



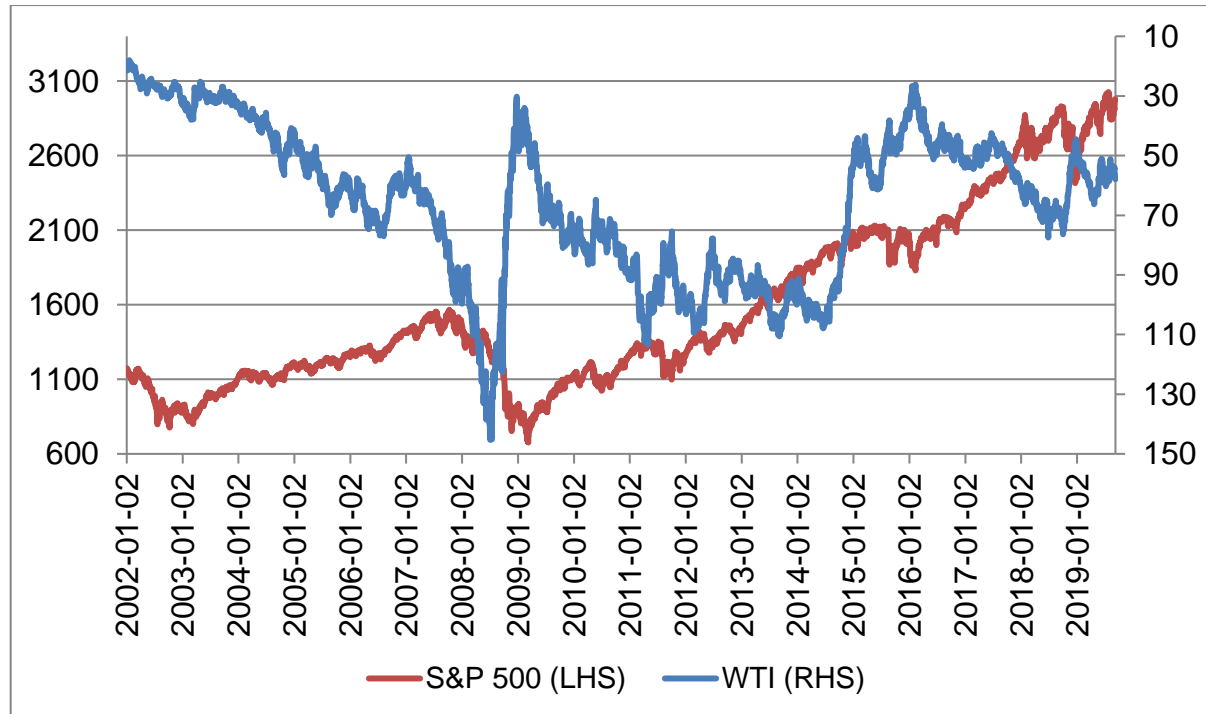
Oil Inferno: Short-term Shock?

The oil production facilities in Saudi Arabia were attacked by drones and missiles on 14 September 2019, Brent crude oil price increased by 11.3% to USD67/bbl on Monday (16 September 2019), the largest single-day rally in more than a decade. However, equity market movements were not as dramatic as oil price (Chart 1).

The major reasons are:

- 1) The most recent update on this topic suggests that 40% of the lost production is already back although it may take weeks to months to fully restore their output.
- 2) Trump was fairly calm on this attack. He emphasized he does not want to go to a war and said diplomacy is never exhausted when it comes to Iran.
- 3) Quants from JPM said WTI has to rise to \$80-\$85 before oil price becomes negative for S&P500.

Chart 1: Oil becomes less relevant



In general, if the rise in oil prices is driven by persisting supply-side factors, it tends to be more damaging to large net oil importers because the higher import cost of oil could sharply worsen current account positions and import induced inflation.

Fiscal positions can worsen for governments who increase fuel subsidies to contain inflation to ease the burden on low-income households.

And all these developments would have negative implications for the economic growth of large net oil importers while benefiting large net oil exporters.

However, this is not our current base case scenario.

For those who believe that supply shock will last, our simple analysis on the winners and losers are as follows:

Losers

India:

- As India imports more than 70% of its oil needs, higher oil prices will weaken growth, push up inflation and deteriorate the twin deficits which may result in stagflation.

Funds exposed to India:

No.	Name
1.	CIMB-Principal China-India-Indonesia Equity
2.	Manulife India Equity MYR
3.	RHB China-India Dynamic Growth

Philippines:

- Trade deficit could deteriorate, worsening current account deficit and higher inflation.
- If the Government continues to accelerate infrastructure spending, currency will depreciate.

Funds exposed to Philippines

No	Name	Exposure in Philippines (%) *
1	AmASEAN Equity	5.30
2	ASEAN Equity	16.63
3	CIMB-Principal ASEAN Total Return	7.99
4	Kenanga ASEAN Tactical Total Return	7.40
5	Maybank Greater China ASEAN Equity-I A	1.05
6	RHB ASEAN	11.98
7	RHB Islamic ASEAN Megatrend B USD	6.47
8	United ASEAN Discovery	7.69

*Based on the latest available fund fact sheet

Indonesia:

- The country's current account deficit will widen since it is a net oil importer although may partially offset by its LNG exports.
- Import substitution policies, particularly the B20 policy – which has since September 2018 mandated a 20% palm oil-blended biodiesel mix (previously 7%) – may also partially mitigate the negative impact on the current account deficit.

Funds exposed to Indonesia

No	Name
1	CIMB-Principal China-India-Indonesia Equity
2	Manulife Investment Indonesia Equity

Thailand:

- Thailand is one of the largest oil importers in Asia but should be manageable since it runs current account surplus. Rise in inflation may further slow the growth.

Funds exposed to Thailand

No.	Name	Exposure in Thailand (%) *
1	AmASEAN Equity	16.32
2	ASEAN 5 ESG Opportunity MYR	51.45
3	ASEAN Equity	13.00
4	CIMB-Principal ASEAN Total Return	11.59
5	Kenanga ASEAN Tactical Total Return	9.30
6	Maybank Greater China ASEAN Equity-I A	5.09
7	RHB ASEAN	21.13

8	RHB Islamic ASEAN Megatrend B USD	26.56
9	United ASEAN Discovery	1.44

*Based on the latest available Fund fact sheet

South Korea:

- Higher oil prices are marginally negative for South Korea, as they would likely result in weaker growth, higher inflation and a smaller current account surplus.

Funds exposed to South Korea

No.	Name	Exposure in South Korea (%) *
1	Aberdeen Standard Islamic APAC ex Japan Eq A MYR	12.50
2	Affin Hwang Aiman Asia (ex Japan) Growth MYR	9.10
3	Affin Hwang Select APAC ex-Japan Dividend MYR	2.50
4	Affin Hwang World Series - Dividend Value	11.00
5	Apex Asian Ex Japan	9.10
6	Asia Pacific Equity Income	11.92
7	BIMB-Arabesque Asia Pacific Shariah-ESG Equity	7.40
8	CIMB Islamic Asia Pacific Equity	17.90
9	CIMB-Principal Asia Pacific Dynamic Growth	3.00
10	Eastspring Investments Asia Pacific Equity MY	12.50
11	Kenanga Asia Pacific Total Return	4.70
12	Manulife Asian Small Cap Equity	15.30
13	Manulife Investment Asia-Pacific Ex Japan	14.70
14	Manulife Investment Shariah Asia-Pacific	23.10
15	Maybank AsiaPac Ex-Japan Equity-I	14.07
16	Pheim Asia Ex-Japan	0.93
17	Pheim Asia Ex-Japan Islamic	0.21
18	RHB Asia Consumer	7.25
19	RHB Asia Pacific	9.10
20	RHB Asian Growth Opportunities	5.88
21	RHB Dividend Valued Equity	13.16
22	RHB Resources	3.05
23	TA Asian Dividend Income	10.50
24	Templeton Asian Smaller Companies MYR A	15.33

*Based on the latest available fund fact sheet

Japan:

- According to the Japan's Agency for Natural Resources and Energy, 38% of imported crude oil comes from Saudi Arabia.
- Although Japan had 231 days of reserves as at June, but economy activities could be affected due to delivery delays or mismatches in crude oil quality.

Funds exposed to Japan:

No.	Name
1	Affin Hwang World Series - Japan Growth MYR
2	Eastspring Investments Japan Dynamic MY

3	RHB Entrepreneur
4	United Japan Discovery MYR H

Other loser economies are:

- Turkey
- South Africa

Marginal Losers

China:

- By its GDP, China is a moderate net oil importer and hence higher oil prices would narrow its current account surplus and the impact would be larger if other commodity prices follow suit.
- China launched its own RMB-denominated crude oil futures in March 2018, which may help China better hedge the risks from oil price fluctuations.

Funds exposed to China

No.	Name
1.	Affin Hwang World Series - China A Opp
2.	Affin Hwang World Series - China Growth USD
3.	Affin Hwang World Series-China Allocation Opp
4.	AmChina A-Shares
5.	CIMB-Principal China Direct Opportunities
6.	CIMB-Principal China-India-Indonesia Equity
7.	CIMB-Principal Greater China Equity
8.	Manulife China Equity
9.	Manulife Investment Greater China
10.	Maybank Greater China ASEAN Equity-I A
11.	Pacific Focus China
12.	RHB Big Cap China Enterprise
13.	RHB China-India Dynamic Growth
14.	RHB Shariah China Focus MYR

Singapore:

- As a net oil importer, higher oil price will impact negatively on already-high business costs although this may partially offset by the gain marine & offshore engineering sector, reducing its drag on growth.

Funds exposed to Singapore

No.	Name
1.	RHB Singapore Income Feeder MYR
2.	Nikko Am Singapore Dividend Equity

Winners

Malaysia:

- Malaysia is a small net oil importer but remains a large net exporter of LNG (2.6% of GDP), the price of which is closely linked to oil although with a lag of about 4-5 months.
- This will improve trade surplus and enable the Government to implement expansionary fiscal policy to stimulate economy.

Funds exposed to Malaysia

No	Name	No	Name
1	Affin Hwang Aiiman Equity	48	PMB Shariah Index
2	Affin Hwang Aiiman Growth	49	RHB Capital
3	Affin Hwang Equity	50	RHB Dana Islam
4	Affin Hwang Growth	51	RHB Equity
5	Affin Hwang Principled Growth	52	RHB KLCI Tracker
6	AmanahRaya Islamic Equity	53	RHB Smart Treasure
7	AmIslamic Growth	54	TA Dana Fokus
8	AmIttikal	55	TA Islamic
9	AmMalaysia Equity	56	Apex Dana AI-Faiz-I
10	AmTotal Return	57	Apex Dana AI-Sofi-I
11	BIMB i Growth	58	Apex Malaysia Growth
12	BIMB-Arabesque Malaysia Shariah-ESG Equity MYR	59	Affin Hwang Select Dividend
13	CIMB Islamic Al-Azzam Equity	60	Affin Hwang Select Opportunity
14	CIMB Islamic Equity Aggressive	61	CIMB-Principal Equity Growth & Income
15	CIMB-Principal Equity	62	Kenanga Growth Series 2
16	CIMB-Principal Equity Aggressive 3	63	Kenanga Malaysian Inc
17	Eastspring Investments Dana al-Ilham	64	Kenanga OA Inv-Kenanga Growth Opportunities
18	Eastspring Investments Growth	65	Libra DividendEXTRA
19	Eastspring Investments MY Focus	66	Libra EquityEXTRA
20	InterPac Top30 EX100	67	Manulife Shariah-Dana Ekuiti
21	KAF Dana Adib	68	Maybank Dividend Trust
22	KAF Tactical	69	Maybank Shariah Value Plus
23	Kenanga Growth	70	Pacific Focus18
24	Kenanga Islamic	71	TA Comet
25	Kenanga OA Inv-Kenanga Blue Chip	72	TA Growth
26	Kenanga OA Inv-Kenanga Ekuiti Islam	73	TA Small Cap
27	Kenanga OA Inv-Kenanga Shariah Growth Opps	74	AmDividend Income
28	Kenanga Premier	75	BIMB i Dividend
29	Kenanga Syariah Growth	76	Eastspring Investments Equity Income
30	Malaysian ESG Opportunity	77	Eastspring Investments Islamic Equity Income
31	Manulife Equity Plus	78	KAF Core Income
32	Maybank Dana Yakin	79	Maybank Ethical Trust
33	Maybank Index-Linked Trust	80	Pacific Dividend
34	Maybank Malaysia Equity-I	81	Pacific Premier
35	Maybank Q-Opportunities	82	RHB Malaysia DIVA
36	Maybank Unit Trust	83	RHB Malaysia Dividend
37	Maybank Value Trust	84	CIMB-Principal Small Cap
38	MIDF Amanah Dynamic	85	Eastspring Investments Islamic Small-Cap

39	MIDF Amanah Growth	86	Eastspring Investments Small-cap
40	MIDF Amanah Islamic	87	KAF Vision
41	Pacific Dana Aman	88	Maybank SmallCap Trust
42	Pacific Millennium	89	MIDF Amanah Strategic
43	Pacific Recovery	90	Pacific Pearl
44	Phillip Master Equity Growth	91	PMB Shariah Mid-Cap
45	PMB Dana Al-Aiman	92	PMB Shariah Small-Cap
46	PMB Dana Bestari	93	RHB Emerging Opportunity
47	PMB Dana Mutiara	94	RHB Small Cap Opportunity

Other winning economies are:

- Canada
- Norway
- UK
- US
- Brazil
- Russia

Funds exposed to Brazil and Russia

No.	Name
1	Advantage BRIC
2	TA BRIC & Emerging Markets
3.	Amundi Equity Emerging Focus MYR

Funds exposed to US

No	Name
1	Franklin U.S. Opportunities MYR
2	Manulife Investment U.S. Equity
3	RHB US Focus Equity
4	RHB-GS US Equity

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