

Resumption of recovery

Market Review

Malaysia: The FBM KLCI (+0.3%) staged a mild recovery, lifted by gains in selected Petronas-related and telco heavyweights yesterday. The lower liners finished mixed, while the property sector (+1.3%) rallied to close at the highest level since November 2021.

Global markets: Wall Street ended mixed as the Dow (+0.5%) extended its lead on solid labour data, but the S&P 500 (-0.7%) and Nasdaq (-2.1%) faltered due to weaker-than-expected technology giants such as Netflix and Tesla. The European stockmarkets ended mostly higher, while Asia stockmarkets closed mixed.

The Day Ahead

It appears that there were bouts of bargain hunting activities emerging on the FBM KLCI yesterday and we think that the key index may continue to see some nibbling to build onto its recovery trend over the near term. Meanwhile, rotational play may continue to keep the trading interest afloat amongst the lower liners. However, we are cautious that the overbought condition (both FBM Small Cap and FBM ACE) may present limited upsides, in our view. Meanwhile, key focus remains on the ongoing batch of corporate earnings in the US, coupled with the retail sales data in the UK that may dictate the direction of the stock markets. Commodities wise, the Brent crude oil hovered below USD80, while the CPO rose above RM4,000.

Sector focus: We reckon that the higher CPO prices after the UK enters into the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) may boost the plantation sector. TSMC, alongside Netflix and Tesla which reported weaker 2Q23 earnings as demand for consumer electronics remain tepid may bring some weakness to the technology sector.

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI formed a bullish candle to stay above daily EMA60. Technical indicators remained positive as the MACD Histogram formed another positive bar, while the RSI steadied above 50. With the 1,400 remain sustainable in recent days, further recovery may take place towards the next resistance that is envisaged along 1,430-1,450, while the support is pegged around 1,370.

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Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	35,225.18	0.47
S&P 500	4,534.87	-0.68
NASDAQ	14,063.31	-2.05
FBM KLCI	1406.69	0.26
FBM Small Cap	15,591.28	-0.03
FBM ACE	5,380.87	0.29
Construction	169.21	0.36
Consumer	552.86	-0.06
Energy	815.87	1.03
Financial Services	15,682.44	0.08
Healthcare	1695.93	-0.70
Ind Products	163.44	0.83
Plantation	6,972.51	0.73
Property	751.28	1.27
REITs	773.86	-0.05
Technology	65.48	-1.43
Telco & Media	578.92	-0.10
Transport	914.09	1.00
Utilities	998.19	0.37
Trading Vol (m)	3,644.70	7.09
Trading Val (RM m)	2068.42	3.31
Advance/Decline	108%	
FKLI	1405.00	(0.11)
FCPO (RM)	4,047.00	0.02
Brent oil (USD)	79.64	0.23
Gold (USD)	1969.53	0.11
USD	4.5433	(0.08)
GBP	5.8672	0.79
EURO	5.0941	0.07
SGD	3.4351	(0.22)

Trading participation 5-day trend and value (m)		
Institution	Foreign	
-446.7	-268.7	715.4

Source: Bloomberg, Bursa Market Place

Company Brief

Hextar Global Bhd has proposed to diversify its existing businesses to include trading of commodities, which include agriculture produces, energy resources, metals and minerals, and precious metals. In view of the challenging outlook for its agriculture segment and following the exit from the consumer products segment in June 2023, the group has been contemplating alternative businesses to diversify its source of revenue and profits to supplement as well as to mitigate the risks of solely relying on its existing businesses. The proposed diversification is sought as the group expects its trading business to contribute more than 25.0% or more of the net profits of the group and/or result in a diversion of 25.0% or more of its net assets in the future. (The Star)

Destini Bhd has received a contract extension worth RM222.3m from the Ministry of Defence Malaysia for the supply of non-proprietary aircraft spare parts for the Royal Malaysian Air Force. The contract tenure which expired on 30th June 2023 has been extended for another 2 years from 1st July 2023 to 30th June 2025. (The Star)

AirAsia X Bhd (AAX) has submitted an application to Bursa Malaysia to be uplifted from its Practice Note 17 (PN17) status, on recent improvements in the group and its subsidiaries' financial performance. Hence, it is also seeking a relief from having to submit and implement a plan to regularise its condition. (The Edge)

MST Golf Group Bhd is optimistic of its financial outlook driven by the golf boom caused by the Covid-19 pandemic, as well as a lack of competition in quality retail golf merchandise. MST Golf Group Bhd made its debut on the Main Market of Bursa Malaysia on 20th July 2023. (The Edge)

Australia's Ramsay Health Care and Malaysia's **Sime Darby Bhd** have hired Bank of America and Deutsche Bank to sell their USD1.30bn (RM5.90bn) healthcare joint venture. The companies could launch the sale of Selangor-based Ramsay Sime Darby Health Care within the next 2 months depending on market conditions. (The Edge)

Mercury Securities Group Bhd has signed an underwriting agreement with Public Investment Bank Bhd (PIVB) for its upcoming initial public offering (IPO) on the ACE Market of Bursa Malaysia. Its IPO comprises a public issuance of 157.1m new shares, representing 17.6% of the group's enlarged share base of 893.0m shares as well as an offer for sale of 71.5m existing shares, representing 8.0% of the enlarged share base. (The Edge)

Bumi Armada Bhd's floating production storage and offloading (FPSO) vessel is currently operating at approximately 90.0% of its pre-shutdown levels after a hydraulic submersible pump (HSP) transformer was reconditioned from failed units on the vessel, which is owned by its wholly-owned subsidiary, Armada Kraken Pte Ltd (AKPL). Previously, the offshore facility and service provider announced on 21st June 2023 that the FPSO's operational performance had reached 60.0% of pre-shutdown levels. (The Edge)

Genting Bhd's indirect wholly-owned subsidiaries, Resorts World Las Vegas LLC (RWLV) and RWLV Capital Inc, have priced their offering of USD400.0m aggregate principal amount senior notes due 2030. The 7-year senior notes were issued at 8.5% per annum, payable on a semi-annual basis. The net proceeds from the issue of the notes, together with the cash on hand, would be used, to repay the entire outstanding borrowings under the subordinated intercompany note of USD300.0m, plus accrued interest thereon, which was fully drawn by RWLV on 28th June 2023. (The Edge)

Public Bank Bhd remains committed to helping individuals and small and medium enterprises (SMEs) in need of repayment assistance, including in rescheduling and restructuring their loans. The bank's comprehensive suite of repayment assistance to individuals and SMEs remains widely available in support of the government's ongoing efforts throughout the economic recovery phase. (The Edge)

Gamuda Bhd's property arm Gamuda Land has entered into an agreement to acquire a 9.1-ac site in Thu Duc City in Ho Chi Minh City, Vietnam, for USD315.8m (RM1.47bn). The mixed-use development site has a projected gross development value of USD1.10bn. It plans to develop 1,968 exclusive apartments, 12 penthouses, 51 podium shops and 21 shophouse units across 6 towers of up to 40 levels within 5 years. (The Edge)

Ornapaper Bhd's (Orna) wholly-owned subsidiary Ornapaper Industry (M) Sdn Bhd has entered into sales and purchase agreements with Faithview Group Development Sdn Bhd for the proposed acquisition of 2 leasehold vacant lots worth RM30.8m. (The Edge)

Ajinomoto (Malaysia) Bhd is selling 6 parcels of land along Jalan Kuchai Lama to businessman Tan Sri David Law Tien Seng, better known as TS Law, for RM408.0m, cash. On completion of its disposal, Ajinomoto plans to distribute RM128.9m in special dividend at RM2.12 per share to shareholders. (The Edge)

Betamek Bhd, which supplies vehicle audio and video products to Perodua, recorded a net profit of RM4.8m in 1QFY24 on revenue of RM43.5m. An interim dividend of 1.0 per share, payable on 18th August 2023 was declared. There was no yearly comparison as the group made its debut on Bursa Malaysia in October 2022. (The Edge)

Industronics Bhd plans to pay off RM26.8m it owed to 4 creditors by issuing 536.8m new shares at 5.0 sen per share. As at end-May 2023, the group had total trade and other payables of RM44.1m, which will be reduced to RM17.2m after the proposed debt settlement, on a pro forma basis. (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	PWF	20-Jul	0.760	0.765	0.800	0.850	0.700	0.695	0.735	-3.3%	On-going

3Q23 Stock Picks											
No.	Companies	Report Date	Report Date Share Price (RM)	Resistance 1 (RM)	Resistance 2 (RM)	Support 1 (RM)	Support 2 (RM)	Cut Loss (RM)	Last Price (RM)	Change in Share Price (%)	Comments
1	ADVCON	4-Jul	0.355	0.395	0.425	0.320	0.295	0.280	0.335	-5.6%	On-going
2	CARIMIN	4-Jul	0.735	0.775	0.835	0.705	0.660	0.640	0.850	15.6%	On-going
3	ECOWLD	4-Jul	0.815	0.900	0.950	0.790	0.750	0.735	0.900	10.4%	On-going
4	MCEMENT	4-Jul	3.080	3.320	3.500	2.880	2.700	2.640	3.050	-1.0%	On-going
5	OSK	4-Jul	1.050	1.150	1.200	1.040	0.995	0.970	1.070	1.9%	On-going
6	RCECAP	4-Jul	2.350	2.500	2.600	2.220	2.120	2.070	2.260	-3.8%	On-going
7	SCICOM	4-Jul	1.170	1.360	1.450	1.110	1.070	1.040	1.150	-1.7%	On-going
8	SFPTECH	4-Jul	0.960	1.150	1.260	0.940	0.895	0.870	1.170	21.9%	On-going
9	TEOSENG	4-Jul	0.920	1.000	1.050	0.880	0.820	0.800	1.010	9.8%	On-going
10	UCHITEC	4-Jul	3.530	3.700	3.850	3.420	3.320	3.240	3.510	-0.6%	On-going
11	WASCO	4-Jul	0.890	0.985	1.100	0.860	0.810	0.785	0.950	6.7%	On-going
12	WCEHB	4-Jul	0.635	0.730	0.820	0.610	0.545	0.535	0.710	11.8%	On-going
13	YTLPOWR	4-Jul	1.310	1.450	1.600	1.250	1.150	1.120	1.290	-1.5%	On-going
Average Return										4.9%	

Technical Focus Tracker Summary	
Total recommendations	343
Total winners	212
Total losers	131
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)	5.8%
Accuracy (2023)	62.3%
FBM KLCI (Since 30/12/2022)	-5.9%
FBM Small Cap (Since 30/12/2022)	4.5%
Malaysia GDP Growth (1Q23)	5.6%

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