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TM, KLCC, QL may join FBM KLCI, MAHB and AMMB likely to be dropped



Telekom Malaysia Bhd will likely be added to Bursa Malaysia's benchmark FBM KLCI soon.
NSTP/AIZUDDIN SAAD

By FARAH ADILLA

KUALA LUMPUR: Telekom Malaysia Bhd (TM), KLCC Property Holdings Bhd and QL Resources Bhd will likely be added to Bursa Malaysia's benchmark FBM KLCI soon.

This is when FTSE Russell announces its next semi-annual review of the FTSE Bursa Malaysia Index series after business close on June 4, said Kenanga Research.

On the other hand, Kenanga Research said Malaysia Airports Holdings Bhd (MAHB) and AMMB Holdings Bhd were likely to be dropped, having fallen in market capitalisation rankings below the 36th position.

It said TM was ranked 24th by market capitalisation on the closing prices at cut-off date of May 22, qualifying it for the inclusion.

Kenanga Research said besides that, given two deletions and one inclusion, either KLCC or QL would be included, with chances higher for the former.

It said KLCC had risen to 28th in market capitalisation, being the largest non-constituent versus QL at 30th.

"Both qualify on a free-float criteria where they have free-floats well above the minimum threshold of 15 per cent.

"Our analysis of liquidity shows that KLCC's liquidity has picked up significantly over the past 12 months.

"The rules states that to be included, the security must turn over at least 0.05 per cent of its free-floating shares in issue, using its median daily trading volume per month for at least 10 of the 12 months prior to the semi-annual review."

The firm added that based on its findings of the monthly median daily volumes from June 2019 to May 22, 2020 and using its estimated free float of 24.53 per cent, KLCC had generated median daily turnovers exceeding 0.05 per cent for 11 of the past 12 months.

"On this basis, we believe it has a good chance of inclusion unless the FTSE Russell's definition of free-float differs significantly from ours," it said.

Kenanga said TM and KLCC combined weightage were likely to come in slightly above 3.0 per cent - more than replacing the existing combined weightage of AMMB and MAHB of 2.25 per cent.

"This means that some weightage will inevitably be trimmed from each of the remaining 28 constituents.

"We estimate TM's weightage to be around 1.83 per cent, thereby raising the telecommunication sector's weightage in the index to 12.45 per cent from 10.72 per cent," it said.

Kenanga Research said its year-end target for FBM KLCI was 1,439 points.

"As we look towards the end of the first quarter of 2020 earnings season, which will extend beyond May 31 due to the Movement Control Order-related disruptions, it seems likely that downside risks remain even to our already trimmed 2020 earnings per share.

"Despite this we believe that investors are looking to 2021 earnings to anchor the market.

"Until we sense that earnings downgrades are at a tail-end, we shall remain conservative by applying a punitive PER (price earnings ratio) to value the market," it added.

(Source : <https://www.nst.com.my/business/2020/05/596713/tm-klcc-ql-may-join-fbm-klci-mahb-and-amb-likely-be-dropped>)