

Tuesday, 28 May, 2024

Data Center Theme Taking The Center Stage

Market Review

Malaysia: The FBMKLCI (-0.07%) ended marginally lower as the key index was dragged by profit taking in selected heavyweights, as investors are awaiting fresh leads. On the broader market, the Utilities sector (+1.63%) gained, while the Healthcare sector (-1.35%) declined.

Global markets: Wall Street was closed for the Memorial Day holiday. The European stock market ended higher as investors weigh the probability of European Central bank reducing interest rates in June. Meanwhile, the Asian stock market ended higher after China posted profit growth in the industrial sector in 4M24.

The Day Ahead

Profit taking activities have emerged partly on the local front after a decent stretch of rally in the past few weeks. However, the trading activities will remain robust revolving the data center theme given the rising demand within this segment. Meanwhile, we expect Wall Street to stay relatively healthy in the near term supported by the Technology sector. Key events that traders will be looking forward to include (i) manufacturing PMI, (ii) unemployment claims, (iii) core PCE index and (iv) US GDP data. On the commodity markets, Brent oil rebounded above the USD81/bbl level zone, ahead of the OPEC+ meeting on 1st June. Meanwhile, CPO price rangebound traded above RM3,900.

Sectors focus: With the broad sentiment turning mixed, investors will flow their capital into sectors that have higher conviction, which the current theme is on the rising investment in data center in Malaysia. Hence, we believe the Technology sector such as HDD players, hardware components and cloud distributors providers will be traded on a vibrant note. Also, we believe the data center may benefit the Property, Construction, Building Material, and Utilities sectors.

Research Team
research@msec.com.my
(603) 2201 2100

Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	39,069.59	0.01
S&P 500	5,304.72	0.70
NASDAQ	16,920.79	1.10
FBM KLCI	1618.27	-0.07
FBM Small Cap	9,007.10	-0.35
FBM ACE	5,549.92	0.10
Construction	243.10	1.21
Consumer	604.95	-0.30
Energy	999.41	-0.21
Financial Services	17,658.34	-0.17
Healthcare	2,154.43	-1.35
Ind Products	196.49	-0.08
Plantation	7,258.08	-0.61
Property	1,104.91	0.01
REITs	836.96	0.38
Technology	74.26	0.58
Telco & Media	6,117.4	-0.45
Transport & Logist	1,109.49	0.70
Utilities	1825.92	1.63
Trading Vol (m)	5,644.81	0.57
Trading Val (RM m)	3,923.93	-14.34
Gainers/ Losers rat	78%	
FKLI	1,619.00	0.06
FCPO (RM)	3,921.00	1.32
Brent oil (USD)	83.10	1.19
Gold (USD)	2,350.97	0.02
USD	4.6965	0.32
GBP	5.9901	-0.04
EURO	5.1035	-0.03
SGD	3.4816	0.21

Trading participation 5-day trend and value (m)		
Institution	Retail	Foreign
-20.6	-278.1	299.7

Source: Bloomberg, Bursa Market Place

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI index ended slightly lower, hovering below the 1,620 level. The technical readings on the key index were however mildly positive with the MACD Histogram extending a less positive bar, while the RSI fell from overbought level. The resistance is envisaged around 1,635-1,640 and the support is set at 1,600-1,605.



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Company Brief

Kerjaya Prospek Group Bhd (KERJAYA) has bagged a contract worth RM567.73m in Penang. The group said its unit Future Rock Sdn Bhd had accepted a letter of award from Tanjung Pinang Development Sdn Bhd (TPD) for the execution and completion of reclamation and dredging works for Seri Tanjung Pinang (Phases 2B and 2C) development Penang. TPD is an indirect subsidiary of Eastern & Oriental Bhd (E&O). (The Edge)

Pesona Metro Holdings Bhd (PESONA) has secured a RM410.5m contract to undertake the construction of two blocks of 52-storey apartments in Bukit Jalil. The construction outfit said the contract was awarded by Gaya Kuasa Sdn Bhd, which is 68%-owned by Chin May Yong, who is the spouse of Pesona's major shareholder and non-executive director Wie Hock Kiong. Chin also serves as a director at Pesona's major shareholder Kombinasi Emas Sdn Bhd. The new job win, with a value significantly higher than Pesona's market value of RM128.57m, is expected to contribute positively to the group's earnings and enhance its net assets during the period. (The Edge)

KIP Real Estate Investment Trust (KIPREIT), which mainly manages retail properties, plans to acquire seven-floor DPulze Shopping Centre for RM320m. The acquisition, which will enlarge its total assets by nearly 34% to RM1.29b, will be funded by a combination of bank borrowings and proceeds from a planned private placement. The acquisition, which is the REIT's largest acquisition since its listing on the Main Market of Bursa Malaysia in 2017, is scheduled to be completed by the first quarter of 2025. (The Edge)

Inta Bina Group Bhd (INTA) has bagged a construction contract worth RM198.73m to develop a residential apartment project in Ara Damansara, Petaling Jaya. The construction group said the contract was awarded by Sime Darby Property (Ara Damansara) Sdn Bhd, a wholly-owned subsidiary of Sime Darby Property Bhd (SIMEPROP). The project involves the construction of two blocks of 18-storey apartments and one block of 23-storey apartments, consisting of a total of 450 residential units. The construction period would be 34 months from the commencement date on June 10. (The Edge)

Construction firm **MGB Bhd** (MGB) has secured a contract worth RM189.35m to undertake a multi-phase property development project in the Kuala Selangor district. The project was awarded by Anuar Aziz Architect on behalf of Kemudi Ehsan Sdn Bhd, said MGB in a bourse filing. Kemudi Ehsan is an indirect subsidiary of LBS Bina Group Bhd, which is a major shareholder of MGB with a 58.65% stake, thus making the contract a related-party transaction. MGB said the contract is for the development of a five-phase property development project in Ijok, with the first phase comprising 38 single-storey low-cost industrial terrace units and 96 two-storey terraced factories. (The Edge)

Kimlun Corp Bhd (KIMLUN) has secured a construction contract worth RM143.01m for a serviced apartment project in Johor Bahru. The Johor-based construction company said its wholly-owned Kimlun Sdn Bhd had accepted the award for the contract from Melia Spring Sdn Bhd, a subsidiary of Eco World Development Group Bhd (ECOWLD), for the project's main building works. The project is expected to be completed in the fourth quarter of 2026. (The Edge)

D&O Green Technologies Bhd (D&O) posted a 13-fold jump in its net profit for the first quarter ended March 31, 2024 as higher capacity utilisation, coupled with better cost management, improved the automotive light-emitting diode (LED) manufacturer's gross margin. Net profit rose to RM11.28m from RM863,000 a year ago, lifted by a 27.5% increase in revenue to RM273.74m from RM214.72m previously. (The Edge)



Independent power producer **YTL Power International Bhd** (YTLPOWER) and smaller rival **Ranhill Utilities Bhd** (RANHILL) have both requested for their shares to be suspended from 9am on Tuesday, pending an announcement. Trading in the structured warrants relating to Ranhill will also be suspended. YTL Power emerged as a substantial shareholder of Ranhill on Nov 1, 2023 after it acquired 243.33m shares, equivalent to an 18.87% stake, from Cheval Infrastructure Fund LP. Following the announcement, speculation was rife that YTL Power is eyeing a controlling stake in Ranhill, given Ranhill's exclusive rights to Johor's water supply and its exposure in the Sabah power sector. (The Edge)

Bursa Malaysia has publicly reprimanded and imposed a fine of RM500,000 on Chean Meng Hee, a former executive director of **Advance Information Marketing Bhd** (AIM), for breaching ACE Market listing requirements (ACE LR). In a statement on Monday, Bursa said Chean breached rule 16.13(a) of the ACE LR, causing AIM to violate several provisions, including rule 12.18(b), by reselling 24.1m treasury shares at a discounted price exceeding 5% of the weighted average market price on Oct 5, 2021. Additionally, Chean caused AIM to breach rule 12.20 by only announcing the resale to Bursa on Oct 6, 2021, and violated rule 9.355(1)(a) by making inaccurate announcements about the resale prices. (The Edge)

AMMB Holdings Bhd's (AMMBANK) net profit for the financial year ended March 31, 2024 (FY2024) rose 9.4% year-on-year to RM1.87b from RM1.71b despite lower revenue of RM4.65b versus RM4.71b. The bank said net profit for the fourth quarter rose 11% to RM476.54m from RM427.39m, on the back of revenue of RM1.17b against RM1.16b, driven by higher non-interest income (NOII). AMMB declared a dividend of 16.6 sen per share, to be paid on July 11. (The Edge)

AirAsia X Bhd (AAX), which is in the process of taking over its sister company **Capital A Bhd's** (CAPITALA) aviation business, has reported a 75.6% decline in first quarter net profit due to elevated operating expenses despite a jump in revenue. Some of the significant increase in expenses included staff costs, aircraft fuel expenses, maintenance and overhaul, user charges and aircraft lease expenses. As a result, net profit for the quarter ended March 31, 2024 came down to RM80.12m, from RM327.99m a year earlier. In contrast, quarterly revenue rose 65.6% to RM908.92m from RM548.84m, primarily generated by increased ticket sales and ancillary revenue. (The Edge)

Guan Chong Bhd (GCB), the world's fourth-largest cocoa grinder, announced that net profit for the first quarter ended March 31, 2024 jumped almost fourfold year-on-year, thanks to higher selling price for cocoa butter and increased sales volume for cocoa solids. Net profit for 1QFY2024 climbed to RM92.04m or 7.83 sen per share from RM23.76m or 2.02 sen per share. Revenue grew by nearly 70% to RM1.87b, from RM1.1b a year ago. No dividend was declared for the quarter. (The Edge)

Dutch Lady Milk Industries Bhd (DLADY) said its first quarter net profit more than tripled from a year earlier on higher operating profit, due to higher revenue and lower dairy raw material costs. Net profit for the three months ended March 31, 2024 was RM26.66m compared with RM8.52m over the same period last year. Quarterly revenue rose 2.39% year-on-year to RM362.77m from RM354.31m, primarily driven by carry-over effect of price increases implemented in 2023, as well as specific price increase on one of the product ranges. The group announced an interim dividend of 25 sen per share. (The Edge)

Keyfield International Bhd (KEYFIELD), an O&G services provider listed just last month, reported its net profit more than quadrupled in the first quarter from a year earlier, thanks to higher vessel utilisation and charter rates. Net profit for the three months ended March 31, 2024 was RM30.3m compared to RM7.41m a year earlier. Revenue surged 92% year-on-year to RM106.39m from RM55.4m. Keyfield declared its first interim dividend of 1 sen per share, amounting to RM8m. (The Edge)



Pharmaniaga Bhd (PHARMA) returned to the black after two consecutive quarters of losses, thanks to higher revenue and cost control measures that lowered expenses. Net profit for the three months ended March 31, 2024 was RM25.65m, a nine-time jump compared to RM2.65m over the same period a year ago. Revenue for the quarter rose 9.6% year-on-year to RM964.96m from RM880.45m, boosted by demand in the concession segment and Indonesian business. No dividend was declared for the quarter. (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	1.120	-7.4%	Initiate on 15/3/2024
2	DIALOG	22-Mar	2.250	2.400	2.450	2.550	2.140	2.120	2.550	13.3%	Take Profit on 27/5/2024
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	0.640	5.8%	Initiate on 5/4/2024
5	PANTECH	17-Apr	1.000	1.080	1.100	1.120	0.950	0.940	1.080	8.0%	Initiate on 17/4/2024
6	MISC	22-Apr	8.040	8.400	8.500	8.600	7.700	7.650	8.370	4.1%	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	2.820	8.9%	Initiate on 3/5/2024
9	CLOUDPT	9-May	0.690	0.730	0.740	0.780	0.650	0.645	0.790	14.5%	Take Profit on 23/5/2024
10	MYNEWS	14-May	0.540	0.580	0.590	0.610	0.520	0.510	0.580	7.4%	Initiate on 14/5/2024
11	BDB	20-May	0.400	0.430	0.435	0.450	0.380	0.370	0.420	5.0%	Initiate on 20/5/2024
12	LAGENDA	27-May	1.710	1.840	1.860	1.910	1.620	1.600	1.720	0.6%	Initiate on 27/5/2024

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	1.72	-1.7%	Initiate on 1/4/2024
2	CSCSTEL	1-Apr	1.350	1.470	1.570	-	1.320	1.270	1.50	11.1%	Initiate on 1/4/2024
3	E&O	1-Apr	1.050	1.230	1.300	-	0.970	0.900	1.04	-1.0%	Initiate on 1/4/2024
4	GASMSIA	1-Apr	3.470	3.720	3.860	-	3.260	3.130	3.59	3.5%	Initiate on 1/4/2024
5	HSSEB	1-Apr	1.160	1.270	1.370	-	1.090	1.010	1.01	-12.9%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.640	4.990	5.180	-	4.470	4.340	5.05	8.8%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.91	13.8%	Initiate on 1/4/2024
8	MPI	1-Apr	31.180	34.000	36.000	-	30.000	28.300	38.56	23.7%	Initiate on 1/4/2024
9	PIE	1-Apr	3.560	3.900	4.100	-	3.480	3.350	5.90	65.7%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.240	2.390	2.490	-	2.170	2.100	2.62	17.0%	Initiate on 1/4/2024
11	TAANN	1-Apr	4.030	4.310	4.500	-	3.910	3.730	3.90	-3.2%	Initiate on 1/4/2024
12	TDM	1-Apr	0.280	0.325	0.355	-	0.240	0.215	0.22	-23.2%	Initiate on 1/4/2024
13	UNISEM	1-Apr	3.840	4.100	4.350	-	3.700	3.550	4.14	7.8%	Initiate on 1/4/2024
Average Return										8.4%	

Technical Focus Tracker Summary	
Total recommendations	385
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)	20.4%
Accuracy (2023)	40.0%
FBM KLCI (Since 30/12/2022)	8.2%
FBM Small Cap (Since 30/12/2022)	27.4%
Malaysia GDP Growth (1H23)	4.2%

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