

HLIB Research

PP 9484/12/2012 (031413)

Loui LowLey Yee, MSTA

lylow@hlib.hongleong.com.my

(603) 2083 1727

Traders Brief

Focus remains in small caps

MARKET REVIEW

Asia's stock markets ended mixed after China released mixed bag of data (China's industrial output fell to a 17-year low and retail sales were sluggish, but property investment was picking up). Also, the sentiment remained cautious as US lawmakers rejected the idea of leaving the EU without a Brexit deal in place. The Shanghai Composite Index declined 1.12%, but Hang Seng Index added 0.15%, while Nikkei 225 closed flat.

Meanwhile, the FBM KLCI fell 0.22% to 1,674.52 pts amid profit taking activities amongst selected heavyweights. However, market breadth was positive with 491 gainers vs. 400 losers. Market traded volumes increased to 4.77bn, worth RM2.75bn as compared to 4.00bn, worth RM2.39bn on Tuesday. The oil and gas sector was the main focus yesterday.

Wall Street was traded mostly lower as profit taking activities emerged on the back of rising concerns over uncertain trade developments; the meeting in Florida between President Trump and President Xi could pushed back to earliest in April (initially was set in late March). The S&P500 and Nasdaq slipped 0.09% and 0.16%, respectively while the Dow (+0.03%) ended flat.

TECHNICAL OUTLOOK: KLCI

After the two-day technical rebound, the FBM KLCI has taken a pause after hitting the immediate resistance along 1,680. The MACD Line is hovering below zero, while both the RSI and Stochastic oscillators are suggesting that the key index is oversold. Hence, with the negative readings on most of the indicators, we believe that the key index could stay sideways between the 1,666-1,680 over the near term. Further support will be located around 1,650.

Bursa key stats	
FBM KLCI (pts)	1674.52
Volume (shares bn)	4.77
Value (RM bn)	2.75

Daily participation (value)		14 Mar
Institution	RM1.23bn (44.63%)	
Retail	RM0.94bn (34.31%)	
Foreign	RM0.58bn (21.06%)	

5-days net trade flows (RM m)			
	Institution	Retail	Foreign
8 Mar	183	10	(193)
11 Mar	194	78	(272)
12 Mar	88	(27)	(61)
13 Mar	114	12	(126)
14 Mar	17	(4)	(13)
5-day total	596	70	(666)

BursaMktPlc

Figure #1 Daily chart: Retested resistance along 1,680, may trend sideways over the near term.



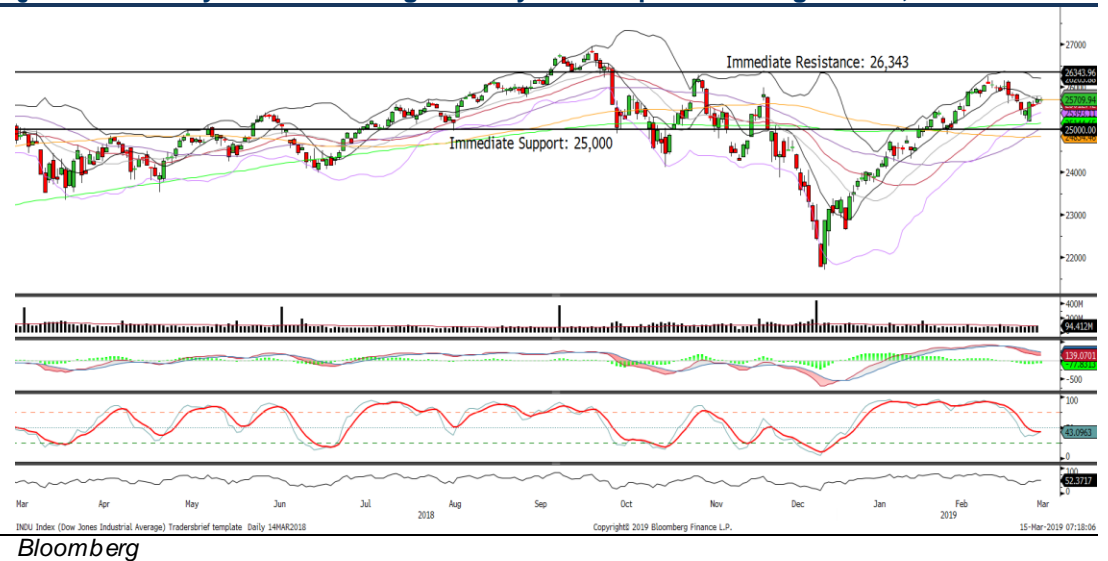
Bloomberg

On the local front, we still believe that the small caps and lower liners are in focus as compared to heavyweights on the back of heavy trading volumes over the past few days. Also, the 5-day cumulative foreign trade flow is still negative (outflow of 666m), which may put pressure the heavyweights over the near term. Traders may look into O&G stocks on the back of firmer crude oil prices and severely oversold construction stocks for trading opportunities.

TECHNICAL OUTLOOK: DOW JONES

The Dow trended sideways after a bullish engulfing candle formed on Monday. The MACD Line is still hovering above zero, while the RSI has hooked above 50. Also, the Stochastic oscillator (below 50) is trending higher. With the mixed technical readings on most of the indicators, we opine that the Dow could trend sideways with a positive bias mode to retest the 26,000, followed by 26,343. Support will be pegged around 25,000-25,144 (SMA200).

Figure #2 Daily chart: Trending sideways with a potential target of 26,000



In the US, it will be headlines-driven market for now as market participants will be focusing on trade developments between the US and China, especially the upcoming Trump-Kim summit that was expected to be held over the next two months. Should there be any negative surprises in the trade agreement, sentiment on the market could be dampen and is likely to end the recent strong recovery in major indexes on Wall Street.

Figure #3 Technical Tracker portfolio (Maximum Holding Period is 4-5 Weeks)

No	Stocks	Entry price	Report date	S1	S2	R1	R2	LT Target Price	Stop-loss	Highest price since report	Lowest price since report	Last price ⁶	Gains/Loss since report ⁷	Remarks
1	PECCA	0.82	16 JAN	0.780	0.755	0.890	0.940	1.000	0.735	0.940	0.820	0.940	14.6%	Took profits on 19 Feb at RM0.94 (R2)
2	TOPGLOV	4.73	18 JAN	4.610	4.500	4.890	5.020	5.270	4.470	5.210	4.750	5.02	6.1%	Took profits on 22 Feb at RM5.02 (R2) amid weakening technicals
3	OPENSYS	0.315	11 FEB	0.300	0.290	0.340	0.360	0.385	0.285	0.350	0.315	0.360	14.3%	Took profits on 26 Feb at RM0.36 (R2)
4	JOHOTIN	1.26	18 FEB	1.200	1.160	1.320	1.400	1.490	1.150	1.48	1.260	1.40	11.1%	Took profit at RM1.40 (R2) on 27 Feb
5	WZSATU	0.355	19 FEB	0.300	0.295	0.370	0.400	0.500	0.280	0.400	0.350	0.365	2.8%	Closed amid weakening technicals on 28 Feb
6	ROHAS	0.62	21 FEB	0.600	0.550	0.670	0.720	0.800	0.540	0.675	0.600	0.605	-2.4%	Closed amid weakening technicals on 28 Feb
7	GFM	0.505	4 MAR	0.480	0.470	0.530	0.550	0.605	0.460	0.540	0.480	0.530	5.0%	
8	PHARMA	2.34	6 MAR	2.280	2.130	2.120	2.660	2.780	2.120	2.410	2.370	2.350	0.4%	
9	OCK	0.575	11 MAR	0.550	0.530	0.600	0.675	0.700	0.520	0.580	0.560	0.580	0.9%	
10	D&O	0.695	14 MAR	0.675	0.650	0.715	0.755	0.800	0.645	0.705	0.685	0.695	0.0%	

HLIB Research

Figure #4 Technical Tracker performances

	2016 Cumulative return	2017 Cumulative return	2018 Cumulative return	Jan 19	Feb 19	Mar 19	2019 Cumulative return
Total calls made	144	129	112	10	4	4	18
Total winners	85	80	56	10	3	4	17
Total losers	59	49	56	-	1	0	1
Successful hit rates	59%	62%	50%	100%	75%	100%	94%
Average return	20.4%	54.6%	41.2%	14.1%	6.4%	1.6%	22.1%
Relative against CI	19.4%	50.7%	39.8%	12.2%	5.7%	2.2%	20.5%

HLIB Research

Note:

- Maximum holding period for stocks recommended are ranging from one week, two weeks, four weeks to three-six months. We will take profit (depending on strength of technical chart reading) should share price reach our R1/R2/LT upside targets.
- We will close the positions upon expiry of the maximum holding period even if the stocks fail to achieve our R1/R2/LT upside targets and/or remained above the cut loss level;
- For Sell ratings, we consider the return as equivalent to the losses make if investors did not sell;
- Prices shall be adjusted accordingly in the event of relevant exercises (i.e dividend, bonus, rights issues etc)
- S=support; R=resistance;
- For those that we took profit, this column shows the price level which we exited from the trade.
- Excluding brokerage, stamp duty as well as clearing fees.
- Included quarterly stock picks.

Figure #5 1Q19 Quarterly Retail Strategy stock picks (Maximum Holding Period is 3 Months)

No	Stocks	Entry price (3 Jan)	Report date	S1	S2	R1	R2	LT Target Price	Stop-loss	Highest price since report	Lowest price since report	Last price ⁶	Gains/Loss since report ⁷	Remarks
1	CCM	1.790	7 JAN	1.750	1.630	1.950	2.000	2.210	1.540	2.050	1.790	1.97	10.1%	
2	DKSH	2.250	7 JAN	2.200	2.150	2.650	3.000	3.320	2.100	2.910	2.230	2.46	9.3%	
3	FLBHD	1.500	7 JAN	1.420	1.370	1.670	1.800	2.000	1.340	1.850	1.480	1.80	20.0%	Took profit on 27 Feb at RM1.80 (R2)
4	FRONTKEN	0.695	7 JAN	0.640	0.660	0.765	0.840	0.940	0.605	0.955	0.690	0.950	36.7%	Took profit on 14 Feb at RM0.95 (above LT target px)
5	HSL	1.340	7 JAN	1.250	1.280	1.420	1.550	1.600	1.240	1.570	1.340	1.550	15.7%	Took profit on 22 Feb at RM1.57 (closing px)
6	KPJ	1.030	7 JAN	0.980	0.970	1.140	1.160	1.270	0.960	1.100	0.995	1.030	0.0%	Closed amid weakening technicals on 27 Feb
7	TAKAFUL	3.800	7 JAN	3.750	3.700	4.200	4.300	4.500	3.600	4.680	3.730	4.500	18.4%	Took profit on 14 Feb at RM4.50 (LT target px)
8	TALIWORKS	0.785	7 JAN	0.750	0.730	0.865	0.940	1.000	0.720	0.915	0.800	0.865	10.2%	Took profit on 1 Mar at RM0.865 (R2)

HLIB Research

Disclaimer

The information contained in this report is based on data obtained from sources believed to be reliable. However, the data and/or sources have not been independently verified and as such, no representation, express or implied, are made as to the accuracy, adequacy, completeness or reliability of the info or opinions in the report.

Accordingly, neither Hong Leong Investment Bank Berhad nor any of its related companies and associates nor person connected to it accept any liability whatsoever for any direct, indirect or consequential losses (including loss of profits) or damages that may arise from the use or reliance on the info or opinions in this publication.

Any information, opinions or recommendations contained herein are subject to change at any time without prior notice. Hong Leong Investment Bank Berhad has no obligation to update its opinion or the information in this report.

Investors are advised to make their own independent evaluation of the info contained in this report and seek independent financial, legal or other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise represent a personal recommendation to you.

Under no circumstances should this report be considered as an offer to sell or a solicitation of any offer to buy any securities referred to herein.

Hong Leong Investment Bank Berhad and its related companies, their associates, directors, connected parties and/or employees may, from time to time, own, have positions or be materially interested in any securities mentioned herein or any securities related thereto, and may further act as market maker or have assumed underwriting commitment or deal with such securities and provide advisory, investment or other services for or do business with any companies or entities mentioned in this report. In reviewing the report, investors should be aware that any or all of the foregoing among other things, may give rise to real or potential conflict of interests.

This research report is being supplied to you on a strictly confidential basis solely for your information and is made strictly on the basis that it will remain confidential. All materials presented in this report, unless specifically indicated otherwise, is under copyright to Hong Leong Investment Bank Berhad. This research report and its contents may not be reproduced, stored in a retrieval system, redistributed, transmitted or passed on, directly or indirectly, to any person or published in whole or in part, or altered in any way, for any purpose.

This report may provide the addresses of, or contain hyperlinks to, websites. Hong Leong Investment Bank Berhad takes no responsibility for the content contained therein. Such addresses or hyperlinks (including addresses or hyperlinks to Hong Leong Investment Bank Berhad own website material) are provided solely for your convenience. The information and the content of the linked site do not in any way form part of this report. Accessing such website or following such link through the report or Hong Leong Investment Bank Berhad website shall be at your own risk.

1. As of 15 March 2019, Hong Leong Investment Bank Berhad has proprietary interest in the following securities covered in this report:

(a) -

2. As of 15 March 2019, the analyst(s) whose name(s) appears on the front page, who prepared this report, has interest in the following securities covered in this report:

(a) -

Published & printed by:

Hong Leong Investment Bank Berhad (10209-W)

Level 28, Menara Hong Leong,

No. 6, Jalan Damanlela,

Bukit Damansara,

50490 Kuala Lumpur

Tel: (603) 2083 1800

Fax: (603) 2083 1766

Stock rating definitions

BUY	Expected absolute return of +10% or more over the next 12-months.
HOLD	Expected absolute return of -10% to +15% over the next 12-months.
SELL	Expected absolute return of -10% or less over the next 12-months.
UNDER REVIEW	Rating on the stock is temporarily under review which may or may not result to a change from the previous rating.
NOT RATED	Stock is not or no longer within regular coverage.

Sector rating definitions

OVERWEIGHT	Sector expected to outperform the market over the next -12 months.
NEUTRAL	Sector expected to perform in-line with the market over the next -12 months.
UNDERWEIGHT	Sector expected to underperform the market over the next -12 months.