

Daily Newswatch

Market Review

The FBMKLCI starts the week with a gain, closing 0.5% higher as result of outperformance in some of the index constituents such as YTL (+4.9%), TENAGA (+1.6%) and SUNWAY (+2.8%). All the sectors ended in positive note with the most gains seen in Utilities (+2.7%), Energy (+1.6%) and Property (+1.3%). The broader market sentiment remained positive, with 685 gainers against 408 losers.

Economics

- **China:** 10-Year yield declines to historic low as rally extends
- **China:** Outlook worries linger even after strong factory
- **US:** Fed gets heartening inflation data, but slow road ahead
- **Japan:** Yen volatility in Fed, BOJ meetings rises to two-month high

Companies

- **Mah Sing:** Tops out M Arisa Towers in Sentul, completion expected by 4Q2024
- **Kinergy Advancement:** With Johor Corp to develop energy-efficient solutions for data centers
- **Southern Score Builders:** Secures RM315m contract for residential apartment blocks
- **Vitrox:** Begin construction of training and industrial research center after RM46m contract award to SIB
- **Country Heights:** Working to return Mines Waterfront Business Park to solvent status
- **PUC:** Dispose of software, IP rights for RM22m
- **Toyo Ventures:** Defers commencement of EPCC works for Vietnam thermal power plant
- **Telekom Malaysia:** Awarded RM1.3bn contract to undertake new emergency call system for 12 years

<u>Upcoming key economic data releases</u>	<u>Date</u>
EU – May 2024 Unemployment rate	2 Jul
US – Jun 2024 Unemployment rate	5 Jul
US – Jun 2024 CPI	11 Jul
Malaysia – Jun 2024 CPI	24 Jul

Key Indices	Last Close	Daily chg %	YTD chg %
FBM KLCI	1,598.2	0.5	10.0
Dow Jones	39,169.5	0.1	3.9
Nasdaq CI	17,879.3	0.8	21.1
S&P 500	5,475.1	0.3	15.4
FTSE 100	8,166.8	0.0	5.8
Nikkei 225	39,631.1	0.1	19.1
Shanghai CI	2,994.7	0.9	1.1
HSI	17,718.6	0.0	5.5
STI	3,338.6	0.2	3.4

Market Activity	Last Close	Daily chg %
Vol traded (m shares)	3,660.7	(14.8)
Value traded (RM m)	2,765.6	(10.2)
Gainers	685	
Losers	408	
Unchanged	450	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
SNS	0.840	11.3	85.1
NOVAMSC	0.240	11.6	78.1
JCY	0.790	12.1	70.7
MYEG	0.995	(2.5)	69.9
INGENIEU	0.055	10.0	61.3

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
CIMB	6.830	0.4	133.6
TENAGA	14.000	1.6	123.4
SNS	0.840	11.3	71.4
MYEG	0.995	(2.5)	69.6
YTLPOWR	4.900	1.7	63.0

Currencies	Last Close	% Chg
USD/MYR	4.7137	(0.1)
USD/JPY	161.43	0.4
EUR/USD	1.0737	0.3
USD/CNY	7.2684	0.0
US Dollar Index	105.90	0.0

Commodities	Last Close	% Chg
Brent (USD/barrel)	86.60	0.2
Gold (USD/troy oz)	2,332.2	0.2
CPO (MYR/metric t)	3,985.5	1.1
Bitcoin (USD/BTC)	62,973.0	5.2

Economics

China: 10-Year yield declines to historic low as rally extends

The yield on China's 10-year government bonds fell to a record low of 2.18%, driven by investor pessimism about the domestic economy and anticipation of further stimulus measures. This decline marks the lowest point since Bloomberg started tracking the data in 2002. Yields on 20- and 50-year bonds have also remained at historic lows for months. Weak economic growth, expectations for additional stimulus, and ample liquidity in the financial system due to low loan demand have fueled the bond rally. Increased government borrowing for fiscal stimulus has not deterred bond buyers. Despite this trend, the People's Bank of China has hinted at selling some of its holdings to temper the bond market's advance. *(Bloomberg)*

China: Outlook worries linger even after strong factory showing

Despite a rise in the Caixin manufacturing PMI to 51.8 in June, concerns over China's economy remain due to weak domestic demand and low market confidence. The PMI increase, the highest since May 2021, suggests expansion, but future output expectations are at their lowest since 2019. China's sovereign yields hit record lows, reflecting economic pessimism. Strong exports contrast with subdued domestic demand amid a prolonged real estate crisis and a weak job market. Without stronger stimulus, China's GDP growth may miss the 5% target for 2024. New-home sales from the top 100 real estate companies fell 17% year-on-year in June, improving from a 34% decline in May. *(Bloomberg)*

Japan: Yen volatility into Fed, BOJ meetings rises to Two-Month High

One-month implied volatility in USD/JPY has risen above 10% for the first time since May 6, due to the upcoming policy decisions from the Federal Reserve and the Bank of Japan on July 31. The gauge increased by 54 basis points to 10.04%, with a relative premium of 291 basis points favouring implied volatility, the highest since late April. Risk reversals have risen to 64 basis points, indicating a preference for puts over calls, as traders maintain yen exposure ahead of the BOJ meeting, albeit with less conviction as the spot rate nears 161. Demand for low-delta exposure has decreased, with 10-day flies trading at 1.30 volatility, down from 1.39 on June 26, aligning with broader G-10 currency movements post-France's legislative elections. *(Bloomberg)*

US: Fed gets heartening inflation data, but slow road ahead

Recently, U.S. Federal Reserve officials received encouraging news indicating a cooling inflation trend, easing concerns raised by earlier strong price increases this year. The latest data from the Bureau of Economic Analysis showed no increase in inflation from April to May, suggesting that current monetary policy measures may be sufficiently restrictive. Despite this progress, the year-over-year target of 2% for the personal consumption expenditures price index remains distant, standing at 2.6% in the latest report. This complicates discussions around the timing of potential interest rate cuts, with markets now pricing in a likelihood of two rate cuts by December, reflecting growing confidence that inflation could stabilise towards the Fed's target over the coming months. *(Reuters)*

Companies

Mah Sing: Tops out M Arisa Towers in Sentul, completion expected by 4Q2024

Mah Sing Group Bhd has topped out both towers of M Arisa, its affordable residential development in Sentul, which is now 85% completed and slated for completion by 4Q2024. M Arisa, fully sold out, features amenities such as Sentul's first multi-level sky garden and an urban forest concept, offering a contemporary lifestyle at an affordable price. The project, with an estimated gross development value of RM653m, consists of two 55-storey towers with 1,598 units, designed to minimise heat absorption and lower energy consumption. *(The Edge)*

Kinergy Advancement: With Johor Corp to develop energy-efficient solutions for data centers

Kinergy Advancement Bhd has partnered with Johor Corp (JCorp) to develop sustainable energy solutions, focusing on energy-efficient initiatives for data centres. The collaboration, led by Kinergy's subsidiary KAB Energy Holdings Sdn Bhd, aims to implement district cooling systems to reduce energy consumption and enhance power usage effectiveness in data centres. This partnership is expected to positively impact Kinergy's future earnings and EPS for the financial year ending Dec 31, 2024. Shares in Kinergy remained unchanged at 37sen, valuing the company at RM735m. *(The Edge)*

Southern Score Builders: Secures RM315m contract for residential apartment blocks

Southern Score Builders Bhd (SSB8) has been awarded an RM315m contract by Smart Advance Resources Sdn Bhd through its subsidiary, Southern Score Sdn Bhd (SARSB), to develop three residential apartment blocks totalling 794 units. The project includes amenities like a swimming pool, podium car park, guard house, and electrical facilities. With this contract and others secured in 2024 totalling RM933.2m, Southern Score's order book now stands at RM1.4bn, providing earnings visibility over the next few years. *(The Edge)*

Vitrox: Begin construction of training and industrial research centre after RM46m contract award to SIB

ViTrox Corp Bhd (VITROX) has appointed South Island Building Sdn Bhd (SIB) to construct the first block of its ViTrox Institute of Technology (VIT), a five-storey training and industrial research centre in Penang for RM46m. Scheduled for completion by January 2026, the facility aims to expand ViTrox's high-technology ecosystem at Batu Kawan Industrial Park, part of the company's 10-year expansion plan. VIT will accommodate up to 450 students annually, focusing on addressing talent shortages in STEM fields, particularly in engineering and computer sciences, crucial for the semiconductor industry. *(The Edge)*

Country Heights: Working to return Mines Waterfront Business Park to solvent status

Country Heights Holdings Bhd is actively engaged in resolving the winding-up of its subsidiary MWBP, facing RM3.8m in claims from various creditors and legal challenges, including a significant debt from 23 Century International Life Science Sdn Bhd. Despite these financial hurdles, Country Heights has deposited 10% of the proof of debt and is pursuing legal avenues to recover nearly RM6m in receivables from MWBP tenants, aiming to return MWBP to solvent status promptly. *(The Edge)*

PUC: Dispose of software, IP rights for RM22m

PUC Bhd, a digital payment solutions provider, is selling software and intellectual property rights for RM22m cash through its subsidiary Presto Technology Sdn Bhd to G Solution Tech Sdn Bhd. This move aligns with PUC's strategy to streamline operations and focus on more profitable ventures, with the disposal expected to be completed by Q1 2025. *(The Edge)*

Toyo Ventures: Defers commencement of EPCC works for Vietnam thermal power plant

Toyo Ventures Holdings Bhd has delayed the start of EPCC works for its thermal power plant project in Vietnam by up to six months, due to an extended deadline for issuing the notice to proceed (NTP) under a revised contract with Sunway Construction Group Bhd and PECC2. The project, initially valued at US\$2.42bn, was slated to begin EPCC works earlier, but delays in securing financing and issuing the NTP have pushed timelines back. (*The Edge*)

Telekom Malaysia: Awarded RM1.3bn contract to undertake a new emergency call system for 12 years

Telekom Malaysia Bhd (TM) has secured an RM1.3bn contract to develop and operate the Next Generation Emergency Services 999 (NG999) system, which will enhance Malaysia's emergency response capabilities for 12 years starting from 2024. This strategic digital platform will integrate emergency services from key agencies like the Royal Malaysian Police and the Ministry of Health, facilitated by TM Technology Services Sdn Bhd. (*The Edge*)

Stock Selection Based on Dividend Yield

Company	Sector	Price (RM)	Dividend/Share (RM)	Dividend Yield (%)
Sentral REIT	REIT	0.80	0.07	8.81
Bermaz Auto	Consumer	2.53	0.20	8.06
YTL Hospital REIT	REIT	1.21	0.10	8.02
KIP REIT	REIT	0.89	0.07	7.87
British American Tobacco (M)	Consumer	8.30	0.61	7.39
RHB Bank	Finance	5.50	0.40	7.33
Amway (M)	Consumer	7.20	0.50	6.90
CapitaLand Malaysia Trust	REIT	0.67	0.05	6.87
MAG Holdings	Consumer	1.13	0.07	6.64
Magnum	Consumer	1.13	0.07	6.64
MBM Resources	Consumer	5.28	0.35	6.61
Hektar REITS	REIT	0.60	0.04	6.55
Pavilion REIT	REIT	1.39	0.09	6.55
Ta Ann Holdings	Plantation	3.83	0.25	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		
UUE Holdings	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
Well Chip Group Berhad	Main Market	1.15	150.0	-	10 Jul	23 Jul
BWYS Group Berhad	ACE Market	0.22	256.3	100.0	4 Jul	24 Jul
Kucingko Berhad	ACE Market	0.30	100.0	100.0	12 Jul	26 Jul
EPB Group Berhad	ACE Market	0.56	71.6	40.0	31 Jul	23 Aug

Disclaimer & Disclosure of Conflict of Interest

The information contained in this report is based on data obtained from data and sources believed to be reliable at the time of issue of this report. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the information or opinions in this report.

This report may contain forward-looking statements which are often but not always identified by the use of words such as “believe”, “estimate”, “intend” and “expect” and statements that an event or result “may”, “will” or “might” occur or be achieved and other similar expressions. Such forward-looking statements are based on assumptions made and information currently available to Mercury Securities Sdn Bhd. (“Mercury Securities”) and are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievement to be materially different from any future results, performance or achievement, expressed or implied by such forward-looking statements. Caution should be taken with respect to such statements and recipients of this report should not place undue reliance on any such forward-looking statements. Mercury Securities expressly disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

Accordingly, neither Mercury Securities nor any of its holding company, related companies, directors, employees, agents and/or associates nor person connected to it accept any liability whatsoever for any direct, indirect, or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the information or opinions in this publication. Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Mercury Securities has no obligation to update its opinion or the information in this report.

This report does not have regard to the specific investment objectives, financial situation and particular needs of any specific person. Accordingly, investors are advised to make their own independent evaluation of the information contained in this report and seek advice from, amongst others, tax, accounting, financial planner, legal or other business professionals regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represents a personal recommendation to you. This report is not intended, and should not under no circumstances be considered as an offer to sell or a solicitation of any offer or a solicitation or expression of views to influence any one to buy or sell the securities referred to herein or any related financial instruments.

Mercury Securities and its holding company, related companies, directors, employees, agents, associates and/or person connected with it may, from time to time, hold any positions in the securities and/or capital market products (including but not limited to shares, warrants and/or derivatives), trade or otherwise effect transactions for its own account or the account of its customers or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment, share margin facility or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests and should exercise their own judgement before making any investment decisions.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, are under copyright to Mercury Securities. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted, or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to websites. Mercury Securities takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Mercury Securities own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Mercury Securities’ website shall be at your own risk.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

The views expressed in this research report accurately reflect the analyst’s personal views about any and all of the subject securities or issuers; and no part of the research analyst’s compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Published & Printed By:

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
Email: mercurykl@mersec.com.my