

Wednesday, 26 Jun, 2024

Bargain Hunting Activities To Emerge

Market Review

Malaysia: The FBM KLCI (-0.27%) ended lower as the index was dragged by selling pressure in the utilities heavyweights as the AI sentiment has dampened after NASDAQ continued to decline overnight. On the broader market, the Healthcare sector (+0.16%) was the leading sector, while the Utilities sector (-1.45%) declined.

Global markets: Wall Street traded mixed buy S&P500 and NASDAQ rebounded, led by NVIDIA which surged 7% to end a 3-day losing streak. Meanwhile, traders are looking forward to the PCE index this Friday. The European stock markets ended lower, while Asia ended mostly higher.

The Day Ahead

The FBM KLCI ended lower for the 7th session, as profit taking activities were seen on YTL related heavyweights. Meanwhile, over in the US, Wall Street rebounded led by NVIDIA despite some funds rotated out earlier on Monday. We opine that the market is still banking on the AI-fuelled rally as rate cuts catalyst expectations have faded. Also, we think the AI rally is more meaningful with strong earnings unlike the dot-com bubble which was not supported by fundamentals. This week, the traders will be monitoring the PCE data for more clues on the Fed's interest rates direction. On the commodity markets, Brent oil declined below USD85/bbl, while the gold price fell below USD2330 and the CPO traded negatively below the RM3,900 level.

Sectors focus: Given the rebound in NVIDIA, we believe bargain hunting activities should emerge on our Technology stocks with the ongoing data center, AI and cloud services catalysts. Besides, we like defensive characteristic consumer stocks after the recent pullback in the markets and potentially raking in higher revenue and earnings under an inflationary environment. Meanwhile, the shipping industry may get attention as the supply chain could be under strain again.

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI index ended lower dipping to the 1,585 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 1,600-1,605 and the support is set at 1,565-1,570.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	39,112.16	-0.76
S&P 500	5,469.30	0.39
NASDAQ	17,717.65	1.26
FBM KLCI	1585.38	-0.27
FBM Small Cap	19,066.49	-1.40
FBM ACE	5,621.13	-1.63
Construction	260.01	-0.86
Consumer	585.64	-0.32
Energy	953.53	0.15
Financial Services	17,353.52	-0.01
Healthcare	2,108.71	0.16
Ind Products	186.14	-1.16
Plantation	7,008.12	-0.23
Property	1076.01	-1.19
REITs	827.85	-0.16
Technology	75.77	-0.75
Telco & Media	593.60	-0.66
Transport & Logist	1086.46	-0.83
Utilities	1755.09	-1.45
Trading Vol (m)	5,233.35	4.48
Trading Val (RM m)	3,698.79	-2.19
Gainers/ Losers rat	38%	
FKLI	1582.50	-0.16
FCPO (RM)	3,835.00	-0.62
Brent oil (USD)	85.01	-1.16
Gold (USD)	2,319.62	0.01
USD	4.7052	0.17
GBP	5.9712	-0.01
EURO	5.0462	0.14
SGD	3.4778	0.14



Source: Bloomberg, Bursa Market Place



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Company Brief

Kenanga Investment Bank Bhd (KENANGA) has received approval from Bank Negara Malaysia to raise its stake by 15.2% in Merchantrade Asia Sdn Bhd, the country's largest money services business operator. Upon completion of the acquisition, Kenanga's aggregated equity holding in Merchantrade will increase to 19.94% from 4.74%, making it the second largest shareholder after managing director and founder Ramasamy K Veeran. Financial details of the deal were not disclosed. (The Edge)

Astro Malaysia Holdings Bhd's (ASTRO) net profit increased by 7% to RM17.01m for the first quarter ended March 31, 2024 (1QFY2025), up from RM15.9m in the same period last year, due to lower net financing costs. However, the company's revenue saw a decline of 9.8% to RM772.53m from RM856.94m, attributed to lower subscription and advertising revenues. It did not declare any dividend for the quarter under review. (The Edge)

Gamuda Bhd's (GAMUDA) net profit rose 5.5% to RM235.8m for the third quarter ended April 30, 2024 (3QFY2024), from RM223.37m a year earlier, as it registered higher contributions from overseas projects. Quarterly revenue grew 20.46% to RM2.49b from RM2.07b, driven by wholly-owned Gamuda Engineering Sdn Bhd, whose revenue from overseas projects doubled to RM2.2b while earnings from the same jumped to RM86m, fuelled by its Australian projects. The group announced a second interim dividend of 10 sen per share, to be paid on a date to be disclosed, bringing the year-to-date dividend for FY2024 to 16 sen per share. For the nine months of FY2024, Gamuda's net profit rose to RM639.64m from RM562.98m (continuing operations) a year earlier – not including the RM1.02b from its discontinued highway operations – as revenue jumped 79.07% to RM8.63b from RM4.82b. (The Edge)

Magni-Tech Industries Bhd's (MAGNI) net profit climbed 33.6% to RM34.52m for the fourth quarter ended April 30, 2024 (4QFY2024) from RM25.84m a year earlier, as revenue grew 36.6% to RM336.93m from RM246.61m on stronger contribution from its garment business. The garment and packaging products maker declared a fourth interim dividend of 3.3 sen per share, payable on July 23. Magni-Tech's net profit for the full FY2024 increased by 34.6% to RM138.41m from RM128.41m, as revenue rose 10.6% to a record high of RM1.34b from RM1.21b. (The Edge)

IOI Properties Group Bhd (IOIPG) has received a proposal from its chief executive officer cum major shareholder Lee Yeow Seng to participate in the development of Shenton House, a commercial property located in Singapore that his private vehicle has successfully tendered for at S\$538m (RM1.9b). Lee has proposed that IOIPG acquire all or part of his private vehicle, Shenton 101 Pte Ltd, which is planning to redevelop Shenton House, the works for which are scheduled to start at the end of 2025. This is to mitigate the potential conflict of interest that will arise due to his role in the redevelopment of Shenton House through Shenton 101, in which he is the sole shareholder. Shenton 101 plans to hold the redeveloped property for investment upon its successful redevelopment. (The Edge)

Oil and gas services company **Keyfield International Bhd** (KEYFIELD) has engaged two Chinese companies to build an accommodation workboat at a cost of US\$30.5m (RM143.7m). The 90m long Dynamic Positioning 2 (DP2) workboat is expected to be delivered by Jingjiang Nanyang Shipbuilding Co Ltd and Nantong Shunyang Trade and Development Co Ltd by February 2026 and will be funded via a combination of internal cash and borrowings. Separately, the company has entered into a memorandum of agreement to acquire a second-hand DP2 AWB named MV Belait Barakah from Belait Barakah Sdn Bhd for US\$6m. This vessel is expected to be ready for chartering operations by the fourth quarter of 2024 after rectification and activation. (The Edge)



TRC Synergy Bhd (TRC) has secured a RM125m contract to perform scheduled and corrective maintenance work at the Royal Malaysian Navy submarine base in Kota Kinabalu, Sabah. It secured the 60-month project from BHIC Submarine Engineering Services Sdn Bhd – a wholly-owned unit of Boustead Heavy Industries Corp Bhd (BHIC) – via its wholly-owned Trans Resources Corp Sdn Bhd. (The Edge)

Ramssol Group Bhd (RAMSSOL) has proposed to acquire a 51% stake in a Thailand-based generative artificial intelligence (AI)-powered consulting software company for RM6.93m. The homegrown human capital management solutions and technology provider is acquiring the stake in Geekstart Company Ltd from the company's co-founders Tanasak Tantitarntong, Kitipat Veerachien and Rujirat Chuangsungnern. The vendors will continue to hold the remaining 49% equity interest in Geekstart upon completion of the deal. (The Edge)

YGL Convergence Bhd (YGL), whose share price climbed to its highest level in three years on Tuesday said it is not aware of any possible explanation for the unusual market activity (UMA). The counter climbed as much as 37.8% or seven sen to an intraday high of 25.5 sen – the highest since June 22, 2021 – prompting Bursa Securities to issue the UMA query. At the closing bell, YGL pared its gains to 24.5 sen – still up six sen or 32.4% – giving it a market capitalisation of RM66.8m. (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	0.580	-4.1%	Initiate on 5/4/2024
2	FFB	24-Apr	1.490	1.600	1.620	1.650	1.410	1.400	1.490	0.0%	Initiate on 24/4/2024
3	FOCUSP	31-May	0.813	0.890	0.910	0.930	0.790	0.780	0.800	-1.6%	Initiate on 31/5/2024
4	CORAZA	6-Jun	0.580	0.620	0.630	0.640	0.540	0.530	0.560	-3.4%	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	1.62	-5.2%	Initiate on 1/4/2024
2	CSCSTEL	1-Apr	1.265	1.470	1.570	-	1.320	1.270	1.32	4.3%	Initiate on 1/4/2024
3	E&O	1-Apr	1.050	1.230	1.300	-	0.970	0.900	0.96	-8.6%	Initiate on 1/4/2024
4	GASMSIA	1-Apr	3.387	3.720	3.860	-	3.260	3.130	3.63	7.2%	Initiate on 1/4/2024
5	HSSEB	1-Apr	1.146	1.270	1.370	-	1.090	1.010	0.91	-20.6%	Initiate on 1/4/2024
6	MBMR	1-Apr	4.511	4.990	5.180	-	4.470	4.340	5.20	15.3%	Initiate on 1/4/2024
7	MBSB	1-Apr	0.800	0.905	0.950	-	0.780	0.750	0.83	3.1%	Initiate on 1/4/2024
8	MPI	1-Apr	30.970	34.000	36.000	-	30.000	28.300	38.60	24.6%	Initiate on 1/4/2024
9	PIE	1-Apr	3.537	3.900	4.100	-	3.480	3.350	6.18	74.7%	Initiate on 1/4/2024
10	SPRITZER	1-Apr	2.195	2.390	2.490	-	2.170	2.100	2.63	19.8%	Initiate on 1/4/2024
11	TAANN	1-Apr	3.883	4.310	4.500	-	3.910	3.730	3.80	-2.1%	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	4.07	6.5%	Initiate on 1/4/2024
Average Return										7.8%	

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)	27.2%
Accuracy (2023)	39.2%
FBM KLCI (Since 30/12/2022)	6.0%
FBM Small Cap (Since 30/12/2022)	27.8%
Malaysia GDP Growth (1H23)	4.2%



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