

# Daily Newswatch

## Market Review

The FBMKLCI dipped into a consolidation trajectory (-0.3%) on Tuesday as investors stayed cautious ahead of the release of key US inflation report and May GDP figure. Several index constituents that underperformed includes YTL (-4.4%), YTLPOWER (-3.7%) and PETGAS (-1.6%). Not surprisingly, the laggard sectors were Utilities (-1.3%), Industrial Product & Services (-1.1%) and Property (-1.0%). The broader market sentiment remained negative, with 693 losers against 329 gainers.

## Economics

- US:** Fed's Daly warns of labour market risks, nearing inflection point
- Malaysia:** Inflation edges up to 2% in May
- Australia:** Households remain pessimistic on RBA rate-rise fears
- Canada:** BOC can beat inflation without unemployment spike

## Companies

- TRC Synergy:** Bags RM125m contract from BHIC
- Gamuda:** Raises annual dividend by 33% to 16sen, signals bullish growth prospects
- Astro:** Maintains cautious outlook amid economic challenges
- Kronologi:** Targets up to RM400m revenue in FY2025
- FSBM:** Sees better earnings in FY2024 after exit from PN17
- Avaland:** Sets up RM1bn sukuk programme
- MAHB:** Pursuing 15 more foreign carriers to operate in Malaysia

### Upcoming key economic data releases

	Date
US – Consumer Confidence (June 2024)	25 Jun
Malaysia - GDP	27 Jun
US - GDP	27 Jun
US - Purchasing Manager Index	28 Jun

Key Indices	Last Close	Daily chg %	YTD chg %
FBM KLCI	1,585.4	(0.3)	9.1
Dow Jones	39,112.2	0.8	4.5
Nasdaq CI	17,717.7	(1.2)	18.5
S&P 500	5,469.3	(0.4)	14.9
FTSE 100	8,247.8	0.4	7.3
Nikkei 225	39,173.2	(0.9)	16.6
Shanghai CI	2,950.0	0.4	0.0
HSI	18,072.9	(0.3)	7.4
STI	3,326.3	(0.4)	2.6

Market Activity	Last Close	Daily chg %
Vol traded (m shares)	5,233.4	4.5
Value traded (RM m)	3,698.8	(2.2)
Gainers	329	
Losers	693	
Unchanged	421	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
INGENIEU	0.065	0.0	136.5
JCY	0.695	(10.3)	90.3
YGL	0.245	32.4	76.8
SNS	0.720	(9.4)	68.4
VELESTO	0.250	0.0	63.6

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
CIMB	6.680	0.0	200.6
TENAGA	14.000	2.0	154.3
YTLPOWER	4.670	(3.7)	142.6
YTL	3.290	(4.4)	88.6
GAMUDA	6.500	(0.6)	81.3

Currencies	Last Close	% Chg
USD/MYR	4.7052	0.2
USD/JPY	159.66	(0.1)
EUR/USD	1.0710	0.2
USD/CNY	7.2629	(0.0)
US Dollar Index	105.61	(0.1)

Commodities	Last Close	% Chg
Brent (USD/barrel)	85.01	1.2
Gold (USD/troy oz)	2,319.9	0.6
CPO (MYR/metric t)	3,985.5	1.1
Bitcoin (USD/BTC)	61,756.2	(3.9)

## Economics

### **US: Fed's Daly warns of labour market risks, nearing inflection point**

Mary Daly, President of the Federal Reserve Bank of San Francisco, expressed concerns about the US labour market nearing a critical juncture where further slowdown could lead to higher unemployment. Despite recent signs of easing inflation, Daly emphasised uncertainty in achieving price stability and cautioned against premature rate cuts. Federal Reserve officials have reduced their expected rate cuts for 2024 to just one, reflecting a cautious approach to monetary policy amid economic uncertainties. Daly underscored the need for policy flexibility, suggesting that future decisions will hinge on the evolving inflation outlook and labour market conditions. (*Bloomberg*)

### **Malaysia: Inflation edges up to 2% in May**

In May 2024, Malaysia's inflation rate rose to 2%, up from 1.8% in April, driven primarily by increases in housing, water, electricity, gas, and restaurant/accommodation services. Other contributing factors included education, transport, and personal care, reflecting broad-based price increases across various sectors. However, declines were observed in clothing/footwear and insurance/financial services. Core inflation, excluding volatile items like fresh food and government-administered prices, remained stable at 1.9%, driven by rises in restaurant/accommodation services and personal care/social protection. Malaysia's inflation rate compared favourably to neighbouring countries like South Korea, Indonesia, and the Philippines, which reported higher inflation rates during the same period. (*The Star*)

### **Australia: Households remain pessimistic on RBA rate-rise fears**

Consumer sentiment in Australia showed a slight uptick of 1.7% to 83.6 points in June, still far below the 100, the dividing line between pessimists and optimists as it remains deeply pessimistic due to concerns about persistent inflation and potential interest rate hikes by the Reserve Bank. Despite some improvement, sentiment remains well below optimistic levels, reflecting ongoing worries about household finances amidst high borrowing costs. The Reserve Bank of Australia's recent decision to hold rates steady at 4.35% indicates caution amid efforts to manage inflation and sustain job gains post-pandemic. (*Bloomberg*)

### **Canada: BOC can beat inflation without an unemployment spike**

Bank of Canada Governor Tiff Macklem indicated that Canada's economy is on track for a soft landing, with the central bank expecting the unemployment rate to rise gradually without significantly exceeding pre-pandemic levels. Macklem emphasised that a substantial increase in unemployment isn't necessary to achieve the inflation target of 2%. Despite recognising some wage growth and ongoing adjustments in the labour market, Macklem suggested that further interest rate cuts could be considered if inflation continues to ease, although he emphasised a cautious approach to avoid the overly restrictive monetary policy. The Bank of Canada has already started cutting rates and will next review its policy stance on July 24th. (*Bloomberg*)

## Companies

### **TRC Synergy: Bags RM125m contract from BHIC**

TRC Synergy Bhd has announced securing an RM125m contract from BHIC Submarine Engineering Services Sdn Bhd. The contract involves conducting scheduled and corrective maintenance work at the Royal Malaysian Navy Submarine Base in Kota Kinabalu over a period of 60 months. The scope of work includes facilities such as the Zone D area, jetty facility building, bosun building, floating breakwater jetty, shiplift jetty, and safety conditioning facilities. (*The Edge*)

### **Gamuda: Raises annual dividend by 33% to 16sen, signals bullish growth prospects**

Gamuda Bhd has increased its annual dividend by 33% to 16sen per share, signalling confidence in its strong outlook and sustainable growth prospects. The company attributes its resilience to a robust construction order book of RM24bn and RM6.7bn in unbilled property sales. Despite facing regulatory delays in domestic projects like the Penang Light Rail Transit and Ulu Padas Hydroelectric Dam, Gamuda reported substantial revenue growth of 82% to RM3.8bn and a six per cent increase in net profit to RM236m for the quarter ending April 30, 2024, driven by strong performance in both local and overseas markets. (*The Star*)

### **Astro: Maintains cautious outlook amid economic challenges**

Astro Malaysia Holdings Bhd remains cautious due to the impact of a strong US dollar on its cost structure and challenging local economic conditions affected by geopolitical factors. Despite a 9.85% decline in revenue to RM772.5m for the first quarter that ended April 30, 2024, Astro reported a net profit increase of RM17m, attributed to lower net financing costs and favourable forex adjustments offsetting higher expenses. Looking ahead to the fiscal year ending January 31, 2025, Astro aims to attract new customers with enhanced content offerings through initiatives like Sooka and Astro Fibre while focusing on reducing legacy costs to improve global competitiveness. The launch of Astro Studios underscores its commitment to elevating Malaysian content creation and solidifying its position as a leading entertainment and streaming provider. (*The Star*)

### **Kronologi: Targets up to RM400m revenue in FY2025**

Kronologi Asia Bhd is targeting revenue between RM300m to RM400m for FY2025, driven by its infrastructure business and a focus on expanding its Cloud As-A-Service offerings amid the AI-driven digitalisation trend. The company remains optimistic about broader economic recovery opportunities despite a revenue decline in 1QFY2025 to RM57.8m and a net profit drop to RM1.4m. Kronologi plans to streamline operating expenses by transitioning from capital expenditure to operational leasing models, aiming to enhance profitability and manage costs more efficiently going forward. (*The Edge*)

### **FSBM: Sees better earnings in FY2024 after exiting from PN17**

FSBM Holdings Bhd anticipates improved earnings for the current financial year, buoyed by growing demand for its AI-driven solutions, IoT integration, and cybersecurity services. The company reported a significant rebound in net profit in the first quarter of FY2024 to RM654k, marking a positive start after exiting the financially distressed PN17 status. FSBM's strategic partnerships, including an exclusive agency agreement for voltage sag protectors and collaborations with semiconductor firms in Penang, underscore its efforts to expand its product offerings and market presence. Despite past financial challenges flagged by its auditor, the company has since rectified its conditions and aims to capitalise on emerging opportunities in its technology-driven sectors. (*The Edge*)

**Avaland: Sets up RM1bn sukuk programme**

Avaland Bhd, formerly MCT Bhd, has launched an RM1bn Islamic Medium-Term Notes Programme with the aim of financing its property developments, land acquisitions, and capital expenditures. The sukuk programme, structured under the Murabahah principle via Tawarruq arrangement, will facilitate the issuance of sustainable and responsible investment sukuk. RAM Rating Services Bhd has assigned the programme a long-term credit rating of AA3 with a stable outlook, citing Avaland's strong earnings visibility supported by RM852m in unbilled sales as of March 31. (*The Edge*)

**MAHB: Pursuing 15 more foreign carriers to operate in Malaysia**

Malaysia Airports Holdings Bhd (MAHB) is actively seeking to attract 15 additional foreign airlines to operate in Malaysia over the next two years, aiming to elevate Kuala Lumpur International Airport (KLIA) as a preferred international hub. KLIA currently serves 70 airlines, surpassing its pre-pandemic level, and expects three new airlines — British Airways, Thai VietJet, and 9 Air — to commence operations by year-end. MAHB has invested in initiatives like the Airline X-celeration Programme, offering incentives such as landing fee waivers and marketing support, with a focus on enhancing connectivity and boosting air travel demand, both domestically and internationally. (*The Edge*)

## Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
Sentral REIT	REIT	0.80	0.07	8.75
Bermaz Auto	Consumer	2.50	0.20	8.16
YTL Hospital REIT	REIT	1.21	0.10	8.02
KIP REIT	REIT	0.89	0.07	7.87
RHB Bank	Finance	5.49	0.40	7.34
British American Tobacco (M)	Consumer	8.34	0.60	7.13
Amway (M)	Consumer	7.10	0.50	7.00
CapitaLand Malaysia Trust	REIT	0.68	0.05	6.81
MBM Resources	Consumer	5.20	0.35	6.71
MAG Holdings	Consumer	1.12	0.08	6.70
Magnum	Consumer	1.12	0.08	6.70
Pavilion REIT	REIT	1.37	0.09	6.64
Ta Ann Holdings	Plantation	3.80	0.25	6.55
Hektar REITS	REIT	0.60	0.04	6.50
UOA REITS	REIT	1.11	0.07	6.49

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="#">UUE Holdings</a>	ACE Market	0.24	124.9	37.5	18 Jun	2 Jul
<a href="#">Go Hub Capital</a>	ACE Market	0.35	107.2	-	20 Jun	3 Jul
<a href="#">Ocean Fresh</a>	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
BWYS Group Berhad	ACE Market	0.22	256.3	100.0	4 Jul	24 Jul

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