

10 September 2019

By Raymond Choo Ping Khoo | pkchoo@kenanga.com.my

Research Highlights

BURSA	6-Sep	Day chg	% chg
KLCI	1,604.5	4.72	0.30%
FTSE EMAS	11,281.1	33.9	0.30%
FTSE Smallcap	12,893.8	21.44	0.17%
FTSE MESDAQ	4,457.4	8.7	0.19%
KLSE Mkt Cap (RM'b)	1,606.8	5.2	0.33%

BURSA DAILY TRADING PARTICIPATION

Participation	Net (RM'm)	Value (%)
Local Institution	104.07	51.08
Local Retail	-23.47	20.49
Foreign	-80.60	28.43

INDICES	9-Sep	Day chg	% chg
Dow Jones	26,835.5	38.0	0.14%
S&P 500	2,978.4	-0.3	-0.01%
NASDAQ	8,087.4	-15.6	-0.19%
FTSE-100	7,235.8	-46.5	-0.64%
Nikkei 225	21,318.4	118.8	0.56%
SHCOMP	3,024.7	25.1	0.84%
HSI	26,681.4	-9.4	-0.04%
STI	3,146.3	1.8	0.06%
KOSPI	2,019.6	10.4	0.52%
TWSE	10,801.1	20.5	0.19%
JCI	6,326.2	17.3	0.27%
SET	1,671.2	1.2	0.07%

FOREX	9-Sep	6-Sep	% chg
USD/MYR:	N.A.	4.1790	N.A.
EUR/USD:	1.1026	1.1029	-0.03%
GBP/USD:	1.2381	1.2283	0.80%
USD/YEN:	106.98	106.92	0.06%
USD/SGD:	1.3798	1.3814	-0.12%
USD/HKD:	7.8409	7.8394	0.02%

KEY STATS

KLCI Spot			
Vol (m shares):	1,665.1	1,854.3	-10.20%
Value (RMm):	1,435.8	1,582.6	-9.27%
KLCI Future			
September-19	1,593.0	1,591.0	0.13%
October-19	1,593.0	1,591.0	0.13%
CPO Price (RM/tonne)			
Soybean (US\$/bu)	857.8	857.8	0.00%
SoyOil (USc/lb)	28.5	28.7	-0.70%
Gold (US\$/troy oz)	1,504.5	1,509.0	-0.30%
Nymex crude oil (US\$/bbl)	57.9	56.5	2.35%
Latex (RM/kg)	4.38	4.38	0.00%
Tin (US\$/mt)	17,329.0	17,417.0	-0.51%

NEWS HIGHLIGHTS

- Gas sales agreement with Petronas likely a new income source for Sapura Energy (*Comment included in Kenanga Today*)
- Boustead Holdings to exit petrol station business (*Comment included in Kenanga Today*)
- KKB boosted by Sarawak infrastructure projects
- Unimech to tie up with Japanese company
- DWL Resources partners Mobitel to bid for public projects in Sri Lanka

MACRO BITS

- OPEC, non-OPEC pact on oil supply curbs to continue: UAE minister
- Chinese President Xi Jinping to visit Brazil in November for BRICS summit
- Down 0.4% in August on lower foreign currency reserves (*See Economic Viewpoint: BNM Forex Reserves*)
- 8.6m jobs in the private sector in second quarter of 2019
- Xavier: New water tariffs to be known by year-end
- Indonesia's economy at risk as global recession looms: World Bank
- Japan downgrades second-quarter GDP as trade war hits business investment
- Inflation all set to rise in Aug, but rate cuts still on the cards
- As China trade war escalates, 2020 U.S. Democrats scramble over their message
- Mnuchin hopes for congressional support for U.S. housing reforms within six months
- UK parliament to be suspended on Monday until October: PM Johnson's spokesman
- PM Johnson: 'undaunted' by parliament's bid to block no-deal Brexit

IDEAS OF THE DAY (SEE SEPARATE REPORTS FOR DETAILS)

- Sector Update: Telco SU- Merger Cancellation, Telco SU- MCMC PI Feedback
- Company Update: ARMADA, SUPERMX
- Weekly Technical Review
- Economic Viewpoint: BNM Forex Reserve

#	Top Volume			Top Gainer			Top Loser					
	Stock	Price	%Chg (+/-)	Vol (m)	Stock	Price	%Chg (+/-)	Vol (m)	Stock	Price	%Chg (+/-)	Vol (m)
1	DIALOG	3.52	0.0	9.65	MISC	7.75	3.5	7.87	HLBANK	16.32	-0.9	0.60
2	SIME	2.30	1.3	8.27	AXIATA	4.88	2.3	1.83	CIMB	5.03	-0.8	8.02
3	CIMB	5.03	-0.8	8.02	PCHEM	7.00	1.7	5.57	NESTLE	146.70	-0.7	0.16
4	MISC	7.75	3.5	7.87	GENM	3.17	1.6	5.27	HLFG	16.30	-0.6	0.12
5	MAYBANK	8.75	0.1	7.44	AMBANK	4.16	1.5	3.19	KLK	23.58	-0.3	0.07
6	PBBANK	20.20	-0.2	6.99	SIME	2.30	1.3	8.27	PPB	18.50	-0.3	0.14
7	PCHEM	7.00	1.7	5.57	SIMEPLT	4.87	1.0	2.91	IOICORP	4.40	-0.2	1.96
8	GENM	3.17	1.6	5.27	PETGAS	16.06	1.0	0.55	DIGI	4.89	-0.2	1.37
9	GENTING	5.87	0.0	5.23	IHH	5.80	0.7	3.60	PMETAL	4.89	-0.2	0.41
10	IHH	5.80	0.7	3.60	AIRPORT	8.50	0.6	2.17	PBBANK	20.20	-0.2	6.99

Notes: # KL Composite Index (FBMKLCI) component stocks

Corporate News

- **Gas sales agreement with Petronas likely a new income source for Sapura Energy**

Sapura Energy Bhd's oil & gas field — SK408 production sharing contract (PSC) development project located offshore Sarawak — will start generating earnings soon. Sapura Energy announced that it has signed a gas sales agreement with Petrolia Nasional Bhd (Petronas) on Friday. The SK408 PSC is expected to produce first gas by the end of this year with some 400 million cu ft of natural gas per day. By 2023, the block is expected to produce up to 1,000 million cu ft of natural gas per day. (*The Edge*)

Comment: We are positive on the news, as the signing of an off taker for the production of the field in Petronas would provide further assurance in earnings delivery for SK408's production. No changes to our FY20/21E numbers (core earnings of RM49.9m/RM178.9m), as the reported production numbers are well within schedule. Our numbers are based on the assumption of total group's production of 3.5m/12m mmboc production for FY20/21E. Maintain OP with unchanged TP of RM0.43, pegged to 0.5x PBV at below -1SD of its 5-year mean valuation. (By Steven Chan)

- **Boustead Holdings to exit petrol station business**

Quoting *The Edge Weekly*, Boustead Holdings Berhad is in talks to sell its stake in Boustead Petroleum Marketing Sdn Bhd (BPMSB), which operates petrol stations under the BHPetrol banner, according to sources familiar with the matter. It is understood that talks with at least one individual buyer are ongoing, with several other parties interested in the assets are waiting on the sidelines. The price tag bandied about is >RM1b. For FY18, BPMSB recorded an after-tax profit of 78.4m. (*The Edge*)

Comment: We are neutral on this latest news because while the disposal is positive towards reducing debt, the group is expected to lose a steady key recurring income source. Boustead Holdings' effective interest in Boustead Petroleum Marketing Sdn Bhd (BPMSB) is 42%. For illustrative purposes, assuming the sale consideration is RM1b cash (42% effective stake implied 21 sen/share), impact to Boustead Holdings financials are:- i) the exit PER works out to 13x; ii) our FY20E net profit forecast would be lowered by RM32.9m or 43% (assuming BPMSB recorded an after-tax profit of RM78.4m and an effective stake of 42%); and iii) net debt and net gearing is expected to be lowered by RM420m from RM6.9b and 1.3x to RM6.4b and 1.2x, respectively. No changes to our earnings forecasts. Our SoP-derived target price is RM1.05 implying 27.6x FY20E PER (-1.5SD below 5-year historical forward mean). Maintain MP. (By Raymond Choo)

- **KKB boosted by Sarawak infrastructure projects**

KKB Engineering Bhd whose earnings have been boosted by Sarawak's ongoing infrastructure development projects, is upbeat about its prospects this year. "For the second half of 2019 (2H19), we expect to deliver stronger results," group executive director Kho Pok Tong told *StarBiz*. In 1H19, KKB posted a sharp increase in group after-tax profit to about RM12.8m from RM4.0m in 1H18 as revenue surged to RM237.5m from RM157.8m. In the second quarter ended June 30, 2019 (2Q19), group profit rose to RM7.7m from RM5.1m in 1Q19. Kho's optimism of a better performance in the second half of the year is based on the recent commencement of two new pipe-laying projects under the Sarawak Water Grid Programme. (*The Star*)

- **Unimech to tie up with Japanese company**

Industrial valve maker Unimech Group Bhd (UGB) plans to boost its export business under a tie-up with a Japanese strategic partner. This include tapping into Kitz Corp's technical capabilities to develop new products targeting demand in this region, Unimech's executive director YF Sim told StarBiz in an interview. Unimech on Wednesday announced that Kitz Corp, a Japanese high end industrial valve maker, has agreed to acquire a 25.1% stake in the company for RM61.9m from substantial shareholder Datuk Seri Lim Cheah Chooi and other investors. *(The Star)*

- **DWL Resources partners Mobitel to bid for public projects in Sri Lanka**

DWL Resources Bhd, formerly known as Spring Gallery Bhd, is partnering Sri Lanka's mobile provider Mobitel (Private) Ltd to secure government-related projects there. Its wholly-owned subsidiary DWL Technologies Sdn Bhd (DTSB) will form a joint venture (JV) company with Mobitel, seeking to provide the Sri Lanka Integrated Placement Solution (SLiFPS) to the Bureau of Foreign Employment of the Government of Sri Lanka. The JV company, to be incorporated in Sri Lanka, will have an initial paid-up capital of LKR100,000 (approximately RM2,300). DTSB will initially hold a 51.0% stake, with Mobitel the rest. *(The Edge)*

This section is intentionally left blank.



Macro Bits

Global

- [OPEC, non-OPEC pact on oil supply curbs to continue: UAE minister](#) A cooperation agreement between OPEC and non-OPEC countries on curbing oil supply is continuing and the United Arab Emirates has no plan to leave it, the UAE energy minister told broadcaster CNBC Arabia on Monday. *(Reuters)*
- [Chinese President Xi Jinping to visit Brazil in November for BRICS summit](#) Brazil's Vice President Hamilton Mourao said on Monday that Chinese President Xi Jinping will visit Brazil in November, as the two nations seek to strengthen political and economic ties at a time of global trade tensions. *(Reuters)*

Malaysia

- **Down 0.4% in August on lower foreign currency reserves.** Bank Negara Malaysia (BNM) international reserves fell by USD0.4b or 0.4% MoM to USD103.5b as at August 30, after remaining on an uptrend for the past two successive months. According to BNM, the reserves position is sufficient to finance 7.6 months of retained imports and is 1.1 times the total short-term external debt. *(See Economic Viewpoint: BNM Forex Reserves)*
- [8.6m jobs in the private sector in second quarter of 2019](#) The number of jobs in the private sector increased by 145,000 in the second quarter this year to 8.6m posts compared with 8.5m in the corresponding period last year, according to Malaysian Chief Statistician Datuk Seri Dr Mohd Uzir Mahidin. *(The Edge Markets)*
- [Xavier: New water tariffs to be known by year-end](#) The new rates for water tariff in all states could be announced at the latest by year-end, the government announced. *(The Star Online)*

Asia Pacific

- [Indonesia's economy at risk as global recession looms: World Bank](#) Indonesia's economy, which has been growing steadily at around 5.3% per year on average since the start of the millennium, could be dragged down as it faces downside risks associated with the increasingly clouded outlook for the global environment, the World Bank has said. *(The Jakarta Post)*
- [Japan downgrades second-quarter GDP as trade war hits business investment](#) Japan's economy grew at a slower pace than initially estimated in the second quarter as the U.S.-China trade war prompted a downward revision of business spending, intensifying calls for the central bank to deepen stimulus this month. *(Reuters)*
- [Inflation all set to rise in Aug, but rate cuts still on the cards](#) Indian retail inflation likely rose to a 10-month high in August primarily driven by higher food prices, while staying below the Reserve Bank of India's medium-term target of 4.0%, a Reuters poll of economists showed. *(The Economic Times)*

Americas

- [As China trade war escalates, 2020 U.S. Democrats scramble over their message](#) The growing economic fallout from President Donald Trump's drawn-out trade war with China would appear to be a ready-made opportunity for Democratic presidential contenders seeking to blunt his central 2020 re-election pitch: That he has made the economy great again. *(Reuters)*
- [Mnuchin hopes for congressional support for U.S. housing reforms within six months](#) U.S. Treasury Secretary Steven Mnuchin said on Monday the Trump administration would take administrative measures to overhaul mortgage giants Fannie Mae and Freddie Mac if it failed to secure congressional support for its plan within six months. *(Reuters)*

Europe

- [UK parliament to be suspended on Monday until October: PM Johnson's spokesman](#) The British parliament will be suspended at the end of business on Monday until the middle of next month, the spokesman for Prime Minister Boris Johnson said. *(Reuters)*
- [PM Johnson: 'undaunted' by parliament's bid to block no-deal Brexit](#) Prime Minister Boris Johnson said on Monday he was undaunted by an attempt by lawmakers to block a no-deal Brexit, setting up a showdown with parliament after it passed legislation demanding that he delay Brexit unless he strikes a new agreement. *(Reuters)*

10 September 2019

List of Oversold Stocks (14-Day RSI<30-mark)

NAME*	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D
AEON CREDIT SERVICE M BHD	14.660	19.52	17.55	14.05	14.600
TASEK CORP BHD	5.250	19.75	11.12	0.39	5.250
KUMPULAN PERANGSANG SELANGOR	0.715	20.59	21.19	37.82	0.700
PUBLIC BANK BERHAD	20.200	22.20	23.94	33.05	20.000
STAR MEDIA GROUP BHD	0.560	22.21	19.39	11.55	0.555
KARAMBUNAI CORP BHD	0.085	23.29	13.35	0.22	0.085
SP SETIA BHD	1.430	23.31	23.67	20.75	1.420
BRITISH AMERICAN TOBACCO BHD	19.100	23.72	26.42	46.92	18.340
BINTULU PORT HOLDINGS BHD	3.810	24.12	20.89	4.93	3.810
AIRASIA X BHD	0.170	25.35	21.61	7.44	0.170
IBRACO BHD	0.630	26.16	19.01	25.38	0.625
SKP RESOURCES BHD	1.060	27.02	24.26	10.62	1.050
MRCB-QUILL REIT	1.020	27.40	22.01	6.26	1.020
MUHIBBAH ENGINEERING (M) BHD	2.420	27.60	24.09	13.89	2.410
BERMAZ AUTO BHD	2.290	27.75	23.25	38.61	2.270
WAH SEONG CORP BHD	0.610	27.82	26.53	27.88	0.600
Y.S.P.SOUTHEAST ASIA HOLDING	2.300	27.85	26.29	39.91	2.280
DUTCH LADY MILK INDS BHD	62.700	27.89	22.74	11.52	62.700
HONG LEONG BANK BERHAD	16.320	28.00	28.90	29.21	16.220
WCT HOLDINGS BHD	0.935	28.40	21.70	5.28	0.925
EVERSENDAI CORP BHD	0.395	28.51	22.56	9.72	0.395
TH PLANTATIONS BHD	0.370	28.58	27.71	38.15	0.360
MCT BHD	0.240	28.95	25.45	20.57	0.240
PANASONIC MANUFACTURING MALA	38.540	29.36	22.42	5.35	38.500
MSM MALAYSIA HOLDINGS BHD	1.150	29.60	22.39	16.53	1.150
POH HUAT RESOURCES HLDGS BHD	1.400	29.88	26.03	8.07	1.380

*Only for stocks with market cap >RM300m

Source: Bloomberg

List of Overbought Stocks (14-Day RSI>70-mark)

NAME*	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D
PINTARAS JAYA BHD	3.260	81.40	86.26	89.85	3.380
DUFU TECHNOLOGY CORP BHD	2.480	77.68	80.63	88.69	2.530
UEM EDGENTA BHD	3.400	74.63	78.43	85.12	3.420
GREEN PACKET BHD	0.665	72.97	76.70	95.75	0.670
MBM RESOURCES BERHAD	4.150	72.92	69.99	42.97	4.280
ABF MALAYSIA BOND INDEX FUND	1.222	72.61	81.45	99.09	1.222
POWER ROOT BHD	2.070	72.32	73.50	61.06	2.120
MALYSIAN BULK CARRIERS BHD	0.655	70.62	76.58	78.90	0.675

*Only for stocks with market cap >RM300m

Source: Bloomberg

List of Oversold Warrants (14-Day RSI<30-mark)

NAME	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D	EXPIRY DATE
TELEKOM MALAY-C53	0.020	12.27	11.25	4.68	0.015	28/2/2020
SAPURA ENERGY-C78	0.040	19.70	20.11	15.19	0.040	11/2/2020
TELEKOM MALAY-C47	0.090	23.24	15.55	4.05	0.090	31/1/2020
CIMB GROUP HO-C52	0.025	24.08	15.37	0.69	0.025	20/12/2019
SYARIKAT TAKA-CE	0.090	24.18	22.05	21.25	0.085	31/1/2020
TELEKOM MALAY-C50	0.055	24.28	20.29	24.05	0.050	31/1/2020
HANG SENG IND-5P	0.005	26.01	22.90	34.73	0.005	27/9/2019
HIBISCUS PETR-CZ	0.030	26.03	27.58	46.72	0.025	31/10/2019
TELEKOM MALAY-C42	0.060	28.71	18.89	3.17	0.060	4/11/2019
HARTALEGA HOL-C24	0.105	29.02	22.01	12.11	0.100	26/11/2019
HANG SENG IND-5T	0.030	29.79	33.53	80.91	0.010	30/10/2019

Source: Bloomberg

List of Overbought Warrants (14-Day RSI>70-mark)

NAME	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D	EXPIRY DATE
GREEN PACKET BHD-WB	0.225	80.13	83.77	94.94	0.235	24/11/2023
MTOUCHE TECHNOLOGY-WC	0.040	73.95	76.78	88.66	0.040	2/11/2020

Source: Bloomberg

Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may read this document. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees. Kenanga Investment Bank Berhad accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. Kenanga Investment Bank Berhad and its associates, their directors, and/or employees may have positions in, and may effect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies.

Published and printed by:

KENANGA INVESTMENT BANK BERHAD (15678-H)

Level 17, Kenanga Tower, 237, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia
Telephone: (603) 2172 0880 Website: www.kenanga.com.my E-mail: research@kenanga.com.my