

PHILLIP RESEARCH SDN BHD

199001007125 (198695-X)

B-18-6, Megan Avenue II, No 12, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

Tel No: 03-2783 0300

Morning Pole Position

| 11th August 2022 |

All market data as at previous trading day

Market indices

Indices	Last	Daily chg	YTD chg%
<i>Local</i>			
FBM KLCI	1,492.33	-5.35	-4.80
FBM Emas	10,561.74	-59.87	-6.61
FBM Syariah	10,669.30	-83.78	-13.00
FBM Small Cap	14,243.98	-108.06	-9.62
FBM ACE	4,831.63	-55.11	-24.74
F4G BM	856.12	-3.83	-2.75
F4G BMS	881.31	-5.95	-10.31

Funds Flows	Net Buy (MYR'm)
Local Institutions*	-78.9
Local Retails*	82.7
Foreign*	-3.8

<i>Foreign</i>			
Dow Jones	33,309.51	535.1	-8.33
S&P 500	4,210.24	87.77	-11.66
Nasdaq	12,854.80	360.88	-17.83
FTSE	7,507.11	18.96	1.66
Hang Seng	19,610.84	-392.6	-16.18
Nikkei	27,819.33	-180.63	-3.38
Shanghai CI	3,230.02	-17.41	-11.26
Strait Times	3,286.33	15.35	5.21

Currencies

BNM Middle Rate (5pm)	Last	Daily chg	YTD %
USD / MYR	4.4570	0.0010	7.01
GBP / MYR	5.3907	-0.0093	-4.27
JPY100 / MYR	3.3021	-0.0010	-8.75
EUR/MYR	4.5564	-0.0065	-3.35
SGD / MYR	3.2357	0.0012	4.87
CNY / MYR	0.6596	-0.0003	0.75
AUD / MYR	3.1092	-0.0024	2.73

Bond Yield Movements

		Yield	Daily Change (bps)
MGS	3- year	3.5	-1
	10- year	3.97	3
GII	3- year	3.5	0
	10- year	3.99	0
UST	2- year	3.23	-5
	10- year	2.78	-2

Commodities

	Last	Daily chg	Daily chg %
CPO (3 rd month)	4,106.00	-16	-0.39
Brent (1 st month)	97.06	0.53	0.55
Gold (spot)	1,791.83	-2.43	-0.14

Source: Treasury.gov, Bursa and BNM

FBMKLCI and statistics



Source: Bloomberg

Market Turnover

Vol (m shrs)	2,165
Value (MYR m)	1,677

Top 5 Value	Last	Daily chg %	Value (MYR m)
TOPGLOV	0.930	-5.58	102.471
HARTA	2.450	-12.50	78.509
MAYBANK	8.900	0.11	72.694
PICHEM	8.720	0.23	72.483
PBBANK	4.630	-0.64	63.333

Top 5 Gainers	Last	Daily chg %	Value (MYR m)
KGROUP	0.010	100.00	0.025
AEM	0.020	33.33	0.000
SWSCAP	0.245	25.64	4.463
PUC	0.025	25.00	0.047
XOXNET	0.030	20.00	0.002

Top 5 Losers	Last	Daily chg %	Value (MYR m)
PHB	0.005	-50.00	0.010
NEXGRAM	0.005	-50.00	0.000
FOCUS-PA	0.005	-50.00	0.000
PERMAJU-PA	0.010	-33.33	0.000
AMLEX	0.470	-32.86	0.069

Top 5 DBT	Value (MYR m)	Volume (m shares)	Price (MYR)
WIDAD	10.195	27.315	0.35
KNM	0.800	8.000	0.12
MAYBANK	39.012	4.383	8.9
CGB-WA	0.356	3.557	0.18
NGGB	2.480	3.100	0.8

Market Pulse



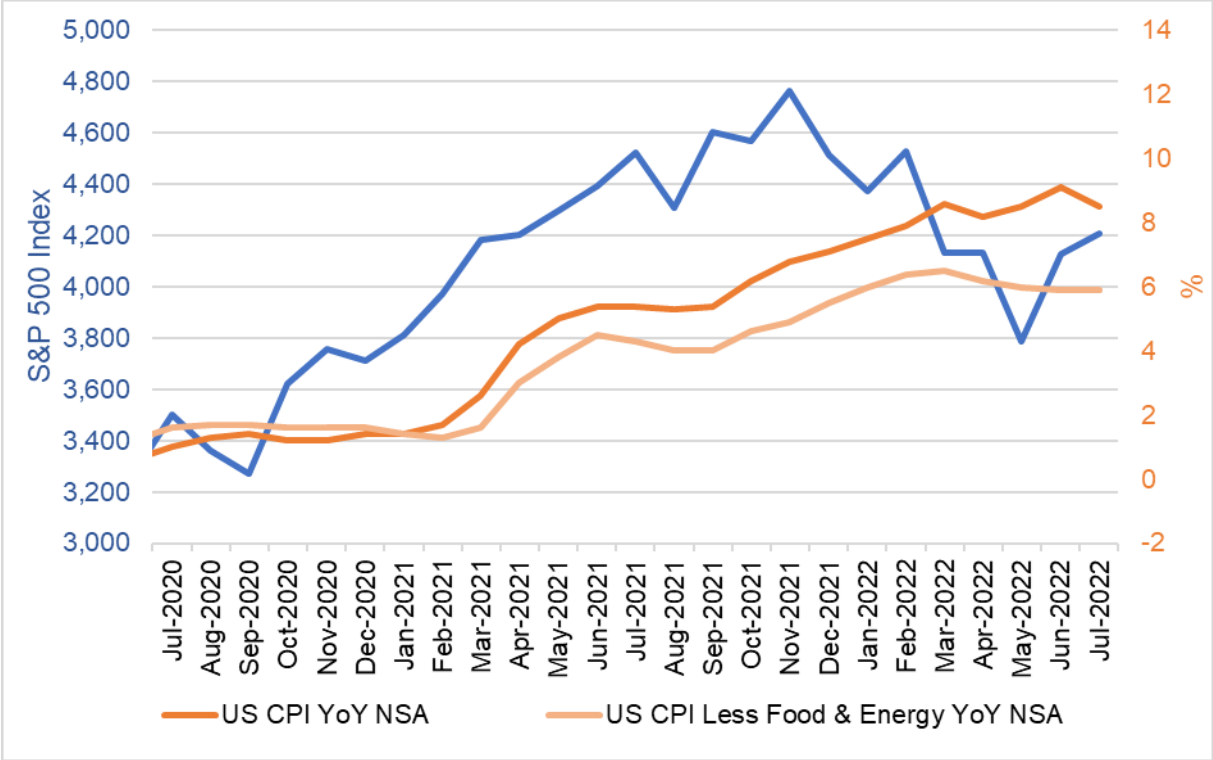
Source: Chart created using tradingview.com's tools, PRSB

Similar to the regional market, the FBMKLCI extended its decline, closing at 1,492.33 pts with -5.35 pts (-0.36%) compared to the previous day's session as the market anticipates U.S. CPI data released after market close. The U.S. market on the other hand rebounded, cheering on peaked inflation as July's CPI decelerated more than expected to 8.5% YoY (Consensus: 8.7% YoY) from June's 9.1% YoY advance. The core, after stripping out food and energy remained the same at 5.9% YoY (Consensus: 6.1% YoY), the same as June's 5.9% YoY advance (Exhibit 1). This reflects lower energy prices accompanied by moderating rent-related inflation, though food costs continue to rise.

Thus, this may give the Fed breathing room, but strong jobs data last week reinforces the idea that the economy can withstand aggressive Fed Monetary tightening (Exhibit 2) as we mentioned on 8/8/2022. As these economic data is a lagging indicator, investors and policy makers still have lots of data to sift through between now and the Fed's September policy meeting. Thus, we believe a single month of data is unlikely to fundamentally change the monetary policy outlook materially (Exhibit 3). The market has begun to factor in a slightly lower risk of a higher-than-expected terminal rate or more aggressive near-term Fed hikes, thus tailwinds for global equity markets at least until the beginning of August, similar to the trend during the 2018 rate hike (Exhibit 4).

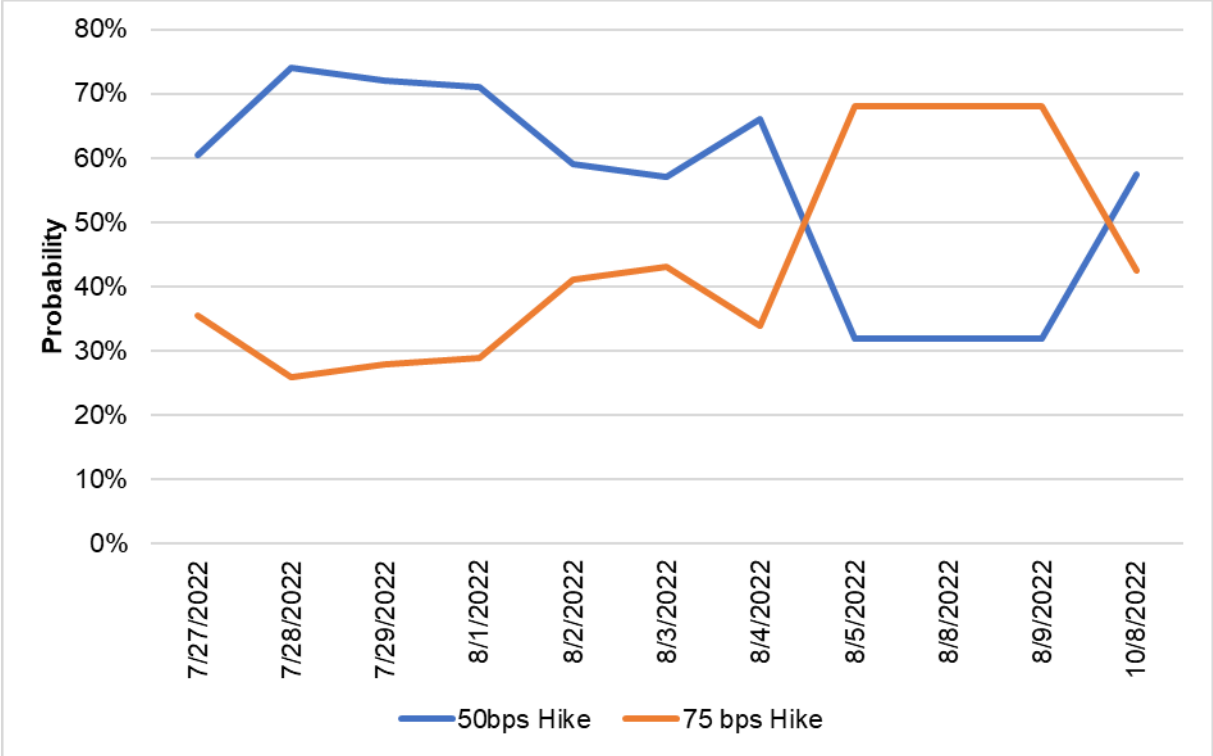
In the meantime, we anticipate the Index to rebound today as supported by a potential recovery signal of the Rising Three Candlestick pattern. Technically, the Index may test the immediate resistance at 1,507.71 pts and may go higher to 1,522.18 pts. We set the support level at 1,475.86 pts. Meanwhile, we expect another 25 bps rate hike by Bank Negara by end of 2022 but the government should achieve above 5% GDP growth this year (Exhibit 5), thus maintaining our year-end CI target at 1541 (Exhibit 6). Our picks are in Exhibit 7.

Exhibit 1: U.S. CPI trend



Source: Bloomberg, US Bureau of Labor Statistics, PRSB

Exhibit 2: Probability of 75 bps Hike in September



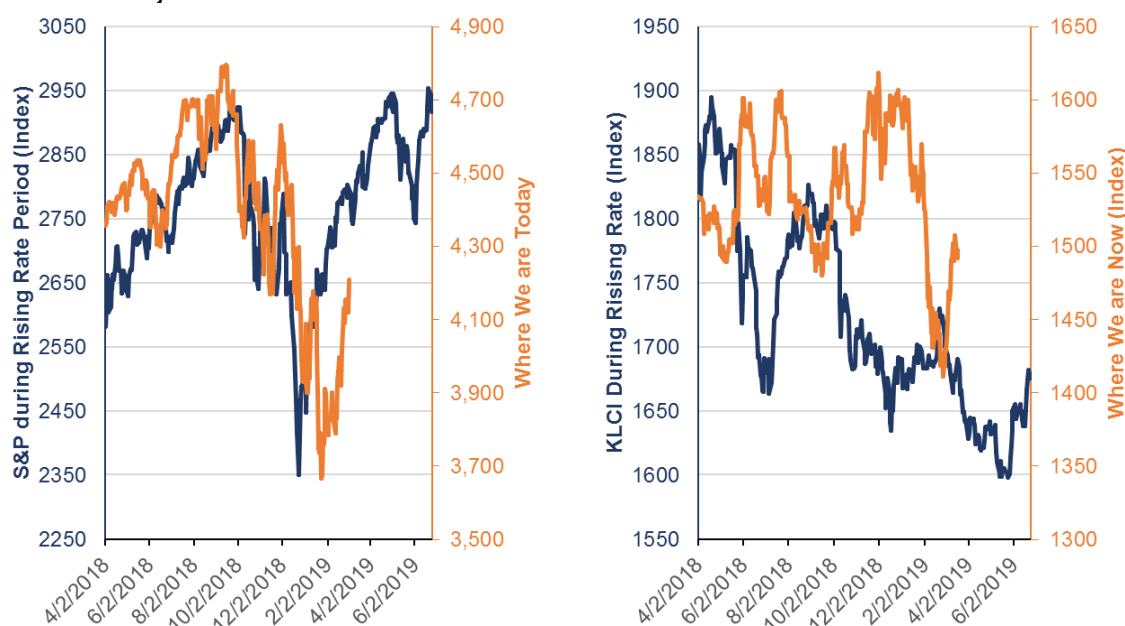
Source: CME FEdWatch, compiled by PRSB

Exhibit 3: Fed Monetary Path

FOMC	Rate Hike (%)	FF Upper Limit	QT (USD b)
4/5/2022	+0.50	1.00	
15/6/2022	+0.75	1.75	47.5
27/7/2022	+0.75	2.50	47.5
Jackson Hole Economic Symposium			47.5
21/9/2022	+0.50	3.00	95
No FOMC			95
2/11/2022	+0.25	3.25	95
8/11 Mid-term Election			
14/12/2022	+0.25	3.50	95
1/2/2023	+0.25	3.75	95

Source: CME FedWatch, compiled by PRSB

Exhibit 4: Déjà vu 2018



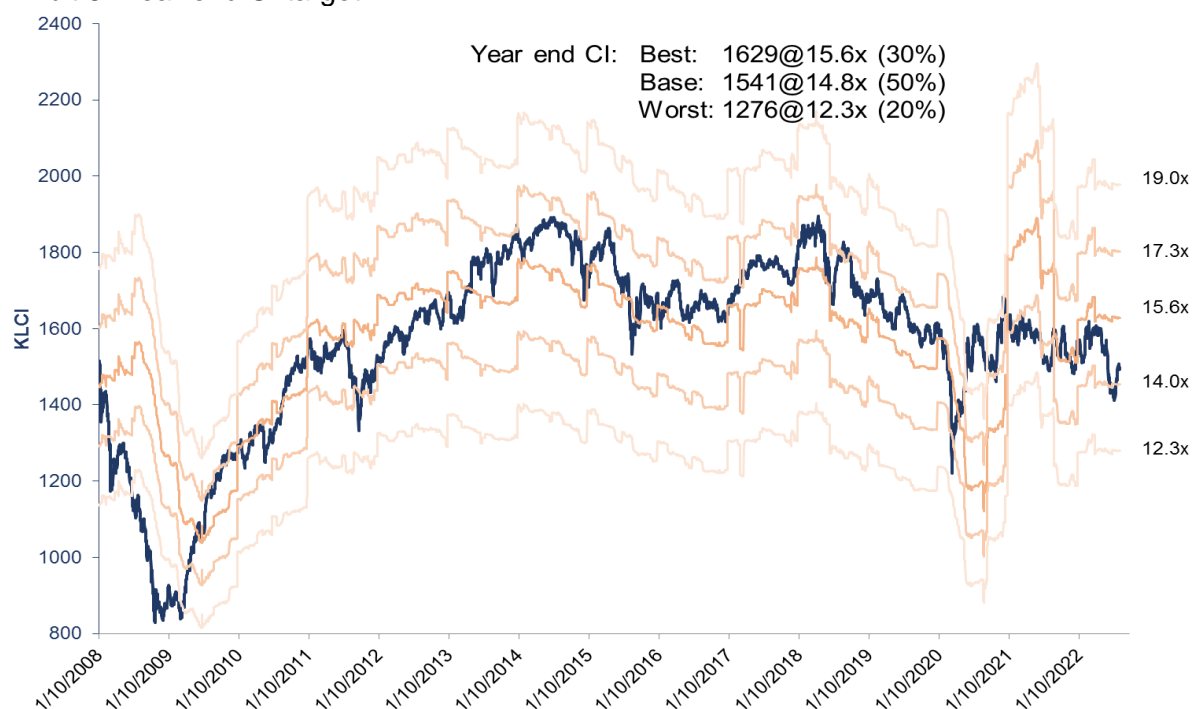
Source: Bloomberg, compiled by PRSB

Exhibit 5: Malaysia GDP should be above 5%

	2020	2021	2022F	2023F
Real GDP	-5.5	3.1	5.3	5.0
Consumer prices	-1.2	2.5	3.0	2.1
Fiscal Balance (% of GDP)	-6.2	-6.5	-6.2	-6.0
Overnight policy rate (%)	1.75	1.75	2.50	2.50
Exchange rate (USD/MYR)	4.01	4.18	4.50	4.32

Source: Bloomberg, PRSB, compiled by PRSB

Exhibit 6: Year-end CI target



Source: Bloomberg, PRSB, compiled by PRSB

Exhibit 7: Our Picks

Company	Ticker	Rating	Price (MYR)	TP (MYR)	Upside (%)
Fundamental					
Bermaz Auto	BAUTO MK	Buy	1.81	2.45	35.36
Guan Chong	GUAN MK	Buy	2.32	2.78	19.83
Technical					
Genting Malaysia	GENM MK	Outperform	2.94	3.21	9.18
IHH Healthcare	IHH MK	Outperform	6.42	7.00	9.03
Kawan Food	KFB MK	Buy	1.80	2.19	21.67
Matrix Concept	MCH MK	Outperform	2.26	2.57	13.72
Ta Ann	TAH MK	Buy	3.80	4.64	22.11
Telekom	T MK	Outperform	5.59	6.28	12.34
QL Resources	QLG MK	Buy	5.05	5.77	14.26
CB Industrial Product Holding	CB MK	Buy	1.40	1.76	25.71
Opcom Holdings	OHB MK	Buy	0.84	1.24	48.50
KSL Holdings	KSL MK	Buy	0.800	0.96	20.00
Gamuda	GAM MK	Outperform	3.77	4.30	14.06
ETF					
MyETF Dow Jones U.S. Titans 50	METFUS50 MK	Buy	USD 1.89	USD 2.21	16.70
MyETF MSCI SEA Islamic Dividend	MEMMID MK	Buy	0.785	0.85	7.64
Principal FTSE ASEAN 40 Malaysia ETF	CIMBA40 MK	Buy	1.63	1.80	10.71

TradePlus HSCEI Daily (-1x) Inverse Tracker	HSCEI1XI MK	Buy	2.18	2.35	7.80
TradePlus NYSE FANG+ Daily (-1x) Inverse Tracker	FANG1XI MK	Buy	1.58	1.86	17.72

Source: Bursa, Bloomberg, PRSB, price as of 10th August 2022

Malaysian news highlights

- **CPO futures end marginally lower on higher output, stocks.**

Crude palm oil (CPO) futures contract on Bursa Malaysia Derivatives ended marginally lower on Wednesday as concerns over rising output and higher stock levels continue to weigh on prices, a dealer said. The Malaysian Palm Oil Board (MPOB), in its report released on Wednesday, said Malaysia's CPO stocks for July 2022 rose 2.79% to 905,946 tonnes from 881,315 tonnes recorded in June 2022. Overall, palm oil stocks increased 7.71% to 1.77 million tonnes from 1.65 million tonnes in the preceding month. (Source: [TheEdgeMarkets](#))

- **Malaysia's labour market saw jobs increase 3.2% year-on-year in 2Q.**

Malaysia's labour market saw an increase of 3.2% in jobs, or 267,000 more jobs, in the second quarter of 2022 (2Q22) to record 8.619 million during the period, from 8.352 million a year ago. The Department of Statistics Malaysia (DOSM), in its Quarterly Employment Survey released on Wednesday (Aug 10), said the number of filled jobs in 2Q22 was 8.427 million, with the rate of filled jobs being 97.8%. It said the number of job vacancies stood at 191,000, from 178,000 in 2Q21, with a rate of 2.2%, while the number of jobs created edged up to 29,400 from 16,180. (Source: [TheEdgeMarkets](#))

Global news highlights

- **Cooler Inflation Takes Next Fed Rate-Hike Size Down to the Wire.**

Economists are divided on whether slower US consumer-price growth for July means the Federal Reserve could ease its aggressive rate-hiking program, making 75 basis-point moves less definite. The consumer price index increased 8.5% from a year earlier, cooling from the 9.1% June advance that was the largest in four decades, Labor Department data showed Wednesday. Prices were unchanged from the prior month. (Source: [Bloomberg](#))

- **China Says Taiwan Military Drills Over, Plans Regular Patrols.**

The People's Liberation Army "successfully completed all tasks" set out in exercises last week, Eastern Theater Command spokesman Senior Colonel Shi Yi said Wednesday. The statement ended ambiguity on the status of the drills three days after navigational alerts warning ships and airplanes to avoid six large areas around the island expired. (Source: [Bloomberg](#))

- **China's Central Bank Warns of Inflation Risks as CPI Climbs.**

The PBOC's warnings came on the same day official data showed inflation accelerated in July to 2.7%, the highest level in two years, largely driven by food prices as pork costs surged. Weak consumer demand kept overall price pressures in check though. The central bank said consumer inflation will likely exceed 3% in some months during the second half of the year. However, China will likely achieve the target of keeping full-year inflation around 3% in 2022, thanks to measures taken to ensure grain and energy supply as well as a prudent monetary policy, it said. (Source: [Bloomberg](#))

- **India's RBI Tightens Rules on Digital Lending After Complaints.**

India's central bank released guidelines for digital lending, targeted at bringing transparency and data protection to the business after complaints started mounting over unfair recovery practices, with many players capitalizing on borrowers' lack of financial literacy. The Reserve Bank of India released the guidelines Wednesday, which direct operators to display all inclusive costs of the digital loan as an annual percentage rate upfront and bring periodic review of the conduct of lending service providers engaging in recovery. (Source: [Bloomberg](#))

- **Malaysia Airlines to acquire 20 Airbus A330neos, sources say.**

Malaysia Airlines is poised to announce a deal next Monday (Aug 15) to acquire 20 Airbus A330neo wide-body jets, industry sources said on Wednesday. Chief executive Captain Izham Ismail said in June the airline was nearing a decision on replacing its earlier-model A330 fleet, and Reuters last month reported that the upgraded A330neo had been selected as the preferred model. The deal to replace 15 A330-300s and six A330-200s is likely to involve leasing around half of the upgraded A330neo planes and purchasing the rest directly from Airbus, said two of the sources, who were not authorised to speak publicly. (Source: [TheEdgeMarkets](#))

- **MAHB, Capital A discontinue all legal proceedings against each other.**

Malaysia Airports Holdings Bhd and Capital A Bhd have both decided to drop legal proceedings against each other that they initiated via their subsidiaries Malaysia Airports (Sepang) Sdn Bhd (MASSB) and AirAsia Aviation Group Ltd (AirAsia Group). The two groups have locked horns since the end of 2018, when AirAsia Group's Malaysian operations refused to collect the higher passenger service charges (formerly known as airport tax) from passengers that MAHB and MASSB demanded, after the rate was raised to RM73 per passenger in 2018 from RM50. (Source: [TheEdgeMarkets](#))

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