



DAILY NEWSWATCH

MARKET REVIEW

The FBM KLCI was little changed last Friday. Market breadth was positive with 440 gainers versus 367 losers. The utilities sector was the top percentage gainer rising by 0.92%, while the health care sector was the top percentage loser falling by 2.61% on weakness in glove counters. Panasonic Manufacturing Malaysia (3719) was the top gainer increasing by RM0.38 or 1.46%. The FBM KLCI was flat at 1,506.19.

We expect Malaysian stocks to rise following strong gains on Wall Street last Friday amid improving risk sentiment.

ECONOMICS

- Aggressive monetary policy would disrupt ongoing economic recovery, says **BNM**
- **BNM** maintains GDP growth forecast of 5.3%-6.3% despite stronger-than-expected 2Q
- **CPO** futures close higher, pushing above RM4,200 a tonne

COMPANY

- **ARB (7181)** to raise up to RM59.32m via IPO through listing of IoT business unit on NASDAQ
- **Heineken Malaysia (3255)** warns of impact from further cost escalation in 2023
- **PIE Industrial (7095)** 2Q net profit down 36%, hit by higher labour costs and provision for slow-moving stock
- **Tenaga (5347)** plans RM4 bn IPO for power business, sources say

EXPRESSO FOR THE DAY

- **Technical Watch – Kobay (6971)** – Entry Price RM3.22, Target Price RM3.54, Stop Loss RM2.75, Support RM3.06, Resistance RM3.48
- **Technical Watch – Guan Chong (5102)** – Entry Price RM2.41, Target Price RM2.65, Stop Loss RM2.06, Support RM2.29, Resistance RM2.45

Local		(%)
FBMKLCI	1,506.19	0.0
Volume (mil)	2,083.95	(18.2)
Value (RM'mil)	1,628.04	(17.3)
Gainers	440	
Losers	367	
Unchanged	442	

Foreign		(%)
Dow Jones	33,761.1	1.3
Nasdaq CI	13,047.2	2.1
S&P 500	4,280.2	1.7
FTSE 100	7,500.9	0.5
Nikkei 225	28,547.0	2.6
Shanghai CI	3,276.9	(0.1)
HSI	20,175.6	0.5
STI	3,269.3	(1.0)

Most Active	RM	Chg
TOPGLOV	0.855	(0.070)
MIRONIC	0.050	0.000
HARTA	2.000	(0.280)
AVI	0.120	0.020
DNEX-CU	0.030	0.000

Top Gainer	RM	Chg
PANAMY	26.480	0.380
IMASPRO	4.500	0.290
RAPID	13.200	0.220
CHINHIN	5.230	0.220
YNHPROP	3.700	0.190

Top Loser	RM	Chg
BKAWAN	23.300	(0.500)
KESM	7.300	(0.300)
HARTA	2.000	(0.280)
HSI-HEV	0.945	(0.165)
MPI	32.040	(0.160)

Other Stats		(%)
USD/MYR	4.44	(0.02)
USD/RMB	6.74	(0.03)
Brent (USD/barrel)	98.15	(1.46)
Gold (USD/troy oz)	1,802.40	0.71
CPO (RM/metric t)	4,422.0	4.16



DAILY NEWSWATCH

ECONOMICS

Bank Negara Malaysia is not likely to take an aggressive stance in normalising its monetary policy to the pre-pandemic level as it would risk disrupting the ongoing economic recovery. (The Edge)

Comments: We opine that expectations for healthy GDP growth for Malaysia in 2022 coupled with BNM's measured approach to raising interest rates will be a positive tailwind for Malaysian equities in the short-term.

Bank Negara Malaysia is keeping its gross domestic product growth projection at 5.3% to 6.3% this year, even with better-than-expected second-quarter economic growth and potentially stronger performance in 3Q. (The Edge)

Crude palm oil futures contracts on Bursa Malaysia Derivatives ended higher on Friday — breaking above the recent high of RM4,200 a tonne, supported by stronger soybean oil prices, a dealer said. (The Edge)

COMPANY

ARB Bhd (7181) on Friday announced that it has proposed to list its internet of things (IoT) business via its indirect wholly-owned subsidiary ARB IOT Group Ltd on the NASDAQ Stock Exchange in New York through an initial public offering with an issue price of at least US\$4 (RM17.78) to raise a minimum of RM17.78m and up to a maximum of RM59.32m. (The Edge)

Heineken Malaysia Bhd (3255) cautioned that cost escalation is not over and may hit the company hard in 2023. “We announced price increases in August, which were to recover some cost increases. As we move into the new year, the impact of cost escalation will hit us very much,” its managing director Roland Bala told a media briefing on the company's financial performance for the 1HFY22 on Friday (Aug 12). (The Edge)

PIE Industrial Bhd's (7095) net profit for 2QFY22 fell 36.41% to RM8m from RM12.59m a year ago, mainly attributable to higher labour costs and provision for slow-moving inventories in the quarter. (The Edge)

Malaysian electricity utility **Tenaga Nasional Bhd (5347)** plans to begin the process next year for a potential US\$1 bn (RM4.44 bn) listing of its power generation business, sources close to the matter told Reuters. (The Edge)



Kobay Technology Bhd

Technical Watch - “BUY on Potential Upside”

Bloomberg: KOBAY MK | KLSE Stock Code: 6971

Main Market Industrial Products & Services Subsector–Industrial Materials

Current Price: RM3.22

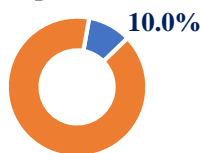
Target Price: RM3.54

Investment Highlights

On an uptrend, the stock is currently trading above the MA20. We think there is a potential upside supported by a bullish engulfing with a strong momentum on the stock (RSI > 60).

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 and expect EMA and SMA to hold moving forward.

Potential Upside



Bloomberg Analyst Ratings



Buy: 1
Hold: 0
Sell: 0

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	28.2	17.3	43.5
P/B	2.5	1.5	1.1
P/CF	57.1	27.3	20.8
P/S	4.5	2.4	1.7

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

Company Overview

Kobay Technology Berhad is an investment holding company. The Company, through its subsidiaries, manufactures carbide tooling parts, jigs, fixtures, precision tools, dies, molds, metal works and equipment, automated machine and parts, and high-end steel and carbide precision tools. Kobay Technology also lets properties and operates in money lender and leasing business.



Ronnie Tan

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Entry Price	RM3.22
Market Cap (m)	RM1,043.9
52w high	RM6.60
52w low	RM2.44
Stop Loss	RM2.75
Immediate Support	RM3.06
Immediate Resistance	RM3.48 (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)	2,854,197.0



Guan Chong Berhad

Technical Watch - "BUY on Potential Upside"

Bloomberg: GUAN MK | KLSE Stock Code: 5102

**Main Market
Consumer Products & Services
Subsector – Food & Beverages**

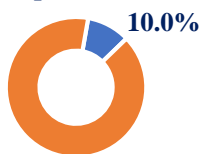
**Current Price: RM2.41
Target Price: RM2.65**

Investment Highlights

On a downtrend, the stock is currently trading above the MA20. We think that there is a potential upside supported by a bullish marubozu coupled with a strong momentum on the stock (RSI > 55).

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

Potential Upside



Bloomberg Analyst Ratings



**Buys: 3
Holds: 0
Sells: 0**

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	16.0	12.2	16.8
P/BV	2.3	2.1	1.8
P/CF	46.7	55.6	40.6
P/S	0.8	0.7	0.5

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

Company Overview

Guan Chong Bhd, through its subsidiaries, manufactures cocoa-derived food ingredients, including cocoa liquor, cocoa butter, cocoa cake, and cocoa powder. The Company's products are exported to various countries around the world.



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Entry Price	RM2.41
Market Cap (m)	RM2,591.5
52w high	RM3.23
52w low	RM2.17
Stop Loss	RM2.06
Immediate Support	RM2.29
Immediate Resistance	RM2.45 (Previous high)
Moving Average (EMA)	Bearish
Moving Average (SMA)	Bearish
Bollinger Bands (Long Run)	More volatile over the long run
RSI	Strong Momentum
Volume (4-Weeks Average)	667,777.5



TECHNICAL ANALYSIS SCOREBOARD

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
15/7/2022	QLResources	7084	5.350	5.050	4.570	5.350	0.0	-5.6	-
15/7/2022	HongLeongCapital	5274	5.780	6.180	4.940	5.970	0.2	6.9	-
18/7/2022	Frontken	0128	2.310	2.910	1.980	2.540	7.4	26.0	TP Achieved
18/7/2022	Dufu	7233	2.640	3.090	2.260	2.900	6.6	17.0	TP Achieved
19/7/2022	PPBGroup	4065	16.380	16.540	14.000	18.020	0.9	1.0	-
19/7/2022	Genetec	0104	2.070	2.450	1.770	2.280	3.8	18.4	TP Achieved
21/7/2022	Bonia	9288	2.020	2.190	1.730	2.220	5.8	8.4	TP Achieved
21/7/2022	SKP	7155	1.560	1.630	1.330	1.720	2.5	4.5	-
22/7/2022	Vitrox	0097	7.470	7.620	6.390	8.220	5.5	2.0	-
22/7/2022	Panamy	3719	26.680	26.100	22.810	29.350	0.0	-2.2	-
25/7/2022	Lctitan	5284	2.050	1.770	1.750	2.260	0.0	-13.7	-
25/7/2022	Maybank	1155	8.810	8.940	7.530	9.690	0.4	1.5	-
26/7/2022	Padini	7052	3.100	3.150	2.650	3.410	0.0	1.6	-
26/7/2022	Chin Hin	5273	4.230	5.010	3.610	4.640	1.8	18.4	TP Achieved
27/7/2022	Dayang	5141	0.970	0.975	0.830	1.060	2.6	0.5	-
27/7/2022	Bonia	9288	2.230	2.190	1.910	2.450	5.8	-1.8	-
28/7/2022	AEONCR	5139	14.480	14.020	12.380	15.930	0.7	-3.2	-
28/7/2022	BerjayaFood	5196	3.980	3.880	3.400	4.380	0.0	-2.5	-
29/7/2022	Axiata	6888	2.850	2.910	2.440	3.140	0.3	2.1	-
29/7/2022	SAM	9822	3.500	4.590	2.990	3.850	19.2	31.1	TP Achieved
1/8/2022	Unisem	5005	3.000	2.980	2.570	3.300	5.7	-0.7	-
1/8/2022	TNB	5347	8.260	8.580	7.060	9.090	1.8	3.9	-
2/8/2022	KLK	2445	22.540	22.460	19.270	24.790	-0.2	-0.4	-
2/8/2022	F&N	3689	22.020	23.020	18.830	24.240	2.3	4.5	-
3/8/2022	Heineken	3255	22.540	24.380	20.180	26.070	2.6	8.2	-
3/8/2022	HarnLen	7501	1.640	1.730	1.400	1.800	1.8	5.5	-
4/8/2022	Vitrox	0097	7.790	7.620	6.660	8.570	5.5	-2.2	-
4/8/2022	Axiata	6888	2.950	2.910	2.520	3.250	0.3	-1.4	-
8/8/2022	Harrison	5008	5.750	5.680	4.920	6.330	#VALUE!	-1.2	-
8/8/2022	Hextar	5151	1.670	1.690	1.430	1.840	-0.6	1.2	-
9/8/2022	DKSH	5908	4.330	4.200	3.640	4.760	1.0	-3.0	-
9/8/2022	BIG	7008	0.760	0.825	0.710	0.840	3.1	8.6	-
10/8/2022	Signature	7246	1.500	1.470	1.270	1.640	1.4	-2.0	-
10/8/2022	PetGas	6033	17.280	17.280	14.790	19.030	1.2	0.0	-
11/8/2022	TexChem	8702	3.150	3.500	2.690	3.470	9.7	11.1	TP Achieved
11/8/2022	SimePlt	5285	4.510	4.550	3.860	4.960	0.7	0.9	-
12/8/2022	SAM	9822	4.590	4.590	2.750	5.050	19.2	0.0	-
12/8/2022	Heineken	3255	24.440	24.380	20.900	26.880	2.6	-0.2	-
15/8/2022	Kobay	6971	3.220	3.090	2.750	3.540	5.5	-4.0	-
15/8/2022	Guan	5102	2.410	2.340	2.060	2.650	4.0	-2.9	-

*TP=Target Price

**STOCK SELECTION BASED ON DIVIDEND YIELD**

Company	Sector	Price RM	Dividend / Share RM	Dividend Yield (%)
AmFirst REIT	REIT	0.385	0.04	10.0
SHL Consolidated Bhd	Property	1.940	0.18	9.3
YTL Hospitality REIT	REIT	0.930	0.08	8.4
British American Tobacco Malay	Consumer	10.300	0.86	8.3
Al-Salam REIT	REIT	0.470	0.04	7.7
UOA REIT	REIT	1.130	0.09	7.6
Al-'Aqar Healthcare REIT	REIT	1.210	0.09	7.2
Amanahraya REIT	REIT	0.640	0.04	6.9
Capitaland Malaysia Trust	REIT	0.555	0.04	6.8
Uchi Technologies Bhd	Industrial	3.100	0.20	6.5
Matrix Concepts Holdings Bhd	Property	2.240	0.14	6.4
Malayan Banking Bhd	Finance	8.970	0.56	6.2
Pharmaniaga Bhd	Consumer	0.675	0.04	6.2
Magnum Bhd	Consumer	1.680	0.10	6.1
Malaysia Building Society Bhd	Finance	0.600	0.03	5.8

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	(4.0)	21.3	15.7	17.6	15.7	13.9	
Finance	8.1	13.0	11.5	12.5	13.0	7.7	
Property	(8.5)	13.8	11.2	12.3	12.4	9.7	
Plantation	9.8	94.6	9.1	43.4	9.1	9.7	
Consumer	(0.5)	25.6	12.1	21.5	12.1	16.3	
Technology	(30.7)	29.8	19.1	24.3	22.5	21.2	
Construction	3.8	22.2	14.5	18.1	14.5	11.7	
Energy	(5.5)	-	-	-	10.2	8.7	
Health care	(31.2)	52.6	12.1	32.3	12.1	22.8	
Ind Prod	(9.2)	38.6	10.2	23.7	10.2	12.0	
REIT	1.3	-	-	-	25.0	15.9	
Telco	(9.0)	25.1	24.9	25.0	24.9	18.1	
Transportations	(6.4)	-	-	-	-	3.5	
Utilities	(0.5)	-	-	-	14.7	12.5	

Source: Bloomberg

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