

# DO NOT GET OVERLY PERTURB

## Bracing for US NFP numbers tonight

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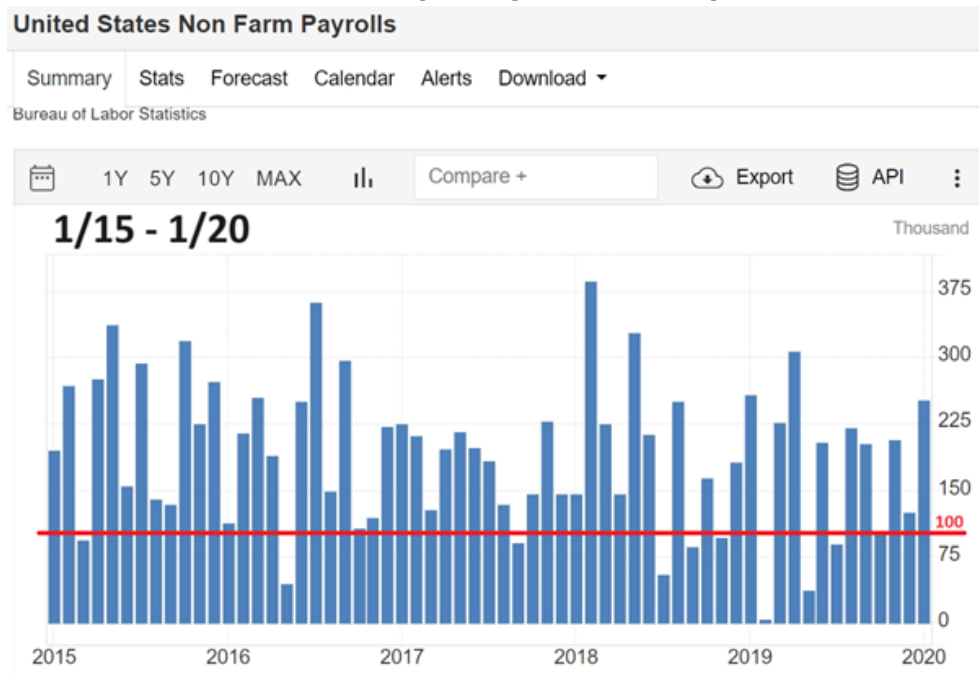
### KEY HIGHLIGHTS

- The August NFP (non-farm payrolls) figure due later tonight is estimated at circa 160K but there is a fair likelihood the August NFP would likewise disappoint.
- Even so, any NFP figure that comes in at above +100K empirically denotes that the labour market is still in a rather healthy state.
- Nonetheless, at this juncture, 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) continued resilient macro/earnings growth.
- In view of the still positive monetary (liquidity) and fundamental prospects, we maintain our FBM KLCI, FBM Hijrah, and FBM70 targets for 2024 to 1,750 points or PER25 of 14.8x, 14,100 points or PER25 of 20.4x, and 18,900 points or PER25 of 15.9x, respectively
- We maintain our recommendation of a stock selection strategy based on the share price volatility of a given stock, in this case low to mid volatility.

**Bracing for weaker than expected August US NFP...** The August NFP (non-farm payrolls) figure due later tonight is [estimated](#) at circa 160K. Nonetheless, in view of the weaker than expected private payroll figure recently released, there is a fair likelihood the August NFP would likewise disappoint.

**...but do not get overly perturb...** Even so, any NFP figure that comes in at above +100K empirically denotes that the labour market is still in a rather healthy state. For example, during the 5-year period from January 2015 to January 2020, there were numerous instances when the NFP figures fell to near +100K levels (and even below in quite a few occasions) but the economy continued to remain on positive growth trajectory. Hence, do not get overly perturb such in the aftermath of July NFP release which saw a huge equity market selloff but swiftly followed by a recovery as anticipated in our report titled ["The Sky is Not Falling"](#) dated 5 August 2024.

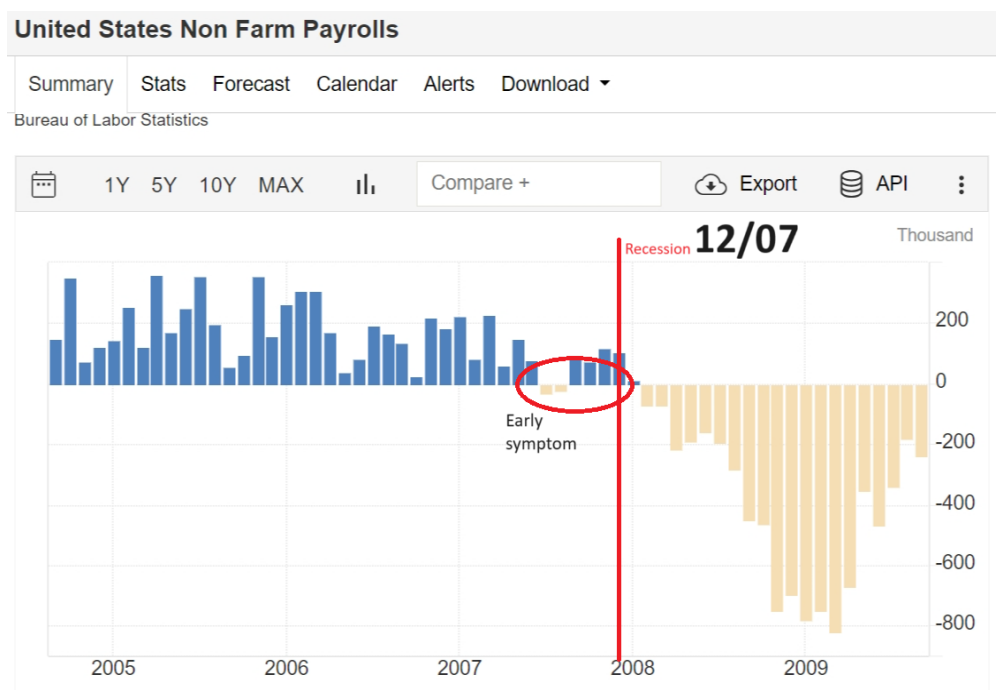
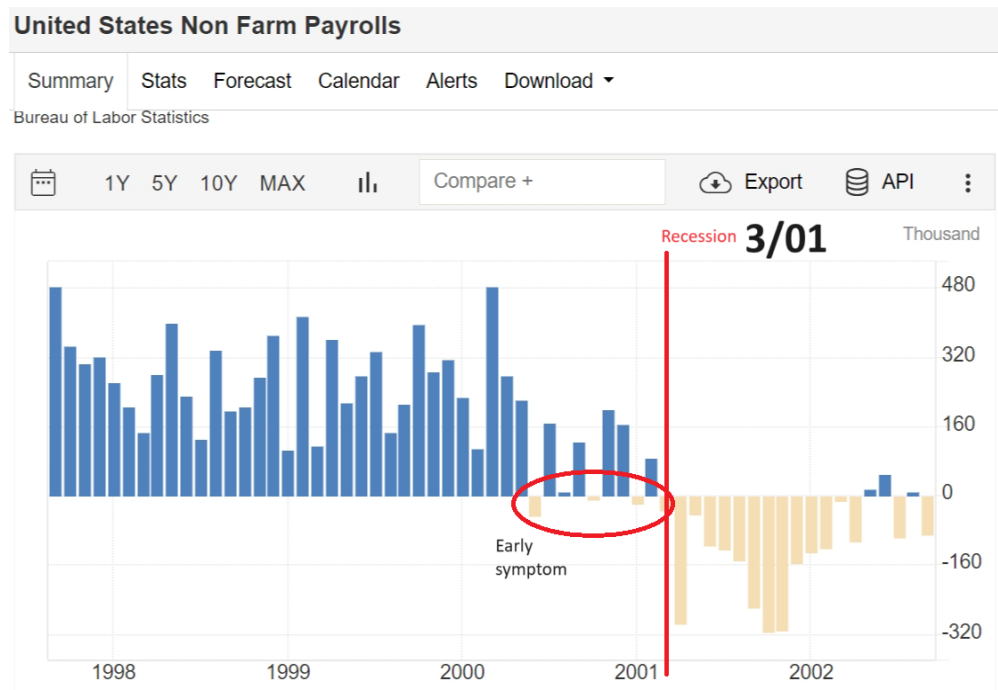
### US NFP above +100K mark empirically rather healthy



Source: Trading Economics, MIDFR

...unless the “early symptom” emerges. However, looking at previous US economic recessions in 2001 and 2008, we saw distinct early symptoms emanating from the NFP figures. In both cases, several (5 to 9) months prior to the recessions, the NFP began to emit an “early symptom”, i.e. intermittently fell well below 100K and into negative territory. With that in mind, going forward, we opine that investors should seriously consider reviewing their baseline outlook on the economy as well as the equity market upon the NFP beginning to intermittently fall well below 100K and into negative territory.

**US NFP emitted “early symptom” prior to recessions in 2001 and 2008**



Source: Trading Economics, MIDFR

**We are sanguine albeit wary.** Nonetheless, at this juncture, 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) continued resilient macro/earnings growth. On the flip side, we advise investors to tread cautiously and be wary of the emerging risk of US recession in view of the recent deceleration in labour market growth.

**Maintain our baseline 2024 targets.** In view of the still positive monetary (liquidity) and fundamental prospects, we maintain our FBM KLCI, FBM Hijrah, and FBM70 targets for 2024 to **1,750 points** or PER25 of 14.8x, **14,100 points** or PER25 of 20.4x, and **18,900 points** or PER25 of 15.9x, respectively.

**Nevertheless, markets will continue to be volatile.** While we are sanguine on the local market as a whole, we might see increased volatility from any economic data missing expectations and/or geopolitics. As such, we maintain our recommendation of a stock selection strategy 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 the fundamental view of the stock.

**Why 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, suggests stability and reduced risk. Furthermore, high volatility stocks have outperformed on a YTD basis (and even last year). In our opinion, we may see rotational into hitherto low volatility laggards such as finance stocks. Our overall top picks at current juncture are as follows:

### Overall Top Stock Picks (Rank by total return)

	Rec.	Price (RM) @ 5/9/24	Target Price (RM)	Price Return	Dividend Yield	Total Returns	90 day Volatility (%)	FBM ESG Rating	FTSE4Good?
IJM Corp	BUY	2.93	3.89	32.8%	2.7%	35.5%	32.1	3	Y
KPJ	BUY	1.94	2.54	30.9%	2.1%	33.0%	21.3	3	Y
Fraser & Neave	BUY	29.70	37.00	24.6%	2.6%	27.2%	11.0	4	Y
Matrix Concepts	BUY	1.89	2.22	17.5%	5.9%	23.4%	13.4	3	Y
MISC	BUY	8.28	9.75	17.8%	5.4%	23.2%	12.7	4	Y
IHH Healthcare	BUY	6.44	7.35	14.1%	2.2%	16.3%	10.6	2	N
UOA Development	BUY	1.86	2.06	10.8%	5.4%	16.1%	17.9	-	-
Public Bank	BUY	4.75	5.16	8.6%	4.1%	12.7%	10.9	3	Y
Hong Leong Bank	BUY	21.00	22.76	8.4%	3.5%	11.9%	8.8	4	Y
QL Resources	BUY	6.65	7.25	9.0%	1.4%	10.4%	12.8	2	N

### Top Shariah Stock Picks (Rank by total return)

	Rec.	Price (RM) @ 5/9/24	Target Price (RM)	Price Return	Dividend Yield	Total Returns	90 day Volatility (%)	FBM ESG Rating	FTSE4Good?
Tasco	BUY	0.80	1.20	50.9%	3.8%	54.7%	27.3	3	Y
IJM Corp	BUY	2.93	3.89	32.8%	2.7%	35.5%	32.1	3	Y
KPJ	BUY	1.94	2.54	30.9%	2.1%	33.0%	21.3	3	Y
Fraser & Neave	BUY	29.70	37.00	24.6%	2.2%	26.8%	11.0	4	Y
Matrix Concepts	BUY	1.89	2.22	17.5%	5.9%	23.4%	13.4	3	Y
MISC	BUY	8.28	9.75	17.8%	5.4%	23.2%	12.7	4	Y
IHH Healthcare	BUY	6.44	7.35	14.1%	3.1%	17.2%	10.6	2	N
IOI Corp	BUY	3.92	4.50	14.8%	1.7%	16.5%	15.3	3	Y
UOA Development	BUY	1.86	2.06	10.8%	5.4%	16.1%	17.9	-	-
QL Resources	BUY	6.65	7.25	9.0%	1.4%	10.4%	12.8	2	N

### Top FBM 70 Stock Picks (Rank by total return)

	Rec.	Price (RM) @ 5/9/24	Target Price (RM)	Price Return	Dividend Yield	Total Returns	90 day Volatility (%)	FBM ESG Rating	FTSE4Good?
Sunview	BUY	0.48	0.88	85.3%	0.0%	85.3%	28.0	-	-
IJM Corp	BUY	2.93	4.50	53.6%	2.7%	56.3%	32.1	3	Y
Tasco	BUY	0.80	1.20	50.9%	3.8%	54.7%	27.3	3	Y
Samaiden	BUY	1.12	1.57	40.2%	0.0%	40.2%	25.6	-	-
KPJ	BUY	1.94	2.54	30.9%	2.1%	33.0%	21.3	3	Y
Allianz	BUY	20.50	25.76	25.7%	2.2%	27.9%	21.9	-	-
Fraser & Neave	BUY	29.70	37.00	24.6%	2.6%	27.2%	11.0	4	Y
Matrix Concepts	BUY	1.89	2.22	17.5%	5.9%	23.4%	13.4	3	Y
Axis REIT	BUY	1.79	2.12	18.4%	2.2%	20.6%	11.4	3	Y
UOA Development	BUY	1.86	2.06	10.8%	5.4%	16.1%	17.9	-	-

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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 <i>rise</i> 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	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> 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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology