



DAILY NEWSWATCH

MARKET REVIEW

The FBM KLCI rose on Tuesday on bargain-hunting activity in select blue chip counters. Market breadth was mixed with 453 gainers versus 406 losers. The plantation sector was the top percentage gainer leaping by 1.23%, while the health care sector was the top percentage loser declining by 0.89%. Petronas Dagangan (5681) was the top gainer surging by RM1.68 or 7.70%. The FBM KLCI increased by 0.70% to 1,512.05.

We expect Malaysian equities to trend lower as pessimism returns to plague global equity markets.

ECONOMICS

- **Malaysia's subsidies** to hit historic amount of RM80 bn this year
- **UK inflation** could top 22% next year, warns Goldman Sachs

COMPANY

- **CIMB's (1023)** 2Q profit up on higher operating income, lower provisions
- **Hengyuan Refining (4324)** posts record net profit in 2Q, declares 10 sen dividend
- **Icon Offshore (5255)** to sell jack-up rig at double the purchase price
- **TNB's (5347)** quarterly revenue hits record high of RM19 bn, but so did its receivables; pays 20 sen dividend as profit rises 6%

EXPRESSO FOR THE DAY

- **Technical Watch – KLK (2445)** – Entry Price RM22.42, Target Price RM24.66, Stop Loss RM19.51, Support RM21.68, Resistance RM22.96
- **Technical Watch – PetDag (5681)** – Entry Price RM22.42, Target Price RM24.66, Stop Loss RM19.17, Support RM21.30, Resistance RM23.47

Local		(%)
FBMKLCI	1,512.05	0.7
Volume (mil)	2,863.73	47.2
Value (RM'mil)	2,716.07	70.9
Gainers	453	
Losers	406	
Unchanged	425	

Foreign		(%)
Dow Jones	31,510.4	(0.9)
Nasdaq CI	11,816.2	(0.6)
S&P 500	3,955.0	(0.8)
FTSE 100	7,284.2	(1.1)
Nikkei 225	28,091.5	(0.4)
Shanghai CI	3,202.1	(0.8)
HSI	19,954.4	0.0
STI	3,221.7	(0.5)

Most Active	RM	Chg
VC	0.180	0.000
MYEG	0.800	0.085
MTRONIC	0.075	0.000
TOPGLOV	0.805	0.005
HSI-CJC	0.295	(0.025)

Top Gainer	RM	Chg
PETDAG	23.500	1.680
KLK	23.140	0.800
PPB	17.600	0.600
TENAGA	8.990	0.220
TIMECOM	4.770	0.210

Top Loser	RM	Chg
NESTLE	133.000	(2.400)
MPI	30.760	(2.240)
BKAWAN	23.000	(0.620)
HEIM	23.580	(0.620)
F&N	22.380	(0.560)

Other Stats		(%)
USD/MYR	4.48	(0.02)
USD/RMB	6.89	(0.30)
Brent (USD/barrel)	96.49	(2.84)
Gold (USD/troy oz)	1,711.04	(0.75)
CPO (RM/metric t)	4,037.0	(3.73)



DAILY NEWSWATCH

ECONOMICS

Malaysia's subsidy bill is expected to hit RM80 bn this year, the highest in history, said Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz. (The Edge)

UK inflation could top 22% next year if natural gas prices remain elevated in the coming months, Goldman Sachs Group Inc warned. (The Edge)

COMPANY

CIMB Group Holdings Bhd's (1023) net profit rose 18.13% to RM1.28 bn in 2QFY22, from RM1.08 bn a year ago, driven by higher operating income, contained cost escalation as well as lower provisions across key markets. (The Edge)

Hengyuan Refining Co Bhd (4324) posted an all-time high net profit of RM667.49m in 2QFY22 compared to a net loss of RM59.38m a year ago. (The Edge)

Icon Offshore Bhd (5255) is set to offload a jack-up rig to Saudi Arabia-based ADES Arabia Holding for RM381.65m, which is more than double the price paid by the company to buy it 22 months ago. (The Edge)

Tenaga Nasional Bhd's (5347) revenue soared to a record high of RM19.14 bn for 2QFY22 — up 53.86% from RM12.44 bn a year ago — of which RM6.3 bn was the group's under-recovery of Imbalance Cost Pass-Through position, as opposed to RM314.6m previously. (The Edge)



Kuala Lumpur Kepong Bhd

Technical Watch - "BUY on Potential Upside"

Bloomberg: KLK MK | KLSE Stock Code: 2445

**Main Market
Industrial Products & Services
Subsector – Chemicals**

Current Price: RM22.82

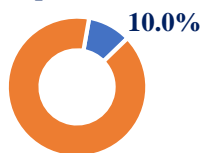
Target Price: RM25.10

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 >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 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

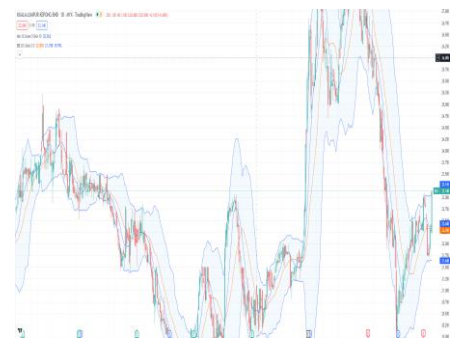
Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	17.0	30.2	26.7
P/B	2.1	2.2	2.5
P/CF	15.5	17.7	21.5
P/S	1.3	1.4	1.7

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

Company Overview

Kuala Lumpur Kepong Berhad produces and processes palm products, natural rubber, and cocoa on its plantations. The Company, through its subsidiaries, mills and refines oil palm products, cultivates ramie, and manufactures oleochemicals, soap, esters, latex gloves, toiletries, and parquet flooring products. Kuala Lumpur Kepong also develops properties and operates holiday bungalows.



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Entry Price	RM22.82
Market Cap (m)	RM24,603.5
52w high	RM29.80
52w low	RM19.72
Stop Loss	RM19.51
Immediate Support	RM21.68
Immediate Resistance	RM22.96 (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)	4,542,411.7



Petronas Dagangan Berhad

Technical Watch - "BUY on Potential Breakout"

Bloomberg: PETD MK | KLSE Stock Code: 5681

Main Market
Utilities

Subsector – Electricity

Current Price: RM22.42

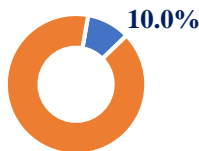
Target Price: RM24.66

Investment Highlights

On an uptrend, the stock is currently trading above the MA20. We think that there is a potential breakout of the resistance supported by a bullish marubozu 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	47.0	36.4	33.7
P/BV	3.6	3.9	4.3
P/CF	45.2	40.7	28.6
P/S	0.9	0.9	0.9

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

Company Overview

Petronas Dagangan Berhad markets petroleum products and operates service stations domestically. Through its subsidiaries, the Company has operations in aviation fueling at Kuala Lumpur International Airport and bunkering facilities at West Port along with marketing and distributing lubricants.



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Entry Price	RM22.42
Market Cap (m)	RM22,273.2
52w high	RM23.50
52w low	RM18.50
Stop Loss	RM19.17
Immediate Support	RM21.30
Immediate Resistance	RM23.47 (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
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	-
30/8/2022	KLK	2445	22.820	8.900	7.610	24.660	2.4	3	-
30/8/2022	PetDag	5681	22.420	3.600	3.080	24.660	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	0.375	0.04	10.3
SHL Consolidated Bhd	Property	2.050	0.18	8.8
YTL Hospitality REIT	REIT	0.935	0.08	8.3
British American Tobacco Malay	Consumer	10.320	0.86	8.3
UOA REIT	REIT	1.130	0.09	7.6
Pharmaniaga Bhd	Consumer	0.555	0.04	7.2
Al-'Aqar Healthcare REIT	REIT	1.220	0.09	7.1
Capitaland Malaysia Trust	REIT	0.540	0.04	7.0
Tambun Indah Land Bhd	Property	0.840	0.06	6.8
Uchi Technologies Bhd	Industrial	3.320	0.21	6.3
Malayan Banking Bhd	Finance	8.940	0.55	6.2
YTL Power International Bhd	Utilities	0.750	0.05	6.1
Malaysia Building Society Bhd	Finance	0.580	0.04	6.0
Pavilion REIT	REIT	1.280	0.08	5.9
Hong Leong Industries Bhd	Industrial	9.130	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	(3.7)	21.3	15.7	17.6	15.7	13.2	
Finance	7.9	13.1	11.5	12.5	13.1	7.3	
Property	(7.3)	13.8	11.2	12.1	11.2	9.9	
Plantation	9.6	94.6	8.9	43.3	8.9	14.0	
Consumer	0.6	25.6	18.5	22.8	18.5	16.5	
Technology	(34.4)	29.8	19.1	24.1	21.4	20.2	
Construction	1.2	22.2	10.2	17.2	10.2	11.7	
Energy	4.1	-	-	-	9.2	9.7	
Health care	(34.4)	52.6	13.1	32.9	13.1	22.6	
Ind Prod	(9.8)	38.6	10.1	23.7	10.1	11.5	
REIT	0.3	-	-	-	24.6	15.8	
Telco	(7.4)	26.4	25.1	25.7	26.4	18.3	
Transportations	(6.8)	-	-	-	-	16.6	
Utilities	1.8	-	-	-	13.0	12.8	

Source: Bloomberg

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