

Thursday, 20 Jun, 2024

Searching For Value Play

Market Review

Malaysia: The FBM KLCI (-0.39%) ended lower as the index was dragged by selling pressure in the utilities and industrial products heavyweights, as investors were taking profits. On the broader market, all sectors were negative with Healthcare (-1.66%) being the worst performing sector.

Global markets: Wall Street was closed for the Juneteenth holiday. The European stock market ended mostly lower, while Asian ended higher. The latter was led by the Hong Kong markets which increased nearly 3%, while the CSI dipped 0.47%. The markets rose in tandem with the positive cues from Wall Street overnight.

The Day Ahead

The Malaysia market continues to see further profit taking activities and the FBM KLCI has dipped slightly below the 1,600 level. Meanwhile, the US markets were closed for Juneteenth public holiday, while the European markets ended mostly lower. We believe the traders will be monitoring a few key events like (i) unemployment claims and (ii) flash manufacturing and services PMI. On our local front, we believe the market sentiment may turn softer after a strong rally in the past 2 months, translating to consolidation mode on our Bursa exchange. On the commodity markets, Brent oil may trend above the consolidation zone of USD81-84, while gold has stabilised around USD2330. The CPO is still positively biased in its trading movements and may range around RM3900-4000.

Sector focus: Given all the sectors have seen profit taking activities picked up, we expect traders to shift their focus on solid fundamental companies with earnings growth and look into defensive sectors going forward. Meanwhile, we still like the Technology sector with the data center, AI and cloud remain as the main catalyst at this juncture. Besides, we like BURSA on the back of rising trading value on a daily basis, while Solar-related we may focus on SUNVIEW. Certainly, we are anticipating that Construction stocks will remain attractive going forward with more contracts being dished out going forward.

FBMKLCI Technical Outlook



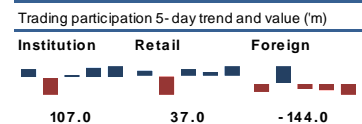
Bloomberg

The FBM KLCI index ended lower dipping below the 1,600 level. The technical readings on the key index were negative with the MACD Histogram forming another negative bar, while the RSI drops below 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	38,834.86	0.15
S&P 500	5,487.03	0.25
NASDAQ	17,862.23	0.03
FBM KLCI	1599.79	-0.39
FBM Small Cap	19,441.80	-1.14
FBM ACE	5,796.20	-0.91
Construction	263.40	-0.55
Consumer	589.10	-0.42
Energy	983.38	-0.50
Financial Services	17,477.05	-0.24
Healthcare	2,167.78	-1.66
Ind Products	197.49	-1.09
Plantation	7,003.17	-0.39
Property	1,116.08	-1.23
REITs	833.29	-0.25
Technology	77.95	-1.59
Telco & Media	604.27	-1.25
Transport & Logist	1,098.28	-1.14
Utilities	1,816.01	-0.52
Trading Vol (m)	5,573.74	-6.00
Trading Val (RM m)	4,064.24	-1.97
Gainers/ Losers rat	38%	
FKLI	1598.00	0.06
FCPO (RM)	3,934.00	0.36
Brent oil (USD)	85.07	-0.30
Gold (USD)	2,328.16	0.10
USD	4.7065	0.14
GBP	5.9916	-0.22
EURO	5.0534	-0.02
SGD	3.4842	-0.09



Source: Bloomberg, Bursa Market Place



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Company Brief

Top Glove Corp Bhd (TOPGLOV) posted a net profit of RM50.67m for the third quarter ended May 31, 2024 against a net loss of RM130.59m a year earlier, thanks mostly to land sale and currency gain. Quarterly revenue rose 20% to RM636.88m from RM530.62m previously, as the growing glove demand enabled the group to share out some of the cost increases with customers through upward revisions in average selling prices. It did not declare any dividend for the quarter. For the nine months of FY2024, its net loss narrowed to RM58.24m from RM463.49m. However, revenue slipped 5.6% to RM1.68bn from RM1.78bn previously. (The Edge)

Yinson Holdings Bhd's (YINSON) net profit for the first quarter ended April 30, 2024 dipped by 2.3% year-on-year to RM203m from RM208m, due to lower revenue coupled with increased finance costs of RM171m arising from higher drawdowns to support project execution. Revenue for the quarter dropped 26.6% to RM2.21bn from RM3.02bn in 1QFY2024, mainly attributed to lower earnings from the offshore production and marine segment. (The Edge)

Packaging solutions provider **Scientex Packaging (Ayer Keroh) Bhd's** (SCIPACK) net profit slipped marginally by 1.2% to RM10.02m in the third quarter ended April 30, 2024, from RM10.14m a year earlier, primarily due to increased tax expenses. Revenue for the quarter under review rose 3% to RM182.85m from RM177.49m, as the group recorded higher sales in its export market. It declared a single tier interim dividend of 2.5 sen per share, payable on July 5. For the nine months of FY2024, its net profit declined by 28.1% to RM25.74m from RM35.79m, due to a decline in revenue and product mix. Revenue dipped by 9.8% to RM531.67m from RM589.46m, driven by reduced demand in both export and domestic markets. (The Edge)

Eco World International Bhd (EWINT) has widened its net loss to RM14.13m for the second quarter ended April 30, 2024, compared to RM4.56m a year earlier, due to a lower gross profit, an impairment loss of RM10.77m on the amount owed by its joint venture company, EcoWorld London as well as lower foreign exchange gains. Quarterly revenue dropped 99.33% to RM151,000 from RM22.7m as there were no units sold and handed over to customers of projects in Australia following the sell-out of all residential units, leaving just two commercial units unsold. Nonetheless, the group declared a first interim single tier dividend of six sen per share, which translates to RM144m, to be paid on July 24. For the six months of FY2024, the group trimmed its net loss to RM13.95m from RM35.38m amid lower finance cost, higher forex gains and lower losses from Eco World London. Revenue for the six months of FY2024 fell by 29.39% to RM31.82m, compared to RM45.07m, as all residential units in West Village and Yarra One were sold during the period. (The Edge)

VS Industry Bhd's (VS) net profit more than doubled to RM54.42m in the third quarter ended April 30, 2024 (3QFY2024) from RM26.77m the year before, mainly due to higher orders as well as a favourable product sales mix in Malaysia. Revenue rose slightly to RM1.01b from RM996.78m a year before. It declared a third interim dividend of 0.4 sen per share, to be paid on July 26, taking its nine-month dividend payment to 1 sen per share, down from 1.2 sen per share in the previous year. (The Edge)

LBS Bina Group Bhd has exited its investment in Chinese motor circuit company Zhuhai International Circuit Ltd (ZICL) after more than a decade, as it sold its stake in Lamdeal Investments Ltd, which owns a 60% stake in ZICL, for 192.18m yuan (RM124.74m) cash. Its unit Dragon Hill Corp Ltd had inked an equity transfer and debt repayment agreement with Huafa Urban Operation (HK) Ltd for the proposed disposal. Huafa Urban Operation is principally involved in investment holding, asset management, and business management consulting. Besides the cash payment, Huafa will also pay off debts totalling 227.82m yuan (RM147.88m) owed by LIL and



its subsidiaries to LBS Bina and its subsidiaries. The disposal would result in a pro-forma disposal gain of about RM80m, improve its net asset by about 10%, and reduce its gearing from 0.42 times to 0.38 times. (The Edge)

Seremban-based property developer **Matrix Concepts Holdings Bhd** (MATRIX) has inked a second joint venture (JV) with NS Corp to develop new prime land in Malaysia Vision Valley 2.0 (MVV2.0) into a sustainable township in a deal worth RM435.6m. Megah Sedaya Sdn Bhd (MSSB), an 85:15 joint venture between Matrix Concepts and NS Corp, is the master developer of the land measuring 1,000 acres (404.69 hectares). Concurrently, on the same day, NS Corp entered into a sales and purchase agreement (SPA) with Sime Darby Bhd (SIME) to acquire the land. Including the latest JV agreement, Matrix Concepts has secured 2,382 acres of land in the MVV2.0 area, with a combined gross development value of RM12b. The development will feature a balanced mix of residential and commercial elements over a 12-year period. (The Edge)

Kuala Lumpur Kepong Bhd's (KLK) rubber glove subsidiary is no longer in any contractual relationship with its agent for workers from Nepal, Agensi Pekerjaan UKHWAH Sdn Bhd, with immediate effect. By extension, any affiliation with Nepal-based recruitment agency SOS Manpower Service (SOS) also ceases. This is the final update on the recent independent third-party assessment conducted on allegations of unethical recruitment practices against SOS and its sub-agents in Nepal, according to the group. Last month, KLK was investigating the allegations of unethical recruitment practices made against the sub-agents of SOS, its appointed agent to recruit Nepalese workers for its rubber glove subsidiary, KL-Kepong Rubber Products. The allegations, according to KLK, were made by Sajha Sabal Media, a news portal in Nepal. (The Edge)

Perak Corp Bhd (PRKCORP), which is 52.9%-owned by the Perak State Development Corp, has dismissed allegations that it is losing significant land parcels due to unpaid rent, saying they are "categorically false". The Practice Note 17 (PN17) company stated that when the land confiscation occurred, Perak Corp had already derecognised the assets and liabilities of its wholly owned subsidiary PCB Development Sdn Bhd and PCB Development's 51%-owned subsidiary Animation Theme Park Sdn Bhd from the consolidated statement of financial position as of Dec 20, 2021. The derecognition, it explained, occurred because PCB Development underwent creditors' voluntary winding up, during which liquidators assumed control of its business undertakings. As such, the land confiscation has no impact on Perak Corp's financial standing, Perak Corp affirmed. Perak Corp was responding to *The Edge Malaysia* weekly's report titled *More intriguing issues emerge at Perak Corp* published for the week of June 17-23, which stated that the Perak state government had initiated actions in October 2022 to take over six parcels of land owned by PCB Development, due to unpaid quit rent amounting to RM337,177.48. Documents from the Pejabat Tanah and Galian Negeri Perak, cited by *The Edge*, also revealed that a Notice 8A for land confiscation was gazetted for these parcels in October 2022, according to the report. (The Edge)

Binastra Corp Bhd (BNASTRA) has secured a RM313.7m contract to construct a residential apartment complex in Kota Kinabalu, Sabah. Its wholly owned subsidiary Binastra Builders Sdn Bhd had accepted a letter of award from FYT Land (KK) Sdn Bhd for the construction job. The project will commence on June 19, and is expected to be completed by July 31, 2027. The contract is deemed a related party transaction, as Binastra managing director and major shareholder Datuk Tan Kak Seng has a substantial indirect interest in Pembinaan Serta Hebat. (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	OCC	5-Apr	0.605	0.660	0.670	0.690	0.580	0.570	0.600	-0.8%	Initiate on 5/4/2024
2	FFB	24-Apr	1.490	1.600	1.620	1.650	1.410	1.400	1.550	4.0%	Initiate on 24/4/2024
3	FOCUSP	31-May	0.813	0.890	0.910	0.930	0.790	0.780	0.835	2.7%	Initiate on 31/5/2024
4	CORAZA	6-Jun	0.580	0.620	0.630	0.640	0.540	0.530	0.575	-0.9%	Initiate on 6/6/2024

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	1.709	1.920	2.050	-	1.690	1.630	1.70	-0.5%	Initiate on 1/4/2024
2	CSCSTEL	1-Apr	1.265	1.470	1.570	-	1.320	1.270	1.50	18.6%	Initiate on 1/4/2024
3	E&O	1-Apr	1.050	1.230	1.300	-	0.970	0.900	1.01	-3.8%	Initiate on 1/4/2024
4	GASMSIA	1-Apr	3.387	3.720	3.860	-	3.260	3.130	3.57	5.4%	Initiate on 1/4/2024
5	HSSEB	1-Apr	1.146	1.270	1.370	-	1.090	1.010	0.97	-15.4%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.511	4.990	5.180	-	4.470	4.340	5.34	18.4%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.91	13.1%	Initiate on 1/4/2024
8	MPI	1-Apr	30.970	34.000	36.000	-	30.000	28.300	39.70	28.2%	Initiate on 1/4/2024
9	PIE	1-Apr	3.537	3.900	4.100	-	3.480	3.350	6.63	87.4%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.195	2.390	2.490	-	2.170	2.100	2.55	16.2%	Initiate on 1/4/2024
11	TAANN	1-Apr	3.883	4.310	4.500	-	3.910	3.730	3.90	0.4%	Initiate on 1/4/2024
12	TDM	1-Apr	0.280	0.325	0.355	-	0.240	0.215	0.24	-16.1%	Initiate on 1/4/2024
13	UNISEM	1-Apr	3.822	4.100	4.350	-	3.700	3.550	4.22	10.4%	Initiate on 1/4/2024
Average Return										12.5%	

Technical Focus Tracker Summary	
Total recommendations	387
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)	26.9%
Accuracy (2023)	39.2%
FBM KLCI (Since 30/12/2022)	7.0%
FBM Small Cap (Since 30/12/2022)	30.3%
Malaysia GDP Growth (1H23)	4.2%

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