

MARKET NEWS

The FBMKLCI declined 10.07pt (-0.6%) to close at 1,687.86 yesterday. Meanwhile, Asian stocks dropped, with the regional benchmark index heading for its biggest decline in three weeks. Japanese shares fell for a second day as a stronger yen cut the earnings outlook for exporters while China's export slump deepened in February. The MSCI Asia Pacific Index fell 0.7% to 125.38, reversing an early gain of 0.2%. The FBMKLCI's top losers were Genting Bhd (-3.9%), Genting Malaysia (-3.0%) and Astro Malaysia Holdings (-2.5%) while the top gainers were AMMB Holdings (+1.1%), SapuraKencana Petroleum (+1.0%) and Telekom Malaysia (+0.9%). In the broader market, losers outpaced gainers 568 to 286 with 316 counters unchanged. Turnover was 2.01b shares valued at RM2.07b.

From a technical perspective, the FBMKLCI is in consolidation mode after heavy profit taking in the past few days. But based on the daily chart, we can see that the index still maintains an uptrend channel line and is likely to trade sideways in the near term. However, a breakout above the immediate resistance of 1,706 would see the index retest the previous high of 1,727. Support and resistance levels are as follows:

Support: 1,651, 1,600

Resistance: 1,706, 1,727

US stocks snapped their five-day winning streak to close lower on Tuesday as supply woes weighed on oil prices and worries about a prolonged slowdown in China resurfaced. The S&P 500 fell 22.50 pt, or 1.1%, to close at 1,979.26, led by a 4.1% drop in the energy sector. The Dow Jones Industrial Average slid 109.85 pt, or 0.6%, to finish at 16,964.10 and the Nasdaq Composite lost 59.43 pt, or 1.3%, to close at 4,648.82. Meanwhile, investors are bracing for a meeting of European Central Bank policy makers on Thursday, which the market has already priced in the expectation of further stimulus. But after an underwhelming set of easing measures in December roiled markets all over the world, analysts fear investors could be on track for disappointment again.

WHAT'S IN THE PACK

VS Industry

(VSI MK/BUY/RM1.17/Target: RM1.60)

Recent sell-down due to poor sentiment on export stocks is overdone, given that: a) VSI is not purely a US dollar play, and b) earnings are largely driven by higher sales volume. Upgrade to BUY.

Ann Joo Resources (AJR MK)

Technical BUY with 20.7% potential return

BUY with a target price of RM0.845 and stop-loss at below RM0.635. Based on the daily chart, the stock managed to penetrate the breakout level of RM0.705 yesterday.

Key Asic (KEYA MK)

Technical BUY on breakout with +27.3% potential return

BUY on breakout with a target price of RM1.32 and stop-loss at below RM0.93. Yesterday, the stock closed above the BBI line, which indicates potential upside in the near term.

Kimlun Corporation (KICB MK)

Technical BUY on breakout with 14.3% potential return

BUY on breakout with a target price of RM1.93 and stop-loss at below RM1.54. Based on our previous BUY call on 30 Nov 15, KICB hit our initial targets of RM1.49 and RM1.59.

FBMKLCI CHART



Source: BursaStation

KEY INDICES

	Prev Close	Chg (%)	YTD (%)
DJIA	16,964.10	(0.64)	(2.65)
S&P 500	1,979.26	(1.12)	(3.16)
FTSE 100	6,125.44	(0.92)	(1.87)
CSI 300	3,107.67	0.09	(16.71)
FSSTI	2,778.77	(1.58)	(3.61)
HSCEI	8,505.22	(1.40)	(11.96)
HSI	20,011.58	(0.73)	(8.68)
JCI	4,811.04	(0.42)	4.75
KLCI	1,687.86	(0.59)	(0.27)
KOSPI	1,946.12	(0.60)	(0.77)
Nikkei 225	16,783.15	(0.76)	(11.82)
SET	1,374.62	(1.51)	6.72
TWSE	8,664.31	0.05	3.91
BDI	366.00	3.39	(23.43)
CPO (RM/mt)	2,528.00	(0.35)	1.73
Nymex Crude (US\$/bbl)	36.39	(0.30)	(7.00)

TOP VOLUME

Stock	Price (RM)	Chg (%)	Vol ('000)
Chin Hin Group Bhd	0.82	#N/A	122,529
Airasia X Bhd	0.29	(9.52)	113,697
Xox Bhd	0.15	(11.76)	113,427
Airasia Bhd	1.66	(1.78)	61,410
Bumi Armada Bhd	0.80	0.63	57,635

TOP GAINERS

Stock	Price (RM)	Chg (%)	Vol ('000)
Hb Global Ltd	0.06	33.3	46.0
Leader Steel	0.19	18.7	30.0
Scope Industries Bhd	0.15	15.3	9.0
Key Asic Bhd	0.21	13.8	6,522.0
Cme Group Bhd	0.05	12.5	115.6

TOP LOSERS

Stock	Price (RM)	Chg (%)	Vol ('000)
Java Bhd	0.09	(19.05)	3.0
Innity Corp Bhd	0.60	(14.29)	82.1
Skh Consortium Bhd	0.07	(12.50)	20,913.
Apft Bhd	0.07	(12.50)	22,529.
Mtouce Technology	0.11	(12.00)	1,970.0

Source: Bloomberg

TRADERS' CORNER



Ann Joo Resources (AJR MK)

Technical BUY with 20.7% potential return

Last price : RM0.70

Target price : RM0.795, RM0.845

Support : RM0.64

Stop loss : RM0.635

BUY with a target price of RM0.845 and stop-loss at below RM0.635. Based on the daily chart, the stock managed to penetrate the breakout level of RM0.705 yesterday. We expect ANJR to continue to form higher highs and higher lows towards the immediate resistance. This is supported by the bullish crossover on the MACD and the DMI, which also show positive signals with high volumes that suggest an increase in buying momentum.

Expected Timeframe: 2 weeks to 2 months



Key Asic (KEYA MK)

Technical BUY on breakout with +27.3% potential return

Last price : RM0.205

Target price : RM0.28, RM0.335

Support : RM0.165

Stop loss : RM0.16

BUY on breakout with a target price of RM1.32 and stop-loss at below RM0.93. Yesterday, the stock closed above the BBI line, which indicates potential upside in the near term. This is supported by the 7-day EMA making a cross above 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. Currently, the MACD is on the verge of making a bullish crossover to the positive signal. We peg our target prices at RM0.28 and RM0.335.

Expected Timeframe: 2 weeks to 2 months

TRADERS' CORNER



Kimlun Corporation (KICB MK)

Technical BUY on breakout with 14.3% potential return

Last price : RM1.62

Target price : RM1.79, RM1.93

Support : RM1.55

Stop loss : RM1.54

BUY on breakout with a target price of RM1.93 and stop-loss at below RM1.54. Based on our previous BUY call on 30 Nov 15, KICB hit our initial targets of RM1.49 and RM1.59. Based on the daily chart, KICB continued to form higher highs and higher lows (characteristics of an uptrend pattern) towards the breakout level of RM1.68. If the stock manages to penetrate the breakout level of RM1.68, we expect it to continue to move towards our targets of RM1.79 and RM1.93 in the medium term. This is supported by an uptick in the RSI and a bullish crossover in both the MACD and the DMI.

Expected Timeframe: 2 weeks to 3 months

CORPORATE NEWS

BHIC: Incurs lower loss from sale of tankers. Boustead Heavy Industries Corp Bhd (BHIC) is now expected to incur a lower net loss from the sale of its units' three chemical tankers. The net loss would be RM2.041m compared with the RM12m cited in its initial announcement on 23 Dec last year. The maritime, defence and energy solutions provider said the difference of RM9.96m was due to the net effect of the difference in the US/ringgit exchange rate used in calculating the sale consideration as well as the difference in the net value of the Chulan tankers used in calculating the net loss. (Source: *The Star*)

Inari Amertron: To form JV with Taiwan's PCL. Inari Amertron Bhd plans to form a joint venture in China with Taipei-listed semiconductor firm PCL Technologies Inc and has bought a 9.7% equity interest in the latter for T\$355m (RM44.7m). Inari, which provides electronics manufacturing services, said it had signed a memorandum of understanding (MoU) with the maker of fibre-optic transceiver (transmitter and receiver) modules. The aim is to set up a 50:50 joint-venture entity (JVE) in China to provide outsourced semiconductor assembly and test (OSAT) services to major customers in the republic, with particular focus on front-end OSAT services. (Source: *The Star*)

Petronas Chemical: Samur project to start ops in 2nd half. The Sabah Ammonia and Urea (Samur) project, which started construction in 2012, is expected to be completed and operational in the second half of this year. Petronas Chemicals Group Bhd (PCG) CEO Datuk Sazali Hamzah said the project, which was now 90% completed, would be able to provide additional production of 1.2m metric tonnes per annum of granulated urea. The project, located in Sipitang Oil and Gas Industrial Park, Sabah, aimed to boost PCG's position as a regional fertiliser player and support Malaysia's Economic Transformation Programme in the agriculture sector as one of the thrusts of the National Key Economic Areas. (Source: *The Star*)

Sona Petroleum: Seeks institutional shareholders to back QA. Sona Petroleum Bhd, which will seek shareholders' approval for its proposed qualifying acquisition (QA) on 30 Mar, is currently engaging with its institutional shareholders to convince them of the merits of the deal. The support of the institutional shareholders, who collectively hold a 30% stake in Sona, is critical of the special-purpose acquisition company (SPAC). The proposed QA is subject to prior approval by a majority in the number of shareholders representing at least 75% of the total value of the issued shares held by those present and voting at the extraordinary general meeting. (Source: *The Edge Financial Daily*)

Xidelang: Terminates plan to acquire Chinese apparel maker. China-based sports shoemaker Xidelang Holdings Ltd has called off its proposed acquisition of apparel maker JinJiang YangSen Garments Co Ltd. In a filing with Bursa Malaysia, the company said the two sides could not agree on the acquisition consideration as well as the proportion of cash and the number of consideration shares for the satisfaction of the acquisition. Xidelang announced that both sides had mutually agreed to terminate the heads of agreement (HoA) between them as they were unable to come to an agreement on the terms and conditions for the proposed acquisition. (Source: *The Edge Financial Daily*)

SECTOR

Construction & Property: Penang mega project to start in

June. The RM6.3b Penang mega project to build three xpressways and an undersea tunnel linking Penang Island to the mainland will kick off in June, with the construction of the Air Itam-Tun Dr Lim Chong Eu Expressway bypass. The three roads have a combined length of 21.2km and will cost more than RM2b. The amount includes RM500m that would be reimbursed to the government for land acquisition cost. (Source: *New Straits Times*)

ECONOMICS

Interest Rates: Bank Negara expected to hold interest rate.

Bank Negara is expected to hold its key interest rate steady on Wednesday, a decision that comes as markets wait to see who will succeed the respected, long-serving governor. All 11 economists in a Reuters poll expect the central bank to maintain the overnight policy rate at 3.25%, where it has stayed since Jul 14. They note that Malaysia had better-than-expected growth in the last quarter of 2015, and see no need to change the key rate at this point. (Source: *The Star*)

FROM THE REGIONAL MORNING NOTES...

VS Industry: To Brew Solid Earnings Driven By Higher Sales Volume; Upgrade To BUY**(VSI MK/BUY/RM1.17/Target: RM1.60)**

We are positive on VSI's prospects, given that orders from its major customers remain strong. Its first coffee brewer developed in-house is slated for production by 4QFY16 and orders from Dyson remain strong thus far. We believe the recent sell-down of the stock due to poor sentiment on export stocks is overdone as: a) VSI is not purely a US dollar play, and b) earnings will be largely driven by higher sales volume. Upgrade to BUY with an unchanged target price of RM1.60.

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