

Poh Kong (5080)

Proxy to Gold's Uptrend



Stock Highlights

Gold price uptrend to persist. As of Friday's closing, the spot gold is trading at US\$2,883 per oz, reflecting an 9.8% year-to-date (YTD) gain. The surge is primarily driven by the escalating concern over a potential global trade war, following US President Donald Trump's proposed tariff plan. Additionally, the ongoing geopolitical tensions like the Russian-Ukraine conflict and unrest in the Middle East have heightened market volatility and uncertainty, further reinforcing gold's status as a safe-haven asset. Given the ongoing macroeconomic uncertainties, we anticipate sustained demand for gold, supporting its continued uptrend in the near term.

Better earnings in 2QFY25? Poh Kong's 1QFY25 earnings were weaker, primarily due to soft sales and higher operating expenses. However, gross margins improved slightly to 22.2% (from 19.8% in 1QFY24), supported by a 12.1% increase in gold prices during the period. Looking ahead, we expect a stronger 2QFY25 performance for Poh Kong due to several factors. These include; 1) Stronger sales driven by seasonal jewellery demands during major festive periods (Christmas, Year-End and Chinese New Year); 2) Elevated gold price which should further improve Poh Kong's gross margin; and 3) Positive retail environment supported by robust domestic economic growth and postponement of luxury tax implementation.

Positively correlated. Despite a 28% YTD rally, Poh Kong remains attractively valued at 3.8x FY25 P/E, trading at a discount compared to the 4.5x PE valuation of its closest peer, Tomei Consolidated. Given its positive correlation with gold prices, we believe the ongoing bullish sentiment in gold could support Poh Kong's share price in the near term. Additionally, stronger earnings delivery in 2QFY25—driven by seasonal demand and higher gold prices—should provide a further boost.

Uptrend momentum to continue. Following its 52-week high in early May 2024, the stock entered a consolidation phase, driven by diminishing buying interest. However, upon reaching its low point, a recovery pattern emerged, supported by renewed buying momentum. Recently, it broke out of the pennant pattern, signaling a potential trend reversal. The stock could test its first resistance at RM1.11, with the potential for a

Technical				
Resistance 1 (RM)	1.11			
Resistance 2 (RM)	1.22			
Support 1 (RM)	1.00			
Support 2 (RM)	0.950			
MACD	Positive			
RSI	Positive			
Stock Information				
Last Close (RM)	1.08			
Market cap (RM m)	443.2			
52-week Range (RM)	0.835-1.29			
Financial Highlights				
FYE Jul	FY22	FY23	FY24	1QFY25
Revenue (RM m)	1,362.6	1,470.6	1,641.9	329.3
Core PAT (RM m)	92.2	74.9	116.9	21.3
Core EPS (sen)	22.5	18.3	28.5	5.2
DPS (sen)	2.3	2.0	3.0	0.0
BV/share (RM)	1.67	1.86	2.12	2.18
P/E (x)	4.8	5.9	3.8	3.8
P/B (x)	0.7	0.6	0.5	0.5

Source: Bloomberg, Mercury Securities

Company Profile

Poh Kong Holdings Bhd through its subsidiaries mainly involves in manufacturing and retailing of jewelry.

Glossary of commonly use technical terms

Moving Average (MA)	An indicator frequently used in technical analysis showing the average value of a security's price over a set period.
Moving Average Convergence Divergence (MACD)	A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A 9-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals.
Stochastic	A technical momentum indicator that compares a security's closing price to its price range over a given time period. The indicator's sensitivity to market movements can be reduced by adjusting the time period or by taking a moving average of the result.
Average True Range (ATR)	A measure of volatility whereby the indicator is the greatest of the following: <ul style="list-style-type: none">- current high less the current low;- the absolute value of the current high less the previous close;- the absolute value of the current low less the previous close;
Bollinger Band	A band plotted 2 standard deviations away from a simple moving average.
On-Balance Volume (OBV)	A method used in technical analysis to detect momentum, the calculation of which relates volume to price change. OBV provides a running total of volume and shows whether this volume is flowing in or out of a given security.
Support	The price level which, historically, a stock has had difficulty falling below. It is thought of as the level at which a lot of buyers tend to enter the stock.
Resistance	The price at which a stock or market can trade, but not exceed, for a certain period of time. Often referred to as "resistance level".
Reversal	A change in the direction of a price trend. On a price chart, reversals undergo a recognizable change in the price structure. An uptrend, which is a series of higher highs and higher lows, reverses into a downtrend by changing to a series of lower highs and lower lows. A downtrend, which is a series of lower highs and lower lows, reverses into an uptrend by changing to a series of higher highs and higher lows.
Divergence	When the price of an asset and an indicator, index or other related asset move in opposite directions.
Overbought	In technical analysis, this term describes a situation in which the price of a security has risen to such a degree – usually on high volume – that an oscillator has reached its upper bound. This is generally interpreted as a sign that the price of the asset is becoming overvalued and may experience a pullback.
Oversold	A situation in technical analysis where the price of an asset has fallen to such a degree – usually on high volume – that oscillator has reached a lower bound. This is generally interpreted as a sign that the price of the asset is becoming undervalued and may represent a buying opportunity for investors

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TRADING PITCH
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