

06 December 2019

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# Research Highlights

## NEWS HIGHLIGHTS

- No changes to FBM KLCI constituents following semi-annual review (*Comment included in Kenanga Today*)
- TH Plantations sells Bintulu, Sibul assets for RM170.0m
- Paragon Globe buys 31-acre land in Pulau for commercial development
- LFE Corp wins RM34.5m contracts to provide electrical services
- Nexgram's auditor raises concern over its ability to continue as going concern

## MACRO BITS

- China maintains tariffs must be reduced for phase one trade deal with U.S.
- World food prices surge in November, lifted by meat, vegetable oils: U.N. FAO
- OPEC and allies agree to deepen oil output cuts
- Chief statistician: Malaysia's economy likely to grow in Jan-March 2020
- Lower household spending, higher inflation will slow Malaysia's growth next year — ICAEW
- Malaysia wants trade to benefit all at APEC 2020
- Japan launches USD122.0b stimulus to fight trade risks, post-Olympic slump
- India central bank keeps rates on hold despite economy fears
- Fed expected to tune out election and hold rates in 2020
- U.S. trade deficit at 1-1/2-year low; labor market strong
- Euro zone growth curbed by trade, retail sales sharply down
- German manufacturing downturn drags into final quarter

## IDEAS OF THE DAY (SEE SEPARATE REPORTS FOR DETAILS)

- Results Note: SAPNRG
- On Our Technical Watch: DAYANG, INARI
- Rating Summary

BURSA	5-Dec	Day chg	% chg
KLCI	1,563.6	2.65	0.17%
FTSE EMAS	11,101.6	30.6	0.28%
FTSE Smallcap	13,541.3	122.75	0.91%
FTSE MESDAQ	4,845.1	36.4	0.76%
KLSE Mkt Cap (RM'b)	1,596.5	5.0	0.31%

## BURSA DAILY TRADING PARTICIPATION

Participation	Net (RM'm)	Value (%)
Local Institution	121.26	44.15
Local Retail	2.21	26.71
Foreign	-123.47	29.14

INDICES	5-Dec	Day chg	% chg
Dow Jones	27,677.8	28.0	0.10%
S&P 500	3,117.4	4.7	0.15%
NASDAQ	8,570.7	4.0	0.05%
FTSE-100	7,137.9	-50.6	-0.70%
Nikkei 225	23,300.1	164.9	0.71%
SHCOMP	2,899.5	21.4	0.74%
HSI	26,217.0	154.5	0.59%
STI	3,174.2	14.4	0.46%
KOSPI	2,060.7	-8.2	-0.39%
TWSE	11,594.7	84.2	0.73%
JCI	6,152.1	39.2	0.64%
SET	N.A.	N.A.	N.A.

FOREX	5-Dec	4-Dec	% chg
USD/MYR:	4.1685	4.1755	-0.17%
EUR/USD:	1.1089	1.1074	0.14%
GBP/USD:	1.3137	1.3049	0.67%
USD/YEN:	108.94	108.66	0.26%
USD/SGD:	1.3615	1.3640	-0.18%
USD/HKD:	7.8291	7.8288	0.00%

## KEY STATS

KLCI Spot			
Vol (m shares):	2,388.4	2,137.1	11.76%
Value (RMm):	1,704.7	1,700.0	0.28%
KLCI Future			
December 19	1,563.0	1,560.0	0.19%
January 20	1,564.5	1,561.0	0.22%
CPO Price (RM/tonne)			
Soybean (US\$/bu)	884.3	878.0	0.71%
SoyOil (US\$/lb)	30.8	30.8	0.10%
Gold (US\$/troy oz)	1,483.1	1,480.2	0.20%
Nymex crude oil (US\$/bbl)	58.4	58.4	0.00%
Latex (RM/kg)	4.51	4.53	-0.44%
Tin (US\$/mt)	N.A.	16,772.0	N.A.

#	Top Volume	Price	%Chg (+/-)	Vol (m)	Top Gainer	Price	%Chg (+/-)	Vol (m)	Top Loser	Price	%Chg (+/-)	Vol (m)
1	GENM	3.20	1.0	10.80	SIME	2.34	1.7	9.85	AIRPORT	8.26	-1.3	1.06
2	GENTING	5.77	-0.5	10.10	SIMEPLT	5.15	1.6	7.59	TENAGA	13.26	-1.0	4.79
3	SIME	2.34	1.7	9.85	GENM	3.20	1.0	10.80	HAPSENG	9.75	-0.9	0.17
4	DIALOG	3.39	0.3	8.58	KLK	23.74	0.9	0.74	PETDAG	23.00	-0.9	0.19
5	SIMEPLT	5.15	1.6	7.59	AMBANK	3.85	0.8	3.94	DIGI	4.51	-0.7	3.54
6	MAYBANK	8.53	0.4	7.25	AXIATA	4.23	0.7	1.88	PMETAL	4.56	-0.7	0.59
7	CIMB	5.18	0.6	6.18	TOPGLOV	4.40	0.7	0.71	HLBANK	16.90	-0.6	0.60
8	RHBBANK	5.66	0.2	6.08	IOICORP	4.43	0.7	2.40	GENTING	5.77	-0.5	10.10
9	TENAGA	13.26	-1.0	4.79	MISC	8.15	0.6	1.71	PPB	18.24	0.0	0.30
10	IHH	5.30	0.2	4.78	CIMB	5.18	0.6	6.18	HLFG	16.26	0.1	0.04

Notes: # KL Composite Index (FBMKLCI) component stocks

## Corporate News

- No changes to FBM KLCI constituents following semi-annual review**

FTSE Russell and Bursa Malaysia have announced that there will be no changes to the constituents of the FBM KLCI following its semi-annual review of FTSE Bursa Malaysia Index Series. (*The Star*)

*Comment: The announcement that the FBM KLCI constituents remain status quo was already highly anticipated. In our commentary of the 5th November in response to a press report on the potential exclusion of Top Glove, we stated that this was unlikely on the grounds that 35th placed Top Glove (by market capitalisation) was not likely to drop to 36th or lower - a condition for its removal - as it was distantly ahead of its 36th placed peer. Nor was it likely that 28th placed Westport will be able to climb ahead of the 25th placed peer - a condition for its inclusion - given the excessive out-performance required. And indeed, as at the closing of 25th November on which prices are based, none of the current constituents has fallen to 36th position or lower and none has risen to 25th or higher.*

*For the FTSE Bursa Malaysia Mid 70 index, new additions are Leong Hup International, MMC Corp and Syarikat Takaful Malaysia while the deletions are Malayan Cement, Muhibbah Engineering and YTL Power International. For FTSE Bursa Malaysia Hijrah Shariah Index, new additions Air Asia Group, Dialog Group and Kossan Rubber displace deletions Digi.com, Petronas Dagangan and Sunway. These constituent changes will take effect at the start of business on Monday 23 December 2019. (By: Koh Huat Soon)*

- TH Plantations sells Bintulu, Sibul assets for RM170.0m**

TH Plantations Bhd (THP) is disposing of its 100.0% equity interests in Bumi Suria Ventures Sdn Bhd (BSV) and Maju Warisan Sdn Bhd to Tamaco Plantation Sdn Bhd for RM170.0m. In a statement, the company said the two non-performing companies own 6,513.80 hectares (ha) of oil palm plantation in Bintulu and Sibul, Sarawak. It said the disposal of the assets, which was done via a tender exercise, is a part of THP's rationalisation plan to revive its financial performance through the divestment of its assets to reduce borrowings and improve operational efficiency. (*The Edge*)

- Paragon Globe buys 31-acre land in Pulai for commercial development**

Paragon Globe Bhd is acquiring 31.1 acres of freehold land in Pulai, Johor, which it plans to develop into a well-conceptualized commercial area. The group said it is buying the land for RM61.0m from Kumpulan Prasarana Rakyat Johor Sdn Bhd, Khazanah Nasional Bhd and Employees Provident Fund Board (EPF). The acquisition is in line with the group's plan to diversify into property development and increase existing land bank, it added in a filing with Bursa Malaysia. (*The Edge*)

- LFE Corp wins RM34.5m contracts to provide electrical services**

LFE Corp Bhd has secured four contracts with a combined value of RM34.5m to provide electrical, fire protection, and hydraulic services for a service apartment project in Damansara, Selangor. In its filing with Bursa Malaysia LFE said the contract tenure spans 26 months from Sept 23, 2019 to Nov 22, 2021. LFE said the electrical air-conditioning, mechanical and ventilation (ACMV) services portion is worth RM3.0m, while the fire protection services are worth RM5.8m, hydraulic services are worth RM8.5m, and the electrical high tension (HT), low voltage (LV) and extra low voltage (ELV) services are worth RM17.3m. (*The Edge*)



- **Nexgram's auditor raises concern over its ability to continue as going concern**

Nexgram Holdings Bhd's external auditor Styl Associates PLT has expressed an unqualified opinion on the group's accounts, and raised concerns over its ability to continue as a going concern. In a filing with Bursa Malaysia, Nexgram said Styl Associates has noted that the group had incurred a net loss of RM20.9m for the financial year ended July 31, 2019 (FY19), and had at that point of time not complied with the repayment terms of its bank borrowings. This, along with other matters, indicate a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern, the auditor said. (*The Edge*)

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## Macro Bits

### Global

- [China maintains tariffs must be reduced for phase one trade deal with U.S.](#) Tariffs must be cut if China and the United States are to reach an interim agreement on trade, the Chinese commerce ministry said on Thursday, sticking to its stance that some U.S. tariffs must be rolled back for a phase one deal. *(Reuters)*
- [World food prices surge in November, lifted by meat, vegetable oils: U.N. FAO](#) World food prices rose strongly in November, lifted by big jumps in prices of meat and vegetable oils, despite slightly lower cereals prices, the United Nations food agency said on Thursday. *(Reuters)*
- [OPEC and allies agree to deepen oil output cuts](#) OPEC and allies led by Russia on Thursday agreed one of the deepest output cuts this decade to support crude prices and prevent a glut but were still debating how long the curbs would last next year. *(Reuters)*

### Malaysia

- [Chief statistician: Malaysia's economy likely to grow in Jan-March 2020](#) The Malaysian economy is expected to grow from January to March 2020 based on the September 2019 Leading Index which indicates that the country is in a recovery phase, said Chief Statistician Datuk Seri Mohd Uzir Mahidin. *(Malay Mail)*
- [Lower household spending, higher inflation will slow Malaysia's growth next year — ICAEW](#) Household spending has been a key driver of growth in Malaysia over the past year but its momentum is not expected to last, says the Institute of Chartered Accountants in England and Wales (ICAEW). *(The Edge Markets)*
- [Malaysia wants trade to benefit all at APEC 2020](#) MALAYSIA officially returned as chairman of the Asia-Pacific Economic Cooperation (APEC) 2020 in a historic ceremony yesterday, marking the second time in 22 years that the country is hosting the forum. *(The Malay Reserve)*

### Asia Pacific

- [Japan launches USD122.0b stimulus to fight trade risks, post-Olympic slump](#) Japan's cabinet approved a USD122.0b fiscal package on Thursday to support stalling growth in the world's third-largest economy amid offshore risks and as policymakers look to sustain activity beyond the 2020 Tokyo Olympics. *(Reuters)*
- [India central bank keeps rates on hold despite economy fears](#) The Reserve Bank of India kept its key lending rate on hold in a surprise decision on Thursday, despite a worrying slowdown in the country that prompted the central bank to sharply reduce its economic growth forecast to 5.0% for the year through March. *(Reuters)*

### Americas

- [Fed expected to tune out election and hold rates in 2020](#) Federal Reserve officials won't allow the 2020 presidential election to sway their monetary policy decisions and will keep interest rates on hold for the next two years, according to economists surveyed by Bloomberg. *(Bloomberg)*
- [U.S. trade deficit at 1-1/2-year low; labor market strong](#) The U.S. trade deficit dropped to its lowest level in nearly 1-1/2 years in October, suggesting trade could contribute to economic growth in the fourth quarter, though a fall in imports of consumer goods hinted at a slowdown in domestic demand. *(Reuters)*

### Europe

- [Euro zone growth curbed by trade, retail sales sharply down](#) The euro zone economy grew at a modest pace in the third quarter with a negative impact from trade, while retail sales fell at their sharpest rate this year in October, data showed on Thursday. *(Reuters)*
- [German manufacturing downturn drags into final quarter](#) German industrial orders fell unexpectedly in October as demand at home and from outside the euro zone weakened, suggesting a manufacturing downturn will continue to hold back growth in Europe's largest economy in the final quarter. *(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
DUTCH LADY MILK INDS BHD	50.220	8.93	5.36	0.82	49.900
CHIN WELL HOLDINGS BHD	1.380	22.40	21.43	33.54	1.360
ANN JOO RESOURCES BHD	0.960	24.45	20.95	23.93	0.950
GABUNGAN AQRS BHD	1.140	27.83	22.72	9.41	1.130
BLD PLANTATION BHD	5.410	28.24	23.73	6.78	5.410
GEORGE KENT (MALAYSIA) BHD	0.960	28.86	21.41	12.78	0.945

\*Only for stocks with market cap &gt;RM300m

Source: Bloomberg

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

NAME*	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D
RIMBUNAN SAWIT BHD	0.275	84.95	89.17	98.32	0.290
JAYA TIASA HOLDINGS BHD	0.820	81.81	85.72	96.22	0.830
TH PLANTATIONS BHD	0.595	81.04	83.47	91.09	0.610
MCT BHD	0.395	80.99	83.75	90.43	0.410
JOHORE TIN BHD	1.740	80.87	86.24	97.80	1.740
TDM BHD	0.245	76.78	81.44	96.03	0.255
TA ANN HOLDINGS BERHAD	3.100	76.72	78.29	87.89	3.100
TROPICANA CORP BHD	0.930	76.49	75.84	68.05	0.940
FRONTKEN CORP BHD	2.130	74.03	80.04	95.87	2.160
SARAWAK OIL PALMS BERHAD	3.300	73.87	74.01	82.29	3.380
CARING PHARMACY GROUP BHD	2.530	71.85	73.47	81.19	2.530
THONG GUAN INDUSTRIES BHD	3.460	70.80	69.29	61.58	3.580
DAYANG ENTERPRISE HLDGS BHD	2.260	70.67	74.25	85.30	2.260
GUAN CHONG BHD	2.870	70.29	72.94	87.91	2.980

\*Only for stocks with market cap &gt;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
BRITISH AMERI-CT	0.045	10.03	10.57	2.51	0.045	28/8/2020
S&P 500 INDEX-HI	0.005	25.58	24.39	11.74	0.005	23/12/2019
PUBLIC BANK B-C39	0.030	25.80	24.62	6.32	0.030	29/5/2020
KNM GROUP-WB	0.085	28.28	22.68	8.50	0.085	21/4/2020
DRB-HICOM BHD-C93	0.020	28.49	18.96	1.26	0.020	13/4/2020
HANG SENG IND-7E	0.015	28.57	20.47	1.39	0.010	30/12/2019
HIBISCUS PETROLEUM BHD-WC	0.225	28.62	22.15	4.84	0.220	18/3/2021
PETRONAS CHEM-C34	0.015	29.36	21.25	2.48	0.015	30/6/2020

Source: Bloomberg

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

NAME	LAST PRICE	RSI 14D	RSI 9D	RSI 3D	LOW 30D	EXPIRY DATE
MUAR BAN LEE GRP-WA	0.605	84.67	92.08	99.83	0.605	28/11/2022
REVENUE GROUP BHD -WA	0.865	76.92	82.87	94.49	0.870	14/1/2024
GUAN CHONG BH-WB	1.470	76.04	76.85	86.85	1.580	4/11/2022
WIDAD GROUP BHD-WA	0.250	73.69	74.35	90.93	0.255	5/8/2023
DAYANG ENTERP-C1	0.200	70.50	73.38	86.40	0.200	7/9/2020
ECO WORLD INTERNATIONAL-WA	0.160	70.23	69.87	48.14	0.175	4/4/2022
GUAN CHONG BH-CK	0.275	70.10	67.97	77.78	0.315	28/7/2020

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.**

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