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Morning Pole Position

| 23rd August 2022 |

All market data as at previous trading day

Market indices

Indices	Last	Daily chg	YTD chg%
<i>Local</i>			
FBM KLCI	1,487.37	-17.07	-5.11
FBM Emas	10,556.35	-123.54	-6.65
FBM Syariah	10,667.67	-147.93	-13.01
FBM Small Cap	14,338.07	-181.10	-9.02
FBM ACE	4,855.00	-131.68	-24.37
F4G BM	856.90	-9.83	-2.66
F4G BMS	883.51	-12.72	-10.08
Funds Flows			
		Net Buy (MYR'm)	
Local Institutions		-92.4	
Local Retails		36.2	
Foreign		56.2	
<i>Foreign</i>			
Dow Jones	33,063.61	-643.13	-9.01
S&P 500	4,137.99	-90.49	-13.18
Nasdaq	12,381.57	-323.64	-20.86
FTSE	7,533.79	-16.58	2.02
Hang Seng	19,656.98	-116.05	-15.99
Nikkei	28,794.50	-135.83	0.01
Shanghai CI	3,277.79	19.72	-9.95
Strait Times	3,262.57	16.06	4.45

Currencies

BNM Middle Rate (5pm)	Last	Daily chg	YTD %
USD / MYR	4.4850	0.0085	7.68
GBP / MYR	5.2981	-0.0271	-5.91
JPY100 / MYR	3.2753	-0.0045	-9.49
EUR/MYR	4.4913	-0.0248	-4.73
SGD / MYR	3.2156	-0.0104	4.22
CNY / MYR	0.6559	-0.0017	0.18
AUD / MYR	3.0982	0.0054	2.37

Bond Yield Movements

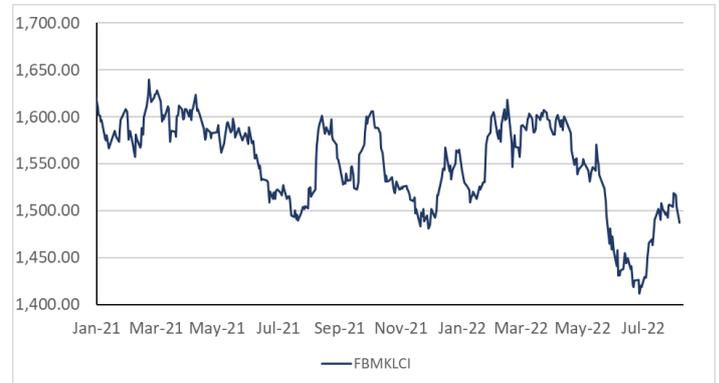
		Yield	Daily Change (bps)
MGS	3- year	3.39	2
	10- year	3.98	2
GII	3- year	3.44	-1
	10- year	4.01	2
UST	2- year	3.32	7
	10- year	3.03	5

Commodities

	Last	Daily chg	Daily chg %
CPO (3 rd month)	4,160.00	67	1.64
Brent (1 st month)	96.69	0.98	1.02
Gold (spot)	1,736.24	-9.55	-0.55

Source: Treasury.gov, Bursa and BNM

FBMKLCI and statistics



Source: Bloomberg

Market Turnover

Vol (m shrs)	2,187
Value (MYR m)	1,561

Top 5 Value

	Last	Daily chg %	Value (MYR m)
CIMB	5.310	-2.03	101.232
HARTA	1.690	-6.63	64.705
CNERGEN	0.885	0.00	59.058
MAYBANK	8.870	-0.56	55.110
AGMO	0.780	-3.70	46.752

Top 5 Gainers

	Last	Daily chg %	Value (MYR m)
XOX	0.020	33.33	0.033
MLAB	0.020	33.33	0.004
FAST	0.035	16.67	0.031
XOXTECH	0.035	16.67	0.008
REACH	0.040	14.29	0.025

Top 5 Losers

	Last	Daily chg %	Value (MYR m)
VSOLAR	0.005	-50.00	0.014
NEXGRAM	0.005	-50.00	0.000
CAP	0.010	-33.33	0.002
NIHSIN-PA	0.015	-25.00	0.076
SAPNRG	0.040	-20.00	6.167

Top 5 DBT

	Value (MYR m)	Volume (m shares)	Price (MYR)
HONGSENG	137.704	286.883	0.5
HONGSENG-WB	2.675	107.011	0.055
AIRPORT	163.361	29.975	6.19
TANCO	3.227	16.547	0.255
YBS	8.223	14.950	0.585

Market Pulse

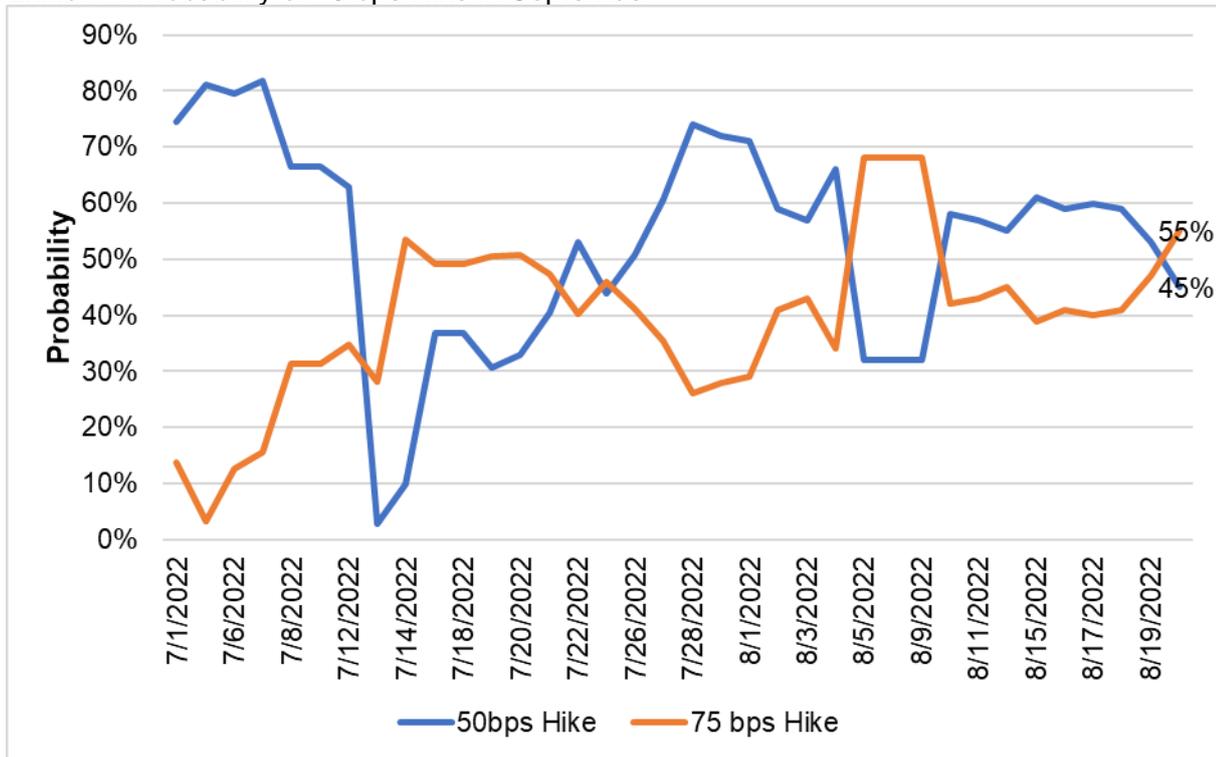


Source: Chart created using tradingview.com's tools, PRSB

Selling pressure can be seen throughout the day as the KLCI extended the losses, closing at 1,487.37 pts with -17.07 pts (-1.13%) compared to the previous day's session. Seas of red can be seen globally as investors reassessing the risk of the Fed interest rate hike. The only bright spot can be seen yesterday was China where it landed in positive territory after the country's central bank lowered its loan prime rate, as part of the effort to shore up weak economic growth.

Despite upward surprises witnessed in the U.S.'s economic data recently, the recent U.S. market rally seems to have pivoted based on an overly optimistic view that the Fed would pivot away from sharply higher interest rates to fight inflation. However, the probability of a 75bps hike in September rose yesterday (Exhibit 1) resulting in a correction seen across the U.S. market last night as it posted the worst daily drop in two months. Moreover, a survey by US National Association for Business Economics that was released overnight shows business economists are sceptical that the Fed can soft landing the US economy. Results show roughly three-quarters of the respondents do not think that the Fed can bring inflation down to its stated target of 2% without setting off a recession (Exhibit 2).

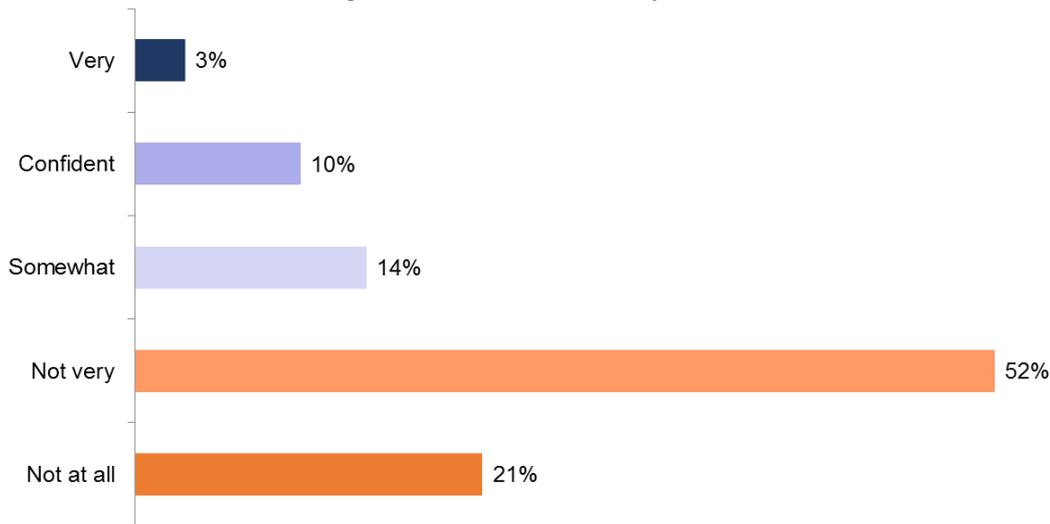
Exhibit 1: Probability of 75 bps Hike in September



Source: CME FEdWatch, compiled by PRSB

Exhibit 2: No Confident Vote on Fed

Question: How confident are you that the Fed will be able to bring inflation down to its 2% goal without inducing a recession within the next 2 years?



Source: NABE, compiled by PRSB

Following that, we anticipate the KLCI to drop today as it has broken down the 20-day EMA, indicating a bearish signal. Technically, the KLCI may test the immediate support at 1,482.68 pts and may fall lower to 1,468.34 pts. We set the resistance level at 1,502.37. As we mentioned yesterday, with this week's Jackson Hole meeting, China's heatwave, and Nvidia's results announcement on the 24th August, and now several top UMNO leaders are reported to have met Prime Minister on GE15, the market sentiment would remain volatile. On top of that, Malaysian investors would closely monitor Malaysia's inflation rate data that is set to be released this Friday. Our picks in Exhibit 3.

Exhibit 3: Our Picks

Company	Ticker	Rating	Price (MYR)	TP (MYR)	Upside (%)
Fundamental					
Bermaz Auto	BAUTO MK	Buy	1.76	2.45	39.20
Guan Chong	GUAN MK	Outperform	2.43	2.78	14.40
Technical					
Genting Malaysia	GENM MK	Outperform	2.96	3.21	8.45
IHH Healthcare	IHH MK	Outperform	6.35	7.00	10.24
Kawan Food	KFB MK	Buy	2.02	2.19	8.42
Matrix Concept	MCH MK	Outperform	2.28	2.57	12.72
Ta Ann	TAH MK	Buy	3.93	4.64	18.07
Telekom	T MK	Outperform	5.70	6.28	10.18
QL Resources	QLG MK	Buy	5.10	5.77	13.14
CB Industrial Product Holding	CB MK	Buy	1.37	1.76	28.47
Opcom Holdings	OHB MK	Buy	0.83	1.24	50.30
KSL Holdings	KSL MK	Buy	0.83	0.96	16.36
Gamuda	GAM MK	Outperform	3.72	4.30	15.59
Chin Well Holdings	CWH MK	Outperform	1.67	2.00	19.76
Supercomnet Technologies	SCT MK	Buy	1.32	1.73	31.06
Kelington Group	KGRB MK	Buy	1.28	1.71	33.59
Pentamaster Corporation	PENT MK	Buy	3.93	5.26	33.84
AME Elite Consortium	AME MK	Buy	1.56	2.03	30.13
Formosa Prosonic Industries	FOR MK	Buy	3.15	3.92	24.44
Pertama Digital	PRTMA MK	Buy	1.04	1.31	25.96
IJM Corp Bhd	IJM MK	Outperform	1.77	2.06	16.38
Kerjaya Prospek Group Bhd	KPG MK	Outperform	1.15	1.39	20.87
MMS Ventures	MMSV MK	Buy	0.82	1.20	46.34
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	0.80	0.85	5.62
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	1.66	1.86	12.05

Source: Bursa, Bloomberg, PRSB, price as of 19th August 2022

Malaysian news highlights

- **Khairy: MOH to settle backlog of 4,833 non-Covid-19 cases soon.**

The Ministry of Health (MOH) will settle the remaining backlog of 4,833 non-Covid-19 cases at government hospitals soon, said Health Minister Khairy Jamaluddin. He said the backlog cases as of July 31 only involved procedures from paediatric and cardiothoracic surgeries. "MOH will continue to strive to improve health services for all Malaysian families," he said in a statement on Monday. (Source: [TheEdgeMarkets](#))
- **Khairy on fact-finding visit to Thailand to assess potential medical use of cannabis.**

Health Minister Khairy Jamaluddin is on a four-day working visit to Thailand from Monday (Aug 22) to assess the potential use of cannabis and ketum for medical purposes and the legal framework for its medical use. He will also be attending the APEC High-Level Meeting on Health and Economy during his stay in the capital. The Health Ministry said the working visit was at the invitation of Thailand's Deputy Prime Minister and Minister of Public Health, Anutin Charnvirakul. (Source: [TheEdgeMarkets](#))
- **Malaysia's office sector to continue to improve this year.**

Knight Frank Malaysia reported that the country's office sector will continue to improve this year due to the uptick in economic activities and improved business sentiments, following the country's transition to the endemic phase. It said this in a press release introducing its latest Real Estate Highlights 1H2022 (REH), which features findings of the property market performance across Klang Valley, Penang, Johor Baru and Kota Kinabalu. According to the statement, there is currently renewed interest in co-working spaces, as it presents occupiers flexibility, cost effectiveness and networking opportunities. It added that improved employment rates are expected, backed by continued government assistance and improved business prospects. (Source: [TheEdgeMarkets](#))

Global news highlights

- **Home Sellers Are Slashing Prices in Pandemic Boomtowns.**

Denver, which attracted hordes of remote-friendly Silicon Valley tech workers during the pandemic, saw 58% of homes for sale slash prices in July compared with 36% the year prior. In Salt Lake City, 56% of listings cut their asking prices followed by Tacoma, Washington, at 55% and Tampa at 52%. (Source: [Bloomberg](#))
- **German power hits record €700 as gas fears ratchet higher.**

European natural gas surged to about 15 times the average summer time price and power smashed through records as the threat of Russian supply cuts ripped through the market and threatened to push the German economy into recession. Benchmark gas futures rose as much as 21%, while German power surged to above €700 (RM3,125) a megawatt-hour for the first time. (Source: [TheEdgeMarkets](#))
- **China PBOC Calls on Lenders to Stabilize Credit Growth.**

The PBOC also asked banks to ensure the reasonable financing needs of real estate, in its latest efforts to help brake a property market downturn. It didn't elaborate on this point. China is planning to offer 200 billion yuan (\$29.3 billion) in special loans to ensure stalled housing projects are delivered to buyers, Bloomberg reported earlier, citing people familiar with the matter. (Source: [Bloomberg](#))
- **India Rate Hawk Sees RBI Credibility Restored After Hikes.**

A hawkish member of India's rate setting panel who warned months ago that the central bank's credibility was at risk now sees stabilizing bond yields as a signal that trust had been restored after a series of rate hikes. "I draw comfort from the fact that during the recent spike in inflation, survey data indicated that inflation expectation remain well anchored and long-term yields were quite stable," Jayanth Rama Varma, an external member of the monetary policy committee, said when asked about central bank's credibility. He responded in an e-mail reply to questions on Saturday.

(Source: [Bloomberg](#))

- **Taiwan Sees Surprise Export Order Fall on Weak China Demand.**
Orders slumped 1.9% in July compared to the same month last year, according to a Monday statement from Taiwan's Ministry of Economic Affairs. That was worse than even the most bearish forecast in a Bloomberg survey of economists. The median estimate was for a 6.2% increase. (Source: [Bloomberg](#))

Corporate news

- **Maybank becomes first bank in Malaysia to set up Scope 3 financed emissions baseline.**
Malayan Banking Bhd (Maybank) has established its Scope 3 financed emissions baseline and identified a transition strategy that will shape its future business portfolio, which it said in a statement on Monday (Aug 22) makes it the first bank in Malaysia to do so. "This brings the bank a step closer to its target of net zero carbon equivalent position by 2050 as it begins to chart out its financed emissions reduction targets against timelines. For banks, financed emissions are indirect emissions related to loans, underwriting, investments and any other financial services. "Financed emissions are a necessary input for climate scenario analysis, which is crucial in managing climate-related transition risks and opportunities," it said. (Source: [TheEdgeMarkets](#))
- **IOI Properties' 4Q net profit surges, boosted by jump in property investment earnings.**
IOI Properties Group Bhd's net profit surged 147% to RM292.48 million in the fourth quarter ended June 30, 2022 (4QFY22), from RM118.37 million a year earlier. Earnings per share increased to 5.31 sen from 2.15 sen. Explaining the higher profit, the group said it recognised RM60.2 million property development costs written down, attributable to the development projects in IOI Palm International Parkhouse in Xiang'An, China, and fair value gain on investment properties of RM147.3 million, mainly attributable to the retail malls in Malaysia. Quarterly revenue rose 8.7% to RM715.94 million from RM658.65 million, contributed by property investment as well as hospitality and leisure segment, the group said in a Bursa Malaysia filing. (Source: [TheEdgeMarkets](#))
- **Panasonic warns rising inflation could dampen consumer spending as 1Q profit drops 36%.**
Panasonic Manufacturing Malaysia Bhd's net profit for the first quarter ended June 30, 2022 (1QFY23) fell 35.88% to RM11.45 million from RM17.86 million a year ago, hit by lower revenue as well as rising material and production costs. Earnings per share dropped to 19 sen for 1QFY23 from 1QFY22's 30 sen, the company's Bursa Malaysia filing showed. Revenue slipped 3.94% to RM243.68 million from RM253.67 million. (Source: [TheEdgeMarkets](#))
- **Supermax ends FY22 on a weaker note as 4Q profit slumps 97% y-o-y.**
Supermax Corp Bhd's net profit for the fourth quarter ended June 30 (4QFY22) slumped 96.57% to RM33.05 million from RM962.53 million a year earlier, with revenue dropping 83.99% as the average selling prices (ASPs) and demand for rubber gloves fell from their record highs a year ago, when the Covid-19 pandemic was still rampant. Revenue for 4QFY22 dropped to RM300.23 million from 4QFY21's RM1.88 billion, Supermax's bourse filings showed. Earnings per share dropped to 1.25 sen from 37.08 sen. (Source: [TheEdgeMarkets](#))

Regional company reports

Q & M Dental Group Ltd – Hurt by upfront and uneven expenses.

- Earnings were below expectations. 1H22 revenue and PATMI were 52%/37% of our FY22e forecast. Additional cost from investments in AI project and change in recognition of bonus provision. Earnings from COVID-19 PCR tests swung from \$3mn net profit a year ago to S\$50k net loss.
- During the quarter, the number of clinics increased by 8 during to 149, a 19% YoY jump. Together with Malaysia, Q & M has 350 dentists.

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

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