



# 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

| 22<sup>nd</sup> September 2022 |

All market data as at previous trading day

### Market indices

Indices	Last	Daily chg	YTD chg%
<i>Local</i>			
FBM KLCI	1,447.18	-13.92	-7.68
FBM Emas	10,330.09	-93.81	-8.65
FBM Syariah	10,389.89	-131.54	-15.28
FBM Small Cap	14,251.09	-43.43	-9.58
FBM ACE	4,778.12	-29.18	-25.57
F4G BM	837.77	-7.55	-4.83
F4G BMS	858.31	-11.63	-12.65

### Funds Flows

### Net Buy (MYR'm)

Local Institutions	172.0
Local Retails	21.6
Foreign	-193.6

### Foreign

Dow Jones	30,183.78	-522.45	-16.94
S&P 500	3,789.93	-66	-20.48
Nasdaq	11,220.19	-204.86	-28.28
FTSE	7,237.64	44.98	-1.99
Hang Seng	18,444.62	-336.8	-21.17
Nikkei	27,313.13	-375.29	-5.14
Shanghai CI	3,117.18	-5.23	-14.36
Strait Times	3,261.79	-5.15	4.42

### Currencies

BNM Middle Rate (5pm)	Last	Daily chg	YTD %
USD / MYR	4.5535	-0.0045	9.33
GBP / MYR	5.1591	-0.0516	-8.38
JPY100 / MYR	3.1675	-0.0054	-12.47
EUR/MYR	4.5089	-0.0532	-4.35
SGD / MYR	3.2211	-0.0131	4.40
CNY / MYR	0.6459	-0.0040	-1.34
AUD / MYR	3.0354	-0.0223	0.29

### Bond Yield Movements

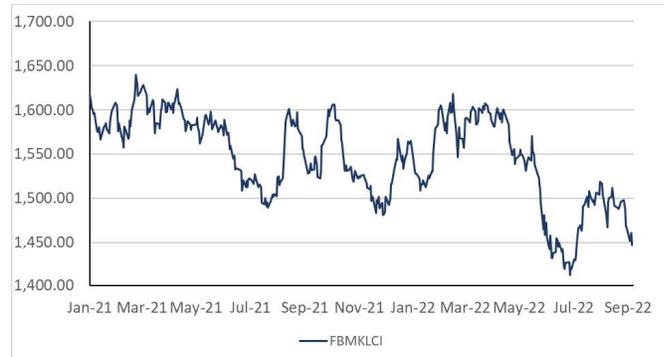
		Yield	Daily Change (bps)
<b>MGS</b>	3- year	3.53	8
	10- year	4.2	2
<b>GII</b>	3- year	3.58	2
	10- year	4.21	0
<b>UST</b>	2- year	4.02	6
	10- year	3.51	-6

### Commodities

	Last	Daily chg	Daily chg %
CPO (3 <sup>rd</sup> month)	3,887.00	150	4.01
Brent (1 <sup>st</sup> month)	90.00	-0.87	-0.96
Gold (spot)	1,673.84	10.73	0.65

Source: Treasury.gov, Bursa and BNM

### FBMKLCI and statistics



Source: Bloomberg

### Market Turnover

Vol (m shrs)	2,342
Value (MYR m)	1,658

### Top 5 Value

	Last	Daily chg %	Value (MYR m)
TOPGLOV	0.645	-8.51	148.581
MAYBANK	8.730	0.34	111.954
PBBANK	4.400	-1.12	83.631
CIMB	5.450	-0.55	65.299
PMETAL	4.140	-6.33	50.570

### Top 5 Gainers

	Last	Daily chg %	Value (MYR m)
XDL	0.020	33.33	0.007
PARKWD	0.180	33.33	0.002
DBHD	0.655	29.70	0.176
MTOUCHE	0.045	28.57	0.014
ZENTECH	0.025	25.00	0.007

### Top 5 Losers

	Last	Daily chg %	Value (MYR m)
PHB	0.005	-50.00	0.024
BCMALL	0.015	-40.00	0.005
AT	0.010	-33.33	0.012
FOCUS	0.015	-25.00	0.007
AEM	0.015	-25.00	0.001

### Top 5 DBT

	Value (MYR m)	Volume (m shares)	Price (MYR)
MRDIY	274.920	137.460	2.02
SAPNRG	2.250	50.000	0.04
GDEX	3.600	30.000	0.125
HLBANK	437.936	21.680	20.8
BJFOOD	17.800	20.000	0.93

**Market Pulse**



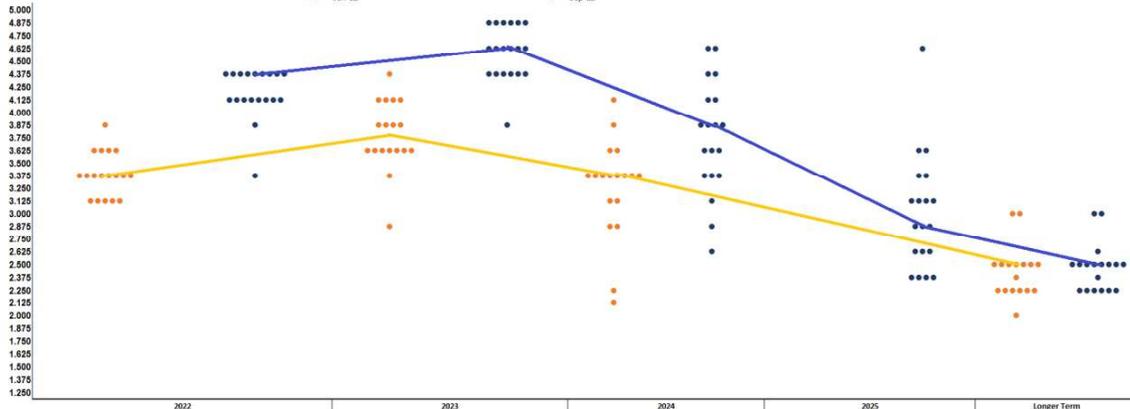
Source: Chart created using tradingview.com's tools, PRSB

The KLCI ended in red, closing lower at 1,447.18 pts with -13.92 pts (-0.95%) as it was dragged by 22 losers vs 6 gainers, while the remaining 2 were unchanged for the day. The worst performer of the day was Top Glove and Press Metal, shredding 8.51% and 6.33%, respectively. The broad market shared the same weak sentiment as losers outpaced gainers by 529 to 296, while the remaining 440 are unchanged. We believe investors are taking more cautious positioning ahead of the Fed's decision

The Fed delivered a 75bps rate hike as expected but a more aggressive hike ahead rattled investors' sentiment again. In short, it is not overly surprising to see the market pull back after pricing in a hawkish Fed going into the meeting and then seeing the knee-jerk selling on the dots plot.

The new dot plot implies a 4.625% terminal rate in 2023 followed by gradual rate cuts towards 3.875% in 2024, ending 2025 at 2.875% (Exhibit 1). However, the median 2022 dot was higher than expected at 4.375%, suggesting policymakers anticipate another 75bp hike in November followed by 50bp in December amid increased urgency to bring inflation under control (Exhibit 2). Currently, there is around a 60% probability of another 75bps (previously 50bps) rate hike in November and 50bps (previously 25bps) in December.

Exhibit 1: Fed Dot Plot (Sep vs Jun)



Source: FOMC, compiled by PRSB

Exhibit 2: Fed Monetary Path

FOMC	Rate Hike (%)	FF Upper Limit	QT (USD b)
4/5/2022	+0.50	1.00	
15/6/2022	+0.75	1.75	47.5
27/7/2022	+0.75	2.50	47.5
	Jackson Hole Economic Symposium		47.5
21/9/2022	+0.75	3.25	95
	No FOMC		95
2/11/2022	+0.75	4.00	95
	8/11 Mid-term Election		95
14/12/2022	+0.50	4.50	95
1/2/2023	+0.25	4.75	95

Source: Fed, compiled by PRSB

In short, Powell’s speech outlined two important points the Fed is currently focusing on during the normalization process:

- 1) he and his colleagues were determined to bring inflation down to the Fed’s 2% goal. They “will keep at it until the job is done.” Powell told the press “We have got to get inflation behind us. I wish there were a painless way to do that. There isn’t.”
- 2) “Higher interest rates, slower growth and a softening labour market are all painful for the public that we serve. But they’re not as painful as failing to restore price stability and having to come back and do it down the road again,” he said.

This resonates his speech during the Jackson Hole Symposium as we have previously outlined in our Daily Morning Pole Position dated 29<sup>th</sup> August 2022.

The FOMC’s median terminal rate now matches our forecast of 4.625%, but the Committee continues to expect stronger growth and higher inflation relative to our outlook. In addition to participants being reluctant to forecast a recession, participants may believe there is a longer lag between monetary policy action and economic activity. In addition, they may view the current level of nominal neutral policy rates as at or above 3%, or that the sensitivity of the economy to higher rates is lower than we assume. However, incoming data suggest economic activity continues to decelerate relatively rapidly across housing, industrial activity, and consumer spending.

Economic forecasts revised considerably to weaker near-term growth (0.2% in 2022 and 1.2% in 2023) with a 4.4% peak unemployment rate in 2023-24 (Exhibit 3). Again, during the press conference, Powell said “there isn’t” a “painless way” to bring inflation lower and continued to prioritize price stability, reinforcing our view of a recession in 1Q 2023.

Exhibit 3: US Economic Outlook

		2022	2023	2024	2025
GDP	Sep 2022	0.2	1.2	1.7	1.8
	Jun 2022	1.7	1.7	1.9	
Unemployment Rate	Sep 2022	3.8	4.4	4.4	4.3
	Jun 2022	3.7	3.9	4.1	
PCE	Sep 2022	5.4	2.8	2.3	2.0
	Jun 2022	5.2	2.6	2.2	
Core PCE	Sep 2022	4.5	3.1	2.3	2.1
	Jun 2022	4.3	2.7	2.3	

Source: FOMC, compiled by PRSB

While we currently maintain our view on Malaysia's GDP (Exhibit 4) and year-end KLCI at 1,541, we will review our scenario post Budget 2023, which is scheduled to be announced on 7<sup>th</sup> October. For today, since KLCI has a positive correlation against S&P500, we anticipate the Index to decline today as it has broken the 0.382 Fibonacci support, indicating a weak momentum. Technically, the KLCI may test the immediate support at 1,436.92 pts and may fall lower to 1,420.00 pts. We set the resistance level at 1,468.34 pts. Our picks in Exhibit 5.

Exhibit 4: Malaysia Economic Outlook

	2020	2021	2022F	2023F
Real GDP	-5.5	3.1	6.3	5.0
Consumer prices	-1.2	2.5	3.0	2.1
Fiscal Balance (% of GDP)	-6.2	-6.5	-6.2	-6.0
Overnight policy rate (%)	1.75	1.75	2.50	2.50
Exchange rate (USD/MYR)	4.01	4.18	4.50	4.32

Source: BNM, PRSB, compiled by PRSB

Exhibit 5: Our Picks

Company	Ticker	Rating	Price (MYR)	TP (MYR)	Upside (%)
<b>Fundamental</b>					
Bermaz Auto	BAUTO MK	Buy	1.93	2.45	26.94
Guan Chong	GUAN MK	Outperform	2.30	2.78	20.87
<b>Technical</b>					
Genting Malaysia	GENM MK	Outperform	2.91	3.21	10.31
Telekom	T MK	Outperform	5.88	6.28	6.80
QL Resources	QLG MK	Outperform	4.99	5.77	15.63
CB Industrial Product Holding	CB MK	Buy	1.31	1.76	34.35
Opcom Holdings	OHB MK	Buy	0.840	1.24	47.62
KSL Holdings	KSL MK	Buy	0.795	0.96	20.75
Gamuda	GAM MK	Outperform	3.95	4.30	8.86
Chin Well Holdings	CWH MK	Outperform	1.69	2.00	18.34
Supercomnet Technologies	SCT MK	Outperform	1.61	1.73	7.45

Kelington Group	KGRB MK	Buy	1.41	1.71	21.28
Pentamaster Corporation	PENT MK	Buy	4.16	5.26	26.44
AME Elite Consortium	AME MK	Buy	1.45	2.03	40.00
Formosa Prosonic Industries	FOR MK	Buy	3.08	3.92	27.27
IJM Corp Bhd	IJM MK	Outperform	1.69	2.06	21.89
Kerjaya Prospek Group	KPG MK	Outperform	1.15	1.39	20.87
MMS Ventures	MMSV MK	Buy	0.745	1.20	61.07
Dialog Group	DLG MK	Buy	2.16	2.95	36.57
FM Global Logistics Holdings	FMH MK	Buy	0.580	0.82	41.38
Solarvest Holdings	SOLAR MK	Buy	0.75	1.12	49.33
Hibiscus Petroleum	HIBI MK	Buy	0.96	1.32	38.22
OSK Holdings	OSK MK	Buy	0.89	1.12	26.55
Malakoff Corporation	MLK MK	Buy	0.67	0.86	28.36
UWC	UWC MK	Buy	4.06	5.03	23.89
Dayang Enterprise	DEHB MK	Buy	1.17	1.44	23.08
Deleum	DLUM MK	Outperform	0.77	0.84	9.80
CTOS Digital	CTOS MK	Buy	1.40	1.78	27.14
Ancom Nylex	ANC MK	Buy	0.98	1.24	26.53
BP Plastics Holdings	BPP MK	Buy	1.49	1.80	20.81
<b>ETF</b>					
MyETF Dow Jones U.S. Titans 50	METFUS50 MK	Buy	USD 1.82	USD 1.93	6.18
MyETF MSCI SEA Islamic Dividend	MEMSID MK	Buy	0.82	0.92	12.71
Principal FTSE ASEAN 40 Malaysia ETF	CIMBA40 MK	Buy	1.65	1.80	9.07
Principal FTSE China 50 ETF	CIMBC25 MK	Buy	1.26	1.39	10.60
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

Source: Bursa, Bloomberg, PRSB, price as of 21<sup>st</sup> September 2022

## Malaysian news highlights

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- **Malaysia will not escape global slowdown in 2023, says Zafrul.**  
Malaysia will not be spared from the expected global economic slowdown in 2023, as all three of the world's major economic drivers — Europe, China and the US — are expected to grow at a slower rate next year compared with this year. As such, the country must be prepared to do what needs to be done to mitigate the anticipated impact from the economic slowdowns in the world over, said Finance Minister Tengku Datuk Seri Zafrul Abdul Aziz. (Source: [TheEdgeMarkets](#))
- **Financial sector plays key role in ensuring green agenda's inclusivity, says Zafrul.**  
The financial sector has a critical role to play in assisting the Government to ensure that Malaysia's transition to the green agenda remains inclusive and is void of any undesired consequences, according to Finance Minister Tengku Datuk Seri Zafrul Tengku Abdul Aziz. "The financial and investment ecosystem also has a key responsibility to help the Government address certain structural issues and generate balanced growth opportunities across all sizes of businesses, and all segments of society. (Source: [TheEdgeMarkets](#))

## Global news highlights

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- **Powell Signals More Pain to Come With Fed Sending Rates Higher.**  
Federal Reserve Chair Jerome Powell vowed officials would crush inflation after they raised interest rates by 75 basis points for a third straight time and signaled even more aggressive hikes ahead than investors had expected. "We have got to get inflation behind us. I wish there were a painless way to do that. There isn't," Powell told a press conference in Washington on Wednesday after officials lifted the target for the benchmark federal funds rate to a range of 3% to 3.25%. (Source: [Bloomberg](#))
- **Most Treasury Yields Fall After Fed Raises Rates and Projections.**  
"It's not overly surprising to see the market pull back after pricing in a hawkish Fed going into the meeting and then seeing the knee-jerk selling on the dots," said Kevin Flanagan, head of fixed-income strategy at Wisdom Tree, referring to policymakers' forecasts. "The big story is not the Fed getting north of 4%, it's about them staying there for a while." (Source: [Bloomberg](#))
- **Factories' Supply Pressures Linger as US Economy Downshifts.**  
Warning signs are flashing in some corners of corporate America that US economic activity from factory floors to e-commerce is downshifting as supply-chain pressures and high input costs persist. Take Amazon.com's cargo airline, where operations are growing at the slowest pace since the start of the pandemic, the latest sign that the e-commerce giant is adjusting to slackening consumer demand. (Source: [Bloomberg](#))
- **UK unveils £40 billion winter energy bill bailout for businesses.**  
The British government unveiled a multibillion-pound bailout to help companies with their energy bills this winter amid soaring prices that threaten to put many out of business. Under the estimated £40 billion (US\$45 billion) plan, announced Wednesday in a statement, the government will cap the wholesale energy prices that feed into gas and power contracts for businesses for six months. Thereafter, a review will determine whether ongoing support is needed for specific sectors. (Source: [TheEdgeMarkets](#))
- **India's palm oil imports to jump on rising demand, lower prices.**  
India's palm oil imports in 2022/23 could jump 9% from a year earlier on a rise in domestic consumption and as competitive prices allow the tropical oil to regain its share in the world's biggest market, a Reuters survey showed on Wednesday. The higher buying could help top producer Indonesia in bringing down ballooning inventories and support benchmark Malaysian palm oil prices, which have nearly halved from record highs earlier this year. (Source: [TheEdgeMarkets](#))

- India seeks to separate lenders to ease clean energy financing.**  
 India may unwind a four-year-old decision to combine two state-run lenders, as it seeks to sidestep local rules that restrict them from funding power projects in one of the world's fastest-growing energy markets. The government is discussing a plan for state-run Power Finance Corp to sell its controlling stake in REC Ltd to transmission utility Power Grid Corp, Raj Kumar Singh, the nation's power minister, said in an interview in New Delhi. Power Finance and REC will enjoy their different exposure limits as separate companies, potentially resulting in greater project funding, he said. (Source: [TheEdgeMarkets](#))
- Singapore airport working with airlines to avoid travel chaos as demand returns.**  
 Singapore's Changi Airport has avoided long lines and baggage handling problems that have plagued rivals in Europe, North America and Australia through tight coordination of capacity increases with airlines and suppliers, an executive said. The airport reached 56% of its 2019 passenger numbers in August and the government has forecast the number of flights will reach 80% of pre-pandemic levels by the end of the year. (Source: [TheEdgeMarkets](#))

## Corporate news

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- VS Industry issues RM500 mil Sukuk Wakalah.**  
 VS Industry Bhd's wholly-owned subsidiary VS Capital Management Sdn Bhd (VSCM) has issued an Islamic Medium-Term Notes (Sukuk Wakalah) of RM500 million in nominal value. In a filing with Bursa Malaysia on Wednesday (Sept 21), it said the Sukuk Wakalah is based on the Shariah principle of Wakalah Bi Al-Istithmar. "Proceeds from the sukuk issuance will be utilised for working capital requirements, capital expenditure, general corporate purposes, as well as refinancing of existing borrowings or financings of the group," said VS Industry. (Source: [TheEdgeMarkets](#))
- RAM Ratings upgrades RHB banking group to AA1.**  
 RAM Rating Services Bhd (RAM Ratings) has upgraded the long-term financial institution ratings of RHB Bank Bhd and its subsidiaries RHB Islamic Bank Bhd and RHB Investment Bank Bhd from AA2 to AA1 with a stable outlook. RHB's group managing director and chief executive officer Mohd Rashid Mohamad said the recent upgrade follows the upward revision of the group's positive rating last year, and reflects the group's continued business resilience, strong fundamentals and robust business strategies. "Our financial performance remained resilient for the first half of 2022. (Source: [TheEdgeMarkets](#))
- Maybank says to run pilot climate stress test.**  
 Malayan Banking Bhd (Maybank) said it plans to run a pilot climate stress test in 2022 to better understand how its business strategy and performance will be affected by climate change. "We have explored a number of ESG (environmental, social and governance)/climate stress testing tools to support our scenario analysis capabilities and plan to run a pilot climate stress test in 2022 to better understand how our business strategy and performance will be affected by climate change," Maybank said in its latest corporate presentation. (Source: [TheEdgeMarkets](#))

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