

Daily Newswatch

Market Review

The FBMKLCI ended last Friday in loss, closing 0.3% lower mainly due to profit-taking activities in selected heavyweights. This can be observed on the underperformance of YTLPOWR (-3.9%), YTL (-2.1%) and PETDAG (-1.4%). Among the sectors, Technology (-1.0%), Utilities (-0.8%) and Telecommunication & Media (-0.7%) are some of the sectors that registered losses. Likewise, the broader market sentiment turned negative, with 639 losers against 532 gainers.

Economics

- US:** Consumer sentiment falls to eight-month low on high prices
- Argentina:** Inflation snaps Milei's five-month slowdown streak
- Brazil:** Finance Chief says Lula moved past anger at Central Bank
- US:** Producer Prices move higher as service provider margins climb
- India:** Inflation accelerates in June, justifying rate pause

Companies

- Kimlun Corp:** Forms JV to build serviced apartments in JB
- Nestcon:** Aims to raise RM27m via private placement
- Tafi Industries:** Bags RM207m contract for mixed-used development in Setia Alam
- Theta Edge:** RM674m 'investment' for new IoT project is actually opex
- REDtone:** Becomes fourth-largest shareholder in Theta Edge
- Toyo Ventures:** US\$980m equipment financing facility voided

Upcoming key economic data releases

	<u>Date</u>
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	1,619.1	(0.3)	11.3
Dow Jones	40,000.9	0.6	6.1
Nasdaq CI	18,398.5	0.6	22.6
S&P 500	5,615.4	0.6	17.7
FTSE 100	8,252.9	0.4	6.7
Nikkei 225	41,190.7	(2.4)	23.1
Shanghai CI	2,971.3	0.0	(0.1)
HSI	18,293.4	2.6	7.3
STI	3,497.8	0.7	7.9

Market Activities	Last Close	% Chg
Vol traded (m shares)	4,583.6	(15.0)
Value traded (RM m)	3,728.0	(15.5)
Gainers	532	
Losers	639	
Unchanged	513	

Top 5 Volume	Last Close	Daily chg %	Vol (m)
NOVAMSC	0.200	0.0	187.8
VELESTO	0.255	(1.9)	115.4
EKOVEST	0.505	6.3	81.9
BJCORP	0.345	4.5	73.4
RENEUCO	0.100	17.6	57.3

Top 5 Turnover	Last Close	Daily chg %	Value (RM m)
GAMUDA	7.800	(1.0)	153.3
MAYBANK	10.040	(0.2)	135.5
YTLPOWR	4.950	(3.9)	134.0
TNB	14.460	(1.0)	121.6
PBBANK	4.110	(0.2)	120.4

Currencies	Last Close	% Chg
USD/MYR	4.6715	0.3
USD/JPY	157.83	0.6
EUR/USD	1.0907	0.4
USD/CNY	7.2504	0.1
US Dollar Index	104.09	(0.3)

Commodities	Last Close	% Chg
Brent (USD/barrel)	85.0	(0.4)
Gold (USD/troy oz)	2,411	(0.2)
CPO (MYR/metric t)	3,970	(0.9)
Bitcoin (USD/BTC)	57,942	0.7

Economics

US: Consumer sentiment falls to eight-month low on high prices

US consumer sentiment unexpectedly declined to 66 in July from 68.2, according to the preliminary reading from the University of Michigan, which is the lowest level in eight months in early July as high prices continued to weigh on Americans' views of their finances and the economy. Data earlier this week showed inflation cooled broadly in June, with a measure of underlying price trends posting its smallest advance since 2021, while a separate report Friday showed a firmer-than-expected rise in wholesale inflation. *(Bloomberg)*

Argentina: Inflation snaps Milei's five-month slowdown streak

Argentina recorded the first monthly pick-up in inflation of the year shown by the rise in consumer prices to 4.6% in June from May, marking a slight reversal of the downward streak President Javier Milei put in motion with his aggressive economic shock therapy. Utilities led all categories in price hikes as Argentines' electricity and gas bills soared in June while Milei slashed generous subsidies that have allowed most households to pay less than 5% of the real cost of electricity for years. In doing so, the administration more than doubled energy bills for middle-class residences and set limits on how much poor households can consume while benefitting from the government assistance. *(Bloomberg)*

Brazil: Finance Chief says Lula moved past anger at Central Bank

Brazil President Luiz Inacio Lula da Silva's outrage toward the nation's central bank who paused the monetary easing cycle last month has passed, his finance minister, Fernando Haddad said Friday following a fresh streak of blistering criticism from the leftist leader. Lula faces a challenge in working with a central bank governor who was nominated under the prior administration. However, Haddad mentioned on Friday that they turned the page, and they're not going to dwell on a matter that has been overcome. *(Bloomberg)*

US: Producer Prices move higher as service provider margins climb

The producer price index for final demand rose 0.2% from a month earlier, according to Bureau of Labor Statistics data published Friday. Compared with a year ago, the PPI rose 2.6%. The PPI report showed services costs increased 0.6%, with nearly all the advance tied to a 1.9% jump in margins at wholesalers and retailers. Goods prices fell 0.5%. Among those categories, physician care costs edged up 0.2%, the cost of hospital outpatient care rose 0.1% and inpatient care climbed 0.5%, where all more modest advances than in May. At the same time, airfares increased 1.1% and prices for portfolio management services climbed 1%. *(Bloomberg)*

India: Inflation accelerates in June, justifying rate pause

India's inflation accelerated to a four-month high in June, justifying the central bank's decision to keep interest rates higher for longer. The consumer price index rose 5.08% from a year earlier, compared with 4.75% in May, the Statistics Ministry said Friday. Housing prices rose 2.69% from a year earlier, compared to 2.56% the previous month. Clothing and footwear costs remained steady at 2.73% in June from a year earlier, compared to 2.74% in May. Fuel and electricity costs fell 3.66% last month. Separately, factory output grew 5.9% in May, compared to 5% in the previous month. Governor Shaktikanta Das said on Thursday that inflation is moving very slowly towards the Reserve Bank of India's (RBI) 4% target and that it's premature to discuss interest rate cuts. *(The Edge)*

Companies

Kimlun Corp: Forms JV to build serviced apartments in JB

Kimlun Corp Bhd's wholly-owned subsidiary, Kii Amber Sdn Bhd, is teaming up with Astaka Holdings Ltd's indirect 51%-owned unit, Astaka Capital Sdn Bhd, to form a joint venture company (JVco). This JVco will develop a residential serviced apartment project in Johor Bahru, related to phase three of Arden @ One Bukit Senyum. The project is scheduled to launch in the fourth quarter of 2024, with construction expected to be completed within 48 months. The gross development value (GDV) of the project is estimated to be RM600m. The JVco has also proposed to acquire a parcel of land measuring 1.662 acres in Johor Bahru for RM61.5m or RM77 per sq ft to be developed for the residential serviced apartment project. *(The Edge)*

Nestcon: Aims to raise RM27m via private placement

Nestcon Bhd aims to raise RM27.3m through a private placement of 70.8m shares or 10% of its enlarged share base. A total of RM22m of the gross proceeds will be allocated to repaying its bank borrowings. Another RM4.6m will be used for working capital in construction projects, as well as for engineering, procurement, construction and commissioning (EPCC) of solar photovoltaic (PV) projects. The remaining RM685,000 will cover estimated expenses related to the proposed private placement. *(The Edge)*

Tafi Industries: Bags RM207m contract for mixed-used development in Setia Alam

Tafi Industries Bhd has bagged a construction contract as well as piling and project furniture works worth a combined total of RM207.5m for a mixed-use development project that comprises a serviced apartment and a small-office, home-office (SOHO) block in Setia Alam, Selangor. The latest contract won increased Tafi's outstanding order book to RM507.7m. The tenure for constructing the main building and associate works is 42 months, with a contract value of RM186.6m. The piling and project furniture construction works have a tenure of six months, worth RM20.9m. *(The Edge)*

Theta Edge: RM673.8m 'investment' for new IoT project is actually opex

Theta Edge Bhd is now saying that the RM673.8m it planned to invest to develop Internet of Things (IoT) technology for a project for the Ampang Jaya Municipal Council (MPAJ) is actually the operating expenditure (opex), rather than the actual investment that is required for the project over a 20-year concession period. In short, Theta Edge had referred to the RM673.8m first as value of the project, then opex, then investment cost, and now opex again. *(The Edge)*

REDtone: Becomes fourth-largest shareholder in Theta Edge

REDtone Digital Bhd has acquired 8.4m shares, representing a 7.1% stake in Theta Edge Bhd, from the open market for about RM13.9m cash, funded using internal funds from the group and its subsidiaries. This makes REDtone the fourth-largest shareholder in Theta Edge. *(The Edge)*

Toyo Ventures: US\$980m equipment financing facility voided

Toyo Ventures Holdings Bhd said that the US\$980m (RM4.6bn) financing facility it secured from i-Power Solutions Pte Ltd for its wholly owned subsidiary, Song Hau 2 Power Company Limited's (SH2P) thermal power plant project is no longer applicable due to project termination by the Vietnamese government. SH2P received a letter from Vietnam's Ministry of Industry and Trade (MOIT) on July 1, indicating that despite the 90-day termination notice, SH2P had not resolved the necessary financial arrangements for the project. Toyo Ventures said it is currently assessing the implications of the notice and will seek legal advice to explore suitable action and remedies under the terms of the BOT contract. SH2P is still in the process of finalising syndicated financing facilities for the power plant project. *(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
YTL Hospital REIT	REIT	1.22	0.10	7.95
KIP REIT	REIT	0.90	0.07	7.82
Bermaz Auto	Consumer	2.62	0.20	7.79
British American Tobacco (M)	Consumer	8.37	0.61	7.32
RHB Bank	Finance	5.60	0.40	7.21
Amway (M)	Consumer	7.05	0.50	7.05
CapitaLand Malaysia Trust	REIT	0.66	0.05	6.97
MBM Resources	Consumer	5.17	0.35	6.75
Hektar REITS	REIT	0.60	0.04	6.55
UOA REITS	REIT	1.12	0.07	6.43
Ta Ann Holdings	Plantation	3.88	0.25	6.42
MAG Holdings	Consumer	1.17	0.07	6.41
Magnum	Consumer	1.17	0.07	6.41
Pavilion REIT	REIT	1.42	0.09	6.41

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		
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