



DAILY NEWSWATCH

MARKET REVIEW

Malaysian stocks leaped yesterday in line with strength in Asian equity markets. Market breadth was positive with 610 gainers versus 276 losers. Every sector finished in the green with the technology sector being the top percentage gainer surging by 3.03%. Malaysian Pacific Industries (3867) was a major gainer increasing by RM0.78 or 2.46% in line with strength in technology counters. The FBM KLCI rose by 1.15% to 1,507.71.

We expect a pullback in Malaysian equities on profit-taking following yesterday's strong gains.

ECONOMICS

- **Indian rupee** slips, strong US dollar keeps Asian currencies muted
- **Malaysia end-July palm oil stocks** seen at eight-month high as output rises

COMPANY

- **ConocoPhillips** sweetens shareholder returns as profits surge
- **Glencore** pays out US\$4.45 bn as profit doubles to record
- **Kelington (0151)** bags RM117m contract in Singapore
- **Malaysia Smelting (5916) Corp** 2Q profit jumps to RM39m on higher tin prices

EXPRESSO FOR THE DAY

- **Technical Watch – Vitrox (0240)** – Entry Price RM7.79, Target Price RM8.57., Stop Loss RM6.66, Support RM7.40, Resistance RM7.48
- **Technical Watch – Axiata (9822)** – Entry Price RM2.95, Target Price RM3.25, Stop Loss RM2.52, Support RM2.80, Resistance RM2.855

Local		(%)
FBMKLCI	1,507.71	1.1
Volume (mil)	2,650.37	38.9
Value (RM'mil)	1,893.44	39.8
Gainers	610	
Losers	276	
Unchanged	392	

Foreign		(%)
Dow Jones	32,726.8	(0.3)
Nasdaq CI	12,720.6	0.4
S&P 500	4,151.9	(0.1)
FTSE 100	7,448.1	0.0
Nikkei 225	27,932.2	0.7
Shanghai CI	3,189.0	0.8
HSI	20,174.0	2.1
STI	3,269.9	0.5

Most Active	RM	Chg
CSH	0.050	-0.010
MIRONIC	0.075	-0.025
PUC	0.020	-0.005
DNEX	0.880	0.070
ZENTECH	0.030	-0.005

Top Gainer	RM	Chg
DIN040000223	101.500	1.390
NESTLE	135.200	0.900
MPI	32.480	0.780
CHINHIN	5.370	0.560
F&N	22.420	0.480

Top Loser	RM	Chg
HSI-CJL	0.345	(0.250)
HSI-HEO	1.170	(0.200)
SP500-H13	1.800	(0.160)
LPI	13.240	(0.140)
HSI-HEI	0.715	(0.125)

Other Stats		(%)
USD/MYR	4.46	0.05
USD/RMB	6.75	(0.13)
Brent (USD/barrel)	94.12	(2.75)
Gold (USD/troy oz)	1,791.28	1.47
CPO (RM/metric t)	3,871.5	(3.49)



DAILY NEWSWATCH

ECONOMICS

The Indian rupee weakened half a percent on Thursday (Aug 4) ahead of a widely expected rate increase on Friday, while most other Asian currencies struggled for direction as the US dollar stayed strong and Federal Reserve officials indicated more rate hikes to come. (The Edge)

Malaysia's palm oil inventories at end-July likely jumped to the highest in eight months due to improving production and soaring imports, a Reuters survey showed on Thursday (Aug 4). (The Edge)

COMPANY

ConocoPhillips raised its planned capital returns to US\$15 bn for 2022 after posting a second-quarter profit that more than doubled on the back of surging energy prices. (The Edge)

Glencore plc will return an additional US\$4.45 bn to shareholders in dividends and share buy-backs after first-half profit more than doubled to a record thanks to surging coal prices. (The Edge)

Kelington Group Bhd (0151) secured a RM117m contract to undertake bulk and specialty gas system distribution works for a memory solutions' fabrication facilities in Singapore. (The Edge)

Malaysia Smelting Corporation Bhd's (5916) second quarter net profit jumped by over 13 times to RM39.45m from RM2.93m a year earlier, on the back of higher revenue. (The Edge)



Vitrox Corporation Berhad

Technical Watch - "BUY on Potential Upside"

Bloomberg: VITRO MK | KLSE Stock Code: 0097

Main Market
Technology
Subsector – Semiconductors

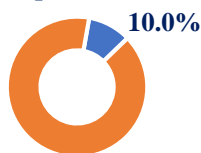
Current Price: RM7.79
Target Price: RM8.57

Investment Highlights

On a downtrend 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: 5
Holds: 3
Sells: 2

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	58.5	45.2	29.8
P/B	11.8	9.6	6.4
P/CF	79.0	59.1	54.8
P/S	13.6	10.9	7.4

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

Company Overview

Vitrox Corporation Bhd, through its subsidiary, develops and produces automated vision inspection systems. The Company provides machine vision solutions for semiconductor integrated circuit inspection.



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Entry Price	RM7.79
Market Cap (m)	RM7,358.8
52w high	RM11.15
52w low	RM5.90
Stop Loss	RM6.66
Immediate Support	RM7.40
Immediate Resistance	RM7.48 (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)	1,415,965.9



Axiata Group Berhad

Technical Watch - "BUY on Potential Upside"

Bloomberg: AXIATA MK | KLSE Stock Code: 6888

Main Market Telecommunications and Media Subsector

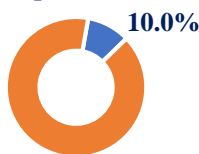
Current Price: RM2.95
Target Price: RM3.25

Investment Highlights

On an downtrend, the stock is currently trading above the MA20. We think that there is a potential reversal supported by a bullish marubozu coupled with a strong momentum on the stock (RSI > 65).

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: 12
Holds: 6
Sells: 1

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	66.2	60.2	40.8
P/BV	1.9	1.9	2.0
P/CF	3.8	4.9	6.6
P/S	1.3	1.4	1.9

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

Company Overview

Axiata Group Berhad is a telecommunication company. The Company's main activities is the establishment, maintenance, and provision of telecommunications and related services.



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Entry Price	RM2.95
Market Cap (m)	RM27,071.6
52w high	RM4.19
52w low	RM2.61
Stop Loss	RM2.52
Immediate Support	RM2.80
Immediate Resistance	RM2.85 (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)	3,718,452.4



TECHNICAL ANALYSIS SCOREBOARD

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
6/7/2022	TimeDotCom	5031	4.420	4.490	3.780	4.850	-0.7	1.6	-
6/7/2022	PowerRoot	7237	1.770	1.750	1.510	1.950	-1.7	-1.1	-
7/7/2022	CIMBGroup	1023	5.100	5.250	4.360	4.850	0.4	2.9	-
7/7/2022	Inari	0166	2.580	2.830	2.210	1.950	-1.0	9.7	TP Achieved
8/7/2022	AMMB	1015	3.850	3.830	3.290	4.240	-1.3	-0.5	-
8/7/2022	Boustead	2771	0.830	0.785	0.710	0.910	-3.1	-5.4	-
12/7/2022	PetDag	5681	21.900	22.720	18.720	24.090	-0.4	3.7	-
12/7/2022	PowerRoot	7237	1.850	1.750	1.580	2.040	-1.7	-5.4	-
13/7/2022	PPBGroup	5681	16.000	16.200	13.680	17.600	0.0	1.3	-
13/7/2022	ChinHin	5273	3.370	4.930	2.880	3.710	2.5	46.3	TP Achieved
14/7/2022	PIE	7095	2.850	3.300	2.440	3.140	-0.6	15.8	TP Achieved
14/7/2022	Nestle	4707	134.400	134.300	114.910	147.840	0.0	-0.1	-
15/7/2022	QLResources	7084	5.350	5.140	4.570	5.350	-1.9	-3.9	-
15/7/2022	HongLeongCapital	5274	5.780	6.160	4.940	5.970	-0.3	6.6	-
18/7/2022	Frontken	0128	2.310	2.730	1.980	2.540	-2.5	18.2	TP Achieved
18/7/2022	Dufu	7233	2.640	3.150	2.260	2.900	-0.3	19.3	TP Achieved
19/7/2022	PPBGroup	4065	16.380	16.200	14.000	18.020	0.0	-1.1	-
19/7/2022	Genetec	0104	2.070	2.330	1.770	2.280	-2.9	12.6	TP Achieved
21/7/2022	Bonia	9288	2.020	2.150	1.730	2.220	0.0	6.4	TP Achieved
21/7/2022	SKP	7155	1.560	1.560	1.330	1.720	2.0	0.0	-
22/7/2022	Vitrox	0097	7.470	7.470	6.390	8.220	0.9	0.0	-
22/7/2022	Panamy	3719	26.680	26.260	22.810	29.350	-0.5	-1.6	-
25/7/2022	Lctitan	5284	2.050	1.830	1.750	2.260	0.0	-10.7	-
25/7/2022	Maybank	1155	8.810	8.880	7.530	9.690	0.6	0.8	-
26/7/2022	Padini	7052	3.100	3.220	2.650	3.410	2.2	3.9	-
26/7/2022	Chin Hin	5273	4.230	4.930	3.610	4.640	2.5	16.5	TP Achieved
27/7/2022	Dayang	5141	0.970	0.945	0.830	1.060	-0.5	-2.6	-
27/7/2022	Bonia	9288	2.230	2.150	1.910	2.450	0.0	-3.6	-
28/7/2022	AEONCR	5139	14.480	14.060	12.380	15.930	1.6	-2.9	-
28/7/2022	BerjayaFood	5196	3.980	3.960	3.400	4.380	-2.9	-0.5	-
29/7/2022	Axiata	6888	2.850	2.830	2.440	3.140	0.0	-0.7	-
29/7/2022	SAM	9822	3.500	4.330	2.990	3.850	-6.5	23.7	TP Achieved
1/8/2022	Unisem	5005	3.000	2.920	2.570	3.300	-2.3	-2.7	-
1/8/2022	TNB	5347	8.260	8.300	7.060	9.090	0.6	0.5	-
2/8/2022	KLK	2445	22.540	21.960	19.270	24.790	0.0	-2.6	-
2/8/2022	F&N	3689	22.020	22.020	18.830	24.240	0.4	0.0	-
3/8/2022	Heineken	3255	22.540	23.600	20.180	26.070	-0.3	4.7	-
3/8/2022	HarnLen	7501	1.640	1.650	1.400	1.800	-1.8	0.6	-
4/8/2022	Vitrox	0097	7.790	7.470	6.660	8.570	0.9	-4.1	-
4/8/2022	Axiata	6888	2.950	2.830	2.520	3.250	0.0	-4.1	-

*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	2.010	0.18	9.0
British American Tobacco Malay	Consumer	10.500	0.86	8.2
YTL Hospitality REIT	REIT	0.955	0.08	8.2
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	0.635	0.04	7.0
Capitaland Malaysia Trust	REIT	0.565	0.04	6.7
Uchi Technologies Bhd	Industrial	3.040	0.20	6.6
Matrix Concepts Holdings Bhd	Property	2.250	0.14	6.4
Malayan Banking Bhd	Finance	8.850	0.56	6.3
Pharmaniaga Bhd	Consumer	0.670	0.04	6.3
Magnum Bhd	Consumer	1.690	0.10	6.0
Malaysia Building Society Bhd	Finance	0.585	0.04	6.0

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	(4.4)	21.3	15.1	17.5	15.1	13.8	
Finance	6.7	13.0	11.5	12.5	12.8	10.8	
Property	(9.5)	13.8	11.2	12.3	12.3	9.5	
Plantation	7.5	94.6	8.9	43.3	8.9	7.9	
Consumer	0.1	25.6	12.2	21.5	12.2	16.4	
Technology	(30.4)	29.8	19.1	24.3	22.6	13.2	
Construction	2.5	22.2	14.3	18.0	14.3	11.5	
Energy	(6.2)	-	-	-	10.1	8.6	
Health care	(26.9)	52.6	9.7	31.1	9.7	22.9	
Ind Prod	(8.8)	38.6	10.3	23.7	10.3	11.9	
REIT	2.5	-	-	-	25.6	16.1	
Telco	(9.7)	25.1	24.7	24.9	24.7	17.9	
Transportations	(6.9)	-	-	-	-	16.3	
Utilities	(2.2)	-	-	-	14.4	12.3	

Source: Bloomberg

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