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Morning Pole Position

| 18th August 2022 |

All market data as at previous trading day

Market indices

| Indices | Last | Daily chg | YTD chg% |
|---------------|-----------|-----------|----------|
| Local | | | |
| FBM KLCI | 1,518.16 | -0.62 | -3.15 |
| FBM Emas | 10,743.84 | -5.69 | -5.00 |
| FBM Syariah | 10,900.24 | -1.67 | -11.11 |
| FBM Small Cap | 14,486.61 | 0.65 | -8.08 |
| FBM ACE | 4,949.26 | -19.02 | -22.90 |
| F4G BM | 872.8 | -0.5 | -0.85 |
| F4G BMS | 905.06 | -0.34 | -7.89 |

| Funds Flows | | Net Buy (MYR'm) |
|---------------------|--|-----------------|
| Local Institutions* | | -170.3 |
| Local Retails* | | +17.0 |
| Foreign* | | +153.3 |

| | | | |
|----------------|-----------|---------|--------|
| Foreign | | | |
| Dow Jones | 33,980.32 | -171.69 | -6.49 |
| S&P 500 | 4,274.04 | -31.16 | -10.33 |
| Nasdaq | 12,938.12 | -164.43 | -17.30 |
| FTSE | 7,515.75 | -20.31 | 1.78 |
| Hang Seng | 19,922.45 | 91.93 | -14.85 |
| Nikkei | 29,222.77 | 353.86 | 1.50 |
| Shanghai CI | 3,292.53 | 14.64 | -9.54 |
| Strait Times | 3,262.77 | 8.97 | 4.45 |

Currencies

| BNM Middle Rate (5pm) | Last | Daily chg | YTD % |
|-----------------------|--------|-----------|-------|
| USD / MYR | 4.4680 | 0.0020 | 7.27 |
| GBP / MYR | 5.4081 | 0.0319 | -3.96 |
| JPY100 / MYR | 3.3142 | -0.0203 | -8.42 |
| EUR/MYR | 4.5457 | 0.0174 | -3.57 |
| SGD / MYR | 3.2350 | -0.0019 | 4.85 |
| CNY / MYR | 0.6594 | 0.0017 | 0.72 |
| AUD / MYR | 3.1135 | -0.0169 | 2.87 |

Bond Yield Movements

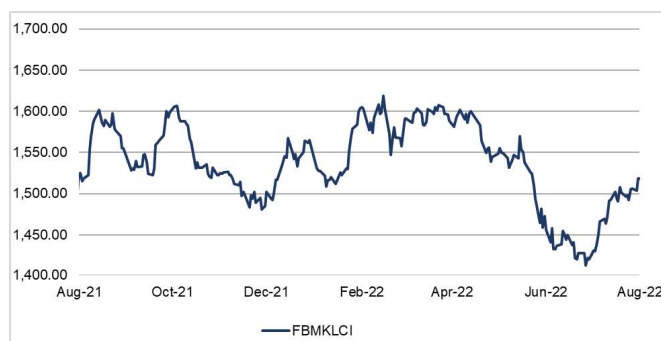
| | | Yield | Daily Change (bps) |
|------------|----------|-------|--------------------|
| MGS | 3- year | 3.49 | +2 |
| | 10- year | 3.96 | +1 |
| GII | 3- year | 3.52 | +1 |
| | 10- year | 4.00 | 0 |
| UST | 2- year | 3.28 | +3 |
| | 10- year | 2.89 | +7 |

Commodities

| | Last | Daily chg | Daily chg % |
|-------------------------------|----------|-----------|-------------|
| CPO (3 rd month) | 4,118.00 | -75.00 | -1.79 |
| Brent (1 st month) | 95.33 | 0.60 | 0.63 |
| Gold (spot) | 1,761.23 | -14.62 | -0.82 |

Source: Treasury.gov, Bursa and BNM

FBM KLCI and statistics



Source: Bloomberg

Market Turnover

| | |
|---------------|-------|
| Vol (m shrs) | 2,723 |
| Value (MYR m) | 1,907 |

| Top 5 Value | Last | Daily chg % | Value (MYR m) |
|-------------|--------|-------------|---------------|
| HARTA | 1.740 | -1.69 | 261.770 |
| MAYBANK | 8.970 | 0.00 | 77.199 |
| PBBANK | 4.650 | 0.00 | 66.585 |
| TOPGLOV | 0.860 | 2.99 | 61.639 |
| KLK | 23.000 | 2.40 | 53.604 |

| Top 5 Gainers | Last | Daily chg % | Value (MYR m) |
|---------------|-------|-------------|---------------|
| PHB | 0.015 | 200.00 | 1.757 |
| MNC | 0.015 | 50.00 | 0.000 |
| MPCORP | 0.020 | 33.33 | 0.028 |
| AIM | 0.115 | 27.78 | 0.038 |
| SMTRACK | 0.050 | 25.00 | 0.856 |

| Top 5 Losers | Last | Daily chg % | Value (MYR m) |
|--------------|-------|-------------|---------------|
| ANZO | 0.010 | -33.33 | 0.005 |
| XOX | 0.015 | -25.00 | 0.036 |
| KUCHAI | 1.470 | -20.11 | 0.484 |
| FOCUS | 0.020 | -20.00 | 0.022 |
| DOLMITE | 0.020 | -20.00 | 0.006 |

| Top 5 DBT | Value (MYR m) | Volume (m shares) | Price (MYR) |
|-----------|---------------|-------------------|-------------|
| CHINHIN | 4.937 | 1.039 | 5.270 |
| MICROLN | 0.600 | 7.149 | 0.600 |
| TOCEAN | 0.275 | 1.500 | 2.360 |
| LFECORP | 2.000 | 34.000 | 0.095 |
| EFRAME | 0.135 | 3.867 | 0.515 |

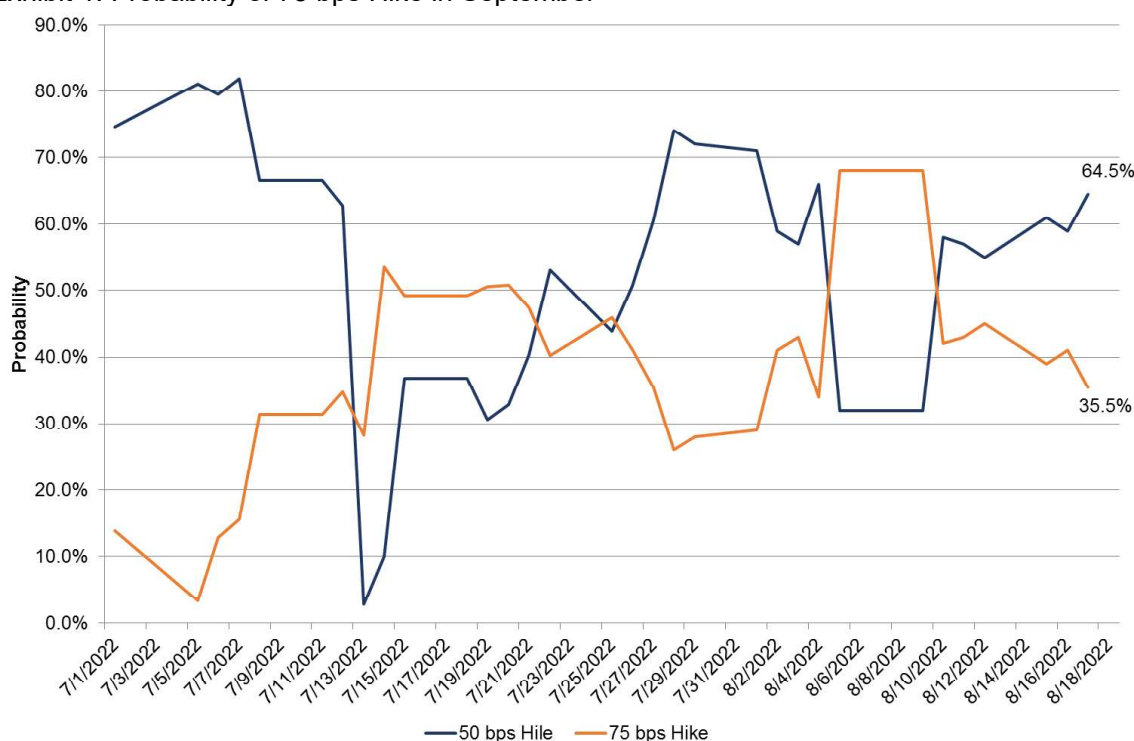
Market Pulse



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

The KLCI erased earlier session gains as it ended marginally lower at 1518.16 pts with -0.62 pts (-0.04%) compared to the previous day's session. Similarly, the U.S. market fell across the board after the minutes of Fed July's meeting indicated policy makers will remain on a tightening path, but some are getting a little nervous if they could end up going too hard and may end up needing to reverse the course eventually. However, the minutes may not have sounded as dovish as some investors had hoped, resulting in little change to the probability of a rate hike for the September meeting after the inflation data was released (Exhibit 1).

Exhibit 1: Probability of 75 bps Hike in September



Source: CME FEdWatch, compiled by PRSB

As we mentioned on 11th August 2022, we believe a single month of data is unlikely to fundamentally change the monetary policy outlook materially (Exhibit 2) while keeping in mind that the minutes released are taken before July's strong job data and slowed inflation. In the meantime, U.S. retail sales remained largely unchanged in July, mainly dragged by falling gasoline prices and fewer purchases of new cars and trucks.

Exhibit 2: 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

As the market tries to digest Fed actions and also ahead of the 25th–27th August Jackson Hole symposium, and also with the BeDaiHe meeting seems to be over, all eyes are now on whether Hu Chunhua will be promoted to Standing Committee in November (Exhibit 3). If yes, then Xi's power will

be a challenge and thus uncertainties to China's economy and also geopolitical risks. Markets will closely monitor the situations over the next one to two weeks. We, thus anticipate markets to be volatile as some investors would opt for profit taking activity as KLCI has been trending uptrend for the past several weeks. Hence, we anticipate the KLCI to decline today as it has formed the Shooting Star Candlestick pattern, indicating a slower momentum. Technically, the Index may test the immediate support at 1,508.49 pts and may fall lower to 1,489.47 pts. We set the resistance level at 1,535.59 pts. Our picks in Exhibit 4.

Exhibit 3: Can Xi Skips Hu Chunhua

19th CPCC Standing Committee



19th CPCC Politburo



Source: Various, compiled by PRSB

Exhibit 4: Our Picks

| Company | Ticker | Rating | Price (MYR) | TP (MYR) | Upside (%) |
|--|-------------|------------|-------------|----------|------------|
| Fundamental | | | | | |
| Bermaz Auto | BAUTO MK | Buy | 1.82 | 2.45 | 34.62 |
| Guan Chong | GUAN MK | Buy | 2.52 | 2.78 | 10.32 |
| Technical | | | | | |
| Genting Malaysia | GENM MK | Outperform | 3.02 | 3.21 | 6.29 |
| IHH Healthcare | IHH MK | Outperform | 6.50 | 7.00 | 7.69 |
| Kawan Food | KFB MK | Buy | 2.08 | 2.19 | 5.29 |
| Matrix Concept | MCH MK | Outperform | 2.24 | 2.57 | 14.73 |
| Ta Ann | TAH MK | Outperform | 3.87 | 4.64 | 19.90 |
| Telekom | T MK | Outperform | 5.90 | 6.28 | 6.44 |
| QL Resources | QLG MK | Outperform | 5.06 | 5.77 | 14.03 |
| CB Industrial Product Holding | CB MK | Buy | 1.40 | 1.76 | 25.71 |
| Opcom Holdings | OHB MK | Buy | 0.860 | 1.24 | 44.19 |
| KSL Holdings | KSL MK | Outperform | 0.815 | 0.96 | 17.79 |
| Gamuda | GAM MK | Outperform | 3.82 | 4.30 | 12.57 |
| Chin Well Holdings | CWH MK | Outperform | 1.72 | 2.00 | 16.28 |
| Supercomnet Technologies | SCT MK | Buy | 1.37 | 1.73 | 26.28 |
| Kelington Group | KGRB MK | Buy | 1.37 | 1.71 | 24.82 |
| Pentamaster Corporation | PENT MK | Buy | 4.01 | 5.26 | 31.17 |
| AME Elite Consortium | AME MK | Buy | 1.64 | 2.03 | 23.78 |
| 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 | 0.8 | 0.85 | 5.62 |
| Principal FTSE ASEAN 40 Malaysia ETF | CIMBA40 MK | Buy | 1.65 | 1.80 | 9.36 |
| 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 17th August 2022

Malaysian news highlights

- **Malaysia aims to learn from Thailand in push for medical use of cannabis.**

Malaysia plans to learn from the cannabis policy of neighbouring Thailand in its effort to legalise use of the drug for medical purposes, a health ministry official said on Wednesday (Aug 17), in a country where possession can bring the death penalty now. The comments came after the Thai health minister said he would meet his Malaysian counterpart during a meeting of APEC health ministers next week where Thailand will showcase its work in legalising medicinal marijuana. With a tradition of using cannabis to calm pain and fatigue, Thailand legalised medicinal marijuana in 2018, becoming in June the first Asian nation to decriminalise cultivation of marijuana and its consumption in food and drink. (Source: [The Edge Markets](#))

Global news highlights

- **US Consumers Show Signs of Resilience Despite Raging Inflation.**

Retail sales excluding a price-induced drop in gas station receipts and a drop in motor vehicle purchases rose a better-than-expected 0.7% in July, Commerce Department data showed Wednesday. Building-materials outlets, electronics and appliances stores and online merchants were among those with firm gains in receipts before adjusting for inflation. (Source: [Bloomberg](#))

- **Fed Officials Saw Need to Slow Rate-Hike Pace 'At Some Point'.**

"As the stance of monetary policy tightened further, it likely would become appropriate at some point to slow the pace of policy rate increases while assessing the effects of cumulative policy adjustments on economic activity and inflation," according to minutes of the Federal Open Market Committee's July 26-27 meeting released Wednesday in Washington. (Source: [Bloomberg](#))

- **London rents spike the most since 2017 after supply shortage.**

London rents rose the most in about five years as demand for rentals continued to exceed the supply of properties, exacerbating cost-of-living pressures on tenants in one of the world's priciest capitals. Private rental prices in London grew 2.1% in the year to July. While that's the lowest in England, the capital is quickly catching up with an acceleration in rents charged since the start of the year, according to the Office for National Statistics. (Source: [The Edge Markets](#))

- **European Energy Prices Soar on Summer Crisis, Winter Gloom.**

European energy prices are surging as a scorching summer boosts demand while natural gas supplies from Russia remain limited. The focus is also shifting to how the region will withstand winter demand shocks. Coal prices soared to a record as utilities increasingly burn the fuel to fill in gaps left by reduced supply of gas from Moscow. Benchmark gas futures gyrated wildly, gaining as much as 5.1% after settling close to a record high on Tuesday. (Source: [Bloomberg](#))

- **China's Fiscal Income Drop Narrows, Land Sales Keep Plunging.**

General public revenue in the first seven months of this year was 12.5 trillion yuan (\$1.8 trillion), 9.2% less than a year ago, according to a statement by the Ministry of Finance published Wednesday. That was an improvement from the 10.2% fall in the first half of the year, and it would have risen 3.2% if not for tax rebates, the ministry said. (Source: [Bloomberg](#))

Corporate news

- **RM1.6b funding approved for Petronas vendors as of July.**

Petroleum Nasional Bhd's (Petronas) Vendor Financing Programme (VFP) is said to have continued to make positive impact on the industry, with more than 260 applications and RM1.6 billion worth of funding approved as of July. Petronas head of strategic programme and licensing of group procurement Natrah Mohd Tahir said the VFP was mooted to assist oil and gas service equipment (OGSE) vendors adversely affected by the oil price crisis back in 2018 — in securing

working capital and improving their cash flow to sustain their businesses. (Source: [The Edge Markets](#))

- **Sime Darby expects 'tough' FY23 amid rising inflation, supply chain issues.**

Sime Darby Bhd expects financial year ending June 30, 2023 (FY23) to be tough in the face of continuing headwinds from the Covid-19 pandemic, rising inflation and supply chain issues, said group chief executive officer Datuk Jeffri Salim Davidson. "I see more headwinds than in the past because inflation is 'rearing its head', interest rates are rising and borrowing costs are also rising, which may dampen consumer sentiment," he said at Sime Darby's financial results briefing for the fourth quarter ended June 30, 2022 (4QFY22) held virtually on Wednesday (Aug 17). (Source: [The Edge Markets](#))

- **Sime Darby aims for higher electric vehicle sales.**

Sime Darby Bhd expects electric vehicle (EV) sales to increase from the current 3,000 units sold as at June 30, 2022, which contributed a mere 4.5% of its motor division revenue, according to Sime Darby Motors managing director Andrew Basham. "The organisations we are working with are trying to ramp up the production of the EV cars, so we will see the selling number of the EV cars increase in the next financial year, especially in Hong Kong", said Basham, without disclosing any forecasts. He said about half of all cars sold in the global market will be EVs by 2030. (Source: [The Edge Markets](#))

- **KLK 3Q net profit drops 29% to RM558 mil.**

Kuala Lumpur Kepong Bhd's (KLK) net profit for the third quarter ended June 30, 2022 (3QFY22) slipped 28.78% to RM558.27 million, from RM783.94 million a year earlier, due to the absence of a disposal gain from an associate in the year before. In a Bursa Malaysia filing on Wednesday (Aug 17), KLK said the group's 3QFY22 pre-tax profit would be 20.4% higher at RM753.7 million against last year's RM626.1 million, if the fair value surplus of RM324.3 million on the disposal of Aura Muhibah Sdn Bhd was excluded from 3QFY21. Quarterly revenue rose 34.58% to RM6.96 billion from RM5.17 billion as its plantation segment reported a substantial increase in profit, driven by higher crude palm oil (CPO) selling prices, which rose 41%, as well as a 41% increase in palm kernel selling prices. (Source: [The Edge Markets](#))

Regional company reports

NetLink NBN Trust – Residential connections normalising.

- Q23 revenue and EBITDA were within expectations, at 25/27% of our FY23e forecasts. Revenue rose 4.8%, supported by a sharp rebound in diversion revenue. Central office remains a drag as customers surrender more equipment space.
- Residential fibre connections rose 5,598 in 1Q23 (1Q22: +2,292). Last year was impacted by lockdowns and movement restrictions.
- Interest rate risk is well hedged, with 76% of the debt fixed at 1% until May 2026. Regulatory review of fibre prices is ongoing. Recent inflationary pressures and higher interest rates are positives. The planned capital expenditure (or regulated asset base) and WACC under consideration will be higher.

Sembcorp Industries – Conventional and Renewable Energy lift 1H22 profits.

- 1H22 profit ahead of our expectations, at 99% of FY22e as Conventional Energy and Renewable Energy beat. One-off hedging gain of \$92mn also lifted overall profits.
- Renewables profit continues to grow, +217% YoY lifted by performance in key markets and new acquisitions. Its gross renewables capacity stands at 7.1GW as at 1H22.
- Management continued to guide for a stronger 2H22, despite this, we expect energy

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Funds:

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