

Daily Newswatch

Market Review

The FBMKLCI fell by 0.3% on Tuesday, with 20 out of 30 index constituents declining, erasing Monday's gains. The only notable gainer among the constituents was Telekom, which rose by 3.7%, while the biggest laggards included KLK (-3.7%), CelcomDiGi (-2.4%), PetDag (-2.3%), and QL Resources (-1.9%). Across the broader market, most sectors experienced losses, with the exceptions being technology (+0.6%) and REIT (+0.5%). The top losing sectors were plantation (-1.5%) and healthcare (-1.4%). Overall market sentiment was negative, with 726 losers compared to 470 gainers.

Economics

- **Malaysia's** manufacturing industry's capacity utilisation increased to 80.8% in 1Q - DOSM
- **US** Fed officials urge patience on timing of initial rate cut
- **China** signals potential 25% tariffs on US and European cars
- **UK** inflation fell less than forecast to 2.3% in April
- **UK** April factory output prices rise 1.1% y-o-y
- **Japan's** 10-year yield hits decade high of 1% as BOJ bets build
- **Indonesia** Central bank holds interest rates steady, as expected

Companies

- **Magma (7243)** plans to raise RM100m via redeemable convertible note issuance
- **Lagenda (7179)** buys Kedah land for RM149m
- **Advancecon (5281)** wins RM25m Sime Darby Prop contract
- **Coastal (5071)** secures vessel sale, extension

| <u>Upcoming key economic data releases</u> | <u>Date</u> |
|--|-------------|
| Malaysia – External Trade | 20 May |
| US – Initial Jobless Claims | 23 May |
| Malaysia – PPI | 28 May |
| US - GDP | 30 May |
| Malaysia - IPI | 10 June |
| US - FOMC | 12 June |

| Key Indices | Last Close | Daily chg % | YTD chg % |
|-------------|------------|-------------|-----------|
| FBM KLCI | 1,622.1 | (0.3) | 11.6 |
| Dow Jones | 39,671.0 | (0.5) | 5.2 |
| Nasdaq CI | 16,801.5 | (0.2) | 13.8 |
| S&P 500 | 5,307.0 | (0.3) | 11.9 |
| FTSE 100 | 8,370.3 | (0.5) | 8.4 |
| Nikkei 225 | 38,617.1 | (0.8) | 16.0 |
| Shanghai CI | 3,158.5 | 0.0 | 6.6 |
| HSI | 19,195.6 | (0.1) | 14.3 |
| STI | 3,307.9 | (0.2) | 2.4 |

| Market Activity | Last Close | Daily chg % |
|-----------------------|------------|-------------|
| Vol traded (m shares) | 5,429.6 | (22.3) |
| Value traded (RM m) | 4,226.4 | (3.2) |
| Gainers | 470 | |
| Losers | 726 | |
| Unchanged | 492 | |

| Top 5 Volume | Last Close | Daily chg % | Vol (m) |
|--------------|------------|-------------|---------|
| INGENIU | 0.070 | (12.5) | 604.7 |
| FEYTECH | 1.100 | 37.5 | 135.1 |
| DNEX | 0.445 | 0.0 | 82.9 |
| BCMALL | 0.015 | 50.0 | 79.2 |
| YNHROP | 0.475 | 5.6 | 65.6 |

| Top 5 Turnover | Last Close | Daily chg % | Value (RM m) |
|----------------|------------|-------------|--------------|
| MAYBANK | 9.990 | 0.0 | 156.9 |
| FEYTECH | 1.100 | 37.5 | 148.6 |
| PBBANK | 4.190 | 0.0 | 141.7 |
| YTLPOWR | 5.380 | (0.2) | 122.4 |
| TENAGA | 12.780 | 0.0 | 121.4 |

| Currencies | Last Close | % Chg |
|-----------------|------------|-------|
| USD/MYR | 4.6968 | 0.2 |
| USD/JPY | 156.75 | 0.4 |
| EUR/USD | 1.0825 | (0.3) |
| USD/CNY | 7.2413 | 0.1 |
| US Dollar Index | 104.93 | 0.3 |

| Commodities | Last Close | % Chg |
|--------------------|------------|-------|
| Brent (USD/barrel) | 81.90 | (1.2) |
| Gold (USD/troy oz) | 2,381.15 | (1.7) |
| CPO (USD/metric t) | 3898.0 | 0.0 |
| Bitcoin (USD/BTC) | 69,019.0 | (0.4) |

Economics

Malaysia's: Manufacturing industry's capacity utilisation increased to 80.8% in 1Q - DOSM

In 1Q 2024, Malaysia's manufacturing industry operated at 80.8% capacity, up from 79.8% the previous year, driving a 2.1% year-on-year rise in the industrial production index. The increase was fueled by strong performances in January and March despite February's lower rate. Export-oriented industries saw a slight rise in capacity utilisation to 79.4%, while domestic-oriented industries expanded significantly to 83.7%. The Federal Territory of Labuan led the states with a capacity utilisation rate of 95.9%. *(Reuters)*

US: Fed officials urge patience on timing of initial rate cut

Federal Reserve policymakers stressed the importance of waiting several more months before considering interest rate cuts to ensure inflation is firmly on track to reach the 2% target. Fed Governor Christopher Waller and Cleveland Fed President Loretta Mester highlighted the need for additional months of favourable inflation data. Despite some easing in inflation and labour market conditions, officials like Boston Fed President Susan Collins and Atlanta Fed President Raphael Bostic emphasised caution, with Bostic suggesting a possible rate cut in the fourth quarter if inflation continues to decline. This cautious approach was echoed by other Fed officials, underscoring the need for patience in policy adjustments. *(Reuters)*

China: Signals potential 25% tariffs on US and European cars amid escalating trade tensions

China has indicated it may impose tariffs of up to 25% on imported cars with large engines from the US and EU, escalating trade tensions. This potential move follows the EU's ongoing investigation into Chinese electric vehicle subsidies, with a decision on tariffs expected by early June. Shares of European carmakers like Mercedes-Benz and BMW fell in response to the news. The situation reflects broader trade conflicts, with China hinting at additional tariffs on European wine and dairy products and the US already imposing 100% tariffs on Chinese electric cars. *(Bloomberg)*

UK: Inflation fell less than forecast to 2.3% in April

In April, UK inflation fell to 2.3% year-on-year, slightly above the forecasted 2.1%, according to an ONS report. Core CPI rose by 3.9% year-on-year, exceeding the estimated 3.6%, while Services CPI increased by 5.9% compared to the expected 5.4%. Additionally, CPIH reached 3% year-on-year, higher than the forecasted 2.8%, and RPI stood at 3.3% year-on-year and 0.5% month-on-month. *(Bloomberg)*

UK: April factory output prices rise 1.1% y-o-y

In April, UK factory output prices increased by 1.1% year-on-year, meeting the estimated rise of 1.1%, according to an ONS report. On a month-on-month basis, output prices rose by 0.2%, below the expected 0.4%. Additionally, UK input prices fell by 1.6% year-on-year, slightly more than the estimated 1.5%, and rose by 0.6% month-on-month. *(Bloomberg)*

Japan's: 10-year yield hits more than decade high of 1% as BOJ bets build

Japan's 10-year government bond yield reached an 11-year high of 1% amid expectations of further Bank of Japan (BOJ) policy tightening and a weak auction of 40-year bonds. The yield has increased by 27.5 basis points since March, following BOJ Governor Kazuo Ueda's rate hike. Long-term yields surged, with the 40-year yield hitting 2.52% and the 30-year yield reaching a 13-year peak of 2.16%. *(Reuters)*

Indonesia: Central bank holds interest rates steady, as expected

Indonesia's central bank, Bank Indonesia (BI), maintained its benchmark 7-day reverse repurchase rate at 6.25%, consistent with expectations, to keep inflation in check and stabilise the rupiah. The overnight deposit facility rate and lending facility rate also remained unchanged at 5.5% and 7.0%, respectively. Despite last month's surprise rate hike to attract foreign investors and strengthen the currency, the rupiah remains vulnerable to global risk sentiment. Governor Perry Warjiyo emphasised the importance of a "probability monetary policy" to control inflation and stabilise the rupiah. Indonesia's economy grew by 5.11% in the first quarter, with an annual inflation rate of 3% in April, within BI's target range. *(Reuters)*

Companies

Magma (7243): Plans to raise RM100m via redeemable convertible note issuance

Magma Group Bhd plans to issue RM100m in redeemable convertible notes to repay borrowings and fund working capital, with the notes privately placed with Advance Opportunities Fund VCC and Advance Opportunities Fund 1. The new issuance follows a previous RM150m RCN exercise, which was terminated after raising only RM32.5m. Assuming full conversion, chairman Datuk Seri Lee Hock Seng's stake will dilute from 12.74% to 6.2%, with the first sub-tranche expected by Q4 2024. *(The Edge)*

Lagenda (7179): Buys Kedah land for RM148.98m

Lagenda Properties Bhd will acquire three plots of freehold land in Kuala Muda, Kedah, for RM149.0m through its subsidiary Blossom Eastland Sdn Bhd. The 346-hectare purchase from Hock Lean Rubber Estate Sdn Bhd aims to enhance Lagenda's land resources and presence in Kedah, focusing on affordable township development. The land's location near the Kedah-Penang border is expected to capitalize on high buyer demand from both states, similar to the group's successful Darulaman Lagenda development. *(The Edge)*

Advancecon (5281): Wins RM25m Sime Darby Prop contract

Advancecon Holdings Bhd has secured an RM25.4m contract from Sime Darby Property (Bukit Jelutong) Sdn Bhd for main infrastructure works at Tiara Residences in Shah Alam, Selangor. The letter of acceptance was received by its subsidiary, Advancecon Infra Sdn Bhd, and the project is expected to be completed within 18 months starting June 2024. *(The Edge)*

Coastal (5071): Secures vessel sale, extension

Coastal Contracts Bhd has secured a sale contract for an offshore support vessel and a five-year extension for another vessel's charter contract through its subsidiaries, Coastal International Marine Inc and Pleasant Engineering Sdn Bhd. *(The Edge)*

Stock Selection Based on Dividend Yield

| Company | Sector | Price (RM) | Dividend/Share (RM) | Dividend Yield (%) |
|------------------------------|----------|------------|---------------------|--------------------|
| Bermaz Auto | Consumer | 2.43 | 0.21 | 8.81 |
| Sentral REIT | REIT | 0.81 | 0.07 | 8.40 |
| YTL Hospital REIT | REIT | 1.22 | 0.10 | 7.87 |
| KIP REIT | REIT | 0.90 | 0.07 | 7.82 |
| British American Tobacco (M) | Consumer | 9.00 | 0.70 | 7.76 |
| RHB Bank | Finance | 5.49 | 0.40 | 7.34 |
| MBM Resources | Consumer | 5.00 | 0.34 | 6.84 |
| Amway (M) | Consumer | 7.45 | 0.51 | 6.81 |
| Pavilion REIT | REIT | 1.38 | 0.09 | 6.59 |
| CapitaLand Malaysia Trust | REIT | 0.67 | 0.04 | 6.57 |
| UOA REITS | REIT | 1.11 | 0.07 | 6.49 |
| MAG Holdings | Consumer | 1.16 | 0.07 | 6.47 |
| Magnum | Consumer | 1.16 | 0.07 | 6.47 |
| Hektar REITS | REIT | 0.70 | 0.04 | 6.29 |
| Sunway REIT | REIT | 1.56 | 0.10 | 6.28 |

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.

IPO Tracker

| Company | Listing Sought | Issue Price (RM/Share) | No. Of Shares (m) | | Closing Date | Listing Date |
|-------------------------------|----------------|------------------------|-------------------|----------------|--------------|--------------|
| | | | Public Issue | Offer for Sale | | |
| Smart Asia Chemical | ACE Market | 0.40 | 93.5 | - | 13 May | 28 May |
| Kawan Renergy | ACE Market | 0.30 | 110.0 | 34.5 | 14 May | 29 May |
| KTI Landmark | ACE Market | 0.30 | 160.0 | 45.0 | 4 Jun | 19 Jun |

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