

Thursday, 14 Dec, 2023

## Dovish Stance - Fed Signals 3 Rate Cuts in 2024

### Market Review

**Malaysia:** The FBM KLCI (+0.06%) closed flat despite the positive overnight Wall Street performance, as investors traded cautiously prior to the US PPI data and the 2-day FOMC meeting. On the broader market, the Healthcare sector (+4.09%) rose supported by glove counters, while the Energy sector (-0.77%) declined.

**Global markets:** Wall Street ended higher as the market sentiment improved after the Fed maintained current interest rate levels at 5.25-5.5% and suggested rate cuts by the end of 2024. The European stock market ended mixed, while Asia ended mostly lower, despite China vowing to boost economic demand.

### The Day Ahead

The FBM KLCI rebounded for the third session, with the help of buying interest within selected QL, SIME, and WPRTS. Meanwhile, the US stock markets ended on a strong note as the Dow charged towards an all-time-high zone, closing above the 37k level after the Fed signaled that the interest rates have peaked and projected lower policy rate by end-2024, where the Fed indicated 3 rate cuts next year. Moreover, the US producer prices were unchanged in November amid cheaper energy goods. Hence, with that inflation data on a declining trend, we believe it may bode well for the overall market conditions which we expect further buying interest within the local stock exchange. On the commodity markets, Brent oil prices rebounded above USD74 following the drop in USD after the Fed's statements.

**Sector focus:** Given the bullish Wall Street overnight performance, we think the buying interest should spillover towards stocks in the Technology sector. Also, we expect further trading interest within the Glove segment, potentially in tandem with the rise in Covid-19 cases, coupled with the anticipation of better results from Top Glove this month.

### FBMKLCI Technical Outlook



Bloomberg

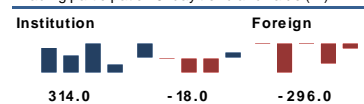
The FBM KLCI rebounded for the third session, and closed above the EMA60 zone. The technical readings on the key index, however are mixed with the MACD Histogram forming a rounding bottom formation, while the RSI is still hovering below the 50 level. The resistance is envisaged around 1,460-1,465 and the support is set at 1,430-1,440.

**Research Team**  
[research@msec.com.my](mailto:research@msec.com.my)  
(603) 2201 2100

### Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	37,090.24	1.40
S&P 500	4,707.09	1.37
NASDAQ	14,733.96	1.38
FBM KLCI	1448.04	0.06
FBM Small Cap	16,157.26	0.18
FBM ACE	5,150.81	0.39
Construction	185.13	0.29
Consumer	552.64	0.26
Energy	789.33	-0.77
Financial Services	16,374.25	-0.01
Healthcare	1834.68	4.09
Ind Products	170.74	0.38
Plantation	6,993.57	0.29
Property	837.48	-0.10
REITs	777.98	0.24
Technology	62.58	0.22
Telco & Media	55177	-0.36
Transport & Logist	910.89	0.14
Utilities	1269.12	0.14
Trading Vol (m)	3,763.05	14.64
Trading Val (RM m)	2,400.75	0.91
Gainers/ Losers rat	84%	
FKLI	1447.50	-0.03
FCPO (RM)	3,673.00	0.08
Brent oil (USD)	73.24	1.91
Gold (USD)	2,027.74	0.00
USD	4.7075	-0.50
GBP	5.8969	-0.19
EURO	5.0766	-0.40
SGD	3.5034	-0.37

Trading participation 5-day trend and value (m)



Source: Bloomberg, Bursa Market Place



JOIN OUR OFFICIAL TELEGRAM  
TO GET THE LATEST MARKET UPDATES

**M+Online**  
Equipping Traders For The Win

**Global**  
Winning The World

## Company Brief

Practice Note 17 (PN17)-classified **Sapura Energy Bhd** has secured requisite approval-in-principle and written confirmation from the Corporate Debt Restructuring Committee for a proposed debt restructuring scheme from at least 75% of its financiers of approximately RM10.3bn multi-currency financing facilities. Separately, its net profit more than doubled to RM30.89m in its third quarter ended Oct 31, 2023 (3QFY2024) from RM10.18m a year earlier on higher profits from associates and forex gains. Revenue was down 13.42% to RM1.1bn from RM1.28bn in 3QFY2023, mainly due to a 17% decline in contribution from its engineering and construction (E&C) segment. For 9MFY2024, net profit more than doubled to RM219.78m from RM99.52m in 9MFY2023, although revenue slipped 4.06% to RM3.2bn from RM3.33bn. (The Edge)

**Eco World International Bhd's** (EWI) net loss narrowed to RM37.69m for the fourth quarter ended Oct 31, 2023 (4QFY2023) from RM95.73m the year before. The improvement is due to a forex gain of RM15.53m, compared to a forex loss of RM5.33m in 4QFY2022 because of the stronger British pound against the ringgit. Quarterly revenue dropped 33.82% to RM28.55m from RM43.14m mainly due to the lower number of units sold. For FY2023, EWI's net loss was lower at RM85.37m from RM234.42m a year ago, despite revenue declining 34.49% to RM104.8m from RM159.96m. (The Edge)

Engineering services provider **AWC Bhd** has obtained shareholders' approval to buy the remaining 49% equity interest in automated waste collection systems specialist Stream Group Sdn Bhd not already owned by AWC from Premium NXL Sdn Bhd (PNSB). Shareholders have also agreed to its acquisition of a 51% equity interest in Premium Patents Sdn Bhd, which owns the patent to 'WasteStream Shuttle' system. AWC will be paying a collective RM110m cash for the acquisitions. (The Edge)

Johor Corp-linked **AI-'Aqar Healthcare REIT** is disposing of its land and buildings of Jeta Gardens Aged Care Facility in Australia for A\$24.2m (RM74.9m) cash to Principal Healthcare Finance Pty Ltd. The divestment, it said, is driven by the shift from residential aged care to home care since 2019, which has resulted in its facility market value declining by one-third to A\$27.3m as at December 2023. It anticipates "acquisition of several local mature healthcare assets in the near term" as part of its capital recycling following the disposal, with a long-term view to raise its portfolio value to RM3bn by 2028 from RM1.7bn. (The Edge)

**Scientex Packaging (Ayer Keroh) Bhd's** net profit shrank by 37.2% to RM7.71m in the first quarter ended Oct 31, 2023 (1QFY2024) from RM12.28m a year ago due to lower revenue and higher electricity costs. Quarterly revenue declined by 19% to RM172.97m from RM213.92m because of lower export sales. On a quarterly basis, the group's net profit came in higher than the RM149,000 registered in the immediate preceding quarter (4QFY2023). However, its revenue was lower quarter-on-quarter against RM185.32m in 4QFY2023. (The Edge)

**UMW Holdings Bhd's** automotive sales increased by 8% to 42,315 units in November compared with 39,034 units a year earlier, lifted by sales from its associate company Perusahaan Otomobil Kedua Sdn Bhd (Perodua). Accordingly, the group's year-to-date (YTD) sales performance rose 16% to 396,820 units from 341,390 units registered the prior year. UMW Toyota Motor (UMWT) sold 10,263 units in November, 1.71% lower than the 10,442 units delivered last year. However, YTD sales expanded 8% to 97,705 units from 90,595 units registered in the previous year. Separately, Mustamir Mohamad has resigned as Sime Darby Bhd group CFO to take on the role of president and group CEO of UMW from Datuk Seri Ahmad Fuaad Mohd Kenali, whose tenure expired on Oct 31. UMW is part of Sime Darby group following a stake buy that was completed on Wednesday. (The Edge)



Point-of-sale systems provider **Cuscapi Bhd**, in which MyEG Services Bhd founder Wong Thean Soon has a shareholding of close to 31%, has sold off the entire 12.08m shares it holds in MyEG for RM11.11m cash. The disposal netted Cuscapi a gain of RM22,232, which will go towards its working capital. Its original cost of investment in the stake was RM11.09m. (The Edge)

**Tower Real Estate Investment Trust (Tower REIT)** has proposed a rights issue to raise gross proceeds of up to RM66m to repay its bank borrowings and refurbish its existing properties. The rights issue will involve the issuance of up to 280.5m units, the group said. The sum it expects to raise is based on an illustrative price of 35 sen per unit, on the basis of two rights units for every three existing ones held. The actual issue price and the entitlement basis of the issuance have yet to be fixed. As at Sept 30, the REIT's borrowings totalled RM272.75m, for which it plans to use up to RM40m from the rights proceeds to pare down. (The Edge)

**Chin Hin Group Bhd's** conditional mandatory general offer (MGO) to acquire the remaining shares it does not own in Ajiya Bhd has turned unconditional after its collective shareholding – together with persons acting in concert with it – climbed past 50%. In a bourse filing, AmInvestment Bank Bhd, on behalf of Chin Hin, said the acceptance condition for the MGO has been met. The offer, it said, will now remain open for acceptances until Jan 3, 14 days from the day it turned unconditional. (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	1.250	-3.1%	Initiate on 21/11/2023
3	ITMAX	8-Dec	1.800	1.900	1.920	2.000	1.680	1.650	1.830	1.7%	Initiate on 8/12/2023
4	NATGATE	11-Dec	1.380	1.440	1.450	1.510	1.300	1.280	1.380	0.0%	Initiate on 11/12/2023

## Market Chat Tracker

4Q23 Stock Picks											
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	GTRONIC	2-Oct	1.550	1.700	1.820	1.450	1.360	1.340	1.770	14.2%	Initiate on 2/10/2023
2	HIAPTEK	2-Oct	0.435	0.500	0.535	0.400	0.365	0.355	0.425	-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	0.610	9.9%	Initiate on 2/10/2023
5	MUHIBAH	2-Oct	0.730	0.810	0.855	0.715	0.670	0.660	0.805	10.3%	Initiate on 2/10/2023
6	PECCA	2-Oct	1.200	1.400	1.450	1.100	1.050	1.030	1.350	12.5%	Initiate on 2/10/2023
7	PWF	2-Oct	0.655	0.950	1.000	0.825	0.790	0.780	0.745	13.7%	Initiate on 2/10/2023
8	RAMSSOL	2-Oct	0.495	0.545	0.605	0.425	0.395	0.385	0.395	-20.2%	Initiate on 2/10/2023
9	SLVEST	2-Oct	1.320	1.450	1.520	1.250	1.200	1.180	1.250	-5.3%	Initiate on 2/10/2023
10	T7GLOBAL	2-Oct	0.480	0.525	0.555	0.475	0.455	0.445	0.430	-10.4%	Initiate on 2/10/2023
11	TUNEPRO	2-Oct	0.435	0.485	0.515	0.420	0.405	0.395	0.395	-9.2%	Initiate on 2/10/2023
12	ULICORP	2-Oct	1.510	1.750	1.900	1.420	1.330	1.310	1.460	-3.3%	Initiate on 2/10/2023
13	WELLCAL	2-Oct	1.490	1.600	1.680	1.380	1.310	1.290	1.680	12.8%	Initiate on 2/10/2023
Average Return										3.1%	

Technical Focus Tracker Summary	
Total recommendations	355
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)	56.9%
FBM KLCI (Since 30/12/2022)	-3.2%
FBM Small Cap (Since 30/12/2022)	8.3%
Malaysia GDP Growth (1H23)	4.2%



## Disclaimer

Research analyst(s) of MSSB whom produced this report hereby certifies that the views expressed in this report accurately reflect his/her personal opinions about all of the subject corporation(s) and securities in this report. He/She does not carry out, whether for himself/herself or on behalf of MSSB or any other persons did not receive and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. As of the report date, the analyst whom prepared this report does not have any interest in the following securities covered in this report, unless otherwise stated.

