

# Daily Newswatch

## Market Review

On Thursday, the FBMKLCI rose 0.4%, fueled by bargain-hunting activities in selected heavyweight stocks. Significant contributors included MR DIY, which surged by 5.0%, and TNB, up by 3.3%. The broader market experienced widespread gains, with the utility sector leading (+3.5%), followed by property (+1.7%) and healthcare (+1.6%). Overall market sentiment was positive, with 770 stocks advancing against 475 decliners.

## Economics

- **US** trade gap widens to US\$74.6bn, largest since October 2022
- **EU** ECB cuts rate, keeps next move under wraps
- **US**'s partners in Indo-Pacific region sign economic pact
- **US** first-quarter labour costs marked down on weaker output, hours
- **Canada** becomes first G7 nation to cut interest rates
- **China**'s big chip fund to exceed US\$47.5bn goal, adviser says

## Companies

- **Nestcon (0235)** undertakes RM38m contract in Kuala Langat
- **Jati Tinggi (5171)** JV secures TNB contract valued at RM26m
- **Country View (5049)** unit to dispose of Pulau land for RM47m
- **HSSEB (0185)** secures key contracts across multiple regions
- **DRB-HICOM (1619)** Proton sales jump 13.6% to 12,422 unit in May
- **KAB (0193)** acquires Indonesian firm for RM9m
- **TAFI Industries (7211)** unit disposes of Muar property for RM12m
- **Tasco (5140)** to expand warehouse capacity over next two years
- **Nextgreen (7241)** inks MOU with SPOIC
- **Hartalega (5168)** discloses carbon footprint of glove products

### 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	1,614.7	0.4	11.1
Dow Jones	38,886.2	0.2	3.1
Nasdaq CI	17,173.1	(0.1)	16.3
S&P 500	5,353.0	(0.0)	12.9
FTSE 100	8,285.3	0.5	7.3
Nikkei 225	38,703.5	0.6	16.3
Shanghai CI	3,048.8	(0.5)	2.9
HSI	18,476.8	0.3	10.1
STI	3,330.8	0.0	3.1

Market Activity	Last Close	Daily chg %
Vol traded (m shares)	5,352.9	25.0
Value traded (RM m)	4,499.4	32.3
Gainers	770	
Losers	475	
Unchanged	442	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
WCT	0.775	24.0	231.2
JCY	0.615	0.0	143.6
SNS	0.650	0.0	93.5
KENERGY	0.800	24.0	80.5
DSONIC	0.550	5.8	73.6

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
TENAGA	13.700	3.3	283.2
WCT	0.775	24.0	179.2
MAYBANK	9.980	0.0	175.2
CIMB	6.950	0.9	156.6
AMBANK	4.240	(0.7)	104.9

Currencies	Last Close	% Chg
USD/MYR	4.6950	(0.1)
USD/JPY	155.59	(0.3)
EUR/USD	1.0893	0.2
USD/CNY	7.2450	(0.0)
US Dollar Index	104.10	(0.2)

Commodities	Last Close	% Chg
Brent (USD/barrel)	79.87	1.9
Gold (USD/troy oz)	2,376.7	0.9
CPO (USD/metric t)	3,944.5	(0.1)
Bitcoin (USD/BTC)	70,896.6	(0.7)

## Economics

### US: Trade gap widens to US\$74.6bn, largest since October 2022

In April, the US trade deficit widened to \$74.6bn, the largest since October 2022, driven by a surge in imports of motor vehicles, computers, and industrial supplies. Imports rose 2.4%, while exports increased by 0.8%, both figures unadjusted for inflation. The growing deficit indicates that trade will likely continue to constrain economic growth, having already subtracted from GDP in the first quarter. On an inflation-adjusted basis, the merchandise trade deficit expanded to \$93.5bn, the largest in a year. *(Bloomberg)*

### EU: ECB cuts rate, keeps next move under wraps

The European Central Bank (ECB) cut its deposit rate by 25 basis points to 3.75%, marking the first rate cut in five years amidst uncertainty over inflation. The ECB indicated a cautious, data-dependent approach for future rate decisions, with the next potential cuts likely in September and December. Despite some policymakers advocating for a pause, the ECB raised its 2025 inflation projection to 2.2%, reflecting persistent price pressures. The ECB's actions are also influenced by the US Federal Reserve's delayed policy easing, as further US rate cut postponements could impact the ECB's decisions. *(Reuters)*

### US's: Partners in Indo-Pacific region sign economic pact

The US and 13 Asia-Pacific nations signed agreements under the Indo-Pacific Economic Framework (IPEF) focusing on clean economy and fair economy initiatives, key to the US strategy to strengthen regional influence and counter China's economic presence. These agreements address renewable energy transition, climate change, taxation, and corruption. While a deal on supply chains was previously reached, the final trade pillar remains unresolved due to complex issues like digital commerce and labour. Additionally, a coalition has committed over \$25bn for infrastructure investments in the Indo-Pacific, highlighting the region's importance to US economic and strategic interests. *(Bloomberg)*

### US: First-quarter labour costs marked down on weaker output, hours

US labour costs increased by 4% in the first quarter, lower than the initially reported 4.7%, due to downward revisions in economic output and hours worked, indicating moderating activity. Productivity barely rose at a 0.2% pace, presenting a challenge for the Federal Reserve's efforts to curb inflation through efficiency gains. Initial unemployment claims rose by 8,000 to 229,000, and hiring intentions through May were down 50% from the previous year, with companies announcing the lowest number of planned hires in a decade. *(Bloomberg)*

### Canada: Becomes first G7 nation to cut interest rates

The Bank of Canada (BOC) cut its key policy rate to 4.75% from 5%, the first G7 country to do so, citing easing inflation and economic conditions. Governor Tiff Macklem emphasised that future rate cuts would depend on continued inflation moderation and economic alignment with expectations, with some economists predicting another cut in July. Despite this easing, the BOC noted that rates would fall more gradually and remain higher than pre-pandemic levels. Following the decision, the Canadian dollar weakened, and the BOC indicated confidence in further reductions if inflation trends positively. *(Reuters)*

### China's: Big chip fund to exceed US\$47.5bn goal, adviser says

China's main national chip fund is expected to raise more than the initially disclosed \$47.5bn, reflecting the government's strong commitment to closing the technology gap with the US. Additional state-backed firms are anticipated to join existing investors, highlighting efforts to build a self-sufficient domestic semiconductor industry. The National Integrated Circuit Industry Investment Fund's third phase, established recently, will operate over a 10-year period, longer than its predecessors, allowing for potential additional capital injections. This fund aims to address ongoing technological chokepoints faced by local companies. *(Bloomberg)*

## Companies

### **Nestcon (0235): Undertakes RM38m contract in Kuala Langat**

Nestcon Bhd's subsidiary, Neston Infra Sdn Bhd, has secured an RM37.7m contract from Seriemas Development Sdn Bhd for earthworks and soil improvements in Kota Seri Langat, Selangor. The project will commence on June 11, 2024, and is expected to be completed by April 10, 2025. (*The Star*)

### **Jati Tinggi (5171): JV secures TNB contract valued at RM26m**

Jati Tinggi Group Bhd's subsidiary, Jati Tinggi Holding Sdn Bhd, and its joint venture partner, Worktime Engineering Sdn Bhd, have secured an RM25.6m contract from Tenaga Nasional Bhd for a 132KV bulk supply project to a semiconductor factory in Kuala Lumpur. Jati Tinggi will receive 30% of the contract value, with the remainder going to Worktime Engineering. The project, starting on May 31, 2024, is set to be completed within a year. (*The Star*)

### **Country View (5049): Unit to dispose of Pulau land for RM47m**

Country View Bhd's subsidiary, Country View Resources Sdn Bhd, has agreed to sell three tracts of freehold commercial land in Pulau, Johor Bahru, for RM47.3m. The land, part of the Taman Nusa Sentral housing scheme, has a net book value of RM22.1m. The sale will result in an estimated net gain of RM18.1m after costs and taxes. The proceeds will be used to fund ongoing and future projects, repay borrowings, and support working capital, strengthening the group's principal business. (*The Star*)

### **HSSEB (0185): HEB Group secures key contracts across multiple regions**

HSS Engineers Bhd (HEB) aims to generate 25% of its turnover from international ventures by 2027, focusing on infrastructure engineering in ASEAN, the Middle East, North Africa, and South Asia. This year, HEB secured an RM15m consultancy contract for Cambodia's Phnom Penh-Bavet Expressway and a project management consultancy contract for Jakarta's Light Rail Transit. The group also established a joint venture in the Philippines to provide advanced BIM services and acquired a 12% stake in PT Oriental Consultants Indonesia. Domestically, HEB is optimistic about benefiting from Malaysia's accelerated implementation of mega projects. (*Bernama*)

### **DRB-HICOM (1619): Proton sales bounce back 13.6% to 12,422 units in May**

Proton sold 12,422 vehicles in May, a 13.6% increase from the previous month, bringing its total sales for the first five months of 2024 to 62,697 units and maintaining its position as Malaysia's second most-purchased car brand with a 19% market share. Proton Edar CEO Roslan Abdullah highlighted the company's focus on growing sales in the second half of 2024 with model updates and steps towards entering the electric vehicle market. Export sales also showed strength, with 509 units sold in May, the highest for the year. Key models like the Proton Saga and Proton S70 saw significant month-on-month sales increases, while the Proton X50 is expected to see increased demand following the launch of its revamped model. (*The Star*)

**KAB (0193): Acquires Indonesian firm for RM9m to build biogas plant in Aceh**

Kinergy Advancement Bhd (KAB) is acquiring PT Green Energy Specialist One Tbk (PT Geso) for RM8.9m to build a 4.26-megawatt biogas plant in Aceh, Indonesia. This acquisition, through KAB Energy Holdings, includes exclusivity over a 6.5-hectare land and a 25-year power purchase agreement with PT Perusahaan Listrik Negara Tbk. The plant, utilising palm oil mill effluent, is expected to be completed by the first quarter of 2025, adding to KAB's diversified energy portfolio and generating recurring revenue. *(The Edge)*

**TAFI Industries (7211): Unit disposes of Muar property for RM12m**

TAFI Industries Bhd's subsidiary, TA Furniture & Projects Sdn Bhd, is selling an industrial property in Muar, Johor for RM12m, resulting in an estimated net gain of RM8.1m after Real Property Gains Tax. The disposal aligns with TAFI's strategy to achieve cost-efficiency by subcontracting certain manufacturing processes while centralising production in its main factory. CEO Datuk Seri Bryan Wong stated that this move is part of the group's efforts to streamline operations and improve cash flow, contributing to continued profitability since 2021. Wong expressed confidence in the group's future profitability in both furniture manufacturing and property development. *(The Edge)*

**Tasco (5140): To invest additional RM400m to expand warehouse capacity over next two years**

Tasco Bhd plans to invest an additional RM400m by 2026 to expand its warehouse capacity, having already invested RM300m, exceeding the minimum required for tax exemptions under MIDA's ILS scheme. The investment will increase Tasco's warehousing space at the Shah Alam Logistics Centre to 1.4m sq ft and add new facilities in Northport, focusing on cold storage. This expansion is expected to create 800 jobs this year. Despite concerns about short-term oversupply, Executive Chairman Lee Check Poh is confident in medium- and long-term market stability as the economy grows. *(The Edge)*

**Nextgreen (7241): Inks MOU with SPOIC to establish Green Technology Park Sandakan**

Nextgreen Global Bhd has signed an MOU with Sawit Palm Oil Industrial Cluster Sdn Bhd (SPOIC) to establish the 400-acre Green Technology Park Sandakan in Sabah. The collaboration aims to finalise a joint venture agreement within a year, with SPOIC holding a 70% share and Nextgreen 30%. The project will explore additional initiatives including a collection and processing centre, pulp mill, raw water treatment plant, and steam boiler, with SPOIC having the first right of refusal for these ventures. The exact size and location of the project site will be determined through a joint survey. *(The Edge)*

**Hartalega (5168): Discloses carbon footprint of glove products**

Hartalega Holdings Bhd has released its first life cycle assessment (LCA) study on the carbon footprint of three key glove products, making it the first in the industry to publicly disclose such data. The study, using data from July 2021 to June 2022 and adhering to ISO 14040 and 14044 standards, demonstrates Hartalega's commitment to environmental, social, and governance (ESG) practices and transparency. CEO Kuan Mun Leong emphasised the importance of minimising environmental impact and using the LCA as a baseline to identify further opportunities for reducing emissions and improving resource efficiency. *(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	2.49	0.21	8.23
KIP REIT	REIT	0.89	0.07	7.91
YTL Hospital REIT	REIT	1.23	0.10	7.89
British American Tobacco (M)	Consumer	8.41	0.64	7.66
RHB Bank	Finance	5.50	0.40	7.29
CapitalLand Malaysia Trust	REIT	0.67	0.05	6.87
Amway (M)	Consumer	7.30	0.50	6.81
MBM Resources	Consumer	5.15	0.35	6.78
MAG Holdings	Consumer	1.13	0.07	6.64
Magnum	Consumer	1.13	0.07	6.64
UOA REITS	REIT	1.12	0.07	6.43
Pavilion REIT	REIT	1.42	0.09	6.41
Gas Malaysia	Utilities	3.67	0.23	6.27
Sunway REIT	REIT	1.57	0.10	6.24

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		
<a href="#">KTI Landmark</a>	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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