



DAILY NEWSWATCH

MARKET REVIEW

Malaysian stocks surged yesterday in line with strength in Asian equity markets. Market breadth was broadly positive with 663 gainers versus 293 losers. Every sector finished in the green with the energy sector being the top percentage gainer surging by 3.63% amid the recent strength in crude oil prices. Nestle (Malaysia) Berhad (4707) was the top gainer increasing by RM1.70 or 1.27%. The FBM KLCI leaped by 1.92% to 1,495.49.

We expect Malaysian equities to move higher in line with strong gains on Wall Street overnight.

ECONOMICS

- **Aggressive US rate hikes** dampen demand for emerging-market bonds, says RAM Ratings
- **Bank of Korea** opts for less aggressive battle against inflation

COMPANY

- **Hap Seng's (3034)** 2Q net profit up 36% on higher revenue
- **MAHB (5014)** 2Q net loss narrows to RM58m from RM226m a year earlier
- **Maybank (1155)** 2Q net profit down 5.4% despite higher net interest income, declares 28 sen dividend
- **Tomei** books best quarterly profit since listing as revenue surges 103%
- **UEM Edgenta (1368)** 2Q net profit surges 77% to RM10.9m

EXPRESSO FOR THE DAY

- **Technical Watch – TexChem (8702)** – Entry Price RM3.69, Target Price RM4.06, Stop Loss RM3.15, Support RM3.51, Resistance RM3.97
- **Technical Watch – TNB (5347)** – Entry Price RM8.78, Target Price RM9.66, Stop Loss RM7.51, Support RM8.34, Resistance RM7.88

Local		(%)
FBMKLCI	1,495.49	1.9
Volume (mil)	2,641.65	(8.7)
Value (RM'mil)	2,107.67	21.3
Gainers	663	
Losers	293	
Unchanged	368	
Foreign		(%)
Dow Jones	33,291.8	1.0
Nasdaq CI	12,639.3	1.7
S&P 500	4,199.1	1.4
FTSE 100	7,479.7	0.1
Nikkei 225	28,479.0	0.6
Shanghai CI	3,246.2	1.0
HSI	19,968.4	3.6
STI	3,247.8	0.4
Most Active		RM Chg
SERBADK	0.035	(0.010)
TWL	0.055	0.005
HIBISCS	1.020	0.060
HSI-CJC	0.330	0.115
DNEX	0.880	0.035
Top Gainer		RM Chg
NESTLE	135.200	1.700
PPB	16.780	0.780
HLFG	19.440	0.580
HENGYUAN	5.810	0.520
PETGAS	17.500	0.420
Top Loser		RM Chg
ALLIANZ-PA	13.200	(0.400)
HSI-HEA	0.945	(0.315)
HSI-HEI	0.675	(0.235)
GEELY-C13	0.165	(0.210)
HSI-HB9	0.120	(0.200)
Other Stats		(%)
USD/MYR	4.47	(0.31)
USD/RMB	6.85	(0.15)
Brent (USD/barrel)	99.34	(1.86)
Gold (USD/troy oz)	1,758.71	0.43
CPO (RM/metric t)	4,258.5	1.49

**DAILY NEWSWATCH****ECONOMICS**

Rising risk aversion over a potential global economic slowdown amid **aggressive rate hikes in the US and Europe** have continued to dampen foreign appetite for emerging-market bonds, said RAM Rating Services Bhd (RAM Ratings). (The Edge)

The Bank of Korea raised its key interest rate by a quarter-percentage point on Thursday (Aug 25), returning to its usual pace of tightening, as governor Rhee Chang-yong made clear his view that outsized rate hikes are no longer essential in the battle against inflation. (The Edge)

COMPANY

Hap Seng Consolidated Bhd's (3034) second quarter net profit climbed 35.96% to RM132.58m, from RM97.52m in the same quarter last year, on the back of higher revenue. (The Edge)

Malaysia Airports Holdings Bhd (5014) said on Thursday (Aug 25) second quarter net loss narrowed to RM58.15m from a net loss of RM226.09m a year earlier. (The Edge)

Malayan Banking Bhd's (1155) net profit dropped by 5.36% to RM1.86 bn for 2QFY22, from RM1.96 bn a year ago hit by higher impairments and unrealised mark-to-market losses. The bank declared a first interim dividend of 28 sen per share, to be paid no later than in three months. It is to be accompanied by an applicable dividend reinvestment plan — whereby seven sen can be elected to be reinvested in new shares. (The Edge)

Comments: We like Maybank's commitment to paying healthy dividends to shareholders. You can read our investment highlight on Maybank at this link: <https://bit.ly/3AoiktV>

Tomei Consolidated Bhd posted a 19-fold jump in net profit to RM25.76m in 2QFY22 from RM1.36m a year earlier boosted by sharply higher revenue. (The Edge)

Comments: We like Tomei due to its attractive valuation and established reputation in the jewellery retail industry in Malaysia. You can read our investment highlight on Tomei at this link: <https://bit.ly/3KlnkUC>

UEM Edgenta's (1368) net profit in the second quarter ended June 30, 2022 surged 77.14% to RM10.86m, from RM6.13m in the same period last year, on improved contribution by both its infrastructure solutions and asset management divisions. (The Edge)



Texchem Resources Berhad

Technical Watch - "BUY on Potential Upside"

Bloomberg: TEX MK | KLSE Stock Code: 8702

**Main Market
Industrial Products & Services
Subsector – Diversified Industrials**

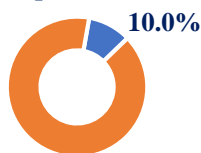
**Current Price: RM3.69
Target Price: RM4.06**

Investment Highlights

On an uptrend, the stock is currently trading above the MA20. We think there is a potential upside supported by a bullish marubozu 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



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

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	7.7	11.9	46.3
P/B	0.7	0.5	0.5
P/CF	3.9	9.6	9.9
P/S	0.1	0.1	0.1

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

Company Overview

Texchem Resources Berhad is an investment holding company. The Company, through its subsidiaries, trades dyestuffs, textile auxiliaries, and chemicals used in electronics and plastics. Texchem also manufactures polystyrene products, plastic packaging products, thermo-vacuum formed plastic tray products, and thermoformed products as well as operates in properties rental.



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Entry Price	RM3.69
Market Cap (m)	RM439.3
52w high	RM3.99
52w low	RM0.72
Stop Loss	RM3.15
Immediate Support	RM3.51
Immediate Resistance	RM3.97 (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)	1,648,842.9



Tenaga Nasional Berhad

Technical Watch - "BUY on Potential Reversal"

Bloomberg: TNB MK | KLSE Stock Code: 5347

Main Market Utilities

Subsector – Electricity

Current Price: RM8.78

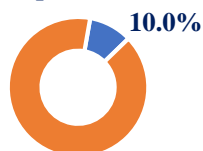
Target Price: RM9.66

Investment Highlights

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

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: 9

Holds: 5

Sells: 6

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	14.6	14.2	11.0
P/BV	1.0	1.0	1.1
P/CF	4.5	4.7	4.6
P/S	1.1	1.2	1.2

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

Company Overview

Tenaga Nasional Berhad transmits, distributes, and sells electricity under license issued by the Director General of Electricity Supply. Through its subsidiaries, the Company manufactures, sells and repairs transformers and switchgears. Tenaga Nasional also provides project management and consultancy, engineering works and energy project development services.



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Entry Price	RM8.78
Market Cap (m)	RM50,512.0
52w high	RM10.56
52w low	RM7.89
Stop Loss	RM7.51
Immediate Support	RM8.34
Immediate Resistance	RM7.88 (Previous high)
Moving Average (EMA)	Bullish
Moving Average (SMA)	Bullish
Bollinger Bands (Long Run)	Less volatile over the long run
RSI	Strong Momentum
Volume (4-Weeks Average)	5,805,682.0



TECHNICAL ANALYSIS SCOREBOARD

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
29/7/2022	Axiata	6888	2.850	3.060	2.440	3.140	2.7	7.4	-
29/7/2022	SAM	9822	3.500	4.300	2.990	3.850	1.4	22.9	TP Achieved
1/8/2022	Unisem	5005	3.000	2.880	2.570	3.300	2.1	-4.0	-
1/8/2022	TNB	5347	8.260	8.780	7.060	9.090	2.9	6.3	-
2/8/2022	KLK	2445	22.540	21.880	19.270	24.790	0.2	-2.9	-
2/8/2022	F&N	3689	22.020	23.120	18.830	24.240	0.5	5.0	-
3/8/2022	Heineken	3255	22.540	24.580	20.180	26.070	0.1	9.1	TP Achieved
3/8/2022	HarnLen	7501	1.640	1.700	1.400	1.800	4.9	3.7	-
4/8/2022	Vitrox	0097	7.790	7.330	6.660	8.570	0.8	-5.9	-
4/8/2022	Axiata	6888	2.950	3.060	2.520	3.250	2.7	3.7	-
8/8/2022	Harrison	5008	5.750	NA	4.920	6.330	NA	NA	-
8/8/2022	Hextar	5151	1.670	1.580	1.430	1.840	1.9	-5.4	-
9/8/2022	DKSH	5908	4.330	4.500	3.640	4.760	3.9	3.9	-
9/8/2022	BIG	7008	0.760	0.750	0.710	0.840	3.4	-1.3	TP Achieved
10/8/2022	Signature	7246	1.500	1.490	1.270	1.640	2.8	-0.7	-
10/8/2022	PetGas	6033	17.280	17.440	14.790	19.030	2.2	0.9	-
11/8/2022	TexChem	8702	3.150	3.690	2.690	3.470	7.3	17.1	TP Achieved
11/8/2022	SimePlt	5285	4.510	4.220	3.860	4.960	-0.7	-6.4	-
12/8/2022	SAM	9822	4.590	4.300	2.750	5.050	1.4	-6.3	-
12/8/2022	Heineken	3255	24.440	24.580	20.900	26.880	0.1	0.6	-
15/8/2022	Kobay	6971	3.220	2.850	2.750	3.540	4.0	-11.5	SL Triggered
15/8/2022	Guan	5102	2.410	2.470	2.060	2.650	2.1	2.5	-
16/8/2022	Signature	7246	1.520	1.490	1.300	1.670	2.8	-2.0	-
16/8/2022	Carlsberg	2836	24.040	23.600	20.550	26.440	-0.2	-1.8	-
17/8/2022	Digi	6947	3.860	3.740	3.300	4.250	5.4	-3.1	-
17/8/2022	Bonia	9288	2.450	2.430	2.090	2.700	4.3	-0.8	-
18/8/2022	KLK	2445	23.000	21.880	19.670	25.300	0.2	-4.9	-
18/8/2022	SKP	7155	1.730	1.680	1.480	1.900	2.4	-2.9	-
19/8/2022	CORAZA	0240	0.830	0.860	0.710	0.910	6.2	3.6	-
19/8/2022	AMMB	1015	4.070	4.040	3.480	4.480	1.0	-0.7	-
21/8/2022	Padini	7052	3.370	3.250	2.880	3.710	-1.5	-3.6	-
21/8/2022	MPI	3867	34.480	33.200	29.480	37.930	2.3	-3.7	-
22/8/2022	Pantech	5125	0.670	0.695	0.570	0.740	0.7	3.7	-
22/8/2022	Harbour	2062	1.170	1.200	1.000	1.290	0.0	2.6	-
23/8/2022	Atech	5302	1.610	1.630	1.380	1.770	3.2	1.2	-
23/8/2022	Hibiscus	5199	0.970	1.010	0.830	1.290	2.0	4.1	-
24/8/2022	PMB	7172	3.490	3.600	2.980	3.840	3.4	3.2	-
24/8/2022	DRBHicom	1619	1.400	1.490	1.200	1.540	-5.1	6.4	-
25/8/2022	TexChem	8702	3.690	3.690	3.150	4.060	7.3	0.0	-
25/8/2022	TNB	5347	8.780	8.780	7.510	9.660	2.9	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	1.960	0.18	9.2
YTL Hospitality REIT	REIT	0.935	0.08	8.3
British American Tobacco Malay	Consumer	10.340	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	1.220	0.09	7.1
Pharmaniaga Bhd	Consumer	0.565	0.04	7.1
Capitaland Malaysia Trust	REIT	0.530	0.04	7.2
Amanahraya REIT	REIT	0.650	0.04	6.8
Uchi Technologies Bhd	Industrial	3.100	0.20	6.5
Malayan Banking Bhd	Finance	8.840	0.57	6.4
Tambun Indah Land Bhd	Property	0.860	0.05	6.2
Malaysia Building Society Bhd	Finance	0.590	0.03	5.9
Matrix Concepts Holdings Bhd	Property	2.300	0.13	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	(4.8)	21.3	15.5	17.6	15.5	13.0	
Finance	6.9	13.0	11.5	12.5	12.8	7.2	
Property	(7.3)	13.8	11.2	12.2	11.7	9.8	
Plantation	6.3	94.6	8.7	43.3	8.7	13.3	
Consumer	(0.2)	25.6	11.7	21.4	11.7	16.3	
Technology	(32.8)	29.8	19.1	24.2	21.9	20.4	
Construction	2.2	22.2	14.3	18.0	14.3	11.7	
Energy	4.3	-	-	-	10.7	9.5	
Health care	(32.5)	52.6	13.7	33.1	13.7	23.2	
Ind Prod	(10.5)	38.6	10.2	23.7	10.2	11.1	
REIT	1.2	-	-	-	24.4	15.9	
Telco	(7.4)	25.1	24.5	24.8	24.5	18.6	
Transportations	(6.5)	-	-	-	-	3.5	
Utilities	1.6	-	-	-	14.8	12.8	

Source: Bloomberg



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