In this follow-up note to our 23-August report (Crude Oil – High Octane Events Lying Ahead: HERE), we 1) highlight the consensus ratings on O&G stocks listed on Bursa Malaysia, 2) take a look at Bursa Malaysia Energy Index's (ENERGY) position within the Relative Rotation Graph (RRG) framework, and its overall technical profile including the importance for it to cross the 200-day SMA line in the immediate-term, 3) discuss the technical picture of the five biggest rated O&G stocks and 4) provide a refresh on Brent Crude's technical.

## *O&G - the sector with the highest percentage of BUY calls*

All thirteen O&G stocks (there are 24 stocks in the ENERGY) rated by sell-side analysts have an equivalent STRONG BUY or BUY rating with an average 12-month price return potential of 38% (min: 19%, max: 61%). These rated stocks are currently trading at an average projected PER of 12.4x (current financial year) and 9.7x (next financial year). Rating actions over the last few months are generally skewed towards upgrade on either rating/target price or a combination of both, making it the sector with the highest percentage of Buy recommendations (HERE) on Bursa Malaysia.

**Figure 1: Rating table - arranged by market cap size (cut-off: morning 23 Sep)**

| Name | Market Cap (RM'm) | Price (RM) | Consensus Rating | Target Price (RM) | Upside / Downside (%) | Current Year PE | Next Year PE |
|---|---|---|---|---|---|---|---|
| DIALOG GROUP BHD | 12,301 | 2.18 | 4.8 | 3.30 | 51% | 21.2 | 19.8 |
| YINSON HOLDINGS BHD | 6,679 | 2.3 | 4.9 | 3.20 | 39% | 15.5 | 9.7 |
| BUMI ARMADA BERHAD | 2,426 | 0.41 | 4.8 | 0.66 | 60% | 3.5 | 3.3 |
| HIBISCUS PETROLEUM BHD | 1,872 | 0.93 | 4.5 | 1.50 | 61% | 3.6 | 3.7 |
| DAYANG ENTERPRISE HLDGS BHD | 1,320 | 1.14 | 5.0 | 1.35 | 19% | 14.3 | 11.5 |
| COASTAL CONTRACTS BHD | 1,064 | 2.02 | 5.0 | 2.57 | 27% | 7.2 | 8.3 |
| VELESTO ENERGY BHD | 1,027 | 0.125 | 4.9 | 0.16 | 25% | n.a | 20.8 |
| MALAYSIA MARINE AND HEAVY EN | 640 | 0.4 | 4.1 | 0.55 | 38% | 30.8 | 12.1 |
| WAH SEONG CORP BHD | 503 | 0.65 | 4.2 | 0.97 | 49% | 10.0 | 7.1 |
| DELEUM BERHAD | 305 | 0.76 | 4.3 | 0.91 | 20% | 8.6 | 8.1 |
| ICON OFFSHORE BHD | 298 | 0.11 | 5.0 | 0.16 | 45% | 6.1 | 5.8 |
| UZMA BHD | 148 | 0.42 | 5.0 | 0.56 | 33% | 8.2 | 6.2 |
| RESERVOIR LINK ENERGY BHD | 101 | 0.35 | 4.0 | 0.43 | 23% | 19.4 | 9.5 |
| **Average** | | | **4.7** | | **38%** | **12.4** | **9.7** |

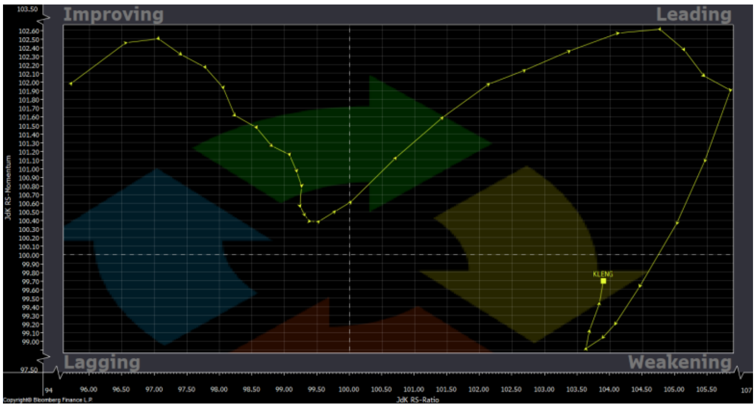
* *Consensus Rating is the average of all the recommendations where each recommendation is ascribed a number from 1-5, with a 1 for Strong Sell, 2 for Sell, 3 for Hold, 4 for Buy and 5 for Strong Buy.*

*Source: Bloomberg*

## *ENERGY - rotation in RRG suggests consolidation is taking place*

Against the Benchmark (FTSE Bursa Malaysia Emas Index), the ENERGY has rotated from the daily RRG's Leading quadrant to the Weakening quadrant. The index has been "circling" in the Weakening quadrant in recent sessions without showing a strong tendency of moving into the "Lagging" quadrant - a likely reflection that the ENERGY is undergoing a period of consolidation following its recent past outperformance vs the Benchmark.

**Figure 2: ENERGY in RRG**




*Source: Bloomberg*

*ENERGY' technical – revisiting the critical 200-day SMA resistance line*

Following ENERGY's rebound between Mid-July to Mid-August, a short-term uptrend has formed. However, the rebound has stalled in recent weeks, at around the index's 200-day SMA line.

Referring to Figure 3, recent quarters' price evidence suggests ENERGY's price actions around the 200-day SMA line are crucial in defining its short-term price directional bias. The index experienced three breakouts and four breakdowns from the said SMA line since November-2020. On average, each breakout and breakdown produced circa +20% and circa -16% returns in the subsequent weeks. Technically, if ENERGY breaks out from the 200-day SMA line, investors may eye the index's next resistance at around the index's multi-quarter resistance line (green colour downtrend line). On the downside, a price rejection from the said SMA line could see the index developing a pullback over the short-term with the immediate support pegged at around the 50-day SMA line.

**Figure 3: ENERGY - price actions (breakout/breakdown) around the 200-day SMA line are crucial in signalling its short-term price directional bias (cut-off: morning 23 Sep)**


*Source: Bloomberg*

*Technical snapshots on five biggest market cap O&G stocks*

**Dialog Group.** Dialog Group's share price nearly halved after breaking down from its multi-month "top-building" sideways range in December-2020, marking its sharpest pullback over the last 10 years. After mildly undershooting its multi-year uptrend line in Jun-2022, the stock rebounded and has been attempting to swing back above the said long-term uptrend line. On the immediate-term basis following its recent rebound leg, Dialog shows a good possibility of developing a consolidation under a resistance zone defined by its 200-day and medium-term downtrend lines (please refer to Figure 4). A successful breakaway from this resistance zone would place the stock back on its long-term uptrend line. On the downside, immediate support may appear in the RM2.05 – RM2.15 zone, which if the stock fails to hold could potentially be interpreted as a price rejection confirmation from its long-term uptrend line.

**Figure 4: Dialog Group – attempting to swing back above its long-term uptrend line**


*Source: Bloomberg*

**Yinson Holdings.** After a sharp drop during the initial phase of the pandemic, Yinson Holdings has been trading sideways with a defined multi-quarter support zone of RM1.80 – RM1.90. The stock tested this zone three times this year, the last was after the completion of its two-for-five rights issue in July – removal of the cash call uncertainty. The stock's positive reaction to the support zone between Mid-July to Mid-September has pushed its share prices slightly above the 200-day SMA and multi-month resistance lines – a constructive medium-term observation. Recent price actions suggest a post-breakout consolidation is taking place in the immediate-term after its Daily RSI hit the overbought threshold. Towards the downside, the RM2.05 area (around the 50- and 100-day SMA lines) is likely to be seen as an immediate-term support zone, which if fail to hold could serve as a yellow flag to the bulls.

**Figure 5: Yinson Holdings – broke above key SMA and multi-month resistance lines and developing a possible consolidation in the immediate-term**

*Source: Bloomberg*

**Bumi Armada.** 94% of the analysts are rating Bumi Armada with a BUY call, up from 66% in March. Chart-wise, after breaking out from its multi-month resistance line in End-August, the stock has been trading in a sideways pattern in a range defined by the 100-day and 200-day SMA lines. A valid breakout from this resistance zone could be seen as a possible signal for a rebound extension to develop over the short term. On the downside, the RM0.390 area is likely to be treated as a support zone, which if fails could see the stock testing its short-term rebound's uptrend line.

**Figure 6: Bumi Armada - attempting a breakout from the 100- and 200-day SMA lines zone**

*Source: Bloomberg*

**Hibiscus Petroleum.** A pure exploration & production (E&P) play, Hibiscus Petroleum has the most immediate exposure to crude oil/natural gas prices. Following its sharp 47% retracement between May-July, the stock experienced a "Bottom-Building" process between Mid-July to Mid-August around its uptrend line that stretches from the pandemic's low, before staging a rebound. The rebound has likely reached an interim top recently at around the 200-day SMA line as the stock has been showing signs of developing a possible consolidation. On the upside, a firm breakout from the 200-day SMA line would be seen as a possible positive price signal. On the downside, the RM0.900 area (located near the 50-day SMA line) is likely to be treated as a support zone, which if broken could see the stock retesting its uptrend line.

**Figure 7: Hibiscus Petroleum - its rebound from the multi-quarter uptrend line stalled at around the 200-day SMA line, a possible consolidation is taking place in the immediate-term**

*Source: Bloomberg*

**Dayang Enterprise.** Recent newsflow on potential higher charter rates for offshore support vessels (OSV) provides tailwinds to vessel owners including Dayang Enterprise, where the company also owns 63.7% in Perdana Petroleum. Similar to Yinson Holdings, Dayang Enterprise has been trading sideways after its initial negative reaction to the pandemic. The stock has formed a multi-quarter support zone of RM0.700 – RM0.770, which it re-tested in Dec-2022 and February-2022. In Early-September, the stock broke out from its multi-month price congestion zone and currently trading above its key SMA lines (50, 100- and 200-day) – constructive medium-term observations. On the downside, traders may see RM1.00-RM1.05 as the immediate-term support zone

**Figure 8: Dayang Enterprise - breaking out from its sideways price congestion zone**


*Source: Bloomberg*

## *Brent Crude - mid-cycle consolidation is still ongoing (21 Sep 2022)*

Referring to Figure 9, after a fake breakout from its multi-month resistance and 200-day SMA lines in End-August, Brent Crude extends its mid-cycle consolidation phase. The commodity is still trading within the retracement leg that started from the high in June. Towards the upside, the commodity needs to break above its multi-month resistance line for its short-term technical picture to turn positive. Meanwhile, support zones are eyed at USD85-USD87 (located around the uptrend line that stretches from the pandemic's low), and followed by USD75-USD80.

**Figure 9: Brent Crude - Consolidation hitting multi-quarter uptrend line**


*Source: Bloomberg*