

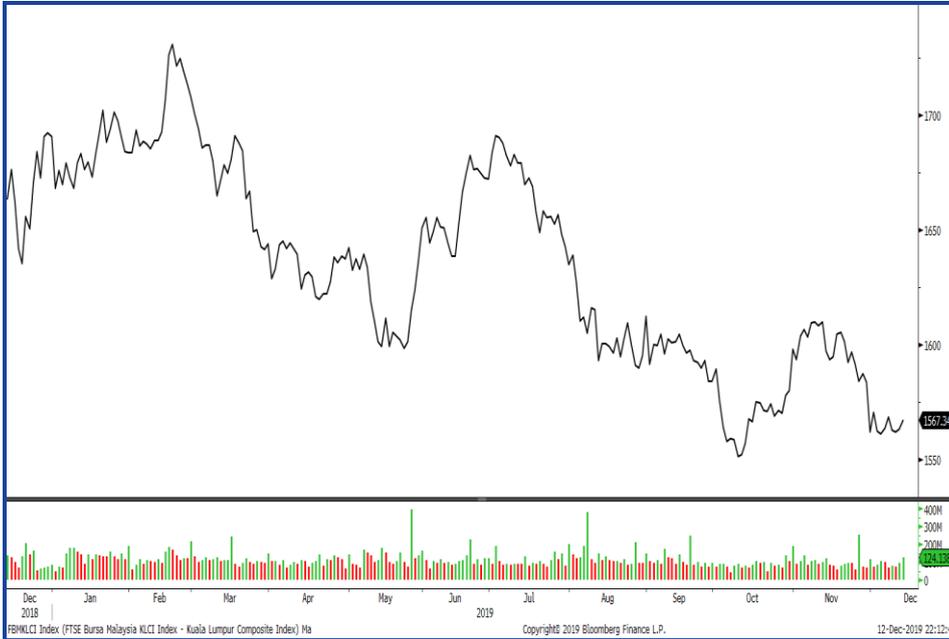
Market Pulse

Friday, 13 Dec, 2019

M+Online
Equipping Traders For The Win

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FBM KLCI – Daily



Market Scorecard

	Close 12-Dec-19	Change %
FBM KLCI	1,567.34	0.27
52-W High	1,732.27	
52-W Low	1,548.45	
FBM EMAS	11,159.03	0.31
FBM 100	10,959.18	0.33
FBM Fledgling	14,986.17	0.19
FBM Small Cap	13,831.13	0.02
FBM ACE	4,975.66	1.02
FBM Shariah	11,793.13	0.68
FBM MidS Cap	15,103.10	0.48
FBM MidS (Shariah)	14,232.78	0.55
Market Participation		
Trading Volume (mln)	2,490.9	5.0
Trading Value (RM mln)	2115.6	23.9
FKLI Spot Futures	1,572.00	0.77
FKLI Forward Futures	1,574.00	0.67

Trade Optimism To Boost Markets

- The FBM KLCI extended its gains; led by renewed buying-interest in major O&G stocks. Tracking the positive sentiment of the key-index, the lower liners also closed in the green, with FBM Ace (+1.0%) at the helm, alongside most of the broader market constituents.
- Market breadth, however was flat, although traded volumes grew 5.0% to 2.49 bln shares, backed by the strong buying momentum in selected property stocks.
- Major frontrunners on Thursday were Petronas-linked shares like Petronas Gas (+RM1.06) and Petronas Dagangan (+48.0 sen), followed by Nestle (+40.0 sen), MISC (+11.0 sen) and Kuala Lumpur Kepong (+10.0 sen). Other winners, meanwhile consists of Malaysian Pacific Industries (+56.0 sen), Dutch Lady (+30.0 sen), QL Resources (+28.0 sen), Scientex (+24.0 sen) and Batu Kawan (+20.0 sen).
- In contrast, broader market losers were United Plantations (-52.0 sen), BAT (-20.0 sen), Petra Energy (-12.0 sen), Ajinomoto (-10.0 sen) and Carlsberg (-10.0 sen). Selected banking heavyweights like RHB Bank (-5.0 sen) and Public Bank (-4.0 sen) also saw a last-minute bump up, but still closed in the red, alongside Malaysia Airports (-23.0 sen), IHH Healthcare (-4.0 sen) and Genting (-3.0 sen).
- Hong Kong shares continued its uptrend momentum after the U.S. Federal Reserve hinted of a more dovish monetary policy next year. The Hang Seng Index extended its strong gains and ended close to the 27,000

Dow Jones	28,132.05	0.79
S&P 500	3,168.57	0.86
NASDAQ	8,717.32	0.73
FTSE 100	7,273.47	0.79
DAX	13,221.64	0.57
CAC 40	5,884.26	0.40
FTSE STI	3,194.67	0.69
Shanghai Composite	2,915.70	-0.30
Hang Seng Index	26,994.14	1.31
Nikkei 225	23,424.81	0.14
WTI Crude Oil (USD)	59.44	0.44
Brent Spot (USD)	64.20	0.75
Gold (USD)	1,464.34	-0.37
CPO (RM)	2,891.00	0.45
USD	4.16	0.08
GBP	5.49	-0.38
EURO	4.6314	-0.31
SGD	3.0661	-0.10
YEN	26.1190	-0.07

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psychological level, helped by the rally in Tencent. The Nikkei also gained 0.1% but the Shanghai Composite broke its winning run; ending in red amid mild profit-taking activities. The ASEAN equities were also mostly positive, mirroring the general positive sentiment in the regional markets.

- Wall Street also rallied after hitting new highs on increasing possibility of trade de-escalation as U.S. and China reportedly draws near to an initial trade deal. Gains in the financials-related shares pushed the Dow (+0.8%) and S&P500 (+0.9%) to record levels, following stronger Treasury yields, while the Nasdaq gained 0.7%.
- Key benchmark European indices, meanwhile, closed on an upbeat note ahead of the ECB meeting. Despite giving up some earlier gains, the FTSE (+0.8%) closed firmly in the positive zone, tracking a weaker Pound as U.K.'s election remains underway. The DAX and CAC also finished higher by 0.6% and 0.4% respectively.

THE DAY AHEAD

- Yesterday's gains were widely anticipated as the key index re-acted positively to the U.S. Federal Reserve dovish stance on future interest rate direction. With the positive developments over U.S.-China trade progress, investors may take the opportunity to build on to their gains.
- The rebound was stronger than anticipated as the key index may continue to drive towards the 1,580 level, followed by the 1,590 level. Gains, however, may continue to be capped by the persisted selling activities from foreign funds. With the key index attempting to find its' footing, the 1,550 level would serve as the immediate

support level over the near term.

- We reckon that the lower liners, particularly the technology heavy FBM ACE index may see stronger trading interests on the back of rotational plays. After close to two months for consolidation, the technology index is poised for another wave of rally amid the recovery in global semiconductor sales delivered in October 2019.

COMPANY UPDATE

- **V.S. Industry Bhd** recorded a 20.8% Y.o.Y jump in its 1QFY20 net profit to RM48.1 mln, from RM39.8 mln last year, mainly due to significantly smaller losses from its Chinese business after major downsizing activities in FY19. Revenue, however saw a marginal decline to RM1034.6 mln vs. RM1075.6 mln (-3.8% Y.o.Y) a year ago. Subsequently, the group has declared a first interim dividend of 1.0 sen per share, payable on 6th March, 2020.

Comments

- As the latest results were broadly within expectations, with net profit and revenue accounting for 29.0% and 25.3% of our full-year estimates, we keep our forecast unchanged until further information in the next analyst briefing.
- Subsequently, we maintain our **BUY** call on VSI with an unchanged target price of RM1.50 as we remain confident of the group's consistent earnings track record and strong positioning in the EMS market.
- Our target price is derived by ascribing to a target PER of 17.0x to VSI's FY20 EPS of 9.0 sen.
- The target PER also remains at a premium to its closest competitor, **SKP**

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Resources Bhd, after taking account the group's leading position in Malaysia's EMS industry that is strengthened by its wide array of supply chain services and solid earnings track-record.

COMPANY BRIEF

- **Pestech International Bhd**'s subsidiary Pestech Sdn Bhd has been awarded a contract worth a total sum of RM93.7 mln from the National Grid Corporation of the Philippines (NGCP). The contract, which was awarded in relation to the Cebu-Bohol 230kV Interconnection Project, comprises an offshore portion worth US\$13.9 mln (RM57.7 mln) and onshore portion valued at PHP439.9 mln (RM36.0 mln). The duration of the project is 450 days while the commencement date has yet to be determined by NGCP. (The Star Online)
- **Tenaga Nasional Bhd** (TNB) has been granted an interim stay of notices of additional assessment by the Inland Revenue Board (IRB). The utility giant has reported that the notices were for the years of assessment 2015, 2016 and 2017.
- Last month, TNB had been issued with a RM3.98 bln additional tax assessment by the IRB. The additional assessments comprised RM1.43 bln for 2015, RM1.25 bln for 2016 and RM1.30 bln for 2017. (The Star Online)
- **Brahim's Holdings Bhd**'s external auditor Messrs PricewaterhouseCoopers PLT (PwC) has voluntarily resigned with immediate effect. No reason was given for the resignation. PwC, which was re-appointed the group's auditor at its annual general meeting (AGM) on 4th May 2019, was to hold office until the conclusion of the group's next AGM. Brahim has identified Messrs Baker Tilly Monteiro Heng PLT as the new auditors for the current financial year ending 31st December 2019. (The Edge Daily)
- **Eco World Development Group Bhd** (EcoWorld)'s 4QFY19 net profit surged 536.4% Y.o.Y to RM81.5 mln. Revenue for the quarter jumped 96.5% Y.o.Y to RM906.5 mln, due to the strong recovery in sales after the launch of the National Home Ownership Campaign (NHOC) on 1st March 2019 and the higher percentage of projects completed.
- For FY19, cumulative soared 117.6% Y.o.Y to RM203.4 mln. Revenue for the year rose 24.1% Y.o.Y to RM2.46 bln. (The Edge Daily)
- **Eco World International Bhd** (EWI)'s 4QFY19 net profit leap 9.4x Y.o.Y to RM118.3 mln, mainly due to higher recognition of revenue and profit by its joint venture projects in the United Kingdom following completion and commencement of handover of units sold as well as revenue and profit recognition of EcoWorld London's Built-to-Rent sales. Revenue for the quarter, however, sank 80.5% Y.o.Y to RM254,000.
- For FY19, cumulative net profit stood at RM187.0 mln vs. net loss of RM11.3 mln recorded in the previous year. Revenue for the year, however, slipped 63.3% Y.o.Y to RM478,000. (The Edge

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Daily)

- **RHB Bank Bhd**, Malaysia's fourth-biggest lender by assets had called off talks to sell up to 94.7% of its shares in RHB Insurance to Tokio Marine Asia (TMA), a unit of Japan's Tokio Marine Holdings Inc. After much negotiations and deliberations, both RHB and TMA have not been able to reach an agreement on mutually acceptable terms and conditions for the proposed disposal. (The Edge Daily)
- Trading in **Scomi Energy Services Bhd's** shares will be suspended on 13th December 2019 pending a material announcement. On 31st October 2019, the company triggered the Practice Note 17 (PN17) criteria after its shareholders' equity on a consolidated basis fell below 50.0% of its issued share capital as at 30th June 2019. The company subsequently submitted a PN17 waiver application to Bursa Malaysia on 1st November 2019.
- Meanwhile, KPMG, Scomi Energy's external auditor, had expressed material uncertainty over the group's ability to continue as a going concern based on its financial statements for 2019. In its independent auditors' report, KPMG drew attention to Scomi Energy's outstanding guaranteed serial bonds of RM105.0 mln, of which RM55.0 mln is due for repayment on 14th December 2019 and the remaining RM50.0 mln due for repayment on 14th December 2020. (The Edge Daily)

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