midf INVESTMENT

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27 March 2024

MALAYSIA EQUITY

Awaiting the Cuts

2QCY24 MARKET OUTLOOK

KINDLY REFER TO THE LAST PAGE OF THIS PUBLICATION FOR IMPORTANT DISCLOSURES

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EXECUTIVE SUMMARY

1QCY24 IN BRIEF

- Much of the discussion in 1QCY24 has revolved around the timing of the first-rate cut by the US Fed.
- Hopes were dashed on an early rate cut but on the bright side, it seems that 3 rate cuts are still in the cards. We maintain our expectation that the US Fed will begin cutting rates in 2HCY24.
- Markets remain buoyed by the rate cut expectation. Average price returns of the main regional indices that we tracked are +7.7% for 1QCY24 (vs. +5.2% for 1QCY23). The FBM KLCI also saw gains thus far this year of +5.7%.
- Utilities, Construction and Property sectors have outperformed in 1QCY24.
- The start of the year saw encouraging foreign funds net inflow into Bursa Malaysia. However, there was a reversal of RM2.4b in March, leading to a net outflow position for this year.
- Nevertheless, we are sanguine on the prospect of foreigners returning to our market with the expected strengthening of the Ringgit being one catalyst.

AWAITING THE CUTS

- Growth for the global economy in 2024 is expected to maintain the pace of growth more or less similar to last year's.
- Inflationary pressures globally have moderated from the post-pandemic multi-year highs.
- Central banks in the advanced economies will likely shift towards policy easing to reduce the level of policy restrictiveness on the economy as inflation continues to moderate.
- The resilience in the US economy has led to upward revision to the 2024 GDP forecast despite higher interest rates.
- Moving into 2024, the economy is set run by two engines; (i) resilient domestic demand, and (ii) external trade recovery.
- We maintain our expectation of Malaysia's GDP growth rate at +4.7%.

FBM KLCI 2024 TARGET AT 1,665

- Going forward, we foresee a situation whereby the world's equity market would remain generally bullish principally due to (i) the possible onset of US Fed interest rate cuts and buttressed by, (ii) resilient macro/earnings growth. Moreover, the prospect of a stronger Ringgit vis-à-vis US Dollar would attract returning inflow of foreign funds hence provide a necessary fillip to the local equity market.
- On the flip side, we advise investors to tread cautiously and be wary of the lingering risk of US recession as signalled by several empirically potent indicators, as well as the unsettling situation in Ukraine and Palestine which could escalate rather drastically.
- We maintain our FBM KLCI 2024 target at 1,665 points pegged at PER of 14.6x.
- We maintain our FBM Hijrah 2024 target at 13,450 points pegged at PER of 20.6x.
- We maintain our FBM70 2024 target at 16,890 points pegged at PER of 17.2x.

27 March 2024

KLCI (26/3/2024) : 1,538.42
2024 TARGET : 1,665.00

SECTOR VIEW

POSITIVE	
Construction	Healthcare
Oil & Gas	Property
REITs	Transportation
NEUTRAL	
Automotive	Banking
Consumer	Gloves
Plantation	Power
Technology	Telecommunication

TOP BUYS

STOCK	Target Price (RM)	Total Return (%)
Tasco	1.30	62.2%
Sunview	0.88	30.4%
KPJ	2.30	23.2%
Westports	4.30	16.7%
Samaiden	1.62	16.5%
Petronas Gas	19.37	15.0%
IJM Corp.	2.57	12.8%
Matrix Concepts	1.91	12.7%
Mah Sing	1.23	11.3%
Deleum	1.46	11.1%

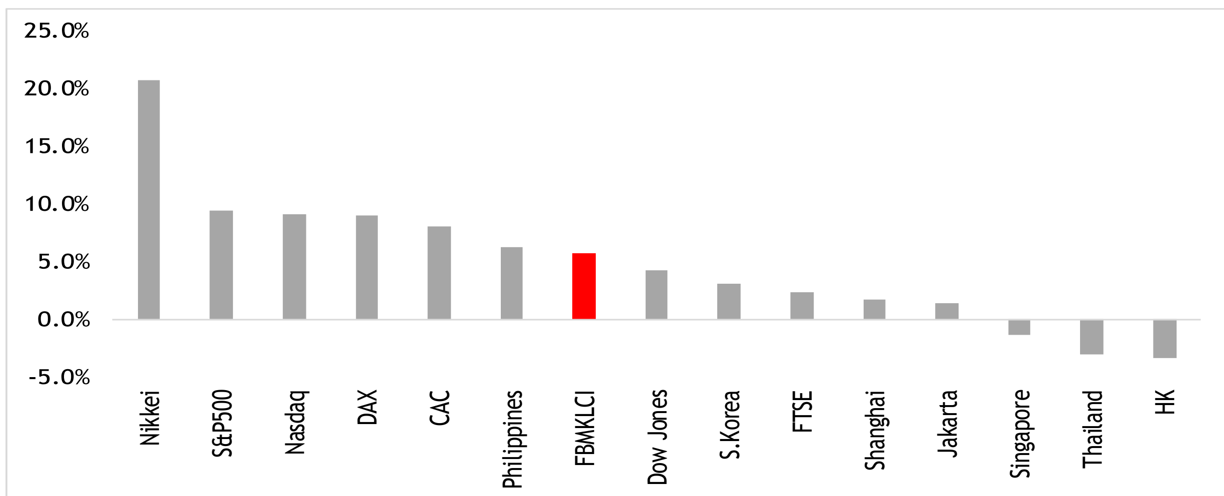
A. MARKET PERFORMANCE

I. MARKET PERFORMANCE

Waiting for the US rate cuts. Much of the discussion in 1QCY24 has revolved around the timing of the first-rate cuts by the US Fed. The wave of optimism was such that some initially expected the US Fed would deliver its first cut as early as the end of January or in March. However, stubborn inflation, sticky labour market numbers, and the FOMC statement dashed hopes of an early rate cut. On the bright side, it seems from the FOMC dot plot, 3 rate cuts are still on the cards. We maintain our expectation that the US Fed will begin cutting rates in 2HCY24.

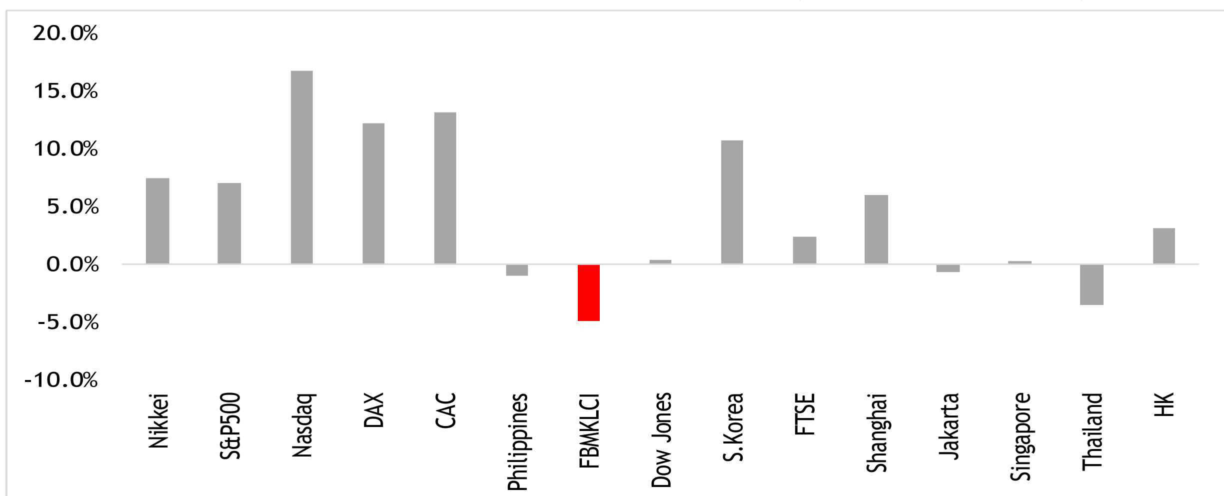
Markets overall buoyed by rate cut expectations. While the US Fed may have disappointed some with no early rate cuts, we observed that the market remains buoyed by the rate cut expectation. More regional indices are showing positive returns and the average price returns of the main regional indices that we tracked is +7.7% for 1QCY24 (as of 25 March 2024). Comparatively, it was +5.2% for 1QCY23. The FBM KLCI also saw gains thus far this year of +5.7%. We expect that sentiments will increase in positivity closer to the actual cuts, and this will boost markets further.

Chart 1: Comparison of Performance of FBM KLCI and Regional Peers (YTD as of 25 March 2024)



Source: Bloomberg, MIDFR

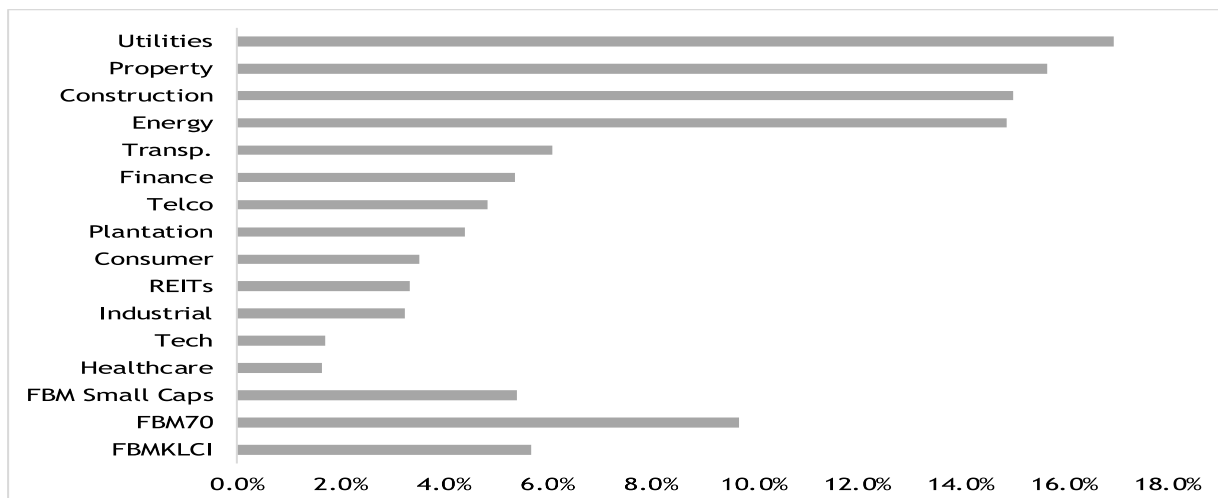
Chart 2: Comparison of Performance of FBM KLCI and Regional Peers (YTD as of 31 March 2023)



Source: Bloomberg, MIDFR

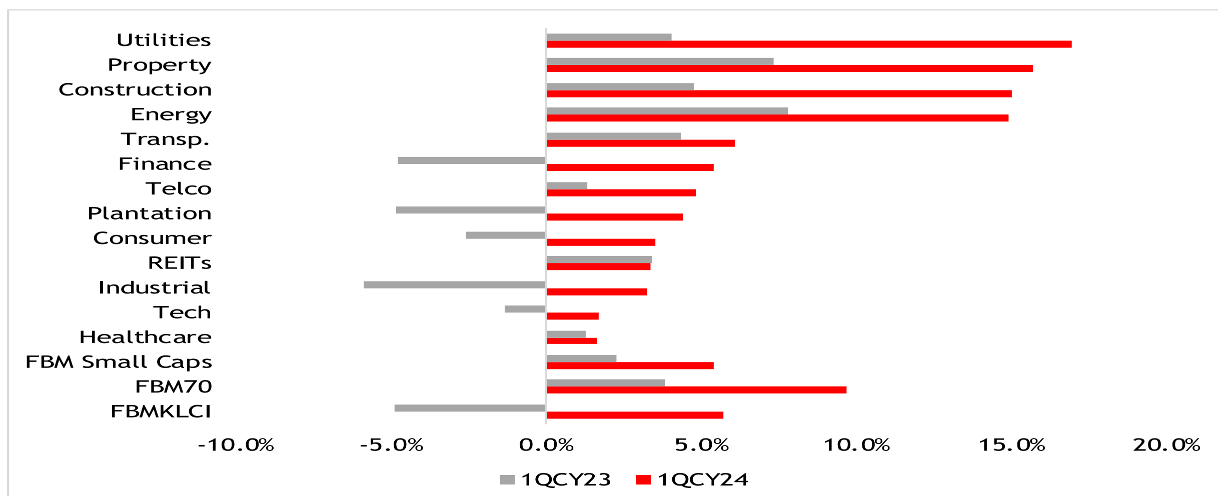
Our sectoral theme performing well thus far. Recall in our 2024 outlook, "Cruising Along", we have recommended the Utilities (POWER), Construction and Property sectors as themes for 2024. These sectors have outperformed in 1QCY24 whereby the year-to-date returns for the BM Utilities Index, BM Properties Index and BM Construction Index were +16.9%, +15.7% and +15.0% respectively. However, we should also note that other sectors also performed well in 1QCY24 as there were no negative returns registered.

Chart 3: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 25 March 2024)



Source: Bloomberg, MIDFR

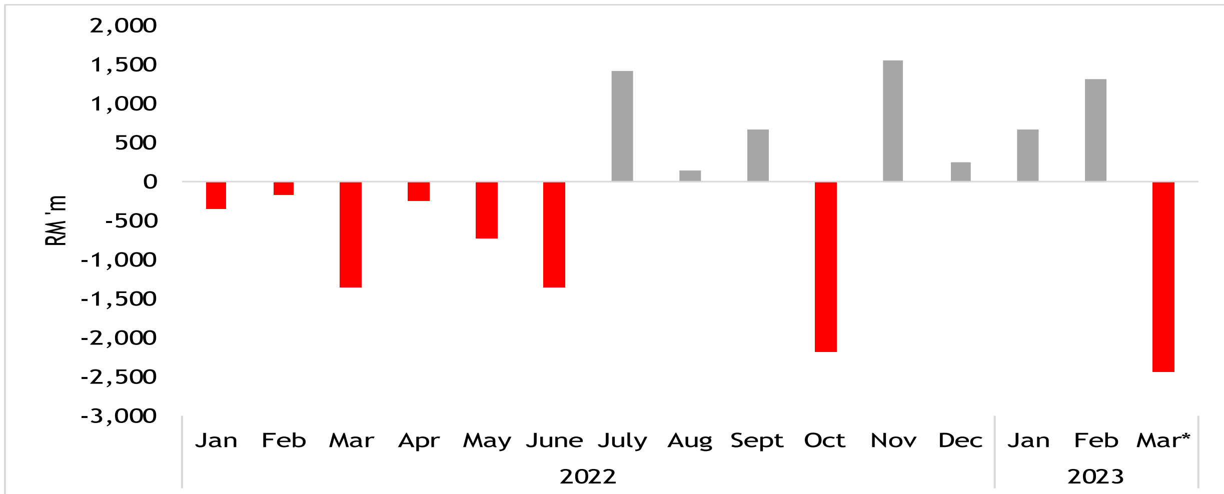
Chart 4: Comparison of Quarterly Performance of Bursa Malaysia Sectoral Indices (YTD as at 25 March 2024)



Source: Bloomberg, MIDFR

Potential for continuation into 2QCY24. We expect that this outperformance may continue going into 2QCY24. This is because a few of the catalysts for the construction sector have yet to manifest. In addition, we observe that the fundamentals for the property sector continue to improve. As for the oil & gas sector, the stable Brent oil price may entail more capex which would be supportive for the sector.

Chart 5: Monthly Foreign Fund Flows into Bursa Malaysia (YTD as at 25 March 2024)

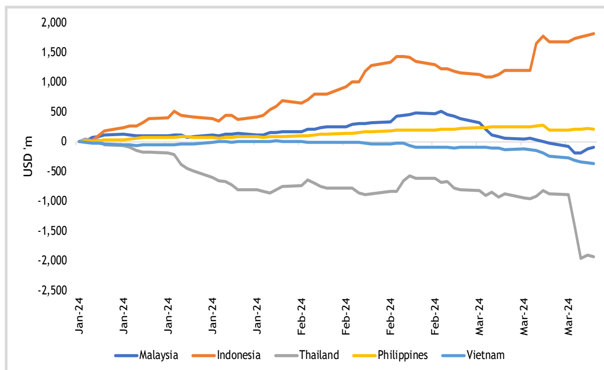


Source: Bloomberg, MIDFR

Reversal in fund flows in March. The start of the year saw encouraging foreign funds net inflow into Bursa Malaysia. It registered RM2.0b in total for the January to February period. However, at the time of writing, there was a reversal of RM2.4b in March, leading to a net outflow position for this year. This could be due to the dashed optimism of an early US rate cut, or simply profit-taking. Bear in mind that foreign funds turned net buyers in Bursa Malaysia from November 2023. Having said that, we are sanguine on the prospect of foreigners returning to our market with the expected strengthening of the Ringgit being one catalyst.

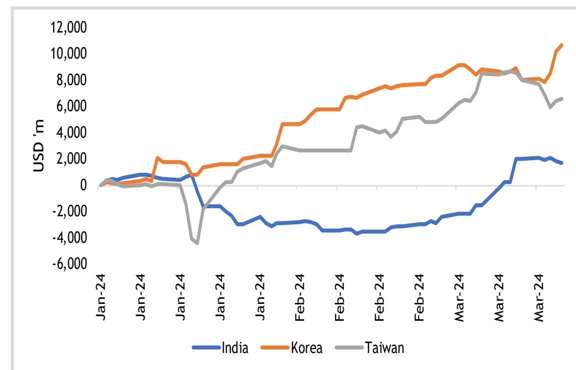
But not all markets see outflows. While Malaysia may have seen a slight net outflow thus far (due to outflows in March), in general, foreign funds have been net buyers of the 8 markets that we track. Current favourites are South Korea and Taiwan, largely due to the AI craze and advanced chips. In ASEAN, Indonesia continues to see net inflows.

Chart 6: Cumulative Foreign Fund Flows into ASEAN 5 (YTD as at 22 March 2024)



Source: Bloomberg, Bursa Malaysia, MIDFR

Chart 7: Cumulative Foreign Fund Flows into Advanced Asian Markets (YTD as at 15 March 2024)



Source: Bloomberg, MIDFR

Temperature rising in geopolitics – increase in one downside risk. While the markets seem in a buoyant mood, we should not forget the downside risks. Geopolitics, which we flag as one of two downside risks for 2024, seems to have seen its temperature rising lately. Conflict in the Middle East continues with some escalation. Meanwhile, there have been further escalation or talks of further escalation by members of NATO in the Ukraine-Russia conflict. The situation continues to be precarious but very difficult to predict.

Ultimately, it is a waiting game for now. Despite the rise in downside risk stemming from geopolitics, we maintain our cautiously optimistic stance for the market. We believe that the delivery of the US rate cuts will provide a boost to the market by lowering the cost of capital, while earnings are expected to be stable given better GDP growth for Malaysia is expected this year. All in all, we will be waiting for the cuts.

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II. MACRO ECONOMIC OUTLOOK

GLOBAL ECONOMY: GROWTH TO REMAIN BELOW TREND IN 2024

Growth to remain below trend. The world economy is projected to maintain the pace of growth more or less similar to last year's, with the IMF forecasting the global growth to remain below-trend at +3.1% this year (2023: +3.1%). Although the aggressive policy tightening puts a constraint on the prospects of growth, especially for the advanced economies, the US growth outlook was recently upgraded as resilience in consumer spending and the job market is expected to support the economy to grow at normal levels. For developing economies, a sustained rise in domestic demand would remain as the anchor for economic growth. Moreover, growth prospects are expected to be more encouraging this year especially for trading nations, benefiting from the pick-up in global production and international trade activities. In particular, global semiconductor sales and regional trade activities have begun to recover and improve since 2HCY23. For 2025, the world economy could experience marginally stronger growth at +3.2% as predicted by the IMF due to a better growth outlook in the advanced countries vis-à-vis sustained growth in the developing economies.

Table 1: GDP Growth Forecast for Selected Economies

	2020	2021	2022	2023f	2024f	2025f
World	**(2.8)**	**6.3**	**3.5**	**3.1**	**3.1**	**3.2**
Advanced Economies	(4.2)	5.6	2.6	1.6	1.5	1.8
USA	(2.2)	5.8	1.9	2.5	2.1	1.7
Euro Area	(6.1)	5.6	3.3	0.5	0.9	1.7
Japan	(4.3)	2.1	1.0	1.9	0.9	0.8
UK	(10.4)	8.7	4.1	0.5	0.6	1.6
Singapore	(4.1)	7.6	3.7	1.0	2.1	2.5
Developing Economies	(1.7)	6.9	4.1	4.1	4.1	4.2
China	2.2	8.5	3.0	5.2	4.6	4.1
India	(5.8)	9.1	7.2	6.7	6.5	6.5
Indonesia	(2.1)	3.7	5.3	5.0	5.0	5.0
Thailand	(6.2)	1.5	2.6	2.5	4.4	2.0
Philippines	(9.6)	5.7	7.6	5.3	6.0	6.1
Vietnam	2.9	2.6	8.0	4.7	5.8	6.9

Source: IMF, National Sources, MIDFR

Global inflation is under control as demand pressures eased. Inflationary pressures globally have moderated from the post-pandemic multi-year highs, which had led central banks to tight monetary policy in the past years. The moderating inflation can be due to the easing cost pressures following correction in commodity prices on the back of improvement in the supply conditions. Demand pressures on prices also subsided as reflected in the slowing core inflation for many economies. This shows that policy tightening has effectively constrained demand, limiting the upward price pressures from strong economic growth as the world recovers from the pandemic-induced slowdown. Nevertheless, there is an upside risk as

inflation remained elevated for several economies. Energy prices, for example, could spike up again from the uncertainties following the geopolitical tension in the Middle East and changes in production quotas by the energy producers. Food inflation will also remain a source of concern for consumers as food supply may be constrained by adverse weather conditions and rising production costs as prices for certain food crops remain high and above the pre-pandemic levels. As demand is seen stable and likely slowing as a result of policy tightening, we believe the major source of risks to the inflation outlook will mainly come from supply shocks, such as disruptions from escalating geopolitical tensions and the introduction of protectionist policies.

Major central banks to ease monetary policy except BOJ. Central banks in the advanced economies will likely shift towards policy easing to reduce the level of policy restrictiveness on the economy as inflation continues to moderate. There is a balancing act to support the economy because concerns are building, keeping the high interest rates for too long could cause a sharp slowdown in final demand and this may lead to larger rate cuts, which may take time to be fully priced in by the economy. The Bank of Japan is an exception as it finally announced the end of its negative interest rate policy and the yield curve control as inflation in Japan remained at multi-year highs. For developing countries, monetary authorities are expected to keep respective benchmark interest rates steady at normal levels as the existing setting of monetary policy is not overly restrictive as compared to the advanced economies. With inflation concerns subsiding, the policy emphasis in most countries will focus on ensuring economic growth to be sustainable going forward. Although a sharp and significant demand slowdown is not part of our baseline assumptions, central banks have the policy space to cut interest rates to stimulate stronger economic activities. On the back of narrowing interest differentials with major central banks to adopt rate cuts this year, we foresee there will be a shift in global funds flowing to EM markets, and this will be supportive to other currencies to appreciate, gaining from the lower demand for US dollars.

Table 2: Central Bank Policy Rate by Selected Economies (%, End-Period)

	2020	2021	2022	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
Malaysia	1.75	1.75	2.75	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	3.75	3.50	5.50	6.00	6.00	6.00	6.00	6.00	6.00
Philippines	2.00	2.00	5.50	6.50	6.50	6.50	6.50	6.50	6.50
Thailand	0.50	0.50	1.25	2.50	2.50	2.50	2.50	2.50	2.50
Vietnam	4.00	4.00	6.00	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	0.50	1.00	3.25	3.50	3.50	3.50	3.50	3.50	3.50
India	4.00	4.00	6.25	6.50	6.50	6.50	6.50	6.50	6.50
Japan	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	-0.10	0.00-0.10
UK	0.10	0.25	3.50	5.25	5.25	5.25	5.25	5.25	5.25
Euro area	0.00	0.00	2.50	4.50	4.50	4.50	4.50	4.50	4.50
USA	0.00-0.25	0.00-0.25	4.25-4.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50

Source: Macrobond, MIDFR

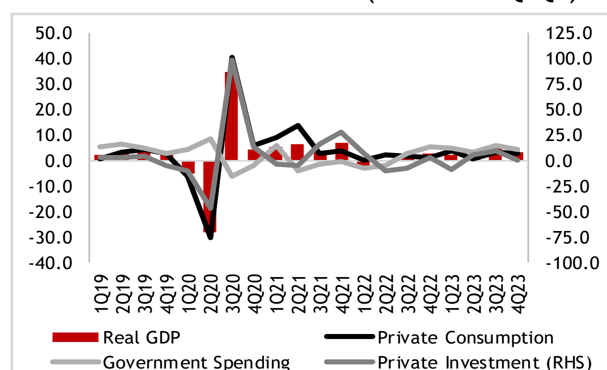
Changes in the global political landscape could influence future policy direction. More than 50% of the global population will conduct elections to elect their new leaders (read **previous report**). Several key elections such as in Taiwan, Indonesia, India, the European Union, and the US could have a significant impact on the global political and economic landscape in the next five years and beyond. In Taiwan, the victory of the Democratic Progressive Party in the election in Jan-24 means the island economy's conflict with China continues. In Indonesia, with a 280m population representing roughly 3.5% of the global population, observers expect there will be policy continuity with the election of Prabowo Subianto who won the recent election in Feb-24. India, with 1.44b population or 17.8% of the world population, also will go to the polls in Apr-24. Any policy changes in these two countries are crucial for Malaysia's external trade, especially for the palm oil sector. In addition, the European Union (EU) will also have its parliament elections in Jun-24. The Ukraine-Russia war, international trade policy, immigration matters, and even the war in the Middle East are among the issues that will shape the European voting season. On another note, with Vladimir Putin securing another term after the election in Mar-24, it is expected that there would be no significant changes to the Russian approach to the conflict with Ukraine. The most awaited election that will take place this year will be the US presidential election, which will be held in Nov-24. This election may see the return of Donald Trump.

Risks constraining the global growth outlook. Several downside risks will continue to affect sentiment in the financial markets and weigh down on the global growth outlook this year. Final demand from the advanced economies could weaken as consumers struggle with rising prices and high borrowing costs. The ongoing geopolitical tension and the war in the Middle East and the potential disruption to the global energy supply could also cause global inflation to remain elevated. Furthermore, disruption to supply could also add to rising costs as countries may adopt protectionist policies to ensure sufficient local supply. This will reduce the availability of commodities for the international markets. For example, bans on exports for selected commodities (such as palm oil and rice) which were adopted previously had caused supply shortages and consequently pushed prices higher. On the flip side, policy easing may be also delayed if price pressures are elevated on the back of still resilient economic activities.

USA: GROWTH TO REMAIN AT NORMAL PACE AS FED SHIFTS TO RATE CUTS

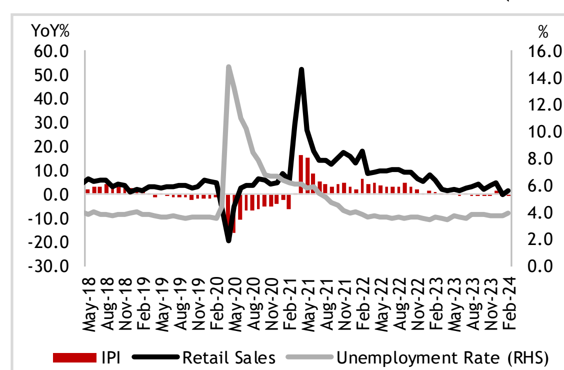
Resilient economy coping with high-interest rates. The resilience in the US economy has led to an upward revision to the 2024 GDP forecast. The IMF revised upward its projection of US GDP growth, anticipating the US economy to grow at a normal level of +2.1% this year albeit moderating from +2.5% expansion in 2023. Anchored by the rise in consumer spending, the US economy continued to grow at annualised +3.2%qoq, albeit softer than the robust growth in the previous quarter (3QCY23: +4.9%qoq). Despite the high interest rates, consumers continued to increase spending, supported by rising wages on the back of still-tight labour market conditions. The upgrade to the US growth projection from +1.4% previously suggests the US economy will likely be able to withstand the restrictive monetary policy. In other words, with no more concerns over the risk of a hard landing (or sharp recession), the US economy could even avoid a soft landing with the pace of growth in 2024 projected to be at around historical trends. Despite concerns over the effect of aggressive policy tightening on the economy, the job market has remained resilient; on balance, there is still excess labour demand in the US despite the number of vacancies has declined from the peak in early 2022. Moreover, recovery in trade and production activities as well as rebuilding of inventories will be factors that will drive the US business activities this year.

Chart 8: USA: Real GDP Growth (Annualised QoQ%)



Source: Macrobond, MIDFR

Chart 9: USA: Selected Economic Indicators (YoY%)



Source: Macrobond, MIDFR

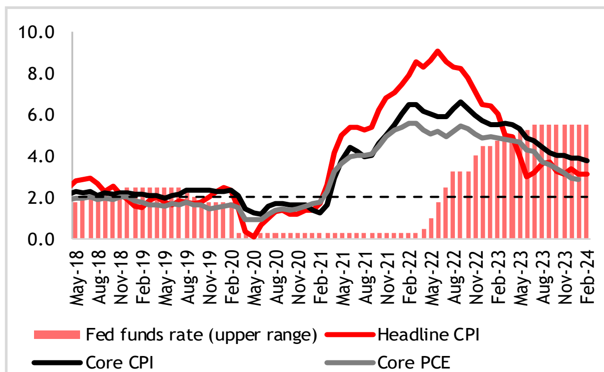
Pockets of the economy have been hit by the policy tightening... The US housing market reported slower sales as demand for houses was negatively impacted by the high mortgage rates. With the increase in borrowing costs, the delinquency rates especially for consumer loans and credit cards have been on the rise and reached decade highs as of 4QCY23. This shows more American borrowers increasingly struggled to cope with their financial burdens. In addition, spending activities for millions of Americans could be constrained this year as they resume repayment of their federal student loans since Oct-23. Savings have also depleted as consumers tapped their excess funds to cope with the rise in the cost of living and higher interest rates. Despite concerns over slowing demand, consumers in the US continued to increase spending in Feb-24, with retail sales growth strengthened to +1.5%yoy (Jan-24: 0%yoy) with increased purchases of building materials, motor vehicles, and electronic appliances. Nevertheless, the delayed effect of policy tightening would still cause demand to soften if the high-interest rates were to be maintained for a longer period.

All eyes are on inflation and the job market. The pace of inflation in the US has eased to a 2-year low with the core PCE inflation easing further to +2.8%yoy as of Jan-24. The CPI update still signaled that the demand-driven price pressures eased further in Feb-24 as the core CPI inflation moderated to +3.8%yoy (Jan-24: +3.9%yoy). Inflation remains the key focus because the Fed is adamant not to be hasty in changing the course of its policy direction. At the same time, there is concern that the US inflation would be elevated and could re-accelerate if the Fed begins to cut interest rates too soon. Apart from inflation, greater focus was given to the labour market update because the strength in the US job market has been the crucial factor supporting continued expansion in spending activities. The still-tight labour market conditions also contributed to the positive wage growth, which has been stable at around +4.3%yoy in the recent months since Oct-23 albeit not as high as the average monthly increase of +5.4%yoy recorded in 2022. Although the rate of unemployment has increased to +3.9% as of Feb-24, hiring generally remained intact as businesses held to their existing workforce after the difficult experience of recruiting employees during the early period of post-pandemic recovery. Thus far, there is no clear indication of the deterioration in the US labour market because there were no spikes in the number of claims for jobless benefits. The strength in the job market has been one of the bases for the upward revision in the US 2024 growth outlook.

Fed to cut rates this year. Despite the resilience in the US job market and the overall economy, the US Federal Reserve is expected to begin cutting its fed funds rate this year. We believe the Fed has reached the peak of its policy tightening cycle, and with inflation expected to ease further towards the Fed's 2% longer-term price stability target, there is a reduced need to maintain the ultra-high interest rates which

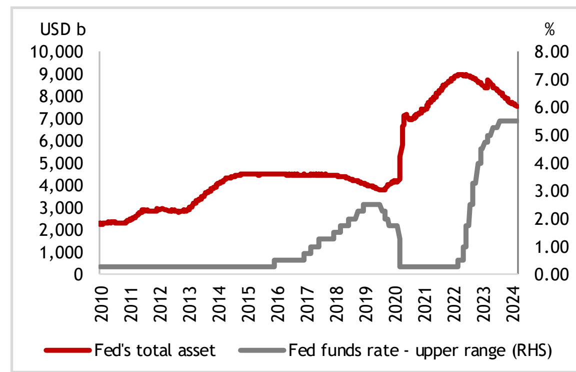
could lead to sharp economic slowdown if the tight credit policy is kept for too long. The FOMC also maintained its projection of around 3 rate cuts this year after the Mar-24 FOMC meeting, which supports market expectations that there will be rate cuts likely in 2024. We share the view that the timing of rate cuts will likely be in 2HCY24 as long as inflation continues to move lower. In other words, the fed funds rate will be maintained at the current level of 5.25-5.50% for now in 1HCY24 as inflation remains elevated. Not only the Fed is adopting a cautious approach not to cut interest rates until there is clear evidence that inflation is easing further, but the Fed could also delay its decision in adjusting its policy rate lower if inflation persistently remains elevated in the coming months. On another note, the delayed rate cuts will support prolonged strength in the US dollar.

Chart 10: USA: Inflation (YoY%) vs. Fed Funds Rate (%)



Source: Macrobond, MIDFR

Chart 11: USA: Change in Fed's Balance Sheet (USD'b)

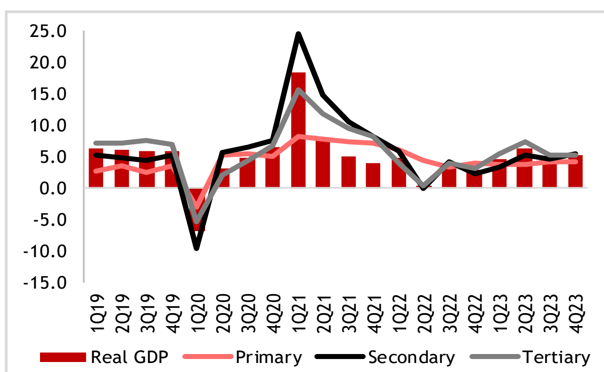


Source:Macrobond, MIDFR

CHINA: CONTINUED RECOVERY BACKED BY POLICY SUPPORT AMID CHALLENGES IN THE REAL ESTATE MARKET

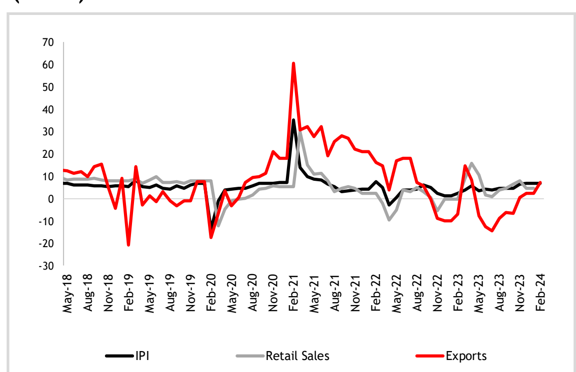
Continued recovery albeit in moderation. China's economy is expected to continue its recovery in 2024, but the growth rate according to the IMF forecast will moderate to +4.6% (2023: +5.2%). The year 2024 will see the recovery continue as last year's recovery was rather fragile despite China reopening its economy. Domestic spending remains the main driver for China's continued recovery, and business activities are expected to pick up benefiting from the recovery in international trade and manufacturing activity. Meanwhile, the services sector is also growing underpinned by the sustained rise in domestic spending. Despite concerns over slowing growth and weak sentiment in the financial market at the start of the year, the latest indicators signaled better growth in industrial production and retail spending. The government is also expected to increase spending given its target to maintain China's growth at around +5.0% this year.

Chart 12: China: Real GDP Growth (YoY%)



Source: Macrobond, MIDFR

Chart 13: China: Selected Economic Indicators (YoY%)



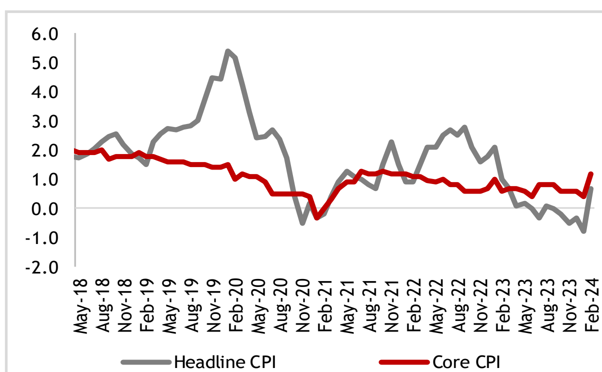
Source:Macrobond, MIDFR

Low inflation pressures amid low demand pressures. The trend in China's CPI inflation remained low, which signaled low demand pressures as well as easing food price inflation. Despite rising to +0.7%yoy in Feb-24 after 4 months of deflation, the headline CPI inflation remained much lower compared to the peak of +2.7%yoy in 3QCY22. The turnaround at least suggests a stronger demand during the Lunar New Year holiday this year. The non-food prices increased during the month, driven by higher prices of clothing, health, and education. At the same time, the deflation in food and energy prices also slowed during the month. In line with the stronger demand, the core CPI inflation also accelerated to +1.2% in Feb-24, the strongest rise in the last 2 years. Nevertheless, we opine the demand pressures are yet to strengthen as the government took actions to ease policy and provide more policy support to encourage greater spending. In other words, the low inflation provides room for the government to ease policy to support China's recovery.

Ongoing weakness in the property market. Challenges in the property market remain one of the downside risks to China's growth outlook as it affect consumer sentiment and a large portion of the economy. The problem in the property market is ongoing with the government signaling there may not be bailouts for struggling property developers. Moreover, the weak demand and sales contributed to a further decline in new home prices, which contracted faster at +1.4%yoy in Feb-24 which was the fastest fall since Jan-23.

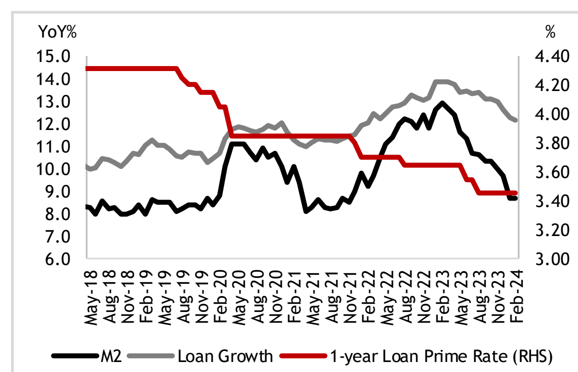
More policy support to stimulate economic growth. China's central provided additional support to the economy in 1QCY24 with the reduction in banks' required reserve ratio (RRR) by -50bps effective on 5 February 2024 and followed by a surprise -25bps cut for the 5-year loan prime rate (LPR) to 3.95%. While the RRR cut will help to boost liquidity for the banks and encourage lending to the economy, the cut for the 5-year LPR is seen as additional measures to support the property market given the 5-year LPR is used as a reference for mortgage rates. We expect there could be more policy support introduced by the government mainly to counter slowdown in the domestic spending.

Chart 14: China: CPI Inflation (YoY%)



Source: Macrobond, MIDFR

Chart 15: China: Loan and M2 Growth (YoY%) vs. 1-Year Loan Prime Rate (%)



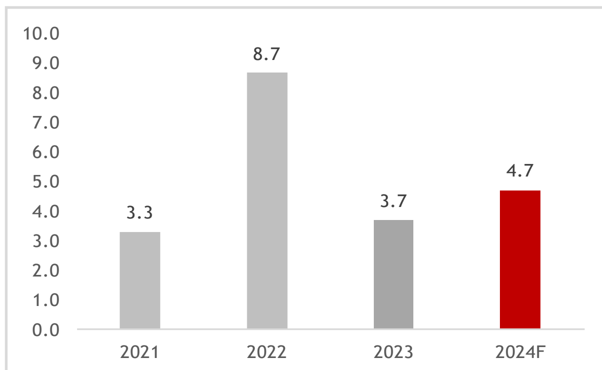
Source: Macrobond, MIDFR

MALAYSIA ECONOMY: RUNNING ON TWO ENGINES

Malaysia's GDP growth to hit +4.7%. Moving into 2024, the economy is run by two engines: (i) resilient domestic demand, and (ii) external trade recovery. The stabilisation of monetary policy in major countries, better recovery in China, and supportive global commodity prices will boost Malaysia's external front in 2024. Our in-house forecast for both commodities is RM3,600 per tonne and USD84pbd for 2024. Malaysia's agriculture and mining sectors are projected to grow by +1.5% and +3.5% respectively for this year. Manufacturing sector growth to register a faster pace of +4.0% for 2024, among others supported by an upcycle of E&E and a rebound in primary exports.

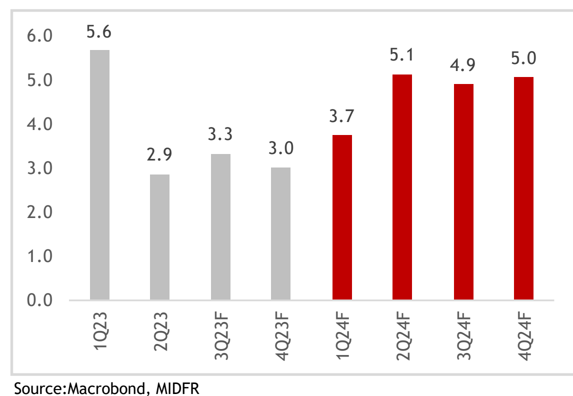
Strong fundamentals yet consumers are still cautious. We expect the domestic economy will be anchored by continuous steady consumer spending, busier tourism-related activities, and construction of infrastructure projects. The job market remains in good shape as reflected in continuous growth in employment and lower jobless rate. Even though the inflation rate is anticipated to be higher due to subsidy rationalisation efforts, real wage growth is expected to remain in positive territory. Average nominal wage growth 2011-2019 was +5.6% per annum (Average 2021-2022: +8.4% per annum). This shows that even with a theoretical inflation rate of +4.0%, real wages will register growth, hence supporting Malaysia's consumer spending. However, pessimism among consumers remains as reflected in MIER's Consumer Sentiment Index and lower e-commerce transaction trends. MIER's Consumer Sentiment Index stayed below its demarcation line of 100 points throughout 2023, reflecting a pessimistic mood. According to Grips Intelligence, the average daily e-commerce transaction value in Malaysia dropped by -59.9%yoy to USD61.9K in 2MCY24. As a comparison, the average transaction value was USD104.5K in 2019 and USD112.6K in 2023. By volume, the average daily e-commerce transaction volume dropped by -53.4%yoy to 336 units in 2MCY24 (2019: 520 units, 2023: 569 units). Henceforth, private consumption and services are expected to grow at a moderate pace of +4.8% and +5.4% respectively in 2024.

Chart 16: GDP Growth Forecast (YoY%)



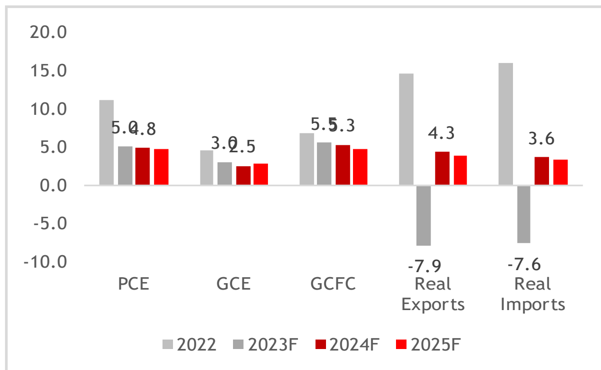
Source: Macrobond, MIDFR

Chart 17: GDP Growth Quarterly Forecast (YoY%)



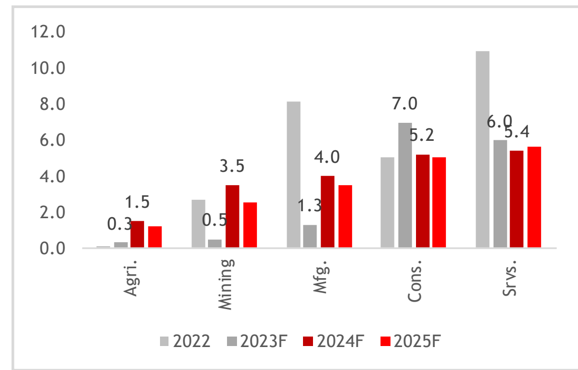
Source:Macrobond, MIDFR

Chart 18: GDP Growth by Expenditure (YoY%)



Source: Macrobond, MIDFR

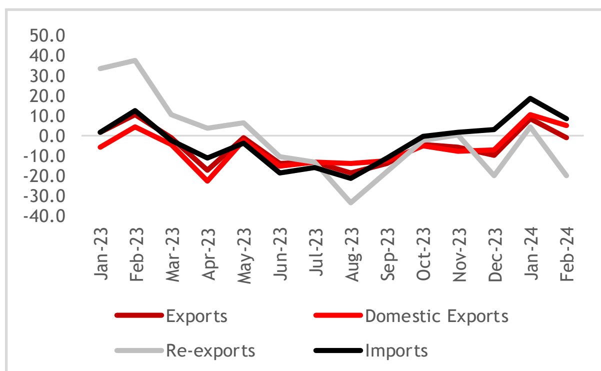
Chart 19: GDP Growth by Supply (YoY%)



Source:Macrobond, MIDFR

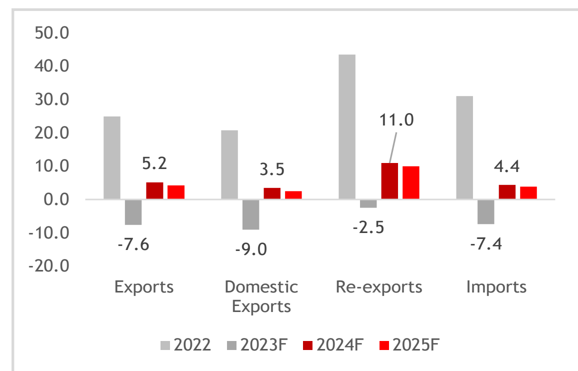
Exports growth return. The average monthly export value for 2023 was RM118.8b (2022's: RM129.2b). As of 2MCY24, the average value stood at RM116.9b, +3.9%yoy when compared to last year (2MCY23: RM112.5b). If the exports value is maintained at RM125b per month throughout 2024, Malaysia's outbound shipments growth rate can achieve +5.2%. By component, domestic exports which constitute 77.4% are predicted to grow by +3.5% while re-exports to expand stronger by +11%. Better recovery in China, stabilisation of monetary policy in major countries, and normalisation of elevated commodity prices will boost the rebound of Malaysia's external trade performances.

Chart 20: External Trade Performances (YoY%)



Source: Macrobond, MIDFR

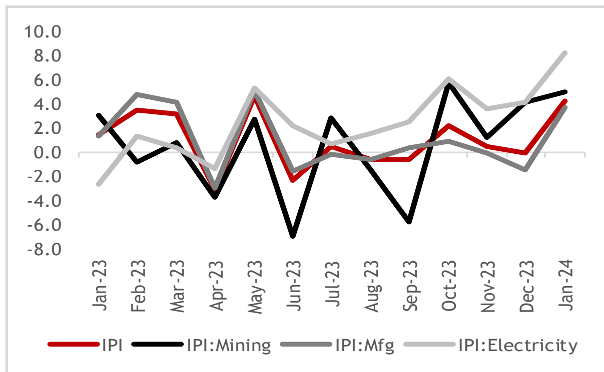
Chart 21: External Trade Forecasts (YoY%)



Source:Macrobond, MIDFR

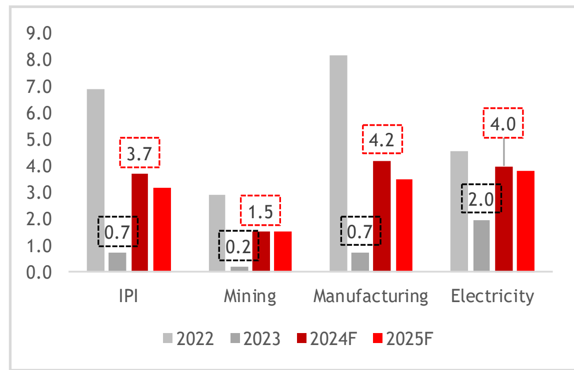
Stronger IPI growth amid export expansion. With the return of expansionary exports, manufacturing output is predicted to improve by +4.2% in 2024. Among others to be supported by better overseas sales of E&E, refined petroleum, chemicals, and medical & optical products. Apart from the manufacturing output factor, the production of electricity increased by +4.0% among others thanks to National Energy Transition Roadmap (NETR) projects. Mining output is expected to recover stronger underpinned by supportive global energy prices and higher natural gas output, especially from new and current gas fields. Mining output growth to return to expansionary, +1.5% for 2024.

Chart 22: IPI Performances (YoY%)



Source: Macrobond, MIDFR

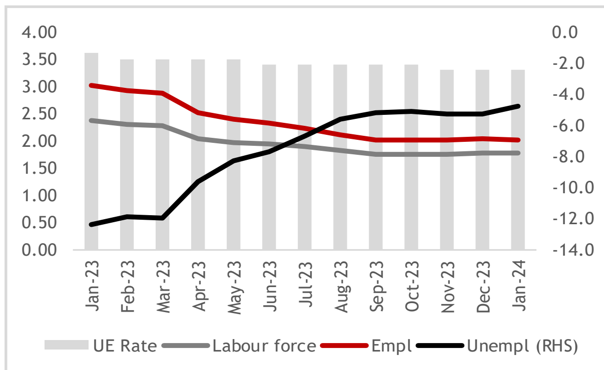
Chart 23: IPI Forecast (YoY%)



Source:Macrobond, MIDFR

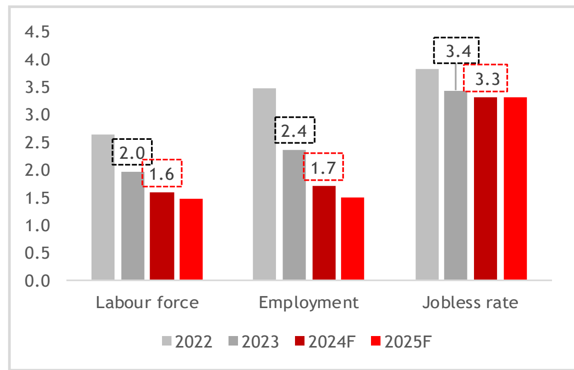
Stable and firm labour market. The labour market in Malaysia is expected to strengthen further in 2024, backed by encouraging momentum in the domestic economy and recovery in external trade. Malaysia's average unemployment rate is expected to be maintained at 3.4% in 2024. The return of non-citizen workers is expected to boost overall employment and reduce the jobless rate. As of 2023, non-citizens' employment is -2.4% lower than pre-pandemic levels. The downside risks to Malaysia's labour market among others are lower-than-expected external trade recovery and a nosedive in global commodity prices.

Chart 24: Labour Market Performances (YoY%)



Source: Macrobond, MIDFR

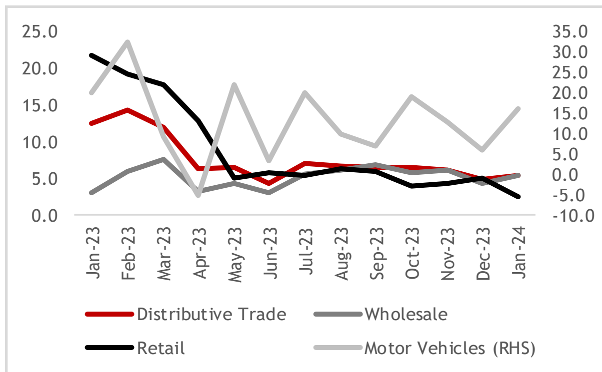
Chart 25: Labour Market Forecasts (YoY%)



Source:Macrobond, MIDFR

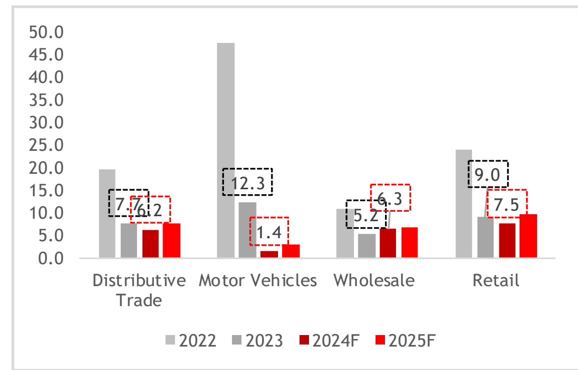
Retail trade to remain buoyant amid stronger tourism recovery. Malaysia recorded 20.1m of foreign tourist arrivals last year, 77.2% of the 2019 level. Across regions, the recovery rate of tourists from Oceania, America, and ASEAN registered at 92.3%, 84.3%, and 81.9% respectively. By country, India, and the USA among the highest rates at 91.4% and 85.0% respectively. Tourist arrivals from Japan and China were at 54.1% and 47.3% respectively of 2019-level. Moving forward, we expect foreign tourist arrivals to improve further this year, especially with the announcement of 30-day visa-free for China and India's citizens. In Jan-24, overall foreign passenger movements recorded at 86.0% of Jan-19 levels, due to persistent pick-up of ASEAN and Non-ASEAN passengers. Apart from tourism recovery, consumer demand in Malaysia remains steady underpinned by a stable job market, positive real wage growth, cash-assistance supports, and accommodative economic policies.

Chart 26: Distributive Trade Sales, DT (YoY%)



Source: Macrobond, MIDFR

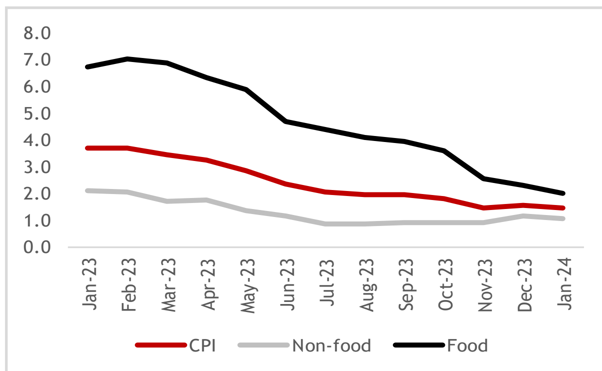
Chart 27: Distributive Trade Sales Forecasts (YoY%)



Source:Macrobond, MIDFR

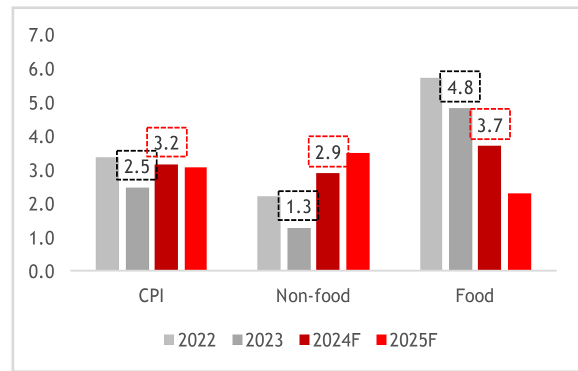
Inflation rate to hover above +3.0% as following fuel-targetted subsidy roll-out. The overall inflation rate is anticipated to come in higher at +3.2% as the fuel-targeted subsidy is to be rolled out as early as Jun-24. We speculate that the government will introduce a managed-float price mechanism for RON95 at RM2.10-2.40 per litre and provide cash handouts to those eligible as guided by the PADU database. As for Diesel, we foresee the price to be based on market price starting from Jun-24 onwards. Overall PPI is forecasted at +0.5%yoy for 2024 (2023: -1.9%). Thus, non-food inflation is set to rise by +2.9% while better domestic supply and normalised global commodity prices shall push the food inflation rate lower at +3.7% in 2024.

Chart 28: Headline Inflation Rate (YoY%)



Source: Macrobond, MIDFR

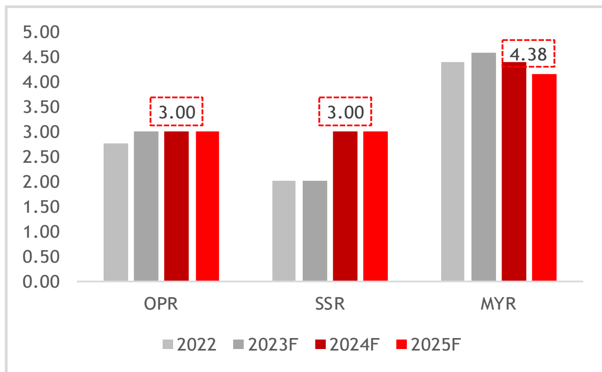
Chart 29: Inflation Forecast (YoY%)



Source:Macrobond, MIDFR

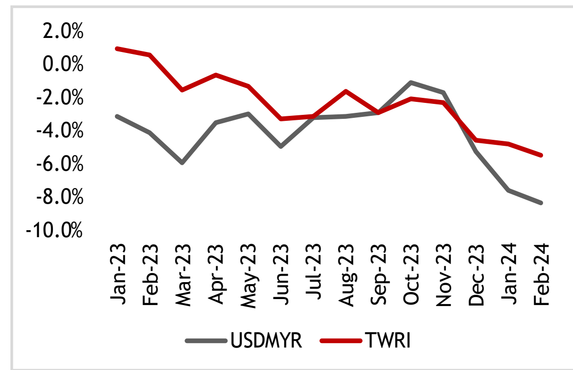
OPR to remain status quo at 3.00%, supportive and accommodative. The focus of BNM's monetary policy setting is to ensure a sustainable growth momentum in Malaysia's economy. Even though we expect external trade to recover, the external environment stays challenging in 2024 amid ongoing geopolitical tensions and potentially slower global growth. The domestic economic outlook is expected to remain vigilant and resilient underpinned by steady domestic demand. However, we believe the stabilisation of the core inflation rate and the challenging external environment may influence BNM to keep OPR at current levels throughout 2024. The decision will be subjected to the stability of economic growth, the pace of price increases, and a further improvement in macroeconomic conditions, particularly a continued recovery in the labour market and growing domestic demand. From a medium-term perspective, the policy rate normalisation is needed to avert risks that could destabilise the future economic outlook such as persistently high inflation and a further rise in household indebtedness.

Chart 30: Monetary Policy & USDMYR Forecast (%)



Source: Macrobond, MIDFR

Chart 31: Average USDMYR and TWRI (YoY%)

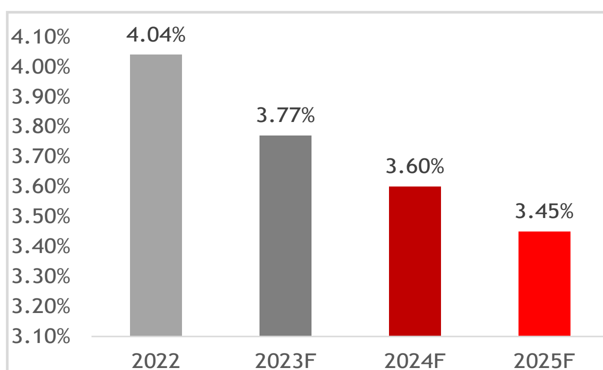


Source:Macrobond, MIDFR

The ringgit is on track to appreciate in 2024. The USD has been broadly strengthening in the first 2 months of 2024 which saw the ringgit slipping to a 26-year low of RM4.80 on 20th February 2024. The ringgit ended Feb-24 at RM4.743, -3.1% lower than year-end 2023. Against currencies of Malaysia's major trading partners, our Trade Weighted Ringgit Index (MIDF TWRI) showed that the ringgit depreciated by -1.2% from year-end 2023 to close Feb-24 at 84.26. Fundamentally, we believe that the ringgit is in a good position to strengthen in 2024 and 2025. External trade has indicated improvement and is set to rebound in 2024 while domestic demand conditions remain positive. Commodity prices are also in favour of the ringgit appreciating as crude petroleum and crude palm oil prices broadly ascend in 2MCY24. With the domestic economy maintaining its positive momentum, and status as a net exporter of commodities such as crude petroleum, LNG, and palm oil, the Ringgit is poised to benefit from favourable global commodity prices and a continued trade surplus. The Fed is expected to cut the interest rate in mid-2024 at the earliest, while BNM is expected to hold the rate steady in 2024. Hence, we foresee USDMYR to average at RM4.38 and reach RM4.20 by year-end 2024.

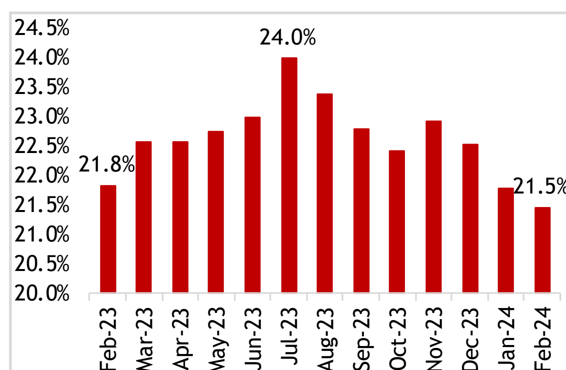
MGS to rally on reversing fund flows into the domestic bond market. The 10-year UST yield has risen +37bps higher from 2023 closing to 4.25% in Feb-23. Consequently, the 10-year MGS yield also soared +14bps to close Feb-24 at 3.87%. A series of robust US economic data have pushed expectations for the Fed's rate cut to arrive in the latter half of 2024 driving UST yields higher and triggering foreign outflow from the domestic bond market. In the 2MCY24, RM6.3b outflow was recorded from the bond market which saw foreign holdings of government bonds descend to 21.5% well under 22.5% recorded at the end of 2023. However, the interest rates outlook continued to signal for domestic bonds rally as the Fed is expected to cut the interest rate as early as mid-2024 while BNM is expected to keep the OPR status quo. The shrinking gap in interest rates is likely to attract the return of international investments into Malaysia's bond market. Moreover, the Malaysian government's commitment to improve subsidy management and fiscal prudence, along with efforts to diversify revenue sources, is seen as a positive development for government bonds. The benchmark 10-year MGS yield is anticipated to average 3.68% and close at 3.60% by the end of 2024. The upward trend in MGS is predicted to persist into 2025, driven by further rate reductions from the Fed, while the OPR remains at a steady 3.00%. In this context, the benchmark 10-year MGS yield for 2025 is expected to average at 3.55% and conclude at 3.45%.

Chart 32: MGS 10-Year Yield Forecast



Source: Bloomberg, MIDFR

Chart 33: Average % of Foreign Holdings Over Total Outstanding Government Bonds



Source: Macrobond, BNM, Bondstream, MIDFR; *10MCY23

Table 3: MIDF Research Macroeconomic Forecast Figures for 2023, 2024 & 2025

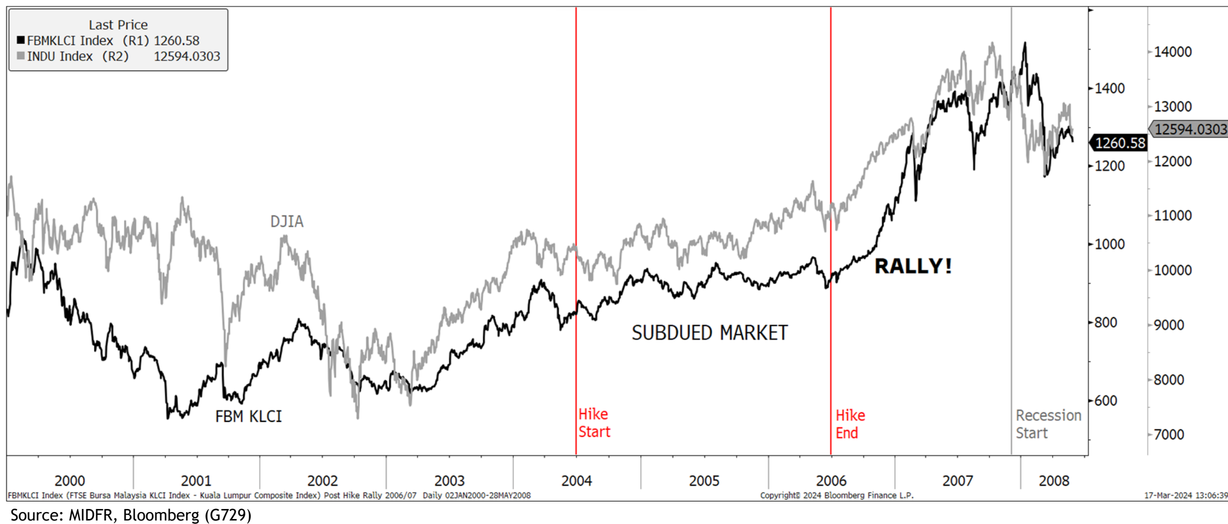
(YoY%) Unless Stated Otherwise	2022	2023f	2024f
Real GDP	8.7	3.7	4.7
Govt. Consumption	4.5	3.0	2.5
Private Consumption	11.2	5.0	4.8
Gross Fixed Capital Formation	6.8	5.5	5.3
Govt. Investment	5.3	9.0	4.5
Private Investment	7.2	7.0	5.5
Exports of goods & services;	14.5	-7.9	4.3
Goods Exports	11.1	-12.8	3.1
Services Exports	56.8	38.0	11.0
Imports of goods & services;	15.9	-7.6	3.6
Goods Imports	14.6	-13.0	2.9
Services Imports	23.9	18.0	6.4
Net Exports	-1.0	-11.3	13.8
Agriculture etc.	0.1	0.3	1.5
Mining & Quarrying	2.6	0.5	3.5
Manufacturing	8.1	1.3	4.0
Construction	5.0	7.0	5.2
Services	10.9	6.0	5.4
Exports of Goods (f.o.b)	24.9	-8.0	5.2
Imports of Goods (c.i.f)	31.0	-6.4	4.4
Current Account, % of GDP	3.1	1.2	3.7
Fiscal Balance, % of GDP	-5.6	-5.2	-4.7
Federal Government Debt, % of GDP	60.3	61.9	62.3
Unemployment Rate (%)	3.82	3.43	3.30
Headline CPI Inflation (%)	3.40	2.50	3.20
Non-Food Inflation (%)	2.20	1.30	2.90
Food Inflation (%)	5.70	4.80	3.70
Brent Crude Oil (Avg, USD per barrel	102.00	83.00	84.00
Crude Palm Oil (Avg), MYR per tonne	5262.00	3800.00	3600.00
USD/MYR (Avg)	4.40	4.56	4.38
USD/MYR (End-period)	4.42	4.45	4.20
MGS 10-Yr Yield (Avg)	4.07	3.86	3.68
MGS 10-Yr Yield (End-period)	4.04	3.77	3.60
Overnight Policy Rate (%)	2.75	3.00	3.00

Source: Macrobond, Bloomberg, MIDFR

III. MARKET OUTLOOK

Post-hike period empirically attractive for equity market... Empirically, for as long as the underlying economic performance remains favourable, the period following the end of aggressive US Fed rate hikes could prove attractive for the equity market. This is principally due to the unwinding or subsiding pressure on equity required to return as the risk of higher interest rates diminished and substituted with the possible onset of interest rate cuts.

Chart 34: DJIA and FBM KLCI: Post-hike Rally in 2006/7



Source: MIDFR, Bloomberg (G729)

...such after mid-2006... From mid-2004 to mid-2006, the US Fed undertook a series of aggressive rate hikes totaling 425 basis points (1.00% to 5.25%). Thenceforth, the equity market began to rally with the Dow Jones Industrial Average (DJIA) climbing from a 10,700-point level in July 2006 to a pre-GFC (Global Financial Crisis) record of 14,100-point level in October 2007. Domestically, the FBM KLCI was also advancing from 900 points level in July 2006 to a pre-GFC record of 1,500 points level in January 2008.

Chart 35: DJIA and FBM KLCI: Post-hike Rally in 2023/4 (Now Underway)

Source: MIDFR, Bloomberg (G730)

...and now well underway after mid-2023... In reaction to (i) no further Fed rate hike in view of easing price pressure, and (ii) underpinned by still resilient economic activities, Wall Street along with most of the world's equity markets have been gaining ground since the second half of 2023. In fact, most of the key indices of advanced market in the United States (DJIA, S&P 500, Nasdaq Composite), Europe (STOXX600, DAX, CAC40) and Asia-Pacific (Nikkei 225, TWSE, ASX200) have not only (i) recouped all the price diminution incurred during the Fed rate hike period of past 2 years, but also (ii) continued to stride higher and are now trading at all-time high levels.

...albeit at a lagging pace among emerging market indices... Comparatively, most emerging East Asian bourses are lagging behind their peers in the advanced market. While most of the emerging East Asian indices have rebounded off their recent year's low, nevertheless very few are able to recoup all the price diminution incurred during the Fed rate hike period of the past 2 years. For instance, the FBM KLCI rebounded off its 2023 low of 1,370 points and is now trading at circa 1,550 points level. However, the current level is still below the 1,610 points that prevailed prior to the onset of the Fed rate hike in March 2022.

...but foresee them playing catch-up when foreign funds rotate into the region. Despite their hitherto underperformance, we foresee the emerging East Asian bourses playing catch-up when foreign funds begin to rotate into the region. A weaker US Dollar vis-a-vis emerging East Asian market currencies including Ringgit is seen as a potential catalyst for foreign funds to enter more decisively into this region.

Three Fed rate cuts in 2024... At its March FOMC meeting, the US Fed again reiterated its earlier (December 2023) expectation of 3 rate cuts this year. Likewise, the market is anticipating an identical number of rate cuts beginning as early as June 2024.

...while OPR unchanged shall favour the Ringgit. As the BNM is expected to keep the OPR unchanged in 2024, the interest rate differential between Ringgit and the US Dollar is anticipated to decline later this year. A narrower interest rate differential is among the reasons why we have been anticipating the Ringgit to strengthen vis-à-vis the US Dollar in 2024 with USD/MYR forecasted to close the year at the 4.20 level.

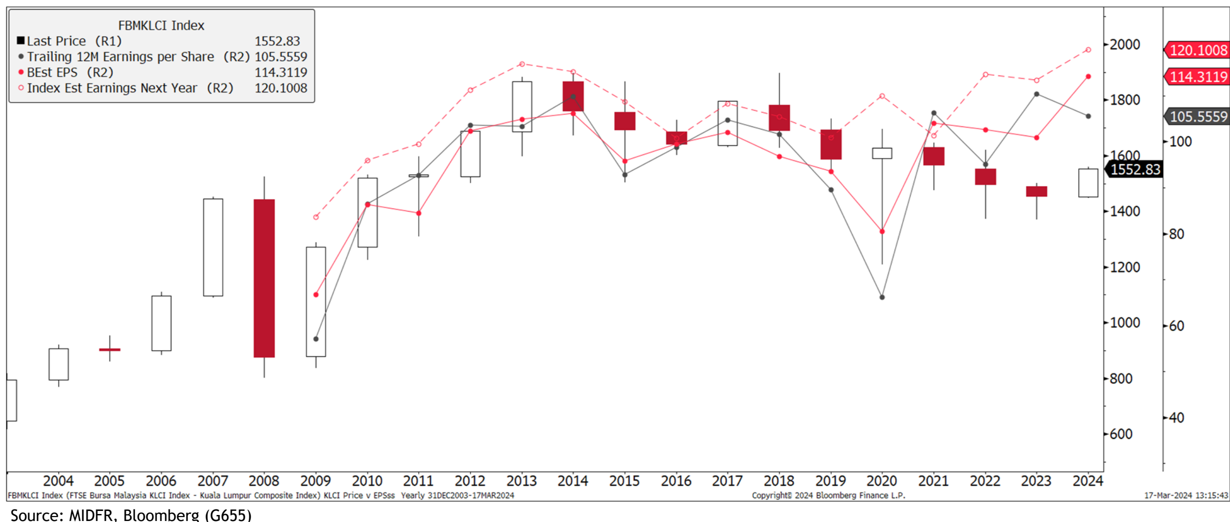
Stronger Ringgit to attract foreign fund inflows... Empirically, a stronger Ringgit would attract a net inflow of foreign funds into our equity market, and vice versa. In 1HCY23, the Ringgit depreciated -5.6% against the US Dollar, and the local equity market recorded -RM4.19b net selling by foreign funds. Conversely, in 2HCY23, the Ringgit rebounded +1.7% against the US Dollar and the local equity market registered +RM1.85b net buying by foreign funds.

...possibly as we get closer to the initial Fed rate cut. Nonetheless, our expectation of a stronger Ringgit against the US Dollar in 2024 has yet to manifest as the greenback remains strong against most currencies. Year-to-date (until 18 March), the Ringgit depreciated 2.5% against the US Dollar and the local equity market recorded RM126m net selling by foreign funds. The hitherto strong US Dollar could be attributable to the possibility of the US Fed keeping interest rates higher for longer. However, as earlier stated, the US Fed recently reiterated its expectation of 3 rate cuts in 2024 and the market anticipates the initial cut to happen as early as June this year. Therefore, we can expect the Ringgit to strengthen while the US Dollar progressively loses its upward momentum as we get closer to the initial Fed rate cut. Likewise, we can also expect the net return of foreign funds into our equity market as early as the second quarter of this year attracted by the strengthening Ringgit and supported by Malaysia's favourable macro and corporate earnings prospects.

Macro and earnings growth are expected to continue in the US as well as locally... For the past two

years, the US economy confounded many naysayers as it has shown great resiliency amidst elevated price pressure and a sharp rise in interest rates. In view of this seemingly enduring strength, the US Fed recently revised its GDP growth projection and is now expecting the US economy to grow slightly more than 2% this year. Locally, we expect Malaysia's economy to benefit from the recovery in external trade with 4.7% growth this year against 3.7% in 2023. Moreover, we expect local corporate earnings to improve going forward against the backdrop of broader (both domestic and external demands) rise in macroeconomic activities amidst declining price pressure and a stable interest rate environment.

Chart 36: FBM KLCI: Price & Earnings



Source: MIDFR, Bloomberg (G655)

… while China's economic conditions are not a major bane to the rest of the world. China's economy remains beleaguered by its battered property market. Having said that, we reckon the property slump is nearer to its trough as compared to 12 months ago. Meanwhile, its external trades are showing signs of recovery. Moreover, we also believe the authorities in China would always stand ready to inject when required, the necessary financial liquidity (both monetary and fiscal) to deter a broader economic fallout. Most importantly, this lifeline would also help to contain cross-border financial and economic contagions in the wider world.

But caution ahead... Domestically and externally, the prevailing growth projections for this year remain positive both at the macro and corporate earnings levels. However, we would like to be mindful of potential externally driven downside risk to the forward outlook based on time-tested signals, namely (i) the US Leading Economic Index (US LEI), and (ii) the US Treasury (UST) yield curve.

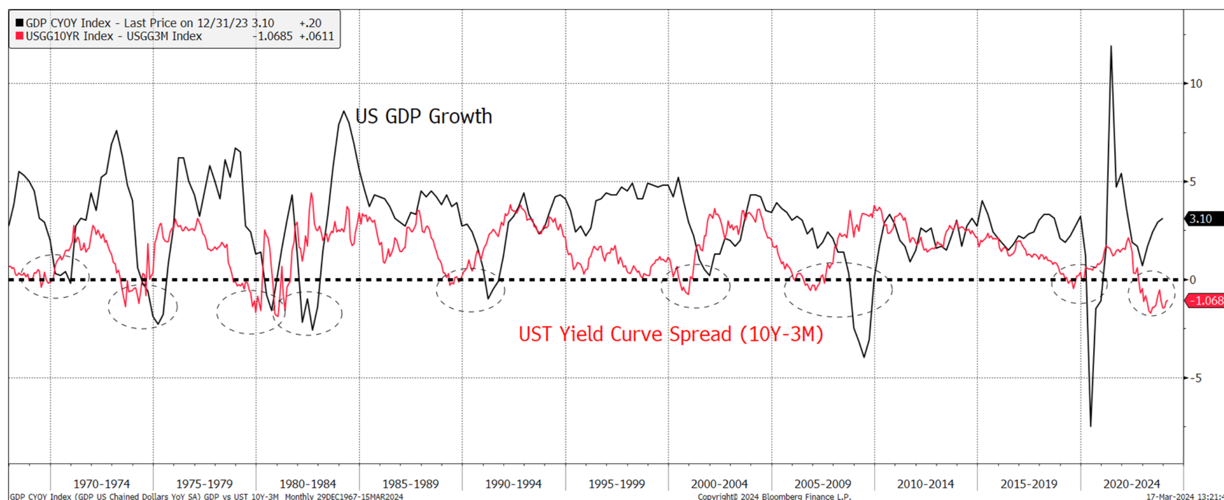
...as US LEI is in negative territory... The baseline consensus expectation points toward continued expansion in US economic activities this year. However, downside risk to the anticipated economic growth is both credible and material. Notably, the US LEI has turned negative since the second half of 2022 and remains at well below zero level thenceforth. It must be highlighted that the leading index has correctly forewarned past US economic recessions such as the GFC in 2008. So, what is about to break next?

Chart 37: US LEI: A Potent Leading Signal

Source: MIDFR, Bloomberg (728)

...and inversion of the UST yield curve... The aggressiveness of the US Fed in raising the short-term policy rate has invariably resulted in a complete inversion of the bond yield curve. Looking at various long versus short maturity spreads of the UST, the last to invert was the 10-year against 3-month (10Y-3M) in late October 2022. The inversion of the 10Y-3M spread serves as a potent signal of an impending economic recession, empirically within the ensuing 1 to 2 years. It correctly predicted all US recessions since at least the early 1970s. Presently, the bond market is tacitly predicting the US economy to fall into a recession possibly by the final quarter of 2024.

Chart 38: UST 10Y-3M Spread: Harbinger of Recession



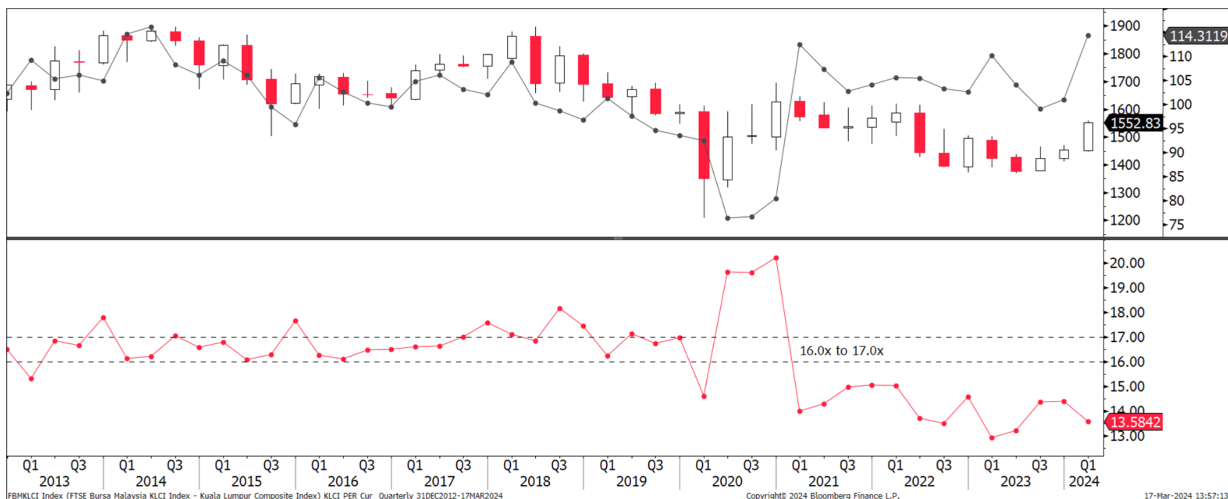
Source: MIDFR, Bloomberg (705)

...while geopolitical conflicts present limited upside but big downside risk. The ongoing Russia-Ukraine war is expected to remain as that, an invasion by Russian military forces into Ukraine territory. This conflict is not foreseen to spread to other countries in the region. Similarly, the ongoing Israel-Hamas war is also expected to largely stay as that, an invasion by Israel military forces into Gaza territory. While the conflict may spread to the West Bank or even southern Lebanon (as happened in 2006), we expect other countries in the region to refrain from being directly involved in the armed conflict. So far, both conflicts have engendered a limited impact on Malaysia's economic and corporate earnings performance thus exerting limited bearing on equity market performance. However, any major escalation that significantly broadens

the theatres of war would substantially magnify the potential fallouts to the wider world. Hence, the more prolonged the conflicts, the higher the chance that accidents could happen.

Hence, we are wary and bullish. Going forward, we foresee a situation whereby the world's equity market would remain generally bullish principally due to (i) the possible onset of US Fed interest rate cuts and buttressed by (ii) resilient macro/earnings growth. Moreover, the prospect of a stronger Ringgit vis-à-vis the US Dollar would attract a returning inflow of foreign funds hence providing a necessary fillip to the local equity market. On the flip side, we advise investors to tread cautiously and be wary of the lingering risk of US recession as signaled by several empirically potent indicators, as well as the unsettling situation in Ukraine and Palestine which could escalate rather drastically.

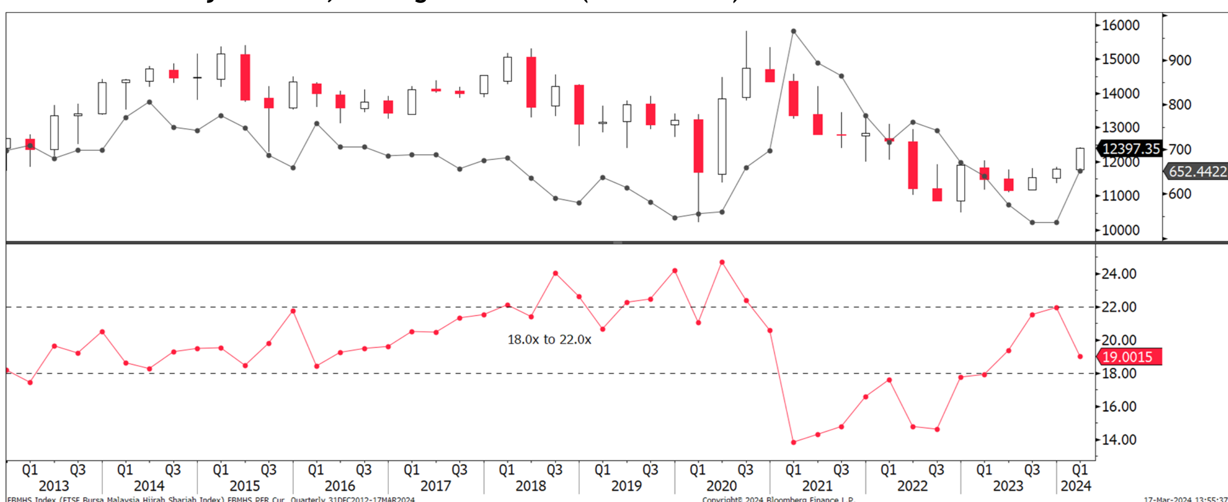
Chart 39: FBM KLCI: Price, Earnings & Valuation (Current Year) – 16.0x to 17.0x



Source: MIDFR, Bloomberg (658)

FBM KLCI target for 2024 at 1,665 points or PER24 of 14.6x. At the time of writing, the FBM KLCI is trading at 1,553 points or PER24 of 13.6x. Empirically, the FBM KLCI normally traded at between 16.0x to 17.0x current year earnings. Accordingly, the 2024 target point (based on the latest CY2024 earnings of 114.31 points) would normally range between 1,829 points to 1,943 points. Nonetheless, we foresee a limited near-term upside to equity valuation due to the limiting factors discussed above. Hence, our target valuation for FBM KLCI in 2024 is pegged at only 14.6x. We maintain our FBM KLCI target for 2024 at 1,665 points.

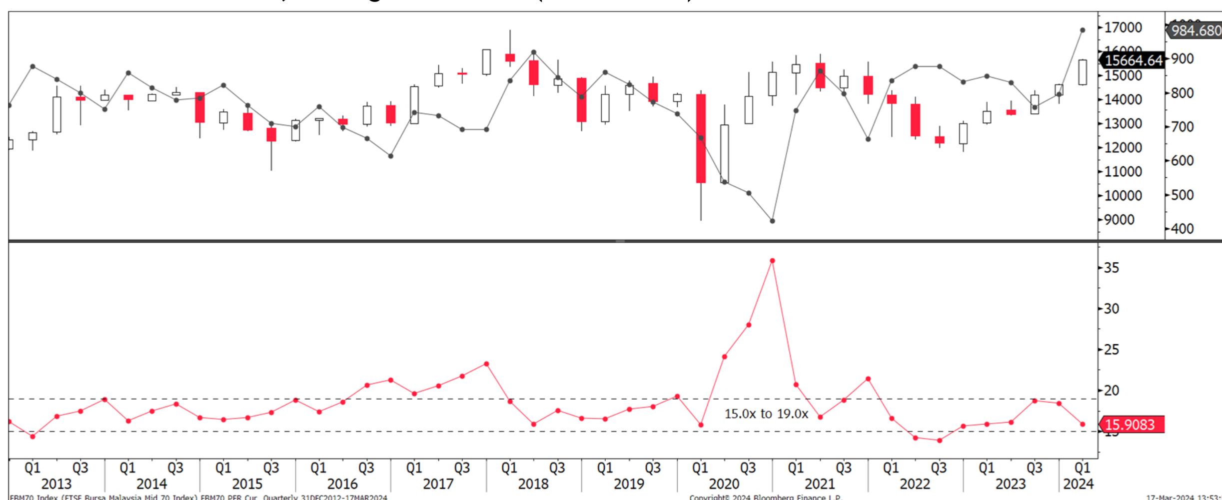
Chart 40: FBM Hijrah: Price, Earnings & Valuation (Current Year) – 18.0x to 22.0x



Source: MIDFR, Bloomberg (725)

FBM Hijrah target for 2024 at 13,450 points or PER24 of 20.6x. At the time of writing, the FBM Hijrah is trading at 12,397 points or PER24 of 19.0x. The index is trading near the lower end of its historical valuation range. Empirically, the FBM Hijrah normally traded at between 18.0x to 22.0x current year earnings. Accordingly, the 2024 target point (based on the latest CY2024 earnings of 652.44 points) would range between 11,744 points to 14,354 points. Going forward, we foresee a limited near-term upside to equity valuation due to the limiting factors discussed above. Hence, our target valuation for FBM Hijrah in 2024 is pegged at 20.6x. We maintain our FBM Hijrah target for 2024 at 13,450 points.

Chart 41: FBM70: Price, Earnings & Valuation (Current Year) – 15.0x to 19.0x



Source: MIDFR, Bloomberg (715)

FBM70 target for 2024 at 16,890 points or PER24 of 17.2. At the time of writing, the FBM70 is trading at 15,665 points or PER24 of 15.9x. The index is trading near the lower end of its historical valuation range. Empirically, the FBM70 normally traded at between 15.0x to 19.0x current year earnings. Accordingly, the 2024 target point (based on the latest CY2024 earnings of 984.68 points) would range between 14,770 points to 18,709 points. Going forward, we foresee a limited near-term upside to equity valuation due to the limiting factors discussed above. Hence, our target valuation for FBM70 in 2024 is pegged at 17.2x. We maintain our FBM70 target for 2024 at 16,890 points.

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IV. STOCK SELECTION

Waiting for the first cut. We are cautiously optimistic about the economic and equities market growth prospect for 2024, albeit at a steady pace. Now it is a waiting game for the US Fed to deliver its first rate cut as expected by the market. Of course, we are cognizant of the possibility of a delayed and reduced number of cuts or even the possibility of no rate cuts, given the uncertainty surrounding inflation. However, in both scenarios, we opine that it indicates the US economy is coming in stronger than expected, which would entail better-than-expected corporate earnings. With no talk of rate hikes, downside risk from a higher cost of capital is almost zero. Therefore, we believe that if either scenario pans out, the net effect between better earnings vis-à-vis no reduction in the cost of capital (but no increase either) will be positive for the markets.

Recovery of trade will continue to be a theme for this year. Given that we expect external trade will see a recovery this year, we opine trade-related stocks such as logistics and ports will benefit from this. Furthermore, we expect freight rates to stabilise after hitting a bottom in mid-CY23, coupled with an anticipated recovery in shipment volume due to the current affordability of freight rates.

Still the prospect of an upside in the construction sector. We maintain our view that the 12MP Mid-Term Review (12MP-MTR) has given more prominence to the construction sector. This is based on the planned DEVEX and the expectation that the government will spend circa RM90b per year for the remainder of the 12MP period. Meanwhile, we can expect further upside should there be an announcement on the rollout of large rail projects such as the MRT3, Penang LRT, and the proposed revival of the KL-Singapore High-Speed Rail (HSR).

The property continues improving. We are positive about the improving outlook for the property sector amid the downtrend in property overhang and inventory level of property companies. Besides, unchanged OPR is positive for property companies as that supports recovery in demand for property. Overall, we expect a further recovery in the property sector in 2024 as buying sentiment on property is expected to remain healthy going forward. New sales of property companies are improving which should translate into better earnings visibility going forward.

One change to sector calls. We make one change to our sector calls in this report. We downgrade the Power sector to NEUTRAL from POSITIVE. However, we should state that we continue to like the RE EPCC sub-sector where it will be a beneficiary of NETR given the massive potential for order book expansion. The summary of our sector calls is as follows;

POSITIVE: Construction, Healthcare, Property, Oil & Gas, REITs, Transportation

NEUTRAL: Automotive, Banking, Consumer, Gloves, Plantations, Power, Technology, Telecommunication

NEGATIVE: None

Top picks have fared well. Our top picks as stated in our 2024 outlook have performed well in 1QCY24. Out of our overall top picks, Shariah's top picks and FBM 70 & small-caps top picks, only one disappointed, which was D&O Green Tech. Subsequently, we have to remove Gamuda, Sunway Construction and Tenaga Nasional as the recent share price rally has minimised the total expected returns of these stocks. Below are the share price performances of our top picks in 1QCY24:

Table 4: Performance of Top Stock Picks (Rank by Price Return Since 2024 Outlook Report)

	Price (RM) @ 5/12/23	Price (RM) @ 25/3/24	Price Return
Sunway Construction	1.82	2.97	63.2%
Mah Sing	0.78	1.14	47.1%
Samaiden	1.10	1.39	26.4%
IJM Corp	1.90	2.35	23.7%
Gamuda	4.42	5.20	17.6%
Tenaga Nasional	9.97	11.50	15.3%
Matrix Concepts	1.64	1.79	9.1%
Westports	3.53	3.84	8.8%
Sunview	0.64	0.68	5.5%
D & O Green Tech	3.51	3.15	-10.3%

Source: Bloomberg, MIDFR

Table 5: Performance of Shariah Stock Picks (Rank by Price Return Since 2024 Outlook Report)

	Price (RM) @ 5/12/23	Price (RM) @ 25/3/24	Price Return
Sunway	1.91	3.55	85.9%
Sunway Construction	1.82	2.97	63.2%
Mah Sing	0.78	1.14	47.1%
IJM Corp	1.90	2.35	23.7%
Gamuda	4.42	5.20	17.6%
Tenaga Nasional	9.97	11.50	15.3%
Matrix Concepts	1.64	1.79	9.1%
Westports	3.53	3.84	8.8%
Tasco	0.79	0.82	3.8%
D & O Green Tech	3.51	3.15	-10.3%

Source: Bloomberg, MIDFR

Table 6: Performance of FBM 70 & Small-Caps Stock Picks (Rank by Price Return Since 2024

	Price (RM) @ 5/12/23	Price (RM) @ 25/3/24	Price Return
Sunway	1.91	3.55	85.9%
Mah Sing	0.78	1.14	47.1%
Samaiden	1.10	1.39	26.4%
Malayan Cement	4.21	4.99	18.5%
Gamuda	4.42	5.20	17.6%
Matrix Concepts	1.64	1.79	9.1%
Westports	3.53	3.84	8.8%
Fraser & Neave	27.64	29.50	6.7%
Tasco	0.79	0.82	3.8%
D & O Green Tech	3.51	3.15	-10.3%

Source: Bloomberg, MIDFR

Tweak in our top ten picks. We maintained much of our overall top picks as per our 2024 outlook as we believe that the theme still remains valid. However, we made some adjustments due to total returns not meeting our threshold (given the share price increase). Our overall top picks for 2QCY24 onwards are as follows:

Table 7: Overall Top Stock Picks (Rank by Total Returns)

	Rec.	Price (RM) @ 25/3	Target Price	Expected Price Return	Expected Dividend Yield	Expected Total Returns	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.82	1.30	58.5%	3.7%	62.2%	3	Y
Sunview	BUY	0.68	0.88	30.4%	0.0%	30.4%	-	-
KPJ	BUY	1.90	2.30	21.1%	2.1%	23.2%	3	Y
Westports	BUY	3.84	4.30	12.0%	4.7%	16.7%	4	Y
Samaiden	BUY	1.39	1.62	16.5%	0.0%	16.5%	-	-
Petronas Gas	BUY	17.56	19.37	10.3%	4.7%	15.0%	4	Y
IJM Corp	BUY	2.35	2.57	9.4%	3.4%	12.8%	-	-
Matrix Concepts	BUY	1.79	1.91	6.7%	6.0%	12.7%	3	Y
Mah Sing	BUY	1.14	1.23	7.9%	3.4%	11.3%	4	Y
Deleum	BUY	1.37	1.46	6.6%	4.5%	11.1%	4	Y

Source: Companies, Bursa Malaysia, FTSE, Bloomberg, MIDFR

Top ten picks amongst Shariah stocks. We also have top picks for investors looking at Shariah stocks. Below are our top ten picks among Shariah-listed stocks:

Table 8: Top Shariah Stock Picks (Rank by total return)

	Rec.	Price (RM) @ 5/12	Target Price	Expected Price Return	Expected Dividend Yield	Expected Total Returns	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.82	1.30	58.5%	3.7%	62.2%	3	Y
KKB Engineering	BUY	1.61	2.07	28.6%	4.3%	32.9%	-	-
KPJ	BUY	1.90	2.30	21.1%	2.1%	23.2%	3	Y
MISC	BUY	7.59	8.48	11.7%	5.8%	17.5%	4	Y
Westports	BUY	3.84	4.30	12.0%	4.7%	16.7%	4	Y
Petronas Gas	BUY	17.56	19.37	10.3%	4.7%	15.0%	4	Y
IJM Corp	BUY	2.35	2.57	9.4%	3.4%	12.8%	-	-
Matrix Concepts	BUY	1.79	1.91	6.7%	6.0%	12.7%	3	Y
Mah Sing	BUY	1.14	1.23	7.9%	3.4%	11.3%	4	Y
Deleum	BUY	1.37	1.46	6.6%	4.5%	11.1%	4	Y

Top ten picks amongst FBM 70 and small-cap stocks. Finally, in our opinion, it is still worthwhile for investors to look at FBM 70 and Small Caps more closely given the outperformance of the FBM 70 thus far this year. Below are our top ten picks among FBM70 and small-caps stocks:

Table 9: Top FBM 70 Stock Picks (Rank by total return)

	Rec.	Price (RM) @ 5/12	Target Price	Expected Price Return	Expected Dividend Yield	Expected Total Returns	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.82	1.30	58.5%	3.7%	62.2%	3	Y
KKB Engineering	BUY	1.61	2.07	28.6%	4.3%	32.9%	-	-
KPJ	BUY	1.90	2.30	21.1%	2.1%	23.2%	3	Y
Westports	BUY	3.84	4.30	12.0%	4.7%	16.7%	4	Y
Samaiden	BUY	1.39	1.62	16.5%	0.0%	16.5%	-	-
Fraser & Neave	BUY	29.50	33.50	13.6%	2.5%	16.1%	4	Y
Bursa Malaysia	BUY	7.37	8.00	8.5%	4.2%	12.8%	4	Y
Matrix Concepts	BUY	1.79	1.91	6.7%	6.0%	12.7%	3	Y
Mah Sing	BUY	1.14	1.23	7.9%	3.4%	11.3%	4	Y
Deleum	BUY	1.37	1.46	6.6%	4.5%	11.1%	4	Y

B. SECTORS OUTLOOK

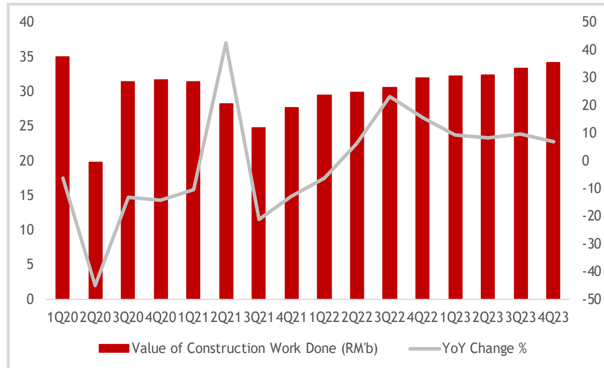
I. CONSTRUCTION

Awaiting take-off of mega projects...Maintain POSITIVE

*Analyst: **Royce** Tan Seng Hooi*

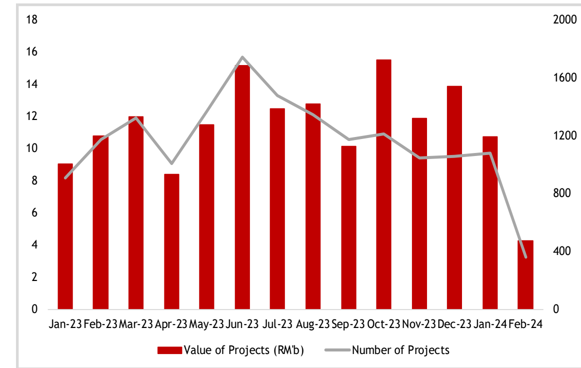
Job flows to pick up. Our economics team revised their forecasted growth for the construction sector in 2024 to +5.2%, just a slight decline from +5.4% expected initially. With the lack or rather delayed rollout of mega pump-priming projects, the construction sector is still expected to be supported by private sector jobs and previously awarded infrastructure projects such as the Pan Borneo Highway, East Coast Rail Link (ECRL), LRT3, and the RTS Link. Looking at CY23, the value of construction work done grew by +8.4%yoy to RM132.1b. For the seventh consecutive quarter, the construction sector remained on a positive trajectory, registering an increase of +6.8%yoy to RM34.1b of work done value in 4QCY23. Out of RM34.1b work done value in 4QCY23, 41.9% or equivalent to RM14.3b was in civil engineering, primarily in the construction of roads and railways (RM7.5b) and construction of utility projects (RM5.2b) activities. The value of work done for non-residential buildings and residential buildings amounted to RM9.5b (27.7%) and RM7.1b (20.9%), respectively. Meanwhile, special trade activities contributed RM3.3b (9.6%), mainly in electrical installation (RM1.1b); plumbing, heat, and air-conditioning installation (RM0.7b); and Site preparation (RM0.7b) activities. As of Feb-24, a total of 1,442 projects have been awarded in 2024, with a total value of RM15.0b. This is markedly lower than the same period in 2023 where 2,083 projects were awarded, with a total value of RM19.9b. We see this as a temporary hiccup, attributed to delays in project rollouts within the pipeline, to be boosted by job flows in the likes of Penang LRT and MRT3 contracts likely by 2HCY24. We do not expect any surprises for 2QCY24.

Chart 42: Value of Construction Work Done



Source: CIDB, MIDFR

Chart 43: Value & Volume of Contracts Awarded



Source: CIDB, MIDFR

Updates on mega projects. Reiterating from our previous outlook releases, we mentioned that the MRT3 tender validity period has been extended several times. In Dec-23, MRT Corp had sought out another three-month extension, to Mar-24, to finalise tenders for the RM50b rail development. Recall that a review was carried out on the MRT3 to bring its cost down by 10% from RM50b to RM45b. This marks the fourth extension requested by MRT Corp since the middle of last year and we do not discount the possibility of another quarter of extension for the mega rail project. Over in East Malaysia, development projects are picking up pace, with the Pan Borneo Highway in Sarawak nearing completion at 98.91% and is expected to be completed in 2024. For the Sabah portion of the highway, Phase 1A is ongoing, at 87% completion, while Phase 1B is currently in the tender process with 19 work packages, of which we believe some awards can be expected in 2Q24.

Maintain POSITIVE. We reiterate our POSITIVE stance on the construction sector, backed by a strong pipeline of development and infrastructure projects, on top of rising demand for industrial buildings such as logistics warehouses, data centres, and semiconductor foundries We expect the rollout of mega projects to be a boon to the sector and contribute to increased job flows within the coming quarters. On material costs, we see the stronger contractors being able to navigate the elevated material cost environment and maintain their margins in the coming quarters. Our preferred names in the sector are still the larger names with great balance sheet strength and overseas presence. On the back of a strong pipeline of civil projects, coupled with the strong demand for industrial buildings such as warehouses, data centres, and semiconductor plants, our top picks for the sector are Gamuda **(BUY, TP: RM5.55)** and **IJM Corp (BUY, TP: RM2.57**). We also like **Malayan Cement (BUY, TP: RM5.33)**, as it remains one of the main direct beneficiaries of the pick-up in the construction sector.

II. HEALTHCARE

Medical tourism and new drugs open better opportunity for sector...................Maintain POSITIVE

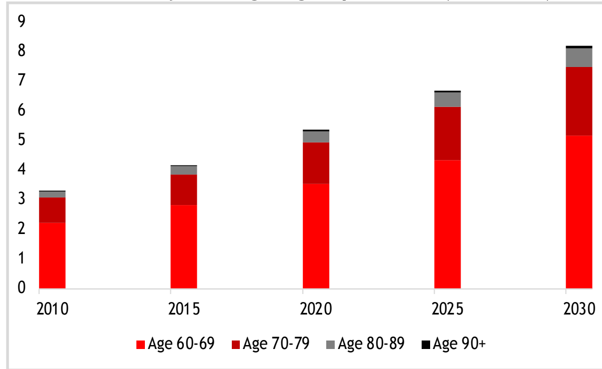
Analyst: MIDF Research Team

Fundamentals for healthcare tourism remain positive. Global healthcare is gearing up to handle the increase in communicable and non-communicable diseases (CDs and NCDs), in a post-pandemic recovery climate. NCDs in particular is becoming apparent, particularly among the aging population. As such, we believe that the growing ageing population remains a positive trend for the healthcare sector. Bed occupancy rates (BOR) and inpatient visits are expected to rise, along with the demand for pharmaceutical products to treat NCDs, CDs and rare illnesses. We reiterate our optimism for the healthcare service providers including hospitals, clinics, hospices, and specialized care institutions coming into 2QCY24, given several upside factors such as (i) the increasing demand for medical tourism, (ii) the minimised impact of long-term effects of Covid-19, (iii) the growing ageing population, and (iv) the increased governmental budget allocations for the healthcare sector. Additionally, the Malaysia Healthcare Travel Council (MHTC) targets RM2.4b in revenue from health tourism in CY24 and is expected to contribute to an economic spillover of about RM9.6b to other industries, including hospitality and transportation. - further reiterating the recovery of medical tourism in Malaysia. Despite the prevalent challenge of labour shortages, upskilling in AI technology and digitalization, and inflationary pressures on operational costs, we maintain a positive outlook for healthcare providers in the near term.

Diabetic drugs are an exciting opportunity for pharmaceuticals. In the near term, we are expecting over-the-counter and prescription medications to be in high demand following the anticipation of robust healthcare services in 2QCY24. However, a recent trend that we believe could see a pick-up is the demand for diabetic medication. According to the International Diabetes Federation, 9% (463 million) of adults worldwide have diabetes as reported in CY19. In Malaysia, the number of diabetes patients as of CY21 consisted of 20% (6.6 million) of the total population, with 33% of the total undiagnosed. The numbers are expected to rise by 13% by 2030 and 29% by 2045 if effective prevention methods are not implemented. With the higher prevalence of diabetes, we opine that the Health Minister will continue to carry out measures in accordance with the National Health Screening Initiatives (NHSI) and this drug could assist in the treatment stage. Additionally, these drugs were also commercialised as the next-generation weight-loss medication – namely glucagon-like peptide-1 (GLP-1) agonists - to treat obesity. Such diabetic drugs were initially revolutionised by Novo Nordisk and Eli Lilly, which collectively had a market capitalization exceeding USD1 trillion as of writing. We opine that the demand for diabetic drugs not only creates potential opportunities in local pharmaceutical companies that support the diabetes and obesity drug market but also medical equipment and services companies that provide critical components for these injectable medicines.

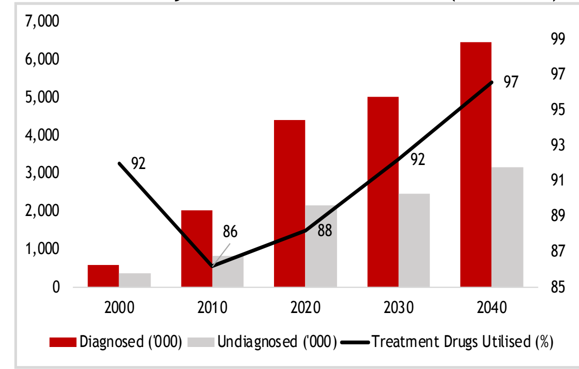
All in all, we remain optimistic for the pharmaceuticals subsector.

Chart 44: Malaysia's Ageing Population (Forecast)



Source: Macrobond, MIDFR

Chart 45: Malaysia's Diabetic Statistics (Forecast)



Source: MoH, Macrobond MIDFR

Maintain POSITIVE. We maintain a positive outlook on the healthcare sector coming into 2QCY24. However, we remain vigilant for potential disruptions from an unfavourable global economic environment, rising labour costs, higher manufacturing costs, and to a smaller extent, the ongoing geopolitical tensions. However, we believe that these risks will be balanced out in the near term by higher demand for healthcare services in tandem with the Budget 2024 incentives for the public and public healthcare sectors. Our top picks continue to be **IHH Healthcare (BUY, TP: RM7.35**) and **KPJ Healthcare (BUY, TP: RM2.30)**. We remain positive on both groups given the increasing demand for inpatient treatments, surgeries, and deliveries stemming from the ageing population, as well as its financial resilience to mitigate higher operational expenses. Additionally, we foresee a better performance for hospitals and clinics, particularly on specialist treatments, given the rise in medical tourism, additional new drugs in the market to combat NCDs and advancement in AI technology to ease the operations of healthcare services.

III. OIL & GAS

Upstream capex remains elevated amid volatile market................................Maintain POSITIVE

Analyst: MIDF Research Team

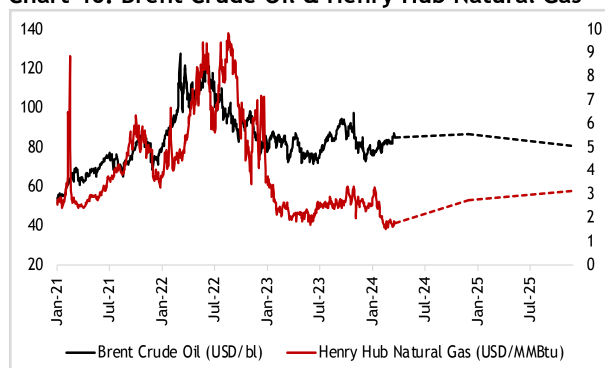
Geopolitical tension is a catalyst of uncertainty in the oil market. Recent escalations in the Middle East and Eastern Europe had caused volatility in the oil and gas market, spiking prices for a few days before stabilising back to a decent trend. In the near term, geopolitical tensions would play a significant role in the movement of oil and gas prices, as well as charter rates for tankers globally and regionally. Subsequently, we opine that this will affect the supply-demand balance with tightening oil supply vs. growing demand from the Central and East Asian regions as well as Africa and South America. At the point of writing, however, we believe an upsurge in oil and gas prices following these escalations would not occur as drastically as the first Russian invasion into Ukraine, which peaked Brent crude oil at over USD130pb.

Additionally, OPEC+'s extension of its crude oil production cuts is expected to reduce the global supply and inventory in 2QCY24. Consequently, we anticipate that the Brent crude oil spot price will average at USD84pb. Meanwhile, for Henry Hub natural gas, we expect stabilisation in 2QCY24, although lower prices are expected to remain following slight decreases in global production, at a forecasted average of USD2.13pMMBtu in 2QCY24. This decline in prices was influenced in part by reduced natural gas consumption during the winter months, following inflation in the US, which we believe has a prolonged effect on 2QCY24, despite the conclusion of the

winter heating season.

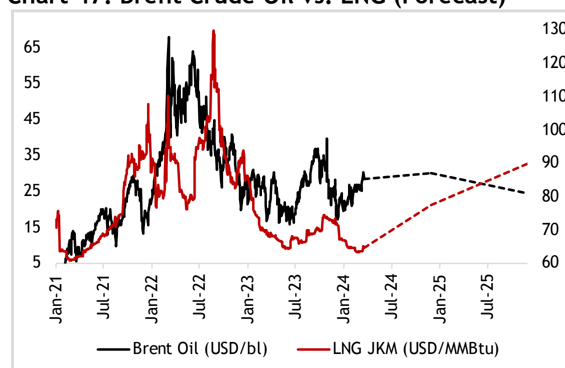
In the near term, several key catalysts are in play for the oil and gas sector, namely: (i) the lasting impact of geopolitical conflicts on energy stability, refinery activities, and transportation rates, (ii) a steady global production of oil and gas comparable to demand, despite OPEC+ production cut through June CY24, and (iii) the rising inflations impacting material prices and consumer purchasing power.

Chart 46: Brent Crude Oil & Henry Hub Natural Gas



Source: Macrobond, MIDFR

Chart 47: Brent Crude Oil vs. LNG (Forecast)



Source: Macrobond, MIDFR

Higher local capex for CY24 is expected. We anticipate another robust near-term outlook for the sector, foreseeing that upstream activities will continue to benefit our OGSE (Oil, Gas, and Energy Services), amid an announced capex of RM50b-60b by PETRONAS. However, operations are expected to be constrained to contractual projects undergoing exploration and production, as well as brownfields undergoing enhanced recovery. In addition to the upstream, part of the capex is also expected to be utilised for clean fuel and renewables initiatives by local players, particularly the ones aligned with NETR, HETR and NIMP 2030 aspirations. Meanwhile, Malaysia's demand for fuel oil and Jet A1 is expected to remain high, as domestic, and international travelling and logistics have returned to normal. Despite supply-side volatility and the call to shift to cleaner fuels, we expect conventional oil and gas consumption to remain steady in 2QCY24. However, uncertainties on petrochemicals due to increased competition with China, oversupply of feedstocks, and sluggish growth in speciality chemicals revenue are expected to remain in 2QCY24.

UPSTREAM

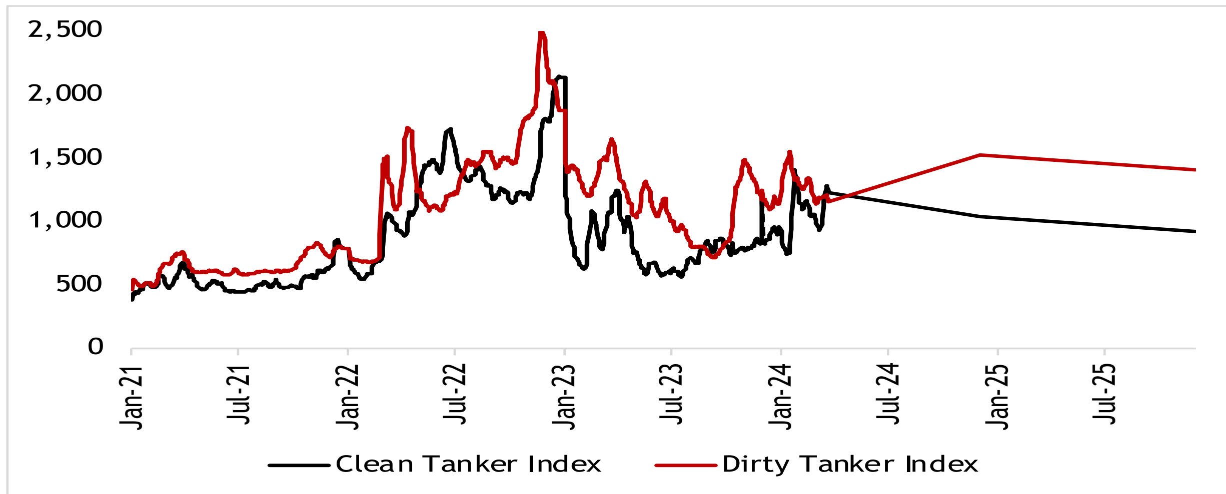
We expect that Exploration and Production (E&P) activities to remain resilient, by operating at full capacity in 2QCY24 with scheduled production, barring unforeseen shutdowns. Given consensus expectations of continued Brent oil price volatility within the range of $80-$100 per barrel in CY24 and the ongoing geopolitical tensions in Eastern Europe and the Middle East, we anticipate that the Upstream will remain stable. Consequently, we reaffirm our positive outlook on local OGSE companies involved in upstream activities. Challenges persist, however, including (i) labour shortages, (ii) project divestments to cleaner fuel, (iii) global inflationary pressures, and (iv) rise in raw material costs.

MIDSTREAM

The gradual shift towards natural gas as a cleaner energy source in Malaysia's utility sector and for LNG exports to Europe and Asia is expected to result in increasing natural gas demand surpassing crude oil demand. As such, we are expecting 2QCY24 to see strong demand for natural gas, as well as LNG shipments locally and regionally. Utilization of petroleum oil and petroleum product storage facilities is also expected to improve due to the blockade in the Red Sea that rendered storage an option for tankers in the near term. Conversely, transportation

services are likely to increase selling prices to offset inflationary pressures, freight rates, and higher raw material costs, and we are likely to see this in effect in 2QCY24.

Chart 48: Baltic Tanker Rates Index (Forecast)



Source: Macrobond, MIDFR

DOWNSTREAM

We anticipate continued strong demand for Diesel, Jet A1, and fuel oil in 2QCY24, following a rise in demand in the industrial and transportation sectors, despite calls for greater use of electric vehicles and cleaner fuels such as natural gas and hydrogen. While interest in energy transition is expected to be supported by initiatives like NETR and NIMP 2030, in the near term, we still expect significant demand for conventional fuel. Contrariwise, the petrochemical subindustry is forecasted to remain on the lower end, as supply and demand for petrochemical products are expected to stabilise in the near term, with full plant utilization expected to reach between 96-100% capacity. For petrochemicals, we opine that external risk may persist, which includes: (i) oversupply relative to slower demand for petrochemical products, (ii) higher competition with China manufacturers, and (iii) crude oil price volatility impacting the Malaysian Reference Price for petrochemical pricing.

Maintain POSITIVE. Overall, our outlook for the O&G sector in 2QCY24 remains cautiously optimistic given the risks emitted from geopolitical tensions. We reiterate our optimism on the upstream division due to its long-term contractual operations and the increased capital anticipated by PETRONAS in CY24. In the midstream segment, we anticipate continued strength in the pipeline and storage subdivisions, although marine transportation may encounter challenges such as supply chain disruptions and fluctuating charter rates tied to crude oil and LNG prices, as well as the ongoing Red Sea blockade. For the downstream sector, we expect sustained demand for industrial, commercial, and residential fuel, despite energy transition initiatives by the government and O&G players. However, the lower demand for petrochemical products will persist in 2QCY24.

Our top picks for the sector in 2QCY24 are **Deleum (BUY, TP: RM1.46)** for Upstream, **Petronas Gas (BUY, TP: RM19.37)** for Midstream and **Petronas Dagangan (BUY, TP: RM24.91)** for Downstream. For integrated, we favour **Dialog Group (BUY, TP: RM2.42)**. We like these companies for their: (i) robust order book and balance sheet in tandem with an increased capex, (ii) resilient operations amid crude oil price volatility and geopolitical tensions, and (iii) expectations of leveraging on-demand recovery for crude petroleum and petroleum products.

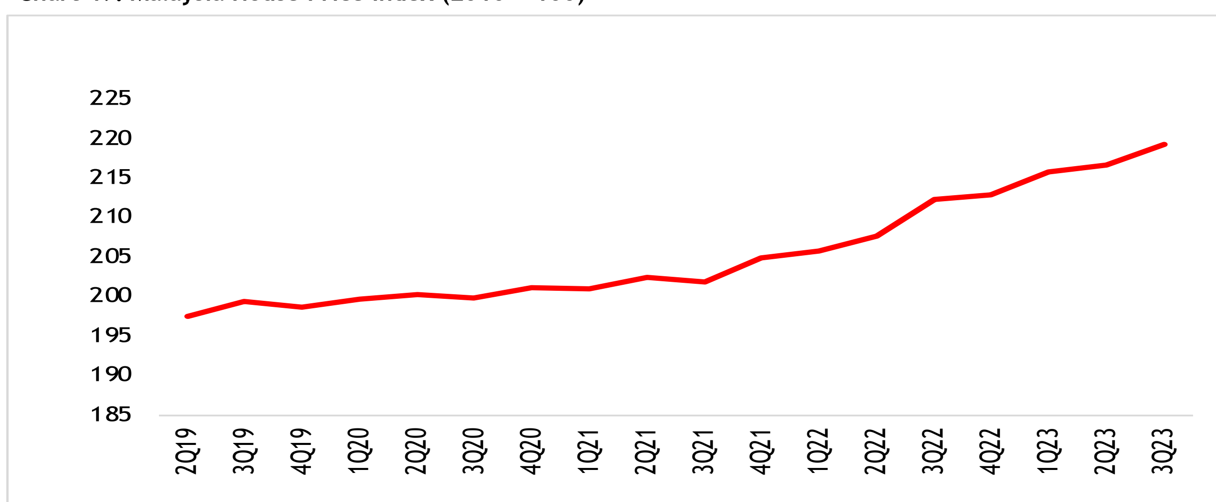
IV. PROPERTY

Positive outlook intact..Maintain POSITIVE

Analyst: Low Jze Tieng, ***Jessica***

Recovery in House Price Index (HPI). According to data from the National Property Information Centre (NAPIC), the House Price Index (HPI) in Malaysia resumed on an uptrend since 2022 post reopening of the economy. Note that HPI was subdued in 2020 and 2021 due to the Covid-19 pandemic. HPI recorded growth since 4QCY21 with a strong recovery seen in 2022 due to the improving property market in Malaysia. Going forward, we see that the property price outlook in Malaysia to remain positive as the property market stabilises. Besides, we believe that the rising construction cost and inflationary pressure may push property prices marginally higher as developers pass on higher costs to homebuyers.

Chart 49: Malaysia House Price Index (2010 = 100)



Source: NAPIC

Improving residential and serviced apartment overhang. Data from NAPIC shows that the landscape of the property sector continues to improve with lower residential and serviced apartment overhangs. Despite a marginal increase in residential overhang to 25,816 units in 4QCY23 from 25,311 units in 3QCY23, the overall downtrend in residential overhang is supportive of the recovery of the property sector. Note that the residential overhang of 25,816 units in 4QCY23 was lower than 27,746 units in 4QCY22 and 36,863 units in 4QCY21. Similarly, serviced apartment overhang showed improvement in 4QCY23 at 20,825 units as compared to 22,152 units in 3QCY23 and 23,978 units in 4QCY22. We see that the downtrend in residential and serviced apartment overhang further supports recovery of the property sector as it signals easing concern on property oversupply.

Demand for property remains healthy. According to loan data from Bank Negara Malaysia (BNM), the total loan application for the purchase of property in 2023 was higher at RM605.3b (+5.7%yoy). That indicates buying interest on property was stronger in 2023 as the economy continues to recover. Meanwhile, loan applications for the purchase of property remain encouraging in January 2024 (+46.5%yoy) as buying interest on the property remains strong. Looking ahead, we see that demand for property to stay encouraging in 2024 as the economy continues to recover while the landscape for the property sector is improving. Besides, the unchanged OPR since July 2023 at 3% is also supportive of the recovery of the property sector.

Johor to remain in the limelight. The Johor property market has shown improvement with lower residential and serviced apartment overhangs. The residential overhang in Johor declined to 4,228 units in 4QCY23 from 4,500 units in 3QCY23 and 5,348 units in 4QCY22. Similarly, the serviced apartment overhang decreased to 11,710 units in 4QCY23 from 12,646 units in 3QCY23 and 14,132 units in 4QCY22. The reduced property overhang in Johor was mainly due to stronger buying interest post-reopening of country borders. Besides, the outlook for the property sector in Johor remains positive as Johor Bahru-Singapore Rapid Transit System (RTS) is on track for completion by December 2026. The completion of RTS will improve connectivity between Johor and Singapore and thus increase the demand for property in Johor. Besides, the establishment of the Johor-Singapore Special Economic Zone should spur trade and investment which should in turn spur buying interest on property in Johor.

Maintain POSITIVE. We remain POSITIVE on the property sector as we expect a further recovery in the property sector in 2024. Buying sentiment on a property is expected to remain healthy going forward as the landscape for the property sector is improving. New sales of property companies are improving which should translate into better earnings visibility going forward. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.23)** and **Matrix Concepts (BUY, TP: RM1.91)**. We like Mah Sing for its quick turnaround strategy and high exposure to affordable homes via its M series projects. Besides, its growing presence in the industrial property segment will support earnings growth in the medium to long term. Meanwhile, we like Matrix Concepts as its new sales remain encouraging while landbank expansion in Labu will further buoy earnings growth. Besides, the dividend yield of Matrix Concepts is attractive at 5.4%.

V. REITS

Staying defensive..Maintain POSITIVE

*Analyst: Low Jze Tieng, **Jessica***

The yield of REITs remains attractive. The average yield of REITs under our coverage is at 5.4% which we believe remains attractive for investors who are seeking yields. Meanwhile, 10-year Malaysian Government Securities (MGS) yields are hovering below 3.9% which translates into ~160bps spread between MGS yield and yield of REITs. Note that MGS yield spiked to above 4% in October 2023 but tapered to below 4% and has subsequently been hovering at this level. We are keeping our view that REITs will remain attractive with MGS yield staying below 4%.

Retail assets to anchor growth. 2023 was a recovery year for retail REITs as shopper footfall and tenant sales at shopping malls recovered to pre-pandemic level. That supported the rental growth of retail REITs as rental reversion returned to positive territory. Looking into 2QCY24, we expect tenant sales and shopper footfall at malls to remain strong, supported by a shopping spree for Hari Raya. Hence, we continue to see malls in prime locations such as Mid Valley Megamall, Sunway Pyramid, Suria KLCC, and Pavilion KL record positive rental reversion. Overall, we think that the performance of retail REIT should return to organic growth in CY24. The organic growth of positive rental reversion will support the rental income of REITs.

Higher tourist arrival is a tailwind to REIT. Tourist arrival is expected to increase further in 2024 as Malaysia allows visa-free entry to citizens from China, India, and Middle Eastern countries starting in December 2023. The higher tourist arrival will benefit REITs as the hotel industry and retail industry are expected to be boosted by higher tourist arrivals. REITs with retail malls in tourist hotspots such as KLCCP Stapled Group, Pavilion REIT, Sunway REIT, and IGB REIT will see stronger shopper footfall at malls. Meanwhile, the hotel industry is expected to recover further as occupancy rates and average room rates improve. In this context, KLCCP Stapled Group and Sunway REIT with exposure to the hotel industry are expected to see better contributions from their hotels in 2024.

Stable outlook for industrial assets. Demand for industrial space in Malaysia was resilient as a result of the booming industrial industry and an influx of FDI. That prompted REITs to increase their exposure in the industrial asset segment. Notably, Capitaland Malaysia Trust (Non-rated) acquired an industrial property in Nusajaya Tech Par, Johor in February 2024. Similarly, Axis REIT proposed to acquire an industrial complex in Klang in February 2024. We see that the active acquisition by REITs within industrial space was on the back of a positive outlook for industrial assets with stable positive rental reversion. In a nutshell, we see that performance industrial REIT namely Axis REIT remains solid going forward.

Maintain POSITIVE. We remain POSITIVE on REIT as we think that the outlook for most of the subsegment namely retail, hotel, and industrial to remain positive in 2024. That positive outlook for the asset classes should translate into better rental income and thus support earnings and DPU growth. Our top picks for the sector are **IGB REIT (BUY, TP: RM1.86)** and **Sunway REIT (BUY, TP: RM1.70)**. We like IGB REIT due to its solid retail assets namely Mid Valley Megamall and The Gardens Mall which enjoyed close to 100% occupancy rate. Meanwhile, we like Sunway REIT as it is a well-diversified REIT with quality retail assets. Besides, the recovery of the hotel industry will support the earnings of its hotel division.

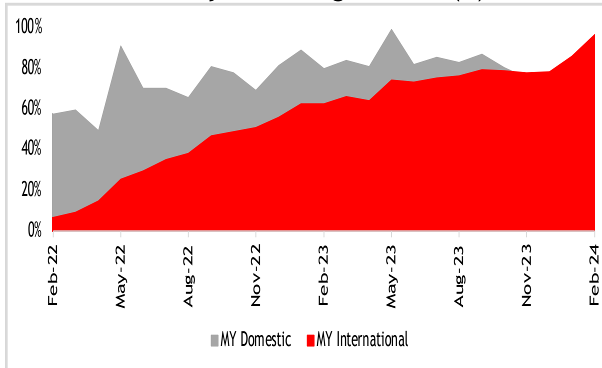
VI. TRANSPORTATION

Hope in throughput revival...Maintain POSITIVE

Analyst: MIDF Research Team

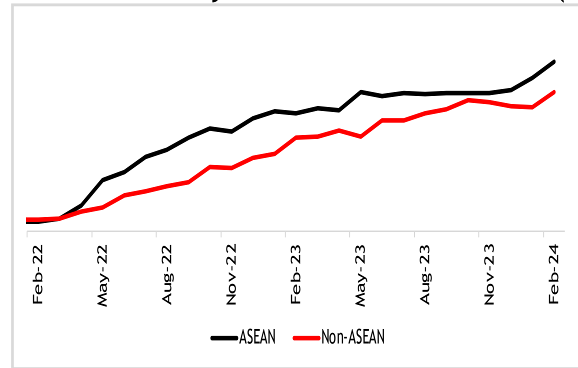
AVIATION

Chart 50: Recovery of Passenger Traffic (%)



Source: MAHB, MIDFR

Chart 51: Recovery of ASEAN vs. Non-ASEAN Pax (%)



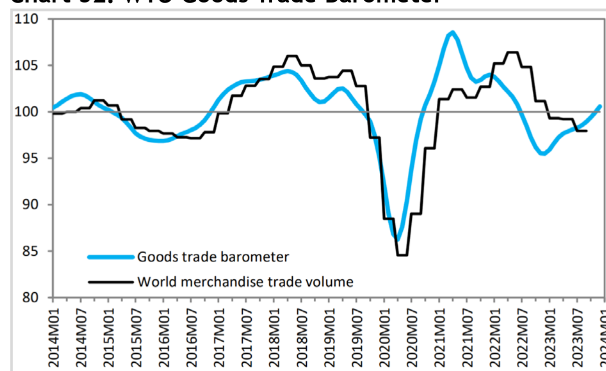
Source: MAHB, MIDFR

Full traffic recovery is expected this year. As of 2MCY24, overall passenger traffic has recovered to 89% of pre-pandemic levels, with domestic routes at 87% and international routes at 91%. Post-pandemic load factors are comparable to or higher than pre-pandemic levels, indicating airlines may be able to accommodate additional passengers by expanding their capacity, thus the pace of recovery hinges on how fast seat capacity rebounds. The postponement of the Boeing fleet deliveries may pose a setback to local airlines' efforts in rebuilding their fleets, particularly given the significant exit of nearly 50 aircraft from the market since CY20. Despite the challenges, we anticipate the complete recovery of passenger traffic this year, with expectations likely materialising in 2HCY24. Our projections for this year indicate growth of +2.0% compared to 2019 levels, aligning with MAVCOM's higher range projection. This outlook is contingent upon MAHB's target to welcome 17 new carriers to operate from local airports this year.

Manageable short-term hurdles for airlines. Local airlines may continue to face a challenge in the short term due to the consistently high USD/MYR exchange rate. Nonetheless, our internal projections indicate a potential strengthening of the MYR to USDMYR4.20 by end-CY24. Moreover, our internal forecasts indicate stable Brent crude oil prices at current levels this year, prompting expectations for continued implementation of fuel surcharges by local airlines. That said, we have seen crack spreads return to pre-pandemic levels of USD20 and below. Moreover, the heightened maintenance costs associated with aircraft reactivation are expected to begin normalising later this year. Local airlines consider the current environment favourable due to reduced competition in Malaysia following the exit of MyAirline, alongside rational airfare pricing. Furthermore, airfares would be adjusted to account for the revised passenger service charge (PSC) starting from Jun-24 onwards, and airlines could experience a slight rise in landing and parking fees following MAVCOM's decision on the aviation service charges (ASC) for the first regulatory period (RP1).

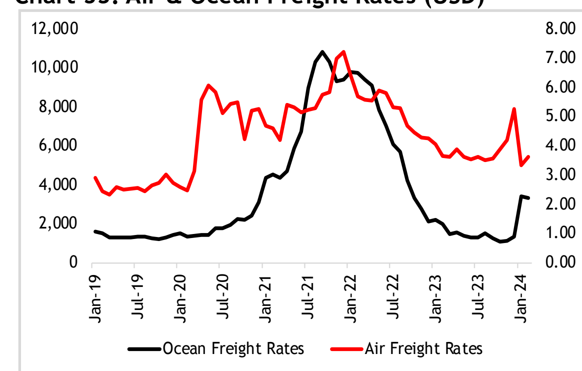
PORT & LOGISTICS

Chart 52: WTO Goods Trade Barometer



Source: WTO

Chart 53: Air & Ocean Freight Rates (USD)



Source: Drewry, Freightos, MIDFR

Trade activities are set to rebound. The latest World Trade Organization (WTO) Goods Trade Barometer stood at 100.6 in Mar-24, slightly surpassing both the quarterly trade volume index and the baseline value of 100, indicating a gradual recovery of merchandise trade in early CY24. While signalling a positive outlook for port players, the situation remains delicate due to potential disruptions arising from regional conflicts, as reported by the WTO. However, local exports and foreign direct investments (FDIs) remain robust, as indicated by the increase in Westports' gateway container composition, rising from historically 30% to 40%. With the potential for monetary policy easing in major economies, improved Western consumption may enhance interregional container movements. Regarding ship attacks in the Red Sea, we anticipate minimal impact on the local port players, foreseeing potential delays in capturing volume due to rerouting rather than an actual loss in volume.

Logistics players primed for volume boost. Logistics companies under our coverage experienced shipment volume declines across various business segments due to the post-Covid normalisation of goods consumption and a global trade slowdown. Consequently, margins have shrunk, primarily due to diseconomies of scale. However, as trade activities recover, gradual improvements in handling volumes are expected. It is worth noting the warehousing segment's potential as a substantial revenue driver this year. Companies within our coverage are significantly expanding their capacities, which could lead to better rates, contingent upon them achieving an optimal utilisation rate. Furthermore, with the ratification of RCEP and CPTPP, foreign entities are expressing interest in establishing regional distribution hubs in Malaysia, promising to bolster the demand for integrated logistics services in the medium term.

Maintain POSITIVE. One of the top picks in the sector is **Westports (BUY, TP: RM4.30)**, driven by the anticipated trade recovery. We anticipate the Group to benefit from the growing share of gateway containers, which typically yield higher handling rates. Westports' management confirms their guidance of low single-digit container volume growth for this year. Our preliminary estimate stands at +4.0%yoy, reflecting a high base. Furthermore, we hold a positive outlook for **Tasco (BUY, TP: RM1.30)**. We anticipate market freight rates to stablise after hitting a low in mid-CY23, offering improved earnings visibility for freight forwarders. Tasco is also poised to gain from substantial claimable tax credits resulting from the construction of its two new warehouses, coupled with an expected recovery in shipment volume.

VII. AUTOMOTIVE

Cautious amid upcoming headwinds..Maintain NEUTRAL

*Analyst: **Hafriz** Hezry Harihodin*

Deliveries holding up but backlog receding. February 2024 TIV contracted -1.1%yoy to 62,833 units, but cumulative TIV as of February 2024 still reflected double-digit growth of +12.8%yoy. This mainly reflects deliveries of carryover orders from last year. However, the order backlog has been progressively receding. As an indicator, Perodua's backlog now stands at 128K, down from 155K circa mid-CY23 and >200K at the start of last year. A similar trend is seen across other key players e.g., Toyota's backlog has receded to 28K units and Mazda to 2K units (from 49K and 4.5K units respectively around mid-CY23).

Seasonal weakness in 2QCY24? Notwithstanding a still strong 1QCY24, we expect TIV to weaken moving into 2QCY24 ahead of scheduled plant shutdowns/maintenance during the Raya holidays (which falls in April this year), typically lasting up to two weeks. Production and deliveries are likely to be frontloaded into March which could therefore inflate 1QCY24 numbers.

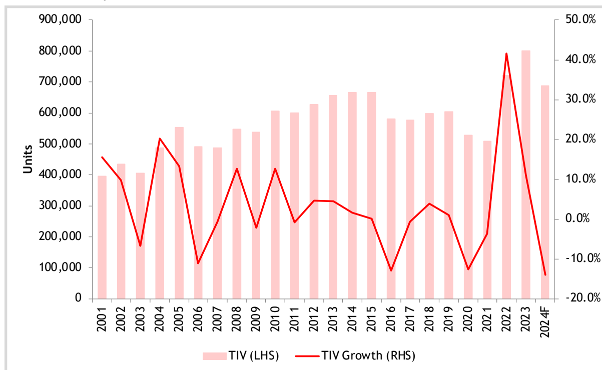
Higher inflation could impact sentiment down the road. Beyond seasonal trends, we believe the upcoming tax hikes as well as diesel and RON95 subsidy rollbacks could pose demand risk for the auto sector. While we acknowledge that the B40 will remain largely shielded from the direct impact of fuel subsidy rollbacks (as subsidies for this group are likely to continue), we are concerned about the ripple effect of such measures on costs in the broader economy, which could ultimately erode disposable income in all income groups, including the financially sensitive B40. As such, we keep our CY24F TIV at 688K units, which represents a -14%yoy contraction against the record high of 799,731 units achieved in CY23. Meanwhile, the MYR remains weak against the USD in 1QCY24 and we expect this to impact the earnings of USD-exposed players negatively in the near term. On the flip side, the MYR still remains relatively stronger against the JPY despite the recent shift in BOJ (Bank of Japan) monetary policy, which bodes well for JPY-exposed players such as Bermaz Auto.

Electrification is likely to remain a policy focus. Structurally, we believe Government policies will continue to favour electrification of the auto sector (and broadly, the land transport sector) in line with decarbonisation ambitions in the National Energy Transition Roadmap and Low Carbon Mobility Blueprint with a target of achieving 15%/38% xEV (defined as BEV/PHEV/HEV/FCEV) penetration by 2030/2040 and 10K charging points by 2025. At this juncture, a key policy to drive 4-wheeler BEV demand is the 100% duty exemption for CBU BEVs up till 2025 and CKD BEVs up till 2027. However, the RM100K floor price imposed on CBU BEVs still poses a challenge for more aggressive adoption given Malaysia's mass market price point of <RM90K (on our estimates). In FY23, BEV penetration in Malaysia stood at just 1.3%. We reckon adoption could accelerate once CKD BEVs at, or below this mass market price point start to be rolled out. The national cars are understood to be attempting to bring forward

the introduction of national EVs within 2025-2027 albeit cost still remains a challenge. Nevertheless, the rollback of fuel subsidies could drive more aggressive BEV adoption at higher price points in the near term, we believe.

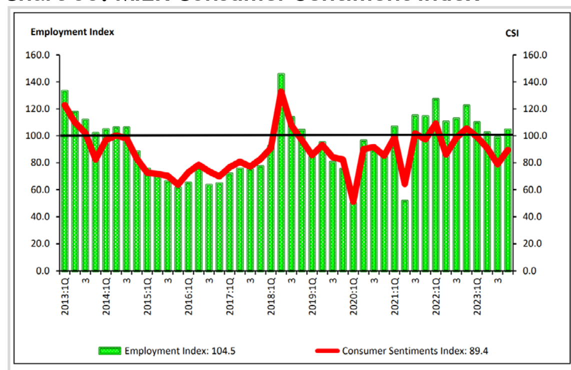
Recommendation. We believe the positives from the current strong backlog orders have largely played out. Amid peaking TIV, we keep our **NEUTRAL** call on the auto sector. Our sector picks are **BAuto (BUY, TP: RM3.39)** and **MBMR (BUY, TP: RM4.92)** as these stocks remain sector laggards, trading at a discount to mean PER. BAuto is our tactical favorite riding on the weak JPY and CKD model expansion, while the FY24F dividend yield of 9.7% is attractive. We also like MBMR as a cheap proxy to Perodua (6.6x FY24F PER) and given an attractive FY24F dividend yield of 7.6%. While we believe Perodua's buyers could be indirectly affected by higher cost of living as a result of the upcoming tax hikes and subsidy rollbacks, we believe near-term, demand weakness could be buffered by strategic new launches.

Chart 54: Annual TIV Trend



Source: MAA, BNM, MIDFR

Chart 55: MIER Consumer Sentiment Index



Source: MIER, MIDFR

VIII. BANKING

Banks are cautiously optimistic...Maintain NEUTRAL

*Analyst: **Samuel** Woo Choong Yi*

Switched to a more cautiously optimistic stance. In the last results season, more banks switched to a more cautiously optimistic stance on their outlook. Most notable was their stance on NIMs – most banks were guiding to stable to a slight contraction in NIMs (as a result of increasingly competitive loan yields), though there were a few banks that gave a more optimistic view. Couple this with a more moderate NOII outlook, as last year's exceptional non-fee gains are unlikely to be repeated. On OPEX, while growth may not be as sharp as CY23 (high base effects), costs remain elevated, with most banks positing CIR forecasts that are higher than normal to cater to tech spend.

Balance sheet growth is expected to remain resilient. On a more optimistic note, balance sheet growth is expected to remain resilient – maybe not so much in 1HCY24, but 2HCY24 should see business loans uplift from major infrastructure projects. While most banks have voiced their intention to slow down on residential mortgage growth (given narrowing yields), retail leading indicators remain resilient until today. The deposit outlook is a lot more optimistic– signs point to retail CASA having already reached its floor and a rebound may be in the works. In the last quarter, every bank posted either strong deposit growth or at least strong CASA growth (for banks prioritising NIM optimisation).

At this point in time, asset quality is no longer an issue. We should see much more normalised credit costs this

time around, with recovery and writebacks providing a light positive upside. The dividend yield outlook remains very strong, with CET 1 ratios still highly elevated across the industry. Some banks, however, are a bit more cautious with the upcoming Basel III implementation next year and have reverted to DRP to offer some buffer for the change.

Positives are being priced in already. As a result, we maintain our **NEUTRAL** call for the sector, as we believe that it is mostly priced in by now, with fewer rerating drivers ahead in the future. We remain optimistic on balance sheet growth prospects, though we are more mixed on the profitability outlook. **HL Bank (BUY, TP of RM21.38)** and **ABMB (BUY, TP of RM4.08)** are our top picks for the sector.

IX. CONSUMER

Keeping a weather eye out with preference for staple..................................Maintain NEUTRAL

*Analyst: **Genevieve** Ng Pei Fen*

Expect resilient demand for staple foods. Based on DOSM, the retail trade for F&B and Tobacco stores (+2.2%yoy) and non-specialized stores (+6.1%yoy) kickstarted 2024 with growth in Jan 2024. Meanwhile, the self-sufficiency level (SSL) of key staple foods such as fresh milk (57.3%), rice (62.6%), and chicken meat (93.3%) remained below 100% in Malaysia in 2022, as per DOSM. This indicates the continued undersupply of the respective staple foods in Malaysia. Moving forward, we anticipate that staple producers will maintain resilience in 2024, driven by: (1) the inelastic demand for staple foods, (2) the SSL of certain staple foods remaining below 100%, indicating room for greater production to meet demand, and (3) a better job market outlook that sustains solid domestic demand for staple foods. Note that MIDF economists forecast the unemployment rate to remain low at 3.3% in 2024 (vs. 3.4% in 2023), with the OPR expected to stay at 3.00%. The influx of international tourists (largely due to visa-free entry for certain countries) will further bolster the demand for staple food, especially considering that F&B expenditure accounted for 15.6% of total tourist spending in Malaysia in 2022. This positive outlook is expected to benefit poultry producers such as **QL Resources (BUY, TP: RM6.50)** and **Leong Hup International (BUY, TP: RM0.70)**, as well as beverage producers like **Frasers and Neave (BUY, TP: RM33.50)** and **Spritzer (NEUTRAL, TP: RM2.08).**

Cautious outlook for discretionary spending. In line with the Budget 2024 announcement, the government introduced (1) a 10% low-value goods tax for imported items with a threshold below RM500 starting on 1 January 2024 and (2) a higher service tax of 8% and widened coverage of taxable services effective from 1 March 2024. Meanwhile, a 5-10% high-value goods tax is expected to start on 1 May 2024, along with the potential rationalisation of fuel subsidies in 2HCY24. Furthermore, there was an adjustment to electricity tariffs for 1HCY24. These initiatives and adjustments may lead to further inflationary pressures, potentially eroding purchasing power, particularly among specific M40 income groups. We foresee the cautious spending on non-essential items will likely persist. Based on our channel checks, consumers are increasingly conscious of the elevated cost of living. We observed a rising inclination towards more affordable alternatives and installment-based purchase options. As such, we anticipate that cautious consumer discretionary spending will likely persist in the remainder of 2024 amidst the introduction of various fiscal measures. Hence, we believe that demand for hardline and Softline products under **Aeon (NEUTRAL, TP: RM1.14)** will likely remain muted ahead.

Turning cautious on the potential upward pressure on operating costs ahead. We have turned cautious on the operating costs outlook as logistics providers are likely to pass on the 6% service tax to consumer companies, given the prevalent cost-plus profit business model within the logistics industry. This move is poised to elevate

operational costs and subsequently compress profit margins for consumer companies. Additionally, the potential implementation of fuel subsidy rationalisation in the second half of 2024 poses further concerns about the possibility of a ripple effect. This entails cost pass-throughs permeating through various suppliers, vendors, and service providers, consequently amplifying operational costs. Looking towards 2024, we remain cautious regarding the potential surge in operational expenses, posing significant downside risk to the profit margins of consumer companies.

Mixed performance of agriculture commodities as selective players benefit. As of 15 March 2024, 4 out of 11 agriculture commodities that we track have remained elevated on a year-to-date basis. These commodities include Cocoa (+47.5%ytd), raw sugar (+2.1%ytd), CPO (+11.5%ytd), and Robusta (+15.8%ytd). The increased global commodities future price was mainly due to concerns over continuous limited global supply, while the surge in CPO prices was attributed to low output and the impact of El Niño. Conversely, wheat (-11.4%ytd), white sugar (-0.5%ytd), Arabica (-4.8%ytd), skimmed milk powder (-12.6%ytd), whole milk powder (-5.4%ytd), soybean meal (-12.6%ytd), and corn (-8.7%ytd) recorded a downward trend. Going forward, as per our previous consumer sector report, we anticipate this mixed trend likely to persist in 2024. We foresee continued upward pressure on the raw material costs of cocoa, coffee, and sugar-related F&B products, driven by ongoing extreme global weather conditions affecting the global supply of certain commodities. On a positive note, we expect dairy product manufacturers and livestock producers to benefit from the ongoing downward trend in respective agricultural prices.

Maintain NEUTRAL. Moving forward, we remain optimistic that the demand for consumer staples will likely remain solid, buoyed by the inelastic demand for staple food, stable job market prospects, and the influx of tourists into Malaysia. However, we anticipate subdued demand for discretionary products in the remainder of 2024 due to the persistent inflationary pressures, which are likely to erode consumer disposable income, particularly among certain M40 income groups. Additionally, we foresee inflationary pressure on the operating costs of consumer companies, driven by expected cost pass-through from suppliers, vendors, and service providers. This could be further exacerbated by continuously elevated global prices of cocoa, coffee, and sugar, impacting certain F&B products. Hence, we maintain our NEUTRAL stance on the consumer sector. We continue to prefer consumer staples, with our top picks remaining **Frasers and Neave (BUY, TP: RM33.50)** and **QL Resources (BUY, TP: RM6.50).**

X. GLOVES

Treading carefully...Maintain NEUTRAL

*Analyst: **Genevieve** Ng Pei Fen*

Anticipated higher raw material costs yet fuel costs likely remain low. We anticipate that the raw material costs for NR gloves will continue to rise in the 2QCY24, primarily due to the significant increases in NR latex concentrate futures (+37%ytd). Additionally, the persistently high prices of Butadiene (+40%ytd) are expected to more than offset the slight decline in Acrylonitrile (-7.1%ytd), which could result in higher raw material expenses for nitrile gloves during 2QCY24. Note that the primary components of nitrile, namely Acrylonitrile (derived from crude oil refining) and Butadiene (obtained from the cracking of hydrocarbons in crude oil or natural gas), are closely linked with crude oil prices. Our in-house analysts project Brent Crude oil to maintain its high position at USD84 per barrel in 2024 (vs. USD83 per barrel in 2023). Consequently, we foresee that the raw material costs of nitrile gloves are likely to remain elevated throughout the remainder of 2024. On the other hand, as of 15 March 2024, global natural gas reduced by -9.6% year-to-date to USD 2.1/mmbtu. This suggests a potential decrease in

natural gas tariffs in Malaysia from 2HCY24 onward, given the typical 4-month gap between Malaysia Petroleum Management (MPM) and natural gas prices on the New York Mercantile Exchange (NYMEX).

Replenishment activity continues to support sales volume growth ahead. According to the Department of Statistics Malaysia (DOSM), Malaysia's export value (+7.3%mom) and volume (+6.4mom) of rubber gloves started 2024 with a growth in January 2024. This surge suggests ongoing replenishment activity following the expiration of pandemic-era inventory. Additionally, we anticipate that the shipment delays experienced in the 4QCY23 due to the Red Sea crisis will likely be resolved, with deliveries to customers expected in the 1QCY24. Consequently, we foresee a gradual increase in demand moving forward, which is expected to enhance plant utilization rates.

ASP compression remains amidst continued intense competition. Moving forward, we anticipate that the ASP is likely to remain compressed due to price-sensitive customers opting for manufacturers offering lower selling prices. The persistent cost advantage and the intent of Chinese glovemakers to capture a greater market share are expected to continue exerting pressure on the ASP, keeping it at the current level. This is evidenced by the average export value per tonne for rubber gloves for January 24, which remained relatively unchanged at RM24.45k (+0.8%mom) despite a strong export volume of 41.8k tonne during the month. We believe that the slight uptick in the average export value per tonne for rubber gloves could be attributed to the positive forex rate rather than an improvement in ASP, given the stronger USD in January 2024. Note that the USD/MYR exchange rate was at RM4.77/USD in January 2024 compared to RM4.68/USD in December 2023. Our in-house economists expect a lower average USD/MYR of RM4.38/USD in 2024 (vs. RM4.56/USD in 2023). This could likely affect the revenue for glovemakers under our coverage ahead, considering that 90% of rubber gloves produced are exported in USD.

Maintain NEUTRAL. Looking forward, we retain a cautious stance mainly due to intense competition posed by Chinese players, which may exert upward pressure on pricing flexibility for all glovemakers within our coverage. On the flip side, the replenishment of inventory following the expiration of pandemic stockpiles is anticipated to bolster glove demand. This, coupled with recent permanent and temporary closures of production facilities, could likely enhance production efficiency and decrease production costs per unit. In a nutshell, we maintain NEUTRAL on the glove sector. Currently, we do not have a top pick, as all glovemakers within our coverage are mostly rated NEUTRAL and SELL.

XI. PLANTATION

It is time to lock in the profit..Maintain NEUTRAL

Analyst: MIDF Research Team

Price remains high but up to April only. Heading into 2QCY24, we anticipate that the Mild EL-Nino event continuation could pose risks to crop productivity, driving the CPO prices on a favourable trajectory, which it has already materialised, as the price has shot up from an average of RM3,949.5/Mt in February to an average of RM4,206.6/Mt (+6.5%Mtd) in March. In 2QCY24, we anticipate April's average CPO price to north higher at RM4,411.5/Mt (+4.8%mom) before easing subsequently to an average of RM3,946.7/Mt and RM3,343.9/Mt in May and June, respectively. This follows the moderation of the Mild EL-Niño before we embrace high crops cycle seasonality and La-Niña event in 2HCY24 (Based on MET Malaysia Report). On the external front, we observed the CPO price trading in reversal mode against SBO, which has stabilized at USD856.9/Mt, with a discount vis-à-vis SBO price narrowing to USD55.0/Mt (-81.2%yoy) in February, following a weaker SBO price of USD911.9/Mt. Note that, the SBO outlook remains stable as a result of ample global supply projections, where a continuing large soybean production was seen in South America, while in China, the high domestic soybean crush and imports

lowered SBO demand proportionately.

Production recovery continues. Based on MPOB data, we have seen Malaysia's production recovery is on track, as February data showed that CPO production stabilised at 1.25m tonnes (-10.2%mom; +0.5%yoy; +1.1%Ytd) supported by a contribution from most of the states except Eastern area (-1.5%yoy), in which impacted by the dry weather event in recent month. In addition, the average FFB yield continued rising, by +0.9%yoy to 1.08 t/ha, and OER inched higher to 19.84% following better mills operational on low cycle months, backed by improving foreign labour productivity (after going through 6-9 months of intensive rehabilitation program). We maintain our view that for this 2QCY24, performance will continue to improve since the palm tree pollination cycle is now at its tail end and there will be fewer dry days towards the end quarter making the evacuation FFB process easier, ahead of the La Niña event in 2HCY24. We believe the return the of foreign labour shortage will alleviate the sector's labour shortage much better, compared to 2 years ago when the shortage was above 50K, whereas to date it has narrowed to approximately 40k.

Demand to bounce on festival months. On the flip side, PO export volumes were down in February to 1.05m tonnes (-24.7%mom; -10.0%yoy; +4.4%Ytd), with the value, falling by -10.7%yoy to RM4.2b due to weaker demand in major importing countries, on higher closing stocks level in Jan. Moving to the next quarter, we anticipate demand to pick up in the selected Middle-East nations that hold some weight (based on CY23 total trade), such as Turkiye (5.8%), Pakistan (3.3%), Saudi Arabia (2.4%), Egypt (1.9%), and Iran (1.6%), from mid-March to mid-April as people prepare for Ramadhan and the Eid al-Fitr festival. In summary, we opine that companies' top-line to continue uptick in 1Q-2QCY24, in line with elevated average CPO price traded, mostly influenced by low crop seasonality and Mild EL-Nino event. We deem it is the best time to lock the profits for our top picks such as Ta Ann (already reaching our TP), KLK, and IOICorp, as we anticipate the increase in share price will gradually decline towards the end of the quarter, prompting a shift towards a trading strategy. We keep our **NEUTRAL** call for the sector at this juncture. As for our top pick, we prefer **MSM Holdings (BUY, TP: RM3.43)** as the stock stands to benefit from the normalisation of local and export sugar ASP.

XII. POWER

Taking a breather...Downgrade to NEUTRAL

*Analyst: **Hafriz** Hezry Harihodin*

Strong policy support for RE growth. A firm policy layout under the National Energy Transition Roadmap (NETR) has provided a strong catalyst for the power utilities sector. Albeit long-term, an overarching goal is to raise Malaysia's RE capacity mix to 70% by 2050 from 23% in 2020 which necessitates a more than quadrupling in annual RE installations to 2.2GW/annum till 2050 from the 0.5GW/annum build-up rate currently. Ultimately, some 68GW RE capacity is targeted to be installed by 2050 where solar PV is projected to be a key driver accounting for 83% of the 2050 RE mix. We anticipate the initial development of NETR's key flagship projects this year, which include UEM Group-Itramas' 1GW solar plant as well as Tenaga's 5 x 100MW solar parks (overall COD: 2026) and 2.5GW hybrid hydro floating solar (Phase 1 COD: 2025). Having said that, we still await further clarity on key policy enablers such as the RE export framework, Grid Third-Party Access (TPA) and rooftop leasing mechanism which were outlined under NETR previously.

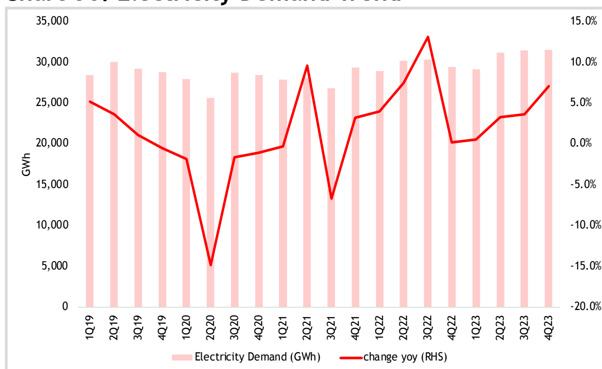
A bumper year for solar players? We believe the RE sub-sector could see several catalysts which will drive further demand for RE EPCC services and rooftop solar this year. This is underpinned by the recent announcement of RE initiatives by the Government namely: (1) A fifth cycle of the Large Scale Solar (LSS) program with a 2GW quota

allocation, targeted to be opened for bidding from 1st April 2024, (2) Additional 400MW quota for the Net Energy Metering (NEM) program comprising 300MW for NEM NOVA and 100MW under NEM Rakyat, which will be offered from 5th February 2024 until December 2024, (3) Low Carbon Energy Generation (LCEG) program through the NEDA mechanism with a quota of 400MW for development of non-solar RE such as wind, small hydro, biogas, biomass and hydrogen from 5th February 2024.

CGPP tenders an immediate-term catalyst. On top of the aforementioned catalysts, we expect RE EPCC players to benefit from upcoming EPCC tenders to construct solar power plants under the Corporate Green Power Program (CGPP) from circa 2QCY24 onwards. A total of 800MW CGPP capacity was awarded by the Energy Commission in CY23, which is due for commissioning by end-CY25. We estimate up to RM3.2b prospective solar EPCC jobs for CGPP to serve as an immediate-term catalyst for order book replenishment. Meanwhile, the expected influx of data centre capacity in the mid-to-long term is also an RE demand catalyst, though, in the immediate future, these data centres are still likely to be heavily reliant on more stable conventional power sources. Beyond demand, we see scope for margin improvement as solar module prices, which is a key cost component of solar power plant projects, have been on a steep decline following the influx of large manufacturing capacities in China.

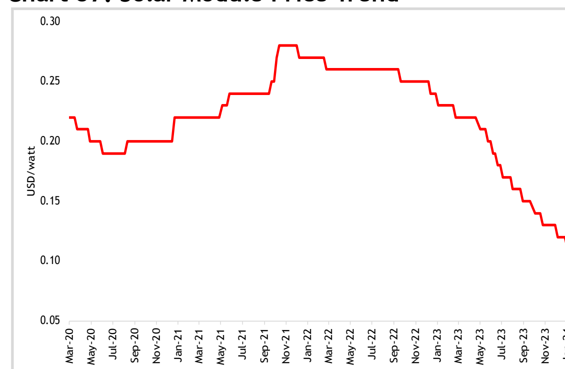
Healthy demand trend. Electricity demand growth in FY23 was encouraging at +3.6%yoy, though we note that Tenaga operates on a revenue-cap basis based on RP3 (2022-2024) projected demand growth of +1.7% per annum. For CY24F, demand growth is expected to moderate to between +2% and +3% off a high base last year. The expected influx of data centres over the next decade is expected to be a big demand driver, but similarly, how much Tenaga gets to keep from this incremental revenue and earnings will be heavily dependent on its regulated asset base (RAB) and allowable returns in RP4, which is expected to be finalised towards end-CY24.

Chart 56: Electricity Demand Trend



Source: Tenaga, MIDFR

Chart 57: Solar Module Price Trend



Source: Bloomberg, MIDFR

Valuations are now stretched following strong share price performance. Despite an improvement in the fuel margin outlook for its generation division (given stabilizing coal prices), Tenaga's near-term earnings are expected to be dragged by the forced outage of its Manjung 4 power plant since December 2023. Coupled with a strong share price rally since the start of the year, Tenaga now trades at stretched valuations of 15.3x FY24F PER, which is well above its historical mean of 13.5x. Similarly, Ranhill Utilities is also now trading at elevated valuations of 26.9x FY24F PER, some +31% above historical mean following more than a doubling in share price in the past 12 months, which we believe has more than discounted the potential earnings upside from a domestic sector water tariff hike since February 2024. The recent results season was nothing spectacular with both Tenaga and Ranhill Utilities underperforming expectations, while YTL Power continued to beat expectations, albeit by a significantly narrower margin.

Downgrade sector to NEUTRAL. Given stretched valuations following strong share price performance, coupled

with our recent downgrades of Tenaga **(NEUTRAL, TP: RM11.00)** and **Ranhill Utilities (NEUTRAL, TP: RM1.07)**, we have now downgraded the Power Utilities sector to NEUTRAL from POSITIVE previously. We believe earnings need to catch up with the lofty valuations before any further re-rating could materialize. Nonetheless, we still like the RE EPCC sub-sector as key immediate-term beneficiaries of the Government's RE initiatives. Key plays in the RE EPCC space are **Samaiden (BUY, TP: RM1.62)**, **Pekat (BUY, TP: RM0.68)** and **Sunview (BUY, TP: RM0.88)**. In the asset ownership sub-sector, we still like **YTL Power (BUY, TP: RM4.22)** for a potential earnings recovery at Wessex Water, expansion into data centres and as a potential beneficiary of RE export.

XIII. TECHNOLOGY

Sequentially stronger quarter...Maintain NEUTRAL

*Analyst: **Martin**, Foo Chuan Loong*

We are keeping our **NEUTRAL** stance on the technology sector moving into 2QCY24. While the semiconductor industry has bottomed in 2023, we continue to view that the pace of recovery may remain tepid in 2024. Premised on this, 2QCY24 financial performance should be better on a sequential basis. This is also supported by longer working days as compared to 1QCY24. Segment-wise, the automotive and AI-related end market could potentially garner a bigger proportion of the total sales. Nonetheless, we are concerned with the demand for iPhones especially in China given the preference for China-based brands. Earnings could also be supported by new business wins, in tandem with the "China plus one" strategy. On a separate note, we also anticipate more favourable news flow in terms of project announcements by the Malaysian Government.

Expecting continued recovery in 2QCY24. According to the Semiconductor Industry Association (SIA), the market growth is projected to continue over the remainder of the year, with annual sales forecast to increase by double-digits in 2024 (+13.1%yoy) to USD588.4b as compared to 2023 (-9.4%yoy). Based on a simple average, 2024 monthly sales should average at USD49.0b. Meanwhile, January 2024 semiconductor industry sales improved by +15.2%yoy to USD47.6b, the highest growth rate since May 2022. This indicates that the monthly sales should be on an upward trajectory to achieve the forecast, except for the month of February 2024 given the shorter working days. Thus, we should potentially see a sequential improvement in 2QCY24.

Shift in sales composition of the end market. During 2HCY23, the rebound in semiconductor sales mainly stemmed from the automotive and industrial sectors as well as the growing demand for a range of chips that are critical to AI systems. However, the communication end markets would still command the largest market share. Moving forward, while the communication end market would still play an important role, we anticipate a higher proportion of sales coming from the automotive and AI-related end market.

An uphill battle for Apple in China? According to Counterpoint, iPhone sales in China declined by -24%yoy in the first six weeks of 2024. On the contrary, Huawei posted a growth of +64%yoy thanks to its homegrown Mate 60 Pro devices. This has also led Apple's market share of the Chinese smartphone market to decline to 15.7%, placing it in fourth place from the second place a year ago. Apart from this, the China-based brands are also more forthcoming via the introduction of foldable smartphones as well as AI-capable smartphones

The above has led to Apple offering discounts on its iPhones. This is on top of Apple allowing its partner vendors in China to offer discounts on its phones to spur demand. We view that this could have a trickle-down effect in terms of volume order and/or cost down from Apple to its supply chain.

In line with the historical trend, we would expect production activity to pick up pace towards the end of 2QCY24.

However, given the stiff competition, we do not discount the possibility that we could be observing a slower momentum of increase.

US-China geopolitical unease. According to newswire, the Biden administration is considering blacklisting a number of Chinese semiconductor firms linked to Huawei Technologies Co. This is following Huawei's significant breakthrough last year. The move would further strain the US-China trade relations as the US seeks to suppress China's AI and semiconductor ambitions. The companies that are in the limelight include chipmakers Qingdao Si'eEn, SwaySure, Shenzhen Pensun Technology Co. as well as China's leading memory chipmaker, ChangXin Memory Technologies Inc.

Meanwhile, the US government is also asking the Netherlands, Germany, South Korea, and Japan to further tighten restrictions on China's access to semiconductor technology. We view that Malaysian OSAT providers should not be impacted by the sanctions surrounding Huawei.

The above would continue to have a positive spillover effect on Malaysia as the "China +1" strategy would continue to be deployed. For context, Malaysia is the sixth-largest exporter of semiconductors which controls about 13% of the global market for packaging, assembly, and testing services. The trade war escalation would cause Chinese semiconductor firms to look for Malaysian OSAT providers to mitigate the potential risk of broader sanctions. This is in line with our channel check which indicates various enquiries have been made to our local semiconductor firms.

More newsflow on local government projects? Moving away from the semiconductor space, 2QCY24 could potentially see the Malaysian Government awarding more contracts to the local IT companies that provide e-government and information technology services. According to the newswire, in early March 2024, Dagang NeXchange Bhd (NR), HeiTech Padu Bhd (NR), and Theta Edge Bhd (NR) are understood to have been shortlisted for the National Integrated Immigration System (NIISe) project which is set to integrate the border management systems under the various agencies of the Ministry of Home Affairs. We believe that **My E.G. Services Bhd (BUY, TP: RM1.07)** could potentially benefit via its recently acquired 14.4% stake in HeiTech Padu.

On a separate note, **Datasonic Group Bhd (NEUTRAL, TP: RM0.46)** was awarded a 6-month extension for a passport contract valued at RM135.0m which is valid until May 2024. Similarly, it also secured the contract supply of Mykad, MyTentera, and MyPOCA raw cards and consumables for RM28.7m which carry the same time frame. Premised on this, we view that the government would need the award the multi-year contract in the earlier part of 2QCY24 to ensure that there is supply disruption.

XIV. TELECOMMUNICATION

No divulgement on DWN yet..Maintain NEUTRAL

*Analyst: **Martin**, Foo Chuan Loong*

We are maintaining our **NEUTRAL** recommendation on the telecommunication sector. Despite DNB hitting the 80% coverage of populated areas (COPA) milestone, the much-awaited details on the dual wholesale network (DWN) remain scarce at the moment. This is pending the finalisation of DNB's board members. Nonetheless, there is no let up on the 5G competitive landscape as the telcos aggressively revamp its 5G offerings. Efforts are also being made to step up the technology ladder by offering 5G Advanced via a partnership between the telcos and their respective vendors. This will also serve as the stepping stone to 6G. With the above, we do not see much excitement about the revenue growth prospect of the telcos at this juncture. We view that profitability would

depend on how well the telcos manage their respective cost structures. In this regard, we anticipate **CelcomDigi Bhd (BUY, TP: RM4.95)** to stand out as compared to its peers as it progressively unlocks the synergistic benefits.

A long wait for the formation of DWN? To recall, in May 2023, the Government said that it would allow a second 5G network in the country in order to avoid a single point of failure and to establish redundancy for 5G. For this to happen, Digital Nasional Bhd (DNB) would first need to hit 80% 5G population coverage. According to newswire, we understand that the 80% threshold has been achieved on 10 January 2024. This should immediately pave the way for the shift towards a dual network model as early as January 2024. Nonetheless, in March 2024, Communication Minister Fahmi Fadzil indicated a potential delay on the second 5G network rollout to allow the board of DNB to take shape.

Leading 5G position in the region. Despite the absence of a second 5G network provider, Ookla Research indicates that Malaysia's 5G network performance surpasses its regional peers. Malaysia's 5G median download speed of 451.79Mbps is higher than that of Singapore, Thailand, and the Philippines which ranges between 329.73Mbps and 125.14Mbps. Malaysia also has the highest consistency score at 97.3%. With such statistics, we view that it does not put the 5G user at a disadvantage. Instead, the creation of a second 5G network would potentially lead to a more competitive 5G landscape for the telcos.

Awaiting the take off for Jendela Phase 2. Based on MCMC guidance, phase 2 should commence in 4QCY23. The target for phase 2 would generally include 9m premises passed, 100% internet coverage, and 100Mbps mobile speed. Nonetheless, the main focus area for phase 2 would be on expanding the 5G coverage. Hence, we are of the opinion that the commencement of phase 2 would only take place once the delay surrounding DWN has been resolved.

The race for 5G Advanced roll out. On another note, in February 2024, we saw various partnerships among the telcos and three major vendors namely Huawei, ZTE, and Ericsson to work on offering 5G Advanced or 5.5G. For context, 5G Advanced is the next stage to the current 5G connectivity technology that brings enhancement to network performance, sustainability, and intelligence. It brings new features and AI-based capabilities to the 5G RAN, Core, and operations domains.

Given the potential 5G Advanced can offer, we are of the opinion that it would strengthen the proposition of 5G services for the enterprise. In this regard, we notice that the partnership forms are: i) DNB and Ericsson, ii) Maxis and Huawei as well as iii) CelcomDigi, U mobile, and ZTE. Thus, we view that this would indicate the rising competitiveness of the 5G landscape in Malaysia. On a longer-term note, this also serves as a stepping stone to 6G.

Aggressive revamp in 5G plan. Throughout 1QCY24, the telcos have been aggressively revising their respective 5G plan across the prepaid, postpaid as well as home plan. Emphasis was made on providing much more 5G data at a competitive price. This will also induce 4G subscribers to convert to 5G subscribers. As such, we could expect the 5G take-up rate to improve further in the coming quarters. For context, Communication Minister Fahmi Fadzil shared that as of the end of January 2024, Malaysia has about 10.1m 5G service subscriptions which represents an adoption rate of 29.9%.

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APPENDIX

Table i: MIDF RESEARCH STOCK UNIVERSE as at 25 March 2024

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
					FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22							High (RM)	Low (RM)
CONSTRUCTION																															
Cahya Mata Sarawak	Dec	BUY	0.93	1.32	287.1	115.1	195.3	26.7	10.7	18.2	40.2	-59.9	69.6	3.5	8.6	5.1	2.0	2.0	3.0	2.2	2.2	3.2	0.30	3.07	9.59	2.46	3.25	1,074.2	993.6	1.19	0.91
Gamuda	Jul	BUY	5.20	5.55	806.2	1,838.4	1,085.9	31.9	69.9	39.2	36.1	119.5	-43.9	16.3	7.4	13.3	12.0	12.0	12.0	2.3	2.3	2.3	1.26	4.14	22.36	7.73	16.83	2,767.8	14,392.4	5.29	3.99
IJM Corp	Mar	BUY	2.35	2.57	794.9	158.3	389.6	22.2	4.5	11.1	86.3	-79.8	147.5	10.6	52.3	21.1	6.0	6.0	8.0	2.6	2.6	3.4	0.83	2.82	3.48	0.77	1.44	3,506.2	8,239.5	2.47	1.43
KKB Engineering	Dec	BUY	1.61	2.07	11.7	26.6	35.3	4.1	9.2	12.2	-59.7	127.7	32.6	39.8	17.5	13.2	6.0	6.0	7.0	3.7	3.7	4.3	1.14	1.41	5.65	4.23	5.80	288.7	464.9	1.86	1.32
MRCB	Dec	NEUTRAL	0.64	0.63	64.8	101.0	70.4	1.5	2.3	1.6	302.8	55.9	-30.3	43.8	28.1	40.3	1.0	1.0	2.0	1.6	1.6	3.1	0.62	1.03	4.02	1.12	2.20	4,467.5	2,836.9	0.71	0.29
Pekat	Dec	BUY	0.47	0.68	10.0	13.7	17.4	1.6	2.1	2.7	-41.4	35.9	27.1	30.1	22.2	17.4	0.0	1.0	0.0	0.0	2.1	0.0	2.22	0.21	6.01	7.68	10.01	645.0	303.1	0.52	0.38
Pintaras Jaya	Jun	NEUTRAL	1.54	1.68	41.2	-2.1	8.8	24.8	-1.3	5.3	-35.9	-105.2	-508.1	6.2	n.a.	29.0	10.0	5.0	5.0	6.5	3.2	3.2	0.65	2.37	-0.64	-0.38	-0.53	165.9	255.4	1.90	1.48
Sunview	Mar	BUY	0.68	0.88	8.9	13.0	10.8	734.0	3.0	2.1	7.2	-99.6	-29.5	0.1	22.5	31.9	0.0	0.0	0.0	0.0	0.0	0.0	3.05	0.22	3.75	4.56	12.56	510.5	344.6	0.99	0.60
Sunway Construction	Dec	NEUTRAL	2.97	2.86	135.2	145.1	178.7	10.5	11.3	13.9	20.0	7.3	23.2	28.3	26.4	21.4	5.5	6.0	7.0	1.9	2.0	2.4	4.67	0.64	5.43	4.71	16.27	1,289.4	3,829.4	3.02	1.53
WCT	Dec	NEUTRAL	0.52	0.49	128.7	-254.1	68.8	9.1	-17.9	4.9	31.6	-297.5	-127.1	5.7	n.a.	10.7	0.5	0.5	0.0	1.0	1.0	0.0	0.25	2.04	-14.71	-2.94	-6.89	1,417.2	737.0	0.60	0.40
CONGLOMERATE																															
YTL Corp	Jun	BUY	2.65	2.27	695.1	1,095.7	2,054.8	6.3	10.0	18.7	-287.6	57.6	87.6	41.8	26.5	14.1	2.5	3.0	9.8	0.9	1.1	3.7	1.91	1.39	3.75	1.35	5.45	10,966.4	29,060.9	2.81	0.57
TELECOMMUNICATIONS																															
Axiata	Dec	NEUTRAL	2.80	2.42	9,751.1	-1,994.8	698.4	106.3	-21.7	7.6	1,094.4	-120.4	-135.1	2.6	n.a.	36.8	14.0	10.0	11.0	5.0	3.6	3.9	1.16	2.40	-9.07	-2.54	-7.06	9,181.9	25,709.4	3.13	2.16
CelcomDigi	Dec	BUY	4.26	4.95	763.8	1,552.3	2,334.0	9.4	13.2	19.9	-36.9	40.7	50.4	45.3	32.2	21.4	13.0	16.3	15.9	3.1	3.8	3.7	3.06	1.39	12.24	4.26	9.43	11,731.5	49,976.2	4.60	4.03
Maxis	Dec	NEUTRAL	3.47	4.04	1,182.0	993.0	1,267.4	15.1	12.7	16.2	-9.6	-15.9	27.4	23.0	27.3	21.4	20.0	16.0	16.0	5.8	4.6	4.6	4.73	0.73	9.75	4.36	17.29	7,832.1	27,177.3	4.59	3.37
Telekom Malaysia	Dec	NEUTRAL	6.04	5.58	1,143.3	1,870.5	1,668.9	30.2	48.9	43.5	27.4	61.9	-11.1	20.0	12.4	13.9	16.5	15.5	17.0	2.7	2.6	2.8	2.53	2.39	15.26	8.16	20.06	3,837.6	23,179.3	6.50	4.74
TECHNOLOGY																															
D & O Green Tech	Dec	NEUTRAL	3.15	3.21	70.2	44.1	71.1	5.7	3.6	5.7	-35.7	-37.1	60.8	55.5	88.2	54.9	1.3	0.3	1.3	0.4	0.1	0.4	5.94	0.53	4.34	2.49	4.68	1,238.3	3,900.6	4.36	3.03
Datasonic	Mar	NEUTRAL	0.44	0.46	10.2	76.4	71.1	0.4	2.7	2.5	28.6	644.4	-5.1	122.2	16.4	17.3	0.4	1.3	2.0	0.8	2.8	4.5	3.55	0.12	22.15	16.41	21.19	2,796.5	1,230.4	0.51	0.41
Globetronics	Dec	SELL	1.45	1.10	45.5	26.4	28.5	6.8	3.9	4.2	-14.2	-42.0	7.2	21.4	36.8	34.3	3.0	3.0	3.8	2.1	2.1	2.6	3.18	0.46	20.04	7.86	8.57	675.0	978.8	1.82	0.98
Inari Amertron	Jun	NEUTRAL	3.21	3.04	390.9	323.5	391.5	10.7	8.7	10.4	6.4	-18.5	20.1	30.1	37.0	30.8	10.0	8.2	7.9	3.1	2.6	2.5	4.54	0.71	23.89	10.91	12.42	3,754.3	12,051.3	3.35	2.15
My E.G.	Dec	BUY	0.80	1.07	398.7	487.7	512.8	5.4	6.6	6.9	22.5	22.4	4.2	14.7	12.0	11.6	2.0	1.9	2.1	2.5	2.4	2.6	2.64	0.30	62.98	15.11	22.08	7,459.1	5,929.9	0.91	0.70
Unisem	Dec	NEUTRAL	3.68	3.13	385.4	80.2	201.7	23.9	5.0	12.5	93.9	-79.2	151.6	15.4	74.0	29.4	2.0	2.0	8.0	0.5	0.5	2.2	1.24	2.96	5.57	2.69	3.36	1,613.1	5,936.1	3.82	2.75
PLANTATION																															
FGV	Dec	SELL	1.38	1.06	1,329.2	103.0	193.9	36.4	2.8	5.3	13.7	-92.3	88.5	3.8	48.9	26.0	11.0	3.0	2.0	8.0	2.2	1.4	0.84	1.64	0.53	0.60	1.36	3,648.2	5,034.4	1.61	1.30
Genting Plantations	Dec	NEUTRAL	6.13	6.10	471.4	253.5	281.1	52.5	28.3	31.3	9.1	-46.2	10.9	11.7	21.7	19.6	34.0	13.0	15.0	5.5	2.1	2.4	1.03	5.95	8.55	2.96	4.66	897.2	5,499.6	6.39	5.04
IOI Corp	**Jun**	**BUY**	**3.97**	**4.50**	**1,725.3**	**1,114.2**	**1,007.6**	**27.7**	**18.0**	**16.2**	**24.6**	**-35.3**	**-9.5**	**14.3**	**22.1**	**24.4**	**14.0**	**11.0**	**10.5**	**3.5**	**2.8**	**2.6**	**2.13**	**1.86**	**9.62**	**6.34**	**9.55**	**6,203.7**	**24,628.7**	**4.22**	**3.65**
KL Kepong	Sep	BUY	22.40	24.60	2,166.3	834.3	829.1	200.9	77.4	75.6	-4.0	-61.5	-2.3	11.1	28.9	29.6	100.0	100.0	42.0	4.5	4.5	1.9	1.71	13.12	3.53	2.77	5.17	1,096.4	24,559.5	23.94	20.52
PPB Group	Dec	NEUTRAL	15.84	15.47	2,196.8	1,394.3	1,375.5	154.4	98.0	96.7	46.8	-36.5	-1.3	10.3	16.2	16.4	28.0	30.0	40.0	1.8	1.9	2.5	0.83	19.08	24.37	4.74	5.01	1,422.6	22,534.0	17.50	13.80
Sarawak Plantation	Dec	NEUTRAL	2.15	2.20	96.7	64.4	69.8	34.7	23.1	25.0	-24.3	-33.4	8.3	6.2	9.3	8.6	15.0	15.0	0.1	7.0	7.0	0.1	0.80	2.68	11.29	6.74	8.68	279.0	599.9	2.27	2.02
Sime Darby Plantation	Dec	NEUTRAL	4.35	4.18	2,488.1	1,860.0	1,153.5	36.0	26.9	16.7	10.4	-25.2	-38.0	12.1	16.2	26.1	16.0	9.3	8.0	3.7	2.1	1.8	1.51	2.89	10.09	5.83	9.11	6,915.7	30,083.4	4.61	4.05
TSH Resources	Dec	NEUTRAL	1.14	1.18	456.4	95.0	110.7	33.1	6.9	8.0	169.5	-79.2	16.6	3.4	16.6	14.2	8.0	2.5	2.0	7.0	2.2	1.8	0.77	1.48	8.90	3.34	4.12	1,380.2	1,573.4	1.18	0.92
HEALTHCARE																															
Hartalega	Mar	NEUTRAL	2.67	2.45	3,234.5	-235.1	20.6	94.6	-6.9	0.6	12.1	-107.3	-108.8	2.8	n.a.	442.4	53.5	53.5	0.0	20.0	20.0	0.0	1.97	1.36	-9.76	-4.43	-5.05	3,413.3	9,113.4	3.05	1.81
IHH Healthcare	Dec	BUY	5.98	7.35	1,496.2	2,951.9	1,575.0	17.0	33.5	17.9	-15.8	97.2	-46.6	35.1	17.8	33.4	7.0	9.0	19.2	1.2	1.5	3.2	1.81	3.30	14.10	5.88	9.12	8,807.0	52,621.8	6.25	5.59
Kossan	Dec	SELL	1.95	1.35	157.1	14.2	114.8	6.2	0.6	4.5	-94.5	-90.9	703.4	31.7	348.2	43.3	14.5	0.0	1.3	7.4	0.0	0.7	1.30	1.50	0.90	0.34	0.37	2,551.6	4,975.7	2.17	1.17
KPJ	Dec	BUY	1.90	2.30	172.0	263.4	392.9	3.8	6.0	9.0	222.7	57.3	49.0	49.5	31.5	21.1	0.6	3.4	3.6	0.3	1.8	1.9	3.61	0.53	7.70	3.64	10.42	4,364.3	8,292.2	1.96	1.08
Pharmaniaga	Dec	NEUTRAL	0.35	0.48	-607.3	-77.5	73.0	-46.4	-5.7	5.1	-452.5	-87.8	-189.5	n.a.	n.a.	6.8	6.9	0.0	2.0	20.0	0.0	5.8	-1.59	-0.22	-2.28	-4.07	28.54	1,441.2	497.2	0.51	0.28
Top Glove	Aug	NEUTRAL	0.80	0.87	225.6	-925.2	54.0	2.8	-11.6	0.7	-97.1	-509.6	-105.8	28.2	n.a.	117.9	1.2	0.0	1.0	1.5	0.0	1.3	1.12	0.71	-40.99	-13.10	-15.61	8,008.2	6,366.5	1.25	0.70
CONSUMER (F&B, Retail)																															
AEON Co.	Dec	NEUTRAL	1.10	1.14	111.2	114.8	110.3	7.9	8.2	7.9	30.5	3.3	-4.0	13.9	13.4	14.0	4.0	4.0	4.1	3.6	3.6	3.7	0.83	1.32	2.78	2.20	6.18	1,404.0	1,544.4	1.37	1.02
Asia File	Mar	NEUTRAL	2.24	1.85	43.4	31.6	39.4	22.3	16.2	20.2	-6.9	-27.1	24.6	10.1	13.8	11.1	2.0	3.5	7.1	0.9	1.6	3.2	0.55	4.05	9.96	3.95	4.23	194.8	436.3	2.28	1.70
Fraser & Neave	Sep	BUY	29.50	33.50	383.2	536.9	571.6	104.5	146.5	155.8	-3.1	40.2	6.4	28.2	20.1	18.9	60.0	60.0	70.0	2.0	2.0	2.4	3.04	9.71	10.74	10.50	16.02	366.8	10,820.0	29.76	24.57
Hup Seng	Dec	BUY	0.83	0.99	26.1	45.1	53.3	3.3	5.6	6.7	-4.4	73.0	18.1	25.3	14.6	12.4	2.0	3.0	5.3	2.4	3.6	6.4	4.07	0.20	12.62	18.89	27.80	800.0	660.0	0.88	0.62
Leong Hup	Dec	BUY	0.58	0.70	218.9	301.7	303.2	6.0	8.3	8.3	156.4	37.8	0.4	9.7	7.0	7.0	0.0	0.0	3.0	0.0	0.0	5.2	0.95	0.61	3.16	4.62	10.21	3,650.0	2,117.0	0.75	0.48
MSM	Dec	BUY	3.26	3.43	-178.7	-49.9	218.9	-25.4	-7.1	31.1	-242.6	-72.1	-538.6	n.a.	n.a.	10.5	0.0	0.0	3.0	0.0	0.0	0.9	1.56	2.08	-1.61	-1.73	-3.40	703.0	2,291.7	3.45	0.79
Nestlé	Dec	NEUTRAL	118.00	127.00	620.3	659.9	795.2	265.0	281.4	339.1	9.1	6.2	20.5	44.5	41.9	34.8	262.0	268.0	322.2	2.2	2.3	2.7	41.00	2.88	9.36	18.49	97.77	234.5	27,671.0	138.50	111.60
Padini	Jun	NEUTRAL	3.45	3.50	154.1	222.7	160.0	23.4	33.9	24.3	184.9	44.5	-28.2	14.7	10.2	14.2	10.0	11.5	10.0	2.9	3.3	2.9	2.09	1.65	12.22	13.37	21.41	657.9	2,269.8	4.16	3.32
QL Resources	Mar	BUY	5.87	6.50	217.3	346.8	428.2	9.0	14.0	17.6	-30.8	55.6	25.7	65.2	41.9	33.4	3.5	7.0	8.8	0.6	1.2	1.5	4.90	1.20	5.56	6.56	12.01	2,433.7	14,285.6	6.03	5.23
Rhong Khen International	Jun	NEUTRAL	1.32	1.22	35.5	22.6	11.7	18.0	12.0	6.0	-35.7	-33.3	-50.0	7.3	11.0	22.0	10.0	4.0	1.8	7.6	3.0	1.4	0.37	3.58	3.48	2.78	3.29	195.0	257.4	1.45	1.21
Spritzer	Dec	NEUTRAL	2.20	2.08	37.0	49.5	54.0	11.8	15.5	16.9	52.8	32.3	8.8	18.7	14.2	13.0	8.3	5.5	5.1	3.8	2.5	2.3	1.32	1.67	10.09	7.19	9.39	319.3	702.5	2.28	1.42
BANKING																															
Affin Bank	Dec	SELL	2.50	1.70	1,178.5	402.2	495.0	54.4	17.4	21.1	117.8	-68.0	21.1	4.6	14.4	11.9	0.0	0.0	6.3	0.0	0.0	2.5	0.52	4.81	10.94	0.38	3.62	2,346.5	5,866.2	2.70	1.79
Alliance Bank	Mar	BUY	3.67	4.08	572.8	677.8	653.0	37.0	43.8	42.2	59.5	18.4	-3.7	9.9	8.4	8.7	18.5	22.0	21.1	5.0	6.0	5.7	0.81	4.51	24.47	1.02	10.05	1,548.1	5,681.5	3.72	3.22
AMMB	Mar	NEUTRAL	4.12	4.23	1,502.7	1,735.2	1,699.0	45.5	52.4	51.4	-135.8	15.1	-2.0	9.0	7.9	8.0	5.0	18.3	17.9	1.2	4.4	4.3	0.71	5.79	24.02	0.88	9.63	3,306.8	13,624.2	4.45	3.42
Bank Islam	Dec	NEUTRAL	2.54	2.68	491.7	553.1	602.0	22.9	24.6	26.6	-11.2	7.5	8.1	11.1	10.3	9.6	10.4	4.2	15.2	4.1	1.7	6.0	1.33	1.90	13.23	0.61	7.47	2,266.5	5,756.8	2.63	1.70
CIMB	Dec	NEUTRAL	6.50	6.95	5,439.9	6,981.0	7,480.0	52.2	65.5	70.1	21.7	25.5	7.1	12.5	9.9	9.3	26.0	43.0	37.5	4.0	6.6	5.8	1.01	6.41	19.92	0.95	10.00	10,665.1	69,323.2	6.72	4.75
Hong Leong Bank	Jun	BUY	19.38	21.38	3,289.3	3,818.2	4,028.0	160.6	186.4	185.8	15.0	16.1	-0.3	12.1	10.4	10.4	55.0	59.0	68.8	2.8	3.0	3.6	1.12	17.34	40.06	1.36	11.23	2,167.7	42,010.4	20.50	18.46
Hong Leong Financial	Jun	BUY	16.64	20.79	2,452.2	2,791.3	2,798.0	216.3	246.1	244.3	8.3	13.8	-0.7	7.7	6.8	6.8	46.0	49.0	49.4	2.8	2.9	3.0	0.65	25.43	26.82	0.89	7.04	1,145.2	19,056.9	18.88	16.08
Malayan Banking	Dec	NEUTRAL	9.62	9.71	8,234.9	9,349.8	9,695.0	68.8	77.6	80.3	-1.3	12.7	3.6	14.0	12.4	12.0	58.0	60.0	64.3	6.0	6.2	6.7	1.23	7.85	20.87	0.91	9.57	12,067.0	116,084.1	9.85	8.43
Public Bank	Dec	NEUTRAL	4.24	4.48	6,119.5	6,649.3	6,774.0	31.5	34.3	34.9	8.2	8.7	1.9	13.4	12.4	12.1	17.0	19.0	18.5	4.0	4.5	4.4	1.51	2.82	28.79	1.30	11.79	19,410.7	82,301.3	4.52	3.78
RHB Bank	Dec	BUY	5.62	6.00	2,707.7	2,806.2	2,943.0	64.7	65.7	68.7	0.0	1.5	4.5	8.7	8.6	8.2	40.0	40.0	40.5	7.1	7.1	7.2	0.78	7.20	20.51	0.85	9.76	4,286.3	24,089.3	5.78	5.29

Source: Company, MIDFR

Table i: MIDF RESEARCH STOCK UNIVERSE as at 25 March 2024 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
					FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22	FY23F	FY24F	FY22							High (RM)	Low (RM)
FINANCE																															
Bursa Malaysia	Dec	BUY	7.37	8.00	226.6	252.4	255.2	28.0	31.2	31.5	-36.2	11.4	1.1	26.3	23.6	23.4	23.0	29.0	30.0	3.1	3.9	4.1	7.25	1.02	42.57	7.69	30.61	809.3	5,964.5	7.65	6.16
OIL & GAS																															
Bumi Armada	Dec	BUY	0.58	0.71	732.4	332.1	776.9	12.4	5.6	13.1	27.1	-54.7	133.8	4.6	10.2	4.4	0.0	0.0	0.0	0.0	0.0	0.0	0.60	0.96	15.57	2.99	5.95	5,922.7	3,405.5	0.72	0.42
Deleum	Dec	BUY	1.37	1.46	42.1	45.7	53.3	10.5	11.4	13.3	146.8	8.6	16.5	13.1	12.0	10.3	2.0	5.3	5.8	1.5	3.8	4.2	1.33	1.03	5.77	7.37	10.24	401.6	550.1	1.44	0.87
Dialog Group	Jun	BUY	2.26	2.42	508.0	510.5	623.6	9.0	9.1	11.1	-6.5	0.6	22.1	25.1	25.0	20.4	3.4	3.7	4.4	1.5	1.6	1.9	2.23	1.01	17.01	5.48	8.29	5,642.6	12,752.2	2.44	1.72
Gas Malaysia	Dec	BUY	3.40	3.96	389.5	383.4	455.0	30.0	29.9	35.4	57.9	-0.5	18.7	11.3	11.4	9.6	22.8	8.4	24.8	6.7	2.5	7.3	3.19	1.07	4.75	11.96	28.03	1,284.0	4,365.6	3.46	2.97
MMHE	Dec	NEUTRAL	0.47	0.51	67.8	-484.2	44.0	4.2	-30.3	2.8	-125.1	-813.7	-109.1	11.1	n.a.	17.1	0.0	0.0	1.2	0.0	0.0	2.6	0.59	0.79	-14.63	-13.27	-38.20	1,600.0	752.0	0.69	0.44
Petronas Chemicals	Dec	NEUTRAL	6.78	7.18	6,322.0	1,696.0	2,120.0	79.0	21.2	26.5	-13.9	-73.2	25.0	8.6	32.0	25.6	48.0	13.0	15.0	7.1	1.9	2.2	1.34	5.05	5.92	2.82	4.03	8,000.0	54,240.0	7.65	5.84
Petronas Dagangan	Dec	BUY	21.74	24.91	776.6	943.1	1,105.0	78.2	94.9	111.2	46.7	21.4	17.2	27.8	22.9	19.5	62.0	80.0	99.6	2.9	3.7	4.6	3.74	5.81	2.51	8.21	16.16	993.5	21,597.7	23.60	20.50
Petronas Gas	Dec	BUY	17.56	19.37	1,645.4	1,819.6	2,128.8	83.2	92.0	107.6	-17.2	10.6	16.9	21.1	19.1	16.3	72.0	72.0	80.7	4.1	4.1	4.6	2.56	6.85	28.23	9.42	13.17	1,978.7	34,746.5	18.20	16.14
PROPERTY & REITS																															
Al 'Aqar Healthcare REIT	Dec	NEUTRAL	1.27	1.25	60.1	60.7	72.0	8.2	7.5	8.6	-18.2	-8.8	15.1	15.5	17.0	14.8	8.1	7.9	7.9	6.4	6.2	6.2	0.99	1.28	49.85	3.27	5.66	839.6	1,066.3	1.35	1.21
Axis REIT	Dec	BUY	1.82	1.98	190.4	217.8	155.0	11.6	12.5	8.9	-15.8	7.6	-29.0	15.7	14.6	20.5	9.8	8.7	7.8	5.4	4.8	4.3	1.13	1.62	75.12	4.81	7.71	1,747.5	3,180.4	1.94	1.74
Eco World	Oct	NEUTRAL	1.53	1.51	157.2	189.3	280.0	5.3	6.4	9.5	-14.0	20.4	47.9	28.7	23.8	16.1	3.0	6.0	6.0	2.0	3.9	3.9	0.94	1.63	8.50	2.13	3.97	2,944.4	4,504.9	1.57	0.70
Glomac	Apr	BUY	0.36	0.43	37.9	31.5	15.0	4.9	4.1	2.0	35.4	-16.8	-52.3	7.2	8.7	18.2	1.0	1.0	1.3	2.8	2.8	3.7	0.23	1.56	9.24	1.55	2.53	767.5	272.5	0.41	0.30
IGB REIT	Dec	BUY	1.73	1.86	396.2	517.6	373.0	11.1	14.4	10.3	97.0	30.3	-28.2	15.7	12.0	16.7	9.9	10.5	9.5	5.7	6.1	5.5	1.54	1.13	85.66	9.40	12.82	3,605.4	6,237.3	1.81	1.57
IOI Prop	Jun	NEUTRAL	2.27	2.15	686.7	1,393.0	642.0	12.5	25.3	11.7	4.0	102.9	-53.9	18.2	9.0	19.5	4.0	5.0	5.0	1.8	2.2	2.2	0.56	4.06	53.72	3.27	6.21	5,506.1	12,498.9	2.36	1.05
KLCCP Stapled	Dec	NEUTRAL	7.38	7.20	279.4	396.7	818.0	15.5	22.0	45.3	121.0	42.0	106.2	47.7	33.6	16.3	38.0	40.5	38.4	5.1	5.5	5.2	2.53	2.92	24.50	2.16	2.58	1,805.3	13,323.4	7.68	6.66
Mah Sing	Dec	BUY	1.14	1.23	180.1	215.3	239.0	6.5	8.9	9.8	48.1	36.5	11.0	17.5	12.9	11.6	5.7	3.0	4.0	5.0	2.6	3.5	0.75	1.52	8.27	3.36	5.76	2,427.7	2,767.6	1.25	0.58
Matrix Concepts	Mar	BUY	1.79	1.91	205.2	207.2	256.0	13.0	19.7	20.5	-37.9	51.5	3.8	13.8	9.1	8.7	2.7	10.8	9.8	1.5	6.0	5.5	1.06	1.68	18.62	7.88	10.42	1,251.3	2,239.9	1.85	1.37
Pavilion REIT	Dec	BUY	1.29	1.48	397.8	431.8	310.0	13.0	12.7	8.5	217.0	-2.7	-33.1	9.9	10.2	15.2	8.4	9.0	8.2	6.5	7.0	6.3	0.96	1.35	59.66	4.80	8.76	3,656.8	4,717.3	1.37	1.17
S P Setia	Dec	BUY	1.35	1.16	308.1	298.6	281.0	7.6	4.8	6.3	8.1	-36.6	31.5	17.8	28.1	21.4	1.5	1.3	1.7	1.1	1.0	1.2	0.45	3.01	6.83	1.03	1.91	4,453.3	6,012.0	1.47	0.51
Sunway REIT	Dec	BUY	1.50	1.70	323.6	338.2	360.0	8.9	9.3	10.5	188.6	5.0	13.0	16.9	16.1	14.3	9.2	9.3	8.9	6.1	6.2	5.9	0.93	1.61	47.25	3.55	6.13	3,424.8	5,137.2	1.64	1.44
Sunway	Dec	BUY	3.55	3.01	676.8	737.8	713.0	10.7	11.6	12.9	-76.5	8.3	11.8	33.3	30.7	27.5	3.5	5.5	6.5	1.0	1.5	1.8	1.67	2.13	12.02	2.58	4.92	5,519.7	19,595.0	3.58	1.52
UOA Development	Dec	NEUTRAL	1.88	1.82	219.9	279.6	212.0	0.1	11.0	8.5	-99.1	12,122.2	-22.6	2,088.9	17.1	22.1	10.0	20.0	10.0	5.3	10.6	5.3	0.86	2.17	69.99	4.60	5.00	2,490.4	4,682.0	1.92	1.56
TRANSPORT																															
- Aviation																															
Capital A	Dec	NEUTRAL	0.71	0.74	-2,626.4	837.0	385.8	-64.8	20.0	9.1	-18.0	-130.9	-54.7	n.a.	3.5	7.8	0.0	0.0	0.0	0.0	0.0	0.0	-0.34	-2.05	5.67	3.00	-7.99	4,254.7	2,999.5	1.12	0.64
Malaysia Airports	Dec	NEUTRAL	9.52	8.75	129.7	485.7	715.6	7.8	29.2	42.9	-115.7	273.0	47.0	121.7	32.6	22.2	3.9	10.8	19.0	0.4	1.1	2.0	2.26	4.21	9.88	2.37	6.07	1,668.6	15,884.6	10.02	6.59
-Logistics																															
CJ Century Logistics	Dec	BUY	0.34	0.45	28.2	11.7	21.5	4.8	2.0	3.7	320.0	-58.2	82.9	7.0	16.8	9.2	1.5	0.0	1.1	4.4	0.0	3.2	0.44	0.77	1.59	1.56	2.60	581.9	197.8	0.53	0.34
Suria Capital	Dec	SELL	2.18	1.60	59.1	34.9	46.8	17.1	10.1	13.5	49.6	-40.9	34.0	12.7	21.6	16.1	1.5	2.0	4.1	0.7	0.9	1.9	0.69	3.15	12.46	2.45	3.21	345.8	753.9	2.22	1.18
Swift Haulage	Dec	NEUTRAL	0.51	0.50	48.5	64.2	40.9	5.5	7.3	4.6	-26.4	33.3	-36.3	9.3	7.0	11.0	2.0	0.8	1.6	3.9	1.6	3.1	0.64	0.80	9.57	3.73	9.09	880.9	449.3	0.63	0.44
Tasco	Mar	BUY	0.82	1.30	65.2	90.8	75.1	8.2	11.4	9.4	58.1	39.1	-17.3	10.0	7.2	8.7	1.0	3.5	3.0	1.2	4.3	3.7	1.07	0.76	5.65	5.91	13.68	800.0	656.0	0.96	0.76
- Ports																															
Westports	Dec	BUY	3.84	4.30	699.6	779.4	777.6	20.5	22.9	22.8	-13.4	11.4	-0.2	18.7	16.8	16.8	14.4	16.9	0.2	3.7	4.4	0.0	3.72	1.03	36.22	14.60	22.14	3,410.0	13,094.4	3.96	3.15
- Shipping																															
MISC	Dec	BUY	7.59	8.48	1,822.9	2,123.5	2,374.0	40.8	47.6	53.2	-0.5	16.7	11.7	18.6	15.9	14.3	33.0	36.0	0.4	4.3	4.7	0.0	0.86	8.80	14.88	3.26	5.31	4,463.7	33,879.8	7.79	6.94
UTILITIES																															
Ranhill Utilities	Dec	NEUTRAL	1.13	1.07	95.3	57.9	55.0	7.4	4.5	4.3	183.1	-39.2	-5.0	15.3	25.2	26.5	0.8	0.5	3.4	0.7	0.4	3.0	1.85	0.61	2.54	1.94	5.73	1,289.5	1,457.1	1.26	0.46
Samaiden	Jun	BUY	1.39	1.62	11.9	10.1	23.3	3.2	2.6	5.6	73.5	-18.7	115.2	43.3	53.3	24.7	0.0	0.5	0.0	0.0	0.4	0.0	4.79	0.29	5.90	5.18	10.29	414.8	576.6	1.41	0.85
Tenaga Nasional	Dec	NEUTRAL	11.22	11.00	3,463.3	2,770.3	4,280.0	60.4	48.0	74.0	-5.8	-20.5	54.1	18.6	23.4	15.2	46.0	28.2	46.0	4.1	2.5	4.1	1.10	10.19	5.22	1.35	4.54	5,787.3	64,933.9	11.66	8.82
YTL Power	Jun	BUY	3.86	4.22	1,476.8	2,028.0	3,123.3	18.2	25.0	38.5	-1,090.8	37.3	54.0	21.2	15.4	10.0	4.5	2.5	11.5	1.2	0.6	3.0	1.70	2.26	9.26	3.43	12.37	8,103.2	31,278.2	4.24	0.85
AUTO																															
Bermaz Auto	Apr	BUY	2.38	3.39	155.1	305.8	335.0	13.4	26.3	28.7	15.9	96.9	9.1	17.8	9.1	8.3	6.3	14.5	23.0	2.6	6.1	9.7	3.56	0.67	8.64	17.10	36.35	1,167.6	2,778.9	2.55	1.96
MBM	Dec	BUY	4.64	4.92	280.4	334.5	274.2	71.7	85.6	70.1	63.7	19.3	-18.0	6.5	5.4	6.6	37.0	24.0	35.1	8.0	5.2	7.6	0.85	5.45	13.84	12.86	13.77	390.9	1,813.7	4.66	3.15
Tan Chong	Dec	NEUTRAL	0.85	0.91	-51.1	-128.7	-96.1	-7.8	-19.8	-14.7	232.2	151.9	-25.3	n.a.	n.a.	n.a.	3.0	0.0	3.0	3.5	0.0	3.5	0.20	4.20	-5.08	-2.52	-4.70	651.8	554.0	1.15	0.85
BUILDING MATERIAL																															
- Cement																															
Malayan Cement	Jun	BUY	4.99	5.33	83.5	159.0	376.1	6.8	12.1	28.7	702.4	78.0	136.2	73.2	41.1	17.4	0.0	6.0	6.0	0.0	1.2	1.2	1.08	4.63	4.23	1.45	2.67	1,311.5	6,544.4	5.20	2.24
- Timber																															
Ta Ann	Dec	BUY	3.93	4.10	320.5	156.4	212.7	72.8	35.5	48.3	0.9	-51.2	36.0	5.4	11.1	8.1	40.0	15.0	20.0	10.2	3.8	5.1	0.95	4.15	9.31	5.73	7.79	440.5	1,731.0	4.15	3.06

Source: Company, MIDFR

APPENDIX

Table ii: Performance of various markets in Local Currency (% change)

In Local Currency	Index point	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24*
Nikkei 225	40,414.12	-9.4%	7.5%	18.4%	-4.0%	5.0%	28.2%	20.8%
Taiwan Weighted	20,192.25	-22.4%	12.2%	6.6%	-3.3%	9.6%	26.8%	12.6%
Philippines Composite	6,853.10	-7.8%	-1.0%	-0.5%	-2.3%	2.0%	-1.8%	6.2%
FBM KLCI	1,537.54	-4.6%	-4.9%	-3.2%	3.4%	2.1%	-2.7%	5.7%
Dow Jones	39,313.64	-8.8%	0.4%	3.4%	-2.6%	12.5%	13.7%	4.3%
KOSPI	2,737.57	-24.9%	10.8%	3.5%	-3.9%	7.7%	18.7%	3.1%
Shanghai Composite	3,026.31	-15.1%	5.9%	-2.2%	-2.9%	-4.4%	-3.7%	1.7%
Jakarta Composite	7,377.76	4.1%	-0.7%	-2.1%	4.2%	4.8%	6.2%	1.4%
Mumbai Sensex 30	72,831.94	4.4%	-3.0%	9.7%	1.7%	9.7%	18.7%	0.8%
Straits Times	3,198.10	4.1%	0.2%	-1.6%	0.4%	0.7%	-0.3%	-1.3%
SET Index	1,372.49	0.7%	-3.6%	-6.6%	-2.1%	-3.8%	-15.2%	-3.1%
Hang Seng	16,473.64	-15.5%	3.1%	-7.3%	-5.9%	-4.3%	-13.8%	-3.4%

Source: Bloomberg

Table iii: Performance of various markets in US Dollar (% change)

In US Dollar	Index point	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24*
Nikkei 225	40,414.12	-20.3%	6.0%	8.9%	-7.3%	11.4%	19.3%	12.3%
Taiwan Weighted	20,192.25	-30.1%	13.1%	4.3%	-6.6%	15.6%	27.5%	8.1%
Philippines Composite	6,853.10	-15.5%	1.5%	-2.3%	-4.6%	4.4%	-1.2%	4.5%
Dow Jones	39,313.64	-8.8%	0.4%	3.4%	-2.6%	12.5%	13.7%	4.3%
FBM KLCI	1,537.54	-9.9%	-5.0%	-8.5%	2.8%	4.5%	-6.7%	2.7%
Mumbai Sensex 30	72,831.94	-5.9%	-2.4%	9.8%	0.4%	9.6%	18.0%	0.4%
Shanghai Composite	3,026.31	-21.8%	6.4%	-7.4%	-3.4%	-1.7%	-6.4%	0.2%
KOSPI	2,737.57	-29.2%	7.3%	2.4%	-6.7%	13.6%	16.4%	-1.0%
Jakarta Composite	7,377.76	-4.2%	2.9%	-1.9%	0.5%	5.4%	7.0%	-1.1%
Straits Times	3,198.10	4.8%	0.9%	-3.2%	-0.7%	4.3%	1.2%	-3.3%
Hang Seng	16,473.64	-15.5%	2.5%	-7.1%	-5.8%	-4.0%	-13.9%	-3.5%
SET Index	1,372.49	-3.2%	-2.0%	-9.7%	-5.5%	2.9%	-14.0%	-8.9%

Source: Bloomberg
*as at 25th March 2024

APPENDIX

Table iv: Performance by sectors (% change)

	Index point	2022	1Q23	2Q23	3Q23	4Q23	2023	1Q24*
Utilities	1,543.23	0.6%	4.0%	8.1%	14.8%	17.4%	51.4%	16.9%
Property	997.10	-8.9%	7.3%	0.2%	26.9%	-1.5%	34.5%	15.7%
Construction	220.75	-0.8%	4.8%	1.4%	13.8%	4.0%	25.8%	15.0%
Energy	939.37	10.3%	7.8%	-7.5%	15.5%	-8.5%	5.4%	14.9%
Transport & Logistics	987.01	0.2%	4.4%	0.8%	1.9%	0.6%	7.8%	6.1%
Financial Services	17,178.93	6.0%	-4.8%	-2.4%	3.8%	2.4%	-1.2%	5.4%
Telecommunications & Media	596.55	-8.3%	1.3%	-3.2%	-0.8%	-0.7%	-3.5%	4.8%
Plantation	7,316.44	8.1%	-4.8%	-0.6%	2.7%	1.9%	-1.1%	4.4%
Consumer Products & Services	573.15	1.5%	-2.6%	-4.1%	0.9%	0.2%	-5.6%	3.5%
Reits	808.38	-2.4%	3.4%	-2.8%	-0.1%	0.8%	1.2%	3.3%
Industrial Products & Services	178.62	-10.3%	-5.9%	-8.3%	9.3%	0.9%	-4.8%	3.3%
Technology	64.46	-34.3%	-1.3%	-2.8%	3.3%	0.8%	-0.1%	1.7%
Healthcare	1,935.36	-25.5%	1.3%	-6.2%	0.8%	14.2%	9.3%	1.7%
FBM 100	11,188.65	-5.4%	-2.9%	-2.7%	4.1%	2.4%	0.6%	6.7%
FBM Emas	11,540.99	-5.4%	-2.6%	-2.7%	4.3%	2.3%	1.1%	6.6%
FBM KLCI	1,537.54	-4.6%	-4.9%	-3.2%	3.4%	2.1%	-2.7%	5.7%
FBM Small Cap	17,235.14	-5.3%	2.2%	-2.7%	9.0%	1.0%	9.6%	5.4%

Source: Bloomberg
*as at 25th March 2024

Table v: Regional earnings and valuations

	EPS Growth (% change)					PER				
	2022	2023 (est as of)		2024 (f'cast as of)		2022	2023 (est as of)		2024 (f'cast as of)	
		Dec-23	Mar-24	Dec-23	Mar-24		Dec-23	Mar-24	Dec-23	Mar-24
Nikkei 225	-16.0%	14.3%	14.3%	13.0%	17.1%	27.4	19.8	23.9	17.5	20.4
Taiwan Weighted	-8.4%	-23.0%	-9.9%	18.9%	19.2%	16.7	19.3	18.5	16.2	15.5
Hang Seng	6.4%	-29.9%	-27.5%	10.0%	7.9%	5.9	8.7	8.1	7.9	7.5
FBM KLCI	**11.0%**	**-11.6%**	**-4.0%**	**9.5%**	**6.7%**	**13.3**	**14.2**	**13.8**	**13.0**	**13.0**
Jakarta Comp.	72.2%	13462.0%	669.3%	11.5%	35.8%	14.3	0.1	1.9	0.1	1.4
SET Index	-1.0%	-7.4%	-0.3%	13.4%	12.0%	14.6	16.2	14.6	14.3	13.0
Philippines Comp.	27.1%	24.8%	36.2%	7.5%	11.2%	15.9	12.0	11.7	11.2	10.5
Shanghai Comp.	-0.8%	15.3%	25.4%	14.6%	12.6%	13.3	11.4	10.6	9.9	9.4
Straits Times	21.3%	8.0%	9.9%	3.0%	3.2%	11.6	10.9	10.5	10.5	10.2
Mumbai Sensex 30	14.2%	15.1%	14.4%	16.3%	16.1%	27.4	23.6	24.0	20.3	20.6
DJIA	-5.9%	4.5%	19.8%	19.2%	12.0%	22.7	20.8	18.9	17.4	16.9

Source: Bloomberg
*as at 25th March 2024

Table vi: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share Price (RM)		% Change	TP
	25/3/2024	31/12/2023		
MSM	3.26	1.61	102.5%	3.43
Sunway	3.55	2.04	74.4%	3.01
S P Setia	1.35	0.79	70.5%	1.16
Sunway Construction	2.97	1.92	54.8%	2.86
YTL Power	3.86	2.54	52.0%	4.22
Eco World	1.53	1.03	48.5%	1.51
Deleum	1.37	0.93	47.6%	1.46
MRCB	0.64	0.45	42.7%	0.63
YTL Corp	2.65	1.89	40.2%	2.27
Mah Sing	1.14	0.83	37.3%	1.23
KPJ	1.90	1.43	32.8%	2.30
Malaysia Airports	9.52	7.27	30.9%	8.75
IOI Prop	2.27	1.75	29.7%	2.15
Ranhill Utilities	1.13	0.90	25.6%	1.07
IJM Corp	2.35	1.88	25.0%	2.57
Samaiden	1.39	1.15	20.9%	1.62
Spritzer	2.20	1.83	20.2%	2.08
Affin Bank	2.50	2.08	20.2%	1.70
Axiata	2.80	2.34	19.8%	2.42
Malayan Cement	4.99	4.23	18.0%	5.33
TSH Resources	1.14	0.98	16.9%	1.18
Bank Islam	2.54	2.17	16.8%	2.68
Bumi Armada	0.58	0.50	16.2%	0.71
CIMB	6.50	5.63	15.5%	6.95
Gamuda	5.20	4.54	14.7%	5.55
Tenaga Nasional	11.22	9.80	14.5%	11.00
Suria Capital	2.18	1.93	13.0%	1.60
Ta Ann	3.93	3.51	12.0%	4.10
Unisem	3.68	3.29	11.8%	3.13
Malayan Banking	9.62	8.61	11.7%	9.71
Telekom Malaysia	6.04	5.45	10.8%	5.58
Pavilion REIT	1.29	1.17	10.4%	1.48
Genting Plantations	6.13	5.56	10.2%	6.10
Matrix Concepts	1.79	1.63	10.0%	1.91
Asia File	2.24	2.05	9.5%	1.85
KKB Engineering	1.61	1.47	9.5%	2.07
MBM	4.64	4.24	9.4%	4.92
PPB Group	15.84	14.48	9.4%	15.47
Pekat	0.47	0.43	9.3%	0.68
Dialog Group	2.26	2.07	9.2%	2.42
Bursa Malaysia	7.37	6.78	8.7%	8.00
Gas Malaysia	3.40	3.13	8.6%	3.96
Alliance Bank	3.67	3.39	8.3%	4.08
UOA Development	1.88	1.74	8.0%	1.82
Westports	3.84	3.57	7.7%	4.30
Hup Seng	0.83	0.77	7.6%	0.99
Inari Amertron	3.21	2.99	7.4%	3.04
Rhong Khen International	1.32	1.23	7.3%	1.22
Tasco	0.82	0.77	7.2%	1.30
Fraser & Neave	29.50	27.67	6.6%	33.50
Kossan	1.95	1.83	6.6%	1.35
KLCCP Stapled	7.38	6.96	6.1%	7.20
MISC	7.59	7.17	5.8%	8.48

Source : MIDF, Bloomberg (as at 25th March 2024)

Table vi: Performance of MIDFR's stocks under coverage (Cont'd)

UNDER-PERFORMERS	Share Price (RM)		% Change	TP
	25/3/2024	31/12/2023		
Capital A	0.71	0.83	-14.5%	0.74
Cahya Mata Sarawak	0.93	1.08	-14.4%	1.32
D & O Green Tech	3.15	3.62	-12.9%	3.21
Tan Chong	0.85	0.97	-12.4%	0.91
Top Glove	0.80	0.90	-11.7%	0.87
Pharmaniaga	0.35	0.39	-10.4%	0.48
CJ Century Logistics	0.34	0.38	-9.3%	0.45
Globetronics	1.45	1.60	-9.2%	1.10
Maxis	3.47	3.81	-8.9%	4.04
Sunview	0.68	0.74	-8.8%	0.88
Swift Haulage	0.51	0.54	-5.0%	0.50
Petronas Chemicals	6.78	7.11	-4.6%	7.18
Pintaras Jaya	1.54	1.60	-3.8%	1.68
Sime Darby Plantation	4.35	4.46	-2.5%	4.18
My E.G.	0.80	0.82	-2.5%	1.07
MMHE	0.47	0.48	-2.1%	0.51
Glomac	0.36	0.36	-1.4%	0.43
Hartalega	2.67	2.70	-1.1%	2.45
Padini	3.45	3.48	-1.0%	3.50
IHH Healthcare	5.98	5.98	0.0%	7.35
Sunway REIT	1.50	1.50	0.3%	1.70
Nestlé	118.00	117.60	0.3%	127.00
Petronas Dagangan	21.74	21.57	0.8%	24.91
Bermaz Auto	2.38	2.36	0.8%	3.39
AEON Co.	1.10	1.09	0.9%	1.14
Public Bank	4.24	4.19	1.2%	4.48
IGB REIT	1.73	1.69	2.1%	1.86
FGV	1.38	1.35	2.1%	1.06
IOI Corp	3.97	3.89	2.2%	4.50
Petronas Gas	17.56	17.19	2.2%	19.37
Hong Leong Financial	16.64	16.26	2.3%	20.79
Sarawak Plantation	2.15	2.10	2.4%	2.20
AMMB	4.12	4.01	2.7%	4.23
Axis REIT	1.82	1.77	3.1%	1.98
RHB Bank	5.62	5.45	3.1%	6.00
QL Resources	5.87	5.68	3.3%	6.50
Hong Leong Bank	19.38	18.66	3.9%	21.38
Al-'Aqar Healthcare	1.27	1.22	4.0%	1.25
KL Kepong	22.40	21.44	4.5%	24.60
Datasonic	0.44	0.42	4.8%	0.46
Leong Hup	0.58	0.55	4.9%	0.70
WCT	0.52	0.50	5.1%	0.49
CelcomDigi	4.26	4.05	5.3%	4.95
FBM KLCI	**1,537.54**	**1454.66**	**5.7%**	**1,665.00**
FBM 70	**16,029.87**	**14612.98**	**9.7%**	**16,890.00**

Source : MIDF, Bloomberg (as at 25th March 2024)

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	*Negative* total return is expected to be -10% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

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