

STOCKS TO WATCH AHEAD OF FBM KLCI REVIEW NEXT MONTH

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PETALING JAYA: Astro Malaysia Holdings Bhd and AMMB Holdings Bhd could potentially face some near-term selling pressure ahead of the review of the KLCI constituents in June, as investors reposition their weightings on these stocks, said Affin Hwang Capital.

“Likewise, we screened our coverage of 118 companies for any risk of companies losing their syariah status after addressing its non-conventional gearing, it said.

Affin Hwang maintained its “overweight” call and year-end KLCI target of 1,923. It said the upcoming KLCI/syariah reviews have little bearing on its sector weighting or stock positioning.

“With likely better governance from the newly formed government and potentially improved consumer demand ahead, there could be likely upside to our earnings growth estimates (+7.1% for 2018E). Near term, with the removal of the risk of political uncertainty, improved sentiment and a still-undervalued ringgit (RM3.80 year-end target), we think that risk-reward is favourable. Key risks include a global macro slowdown, capital outflows and weak domestic demand.”

MIDF Research said the MSCI rebalancing exercises (in May) have resulted in significant increase in trading activities, both in trading volume and value of transactions.

It said the FTSE Bursa Malaysia Index Series semi-annual review is expected to be completed on May 31 as well, with announcements of the outcome to be made known afterwards. FBM KLCI as with the other indices belonging to this index series will see changes of its constituents resulting from the index review after the close of markets on June 15.

It said current constituents at risk of exclusion include Astro Malaysia, YTL Corp Bhd and KLCCP Stapled Group, Hong Leong Financial Group Bhd and RHB Bank Bhd.

Meanwhile, Dialog Group and Hartalega have the biggest potential to be included in the upcoming rebalancing exercise.

“Aside from the stocks under the reserve list, we view that Top Glove Corp Bhd and IJM Corp Bhd are strong candidates to be considered for the next FBM KLCI review due to their ranking in adjusted market cap. Note that Top Glove will also be included into the MSCI Global Standard Index.”

MIDF retained its FBM KLCI 2018 target of 1,900 points. The steps towards interest rate normalisation of major economies (US and Eurozone) is expected to be more prevalent in 2018 against a backdrop of general improvement in macro environment. This situation is likely to exert a degree of downward pressure on risk assets valuation next year.

The Sun Daily