



Portfolio Managers' View

As at 20 October 2020

Fund Management Department

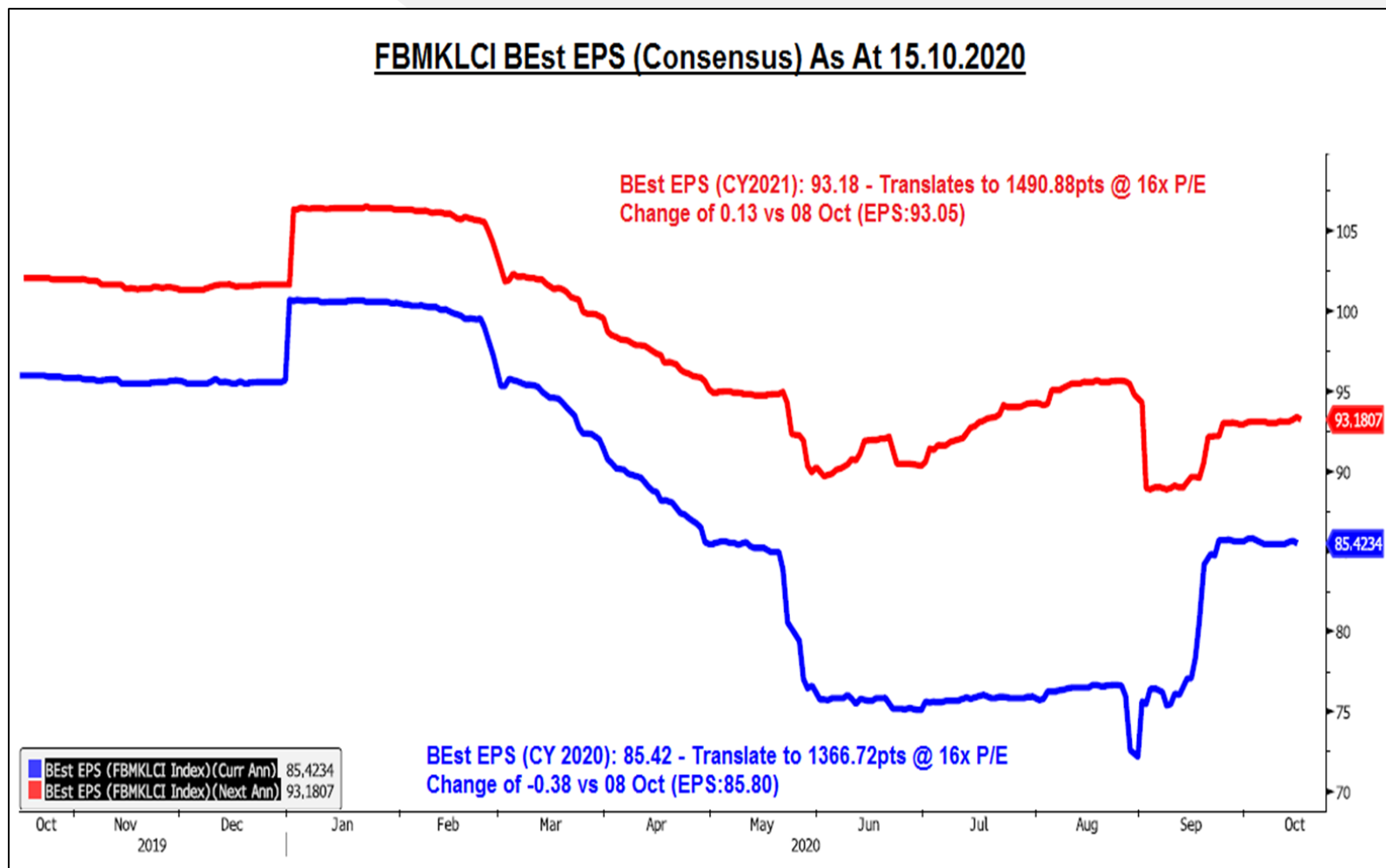
# Malaysia

1. The KLCI closed at 1,511 @ 20.10.20. The stock market has declined by -1.1% since the end of the previous month. Utilities (-2.3% WoW) and Food & Beverages (-1.2% WoW) were the worst performing sectors in the last one week. YTD-2020, the KLCI has declined by 4.7%.
2. Apple launched 4 new iPhone 12 models with 5G capabilities on 13 Oct 2020. As mobile phones move from 4G to 5G, the complexity of devices increase as more sub-components are required per device. As several Malaysian technology companies are exposed to the Apple supply chain, this news is a positive catalyst for a number of our technology holdings such as Inari and Pentamaster. Not surprisingly, these stocks have rallied since the new Apple 12 launch. Aside from the Apple launch, the future proliferation of 5G, artificial intelligence, gaming applications and work from home arrangement are among the trends that are bullish for the sector. We maintain an overweight position in technology sector.

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3. The government has clarified that the work from home directive under the Conditional Mandatory Control Order (CMCO) will apply to the government sector and industries under the purview of the Ministry of International Trade and Industry (MITI) only. Workers in retail, restaurants, grocery, convenience stores, plantation, agriculture and essential services are allowed to work as normal. The resurgence of Covid-19 cases potentially poses downside risk to Malaysia's GDP growth in the 4<sup>th</sup> quarter.
4. Month-to-date @ 09.10.2020, foreigners' net sold RM 27.9mil of equities. The net selling trend has continued for 37 consecutive weeks. The YTD-2020 foreign net sell @ 09.10.20 was RM 22.3 bil. This was significantly higher than the net sell of RM11.1bil for 2019. The 10M outflow has surpassed the highest ever annual foreign outflow of RM 19.7bil in 2015.
5. Consensus 2021 market eps has been cut by 13.6% from 106.5 sen @ end-Jan to 93.1 sen @ 15.10.20. At 1,511 @ 20.10.20, the market is trading at a PER of 17.7x/16.2x for CY20/CY21. While the market's valuation for 2021 is in-line with its 12M mean PER of ~16x, the pressure on earnings (excluding the glove companies), and rising Covid-10 infections will cap any upward move in the KLCI.

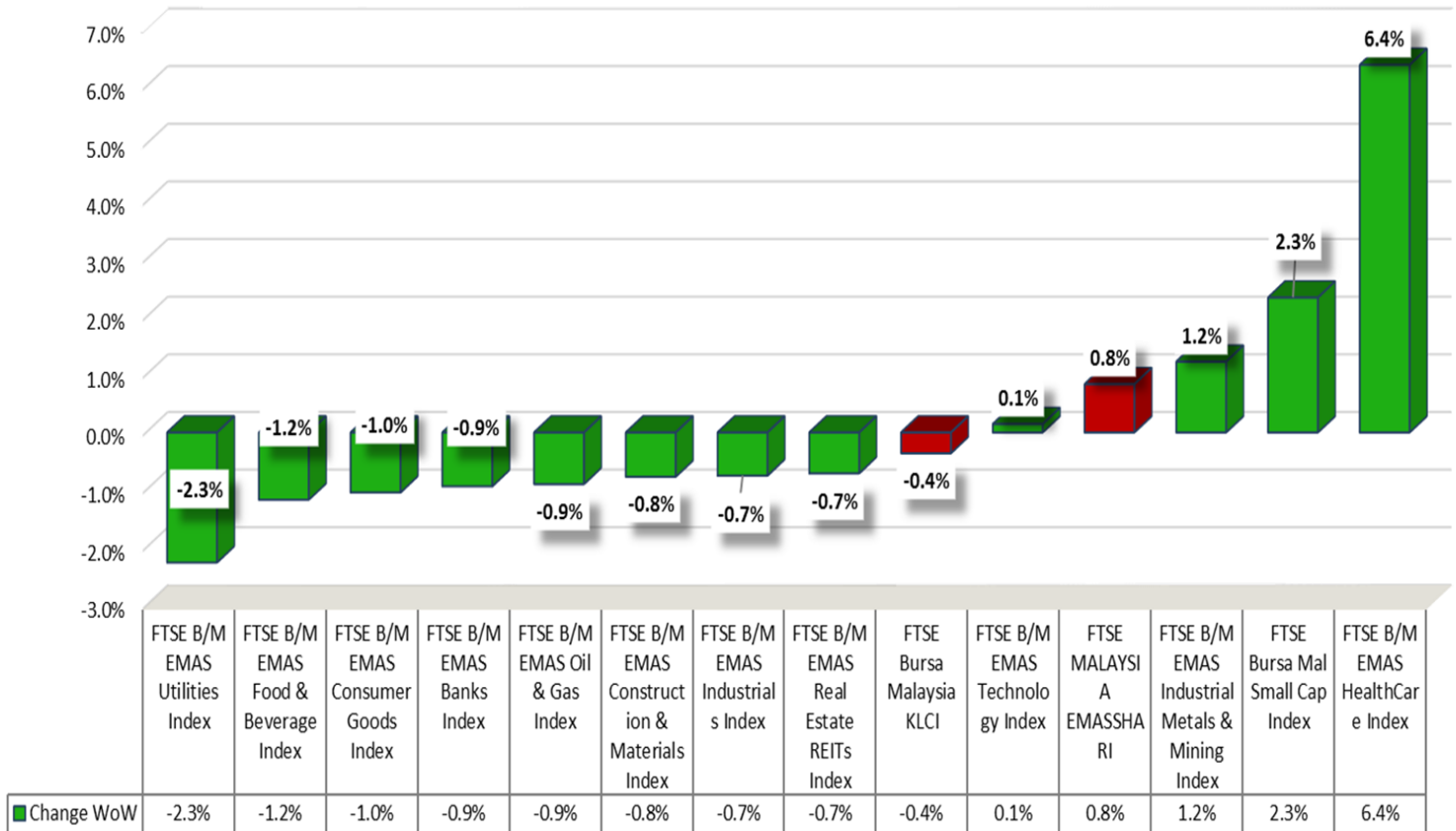
## Exhibit 1: FBMKLCI Consensus Earnings Per Share (EPS).



(Source: Bloomberg)

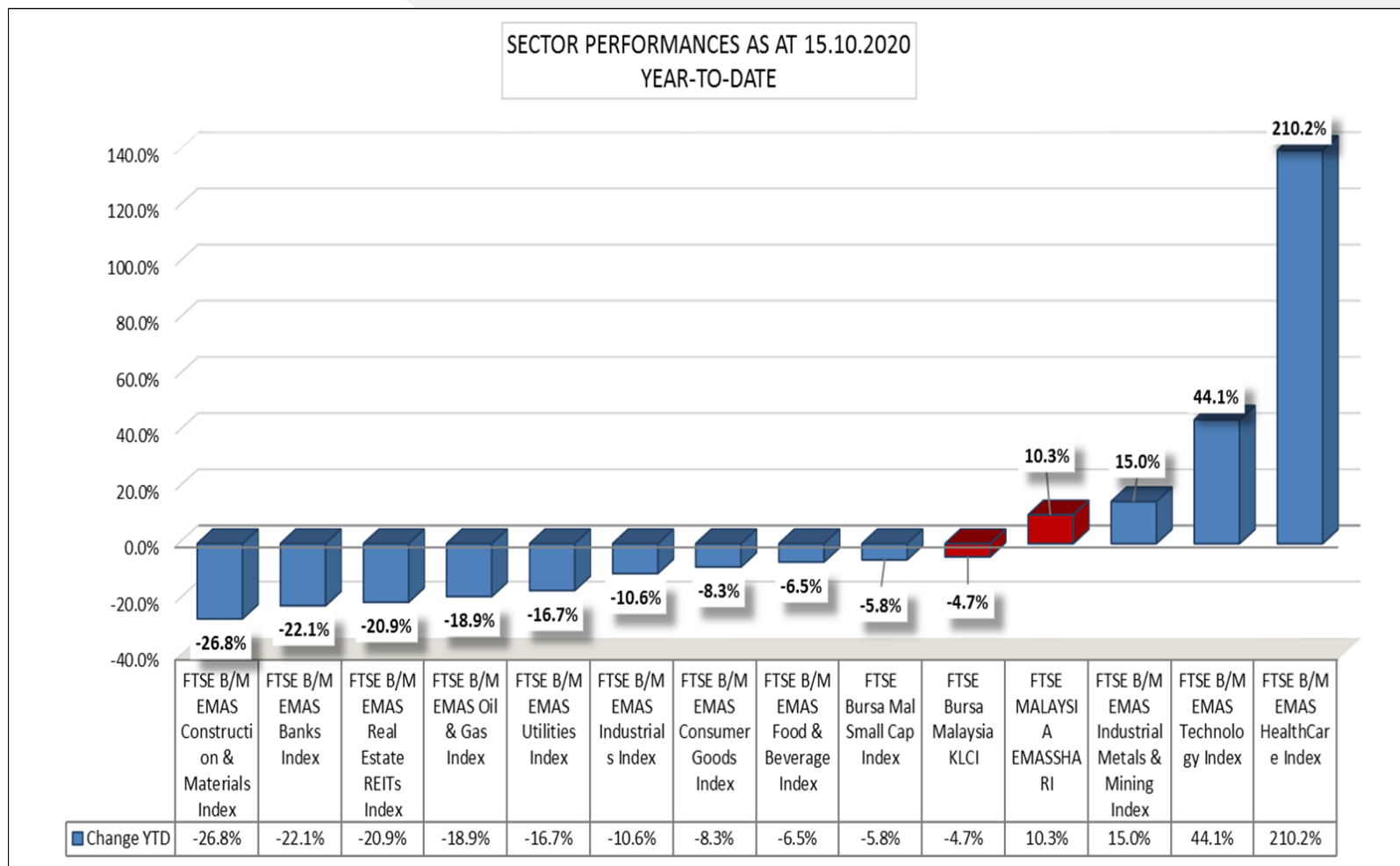
## Exhibit 2: Sector Performances (Week-on-Week)

SECTOR PERFORMANCES AS AT 15.10.2020  
WEEK-ON-WEEK



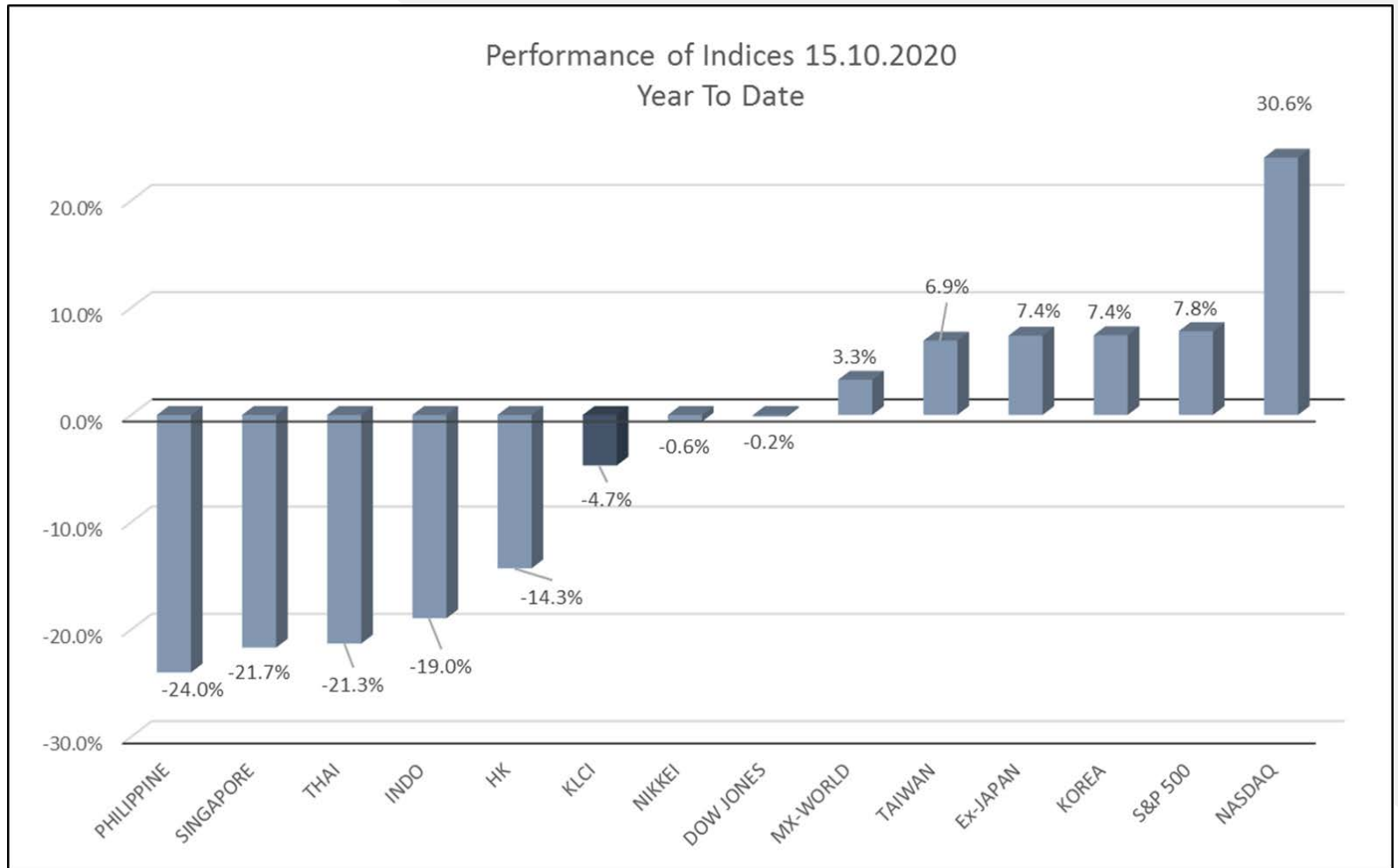
(Source: Bloomberg)

## Exhibit 3: Sector Performances (Year-to-Date)



(Source: Bloomberg)

## Exhibit 4: Performance of Indices Year to Date



(Source: Bloomberg)

# Regional

1. Its almost a certainty running up till 3rd November US Presidential Election, noises from both camps will ensure a roller-coaster ride for equity market investors. This is the time to ignore the short-term and focus beyond to 2021.
2. As highlighted last week, whether Joe Biden or Donald Trump becomes the next US President, the fiscal support program will be northwards of a minimum US\$2.2 trillion. If we get a benign third wave Covid-19 outbreak in the US post this coming next winter, the incoming fiscal support program will surely help the economy find a bottom somewhere in the next two quarters and reflate for the remainder of 2021. This reflation will come at a cost, the rise of US indebtedness and a possible weakness to the US Dollar.
3. Looking back at the initial Covid-19 outbreak that caused a total shutdown of the global economy, it is encouraging to note that even as Europe, and parts of Asia experienced a second Covid-19 outbreak, governments no longer can tolerate the economic damage being inflicted once again. It certainly helps that even as we get higher Covid-19 confirmed cases in some countries, the fatality rate has been much lower than that experienced in the first panic.



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4. The fear is in the unknown, certainty is an important attribute. What it means is that because we will see targetted rather than total lockdowns, we will see shallower economic and financial damage unlike what was witnessed the first time round. What is also means is that we also know that both the governments and central banks stand in concert, ready to act to prevent another rout.
5. Do we look at the moment or do we look beyond?

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