

Daily Newswatch

Market Review

On Tuesday, the FBM KLCI soared to a fresh 20-month high driven by consumer stocks, while energy stocks across the market surged. Market breadth was positive with 615 gainers and 425 losers. The energy sector was the top gainer increasing by +5.68%, while the transportation & logistics sector was the top loser declining by -0.21%. UTDPLT (2089) was the top gainer surging by RM0.48 or +2.30%. The FBMKLCI increased by 1.1% to 1,555.6.

Economics

- **The Bank of Korea to hold policy rate steady** till Q3 despite easing inflation.
- **The dollar strengthens beyond 150 yen** as the outlook for interest rates in the US and Japan diverges.

Companies

- **Dialog (7277)** experienced a 16.6% increase in net profit during the second quarter, reaching RM148.29m.
- **Hup Seng (5024)** Q4 net profit climbed 10% to RM13.68m.
- **MGB Bhd's (7595)** Q4 net profit tripled to RM12.48m from RM3.71m.
- **PA Resources Bhd (7225)** to acquire two industrial land parcels in Kuala Selangor.

Expresso for the Day

- **Technical Watch – Axiata (6888)** Entry Price: RM2.89, Target Price: RM3.18, Stop Loss: RM2.47, Support: RM2.75, Resistance: RM2.89
- **Technical Watch – Sime Darby (4197)** Entry Price: RM2.63, Target Price: RM2.89, Stop Loss: RM2.25, Support: RM2.50, Resistance: RM2.63

Local	Close	(%)
FBMKLCI	1,555.6	1.1
Volume (mil)	3,702.9	6.5
Value (RM'mil)	2,940.1	41.8
Gainers	615	
Losers	425	
Unchanged	472	
Foreign	Close	(%)
Dow Jones	38,563.8	(0.2)
Nasdaq CI	15,630.8	(0.9)
S&P 500	4,975.5	(0.6)
FTSE 100	7,719.2	(0.1)
Nikkei 225	38,363.6	(0.3)
Shanghai CI	2,922.7	0.4
HSI	16,247.5	0.6
STI	3,244.1	0.6
Most Active	RM	Chg (RM)
HONGSENG	0.020	0.000
TWL	0.030	(0.005)
DIALOG	2.200	0.340
ARMADA	0.595	0.035
MINETEC	0.175	0.005
Top Gainers	RM	Chg (RM)
UTDPLT	21.000	0.480
PPB	15.500	0.360
DIALOG	2.200	0.340
PCHEM	7.090	0.250
VITROX	7.200	0.180
Top Losers	RM	Chg (RM)
HEIM	22.920	(0.520)
MPI	26.260	(0.240)
ALLIANZ	19.240	(0.140)
DLADY	23.700	(0.100)
KESM	6.630	(0.070)
Other Stats	RM	(%)
USD/MYR	4.80	0.24
USD/RMB	7.19	(0.08)
Brent (USD/barrel)	82.58	(1.17)
Gold (USD/troy oz)	2,024.41	0.36
CPO (RM/metric t)	3,958.00	0.66

Daily Newswatch

Economics

KOREA: The Bank of Korea is expected to maintain its key policy rate for a ninth consecutive meeting on Feb. 22. Economists believe the first rate cut will likely occur in the third quarter. Despite a decline in inflation to a six-month low in January, most Bank of Korea board members advocate for continued restrictive monetary policy to reach the bank's 2.0% target. Governor Rhee Chang-yong warned against premature rate cuts, citing potential inflation expectations. However, the cumulative 300 basis points of hikes between August 2021 and January 2023 could pose a significant threat to heavily indebted households. (Reuters)

UNITED STATES: The dollar has surpassed the key threshold of 150 yen, currently standing at 150.25 yen, for six consecutive sessions. This has led Japanese officials to issue warnings in an effort to stabilize the currency. Market sentiment regarding the Federal Reserve's interest rate policies shifted following higher-than-anticipated US producer and consumer prices data last week. Expectations for interest rate cuts in 2024 have decreased to around 90 basis points, down from approximately 160 basis points at the end of the previous year. Meanwhile, Japan's economy unexpectedly slipped into a recession in the last quarter of the previous year due to weak consumption and capital spending. Consequently, investors are reevaluating the possibility of the Bank of Japan (BOJ) moving away from its ultra-loose monetary policies ahead of schedule. (Reuters)

Companies

Dialog Group Bhd's (7277) net profit surged by 16.6% to RM148.29 million in the second quarter ending December 31, 2023, up from RM127.15 million a year earlier. Revenue climbed 7.8% to RM859.21 million, driven by stronger performances in both Malaysian and international operations. Increased upstream production bolstered the Malaysian segment, while activities at the Jubail Supply Base in Saudi Arabia contributed to the international segment's growth. (The Edge)

Hup Seng Industries Bhd's (5024) net profit for the fourth quarter climbed 10% to RM13.68 million from RM12.44 million a year earlier. This increase was driven by lower costs of certain major input materials. Quarterly revenue saw a marginal 0.23% year-on-year increase to RM95.15 million compared to RM94.93 million. For the full year, net profit surged nearly 73% to a seven-year high of RM45.09 million, supported by rising sales and declining costs. Revenue increased 12.28% to RM357.27 million from RM318.19 million, primarily due to higher volume. Hup Seng recommended a special dividend of 0.5 sen per share on top of a third interim dividend of 1.5 sen per share. (The Edge)

MGB Bhd's (7595) net profit surged over threefold to RM12.48 million from RM3.71 million a year earlier, driven by increased progressive billings and effective cost control. Quarterly revenue doubled to RM305.33 million from RM145.58 million. The company declared a first interim dividend of 0.815 sen per share, payable on March 29. For FY2023, net profit totaled RM48.8 million, more than three times higher than the RM15.1 million in FY2022, with revenue rising by 58.6% to RM971.83 million from RM612.8 million. (The Edge)

PA Resources Bhd's (7225) wholly owned subsidiary, PA Extrusion (M) Sdn Bhd, is set to purchase two adjoining industrial land parcels totaling 72,840 square feet in Kuala Selangor from Niken Steel (M) Sdn Bhd for RM21 million. This acquisition aims to facilitate the construction of a new factory, which will boost the company's production capacity from 3,200 tonnes per month to 7,000 tonnes per month gradually. PA Resources plans to secure financing from financial institutions to cover up to 80% of the total purchase price, with the remaining 20% to be financed internally. (The Edge)

Axiata Group Berhad

Bloomberg: AXIATA MK | KLSE Stock Code: 6888

Technical Watch

“BUY on Potential Upside”

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.

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 strong momentum on the stock (RSI >75).

Contracting Bollinger Bands suggest 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 hold moving forward.

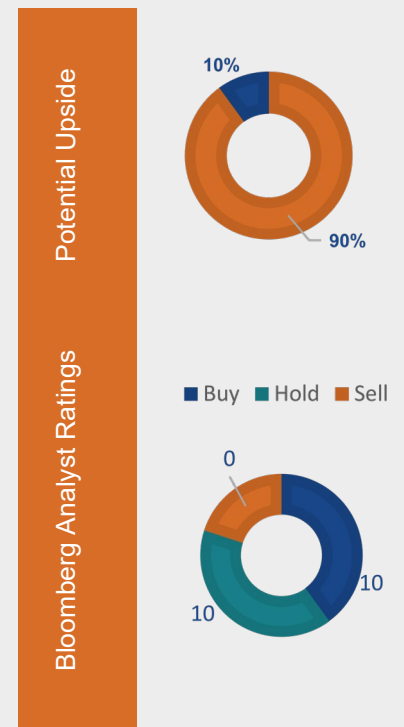
Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	88.2	62.0	45.1
P/B	1.3	1.6	1.7
P/CF	5.6	4.7	6.1
P/S	1.2	1.3	1.6

Entry Price	RM2.89
Market Cap (m)	RM26,527.6
52w high	RM3.22
52w low	RM2.16
Stop Loss	RM2.47
Immediate Support	RM2.75
Immediate Resistance	RM2.89 (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)	3,731,929.0

Main Market

Telecommunications & Media
Subsector – Telecommunication
Service Providers
Current Price: RM2.89
Target Price: RM3.18



Sime Darby Berhad

Bloomberg: SIME MK | KLSE Stock Code: 4197

Technical Watch

“BUY on Potential Upside”

Company Overview

Sime Darby Berhad operates as a trading and logistics company. The Company offers assembling and distribution services for industrial, motors, and logistics sectors, as well as the healthcare, insurance, and retail segments. Sime Darby serves customers in Malaysia.

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 rising momentum on the stock (RSI >70).

Expanding Bollinger Bands suggest 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 hold moving forward.

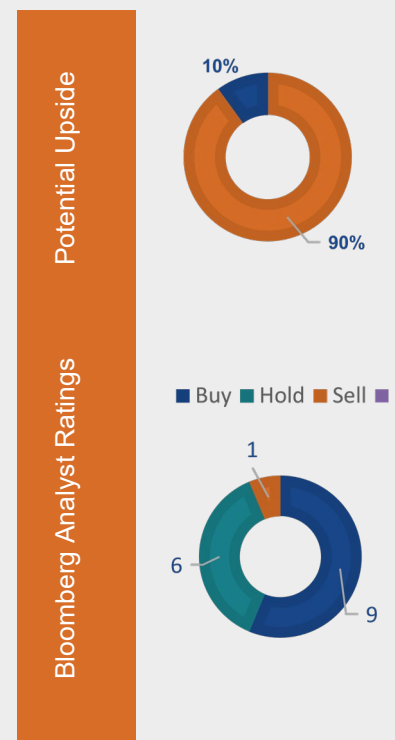
Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	11.9	12.1	10.6
P/B	0.9	0.9	0.6
P/CF	17.8	21.6	12.1
P/S	0.3	0.3	0.3

Entry Price	RM2.63
Market Cap (m)	RM17,925.0
52w high	RM2.65
52w low	RM1.98
Stop Loss	RM2.25
Immediate Support	RM2.50
Immediate Resistance	RM2.63 (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)	7,275,352.8

Main Market

Consumer Products & Services
Subsector – Automotive
Current Price: RM2.63
Target Price: RM2.89





Technical Analysis Scoreboard

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/ Loss from TP (%)	Remark
22/1/2024	MalayCement	3794	4.830	4.820	4.130	5.310	1.688	-0.2	-
22/1/2024	Aurelius	5302	2.770	2.640	2.370	3.050	1.149	-4.7	-
23/1/2024	RCE	9296	3.240	3.120	2.770	3.560	0.645	-3.7	-
23/1/2024	JayaTiasa	4383	1.130	1.330	0.970	1.240	-0.746	17.7	TP Achieved
24/1/2024	PetDag	5681	21.200	22.860	18.130	22.300	0.263	7.8	-
24/1/2024	Genetec	0104	2.090	1.890	1.790	2.299	1.070	-9.6	SL Triggered
26/1/2024	BermazAuto	5248	2.470	2.450	2.110	2.720	-1.210	-0.8	-
26/1/2024	MPI	3867	29.700	26.260	25.390	32.670	-0.906	-11.6	SL Triggered
29/1/2024	MSM	5202	2.410	2.460	2.060	2.650	-0.806	2.1	-
29/1/2024	YTL	4677	2.450	2.250	2.090	2.700	2.740	-8.2	SL Triggered
30/1/2024	IHH	5225	6.150	6.190	5.260	6.780	0.000	0.7	-
30/1/2024	UchiTech	7100	3.870	4.090	3.310	4.260	1.489	5.7	-
31/1/2024	Solarvest	0215	1.450	1.500	1.240	1.600	-0.662	3.4	-
31/1/2024	ITMax	5309	1.900	2.210	1.620	2.090	1.843	16.3	TP Achieved
2/2/2024	TNB	5347	10.720	11.360	9.170	11.790	1.429	6.0	-
2/2/2024	Uzma	7250	1.180	1.240	1.010	1.290	7.826	5.1	-
5/2/2024	GentingM	4715	2.770	2.900	2.370	3.050	1.045	4.7	-
5/2/2024	Maybank	1155	9.340	9.510	7.990	10.270	0.529	1.8	-
6/2/2024	RCE	9296	3.170	3.120	2.710	3.490	0.645	-1.6	-
6/2/2024	PGF	8117	1.850	1.730	1.580	2.040	-1.143	-6.5	-
7/2/2024	Uzma	7250	1.190	1.240	1.020	1.310	7.826	4.2	-
7/2/2024	Dayang	5141	2.090	2.300	1.770	2.280	5.991	10.0	TP Achieved
8/2/2024	YTLPower	6742	4.040	3.920	3.450	4.440	3.158	-3.0	-
8/2/2024	Suncon	5263	2.470	2.610	2.110	2.720	0.385	5.7	-
9/2/2024	MSM	5202	2.410	2.460	2.060	2.650	-0.806	2.1	-
9/2/2024	AeonCredit	5139	6.010	6.230	5.140	6.610	-0.954	3.7	-
13/2/2024	AjinamotoMy	2658	16.760	17.340	14.330	18.440	0.231	3.5	-
13/2/2024	Solarvest	0215	1.470	1.500	1.260	1.620	-0.662	2.0	-
14/2/2024	HapSeng	3034	4.810	4.860	4.110	5.290	-0.613	1.0	-
14/2/2024	MNRB	6459	1.730	1.850	1.480	1.900	-2.632	6.9	TP Achieved
15/2/2024	HumeCement	5000	2.930	2.940	2.510	3.220	3.158	0.3	-
15/2/2024	ITMax	5309	2.140	2.210	1.830	2.350	1.843	3.3	-
16/2/2024	TNB	5347	11.100	11.360	9.490	12.210	1.429	2.3	-
16/2/2024	QL Resources	7084	5.860	5.910	5.010	6.450	0.853	0.9	-
19/2/2024	BankIslam	5258	2.440	2.350	2.090	2.680	0.427	-3.7	-
19/2/2024	PWF	7134	1.040	1.020	0.890	1.140	-2.857	-1.9	-
20/2/2024	JayaTiasa	4383	1.340	1.330	1.150	1.470	-0.746	-0.7	-
20/2/2024	Padini	7052	3.580	3.610	3.060	3.940	0.838	0.8	-
21/2/2024	Axiata	6888	2.890	2.890	2.470	3.180	3.584	0.0	-
21/2/2024	Sime Darby	4197	2.630	2.630	2.250	2.890	4.781	0.0	-

Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
TIME DOTCOM HOLDINGS BERHAD	TELCO	5.49	0.73	13.24
UOA DEVELOPMENT BERHAD	PROPERTY	1.86	0.22	11.83
MBM RESOURCES BHD	CONSUMER	4.60	0.46	10.02
HEKTAR REITS	REITs	0.63	0.06	9.05
BERMAZ AUTO BERHAD	CONSUMER	2.45	0.21	8.45
SENTRAL REIT	REITs	0.81	0.07	8.45
BRITISH AMERICAN TOBACCO (M)	CONSUMER	8.84	0.70	7.95
KIP REAL ESTATE INVESTMENT TRUST	REITs	0.89	0.07	7.91
TALIWORKS CORPORATION BHD	UTILITIES	0.88	0.07	7.77
YTL HOSPITALITY REIT	REITs	1.22	0.09	7.70
UOA REITS	REITs	1.11	0.08	7.48
SPORTS TOTO BERHAD	CONSUMER	1.52	0.11	7.11
RHB BANK	FINANCE	5.66	0.39	6.86
AMWAY (M) HOLDINGS BHD	CONSUMER	6.85	0.46	6.72
PAVILION REAL ESTATE INV TRUST	REITs	1.31	0.09	6.56

Source: Bloomberg

User guide: Mercury Securities compiles a list of dividend-yielding stocks for conservative long-term passive investors looking for regular income whilst capping downside risk of their investment.

Methodology: The list above includes stocks that have a high dividend yield, estimated to be greater than 4% per annum. These stocks also have a history of paying dividends consistently, having paid dividends for the past 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. 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.

Index	Return (%)		Valuation P/E (x)			
	YTD		5-Years		Current	1 Yr-Fwd
		High	Low	Average		
KLCI	6.9	24.2	14.8	18.0	15.2	13.7
Finance	6.4	13.0	10.4	12.0	10.4	10.3
Property	8.7	25.2	10.6	15.8	11.9	N/A
Plantation	4.8	95.5	9.7	31.2	15.1	17.5
Consumer	4.8	22.5	15.3	18.9	15.3	14.4
Technology	0.1	46.1	23.0	31.8	32.5	24.6
Construction	11.0	34.6	17.4	25.6	17.4	14.2
Energy	15.8	11.5	10.2	10.9	10.2	9.9
Healthcare	4.6	36.1	5.1	24.6	26.3	32.7
Ind. Prod.	2.8	24.9	12.7	18.4	18.2	15.4
REIT	4.8	29.5	13.2	19.2	13.2	15.1
Telco	9.3	31.0	19.8	26.9	28.7	21.7

Source: Bloomberg

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