

Daily Newswatch

Market Review

The FBMKLCI ended last Friday marginally higher (+0.6%), breaking its two-year high record that was largely attributed to sustained buying interest in the utilities (+1.5%), technology (+1.2%), and healthcare (+1.2%) sector. Key gainers among index constituents are YTL (+3.2%), YTL Power (+3.9%), Sime Darby (+2.5%) and TNB (+2.5%). Market breadth was positive with 644 gainers and 417 losers.

Economics

- **Turkey** halts trade with Israel
- **Argentina** cuts its rate for third time down to 50%
- **US** jobs post smallest gain in six months as unemployment rises
- **US** services index shrinks as activity gauge hits four-year low
- **Brazil's** industrial output undershoots forecast before rate cut

Companies

- **Uzma (7250)** secures contract from Sarawak Shell
- **XOX (0165)** plans for RM303mil capital reduction
- **BHIC (8133)** stake disposal to Ocean Sunshine Bhd receives shareholder approval
- **F&N (3689)** focuses on fixed asset optimization and expansion amidst strong performance
- **PETGAS (6033)** receives approval for tariff adjustments on gas transportation
- **TT Vision (0272)** initiates private placement to fund JV in solar energy automation
- **Ranhill (5272)** declares share dividend distribution
- **Berjaya Corp (3395)** waste management arm acquired by Naza Corp for RM700m

Upcoming key economic data releases

	<u>Date</u>
Malaysia - OPR	8 May
US – Initial Jobless Claims	9 May
US - CPI	15 May
Malaysia - CPI	16 May
EU - CPI	17 May
Malaysia – External Trade	20 May
Malaysia – PPI	28 May
US - GDP	30 May
US - FOMC	12 June

Key Indices	Last Close	Daily chg %	YTD chg %
FBM KLCI	1,589.6	0.6	9.4
Dow Jones	38,675.7	1.2	2.5
Nasdaq CI	16,156.3	2.0	9.4
S&P 500	5,127.8	1.3	8.1
FTSE 100	8,213.5	0.5	6.4
Nikkei 225	38,236.1	(0.1)	14.9
Shanghai CI	3,104.8	(0.3)	4.8
HSI	18,475.9	1.5	10.1
STI	3,292.9	(0.1)	1.9

Market Activity	Last Close	Daily chg %
Vol traded (m shares)	3,908.9	2.6
Value traded (RM m)	3,154.4	3.2
Gainers	644	
Losers	417	
Unchanged	496	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
MYEG	0.905	(3.2)	94.4
BPURI	0.075	0.0	58.6
TOPGLOV	0.870	(1.1)	49.4
VELESTO	0.260	(3.7)	46.3
GHLSYS	0.905	23.1	45.7

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
PBBANK	4.100	(0.5)	144.2
MAYBANK	9.780	0.5	126.2
TENAGA	12.020	0.5	121.7
YTLPOWR	4.610	0.2	104.1
CIMB	6.640	0.5	100.1

Currencies	Last Close	% Chg
USD/MYR	4.7385	(0.3)
USD/JPY	153.05	(0.4)
EUR/USD	1.0761	0.3
USD/CNY	7.2410	0.2
US Dollar Index	105.03	(0.3)

Commodities	Last Close	% Chg
Brent (USD/barrel)	82.96	(0.8)
CPO (RM/metric t)	2,301.7	(0.1)
Gold (USD/troy oz)	4,124.0	1.8
Bitcoin (USD/BTC)	64,133.3	7.1

Economics

Turkey: Halts trade with Israel

Turkey has decided to halt all trade with Israel until Israel allows uninterrupted and sufficient flow of humanitarian aid to Gaza, citing the worsening humanitarian situation in Palestine. This move escalates tensions between the former allies, fueled by President Erdogan's criticism of Israel's actions in Gaza and efforts to consolidate support at home. Turkey's decision impacts a significant trade relationship, with \$6.8bn worth of trade between the countries in 2023, primarily consisting of Turkish exports to Israel. *(Bloomberg)*

Argentina: Cuts its key interest rate for third consecutive week down to 50%

Argentina's central bank has cut its key interest rate for the third consecutive week, reducing it to 50% from 60% in response to a significant easing in price pressures over recent months. President Javier Milei's government has been implementing measures to tackle inflation, including lifting price controls, devaluing the currency, and posting the country's first quarterly budget surplus since 2008. Despite monthly inflation slowing, annual inflation remains high at nearly 288%, posing ongoing challenges for Argentine consumers. *(Bloomberg)*

US: Jobs post smallest gain in six months as unemployment rises

In April, US employers added 175,000 jobs, marking the smallest gain in six months and signaling a potential slowdown in the labor market's momentum. The unemployment rate unexpectedly rose, indicating some cooling in demand for workers. Despite weaker-than-expected job growth, wage growth also slowed, with average hourly earnings climbing 0.2% from March and 3.9% from a year ago, the slowest pace since June 2021. These developments suggest that while the labor market remains robust, there are indications of moderation that may influence Federal Reserve policy decisions moving forward. *(Bloomberg)*

US: Services index shrinks as activity gauge hits four-year low

The US services sector unexpectedly contracted in April, with the Institute for Supply Management's composite gauge falling to its lowest level since December 2022. The business activity index also saw a significant decline to its lowest level since May 2020, indicating a slowdown in economic growth. Rising input costs and concerns about inflation and geopolitical issues were cited as key factors impacting business activity, with some industries experiencing contraction in services employment for a third consecutive month. *(Bloomberg)*

Brazil: Industrial output undershoots forecast before rate cut

Brazil's industrial output in March grew less than expected, increasing by 0.9% compared to the previous month, and contracting by 2.8% year-on-year, according to the national statistics agency. This suggests a cooling in activity within Latin America's largest economy, amid ongoing challenges in the manufacturing sector due to limited access to financing. As the central bank prepares to lower the benchmark interest rate, there are discussions among economists about potentially slowing down the pace of monetary easing after several consecutive rate cuts. *(Bloomberg)*

Companies

Uzma (7250): Secures contract from Sarawak Shell

Uzma Bhd's subsidiary, Malaysian Energy Chemical & Services Sdn Bhd (MECAS), has been awarded a significant contract from Sarawak Shell Bhd (SSB) and Sabah Shell Petroleum Company Limited (SSPC) for the provision of integrated production and integrity chemical supply and associated services in shallow water applications. The five-year contract, effective from April 15, 2024, until April 14, 2029, is anticipated to have a positive impact on Uzma's earnings and net assets per share from the financial year ending June 30, 2024, and throughout the duration of the contract, as stated in their filing with Bursa Malaysia. (*The Star*)

XOX (0165): Plans for RM303mil capital reduction

XOX Bhd has announced a proposal for a capital reduction of up to RM303m of its issued share capital. This reduction will involve cancelling the issued share capital not backed by available assets, amounting to RM303m. The resulting credit will be used to offset the company's accumulated losses. With the current issued share capital standing at RM472.3m, consisting of 5.2bn shares as of April 19, the reduction aims to improve the company's financial position by aligning accumulated losses with underlying assets' value. This move is expected to enhance credibility with stakeholders, including bankers, customers, suppliers, and investors. (*The Star*)

BHIC (8133): Stake disposal to Ocean Sunshine Bhd receives shareholder approval

Boustead Heavy Industries Corp Bhd (BHIC) has received shareholders' approval for the unconditional disposal of its 20.8% stake in Lumut Naval Shipyard Sdn Bhd (Lunas) to Ocean Sunshine Bhd, owned by the Ministry of Finance (Inc). This follows the fulfilment of conditions precedent outlined in the share sale agreement (SSA) and the execution of an intercompany trade receivables settlement agreement (ITRSA), resulting in BHIC receiving a repayment sum of RM49.7m due to Lunas' RM384.4m net debt write-off. The disposal, part of the government's plan to assume full control of the littoral combat ship (LCS) project, aims to address delays and cost overruns, with BHIC recording an allowance for expected credit losses of RM261.4m owed by Lunas, leading to a widened net loss for the full year of FY2023. Despite this, BHIC's share price closed down on Friday. (*The Edge*)

F&N (3689): Focuses on fixed asset optimization and expansion amidst strong performance

Fraser & Neave Holding Bhd (F&N) is shifting its focus to fixed asset optimization for the next three years after investing over RM3bn in capital expenditure, particularly for its Gemas integrated farm project. Despite significant investments, the company aims to enhance revenue growth without additional capital outlay and plans to leverage recurrent cash flow to optimize debt levels. Additionally, F&N's expansion into Cambodia, marked by a 50-year lease agreement for a dairy product manufacturing facility, underscores its strategic growth initiatives amidst strong financial performance, as evidenced by a 63.5% increase in net profit for the second quarter ending March 31, 2024. (*The Edge*)

PETGAS (6033): Receives approval for tariff adjustments on gas transportation

Petronas Gas Bhd (PetGas) has received approval from the Energy Commission (EC) for tariff adjustments on its gas transportation and regasification facilities for 2024. The Peninsular Gas Utilisation (PGU) transportation tariff has been raised to RM1.096 per gigajoule per day (GJ/day), with the tariff for supplying high-pressure gas to Singapore increased to RM1.701 GJ/day. Despite these adjustments, PetGas expects minimal impact on its gas transportation and regasification business revenue, anticipating continued positive contributions under the Incentive-Based Regulation (IBR) framework. (*The Edge*)

TT Vision (0272): Initiates private placement to fund JV in solar energy automation

TT Vision Holdings Bhd, a Penang-based automated test equipment (ATE) maker, plans to raise RM25.3m through a private placement of up to 23.4m shares, representing 5% of its enlarged share base. The proceeds will primarily fund its 15% stake in a joint venture with Autowell (Singapore) Pte Ltd for setting up a manufacturing base in Malaysia to develop automation equipment for the global solar energy market, which is projected to grow significantly by 2032. KAF Investment Bank will oversee the private placement, expected to conclude in the second half of 2024. *(The Edge)*

Ranhill (5272): Declares share dividend distribution

Ranhill Utilities Bhd has announced a share dividend distribution of 0.5 shares for every 100 shares held, with an ex-date set for May 20 and payout scheduled for June 13. This move follows Ranhill's previous dividend payment of 1.5 sen in FY2023, reflecting a trailing dividend yield of 1.29%. *(The Edge)*

Berjaya Corp (3395): Waste management arm acquired by Naza Corp for RM700m

Naza Corp Holdings Sdn Bhd has finalized the acquisition of Berjaya Enviro Holdings Sdn Bhd (BEnviro) from Berjaya Corp Bhd for RM700m in cash, marking its foray into the green economy, specifically targeting waste management and waste-to-energy sectors. With this acquisition, Naza gains control over seven entities under BEnviro, enhancing its capability to address Malaysia's waste management needs comprehensively. Berjaya Corp, spearheaded by founder Tan Sri Vincent Tan Chee Yioun, stands to realize a gain of RM490.7m from the sale, as part of its strategic endeavor to divest non-core assets initiated by former CEO Abdul Jalil Abdul Rasheed in 2021. *(The Edge)*

Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
Bermaz Auto	Consumer	2.31	0.21	9.09
Sentral REIT	REIT	0.81	0.07	8.32
British American Tobacco (M)	Consumer	8.56	0.70	8.21
YTL Hospital REIT	REIT	1.19	0.09	7.90
KIP REIT	REIT	0.91	0.07	7.73
RHB Bank	Finance	5.44	0.40	7.41
Taliworks Corporation	Utilities	0.81	0.06	7.20
Amway (M)	Consumer	7.30	0.51	6.95
MBM Resources	Consumer	4.93	0.34	6.94
Pavilion REIT	REIT	1.32	0.09	6.89
Sports Toto	Consumer	1.42	0.10	6.83
CapitaLand Malaysia Trust	REIT	0.65	0.04	6.82
MAG Holdings	Consumer	1.14	0.07	6.58
Magnum	Consumer	1.14	0.07	6.58
UOA REITS	REIT	1.10	0.07	6.55

Source: Bloomberg

User guide: Mercury Securities compiles a list of dividend-yielding stocks for conservative long-term passive investors looking for regular income whilst capping downside risk of their investment.

Methodology: The list above includes stocks that have a high dividend yield, estimated to be greater than 4% per annum. These stocks also have a history of paying dividends consistently, having paid dividends for the past 3 years.

IPO Tracker

Company	Listing Sought	Issue Price (RM/Share)	No. Of Shares (m)		Closing Date	Listing Date
			Public Issue	Offer for Sale		
Farm Price	ACE Market	0.26	102.0	33.0	30 Apr	14 May
Sin-Kung Logistics	ACE Market	0.13	200.0	103.5	2 May	15 May
Feytech Holdings	Main Market	0.80	143.3	109.6	8 May	21 May
Smart Asia Chemical	ACE Market	0.40	93.5	-	13 May	28 May
Kawan Renergy	ACE Market	0.30	110.0	34.5	14 May	29 May

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