

**HLIB Research**

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**Traders Brief****US-China trade development turned positive****MARKET REVIEW**

Asia's stock markets ended mixed following the conclusion of the FOMC meeting where the Fed kept the interest rates unchanged and indicated to remain on hold for the interest rates at least until 2020. Also, traders were cautious in the absence of trade deal between the US and China during Asian trading hours. Shanghai Composite index traded lower by 0.30%, but Nikkei 225 and Hang Seng Index rose 0.14% and 1.31%, respectively.

On the local front, the FBM KLCI trended higher by 0.27% to 1,567.34 pts led significantly by Petronas-related heavyweights. Market breadth was neutral, accompanied by 2.47bn shares traded for the session, worth RM2.11bn. Still, property stocks such as SIMEPROP and UEMS have traded higher for the day.

Wall Street managed to close higher as investors cheered positively after US and China have mostly agreed on a phase one trade deal, where the trade deal may include China's commitment to buy more farm products, protect intellectual property and opens the Chinese market for financial services. In return, US agreed to defer tariffs that were supposed to impose this Sunday. The Dow and S&P500 jumped 0.79% and 0.86%, respectively, while Nasdaq advanced 0.77%.

**TECHNICAL OUTLOOK: KLCI**

The KLCI has rebounded for second session consecutively and the MACD indicator has recovered mildly (albeit below the zero level). Meanwhile, both the RSI and Stochastic oscillators are trending higher, out from the oversold region. We opine with the improving technicals, the KLCI could regain traction towards 1,580-1,600, while support is located around 1,550.

**Figure #1 Daily chart: Positive sentiment to lift KLCI**

With the US defer the scheduled tariffs on Chinese goods this Sunday, we think the buying interest is likely to spillover towards stocks on Bursa and investors could focus on technology stocks in the near term. Also, coupled with the window dressing activities, the FBM KLCI may revisit 1,580-1,600 levels.

Bursa key stats	
FBM KLCI (pts)	1567.34
Volume (shares bn)	2.49
Value (RM bn)	2.12

Daily participation (value)		12 Dec
Institution	RM0.96bn (45.4%)	
Retail	RM0.51bn (24.3%)	
Foreign	RM0.64bn (30.3%)	

5-days net trade flows (RM m)			
	Institution	Retail	Foreign
6 Dec	71	9	-80
9 Dec	111	20	-131
10 Dec	118	5	-123
11 Dec	95	17	-112
12 Dec	-47	7	40
5-day total	348	59	-407

BursaMktPlc

**TECHNICAL OUTLOOK: DOW JONES**

The Dow has experienced a flag formation breakout and the MACD indicator has expanded positively over the past few sessions. Meanwhile, both the RSI and Stochastic oscillators are trending higher above 50. Hence, we opine that the Dow may trend higher moving forward. Resistance will be set around 28,500, while support is anchored along 27,400.

**Figure #2 Daily chart: Flag formation breakout**



After several weeks of deadlock situation on the trade agreement between the US and China, both parties have agreed on the phase one trade deal; market sentiment are likely stay positive with investors flowing back into equities more committedly. The Dow could mark higher territories moving forward, with upside target located around 28,500.

**TECHNICAL TRACKER: ROHAS**

**Ripe for further rebound in anticipation of improving 4Q19 results and a strong FY19-21 EPS CAGR of 22%.** We are sanguine on ROHAS's mid- to long-term outlook, underpinned by completion of its loss-making HGPT legacy contracts as well as tower fabrication orderbook at RM200m (1.1x cover of FY18 revenue) and EPCC projects at RM340m (1.5x cover of FY18 revenue). In addition, potential fabrication and EPCC orderbook replenishments would be buoyed by Sarawak state's initiative to rollout 5,000 towers and the transmission line (JV with Muhibbah) from Butterworth to Penang Island which will run parallel to the Penang Bridge (estimated project value: RM1bn). Technically, after building a base above 50D SMA, ROHAS is poised for an oversold rebound towards RM0.695-0.83 levels, in anticipation of a better 4Q results and a strong FY19-21 EPS CAGR of 22% coupled with undemanding valuations at 10.2x FY20E P/E and 0.96x P/B (4% and 40% below PESTECH's P/E and P/B).

**Figure #3 ROHAS Daily chart: Poised for further oversold rebound**



**Figure #1 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 <sup>6</sup>	Gains/Loss since report <sup>7</sup>	Remarks
1	TEXCYCL	0.42	4-NOV	0.400	0.390	0.460	0.490	0.535	0.370	0.490	0.420	0.480	14.3%	Took profit at 0.48 on 8 Nov
2	MHB	0.865	6-NOV	0.845	0.830	0.910	0.970	1.020	0.810	0.910	0.865	0.910	5.2%	Took profit at R1 on 13 Nov
3	FPI	1.60	13-NOV	1.530	1.500	1.650	1.740	1.860	1.480	1.68	1.480	1.66	3.7%	
4	ECONBHD	0.765	18-NOV	0.740	0.730	0.850	0.870	0.980	0.710	0.820	0.750	0.770	0.7%	Closed on 26 Nov at VWAP amid weakening technicals
5	SAPNRG	0.30	19-NOV	0.295	0.285	0.330	0.345	0.375	0.275	0.300	0.285	0.285	-5.0%	Closed on 21 Nov at S2 amid weakening technicals
6	NAIM	1.03	20-NOV	1.000	0.970	1.100	1.170	1.260	0.940	1.120	1.300	1.100	6.8%	Took profit at 1.1 (R1) on 21 Nov
7	T7GLOBAL	0.515	21-NOV	0.495	0.485	0.550	0.575	0.630	0.480	0.520	0.480	0.485	-4.9%	Closed on 25 Nov at S2 amid weakening technicals
8	SPSETIA	1.30	27-NOV	1.240	1.200	1.430	1.510	1.590	1.180	1.360	1.270	1.35	3.8%	
9	DSOMIC	1.06	6-DEC	1.000	0.980	1.110	1.180	1.250	0.970	1.20	1.070	1.19	12.3%	Took profit on 11 Dec
10	PECCA	1.17	11-DEC	1.14	1.12	1.21	1.30	1.40	1.08	1.19	1.17	1.19	1.7%	

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**Figure #2 Technical Tracker performances**

	2016 Cumulative return	2017 Cumulative return	2018 Cumulative return	Jan 19	Feb 19	Mar 19	Apr 19	May 19	June 19	July 19	Aug 19	Sep 19	Oct-19	Nov-19	Dec-19	2019 return
Total calls made	144	129	112	10	4	7	19	9	9	17	14	14	13	8	1	125
Total winners	85	80	56	10	3	4	9	6	9	11	9	9	9	6	1	86
Total losers	59	49	56	-	1	3	10	3	0	6	5	5	4	2	-	39
Successful hit rates	59%	62%	50%	100%	75%	57%	47%	67%	100%	65%	64%	64%	69%	75%	100%	69%
Average return	20.4%	54.6%	41.2%	13.2%	6.4%	2.7%	2.8%	2.4%	7.0%	0.8%	3.9%	4.3%	4.0%	3.1%	14.0%	64.6%
Relative against C.I	19.4%	50.7%	39.8%	12.0%	5.7%	5.0%	3.7%	1.1%	6.0%	3.0%	4.5%	5.4%	3.5%	3.7%	13.9%	67.5%

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**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 made 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 #3 4Q19 Quarterly Retail Strategy portfolio (Maximum Holding Period is 3 Months)**

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 <sup>6</sup>	Gains/Loss since report <sup>7</sup>	Remarks
1	ISTONE	0.245	17-Oct	0.225	0.220	0.265	0.275	0.250	0.300	0.265	0.220	0.225	-8.2%	Closed at S1 amid weakening technicals on 23 Oct
2	KESM	7.730	17-Oct	7.270	7.200	8.000	8.38	8.690	7.000	8.580	7.510	8.380	8.4%	Took profit at R2 on 23 Oct
3	OKA	0.63	17-Oct	0.640	0.630	0.690	0.720	0.770	0.620	0.690	0.635	0.660	4.8%	
4	KIMLUN	1.260	17-Oct	1.210	1.180	1.300	1.370	1.490	1.150	1.320	1.210	1.250	-0.8%	
5	CYPARK	1.370	17-Oct	1.340	1.300	1.490	1.550	1.600	1.280	1.470	1.330	1.390	1.5%	
6	PESTECH	1.330	17-Oct	1.260	1.220	1.410	1.500	1.530	1.210	1.350	1.260	1.260	-5.3%	Closed at S1 amid weakening technicals on 8 Nov
7	TUNEPRO	0.575	17-Oct	0.540	0.525	0.600	0.650	0.700	0.520	0.610	0.545	0.550	-4.3%	Closed on 26 Nov at VWAP amid weakening technicals

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<b>BUY</b>	Expected absolute return of +10% or more over the next 12 months.
<b>HOLD</b>	Expected absolute return of -10% to +10% over the next 12 months.
<b>SELL</b>	Expected absolute return of -10% or less over the next 12 months.
<b>UNDER REVIEW</b>	Rating on the stock is temporarily under review which may or may not result in a change from the previous rating.
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## Sector rating guide

<b>OVERWEIGHT</b>	Sector expected to outperform the market over the next 12 months.
<b>NEUTRAL</b>	Sector expected to perform in-line with the market over the next 12 months.
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