

## 3Q24 Outlook & Strategy

### Data Center To Lead The Way

#### Summary

- With the earnings from the AI theme expected to grow, coupled with the Fed hinting on rate cut this year, we expect Wall Street to stay positive at least for the rest of 2024. Buying interest is likely to spillover on the local front, with data center, AI, and cloud services driving the markets higher on various fronts, coinciding with the stronger July month on Bursa exchange.
- For the data center and AI catalysts, it may benefit the Construction, Property, Building Materials, and Utilities sectors, while the Technology sector may catch up in the long run as we may turn into SEA chip powerhouse.
- Meanwhile, we believe the Renewable Energy and Technology will be tagged towards the growth and ongoing execution within the NETR and NIMP. Other key sectors that we like include Furniture, Shipping and Consumers.

#### Seasonality Analysis

- **Slightly better in May-June slow season...** Based on the heat map for FBMKLCI (Fig #1) and FBM Small Cap (Fig #2) since 2001, the FBM KLCI was mixed, while the Small Cap has bucked the May-June slowdown and performed strongly by 4.1% and 3.6%, respectively as opposed to the average returns of -1.0% and +0.1%.
- **...expect market to stay solid for July.** Given July is a better period for Malaysia as shown in the statistics over the past 23 years, we reckon investors to take the opportunity to position themselves for stronger movements into 3Q24.

Fig #1 FBM KLCI Heat Map (2001-2024)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Return
2001	7.1%	-2.5%	-8.7%	-9.7%	-2.0%	3.5%	11.2%	4.2%	-10.5%	-2.5%	6.3%	9.1%	2.4%
2002	3.3%	-1.4%	6.7%	5.0%	-6.6%	-2.2%	-0.5%	-1.4%	-10.3%	3.4%	-4.6%	2.7%	-7.1%
2003	2.9%	-2.7%	-1.7%	-0.8%	6.5%	3.1%	4.1%	3.2%	-1.3%	11.4%	-4.6%	1.9%	22.8%
2004	3.1%	7.4%	2.6%	-7.1%	-3.3%	1.1%	1.7%	-0.7%	2.7%	1.3%	6.5%	-1.1%	14.3%
2005	1.0%	-1.0%	-4.0%	0.9%	-2.1%	3.2%	5.5%	-2.5%	1.5%	-1.8%	-1.6%	0.4%	-0.8%
2006	1.6%	1.6%	-0.2%	2.4%	-2.3%	-1.4%	2.3%	2.4%	1.0%	2.1%	9.3%	1.4%	21.8%
2007	8.5%	0.6%	4.2%	6.0%	1.9%	0.6%	1.4%	-7.3%	4.9%	5.8%	-1.2%	3.4%	31.8%
2008	-3.6%	-2.6%	-8.1%	2.6%	-0.3%	-7.0%	-2.0%	-5.4%	-7.4%	-15.2%	0.3%	1.2%	-39.3%
2009	0.9%	0.7%	-2.0%	13.5%	5.4%	3.0%	9.3%	-0.1%	2.4%	3.4%	1.3%	1.1%	45.2%
2010	-1.1%	0.9%	3.9%	2.0%	-4.6%	2.3%	3.6%	4.5%	2.9%	2.9%	-1.4%	2.3%	19.3%
2011	0.1%	-1.9%	3.6%	-0.7%	1.5%	1.3%	-1.9%	-6.6%	-4.2%	7.6%	-1.3%	4.0%	0.8%
2012	-0.6%	3.2%	1.7%	-1.6%	0.6%	1.2%	2.0%	0.9%	-0.6%	2.2%	-3.7%	4.8%	10.3%
2013	-3.6%	0.6%	2.1%	2.8%	3.0%	0.2%	-0.1%	-2.5%	2.4%	2.2%	0.3%	3.0%	10.5%
2014	-3.4%	1.8%	0.7%	1.2%	0.1%	0.5%	-0.6%	-0.3%	-1.1%	0.5%	-1.8%	-3.3%	-5.7%
2015	1.1%	2.2%	0.5%	-0.7%	-3.9%	-2.3%	1.0%	-6.4%	0.5%	2.8%	0.4%	1.2%	-3.9%
2016	-1.5%	-0.8%	3.8%	-2.6%	-2.8%	1.7%	0.0%	1.5%	-1.5%	1.2%	-3.2%	1.4%	-3.0%
2017	1.8%	1.3%	2.7%	1.6%	-0.1%	-0.1%	-0.2%	0.7%	-1.0%	-0.4%	-1.7%	4.6%	9.4%
2018	4.0%	-0.7%	0.4%	0.4%	-6.9%	-2.8%	5.5%	2.0%	-1.5%	-4.7%	-1.7%	0.6%	-5.9%
2019	-0.4%	1.4%	-3.8%	-0.1%	0.5%	1.3%	-2.2%	-1.4%	-1.8%	0.9%	-2.3%	1.7%	-6.0%
2020	-3.6%	-3.2%	-8.9%	4.2%	4.7%	1.9%	6.8%	-4.9%	-1.3%	-2.5%	6.5%	4.1%	2.4%
2021	-3.7%	0.7%	-0.3%	1.8%	-1.1%	-3.2%	-2.5%	7.1%	-4.0%	1.6%	-3.1%	3.5%	-3.7%
2022	-3.5%	6.3%	-1.3%	0.8%	-1.9%	-8.0%	3.3%	1.3%	-7.8%	4.7%	1.9%	0.4%	-4.6%
2023	-0.7%	-2.1%	-2.2%	-0.5%	-2.0%	-0.8%	6.0%	-0.5%	-1.9%	1.3%	0.7%	0.1%	-2.7%
2024	4.0%	2.5%	-1.0%	2.6%	1.3%	-0.4%							
Avg Monthly Return	0.6%	0.5%	-0.4%	1.0%	-0.6%	-0.1%	2.3%	-0.5%	-1.6%	1.2%	0.1%	2.1%	4.7%
Up	13	14	12	15	10	14	14	10	8	17	10	21	12
Down	11	10	12	9	14	10	9	13	15	6	13	2	11
Up/Down Ratio**	1.2	1.4	1.0	1.7	0.7	1.4	1.6	0.8	0.5	2.8	0.8	10.5	1.1

\*\*More than 1 is positive indication that the winning rate is high (example: Dec is 10.5 is super solid month to have success trades)

Source: Bloomberg

Loui Low

[louilow@msec.com.my](mailto:louilow@msec.com.my)

(603) 2201 2100

FBMKLCI	1598.20
Resistance	1620-1650
Support	1550-1560

Indices	2Q24 (%)
KLCI	3.5%
FBMSCAP	11.5%
FBMACE	17.9%
Property	18.2%
Energy	18.1%
Utilities	15.3%
Construction	11.1%
Ind Products	10.0%
Financial Services	9.0%
Technology	7.3%
Plantation	2.4%
Transport	2.0%
Consumer	1.1%
Healthcare	0.3%
REITs	0.1%
Telco & Media	-4.2%

3Q24 Stock picks	S1	S2	R1	R2
CAB	0.70	0.665	0.82	0.855
DKSH	5.11	5.04	5.82	5.88
DUFU	2.48	2.31	2.92	3.11
GREATEC	5.08	4.90	6.16	6.44
INFOTEC	0.96	0.915	1.09	1.14
ITMAX	2.48	2.42	2.78	2.85
PPHB	1.04	0.975	1.23	1.30
SCOMNET	1.42	1.33	1.63	1.72
SKBSHUT	0.725	0.695	0.835	0.865
SPRING	0.23	0.22	0.28	0.295
SUNVIEW	0.73	0.705	0.805	0.84
SINGROUP	0.75	0.705	0.895	0.935
TECHBND	0.505	0.49	0.62	0.645
TM	6.54	6.39	7.36	7.50



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**Fig #2 FBM Small Cap Heat Map (2001-2024)**

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yearly Return
2001	6.3%	-9.0%	-13.0%	1.5%	3.7%	-0.4%	15.4%	0.4%	-17.1%	3.0%	12.4%	1.5%	-0.4%
2002	4.9%	-4.7%	8.8%	9.1%	-7.7%	-4.6%	-0.7%	-2.2%	-11.1%	1.6%	-2.0%	-1.7%	-11.7%
2003	2.2%	-5.3%	-3.5%	0.9%	9.1%	7.2%	8.7%	4.4%	-0.2%	11.9%	-5.0%	0.0%	32.7%
2004	2.5%	6.8%	-0.8%	-3.1%	-8.5%	-2.2%	0.8%	-4.9%	1.8%	-1.3%	6.2%	-0.3%	-3.9%
2005	-0.3%	-1.6%	-5.1%	-3.6%	-10.1%	2.0%	2.4%	-3.5%	0.3%	-4.1%	-3.3%	-1.0%	-25.0%
2006	5.6%	2.9%	3.1%	7.6%	-4.4%	1.3%	0.2%	0.5%	1.0%	5.1%	8.9%	2.9%	39.8%
2007	9.9%	7.1%	6.4%	12.2%	-2.7%	9.0%	8.8%	-10.5%	5.1%	9.1%	-5.3%	4.0%	63.7%
2008	-7.9%	-3.9%	-7.6%	5.2%	-0.5%	-8.2%	-4.0%	-3.6%	-9.2%	-19.9%	1.9%	-0.9%	-46.6%
2009	0.7%	-1.9%	-2.4%	22.1%	13.0%	4.2%	7.6%	0.4%	0.5%	2.1%	-2.0%	3.0%	55.1%
2010	4.2%	0.4%	6.4%	1.5%	-8.3%	2.2%	7.3%	-3.5%	4.0%	5.1%	-1.5%	5.2%	24.2%
2011	2.9%	-4.4%	4.7%	0.8%	-2.4%	-0.5%	-1.7%	-9.4%	-8.3%	11.1%	-0.2%	1.3%	-7.6%
2012	8.3%	1.0%	-3.1%	-0.5%	-4.4%	1.7%	3.2%	-1.3%	-3.6%	2.6%	-4.9%	0.1%	-1.6%
2013	-0.2%	-0.1%	5.9%	-0.5%	24.1%	-4.5%	4.1%	-2.9%	5.6%	3.5%	-1.0%	0.4%	36.7%
2014	0.0%	5.3%	3.6%	1.8%	0.1%	2.7%	6.3%	-2.4%	0.3%	-5.2%	-7.1%	-8.6%	-4.2%
2015	5.6%	4.7%	-2.0%	1.4%	-2.9%	-1.8%	2.0%	-14.3%	6.6%	6.9%	-0.2%	1.9%	6.0%
2016	-5.7%	0.5%	3.2%	-1.2%	-1.0%	-1.2%	1.6%	-1.1%	1.5%	-0.3%	-6.6%	2.7%	-7.7%
2017	4.8%	2.2%	8.4%	3.4%	-2.3%	1.1%	-1.0%	-3.1%	1.2%	2.8%	-3.7%	1.6%	15.9%
2018	0.2%	-2.1%	-11.1%	-1.9%	-5.3%	1.5%	5.4%	-2.2%	-0.6%	-11.4%	-4.4%	-7.1%	-33.7%
2019	7.2%	3.6%	1.3%	7.2%	-7.9%	3.6%	4.2%	-4.9%	0.8%	5.4%	-2.4%	6.1%	25.4%
2020	-6.3%	-4.1%	-27.7%	20.2%	9.0%	-1.7%	10.1%	5.0%	-6.3%	0.5%	14.2%	5.7%	9.9%
2021	-2.5%	7.9%	2.3%	2.7%	-7.0%	-3.6%	0.0%	3.4%	0.8%	7.0%	-7.7%	-0.7%	1.3%
2022	-1.6%	5.3%	-0.3%	2.9%	-7.0%	-8.8%	0.5%	0.5%	-4.6%	4.2%	4.5%	-0.1%	-5.3%
2023	8.3%	-4.5%	-1.1%	1.5%	-4.2%	0.1%	5.0%	3.1%	0.7%	-2.0%	1.6%	1.5%	9.6%
2024	2.2%	0.4%	3.1%	3.4%	4.1%	3.6%							
Avg Monthly Return	2.1%	0.3%	-0.8%	3.9%	-1.0%	0.1%	3.8%	-2.3%	-1.3%	1.6%	-0.3%	0.8%	7.5%
Up	17	13	12	18	7	13	18	8	14	16	7	14	12
Down	7	11	12	6	17	11	5	15	9	7	16	9	11
Up/Down Ratio**	2.4	1.2	1.0	3.0	0.4	1.2	3.6	0.5	1.6	2.3	0.4	1.6	1.1

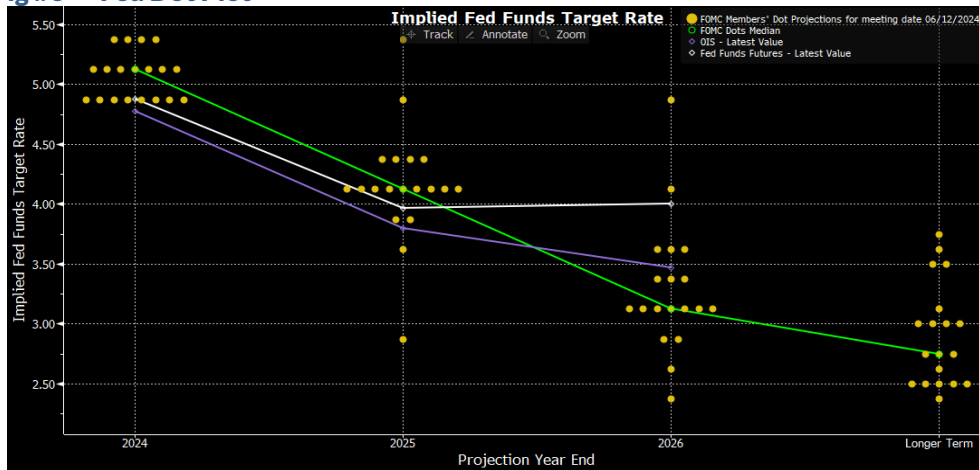
\*\*More than 1 is positive indication that the winning rate is high

Source: Bloomberg

## US Economic Review and Outlook

- **The Fed kept the interest rate unchanged**, hinted at only 1 potential rate cut into 2H2024. This may be due to cautiously managing the inflation without slowing the economic activities. From the earlier anticipated 6-7 cuts, currently it is at 1-2 times, based on the market consensus, it might be on Sep-24 and Dec-24.

**Fig #3 Fed Dot Plot**



Source: Bloomberg

- **Inflation data (Fig #4)** will be crucial for the Fed decide on its monetary policy going forward. Currently, CPI, PPI and PCE data have been declining since the peak in 2022. Last week, PCE data is declining at a decent pace, thus, the market should be pricing in 2 rate cuts in 2H2024.



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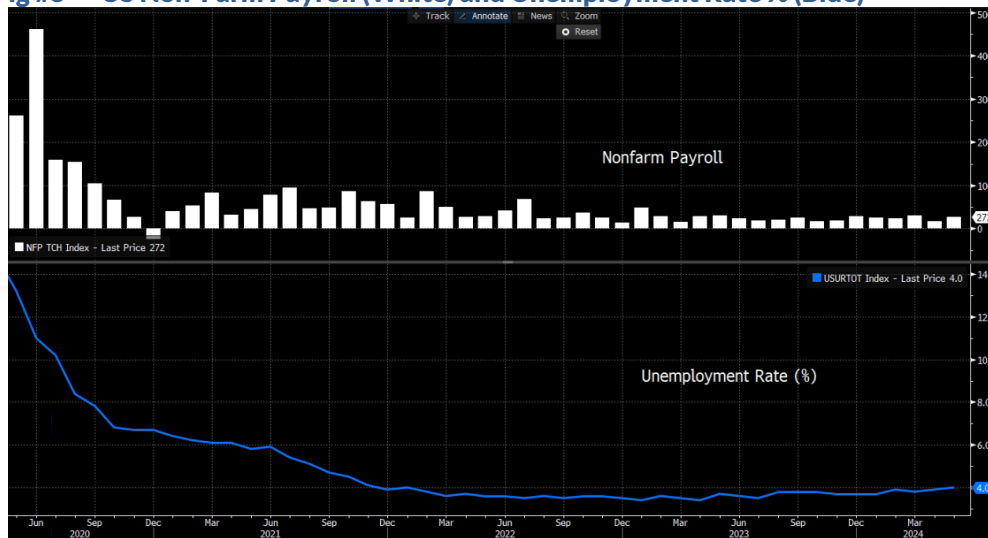
**Fig #4 Inflation Data YoY: CPI (White), PPI (Blue), PCE (Orange)**



Source: Bloomberg

- **US economy still in the expansionary phase.** In 1Q24, the US GDP expanded at a moderate pace of +1.4% QoQ, underpinned by (i) increased equipment spending, (ii) stronger government spending, (iii) construction growth, offsetting lower consumer spending.
- **US jobs data and unemployment rate (Fig #5).** The recent jobs report painted a positive picture, with unemployment rate hovering around 4.0% in May-24 and continued job creation from the US non-farm payroll rose by 272k in May. The strong labour market indicates decent economic activities and rising consumer confidence, despite the higher-for-longer interest rate environment.

**Fig #5 US Non-Farm Payroll (White) and Unemployment Rate % (Blue)**



Source: Bloomberg

- **Inverted yield curve.** The spread between the US Treasury yields on both 2-year and 10-year (Fig #6) have been in the negative territory for the past year. This inversion, typically a recession indicator, suggests investors are prioritizing safety over returns, fearing an economic slowdown in the near future.



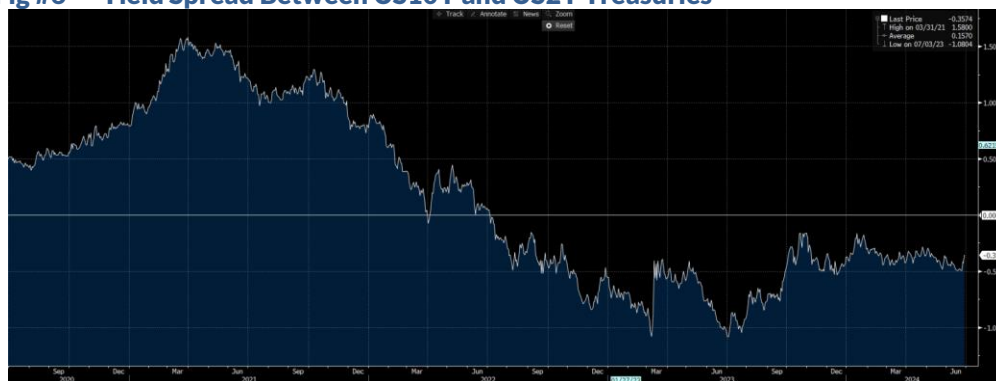
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**Fig #6 Yield Spread Between US10Y and US2Y Treasuries**



Source: Bloomberg

- **Firm dollar Index (Fig #7).** With the Fed having a higher-for-longer interest rate environment, and only looking at 1 rate cut in 2H24, the dollar index has been rising towards the resistance of 106.26 zone, and could stay in an elevated environment throughout 2024.

**Fig #7 Daily 1-Year US Dollar Index**



Source: Bloomberg

## US Outlook

- **Stable US economic activities with potential rate cuts in 2024.** We anticipate the US GDP to remain resilient, supported by the stable labour market with relatively low unemployment rate. Also, the declining inflationary pressure will be positive news for the Fed and consumers. The Fed may rely on firmer inflation data before reducing rates, where the current market consensus is expecting 2 rate cuts by 2024.
- **AI-related earnings will be crucial.** The growing adoption of Artificial Intelligence (AI) and the surge in investments for data centers and cloud services could potentially unlock significant efficiency and productivity gains for businesses, ultimately propelling economic growth. Furthermore, the anticipated interest rate cuts by the Federal Reserve could act as a catalyst, stimulating borrowing and investment, eventually fuelling the long-term increase in overall economic activity.
- **China and India.** The success of a potential soft landing for the US economy hinges on several key factors. Geopolitical tensions in the Middle East may



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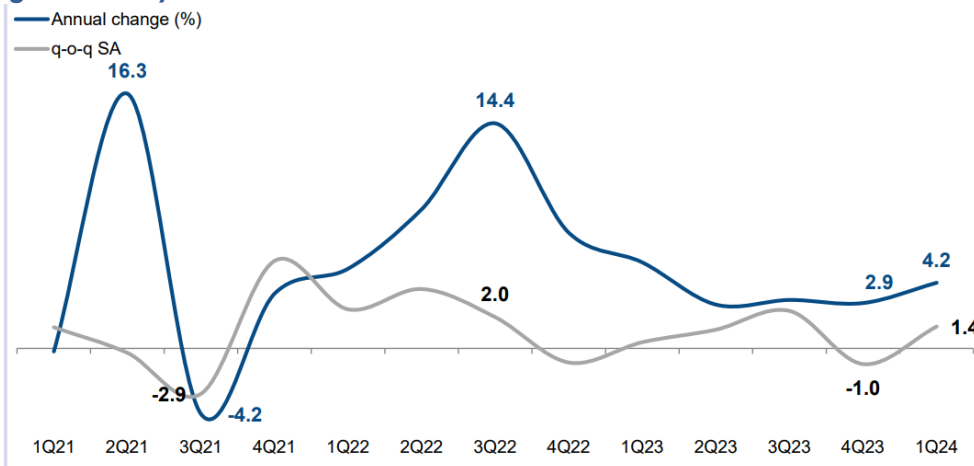
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create market volatility and disrupt US businesses. Hence, the recovery of China and India will be playing a significant role to the global economic landscape.

## Malaysia Economic Review and Outlook

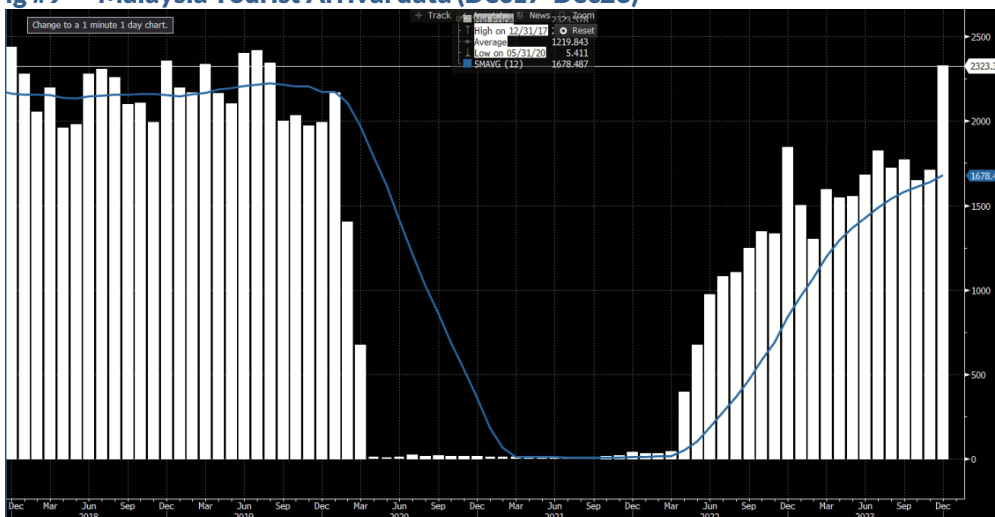
- **1Q24 Malaysia GDP expanded by 4.2% YoY (Fig #8)** underpinned by (i) higher household spending, (ii) a turnaround in goods exports and (iii) increased tourist arrivals. However, some constraints were seen on lower agricultural production due to hot weather conditions acted as a drag on the overall GDP growth. Still, BNM and MOF are expecting that Malaysia GDP to grow at 4-5% for 2024.

**Fig #8 Malaysia Real GDP Growth YoY%**



Source: Bank Negara Malaysia

**Fig #9 Malaysia Tourist Arrival data (Dec17-Dec23)**



Source: <https://mytourismdata.tourism.gov.my/>

- **Back to pre-Covid levels...** Since Apr-22, tourist arrivals (Fig #9) continue to grow and the 12M average stood at 1.68m for Dec-23. Also, do note that the Dec-23 tourist arrivals hit more than 2.32m, which is comparable with pre-Covid levels, which could be due to the visa-free travel for China and India, hence we should be expecting decent growth into 2024.



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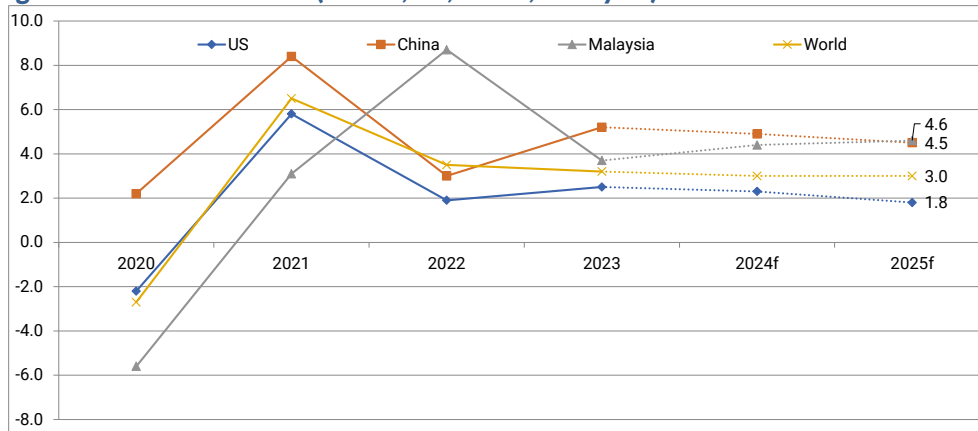
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- **...and prepping for Visit Malaysia Year 2026 (VMY26).** In view to boost tourism, the Malaysian government has launched VMY26, aims to attract 35.6m tourists, generating an estimated RM147.1bn (US\$31bn) in spending. This initiative, coupled with the country's strong healthcare tourism sector, positions Malaysia for significant growth in the tourism industry over the next two years.
- **Based on Bloomberg consensus (Fig #10),** the World GDP likely to grow at a pace of 3.0-3.0% over 2024-2025f. Meanwhile, the US is expected to advance by 2.3% and 1.8% over 2024-2025f. Over in China and Malaysia, the GDP could be expanding at a rate of 4-5%.

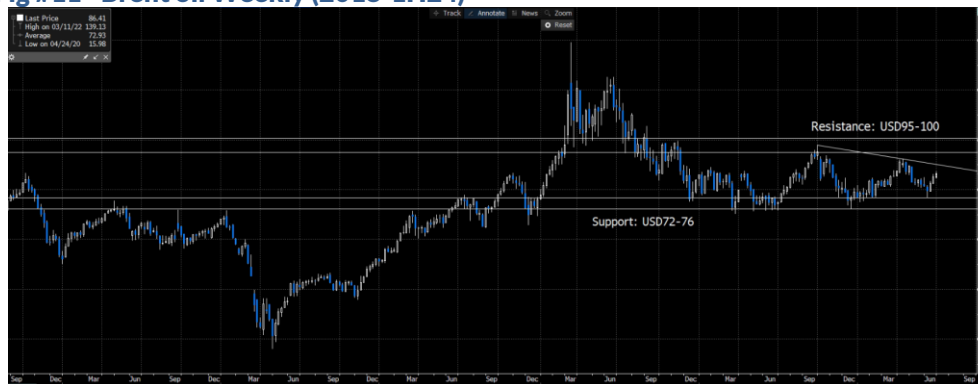
**Fig #10 GDP Growth rate (World, US, China, Malaysia)**



Source: Bloomberg

- **Brent oil price steadied above USD80 (Fig #11).** With the production cuts by OPEC+ and export ban from Russia, the Brent oil stayed on a firmer tone, steadying above the USD80/bbl level. Also, the ongoing geopolitical tensions in the Middle East would support the overall trend for the Brent oil price. The support is located around USD80, while the resistance is hovering around USD88-90.

**Fig #11 Brent oil Weekly (2018-1H24)**



Source: Bloomberg

## Market performances and review

- **MSCI World and S&P500 are trading at premium,** trading at the P/E of 22.1x and 25.6x vs. 10Y average P/E of 19.5x and 21.0x, respectively; the latter could be due to strong trading tone from the technology sector that are linked with the AI theme.



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- **The FBM KLCI is trading at a discount** of 15.1x P/E vs. the 10Y average P/E of 17.3x. Overall, we opine that the local market remains resilient and discounted. Thus, foreign investors may position further into the local bourse given the softer ringgit, discounted valuation environment and stable political environment.

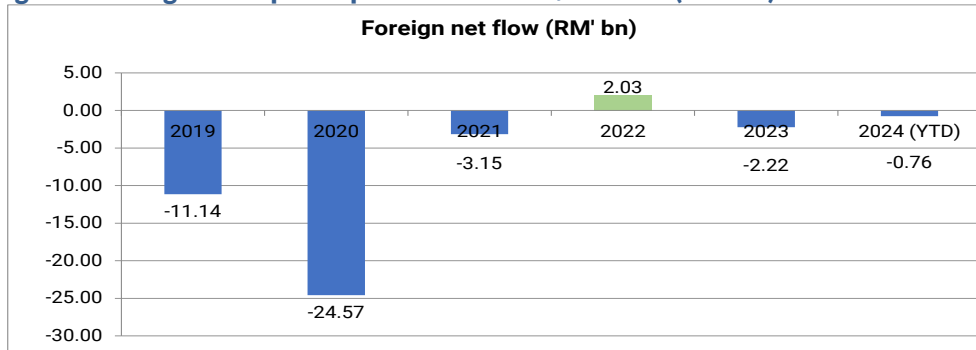
**Fig #12 FBMKLCI P/E Band**



Source: Bloomberg

- **Foreign funds outflow (Fig #13) despite stronger FDIs this year.** Despite having many of the tech giant investing in Malaysia, the foreign funds participation is still negative at this juncture, standing at -RM0.7bn net outflow as at end-Jun 2024. However, we expect foreign investors to continue its buying momentum heading into 2H2024.

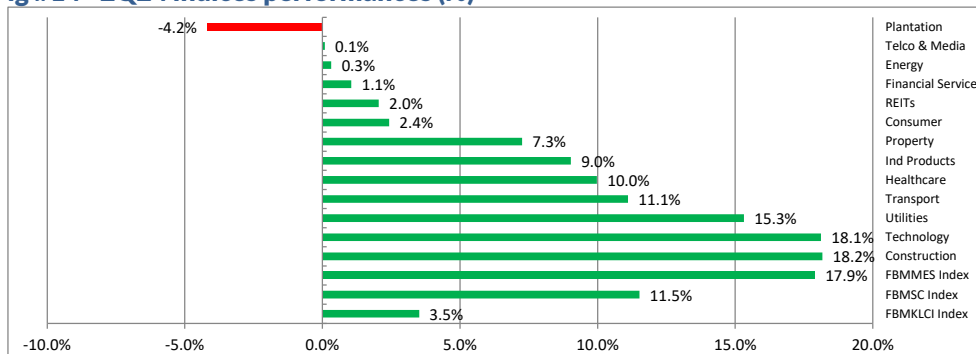
**Fig #13 Foreign funds participation net inflow/ outflow (RM' bn)**



Source: Bursa Market Place (as at end-Jun 2024)

- **Upbeat tone in 2Q24.** In 2Q24, the FBM KLCI, FBM Small Cap, and FBM ACE increased 3.5%, 11.5%, and 17.9%, respectively. Sectoral wise, Construction (+18.2%), Technology (+18.1%) and Utilities (+15.3%) were the leading sectors, while Plantation (-4.2%) was the sole decliner in 2Q24.

**Fig #14 2Q24 indices performances (%)**



Source: Bloomberg, M+ Online



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## 3Q24 Strategy

- **Stronger FDIs from MNCs ploughing into Malaysia.** Stable political conditions and business-friendly government policies continue to attract foreign direct investment (FDI) from multinational corporations (MNCs). This trend suggests growing overall confidence in Malaysia's rising economic potential, bolstered by its strategic location within Southeast Asia. Also, the recent KL20 summit positioned Malaysia as a rising star in the global semiconductor industry, which may benefit the **Technology sector, together with the EMS players.**
- **Data Center, AI and Cloud Services.** Malaysia's ample landbank in the Johor region, cheaper construction costs, and supportive utility sector policies make it a strategic location for these investments. Having ample land, cheaper construction, and favorable policies have attracted major players like YTL-Nvidia for data centers. Microsoft and Google have recently committed significant investments (USD2.2bn and USD2.0bn, respectively) to establish cloud and AI services as well as data centers in Malaysia. We believe these investments will benefit the **Construction, Building Material, Technology, and Property sectors.** Additionally, the substantial power and water requirements of data centers will eventually boost demand in the **Utilities sectors (power, water, solar).**
- **NETR and NIMP to stay on track.** The government has launched the National Energy Transition Roadmap, with the aim of increasing renewable energy (RE) generation from 40% to 70% by 2050. This transition will require more than RM600bn in investments for the power sector. Recently, the government introduced an incentive of up to RM4,000 for adopting solar initiatives under the SolarIS scheme, specifically for the retail solar segment. According to the NIMP 2030 masterplan, it is expected to create opportunities in the data center, smart and semiconductor factories, electric vehicles (EVs), and chemical industries. **We have identified the Renewable Energy, Water, and Technology sectors as key areas of focus.**
- **USD vs MYR.** Despite the market pricing in potential interest rate cuts later in 2024, the timing remains uncertain, and the US dollar still maintains its strength against the MYR. Considering this situation, the export-related sectors, such as **Furniture,** are still favoured.
- **Favouring net cash companies with stable dividend yields.** Still, we reckon investors to look at companies with solid balance sheet and track records of dividend yields. We favour companies within the **Consumer, Packaging, and Shipping sectors.**

## Factors/ Elements/ Theme for 3Q24 sectors and stock picks

Companies	Sector	Data Center	Resilient Demand	NETR/ NIMP	Net Cash/ High Dividend Yield	Quality Scoring	Momentum Scoring	Combined Scoring
CAB	Consumer		✓			5	2	4
DKSH	Consumer		✓			5	4	5
DUFU	Technology	✓		✓	✓	3	4	4
GREATEC	Technology	✓		✓	✓	5	4	4
INFOTEC	Technology	✓		✓	✓	5	3	4
ITMAX	Technology	✓		✓	✓	5	5	5
PPHB	Industrial Products		✓		✓	4	5	5
SCOMNET	Medical		✓	✓	✓	3	3	3
SKBSHUT	Building Material	✓		✓		5	5	5
SPRING	Furniture		✓		✓	-	-	-
SUNVIEW	Renewable Energy	✓		✓		4	1	1
SYGROUP	Shipping		✓		✓	4	3	4
TECHBND	Industrial Products		✓		✓	4	3	4
TM	Telco	✓	✓	✓		5	1	2

Source: M+ Online



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## CAB - Integrated Poultry To Support The Consumer Theme

- **CAB** is a fully integrated poultry farming and food processing company that engaged in (i) the poultry sector, (ii) operation of supermarkets, (iii) marine products manufacturing and (iv) fast food operation and franchising.
- **CAB is expanding the retail division.** It has 16 supermarkets now and will be 4 more supermarkets in the near future.
- **Value added food products.** The factory in Nibong Tebal will be ready in 4Q24, and will add 150% to 2500MT from the current 1000MT capacity.

**Fig #15 CAB - Uptrend consolidation phase, awaiting breakout**



Source: Tradingview, M+ Online

## DKSH - Proxy To The Vibrant Construction Activities

- **DKSH** is principally involved in provisioning of Market Expansion Services across various industries, including consumer goods, healthcare, performance materials, and technology.
- **Since Auric Pacific acquisition,** DKSH managed to grow significantly its revenue and net profit margins have turned better since 2019, this has strengthened the position in the FMCG industry in Malaysia.
- **Dividends have increased.** Before 2019, DKSH has been paying dividend around 9-11sen, and last financial year, DKSH has rewarded its shareholders 17 sen, which is an increase of more than 50% increase.

**Fig #16 DKSH - Symmetrical triangle formation, awaiting breakout**



Source: Tradingview, M+ Online



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## DUFU -HDD Demand In Tandem With Rising Data Center

- **DUFU** specialized in precision machining parts and components, serving wide range of industries like HDD storage, medical, industrial safety and sensor, telecommunication, computer, and consumer electronics.
- **Data Center and AI.** We believe the rising demand in the data center could provide significant growth towards the HDD storage demand and eventually benefit DUFU, the management has witnessed a modest increase in demand.
- **Global semiconductor sales are picking up** with the conclusion of inventory adjustments and heightened demand in electronics and AI-related applications.

**Fig #17 DUFU - Uptrend intact after triangle formation breakout**



Source: Tradingview, M+ Online

## GREATEC - Factory Automation Solutions Is The Future

- **GREATEC** specializes in factory automation solutions, including designs, develops, and manufactures automated equipment and production lines for various industries such as solar panel, semiconductor, consumer electronics, EVs, and life sciences.
- **Life sciences and solar industries were having stronger revenue recognised** in the recent quarter, offsetting the slower growth in E-mobility segment. However, we believe the overall trend should pickup in 2H2024, underpinned by support in the EV and solar segments.
- **Solid outstanding orderbook of RM1.01bn** as of May 2024 is expected to provide earnings visibility until 1H2025.

**Fig #18 GREATEC - Breakout-Pullback-Continuation Formation**



Source: Tradingview, M+ Online



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## INFOTEC – Cybersecurity Solutions Amid Rising AI and Data Centers

- **INFOTEC** is an IT infrastructure and cybersecurity service provider.
- **Cybersecurity solutions.** INFOTEC cybersecurity solutions could help protect against cyberattacks, data breaches, and unauthorized access, which are critical concerns in the AI landscape.
- **Main market transfer.** INFOTEC fulfilled the SC requirements for the transfer to main market and we expect the institutional investors may increase their stakes within this company amid the rising demand for cybersecurity solutions going forward.

Fig #19 INFOTEC – Uptrend intact after trendline breakout



Source: Tradingview, M+ Online

## ITMAX – Smart Cities Solutions and Surveillance Provider

- **ITMAX** is a leading solution provider in the field of Public Space Networked Systems and related AI. ITMAX create cutting-edge technology solutions that promote smart and efficient solutions for cities, townships, and enterprises.
- **Entrance to Johor should boost earnings.** Since last year, they have been awarded jobs of more than RM180m solely from Johor, with the rising data center investment going forward, we expect greater amount of contracts will be in for ITAMX.
- **Growing profits and strong margins.** 1Q24 earnings came in at RM18m (QoQ: +8%, YoY: +19%), while net profit margins still solid above 35%. We reckon this is a testament of its product offerings in the smart cities solutions.

Fig #20 ITMAX – Pennant formation breakout and uptrend intact move



Source: Tradingview, M+ Online



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## PPHB – Packaging Will Be The Main Focus

- **PPHB** focused mainly on the packaging (corrugated cartons) segment and other business segments include hotel, and properties.
- **Growing profits and margins.** PPHB has been growing its net profit from RM14.2m with 8.8% margins since FY15, to RM48.5m in FY23 with 23.1% margins. Hence, we believe the management has been executing their plans extremely on point in tandem with the growth in economic activities. We believe the overall e-commerce growth may sustain and likely to benefit PPHB in the long run.
- **Net cash.** Solid balance sheet with RM173m net cash position, which translate to c.60% of the current market cap. Hence, we believe the company could use the funds for expansion plans, or provide windfall dividends for the shareholders.

**Fig #21 PPHB – Upward intact position after symmetrical triangle breakout**



Source: Tradingview, M+ Online

## SCOMNET – Steady Recovery In The Medical Segment

- **SCOMNET** is a leading cables and wires manufacturer and assemblies in Malaysia, serving medical, automotive, and industrial segments.
- **Stronger profit...** SCOMNET managed to grow its profits over the past 6 quarters, supported by its medical segment and the growth in its customer like Edward Lifesciences Corp. Meanwhile, we expect the new factory construction to boost the capacity and capture more market share in the medical segment going forward.
- **...with solid balance sheet.** SCOMNET's net cash stood at RM32.6m as they have zero debt, which translate to c.3% of its market cap.

**Fig #22 SCOMNET – Breakout-Pullback-Continuation pattern above trendline**



Source: Tradingview, M+ Online



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## SKBSHUT – Stronger Demand Amid Rising Construction Activities

- **SKBSHUT** manufactures, sells, and installs roller shutters, racking systems, storage systems, and related steel products.
- **Increase in construction activities.** Construction activities have seen increasing after Covid and benefited SKBSHUT’s shutters, steel doors, and racking products.
- **Expanded since 2022.** SKBSHUT purchase a land in Eco Business Park V for its new manufacturing facility. Also, the management since then has introduced Fail-Safe Flood gate production, which may protect the building from flash floods.

**Fig #23 SKBSHUT - Cup and handle formation, awaiting breakout**



Source: Tradingview, M+ Online

## SPRING – Furniture Exports To Benefit From Stronger USD

- **SPRING** focused on the design, manufacture, and distribution of ready-to-assemble furniture, where 100% of their products are exported.
- **Stronger USD and higher sales.** SPRING managed to chalk in higher sales amid higher demand in Middle East during the Hari Raya festive season, while strong USD has boosted their profits.
- **Factory C to commence operations in 3Q24** should boost revenue further with the additional capacity, while it will also enhance its products to better suits the clients.

**Fig #24 SPRING - Rounding bottom formation breakout**



Source: Tradingview, M+ Online



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## SUNVIEW – Renewable Energy For The Win

- **SUNVIEW** focused on renewable energy solutions. Their focus is on solar solutions and commitment to sustainability aligns with the growing demand for clean energy.
- **National Energy Transition Roadmap.** Tagging along the NETR, the renewable energy will be boosted to 70% by 2050 and aiming to achieve a net-zero emissions by 2050. This is likely to lift the demand for solar and biomass going forward.
- **Orderbook of more than RM200m.** As of Mar-24, SUNVIEW's orderbook stood at RM210.9m should provide them earnings visibility at least on the near future. Furthermore, they have secured several projects from Bulgaria and Uzbekistan.

**Fig #25 SUNVIEW - Impending flag formation breakout**



Source: Tradingview, M+ Online

## SYGROUP – Higher Freight Rates To Be Expected

- **SYGROUP** is a major player in the Malaysian maritime industry, with operations in both domestic and international (Japan, Korea, China, Philippines, and ASEAN) shipping. They also have shipbuilding and ship repair facilities.
- **Red Sea diversion.** Red Sea incident happened during Oct-2023, and it may have caused the supply chain constrain. Also the ongoing geopolitical tensions may not bode well for the industry and higher freight rates are anticipated.
- **Rising earnings.** In 3Q24, SYGROUP has registered growing earnings QoQ to RM34.7m vs RM19.5m in 2Q24, while dividend yield stood around 4%.

**Fig #26 SYGROUP - Weekly uptrend intact after triangle breakout**



Source: Tradingview, M+ Online



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## TECHBND – Tagging The Resilient Consumer Growth

- **TECHBND** involved in the development, manufacturing, and trading of industrial adhesives and sealants used in various application, serving wide range of customers like wood-based products, paper and packaging and many others.
- **New customers and Vietnam progress.** TECHBND successfully opened up new markets and acquired several new customers. Meanwhile, in Vietnam, their upstream polymerization plant continues to show positive progress, benefiting from the order recovery of the woodworking industry.
- **Vertical integration.** Recently, PPB Group has acquired 15% stake in TECHBND, and we believe PPB Group might be looking at integrating TECHBND’s adhesives and sealants into their existing manufacturing processes, potentially creating cost efficiencies and greater control over their supply chain.

**Fig #27 TECHBND – Bottom triangle formation breakout**



Source: Tradingview, M+ Online

## TM – Taking Shape In Data Center And 5G Network

- **Data center investment to take shape.** With the recent data center investments into Malaysia, that should boost the demand for internet connectivity and eventually benefit TM as a significant broadband provider in Malaysia.
- **TM-Singtel partnership.** TM announced that it is partnering with Singtel to establish data centre facilities in Iskandar Puteri, Johor. The JV parties may progressively scale up the proposed data centre over several phases to achieve a targeted capacity of up to 200MW in the long term.

**Fig #28 TM – Uptrend intact position heading towards RM7.36-7.50**



Source: Tradingview, M+ Online



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As of **Tuesday, 02 Jul, 2024**, the analyst(s), Loui Low Ley Yee whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:  
nil.

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## Stock recommendation guide

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<b>BUY</b>	The share price is expected to appreciate more than 10% over the next 12 months
<b>HOLD</b>	The stock price is expected to range between -10% and +10% over the next 12 months
<b>SELL</b>	The share price is expected to fall more than 10% over the next 12 months
<b>TRADING BUY</b>	The share price is projected to rise more than 10% over the next three (3) months due to an ongoing or impending corporate development. The stock price is also expected to be volatile over the next three months
<b>TRADING SELL</b>	The stock price is expected to fall more than 10% over the next three months due to an ongoing or impending corporate developments. The stock price is also expected to be volatile over the next three months
<b>NOT RATED</b>	No recommendation is assigned

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