

Friday, 21 Jun, 2024

Volatility May Surge With FTSE Rebalancing

Market Review

Malaysia: The FBM KLCI (-0.44%) ended lower as investors took the negative cue from the regional markets as China and Hong Kong markets ended lower yesterday. On the broader market, the Construction sector (-1.50%) was the worst performing sector. Meanwhile, the Plantation sector was marginally positive at 0.07%.

Global markets: Wall Street ended mixed with NASDAQ erasing gains from the earlier session dragged by selling pressure in NVIDIA, suggesting that the AI theme is taking a breather. Meanwhile, traders are looking forward to the PMI index data due on Friday. The European stock market ended higher, while Asia mostly fell.

The Day Ahead

Another down day on Bursa exchange as profit taking activities still persist, but we believe the FTSE rebalancing activities could be the reason for the softer sentiment in the market. Meanwhile, the US stock markets ended mixed as the market assessed weaker economic data as building permits came in below expectations, while unemployment claims rose more-than-expectations; S&P500 and Nasdaq retreated from record highs led by the Technology sector, while the Dow ended 0.77% higher. On the commodity markets, Brent oil headed higher above USD85/bbl, while gold price gained momentum above USD2330. The CPO is still ranging along RM3900-4000.

Sector focus: Overall, the sentiment across the board is negative as sector indices are undergoing consolidation phase. However, we believe the traders will be monitoring for good entries once it is ripe for a rebound in the Technology sector which will be driven by catalysts coming from the rising demand for data center, AI and cloud services. Also, EMS players are likely on traders' radar due to stronger earnings from VS.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	39,34.76	0.77
S&P 500	5,473.17	-0.25
NASDAQ	17,721.59	-0.79
FBM KLCI	1592.69	-0.44
FBM Small Cap	19,338.52	-0.53
FBM ACE	5,754.04	-0.73
Construction	259.45	-1.50
Consumer	587.21	-0.32
Energy	973.41	-1.01
Financial Services	17,419.40	-0.33
Healthcare	2,167.92	0.01
Ind Products	197.47	-0.01
Plantation	7,007.98	0.07
Property	1,107.63	-0.76
REITs	831.03	-0.27
Technology	77.52	-0.55
Telco & Media	602.01	-0.37
Transport & Logist	1,099.97	0.15
Utilities	1,800.21	-0.87
Trading Vol (m)	5,038.56	-9.60
Trading Val (RM m)	3,425.16	-6.72
Gainers/ Losers rat	44%	
FKLI	1590.50	0.06
FCPO (RM)	3,942.00	-0.43
Brent oil (USD)	85.71	0.75
Gold (USD)	2,360.09	-0.01
USD	4.7095	-0.06
GBP	5.9842	0.12
EURO	5.0512	0.04
SGD	3.482	0.06

Trading participation 5- day trend and value ('m)		
Institution	Retail	Foreign
25.6	100.4	-126.0

Source: Bloomberg, Bursa Market Place

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI index ended lower dipping below the 1,595 level. The technical readings on the key index were negative with the MACD Histogram forming another negative bar, while the RSI dropped below 50. The resistance is envisaged around 1,610-1,615 and the support is set at 1,575-1,580.



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Company Brief

Maxis Bhd (MAXIS) and CelcomDigi Bhd (CDB) have fulfilled the conditions precedent for their subscription of a 14% stake each in state-owned 5G network Digital Nasional Bhd (DNB). The two mobile network operators (MNOs) are ready to complete the share subscription agreement (SSAs) with the Minister of Finance (Incorporated) and DNB. In addition to Maxis and CelcomDigi, U Mobile Sdn Bhd and YTL Communications Sdn Bhd have also met the conditions precedent in the SSA. "With this crucial step completed, the SSAs are poised for completion by the end of June 2024 for all the MNOs, apart from **Telekom Malaysia Bhd** (TM), to increase their equity stake in DNB. The long stop date for TM is Aug 21, 2024, for it to seek its shareholders' approval, in accordance with its governance requirements," DNB added. (The Edge)

Genting Bhd (GENTING) awarded a US\$1b contract to Wison New Energies Co Ltd for the construction of a floating liquefied natural gas (FLNG) facility that will be deployed at Teluk Bintuni, West Papua in Indonesia. The LNG facility is expected to have an annual capacity of up to 1.2m tonnes. The tenure of the contract is estimated to last 27 months. The first drop of LNG is expected in the third quarter of 2026, which will also be the first FLNG facility in Indonesia and the 9th FLNG facility in the world. (The Edge)

Separately, Genting has proposed to acquire a 49% equity interest in SDIC Jineng (ZhouShan) Gas Power Generation Co Ltd, which is developing up to 1,490MW capacity gas-fired power plant in ZhouShan, eastern China's Zhejiang province. Genting is buying the 49% equity interest in SDIC Jineng from Jineng International Energy Co Ltd for 100m yuan (RM64.87m). Additionally, Genting estimates that a further pro-rata equity investment of 328m yuan (RM212.8m) will be required up to target commercial operation next year. (The Edge)

Press Metal Aluminium Holdings Bhd (PMETAL) is planning to sell its entire 25% stake in aluminium oxide producer PT Bintan Alumina Indonesia (PT BAI) in exchange for a 25.59% stake in Hong Kong firm Nanshan Aluminium International Holdings Ltd (NAIHL) in a deal worth US\$329.8m or RM1.55b, ahead of NAIHL's listing on the Hong Kong stock exchange. Press Metal acquired the 25% stake in PT BAI in 2020 to secure a stable supply of alumina, which is one of the key raw materials it needs for its smelting operations, and to reduce reliance on third-party suppliers. NAIHL currently owns 72.7% in PT BAI. (The Edge)

WCT Holdings Bhd (WCT) has secured a contract worth RM249.74m to build additional lanes for the North-South Expressway (PLUS) expansion project. The contract, awarded by Projek Lebuhraya Usahasama Bhd, involves the construction of the additional lanes on the stretch from Yong Peng (North) to Senai (North) in Johor. Property tycoon Tan Sri Desmond Lim Siew Choon's private vehicle Dominion Nexus Sdn Bhd holds the largest stake in WCT at 18.15%, followed by Lim himself with a 7.42% stake, and Amanah Saham Nasional Bhd with 5.82%. (The Edge)

Energy and engineering services firm **Kinergy Advancement Bhd** (KAB) said it is looking to raise up to RM66.23m via a private placement to finance its renewable energy projects and repay its loans. Previously known as Kejuruteraan Asastera Bhd, it had raised RM60.95m from an earlier private placement. (The Edge)

Eco World Development Group Bhd's net profit rose (ECOWLD) 11.7% to RM70m for its second quarter ended April 30, 2024 from RM62.7m a year ago, driven by higher revenue and cost savings in completed and near-completion development projects. Revenue increased 32.1% to RM555.76m from RM420.82m due to higher contributions from active and newly launched phases of projects. The group declared an interim dividend of 2 sen per share, payable on July 19. (The Edge)



Glove maker Hextar Healthcare Bhd (HEXCARE), formerly known as Rubberex Corp (M) Bhd, has announced that a fire occurred at its factory in Bercham Industrial Park, Ipoh, Perak, on Monday (June 17), with no casualties reported. At this juncture, it has yet to ascertain the full financial and operational impact due to damage by the fire. (The Edge)

Hengyuan Refining Company Bhd (HENGYUAN) has shut its long residue catalytic cracking unit (LRCCU) following a leakage found at the carbon monoxide boiler, and warned that there will be a "material" financial impact from the incident as its refinery production will be affected. The LRCCU is used to convert high-boiling point hydrocarbon fractions of crude oil into high value consumer petroleum products. "Following the shutdown of LRCCU, the company is required to shut down the hydrogen manufacturing unit and Euro4Mogas facility for inspection as part of regulatory requirements. Otherwise, the refinery plant is operating as usual," it said. (The Edge)

Information technology services provider **FSBM Holdings Bhd** (FSBM) will exit the stock exchange's Practice Note 17 (PN17) financially distressed category on Friday. This followed by FSBM has regularised its financial condition and no longer triggers any of the criteria under Paragraph 2.1 of PN17 of the Main Market listing requirements of Bursa Malaysia. It slipped into PN17 status on Dec 30, 2019 after its external auditor Moore Stephens PLT expressed a disclaimer of opinion on its audited financial statements for the financial year ended June 30, 2018 as the auditor could not obtain enough appropriate evidence to provide a basis for an audit opinion. (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	OCK	5-Apr	0.605	0.660	0.670	0.690	0.580	0.570	0.575	-5.0%	Initiate on 5/4/2024
2	FFB	24-Apr	1.490	1.600	1.620	1.650	1.410	1.400	1.540	3.4%	Initiate on 24/4/2024
3	FOCUSP	31-May	0.813	0.890	0.910	0.930	0.790	0.780	0.825	1.5%	Initiate on 31/5/2024
4	CORAZA	6-Jun	0.580	0.620	0.630	0.640	0.540	0.530	0.565	-2.6%	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	1.66	-2.9%	Initiate on 1/4/2024
2	CSCSTEL	1-Apr	1.265	1.470	1.570	-	1.320	1.270	1.37	8.3%	Initiate on 1/4/2024
3	E&O	1-Apr	1.050	1.230	1.300	-	0.970	0.900	1.02	-2.9%	Initiate on 1/4/2024
4	GASMSIA	1-Apr	3.387	3.720	3.860	-	3.260	3.130	3.60	6.3%	Initiate on 1/4/2024
5	HSSEB	1-Apr	1.146	1.270	1.370	-	1.090	1.010	0.94	-18.0%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.511	4.990	5.180	-	4.470	4.340	5.22	15.7%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.90	11.9%	Initiate on 1/4/2024
8	MPI	1-Apr	30.970	34.000	36.000	-	30.000	28.300	39.60	27.9%	Initiate on 1/4/2024
9	PIE	1-Apr	3.537	3.900	4.100	-	3.480	3.350	6.59	86.3%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.195	2.390	2.490	-	2.170	2.100	2.58	17.5%	Initiate on 1/4/2024
11	TAANN	1-Apr	3.883	4.310	4.500	-	3.910	3.730	3.86	-0.6%	Initiate on 1/4/2024
12	TDM	1-Apr	0.280	0.325	0.355	-	0.240	0.215	0.23	-17.9%	Initiate on 1/4/2024
13	UNISEM	1-Apr	3.822	4.100	4.350	-	3.700	3.550	4.17	9.1%	Initiate on 1/4/2024
Average Return										10.8%	



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)	6.5%
FBM Small Cap (Since 30/12/2022)	29.6%
Malaysia GDP Growth (1H23)	4.2%

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