



PHILLIP RESEARCH SDN BHD

199001007125 (198695-X)

B-18-6, Megan Avenue II, No 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

Tel No: 03-2783 0300

Morning Pole Position

| 9th September 2022 |

All market data as at previous trading day

Market indices

Indices	Last	Daily chg	YTD chg%
<i>Local</i>			
FBM KLCI	1,494.73	3.38	-4.64
FBM Emas	10,613.90	28.53	-6.14
FBM Syariah	10,704.37	39.79	-12.71
FBM Small Cap	14,340.67	-7.89	-9.01
FBM ACE	4,802.10	28.48	-25.20
F4G BM	862.73	2.46	-2.00
F4G BMS	887.56	3.72	-9.67

Funds Flows

Net Buy (MYR'm)

Local Institutions	3.5
Local Retails	-0.9
Foreign	-2.6

Foreign

Dow Jones	31,774.52	193.24	-12.56
S&P 500	4,006.18	26.31	-15.95
Nasdaq	11,862.13	70.23	-24.18
FTSE	7,262.06	24.23	-1.66
Hang Seng	18,854.62	-189.68	-19.42
Nikkei	28,065.28	634.98	-2.52
Shanghai CI	3,235.59	-10.71	-11.10
Strait Times	3,233.61	22.78	3.52

Currencies

BNM Middle Rate (5pm)	Last	Daily chg	YTD %
USD / MYR	4.5010	0.0005	8.07
GBP / MYR	5.1746	0.0006	-8.10
JPY100 / MYR	3.1247	0.0005	-13.65
EUR/MYR	4.4988	0.0406	-4.57
SGD / MYR	3.2015	0.0033	3.77
CNY / MYR	0.6468	0.0016	-1.21
AUD / MYR	3.0305	0.0035	0.13

Bond Yield Movements

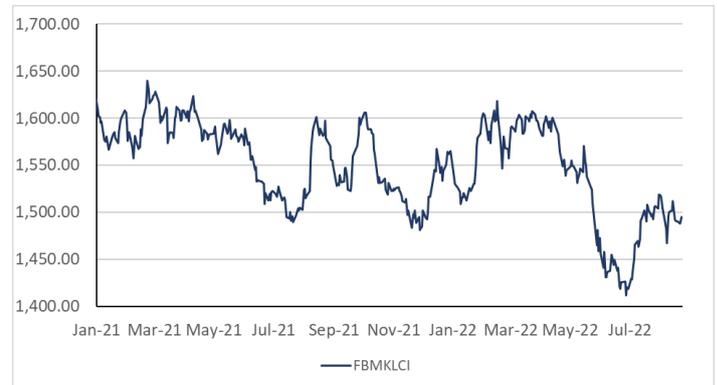
		Yield	Daily Change (bps)
MGS	3- year	3.35	-4
	10- year	4.05	-6
GII	3- year	3.46	0
	10- year	4.07	-3
UST	2- year	3.48	3
	10- year	3.29	2

Commodities

	Last	Daily chg	Daily chg %
CPO (3 rd month)	3,582.00	-134	-3.61
Brent (1 st month)	88.61	0.90	1.03
Gold (spot)	1,708.67	-9.02	-0.53

Source: Treasury.gov, Bursa and BNM

FBMKLCI and statistics



Source: Bloomberg

Market Turnover

Vol (m shrs)	2,391
Value (MYR m)	1,861

Top 5 Value

	Last	Daily chg %	Value (MYR m)
CIMB	5.400	0.00	101.181
PCHEM	8.950	-0.56	78.661
PMETAL	5.020	0.60	68.745
AGMO	0.945	2.72	65.164
MAYBANK	8.950	0.22	56.431

Top 5 Gainers

	Last	Daily chg %	Value (MYR m)
BIOHLDG-PA	0.040	166.67	0.001
S&FCAP	0.100	53.85	0.038
FOCUS	0.020	33.33	0.025
GCE	0.380	18.75	0.018
MQTECH	0.035	16.67	0.040

Top 5 Losers

	Last	Daily chg %	Value (MYR m)
MTRONIC	0.045	-25.00	15.296
EDUSPEC	0.015	-25.00	0.000
BORNOIL	0.020	-20.00	0.120
G3	0.025	-16.67	0.021
XOXNET	0.025	-16.67	0.000

Top 5 DBT

	Value (MYR m)	Volume (m shares)	Price (MYR)
PWORTH	2.000	20.000	0.125
GIIB	0.948	18.952	0
GIIB-WA	0.062	12.416	0
WIDAD	3.810	10.852	0.35
MAYBANK	89.588	10.010	8.95

Market Pulse

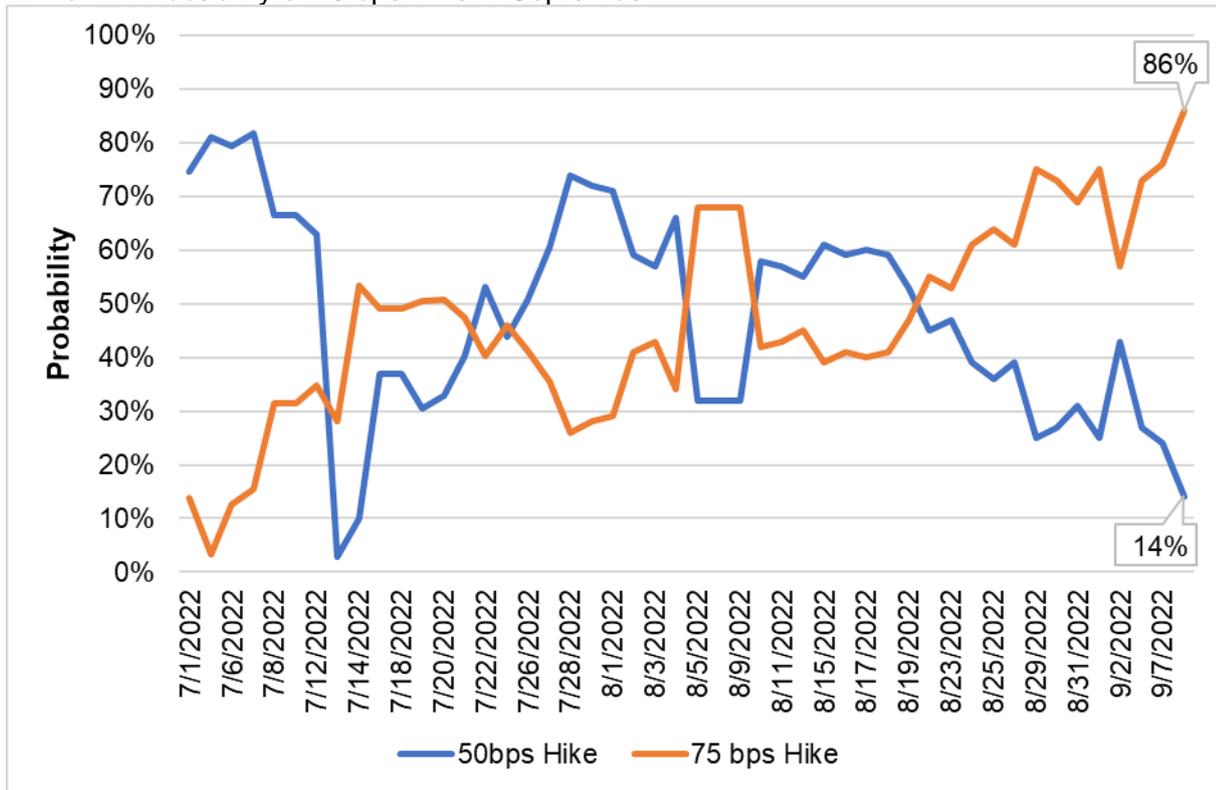


Source: Chart created using tradingview.com's tools, PRSB

The KLCI ended marginally higher at 1,494.73 pts with +3.38 pts (+0.23%), taking the cue of known unknown risk from the U.S. market where KLCI's constituents saw 16 gainers and 8 losers with the remaining 6 unchanged for the day. Similarly, the broad market sentiment also ended on a slightly positive note with 416 gainers and 372 losers while the remaining 451 were unchanged.

U.S. market extended its gains yesterday, a move that can be classified as with certainty 75bps has been priced in the market (Exhibit 1). Powell continues to reiterate that the Fed remained strongly committed to fighting inflation, and that it would not be deterred by politics or other distractions. So even with the upcoming CPI data released, we believe Fed would maintain its hawkish stand. Meanwhile, the U.S. economy continues to display its strength as weekly jobless claims data showed layoffs in the U.S. remained near record lows at 222,000 (vs consensus 240,000) as the number of Americans applying for unemployment benefits fell to its lowest level in three-and-a-half months.

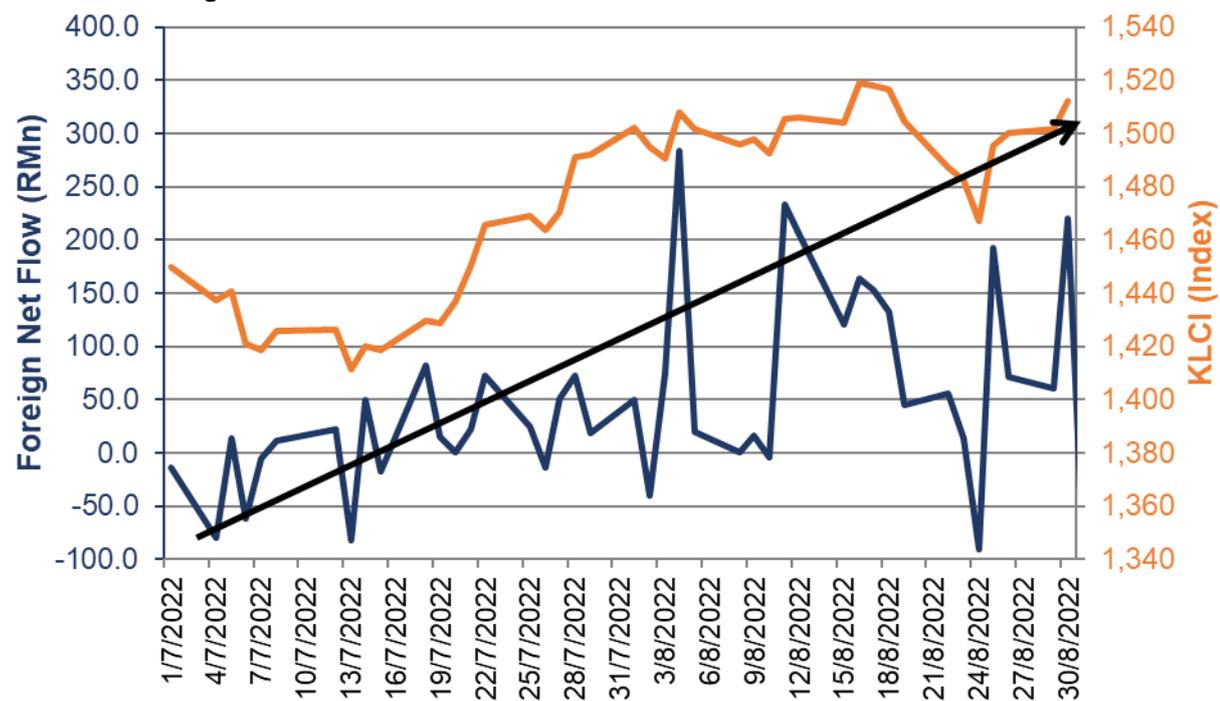
Exhibit 1: Probability of 75 bps Hike in September



Source: CME FEdWatch, compiled by PRSB

Meanwhile for Malaysia, BNM action came in as expected (previously mentioned on 30th August 2022) as it raised its overnight policy rate by 25bps to 2.5% in a move for further normalization of monetary policy on the back of economic growth and inflation gaining momentum. Thus, we expect foreign inflow will continue (Exhibit 2), and in light of the weaker Ringgit, export-oriented counters may benefit. We maintain our year-end KLCI target at 1,541 based on a linear regression between S&P 500 and KLCI (Exhibit 3) at 14.8x PE.

Exhibit 2: Foreign Fund Flow



Source: Bloomberg, compiled by PRSB

Exhibit 3: 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

Thus, we anticipate the KLCI to edge higher today as confirmed by the uptick of the Stochastic oscillator. Technically, the KLCI may test the immediate resistance at 1,502.37 pts and may go higher to 1,527.84 pts. We set the support level at 1,468.34 pts. Our Picks in Exhibit 4.

Exhibit 4: 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	2.33	2.78	19.31
Technical					
Genting Malaysia	GENM MK	Outperform	2.98	3.21	7.72
Matrix Concept	MCH MK	Outperform	2.39	2.57	7.53
Ta Ann	TAH MK	Outperform	4.10	4.64	13.17
Telekom	T MK	Outperform	5.90	6.28	6.44
QL Resources	QLG MK	Outperform	5.02	5.77	14.94
CB Industrial Product Holding	CB MK	Buy	1.31	1.76	34.35
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	3.98	4.30	8.04
Chin Well Holdings	CWH MK	Outperform	1.74	2.00	14.94
Supercomnet Technologies	SCT MK	Outperform	1.49	1.73	16.11
Kelington Group	KGRB MK	Buy	1.35	1.71	26.67
Pentamaster Corporation	PENT MK	Buy	4.00	5.26	31.50
AME Elite Consortium	AME MK	Buy	1.47	2.03	38.10
Formosa Prosonic Industries	FOR MK	Buy	3.06	3.92	28.10
IJM Corp Bhd	IJM MK	Outperform	1.73	2.06	19.08
Kerjaya Prospek Group	KPG MK	Outperform	1.15	1.39	20.87
MMS Ventures	MMSV MK	Buy	0.785	1.20	52.87
Dialog Group	DLG MK	Buy	2.22	2.95	32.88
FM Global Logistics Holdings	FMH MK	Buy	0.590	0.82	38.98
Solarvest Holdings	SOLAR MK	Buy	0.74	1.12	51.35

Hibiscus Petroleum	HIBI MK	Buy	0.98	1.32	34.69
OSK Holdings	OSK MK	Buy	0.94	1.12	19.79
Malakoff Corporation	MLK MK	Buy	0.71	0.86	21.99
UWC	UWC MK	Buy	4.10	5.03	22.68
Dayang Enterprise	DEHB MK	Buy	1.09	1.44	32.11
Deleum	DLUM MK	Outperform	0.80	0.84	5.66
ETF					
MyETF Dow Jones U.S.	METFUS50	Buy	USD 1.79	USD 1.93	8.26
Titans 50	MK				
MyETF MSCI SEA Islamic Dividend*	MEMSID MK	Buy	0.85	0.85	0.00
Principal FTSE ASEAN 40 Malaysia ETF	CIMBA40 MK	Buy	1.64	1.80	10.03
Principal FTSE China 50 ETF	CIMBC25 MK	Buy	1.23	1.39	13.29
TradePlus HSCEI Daily (2x) Leveraged Tracker	HSCEI2XL MK	Strong Buy	0.59	0.85	43.22
TradePlus NYSE FANG+ Daily (-1x) Inverse Tracker	FANG1XI MK	Buy	1.71	1.86	8.77

Note: We have removed IHH Healthcare since it is near to our cut loss price since the recommendation.

*Pending review.

Source: Bursa, Bloomberg, PRSB, price as of 8th September 2022

Malaysian news highlights

- **Malaysia's franchise sales projected to increase to over RM22b in 2025, says PM.**
Malaysia's franchise industry is expected to see its sales value increase to RM22.66 billion by 2025, from RM14.65 billion in 2020, said Prime Minister Datuk Seri Ismail Sabri Yaakob. He noted that the local franchise industry has been growing rapidly, with 1,149 franchisers registered under the Franchise Act 1998. He said in 2021, the number of franchise outlets opened in the country rose by 47% year-on-year to 13,779, creating around 49,000 jobs. (Source: [TheEdgeMarkets](#))
- **These are the latest interest rates after BNM raised OPR by 25bps to 2.5%.**
Bank Negara Malaysia's (BNM) Monetary Policy Committee (MPC) raised the overnight policy rate (OPR) by 25 basis points (bps) to 2.5% on Thursday (Sept 8), bringing the benchmark interest rate closer to the pre-pandemic level of 3.0%. With the increase, the ceiling and floor rates of the OPR's corridor have also increased to 2.75% and 2.25% respectively. Banks also announced their new lending rates following the OPR revision. (Source: [TheEdgeMarkets](#))

Global news highlights

- **Jumbo Fed Rate Hike Is in Play as Powell Sticks to Hawkish View.**
"We need to act now, forthrightly, strongly as we have been doing," Powell said Thursday in remarks at the Cato Institute's monetary policy conference in Washington. "My colleagues and I are strongly committed to this project and will keep at it." He spoke with a moderator in a virtual question-and-answer session. (Source: [Bloomberg](#))
- **Applications for US Jobless Benefits Fall to Lowest Since May.**
Initial unemployment claims decreased by 6,000 to 222,000 in the week ended Sept. 3, lower than all estimates, Labor Department data showed Thursday. The median estimate in a Bloomberg survey of economists called for 235,000 new applications. The four-week moving average, which smooths out volatile week-to-week moves, fell to 233,000 -- the lowest since early July. (Source: [Bloomberg](#))
- **US Household Spending Jumped More than Twice as Fast as Incomes Last Year.**
The average income per consumer unit, before taxes, rose 3.7% to \$87,432 in 2021 while spending jumped 9.1% to \$66,928, the BLS said in its annual study of expenditures. A consumer unit is a family or other household group that shares its finances. Inflation over the period averaged 4.7%, the BLS said. That means incomes failed to keep up with the rising cost of living while spending outpaced it. (Source: [Bloomberg](#))
- **ECB intensifies inflation fight with historic jumbo hike.**
The European Central Bank (ECB) intensified its battle against record inflation by hiking interest rates by a historic three-quarters of a percentage point and pledging "several" further increases, even as the outlook for economic growth darkens. The unprecedented monetary-tightening step underlines growing alarm as price pressures in the 19-nation eurozone broaden beyond energy and the euro tumbles. The decision matched analyst expectations and brought the deposit rate to 0.75%. The euro slid against the dollar, while money-market investors boosted bets on further monetary tightening after the announcement. (Source: [TheEdgeMarkets](#))
- **Europe Bonds Slide as ECB Removes Cap on Government Deposits.**
Europe's bonds slid after the European Central Bank said it would remove a cap on how much interest government deposits can earn as it lifted rates above 0% for the first time in a decade. The ECB said that it would temporarily remove a 0% cap for remunerating government deposits. That reduces the incentive to shift billions of euros of public money from cash into short-term debt, driving a selloff that took the yield on two-year German bonds up much as 21 basis points to 1.31%. (Source: [Bloomberg](#))

- **India Imposes 20% Tax on Some Rice Exports.**
India, the world's biggest rice shipper, has levied a tax on some rice exports as the nation seeks to secure domestic supplies of the food grain after planting shrank due to lack of adequate rains. Unmilled rice and husked brown rice will attract an export levy of 20% with effect from Sept. 9, the ministry of finance said in a notification on Thursday. Semi-milled or wholly-milled rice, other than parboiled and basmati rice, will also attract a duty of 20%, it said. (Source: [Bloomberg](#))
- **Thai Hotel Occupancy Rate Bounces Back as Tourist Arrivals Jump.**
A rebound in foreign tourist arrivals into Thailand is pushing up the nation's hotel occupancy rate from a record low during the pandemic, according to a survey. The average room occupancy at Thai hotels was 48% in August, up from 46% a month earlier, according to a joint survey of 106 hotels by the Bank of Thailand and the Thai Hotels Association. (Source: [Bloomberg](#))

Corporate news

- **CTOS to raise stake in RAM to over 55% from 39%.**
CTOS Digital Bhd is set to be the majority shareholder in RAM Holdings Bhd with a 55.88% equity interest after buying out the stakes of two shareholders totalling 16.45% for RM46.88 million. The credit reporting group said it has entered into agreements to buy a 15.65% stake in RAM for RM44.6 million from Dragonline Solutions Sdn Bhd, and another 0.8% stake for RM2.28 million from Deutsche Bank (Malaysia) Bhd. The price was arrived at based on a willing buyer, willing seller basis after taking into consideration that it represents 1.6 times RAM's financial year 2021 (FY21) net asset value and 20.1 times FY21 profit after tax, in-line with the other listed credit rating agencies globally. (Source: [TheEdgeMarkets](#))

Regional company reports

TradePlus HSCEI Daily (2x) Leveraged Tracker : Dragon King Rises? - RATING : STRONG BUY.

- Investor attention may be shifted temporarily to the 20th National Congress of the Chinese Communist Party on 16th October 2022 as it will conclude whether President Xi Jinping is able to consolidate power.
- Although the situation remains fluid, should President Xi be able to consolidate his power during the upcoming National Congress, we believe President Xi would do anything within his power to ensure China's prosperity during his reign.
- For HSCEI-2XL, we upgrade from SELL to STRONG BUY and raise the target price to MYR0.8450 (previously MYR0.6600), reflecting a 36.43% upside for the 12-month forecast return. Please refer to our rating methodology in the glossary for more information.
- The fund manager released the Annual Report (for Jul 2021-Jun 2022 period).

TradePlus HSCEI Daily (-1x) Inverse Tracker : Dragon King Rises? - RATING : SELL .

- Investor attention may be shifted temporarily to the 20th National Congress of the Chinese Communist Party on 16th October 2022 as it will conclude whether President Xi Jinping is able to consolidate power.
- Although the situation remains fluid, should President Xi be able to consolidate his power during the upcoming National Congress, we believe President Xi would do anything within his power to ensure China's prosperity during his reign.
- For HSCEI-1XI, we downgrade from BUY to SELL and revised down our target price to MYR2.1800 (previously MYR2.3500), reflecting a 5.57% downside for the 1-month forecast return. Please refer to our rating methodology in the glossary for more information.
- The fund manager released the Annual Report (for Jul 2021-Jun 2022 period).

Principal FTSE China 50 ETF : Dragon King Rises? - RATING : BUY.

- Investor attention may be shifted temporarily to the 20th National Congress of the Chinese Communist Party on 16th October 2022 as it will conclude whether President Xi Jinping is able to consolidate power.
- We revised up target price to MYR 1.3935 with a BUY recommendation from SELL previously, reflecting a 13.3% upside for the 12-month forecast return.
- The fund manager released the PAM-C50's Annual Report (for Jul 2021-Jun 2022 period).

Kimlun Corporation Bhd Company Update.

- Revenue decreased by 12.93% YoY mainly dragged by lower sales achieved by the Property Development division which contracted by 96.60% YoY. The revenue from Property Development was constrained due to Phase 1 of Bukit Bayu Development has been fully sold in Q1 FY2022.
- Manufacturing and trading revenue gained 162.25% QoQ and 66.58% YoY. For the quarter, the manufacturing and trading division GPM expanded to 21% vs 9.36% a year ago, contributed by better margin sales orders and better absorption of sunk costs enabled by better operation productivity. Notably, the margin of the projects for manufacturing can differ based on their complexity and delivery time.
- The estimated total order book came at MYR1.91 billion with the construction division and manufacturing division contributing MYR1.57 billion and MYR0.34 billion, respectively as at 30th June 2022.

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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;

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

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