

21 November 2022

By Goh Yin Foo, CFA, CMT / gohyf@kenanga.com.my

Surprise, surprise! The inconclusive results of the 15th General Election (GE15) means that the Malaysian bourse could backslide as an immediate response. In the week running up to polling day, the benchmark FBMKLCI retraced from a high of 1,469 last Monday to as low as 1,441 on Wednesday before stopping at 1,449 last Thursday. This translates to a weekly loss of 18.9 points or 1.3%. Over on Wall Street, the DJIA was moving broadly sideways before ending at 33,746 last Friday, little changed from the preceding week's closing of 33,748.

Against a jittery backdrop during the holiday-shortened week, market breadth was negative on all four days while daily average trading volume on the local stock exchange eased off to 2.6b shares valued at RM1.7b, compared with the prior week's average of 3.2b shares worth RM1.8b. And in a reversal from the week before, there was net foreign outflows amounting to RM272m that was absorbed by net weekly buying trades (valued at RM152m and RM120m, respectively) from domestic institutions and local retail investors.

For the coming week, investors – who do not like uncertainty – will probably react adversely first to the hung parliament outcome. This comes as no single coalition has emerged as an outright winner in GE15 to get the mandate to run the country for the next five years. All eyes will now be on negotiations by the various parties to garner a simple majority to form a new ruling government as well as other post-GE15 related developments (such as the naming of a new Cabinet line-up), which will be hogging the news front in an otherwise quiet week ahead.

With the stock market likely to kick off the week in a volatile mood, of interest will be the potential additions and deletions of index constituents in the benchmark FBMKLCI as the market capitalisation ranking at the end of today will be used to determine the updated list of member stocks, which will be announced on 1 December. Based on last Thursday's closing prices, QL Resources and AMMB Holdings are in the running to replace Top Glove and Hartalega.

On the corporate front, the earnings reporting season continues with quarterly financial results announcements due on: (i) Tuesday from the likes of Sunway Construction, Sime Darby Plantation, Affin Bank, Telekom Malaysia, (ii) Wednesday – Maybank, MPI, D&O, IOI Properties, UEM Sunrise, Genting Plantations, KLK, Sports Toto, (iii) Thursday – AMMB Holdings, Genting Bhd, Genting Malaysia, Sime Darby, WCT Holdings, Bumi Armada, Pharmaniaga, and (iv) Friday – Petronas Chemicals, Axiata, Sunway, IJM Corporation, IOI Corporation.

There will also be two new listings on the ACE Market by ECA Integrated Solution (which is principally engaged in the provision of integrated production systems and standalone automated equipment; valued at a market cap of RM98.2m based on an IPO offer price of RM0.17 per share) on Wednesday and Infomina (a technology solution provider which provides maintenance and support services for IT-related products valued at a market cap of RM240.5m based on an IPO offer price of RM0.40 per share) on Friday. Data-wise, only the October Consumer Price Index (CPI) report is scheduled for release on Friday.

Broadly speaking, investors may continue from where they left off following last week's market sell-down. The local bourse saw widespread losses during the pre-election week with the FBMKLCI (down -1.3%), FBM 70 Index (-1.7%), FBM Small Cap Index (-0.5%), FBM Fledgling Index (-1.5%) and FBM ACE Index (-3.5%). The top weekly index laggards were Public Bank (-3.2% / -6.4 index points), CIMB (-2.0% / -2.4 index points), Axiata (-4.0% / -1.8 index points), Sime Darby Plantation (-3.2% / -1.6 index points) and Hartalega (-13.8% / -1.6 index points). By sector, transportation & logistics (-4.0%), healthcare (-3.6%) and technology (-3.5%) lost the most ground while only REIT (+0.4%) and utilities (+0.2%) ended in positive territory during the week.

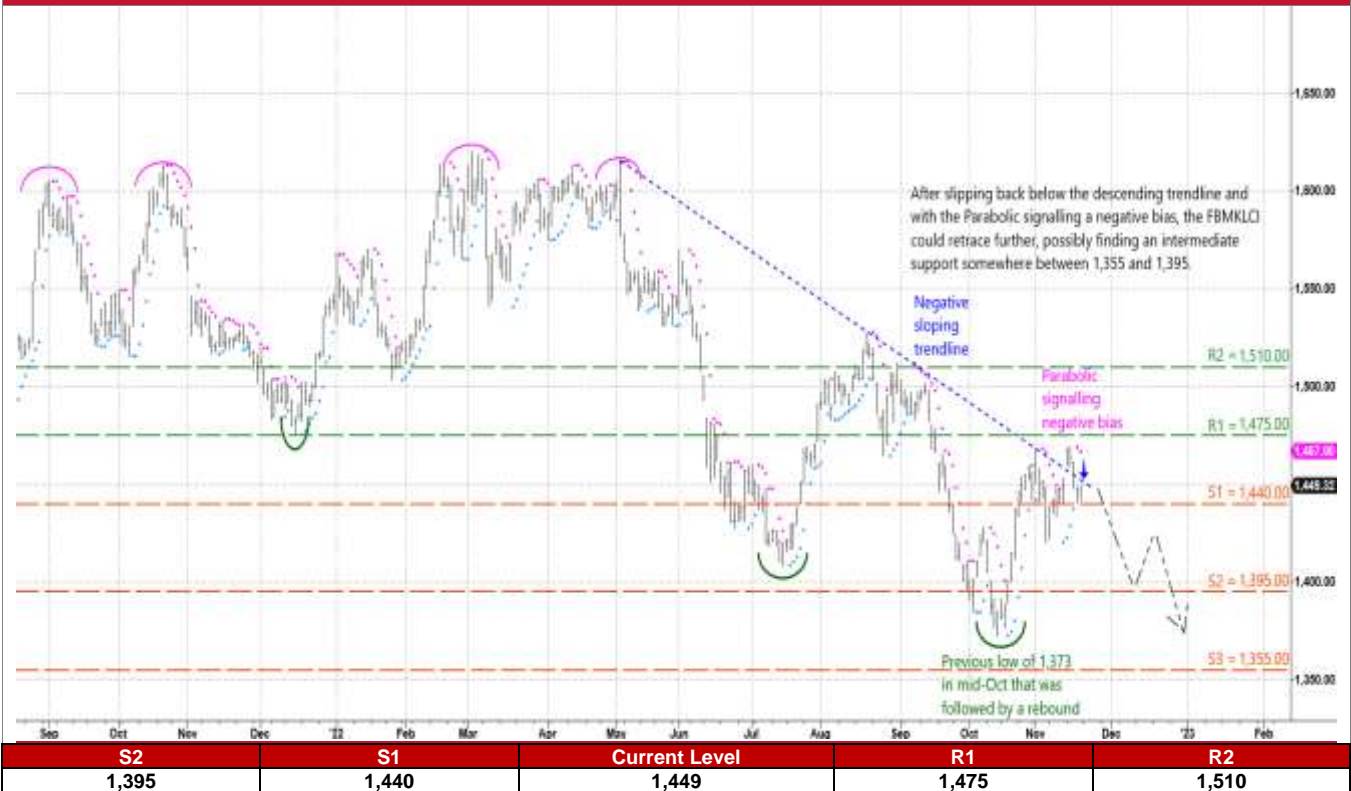
From a technical standpoint, an anticipated knee-jerk sell-off could send the FBMKLCI plummeting below our immediate support threshold of 1,440 (S1), a level that was previously tested and stood steady last week. On the way down, the benchmark index – after slipping back below the negative sloping trendline as the Parabolic SAR indicator is signalling a downward trend – may strive to find an intermediate support somewhere between 1,355 (S3) and 1,395 (S2). This is also where the FBMKLCI hit its most recent trough of 1,373 in mid-October this year before plotting an ensuing rebound amid the return of bargain hunters. Our first resistance hurdle remains at 1,475 (R1).

In the US, continuing last week's pattern, the DJIA will probably be eager to hang on the positive momentum after overcoming the descending trendline with the Parabolic SAR indicator still on the rise. Our support and resistance levels stay at 33,200 (S1) and 34,100 (R1), respectively.



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Chart 1 – FBMKLCI



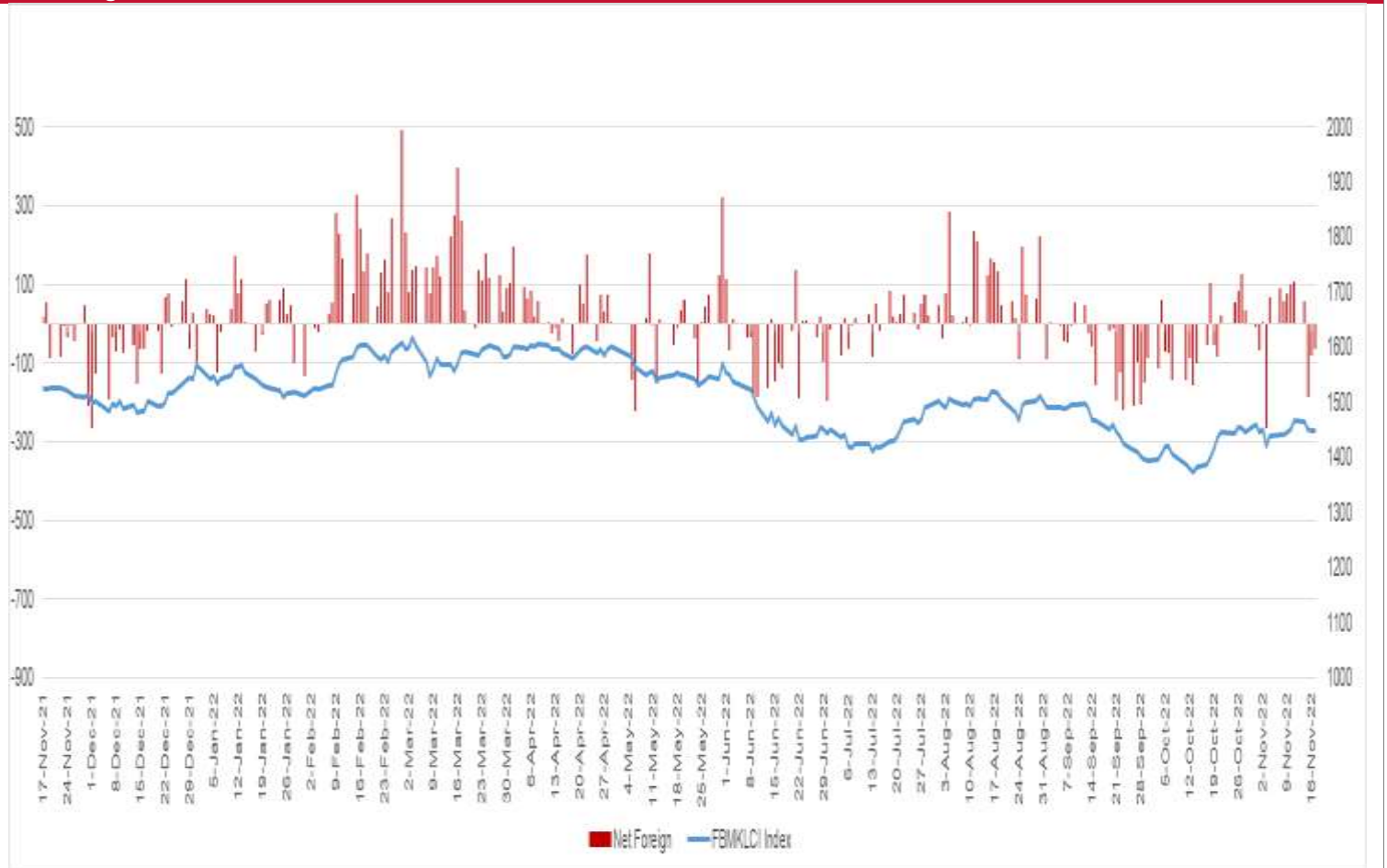
Source: Kenanga Research

Chart 2 – DJIA



Source: Kenanga Research

Net Foreign Trade Position vs FBMKLCI



Foreign investors turned net sellers with net outflows of RM272.0m last week compared to cumulative net inflows of RM425.6m in the prior week.

Source: Kenanga Research

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STOCK CALL MONITOR*

Stock Name	Issue Date (ID)	Rating	Price @ ID	Resistance Price (R1)	Stop Loss Price (SL)	Upside Potential @ ID	Downside Risk @ ID	Risk to Reward Ratio	Highest Price since ID	Lowest Price since ID	Last Price	Status [^]	Date Status Fulfilled
			RM	RM	RM	%	%		RM	RM			
CTOS DIGITAL BHD	21/10/2022	Technical Buy	1.34	1.52	1.16	13%	-13%	1.00x	1.43	1.33	1.34	Open	
PESTECH INTERNATIONAL BHD	21/10/2022	Technical Buy	0.31	0.35	0.27	13%	-13%	1.00x	0.33	0.30	0.30	Open	
TELEKOM MALAYSIA BHD	26/10/2022	Technical Buy	5.44	5.96	4.93	10%	-9%	1.02x	5.67	5.28	5.35	Open	
MAGNI-TECH INDUSTRIES BHD	26/10/2022	Technical Buy	1.70	1.90	1.51	12%	-11%	1.05x	1.77	1.70	1.73	Open	
CORAZA INTEGRATED TECHNOLOGY	27/10/2022	Technical Buy	0.68	0.77	0.60	13%	-12%	1.13x	0.70	0.62	0.63	Open	
SDS GROUP BHD	27/10/2022	Technical Buy	0.65	0.73	0.57	13%	-12%	1.13x	0.72	0.64	0.68	Open	
BONIA CORP BHD	28/10/2022	Technical Buy	1.79	1.97	1.61	10%	-10%	1.00x	2.09	1.75	2.00	TP Hit	14/11/2022
KIM TECK CHEONG CONSOLIDATED	28/10/2022	Technical Buy	0.23	0.26	0.20	13%	-13%	1.00x	0.26	0.21	0.25	TP Hit	1/11/2022
JHM CONSOLIDATION BHD	1/11/2022	Technical Buy	0.87	0.97	0.77	12%	-11%	1.11x	0.89	0.74	0.74	SL Hit	9/11/2022
KPJ HEALTHCARE BERHAD	1/11/2022	Technical Buy	0.82	0.90	0.75	10%	-9%	1.14x	0.88	0.82	0.85	Open	
MR DIY GROUP M BHD	2/11/2022	Technical Buy	2.00	2.22	1.78	11%	-11%	1.00x	2.06	1.90	2.00	Open	
PECCA GROUP BHD	2/11/2022	Technical Buy	0.88	0.98	0.78	11%	-11%	1.00x	0.88	0.83	0.83	Open	
HEVEABOARD BHD	3/11/2022	Technical Buy	0.38	0.42	0.33	12%	-12%	1.00x	0.38	0.36	0.37	Open	
VISDYNAMICS HOLDINGS BHD	3/11/2022	Technical Buy	0.57	0.63	0.50	12%	-12%	1.00x	0.57	0.49	0.52	SL Hit	10/11/2022
KELINGTON GROUP BHD	4/11/2022	Technical Buy	1.30	1.44	1.17	11%	-10%	1.08x	1.38	1.27	1.30	Open	
MYNEWS HOLDINGS BHD	4/11/2022	Technical Buy	0.52	0.58	0.46	12%	-12%	1.00x	0.58	0.51	0.58	TP Hit	16/11/2022
INNATURE BHD	8/11/2022	Technical Buy	0.53	0.60	0.46	13%	-13%	1.00x	0.56	0.52	0.53	Open	
YTL CORP BHD	8/11/2022	Technical Buy	0.57	0.63	0.52	11%	-9%	1.20x	0.59	0.53	0.54	Open	
FM GLOBAL LOGISTICS HOLDINGS	9/11/2022	Technical Buy	0.54	0.60	0.48	12%	-10%	1.18x	0.56	0.53	0.54	Open	
YTL POWER INTERNATIONAL BHD	9/11/2022	Technical Buy	0.70	0.77	0.62	11%	-11%	1.00x	0.70	0.66	0.67	Open	
DUFU TECHNOLOGY CORP BHD	10/11/2022	Technical Buy	1.59	1.76	1.44	11%	-9%	1.13x	1.77	1.53	1.62	TP Hit	11/11/2022
UEM SUNRISE BHD	10/11/2022	Technical Buy	0.21	0.24	0.18	14%	-14%	1.00x	0.23	0.21	0.21	Open	
BSL CORP BHD	11/11/2022	Technical Buy	0.13	0.16	0.10	23%	-23%	1.00x	0.14	0.11	0.13	Open	
HARTALEGA HOLDINGS BHD	11/11/2022	Technical Buy	2.06	2.28	1.84	11%	-11%	1.00x	2.17	1.80	1.81	SL Hit	17/11/2022
D&O GREEN TECHNOLOGIES BHD	15/11/2022	Technical Buy	3.85	4.25	3.45	10%	-10%	1.00x	3.87	3.75	3.77	Open	
OPCOM HOLDINGS BHD	15/11/2022	Technical Buy	0.87	0.99	0.76	14%	-13%	1.09x	0.88	0.80	0.81	Open	
EP MANUFACTURING BERHAD	16/11/2022	Technical Buy	1.04	1.18	0.93	13%	-11%	1.27x	1.05	1.02	1.03	Open	
CARIMIN PETROLEUM BHD	16/11/2022	Technical Buy	0.53	0.60	0.47	13%	-11%	1.17x	0.54	0.53	0.54	Open	
PIE INDUSTRIAL BHD	17/11/2022	Technical Buy	2.59	2.85	2.33	10%	-10%	1.00x	2.57	2.48	2.56	Open	
SP SETIA BHD	17/11/2022	Technical Buy	0.53	0.59	0.47	11%	-10%	1.09x	0.54	0.52	0.53	Open	

* Tracks our stock recommendations on a one-month rolling basis from issue date. Stock names will drop out from the list after one month from issue date regardless of their status.

[^] Status will be categorised as either: (i) "TP hit" when stock reaches target price first OR (ii) "SL hit" when stock touches stop loss first OR (iii) "Open" when neither TP nor SL has been hit.

Basic Technical Terms:

Reversal Candlesticks	Patterns	Description
Doji Dragonfly Doji (Bullish) Gravestone Doji (Bearish)		Dojis form when a security's open and close are virtually equal. The length of the upper and lower shadows can vary, and the resulting candlestick looks like a cross, inverted cross or plus sign. Dojis convey a sense of indecision or tug-of-war between buyers and sellers.
Engulfing Pattern		A reversal pattern that can be bearish or bullish, depending upon whether it appears at the end of an uptrend (bearish engulfing pattern) or a downtrend (bullish engulfing pattern). The first day is characterized by a small body, followed by a day whose body completely engulfs the previous day's price action.
Hammer (Bullish) Shooting Star (Bearish)		Hammer candlesticks form when a security moves significantly lower after the open, but rallies to close well above the intraday low. This appears in a downtrend. In contrast, the Shooting Star pattern appears in an uptrend. It opens higher, trades much higher, then closes near its open. It looks just like the Inverted Hammer except that it is bearish.
Inverted Hammer (Bullish) Hanging Man (Bearish)		The Inverted Hammer is a single-day bullish reversal pattern. In a downtrend, the open is lower, then it trades higher, but closes near its open price, therefore looking like an inverted lollipop. Hanging Man candlesticks form when a security moves significantly lower after the open, but rallies to close well above the intraday low.
Harami Harami Cross		The Harami is a two-day pattern that can be bullish or bearish. It has a small body day completely contained within the range of the previous body, and is the opposite colour. The Harami Cross is similar to the Harami. The difference is that the last day is a Doji.
Marubozu		A Marubozu candlestick has no shadow extending from the body at either the open, the close or at both.
Morning Doji Star (Bullish) Evening Doji Star (Bearish)		A Morning Doji Star (Evening Doji Star) is a three-day candlestick bullish (bearish) reversal pattern - a long-bodied black (white) candle extending the current downtrend, a short middle candle that gapped down (up) on the open, and a long-bodied white candle that gapped up (down) on the open and closed above (below) the midpoint of the body of the first day.
Spinning Top		Spinning Tops are candlestick lines that have small bodies with upper and lower shadows that exceed the length of the body. They are similar to the Doji candlesticks, and signal indecision.

Source: Various

Common Chart Patterns					
Reversal Patterns	Inverted Head & Shoulders (Bullish)	Head & Shoulders (Bearish)	Wedge Reversal (Bullish/ Bearish)	Double Top (Bearish)	Double Bottom (Bullish)
Continuation Patterns	Symmetrical Triangle (Bullish/ Bearish)	Ascending Triangle (Bullish)	Channels (Bullish/ Bearish)	Flags (Bullish/ Bearish)	Pennant (Bullish/ Bearish)

Source: Various

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KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my

