



DAILY NEWSWATCH

MARKET REVIEW

Malaysian stocks fell yesterday following the steep sell-off on Wall Street last Friday. Market breadth was broadly negative with 616 losers versus 278 gainers. The technology sector was the top percentage loser plunging by 2.91%, while the plantation sector was the top percentage gainer increasing by 0.74%. Malaysian Pacific Industries (3867) was the top loser declining by RM1.00 or 2.94% in line with weakness in technology counters. The FBM KLCI increased marginally by 0.09% to 1,501.57.

We expect Malaysian equities to fall following losses on Wall Street overnight.

ECONOMICS

- **DOSM: PPI** increase eased to 7.6% in July

COMPANY

- **DNeX (4456)** records net profit of RM550m in FY22
- **Honda, LG** set to build US\$4.4 bn EV battery plant in US
- **Mah Sing's (8583)** 2Q profit strengthens on achieving highest quarterly, half-year sales since 2017
- Prosperity tax crimps **Public Bank's (1295)** 2Q net profit growth, eight sen interim dividend declared
- **RHB Bank's (1066)** 2Q net profit drops 10% to RM635m
- **Ta Ann (5012)** declares 15 sen dividend as 2Q net profit up 24%

EXPRESSO FOR THE DAY

- **Technical Watch – PCHEM (5183)** – Entry Price RM8.90, Target Price RM9.79, Stop Loss RM7.61, Support RM8.46, Resistance RM10.25
- **Technical Watch – MFCB (3069)** – Entry Price RM3.60, Target Price RM3.69, Stop Loss RM3.08, Support RM3.42, Resistance RM3.80

Local		(%)
FBMKLCI	1,501.57	0.1
Volume (mil)	1,945.02	(18.9)
Value (RM'mil)	1,589.31	(14.7)
Gainers	278	
Losers	616	
Unchanged	387	

Foreign		(%)
Dow Jones	32,099.0	(0.6)
Nasdaq CI	12,017.7	(1.0)
S&P 500	4,030.6	(0.7)
FTSE 100	7,427.3	(0.7)
Nikkei 225	27,879.0	(2.7)
Shanghai CI	3,240.7	0.1
HSI	20,023.2	(0.7)
STI	3,222.3	(0.8)

Most Active	RM	Chg
MYEG	0.715	(0.040)
DNEX	0.850	(0.025)
TOPGLOV	0.800	(0.030)
AGMO	0.920	0.025
HSI-HEM	0.200	0.000

Top Gainer	RM	Chg
HARISON	6.000	0.400
PETDAG	21.820	0.400
SP500-H13	1.990	0.390
HLFG	19.520	0.220
PPB	17.000	0.220

Top Loser	RM	Chg
MPI	33.000	(1.000)
NESTLE	135.400	(0.400)
HEIM	24.200	(0.400)
F&N	22.940	(0.320)
SP500-C14	1.020	(0.320)

Other Stats		(%)
USD/MYR	4.49	0.53
USD/RMB	6.91	0.54
Brent (USD/barrel)	105.09	4.06
Gold (USD/troy oz)	1,737.09	(0.06)
CPO (RM/metric t)	4,192.0	(0.32)



DAILY NEWSWATCH

ECONOMICS

The increase in Malaysia's producer price index for local production, which measures the costs of goods at the factory gate, eased to 7.6% y-o-y in July 2022, from 10.9% y-o-y in June 2022, said the Department of Statistics Malaysia. (The Edge)

COMPANY

Dagang NeXchange Bhd (4456) recorded a net profit of RM549.59m and revenue of RM1.44 bn in the financial year ended June 30, 2022. (The Edge)

Honda Motor Co and South Korean battery maker **LG Energy Solution Ltd** will spend US\$4.4 bn (RM19.75 bn) to build a new battery plant in the US as the Japanese carmaker seeks to phase out fossil-fuel vehicles completely by 2040. (The Edge)

Mah Sing Group Bhd's (8583) net profit for 2QFY22 rose 6.52% to RM43.04m from RM40.4m last year, driven by the group's successful launches of new parcels of affordably priced homes and good take-up of its other ongoing projects. (The Edge)

Public Bank Bhd's (1295) net profit for 2QFY22 rose by 2.35% to RM1.42 bn, from RM1.38 bn posted a year ago. The year-on-year increase was more modest than its 12.66% growth in pre-tax profit to RM2.02 bn, from RM1.8 bn for 2QFY21, due to the impact of Cukai Makmur (the one-off prosperity tax), the bank's filing with Bursa Malaysia showed. (The Edge)

RHB Bank Bhd's (1066) net profit fell 9.5% to RM634.83m for 2QFY22 from RM701.34m a year ago mainly due to lower non-fund based income and higher operating expenses. (The Edge)

Ta Ann Holdings Bhd (5012) saw its net profit expand 24.12% to RM92.02m in 2QFY22, compared with RM74.14m in the same quarter last year, mainly attributed to higher average selling prices achieved for the crude palm oil, fresh fruit bunches and plywood products. (The Edge)



Petronas Chemicals Group Bhd

Technical Watch - "BUY on Potential Upside"

Bloomberg: PCHEM MK | KLSE Stock Code: 5183

Main Market Industrial Products & Services Subsector – Chemicals

Current Price: RM8.90

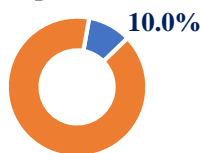
Target Price: RM9.79

Investment Highlights

On a trend reversal, 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 >50).

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 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: 14
Holds: 4
Sells: 1

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	19.2	16.7	15.4
P/B	1.9	1.9	1.8
P/CF	12.4	10.6	9.8
P/S	3.4	3.2	3.0

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

Company Overview

Petronas Chemicals Group Bhd. is a chemical company. The Company offers a diversified range of petrochemical products such as olefins, polymers, fertilisers, methanol, and other basic chemicals and derivative products.



Ronnie Tan

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Entry Price	RM8.90
Market Cap (m)	RM71,200.0
52w high	RM11.08
52w low	RM7.76
Stop Loss	RM7.61
Immediate Support	RM8.46
Immediate Resistance	RM10.25 (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)	13,810,395.1



Mega First Corporation Berhad

Technical Watch - "BUY on Potential Reversal"

Bloomberg: MFCB MK | KLSE Stock Code: 3069

Main Market
Utilities

Subsector – Electricity

Current Price: RM3.60

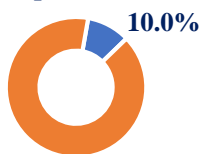
Target Price: RM3.96

Investment Highlights

On a sideways, 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 higher volatility as seen from an expanding bollinger band, we think that prices could potentially trade with higher 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: 4

Holds: 0

Sells: 0

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	8.9	10.2	8.2
P/BV	1.6	1.3	1.0
P/CF	8.6	20.5	12.4
P/S	3.8	2.7	1.7

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

Company Overview

Mega First Corporation Berhad is an investment holding company which provides management services. Through its subsidiaries, the Company quarries limestone to produce quicklime, hydrated lime, and calcium carbonate powder. MFCB also assembles machinery, markets and trades heavy equipment, and manufactures and trades security seals. The Company also has operation in property development.



Ronnie Tan

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Entry Price	RM3.60
Market Cap (m)	RM3,403.1
52w high	RM3.89
52w low	RM3.21
Stop Loss	RM3.08
Immediate Support	RM3.42
Immediate Resistance	RM3.80 (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)	775,848.6



TECHNICAL ANALYSIS SCOREBOARD

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
2/8/2022	KLK	2445	22.540	22.340	19.270	24.790	0.2	-0.9	-
2/8/2022	F&N	3689	22.020	22.940	18.830	24.240	-1.5	4.2	-
3/8/2022	Heineken	3255	22.540	24.200	20.180	26.070	-2.4	7.4	TP Achieved
3/8/2022	HarnLen	7501	1.640	1.740	1.400	1.800	-2.8	6.1	-
4/8/2022	Vitrox	0097	7.790	7.260	6.660	8.570	-1.4	-6.8	-
4/8/2022	Axiata	6888	2.950	3.000	2.520	3.250	-3.2	1.7	-
8/8/2022	Harrison	5008	5.750	NA	4.920	6.330	NA	NA	-
8/8/2022	Hextar	5151	1.670	1.610	1.430	1.840	2.5	-3.6	-
9/8/2022	DKSH	5908	4.330	4.500	3.640	4.760	-0.2	3.9	-
9/8/2022	BIG	7008	0.760	0.720	0.710	0.840	-4.6	-5.3	TP Achieved
10/8/2022	Signature	7246	1.500	1.520	1.270	1.640	2.0	1.3	-
10/8/2022	PetGas	6033	17.280	17.400	14.790	19.030	-1.0	0.7	-
11/8/2022	TexChem	8702	3.150	3.520	2.690	3.470	-3.0	11.7	TP Achieved
11/8/2022	SimePlt	5285	4.510	4.390	3.860	4.960	2.1	-2.7	-
12/8/2022	SAM	9822	4.590	4.380	2.750	5.050	1.4	-4.6	-
12/8/2022	Heineken	3255	24.440	24.200	20.900	26.880	-2.4	-1.0	-
15/8/2022	Kobay	6971	3.220	2.740	2.750	3.540	-3.5	-14.9	SL Triggered
15/8/2022	Guan	5102	2.410	2.400	2.060	2.650	-3.2	-0.4	-
16/8/2022	Signature	7246	1.520	1.520	1.300	1.670	2.0	0.0	-
16/8/2022	Carlsberg	2836	24.040	23.280	20.550	26.440	-1.4	-3.2	-
17/8/2022	Digi	6947	3.860	3.730	3.300	4.250	-1.3	-3.4	-
17/8/2022	Bonia	9288	2.450	2.270	2.090	2.700	-2.6	-7.3	-
18/8/2022	KLK	2445	23.000	22.340	19.670	25.300	0.2	-2.9	-
18/8/2022	SKP	7155	1.730	1.670	1.480	1.900	-1.2	-3.5	-
19/8/2022	CORAZA	0240	0.830	0.795	0.710	0.910	-7.6	-4.2	-
19/8/2022	AMMB	1015	4.070	4.010	3.480	4.480	-1.0	-1.5	-
21/8/2022	Padini	7052	3.370	3.320	2.880	3.710	1.8	-1.5	-
21/8/2022	MPI	3867	34.480	33.000	29.480	37.930	-3.0	-4.3	-
22/8/2022	Pantech	5125	0.670	0.670	0.570	0.740	-2.2	0.0	-
22/8/2022	Harbour	2062	1.170	1.190	1.000	1.290	0.8	1.7	-
23/8/2022	Atech	5302	1.610	1.600	1.380	1.770	-5.3	-0.6	-
23/8/2022	Hibiscus	5199	0.970	1.010	0.830	1.290	0.0	4.1	-
24/8/2022	PMB	7172	3.490	3.540	2.980	3.840	1.1	1.4	-
24/8/2022	DRBHicom	1619	1.400	1.440	1.200	1.540	-0.7	2.9	-
25/8/2022	TexChem	8702	3.690	3.520	3.150	4.060	-3.0	-4.6	-
25/8/2022	TNB	5347	8.780	8.770	7.510	9.660	-0.8	-0.1	-
26/8/2022	Scientex	4731	3.610	3.540	3.090	3.970	-0.8	-1.6	-
26/8/2022	ChinHin	5273	2.540	2.550	2.170	2.790	0.4	0.7	-
29/8/2022	Pchem	5183	8.900	8.900	7.610	9.790	2.4	3	-
29/8/2022	MFCB	3069	3.600	3.600	3.080	3.900	1.7	5.3	-

*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	2.050	0.18	8.8
British American Tobacco Malay	Consumer	10.280	0.86	8.4
YTL Hospitality REIT	REIT	0.935	0.08	8.3
UOA REIT	REIT	1.130	0.09	7.6
Pharmaniaga Bhd	Consumer	0.560	0.04	7.1
Al-'Aqar Healthcare REIT	REIT	1.220	0.09	7.1
Capitaland Malaysia Trust	REIT	0.545	0.04	7.0
Tambun Indah Land Bhd	Property	0.865	0.06	6.6
Uchi Technologies Bhd	Industrial	3.200	0.21	6.6
YTL Power International Bhd	Utilities	0.730	0.05	6.3
Malayan Banking Bhd	Finance	8.940	0.55	6.2
Malaysia Building Society Bhd	Finance	0.580	0.04	6.0
Pavilion REIT	REIT	1.300	0.08	5.8
Hong Leong Industries Bhd	Industrial	9.150	0.52	5.7

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	(4.2)	21.3	15.6	17.6	15.6	13.2	
Finance	7.4	13.1	11.5	12.5	13.1	7.2	
Property	(7.3)	13.8	11.2	12.1	11.4	9.9	
Plantation	8.5	94.6	8.8	43.3	8.8	13.8	
Consumer	(0.1)	25.6	18.5	22.7	18.5	16.5	
Technology	(34.3)	29.8	19.1	24.1	21.5	19.9	
Construction	1.1	22.2	10.2	17.2	10.2	11.7	
Energy	2.7	-	-	-	9.9	9.6	
Health care	(33.5)	52.6	13.3	32.9	13.3	22.7	
Ind Prod	(9.8)	38.6	10.2	23.7	10.2	11.4	
REIT	0.8	-	-	-	24.2	15.9	
Telco	(8.1)	26.4	25.1	25.7	26.4	18.3	
Transportations	(7.6)	-	-	-	-	3.4	
Utilities	1.3	-	-	-	12.9	12.6	

Source: Bloomberg

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