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KDN : PP 10744/05/2013 (033520)

26 JUNE 2024

MALAYSIA EQUITY

Navigating The Changing Currents

2HCY24 MARKET OUTLOOK

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EXECUTIVE SUMMARY

2QCY24 IN BRIEF

- As expected, no US rate cuts in 1HCY24 but there was progress in US inflation. As such, we are still waiting for clues on the first US rate cuts.
- The lack of clues on US rate cuts may have led to weaker markets in 2QCY24. Nevertheless, the FBM KLCI was buoyed by foreign fund net inflows from the period of mid-April to mid-May.
- We observed a new "hype" surrounding AI and AI chips, while domestically it was Data Centres.
- Lately, we have observed that foreign funds flowing into Malaysian equities have moved in tandem with the performance of the currency.
- Looking into 2HCY24, we expect the possibility of foreign funds returning to Malaysian equities, based on our expectation of a stronger Ringgit in 2HCY24 as well as a fundamental point-of-view.
- While we are overall cautiously optimistic about the prospect of Malaysia's economy and equity market, we opine that there is a growing downside risk stemming from geopolitical conflicts.

NAVIGATING THE CURRENTS

- The world economy is expected to experience another below-trend growth this year, with the IMF forecasting that global economic growth will be sustained at +3.2% (2023: +3.2%).
- The inflation trend in most countries has normalised. Additionally, policy tightening, supply conditions improvement and commodity price correction have reduced inflationary pressures.
- Central banks in the advanced economies will likely shift towards policy easing.
- Several elections have caused some surprises which could change the policy direction affecting the global economy.
- We maintain our expectation of Malaysia's GDP growth to be faster at +4.7% this year (2023: +3.6%). Domestic spending activities will continue to grow on the back of positive labour market conditions, positive income growth and improving foreign tourist arrivals (and spending).
- OPR to stay at 3.00%, remaining supportive and accommodating.
- We maintain our projection for the ringgit to close 2024 higher at RM4.43 (end-2023: RM4.59). However, we revised the average 2024 ringgit exchange rate to RM4.64 (2023: RM4.56) given the persistent strength in the US dollar on the back of delayed rate cuts by the Fed.

FBM KLCI 2024 TARGET AT 1,750

- The foreign funds arguably played a major role in generating positive momentum which drove up the local equity market thus far this year.
- The positive momentum driving up the local equity market thus far this year was arguably premised on healthy macro and corporate earnings performance.
- We expect local corporate earnings to remain healthy 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.
- In view of the positive monetary (liquidity) and fundamental prospects:
- We maintain our FBM KLCI baseline target for 2024 at 1,750 points or PER24 of 15.6x,
- FBM Hijrah's baseline target for 2024 at 14,100 points or PER24 of 22.5x,
- FBM70 baseline target for 2024 at 18,900 points or PER24 of 18.8x.

26 June 2024

KLCI (25/6/2024) : 1,585.38
2024 TARGET : 1,750.00

SECTOR VIEW

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

TOP BUYS

STOCK	Target Price (RM)	Total Return (%)
KPJ	2.54	35.8%
Malayan Cement	6.03	23.5%
Public Bank	4.78	23.4%
Fraser & Neave	37.00	19.3%
IHH Healthcare	7.35	18.9%
Matrix Concepts	2.00	17.7%
Gamuda	7.50	16.5%
Hong Leong Bank	21.38	15.4%
MISC	9.75	14.8%
QL Resources	7.25	13.7%

I. MARKET PERFORMANCE

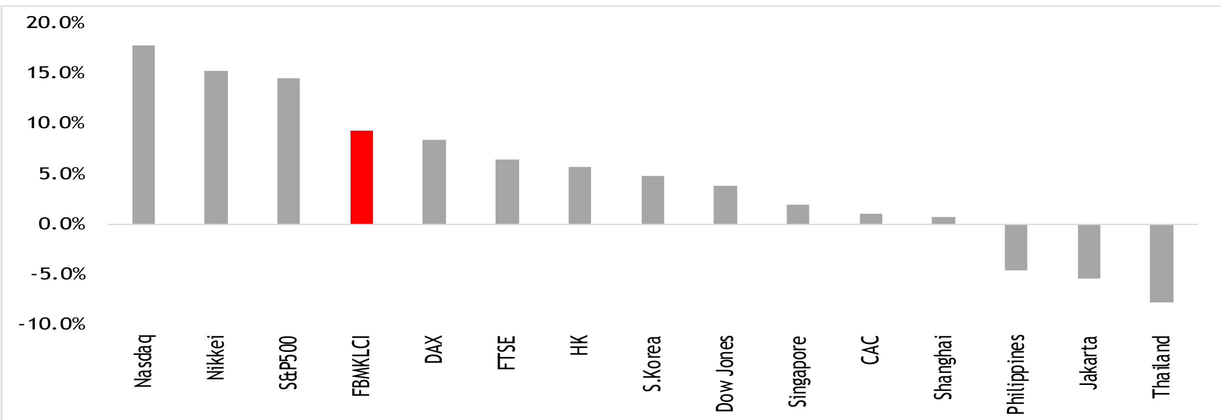
As expected, no US rate cuts in 1HCY24. After the policy meeting in Jun-24, the Fed's FOMC decided to keep its benchmark fed funds rate (FFR) at the existing range of 5.25-5.50%. The decision was widely anticipated by the market consensus as the US inflation remained above the 2% target, thus requiring the Fed to maintain the restrictive monetary policy for now. In the FOMC statement, the FOMC indicated "modest further progress" in the US inflation disinflating towards the Fed's +2% target. This was a change of tone from "lack of progress" in the previous FOMC statement in early May-24.

Progress in US inflation. The US core PCE inflation had moderated to +2.75%yoy in Apr-24 (Mar-24: +2.81%yoy), the lowest in 3 years. The recent release of May-24 CPI data indicated further easing in inflation; the headline CPI inflation moderated to a 7-month low of +0.2%mom and the core CPI inflation also eased to +0.2%mom, the slowest in 4 months. Consequently, the year-on-year CPI reading signalled continued moderation with the headline and core CPI inflation easing further to +3.3%yoy (Apr-24: +3.4%yoy) and +3.4%yoy (Apr-24: +3.6%yoy), respectively.

Still waiting for clues on the first US rate cuts. Despite the progress in inflation, the Fed Chairman reiterated that the FOMC needs more confidence before committing to rate cuts. In other words, despite the recent sign of easing price increases, the Fed is not fully convinced that inflation will be moving sustainably lower to its +2% target. On that note, the current restrictive monetary policy may be maintained for longer i.e. adopting high-for-longer as indicated in the revised FOMC projection. The level of policy setting has been deemed to be "sufficiently restrictive" which has effectively led to further disinflation, thus not requiring more rate hikes.

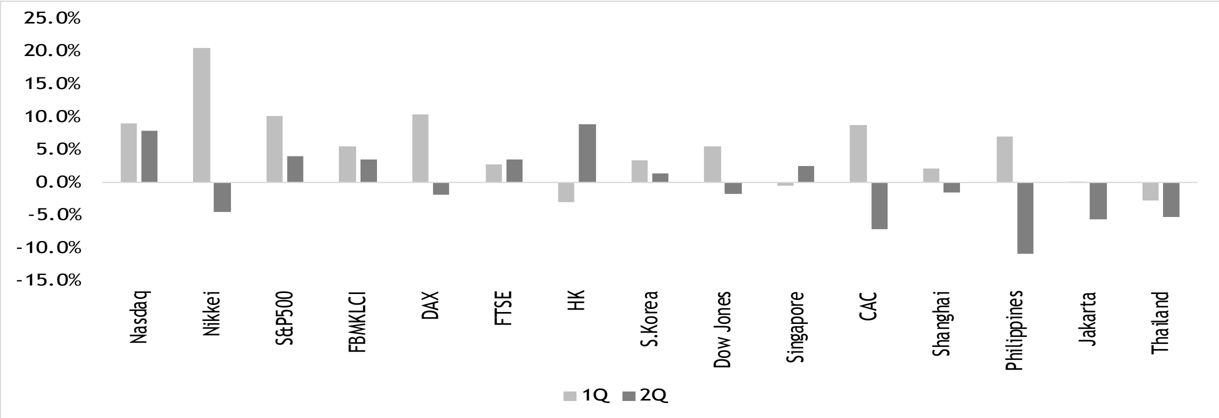
The lack of clues on US rate cuts may have led to weaker markets in 2QCY24. It is still uncertain on the number of cuts (the FOMC forecast went from 3 to 1) and the timing (some segments of the market are expecting none for this year). In any period of uncertainty, we can expect investors to lock in gains, hence we observed drawdowns in markets such as Nikkei (which was the best performer in 1QCY24), Dow Jones, DAX, CAC and ASEAN markets such as Jakarta Composite Index, Stock Exchange of Thailand and Philippines Stock Exchange Index. This was especially the case after the FOMC meeting in June'24. Even the FBM KLCI was not spared as it fell -0.4% in June'24 (as of 24 June 2024). Nevertheless, the FBM KLCI was buoyed by foreign fund net inflows from the period of mid-April to mid-May which lifted its performance for 2QCY24. This resulted in a YTD performance of +9.3% (as of 24 June 2024), the fourth-best index amongst those that we track.

Chart 1: Comparison of Performance of FBM KLCI and Regional Peers (YTD as at 24 June 2024)



Source: Bloomberg, MIDFR

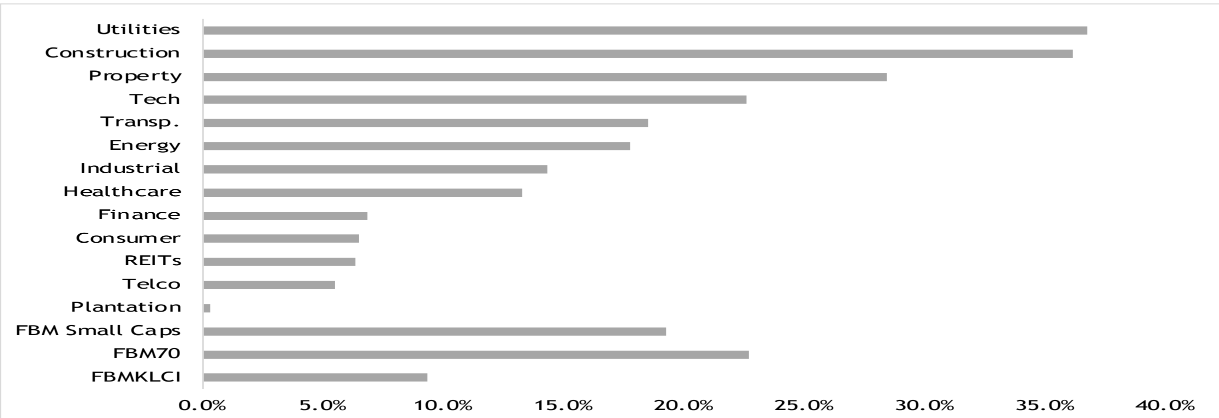
Chart 2: Comparison of Quarterly Performance of FBM KLCI and Regional Peers (2QCY24 as at 24 June 2024)



Source: Bloomberg, MIDFR

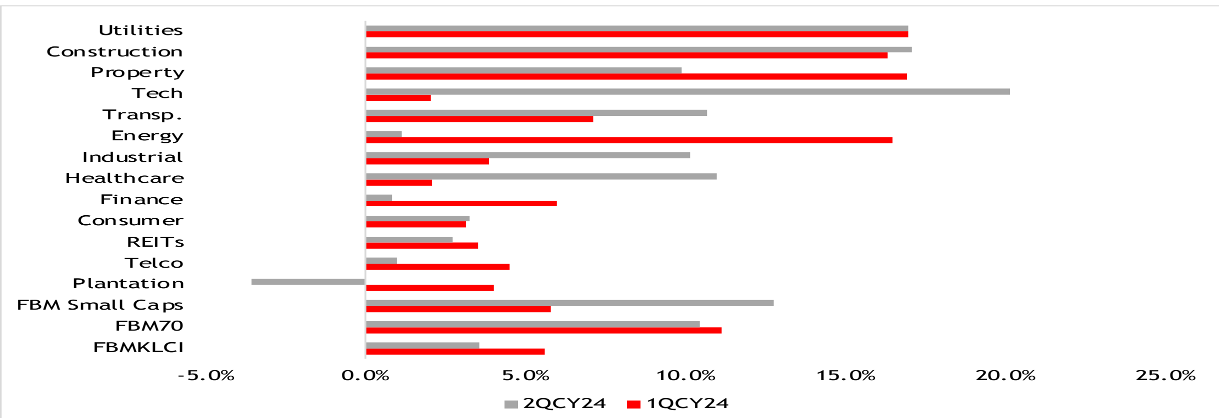
AI and DC are the new "hype". Tech-heavy NASDAQ (and to a certain extent the S&P 500) was one of the exceptions in 2QCY24. Its performance was driven by the frenzy of AI and AI chips, and we observed that one company, Nvidia, was solely responsible for uplifting the NASDAQ. So much so that it is now the most valuable company overtaking Microsoft. As for Malaysia, the hype was centred around Data Centres (DC). Stocks that have exposure in DC space (whether property players through JV, lease or land sales; construction players; utilities or telecommunications) have seen heightened interest amongst investors. Hence, the indices of these sectors were able to maintain their strong performance in 2QCY24. As a spillover to the AI hype, the local tech sector was also able to outperform in 2QCY24.

Chart 3: Comparison of Performance of Bursa Malaysia Sectoral Indices (YTD as at 24 June 2024)



Source: Bloomberg, MIDFR

Chart 4: Comparison of Quarterly Performance of Bursa Malaysia Sectoral Indices (2QCY24 as at 24 June 2024)

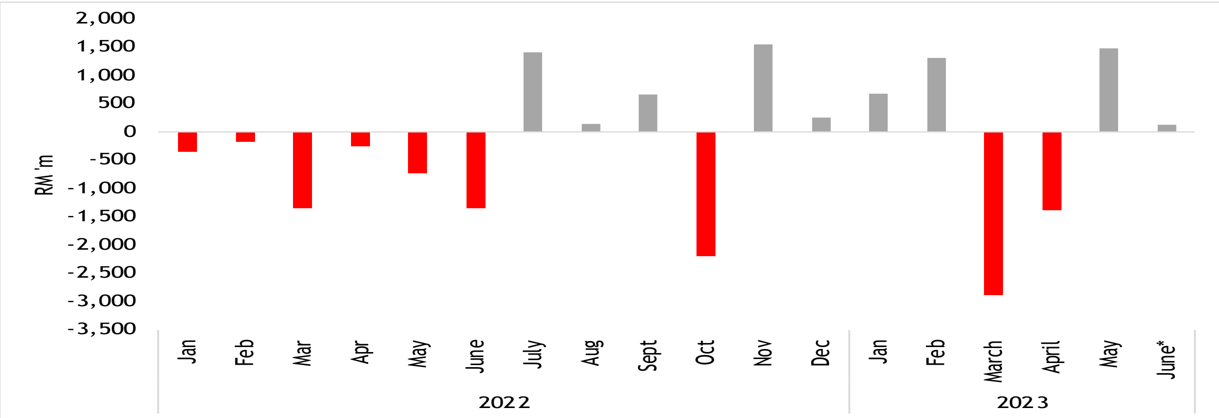


Source: Bloomberg, MIDFR

The lack of clues in US rate cuts led to a stronger USD... Circling back to the US rate decision (or lack thereof), the other impact can be observed in the currency market. The strength in the US dollar has persisted into 1HCY24, underpinned by the high-for-longer sentiment as signalled by the Fed. However, there were bouts whereby USD started to weaken. For example, the DXY index and the Ringgit saw appreciation during the period of mid-April to mid-May, however, started to weaken again after the FOMC meeting.

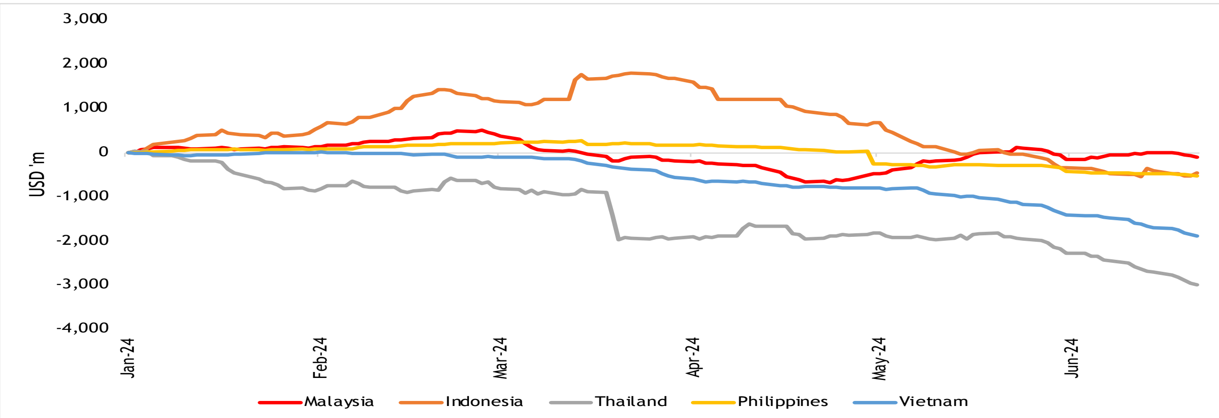
...foreign fund flows seem to be following the currency trend. Lately, we have observed that foreign funds flowing into Malaysian equities have moved in tandem with the performance of the currency. From the start of the year through 14 March 2024, it seems that foreign funds did not take into account USDMYR movements as we saw foreign funds net inflow of RM24.5m (driven by net inflows in January and February) despite the Ringgit depreciation. This could be due to other factors such as expectations of US rate cuts in the early part of the year. However, foreign fund flows started to mirror the movement of USDMYR after that period. Analysing the correlation between foreign funds flows and USDMYR movements after 14 March 2024 and until 24 June 2024, we saw a correlation of -0.91, indicating that there were foreign funds inflows during the Ringgit appreciation and vice versa.

Chart 5: Monthly Foreign Fund Flows into Bursa Malaysia



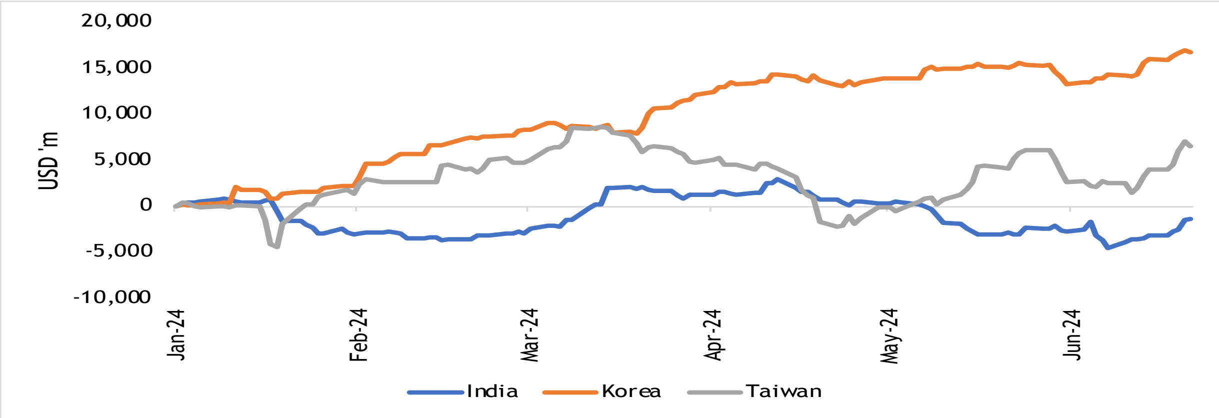
Source: Bloomberg, MIDFR

Chart 6: Cumulative Foreign Fund Flows into ASEAN 5 (YTD as at 21 June 2024)



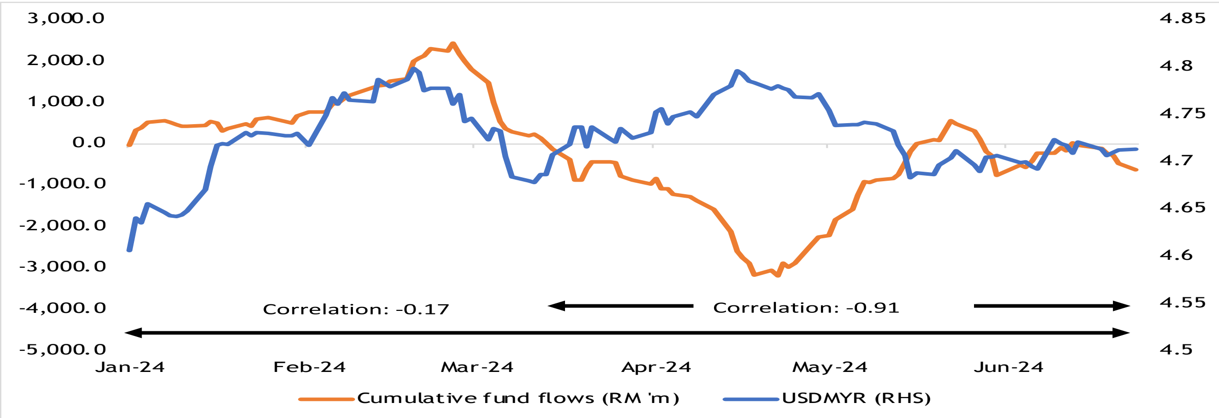
Source: Bloomberg, MIDFR

Chart 7: Cumulative Foreign Fund Flows into Advanced Asian (YTD as at 21 June 2024)



Source: Bloomberg, MIDFR

Chart 8: Comparison of USDMYR and Cumulative Fund Flows into Malaysian Equities (YTD as at 24 June 2024)



Source: Bloomberg, MIDFR

Possible for foreign funds to return once the Ringgit starts to strengthen. Looking ahead into 2HCY24, we expect the possibility of foreign funds returning to Malaysian equities. This is premised on our expectation of a stronger Ringgit in 2HCY24 stemming from the expectations of the US rate cuts, as well as from a fundamental point-of-view. We expect that this will be a key driver for Malaysia's equities market performance in 2HCY24, which we remain cautiously bullish on.

Downside risks up a few notches from heightened geopolitical conflicts. While we are overall cautiously optimistic about the prospect of Malaysia's economy and equity market, we have to highlight a growing downside risk stemming from geopolitical conflicts. We also have to highlight that we have not imputed any of these downside risks in our base case given the difficulties in predicting the start of a conflict. Nevertheless, any escalation in geopolitical conflict will likely result in a limited upside but a huge downside to the economy and markets. Below are some of the areas we are concerned about:

1. **Ukraine-Russia conflict:** The current situation seems to suggest that Russia is gaining ground in the conflict. This is highlighted by the recent territorial gains, Ukraine's lack of manpower and material, and Russia's expansion of its military personnel and military industrial capacity. Some have argued that this has led to escalations such as the recent attack by the Ukrainians on a beach in Crimea, which Russia has blamed the US as being complicit. There are discussions of possible further escalations; a precarious proposition, given both are nuclear superpowers.

2. **Middle East conflict:** The conflict in the Middle East is in danger of escalating with Israel seeming determined to take on Hezbollah, despite its ongoing conflict with Hamas. It is said that Hezbollah is better equipped and would be a more formidable opponent to Israel. The danger is that the conflict may bring in other participants such as the US and Iran.

3. **US-China conflict:** The rhetoric on the US-China tension has ratcheted up this year. One of the results of the increased tension has been the imposition of tariffs on certain Chinese products such as EVs. We have to highlight that this year is a US Presidential election year. Both candidates (President Biden and former President Trump) have shown their hawkishness towards China. The danger is that both will try to outdo each other in order to appear strong against China.

4. **Alliance building:** Russia has just signed a defensive pact agreement with North Korea. Russia's President Putin has also recently visited Vietnam. Meanwhile, Iran leads a so-called "Axis of Resistance" which is a political and military coalition in West Asia and North Africa. It most notably includes the Syrian government, the Lebanese political party and militant group Hezbollah, the Yemeni political and military organization Ansar Allah (the Houthi movement), and a variety of Palestinian militant groups. The question remains whether all these alliances can act as a peaceful counterbalance to their opposing forces (i.e. leading to de-escalation) or otherwise.

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II. MACRO ECONOMIC OUTLOOK

GLOBAL ECONOMY: GROWTH TO REMAIN BELOW TREND IN 2024

Slight upward revision, but still below the trend. The world economy is expected to experience another below-trend growth this year, with the IMF forecasting that global economic growth will be sustained at +3.2% (2023: +3.2%). Prospects of growth for the advanced economies will be constrained by the previous policy tightening and the high borrowing costs, but the outlook for the US was recently upgraded to more normal levels amid continued resilience in consumer spending and the job market. For developing economies, a sustained rise in domestic demand would remain as the anchor for economic growth. Meanwhile, the growth outlook for trading nations is also encouraging benefiting from the recovery in global production and international trade activities. Global E&E trade, for example, is expected to turn around this year as global semiconductor sales have been trending higher since last year. For 2025, the world economic growth will seem to be stable at around +3.2% as predicted by the IMF supported by sustained growth in the developing economies. While growth in the advanced economies will be slightly stronger, broad strengthening of growth prospects will be constrained by the relatively slower growth in the US next year.

Table 1: GDP Growth Forecast for Selected Economies

	2020	2021	2022	2023	2024f	2025f
World	**(2.7)**	**6.5**	**3.5**	**3.2**	**3.2**	**3.2**
Advanced Economies	(3.9)	5.7	2.6	1.6	1.7	1.8
USA	(2.2)	5.8	1.9	2.5	2.7	1.9
Euro Area	(6.1)	5.9	3.4	0.4	0.8	1.5
Japan	(4.1)	2.6	1.0	1.9	0.9	1.0
UK	(10.4)	8.7	4.3	0.1	0.5	1.5
Singapore	(3.9)	9.7	3.8	1.1	2.1	2.3
Developing Economies	(1.8)	7.0	4.1	4.3	4.2	4.2
China	2.2	8.5	3.0	5.2	5.0	4.5
India	(5.8)	9.7	7.0	7.8	6.8	6.5
Indonesia	(2.1)	3.7	5.3	5.0	5.0	5.1
Thailand	(6.1)	1.5	2.5	1.9	2.7	2.9
Philippines	(9.5)	5.7	7.6	5.6	6.2	6.2
Vietnam	2.9	2.6	8.1	5.0	5.8	6.5

Source: IMF, National Sources, MIDFR

Global inflation eased but concerns over elevated pressures. The inflation trend in most countries has eased and returned to more normal levels after reaching multi-year highs from the post-pandemic recovery. In addition to the policy tightening by monetary authorities, the improvement in supply conditions and correction in the commodity prices have contributed to the reduced inflationary pressures. Nevertheless, there is still a concern that inflation will remain elevated and above the official target. Supply disruption due to adverse weather conditions could cause commodity prices and therefore food prices to go higher. Meanwhile, there is a risk of higher energy prices if the geopolitical conflicts particularly in the Middle

East worsen. Disruption to trade flow could also cause broad price increases across different products due to the higher trading and production costs. We believe the demand pressures have been generally under control looking at the moderation in core prices. In other words, the supply shocks will likely be the source of upside surprise which will keep prices elevated this year.

Shifting towards policy easing. Central banks especially in the advanced economies are expected to adopt policy easing as inflation has generally moderated. With economic growth which has also slowed, together with the reduced demand pressures, the pressure will be to begin easing policy restrictiveness to encourage greater economic activities. Despite the economic resilience, the US Federal Reserve is also expected to eventually begin its policy easing, likely in the latter part of 2HCY24 as price pressures continue to disinflation. The Bank of Japan is still the exception because there is a possibility that the policy interest rates may be raised further as inflation in Japan remains positive. For developing countries, policy interest rates may be maintained at normal levels because the policy setting is not too restrictive as in the advanced markets. With inflation concerns subsiding, the policy emphasis in most countries will focus on ensuring economic growth to be sustainable going forward. On that note, we opine authorities in China may introduce more policy supports to ensure continued growth in the economy and counter any destabilising pressures. In other words, central banks in most countries have room to ease their policy setting if the growth outlook weakens considerably. As central banks in the advanced markets start to slash their interest rates, we anticipate the narrowing interest differentials will lead to a shift in global funds towards emerging markets. Consequently, we foresee the EM currencies will appreciate against the US dollar, gaining from the increased fund inflows from the changes in the financial markets and improving global trade activity.

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

	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
Malaysia	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
Indonesia	6.00	6.00	6.00	6.00	6.00	6.00	6.25	6.25	6.25
Philippines	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Thailand	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Vietnam	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50
South Korea	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
India	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Japan	(0.10)	(0.10)	(0.10)	(0.10)	(0.10)	0.00-0.10	(0.10)	0.00-0.10	0.00-0.10
UK	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Euro area	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.50	4.25
USA	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50	5.25-5.50

Source: Macrobond, MIDFR

Some surprises from the global politics. Several elections have caused some surprises which could change the policy direction affecting the global economy. Political changes in the EU could also happen following the recent call for an election by the French President and the upcoming election in the UK. Possible change in the administration could also lead to a shift in the policy direction, involving areas such as immigration matters, trade policy and international affairs amid ongoing conflicts such as the war in the Middle East and Ukraine as well as the China-Taiwan tension. On the other part of the world, the reform agenda in India could face greater challenges as opposition in India made massive gains despite the BJP-led alliance securing another term in the recent general election. In contrast, we do not expect any big change in Russia given the landslide win by President Vladimir Putin in the election in Mar-24. As a result, the war in Ukraine continues until today. The next significant election to watch is the possible return of Donald Trump as the US presidential election will be held in Nov-24. This could re-escalate the US-China trade war, in addition to the higher tariffs imposed by the Biden administration on US imports from China.

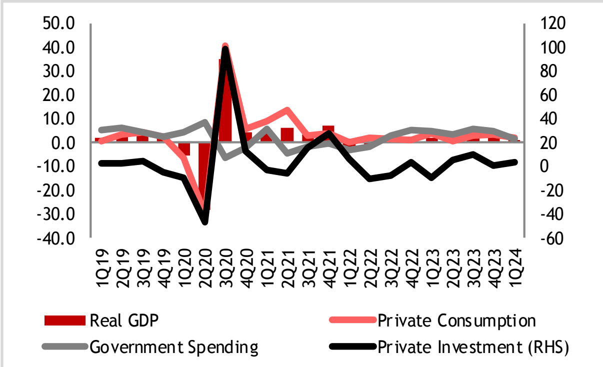
Risks to the global growth outlook. Several downside risks remain that may lead to deterioration in the investor sentiment in the financial markets and constrain this year's global growth outlook. Maintaining the high borrowing costs for a longer period in reaction to the persistently elevated inflation would increase the risk of a sharp slowdown in aggregate demand. A sharp contraction in the final demand from the advanced markets will cause a slowdown in global trade and production activities. The price pressures could also re-escalate because of the heightened geopolitical and trade tensions, and the introduction of strict protectionist rules could disrupt trade flows. As a result, the disrupted supply will lead to a renewed uptrend in commodity prices and add to cost pressures. In addition, volatility in the financial market could also increase triggered by the heightened geopolitical risks, a sharp decline in trade and ultimately a broad slowdown in the global economy. On the flip side, policy easing by central banks may be delayed if inflation remains elevated or even re-accelerates given the continued resilience in the economy and the job markets.

USA: CONTINUED RESILIENCE IN THE ECONOMY AS FED MOVES CLOSER TO RATE CUTS

Resilient economy coping with high interest rates. The US economic growth is expected to grow by +2.7% based on the IMF projection, which is an upgrade given the still resilient consumer spending and the job market. Although the annualised quarter-to-quarter growth moderated to +1.3%qoq in 1QCY24 (4QCY23: +3.2%qoq), the year-on-year growth was still robust at +2.9%yoy (4QCY23: +3.1%yoy). Apart from the continued growth in consumer spending (+2.3%yoy) especially on services, investment activities in the US grew stronger at +4.7%yoy (4QCY23: +1.5%yoy) underpinned by a pick-up in the residential investment. With the pace of growth projected to exceed +2.5% this year, we do not foresee the US experiencing a soft landing this year.

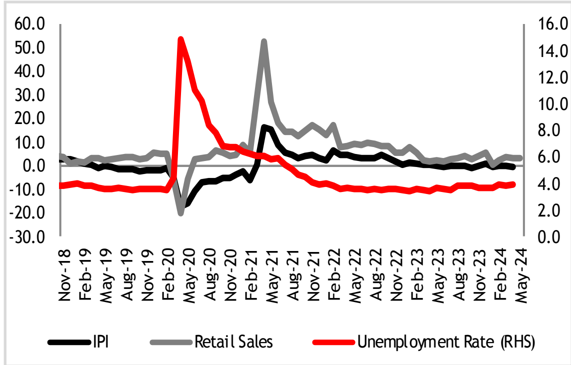
The job market rebalanced but still supported economic resilience. Following aggressive policy tightening, the US labour market has rebalanced and is no longer as tight as previously reported. The jobless rate has gradually risen to 4.0% in May-24 from 3.4% in Apr-23. Labour demand has also eased since the Fed tightened its policy as job openings trended lower from the high of 12.18m in Mar-22 to 8.06m in Apr-24. At the same time wage growth has also moderated from +5.9%yoy in Mar-22 to +4.0%yoy in Apr-24. However, the continued rise in job growth remains a factor supporting the continued resilience of the US economy. More jobs continued to be added as nonfarm payrolls increased on average +247.8K a month in 5MCY24 (average 2023: +251.1K; average 2022: +377.3K). Thus far, no significant deterioration in the job market although initial jobless claims have been averaging higher at 232.8K in the 4 weeks to 10 June 2024 (average 4MCY24: 212K). We expect the job market will be a key factor to watch as consumer spending is expected to continue growing, and the gradual rebalancing suggests a limited risk of a hard landing.

Chart 9: USA: Real GDP Growth (YoY%)



Source: Macrobond, MIDFR

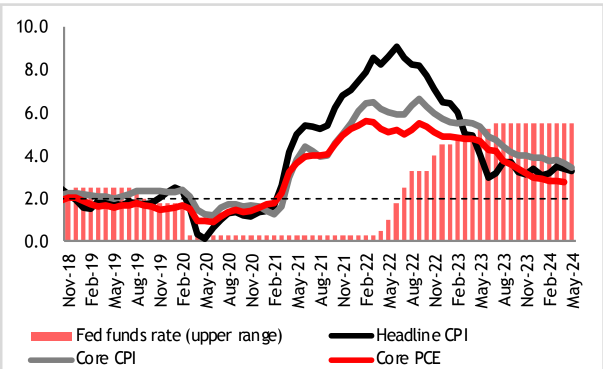
Chart 10: USA: Selected Economic Indicators (YoY%)



Source: Macrobond, MIDFR

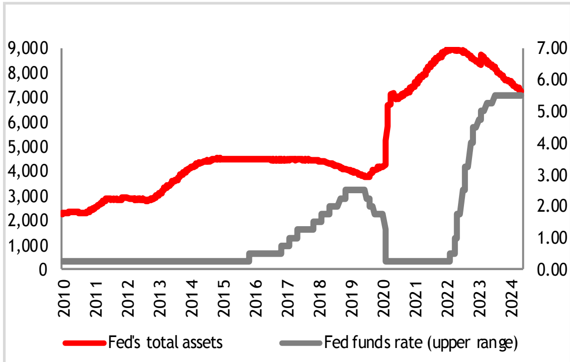
Fed to shift to policy easing. The Fed continued to indicate the central bank will be cautious in its approach not to cut interest rates too soon with concerns inflation is not moving lower as previously anticipated. Despite concerns over persistently elevated price pressures, we believe the broad moderation in inflation will allow the Fed to begin cutting interest rates towards the final quarter of 2024. However, the Fed may keep the high-for-longer stance beyond 2024 if the US inflation remains elevated amid overall resilience in the economy and the job market. Consequently, the delayed rate cuts by the Fed will support for the US dollar to remain strong for a longer period.

Chart 11: USA: Inflation (YoY%) vs. Fed Funds Rate (%)



Source: Macrobond, MIDFR

Chart 12: USA: Change in Fed's Balance Sheet (USD b)



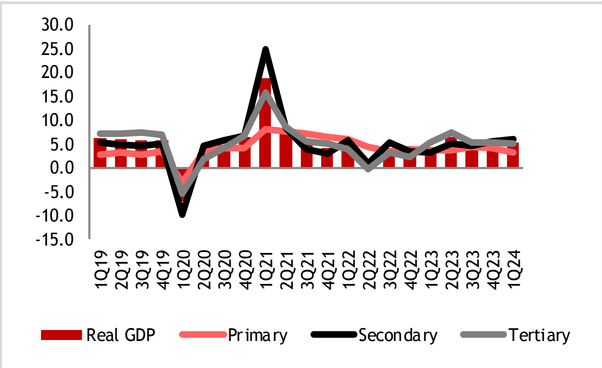
Source: Macrobond, MIDFR

Consumers are already hit by high borrowing costs. The delinquency rates for consumer loans and credit cards have been trending higher in recent years from the lows in 2021. This suggests more borrowers are having difficulty to repay their loans to cope with the higher borrowing costs. We view this as a downside risk that could adversely affect consumer spending outlook as the rising delinquencies may lead to banks tightening their lending standards. The recent surveys also indicate consumers expressed concerns over the future economic outlook including their personal finance, although sentiment previously improved because of easing inflation expectations. If inflation remains elevated and the high interest rates are kept for a longer period, this could cause aggregate demand to also weaken as consumers will be cautious in their spending plans.

CHINA: CONTINUED ECONOMIC RECOVERY AMID CHALLENGES IN THE PROPERTY MARKET

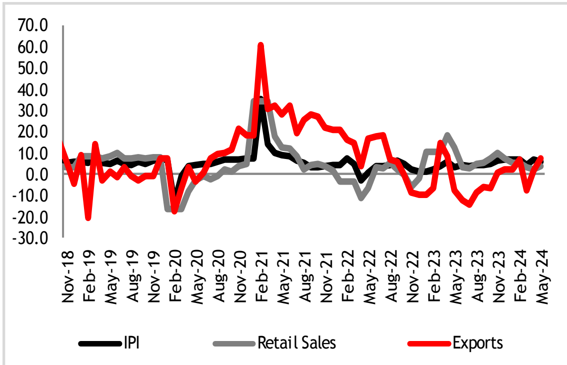
Growing domestic demand to support China's economy. We expect more attention to be given to support domestic-driven sources of growth. Despite concerns about more moderate growth, the sustained growth in China's economy has been supported by growth in the tertiary sector, in line with growing domestic spending. In 1QCY24, China's economy grew more than expected at +5.3%yoy, slightly higher than +5.2%yoy in 4QCY23. The government measures helped to support growth in the economy with increased consumer spending and higher investment activities. Moreover, China's economy also benefited from the improved global trade activity as the secondary sector grew faster at +6%yoy (4QCY23: +5.5%yoy). The IMF recently upgraded its China's growth outlook to +5.0% this year (2023: +5.2%), in line with China's official 2024 growth target.

Chart 13: China: Real GDP Growth (YoY%)



Source: Macrobond, MIDFR

Chart 14: China: Selected Economic Indicators



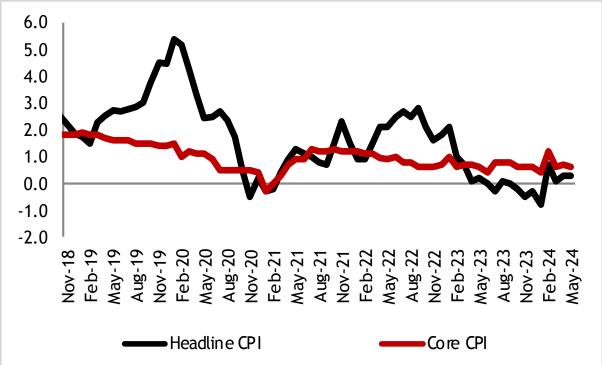
Source: Macrobond, MIDFR

Concerns about domestic spending… Although consumer spending has been the main driver for China's economic recovery from the pandemic lockdown, any slowdown in retail spending raises concerns over the stability of China's economic growth. In particular, there was a relief that retail spending grew faster at +3.7%yoy in May-24, after continuous moderation in retail sales growth to +2.3% in Apr-24 from the peak of +10.1%yoy in Nov-23. The price pressures also remained low although CPI inflation already returned back to positives since Feb-24, hovering around +0.3%yoy in Apr-24 and May-24. Underlying demand pressure also eased as core CPI inflation slowed to +0.6%yoy in May-24 (vs. +1.2%yoy in Feb-24). On the other hand, China's industrial production picked up and grew faster at +6.7%yoy in Apr-24 and +5.6%yoy in May-24, improving from +4.5%yoy in Mar-24. We view this as encouraging because the improvement in business activities was in line with the stronger growth in external trade.

…with ongoing drag from the property market. Ongoing challenges in the property market remain the major downside risk to China's economy. Despite measures to stimulate demand and sales, China's home prices fell further and sharper by -3.9%yoy in May-24 which was the steepest decline since Aug-15. On the back of weak demand and the struggle faced by the property developers, investment into the sector also weakened further as reflected by the -10.1%yoy contraction in the fixed asset investment into the real estate sector in 5MCY24. Given the ongoing weakness, we opine the government may intervene and introduce more support to ensure the official growth of +5.0%yoy will be achieved this year.

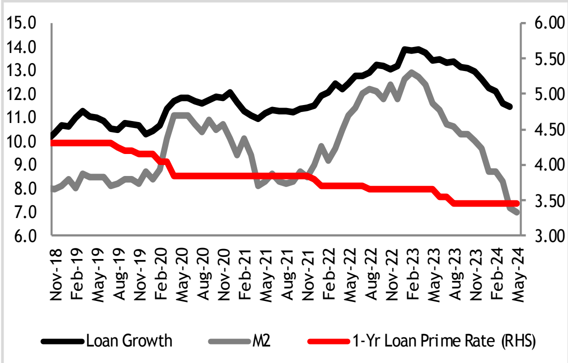
Additional measures may be needed. We expect authorities may consider introducing more policy support given the continued weakness in China's property market. In addition to the reduced reserve requirement ratio (RRR) earlier in the year, the People's Bank of China (PBOC) slashed the 5-year Loan Prime Rate (LPR) by 25bps to 3.95% in a surprise move in May-24. The additional policy easing was deemed as a measure to boost the property market. While the decision to keep the 1- and 5-year LPRs unchanged, the PBOC may still adopt a dovish stance to further support the economy. Furthermore, we expect the government may introduce more stimulus measures to encourage consumers to spend especially if new sign of weakening demand emerges.

Chart 15: China: CPI Inflation (YoY%)



Source: Macrobond, MIDFR

Chart 16: China: Loan and M2 Growth (YoY%) vs. 1-Year Loan Prime Rate (%)



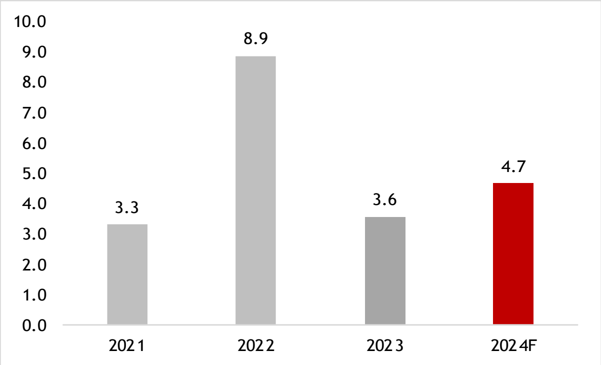
Source: Macrobond, MIDFR

MALAYSIA ECONOMY: UPBEAT MOMENTUM TO CONTINUE

Malaysia's GDP growth forecast is kept at +4.7%. We believe the growth momentum will continue in the coming quarters, to achieve above +4.5%yoy level. Malaysia's GDP growth is expected to be faster at +4.7% this year (2023: +3.6%). Domestic spending activities will continue to grow on the back of positive labour market conditions, positive income growth and improving foreign tourist arrivals (and spending). In addition, external demand will recover as Malaysia stands to benefit from improvements in global production and international trade, especially growing demand from major trading partners such as China and the US. In addition, we expect the improvement in the E&E trade and outbound shipments of primary goods will contribute to the export recovery this year. On another note, we are cautious that several risks could constrain this year's growth outlook, such as escalation in geopolitical and trade tensions; weaker-than-expected growth in China and the US; and a significant slowdown in final demand from the major markets (potentially constrained by the high borrowing costs). On the domestic front, policy changes may result in higher inflation, which could adversely affect consumer sentiment and their spending plans.

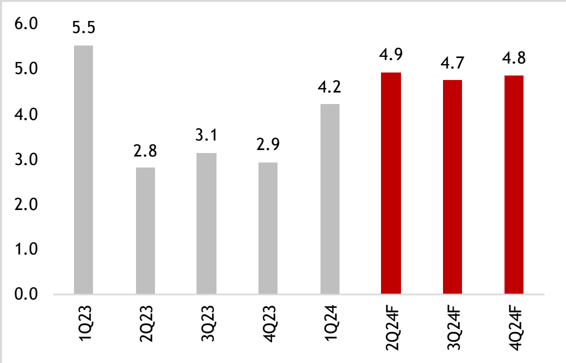
Stable macro fundamentals but consumers remain cautious. The domestic economy is expected to be anchored by continuously steady consumer spending, busier tourism-related activities and construction of infrastructure projects. The job market remains in good shape as reflected in continuous positive growth in employment and low jobless rate. Even though the inflation rate is forecasted higher due to subsidy rationalisation efforts, real wage growth is expected to remain in positive territory. 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 for 5 straight quarters since 1QCY23. According to Grips Intelligence, the average daily e-commerce transaction value in Malaysia dropped by -63.3%yoy to USD48.2K in 5MCY24. In 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 -54.3%yoy to 281 units in 5MCY24 (2019: 520 units, 2023: 569 units). Henceforth, private consumption and services are expected to grow at a moderate pace of +4.5% (2023: +4.7%) and +5.0% (2023: +5.2%), respectively, in 2024.

Chart 17: GDP Growth Forecast (YoY%)



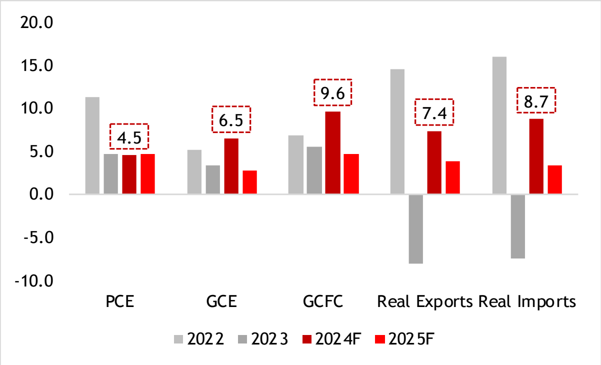
Source: CEIC, MIDFR

Chart 18: GDP Growth Quarterly Forecast (YoY%)



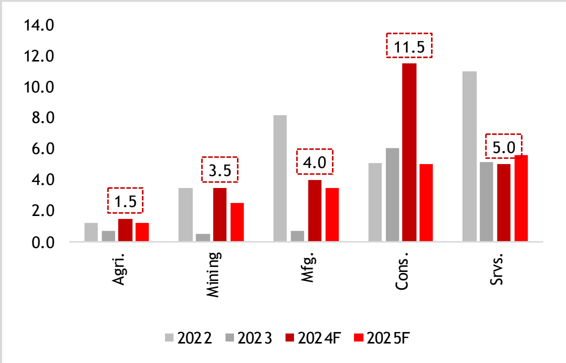
Source: CEIC, MIDFR

Chart 19: GDP Growth by Expenditure (YoY%)



Source: CEIC, MIDFR

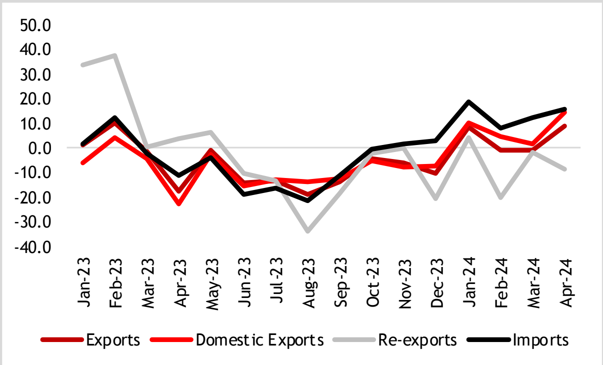
Chart 20: GDP Growth by Supply (YoY%)



Source: CEIC, MIDFR

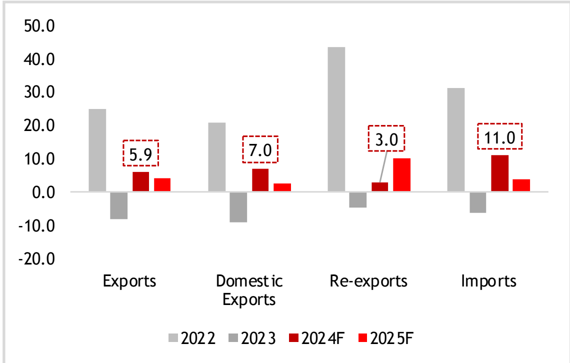
More growth space for exports. The average monthly export value for 2023 was RM118.8b (2022: RM129.2b). As of 4MCY24, the average value stood at RM119.3b, or +3.8%yoy higher (4MCY23: RM114.9b). Thanks to supportive global commodity prices, overseas sales of agriculture and mining goods rebounded by +0.7%yoy (2023: -22.1%) and +8.0%yoy (2023: -10.2%), respectively, in 4MCY24. Moreover, exports of manufactured goods increased by +3.5%yoy from -6.8% contraction recorded last year. Looking at the robust intermediate goods imports, we foresee Malaysia's export market to expand stronger in 2HCY24 underpinned by E&E and other manufactured goods as well as primary goods. If exports value is maintained at RM125b per month on average throughout 2024, Malaysia's outbound shipments growth rate can potentially grow at +5.2%. By component, domestic exports, which constitute 77.4% of total exports, are predicted to grow by +7.0% while re-exports to rebound modestly by +3.0%. Better recovery in China, growing demand in major countries, an upcycle of the tech sector and supportive global commodity prices will boost the rebound of Malaysia's external trade performance.

Chart 21: External Trade Performances (YoY%)



Source: CEIC, MIDFR

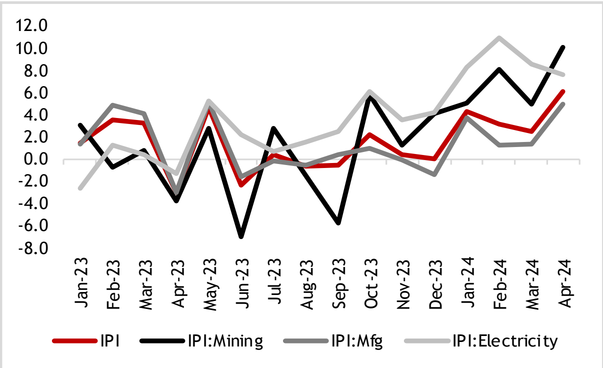
Chart 22: External Trade Forecasts (YoY%)



Source: CEIC, MIDFR

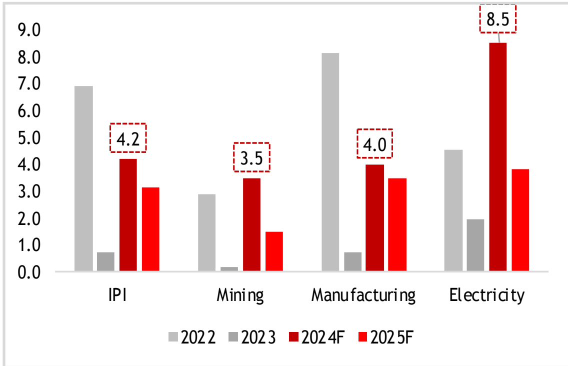
IPI forecast adjusted higher at +4.2% from +3.7% amid exports recovery. With the return of expansionary exports, manufacturing output growth is predicted to improve to +4.2% in 2024 (2023: +0.7%). Among others, this will be supported by better overseas sales of E&E and other manufactured goods. Apart from the manufacturing output factor, production of electricity is forecasted to increase by +8.5% as energy demand is expected to grow on the back of growing business activities as well as increased investments into the country. Mining output is expected to recover stronger underpinned by elevated global energy prices and higher natural gas output. We expect the mining output growth will return to more robust expansion, with projected growth at +3.5% in 2024.

Chart 23: IPI Performances (YoY%)



Source: CEIC, MIDFR

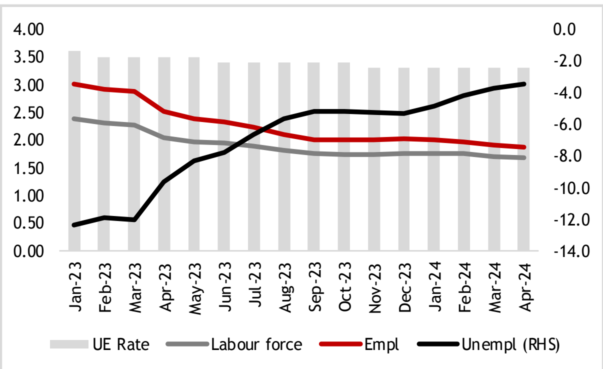
Chart 24: IPI Forecast (YoY%)



Source: CEIC, MIDFR

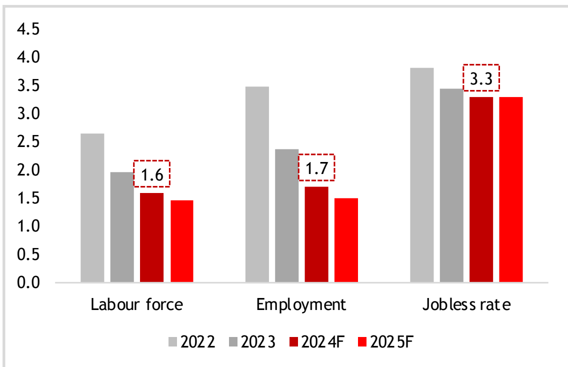
The average jobless rate to remain low at 3.3% in 2024. As of 4MCY24, the average jobless rate remained low at 3.3% (2023: 3.4%), while labour force and employment continued to increase by +1.7% (2023: +2.0%) and +1.9% (2023: +2.4%), respectively. Malaysia's labour market is expected to remain favourable in 2024, backed by steady upbeat momentum in the domestic economy and further recovery in external trade. Malaysia's average unemployment rate is expected to be maintained at 3.3% in 2024. The return of non-citizen workers is expected to boost overall employment and keep the jobless rate low. As of 2023, non-citizens' employment is still -2.4% lower than pre-pandemic levels. Nevertheless, downside risks which could negatively affect Malaysia's labour market include lower-than-expected external trade recovery and a sharp decline in global commodity prices.

Chart 25: Labour Market Performances (%)



Source: CEIC, MIDFR

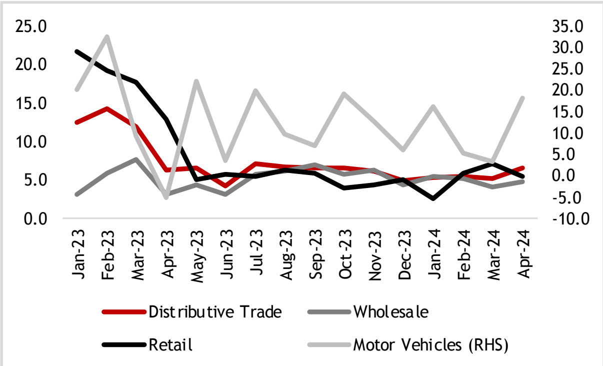
Chart 26: Labour Market Forecasts (YoY%)



Source: CEIC, MIDFR

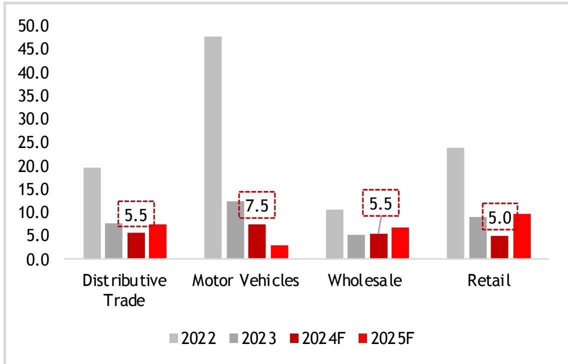
Retail trade forecast downgraded from +7.5% to +5.0% in 2024. As of 4MCY24, Malaysia's distributive trade sales increased by +5.7% (2023: +7.7%). The components include sales of motor vehicles and retail trade expanding by +10.2% (2023: +12.3%) and +5.2% (2023: +9.0%), respectively, while wholesale trade rose by +4.9% (2023: +5.2%). Moving forward, the steady momentum of domestic demand is expected to continue in 2024 underpinned by a resilient labour market, positive real wage growth, better pick-up in tourism activities and supportive & accommodative economic policies. However, we opine upward inflation pressure may affect consumer demand depending on the potential effects of targeted subsidy approaches and fluctuations in global commodity prices. Henceforth, we reduce our retail trade forecast from an initial rate of +7.5% to +5.0% for 2024.

Chart 27: Distributive Trade Sales, DT (YoY%)



Source: CEIC, MIDFR

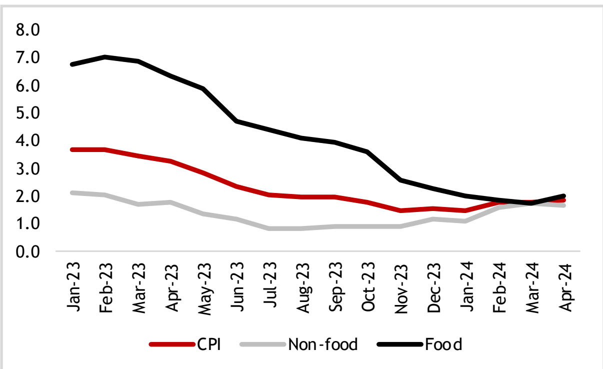
Chart 28: Distributive Trade Sales Forecasts (YoY%)



Source: CEIC, MIDFR

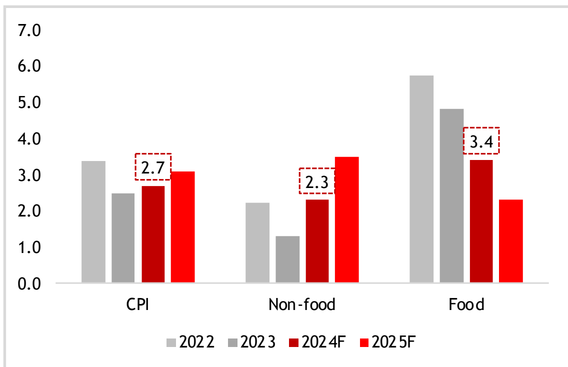
The headline CPI forecast lowered to +2.7% for 2024 as the RON95 price change was delayed. In our earlier assessment, we assumed that the targeted fuel subsidy particularly for RON95 would be rolled out in Jun-24. However, we postulate that the government may require more time to harness the subsidy distribution and fuel price mechanisms. We now opine that the targeted fuel subsidy for RON95 may kick off in 4QCY24. Henceforth, we reduce our average inflation rate forecast to +2.7% from +3.2% previously due to gradual phases of targeted-fuel subsidy implementation and moderating food price inflation. As of 4MCY24, the headline CPI inflation rate averaged at +1.7% (2023: +2.5%), while non-food inflation was at +1.5% (2023: +1.3%) and food at +1.9% (2023: +4.8%). Average core inflation rate was recorded at +1.8% (2023: +3.0%).

Chart 29: Headline Inflation Rate (YoY%)



Source: CEIC, MIDFR

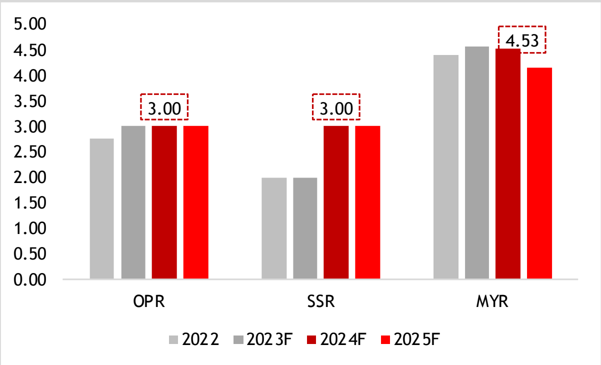
Chart 30: Inflation Forecast (YoY%)



Source: CEIC, MIDFR

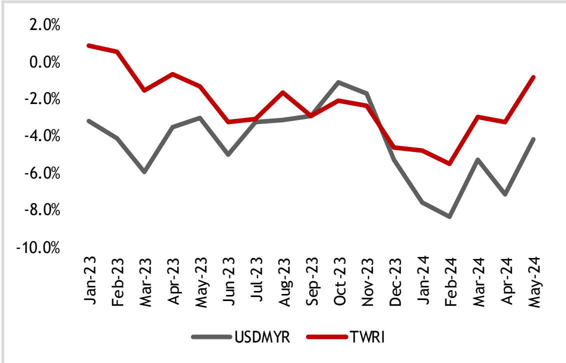
OPR to stay at 3.00%, remaining supportive and accommodating. The focus of BNM's monetary policy setting is to ensure a sustainable growth momentum in Malaysia's economy. Even though we expect external trade to recover, the external environment stays challenging in 2024 amid ongoing geopolitical tensions and potentially slower global growth. The domestic economic outlook is predicted 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 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. Given that OPR is already at a normal rate, we expect BNM to keep it unchanged at 3.00% in 2024.

Chart 31: Monetary Policy & USDMYR Forecast (%)



Source: Macrobond, MIDFR

Chart 32: Average USDMYR and TWRI (YoY%)

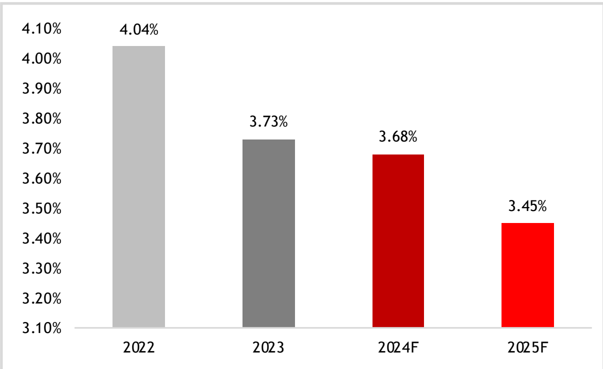


Source: Macrobond, MIDFR

Ringgit to appreciate in 2024. The strength in the US dollar has persisted into 1HCY24, underpinned by the high-for-longer sentiment as signalled by the Fed. However, the ringgit has recovered considerably from its 26-year low of RM4.805 registered in Feb-24, averaging at RM4.732 in 2QCY24 (as of 25 June 2024). The ringgit has also outperformed currencies of Malaysia's major trading partners as our MIDF Trade-Weighted Ringgit Index (TWRI) rose considerably by +1.3%ytd (as of 25 June 2024) despite the weakness against the US dollar. Fundamentally, the ringgit is well-positioned to strengthen in 2024. External trade is set to rebound in 2024, while domestic demand conditions remain positive. Commodity prices also favour the ringgit's appreciation, with encouraging trends in crude petroleum and CPO prices. With the domestic economy maintaining its positive momentum and Malaysia being a net exporter of E&E products and commodities (such as LNG and palm oil), the ringgit is poised to benefit from favourable global commodity prices and sustained trade surplus. Accordingly, we maintain our projection for the ringgit to close 2024 higher at RM4.43 (end-2023: RM4.59). However, we revised the average 2024-ringgit exchange rate to RM4.64 (2023: RM4.56) given the persistent strength in the US dollar on the back of delayed rate cuts by the Fed. We remain cautious of downside risks that could limit the ringgit's rally in the latter part of 2024, such as further delays in the Fed's interest rate cuts and heightened geopolitical tensions between China and the US, as well as in the Middle East.

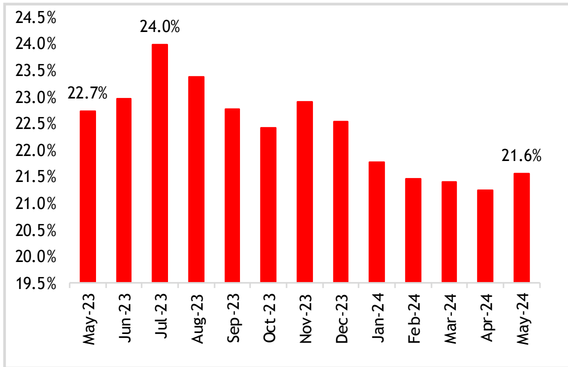
The resurgence of foreign interest in the domestic bond market bolstered the MGS rally. The 10-year UST yield has increased by +37bps from its closing in 2023, reaching 4.25% year-to-date (as of 25 June 2024). Consequently, the 10-year MGS yield also experienced an uptick of +13bps year-to-date (as of 25 June 2024). However, recent data indicates a downward trend for the 10-year MGS yield, driven by a series of US economic releases suggesting a softer economic outlook. Furthermore, foreign investment in domestic bonds has been on the rise, with holdings increasing to RM271.9 billion (Dec-23: RM270.4). However, foreign holdings of government bonds were at 21.6% of total outstanding bonds in May-24, lower than 22.5% in 2023. We anticipate that foreign interest in the domestic bond market will improve as the Fed moves closer to rate cuts. Given the expected narrowing FFR-OPR differential, we project the benchmark 10-year MGS yield to average relatively lower at 3.84% in 2024 (2023: 3.86%), and to end the year at 3.68% (end-2023: 3.73%). We foresee The MGS rally is expected to extend into 2025, fuelled by further rate reductions from the Fed, vis-à-vis BNM's OPR to remain steady at 3.00%.

Chart 33: 10-Year MGS Yield Forecast



Source: Bloomberg, MIDFR

Chart 34: Average Foreign Holdings of Total Outstanding Government Bonds



Source: Macrobond, Bondstream, MIDFR

Table 3: MIDF Research Macroeconomic Forecast Figures

(YoY%) Unless Stated Otherwise	2022	2023	2024f	2025f
Real GDP	8.7	3.7	4.7	4.6
Govt. Consumption	4.5	3.0	2.5	4.7
Private Consumption	11.2	5.0	4.8	2.8
Gross Fixed Capital Formation	6.8	5.5	5.3	4.7
Govt. Investment	5.3	9.0	4.5	5.5
Private Investment	7.2	7.0	5.5	4.5
Exports of goods & services;	14.5	(7.9)	4.3	3.9
Goods Exports	11.1	(12.8)	3.1	2.9
Services Exports	56.8	38.0	11.0	8.6
Imports of goods & services;	15.9	(7.6)	3.6	3.4
Goods Imports	14.6	(13.0)	2.9	2.8
Services Imports	23.9	18.0	6.4	5.6
Net Exports	(1.0)	(11.3)	13.8	12.6
Agriculture etc.	0.1	0.3	1.5	1.2
Mining & Quarrying	2.6	0.5	3.5	2.5
Manufacturing	8.1	1.3	4.0	3.5
Construction	5.0	7.0	5.2	5.0
Services	10.9	6.0	5.4	5.6
Exports of Goods (f.o.b)	24.9	(8.0)	5.2	4.1
Imports of Goods (c.i.f)	31.0	(6.4)	4.4	3.9
Current Account, % of GDP	3.1	1.2	3.7	4.0
Fiscal Balance, % of GDP	(5.6)	(5.2)	(4.7)	(4.0)
Federal Government Debt, % of GDP	60.3	61.9	62.3	59.0

	2022	2023	2024f	2024f
Unemployment Rate (%)	3.82	3.43	3.30	3.30
Headline CPI Inflation (%)	3.4	2.5	2.7	3.1
Non-Food Inflation (%)	2.2	1.3	2.9	3.5
Food Inflation (%)	5.7	4.8	3.4	2.3
Brent Crude Oil (Avg, USD per barrel	102.0	83.0	84.0	81.0
Crude Palm Oil (Avg), MYR per tonne	5,262	3,800	3,600	3,400
USD/MYR (Avg)	4.40	4.56	4.64	4.35
USD/MYR (End-period)	4.42	4.45	4.43	4.24
MGS 10-Yr Yield (Avg)	4.07	3.86	3.84	3.55
MGS 10-Yr Yield (End-period)	4.04	3.77	3.68	3.45
Overnight Policy Rate (%)	2.75	3.00	3.00	3.00

Source: Macrobond, Bloomberg, MIDFR

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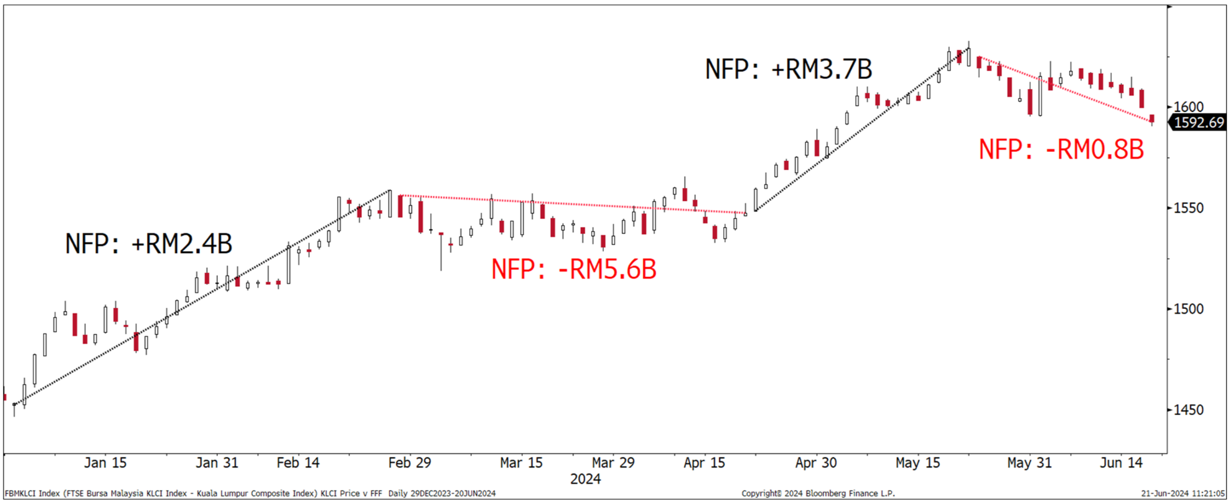
III. MARKET OUTLOOK

In 2HCY24, expect positive market momentum to continue. The local equity market has performed relatively well thus far this year with its main benchmark FBM KLCI recording a gain of +9.3%ytd (until 21 June). Going forward, we expect the local equity market to gain further ground:

1. driven by the inflow of foreign funds, and
2. premised on healthy macro and corporate earnings outlook.

Positive market momentum driven by foreign funds. The foreign funds arguably played a major role in generating positive momentum which drove up the local equity market thus far this year. From early January to 27 February, the local equity market recorded net foreign purchases of +RM2.4b while the FBM KLCI rose 104 points. Moreover, from 22 April to 23 May, the local equity market recorded net foreign purchases of +RM3.7b and the FBM KLCI rose 82 points to its highest daily close thus far this year at 1,629 points. Going forward, we expect to see a resumption of foreign fund inflows as early as in third quarter of this year.

Figure 1: FBM KLCI & Net Foreign Purchases (NFP) of Local Equities



Source: MIDFR, Bloomberg (G734)

Lower Fed rate in 2H24… Recent economic data were pointing toward tapering price pressure in the US economy. At its recent meeting, the FOMC was alluding to 1 rate cut this year. Meanwhile, the [interest rate futures market] is anticipating 2 rate cuts this year commencing as early as September. In either case, the US Fed is expected to begin cutting its policy rate in 2H24.

...shall favour 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 US Dollar in 2024 with USD/MYR forecasted to close the year at a 4.43 level.

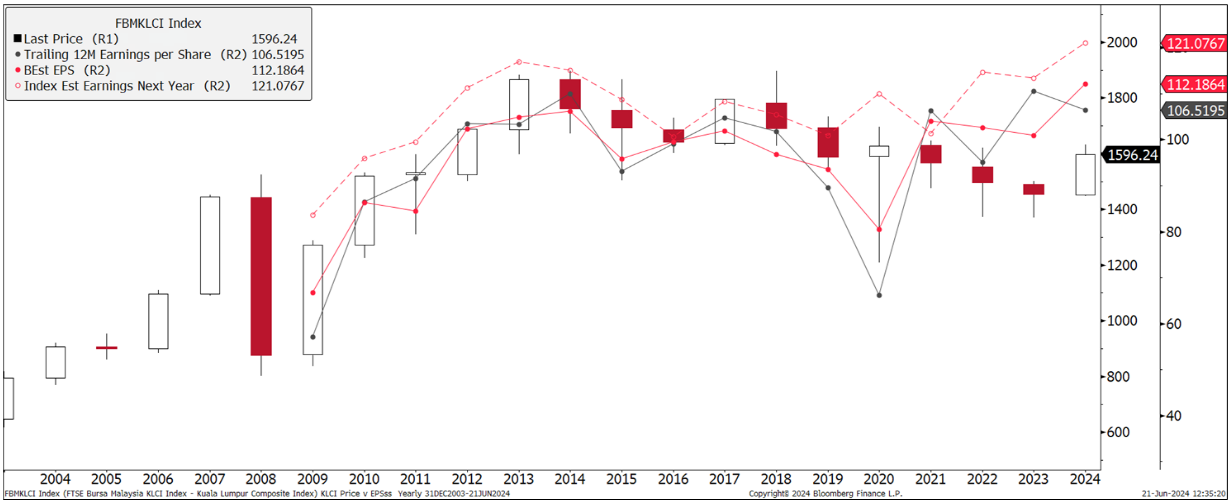
…and attract an inflow of foreign funds... Empirically, a stronger Ringgit would attract a net inflow of foreign funds into our equity market, and vice versa. In 1HCY23, the Ringgit depreciated 5.6% against the US Dollar and the local equity market recorded RM4.2b net selling by foreign funds. Conversely, in 2HCY23, the Ringgit rebounded 1.7% against the US Dollar and the local equity market registered RM1.8b net buying by foreign funds.

...as it gets closer to the initial Fed rate cut. We expect the Ringgit to strengthen while the US Dollar progressively lose its upward momentum as we get closer to the initial Fed rate cut. Likewise, we can also expect to see the resumption of foreign fund inflows into our equity market as early as in third quarter of this year attracted by the strengthening Ringgit and underpinned by Malaysia's favourable macro and corporate earnings prospects.

Positive market momentum premised on healthy fundamentals. The positive momentum driving up the local equity market thus far this year was arguably premised on healthy macro and corporate earnings performance. Malaysia's economic growth accelerated to +4.2%yoy in 1QCY24 (4QCY23: +2.9%yoy), surpassing both our and market expectations. Meanwhile, corporate earnings expanded in 1QCY24 with the aggregate normalised earnings of FBM KLCI growing both quarter-on-quarter and year-on-year at 11.3%qoq and 15.8%yoy respectively.

Macro and earnings growth is expected to continue. Going forward, we expect Malaysia's economy to see continued expansion in domestic demand as well as benefit from the recovery in external trade. We believe the positive momentum will continue in the coming quarters; therefore, we forecast that Malaysia's GDP growth this year will be faster at +4.7% (2023: +3.6%). Likewise, we expect local corporate earnings to remain healthy 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. In this regard, the consensus earnings of FBM KLCI are expected to grow by +5.3% (to 112.2 points) this year and +7.9% (to 121.1 points) next year.

Figure 2: FBM KLCI: Price & Earnings

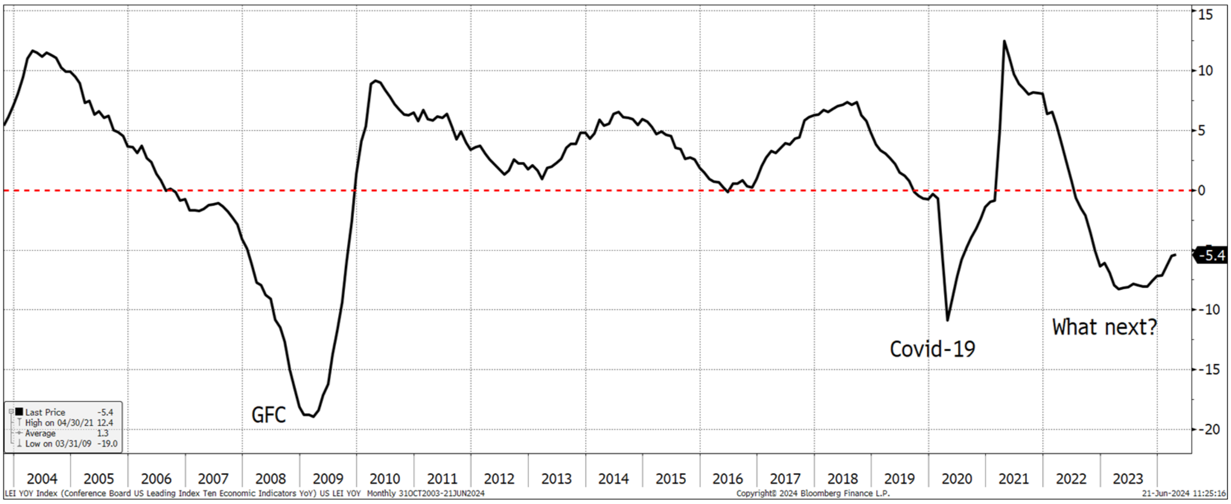


Source: MIDFR, Bloomberg (G655)

But caution ahead... Domestically and externally, the prevailing growth projections for this year and next remain positive both at the macro and corporate earnings levels. However, we would advise to be mindful of potential externally driven downside risk to the 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 expectations point toward continued expansion in US economic activities this year and next. 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 global financial crisis (GFC) in 2008.

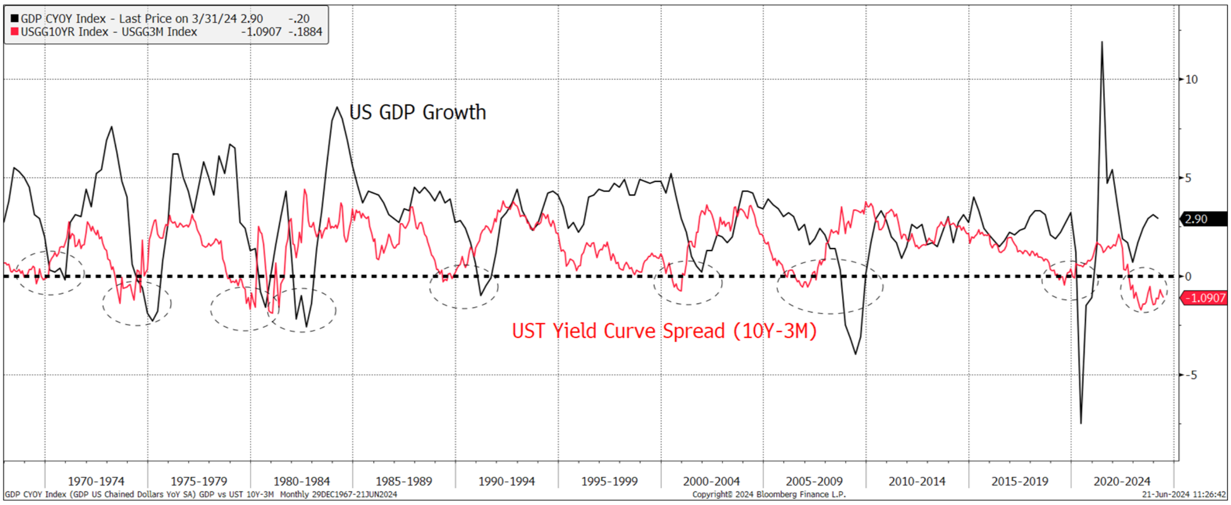
Figure 3: US LEI: A Potent Leading Signal



Source: MIDFR, Bloomberg (G728)

...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 recession in the not-too-distant future.

Figure 4: US 10Y-3M Spread: Harbinger of Recession



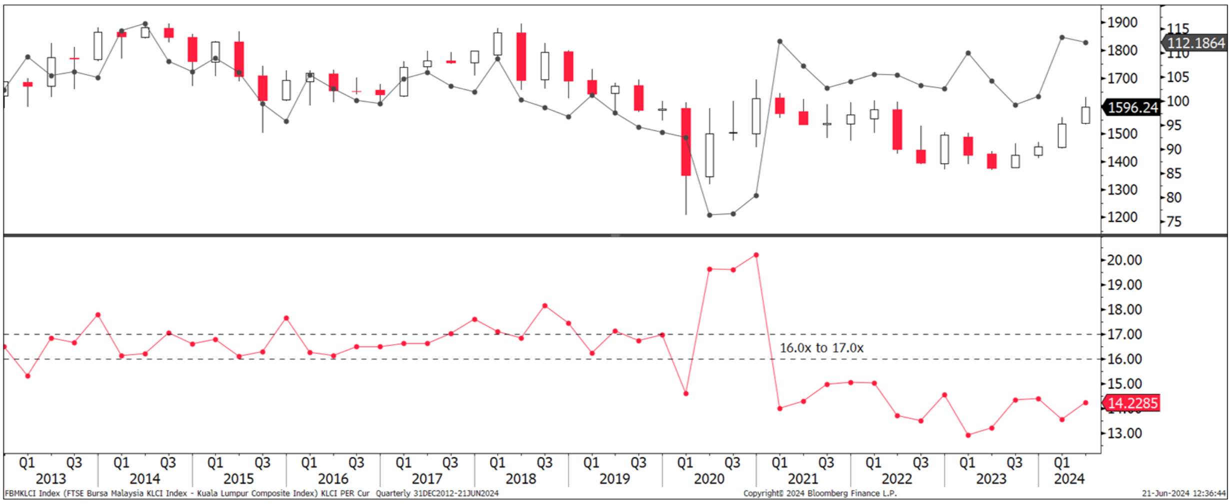
Source: MIDFR, Bloomberg (G705)

...while geopolitical conflicts present limited upside but big downside risk. The ongoing Russia-Ukraine war is not foreseen to spread to other countries in the region. Meanwhile, the ongoing Israel-Hamas war may potentially spread to southern Lebanon (as happened in 2006). Nonetheless, we expect other larger countries in the Middle East to refrain from being directly involved in the armed conflict. Both conflicts have so far engendered a limited impact on Malaysia's economic and corporate earnings performance, thus exerting limited bearing on the equity market. However, while not foreseen, any major escalation that significantly broadens the theatre of war would substantially magnify the potential economic fallout onto the wider world.

Hence, we are sanguine albeit wary. Going forward, we foresee a situation whereby the world's equity market would remain generally sanguine principally due to (i) expected monetary easing with the onset of US Fed interest rate cuts, and (ii) resilient macro/earnings growth. The prospect of a stronger Ringgit vis-à-vis the US Dollar would attract a returning inflow of foreign funds, 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 unexpectedly.

Maintain our baseline 2024 targets. In view of the positive monetary (liquidity) and fundamental prospects, we maintain our FBM KLCI baseline target for 2024 at **1,750 points** or PER24 of 15.6x, FBM Hijrah baseline target for 2024 at **14,100 points** or PER24 of 22.5x, and FBM70 baseline target for 2024 at **18,900 points** or PER24 of 18.8x.

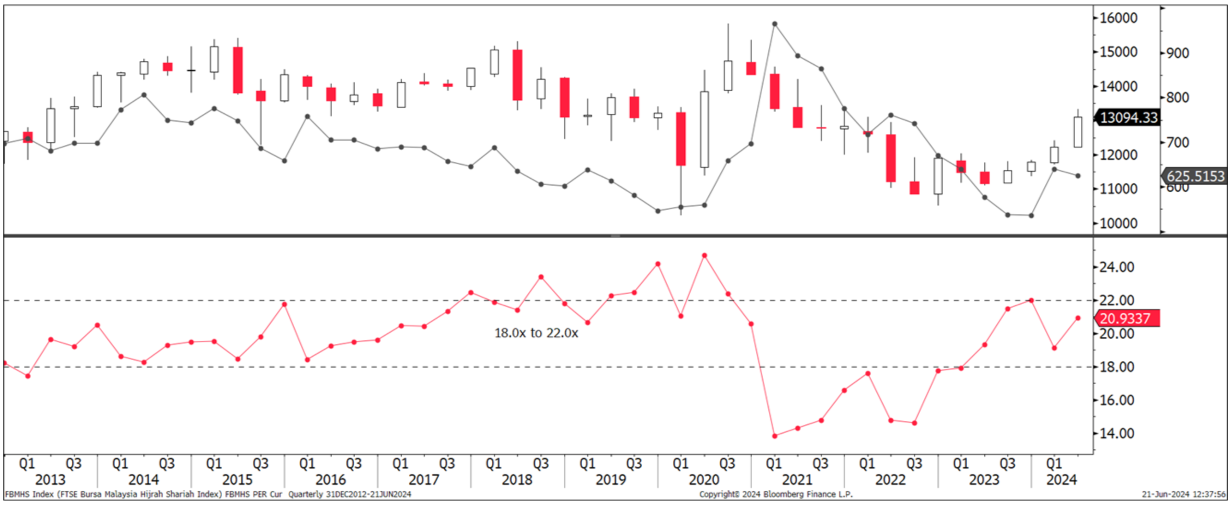
Figure 5: FBM KLCI: Price, Earnings & Valuation (Current Year) - 16.0x to 17.0x



Source: MIDFR, Bloomberg (G658)

FBM KLCI: The consensus EPS24 forecast for FBM KLCI stands at 112.2 points. The prevailing PER valuation of FBM KLCI (which represents large-cap stocks) at 14.2x is cheap vis-à-vis its historical range of 16.0x to 17.0x.

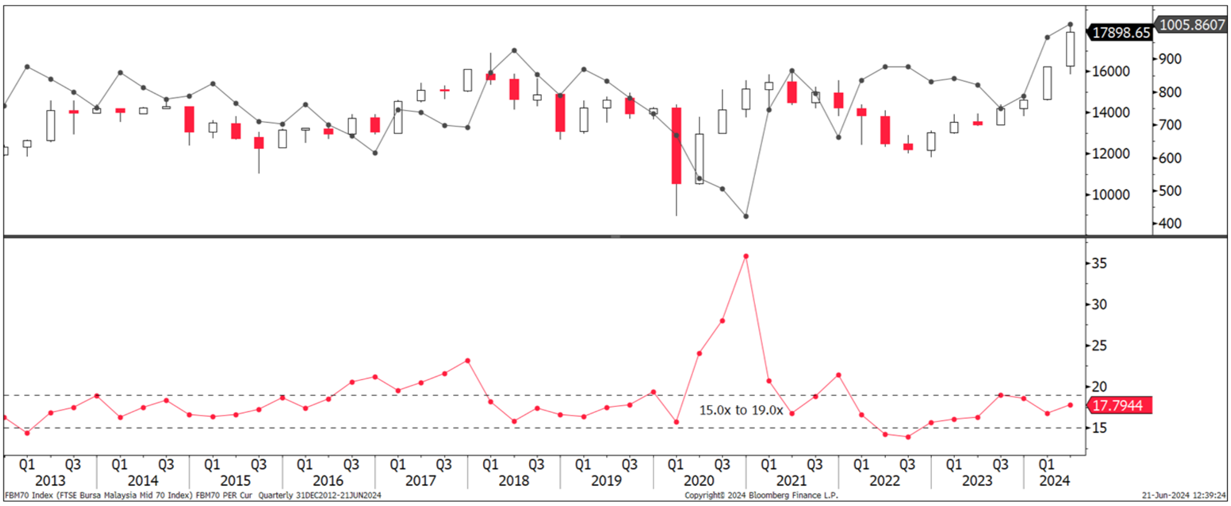
Figure 6: FBM Hijrah: Price, Earnings & Valuation (Current Year) - 18.0x to 22.0x



Source: MIDFR, Bloomberg (725)

FBM Hijrah: The consensus EPS24 forecast for FBM Hijrah stands at 625.5 points. The prevailing PER valuation of FBM Hijrah (which represents large-cap shariah stocks) at 20.9x is neither cheap nor expensive vis-à-vis its historical range of 18.0x to 22.0x.

Figure 7: FBM70: Price, Earnings & Valuation (Current Year) - 15.0x to 19.0x



Source: MIDFR, Bloomberg (715)

FBM70: The consensus EPS24 forecast for FBM70 stands at 1,005.9 points. The prevailing PER valuation of FBM70 (which represents mid-cap stocks) at 17.8x is neither cheap nor expensive vis-à-vis its historical range of 15.0x to 19.0x.

IV. STOCK SELECTION

Still waiting for the first cut. We continue to be cautiously optimistic about the economic and equities market growth prospects for the remainder of 2024. We expect that the waiting game for the US Fed to deliver its first-rate cut will likely continue until 4QCY24. Of course, we are cognizant of the possibility of no rate cuts this year, given that the Fed prefer to be comforted by more concrete data on inflation. However, we opine that with no talk of rate hikes, downside risk from a higher cost of capital is almost zero. In the meantime, we believe that this waiting game will likely cause continued volatility in the financial markets.

A change to our stock selection strategy. In 1HCY24 and throughout 2023, our stock selection was broadly centred around sectoral themes. However, in light of the uncertainty of the timing of the first US rate cut, and possible volatility in the market as a result, we revise our stock selection strategy for 2HCY24. For the coming 2HCY24, we are recommending a strategy of selecting based on the share price volatility of a given stock, in this case, low to mid volatility. Of course, this stock selection will also be supported by a fundamental view of the stock.

Why a low volatility? As we know, a security or asset with high volatility experiences rapid price fluctuations and hence is inherently riskier, while a security with low volatility tends to not have wild swings in price, suggesting stability and reduced risk. Furthermore, high-volatility stocks have outperformed on a YTD basis (and even last year). With this in mind, in our opinion, we may see rotational into hitherto low volatility laggards such as finance stocks.

Can still look at sectoral themes that might play out - Construction. Having said that, we do not discount possible sectoral themes playing out in 2HCY24. We continue to like the Construction sector (Maintain POSITIVE) where our positive call is premised on the strong pipeline of jobs that can be expected moving forward, both civil and private, such as logistics warehouses, data centres and semiconductor plants. We are, however, scaling back our optimism on the sector slightly, taking a more cautious stance due to the strong run-up of the construction sector this year.

Another sector to look at is Oil & Gas. Overall, our outlook for the O&G sector in 2HCY24 remains optimistic, as we expect Brent price will be supported by concerns on the geopolitical front and by OPEC+. Meanwhile, on our local front, we continue to be optimistic about robust upstream activities, which will continue to benefit our OGSE (Oil, Gas, and Energy Services) companies.

One change to sector calls. We make one change to our sector calls in this report. We downgrade the Transportation sector to NEUTRAL from POSITIVE. Although the sector as a whole shows a positive outlook, we believe this applies selectively to certain stocks within our coverage, some of which have already experienced share price rallies in response to the favourable trade figures. The summary of our sector calls is as follows;

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

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

NEGATIVE: None

Top picks have fared well again in 2QCY24. Our top picks as stated in our 2QCY24 outlook have performed well in the quarter. The average returns of our overall top picks, Shariah's top picks and FBM 70 & small-caps top picks, came in at +12.3%, +12.0% and +10.2% respectively.

Table 4: Performance of Top Stock Picks (Rank by Price Return Since 2QCY24 Outlook Report)

	Price (RM) @ 24/6/2024	Price (RM) @ 27/3/2024	Share Price Return
Mah Sing	1.67	1.20	39.2%
Gamuda	6.54	5.27	24.1%
IJM Corp	3.00	2.42	24.0%
Sunview	0.76	0.65	16.2%
Tasco	0.89	0.79	12.1%
Westports	4.15	3.85	7.8%
Petronas Gas	18.34	17.54	4.6%
KPJ	1.90	1.90	0.0%
Matrix Concepts	1.80	1.80	-0.3%
Samaiden	1.29	1.35	-4.4%

Source: Bloomberg, MIDFR

Table 5: Performance of Shariah Stock Picks (Rank by Price Return Since 2QCY24 Outlook Report)

	Price (RM) @ 24/6/2024	Price (RM) @ 27/3/2024	Share Price Return
Mah Sing	1.67	1.20	39.2%
Gamuda	6.54	5.27	24.1%
IJM Corp	3.00	2.42	24.0%
Tasco	0.89	0.79	12.1%
MISC	8.50	7.65	11.1%
Westports	4.15	3.85	7.8%
Petronas Gas	18.34	17.54	4.6%
KPJ	1.90	1.90	0.0%
Matrix Concepts	1.80	1.80	-0.3%
Deleum	1.34	1.37	-2.2%

Source: Bloomberg, MIDFR

Table 6: Performance of FBM 70 & Small-Caps Stock Picks (Rank by Price Return Since 2QCY24 Outlook Report)

	Price (RM) @ 24/6/2024	Price (RM) @ 27/3/2024	Share Price Return
Mah Sing	1.67	1.20	39.2%
Gamuda	6.54	5.27	24.1%
Bursa Malaysia	8.75	7.46	17.3%
Tasco	0.89	0.79	12.1%
Fraser & Neave	31.66	29.13	8.7%
Westports	4.15	3.85	7.8%
KPJ	1.90	1.90	0.0%
Matrix Concepts	1.80	1.80	-0.3%
Deleum	1.34	1.37	-2.2%
Samaiden	1.29	1.35	-4.4%

Source: Bloomberg, MIDFR

Our top ten picks using a new stock selection strategy. We revise our overall top picks given that we are recommending a different stock selection strategy. We picked stocks that have low to mid volatility amongst our BUY calls (which is between 8% and 32%). However, certain stocks do still fall into our broader sectoral themes. Our overall top picks for 2HCY24 onwards are as follows:

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

	Rec.	Price (RM) @ 24/6	Target Price	Price Return	Dividend Yield	Total Returns	90 day Volatility (%)	FBM ESG Rating	FTSE4Good?
KPJ	BUY	1.90	2.54	33.7%	2.1%	35.8%	21.3	3	Y
Gamuda	BUY	6.54	7.50	14.7%	1.8%	16.5%	22.8	2	Y
Malayan Cement	BUY	4.93	6.03	22.3%	1.2%	23.5%	23.6	-	-
Public Bank	BUY	4.03	4.78	18.6%	4.8%	23.4%	10.9	3	Y
Fraser & Neave	BUY	31.66	37.00	16.9%	2.4%	19.3%	11.0	4	Y
IHH Healthcare	BUY	6.30	7.35	16.7%	2.2%	18.9%	10.6	2	N
Matrix Concepts	BUY	1.80	2.00	11.4%	6.2%	17.7%	13.4	3	Y
Hong Leong Bank	BUY	19.16	21.38	11.6%	3.8%	15.4%	8.8	4	Y
MISC	BUY	8.50	9.75	14.7%	0.1%	14.8%	12.7	4	Y
QL Resources	BUY	6.46	7.25	12.2%	1.4%	13.7%	12.8	2	N

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) @ 24/6	Target Price	Price Return	Dividend Yield	Total Returns	90 day Volatility (%)	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.89	1.20	34.8%	3.4%	38.2%	27.3	3	Y
KPJ	BUY	1.90	2.54	33.7%	2.1%	35.8%	21.3	3	Y
Gamuda	BUY	6.54	7.50	14.7%	1.8%	16.5%	22.8	2	Y
Malayan Cement	BUY	4.93	6.03	22.3%	1.2%	23.5%	23.6	-	-
IOI Corp	BUY	3.75	4.50	20.0%	1.7%	21.7%	15.3	3	Y
MISC	BUY	8.50	9.75	14.7%	5.3%	20.0%	12.7	4	Y
IHH Healthcare	BUY	6.30	7.35	16.7%	3.1%	19.8%	10.6	2	N
Fraser & Neave	BUY	31.66	37.00	16.9%	2.2%	19.1%	11.0	4	Y
Matrix Concepts	BUY	1.80	2.00	11.4%	6.2%	17.7%	13.4	3	Y
QL Resources	BUY	6.46	7.25	12.2%	1.4%	13.7%	12.8	2	N

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

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) @ 24/6	Target Price	Price Return	Dividend Yield	Total Returns	90 day Volatility (%)	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.89	1.20	34.8%	3.4%	38.2%	27.3	3	Y
KPJ	BUY	1.90	2.54	33.7%	2.1%	35.8%	21.3	3	Y
IJM Corp	BUY	3.00	3.89	29.7%	2.7%	32.3%	32.1	-	-
Gamuda	BUY	6.54	7.50	14.7%	1.8%	16.5%	22.8	2	Y
Malayan Cement	BUY	4.93	6.03	22.3%	1.2%	23.5%	23.6	-	-
Samaiden	BUY	1.29	1.57	21.7%	0.0%	21.7%	25.6	-	-
Fraser & Neave	BUY	31.66	37.00	16.9%	2.4%	19.3%	11.0	4	Y
Matrix Concepts	BUY	1.80	2.00	11.4%	6.2%	17.7%	13.4	3	Y
Sunview	BUY	0.76	0.88	16.6%	0.0%	16.6%	28.0	-	-
Axis REIT	BUY	1.82	2.02	11.0%	2.2%	13.2%	11.4	3	Y

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

B. SECTORS OUTLOOK

I. BANKING

Healthy balance sheet growth expected..Maintain POSITIVE

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

We remain optimistic on the Banking sector's prospects. We are optimistic on; (1) Stronger loan growth, with large-scale infrastructure projects expected to drive business loans in 2HCY24 while the retail loan pipeline remains resilient – loan growth in 1HCY24 has already surpassed expectations as business loans ramp up faster than expected, (2) Better liquidity environment outlook due initiatives by the government and BNM which will help to ease COF pressure, providing some upside to NIMs –loan yield compression is expected to be more of CY25's problem, (3) NOII outlook is attractive as better investor demand and market performance, as well as strong loan growth will help bolster fee and non-fee income balances, (4) The transition to Basel III implementation will be gradual and unlikely to be a major threat to dividend certainty.

Some concerns but manageable. However, do note that there are some concerns: (1) Sector valuations are a lot less attractive than last year, but buying opportunities exist, (2) Some banks may still encounter asset quality issues (namely RHB and Affin Bank), as SME, residential mortgage and overseas impairments continue to pile up - regardless, provisions are expected to remain in a normalised range with some banks still vying for overlay writebacks, (3) If we use 1QCY24's performance as an indicator, it is shaping to be an OPEX heavy year.

Maintain POSITIVE. Our top calls are **Public Bank (BUY, TP: RM4.78)** and **HL Bank (BUY, TP: RM21.38)**. We like Public Bank for its gradually improving dividend payouts, major writebacks expected in FY24, and a recovery in its SME loan segment. As for HL Bank, we think its CIR is still among the best in the industry, its asset quality and low NCC make it an excellent defensive option, and BOCD's prospects, which is still solid.

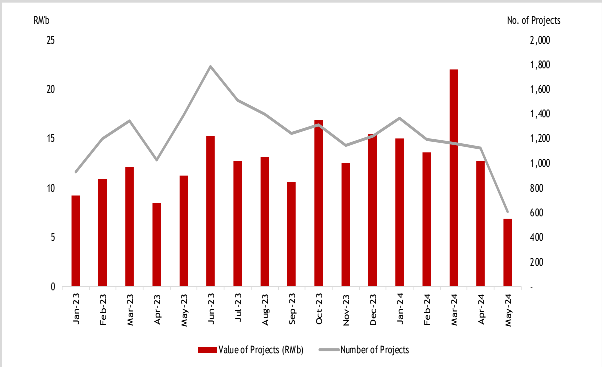
II. CONSTRUCTION

Job flows to intensify..Maintain POSITIVE

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

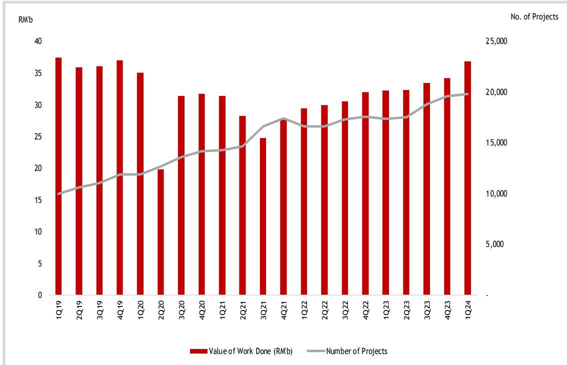
Operations at full capacity. Our economics team forecasted a +11.5% growth for the construction sector in 2024, an improvement over our previous forecast of +5.2%. This is in line with the strong construction progress, which is expected to be sustained over the medium term with the strong growth of construction jobs. The latest data by DOSM on the value of construction work done was RM36.79b in 1QCY24, an increase of +14.2%yoy and the 10th consecutive quarter of growth. It was the highest value of work done since the pre-pandemic period of 4QCY19, which recorded a value of RM36.98b, involving a total of 19,780 projects, a record-high number. We expect the second half of the year to continue recording improving values of work done as progress for the projects picks up pace. The ongoing infrastructure projects such as the Pan Borneo Highway, East Coast Rail Link (ECRL), LRT3, and the RTS Link, on top of the slew of data centre projects, are expected to contribute to the strong construction numbers in 2HCY24. In 1QCY24, civil engineering jobs led the value of construction work done at RM15.13b (41.1%), followed by non-residential buildings at RM10.20b (27.7%), residential buildings at RM7.78b (21.1%) and special trade activities at RM3.68b (10.0%).

Chart 35: Value and Volume of Contracts Awarded



Source: CIDB, MIDFR

Chart 36: Value of Construction Work Done and No. of Projects



Source: DOSM, MIDFR

Construction job flows to pick up. We expect 2HCY24 to be driven by stronger job flows, flows with the expected implementation of government projects in line with the allocation under Budget 2024, which had set aside RM90b for development expenditure (DEVEX). As per the guidance by Deputy Works Minister YB Datuk Seri Ahmad Maslan during our luncheon talk in May-24, he estimated that about 40% or RM36b of the DEVEX is expected to be rolled out from mid-2024 which will mainly comprise schools, hospitals, clinics and roads. Among sizeable projects that we expect to contribute to the job flows are Pan Borneo Sabah (Phase 1B), Sabah-Sarawak Link Road (Phase 2) and flood mitigation projects. Our channel checks also revealed optimism surrounding industrial building projects, especially data centres as contractors are busy tendering projects in that space, both in Johor and Selangor. Industry players are expecting data centre construction jobs to buoy the industry over the next three to five years. Based on CIDB's statistics, a total of 5,440 projects have been rolled out year-to-date as of May-24, valued at RM70.13b, as compared to 5,879 projects worth RM51.99b during the same five-month period in 2023. We remain optimistic that job flows will be able to surpass the level of RM148.46b that was achieved last year.

Mega rail projects in sight? We can expect more news flows related to the Mutiara LRT Line or the Penang LRT in 2HCY24 after SRS Consortium Sdn Bhd (60% Gamuda subsidiary) finalises negotiations with MRT Corp, the developer and asset owner of the Penang LRT by Sep-24. According to Transport Minister YB Anthony Loke, construction works are expected to kick off by 4QCY24. Recall that Gamuda was offered Segment 1 of the rail project (Silicon Island to Komtar) via a single source request for proposal (RFP), and we expect the package to come up to a tune of about RM8.0b. We expect Segment 2 (Komtar to Penang Sentral) to be awarded later after some progress is achieved for Segment 1. As for the MRT3, we do not expect any major announcements this year save for progress updates by MRT Corp on its land acquisition process for the mega rail project, which will take about two years to complete. The issuance of notices to affected landowners to vacate their lands is expected to take place starting from 4QCY25, hence our view that construction for MRT3 would not begin anytime soon. Meanwhile, we do not discount the possibility of a fresh tender exercise for the MRT3 packages as there were no extensions to the tender validity after the deadline in Mar-24. The tenders were previously submitted in Sep-22 and there may have been changes in cost structure, hence a re-tender exercise could be a possible way forward.

Maintain POSITIVE. Our POSITIVE stance on the construction sector is premised on the strong pipeline of jobs that can be expected moving forward, both civil and private. The rising demand for industrial buildings such as logistics warehouses, data centres and semiconductor plants also provides a positive boost to the outlook of job flows. We are, however, scaling back our optimism on the sector slightly, taking a more cautious stance due to the strong run-up of the construction sector this year. Year-to-date, the Bursa Malaysia Construction Index has risen +36.1%, making it the second-best performing sector after Utilities. Most of our top picks for FY24 have recorded strong upticks in share prices and we believe there are still some legs to run for the sector. Our top picks for 2HCY24 are **Gamuda (BUY, TP: RM7.50)**, **IJM Corp (BUY, TP: RM3.89**) and **Malayan Cement (BUY, TP: RM6.03).**

III. HEALTHCARE

Pharmaceutical and medical technology to boost sector in 2HCY24...................Maintain POSITIVE

Analyst: MIDF Research Team

Higher interest in AI technology among hospitals. As the outlook for healthcare service providers remain sanguine on the back of increasing medical tourism and a growing ageing population, we anticipate a higher demand for Artificial Intelligence (AI) for a more efficient operation in treating patients and performing surgeries. The potential of AI was strongly highlighted at the Association of Private Hospitals of Malaysia (APHM) International Healthcare Conference and Exhibition earlier this year, which focused on AI-related collaborations for advancing healthcare delivery, consequently, improving operational efficiency, precision and accuracy. With the increasing innovation on robotics and advanced medical tech in the private healthcare market, we opine that the challenge of AI integration within the healthcare service provider subsector could be mitigated, and we believe this improvement will persist until the end of the year. In addition to AI, the key drivers for the healthcare sector in 2HCY24 remain to be: (i) growing demand for medical tourism, (ii) reduced long-term COVID-19 impacts, (iii) shifting ageing demographics, and (iv) strong government healthcare spending. All in all, near-term prospects for healthcare providers remain positive.

Diabetic treatment breakthroughs seeing an uptrend. Recently, China pioneered the benefits of early insulin therapy on cardiovascular health in adults with Type 2 Diabetes Mellitus (T2DM). This research observed a total of 5,424 patients with T2DM over a period of 24 years, who had shown a 31% reduced incidence of stroke and a 28% reduction in hospitalization for heart failure. Additionally, complex artificial cell transplant procedures to treat T2DM have been conducted and the clinical trials on a T2DM patient have been promising. We believe this breakthrough in the field of diabetics would be prevalent in 2HCY24, as the prevalence of diabetes is expected to double by CY50 globally and over 30% in Malaysia. In consideration of an increased interest in halal pharmaceuticals among non-Muslim communities, we opine that the increasing demand for pharmaceutical drugs for NCD treatments – notably T2DM – would be beneficiary for our pharmaceutical players and medical equipment and services companies in the near term. All in all, we remain optimistic for these subsectors.

Maintain POSITIVE. We maintain a positive outlook on the healthcare sector in 2HCY24. The higher interest in AI technology and pharmaceutical breakthroughs, as well as an anticipated increase in foreign and domestic travel following the summer and winter holidays, would add to the optimism for the sector. However, we continue to be cautious about disruptions from rising labour costs, higher manufacturing costs, and ongoing geopolitical tensions. Nevertheless, we believe that these risks will be balanced out through Budget 2024 healthcare incentives and other healthcare programmes initiated by the public and private healthcare divisions. Our Top Picks continue to be **IHH Healthcare (BUY, TP: RM7.35)** and **IN**. We are expecting both companies to continue with the positive trajectory, given the: (i) increasing demand for equipment and manpower in line with the expansion of hospitals, (ii) the rising ageing population in Malaysia by +4.5% 10-year CAGR, (iii) medical tourism expected to exceed RM2b of revenue in CY24 and (v) increased demand for digital and AI solutions to treatments and surgeries.

IV. OIL & GAS

Bracing for impact from geopolitical tensions and OPEC+ decision.....................Maintain POSITIVE

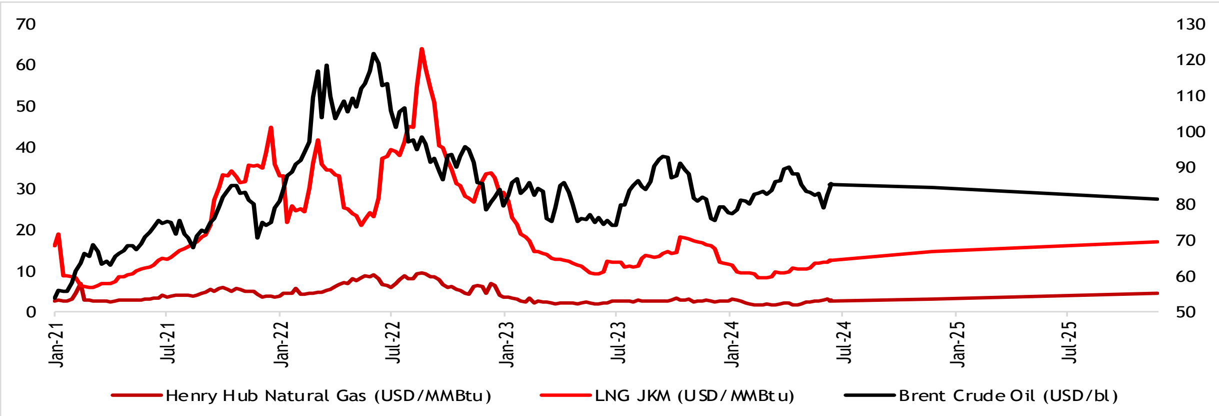
Analyst: MIDF Research Team

Geopolitical impact is possible but OPEC+ is still a key driver for oil prices. The ongoing geopolitical tensions in the Middle East and Eastern Europe fronts have been on a low volatility since its onset. Russia and Ukraine continue to target energy facilities, while Iran is, as of writing, holding back from a regional escalation despite military pressures in Southern Lebanon. Additionally, the Red Sea blockade continued to trigger charter rates, although the tanker index had seen a slight normalisation in 2QCY24. A spike in geopolitics had caused a few price shocks in Brent crude oil prices, which, however, only lasted a few days. We believe this would continue to be the impact of geopolitics for the sector coming into 2HCY24, barring the commencement of a regional war in the Middle East. We believe an upsurge in oil and gas prices following any escalation would likely peak oil prices past USD90-95pb, but no further, as OPEC+ still has the power to rebalance the price through production cuts.

Additionally, OPEC+ continues to be the key driver to balancing the global supply and demand for oil and gas, and in turn, keeping the Brent crude oil and Henry Hub natural gas prices at a steady level. We maintain our expectation that Brent crude to maintain on a similar average at USD84pb in 2HCY24, barring any escalations in geopolitical tensions. Meanwhile, despite a lower YTD average, we raised our estimates for natural gas to average up to USD3pMMBtu, following higher mid-year prices in tandem with higher demand as a result of the increased summer temperature in the Northern Hemisphere. We opine that this will buoy prices until the end year, of which global weather forecasters had expected a 65% chance for the La Nina climate pattern to arrive in 3QCY24. The colder climate would translate to higher demand for natural gas. For context, the YTD average Brent crude stood at USD83pb, while NG was at USD2.32pMMBtu.

In 2HCY24, we anticipate that key catalysts for the oil and gas sector are highly likely to remain; namely: (i) the lasting impact of geopolitical conflicts, (ii) a steady global production of oil and gas comparable to growing demand, and (iii) the rising inflationary pressures on material prices and labour costs.

Chart 37: Brent Crude Oil vs. Henry Hub NG vs. JKM LNG (Forecast)



Source: Bloomberg, MIDFR

For the Malaysian front, below are our expectations for each division in 2HCY24:

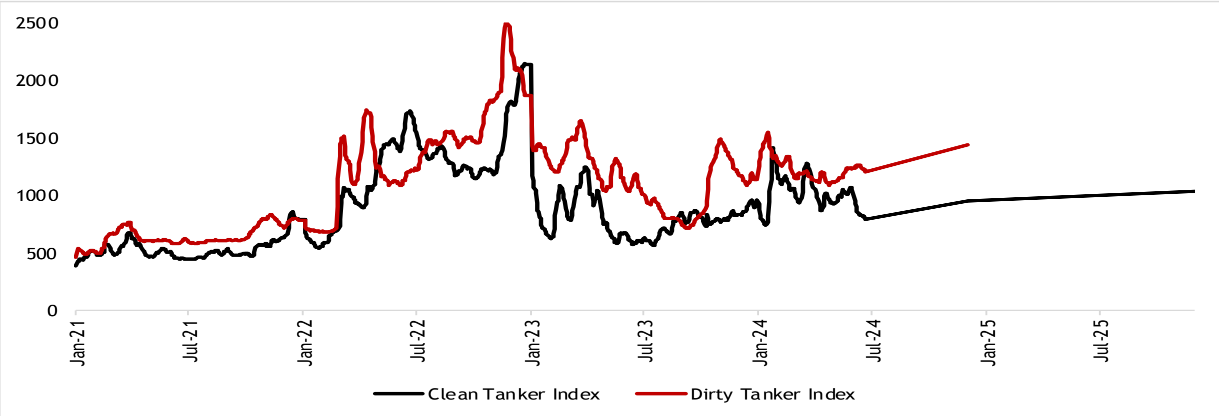
UPSTREAM

We reiterate our optimism for Exploration and Production (E&P) and Development and Production (D&P) activities coming into 2HCY24. While we are not expecting unforeseen major shutdowns in the division, maintenance and repair may commence in 3QCY24, benefitting OGSE players that specialise in Maintenance, Construction and Modification (MCM). Given the: (i) continuous uncertainty in global geopolitics, (ii) stable and elevated Brent crude oil price, and (iii) contractual nature of upstream OGSE operations, we anticipate that the division will remain stable until the remainder of CY24. Additionally, we expect the CY23 oil and gas discoveries to continue their appraisals in 2HCY24, following 19 exploration discoveries with an estimated 1Bboe of new resources. Nevertheless, operational challenges remain to be: (i) labour shortages, (ii) divestments to cleaner fuel, and (iii) disruptions in the supply chain due to rising raw material costs.

MIDSTREAM

The demand for natural gas as a cleaner energy source in Malaysia's utilities sector is expected to be sanguine. This would bode well for future LNG exports to Europe, South America and East Asia. Additionally, a La Nina climate pattern is expected in 2HCY24, increasing the possibility of a higher demand for crude oil and natural gas for heat generation during winter. We are also optimistic about the utilisation of onshore storage facilities, due to the ongoing risk in the Red Sea blockade and other regional geopolitics that could involve sea tankers and offshore vessels. All in all, we anticipate that the higher demand for crude oil and petroleum products in the near term will spill over to higher demand for tankers.

Chart 38: Baltic Tanker Rates Index (Forecast)



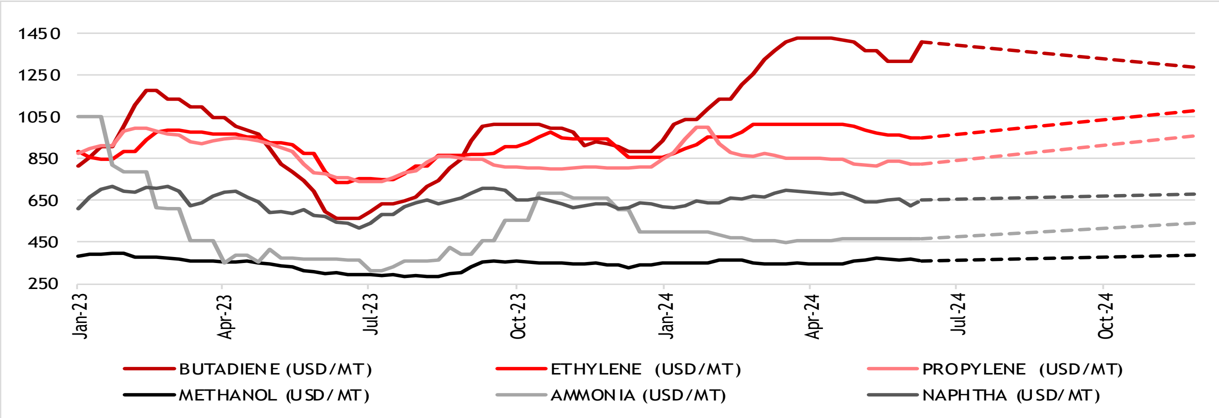
Source: Macrobond, MIDFR

DOWNSTREAM

The targeted subsidy on Diesel commencing in 1HCY24 is expected to see an impact on sales and demand for Diesel among downstream players coming into 2HCY24. While the transition is still considered in its early stages, we opine that rationalisation on the new Diesel pump prices along with the government and company initiatives for Diesel consumers would continue until the end-year, before Mogas would be considered into similar changes. Nevertheless, we maintain our positive view that there would be strong demand for Mogas and Jet A1 in 2HCY24, following the expected rise in inbound and outbound flights, as well as increased domestic travelling. The lower reported sales in Diesel among individual consumers may also shift into higher sales for other fuel oils.

As for the petrochemicals, we remain neutral on the subindustry. While there is global optimism that recovery may occur, following the expected higher demand for olefins and ammonia for the plantation and transportation sectors, as well as green chemical products in 2HCY24, oversupply of feedstocks against a weak demand remains a challenge. Additionally, the added competition among petrochemical producers from other countries like China continues to be a factor that could lower selling prices, thus off-balancing the regional supply demand for petrochemicals. Nevertheless, many petrochemical companies had been positive that the subindustry could recover by 4QCY24, despite current bottom-cycle conditions. With a shifted long-term focus on demand, sustainability goals and digital transformation, we believe the late recovery may be possible.

Chart 39: Petrochemical Feedstock Pricing (Forecast)



Source: Bloomberg, MIDFR

Maintain POSITIVE but cautious on geopolitical conflicts. Overall, our outlook for the O&G sector in 2HCY24 remains optimistic, with escalated geopolitical tensions and major OPEC+ production movement as key risks. On our local front, we continue to be optimistic about robust upstream activities, which will continue to benefit our OGSE (Oil, Gas, and Energy Services) companies. This is in line with the expected capex of RM50b-60b by PETRONAS in CY24, and the relatively stable and elevated Brent crude price at an average range of USD80-85pb. Additionally, we are also expecting a higher demand for Jet A1 fuel as Malaysia is expected to welcome at least 94 million passengers in CY24; an approximate increase of +11%yoy. The targeted fuel subsidy is expected to affect demand for Diesel, consequently affecting downstream sales. Nevertheless, this may signal that Diesel smuggling was on a decline, as Diesel sales at the borders had lost about -40% of sales. We expect the targeted subsidy to rationalise in 2HCY24. Meanwhile, uncertainties on petrochemicals due to increased competition with other regional petrochemical players, oversupply of feedstocks, and slower growth in speciality chemicals are expected to remain. However, we are expecting a slight recovery in the subdivision by 4QCY24.

Our TOP PICKS for the sector are **Deleum (BUY, TP: RM1.62)** and **MISC (BUY, TP: RM9.75).** Despite our continuous positive stance for the upstream division, barring any unforeseen circumstances in the global geopolitical and economic fields, we still believe in a potential recovery for storage farms and petrochemicals in 2HCY24.

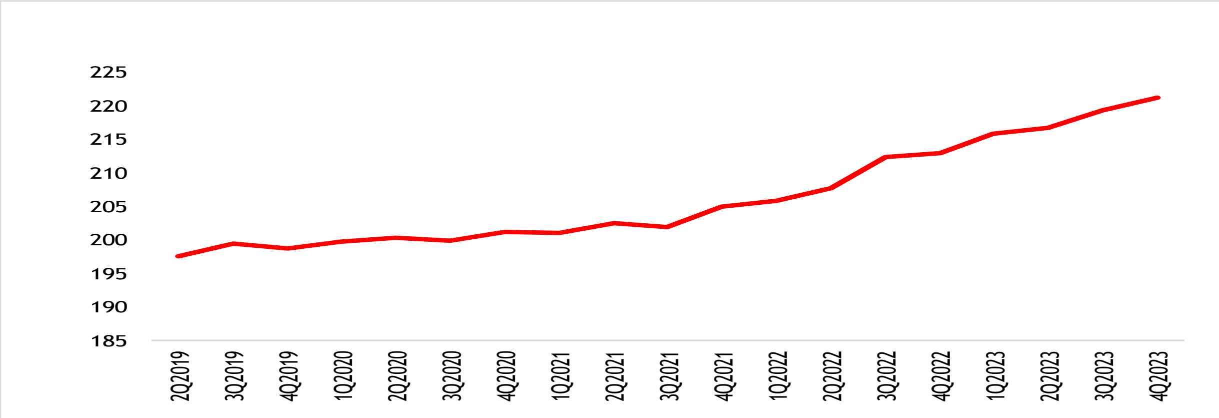
V. PROPERTY

Stable prospect...Maintain POSITIVE

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

Higher House Price Index (HPI) in 2023. According to data from the National Property Information Centre (NAPIC), the House Price Index (HPI) was higher at 221.2 in 4QCY23 from 219.4 in 3QCY23 and 213.0 in 4QCY22. HPI remains on an uptrend since 2022 after staying subdued in 2020 and 2021 which was dragged by the lockdowns. HPI staged a recovery in 4Q2021 after the reopening of country borders and also due to a recovery in the property market in Malaysia. Looking forward, we opine that the outlook for house prices in Malaysia should remain positive as buying interest on property in Malaysia is expected to be stronger while the rising inflationary pressure will keep property prices stable or higher.

Chart 40: Malaysia House Price Index



Source: NAPIC, MIDFR

Stronger buying interest anticipated. According to data released by Bank Negara Malaysia (BNM), total loan applications for purchase of property increased to RM52.9b (+15.2%yoy) in April 2024 after two consecutive months of decline in February and March 2024. On a monthly basis, total loan applications in April 2024 were marginally higher (+1.8%mom), bringing total loan applications in 4MCY24 higher at RM195.9m (+3.1%yoy). The higher loan application is in line with our expectation of stronger demand for property in 2024 on the back of an improving outlook for the property sector and the status quo of OPR at 3%. Besides, buying interest from foreigners may grow stronger as the new Malaysia My Second Home (MM2H) rule requires prospective applicants to purchase property in Malaysia worth at least RM600k.

Residential overhang at the lowest level since 2018. According to data released by the National Property Information Centre (NAPIC), residential overhang declined to 24,208 units in 1QCY24 from 25,816 units in 4QCY23. Perak remains the state with the highest residential overhang with 4,588 units in 1QCY24, little changed from 4,598 units in 4QCY23. Next, Johor has the second-highest number of residential overhangs at 3,629 units in 1QCY24, declining from 4,228 units in 4QCY23. Meanwhile, KL has the third-highest number of residential overhangs at 3,194 units in 1QCY24, dropping from 3,535 units in 4QCY23. Overall, residential overhang resumed decline in 1QCY24 and fell to the lowest level since 2018 which we think is positive for the property sector.

Booming data centre benefits property players. The growing demand for data centres in Malaysia has benefited property players in Malaysia as some property developers own lands that are suitable for the construction of data centres. In this context, developers gain from either participating in the data centre ventures or making outright land sales to data centre operators. Notably, Mah Sing Group announced that it has entered into a collaboration agreement with Bridge Data Centres (BDC) for the joint venture development of data centre facilities and infrastructure on 17.55 acres of land in Southville City township. Similarly, UEM Sunrise (Non-rated) has inked a memorandum of understanding (MoU) with LOGOS Infrastructure Holdco Pte Ltd to explore the opportunity to develop a data centre campus in Gerbang Nusajaya, Johor. Meanwhile, Sime Darby Property (Non-rated) announced that it is developing a hyperscale data centre at Elmina Business Park for a multinational technology company. On the other hand, Eco World Development Group made outright land sales in Kulai, Johor to Microsoft Payments (Malaysia) Sdn Bhd. In a nutshell, we view the venture of the data centre by property companies positively as it unlocks the value of the landbank and increases recurring income in the form of rental or profit sharing of the data centre business.

Maintain POSITIVE. We maintain our POSITIVE stance on the property sector as we continue to see healthy buying interest and a stable price outlook for property in Malaysia. Our top picks for the sector are **Mah Sing Group (BUY, TP: RM1.94)** and **Matrix Concepts (BUY, TP: RM2.05)**. We like Mah Sing as we are sanguine on its long-term outlook on the back of its strong exposure to the affordable residential segment. Besides, its venture into a data centre will spur earnings growth in the long term. The balance sheet of Mah Sing is strong with low net gearing of 0.06x. Meanwhile, we like Matrix Concepts for its positive earnings growth and better new sales prospects as new sales from its Bandar Sri Sendayan remain resilient, driven by healthy demand for affordable landed homes. Besides, its land acquisition in Labu is expected to drive earnings growth beyond FY27. In addition, the dividend yield of Matrix Concepts remains attractive at 5.8%.

VI. REITS

Earnings remain solid...Maintain POSITIVE

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

Stable earnings outlook in 2HCY24. Earnings of six REITs under our coverage in 1QCY24 were in line with our expectations. Four REITs namely Axis REIT, Pavilion REIT, KLCCP Stapled Group and IGB REIT reported growth in earnings. Retail REITs, namely IGB REIT and Pavilion REIT reported earnings growth in 1QCY24 due to positive rental reversion. Looking ahead, we expect positive earnings growth for REIT in 2HCY24 particularly retail REIT as shopping malls such as Mid Valley Megamall, The Gardens Mall, Pavilion KL Mall and Sunway Pyramid Mall continue to see high occupancy rates, high shopper footfall and growth in tenant sales.

Positive performance of KL REIT Index. The performance of the KL REIT Index is positive with a return of +6.6% as of mid-June. The positive performance of the KL REIT Index is in line with the broader higher market as KLCI recorded a return of +10.5%. We think that the decent performance of the KL REIT Index was underpinned by a continuous recovery in the earnings of REIT. Notably, retail REIT staged earnings recovery due to higher shopper footfall which recovered to pre-pandemic level and expectation of positive rental reversion. Besides, the expectation of higher tourist arrival is also positive for the retail sector as it will improve shopper footfall at malls favoured by tourists namely Suria KLCC, Pavilion KL, Sunway Pyramid Mall, Mid Valley Megamall and The Gardens Mall. Furthermore, the hotel industry continues to recover due to higher tourist arrivals which supported growth in the average room rate and occupancy rate of hotels. That supported the earnings growth of REIT with exposure to the hotel segment namely KLCCP Stapled Group and Sunway REIT. On another note, the 10-year MGS yield has stayed below 4% with the latest MGS yield at 3.9% which we think is positive to the sector as the spread between MGS yield and the yield of REIT (average: 5.4%) remains attractive at >150bps.

Active acquisition amid positive prospects. REITs are expanding their asset portfolio as prospects for real estate in Malaysia are improving. Notably, Axis REIT acquired three industrial assets in Bukit Raja in February and April 2024 to strengthen its presence in Bukit Raja which is a growing industrial area with accessibility to major highways. Besides, Axis REIT also announced the acquisition of two automobile service centres from Cycle & Carriage Bintang Berhad. We view the active acquisition of Axis REIT indicates a stable prospect of industrial assets in Malaysia which was supported by healthy demand for warehouse and industrial space. Meanwhile, REITs have also been active in retail asset acquisition recently amid an improving backdrop for the retail industry. Notably, Sunway REIT announced the acquisition of 163 Retail Park in Mont Kira for RM215m early this year. Similarly, KLCCP Stapled Group is acquiring the remaining 40% equity stake in Suria KLCC for RM1.95b. On the other hand, KIP REIT recently announced the acquisition of DPulze Shopping Centre in Cyberjaya for RM320m. In a nutshell, we see that the active acquisition of REIT implies a positive outlook for industrial assets and retail assets in Malaysia.

Maintain POSITIVE. We continue to see a positive outlook for REIT, led by retail and industrial sub-segments. The retail industry is expected to return to organic growth of positive rental reversion as the retail industry recovers to the pre-pandemic level. Meanwhile, the performance of industrial assets is expected to remain stable while the rental rate is expected to grow due to healthy demand for industrial assets. We also see that the hotel industry will continue to recover in 2HCY24 as tourist arrivals are expected to increase as Malaysia is offering visa-free entry to travellers from a number of countries which will boost the tourism industry of Malaysia. All in all, we are maintaining our POSITIVE stance on REIT. Our top picks for the sector are **Sunway REIT (BUY; TP: RM1.70)** and **Axis REIT (BUY; TP: RM2.02)**. We remain positive on Sunway REIT as contribution from its retail division should remain stable in the long term on the back of positive rental reversion. Besides, the outlook for the hotel division is also improving with the expectation of higher tourist arrivals. Meanwhile, we like Axis REIT for its exposure to industrial assets which is underpinned by healthy demand for industrial space. Its active acquisition will also spur earnings growth in the long term.

VII. CONSUMER

Balancing hope and caution...Maintain NEUTRAL

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

Staples continues to see strong demand. According to DOSM, the retail trade for non-specialised stores (+5.6%yoy) and F&B and tobacco stores (+7.5%yoy) reported strong F&B demand in 4MCY24. The wholesale trade for agricultural raw materials and live animals (+4.9%yoy) and F&B and tobacco (+5.2%yoy) also remained resilient in 4MCY24. This, along with the current low self-sufficiency level (SSL) for eight main staple foods as of 2022, has yet to reach the national SSR targets set for 2025 under the National Agrifood Policy 2021-2030 (NAP 2.0), indicating continued food undersupply in Malaysia. As such, we expect a resilient outlook for staples in the remainder of 2024, driven by: (1) the necessity for daily consumption, (2) the SSL of eight main staple foods remaining below national targets, indicating potential for production growth to meet demand, (3) a positive job market outlook with unemployment expected to remain low at 3.30% in 2024, (as per our inhouse expectation), and (4) the return of tourist arrivals supporting F&B consumption, given that F&B contributed 15.6% of 2022's total tourist spending in Malaysia. This benefits the F&B and poultry sectors, as well as grocery retailers like **Aeon Co (BUY, TP: RM1.60).**

Table 10: Malaysia's SSL for 8 Main Staple Food

Main Staple Food	SSL as of 2022	National SSR Targets
(by 2025)	(2.7)	6.5
Chicken & Duck Eggs	108.9 %	114%
Chicken & Duck Meat	94.4%	120%
Edible fish	90.2%	95%
Rice	62.6%	75%
Fruits	78.1%	83%
Fresh Milk	57.3%	100%
Vegetable	44.7%	79%
Beef & Buffalo Meat	14.7%	50%

Source: DOSM, MAFS, MIDFR

Positive domestic retail spending outlook amidst easing inflationary pressure. According to DOSM, the retail trade growth of specialised stores (+8.4%yoy) and non-store retailing (+3.6%yoy) remained strong in 4MCY24. This was despite the post-implementation of the low-value goods tax (LVG) and an increased service tax rate of 8%. Moving forward, we expect inflationary pressures to ease in 2HCY24 due to the delayed implementation of the HVG tax and RON95 subsidy rationalisation. This will alleviate pressure on consumer wallets and support spending on competitively priced quality fashion products under **Padini Co (BUY, TP: RM4.30)**. This will be further supported by government cash handouts, EPF Account 3 savings for necessary/emergency purchases, a civil servant salary revision in December 2024, and a resilient economic outlook as per our recently released consumer sector report dated 6 Jun 2024.

Commodities are mostly below 2023 levels with selective beneficiaries. As of 20 June 2024, 7 out of 11 agricultural commodities future we track are below its 2023 levels. This includes poultry feed raw materials of soybean meal (-16%ytd), corn (-15%ytd), and wheat (-8%ytd); and F&B raw materials of raw sugar (-9%ytd), white sugar (-8%ytd), and PET resin (-3%ytd). Conversely, cocoa futures (+109%ytd), Arabica coffee (+18%ytd), and Robusta coffee (+46%ytd) remain elevated. CPO (+0.3%ytd) and whole milk (+0.8%ytd) futures remained stable. Moving forward, as per our consumer sector report, we expect lower raw material costs in 2H2024, benefiting Fraser and Neave (sugar, PET resin, dairies), Nestle Malaysia (dairies), Hup Seng Industries (wheat, PET resin, and sugar), Spritzer (PET resin), Leong Hup (corn, soybean meal, wheat), and QL Resources (corn, soybean meal, wheat). However, cocoa and coffee-related products under Nestle Malaysia (Nescafe and Milo) and sweet confectionery products of Fraser and Neave (Cocoland brand) may face elevated raw material costs due to ongoing supply disruptions for cocoa, Arabica, and Robusta.

Stronger MYR against USD benefits raw material importers but affects export-oriented companies. As of June 20, 2024, the average USD/MYR exchange rate stood at RM4.73/USD, compared to an average of RM4.53/USD in 2023. This is expected to increase the purchase price of raw materials for all poultry and F&B companies under our coverage after conversion into local currency. Given that raw materials constitute 70-85% of total production costs and are predominantly sourced in USD. **Rhong Khen International (BUY, TP: RM1.60)**, focused on the US market, stands to benefit from the stronger USD. Looking ahead, our in-house economists anticipate the ringgit strengthening in the 2HCY24, reaching RM4.43/USD by year-end, with an average of RM4.64/USD for the entire year. This could benefit raw material importers in our coverage, including **QL Resources (BUY, TP: RM7.30), Fraser and Neave (BUY, TP: RM37.00), Leong Hup (BUY, TP: RM0.70), Hup Seng Industries (NEUTRAL, TP: RM0.99), Spritzer (NEUTRAL, TP: RM2.05),** and **Nestle Malaysia (NEUTRAL, TP: RM127.00).**

Maintain NEUTRAL. Looking ahead to the 2HCY24, we foresee consistent domestic retail spending on essential and value products, driven primarily by (1) various government cash assistance, (2) EPF Account 3 savings designated for essential expenses, (3) anticipated civil servant salary revisions in December 2024, (4) stable job market outlook, and (5) the return of tourist arrivals. We expect raw material costs for biscuit, dairy, and livestock-related companies to stay low due to reduced commodity prices. However, we are cognizant that cocoa, Arabica, and Robusta prices are likely to remain elevated, squeezing margins for chocolate and cocoa-related manufacturers. Despite expectations of alleviating inflation pressures, we remain cautious about uncertainties related to the implementation timeline of RON95 subsidy rationalization and the HVG tax. Hence, we maintain our NEUTRAL stance on the consumer sector. We continue to prefer fundamentally strong companies like **Fraser & Neave Holdings (BUY, TP: RM37.00)** and **QL Resources (BUY, TP: RM7.30).**

VIII. GLOVES

Straddling the line between higher production costs and high sales volume........Maintain NEUTRAL

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

Production input cost is expected to remain bumpy in 2HCY24. We anticipate that production input costs for both nitrile and latex gloves will stay high in the 2HCY24. This is primarily due to elevated raw material costs, which are expected to more than offset the reduction in natural gas tariffs. Note that raw materials contribute 30-50% of total production costs, with key commodities remaining high as of 20 June 2024. For instance, NR Latex concentrate is up +34%ytd, Butadiene is up +38%ytd, and Acrylonitrile rose +1%ytd. Recall 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). On the other hand, natural gas, which constitutes 10-15% of total production costs, saw its 3-month futures drop -16.7%ytd to USD2.4/MMBtu as of 20 June 2024. This aligns with declining global crude oil prices, which suggests a potential decrease in Malaysia's natural gas tariffs in 2HCY24, given the typical 4-month lag between Malaysia Petroleum Management (MPM) and New York Mercantile Exchange (NYMEX) natural gas prices.

Inventory replenishment mitigates shipment disruptions. Malaysia's export value of rubber gloves increased by +12.3%yoy, and export volume grew by +8.6%yoy for 4MCY24, according to the Department of Statistics Malaysia. This growth was driven by ongoing inventory replenishment following the depletion of pandemic-era stocks. However, shipment delays caused by congestion at Singapore's port since May 2024 have affected deliveries to customers, and the disruption is expected to persist into the 3QCY24, potentially delaying some shipments to clients. Overall, we expect the upward trend in inventory replenishment to offset near-term port congestion. The improving demand could also raise plant utilisation rates, thereby reducing the production cost per unit.

ASP trends to follow raw material prices. Looking ahead, we expect Malaysian glove manufacturers to adjust their ASPs upward to pass on increased production costs to buyers. This is evidenced by a +3.4%yoy increase in the average export selling price of rubber gloves to RM24.98k per tonne in 4MCY24. However, intense competition among existing players limits the potential for significant price hikes, as competitively priced products will take precedence. We also expect the cost pass-on initiatives via upward price adjustments could lag in subsequent orders.

Maintain NEUTRAL. Despite the gradual improvement in glove demand due to customer replenishment activities, intense competition from Chinese players will distribute demand evenly among existing manufacturers. Plant utilisation rates are expected to improve, and this, along with the expectation of lower natural gas tariffs, could offset the higher production input costs from both latex concentrate and nitrile concentrate. Hence, we maintain a NEUTRAL outlook on the glove sector.

IX. PLANTATION

Upside capped by the recovery in the upstream activity................................Maintain NEUTRAL

Analyst: MIDF Research Team

Production recovery continues. Based on MPOB data, we have seen Malaysia's production recovery is on track, as May data showed that production improved to 1.70m tonnes (+13.5%mom; +12.3%yoy; +9.4%ytd) versus 1.52m tonnes in prior year, riding on contribution from most of the states particularly in the Kedah area (+78.6%yoy) and Kelantan (+25.3%yoy) as it benefited from dry weather environment on top of improved foreign labour productivity. Separately, the country's FFB received by mills also jumped to 8.93m tonne (+16.2%yoy) with a higher average yield of 1.43 tonne/ha (+16.3%yoy) recorded, while average OER muted at 19.52% dragged by low crops cyclicity environment in most of the states.

In 1QCY24, our CPO Production universe inched organically +3.3%yoy higher (Vs MPOB production; +3.4%yoy), driven by continued recovery in SD Guthrie and KLK production and estate activity. Although the mild-El-Niño peaked in April, it seems the mixed dry-wet weather might be prolonged up to July, thereby improving estate activity ahead, particularly in terms of the FFB evacuation process and manuring activities. CPO production has maintained its momentum and is expected to continue in the remaining months, reaping the benefits of fertiliser application over the past 2 years

Stock level to remain. Based on May data, our nation's ending stockpiles inched higher at 1.75m tonne (+0.5%mom, +3.7%yoy), in tandem with elevated production levels across CPO, PK, CPKO and PKC lines. The minimal rise in stocks was offset by a higher export volume, which grew to 1.38m tonne, following a notable demand increase for PO (+11.6%mom) due to restocking activity in India ahead of the festive season that will start from June-August. Broadly, the increase in exports was also attributed to the price effects, as the weakening of CPO price circa USD859/Mt (April: USD935/Mt), increased its competitiveness against other vege-oils in sensitive major importing countries as India and Pakistan have started to take opportunities to import more due the wider premium. Note that, the discount spread between SBO is anticipated to be widened around USD279/Mt, as CPO price is anticipated to come off following high crop cycle seasonality in the 2HCY24.

Maintain NEUTRAL. Although the discount spread between the SBO remains competitive in these remaining months, which can probably boost our PO export to major sensitive importing countries such as India and Pakistan. However, the premium risk is also expected to be scaled down with ongoing FFB & CPO output recovery on top of the absence of dry weather. Our top pick remains IOI Corp, as its upstream outlook remains steady and is well supported by downstream profitability. Its refinery and oleo plant are well insulated from high input costs due to its strategic locations, unlike its peers operating in Europe, which are impacted by high production costs. We keep our NEUTRAL call for the sector at this juncture and maintain our average CPO target price expectation of RM3,600/Mt for the whole year.

X. TECHNOLOGY

Anticipating better earnings traction in 2HY24..Maintain NEUTRAL

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

Upcycle has yet to arrive. We are keeping our NEUTRAL stance on the technology sector. The recent announcement on 1QCY24 quarterly earnings reinforced our view that the semiconductor is still in recovery mode. This is supported by the continuous recovery in the end market demand. Nonetheless, the recovery could be an uneven one as alluded to by WSTS in its latest revision to the 2024 market forecast. Some of the industry Bellwether, namely TSMC and ASML, also pointed towards a relatively slower-than-expected pace of recovery. AI seems to be the main key driver for the industry at this juncture. Nonetheless, we should see better performance in the smartphone and EV segments for 2HCY24. Also, we view that the current PER valuation of OSAT under our coverage is rich as earnings recovery in 1QCY24 was rather tepid. On a separate note, IT solutions providers i.e. MYEG and Datasonic should see more positive development in 2HCY24 which would provide good support for the share price.

Robust growth is indicated for the memory product segment. In early June 2024, the World Semiconductor Trade Statistics (WSTS) revised its 2024 market growth forecast to USD611.2b from USD588.4b, a revision of +3.9%. Following the revision, the market is expected to increase by +16.0%yoy in 2024 instead of +13.1%yoy, stemming from computing end-markets. In this regard, there is a strong revision for Memory at 25.7%, potentially for the data centre market. Nonetheless, we observed that there is a downward revision for Discrete, Optoelectronics, Sensors and Analog semiconductors.

Meanwhile, 1QCY24 sales of semiconductors totalled USD137.7b, an increase of +15.2%yoy but a decline of -5.7%qoq, which reflects the usual seasonal trends. SEMI noted that the OSAT segment was under pressure throughout 2023 but sales increased slightly by +1%yoy in 1QCY24. In comparison, foundry sales show a 10%yoy growth in 1Q24. Good momentum for foundry sales has been observed since 2HCY23.

Table 11: New and Oil 2024 Market Forecast Comparison

	New	Old	Variance (USD'm)	Variance (%)
Americas	168,062	162,154	5,908	3.6
Europe	56,038	59,480	-3,442	-5.8
Japan	46,254	49,275	-3,021	-6.1
Asia Pacific	340,877	317,455	23,422	7.4
Total World	**611,231**	**588,364**	**22,867**	**3.9**
Discrete Semiconductors	32,773	37,459	-4,686	-12.5
Optoelectronics	42,736	43,324	-588	-1.4
Sensors	18,265	20,127	-1,862	-9.3
Integrated Circuits	**517,457**	**487,454**	**30,003**	**6.2**
Analog	79,058	84,056	-4,998	-5.9
Micro	77,590	81,937	-4,347	-5.3
Logic	197,656	191,693	5,963	3.1
Memory	163,153	129,768	33,385	25.7
Total products	**611,231**	**588,364**	**22,867**	**3.9**

Source: WSTS, MIDFR

Pointing towards mild recovery. Globally, Bellwether tech giant Taiwan Semiconductor Manufacturing Company (TSMC), during the 1QCY24 conference call, cut its industry sales outlook for the year to +10% growth, excluding memory chips, from above that figure. TSMC's CEO mentioned that while AI demand was strong, the traditional server demand is "lukewarm," the internet of things and consumer demand also remains sluggish and auto inventory continues to correct. On another note, despite weaker 1QCY24 performance, ASML Holdings NV also indicated 2024 sales to equate to that of 2023. This points to recovery in the second half of 2024. These seem to indicate mild recovery as opposed to strong recovery.

Not a blanket recovery. According to the International Data Corporation (IDC), 1QCY24 global shipment of smartphones increased by +11.8%yoy to 300.3m. The recovery has been led by Xiaomi and Transsion, while Samsung and Apple saw minor contraction in demand of -0.5%yoy and -5.1%yoy. As market recovery continues, we should see better demand for both Samsung and Apple. There is high hope for Apple's iPhone following the introduction of Apple Intelligence which will not be available on the older iPhone models. This could potentially translate into better demand for iPhones which would benefit the supply chain vendors.

Table 12: Worldwide Smartphone Shipnents

Company	1Q24 shipments (m)	1Q23 shipments (m)	YoY (m)	YoY (%)
Samsung	60.2	60.5	-0.3	-0.5
Apple	52.6	55.4	-2.8	-5.1
Xiaomi	40.8	30.5	10.3	33.8
Transsion	28.5	15.4	13.1	85.1
Vivo	25.2	27.6	-2.4	-8.7
Others	92.9	79.0	13.9	17.6
Total	**300.2**	**268.4**	**31.8**	**11.8**

Source: IDC, MIDFR

Signs of fatigue? While the overall EV sales are increasing, some of the markets such as Italy, Japan and Germany have been showing contraction in 1QCY24 sales of between -3%yoy and -24%yoy. In addition, many automakers are revisiting their respective EV plans in view of intense competition from their China peers as well as high production costs. Legacy automakers such as Volkswagen Group, Ford, General Motors and Mercedes-Benz are reevaluating their aggressive timeline to fully transition to EVs. Referring to the Bloomberg EV Outlook Report, the annual growth rate will average 21% from 61% achieved between 2020 and 2023. Nonetheless, the long-term market outlook for EVs remains positive despite the near-term challenges. This could potentially have some effect on the supply chain. We view this to have less impact on D&O given their focus primarily on automotive LED.

AI frenzy. Artificial Intelligence (AI) has been the main driver for the semiconductor. This has led to a demand for more powerful chips to run complex AI tasks, particularly for generative AI. Nvidia is the bellwether in the AI realm with Broadcom anticipated to be the second beneficiary. On the local front, we view that there is a limited spillover effect to local outsourced semiconductor assembly and test (OSAT) companies. Looking at our universe coverage, we view that the exposure primarily resides around optoelectronics as well as memory. Also, it will take time to grow the income from AI-related products.

A disconnect between the pace of recovery and share price movement. As highlighted in our recent 1QCY24 earnings wrap, we observed different paces of earnings recovery for OSAT under our coverage. This ranges from merely +7.6%yoy up to more than +100%yoy, the latter primarily due to the low base effect in line with the unfavourable utilisation rate. Despite this, we have observed aggressive share price movement. This has led to current PER of between 25x to 40x which is previously seen in 2020/2021 during the Covid-19 pandemic. As such, on a year-to-date basis, we view that the rise in valuation was at a faster pace as compared to the tempo of earnings recovery observed, thus far.

IT services finally seeing some traction. Comparatively, IT solutions providers namely MyEG and Datasonic have shown healthy 1QCY24 earnings performance of between 47% and 79%. We view that the expectation of healthy double-digit earnings growth has led to commendable share price performance in 2QCY24 of between 20% to 30%. Moving forward, we should continue to see better earnings momentum in 2HCY24. Moreover, Myeg could potentially start the cross-border trade facilitation services in 2HCY24, following the cooperation between Malaysia and China on establishing a single window system to facilitate cross-border trade using leading-edge technologies which include AI and blockchain while also expanding the spectrum of trade facilitation services to importers and exporters. Meanwhile, we finally see some traction in Datasonic's effort to diversify its earnings base post the project win on an overseas e-passport project for a West African country. Moreover, we view that there could be a higher chance for the group to secure a longer-term contract for its security document in 2HCY24 following the second extension seen in early June 2024.

XI. TELECOMMUNICATION

Moving in the right direction..Maintain NEUTRAL

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

Anticipating progressive development in the sector. We are keeping our NEUTRAL stance on the telecommunication sector. The finalisation of the much-awaited SSA agreement between the telcos and DNB would pave the way for the introduction of DWN. However, we do not discount that the details could be limited in the early days. There should be more clarity as the development surrounding DWN progresses. At this juncture, only Maxis remains committed to taking a place on the second 5G network, given the opportunity to have autonomy on the rollout plan. This, we view, could potentially strain the financial position, especially in the early years. As there is more clarity on the country's 5G direction, we could also expect the commencement of Jendela phase 2 which carries a new set of targets. Meanwhile, on a BAU basis, we see competition remain intense in the mobile realm. There are also more efforts being made to monetise 5G such as the offering of 5G private networks. All factors considered, while we continue to see decent earnings growth, we do not foresee major earnings rerating on the horizon. As such, we remain NEUTRAL on the sector with **CelcomDigi (BUY, TP: RM4.95)** as our top pick for the sector.

Finalisation of SSA on DNB. According to Communications Minister YB Fahmi Fadzil, the telcos will finalise the equity share subscription agreement (SSA) in Digital Nasional Bhd (DNB) by 21st June 2024. We view positively the Ministry's active involvement to ensure no further delay on the DWN rollout since 5G network coverage has reached 80%. The conclusion of the SSA will pave the way for the much-awaited announcement of the second 5G network. Based on the development, we do not discount the possibility that details on the DWN will start to be revealed in 3QCY24.

Maxis is ready to lead the second 5G network. The implementation timeline for the second 5G network would depend on the mandate as well as the telcos' business plans. Nonetheless, we do not think that the second 5G network has the exact same scope as DNB. Hence, we opine implementation time should be shorter and less costly. At this juncture, only Maxis has announced its readiness to build the second 5G network immediately to "accelerate the nation's 5G plan". This, we view, could be due to the expected autonomy to decide on the rollout plan. However, we expect Maxis to have a strained balance sheet position during the rollout of the second 5G network. On a separate note, to prevent service interruption while the second 5G network is being built up, network sharing between the two networks has been discussed.

Anticipating timeline update on Jendela Phase 2. The Jendela action plan was announced as part of the 12th Malaysia Plan which runs from 2021 to 2025. While Phase 1 of the plan has been concluded according to the timeline i.e. end of 2022, the starting date for Phase 2 has yet to be announced. This could potentially be due to the delay surrounding 5G. To recall, the target for phase 2 would include nine million premises passed, 100% internet coverage and 100 Mpbs mobile speed. Nevertheless, the focus area for phase 2 would be on expanding the 5G coverage. With the encouraging progress on 5G especially on DNB's SSA as well as the upcoming second 5G network, this would pave the way for the Jendela Phase 2.

Competition for market share is still aggressive. As seen during the 1QCY24 results season, postpaid ARPU has been trending downwards as the telcos offer more competitive plans via cheaper plans and/or higher data allocation, especially for 5G, which negates the need for plan upgrades. This includes a 5G phone bundling proposition. On the other hand, prepaid subscribers continue to decline, premised on attractive entry postpaid plans which encourage pre-to-post conversion. For context, the 5G penetration rate was 40% as of the end of April 2024.

Winning more enterprise customers. On the enterprise segment, while a lot of emphasis has been placed on growing the revenue, there has been mixed performance as seen in 1QCY24. Moreover, we view that the business wins would generally come from large enterprises while SMEs, in general, remain sceptical, about the added value the solutions bring. Nonetheless, we see more traction from the telcos offering 5G private networks. Some of the recent business wins include Clarion via Yes 5G private networks as well as Transocean via U Mobile. On this note, to adopt more 5G enterprise users across various industries, the Digital Ministry is working on a new policy which involves the rollout of private 5G networks. On this note, the country is looking at plans to present at least 40 5G private network use cases in sectors such as manufacturing, oil and gas, logistics and healthcare, ahead of its Association of Southeast Asian Nations (ASEAN) chairmanship next year. Generally, 5G private networks provide better security, faster and more consistent speed as well as low latency.

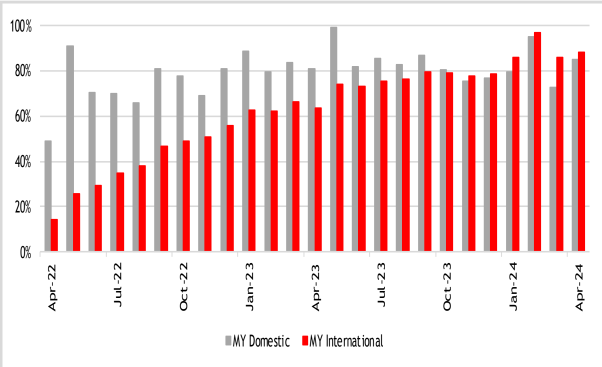
XII. TRANSPORTATION

Betting on throughput revival..Downgrade to NEUTRAL

Analyst: MIDF Research Team

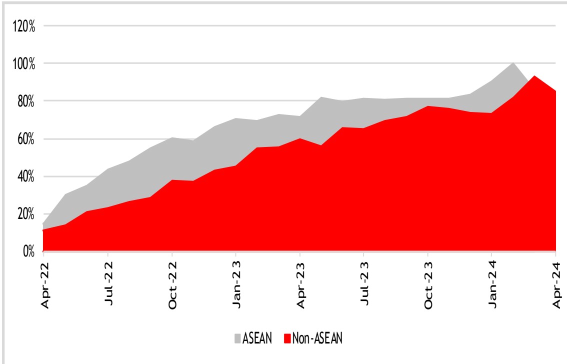
AVIATION

Chart 41: Recovery of Passenger Traffic (%)



Source: MAHB, MIDFR

Chart 42: Recovery of ASEAN & Non-ASEAN Pax (%)



Source: MAHB, MIDFR

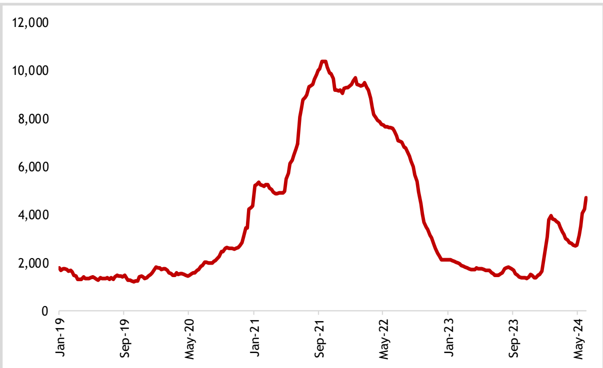
The international sector shows a strong recovery. As of 4MCY24, overall passenger traffic has recovered to 86% of pre-pandemic levels (domestic: 83%, international: 89%). Over the past six months, the international sector has consistently outperformed the domestic sector in terms of recovery. This trend has been driven by strong ASEAN travel, achieving a recovery rate of 91% in Apr-24, while non-ASEAN travel has slightly lagged behind at 85%. Local airlines have continued to focus on expanding seat capacity, particularly to China and India, leveraging on the visa-free waiver. We cautiously evaluate the recovery of the domestic sector, which has hovered around 80% to 85% in recent months, averaging 83% in 4MCY24, potentially constrained by limited aircraft availability and subsequent seat capacity growth. As of 1QCY24, the number of airlines serving Malaysia stood at 69, matching the levels observed in CY19, with an additional four new carriers expected to enter the market later this year. We forecast a growth of +2.0% for this year compared to 2019 levels, aligning with MAVCOM's upper-range projection.

Manageable short-term risks for local airlines. Local airlines may continue to encounter short-term challenges due to the high USDMYR exchange rate. However, our internal projections suggest a potential strengthening of the MYR to USD rate to RM4.43 by end-CY24. Furthermore, our internal forecasts indicate that Brent crude oil prices will remain stable at current levels throughout this year, leading to expectations for local airlines to continue implementing fuel surcharges. For **Capital A (BUY, TP: RM1.06)**, we estimate that a USD1 change in our jet fuel price assumption could potentially impact this year's bottom line by about RM40.0m. By the end of CY24, Capital A plans to have 204 operational aircraft, marking an increase of 37 aircraft from 1QCY24. The high maintenance costs associated with aircraft reactivation are expected to gradually normalise later this year. Airfares are expected to be adjusted to reflect the revised passenger service charge (PSC) starting from Jun-24 onwards, and airlines may also see a slight increase in landing and parking fees following MAVCOM's decision on the aviation service charges (ASC) for the first regulatory period (RP1).

PORT & LOGISTICS

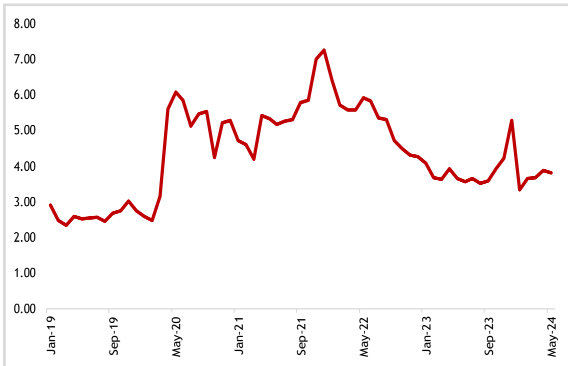
Strong trade numbers are expected to drive goods volume. According to the Ministry of Investment, Trade, and Industry (MITI), Malaysia's trade remained strong in May-24, achieving a growth of +10.3%yoy to RM246.31b. This marks the highest value recorded since Oct-22 and represents the fifth consecutive month of expansion. Additionally, the S&P Global revealed that Malaysia's manufacturing PMI rose to 50.2 in May-24 (Apr-24: 49.0), indicating the first expansion since Aug-22, driven by a revival in new business and production activities. These trade figures suggest that the economy is on track for a broader recovery in 2HCY24, which should translate into a higher goods volume for port and logistics players. MMC Group unit Northport (M) Bhd has set a new record by handling the highest monthly container throughput of 335,361 TEUs (+26.6%yoy) last month, surpassing the previous record of 310,865 TEUs set in Dec-20. We believe this is an indicator that the 2QCY24 gateway volume will continue to be strong for Westports (Downgrade to NEUTRAL, TP: RM4.30), with the official report due next month. In relation to the transhipment business, the potential easing of monetary policies in major economies and subsequent improvements in Western consumption could boost interregional container movements. As for the ongoing Red Sea crisis, which has resulted in ships being rerouted, port players have generally reported fluctuations in container terminal utilisation in certain weeks due to disruptions in shipping schedules and vessel bunching. Westports reported a 90%-yard utilisation rate in May-24 amidst these challenges. However, it anticipates that these disruptions will gradually resolve over time, and it views the situation as manageable and not as severe as the congestion issues that have been affecting Singapore's container port.

Chart 43: Ocean Freight Rates (USD/TEUs)



Source: Bloomberg, MIDFR

Chart 44: Air Freight Rates (USD/kg)



Source: Bloomberg, MIDFR

Positive impact trickling down to logistics players. With the anticipated increase in trade activities, there could be a corresponding rise in demand for logistics services. We foresee the warehousing segment driving primary revenue growth, as most players under our coverage have recently expanded capacity and are now concentrating on optimising utilisation rates throughout this year. Owing to their integrated capabilities, there is potential for these companies to cross-sell their transportation services. The expected uptick in export and import activities could particularly benefit ocean freight forwarders, while air freight forwarders stand to gain from transporting high-value goods, including E&E products. In addition to the increase in volume, freight forwarders may potentially experience improved margins because of elevated market freight rates stemming from the Red Sea crisis (refer to Charts 43 & 44). Moreover, the increased movement of goods to and from manufacturing facilities could further bolster the container haulage and land transportation sectors within the supply chain. As for the targeted diesel supply mechanism, its impact is largely neutral for logistics players. The fleet cards allow them to purchase diesel at subsidised rates, albeit with limits on litres per transaction. Should their consumption exceed these limits, any additional costs incurred will likely be passed on to customers.

Downgrade to NEUTRAL. In this report, we are downgrading our sector call from POSITIVE to NEUTRAL. Although the sector as a whole shows a positive outlook, we believe this applies selectively to certain stocks within our coverage, some of which have already experienced share price rallies in response to the favourable trade figures. We are downgrading our recommendation on Westports from BUY to NEUTRAL in response to its recent share price rally, which has led to a year-to-date gain of +16%. While the gateway volume at **Westports (Downgrade to NEUTRAL, TP: RM4.30)** has been strong due to recent FDIs, we expect a tapering of this growth in the years ahead. We have incorporated the expected tariff revision, which is currently in progress, into our forecasts. The downside risk arises if this revision fails to materialise as anticipated by FY25. Our only top pick for the sector is **Tasco (BUY, TP: RM1.20)**, positioned to capitalise on the broader trade recovery expected in 2HCY24. Shipping lines are reportedly considering blank sailings to manage supply and stabilise rates, which we believe could enhance earnings visibility for freight forwarders. Tasco is also set to gain from significant tax credits that can be claimed due to the construction of its two new warehouses.

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Table i: MIDF RESEARCH STOCK UNIVERSE as at 24 June 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	1.37	1.38	114.4	164.1	169.0	10.7	15.3	15.7	-60.2	43.4	3.0	12.9	9.0	8.7	3.0	3.0	3.0	2.2	2.2	2.2	0.44	3.14	13.84	3.51	4.63	1,074.2	1,471.6	1.45	0.91
Gamuda	Jul	BUY	6.54	7.50	1,838.4	1,085.6	1,182.1	69.9	39.2	42.7	119.5	-44.0	8.9	9.4	16.7	15.3	12.0	12.0	12.0	1.8	1.8	1.8	1.51	4.33	13.21	4.56	9.94	2,770.7	18,120.3	6.72	4.16
IJM Corp	Mar	BUY	3.00	3.89	158.3	600.3	583.8	4.5	17.1	16.7	-79.8	281.1	-2.7	66.8	17.5	18.0	6.0	6.0	8.0	2.0	2.0	2.7	1.03	2.91	10.14	2.82	5.30	3,506.2	10,518.5	3.08	1.43
KKB Engineering	Dec	BUY	1.73	2.13	26.6	35.3	36.0	9.2	12.2	12.5	127.7	32.6	2.0	18.8	14.2	13.9	7.0	7.0	7.0	4.0	4.0	4.0	1.21	1.42	7.50	5.50	7.69	288.7	499.5	1.89	1.32
MRCB	Dec	NEUTRAL	0.62	0.67	101.0	58.9	61.9	2.3	1.3	1.4	55.9	-41.7	5.1	27.4	47.0	44.7	1.0	1.0	1.0	1.6	1.6	1.6	0.60	1.03	2.32	0.67	1.28	4,467.5	2,769.9	0.74	0.30
Pekat	Dec	BUY	0.89	0.88	13.7	17.4	22.5	2.1	2.7	3.5	36.5	26.7	29.3	41.5	32.8	25.4	1.0	0.0	0.0	1.1	0.0	0.0	4.06	0.22	7.65	9.54	12.72	645.0	570.8	1.00	0.40
Pintaras Jaya	Jun	NEUTRAL	1.75	1.68	-2.1	8.8	18.5	-1.3	5.3	11.2	-105.2	-508.1	110.2	n.a.	33.0	15.7	5.0	5.0	5.0	2.9	2.9	2.9	0.73	2.40	2.64	1.60	2.20	165.9	290.3	1.90	1.48
Sunview	Mar	BUY	0.76	0.88	13.0	9.6	20.6	3.0	1.9	4.0	-99.6	-37.3	112.8	25.2	40.2	18.9	0.0	0.0	0.0	0.0	0.0	0.0	2.75	0.27	2.06	2.53	6.82	514.8	388.7	0.99	0.60
Sunway Construction	Dec	NEUTRAL	3.75	3.09	145.1	178.7	189.4	11.3	13.9	14.7	7.3	23.2	5.9	33.3	27.1	25.5	6.0	7.0	7.0	1.6	1.9	1.9	5.62	0.67	6.69	5.80	20.04	1,289.4	4,835.1	4.04	1.53
WCT	Dec	NEUTRAL	0.81	0.50	-254.1	66.9	67.6	-17.9	4.7	4.8	-297.5	-126.3	1.0	n.a.	17.1	16.9	0.5	0.0	0.0	0.6	0.0	0.0	0.39	2.06	3.90	0.77	1.81	1,417.2	1,140.9	0.93	0.41
CONGLOMERATE																															
YTL Corp	Jun	BUY	3.44	4.19	1,095.7	2,097.4	2,114.7	10.0	19.1	19.2	57.6	90.8	0.8	34.4	18.0	17.9	3.0	10.0	10.0	0.9	2.9	2.9	2.36	1.46	7.19	2.57	10.43	11,003.8	37,853.2	3.92	0.92
TELECOMMUNICATIONS																															
Axiata	Dec	NEUTRAL	2.61	2.56	-1,994.8	698.4	909.3	-21.7	7.6	9.9	-120.4	-135.1	30.2	n.a.	34.3	26.4	10.0	10.0	11.0	3.8	3.8	4.2	1.10	2.38	3.18	0.89	2.47	9,181.9	23,964.8	2.94	2.16
CelcomDigi	Dec	BUY	3.57	4.95	1,566.8	2,334.0	2,766.0	13.2	19.9	23.6	26.9	50.7	18.5	27.0	17.9	15.1	13.2	13.9	16.5	3.7	3.9	4.6	2.57	1.39	18.40	6.41	14.18	11,731.5	41,881.5	4.50	3.53
Maxis	Dec	NEUTRAL	3.55	3.87	993.0	1,268.4	1,295.6	12.7	16.2	16.5	-13.6	27.5	2.1	28.0	21.9	21.5	16.0	16.0	16.0	4.5	4.5	4.5	4.80	0.74	12.46	5.57	22.08	7,832.1	27,803.9	4.27	3.35
Telekom Malaysia	Dec	NEUTRAL	6.73	7.03	1,870.5	1,668.9	1,528.4	48.9	43.5	39.8	61.9	-11.1	-8.4	13.8	15.5	16.9	10.5	17.0	18.5	1.6	2.5	2.7	2.87	2.35	13.62	7.28	17.90	3,837.7	25,827.8	7.02	4.77
TECHNOLOGY																															
D & O Green Tech	Dec	NEUTRAL	3.71	3.21	44.1	86.9	108.1	3.6	7.0	8.7	-37.1	96.5	24.4	103.9	52.9	42.5	0.0	1.3	1.3	0.0	0.4	0.4	6.96	0.53	8.55	4.89	9.20	1,239.0	4,596.7	4.17	2.92
Datasonic	Mar	BUY	0.52	0.53	76.4	92.3	107.4	2.7	3.3	3.8	644.4	22.4	17.3	19.4	15.9	13.5	1.3	2.5	3.0	2.4	4.7	5.8	3.96	0.13	25.05	19.70	25.12	2,790.5	1,451.1	0.58	0.42
Globetronics	Dec	NEUTRAL	1.46	1.10	26.4	28.5	31.7	3.9	4.2	4.7	-42.0	7.1	11.2	37.1	34.6	31.1	3.5	3.8	4.2	2.4	2.6	2.9	3.25	0.45	21.62	8.48	n.a.	675.3	985.9	1.82	1.19
Inari Amertron	Jun	NEUTRAL	3.65	3.11	323.5	327.9	406.7	8.7	8.7	10.8	-18.5	0.3	24.0	42.1	41.9	33.8	8.2	6.6	8.2	2.2	1.8	2.2	4.96	0.74	24.22	11.05	12.58	3,767.9	13,752.9	3.96	2.62
My E.G.	Dec	BUY	1.00	1.38	487.6	586.9	661.3	6.6	7.9	8.9	21.9	19.8	12.7	15.1	12.6	11.2	1.9	2.4	2.7	1.9	2.4	2.7	3.10	0.32	75.80	18.24	26.67	7,459.1	7,421.8	1.15	0.71
Unisem	Dec	NEUTRAL	4.20	3.41	80.2	135.4	220.0	5.0	8.4	13.6	-79.2	68.9	62.5	84.5	50.0	30.8	8.0	8.0	8.0	1.9	1.9	1.9	2.85	1.47	9.40	4.53	5.68	1,613.1	6,774.9	4.44	2.88
PLANTATION																															
FGV	Dec	SELL	1.30	1.14	101.6	81.7	131.0	2.8	2.2	3.6	-92.3	-20.0	60.3	46.4	58.0	36.2	3.0	3.0	2.0	2.3	2.3	1.5	0.81	1.61	0.42	0.47	1.08	3,648.2	4,742.6	1.60	1.28
Genting Plantations	Dec	NEUTRAL	6.10	6.10	253.5	281.1	322.5	28.3	31.3	35.9	-46.2	10.9	14.7	21.6	19.5	17.0	12.0	15.0	15.0	2.0	2.5	2.5	1.04	5.88	9.48	3.28	5.17	897.2	5,472.7	6.39	5.04
IOI Corp	Jun	BUY	3.75	4.50	1,114.2	1,108.9	1,205.5	18.0	17.9	19.4	-35.3	-0.4	8.7	20.9	21.0	19.3	11.0	7.5	6.5	2.9	2.0	1.7	2.04	1.84	9.57	6.31	9.50	6,203.7	23,263.9	4.22	3.70
KL Kepong	Sep	NEUTRAL	20.44	22.00	834.3	829.4	790.4	77.4	75.6	72.1	-61.5	-2.3	-4.7	26.4	27.0	28.4	100.0	42.0	40.0	4.9	2.1	2.0	1.51	13.55	3.51	2.75	5.14	1,096.4	22,410.5	23.94	20.08
PPB Group	Dec	NEUTRAL	14.56	15.47	1,394.3	1,375.3	1,480.6	98.0	96.7	104.1	-36.5	-1.4	7.7	14.9	15.1	14.0	42.0	40.0	40.0	2.9	2.7	2.7	0.75	19.42	24.07	4.68	4.95	1,422.6	20,713.1	16.98	13.80
Sarawak Plantation	Dec	NEUTRAL	2.19	2.20	64.4	69.7	74.2	23.1	25.0	26.6	-33.4	8.1	6.5	9.5	8.8	8.2	10.0	0.1	0.1	4.6	0.0	0.0	0.80	2.75	12.21	7.30	9.39	279.0	611.1	2.27	2.02
Sime Darby Guthrie	Dec	NEUTRAL	4.30	4.18	1,860.0	1,155.6	1,198.6	26.9	16.7	17.3	-25.2	-37.9	3.7	16.0	25.7	24.8	9.3	8.0	8.0	2.2	1.9	1.9	1.50	2.87	6.27	3.62	5.66	6,915.7	29,737.6	4.73	4.05
TSH Resources	Dec	NEUTRAL	1.15	1.18	95.1	110.9	126.1	6.9	8.0	9.1	-79.2	16.6	13.7	16.7	14.3	12.6	2.5	2.0	2.0	2.2	1.7	1.7	0.77	1.50	10.40	3.90	4.81	1,380.2	1,587.2	1.19	0.92
GLOVES																															
Hartalega	Mar	BUY	3.17	4.45	-235.1	12.7	225.1	-6.9	0.4	6.6	-107.3	-105.4	1,682.4	n.a.	856.8	48.1	53.5	0.0	2.5	16.9	0.0	0.8	2.33	1.36	0.69	0.24	0.27	3,413.3	10,820.0	3.83	1.88
Kossan	Dec	NEUTRAL	2.29	2.45	13.3	144.2	228.0	0.5	5.7	8.9	-91.6	986.8	58.1	440.4	40.5	25.6	0.0	2.0	2.5	0.0	0.9	1.1	1.51	1.52	9.06	3.43	3.73	2,551.6	5,843.2	2.83	1.27
Top Glove	Aug	SELL	1.07	0,82	-925.2	-30.6	137.1	-11.6	-0.4	1.7	-509.6	-96.7	-548.0	n.a.	n.a.	62.5	0.0	0.0	0.7	0.0	0.0	0.7	1.47	0.73	-1.36	-0.43	-0.52	8,009.5	8,570.2	1.31	0.70
HEALTHCARE																															
IHH Healthcare	Dec	BUY	6.30	7.35	2,951.9	1,575.0	1,817.5	33.5	17.9	20.6	97.2	-46.6	15.4	18.8	35.2	30.5	9.0	19.2	19.7	1.4	3.0	3.1	1.86	3.38	7.52	3.14	4.87	8,807.0	55,484.3	6.43	5.72
KPJ	Dec	BUY	1.90	2.54	263.4	403.2	477.5	6.0	9.2	10.9	57.3	53.0	18.4	31.5	20.6	17.4	3.1	3.6	4.0	1.6	1.9	2.1	3.45	0.55	11.79	5.56	15.95	4,364.3	8,292.2	2.05	1.08
Pharmaniaga	Dec	NEUTRAL	0.37	0.48	-80.2	73.0	134.0	-5.9	5.1	9.3	-87.8	-186.4	83.6	n.a.	7.2	3.9	0.0	2.0	3.4	0.0	5.5	9.3	-1.93	-0.19	2.14	3.81	-26.63	1,441.2	526.0	0.51	0.30
CONSUMER (F&B, Retail)																															
AEON Co.	Dec	BUY	1.39	1.60	114.8	138.0	151.6	8.2	9.8	10.8	3.3	20.2	9.9	17.0	14.1	12.9	4.0	4.0	4.3	2.9	2.9	3.1	1.01	1.37	3.34	2.64	7.42	1,404.0	1,951.6	1.50	1.02
Asia File	Mar	NEUTRAL	2.30	2.05	31.6	52.1	41.2	16.2	26.8	21.1	-27.1	64.9	-21.0	14.2	8.6	10.9	3.5	10.5	8.2	1.5	4.6	3.6	0.56	4.08	17.70	6.10	6.57	194.8	448.1	2.35	1.76
Fraser & Neave	Sep	BUY	31.66	37.00	536.9	601.3	676.8	146.5	163.9	184.5	40.2	11.9	12.6	21.6	19.3	17.2	60.0	77.0	77.0	1.9	2.4	2.4	3.31	9.56	12.02	11.76	17.94	366.8	11,612.2	33.80	24.65
Hup Seng	Dec	NEUTRAL	1.17	0.99	45.1	53.3	62.2	5.6	6.7	7.8	73.0	18.1	16.7	20.7	17.6	15.0	3.5	5.3	6.2	3.0	4.5	5.3	5.84	0.20	14.92	22.34	32.86	800.0	936.0	1.30	0.62
Leong Hup	Dec	BUY	0.62	0.70	301.7	303.2	369.9	8.3	8.3	10.1	37.8	0.4	22.0	7.5	7.5	6.1	3.0	3.0	3.5	4.8	4.8	5.6	0.98	0.63	3.18	4.65	10.26	3,650.0	2,263.0	0.75	0.48
MSM	Dec	BUY	2.30	3.60	-49.9	190.5	216.2	-7.1	27.1	30.8	-72.1	-481.7	13.5	n.a.	8.5	7.5	0.0	3.0	3.0	0.0	1.3	1.3	1.07	2.14	6.16	6.59	13.00	703.0	1,616.9	3.70	1.00
Nestlé	Dec	NEUTRAL	123.00	126.00	659.9	777.6	830.5	281.0	331.6	354.2	6.0	18.0	6.8	43.8	37.1	34.7	268.0	315.0	336.4	2.2	2.6	2.7	50.64	2.43	11.03	21.79	115.22	234.5	28,843.5	134.50	111.60
Padini	Jun	BUY	3.75	4.30	222.7	174.8	195.0	33.9	26.6	29.6	44.5	-21.5	11.6	11.1	14.1	12.7	11.5	11.5	12.0	3.1	3.1	3.2	2.22	1.69	9.59	10.49	16.81	657.9	2,467.2	4.02	3.31
QL Resources	Mar	BUY	6.46	7.25	346.8	437.8	541.7	14.0	18.0	22.3	55.6	28.5	23.7	46.1	35.9	29.0	7.0	3.5	8.0	1.1	0.5	1.2	5.34	1.21	6.56	7.99	13.69	2,433.7	15,721.4	6.64	5.25
Rhong Khen International	Jun	BUY	1.32	1.60	22.6	15.4	20.9	12.0	7.9	10.7	-33.3	-34.2	35.7	11.0	16.7	12.3	4.0	2.4	3.2	3.0	1.8	2.4	0.37	3.60	2.37	1.89	2.25	195.0	257.4	1.40	1.21
Spritzer	Dec	NEUTRAL	2.66	2.55	49.5	54.0	57.6	15.5	16.9	18.0	32.3	8.8	6.7	17.1	15.7	14.7	11.8	5.0	5.3	4.4	1.9	2.0	1.58	1.68	11.01	7.85	10.25	319.3	849.3	2.82	1.42
BANKING																															
Affin Bank	Dec	SELL	2.49	1.82	402.2	495.0	518.0	17.3	20.6	21.6	-68.2	19.2	4.6	14.4	12.1	11.5	0.0	6.3	6.5	0.0	2.5	2.6	0.52	4.78	13.47	0.47	4.46	2,400.5	5,977.2	2.70	1.84
Alliance Bank	Mar	BUY	3.75	4.28	677.8	690.5	732.0	43.8	44.6	47.3	18.4	1.8	6.0	8.6	8.4	7.9	22.0	22.3	21.3	5.9	5.9	5.7	0.81	4.63	20.88	0.90	9.62	1,548.1	5,805.4	3.98	3.31
Allianz	Dec	BUY	22.02	25.76	528.0	767.0	805.0	296.7	431.0	452.3	19.4	45.3	5.0	7.4	5.1	4.9	31.5	142.1	149.3	1.4	6.5	6.8	0.82	26.98	15.46	2.96	14.92	178.0	3,918.9	23.68	14.16
AMMB	Mar	BUY	4.25	4.75	1,735.2	1,868.1	1,776.0	52.4	56.5	53.7	15.1	7.8	-4.9	8.1	7.5	7.9	18.3	6.0	21.5	4.3	1.4	5.1	0.72	5.88	22.11	0.95	9.61	3,305.6	14,049.0	4.45	3.56
Bank Islam	Dec	BUY	2.49	2.88	553.1	602.0	639.0	24.6	26.6	28.2	7.5	8.1	6.1	10.1	9.4	8.8	12.6	15.2	15.4	5.1	6.1	6.2	0.76	3.29	14.41	0.66	8.13	2,266.5	5,643.5	2.63	1.90
CIMB	Dec	BUY	6.68	7.17	6,981.0	7,509.0	8,054.0	65.5	70.2	75.3	25.5	7.3	7.3	10.2	9.5	8.9	43.0	37.7	39.4	6.4	5.6	5.9	1.05	6.34	21.43	1.02	10.75	10,694.0	71,436.1	7.04	4.99
Hong Leong Bank	Jun	BUY	19.16	21.38	3,818.2	4,028.0	4,279.0	186.4	185.8	197.4	16.1	-0.3	6.2	10.3	10.3	9.7	59.0	68.8	73.1	3.1	3.6	3.8	1.08	17.68	42.26	1.44	11.85	2,167.7	41,533.5	20.16	18.46
Hong Leong Financial	Jun	BUY	17.06	20.94	2,791.3	2,944.0	3,138.0	246.1	257.1	274.0	13.8	4.5	6.6	6.9	6.6	6.2	49.0	51.9	55.3	2.9	3.0	3.2	0.65	26.07	28.29	0.93	7.43	1,145.2	19,537.9	18.88	16.08
Malayan Banking	Dec	NEUTRAL	9.88	10.03	9,349.8	9,694.0	10,451.0	77.6	80.3	86.6	16.7	3.5	7.8	12.7	12.3	11.4	59.0	64.3	69.3	6.0	6.5	7.0	1.27	7.77	21.64	0.94	9.93	12,067.0	119,221.5	10.06	8.60
Public Bank	Dec	BUY	4.03	4.78	6,649.3	6,774.0	7,153.0	34.3	34.9	36.9	8.7	1.9	5.6	11.8	11.5	10.9	19.0	18.5	19.5	4.7	4.6	4.8	1.43	2.81	29.33	1.33	12.01	19,410.7	78,225.1	4.52	3.83
RHB Bank	Dec	BUY	5.52	6.06	2,806.2	2,857.0	3,046.0	65.7	65.5	69.9	2.7	-0.2	6.6	8.4	8.4	7.9	40.0	39.3	41.1	7.2	7.1	7.4	0.75	7.40	20.88	0.87	9.24	4,359.5	24,064.4	5.78	5.38

Source: Company, MIDFR

Table i: MIDF RESEARCH STOCK UNIVERSE as at 24 June 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	8.75	8.20	252.4	255.2	261.8	31.2	31.5	32.3	11.4	1.1	2.6	28.0	27.7	27.0	29.0	30.0	31.0	3.3	3.4	3.5	9.02	0.97	43.05	7.78	30.95	809.3	7,081.4	8.86	6.33
LPI Capital	Dec	BUY	12.54	14.52	313.7	345.0	364.0	78.8	86.6	91.4	13.4	10.0	5.5	15.9	14.5	13.7	66.0	73.5	77.6	5.3	5.9	6.2	2.26	5.55	27.79	7.55	15.11	398.4	4,995.7	12.90	11.40
Syarikat Takaful	Dec	BUY	3.82	4.97	346.9	389.0	421.0	41.4	46.5	50.3	22.5	12.1	8.2	9.2	8.2	7.6	14.0	16.3	17.6	3.7	4.3	4.6	1.79	2.14	12.60	2.65	22.69	837.3	3,198.5	4.02	3.29
OIL & GAS																															
Bumi Armada	Dec	BUY	0.56	0.84	332.1	803.2	833.2	5.6	13.5	14.1	-54.7	141.5	3.7	9.9	4.1	3.9	0.0	0.0	0.0	0.0	0.0	0.0	0.54	1.03	37.65	7.23	14.40	5,927.9	3,290.0	0.63	0.46
Deleum	Dec	BUY	1.34	1.62	45.7	58.0	67.1	11.4	14.4	16.7	8.6	26.8	15.7	11.8	9.3	8.0	5.7	5.8	6.2	4.3	4.3	4.6	1.31	1.02	7.32	9.35	12.99	401.6	538.1	1.52	0.89
Dialog Group	Jun	BUY	2.39	2.72	510.5	623.6	698.1	9.1	11.1	12.4	0.6	22.1	11.9	26.4	21.6	19.3	3.7	4.4	4.7	1.5	1.8	2.0	2.29	1.05	20.78	6.70	10.12	5,642.6	13,485.8	2.64	1.72
Gas Malaysia	Dec	BUY	3.60	3.96	383.4	455.0	579.2	30.0	35.4	45.1	0.0	18.1	27.3	12.0	10.2	8.0	22.8	24.8	29.3	6.3	6.9	8.1	3.70	0.97	5.63	14.19	33.26	1,284.0	4,622.4	3.70	2.97
MMHE	Dec	BUY	0.46	0.65	-484.2	54.7	71.4	-30.3	3.4	4.5	-813.7	-111.3	30.5	n.a.	13.5	10.3	0.0	1.3	1.2	0.0	2.8	2.6	0.58	0.80	1.65	1.50	4.32	1,600.0	736.0	0.60	0.44
Petronas Chemicals	Dec	NEUTRAL	6.57	7.34	1,696.0	2,352.0	2,642.0	21.2	29.4	33.0	-73.2	38.7	12.3	31.0	22.3	19.9	13.0	15.0	18.0	2.0	2.3	2.7	1.30	5.07	8.20	3.91	5.59	8,000.0	52,560.0	7.65	5.84
Petronas Dagangan	Dec	BUY	17.46	24.91	943.1	1,105.0	1,271.3	94.9	111.2	128.0	21.4	17.2	15.0	18.4	15.7	13.6	80.0	99.6	111.5	4.6	5.7	6.4	3.03	5.76	2.94	9.62	18.93	993.5	17,345.7	23.60	17.08
Petronas Gas	Dec	BUY	18.34	19.44	1,819.6	2,137.7	2,198.1	92.0	108.0	111.1	10.6	17.4	2.8	19.9	17.0	16.5	72.0	81.0	83.3	3.9	4.4	4.5	2.67	6.87	33.17	11.07	15.47	1,978.7	36,289.9	18.80	16.60
PROPERTY & REITS																															
Al 'Aqar Healthcare REIT	Dec	NEUTRAL	1.28	1.25	60.7	72.0	74.0	7.5	8.6	8.8	-8.8	15.1	2.8	17.2	14.9	14.5	7.9	8.0	8.1	6.2	6.3	6.3	1.00	1.28	59.14	3.88	6.71	839.6	1,074.7	1.31	1.23
Axis REIT	Dec	BUY	1.82	2.02	217.8	155.0	172.0	12.5	8.9	9.8	7.6	-29.0	11.0	14.6	20.5	18.5	8.7	7.8	8.7	4.8	4.3	4.8	1.13	1.62	53.47	3.43	5.48	1,747.5	3,180.4	1.96	1.74
Eco World	Oct	NEUTRAL	1.57	1.63	189.3	280.0	284.0	6.4	9.5	9.6	20.4	47.8	1.4	24.4	16.5	16.3	6.0	6.0	6.0	3.8	3.8	3.8	0.95	1.65	12.57	3.15	5.87	2,946.2	4,625.5	1.73	0.79
Glomac	Apr	NEUTRAL	0.43	0.43	31.5	23.6	21.2	4.1	3.1	2.8	-16.8	-25.1	-10.0	10.5	14.0	15.6	1.0	1.3	1.3	2.3	2.9	3.0	0.27	1.57	8.85	1.19	1.90	767.5	330.0	0.47	0.31
IGB REIT	Dec	BUY	1.83	1.86	517.6	373.0	385.0	14.4	10.3	10.7	30.3	-28.2	3.2	12.7	17.7	17.2	10.5	9.5	9.8	5.7	5.2	5.4	1.63	1.12	61.72	6.78	9.24	3,609.2	6,604.9	1.86	1.61
IOI Prop	Jun	NEUTRAL	2.29	2.40	1,393.0	700.0	752.0	25.3	12.7	13.7	102.9	-49.8	7.4	9.1	18.0	16.8	5.0	5.0	5.0	2.2	2.2	2.2	0.56	4.12	26.99	1.64	3.12	5,506.1	12,609.1	2.55	1.06
KLCCP Stapled	Dec	NEUTRAL	7.50	7.20	396.7	818.0	879.0	22.0	45.3	48.7	42.0	106.2	7.5	34.1	16.6	15.4	40.5	38.4	38.6	5.4	5.1	5.1	2.60	2.88	50.52	4.46	5.32	1,805.3	13,540.0	7.72	6.66
Mah Sing	Dec	BUY	1.67	1.94	215.3	239.0	273.0	8.9	9.3	10.7	36.5	5.2	14.2	18.8	17.9	15.7	3.0	5.1	5.5	1.8	3.1	3.3	1.09	1.53	9.18	3.72	6.40	2,560.1	4,275.4	1.90	0.61
Matrix Concepts	Mar	BUY	1.80	2.05	207.2	246.5	264.0	19.7	19.7	21.1	51.5	0.0	7.1	9.1	9.1	8.5	10.8	2.5	10.6	6.0	1.4	5.9	1.05	1.70	18.39	8.98	11.64	1,251.3	2,246.2	1.85	1.37
Pavilion REIT	Dec	BUY	1.38	1.48	431.8	310.0	321.0	12.7	8.5	8.8	-2.7	-33.1	3.5	10.9	16.3	15.7	9.0	8.2	8.1	6.5	5.9	5.9	1.04	1.33	42.83	3.45	6.29	3,656.8	5,046.5	1.45	1.17
S P Setia	Dec	BUY	1.37	1.68	298.6	281.0	340.0	4.8	5.9	7.1	-35.8	23.0	21.0	28.5	23.2	19.2	1.3	1.7	1.8	1.0	1.2	1.3	0.47	2.91	6.42	0.97	1.79	4,761.2	6,522.9	1.64	0.51
Sunway REIT	Dec	BUY	1.56	1.70	338.2	360.0	377.0	9.3	10.5	11.0	5.0	13.0	4.7	16.8	14.8	14.2	9.3	8.9	9.2	6.0	5.7	5.9	0.98	1.59	50.30	3.77	6.53	3,424.8	5,342.7	1.64	1.44
Sunway	Dec	BUY	3.70	3.98	737.9	755.0	777.0	11.6	13.4	13.8	9.9	15.8	2.9	32.0	27.6	26.8	5.5	6.5	7.0	1.5	1.8	1.9	1.82	2.03	12.30	2.64	5.03	5,637.7	20,859.4	3.83	1.56
UOA Development	Dec	NEUTRAL	1.85	1.93	279.6	212.0	206.0	11.0	8.5	8.3	12,122.2	-22.6	-2.8	16.8	21.7	22.4	30.0	10.0	10.0	16.2	5.4	5.4	0.84	2.20	53.08	3.49	3.79	2,490.4	4,607.3	2.07	1.56
TRANSPORT																															
- Aviation																															
Capital A	Dec	BUY	0.85	1.06	336.8	565.2	687.3	8.0	13.1	16.0	-110.0	64.2	21.6	10.6	6.5	5.3	0.0	0.0	0.0	0.0	0.0	0.0	-0.40	-2.11	3.85	1.99	-5.32	4,302.9	3,657.4	1.12	0.64
Malaysia Airports	Dec	ACCEPT OFFER	9.79	9.40	485.7	765.5	870.7	29.2	45.9	52.2	273.0	57.3	13.7	33.6	21.3	18.8	10.8	21.0	23.0	1.1	2.1	2.3	2.27	4.31	15.58	3.74	9.57	1,668.6	16,335.1	10.58	6.75
-Logistics																															
CJ Century Logistics	Dec	NEUTRAL	0.33	0.30	11.7	12.3	14.3	2.0	2.1	2.5	-58.2	4.6	16.3	16.3	15.6	13.4	0.0	0.6	0.7	0.0	1.8	2.1	0.42	0.78	1.67	1.63	2.73	581.9	192.0	0.46	0.31
Suria Capital	Dec	SELL	2.00	1.60	34.3	52.6	54.0	9.9	15.2	15.6	-32.2	53.2	2.7	20.1	13.1	12.8	2.0	4.6	4.7	1.0	2.3	2.4	0.61	3.27	18.90	3.64	4.71	345.8	691.6	2.32	1.18
Swift Haulage	Dec	NEUTRAL	0.54	0.54	61.7	40.9	43.3	7.0	4.6	4.9	28.2	-33.9	5.9	7.7	11.7	11.0	1.8	1.6	1.7	3.3	3.0	3.1	0.66	0.82	6.09	2.38	5.81	882.9	476.8	0.63	0.45
Tasco	Mar	BUY	0.89	1.20	90.8	61.7	73.8	11.4	7.7	9.2	39.1	-32.0	19.5	7.8	11.5	9.6	3.5	2.4	3.0	3.9	2.6	3.4	1.13	0.79	5.76	3.69	8.83	800.0	712.0	1.02	0.76
- Ports																															
Westports	Dec	BUY	4.15	4.30	779.4	843.6	915.2	22.9	24.7	26.8	11.4	8.2	8.5	18.2	16.8	15.5	16.9	0.2	0.2	4.1	0.0	0.0	4.13	1.01	39.20	15.80	23.97	3,410.0	14,151.5	4.30	3.15
- Shipping																															
MISC	Dec	BUY	8.50	9.75	2,123.5	2,910.5	3,012.9	47.6	65.2	67.5	16.7	37.0	3.5	17.9	13.0	12.6	36.0	0.5	0.5	4.2	0.1	0.1	0.93	9.13	20.39	4.47	7.28	4,463.7	37,941.8	8.74	6.94
UTILITIES																															
Ranhill Utilities	Dec	SELL	1.37	1.07	52.8	55.0	61.4	4.1	4.2	4.7	-44.5	4.0	11.6	33.6	32.3	28.9	3.5	3.4	3.8	2.5	2.5	2.8	2.24	0.61	2.41	1.86	5.47	1,295.9	1,775.5	1.75	0.51
Samaiden	Jun	BUY	1.29	1.57	10.1	14.2	22.6	2.6	3.4	5.4	-18.7	30.0	59.2	49.4	38.0	23.9	0.5	0.0	0.0	0.4	0.0	0.0	4.72	0.27	8.31	7.30	14.50	418.5	539.9	1.42	0.93
Tenaga Nasional	Dec	NEUTRAL	13.72	11.52	2,770.3	4,280.2	4,704.8	48.0	74.0	81.3	-20.5	54.1	9.9	28.6	18.6	16.9	46.0	46.0	50.0	3.4	3.4	3.6	1.37	10.01	8.07	2.09	7.01	5,787.3	79,402.2	14.28	8.99
YTL Power	Jun	BUY	4.88	6.35	2,028.0	3,123.3	3,133.4	25.0	38.1	38.2	37.3	52.3	0.3	19.5	12.8	12.8	6.0	11.5	11.5	1.2	2.4	2.4	2.03	2.40	14.27	5.28	19.04	8,195.4	39,993.4	5.47	1.21
AUTO																															
Bermaz Auto	Apr	BUY	2.49	3.50	305.8	351.0	351.0	26.3	30.1	30.1	96.9	14.4	-0.1	9.5	8.3	8.3	14.5	19.0	26.0	5.8	7.6	10.4	3.54	0.70	8.93	18.85	38.40	1,167.9	2,908.1	2.60	1.96
MBM	Dec	NEUTRAL	5.18	4.92	331.2	274.2	272.5	84.7	70.1	69.7	18.1	-17.2	-0.6	6.1	7.4	7.4	66.0	35.1	34.9	12.7	6.8	6.7	0.92	5.65	11.35	10.56	11.30	390.9	2,024.8	5.50	3.17
Tan Chong	Dec	NEUTRAL	0.86	0.91	-128.7	-96.1	-32.9	-19.8	-14.7	-5.0	151.9	-25.3	-65.8	n.a.	n.a.	n.a.	1.0	1.0	1.0	1.2	1.2	1.2	0.21	4.17	-3.79	-1.88	-3.50	651.7	560.5	1.10	0.82
BUILDING MATERIAL																															
- Cement																															
Malayan Cement	Jun	BUY	4.93	6.03	159.0	410.3	428.4	12.1	30.8	32.1	78.0	153.6	4.4	40.6	16.0	15.3	6.0	6.0	6.0	1.2	1.2	1.2	1.04	4.75	10.92	3.74	6.89	1,332.6	6,569.8	5.38	2.93
- Timber																															
Ta Ann	Dec	BUY	3.87	4.10	157.2	212.7	215.7	35.7	48.3	49.0	-50.9	35.3	1.4	10.8	8.0	7.9	25.0	20.0	20.0	6.5	5.2	5.2	0.92	4.21	12.66	7.79	10.60	440.5	1,704.6	4.32	3.18

Source: Company, MIDFR

APPENDIX

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

In Local Currency	Index point	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24*
Taiwan Weighted	22,813.70	12.2%	6.6%	-3.3%	9.6%	26.8%	13.2%	12.4%
Hang Seng	18,027.71	3.1%	-7.3%	-5.9%	-4.3%	-13.8%	-3.0%	9.0%
Mumbai Sensex 30	77,341.08	-3.0%	9.7%	1.7%	9.7%	18.7%	2.0%	5.0%
FBM KLCI	1,589.66	-4.9%	-3.2%	3.4%	2.1%	-2.7%	5.6%	3.5%
Straits Times	3,314.14	0.2%	-1.6%	0.4%	0.7%	-0.3%	-0.5%	2.8%
KOSPI	2,764.73	10.8%	3.5%	-3.9%	7.7%	18.7%	3.4%	0.7%
Dow Jones	39,411.21	0.4%	3.4%	-2.6%	12.5%	13.7%	5.6%	-1.0%
Shanghai Composite	2,963.10	5.9%	-2.2%	-2.9%	-4.4%	-3.7%	2.2%	-2.6%
Nikkei 225	38,804.65	7.5%	18.4%	-4.0%	5.0%	28.2%	20.6%	-3.9%
SET Index	1,316.73	-3.6%	-6.6%	-2.1%	-3.8%	-15.2%	-2.7%	-4.4%
Jakarta Composite	6,889.17	-0.7%	-2.1%	4.2%	4.8%	6.2%	0.2%	-5.5%
Philippines Composite	6,272.46	-1.0%	-0.5%	-2.3%	2.0%	-1.8%	7.0%	-9.1%

Source: Bloomberg
*as at 24th June 2024

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

In US Dollar	Index point	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24*
Taiwan Weighted	22,813.70	13.1%	4.3%	-6.6%	15.6%	27.5%	8.2%	11.0%
Hang Seng	18,027.71	2.5%	-7.1%	-5.8%	-4.0%	-13.9%	-3.2%	9.2%
Mumbai Sensex 30	77,341.08	-2.4%	9.8%	0.4%	9.6%	18.0%	1.8%	5.0%
FBM KLCI	1,589.66	-5.0%	-8.5%	2.8%	4.5%	-6.7%	2.6%	3.8%
Straits Times	3,314.14	0.9%	-3.2%	-0.7%	4.3%	1.2%	-2.7%	2.5%
Dow Jones	39,411.21	0.4%	3.4%	-2.6%	12.5%	13.7%	5.6%	-1.0%
KOSPI	2,764.73	7.3%	2.4%	-6.7%	13.6%	16.4%	-1.0%	-2.3%
Shanghai Composite	2,963.10	6.4%	-7.4%	-3.4%	-1.7%	-6.4%	0.5%	-3.1%
SET Index	1,316.73	-2.0%	-9.7%	-5.5%	2.9%	-14.0%	-8.5%	-5.2%
Jakarta Composite	6,889.17	2.9%	-1.9%	0.5%	5.4%	7.0%	-2.8%	-8.5%
Nikkei 225	38,804.65	6.0%	8.9%	-7.3%	11.4%	19.3%	12.3%	-8.9%
Philippines Composite	6,272.46	1.5%	-2.3%	-4.6%	4.4%	-1.2%	5.4%	-13.0%

Source: Bloomberg
*as at 24th June 2024

APPENDIX

Table iv: Performance by sectors (% change)

	Index point	1Q23	2Q23	3Q23	4Q23	2023	1Q24	2Q24*
Technology	76.34	-1.3%	-2.8%	3.3%	0.8%	-0.1%	2.0%	18.0%
Construction	262.26	4.8%	1.4%	13.8%	4.0%	25.8%	16.3%	17.5%
Utilities	1,780.88	4.0%	8.1%	14.8%	17.4%	51.4%	16.9%	15.4%
Industrial Products & Services	198.45	-5.9%	-8.3%	9.3%	0.9%	-4.8%	3.8%	10.5%
Transport & Logistics	1,095.51	4.4%	0.8%	1.9%	0.6%	7.8%	7.1%	9.9%
Healthcare	2,105.40	1.3%	-6.2%	0.8%	14.2%	9.3%	2.1%	8.3%
Property	1,089.01	7.3%	0.2%	26.9%	-1.5%	34.5%	16.9%	8.1%
Consumer Products & Services	587.54	-2.6%	-4.1%	0.9%	0.2%	-5.6%	3.1%	2.9%
Reits	829.21	3.4%	-2.8%	-0.1%	0.8%	1.2%	3.5%	2.4%
Telecommunications & Media	597.52	1.3%	-3.2%	-0.8%	-0.7%	-3.5%	4.5%	0.5%
Financial Services	17,354.41	-4.8%	-2.4%	3.8%	2.4%	-1.2%	6.0%	0.5%
Energy	952.14	7.8%	-7.5%	15.5%	-8.5%	5.4%	16.5%	0.0%
Plantation	7,024.52	-4.8%	-0.6%	2.7%	1.9%	-1.1%	4.0%	-3.6%
FBM Small Cap	19,337.46	2.2%	-2.7%	9.0%	1.0%	9.6%	5.8%	11.8%
FBM Emas	12,194.04	-2.6%	-2.7%	4.3%	2.3%	1.1%	6.9%	5.4%
FBM 100	11,771.62	-2.9%	-2.7%	4.1%	2.4%	0.6%	7.0%	4.9%
FBM KLCI	1,589.66	-4.9%	-3.2%	3.4%	2.1%	-2.7%	5.6%	3.5%

Source: Bloomberg
*as at 24th June 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)	
		Mar-24	Jun-24	Mar-24	Jun-24		Mar-24	Jun-24	Mar-24	Jun-24
Nikkei 225	-11.5%	35.2%	35.3%	11.0%	11.1%	30.0	23.1	22.2	20.8	20.0
Taiwan Weighted	-37.5%	28.9%	33.6%	18.2%	16.3%	26.8	18.5	20.0	15.6	17.2
Hang Seng	0.0%	7.8%	8.3%	8.3%	6.5%	9.6	8.1	8.8	7.5	8.3
FBM KLCI	16.2%	2.6%	-0.9%	5.2%	8.2%	14.4	13.5	14.5	12.9	13.4
Jakarta Comp.	-17.1%	39.2%	39.6%	9.1%	10.1%	17.9	13.6	12.8	12.5	11.6
SET Index	-13.2%	16.7%	14.0%	11.8%	12.9%	16.4	14.7	14.4	13.2	12.8
Philippines Comp.	3.0%	16.6%	18.6%	9.1%	9.7%	12.5	11.8	10.6	10.9	9.6
Shanghai Comp.	-5.5%	10.2%	20.5%	15.0%	10.5%	13.3	12.4	11.1	10.8	10.0
Straits Times	13.8%	4.8%	6.1%	2.1%	3.2%	11.2	10.4	10.6	10.2	10.2
Mumbai Sensex 30	15.3%	21.1%	20.8%	15.1%	15.1%	26.7	21.0	22.1	18.2	19.2
DJIA	-1.9%	15.3%	15.0%	12.1%	12.1%	22.3	19.6	19.4	17.5	17.3

Source: Bloomberg
*as at 24th June 2024

Table vi: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share Price (RM)		% Change	TP
	24/6/2024	29/3/2024		
Pekat	0.89	0.49	82.5%	0.88
Cahya Mata Sarawak	1.37	0.91	49.9%	1.38
WCT	0.81	0.55	47.7%	0.50
Hup Seng	1.17	0.82	43.6%	0.99
Mah Sing	1.67	1.19	40.2%	1.83
Top Glove	1.07	0.80	33.8%	0.82
AEON Co.	1.39	1.06	31.1%	1.60
YTL Corp	3.44	2.63	30.8%	4.19
Sunway Construction	3.75	2.92	28.4%	3.09
Ranhill Utilities	1.37	1.08	27.4%	1.07
YTL Power	4.88	3.85	26.9%	6.35
My E.G.	1.00	0.79	25.9%	1.38
Gamuda	6.54	5.27	24.1%	6.83
IJM Corp	3.00	2.43	23.5%	3.89
Spritzer	2.66	2.19	21.7%	2.55
Datasonic	0.52	0.43	20.9%	0.53
Tenaga Nasional	13.72	11.38	20.6%	11.52
Capital A	0.85	0.71	19.7%	1.06
Kossan	2.29	1.93	18.4%	2.45
Bursa Malaysia	8.75	7.45	17.4%	8.20
Sunview	0.76	0.65	16.2%	0.88
D & O Green Tech	3.71	3.20	15.9%	3.21
Hartalega	3.17	2.75	15.3%	4.45
MBM	5.18	4.51	14.8%	4.92
Inari Amertron	3.65	3.21	13.6%	3.11
Telekom Malaysia	6.73	5.99	12.4%	7.03
Tasco	0.89	0.79	12.1%	1.20
MISC	8.50	7.60	11.9%	9.75
Allianz	22.02	19.75	11.5%	25.76
Padini	3.75	3.39	10.5%	4.30
Leong Hup	0.62	0.56	10.3%	0.70
Glomac	0.43	0.39	10.3%	0.43
Pintaras Jaya	1.75	1.59	10.1%	1.68
KKB Engineering	1.73	1.58	9.7%	2.13
Unisem	4.20	3.83	9.6%	3.41
QL Resources	6.46	5.90	9.5%	7.25
Fraser & Neave	31.66	28.99	9.2%	37.00
Westports	4.15	3.84	8.1%	4.30
Pavilion REIT	1.38	1.28	7.8%	1.48
IGB REIT	1.83	1.71	6.9%	1.86
Maxis	3.55	3.33	6.5%	3.87
Gas Malaysia	3.60	3.39	6.3%	3.96
Asia File	2.30	2.17	6.2%	2.05
Syarikat Takaful	3.82	3.60	6.1%	4.97
Bermaz Auto	2.49	2.35	6.0%	3.50
Swift Haulage	0.54	0.51	5.9%	0.54
Sunway	3.70	3.50	5.7%	3.98
AMMB	4.25	4.03	5.5%	4.75
Nestlé	123.00	116.97	5.2%	126.00
Petronas Gas	18.34	17.46	5.0%	19.44
Dialog Group	2.39	2.28	5.0%	2.72
Eco World	1.57	1.50	4.7%	1.63
Alliance Bank	3.75	3.58	4.6%	4.28
IHH Healthcare	6.30	6.05	4.1%	7.35
TSH Resources	1.15	1.11	4.1%	1.18
UOA Development	1.85	1.78	4.0%	1.93

Source : MIDF, Bloomberg (as at 24th June 2024)

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

UNDER-PERFORMERS	Share Price (RM)		% Change	TP
	24/6/2024	29/3/2024		
MSM	230.0%	3.25	-29.2%	3.60
Petronas Dagangan	1746.0%	21.37	-18.3%	24.91
CelcomDigi	357.0%	4.15	-14.0%	4.95
Suria Capital	200.0%	2.22	-9.9%	1.60
KL Kepong	2044.0%	22.44	-8.9%	22.00
S P Setia	137.0%	1.47	-6.8%	1.68
MRCB	62.0%	0.67	-6.8%	0.67
FGV	130.0%	1.38	-5.8%	1.14
IOI Corp	375.0%	3.98	-5.8%	4.50
Public Bank	403.0%	4.22	-4.5%	4.78
Samaiden	129.0%	1.35	-4.4%	1.57
CJ Century Logistics	33.0%	0.35	-4.3%	0.30
Bumi Armada	55.5%	0.58	-4.3%	0.84
PPB Group	1456.0%	15.08	-3.5%	15.47
MMHE	46.0%	0.48	-3.2%	0.65
Axiata	261.0%	2.69	-3.0%	2.56
Petronas Chemicals	657.0%	6.71	-2.1%	7.34
Malaysia Airports	979.0%	9.96	-1.7%	9.40
Globetronics	146.0%	1.48	-1.4%	1.10
Hong Leong Bank	1916.0%	19.38	-1.1%	21.38
Genting Plantations	610.0%	6.15	-0.8%	6.10
Bank Islam	249.0%	2.51	-0.8%	2.88
KPJ	190.0%	1.91	-0.5%	2.54
Malayan Cement	493.0%	4.95	-0.4%	6.03
Ta Ann	387.0%	3.85	0.4%	4.10
CIMB	668.0%	6.64	0.6%	7.17
Deleum	134.0%	1.33	0.8%	1.62
Matrix Concepts	179.5%	1.78	1.1%	2.05
Sime Darby Guthrie	430.0%	4.25	1.1%	4.18
Tan Chong	86.0%	0.85	1.2%	0.91
Rhong Khen International	132.0%	1.30	1.5%	1.60
KLCCP Stapled	750.0%	7.37	1.7%	7.20
Axis REIT	182.0%	1.79	1.8%	2.02
RHB Bank	552.0%	5.42	1.8%	6.06
Affin Bank	249.0%	2.44	1.9%	1.82
Malayan Banking	988.0%	9.69	2.0%	10.03
Sarawak Plantation	219.0%	2.14	2.3%	2.20
Sunway REIT	1.56	1.52	2.6%	1.70
IOI Prop	2.29	2.23	2.7%	2.40
Pharmaniaga	0.37	0.36	2.8%	0.48
Hong Leong Financial	17.06	16.58	2.9%	20.94
Al-'Aqar Healthcare	1.28	1.24	3.1%	1.25
LPI Capital	12.54	12.14	3.3%	14.52
FBM KLCI	**1,589.66**	**1,536.07**	**3.5%**	**1,750.00**
FBM 70	**17,716.50**	**16,234.08**	**9.1%**	**18,900.00**
FBM HIJRAH	**13,042.14**	**12,227.55**	**6.7%**	**14,100.00**

Source : MIDF, Bloomberg (as at 24th June 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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