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Light at the end of the tunnel for FBM KLCI

The local benchmark is expected to recover further with higher CPO prices, resumption of govt projects



'The market has bottomed out and we anticipate it is time that the index breaks out of the downtrend that we have seen thus far,' says Rakuten Trade Research's Lau. The Edge file photo

BY ARJUNA CHANDRAN SHANKAR & JUSTIN LIM

KUALA LUMPUR: Is the local stock market still in the doldrums? It is certainly not judging by the performance of the FTSE Bursa Malaysia Small Cap Index, which has gained 21.44%, or 2,423.01 points, since the start of the year.

The oil and gas price rally, which has lifted many stocks in the sector substantially, is evident of keen buying interests in the battered counters (see table).

However, the benchmark FBM KLCI is in the negative zone. It has dropped 4.78% or 80.85 points, year-to-date. The benchmark is among a handful in the region trading below last year's closing so far this year.

Phillip Capital Management Sdn Bhd chief investment officer Ang Kok Heng concurred that foreign selling caused the sell-down in the local benchmark.

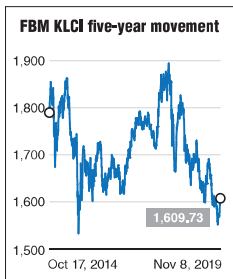
"I think many countries will benefit from foreign funds inflow. The KLCI is the exception due to the weak ringgit trends and politically there are still uncertainties.

"Together, corporate earnings are subdued. Almost all the big caps earnings growth is not strong, he added.

Ang said that a strengthening ringgit would be a catalyst to attract foreign investors to return to Malaysia.

That said, the benchmark index is seen to recover after hitting its multiple-year low at 1,551.23 last month — the lowest level since August 2015.

"The market has bottomed out and we anticipate it is time that the index breaks out of the downtrend that we have seen thus far," said Rakuten Trade Research vice-president Vincent Lau.



Lau expects the local benchmark to recover further on the back of higher crude palm oil (CPO) prices and the resumption of government projects like Bandar Malaysia and the Johor Baru-Singapore Rapid Transit System.

EquitiesTracker head of research Lim Tze Cheng concurred that the KLCI is seeing light at the end of the tunnel going forward as the revival of these infrastructural projects will boost the construction sector, which will in turn create spillover effects on the local economy.

Additionally, the results of the restructuring exercises on infrastructure projects undertaken by the government-linked companies undertaken the new government, Lim said, should be reflected in better corporate earnings soon.

Despite the recent rebound seen in the KLCI, Fundsupermart research analyst Jerry Lee Chee Yeong is cautious about the outlook for the local benchmark, as the global and local developments will continue to weigh on the performance of the index.

However, Lee sees no risk that could pull the KLCI down below 1,500 points at this juncture.

"The sustainability of the recent rebound will be very much depend on on the global macro environment as well as the US-China trade negotiation.

"We are a bit cautious on the outlook for the KLCI as the index's constituents are basically the traditional stocks (banks, plantations, telecommunications and energy), and their outlook is not really encouraging.

Bank Negara Malaysia last Friday reduced the statutory reserve requirement to 3% from 3.5% effective Nov 16. The last time it did it was in February 2016 when the rate was cut to 3.5% from 4%.

The move is seen to benefit the banks in the form of lower cost of funding.

From the technical charts, EquitiesTracker Holdings Bhd's chief market strategist Benny Lee said it is likely that there will be a technical rebound towards year-end, where 1,640 points will probably be the ceiling.

"Beyond that, it will be difficult to climb back up to the level seen at the beginning of the year," he noted.

In terms of sector, both EquitiesTracker's Lee and Rakuten Trade Research's Lau hold positive views on the plantation sector given the recovery in the CPO prices that will boost earnings.

In addition, Lau views that the construction sector should begin to catch up, particularly as new mega projects come on stream.

The technology sector is another sector that is expected to outperform.

"I like the technology sector as it is driven by global development rather than local challenges," adding that the driver for semi-conductor is higher demand for 5G, automotive and smart devices, EquitiesTracker's Lim noted.

Top 20 gainers since July 1, 2019 (or closest available date)

NAME	% CHANGE	VALUE CHANGE	LAST CLOSE	MARKET CAP (RM MIL)
Above RM10 billion				
MISC Bhd	15.95	1.14	8.28	37,049.09
Westports Holdings Bhd	10.88	0.42	4.25	14,765.30
Press Metal Aluminium Holdings Bhd	8.43	0.37	4.77	19,302.16
QL Resources Bhd	7.62	0.51	7.26	11,811.35
Dialog Group Bhd	5.20	0.17	3.44	19,452.16
KLCCP Stapled Group	4.20	0.32	7.99	14,424.61
Sime Darby Bhd	4.04	0.09	2.29	15,981.97
IOI Corp Bhd	3.41	0.14	4.34	27,589.59
CIMB Group Holdings Bhd	2.68	0.14	5.40	52,591.72
Hartalega Holdings Bhd	2.08	0.11	5.35	18,175.94
RHB Bank Bhd	2.07	0.12	5.77	23,097.86
Malayan Banking Bhd	1.96	0.17	8.83	98,361.92
Sime Darby Plantation Bhd	1.84	0.09	4.99	34,216.34
Tenaga Nasional Bhd	1.35	0.19	13.84	79,161.49
Genting Malaysia Bhd	0.96	0.03	3.25	18,600.51
Fraser & Neave Holdings Bhd	0.70	0.24	34.64	12,800.57
Malaysia Airports Holdings Bhd	-0.35	-0.03	8.49	14,103.13
Hap Seng Consolidated Bhd	-0.50	-0.05	9.90	24,846.90
Nestle (Malaysia) Bhd	-1.35	-1.99	145.70	34,448.05
PPB Group Bhd	-1.51	-0.28	18.24	26,033.58
RM1 billion to RM10 billion				
G3 Global Bhd	140.00	2.10	3.60	1,490.78
Bumi Armada Bhd	111.11	0.25	0.47	2,820.73
Widad Group Bhd	85.42	0.20	0.44	1,080.04
Greatch Technology Bhd	82.14	0.92	2.04	1,245.74
Datasonic Group Bhd	73.49	0.45	1.06	1,458.00
Pentamaster Corp Bhd	57.53	1.72	4.71	2,255.67
Dayang Enterprise Holdings Bhd	55.20	0.69	1.94	1,900.68
KNM Group Bhd	54.24	0.16	0.46	1,206.73
MBM Resources Bhd	42.41	1.21	4.07	1,598.73
Mi Technovation Bhd	40.80	0.71	2.45	1,210.14
Frontken Corp Bhd	37.04	0.52	1.92	2,033.06
Mega First Corp Bhd	36.00	1.26	4.76	1,934.75
Guan Chong Bhd	33.30	0.60	2.39	2,308.19
Velesto Energy Bhd	31.67	0.10	0.40	3,286.24
Magni-Tech Industries Bhd	28.14	0.52	2.35	1,027.99
Inari Amertron Bhd	23.64	0.39	2.04	6,498.10
VS Industry Bhd	22.76	0.25	1.37	2,526.06
Globetronics Technology Bhd	22.41	0.39	2.13	1,412.53
Eco World International Bhd	21.80	0.15	0.81	1,800.00
Malaysia Marine and Heavy Engineering Holdings Bhd	16.56	0.12	0.88	1,400.00
RM500 million to RM1 billion				
UWC Bhd	218.29	1.79	2.61	931.67
Green Packet Bhd	100.00	0.36	0.72	670.91
Dufu Technology Corp Bhd	82.04	1.33	2.94	720.23
Focus Dynamics Group Bhd	78.05	0.16	0.37	746.08
Wah Seong Corp Bhd	63.89	0.46	1.18	847.51
JAKS Resources Bhd	53.64	0.40	1.16	713.86
Power Root Bhd	42.57	0.65	2.16	841.19
AME Elite Consortium Bhd	39.23	0.51	1.81	773.08
D&O Green Technologies Bhd	36.04	0.20	0.75	806.34
Malaysian Bulk Carriers Bhd	33.01	0.17	0.69	695.00
Caring Pharmacy Group Bhd	32.45	0.61	2.49	526.85
Pintaras Jaya Bhd	27.38	0.69	3.21	539.06
Coastal Contracts Bhd	26.80	0.26	1.23	627.95
NTPM Holdings Bhd	23.79	0.10	0.51	578.37
Thong Guan Industries Bhd	23.41	0.57	3.01	551.58
Elsoft Research Bhd	17.35	0.14	0.94	634.01
Karambunai Corp Bhd	16.67	0.01	0.10	635.42
OCK Group Bhd	16.19	0.09	0.61	584.73
Insas Bhd	14.19	0.11	0.88	580.13
Hume Industries Bhd	13.73	0.14	1.16	567.71

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RM100 million to RM500 million				
Kejuruteraan Asastera Bhd	192.45	0.41	0.62	222.31
Salutica Bhd	171.29	0.54	0.86	321.47
Sealink International Bhd	152.78	0.28	0.46	225.00
Prolexus Bhd	98.98	0.49	0.98	172.09
Sern Kou Resources Bhd	91.92	0.45	0.95	237.24
Kumpulan Powernet Bhd	91.72	0.78	1.62	119.56
MMAG Holdings Bhd	85.37	0.17	0.38	278.97
Sarawak Consolidated Industries Bhd	84.46	0.81	1.78	146.86
Petra Energy Bhd	77.91	0.64	1.45	462.16
DGB Asia Bhd	75.00	0.07	0.17	139.89
MicroLink Solutions Bhd	66.67	0.25	0.63	103.77
SCGM Bhd	65.28	0.55	1.39	258.56
Techfast Holdings Bhd	57.63	0.17	0.47	104.57
Seacera Group Bhd	53.49	0.12	0.33	158.50
i-Stone Group Bhd	53.13	0.09	0.25	293.15
Carimin Petroleum Bhd	51.75	0.47	1.39	325.09
FoundPac Group Bhd	50.75	0.17	0.50	269.43
Notion VTec Bhd	50.46	0.27	0.82	262.64
Uzma Bhd	50.00	0.36	1.08	329.63
Opcom Holdings Bhd	49.48	0.24	0.73	118.52
Below RM100 million				
Brahim's Holdings Bhd	100.00	0.09	0.17	38.99
MClean Technologies Bhd	100.00	0.08	0.16	29.50
AT Systematization Bhd	77.78	0.03	0.08	34.81
Seremban Engineering Bhd	75.00	0.30	0.70	54.18
MESB Bhd	72.41	0.21	0.50	42.59
Kanger International Bhd	66.67	0.03	0.08	82.04
Majuperak Holdings Bhd	65.12	0.14	0.35	64.49
Mintye Bhd	59.12	0.48	1.30	79.65
Tanco Holdings Bhd	55.56	0.03	0.07	45.67
Parlo Bhd	53.85	0.04	0.10	36.40
Adventa Bhd	52.50	0.21	0.61	91.67
Xian Leng Holdings Bhd	52.38	0.22	0.64	50.92
EA Holdings Bhd	50.00	0.00	0.01	76.09
iDimension Consolidated Bhd	50.00	0.01	0.03	8.16
Sand Nisko Capital Bhd	48.94	0.11	0.35	23.10
K-Star Sports Ltd	46.15	0.03	0.09	40.46
MMIS Bhd	45.00	0.04	0.14	72.50
Minetech Resources Bhd	41.67	0.03	0.09	78.33
AppAsia Bhd	41.18	0.03	0.12	41.01
Mega Sun City Holdings Bhd	40.91	0.05	0.16	38.83

Source: Bloomberg