

Malaysia Morning Cuppa

Top Story

REITS (NEUTRAL) – DOWNGRADE

Unpredictability Reigns Supreme; D/G To NEUTRAL

Sector Update

D/G sector weighting to NEUTRAL from Overweight. Uncertainties on consumer confidence due to the rising number of COVID-19 cases of late indicate that movement restrictions and rental assistance may be extended. With the market rotating into cyclical stocks and no further expectations of a rate cut, the upside for MREIT share prices will likely be limited. Narrowing yield spreads (expected to extend into FY21) also render MREITs a less attractive yield play. That said, the low interest rate environment should give REIT managers the opportunity to resume inorganic growth plans.

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Today's Report: [REITS : Unpredictability Reigns Supreme; D/G To NEUTRAL \(10 Dec 2020\)](#)

Previous Report: [REITS : One Less Thing To Worry About; Still O/W \(13 Aug 2020\)](#)

Other Stories

Kumpulan Powernet (KPB MK, BUY, TP: MYR6.46)

Contract Flow Continues; Reiterate BUY

Company Update

Reiterate BUY with a higher TP of MYR6.46 from MYR5.70, 24% upside and c.1% FY21 (Jun) yield. We are positive on Kumpulan Powernet's MYR296m in engineering, procurement, construction & commissioning of a mini hydro plant, demonstrating its ability to win renewable energy related jobs. We are upbeat on this stock, as KPOWER offers strong earnings growth, premised on the potential doubling of its orderbook by the end-FY21, as well as its superior ROE.

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Today's Report: [Kumpulan Powernet : Contract Flow Continues; Reiterate BUY \(10 Dec 2020\)](#)

Previous Report: [Kumpulan Powernet : A Good Start; Reiterate BUY \(1 Dec 2020\)](#)

MRCB-Quill REIT (MQREIT MK, BUY, TP: MYR0.95)

Occupancy Rates Stable For Now; Maintain BUY

Company Update

BUY, new DDM-derived TP of MYR0.95 from MYR0.87, 9% upside with c.8% FY21F yield. MRCB-Quill REIT's stable occupancy rate of c.91% and flat-to-positive reversion rates despite COVID-19 suggest that it is set to chart steady earnings growth. Although the non-renewal risk remains a key concern (21% of NLA due in FY21), we believe management may be aiming to reset its strategy, complemented by its expected name change to Sentral REIT in the new year.

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Today's Report: [MRCB-Quill REIT : Occupancy Rates Stable For Now; Maintain BUY \(10 Dec 2020\)](#)

Previous Report: [MRCB-Quill REIT : Disposing An Underperformer; Maintain BUY \(13 Nov 2020\)](#)

Chart 1: FBM KLCI chart



		Chg
KLCI Futures Dec 2020	1,647.00	+18.0
KLCI Futures Jan 2021	1,647.00	+16.0
Brent Crude Oil (USD/bbl)	48.86	+0.02
CPO Spot Price (MYR/Tonne)	3,647.50*	+7.5
USD/EUR	1.21	(0.00)
JPY/USD	104.23	+0.07
USD/MYR	4.06	(0.01)
JPY/MYR	3.90	(0.01)
EUR/MYR	4.91	(0.02)

Note: *As at 8 Dec 2020 closing

Table 1: Regional markets (9 Dec 2020)

	Bloomberg Code	Index	Chg	YTD (%)
FBM KLCI	: FBMKLCI	1,646.53	↑ +14.83	+3.6
FTSE M'sia Emas	: FBMEMAS	11,874.58	↑ +58.79	+4.9
FTSE M'sia 70	: FBM70	15,287.47	↓ (80.07)	+7.6
FTSE M'sia 100	: FBM100	11,631.72	↑ +63.09	+4.7
Singapore	: FSSTI	2,843.07	↑ +17.44	(11.8)
Thailand	: SET	1,482.67	↑ +3.75	(6.2)
Philippines	: PCOMP	7,102.66	↓ (101.01)	(9.1)
Indonesia	: JCI	5,944.41*	-	(5.6)
Hong Kong	: HSI	26,502.84	↑ +198.28	(6.0)
China, Shanghai	: SHCOMP	3,371.96	↓ (38.21)	+10.6
China, Shenzhen	: SZCOMP	2,250.81	↓ (43.17)	+30.6
Korea	: KOSPI	2,755.47	↑ +54.54	+25.4
Taiwan	: TWSE	14,390.14	↑ +29.74	+19.9
Japan	: NKY	26,817.94	↑ +350.86	+13.4
Dow Jones	: INDU	30,068.81	↓ (105.07)	+5.4
S&P 500	: SPX	3,672.82	↓ (29.43)	+13.7
Nasdaq	: CCMP	12,338.95	↓ (243.82)	+37.5

Note: *As at 8 Dec 2020 closing

Top BUYs

	TP (MYR)	Upside (%)	Shariah	Catalysts
DRB-HICOM (DRB MK)	2.50	16.8	Y	<ul style="list-style-type: none"> We continue to like the stock, given strong prospects for Proton to continue regaining market share. Proton expanding into regional markets could be a medium-term positive Geely partnership offers access to its product suite, research & development resources, and component sourcing economies of scale Various physical assets are embedded with DRB have significant value-accretion potential in the medium term
Malayan Banking (MAY MK)	9.80	16.9	N	<ul style="list-style-type: none"> Its NIM sensitivity to Overnight Policy Rate cuts is low, loan growth will likely be ahead of industry average, has sizeable unrealised mark-to-market bond gains, and headroom for cost cuts Aggressive loan provisioning in 2020 increases possibility of write-backs Dividend yield remains attractive
Press Metal (PMAH MK)	8.50	5.9	Y	<ul style="list-style-type: none"> Robust FY19-22F earnings CAGR of 40% on the back of improving London Metal Exchange aluminium prices alongside capacity expansion coming online in 1Q21 Low-carbon footprint relative to its peers could offer long-term upside potential amid global decarbonisation efforts
Serba Dinamik (SDH MK)	2.66	50.3	Y	<ul style="list-style-type: none"> Serba Dinamik remains one of our sector Top Picks, with its consistent earnings growth – backed by a robust orderbook and contract flows Valuations remain undemanding below 10x FY21 P/E
Sunway Construction (SCGB MK)	2.09	10.6	Y	<ul style="list-style-type: none"> Potentially emerging as an early winner, should a more bullish scenario unfolds within the sector Optimistic on earnings recovery, supported by strengths in work execution, aggressive tendering, and steady jobs from the parent company Entry point appears more favourable following a price retracement ahead of its results

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