

Wednesday, 17 Apr, 2024

Could Be Due For A Rebound

Market Review

Malaysia: The FBMKLCI (-0.49%) ended lower, in line with the negative performance across the regional stock markets amid concerns over rising geopolitical tensions and the key index was dragged by Utilities and Banking heavyweights. On the broader market, the Construction sector (-2.69%) was the worst decliner.

Global markets: Wall Street closed mixed as geopolitical tensions in the Middle East continue to drag investor sentiment and had offset the positive momentum from a few strong corporate earnings. Both the European and Asian stock markets ended lower despite China's Q1 GDP data beating consensus expectations.

The Day Ahead

The selling pressure continued for the fourth trading day on the FBM KLCI, while the FBM Small Cap pulled back from its 52-week. Meanwhile, the US stock markets traded flat yesterday after the Fed Chair Powell commented there has been a "lack of further progress" this year on inflation. We believe the market is pricing in lesser rate cuts for 2024 and contributed to the spike in US Treasury yields. On the commodity front, Brent oil price continues to trade along USD90/bbl, while the gold price maintained its uptrend move above USD2380 on the back of unresolved tension in the Middle East. The CPO price traded below RM4100 as the market is pricing in softer demand after Eid al-Fitr festive buying.

Sectors focus: With the mixed trading sentiment on Wall Street, we believe the selling pressure could have been overdone on the local front, and should be due for a rebound. We think there might be a rebound in the Construction, Property and Technology sector. Meanwhile, traders could position within Transportation & Logistics companies, while long term investors may look into more defensive sectors such as Consumer. Also, we like selected stocks within the Gaming, Solar, Construction and Building Materials sectors.

FBMKLCI Technical Outlook



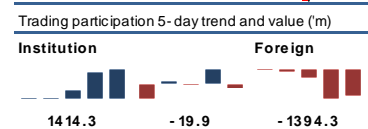
Bloomberg

The FBM KLCI index ended lower for the 4th consecutive day. The technical readings on the key index were negative, with the MACD Histogram forming a rounding top formation, while the RSI maintains below 50. The resistance is envisaged around 1,550-1,555 and the support is set at 1,515-1,520.

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Market Scorecard

| Key indices | Last price | Change (%) |
|---------------------|------------|------------|
| Dow Jones | 37,798.97 | 0.17 |
| S&P 500 | 5,051.41 | -0.21 |
| NASDAQ | 15,865.25 | -0.12 |
| FBM KLCI | 1535.00 | -0.49 |
| FBM Small Cap | 17,075.42 | -2.30 |
| FBM ACE | 4,881.94 | -2.29 |
| Construction | 213.88 | -2.69 |
| Consumer | 577.04 | -0.76 |
| Energy | 949.94 | -1.71 |
| Financial Services | 17,008.95 | -0.93 |
| Healthcare | 1,937.58 | -0.66 |
| Ind Products | 182.08 | -0.95 |
| Plantation | 7,399.24 | -0.45 |
| Property | 983.32 | -2.46 |
| REITs | 810.69 | -0.29 |
| Technology | 63.07 | -1.53 |
| Telco & Media | 583.90 | -0.22 |
| Transport & Logist | 1,005.31 | -0.49 |
| Utilities | 1,529.53 | -1.52 |
| Trading Vol (m) | 4,927.94 | 15.14 |
| Trading Val (RM m) | 3,718.84 | 14.51 |
| Gainers/ Losers rat | 16% | |
| FKLI | 1535.00 | 0.13 |
| FCPO (RM) | 4,083.00 | 0.22 |
| Brent oil (USD) | 90.02 | -0.09 |
| Gold (USD) | 2,382.89 | 0.14 |
| USD | 4.7957 | -0.33 |
| GBP | 5.9714 | -0.06 |
| EURO | 5.0977 | -0.09 |
| SGD | 3.5146 | -0.04 |



Source: Bloomberg, Bursa Market Place



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Company Brief

Pharmaceutical company **Apex Healthcare Bhd** has pledged to allocate 5% of its total manufacturing revenue towards research and development (R&D) of new products. In 2023, the company invested RM8.5m in R&D, marking an 18% increase from the previous year, representing 3.2% of its manufacturing revenue. The group emphasised the goal to capitalise on patent cliffs by swiftly introducing generic options for expiring or off-patent molecules, aiming for revenue growth in the generic drugs market. (The Edge)

Outsourced semiconductor assembly and testing (OSAT) player **Globetronics Technology Bhd** is in advanced discussions with two potential clients interested in utilising advanced packaging technology. The group anticipates initiating memory and automotive product transfers with these clients, with some activities expected to commence in the second half of the financial year ending Dec 31, 2024 (FY2024). Additionally, the company is eyeing a significant opportunity with the potential transfer of products from an optoelectronics company consolidating its production from Malaysia and China. (The Edge)

Gold jewellery manufacturer **Tomei Consolidated Bhd** has declared a first and final dividend of 4 sen per share for the financial year ended Dec 31, 2023 (FY2023), totalling RM5.54m. This dividend will be paid on June 6. Despite facing an uncertain business outlook due to global conflicts, Tomei anticipates achieving a "reasonable level of profitability" in FY2024. The group said it will closely monitor risks such as fluctuations in gold prices and the US dollar, to safeguard its performance from any adverse effects. (The Edge)

Express carrier **GDEX Bhd** is set to diversify into the IT services sector to augment its revenue streams. Having acquired equity stakes in three IT companies in 2022, the group gains access to e-commerce, website development, business software solutions, and cybersecurity consulting. While the IT segment contributed RM33.4m in revenue for FY2023, it reported a net loss of RM1m due to heightened staff costs. Despite this, GDEX anticipates substantial growth in the segment, aiming for it to contribute over 25% of its net profit in the future. Furthermore, the company plans to pursue additional ventures, such as investments, acquisitions, and collaborations with potential IT firms, to solidify its foothold in the IT services and solutions sector. (The Edge)

Practice Note 17 (PN17) company **Serba Dinamik Holdings Bhd** has been granted an extension until May 15 by Bursa Malaysia to submit its regularisation plan, marking the second extension after missing the initial deadline on July 5, 2023. The troubled oil and gas firm did not disclose reasons for its inability to meet the earlier deadline. Originally, the plan was due in January 2023, but was granted a six-month extension. Bursa stated that failure to submit the plan by May 15 would result in the delisting of Serba Dinamik from the stock market. Additionally, delisting may occur if approval for the plan's implementation is not obtained, if further appeals fail, or if the plan is not implemented within the specified timeframe. (The Edge)

Newly-listed fertility care company **Alpha IVF Group Bhd** reported a net profit of RM13.59m for its third quarter ended Feb 29, 2024 (3QFY2024), with a revenue of RM40.7m, primarily from assisted reproductive services, particularly in-vitro fertilisation (IVF) treatments. In its first nine months of FY2024 (9MFY2024), the group achieved a net profit of RM38.92m and a revenue of RM120.84m. The company aims to expand its specialist centres in Malaysia, Indonesia, and either Cambodia or Laos, as well as enhance its research and development team to keep pace with advancements in assisted reproductive services. (The Edge)



Kossan Rubber Industries Bhd has proposed a final dividend of 2 sen per share for the financial year ended Dec 31, 2023 (FY2023). This dividend will be paid on July 18, with June 20 as the ex-date and June 21 as the entitlement date, pending approval by shareholders at the upcoming annual general meeting. If approved, this would increase the dividend payout for FY2023 to 4 sen per share, compared to 2.5 sen per share for FY2022. (The Edge)

E-government services providers **MyEG Services Bhd** and **HeiTech Padu Bhd** have entered a partnership to collaborate on information technology (IT) projects in Malaysia. They have signed a teaming agreement aimed at outlining their roles and responsibilities, focusing on marketing activities, sharing know-hows, and system integration for identified projects to potential customers. (The Edge)

Two subsidiaries of **Comfort Gloves Bhd** – Comfort Rubber Gloves Industries Sdn Bhd (CRGI) and Gallant Quality Sdn Bhd (GQ) – have commenced legal action against the Inland Revenue Board (IRB) over an additional tax demand of RM99.3m. This demand stems from the IRB’s adjustment of the tax basis period, following Comfort Gloves’ change in its financial year end to Dec 31, 2021, despite prior approvals. GQ obtained an interim stay from the court pending disposal of the judicial review leave application, while CRGI was granted leave by the court to challenge the decision and penalties. (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 | 3.640 | 3.820 | 3.900 | 4.050 | 3.550 | 3.520 | 3.790 | 4.1% | Initiate on 4/3/2024 |
| 2 | UZMA | 15-Mar | 1.210 | 1.270 | 1.350 | 1.410 | 1.140 | 1.120 | 1.200 | -0.8% | Initiate on 15/3/2024 |
| 3 | DIALOG | 22-Mar | 2.250 | 2.400 | 2.450 | 2.550 | 2.140 | 2.120 | 2.350 | 4.4% | Initiate on 22/3/2024 |
| 4 | KGB | 27-Mar | 2.740 | 2.900 | 2.950 | 3.000 | 2.620 | 2.600 | 2.560 | -6.6% | Cut Loss on 15/4/2024 |
| 5 | TRC | 3-Apr | 0.510 | 0.530 | 0.540 | 0.560 | 0.465 | 0.460 | 0.470 | -7.8% | Initiate on 3/4/2024 |
| 6 | OCK | 5-Apr | 0.605 | 0.660 | 0.670 | 0.690 | 0.580 | 0.570 | 0.595 | -1.7% | Initiate on 5/4/2024 |
| 7 | TAANN | 8-Apr | 4.120 | 4.450 | 4.500 | 4.600 | 4.000 | 3.950 | 4.170 | 1.2% | Initiate on 8/4/2024 |

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 | 1.75 | 0.0% | Initiate on 1/4/2024 |
| 2 | CSCSTEL | 1-Apr | 1.350 | 1.470 | 1.570 | - | 1.320 | 1.270 | 1.34 | -0.7% | Initiate on 1/4/2024 |
| 3 | E&O | 1-Apr | 1.050 | 1.230 | 1.300 | - | 0.970 | 0.900 | 0.97 | -8.1% | Initiate on 1/4/2024 |
| 4 | GASMSIA | 1-Apr | 3.470 | 3.720 | 3.860 | - | 3.260 | 3.130 | 3.51 | 1.2% | Initiate on 1/4/2024 |
| 5 | HSSEB | 1-Apr | 1.160 | 1.270 | 1.370 | - | 1.090 | 1.010 | 0.94 | -19.0% | Initiate on 1/4/2024 |
| 6 | MBMR | 1-Apr | 4.640 | 4.990 | 5.180 | - | 4.470 | 4.340 | 4.82 | 3.9% | Initiate on 1/4/2024 |
| 7 | MBSB | 1-Apr | 0.800 | 0.905 | 0.950 | - | 0.780 | 0.750 | 0.76 | -5.6% | Initiate on 1/4/2024 |
| 8 | MPI | 1-Apr | 31.180 | 34.000 | 36.000 | - | 30.000 | 28.300 | 30.80 | -1.2% | Initiate on 1/4/2024 |
| 9 | PIE | 1-Apr | 3.560 | 3.900 | 4.100 | - | 3.480 | 3.350 | 3.80 | 6.7% | Initiate on 1/4/2024 |
| 10 | SPRITZER | 1-Apr | 2.240 | 2.390 | 2.490 | - | 2.170 | 2.100 | 2.22 | -0.9% | Initiate on 1/4/2024 |
| 11 | TAANN | 1-Apr | 4.030 | 4.310 | 4.500 | - | 3.910 | 3.730 | 4.17 | 3.5% | Initiate on 1/4/2024 |
| 12 | TDM | 1-Apr | 0.280 | 0.325 | 0.355 | - | 0.240 | 0.215 | 0.27 | -5.4% | Initiate on 1/4/2024 |
| 13 | UNISEM | 1-Apr | 3.840 | 4.100 | 4.350 | - | 3.700 | 3.550 | 3.52 | -8.3% | Initiate on 1/4/2024 |
| Average Return | | | | | | | | | | -2.6% | |



Technical Focus Tracker Summary

| | |
|----------------------------------|-------|
| Total recommendations | 376 |
| 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) | 14.2% |
| Accuracy (2023) | 44.2% |
| FBM KLCI (Since 30/12/2022) | 2.6% |
| FBM Small Cap (Since 30/12/2022) | 14.4% |
| Malaysia GDP Growth (1H23) | 4.2% |

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