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Morning Pole Position

| 16th August 2022 |

All market data as at previous trading day

Market indices

Indices	Last	Daily chg	YTD chg%
<i>Local</i>			
FBM KLCI	1,504.01	-2.18	-4.05
FBM Emas	10,660.54	-22.64	-5.73
FBM Syariah	10,769.54	-20.79	-12.18
FBM Small Cap	14,467.13	-35.34	-8.21
FBM ACE	4,959.46	22.72	-22.75
F4G BM	865.67	-0.57	-1.66
F4G BMS	892.54	0.48	-9.16
Funds Flows		Net Buy (MYR'm)	
Local Institutions*			-188.8
Local Retails*			68.3
Foreign*			120.5
<i>Foreign</i>			
Dow Jones	33,912.44	151.39	-6.68
S&P 500	4,297.14	16.99	-9.84
Nasdaq	13,128.05	80.87	-16.09
FTSE	7,509.15	8.26	1.69
Hang Seng	20,040.86	-134.76	-14.35
Nikkei	28,871.78	324.8	0.28
Shanghai CI	3,276.09	-0.8	-9.99
Strait Times	3,256.82	-12.45	4.26

Currencies

BNM Middle Rate (5pm)	Last	Daily chg	YTD %
USD / MYR	4.4595	0.0152	7.07
GBP / MYR	5.3848	-0.0276	-4.37
JPY100 / MYR	3.3436	0.0082	-7.60
EUR/MYR	4.5518	-0.0269	-3.44
SGD / MYR	3.2407	-0.0032	5.04
CNY / MYR	0.6590	-0.0006	0.66
AUD / MYR	3.1422	-0.0219	3.82

Bond Yield Movements

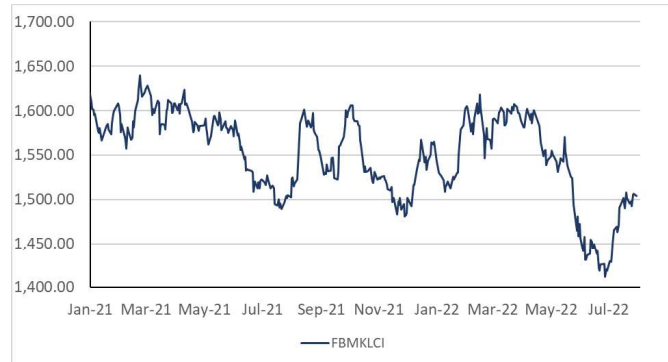
		Yield	Daily Change (bps)
MGS	3- year	3.47	-3
	10- year	3.94	-4
GII	3- year	3.52	1
	10- year	4.02	1
UST	2- year	3.2	-5
	10- year	2.79	-5

Commodities

	Last	Daily chg	Daily chg %
CPO (3 rd month)	4,138.00	-273	-6.19
Brent (1 st month)	93.47	-4.13	-4.23
Gold (spot)	1,779.09	-20.17	-1.12

Source: Treasury.gov, Bursa and BNM

FBMKLCI and statistics



Source: Bloomberg

Market Turnover

Vol (m shrs)	2,544
Value (MYR m)	1,727

Top 5 Value	Last	Daily chg %	Value (MYR m)
TOPGLOV	0.795	-7.02	142.204
HARTA	1.860	-7.00	94.068
DNEX	0.890	0.00	91.502
PBBANK	4.660	0.22	66.950
KOSSAN	0.985	-7.94	57.613

Top 5 Gainers	Last	Daily chg %	Value (MYR m)
PHB	0.010	100.00	0.002
MNC	0.015	50.00	0.033
GOCEAN	0.020	33.33	0.006
XOX	0.020	33.33	0.030
MINETEC-PA	0.020	33.33	0.000

Top 5 Losers	Last	Daily chg %	Value (MYR m)
PASUKGB	0.015	-25.00	0.006
JOE	0.015	-25.00	0.001
AEM	0.015	-25.00	0.000
DNONCE	0.100	-23.08	0.747
ZENTECH	0.020	-20.00	0.031

Top 5 DBT	Value (MYR m)	Volume (m shares)	Price (MYR)
G3	1.235	30.878	0.03
JETSON	2.565	13.500	0.26
DOLPHIN	0.038	7.645	0.04
BAHVEST	1.800	6.000	0.33
MYEG-C3G	0.315	4.500	0.07

Market Pulse



Source: Chart created using tradingview.com's tools, PRSB

Although the FBMKLCI rebounded during yesterday morning trading session, as investors start this week’s session on the back of stellar second-quarter gross domestic product (GDP) figures announced last week, the Index ended the trading day in red as sentiments affected by the looming China economy slow down. The Index ended marginally lower at 1,504.01 pts with -2.18 pts (-0.14%) compared to the previous day’s session. We believe that market takes profit first following gains seen for the past several weeks as it waits for the U.S. market.

Taking the cues from the U.S. market where it finished higher after reversing lower open, we anticipate the Index to edge higher today as the upside pattern is intact. Technically, the Index may test the immediate resistance at 1,513.21 pts and may go higher to 1,531.91 pts. We believe that the market has already anticipated for slower China economy ever since the Politburo on 28th July has again vowed to stick with the Zero-Covid Strategy (ZCS), and the explicitly mentioned politics is a particularly important factor to consider when handling the relationship between Covid controls and socio-economic development. As Beijing will maintain ZCS, at least until 1Q 2023 when the current political reshuffle is fully completed, China’s growth in 2H will continue to be significantly hindered by its ZCS. We set the Index support level at 1,484.61 pts.

Our picks in Exhibit 1.

Exhibit 1: Our Picks

Company	Ticker	Rating	Price (MYR)	TP (MYR)	Upside (%)
Fundamental					
Bermaz Auto	BAUTO MK	Buy	1.80	2.45	36.11
Guan Chong	GUAN MK	Buy	2.41	2.78	15.35
Technical					
Genting Malaysia	GENM MK	Outperform	2.97	3.21	8.08
IHH Healthcare	IHH MK	Outperform	6.49	7.00	7.86
Kawan Food	KFB MK	Buy	1.94	2.19	12.89
Matrix Concept	MCH MK	Outperform	2.26	2.57	13.72
Ta Ann	TAH MK	Buy	3.91	4.64	18.67
Telekom	T MK	Outperform	5.60	6.28	12.14
QL Resources	QLG MK	Buy	5.02	5.77	14.94
CB Industrial Product Holding	CB MK	Buy	1.40	1.76	25.71
Opcom Holdings	OHB MK	Buy	0.860	1.24	44.19
KSL Holdings	KSL MK	Buy	0.795	0.96	20.75
Gamuda	GAM MK	Outperform	3.81	4.30	12.86
Chin Well Holdings	CWH MK	Outperform	1.68	2.00	19.05
Supercomnet Technologies	SCT MK	Buy	1.40	1.73	23.57
ETF					
MyETF Dow Jones U.S. Titans 50	METFUS50 MK	Buy	USD 1.89	USD 2.21	16.70
Principal FTSE ASEAN 40 Malaysia ETF	CIMBA40 MK	Buy	1.65	1.80	9.36
TradePlus HSCEI Daily (-1x) Inverse Tracker	HSCEI1XI MK	Buy	2.18	2.35	7.80
TradePlus NYSE FANG+ Daily (-1x) Inverse Tracker	FANG1XI MK	Buy	1.59	1.86	16.98

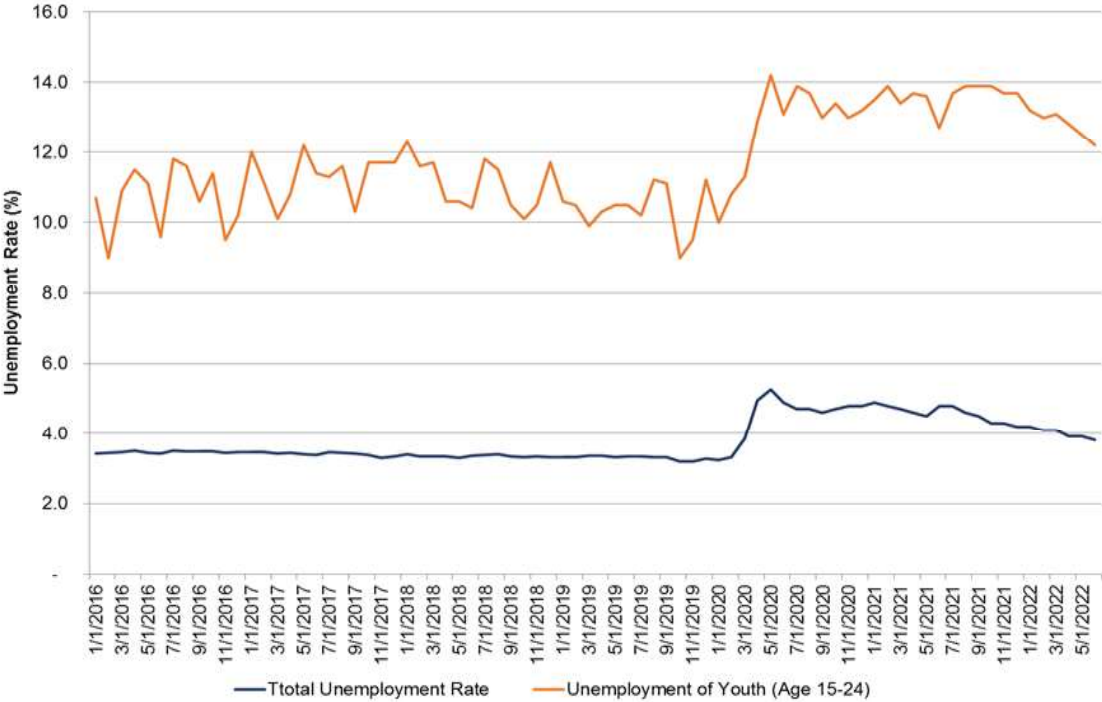
Source: Bursa, Bloomberg, PRSB, price as of 15th August 2022

Malaysian news highlights

- Consolidation among banks beneficial, spurs innovation, say experts.**
 Experts believe that a consolidation among banks in Malaysia will be beneficial and bring about a push for a greater innovation. During the Bursa Malaysia-Maybank Sectorial Series “Why Malaysia” webinar on Monday (Aug 15), Permodalan Nasional Bhd (PNB) Chief Investment Officer, Private and Strategic Investments, Rick Ramli, said there will be some benefits from consolidation in the banking sector, especially to the subscale players but mostly in the subsequent months or years. “The financial market today is very different from the days before the (Asian) Financial Crisis in 1997-1998. Banks have reaped the benefits from consolidation in the sector and most of them are now strongly capitalised and highly resilient,” he said. (Source: [TheEdgeMarkets](#))
- Number of youth bankrupts in country declining, says deputy minister.**
 The number of bankrupt youths in the country showed a downward trend over the past three years, said Youth and Sports Deputy Minister Datuk Seri Ti Lian Ker. He said based on information from the Malaysian Department of Insolvency (MDI), there were 10,137 bankrupt youths in 2020 until June 2022. He said the decrease in bankruptcy cases could be seen in youths under the age of 25, where in 2020, a total of 21 youths were found experiencing bankruptcy and the number dropped to 20 in 2021, and only six this year up to June. (Source: [TheEdgeMarkets](#))

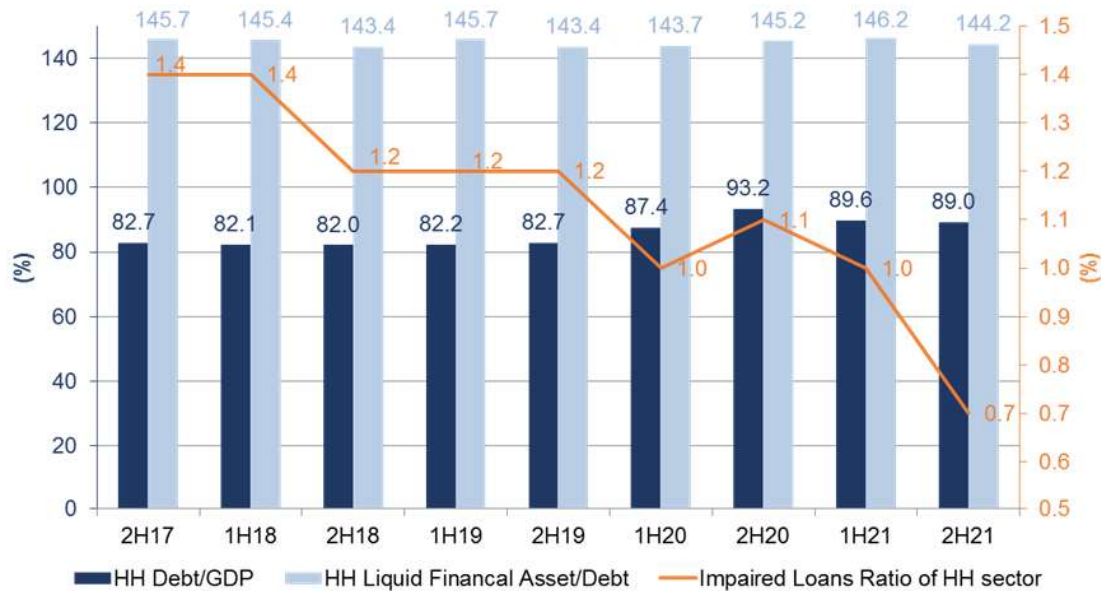
COMMENT: While this is a positive trend but the high unemployment among the youth, which currently stands at 12,2%, is still a concern (Exhibit 2). and we expect Government will announce some policies to tackle the high unemployment rate. Meanwhile, family household financial status (Exhibit 3) remains healthy, and we believe it will continue to be the driver of private consumption.

Exhibit 2: Unemployment Rate



Source: DoS, compiled by PRSB

Exhibit 3: Household Financial Status



Source: DoS, compiled by PRSB

- MOH wants public health allocation to be raised to 5% of GDP, says Khairy.**

The Health Ministry (MOH) is seeking for public health expenditure to be increased to 5% of gross domestic product (GDP) to ensure Malaysia has a world standard public health system in the future. Its minister, Khairy Jamaluddin, said in an upper middle-income country, the benchmark for public health expenditure is between 4% and 5% of GDP. Nonetheless, Malaysia, he said, is only allocating 2.59% of GDP for public health expenditure thus causing many to complain of the long wait to get services such as magnetic resonance imaging (MRI) or computed tomography (CT) scan in government hospitals. (Source: [TheEdgeMarkets](#))

Global news highlights

- New York Manufacturing Plunges by Second-Most in Data to 2001.**

The Federal Reserve Bank of New York's August general business conditions index slumped more than 42 points to minus 31.3, with the drop just behind that seen in April 2020, a report showed Monday. A reading below zero indicates contraction, and the figure was far weaker than the most downbeat forecast in a Bloomberg survey of economists. (Source: [Bloomberg](#))

- US Homebuilder Confidence Hits Worst Slump Since 2007 Collapse.**

The National Association of Home Buyers/Wells Fargo gauge decreased by 6 points to 49 in August, figures showed Monday. The reading was worse than the most downbeat estimate in a Bloomberg survey of economists and below the breakeven measure of 50 for the first time since May 2020. (Source: [Bloomberg](#))

- Economists Say a Euro-Zone Recession Is Now More Likely Than Not.**

The risk of a euro-area recession has reached the highest level since November 2020 as energy shortages threaten to drive already record inflation higher still, according to economists polled by Bloomberg. The probability of output shrinking for two straight quarters has risen to 60% from 45% in a previous survey, and up from 20% before Russia invaded Ukraine. Germany, the bloc's largest economy and one of the most exposed to cutbacks in Russian natural gas supplies, is likely to stagnate from as early as this quarter. (Source: [Bloomberg](#))

- Scope of EU Ban on Russian Coal and Fertilizers Jolts Insurers.**
 The European Union jolted insurers and shippers by clarifying that a ban on EU entities servicing exports of Russian coal and some fertilizers applies to shipments anywhere in the world. An EU ban on imports of Russian coal and other goods into the 27-nation bloc started on Aug. 10, following a wind-down period of four months. In a clarification, the bloc said the sanctions also prohibit EU operators from providing services -- such as financing and insurance -- to all shipments of such products originating in Russia. (Source: [Bloomberg](#))
- Germany Slaps Levy on Households to Spread Pain of Gas Surge.**
 Germany's government said households will face additional annual costs of about 290 euros (\$296) to pay for natural gas as the burden of Russia's squeeze on energy flows to Europe is redistributed. From October, consumers will have to pay extra 2.419 euro cents per kilowatt hour for natural gas, Trading Hub Europe said in a statement Monday. The blow of the temporary levy will be softened by subsidies for some households. (Source: [Bloomberg](#))
- Singapore Home Sales Jump to Second-Highest Level This Year.**
 Singapore home sales rebounded last month to the second-highest level this year, as buyers brushed aside interest-rate and global slowdown concerns. Purchases of new private apartments grew to 834 in July, Urban Redevelopment Authority figures showed Monday. It's a 71% jump from the 488 units sold in June. (Source: [Bloomberg](#))
- Tourists Pouring Back Into Thailand Underpin Outperforming Baht.**
 Thailand's baht rebounded so rapidly in the past few weeks on optimism about the country's tourism-led growth that it's already hit year-end analyst targets. The currency jumped 2.3% to about 35.45 per dollar this month, leading gains in Asia by a wide margin. In addition to rising forecasts for tourists arrivals, the advance is also being driven by a narrowing current-account deficit due to falling oil prices. (Source: [Bloomberg](#))

Corporate news

- PKNS, Bank Islam sign MOU to offer Islamic housing loans.**
 The Selangor State Development Corporation (PKNS) and Bank Islam Malaysia Bhd have signed a memorandum of understanding (MOU) to offer Islamic housing loans based on the Tawarruq principle. PKNS chief executive officer Datuk Mahmud Abbas said the MOU aims to make it easier for customers to get loans, as Bank Islam offers various loan facilities for the property sector, from projects in development to completed projects. "The loans offered by Bank Islam are up to 35 years or until the customer has reached 70 years old. (Source: [TheEdgeMarkets](#))
- MIDA, Perodua identify five new vendors for digital transformation programme.**
 The Malaysian Investment Development Authority (MIDA) and Perusahaan Otomobil Kedua Sdn Bhd (Perodua) have identified five vendors for the MIDA-Perodua Digital Transformation Ecosystem Programme launched on Monday (Aug 15) at MIDA's headquarters. These vendors are Armstrong Auto Parts Sdn Bhd, Ingress Aoi Technologies Sdn Bhd, Namicoh Suria Sdn Bhd, PD Kawamura Kako Manufacturing Sdn Bhd (PDKM) and Kumpulan Jebco (M) Sdn Bhd. Notably, Perodua Auto Corp Sdn Bhd owns 51% of PDKM and 15% of Ingress. (Source: [TheEdgeMarkets](#))
- Top Glove's Lim Wee Chai buys 2.8 million shares as share price dips below 90 sen.**
 Top Glove Corp Bhd Executive Chairman Tan Sri Dr Lim Wee Chai has bought two blocks of 2.8 million shares in the rubber glove company for RM2.31 million. According to its filing with Bursa Malaysia on Monday (Aug 15), Lim acquired 1.3 million shares last Friday (Aug 12) for 85.592 sen per share, and another 1.5 million shares on Monday for 79.5 sen per share. This increased his direct stake to 27.627% from 27.592% on July 15. On top of that, he holds an 8.495% indirect stake in the company. (Source: [TheEdgeMarkets](#))

- Datasonic's passport supply contract revised upwards to include maintenance services.**
 Datasonic Group Bhd's RM318.75 million contract to supply 12.5 million passport chips to the Ministry of Home Affairs has been revised upward to RM350.14 million, to include provision of maintenance services worth RM31.39 million for 2022 and 2023. In a bourse filing, Datasonic said the group is tasked to provide maintenance services on, among others, equipment, software and chip system application, under the revised contract. In November last year, Datasonic secured a two-year extension for three contracts related to the supply of Malaysian passports from the ministry. (Source: [TheEdgeMarkets](#))
- MAHB, AirAsia, AAX did not enter into other settlement agreement apart from discontinuing legal proceedings.**
 Malaysia Airports Holdings Bhd (MAHB), AirAsia X Bhd (AAX) and Capital A Bhd, which owns AirAsia Bhd, have clarified that they did not enter into any separate settlement agreement to discontinue legal proceedings against each other. "Save for the mutual agreement to discontinue the legal proceedings, there was no other settlement agreement entered into by the parties," they said in their respective Bursa Malaysia filings. Last week, all three parties announced that they have discontinued their legal proceedings against each other in relation to collection of passenger service charges (PSC) and negligence in the operation and management of klia2. (Source: [TheEdgeMarkets](#))
- Airasia launches food delivery via flight from Penang to Klang Valley.**
 Capital A Bhd's airasia Super App has launched an intercity food delivery service, leveraging on its low-cost carrier services to fly delicacies from Penang to Klang Valley. With a fee of RM5.99 per order, all fresh meals will be air-flown in strict hygienic conditions, with the last order at 5pm one day before the delivery day, airasia said in a statement. Users can order up to 30 days in advance, it said. The unique feature among food delivery services allows airasia to champion local merchants who can now tap on airasia's ecosystem to reach a much wider audience, said airasia food regional head Tan Suan Sear. (Source: [TheEdgeMarkets](#))

Regional company reports

Thai Beverage PLC – Recovery except for spirits.

- Results are in line, with 9M22 revenue and EBITDA at 77%/76% of our FY22e forecasts.
- Spirits volumes contracted 14% YoY and margins were weaker. Beer recovered on both volume and price increases.

PropNex Ltd – Strength from revenue diversity.

- 1H22 revenue and PATMI were within expectations at 62%/62% of our FY22e forecast. We expect further weakness in earnings, especially from new project revenue.
- Rental was the fastest growing segment in 2Q22, rising 23% YoY, followed by HDB. Project marketing revenue fell 29% YoY due to a decline in new launches.

HRnetGroup Limited – Faster growth outside Singapore.

- Results were within expectations. 1H22 revenue and PATMI was 51%/48% of our FY22e forecast. 1H22 PATMI grew 12% YoY to S\$32.6mn, excluding fair value losses and one-off reversal of trade accruals.
- Revenue growth of 14% was from both permanent recruitment (+19% YoY) and flexible staffing (+13% YoY). Maiden interim DPS of 3 cents was announced.

CapitaLand Investment Limited – Fee-related business support revenue.

- 1H22 revenue of S\$1,354mn (+29% YoY) was in line, forming 50% of our forecast.
- RE investment revenue grew 44% YoY, driven by a broad-based recovery. Fee-related revenue was up 9% YoY, lifted by PE fund management (+15%) and lodging management (+37%).

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For relative performance, we benchmark the 12-month total forecast return (including dividends) for the stock against the 12-month forecast return (including dividends) for the market on which the stock trades.

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BUY: Total expected return below 20% but exceed 5% or then 1-year rate, whichever is higher;

SELL: Total return of not more than 5% or then 1-year rate, whichever is higher.

The ratings are based on the forecast total return (including dividends) over the next 12 months.

Funds:

The rating a mathematical scoring system that include risks (standard deviation, Sharpe Ratio) and returns (1-year, 3-year, 5-year and consistency)BUY: Total return (including income distribution) is positive and above peers' average while risk factors are low;

O-PF: Total return is positive and above peers' average but has higher risk factors;SELL: Total return is negative.

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