

Friday, 10 May, 2024

Rate Cuts Optimism Returns

Market Review

Malaysia: The FBMKLCI (-0.22%) ended lower as investors were taking profits while waiting for fresh leads after the dull overnight performance on Wall Street. On the broader market, the Properties sector (+0.84%) was the leading sector, while the Transportation and Logistics sector (-0.69%) declined.

Global markets: Wall Street ended higher after the weekly jobless claims data came in higher than expected, which reignited hopes for an earlier rate cut this year. Meanwhile, traders will be eyeing the upcoming corporate earnings. The European stock market closed higher, while Asia ended mixed.

The Day Ahead

The FBMKLCI has extended its pullback for the second session after hitting the 52-week high recently, while the FBM70 has snapped a 4-day winning streak with the emergence of profit taking activities. Over in the US, Wall Street gained momentum after the release of weekly jobless claims, which jumped to the highest level since August. This has boosted the interest rate cuts optimism going forward. In our view, despite the elevated inflationary pressure, we are anticipating the overall markets to register new heights at least for the near term after assessing the AI driven corporate earnings this quarter. On the commodity markets, Brent oil rebounded along our initial support zone of USD81-83 amid strong demand and softer dollar. For the CPO, it continues to trade along the support zone around RM3800.

Sectors focus: Although the market could be retracing in the near term, we believe it is healthy and likely providing a decent entry towards stocks within the Technology sectors. Besides, we like the recent AI and data center trends that could provide sustainable upside towards the Power and Water industry going forward. On the potential revival of infrastructure activities, we believe it should benefit the Construction, Building Material and Properties sectors, coupled with the Utilities sector.

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI index ended lower after ascending to a 52-week high. The technical readings on the key index were positive with the MACD Histogram extending another positive bar, while the RSI maintains above 50. The resistance is envisaged around 1,615-1,620 and the support is set at 1,580-1,585.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	39,387.76	0.85
S&P 500	5,214.08	0.51
NASDAQ	16,346.26	0.27
FBM KLCI	1601.22	-0.22
FBM Small Cap	18,419.34	0.55
FBM ACE	5,170.49	0.67
Construction	226.48	-0.14
Consumer	598.60	-0.14
Energy	988.65	0.75
Financial Services	17,470.65	-0.03
Healthcare	2,106.50	-0.07
Ind Products	192.65	-0.14
Plantation	7,462.52	-0.51
Property	1,053.13	0.84
REITs	832.07	0.37
Technology	67.01	-0.31
Telco & Media	600.75	-0.34
Transport & Logist	1,072.90	-0.69
Utilities	1,753.93	0.33
Trading Vol (m)	4,648.73	-13.84
Trading Val (RM m)	3,135.32	-12.23
Gainers/ Losers rat	132%	
FKLI	1,605.50	0.22
FCPO (RM)	3,801.00	-0.78
Brent oil (USD)	83.88	0.36
Gold (USD)	2,346.33	0.03
USD	4.741	0.01
GBP	5.9198	0.06
EURO	5.0873	0.21
SGD	3.4952	0.06

Trading participation 5-day trend and value (m)



Source: Bloomberg, Bursa Market Place



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Company Brief

Supermax Corp Bhd (SUPERMX) is acquiring the remaining 33% equity interest in its 67%-owned subsidiary Supermax Healthcare Canada Inc (SHCI) for C\$5.5m (RM18.96m) cash. Supermax is acquiring the stake from Sylvain Bergeron, who has been a business partner of the company since 2004 when Supermax's founder and managing director Datuk Seri Stanley Thai Kim Sim partnered with Bergeron to start the Canadian branch of Supermax. SHCI is principally involved in the marketing, importing and distribution of latex gloves for the Supermax group in Canada. Based on the audited accounts of SHCI as at June 30, 2023, the company incurred a net loss of C\$15.3m, while its net book value stood at C\$73.6m. (The Edge)

Malaysia Airports Holdings Bhd (AIRPORT) on Thursday named former Malaysian Aviation Commission (Mavcom) executive chairman Dr Nungsari Ahmad Radhi as its director effective immediately. Nungsari, an economist by training who currently sits on Prime Minister Datuk Seri Anwar Ibrahim's Policy Advisory Committee, is appointed as non-independent and non-executive director at Malaysia Airports. Nungsari, 64, served as commissioner of Mavcom since its inception in 2015 and, subsequently as its executive chairman from July 1 2018 till April 10 2020, according to MAHB. (The Edge)

Pentamaster Corp Bhd (PENTA) reported an 8.92% year-on-year (y-o-y) decline in its net profit for the first quarter of 2024 (1QFY2024) as slightly higher revenue was impacted by lower other income and share of loss of associates. Net profit for 1QFY2024 fell to RM19.37m or 2.72 sen per share, down 8.92% from RM21.27m or 2.99 sen per share in the same period last year. Revenue rose by 3.32% y-o-y to RM170.79m, up from RM165.31m, which Pentamaster attributed to higher contribution from its factory automation solutions (FAS) segment. Notably, revenue contribution from its automated test equipment saw a major decline by RM38.2m to RM73.2m in 1QFY2024 from RM111.4m in the previous corresponding quarter. (The Edge)

Solarvest Holdings Bhd (SLVEST) has secured a contract worth RM40.4m to install rooftop solar photovoltaic (PV) systems at eight sites in Malaysia owned by **Scientex Bhd** (SCIENTX) with a cumulative capacity of 21 megawatt peak. The project is slated to commence in May 2024. By January 2025, Solarvest said it is expected to generate enough renewable energy to offset approximately 14,000 tonnes of CO2 equivalent (tCO2e) annually by Scientex. (The Edge)

MAA Group Bhd (MAA), a substantial shareholder of **KNM Group Bhd** (KNM), has extended a RM13.5m loan to address the working capital requirements of the Practice Note 17 (PN17) company. The loan, bearing an interest rate of 12% per annum, was provided to KNM's wholly-owned subsidiary, KNM Process Systems Sdn Bhd (KNM PS). The loan's duration does not exceed 12 months from its disbursement date. (The Edge)

Annum Bhd (ANNUM), formerly known as Cymao Holdings Bhd, will hire a new audit firm to conduct a special audit on its revenue after its external auditor Messrs SBY Partners PLT said it cannot verify the figures Annum reported despite performing additional audit procedures. Annum, which is involved in the manufacturing of wood-based products, just hired SBY in March this year after approaching 31 other auditors who turned down the job. Most had cited resource constraints, according to the group. SBY, however, had expressed a disclaimer of opinion on Annum's financial statements for the 18 months ended June 30, 2023, after it failed to obtain sufficient evidence to verify the group's intangible assets of RM153.62m; the value of its Smart Agriculture IOT System (SAIOT) of RM53.62m; and revenue from its trading of plywood of RM197.34m, as well as its wholesale goods of RM50.3m. (The Edge)



Globetronics Technology Bhd's (GTRONIC) net profit jumped 73.42% year-on-year for its first quarter ended March 31, 2024 (1QFY2024), thanks to a foreign exchange (forex) gain and higher interest income. Net profit for 1QFY2024 rose to RM5.72m from RM3.3m in the same period last year. It recorded a forex gain of RM1.8m during the quarter, as opposed to a forex loss of RM65,000 previously, and interest income of RM1.3m, versus RM900,000 previously. Revenue, however, slipped 9.74% to RM29.9m from RM33.13m in 1QFY2023, dragged by lower volume of products sold to some of its customers. (The Edge)

Mr DIY Group (M) Bhd (MRDIY) said its net profit rose 13% in the first quarter from a year earlier, thanks to sales from new stores, while margins expanded as supply chain disruption and freight costs eased. Net profit for the three months ended March 31, 2024 rose to RM144.88m from RM127.77m in the same quarter a year ago. Revenue climbed 9.2% to RM1.14bn from RM1.05bn. Gross profit margin rose 1.5 percentage points year-on-year to 45.8%. The group declared a first interim dividend of 1 sen per share or about RM94.5m for FY2024, to be paid on June 21. (The Edge)

MCE Holdings Bhd (MCEHLDG) said Brahmam Vasudevan has emerged as a substantial shareholder with a 5.02% indirect stake in the automotive parts and accessories manufacturer. Brahmam held 6.2m shares in MCE via Creador Conscientia Ltd, which raised its stake beyond 5% following the acquisition of 100,000 shares earlier on Thursday. MCE's other substantial shareholders include Dulcet One Holdings Sdn Bhd (19.1%), followed by Woo Chiew Loong (8.9%). (The Edge)

Salcon Bhd (SALCON) said Envitech Sdn Bhd, a 60%-owned subsidiary of Salcon Engineering Bhd, has been awarded a job by Rantau Urusan (M) Sdn Bhd for the design and construction of a sewerage treatment plant in Durian Sebatang, Hilir Perak, Perak. The contract is valued at RM9.7m with a contract period of 20 months and will cater to a population of 54,000 upon completion. (The Edge)

Kerjaya Prospek Property Bhd (KPPROP) will jointly develop a piece of freehold land in Aspen Vision City, Batu Kawan, Penang into a mixed development that will include a hotel and serviced apartments. The land, which measures 221,198 sq feet and has a net book value of RM25.1m, will be developed by a 70:30 special purpose vehicle (SPV) owned by Kerjaya Prospek Property's wholly-owned Kerjaya Property JV Sdn Bhd (KPJV) and Aspen Vision City Sdn Bhd (AVC), the master developer of Aspen Vision City. AVC will transfer the land to the SPV for the project. In return, AVC will be entitled to receive RM46.14m from the SPV. (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	4.140	13.7%	Take Profit on 6/5/2024
2	UZMA	15-Mar	1.210	1.270	1.350	1.410	1.140	1.120	1.210	0.0%	Initiate on 15/3/2024
3	DIALOG	22-Mar	2.250	2.400	2.450	2.550	2.140	2.120	2.490	10.7%	Initiate on 22/3/2024
4	TRC	3-Apr	0.510	0.530	0.540	0.560	0.465	0.460	0.505	-1.0%	Initiate on 3/4/2024
5	OCK	5-Apr	0.605	0.660	0.670	0.690	0.580	0.570	0.640	5.8%	Initiate on 5/4/2024
6	TAANN	8-Apr	4.120	4.450	4.500	4.600	4.000	3.950	3.880	-5.8%	Cut Loss on 6/5/2024
7	PANTECH	17-Apr	1.000	1.080	1.100	1.120	0.950	0.940	1.070	7.0%	Initiate on 17/4/2024
8	MISC	22-Apr	8.040	8.400	8.500	8.600	7.700	7.650	8.170	1.6%	Initiate on 22/4/2024
9	FFB	24-Apr	1.490	1.600	1.620	1.650	1.410	1.400	1.440	-3.4%	Initiate on 24/4/2024
10	DAYANG	3-May	2.590	2.750	2.800	2.900	2.500	2.400	2.690	3.9%	Initiate on 3/5/2024
11	CLOUDPT	9-May	0.690	0.730	0.740	0.780	0.650	0.645	0.705	2.2%	Initiate on 9/5/2024



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	1.46	8.1%	Initiate on 1/4/2024
3	E&O	1-Apr	1.050	1.230	1.300	-	0.970	0.900	1.10	4.8%	Initiate on 1/4/2024
4	GASMSIA	1-Apr	3.470	3.720	3.860	-	3.260	3.130	3.54	2.0%	Initiate on 1/4/2024
5	HSSEB	1-Apr	1.160	1.270	1.370	-	1.090	1.010	1.00	-13.8%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.640	4.990	5.180	-	4.470	4.340	5.00	7.8%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.79	-1.9%	Initiate on 1/4/2024
8	MPI	1-Apr	31.180	34.000	36.000	-	30.000	28.300	31.00	-0.6%	Initiate on 1/4/2024
9	PIE	1-Apr	3.560	3.900	4.100	-	3.480	3.350	5.95	67.1%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.240	2.390	2.490	-	2.170	2.100	2.36	5.4%	Initiate on 1/4/2024
11	TAANN	1-Apr	4.030	4.310	4.500	-	3.910	3.730	3.92	-2.7%	Initiate on 1/4/2024
12	TDM	1-Apr	0.280	0.325	0.355	-	0.240	0.215	0.26	-7.1%	Initiate on 1/4/2024
13	UNISEM	1-Apr	3.840	4.100	4.350	-	3.700	3.550	3.69	-3.9%	Initiate on 1/4/2024
Average Return										5.0%	

Technical Focus Tracker Summary	
Total recommendations	382
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)	17.6%
Accuracy (2023)	41.3%
FBM KLCI (Since 30/12/2022)	7.1%
FBM Small Cap (Since 30/12/2022)	23.4%
Malaysia GDP Growth (1H23)	4.2%

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