



# PHILLIP RESEARCH SDN BHD

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## Morning Pole Position

| 7<sup>th</sup> September 2022 |

All market data as at previous trading day

### Market indices

Indices	Last	Daily chg	YTD chg%
<i>Local</i>			
FBM KLCI	1,488.27	-1.53	-5.06
FBM Emas	10,568.90	15.13	-6.54
FBM Syariah	10,634.05	38.11	-13.28
FBM Small Cap	14,320.27	117.54	-9.14
FBM ACE	4,800.39	40.24	-25.22
F4G BM	858.66	0.73	-2.46
F4G BMS	880.55	3.21	-10.38

### Funds Flows

### Net Buy (MYR'm)

Local Institutions	59.3
Local Retails	-17.1
Foreign	-42.2

### Foreign

Dow Jones	31,145.30	-173.14	-14.29
S&P 500	3,908.19	-16.07	-18.00
Nasdaq	11,544.91	-85.96	-26.21
FTSE	7,300.44	13.01	-1.14
Hang Seng	19,202.73	-22.97	-17.93
Nikkei	27,626.51	6.9	-4.05
Shanghai CI	3,243.45	43.53	-10.89
Strait Times	3,224.18	8.70	3.22

### Currencies

BNM Middle Rate (5pm)	Last	Daily chg	YTD %
USD / MYR	4.5000	0.0070	8.04
GBP / MYR	5.2083	0.0458	-7.51
JPY100 / MYR	3.1758	-0.0210	-12.24
EUR/MYR	4.4811	0.0281	-4.94
SGD / MYR	3.2036	0.0085	3.83
CNY / MYR	0.6472	-0.0001	-1.15
AUD / MYR	3.0467	0.0013	0.67

### Bond Yield Movements

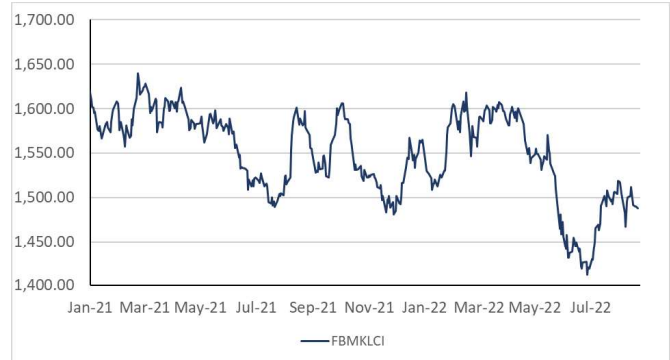
		Yield	Daily Change (bps)
<b>MGS</b>	3- year	3.34	0
	10- year	3.93	3
<b>GII</b>	3- year	3.46	0
	10- year	3.93	0
<b>UST</b>	2- year	3.5	10
	10- year	3.33	13

### Commodities

	Last	Daily chg	Daily chg %
CPO (3 <sup>rd</sup> month)	3,816.00	-113	-2.88
Brent (1 <sup>st</sup> month)	92.85	-2.38	-2.50
Gold (spot)	1,702.20	-8.01	-0.47

Source: Treasury.gov, Bursa and BNM

### FBMKLCI and statistics



Source: Bloomberg

### Market Turnover

Vol (m shrs)	2,190
Value (MYR m)	1,654

### Top 5 Value

	Last	Daily chg %	Value (MYR m)
PCHEM	8.990	1.93	103.362
PBBANK	4.660	-0.21	66.307
MYEG	0.835	3.09	62.634
MAYBANK	8.900	-0.45	58.875
IHH	6.150	-0.81	39.272

### Top 5 Gainers

	Last	Daily chg %	Value (MYR m)
FOCUS-PA	0.010	100.00	0.220
VSOLAR	0.010	100.00	0.009
PASUKGB	0.020	33.33	0.021
TALAMT	0.020	33.33	0.007
EDUSPEC	0.020	33.33	0.005

### Top 5 Losers

	Last	Daily chg %	Value (MYR m)
MERIDIAN	0.020	-33.33	0.032
AT	0.010	-33.33	0.011
TAWIN-PA	0.050	-33.33	0.001
SMI	0.180	-29.41	8.310
XOX	0.015	-25.00	0.015

### Top 5 DBT

	Value (MYR m)	Volume (m shares)	Price (MYR)
TWL	3.000	100.000	0.05
MAYBANK	269.100	30.000	8.9
PWORTH	2.000	20.000	0.13
TANCO-WC	0.628	13.950	0.055
BJFOOD	8.500	10.000	0.875

**Market Pulse**

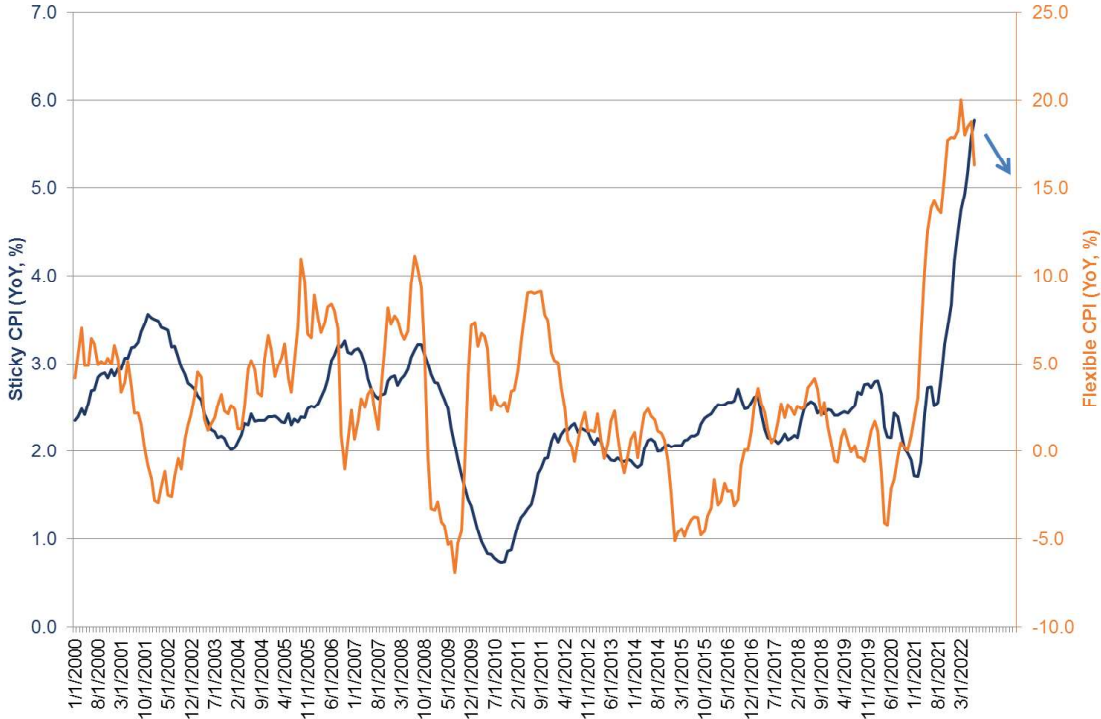


Source: Chart created using tradingview.com's tools, PRSB

The KLCI ended with another red, closing at 1,488.27 pts with -1.53 pts (-0.10%) compared to the previous day's session as we have seen last minute selling pressure. Throughout the day, KLCI was trading higher reaching an intraday high of 1,479.00 pts which is in line with broad market sentiments where gainers outpaced losers by 470 to 348 while the remaining 424 are unchanged. However, zooming on the KLCI constituents, we saw losers outpaced gainers by 15 to 12 while the remaining 3 are unchanged. The worst loser of the day was PPB Group Bhd shredding 3.23%, meanwhile technology counters saw some buying interest which led Inari Amertron to rise 2.3% to be the top gainer of the day. This may be on the back of positive sentiments surrounding the iPhone 14 potential launch on 7<sup>th</sup> September.

Meanwhile, U.S. economies continue to be on growth momentum as the ISM service index, the barometer of business conditions such as restaurants and hotels recorded a reading of 56.9 (Consensus: 55.3) whereas a reading above 50.0 indicates expansion. Improvement can be seen in the supply chain, logistics and cost as new orders and business activity advanced the strongest reading of the year, but material shortages continue to plague some segments. The prices measured for services in ISM have been much stickier relative to manufacturing, reinforcing our view that inflation will only peak in December (Exhibit 1). Stronger economy historically has been positive news, but Fed's determination to raise interest rates and keep it elevated in its effort to wring out inflation, effectively putting a cap on U.S. market advances at the moment, which resulted in all U.S. markets ended in red last night.

Exhibit 1: Inflation will peak out in December



Source: Atlanta Fed, compiled by PRSB

In the near term, we expect the market to remain volatile as participants are recovering from coma after the Jackson Hole shock and assessing one of the four possible scenarios (Exhibit 2). We currently believe 1) is the most likely outcome, thus maintain our year-end KLCI target at 1,541 based on linear regression between S&P 500 and KLCI (Exhibit 2) at 14.8x PE.

Exhibit 2: Four Possible Scenarios and Year-End Target

Scenarios	S&P 500	KLCI	US Long-term Rate
1) Disinflation Strong Economy	3,600-4,300	1,458-1,546	Sideway
2) Prolonged Inflation Strong Economy	3,300-3,800	1,420-1,483	Rising
3) Disinflation Recession	3,000-3,500	1,382-1,445	Falling Slightly
4) Stagflation	2,600-3,200	1,332-1408	Sideway to marginally increase

Source: Bloomberg, PRSB, compiled by PRSB

We thus anticipate the KLCI to drop today as it is struggling to break the 20-day EMA. Technically, the KLCI may test the immediate support at 1,481.79 pts and may fall lower to 1,459.86 pts. We set the resistance level at 1,512.05 pts. We set the resistance level at 1,512.05 pts. Our picks in Exhibit 3.

Exhibit 3: Our Picks.

Company	Ticker	Rating	Price (MYR)	TP (MYR)	Upside (%)
<b>Fundamental</b>					
Bermaz Auto	BAUTO MK	Buy	1.81	2.45	35.36
Guan Chong	GUAN MK	Outperform	2.29	2.78	21.40
<b>Technical</b>					
Genting Malaysia	GENM MK	Outperform	2.96	3.21	8.45
IHH Healthcare	IHH MK	Outperform	6.15	7.00	13.82
Matrix Concept	MCH MK	Outperform	2.35	2.57	9.36
Ta Ann	TAH MK	Outperform	4.13	4.64	12.35
Telekom	T MK	Outperform	5.80	6.28	8.28
QL Resources	QLG MK	Outperform	5.01	5.77	15.17
CB Industrial Product Holding	CB MK	Buy	1.33	1.76	32.33
Opcom Holdings	OHB MK	Buy	0.795	1.24	55.97
KSL Holdings	KSL MK	Outperform	0.845	0.96	13.61
Gamuda	GAM MK	Outperform	4.01	4.30	7.23
Chin Well Holdings	CWH MK	Outperform	1.73	2.00	15.61
Supercomnet Technologies	SCT MK	Outperform	1.50	1.73	15.33
Kelington Group	KGRB MK	Buy	1.31	1.71	30.53
Pentamaster Corporation	PENT MK	Buy	4.01	5.26	31.17
AME Elite Consortium	AME MK	Buy	1.47	2.03	38.10
Formosa Prosonic Industries	FOR MK	Buy	3.04	3.92	28.95
IJM Corp Bhd	IJM MK	Outperform	1.71	2.06	20.47
Kerjaya Prospek Group	KPG MK	Outperform	1.17	1.39	18.80
MMS Ventures	MMSV MK	Buy	0.785	1.20	52.87
Dialog Group	DLG MK	Buy	2.25	2.95	31.11
FM Global Logistics Holdings	FMH MK	Buy	0.550	0.82	49.09
Solarvest Holdings	SOLAR MK	Buy	0.75	1.12	49.33
Hibiscus Petroleum	HIBI MK	Buy	1.04	1.32	26.92
OSK Holdings	OSK MK	Buy	0.94	1.12	19.79
Malakoff Corporation	MLK MK	Buy	0.71	0.86	21.13
UWC	UWC MK	Buy	4.00	5.03	25.75
<b>ETF</b>					
MyETF Dow Jones U.S. Titans 50	METFUS50 MK	Buy	USD 1.83	USD 2.21	20.85
Principal FTSE ASEAN 40 Malaysia ETF	CIMBA40 MK	Buy	1.64	1.80	10.03
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	1.71	1.86	8.77

Source: Bursa, Bloomberg, PRSB, price as of 6th September 2022

## Malaysian news highlights

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- **MITI: Malaysia secures RM9.3 bil investments from Japan.**  
Malaysia has secured investments worth RM9.3 billion via the latest Trade and Investment Mission (TIM) to Japan led by Senior Minister of International Trade and Industry Datuk Seri Mohamed Azmin Ali. In a statement, the Ministry of International Trade and Industry (MITI) said the investments involve the strategic and high potential sectors such as electrical and electronics (E&E), research and development (R&D), biomass, information technology and communication, chemical industry and food. (Source: [TheEdgeMarkets](#))
- **National centre in the works to empower SDG programmes, says Ismail Sabri.**  
The government will set up a Sustainable Development Goals (SDG) Centre to empower and intensify SDG programmes in the country and to keep track of their progress, Prime Minister Datuk Seri Ismail Sabri Yaakob said. He said the establishment of the centre under the Prime Minister's Department Economic Planning Unit was given the nod during the National SDG Council meeting, which he chaired on Monday (Sept 5). (Source: [TheEdgeMarkets](#))
- **Study of LPT3 completed, submitted to EPU, says works minister.**  
The study of the construction of the East Coast Expressway Phase 3 (LPT3) has been completed and submitted to the the Economic Planning Unit (EPU) of the Prime Minister's Department, said Senior Works Minister Datuk Seri Fadillah Yusof. He said the Ministry of Works is waiting for further action from the relevant agencies, and the EPU will decide whether to allocate the expenditure for the LPT3 in the first rolling plan of the 12th Malaysia Plan or later. According to Fadillah, this would depend on the Government's financial capability, and it would also take into consideration the project priority of each state. (Source: [TheEdgeMarkets](#))

## Global news highlights

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- **US Services Gauge Rises to Four-Month High on Pickup in Demand.**  
The Institute for Supply Management's services index edged up to 56.9 from 56.7, data showed Tuesday. The median forecast in a Bloomberg survey of economists called for the gauge to soften to 55.3. Readings above 50 signal growth. (Source: [Bloomberg](#))
- **US Is Losing Soybean-Export Edge as Brazil Closes Logistics Gap.**  
In many of the years through 2020, it was about twice as expensive for China -- the top importer -- to ship Brazilian rather than American soybeans. But logistics issues in the US, upgrades of the South American country's ports and supply infrastructure, and a strong dollar have almost eliminated that gap, US Department of Agriculture data show. (Source: [Bloomberg](#))
- **US Lays Out \$50 Billion Chips Plan and May Issue Funds in the Spring.**  
Smaller, simpler projects involving expansion of existing facilities will be the first to receive funds, followed by more complex projects for so-called leading-edge chips, which the US currently doesn't produce but consumes more than 25% of global supply, Raimondo told reporters in Washington Tuesday. (Source: [Bloomberg](#))
- **Japan's Falling Spending, Real Wages Cloud Recovery Outlook.**  
Household outlays dropped 1.4% from June as spending on furniture, clothing and insurance fell, the ministry of internal affairs reported Tuesday. Spending was 3.4% higher than a year ago, compared with a 4.6% gain forecast by analysts. (Source: [Bloomberg](#))
- **China Growth to Average 4.5% This Decade, Oxford Economics says.**  
Annual growth will further slow to around 3% on average between 2030-40, according to the baseline forecast by lead economist Adam Slater. China's actual economic growth could fall short of that baseline forecast due to worse-than-expected demographic challenges, possible decoupling from the US and allies, mishandling of financial risks or a prolonged real-estate slump, Oxford Economics said in a report. (Source: [Bloomberg](#))

- **UWC 4Q profit hit fresh high on robust semiconductor demand.**

UWC Bhd's net profit grew 54% year-on-year to a fresh high of RM30.11 million for the fourth quarter ended July 31, 2022 (4QFY22) from RM19.55 million a year ago, underpinned by robust demand from the semiconductor industry. The group is involved in the provision of precision sheet metal fabrication, value-added assembly services and precision machined components, mainly for the semiconductor, life science, medical technology and heavy-duty industries. Gain from foreign exchange also increased during 4QFY22 as UWC said it transacted sales in US dollars extensively. (Source: [TheEdgeMarkets](#))

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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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