

'Sentiment Should Get a Buy in for 2025 Prospects'

- We expect greater stability in 2025 amid better policy visibility especially in advanced economies.
- Malaysia 2024 reforms efforts to bear fruits in 2025
- Better clarity on US's policy path in 2025 – better risk-reward proposition
- That said, investors should start pivoting towards next year
- Our FBMKLCI year-end target of 1,720-points remains unchanged though we will revisit this during our 2H24 strategy release amid several unfolding events.

Table 1: ASEAN-4 PER

Index	1Q24 Closing	1Q24 PER	10-Year (A)	Discount/Premium
SET	1,377.94	17.7x	16.8x	+5.4%
JCI	7,288.81	25.3x	20.1x	+25.9%
FBMKLCI	1,536.07	14.6x	16.7x	-12.6%
STI	3,224.01	10.2x	14.2x	-28.2%
PSEi	6,903.53	12.8x	18.0x	-28.9%

Source: Bloomberg

Table 2: Summary of BIMB's Top Picks, Dividend and ESG Play

BIMB Top Picks 2024				
No	Stocks	TP (RM)	Upside (%)	Call
1	Gabungan AQRS	0.49	40.0%	BUY
2	Gamuda	6.30	23.1%	BUY
3	Hibiscus	3.40	25.0%	BUY
4	IHH	7.17	17.5%	BUY
5	MISC	10.10	29.7%	BUY
BIMB Dividend Play 2024				
No	Stocks	TP (RM)	DPS(sen) CY24	Yield (%) CY24
1	MISC	10.10	33.00	4.24
2	Time Dotcom	6.09	21.00	4.04
3	Hup Seng Industries	1.04	3.10	3.85
4	Petronas Dagangan	25.40	78.00	3.57
5	CelcomDigi	4.84	13.50	3.21
BIMB ESG Play 2024				
No	Stocks	TP (RM)	ESG Score	Rating
1	Petronas Dagangan	25.40	4.56	Excellent
2	MISC	10.10	4.56	Excellent
3	Press Metal	5.43	4.55	Excellent
4	Veleso Energy	0.34	4.45	Best
5	Hibiscus Petroleum	3.40	4.45	Best

Source: Bloomberg, Company, BIMB Securities

Notes: Refer the complete info at table 6, 7 & 8

Investment Proposition: What to Expect for the Remaining of 2024

Sentiment for the rest of the year will remain dictated by several key factors, particularly the US's policy path. When will the US start normalizing the FFR, will remain a hotly debated topic well into the 2H24. With US's inflation that remains sticky, touching 3.5% in March (February: 3.2%; January: 3.1%), quite a distance compared to its central bank target of circa 2.0%, will emerge as the biggest hurdle for the global equity market. This also means that USD will reign supreme until and unless US inflation is convincingly on the way down. That is also the biggest dampener for the turnaround in Ringgit. Reliable pundits predict circa RM4.45-RM4.50 per

Chart 1: FBMKLCI



Source: Bloomberg, BIMB Securities

Table 3: Bursa Malaysia vs. Regional Peers

Indices	1Q24 Closing	YTD	QoQ
FBMKLCI	1,536.07	5.6	5.6
FBM EMAS	11,571.59	6.9	6.9
FBM Hijrah Shariah	12,227.55	3.8	3.8
FBM EMAS Shariah	11,643.52	6.0	6.0
FBM 70	16,234.08	11.1	11.1
FBM 100	11,217.57	7.0	7.0
MSCI AP Ex-Japan	537.27	1.6	1.6
SET	1,377.94	-2.7	-2.7
JCI	7,288.81	0.2	0.2
STI	3,224.01	-0.5	-0.5
PSEi	6,903.53	7.0	7.0

Source: Bloomberg, BIMB Securities

Table 4: FBMKLCI 1Q24 Winners and Losers

Top Gainers					
Stocks	FBMKLCI		Stocks	FBMHS	
	Price (RM)	YTD Chg %		Price (RM)	YTD Chg %
YTL Power	3.87	52.4	United Plt	23.98	34.7
YTL Corp	2.63	39.2	KPJ	1.92	33.3
CIMB	6.64	13.5	Gamuda	5.27	14.8
Tenaga	11.38	13.3	Tenaga	11.38	13.3
Axiata	2.69	13.0	Axiata	2.69	13.0
Top Losers					
Stocks	FBMKLCI		Stocks	FBMHS	
	Price (RM)	YTD Chg %		Price (RM)	YTD Chg %
Maxis	3.37	-12.5	Maxis	3.37	-12.5
PetChem	6.71	-6.3	Top Glove	0.80	-11.1
Simeplant	4.31	-3.4	PetChem	6.71	-6.3
Pmetal	4.65	-3.3	Timecom	5.18	-4.1
Public Bank	4.22	-1.6	Simeplant	4.31	-3.4

Source: Bloomberg, BIMB Securities

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Dollar year-end target for the national currency, however. That is a cool 6.9% jump from the current level (April 15th: RM4.78 per Dollar). **US unemployment condition will also determine investors' risk tolerance amid the still sizzling and hot US labour market. The biggest worry is US's JOLTS that remained above 8mn (February 2024: 8.7mn), close to 60% higher than the pre COVID-19 level. That said, Phillip Curve theory suggests slippery road for US's inflation in the near term.**

The escalating tension in the Middle East (ME) could also push investors to be overweight on safe haven assets, namely USD and US Treasury apart from gold, another setback for the Ringgit. On the same beat, we are concerned over the boiling situation in the ME which could easily escalate into a full-blown war, jeopardizing the supply of oil from the region. So far, only Iran involves in the fray though we are not sure about new ally. The absence of peace maker, either from UN or the AEs, is also a concern which could tip the region into an extended period of turmoil. **Positively, the bottoming out of China's economy will endear investors sentiment over our country, thanks to China that is getting its house in order. China's March Manufacturing PMI zoomed to 50.8 against 49.1 in February.**

Above all, will the government bite the bullet on Subsidy Rationalization Initiative (SRI)? Though this could be bad news for aggregate consumption but it will be good news for our fiscal condition in 2025 and hence, investors sentiment in 2H24. **As the sky is expected to be blue in 2025 thanks to better clarity on US's policy path and Malaysia's much better fiscal condition (fiscal deficit is likely to be in the region of 3.0%++ in 2025 thanks to SRI) will become the driver that will delight investors.** Combination of factors will also drive the Ringgit higher, which is set to close its gap against its fair value. We have always maintained Ringgit fair value at RM4.20-RM4.30 per Dollar in the long run. Key risk is the full blown war in the ME, a prolong rebound in US inflation and bigger-than-expected impact to aggregate consumption as a result of SRI. The uncertain outcome of US presidential election may also bite.

No change to our 2024 year-end target of 1,720-points, though we will revisit this in our 2H24 strategy piece.

1Q24 Equity Market Analysis

- FBMKLCI reached its zenith in February (1,558.80-points) thanks to the excitement over US policy path which may see its first cut in 2 years. Reality bite, however, as US inflation proved tough to be tamed, lowering the expectation of investors and hence, FBMKLCI that ended the quarter at 1,536.07-points. It was a no-small-feat nonetheless, as the bellwether index clocked in a QoQ and YoY jump of 5.5% and 7.9% respectively in 1Q24.
- **FBMKLCI could have shined in 1Q24 if not for the rapid profit taking activity post US's March policy meeting.** It was a volatile 1Q24 for the index following the quarter's high of 1,558.80 (27th February) and a low of 1,453.10 (2nd January), close to 105 points difference compared to 51.24-points from peak-to-through in 4Q23. Investors could be encouraged by US's expected policy cut, speculated to be as early as in March or May, only to be dashed, following US's strong employment and inflation numbers. FBM Hijrah trailed the FBMKLCI form however

Ringgit fair value: RM4.20-RM4.30 per Dollar in the long run.

No change to our year end target of 1,720-points.

FBMKLCI clocked in a QoQ and YoY jump of 5.5% and 7.9% respectively.

It was a volatile 1Q24 for FBMKLCI amid peak-to-through that exceeded 100 points

following a QoQ and YoY jump of 3.8% and 6.5% which is not surprising given foreign investors penchant for financial stocks. Above all, we were witnessing a change in fortune for FBMKLCI following foreign institutional investors that accumulated an impressive RM2.3bn of Bursa Malaysia equities until 3rd week of March (note: net capital inflow) only to be reversed thereafter until the end of 1Q24. In total foreign investors was a net seller to the tune of -RM875mn in 1Q24, a slight improvement compared to -RM1.8bn for 1Q23 respectively. The heightened net selling pressure by foreign investors capped the rise in Ringgit which touched its bottom of RM4.7987 per Dollar on 20th of February.

Foreign investors turned a net seller from mid-March onwards.

- **Investors sentiment in 1Q24 were, among others, dampened by the uncertainty over US's policy direction and China's economic trouble.**

The much anticipated reversal in US's policy direction have either make or break sentiment. Indeed, the might of USD have hurt every country and therefore, the expected change in dynamics to temper that. Though it was an ideal situation where US central bank could lift the flag for its central bank to begin cutting its rate but taming inflation is never a straight forward game. At the heart of this is its strong labour market. To have a strong conviction to cut policy rate, US's unemployment has to be on the way up but this has been a very slippery road or snail pace momentum, at best. Case in point is its monthly unemployment numbers that have stuck at 3.7% from November until January only to jump minutely to 3.9% in February before slipping back to 3.8% in March. At this stage, there is no certainty that US unemployment numbers may zoom above 4.0% steadily, let alone to reach US FOMC target of 4.5% anytime soon. Hence, the jittery sentiment over risky asset class. China did no justice to global equity market either given its trouble property market and local government that remained neck high in debt. To defuse the situation and boost the economy, China's central bank has cut its 5-year loan prime rate by 0.25% to 3.95% in February, the largest in record. Above all, we are worry over inflation situation in China which has been in deflation mode since October, only to jump slightly to 0.7% in February (January: -0.8%), courtesy of rapid spending due to CNY. China's inflation moderated back or to 0.1% in March. There is a danger that this could slip into deflation from April onwards.

Uncertainty over US's policy path weighed on risk tolerance.

Sizzling U's S JOLTS a bane.

- **Ringgit oversold position remains a concern.** It closed the quarter at RM4.7250 per Dollar, a further drop of 4.3% and 6.9% on QoQ and YoY basis. Ringgit was hammered by several risk factors including the strength of USD, China growth risk and challenging external conditions which hurt our exports for the most part of 2023 and into 2024. The current Ringgit position does not reflect our fundamentals however given a marked improvement in political condition, enviable growth potential, improving fiscal conditions. In sum, Ringgit was hurt mostly by external factors. Confidence over Ringgit is also highly influenced by the government's reforms efforts which may bear fruits only in 2025.

Ringgit remained in oversold position.

- **How did we fare against regional peers and regional benchmark 1Q24? FBMKLCI which** expanded by 5.6% YTD outperformed SET (-2.7% YTD), STI (-0.5%), JCI (+0.2%), a laggard only to PSEi (+7.0%). It also thumped MSCI AP ex-Japan (+4.4%), the region's benchmark index. The oversold condition in STI and JCI could bring a spillover effect to regional players like FBMKLCI and PCOMP which we expect to continue well into the rest

FBMKLCI did fairly commendable in 1Q24.

of 2024. This is not reflected in the Ringgit form however amid Ringgit that drop 4.3% QoQ, comparative against regional peers like Singapore's Dollar (-2.2%), Thailand's Baht (-6.1%) Indonesia's Rupiah (-3.0%) and Philippines's PESO (-1.5%). It is imperative to highlight Ringgit's less-than-inspiring performance YTD which is both a concern and an opportunity.

- **How about capital inflow into equity in 1Q24?** How did Bursa Malaysia do compared to ASEAN-4 peers? On that score, Bursa Malaysia YTD equity capital outflows of -RM875mn (USD185mn; average 1Q24 Ringgit: RM4.7336 per Dollar) is a huge disparity compared to Thailand Stock Exchange significant outflows of -USD3.6bn though pale compared to an impressive inflow into the Philippines (USD450mn) and Indonesia (USD3.4bn). With challenging external condition and various shocks reverberating since early of the year, Bursa Malaysia delivered a 'resilient' form, in our view.
- **FBMKLCI was also dragged by challenging economic performance amid its 2023 GDP growth** of 3.7% that came in below the official target of 4.0%-4.5%. This jittered the market particularly when our Manufacturing PMI remained in contraction mode for the first 3 months of the year (January: 49.0; February: 49.5; March: 48.4).
- **FBMKLCI ended 1Q24 at a PER of 14.6x, a 12.6% discount against a 10-year average of 16.7x (note: excluding COVID-19 years).** Though FBMKLCI may benefit from the expected return of foreign investors, the momentum could be capped by an equally or more attractive regional peers position particularly for PSEi and STI though we can boast with attractive position compared to SET and JCI (refer to Table 1).
- **We foresee several uncertainties that could dampen trading sentiment,** chiefly the US interest rate downcycle which has yet to start. US Federal Reserve penciled that they could begin cutting the FFR by three times this year though this has been marred by the recent drop in US's March unemployment (3.8%; February: 3.9%) and the rise in inflations numbers (3.5%; February: 3.2%).
- **Oil price, using Brent Crude as a benchmark, could remain northbound and test the USD100 per barrel level if tension escalates in ME.** Brent, which has been trading below USD90 per barrel since February, surpassed the psychological level of USD90 per barrel in April no thanks to the escalation of tension in ME following Iran attack of Israel. Though there is no telling if the situation may get worsened but should that happen, Brent could be heading northbound and this will take a toll on global growth and by extension, sentiment against equity market.
- **SRI: Will the Government or will they not?** Much has been said about the government's SRI including 'when' and 'how'. We however must view this through the lens of the government which must correct the distortion in the economy. Subsidizing essential goods indefinitely is negative for the economy even if we are a net oil producer as they will have to confront revenue leakages, pollution and wastages. Having said that, the government is aiming to rollout SRI in 2H24 covering goods like petrol, diesel and chicken eggs, after the earlier ones like chicken

Bursa Malaysia was resilient against its peers (note: capital flows).

Malaysia 2023 growth was lower-than-expected.

FBMKLCI remains attractive.

Several risk factors could weigh on sentiment.

Oil could be heading north amid ME tension.

SRI: Will the government or will they not?

(October 2023) and electricity (January 2024). Will the government or will they not bite the bullet on this? Our concern mainly stems from the possibility delay or worst, a complete abandonment to roll out this as this will dent the investors' confidence.

- **Nonetheless, we opine that investors will price-in the prospect of a lean government fiscal position from 2025 onwards**, stable political condition, Ringgit competitiveness, moderation in US inflation in 2024/25, and the prospects of policy rate cut by Federal Reserve which could reach 75 and 50 bps in 2024 and 2025 respectively. **On that score, we retain our 2024 year-end target of 1,720 -points.**

Various catalysts may power the bellwether index.

Table 5: BIMB Securities Sector Recommendation (2024)

No	Stock	Call
1	Auto	Neutral
2	Construction	Overweight
3	Consumer	Neutral
4	Healthcare	Overweight
5	Industrial	Neutral
6	Oil and Gas	Overweight
7	Plantation	Neutral
8	Property	Neutral
9	Rubber Gloves	Underweight
10	Transportation	Neutral
11	Telco	Overweight
12	Utility	Neutral

Source: BIMB Securities

Table 6: BIMB Securities Top Pick (2024)

No	Stock	Call	TP (RM)	^CP (RM)	Upside Potential
1	Gabungan AQRS	BUY	0.49	0.35	40.0%
2	Gamuda	BUY	6.30	5.12	23.1%
3	Hibiscus	BUY	3.40	2.72	25.0%
4	IHH	BUY	7.17	6.10	17.5%
5	MISC	BUY	10.10	7.79	29.7%
6	MMHE	BUY	0.94	0.48	97.9%
7	MRDIY	BUY	2.30	1.49	54.4%
8	TIME	BUY	6.09	5.20	17.1%
9	Tenaga Nasional	BUY	12.57	11.48	9.49%
10	Telekom Malaysia	BUY	7.06	6.00	17.67%
11	Velesto	BUY	0.34	0.27	11.1%

Source: BIMB Securities

^CP: Closing prices as at 16th April 2024

Table 7: BIMB Universe Top Pick Dividend Stocks (2024)

No	Stock	TP (RM)	^CP (RM)	DPS (sen) CY24	Yield (%) CY24
1	MISC	10.10	7.79	33.00	4.24
2	Time Dotcom	6.09	5.20	21.00	4.04
3	Hup Seng Industries	1.04	0.81	3.10	3.85
4	Petronas Dagangan	25.40	21.82	78.00	3.57
5	CelcomDigi	4.84	4.20	13.50	3.21
6	MMHE	0.94	0.48	1.50	3.16
7	Telekom Malaysia	7.06	6.00	18.00	3.00
8	Gabungan AQRS	0.49	0.35	1.00	2.86
9	Tenaga Nasional	12.57	11.48	31.40	2.74
10	Mah Sing Group	1.11	1.21	3.00	2.48

Source: BIMB Securities

^CP: Closing prices as at 16th April 2024

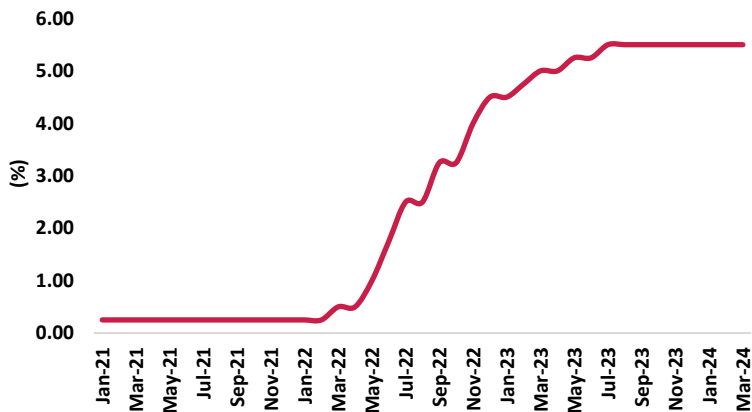
Table 8: BIMB Universe Top Pick on ESG (2024)

No	Stock	Environment	Social	Governance	Sum	Ratings
1	Petronas Dagangan	1.67	1.67	1.22	4.6	4.5-5.0 = Excellent 4.0-4.4 = Best 3.0-3.9 = Good 2.0-2.9 = Fair 1.0-1.9 = Poor
2	MISC	1.67	1.67	1.22	4.56	
3	Press Metal	1.67	1.44	1.44	4.56	
4	Velesto Energy	1.67	1.67	1.11	4.45	
5	Hibiscus Petroleum	1.67	1.67	1.11	4.45	
6	Top Glove	1.67	1.33	1.55	4.39	
7	Gas Malaysia	1.42	1.67	1.22	4.33	
8	Petronas Gas	1.42	1.67	1.22	4.28	
9	T7 Global	1.67	1.67	0.89	4.23	
10	Axiata	1.25	1.44	1.44	4.20	
Average		1.58	1.59	1.24	4.41	

Source: BIMB Securities

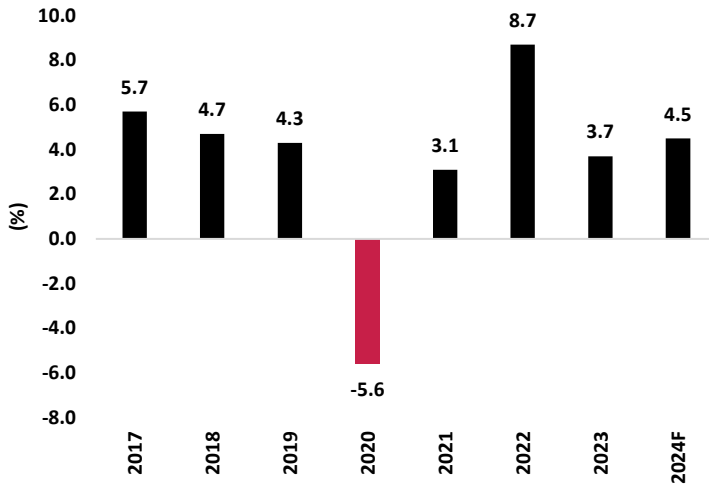
US FOMC signals a loose policy outlook.

Chart 1: US FFR



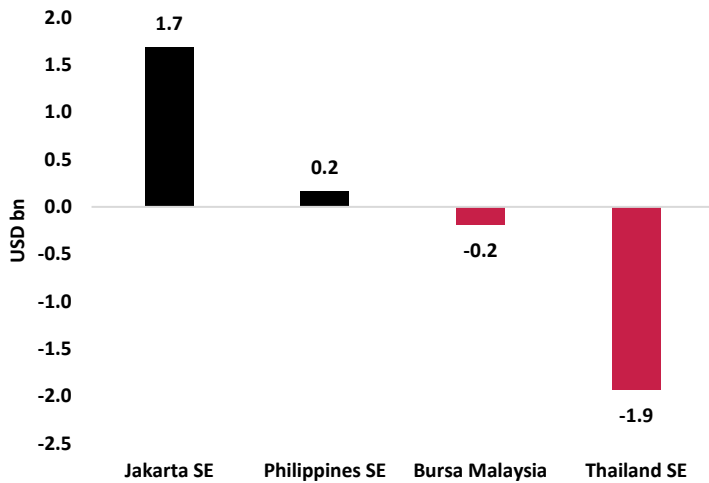
Source: Bloomberg, BIMB Securities

Chart 2: Malaysia GDP Growth (2017-2024F)



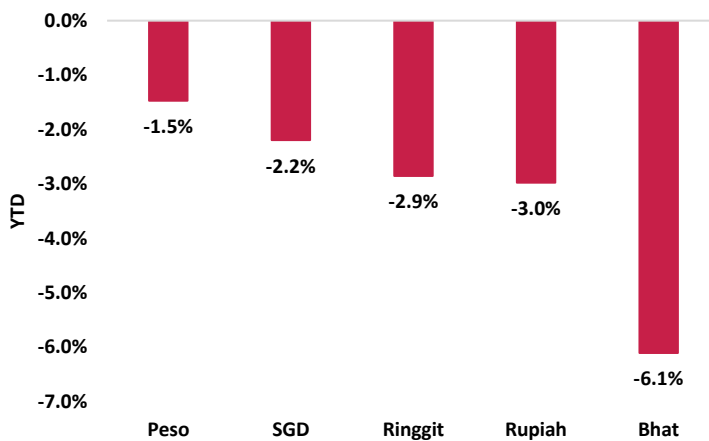
Source: DOSM, Bloomberg

Chart 3: Equity Capital Inflows – ASEAN-4 (1Q24)



Source: Bloomberg, BIMB Securities

Chart 4: Ringgit versus ASEAN Peers (1Q24; YoY)



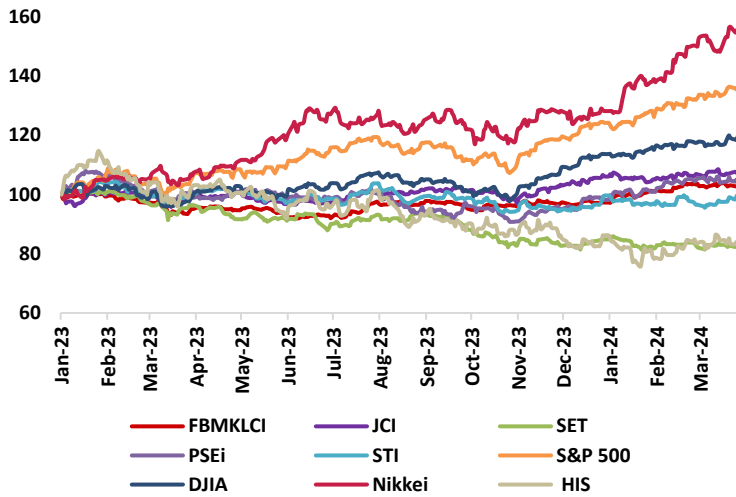
Source: Bloomberg, BIMB Securities

An upside risk to 2024 GDP.

An outflow for Bursa Malaysia was among the lowest in ASEAN.

Ringgit tracked its peers.

Chart 5: FBMKLCI versus Key Index (rebase to 100)



Source: Bloomberg, BIMB Securities

Chart 6: Brent Crude (Monthly; March 2023 – March 2024)



Source: DOSM, BIMB Securities

A mixed form for ASEAN in 1Q24

Brent surpassed USD90 per barrel in April due to the tension in ME.

DEFINITION OF RATINGS

BIMB Securities uses the following rating system:

STOCK RECOMMENDATION

BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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