

12 November 2019

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Research Highlights

BURSA	11-Nov	Day chg	% chg
KLCI	1,608.2	-1.58	-0.10%
FTSE EMAS	11,390.0	-5.7	-0.05%
FTSE Smallcap	13,621.0	-100.75	-0.73%
FTSE MESDAQ	4,884.7	-95.8	-1.92%
KLSE Mkt Cap (RM'b)	1,630.3	-1.0	-0.06%

BURSA DAILY TRADING PARTICIPATION

Participation	Net (RM'm)	Value (%)
Local Institution	111.04	46.02
Local Retail	18.26	23.67
Foreign	-129.30	30.31

INDICES	11-Nov	Day chg	% chg
Dow Jones	27,691.5	10.3	0.04%
S&P 500	3,087.0	-6.1	-0.20%
NASDAQ	8,464.3	-11.0	-0.13%
FTSE-100	7,328.5	-30.8	-0.42%
Nikkei 225	23,331.8	-60.0	-0.26%
SHCOMP	2,910.0	-54.2	-1.83%
HSI	26,926.6	-724.6	-2.62%
STI	3,240.7	-23.7	-0.72%
KOSPI	2,124.1	-13.1	-0.61%
TWSE	11,427.3	-152.3	-1.31%
JCI	6,148.7	-29.2	-0.47%
SET	1,622.1	-15.7	-0.96%

FOREX	11-Nov	8-Nov	% chg
USD/MYR:	4.1440	4.1355	0.21%
EUR/USD:	1.1034	1.1018	0.15%
GBP/USD:	1.2820	1.2774	0.36%
USD/YEN:	108.97	109.26	-0.27%
USD/SGD:	1.3613	1.3590	0.17%
USD/HKD:	7.8310	7.8299	0.01%

KEY STATS

KLCI Spot			
Vol (m shares):	2,373.8	3,105.6	-23.57%
Value (RMm):	1,635.2	2,154.0	-24.09%
KLCI Future			
November 19	1,608.5	1,611.0	-0.16%
December 19	1,610.0	1,612.0	-0.12%
CPO Price (RM/tonne)			
Soybean (US\$/bu)	917.0	931.0	-1.50%
SoyOil (US\$/lb)	31.6	31.7	-0.28%
Gold (US\$/troy oz)	1,457.1	1,462.9	-0.40%
Nymex crude oil (US\$/bbl)	56.9	57.2	-0.66%
Latex (RM/kg)	4.32	4.29	0.70%
Tin (US\$/mt)	N.A.	16,686.0	N.A.

NEWS HIGHLIGHTS

- Westports Holdings Berhad - Vessel Incident (*Comment Included in Kenanga Today*)
- Profit Sharing Agreement entered into between AirAsia Berhad and AirAsia X Berhad (*Comment Included in Kenanga Today*)
- Mi Technovation set to expand beyond semiconductor sector
- Malaysia Smelting Corp's 3Q net profit jumps on one-off provision, but revenue down by a third
- Cycle & Carriage to be taken private at RM2.20/share via selective capital reduction, repayment

MACRO BITS

- Moody's cuts global sovereign rating outlook to 'negative' for 2020
- Iran adds to breaches of nuclear deal with enrichment push -IAEA report
- IPI sustained in September despite marked slowdown in manufacturing (*See Economic Viewpoint: Malaysia Industrial Production*)
- Unemployment remains steady in September at 3.3% (*See Economic Viewpoint: Malaysia Labour Market*)
- Malaysia to take corrective measures following FAA rating downgrade — Dr Mahathir
- Malaysians to see 'big drop' in real salary increases next year
- China October new bank loans dip to 22-month low, more easing expected
- Japan's surprise decline in machinery orders raises doubts about business spending
- Trump to meet with vaping industry as he mulls tighter regulation
- Fed's Rosengren sees U.S. economy 'in pretty good shape'
- Euro zone industry weakness could infect broader economy: ECB's Mersch
- UK economy dodges recession, but annual growth slowest since 2010

IDEAS OF THE DAY (SEE SEPARATE REPORTS FOR DETAILS)

- Sector Update: Plantation
- Results Note: DIALOG, KLCC
- Company Update: PESTECH
- On Our Technical Watch: HEIM, PENERGY
- Economic Viewpoint: Malaysia Industrial Production, Malaysia Labour Market

#	Top Volume				Top Gainer				Top Loser			
	Stock	Price	%Chg (+/-)	Vol (m)	Stock	Price	%Chg (+/-)	Vol (m)	Stock	Price	%Chg (+/-)	Vol (m)
1	CIMB	5.36	-0.7	11.20	IOICORP	4.40	1.4	2.83	AIRPORT	8.35	-1.7	0.68
2	MAYBANK	8.85	0.2	8.70	TOPGLOV	4.41	1.4	1.88	KLK	22.20	-1.4	0.93
3	GENM	3.24	-0.3	7.12	PETDAG	23.96	1.0	0.22	RHBBANK	5.69	-1.4	3.50
4	DIALOG	3.43	-0.3	6.83	AMBANK	4.18	1.0	2.89	IHH	5.44	-1.3	2.90
5	PBBANK	20.00	0.3	4.70	SIME	2.31	0.9	3.41	HLFG	17.10	-1.0	0.12
6	SIMEPLT	4.98	-0.2	4.38	HLBANK	17.20	0.8	0.82	AXIATA	4.33	-0.9	2.35
7	GENTING	6.20	-0.2	4.12	PCHEM	7.71	0.8	2.93	PPB	18.10	-0.8	0.49
8	MISC	8.26	-0.2	4.05	PETGAS	16.40	0.5	0.54	CIMB	5.36	-0.7	11.20
9	RHBBANK	5.69	-1.4	3.50	PMETAL	4.79	0.4	0.62	HARTA	5.32	-0.6	2.51
10	SIME	2.31	0.9	3.41	PBBANK	20.00	0.3	4.70	NESTLE	144.90	-0.6	0.07

Notes: # KL Composite Index (FBMKLCI) component stocks

Corporate News

• Westports Holdings Berhad - Vessel Incident

The Board of Directors ("Board") Westports would like to announced that there was an incident at its wholly-owned subsidiary, Westports Malaysia Sdn Bhd ("WMSB"), on 8 November 2019 whereby a berthing container vessel made contact with WMSB's two Ship-to-Shore cranes. As a safety measure, WMSB has closed two berths to assess the damages. The Company is ascertaining the contributing factors that gave rise to the incident. Westports would make an announcement when there are notable developments on this incident. WMSB has a total of 20 container berths and 67 Ship-to-Shore cranes. The temporary berths closure is not expected to have a material impact on the overall container operations as terminal handling of containers at all other berths continue as usual. The incident is also not expected to have any material effect on the earnings of Westports. (Bursa Malaysia)

Comment: We are not overtly concerned by this latest development because any loss of income from this incident is protected by insurance coverage. Both the container vessel concerned and WMSB's affected assets have insurance coverages. However, we expect Westports to navigate through this incident via increasing resources on remaining quay cranes and equipment to ensure the boxes or container throughput are cleared. We maintain MARKET PERFORM given the lack of near-term catalysts. Nevertheless, the call is supported by a decent dividend yield of c.3% with an unchanged DDM-derived TP of RM4.15, based on: (i) 6.2% discounting rate, (ii) 1% terminal growth, and (iii) unchanged dividend pay-out policy of 75%. Our TP implies a Fwd. FY20E PER of 21x, somewhat in line with its 3-year historical average, which we deem to be justifiable given its modest throughput growth outlook. (by: Raymond Choo)

• Profit Sharing Agreement entered into between AirAsia Berhad and AirAsia X Berhad

The Board of Directors of AirAsia Group Berhad (AAGB) wishes to announce that wholly-owned AirAsia Berhad (AAB) has on 10 November 2019, entered into a Profit Sharing Agreement with AirAsia X Berhad (AAX) in connection with the transfer two of its existing slots (equivalent of 14x weekly) of its Kuala Lumpur - Singapore route ("KUL-SIN Route"). Pursuant to the Agreement, AAX will share 50% of the net operating profit of the route with AAB on a monthly basis throughout the term of the Agreement. The Agreement shall be effective on the date of the Agreement, for a period of one (1) year, and may be renewed for another one (1) year by mutual agreement in writing by both AAX and AAB. Unless otherwise agreed in writing and subject to regulatory approval, in the event AAX's performance of the KUL-SIN Route does not meet the mutually agreed expectations or the Agreement is not extended or that AAX ceases or intends to cease operation of the KUL-SIN Route, the airport slots shall be returned to AAB. (Bursa Malaysia)

Comment: We are positive on this latest development by AirAsia, albeit only marginally positive to bottomline. Since most of AirAsia 320s is operating on high load factors on this Kuala Lumpur - Singapore route, it makes sense to move to a bigger widebody aircraft of which AirAsia X is currently operating with a bigger seating capacity (doubling from an estimated 180 to 377 seats). According to AirAsia X Bursa Announcement, the 50% profit sharing is estimated to generate RM2.4m profit. We maintain our earnings forecasts and our Market Perform recommendation pending the release of AirAsia's 3Q 2019 financial results expected due in end Nov 2019. TP is RM1.70 based on 10x FY20E EPS, which is at a discount to average forward PER of 11x of global peers like Ryanair and Southwest Airlines to reflect AirAsia's relatively smaller market capitalization. (by: Raymond Choo)



- **Mi Technovation set to expand beyond semiconductor sector**

Mi Technovation Bhd -formerly known as Mi Equipment Holdings Bhd — is seeking to reduce its dependency on the semiconductor industry. This is because its semiconductor equipment business unit — Mi Equipment — is seasonal and affected by the cyclical nature of the industry. Mi Technovation group chief executive officer Oh Kuang Eng said the group aims to be a player with multiple products across multiple industries by 2023. He added that the group, based in Bayan Lepas, Penang, wants to smoothen out cyclicity through its newly incorporated subsidiaries, Mi Autobotics and Mi Components. *(The Edge)*

- **Malaysia Smelting Corp's 3Q net profit jumps on one-off provision, but revenue down by a third**

Malaysia Smelting Corp Bhd's (MSC) third quarter net profit nearly tripled to RM30.5m or 7.6 sen per share, from RM11.6m or 2.6 sen per share a year earlier, thanks to a one-off provision writeback of RM48.4m for tribute payments no longer required. Revenue for the quarter ended Sept 30, 2019 fell 34% to RM204.3m, from RM309.4m previously, due to a lower sales volume of refined tin, the tin miner and metal producer said in a statement. MSC said its tin smelting business was impacted by an inventory writedown to net realizable value of RM17.3m, due to slower global tin demand and less favourable tin prices during the quarter. *(The Edge)*

- **Cycle & Carriage to be taken private at RM2.20/share via selective capital reduction, repayment**

Cycle & Carriage Bintang Bhd's (CCB) controlling shareholder Jardine Cycle & Carriage Ltd (Jardine CCL) proposed to the board to undertake a selective capital reduction and repayment (SCR) at RM2.20 per share, according to a filing to Bursa Malaysia. The stock was last traded at RM1.29. The proposed SCR will pave the way for the privatisation of the auto player, the share price of which has been downhill in the past few years to a 10-year low. In the filing, CCB said the SCR entails a selective capital reduction and a corresponding capital repayment of a cash amount of RM2.20 per ordinary share in CCB held by all shareholders, except for Jardine CCL. *(The Edge)*

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Macro Bits

Global

- [Moody's cuts global sovereign rating outlook to 'negative' for 2020](#) Rating agency Moody's cut its global sovereign outlook for 2020 to 'negative' from 'stable' on Monday, saying disruptive and unpredictable world politics would slow growth and increase the risk of economic or financial shocks. *(The Edge Markets)*
- [Iran adds to breaches of nuclear deal with enrichment push -IAEA report](#) Iran is enriching uranium at its underground Fordow site and rapidly accelerating enrichment more broadly, a report by the U.N. atomic watchdog showed, outlining Tehran's latest breaches of its 2015 nuclear deal with major powers. *(Reuters)*

Malaysia

- **IPI sustained in September despite marked slowdown in manufacturing** Industrial Production Index (IPI) sustained a growth of 1.7% YoY in September (consensus and house estimate: 1.9%), as rebound in electricity and lessened decline in mining equally outweighed further moderation in manufacturing. *(See Economic Viewpoint: Malaysia Industrial Production)*
- **Unemployment remains steady in September at 3.3%** The unemployment rate was unchanged at 3.3% in September for the fourth straight month as growth in labour force, and employment grew at the same pace *(See Economic Viewpoint: Malaysia Labour Market)*
- [Malaysia to take corrective measures following FAA rating downgrade — Dr Mahathir](#) The government will take the necessary corrective measures if there is anything wrong with Malaysia's civil aviation authority, said Prime Minister Tun Dr Mahathir Mohamad. *(The Edge Markets)*
- [Malaysians to see 'big drop' in real salary increases next year](#) Malaysian workers are expected to see a big drop in their real salary increases next year at 2.9%, compared with an estimated 4.0% this year, according to a study on salary trends by global consultancy firm, ECA International. *(The Edge Markets)*

Asia Pacific

- [China October new bank loans dip to 22-month low, more easing expected](#) New bank loans in China fell more than expected to the lowest in 22 months in October, but the drop was likely due to seasonal factors and policymakers are still expected to ramp up support for the cooling economy in coming months. *(Reuters)*
- [Japan's surprise decline in machinery orders raises doubts about business spending](#) Japan's machinery orders fell for a third straight month in September, raising doubts that business spending will be strong enough to offset external pressures, which have clouded the outlook for the export-reliant economy. *(Reuters)*

Americas

- [Trump to meet with vaping industry as he mulls tighter regulation](#) U.S. President Donald Trump said on Monday he will be meeting with vaping industry representatives as his administration considers tightening e-cigarette regulations amid a nationwide outbreak of vaping-related injuries and deaths. *(Reuters)*
- [Fed's Rosengren sees U.S. economy 'in pretty good shape'](#) Boston Federal Reserve Bank President Eric Rosengren on Monday said the U.S. economy is in good condition and nothing he has seen in recent data would change his view that the Fed's latest interest rate cut was not needed. *(Reuters)*

Europe

- [Euro zone industry weakness could infect broader economy: ECB's Mersch](#) Persistent weakness in euro zone manufacturing raises the risk of other sectors of the economy being infected, extending the currency bloc's recent downturn, European Central Bank policymaker Yves Mersch said on Monday. *(Reuters)*
- [UK economy dodges recession, but annual growth slowest since 2010](#) Britain's economy grew at its slowest annual pace in nearly a decade during the three months to September as the global slowdown and Brexit worries hit manufacturing and business investment, official figures showed on Monday. *(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
MEDIA PRIMA BHD	0.300	15.87	12.23	1.44	0.295
FAR EAST HOLDINGS BHD	2.440	21.44	10.18	0.12	2.440
STAR MEDIA GROUP BHD	0.455	24.12	27.01	54.58	0.440
PERUSAHAAN SADUR TIMAH MALAY	4.250	24.50	17.56	2.29	4.240
POS MALAYSIA BERHAD	1.440	24.81	15.52	10.04	1.430

*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
MEGA FIRST CORP BHD	4.790	82.75	87.76	98.27	4.790
JAKS RESOURCES BHD	1.160	78.50	81.32	89.08	1.210
IFCA MSC BHD	0.535	77.03	76.20	44.30	0.570
MKH BHD	1.350	76.86	81.29	74.88	1.370
FGV HOLDINGS BHD	1.230	75.29	81.42	95.69	1.240
WAH SEONG CORP BHD	1.170	74.73	73.45	77.40	1.190
TA ANN HOLDINGS BERHAD	2.550	72.88	76.11	70.27	2.610
PETRA ENERGY BHD	1.640	72.52	76.24	93.70	1.660
AMWAY MALAYSIA HOLDINGS BHD	6.040	72.50	82.52	99.20	6.090
SARAWAK OIL PALMS BERHAD	2.580	71.96	74.08	77.40	2.620
COASTAL CONTRACTS BHD	1.230	71.48	73.57	85.04	1.240
KRONOLOGI ASIA BHD	0.780	71.41	71.25	51.93	0.805
CARING PHARMACY GROUP BHD	2.490	70.37	71.08	74.91	2.500
PLS PLANTATIONS BHD	0.900	70.04	76.43	86.39	0.940

*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	0.035	23.72	18.56	24.93	0.035	23/12/2019
POS MALAYSIA-C41	0.100	25.69	20.73	3.65	0.095	13/4/2020
AXIATA GROUP-C44	0.020	28.16	22.99	9.71	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
WIDAD GROUP BHD-WA	0.205	93.02	96.33	99.92	0.205	5/8/2023
JAKS RESOURCES BHD-WB	0.925	82.48	85.60	90.31	0.950	13/12/2023
PROLEXUS BHD-WA	0.345	76.94	82.38	97.17	0.345	14/6/2021
FGV HOLDINGS-C76	0.065	75.14	83.50	98.42	0.065	28/2/2020
GENTING MALAY-C63	0.155	73.84	81.95	89.39	0.155	30/4/2020
FGV HOLDINGS-C81	0.255	72.96	79.06	95.30	0.255	31/3/2020
NOTION VTEC-WC	0.530	72.96	74.31	80.98	0.570	14/3/2023
DATASONIC GROUP BHD-WA	0.685	72.90	69.13	34.26	0.730	5/7/2023
GREEN PACKET BHD-WB	0.345	72.80	71.07	75.96	0.350	24/11/2023
MALAYAN BANKI-C61	0.120	72.72	81.66	98.61	0.120	30/7/2020
PROTASCO BHD-WA	0.075	70.81	75.23	82.66	0.080	25/4/2023
GADANG HOLDINGS - WB	0.255	70.16	77.58	91.52	0.260	29/11/2021

Source: Bloomberg



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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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