

# Daily Newswatch

## Market Review

The FBMKLCI reversed 2 days of consecutive losses, gaining by 0.1% on Thursday amid softer-than-expected inflation data released by the US. Among the index constituents, PMETAL (+2.9%), YTLPOWER (+2.6%) TENAGA (+1.9%) and PETDAG (+1.2%) were the outperformers. The broader market sentiment was positive, with 798 gainers against 447 losers. The top performing sector for the day was Energy (+3.4%), led by huge gains in DAYANG (+17.0%) and PERDANA (+9.5%).

## Economics

- EU:** Kicked off the second quarter with industrial weakness
- Australia:** Unemployment rate drops to 4% as hiring persists
- Taiwan:** Keeps key rate unchanged at 2%; raises RRR ratio
- US:** Fed signals one rate cut this year, but keeps door open to two

## Companies

- Tex Cycle (0089):** Acquire wastewater management specialist for RM55m cash
- SNS Network (0259):** Completes transfer of listing to Main Market
- Sapura Energy (3158):** External auditor issues unqualified opinion on its audited FY2024 financial statements
- TH Plantations (5112):** Work with Cenergi SEA for 1.2MW biogas power plant in Kluang, Johor
- Iqzan Holding (7183):** Bags RM143m construction job
- Cabnet Holdings (0191):** Bags RM46m sub-contract works

### Upcoming key economic data releases

	<u>Date</u>
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	1,610.2	0.1	10.8
Dow Jones	38,647.1	(0.2)	2.5
Nasdaq CI	17,667.6	0.3	19.7
S&P 500	5,433.7	0.2	14.6
FTSE 100	8,163.7	(0.6)	5.7
Nikkei 225	38,574.2	(0.4)	16.3
Shanghai CI	3,028.9	(0.3)	2.2
HSI	18,112.6	1.0	7.9
STI	3,324.5	0.5	2.9

Market Activity	Last Close	Daily chg %
Vol traded (m shares)	5,909.2	(22.2)
Value traded (RM m)	4,354.4	(17.5)
Gainers	798	
Losers	447	
Unchanged	453	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
SAPNRG	0.040	0.0	159.3
JCY	0.895	14.7	130.0
MYEG	1.140	4.6	104.1
SNS	0.845	(3.4)	99.9
AEMULUS	0.440	17.3	81.6

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
TENAGA	14.140	1.9	177.2
INARI	3.890	2.4	161.5
MYEG	1.140	4.6	118.7
JCY	0.895	14.7	116.3
SIME	2.570	(2.3)	88.2

Currencies	Last Close	% Chg
USD/MYR	4.7148	(0.2)
USD/JPY	157.12	0.2
EUR/USD	1.0736	(0.7)
USD/CNY	7.2526	0.2
US Dollar Index	105.26	0.5

Commodities	Last Close	% Chg
Brent (USD/barrel)	82.01	0.2
Gold (USD/troy oz)	2,302.7	(0.9)
CPO (USD/metric t)	3,985.5	1.1
Bitcoin (USD/BTC)	66,649.4	(2.1)

## Economics

### **EU: Kicked off the second quarter with industrial weakness**

Euro-zone industrial production unexpectedly fell by 0.1% in April, casting doubt on the region's economic recovery, which has been more reliant on the services sector. Despite this decline, capital goods saw a 0.7% increase, and the poor results were primarily in smaller countries, with Italy being the only major economy to suffer a drop. The European Commission forecasts a 0.8% economic expansion in 2024, while the European Central Bank remains cautious about further interest-rate cuts amid inflation concerns. *(Bloomberg)*

### **Australia: Unemployment rate drops to 4% as hiring persists**

Australia's unemployment rate dipped to 4% in May, with job gains surpassing expectations at 39,700 roles, driven mainly by full-time positions, reflecting the labour market's resilience despite high interest rates and immigration. This strong job creation supports households amid economic challenges and aligns with the Reserve Bank of Australia's (RBA) expectations, which is likely to maintain its current restrictive interest rate policy. The labour market remains a bright spot, with nearly 600,000 unemployed people, significantly lower than pre-pandemic levels. *(Bloomberg)*

### **Taiwan: Keeps key rate unchanged at 2%; raises RRR ratio**

Taiwan's central bank has kept the discount rate at 2% while raising the reserve requirement ratio by 25 basis points, aligning with most economists' predictions. The bank revised its 2024 GDP forecast up to 3.77% and slightly adjusted the CPI forecast to 2.12%, and implemented tighter home-buying rules to curb property market speculation. Governor Yang Chin-long noted that economic momentum is improving moderately, with strong domestic demand driving growth, and expects slower growth and gradually decreasing inflation in the second half of the year. *(Bloomberg)*

### **US: Fed signals one rate cut this year, but keeps door open to two**

Federal Reserve officials reduced their expectations for interest-rate cuts this year, with Chair Jerome Powell emphasising a conservative approach, as they anticipate only one reduction in 2024 instead of three previously expected. The Fed held its benchmark rate steady at 5.25% to 5.5%, the highest in over two decades, despite acknowledging recent encouraging inflation data. Powell noted that the new economic projections might not fully incorporate the latest inflation figures and highlighted a close split among officials on the future rate cut outlook. The Fed also raised its long-term rate forecast to 2.8%, reflecting the economy's resilience and ongoing debate on whether current policies are sufficiently restrictive to control inflation. *(Bloomberg)*

## Companies

### **Tex Cycle (0089): Acquire wastewater management specialist for RM55m cash**

Tex Cycle Technology (M) Bhd (Tex Cycle) is acquiring Meridian World Sdn Bhd (Meridian World) for RM55m to expand its product and service offerings and geographical reach in Peninsular Malaysia. The acquisition, expected to be finalised within 60 days, will be funded through internal funds, bank borrowings, or both, and includes a profit-after-tax guarantee of RM12m for 2024 and 2025. This move aligns with Tex Cycle's growth strategy, leveraging Meridian World's expertise in chemical processing and scheduled waste management. (*The Edge*)

### **SNS Network (0259): Completes transfer of listing to Main Market**

SNS Network Technology Bhd (SNS Network) has successfully transferred its RM1.6bn share capital to the Main Market of Bursa Malaysia, enhancing its credibility and shareholder base. Managing Director Ko Yun Hung expressed optimism about the company's future, driven by growing demand for AI super servers amid a new AI supercycle. Despite a recent stock price dip, SNS Network plans to expand its retail presence across Malaysia, capitalising on robust demand from digital transformations and AI adoption. (*The Edge*)

### **Sapura Energy (3158): External auditor issues unqualified opinion on its audited FY2024 financial statements**

Sapura Energy Bhd's external auditor, Ernst & Young PLT, has issued an unqualified opinion with material uncertainty regarding the company's ability to continue as a going concern for the financial year ending January 31, 2024. The going concern assumption relies on extending restraining orders, favourable legal outcomes for terminated projects, and successfully implementing a proposed scheme of arrangements requiring creditor approval. The group's current liabilities exceed its assets by RM14.5bn, highlighting severe liquidity constraints, and no adjustments have been made to the financial statements to reflect these uncertainties. (*The News Straits Times*)

### **TH Plantations (5112): Work with Cenergi SEA for 1.2MW biogas power plant in Kluang, Johor**

TH Plantations Bhd (TH Plantations) has partnered with Cenergi SEA Bhd to undertake the development, construction and operations of a 1.2 megawatts (MW) biogas power plant in Kluang, Johor. The project will be executed through a joint venture between THP Applications & Services Sdn Bhd and Cenergi RE Sdn Bhd. The biogas power plant is targeted to be operational in 2026 and the electricity generated from this biogas power plant will be sold to the national grid managed by Tenaga Nasional Bhd (TNB) under the SEDA's (Sustainable Energy Development Authority) FiT Scheme. (*The News Straits Times*)

### **Iqzan Holding (7183): Bags RM143m job to build 24-storey office building along Tun H.S. Lee**

Iqzan Holding Bhd's subsidiary, Kacon Construction Sdn Bhd, has secured an RM143m contract to construct a 24-storey office building in Jalan Tun HS Lee, Kuala Lumpur. The project is anticipated to boost the group's earnings in FY2025, FY2026, and FY2027. However, potential risks include the availability of skilled labour and materials, material price fluctuations, and changes in political, economic, and regulatory conditions. (*The Star*)

### **Cabinet Holdings (0191): Bags RM46m sub-contract works**

Cabinet Holdings Bhd's wholly-owned subsidiary Cabinet M&E Sdn Bhd has been appointed as the sub-contractor by Jayaplus Development Sdn Bhd for supply, installation, testing, commissioning and maintenance of 11 kilovolt high voltage/low voltage electrical works worth RM46m in Johor Bahru, Johor. (*The Star*)

## Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
Sentral REIT	REIT	0.81	0.07	8.70
YTL Hospital REIT	REIT	1.22	0.10	7.95
KIP REIT	REIT	0.89	0.07	7.91
Bermaz Auto	Consumer	2.51	0.20	7.89
British American Tobacco (M)	Consumer	8.34	0.64	7.72
RHB Bank	Finance	5.53	0.40	7.25
Amway (M)	Consumer	7.24	0.50	6.86
CapitaLand Malaysia Trust	REIT	0.68	0.05	6.76
MAG Holdings	Consumer	1.12	0.08	6.70
Magnum	Consumer	1.12	0.08	6.70
MBM Resources	Consumer	5.39	0.35	6.47
Ta Ann Holdings	Plantation	3.85	0.25	6.47
UOA REITS	REIT	1.12	0.07	6.43
Gas Malaysia	Utilities	3.60	0.23	6.39
Hektar REITS	REIT	0.62	0.04	6.29

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
<a href="#">UUE Holdings</a>	ACE Market	0.24	124.9	37.5	18 Jun	2 Jul
Go Hub Capital	ACE Market	0.35	107.2	-	20 Jun	3 Jul
Ocean Fresh	ACE Market	0.28	50.1	-	20 Jun	4 Jul
Johor Plantations Group	Main Market	0.84	464.0	411.0	24 Jun	9 Jul

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MERCURY SECURITIES SDN BHD  
Registration No. 198401000672 (113193-W)  
L-7-2, No 2, Jalan Solaris, Solaris Mont’ Kiara,  
50480 Kuala Lumpur  
Telephone: (603) - 6203 7227  
Website: [www.mercurysecurities.com.my](http://www.mercurysecurities.com.my)  
Email: [mercurykl@mersec.com.my](mailto:mercurykl@mersec.com.my)