

05 November 2019

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

Research Highlights

NEWS HIGHLIGHTS

- Which members will be booted out of KLCI? *(Comment included in Kenanga Today)*
- Sarawak's new sales tax on aluminium raises concerns on Press Metal (PMETAL)'s profit margin *(Comment included in Kenanga Today)*
- MMAG to sell vacant industrial land in Klang for RM13.0m
- Cuscapi collaborates with Zando Technologies to provide F&B solutions in Myanmar
- ARB 3Q net profit spikes on IT amid temporary timber ops cessations

MACRO BITS

- Asean leaders snub U.S. Summit after Trump skips Bangkok meeting
- China reviews Xi's options to visit U.S. to ink Trump trade deal
- Global manufacturing contracts for a sixth straight month
- Exports drop to a 35-month low in September, trade surplus narrows *(See Economic viewpoint: Malaysia External Trade)*
- Malaysia's economy to hit 4.7% in 3Q19
- ASEAN is a successful, stable regional organisation — Dr M
- 15 countries involved in RCEP conclude negotiations without India
- Asia trade pact doesn't reflect India's interests, decided not to join: PM Modi
- China says no 'promise fatigue' on opening its economy
- U.S. factory orders fall in September; core capital goods revised down
- Fed's Kashkari calls for no more rate hikes until inflation hits 2%
- Euro zone factories stuck in a slump as trade war still biting
- 'Order!' - UK parliament to elect new Speaker for Brexit hot seat

IDEAS OF THE DAY (SEE SEPARATE REPORTS FOR DETAILS)

- On Our Technical Watch: TOPGLOV, FPI
- Economic Viewpoint: Malaysia External Trade

BURSA	4-Nov	Day chg	% chg
KLCI	1,603.6	10.22	0.64%
FTSE EMAS	11,352.0	71.9	0.64%
FTSE Smallcap	13,685.9	-0.61	0.00%
FTSE MESDAQ	5,028.1	48.6	0.98%
KLSE Mkt Cap (RM'b)	1,625.3	10.0	0.62%

BURSA DAILY TRADING PARTICIPATION

Participation	Net (RM'm)	Value (%)
Local Institution	29.39	52.42
Local Retail	35.62	25.67
Foreign	-65.01	21.91

INDICES	4-Nov	Day chg	% chg
Dow Jones	27,462.1	114.8	0.42%
S&P 500	3,078.3	11.4	0.37%
NASDAQ	8,433.2	46.8	0.56%
FTSE-100	7,369.7	67.3	0.92%
Nikkei 225	N.A.	N.A.	N.A.
SHCOMP	2,975.5	17.3	0.58%
HSI	27,547.3	446.5	1.65%
STI	3,236.4	7.0	0.22%
KOSPI	2,130.2	30.0	1.43%
TWSE	11,556.9	157.3	1.38%
JCI	6,180.3	-26.8	-0.43%
SET	1,622.3	29.7	1.87%

FOREX	4-Nov	1-Nov	% chg
USD/MYR:	4.1505	4.1653	-0.36%
EUR/USD:	1.1163	1.1166	-0.03%
GBP/USD:	1.2916	1.2946	-0.23%
USD/YEN:	108.45	108.19	0.24%
USD/SGD:	1.3575	1.3577	-0.01%
USD/HKD:	7.8383	7.8363	0.03%

KEY STATS

KLCI Spot

Vol (m shares):	2,557.7	2,791.4	-8.37%
Value (RMm):	1,856.4	1,638.4	13.31%

KLCI Future

November 19	1,604.5	1,592.0	0.79%
December 19	1,606.5	1,594.0	0.78%
CPO Price (RM/tonne)	2,544.0	2,476.0	2.75%
Soybean (US\$/bu)	938.0	936.8	0.13%
SoyOil (US\$/lb)	32.1	31.3	2.69%
Gold (US\$/troy oz)	1,511.1	1,511.4	-0.02%
Nymex crude oil (US\$/bbl)	56.5	56.2	0.60%
Latex (RM/kg)	4.31	4.35	-0.81%
Tin (US\$/mt)	N.A.	16,485.0	N.A.

#	Top Volume	Price	%Chg (+/-)	Vol (m)	Top Gainer	Price	%Chg (+/-)	Vol (m)	Top Loser	Price	%Chg (+/-)	Vol (m)
1	MAYBANK	8.63	0.4	11.20	HARTA	5.54	3.2	8.99	HLBANK	17.16	-0.8	1.11
2	CIMB	5.25	-0.2	10.40	TOPGLOV	4.52	2.7	4.92	IHH	5.59	-0.5	7.93
3	HARTA	5.54	3.2	8.99	PCHEM	7.62	1.9	1.05	RHBBANK	5.75	-0.5	2.04
4	GENM	3.24	0.3	8.95	SIMEPLT	5.00	1.8	7.71	CIMB	5.25	-0.2	10.40
5	IHH	5.59	-0.5	7.93	PMETAL	4.80	1.7	0.71	AXIATA	4.30	0.0	2.16
6	SIMEPLT	5.00	1.8	7.71	NESTLE	147.10	1.6	0.05	PBBANK	19.80	0.0	1.99
7	DIALOG	3.50	0.9	6.16	GENTING	5.96	1.5	5.73	HLFG	17.22	0.2	0.32
8	GENTING	5.96	1.5	5.73	AIRPORT	8.14	1.5	0.95	GENM	3.24	0.3	8.95
9	TOPGLOV	4.52	2.7	4.92	KLK	21.98	1.3	4.41	MAYBANK	8.63	0.4	11.20
10	KLK	21.98	1.3	4.41	AMBANK	4.02	1.0	1.30	SIME	2.30	0.4	2.45

Notes: # KL Composite Index (FBMKLCI) component stocks

Corporate News

• Which members will be booted out of KLCI?

The Edge Financial Daily reported that Top Glove, Malaysia Airports and AMMB Holdings could be at risk of exclusion from the FBMKLCI component list when the FTSE Russell announces its review next month (Dec). Based on existing rules, a stock would be added if its market capitalisation rises to 25th place or higher, and removed if it falls to 36th or below. As at 4 Nov close, MAHB, AMMB and Top Glove were placed 31st, 33rd and 35th respectively by market capitalisation and potential admissions – Westports, KLCCP and Telekom are at 28th, 29th and 30th respectively. The semi-annual review will take place in Dec 2019 based on closing prices on 30 Nov 2019. (*The Edge*)

Comments: According to FTSE Russell's ground rules, an existing index constituent will be dropped if its ranking by market capitalisation falls to 36th or below. Topglove with a market cap of RM11.57bn is at 35th. However, its closest peer YTL Corp at 36th is a distant one place behind. At RM9.5bn market cap it is some 22% behind Topglove. And, 37th placed Genting Plantation's market cap of RM9.06bn is some 28% behind Topglove. Hence, in order for Topglove to be dropped it has to underperform YTL Corp by at least 22% which is unlikely in our view. Topglove's recent price retracement has already reflected its poor 4QFY19 results and as we do not foresee further near term negative catalyst to cause further declines, we would be surprised if Topglove is dropped from the list. (By: Koh Huat Soon)

• Sarawak's new sales tax on aluminium raises concerns on Press Metal (PMETAL)'s profit margin

The proposed State Sales Tax (SST) on aluminium products by the Sarawak state government is likely to negatively impact PMETAL's margins. The Sarawak Chief Minister (CM) told the state assembly yesterday that the new levy on aluminium products will kick in starting January 2020. The rate is set at 1.0% and the state government expects to collect RM58.0m in SST from aluminium products in 2020, as part of a drive to boost state revenue, the CM said. (*The Edge*)

Comments: This news came as a surprise to us as it has never been discussed before and we also learnt that management of PMETAL was also caught unaware. Being the only aluminium smelter in Sarawak with almost all outputs for export, the estimated RM58m tax collection or RM46.4m net profit after MI is c.7.4% of FY18A core earnings or c.8.8% of our FY19 core earnings estimate which is fairly material. Therefore, the tax is negative to PMETAL. On the other hand, it could discourage foreign investors from setting up plants in Sarawak which will likely work against the state's quest to attract FDI. Hence, a U-turn for this policy cannot be ruled out completely. For now, pending further clarifications, we keep our estimates unchanged. It remains an OP with TP at RM5.50. (By: Teh Kian Yeong)

• MMAG to sell vacant industrial land in Klang for RM13.0m

MMAG Holdings Bhd is planning to dispose of a piece of freehold vacant industrial land in Klang for RM13.0m in cash to Acter Carton Enterprise Sdn Bhd. The proposed disposal is via a sale and purchase agreement (SPA) entered between its unit Active Trio Deluxe Sdn Bhd (ATDSB) and Acter Carton Enterprise. The land, measuring about 18,381 sqm or 197,853.08 sqft, has a net book value of RM13.0m based on audited financial statements of ATDSB for the financial year ended March 31, 2019 (FY19), MMAG said in a filing with Bursa Malaysia. The original cost of the land stood at RM12.7m, which was bought on June 18 last year. The proceeds from the proposed disposal will be utilised for the purchase of two freehold parcels with buildings located at Kawasan Perusahaan Valdor, Pulau Pinang, the company said. (*The Edge*)



- **Cuscapi collaborates with Zando Technologies to provide F&B solutions in Myanmar**

Point-of-sale systems provider Cuscapi Bhd has signed a memorandum of understanding (MoU) with Zando Technologies Co Ltd to collaborate in offering competitive solutions to end-customers in Myanmar's food and beverage (F&B) industry. Zando is a Myanmar-based company involved in systems integration and IT solutions for shopping complexes and F&B. "The signing of the MoU with Zando will enable Cuscapi to explore business opportunities and expansion into Myanmar's F&B market, to offer new C360 Engage Point of Sales and restaurant management solutions," Cuscapi said. (*The Edge*)

- **ARB 3Q net profit spikes on IT amid temporary timber ops cessation**

ARB Bhd reported a 4,263% spike in net profit at RM8.3m in its third quarter ended Sept 30, 2019 (3QFY19) from RM186,000 a year earlier, helped by a substantial revenue rise on IT-based income. According to ARB Bhd's Bursa Malaysia filing, IT-based income rose as the group's timber segment temporarily ceased operations during 3QFY19, ahead of an expected resumption in December 2019. ARB Bhd said total group revenue during the quarter increased to RM33.9m, from RM3.8m a year before. "For the current quarter under review, the group's revenue increased by 793% compared to preceding year's corresponding quarter. This was mainly due to the IT segment (which) has contributed RM33.9m or 99.7% of the total revenue and consequently contributed profit for the group," ARB Bhd said. (*The Edge*)

This section is intentionally left blank

Macro Bits

Global

- [Asean leaders snub U.S. Summit after Trump skips Bangkok meeting](#) Most Southeast Asian leaders skipped a summit on Monday with U.S. representatives after President Donald Trump decided to avoid the annual meetings for a second straight year. (*Bloomberg*)
- [China reviews Xi's options to visit U.S. to ink Trump trade deal](#) China is reviewing locations in the U.S. where President Xi Jinping would be willing to meet with Donald Trump to sign the first phase of a trade deal between the world's two largest economies, people familiar with the plans said. (*Bloomberg*)
- [Global manufacturing contracts for a sixth straight month](#) Global manufacturing shrank for a sixth straight month in October as new export orders extended their longest downturn since 2002. At the same time, output and orders firmed in a sign factory activity is stabilizing. (*Bloomberg*)

Malaysia

- **Exports drop to a 35-month low in September, trade surplus narrows.** September exports surprisingly tumbled to almost 3-year low, undershooting forecast (-6.8% YoY; consensus: 0.0%; KIBB: 3.7%; Aug: -0.8%). (*See Economic viewpoint: Malaysia External Trade*)
- [Malaysia's economy to hit 4.7% in 3Q19](#) MALAYSIA'S economy is expected to expand 4.7% from July 2019 to September 2019 despite the US-China trade war which is dragging global economies to their knees. (*The Malaysian Reserve*)
- [ASEAN is a successful, stable regional organisation — Dr M](#) The Association of South East Nations (ASEAN) has grown tremendously over the years to become the most stable regional organisation in the world today, said Malaysian Prime Minister Tun Dr Mahathir Mohamad. (*The Edge Markets*)

Asia Pacific

- [15 countries involved in RCEP conclude negotiations without India](#) The 15 participating countries in the Regional Comprehensive Economic Partnership (RCEP) have concluded the negotiations tonight, leaving India out of the deal which would have been the largest trade pact in the world. (*The Edge Markets*)
- [Asia trade pact doesn't reflect India's interests, decided not to join: PM Modi](#) India's Prime Minister Narendra Modi said on Monday that he could not compromise the interests of farmers and workers at home by joining a China-led regional trade pact after it failed to address Delhi's concerns over market access. (*Reuters*)
- [China says no 'promise fatigue' on opening its economy](#) There is no "promise fatigue" about China's efforts to open its economy to foreign businesses, the government said on Monday on the eve of week-long import fair, after the European Union said China needed to make rapid and substantial improvements. (*Reuters*)

Americas

- [U.S. factory orders fall in September; core capital goods revised down](#) New orders for U.S.-made goods fell more than expected in September and business spending on equipment was slightly weaker than initially thought, suggesting that manufacturing remains soft amid the ongoing U.S.-China trade war. (*Reuters*)
- [Fed's Kashkari calls for no more rate hikes until inflation hits 2%](#) The Federal Reserve shouldn't raise interest rates again until inflation accelerates, Neel Kashkari, the president of the central bank's Minneapolis district, told CNBC on Monday. (*CNBC*)

Europe

- [Euro zone factories stuck in a slump as trade war still biting](#) Factory activity across the euro zone contracted sharply last month as demand was again stifled by the U.S. trade war with China and the persistent lack of clarity over Britain's departure from the European Union, a survey showed. (*Reuters*)
- ['Order!' - UK parliament to elect new Speaker for Brexit hot seat](#) British lawmakers will elect a new Speaker on Monday to take on the role of refereeing the next parliamentary instalment of the country's protracted struggle over Brexit. (*Reuters*)



05 November 2019

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

NAME*	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D
STAR MEDIA GROUP BHD	0.460	14.71	11.27	4.26	0.460
MEDIA PRIMA BHD	0.350	25.18	24.58	15.84	0.340
PHARMANIAGA BERHAD	2.080	26.65	21.43	6.63	2.020
APM AUTOMOTIVE HOLDINGS BHD	2.030	28.21	28.19	38.51	2.000
MY EG SERVICES BHD	1.120	29.54	29.90	38.04	1.050

*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
IFCA MSC BHD	0.545	84.93	89.12	94.10	0.550
JAKS RESOURCES BHD	1.100	80.40	85.18	97.43	1.130
HARTALEGA HOLDINGS BHD	5.540	78.71	85.15	96.72	5.630
KRONOLOGI ASIA BHD	0.775	76.80	80.63	89.16	0.785
TA ANN HOLDINGS BERHAD	2.550	76.24	82.11	95.41	2.570
DATASONIC GROUP BHD	1.140	75.36	77.32	77.46	1.180
SARAWAK OIL PALMS BERHAD	2.550	73.93	77.34	89.91	2.550
BINTULU PORT HOLDINGS BHD	4.250	73.44	82.69	97.35	4.250
COCOALAND HOLDINGS BHD	2.190	72.95	79.41	95.03	2.200
APOLLO FOOD HOLDINGS BHD	4.040	72.93	81.05	96.46	4.050
NESTLE (MALAYSIA) BERHAD	147.100	71.79	83.91	99.01	147.100
KAWAN FOOD BHD	1.420	71.28	76.68	79.87	1.460
CIMB GROUP HOLDINGS BHD	5.250	71.08	77.99	87.46	5.320
MKH BHD	1.280	70.56	77.41	94.53	1.280
WAH SEONG CORP BHD	1.070	70.56	64.75	25.35	1.170

*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
S&P 500 INDEX-HI	0.040	21.40	12.14	0.10	0.040	23/12/2019
BURSA MALAYSI-C26	0.015	22.80	17.33	0.52	0.015	14/2/2020
HANG SENG IND-8B	0.050	25.30	18.72	5.44	0.045	28/11/2019
MY EG SERVICE-C82	0.040	25.70	24.04	32.13	0.035	31/3/2020
SKP RESOURCES-CQ	0.020	25.90	27.71	42.32	0.010	29/11/2019
SAPURA ENERGY-C78	0.025	27.00	23.48	3.68	0.025	11/2/2020
HANG SENG IND-8E	0.110	27.22	21.47	8.85	0.110	30/12/2019
HANG SENG IND-8F	0.245	27.55	21.39	7.13	0.240	30/12/2019
HANG SENG IND-8J	0.185	28.43	22.32	8.76	0.180	27/2/2020

Source: Bloomberg

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

NAME	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D	EXPIRY DATE
WIDAD GROUP BHD-WA	0.160	86.95	91.19	98.88	0.175	5/8/2023
JAKS RESOURCES BHD-WB	0.860	83.37	88.21	98.29	0.860	13/12/2023
DATASONIC GROUP BHD-WA	0.700	82.40	84.15	77.66	0.730	5/7/2023
LUSTER INDUSTRIES-WA	0.045	76.23	82.81	96.07	0.045	3/6/2022
GREEN PACKET BHD-WB	0.345	75.64	74.85	72.40	0.350	24/11/2023
GENTING MALAY-C65	0.140	70.91	84.10	99.71	0.150	29/5/2020

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

