

# Market Pulse

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**M+Online**  
Equipping Traders For The Win

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## FBM KLCI – Daily



## Market Scorecard

	Close 29-May-19	Change %
FBM KLCI	1,623.67	0.56
52-W High	1,826.90	
52-W Low	1,572.03	
FBM EMAS	11,368.24	0.38
FBM 100	11,226.28	0.40
FBM Fledgling	14,621.21	0.06
FBM Small Cap	12,458.03	-0.04
FBM ACE	4,291.47	0.54
FBM Shariah	11,555.56	0.87
Volume (mln)	1,951.31	-18.58
Value (RM mln)	1,834.38	-59.41

  

Market Participation	%	Net (RM mln)
Institution	N/A	N/A
Retail	N/A	N/A
Foreign	N/A	N/A

## Sentiments Turning Down

- The FBM KLCI remained on an upward trajectory as investors shrugged off the negative sentiment in global equities and closed higher, boosted by gains in Tenaga Nasional. The lower liners - the FBM Ace and the FBM Fledgling finished higher by 0.5% and 0.1% respectively, while the broader market closed mixed.
- Market breadth was positive winners trounced the losers on a ratio of 436-to-404 stocks. Traded volumes, however, fell by 18.6% to 1.95 bln shares due to heightened risk aversion.
- Tenaga Nasional (+66.0 sen) led the key-index higher, on expectations of stronger long-term earnings growth and bargain-hunting activities after the recent sell-down. Other Main Board advancers include Nestle (+50.0 sen), Petronas Gas (+48.0 sen), Press Metal (+21.0 sen) and Hartalega (+16.0 sen). Other gainers were Panasonic Manufacturing (+64.0 sen), Tasek (+46.0 sen), Hume Industries (+28.5 sen), Allianz (+22.0 sen) and Merge Energy (+21.0 sen).
- On the flipside, sin-stocks like BAT (-RM2.44), Carlsberg (-52.0 sen) and Heineken Malaysia (-42.0 sen) retreated, followed by Malaysian Pacific Industries (-38.0 sen) and Padini (-36.0 sen). Banking heavyweights like Hong Leong Bank (-36.0 sen) and Public Bank (-12.0 sen), meanwhile, were among the underperformers, alongside Petronas Chemicals (-17.0 sen), Sime Darby Plantation (-9.0 sen) and Genting (-8.0 sen).
- Key regional benchmark indices pulled back amid the prevailing negative sentiment spilled over from Wall Street overnight and rising trade tensions after Washington added China and several other countries like Malaysia and

Futures		
FKLI Spot	1,619.00	0.43
FKLI Forward	1,617.00	0.34

Foreign		
Dow Jones	25,126.41	-0.87
S&P 500	2,783.02	-0.69
NASDAQ	7,547.31	-0.79
FTSE 100	7,185.30	-1.15
DAX	11,837.81	-1.57
CAC 40	5,222.12	-1.70
FTSE STI	3,163.28	-0.06
Shanghai Composite	2,914.70	0.16
Hang Seng Index	27,235.71	-0.57
Nikkei 225	21,003.37	-1.21

Commodities		
WTI Crude Oil (USD)	59.03	0.37
Brent Spot (USD)	69.45	-0.94
Gold (USD)	1,279.72	0.00
CPO (RM)	2,105.00	1.89

Currency		
USD	4.1980	-0.24
GBP	5.2984	0.15
EURO	4.6711	0.23
SGD	3.0386	-0.13
YEN	26.1340	-0.39

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Singapore on a watch list for currency manipulation. The Nikkei (-1.2%) and the Hang Seng index (-0.6%) ended in the red. The Shanghai Composite, however, bucked the general downtrend in the offshore markets while the majority of ASEAN stockmarkets closed in the red.

- Benchmark U.S. stockmarkets stumbled on Wednesday and hovered near key support levels, dragged down by heightened trade uncertainties as investors flee to safe haven assets. The Dow erased more than 200 points, while the ten-year Treasury yield marked its lowest level since 2017, resulting in an inverted yield curve – an indication of a potential recession. The S&P 500 and the Nasdaq also posted back-to-back losses, closing lower by 0.7% and 0.8% respectively.
- European stockmarkets posted sharp declines amid rising risks of from ongoing trade wars, political uncertainties within the EU region and slowing economic growth. The FTSE and the DAX closed down by 1.2% and 1.6% respectively, while the CAC fell 1.7% amid concerns of its worsening debt crisis.

## THE DAY AHEAD

- Despite the region's continuing weakness, the FBM KLCI continues to buck the regional trend to head higher on institutional support on the index heavyweights yesterday. However, we continue to think that the gains are superficial as they are not accompanied by improved fundamental outlooks. Therefore, we think that the gains are unlikely to be lasting as we expect profit taking to emerge after the past two session's hefty gains.
- As it is, sentiments on equities are still on the cautious side amid the prolonged

trade war that is set to sap the global economic growth and the corresponding corporate earnings growth. Malaysian stocks will similarly be affected given its strong reliance on the external sector. Hence, we believe any uptick in Malaysian stocks will be temporary. We also think that the valuation of Malaysian stocks is fair at 16.3x and 15.3x for 2019 and 2020 respectively, thus leaving little room for more near term upsides.

- At the same time, the gains were on low volumes – suggesting that the buying was selective. Therefore, we think that profit taking activities are likely to set in as equity sentiments are becoming increasingly frail. The FBM KLCI's supports are at 1,620 and 1,610, while the resistances are at 1,627 and 1,635 respectively.
- The lower liners continues to find support, but has got few impetuses to make headway and retail players are still staying on the sidelines after the recent rout has taken the wind out of the sails of many FBM Small Cap, Fieldling and ACE Market stocks. Therefore, we see the indifferent trend persisting in view of the lack of market direction.

## COMPANY UPDATE

- **OCK Group Bhd's** 1Q2019 net profit added 4.0% Y.o.Y to RM5.3 mln, boosted by higher contribution from the telecommunication network services (TNS), trading & mechanical and engineering services segment. Revenue for the quarter climbed 6.1% Y.o.Y to RM103.5 mln.
- The reported earnings make up to 18.7% of our net profit forecast of RM28.5 mln for 2019. The reported revenue amounted to 20.7% of our estimated revenue of RM499.2 mln. The variance in the bottom

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line is mainly due to the higher depreciation and finance cost.

## Comments

- Although both the reported earnings and revenue amounted to less than a quarter of our forecast, we deem the figures to be in-line as OCK's first quarter results traditionally make up about 15.0%-20.0% of its full year earnings. Consequently, we maintain our **BUY** recommendation on OCK with an unchanged target price of RM0.75.
- We adopt a sum-of-parts (SOP) approach as we valued its telecommunication network services and green energy & power solutions business segments on a discounted cash flow approach (key assumptions include a WACC of 9.5%, terminal growth rate of 1.5%) to reflect its ability to generate recurring revenues and steady earnings growth over the longer term. Meanwhile, we ascribed an unchanged target PER of 13.0x to both its fully-diluted trading and mechanical & electrical engineering services businesses, based on their potential earnings contribution in 2019.

## COMPANY BRIEF

- **CIMB Group Holdings Bhd's** 1Q2019 net profit slipped 8.7% Y.o.Y to RM1.19 bln as the previous corresponding period included a one-off disposal gain from the sale of 50% stake in CIMB Securities International. Revenue for the quarter fell 3.3% Y.o.Y to RM4.16 bln. (The Star Online)
- **Sime Darby Bhd's** 3QFY19 net profit rose 64.4% Y.o.Y to RM222.0 mln, boosted by the strong performance of its industrial division. Revenue for the quarter climbed 3.2% Y.o.Y to RM8.66 bln.

- For 9MFY19, cumulative net profit fell 56.5% Y.o.Y to RM764.0 mln. Revenue for the period, however, added 6.3% Y.o.Y to RM26.83 bln. (The Star Online)
- **FGV Holdings Bhd's** 1Q2019 net loss stood at RM3.4 mln vs. a net profit of RM1.1 mln recorded in the previous corresponding quarter, largely due to a sharp decline in crude palm oil (CPO) prices and lower average selling price in the sugar sector. Revenue for the quarter fell 9.2% Y.o.Y to RM3.27 bln. (The Star Online)
- **AirAsia Group Bhd's** 1Q2019 net profit sank 91.6% Y.o.Y to RM96.1 mln after it recorded a one-off extraordinary gain of RM885.0 mln in 1Q2018. Revenue for the quarter, however, rose 12.5% Y.o.Y to RM2.88 bln. A record high special dividend of 90.0 sen per share was declared. (The Edge Daily)
- **JAKS Resources Bhd** filed its defence against the **Star Media Group Bhd's** claim that the former is liable for 51.5%-owned subsidiary JAKS Island Circle Sdn Bhd obligations in relation to a property development project in Section 12, Petaling Jaya.
- JAKS has also filed a counterclaim against Star Media seeking damages and costs for prematurely initiating the claim in bad faith and/or maliciously, and/or is an abuse of the court process. (The Edge Daily)
- **Lafarge Malaysia Bhd**, in which YTL Cement Bhd has acquired a 51.0% stake, announced that 1Q2019 net profit sank 53.3% Y.o.Y to RM32.1 mln due to lower sales from its cement segment. Revenue for the quarter declined marginally by 1.5% Y.o.Y to RM538.7 mln. (The Edge Daily)
- Separately, YTL Cement has made a mandatory general offer of RM3.75 to

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buy out shares that it does not already own in Lafarge. (The Edge Daily)

- **Perdana Petroleum Bhd** won a three-year umbrella contract for offshore support vessel services for Petrolim Nasional Bhd's (Petronas) petroleum arrangement contractors' drilling and project activities, where it will supply six handling tug and supply vessels and five accommodation work barges to the oil company. (The Edge Daily)
- **IJM Corp Bhd's** 4QFY19 net profit leaped 13.5x to RM240.8 mln as its infrastructure division saw improved contributions from local toll and port concessions as well as its Argentine investments bearing fruit. Revenue for the quarter grew 2.6% Y.o.Y to RM1.39 bln.
- For FY19, cumulative net profit rose 20.9% Y.o.Y to RM418.9 mln. Revenue for the year, however, declined 5.2% Y.o.Y to RM5.66 bln. A 2.0 sen per share second interim dividend, payable on 19th July 2019, was declared. (The Edge Daily)
- **PPB Group Bhd's** 1Q2019 net profit added 31.1% to RM248.5 mln on higher contribution from Singapore-listed associated company, Wilmar International Ltd. Revenue for the quarter inched up 1.0% Y.o.Y to RM1.16 bln. (The Edge Daily)
- **Oriental Holdings Bhd's** 1Q2019 net profit rose 52.8% Y.o.Y to RM93.2 mln, due to an unrealised foreign exchange gain and better performance in its automotive, plantation and investment holding segments. Revenue for the quarter, however, dropped 6.1% Y.o.Y to RM1.39 bln. A final dividend of 8.0 sen and a special dividend of 20.0 sen for were declared. (The Edge Daily)
- **7-Eleven Malaysia Holdings Bhd's** 1Q2019 net profit rose 24.9% Y.o.Y to

RM11.2 mln due to higher revenue, increase in marketing income, favourable sales mix and improved logistics expenses recovery. Revenue for the quarter expanded 9.0% Y.o.Y to RM583.7 mln. (The Edge Daily)

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