KDN : PP 10744/05/2013 (033520)

7 December 2022

MALAYSIA EQUITY

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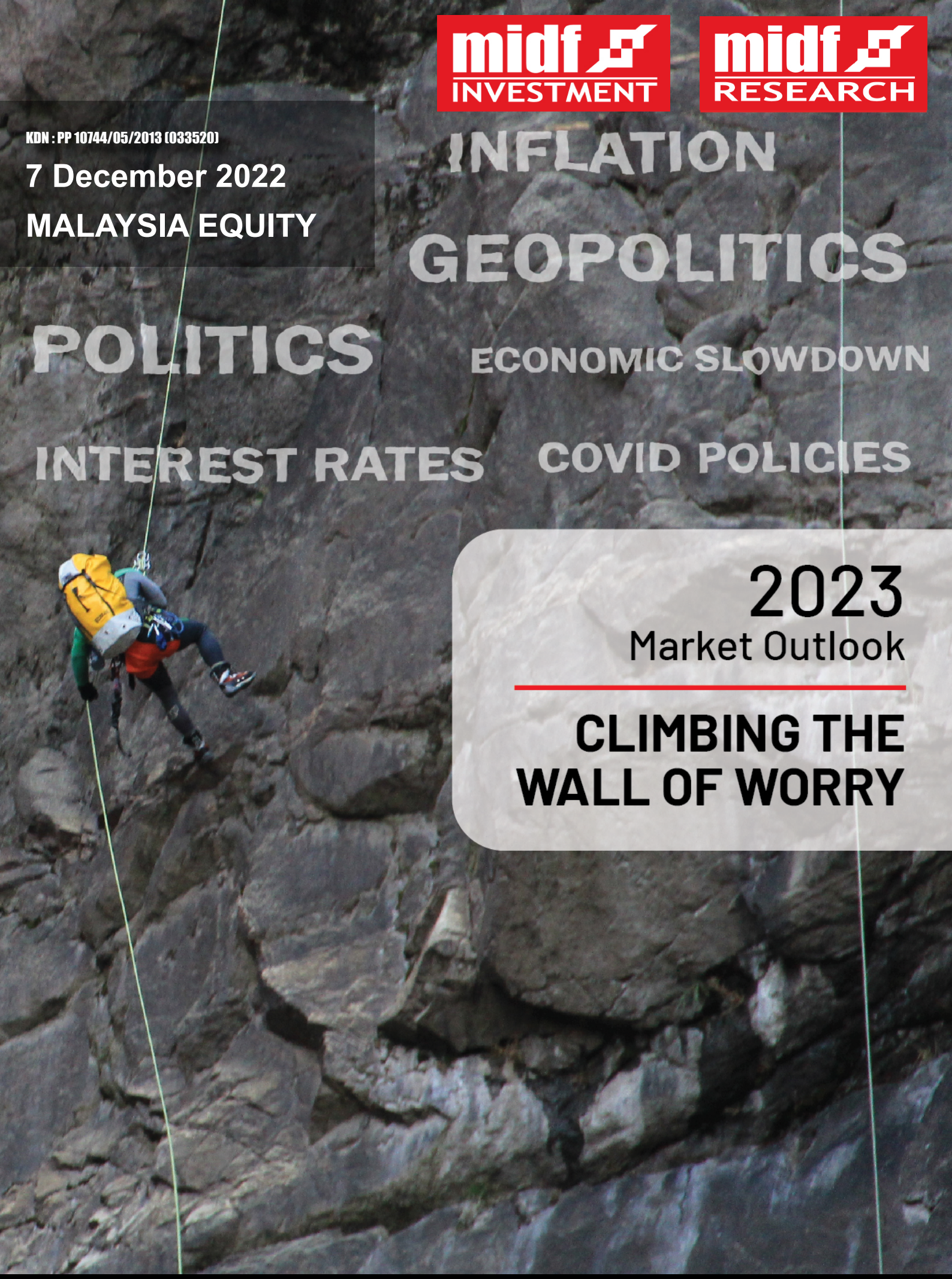

2023 Market Outlook

CLIMBING THE WALL OF WORRY

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EXECUTIVE SUMMARY

2022 IN BRIEF

- Inflationary pressures have been the key feature in 2023 caused by spill over strong demand last year, exacerbated by the unexpected Ukraine-Russia conflict and intermittent lockdowns in China.
- In response to the high inflation, monetary authorities globally adopted tightening stance to curb price pressures and anchor inflation expectations. The aggressiveness of the US Federal Reserve in particular had caused downward pressure on risk assets.
- The aggressiveness of the US Federal Reserve had caused the performance of the FBM KLCI turning negative, where it is registering a -6.1% decline as of 5 December 2022. Nevertheless, this impact was not confined to Malaysia's equity market only as global markets were similarly impacted or even worse.
- Nevertheless, we have seen foreign funds returning in general to our shores this year. On a year-to-date basis, the foreign funds net inflows amounted to RM5.33b, a return of foreign investors since CY17 where there was a net inflow of RM10.33b.

CLIMBING THE WALL OF WORRY

- The global economy is expected to experience a growth slowdown in 2023, mainly dragged by slowing growth in the advanced economies.
- Meanwhile, emerging market economies will be the major contributor towards global growth as domestic economic activities continue to recover from the global pandemic, although we expect highly open trading economies will likely be impacted by expected softening of final demand and adjustment in global production activities.
- Considering the external headwinds and tightening monetary policy in many economies, MIDF Research foresee Malaysia's GDP growth to moderate to +4.2% for 2023 from our forecasted growth of +8.0% this year. The softening growth is mainly due to deceleration in external trade performances.
- However, MIDF Research is optimistic that the domestic demand will provide support to the economy fuelled by continuous upbeat consumer spending, moderation in price pressures, further improvement in tourism-related activities and possible revival of infra projects.

FBM KLCI 2023 TARGET AT 1,700

- We expect external factors such as the decision of the US Federal Reserve will continue to be an influencing factor for Malaysian equity market in 2023.
- Our baseline expectation going into 2023 are; (1) the US Federal Reserve is pivoting, (2) risk of US recession is not insignificant, (3) no escalation in the Russia-Ukraine war beyond the borders of Ukraine, and (4) the authorities in China would be adept in handling its domestic economic situation (thus limiting the risk of cross border contagion).
- We foresee a situation whereby the equity market would becoming more bullish principally due to the unwinding or subsiding pressure on required return, but equity valuation would continue to remain subpar relative to its historical range due to these limiting factors.
- Hence, we introduce our FBM KLCI end-2023 target at 1,700 points or PER22 of 15.0x.

7 December 2022

KLCI (6/12/2022) : 1,471.55
2023 TARGET : 1,700.00

SECTOR VIEW

POSITIVE	
Automotive	Banking
Construction	Consumer
Healthcare	Media
Oil & Gas	REITs
Technology	
NEUTRAL	
Plantation	Power
Property	Telecommunication
Transportation	
NEGATIVE	
Glove	

TOP BUYS

STOCK	Target Price (RM)	Total Return (%)
Dialog Group	3.70	62.7%
Bumi Armada	0.80	61.6%
UMW Holdings	5.00	54.7%
Fraser & Neave	29.70	44.8%
Petronas Chemicals	11.77	43.2%
PPB Group	24.10	42.8%
AEON Co.	1.81	35.4%
Sunway REIT	1.73	25.7%
Inari Amertron	3.20	19.9%
QL Resources	6.30	14.1%

A. MARKET PERFORMANCE

I. MARKET PERFORMANCE

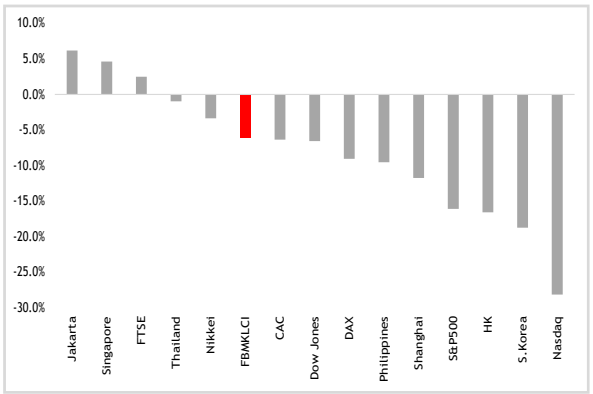
Concerns at the start of the year panned out better than expected...We started the year with the expectation that Malaysia's economy and the equity market is at the start of the recovery process. Nevertheless, we had concerns on several factors that may cause some bumps in the economic recovery. Fortunately, these concerns turned out better than we expected. Our concern on the emergence of the Omicron variant of Covid-19 turned to be less of a consequence as there were no national lockdowns throughout the year. Meanwhile, China's property market was contained and did not spread as a contagion to its economy. The conclusion of the recent 15th General Election (GE15) also saw the formation of a new government fairly quickly. The only concern that panned out to be worse than expected was regarding the incessant inflation.

...except for one, inflation, combined with a few unexpected events. Inflationary pressures have been the key feature for this year caused by spill over strong demand last year. This was exacerbated by an unforeseen event which was the breakout of the Ukraine-Russia conflict. Although, we believe that this conflict will be contained and will not have a direct negative impact to our economy or equity market, it had an indirect impact that resulted in high commodities prices. Brent broke past USD130pb level a few weeks into the conflict and we saw CPO trading almost unheard level of past RM7,000/MT. The inflationary pressure was also affected by intermittent lockdowns in China as they were adamant to strive for a zero Covid-19 policy, causing the continuation of supply chain disruptions.

Central banks, globally, began to tighten to combat inflation. In response to the high inflation, monetary authorities globally adopted tightening stance to curb price pressures and anchor inflation expectations. The most aggressive of these had been the US Federal Reserve (US Fed) whereby it hiked its Fed fund rate by 375 bps (at time of writing) this year alone. The aggressiveness of the US Federal in particular had caused downward pressure on risk assets notably in the equity, bond and currency markets.

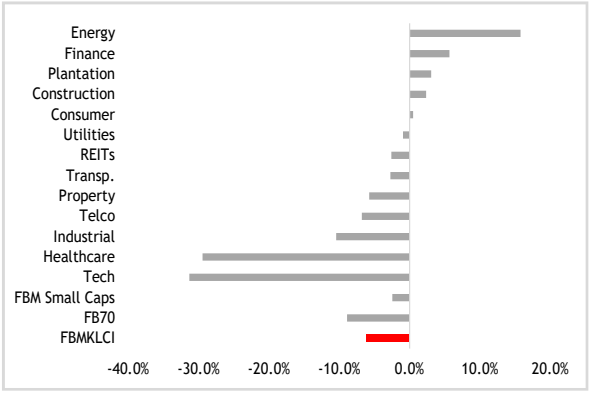
FBM KLCI started positively, US Fed threw a spanner. The FBM KLCI started the year on a positive note on the back of the reopening of the economy. Despite the unexpected eruption of the Ukraine-Russia conflict, 1QCY22 saw the FBM KLCI registering a +1.3% rise. We believe that this was due to the fact that the conflict was contained and did not have an impact to Malaysia's economic growth. However, the aggressiveness of the US Fed this year had caused the performance of the FBM KLCI turning negative, where it is registering a -6.1% decline as of 5 December 2022. Nevertheless, we should note that this impact was not confined to Malaysia's equity market only as global markets were similarly impacted or even worse. For example, US Nasdaq, which is highly sensitive to US interest rates movement declined -28.2% over the same period.

Chart 1: Comparison of Performance of FBM KLCI and Regional Peers (YTD as at 5 December 2022)



Sources: Bloomberg, MIDFR

Chart 2: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 5 December 2022)



Sources: Bloomberg, MIDFR

Towards the end, energy index turned out to be the best performer. Thus far, the best sector performance has been the BM Energy Index where it posted a gain of +15.8% (as of 5 December 2022). However, that have not been the case up until 3QCY22 where it was declining -3.8% (as of 30 September 2022). At that point, only the BM Finance Index was performing. Nevertheless, the past few weeks have seen steady interest in energy counters, possibly due to the steady elevated Brent price, affirming our POSITIVE conviction on the sector when we observed the rise in oil prices earlier this year.

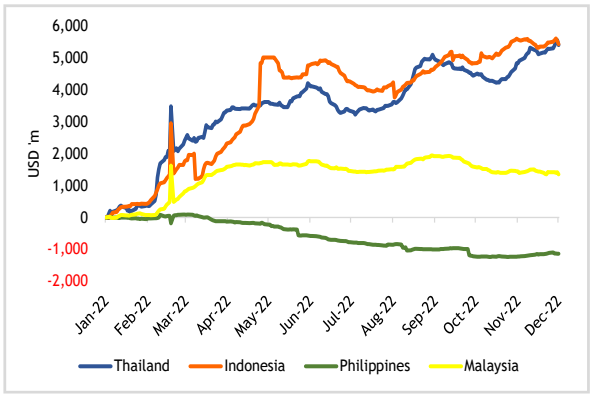
Finance, plantation, construction and consumer are the other positive performers. Besides the energy sector, we also observed other sectors becoming positive performers that we had a POSITIVE recommendation at the start of the year. We were keen on the finance and construction sectors due to the reopening of the economy, while in particular to the construction sector the announcement of MRT3, and the plantation sector due to the elevated CPO price. These sectors gained +5.7%, +3.1% and +2.3% year-to-date (YTD) respectively. Consumer was also slightly positive with +0.5% gain YTD.

Foreign fund flows have been encouraging... In general, we have seen foreign funds returning to our shores this year, as per our expectation at the beginning of the year. On a YTD basis, the foreign funds net inflows amounted to RM5.33b, a return of foreign investors after so many years. In fact, the last time we saw foreign fund net inflow was in CY17 where there was a net inflow of RM10.33b. We believe that the net foreign fund inflow this year was due to the fact that our economy, along with our ASEAN peers, is expected to performed better than advanced economies.

...punched by bouts of outflows. On that note, we should state that the foreign fund net inflow was not consistent throughout the year as it was marked by intermittent period of heavy net outflows. The trigger for this had always coincided with the US Fed being more aggressive than the market anticipated. Nevertheless, the consistent inflows during 5MCY22 had helped to moderate the heavy outflows in June and September.

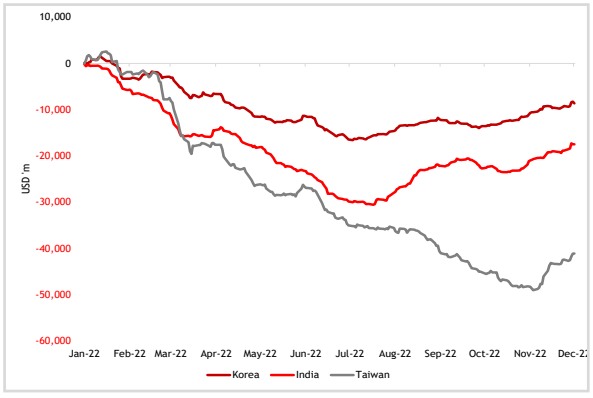
Finance and plantation sectors the favourite amongst foreigners. The sectors that saw the highest amount of net inflows from foreign funds were finance and plantation sector, amounting to RM4.2b and RM1.9b respectively. We are not surprised by this as the finance sector is one of the chief beneficiary of an recovering economy while the plantation sector is a beneficiary of a high CPO price.

Chart 3: Cumulative Foreign Fund Flows (YTD as at 2 December 2022)



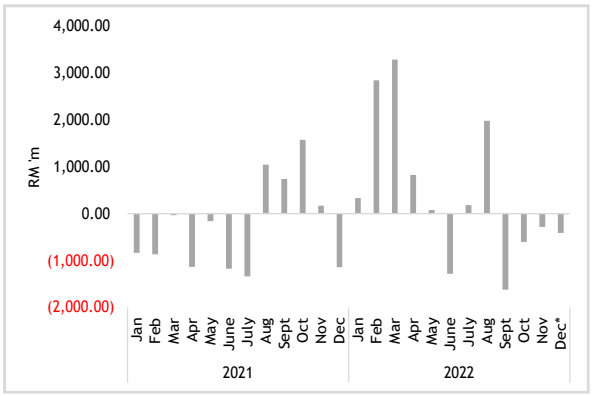
Sources: Bloomberg, MIDFR

Chart 4: Cumulative Foreign Fund Flows (YTD as at 2 December 2022)



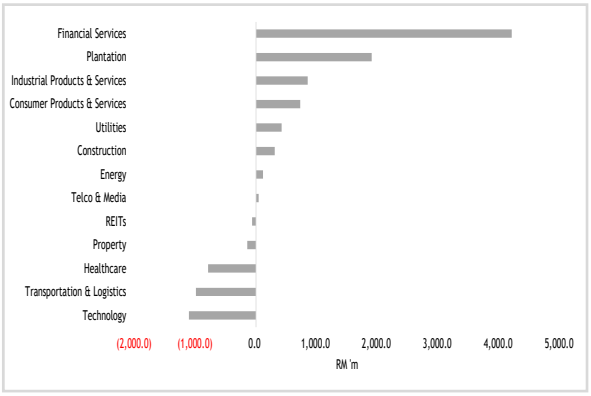
Sources: Bloomberg, MIDFR

Chart 5: Malaysia Equities Monthly Foreign Fund Flows



Sources: Bursa Malaysia, MIDFR

Chart 6: 2022 Cumulative Foreign Fund Flows by Sector (as at 5 December 2022)



Sources: Bursa Malaysia, DiBots, MIDFR

All these rate hikes will have an impact on advanced economy. Going into 2023, we expect global economy to experience a growth slowdown, mainly dragged by slowing growth in the advanced economies as the aggressive rate hikes this year takes effect. However conversely, emerging market economies will be the major contributor towards global growth given its domestic economic activities continue to recover from the global pandemic. Our only concern is that highly open trading economies will likely be impacted by expected softening of final demand and adjustment in global production activities. As the Covid-19 pandemic becomes less of a concern, reopening of economies and international borders will also support growth in domestic spending and recovery in services exports.

Malaysia's economy will soften. Considering the external headwinds and tightening monetary policy in many economies, MIDF Research foresee Malaysia's GDP growth to moderate to +4.2% for 2023 from our forecasted growth of +8.0% this year. The softening growth is mainly due to deceleration in external trade performances especially in advanced economies. However, MIDF Research is optimistic that the domestic demand will provide support to the economy fuelled by continuous upbeat consumer spending, moderation in price pressures, further improvement in tourism-related activities and possible revival of infra projects.

US Fed decisions will continue to be the key for next year. We expect external factors such as the decision of the US Federal Reserve will continue to be an influencing factor for Malaysian equity market in 2023. In this regard, it is expected that the US Federal Reserve will start to decelerate its pace of rate hikes in 2023. As such, we foresee a situation where valuation pressure will alleviate resulting it the equity market becoming more bullish.

The wall of worry. There are several concerns that we have going into 2023. These are; (1) heightened risk of a possible US recession, (2) a sudden drastic change to the unsettling situation in Ukraine, and (3) uncertainty surrounding the real situation of China economy. Nevertheless, we expect the less hostile monetary environment will continue to be supportive of Malaysia's equity market due to the alleviation of the valuation pressure, but its support would continue to remain subpar relative to its historical range due to these concerns.

II. MACRO ECONOMIC OUTLOOK

SLOWDOWN IN GLOBAL GROWTH WITH RECESSION RISK IN ADVANCED ECONOMIES

Global economy will grow slower. The global economy is expected to experience a growth slowdown, where it is projected to grow below 3% next year, mainly dragged by slowing growth in the advanced economies. Growth in major economies like the US, EU and UK are anticipated to be subdued by the slowing demand as a result of aggressive monetary policy tightening and the negative effect of inflation on consumer spending. Emerging market economies, on the other hand, will be the major contributor towards global growth as domestic economic activities continue to recover from the global pandemic. Economic reopening and normalization of economic activities will support for more encouraging outlook for the developing countries, although highly open trading economies will likely be impacted by expected softening of final demand and adjustment in global production activities. As the Covid-19 pandemic becomes less of a concern, reopening of economies and international borders will also support growth in domestic spending and recovery in services exports.

Concerns over elevated inflation. We view the recent rise in inflation was a result of the supply constraints that was a result of the great lockdowns to contain the global pandemic. As more workers return to work and supply chain activities gradually improve, we expect the normalization of supply to ease price pressures. However, prices pressures are increasingly driven by the recovery and sustained growth in domestic spending activities. The worsening of demand-supply imbalance therefore worsened the inflation outlook, and further exacerbated by the increase in global commodity prices. Going into next year, we believe the improvement in supply and coupled with relatively weaker demand outlook will lead to lower commodity prices, with our in-house views looking at Brent crude oil to average lower at USD96pb (2022E: USD102pb) and average CPO prices to be around RM3,500 per tonne (2022E: RM5,500). Despite the correction, the price levels will remain elevated compared to pre-pandemic period. While commodity-producing countries stand to benefit from the elevated prices, this may explain the concern over rising food and commodity prices. For European countries in particular, we opine the energy price crisis heading into the winter season adds to the worsening inflation outlook. On a positive note, if supplies from Ukraine can resume despite worry about the prolonged war with Russia, this will likely help to ease price pressures for the global commodities.

Demand to slow as central banks increase borrowing costs. In response to the high inflation, monetary authorities adopted tightening stance to curb price pressures and anchor inflation expectations. This will inevitably result in slower aggregate demand next year as it takes typically 6 to 9 months to see material impacts of monetary policy changes on the real economy. With rising borrowing costs, demand is expected to soften and then ease upward inflationary pressures which have been driven by both demand and supply factors. As central banks continue to hike rate and maintain its hawkish stance, this explains the growing concerns over recession risk especially for the advanced economies which have been adopting a more aggressive rate hikes to contain multi-year high inflation. On the other hand, this also explains the growing anticipations for smaller rate hikes by central banks balancing between high inflation concern and recession risk.

Downside risks to global growth outlook. On balance, we foresee there are more downside risks to the next year's global growth outlook. As part of the inflation risk, possible disruptions to global supply chain such as escalation of geopolitical risk, prolonged war in Ukraine, and elevated commodity prices could worsen inflation outlook for 2023. If inflation remains unchecked, spending may be limited by reduced

purchasing power. On another note, job market could also deteriorate as companies have announced plans to slash hiring in response to anticipated demand slowdown. As a result, less encouraging income prospects will also constrain consumer spending growth next year. Rising borrowing cost is another risk because central banks may decide to hike higher if inflation remains stubbornly high, and this will increase the probability for recession. In other words, there is a risk that the global economy and international trade activity could slow even deeper than our baseline projection. With demand slowing down, companies may also slash their investment, spending and hiring plans especially if business environment is worse than expected. Lastly, potential surge in Covid-19 infections and reintroduction of mobility control will also be negative to growth outlook. However, we view the risk to public health is lower and more manageable given the availability of vaccines and less severe infections compared to previous episodes.

Table 1: Central Bank Policy Rate by Selected Economies (%)

	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Malaysia	1.75	1.75	2.00	2.00	2.25	2.25	2.5	2.5	2.75
Indonesia	3.50	3.50	3.50	3.50	3.5	3.75	4.25	4.75	5.25
Philippines	2.00	2.00	2.25	2.50	3.25	3.75	4.25	4.25	5.00
Thailand	0.50	0.50	0.50	0.50	0.50	0.75	1.00	1.00	1.00
Vietnam	4.00	4.00	4.00	4.00	4.00	4.00	5.00	6.00	6.00
South Korea	1.25	1.50	1.75	1.75	2.25	2.5	2.50	3.00	3.25
India	4.00	4.00	4.40	4.90	4.90	5.40	5.90	5.90	5.90
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10
UK	**0.75**	**0.75**	**1.00**	**1.25**	**1.25**	**1.75**	**2.25**	**2.25**	**3.00**
Euro area	**0.00**	**0.00**	**0.00**	**0.00**	**0.50**	**0.50**	**1.25**	**1.25**	**2.00**
USA	**0.25-0.50**	**0.25-0.50**	**0.75-1.00**	**1.50-1.75**	**2.25-2.50**	**2.25-2.50**	**3.00-3.25**	**3.00-3.25**	**3.75-4.00**

Sources: Bloomberg, MIDFR

US: REAL ECONOMY TO SLOW AS A RESULT OF AGGRESSIVE POLICY TIGHTENING

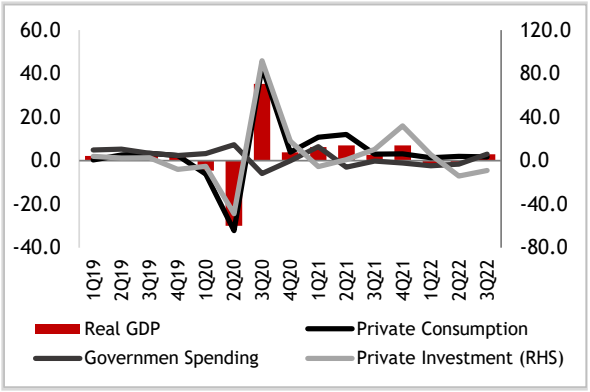
Growth to slow to below trend. US economic growth is projected to slow to +1% in 2023 from +1.6% projected this year. The sharp rise in borrowing costs will lead to slower consumer spending. Adjustment in the job market, with potential rise in unemployment as firms respond to weaker demand, will also result in weaker consumption spending. Housing market in particular has seen demand slowing down, and home prices has declined as demand slowed as mortgage rates rose to multi-year high. Recent data also shows consumer confidence weakened due to worries over future outlook and concerns over job and income prospects.

Fed to keep raising rates until inflation trending lower. The US economy showed resilience when the GDP rebounded by +2.9%qoq on annualized basis in 3QCY22 after 2 quarters of contraction. As inflation remained above the Fed's 2% longer-term price stability target, the Fed is expected to keep its hawkish stance and will continue to increase fed funds rate with the goal to keep inflation under control. In fact, Fed policymakers also indicated expectations that more rate hikes needed, although anticipating the pace of tightening to be smaller from Dec-22 onwards. The smaller rate hikes have been priced in at least until 1QCY23 as inflation started to show signs of easing, with the core PCE price inflation slowed to +5%yoy in Oct-22 (Sep-22: +5.2%yoy), and firms indicated plans to cut down employment

as demand outlook softens. As the US economy still shows resilience and amid still tight job market, the current situation offers rooms for the Fed to continue hiking interest rates going into next year.

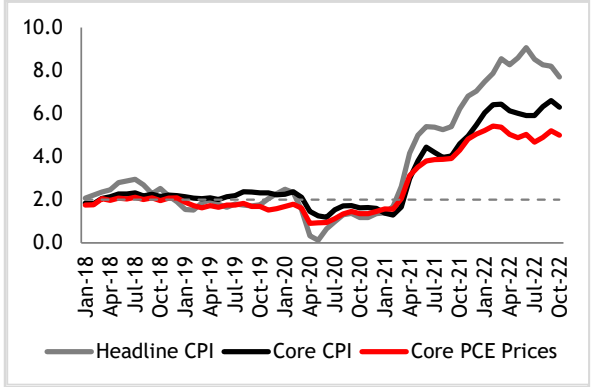
Soft landing vs. recession. Thus far, we believe the US economy is experiencing a slowdown likely to be defined as soft landing as full-year growth remains positive and estimated to be around +1.6% this year. However, as the Fed remains focused on containing inflation, growth momentum will slow further and the talks about soft landing shifted more towards recession concern. It will be more challenging for the Fed to avert recession if inflation outlook remains sticky at high levels and if supply and commodity prices worsen again. The delayed pivoting in slowing down the tightening cycle itself increases the chance the US economy going into recession. Looking at recent developments, we expect more American firms will cut their payrolls as the broader economy, including consumption and production, slows next year. In short, the recession risk will increase the higher the fed funds rate is hiked, which will be subject to how fast price outlook would trend lower next year.

Chart 7: US GDP by Demand (Annualised QoQ%)



Sources: Macrobond, MIDFR

Chart 8: US: CPI and PCE Inflation (%)



Sources: Macrobond, MIDFR

CHINA: GROWTH TO PICK UP AGAIN WHEN THE ECONOMY REOPENS

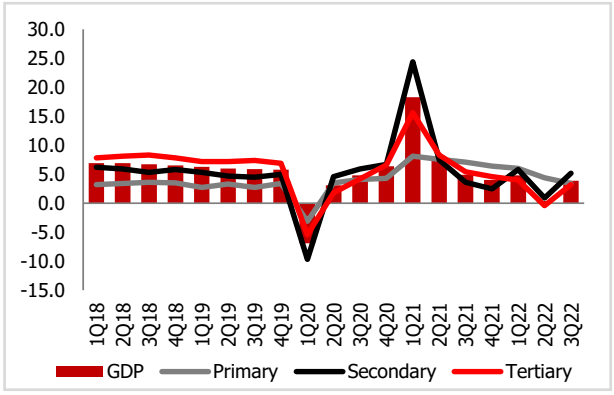
Anticipating for the economy to reopen again. As growth this year has been constrained by the strict Covid-19 containment measures, we project for China's economic growth to improve and pick up again next year. GDP growth will grow faster at +4.4% next year (2022E: +3.3%) underpinned by recovery in domestic consumption and business activities. This will be more or less similar to the pick-up in 3QCY22 GDP growth which accelerated to +3.9%yoy as economic activities increased at stronger pace from the earlier quarter which was constrained by another round of Covid-19 lockdowns. However, we noticed business and spending activities slowed again going into 4QCY22 as the country struggled with lockdowns reimposed in various cities to contain surging Covid-19 cases. This has also led to massive protests recently as the public has been increasingly discontent with the prolonged restrictions, asking the local authorities to relax Covid-19 policy. Therefore, we expect economic growth will be stronger next year with the expected reopening of the economy.

The economy needs more policy supports. As growth has been much weaker than anticipated, we have seen China's government introduced measures to support and promote consumer spending. In addition, credit policy for property developers has been relaxed to support the real estate sector which has been experiencing slowdown following the policy crackdown. We believe more policy supports will be provided by the government to support the economy. In particular, we anticipate there could be policy changes

when the new leadership line-up takes office in March 2023.

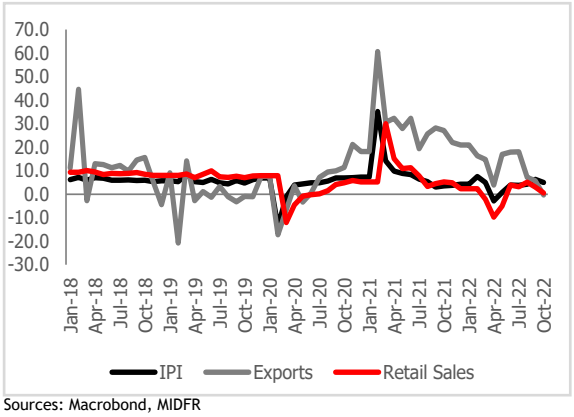
Domestic and external challenges. Relaxation of Covid-19 policy and more support for the real estate sector will help to boost China's domestic consumption and business activities. However, manufacturing sector could be impacted by the global economic slowdown as final demand from major markets like the US and European countries is expected to slow next year. Reading from the government's policy agenda previously, we may see more focus and stress on strengthening domestic source of growth and greater support for domestic demand as a strategy to limit the impact of external slowdown on China's economy. Another risk from the external front will come from the potential re-escalation of geopolitical tensions (e.g. with the US and Taiwan) which could affect next year's trade and production outlook.

Chart 9: China GDP by Industry (YoY%)



Sources: Macrobond, MIDFR

Chart 10: China: Retail Sales, IPI and Exports (YoY%)



Sources: Macrobond, MIDFR

MALAYSIA'S ECONOMY TO STAY RESILIENT DESPITE CHALLENGING EXTERNAL ENVIRONMENT

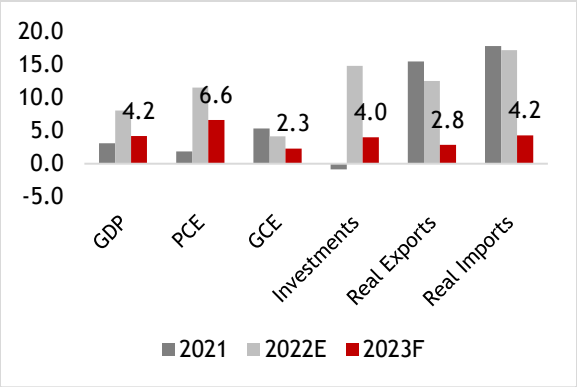
Moving into externally challenging 2023. Considering external headwinds and tightening monetary policy in many economies, we foresee Malaysia's GDP growth to moderate to +4.2% for 2023. The softening growth is mainly due to deceleration in external trade performances as a result of slower global demand. As explained earlier, we foresee global economy to experience slowdown rather than recession for next year. Due to higher interest rates and elevated inflationary pressure, demand condition in the US and EU will dampen next year. Malaysia's real exports growth is projected at +2.8% (2022E: +12.5%), partially supported by improving services exports given the expectation of a more robust tourism activity. If China were to reopen sooner than predicted, we are sanguine this will provide extra boost to Malaysia's services exports as well as tourism activity. On the trade of goods, we believe Malaysia will continue to benefit from commodity exports especially palm oil, petroleum and LNG as the average prices of CPO and Brent crude oil are forecasted to stay elevated at RM3,500 per tonne and USD96pb for next year. Agriculture and mining sectors to record expansion rate of +1% each while manufacturing output to grow modestly by +3% for 2023.

Upbeat domestic economic momentum. We are optimistic that the domestic economy will be fuelled by continuous upbeat consumer spending, further improvement in tourism-related activities and revival of infra projects. Going into next year, we believe food inflation as well as overall price growth to trend lower following moderation in global commodity prices and further easing in tight supply chain pressure, headline CPI forecast at +2.3% (2022E: +3.0%). On top of that, Ringgit is projected to appreciate from average RM4.38 per USD1 to RM4.30 as the Fed is set to taper down its hawkish stance in 2023. Consumer spending in Malaysia to stay steady underpin by stable inflation rate and jobless rate is set to decline

further to 3.5% next year, among others thanks to strong economic recovery in post-pandemic and returning of non-citizen workers. In addition, trajectory of BNM monetary policy remain supportive for domestic spending and investment activities. We are optimistic on services and construction sectors to grow by +5.3% and +4.8% for 2023 respectively.

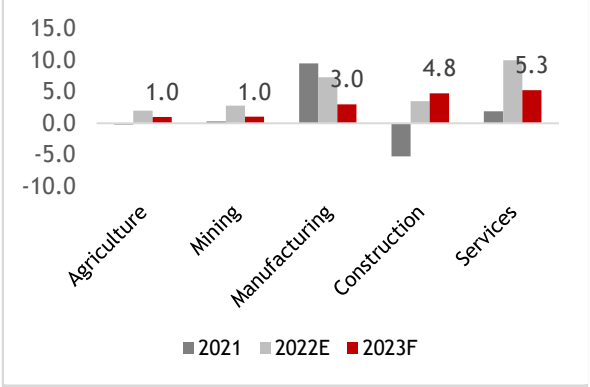
Cooler domestic political temperature. As no single coalition managed to surpass the simple majority number, a coalition government between Pakatan Harapan (PH), Barisan Nasional (BN) and Borneo Pact was finally formed. Having a government formed after the national election, we view this as positive signal for the Malaysian economy especially in preparing for the upcoming national Budget 2023. It is critical time for Malaysia, recovering from the two-years pandemic crisis and going into 2023 with global economy surrounded with slowdown risks, tightening monetary policy, elevated commodity prices and geopolitical conflicts. With this new government, we believe Malaysia's political temperature will come down, reduce uncertainties, improve market sentiments and smooth policy implementation. However, we do not exclude that there are risks of political instability in the next five years especially if one of the major blocs were to leave the government. If BN were to exit the government in the near term, PH and Borneo Pact can still govern yet with a razor-thin majority. We opine major economic policy reforms may not take place smoothly in the next half a decade due to various interests and parties need to be coexist with.

Chart 11: GDP by Expenditure (YoY%)



Sources: Macrobond, MIDFR

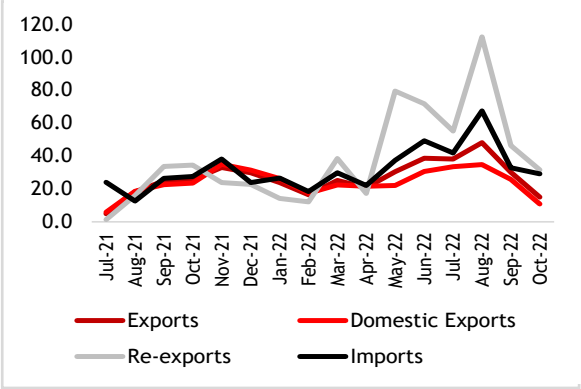
Chart 12: GDP by Sector (YoY%)



Sources: Macrobond, MIDFR

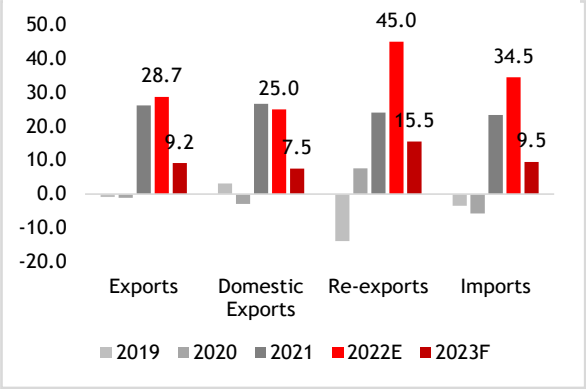
External trade still on positive growth. Looking ahead, we view the external front still in challenging path particularly with global economic slowdown fear, inflation bite, tightening monetary policy in many countries and geopolitical risks in Europe & Asia. Judging from PMI performances, global demand is on a softening trend as both Global Services and Manufacturing PMI registered pessimistic figures of 49.2 and 49.4 points respectively in Oct-22. Even flash Nov-22 Manufacturing PMI for the US recorded below 50-demarcation line for the first time since Jul-20. The Eurozone's Manufacturing PMI continued to be pessimistic for 5-straight months since Jul-22. Hence, we foresee slight moderation in exports growth forecast from +28.7%yoy for 2022 to +9.2%yoy for 2023. Malaysia's exports market can still hold, underpin among others by oversea sales of commodity products with commodity prices remain elevated, CPO at RM3,500 per tonne and Brent crude oil USD96pbd for next year. As for imports, strong domestic demand and improving local activities led to higher inbound shipments, averaging +34.5%yoy for this year. Imports growth forecast is set to touch +9.5%yoy, higher than exports as we view domestic demand to stay sturdy next year.

Chart 13: External Trade Performance (YoY%)



Sources: Macrobond, MIDFR

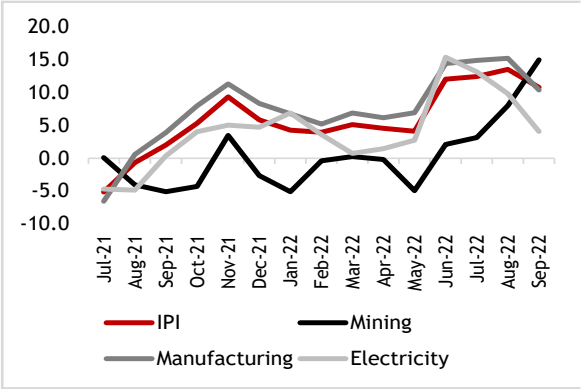
Chart 14: External Trade Forecast (YoY%)



Sources: Macrobond, MIDFR

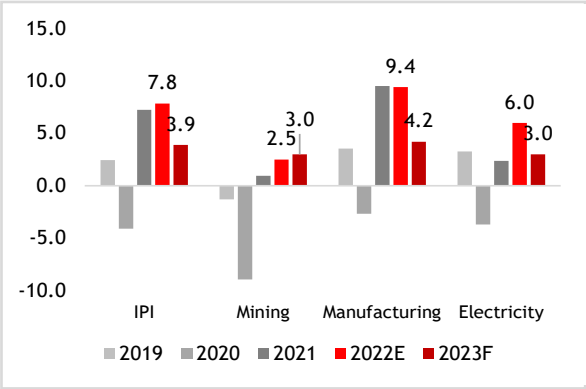
IPI growth forecast at +3.9% for 2023. As mentioned in our thematic report Mining Sector to Restarting Engine in 2HCY22, mining output is set to continue recovering underpinned by elevated global energy prices which are expected to sustain going into 2023. Mining output is therefore projected to improve further by 0.5%pts to +3% in 2023. On a flip side, factory output is set to moderate to +4.2% amid potential global economic slowdown, constrained growth in China and geopolitical risks. Electricity output which closely associated with factory performance to record lower growth rate of +3% for 2023. Overall IPI is predicted to expand by +3.9% for next year.

Chart 15: IPI Performance (YoY%)



Sources: Macrobond, MIDFR

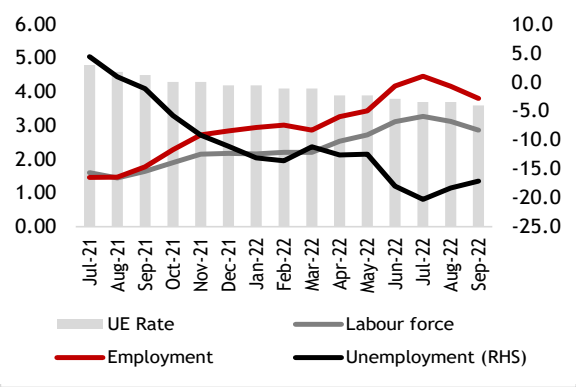
Chart 16: IPI Forecast (YoY%)



Sources: Macrobond, MIDFR

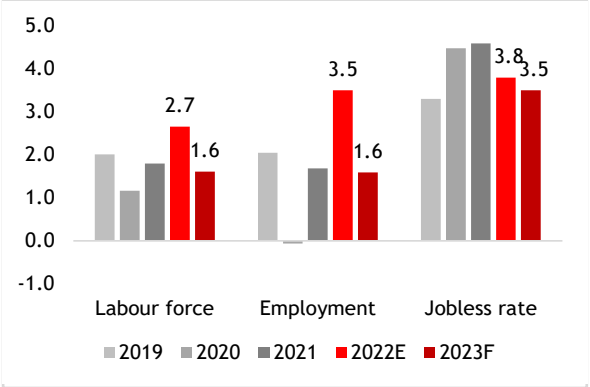
Jobless rate to descend further. Labour market in Malaysia is expected to strengthen further in 2023 supported by still upbeat momentum in domestic economy and modest expansion in external sector. We foresee Malaysia's unemployment rate to decline further to 3.5%, yet slightly higher than pre-pandemic level of 3.3%. Steady expansion in primary sectors as well as construction and services will prop up more employment opportunities next year. Labour force and employment are predicted to pick up by +1.6% each next year. As mentioned in our thematic report Positive Real Wage Growth to Continue Fueling Strong Consumer Spending, further improvement in labour market would strengthen consumer spending as wage receipients to employment ratio has reached a new peak at 64.5% in 2021, among others thanks to the minimum wage policy.

Chart 17: Labour Market Performance (%)



Sources: Macrobond, MIDFR

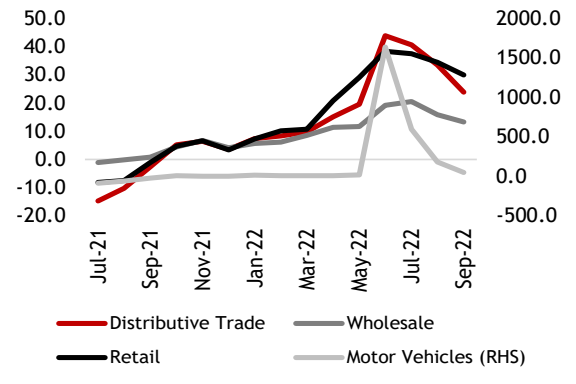
Chart 18: Labour Market Forecast (YoY%)



Sources: Macrobond, MIDFR

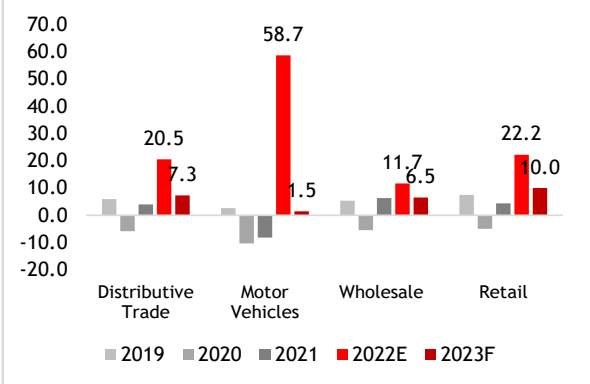
Sturdy consumer spending with revival of tourism industry. Malaysia's consumer spending is expanding strongly as reflected in retail trade sales growth of +23.9%yoy in 9MCY22. We believe the pent-up demand will continue into next year underpinned by improving labour market, stable inflationary pressure and domestic economic reopening. Even though OPR is on the upward trajectory, we believe it would have minimal effect on domestic spending outlook. We expect tourism-related activities to pick up stronger next year, with boost from eventual reopening of China's economy. During pre-pandemic period, 50.7% of Malaysia's airports passenger traffic contributed by international travels, 25.0% by ASEAN and 25.7% by non-ASEAN destinations. As of Sep-22, domestic destinations continued to dominate at 63.8% (2021: 81.5%) but we see increased international travels which stood at 36.2% (2021: 18.4%), whereby 14.5% were non-ASEAN and 21.8% were ASEAN.

Chart 19: Distributive Trade Sales, DT (YoY%)



Sources: Macrobond, MIDFR

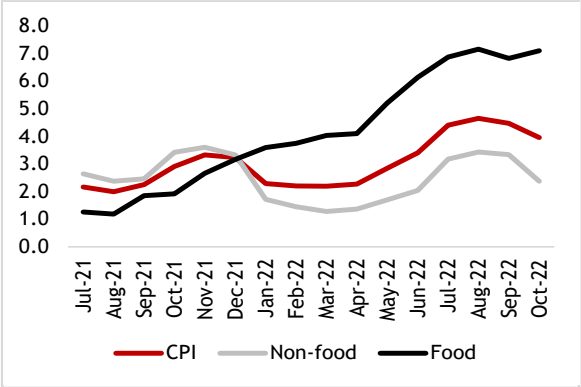
Chart 20: Consumer Spending Forecast (YoY%)



Sources: Macrobond, MIDFR

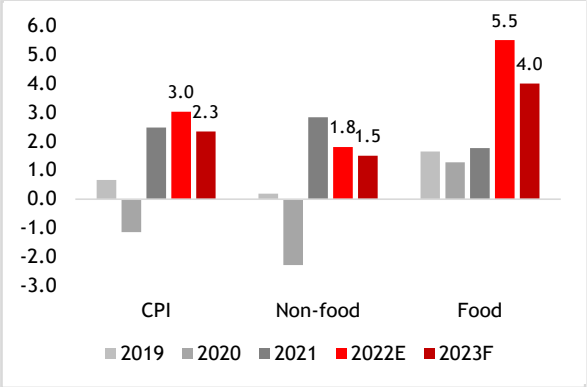
Expect status quo on fuel subsidy. Moving into 2023, supply-push factors on inflation are expected to ease backed by appreciation of ringgit, normalisation in global & domestic food prices and improvement activities in global and domestic supply chains. With the resolution of GE15, Malaysia's inflation outlook is much clearer for next year as we expect the newly-formed government is very likely to keep current fuel-subsidy mechanism status quo. As guided by PH manifesto blueprint, the PH-led coalition government may review monopoly practices in the agri-food related sectors with the idea to increase output and supply, and consequently bring down food prices. Henceforth, headline inflation is predicted to increase by +2.3% for 2023.

Chart 21: Food-led Inflationary Pressure (YoY%)



Sources: Macrobond, MIDFR

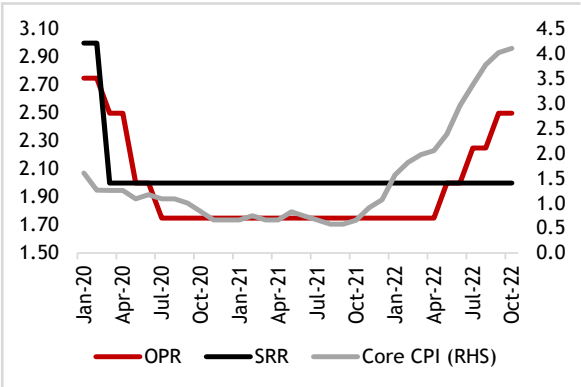
Chart 22: Inflation Forecast (YoY%)



Sources: Macrobond, MIDFR

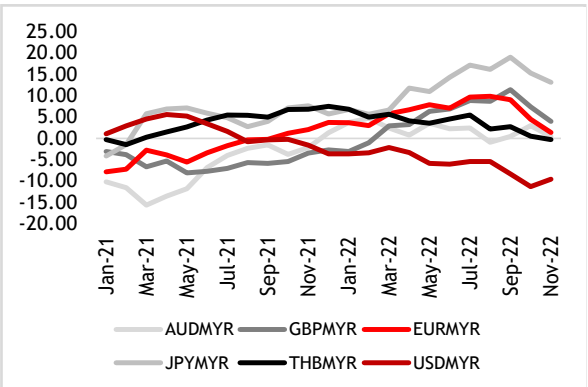
OPR back to 2019 level. Considering upbeat macro performances, we believe BNM will further front-load policy normalization at the first MPC meeting in Jan-23, raising OPR by another 25bps. Monetary policy space for the central bank will be accorded with OPR returning back to normal level at 3.00% by Jan-23, in the event of worse-than-expected global economic slowdown. However, the decision will be subjected to the stability of economic growth, the pace of price increases and further improvement in macroeconomic conditions, particularly with continued recovery in the labour market and growing domestic demand. From a medium-term perspective, the policy rate normalisation is needed to avert risks that could destabilize the future economic outlook such as persistently high inflation and a further rise in household indebtedness. If Malaysian economy were to grow faster than expected, we do not discount the possibility of another 25bps rate hike in 2HCY23.

Chart 23: Monetary Policy (%) vs. Core CPI (YoY%)



Sources: Macrobond, MIDFR

Chart 24: MYR Against Major Currencies (YoY%)



Sources: Macrobond, MIDFR

USDMYR to reach RM4.23 by end-2023. Strong USD has been the main factor for depreciation of most currencies in 2022, mainly influenced by the faster-than-expected and more aggressive interest rate hikes by the Fed. As the Fed indicated expectations for slower hikes, we noticed modest appreciation of other currencies including MYR since Nov-22. For record, Malaysian ringgit performed better than other major currencies as of 10MCY22. For instance, MYR gained +12.4%yoy against JPY, +6.7%yoy against EUR, +2.2%yoy against AUD and +5.2% against GBP. Fundamentally, MYR is in good position as domestic economy stays on upbeat momentum and as net commodity exporter of crude petroleum, LNG and palm oil, Malaysia stands to benefit from the elevated global commodity prices. On top of that, the formation of unity government after GE15 improves market confidence and inject political stability to Malaysia's economy, which has

been positive for MYR outlook. Moving forward, we foresee MYR to average stronger at RM4.30 per and ending the year 2023 at RM4.23.

Table 2: MIDF Research Macroeconomic Forecast Figures for 2023 (%)

(YoY%) Unless Stated Otherwise	2019	2020	2021	2022E	2023F
Real GDP	4.4	-5.5	3.1	8.0	4.2
Govt. consumption	1.5	5.0	5.3	4.1	2.3
Private consumption	7.7	-4.2	1.9	11.5	6.6
Gross fixed capital formation	-2.1	-14.4	-0.9	14.8	4.0
Govt. investment	-10.7	-21.2	-5.0	6.5	3.5
Private investment	1.6	-11.9	9.7	7.5	4.1
Exports of goods & services	-1.0	-8.6	15.4	12.5	2.8
Imports of goods & services	-2.4	-7.9	17.7	17.1	4.2
Net exports	11.2	-13.7	-4.1	-36.0	-24.3
Agriculture etc.	1.9	-2.4	-0.2	2.0	1.0
Mining & quarrying	-0.6	-9.7	0.3	2.8	1.0
Manufacturing	3.8	-2.7	9.5	7.3	3.0
Construction	0.4	-19.3	-5.2	3.5	4.8
Services	6.2	-5.4	1.9	10.0	5.3
Exports of goods (f.o.b)	-0.8	-1.1	26.1	27.1	9.2
Imports of goods (c.i.f)	-3.5	-5.8	23.3	32.0	9.5
Trade balance - RMb	12.1	15.3	21.1	22.8	24.5
	2019	2020	2021	2022E	2023F
Unemployment rate (%)	3.3	4.5	4.6	3.8	3.5
Headline CPI inflation (%)	0.7	-1.1	2.5	2.8	2.3
Brent Crude Oil (Avg.), USD per barrel	64.6	41.6	71.5	105.0	96.0
Crude Palm Oil (Avg.), MYR per tonne	2,145	2,775	4,486	5,000	3,500
USD/MYR (Avg.)	4.14	4.20	4.14	4.40	4.30
USD/MYR (End-period)	4.15	4.06	4.21	4.35	4.23

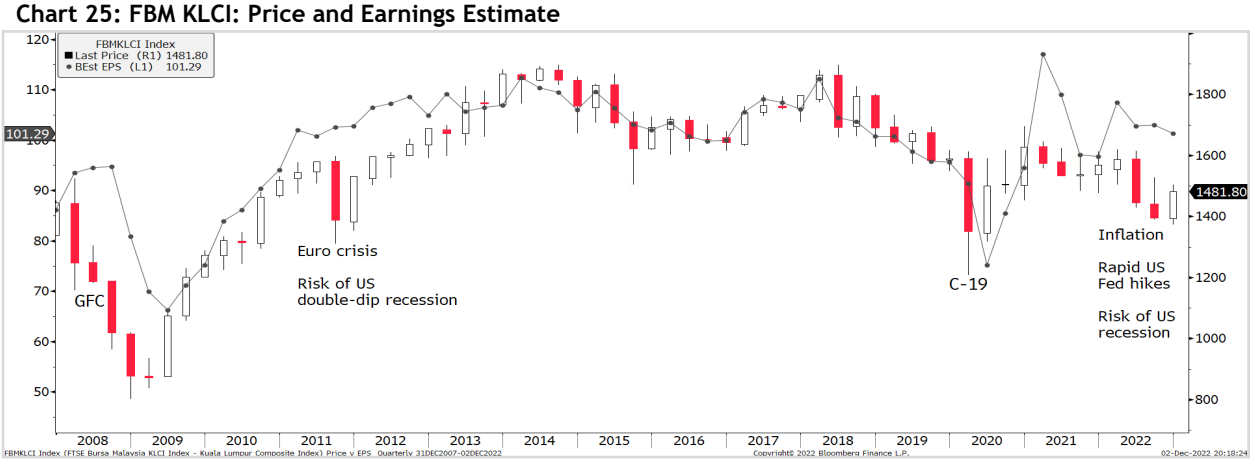
Sources: Macrobond, Bloomberg, MIDFR

III. MARKET OUTLOOK

We begin our 2023 outlook commentary with the following remarks:

- *Past observations on both equity prices and expected earnings are conclusive with regard to their secular direct relationship amid price range volatility and transient misalignment engendered by valuation-related factors as well as myriad of situational noise.*
- *In regard above, we shall deliberate on potential valuation-related events that could influence our baseline year-end price target for 2023.*

Chart 25: FBM KLCI: Price and Earnings Estimate

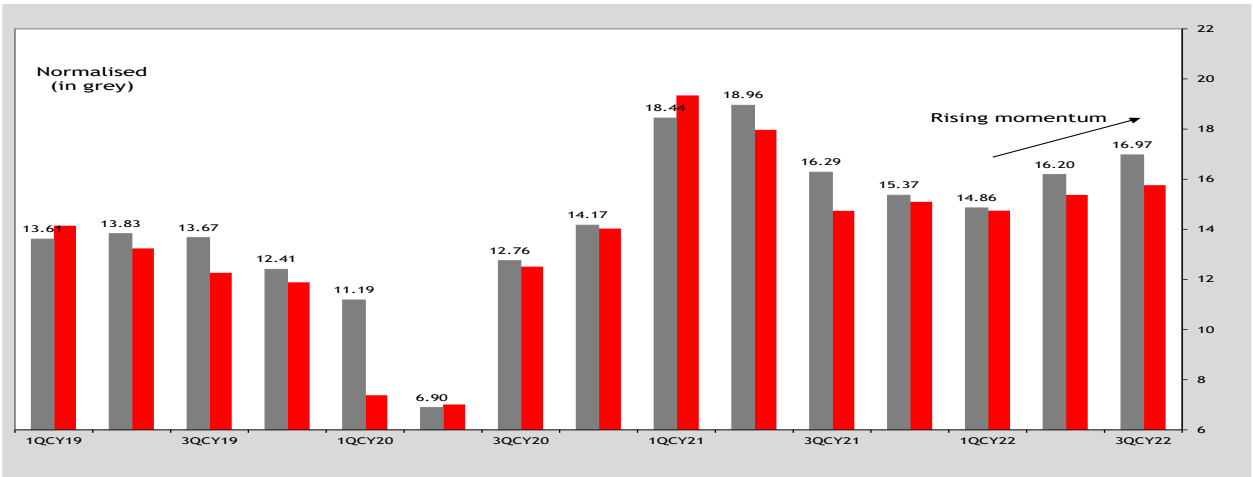


Sources: MIDFR, Bloomberg (G644); *Note: Both Y-axes scaled to Price/Earnings Estimate=16.5x

EARNINGS

Positive earnings momentum... It is notable that the aggregate quarterly earnings of FBM KLCI constituents both in 2021 and thus far (until the third quarter) in 2022 were superior vis-à-vis the pre-pandemic quarters in 2019. Manifestly, a V-shaped corporate earnings recovery with positive earnings momentum during the most recent two quarters.

Chart 26: FBM KLCI: Quarterly Aggregate Constituents' Earnings (RM'b)



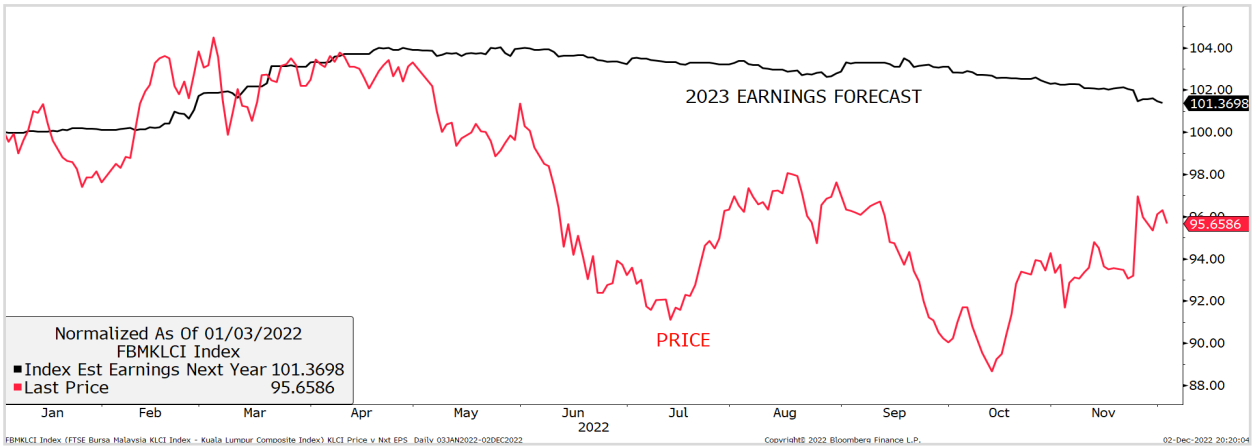
Sources: MIDFR; Note: Earnings hump in 1QCY21 & 2QCY21 due to bumper results of Glove constituents.

...underpinned by still robust macro environment. The buoyant earnings momentum was underpinned by robust macro environment as attested by the multiple upward revisions to our 2022 output growth target. In

this regard, we began 2022 expecting 6.0% GDP growth but ending the year with a higher estimate of 8.0%. Going into 2023, our forecast suggests Malaysia's GDP growth to moderate but continued rising at 4.2%.

The good times to continue... Moreover, earnings expectation for 2023 remains buoyant arguably predicated on the continuation of hitherto good earnings performance thus far in 2022. This is despite the potential emergence or intensification of several external headwinds, namely (1) heightened risk of US economic recession engendered by rapid monetary tightening, (2) risk of escalation in the ongoing Russia-Ukraine war, and (3) risk of prolonged China macro underperformance.

Chart 27: FBM KLCI: 2023 Earnings Forecast and Price Performance



Sources: MIDFR, Bloomberg (G704)

...as per forecasted earnings despite emerging headwinds. In regard above, it is notable that the prevailing FBM KLCI earnings forecast for 2023 is 1.4% higher than the level projected in early January 2022 when (1) the US Fed was not anticipated to mount a series of massive hikes totalling 425 basis points in a calendar year, (2) Russia has yet to invade Ukraine, and (3) China was still expected to grow by more than 5% in 2022. In contrast, the equity price performance seems more sensitive to the potential impact of current and emerging headwinds.

Table 3: FBM KLCI: Historical & Consensus Forward Earnings

Calendar Year	Earnings (Points)	YoY (%change)
CY2023 (F)	112.94	11.5
CY2022 (E)	101.29	-3.0
CY2021	104.40	46.8
CY2020	71.13	-20.7
CY2019	89.66	-5.6
CY2018	95.00	-12.0
CY2017	107.90	9.8

Sources: Bloomberg, MIDFR

Double-digit forward earnings growth for FBM KLCI... The consensus is currently projecting FBM KLCI earnings to grow 11.5%yoy to 112.9 points in 2023. If achieved, it would surpass the current record of 111.8 points (based on Bloomberg data) registered in 2011.

...as well as the broader market. In the broader market, based on our coverage universe of stocks listed

on Bursa Malaysia as at early-December 2022, the aggregate earnings growth is forecasted at 12.2%yoy over the next financial year. All sectors except Plantation are expected to show positive earnings growth.

Table 4: MIDFR Universe: Sectoral Earnings Forecasts (RM'm)

Sector	Current FY	Next FY	% Change
Construction	1,404.39	1,505.08	7.2
Consumer P&S	2,957.90	5,569.60	88.3
Energy	1,502.60	1,567.30	4.3
Financial Services	32,434.00	37,561.00	15.8
Health Care	2,653.63	3,212.72	21.1
Industrial P&S	9,014.31	9,329.96	3.5
Plantation	7,495.40	4,890.70	-34.8
Property	1,724.30	1,896.10	10.0
REITs	1,823.30	1,930.50	5.9
Technology	1,298.16	1,439.48	10.9
Telco & Media	5,511.26	6,922.19	25.6
Transport & Logistics	2,351.20	3,320.60	41.2
Utilities	7,029.30	7,512.50	6.9
Total	**77,199.75**	**86,657.73**	**12.3**

Sources : Bloomberg, MIDFR; (FY) - Financial Year

Consumer and Telco to lead both quantum and percentage growth. Financial Services, Consumer Product & Services (P&S) and Telecommunications & Media sectors are expected to contribute the largest quantum of incremental earnings. Moreover, Consumer P&S, Transport & Logistics and Telecommunications & Media sectors are anticipated to generate the highest growth percentages.

Plantation to lag in anticipation of soft CPO prices. Meanwhile, Plantation sector is forecasted to register negative earnings growth over the next financial year principally due to expectation of softening CPO prices.

VALUATION

Interest Rate

Aggressive rate hikes detriment to equity market. Early in 2022, the FBM KLCI was building an upward momentum at more than 1,600 points level against the backdrop of recovering economy and corporate earnings. However, a series of aggressive US Fed rate hikes since June 2022 proved detriment to the local currency and its equity market. The equity benchmark dropped to beneath 1,500 points level in June and slumped further at below 1,400 points level in October.

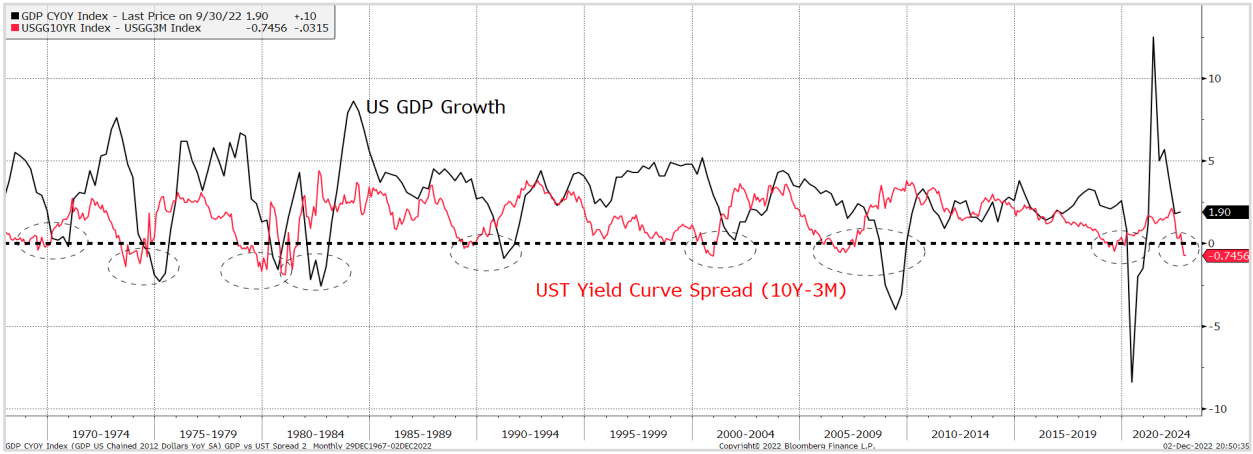
Impending pivot engenders turnaround. Nevertheless, the equity market has been gradually gaining ground since November 2022. Concurrently, the Ringgit also has been strengthening against US Dollar. The shifting dynamics are arguably in reaction to the imminency of a Fed pivot.

Expect FBM KLCI to erase 2022 deficits. At the time of writing, the US Fed is highly anticipated to hike rate by a more modest 50bp during its upcoming mid-December meeting. Underpinned by the favourable dynamics, we expect the FBM KLCI to end 2022 at circa 1,550 points hence recouping almost all its year-

to-date deficits.

10Y-3M yield spread at last inverted in October 2022. The aggressiveness of US Fed in raising the short-term policy rate has invariably resulted in the complete inversion of bond yield curve. Looking at various long versus short maturity spreads of the US Treasury (UST) issues, the last to invert was the 10-year against 3-month (10Y-3M) in late October 2022.

Chart 28: UST 10Y-3M Spread: Harbinger of Recession

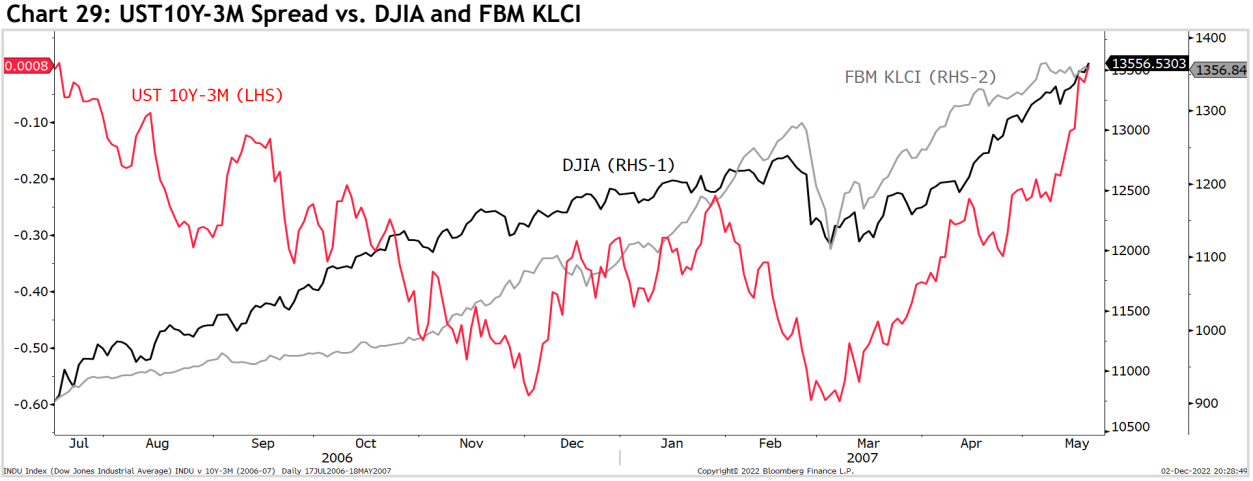


Sources: MIDFR, Bloomberg (G705)

US recession forthcoming between 1 or 2 years, empirically. It should be highlighted that the inversion of 10Y-3M spread serves as a potent signal of an impending economic recession, empirically within the ensuing 1 to 2 years. It correctly predicted all US recessions since at least the early 1970s. Hence, we can expect the US economy to be in a recession possibly in the final quarter of 2023 or by the final quarter of 2024.

Period between end of hikes and looming recession attractive for equity market... However, the intervening period between the end of US Fed rate hikes and the impending recession could prove attractive for equity market. This is principally due the unwinding or subsiding pressure on equity required return as the upside risk diminishes with the end of tightening cycle, while equity earnings remain buoyant as the supposed looming recession is still either one or two years away.

Chart 29: UST10Y-3M Spread vs. DJIA and FBM KLCI



Sources: MIDFR, Bloomberg (G702)

...such after mid-2006. The 10Y-3M spread began to turn negative in mid-2006 thus signalling a looming recession. The yield inversion occurred in the aftermath of an aggressive series of rate hikes totalling 425 basis points (1.00% to 5.25%) from mid-2004 to mid-2006. However, the equity market began to rally with the Dow Jones Industrial Average (DJIA) climbing from 10,700 points level in July 2006 to 13,500 points level a year later. Thenceforth, it risen further to pre-GFC (Global Financial Crisis) record of 14,100 points level in October 2007. Domestically, the FBM KLCI was also advancing from 900 points level in July 2006 to 1,300 points level a year later. Subsequently, it climbed further to pre-GFC record of 1,500 points level in January 2008.

Russia-Ukraine War

Contained theatre of war. The ongoing Russia-Ukraine war is expected to stay as that, an invasion by Russian military forces into Ukraine territory. Hence, the conflict is not foreseen to spread to other countries in the region.

Limited impact on Malaysia. Moreover, despite the heavy financial and trade sanctions imposed on Russia by the United States, the European Union and some of their allies, the economic blowbacks thus far vary from country to country depending on the level of their bilateral exchanges as well as the ability to re-channel trades. We believe this war would pose limited impact on Malaysia's economic and corporate earnings performance. Thus, it exerts limited bearing on equity market performance.

Escalation beyond Ukraine borders a low probability but high consequence event. However, any escalation that broaden the theatre of war into territories beyond the border of Ukraine would significantly magnify the potential fallout to the wider world. Hence, the more prolonged the conflict, the higher the chance that an accident may happen.

China Economy

Growth to lag Asian peers for the first time in decades. China's growth prospect remains beleaguered by its battered property market. Moreover, an export boom since mid-2020 is fast ebbing with the recent October 2022 figure recording a negative on-year growth. The market consensus GDP growth for this year has been lowered multiple times to 3.2% currently. For the first time since 1990, China's growth is likely to underperform the rest of Asia.

Intermittent impact on equity markets. Based on the latest (Bloomberg) consensus projection, China economic growth is expected to rebound to 4.9% in 2023. However, judging by the slew of underperformance this past year, the world's equity market may intermittently be beleaguered by worries over further weakness in China economy.

Authorities would spare nothing to deter broader fallout. Nonetheless, we believe the authorities in China would stand ready to inject the necessary liquidity (both monetary and fiscal) to deter broader economic fallout. Hence, it would also help to limit cross-border contagion. In this regard, it must be highlighted that the SHIBOR interbank rates have been trending downward since earlier this year and are approaching levels last seen during the onset of Covid-19 and global financial crisis in 2008/9.

Risk of secular growth not returning to previous levels. On a side note, what happening in China bears resemblance to the situation in Japan circa three decades ago. The then world's second largest economy began pumping money earnestly to avoid a systemic fallout from its weakening property sector and slowing economy. However, it thenceforth mired in subpar macro performance mainly due to structural factors such as rapidly ageing population and protracted real property price deflation.

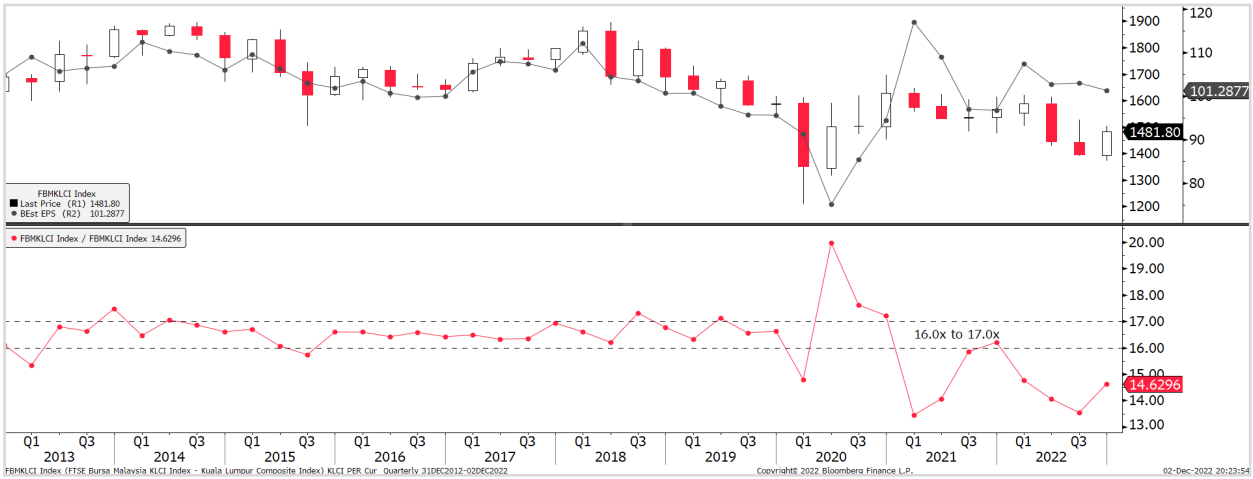
FBM KLCI end-2023 Baseline Target

Baseline scenario. Going into 2023, assuming baseline scenario in which,

(1) the US Fed is pivoting (hence result in unwinding pressure on equity required return), (2) risk of US recession is not insignificant (despite being either one or two years away), (3) no escalation in the Russia-Ukraine war beyond the borders of Ukraine (but the situation could change rather drastically), and (4) the authorities in China would be adept in handling its domestic economic situation (thus limiting the risk of cross border contagion),

Climbing the wall of worry. We foresee a situation whereby the equity market would becoming more bullish principally due to the unwinding or subsiding pressure on required return as the upside risk diminishes with the end of tightening cycle. On the flip side, the market would also be expected to tread cautiously due to the heightened risk of an impending US recession, the unsettling situation in Ukraine which could change rather drastically, as well as uncertainty surrounding the real situation of China economy. In gist, the market is foreseen to be climbing the proverbial wall of worry in 2023.

Chart 30: FBM KLCI: Price, Earnings & Valuation (Current Year) - 16.0x to 17.0x



Sources: MIDFR, Bloomberg (G568)

Normal target range. Empirically, the FBM KLCI traded normally at between 16.0x to 17.0x current year earnings. Accordingly, the end-2023 target point (based on the latest CY2023 earnings of 112.94 points) would range between 1,807 points to 1,920 points.

Expect valuation to remain below normal range in 2023. In 2023, we expect the equity market to be supported by a less hostile monetary environment. However, equity valuation would continue to remain subpar relative to its historical range due to the limiting factors discussed in above (i.e. risk of US recession, unsettling situation in Ukraine, and China economic uncertainty). In addition, we also foresee a downside risk to the prevailing consensus earnings forecast for 2023 which remains undented since the beginning of 2022 despite the emergence of multiple headwinds thenceforth.

Hence, we introduce our **FBM KLCI end-2023 target at 1,700 points** or PER23 of 15.0x.

STOCK SELECTION

Oil & gas sector as a theme for CY23. CY22 has seen crude oil prices moving in line with the volatility of the geopolitical tensions; adding into the already tight supply and depleting inventories worldwide. However, the tight supply is currently balanced by a slowdown in demand from China, amid its prevalent Covid-19 lockdowns, and going forward, demand might be affected by possible headwinds in CY23. Nevertheless, we expect Brent to average slightly lower to an average of USD92-96pb in CY23, on the basis of: (i) a stabilized oil and gas supply output to demand globally amid lower discoveries and the replenishment of inventories, (ii) lasting impact of geopolitical tensions on energy security, refinery throughputs and freight rates, (iii) inflationary pressures on material cost and consumer demand, and (iv) lower crude oil production by OPEC+. In line with the robust projection on the sector, we believe that the increase in exploration, drilling and production activities is boding well for our OGSE companies. As such, we believe that CY23 will see BM KLCI Energy Index to resume the trend against Brent crude oil prices to pre-pandemic levels, in consideration of the recovery in the sector as a whole.

Robust domestic demand as another. While it seems that global growth may face a slowdown next year, we expect that Malaysia's domestic demand will provide support to the economy fuelled by continuous upbeat consumer spending, moderation in price pressures, further improvement in tourism-related activities and possible revival of infra projects. Hence, we expect that consumer related companies, whether it is consumer staples, shopping related REITs or automotive will be a beneficiary of the consumer spending.

Downgrade one sector to NEUTRAL. We made 1 change to our sector calls, by downgrading the Plantation sector from POSITIVE to NEUTRAL. The summary of our sector calls are as follows;

POSITIVE: Automotive, Banking, Construction, Consumer, Healthcare, Media, Oil & Gas, REITs, Technology

NEUTRAL: Plantations, Power, Property, Telecommunication, Transportation

NEGATIVE: Gloves

Top ten picks reflect our view. For our top ten stock picks, it reflects our expectation that consumer related stocks will benefit from robust consumer demand in CY23. In addition, we expect that O&G players will likely benefit from an elevated oil prices. Hence, our top ten stock picks are as follows:

Table 5: Top Stock Picks (Rank by Total Returns)

	Rec.	Price (RM) @ 6/12	Target Price	Price Return	Dividend Yield	Total Returns	FBM ESG Rating	FTSE4Good?
Dialog Group	BUY	2.30	3.70	60.9%	1.8%	62.7%	****	Yes
Bumi Armada	BUY	0.50	0.80	60.0%	1.6%	61.6%	***	No
UMW Holdings	BUY	3.32	5.00	50.6%	4.1%	54.7%	***	No
Fraser & Neave	BUY	21.00	29.70	41.4%	3.3%	44.8%	****	Yes
Petronas Chemicals	BUY	8.50	11.77	38.5%	4.7%	43.2%	***	Yes
PPB Group	BUY	17.16	24.10	40.4%	2.3%	42.8%	***	Yes
AEON Co.	BUY	1.38	1.81	31.2%	4.3%	35.4%	*	No
Sunway REIT	BUY	1.45	1.73	19.3%	6.4%	25.7%	****	Yes
Inari Amertron	BUY	2.78	3.20	15.1%	4.8%	19.9%	****	Yes
QL Resources	BUY	5.56	6.30	13.3%	0.8%	14.1%	***	No

Sources: Companies, Bursa Malaysia, FTSE, MIDFR

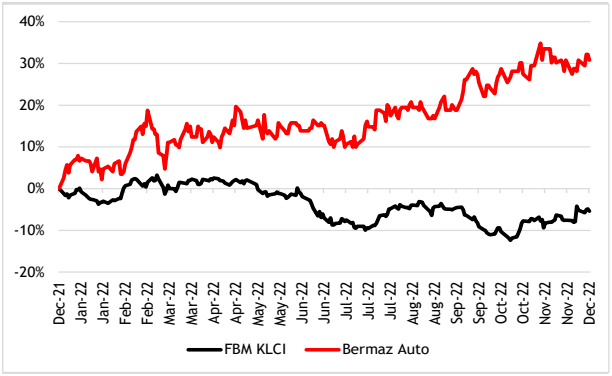
B. SECTORS OUTLOOK

I. AUTOMOTIVE

Cautiously optimistic.....Maintain POSITIVE

2022 looking like a very strong year. 2022 has been a strong recovery year, driven by a full year of production (vs. only circa 9 months production in 2021) as well as demand boost from the tax holiday which ran until 30th June 2022. As of 10MCY22, TIV registered at 577,902 units which was a strong +51%yoy growth. For the full year, we now expect TIV to register at a record high of 676K (+33%yoy). Throughout the year, the majority of auto players under our coverage outperformed consensus earnings expectations while share prices well outperformed the benchmark FBM KLCI's -5%ytd contraction. Given an exceptionally strong year, 2023 TIV is not expected to exceed that of 2022 significantly, but: (1) Sector earnings will be supported by easing cost pressures and a stronger Ringgit; (2) Relative to historical levels, we still expect 2023 TIV to remain elevated given a strong order backlog, reacceleration of new launches and sustained underlying macro improvements. We forecast 2023 TIV at 677K (+0.2%yoy).

Chart 31 & 32: Year-to-date Performance of BUY Calls in MIDF's Auto Sector Coverage



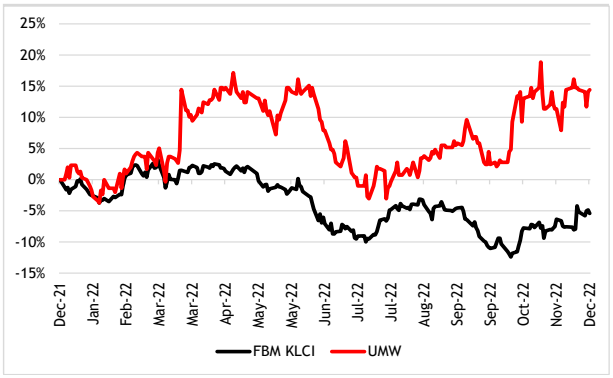
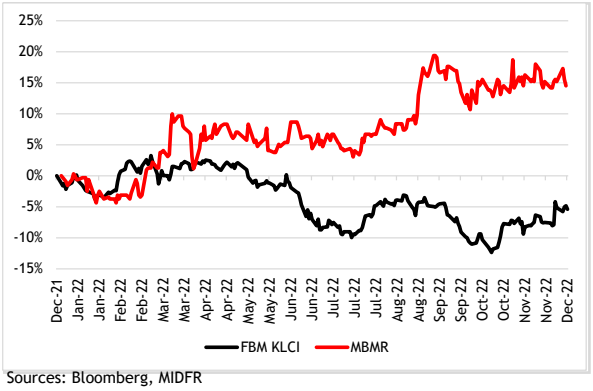


Chart 33: Year-to-date Performance of BUY Calls in MIDF's Auto Sector Coverage



Sources: Bloomberg, MIDFR

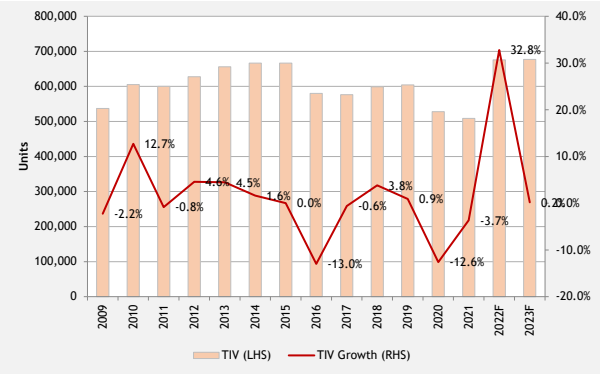
Order backlog remains elevated 5-months post-tax holiday expiry despite initial scepticism. Although demand up till end-June 2022 was largely driven by the tax-holiday, new booking momentum post-tax holiday has largely sustained, despite the initial scepticism earlier in the year. Five-months after expiry of the tax-holiday, order backlog remains elevated: (1) Perodua is still sitting on >200K order backlog, which remains similar to the levels back in August. This order backlog is equivalent to around 9 months of Perodua's average monthly TIV in 10MCY22 and accounts for ~80% of our 2023 Perodua TIV forecast. (2) Toyota's order backlog of >60K is equivalent to 7-8 months' worth of Toyota monthly TIV and makes up 70% of our 2023F. (3) Mazda's order backlog of >8K represents close to 7 months' worth of Mazda monthly TIV and makes up 57% of our FY23F. (4) Kia & Peugeot's collective

order backlog stands at 1.5K, equivalent to 5 months of collective monthly TIV for the 2 brands and accounts for 29% of our FY23F. Bear in mind that these are outstanding orders: (1) Prior to impact from new launches in the next 12 months; (2) Prior to reflecting new bookings that will continue to be collected throughout 2023. The large backlog prostrong revenue visibility moving into 2023.

New launches could underpin momentum further. Given a large order backlog and component shortages, most auto players have deferred new launches to 2023. We believe the re-acceleration of new launches will be another catalyst for the sector next year. Among the key brands, we note ageing base models like the Perodua Bezza and Axia, Toyota Vios, Kia Sportage, Kia Sorento and Honda CRV. For Mazda, a third CKD model is underway with the imminent localisation of the CX30 ahead of Chinese New Year 2023, which will allow more competitive price positioning of the model going forward.

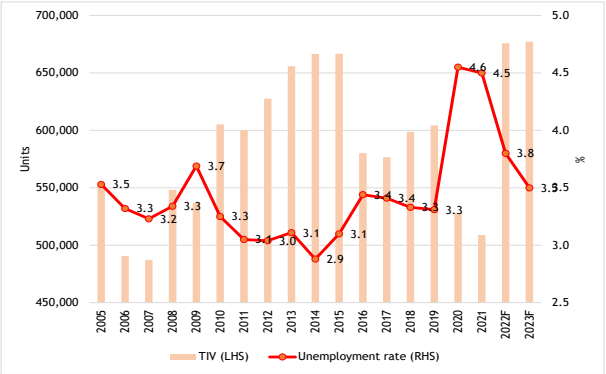
Easing inflationary pressure and labour market improvement should improve consumer spending power. From a broader macro standpoint, we believe domestic consumption will gain further traction in 2023. According to our economics team, real GDP is expected to grow by +4.2%yoy next year driven largely by a +6.6%yoy growth in private consumption. Unemployment rate is expected to improve to 3.5% from 3.8% this year while headline inflation is expected to ease to 2.3% from 2.8% this year. The confluence of sustained GDP growth, improving unemployment and easing inflation suggests potential improvement in consumer spending power in 2023, which should eventually trickle down to auto purchases, in our opinion. OPR is expected to remain in check at 3% in 2023 (from 2.75% end-2022), which merely reflects a normalisation in the interest rate cycle back to pre-pandemic levels (of 3.00%-3.25%) in line with the recovering economy.

Chart 34: Annual TIV Trend



Sources: MAA, BNM, MIDFR

Chart 35: TIV vs. Unemployment Rate Trend



Stronger Ringgit provides tailwind. 2022 largely saw a strengthening of the USD against the Ringgit and most other currencies given the Fed's aggressive monetary tightening. However, the trend has reversed particularly post-General Elections, with the Ringgit strengthening some +7.6% against the low of USD:RM4.75 in early-November. We project the Ringgit to strengthen to an average USD:RM4.30 in 2023 from USD:RM4.40 this year. A stronger Ringgit provides tailwind for the auto sector given exposure to USD-denominated import cost - UMW Holdings and Tan Chong are key beneficiaries. Meanwhile, the JPY remains weak at JPY(x100):RM3.30 which bodes well for JPY-exposed players such as Bermaz Auto.

Chart 36: USDMYR Trend

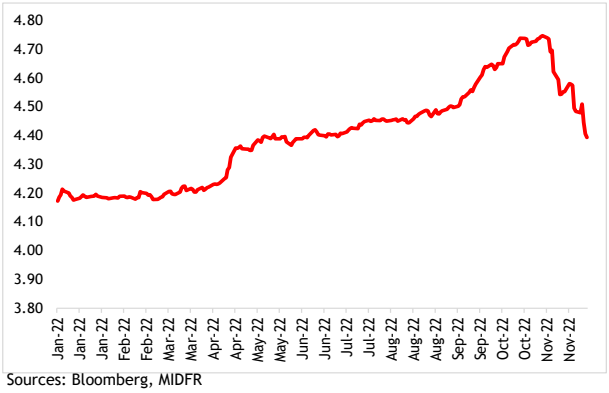


Chart 37: JPYMYR Trend



Sources: Bloomberg, MIDFR

Reprieve from easing cost. On top of favourable forex, we expect the easing of commodity prices, particularly steel, to ease the cost pressure for auto players. After hitting a 2022 peak of ~CNY5200/tonne in May, steel prices have progressively eased to the current CNY3677/tonne, which is broadly within the lower range of the past 5 years' price trend. A similar trend is seen for aluminium, which has seen prices come significantly off the peak and is at the lower price range of the past 5 year's trend. Additionally, easing global supply chain tightness should progressively lower logistics costs going forward, as seen by the easing in global freight rates and shipping costs.

Inventory levels remain low. Following almost two years of chip and component supply constraint, coupled with a strong rebound in demand, inventory levels remain very low in the industry. Our latest checks suggest players are on average still sitting on circa 1 month of inventory (vs. the usual 3 months), which should reduce the risk of price competition/discounting. Meanwhile, the used car market is still seeing solid demand with double-digit growth projected for CY22-24 by the Federation of Motor and Credit Companies Association of Malaysia, which suggests trade-in values should remain favourable for new car buyers.

Sitting on large net cash piles. From a more structural standpoint, auto players have built significantly large net cash reserves in the past 2 years – most auto players under our coverage (with the exception of Tan Chong Motor) are now sitting on net cash piles equivalent to 20%-30% of their market cap. This positions the sector well for: (1) Higher dividend payout; (2) Potential M&A-driven growth, particularly to tap on the early cycle adoption of new generation vehicles e.g., electric vehicles and autonomous vehicles, which can be both in the form of vertical or horizontal expansion.

Valuations remain depressed notwithstanding outperformance this year. We believe at current share price levels the market is still pricing in high risk for the auto sector – players under our coverage are still trading at 12%-40% discount to mean valuation. Additionally, share prices of auto stocks under our coverage are currently still below pre-pandemic levels despite having seen significant earnings recovery (to above pre-pandemic levels). The bulk of share price upside this year was driven by upward revision in consensus earnings rather than a valuation reversion to historical mean which has yet to materialise due to concerns on underlying demand momentum (beyond the tax-holiday driven demand) and cost pressures from a previously weakening RM trend, supply issues and elevated commodity & logistics cost. We believe valuations will eventually catch up with the sustained earnings and balance sheet improvement going forward.

We remain cautiously optimistic on the the auto sector premised on: (1) Strong revenue visibility underpinned by a large order backlog; (2) Re-acceleration of new launches; (3) Improving consumer spending power from easing inflation and sustained improvement in the labour market; (4) Gradual recovery in chip and component supply; (5) Easing underlying cost pressures from easing commodity prices and logistics costs; (6) Depressed sector valuation at 12%-40% below mean; (7) Large net cash piles driving higher dividends and inorganic growth

potential. **BAuto (BUY, TP: RM2.36)**, **MBM Resources (BUY, TP; RM4.60)** and **UMW (BUY, TP: RM5.00)** are our top sector picks. Key risks to our call are a worse than expected supply disruption, a weaker domestic macro backdrop and a weaker Ringgit.

II. BANKING

Tailwinds diminishing, but still positive for now.....Maintain POSITIVE

NIM compression due to deposit competition. We expect the effects of FD rate repricing should start kicking in by end-2022. CASA ratios have already rundown progressively but should steepen by then. We believe CASA ratios will normalise just above pre-pandemic figures, as banks have made a considerable effort to acquire sticky CASA during the pandemic. Do note that banks with sizeable exposures to the Indonesian market should be less impacted both interest spread and NIM downturns in 4QCY22, as banks have delayed repricing average lending rates (ALR) despite a fair number of rate hikes. We expect deposit competition should peak in 4QCY22 and 1QCY23, as the rush for liquidity is exacerbated by typical year-end deposit competition as well as the as option for MGS and MGII to be qualifiable for SRR target validity coming to an end. Deposit competition may start subsiding soon after. MIDF Research assumes a single rate hike for 2023, somewhere during 1QCY23.

Banks with sizeable OPEX lifted a tier higher. Sticky wage inflation and heightened tech spend are issues that should persist going in 2023. Tech spend is crucial for banks to maintain their competitive edge, as speeding up the product generation process and developing their ecosystem are necessary steps to preserve market share in an increasingly digitalised society. One core aim is to target the underserved and unserved community (this is central part of BNM's Financial Sector Blueprint) – though this segment's possible impact to earnings, however, is likely to be at the lower end.

Heavy recoveries and writebacks – skewing credit cost positively. Pertaining to Malaysian exposures, the vast majority of RA applicants have since graduated and are resuming payments. Current RA loan figures currently comprise of low single digit percentages of gross loans, and repayment trends are within-to-above expectations. We expect a fair amount of writebacks and recoveries. While macroeconomic outlook is not great, lower commodity prices, transport fees and further recovery to international travel bodes well for SME and corporate lenders of vulnerable sectors. WE believe a significant chunk of these overlays will be released mechanically, as banks usually implement a watch period for graduates that have resumed payments before releasing the associated overlays. This depends on borrower risk levels.

Better NOII trends. Several banks have already reported recovering fee income figures on the back of improved interest rate visibility and less volatile market conditions. We believe the recent election results should further improve market sentiment in the form of a more stable market sentiment. Investment income too, is no longer burdened by the effect of multiple consecutive rate hikes.

Maintain POSITIVE. While valuations are no longer as attractive, not all shares are fully priced in. Even though tailwind effects are thinning out, dividend yields offer a safe alternative to riskier sectors. Top picks are defensive names such as **Public Bank (BUY, TP: RM5.39)** and **HL Bank (BUY, TP: RM24.88)**, considering future economic downturns. We also favour **RHB Bank (BUY, TP: RM6.94)** due to its capital ratios being among the best industry, offering a buffer to funding issues in 4QCY22 as well as preserving its high dividend payouts.

III. CONSTRUCTION

Treading a delicate path.....Maintain POSITIVE

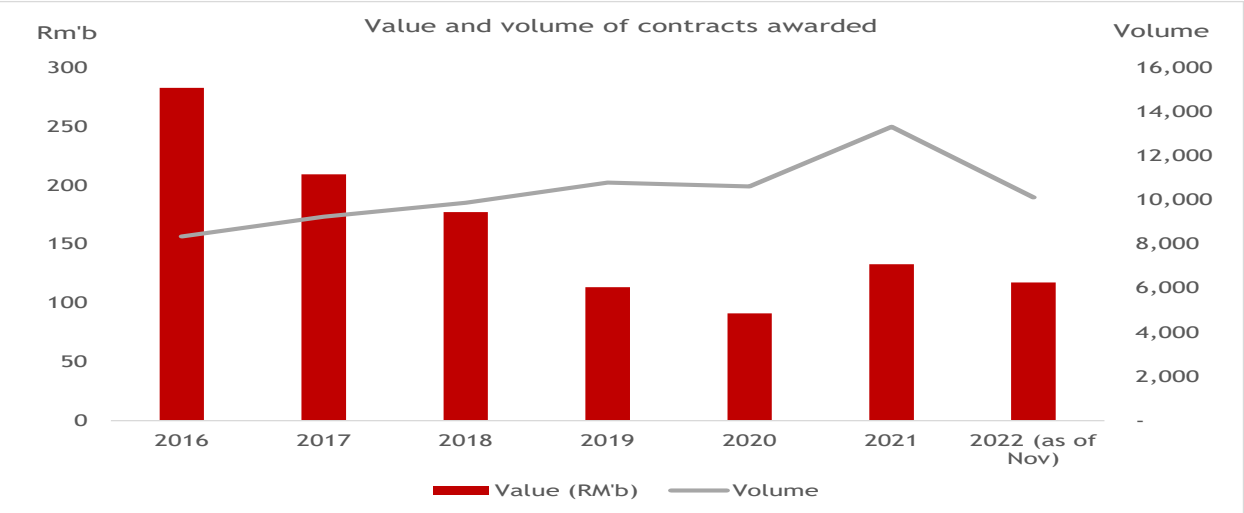
Tied to government policies. The performance of the construction sector has somewhat tied with government policies, especially on the types of infrastructure projects it decides to pursue. The previous political seesaw caused the sector to be rather dull due to the lack of large projects, on top of the onslaught of the pandemic. With the government now led by Pakatan Harapan, we expect the policy makers to be more prudent in government spending, which could see potentially a lower planned gross development expenditure for 2023 in the re-tabled budget. The initial Budget 2023 tabled in October had the highest gross development expenditure in the nation's history at RM95b, which was an increase of +32.3% from Budget 2022. We can also expect potential reviews of plans in the pipeline, which could either delay the execution progress or even termination of plans.

Operations at full capacity. Our economics team forecasted a +4.8% growth for the construction sector in 2023, a slight improvement over the expected +3.5% for 2022. With the lifting of Covid-19 restrictions, most contractors have begun ramping up their activities to high operational levels. This was evident in 3QCY22 as the sector maintained its second consecutive quarter of GDP growth at 15.3%yoy. The value of work done rose +23.2%yoy to RM30.5b, driven by work done on non-residential buildings (37.7%), special trades activities (32.2%), residential buildings (17.8%) and civil engineering (14.6%) subsectors. The issue of insufficient foreign labour, one which has hampered progress, is also abating as contractors are starting to receive the applied foreign workers.

Enough orderbook for the year. Though we expect a possible delay in rollout of projects or potential terminations in 2023, the current outstanding order book levels for companies under our coverage are sufficient to tide them through the year. Job flows have been on the decline from RM283.02b in 2016 to RM91.35b in 2020. It rose to RM133.14b in 2021 and as of Nov-22, RM117b of contracts have been awarded. There is a disparity in the value of projects versus the volume, which goes to show that although there were more contracts, the value of those jobs was smaller. Back in 2016, there were only 8,353 number of contracts awarded as compared to 10,133 as of Nov-22. We expect the rollout of MRT3 to boost the quality of the job flows, especially at the second-tier level.

Focus on crucial projects. We opine that crucial projects will be given the go ahead without much hassle, such as basic infrastructure, flood mitigation projects, hospitals and schools. We expect quite a substantial

Chart 38: Value and Volume of Contracts Awarded



Sources: CIDB, MIDFR

allocation for developments in East Malaysia, especially roads. Sarawak for example, has a need for about 7,530km of new roads while 3,487km need upgrading, just to ensure that the whole state is fully connected. Over in Sabah, we can expect the federal administration to centre on the progress of the Pan Borneo Highway. It is now at 65% completion stage, which way behind the 86% that has been achieved in Sarawak. In terms of flood mitigation projects, we believe the inputs in Budget 2023 will be carried through by the new administration given its priority. Among allocations highlighted in the budget were RM2b for the construction of dual-purpose reservoir along Klang River and Rasau River, RM562m for Sabo Dam projects at 46 locations and RM500m for the additional phase of the integrated river basin management in Sungai Golok. For education necessities, allocations include RM1.1b for maintenance and upgrading of schools, RM1.2b for upgrading dilapidated schools in East Malaysia and RM430m to build five new schools. Healthcare projects include RM2.22b for the construction and upgrading of hospitals and clinics, including the purchase of new equipment.

The fate of mega projects. This is a delicate path that the government is treading, at a time when coffers are stretched, but such projects are needed to pump prime the economy as construction brings about among the highest economic multiplier effect. In Malaysia, contractors are eagerly waiting for the announcement of the MRT3 tender winners, which is expected to be in 4QCY22. There are no indications of such announcement yet as at time of writing and we are not discounting the possibility that there may be a slight delay. We opine that termination will not be on the cards, as it is crucial final piece to complete the urban rail network in Klang Valley. The total construction cost of MRT3 is RM34.2b. We estimate that CMC301 (6km elevated works) will cost RM3.1b, CMC302 (27 km elevated, 0.7km underground) will cost RM14.8b and CMC303 (7.1km elevated, 10km underground) will cost RM16.3b. Potential changes, if any, could be some amendments to its alignment but even that is unlikely at this juncture. As for the previously scrapped KL-Singapore High Speed Rail (HSR) that was brought up for discussion again between the transport ministries of both countries, we expect it to be placed in the back burner for now. We are also expecting that the three highways that were given approval in principal earlier this year - Petaling Jaya Dispersal Link, Bangi-Putrajaya and Kuala Lumpur Northern Dispersal Expressway – will be reviewed as questions were previously raised on its tender methods, concessions and the terms and conditions.

Maintain POSITIVE. We are holding on to our POSITIVE view on the construction sector, though tilting towards a cautiously optimistic stance, due to the uncertainties when it comes to the rollout of mega infrastructure projects, that may undergo reviews or delays. Otherwise, we find that the stumbling blocks that were affecting the sector have been diminishing, such as the foreign labour issue mentioned above and the high building material prices which although still elevated, have been on a declining trend. Based on figures lifted from the Department on Statistics Malaysia (DOSM), we computed that the average steel bar prices peaked in June-22 at RM3,901.81 and has dropped for four consecutive months. The last official price as of Oct-22 was RM3,663.54 per tonne, which was a -6.5% decline. Cement prices have roughly stabilised at an average of RM21 per bag of 50kg. It also declined during the period, but only by -1.2% from RM21.05 in June-22 to RM20.81 in Oct-22. Our preference in the sector are still the bigger names with robust balance sheets and considerable overseas presence. They are **Gamuda (BUY, TP: RM4.71)**, **IJM Corp (BUY, TP: RM1.93)** and **Sunway Construction (BUY, TP: RM1.87)**.

IV. CONSUMER

Benefitting from falling commodity prices.....Maintain POSITIVE

Better employment and income prospects in CY23. The Department of Statistics Malaysia ("DOSM") reported the unemployment rate for 3QCY22 was at 3.7% with a labor participation rate of 69.4% in 3QCY22. This was mainly due to the various job initiatives introduced by the government to boost employment prospects. This includes JaminanKerja and MYSTEP initiatives. Based on DOSM, the median monthly salary and wage for 2021 improved by +9.1%yoy to RM2,250, and Malaysia's real wage growth expanded by +6.6%yoy. Moving forward, we

believe that nominal wage growth in Malaysia will perform better. This is supported by the implementation of a higher minimum wage of RM1,500 per month beginning on May 22. Also, MIDFR's economists are expecting the unemployment rate to continue to decrease to +3.5% in CY23. The strengthening prospects for income and employment ahead will encourage consumer spending and hence favorable for consumer staple companies under our coverage.

Retail spending remained robust despite high inflationary pressure. Based on DOSM, retail trade for September 2022 increased by +30%yoy to RM57.6b (Charts 39-40). Cumulatively, retail consumption increased to RM484.5b in 9MCY22 as compared to RM391b in 9MCY21 and RM399.1b in 9MCY19. This shows that retail sales in 9MCY22 surpassed pre-pandemic levels and have been on an upward trend since movement control order was relaxed. The positive trend was in line with the better consumer sentiment. Note that Consumer Sentiment Index (CSI) from the Malaysian Institute of Economic Research (MIER) increased from 85.9 points in 2QCY22 to 100.0 points in 3QCY22. Meanwhile, MIDFR's economists anticipate that private consumption growth will continue to increase in CY23 at a rate of +6.6%, while GDP is expected to increase by 4.2%. Hence, based on our projection, we expect local consumer staples and general merchandise stores like AEON (BUY, TP: RM1.81) will continue to see strong top-line growth in CY23 supported by the upward momentum of domestic consumption. We forecast revenue growth of 3.0%–8.0% for CY23 for companies such as Nestle (NEUTRAL, TP: RM137.80), F&N (BUY, TP: RM29.70), Leong Hup (BUY, TP: RM0.80), AEON (BUY, TP: RM1.81), QL Resources (BUY, TP: RM6.30), and Spritzer (BUY, TP: RM2.64).

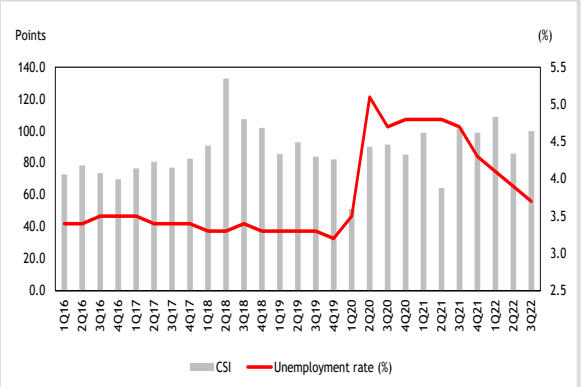
Falling commodity prices provide relief on the margin. Since the beginning of CY22, price of commodities had been rising mainly due to Russia-Ukraine conflict and global supply chain issue (Charts 41-44). For instance, we saw a sharp increase in wheat (+30.6%yoy), white sugar (+2.2%yoy), crude palm oil (+16.9%yoy), robusta (+18.5%yoy), skimmed milk (+22.9%yoy), soybean (+30.6%yoy), and corn (+4.7%yoy). The increased raw material prices had hurt margins of consumer businesses. This was further dragged by the increase in the natural gas tariff, minimum wage hikes to RM1,500, as well as strengthening in USD against RM, all of which raised input costs. Hence, the company modifies its prices to partially pass on the cost increase. We gather that consumer staple companies have more room than consumer discretionary in adjusting prices while having little or no impact on demand. As of 30 November 2022, prices of global agricultural commodities have fallen (Chart 3 – 6), which is in line with our-in-house expectation that CPO prices to average at RM3,500 per tonne in 2023 from RM5,000 per tonne in 2022. As such, we anticipate lower input costs and better operating margin for consumer companies. Furthermore, our in-house economists predict the USD/RM to average RM4.30 in CY23 as compared to RM4.40 in CY22 and RM4.14 in CY21. This could further reduce input costs as most of the raw materials are purchased in USD.

Reiterate POSITIVE on the consumer sector. We remain optimistic about the sector for CY23's outlook, underpinned by: (1) better income and job prospects, which may encourage consumer spending, (2) continued growth in consumer spending supported by favorable private consumption and GDP growth in 2023, and (3) better margins supported by the easing in global commodity prices and depreciation of USD against RM.

Our top BUYs for the sector are **QL Resources (BUY, TP: RM6.30)**, **F&N (BUY, TP: RM29.70)**, and **AEON (BUY, TP: RM1.81)**. We favor QL Resources as we believe QL will benefit from the rising demand for marine products as well as global shortage of chicken and eggs. We also like F&N as we think that the group can continue to profit from out-of-home activities as well as our optimistic outlook regarding the group's initiative to enter an integrated dairy farm through the recent acquisition of Ladang Permai Damai. We like AEON because we think that the general merchandise store (GMS) will continue to see steady sales

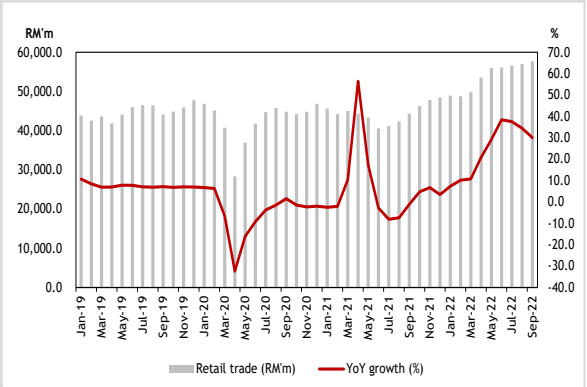
ahead as they are trading daily essential goods.

Chart 39: Malaysia's Consumer Sentiment Index



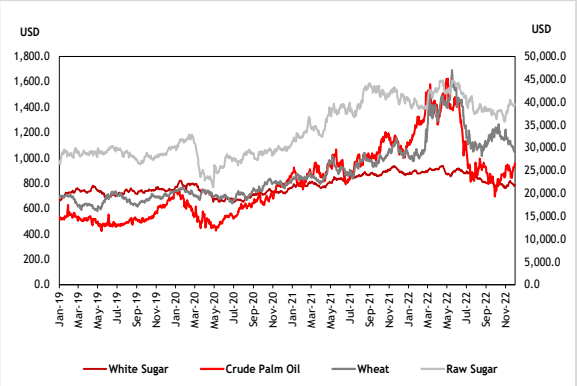
Sources: MIER, DOSM, MIDFR

Chart 40: Malaysia's Monthly Retail Trade (RM'm)



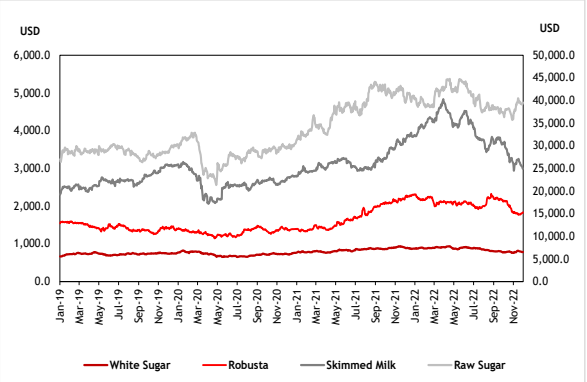
Sources: DOSM, MIDFR

Chart 41: Price Trend of Raw Materials for Food Producers (USD/mt)



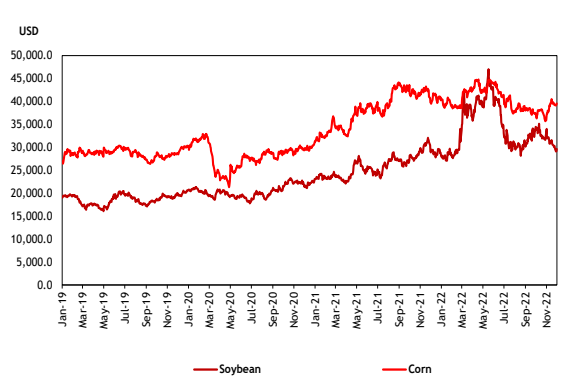
Sources: Bloomberg, MIDFR

Chart 42: Price Trend of Raw Materials for Beverage Producers (USD/mt)



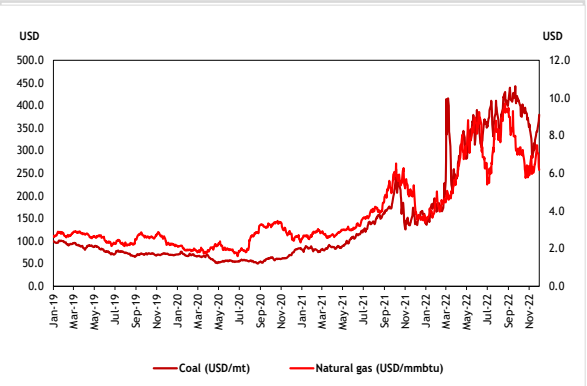
Sources: Bloomberg, MIDFR

Chart 43: Price Trend of Raw Materials for Poultry Players (USD/mt)



Sources: Bloomberg, MIDFR

Chart 44: Price Trend of Coal & Natural Gas (USD/mt)



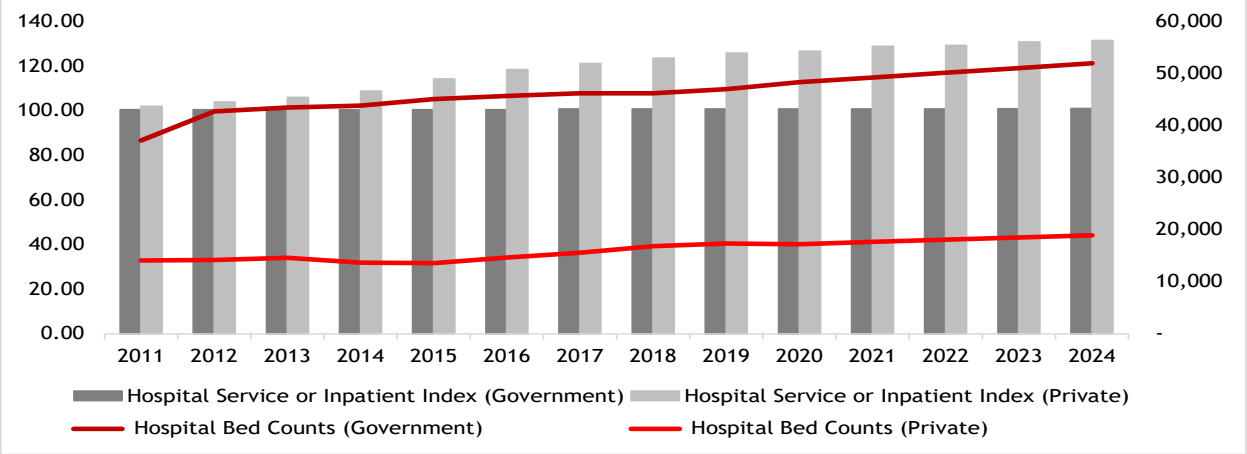
Sources: Bloomberg, MIDFR

V. HEALTHCARE

Post-pandemic resilience.....Maintain POSITIVE

Healthcare providers' operations back to pre-pandemic levels. With Covid-19 no longer an imminent threat to hospital operations, we opine that the hospital operations will be shifting towards treatments for non-communicable diseases (NCDs); more so with the increase in aging population in our local front. The return of healthcare tourists is also anticipated, as domestic and international borders are now fully open and will remain so well into CY23. All things considered, we believe healthcare providers, hospitals, clinics and specialised care institutions will maintain its resiliency on the strength of: (i) the return of patients for non-Covid treatments, care, surgeries and deliveries, (ii) the reopening of borders allowing medical tourists to seek treatment in local hospitals and healthcare centres, and (iii) the increase in aging population coinciding with the increase in demand for NCD treatments and hospice care.

Chart 45: Government and Private Hospital Beds and Inpatient Index (Forecast)



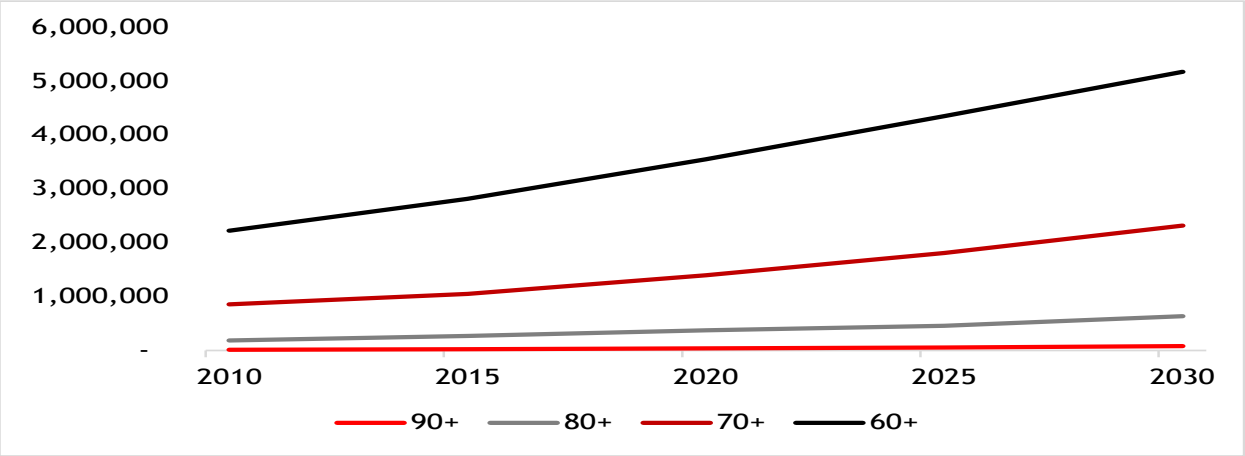
Sources: Macrobond, MIDFR

Risks on medical equipment and pharmaceuticals. Despite the strong outlook on hospitals and clinics, the turbulent semiconductors market expected in CY23 will put the sector into pressure on finding revenue, most particularly for the medical devices and digital healthcare. Malaysia, while continuously improving on the access to all healthcare services, are not 100% equipped with the latest technology to cater for specific care and operations, and as such, the scarcity of new medical devices and the maintenance of older equipment is an issue that we believe will be improved more by CY23. The increase in interest rate hikes will also impact on the raw material supply for the manufacturing of pharmaceutical products. Nevertheless, we are expecting that the local government to continue to upskill in increase the accessibility and diversity of pharmaceutical products, under the guise of its relentless support on the local healthcare sector for the benefit of Malaysian citizens. We believe the governmental support on the sector will continue into CY23.

Maintain POSITIVE with caution. All in all, we maintain our positive stance on the healthcare sector, with deep caution on the disruptions that may occur due to: (i) interest rate hikes, (ii) semiconductor shortages, (iii) increasing labour cost, and (iv) continuous geopolitical tensions. We believe these risks, however, will be offset by the increasing demand for hospital treatments in line with the lessened severity of Covid-19 infections and increasing aging population, hence increasing rate of NCDs. On this note, our TOP PICK remains to be **IHH Healthcare (BUY, TP: RM7.65)** and **KPJ Healthcare (BUY, TP: RM1.39)**; given both firms' robust financial health forecasted on the strength of (i) returning inpatient

visits to its hospitals and recovery of medical tourism, (ii) continuous resiliency in its local and foreign businesses, and (iii) increasing demand for NCDs treatments in line with the endemic phase of Covid-19 and the increasing aging population.

Chart 46: Malaysia's Aging Population (Forecast)



Sources: Macrobond, MIDFR

VI. MEDIA

Stay resilient.....Maintain POSITIVE

Media players scored better than data from Nielsen. While market research firm Nielsen Malaysia's advertising expenditure (adex) data have been the industry indicator to estimate media industry earnings and business performance, there were some incongruities between the growth or decline rates in Nielsen Malaysia's data and the media companies' real sales, even before the digital disruption in the middle of 2010s. Up to the first half month of the year, Nielsen Malaysia's data portrayed that ad spend on Malaysia's traditional media prior to discounting factor dropped by -6.5%yoy. Nonetheless, referring to Media Prima Berhad (MPB)'s 1HFY22 income statement, the overall ad sales grew by +8.6%yoy while the broadcasting division's sales climbed by +14.5%yoy. Seeing this, we believe that other interesting initiatives from the media company, like leveraging into omnichannel, should also be considered.

Omnichannel strength. Offering an omni-channel platform is challenging yet provide a great catalyst to media players as it is still growing and highly needed in this digitalisation era. According to Grand View Research, the global omni-channel retail solutions market size was valued at USD5.96b in 2021 and is anticipate to grow at a compound annual growth rate (CAGR) of 13.6% from 2022 to 2030. Thereby, it is not a surprise to view that MPB total adex, improved +7%yoy due to Omnia, its integrated advertising solutions platform covering broadcasting, print, digital and outdoor. Since Omnia numerous collaborations with global brands such as Samsung, Shopee, Lazada, Foodpanda, Disney+ Hot Star, greatly benefitted the companies in terms of experiencing rapid growth in Malaysia (eg Samsung's advertising via Media Prima content, platforms and products has grown 225% since Omnia's inception in 2020), we believe leveraging in this omnichannel provide strength for media companies to perform better in 2023.

State of home shopping. Based on the recent quarterly results, the sales from MPB's home shopping segment WOWSHOP declined significantly by -50%qoq attributable to cautious consumer spending amidst inflationary pressures and competition from other options available to consumers following the relaxing of movement restrictions during the year. Best selling products for the quarter are mostly big-ticket

appliances such as Sincero Cordless Cyclone Vacuum Cleaner X5 Pro, which has a warranty up to a year. This reaffirmed the idea that home shopping trend likely stay under pressured in an inflationary environment. Though this business segment is not a major contributor to the Group, its performance could drag the overall earnings. Nonetheless, MPB is planning to revamp its Wow Shop 2.0 as such working with the Omnia division to leverage on the group's existing platforms. Therefore, we opine that home shopping division will not continue to be suppressed as hard as it is now, once inflation recede.

Maintain POSITIVE. Despite the ongoing macroeconomics headwinds, we maintain our POSITIVE view on this sector. This is because we believe our media companies still have opportunity to grow such as MPB leveraging on their great OMNIA expertise to allow their global partners to achieve amazing milestones and home shopping trend may be softer in this inflationary period, until economy return to normalcy. Our top picks for this sector remain to be **Media Prima (BUY, TP: RM0.60)** for its Omnia platform and **ASTRO (BUY, TP: RM1.03)** for its attractive dividend yield of 8.4%/9.6% for FY22/23F.

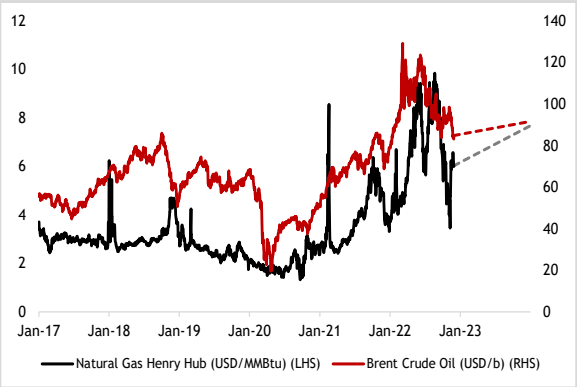
VII. OIL AND GAS

Oil prices expected to stabilise amid tight supply but controlled demand…..Maintain POSITIVE

Tight supply to continue looming in the market. The Russia-Ukraine war, as well as disputes in the East Asian region had escalated since early CY22, and had shown little signs of backing down completely deescalating. While the conflicts are still ongoing, crude oil prices had been moving in line with the volatility of the geopolitical tensions; adding into the already tight supply and depleting inventories worldwide. The tight supply is currently balanced by a slowdown in demand from China, amid its prevalent Covid-19 lockdowns, and will remain such into CY23. We forecasted Brent to average slightly lower to an average of USD92-96pb in CY23, on the basis of: (i) a stabilized oil and gas supply output to demand globally amid lower discoveries and the replenishment of inventories, (ii) lasting impact of geopolitical tensions on energy security, refinery throughputs and freight rates, (iii) inflationary pressures on material cost and consumer demand, and (iv) lower crude oil production by OPEC+.

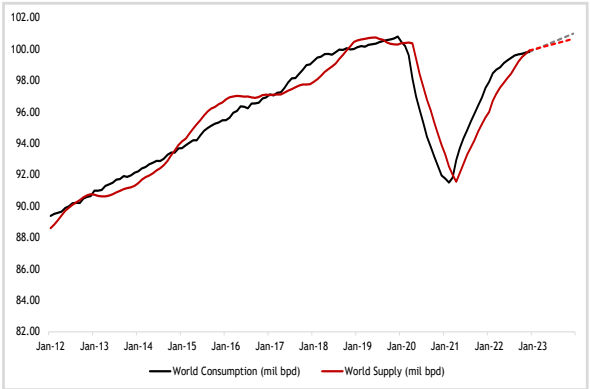
Impact of geopolitical tensions remain major risk. As the world shifted from the Covid-19 pandemic to small clustered endemic, the sector is set to resume in its operations on all levels. The laxed border restrictions had regained the mobility of OGSE workers and consumers, consequently pushing for more petroleum products to be available in the market. However, geopolitical tensions will continue to have a significant impact on the midstream, while a continuous interest rate hike will be a challenge to downstream operations. Russian oil exports are expected to reach a price cap lower than what the Urals are trading in CY22 (approximately USD55-60pb), while the EU continues to sanction Russian gas flow, which imbalanced the supply-demand dynamics further. Nonetheless, OPEC+ recently announced to maintain its supply output, which signalled that the price cap had little effect on the overall crude oil supply. Hence, we opine that oil supply by OPEC and non-OPEC nations will continue to be on a manageable level, save for oil producing countries with internal conflicts, in line with a demand recovery in commercial petroleum expected in CY23.

Chart 47: Brent Crude Oil & Henry Hub Natural Gas (Forecast)



Sources: Macrobond, MIDFR

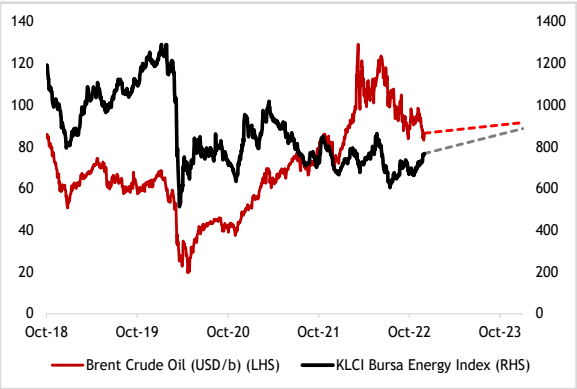
Chart 48: Global Oil Supply and Demand (Forecast)



Sources: Macrobond, MIDFR

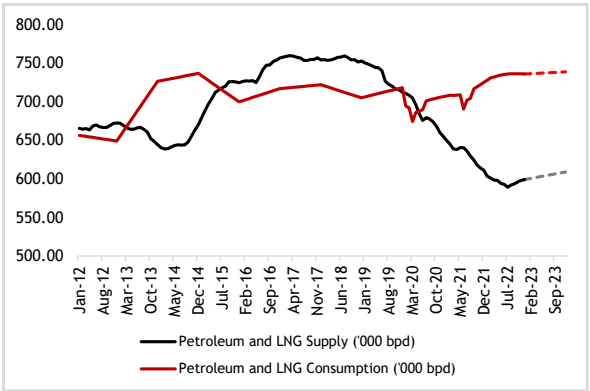
Local players to leverage on increased activities. In line with the robust projection on the sector, we believe that the increase in exploration, drilling and production activities is boding well for our OGSE companies, albeit limited projects due to the deferment and delays caused by the pandemic. We are expecting the upstream to continue benefitting OGSE companies, with opportunities to secure projects in a timeline of 3-5 years. Meanwhile, Malaysia's consumption of petroleum products is expected to remain elevated in CY23, while supply is projected to follow up with the higher demand, as crude oil and natural gas prices are trading on a stable plane. We also believe that CY23 will see KLCI Energy Index to resume the trend against Brent crude oil prices to pre-pandemic levels, in consideration of the recovery in the sector as a whole.

Chart 49: Brent Crude Oil v KLEN (Forecast)



Sources: Macrobond, MIDFR

Chart 50: Malaysia's Petroleum & LNG Supply and Demand (Forecast)

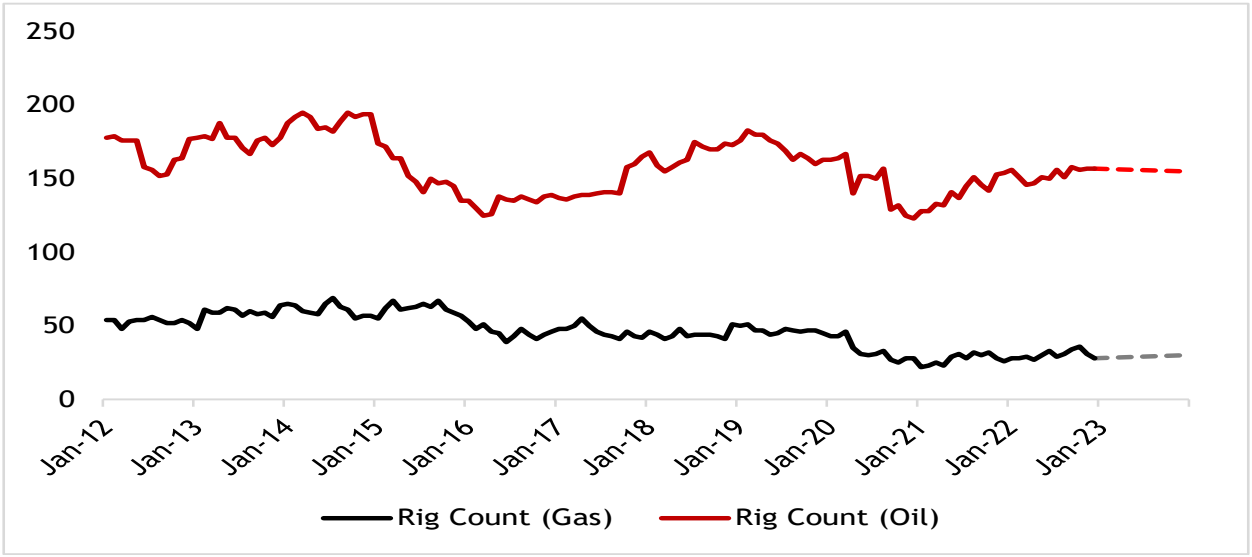


Sources: Macrobond, MIDFR

UPSTREAM - possibly more demand. Exploration and production (E&P) projects that were deferred and delayed due to Covid-19 lockdowns and subsequent strict regulations, had begun commencing in early CY22. Given that E&P operations take at least 3 years to extract a commercial volume of crude hydrocarbon from wells, we expect that the upstream will be resilient albeit the possibility of crude oil prices to be volatile between USD80-100pb due to ongoing geopolitical conflicts and tight global crude supply. As such, we are not expecting rig counts in Asia Pacific to surge significantly next year, despite the ramping up in E&P activities. OGSE companies is expected to be in high demand in tandem with improvement in drilling and well completion activities; subsequently increasing the support on material growth and pricing. Considering that OGSE makes up most of the O&G companies in Malaysia, we opine that companies with affiliation to the upstream will be seeing more demand for its services in CY23. The challenges, however, continue to be labour shortages and project divestments, as well as global

inflation and supply chain disruption caused by increased raw material prices.

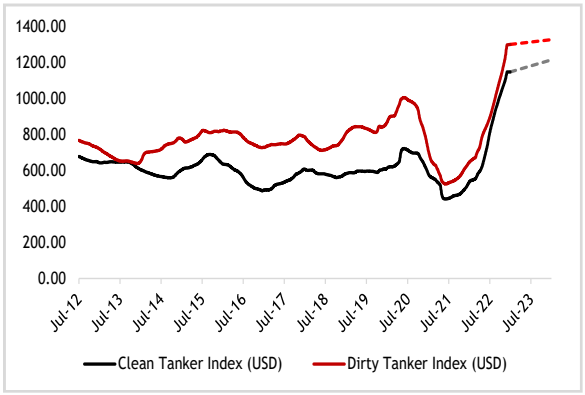
Chart 51: Asia Pacific Rig Count (Forecast)



Sources: Macrobond, MIDFR

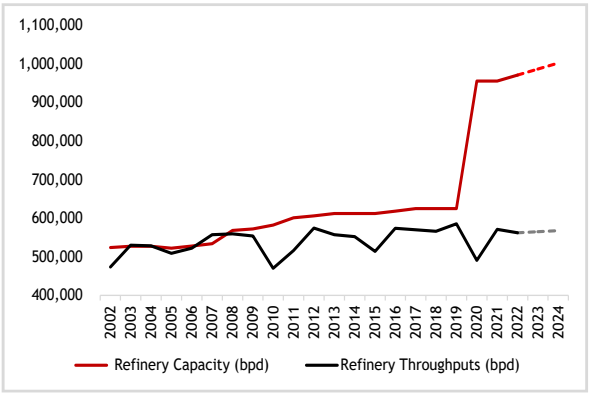
MIDSTREAM - LNG demand is expected to remain strong, with demand rising for Europe and Asia. As such, we believe freight demand for LNG carriers and FPSOs will increase in CY23 in tandem with an elevated but stabilised tanker rate; with offset from higher raw materials prices required for maintenance and dry-docking. Storage farms for petroleum oil are also expected to improve in utilization, as crude oil prices are expected to stabilize in a pricing band higher than the oil and gas operations' optimum band of USD50-70pb, but lesser than USD100pb on average. Despite the anticipation of robust midstream operations, transport services are expected to raise selling prices in order to offset the cost of inflation, freight rates and taxes. The volatility of crude oil and natural gas prices remains to be the major risk to the midstream, with extreme weather and geopolitics to be a high uncertainty.

Chart 52: Baltic Tanker Rates Index (Forecast)



Sources: Macrobond, MIDFR

Chart 53: Malaysia's Refinery Capacity and Throughputs (Forecast)



Sources: Macrobond, MIDFR

DOWNSTREAM – expected to remain robust. The lower threat of Covid-19 infection has reopened and readjusted the economy to near pre-pandemic levels. Domestic and international travels are now allowed, allowing manufacturing and industrial operations to pick up. As such, we believe that retail and commercial fuels continue to be in high demand in CY23. The petrochemical subindustry is also anticipated to remain robust in our local front, as Pengerang Integrated Complex – the primary hub for petrochemical in the region – is expected to be in full operating capacity by mid-CY23. While fuel products, such as Mogas, Diesel and Jet A1 are expected to continue in an upward trend in line with demand growth and continued government subsidies, uncertainties remain on petrochemical products on the back of the uncertainties regarding China's economic reopening past its strict Covid-19 policies. Additionally, inflationary pressures on feedstock prices and freight rates, as well as a volatile crude oil and natural gas prices, remains a challenge in the coming year.

Maintain POSITIVE. Despite the uncertainties pertaining the geopolitical tensions escalating the issues ininto a possible energy crisis, as well as inflationary pressures affecting global demand, we reiterate our positive outlook for the sector. Post-pandemic, activities in the upstream had been picking up, and is expected to continue well into CY23, and while midstream and downstream are expected follow suit, the downside to the forecast remains to be: (i) continuous lockdown impact on China's demand for upstream and downstream products, (ii) global monetary tightening attributable to increasing inflation affecting raw material prices and freight rates, (iii) unresolved geopolitical issues in Europe, Middle East and East Asia threatening volatility in crude oil and natural gas prices, and (iv) ongoing of global crude oil supply tightening. Our TOP PICKS for the sector are **Deleum (BUY, TP: RM0.98)** for Upstream, **Bumi Armada (BUY, TP: RM0.80)** for Midstream and **Petronas Chemicals (BUY, TP: RM11.77)** for Downstream. We like these companies for their: (i) robust orderbook and balance sheet, (ii) resilient operations amid high crude oil price volatility and other uncertainties, (iii) strong business model and sustainability strategies, and (iv) healthy cashflows.

VIII. REITS

Bright outlook.....Maintain POSITIVE

Positive earnings momentum to sustain in CY23 for retail REIT. For the recently concluded 3QCY22 earnings season, most of the REITs especially retail REITs reported earnings recovery due to lower rental support to tenants. While we expect 4QCY22 earnings to remain strong due to festive shopping spree and year-end holiday season, we see earnings outlook for retail REIT to remain bright in CY23 due to improving outlook for rental reversion and tenant sales. In this context, we expect REITs with established malls in Klang Valley such as IGB REIT and Sunway REIT to record positive rental reversion as shopper footfall recovered close to pre-pandemic level.

Stronger recovery for hotel industry in CY23. REITs with exposure to hotel industry namely Sunway REIT and KLCCP Stapled Group reported improved performance for its hotels in 3QCY22 due to improved Average Room Rate (ARR) on the back of increased domestic travel and higher tourist arrivals. We expect hotel industry to recover further in CY23, in tandem with recovery of tourism industry. Upside potential for hotel industry in CY23 includes more country border reopening in CY23 particularly China as that will lift tourist arrivals significantly and boost the recovery of hotel industry.

Industrial segment to remain solid. Performance of Axis REIT with high exposure to industrial assets was solid, unfazed by Covid-19 pandemic as tenants of industrial assets remain operating during lockdown period. Besides, rental reversion is positive as demand for logistics warehouses remains high, driven by surge in e-commerce. Moving into CY23, we expect performance of industrial assets to remain solid and rental reversion to remain in

Moving into CY23, we expect performance of industrial assets to remain solid and rental reversion to remain in positive territory. While there are more REITs venturing into industrial segment which could make acquisition yield to compress slightly, we still see room for growth in this segment due to solid demand for industrial space.

Muted outlook for office sector. Office sector in Malaysia has been plagued by oversupply in office space for years. The situation was further exacerbated by Covid-19 pandemic as demand for office space was weaker due to flexible work arrangements. As Malaysia is transitioning from Covid-19 pandemic to endemic, more workers are back in the office and that has supported demand for office space. Nevertheless, we see outlook for office sector to remain muted in CY23 as supply of office space remains elevated with new supply coming from Menara Merdeka 118 and Exchange 106 in Tun Razak Exchange. Hence, we see flattish or slight negative rental reversion for office sector in CY23.

Maintain POSTIVE on REITs. We maintain our POSITIVE stance on REITs as we expect REITs to continue post earnings recovery in CY23 mainly driven by retail and hotel segments. Our top picks for the sector are **IGB REIT (BUY, TP: RM1.78)** and **Sunway REIT (BUY, TP: RM1.73)** as earnings of the two REITs will be underpin by positive rental reversion of Mid Valley Megamall and Sunway Pyramid as well as higher shopper footfall.

IX. TECHNOLOGY

A secular growth industry.....Maintain POSITIVE

Global semiconductor industry cuts their estimates. The Worldwide Semiconductor Market (WSTS) (in their latest November 2022 update) has lowered its 2023 growth estimation on global semiconductor market to USD557b or -4.1%yoy, owing to weaker Memory segment (-17%yoy). This was dragged by rising inflation coupled with weaker demand from end markets, especially those involved with consumer spending. On a side note, other products categories are expected to record a single digit growth in 2023, led by Optoelectronics and Sensors, both at+ 3.7%yoy, followed by Discrete Semiconductor at +2.8%yoy and Analog IC at +1.6%yoy. Geographically, all regions are expected to show slow growth in 2023, except for Asia Pacific, which is projected to contract by -7.5%yoy. Despite the weaker than expected outlook from the industry estimate, we remain sanguine on technology companies as chips remain a crucial component in almost all components, from smartphones to personal computers, cars and data centre servers which are highly needed to stay relevant in this digitalized world.

Table 6: WSTS Forecast Summary

Fall 2022	Amounts in USD'm			YOY Growth in %		
	2021	2022	2023	2021	2022	2023
Americas	121,481	142,138	143,278	27.4	17	0.8
Europe	47,757	53,774	54,006	27.3	12.6	0.4
Japan	43,687	48,064	48,280	19.8	10	0.4
Asia Pacific	342,967	336,151	311,005	26.5	-2	-7.5
Total World - USD'm	**555,893**	**580,126**	**556,568**	**26.2**	**4.4**	**-4.1**
Discrete Semiconductors	30,337	34,098	35,060	27.4	12.4	2.8
Optoelectronics	43,404	43,777	45,381	7.4	0.9	3.7
Sensors	19,149	22,262	23,086	28	16.3	3.7
Integrated Circuits	463,002	479,988	453,041	28.2	3.7	-5.6
Analog	74,105	89,554	90,952	33.1	20.8	1.6
Micro	80,221	78,790	75,273	15.1	-1.8	-4.5
Logic	154,837	177,238	175,191	30.8	14.5	-1.2
Memory	153,838	134,407	111,624	30.9	-12.6	-17
Total Products - USD'm	**555,893**	**580,126**	**556,568**	**26.2**	**4.4**	**-4.1**

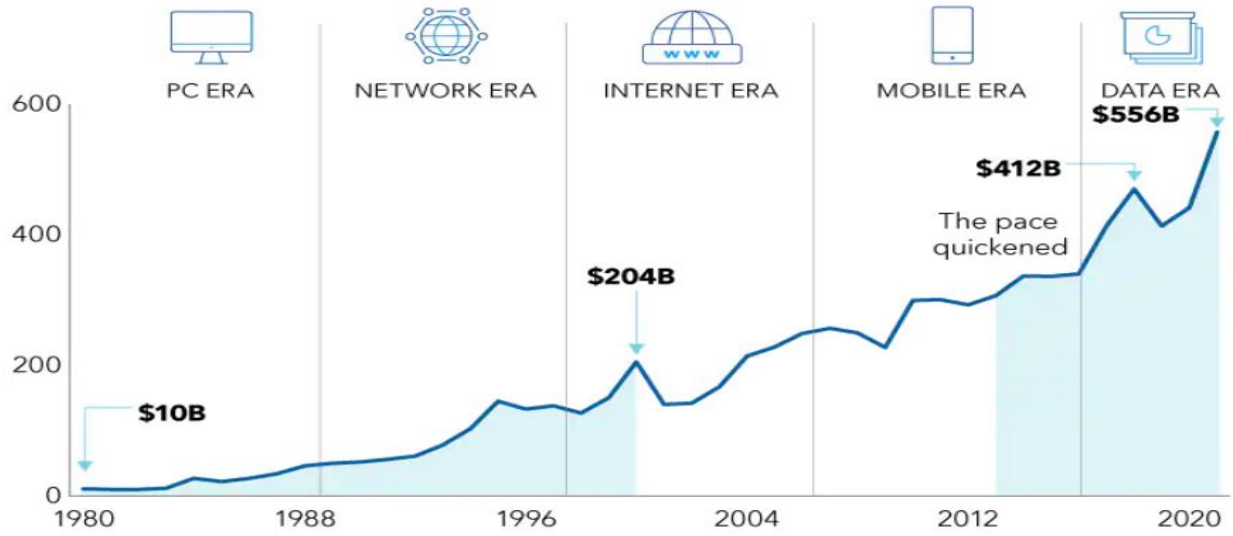
Sources: WSTS, MIDFR

Chip investment in 2023 mostly reduced except Samsung. The DRAM oligopoly; Samsung, SK Hynix and Micron tell different story. Coherent with the global semiconductor industry view from WSTS, Micron recently on 16 November 2022, announced lowering its memory chip supply to reduce excess inventory that have piled up since PCs and smartphone shipments have declined due to rising inflation. The company also plans to make more cuts in its capital spending in 2023. SK Hynix also decided to reduce its investment next year by more than -50%yoy to normalize the memory market's supply and demand. In contrast with its rivals Micron and Sk Hynix, Samsung is expected to keep capex cuts to a minimum of -5% for memory chips in 2023 vs. 2022. Though market demand for memory segment has contracted, the company plans to be well prepared for mid to long term demand recovery as it wants to boost shipments of memory chips at a faster rate as compared to its peers across the industry. Even though chip makers have mostly plan to cut its capex for 2023, we understand the fundamental reasoning for the capex cut is to cut cost for the lower memory chips prices. We opine the widespread supply and capex cut could denote a bottom for the memory industry.

Chip lead time expected to normalise in 2023. One of the key indicators to evaluate chip supply-chain stress is semiconductor chip lead times. The lead time demonstrates the time taken for a microchip to produce and reach the end consumer. According to research firm Susquehanna Financial Group, chip lead times, or chip delivery times, quicken to 25.5 weeks on average in October 2022 from 26.3 weeks in the previous month. The six days shorter in October indicated the biggest drop since Susquehanna began to collect such data in 2016. While the decline is notable given the upward trend in lead times in the past couple of years, the fast-shrinking chip lead time reflect slow demand for chips from makers of smartphones, personal computers and other electronic devices. Correspondingly, lower demand caused memory price of chips to fall and thereby explaining the capex cutting strategies by chipmakers which are meant to cover anticipated decline in sales.

State of Semiconductor. While semiconductor outlook in 2023 stay challenging, we think that demands are more sustainable in coherent to higher semiconductor content proliferated in our daily applications. The waning demand for consumer electronics, personal computers and smartphone undeniably cause surge in chip inventories, yet we opine that semiconductor stay as a secular growth industry due to technological needs. This is evident as the pace of semiconductor sales has accelerated from 40 years to reach the first USD200b to 17 years to reach the next USD200b as illustrated below.

Chart 54: Semiconductor Industry Revenue (USD'b)



Sources:Capital Group, Statista, WSTS. Data as of December 2021.

Maintain POSITIVE. As the growth prospect for the sector stay intact, supported by the emerging technologies like the 5G, IoT, AI, PCs, Cloud, and EV, we reiterate our POSITIVE view on this sector in 2023. We opine that the sell down of tech sector might been overdone and thereby provide opportunities to forward looking investors to place their investment in a growth stock. Our top pick for semiconductor players is **Inari (BUY, TP: RM3.20)** given their exposure in RF segment and **D&O technologies (BUY, TP: RM4.58)** due to their automotive LED products prospects.

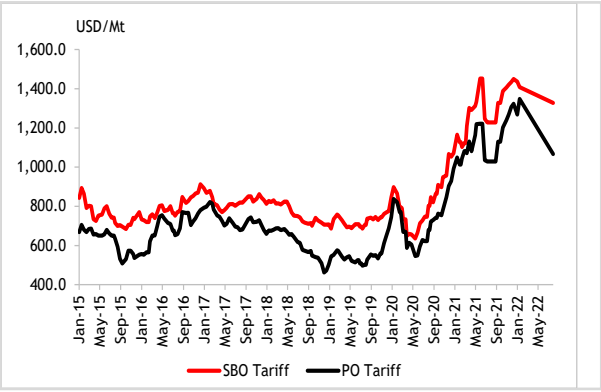
X. PLANTATION

Navigating uncharted territories.....Downgrade to NEUTRAL (from POSITIVE)

India demand prospects. As the world's largest importer of edible oils (EO), palm oil (PO) accounted for 56% of Indian consumption in 2021, and earlier this year, India reduced its CPO import tariff from USD1,268/Mt to USD1,067/Mt, a 15% reduction effectively making it cheaper for refiners to encourage local refining (which accounted for nearly half of India's total PO imports) in order to limit the impact of inflation. After much speculation, the Indian government has decided to raise PO import tariffs by 6-11%. According to a gazette notification, the crude palm oil (CPO) import tariff has been raised to USD952 from USD858 per tonne, while the RBD (refined, bleached, and deodorised) palm oil import tariff has been raised to USD962 from USD905 per tonne. The new import tax for crude palm olein is USD968, while RBD Palm Olein and Palm Olein (others) are USD971 and USD970, respectively, were raised as economic activity has fully digested the inflationary pressure (Chart 55).

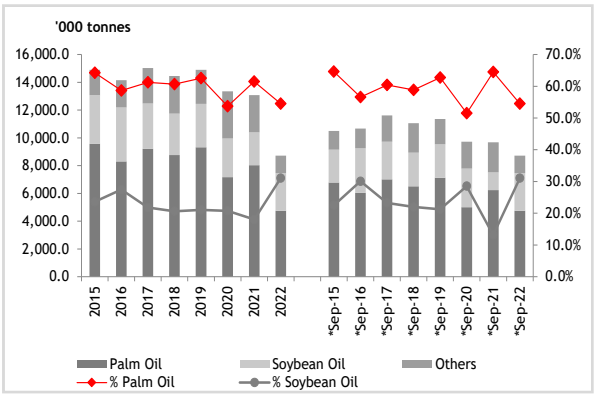
Statistically, India PO imports hovered around 50-61% in 2021-22 (after the pandemic), with import levels currently standing at 55%. (Chart 56) benefitting from price parity between soybean oil (SBO) of USD221/Mt - based on three-year average future price. While Malaysia's market share of Indian PO imports remained 28-30% in 2019-21 which is significantly behind Indonesia's market share of c. 49-53% in 2019-21, however the Indian government launched its National Mission on Edible Oils-Oil Palm (NMEO-OP) last year, which may threaten demand. The goal is to increase edible oilseed production and oil availability in the country by expanding the Oil Palm area, increasing CPO production, and lowering the import burden on edible oils (particularly in CPO). According to 2021/22 data, the Self-sufficiency rate (SSR) stood at 47.9%, and domestic edible oil production has not been able to keep up with the increase in consumption, which exceeded 25m tonnes. As a result, the demand to establish palm oil farming is seen as a national priority in order to enhance food security. The Indian government has announced a scheme to increase oil palm plants to 1m hectares by 2026 from 350,000 hectares, and annual PO output to 1.1m tonnes from 300,00 tonnes.

Chart 55: India SBO vs PO Tariff (2015-Ytd)



Sources: Bloomberg, MIDFR

Chart 56: India PO & SBO Import (2015-Ytd)

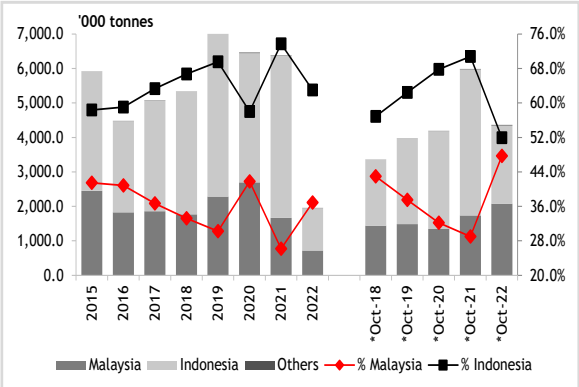


Sources: Bloomberg, MIDFR

China demand prospects. To summarise, a series of Zero-Covid related policies and lockdowns affecting cities across China dampened food service industry consumption for vegetable oils which when combined with high global vegetable oil prices, halved China's vegetable oil imports, including PO (-56.4%ytd) and SBO (-78.5%ytd) (Chart 3), in the first eight months of 2022. To note, we do expect China reopening would take place sooner rather than later and demand is projected to rise as restocking efforts begin in earnest ahead of the holiday season (Chinese New Year). Additionally, we are seeing the impact of intensified actions such bans on China commodities due to China-Taiwan conflicts arise, if any, this would augur well with our planter's top-line, as sanctions on Chinese would put pressure on its import of Soybean Meal (SBM) and Soybean Oil (SBO). Hence, this is expected to improve demand for palm oil due changes in substitute usage apart from price competitiveness.

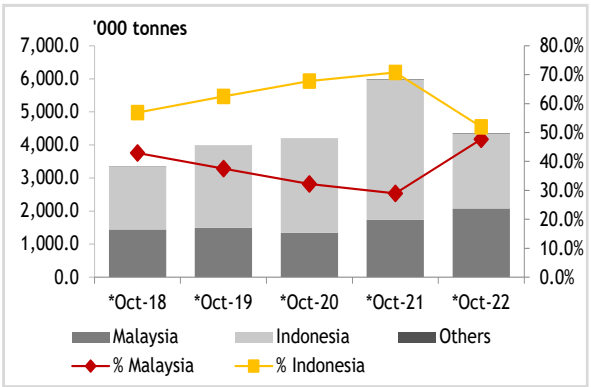
Historically, China's intake of PO and SBO is on uptrend since 2016 to 2019 up by +68.7% and +47.4% to 7.55m tonnes and 0.83 tonnes respectively (Chart 57). However, demand seems calmed throughout 2020 – 2021 on the back of Covid-19 environment; with PO constituting approximately 87-85% of total edible oils import by China while 13-14.9%% for SBO (Jan-Dec19: 90.1% for PO and 9.9% for SBO). With China's senior official signalling a probable relaxation of the country's stringent zero-tolerance stance to the virus, we expect China to resume the majority of its imports, which began in July. Malaysia now retains 42.1% of China PO imports, somewhat less than its counterpart because to the low levy tax imposed by the Indonesian government (Chart 58).

Chart 57: China PO & SBO Import (2015-Ytd)



Sources: Bloomberg, MIDFR

Chart 58: China PO & SBO Import (2015-Ytd)



Sources: Bloomberg, MIDFR

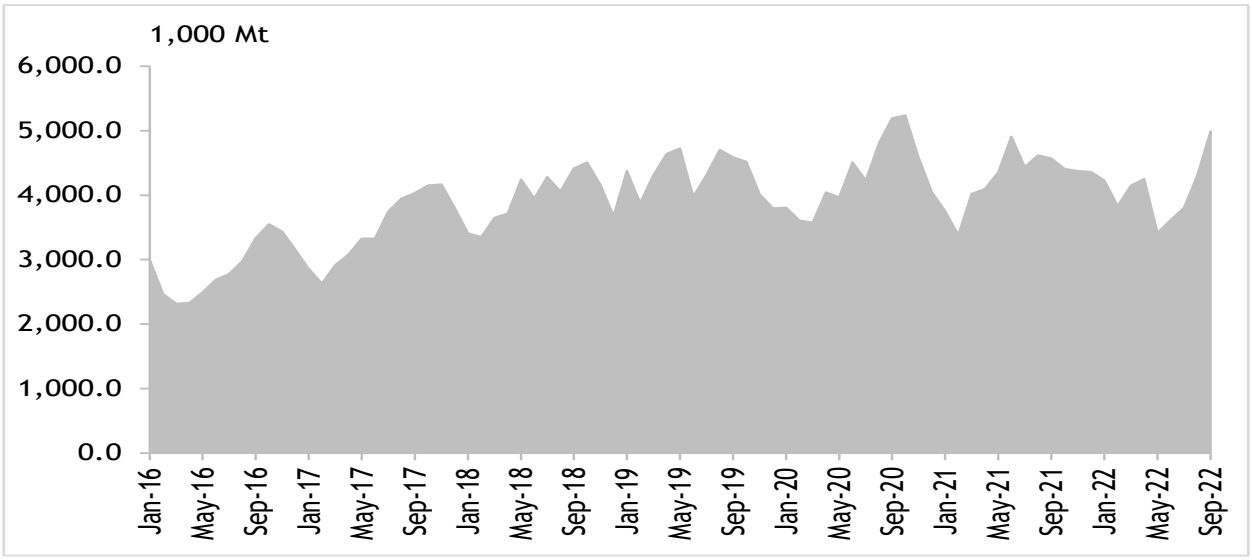
Malaysia supply prospects. In terms of production, FFB production typically peaks in the second half of the year, but this cropping pattern was impacted by persistent wet weather conditions that hampered harvesting and logistical activities, compounded by slow foreign labour intake, resulting in low FFB processed, yield, and sales volume based on our October ground check. Having said that, CPO production level has now reached 15m Mt. This was a marginal improvement of +0.8%ytd, while closing stock jumped double digit c. +13.8%ytd to 17m Mt, in which closing stocks began recording 2m Mt level in August. This indicated there is no continuation of supply constraints and cumulative closing stock has resume piling up, which we haven't seen in the past 27 months. We believe that the expansionary in production and closing stocks was primarily due to ideal age profile impact, particularly in Sabah and Sarawak, which accounted for 25.9% and 28.2% in 2021, respectively, and led to a decent oil extraction rate (OER) achieved in 2022, offset in part by acute harvester (Table 7).

Table 7: Malaysia's Age profile & OER (CY20-22)

	Immature Area (%)		Matured Area (%)		OER %		
	2020	2021	2020	2021	2020	2021	2022
Peninsular	44.5	41.1	47.1	46.0	19.5	20.0	19.6
Sabah	31.3	32.3	25.6	25.9	20.6	20.4	20.5
Sarawak	24.1	26.6	27.3	28.2	19.3	19.9	19.5

Sources: MPOB, MIDFR

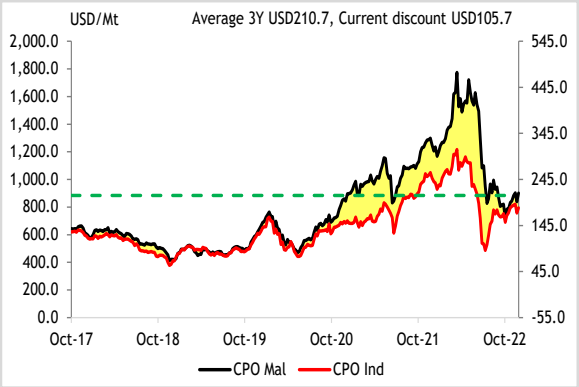
Chart 59: Indonesia's PO Production (2016-Ytd)



Sources: Bloomberg, MIDFR

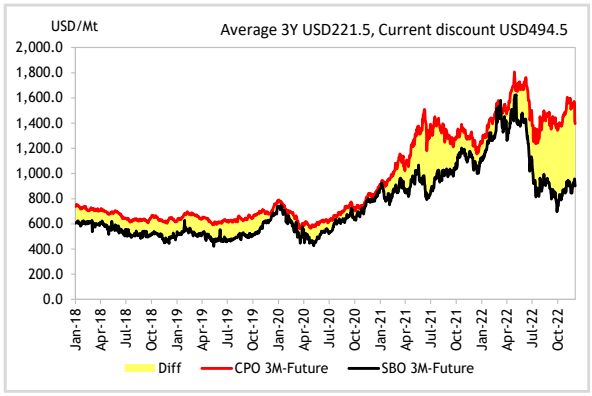
Indonesia supply prospects. Indonesia PO output reached 51.6 million tonnes last year, but according to the initial 1HCY22 statistics, GAPKI expects overall production in 2022 to fall to 51.3 million tonnes (-0.5% year on year). It is expected that output would suffer in 2023 as a result of variable weather caused by La Nina, which began in late 2022 and lasted until mid-2023. While Indonesia has implemented an export duty waiver until December 2022, it appears that there will be no continuation of the policy in 2023, since the moves were implemented in response to a major inventory glut. Currently, the price is about USD757.9/Mt, which is less than USD800.0/Mt, and no export duty is in effect until the end of December. With the government signalling the implementation of a B40 biodiesel blend rate (an additional 3m tonnes of CPO would be consumed domestically - in 2022, PO use for biodiesel production will reach 17% of total production) next year, prices will rise, resulting in a narrower discount parity between Malaysian CPO prices and local CPO FOB prices. The discount parity between Malaysian and Indonesian CPO prices was USD105.7/Mt @ RM463.8/Mt, with a three-year average of USD210.7/Mt (Chart 60).

Chart 60: Price Discount Parity (CPO Mal Vs CPO Ind)



Sources: Bloomberg, MIDFR

Chart 61: Price Discount Parity (CPO Vs SBO)



Sources: Bloomberg, MIDFR

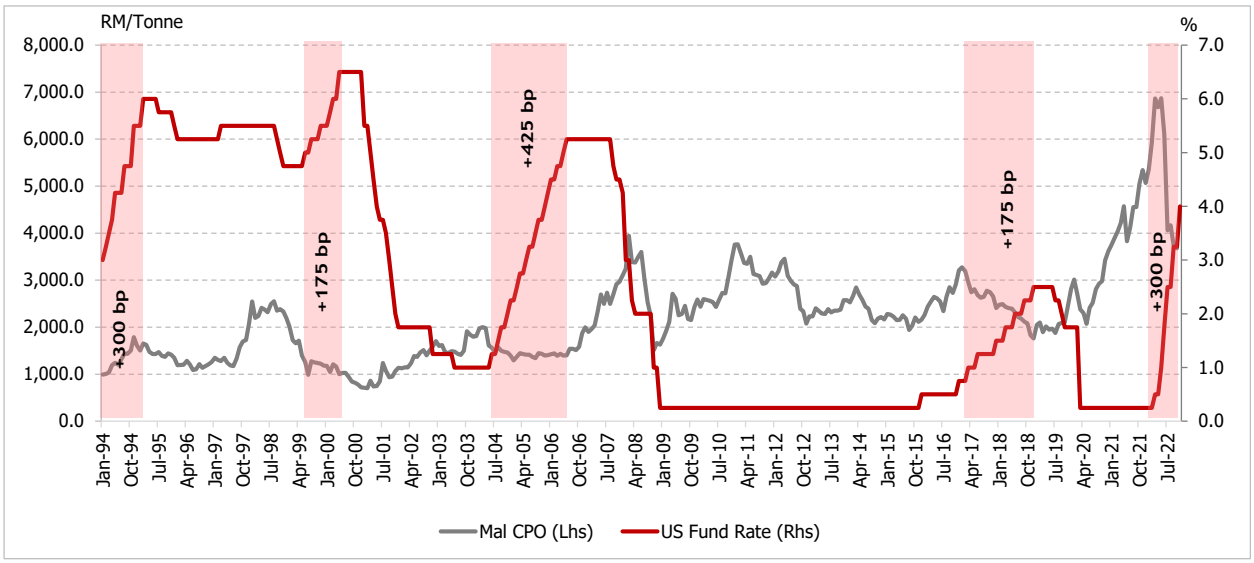
Soybean oil and sunflower oil supply prospects. Global soybean output, on the other hand, is down 0.5m tonnes to 390.5m, with Argentina production slowing due to less harvested land but somewhat offset by higher U.S. soybean production. Its output is expected to exceed 4.35b bushels, up 33m due to greater yields, with Iowa and Missouri accounting for the majority of the increase. Sunflower seed production in Ukraine has been reduced due to difficulties in applying inputs such as fertiliser in the early part of the year due to the ongoing war between Russia, but supply through the three Black Sea ports has been reopened, prompting possibly around 100-150 cargo ships to be out per month, indicating a gradual improvement in local agricultural exports in July and beyond. The availability of these oils is projected to result a "downward trend" in other edible oil prices in 2023. Based on future pricing, the CPO future price has continued to settle down versus SBO, with a discount parity of USD494.5/Mt (Chart 61).

Global unison rate hike set to tame down commodity prices, includes CPO. The combination of truce deal between Russia and Ukraine, which began in July 2022, a vigorous rate hike from US Fed, followed by a worldwide unison rate hike reaction, affectively tamed a surge increase in commodities prices (Chart 63). This is strongly supported by previous occurrences such as during the AFC (1997-98), the GFC (2008), the Commodities Supercycle (2016), and the Coronavirus crash (2020), which have all resulted in US Fed rate hikes of +1.75bp, +4.25bp, +1.75bp, and +3.0bp following market crashes and inflation increases (Chart 62). CPO prices were then hammered by -60%/-51%/-44% and -46%, respectively, to normal levels as a result of constrained spending on increased borrowing costs as a result of the rate hike.

Downgrade to NEUTRAL on the sector. We weigh in fragile demand outlook for the sector on the back inflationary pressure as well increase in palm oil production cost coupled with tight household spending on high base interest rate worldwide (as it was highly inverse correlation circa -0.83ppt with CPO prices (Table 8)). All factored in considered, we downgrade our POSITIVE stance to NEUTRAL on the sector. We expect CPO price to trade sideways in remaining month c. RM3,500/mt-RM4,500/mt benefited from price disparity between CPO against SBO price which to-date amounted US$359/Mt and 3-year average of USD222/Mt, based on 3-month future price. As such, we maintained our CY22 CPO price forecast of RM5,000/Mt and introduced new average target price CPO of RM3,500/Mt and RM3,000/Mt for CY23-24. Top picks for the sector are **Sime Plant (BUY, TP: RM5.50)**, **KLK (BUY, TP: RM26.00)**, **IOI (BUY, TP: RM5.00)** and **Sarawak Plantation (BUY, TP: RM2.60)**. Our selection stocks due possess 1) high FFB yield/mature, which ranks among the top tiers, 2) fairly prime of palm trees age profile of 12.0-13.5 years, and 3) well integrated operation, where the manufacturing segment, which accounts for roughly 20-30% of group profit, that will assist withstand and decline in average selling price for CPO – thus, lowering the volatility of earnings. Sarawak Plantation, on the other hand, is a solid turnaround stock that has showed

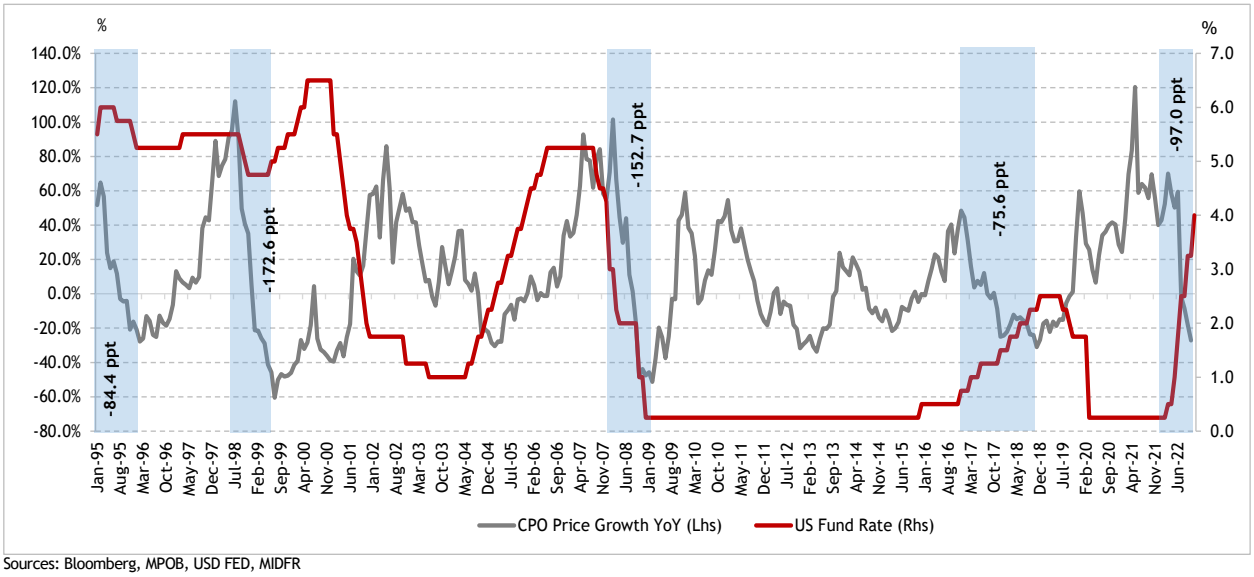
excellent progress in both operations and finances since FY18.

Chart 62: Historical Fed Rate Hike Crosscheck



Sources: Bloomberg, MPOB, USD FED, MIDFR

Chart 63: Impact of Rate Hike to CPO Growth (1995-to-date)



Sources: Bloomberg, MPOB, USD FED, MIDFR

Table 8: Significant Inverse Correlation between Fed Rate Hike and CPO Price/ YoY Growth

		Correlation	-0.86	-0.83
Period	**US Rate Hike (bp)**	**Period**	***CPO Price Decline (%)**	***Chg on YoY Growth (Peak to Through) (ppt)**
Jan/94-Mar/95	3.00	Mar/95-Feb/96	-26%	-84.4
May/99-Jun/20	1.75	Jul/98-Jul/99	-60%	-172.6
May/04-May/06	4.25	Feb/08-Feb/09	-51%	-152.7
Feb/17-Jan/19	1.75	Jan/17-Nov/18	-44%	-75.6
Feb/22-Sep/22	3.75	Mar/22-Oct/22	-46%	-97

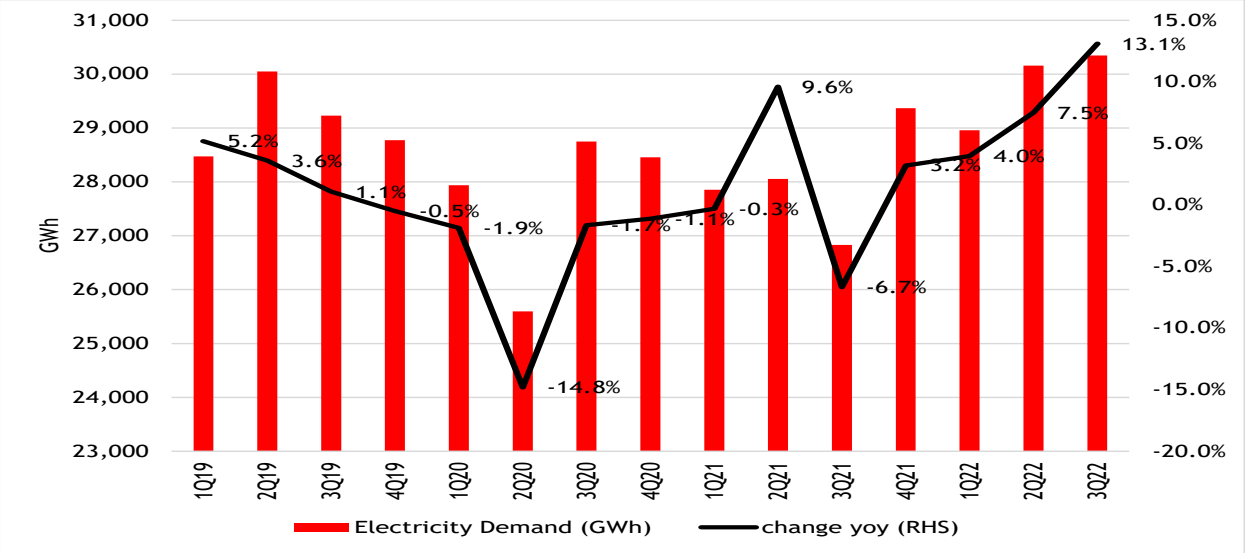
Sources: MPOB, USD FED, MIDFR. Note: *As shown in Charts 62 & 63.

XI. POWER

Regulatory uncertainty .....Maintain NEUTRAL

Electricity demand recovery. Electricity demand for Peninsular Malaysia continued to recover and as of 9MCY22, registered an +8.1%yoy growth to 89,467GWh with peak demand hitting a new high of 19,183MW in May 2022. However, the year-to-date growth comes against a low base last year especially in 3QCY21 which was impacted by the MCO. Although the growth rate has so far exceeded RP3's projected demand growth of +1.7% per annum, the majority of Tenaga's regulated revenue is on revenue cap basis, meaning the bulk of revenue generated from excess demand (beyond the projected +1.7% growth) this year will have to be returned to consumers via the revenue adjustment mechanism under the IBR.

Chart 64: Electricity Demand Trend



Sources: Tenaga, MIDFR

Fuel prices remain elevated. While the price of most commodities has eased significantly off its peaks, energy commodity prices seem to be stickier and is expected to remain elevated moving into 2023. Coal price hit a new record of USD457/MT in September 2022 given increased dependency on coal following the Russia-Ukraine war. The EU countries are set to increase coal-based power production with Germany, Italy and Austria restarting offline plants to make up for natural gas shortages. Additionally demand from China has increased as record heatwaves dried rivers that produced hydro power, while India has seen skyrocketing imports of thermal coal as electricity demand increased due to a heatwave and a pickup in economic activity. On the supply side, wet weather and flooding brought to Australia by the La Nina phenomenon have hit coal production for miners, including Glencore, BHP and Anglo-American.

Under-recovery to remain elevated. The elevated fuel prices have resulted in Tenaga registering significant cost under-recovery. The group registered under-recovery of RM3.5b in 1QFY22 at coal price of USD166/MT, which increased further to RM6.3b as coal prices rose to USD221/MT in 2QFY22 and remained at similar levels in 3QFY22. Average coal price delivered by Tenaga has increased by >100%yoy in the 9MFY22. We see minimal change in this trend in the 4QFY22 and into early-2023. The reversal of the Ringgit's weakness since early-November however, provides some relief.

Decision on ICPT receivables a key swing factor. The knock-on effect of the high fuel cost is a spike in Tenaga's

ICPT receivables over the same period given a half-year lag in passing through the cost under-recovery to consumers and a lack of political will to allow a full pass-through, therefore negatively impacting Tenaga's operating cash flows. Tenaga has seen a gradual uptick in net gearing given increased short-term debt to finance elevated working capital needs. The ICPT pass-through that the Government has allowed (i.e., a 3sen/kwh surcharge for non-domestic consumers for 2HCY22 amounting to an estimated RM1.6b) and the amount committed to be subsidised by the Government of RM5.8b in 2H22 only partially covers Tenaga's outstanding ICPT receivables as at end-1HCY22. Given continued under-recovery in 2HCY22, Tenaga's ICPT receivables continued to expand. A critical event to watch out for towards year-end is the Government's decision to deal with Tenaga's ballooning ICPT receivables. Prime Minister Anwar Ibrahim has mentioned in recent statements, of his inclination towards targeted subsidies for only lower income households. While this could suggest that the ICPT surcharge will finally be allowed to be passed on, we are keeping our expectations realistic for now given that the magnitude of ICPT surcharge would be significant – we estimate Tenaga may end up with around RM17b in ICPT receivables by year-end and assuming all of this is allowed to be passed on over the next 6 months, we estimate an ICPT surcharge of 29sen/kwh which is a +72% increase in effective electricity price against base tariff of 39.95sen/kwh.

Chart 65: Average Coal Price Delivered

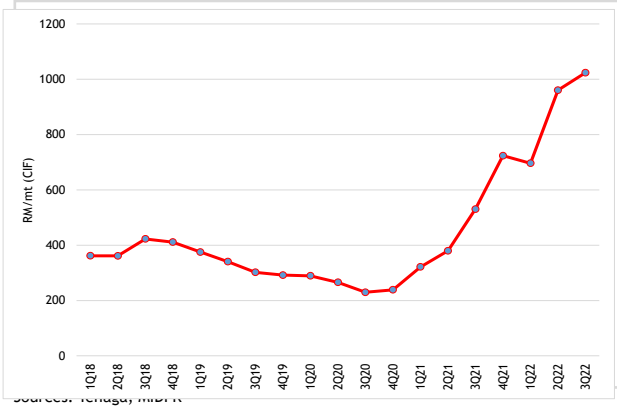
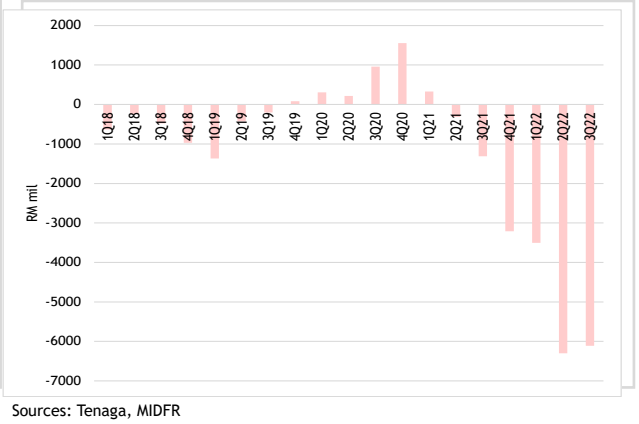


Chart 66: ICPT Over/(Under) Recovery



Sources: Tenaga, MIDFR

Players in the generation space and liberalised markets are better off. For now, we stick to our view that generation players are better off in the current high fuel price environment given that fuel is a cost pass-through to the off-taker which is Tenaga. Players in this space include **Ranhill Utilities (BUY, TP: RM0.67)** and Malakoff (non-rated). Alternatively, players operating in liberalized electricity markets are also better able to pass through higher costs given the free-market nature of such electricity markets which allow for a better reflection of underlying cost in market prices compared to regulated markets. A play into liberalized electricity markets is **YTL Power (BUY, TP: RM1.03)**, which operates in the Singapore generation sector - the Singapore electricity market has seen spot electricity prices rise by 200%-300% since 4QCY21 reflection higher fuel prices and tighter demand-supply.

Project resumption in the solar RE space. The Energy Commission recently approved a 4-year PPA extension (to 25 years) to winners of the LSS4 bidding cycle, which has seen project progress halted given rising material cost since the bids were placed in 3QCY20. While the impact on project IRR is expected to be largely neutral (as the extension is meant to compensate for higher-than-expected capex while still maintaining the same levelized tariffs), the decision nonetheless, allows the LSS4 projects to resume progress. Commissioning of the LSS4 plants have also been extended to December 2023. This should be a near-term positive for the solar EPCC players and project owners. Separately, the previous Government has approved the allocation and redistribution of RE quota of 1200MW for solar resources towards implementation of programs under the existing mechanisms including NEDA

and rooftop solar, as well as new methods such as solar park development, power supply to new data centers and green hydrogen generation. Of the 1200MW, some 600MW has been identified for the Virtual PPA mechanism.

Policies of the new Government will be closely watched. Energy sector policies by the new Government will be closely watched in the immediate term. While broadly, policies driving RE growth are likely to continue, another important policy that was put on hold in the past was the liberalization of the power sector under MESI2.0, which essentially entails a move to spot market-based power generation supply, third party access to Tenaga's transmission & distribution network and the opening up of the retail space in the sector. In the water utilities sector, a decision on an average 25sen/m3 nationwide tariff hike for the non-domestic sector was already announced by the previous Federal Government back in July.

We remain NEUTRAL on the power sector; earnings are defensive in nature, but in a macro upcycle, upside potential is capped by regulatory revenue-caps while growth catalyst is lacking given an already large excess capacity in the system (Peninsular Malaysia). Meanwhile significant cost under-recovery and a lag in ability to pass this through will constrain cash flows and dividend payout, in our opinion. In an environment of rising input cost for the power sector, we believe players operating in liberalised markets or IPP-focused are safer bets. For the latter, fuel is cost pass-through to the offtaker with certainty in payment frequency, while players in the liberalised markets are better able to pass through higher costs given the free-market nature of such electricity markets. Our sector picks are **YTL Power (BUY, TP: RM1.03)** and **Ranhill Utilities (BUY, TP: RM0.67)**. Potential risks are: (1) Aggressive carbon pricing rate introduction and the inability of players to pass this down to end-consumers, (2) A sharp fall in demand which would impact rates in the liberalised electricity markets.

XII. PROPERTY

Lack of catalyst ..... Maintain NEUTRAL

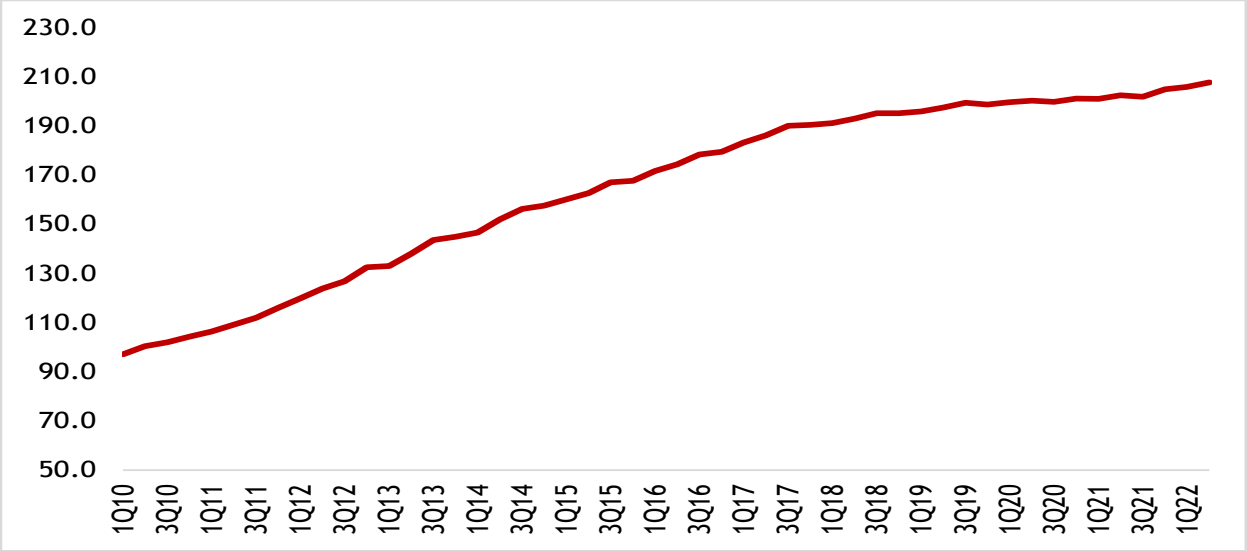
Better earnings outlook on higher progress billing. For the recently concluded 3QCY22 earnings reporting season, earnings of property companies under our coverage were mixed with three companies (IOI Properties Group, Mah Sing Group and Glomac Berhad) reported earnings that were within expectations, two outperformers (UOA Development and UEM Sunrise) and one underperformer (S P Setia). Generally, earnings of property companies recovered from adverse impact of lockdown in 2021 as progress billing of projects normalized. Looking ahead, we see earnings outlook of property companies to be better in 2023 as progress billing accelerates.

Weaker loan application. According to data released by Bank Negara Malaysia (BNM), loan application for purchase of property fell by -7.3%mom to RM43.95b in October 2022. This was following a decline of -11%mom in September 2022. We think that the weaker loan application could be due to OPR hike BNM in September which negatively impacted buying interest and affordability of buyers. Looking ahead, we see that loan application to remain subdued as BNM hiked OPR by 25bps in November and likely to hike OPR further in 2023. That said, we expect buying interest on properties to be mildly impacted by the several rounds of OPR hike as that hampered affordability of home buyers as a result of higher house instalments.

Marginal recovery in House Price Index. According to data released by National Property Information Centre (NAPIC), House Price Index (HPI) increased marginally from 205.9 in 1QCY22 to 207.8 in 2QCY22. The marginal recovery in HPI was mainly underpinned by reopening of economy. Note that HPI experienced slight dip in 3QCY20, 1QCY21 and 3QCY21 due to lockdown in Malaysia which disrupted economic activities. Looking ahead, we see HPI outlook to remain stable as economic activities in Malaysia normalizes while the rising inflationary pressure

should support house price in Malaysia.

Chart 67: House Price Index



Sources: NAPIC, MIDF Research

Lingering labour shortage issue. Property companies have been facing issue of labour shortage in the recent few years. While the issue of labour shortage is yet to be resolved, we see that property companies may continue to face labour shortage issue in 1HCY23 and that may partially drag the construction progress at project site. Meanwhile, cost of building materials such as steel and cement eased and stabilized recently after the hike in middle of 2022. Hence, we see lower risk of hike in building material cost in 2023. Nevertheless, margin of property companies is expected to compress slightly as raw material cost remains higher than pre-pandemic level.

Maintain NEUTRAL on property sector. We see lack of immediate catalyst to property sector in 2023 as demand for property is expected to weigh by hike in OPR. Besides, the lingering labour shortage issue may also drag progress billing of property companies. Nevertheless, we see better earnings outlook for property companies in 2023 due to normalizing construction activities at project sites. Hence, we maintain our NEUTRAL stance on property sector. On top picks for the sector, we favour companies with high exposure to affordable price range properties as projects in the mid-market and affordable segments continue to see resilient demand from home buyers. In this context, we like **Mah Sing Group (BUY, TP: RM0.74)** and **Glomac (BUY, TP: RM0.48)** due to their strategy of selling properties in the affordable price range.

XIII. TELCOMMUNICATION

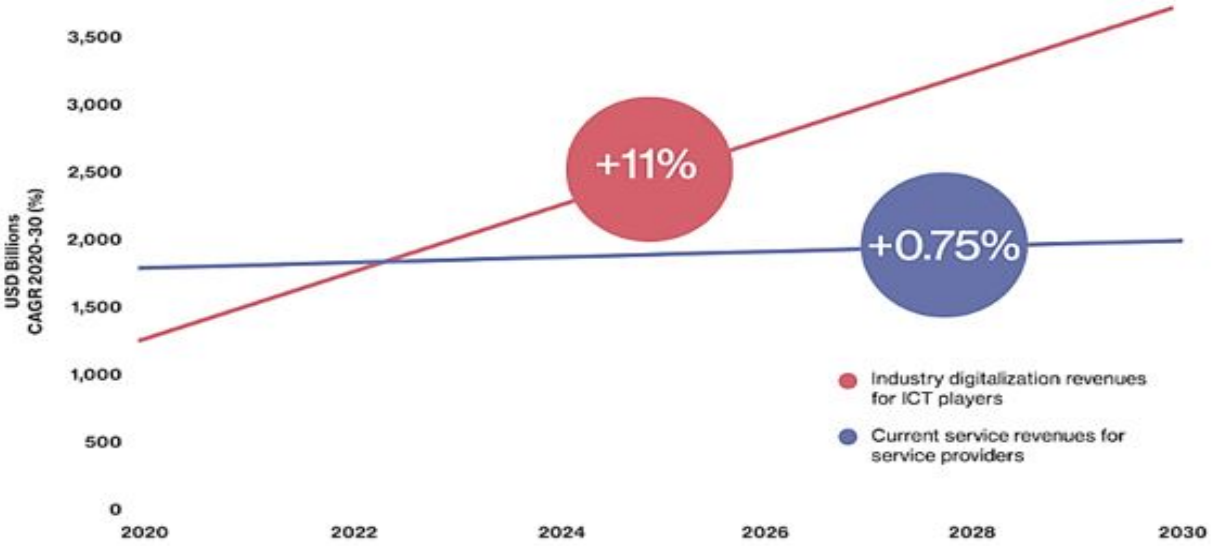
5G monetisation..... Maintain NEUTRAL

Network progress stay in line. Jendela 3QCY22 report indicated that Phase 1 performance is on track with around 7.44m fibre premises passed achieved as at 30 September 2022 vs 7.5m end-2022 target under Phase 1. Additionally, the mobile broadband speed of 52.48Mbps has surpassed the end-2022 target of 52.48Mbps. The only worry action plan left is for the 4G population coverage to reach 96.9% vs 95.82% in the 3QCY22 report, given its remote and interior geographical conditions. On the other hands, the 5G rollout by Digital Nasional (DNB) has reached 33.2% of population coverage with 1,915 sites completed vs end-2022 target of 37.9% population

coverage with 3,518 sites. Even though the progress is still halfway from end-2022 target number of sites, we maintain our expectation that 5G will be a game changer to telco sector.

…however, winning strategy for 5G is differ from previous network generation. While so many industries verticals would like to take advantage of the advanced speed of 5G network which offers 10 times faster than 4G network and improved capacity, it is essential to learn that monetizing 5G network requires 5G ecosystem that is highly driven by the industry digitalization, which differ from traditional telco revenue streams that depends heavily on consumer segments. Evident below is 11% CAGR projection for the value-added services market between 2020 and 2030 vs to a 0.75% CAGR for current existing services. This indicate a shift of role for the enterprise sale team from selling subscriptions to connectivity services to understanding the entire value chain of enterprise customers and identifying ways to meet clients' IT and communication network requirements. The success for telco in the 5G era has now increasingly depends on the strength and range of its ecosystem partners as well.

Chart 68: Service Provider Growth Opportunity From Industry Digitalisation



Sources: Ericsson and Arthur D.Little

Merger-Co spice up the industry. In a saturated mobile market condition, M&A activities could spice up the industry. The completion of the Celcom-Digi merger has positioned itself to be the largest telco company in Malaysia. While it takes a while to streamline its operations, assets and network resources; CelcomDigi could expand its product portfolios, leverage on existing subscribers, acquired combined talents and technologies and provide better service to the customers. The merger-co will hold 30% more pool of spectrum for mobile data usage as compared to Maxis, the closest rival. This is because Celcom-Digi still hold 150MHz worth of spectrum even after the divestiture of 70MHz. With the larger pool of spectrum for mobile data usage, we think Celcom-Digi could offer better user experience to their customers.

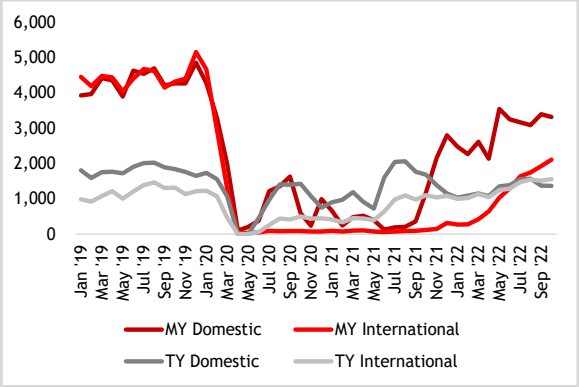
Stay NEUTRAL. While network progress stays in line coupled with the signing of 5G access agreement by the telcos excluding Maxis, we stay **NEUTRAL** view on this sector given regulatory risk of new government who could reassess SWN model and DNB, unready 5G ecosystem to accommodate for mass 5G commercial usage and ongoing competitive cellular market environment. All in all, we favour our fixed line player, **TM (BUY, TP: RM7.10)** due to owning comprehensive fiber infrastructure, robust demand for fixed broadband services, plenty of business opportunities under MyDigital Initiatives and **Axiata (BUY, TP: RM4.61)** due to its regional exposure in the growing market that could churn more earnings potential.

XIV. TRANSPORTATION

Riding out choppy waters.....Maintain NEUTRAL

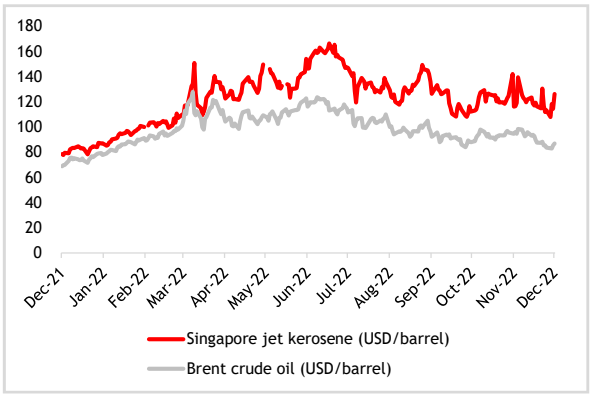
AVIATION

Chart 69: MAHB's Passenger Traffic Movement (Pax)



Source: MAHB

Chart 70: Singapore Jet Kerosene vs Brent Crude Oil (USD/barrel)



Source: Bloomberg

10MCY22 recap. Malaysian (MY) passenger traffic in Oct-22 has recovered to 63% of its 2019 level (domestic: 78%, international 49%). This was largely supported by the progressive reopening of borders across the region as well as continuous addition of frequencies and introduction of new routes by airlines. For the cumulative period of 10 months, pax volume has recovered to 47% (domestic: 68%. international 26%), with the drag mainly coming from strict travel restrictions that were still in place in 1HCY22. Encouragingly, the passenger mix has become more favourable at about 61:39 for domestic and international segments. Prior to the pandemic, it used to be an even split of 50:50. Meanwhile, the capacity of AirAsia Malaysia in 3QCY22 has matched 53% of 3QCY19 level, with the load factor already returning to a healthy pre-Covid level of 86%.

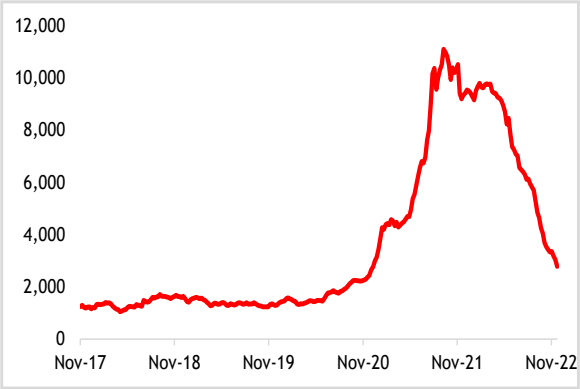
Key events to look forward to. The finalisation of **MAHB's (BUY: RM6.90)** new operating agreement (OA) that was initially targeted to be by end-CY22 might be pushed back due to the recent change of the government. However, the management expects it to not have an impact on the process since the Malaysian Aviation Commission (MAVCOM) is an independent aviation regulatory body. MAVCOM's second consultation paper is expected to be released in Jan-23. Additionally, **Capital A (NEUTRAL, TP: RM0.59)** and AirAsia X (Non-rated) have recently announced its proposed PN17 regularisation plan which entails the disposal of Capital A's aviation arm to the latter through share swaps. Post-restructuring, Capital A will retain the digital, logistics and maintenance, repair, and overhaul (MRO) businesses. On the other hand, AirAsia X will be renamed as AirAsia Aviation Group, and it will have 6 airlines under its wings (AirAsia Malaysia, AirAsia Thailand, AirAsia Indonesia, AirAsia Philippines, AirAsia X Malaysia, and AirAsia X Thailand). Capital A is targeting to submit the holistic regularisation plan for Bursa's approval in Feb-23 and implementing it by Jul-23.

Rebuilding profitability. We expect the pax numbers for 4QCY22 to be strong as the domestic segment will be boosted by homebound travels for the 15th General Election in Nov-22. In the subsequent quarters, we expect the international segment to continue recovering with the recent reopening of Japan, Taiwan and Hong Kong which collectively contributed close to 10% of MY's international traffic in CY19. There is also growing optimism on the reopening of China in 1HCY23 as they have started to ease their travel restrictions. We expect MAHB to return to profitability in CY23 and our assumptions relative to the respective CY19 levels are as follows: (i) MY/TY domestic pax recovering to 100%/100% and (i) MY/TY international pax recovering to 90%/105%. MY's international seat capacity is expected to reach more than 60% of 2019 in Dec-22 with 50 out of 68 airlines having

recommenced their flights. Capital A's losses are also expected to be narrower with more aircraft returning to service. The airline operated 125 aircraft (out of 153 aircraft) in Nov-22 and is pushing for 140 operating aircraft by end-CY22. Full fleet utilisation is expected to be by 2QCY23. MRO constraints are still apparent on top of the high costs associated with it. AirAsia's estimated average maintenance cost to bring back serviceable aircraft is about USD300k per aircraft. However, there are potential tailwinds for the aviation players which include: (i) strengthening of ASEAN currencies against USD (given that their costs are mostly USD denominated), (ii) jet fuel price which is trending lower and (iii) return of the China market.

PORT & LOGISTICS

Chart 71: Freightos Baltic Index (USD/FEU)



Sources: Freightos & Bloomberg

Chart 72: Westports' Container Throughput (m TEU)



Source: Westports

Westports to remain resilient. We remain cautious on moderating consumer demand in CY23 against a backdrop of high inflation and rising interest rates, which could deter exporters from bulking up its volumes. Additionally, we are wary that the ongoing geopolitical tensions in Europe and China's strict zero-Covid policy could still be a dampener for global economic activities next year. **Westports (BUY, TP: RM4.00)** as well as most port operators in the Peninsular are mainly in the transshipment business, hence its performance is very much dependent on the external trade. Westports' management is guiding for a low single digit growth in container throughput next year which we have translated into a +4%yoy projection – largely due to the low base in CY22 (expecting a full-year decline of -4%yoy). Nonetheless, we expect its earnings to rebound in CY23 on the back of higher port throughput and the absence of Cukai Makmur. The recent change in government is not expected to have an impact on their Westports 2 expansion plan as it is under the purview of the civil service. The management is aiming for the signing to take place in mid-CY23.

Suria Capital to benefit from FDIs. As for **Suria Capital (BUY, TP: RM1.24)**, the port throughput in the near term will receive an additional boost from the recent foreign direct investments (FDIs) by China's Kibing Group and South Korea's SK Nexilis due to the ongoing construction of their manufacturing plants in Kota Kinabalu Industrial Park (KKIP). In addition, there were a few measures mentioned as part of Pakatan Harapan's manifestos in which Suria Capital stands to benefit from. The measures include upgrading of Sapangar Bay Container Port (SBCP) (in which the expansion is ongoing), gazetting free trade zones in KKIP, Lahad Datu POIC and Sipitang Oil & Gas Industrial Park (SOGIP) and solving basic infrastructure problems in all industrial parks in Sabah. Although beneficial for the port operator, we view this as more of a medium to longer term catalyst for them.

Logistics players to perform well despite moderating freight rates. Ocean freight rates have been on a sharp downtrend whereby it has fallen by -75%% after peaking in Sep-21. The rates are currently hovering

between the USD2,500-USD3,000 range, which is about 1.5x-2.0x higher than pre-pandemic levels. We expect the rates to continue normalising going into CY23 on the back of falling consumer demand, decreased congestion and increase in capacity as the number of container vessels ordered has leapt up in the recent quarters. Despite the downtrend, we remain sanguine on the outlook of the logistics players under our coverage. This is mainly underpinned by the recent acquisition of new customers and the organic growth of their existing ones, which have largely supported the demand for their logistics services as they were able to cross sell. Any change in diesel pump price as the result of the targeted subsidies approach, if it gets approved, should not materially impact them as it is an industry practice to have a fuel adjustment clause in their contracts. However, there is usually a lag for the additional costs to be fully passed through to the customers. Although there is an increasing risk of a downturn in global economy, most logistics players are servicing large multinational corporations (MNCs) from diversified sectors, hence this could partly shield them from economic shocks.

Robust demand for warehousing space. The demand for warehousing space continued to be strong, partly driven by MNCs that are setting up their new distribution centres within the ASEAN region. The logistics players continue to focus on adding their warehouse capacity to lock in the more favourable rental rates, which could be higher if the warehouses are equipped with automated storage and retrieval system (ASRS). **Swift Haulage's (BUY, TP: RM1.05)** warehouse capacity will see a +46% increase by end-CY22 and they will be recognising full-year revenue from this expansion starting next year. We also look forward to the construction of **Tasco's (BUY, TP: RM1.75)** 0.65m sq ft 4-storey warehouse under Phase 1 of the Shah Alam Logistics Centre (SALC) expansion plan by end-CY23 which should also contribute positively to its earnings once it commences operations. Similarly, **CJ Century (BUY, TP: RM0.98)** has been scouting for land as it aims to invest up to RM350.0m for an additional warehouse capacity of 1.0m sq ft by CY25.

XV. GLOVES

Multiple headwinds persist.....Maintain NEGATIVE

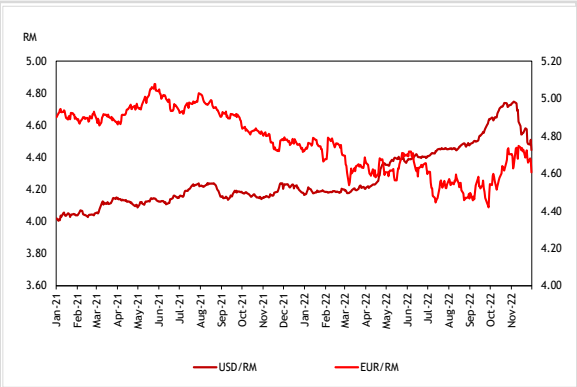
Demand for gloves is still weak. Demand for glove remains soft in 3QCY22 mainly due to the: (1) aggressive capacity expansion by both existing and new entrant during the pandemic, as well as (3) decreased orders as most countries have transitioned into the endemic phase. We noticed that the utilization rate of glove companies varied between 30%-45% in 3QCY22, with the industry average utilization rate falling below 45%. This was significantly below the utilisation rate of 75%-90% during pre-pandemic. Based on our channel check, orders coming from large purchasers such as glove importers, hospitals, and the government have declined because of overstocking during the pandemic and subsequent inventory adjustments after the endemic phase. Given the oversupply of the glove and low utilization rate, we believe that the demand-supply dynamics is unlikely to return to normal in the next one to 1.5 years. Hence, we believe that glove demand will remain weak in CY23, with a projected utilization rate of 35-45% for all glove companies under our coverage.

Stabilising ASP due to limited ability to raise prices. As of 3QCY22, the blended average selling prices (ASP) range between USD17-USD22/1000 pieces, which is lower than the pre-pandemic level of USD22-USD25/1000 pieces. Some of the small players that are exiting the market are selling at an unsustainable low price (below break-even costs) of between USD14 and USD16 per 1000 pieces, further lowering ASPs. Also, the intense rivalry with Chinese glovemakers continues to impact local glovemakers. On a positive note, we saw that the quarter-on-quarter decline in ASP decelerated in 3QFY22 and we expect blended ASP for CY23 to stabilize at a price between USD19-USD21/1000 pieces before the uneven demand-supply dynamics return to normal.

Flattening energy costs in CY23. Glove companies were impacted by the steep increase in the price of natural gas and coal. Given that both coal and natural gas are used to generate energy by Malaysia's thermal power facilities. Natural gas made for about 39.1% of Malaysia's total main energy supply as of 1QCY22. Based on Chart 74, we can see that natural gas and coal prices have been rising rapidly since the beginning of 2022 due to the Russia-Ukraine conflict. This has led to an increase in natural gas tariff to cover the cost of continuing the ICPT (imbalance cost pass-through). The U.S. Energy Information Administration (EIA) anticipates that the Henry Hub price will typically be about USD5.46/MMBtu in CY23 due to rise in domestic production of dry natural gas. This is below the current natural gas prices of USD6.2/MMBtu (as of 30 November 2022), but still higher than USD3.8/MMbtu in CY21 and USD2.6/MMbtu in CY19. In a nutshell, while price of natural gas is expected to fall in CY23, we project that the cost of energy will remain similar or slightly lower than 2022 due to lag effect of ~6 months of passing lower natural gas cost to consumers.

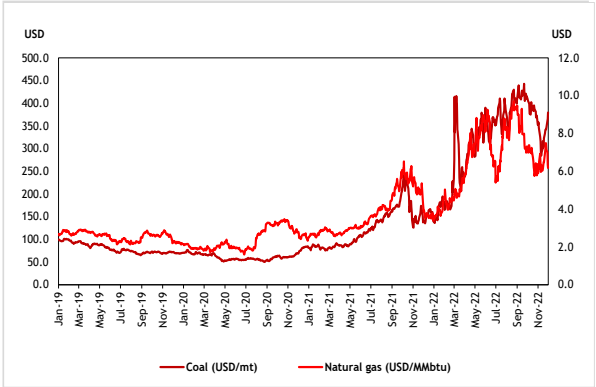
Reiterate **NEGATIVE** on the sector, mainly due to: (1) demand remains weak ahead of a persistent glove oversupply in the market, (2) ASP is low, and (3) energy costs are still high compared to CY21, which continue to compress the margin. Due to our SELL recommendation for all glove firms under our coverage, we do not have a top pick for the sector. Re-rating catalyst is small players leaving the market and existing players discontinuing some of their capacity.

Chart 73: Ringgit Foreign Exchange Rates



Sources: Bloomberg, MIDFR

Chart 74: Price Trend of Coal & Natural Gas



Sources: Bloomberg, MIDFR

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APPENDIX Table i: MIDF RESEARCH STOCK UNIVERSE as at 5 December 2022

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PE	
					FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22
CONSTRUCTION															
Cahya Mata Sarawak	Dec	BUY	1.18	1.47	204.2	244.7	201.9	19.1	22.8	18.8	4.8	19.5	-17.5	6.2	5.2
Gabungan AQRS	Dec	BUY	0.31	0.49	15.7	26.3	29.4	3.0	4.8	5.4	-126.9	63.7	11.8	10.3	6.3
Gamuda	Jul	BUY	3.91	4.71	588.3	806.2	813.9	23.4	31.9	31.4	54.7	36.1	-1.4	16.7	12.1
IJM Corp	Mar	BUY	1.63	1.93	431.7	794.9	335.8	11.9	22.2	9.6	72.4	86.3	-56.9	13.7	7.3
KKB Engineering	Dec	BUY	1.34	1.50	26.0	17.3	28.0	10.1	6.0	9.7	46.6	-40.4	61.8	13.3	22.4
MRCB	Dec	BUY	0.33	0.44	15.8	75.5	68.1	0.4	1.7	1.5	-109.0	369.4	-9.8	91.7	19.5
Muhibbah	Dec	BUY	0.49	0.47	-3.4	15.3	33.6	-0.7	2.1	4.6	-97.2	-404.4	120.0	n.a.	23.1
Pintaras Jaya	Jun	BUY	2.15	2.40	64.1	41.2	38.4	38.7	24.8	23.2	102.6	-35.9	-6.6	5.6	8.7
Sunway Construction	Dec	BUY	1.49	1.87	112.6	124.2	137.5	8.7	9.6	10.7	54.8	10.3	10.7	17.1	15.5
WCT	Dec	BUY	0.44	0.57	97.2	50.5	74.3	6.9	3.6	5.2	-145.7	-48.3	47.2	6.4	12.1
CONGLOMERATE															
YTL Corp	Jun	BUY	0.58	0.83	-367.7	545.4	124.7	-3.4	5.0	1.1	96.5	-247.0	-77.1	n.a.	11.7
TELECOMMUNICATIONS															
Axiata	Dec	BUY	3.08	4.61	818.9	1,278.5	2,090.6	8.9	13.9	22.8	122.5	56.5	63.5	34.6	22.1
DiGi	Dec	NEUTRAL	3.89	3.50	1,162.1	1,069.3	1,271.9	14.9	9.1	10.8	-5.1	-38.8	19.0	26.1	42.1
Maxis	Dec	NEUTRAL	3.84	3.78	1,308.0	1,285.0	1,432.0	16.7	16.4	18.3	-5.6	-1.7	11.4	23.0	23.4
Telekom Malaysia	Dec	BUY	5.51	7.10	895.2	1,306.0	1,506.8	23.7	34.2	39.4	-12.2	44.2	15.4	23.2	16.1
MEDIA															
Astro	Jan	BUY	0.74	1.03	539.8	460.9	531.3	10.0	9.0	10.2	-23.1	-10.0	13.2	7.4	8.2
Media Prima	Dec	BUY	0.45	0.60	55.2	55.2	33.7	5.0	5.0	3.0	-400.0	0.0	-39.0	9.0	9.0
Star	Dec	BUY	0.30	0.38	-132.4	7.5	14.4	-18.3	1.0	2.0	573.8	-105.7	92.0	n.a.	29.0
TECHNOLOGY															
D & O Green Tech	Dec	BUY	4.36	4.58	104.9	147.2	164.3	8.8	11.9	13.3	112.0	34.6	11.6	49.3	36.0
Datasonic	Mar	BUY	0.51	0.57	7.3	10.2	84.3	0.3	0.4	3.0	-87.5	28.6	726.6	180.4	140.3
Globetronics	Dec	BUY	1.19	1.31	52.9	31.8	46.3	7.9	4.8	6.9	4.2	-39.9	45.6	15.0	25.1
Inari Amertron	Jun	BUY	2.78	3.20	330.5	390.9	425.9	10.0	10.7	11.4	106.4	6.4	7.1	27.8	26.0
My E.G.	Dec	BUY	0.93	1.12	315.9	354.5	399.6	4.4	4.8	5.4	15.8	8.3	12.7	21.0	19.4
Unisem	Dec	BUY	2.88	3.72	197.8	254.5	285.8	12.3	15.8	17.7	26.2	28.1	12.3	23.4	18.2
PLANTATION															
FGV	Dec	NEUTRAL	1.35	1.38	1,167.9	1,305.7	628.0	32.0	35.8	17.2	700.3	11.8	-51.9	4.2	3.8
Genting Plantations	Dec	NEUTRAL	6.10	7.00	432.2	538.0	424.8	48.2	60.0	47.3	69.9	24.5	-21.0	12.7	10.1
IOI Corp	Jun	BUY	3.84	5.00	1,394.3	1,725.3	1,118.2	22.3	27.7	18.0	132.6	24.6	-35.1	17.3	13.8
KL Kepong	Sep	BUY	20.84	26.00	2,257.6	2,166.3	1,521.6	209.3	200.9	141.1	190.7	-4.0	-29.8	10.0	10.4
PPB Group	Dec	BUY	17.02	24.10	1,496.1	2,461.5	2,539.6	105.2	173.0	178.5	13.6	64.5	3.2	16.2	9.8
Sarawak Plantation	Dec	BUY	2.26	2.60	127.8	115.1	80.3	45.8	41.2	28.8	108.1	-10.0	-30.2	4.9	5.5
Sime Darby Plantation	Dec	BUY	4.41	5.50	2,257.3	2,493.4	1,727.4	32.6	36.1	25.0	89.5	10.6	-30.7	13.5	12.2
TSH Resources	Dec	NEUTRAL	1.12	1.01	169.4	198.0	140.0	12.3	14.3	10.1	113.0	16.9	-29.3	9.1	7.8
GLOVE															
Hartalega	Mar	SELL	1.62	1.78	2,885.5	3,234.5	186.8	84.4	94.6	5.5	555.5	12.1	-94.2	1.9	1.7
Kossan	Dec	SELL	1.06	0.90	2,853.6	162.8	197.2	111.8	6.4	7.7	163.2	-94.3	21.1	0.9	16.6
Supermax	Jun	SELL	0.85	0.31	3,816.7	718.9	20.6	142.3	27.2	0.8	648.5	-80.9	-97.1	0.6	3.1
Top Glove	Aug	SELL	0.84	0.54	7,710.3	225.6	251.2	95.9	2.8	3.1	325.7	-97.1	11.2	0.9	29.0
HEALTHCARE															
IHH Healthcare	Dec	BUY	5.86	7.65	1,774.2	1,812.1	2,146.1	20.2	20.6	24.4	789.9	1.9	18.4	29.0	28.5
KPJ	Dec	BUY	0.95	1.39	51.0	161.7	174.6	1.2	3.7	4.0	-53.9	212.9	8.0	79.8	25.5
Pharmaniaga	Dec	BUY	0.57	0.77	172.2	58.4	71.3	13.2	4.5	5.4	526.2	-66.1	22.1	4.3	12.7
CONSUMER (F&B, Retail)															
AEON Co.	Dec	BUY	1.39	1.81	85.3	129.6	145.5	6.1	9.2	10.4	105.8	52.1	12.3	22.9	15.1
Asia File	Mar	NEUTRAL	1.76	1.77	46.6	43.4	41.3	23.9	22.3	21.2	26.5	-6.9	-4.8	7.4	7.9
Fraser & Neave	Sep	BUY	20.96	29.70	395.2	383.2	412.2	107.8	104.5	112.4	-3.7	-3.1	7.5	19.4	20.1
Hup Seng	Dec	BUY	0.71	0.79	27.2	21.4	32.6	3.4	2.7	4.1	-32.5	-21.6	52.3	20.7	26.4
Leong Hup	Dec	BUY	0.54	0.80	85.4	159.0	176.5	2.3	4.4	4.8	-24.5	86.2	11.0	23.1	12.4
MSM	Dec	NEUTRAL	0.85	0.83	125.4	-168.0	26.4	17.8	-23.9	3.8	-276.0	-234.0	-115.7	4.8	n.a.
Nestlé	Dec	NEUTRAL	137.20	137.80	569.8	695.0	737.4	243.0	296.4	314.5	3.0	22.0	6.1	56.5	46.3
Padini	Jun	NEUTRAL	3.40	3.50	54.1	154.1	158.7	8.2	23.4	24.1	-28.1	184.9	3.0	41.4	14.5
Panasonic	Mar	SELL	23.30	17.60	116.5	51.5	48.0	192.0	85.0	79.0	-0.5	-55.7	-7.0	12.1	27.4
QL Resources	Mar	BUY	5.59	6.30	311.9	217.3	332.3	13.0	9.0	13.7	32.1	-30.8	51.7	43.0	62.1
Rhong Khen International	Jun	NEUTRAL	1.37	1.23	53.8	35.5	31.6	28.0	18.0	16.3	217.5	-35.7	-9.4	4.9	7.6
Spritzer	Dec	BUY	2.12	2.64	24.2	31.9	35.8	11.5	15.3	17.1	-32.0	32.2	12.2	18.4	13.9
INDUSTRIAL PRODUCT															
Scientex Packaging	Jul	BUY	2.21	2.83	47.0	43.2	51.2	14.4	13.1	14.6	-1.3	-8.9	11.6	15.4	16.9
P.I.E. Industrial	Dec	BUY	2.68	3.86	60.3	69.9	78.1	15.7	18.2	20.3	32.4	15.9	11.7	17.1	14.7
Superlon	Apr	BUY	0.64	0.84	13.2	6.2	5.3	8.3	3.9	3.4	52.9	-52.9	-14.0	7.7	16.5
SERVICES															
Scicom	Jun	BUY	1.09	1.30	25.8	31.5	33.4	7.3	8.9	9.4	17.1	21.9	6.2	15.0	12.2
BANKING															
Affin Bank	Dec	NEUTRAL	2.05	2.23	526.9	188.0	555.0	25.0	8.5	25.1	119.3	-66.0	195.2	8.2	24.1
Alliance Bank	Mar	BUY	3.78	4.35	358.8	572.8	683.0	23.2	37.0	44.1	-15.3	59.5	19.2	16.3	10.2
AMMB	Mar	BUY	4.18	5.12	-3,826.5	1,502.7	1,768.0	-127.2	45.5	53.4	-385.0	-135.8	17.2	n.a.	9.2
Bank Islam	Dec	NEUTRAL	2.59	2.66	534.3	482.0	598.0	25.7	22.4	27.7	16.0	-13.1	24.1	10.1	11.6
CIMB	Dec	BUY	5.60	6.16	4,295.3	5,177.0	6,086.0	42.9	48.5	57.1	256.0	13.3	17.6	13.1	11.5
Hong Leong Bank	Jun	BUY	20.48	24.88	2,860.6	3,289.3	3,865.0	139.7	160.6	178.3	14.6	15.0	11.0	14.7	12.8
Hong Leong Financial	Jun	BUY	18.62	23.69	2,265.3	2,452.2	2,769.0	199.8	216.3	241.8	22.1	8.3	11.8	9.3	8.6
Malayan Banking	Dec	NEUTRAL	8.58	8.83	8,096.2	8,341.0	9,713.0	69.7	69.2	80.6	20.8	-0.7	16.4	12.3	12.4
Public Bank	Dec	BUY	4.43	5.39	5,656.5	5,869.0	6,779.0	29.1	30.2	34.9	16.1	3.8	15.5	15.2	14.7
RHB Bank	Dec	BUY	5.60	6.94	2,618.4	2,617.0	3,275.0	64.7	61.6	77.1	27.6	-4.8	25.1	8.7	9.1

Source: Company, MIDFR

R		DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
2F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21							High (RM)	Low (RM)
2	6.3	2.0	3.0	3.0	1.7	2.5	2.5	0.41	2.88	30.54	5.05	7.57	1,074.2	1,267.5	1.36	0.80
3	5.6	0.0	1.0	1.0	0.0	3.3	3.3	0.33	0.91	7.94	1.88	5.44	542.8	165.5	0.47	0.25
3	12.4	0.0	12.0	50.0	0.0	3.1	12.8	0.99	3.94	16.45	3.98	7.86	2,591.1	10,131.1	4.06	2.77
3	17.1	6.0	6.0	6.0	3.7	3.7	3.7	0.58	2.80	18.10	3.78	6.94	3,513.3	5,726.7	1.92	1.39
4	13.8	5.0	4.0	5.0	3.7	3.0	3.7	0.99	1.36	4.42	3.35	3.93	288.7	386.9	1.58	1.28
5	21.6	1.0	1.0	2.0	3.0	3.0	6.1	0.33	1.01	5.21	0.82	1.66	4,467.5	1,474.3	0.41	0.28
1	10.5	0.0	2.5	2.5	0.0	5.2	5.2	0.28	1.74	1.52	0.45	0.92	727.0	352.6	0.84	0.40
7	9.3	10.0	10.0	6.0	4.7	4.7	2.8	0.89	2.42	9.30	6.97	10.30	165.9	356.6	2.83	2.04
5	14.0	5.3	4.0	4.0	3.5	2.7	2.7	2.76	0.54	7.18	6.66	17.33	1,289.4	1,921.1	1.74	1.41
3	8.4	0.5	0.0	0.0	1.1	0.0	0.0	0.20	2.19	2.99	0.61	1.34	1,417.2	623.6	0.61	0.34
7	51.0	2.5	2.5	3.2	4.3	4.3	5.5	0.50	1.16	2.26	0.75	3.11	10,964.1	6,359.2	0.67	0.50
1	13.5	9.5	9.5	10.0	3.1	3.1	3.2	1.70	1.81	4.94	1.76	5.10	9,177.0	28,265.2	4.16	2.35
7	35.9	14.6	13.7	16.3	3.8	3.5	4.2	49.82	0.08	16.88	13.64	168.97	11,731.5	45,635.6	4.36	3.10
4	21.0	17.0	20.0	20.0	4.4	5.2	5.2	4.61	0.83	13.96	5.73	19.11	7,830.1	30,067.8	4.84	3.16
1	14.0	13.0	19.6	23.0	2.4	3.6	4.2	2.65	2.08	11.33	5.72	17.82	3,821.0	21,053.8	6.10	4.68
2	7.2	8.0	8.3	7.0	10.9	11.2	9.5	3.28	0.22	11.04	8.66	38.29	5,214.5	3,832.7	1.10	0.64
0	14.8	1.5	1.5	0.0	3.3	3.3	0.0	0.77	0.58	4.93	3.92	8.84	1,109.2	499.1	0.67	0.38
0	15.1	0.0	1.0	1.9	0.0	3.3	6.3	0.34	0.88	4.01	0.98	1.16	724.8	217.4	0.36	0.28
6	32.8	150.0	2.5	3.5	34.4	0.6	0.8	9.15	0.48	17.39	11.41	18.08	1,237.3	5,394.4	6.01	3.22
3	17.0	1.0	0.4	0.0	2.0	0.7	0.0	3.99	0.13	7.51	2.56	2.99	2,832.6	1,430.4	0.60	0.40
1	17.2	3.0	8.5	9.5	2.5	7.1	8.0	2.64	0.45	15.43	9.49	10.57	669.4	796.6	1.67	1.00
1	24.4	9.2	10.0	12.5	3.3	3.6	4.5	4.00	0.70	25.25	13.51	15.57	3,732.8	10,377.2	4.06	2.28
4	17.2	2.0	1.4	1.8	2.1	1.5	1.9	3.91	0.24	49.11	18.82	23.00	7,438.0	6,880.1	1.10	0.72
3	16.3	6.0	10.0	10.0	2.1	3.5	3.5	1.93	1.49	16.22	9.14	11.75	1,613.1	4,645.7	4.20	2.07
3	7.8	8.0	8.0	4.0	5.9	5.9	3.0	0.82	1.64	6.67	7.27	18.17	3,648.2	4,925.0	2.12	1.31
2	12.9	15.0	35.0	27.0	2.5	5.7	4.4	1.03	5.93	17.19	6.14	10.16	897.2	5,472.9	9.48	5.50
8	21.3	10.5	14.0	10.5	2.7	3.6	2.7	2.23	1.72	11.07	9.00	15.29	6,208.0	23,838.6	4.76	3.57
4	14.8	55.0	20.0	70.0	2.6	1.0	3.4	1.57	13.25	7.98	7.16	13.50	1,078.2	22,468.8	29.80	19.42
3	9.5	35.0	37.0	40.0	2.1	2.2	2.4	0.91	18.60	50.94	8.98	9.78	1,422.6	24,212.7	18.72	14.90
5	7.9	10.0	20.0	15.0	4.4	8.8	6.6	0.86	2.63	14.56	11.81	17.32	279.0	630.6	3.38	1.91
2	17.7	20.3	23.0	15.0	4.6	5.2	3.4	1.64	2.70	13.34	8.22	13.96	6,915.7	30,498.3	5.46	3.46
3	11.0	3.0	3.0	3.0	2.7	2.7	2.7	0.74	1.51	16.65	5.99	10.92	1,380.2	1,545.8	1.89	0.90
7	29.6	51.0	53.5	3.3	31.5	33.0	2.0	1.11	1.46	41.00	50.96	62.87	3,417.5	5,536.3	6.28	1.46
6	13.7	48.0	12.0	6.0	45.3	11.3	5.7	0.70	1.52	2.45	3.20	4.01	2,551.6	2,704.7	2.13	0.92
	109.1	3.7	5.0	0.2	4.3	5.9	0.2	0.46	1.86	26.75	12.07	14.29	2,644.9	2,248.1	1.64	0.64
6	26.6	65.1	1.2	2.2	78.0	1.4	2.6	0.99	0.84	4.05	2.78	3.32	8,007.3	6,686.1	2.81	0.57
5	24.0	6.0	6.0	6.0	1.0	1.0	1.0	1.98	2.97	10.58	3.98	6.64	8,806.0	51,603.4	7.34	5.44
5	23.6	0.6	2.5	3.0	0.6	2.6	3.2	1.87	0.51	6.16	2.61	7.19	4,343.2	4,126.1	1.17	0.79
7	10.4	4.3	4.0	5.0	7.6	7.1	8.8	1.80	0.31	1.21	2.59	12.42	1,310.0	740.1	0.87	0.50
1	13.4	3.0	5.3	5.9	2.2	3.8	4.2	1.09	1.27	3.57	2.21	7.44	1,404.0	1,951.6	1.69	1.26
9	8.3	0.0	2.0	2.1	0.0	1.1	1.2	0.47	3.73	13.44	5.58	6.05	194.8	342.8	2.24	1.69
1	18.7	60.0	65.0	70.0	2.9	3.1	3.3	2.65	7.90	8.57	10.55	13.59	366.8	7,687.7	25.74	19.24
4	17.3	1.5	2.0	3.0	2.1	2.8	4.3	4.13	0.17	7.23	10.33	15.39	800.0	564.0	0.89	0.60
4	11.2	0.7	1.3	1.4	1.2	2.4	2.6	0.99	0.54	2.22	2.51	6.74	3,650.0	1,971.0	0.62	0.44
.	22.6	3.0	0.0	1.0	3.5	0.0	1.2	0.38	2.22	-7.43	-5.85	-9.81	703.0	597.5	1.37	0.67
3	43.6	242.0	293.4	311.3	1.8	2.1	2.3	48.13	2.85	12.12	23.28	119.27	234.5	32,173.4	140.00	127.20
5	14.1	2.5	10.0	11.6	0.7	2.9	3.4	2.51	1.35	11.68	10.31	17.29	657.9	2,236.9	3.79	2.75
4	29.5	198.0	83.0	77.9	8.5	3.6	3.3	1.82	12.81	5.93	5.61	6.73	60.7	1,415.4	29.80	22.10
1	40.9	4.5	350.0	4.5	0.8	62.6	0.8	5.23	1.07	4.15	4.38	8.03	2,433.7	13,604.1	5.73	4.48
6	8.4	8.0	10.0	4.9	5.8	7.3	3.6	0.39	3.51	4.70	3.75	5.42	193.7	265.3	1.67	1.30
9	12.4	9.0	5.5	6.1	4.2	2.6	2.9	0.91	2.32	9.64	5.72	6.89	209.0	443.1	2.15	1.80
9	15.1	2.0	2.5	5.5	0.9	1.1	2.5	1.98	1.12	5.57	6.76	11.17	350.6	774.9	2.60	2.06
7	13.2	2.4	7.0	8.0	0.9	2.6	3.0	1.93	1.39	6.82	8.46	13.53	384.0	1,029.2	3.94	2.16
2	18.9	3.2	1.5	2.0	5.0	2.4	3.1	0.70	0.91	6.75	3.57	4.35	158.7	100.8	0.84	0.58
3	11.6	5.5	6.5	7.0	5.0	6.0	6.4	3.35	0.33	11.87	19.06	28.05	355.5	387.4	1.33	0.96
1	8.2	0.0	25.9	7.9	0.0	12.6	3.9	0.40	5.09	5.65	0.24	1.89	2,212.3	4,535.3	2.33	1.50
2	8.6	5.8	10.2	22.1	1.5	2.7	5.8	0.90	4.19	22.61	0.93	8.93	1,548.1	5,851.8	3.93	2.76
2	7.8	0.0	5.0	16.1	0.0	1.2	3.9	0.80	5.21	24.55	0.86	8.37	3,311.5	13,842.0	4.23	3.11
6	9.3	10.9	9.9	12.2	4.2	3.8	4.7	1.05	2.46	16.03	0.60	7.53	2,155.3	5,582.1	3.27	2.40
5	9.8	23.0	25.8	30.4	4.1	4.6	5.4	0.93	6.05	22.01	0.83	8.61	10,665.1	59,724.6	5.90	4.72
8	11.5	50.0	55.0	66.0	2.4	2.7	3.2	1.35	15.21	43.48	1.29	10.61	2,167.7	44,394.9	21.88	17.84
6	7.7	40.0	46.0	48.8	2.1	2.5	2.6	0.85	21.94	29.41	0.85	6.81	1,145.2	21,324.4	20.38	16.90
4	10.6	58.0	57.4	66.9	6.8	6.7	7.8	1.23	6.99	27.24	0.94	9.42	12,054.1	103,424.4	9.18	7.92
7	12.7	15.2	15.1	17.5	3.4	3.4	4.0	1.75	2.54	31.58	1.27	11.87	19,410.7	85,989.4	4.79	3.88
	7.3	40.0	32.3	40.4	7.1	5.8	7.2	0.85	6.60	25.41	0.90	9.34	4,247.4	23,785.3	6.31	5.21

Table i: MIDF RESEARCH STOCK UNIVERSE as at 5 DECEMBER 2022 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER	
					FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21	FY22
FINANCE															
AEON Credit	Feb	TRADING BUY	13.06	15.00	223.8	355.3	389.4	87.7	139.2	152.5	-18.4	58.7	9.6	14.9	9.4
Bursa Malaysia	Dec	BUY	6.92	7.60	355.3	285.6	307.1	43.9	35.3	37.9	-6.0	-19.6	7.5	15.8	19.6
OIL & GAS															
Bumi Armada	Dec	BUY	0.51	0.80	574.1	736.3	754.1	9.7	12.4	12.7	357.3	27.7	2.4	5.2	4.1
Deleum	Dec	BUY	0.91	0.98	17.1	38.2	39.8	4.3	9.5	9.9	129.7	123.8	4.2	21.4	9.6
Dialog Group	Jun	BUY	2.30	3.70	543.1	508.0	668.5	9.6	9.0	11.8	-13.9	-6.5	31.6	23.9	25.6
Gas Malaysia	Dec	BUY	3.30	3.92	249.6	404.3	435.8	19.0	31.5	33.9	11.8	65.7	7.8	17.4	10.5
MMHE	Dec	BUY	0.64	0.61	-270.4	59.6	88.9	-16.9	3.7	5.6	-31.9	-122.0	49.2	n.a.	17.2
Petronas Chemicals	Dec	BUY	8.53	11.77	7,345.0	7,980.0	8,289.0	91.8	99.8	103.6	350.0	8.7	3.9	9.3	8.6
Petronas Dagangan	Dec	BUY	23.24	24.52	529.8	843.7	922.2	53.3	84.9	92.8	91.7	59.3	9.3	43.6	27.4
Petronas Gas	Dec	NEUTRAL	16.74	17.27	1,988.9	1,731.2	1,813.2	100.5	87.5	91.6	-1.1	-12.9	4.7	16.7	19.1
PROPERTY & REITS															
Al 'Aqar Healthcare REIT	Dec	BUY	1.23	1.38	73.5	71.0	68.1	10.0	9.6	9.3	484.2	-3.4	-4.1	12.3	12.8
Axis REIT	Dec	BUY	1.81	2.16	200.4	155.0	158.0	13.8	9.4	9.6	40.0	-31.6	1.9	13.1	19.2
Eco World	Oct	BUY	0.68	0.80	182.7	209.0	276.0	6.2	7.1	9.4	14.2	14.3	32.1	11.0	9.6
Glomac	Apr	BUY	0.33	0.48	27.9	37.9	42.0	3.6	4.9	5.5	124.7	35.4	11.0	8.9	6.6
IGB REIT	Dec	BUY	1.65	1.78	200.1	317.0	352.0	5.6	8.8	9.8	-15.6	57.5	11.0	29.4	18.7
IOI Prop	Jun	BUY	1.12	1.29	660.2	686.7	736.0	12.0	12.5	13.4	44.8	4.0	7.2	9.3	9.0
KLCCP Stapled	Dec	NEUTRAL	6.65	7.15	126.5	708.0	761.0	7.0	39.2	42.2	-1,766.7	460.2	7.5	95.0	17.0
Mah Sing	Dec	BUY	0.61	0.74	160.9	159.8	191.4	4.4	6.6	7.9	12.9	49.9	19.8	13.8	9.2
Pavilion REIT	Dec	BUY	1.24	1.56	125.2	227.3	237.4	4.1	7.4	7.8	170.4	81.0	4.4	30.2	16.7
S P Setia	Dec	BUY	0.74	0.84	284.4	230.0	287.0	7.0	5.6	7.0	-188.4	-19.4	24.8	10.5	13.0
Sunway REIT	Dec	BUY	1.46	1.73	127.6	345.0	354.0	3.1	10.1	10.3	-8.6	228.1	2.6	47.6	14.5
Sunway	Dec	NEUTRAL	1.66	1.63	2,664.4	528.0	527.3	45.4	10.8	10.8	530.7	-76.2	-0.1	3.7	15.4
UEM Sunrise	Dec	NEUTRAL	0.28	0.21	-213.0	76.5	60.0	-4.2	1.5	1.2	-23.6	-136.0	-21.6	n.a.	18.5
UOA Development	Dec	NEUTRAL	1.64	1.65	222.4	195.5	218.1	10.1	8.1	9.1	-47.1	-19.2	11.6	16.3	20.2
TRANSPORT															
- Aviation															
Capital A	Dec	NEUTRAL	0.57	0.59	-2,991.1	-2,791.6	-885.7	-79.0	-67.1	-21.3	-48.4	-15.1	-68.3	n.a.	n.a.
Malaysia Airports	Dec	BUY	6.39	6.90	-823.9	-198.6	454.6	-49.7	-12.0	27.4	-29.8	-75.9	-328.9	n.a.	n.a.
-Logistics															
CJ Century Logistics	Dec	BUY	0.52	0.98	6.7	30.9	35.7	1.2	5.3	6.1	505.3	361.8	15.5	45.2	9.8
Suria Capital	Dec	BUY	1.10	1.24	39.5	45.8	48.6	11.4	13.2	14.1	19.9	15.9	6.1	9.6	8.3
Swift Haulage	Dec	BUY	0.49	1.05	47.1	58.5	61.6	7.4	6.6	7.0	-22.0	-10.9	5.3	6.6	7.4
Tasco	Mar	BUY	0.94	1.75	41.3	65.2	83.2	5.2	8.2	10.4	364.9	58.1	27.5	18.2	11.5
Tiong Nam	Mar	NEUTRAL	0.72	0.68	11.4	5.2	10.5	2.4	1.0	2.0	1,513.3	-58.3	102.2	29.5	70.8
- Ports															
Westports	Dec	BUY	3.41	4.00	808.2	551.2	702.2	23.7	16.2	20.6	23.5	-31.8	27.4	14.4	21.1
- Shipping															
MISC	Dec	NEUTRAL	7.19	7.70	1,831.3	1,526.9	1,671.7	41.0	34.2	37.5	-4,200.0	-16.6	9.5	17.5	21.0
TOLL															
LITRAK	Mar	NEUTRAL	0.51	5.08	205.8	162.8	273.7	38.7	30.6	50.5	-21.7	-21.0	65.4	1.3	1.7
UTILITIES															
Ranhill Utilities	Dec	BUY	0.43	0.67	30.6	34.0	42.9	2.6	2.6	3.3	-23.9	1.1	26.2	16.5	16.3
Tenaga Nasional	Dec	NEUTRAL	9.13	8.45	3,661.8	4,307.5	4,436.9	64.1	74.9	77.1	1.6	16.9	3.0	14.3	12.2
YTL Power	Jun	BUY	0.73	1.03	-146.5	1,207.4	427.6	-1.8	14.9	5.3	-321.7	-909.8	-64.6	n.a.	4.9
AUTO															
Bermaz Auto	Apr	BUY	1.95	2.36	133.8	155.1	183.1	11.5	13.4	15.7	32.7	15.9	18.0	16.9	14.6
MBM	Dec	BUY	3.30	4.60	171.2	225.0	224.9	43.8	57.6	57.5	7.6	31.4	0.0	7.5	5.7
Tan Chong	Dec	NEUTRAL	1.14	1.19	-15.4	-38.3	38.3	-2.4	-5.9	5.9	-90.7	148.9	-200.0	n.a.	n.a.
UMW Holdings	Dec	BUY	3.35	5.00	338.1	393.5	397.4	28.9	33.7	34.0	23.2	16.4	1.0	11.6	9.9
BUILDING MATERIAL															
- Cement															
Malayan Cement	Jun	BUY	2.07	2.56	7.3	83.5	85.1	0.9	6.8	6.5	-104.4	702.4	-4.8	243.5	30.4
- Timber															
Ta Ann	Dec	NEUTRAL	3.95	3.79	317.6	320.5	160.1	72.1	72.8	36.3	309.0	0.9	-50.0	5.5	5.4

Source: Company, MIDFR

		DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
2F	FY23F	FY21	FY22F	FY23F	FY21	FY22F	FY23F	FY21							High (RM)	Low (RM)
	8.6	23.2	48.5	48.6	1.8	3.7	3.7	1.49	8.75	20.82	3.50	16.14	255.3	3,334.3	16.38	12.50
6	18.2	34.0	34.3	35.9	4.9	5.0	5.2	7.62	0.91	38.00	6.58	34.95	809.3	5,600.3	7.16	6.00
	4.0	0.0	0.0	0.8	0.0	0.0	1.6	0.57	0.88	34.05	6.10	18.77	5,918.0	2,988.6	0.58	0.32
	9.2	1.0	2.6	3.4	1.1	2.9	3.7	0.98	0.93	6.84	6.27	10.09	401.6	365.4	0.94	0.45
6	19.4	3.1	3.4	4.1	1.3	1.5	1.8	2.25	1.02	21.91	5.74	8.99	5,642.6	12,977.9	2.92	1.71
6	9.7	17.7	20.7	22.4	5.4	6.3	6.8	3.58	0.92	6.91	14.09	35.78	1,284.0	4,237.2	3.65	2.61
2	11.5	0.0	0.0	0.0	0.0	0.0	0.0	0.58	1.10	4.06	1.76	3.49	1,600.0	1,024.0	0.65	0.36
	8.2	30.0	39.0	40.0	3.5	4.6	4.7	1.76	4.86	34.66	17.12	22.45	8,000.0	68,240.0	11.08	7.87
4	25.0	70.0	67.7	74.8	3.0	2.9	3.2	3.98	5.84	3.75	8.79	15.02	993.5	23,087.9	23.78	18.76
	18.3	72.0	109.4	114.5	4.3	6.5	6.8	2.53	6.63	30.65	9.02	12.98	1,978.7	33,124.0	17.89	15.92
3	13.3	7.8	8.2	8.3	6.3	6.7	6.8	0.95	1.30	61.95	4.26	7.51	736.0	905.3	1.24	1.09
2	18.8	9.5	9.5	9.6	5.2	5.2	5.3	1.16	1.56	62.75	4.04	6.13	1,641.1	2,970.3	2.00	1.78
	7.3	4.0	4.0	4.0	5.9	5.9	5.9	0.42	1.62	10.23	2.14	4.39	2,944.4	2,002.2	1.14	0.55
	5.9	1.0	1.0	1.5	3.1	3.1	4.6	0.20	1.59	14.59	1.93	3.09	767.5	249.4	0.37	0.27
7	16.8	6.0	9.1	10.1	3.7	5.5	6.1	1.55	1.06	79.34	6.06	8.33	3,586.9	5,918.4	1.69	1.36
	8.4	2.0	4.0	4.0	1.8	3.6	3.6	0.29	3.87	26.51	1.74	3.33	5,506.1	6,166.9	1.18	0.92
0	15.8	33.6	34.0	36.5	5.1	5.1	5.5	2.39	2.78	60.46	3.95	4.71	1,805.3	12,005.5	7.11	6.30
	7.7	2.7	3.0	3.2	4.4	5.0	5.3	0.42	1.45	9.11	2.27	3.86	2,427.7	1,468.8	0.73	0.49
7	16.0	4.4	6.9	7.2	3.6	5.6	5.8	0.99	1.26	46.52	3.64	5.89	3,055.7	3,789.1	1.41	1.18
0	10.4	0.7	0.7	1.0	0.9	1.0	1.4	0.25	2.94	6.11	0.74	1.47	4,075.5	2,995.5	1.42	0.41
6	14.1	4.4	8.5	9.3	3.0	5.8	6.4	0.91	1.60	73.04	3.77	6.31	3,424.8	5,000.2	1.58	1.32
4	15.4	1.5	3.0	3.5	0.9	1.8	2.1	0.85	1.96	14.20	2.10	4.02	4,889.1	8,115.9	1.85	1.45
6	23.6	0.0	0.0	0.0	0.0	0.0	0.0	0.21	1.33	6.46	0.59	1.13	5,058.5	1,416.4	0.38	0.19
2	18.1	10.0	10.0	10.0	6.1	6.1	6.1	0.69	2.36	35.71	3.05	3.37	2,407.4	3,948.2	1.92	1.52
	n.a.	0.0	0.0	0.0	0.0	0.0	0.0	-0.34	-1.70	-152.03	-13.94	43.46	4,161.8	2,372.2	0.85	0.54
	23.3	0.0	0.0	12.0	0.0	0.0	1.9	1.75	3.65	-11.87	-0.98	-2.74	1,659.2	10,602.2	7.08	5.40
	8.5	0.0	1.0	1.0	0.0	1.9	1.9	0.69	0.75	3.67	3.97	7.32	581.9	302.6	0.70	0.44
	7.8	1.5	4.6	4.9	1.4	4.2	4.5	0.34	3.24	18.23	3.27	4.04	345.8	380.4	1.29	0.99
	7.0	1.8	2.0	2.1	3.7	4.1	4.3	0.69	0.71	9.94	4.01	9.21	883.6	432.9	1.13	0.43
6	9.0	0.0	1.0	0.0	0.0	1.1	0.0	1.36	0.69	4.40	4.75	11.15	800.0	752.0	1.24	0.77
3	35.0	0.0	0.0	0.0	0.0	0.0	0.0	0.47	1.54	0.76	0.25	0.65	514.0	367.5	0.83	0.54
	16.6	17.8	0.1	0.2	5.2	0.0	0.0	3.83	0.89	27.26	10.18	17.63	3,410.0	11,628.1	4.27	3.04
0	19.2	33.0	0.0	0.0	4.6	0.0	0.0	0.82	8.73	14.31	2.65	4.37	4,463.7	32,094.3	7.92	6.33
	1.0	20.0	25.0	0.3	39.2	49.0	0.5	0.20	2.54	40.62	8.81	13.42	541.6	276.2	0.52	0.33
3	12.9	0.7	1.8	2.3	1.7	4.2	5.3	0.79	0.55	2.22	1.04	3.95	1,288.6	554.1	0.58	0.35
2	11.8	40.0	30.5	31.4	4.4	3.3	3.4	0.91	10.03	8.18	2.36	7.38	5,753.1	52,525.6	9.51	7.89
	13.8	2.5	4.5	6.0	3.4	6.2	8.2	0.42	1.73	6.78	2.37	8.59	8,102.2	5,914.6	0.84	0.57
6	12.4	3.3	6.3	11.0	1.7	3.2	5.6	3.60	0.54	6.68	9.94	22.54	1,162.7	2,267.3	2.01	1.46
	5.7	20.0	23.1	23.1	6.1	7.0	7.0	0.65	5.11	14.72	9.53	10.28	390.9	1,289.9	3.55	2.85
	19.4	0.0	3.0	3.0	0.0	2.6	2.6	0.27	4.22	-1.51	-0.76	-1.38	652.1	743.4	1.21	1.01
	9.8	5.8	13.5	13.6	1.7	4.0	4.1	0.91	3.68	3.56	3.23	5.82	1,168.3	3,913.8	3.48	2.77
4	31.9	0.0	0.0	0.0	0.0	0.0	0.0	0.47	4.41	3.09	0.80	1.45	1,310.2	2,712.1	2.95	1.84
	10.9	30.0	40.0	25.0	7.6	10.1	6.3	1.00	3.96	16.92	11.69	18.04	440.5	1,739.8	6.75	3.03

Table ii: Performance of various markets in Local Currency (% change)

In Local Currency	Index point	4Q21	2021	1Q22	2Q22	3Q22	4Q22*	2022*
Mumbai Sensex 30	62,868.50	-1.5%	22.0%	0.5%	-9.5%	8.3%	9.5%	7.9%
Jakarta Composite	7,019.64	4.7%	10.1%	7.4%	-2.3%	1.9%	-0.3%	6.7%
Straits Times	3,259.14	1.2%	9.8%	9.1%	-9.0%	0.9%	4.1%	4.3%
SET Index	1,641.63	3.2%	14.4%	2.3%	-7.5%	1.4%	3.3%	-1.0%
Nikkei 225	27,777.90	-2.2%	4.9%	-3.4%	-5.1%	-1.7%	7.1%	-3.5%
Dow Jones	34,429.88	7.4%	18.7%	-4.6%	-11.3%	-6.7%	19.9%	-5.3%
FBM KLCI	1,481.80	1.9%	-3.7%	1.3%	-9.0%	-3.4%	6.3%	-5.5%
Philippines Composite	6,489.65	2.4%	-0.2%	1.1%	-14.5%	-6.7%	13.0%	-8.9%
Shanghai Composite	3,156.14	2.0%	4.8%	-10.6%	4.5%	-11.0%	4.4%	-13.3%
Taiwan Weighted	14,970.68	7.6%	23.7%	-2.9%	-16.2%	-9.5%	11.5%	-17.8%
KOSPI	2,434.33	-3.0%	3.6%	-7.4%	-15.4%	-7.6%	12.9%	-18.2%
Hang Seng	18,675.35	-4.8%	-14.1%	-6.0%	-0.6%	-21.2%	8.4%	-20.2%

Source: Bloomberg
*as at 5th December 2022

Table iii: Performance of various markets in US dollar (% change)

In US Dollar	Index point	4Q21	2021	1Q22	2Q22	3Q22	4Q22*	2022*
Straits Times	3,259.14	2.1%	7.7%	8.6%	-11.3%	-2.4%	10.6%	4.1%
Jakarta Composite	7,019.64	5.1%	8.3%	6.8%	-6.0%	-0.3%	-1.0%	-0.9%
Mumbai Sensex 30	62,868.50	-1.8%	19.6%	-1.3%	-12.9%	5.1%	9.5%	-1.2%
SET Index	1,641.63	4.3%	2.8%	2.5%	-12.8%	-5.4%	12.6%	-4.9%
Dow Jones	34,429.88	7.4%	18.7%	-4.6%	-11.3%	-6.7%	19.9%	-5.3%
FBM KLCI	1,481.80	2.6%	-6.8%	0.0%	-13.0%	-8.3%	12.3%	-10.4%
Philippines Composite	6,489.65	2.5%	-6.2%	-0.3%	-19.4%	-12.8%	19.1%	-16.5%
Nikkei 225	27,777.90	-5.4%	-6.0%	-8.4%	-15.0%	-7.9%	15.1%	-17.5%
Hang Seng	18,675.35	-4.9%	-14.6%	-6.4%	-0.8%	-21.2%	9.4%	-20.0%
Shanghai Composite	3,156.14	3.4%	7.6%	-10.4%	-1.1%	-16.2%	5.3%	-21.9%
KOSPI	2,434.33	-3.5%	-5.3%	-9.1%	-20.3%	-17.2%	24.7%	-25.2%
Taiwan Weighted	14,970.68	8.1%	25.5%	-6.1%	-19.3%	-15.2%	16.0%	-25.5%

Source: Bloomberg
*as at 5th December 2022

APPENDIX

Table iv: Performance by sectors (% change)

	Index point	4Q21	2021	1Q22	2Q22	3Q22	4Q22*	2022*
Energy	800.11	-5.2%	-21.5%	1.9%	-3.3%	-3.4%	19.4%	13.7%
Financial Services	16,446.42	2.4%	1.6%	7.8%	-4.7%	-0.4%	3.3%	5.7%
Plantation	6,807.85	3.5%	-10.3%	21.4%	-13.2%	-6.2%	5.2%	3.9%
Construction	157.00	-6.5%	-17.6%	4.8%	-3.7%	-1.6%	2.8%	2.0%
Consumer Products & Services	585.48	-4.7%	-4.5%	0.5%	-4.0%	-1.2%	6.2%	1.3%
Utilities	861.90	-3.5%	-11.6%	-1.7%	-3.1%	-0.1%	4.5%	-0.5%
REITs	770.62	-1.9%	-5.0%	-0.5%	1.6%	-4.2%	0.4%	-2.7%
Transport & Logistics	829.37	-3.9%	8.3%	-0.9%	-5.3%	-3.7%	6.5%	-3.7%
Property	664.91	-2.2%	-4.2%	1.8%	-11.1%	-3.8%	8.5%	-5.5%
Telecommunications & Media	603.80	-4.2%	-2.5%	0.8%	-14.1%	-0.4%	8.9%	-6.1%
Industrial Products & Services	181.82	-0.7%	13.8%	1.3%	-11.6%	-6.5%	7.0%	-10.3%
Healthcare	1,660.82	-8.3%	-34.6%	-9.3%	-20.9%	-11.9%	12.5%	-28.9%
Technology	67.26	2.0%	38.6%	-19.9%	-19.2%	-2.6%	10.4%	-30.4%
FBM Small Cap	15,222.02	-2.0%	1.3%	3.4%	-12.6%	-3.6%	11.0%	-3.4%
FBM KLCI	1,481.80	1.9%	-3.7%	1.3%	-9.0%	-3.4%	6.3%	-5.5%
FBM Emas	10,653.20	0.0%	-3.9%	0.7%	-9.5%	-3.2%	6.8%	-5.8%
FBM 100	10,357.15	0.2%	-4.2%	0.5%	-9.2%	-3.2%	6.5%	-6.0%

Source: Bloomberg
*as at 5th December 2022

Table v: Regional earnings and valuations

	EPS Growth (% change)					PER				
	2021	2021 (est as of)		2022 (f'cast as of)		2021	2021 (est as of)		2022 (f'cast as of)	
		Sep-21	Dec-21	Sep-22	Dec-22*		Sep-21	Dec-21	Sep-22	Dec-22*
Nikkei 225	101.1%	4.2%	4.2%	2.6%	-0.8%	15.8	14.2	15.2	13.8	15.3
Taiwan Weighted	74.8%	11.4%	4.6%	-9.7%	-15.6%	11.3	9.1	10.9	10.1	12.9
Hang Seng	37.8%	-30.7%	-31.2%	14.5%	13.9%	7.1	9.5	10.3	8.3	9.1
FBM KLCI	**46.8%**	**-1.4%**	**-2.8%**	**11.5%**	**11.6%**	**14.2**	**13.5**	**14.6**	**12.1**	**13.1**
Jakarta Comp.	149.8%	51.0%	67.8%	1.1%	19.1%	23.1	15.4	13.8	15.2	11.6
SET Index	158.6%	8.7%	8.9%	5.4%	5.0%	17.2	15.4	15.8	14.6	15.1
Philippines Comp.	55.4%	23.8%	26.9%	18.3%	15.9%	19.1	13.7	15.1	11.6	13.0
Shanghai Comp.	16.7%	22.9%	19.0%	14.5%	14.7%	13.8	10.8	11.6	9.4	10.1
Straits Times	210.3%	15.6%	19.0%	12.6%	11.7%	14.3	11.9	12.0	10.6	10.8
Mumbai Sensex 30	62.9%	18.9%	18.1%	13.9%	17.7%	27.0	20.7	22.9	18.2	19.4
DJIA	47.8%	0.5%	-1.3%	10.6%	10.4%	18.6	15.4	18.8	13.9	17.0

Source: Bloomberg
*as at 5th December 2022

Table vi: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share Price (RM)		% Change	TP
	5/12/2022	30/9/2022		
MMHE	0.61	0.39	56.4%	0.61
Cahya Mata Sarawak	1.18	0.82	43.9%	1.47
Top Glove	0.85	0.63	35.2%	0.54
Bumi Armada	0.50	0.39	28.6%	0.80
Supermax	0.86	0.68	26.7%	0.31
IOI Prop	1.12	0.90	24.6%	1.29
TSH Resources	1.14	0.92	23.9%	1.01
Mah Sing	0.61	0.49	23.5%	0.74
Deleum	0.85	0.69	23.2%	0.98
S P Setia	0.71	0.58	22.6%	0.84
Ta Ann	3.91	3.23	21.1%	3.79
KPJ	0.95	0.79	20.3%	1.39
Axiata	3.15	2.62	20.2%	4.61
DiGi	3.99	3.35	19.1%	3.50
Dialog Group	2.33	1.97	18.2%	3.70
Sarawak Plantation	2.27	1.94	17.0%	2.60
Muhibbah	0.49	0.42	16.9%	0.47
Tenaga Nasional	9.38	8.05	16.5%	8.45
Leong Hup	0.54	0.46	16.3%	0.80
Eco World	0.70	0.60	15.8%	0.80
Tiong Nam	0.70	0.60	15.8%	0.68
Petronas Dagangan	23.00	20.02	14.9%	24.52
Tasco	0.92	0.80	14.4%	1.75
QL Resources	5.65	4.98	13.5%	6.30
Malaysia Airports	6.35	5.60	13.4%	6.90
Affin Bank	2.05	1.81	13.4%	2.23
Westports	3.45	3.06	12.7%	4.00
Sime Darby Plantation	4.50	4.00	12.6%	5.50
LITRAK	0.51	0.45	12.6%	5.08
Maxis	3.90	3.47	12.5%	3.78
Glomac	0.32	0.28	12.5%	0.48
Unisem	2.90	2.58	12.4%	3.72
Bursa Malaysia	6.97	6.21	12.2%	7.60
UMW Holdings	3.35	2.99	12.0%	5.00
MRCB	0.34	0.30	11.7%	0.44
Ranhill Utilities	0.44	0.39	11.5%	0.67
UEM Sunrise	0.29	0.26	11.5%	0.21
Inari Amertron	2.81	2.52	11.5%	3.20
Media Prima	0.45	0.41	11.1%	0.60
Malayan Cement	2.08	1.88	10.6%	2.56
My E.G.	0.94	0.85	10.4%	1.12
Datasonic	0.51	0.46	10.2%	0.57
CIMB	5.64	5.13	9.9%	6.16
YTL Power	0.74	0.67	9.7%	1.03
D & O Green Tech	4.41	4.03	9.4%	4.58
Spritzer	2.15	1.97	9.1%	2.64
Star	0.30	0.28	9.1%	0.38
WCT	0.45	0.41	8.5%	0.57
Rhong Khen International	1.42	1.31	8.4%	1.23
Sunway	1.70	1.57	8.3%	1.63
Padini	3.40	3.15	7.9%	3.50
Pharmaniaga	0.56	0.52	7.8%	0.77
MISC	7.21	6.69	7.7%	7.70
AMMB	4.20	3.90	7.7%	5.12
Hup Seng	0.71	0.66	7.6%	0.79
Alliance Bank	3.79	3.53	7.4%	4.35
PPB Group	17.26	16.10	7.2%	24.10
Scicom	1.08	1.01	6.8%	1.30
Suria Capital	1.11	1.04	6.7%	1.24
YTL Corp	0.59	0.55	6.4%	0.83
Nestlé	138.00	129.80	6.3%	137.80

Source : MIDF, Bloomberg (as at 5th December 2022)

Table vi: Performance of MIDFR's stocks under coverage (Cont'd)

UNDER-PERFORMERS	Share Price (RM)		% Change	TP
	5/12/2022	30/9/2022		
Capital A	0.56	0.63	-10.4%	0.59
Astro	0.72	0.76	-4.6%	1.03
FGV	1.36	1.41	-3.5%	1.38
Swift Haulage	0.48	0.50	-3.0%	1.05
Axis REIT	1.81	1.87	-2.9%	2.16
P.I.E. Industrial	2.70	2.77	-2.5%	3.86
IJM Corp	1.63	1.67	-2.4%	1.93
Pintaras Jaya	2.10	2.14	-1.9%	2.40
Fraser & Neave	21.20	21.60	-1.9%	29.70
Pavilion REIT	1.24	1.26	-1.6%	1.56
Sunway Construction	1.48	1.50	-1.3%	1.87
IHH Healthcare	5.83	5.90	-1.2%	7.65
Gamuda	3.92	3.93	-0.3%	4.71
Hartalega	1.66	1.66	0.0%	1.78
Malayan Banking	8.58	8.58	0.0%	8.83
Tan Chong	1.14	1.14	0.0%	1.19
AEON Credit	13.32	13.31	0.1%	15.00
MBM	3.27	3.26	0.3%	4.60
KL Kepong	20.80	20.70	0.5%	26.00
UOA Development	1.64	1.63	0.6%	1.65
KKB Engineering	1.41	1.40	0.7%	1.50
AEON Co.	1.38	1.37	0.7%	1.81
Bank Islam	2.59	2.57	0.8%	2.66
Kossan	1.09	1.08	0.9%	0.90
Scientex Packaging	2.21	2.18	1.4%	2.83
Petronas Chemicals	8.52	8.39	1.5%	11.77
Hong Leong Bank	20.64	20.14	2.5%	24.88
Panasonic	23.40	22.82	2.5%	17.60
Telekom Malaysia	5.61	5.47	2.6%	7.10
IOI Corp	3.87	3.77	2.7%	5.00
KLCCP Stapled	6.70	6.51	2.9%	7.15
RHB Bank	5.57	5.41	2.9%	6.94
Gas Malaysia	3.29	3.19	3.0%	3.92
Superlon	0.65	0.63	3.2%	0.84
Hong Leong Financial	18.80	18.16	3.5%	23.69
Petronas Gas	16.92	16.32	3.7%	17.27
IGB REIT	1.64	1.58	4.1%	1.78
Asia File	1.76	1.69	4.1%	1.77
CJ Century Logistics	0.50	0.48	4.2%	0.98
Al-'Aqar Healthcare	1.23	1.18	4.2%	1.38
Public Bank	4.41	4.23	4.3%	5.39
Sunway REIT	1.46	1.40	4.3%	1.73
Globetronics	1.20	1.15	4.3%	1.31
Gabungan AQRS	0.30	0.28	5.4%	0.49
Bermaz Auto	1.94	1.84	5.4%	2.36
Genting Plantations	6.06	5.74	5.6%	7.00
MSM	0.85	0.80	5.6%	0.83
FBM KLCI	**1,481.80**	**1,394.63**	**6.3%**	**1,550.00**

Source : MIDF, Bloomberg (as at 5th December 2022)

YOUR EQUITY CAPITAL MARKET TEAM

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	*Negative* total return is expected to be -10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.



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