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Marking Time, Again

- The FBM KLCI fell for the second straight session, dragged down by losses in selected heavyweights and stronger Greenback after the U.S. Federal Reserve signaled a more hawkish policy than initially expected by the market. The lower liners also tumbled, although the FBM Small Cap (+0.2%) rebounded in the eleventh hour. The broader market also traded mostly in the negative territory, with the exception of defensive sectors like REITs.
- Market breadth was stale on Wednesday as losers won over the winners a ratio of 464-to-32 stocks. Traded volumes, meanwhile, pared 15.3% to 2.28 bln shares on renewed selling pressure across the Malaysian market.
- Key-index bellwethers like Nestle (-70.0 sen), Hong Leong Financial Group (-16.0 sen), Hap Seng Consolidated (-8.0 sen) and Maybank (-6.0 sen) retreated, alongside IHH Healthcare (-10.0 sen) following its proposal to acquire Prince Court Medical Centre from Khazanah. Similarly, BAT (-32.0 sen), Malaysian Pacific Industries (-26.0 sen), United Plantations (-16.0 sen), Telekom Malaysia (-14.0 sen) and Eng Kah (-13.0 sen) were the big losers for the day.
- In contrast, broader market leaders were Dutch Lady (+86.0 sen), Ajinomoto (+50.0 sen), G3 Global (+38.0 sen), Magni-Tech (+23.0 sen) and Fraser & Neave (+20.0 sen). Major Main Board gainers, meanwhile, were Petronas Gas (+8.0 sen), Maxis (+5.0 sen), Kuala Lumpur Kepong (+4.0 sen), CIMB (+3.0 sen) and Press Metal (+3.0 sen).
- Major Asian indices retreated on Thursday as investors digested the latest bout of monetary decisions by the U.S. Federal Reserve and the BOJ. The Nikkei added 0.4%, although gains were limited by strengthening Yen and profit-taking activities following the BOJ's decision to maintain its current interest rate. The Shanghai Composite (+0.5%) also advanced, but the Hang Seng Index (-1.1%) faltered amid unabated geopolitical tensions, alongside the majority of ASEAN equities.
- Notable U.S. stockmarkets were mostly in the red as the Dow (-0.2%) reversed earlier gains, weighed down by losses in Apple. The S&P 500 flatlined despite trading near its record highs, albeit the Nasdaq bucked the broad decline and closed 0.1% higher.
- U.K. stockmarkets ended its losing streak as the FTSE (+0.6%) rallied on the back of strong gains in International Consolidated Airlines. The DAX and the CAC also added 0.6% and 0.7% respectively, supported by the gains in banking stocks.

The Day Ahead

- Malaysian equities are still finding it difficult to arrest its mixed-to-lower trend in the absence of a definitive direction. As it is, market players are still wary over the country's fundamentals amid the insipid economic environment that is also likely to affect corporate earnings growth prospects.
- Despite the most recent market pullback, the FBM KLCI's valuations are still not compelling as the forward PERs are within its historical averages hence, leaving little upside potential unless there are firmer earnings growth prospects. At the same time, upcoming decision on whether Malaysian Government Bonds will remain in the FTSE World Government Bond Index could also weigh on sentiments for longer.
- Under the prevailing environment, we think that the mixed-to-lower market environment is likely to continue over the near term with the 1,590 and 1,580 levels remaining the as the supports. On the other hand, the resistances are at 1,600 and 1,610 respectively.
- The FBM Small Cap stocks are also on a drifting mode as retail interest on the broader market has waned with the fewer leads. The lower liners, in the likes of the FBM ACE and FBM Fledgling stocks, are also seeing lesser following and the drifting mode is set to prolong, in our view.

COMPANY BRIEF

- **Prinsiptek Corporation Bhd** has teamed up with QSE Construction Sdn Bhd to develop the Langat 2 water treatment plant and water reticulation system. It entered into a joint venture agreement (JVA) with QSE for the RM24.9 mln project.
- Under the JVA, the parties will jointly undertake the project which was awarded by Pengurusan Aset Air Bhd. Prinsiptek is entitled to 92.5% of the contract sum. The JVA would be for 24 months and it would start operations immediately. (The Star Online)
- **Kejuruteraan Asastera Bhd's** (KAB) is offering its energy efficiency expertise to the Bandar Mahkota Cheras Mall here under an agreement to undertake an energy performance contract via chiller optimisation at the retail property. The agreement is in force for a period of six years from the date of first payment. (The Edge Daily)
- **PUC Bhd** is collaborating with Smuzcity Bhd (SCB) to fortify its online-to-offline (O2O) services. It has inked a Memorandum of Understanding (MoU) with SCB, paving the way for its digital lifestyle platform known as Presto (formerly 11street Malaysia) to market and sell SCB's JDX-branded products.
- The deal will see Presto marketing and selling JDX products. Under the partnership, PUC will also set up Presto O2O company to further solidify Presto's ecosystem. The partnership will be effective for 12 months from the signing date agreed mutually by both sides. (The Edge Daily)
- **Eco World Development Group Bhd's** 3QFY19 net profit jumped 81.6% Y.o.Y to RM50.5 mln due to a higher proportion of completed or near completion units sold and a higher percentage of completion attained by various ongoing projects. Revenue for the quarter grew 14.7% Y.o.Y to RM521.4 mln.
- For 9MFY19, cumulative net profit rose 51.2% Y.o.Y to RM122.0 mln. Revenue for the period gained 2.1% Y.o.Y RM1.56 bln. (The Edge Daily)
- **AirAsia Group Bhd** and **AirAsia X Bhd** (AAX) have collectively paid RM41.6 mln to **Malaysia Airports Holdings Bhd** (MAHB) in uncollected passenger service charges (PSC). AirAsia Group paid RM14.2 mln to MAHB, while AAX paid RM27.4 mln, both being the amounts specified in a court Garnishee Show Cause Order dated 23rd August 2019. (The Edge Daily)
- **KESM Industries Bhd's** 4QFY19 net profit slumped 79.8% Y.o.Y to RM2.3 mln due to lower demand for burn-in, testing and electronic manufacturing services, resulting from tariff hikes by the US and China. Revenue for the quarter declined 16.8% Y.o.Y to RM70.9 mln.
- For FY19, cumulative net profit tumbled 84.1% Y.o.Y to RM6.3 mln. Revenue for the year fell 12.1% Y.o.Y to RM307.4 mln. A final dividend of 6.0 sen per share was declared. (The Edge Daily)
- **Perisai Petroleum Teknologi Bhd** has issued a notice to Emas Offshore (M) Sdn Bhd (EOM) to terminate a charter agreement with immediate effect. Perisai gave a 14-day notice to EOM notifying the charter agreement would be deemed terminated unless full payment of an outstanding sum of US\$3.2 mln (RM13.6 mln) was received from EOM. It proceeded to issue the letter of termination as the company did not receive any response from EOM. (The Edge Daily)

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