

Daily Newswatch

Market Review

The FBMKLCI closed 0.6% lower on Wednesday, dragged by profit-taking activities as market sentiment turned weak. Of the 30 index constituents, 27 declined, with Public Bank (-1.0%), Maybank (-0.9%), and CIMB (-0.6%) leading the losses. The few gainers included YTL Power (+5.0%), YTL (+4.0%), and MR DIY (+1.1%). In the wider market, most sectors saw declines, with healthcare, plantation, and property sectors each falling by 1.4%. Overall, market sentiment was negative, with 835 decliners outnumbering 401 gainers.

Economics

- **Japan** BOJ board member sees chance weak yen will hasten next rate hike
- **UAE-South Korea** agrees to slash import duties, strengthen ties
- **German** inflation edges up again, highlighting ECB's Challenge
- **Global** unemployment to slightly fall in 2024, UN labour body says

Companies

- **Mitrajaya (9571)** gets RM87m data centre contract
- **Vizione (7070)** wins RM250m construction job
- **Semiconductor** Malaysian Govt wants semicon sector to move up value chain from OSAT forte

Upcoming key economic data releases

| | <u>Date</u> |
|----------------------------|-------------|
| US - GDP | 30 May |
| EU - GDP | 7 June |
| Malaysia - IPI | 10 June |
| US - FOMC | 12 June |
| US - CPI | 12 June |
| US - PPI | 13 June |
| EU – HICP (Inflation data) | 18 June |
| Malaysia - CPI | 25 June |
| Malaysia - GDP | 27 June |
| US - GDP | 27 June |

| Key Indices | Last Close | Daily chg % | YTD chg % |
|-------------|------------|-------------|-----------|
| FBM KLCI | 1,605.4 | (0.6) | 10.5 |
| Dow Jones | 38,441.5 | (1.1) | 1.9 |
| Nasdaq CI | 16,920.6 | (0.6) | 14.6 |
| S&P 500 | 5,267.0 | (0.7) | 11.1 |
| FTSE 100 | 8,183.1 | (0.9) | 6.0 |
| Nikkei 225 | 38,556.9 | (0.8) | 15.8 |
| Shanghai CI | 3,111.0 | 0.0 | 5.0 |
| HSI | 18,477.0 | (1.8) | 10.1 |
| STI | 3,323.2 | (0.2) | 2.9 |

| Market Activity | Last Close | Daily chg % |
|-----------------------|------------|-------------|
| Vol traded (m shares) | 4,738.5 | (2.6) |
| Value traded (RM m) | 3,690.0 | (2.8) |
| Gainers | 401 | |
| Losers | 835 | |
| Unchanged | 422 | |

| Top 5 Volume | Last Close | Daily chg % | Vol (m) |
|--------------|------------|-------------|---------|
| KENERGY | 0.465 | 55.0 | 148.5 |
| EPICON | 0.315 | (21.3) | 138.6 |
| AHB | 0.125 | (16.7) | 86.0 |
| REVENUE | 0.220 | (6.4) | 82.9 |
| ALPHA | 0.320 | 1.6 | 61.2 |

| Top 5 Turnover | Last Close | Daily chg % | Value (RM m) |
|----------------|------------|-------------|--------------|
| MAYBANK | 9.990 | (0.9) | 184.1 |
| PBBANK | 4.080 | (1.0) | 142.4 |
| CIMB | 6.870 | (0.6) | 134.2 |
| YTLPOWR | 5.250 | 5.0 | 112.3 |
| TENAGA | 13.200 | (0.5) | 84.8 |

| Currencies | Last Close | % Chg |
|-----------------|------------|-------|
| USD/MYR | 4.7045 | 0.3 |
| USD/JPY | 157.61 | 0.3 |
| EUR/USD | 1.0800 | (0.5) |
| USD/CNY | 7.2492 | 0.1 |
| US Dollar Index | 105.12 | 0.5 |

| Commodities | Last Close | % Chg |
|--------------------|------------|-------|
| Brent (USD/barrel) | 83.60 | (0.7) |
| Gold (USD/troy oz) | 2,337.94 | (1.0) |
| CPO (USD/metric t) | 3,939.50 | 1.5 |
| Bitcoin (USD/BTC) | 67,562.4 | (1.2) |

Economics

Japan: BOJ board member sees chance weak yen will hasten next rate hike

Bank of Japan (BOJ) Board Member Seiji Adachi indicated that persistent yen weakness could spur inflation and potentially lead to an earlier-than-expected rate hike. Despite emphasizing the need for easy financial conditions to achieve the 2% inflation target, Adachi acknowledged that prolonged yen weakness might necessitate accelerating monetary tightening. Adachi's comments align with Governor Kazuo Ueda's warnings about the weak yen's impact on prices. Meanwhile, the BOJ is considering reducing bond purchases gradually, following a recent cut in regular bond operations, as Japanese bond yields rise. *(Bloomberg)*

UAE-South Korea: agree to slash import duties, strengthen ties

The United Arab Emirates (UAE) and South Korea have signed a Comprehensive Economic Partnership Agreement to enhance bilateral trade, focusing on reducing tariffs on energy and healthcare products. This agreement, part of the UAE's strategy to increase non-oil foreign trade to over \$1 trillion by the end of the decade, follows similar deals with countries like India and Indonesia. The UAE's non-oil trade reached over \$700bn last year, and non-oil trade with South Korea hit a record \$5.3bn, making the UAE South Korea's second-largest trade partner in the Arab world. The agreement aims to boost foreign direct investment, attract talent, and promote entrepreneurship between the two nations. *(Reuters)*

German: Inflation edges up again, highlighting ECB's challenge

German inflation rose to 2.8% in May, up from 2.4% in April, driven largely by base effects from last year's cheap public-transportation ticket. This increase highlights the challenge for the European Central Bank (ECB) to achieve its 2% target as it prepares to lower interest rates next week. Despite the recent uptick in inflation, the ECB is still expected to reduce borrowing costs on June 6, although policymakers may be cautious about future moves. Strong wage growth, particularly in Germany, is also contributing to ongoing price pressures in the eurozone. *(Bloomberg)*

Global: Unemployment to slightly fall in 2024, UN labour body says

The global unemployment rate is projected to decrease slightly to 4.9% this year from 5.0% in 2023, due to unexpectedly lower unemployment rates in China, India, and high-income countries, according to the International Labour Organization (ILO). The rate is expected to stabilize at 4.9% through 2025. Stronger-than-anticipated global economic growth, particularly in the US, and decreasing inflation have supported household incomes. However, the ILO warns that the medium-term outlook remains uncertain due to potential delayed effects of global monetary and fiscal policy adjustments.

Companies

Mitrajaya (9571): Gets RM87m data centre contract

Mitrajaya Holdings Bhd (MHB) has signed a works contract with Lendlease Projects (M) Sdn Bhd for foundation works of the NEXTDC KL1 data centre project in Petaling Jaya, valued at RM86.6m. The project will commence on June 13, 2024, and is expected to be completed by December 15, 2025. The associated operational risks are considered manageable through their project management controls. (*The Star*)

Vizione (7070): Wins RM250m construction job

Vizione Holdings Bhd (VHB) has received a letter of award from Midlands City Sdn Bhd to design, build, and deliver Phase 2 and 3 of a housing development in Semenyih, Selangor, valued at RM250m. The project includes two 15-storey apartment blocks with 446 units each and three 18-storey apartment blocks, also with 446 units each. The project will commence upon issuance of the architect's instruction and is expected to be completed within 36 months. VHB will oversee the entire design, engineering, construction, and delivery, including the installation and testing of all mechanical and electrical systems, contributing positively to the company's future earnings. (*The Star*)

Semiconductor: Govt wants semicon sector to move up value chain from OSAT forte

The Malaysian government, led by Minister of Investment, Trade, and Industry Tengku Datuk Seri Zafrul Abdul Aziz, plans to elevate its semiconductor industry from primarily outsourced semiconductor assembly and test (OSAT) to high-end segments like IC design, embedded software, and high-end manufacturing. As part of the National Semiconductor Strategy (NSS), Malaysia will allocate RM25bn over three phases, with RM5bn dedicated to the first phase, aiming to attract significant investments in advanced packaging and manufacturing. The NSS targets both domestic and foreign investments, with a goal of reaching RM500bn in total investment. Additionally, Malaysia seeks to improve its standing in AI venture capital investments, currently trailing behind Singapore, by enhancing its infrastructure and cybersecurity framework. (*The Edge*)

Stock Selection Based on Dividend Yield

| Company | Sector | Price (RM) | Dividend/Share (RM) | Dividend Yield (%) |
|------------------------------|-----------|------------|---------------------|--------------------|
| Sentral REIT | REIT | 0.82 | 0.07 | 8.34 |
| Bermaz Auto | Consumer | 2.44 | 0.20 | 8.40 |
| YTL Hospital REIT | REIT | 1.21 | 0.10 | 8.02 |
| British American Tobacco (M) | Consumer | 8.36 | 0.65 | 7.78 |
| KIP REIT | REIT | 0.89 | 0.07 | 7.91 |
| RHB Bank | Finance | 5.48 | 0.40 | 7.35 |
| Amway (M) | Consumer | 7.40 | 0.50 | 6.72 |
| MBM Resources | Consumer | 5.04 | 0.35 | 6.90 |
| Pavilion REIT | REIT | 1.37 | 0.09 | 6.64 |
| CapitaLand Malaysia Trust | REIT | 0.69 | 0.04 | 6.38 |
| UOA REITS | REIT | 1.12 | 0.07 | 6.43 |
| MAG Holdings | Consumer | 1.16 | 0.07 | 6.47 |
| Magnum | Consumer | 1.16 | 0.07 | 6.47 |
| Sunway REIT | REIT | 1.53 | 0.10 | 6.41 |
| Gas Malaysia | Utilities | 3.60 | 0.23 | 6.39 |

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 | | |
| KTI Landmark | ACE Market | 0.30 | 160.0 | 45.0 | 4 Jun | 19 Jun |
| UUE Holdings | ACE Market | 0.24 | 124.9 | 37.5 | 18 Jun | 2 Jul |

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