

Thursday, 18 Apr, 2024

Interest Rate Cuts Delay May Pose Downside Risk

Market Review

Malaysia: The FBMKLCI (+0.35%) ended higher, tracking the stabilised performance on Wall Street overnight, despite the negative sentiment across the regional stock markets amid the ongoing geopolitical tensions. On the broader market, the Construction sector (+1.64%) was the leading sector.

Global markets: Wall Street closed lower as the sentiment was dampened by the cautious tone from the Fed suggesting a delay in rate cuts, coupled with mixed corporate earnings and the unresolved geopolitical issues. The European stock markets ended higher, while Asia ended mixed.

The Day Ahead

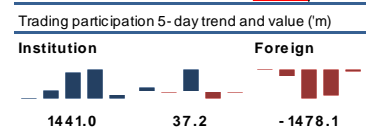
The FBM KLCI rebounded from a 4-day decline as bargain hunting activities emerged in tandem with the broader market except for the Property sector. However, the US stock markets took another round of beatings and 3 major benchmark indices declined further as the market could be pricing in rate cuts delay towards September 2024. We believe this expectation may pose downside risk and profit taking activities may be observed on the local exchange. On the commodity front, Brent oil price started to retrace below USD90, while the CPO price fell more than 1.5% due to weaker economic data from China offsetting the concerns over the geopolitical tensions. The gold price maintained its uptrend tone above USD2360.

Sectors focus: Despite the better sentiment on the local front, the upside could be capped following the sell-down in the US. We expect the investors to shift their focus back to the defensive related sectors such as the Consumer, Utilities and REITs. Nevertheless, traders could position within the Technology, Construction and O&G stocks as momentum has regained within these segments.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	37,753.31	-0.12
S&P 500	5,022.21	-0.58
NASDAQ	15,683.37	-1.15
FBM KLCI	1540.42	0.35
FBM Small Cap	17,390.35	1.84
FBM ACE	4,925.37	0.89
Construction	217.39	1.64
Consumer	578.52	0.26
Energy	959.17	0.97
Financial Services	17,107.49	0.58
Healthcare	1,957.75	1.04
Ind Products	183.31	0.68
Plantation	7,357.88	-0.56
Property	990.79	0.76
REITs	811.95	0.16
Technology	63.80	1.16
Telco & Media	588.96	0.87
Transport & Logist	10,116.5	0.63
Utilities	1,539.87	0.68
Trading Vol (m)	3,452.47	-29.94
Trading Val (RM m)	2,672.78	-28.13
Gainers/ Losers rat	228%	
FKLI	1536.50	-0.19
FCPO (RM)	4,024.00	0.30
Brent oil (USD)	87.29	-3.03
Gold (USD)	2,361.02	0.18
USD	4.793	0.06
GBP	5.9757	-0.07
EURO	5.1	-0.05
SGD	3.5187	-0.12



Source: Bloomberg, Bursa Market Place

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI index rebounded after a 4-day downtrend. The technical readings on the key index were negative, with the MACD Histogram extending another negative bar, while the RSI maintains below 50. The resistance is envisaged around 1,555-1,560 and the support is set at 1,520-1,525.



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Company Brief

IGB Real Estate Investment Trust (IGB REIT) reported a 4.79% jump in its net property income (NPI) for the first quarter ended March 31, 2024 (1QFY2024) to RM124.24m from RM118.55m a year earlier, thanks largely to higher rental income. Revenue for 1QFY2024 stood higher by 5.14% at RM162.56m against RM154.62m registered in 1QFY2023. It expects the retail sector to record a 4% growth for the full year of 2024. Meanwhile, its sister company IGB Commercial REIT reported an NPI of RM34.23m for 1QFY2024, 5.68% higher than the RM32.39m a year ago due to higher maintenance costs in the preceding quarter. Revenue increased by 5.14% to RM162.56m from RM154.62m. (The Edge)

Affin Bank Bhd said the Employees Provident Fund (EPF) has ceased to be its substantial shareholder after disposing of threem shares in the banking group on April 12. The bourse filing did not specify the value of the transaction, nor did it state the remaining amount of shares held by the EPF. As at Feb 29, EPF held a total of 121.91m shares in the bank, equivalent to a 5.195% stake. It had been reducing its stake in Affin Bank from January till end-February, selling a total of 16.46m shares during that period. (The Edge)

Keyfield International Bhd, an oil and gas services firm en route to Bursa Malaysia's Main Market, reported a 72.43% surge in its fourth-quarter net profit, driven by higher vessel utilisation and charter rates. Net profit for 4Q2023 totalled RM22.12m compared with RM12.83m in 4QFY2022. Revenue grew 76.82% year-on-year to RM119.53m from RM67.6m. Looking ahead, the firm expects supply conditions for offshore vessels to remain tight in 2024 due to a shortage of suitable vessels to support offshore activities. (The Edge)

E-government services provider **HeiTech Padu Bhd** is looking to raise up to RM22.98m via a private placement. It said the proceeds raised will mainly be utilised for working capital. The placement comprises 10.12m shares or 10% of the group's enlarged share base. For illustrative purposes, the indicative issue price is set at RM2.27 per share, representing a discount of 24.4 sen or 9.71% to the five-day volume-weighted average price of HeiTech Padu shares up to April 17 of RM2.51. (The Edge)

Reservoir Link Energy Bhd has secured a RM22m subcontract job for a 50-megawatt alternating current solar farm in Kulim, Kedah, through its 51%-owned subsidiary Founder Energy Sdn Bhd (FESB) from JS Solar Sdn Bhd (JSSB). FESB will supply labour, hand tools, materials and the machinery and equipment for the execution and completion of EPCC at the solar farm in Kulim, Kedah. The works should commence on March 18, 2024, and is scheduled to be completed on March 31, 2025. (The Edge)

Property developer **Menang Corp (M) Bhd** has signed an agreement to acquire 20% of an Indonesian healthcare joint venture (JV) for RM4m. It also agreed to subscribe up to 30m preference shares for RM30m in the JV, Alpro Menang Ventures Sdn Bhd. The remaining 80% of the JV will be held by Alpro Alliance Sdn Bhd (ALA), which retails pharmaceutical products. (The Edge)

Excel Force MSC Bhd said Chinese national Chen Hui has ceased to be a substantial shareholder after he disposed of 30m shares or a 4.9% stake in the company for RM10.2m through Hong Kong-based company Honest Winner Ltd via a direct business transaction. Following this, Chen's stake in the firm fell to 3.4%, comprising 20.5m shares. Chen first emerged as a substantial shareholder on Feb 29, after the group fully acquired Orca Capital Holdings Ltd (OCHL) for RM18.15m in a share sale agreement. (The Edge)



LBS Bina Group Bhd has declared total dividends of 2.7 sen per share for FY2023, comprising a first interim dividend of 1.35 sen and a final dividend of 1.35 sen. The interim dividend will be paid on July 16, while the final dividend will be paid on Sept 2. The 2.7 sen payout for FY2023 is higher than the 2.45 sen per share paid for FY2022. (The Edge)

Malayan Flour Mills Bhd (MFM) is investing a total of RM100m in the financial year of 2024 (FY2024), of which RM32m will be used to install a new milling line in Lumut, Perak, raising the existing 1,800m tonnes daily capacity by another 600m tonnes. Another RM60m will be to construct and install flour silos and flour blending facilities in Mekong Flour Mills Ltd in southern Vietnam, the company said in its annual report. (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	3.890	6.9%	Initiate on 4/3/2024
2	UZMA	15-Mar	1.210	1.270	1.350	1.410	1.140	1.120	1.230	1.7%	Initiate on 15/3/2024
3	DIALOG	22-Mar	2.250	2.400	2.450	2.550	2.140	2.120	2.360	4.9%	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	0.475	-6.9%	Initiate on 3/4/2024
6	OCK	5-Apr	0.605	0.660	0.670	0.690	0.580	0.570	0.600	-0.8%	Initiate on 5/4/2024
7	TAANN	8-Apr	4.120	4.450	4.500	4.600	4.000	3.950	4.180	1.5%	Initiate on 8/4/2024
8	PANTECH	17-Apr	1.000	1.080	1.100	1.120	0.950	0.940	1.060	6.0%	Initiate on 17/4/2024

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	1.78	1.7%	Initiate on 1/4/2024
2	CSCSTEL	1-Apr	1.350	1.470	1.570	-	1.320	1.270	1.35	0.0%	Initiate on 1/4/2024
3	E&O	1-Apr	1.050	1.230	1.300	-	0.970	0.900	0.97	-7.6%	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	0.95	-18.1%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.640	4.990	5.180	-	4.470	4.340	4.86	4.7%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.77	-4.4%	Initiate on 1/4/2024
8	MPI	1-Apr	31.180	34.000	36.000	-	30.000	28.300	30.82	-1.2%	Initiate on 1/4/2024
9	PIE	1-Apr	3.560	3.900	4.100	-	3.480	3.350	4.94	38.8%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.240	2.390	2.490	-	2.170	2.100	2.23	-0.4%	Initiate on 1/4/2024
11	TAANN	1-Apr	4.030	4.310	4.500	-	3.910	3.730	4.18	3.7%	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	3.59	-6.5%	Initiate on 1/4/2024
Average Return										0.6%	

Technical Focus Tracker Summary

Total recommendations	377
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)	15.0%
Accuracy (2023)	43.7%
FBM KLCI (Since 30/12/2022)	3.0%
FBM Small Cap (Since 30/12/2022)	16.5%
Malaysia GDP Growth (1H23)	4.2%



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