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Morning Pole Position

| 17th August 2022 |

All market data as at previous trading day

Market indices

Indices	Last	Daily chg	YTD chg%
<i>Local</i>			
FBM KLCI	1,518.78	14.77	-3.11
FBM Emas	10,749.53	88.99	-4.95
FBM Syariah	10,901.91	132.37	-11.10
FBM Small Cap	14,485.96	18.83	-8.09
FBM ACE	4,968.28	8.82	-22.61
F4G BM	873.33	7.66	-0.79
F4G BMS	905.40	12.86	-7.85
Funds Flows		Net Buy (MYR'm)	
Local Institutions*			-193.1
Local Retails*			29.2
Foreign*			163.9
<i>Foreign</i>			
Dow Jones	34,152.01	239.57	-6.02
S&P 500	4,305.20	8.06	-9.67
Nasdaq	13,102.55	-25.5	-16.25
FTSE	7,536.06	26.91	2.05
Hang Seng	19,830.52	-210.34	-15.25
Nikkei	28,868.91	-2.87	0.27
Shanghai CI	3,277.88	1.8	-9.94
Strait Times	3,253.79	-3.03	4.17

Currencies

BNM Middle Rate (5pm)	Last	Daily chg	YTD %
USD / MYR	4.4660	0.0065	7.23
GBP / MYR	5.3762	-0.0086	-4.52
JPY100 / MYR	3.3345	-0.0091	-7.86
EUR/MYR	4.5283	-0.0235	-3.94
SGD / MYR	3.2369	-0.0038	4.91
CNY / MYR	0.6577	-0.0013	0.46
AUD / MYR	3.1304	-0.0118	3.43

Bond Yield Movements

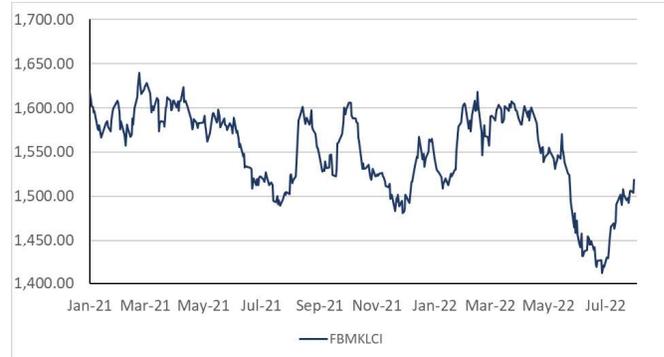
		Yield	Daily Change (bps)
MGS	3- year	3.47	0
	10- year	3.95	1
GII	3- year	3.51	-1
	10- year	4.00	-2
UST	2- year	3.25	5
	10- year	2.82	3

Commodities

	Last	Daily chg	Daily chg %
CPO (3 rd month)	4,182.00	44	1.06
Brent (1 st month)	92.76	-0.71	-0.76
Gold (spot)	1,775.46	-3.90	-0.22

Source: Treasury.gov, Bursa and BNM

FBMKLCI and statistics



Source: Bloomberg

Market Turnover

Vol (m shrs)	2,692
Value (MYR m)	2,215

Top 5 Value

	Last	Daily chg %	Value (MYR m)
HARTA	1.770	-4.84	348.851
TOPGLOV	0.835	5.03	120.207
MAYBANK	8.970	0.67	94.194
CIMB	5.450	0.37	78.865
PBBANK	4.650	-0.21	60.925

Top 5 Gainers

	Last	Daily chg %	Value (MYR m)
VSOLAR	0.010	100.00	0.021
COMPUGT	0.015	50.00	0.000
AEM	0.020	33.33	0.012
PASUKGB	0.020	33.33	0.007
JOE	0.020	33.33	0.006

Top 5 Losers

	Last	Daily chg %	Value (MYR m)
PHB	0.005	-50.00	0.003
AT	0.010	-33.33	0.017
MNC	0.010	-33.33	0.000
MPCORP	0.015	-25.00	0.226
CME	0.030	-25.00	0.018

Top 5 DBT

	Value (MYR m)	Volume (m shares)	Price (MYR)
MPAY	1.100	10.000	0.11
AVI	0.600	5.000	0.115
BPURI	0.275	5.000	0.04
KAB	2.000	5.000	0.41
TWL-WD	0.135	4.500	0.03

Market Pulse



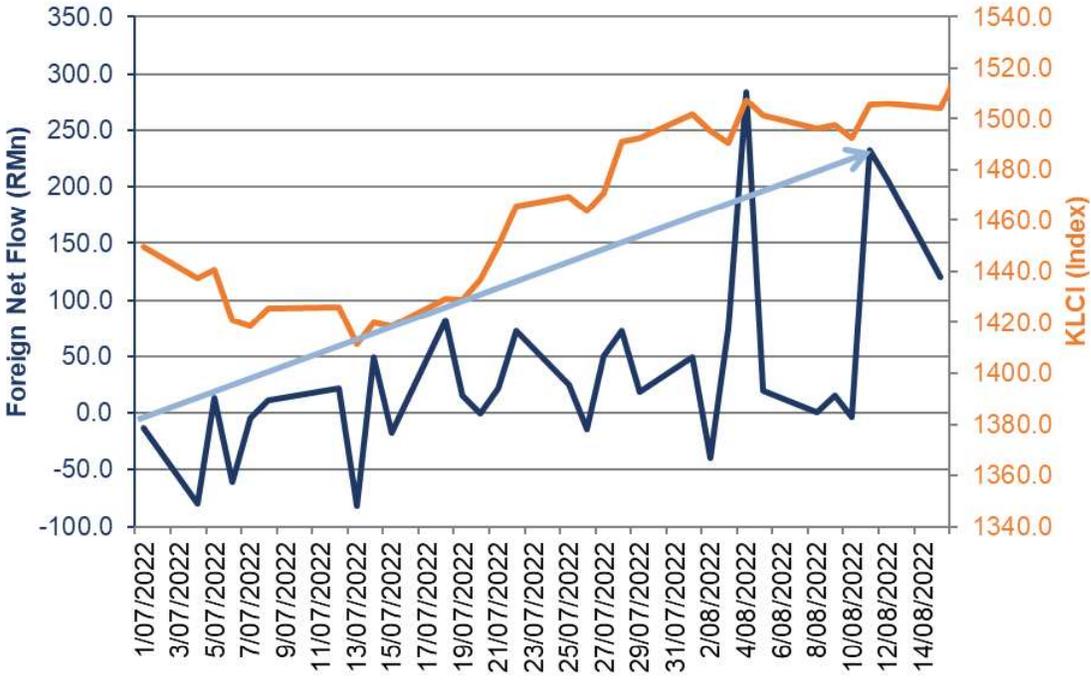
Source: Chart created using tradingview.com's tools, PRSB

The KLCI had broken the previous high, closing at 1518.78 pts with +14.77 pts (+0.98%) compared to the previous day's session. Similarly, S&P500 and Dow Jones Industrial Average also climbed further thanks to rallies by the retailers' stocks as Walmart raised its full-year outlook and Home Depot also affirmed its outlook after beating consensus on sales, profits, and SSSG (same-store sales growth).

On the local front, the temporary freeze on applications to hire foreign workers will be lifted starting this Friday, 19th August 2022 said Minister of Human Resources, Datuk Seri M Saravanan. Although the temporary freeze had been decided upon earlier, the new decision was made after taking into consideration the request from the industries to lift the temporary freeze. This would ease the cost pressure resulting in labor issues and enable the KLCI index to continue its upside momentum. Foreign fund flow also continues to flow into the Malaysia market (Exhibit 1).

Thus, we anticipate the Index to edge higher today as it managed to penetrate the 0.618 Fibonacci resistance, indicating strong momentum. Technically, the Index may test the immediate resistance at 1,535.56 pts and may go higher to 1,550.00 pts. We set the support level at 1,500.00 pts. Our picks in Exhibit 2.

Exhibit 1: KLCI and Foreign Fund Flow



Source: Bursa, compiled by PRSB

Exhibit 2: Our Picks

Company	Ticker	Rating	Price (MYR)	TP (MYR)	Upside (%)
Fundamental					
Bermaz Auto	BAUTO MK	Buy	1.79	2.45	36.87
Guan Chong	GUAN MK	Outperform	2.45	2.78	13.47
Technical					
Genting Malaysia	GENM MK	Outperform	3.01	3.21	6.64
IHH Healthcare	IHH MK	Outperform	6.49	7.00	7.86
Kawan Food	KFB MK	Outperform	2.00	2.19	9.50
Matrix Concept	MCH MK	Outperform	2.26	2.57	13.72
Ta Ann	TAH MK	Outperform	3.92	4.64	18.37
Telekom	T MK	Outperform	5.80	6.28	8.28
QL Resources	QLG MK	Outperform	5.14	5.77	12.26
CB Industrial Product Holding	CB MK	Buy	1.38	1.76	27.54
Opcom Holdings	OHB MK	Buy	0.870	1.24	42.53
KSL Holdings	KSL MK	Buy	0.800	0.96	20.00
Gamuda	GAM MK	Outperform	3.85	4.30	11.69
Chin Well Holdings	CWH MK	Outperform	1.70	2.00	17.65
Supercomnet Technologies	SCT MK	Buy	1.37	1.73	26.28
Kelington Group	KGRB MK	Buy	1.40	1.71	22.14
Pentamaster Corporation	PENT MK	Buy	4.10	5.26	28.29
ETF					
MyETF Dow Jones U.S. Titans 50	METFUS50 MK	Buy	USD 1.89	USD 2.21	16.70
MyETF MSCI SEA Islamic Dividend	MEMMID MK	Buy	0.845	0.85	0.00
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 16th August 2022

Malaysian news highlights

- **Temporary freeze on hiring foreign workers to be lifted from Aug 19.**
although the temporary freeze had been decided upon earlier, the new decision was made after taking into consideration the request from the industries to lift the temporary freeze. "I've decided to approve (the industries' request), so the freeze will be lifted and we will process the new applications from this Friday. "We've decided that all the earlier applications to hire some 400,000 foreign workers will proceed before the end of this month," he told reporters after meeting with several business associations at Wisma HRD Corp here on Tuesday. (Source: [TheEdgeMarkets](#))
- **MITI forms Sustainable Aviation Energy Task Force to reduce carbon footprint.**
The Ministry of International Trade and Industry (MITI) has announced the formation of a Sustainable Aviation Energy Task Force to reduce carbon footprint in the aerospace industry. MITI Senior Minister Datuk Seri Mohamed Azmin Ali said the task force will provide policy recommendations and coordinate the implementation of public-private partnerships at the national level, including the production of sustainable aviation fuel (SAF) in Malaysia. "This new task force will gather feedback on the industry's behalf to mitigate collaborations between the public and private sectors, to develop and direct the national aerospace movement, which includes the participation of local industry players. (Source: [TheEdgeMarkets](#))
- **Rubber price expected to exceed RM3.50 per kg by year-end, says Zuraida.**
The price of rubber is projected to exceed RM3.50 per kilogramme (kg) at the end of this year and continues to be in an upward trend due to very high demand from importing countries, Minister of Plantation Industries and Commodities Datuk Zuraida Kamaruddin said. She said the price of rubber is currently stable at above RM2.50 per kg, and the government is working on increasing production to meet export demand. "The country's rubber production is still insufficient to meet the demand and the ministry is making several efforts to increase the country's rubber yield, including by improving rubber production through estate management". (Source: [TheEdgeMarkets](#))
- **Government confident national economic recovery on track.**
The government is confident Malaysia's economic recovery is on solid ground and on track to achieve growth of between 5.3% and 6.3% this year. Deputy Finance Minister II Yamani Hafez Musa noted that the gross domestic product (GDP) had expanded 5% in the first quarter, 8.9% in the second quarter, and 6.9% overall in the first half of the year. "The unemployment rate also declined to 3.8% in June 2022, compared with 5.3% in May of 2020, along with a rise in demand for goods and services, resulting in an 18.3% expansion in private consumption in the second quarter, compared with 5.5% in the first quarter," he told the Dewan Negara on Tuesday (Aug 16). (Source: [TheEdgeMarkets](#))

Global news highlights

- **US Housing Cools Further With Fewer Starts, More Canceled Deals.**
Residential starts dropped by nearly 10% last month to a 1.45 million annualized rate from a revised 1.6 million pace in June, the government data showed. Applications to build, a proxy for future construction, declined 1.3% to 1.67 million. (Source: [Bloomberg](#))
- **US Factory Output Increases for First Time in Three Months.**
The 0.7% increase in manufacturing production followed a revised 0.4% June decline, Federal Reserve data showed Tuesday. Including mining and utilities, total industrial output climbed 0.6% last month. (Source: [Bloomberg](#))
- **European Power Prices Reach Records as Industry Starts to Buckle.**
Europe's benchmark power price surged above 500 euros (\$509) for the first time, ratcheting up pressure on households and businesses as the worst energy crisis in decades looks set to persist well into next year. German year-ahead electricity rose as much as 11% to 530.50 euros a

megawatt-hour on the European Energy Exchange AG. That marks a gain of over 500% in the past year, driven predominantly by Russia's moves to slash gas supply. (Source: [Bloomberg](#))

- **No Negative Rates, Less Need for Cash: Euros Return to the ECB.**
Demand for euro banknotes dwindled after the European Central Bank concluded an eight-year experiment with negative interest rates, suggesting households, businesses and banks are dissolving cash piles created to circumvent deposit charges. Banknotes in circulation started falling in the week through July 22, when policy makers raised rates. Since then, notes worth 16.8 billion euros (\$17.1 billion) have left the system -- the biggest drop since early 2020. (Source: [Bloomberg](#))
- **Indonesia president proposes three tril rupiah budget for 2023.**
Indonesia's President Joko Widodo on Tuesday proposed a slightly smaller budget for 2023 than for this year to Parliament, pledging to consolidate fiscal positions after racking up large deficits during the pandemic. Jokowi, as the president is popularly known, proposed a budget of 3,041.7 trillion rupiah (RM919.8 billion) for next year, with a deficit of 2.85% of gross domestic product (GDP), the smallest budget gap since 2019. Next year will be the first year that Southeast Asia's largest economy will reinstate a legally mandated fiscal deficit ceiling of 3% of GDP, after it was waived for three years to allow the government to respond to the Covid-19 pandemic. (Source: [TheEdgeMarkets](#))
- **Thailand looks to sign long-term LNG deal to ease energy crunch.**
Thailand is looking to sign a long-term liquefied natural gas purchase agreement in a bid to lock in cheaper supply amid surging fuel costs. Electricity Generating Authority of Thailand released a tender to purchase 1.2 million tonnes of LNG per year for delivery between 2026 and 2040, according to traders with knowledge of the matter. Proposals are due Sept 22, with Egat slated to sign the deal with a supplier in December. The Southeast Asian nation is grappling with an energy crunch due to unstable gas supplies from Myanmar, as well as dwindling local sources. That forced Thailand to import LNG shipments from the spot market at the highest price ever paid by the nation. (Source: [TheEdgeMarkets](#))
- **Thai Instant Noodle Makers Seeking First Price Hike in 14 Years.**
Thai instant noodle makers petitioned the government on Tuesday to let them raise retail prices for the first time in 14 years, saying higher production costs have cut their returns. Instant noodles have long been a staple for low-income households and are among Thailand's controlled goods because of their importance. Their standing has only increased with inflation hovering at a 14-year high. (Source: [Bloomberg](#))

Corporate news

- **MAHB's total passenger movements soar 138% to 7.83 mil in July 2022.**
Malaysia Airports Holdings Bhd's (MAHB) total passenger movements soared 138% to 7.83 million in July 2022, versus 3.29 million in the same period last year. The airport operator said international passenger movements recorded 3.1 million passengers, reaching 51.3% pre-pandemic level, while domestic passenger movements recorded 4.7 million passengers, reaching 72.2% pre-pandemic level. International passenger movements surpassed the three million mark in July at 3.1 million compared with 1.06 million in July 2021, buoyed by the summer holiday period, haj season and further resumption of airline services and connectivity, MAHB revealed this in a filing with Bursa Malaysia. (Source: [TheEdgeMarkets](#))
- **Apex Healthcare 2Q net profit jumps 83% to RM23.5 mil, declares three sen dividend.**
Apex Healthcare Bhd's net profit jumped 83.15% to RM23.5 million in the second quarter ended June 30, 2022 (2QFY22) from RM12.8 million in the same quarter last year on improved operating profit from its subsidiaries as well as a significantly stronger share of net-of-tax earnings from its associated company. Earnings per share for the quarter under review increased to 4.95 sen from 2.71 sen, the manufacturer of pharmaceuticals and consumer healthcare products told Bursa Malaysia on Tuesday (Aug 16). Revenue in 2QFY22 rose 14.62% to RM209.2 million from RM182.6

million in 2QFY21, in line with rising business optimism and strong private sector sales in Malaysia and Singapore. (Source: [TheEdgeMarkets](#))

- **Duopharma 2Q net profit up 6% to RM16.31 mil, declares 0.5 sen dividend.**
Duopharma Biotech Bhd posted a 6% increase in net profit for the second quarter ended June 30, 2022 (2QFY22) to RM16.31 million from RM15.39 million a year earlier, underpinned by a higher revenue. Earnings per share rose to 1.72 sen from 1.63 sen before. In a Bursa Malaysia filing on Tuesday (Aug 16), the group said its quarterly revenue jumped by 16.92% to RM181.74 million from RM155.44 million, fuelled by higher sales to the ethical classic market and public health sector during the period. (Source: [TheEdgeMarkets](#))
- **Guan Chong 2Q net profit rises 22.6% to RM44.6 mil on higher sales tonnage.**
Guan Chong Bhd (GCB)'s net profit for the second quarter ended June 30, 2022 (2QFY22) rose 22.59% to RM44.61 million from RM36.39 million in the same period a year ago, in line with improving grinding margins, apart from being boosted by higher sales tonnage of cocoa ingredients, following a recovery in global chocolate consumption in post-pandemic era. (Source: [TheEdgeMarkets](#))

COMMENT: *Cumulatively, the 1HFY22 result was in line with our topline earnings forecast for the year, standing at 53.8% of our topline forecast, while net profit constitutes 41.8% of our forecast. The demand for chocolate consumption remains robust despite the global chocolate producers, with the likes of Hershey and Nestle, raising their selling prices. This is further supported by the reopening of economies. As such, we expect the international expansion via its European units is starting to pay off which could propel the Group to increase its production volume by 10.7% YoY, respectively in FYE23 and FYE24. This would translate the revenue to increase by 10.7%/10.8% in FYE 23/24. OUTPERFORM.*

Regional company reports

Guan Chong 2QFY2022 Result update.

- Guan Chong reported its highest quarterly revenue of MYR1.2 billion (+36.7% YoY) in 2QFY22 with net profit jumped 22.6% YoY, totaling MYR44.6 million. This came as the sales tonnage went up 29.4% YoY, supported by a higher take-up rate for the cocoa butter (+78.1% YoY).
- The Group's performance compared to the previous quarter saw its revenue trend higher by 20.9% but, the net profit was down by 16.3%, partially impacted by the rising energy prices in its industrial chocolate factory, Schokinag in Germany despite the higher volume particularly to clear of its backlogs.
- The demand for chocolate consumption remains robust despite the global chocolate producers, with the likes of Hershey and Nestle, raising their selling prices. This is further supported by the reopening of economies.
- We rated the stock OUTPERFORM with an unchanged 12-month target price at MYR2.78, reflecting a 13.5% upside from today's closing price of MYR2.45 (16th August 2022), which pegs GCB to a 9.9x target multiple for FYE2023.

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BUY: Total stock return (including dividends) expected to exceed 20% annually;

O-PF: Total expected return below 20% annually but exceeding market return;

U-PF: Total expected return positive but below market return;

SELL: Total return expected to be negative.

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.

ETFs (Criteria applies to rating assignments from 16th December 2019):

STRONG BUY: Total return (including dividends) expected to exceed 20% annually;

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;

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