

MARKET NEWS

The FBMKLCI declined 7.78pt to close at 1,767.17 yesterday as the index pared down earlier gains due to heavy selling in selected index-linked counters. Meanwhile, Asian stocks dropped from the highest level in two years as material producers halted gains as the price of crude oil slipped. The MSCI Asia Pacific Index slipped 0.2% percent to 151.93. The FBMKLCI's top gainers were MISC (+1.3%), CIMB Group Holdings (+0.67%) and Public Bank (+0.19%), while the top losers were Petronas Gas (-3.1%), AMMB Holdings (-2.8%) and RHB Bank (-2.2%). In the broader market, losers outpaced gainers 636 to 292 with 367 counters unchanged. Turnover was 2.91b shares valued at RM2.80b.

The FBMKLCI closed lower yesterday in line with weaker performances across the region. The index continued to move within our expected range of 1,755 to 1,780 and now looks to be testing the immediate support of 1,755 in the near term. This is supported by a downtick in RSI which indicates an increase in selling pressure. For now, the FBMKLCI will stay above the trendline but in our view, a further slip may change the overall bullish outlook to a much more neutral ground. Moving forward, a negative closing below the immediate support should place more downward pressure on the index. Support and resistance levels are as follows:

Support: 1,755, 1,729

Resistance: 1,787, 1,800

US stock-index benchmarks closed higher Tuesday, marking a fourth straight session in the green following the White House's release of its 2018 budget proposal. The moves come amid mixed economic data and an updraft in shares of financial firms. At the close in NYSE, the DJIA gained 0.21%, while the S&P 500 index added 0.18%, and the NASDAQ Composite index climbed 0.08%. Rising stocks outnumbered declining ones on the NYSE by 1,865 to 1,347 and 47 ended unchanged. On the Nasdaq SE, 1,288 rose and 1,187 declined, while 143 ended unchanged.

WHAT'S IN THE PACK

RHB Bank

(RHBBANK MK/SELL/RM5.29/Target: RM4.65)

1Q17: Results were marginally above our estimates due to lower-than-expected credit cost. However, overall revenue lines were weak, contracting 3% yoy.

UMW Holdings

(UMWH MK/SELL/RM5.91/Target: RM4.80)

1Q17: Results in line. Although UMW is expected to turn profitable in 2017 as it exits its O&G business, we remain negative given operational headwinds.

Ann Joo Resources

(AJR MK/HOLD/RM3.38/Target: RM3.30)

1Q17: Margin expansion on higher ASP and lower cost of production which mitigated the impact of lower sales volume. Downgrade to HOLD.

Pelikan International Corporation (PELI MK)

Technical BUY with 16.2% potential return

BUY with a target price of RM1.11 and stop-loss at RM0.895. Based on the daily chart, share price just penetrated the ichimoku cloud and a buying signal was seen as the stock was trading above the cloud yesterday.

Comfort Gloves (CG MK)

Technical BUY on breakout with +13.4% potential return

BUY on breakout with a target price of RM0.845 and stop-loss at RM0.685. Based on the daily chart, CG formed a breakaway and has been climbing higher gradually after establishing support at the RM0.69 level.

Damansara Realty (DR MK)

Technical BUY on breakout with 36.4% potential return

BUY on breakout with a target price of RM1.03 and stop-loss at RM0.635. Yesterday, the stock closed above the BBI line, indicating upward potential in the near term.

FBMKLCI CHART



Source: Bursa Station

KEY INDICES

	Prev Close	Chg (%)	YTD (%)
DJIA	20,937.91	0.21	5.95
S&P 500	2,398.42	0.18	7.13
FTSE 100	7,485.29	(0.15)	4.79
CSI 300	3,424.19	0.38	3.45
FSSTI	3,222.69	0.28	11.87
HSCEI	10,395.28	0.20	10.65
HSI	25,403.15	0.05	15.47
JCI	5,730.61	(0.33)	8.19
KLCI	1,767.17	(0.44)	7.64
KOSPI	2,311.74	0.33	14.08
Nikkei 225	19,613.28	(0.33)	2.61
SET	1,564.69	0.45	1.41
TWSE	10,007.84	0.11	8.15
BDI	949.00	(0.52)	(1.25)
CPO (RM/mt)	2,617.00	(1.69)	(15.83)
Nymex Crude (US\$/bbl)	51.43	(0.08)	(9.39)

TOP VOLUME

Stock	Price (RM)	Chg (%)	Vol ('000)
Nexx Holdings Bhd	0.07	0.00	84,904
Iskandar Waterfront	1.81	8.38	81,138
Airasia X Bhd	0.54	0.94	80,798
Borneo Oil Bhd	0.19	0.00	71,044
Luster Industries Bhd	0.15	(3.23)	66,224

TOP GAINERS

Stock	Price (RM)	Chg (%)	Vol ('000)
Visdynamics Holdings	1.00	23.6	30,918
Amtek Holdings Bhd	0.34	21.4	9
Ta Win Holdings Bhd	0.75	15.3	3,252
Dbe Gurney	0.04	14.2	5,617
Jf Technology Bhd	1.32	12.8	1,793

TOP LOSERS

Stock	Price (RM)	Chg (%)	Vol ('000)
Plastrade Technology	0.34	(22.09)	3,651
Sumatec Resources	0.06	(14.29)	6,340
McLean Technologies	0.28	(13.85)	2,754
Sig Gases Bhd	0.74	(12.94)	4,629
Compugates Holdings	0.04	(12.50)	2,185

Source: Bloomberg

TRADERS' CORNER



Pelikan International Corporation (PELI MK)

Technical BUY with +16.2% potential return

Last price : RM0.955

Target price : RM1.04, RM1.11

Support : RM0.90

Stop-loss: RM0.895

BUY with a target price of RM1.11 and stop-loss at RM0.895. Based on the daily chart, share price just penetrated the ichimoku cloud and a buying signal was seen as the stock was trading above the cloud yesterday. This is supported by the Heat Wave indicators - the Tenkan-sen line, Kinjun-sen line and Chikao span lines which are showing the bullish signal. The positive reading from the RSI suggests the overall bullish bias is intact. The DMI also shows a positive signal at the moment. We expect the share price will continue the bullish movement towards our targets at RM1.04 and RM1.11.

Expected Timeframe: 2 weeks to 2 months



Comfort Gloves (CG MK)

Technical BUY on breakout with +13.4% potential return

Last price : RM0.73

Target price : RM0.81, RM0.845

Support : RM0.69

Stop-loss : RM0.685

BUY on breakout with a target price of RM0.845 and stop-loss at RM0.685. Based on the daily chart, CG formed a breakaway and has been climbing higher gradually after establishing support at RM0.69 level. We expect the stock to continue moving up if penetrates the breakout level of RM0.745. Positive readings in both the DMI and MACD should translate into stronger momentum for the share price.

Expected Timeframe: 2 weeks to 2 months.

TRADERS' CORNER



Damansara Realty (DR MK)

Technical BUY on breakout with +36.4% potential return

Last price: RM0.685

Target price: RM0.92, RM1.03

Support: RM0.64

Stop-loss: RM0.635

BUY on breakout with a target price of RM1.03 and stop-loss at RM0.635. Yesterday, the stock closed above the BBI line, indicating upward potential in the near term. This is supported by the 7-day EMA which is on the verge of making a golden cross with the 21-day EMA, indicating a bullish signal. This is consistent with the uptick in the RSI and a bullish crossover in the DMI, which suggest stronger buying momentum ahead. We expect the share price will continue the upwards movement toward the previous high of RM1.04 once it manages to penetrate above the breakout level of RM0.755.

Expected Timeframe: 2 weeks to 2 months

CORPORATE NEWS

DRB Hicom: Geely and Proton to walk down the aisle. DRB-Hicom is said to be giving away controlling stake in the ailing national carmaker. The two-horse race between China's Geely Automobile Holdings Ltd and France's Groupe PSA to see who will emerge as the foreign strategic partner (FSP) for Proton Holdings Bhd is nearing its end, with Geely the ultimate winner. DRB-Hicom Bhd requested yesterday to suspend the trading of its shares today, pending the re-lease of a material announcement, which is highly anticipated to be the new FSP. It is understood that under the deal, DRB-Hicom will give away a controlling stake in Proton, with Geely possibly ending up with a simple majority of 51% in the ailing national carmaker. This contradicts Proton's previous statement that the majority stake will remain with a local partner. But even if Groupe PSA is chosen, it is understood that the French carmaker would also want a controlling ownership. Regardless, some quarters have speculated that Geely may allow Proton to retain much of its operational independence, given the way it handled its takeover of Volvo from Ford Motor Co back in 2010. (Source: *The Edge Financial Daily*)

Ekovest: 'Setiawangsa- Pantai Expressway alignment still intact' Ekovest Bhd has come out to say that the alignment of the Setiawangsa-Pantai Expressway (SPE), formerly known as the Duta-Ulu Kelang Expressway Phase 3 (DUKE 3), will not be affected by the recent termination of IWH CREC Sdn Bhd's purchase of a 60% stake in Bandar Malaysia Sdn Bhd for RM7.41 billion. "There are no changes to the commercial contract between Ekovest and the government," its managing director Datuk Seri Lim Keng Cheng told yesterday. A concession agreement for the SPE was signed on Jan 11, 2016 between Lebuhraya DUKE Fasa 3 Sdn Bhd and the works ministry on behalf of the government. (Source: *The Edge Financial Daily*)

Kerjaya Prospek: Secures RM77m contract. Kerjaya Prospek Group Bhd has secured a RM77m contract for the building and external works of a 24-storey office building in Mutiara Damansara, Selangor. In a filing with Bursa Malaysia Tuesday, Kerjaya Prospek said its wholly-owned subsidiary Kerjaya Prospek (M) Sdn Bhd (KPSB) has accepted a letter of award from TSM Towers Sdn Bhd to undertake the building and external works of the proposed development project. Kerjaya said the commercial building was designed to be a grade A, MSC compliant office building. It added that the construction works of the project would take 15 months from its scheduled commencement in May 2017 and is targeted for completion by fourth quarter of 2018. (Source: *The Star*)

Kossan: Acute' labour shortage, utility costs challenge Kossan. An "acute" labour shortage and high utility costs are challenges faced by rubber glove maker Kossan Rubber Industries Bhd, even as the group embarks on greater automation and computerisation. "Our target is to remove at least 50% of foreign workers over the next three years," its managing director Datuk Lim Kuang Sia told reporters after the group's annual general meeting today. According to general manager Edward Yip, the company currently employs over 4,000 foreign workers, of which some 3,000 work in glove production lines. (Source: *The Edge Financial Daily*)

Lafarge: Expects cement industry sales to shrink further. "This year we see a number of infrastructure projects that are gaining momentum and this will have more impact in the second half of the year. "But overall this year, we anticipate the market will shrink further by about 4% or 5%," he told reporters after the company's AGM on Tuesday. He said Lafarge was hopeful of a recovery in the market during the second half of the year in view of major construction projects. "We believe that in the second half of the year, with the infrastructure projects gaining momentum, it should bring more volumes. But how fast this will happen is difficult to say," he said. (Source: *The Star*)

Wing Tai: Gets takeover offer at RM1.80 apiece — 52% premium over market price.

Controlling shareholders of Wing Tai Malaysia Bhd (WTM) want to take company private at RM1.80 per share — 52% premium over its last traded price of RM1.18. In a filing to Bursa Malaysia the company said it has received a voluntary takeover offer from Wing Tai Holdings Ltd (WTH) and Wing Tai Investment & Development Pte Ltd (WTID) for a cash offer. WTH and WTID directly hold 222.37 million and 91.94 million WTM shares respectively, representing a total of 66.13% of the voting shares of WTM. (Source: *The Edge Financial Daily*)

SECTOR

Media: Star Media Group to continue drive into digital business space.

Star Media Group Bhd will continue to expand its existing media platforms, taking into account its second phase of digital transformation. The company said that it would continue to provide more bundled products and creative buys to advertisers, as well as organise client-driven events to harness its aggressive move into the digital business space. Cityneon Holdings Ltd, a company that is in the virtual reality exhibition business with intellectual property rights, was Star Media Group's first digital transformation initiative, while dimsum.my, a video-on-demand service that focuses entirely on Asian content, was launched last year as the second wave. dimsum, in its next stage of expansion, will introduce more Malay and Indian content to complement its existing array of movies, dramas and news in three languages – Bahasa Malaysia, English and Mandarin. (Source: *The Star*)

O&G: Lotte Chemical sets RM5.9b IPO ceiling price.

Malaysia's Lotte Chemical Titan Holding has set a ceiling price of RM8 a share for its planned initial public offering (IPO), giving it a total size of up to RM5.9b, IFR Asia reported, citing three sources with knowledge of the deal. The listing could be one of the biggest IPOs in years in Malaysia, which has not seen any listing of US\$1b (RM4.29b) and above since the US\$1.5b IPO of Astro Malaysia Holdings Bhd in 2012. A separate source confirmed the ceiling price to Reuters, adding the IPO's indicative price range had not been determined yet. (Source: *The Edge Financial Daily*)

FROM THE REGIONAL MORNING NOTES...

RHB Bank: 1Q17: Benign Provisions Helped Mitigate Weak Revenue Growth**(RHBBANK MK/SELL/RM5.29/Target: RM4.65)**

RHBBank's 1Q17 results were marginally above our estimates due to lower-than expected credit cost. However, pre-provision operating profit was weak contracting 5% yoy. The group has the lowest LLC ratio (inclusive of regulatory reserves of 78%) among peers vs the industry's 129%, and is also significantly higher than industry GIL ratio of 2.39% (industry: 1.63%). This will place pressure on capital and provisions post implementation of MFRS9 in 2018, which the market will have to start pricing in. Maintain SELL with slightly higher TP of RM4.65 (8.3% ROE, 0.80x P/B).

UMW Holdings: 1Q17: Awaiting The Demerger From UMWOG**(UMWH MK/SELL/RM5.91/Target: RM4.80)**

UMW's 1Q17 core net profit of RM14.9m is within expectations. Although UMW is expected to return to profitability in 2017 as it exits its listed O&G business by Jul 17, we remain negative given operational headwinds at its core businesses – notably automobile - in the near to medium term. UMW intends to sell its unlisted O&G assets by end-18. Maintain SELL and target price of RM4.80 on demanding valuations and sub-optimal yields.

Ann Joo Resources: 1Q17: Results Above Expectations; Downgrade To HOLD**(AJR MK/HOLD/RM3.38/Target: RM3.30)**

Core net profit margin showed a qoq improvement – thanks to a higher ASP (+12.6% qoq) and declining production cost which mitigated the impact of lower sales volumes during the quarter. Expect margin contraction in 2Q17 due to still weak demand (led to lower qoq ASP) and the effect of a time lag of higher inventory cost. Downgrade to HOLD as we ascribe to a lower PE multiple to price in the “peak cycle valuation”. Our target price is revised to RM3.30 post earnings adjustment.

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