

Daily Newswatch

Market Review

The FBMKLCI rebounded from the loss and closed higher (0.4%) on Wednesday amid bargain-hunting activities by investors. Several index constituents that turn positive include YTL (+3.0%), YTLPOWER (+3.0%), CIMB (+1.2%) and HLFM (+1.2%). All the sectors recorded positive gains except for Plantation (-0.3%) and REIT (-0.2%). Among the sectors, the best performing sectors are Transportation & Logistics (+1.9%) and Utilities (+1.5%). The broader market sentiment turned positive, with 627 gainers against 453 losers.

Economics

- EU:** ECB's Rehn sees bets for two more cuts in 2024 as reasonable
- Australia:** Faster inflation raises risk of RBA rate hike
- China:** 10-Year yield down to lowest since 2002 on growth worry
- UK:** Starmer targets difficult-to-reach 2.5% growth rate for Britain

Companies

- Samaiden:** Partners with Gruppe Lighting for innovative energy solutions
- IJM:** Bags RM332m Iskandar Puteri Data Centre contract
- Aurelius Technologies:** EPF emerges as substantial shareholder
- Sapura Energy:** Appoints interim chairman in light of chairman's absence
- Kuchai Development:** Kuchai Development-Sungei Bagan deal cut-off date extended by four months till Oct 29
- SMTrack:** CN Asia set to emerge as largest shareholder via debt settlement plan
- Gamuda:** Lin Yun Ling acquires 1.2m shares in Gamuda via ESOS
- OSK Venture:** OSK-SBI Venture Partners launches second fund and makes first investment

<u>Upcoming key economic data releases</u>	<u>Date</u>
Malaysia - GDP	27 Jun
US - GDP	27 Jun
US - Purchasing Manager Index	28 Jun

Key Indices	Last Close	Daily chg %	YTD chg %
FBM KLCI	1,591.0	0.4	9.5
Dow Jones	39,127.8	0.0	3.7
Nasdaq CI	17,805.2	0.5	20.6
S&P 500	5,477.9	0.2	15.5
FTSE 100	8,225.3	(0.3)	6.5
Nikkei 225	39,667.1	1.3	19.2
Shanghai CI	2,972.5	0.8	0.3
HSI	18,089.9	0.1	7.8
STI	3,331.7	0.2	3.2

Market Activity	Last Close	Daily chg %
Vol traded (m shares)	4,727.5	(9.7)
Value traded (RM m)	3,220.7	(12.9)
Gainers	627	
Losers	453	
Unchanged	439	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
INGENIEU	0.065	0.0	227.8
JCY	0.735	5.8	82.3
MYEG	1.020	(1.9)	65.9
SBH	0.320	12.3	61.1
SNS	0.760	5.6	56.8

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
TM	6.760	0.7	117.2
YTLPOWR	4.810	3.0	102.1
TENAGA	13.920	(0.6)	94.4
CIMB	6.760	1.2	93.2
MISC	8.550	0.0	79.7

Currencies	Last Close	% Chg
USD/MYR	4.7163	0.2
USD/JPY	160.66	0.7
EUR/USD	1.0678	(0.3)
USD/CNY	7.2666	0.1
US Dollar Index	106.05	0.4

Commodities	Last Close	% Chg
Brent (USD/barrel)	85.25	0.3
Gold (USD/troy oz)	2,298.4	(0.9)
CPO (MYR/metric t)	3,985.5	1.1
Bitcoin (USD/BTC)	60,898.8	(1.6)

Economics

EU: ECB's Rehn sees bets for two more cuts in 2024 as reasonable

Olli Rehn, a member of the ECB's Governing Council, supports market expectations of two more rate cuts in 2024, potentially bringing rates down to 3.25% by year-end and targeting a terminal rate of 2.25-2.50% by 2025. He emphasizes the importance of ensuring inflation returns to the ECB's 2% target without stifling economic growth, indicating a willingness to continue lowering rates if disinflation persists. Rehn views each policy meeting as an opportunity for rate adjustments based on new economic data, contrasting with colleagues who prefer quarterly decisions. He expects Europe's economy to recover gradually, stressing the ECB's role in supporting full employment and sustainable growth while managing the output gap. *(Bloomberg)*

Australia: Faster inflation raises risk of RBA rate hike

In May, Australia's inflation rate unexpectedly accelerated for the third consecutive month, reaching 4%, above economists' forecasts of 3.8%. This surge led to increased speculation among traders that the Reserve Bank of Australia (RBA) might resume raising interest rates at its upcoming meeting in August. Market reactions included a rise in the Australian dollar and a significant jump in yields on three-year bonds, reflecting heightened expectations of monetary policy tightening. RBA officials, while cautious about interpreting monthly data alone, acknowledge upside risks to inflation and emphasise their goal of returning consumer prices to the 2%-3% target range while sustaining strong job market gains. *(The Star)*

China: 10-Year yield down to lowest since 2002 on growth worry

China's benchmark bond yields have reached their lowest levels in over two decades, with the 10-year government bond yield dropping to 2.22% amid investor preference for safe-haven assets. This trend reflects concerns over China's sluggish economic growth, accommodative monetary policy, and ample liquidity in the banking system despite fiscal stimulus efforts. The People's Bank of China (PBOC) has adjusted the yuan's daily reference rate lower for six consecutive sessions, aiming to manage its decline amid US dollar strength and economic pessimism. *(Bloomberg)*

UK: Starmer targets difficult-to-reach 2.5% growth rate for Britain

Keir Starmer, likely Britain's next prime minister according to polls, aims for annual economic growth of at least 2.5% under Labour Party leadership, citing past performance during Labour's previous tenure. Economists, however, view this target as overly ambitious given current economic conditions and the UK's recent growth trends. Critics argue that achieving such growth could necessitate unrealistic fiscal policies, with estimates suggesting substantial revenue increases would be needed to fund Labour's spending plans. Despite scepticism from economists and think tanks, Starmer emphasises growth-oriented policies, including infrastructure expansion and renewable energy initiatives, in his campaign platform. *(Bloomberg)*

Companies

Samaiden: Partners with Gruppe Lighting for innovative energy solutions

Samaiden Group Bhd has entered a partnership with Gruppe Lighting Solution Sdn Bhd to enhance the deployment of energy-efficient lighting solutions integrated with renewable energy sources like solar panels and battery storage. The collaboration aims to co-develop solar street lighting systems incorporating smart grid technologies and IoT capabilities for better energy management in smart city projects. This initiative supports Malaysia's green energy goals by ensuring continuous lighting through hybrid systems that combine solar energy with other renewables. (*The Star*)

IJM: Bags RM332m Iskandar Puteri Data Centre contract

IJM Corp Bhd's subsidiary, IJM Construction Sdn Bhd, has secured an RM331.7m contract to design and build Block 2 of the Iskandar Puteri Data Centre for TM Technology Services Sdn Bhd in Johor. The project, aiming for Uptime Institute Tier III certification, includes comprehensive construction and infrastructure works, set to commence in July 2024 and be completed by Q3 2025. This initiative marks IJM's strategic entry into Malaysia's expanding data centre sector, reinforcing its high-tech construction capabilities and enhancing its portfolio diversification. With recent contract wins, including those in logistics and semiconductor manufacturing, IJM Construction's order book now stands at RM7.3bn, bolstering its position in key growth sectors. (*The Star*)

Aurelius Technologies: EPF emerges as substantial shareholder

Aurelius Technologies Bhd announced that the Employees Provident Fund (EPF) has acquired a substantial stake, owning 7.9% of the company's shares as of June 19, 2024. The company's stock has seen significant gains, rising more than 40% year-to-date and over 60% in the past year. For the first quarter of 2024, Aurelius reported a net profit of RM15.7m on revenue of RM125.7m. Looking ahead, Aurelius plans to maintain a cautious yet optimistic approach in navigating the global market, focusing on strategic investments in technology infrastructure to bolster its capabilities in Internet of Things and automotive manufacturing. (*The Star*)

Sapura Energy: Appoints interim chairman in light of chairman's absence

Sapura Energy Bhd has appointed Shahin Farouque Jammal Ahmad, a non-independent non-executive director, as interim chairman following the leave of absence granted to Datuk Mohamad Azlan Abdullah, its chairman and CEO of Prolintas Group, due to an ongoing Malaysian Anti-Corruption Commission (MACC) investigation. The investigation pertains to alleged bribery involving two highway projects unrelated to Sapura Energy. The company assured stakeholders that operations continue without disruption and pledged to provide updates on significant developments. (*The Edge*)

Kuchai Development: Kuchai Development-Sungei Bagan deal cut-off date extended by four months till Oct 29

Kuchai Development Bhd and Sungei Bagan Rubber Company have extended the deadline for Kuchai's proposed disposal of assets and liabilities to Sungei Bagan, now set for October 29 with a potential extension to December 29 if conditions are not met. This transaction, aimed at consolidating assets linked to Kluang Rubber Company, includes Kuchai transferring assets such as Singapore property, agricultural land, and financial instruments totaling RM275.5m to Sungei Bagan in exchange for a 29.4% stake. Kuchai's most valuable asset, 3.032m shares in Great Eastern Holdings Bhd, was valued at approximately RM271.7m following a recent buyout offer by OCBC. Since Kuchai's shareholder approval of the deal on May 7, both Kuchai and Sungei Bagan's shares have seen significant price movements, reflecting market anticipation and reactions to the pending transaction. (*The Edge*)

SMTrack: CN Asia set to emerge as largest shareholder via debt settlement plan

CN Asia Corp Bhd is poised to become the largest shareholder of SMTrack Bhd by acquiring a 14.2% stake through a debt settlement arrangement. SMTrack will issue 218 million new shares at 3.5 sen each to settle an RM7.63m debt owed to CN Asia's subsidiary. This settlement, priced at a 10% discount to SMTrack's recent market average, addresses financial challenges stemming from SMTrack's diversification efforts and cash flow constraints. The transaction, expected to conclude by the fourth quarter of this year, aims to stabilise SMTrack's financial position amid its ongoing operational struggles and accumulated losses. (*The Edge*)

Gamuda: Lin Yun Ling acquires 1.2m shares in Gamuda via ESOS

Datuk Lin Yun Ling, founder and managing director of Gamuda Bhd, exercised 1.2m share options under the ESOS, acquiring shares at RM2.55 each, totalling RM3.06m. With Gamuda's current share price at RM6.59, the value of these shares has risen to RM7.91m, resulting in a substantial gain of RM4.85m. Lin now holds a direct stake of 2.9% in Gamuda, which has seen a 43.6% increase in its share price this year, driven partly by optimism surrounding data centre projects. (*The Edge*)

OSK Venture: OSK-SBI Venture Partners launches second fund and makes first investment

OSK-SBI Venture Partners Ltd, a joint venture between OSK Ventures International Bhd and SBI Holdings Inc, has launched its second venture capital fund aimed at investing in pioneering companies across Southeast Asia. With an initial close of US\$20m and a target of US\$40m, the fund underscores robust collaboration between Malaysian and Japanese entities in the start-up ecosystem. Fund 1, established in 2018, has already invested in leading Southeast Asian firms like Doctor Anywhere and Sunday Insurance, showcasing a focus on healthcare and insurtech sectors. OSK-SBI continues to support innovation and growth in technology sectors ranging from healthcare to renewable energy, aiming to empower regional talent and foster transformative ideas. (*The Edge*)

Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
Sentral REIT	REIT	0.80	0.07	8.75
Bermaz Auto	Consumer	2.52	0.20	8.10
YTL Hospital REIT	REIT	1.21	0.10	8.02
KIP REIT	REIT	0.89	0.07	7.87
RHB Bank	Finance	5.49	0.40	7.34
British American Tobacco (M)	Consumer	8.30	0.60	7.17
Amway (M)	Consumer	7.06	0.50	7.04
CapitaLand Malaysia Trust	REIT	0.67	0.05	6.87
MAG Holdings	Consumer	1.12	0.08	6.70
Magnum	Consumer	1.12	0.08	6.70
Pavilion REIT	REIT	1.38	0.09	6.59
Hektar REITS	REIT	0.60	0.04	6.55
Ta Ann Holdings	Plantation	3.80	0.25	6.55
MBM Resources	Consumer	5.35	0.35	6.52
UOA REITS	REIT	1.12	0.07	6.43

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		
UUE Holdings	ACE Market	0.24	124.9	37.5	18 Jun	2 Jul
Go Hub Capital	ACE Market	0.35	107.2	-	20 Jun	3 Jul
Ocean Fresh	ACE Market	0.28	50.1	-	20 Jun	4 Jul
Johor Plantations Group	Main Market	0.84	464.0	411.0	24 Jun	9 Jul
Well Chip Group Berhad	Main Market	1.15	150.0	-	10 Jul	23 Jul
BWYS Group Berhad	ACE Market	0.22	256.3	100.0	4 Jul	24 Jul

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MERCURY SECURITIES SDN BHD
Registration No. 198401000672 (113193-W)
L-7-2, No 2, Jalan Solaris, Solaris Mont' Kiara,
50480 Kuala Lumpur
Telephone: (603) - 6203 7227
Website: www.mercurysecurities.com.my
Email: mercurykl@mersec.com.my