# 2Q24 Outlook & Strategy

## Heading Into Stronger Season In April

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## Summary


- **Wall Street may trend positively with the stronger earnings from the AI theme, coupled with the Fed heading for at least 3 interest rate cuts this year, while Bursa exchange should head into a firmer environment based on seasonality analysis.**
- **With stable recovery seen across the board, we opine there will be opportunities within the commodity sectors like O&G and Plantation.**
- **Meanwhile, we believe the ongoing recovery theme would bode well for Technology, Consumer, Banking, and Automotive.**
- **Besides, with more vibrant activities in the mega infrastructure space, it should be beneficial for Construction, Building Materials and Property.**


| **FBMKLCI** | 1536.07 |
|---|---|
| **Resistance** | 1560-1600 |
| **Support** | 1500-1520 |

| **Indices** | **1Q24 (%)** |
|---|---|
| **KLCI** | 5.6% |
| **FBMSCAP** | 5.8% |
| **FBMACE** | -8.0% |
| **Utilities** | 16.9% |
| **Property** | 16.9% |
| **Energy** | 16.5% |
| **Construction** | 16.3% |
| **Transport** | 7.1% |
| **Financial Services** | 6.0% |
| **Telco & Media** | 4.5% |
| **Plantation** | 4.0% |
| **Ind Products** | 3.8% |
| **REITs** | 3.5% |
| **Consumer** | 3.1% |
| **Healthcare** | 2.1% |
| **Technology** | 2.0% |

| **2Q24 Stock picks** | **S1** | **S2** | **R1** | **R2** |
|---|---|---|---|---|
| AME | 1.69 | 1.63 | 1.92 | 2.05 |
| CSCSTEL | 1.32 | 1.27 | 1.47 | 1.57 |
| E&O | 0.97 | 0.90 | 1.23 | 1.30 |
| GASMSIA | 3.26 | 3.13 | 3.72 | 3.86 |
| HSSEB | 1.09 | 1.01 | 1.27 | 1.37 |
| MBMR | 4.47 | 4.34 | 4.99 | 5.18 |
| MBSB | 0.78 | 0.75 | 0.905 | 0.950 |
| MPI | 30.00 | 28.30 | 34.00 | 36.00 |
| PIE | 3.48 | 3.35 | 3.90 | 4.10 |
| SPRITZER | 2.17 | 2.10 | 2.39 | 2.49 |
| TAANN | 3.91 | 3.73 | 4.310 | 4.50 |
| TDM | 0.24 | 0.215 | 0.325 | 0.355 |
| UNISEM | 3.70 | 3.55 | 4.10 | 4.35 |

## Seasonality Analysis

- **March is seasonally weak…** Based on the heat map for FBMKLCI (Fig #1) and FBM Small Cap (Fig #2) since 2001, we noticed that March is a seasonally weaker month, having -0.4% and -1.0% losses, respectively.

- **…heading into high season for 2Q24.** We think the market heading into a high season into 2Q24, based on the seasonality analysis. With this, we anticipate a more vibrant trading environment on the local front, in line with the positive trading tone in the US following the dovish tone from the Fed.

### Fig #1 FBM KLCI Heat Map (2001-2024)

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Yearly Return |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2001 | 7.1% | -2.5% | -8.7% | -9.7% | -2.0% | 3.5% | 11.2% | 4.2% | -10.5% | -2.5% | 6.3% | 9.1% | 2.4% |
| 2002 | 3.3% | -1.4% | 6.7% | 5.0% | -6.6% | -2.2% | -0.5% | -1.4% | -10.3% | 3.4% | -4.6% | 2.7% | -7.1% |
| 2003 | 2.9% | -2.7% | -1.7% | -0.8% | 6.5% | 3.1% | 4.1% | 3.2% | -1.3% | 11.4% | -4.6% | 1.9% | 22.8% |
| 2004 | 3.1% | 7.4% | 2.6% | -7.1% | -3.3% | 1.1% | 1.7% | -0.7% | 2.7% | 1.3% | 6.5% | -1.1% | 14.3% |
| 2005 | 1.0% | -1.0% | -4.0% | 0.9% | -2.1% | 3.2% | 5.5% | -2.5% | 1.5% | -1.8% | -1.6% | 0.4% | -0.8% |
| 2006 | 1.6% | 1.6% | -0.2% | 2.4% | -2.3% | -1.4% | 2.3% | 2.4% | 1.0% | 2.1% | 9.3% | 1.4% | 21.8% |
| 2007 | 8.5% | 0.6% | 4.2% | 6.0% | 1.9% | 0.6% | 1.4% | -7.3% | 4.9% | 5.8% | -1.2% | 3.4% | 31.8% |
| 2008 | -3.6% | -2.6% | -8.1% | 2.6% | -0.3% | -7.0% | -2.0% | -5.4% | -7.4% | -15.2% | 0.3% | 1.2% | -39.3% |
| 2009 | 0.9% | 0.7% | -2.0% | 13.5% | 5.4% | 3.0% | 9.3% | -0.1% | 2.4% | 3.4% | 1.3% | 1.1% | 45.2% |
| 2010 | -1.1% | 0.9% | 3.9% | 2.0% | -4.6% | 2.3% | 3.6% | 4.5% | 2.9% | 2.9% | -1.4% | 2.3% | 19.3% |
| 2011 | 0.1% | -1.9% | 3.6% | -0.7% | 1.5% | 1.3% | -1.9% | -6.6% | -4.2% | 7.6% | -1.3% | 4.0% | 0.8% |
| 2012 | -0.6% | 3.2% | 1.7% | -1.6% | 0.6% | 1.2% | 2.0% | 0.9% | -0.6% | 2.2% | -3.7% | 4.8% | 10.3% |
| 2013 | -3.6% | 0.6% | 2.1% | 2.8% | 3.0% | 0.2% | -0.1% | -2.5% | 2.4% | 2.2% | 0.3% | 3.0% | 10.5% |
| 2014 | -3.4% | 1.8% | 0.7% | 1.2% | 0.1% | 0.5% | -0.6% | -0.3% | -1.1% | 0.5% | -1.8% | -3.3% | -5.7% |
| 2015 | 1.1% | 2.2% | 0.5% | -0.7% | -3.9% | -2.3% | 1.0% | -6.4% | 0.5% | 2.8% | 0.4% | 1.2% | -3.9% |
| 2016 | -1.5% | -0.8% | 3.8% | -2.6% | -2.8% | 1.7% | 0.0% | 1.5% | -1.5% | 1.2% | -3.2% | 1.4% | -3.0% |
| 2017 | 1.8% | 1.3% | 2.7% | 1.6% | -0.1% | -0.1% | -0.2% | 0.7% | -1.0% | -0.4% | -1.7% | 4.6% | 9.4% |
| 2018 | 4.0% | -0.7% | 0.4% | 0.4% | -6.9% | -2.8% | 5.5% | 2.0% | -1.5% | -4.7% | -1.7% | 0.6% | -5.9% |
| 2019 | -0.4% | 1.4% | -3.8% | -0.1% | 0.5% | 1.3% | -2.2% | -1.4% | -1.8% | 0.9% | -2.3% | 1.7% | -6.0% |
| 2020 | -3.6% | -3.2% | -8.9% | 4.2% | 4.7% | 1.9% | 6.8% | -4.9% | -1.3% | -2.5% | 6.5% | 4.1% | 2.4% |
| 2021 | -3.7% | 0.7% | -0.3% | 1.8% | -1.1% | -3.2% | -2.5% | 7.1% | -4.0% | 1.6% | -3.1% | 3.5% | -3.7% |
| 2022 | -3.5% | 6.3% | -1.3% | 0.8% | -1.9% | -8.0% | 3.3% | 1.3% | -7.8% | 4.7% | 1.9% | 0.4% | -4.6% |
| 2023 | -0.7% | -2.1% | -2.2% | -0.5% | -2.0% | -0.8% | 6.0% | -0.5% | -1.9% | 1.3% | 0.7% | 0.1% | -2.7% |
| 2024 | 4.0% | 2.5% | -1.0% | | | | | | | | | | |
| Avg Monthly Return | 0.4% | 0.4% | -0.4% | 0.9% | -0.7% | -0.1% | 2.3% | -0.5% | -1.6% | 1.2% | 0.1% | 2.1% | 4.7% |
| Up | 13 | 14 | 12 | 14 | 9 | 14 | 14 | 10 | 8 | 17 | 10 | 21 | |
| Down | 11 | 10 | 12 | 9 | 14 | 9 | 9 | 13 | 15 | 6 | 13 | 2 | |
| Up/Down Ratio** | 1.2 | 1.4 | 1.0 | 1.6 | 0.6 | 1.6 | 1.6 | 0.8 | 0.5 | 2.8 | 0.8 | 10.5 | |

**More than 1 is positive indication that the winning rate is high (example: Dec is 10.5 is super solid month to have success trades)

*Source: Bloomberg*

**Fig #2 FBM Small Cap Heat Map (2001-2024)**

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Yearly Return |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2001 | 6.3% | -9.0% | -13.0% | 1.5% | 3.7% | -0.4% | 15.4% | 0.4% | -17.1% | 3.0% | 12.4% | 1.5% | -0.4% |
| 2002 | 4.9% | -4.7% | 8.8% | 9.1% | -7.7% | -4.6% | -0.7% | -2.2% | -11.1% | 1.6% | -2.0% | -1.7% | -11.7% |
| 2003 | 2.2% | -5.3% | -3.5% | 0.9% | 9.1% | 7.2% | 8.7% | 4.4% | -0.2% | 11.9% | -5.0% | 0.0% | 32.7% |
| 2004 | 2.5% | 6.8% | -0.8% | -3.1% | -8.5% | -2.2% | 0.8% | -4.9% | 1.8% | -1.3% | 6.2% | -0.3% | -3.9% |
| 2005 | -0.3% | -1.6% | -5.1% | -3.6% | -10.1% | 2.0% | 2.4% | -3.5% | 0.3% | -4.1% | -3.3% | -1.0% | -25.0% |
| 2006 | 5.6% | 2.9% | 3.1% | 7.6% | -4.4% | 1.3% | 0.2% | 0.5% | 1.0% | 5.1% | 8.9% | 2.9% | 39.8% |
| 2007 | 9.9% | 7.1% | 6.4% | 12.2% | -2.7% | 9.0% | 8.8% | -10.5% | 5.1% | 9.1% | -5.3% | 4.0% | 63.7% |
| 2008 | -7.9% | -3.9% | -7.6% | 5.2% | -0.5% | -8.2% | -4.0% | -3.6% | -9.2% | -19.9% | 1.9% | -0.9% | -46.6% |
| 2009 | 0.7% | -1.9% | -2.4% | 22.1% | 13.0% | 4.2% | 7.6% | 0.4% | 0.5% | 2.1% | -2.0% | 3.0% | 55.1% |
| 2010 | 4.2% | 0.4% | 6.4% | 1.5% | -8.3% | 2.2% | 7.3% | -3.5% | 4.0% | 5.1% | -1.5% | 5.2% | 24.2% |
| 2011 | 2.9% | -4.4% | 4.7% | 0.8% | -2.4% | -0.5% | -1.7% | -9.4% | -8.3% | 11.1% | -0.2% | 1.3% | -7.6% |
| 2012 | 8.3% | 1.0% | -3.1% | -0.5% | -4.4% | 1.7% | 3.2% | -1.3% | -3.6% | 2.6% | -4.9% | 0.1% | -1.6% |
| 2013 | -0.2% | -0.1% | 5.9% | -0.5% | 24.1% | -4.5% | 4.1% | -2.9% | 5.6% | 3.5% | -1.0% | 0.4% | 36.7% |
| 2014 | 0.0% | 5.3% | 3.6% | 1.8% | 0.1% | 2.7% | 6.3% | -2.4% | 0.3% | -5.2% | -7.1% | -8.6% | -4.2% |
| 2015 | 5.6% | 4.7% | -2.0% | 1.4% | -2.9% | -1.8% | 2.0% | -14.3% | 6.6% | 6.9% | -0.2% | 1.9% | 6.0% |
| 2016 | -5.7% | 0.5% | 3.2% | -1.2% | -1.0% | -1.2% | 1.6% | -1.1% | 1.5% | -0.3% | -6.6% | 2.7% | -7.7% |
| 2017 | 4.8% | 2.2% | 8.4% | 3.4% | -2.3% | 1.1% | -1.0% | -3.1% | 1.2% | 2.8% | -3.7% | 1.6% | 15.9% |
| 2018 | 0.2% | -2.1% | -11.1% | -1.9% | -5.3% | 1.5% | 5.4% | -2.2% | -0.6% | -11.4% | -4.4% | -7.1% | -33.7% |
| 2019 | 7.2% | 3.6% | 1.3% | 7.2% | -7.9% | 3.6% | 4.2% | -4.9% | 0.8% | 5.4% | -2.4% | 6.1% | 25.4% |
| 2020 | -6.3% | -4.1% | -27.7% | 20.2% | 9.0% | -1.7% | 10.1% | 5.0% | -6.3% | 0.5% | 14.2% | 5.7% | 9.9% |
| 2021 | -2.5% | 7.9% | 2.3% | 2.7% | -7.0% | -3.6% | 0.0% | 3.4% | 0.8% | 7.0% | -7.7% | -0.7% | 1.3% |
| 2022 | -1.6% | 5.3% | -0.3% | 2.9% | -7.0% | -8.8% | 0.5% | 0.5% | -4.6% | 4.2% | 4.5% | -0.1% | -5.3% |
| 2023 | 8.3% | -4.5% | -1.1% | 1.5% | -4.2% | 0.1% | 5.0% | 3.1% | 0.7% | -2.0% | 1.6% | 1.5% | 9.6% |
| 2024 | 2.2% | 0.4% | 3.1% | | | | | | | | | | |
| Avg Monthly Return | 2.1% | 0.3% | -1.0% | 4.0% | -1.2% | 0.0% | 3.8% | -2.3% | -1.3% | 1.6% | -0.3% | 0.8% | 7.5% |
| Up | 17 | 13 | 12 | 17 | 6 | 12 | 18 | 8 | 14 | 16 | 7 | 14 | |
| Down | 7 | 11 | 12 | 6 | 17 | 11 | 5 | 15 | 9 | 7 | 16 | 9 | |
| Up/Down Ratio** | 2.4 | 1.2 | 1.0 | 2.8 | 0.4 | 1.1 | 3.6 | 0.5 | 1.6 | 2.3 | 0.4 | 1.6 | |

**More than 1 is positive indication that the winning rate is high

*Source: Bloomberg*

## US Economic Review and Outlook

- **Inflation data (Fig #3)** is crucial economic data points that the Fed monitors. From the peak in 2022, Consumer Price Index (CPI), Producer Price Index (PPI) and Personal Consumption Expenditures (PCE) have been declining; however there are some spikes in the recent months. Nevertheless, we believe it is stabilizing and shouldn't warrant any hawkish tone from the Fed at least for the near term.

**Fig #3 YoY: CPI (White), PPI (Blue), PCE (Orange)**

*Source: Bloomberg*

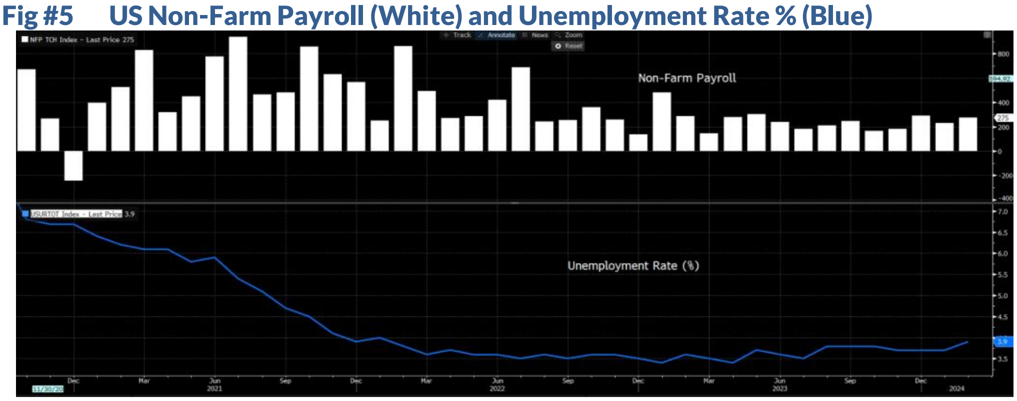
- **US economy grew at a softer pace against 3Q23.** In 4Q23, the US GDP (Fig #4) is still expanding but at a moderate pace of 3.4% QoQ (vs. prior estimates of 3.2%), supported by healthy consumer spending (rose 3% vs. estimates of 2.8%).

**Fig #4 4Q23 US GDP QoQ**


*Source: Bloomberg*

- **US jobs data and unemployment rate.** The US non-farm payroll rose by 275k in Feb, where job gains occurred in health care, government, food services and drinking places, transportation and warehousing. Meanwhile, the unemployment rate increased to 3.9% due to a reduction in job growth in previous two months. Still we expect the jobs data to stay resilient and stable, avoiding the recession concerns and may anticipate a soft landing on the economy.

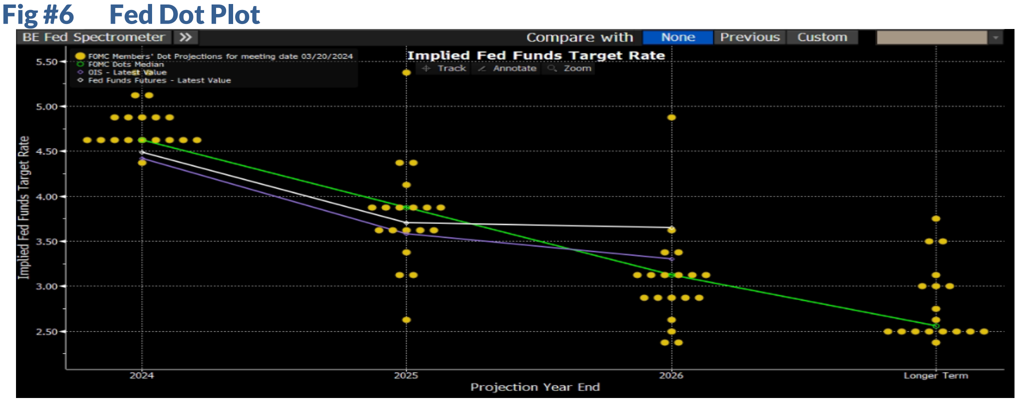
**Fig #5 US Non-Farm Payroll (White) and Unemployment Rate % (Blue)**




*Source: Bloomberg*

- **Reiteration of the dovish tone by the Fed.** Despite the inflation data having a spike in the recent months, the Fed is comfortable and providing a dovish outlook for the interest rate. Based on the Fed "dot plot" (Fig #6), there should be at least 3 times of interest rate cut for 2024 and will be declining further into 2025.

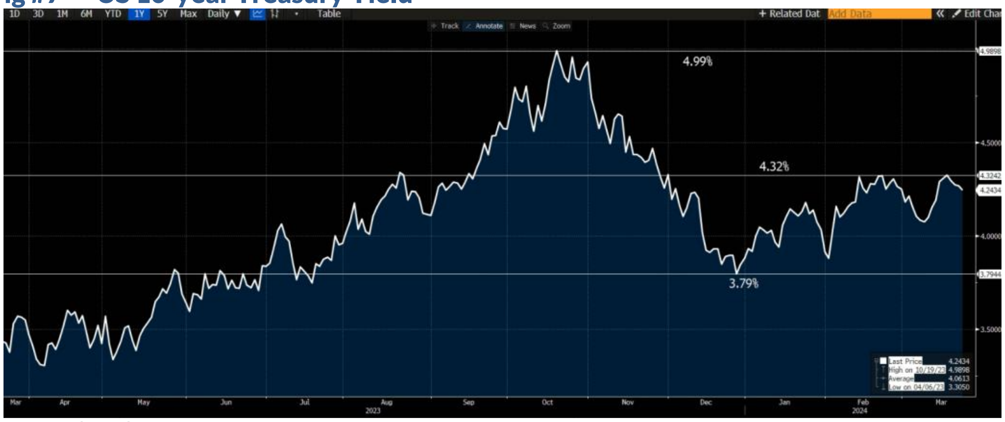
**Fig #6 Fed Dot Plot**




*Source: Bloomberg*

- **US Treasury yield stabilised.** The 10-year US Treasury yield has stabilised around the range of around the range of 3.79-4.32% in 1Q24 after hitting briefly 4.99% in late October 2023. Given the stabilised yield in 1Q24, we believe may not be looking at higher interest rates for the moment.

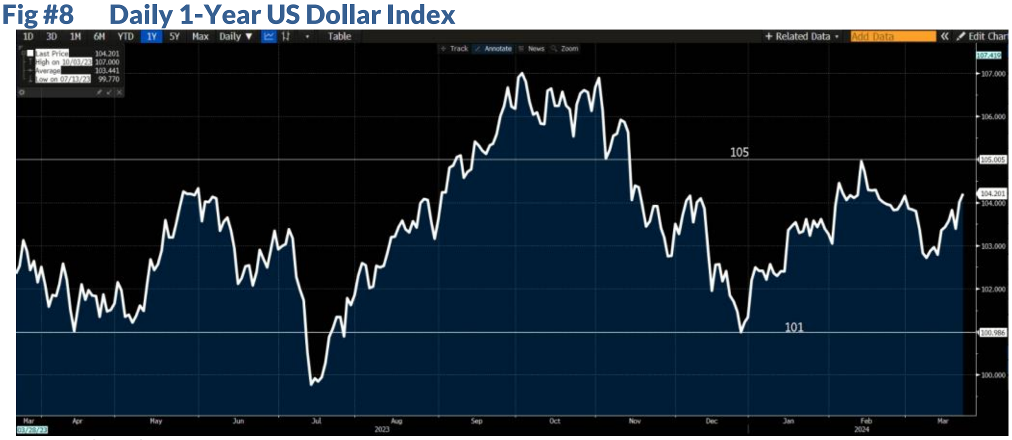
**Fig #7 US 10-year Treasury Yield**




*Source: Bloomberg*

- **Dollar Index.** Despite the Fed indicated a more dovish tone in the recent FOMC meeting, suggesting potentially 3 rate cuts in 2024, the dollar index has been rising above 104 since the meeting, which is quite surprising to the market.

**Fig #8 Daily 1-Year US Dollar Index**




*Source: Bloomberg*

**<u>US Outlook</u>**

- **US economic activities to expand further.** We expect the US economic activities to remain resilient and in the expansionary mode with the stable labour market, and low unemployment rate.

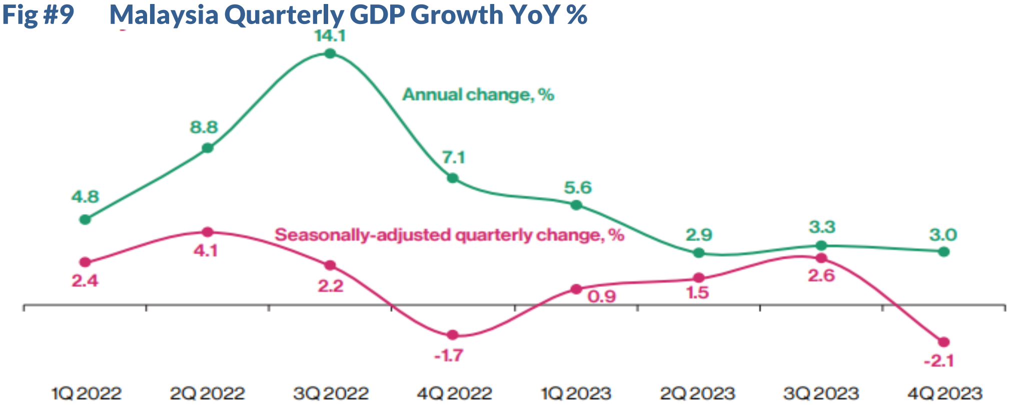
- **Increase adoption of AI.** We believe the increase adoption in AI may lead to productivity gains and economic growth. Also, the anticipated interest rate cuts by the Fed may stimulate borrowing and investments and boost the overall economic activity in the short- to mid-term.

- **China and India will be crucial.** Despite the possibility of a soft landing persists, it depends on various factors such as (i) the ongoing geopolitical tensions which can create market volatility and impact US businesses, and (ii) inflationary pressure remains elevated above the Fed's target of 2%. Other global economic environment in China and India will play a significant role in influencing the US economy.

## Malaysia Economic Review and Outlook

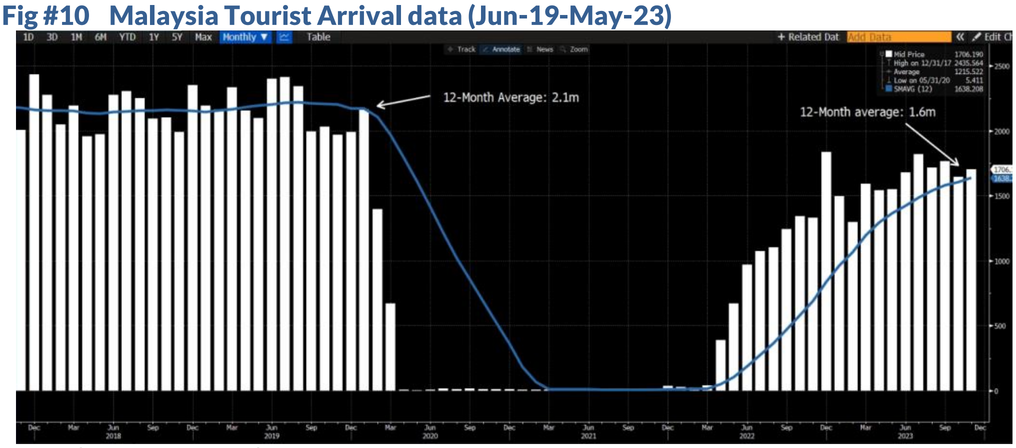
- **3Q23 Malaysia GDP grew at 3.0%.** Malaysia GDP continues to expand at a rate of 3.0% YoY in 3Q23 (2023: grew by 3.7%), underpinned by the (i) continued expansion in household spending (4.2%), (ii) stronger growth of inbound tourism (37.3%), and (iii) higher investment growth (6.4%). Still, BNM and MOF are expecting that Malaysia GDP to grow at 4-5% for 2024.

**Fig #9 Malaysia Quarterly GDP Growth YoY %**




*Source: Bank Negara Malaysia*

**Fig #10 Malaysia Tourist Arrival data (Jun-19-May-23)**

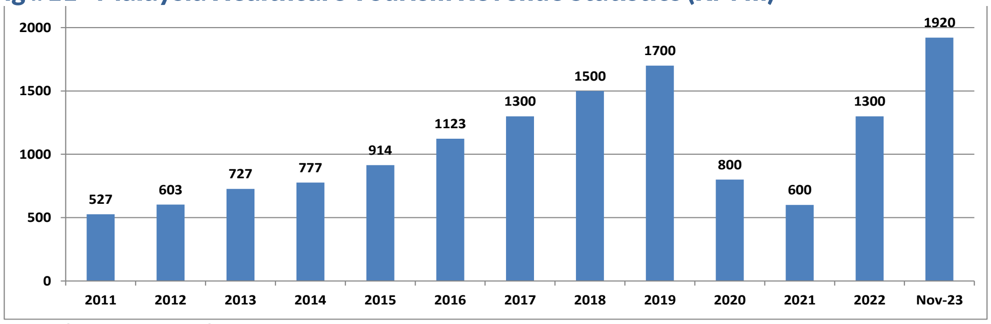



*Source: https://mytourismdata.tourism.gov.my/*

- **Tourist arrivals to Malaysia.** Since Apr-22, tourist arrivals continue to grow and the 12M average stood at 1.6m for Nov-23. Pre-covid levels were at 2.1m for the 12M average. Hence, we believe there might be decent growth going forward. Moreover, Malaysia Aviation Group posted its first ever net profit of RM766m in 2023 vs a net loss of RM344m in 2022. Given the visa-free travel for China and India, coupled with the recovering healthcare tourism, we expect more growth into 2024.

- **Visit Malaysia Year 2026.** The government has announced the Visit Malaysia Year 2026, targeting 26.1m tourists arrivals and with an estimated spending of RM97.6bn. With this effort, the tourism with healthcare tourism will be anticipated to grow over the next two years.

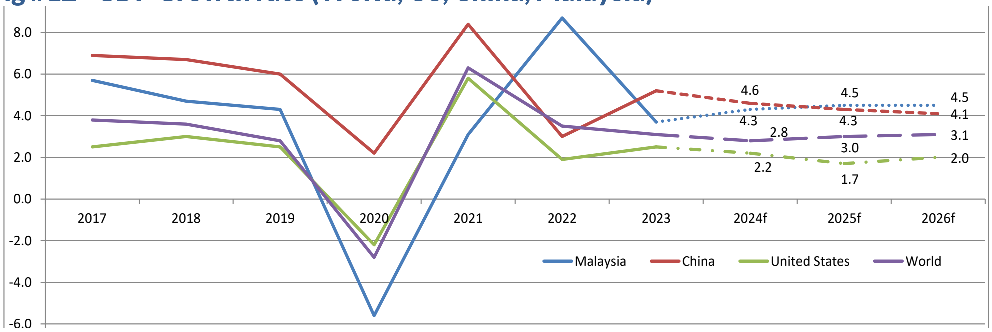
### Fig #11 Malaysia Healthcare Tourism Revenue Statistics (RM'm)




*Source: https://www.mhtc.org.my/statistics/*

- **Based on Bloomberg consensus (Fig #12)**, the World GDP is likely to grow at a gradual pace of 2.8-3.1% over 2024-2026, while the US is expected to increase by 1.7-2.2%. China and Malaysia will be growing at 4.1-4.6% for the same period.

### Fig #12 GDP Growth rate (World, US, China, Malaysia)




*Source: Bloomberg*

- **Brent oil price steadied above USD80.** With the production cuts by OPEC+ and export ban from Russia, the Brent oil stayed on a firmer tone, steadying above the USD80/bbl level. Also, the ongoing geopolitical tensions in the Middle East would support the overall trend for the Brent oil price. The support is located around USD80, while the resistance is hovering around USD88-90.

### Fig #13 Brent oil Weekly (2021-2024)


*Source: Bloomberg*

## Market performances and review

- **MSCI World and S&P500 are trading at premium,** trading at the P/E of 21.6x and 25.1x vs. 10Y average P/E of 19.4x and 20.8x, respectively.

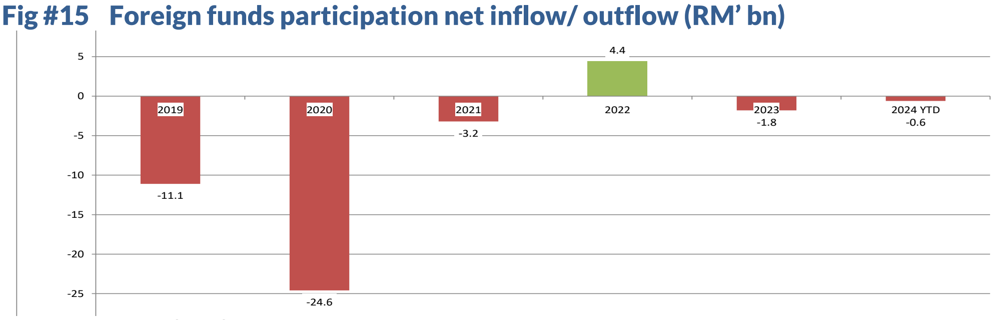
- **The FBM KLCI is trading at a discount** of 15.2x P/E vs. the 10Y average P/E of 17.3x. Overall, we opine the foreign investors may position further into the local bourse given the softer ringgit and discounted valuation environment.

### Fig #14 FBMKLCI P/E Band


Source: Bloomberg

- **Buying flow is returning from foreign funds.** In Jan-24 and Feb-24, we still observed RM678.2m and RM1.32bn net inflows from foreigners. However, in Mar-24, the overall fund flow has turned net sellers with -RM2.52bn outflow, translating to YTD outflow of -RM574.1m by foreign funds.

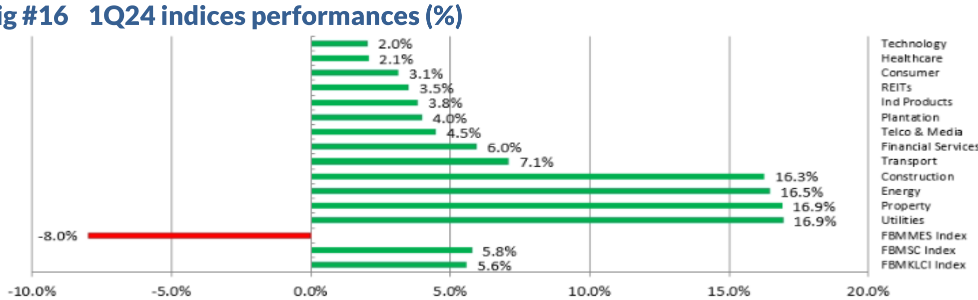
### Fig #15 Foreign funds participation net inflow/ outflow (RM' bn)




Source: Bursa Market Place

- **More incline to the downside.** In 1Q24, the FBM KLCI and FBM Small Cap increased 5.6-5.8%, respectively, while FBM ACE ended lower by 8%. Sectoral wise, Utilities (+16.9%), Property (+16.9%) and Energy (+16.5%) were the leading sectors, while Consumer (+3.1%), Healthcare (+2.1%) and Technology (+2.0%) were the laggards.

### Fig #16 1Q24 indices performances (%)




Source: Bloomberg, M+ Online

## 2Q24 Strategy

- **Political environment remains stable.** After going through more than a year under the Malaysian Unity Government led by our 10th Prime Minister Dato' Seri Anwar Ibrahim, we believe things have settled down with policies being crafted and masterplans being introduced. Moreover, the Madani Economy Framework will serve as a foundation to build a stronger Malaysia and attracts foreign investments, while tackling the social and economic issues from the grassroots level. This should benefit more Foreign Direct Investment (FDI), where it has increased to RM926.3bn in 2023 as compared to RM879.1bn in 2022.

- **Infrastructure activities and property projects to stay vibrant.** We believe with the revival of KL-SG HSR, which could open up more jobs for the construction segment. Besides, Gamuda's 60%-owned SRS Consortium Sdn Bhd has been awarded by the government on the civil works contracts for the first segment of the Penang LRT and is expected to conclude within 6 months. Meanwhile, the JB-SG RTS is on track with higher completion rate at 65% in Jan-24 and is likely to begin operations by end-2026. We opine that property project launches may take place actively this year along these infrastructure areas. **Thus, this should boost the sentiment for the Construction, Building Material and Property sectors.**

- **Commodities charging up in the anticipation of softer dollar.** Although the dollar index is not weakening in view of a more dovish tone from the Fed, most of the commodities are rallying towards new highs. Gold price has surged towards all-time-high of USD2233, cocoa price hit USD10k recently, while Brent oil price is rising near USD87, and a rebound noticed in crude palm oil towards RM4,200 zone.

- **Planned masterplans to be executed.** The government has launched the NETR, where the RE generation will increased from 40% to 70% by 2050 and more than RM600bn is required for the power sector. On the NIMP 2030, this should provide opportunities towards data centre, smart and semiconductors factories, EVs and chemical industries. **For this space, we like the Renewable Energy, Water, and Technology sectors.**

- **Positive growth to be anticipated in the healthcare tourism.** Following the upliftment of China international borders since 2023, coupled with the visa-free entry from Dec-23 to end-24 for citizens of China and India, we believe more tourist arrivals going forward and should boost tourism and healthcare tourism at least for the near term. **This should benefit the Hospitals, Gloves, and Medical Consumables segment.**

- **Budget 2024 to rebuild government coffers and improves welfare for B40 & M40.** Since the floating prices for chicken and electricity tariff hike have been implemented, we expect targeted subsidies for water and petrol will be introduced after PADU gathered enough data of the populations. Besides, the SST being raised to 8% (from 6%), new taxes such as (i) 10% capital gains tax on unlisted shares, and (ii) 15% Global Minimum Tax by 2025 will be introduced going forward. On the high value goods tax, it is being delayed. **Under this theme, we believe there might be opportunities for selected stocks within the Consumer sector.**

- **Favouring the net cash companies.** Despite the anticipation of a declining interest rate environment in 2024, the timing of the rate cuts are uncertain, hence we believe investors to opt for companies with net cash, low gearing and stable dividend track record for investment opportunities.

## Factors/ Elements/ Theme for 2Q24 sectors and stock picks

| Companies | Sector | Mega Infrastructure | Ongoing Recovering | Rising Commodity | Domestic Consumption | Net Cash/ High Dividend | Quality Scoring | Momentum Scoring | Combined Scoring |
|---|---|---|---|---|---|---|---|---|---|
| AME | Property | ✔ | | | | | 5 | 5 | 5 |
| CSCSTEL | Building Material | ✔ | | ✔ | | ✔ | 3 | 5 | 5 |
| E&O | Property | ✔ | | | | | 3 | 5 | 5 |
| GASMSIA | O&G | | | ✔ | | ✔ | 5 | 2 | 3 |
| HSSEB | Construction | ✔ | | | | | 4 | 5 | 5 |
| MBMR | Automotive | | | | ✔ | ✔ | 5 | 5 | 5 |
| MBSB | Banking | | ✔ | | ✔ | | 3 | 4 | 4 |
| MPI | Technology | | ✔ | | | ✔ | 3 | 4 | 4 |
| PIE | Technology | | ✔ | | | ✔ | 4 | 4 | 4 |
| SPRITZER | Consumer | | ✔ | | ✔ | | 3 | 5 | 5 |
| TAANN | Plantation | | ✔ | ✔ | | ✔ | 4 | 4 | 4 |
| TDM | Plantation | | ✔ | ✔ | | | 2 | 5 | 4 |
| UNISEM | Technology | | ✔ | | | ✔ | 3 | 4 | 4 |

*Source: M+ Online*

## AME – Banking On Johor And Expanding To Penang

- **AME** is an integrated industrial property development, construction, engineering services and property management services provider.
- **Relocation of factories.** We expect MNCs to adopt the China+1 strategy and relocate their factories amid the persisting US-China tensions and more investment may direct into Johor region with the JB-SG SEZ, coupled with the recent Nvidia news.
- **Penang industrial park.** AME-Majestic Builders JV to develop an industrial park with a RM1bn GDV in Penang, is expected to start construction this year.

**Fig #17 AME – Cup and Handle Formation**


*Source: Bloomberg, M+ Online*

## CSCSTEL – Proxy To The Vibrant Construction Activities

- **CSCSTEL engaged in manufacturing and marketing steel products** like (i) hot rolled pickled, (ii) oiled steel and (iii) cold rolled steel products to Asia Pacific and Europe.
- **Net income grew more than tripled.** For FY23, CSCSTEL registered a net profit of RM49.5m as compared to RM14.6m in FY22.
- **Proposed 9.4 sen dividend.** With the latest quarterly result, CSCSTEL proposed a final tier dividend of 9.4sen, translating to a 7.0% yield based on current share price.

**Fig #18 CSCSTEL – Short Term Resistance Breakout**


*Source: Bloomberg, M+ Online*

## E&O – PTMP To Boost Appetite For Properties

- **E&O designs, builds, develops and manages residential and commercial properties.** It has 4 growth engines in KL, Penang, Johor and Central London.
- **New growth driver.** E&O plans to launch developments with a combined GDV of RM17-20bn within its township project in Andaman Island for next 15-20 years.
- **Recent update on Penang LRT.** With the cabinet approving the Penang LRT project, and to be ready by 2030 will certainly boost the connectivity within Penang and provide better sentiment for properties in Penang.

**Fig #19 E&O – Uptrend Intact After Pennant Breakout**


*Source: Bloomberg, M+ Online*

## GASMSIA – Key Natural Gas Retailer In Malaysia

- **GASMSIA is a natural gas distribution company in Malaysia**. GASMSIA operates and maintains 2,600km of Natural Gas Distribution System network across Peninsular Malaysia, with a customer base of more than 36k.
- **Slightly up on gas volume.** In its 4Q23 results, lower Malaysia Reference Price (MRP) was partially mitigated by higher sales volume, translating to higher net income of RM104m (+20.6% QoQ).
- **Net cash with strong dividend yield.** GASMSIA net cash stood at RM358.7m, which is equivalent to 8% of the market cap and its T12M dividend yield is 6.6%.

**Fig #20 GASMSIA – Gradual Uptrend Move After Sideways Breakout**


*Source: Bloomberg, M+ Online*

## HSSEB – Back On Track With More Infrastructure Works

- **HSSEB is involved in the provision of engineering and project management services** including engineering design, construction supervision, project management, environmental services and building information modelling (BIM) services.
- **Earnings visibility of next 8 years.** At end-2023, the orderbook stood at RM1.5bn with 75% in the project management segment and tender book is c.RM528m.
- **Brighter prospects.** Anticipating for more roll-outs of mega infra projects like MRT3, KL-SG HSR, Penang LRT, expansion of NSE from 4-6 lanes and many others.

**Fig #21 HSSEB – Rebounded Above Support And Closing The Gap**


*Source: Bloomberg, M+ Online*

## MBMR – Decent Car Sales Expected For 2024

- **MBMR primarily involved in** (i) Motor Trading – marketing and distribution of motor vehicles and spare parts, and (ii) Auto Parts Manufacturing.
- **Record high earnings.** In FY23, MBMR registered RM2.4bn of sales with RM334m net income amid higher car sales. We believe overall conditions will remain optimistic going into 2024 as Jan-2024 recorded 59.4k units sold (+35% YoY).
- **Solid balance sheet.** As at end-23, MBMR's net cash stood at RM180.9m, which is c.10% of the market cap. Also, its T12M dividend yield is attractive at 9.7%.

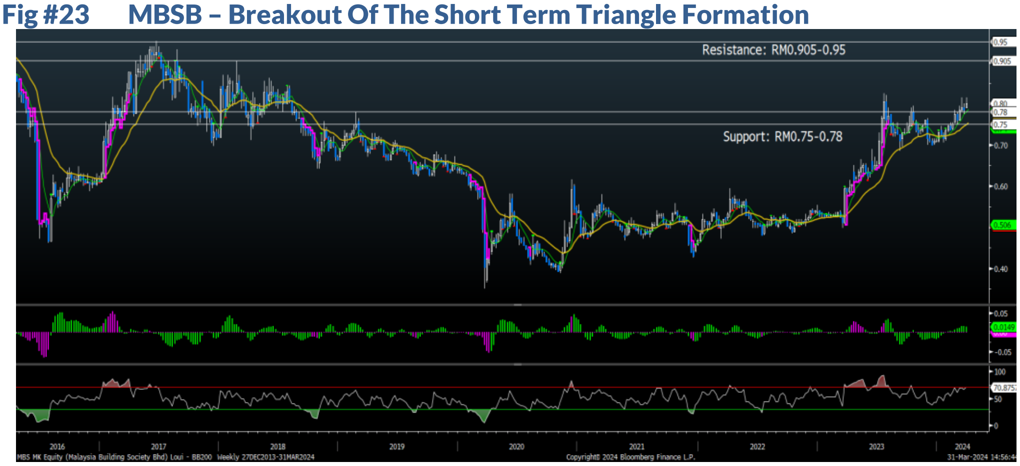
**Fig #22 MBMR – Weekly Flag Formation Breakout**


*Source: Bloomberg, M+ Online*

## MBSB – Navigating In The Growing Economy

- **MBSB is a full-fledged Islamic Bank** in Malaysia that provides shariah compliant banking facilities to retail, SME and corporate customers.
- **Acquisition of MIDF.** MIDF is now wholly-owned subsidiary of MBSB and we expect synergies between MIDF and MBSB will be seen in the long run.
- **Complementary towards MBSB.** We believe MIDF will be complementing MBSB with minimal overlap of customer base and product offerings. The earnings will be consolidated under MBSB and emerge as a stronger bank moving forward.

**Fig #23 MBSB – Breakout Of The Short Term Triangle Formation**




*Source: Bloomberg, M+ Online*

## MPI – Riding The EV, Semiconductor and AI Trends

- **MPI is engaged in providing outsourced semiconductor packaging and testing services (OSAT)** and manufacturing of leadframes for its customers across automotive, industrial, consumer & communications and PC/Notebook segments.
- **Decent prospects.** EV car sales rose 47% YoY in Dec-23, while the PC and smartphone markets rebounded 3% and 8%, respectively, ending their 7 consecutive quarters of decline due to AI theme and demand from emerging markets.
- **Net cash of RM936m.** MPI has decent cash pile for investments and M&A purposes. Currently, MPI is expanding with new factories in Ipoh and China.

**Fig #24 MPI – Base Building Breakout above RM30.00**


*Source: Bloomberg, M+ Online*

## PIE – Brighter Prospects Ahead

- **PIE is involved in one-stop solution for electronics manufacturing.** They primarily serve multinational companies in the US, Europe, and Asia Pacific.
- **Stronger orderbook.** The management indicated that most EMS customer began to pick up their orders. Also, strong orderbook from existing and new customers should fuel the momentum going into FY24.
- **Brighter prospects.** The group has onboarded few clients focusing on sensors, drones, medical devices and smart home devices and expect to fill up the capacity in Plant 5 as PIE is in the progress of securing new business opportunities.

**Fig #25 PIE – Long Term Triangle Formation Breakout**


*Source: Bloomberg, M+ Online*

## SPRITZER – Recovery Theme With The HORECA Channel

- **SPRITZER is involved in the production of natural & distilled mineral drinking water & water dispensers**, which include brands like Cactus, Summer, Tinge and Acilis.
- **Innovative branding, marketing and promotional activities.** With the new Spritzer icon bottle, it has been well received by the hotel, restaurant, café (HORECA) channel.
- **Record high earnings.** In view of higher average selling price and volume, the net income grew 34% to RM49.5m in FY23 supported by recovery in tourism space.

**Fig #26 SPRITZER – Uptrend Heading Towards RM2.49 Level**


*Source: Bloomberg, M+ Online*

## TAANN – Rising CPO Price Beneficial For Planters

- **TAANN operates through 3 segments, (**i) Timber, (ii) Plantation - oil palm plantation and milling activities and (iii) others – property development, investment, livestock and agricultural products.
- **Weaker FY23 results** with RM1.7bn revenue and RM156m net income, but it is higher than pre-Covid levels. However, we believe the crude palm oil price has surged above RM4k-4.1k would bode well for the planters going forward.
- **Net cash of RM314.3m**, is equivalent to 17.7% of the market cap and T12M dividend yield stood 6.2%

**Fig #27 TAANN – Breakout-Pullback-Continuation Formation**


*Source: Bloomberg, M+ Online*

## TDM – Growing The Hospital Earnings

- **TDM is engaged in the oil palm plantation and healthcare sectors**, contributing 44% and 56%, respectively to its FY23 revenue.
- **Turned around after 5 years of losses.** For FY23, it has registered RM12.4m of earnings, with the help from its healthcare division, which has seen a strong jump from a PBT of RM16.5m in FY22 to RM31.3m of PBT in FY23. Also, the disposal of its Indonesia subsidiary has helped with the overall situation.
- **Rising CPO price and recovering healthcare tourism.** We believe the ASP for CPO and PK will be rising, while healthcare tourism will be benefiting the hospital earnings.

### Fig #28 TDM – Long Term Downward Trendline Breakout


*Source: Bloomberg, M+ Online*

## UNISEM – Riding The Semiconductor Upcycle

- **UNISEM is an OSAT player** that manufactures semiconductor devices and provides packaging and test services with its plants located in Ipoh, and Chengdu, China.
- **Sequential recovery.** Management expects recovery, albeit in a cautious tone throughout 2024 following the rebound in earnings seen over the past 2 quarters. Also, group headcount has increased to 5784 in 4Q23 (vs. 5675 in 3Q23).
- **Chengdu Phase 3 and Gopeng.** Installation of equipment and qualification is in progress for Chengdu, while Gopeng plant construction is expected to complete by next quarter to capture the next semiconductor upcycle.

### Fig #29 UNISEM – Upward Channel Intact


*Source: Bloomberg, M+ Online*

### Disclaimer