



AmInvestment Bank

Retail Research

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# TECHNICAL STRATEGY

*Momentum Picks – Technology Sector*

Lew Chee Hao, CMT

lew.chee-hao@ambankgroup.com

+603-2036 2300

*Rationale for report: Market Update*

## Key Indicators

### Technical analysis

Price actions

Chart patterns

Exponential moving averages

(i) 21-day EMA

(ii) 50-day EMA

(iii) 200-day EMA

## Investment Highlights

The FBM KLCI staged a relief rally after the United States announced a reduction in import tariffs on Malaysian goods—from 25% to 19%—bringing rates broadly in line with regional peers. This policy shift eased trade-related concerns and lifted market sentiment. Technically, the KLCI has climbed back above its 200-day exponential moving average (EMA), a key long-term trend indicator, signalling improving medium- to long-term momentum. Following the sharp recovery, the index is likely to consolidate within the 1,480–1,600 range in the near term as it establishes a stronger base. Among sectors, technology has emerged as a notable outperformer: the KLTEC has rebounded 41% from its YTD low of 38.60 to a recent peak of 54.50, reflecting both improved sentiment and selective buying interest. We therefore applied a technical-analysis-driven screening process—combining momentum and trend indicators with fundamental catalysts—to identify stocks poised to benefit from sentiment shifts and earnings visibility. Our picks include *Frontken, ITMAX System, Kelington Group, UWC, and Edelteq.*

- **KLCI: Early signs of trend reversal.** The FBM KLCI has recovered above its 200-day EMA and broke above the major downtrend line from the 2024 peak, signalling a potential medium- to long-term trend reversal. While the broader outlook is turning more positive, the index is likely to consolidate in the near term within the 1,480–1,600 range as it establishes a base. A breakout above the 1,600 psychological mark, followed by a sustained hold above the 200-day EMA, would strengthen the bullish case.
- **KLTEC: Rebound but still sideways.** The Bursa Malaysia Technology Index (KLTEC) rebounded above its 2024 downtrend line, hinting at a potential trend shift. However, all key EMAs (21-day, 50-day, and 200-day) remain flat, indicating insufficient momentum for confirmation. We expect the index to consolidate in the near term, with a decisive close above all major EMAs needed to confirm a sustained bullish view.
- **Momentum picks in the technology sector.** We use a technical analysis–driven screening process to identify opportunities, focusing on key themes that reflect both price action and sentiment shifts, and combining technical signals with fundamental catalysts. The strategy targets stocks with strong price momentum, underpinned by market narratives and structural growth drivers. We concentrate on stocks transitioning from consolidation into early uptrends—often signaled by technical breakouts, improving fundamentals, rising institutional interest, or re-rating catalysts. Our picks include **Frontken, ITMAX System, Kelington, UWC, and Edelteq.**

## EXHIBIT 1: FBM KLCI INDEX



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmInvestment Bank

**KLCI shows early signs of trend change.** The FBM KLCI is in the early stages of a potential trend reversal, following a breakout above the 200-day EMA and the 11-month downtrend line from the 2024 peak. This indicates a possible shift towards a medium- to long-term positive bias. In the near term, the index is likely to consolidate within the 1,480–1,600 range as it builds a base. A breakout above 1,600 and a sustained hold above the 200-day EMA would be needed to confirm the bullish outlook. Resistance is at 1,600 and 1,641 (YTD high), with support at 1,480 and 1,386 (YTD low).

## EXHIBIT 2: BURSA MALAYSIA TECHNOLOGY INDEX



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmInvestment Bank

**KLTEC rebound, but sideways for now.** We view the recent rebound in the Bursa Malaysia Technology Index (KLTEC)—which lifted the index above the downtrend line from the 2024 peak—as an early sign of a potential longer-term trend change. However, all key EMAs (21-day, 50-day, and 200-day) remain flat, signalling an ongoing sideways trend. As such, we expect the KLTEC to enter a consolidation phase in the coming sessions. Resistance is seen at 57, followed by 66, while support is placed at 47.50 and 38.60. A sustained close above the 57 resistance and all major EMAs would be required for us to adopt a longer-term bullish view.

## STOCK PICKS

*Technical views on Frontken, ITMAX System, Kelington, UWC, and Edelteq*

## EXHIBIT 3: FRONTKEN CORPORATION (FRONTKN | 0128)



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmInvestment Bank

**Investment thesis.** Frontken offers high-precision engineering and cleaning services to critical industries, with its semiconductor exposure—especially to leading advanced foundries—driving structural growth. Strong client stickiness, a robust balance sheet, and industry-leading margins support stable earnings. Continuous investment in advanced-node capabilities positions Frontken to ride the next wave of semiconductor innovation, providing both defensive earnings quality and cyclical upside.

**Technical analysis.** After a 7-month consolidation, the stock has broken out of its bullish volatility contraction pattern, signaling a potential resumption of its uptrend. With prices approaching an all-time high and supported by rising EMAs, upward momentum appears to be strengthening. A bullish bias may emerge above the **RM4.20** level, with a stop-loss set at **RM3.98**, below the 50-day EMA. On the upside, near-term resistance is seen at **RM4.70**, followed by **RM5.00**.

## EXHIBIT 4: ITMAX SYSTEM (ITMAX | 5309)



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmInvestment Bank

**Investment thesis.** ITMAX System is a leading provider of smart city infrastructure and public surveillance solutions in Malaysia, benefiting from the country's push for urban digitalisation. The group secures long-term government and municipal contracts, providing stable and recurring revenue streams. Its proven track record in delivering large-scale surveillance and traffic management systems, coupled with ongoing expansion into new cities and services, supports strong earnings visibility.

**Technical analysis.** After consolidating for more than a year, the stock recently broke out of its base pattern (RM3.30–4.15 range), signaling a continuation of its previous uptrend. With EMAs trending higher, additional buying momentum may emerge in the near term. A bullish bias may

emerge above the **RM4.15** level, with a stop-loss set at **RM3.88**, below the 50-day EMA. On the upside, near-term resistance is seen at **RM5.00**, followed by **RM5.20**.

#### EXHIBIT 5: KELINGTON GROUP (KGB | 0151)



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

**Investment thesis.** Kelington stands out as a key beneficiary of the global semiconductor sovereignty drive, with its ultra-high purity (UHP) gas systems integral to chip, electronics, and solar manufacturing. Its tender book has surged to RM5bil, driven by expansion into Europe, Hong Kong, and India, while a growing industrial gas segment is enhancing margins. Backed by rising dividends and potential investments in carbon capture leveraging its CO<sub>2</sub> expertise, Kelington offers investors strong earnings visibility, margin resilience, and strategic growth opportunities.

**Technical analysis.** The stock's buying momentum has returned after it broke out of the 2-week bullish high-tight flag pattern with a white marubozu candlestick a few sessions ago. As the stock has also surged to a new all-time high, the near-term bullish trend may persist. A bullish bias may emerge above the **RM4.20** level, with a stop-loss set at **RM3.95**, below the 50-day EMA. On the upside, near-term resistance is seen at **RM5.00**, followed by **RM5.30**.

#### EXHIBIT 6: UWC (UWC | 5292)



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmlInvestment Bank

**Investment thesis.** UWC position as a key engineering solutions provider to the semiconductor, 5G, and life sciences sectors, riding on multi-year industry growth trends. The group offers end-to-end manufacturing services, from design to assembly, which strengthens customer stickiness and supports high-margin work. Backed by a strong balance sheet with net cash and low debt, UWC continues to expand capacity and upgrade technology to capture larger, more complex projects. Its proven track record of revenue and profit growth, coupled with recurring orders from global clients, provides strong earnings visibility and positions it as an attractive long-term growth play.

**Technical analysis.** The stock broke out of its 5-month double bottom pattern with a long bullish candle a few sessions ago, suggesting that a bullish reversal signal may have formed. As the 20-day and 50-day EMAs have formed a bullish crossover since late July, the stock looks positive in the short and medium term. A bullish bias may emerge above the **RM2.60** level, with a stop-loss set at **RM2.38**, below the 21-day EMA. On the upside, near-term resistance is seen at **RM3.00**, followed by **RM3.30**.

#### EXHIBIT 7: EDELTEQ HOLDINGS (EDELTEQ | 0278)



Exponential Moving Average (EMA): Orange line = 21-day EMA | Blue line = 50-day EMA | Black line = 200-day EMA

Source: AmInvestment Bank

**Investment thesis.** Edeltec delivers semiconductor engineering solutions across consumables, materials, equipment, and automation, serving IDMs, OSATs, OEMs, and EMS players. Vertical integration via its stake in Solid Point Precision enhances cost efficiency, while capacity expansion at Batu Kawan supports rising demand. Continued R&D in AI-driven inspection and advanced automation opens new market opportunities, strengthens margins, and reinforces its competitive edge in the fast-growing semiconductor sector.

**Technical analysis.** We expect further upside for the stock after it broke above the RM0.33 resistance and surged to a 7-month high a few sessions ago. With all its EMAs (21-day/50-day/200-day) trending higher, additional upward momentum may be present in the near term. A bullish bias may emerge above the **RM0.33** level, with a stop-loss set at **RM0.29**, below the 50-day EMA. On the upside, near-term resistance is seen at **RM0.40**, followed by **RM0.45**.

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