

Daily Newswatch

Market Review

The FBMKLCI decreased on Tuesday, mirroring the negative trend seen across most regional markets.. Market breadth was negative with 381 gainers and 653 losers. The technology sector was the top gainer increasing by +0.41%, while the plantation sector was the top loser declining by -1.61%. AJI (2658) was the top gainer surging by RM0.78 or +4.5%. The FBMKLCI decreased by -0.1% to 1,537.0.

Economics

- The manufacturing sector in Malaysia is anticipated to rebound in the upcoming months.
- Strong commodity imports by Beijing contrast with its weak economy.

Companies

- **Deleum Bhd (5132)** aims to purchase a 70% stake in OSA Industries Indonesia for \$7 million.
- **Iskandar Waterfront City Bhd (1589)** has revealed a 10-year development plan in Johor Bahru with a total gross development value (GDV) of RM4.33 billion.
- **Ge-Shen Corp Bhd (7197)** plans to buy a 40% stake in Local Assembly Sdn Bhd for RM48 million cash.
- **SMRT Holdings Bhd (0117)** has secured a contract from Pito AxM Platform in the Philippines.

Expresso for the Day

- **Technical Watch – Hong Leong Industries (3301)** Entry Price: RM10.16, Target Price: RM11.18, Stop Loss: RM8.69, Support: RM9.65, Resistance: RM10.38
- **Technical Watch – Ajinomoto (2658)** Entry Price: RM18.26, Target Price: RM20.08, Stop Loss: RM15.61, Support: RM17.35, Resistance: RM18.26

Local	Close	(%)
FBMKLCI	1,537.0	(0.1)
Volume (mil)	3,813.5	14.6
Value (RM'mil)	2,804.9	9.6
Gainers	381	
Losers	653	
Unchanged	450	
Foreign	Close	(%)
Dow Jones	38,585.2	(1.0)
Nasdaq CI	15,939.6	(1.7)
S&P 500	5,078.7	(1.0)
FTSE 100	7,646.2	0.1
Nikkei 225	40,097.6	(0.0)
Shanghai CI	3,047.8	0.3
HSI	16,162.6	(2.6)
STI	3,107.1	(0.5)
Most Active	RM	Chg (RM)
TWL	0.035	0.000
HM	0.135	(0.005)
SAPNRG	0.045	(0.005)
WIDAD	0.095	(0.015)
FITTERS	0.050	0.000
Top Gainers	RM	Chg (RM)
AJI	18.260	0.780
BIPORT	5.880	0.230
GENTING	4.890	0.200
HTPADU	1.920	0.170
HLIND	10.160	0.160
Top Losers	RM	Chg (RM)
NESTLE	119.500	(1.500)
UTDPLT	23.260	(0.740)
F&N	28.620	(0.580)
KLK	21.900	(0.420)
HEIM	22.900	(0.400)
Other Stats	RM	(%)
USD/MYR	4.74	0.27
USD/RMB	7.20	(0.03)
Brent (USD/barrel)	82.01	(0.95)
Gold (USD/troy oz)	2,128.04	0.64
CPO (RM/metric t)	4,029.00	0.40

Daily Newswatch

Economics

MALAYSIA: In February, **Malaysia's manufacturing PMI rose to 49.5, its highest level since September 2022, indicating a slight improvement in the sector.** However, Malaysia's manufacturing industry still lags behind South Korea and Taiwan, which have rebounded into expansion. This slowdown is partly due to reduced activity in China, a significant trading partner. Singapore and Vietnam in Southeast Asia have experienced earlier recoveries. China's manufacturing PMI declined to 49.1 in February, the fifth consecutive month of contraction, while the Caixin-Markit PMI edged up to 50.9. Forecasts anticipate a 5.5% growth in Malaysia's manufacturing exports this year after a 5.3% contraction in 2023. The Malaysian government expects economic growth to accelerate to 4.0%-5.0% in 2024 from 3.7% in 2023. (The Edge)

CHINA: Despite China's weak manufacturing index, its imports of key commodities are notably strong. Data from Kpler and LSEG Oil Research reveals that imports of crude oil, LNG, coal, and iron ore have all increased in the first two months of 2024 compared to the same period last year. For example, crude oil imports reached 11.73 million barrels per day in February, up from 11.31 million barrels per day in January, according to LSEG data. These trends, though seemingly incongruent with soft property construction and manufacturing data, can be explained by factors such as stockpiling and price movements. China is expected to release official customs numbers for the first two months of 2024 on March 7. (The Star)

Companies

Deleum Bhd (5132) plans to strengthen its power and machinery (P&M) business in Indonesia by acquiring a 70% stake in OSA Industries Indonesia (OSAI), a valves company, for US\$7 million (RM33.1 million). The acquisition, to be carried out by its subsidiary Deleum Services Sdn Bhd, accounts for 70% of OSAI's total valuation of US\$10 million. However, the transaction is subject to due diligence and the finalization of definitive agreements. Deleum has signed a heads of agreement (HOA) with five parties to conduct due diligence on the acquisition target. (The Edge)

Iskandar Waterfront City Bhd (1589) has announced a decade-long development strategy consisting of three projects in Johor Bahru, with a combined gross development value (GDV) totaling RM4.33 billion. These projects include the Tebrau Bay waterfront township valued at RM3.5 billion, the Danga Rivera mixed waterfront development valued at RM500 million, and the Danga Heights mixed-use development project valued at RM330 million. (The Edge)

Ge-Shen Corp Bhd (7197), with its share price rising 144% year-to-date, intends to acquire a 40% interest in Local Assembly Sdn Bhd, an electronics manufacturing services (EMS) company, for RM48 million in cash. To finance this acquisition, Ge-Shen aims to raise RM91.2 million through a private placement of 39.48 million shares or 30% of its expanded share capital to be allocated to independent investors at a later date. (The Edge)

SMRT Holdings Bhd (0117), via its wholly owned subsidiary N'osairis Technology Solutions Inc (NTSI), has secured a project from Pito AxM Platform (PAPI) to implement its managed ATM infrastructure solutions in the Philippines. The project, spanning three years, will involve deploying NTSI's solutions at designated ATM sites by the end of 2024. The exact value of the project remains undisclosed. (The Edge)

Hong Leong Industries Berhad

Bloomberg: HLI MK | KLSE Stock Code: 3301

Technical Watch

“BUY on Potential Upside”

Company Overview

Hong Leong Industries Berhad is an investment holding company. Through its subsidiaries, the Company manufactures and distributes ceramic tiles. Hong Leong also assembles and distributes motorcycles and spare parts, and markets semiconductor devices and electronic components. The Company also manages and leases properties.

Investment Highlights

On an uptrend, the stock is currently trading above the MA20. We think there is a potential upside supported by a bullish harami 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.

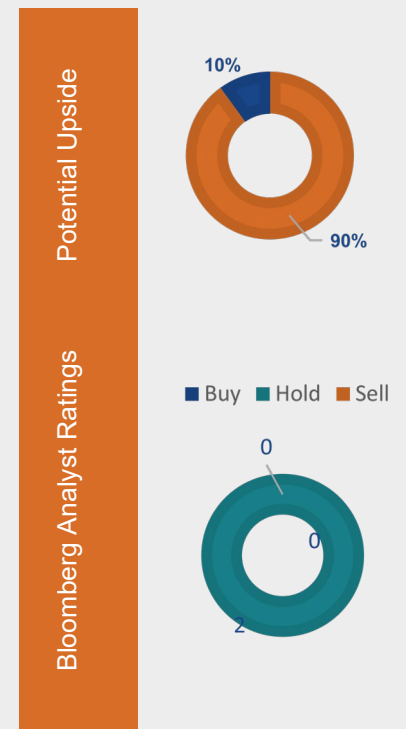
Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	10.3	9.9	9.6
P/B	1.3	1.3	1.3
P/CF	14.5	8.9	6.9
P/S	1.0	1.0	0.8

Entry Price	RM10.16
Market Cap (m)	RM3,245.8
52w high	RM10.50
52w low	RM8.70
Stop Loss	RM8.69
Immediate Support	RM9.65
Immediate Resistance	RM10.38 (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)	20,338.1

Main Market

Consumer Products & Services
 Subsector – Automotive
 Current Price: RM10.16
 Target Price: RM11.18



Ajinomoto (Malaysia) Berhad

Bloomberg: AJI MK | KLSE Stock Code: 2658

Technical Watch

“BUY on Potential Upside”

Company Overview

Ajinomoto (Malaysia) Berhad manufactures and sells monosodium glutamate (MSG) and other related products. The Company also produces consumer food products such as food seasonings, flavored salt and pepper, and sago starch.

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.

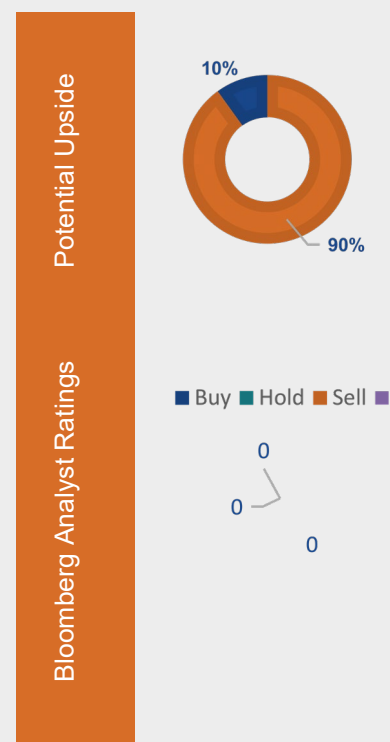
Fundamentals

	2Y Avg (x)	5Y Avg (x)	10Y Avg (x)
P/E	151.9	62.0	36.2
P/B	1.6	1.8	1.8
P/CF	122.1	39.7	24.2
P/S	1.5	1.8	1.8

Entry Price	RM18.26
Market Cap (m)	RM1,110.2
52w high	RM18.30
52w low	RM13.88
Stop Loss	RM15.61
Immediate Support	RM17.35
Immediate Resistance	RM18.26 (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)	66,618.4

Main Market

Consumer Products & Services
 Subsector – Food & Beverages
 Current Price: RM18.26
 Target Price: RM20.08





Technical Analysis Scoreboard

Date	Stock	Code	Entry (RM)	Prev Close (RM)	Stop Loss (RM)	TP (RM)	Day Change (%)	Gain/Loss from TP (%)	Remark
7/2/2024	Uzma	7250	1.190	1.200	1.020	1.310	-1.639	0.8	-
7/2/2024	Dayang	5141	2.090	2.240	1.770	2.280	-1.754	7.2	TP Achieved
8/2/2024	YTLPower	6742	4.040	3.950	3.450	4.440	0.254	-2.2	-
8/2/2024	Suncon	5263	2.470	2.530	2.110	2.720	-1.172	2.4	-
9/2/2024	MSM	5202	2.410	2.530	2.060	2.650	-0.784	5.0	TP Achieved
9/2/2024	AeonCredit	5139	6.010	6.300	5.140	6.610	-1.254	4.8	-
13/2/2024	AjinamotoMy	2658	16.760	18.100	14.330	18.440	3.547	8.0	-
13/2/2024	Solarvest	0215	1.470	1.530	1.260	1.620	-1.290	4.1	-
14/2/2024	HapSeng	3034	4.810	4.470	4.110	5.290	-0.667	-7.1	-
14/2/2024	MNRB	6459	1.730	1.760	1.480	1.900	-1.124	1.7	TP Achieved
15/2/2024	HumeCement	5000	2.930	2.850	2.510	3.220	-2.730	-2.7	-
15/2/2024	ITMax	5309	2.140	2.250	1.830	2.350	0.000	5.1	-
16/2/2024	TNB	5347	11.100	11.040	9.490	12.210	-1.429	-0.5	-
16/2/2024	QL Resources	7084	5.860	5.910	5.010	6.450	-0.839	0.9	-
19/2/2024	BankIslam	5258	2.440	2.570	2.090	2.680	0.000	5.3	-
19/2/2024	PWF	7134	1.040	0.895	0.890	1.140	-2.186	-13.9	SL Triggered
20/2/2024	JayaTiasa	4383	1.340	1.310	1.150	1.470	1.550	-2.2	SL Triggered
20/2/2024	Padini	7052	3.580	3.360	3.060	3.940	-0.885	-6.1	-
21/2/2024	Axiata	6888	2.890	2.670	2.470	3.180	-1.111	-7.6	-
21/2/2024	Sime Darby	4197	2.630	2.600	2.250	2.890	-1.141	-1.1	-
22/2/2024	PIE	7095	3.330	3.380	2.850	3.660	0.000	1.5	-
22/2/2024	Jetson	9083	0.365	0.255	0.310	0.400	0.000	-30.1	SL Triggered
23/2/2024	MiTech	5286	2.070	1.840	1.770	2.280	-1.075	-11.1	SL Triggered
23/2/2024	Genetec	0104	2.050	2.220	1.750	2.260	-0.893	8.3	-
26/2/2024	ChinHin	5273	4.030	3.980	3.450	4.430	0.505	-1.2	-
26/2/2024	Ge-Shen	7197	2.000	2.730	1.710	2.200	-3.534	36.5	TP Achieved
27/2/2024	Paragon	9407	4.050	3.920	3.460	4.450	2.618	-3.2	SL Triggered
27/2/2024	MalaysiAirports	7197	8.440	8.260	7.220	9.280	-1.900	-2.1	-
28/2/2024	KKB	9466	1.830	1.720	1.580	2.010	0.000	-6.0	-
28/2/2024	MSM Malaysia	5202	2.810	2.530	2.400	3.090	-0.784	-10.0	SL Triggered
29/2/2024	UPL	2089	21.680	23.180	21.900	23.850	-3.417	6.9	TP Achieved
29/2/2024	UNISEM	5005	3.350	3.330	2.750	3.690	-0.597	-0.6	-
1/2/2024	Mcement	3749	5.180	5.160	4.430	5.700	-0.193	-0.4	-
1/2/2024	Paramon	1724	1.080	1.070	0.920	1.190	-1.835	-0.9	-
4/3/2024	Alliance Bank	2488	3.590	3.600	3.070	3.950	0.559	0.3	-
4/3/2024	Bank Islam	5258	2.530	2.570	2.16	2.780	0.000	1.6	-
5/3/2024	Affin Bank	5185	2.670	2.620	2.280	2.940	-1.873	-1.9	-
5/3/2024	Eita	5208	0.920	0.930	0.790	1.010	1.087	1.1	-
6/3/2024	HL Industries	3301	10.160	10.160	8.690	10.380	1.600	0.0	-
6/3/2024	AjinamotoMy	2658	18.260	18.100	15.610	20.080	3.547	-0.9	-

Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
BRITISH AMERICAN TOBACCO (M)	CONSUMER	8.15	0.70	8.63
BERMAZ AUTO BERHAD	CONSUMER	2.44	0.21	8.48
SENTRAL REIT	REITs	0.80	0.07	8.43
KIP REAL ESTATE INVESTMENT TRUST	REITs	0.89	0.07	7.87
TALIWORKS CORPORATION BHD	UTILITIES	0.75	0.06	7.73
YTL HOSPITALITY REIT	REITs	1.23	0.09	7.64
MBM RESOURCES BHD	CONSUMER	4.38	0.33	7.60
UOA REITS	REITs	1.12	0.08	7.41
RHB BANK	FINANCE	5.60	0.41	7.29
HEKTAR REITS	REITs	0.62	0.04	7.15
SPORTS TOTO BERHAD	CONSUMER	1.41	0.10	6.88
AMWAY (M) HOLDINGS BHD	CONSUMER	7.58	0.51	6.69
CAPITALAND MALAYSIA TRUST	REITs	0.64	0.04	6.61
ALLIANZ MALAYSIA	FINANCE	18.90	1.24	6.56
MALAKOFF CORPORATION BERHAD	UTILITIES	0.63	0.04	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	5.7	24.2	14.8	18.0	14.2	12.8
Finance	6.1	13.0	10.2	12.0	10.2	9.7
Property	5.8	25.2	10.6	15.9	12.4	N/A
Plantation	2.4	95.5	9.7	31.7	17.7	16.7
Consumer	3.1	22.5	12.7	18.3	12.7	13.8
Technology	0.8	46.1	23.0	31.8	32.3	20.2
Construction	8.5	34.6	16.8	25.4	16.8	13.9
Energy	10.9	11.5	11.3	11.4	11.3	8.9
Healthcare	(0.7)	36.1	5.1	22.9	19.4	26.6
Ind Prod	0.9	24.9	12.7	18.5	19.2	15.5
REIT	3.9	29.5	12.9	19.0	12.9	14.8
Telco	5.1	31.0	19.8	26.6	27.4	18.7

Source: Bloomberg

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