

Profit taking activities may spillover

Market Review

Malaysia: The FBM KLCI rebounded as bargain hunting activities emerged within selected Telco and Plantation heavyweights. Also, the small cap and lower liners gained momentum as market breadth turned more positive. Meanwhile, the Telco and Properties were the leading sectors for the session.

Global markets: Wall Street closed in the positive territory prior to the Nvidia's results. Also, the US 10Y Treasury yield has declined significantly, dropped more than 11 basis points to 4.21% (from 4.35%). Post market, Nvidia gained surged above USD500 amid the earnings beat. The European markets traded mixed, while the Asia stock markets rebounded strongly.

The Day Ahead

Overall, the sentiment on the local front was positive with the rebound on the FBM KLCI, FBM Small cap and FBM ACE on the back of bargain hunting activities. However, with the Wall Street pulling back despite a stronger-than-expected Nvidia's result, there might be spillover of selling interest towards stocks on the local front. Also, traders will be observing Jerome Powell's tone during the Jackson Hole Symposium as it may provide clues for the future monetary policies, which may affect the trading environment. Commodities wise, the Brent crude oil steadied above USD83/bbl, while the CPO prices stayed above RM3,800/MT.

Sector focus: Given the selldown on Wall Street, we expect the selling pressure may emerge on the local front. Nevertheless, the deals between SIME-UMW and KLK-BPLANT could limit the downside risk in the stock market. Meanwhile, with the MCEMENT stellar results, we believe there might be more upside on the building material segment.

FBMKLCI Technical Outlook



Bloomberg

The FBM KLCI rebounded above the SMA200 zone and the technical readings are turning mixed. The MACD Histogram extended another negative bar, but the RSI has crossed above 50. The FBM KLCI may stabilise around SMA200 and perform a rebound in the near term. Resistance is at 1,460-1,470. Support is at 1,430-1,435.

Research Team
research@msec.com.my
(603) 2201 2100

Market Scorecard

Key indices	Last price	Change (%)
Dow Jones	34,099.42	-108
S&P 500	4,376.31	-135
NASDAQ	13,463.97	-187
FBM KLCI	1,444.67	0.32
FBM Small Cap	5,765.63	0.37
FBM ACE	5,314.78	0.56
Construction	173.79	-0.24
Consumer	560.32	0.33
Energy	823.72	-0.01
Financial Services	16,166.94	0.02
Healthcare	1,689.52	-0.13
Ind Products	168.84	0.29
Plantation	6,998.32	0.51
Property	81185	0.59
REITs	77183	-0.14
Technology	63.79	0.47
Telco & Media	587.20	0.72
Transport	927.76	0.04
Utilities	1,097.59	0.33
Trading Vol (m)	3,528.97	9.29
Trading Val (RM m)	1909.26	(2.95)
Advance/Decline	83%	
FKLI	1,438.00	(0.38)
FCPO (RM)	3,887.00	0.15
Brent oil (USD)	83.36	0.18
Gold (USD)	1916.91	0.01
USD	4.6460	0.28
GBP	5.8868	0.06
EURO	5.0403	(0.09)
SGD	3.4312	0.01
Trading participation 5-day trend and value (m)		
Institution	359.8	
Foreign	-76.9	-282.9

Source: Bloomberg, Bursa Market Place

Company Brief

Kuala Lumpur Kepong Bhd (KLK) has proposed to buy 739.2m shares or 33% and one share in **Boustead Plantations Bhd (BPlant)** for a total of RM1.15bn or RM1.55 per share and plans to take the company private via a mandatory general offer (MGO), confirming The Edge's report. KLK has entered into a tripartite strategic collaboration agreement (SCA) with Boustead Holdings Bhd (BHB), which holds a 57.42% stake in BPlant, and Lembaga Tabung Angkatan Tentera (LTAT), which holds a 10.59% stake in BPlant, on Thursday. At RM1.55, the offer is at a 19% premium to its net tangible asset of RM1.30 and 13% premium to its latest trading price of RM1.37.

Separately, KLK's net profit plummeted 84.9% to RM84.1m in 3QFY2023 from RM558.27m a year ago, due to weaker average selling prices of crude palm oil (CPO), palm kernel and higher CPO production cost. The weaker quarterly performance was also attributed to a net loss of RM8.7m, from a net gain of RM96.9m in 3QFY2022, from fair value changes on outstanding derivative contracts. Quarterly revenue fell 26.5% to RM5.11bn from RM6.96bn. (The Edge)

Sime Darby Bhd is buying a 61.18% equity interest in **UMW Holdings Bhd** from its parent company Permodalan Nasional Bhd (PNB) for RM3.57bn or RM5 per share. Sime Darby will launch an MGO to buy the remaining shareholding of 38.82% and to take UMW private. The MGO is expected to cost roughly RM2.27bn. (The Edge)

Separately, Sime Darby announced its net profit doubled to RM622m or 9.1 sen per share in 4QFY2023, compared with RM278m or 4.1 sen per share in the previous year's corresponding quarter. The profit for the quarter was boosted by a gain on disposal of its motor segment's properties of RM177m (net of deferred tax adjustment) and dividend income of RM194m. Sime Darby Bhd said its quarterly revenue grew 22.44% to RM13.29bn from RM10.85bn. Amid improved earnings, Sime Darby declared a second interim dividend of 10 sen per share, to be paid on Sept 29. This brings its total dividend payout for FY2023 to 13 sen per share or RM886m, compared with 11.5 sen per share or RM783m in FY2022. (The Edge)

MISC Bhd registered RM452.9m net profit for 2QFY2023 vs RM19.1m net loss a year ago on the back of a smaller impairment of non-current asset in 2QFY2023. The energy shipping arm's revenue was RM3.55bn, 10.5% higher than RM3.21bn in 2QFY2022. The increase in revenue was contributed by improved freight rates in the petroleum and product shipping segment as well as higher revenue from ongoing heavy engineering projects. It declared a second tax-exempt dividend of 10 sen per share amounting to RM446.4m. The dividend, with an ex-date of Sept 11, will be paid on Sept 21. (The Edge)

Malaysia Airports Holdings Bhd (MAHB), which recorded a net profit of RM102.53m in 2QFY2023, marking its third consecutive quarterly earnings, is hopeful that passenger movements will recover to pre-pandemic levels by the end of the year. For 2QFY2023, it posted a net profit of RM102.53m against a net loss of RM58.15m a year ago, as revenue rose 78.61% year-on-year to RM1.23bn from RM689.76m previously, thanks to increased passenger traffic. (The Edge)

Sunway Bhd's net profit fell 7.2% to RM149.93m in 2QFY2023 from RM161.49m a year earlier, as lower contribution from property investment and other operating income more than offset a rise in revenue. Sunway's revenue rose 14.7% to RM1.47bn, from RM1.28bn in 2QFY2022, underpinned by better contributions from most of its business segments. The group declared a first interim dividend of 2 sen per share and a preferential dividend of 5.25% (based on the issue price of RM1.00) per irredeemable convertible preference share in respect of the first half of FY2023. (The Edge)

DRB-HICOM Bhd registered an 80.11% plunge in net profit to RM33.7m in 2QFY2023 compared with RM169.56m a year ago, due to the absence of asset disposal gains recorded in the corresponding period. The higher results in the corresponding quarter were mainly due to the group recognising the income arising from the disposal of then subsidiary Lotus Advance Technologies Sdn Bhd amounting to RM119.51m under other income. Quarterly revenue increased 12% to RM3.98bn against RM3.55bn a year prior, driven by the automotive sector – mainly with contributions from PROTON, automotive distribution companies, and manufacturing and engineering companies. (The Edge)

Genting Malaysia Bhd (GenM) returned to the black in 2QFY2023. The casino operator posted a net profit of RM47.12m or 0.83 sen per share compared to a RM10.85m net loss or 0.19 sen loss per share a year ago. The group incurred a net loss of RM27.4m in the preceding quarter 1QFY2023 on revenue of RM2.28bn. The earnings in 2QFY2023 were mainly boosted by RM182.2m net gain on disposal of property, plant and equipment. Quarterly revenue grew by 13.74% to RM2.47bn from RM2.18bn a year ago. GenM attributed higher revenue to the increase in volume of business by Resorts World Genting's (RWG) gaming and non-gaming segments as well as higher contributions from Resorts World New York City (RWNYC) and the improved operating performance of Resorts World Bimini. GenM declared an interim single-tier dividend of 6 sen per share, to be paid on Oct 2. (The Edge)

Genting Bhd posted RM160.55m net profit for 2QFY2023, compared to RM59.53m net loss in 2QFY2022. The higher profit was mainly due to a net gain of RM182m on disposal of property, plant and equipment by Genting Malaysia Bhd (GenM) group. Additionally, the group recorded lower impairment losses of RM55.74m from RM143.77m in the previous year's corresponding quarter while share of loss in joint ventures and associates decreased to RM52.2m from RM76.04m. The board of directors declared an interim single-tier dividend of 6 sen per share, to be paid on Oct 6. (The Edge)

Malayan Cement Bhd doubled its net profit to RM79.55m or 6.07 sen per share in 4QFY2023, from RM34.13m or 2.61 sen per share a year ago as higher revenue more than offset the increase in electricity and maintenance costs. The group said revenue rose 25% to RM1.01bn from RM804.76m on improvement of both volume and selling price of domestic cement as well as higher selling price of ready-mixed concrete. It declared an interim dividend of 6 sen per share payable on November 21, 2023. (The Edge)

MSM Holdings Bhd saw its net loss narrowing by 38.89% to RM20.82m in 2QFY2023 from RM34.07m previously. The better quarterly earnings came on the back of higher capacity utilisation, lower freight cost, as well as gains from the disposal of its Pulau Indah land of RM8.33m. It was also boosted by the gain from translation of US dollar balances of RM9.67m and gain from US dollar forward contracts of RM7.09m. (The Edge)

7-Eleven Malaysia Holdings Bhd's (SEM) net profit inched down 1.58% to RM25.36m for the 2QFY2023 from RM25.77m a year earlier, dragged by lower profit contribution from the pharmaceutical segment. Earnings per share slid to 2.28 sen from 2.29 sen. The lower earnings were despite revenue jumping to a record high of RM1.07bn, up 13.01% from RM943.67m in 2QFY2022. (The Edge)

Batu Kawan Bhd's net profit fell 72.8% to RM82.81m for the 3QFY2023 from RM304.30m a year ago, dragged by lower crude palm oil (CPO) and palm kernel selling prices as well as higher CPO production costs. Revenue declined 26.2% to RM5.35bn from RM7.25bn. (The Edge)

Dayang Enterprise Holdings Bhd marked a return to profitability after notching a net profit of RM64.69m in 2QFY2023, its highest quarterly profit since its 4QFY2019 result of RM78.23m. In a YoY comparison, the integrated oil and gas (O&G) service provider's latest quarterly net profit represented a 54% jump from RM42.02m, which it credited to higher utilisation rates for vessels with better margin. Dayang Enterprise said net profit rose despite a net realised or unrealised foreign exchange (forex) loss of RM18.7m in the current quarter versus a net realised or unrealised forex loss of RM4.7m a year ago. (The Edge)

YTL Corp Bhd's net profit more than doubled to RM480.99m for 4QFY2023, from 173.24m a year ago, on higher contribution from almost all segments. Earnings per share jumped to 4.39 sen from 1.58 sen. Revenue stood at RM9.1bn, 47.8% higher compared with RM6.15bn in 4QFY2022, the conglomerate's bourse filing showed. YTL Corp declared an interim dividend of 4 sen per share, payable on Nov 29. Previously, the group paid interim dividends of 3 sen in FY2022 and 2.5 sen in FY2021. (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	SCOMNET	2-Aug	1.370	1.480	1.550	1.650	1.290	1.280	1.300	-5.1%	On-going
2	HARBOUR	9-Aug	1.170	1.240	1.290	1.350	1.120	1.110	1.180	0.9%	On-going
3	MCEMENT	16-Aug	3.370	3.500	3.600	3.800	3.100	3.090	3.500	3.9%	Take profit at R1 on 17-Aug

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	0.330	-7.0%	On-going
2	CARIMIN	4-Jul	0.735	0.775	0.835	0.705	0.660	0.640	0.855	16.3%	On-going
3	ECOWLD	4-Jul	0.815	0.900	0.950	0.790	0.750	0.735	1.030	26.4%	On-going
4	MCEMENT	4-Jul	3.080	3.320	3.500	2.880	2.700	2.640	3.850	25.0%	On-going
5	OSK	4-Jul	1.050	1.150	1.200	1.040	0.995	0.970	1.210	15.2%	On-going
6	RCECAP	4-Jul	2.350	2.500	2.600	2.220	2.120	2.070	2.340	-0.4%	On-going
7	SCICOM	4-Jul	1.170	1.360	1.450	1.110	1.070	1.040	1.140	-2.6%	On-going
8	SFPTECH	4-Jul	0.960	1.150	1.260	0.940	0.895	0.870	1.040	8.3%	On-going
9	TEOSEN	4-Jul	0.920	1.000	1.050	0.880	0.820	0.800	1.080	17.4%	On-going
10	UCHITEC	4-Jul	3.530	3.700	3.850	3.420	3.320	3.240	3.600	2.0%	On-going
11	WASCO	4-Jul	0.890	0.985	1.100	0.860	0.810	0.785	0.980	10.1%	On-going
12	WCEHB	4-Jul	0.635	0.730	0.820	0.610	0.545	0.535	0.665	4.7%	On-going
13	YTLPOWR	4-Jul	1.310	1.450	1.600	1.250	1.150	1.120	1.750	33.6%	On-going
Average Return										11.5%	

Technical Focus Tracker Summary	
Total recommendations	347
Total winners	214
Total losers	133
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)	4.9%
Accuracy (2023)	61.4%
FBM KLCI (Since 30/12/2022)	-3.4%
FBM Small Cap (Since 30/12/2022)	5.6%
Malaysia GDP Growth (1H23)	4.2%

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