Maybank IB Research

PP16832/01/2012 (029059)

VIEWS & NEWS — **21 November 2011**

Key Indices	Value	YTD (%)	Daily (%)
KLCI	1,454.4	(4.2)	(0.8)
JCI	3,754.5	1.4	(1.0)
STI	2,730.3	(14.4)	(1.7)
SET	984.2	(4.7)	(0.9)
HSI	18,491.2	(19.7)	(1.7)
KOSPI	1,839.2	(10.3)	(2.0)
TWSE	7,233.8	(19.4)	(2.1)
DJIA	11,796.2	1.9	0.2
S&P	1,215.7	(3.3)	(0.0)
FTSE	5,362.9	(9.1)	(1.1)
RM/USD	3.161	3.2	0.1
CPO (1mth)	3,271.0	(14.2)	1.3
Crude Oil (1mth)	97.4	6.6	(1.4)
Gold	1,730.9	22.5	(1.5)

TOP STOCK PICKS

Buy rated large caps	Price	Target
Petronas Chemicals	6.17	8.05
Telekom	4.23	4.60
Gamuda	3.11	4.10
MAHB	6.15	7.55
Sports Toto	4.16	4.85

Buy rated mid-caps	Price	Target
MPHB	2.67	3.64
Hartalega	5.61	6.80
Axis REIT	2.56	2.75

REGULATORY CHANGE

BNM new guidelines

Eligibility on a net income basis

Neutral on this development. BNM's guidelines on responsible finance has been anticipated. While it could go some way towards controlling household debt, much depends on the adherence of banks to the spirit of this ruling. We remain Neutral on the banking sector having already factored in slower household loan growth into 2012. We also remain Neutral on the property sector on expectation that some moderation in demand is expected (imputed in our forecasts). While there could be some negative impact to consumption demand affecting consumer goods and autos, we have imputed slower earnings growth.

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COMPANY UPDATE

Malaysia Marine and Heavy Engineering Holdings RM5.85: Buy

A direct PETRONAS-proxy play *Shariah-compliant*

We remain positive on MMHE's long-term prospects. In essence, the integration of Sime Darby's yard from 1Q12 will provide a prolific platform for MMHE to capitalize on PETRONAS' domestic capex programmes. With high-impact projects in the pipeline (i.e. Malikai, FLNG, RAPID), we anticipate strong orderbook visibility from 2013. Maintain Buy with an unchanged RM8.00 target price (20x 2013 EPS).

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WCT RM2.25: Buy

Down but not out *Shariah-compliant*

Maintain Buy. New jobs on tender is down to RM4b from RM10b three months ago. Nonetheless, the positives are that the current order book will last into 3Q 2013 while the property development business has chalked up extremely strong sales providing the earnings sustainability. Contributions from property investment will also receive a step-up from 2012 coming from the Paradigm mall. We maintain our forecasts and SOP-based target price of RM2.75. Moving into 2012, we think that WCT continues to stand a good chance in clinching major job wins.

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RESULTS REVIEW

IOI Corporation RM5.06: Hold

Hit by steep forex translation losses *Shariah-compliant*

Core earnings with expectations. IOI's 1QFY12 net profit of RM258m (-53% QoQ, -48% YoY) included a steep forex translation loss of RM271m (mitigated by net fair valuation gains of RM21m on financial asset & liabilities). Stripping away these accounting losses, core net profit of RM508m (-17% QoQ, +24% YoY) was in line with our and consensus expectations. Maintain Hold on IOI with unchanged TP of RM5.14 based on 16x FY13 PER.

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Media Prima RM2.60: Sell

Special dividend masks an uncertain outlook

Slowing down. 9M11 results were within expectations but it is evident that 3Q11 revenue and earnings growth YoY grinded to a halt. In addition, we are disturbed to notice that 3Q11 revenue actually eased 1% QoQ when we had expected it to exhibit strong QoQ growth on Hari Raya ad spend. Maintain Sell and RM2.25 TP. Only a special single tier DPS of 5 sen (in addition to 3 sen 2nd interim) provided some cheer.

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KLCC Property RM3.06: Buy

"REIT-ing" its properties?

Offers 18% total return. KLCCP's 6M11 core net profit was below our 9M forecasts and consensus (change in FYE from Mar to Dec). Despite owning one of the iconic buildings in the world and having relatively low rental/debt risk as well as strong PETRONAS parentage, share price remains lackluster due to its unattractive tax structure (25% vs. REITs' "0"%) and competition from other tax-advantage yield generating assets like REITs (KLCCP's 3.6% vs. 7.8% average for M-REITs). We lower our earnings forecasts by 3-7% but maintain RM3.50 TP. Buy.

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RESULTS PREVIEW

Alam Maritim Resources RM0.785: Hold

Stabilised but still unexciting *Shariah-compliant*

Opaque earnings trend till next year. We cut 2011 earnings by 27% in anticipation of a weaker 2H performance. While 2011 results will disappoint, we expect a stronger 2012-13. We are encouraged by Alam's efforts to grow its operations beyond OSVs to pipelay vessels for growth. With majority of cost front-loaded in 2011, we expect stronger contribution from the 1MAS going forward. As such, we are keeping our 2012-13 earnings forecasts unchanged. Alam remains a Hold with an unchanged target price of RM0.85 (9x 2012 EPS).

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ECONOMICS

Malaysia: Balance of Payment (BoP)

Highlights of 3Q 2011 BoP

Current account balance widened to RM26.6b in 3Q 2011 (2Q 2011: RM23.4b) and RM75.9b in Jan-Sep 2011 (Jan-Sep 2010: RM64.3b; 2010: RM88.1b). This is equivalent to 12.3% of GDP in 3Q 2011 (2Q 2011: 11.1% of GDP) and 12% of GDP YTD (Jan-Sep 2010: 11.4%; 2010:11.5%). Other highlights from last quarter's Balance of Payments statistics include lower foreign direct investment (FDI), higher direct investment abroad (DIA) and net outflows of portfolio funds.
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Malaysia: 3Q11 Real GDP

Well above consensus...

3Q 2011 real GDP growth came in well above expectation at 5.8% YoY, while 1Q 2011 and 2Q 2011 were revised upwads to 5.2% YoY (4.9% YoY previously) and 4.3% (4% YoY previously), giving year-to-date growth of 5.1%. Official forecast of 5%-5.5% for this year looks achievable as long as the economy grow by at least 4.6% in 4Q 2011. However, we are maintaining our conservative growth forecast for 2012 of 3.5%-4%
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Technicals

The FBM KLCI fell 14.35-points and closed at 1,454.40 last Friday. The weaker support areas for the FBM KLCI are in the 1,403 to 1,452-zone. The next resistance levels of 1,454 and 1,494 will see heavy liquidation activities.

Daily Trading Idea is a TAKE PROFIT call on PCHEM.
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Other Local News

KLK: To invest RM700m in expansion. KLK Bhd, with the help of the Performance Management and Delivery Unit (Pemandu), will pour RM700m into the expansion of its downstream oleochemicals operations. Pemandu will contribute RM134m in joint effort for this expansion. KLK plans to add more oleochemicals processing and research facilities, including a plant in Dumai, Sumatra, on top of its 13 existing plants. These facilities are expected to be completed within the next two years. (Source: Malaysian Reserve)

Benalec: Poised to enter the big league. Low-profile Benalec raised eyebrows with its foray into land reclamation works at the oil and gas hub in Johor two weeks ago. If everything goes according to plan and all approvals are obtained, the project will boost the total outstanding GDV of the group's project from about RM1.5b to RM15b. (Source: The Edge Financial Weekly)

Sarawak Cable: Sitting pretty in 500KV power play. Sarawak Cable is confident of getting a piece of the action in the proposed 500KV transmission line linking Bunut to Kuching. The company has the technical know-how and capability to get a portion of the RM2.5b worth of power projects that will come up for bidding. (Source: The Edge Financial Weekly)

Plantation: Oil palm sector on alert of disease threat. Malaysia's oil palm industry is on alert for the bud rot disease that has wiped out an estimation of some 50,000ha of oil palm estates in South America, said planters from Colombia, the world's fifth largest oil palm producer in the world. Although no cure has yet to be found, Malaysian planters should not panic, said Malaysian Palm Oil Board (MPOB) deputy director-general. (Source: Business Times)

Construction: A lot tougher now in India. Malaysian companies need to build a presence and work out strategies if they want to do well in India as competition is a lot tougher now. India's plans to invest USD1tr (RM3.2tr) in infrastructure in the next five years would benefit Malaysian companies as they take advantage of the Malaysia-India Comprehensive Economic Cooperation Agreement (CECA) which has taken effect since July. (Source: Business Times)

Outside Malaysia

U.S: Leading economic indicators rise more than forecast in October. The Conference Board's gauge of the outlook for the next three to six months rose 0.9%, the biggest jump since February, after a 0.1% September increase, the New York-based research group said. (Source: Bloomberg)

U.S: Foreclosures rise for first time in year as backlogs ease. U.S. lenders started foreclosures on more properties in the third quarter, the first increase in a year, as a backlog stemming from claims of faulty home seizures began to ease. New foreclosures rose to 1.08% of all loans from 0.96% in the prior three months, according to a report. The rate had been falling since the third quarter of 2010, when regulators began investigating robo-signing, the practice of pushing through unverified paperwork. (Source: Bloomberg)

E.U: Euro rescue plan falling short renews Franco-German ECB spat. The failure of European leaders to end the debt crisis with their broadest effort yet has revived a Franco-German dispute over the European Central Bank's role and fueled investor concerns over policy makers' economic impotence. ECB chief Mario Draghi slammed governments for failing to implement policy commitments as holders of Greek debt began talks in Athens on structuring a 50% writeoff that was the cornerstone of a deal pieced together last month at an all-night summit. Officials in Berlin and Paris swapped barbs and European borrowing costs outside of Germany rose to euro-era records. (Source: Bloomberg)

Egypt: May seek USD 3b loan from IMF as debt costs soar. "The government has discussed the issue and there is an agreement in principle," Cairo-based El Beblawi, who is also the finance minister, said. "We are considering the right time." Egypt's ruling military council, which turned down the previous loan agreement, will not object to the government's decision, he said. (Source: Bloomberg)

Japan: Exports fall as Yen gains, Europe crisis crimp demand. Shipments dropped 3.7% YoY in October. (Source: Bloomberg)

Singapore: Forecasts economic growth may slow to 1% to 3% in 2012. Singapore said its economic growth may slow next year, extending a moderation in expansion that's already prompted the central bank to ease monetary policy. The economy will grow 1% to 3% in 2012 after expanding 5% this year, the trade ministry said in a statement. Gross domestic product rose an annualized 1.9% last quarter from the previous three months, when it fell a revised 6.4%, the ministry said. (Source: Bloomberg)

Definition of Ratings
Maybank Investment Bank Research uses the following rating system:
BUY Total return is expected to be above 10% in the next 12 months,
HOLD Total return is expected to be between -5% to 10% in the next 12 months,
SELL Total return is expected to be below -5% in the next 12 months.

Applicability of Ratings
The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs.
Investment ratings are only applicable to the stocks which form part of the coverage universe.
Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.