

Wednesday, 03 Apr, 2024

Commodity-related Poised To Rally Further

Market Review

Malaysia: The FBMKLCI (+0.26%) ended higher, in line with the positive performance across the regional stock markets, as the index was led by Consumer Products and Utilities heavyweights. On the broader market, the Healthcare sector (+1.52%) gained, while the Property sector (-0.38%) declined.

Global markets: Wall Street ended lower as investors assessed the possibility of delayed rate cuts this year after the stronger economic data recently, while Tesla shares fell after posting lower deliveries for the first time in 4 years. The European stock markets ended lower, while Asia ended mixed.

The Day Ahead

The FBM KLCI extended its rebound for the 3rd trading day, experiencing a breakout above 1,540. Also, the FBM Small Cap marked another fresh 52-week high as sentiment remains positive going into 2Q24. However, Wall Street closed in the negative territory as US 10-year yield rose to a 4-month high and the traders could be pricing in a delay in cutting interest rates. Despite the US stock markets ending weaker, we believe the sentiment on the local front may stay positive with the recovery tone from China's PMI coming in at 50.8 (vs forecast of 50.1). On the commodity front, Brent oil traded surged another session above USD89 amid the ongoing conflict in the Middle East, while the FCPO ended above RM4,380 as demand outweighs supply in the month of March. Meanwhile, the gold price rose to another all-time-high.

Sectors focus: We expect the broad market to stay positive for the session and traders could focus on the commodity related stocks within the O&G, Plantation, and Gold sectors, given the stronger tone in their respective underlying commodity prices. Meanwhile, we like selected Technology stocks as we believe the sequential recovery could be seen in the near term. Besides, catalysts within the data center could bode well for power distribution and cable and network segments.

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI index ended higher for 3rd consecutive days. The technical readings on the key index were turning positive, with the MACD Histogram forming a rounding bottom pattern, and the RSI has crossed above 50. The resistance is envisaged around 1,560-1,565 and the support is set at 1,525-1,530.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	39,170.24	-1.00
S&P 500	5,205.81	-0.72
NASDAQ	16,240.45	-0.95
FBM KLCI	1,547.99	0.26
FBM Small Cap	17,474.75	0.26
FBM ACE	4,947.80	0.93
Construction	2,210.7	-0.13
Consumer	579.70	0.78
Energy	956.92	0.46
Financial Services	17,360.44	0.15
Healthcare	1,979.24	1.52
Ind Products	179.84	-0.12
Plantation	7,310.65	-0.08
Property	1,002.52	-0.38
REITs	813.51	0.31
Technology	65.04	0.42
Telco & Media	593.75	-0.04
Transport & Logist	100.186	0.02
Utilities	1,553.99	-0.19
Trading Vol (m)	4,530.36	42.26
Trading Val (RM m)	2,821.38	32.17
Gainers/ Losers rat	120%	
FKLI	1,548.50	-0.23
FCPO (RM)	4,388.00	1.76
Brent oil (USD)	88.92	1.72
Gold (USD)	2,280.67	0.06
USD	4.7525	-0.46
GBP	5.9737	-0.06
EURO	5.1052	-0.05
SGD	3.5145	-0.21
Trading participation 5-day trend and value (m)		
Institution	663.1	
Foreign	-249.3	
	-413.8	

Source: Bloomberg, Bursa Market Place



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Company Brief

DNeX's UK upstream oil and gas arm, Ping Petroleum UK plc (Ping UK), has expanded its portfolio with three additional North Sea oilfield licences, with two obtained under the UK's 33rd licensing round, while another licence was acquired through the acquisition of equity from Orcadian Energy (CNS) Ltd. These new acquisitions bring Ping UK's portfolio in the UK Continental Shelf to over 100m barrels of oil equivalent (MMboe) in the central North Sea. The three fields are expected to commence production shortly after the projected end of the energy profits levy in March 2028. (The Edge)

Integrated facilities management company **GFM Services Bhd** has secured contracts to provide operations and maintenance services for three facilities in the Pengerang Integrated Complex in Johor. The contracts were awarded by Petroliam Nasional Bhd (Petronas) for an undisclosed amount. GFM's subsidiary, Highbase Strategic Sdn Bhd, along with joint venture partner Mun Siong Engineering Ltd, received three letters of appointment covering a three-year period starting from March 15, 2024, with an option for a two-year extension. The services will include plant turnaround services for facilities operated by PRPC Utilities and Facilities Sdn Bhd, Pengerang Power Sdn Bhd and PRPC Water Sdn Bhd. (The Edge)

Construction firm **Nestcon Bhd** aims to diversify its business operations into renewable energy (RE) to enhance future earnings and broaden its income sources. The diversification plans include various activities such as engineering, procurement, construction and commissioning of solar photovoltaic systems, project management of RE activities, and ownership and operation of solar PV assets. The company anticipates that the RE business could contribute significantly to its net profits and asset allocation in the future, driven by the growing demand for renewable energy in Malaysia and ongoing efforts to secure additional projects. (The Edge)

Dolphin International Bhd has scrapped its planned rights issue, opting to explore alternative funding methods. Initially proposed in October last year, the rights issue aimed to issue up to 178.38m shares and up to 133.79 free detachable warrants at 7.5 sen per rights share, with the intention of raising up to RM13.38m. The allocated funds were intended for working capital, repayment of bank borrowings and expenses related to the corporate exercise. (The Edge)

TAS Offshore Bhd has secured shipbuilding contracts worth RM15.3m for two tugboats from an existing customer in Indonesia. The vessels are slated for delivery in the third quarter of 2025. TAS said revenue generated from these contracts will have a positive impact on the group's earnings and net assets for FY2026. (The Edge)

Private hospital operator **KPJ Healthcare Bhd** has appointed former chief secretary to the government Tan Sri Ismail Bakar as its new non-independent and non-executive chairman, effective immediately. Ismail replaces Datuk Md Arif Mahmood, who stepped down from his position after completing his two-year tenure on March 31. (The Edge)

Chemical manufacturer **Sersol Bhd** plans to raise up to RM8.5m through a private placement of 85m new shares, representing not more than 10% of its issued shares, for working capital purposes. The issue price will be determined later. The majority of the proceeds will be used to increase holdings of raw materials such as resin, solvent, and hardener for existing product offerings. Additionally, funds will be allocated for potential acquisitions or investments aligned with its current businesses. Sersol is exploring expanding its product range to include marine protective coatings for water vehicles and offering third-party brand coatings and related products. (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	FRONTKN	4-Mar	3.660	3.820	3.900	4.050	3.550	3.520	3.860	5.5%	Initiate on 4/3/2024
2	UZMA	15-Mar	1.210	1.270	1.350	1.410	1.140	1.120	1.300	7.4%	Initiate on 15/3/2024
3	DIALOG	22-Mar	2.250	2.400	2.450	2.550	2.140	2.120	2.330	3.6%	Initiate on 22/3/2024
4	KGB	27-Mar	2.740	2.900	2.950	3.000	2.620	2.600	2.720	-0.7%	Initiate on 27/3/2024

Market Chat Tracker - 2Q24 Stock Picks

2Q24 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	AME	1-Apr	1.750	1.920	2.050	-	1.690	1.630	1.77	1.1%	Initiate on 1/4/2024
2	CSCSTEL	1-Apr	1.350	1.470	1.570	-	1.320	1.270	1.36	0.7%	Initiate on 1/4/2024
3	E&O	1-Apr	1.050	1.230	1.300	-	0.970	0.900	1.07	1.9%	Initiate on 1/4/2024
4	GASMSIA	1-Apr	3.470	3.720	3.860	-	3.260	3.130	3.49	0.6%	Initiate on 1/4/2024
5	HSSEB	1-Apr	1.160	1.270	1.370	-	1.090	1.010	1.11	-4.3%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.640	4.990	5.180	-	4.470	4.340	4.64	0.0%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.80	-0.6%	Initiate on 1/4/2024
8	MPI	1-Apr	31.180	34.000	36.000	-	30.000	28.300	31.80	2.0%	Initiate on 1/4/2024
9	PIE	1-Apr	3.560	3.900	4.100	-	3.480	3.350	3.56	0.0%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.240	2.390	2.490	-	2.170	2.100	2.28	1.8%	Initiate on 1/4/2024
11	TAANN	1-Apr	4.030	4.310	4.500	-	3.910	3.730	4.10	1.7%	Initiate on 1/4/2024
12	TDM	1-Apr	0.280	0.325	0.355	-	0.240	0.215	0.27	-3.6%	Initiate on 1/4/2024
13	UNISEM	1-Apr	3.840	4.100	4.350	-	3.700	3.550	3.85	0.3%	Initiate on 1/4/2024
Average Return										0.1%	

Technical Focus Tracker Summary

Total recommendations	373
Total winners	217
Total losers	135
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)	16.0%
Accuracy (2023)	45.8%
FBM KLCI (Since 30/12/2022)	3.5%
FBM Small Cap (Since 30/12/2022)	17.1%
Malaysia GDP Growth (1H23)	4.2%

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