

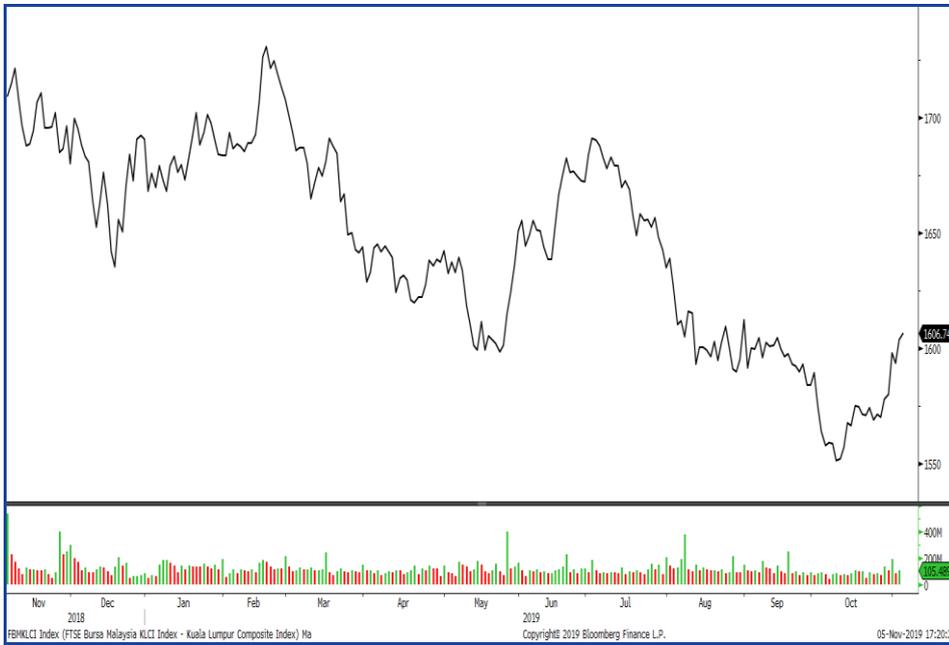
Market Pulse

Wednesday, 06 Nov, 2019

M+Online
Equipping Traders For The Win

Malacca Securities Sdn Bhd
(A Participating Organisation of Bursa Malaysia Securities Berhad)
Hotline: 1300 22 1233
Email: support@mplusonline.com.my
Website: www.mplusonline.com.my

FBM KLCI – Daily



Market Scorecard

	Close 5-Nov-19	Change %
FBM KLCI	1,606.74	0.20
52-W High	1,732.27	
52-W Low	1,548.45	
FBM EMAS	11,373.73	0.19
FBM 100	11,186.62	0.21
FBM Fledgling	14,507.55	-0.06
FBM Small Cap	13,664.26	-0.16
FBM ACE	4,997.80	-0.60
FBM Shariah	11,930.99	0.02
FBM MidS Cap	14,898.44	0.09
FBM MidS (Shariah)	14,141.02	0.16
Market Participation		
Trading Volume (mln)	2,624.4	2.6
Trading Value (RM mln)	2250.3	21.2
FKLI Spot Futures	1,604.50	0.00
FKLI Forward Futures	1,607.00	0.03

Slowing Down

- Even after a mostly tepid day where many stocks were in the negative until the end of the day when last minute hauls allowed the some of the stocks, particularly FBM KLCI listed stocks, to end the day on a positive note and to extend their gains. The lower liners like the FBM Small Cap index (-0.2%), FBM Fledgling (-0.1%) and FBM ACE (-0.6%), however, retreated on profit taking moves.
- As the profit taking activities took precedent, market conditions were mixed with losers tipping gainers on a ratio of 425-to-403 stocks. Market participation, however, rose slightly by 2.6% with 2.62 bln shares traded yesterday.
- The leading gainers on the FBM KLCI were CIMB, Petronas Chemicals and Genting Bhd, all of which rose 8.0 sen a piece as the latter rose after it acquired

shares in a U.S. subsidiary from its controlling shareholder in a privatization move of the U.S. subsidiary. Elsewhere, plantation stock like United Plantations (+20.0 sen), were among the big movers, followed by Carlsberg (+18.0 sen) and Mega First Corp (+15.0 sen).

- The major losers among the index heavyweights were Press Metal (-13.0 sen), Malaysia Airports (-10.0 sen) and Nestle (-70.0 sen). In the broader market, the top losers include BAT (-48.0 sen) after announcing plans to trim its workforce, followed by Panasonic (-20.0 sen), Sungai Bagan (-13.0 sen) and Apollo Food (-11.0 sen).
- Regional stock indices continue to head higher amid the sustained positivity brought about by the possibility of a trade agreement between the U.S. and China. The Nikkei resumed trading after a public holiday with gains of 1.6%,

Dow Jones	27,492.63	0.11
S&P 500	3,074.62	-0.12
NASDAQ	8,434.68	0.02
FTSE 100	7,388.08	0.25
DAX	13,148.50	0.09
CAC 40	5,846.89	0.39
FTSE STI	3,248.63	0.38
Shanghai Composite	2,991.56	0.54
Hang Seng Index	27,683.40	0.49
Nikkei 225	23,251.99	1.76
WTI Crude Oil (USD)	57.16	-0.12
Brent Spot (USD)	62.96	1.34
Gold (USD)	1,484.89	0.09
CPO (RM)	2,515.00	-0.55
USD	4.13	0.47
GBP	5.32	0.89
EURO	4.5994	0.80
SGD	3.0448	0.52
YEN	26.3510	-0.98

Disclaimer

This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.

while the Shanghai Composite and Hang Seng rose 0.5% each following the PBOC's move to reduce its one-year interest rate. ASEAN indices were also positive, albeit the gains were more modest.

- U.S. stocks continue to head higher and post new highs, but on more modest scales after China insist that the removal of tariffs is imperative for a trade agreement. The Dow managed to close with a 0.1% gain, but the S&P 500 eased 0.1%. The Nasdaq just closed in the positive zone with minimal gains.
- European stocks were also broadly higher on the trade talk optimism that is also led the key indices to near their four-year highs. Mining and energy stocks led the gains with the FTSE gaining another 0.3%, while the CAC and DAX inched up 0.4% and 0.1% respectively.

THE DAY AHEAD

- The FBM KLCI's extended overbought streak continues after yesterday's yet-another-last minute haul on selected index heavyweights that allowed the key index to close positively in an otherwise lackluster session. Judging from yesterday's trend, it appears that the buying strength is tapering and could struggle to make decent headway, going forward.
- The increasingly toppish conditions could also see more profit taking activities after the key index gained nearly 3.8% over the past three weeks that we think is already overdone. In our view, the toppish market conditions are likely to slow the key index's ascend as the pullback signs are still largely absent that could still see the extended overbought conditions persisting for now, riding on the optimism of a trade agreement between the U.S.

and China. On the upside, the next target is the 1,610 level, followed by the 1,620 level. The supports, on the other hand, are at the 1,600 and 1,590 levels respectively.

- The lower liners and broader market shares are staying mixed-to-lower as the euphoric market conditions are waning after the recent gains that has left their respective indices overbought. Although their retreat appears controlled for now, we think that conditions are ripe for further profit taking activities that could leave the mixed-to-lower conditions intact for now.

COMPANY UPDATE

- **Hartalega's** 2QFY20 net profit fell 13.4% Y.o.Y to RM103.9 mln, from RM120.2 mln last year, weighed down by lower ASPs and inflated packaging as well as natural gas cost. Revenue was also marginally lower at RM709.4 mln, compared to RM714.2 mln in the previous corresponding period. Even so, the group declared a first single tier dividend of 1.8 sen per share, payable on 27th December 2019.
- Consequently, cumulative 1HFY20 net profit narrowed to RM197.9 mln (-19.2% Y.o.Y), from RM245.1 mln a year ago, amid persistently higher operational costs and lower ASPs. Revenue also declined about 5.0% Y.o.Y to RM1.35 bln, from RM1.42 bln previously.

Comment

- Despite improvements in floor utilisation, production cost and sales volume compared to the last quarter, the latest earnings and revenue were again below expectations, making up about 41.1% and 42.6% of our previous full-year forecast net profit and turnover of RM481.4 mln

Disclaimer

This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.

and RM3.17 bln respectively. The weakness were mainly contributed by weaker ASPs, despite the strengthening Greenback; an indication of the increasingly saturated landscape in the glove industry.

- We reduced both our FY20-FY21 net profit and revenue forecast by about 6.0% as we take into account lower revenue contribution from the NR segment amid trade uncertainties, intense competition and growing supply.
- We also downgrade our recommendation on Hartalega to **SELL** (from Hold) with a lower target price of RM5.10 (from RM5.45) by ascribing to an unchanged target PER of 38.0x to Hartalega's FY20 EPS of 13.4 sen as we see think that the company's share price is quite fairly valued currently amid rising costs and competition.
- Our target PER remains at a premium to its competitors premised on: (i) Hartalega's solid position as the global market leader in the nitrile glove segment, (ii) superior operational efficiency in terms of production speed and the lower number of workers per glove output, (iii) consistent and high quality control standards, and (iv) solid fundamentals where it commands the highest net profit margin vs. its peers.

COMPANY BRIEF

- **Westports Holdings Bhd's** 3Q2019 net profit grew 11.9% Y.o.Y to RM159.2 mln, from RM142.3 mln previously, on increased container throughput and the container tariff hike in March. Quarterly revenue also rose 10.3% Y.o.Y to RM460.4 mln, from RM417.6 mln a year ago.
- Consequently, 9M2019 net profit jumped

20.0% Y.o.Y to RM465.5 mln, from RM387.9 mln in the previous corresponding period, in-line with the strong quarterly performance, while revenue was up 11.1% Y.o.Y to RM1.33 bln, from RM1.2 bln. (The Edge Daily)

- **Sunway Real Estate Investment Trust's (Sunway REIT's)** 1QFY20 net property income (NPI) widened 7.7% Y.o.Y to RM119.0 mln, from RM110.5 mln during the same period last year, as revenue grew 8.1% Y.o.Y to RM155.4 mln, from RM143.7 mln a year ago. Net profit also rose 8.0% Y.o.Y to RM78.8 mln, from RM73.0 mln previously, backed by contribution from the newly-acquired Sunway University and college campus and better performance across all segments. The group has declared a first income distribution per unit (DPU) of 2.5 sen, to be paid on 4th December 2019. (The Star Online)
- **Velesto Energy Bhd** has been awarded a contract worth US\$131.0 mln (RM541.2 mln) from Carigali Hess Operating Company Sdn Bhd, a joint-venture (JV) between PCJDA Ltd and Hess Oil Company of Thailand Ltd, which is involved in gas production in the joint development area administered by the Malaysian-Thailand Joint Authority.
- The three-year contract includes the provision of a 10K jack up drilling rig that will commence in 2H2020, with three extension options of six months each. (The Star Online)
- **Dolphin International Bhd** has proposed to delay its previous plans to diversify its core business to include construction and property development, but did not give any reason.
- To recap, the group announced that it intends to diversify and expand its existing principal business activities to include construction and property

Disclaimer

This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.

development, in order to enhance its prospects earlier in March. The proposed diversification was expected to contribute up to 25.0% or more of the group's future earnings.

- Even so, Dolphin will proceed with its plans to sell two parcels of land and a 1 1/2 storey semi-detached factory in Puchong, Selangor, for RM5.0 mln to LYL Engineering Sdn Bhd before end-December. (The Edge Daily)
- **Frontken Corp Bhd's** 3Q2019 net profit grew 25.4% Y.o.Y to RM19.1 mln, from RM15.2 mln a year earlier, mainly due to improved profit margins, while revenue inched higher by 1.4% Y.o.Y to RM87.1 mln, from RM85.9 mln a year ago. (The Edge Daily)

Disclaimer

This report is prepared exclusively for Malacca Securities Sdn Bhd's (MSSB) clients and is not intended to be distributed to any other party in any form or manner. All information, assumptions, estimates and opinions contained in this report is based on available data and the information is believed to be reliable at the time of writing. MSSB and/or its associated persons does not warrant, represent and/or guarantee the accuracy of any opinions and information herein in any manner whatsoever and no reliance upon the report and/or any parts thereof by anyone shall give rise to any claim whatsoever against MSSB. This report is for information purposes only and shall not be construed as an offer, invitation or solicitation to buy or sell the securities or any related investment or financial instruments mentioned in this report. MSSB and/or its associated persons may from time to time have an interest in the securities mentioned herein.