

Thursday, 16 May, 2024

Sustained Buying Led To Fresh Highs on Wall St

Market Review

Malaysia: The FBMKLCI (-0.17%) ended lower as profit taking activities emerged prior to the release of the US CPI data. Meanwhile, the glove counters saw a massive rally due to the US imposing higher tariffs on China, leading the Healthcare sector to increase more than 9%, making them the leading sector for the session.

Global markets: Wall Street closed firmly higher as investors were again reassured by the Fed that the next move may not be a rate hike, as the CPI data came in lower than consensus expectations. Meanwhile, the European stock market ended higher, while Asia ended mixed.

The Day Ahead

The FBMKLCI and FBM Small Cap traded lower as profit taking were noticed across the board, but FBM70 gained momentum as gloves stocks were in traders' radar. We expect the fresh catalyst of US imposing higher tariffs on China by stages throughout 2024-2026 will provide a boost towards Malaysian companies in view of trade diversions going forward. On Wall Street, the US stock market registered fresh highs on the back of lighter-than-expected CPI reading, which reignited the hopes for earlier rate cuts by the Fed. On the commodity markets, Brent oil had a volatile session, trading within USD81-83/bbl. The gold price rallied nearer to USD2400, while CPO price rebounded to close at RM3855.

Sectors focus: In view of the strong momentum in the US, we expect buying interest to spillover towards the local exchange, focusing on the Technology sector. Meanwhile, the US imposing higher tariffs on China products may benefit the Gloves, Semiconductor, EMS, and Metal-related industries. We also like the Construction, Building Material and Property sectors with the ongoing domestic catalysts such as the ongoing mega infrastructure projects and the optimism over NETR and NIMP master plans.

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI index ended marginally lower, but still hovering above the 1600 level. The technical readings on the key index were mixed with the MACD Histogram extending a negative bar, while the RSI maintains above 50. The resistance is envisaged around 1,620-1,625 and the support is set at 1,585-1,590.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	39,908.00	0.88
S&P 500	5,308.15	1.17
NASDAQ	16,742.39	1.40
FBM KLCI	1603.23	-0.17
FBM Small Cap	18,638.87	-0.24
FBM ACE	5,285.69	-0.73
Construction	228.84	-0.56
Consumer	600.80	-0.18
Energy	985.93	0.01
Financial Services	17,509.68	-0.12
Healthcare	2,344.72	9.64
Ind Products	92.40	-0.55
Plantation	7,384.87	-0.67
Property	1068.53	-0.22
REITs	828.32	-0.30
Technology	68.89	1.12
Telco & Media	599.67	-0.11
Transport & Logisti	1098.13	-0.43
Utilities	1762.69	0.52
Trading Vol (m)	6,199.15	31.97
Trading Val (RM m)	4,668.76	45.62
Gainers/ Losers rat	104%	
FKLI	1612.50	0.34
FCPO (RM)	3,855.00	0.00
Brent oil (USD)	82.75	0.45
Gold (USD)	2,385.99	0.14
USD	4.7063	0.24
GBP	5.9412	-0.40
EURO	5.096	-0.09
SGD	3.4886	-0.07
Trading participation 5-day trend and value (m)		
Institution	-251.9	
Foreign	-229.1	
	472.0	

Source: Bloomberg, Bursa Market Place



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Company Brief

Malaysia Airports Holdings Bhd (AIRPORT) or MAHB confirmed that it has received a takeover offer from a consortium led by its major shareholder Khazanah Nasional Bhd and the Employees Provident Fund (EPF), in a deal worth over RM12bn. The other parties in the consortium that is planning to take MAHB private are New York-based Global Infrastructure Partners and Abu Dhabi Investment Authority. The airport operator said the consortium – dubbed as Gateway Development Alliance Sdn Bhd – is offering RM11 per share to acquire all the remaining 1.12bn MAHB shares not already held by them, representing about 58.78% stake in the company. (The Edge)

Axiata Group Bhd (AXIATA), Malaysia's largest mobile telecommunications company by revenue, said on Wednesday it had signed a non-binding agreement with conglomerate Sinar Mas to explore combining their Indonesian units. The proposed merger between Axiata's XL and Sinar Mas' Smartfren "is at an early stage of evaluation", Axiata said in an exchange filing. The company said that both Axiata and Sinar Mas intend to remain as joint controlling shareholders of the merged entity. (The Edge)

MyEG Services Bhd (MYEG) said the Employees Provident Fund (EPF) has ceased to be a substantial shareholder of the e-government services provider after disposing of 21m shares. In a bourse filing, MyEG said the transaction was carried out on May 10. The filing did not specify the value of the transaction, but based on MyEG's closing price of 98.5 sen on May 10, the block of shares was estimated to be worth RM20.69m. According to MyEG's earlier filing on Tuesday, the EPF was holding a total of 394.07m shares in the group, equivalent to a 5.283% stake. (The Edge)

Construction and property developer **Mitrajaya Holdings Bhd** (MITRA) has clinched a contract worth RM174.3m to build a hospital in Shah Alam. The group, through its wholly-owned Pembinaan Mitrajaya Sdn Bhd, accepted the contract from Avisena Healthcare Sdn Bhd on Wednesday. To be completed in 36 months, the contract is slated for completion by May 21, 2027, said Mitrajaya has been loss-making for three consecutive quarters. (The Edge)

Kedah-based property developer **Eupe Corp Bhd** (EUPE) is acquiring a 2.46-acre (one-hectare) freehold land here for RM69.18m, on which it will develop a high-rise residential project. The group said its indirect wholly owned subsidiary Eupe Bangsar Sdn Bhd had inked a sale and purchase agreement with MCL Land (Pantai View) Sdn Bhd for the proposed acquisition. The group expects the proposed high-rise residential development on the land to contribute positively to its future revenue stream and profitability. (The Edge)

Hume Cement Industries Bhd (HUMEIND) has sustained its earnings momentum with another record net profit for its third quarter ended March 31, 2024 (3QFY2024) on the back of lower manufacturing costs, and higher cement price and sales volume. Net profit for the quarter more than doubled to RM61.07m from RM27.01m a year earlier, while revenue increased 7.4% to RM310.4m from RM289m, the group's bourse filing showed. Hume Cement declared a second interim dividend of six sen per share, bringing the total dividend year to date to eight sen per share. The group did not declare any dividend for FY2023. (The Edge)

Information and communications technology (ICT) products distributor **Vstecs Bhd** (VSTECs) said its first quarter net profit dipped 3.54% to RM14.32m from RM14.85m a year earlier, dragged by higher operating expenses. Quarterly revenue dropped 7.28% to RM616.36m from RM664.74m in 1QFY2023 which the group attributed to a lack of project deals from its enterprise systems segment amid the festive seasons. (The Edge)



Pharmaceutical company **Apex Healthcare Bhd** (AHEALTH) reported a 12.7% decline in first quarter net profit primarily due to an absence of profit contribution from its associate Straits Apex Group Sdn Bhd (SAG). This followed SAG's divestment of its interest in Straits Apex Sdn Bhd, which lowered Apex Healthcare's effective equity in Straits Apex to 16%. Apex Healthcare's net profit for the first quarter ended March 31, 2024 (1QFY2024) fell to RM21.2m or 2.97 sen per share, from RM24.3m or 3.41 sen per share a year earlier. Quarterly revenue rose marginally by 1% to RM248.2m from RM245.8m, as market demand for pharmaceuticals, consumer healthcare products, and medical devices showed signs of slowing in key markets of the group. (The Edge)

Department store and mall operator **AEON Co (M) Bhd** (AEON) said on Wednesday its net profit jumped 50.3% in the first quarter from the same quarter a year earlier, which it attributed to higher revenue and effective cost management. Net profit for the three months ended March 31, 2024 (1QFY2024) climbed to RM57.39m or 4.1 sen per share from RM38.18m or 2.72 sen per share over the same period last year. Revenue rose 5.47% to RM1.17bn from RM1.11bn. (The Edge)

Kobay Technology Bhd (KOBAY) posted a 30.77% decline in net profit for the third quarter ended March 31, 2024 to RM5.48m, from RM7.92m a year earlier, dragged by lower contributions from property development after completing a project in Langkawi. In a filing with the local bourse, the precision parts manufacturer also posted a 19.23% decline in revenue to RM87.79m from RM73.63m previously. No dividends were declared for the quarter under review. (The Edge)

Southern Steel Bhd (SSTEEL) posted its fourth consecutive quarter net loss for the third quarter ended March 31, 2024 (3QFY2024) due to lower average selling prices (ASP) and sales volume. The steel mill, which is controlled by tycoon Tan Sri Quek Leng Chan, who has an indirect stake of close to 70% stake, reported a net loss of RM6.43m in 3QFY2024 or 1.08 sen per share, in contrast to its net profit of RM1.66m or 0.28 sen per share a year earlier. Its revenue for the quarter dropped 15.4% to RM551.66m from RM652.06m previously. (The Edge)

Cash-strapped **KNM Group Bhd** (KNM) said its external auditor KPMG PLT had expressed a disclaimer of opinion on the group's audited financial statements for the 18-month period ended Dec 31, 2023, due to insufficient audit evidence. KPMG highlighted that there were material uncertainties that may cast significant doubt on KNM's ability to continue as a going concern, the group said in a filing with Bursa Malaysia. The basis for the disclaimer of opinion relates to KNM's net loss of RM420.83m for the period ended Dec 31, 2023, and the fact that the group's current liabilities exceeded its current assets by RM1.16bn. The auditor also noted that KNM had been classified as a Practice Note 17 (PN17) company since Nov 1, 2022, and had failed to submit its regularisation plan to the relevant regulatory authorities for approval before the deadline of April 30, 2024. (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	UZMA	15-Mar	1.210	1.270	1.350	1.410	1.140	1.120	1.200	-0.8%	Initiate on 15/3/2024
2	DIALOG	22-Mar	2.250	2.400	2.450	2.550	2.140	2.120	2.450	8.9%	Initiate on 22/3/2024
3	TRC	3-Apr	0.510	0.530	0.540	0.560	0.465	0.460	0.495	-2.9%	Initiate on 3/4/2024
4	OCK	5-Apr	0.605	0.660	0.670	0.690	0.580	0.570	0.630	4.1%	Initiate on 5/4/2024
5	PANTECH	17-Apr	1.000	1.080	1.100	1.120	0.950	0.940	1.090	9.0%	Initiate on 17/4/2024
6	MISC	22-Apr	8.040	8.400	8.500	8.600	7.700	7.650	8.240	2.5%	Initiate on 22/4/2024
7	FFB	24-Apr	1.490	1.600	1.620	1.650	1.410	1.400	1.480	-0.7%	Initiate on 24/4/2024
8	DAYANG	3-May	2.590	2.750	2.800	2.900	2.500	2.400	2.640	1.9%	Initiate on 3/5/2024
9	CLOUDPT	9-May	0.690	0.730	0.740	0.780	0.650	0.645	0.735	6.5%	Initiate on 9/5/2024
10	MYNEWS	14-May	0.540	0.580	0.590	0.610	0.520	0.510	0.535	-0.9%	Initiate on 14/5/2024



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	1.74	-0.6%	Initiate on 1/4/2024
2	CSCSTEL	1-Apr	1.350	1.470	1.570	-	1.320	1.270	1.48	9.6%	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	3.49	0.6%	Initiate on 1/4/2024
5	HSSEB	1-Apr	1.160	1.270	1.370	-	1.090	1.010	1.03	-11.2%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.640	4.990	5.180	-	4.470	4.340	4.98	7.3%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.82	1.9%	Initiate on 1/4/2024
8	MPI	1-Apr	31.180	34.000	36.000	-	30.000	28.300	32.52	4.3%	Initiate on 1/4/2024
9	PIE	1-Apr	3.560	3.900	4.100	-	3.480	3.350	5.92	66.3%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.240	2.390	2.490	-	2.170	2.100	2.44	8.9%	Initiate on 1/4/2024
11	TAANN	1-Apr	4.030	4.310	4.500	-	3.910	3.730	3.95	-2.0%	Initiate on 1/4/2024
12	TDM	1-Apr	0.280	0.325	0.355	-	0.240	0.215	0.25	-10.7%	Initiate on 1/4/2024
13	UNISEM	1-Apr	3.840	4.100	4.350	-	3.700	3.550	3.99	3.9%	Initiate on 1/4/2024
Average Return										6.4%	

Technical Focus Tracker Summary	
Total recommendations	383
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)	19.1%
Accuracy (2023)	40.9%
FBM KLCI (Since 30/12/2022)	7.2%
FBM Small Cap (Since 30/12/2022)	24.9%
Malaysia GDP Growth (1H23)	4.2%

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