

Daily Newswatch

Market Review

The FBMKLCI ended last Friday lower by -0.5% ahead of the releases of key economic data across Asia and the United States. Among the index constituents, YTL Corp (-5.0%), YTL Power (-3.2%), and Genting Malaysia (-5.4%) were among the worst underperformers. The broader market saw losses across most sector except for the financial services (+0.2%) and REIT (+0.4%) sector. The top losing sectors were energy (-2.0%) and telecommunications & media (-1.5%). Market sentiment was weak with 857 losers compared to 365 gainers.

Economics

- **China's** factory activity growth hits 2-year high, Caixin PMI shows
- **Japan's** May factory activity expands for first time in a year, PMI shows
- **South Korea's** chip exports lead trade gains fuelling economy
- **US** inflation rises moderately in April, consumer spending slows
- **US** mortgage rates climb past 7% in first gain since early May

Companies

- **Pentamaster (7160)** has backlog orders worth RM400m
- **UEM Sunrise (5148)** sign MOU with Logos to develop data centre campus in Johor
- **AME Elite (5293)** buys more land in Johor for industrial cluster development
- **Genting Malaysia (4715)** raises RM1.3bn from medium-term notes issuances
- **Feytech (5322)** buys RM20m industrial land from DRB-Hicom's Proton City
- **Tex Cycle (8702)** to raise RM32m to build waste management facility in Sabah
- **DNEX (4456) Theta Edge (9075)** compete for RM1bn NIISe project

Upcoming key economic data releases

	<u>Date</u>
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	1,596.7	(0.5)	9.9
Dow Jones	38,571.0	(0.3)	2.3
Nasdaq CI	16,828.7	0.6	14.0
S&P 500	5,283.4	0.1	11.4
FTSE 100	8,262.8	(0.2)	7.0
Nikkei 225	38,923.0	1.1	16.9
Shanghai CI	3,078.5	(0.3)	3.9
HSI	18,403.0	1.8	9.6
STI	3,348.9	0.4	3.7

Market Activity	Last Close	Daily chg %
Vol traded (m shares)	5,453.7	2.3
Value traded (RM m)	6,845.5	71.4
Gainers	365	
Losers	857	
Unchanged	425	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
MYEG	1.100	3.8	133.5
DSOINIC	0.485	(5.8)	99.5
MAHSING	1.500	(12.3)	74.1
EWINT	0.380	(8.4)	73.8
VELESTO	0.265	(3.6)	73.1

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
MAYBANK	9.930	0.3	275.6
YTL	3.590	(5.0)	207.1
PMETAL	5.600	0.2	193.8
KLK	20.860	(2.8)	186.5
TENAGA	13.040	(1.1)	171.3

Currencies	Last Close	% Chg
USD/MYR	4.7065	0.0
USD/JPY	157.02	0.3
EUR/USD	1.0831	0.1
USD/CNY	7.2464	0.1
US Dollar Index	104.74	(0.0)

Commodities	Last Close	% Chg
Brent (USD/barrel)	81.01	(0.3)
Gold (USD/troy oz)	2,326.73	(0.7)
CPO (USD/metric t)	3,977.50	(19.1)
Bitcoin (USD/BTC)	69,082.8	(1.2)

Economics

China's: factory activity growth hits 2-year high, Caixin PMI shows

China's manufacturing activity grew at its fastest pace in nearly two years in May, with the Caixin/S&P Global manufacturing PMI rising to 51.7, driven by strong production and new orders. This contrasts with an official survey showing a decline, reflecting mixed industry signals. Despite robust domestic and global demand boosting production, new export orders grew slower, constrained by a weak global economy. Rising input costs and persistent employment contraction pose challenges, though producer sentiment and purchasing activity have improved. The IMF recently increased China's 2024 economic growth forecast to 5%. *(Reuters)*

Japan's: May factory activity expands for first time in a year, PMI shows

Japan's factory activity expanded modestly in May for the first time in a year, with the IHS Markit Japan manufacturing PMI rising to 50.4 from 49.6 in April. While key subindexes for output and new orders remained in contraction, they showed signs of improvement. Manufacturers were optimistic about the future, expecting successful marketing efforts and new product launches, along with a recovery in the automobile and semiconductor sectors. However, the weak yen increased input costs, leading to higher selling prices, which, combined with subdued demand, posed challenges for the industry. *(Reuters)*

South Korea's: chip exports lead trade gains fuelling economy

South Korea's exports grew in May, led by strong demand for semiconductors, resulting in the largest trade surplus since 2020 at US\$4.9bn. Export growth, although slightly moderated, has been robust due to high demand for chips and other tech products, boosting optimism for better-than-expected economic expansion this year. Despite the benefits of a weaker won, the outlook faces risks from uncertain demand in China and geopolitical tensions from the US-China rivalry. Exports to China and the US increased by 8% and 15.6% respectively in May. *(Reuters)*

US: Inflation rises moderately in April, consumer spending slows

US inflation remained steady in April, with the personal consumption expenditures (PCE) price index rising 0.3% for the month and 2.7% year-on-year, mirroring March's figures. This persistence in inflation complicates the Federal Reserve's plans to cut interest rates, especially as core inflation also maintained a 2.8% increase annually. While consumer spending growth slowed to 0.2% from March's 0.7%, providing some relief, it raises concerns about potential economic cooling. The Fed has raised interest rates by 525 basis points since March 2022 to curb demand, but futures traders still see even odds of a rate cut by September. *(Reuters)*

US: Mortgage rates climb past 7% in first gain since early May

Mortgage rates in the US rose to 7.0% for a 30-year fixed loan, up from 6.9% last week, marking the first increase in four weeks, according to Freddie Mac. High borrowing costs, coupled with elevated prices and tight inventory, have suppressed demand, with contract signings hitting a four-year low in April. The slower-than-expected GDP growth in the first quarter suggests some economic pullback. Experts anticipate that further evidence of slowing inflation could lead to mortgage rates decreasing to around 6.5% by the end of 2024. *(Bloomberg)*

Companies

Pentamaster (7160): Has backlog orders worth RM400m

Pentamaster Corp Bhd has a backlog of orders exceeding RM400m, to be delivered by Q1 2025, comprising automated test equipment and factory automation solutions for the EV and medical technology industries. Despite a flat financial outlook for 2024 due to global economic challenges, the group anticipates business recovery in the second half of the year, driven by demand for high-performance semiconductor devices and medical devices. The group's new RM300m plant, set to operate in late 2024, will bolster its production capabilities in the medical technology sector. Pentamaster is also focusing on AI and renewable energy technologies to drive future growth. (*The Star*)

UEM Sunrise (5148): Sign MOU with Logos to develop data centre campus in Johor

UEM Sunrise Bhd has partnered with Logos Infrastructure Holdco Pte Ltd to develop a data centre campus in Gerbang Nusajaya, Johor. The project, situated on a 74-acre site, aims for a development potential capacity of up to 360MW. UEM Sunrise will handle construction management, technical work, and government processes. Both parties see the project as a strategic move to boost Johor's digital and high-technology industries, leveraging the region's proximity to Singapore and strong government support. (*The Edge*)

AME Elite (5293): Buys more land in Johor for industrial cluster development

AME Elite Consortium Bhd is purchasing three parcels of freehold land in Kulai, Johor, totaling 37.5 acres, for RM106.1m to develop an industrial cluster. The acquisition, made through its subsidiary Golden Symphony Sdn Bhd, is expected to be completed by Q3 2024 and will be financed 90% through external borrowings and 10% through internal funds. The purchase price of RM65 per square foot represents a slight discount from the market value estimated by Knight Frank Malaysia. (*The Edge*)

Genting Malaysia (4715): Raises RM1.3bn from medium-term notes issuances

Genting Malaysia Bhd has issued RM1.3bn in debt papers, raising RM1.05bn from three tranches of medium-term notes with annual coupons of 4.9%-5.2% maturing in five to ten years, and RM250m from the first tranche of a second issuance under another RM3bn programme, maturing in 14 years with a 5.3% annual coupon. The proceeds will be used for operating expenses, capital expenditure, investments, refinancing, and general funding requirements, including property and resort development in Genting Highlands. Both debt programmes, established in 2014 and 2018 respectively, are guaranteed by Genting Malaysia. (*The Star*)

Feytech (5322): Buys RM20m industrial land from DRB-Hicom's Proton City

Feytech Holdings Bhd, an automotive seat manufacturer newly listed on May 21, plans to acquire 9.76 acres of industrial land in Perak from DRB-Hicom's unit for RM20m to establish a new manufacturing facility. The acquisition, financed by RM12m in bank borrowings and RM8m in internal funds, aligns with Feytech's strategy to boost production capacity. The company, which raised RM114.7m from its listing, expects the acquisition to be completed in the second half of 2025. (*The Edge*)

Tex Cycle (8702): Plans private placement to raise RM32m to build waste management facility in Sabah

Tex Cycle Technology (M) Bhd plans to raise up to RM32m through a private placement to fund the construction of an integrated scheduled waste management facility in Sabah. The private placement will involve issuing 25.6m new shares, priced at an estimated RM1.25 per share, and is expected to be completed in the second half of 2024. Tex Cycle, which will hold a 51% stake in the RM100m joint venture with Evolusi Bersatu Sdn Bhd, aims to start construction in the second half of 2024 and begin operations by Q4 2025. (*The Edge*)

DNEX (4456) Theta Edge (9075): Compete for RM1bn NIISe project

The Malaysian government is considering Dagang NeXchange Bhd (DNeX) and Theta Edge Bhd for the RM1bn National Integrated Immigration System (NIISe) project. This follows the elimination of HeiTech Padu Bhd from the bidding. The NIISe project aims to integrate border control systems across various agencies. DNeX, which has diverse technology and energy interests, reported a net loss for 2023 but has strong cash reserves. Theta Edge, with significant backing from Lembaga Tabung Haji, posted a net profit in 2023 and has no borrowings, positioning both companies as strong contenders for the contract. (*The Edge*)

Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
Sentral REIT	REIT	0.81	0.07	8.45
Bermaz Auto	Consumer	2.43	0.21	8.44
YTL Hospital REIT	REIT	1.22	0.10	7.95
KIP REIT	REIT	0.89	0.07	7.91
RHB Bank	Finance	5.49	0.40	7.30
British American Tobacco (M)	Consumer	8.90	0.64	7.24
MBM Resources	Consumer	5.04	0.35	6.98
Amway (M)	Consumer	7.40	0.50	6.72
MAG Holdings	Consumer	1.13	0.07	6.64
Magnum	Consumer	1.13	0.07	6.64
UOA REITS	REIT	1.11	0.07	6.49
CapitaLand Malaysia Trust	REIT	0.68	0.04	6.47
Sunway REIT	REIT	1.54	0.10	6.36
Pavilion REIT	REIT	1.45	0.09	6.28
Ta Ann Holdings	Plantation	3.97	0.25	6.27

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
Agricore CS	ACE Market	0.50	51.7	6.1	7 Jun	21 Jun
UUE Holdings	ACE Market	0.24	124.9	37.5	18 Jun	2 Jul

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