

Daily Newswatch

Market Review

The FBMKLCI maintained its upward trend on Tuesday, reaching its peak level since May 2022. Market breadth was negative with 443 gainers and 663 losers. The utilities sector was the top gainer increasing by +1.76%, while the transportation & logistics sector was the top loser declining by -0.76%. Allianz (1163) was the top gainer surging by RM0.58 or +3.1%. The FBMKLCI increased by +0.7% to 1,558.8.

Economics

- The Department of Statistics Malaysia (DOSM) anticipates **more favorable economic outlooks** in the coming period.
- **The informal employment sector is experiencing a downward trend.** – World Bank

Companies

- **Petronas Dagangan Bhd (5681)** reported a 25% increase in its net profit during the fourth quarter.
- **United Plantations Bhd (2089)** achieved a new record high annual net profit, soaring to RM711 million.
- **AMMB Holdings Bhd (1015)** reported a 22% increase in net profit during the third quarter compared to the previous year.
- **LPI Capital Bhd (8621)** saw an increase in net profit in the fourth quarter, rising by 44% year-on-year to RM78.6 million.

Expresso for the Day

- **Technical Watch – KKB Engineering (9466)** Entry Price: RM1.83, Target Price: RM2.01, Stop Loss: RM1.58, Support: RM1.76, Resistance: RM1.85
- **Technical Watch – MSM Malaysia Holdings (5202)** Entry Price: RM2.81, Target Price: RM3.09, Stop Loss: RM2.40, Support: RM2.67, Resistance: RM2.81

Local	Close	(%)
FBMKLCI	1,558.8	0.7
Volume (mil)	3,878.8	3.7
Value (RM'mil)	3,087.7	(1.1)
Gainers	443	
Losers	663	
Unchanged	439	
Foreign	Close	(%)
Dow Jones	38,972.4	(0.2)
Nasdaq CI	16,035.3	0.4
S&P 500	5,078.2	0.2
FTSE 100	7,683.0	(0.0)
Nikkei 225	39,239.5	0.0
Shanghai CI	3,015.5	1.3
HSI	16,790.8	0.9
STI	3,157.3	(0.4)
Most Active	RM	Chg (RM)
HONGSENG	0.020	0.000
PUC	0.055	0.010
YTL	2.710	0.210
CEB	0.935	(0.195)
MTEC	0.645	(0.005)
Top Gainers	RM	Chg (RM)
ALLIANZ	19.140	0.580
PETDAG	23.060	0.340
LPI	12.580	0.220
UTDPLT	21.140	0.220
YTL	2.710	0.210
Top Losers	RM	Chg (RM)
HEIM	22.340	(0.480)
PARAGON	3.580	(0.470)
AMWAY	6.490	(0.260)
CEB	0.935	(0.195)
TAKAFUL	3.730	(0.190)
Other Stats	RM	(%)
USD/MYR	4.76	(0.34)
USD/RMB	7.20	0.01
Brent (USD/barrel)	83.28	0.91
Gold (USD/troy oz)	2,030.48	(0.04)
CPO (RM/metric t)	3,981.50	0.63

Daily Newswatch

Economics

MALAYSIA: The Department of Statistics Malaysia (DOSM) forecasts an improved economic performance for Malaysia in the second quarter of 2024 (2Q2024). This optimism is backed by the rebound of the Leading Index (LI) to 110.1 points in December 2023, marking a 0.3% increase from the previous year. Following nine consecutive months of decline, this growth was primarily propelled by a significant rise in approved housing units by 41.5% in comparison to a negative 25.8% in November 2023. Although the smoothed growth rate of the LI for December 2023 remains below the trend of 100 points, there's a positive outlook indicated by the coincident index (CI), which surged by 2.3% to 123.1 points in December 2023 compared to the same period in the previous year. (The Edge)

MALAYSIA: The World Bank Group projects a decrease in Malaysia's informal employment sector to 21% by 2040, contingent upon the sustained upward trends in productivity growth and labour costs. The sector has consistently declined, dropping from 30.5% in 2019 to 26.8% in 2022, equivalent to approximately 4.1 million workers. This decline indicates a significant shift in the informal employment landscape, with expectations for the trend to continue. Initiatives implemented by the Social Security Organisation (Socso) and Employees Provident Fund (EPF) aimed at safeguarding informally employed individuals likely contributed to this decline. Despite Malaysia having a higher prevalence of informal employment compared to other high-income nations, its rate is lower than comparable countries in the region. Yasuhiko Matsuda, World Bank country manager for Malaysia, emphasized the vulnerability of many informally employed workers, as they often lack opportunities for skills development or the ability to take risks for entrepreneurial ventures. (The Star)

Companies

Petronas Dagangan Bhd (5681) reported a 25% increase in fourth-quarter net profit, reaching RM180.81 million compared to RM144.46 million the previous year. Revenue rose by 6% year-on-year to RM10.08 billion. The company declared a dividend of 27 sen per share for the quarter, totaling 80 sen per share for the year, slightly up from the previous year. For the full year, PetDag's net profit increased by 21.4% to RM943.08 million, with revenue up 2.2% to RM37.55 billion. (The Edge)

United Plantations Bhd (2089) announced a final dividend of 70 sen per share and a special dividend of 40 sen per share for the financial year ended December 31, 2023 (FY2023), as its annual net profit reached a new peak of RM711 million. This marks a total dividend payout of RM1.90 per share for FY2023, reflecting a 36% increase from the RM1.40 per share paid in FY2022. The company's FY2023 net profit surged by 17% compared to FY2022, primarily attributed to higher commodity prices and the group's efforts in enhancing yields. (The Edge)

AMMB Holdings Bhd (1015) reported a 22% increase in net profit for the third quarter compared to the previous year, driven by tax credits which helped mitigate provisions for bad loans. Net profit for the three months ending December 31, 2023, reached RM543.41 million, up from RM444.21 million in the same period a year earlier. The company recorded a one-off tax credit of RM537.6 million alongside RM435.29 million allocated for impairments on loans, advances, and financing. Over the nine-month period ending December 31 (9MFY2024), AMMB's net profit saw an 8.59% rise to RM1.39 billion from RM1.28 billion, with allowances for impairments on loans, advances, and financing increasing to RM657.34 million compared to RM337.46 million in the previous year. (The Edge)

LPI Capital Bhd's (8621) fourth-quarter net profit for the period ending December 31, 2023 (4QFY2023), surged by 44% year-on-year to RM78.6 million, primarily due to the absence of a one-off prosperity tax from FY2022. Revenue also experienced a significant uptick of 26.5% to RM481.4 million, driven mainly by the general insurance segment. Additionally, the company declared a second interim dividend of 40 sen per share, up from 35 sen per share in FY2022. Over the full FY2023, LPI Capital recorded a 24.4% increase in net profit to RM313.7 million, while revenue climbed 16.5% to RM1.91 billion, attributed to higher insurance revenue and increased interest and dividend income. (The Edge)

KKB Engineering Berhad

Bloomberg: KKB MK | KLSE Stock Code: 9466

Technical Watch

"BUY on Potential Upside"

Company Overview

KKB Engineering Berhad fabricates steel, provides civil construction, hot dip galvanising and manufactures LPG cylinders and cylindrical steel drums. Through its subsidiaries, the Company manufactures UPVC roofing sheets, pipes, and sub-contracts welding works. KKB Engineering also has operations in manufacturing and trading steel pipes and other related steel products.

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 >65).

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.

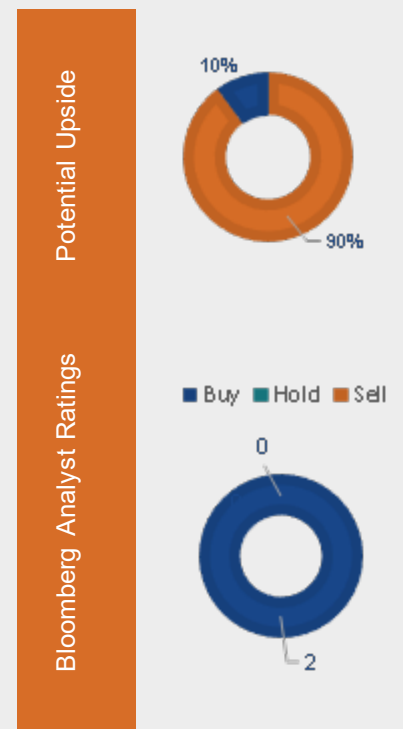
Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	23.5	16.5	19.9
P/B	1.0	1.0	1.1
P/CF	67.4	32.5	43.6
P/S	1.0	0.8	1.4

Entry Price	RM1.83
Market Cap (m)	RM534.1
52w high	RM1.85
52w low	RM1.32
Stop Loss	RM1.58
Immediate Support	RM1.76
Immediate Resistance	RM1.85 (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)	11,822.7

Main Market

Industrial Products & Services
 Subsector – Industrial
 Engineering
 Current Price: RM1.83
 Target Price: RM2.01



MSM Malaysia Holdings Berhad

Bloomberg: MSM MK | KLSE Stock Code: 5202

Technical Watch

"BUY on Potential Upside"

Company Overview

MSM Malaysia Holdings Bhd produces sugar products. The Company produces, markets, and sells a wide range of sugars, ranging from white refined to brown sugar. MSM Malaysia operates refineries in Prai, Penang and Chuping, Perlis.

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).

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

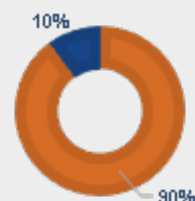
	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	15.4	48.2	36.8
P/B	0.5	0.5	0.9
P/CF	9.8	7.6	10.9
P/S	0.3	0.3	0.7

Entry Price	RM2.81
Market Cap (m)	RM1,975.4
52w high	RM2.82
52w low	RM0.73
Stop Loss	RM2.40
Immediate Support	RM2.67
Immediate Resistance	RM2.81 (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)	474,471.6

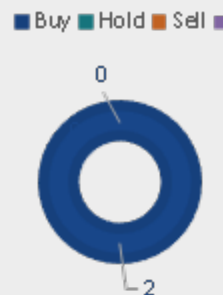
Main Market

Consumer Products & Services
 Subsector – Food & Beverages
 Current Price: RM2.81
 Target Price: RM3.09

Potential Upside



Bloomberg Analyst Ratings





Technical Analysis Scoreboard

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
30/1/2024	IHH	5225	6.150	6.200	5.260	6.780	0.162	0.8	-
30/1/2024	UchiTech	7100	3.870	4.100	3.310	4.260	0.000	5.9	-
31/1/2024	Solarvest	0215	1.450	1.510	1.240	1.600	-1.307	4.1	-
31/1/2024	ITMax	5309	1.900	2.280	1.620	2.090	2.703	20.0	TP Achieved
2/2/2024	TNB	5347	10.720	11.420	9.170	11.790	0.528	6.5	-
2/2/2024	Uzma	7250	1.180	1.240	1.010	1.290	6.897	5.1	-
5/2/2024	GentingM	4715	2.770	2.920	2.370	3.050	2.817	5.4	-
5/2/2024	Maybank	1155	9.340	9.510	7.990	10.270	0.000	1.8	-
6/2/2024	RCE	9296	3.170	2.580	2.710	3.490	1.575	-18.6	SL Triggered
6/2/2024	PGF	8117	1.850	1.680	1.580	2.040	-0.592	-9.2	-
7/2/2024	Uzma	7250	1.190	1.240	1.020	1.310	6.897	4.2	-
7/2/2024	Dayang	5141	2.090	2.370	1.770	2.280	-2.066	13.4	TP Achieved
8/2/2024	YTLPower	6742	4.040	4.150	3.450	4.440	2.217	2.7	-
8/2/2024	Suncon	5263	2.470	2.600	2.110	2.720	0.000	5.3	-
9/2/2024	MSM	5202	2.410	2.810	2.060	2.650	5.639	16.6	TP Achieved
9/2/2024	AeonCredit	5139	6.010	6.470	5.140	6.610	-0.154	7.7	-
13/2/2024	AjinamotoMy	2658	16.760	17.080	14.330	18.440	-0.698	1.9	-
13/2/2024	Solarvest	0215	1.470	1.510	1.260	1.620	-1.307	2.7	-
14/2/2024	HapSeng	3034	4.810	4.720	4.110	5.290	0.000	-1.9	-
14/2/2024	MNRB	6459	1.730	1.810	1.480	1.900	1.685	4.6	TP Achieved
15/2/2024	HumeCement	5000	2.930	3.030	2.510	3.220	1.678	3.4	-
15/2/2024	ITMax	5309	2.140	2.280	1.830	2.350	2.703	6.5	-
16/2/2024	TNB	5347	11.100	11.420	9.490	12.210	0.528	2.9	-
16/2/2024	QL Resources	7084	5.860	5.950	5.010	6.450	1.363	1.5	-
19/2/2024	BankIslam	5258	2.440	2.490	2.090	2.680	0.403	2.0	-
19/2/2024	PWF	7134	1.040	1.010	0.890	1.140	0.000	-2.9	-
20/2/2024	JayaTiasa	4383	1.340	1.250	1.150	1.470	0.806	-6.7	-
20/2/2024	Padini	7052	3.580	3.480	3.060	3.940	0.000	-2.8	-
21/2/2024	Axiata	6888	2.890	2.850	2.470	3.180	4.015	-1.4	-
21/2/2024	Sime Darby	4197	2.630	2.650	2.250	2.890	1.145	0.8	-
22/2/2024	PIE	7095	3.330	3.390	2.850	3.660	-0.294	1.8	-
22/2/2024	Jetson	9083	0.365	0.400	0.310	0.400	5.263	9.6	-
23/2/2024	MiTech	5286	2.070	1.830	1.770	2.280	-1.613	-11.6	SL Triggered
23/2/2024	Genetec	0104	2.050	2.190	1.750	2.260	1.389	6.8	-
26/2/2024	ChinHin	5273	4.030	4.020	3.450	4.430	-0.741	-0.2	-
26/2/2024	Ge-Shen	7197	2.000	2.450	1.710	2.200	-5.769	22.5	TP Achieved
27/2/2024	Paragon	9407	4.050	3.580	3.460	4.450	-11.605	-11.6	SL Triggered
27/2/2024	MalaysiAirports	7197	8.440	8.440	7.220	9.280	0.000	0.0	-
28/2/2024	KKB	9466	1.830	1.850	1.580	2.010	7.558	1.1	-
28/2/2024	MSM Malaysia	5202	2.810	2.810	2.400	3.090	5.639	0.0	-

Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
TIME DOTCOM HOLDINGS BERHAD	TELCO	5.45	0.68	12.55
MBM RESOURCES BHD	CONSUMER	4.56	0.46	10.11
BERMAZ AUTO BERHAD	CONSUMER	2.44	0.21	8.48
CENTRAL REIT	REITs	0.80	0.07	8.38
BRITISH AMERICAN TOBACCO (M)	CONSUMER	8.57	0.70	8.20
KIP REAL ESTATE INVESTMENT TRUST	REITs	0.89	0.07	7.91
TALIWORKS CORPORATION BHD	UTILITIES	0.87	0.07	7.82
YTL HOSPITALITY REIT	REITs	1.23	0.09	7.64
UOA REITS	REITs	1.12	0.08	7.41
HEKTAR REITS	REITs	0.62	0.04	7.10
AMWAY (M) HOLDINGS BHD	CONSUMER	6.49	0.46	7.09
RHB BANK	FINANCE	5.68	0.40	7.01
SPORTS TOTO BERHAD	CONSUMER	1.43	0.10	6.78
TA ANN HOLDINGS BHD	PLANTATION	3.64	0.24	6.65
CAPITALAND MALAYSIA TRUST	REITs	0.64	0.04	6.61

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	7.2	24.2	14.8	18.0	15.1	13.5
Finance	6.4	13.0	10.4	12.0	10.4	10.3
Property	7.6	25.2	10.6	15.8	11.8	N/A
Plantation	2.5	95.5	9.7	31.8	18.1	17.9
Consumer	5.0	22.5	15.4	19.0	15.4	14.3
Technology	2.0	46.1	23.0	32.0	33.1	25.2
Construction	10.5	34.6	17.3	25.6	17.3	14.1
Energy	13.9	11.5	10.1	10.8	10.1	9.9
Healthcare	1.4	36.1	5.1	24.4	25.4	32.3
Ind Prod	2.8	24.9	12.7	18.4	18.2	15.2
REIT	4.6	29.5	13.0	19.0	13.0	14.9
Telco	8.6	31.0	19.8	26.6	27.7	19.2

Source: Bloomberg

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