

Daily Newswatch

Market Review

The FBMKLCI reversed two days of consecutive gain, closing 0.4% lower last Friday as profit-taking activities among investors intensified amid negative regional peer performance. Among the constituents, some of the losers include YTLPOWR (-1.7%), MISC (-0.7%) and CIMB (-0.7%). Sectors which underperformed the most include Telecommunication (-0.7%), Property (-0.4%), and Financial Services (-0.3%). The broader market sentiment was negative, with 447 gainers against 670 losers.

Economics

- **US:** Job growth slows moderately; unemployment rate rises to 4.1%
- **Japan:** Household spending decline clouds BOJ rate outlook
- **Japan:** Base wages jump most since 1993 after large pay deals
- **UK:** Keir Starmer inherits weak economy with 'no magic wand'
- **Germany:** Coalition seals budget deal after weeks of wrangling

Companies

- **Pestech:** Pestech, Sesco nix RM110m substation project in Sarawak
- **Southern Cable:** Clinches RM100m cable supply contract extension from TNB
- **Maybank:** Aims to double Vietnam assets by 2027, expand investment
- **Ekovest:** Pays for adviser's services using PLS shares
- **MMAG:** MMAG's air cargo unit inks interline deal with Teleport
- **Affin:** Sarawak Premier hints at formalising Affin Bank deal on July

<u>Upcoming key economic data releases</u>	<u>Date</u>
US – Jun 2024 CPI	11 Jul
US – Jun 2024 PPI	12 Jul
EU – May 2024 Industrial Production	15 Jul
EU – June 2024 CPI	17 Jul
Malaysia – Jun 2024 CPI	24 Jul
US – Q2 GDP	25 Jul
Malaysia – Jun 2024 PPI	29 Jul
US – Jul 2024 Consumer Confidence	30 Jul
EU – Jun 2024 Unemployment Rate	1 Aug

Key Indices	Last Close	Daily chg %	YTD chg %
FBM KLCI	1,611.0	(0.4)	10.7
Dow Jones	39,375.9	0.2	4.5
Nasdaq CI	18,352.8	0.9	22.3
S&P 500	5,567.2	0.5	16.7
FTSE 100	8,203.9	(0.5)	6.1
Nikkei 225	40,999.8	0.2	22.5
Shanghai CI	2,930.6	(0.7)	(1.5)
HSI	17,558.2	(1.4)	3.0
STI	3,403.8	(0.2)	5.0

Market Activities	Last Close	% Chg
Vol traded (m shares)	4,336.8	(12.0)
Value traded (RM m)	2,955.1	(22.0)
Gainers	447	
Losers	670	
Unchanged	490	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
NOVAMSC	0.265	15.2	17.3
SNS	0.910	2.8	64.8
MUIIND	0.085	(5.6)	119.2
HUBLINE	0.070	16.7	12.8
VELESTO	0.270	(3.6)	46.5

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
CIMB	6.950	(0.7)	79.7
YTLPOWR	5.230	(1.7)	75.6
SNS	0.910	2.8	74.4
TENAGA	14.220	(0.1)	71.3
MISC	8.780	(0.7)	69.9

Currencies	Last Close	% Chg
USD/MYR	4.7087	0.0
USD/JPY	160.4	0.2
EUR/USD	1.0827	(0.1)
USD/CNY	7.2687	(0.0)
US Dollar Index	104.923	0.0

Commodities	Last Close	% Chg
Brent (USD/barrel)	86.3	(0.2)
Gold (USD/troy oz)	2,383	(0.4)
CPO (MYR/metric t)	4,088	(0.7)
Bitcoin (USD/BTC)	55,462	(3.1)

Economics

US: Job growth slows moderately; unemployment rate rises to 4.1%

The US job market showed signs of easing as job growth slowed slightly and the unemployment rate rose to 4.1%, its highest level since November 2021. Non-farm payrolls increased by 206,000 jobs in June, supported largely by government hiring, though this figure was lower than expected. Wage gains moderated, with average hourly earnings rising 0.3% in June, marking the smallest increase since June 2021. These developments, coupled with a recent easing in inflation, suggest a cooling labour market that aligns with expectations for the Federal Reserve to begin cutting interest rates, possibly starting in September. *(Reuters)*

Japan: Household spending unexpectedly falls, clouds BOJ rate path

Japanese household spending unexpectedly declined in May, reflecting ongoing pressures from higher prices that are squeezing consumer purchasing power. Consumer spending fell 1.8% year-on-year, well below expectations for a slight increase, as rising food costs weighed heavily on expenditures. The data complicates the Bank of Japan's decision on potential interest rate hikes, challenging its outlook for strong economic recovery and sustained inflation around its 2% target. Despite expectations for consumption to rebound with significant wage increases and government subsidies, the soft spending figures may delay BOJ's plans for rate hikes, pending further evidence of broader economic resilience and inflationary pressures. *(Reuters)*

Japan: Base wages jump most since 1993 after large pay deals

Japanese workers' base salaries saw their largest increase since 1993, rising 2.5% year-on-year, exceeding the 1.9% gain in the headline figure reported by the labour ministry. A more stable measure for full-time workers, excluding bonuses and overtime, rose by a record 2.7%, indicating a robust improvement in wage trends. This surge supports the argument that the Bank of Japan should consider raising interest rates despite ongoing declines in real wages. The data reflect optimism for a cycle of wage growth stimulating consumption-driven inflation, potentially influencing BOJ policy normalisation, including a possible rate hike in July. *(Bloomberg)*

UK: Election-winner Starmer inherits weak economy with 'no magic wand'

Keir Starmer, set to become Britain's next Prime Minister, said he faces tough economic challenges as he prepares to lead the country. Labour plans to avoid increasing debt or raising taxes significantly, focusing instead on reforms to speed up infrastructure projects and boost productivity. While promising stability and aiming to attract investments, the road to reviving the UK's economy remains uncertain amid ongoing concerns about stagnant living standards and slow post-pandemic recovery compared to other major nations. *(Bloomberg)*

Germany: Coalition seals budget deal after weeks of wrangling

Germany's government, led by Chancellor Olaf Scholz and his coalition partners, has agreed on a budget plan for next year. They've also set new rules to help the economy grow. This agreement follows weeks of talks and aims to limit how much money the government borrows while investing more in public projects like roads and schools. They also plan to make it easier for businesses by cutting taxes and reducing paperwork. The budget still needs approval from parliament, which is expected later this year. This plan is crucial as it tries to recover from challenges like the pandemic and high energy costs. *(Bloomberg)*

Companies

Pestech: Pestech, Sesco nix RM110m substation project in Sarawak

Pestech International Bhd and Syarikat Sesco Bhd have cancelled their RM110.0m Entinggan-B 275/(33)kV substation project due to economic factors. Pestech announced the amicable annulment, which initially showed its competitiveness in new projects. The joint venture with Sky High Construction Sdn Bhd was to be split 60%-40%, but no claims will arise from the cancellation. The project, set to start in December 2023 and complete in 23 months, aimed to support Kuching's electric demand. *(The Edge)*

Southern Cable: Clinches RM100m cable supply contract extension from TNB

Southern Cable Group Bhd has secured an RM100.0m contract extension to supply underground power cables and conductors to Tenaga Nasional Bhd (TNB). This contract boosts the total value of Southern Cable's ongoing agreement with TNB to RM854.3m and increases its order book to over RM1.0bn, ensuring revenue visibility until 2026. Southern Cable's managing director, Tung Eng Hai, emphasised their commitment to supporting TNB's grid expansion and modernization efforts. *(The Edge)*

Maybank: Aims to double Vietnam assets by 2027, expand investment

Malayan Banking Bhd plans to double its assets in Vietnam to USD2.0bn by 2027 and aims to become the top foreign bank for syndicated loans, capitalizing on the country's booming economy. Maybank Vietnam CEO Michael Foong highlighted Vietnam's appeal due to increasing foreign investor interest and strong economic growth, with a 6.93% GDP rise in Q2. The bank targets mid-tier corporate clients and plans to expand its brokerage, investment banking, and wealth management services. Maybank also aims to boost its capital and enhance services at An Binh Bank, where it holds a 16.39% stake. *(The Edge)*

Ekovest: Pays for adviser's services using PLS shares

Ekovest Bhd has transferred 167,731 PLS Plantations Bhd shares at 95 sen each, totalling RM159,344.45, to an adviser as payment for services related to a previous corporate proposal. This transfer, representing a 0.06% stake in PLS, reduced Ekovest's shareholding from 61.66% to 61.57%. Ekovest's executive chairman, Tan Sri Lim Kang Hoo, is a major shareholder in several companies, including Knusford Bhd and Iskandar Waterfront Holdings Sdn Bhd.

MMAG: MMAG's air cargo unit inks interline deal with Teleport

MMAG Holdings Bhd's 80%-owned cargo unit, MJets Air Sdn Bhd, has signed a cargo interline agreement with Capital A Bhd's logistics arm, Teleport Everywhere Pte Ltd, to enhance cargo operations. The agreement, valid from July 1, 2024, to July 31, 2025, with an option for a one-year extension, allows both parties to handle each other's cargo on designated routes. Charges will be based on completed transport during the agreement. This collaboration aims to optimize cargo operations and improve efficiency. *(The Edge)*

Affin: Sarawak Premier hints at formalising Affin Bank deal on July 19

Sarawak Premier Tan Sri Abang Johari Tun Openg has hinted at an official signing ceremony on July 19 for Sarawak's acquisition of a substantial stake in a bank, widely believed to be Affin Bank Bhd. This move aims to elevate Sarawak's role in Malaysia's banking sector significantly. The state government plans to increase its stake in Affin Bank from 4.8% to around 30%, potentially becoming the largest shareholder. Bank Negara Malaysia has reportedly given conditional approval for the transaction, which involves acquiring shares from Boustead Holdings Bhd and part of the Armed Forces Fund Board's (LTAT) stake in Affin Bank. *(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		
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

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