

26 February 2020

Fundamentals Flash

Asset Management

#GrowWithUs



Prepared by: Affin Hwang Asset Management



Peak Political Uncertainty Raises Risk in Malaysia

An increasingly muddled political landscape and party manoeuvring within various factions of the Pakatan Harapan (PH) government and the opposition has raised the political risk premium in Malaysia.

The political drama followed an alleged failed coup by a splinter faction of PKR led by Datuk Seri Mohamed Azmin Ali as well as leaders from Barisan Nasional, Bersatu and PAS whom had gathered together for a “special meeting” last weekend. Swift events followed thereafter culminating in the sacking of Datuk Seri Azmin Ali and 10 other PKR leaders from the party whom will form an independent bloc.

At the time of writing, Tun Dr. Mahathir was appointed by the Yang Di-Pertuan Agong as interim Prime Minister today after he submitted his resignation to the king on Monday.

In the midst of Dr Mahathir's resignation, Parti Pribumi Bersatu Malaysia (Bersatu) president Tan Sri Muhyiddin announced that the party has quit PH, and all 26 MPs have signed statutory declarations supporting Dr Mahathir as prime minister.

The exit of Azmin's bloc and Bersatu means PH no longer holds a simple majority in the Dewan Rakyat, which is needed to remain as the ruling coalition.

Uncertainty is bad and volatile for markets. Higher unknowns require higher returns. Market is volatile because of the need to price-in for a much larger range of outcomes. This is on back of re-emerging covid-19 spread outside of China.

26 February 2020

Fundamentals Flash

Asset Management

#GrowWithUs



Will there be a much needed stimulus package at the end of the week? What will happen to the policies crafted by DAP led ministries like Energy, Finance and Transportation. Listings and approvals will also be on hold.

Uncertainty will cause selling pressure across equity space especially on the currency, small caps, recent out-performers, those awaiting government approvals and those with high foreign shareholding. Winners on relative but not necessarily absolute term, would be UMNO-linked counters, externally driven sectors like technology and possibly construction companies.

Capital preservation at reasonable cost is the short-term strategy. Our cash levels are at 15-20%. We are trimming names that have done well recently and those reliant on government policy. As there is a lot of permutation to this drama, we will await for further clarity before deploying our cash.

Disclaimer

This article has been prepared by Affin Hwang Asset Management Berhad (hereinafter referred to as "Affin Hwang AM") specific for its use, a specific target audience, and for discussion purposes only. All information contained within this presentation belongs to Affin Hwang AM and may not be copied, distributed or otherwise disseminated in whole or in part without written consent of Affin Hwang AM.

The information contained in this presentation may include, but is not limited to opinions, analysis, forecasts, projections and expectations (collectively referred to as "Opinions"). Such information has been obtained from various sources including those in the public domain, are merely expressions of belief. Although this presentation has been prepared on the basis of information and/or Opinions that are believed to be correct at the time the presentation was prepared, Affin Hwang AM makes no expressed or implied warranty as to the accuracy and completeness of any such information and/or Opinions.

As with any forms of financial products, the financial product mentioned herein (if any) carries with it various risks. Although attempts have been made to disclose all possible risks involved, the financial product may still be subject to inherent risk that may arise beyond our reasonable contemplation. The financial product may be wholly unsuited for you, if you are adverse to the risk arising out of and/or in connection with the financial product.

Affin Hwang AM is not acting as an advisor or agent to any person to whom this presentation is directed. Such persons must make their own independent assessments of the contents of this presentation, should not treat such content as advice relating to legal, accounting, taxation or investment matters and should consult their own advisers.

Affin Hwang AM and its affiliates may act as a principal and agent in any transaction contemplated by this presentation, or any other transaction connected with any such transaction, and may as a result earn brokerage, commission or other income. Nothing in this presentation is intended to be, or should be construed as an offer to buy or sell, or invitation to subscribe for, any securities.

Neither Affin Hwang AM nor any of its directors, employees or representatives are to have any liability (including liability to any person by reason of negligence or negligent misstatement) from any statement, opinion, information or matter (expressed or implied) arising out of, contained in or derived from or any omission from this presentation, except liability under statute that cannot be excluded.