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STOCK'S RETURN TO FBM KLCI

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CIMB Securities also keeps year-end benchmark index target at 1,560

KUALA LUMPUR

AMMB Holdings Bhd's return to the FTSE Bursa Malaysia KLCI (FBM KLCI) is expected to provide a near-term lift to its share price and trigger passive fund flows, said CIMB Securities.

The financial group will replace Hong Leong Financial Group Bhd (HLFG) in the 30-stock FBM KLCI from June 23 following FTSE Russell's semi-annual review, after HLFG failed to meet the required trading liquidity threshold.

CIMB Securities estimated that AMMB would command a weightage of 2.7 per cent in the FBM KLCI, nearly four times higher than HLFG's 0.7 per cent. This larger presence is likely to prompt buying interest from index-tracking funds.

"Historically, 10 out of 13 stocks added to the FBM KLCI since June 2020 have posted gains ranging from 0.3 per cent to 4.6 per cent in the week following their inclusion.

"We anticipate similar momentum for AMMB in the near term," CIMB Securities analysts Ivy Ng Lee Fang and Lim Yue Jia said in a research note.

The research firm said HLFG's exit was due to its failure to maintain a monthly median daily trading volume of at least 0.04 per cent of its issued shares, post-investability weightings, in eight out of the past 12 months.



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"We anticipate some portfolio repositioning by fund managers in response to upcoming changes in the FBM KLCI, FBM Mid 70 and FBM Hijrah Shariah indices.

"This is likely to benefit stocks that are newly included in these indices, while potentially exerting short-term selling pressure on those that are removed."

In the FBM Mid 70 Index, four companies — Kerjaya Prospek Group Bhd, SAM Engineering & Equipment (M) Bhd, Sunway Real Estate Investment Trust and Tropicana Corp Bhd — have been

added. They replace AMMB, Bermaz Auto Bhd, D&O Green Technologies Bhd and WCE Holdings Bhd.

Sime Darby Property Bhd will join the FBM Hijrah Shariah Index, replacing Scientex Bhd. The Hijrah index tracks the largest Syariah-compliant stocks by market capitalisation.

The FBM EMAS Shariah Index will see 16 additions, including IOI Properties Group Bhd and KPJ Healthcare Bhd, and 30 deletions, such as Careplus Group Bhd, Citaglobal Bhd and CPE Technology Bhd.

The FBM Small Cap Index will experience the most significant churn, with 17 additions and 34 deletions. Notable entries include Avangaad Bhd, Azam Jaya

Bhd and BM Greentech Bhd.

"These index changes are not just technical reshuffles, they can significantly influence investor flows, especially from exchange-traded funds and index-linked funds," said CIMB Securities.

The rebalancing will take effect after the market closes on June 20 and will be reflected from the start of trading on June 23. The next review is scheduled for December.

CIMB Securities maintained a year-end FBM KLCI target of 1,560 points.

Its top large-cap picks include CelcomDigi Bhd, Gamuda, Public Bank Bhd, RHB Bank Bhd, Tenaga Nasional Bhd, Maxis Bhd, IOI Corp Bhd, IJM Corp Bhd and 99 Speed Mart Retail Holdings Bhd.