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Research Highlights

| BURSA | 8-Oct | Day chg | % chg |
|---------------------|----------|---------|--------|
| KLCI | 1,558.8 | -0.21 | -0.01% |
| FTSE EMAS | 11,074.3 | 15.7 | 0.14% |
| FTSE Smallcap | 13,184.4 | 101.13 | 0.77% |
| FTSE MESDAQ | 4,614.9 | 53.1 | 1.16% |
| KLSE Mkt Cap (RM'b) | 1,584.8 | 2.5 | 0.16% |

NEWS HIGHLIGHTS

- F&N's Acquisition of Ladang Chuping for a cash consideration of RM156.0m (*Comment included in Kenanga Today*)
- Wessex Water's GBP1.5b expansion plan (*Comment included in Kenanga Today*)
- Mi Technovation proposes one-for-two bonus issue
- PRG ventures into timber logging to diversify revenue
- AME net profit jumps 96.0% to RM13.1m in Q1 FY20

BURSA DAILY TRADING PARTICIPATION

| Participation | Net (RM'm) | Value (%) |
|-------------------|------------|-----------|
| Local Institution | 96.48 | 48.63 |
| Local Retail | 17.00 | 24.53 |
| Foreign | -113.48 | 26.84 |

| INDICES | 8-Oct | Day chg | % chg |
|------------|----------|---------|--------|
| Dow Jones | 26,164.0 | -314.0 | -1.19% |
| S&P 500 | 2,893.1 | -45.7 | -1.56% |
| NASDAQ | 7,823.8 | -132.5 | -1.67% |
| FTSE-100 | 7,143.2 | -54.7 | -0.76% |
| Nikkei 225 | 21,587.8 | 212.5 | 0.99% |
| SHCOMP | 2,913.6 | N.A. | N.A. |
| HSI | 25,893.4 | N.A. | N.A. |
| STI | 3,110.9 | 11.4 | 0.37% |
| KOSPI | 2,046.3 | 24.5 | 1.21% |
| TWSE | 11,017.3 | 82.3 | 0.75% |
| JCI | 6,039.6 | 39.0 | 0.65% |
| SET | 1,612.2 | -1.5 | -0.10% |

MACRO BITS

- With U.S.-China tensions running high, hopes dim for end to trade war
- China says 'stay tuned' for retaliation over U.S. tech blacklist
- Foreign holdings of government debt expanded in September (*See Economic Viewpoint: Malaysia Bond Flows Update*)
- Govt announces enhancement to principal hub incentive
- National Transport Policy to be launched on Oct 17
- IMF sees Thai growth rate at 2.9% this year, 3.0% in 2020
- China services sector growth falls to seven-month low: Caixin PMI
- Soft U.S. producer inflation supports case for Fed rate cut
- Chinese tariffs hit U.S. car sales, jobs in trade-heavy counties
- UK economy starts to show cracks under Brexit and global strains
- Italy's economic risks grow as Gualtieri seeks stimulus money
- German factories feed unexpected rise in industrial output

| FOREX | 8-Oct | 7-Oct | % chg |
|----------|--------|--------|--------|
| USD/MYR: | 4.1920 | 4.1923 | -0.01% |
| EUR/USD: | 1.0987 | 1.0978 | 0.08% |
| GBP/USD: | 1.2220 | 1.2331 | -0.90% |
| USD/YEN: | 106.95 | 106.89 | 0.06% |
| USD/SGD: | 1.3815 | 1.3805 | 0.07% |
| USD/HKD: | 7.8442 | 7.8447 | -0.01% |

KEY STATS

| KLCI Spot | | | |
|----------------------------|----------|----------|--------|
| Vol (m shares): | 2,411.4 | 2,168.4 | 11.21% |
| Value (RMm): | 1,717.3 | 1,326.3 | 29.48% |
| KLCI Future | | | |
| October 19 | 1,557.0 | 1,555.0 | 0.13% |
| November 19 | 1,557.0 | 1,556.0 | 0.06% |
| CPO Price (RM/tonne) | | | |
| Soybean (US\$/bu) | 920.5 | 915.3 | 0.57% |
| SoyOil (USc/lb) | 30.1 | 30.3 | -0.76% |
| Gold (US\$/troy oz) | 1,503.9 | 1,504.4 | -0.03% |
| Nymex crude oil (US\$/bbl) | 52.6 | 52.8 | -0.23% |
| Latex (RM/kg) | 4.25 | 4.23 | 0.35% |
| Tin (US\$/mt) | 16,382.0 | 16,307.0 | 0.46% |

IDEAS OF THE DAY (SEE SEPARATE REPORTS FOR DETAILS)

- Company Update: DAYANG
- Quick Bites: AXREIT
- On Our Technical Watch: EFORCE, GADANG
- Economic Viewpoint: Malaysia Bond Flows Update

| # | Top Volume | | | Top Gainer | | | Top Loser | | | | | |
|----|------------|-------|------------|------------|---------|-------|------------|---------|---------|-------|------------|---------|
| | Stock | Price | %Chg (+/-) | Vol (m) | Stock | Price | %Chg (+/-) | Vol (m) | Stock | Price | %Chg (+/-) | Vol (m) |
| 1 | TOPGLOV | 4.49 | 0.2 | 4.58 | DIALOG | 3.40 | 1.2 | 4.03 | SIME | 2.25 | -1.8 | 1.49 |
| 2 | MAYBANK | 8.47 | 0.4 | 4.10 | RHBBANK | 5.62 | 0.9 | 1.66 | PCHEM | 7.20 | -1.5 | 2.66 |
| 3 | DIALOG | 3.40 | 1.2 | 4.03 | TENAGA | 13.64 | 0.9 | 1.25 | HARTA | 5.21 | -0.8 | 1.61 |
| 4 | CIMB | 4.86 | 0.0 | 3.44 | PETDAG | 23.68 | 0.9 | 0.22 | IOICORP | 4.27 | -0.7 | 0.41 |
| 5 | PBBANK | 19.34 | 0.3 | 3.15 | GENTING | 5.73 | 0.5 | 1.44 | GENM | 3.05 | -0.7 | 2.68 |
| 6 | GENM | 3.05 | -0.7 | 2.68 | MAYBANK | 8.47 | 0.4 | 4.10 | SIMEPLT | 4.70 | -0.6 | 0.66 |
| 7 | PCHEM | 7.20 | -1.5 | 2.66 | PBBANK | 19.34 | 0.3 | 3.15 | AMBANK | 3.95 | -0.5 | 1.07 |
| 8 | MISC | 7.78 | -0.3 | 2.26 | AXIATA | 4.28 | 0.2 | 1.10 | HLFG | 16.08 | -0.4 | 0.04 |
| 9 | KLK | 21.18 | -0.3 | 1.98 | TOPGLOV | 4.49 | 0.2 | 4.58 | AIRPORT | 8.67 | -0.3 | 0.83 |
| 10 | RHBBANK | 5.62 | 0.9 | 1.66 | IHH | 5.66 | 0.2 | 0.27 | KLK | 21.18 | -0.3 | 1.98 |

Notes: # KL Composite Index (FBMKLCI) component stocks

Corporate News

- **F&N's Acquisition of Ladang Chuping for a cash consideration of RM156.0m**

F&N announced that it has entered into a sales and purchase agreement with MSM Holdings for the acquisition of Ladang Chuping comprising 9 pieces of leasehold land measuring in total approximately 4,453.92 hectares, for a cash consideration of RM156.0m. The proposed acquisition will be either funded via internally-generated funds or external borrowings with full completion expected in 2020. (Bursa Malaysia)

Comment: We are NEUTRAL on the proposed acquisition as (i) it poses minimal financial impact as the group would still be in a net-cash position post-acquisition, (ii) the price paid was reasonable compared to the valuer's ascribed value of RM190m and the seller's net book value of RM158m for the land and (ii) we view the group's plan for a vertical integration model on Ladang Chuping for its fresh milk business to be a medium-to-longer term prospect as the land acquisition is only anticipated to be completed in 2020. That said, we leave our numbers unchanged for now. Maintain MARKET PERFORM with an unchanged TP of RM36.60 with an ascribed FY20E PER of 30x (in-line with +1.0 SD over the stock's 3-year mean). (By: Nikki Thang)

Comment: We are NEUTRAL on the proposed disposal as: (i) the land generates negligible revenue for MSM (51% owned by FGV) and was meant to be sold in 2017, (ii) the expected loss on disposal of RM1.76m's impact on FGV's book value is insignificant at <1.0 sen. Post disposal, assuming that MSM uses 50% of the proceeds of RM156.0m to pare down its debt, we estimate FY20 interest savings of c.RM4.0m for MSM. Nevertheless, we made no changes to our estimates for now. Maintain MARKET PERFORM on FGV with an unchanged Target Price of RM0.945 based on 0.76x PBV on CY20E book value, reflecting -1.5SD from mean. (By: Adrian Kok)

- **Wessex Water's GBP1.5b expansion plan**

Wessex Water, which is fully-owned by the YTL Group via YTL Utilities (UK) Ltd, plans to invest GBP1.5b (RM7.7b) from next year to 2025 to expand its business and lower the bills for customers, says CEO Colin Skellett. It won a concession in 1989 from the UK government to supply clean and treated waste water from a 10,000 sq km area in southwest England for a minimum of 25 years. It supplies drinking water and sewerage services to more than 2.8m customers in Bristol, most of Dorset, Somerset and Wiltshire and parts of Gloucestershire and Hampshire. (New Straits Times)

Comments: we are neutral on this piece of news as it is part of its usual 5-year plan to fulfill requirements as a concessionaire. Meanwhile, Wessex Water remains as the key earnings contributor to YTLPOWER where its FY19 PBT of RM745.9m was higher than the group's PBT of RM733.7m as PowerSeraya and YES were loss-making. However, Brexit will put pressure on Wessex Water due to forex volatility. Nonetheless, valuation of Wessex Water minus group's net debt is worth RM0.73 per share, which is close to its current share price of RM0.75. Thus, YTLPOWER is fairly attractive currently with a target price of RM0.82 which is based on 20% discount to its RNAV. It also offers above average dividend yield of c.7%. (By: Teh Kian Yeong)

- **Mi Technovation proposes one-for-two bonus issue**

Mi Technovation Bhd has proposed a bonus issue of up to 250.0m new shares on the basis of one bonus unit for every two existing shares held, to reward shareholders of the semiconductor assembly equipment solutions provider. In a statement to Bursa Malaysia, Mi Technovation said the company also plans to establish an employees' share grant scheme (SGS) of up to 10.0% of the group's issued shares. "(On the bonus issue) the entitlement date will be determined and announced at a later date after all the relevant approvals for the proposed bonus issue have been obtained. The proposed bonus issue will not be implemented on a staggered basis. (*The Edge*)

- **PRG ventures into timber logging to diversify revenue**

PRG Holdings Bhd, which is mainly involved in the manufacturing of webbings, furniture components, other fabric items, as well as the property sector, is now venturing into the timber export business as a means to diversify its revenue stream amidst an economic slowdown. The loss-making group said its financial performance has been volatile due to the decline in sales of its elastic textile and webbings products as well as the slowdown in the Malaysian property development and construction industries. The group secured its shareholders' approval to buy two teak tree plantation lands, measuring 364.79 hectares, worth RM89.2m, located in Kelantan, from Alifya Forestry Sdn Bhd. (*The Edge*)

- **AME net profit jumps 96.0% to RM13.1m in Q1 FY20**

Integrated industrial property solutions provider AME Elite Consortium Bhd recorded a 96.0% jump in net profit for the first quarter of the financial year ending March 31, 2020 (Q1 FY20) to RM13.1m from RM6.7m in the corresponding period the previous year. Revenue increased to RM94.4m from RM56.7m previously. In a filing to Bursa Malaysia, AME Group managing director Kelvin Lee Chai said the property development segment and industrial properties recorded an increase in revenue. "Revenue from the engineering services segment also rose due to higher contributions from steel engineering works, precast concrete works as well as mechanical and electrical engineering works," he said in a statement. (*Bernama*)



Macro Bits

Global

- [With U.S.-China tensions running high, hopes dim for end to trade war](#) Beijing sharply rebuked Washington on Tuesday for adding some top Chinese artificial intelligence startups to its trade blacklist, dimming hopes for progress in high-level talks aimed at ending a 15-month trade war between the two economic giants. *(Reuters)*
- [China says 'stay tuned' for retaliation over U.S. tech blacklist](#) China signaled it would hit back after the Trump administration placed eight of the country's technology giants on a blacklist over alleged human rights violations against Muslim minorities. *(Bloomberg)*

Malaysia

- **Foreign holdings of government debt expanded in September.** Foreign investors turned net buyers of Malaysia's debt securities in September, as total foreign holdings expanded by RM0.9b (Aug: +RM0.1b) or 0.5% MoM (Aug: +0.05%) to RM189.1b (Aug: RM188.2b). However, the share of total foreign holdings of Malaysia's debt was unchanged at 12.7% for two consecutive months, while Malaysia's total outstanding debt increased RM3.0b in September. Meanwhile, foreign investors remained as net sellers in the equity market in September with foreign holdings fell by RM0.6b (Aug: -RM2.8b). Collectively, the capital market registered a net inflow of RM0.3b of foreign funds during the month (Aug: -RM2.8b) despite uncertainty in the global economy and financial market. *(See Economic Viewpoint: Malaysia Bond Flows Update)*
- [Govt announces enhancement to principal hub incentive](#) The government has announced enhancements to the Principal Hub incentive, which was introduced in 2015, whereby companies with existing operations in Malaysia can now further leverage the country as a base for conducting their regional or global businesses. *(The Edge Markets)*
- [National Transport Policy to be launched on Oct 17](#) The government will unveil the National Transport Policy (NTP) — a blueprint for the transport sector for 2019 to 2030 — on Thursday, Oct 17. *(The Edge Markets)*

Asia Pacific

- [IMF sees Thai growth rate at 2.9% this year, 3.0% in 2020](#) Thailand's economic growth rate could slow to 2.9% this year and be 3.0% in 2020, reflecting external and domestic headwinds, the International Monetary Fund said. *(Reuters)*
- [China services sector growth falls to seven-month low: Caixin PMI](#) China's services sector grew at its slowest pace in seven months in September despite a strong increase in new orders, as operating expenses continued to rise at the end of the third quarter, a private survey showed on Tuesday. *(Reuters)*

Americas

- [Soft U.S. producer inflation supports case for Fed rate cut](#) U.S. producer prices unexpectedly fell in September, leading to the smallest annual increase in nearly three years, likely giving the Federal Reserve further room to cut interest rates for the third time this year in October. *(Reuters)*
- [Chinese tariffs hit U.S. car sales, jobs in trade-heavy counties](#) In the trade war with the U.S., China's tariffs have targeted agricultural goods for a couple main reasons: They make up a large proportion of U.S. exports to China, but also because they strike at the heart of President Donald Trump's base of support in farm country. *(Bloomberg)*

Europe

- [UK economy starts to show cracks under Brexit and global strains](#) Britain's economy is increasingly showing signs of strain as the Brexit crisis and the global slowdown intensify, with the loss of momentum appearing to spread to areas which have hitherto been sources of growth. *(Reuters)*
- [Italy's economic risks grow as Gualtieri seeks stimulus money](#) Italy's economic outlook is growing dimmer, adding pressure on the government to deliver on its tricky promise of running an expansionary budget while setting aside billions to avoid a planned increase in sales tax. *(Bloomberg)*
- [German factories feed unexpected rise in industrial output](#) A jump in manufacturing fueled a surprise improvement in German industrial production following two months of decline. *(Bloomberg)*

09 October 2019

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

| NAME* | LAST PRICE | RSI 14D | RSI 9D | RSI 3D | LOW 30D |
|------------------------------|------------|---------|--------|--------|---------|
| AMWAY MALAYSIA HOLDINGS BHD | 5.660 | 15.40 | 6.38 | 0.06 | 5.660 |
| PUBLIC BANK BERHAD | 19.300 | 16.01 | 14.62 | 16.04 | 19.200 |
| AMFIRST REAL ESTATE INVESTM | 0.485 | 18.89 | 9.80 | 0.06 | 0.480 |
| KUALA LUMPUR KEPONG BHD | 21.340 | 23.37 | 19.62 | 18.55 | 20.900 |
| PPB GROUP BERHAD | 17.960 | 24.34 | 23.32 | 41.24 | 17.700 |
| AMANAHRAYA REIT | 0.770 | 25.68 | 29.55 | 89.54 | 0.755 |
| BOUSTEAD PLANTATIONS BHD | 0.635 | 26.65 | 19.11 | 3.18 | 0.630 |
| BRITISH AMERICAN TOBACCO BHD | 17.780 | 27.92 | 23.06 | 1.92 | 17.640 |
| MALAYAN CEMENT BHD | 2.760 | 28.41 | 26.09 | 26.83 | 2.750 |
| TUNE PROTECT GROUP BHD | 0.555 | 28.52 | 26.75 | 30.63 | 0.545 |
| LBS BINA GROUP BHD | 0.490 | 28.86 | 25.21 | 23.33 | 0.485 |
| STAR MEDIA GROUP BHD | 0.525 | 29.16 | 29.15 | 17.93 | 0.520 |
| UOA REAL ESTATE INVESTMENT | 1.230 | 29.32 | 27.68 | 26.06 | 1.200 |
| BOUSTEAD HOLDINGS BHD | 0.970 | 29.43 | 21.04 | 6.56 | 0.945 |

*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 |
|------------------------------|------------|---------|--------|--------|---------|
| MAGNI-TECH INDUSTRIES BHD | 7.070 | 88.35 | 91.56 | 98.25 | 7.110 |
| GUAN CHONG BHD | 4.650 | 84.05 | 89.18 | 97.38 | 4.720 |
| INARI AMERTRON BHD | 2.000 | 83.55 | 88.60 | 95.62 | 2.040 |
| UNISEM (M) BERHAD | 2.750 | 82.98 | 88.47 | 96.95 | 2.930 |
| PETRA ENERGY BHD | 1.310 | 82.61 | 86.33 | 95.54 | 1.360 |
| REDTONE INTERNATIONAL BHD | 0.575 | 81.04 | 86.07 | 98.24 | 0.585 |
| PENTAMASTER CORP BHD | 4.770 | 77.89 | 79.42 | 77.34 | 4.920 |
| CARLSBERG BREWERY MALAYSIA B | 27.800 | 76.15 | 82.45 | 96.48 | 27.800 |
| UZMA BHD | 0.975 | 75.20 | 79.03 | 96.65 | 1.000 |
| SCIENTEX BHD | 9.170 | 74.32 | 78.53 | 90.79 | 9.300 |
| MALAYSIAN PACIFIC INDUSTRIES | 9.850 | 74.13 | 82.05 | 97.91 | 9.980 |
| THONG GUAN INDUSTRIES BHD | 2.840 | 73.88 | 76.48 | 74.93 | 2.950 |
| DUFU TECHNOLOGY CORP BHD | 2.860 | 73.36 | 71.26 | 44.37 | 2.980 |
| DAYANG ENTERPRISE HLDGS BHD | 1.760 | 72.94 | 77.49 | 78.64 | 1.780 |
| VITROX CORP BHD | 8.060 | 72.50 | 71.75 | 52.36 | 8.400 |
| JHM CONSOLIDATION BHD | 1.340 | 72.23 | 77.69 | 91.23 | 1.370 |
| MEGA FIRST CORP BHD | 4.270 | 71.31 | 73.80 | 82.29 | 4.320 |
| KARAMBUNAI CORP BHD | 0.105 | 70.75 | 73.91 | 70.52 | 0.110 |

*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 |
|-------------------|------------|---------|--------|--------|---------|-------------|
| AIRASIA GROUP-C91 | 0.040 | 14.29 | 10.81 | 0.66 | 0.040 | 16/3/2020 |
| AIRASIA GROUP-C85 | 0.080 | 22.05 | 18.30 | 8.12 | 0.080 | 20/12/2019 |
| AIRASIA GROUP-C87 | 0.025 | 25.50 | 26.87 | 47.60 | 0.020 | 31/1/2020 |
| GENTING MALAY-C60 | 0.055 | 25.96 | 23.41 | 3.55 | 0.055 | 31/3/2020 |
| MALAYSIAN RES-C46 | 0.005 | 26.58 | 24.09 | 27.59 | 0.005 | 31/1/2020 |
| GENTING BHD-C72 | 0.020 | 29.14 | 29.01 | 24.19 | 0.020 | 14/2/2020 |

Source: Bloomberg

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

| NAME | LAST PRICE | RSI 14D | RSI 9D | RSI 3D | LOW 30D | EXPIRY DATE |
|---------------------|------------|---------|--------|--------|---------|-------------|
| PENTAMASTER C-CE | 0.395 | 81.50 | 84.44 | 82.82 | 0.420 | 28/2/2020 |
| PROLEXUS BHD-WA | 0.230 | 79.21 | 80.90 | 69.91 | 0.265 | 14/6/2021 |
| INARI AMERTRO-C48 | 0.145 | 78.78 | 79.35 | 75.45 | 0.150 | 31/3/2020 |
| MI TECHNOVATI-CD | 0.085 | 74.95 | 83.48 | 98.84 | 0.085 | 26/11/2019 |
| GREEN PACKET BHD-WB | 0.290 | 73.67 | 72.18 | 77.31 | 0.290 | 24/11/2023 |

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.**

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