



DAILY NEWSWATCH

MARKET REVIEW

Malaysian stocks continued its fourth consecutive losing streak and declined marginally higher on Thursday in tandem with the sharp selloffs in global equity market. Market breadth was negative with 293 gainers and 556 losers. The technology sector was the top gainer increasing by +0.40%, while the healthcare sector was the top loser declining by -2.86%. MPI (3867) was the top gainer surging by RM0.42 or +1.7%. The FBMKLCI declined by -0.51% to 1402.48.

We expect Malaysian equities to decline in line with weaker performances of regional market.

ECONOMICS

- **US credit rating** on negative watch ahead of debt deadline - Fitch
- **German economy** entered recession in Q1

COMPANY

- **MBSB (1171)** reports higher Q1 Net Profit driven by lower credit losses and operating expenses
- **Betamek (0263)** posts RM16.3mil net profit in FY23
- **Axiata (6888)** posts RM73.8mil net profit in 1Q
- **Velesto (5243)** expects improved financial performance as it returns to profitability in Q1

EXPRESSO FOR THE DAY

- **Technical Watch – MFlour (3662)** – Entry Price RM0.71, Target Price RM0.78, Stop Loss RM0.61, Support RM0.67, Resistance RM0.77
- **Technical Watch – PIE (7095)** – Entry Price RM3.35, Target Price RM3.69, Stop Loss RM2.86, Support RM3.18, Resistance RM3.72

Local		(%)
FBMKLCI	1,402.48	(0.5)
Volume (mil)	2,356.18	(7.6)
Value (RM'mil)	1,625.62	(4.2)
Gainers	293	
Losers	556	
Unchanged	409	

Foreign		(%)
Dow Jones	32,764.7	(0.1)
Nasdaq CI	12,698.1	1.7
S&P 500	4,151.3	0.9
FTSE 100	7,570.9	(0.7)
Nikkei 225	30,801.1	0.4
Shanghai CI	3,201.3	(0.1)
HSI	18,746.9	(1.9)
STI	3,207.7	(0.2)

Most Active	RM	Chg
VELESTO	0.225	(0.030)
PARKSON	0.160	0.010
WIDAD	0.430	0.005
MSM	1.050	0.220
TANCO	0.540	(0.010)

Top Gainer	RM	Chg
MPI	25.720	0.420
SAM	4.400	0.410
RAPID	20.400	0.280
MSM	1.050	0.220
PENTA	4.740	0.060

Top Loser	RM	Chg
PEIDAG	22.000	(0.340)
PEIGAS	16.740	(0.200)
UTDPLT	15.560	(0.200)
YNHPROP	4.770	(0.140)
SAB	3.570	(0.080)

Other Stats		(%)
USD/MYR	4.63	0.72
USD/RMB	7.08	0.28
Brent (USD/barrel)	76.27	(2.67)
Gold (USD/troy oz)	1,941.42	(0.80)
CPO (RM/metric t)	3,501.0	(3.03)

**DAILY NEWSWATCH****ECONOMICS**

US: Ratings agency Fitch has placed the US' credit rating on watch for a possible downgrade, increasing market concerns as negotiations over the country's debt ceiling approach a critical stage. Fitch's move, reminiscent of the 2011 downgrade by S&P, warns of a potential downgrade from the country's current "AAA" rating if lawmakers fail to raise the debt ceiling in time. The possibility of a downgrade could impact the pricing of Treasury debt securities worth trillions of dollars, and global markets have been jittery as investors remain wary of the potential consequences of a US government default. (The Edge)

GERMANY: The German economy contracted in the first quarter of 2023, entering a recession, with GDP falling by 0.3% when adjusted for price and calendar effects. Household consumption and government spending both decreased significantly, reflecting the impact of inflation and dragging down the overall economy. Despite some positive indicators in investments and trade, weak economic activity, rising energy prices, and the expected global economic slowdown pose challenges for a potential recovery in the second half of the year. (Reuters)

COMPANY

Malaysia Building Society Bhd (1171) reported a net profit of RM74.13 million in the first quarter of 2023, up from RM58.20 million in the same period last year, primarily due to lower expected credit losses and operating expenditure. The company also saw a slight increase in revenue and improved earnings per share. MBSB's CEO, Datuk Nor Azam M. Taib, attributed the positive results to strong fundamentals and successful campaigns and promotions for financing and deposits. (The Edge)

Betamek Bhd (0263) expects continued growth in demand for its vehicle AV products and accessories. They plan to introduce new products based on market trends and customer needs, focusing on passenger vehicle accessories, advanced instrument clusters, and enhanced infotainment features. In the previous fiscal year, Betamek reported a net profit of RM5.7 million and revenue of RM55.9 million for the fourth quarter, contributing to a cumulative net profit of RM16.3 million and revenue of RM205.7 million for the entire year. (The Edge)

Axiata Group Bhd (6888) highlights growth opportunities in underpenetrated fibre broadband markets, particularly in emerging markets like Indonesia. The company expects its revenue and earnings to align with its key performance indicators for the financial year ending December 31, 2023, aiming for mid-single-digit revenue growth and high single-digit EBIT growth. In the first quarter, Axiata recorded a net profit of RM73.8 million, a significant improvement from the net loss of RM43 million in the same period last year, driven by strong performance across its operating companies, with a few exceptions. (The Edge)

Velesto Energy Bhd (5243) anticipates a better financial performance in the current fiscal year, following its return to profitability in the first quarter of 2023. The company attributes the positive outlook to the favorable conditions in the global oil and gas industry. In 1Q23, Velesto reported a net profit of RM14.22 million, a significant improvement from the net loss of RM46.20 million in the same period last year, accompanied by a substantial increase in revenue to RM287.25 million. (The Edge)



Malayan Flour Mill Berhad

Technical Watch - “BUY on Potential Upside”

Bloomberg: MFL MK | KLSE Stock Code: 3662

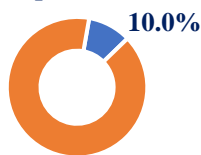
Main Market
Consumer Products & Services
Subsector – Food & Beverages
Current Price: RM0.71
Target Price: RM0.78

Investment Highlights

On a downtrend, the stock is currently trading below the MA20. We think there is a potential upside supported by a marubozu with a rising momentum on the stock (RSI >45).

An expanding Bollinger bands suggests higher volatility and higher potential upside moving forward. Trading within the 2SD, we project a 10% upside to the current price and expect EMA and SMA to crossover 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	14.4	32.3	21.8
P/B	0.5	0.5	0.7
P/CF	44.1	12.7	12.6
P/S	0.3	0.2	0.3

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

Company Overview

Malayan Flour Mills Berhad mills and sells wheat flour. The Company, through its subsidiaries, manufactures and sells animal feeds, provides transportation services, and breeds chicks. Malayan Flour Mills also manufactures and sells polypropylene and polyethylene woven bags and operates training and research center.



Entry Price	RM0.71
Market Cap (m)	RM725.1
52w high	RM0.86
52w low	RM0.52
Stop Loss	RM0.61
Immediate Support	RM0.67
Immediate Resistance	RM0.77 (Previous high)
Moving Average (EMA)	Bearish
Moving Average (SMA)	Bearish
Bollinger Bands (Long Run)	More volatile over the long run
RSI	Rising Momentum
Volume (4-Weeks Average)	3,207,208.2



P.I.E. Industrial Berhad

Technical Watch - “BUY on Potential Upside”

Bloomberg: PIE MK | KLSE Stock Code: 7095

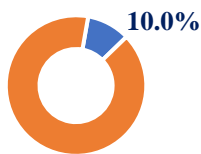
Main Market
Industrial Products & Services
Subsector – Ind Mat, Com & Eq
Current Price: RM3.35
Target Price: RM3.69

Investment Highlights

On an uptrend, the stock is currently trading above the MA20. We think there is a potential upside supported by a marubozu with a recovering momentum on the stock (RSI >40).

A contracting Bollinger bands suggests lower volatility and lower potential upside moving forward. Trading within the 2SD, we project a 10% upside to the current price and expect EMA and SMA to crossover moving forward.

Potential Upside



Bloomberg Analyst Ratings



Buys: 2
Holds: 1
Sells: 0

Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	17.9	17.3	15.0
P/BV	2.3	1.8	1.7
P/CF	39.6	15.9	25.2
P/S	1.1	1.0	1.0

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

Company Overview

P.I.E. Industrial Berhad is an investment holding company which provides management services. Through its subsidiaries, the Company has operation in contract manufacturing services, manufactures raw wires and cables, and trades personal computer peripheral products.



Entry Price	RM3.35
Market Cap (m)	RM1,286.5
52w high	RM3.76
52w low	RM2.29
Stop Loss	RM2.86
Immediate Support	RM3.18
Immediate Resistance	RM3.72 (Previous high)
Moving Average (EMA)	Bearish
Moving Average (SMA)	Bearish
Bollinger Bands (Long Run)	Less volatile over the long run
RSI	Recovering Momentum
Volume (4-Weeks Average)	137,657.1



TECHNICAL ANALYSIS SCOREBOARD

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
27/4/2023	Ranhill	5272	0.640	0.565	0.540	0.700	0.0	-11.7	SL Triggered
27/4/2023	YongTai	7066	0.325	0.365	0.280	0.360	-7.6	12.3	TP Achieved
28/4/2023	Pelikan	5231	0.820	0.775	0.700	0.900	-4.3	-5.5	SL Triggered
28/4/2023	Tanco	2429	0.540	0.540	0.460	0.590	-1.8	0.0	SL Triggered
2/5/2023	Microlink	0126	0.925	0.900	0.790	1.020	0.0	-2.7	-
2/5/2023	KYM	8362	0.555	0.495	0.470	0.610	-1.0	-10.8	SL Triggered
3/5/2023	GentingM	4715	2.780	2.620	2.380	3.060	-0.4	-5.8	-
3/5/2023	Inari	0166	2.360	2.260	2.020	2.600	0.4	-4.2	-
5/5/2023	Ctos	4383	1.450	1.400	1.240	1.600	0.0	-3.4	-
5/5/2023	Tropicana	8932	1.420	1.350	1.300	1.560	5.5	-4.9	-
8/5/2023	Opcom	0035	0.750	0.740	0.640	0.830	0.7	-1.3	-
8/5/2023	SimeDarbyPlt	5285	4.410	4.280	3.770	4.850	-2.9	-2.9	-
9/5/2023	Westports	5246	3.600	3.850	3.080	3.960	0.8	6.9	-
9/5/2023	Telekom	4863	5.070	5.000	4.330	5.580	-1.8	-1.4	-
10/5/2023	Gamuda	5398	4.180	4.080	3.570	4.600	-1.2	-2.4	-
10/5/2023	Seal	4286	0.440	0.405	0.380	0.480	-1.2	-8.0	-
11/5/2023	Padini	7052	4.010	3.790	3.430	4.410	-1.0	-5.5	-
11/5/2023	PowerRoot	7237	2.220	2.050	1.900	2.440	0.0	-7.7	-
12/5/2023	GenP	2291	6.050	6.090	5.170	6.660	0.5	0.7	-
12/5/2023	ECA	0267	0.810	0.745	0.690	0.890	6.4	-8.0	SL Triggered
15/5/2023	Globetronic	7022	1.120	1.100	0.960	1.230	-0.9	-1.8	-
15/5/2023	ITMAX	5309	1.440	1.370	1.230	1.580	-0.7	-4.9	-
16/5/2023	Solarvest	0215	0.940	1.010	0.800	1.030	0.0	7.4	-
16/5/2023	SFPTEch	0251	2.550	2.410	2.180	2.810	0.4	-5.5	-
17/5/2023	Tenaga	5347	9.730	9.580	8.320	10.700	0.6	-1.5	-
17/5/2023	AirasiaX	5238	1.690	2.000	1.440	1.860	0.0	18.3	TP Achieved
18/5/2023	Scientex	4731	3.400	3.360	2.910	3.740	0.0	-1.2	-
18/5/2023	YTL	4677	0.750	0.780	0.640	0.830	-0.6	4.0	-
19/5/2023	TIME	5031	5.300	5.360	4.530	5.830	0.0	1.1	-
19/5/2023	Sunview	0262	0.750	0.695	0.640	0.820	-0.7	-7.3	-
22/5/2023	AEON	6599	1.300	1.350	1.110	1.430	1.5	3.8	-
22/5/2023	HALG	2062	1.300	1.210	1.110	1.430	-3.2	-6.9	-
23/5/2023	Tomei	7230	1.280	1.200	1.090	1.410	-2.4	-6.3	-
23/5/2023	WahSeong	5142	0.920	0.875	0.790	1.010	0.0	-4.9	-
24/5/2023	Karex	5247	0.650	0.625	0.560	0.720	-2.3	-3.8	-
24/5/2023	Redtone	0032	0.605	0.580	0.520	0.670	0.0	-4.1	-
25/5/2023	AirasiaX	5238	2.000	2.000	1.710	2.200	0.0	0.0	-
25/5/2023	HextarGbl	5151	0.740	0.765	0.610	0.810	3.4	3.4	-
26/5/2023	MalayanFlour	3662	0.710	0.710	0.610	0.780	8.4	0.0	-
26/5/2023	PIE	7095	3.350	3.350	2.860	3.690	2.8	0.0	-

*SL= Stop Loss

*TP=Target Price

**STOCK SELECTION BASED ON DIVIDEND YIELD**

Company	Sector	Price RM	Dividend / Share RM	Dividend Yield (%)
Pharmaniaga Bhd	Consumer	0.370	0.05	13.5
SHL Consolidated Bhd	Property	1.870	0.18	9.6
AmFirst REIT	REIT	0.335	0.03	9.3
British American Tobacco Malay	Consumer	10.860	0.98	9.0
Capitaland Malaysia Trust	REIT	0.505	0.04	8.1
YTL Hospitality REIT	REIT	0.950	0.08	8.0
Magnum Bhd	Consumer	1.030	0.08	7.8
UOA REIT	REIT	1.120	0.09	7.7
Malayan Banking Bhd	Finance	8.560	0.61	7.1
Matrix Concepts Holdings Bhd	Property	1.440	0.10	6.9
Tambun Indah Land Bhd	Property	0.865	0.06	6.9
Amanahraya REIT	REIT	0.540	0.04	6.5
IGB REIT	REIT	1.630	0.11	6.4
Al-'Aqar Healthcare REIT	REIT	1.240	0.08	6.4
RCE Capital Bhd	Finance	1.980	0.12	6.3

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	(6.2)	18.2	13.9	16.8	13.9	12.2	
Finance	(7.2)	13.5	10.2	12.5	10.2	8.9	
Property	7.2	16.1	9.1	12.1	9.1	N/A	
Plantation	(3.9)	95.5	8.2	35.6	8.2	16.1	
Consumer	(3.9)	24.3	17.1	21.1	17.1	14.6	
Technology	(9.9)	27.8	19.5	24.1	19.5	19.5	
Construction	3.2	21.8	9.0	17.4	9.0	11.2	
Energy	5.5	-	-	-	9.3	9.0	
Health care	6.2	36.1	22.9	29.5	22.9	29.2	
Ind Prod	(9.7)	24.9	10.7	18.3	10.7	12.3	
REIT	1.3	-	-	-	N/A	N/A	
Telco	0.5	32.5	19.8	26.1	32.5	20.0	
Transportations	4.4	-	-	-	-	14.5	
Utilities	10.2	-	-	-	12.5	13.5	

Source: Bloomberg

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