

08 January 2020

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Research Highlights

BURSA	7-Jan	Day chg	% chg
KLCI	1,611.0	13.28	0.83%
FTSE EMAS	11,457.9	70.7	0.62%
FTSE Smallcap	14,192.4	34.14	0.24%
FTSE MESDAQ	5,454.4	29.6	0.55%
KLSE Mkt Cap (RM'b)	1,653.3	9.3	0.57%

NEWS HIGHLIGHTS

- DRB-Hicom inks two agreements to pursue automotive testing (Comment included in Kenanga Today)
- Taliworks clarifies Selangor water receivables was sold at RM660.0m
- Vortex confirms it is in talks to buy a stockbroking firm
- London Biscuits served writ for default in payment of RM1.3m
- AIAB debuts on LEAP market at 27.0 sen

BURSA DAILY TRADING PARTICIPATION

Participation	Net (RM'm)	Value (%)
Local Institution	-90.05	47.25
Local Retail	8.26	30.14
Foreign	81.79	22.61

INDICES	7-Jan	Day chg	% chg
Dow Jones	28,583.7	-119.7	-0.42%
S&P 500	3,237.2	-9.1	-0.28%
NASDAQ	9,068.6	-2.9	-0.03%
FTSE-100	7,573.9	-1.5	-0.02%
Nikkei 225	23,575.7	370.9	1.60%
SHCOMP	3,104.8	21.4	0.69%
HSI	28,322.1	95.9	0.34%
STI	3,247.9	29.0	0.90%
KOSPI	2,175.5	20.5	0.95%
TWSE	11,880.3	-73.0	-0.61%
JCI	6,279.3	21.9	0.35%
SET	1,585.2	16.7	1.07%

MACRO BITS

- Safe-haven currencies pull back as investors look past U.S.-Iran tensions
- France, US set two-week target for resolving digital tax spat
- Malaysia is doing well — Dr Mahathir
- Malaysia, China collaborate to establish first next-gen vehicle hub in SE Asia
- Govt to channel 50% of CPO windfall tax to biofuel fund
- China won't hike grain import quotas for U.S. trade deal - Caixin
- Japan finance minister sees economy in moderate recovery
- Thai central bank sees no need to tighten if inflation rises on supply-side shocks
- U.S. trade deficit sinks 8% to 3-year low of USD43.1b in November amid China trade war
- Fed signals high bar for rate move while Iran tensions simmer
- December's ISM non-manufacturing index signals better-than-expected expansion
- Facing Brexit unknowns, UK financial sector pays record taxes
- Euro zone inflation picks in December before early 2020 fall

FOREX	7-Jan	6-Jan	% chg
USD/MYR:	4.0920	4.1035	-0.28%
EUR/USD:	1.1176	1.1196	-0.18%
GBP/USD:	1.3161	1.3152	0.07%
USD/YEN:	108.41	108.00	0.38%
USD/SGD:	1.3495	1.3493	0.01%
USD/HKD:	7.7740	7.7696	0.06%

KEY STATS

KLCI Spot			
Vol (m shares):	2,986.0	3,396.7	-12.09%
Value (RMm):	1,798.2	1,637.0	9.84%
KLCI Future			
January 20	1,614.5	1,599.5	0.94%
February 20	1,616.0	1,601.0	0.94%
CPO Price (RM/tonne)			
Soybean (US\$/bu)	944.0	944.8	-0.08%
SoyOil (USc/lb)	35.0	34.8	0.60%
Gold (US\$/troy oz)	1,574.3	1,568.8	0.35%
Nymex crude oil (US\$/bbl)	62.7	63.3	-0.90%
Latex (RM/kg)	4.58	4.56	0.44%
Tin (US\$/mt)	N.A.	16,854.0	N.A.

IDEAS OF THE DAY (SEE SEPARATE REPORTS FOR DETAILS)

- On Our Technical Watch: NOVA, SERNKOU

#	Top Volume			Top Gainer			Top Loser					
	Stock	Price	%Chg (+/-)	Vol (m)	Stock	Price	%Chg (+/-)	Vol (m)	Stock	Price	%Chg (+/-)	Vol (m)
1	GENM	3.29	0.3	10.90	AXIATA	4.36	4.8	2.53	AIRPORT	7.26	-4.0	5.72
2	DIALOG	3.52	1.2	7.76	RHBBANK	5.93	3.3	3.06	HLFG	17.44	-1.4	0.27
3	CIMB	5.29	1.3	6.63	PPB	19.28	2.7	0.47	MISC	8.43	-0.5	2.74
4	MAYBANK	8.65	0.0	6.51	HARTA	5.48	2.4	2.82	GENTING	6.02	-0.3	5.28
5	SIMEPLT	5.48	1.9	6.24	MAXIS	5.45	2.3	1.50	TENAGA	13.06	-0.3	3.51
6	AIRPORT	7.26	-4.0	5.72	SIMEPLT	5.48	1.9	6.24	TOPGLOV	4.65	-0.2	3.47
7	GENTING	6.02	-0.3	5.28	PCHEM	7.57	1.6	2.06	KLK	24.94	-0.2	0.31
8	IOICORP	4.72	0.0	4.65	SIME	2.26	1.4	4.01	PETDAG	23.08	-0.1	0.38
9	SIME	2.26	1.4	4.01	CIMB	5.29	1.3	6.63	AMBANK	3.83	0.0	3.95
10	AMBANK	3.83	0.0	3.95	DIALOG	3.52	1.2	7.76	IOICORP	4.72	0.0	4.65

Notes: # KL Composite Index (FBMKLCI) component stocks

Corporate News

- **DRB-Hicom inks two agreements to pursue automotive testing**

DRBHCOM has inked two agreements which will see its involvement in the collaboration and development of automotive testing. Firstly, 50.1%-owned PROTON subsidiary, Perusahaan Otomobil Nasional SB (PONSB) had inked an MOU with China Automotive Technology and Research Centre Co Ltd (CATARC) to collaborate in the field of automotive testing, research and development, as well as to maximize resources of China and Malaysia's automotive industry involving potential business synergy for Next Generation Vehicles. Secondly, DRBHCOM inked an MoU with Malaysia Automotive, Robotics And IoT Institute (MARii), to develop academic programmes, and to establish an Autonomous, Automated and Connected Vehicle test bed in Cyberjaya, as well as National Automotive Testing Centre in Tanjung Malim. The MoU with CATARC will last one year, whereas the MoU with MARii will last 24 months. *(The Edge)*

Comment: In our view, these MoUs are DRBHCOM's initiatives to facilitate knowledge acquisition in cutting-edge automotive technology via a working partnership with a PRC state-linked Automotive R&D entity. In order to compete effectively, automakers need to develop and keep up with developing disruptive technologies in areas such as electric and autonomous vehicles. In light of this, the link up to deepen research capabilities in new technologies is welcome. It remains to be seen though if these MoUs would lead to something more substantial such as a definitive agreement within the next 24 months. We see the second agreement between DRBHCOM and MARii as a conduit to transmit the learning and R&D experiences at PROTON to the local automotive industry at large via academic programs and practical vocational training at MARii centres. Generally, we are neutral on this latest corporate development by DRBHCOM but see these initiatives as a step in the right direction in developing core competence in new automotive technologies. It is still early days, so any investments involved in the collaboration is not significant, hence financial risks are immaterial at this stage. While we believe that both of the MOU contribution to the group earnings are insignificant, these MOU showcase that PROTON under the new management are looking at ways to strengthen its position in delivering better quality cars with respectable R&D division competing with global players such as Toyota and Honda which is a part of PROTON 10-year restructuring program. No changes to our FY19E-20E earnings. Our OP call and TP of RM2.60 is based on sum-of-parts (SOP) implying PER of 16x based of FY20E EPS. (by: Wan Mustaqim)

- **Taliworks clarifies Selangor water receivables was sold at RM660.0m**

Taliworks Corp Bhd clarified that its receivables due from Syarikat Pengeluar Air Sungai Selangor Sdn Bhd (Splash) was sold to special purpose vehicle (SPV) Starbright Capital Bhd, for a consideration of RM660.0m. Taliworks added that RM626.1m of the total sale consideration has been paid by Starbright to its wholly-owned unit Sungai Harmoni Sdn Bhd, from the proceeds of the asset-backed medium term notes the SPV had previously issued to purchase the receivables. The remaining sale consideration will be paid to Sungai Harmoni annually over the tenure of the medium-term notes, Taliworks said in a filing with Bursa Malaysia. *(The Edge)*

- **Vortex confirms it is in talks to buy a stockbroking firm**

Vortex Consolidated Bhd has confirmed that talks are underway to acquire a stockbroking firm. It said in a filing with Bursa Malaysia that the company however, has yet to enter into any definitive agreement. This confirms a StarBiz report on Monday where the group's major shareholder and executive director Eugene Goh did not deny speculations that it is in talks to buy one of the last standalone stockbroking firms. *(The Star)*

- **London Biscuits served writ for default in payment of RM1.3m**

London Biscuits Bhd has been served with a writ of summons and a statement of claim from PAC Lease Bhd for defaulting in payment obligations amounting to RM1.3m. In a filing with Bursa Malaysia, London Biscuits said it received a copy of the writ of summons, together with the statement of claim on Jan 6 filed by Messrs C. L. Boo & Associates, the solicitors for PAC Lease. "The suit was filed on the basis that Kinos (Kinos Food Industries (M) Sdn Bhd), the wholly-owned subsidiary of London Biscuits, has defaulted in its payment obligations to PAC Lease. Consequently, London Biscuit as the corporate guarantor of Kinos was also unable to meet its payment obligations to pay PAC Lease," it said. *(The Edge)*

- **AIAB debuts on LEAP market at 27.0 sen**

Ace Innovate Asia Bhd (AIAB) made its debut on Bursa Malaysia's Leading Entrepreneur Accelerator Platform Market (LEAP) at 27.0 sen, a premium of one sen above its issue price of 26.0 sen. Principally involved in the gold bullion trading industry, AIAB is the second company to be listed on Bursa Malaysia this year. The company managed to raise RM10.1m from the placement of 39.0m new shares, which represented 13% of the company's enlarged share capital. About 500 shares were transacted at the opening bell. *(Bernama)*

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Macro Bits

Global

- [Safe-haven currencies pull back as investors look past U.S.-Iran tensions](#) The Japanese yen and Swiss franc pulled back from recent highs on Tuesday as investors judged that the chances of an all-out conflict between the United States and Iran had fallen. *(Reuters)*
- [France, US set two-week target for resolving digital tax spat](#) France and the United States have given themselves two weeks to try to resolve a row over a French digital tax, French Finance Minister Bruno Le Maire said on Tuesday, emphasising that Paris has the European Union's backing on the issue. *(Reuters)*

Malaysia

- [Malaysia is doing well — Dr Mahathir](#) Dissatisfaction among the public towards the government happens because the government is not very good at telling stories about what it has done, said Prime Minister Tun Dr Mahathir Mohamad. *(The Edge Markets)*
- [Malaysia, China collaborate to establish first next-gen vehicle hub in SE Asia](#) Malaysia is collaborating with China to pave the way for the development of South East Asia's first next-generation vehicle (NxGV) hub here. *(The Edge Markets)*
- [Govt to channel 50% of CPO windfall tax to biofuel fund](#) At least 50% of the crude palm oil (CPO) windfall tax will be channelled to the biofuel stabilisation fund, which is expected to be set up within the first quarter of this year, says Primary Industries Minister Teresa Kok. *(The Edge Markets)*

Asia Pacific

- [China won't hike grain import quotas for U.S. trade deal - Caixin](#) China will not increase its annual low-tariff import quotas for corn, wheat and rice to accommodate stepped-up purchases of farm goods from the United States, local media group Caixin quoted senior agriculture official Han Jun as saying on Tuesday. *(Reuters)*
- [Japan finance minister sees economy in moderate recovery](#) Japanese Finance Minister Taro Aso said on Tuesday there was no change to the view that the economy remains in moderate recovery, despite rising pressure from a global slowdown. *(Reuters)*
- [Thai central bank sees no need to tighten if inflation rises on supply-side shocks](#) Thailand's central bank sees no need to raise its benchmark rate if inflation accelerates on supply-side shocks, but regards the economy as still fragile, the governor said on Tuesday. *(The Edge Markets)*

Americas

- [U.S. trade deficit sinks 8% to 3-year low of USD43.1b in November amid China trade war](#) The trade deficit fell sharply in November for the second month in a row and sank to the lowest level in three years, reflecting a decline in Chinese imports and the reemergence of the U.S. as an energy superpower. *(Market Watch)*
- [Fed signals high bar for rate move while Iran tensions simmer](#) The risk of a U.S.-Iran conflict is bringing fresh focus to the question of what Jerome Powell meant when he said it will take a "material" change in the outlook for the Federal Reserve to raise or lower interest rates. *(Bloomberg)*
- [December's ISM non-manufacturing index signals better-than-expected expansion](#) Activity in the U.S. services sector rose slightly in December as businesses felt relieved by a partial trade agreement between the U.S. and China, data released Tuesday showed. *(CNBC)*

Europe

- [Facing Brexit unknowns, UK financial sector pays record taxes](#) Britain's financial industry paid a record near-USD100b in taxes in the year to March, reaffirming its central role in funding the state at a time when its future prospects have been clouded by Brexit. *(Reuters)*
- [Euro zone inflation picks in December before early 2020 fall](#) Euro zone inflation jumped as expected last month, offering some temporary relief for European Central Bank policymakers before price growth is expected to dip again. *(Reuters)*



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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	13.900	19.98	11.23	0.24	13.000
CAN-ONE BHD	2.830	24.04	19.38	5.15	2.810
BLD PLANTATION BHD	5.300	27.72	24.05	32.02	5.260

*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
CARLSBERG BREWERY MALAYSIA B	30.700	80.50	87.05	94.12	31.000
DATASONIC GROUP BHD	1.500	79.26	80.85	80.21	1.530
MEGA FIRST CORP BHD	5.140	76.75	80.81	83.65	5.160
ENGTEX GROUP BHD	0.780	75.91	77.86	63.93	0.805
CYPARK RESOURCES BHD	1.510	73.61	78.37	77.65	1.610
IBRACO BHD	0.690	73.31	80.24	88.20	0.720
KRONOLOGI ASIA BHD	0.870	72.35	77.15	86.61	0.900
MALAYSIAN PACIFIC INDUSTRIES	11.900	72.20	76.08	80.79	11.980
FOCUS DYNAMICS GROUP BHD	0.525	71.72	73.88	85.85	0.555
ALLIANZ MALAYSIA BHD	16.340	71.50	67.99	41.34	17.020
GHL SYSTEMS BERHAD	1.490	71.20	77.70	90.81	1.530
JHM CONSOLIDATION BHD	1.690	70.09	70.08	52.43	1.780

*Only for stocks with market cap >RM300m

Source: Bloomberg

List of Oversold Warrants (14-Day RSI<70-mark)

NAME	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D	EXPIRY DATE
HANG SENG IND-8J	0.030	23.69	15.64	0.79	0.025	27/2/2020
AXIATA GROUP-C44	0.005	26.72	25.32	27.38	0.005	14/2/2020
HANG SENG IND-8W	0.140	26.76	23.54	32.77	0.110	30/3/2020
HANG SENG IND-AA	0.320	27.82	26.05	32.53	0.265	28/4/2020
MALAYSIA AIRP-C13	0.020	28.07	24.92	17.27	0.020	31/3/2020
SAPURA ENERGY-C78	0.010	28.35	24.36	6.27	0.010	11/2/2020

Source: Bloomberg

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

NAME	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D	EXPIRY DATE
SERBA DINAMIK-CY	0.205	85.80	92.42	99.73	0.240	28/8/2020
DATASONIC GRO-C14	0.190	84.62	81.43	73.35	0.195	19/6/2020
APPASIA BERHAD-WA	0.155	82.27	86.75	96.67	0.170	23/12/2024
DATASONIC GRO-C13	0.335	81.63	80.63	80.75	0.345	26/8/2020
MELEWAR INDUSTRIAL GROU-WB	0.150	81.57	85.26	89.22	0.155	18/8/2023
MINHO M BHD-WC	0.125	81.52	84.01	87.80	0.125	2/8/2021
WIDAD GROUP BHD-WA	0.285	78.28	84.53	97.41	0.290	5/8/2023
GUNUNG CAPITAL BHD-WB	0.145	77.89	80.18	77.18	0.150	4/10/2020
DATASONIC GRO-C12	0.230	77.51	77.05	77.28	0.235	30/7/2020
XIDELANG HOLDINGS LTD-WD	0.020	74.20	86.67	99.97	0.020	17/1/2022
GAMUDA BHD-WE	0.300	73.74	80.70	94.18	0.310	6/3/2021
DATASONIC GROUP BHD-WA	0.850	72.69	77.92	90.89	0.855	5/7/2023
SUNWAY BHD-WB	0.430	72.52	81.52	99.08	0.435	3/10/2024
BAHVEST-WA	0.340	71.42	77.71	79.29	0.360	20/8/2024
SERN KOU RESOURCES-WA	0.500	71.34	81.28	98.62	0.525	20/3/2023
FRONTKEN CORP-CI	0.180	71.10	66.90	61.78	0.195	22/5/2020
MUAR BAN LEE GRP-WA	0.630	70.36	73.37	89.93	0.660	28/11/2022

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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