

Tuesday, 05 Dec, 2023

Sideways Consolidation to Be Expected

Market Review

Malaysia: The FBM KLCI (-0.37%) closed lower in tandem with the weaker regional markets as investors were taking profits awaiting key economic data from several countries. On the broader market, the REIT sector (+0.08%) was the sole gainer, while the Industrial Products & Services sector (-1.00%) fell the most.

Global markets: Wall Street ended lower as cautious sentiment emerged among investors ahead of the employment data this week which will still influence the Fed's decision on interest rates. The European stock market ended lower, while Asia ended mixed with investors eyeing the inflation data from South Korea and Japan.

The Day Ahead

The FBM KLCI has taken a break after a two-day rebound, with the selling pressure noticed within Nestle and PCHEM. Also, the profit taking activities emerged on Wall Street ahead of the jobs data which may indicate the direction of the Fed's rate policy going forward. The market is looking at a pause for the interest rate this year, and could be expecting a rate cut as soon as March next year. Do note that the next FOMC meeting will be held on 12-13 Dec. Meanwhile, we believe the ongoing geopolitical tension in the Middle East may be dampening the overall market sentiment as well, limiting the upside potential on the global and local stocks markets. On the commodity markets, the Brent oil prices declined more than 1% to trade around USD78/bbl despite the additional production cuts by the OPEC+ members.

Sector focus: The positive sentiment may sustain in the REIT sector if the OPR is maintained at this level. Meanwhile, we believe traders should avoid the O&G sector given the weak Brent crude oil prices. We expect traders to focus on the window dressing opportunities this month within the government linked corporations that are in the Construction and Property sectors. Also, the usual sector that may surge will be the Banks.

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI ended lower, consolidating after a 2-day rebound. The technical readings on the key index are mixed, with the MACD Histogram forming a rounding bottom formation, while the RSI dips below the 50 level. The resistance is pegged around 1,460-1,465 and the support is at 1,430-1,440.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	36,204.44	-0.11
S&P 500	4,569.78	-0.54
NASDAQ	14,185.49	-0.84
FBM KLCI	1451.02	-0.37
FBM Small Cap	16,046.69	-0.44
FBM ACE	5,115.85	-0.34
Construction	182.95	-0.21
Consumer	55120	-0.96
Energy	812.21	-0.42
Financial Services	16,364.36	-0.09
Healthcare	1803.35	-0.32
Ind Products	170.27	-1.00
Plantation	6,983.22	-0.10
Property	836.53	-0.10
REITs	783.05	0.08
Technology	6193	-0.64
Telco & Media	552.24	-0.08
Transport & Logist	916.53	-0.22
Utilities	1217.95	-0.22
Trading Vol (m)	3,157.44	-2.50
Trading Val (RM m)	1,875.80	-17.08
Gainers/ Losers rat	95%	
FKLI	1453.50	-0.03
FCPO (RM)	3,840.00	0.42
Brent oil (USD)	78.88	-0.87
Gold (USD)	2,029.42	-2.07
USD	4.6575	0.34
GBP	5.9023	0.31
EURO	5.0651	0.55
SGD	3.4894	0.28
Trading participation 5-day trend and value (m)		
Institution	-457.0	
Foreign	211.5	
	245.5	

Source: Bloomberg, Bursa Market Place



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Company Brief

UMW Holdings Bhd has proposed to dispose of a 22.22-acre industrial leasehold land within the UMW High Value Manufacturing Park in Serendah, Selangor to Perusahaan Otomobil Kedua Sdn Bhd (Perodua) in a related party transaction. UMW said its wholly-owned subsidiary UMW Development Sdn Bhd is selling the land to Perodua's wholly-owned unit Perodua Sales Sdn Bhd for RM52.27m, cash. UMW owns a 38% stake in Perodua via another wholly-owned subsidiary, UMW Automotive Sdn Bhd. UMW said the proceeds from the sale of land will be used for working capital purposes. The group is expected to record a gain of RM6m from the disposal. (The Edge)

Opcom Holdings Bhd has proposed to change its corporate name to Hextar Capital Bhd effective immediately. Notably, Hextar's Group CEO Datuk Eddie Ong Choo Meng is its largest shareholder with a 31.74% direct stake in the fibre optic company. Broadband infrastructure provider Opcom came under the spotlight recently after it acquired a 18.03% stake or 70m shares in ACE Market-listed Binasat Communications Bhd in September from Binasat Communications managing director Na Boon Aik for RM39.2m as part of its venture into the satellite telecommunications business. (The Edge)

Cypark Resources Bhd has inked a memorandum of understanding (MOU) with Abu Dhabi Future Energy Company PJSC (Masdar) to explore various renewable energy-related projects in Malaysia. According to the group, Masdar is an investment vehicle of the government of Abu Dhabi, owned by Mubadala Investment Company PJSC, Abu Dhabi National Oil Company (Adnoc) and Abu Dhabi National Energy Company PJSC (Taqa), with a mandate to generate sustainable economic benefits for the United Arab Emirates. Cypark added that the MOU comes into effect on the date of execution, and will remain in effect for a period of two years. The MOU may be extended for a further period as may be agreed in writing by the parties. (The Edge)

HB Global Ltd's proposed acquisition of frozen meat and poultry products trader KK Fresh Frozen Sdn Bhd for RM30m has collapsed, as the specified conditions precedent within the conditional period were not fulfilled. HB Global, a company engaged in the trading of frozen meat and poultry products, announced on Monday the automatic termination of the share sales agreement related to the proposed acquisition, citing non-fulfilment of the conditions precedent within the conditional period. Additionally, HB Global said it received notification from the vendor, KK Fresh's managing director Tan Hwa Sin, indicating no intention to extend the conditional period. (The Edge)

Sarawak Consolidated Industries Bhd (SCIB) has secured a sub-contract worth an estimated RM16.8m in a construction project for the Sarawak police air operation force. SCIB said its wholly-owned subsidiary SCIB Industrialised Building System Sdn Bhd was awarded the job, involving the supply of precast components for the apron and taxiway of an air base, by S&I Urban Designers Sdn Bhd. SCIB said the contract is expected to contribute positively to its future earnings, as any profit attributable to the group would be realised in stages during the tenure and progress of the contract. (The Edge)

UEM Edgenta Bhd's indirect wholly-owned subsidiary Edgenta International Investments LLC (EII) has entered into a sale and purchase agreement and shareholders' agreement with United Arab Emirates (UAE)-based NW Kaizen Holding Ltd to acquire 60% equity interest in Kaizen Owner Association Management Services LLC (KOA) and Kaizen AMS Property Supervision LLC. UEM Edgenta said the acquisition would be for AED43.2m (RM55.1m) in cash. It added that the sale and purchase agreement would be completed on the second business day after EII receives the amended commercial licences of Kaizen Group to reflect the transfer of the sale shares or such other time the parties may agree. (The Edge)



Morgan Stanley & Co International plc has ceased to be a substantial shareholder in information technology service provider **Lambo Group Bhd**. This comes after Morgan Stanley sold off its entire shareholding of 188.82m shares, or a 12.26% stake, in the Guidance Note 3 (GN3) company on Nov 30. It is worth noting that Morgan Stanley had only recently acquired those entire shares on Nov 27. (The Edge)

UmediC Group Bhd's (UMC) net profit fell 5.6% year-on-year in the first quarter ending Oct 31, 2023 (1QFY2024), despite higher revenue, dragged by higher tax expense and a rise in expenses. The medical devices manufacturer's net profit fell to RM1.88m or 0.51 sen per share, from RM2m or 0.54 sen per share a year ago. While quarterly revenue rose 28.37% to RM14.52m, from RM11.31m in the previous corresponding quarter, gross profit only rose by 21.77% to RM4.66m from RM3.83m. This was as the cost of sales rose 31.75% to RM9.86m, from RM7.48m, on higher marketing, administrative and other expenses. Meanwhile, taxation doubled to RM531,000, from RM247,000 a year ago. (The Edge)

Bioalpha Holdings Bhd said that its wholly-owned subsidiary has been appointed by the Langkawi Development Authority (Lada) to develop and operate a 7.98-acre agro park in Bandar Padang Mat Sirat, Langkawi. As the owner of the land, Lada – an agency under the Ministry of Finance tasked to propel the tourism economy of Langkawi – is granting Bioalpha Wellness rights of land use for 30 years, said Bioalpha. Bioalpha Wellness, meanwhile, will provide Lada with a yearly fixed fee and quit rent and assessment. The company will also provide an estimated investment of at least RM15m to be funded by internally generated funds and bank borrowings. (The Edge)

Kanger International Bhd's largest shareholder and executive director Kuah Choon Ching has disposed of his entire 12.28% stake in the company. Kuah offloaded the stake comprising 74.05m shares via the open market on Nov 30, thereby ceasing to be a substantial shareholder in the construction outfit. Based on the price tag of seven sen per share stated in the filing, the executive director disposed of the block of shares for RM5.18m. (The Edge)

EITA Resources Bhd said its subsidiary has secured a contract from Tenaga Nasional Bhd (TNB) to rehabilitate a main intake substation in Kedah for RM56.31m. EITA said its 60%-owned TransSystem Continental Sdn Bhd (TSC) received a letter of acceptance from TNB for the "rehabilitation of PMU 132/11kV Gurun (Rehab), Kedah". EITA noted the contract shall be effective from end-November 2023 and span two years (730 days). (The Edge)

Malakoff Corp Bhd has teamed up with Abu Dhabi Future Energy Company PJSC (Masdar) to identify potential business opportunities through investment and development of solar photovoltaic power plant project development, with a targeted aggregate capacity of up to 1,000MW, and explore other renewable energy (RE) projects opportunities in Peninsular Malaysia. Malakoff said the collaboration will involve conducting technical and commercial assessments of specific projects that have been identified, and collaborating on the development, implementation and management of the projects, including the financing arrangements in accordance with the RE transition. (The Edge)

Technical Focus Tracker

Technical Focus Tracker											
No.	Companies	Report Date	Report Date Share Price (RM)	Resistance 1 (RM)	Resistance 2 (RM)	Long Term Target (RM)	Support (RM)	Cut Loss (RM)	Last Price (RM)	Change in Share Price (%)	Comments
1	WASCO	8-Nov	1.000	1.050	1.090	1.150	0.960	0.950	0.980	-2.0%	Initiate on 8/11/2023
2	SLVEST	21-Nov	1.290	1.350	1.360	1.400	1.230	1.210	1.270	-1.6%	Initiate on 21/11/2023



Market Chat Tracker

4Q23 Stock Picks											
No.	Companies	Report Date	Report Date Share Price (RM)	Resistance 1 (RM)	Resistance 2 (RM)	Support 1 (RM)	Support 2 (RM)	Cut Loss (RM)	Last Price (RM)	Change in Share Price (%)	Comments
1	GTRONIC	2-Oct	1.555	1.700	1.820	1.450	1.360	1.340	1.670	7.4%	Initiate on 2/10/2023
2	HIAPTEK	2-Oct	0.435	0.500	0.535	0.400	0.365	0.355	0.445	2.3%	Initiate on 2/10/2023
3	HSSEB	2-Oct	0.805	0.895	0.940	0.725	0.670	0.660	0.945	17.4%	Initiate on 2/10/2023
4	LHI	2-Oct	0.555	0.610	0.640	0.520	0.500	0.490	0.640	15.3%	Initiate on 2/10/2023
5	MUHIBAH	2-Oct	0.730	0.810	0.855	0.715	0.670	0.660	0.765	4.8%	Initiate on 2/10/2023
6	PECCA	2-Oct	1.210	1.400	1.450	1.100	1.050	1.030	1.350	11.6%	Initiate on 2/10/2023
7	PWF	2-Oct	0.653	0.950	1.000	0.825	0.790	0.780	0.770	17.9%	Initiate on 2/10/2023
8	RAMSSOL	2-Oct	0.495	0.545	0.605	0.425	0.395	0.385	0.385	-22.2%	Initiate on 2/10/2023
9	SLVEST	2-Oct	1.320	1.450	1.520	1.250	1.200	1.180	1.220	-7.6%	Initiate on 2/10/2023
10	T7GLOBAL	2-Oct	0.480	0.525	0.555	0.475	0.455	0.445	0.450	-6.2%	Initiate on 2/10/2023
11	TUNEPRO	2-Oct	0.435	0.485	0.515	0.420	0.405	0.395	0.400	-8.0%	Initiate on 2/10/2023
12	ULICORP	2-Oct	1.513	1.750	1.900	1.420	1.330	1.310	1.440	-4.8%	Initiate on 2/10/2023
13	WELLCAL	2-Oct	1.490	1.600	1.680	1.380	1.310	1.290	1.650	10.7%	Initiate on 2/10/2023
Average Return										3.0%	

Technical Focus Tracker Summary

Total recommendations	353
Total winners	216
Total losers	136
Portfolio performance (2020)	22.7%
Accuracy (2020)	53.3%
Portfolio performance (2021)	30.4%
Accuracy (2021)	66.4%
Portfolio performance (2022)	13.3%
Accuracy (2022)	62.9%
Portfolio performance (2023)	3.0%
Accuracy (2023)	58.7%
FBM KLCI (Since 30/12/2022)	-3.0%
FBM Small Cap (Since 30/12/2022)	7.5%
Malaysia GDP Growth (1H23)	4.2%

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