

Thursday, 07 Dec, 2023

Time for the Technology Stocks to Shine

Market Review

Malaysia: The FBM KLCI (-0.25%) closed lower erasing earlier gains as investors were quick to take profits despite the positive rebound on Hang Seng Index. On the broader market, the Utilities sector (+0.29%) gained, while the Energy sector (-0.89%) fell amid of weaker Brent oil price.

Global markets: Wall Street ended lower dragged by mega caps and energy stocks despite the signs of a slowing jobs market which supports the expectations that the Fed could start cutting interest rates as early as 1Q24. The European & Asian stock markets both ended higher.

The Day Ahead

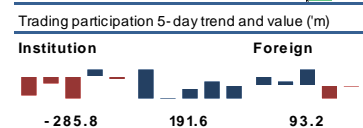
The FBM KLCI ended another session lower despite the rebound move on Hang Seng Index yesterday. Meanwhile, the US stock markets headed for a pullback after a long stretch of rally led by the profit taking activities in mega caps and energy shares. The market's narrative continues to point towards a firmer speculation that the Fed will be cutting the interest rates in 1Q24 as private payroll increased by 103k in November (below economists' expectation of 130k). Nevertheless, we expect some buying interest may emerge on the local equities in view of Nvidia's boss Jensen Huang to make his maiden visit to Malaysia. On the commodity markets, the Brent oil prices tanked another 3.65% to trade around USD74/bbl as larger-than-expected rise in US gasoline inventories extended worries on fuel demand.

Sector focus: As Nvidia's boss Jensen Huang is visiting Malaysia this week, we believe the overall Technology sector will be trading in a more positive environment. There also could be data centre-related talks which may provide upside opportunities for the YTL-related counters. Meanwhile, we reckon traders to avoid O&G counters over the near term in view of weak Brent oil prices.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	36,054.43	-0.19
S&P 500	4,549.34	-0.39
NASDAQ	14,146.71	-0.58
FBM KLCI	1,445.82	-0.25
FBM Small Cap	16,066.89	0.12
FBM ACE	5,141.70	124
Construction	182.36	-0.37
Consumer	549.51	-0.32
Energy	802.00	-0.89
Financial Services	16,312.21	-0.17
Healthcare	1,794.28	-0.75
Ind Products	169.93	0.06
Plantation	6,976.73	-0.17
Property	839.51	-0.20
REITs	781.80	-0.23
Technology	62.08	0.08
Telco & Media	549.83	-0.28
Transport & Logisti	94.00	-0.17
Utilities	1,227.05	0.29
Trading Vol (m)	2,797.74	-20.93
Trading Val (RM m)	1,808.98	-9.47
Gainers/ Losers rat	77%	
FKLI	1,446.00	0.03
FCPO (RM)	3,688.00	-0.83
Brent oil (USD)	74.30	-3.76
Gold (USD)	2,025.55	0.04
USD	4.6683	-0.10
GBP	5.8827	0.19
EURO	5.0373	0.28
SGD	3.4822	0.11



Source: Bloomberg, Bursa Market Place

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI ended lower, and continues to consolidate sideways. The technical readings on the key index were mixed, with the MACD Histogram forming a rounding bottom formation, while the RSI is dipped further 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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Company Brief

Gamuda Bhd's unit in Singapore has secured a S\$509.568m (RM1.77bn) design and construction contract for the West Coast station and tunnel in the city state. This project is part of Singapore's 15km Cross Island Line Phase 2 (CRL2) Mass Rapid Transit (MRT) line, which is also Singapore's eighth MRT line, comprising six stations. The job, awarded by the Singapore Land Transport Authority (LTA), includes the construction of one underground station and two tunnels covering approximately 1.9km. (The Edge)

In a surprise move, Swiss-based multinational investment bank UBS Group has emerged as a substantial shareholder in **Boustead Plantations Bhd** (BPlant), which is in the midst of being privatised, with a 5.36% stake comprising 120.06m shares. UBS initially acquired 20.71m shares in BPlant, equivalent to a 0.92% stake, on Nov 10, 2023. Then, following a series of acquisitions and disposals, it ended up with a 5.36% stake, surpassing the 5% substantial shareholder threshold. According to Bloomberg data, UBS is now the third largest shareholder in BPlant after Lembaga Tabung Angkatan Tentera (43.59%) and Boustead Holdings Bhd (24.42%), followed by Kuala Lumpur Kepong Bhd (3.09%). (The Edge)

LB Aluminium Bhd saw its net profit fall 64.59% to RM4.37m for the second quarter ended Oct 31, 2023 (2QFY2024), from RM12.35m a year before, due to lower contribution from the aluminium segment. Quarterly revenue, however, increased by 7.56% to RM221.67m, from RM206.09m previously. Its aluminium segment's profit before tax declined by 76.6% to RM4.12m, from RM17.59m previously, due to a decrease in both revenue and margins. The segment's revenue came in at RM152.01m, 19.3% lower compared to RM188.34m a year before, due to lower sales volume and average selling prices. (The Edge)

Comintel Corp Bhd, which just completed its regularisation plan last year, is now planning a rights issue exercise followed by a private placement to raise about RM90m to buy construction equipment and for working capital. The group is proposing a one-for-10 rights issue of 45.25m shares at 80 sen apiece to raise RM36.2m. Its proposed private placement will involve 45.25m shares, representing 9.09% of the enlarged share base post-rights issue, to raise RM53.85m, based on an illustrative placement price of RM1.19 per share. (The Edge)

Property developer **IOI Properties Group Bhd** plans to acquire five-star hotel W Kuala Lumpur in Jalan Ampang, KL for RM270m, cash from property group Tropicana Corp Bhd. IOI Properties, via its indirect subsidiaries IOI PFCC Hotel Sdn Bhd and Flora Development Sdn Bhd, has signed a sale and purchase agreement with Tropicana's unit, Tropicana Residences Sdn Bhd, for the acquisition. This is the second major acquisition made by tycoon Lee Yeow Seng – IOI Properties' chief executive officer and major shareholder – after his private firm Shenton 101 emerged as the sole bidder to redevelop Singapore's Shenton House for S\$538m. Built in the 1970s, Shenton House is one of the oldest buildings in Singapore's Raffles Place central business district. (The Edge)

Hiap Teck Ventures Bhd will fork out RM53.24m under its steel manufacturing joint-venture (JV)'s RM195m rights issue, to fund the JV's capital expenditure, in particular a hot rolling mill. Hiap Teck said it will subscribe to 54.6m new shares in Eastern Steel Sdn Bhd (ESSB) at 97.5 sen apiece under the JV's rights issue of 200m shares. Hiap Teck will fund the subscription via internal funds and/or external borrowings. A share subscription agreement has been inked between Hiap Teck, which owns 27.3% in ESSB, and the other JV partners – Shanxi Jianlong Industry Co Ltd (68.8%) and Chinaco Investment Pte Ltd (3.9%) – as well as Jianlong Holdings Sdn Bhd (JHSB). JHSB, Shanxi's sister company with Beijing Jianlong Heavy Industry Group Co Ltd their common parent, is to subscribe to Shanxi's entitlement of 137.6m shares for RM134.16m. (The Edge)



Malaysian Pacific Industries Bhd (MPI) said it will cease its leadframes manufacturing operations under Dynacraft Industries Sdn Bhd by end-January next year. MPI, part of the Hong Leong Group, said the cessation “is made after a careful business strategy review”. The decision “will not have any material impact” on MPI’s earnings for the financial year ending June 30, 2024 (FY2024), it said. (The Edge)

Heitech Padu Bhd has secured a contract worth RM37.01m to provide end-to-end services for hospital information system (HIS) at Sultan Ismail Hospital in Johor Bahru. The global ICT systems and technology service provider said the 36-month contract will start on Dec 18. Under the contract, the group will supply, install, develop, configure, test and commission HIS hardware, software and systems. (The Edge)

Sime Darby Bhd will issue an unconditional mandatory takeover offer to acquire the remaining 38.82% stake it does not own in UMW Holdings Bhd for a cash price of RM5.00 per share. This follows the group’s conditional share purchase agreement with Permodalan Nasional Bhd on Aug 24, 2023, to acquire 714.81m shares or a 61.18% stake in UMW, making Sime Darby the largest shareholder in the automotive group. (The Edge)

MyEG Lodging (NC) Sdn Bhd, a subsidiary of e-government service provider **MyEG Services Bhd**, has signed a 30-year lease agreement with Penang Development Corp to develop a foreign workers’ village project worth RM108m. The lease agreement, valued at RM20.4m, grants MyEG Lodging the right to build and operate the workers’ village and related facilities on an 8.39-acre (3.40-hectare) land parcel in Batu Kawan Industrial Park 3, Seberang Perai Selatan, Penang. The project, with an estimated development cost of RM108m, is set to start development following the approval for all necessary designs and plans by the relevant authorities. (The Edge)

UMW Group’s wholly owned UMW Industrial Power Services Sdn Bhd (UIPS), an authorised distributor of INNIO Jenbacher’s engines in Malaysia, has secured a RM50m long-term service agreement from IOI Corp Bhd’s plantation business. Under the agreement, UIPS will provide maintenance services for seven units of Jenbacher biogas engines installed at IOI Plantation Services Sdn Bhd’s seven palm oil mills in Lahad Datu and Sandakan in Sabah. The scope of work includes the provision of scheduled services and maintenance for the engines for 16 years. (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	0.975	-2.5%	Initiate on 8/11/2023
2	SLVEST	21-Nov	1.290	1.350	1.360	1.400	1.230	1.210	1.220	-5.4%	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	1.690	8.7%	Initiate on 2/10/2023
2	HIAPTEK	2-Oct	0.435	0.500	0.535	0.400	0.365	0.355	0.435	0.0%	Initiate on 2/10/2023
3	HSSEB	2-Oct	0.805	0.895	0.940	0.725	0.670	0.660	0.990	23.0%	Initiate on 2/10/2023
4	LHI	2-Oct	0.555	0.610	0.640	0.520	0.500	0.490	0.625	12.6%	Initiate on 2/10/2023
5	MUHIBAH	2-Oct	0.730	0.810	0.855	0.715	0.670	0.660	0.780	6.8%	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	0.785	20.2%	Initiate on 2/10/2023
8	RAMSSOL	2-Oct	0.495	0.545	0.605	0.425	0.395	0.385	0.375	-24.2%	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	0.440	-8.3%	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	1.770	18.8%	Initiate on 2/10/2023
Average Return										3.7%	



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)	-3.3%
FBM Small Cap (Since 30/12/2022)	7.7%
Malaysia GDP Growth (1H23)	4.2%

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