

#### MARKET NEWS

The FBMKLCI lost 56.56pt to close at 1,719.28 yesterday as political turmoil in Italy hurt investors' risk appetite. Meanwhile, Asian stocks extended a global sell-off on Wednesday as Italy's political crisis rippled across financial markets, toppling the euro to a 10-month low, pushing up Italian borrowing costs and sending investors rushing to safe-haven assets such as US Treasuries. The FBMKLCI's top losers were YTL Corporation (-8.8%), MISC (-7.6%) and Astro Malaysia Holdings (-0.8%) with only one gainer - Petronas Dagangan (+0.3%). In the broader market, losers outpaced gainers 995 to 148 with 293 counters unchanged. Turnover was 3.60b shares valued at RM4.46b.

Based on the chart, the index formed a gap down or a breakaway gap and penetrated both previous support levels of 1,760 and 1,751. Overall, indicators are still negative as selling momentum remains strong. We remain bearish in our short- and medium-term outlook and expect the index to trade towards the next support levels at 1,717 and 1,708. Support and resistance levels are revised as follows:

**Support: 1,717,1,708**

**Resistance: 1,772, 1,800**

US stocks closed higher on Wednesday, led by gains in the oil & gas, financials and healthcare sectors. The DJIA added 1.3%, the S&P 500 index added 1.3% and the NASDAQ Composite index gained 0.9%. Rising stocks outnumbered declining ones on the NYSE by 2,437 to 649, with 101 ended unchanged. On the Nasdaq Stock Exchange, 1,685 rose and 848 declined, while 134 ended unchanged.

#### WHAT'S IN THE PACK

##### The Pain Of Suspense

Surprise announcement to scrap the MRT3 project and suspense in the government's decision on tolled expressways precipitated another broad market meltdown.

##### CIMB Group

(CIMB MK/BUY/RM5.90/Target: RM7.40)

1Q18: Below expectations due to higher marked-to-market trading losses. Maintain BUY given attractive valuations and expectations of a stronger 2H18.

##### Malaysian Resources Corporation

(MRC MK/BUY/RM0.57/Target: RM1.01)

1Q18: Expect substantially stronger quarters ahead on deleveraging. Upgrade to BUY.

##### Pavilion Real Estate Investment Trust (PREIT MK)

**Technical BUY with 12.8% potential return**

BUY with a target price of RM1.76 and stop-loss at RM1.42. Based on the daily chart, the stock penetrated the breakout level of RM1.52 and closed higher at RM1.56 yesterday.

##### Guan Chong (GUAN MK)

**Technical BUY with +23.7% potential return**

BUY with a target price of RM2.19 and stop-loss at RM1.54. Based on the daily chart, GUAN formed higher highs and higher lows, indicating an uptrend.

##### Pos Malaysia (POSM MK)

**Technical BUY on breakout with +30.4% potential return**

BUY on breakout with a target price of RM4.98 and stop-loss at RM3.44. We expect a positive follow-through to validate a new up-leg if POSM penetrates above the breakout level of RM3.82.

#### FBMKLCI CHART



Source: Bursa Station

#### KEY INDICES

	Prev Close	Chg (%)	YTD (%)
DJIA	24,667.78	1.26	(0.21)
S&P 500	2,724.01	1.27	1.89
FTSE 100	7,689.57	0.75	0.02
CSI 300	3,723.37	(2.12)	(7.63)
FSSTI	3,443.95	(2.12)	1.21
HSCEI	11,769.16	(1.59)	0.51
HSI	30,056.79	(1.40)	0.46
JCI	6,011.06	(0.94)	(5.42)
KLCI	1,719.28	(3.18)	(4.31)
KOSPI	2,409.03	(1.96)	(2.37)
Nikkei 225	22,018.52	(1.52)	(3.28)
SET	1,725.14	(0.54)	(1.63)
TWSE	10,821.17	(1.30)	1.68
BDI	1,057.00	(1.86)	(22.62)
CPO (RM/mt)	2,440.00	0.91	(2.52)
Nymex Crude (US\$/bbl)	68.14	(0.10)	14.02

#### TOP VOLUME

Stock	Price (RM)	Chg (%)	Vol ('000)
Sapura Energy Bhd	0.59	(6.40)	216,788
My Eg Services Bhd	0.77	0.66	115,395
Borneo Oil Bhd	0.07	(12.50)	100,000
Ytl Corp Bhd	0.93	(8.82)	92,017
Nexgram Holdings	0.04	(12.50)	79,824

#### TOP GAINERS

Stock	Price (RM)	Chg (%)	Vol ('000)
Oversea Enterprise	0.20	33.33	0
Tiger Synergy Bhd	0.03	25.00	2,741
Ea Holdings Bhd	0.04	16.67	864
Scomi Group Bhd	0.12	9.09	5,214
Abm Fujiya Bhd	0.43	8.97	2

#### TOP LOSERS

Stock	Price (RM)	Chg (%)	Vol ('000)
Hss Engineers Bhd	0.59	(33.90)	2,689
Apft Bhd	0.01	(33.33)	7,878
Muda Holdings Bhd	2.00	(29.08)	12,302
Green Ocean Corp	0.10	(23.08)	752
Gamuda Bhd	3.18	(23.00)	32,822

Source: Bloomberg

TRADERS' CORNER



**Pavilion Real Estate Investment Trust (PREIT MK)**

Technical BUY with +12.8% potential return

Last price: RM1.56

Target price: RM1.72, RM1.76

Support: RM1.43

Stop-loss: RM1.42

BUY with a target price of RM1.76 and stop-loss at RM1.42. Based on the daily chart, the stock penetrated the breakout level of RM1.52 and closed higher at RM1.56 yesterday. We expect PREIT to continue to form a higher high and higher low towards the immediate resistance. This is supported by the bullish crossover at 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**



**Guan Chong (GUAN MK)**

Technical BUY with +23.7% potential return

Last price: RM1.77

Target price: RM2.09, RM2.19

Support: RM1.55

Stop-loss: RM1.54

BUY with a target price of RM2.19 and stop-loss at RM1.54. Based on the daily chart, GUAN formed higher highs and higher lows, indicating an uptrend. Yesterday's positive closing above the BBI sets a new tone for the short-term outlook. This is supported by the 7-day EMA which crossed above the 21-day EMA, indicating a bullish signal. We expect GUAN to continue to make a new high towards our target. A bullish bias has been established following an uptick in the DMI and a bullish crossover in the MACD.

**Expected Timeframe: 2 weeks to 2 months.**

TRADERS' CORNER



## Pos Malaysia (POSM MK)

Technical BUY on breakout with +30.4% potential return

Last price: RM3.70

Target price: RM4.44, RM4.98

Support: RM3.45

Stop-loss: RM3.44

BUY on breakout with a target price of RM4.98 and stop-loss at RM3.44. We expect a positive follow-through to validate a new up-leg if POSM penetrates above the breakout level of RM3.82. The rising momentum, as shown by a bullish crossover in the 7- and 21-day EMAs, along with an uptick in RSI lines, suggests an uptrend from here. Currently, the DMI is on the verge of making a golden cross to the positive signal. We peg our targets at RM4.44 and RM4.98 in the near to medium term.

**Expected Timeframe: 2 weeks to 2 months**

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## CORPORATE NEWS

**Air Asia: Shares plummet as probe threatens plans for India unit's IPO.**

AirAsia Group Bhd shares plunged on Wednesday after federal police in India filed a case against the airline accusing it of corruption — a probe that threatens to delay its India unit's IPO plans and international expansion. The case, also filed against Chief Executive Tan Sri Tony Fernandes and unit AirAsia India, is a fresh blow to the airline's embattled leader, who has been under fire for supporting Malaysia's former prime minister and is being investigated over the cancellation of flights during the general election period. (Source: *The Edge Financial Daily*)

**Hap Seng: CPO expected at RM2,400-RM2,700 this year,**

says Hap Seng Consolidated. Hap Seng Consolidated Bhd expects the price of crude palm oil (CPO) to trade between RM2,400 and RM2,700 this year. Barring any escalation in the trade war between China and the US, which would be supportive of CPO prices, prices are seen to be "quite stable", said Datuk Edward Lee Ming Foo, Hap Seng group managing director. Meanwhile, the production of fresh fruit bunches (FFB) should return to a "normal" level of around 1,600 metric tonnes this year, as the effects of the El Niño weather phenomenon wear off, said Hap Seng executive director Lee Wee Yong. "We do not see any severe weather effects, unless there is exceptionally wet weather from the La Niña phenomenon," he said. (Source: *The Edge Financial Daily*)

**LBS Bina: NWP terminate deal for joint development in China.**

LBS Bina Group Bhd and NWP Holdings Bhd have decided to mutually terminate an agreement for a joint development project to transform the Zhuhai International Circuit in China, in which LBS has a 60% stake. Both parties have agreed to revoke the heads of agreement (HOA) signed on March 5, LBS Bina said in a filing with the stock exchange. "LBS Bina and NWP mutually agreed to fully release each other from all respective obligations and liabilities under, arising from or in connection with the HOA," the filing said. (Source: *The Edge Financial Daily*)

**Paramount: Eyes RM1b sales this year.**

Paramount Corp Bhd expects sales from its property segment to hit RM1b this year compared with RM816m recorded in 2017, on the back of eight ongoing projects, said Group Chief Executive Officer and Director Jeffrey Chew Sun Teong. He said there were a few "hero projects" among the eight projects including a mixed development project called Atwater located in Section 13, Petaling Jaya. "This project is located in a mature area of Section 13 and it is expected to generate a large chunk of the contribution. We also have another project called Greenwoods in Salak Perdana (Sepang) with a total gross development value of RM1.1bil," he told reporters after the group's annual and extraordinary general meeting here. (Source: *The Star*)

## ECONOMICS

**General: MARC places concessionaires in its toll road universe on rating watch.**

Malaysian Rating Corp Bhd (MARC) has placed all the issue ratings in its toll road universe on "MARCWatch Developing" following increased uncertainty over the government's exact plans to scrap toll chargers. The "Developing" designation in the MARCWatch conveys the uncertainty around the credit trajectory of the affected issuers arising from the proposed abolition of road tolls. In a statement, MARC said it currently rates 10 toll concessionaires with an aggregate outstanding of RM33.1b. This includes Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd, Sistem Penyuraian Trafik KL Barat Sdn Bhd, MEX II Sdn Bhd and Lebuhraya Duke Fasa 3 Sdn Bhd. (Source: *The Edge Financial Daily*)

## POLITICS

**General: Petronas could pay govt RM9b more in taxes, dividend this year.**

Malaysia may collect RM8b to RM9b (US\$2.01b to US\$2.26 b) more in revenue from state energy firm Petronas this year compared to last year, a finance ministry official told Reuters. Ong Kian Ming, a special officer to the finance minister, said the increase in revenue will come through corporate taxes and dividends, and that discussions on the matter are still ongoing. With rising oil prices, Malaysia is looking to Petronas to contribute more to government coffers this year to help narrow the revenue shortfall from effectively scrapping a consumption tax, Ong told BFM radio station earlier on Wednesday. (Source: *The Edge Financial Daily*)

**General: RON95 and diesel price to stay, RON97 will be floated.**

The government will retain the current price of RON95 and diesel at the pumps, but the price of the premium RON97 petrol will be subject to a float system, Prime Minister Tun Dr Mahathir Mohamad said. "The price for diesel and RON95 will be maintained, but the price for RON97 will be floated according to the market," Dr Mahathir told reporters after chairing the second weekly Cabinet meeting here. At present, RON95 and diesel are sold at RM2.20 per litre and RM2.18 per litre respectively, while that of RON97 is priced at RM2.47 per litre. The retail fuel prices have remained unchanged ahead of the 14th general election on May 9, despite crude oil prices rising to US\$75.39 per barrel at the time of writing. (Source: *The Edge Financial Daily*)

**Sale Tax: Malaysia to reintroduce sales and services tax beginning Sept 2018.**

Malaysia will reintroduce the sales and services tax (SST) beginning September 2018 to replace the goods and services tax (GST), according to Prime Minister Tun Dr Mahathir Mohamad. Dr Mahathir told reporters after the country's Cabinet meeting here that the Finance Ministry will provide more details on the SST. "The SST was previously 10%. We will roll out the SST beginning September and meanwhile, the zero-rated GST will kick off on June 1, as per what we have announced," he said. Dr Mahathir said this after the government announced on May 16 this year that the GST rate will be reduced from 6% to 0% effective June 1 this year. Malaysia, under former Prime Minister Datuk Seri Najib Tun Razak's administration, had on April 1, 2015, initially implemented the GST at 6%. The GST had then replaced the SST (Source: *The Edge Financial Daily*)

## FROM THE REGIONAL MORNING NOTES...

**The Pain Of Suspense**

Yesterday, the prime minister made a surprise announcement to scrap the MRT3 project (against consensus expectation of a project deferral), which precipitated another broad market meltdown. Foreign investors continue to flee the Malaysian bourse following the general election. Nevertheless, while investors are still held in suspense over the government's decision on tolled expressways, the sell-down is overdone judging by our trough valuation analysis. Compelling trades include CIMB and TM. Significantly downtrodden mid-caps include CMS, MYEG and MRCB.

**CIMB Group: 1Q18: Opportunity To Accumulate On Sentiment-driven Selldown**

(CIMB MK/BUY/RM5.90/Target: RM7.40)

CIMB reported 1Q18 results that were below expectations due to higher marked-to-market trading losses. Management has retained its guidance for a sequentially stronger 2H18 as loans growth gains momentum. However, we trim our earnings forecasts to factor in a more conservative fee income and NIM outlook. This prompts us to trim our target price to RM7.40 (1.33x 2018F P/B, 10.2% ROE). Maintain BUY as sentiment-driven selldown has the stock trading at an attractive -1SD P/B and PE.

**Malaysian Resources Corporation: 1Q18: Benefits From Deleveraging; Upgrade To BUY.**

(MRC MK/BUY/RM0.57/Target: RM1.01)

1Q18 results are considered in line to meet full-year's expectations as we expect substantially stronger quarters ahead. The huge sell-off (-43% since GE14, -51% ytd) reflects over-bearish sentiment on the impact of the new government's belt tightening on mega projects, and ignores the deep value from the company's strengthened balance sheet and ability to substantially enhance value in its partnership with substantial shareholder EPF. Upgrade to BUY but with a lower target price of RM1.01.

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