



DAILY NEWSWATCH

MARKET REVIEW

Malaysian stocks fell last Friday in line with weakness in most Asian equity markets. Market breadth was broadly negative with 726 losers versus 267 gainers. The energy sector was the top percentage loser plunging by 2.54%, while the construction sector was the only sector to finish in the green surging by 1.70%. Nestle (Malaysia) Berhad (4707) was the top loser declining by RM8.80 or 6.29% following strong gains last Thursday. The FBM KLCI fell by 1.09% to 1,456.74.

We opine that Malaysian stocks will continue to be volatile due to uncertainties surrounding the global economy. We also expect energy counters to retreat following the plunge in crude oil prices in last Friday's trading session.

ECONOMICS

- **Malaysian conglomerates** eye mega projects worth up to RM7 bn in Indonesia
- **Ringgit** expected to remain soft versus US dollar next week

COMPANY

- **Axiata (6888)** and **Digi (6947)** need more time to complete proposed merger, extend longstop date to Dec 31, 2022
- **LKL International (0182)** plans RM58.3m rights issue to fund pharmacy business foray
- Mercury advises investors to subscribe to **Seng Fong**, target price at 82 sen
- **TSR Capital (5042)** sells property in Port Dickson to McDonald's licensee

EXPRESSO FOR THE DAY

- **Technical Watch – Power Root Berhad (7237)** – Entry Price RM1.66, Target Price RM1.83, Stop Loss RM1.42, Support RM1.58, Resistance RM1.79
- **Technical Watch – Dutch Lady Milk Industries Berhad (3026)** – Entry Price RM33.20, Target Price RM36.52, Stop Loss RM28.39, Support RM31.54, Resistance RM33.60

Local	Close	(%)
FBMKLCI	1,456.74	(1.1)
Volume (mil)	3,057	23.5
Value (RM'mil)	3,019	64.0
Gainers	267	
Losers	726	
Unchanged	343	
Foreign		(%)
Dow Jones	29,888.8	(0.1)
Nasdaq CI	10,798.4	1.4
S&P 500	3,674.8	0.2
FTSE 100	7,016.3	(0.4)
Nikkei 225	25,963.0	(1.8)
Shanghai CI	3,316.8	1.0
HSI	21,075.0	1.1
STI	3,098.1	0.0
Most Active	RM	Chg
SAPNRG	0.045	(0.005)
DNEX	0.810	(0.030)
HIBISCS	1.080	(0.090)
HSI-HA8	0.275	(0.100)
TOPGLOV	1.010	0.035
Top Gainer	RM	Chg
SAM	3.990	0.240
JDCOM-C8	0.380	0.200
GAMUDA	3.600	0.200
D&O	4.040	0.170
HLBANK	21.000	0.160
Top Loser	RM	Chg
NESTLE	131.200	(8.800)
PETDAG	19.820	(1.320)
AEONCR	13.360	(1.000)
KLK	23.400	(0.640)
PETGAS	16.040	(0.540)
Other Stats		(%)
USD/MYR	4.40	(0.03)
USD/RMB	6.72	0.18
Brent (USD/barrel)	113.12	(5.58)
Gold (USD/troy oz)	1,839.39	(0.97)
CPO (RM/metric t)	5,708.5	(0.18)



DAILY NEWSWATCH

ECONOMICS

Several Malaysian conglomerates are currently in talks to secure mega development projects in Indonesia, estimated to be worth a total of between RM5 bn and RM7 bn. (The Edge)

The ringgit is expected to remain soft against the US dollar next week, driven by bearish outlook on the global economic front, said an analyst. (The Edge)

COMPANY

Axiata Group Bhd (6888) and **Digi.com Bhd (6947)** need more time to fulfil conditions that have been set out in the conditional share purchase agreement signed on June 21, 2021 to merge their local mobile service operations. (The Edge)

LKL International Bhd (0182) has proposed to undertake a renounceable rights issue with free warrants to raise up to RM58.3m to fund its diversification into the pharmacy business. (The Edge)

Mercury Securities is recommending investors to “subscribe” to soon-to-be listed **Seng Fong Holdings Bhd** at an initial public offering price of 75 sen and a target price of 82 sen based on financial year ending June 30, 2023 earnings per share of 7.2 sen and a price-earnings ratio of 11.4 times in line with the industrial sector’s one-year forward. (The Edge)

TSR Capital Bhd (5042) is disposing of a property in Port Dickson to Malaysia's McDonald's licensee Gerbang Alaf Restaurants Sdn Bhd. In a bourse filing, TSR Capital said it is selling part of a land measuring 36,617 sq ft together with a McDonald's restaurant erected on it for RM6m. (The Edge)



Power Root Berhad

Technical Watch - "BUY on Potential Reversal"

Bloomberg: PWRT MK | KLSE Stock Code: 7237

Main Market
Consumer Products & Services
Subsector – F & B

Current Price: RM1.66

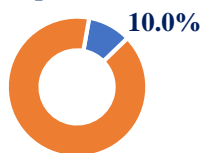
Target Price: RM1.83

Investment Highlights

On an uptrend, the stock is currently trading above the MA20. We think there is a potential reversal supported by a bullish marubozu, and a strong momentum on the stock (RSI > 50).

With higher volatility as seen from an expanding bollinger band, we think that prices could potentially trade with higher downside risk moving forward. Trading within the 2SD, we project a 10% upside to the current price, expect EMA and SMA to hold moving forward.

Potential Upside



Bloomberg Analyst Ratings



Buy: 2
Hold: 2
Sell: 0

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	29.4	25.1	16.9
P/B	2.5	2.5	2.1
P/CF	16.7	17.7	13.5
P/S	1.9	1.7	1.4

*CF – Cashflow per share, S – Sales per share

Company Overview

Power Root Bhd bottles beverages. The Company produces ready-to-drink coffee, tea, and energy drinks.



Ronnie Tan

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Entry Price	RM1.66
Market Cap (m)	RM655.7
52w high	RM1.81
52w low	RM1.24
Stop Loss	RM1.42
Immediate Support	RM1.58
Immediate Resistance	RM1.79 (Previous high)
Moving Average (EMA)	Bullish
Moving Average (SMA)	Bullish
Bollinger Bands (Long Run)	More volatile over the long run
RSI	Strong Momentum
Volume (4-Weeks Average)	212,014.3



Dutch Lady Milk Industries Berhad

Technical Watch - "BUY on Potential Reversal"

Bloomberg: DLM MK | KLSE Stock Code: 3026

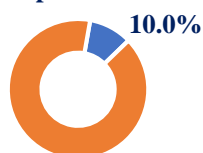
**Main Market
Consumer Products & Services
Subsector – F & B****Current Price: RM33.20****Target Price: RM36.52**

Investment Highlights

On a downtrend, the stock is currently trading below the MA20. We think that there is a potential reversal supported by an inverted hammer coupled with a strong momentum on the stock (RSI > 50).

With higher volatility as seen from an expanding bollinger band, we think that prices could potentially trade with higher downside risk. Trading within 2SD, we project a 10% upside to the current price, expect EMA and SMA to crossover moving forward.

Potential Upside



Bloomberg Analyst Ratings

**Buys: 1
Holds: 1
Sells: 0**

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	23.9	27.4	23.2
P/BV	10.6	20.9	17.0
P/CF	16.9	31.5	23.7
P/S	2.0	2.8	2.7

*CF – Cashflow per share, S – Sales per share

Company Overview

Dutch Lady Milk Industries Berhad manufactures sweetened condensed milk, milk powder, dairy products, and fruit juice drinks.

**Ronnie Tan**
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Entry Price	RM33.20
Market Cap (m)	RM2,124.8
52w high	RM35.70
52w low	RM31.92
Stop Loss	RM28.39
Immediate Support	RM31.54
Immediate Resistance	RM33.60 (Previous high)
Moving Average (EMA)	Bearish
Moving Average (SMA)	Bearish
Bollinger Bands (Long Run)	More volatile over the long run
RSI	Rising Momentum
Volume (4-Weeks Average)	5,619.3



TECHNICAL ANALYSIS SCOREBOARD

Recommendation Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
20/5/2022	GentingBhd	3182	4.880	4.560	4.650	5.350	-1.3	-6.6	SL Triggered
20/5/2022	Hengyuan	4324	7.230	4.740	6.180	7.950	-2.5	-34.4	SL Triggered
23/5/2022	Caely	7154	0.410	0.360	0.350	0.450	-7.7	-12.2	-
23/5/2022	Flbhd	5197	1.520	1.250	1.300	1.670	-2.3	-17.8	SL Triggered
24/5/2022	GentingBhd	3182	4.900	4.560	4.190	5.390	-1.3	-6.9	-
24/5/2022	GOB	1147	0.310	0.275	0.260	0.340	-1.8	-11.3	SL Triggered
25/5/2022	Tambun	5191	1.020	0.835	0.870	1.120	-2.3	-18.1	SL Triggered
25/5/2022	SCGM	7247	2.400	2.280	2.050	2.640	-0.9	-5.0	-
26/5/2022	Genetec	0104	2.390	2.040	2.040	2.630	1.0	-14.6	-
26/5/2022	Bumi	5210	0.440	0.405	0.380	0.480	-1.2	-8.0	-
27/5/2022	Choobee	5797	2.360	1.970	2.020	2.600	-3.0	-16.5	SL Triggered
27/5/2022	EPMB	7773	1.100	0.935	0.940	1.210	-2.6	-15.0	SL Triggered
30/5/2022	Jag	0024	0.390	0.345	0.320	0.430	0.0	-11.5	-
30/5/2022	Padini	7052	3.200	3.260	2.800	3.520	-1.2	1.9	-
31/5/2022	Hexind	0161	0.320	0.345	0.270	0.350	0.0	7.8	-
31/5/2022	Myeg	0138	0.890	0.835	0.760	0.980	-4.0	-6.2	-
1/6/2022	PIE	7095	3.050	3.050	2.610	3.360	0.0	0.0	-
1/6/2022	Hextar	5151	1.670	1.530	1.430	1.840	-2.5	-8.4	-
2/6/2022	GentingBhd	3182	5.200	4.560	4.450	5.720	-1.3	-12.3	-
2/6/2022	Scientex	4731	3.710	3.520	3.170	4.080	0.6	-5.1	-
3/6/2022	Guan	5102	2.610	2.450	2.219	2.880	-0.8	-6.1	-
3/6/2022	Inari	0166	2.810	2.580	2.400	3.090	-2.6	-8.2	-
7/6/2022	Sedania	0178	0.460	0.405	0.390	0.500	1.3	-12.0	SL Triggered
7/6/2022	Jtiasa	4383	0.760	0.650	0.650	0.830	-5.1	-14.5	-
8/6/2022	AEON	6599	1.530	1.430	1.310	1.680	-0.7	-6.5	-
8/6/2022	Bonia	9288	2.700	2.370	2.310	2.870	-1.7	-12.2	-
9/6/2022	F&N	3689	22.550	19.700	17.530	20.500	-1.5	-12.6	-
9/6/2022	PIE	7095	3.700	3.050	2.870	3.360	0.0	-17.6	-
10/6/2022	Westports	5246	3.650	3.550	3.120	4.020	-0.3	-2.7	-
10/6/2022	KFIMA	6491	2.810	2.470	2.400	3.090	-2.0	-12.1	-
13/6/2022	DUFU	7233	2.860	2.720	2.450	3.150	1.1	-4.9	-
13/6/2022	MISC	3816	7.150	7.220	6.110	7.870	-0.7	1.0	-
14/6/2022	PublicBank	1295	4.480	4.480	3.830	4.930	-1.5	0.0	-
14/6/2022	IOICORP	1961	4.060	3.960	3.470	4.470	-1.7	-2.5	-
15/6/2022	ToyoVen	7173	0.550	0.565	0.470	0.610	-6.6	2.7	TP Achieved
15/6/2022	FarmFresh	5306	1.600	1.550	1.370	1.760	-1.3	-3.1	-
16/6/2022	HLIndustries	3301	8.860	8.770	7.580	9.750	-1.5	-1.0	-
16/6/2022	ChongBee	5797	2.010	1.970	1.720	2.210	-3.0	-2.0	-
17/6/2022	PowerRoot	7237	1.660	1.670	1.420	1.830	3.1	0.6	-
17/6/2022	DutchLady	3026	33.200	33.200	28.390	36.520	0.1	0.0	-

*TP=Target Price

**STOCK SELECTION BASED ON DIVIDEND YIELD**

Company	Sector	Price RM	Dividend / Share RM	Dividend Yield (%)
AmFirst REIT	REIT	0.380	0.04	10.2
SHL Consolidated Bhd	Property	1.850	0.18	9.7
British American Tobacco Malay	Consumer	11.500	0.89	7.8
Pharmaniaga Bhd	Consumer	0.605	0.05	7.6
UOA REIT	REIT	1.160	0.09	7.4
Al-'Aqar Healthcare REIT	REIT	1.190	0.09	7.4
Amanahraya REIT	REIT	0.635	0.04	7.0
Uchi Technologies Bhd	Industrial	3.010	0.20	6.6
Tambun Indah Land Bhd	Property	0.835	0.05	6.5
Malayan Banking Bhd	Finance	8.670	0.56	6.4
Magnum Bhd	Consumer	1.650	0.10	6.2
Capitaland Malaysia Trust	REIT	0.555	0.03	6.1
Malaysia Building Society Bhd	Finance	0.580	0.04	6.1
Matrix Concepts Holdings Bhd	Property	2.400	0.14	5.9
Hong Leong Industries Bhd	Industrial	8.780	0.52	5.9

Source: Bloomberg

User guide: Mercury Securities compile a list of **dividend stocks** for conservative long term passive investors looking for regular income while keeping the investment intact.

Methodology: The list below is made up of stocks that pay high dividend (Estimate dividend yield >4%) and paying dividend consistently (Paid dividend for the last 3 years)



SECTORIAL VALUATION

The chart below depicts the performance of the respective KLCI sectors over a five-year period including the current and forward P/E. The sector’s performance is ranked against each other based on absolute returns for that particular year. The user can track the historical performance of respective sectors and notice that the technology sector is the best performing sector over a five-year period between 2016 and 2020 with a compound annual growth rate. The user will also be able to identify sector value based on the current P/E and the corresponding 5-year high, low and average P/E. For example, finance sector PE is currently at 11.4 times against 5-year average P/E of 12.2 times, suggesting financials valuation is in line with the average of 12.2 times.

Index	Return (%)	Valuation P/E (X)					
		YTD	5 - Years			Current	1 Yr – Fwd
			High	Low	Avg		
KLCI	(7.4)	21.3	14.5	17.4	14.5	12.6	
Finance	3.9	13.0	11.5	12.4	12.4	9.7	
Property	(9.7)	13.8	11.2	12.3	12.3	9.7	
Plantation	9.6	94.6	9.2	43.4	9.2	13.3	
Consumer	(4.4)	25.6	11.6	21.4	11.6	16.4	
Technology	(35.9)	29.8	19.1	24.0	20.8	19.8	
Construction	(1.1)	22.2	14.3	18.0	14.3	11.1	
Energy	1.9	-	-	-	10.2	9.0	
Health care	(28.9)	52.6	8.5	30.5	8.5	21.1	
Ind Prod	(8.6)	38.6	10.1	23.7	10.1	11.1	
REIT	0.7	-	-	-	27.2	16.0	
Telco	(14.0)	25.1	21.7	23.4	21.7	16.1	
Transportations	(6.3)	-	-	-	-	15.7	
Utilities	(5.7)	-	-	-	14.3	12.1	

Source: Bloomberg



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