

Portfolio Managers' Views


04 September 2023
FUND MANAGEMENT DEPARTMENT

1.0 MALAYSIA & REGIONAL

The Week in Review (28 August - 01 September 2023) & Our Managers' Views

- 1 We remain selectively invested in the banks based on high dividend yields and potential net interest margin (NIM) improvement:** In the latest quarterly results, banks' NIM compressed due to the higher cost of funds caused by deposit competition. Banks are seeing ease of deposit competition and sustainable demand for loans in 2H'23. Thus, the worst is over for the banks, a higher net interest income and potential write-back of loan loss provisions will likely drive banks' earnings.
- 2 We are selectively invested in consumer stocks for potentially higher Q4'23 earnings:** Consumer stocks are still experiencing headwinds from high raw material costs and consumer downtrading caused by weak market sentiments. However, we favour companies with pricing power that have products targeted for mass market consumers as they will potentially benefit from the pent-up festive demand in Q4'23, i.e. Padini, Tomei and brewers.
- 3 Tech earnings bottomed, reiterate positive view on tech:** Inari and Malaysian Pacific Industries reported better earnings sequentially as a result of better utilisation rates. Although conditions are not as good as its peak, tech companies are taking a cautiously optimistic stance on future prospects and signalled that the worst of the downcycle has likely passed. This reinforces our view of a tech recovery in the 2H23. We reiterate our positive view on the tech sector.
- 4 Properties rally on potential newsflow for Johor-SG Special Economic Zone:** Week-to-date, the property sector has rallied 5.6%. The sector had historically been plagued by an oversupply of capacity and an unfavorable macroeconomic environment due to high interest rates. We believe the renewed interest in the sector is due to speculation around developments regarding the Johor-SG Special Economic Zone. We are not invested in the sector as there has yet to be any solid plans related to this.
- 5 Valuations:** FBMKLCI is now trading at very attractive levels. Its 2023 price-earnings ratio ("PER") of 14.6x is nearly at the bottom end of its 12-year range. Similarly, the price-to-book ratio is at 1.3x, which was last seen only during the market's low during the COVID crisis in Mar-20. Dividend yield of 4.2% is in line with the 10-year high of 4.2%, last seen in Q1 of 2021. Hence, we are positive on Malaysia and our portfolios are also seeking situational opportunities in restructuring plays.

2.0 MALAYSIA MARKET REVIEW

Property sector rallied led by IOI Property & Sime Darby Property

Exhibit 1: KLCI vs Shariah Index

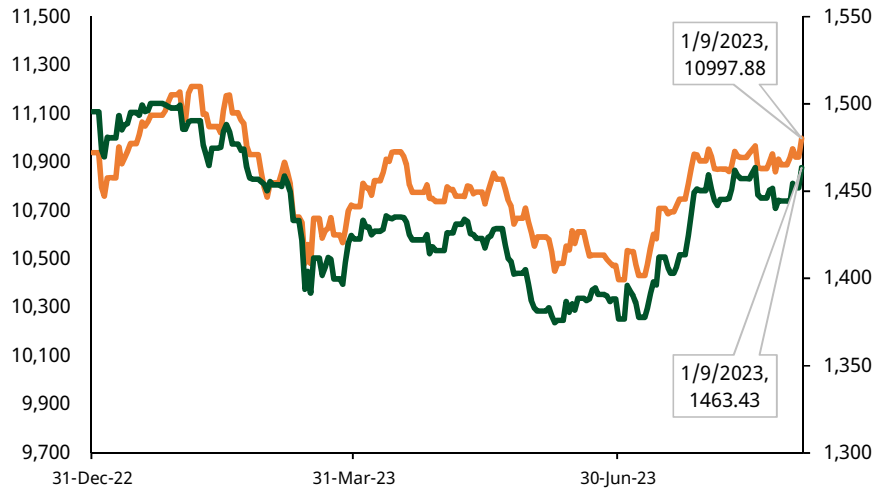


Exhibit 2: USDMYR

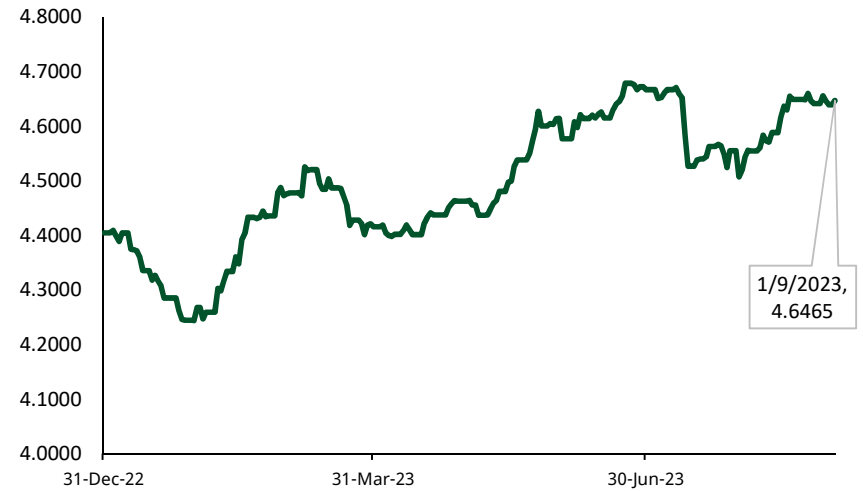


Exhibit 3: Sector Performances Week-to-Date (%)

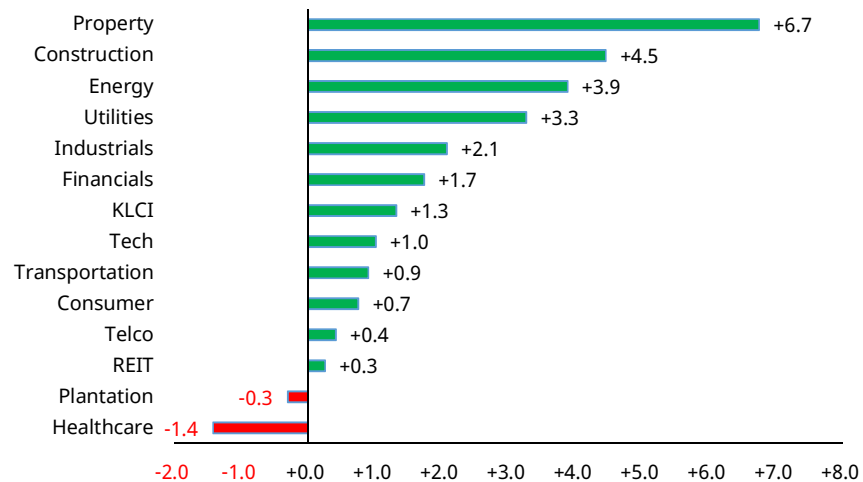
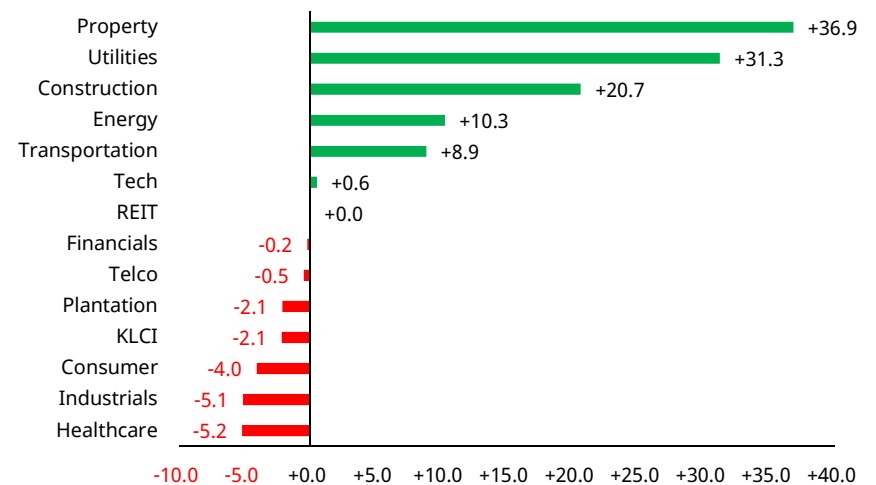


Exhibit 4: Sector Performances Year-to-Date (%)



2.1 MALAYSIA VALUATIONS

Valuations Remain at Historical Bottoms - BUY Territory

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

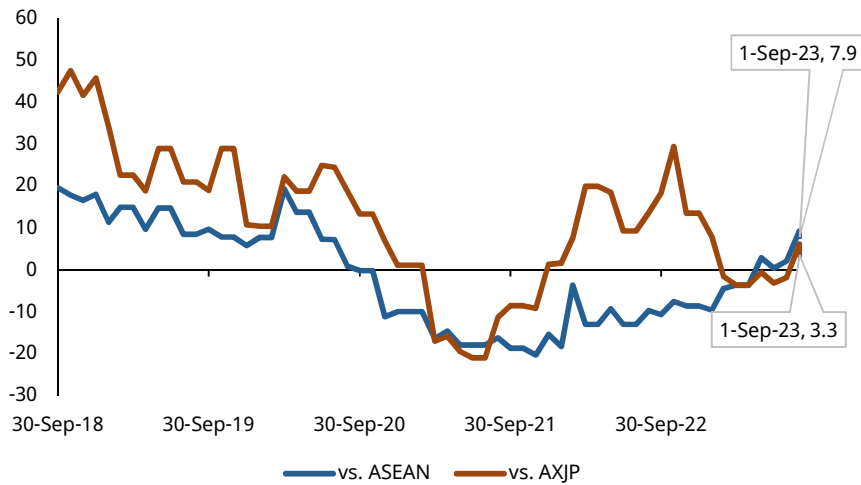


Exhibit 6: KLCI's Price-Earnings Ratio (PER, x)

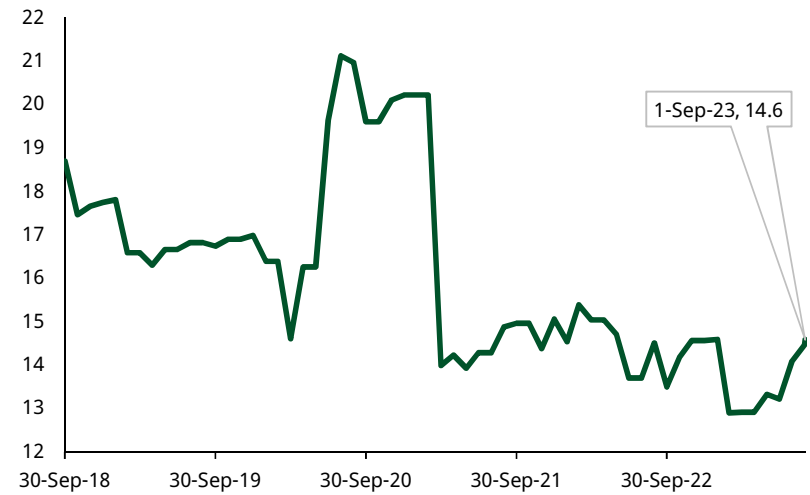


Exhibit 7: KLCI's Price-to-Book Ratio (PBR, x)

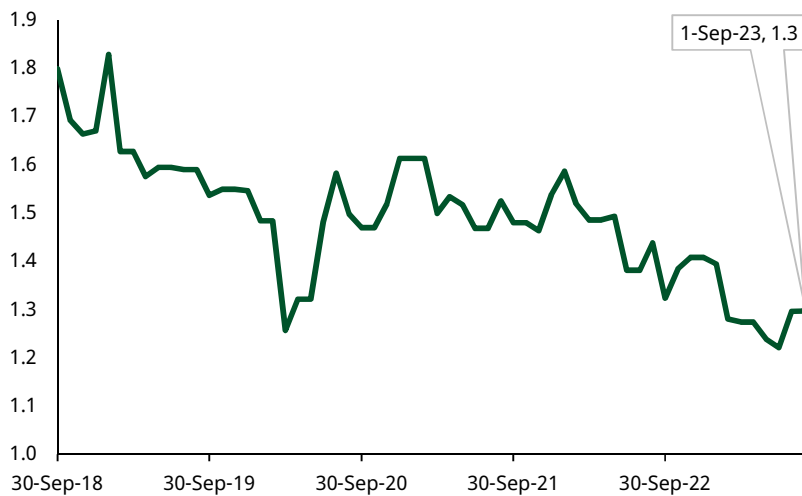
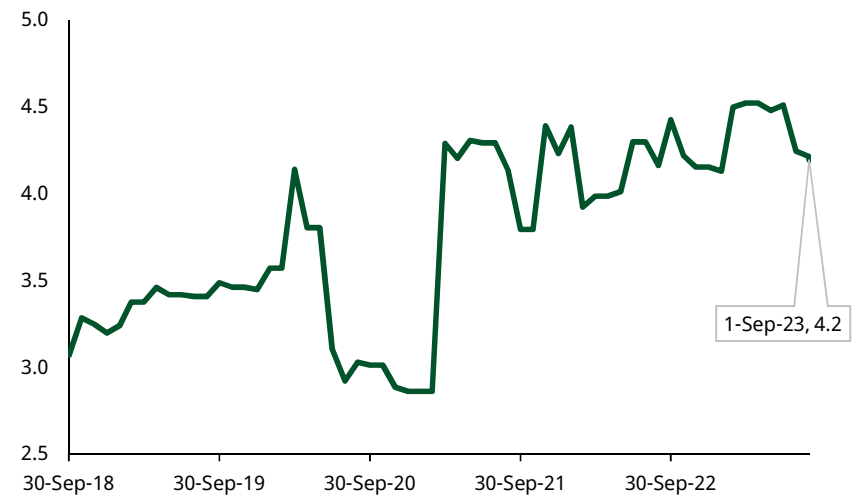


Exhibit 8: KLCI's Dividend Yield (DY, %)



Source: Bloomberg, based on consensus estimates

3.0 REGIONAL MARKETS REVIEW

China/HK rallied led by Consumer Discretionary stocks, i.e. Alibaba & BYD

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

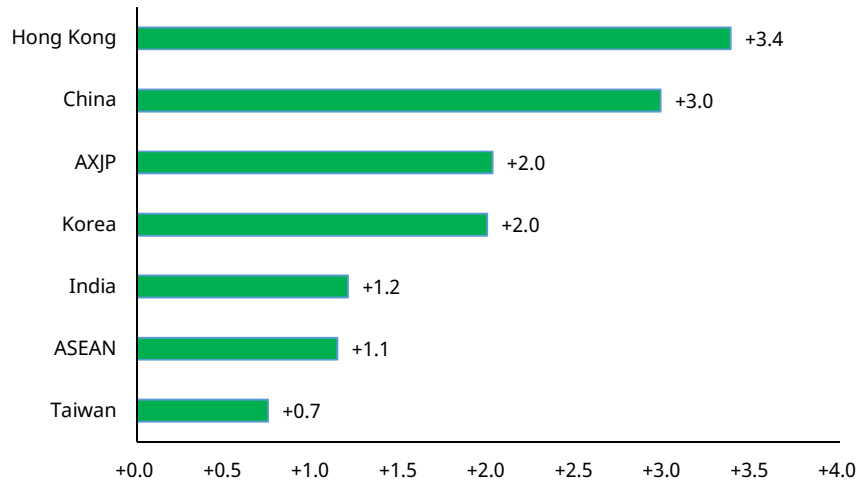


Exhibit 2: Country Performances Year-to-Date (%)

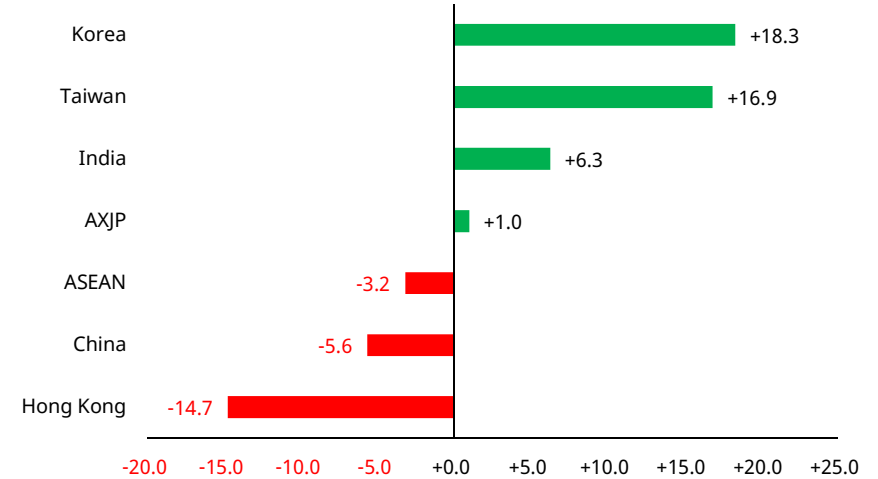
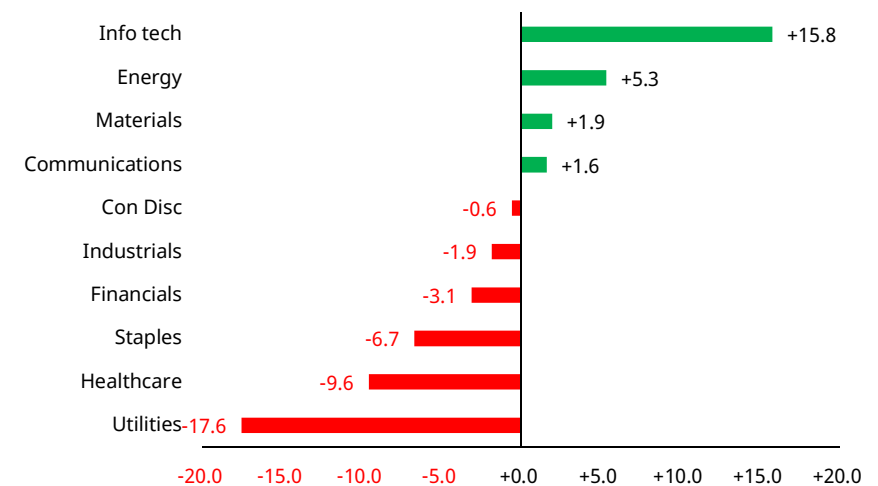


Exhibit 3: Sector Performances Week-to-Date (%)



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)

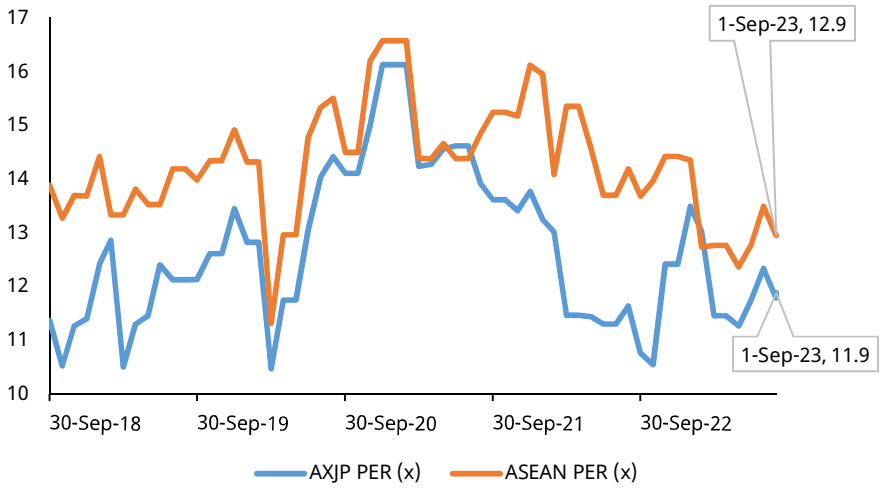


Exhibit 6: Regional Price-to-Book Ratio (x)

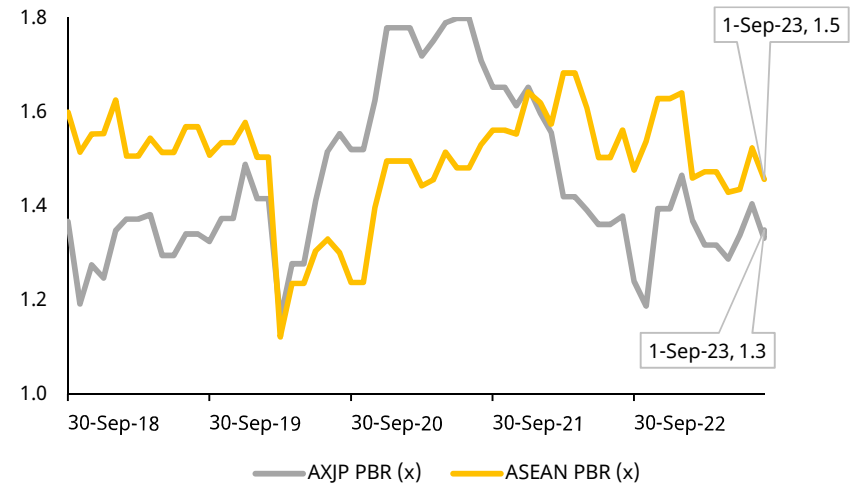


Exhibit 7: Regional Dividend Yield (%)

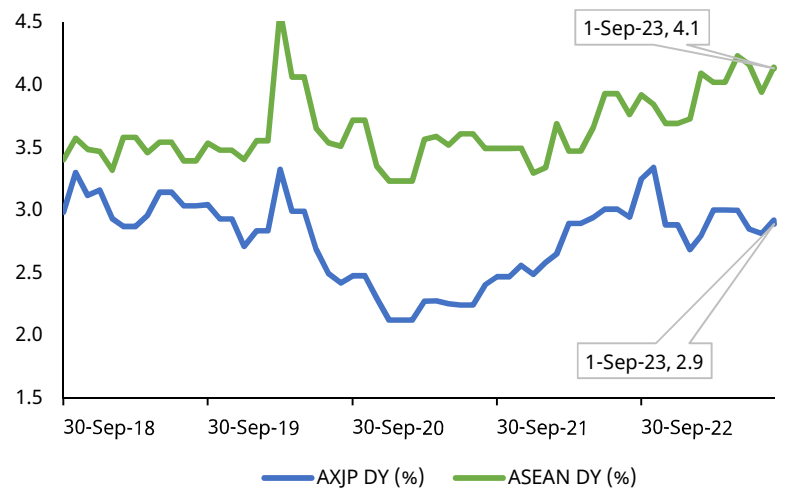
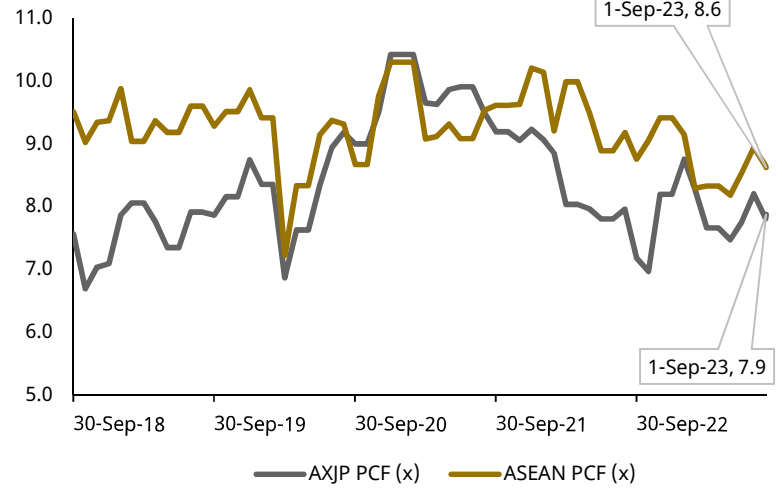


Exhibit 8: Regional Price-to-Cash Flow (x)



Source: Bloomberg

4.0 FOREIGN FUND FLOWS

Foreign Funds Net Buy Philippines, Malaysia, Korea & India since end-June

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

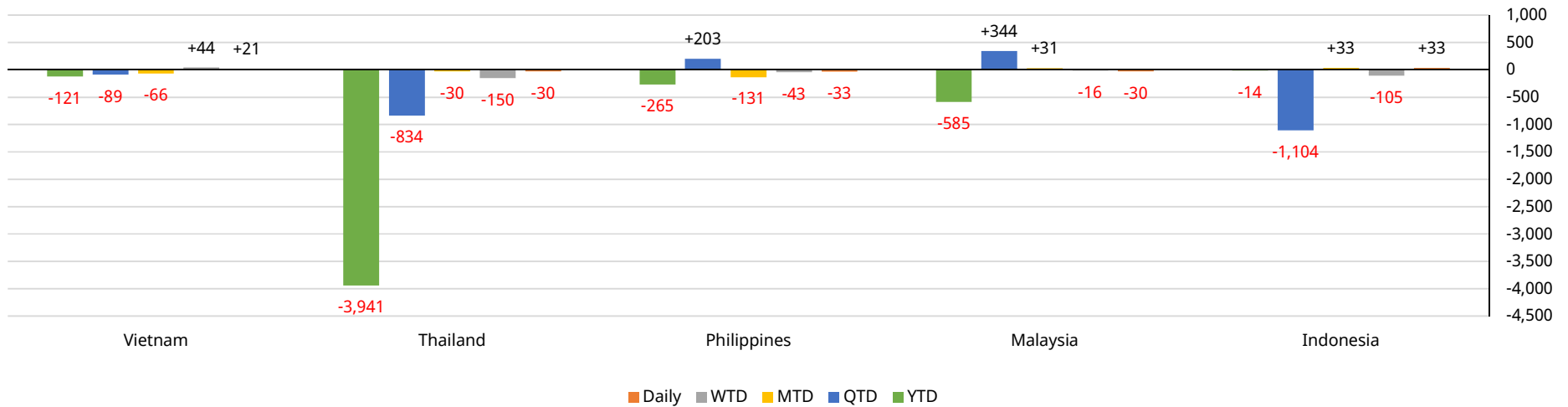
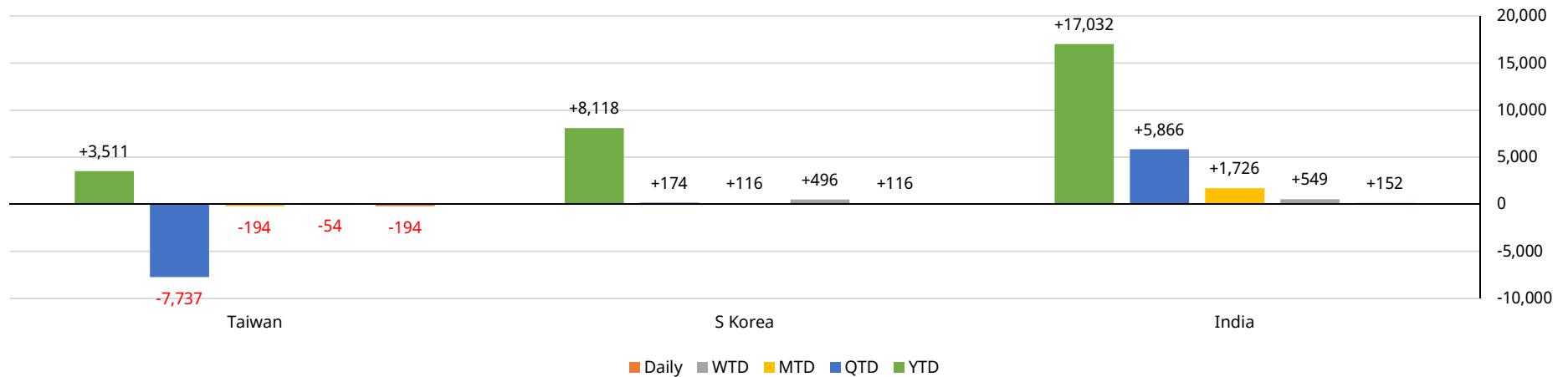


Exhibit 10: Selected North and West Asian Markets (Net USD mil)

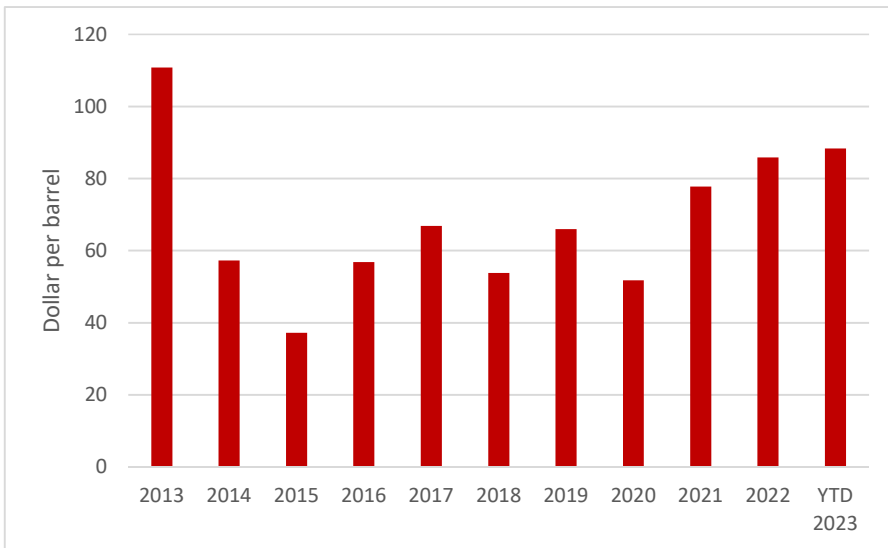


Source: Bloomberg

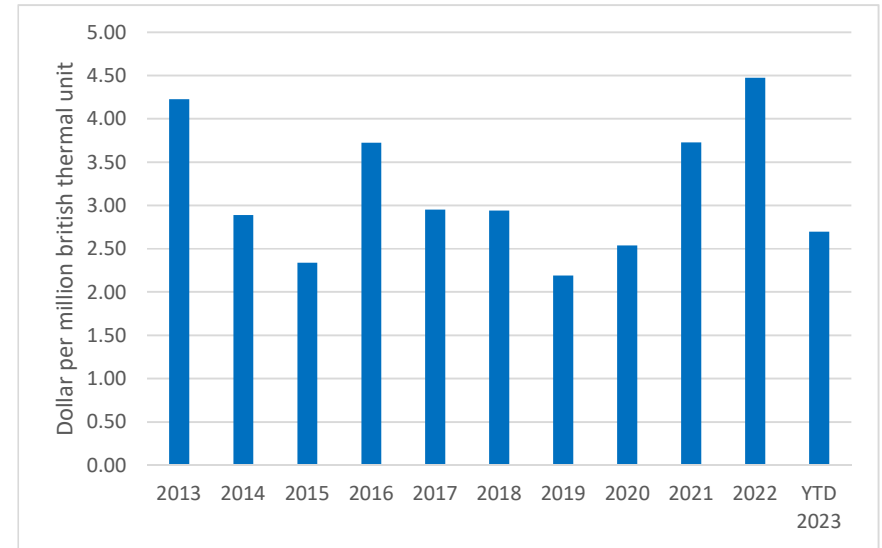
5.0 Energy Annual Prices

Energy Prices Weakened But Oil Remained Elevated Due To Tight Supply

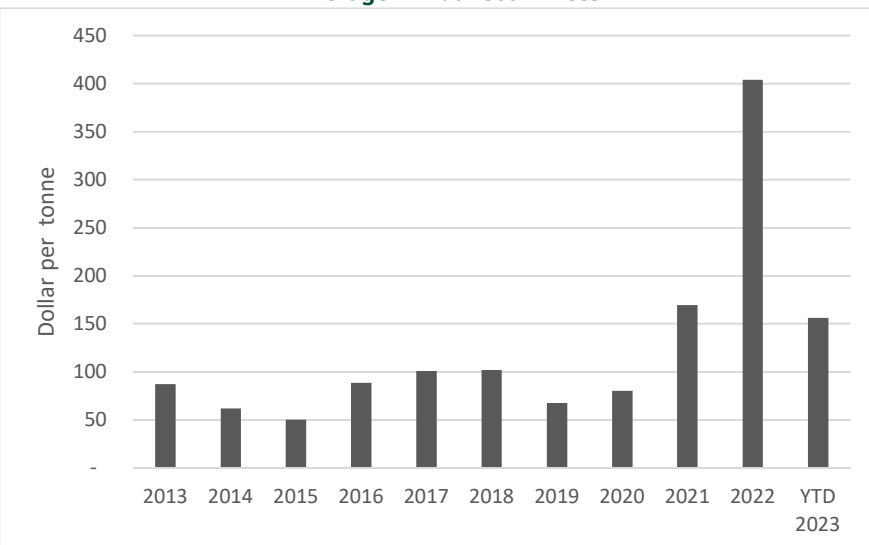
Average Annual Brent Oil Prices



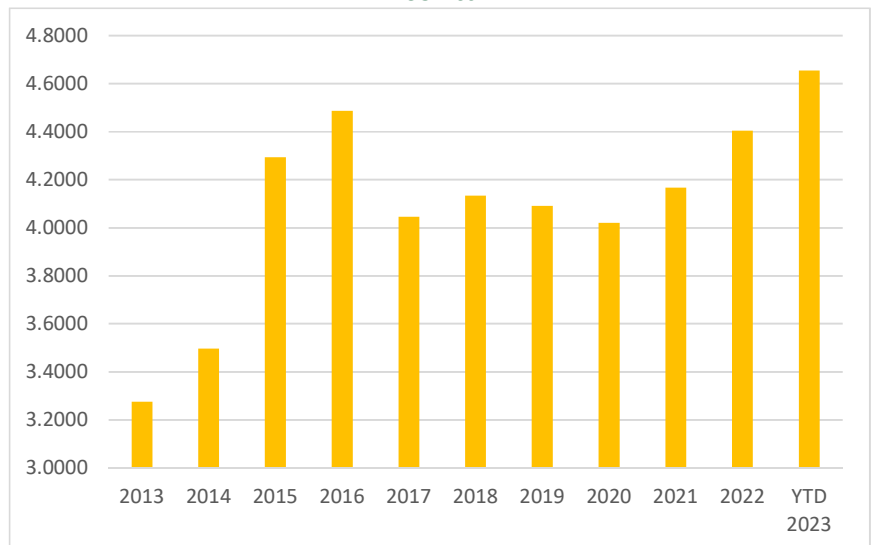
Average Annual Natural Gas Prices



Average Annual Coal Prices



1 USD to MYR

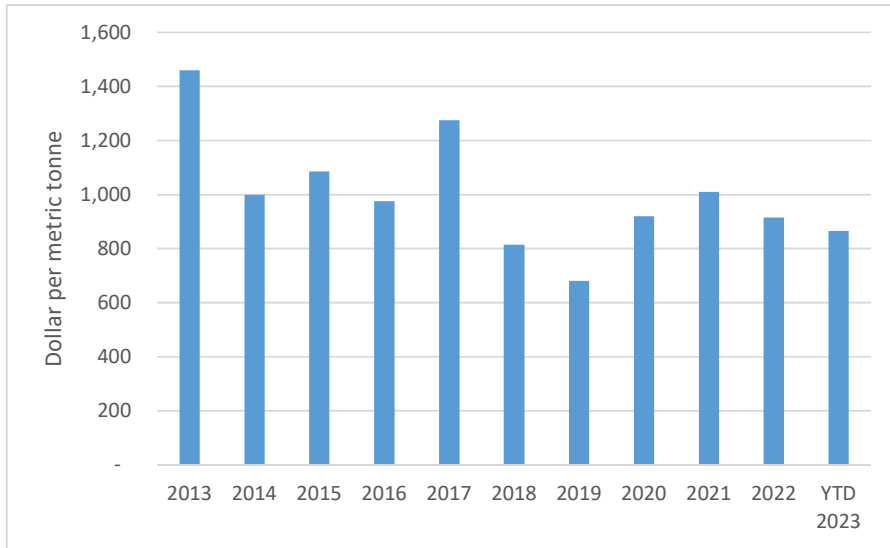


Source: Bloomberg

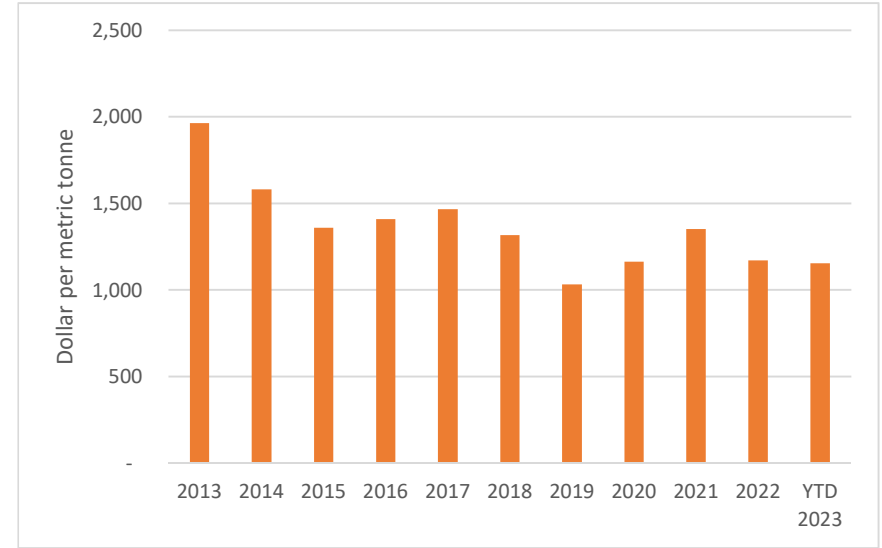
5.1 Petrochemical Annual Prices

Prices Decline on Weak China Demand

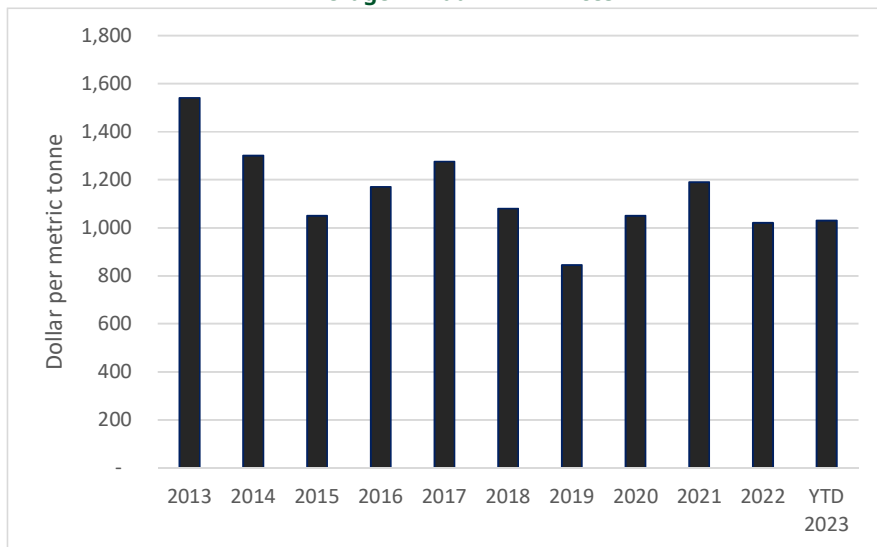
Average Annual Ethylene Prices



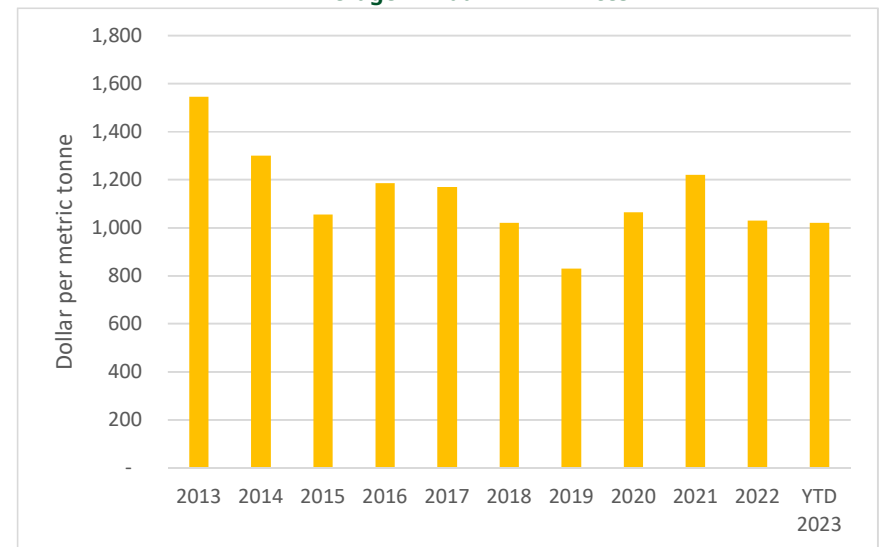
Average Annual Polyethylene Prices



Average Annual HDPE Prices



Average Annual LLDPE Prices

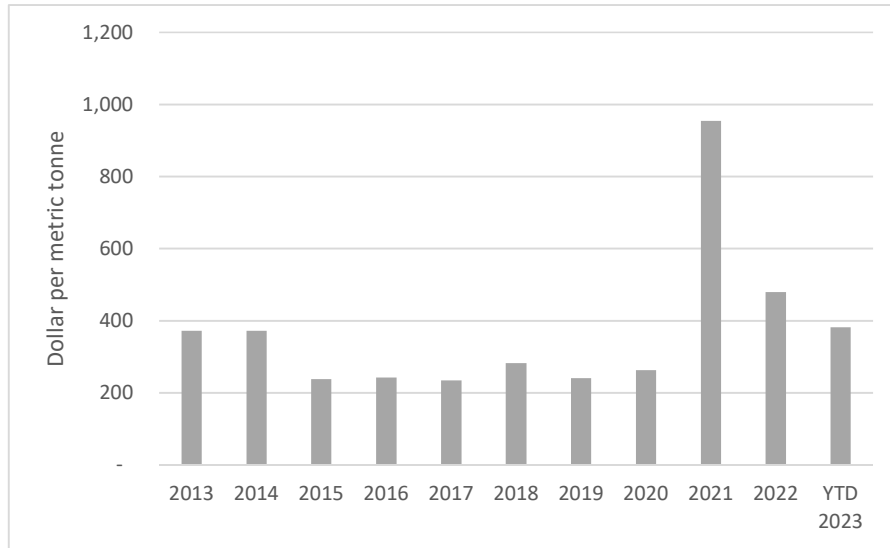


Source: Bloomberg

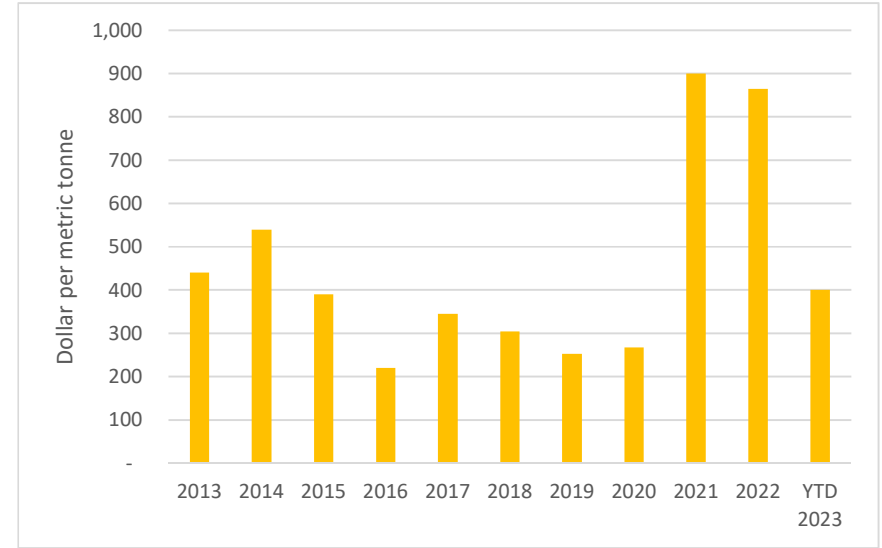
5.2 Fertiliser Annual Prices

Ammonia & Urea Prices Trended Lower, Tracking Natural Gas Prices

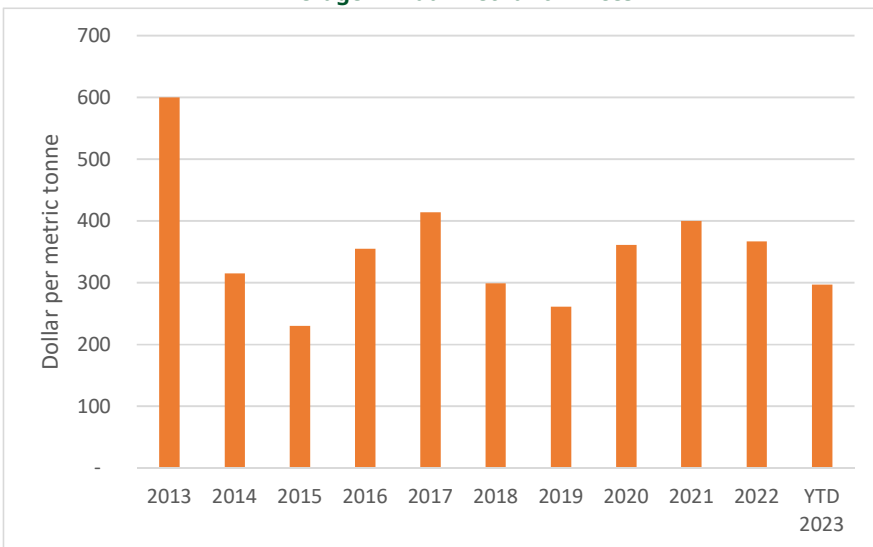
Average Annual Urea Prices



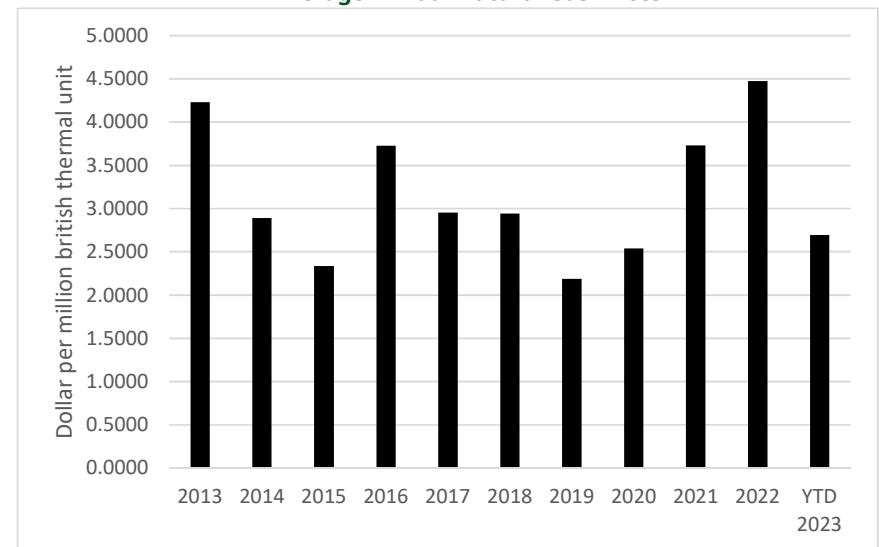
Average Annual Ammonia Prices



Average Annual Methanol Prices



Average Annual Natural Gas Prices

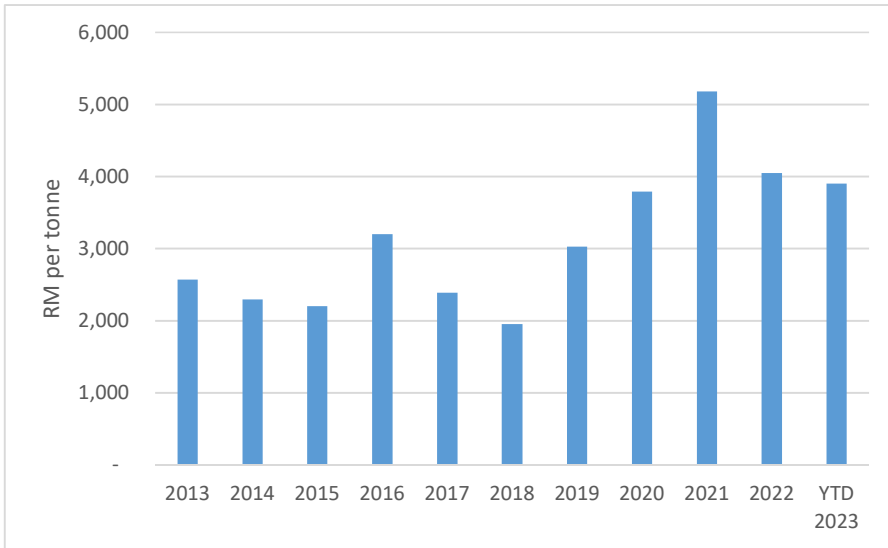


Source: Bloomberg

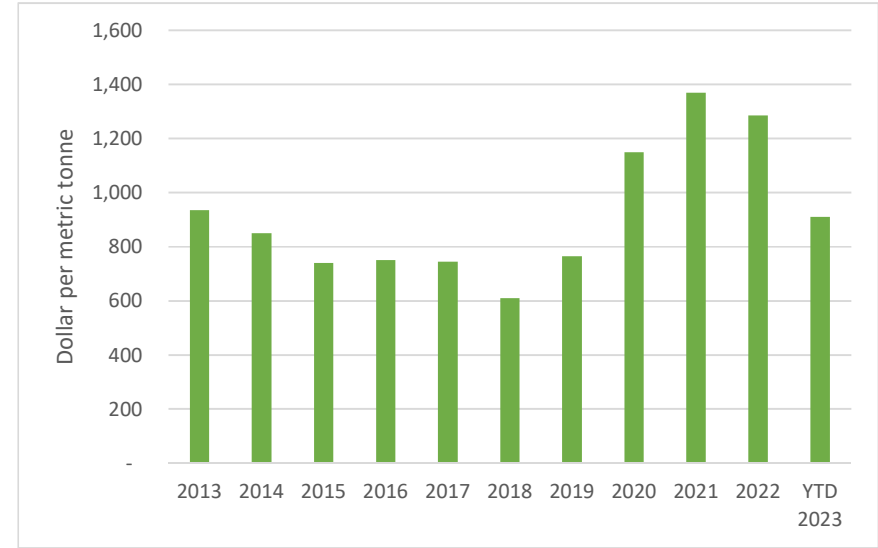
5.3 Agricultural Annual Prices

Palm Oil Prices Supported By Resilient Demand And Potential Lower Supply

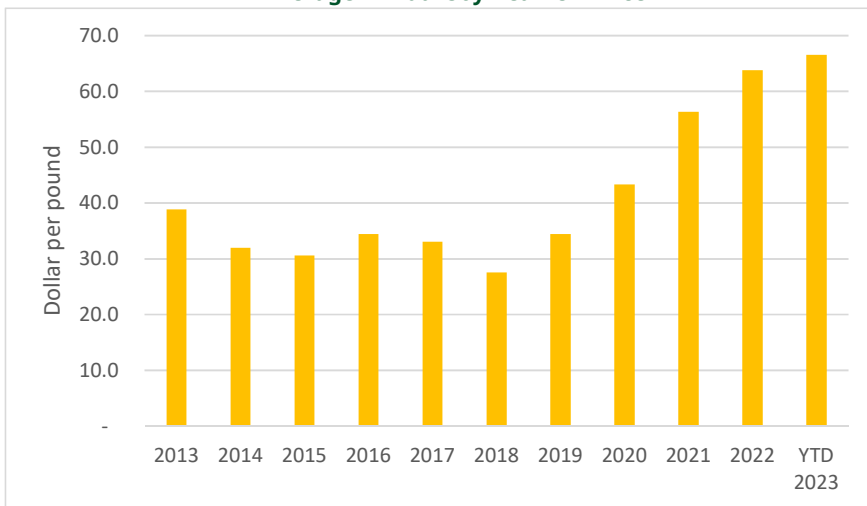
Average Annual Palm Oil Prices



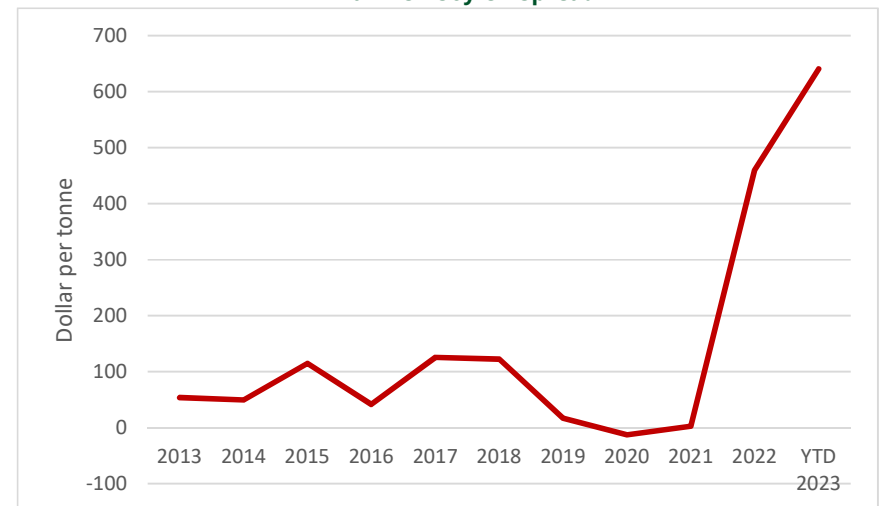
Average Annual Sunflower Oil Prices



Average Annual Soy Bean Oil Price



Palm Oil Soy Oil Spread



Source: Bloomberg

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