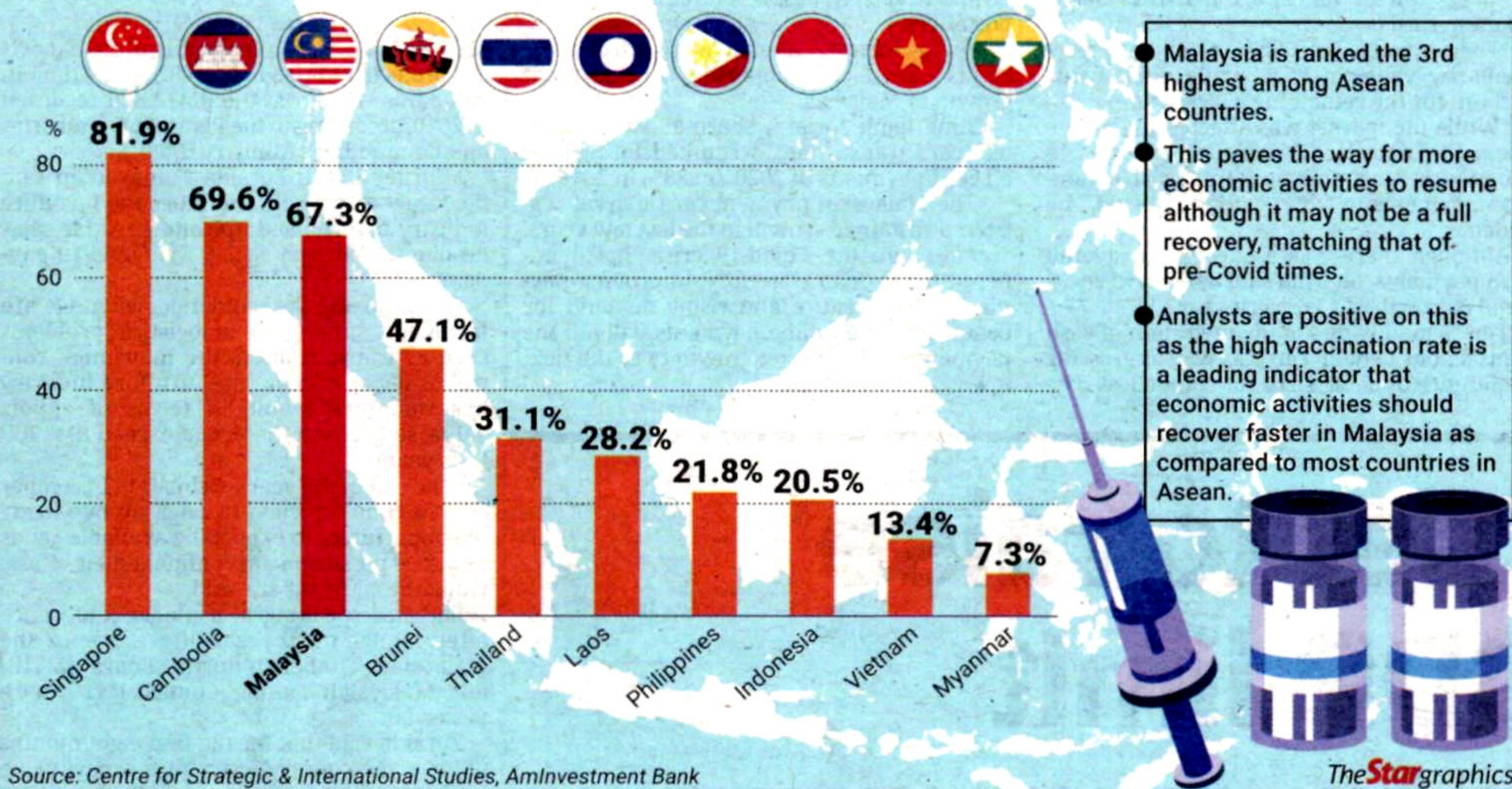


Vaccination rates for Asean (%)



- Malaysia is ranked the 3rd highest among Asean countries.
- This paves the way for more economic activities to resume although it may not be a full recovery, matching that of pre-Covid times.
- Analysts are positive on this as the high vaccination rate is a leading indicator that economic activities should recover faster in Malaysia as compared to most countries in Asean.

Interest in small-cap stocks remains elevated

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RHB Research said this transition into the new normal will bring with it a refocus on fundamentals and the need for investor expectations to be backed up by earnings.

"Investors should seize on opportunities to re-weight into recovery plays at lower levels including looking out for 'bombed-out' stocks. Prevailing risks will require tactical exposure to defensive and high-dividend yield names."

RHB Research said its key overweight sectors include banks, healthcare, gaming, basic materials, oil and gas, transport and logistics.

The research unit also noted that trading activities have tapered off recently, as the market continues to trade sideways in the absence of major positive catalysts, with both the FBM KLCI and FBM 70 showing year-on-year contractions in traded value.

However, investor interest in small-cap stocks continue to stay elevated when compared to the pre-Covid-19 era, as evidenced by the strong 27% year-on-year growth in year-to-date traded value.

The retail participation rate remains healthy at around 39%, which more than offsets the foreign net outflows.

"Should the risk appetite among investors remain weak or worsen, any market run-up may be capped by persistent profit-taking activities," it said.

RHB Research maintained its end-2021 FBM KLCI target of 1,650 points, derived from an unchanged target P/E of 16 times (seven-year mean) on forward earnings.

All eyes on recovery stocks

Economic activities to recover faster in Malaysia

INVESTMENT

By THOMAS HUONG
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KUALA LUMPUR: The lifting of the interstate travel ban from Oct 11 for fully vaccinated individuals and the high Covid-19 vaccination rate in the country will pave the way for the recovery of economic and business activities, say equity analysts.

AmInvestment Bank Research said based on the percentage of the population that has been fully vaccinated, Malaysia is ranked the third highest among Asean countries, behind Singapore and Cambodia.

About 90% of the country's adult population has been fully vaccinated as at Oct 10.

"The high vaccination rate is a leading indicator that economic activities should recover faster in Malaysia as compared to most countries in Asean," said the research house, adding that Covid-19 cases in Malaysia had declined significantly from the peak.

AmInvestment Bank Research also noted that Indonesia, Thailand, Singapore and Brunei are moving towards a "living with Covid" strategy instead of a "zero Covid" strategy favoured previously.

For example, Indonesia had, on Oct 2, allowed 10,000 people to attend the opening ceremony of its maiden large-scale sports event. As for Singapore, the city-state has announced on Oct 9 that it will allow quarantine-free travel into the country for eight more nations.

AmInvestment Bank Research said its top 10 stock picks now include Perak Transit Bhd, with a "buy" call and fair value of RM1.08, as the company should benefit from higher rental income from its integrated public transportation terminal segment as footfall recovers.

"We maintain our view that recovery stocks are likely to gain interest in the fourth quarter and the market could re-rate to our FBM KLCI target of 1,629 points."

AmInvestment Bank Research

The company is also expected to ride on higher sales volume from the petrol stations that it operates.

The research unit believed that the transportation sector stands to benefit the most from the lifting of the interstate travel ban.

"For Malaysia Airports Holdings Bhd (MAHB), it should translate into higher passenger volume," it said.

AmInvestment Bank Research's other top picks are Malayan Banking Bhd or Maybank (fair value: RM9.90), Tenaga Nasional Bhd (RM12.10), CIMB Group Holdings Bhd (RM5.80), Telekom Malaysia Bhd (RM7.10), RHB Bank Bhd (RM6.80), Westports Holdings Bhd (RM5.07), Sime Darby Plantation Bhd (RM4.88), Dialog Group Bhd (RM 3.75) and Media Prima Bhd (75 sen).

The research unit kept its end-2021 FBM KLCI target at 1,643 points while maintaining its target price-to-earnings (P/E) at 15.6 times, which is at -0.5 standard deviation.

"The discount in our valuation reflects the recovery towards normalisation though not fully to the pre-pandemic level in the near term," it said.

Meanwhile, CGS-CIMB Research expects the government to ease international border restrictions over the next few months.

It said beneficiaries of the reopening of

interstate travel are those in the tourism industry such as airlines, airports and hotel players (top pick: MAHB), casino operators, driven by increased visitors to Genting Highlands (top pick: Genting Malaysia Bhd and Genting Bhd) and real estate investment trust (REIT) players, driven by improvement in hotel occupancy rates and footfall in malls (top pick: IGB REIT).

It also expects brewers to benefit from a pick-up in tourism activities (top picks: Carlsberg Brewery Malaysia Bhd and Heineken Malaysia Bhd) and favours retail players (top picks: Bonia Corp Bhd and 7-Eleven Malaysia Holdings Bhd).

"We maintain our view that recovery stocks are likely to gain interest in the fourth quarter of 2021 and the market could re-rate to our FBM KLCI target of 1,629 points (based on 14.5 times P/E for 2022) on the back of expectations of corporate earnings recovery in the fourth quarter," said CGS-CIMB Research.

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TheStarTV.com



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