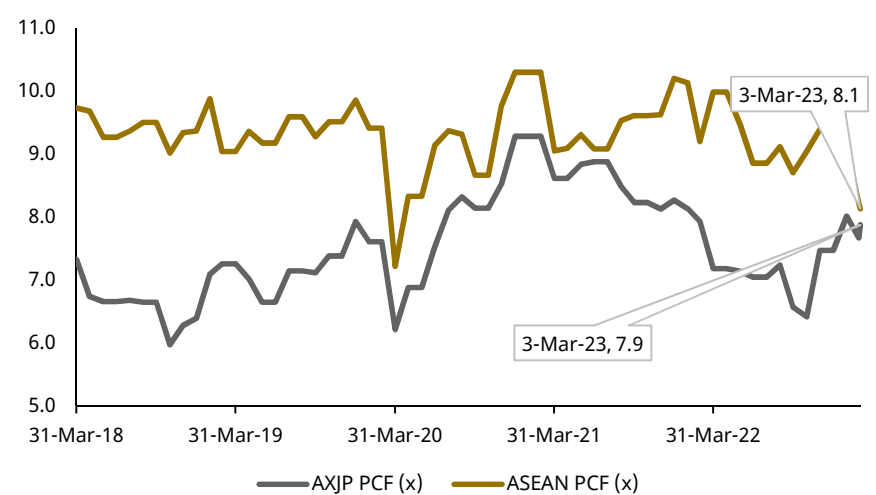


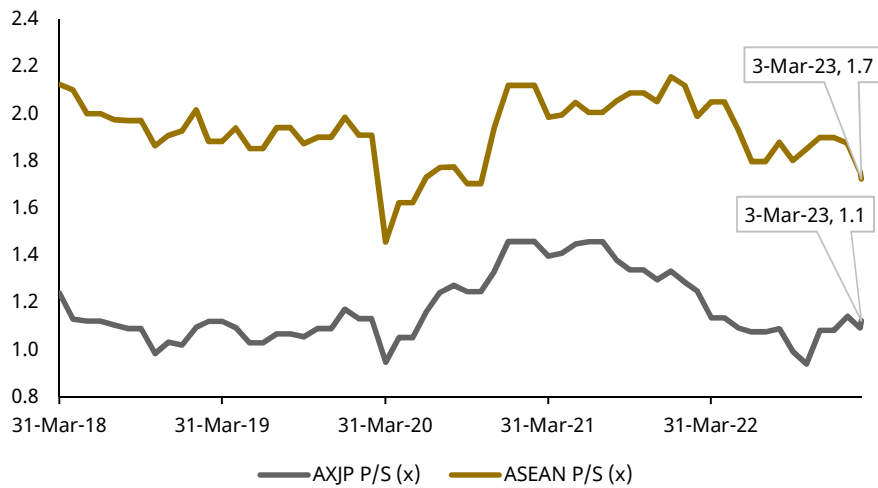
Exhibit 8: Regional Price-to-Cash Flow (x)



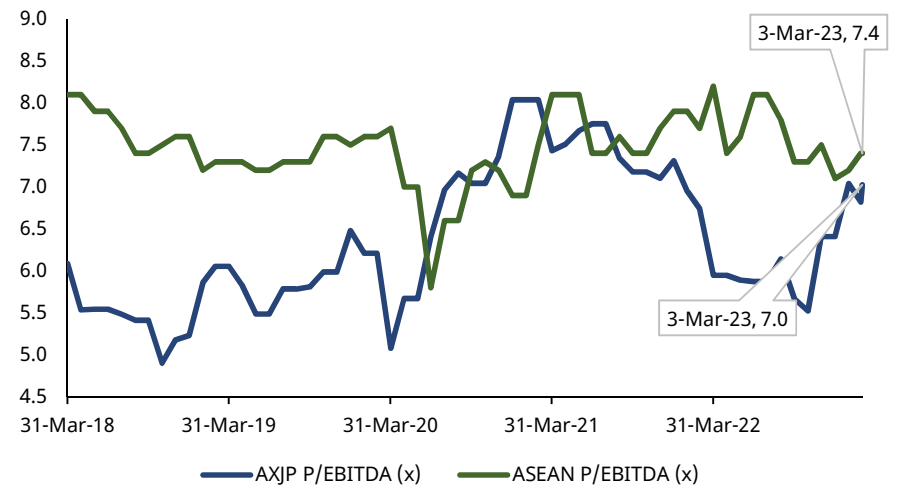
# 3.2 REGIONAL VALUATIONS

Asian valuations are looking more attractive with the recent price falls

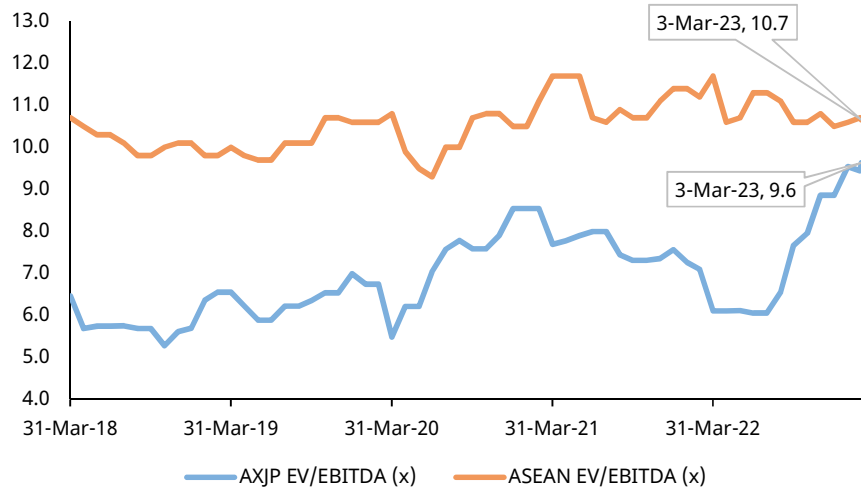
Regional Price-to-Sales Ratio (x)



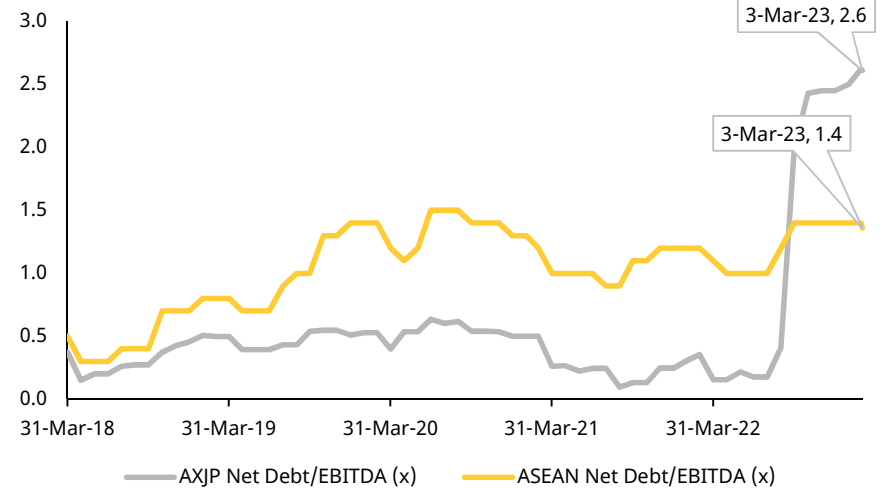
Regional Price-to-EBITDA (x)



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)

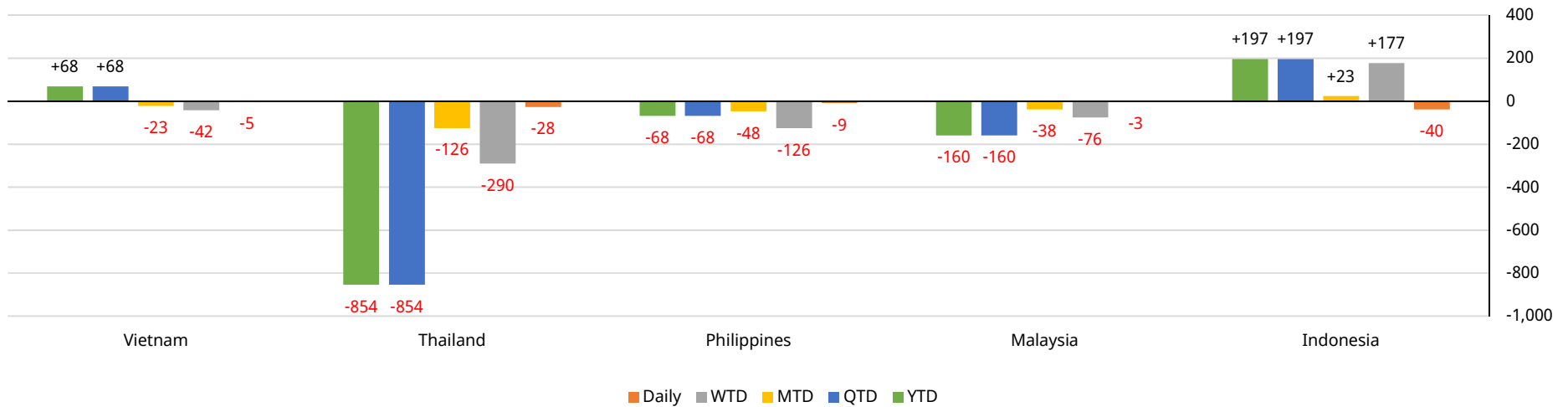
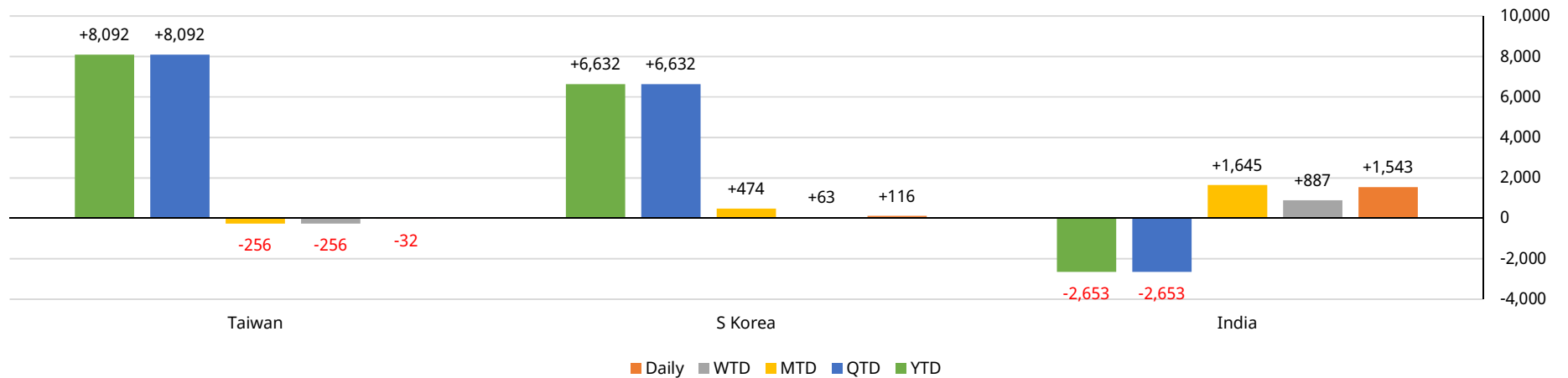


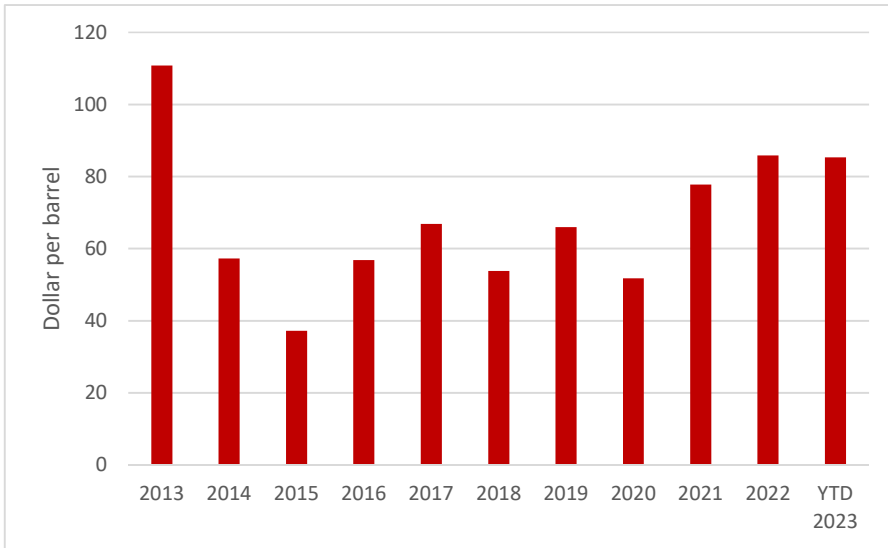
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



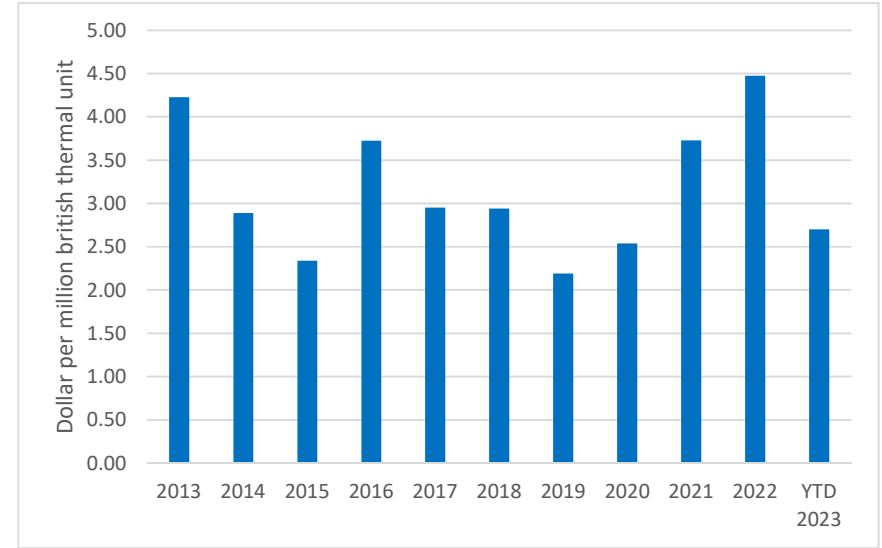
# 5.0 Energy Annual Prices

Coal and Natural Gas prices decline on lower demand and adequate supply

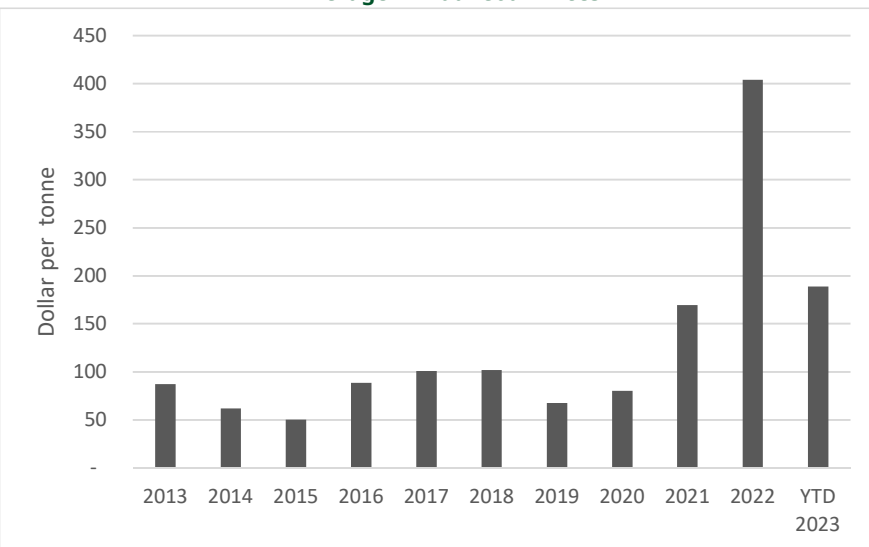
Average Annual Brent Oil Prices



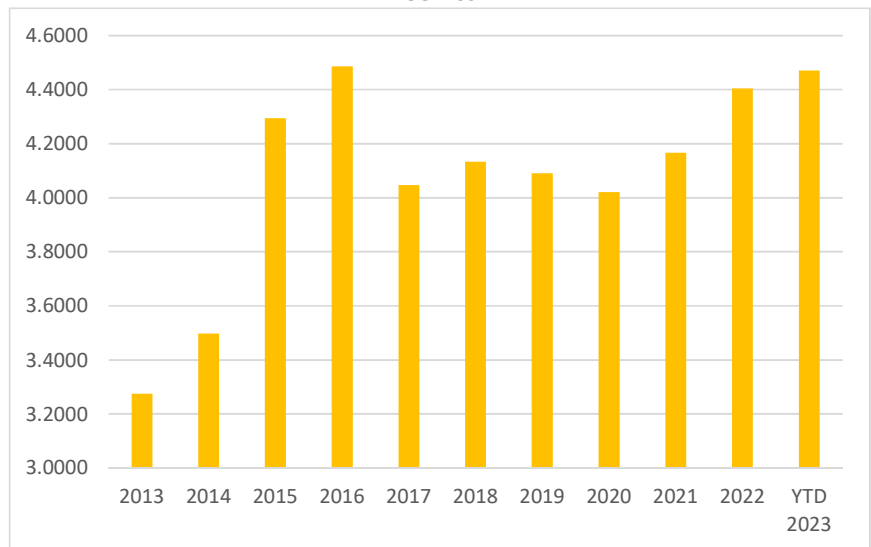
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

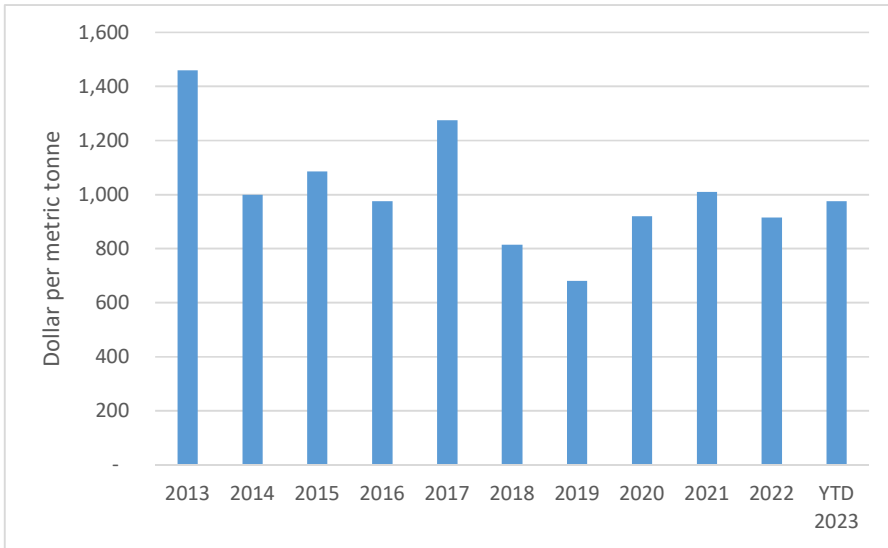


Source: Bloomberg

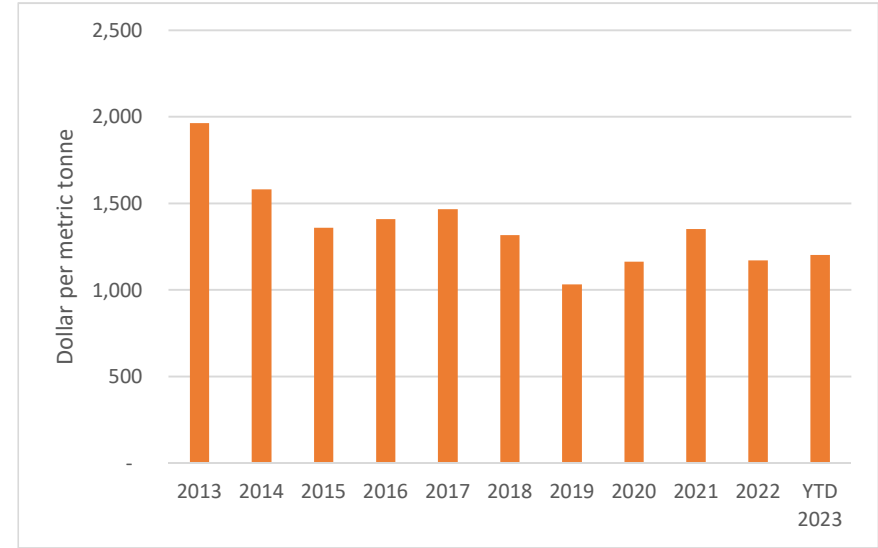
# 5.1 Petrochemical Annual Prices

Modest price increase on China's reopening demand

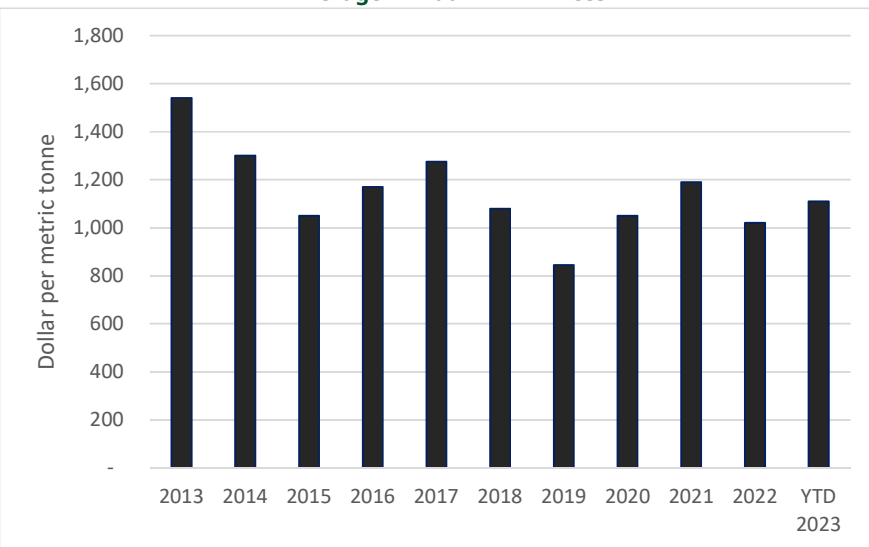
Average Annual Ethylene Prices



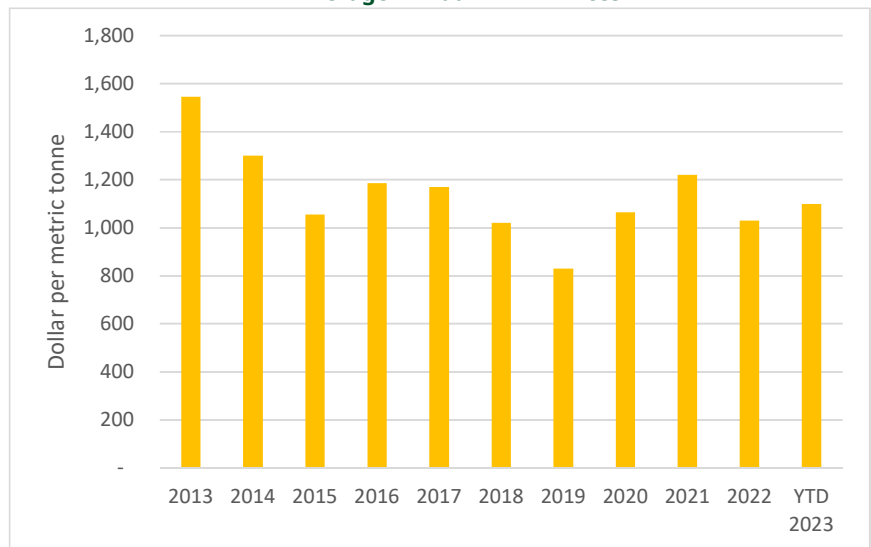
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

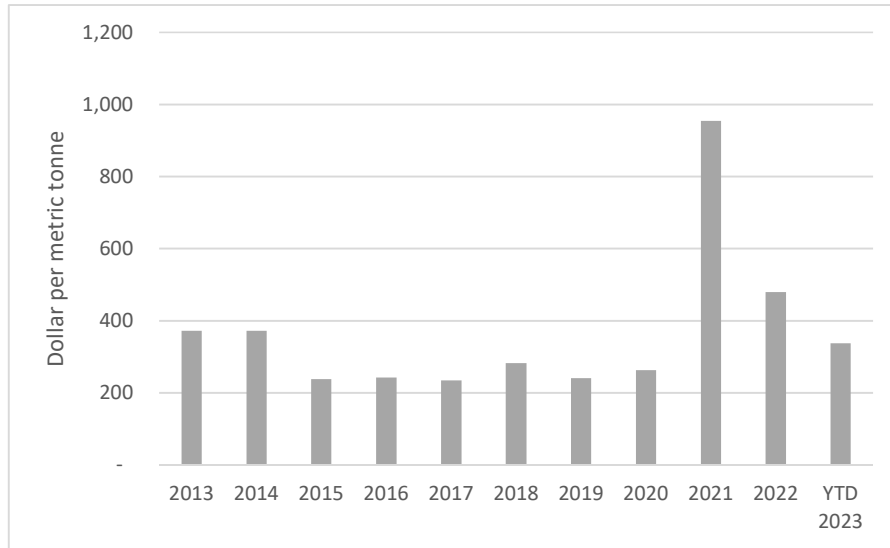


Source: Bloomberg

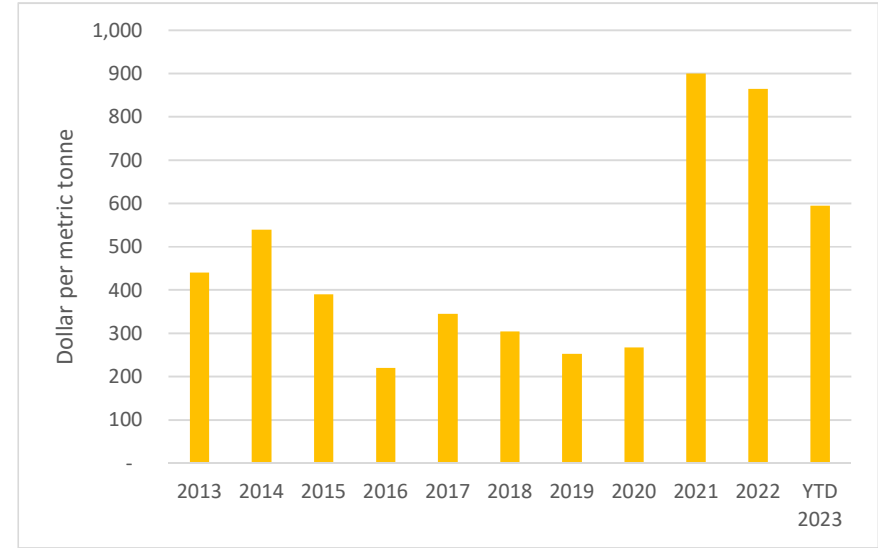
# 5.2 Fertiliser Annual Prices

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

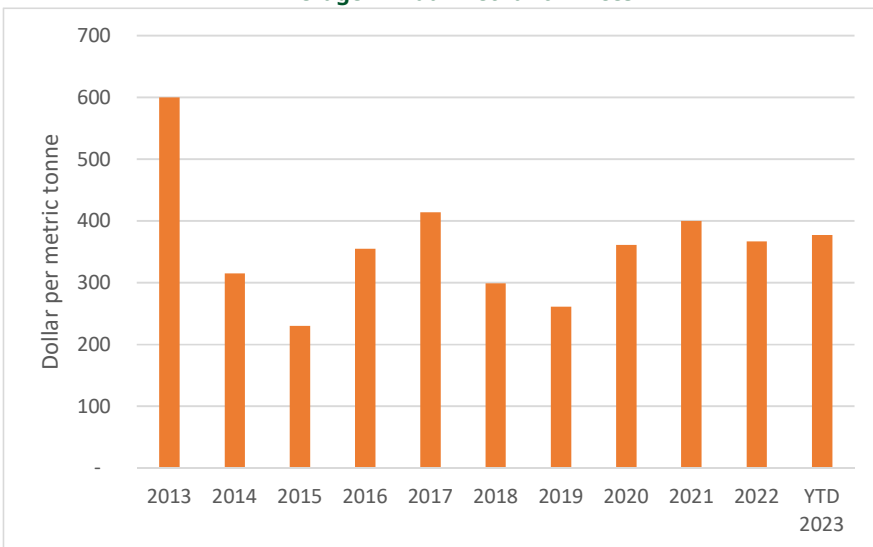
Average Annual Urea Prices



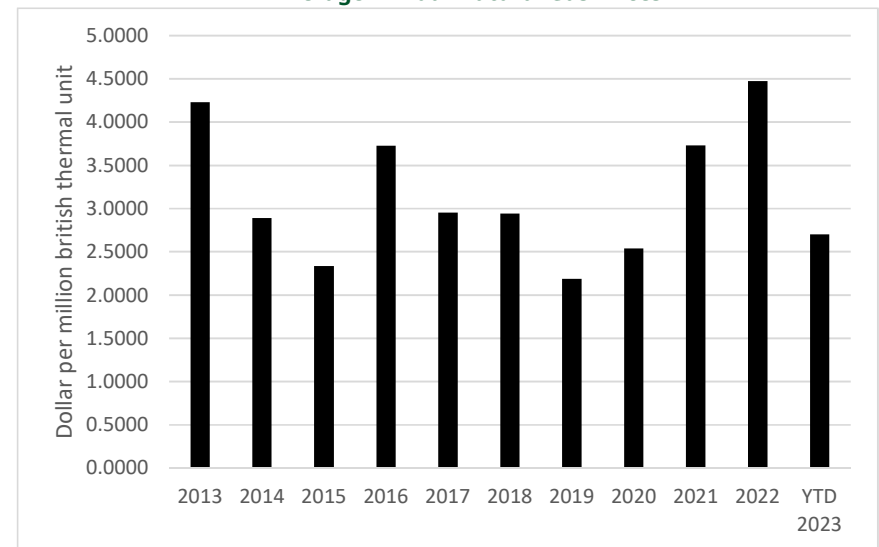
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

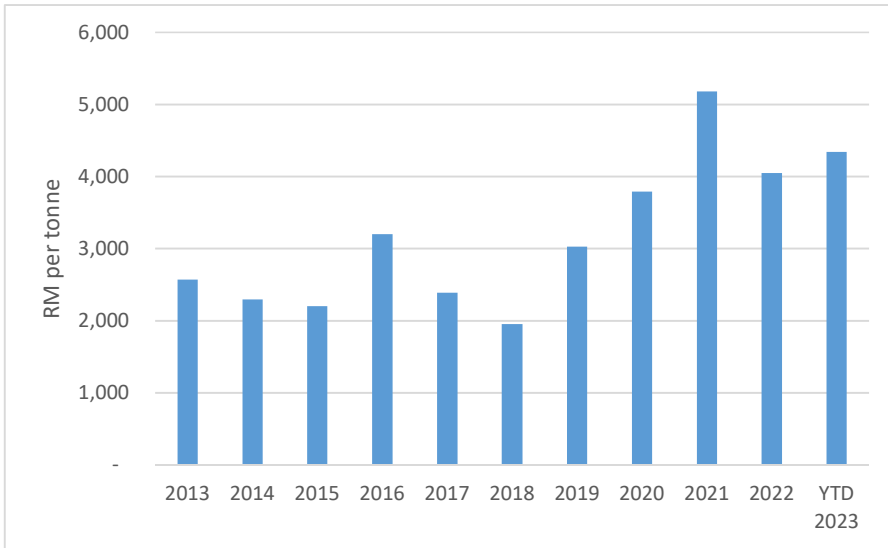


Source: Bloomberg

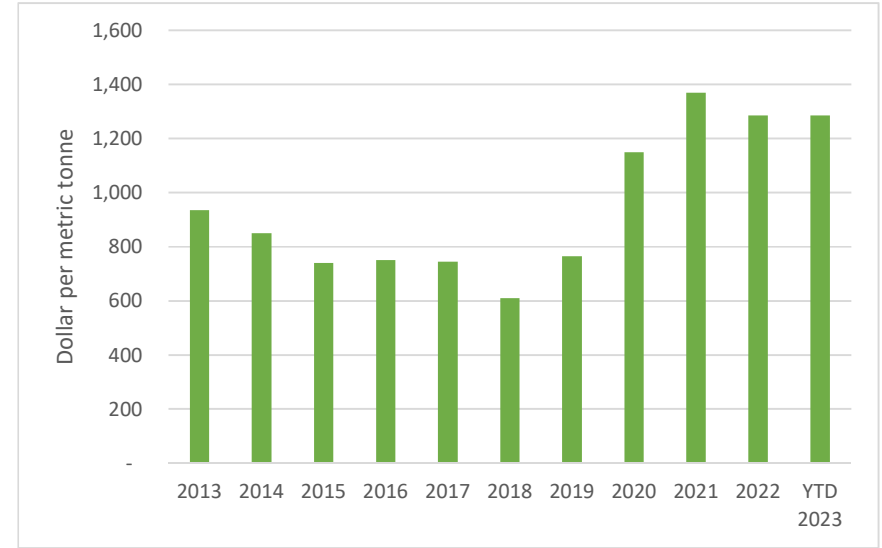
# 5.3 Agricultural Annual Prices

Prices to trade range bound

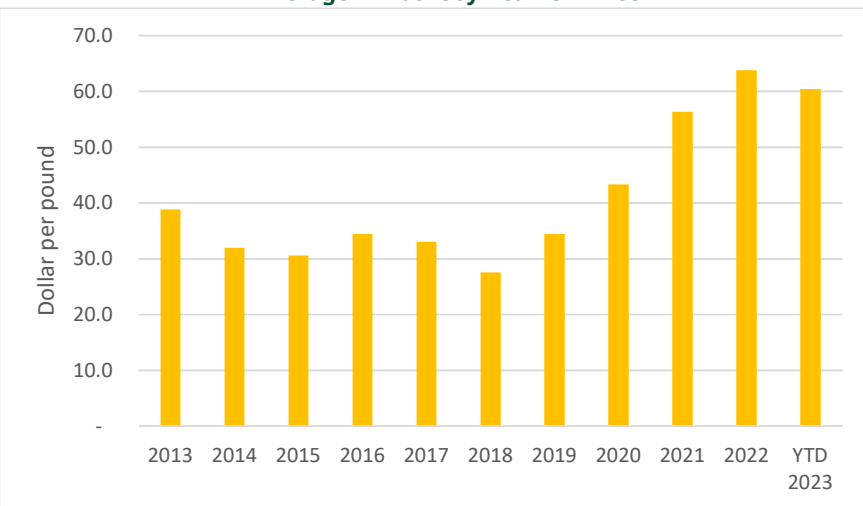
Average Annual Palm Oil Prices



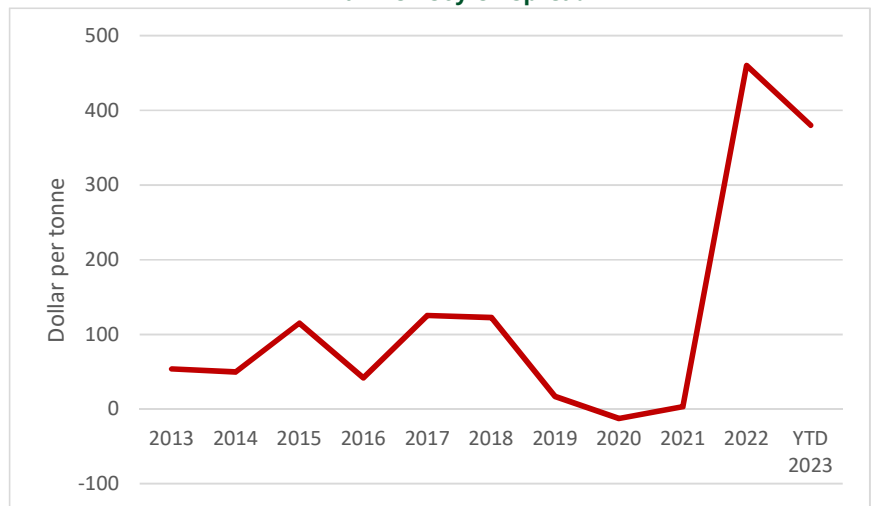
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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