

Portfolio Managers' Views


17 July 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (10 - 14 July 2023) & Our Managers' Views

1

We remain invested in Malayan Cement as we expect rising demand for cement: MyHSR Corporation has requested for information to gauge the interest and ability of private companies to take up the potential Kuala Lumpur-Singapore high-speed rail ("HSR") project. If the project takes off, the local construction and building materials sectors will benefit. Malayan Cement is expected to be a key beneficiary of the HSR project if it takes off.

2

The demand outlook for oil is improving. Remain invested in Hibiscus: OPEC raised its demand forecast by 2.5% and 2.2% for 2023 and 2024 respectively. The 2024 demand forecast is higher than other oil market agencies as the OPEC views interest rate-hikes from major economies will peak in 2023 while China will boost demand as its economy recovers. Coupled with tight supply from years of under-investments, we see higher oil prices going forward.

3

We remain invested in Innoprise and United Plantation as CPO prices will likely increase: Malaysia's June palm oil inventories rose by 2% MoM to 1.72mil ton. The rise was below-consensus, due to lower supply and higher export demand. We expect palm oil demand to be sustainable due to the recovery of China's consumption and weaker Ringgit, which makes palm oil cheaper than other edible oils. Moreover, El Nino is expected to cause edible oil shortage.

4

China's exports for June 2023 contracted 12.4% YoY, after falling 7.5% in May. Despite this, China equities rose last week after low inflation reading in the US that signaled a weaker US Dollar ahead and a return of equity funds flows to China. Another catalyst was the China government's increasing regulatory visibility and involvement with the private sector in July, signaling a pro-business tone in 2H2023 after embarking on a state-owned enterprise reform agenda in 1H2023.

5

China ended its two-year regulatory crackdown by penalising e-commerce giants for past failings, yet held pro-business meetings to support the sector. The government is believed to have held symposiums and round table talks in attempts to revive the private sector for economic growth. We are positive on China's e-commerce sector as the penalties ended the share price overhang and the latter is seen to be a positive catalyst for growth going forward.

6

Valuations: FBMKLCI is trading at very attractive levels now. For instance, its 2023 price-earnings ratio ("PER") of 13.6x is at the bottom end of its 12 year low. Similarly, price-to-book ratios are also attractive at 1.3x, which are levels last seen only during the market bottom for Covid in Mar-20. Dividend yields are also trading at 4.4%, above the 10-year high of 4.3% last seen in Q1 of 2021. Hence, we remain optimistic for the prospects of the Malaysian markets.

2.0 MALAYSIA MARKET REVIEW

Bursa Technology Index rose by 7.4% WTD led by Inari & MPI

Exhibit 1: KLCI vs Shariah Index

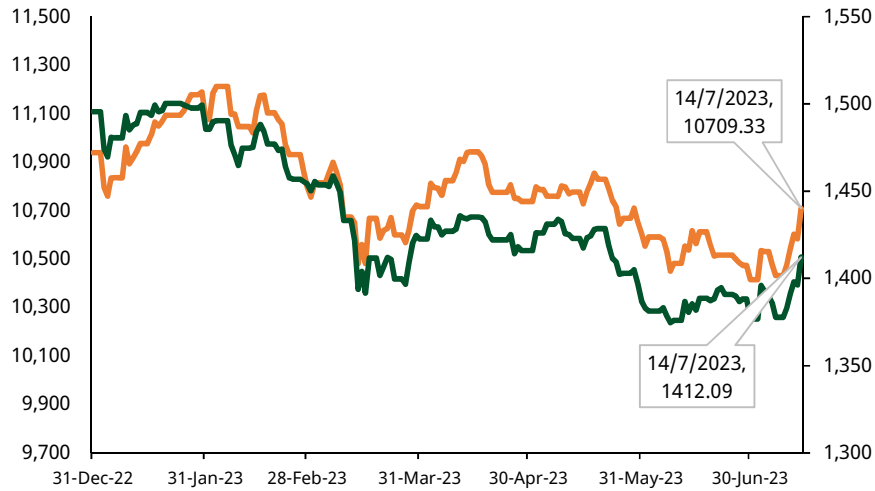


Exhibit 2: USDMYR

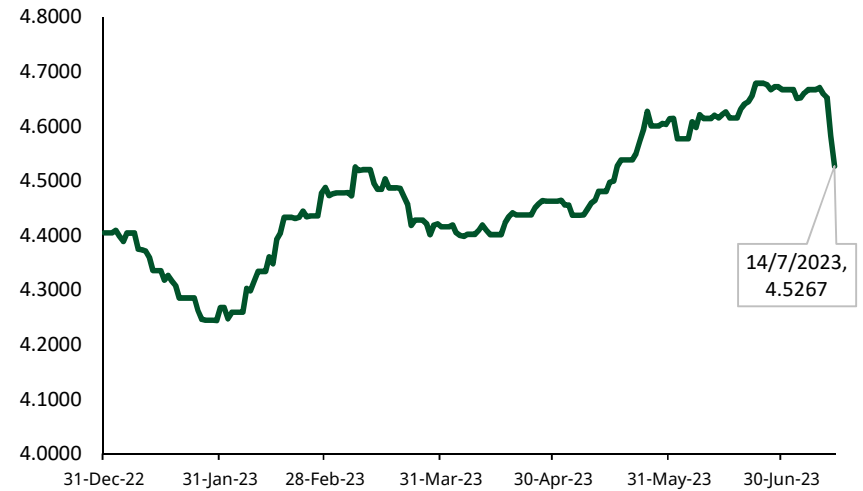


Exhibit 3: Sector Performances Week-to-Date (%)

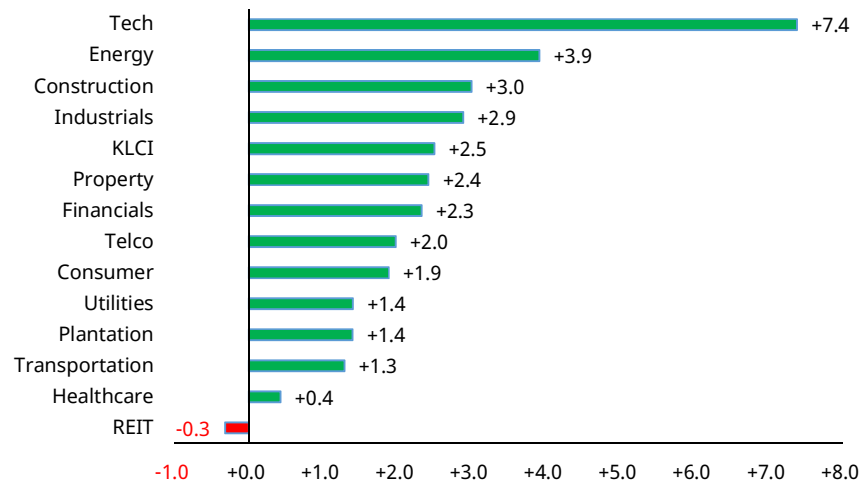
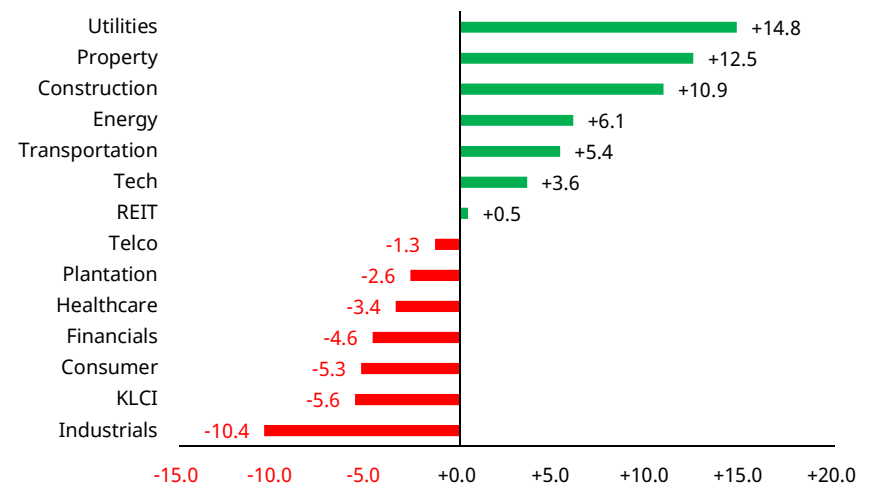


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Valuations Remain at Historical Bottoms - BUY Territory

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

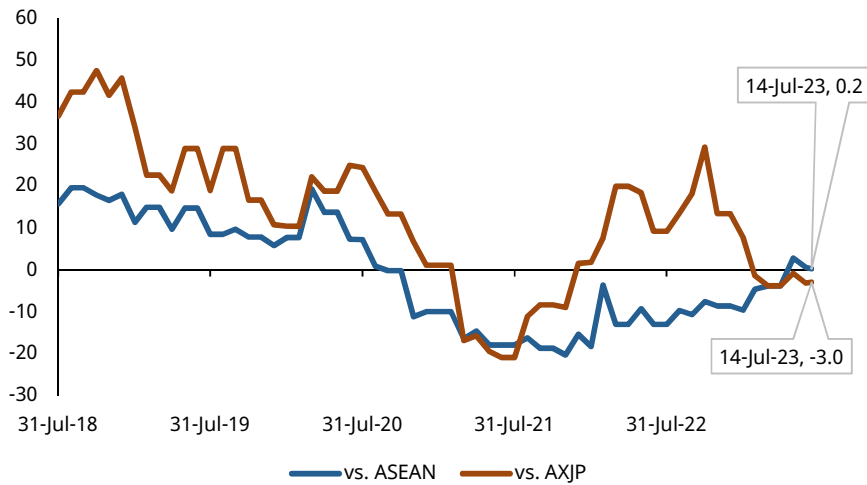


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

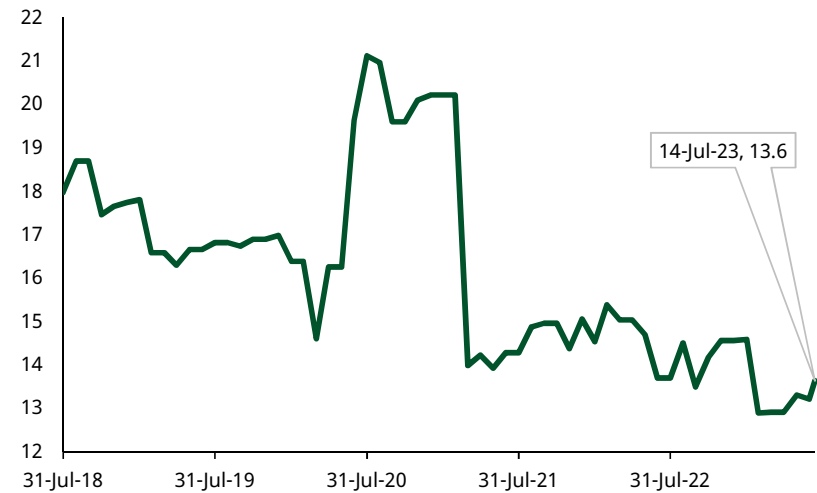


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

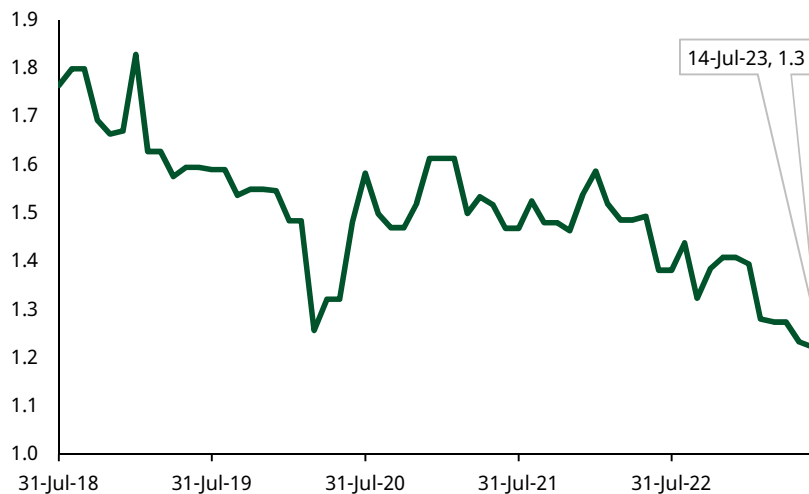
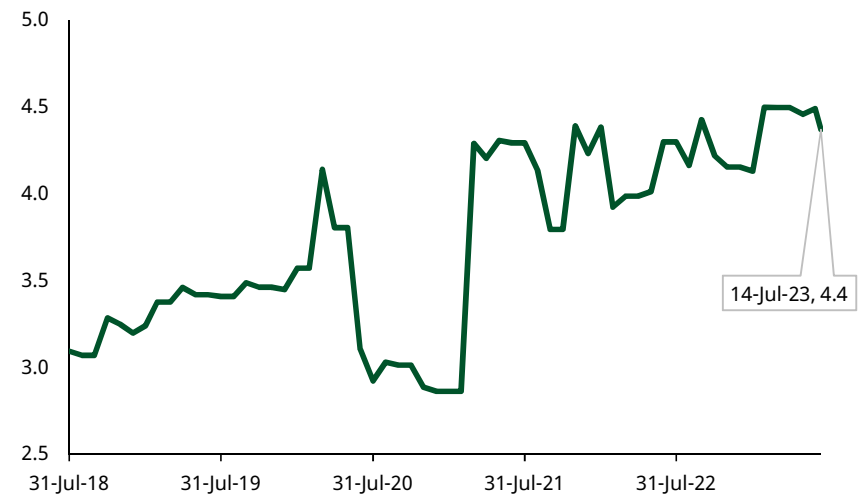


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

Regional markets rallied due to lower US CPI and possibility of peaking rates

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

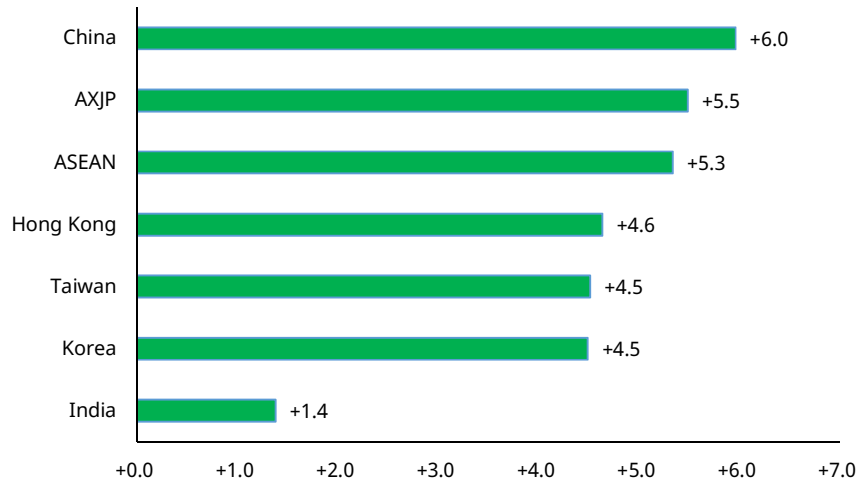


Exhibit 2: Country Performances Year-to-Date (%)

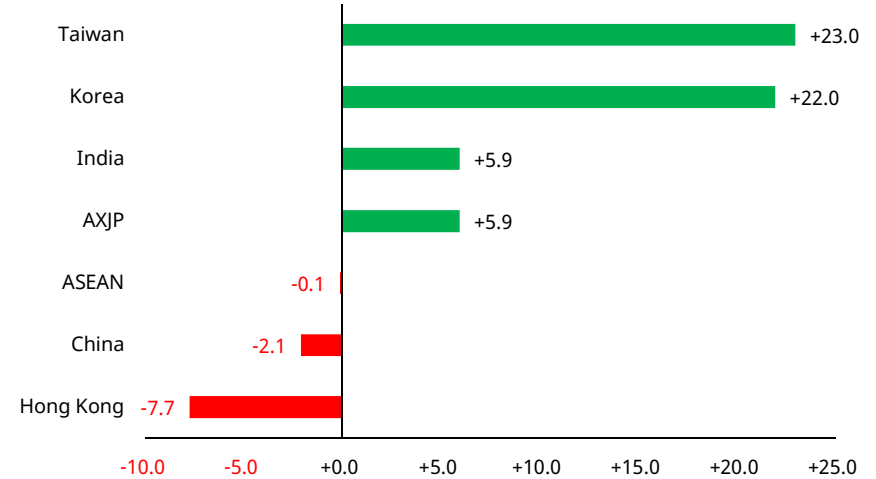


Exhibit 3: Sector Performances Week-to-Date (%)

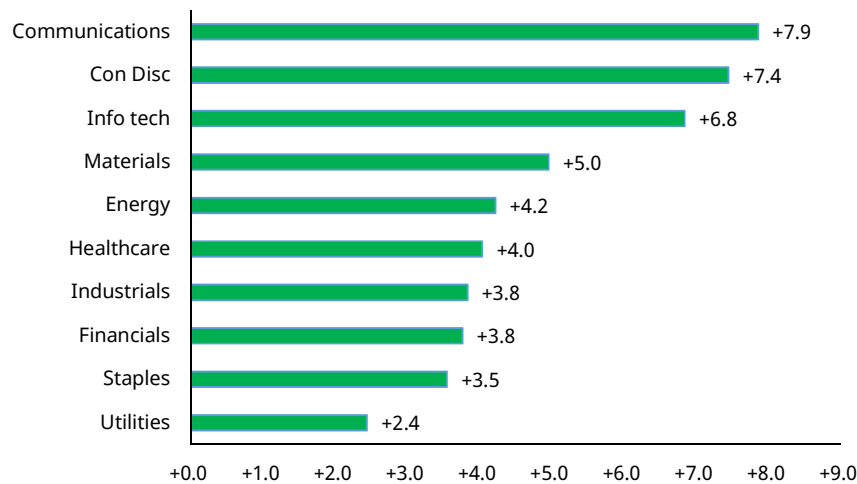
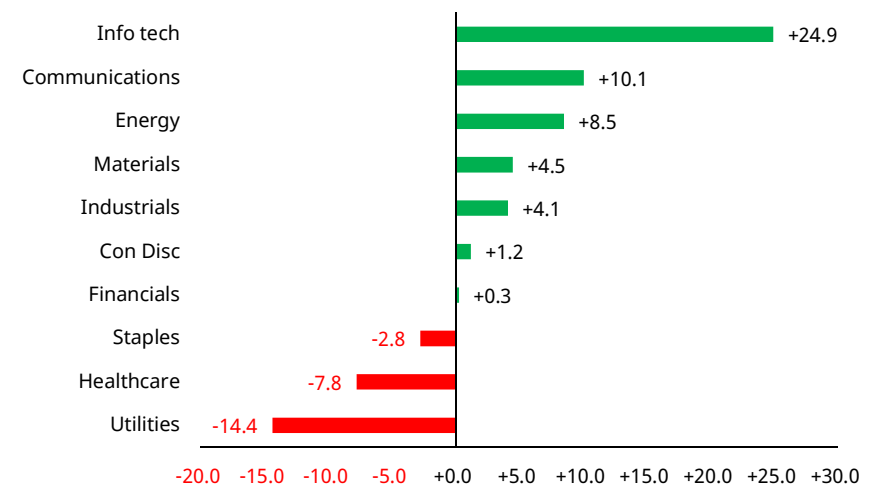


Exhibit 4: Sector Performance Year-to-Date (%)



3.1 REGIONAL VALUATIONS

We See The Market's Retracement As An Opportunity To Buy

Exhibit 5: Regional Price-Earnings Ratio (x)

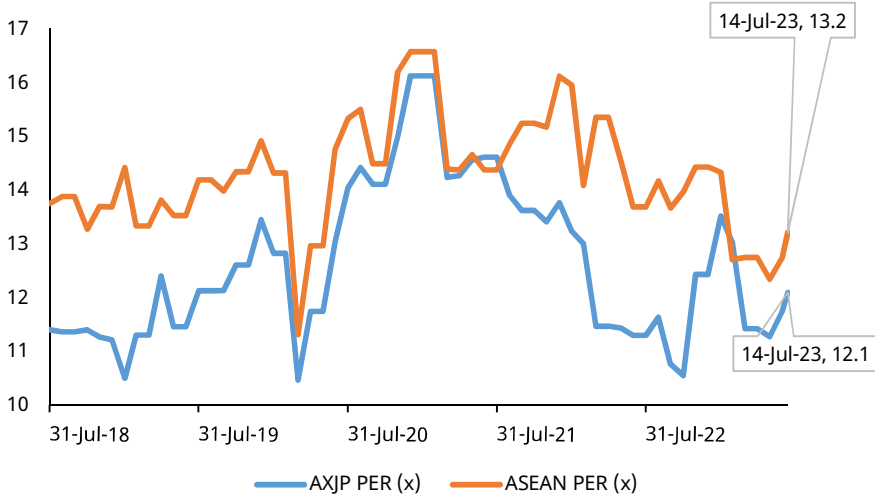


Exhibit 6: Regional Price-to-Book Ratio (x)

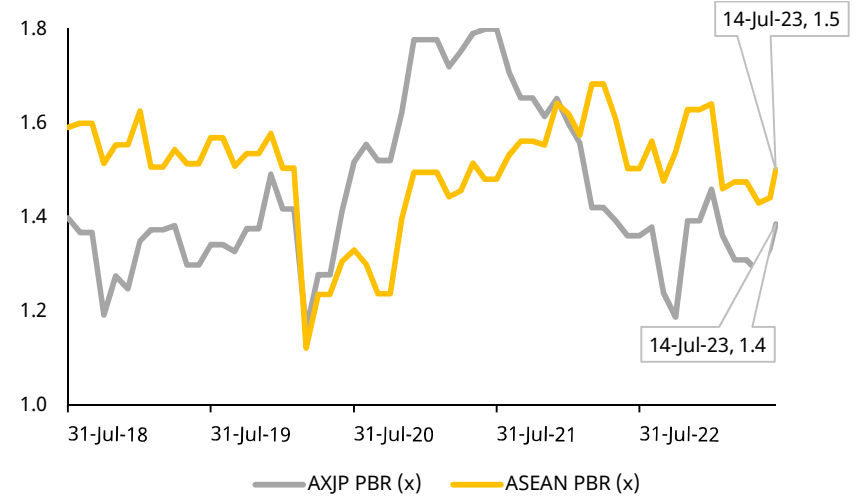


Exhibit 7: Regional Dividend Yield (%)

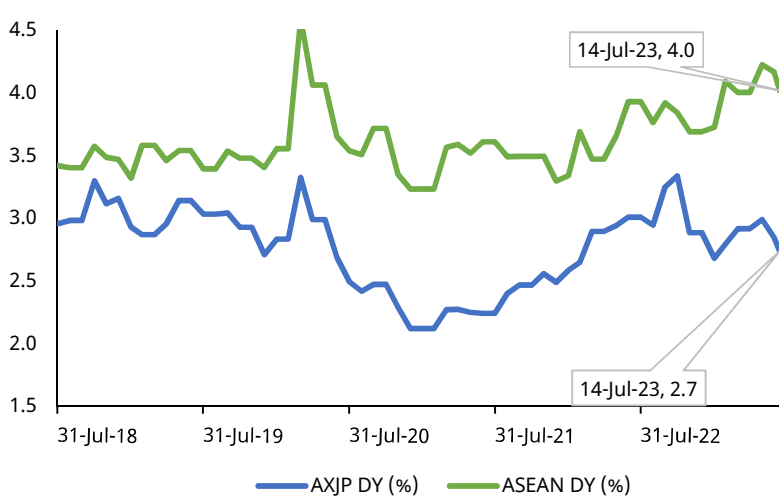
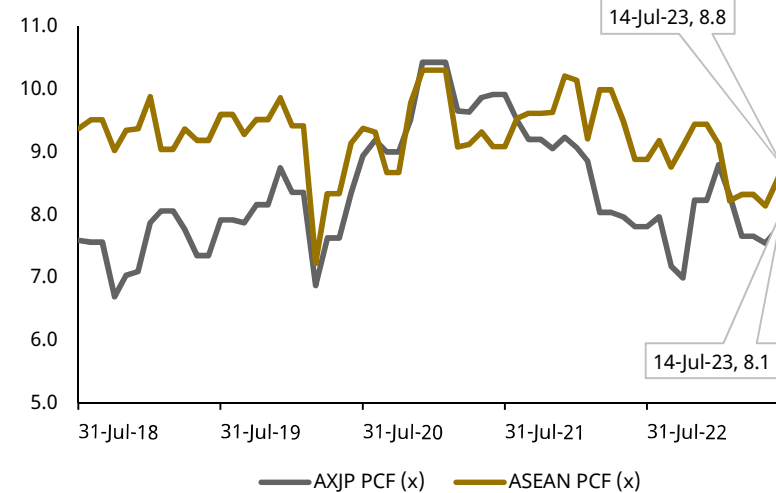


Exhibit 8: Regional Price-to-Cash Flow (x)



4.0 FOREIGN FUND FLOWS

Foreign Funds Were Net Buyers of Indonesia, Korea and India since end-June

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

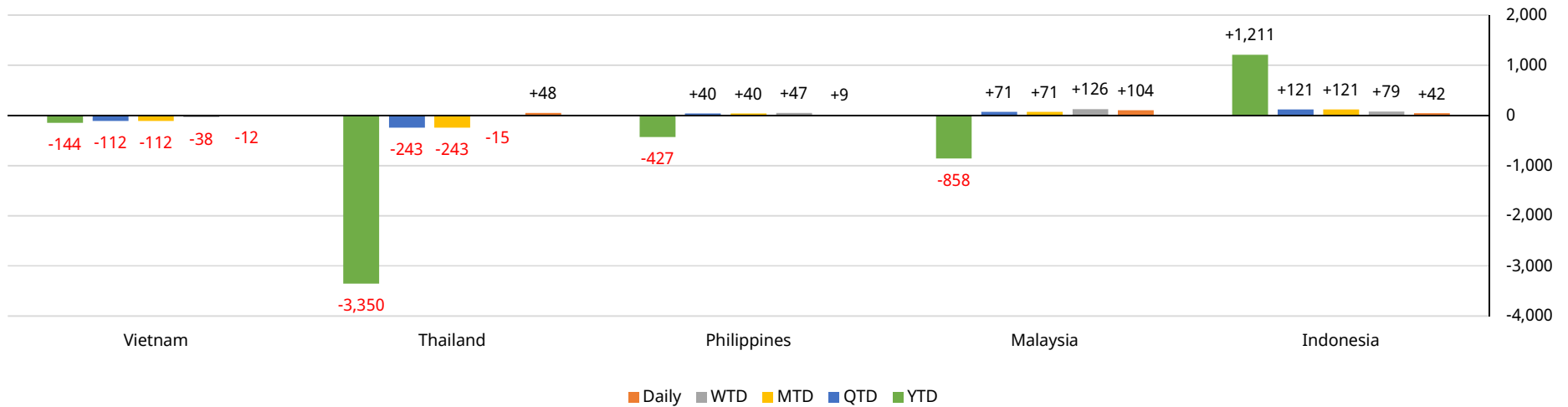
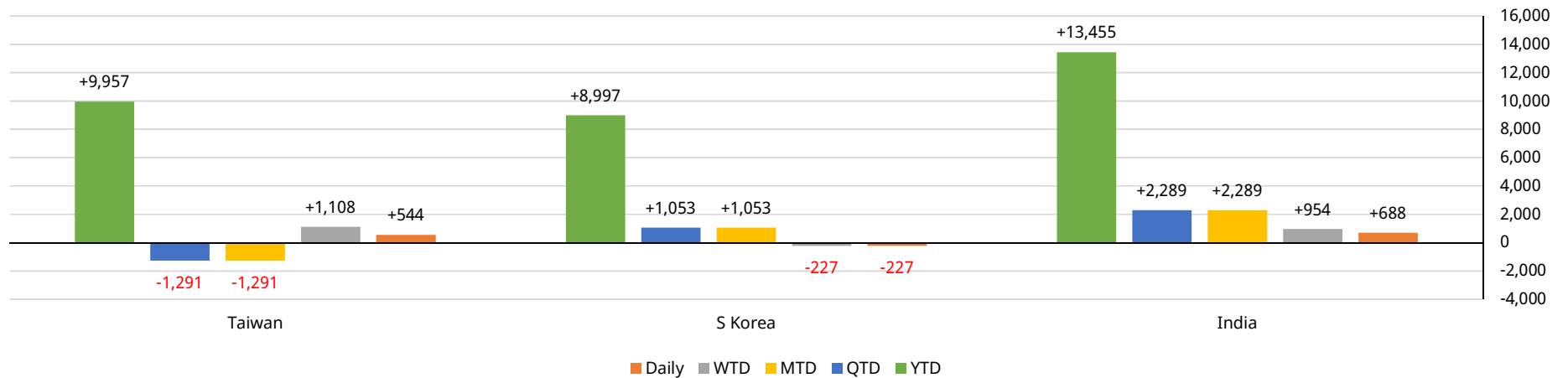


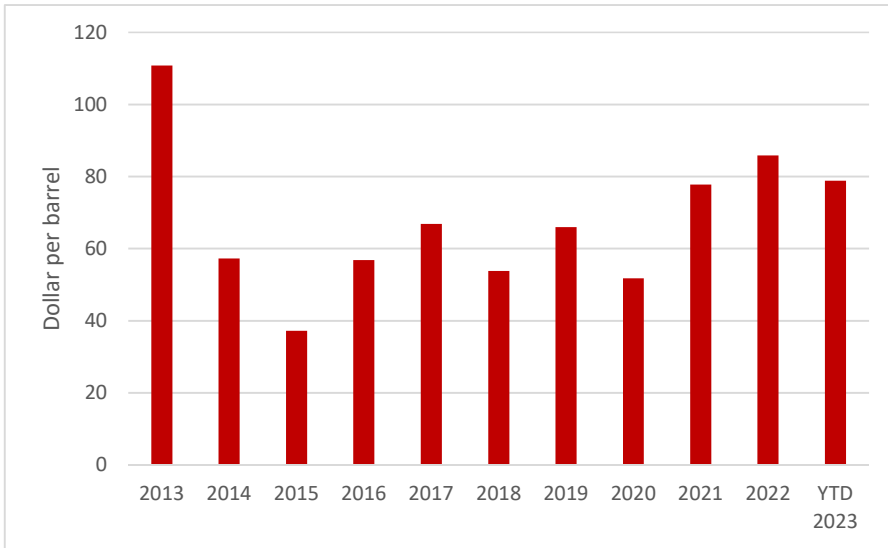
Exhibit 10: Selected North and West Asian Markets (Net USD mil)



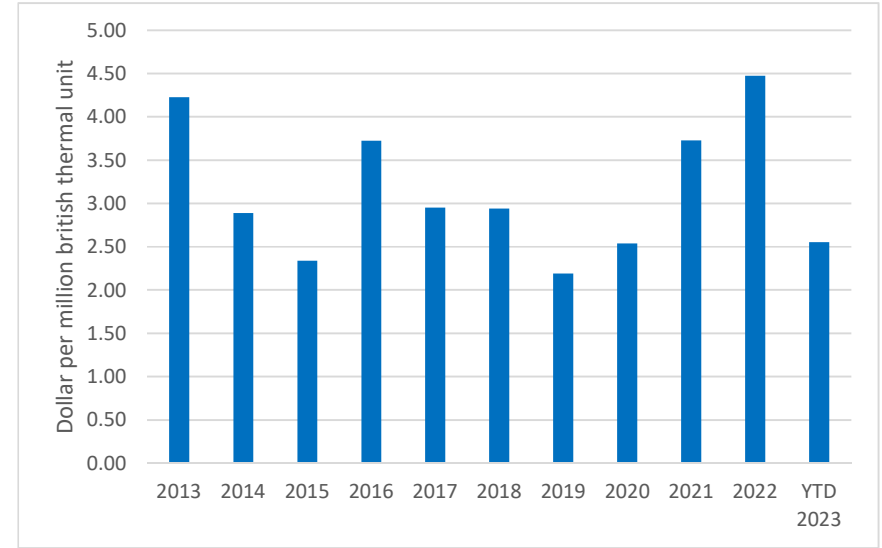
5.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

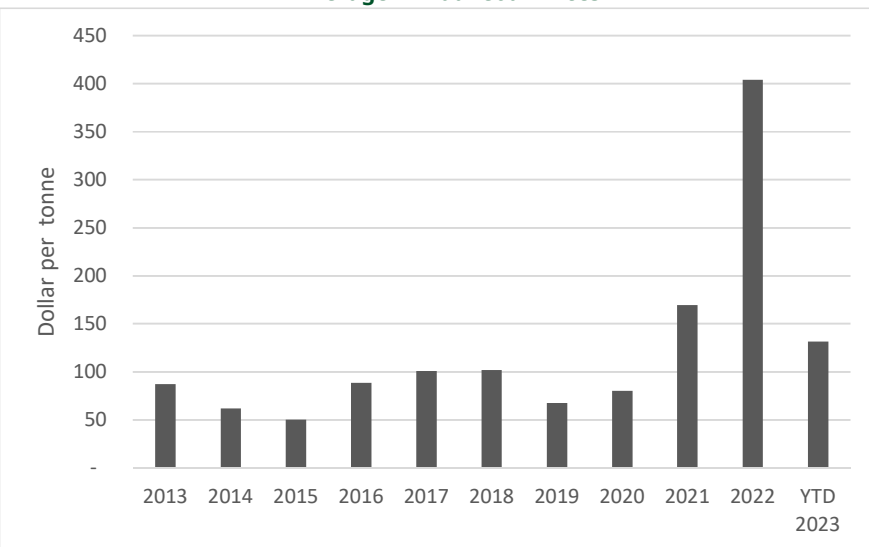
Average Annual Brent Oil Prices



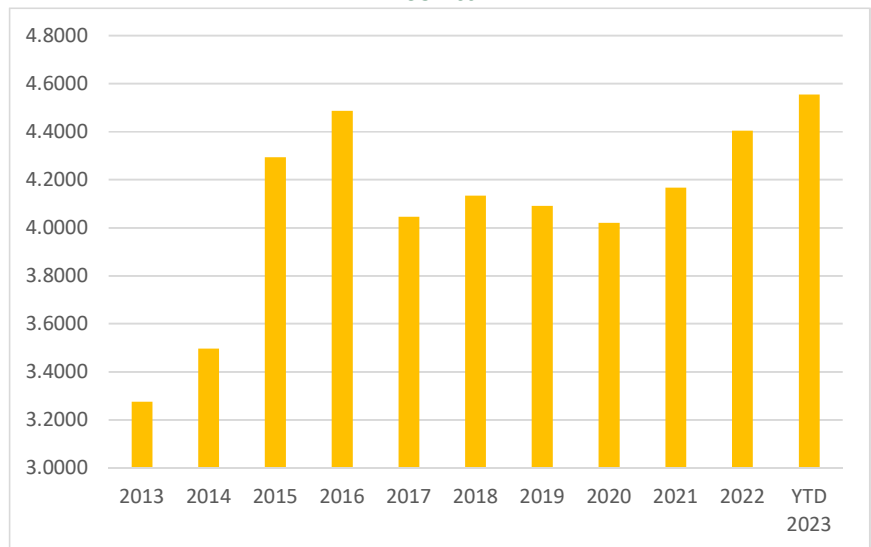
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

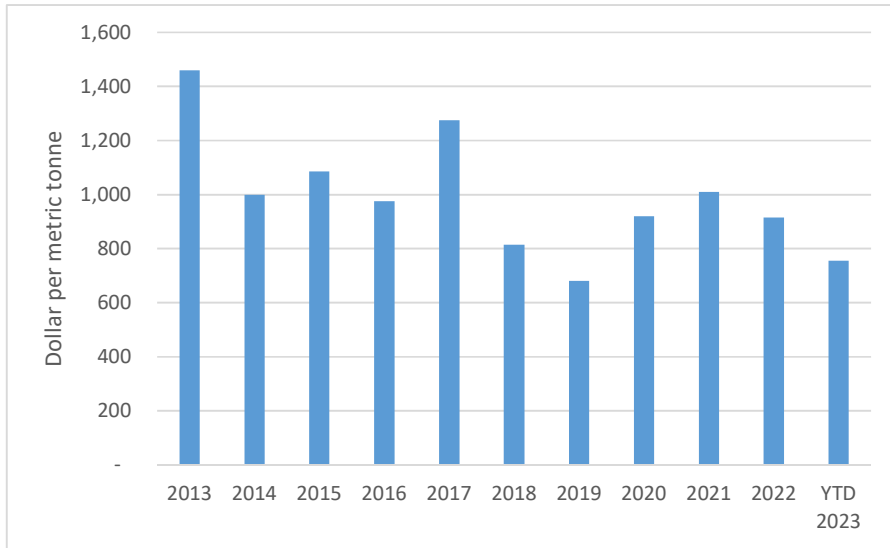


Source: Bloomberg

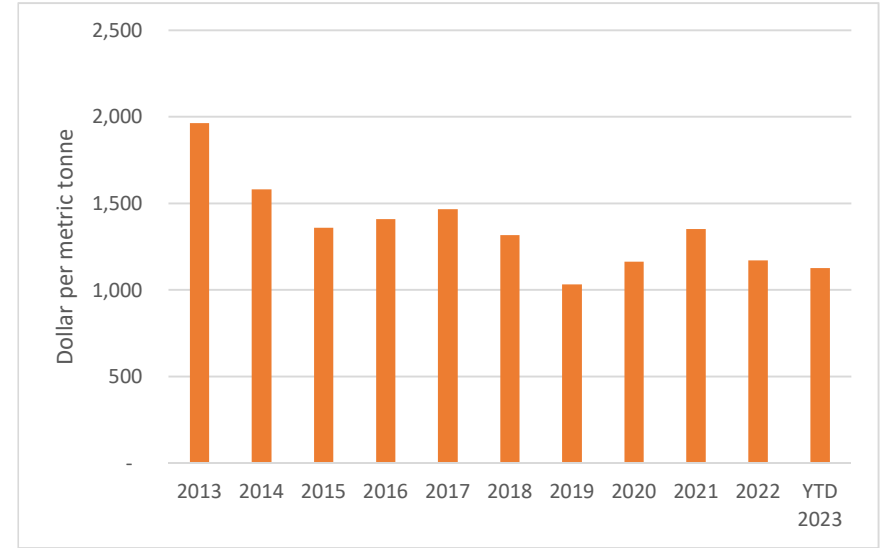
5.1 Petrochemical Annual Prices

Prices Decline on Weak China Demand

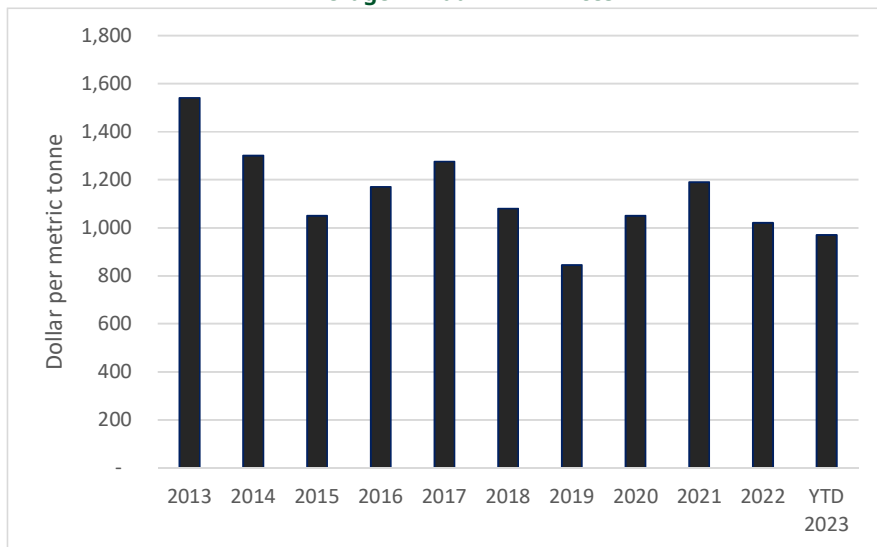
Average Annual Ethylene Prices



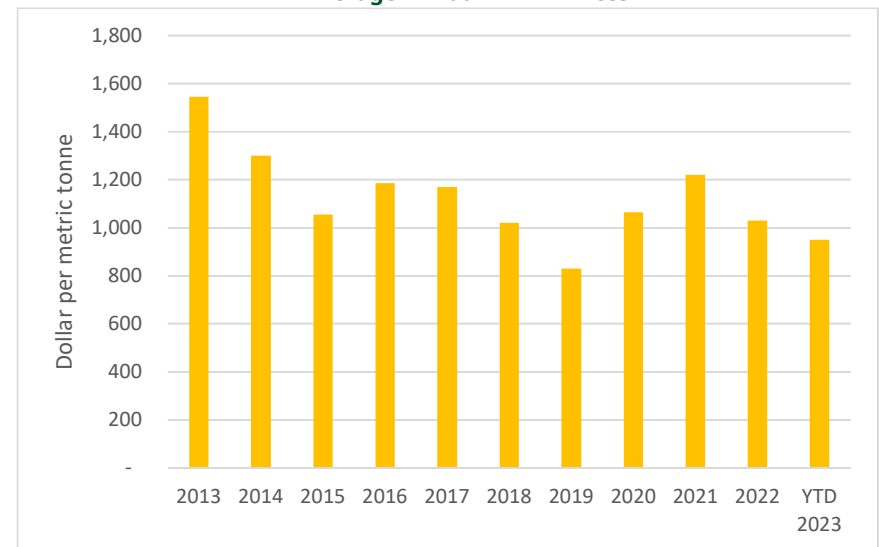
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

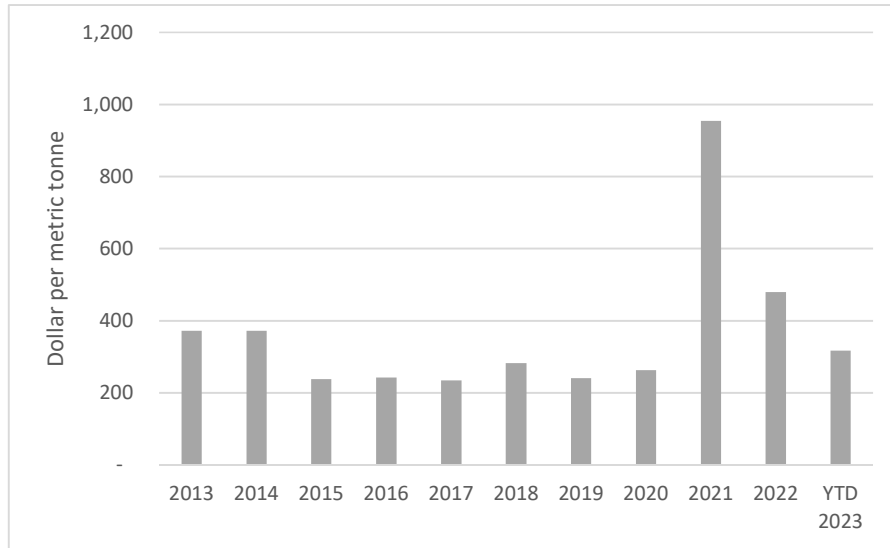


Source: Bloomberg

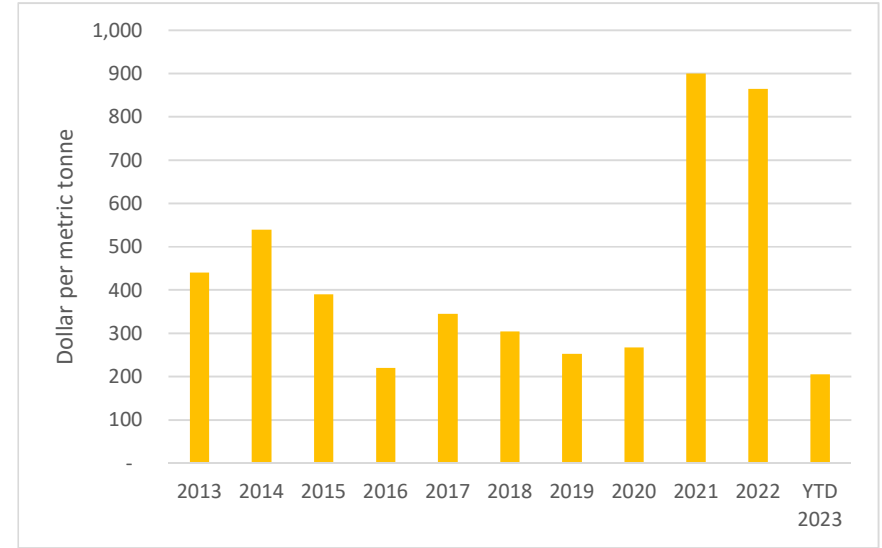
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trend Lower, Tracking Natural Gas Prices

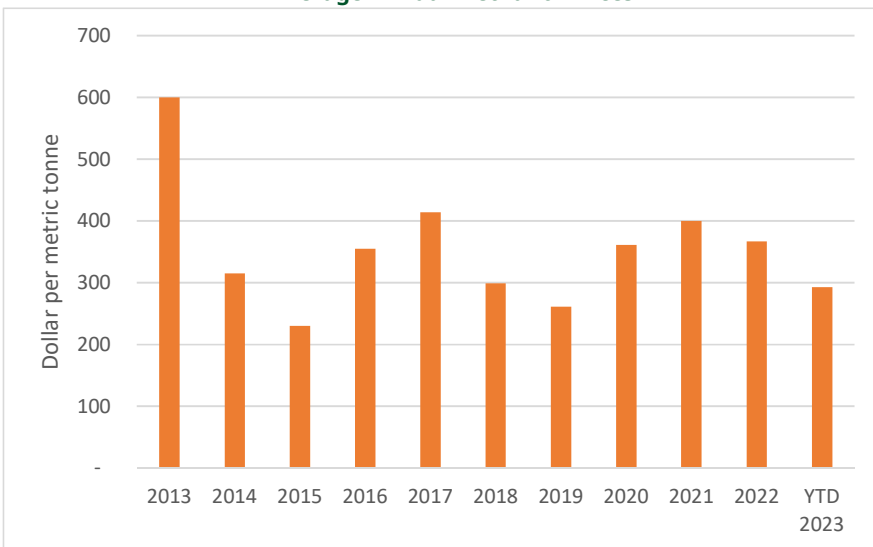
Average Annual Urea Prices



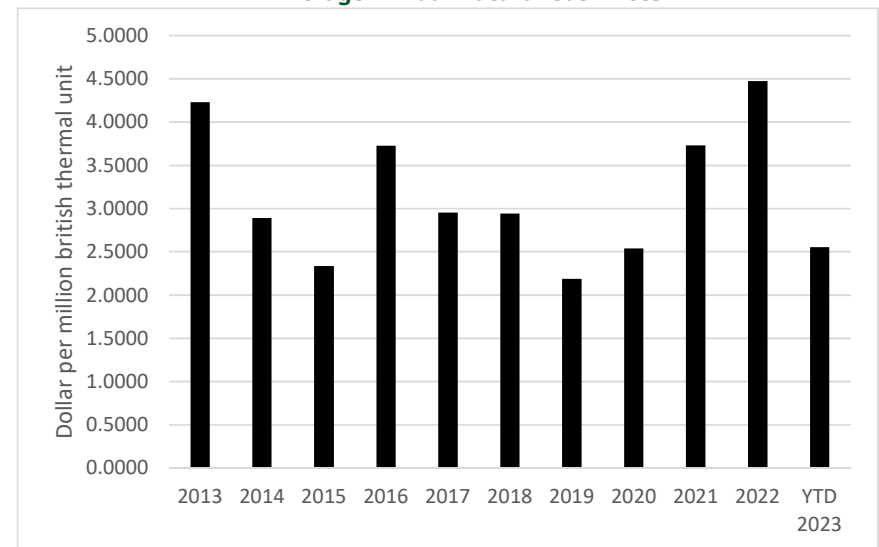
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

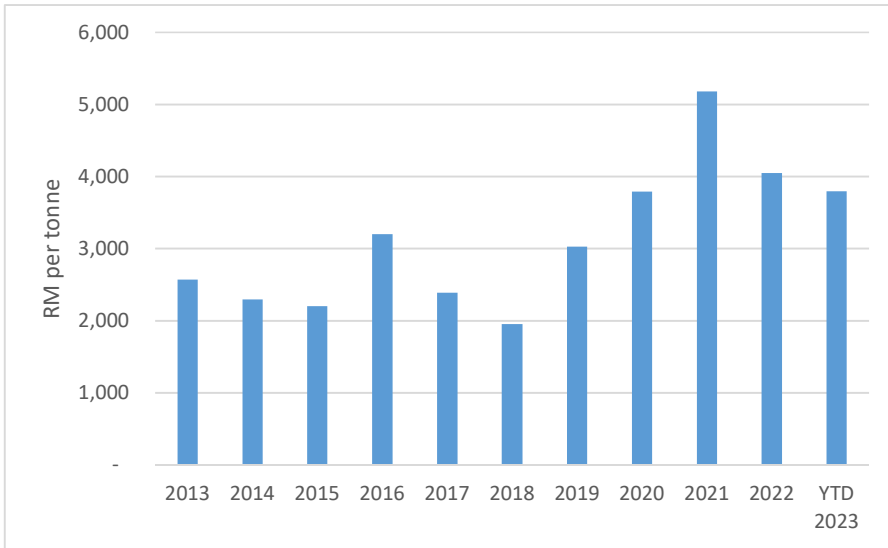


Source: Bloomberg

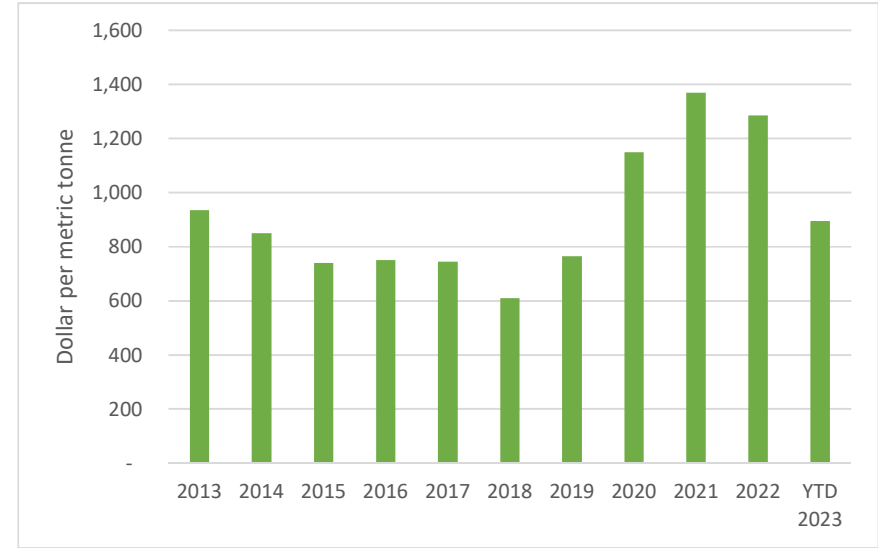
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

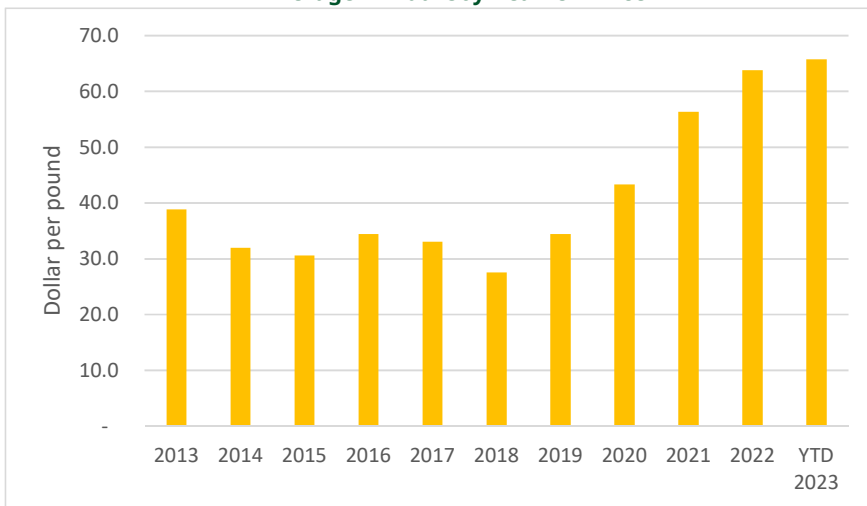
Average Annual Palm Oil Prices



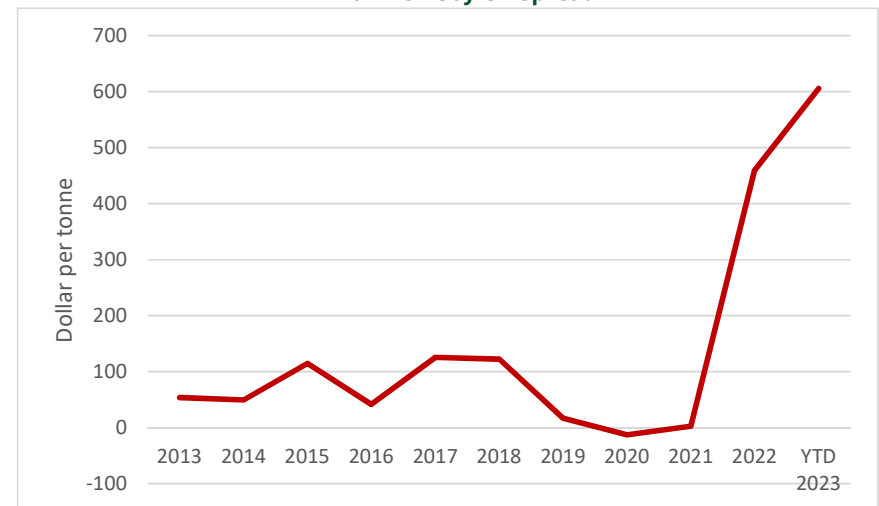
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



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