

29 May 2023

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Following last week's broad market weakness, a test of resilience awaits the Malaysian bourse in the presence of renewed selling pressure. For the week just ended, the benchmark FBM KLCI closed lower day-to-day except for Friday, hitting a low of 1,398 before stopping at 1,403 last Friday. This translated to a weekly loss of 25.6 points or 1.8%. In the US, the DJIA tumbled 333.3 points or 1.0% through the week to finish at 33,093.

While market breadth stood negative on all the five trading days, daily turnover on the local stock exchange averaged at 2.5b shares in volume and RM1.8b in value, compared with the prior week's average of 2.7b shares worth RM1.6b. During the week, both foreign investors and domestic institutions were net sellers (registering net weekly outflows of RM59m and RM32m, respectively) which were matched by net buying trades from local retailers (amounting to RM91m).

With just three more trading days remaining in May, the FBM KLCI (down 0.9% month-to-date) may end the month in the red. As we approach the mid-year mark in slightly more than a month from now, it remains to be seen if there will be a reversal of fortune next month. Statistically, the bellwether had finished in positive territory in June in five of the past 10 years – notwithstanding that the two most recent years recorded monthly losses – with an average monthly return of negative 1.1% since 2013. Yet, and interestingly, the FBM KLCI's May performance (regardless of positive or negative returns) tends to carry over to June based on its historical pattern in nine of the last 10 years. If history repeats itself, this suggests then the monthly losing streak could persist in June.

A hectic week lies ahead with plenty of news flows to keep investors busy. As we enter the tail-end of the corporate earnings reporting season – which thus far has seen more disappointments than pleasant surprises – the final batches of quarterly financial results announcements will come in on: (i) Monday from the likes of Tenaga, AMMB, IJM Corporation, Opstar, LGMS, D & O Green Technologies, Mah Sing, Ann Joo, BAT (Malaysia), MRCB, KLCC, (ii) Tuesday – Alliance Bank, Malaysia Airports, KPJ Healthcare, Capital A, IOI Corporation, FGV, QL Resources, OCK, Kimlun, SKP Resources, and (iii) Wednesday – CIMB, Hong Leong Bank, Press Metal, IHH Healthcare, PPB Group, GHL Systems, JHM Consolidation.

On the IPO calendar, three companies will be making their debut listing, namely: (i) Cloudpoint Technology (which is principally engaged in the provision of IT solutions) on the ACE Market today (at a market cap of RM202.0m based on an IPO offer price of RM0.38 per share), (ii) Radium Development (a property developer focussing on the development of high-rise residential properties) on the Main Market on Wednesday (at a market cap of RM1.73b based on an IPO offer price of RM0.50 per share), and (iii) Synergy House (in the business of design, development and sale of ready-to-assemble home furniture) on the ACE Market this Thursday (at a market cap of RM215.0m based on an IPO offer price of RM0.43 per share).

On Thursday too, the outcome of the semi-annual review of the FBM KLCI constituents will be revealed with any changes coming into effect on 19 June (Monday). Based on last Monday's market cap ranking, using the individual closing share prices, Inari (in the 39th position) may be replaced by Westports (in 28th position). In terms of macro data, the April banking industry statistics are scheduled for release on Wednesday to be followed by the Malaysia Manufacturing PMI report on Thursday.

Overseas, all eyes will be on the progress of the ongoing negotiations to raise the US national debt ceiling with an agreement in principle apparently already reached and now pending legislative approvals. Any other outcome to emerge from the existing political stalemate is expected to trigger a domino effect on the global economy and financial markets in view of an unprecedented US federal government debt default in the beginning of June. Separately, the US May employment report – which will provide an insight into the latest inflationary environment – is due to be out on Friday.

Amid the sluggish underlying sentiment, selling activity on our domestic stock market may carry on for the time being after last week's weak performance. The week just ended saw all key index trackers logging weekly losses – namely the FBM KLCI (-1.8%), FBM 70 Index (-1.2%), FBM Small Cap Index (-2.6%), FBM Fledgling Index (-1.3%) and FBM ACE Index (-0.4%). By sector, plantation (-3.9%), energy (-3.7%) and healthcare (-3.1%) suffered the heaviest selling flows as only technology (+1.0%) and utilities (+0.8%) showed positive weekly returns.

From a technical standpoint, the FBM KLCI remains vulnerable to further downside risk after slipping back to where it was in late March this year. With the Parabolic SAR still signalling a negative bias and the bellwether cutting below the 50-day SMA, a deeper pullback from the intermediate descending trendline is probable. Facing a test of resilience, the FBM KLCI could challenge again our first support threshold of 1,395 (S1), a level that was previously tested in mid-March this year (and coincided with the market bottom). Should S1 give way, the bellwether may slide towards its preceding trough of 1,373 in mid-October last year with our next support line currently standing at 1,355 (S2). Our immediate resistance barrier remains at 1,440 (R1).

On Wall Street, continuing from where it left off, the DJIA may back off further from our support-turned-resistance hurdle of 33,200 (R1) following a crossover beneath the 50-day SMA. We have set our revised immediate support level at 32,350 (S1).

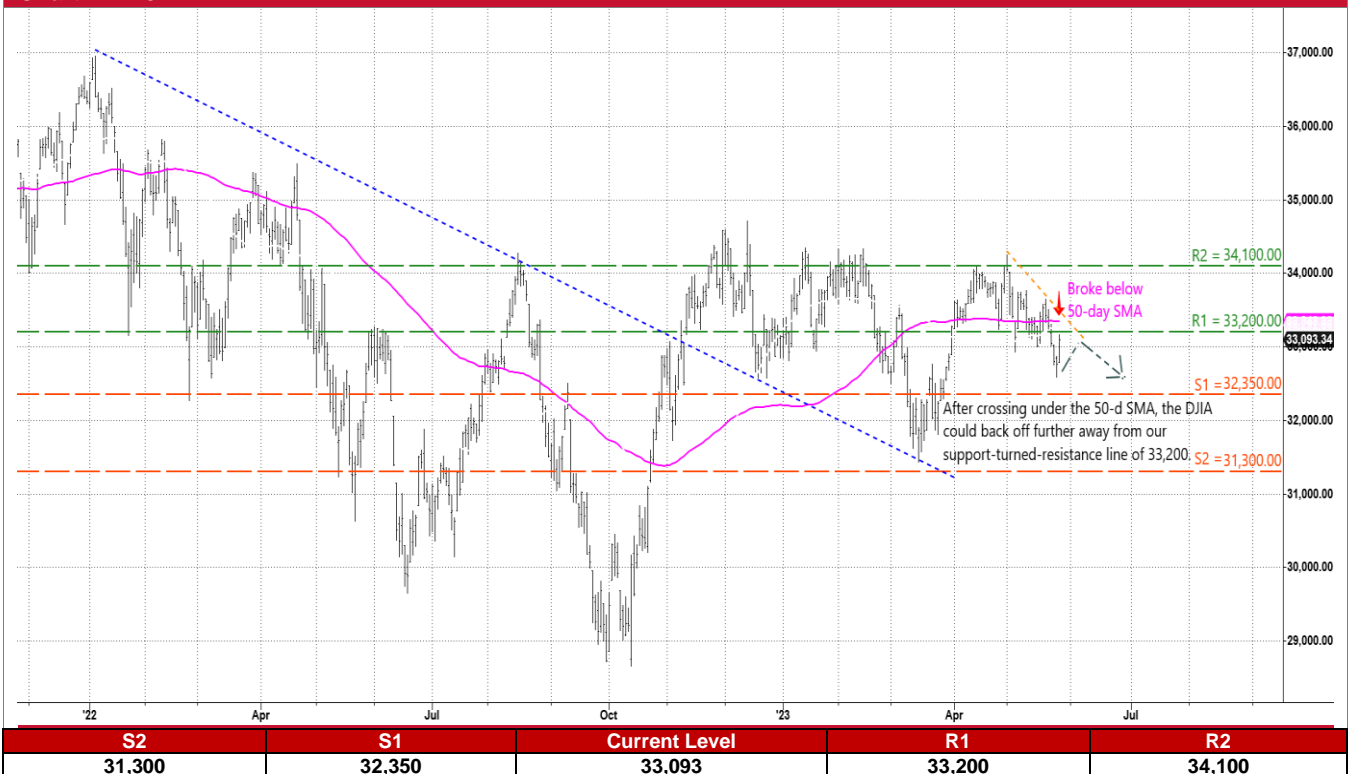
29 May 2023

Chart 1 – FBMKLCI



Source: Kenanga Research

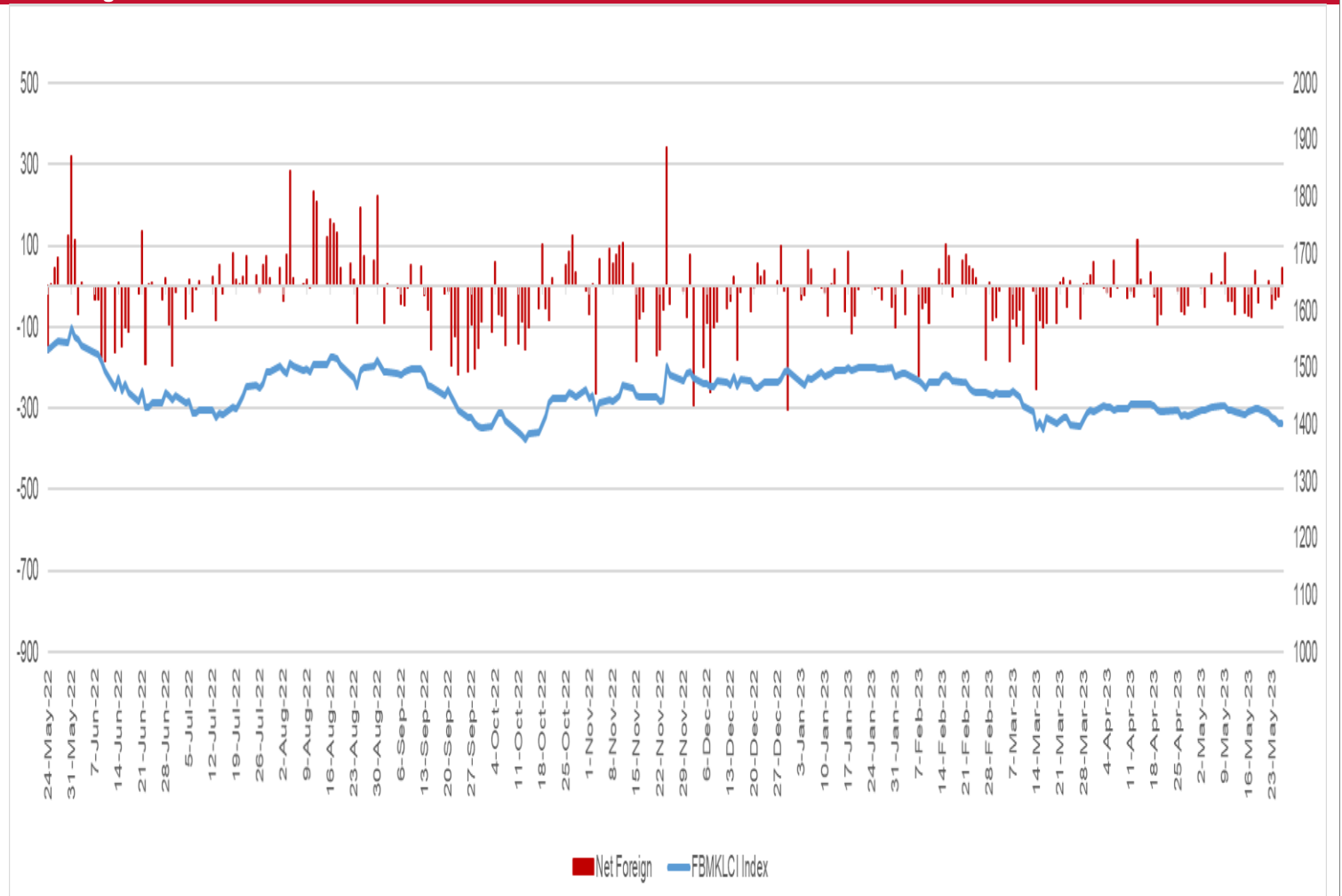
Chart 2 – DJIA



Source: Kenanga Research,

29 May 2023

Net Foreign Trade Position vs FBMKLCI



Foreign investors remained net sellers with net outflows of RM58.7m last week compared to cumulative net outflows of RM211.0m in the prior week.

Source: Kenanga Research

29 May 2023

STOCK CALL MONITOR*




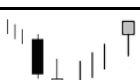




Stock Name	Issue Date (ID)	Rating	Price @ ID RM	Resistance Price (R1) RM	Stop Loss Price (SL) RM	Upside Potential @ ID %	Downside Risk @ ID %	Risk to Reward Ratio	Highest Price since ID RM	Lowest Price since ID RM	Last Price RM	Status^	Date Status Fulfilled
GDEX BHD	3/5/2023	Technical Buy	0.20	0.25	0.15	25%	-25%	1.00x	0.21	0.16	0.18	Open	
POS MALAYSIA BERHAD	3/5/2023	Technical Buy	0.56	0.61	0.51	10%	-8%	1.22x	0.56	0.53	0.55	Open	
NCT ALLIANCE BHD	5/5/2023	Technical Buy	0.37	0.42	0.32	14%	-14%	1.00x	0.38	0.35	0.35	Open	
POWER ROOT BHD	5/5/2023	Technical Buy	2.16	2.40	1.94	11%	-10%	1.09x	2.26	1.97	2.08	Open	
ECONPILE HOLDINGS BHD	9/5/2023	Technical Buy	0.22	0.25	0.18	16%	-16%	1.00x	0.23	0.17	0.19	SL Hit	23/5/2023
ALLIANCE BANK MALAYSIA BHD	9/5/2023	Technical Buy	3.39	3.75	3.06	11%	-10%	1.09x	3.39	3.30	3.35	Open	
JHM CONSOLIDATION BHD	10/5/2023	Technical Buy	0.76	0.85	0.67	13%	-11%	1.12x	0.80	0.72	0.74	Open	
PERAK TRANSIT BHD	10/5/2023	Technical Buy	1.01	1.14	0.90	13%	-11%	1.18x	1.14	1.01	1.10	TP Hit	11/5/2023
MY EG SERVICES BHD	11/5/2023	Technical Buy	0.79	0.89	0.69	13%	-12%	1.05x	0.81	0.73	0.78	Open	
RAMSSOL GROUP BHD	11/5/2023	Technical Buy	0.38	0.43	0.34	12%	-12%	1.00x	0.40	0.34	0.35	Open	
ANCOM NYLEX BHD	12/5/2023	Technical Buy	1.00	1.10	0.90	10%	-10%	1.00x	1.02	1.00	1.00	Open	
SOLARVEST HOLDINGS BHD	12/5/2023	Technical Buy	0.87	0.96	0.78	11%	-10%	1.12x	1.03	0.86	1.00	TP Hit	18/5/223
HENG HUAT RESOURCES GROUP BH	16/5/2023	Technical Buy	0.32	0.36	0.28	13%	-13%	1.00x	0.35	0.31	0.33	Open	
UMEDIC GROUP BHD	16/5/2023	Technical Buy	0.76	0.86	0.67	13%	-13%	1.00x	0.78	0.70	0.73	Open	
MALAKOFF CORP BHD	17/5/2023	Technical Buy	0.67	0.74	0.61	10%	-9%	1.17x	0.69	0.67	0.68	Open	
CYPARK RESOURCES BHD	17/5/2023	Technical Buy	0.73	0.82	0.63	13%	-13%	1.00x	0.75	0.61	0.62	SL Hit	26/5/2023
CORAZA INTEGRATED TECHNOLOGY	18/5/2023	Technical Buy	0.82	0.90	0.73	10%	-10%	1.00x	0.83	0.72	0.78	SL Hit	25/5/2023
KIM TECK CHEONG CONSOLIDATED	18/5/2023	Technical Buy	0.24	0.27	0.21	13%	-13%	1.00x	0.26	0.23	0.24	Open	
AJIYA BHD	19/5/2023	Technical Buy	1.53	1.71	1.36	12%	-11%	1.06x	1.54	1.40	1.43	Open	
QES GROUP BHD	19/5/2023	Technical Buy	0.54	0.60	0.48	11%	-11%	1.00x	0.56	0.51	0.54	Open	
LTKM BHD	23/5/2023	Technical Buy	1.43	1.62	1.28	13%	-10%	1.27x	1.46	1.43	1.46	Open	
PMB TECHNOLOGY BHD	23/5/2023	Technical Buy	3.89	4.30	3.51	11%	-10%	1.08x	3.93	3.77	3.78	Open	
MUAR BAN LEE GROUP BHD	24/5/2023	Technical Buy	0.52	0.56	0.47	9%	-9%	1.00x	0.52	0.51	0.52	Open	
YEW LEE PACIFIC GROUP BHD	24/5/2023	Technical Buy	0.33	0.37	0.29	14%	-11%	1.29x	0.33	0.32	0.33	Open	
INARI AMERTRON BHD	25/5/2023	Technical Buy	2.25	2.53	1.97	12%	-12%	1.00x	2.47	2.25	2.47	Open	
SUNVIEW GROUP BHD	25/5/2023	Technical Buy	0.70	0.77	0.63	10%	-10%	1.00x	0.72	0.69	0.72	Open	
BUMI ARMADA BERHAD	26/5/2023	Technical Buy	0.66	0.73	0.59	11%	-10%	1.15x	0.66	0.64	0.64	Open	
COASTAL CONTRACTS BHD	26/5/2023	Technical Buy	2.35	2.62	2.10	11%	-11%	1.08x	2.35	2.31	2.32	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.

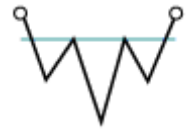
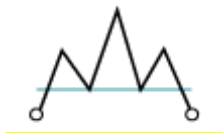



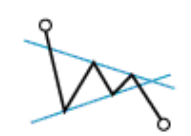
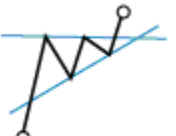
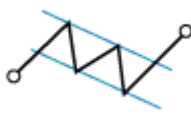
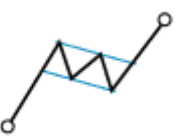

^ Status will be categorised as either: (i) "TP hit" when stock reaches target price first OR (ii) "SL hit" when stock touches stop loss first OR (iii) "Open" when neither TP nor SL has been hit.

29 May 2023

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, and 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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