



## Portfolio Manager's View

28 June 2021

Fund Management Department

# Regional

1. One of my favourite movies from the 1990s was Groundhog Day\* starring Bill Murray and Andie MacDowell. Perhaps this movie is no longer as favoured, as I feel more Bill Murray-ish, a monotonous, unpleasant, repetitive wake-up to the 'same' day. This last week, Australia locking down half the country, has proven that a Covid-Zero strategy of closing your international borders, more rigorous testing, and stringent quarantine measures does not work. It feels the same too here in Malaysia, like we all woke up to the same morning, a few months after we thought we are past seeing our own shadows\*. The silver lining, as we have continuously highlighted, is the greater urgency to push through mass vaccination. With mass vaccinations, we would like to believe that the worst is more likely behind us than ahead of us.
2. A week after a more hawkish tone at the FOMC meeting that unnerved investors, US Fed Chair Jerome Powell testified in front of the US Congress. Consistent with his FOMC messaging, Powell continues to strike a dovish tilt, that the US Fed will not raise rates pre-emptively. In the coming months, the US Fed will need to decide whether to tighten monetary policy if inflationary pressures proved to be less transitory or maintain an easier monetary stance to ensure that the US labour market is back on a sustainable path of recovery.

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Meanwhile, jobless claims continued to disappoint, indicating much more needs to be done. This Friday's Non-Farm Payrolls will again be watched keenly by the market. Market commentators may not be wrong when they say that more drastic monetary action will need to be taken if inflation gets out of hand; longer-term, the markets have proven to have a short memory. On the other hand, disheartened workers have proven harder to enlighten and this is manifested into a voting populace that has pushed ideology from capitalist into socialist in the world's greatest democracy. In the interim uncertainty, the employment mandate wins hands down.

*\* Groundhog Day is a popular North American tradition observed in the United States & Canada on 2nd February. It derives from a Pennsylvania Dutch superstition that if a groundhog emerges from its burrow on this day and sees its own shadow, it means that Spring has not arrived and Winter will persist for another 6 more weeks. Bill Murray plays television weatherman Phil Connors in the movie who travels to Punxsutawney for his annual coverage of Groundhog Day festivities. Every day, he desperately searches for a way to leave town, but woke up to the same repetitive morning, gradually realising that he is trapped in a time loop.*

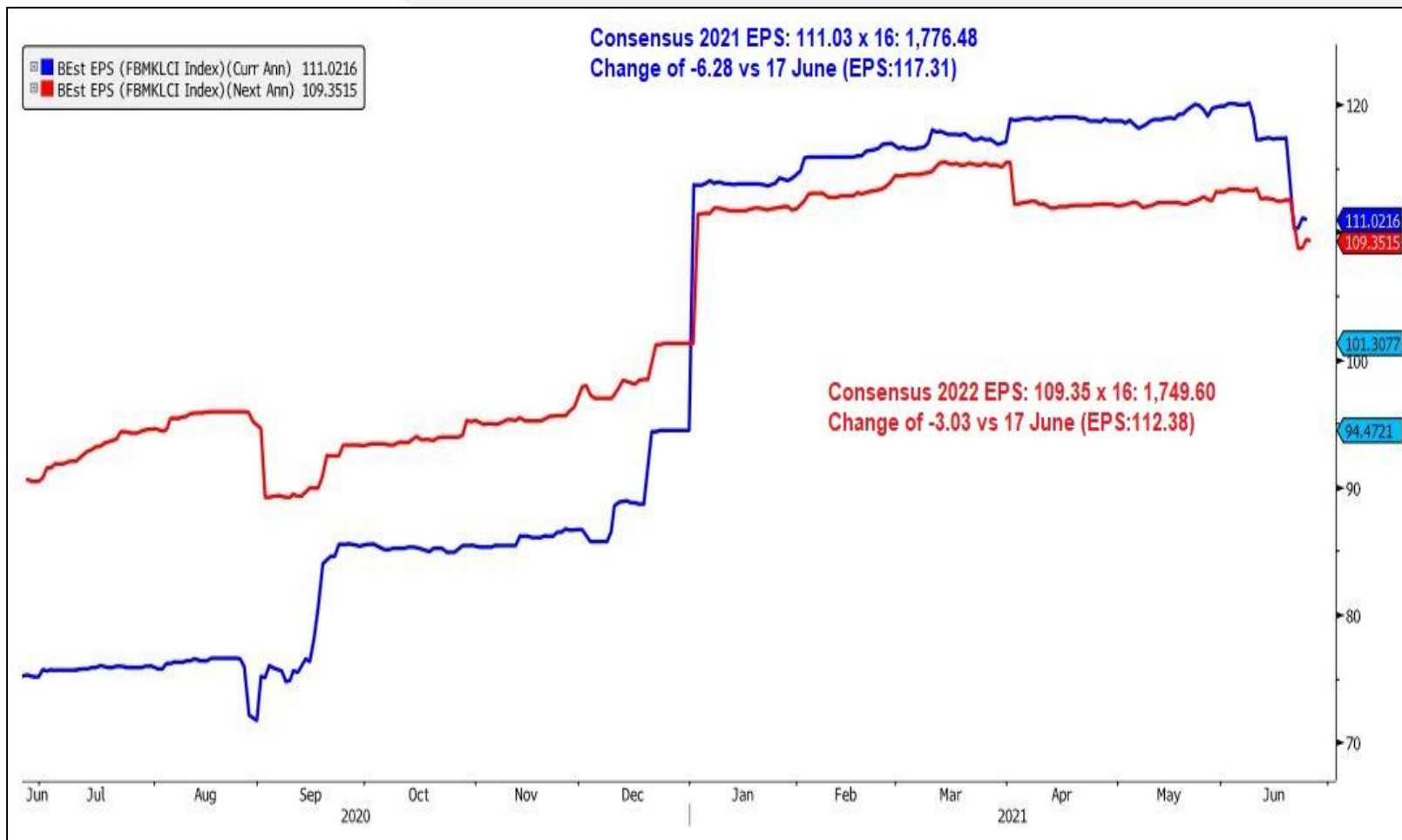
# Malaysia

1. The KLCI closed at 1,548 @ 28.06.21, a decline of -1.4% M-o-M. Last week, Healthcare (-4.5%) and Construction (-3.3%) were the worst performing sectors. Year-to-date @ 26.06.2021, the KLCI has retreated by -4.4%.
2. The Prime Minister announced on 28 June a RM 150bil (10.6% of 2020 GDP) economic stimulus package called “PEMULIH”. This brings the total stimulus since the start of Covid-19 crisis to RM 530bil of which approximately RM 83bil were direct fiscal injection by the government.
3. Under the “PEMULIH” package, EPF will introduce a new withdrawal facility called i-Citra where a total of 12.6mil EPF members are eligible to make withdrawals of up to RM 5K from their account. This implies that the potential withdrawal from the 3 EPF withdrawal schemes will total approximately RM 107 bil i.e. i-Sinar (RM 58 bil), i-Lestari RM19 bil) and i-Citra (RM 30 bil). The market is concerned if EPF would need to sell its assets (i.e. Malaysia equities or oversea assets) to fund these withdrawals.

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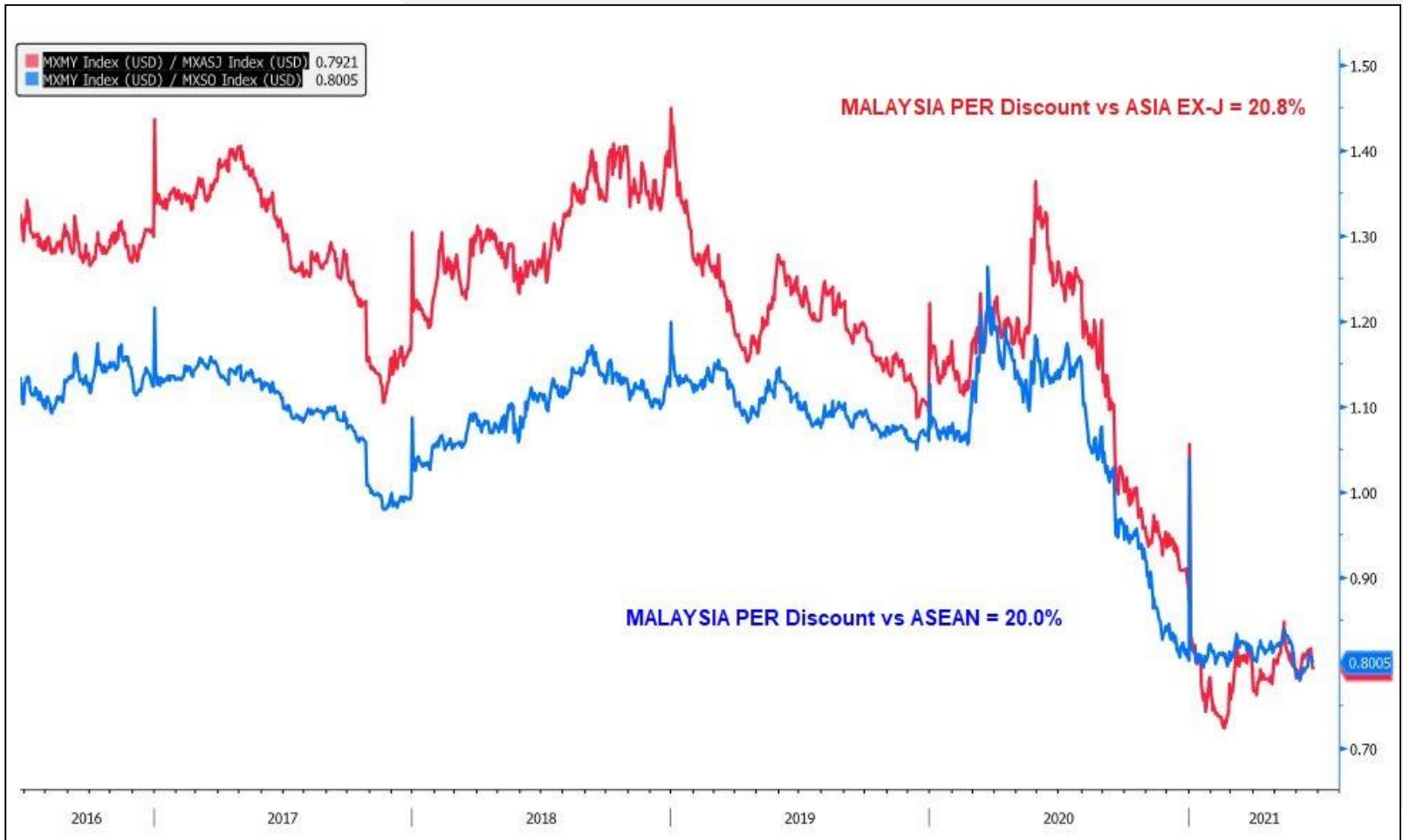
4. US semiconductor manufacturer Global Foundries is investing US\$ 4bil to build to build a new production site in Singapore. The plant is expected to commence production in 2023. This comes as the global semiconductor industry is facing shortages and foundries are accelerating its investments to build up new capacity to address the shortages. The news is a positive read through for Frontken as it is a provider of semiconductor wafer cleaning services.
5. Foreigners have net sold RM 3.8 bil YTD @ 21.6.2021. Also, local institutions have been relentless net sellers since Sep-2020 (net selling of RM6.3 bil YTD @ 21.6.2021). Retailers continue to be net buyers in the market. Investors are grappling with a slew of negatives including (a) stubbornly high Covid-19 cases (b) political uncertainty as pressure mounts to lift emergency rule and (c) second order effects from EPF withdrawal schemes.
6. Based on KLCI at 1,548 @ 28.06.2021 and assuming a market eps integer of 109/111, the market is trading at a PER of 14.2x/13.9x for CY21/CY22 respectively. This is lower than the market's mean PER of 16x. Stripping out the glove makers, the KLCI (ex-gloves) is trading at a PER of 18.0x and 15.7x in CY21/CY22 respectively vs the 5 year average ex-gloves PER of 19.4x. We believe the risk to reward for the KLCI is reasonable.

# Exhibit 1: FBMKLCI Consensus Earnings Per Share (EPS) @ 26.06.21



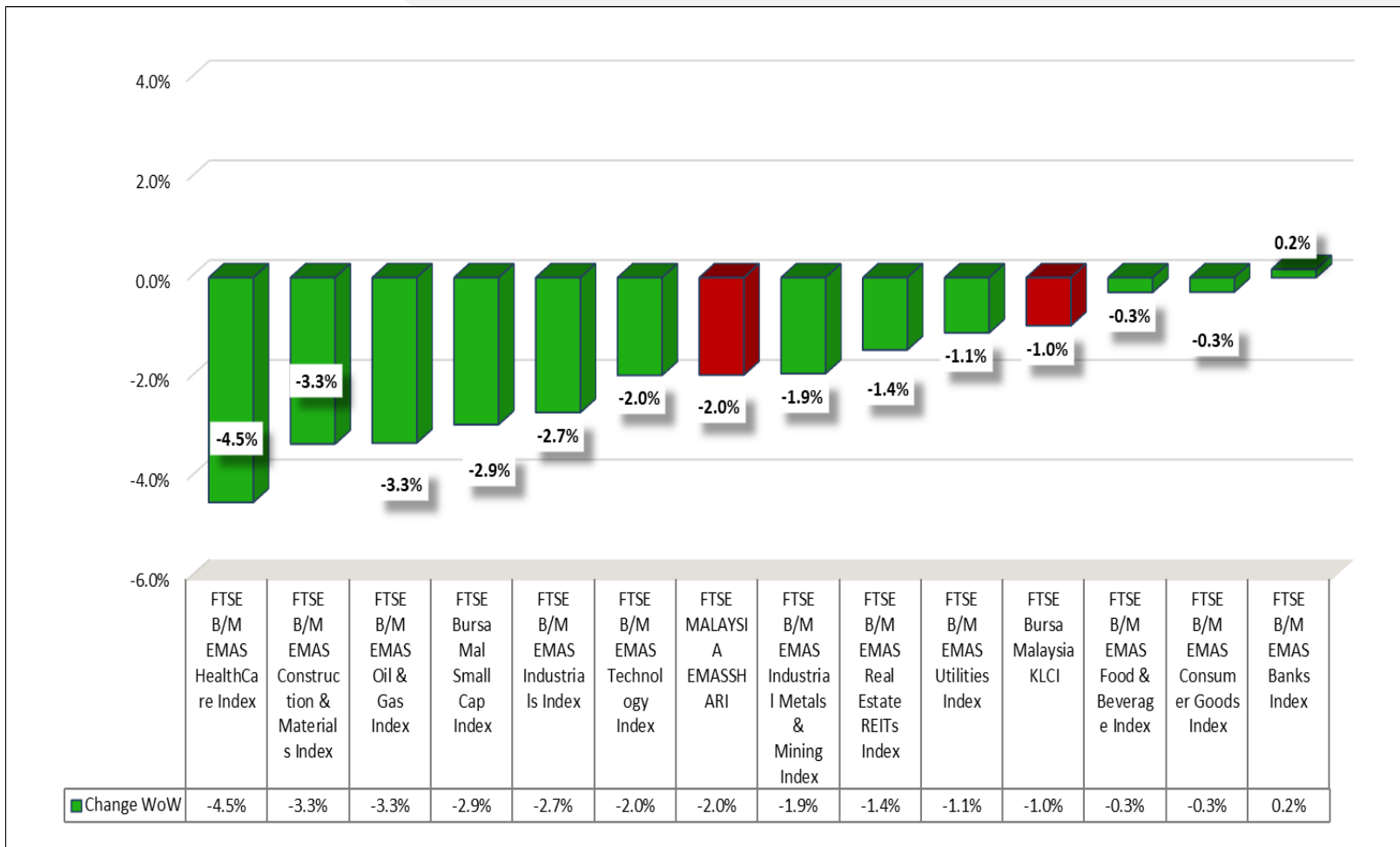
(Source: Bloomberg)

## Exhibit 2: MALAYSIA P/E is at a discount to the region @ 26.06.21



(Source: Bloomberg)

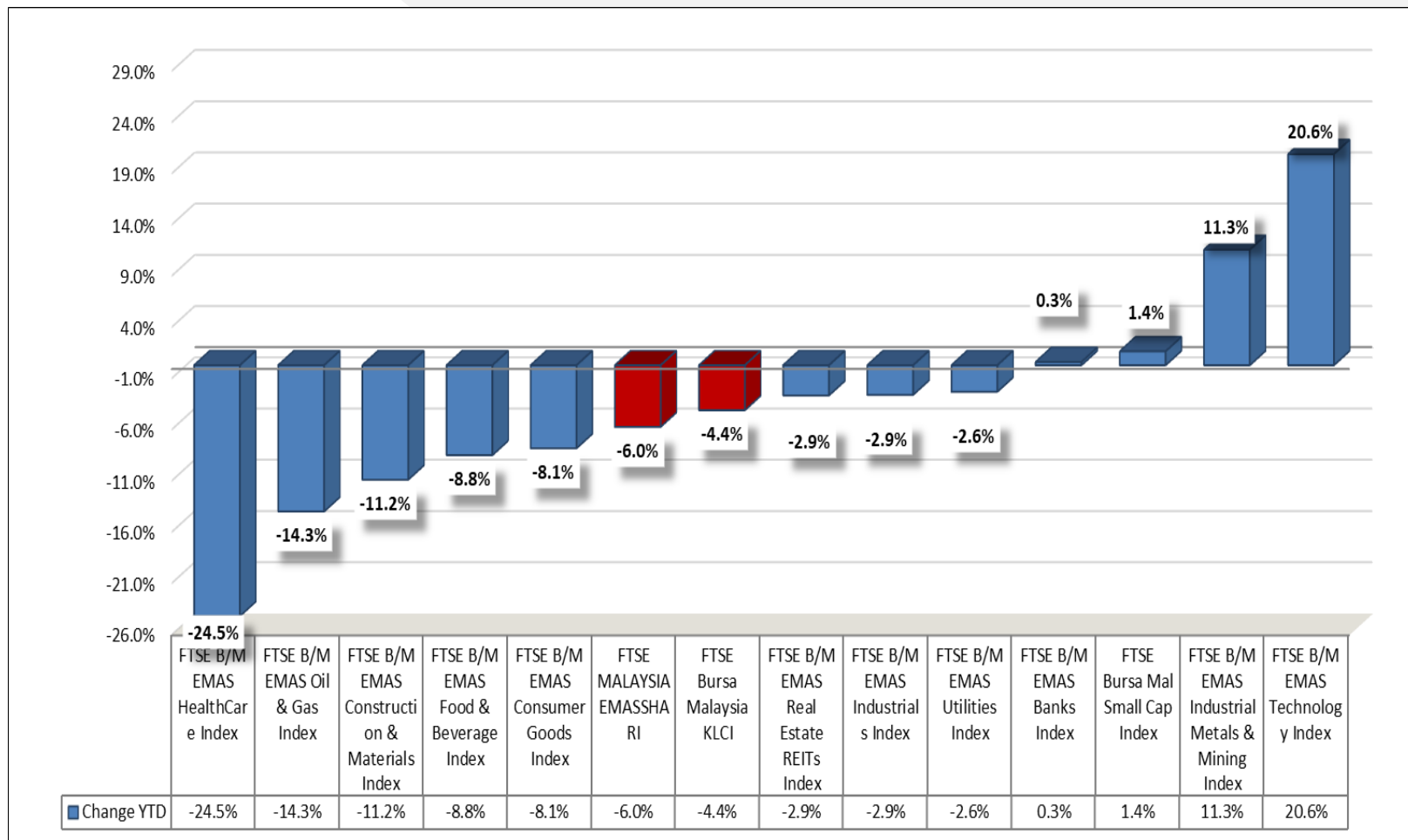
### Exhibit 3: Sector Performances (Week-on-Week) @ 26.06.21



(Source: Bloomberg)

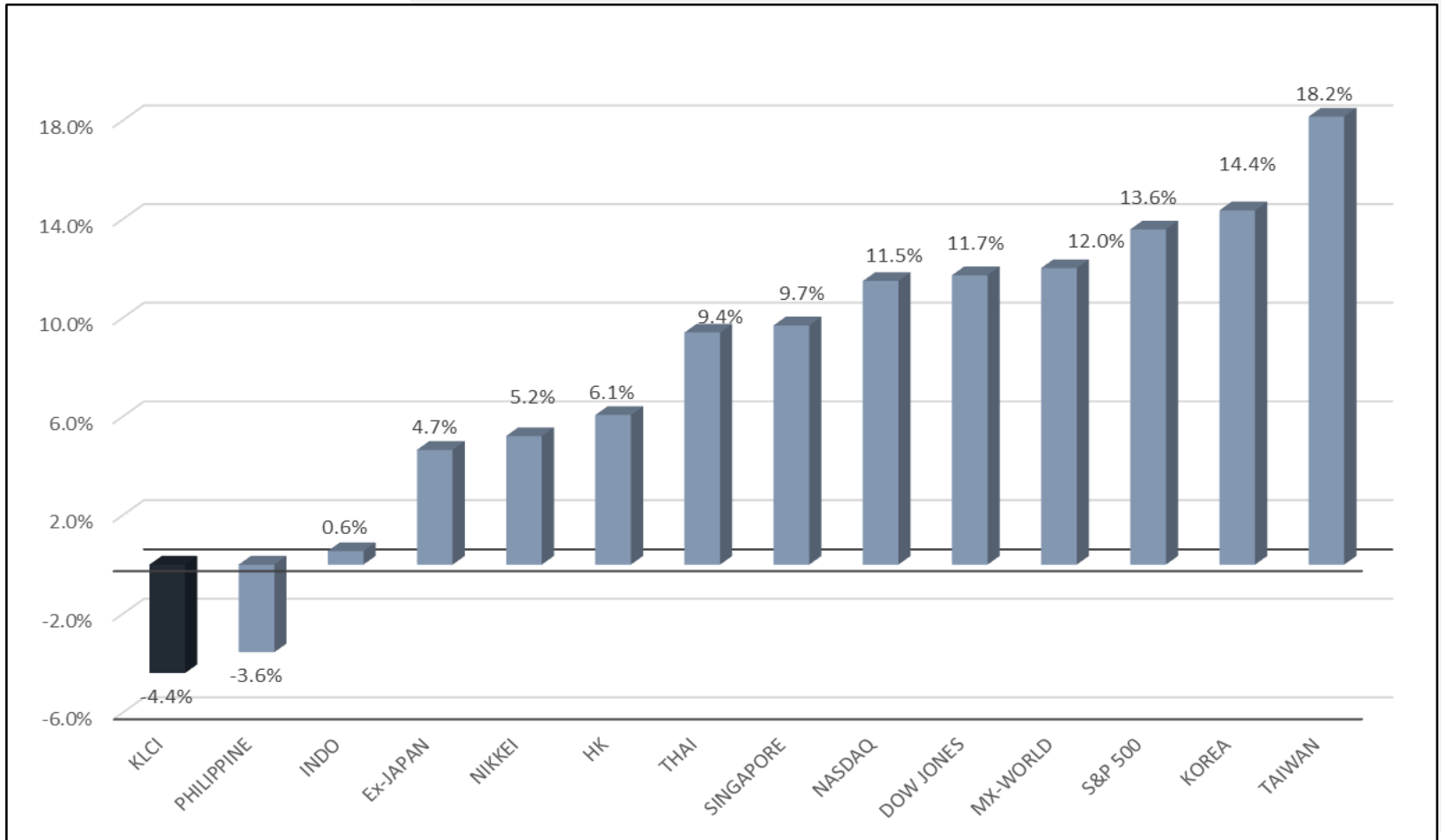


## Exhibit 4 : Sector Performances (Year-to-Date) @ 26.06.21



(Source: Bloomberg)

## Exhibit 5 : Performance of Indices (Year-to-Date) @ 26.06.21



(Source: Bloomberg)

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