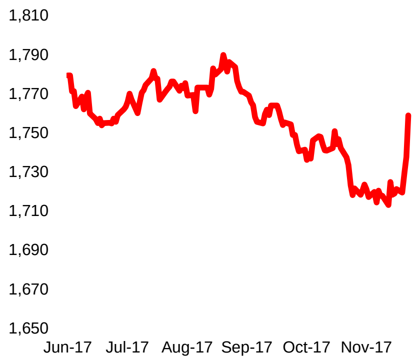
PUBLIC INVESTMENT BANK

PublicInvest Research ***Market Strategy*** **Friday, December 15, 2017**

KDN PP17686/03/2013(032117)

Malaysia 1H 2018

FBM KLCI CHART



FBM KLCI (current)	1,759.00
FBM KLCI (year-end 2018)	1,860.00
Upside/(Downside)	5.7%

52 Week Range (RM)	1,616.54 - 1,796.75
3-Month Average Vol ('000)	129,337
YTD returns (%)	7.1%

FBM KLCI PERFORMANCE

	1M	3M	6M
Absolute Returns	0.3	-1.9	-1.2

Sector	Call
Airline	Neutral
Auto	Neutral
Banking	Neutral (p)
Construction	Overweight
Consumer	Neutral (p)
Gaming	Neutral
Healthcare	Neutral
Manufacturing	Overweight
Media	Neutral (n)
Oil and Gas	Overweight
Plantation	Neutral
Property	Neutral
Power	Neutral
Rubber Gloves	Neutral
Telecommunication	Neutral (n)
Timber	Neutral

(p) positive bias (n) negative bias

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Still Good Enough

Global Economic Outlook – Time To Catch Up: The global economic upswing that started in 2017 is expected to continue into 2018. A host of fiscal and monetary interventions by the advance and emerging economies will finally produce the expected results. We see efforts to ensure sustainable global growth and this will be the impetus that could lift growth higher this year. The normalization of global capital flow suggests that global financial markets will continue to be up and running, emerging as the lynchpin of global growth. All this supports the conviction of steady global growth of 3.7% in 2018 (2017E: 3.6%).

Malaysian Economic Outlook – Growing From a Position of Strength: Malaysia has emerged relatively unscathed from several debilitating headwinds (e.g. BREXIT, global commodity price collapse), thanks to its resilient fundamentals. With a projected growth rate of 5.2% in 2018 (2017E: 5.6%), Malaysia, by all accounts, may become the second fastest growing economy in the region, behind only the Philippines. Although the downside risks to growth are muted but we remain cautious as the external environment is still sensitive to variety of factors, amongst which are geopolitical negativities. Being an open economy, Malaysia will be at risk.

Market: Malaysia's finances aren't in too bad of a shape particularly with crude oil prices hovering steadily above the USD55/barrel mark, a boon to national income and investment sentiment. External trade is improving steadily, with GDP growth expected to remain above the 5% level next year. While the Ringgit has strengthened sharply in recent months, we think there is still some room to improve, albeit muted and not in the manner seen in 2017. In essence, conditions are ***Still Good Enough*** to warrant continued investments in the local bourse. Foreign investors may be less of a factor in the coming year, but that may be inconsequential given the ample domestic liquidity.

We are positive on the local bourse for 2018, though not overly-enthusiastic as

- The FBM KLCI is cheap from a regional standpoint, at 15.6x 1-year forward price-to-earnings ratio compared to Thailand's 17.7x, our most direct comparable
- Earnings growth will accelerate from 3.6% in 2017 to 6.3% in 2018, underpinned by the country's stronger economic performances cascading into corporate and consumer Malaysia
- Economic conditions will continue to remain healthy with GDP growth to remain above 5%, and with crude oil prices remaining strongly above USD50/barrel a boon to national coffers and investor sentiment
- Run-up to forthcoming General Elections could provide a near-term trading-oriented lift

…. but with significant moves to the upside capped due to valuations of certain market-moving sectors already appearing toppish relative to respective growth prospects.

We remain **OVERWEIGHT** on the **Oil and Gas** and **Construction** for the on-going positive news flows and probable earnings uplifts, and the broad-based **Manufacturing** sector for demand growth on account of strong global trade.

For stocks, we like AMMB Holdings, Hibiscus Petroleum, SKP Resources, Chin Hin Group, Mega First Corporation, N2N Connect, Yong Tai, TRC Synergy.

2017 Flashback

We postulated on 2 key tailwinds very early on (December 2016), and why we believed the market was in for an upswing in 2017.

Point of contention was that the Ringgit was undervalued, and that it would strengthen… the call coming at a time (then) when consensus expectations weren't as robust

Table 1 : 2017 Expectations

	Expectations	Reality
Currency (USD/MYR)	To average between RM4.10 and RM4.20 (in December 2016) Headed toward RM4.10 to RM4.15 levels (in June 2017)	While the Ringgit hasn't quite averaged the levels we had expected to (current year-to-date average is RM4.3099), it has nevertheless strengthened to a recent-high of RM4.0630 (on 4 Dec), with current levels at RM4.0845. Our point of contention was that the Ringgit was undervalued, and that it would strengthen… the call coming at a time (then) when consensus expectations weren't as robust. Conclusion: Met, somewhat.
Foreign flows	Funds would turn net buyers The previous 3 years had seen net outflows: 2014: -RM3.2bn 2015: -RM19.7bn 2016: -RM3.2bn	It has been a tale of two halves, with the first 7 months of the year seeing RM11.1bn inflows and the subsequent 4 months seeing RM1.2bn outflows. Foreign funds remain net buyers in the market, with year-to-date November inflows totaling RM9.9bn. Conclusion: Met
FBM KLCI year-end close	1750 pts (December 2016) 1820 pts (June 2017)	FBM KLCI hit a high of 1,796.75 pts in June, but is making a late surge toward our anticipated close. Conclusion: Jury is still out

Source: PublicInvest Research

Making a late surge toward our anticipated close

Throughout the course of the year, we had also made some stock suggestions.

The European Central Bank (ECB) was truly pulling out the stops!

Table 2 : 2017 Stock Suggestions

	Dec 2016	Mar 2017	Jun 2017	Sep 2017	Dec 2017	% chg * (+/-)
Chin Hin Group	0.87 (b)	-	-	-	-	+35.6%
Genting Plantations	10.80 (b)	-	-	10.62 (s)		-1.7%
LBS Bina	1.67 (b)	-	-		2.23 (s)	+33.5%
Sapura Energy	1.62 (b)	-	-	-	-	-50.0%
SCGM ^	2.55 (b)	-	-	-	2.70 (s)	+5.6%
Sime Darby	8.10 (b)	-	9.50 (s)			+17.3%
Ta Ann Holdings	3.95 (b)	-	3.54 (s)			-10.8%
Wah Seong	0.805 (b)	-	-	1.05 (s)		+30.4%
JAKS Resources	-	1.16 (b)	1.43 (s)			+23.3%
VS Industry	-	1.56 (b)	-	-	3.08 (s)	+97.4%
Century Logistics	-	-	1.33 (b)	-	1.01(s)	-24.1%
Mega First Corp	-	-	3.94 (b)	-	-	
Serba Dinamik	-	-	1.99 (b)	-	3.18 (s)	+59.8%
Yong Tai	-	-	-	1.44 (b)		-2.1%

Source: PublicInvest Research
Note: * realized/unrealized as at 14/12/17 ^adjusted for 1-for-3 bonus (**b**uy) and (**s**ell) as per strategy note dates

Two failed quite miserably

We'll be the first to acknowledge we did not net all winners in our suggested picks, with two failing quite miserably. While we continue to like the longer-tern investment merits of Sapura Energy and Century Logistics, near-term operational challenges has had more telling (and somewhat disastrous) effects. Ones we did get right, we did fairly

Ones we did get right, we did fairly well

well in registering gains ranging between 5.6% and 97.4%. On the macro front, we went very early against the grain to say that the Ringgit was undervalued and that it would head toward the RM4.10/USD1 level partly supported by net inflow of foreign funds, both of which have been realized.

On the balance of things, we would say that 2017 has been a fairly encouraging year, with regard to our take on things. What about 2018?

2018 Global Economic Outlook

'Time to Catch Up'

Global economic upswing expected to continue into 2018

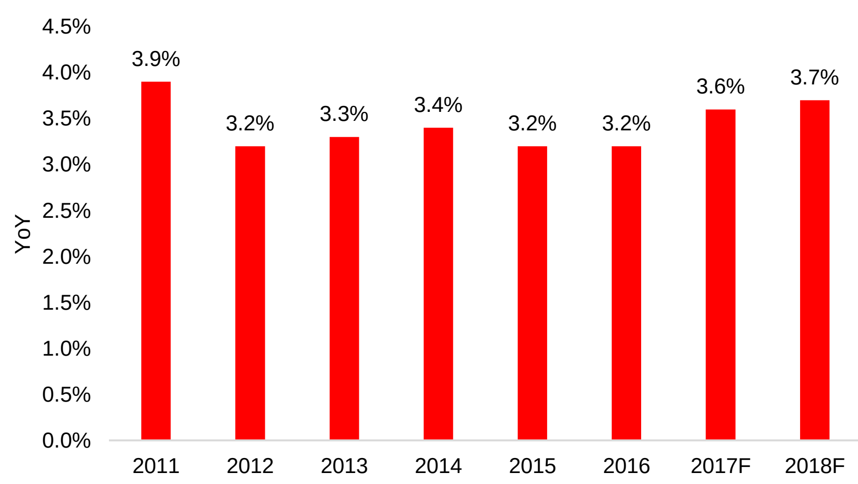
Lurking risks may still stoke risk aversion and heighten risk premium which could strangle the nascent global growth.

The global economic upswing that started in 2017 is expected to continue into 2018. A host of fiscal and monetary interventions by the advance and emerging economies will finally produce the expected results. Although the quality of growth has yet to reach its booming years prior to the Global Financial Crisis (GFC), the signals and signs are comforting. It is inclusive and sustainable, paving the way for better outlook ahead. Investors should, however, remain cautious as there still are risks to growth in the form of populist movements. Left unchecked, it can challenge the status quo, plant seeds of uncertainty and heighten fear. This will hurt investment appetite, one way or the other. We have seen populist movements in the US, Italy, the UK (i.e. Brexit) leading to a shakeup in the natural order of things as we know it. Add to that ever-present specter of protectionist moves. While having been chimed about for the better part of 2017 though with no obvious negative effects on this front, these lurking risks may still stoke risk aversion and heighten risk premium which could strangle the nascent global growth.

Changing of guard at the apex of the US Federal Reserve is likely in tune with the Republican party's economic direction

That aside, the world is indeed getting its house in order with rising inflationary trends a welcome sight, especially in the Eurozone (2016 CPI: 0.2%; 2017E: 1.5%; 2018F: 1.4%). More importantly, the US has averted a deflationary trap and we believe years of deleveraging efforts will finally push US consumers to unleash its consumption binge. We also see containable risks from US policy adjustments which we think will be done in very measured steps. The changing of guard at the apex of the US Federal Reserve is likely in tune with the Republican party's economic direction, suggesting that the new governor may not take drastic steps to kill the embryonic growth of the US economy.

Figure 1 : Global GDP (2011 – 2018F)

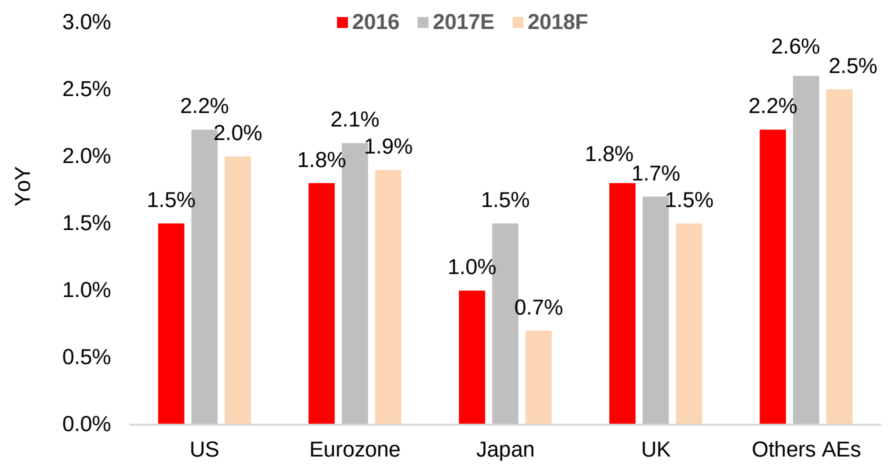


Source: International Monetary Fund, PublicInvest Research

Efforts to ensure sustainable global growth and this will be the impetus that could lift growth higher this year

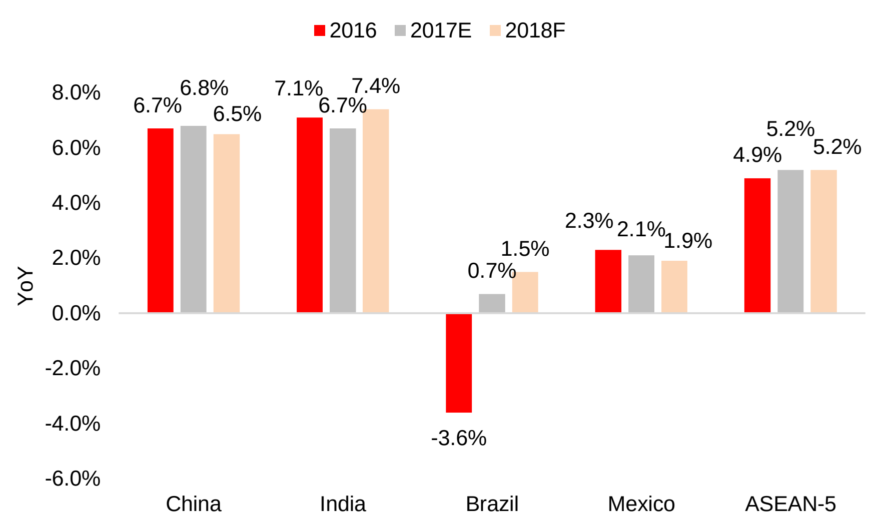
We see efforts to ensure sustainable global growth and this will be the impetus that could lift growth higher this year. Based on the International Monetary Fund's (IMF) projection, the world is expected to record better growth of 3.7% in 2018 (2017E: 3.6%), its fastest since 2011. This will be driven, to a large extent, by sustained global trade which is not only to match 2017 achievement but also to almost double than 2016's (2016A: 2.4%; 2017E: 4.2%; 2018F: 4.0%). This is a key impetus considering that global trade will finally be above the global growth since the last few years.

Figure 2 : Advanced Economies' GDP (2016 – 2018F)



Source: International Monetary Fund, PublicInvest Research

Figure 3 : Emerging Market Developing Economies' GDP (2016 – 2018F)



Source: International Monetary Fund, PublicInvest Research

We remain upbeat on global outlook as inflation is finally germinating in some key countries

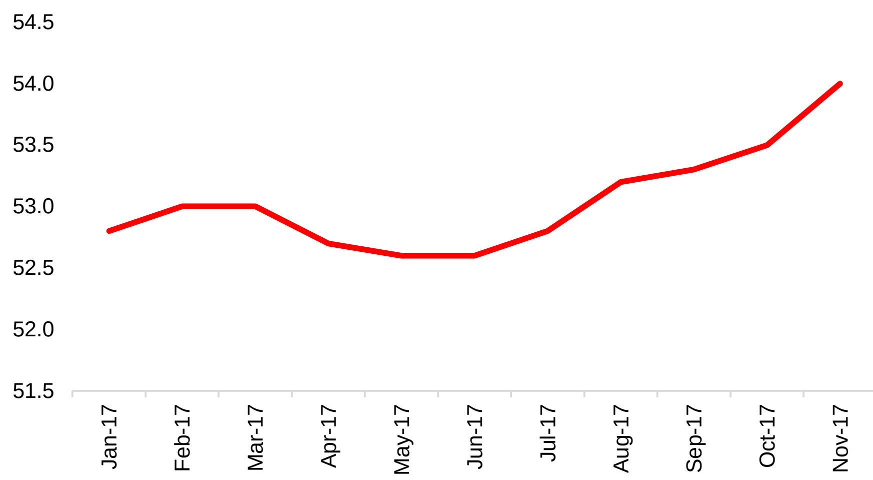
Cautiously optimistic that the world's growth may reach 3.7% in 2018

Major Global Theme in 2018. Although all quarters predict higher global growth in 2018, we remain cognizant that there persist some risks to growth which can be fatal through the inertial approach. We agree that the world has finally absolved itself from painful adjustments following the recent global crisis. Growth signs are brighter especially when advanced economies are leaner following years of austerity and deleveraging efforts. We remain upbeat on global outlook as inflation is finally germinating in some key countries. Given some brewing uncertainty, we are cautiously optimistic that the world's growth may reach 3.7% in 2018 (2017E: 3.6%).

World's growth underpinned by a re-charging of the US economy, the turnaround in Eurozone, China's steady prospects with emerging economies, particularly ASEAN, to give the added kicker

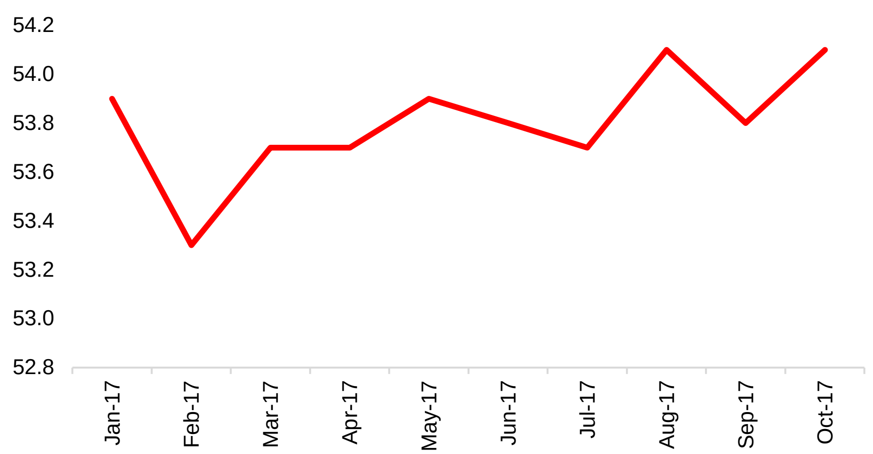
Concerted growth the world over. With hardly any sign of recession in any continent or country, one can expect global growth to re-accelerate this year. Poised to record a growth rate of 3.7% in 2018 (2017E: 3.6%), the world's growth will be underpinned by a re-charging of the US economy, the turnaround in Eurozone, China's steady prospects with emerging economies, particularly ASEAN, to give the added kicker. Key to this is the normalization of the world's trade, predicted to almost double 2016's growth rate of 2.4% to 4.0% (2017E: 4.2%). The re-charging of advanced economies growth will lift consumption binges for consumable items. This is supported by China and Eurozone's manufacturing PMI which had reached its highest levels of 52.4 and 60.1 in September and November 2017 respectively.

Figure 4 : Global Manufacturing PMI (YTD 2017)



Source: Bloomberg, PublicInvest Research

Figure 5 : Global Services PMI (YTD 2017)



Source: Bloomberg, PublicInvest Research

Further reinforced by the sanguine outlook of emerging economies trade potential, predicted to advance 4.9% in 2018

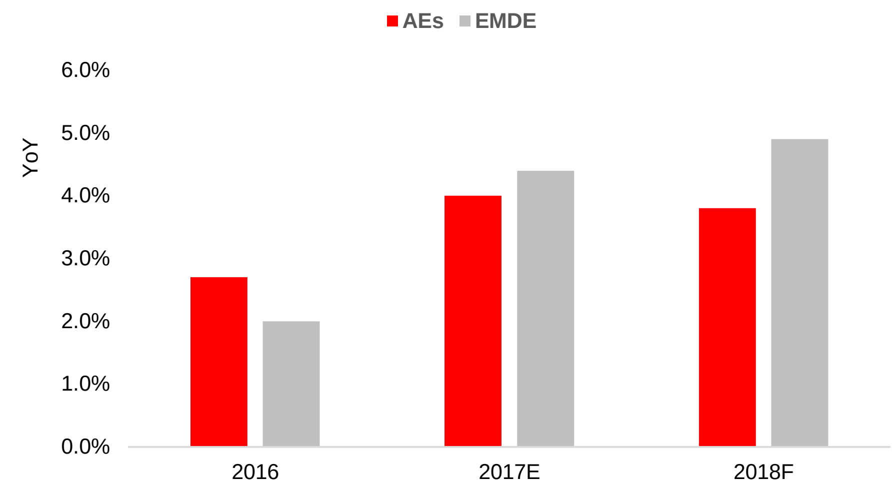
This is further reinforced by the sanguine outlook of emerging economies trade potential, predicted to advance 4.9% in 2018, 50 basis points higher than 2017. Steady global manufacturing PMI which had reached its 3-year high in November 2017 is testament to this. With the lagged effect in motion, we expect a spill over impact to global growth in 2018.

Bold fiscal strategy including tax cuts and pump-priming through large infrastructure spending is pro-growth

US is projected to grow within its potential of 2.3% in 2018, slightly faster than the prediction of 2.2% in 2017

Concerned on the lack of inflationary pressures however

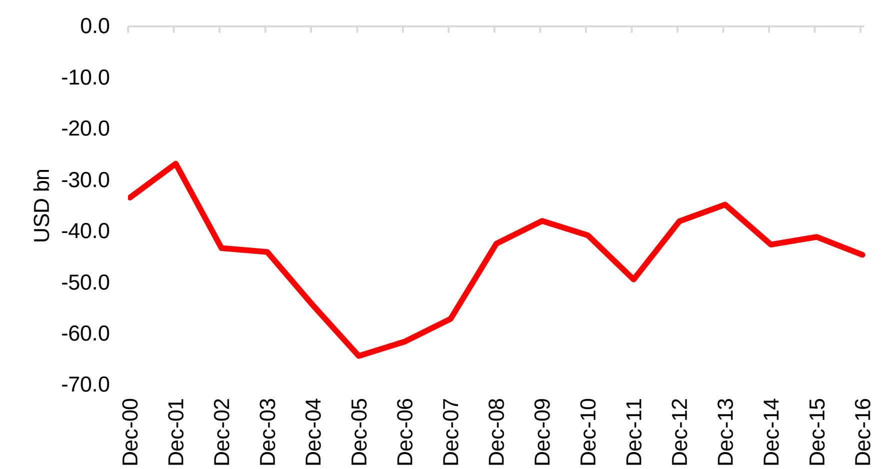
Figure 6 : Global Export Growth (2016 – 2018F)



Source: International Monetary Fund, PublicInvest Research

Trump will lift global growth higher. No doubt President, Donald Trump's protectionist measure could inflict risks to global growth. We think the impact, if any, may take time to realize. After all, the US has been recording trade deficits since 1975. Correcting the imbalance could take time, if at all. Notwithstanding that, Trump's bold fiscal strategy including tax cuts and pump-priming through large infrastructure spending is certainly pro-growth. This is the basis of sanguine outlook of the US which will be the world's engine of growth, filling the slack left by the Eurozone and Japan.

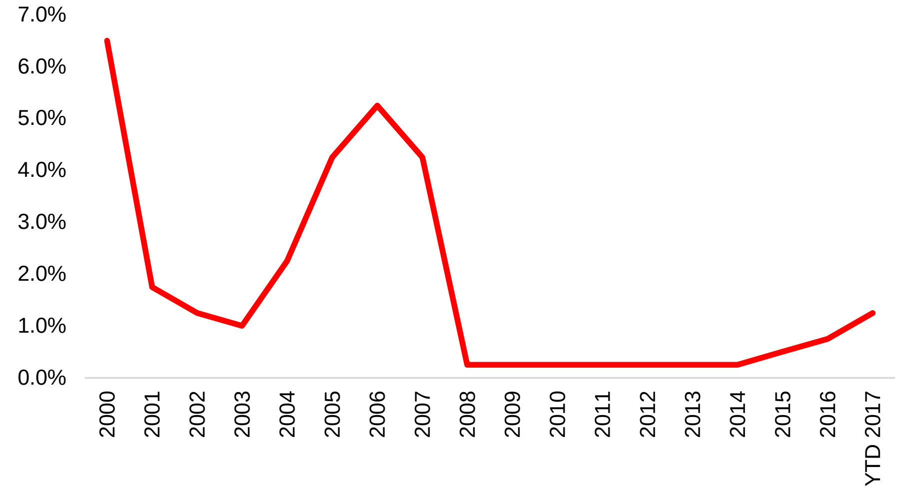
Figure 7 : US Annual Trade Deficit (Dec 2000 to Dec 2016)



Source: Bloomberg, PublicInvest Research

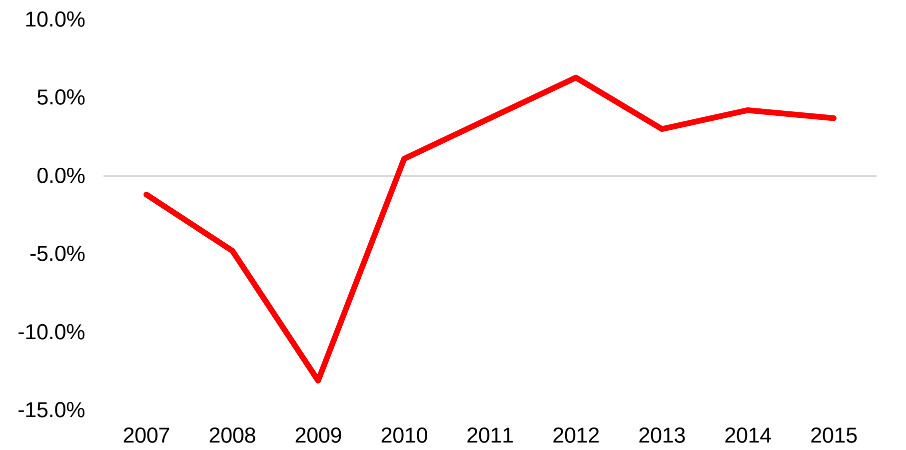
The US is projected to grow within its potential of 2.3% in 2018, slightly faster than the prediction of 2.2% in 2017. Nonetheless, we are concerned over the lack of inflationary pressures in the US which is below policymakers' expectations. YTD personal consumption expenditure average of 1.54% is below the FOMC's target of 2.0% and this is worrisome as capital expenditure may get delayed or scrapped. It may bring long-term corrosive effects. This will, however, be good for borrowing costs as policy adjustment may get deferred until otherwise. This prospect paves the way for the slow rise of the Dollar and hence, allowing for some smaller adjustments in commodity prices.

Figure 8 : US Federal Funds Rate – 2000 to YTD 2017)



Source: Bloomberg, PublicInvest Research

Figure 9 : US Gross Fixed Capital Formation – 2007 to 2015



Source: World Bank, PublicInvest Research

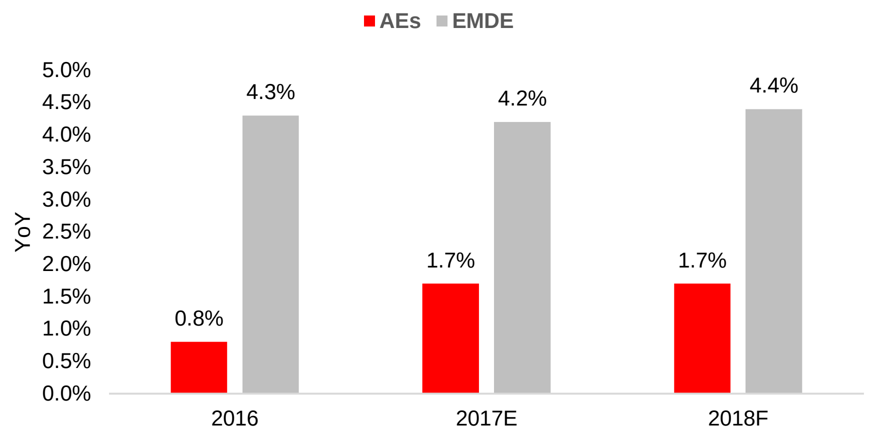
Key to global capacity expansion is the prospects of inflation

Global inflation is expected to record a sustained rise

Improving inflationary prospects. Key to global capacity expansion is the prospects of inflation. After years of tepid inflation, hurt by demand deficiency, the world can finally heave a sigh of relief as global inflation is expected to record a sustained rise. The advanced economies are predicted to record sustained inflation in 2018 vis-a-vis 2017, which will be noticeably higher than 2016's (2017E: 1.7%; 2016: 0.8%). This is a marked contrast to the last few years when advanced economies were contemplating the prospect of deflation as demand was weak following high indebtedness.

On the other hand, emerging economies are slated to produce marginally higher inflation of 4.4% in 2018 (2016A: 4.3%; 2017E: 4.3%). To note, inflation in 2018 is predicted to match or come in lower than last year due to high base effects which is a consistent phenomenon across all continents.

Figure 10 : Global Inflation (2016 – 2018F)



Source: International Monetary Fund, PublicInvest Research

Demand for commodities is expected to improve. China will play a big part in this

Steady but guarded rise in commodity prices. A few catalysts will nudge commodity prices higher but chief of this is the improving global outlook. Led by the re-charging and sustained growth of the US and China, demand for commodities is expected to improve. China will play a big part in this as it consumes 40%-50% of the world's aluminum, copper, nickel and steel and 30% of cotton and rice. Therefore, its sustained growth, projected to reach 6.5% in 2018 (2017A: 6.8%), will ensure steady demand for global commodities. The measured pace of US policy rate adjustments also supports our conviction that the rise in commodity prices will remain unhindered and unfettered.

Table 3 : OPEC Oil Cut Agreement

Barrels per day ('000)	Reference Production Level	Adjustment	New Daily Output
Algeria	1,089	-50	1,039
Angola	1,751	-78	1,673
Ecuador	548	-26	522
Gabon	202	-9	193
Iran	3,975	90	3,797
Iraq	4,561	-210	4.351
Kuwait	2,838	-131	2,707
Qatar	648	-30	618
Saudi Arabia	10,544	-486	10,058
United Arab Emirates	3,013	-139	2,874
Venezuela	2,067	-95	1,972

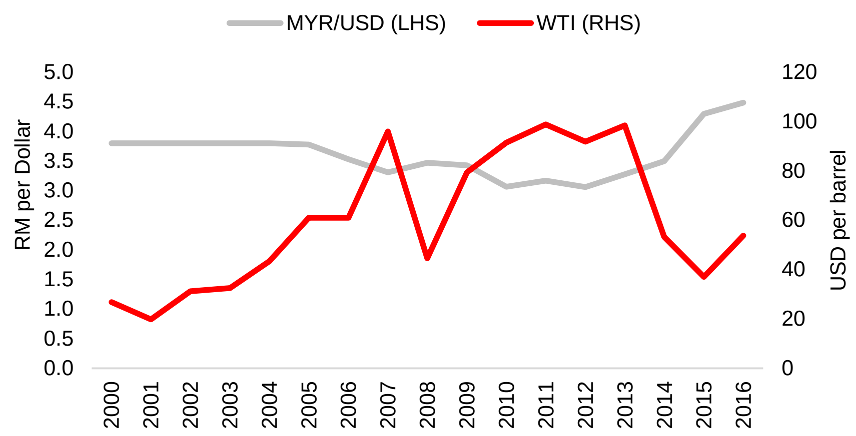
Source: OPEC, PublicInvest Research

Table 4 : Oil Output By Country

Barrels per day (million)	2016 Oil Production
Russia	10.5
Saudi Arabia	10.4
USA	8.9
Iraq	4.4
Iran	3.9
China	3.9
Canada	3.6
United Arab Emirates	3.1
Kuwait	2.9
Brazil	2.5

Source: US Energy Information Agency, PublicInvest Research

Figure 11 : USD vs Oil Price (2000 – 2016)



Source: Bloomberg, PublicInvest Research

Several key countries will undergo mandatory general election in 2018

Rising populist movement could stoke uncertainty. There is a new phenomenon the world over which challenges the status quo. This emanates from the effects of globalization which made certain groups feel marginalized, consequently pushing them to challenge the status quo. We saw this happening in the US, Italy and the UK. This growing phenomenon will heighten risk aversion and risk premium, posing great risks to global financial markets. As there is no certainty that this will end or abate anytime soon, we are wary that its onslaught may tip the world's growth to the downside. The world should be watchful as there are several key countries that will undergo mandatory general election in 2018. This includes Malaysia, Thailand, Finland, Bahrain, Iraq, Italy, Russia, Sweden, Mexico and the US (for Senate and House of Representatives)

May induce a "beggar-thy-neighbour" situation and stoke currency wars

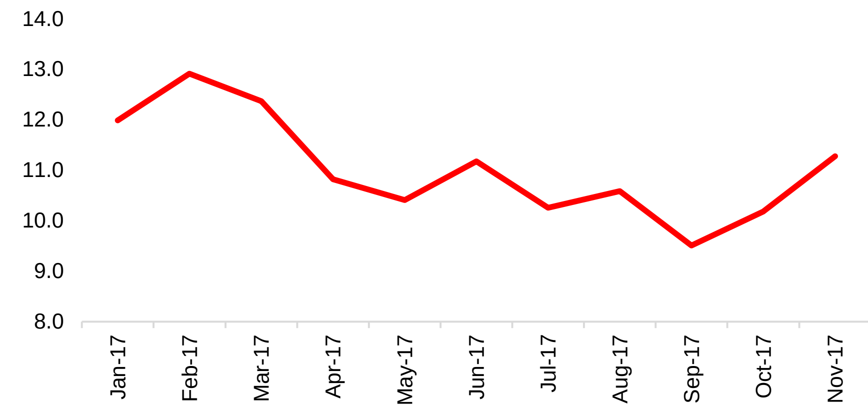
Protectionist approach could raise risk aversion. President Donald Trump's protectionist approach could cause potential backlashes as affected nations may become hardened to protect their respective turfs. This is dangerous as it may induce a "beggar-thy-neighbour" situation which may stoke currency war - a zero-sum game. This can, no doubt, deflate the world's growth as arm-twisting approaches adopted by the US does not bode well for efficiency and the spirit of comparative advantage. While President Trump may have his schemes of grandeur, this comes with great repercussions as what we have seen in Japan as a result of the Plaza Accord deal. In a nutshell, this is bad for global growth.

Internal tension in Saudi Arabia is most damaging

Any unexpected clash in Saudi Arabia will push global oil prices sharply higher and can single-handedly bring down global growth.

Brewing geopolitical tension could make growth retreat. We can see several geopolitical risks in 2018 and this includes the brewing internal tension in Saudi Arabia and the prolonged tension in the Korean peninsula. Both can undoubtedly raise uncertainty and hence, volatility in asset prices. Among the two, we see the internal tension in Saudi Arabia as more damaging as it can lead to the sharper spike of the fear index, the VIX. Global oil prices will move higher consequently as Saudi Arabia is OPEC's largest oil producer and one of the world's largest producers. Any unexpected clash in Saudi Arabia will surely push global oil prices sharply higher and this can single-handedly bring down global growth. The riskiest nation out of this negativity is Japan and India given their large exposure to oil importation. Both nations have no or limited oil resources.

Figure 12 : VIX Index



Source: Bloomberg, PublicInvest Research

Measured pace of US interest rates adjustment in 2018 will endear to global capital flow

Capital flows will enter into a mean-reverting phase

Capital flow to normalize. The measured pace of US interest rates adjustment in 2018 will endear to global capital flow, leading us to believe that the latter will normalize further in 2018. After years of extraordinary liquidity-fuelled rallies in asset prices, the gradual normalization of US policy rates suggest that capital flows will enter into a mean-reverting phase. This means that capital will move into higher-yielding assets and continents with brighter prospects, possibly benefitting ASEAN. Driven also by ASEAN's perceived undervalued currencies, we believe capital will be drawn into this region, supporting our conviction that the region's currency can only move northbound.

World's growth as this will be driven by the improvement in global trade

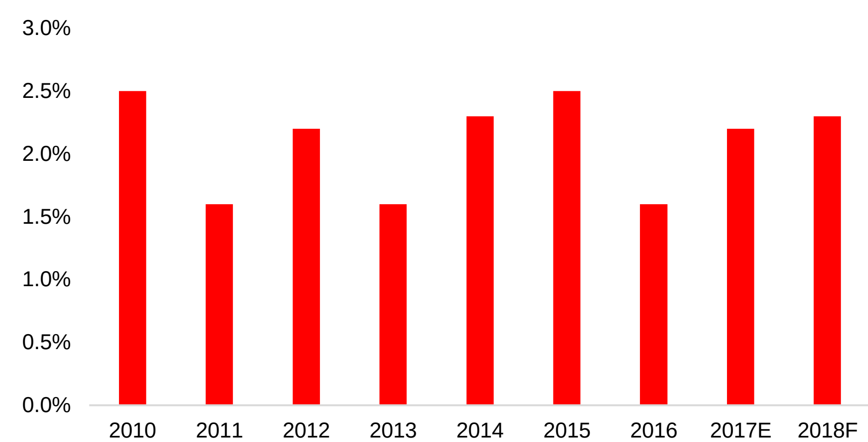
But overall well and good. We are sanguine on the world's growth as this will be driven by the improvement in global trade. Open economies will be the first to benefit, with ASEAN belonging in this group. Secondly, global inflation is likely to improve and this is positive for private investment.

Driven by twin-engines this time around – private investments and private consumption

The fact that the rise of private consumption will remain unabated, as it is lean today following years of austerity measures, suggests that global growth will be driven by twin-engines this time around. We discount, to some extent, the role of public sector given its overstretched financial conditions as noticeable in the Eurozone and Japan and to some extent, in ASEAN.

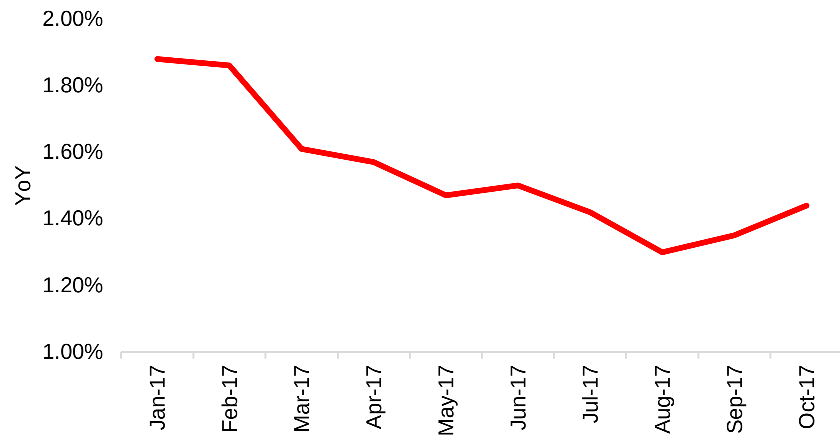
Finally, the normalization of global capital flow suggests that global financial markets will be up and running again, emerging as the lynchpin of global growth. All this supports the conviction of steady global growth of 3.7% in 2018 (2017E: 3.6%).

Figure 13 : US GDP (2010 – 2018F)



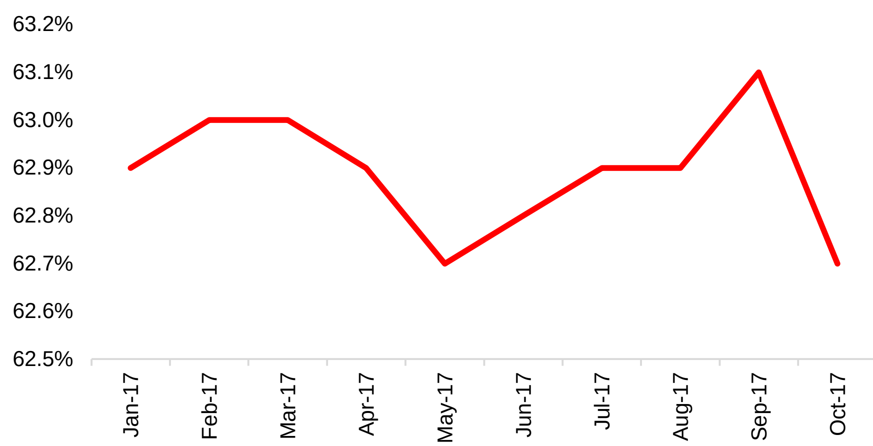
Source: World Bank, International Monetary Fund, PublicInvest Research

Figure 14 : US Personal Consumption Expenditure (YTD 2017)



Source: Bloomberg, PublicInvest Research

Figure 15 : US Labor Force Participation (YTD 2017)



Source: Bloomberg, PublicInvest Research

2018 Malaysian Economic Outlook

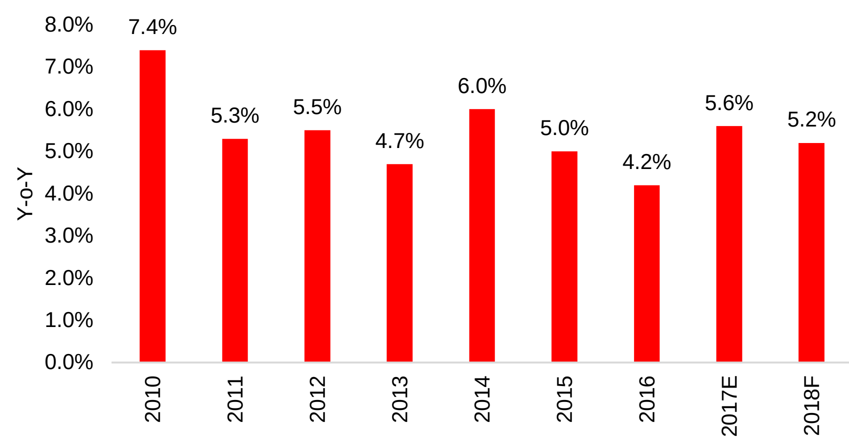
'Growing From a Position of Strength'

Malaysia has emerged relatively unscathed from several debilitating headwinds

May become the second fastest growing economy in the region, behind only the Philippines.

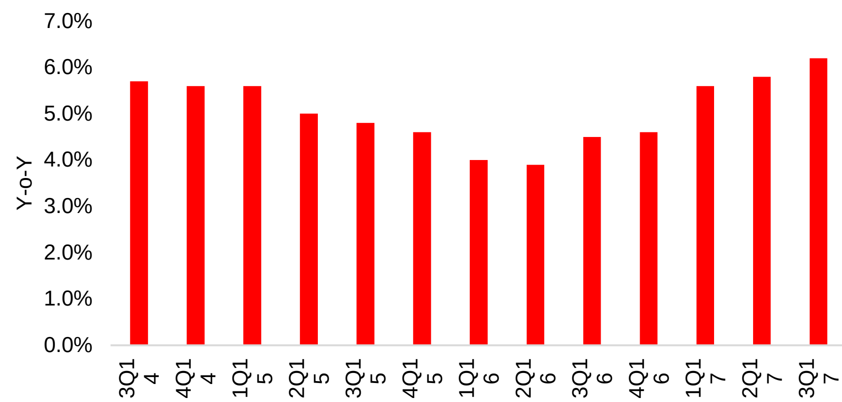
Malaysia has emerged relatively unscathed from several debilitating headwinds (e.g. BREXIT, global commodity price collapse), thanks to its resilient fundamentals. It is this quality that will lift growth in 2018. With a projected growth rate of 5.2% in 2018 (2017E: 5.6%), Malaysia, by all accounts, may become the second fastest growing economy in the region, behind only the Philippines. Not only that its growth rate is enviable but its ability to maintain the speed of growth is another factor that deserves credit. Poignantly, the quality of growth today has come after the reform efforts that started in 2010 following the hatching of National Transformation Plan (NTP).

Figure 16 : Malaysia Annual GDP (2010 – 2018F)



Source: Department of Statistics Malaysia (DOS), PublicInvest Research

Figure 17 : Malaysia Quarterly GDP (3Q 2014 – 3Q 2017)

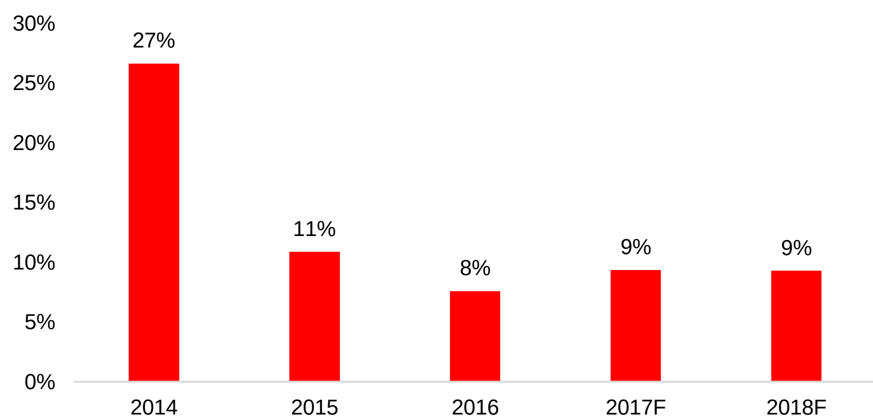


Source: Department of Statistics Malaysia (DOS), PublicInvest Research

Malaysia's dependence on oil revenue has dropped steadily

For one, Malaysia's dependence on oil revenue has dropped steadily, which is key in supporting our sovereign credit rating. Expansion of the government's revenue base to include the more efficient GST, replacing the sales and services tax, is another feather in the cap. It is this unpopular move that has mitigated the effects of lower petroleum revenue contribution. Reforms in tax collection, while at the same time continuing to improve the public sector delivery and performance, is another factor that has supported growth.

Figure 18 : Malaysia Oil Contribution (2014 – 2018F)



Source: Ministry of Finance Malaysia (MOF)

Moving into 2018, Malaysia will be growing from a position of strength

Moving into 2018, Malaysia will be growing from a position of strength. We still have ample growth potential given the last 36 years average growth of 6.3%. Having said that, our forecast of 5.2% GDP target in 2018 is within the Ministry of Finance's projection of 5.0%-5.5%. There may be some downside risks to this projection, however. For one, the Ringgit's likely strength in 2018 may put a brake on exports. However, if the Ringgit's real effective exchange rate remains unchanged, we opine that exports may not be affected.

It all depends on ASEAN's policy moves following the prospective policy rate adjustment in the US. Based on consensus, ASEAN's currencies are likely to advance by 0.6%-2.3% in 2018 with the Ringgit projected to record the highest advance. Rupiah is expected to remain status quo in 2018, putting the Ringgit at a disadvantage vis-à-vis regional peers. On the positive side, the ringgit has the lowest daily variation based on volatility trends in 2017 (3-months moving average). This suggests that investors may continue to ride on the Ringgit following its better risk-return prediction.

Several positive drivers to the value of the Ringgit

Cuts in capital expenditures back in 2010 could backlash today owing to bigger appetites of oil consuming countries

That aside, there are several positive drivers to the value of the Ringgit, thanks to the expected rise in oil prices. The key to this northbound movement, inter alia, would be the lagged impact of the slowdown in capacity investments following the tanking of global oil prices that began in 2010. Oil majors have cut their capital expenditures sizably as it would not have been feasible to undertake exploration activities in light of the bleak oil price outlook then. This could backlash today as bigger appetites of oil consuming countries like China and India are predicted to grow at sustainable or stronger rates in 2017 and 2018 (China 2017E: 6.8%; China 2018F: 6.5%; India 2017E: 6.7%; India 2018F: 7.4%).

OPEC and non-OPEC oil production cut agreement in 2017 will be extended until the end of 2018

Furthermore, OPEC and non-OPEC oil production cut agreement in 2017 will be extended until the end of 2018. Production will continue to be cut by 1.8 million barrels a day with Libya and Nigeria joining the pact for the first time. These oil-related catalysts will benefit the Ringgit. Using 2000-2017 monthly data, ringgit is having negative correlation of 0.79 with oil prices (note: TAPIS price as a benchmark). All this will be corroborative driver for ringgit's advancement in 2018.

Domestic demand to grow 5.4% in 2018

Private consumption will gain from tepid inflation in 2018, strength of the Ringgit which will make importation cost lower, steady wages and full employment

Malaysia's 2018 growth trajectory will continue to be moved by domestic demand. We project domestic demand to grow 5.4% in 2018 (2017E: 6.2%), well within its last 5 years' average. This, on the other hand, may be lifted by the strength in private sector activity with private consumption expected to grow 6.4% in 2018 (2017E: 6.8%), also in line with its last 5 years' average. Private consumption will gain from tepid inflation in 2018, the strength of ringgit which will make importation cost lower, steady wages and full employment including sustained rise in commodity prices (i.e. wealth creation effect).

Limited downside risks to key commodity prices

We see limited downside risks to key commodity prices following its nadir in the last few years. In fact, global commodity prices will gain from the bright growth spots of the US, China and India. Turnaround of the Eurozone and Japan will give commodity prices further lifts, which will only create greater wealth impacts.

Table 5 : Malaysia Supply Side GDP (2014 – 2018F)

YoY	2014	2015	2016	2017F	2018F
Services	6.6%	5.1%	5.6%	5.9%	5.8%
Manufacturing	6.1%	4.9%	4.4%	6.7%	5.2%
Mining	3.3%	5.3%	2.2%	3.1%	3.3%
Agriculture	2.0%	1.3%	-5.1%	2.9%	0.4%
Construction	11.7%	8.2%	7.5%	7.8%	8.8%
Real GDP	**6.0%**	**5.0%**	**4.2%**	**5.6%**	**5.2%**

Source: Department of Statistics Malaysia (DOS), PublicInvest Research

Domestic private investment will benefit from a slew of on-going capacity expansion projects including MRT3, Pan Borneo highway, Gemas-JB double tracking, East Coast highway and Tun Razak Exchange (TRX). This is also the basis of our construction sector's projected GDP growth of 8.8% in 2018 (2017E: 7.8%).

Public sector spending may continue to be restrained in 2018…

Public sector spending may continue to be restrained in 2018 however following the government's commitment to rein-in its fiscal deficit further (2018 target: 2.8%; 2017: 3.0%). In that sense, we foresee public consumption to grow at a modest rate of 3.5%

… but may have additional war chest that it can potentially capitalize on

in 2018 (2017E: 3.6%). Note that the government may get a boost in 2018 should oil prices move ahead of their projection. It is said that for every USD1 gain in oil prices, the government stands to collect an additional RM300mn in revenue. The government also expects oil price to average at USD52 per barrel in 2018 against our projection of USD60 per barrel. This suggests that the government may have additional war chest that it can potentially capitalize on.

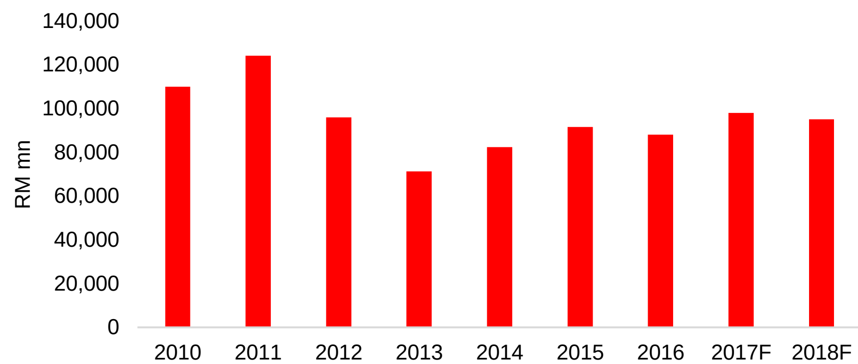
Table 6 : Malaysia Demand Side GDP (2014 – 2018F)

YoY	2014	2015	2016	2017F	2018F
Private Consumption	7.0%	6.0%	5.9%	6.8%	6.4%
Public Consumption	4.4%	4.4%	0.8%	3.6%	3.5%
Fixed Capital Formation	4.8%	3.6%	2.7%	5.9%	4.3%
Domestic Demand	5.9%	5.1%	4.3%	6.2%	5.4%
Exports	6.4%	1.6%	1.1%	16.5%	6.6%
Imports	5.3%	0.4%	1.9%	17.2%	6.3%
Real GDP	**6.0%**	**5.0%**	**4.2%**	**5.6%**	**5.2%**

Source: Department of Statistics Malaysia (DOS), PublicInvest Research

As noted earlier, we see the likely impact of the Ringgit's strength on exports and with that, gross exports are projected to grow only at a modest 6.6% in 2018 (2017E: 16.5%). Import, on the other hand, is forecast to increase 6.3% YoY (2017E: 17.2%), supported by the strength in the Ringgit. Trade surplus is likely to touch RM95 billion in 2018 against the expectation of RM98 billion in 2017.

Figure 19 : Malaysia Trade Surplus (2010 – 2018F)

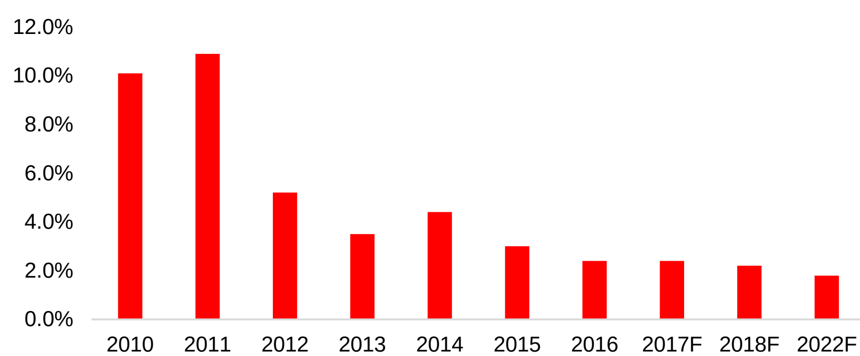


Source: Department of Statistics Malaysia (DOS), PublicInvest Research

Ringgit will also get support from the advancement in oil prices and steady current account surplus

Ringgit Outlook. Ringgit is likely to move northbound in 2018 driven by several factors. Chief on that is Malaysia's steady growth, projected to be among the highest in the region. Secondly, sentiment is likely to improve following the conjecture that Bank Negara Malaysia (BNM) may adjust its policy rate in 2018. Although BNM was more dovish on policy prospects but sentiment, as always, will move ahead of reality despite differing end results. Ringgit will also get support from the advancement in oil prices and steady current account surplus. It will also benefit from receding political risks.

Figure 20 : Malaysia Current Account Balance to GDP (2010 – 2022F)



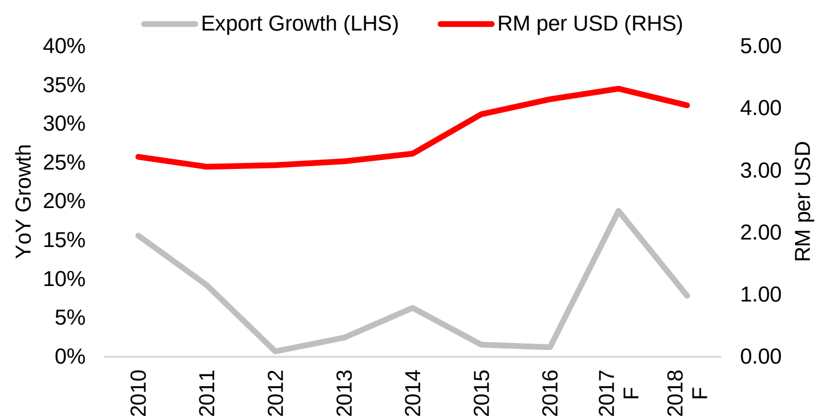
Source: International Monetary Fund

We think that ringgit should be valued at RM3.75-RM4.00 per dollar

In the short-term, however, in 2018, we expect ringgit to average at RM4.00-RM4.10

Based on our analysis, we think that ringgit should be valued at RM3.75-RM4.00 per dollar – which is our long-term target. In the short-term, however, in 2018, we expect ringgit to average at RM4.00-RM4.10 per dollar against 2017 YTD average RM4.33 per dollar. Although it could be ideal for the Ringgit to advance straight to our baseline target of RM4.00 per dollar, that may put our trade at risk as the sharp rise in the Ringgit will only push investors away. On the receding volatility of rRnggit, we opine that the central bank will have ample arsenal to combat swings in the Ringgit (if any) given, inter alia, its rising forex reserve levels. Nonetheless, Ringgit's volatility has receded noticeably to 0.17% daily in 2017 against 0.59% daily in 2016 which may diminish the need for the central bank's intervention.

Figure 21 : Malaysia Ringgit vs Export Growth (2010 – 2018F)



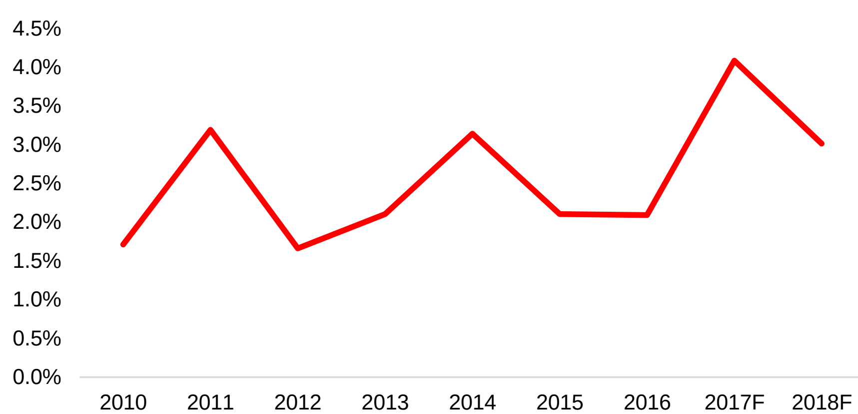
Source: Department of Statistics Malaysia (DOS), PublicInvest Research

Inflation is likely to be tame in 2018. It is forecast to average at 3.0% in 2018

Inflation Outlook. Inflation is likely to be tame in 2018. It is forecast to average at 3.0% in 2018 with the high base effect to play a big role in slowing down inflation growth for the year. To note, inflation is projected to average at the higher end of the central bank's projection of 3.5%-4.0% in 2017 with our in-house projection of 4.1%. YTD inflation until October had averaged 4.0%. Core inflation, in the meantime, was relatively stable after averaging 2.5% in 2017, lower than 2016's of 3.3%. Headline inflation was pressured in 2017 following the escalation of global oil prices and hence, pump prices.

Ringgit weakness also played a role in hiking up inflation as the cost of importation had jumped consequently. This may turn for the better in 2018 following the high-base effect, slow but steady rise in commodity prices including the drop in importation cost following the Ringgit's likely strength. Having said that, core inflation is projected to remain containable at 2.7% in 2018 (2017E: 2.5%), pushing us to write-off the prospects of demand or even cost-driven inflation.

Figure 22 : Malaysia Inflation Trend (2010 – 2018F)

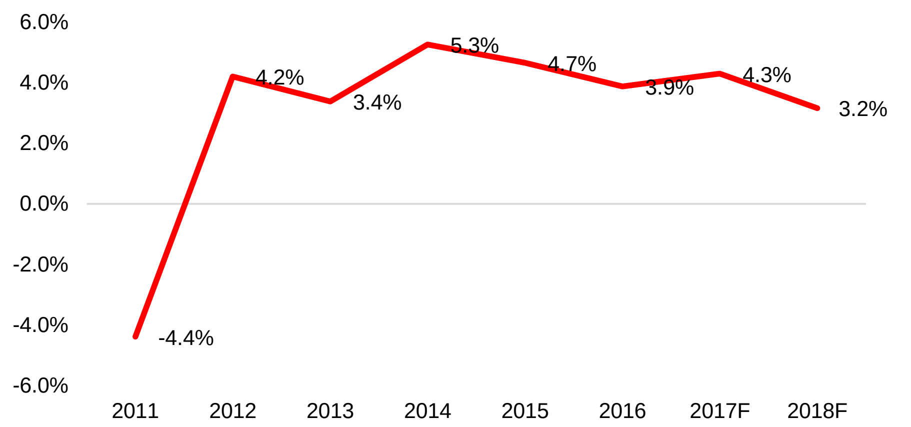


Source: Department of Statistics Malaysia (DOS), PublicInvest Research

IPI, mainly the manufacturing sector, may benefit from the rise in global demand following the re-charging and re-acceleration of key economies including the US, Eurozone, Japan, China and India

IPI Outlook. IPI, mainly the manufacturing sector, may benefit from the rise in global demand following the re-charging and re-acceleration of key economies including the US (2017E: 2.2%; 2018F: 2.2%), Eurozone (2017E: 2.1%; 2018F: 1.9%), Japan (2017E: 1.5%; 2018F: 0.7%), China (2017E: 6.8%; 2018F: 6.5%) and India (2017E: 6.7%; 2018F: 7.4%). This is further corroborated by the bullish outlook on global trade which IMF expects to advance steadily. On that note, the world's trade will finally grow higher than the global growth after dipping below the baseline (i.e. global growth) the last few years. This is also evident from the strength in global manufacturing PMI which reached its 3-year high in November 2017 of 54.1.

Figure 23 : Malaysia IPI Trend (2010 – 2018F)



Source: Department of Statistics Malaysia (DOS), PublicInvest Research

US and China recorded similar advancement in manufacturing PMI with year 2017 coming in at their best in the last few years.

More importantly, US and China, the world's largest consumer market, had recorded similar advancement in manufacturing PMI with year 2017 coming in at their best in the last few years. We expect this trend to last into 2018 especially with higher expectation of global inflation.

We expect this trend to last into 2018 especially with higher expectation of global inflation

Consensus is projecting higher US and China inflation in 2018 of 2.1% and 2.3% (2017E US: 2.1%; 2017E China: 1.6%) respectively. All this form our basis of manufacturing sector growth of 5.2% (2017E: 6.7%), to grow within its long-term average. Note that manufacturing sector growth rate had dropped below its long-term average since 2010 following the tepid growth rate in advanced economies.

Dent to IPI may come from uncertainties in the mining sector as Malaysia is tied to oil production cut agreement.

The dent to IPI, however, may come from uncertainties in the mining sector as Malaysia is tied to oil production cut agreement. Nonetheless, output from the new Malikai oil field may still help the sector's growth in 2018 as we believe the new oil field output is not tied to the oil production cut agreement. With that, we cautiously predict the mining sector IPI to grow 2.2% in 2018, pushing IPI to average at 3.2% in 2018.

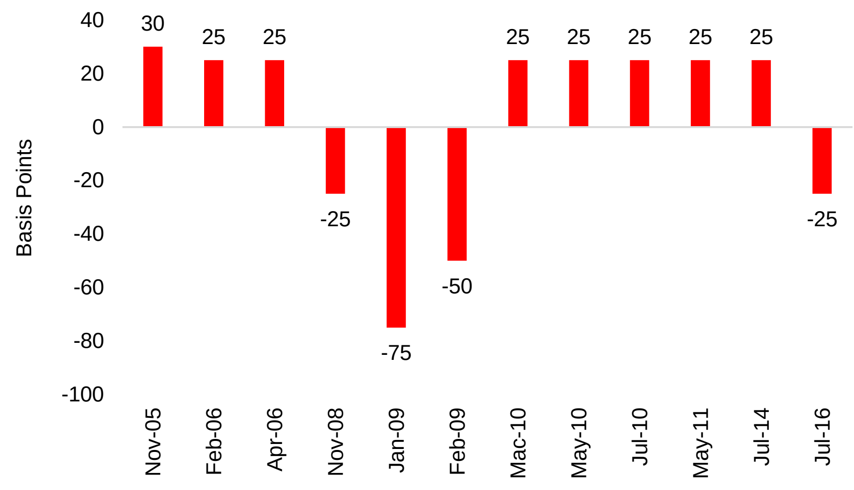
May be some policy uncertainty next year based on the dovish tone of the central bank's policy message recently

Policy Outlook. There may be some policy uncertainty next year based on the dovish tone of the central bank's policy message recently. We view the central bank's policy message as more of managing expectation if the US decides to lift its policy rate faster-than-expected. Based on the US inflation trend, we think the chance is less-than-even. For one, the US FOMC's key decisive factor to push interest rates higher will be the trend of inflation (ie. PCE). It should move close to 2.0% but YTD trend is at quite a distance to that. It only averaged 1.53% YTD. In addition, inflation expectation is also not likely to spike as US' labour participation rate remains disappointing. It has been dropping from the peak of 67% in 1997 to the 62%-range in 2017. Sharp adjustment to the policy rate will only strangle US' nascent growth and this is the risk new Federal Reserve boss, Jerome Powell, needs to weigh. There may be an inclination toward the growth aspiration of Trump especially in Trump's early years in office. Trump is known to loathe adjusting policy rate too soon.

We are also concern on the adjustment in Malaysia's policy and hence, borrowing rate. It may put undue stress to a key driver of growth, namely private consumption, *Adjustment to Malaysia's policy and hence, borrowing rate may put undue stress to a key driver of growth, namely private consumption,*

especially when disposable income and hence, propensity to spend is likely to drop following the normalization of employees' EPF contribution in 2018. A bite in policy rate, although in small doses, may weigh on growth prospects. With that, we cautiously estimate policy status quo in 2018. There is a caveat to this however, which may come from stronger forces of growth and the acceleration in demand-driven inflation. Hence, we will reassess our policy view from time to time.

Figure 24 : Malaysia Policy Rate Decision

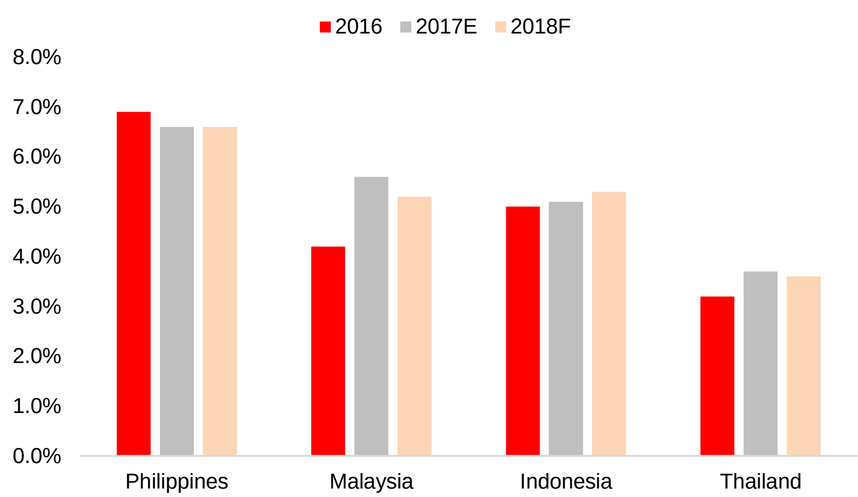


Source: Department of Statistics Malaysia (DOS), PublicInvest Research

Although the downside risks to growth is muted, we remain cautious as the external environment is still sensitive to variety of factors

Conclusion. Malaysia needs to grow convincingly in 2018 as we are in the mid-leg of 11MP but in the final leg toward 2020. Although the downside risks to growth is muted but we remain cautious as the external environment is still sensitive to variety of factors. Global trade could recoil with the spark of black swan events, not to mention the full blown risk from geopolitical negativities. Being an open economy, Malaysia will be at risk. This can lower some percentage points off growth which can put a strain on prospects. The country's ability to fight this negativity is also limited due to its self-imposed fiscal limit. That aside, we project our growth rate to reach 5.2% in 2018, broadly in line with MOF's growth expectation of 5.0%-5.5%.

Figure 25 : ASEAN Growth Outlook (2016 – 2018F)



Source: Department of Statistics Malaysia (DOS), PublicInvest Research

2018 Malaysian Market Outlook

'What drives (or ails) the market?'

2017 has been a distinct tale of two halves for the Malaysian market,

2017 has been an interesting one for the Malaysian market, with a distinct tale of two halves. Racing ahead to touch a high of 1,796.75 points in early June on the back of improving sentiment, the benchmark FBM KLCI has struggled for a better part of the second half just when the country's economic growth is hitting its stride amid multi-year highs amongst regional benchmark indices. While it is making a late surge, what gives?

Data (over last one year) is suggestive that foreign flow does have some bearing on the performance of benchmark indices across parts of the region

Foreign flows. Empirical data (over last one year) is *suggestive* that it does have some bearing on the performance of benchmark indices across parts of the region, more obviously in Malaysia and Philippines, though significantly less so in Indonesia. Thailand, our closest comparison, is a toss-up.

Obviously in Malaysia…

Table 7 : Net Foreign Flows and Stock Benchmark Performance – Malaysia

	RM mn	FBM KLCI (+/-)	Corresponds?
Jan 2017	420.32	1.8%	Y
Feb 2017	941.70	1.3%	Y
Mar 2017	4,354.97	2.7%	Y
Apr 2017	2,609.74	1.6%	Y
May 2017	1,976.96	-0.1%	
June 2017	358.89	-0.1%	
Jul 2017	419.06	-0.2%	
Aug 2017	-241.47	0.7%	
Sep 2017	-737.72	-1.0%	Y
Oct 2017	-230.73	-0.4%	Y
Nov 2017	-15.00	-1.7%	Y
YTD	**9,856.72**	**4.6%**	**7 of 11 (64%)**

Source: CEIC, Bursa Malaysia, PublicInvest Research

Thailand a toss-up

Table 8 : Net Foreign Flows and Stock Benchmark Performance – Thailand

	THB bn	SET (+/-)	Corresponds?
Jan 2017	6.43	2.2%	Y
Feb 2017	-3.75	-1.1%	Y
Mar 2017	3.60	1.0%	Y
Apr 2017	1.81	-0.6%	
May 2017	5.52	-0.3%	
June 2017	-0.16	0.8%	
Jul 2017	-6.59	0.1%	
Aug 2017	-4.17	2.5%	
Sep 2017	6.97	3.5%	Y
Oct 2017	-7.30	2.9%	
Nov 2017	-19.16	-1.4%	Y
YTD	**-16.80**	**10.0%**	**5 of 11 (45%)**

Source: CEIC, The Stock Exchange of Thailand, PublicInvest Research

Significantly less so in Indonesia

Table 9 : Net Foreign Flows and Stock Benchmark Performance – Indonesia

	RMmn	JCI (+/-)	Corresponds?
Jan 2017	-966.80	0.0%	
Feb 2017	-805.09	1.7%	
Mar 2017	10,118.97	3.4%	Y
Apr 2017	13,969.08	2.1%	Y
May 2017	-624.57	0.9%	
June 2017	-4,319.79	1.6%	
Jul 2017	-10,639.85	0.2%	
Aug 2017	-6,247.26	0.4%	
Sep 2017	-11,218.87	0.6%	
Oct 2017	-6,200.55	1.8%	
Nov 2017	Not available	-0.9%	
YTD	**-16,934.73**	**12.4%**	**2 of 10 (20%)**

Source: CEIC, Indonesia Stock Exchange, PublicInvest Research

Just as obviously in Philippines

Table 10 : Net Foreign Flows and Stock Benchmark Performance – Philippines

	PHP mn	PCOMP (+/-)	Corresponds?
Jan 2017	227.69	5.7%	Y
Feb 2017	-5,911.06	-0.2%	Y
Mar 2017	-12,651.74	1.4%	
Apr 2017	10,453.96	4.8%	Y
May 2017	9,170.87	2.3%	Y
June 2017	20,707.11	0.1%	Y
Jul 2017	2,531.58	2.2%	Y
Aug 2017	2,026.04	-0.7%	
Sep 2017	29,320.43	2.7%	Y
Oct 2017	-192.74	2.4%	
Nov 2017	-2,259.56	-1.3%	Y
YTD	**53,422.58**	**20.7%**	**8 of 11 (73%)**

Source: CEIC, Philippines Stock Exchange, PublicInvest Research

What drives these investors in and out of markets? A fundamentally undervalued currency?

But what is it that drives these investors in and out of markets? A fundamentally undervalued currency which would present first-mover advantage to anyone willing to jump in, respective countries' investment merits notwithstanding?

Which currency would you taken a bet on for a rebound at the end of 2016?

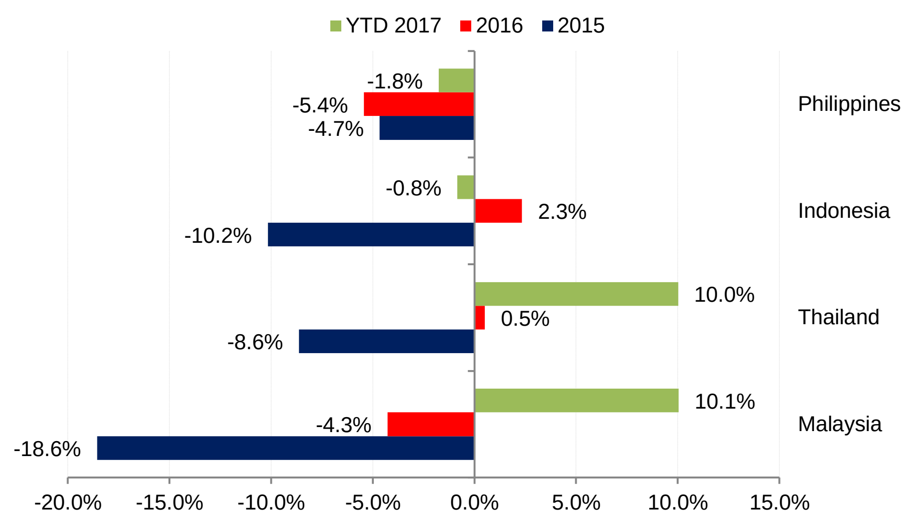
At the end of 2016, when all economic-based expectations were for relatively decent (and not fantastic as it eventually turned out) growth, but with the Malaysian Ringgit having depreciated (since end-2014) 22% against the USD Dollar, the Thai Baht depreciating 8.2%, the Indonesian Rupiah losing 8.1% and the Philippine Peso depreciating 9.8%, which currency would you take a bet on for a rebound?

Table 11 : Currency Movements (versus US Dollar)

	USD/Ringgit	USD/Baht	USD/Rupiah	USD/Peso
2015	-18.6%	-8.6%	-10.2%	-4.7%
2016	-4.3%	+0.5%	+2.3%	-5.4%
YTD 2017	+10.1%	+10.0%	-0.8%	-1.8%
2015 – YTD 2017	-14.2%	+1.0%	-8.8%	-11.4%

Source: Bloomberg, PublicInvest Research

Figure 26 : Currency Movements (versus US Dollar)



Source: CEIC, Bursa Malaysia, PublicInvest Research

Effective returns for a foreign investor would be in excess of 17% with currency gains included

While the FBM KLCI has only crept up 7.1% YTD 2017, effective returns for a foreign investor would be in excess of 17% with currency gains included.

What would compel a foreign investor to continue with his /her bet on the Malaysian Ringgit, and by extension,

Question is – what would compel a foreign investor to continue with his /her bet on the Malaysian Ringgit, and by extension, further investments into the market? What more when expectations are for the Ringgit to average between RM4.00 (PIVB estimates) and RM3.95 (consensus estimates) to the Dollar? YTD 2017 average may very well be *further investments into the market?*

RM4.33 but as we are already at RM4.08 currently, how far more can the Ringgit strengthen, all else being equal? We think this play is over. The chance of disposal upon further strengthening of the Ringgit is very much higher at this point, in fact.

We think this play is over

We would like to stress that this postulation is merely based on data as shown (Table 7), and in no way diminishes the role of the local investors who make up about 55% of total trades on the local bourse in driving the direction of the market.

2017 was a case where the foreign investor may have had more say.

2017 was a case where the foreign investor may have had more say. And this is, after all, just a measure of the local bourse's top 30 capitalized stocks which foreign investors would normally be more inclined towards. The broader-based FBM Mid 70, FBM Small Cap and FBM ACE indices have returned 17.1%, 13.6% and 35.2% respectively, year-to-date. There certainly are many happy campers amongst the local investors, institutional and retail alike.

Observe economic outlooks

What else then? Surely a bet on the currency can't be all there is to it? We observe economic outlooks, principally that of Malaysia's, measured against foreign flows to assess for any possible correlations. Our subject is Gross Domestic Product (GDP), being the most easily recognizable and all-encompassing barometer of the country's health.

In Table 12 below, GDP(r) is the actual number for the corresponding quarter. GDP(p) is GDP(r) moved up a quarter, to reflect expectations of the subsequent quarter's performance (be it better or worse), leading to investment decisions dictating inflows or outflows. We would like to stress that this is merely based on observations, and does not bear testimony to any statistical accuracies.

Table 12 : GDP Outlook, Net Foreign Flows vs FBM KLCI Performance

	FBM KLCI	% chg (+/-)	Net Flows RM mn	GDP (p) % YoY	GDP (r) % YoY	In line?
1Q 2011	1545.13	1.7%	-3,448.6	4.6	5.0	
2Q 2011	1579.07	2.2%	5,852.11	**6.0**	4.6	Y
3Q 2011	1387.13	-12.2%	-3,375.43	5.5	6.0	Y
4Q 2011	1530.73	10.4%	3,001.33	5.1	5.5	
1Q 2012	1596.33	4.3%	4,884.06	**5.2**	5.1	Y
2Q 2012	1599.15	0.2%	1,112.18	5.0	5.2	
3Q 2012	1636.66	2.3%	5,677.16	**6.5**	5.0	Y
4Q 2012	1688.95	3.2%	1,963.75	4.3	6.5	
1Q 2013	1671.63	-1.0%	8,863.21	4.6	4.3	
2Q 2013	1773.54	6.1%	5,604.83	**4.9**	4.6	Y
3Q 2013	1768.62	-0.3%	-6,386.53	5.0	4.9	
4Q 2013	1866.96	5.6%	-5,510.20	6.3	5.0	
1Q 2014	1849.21	-1.0%	-5,764.02	6.5	6.3	
2Q 2014	1882.71	1.8%	4,210.86	5.6	6.5	
3Q 2014	1846.31	-1.9%	-1,586.37	5.7	5.6	
4Q 2014	1761.25	-4.6%	-3,741.07	5.8	5.7	
1Q 2015	1830.78	3.9%	-3,382.16	4.9	5.8	Y
2Q 2015	1706.64	-6.8%	-5,569.54	4.7	4.9	Y
3Q 2015	1621.04	-5.0%	-9,281.63	4.6	4.7	Y
4Q 2015	1692.51	4.4%	-1,428.75	4.1	4.6	Y
1Q 2016	1717.58	1.5%	5,495.71	4.0	4.1	
2Q 2016	1654.08	-3.7%	-5,614.07	4.3	4.0	
3Q 2016	1652.55	-0.1%	2,311.61	4.5	4.3	
4Q 2016	1641.73	-0.7%	-5,355.92	5.6	4.5	
1Q 2017	1740.09	6.0%	5,716.99	**5.8**	5.6	Y
2Q 2017	1763.67	1.4%	4,945.59	**6.2**	5.8	Y
3Q 2017	1755.58	-0.5%	-560.13	n.a.	6.2	
4Q 2017	1719	-2.1%	-245.73 *	n.a.	n.a.	

Source: Various, PublicInvest Research
Note: n.a – not available 4Q2017 net flow – Oct + Nov

Only 11 instances in last 27 which foreign flows, economic outlook and FBM KLCI performance have corresponded

Over the last 27 readings (up to 3Q 2017), it can be seen that there have been only 11 instances in which foreign flows, economic outlook and FBM KLCI performance have corresponded, up or down. While sufficiently high to deduce that economic outlooks do have some bearing, it is nonetheless inconclusive to ascertain direction for the coming quarters apart from 2015 and early 2017.

Sufficiently high to deduce that economic outlooks do have some bearing, it is nonetheless inconclusive to ascertain direction

With near-term GDP growth likely to have peaked in 3Q 2017, portends are not great. We do concede however that growth in subsequent quarters will be decent and should range between 5.0% and 5.5%, hence keeping investment activity sufficiently healthy. For it to induce robust inflows like it did in 1H 2017, we don't think so.

The long and short of it:

- 2017 was perhaps most opportune for any investor to benefit significantly from the undervalued Ringgit. While we do think it may strengthen a little more and give the market a slight push, the currency play and resultant market movements are likely over

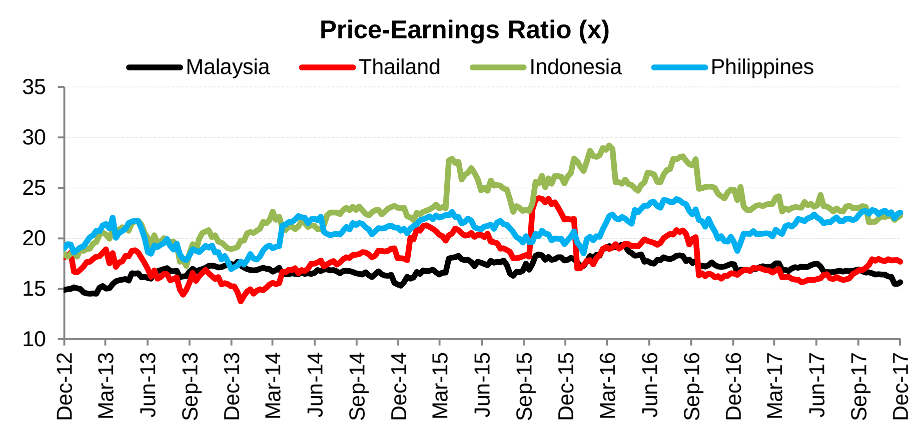
- GDP growth expectations has had some bearing on market movements in quarters past, but with near-term growth expected to taper off between 5.0% and 5.5%, particularly robust flows aren't to be expected. It will however be decent, enough to still give the market a little push

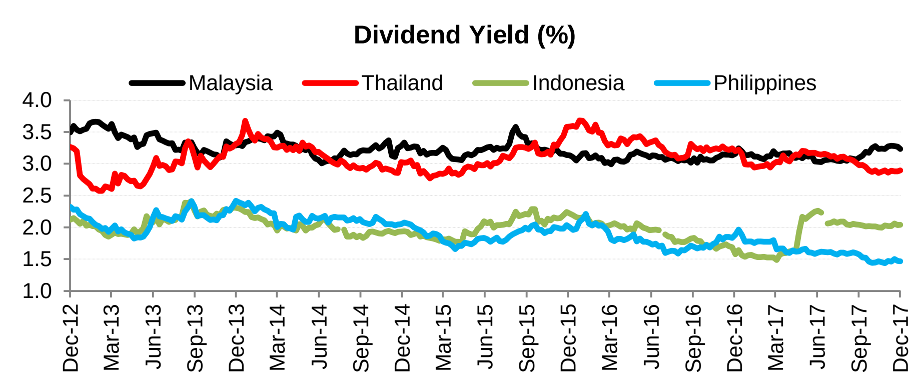
We continue to believe that once liquidity-driven exuberances are slowly whittled out with the gradual hike in US benchmark rates, greater focus on fundamentals will return to the fore and which is where Malaysia stands out vis-à-vis its regional peers.

Price-to-earnings valuations on a 1-year forward basis is inexpensive vis-à-vis its "developing ASEAN" peers given its relative underperformance this year

Malaysia's investment case is still sound even as certain underlying issues continue to cast a pall in the background. Dividend yields are amongst the highest in the region, while price-to-earnings valuations on a 1-year forward basis is inexpensive vis-à-vis its "developing ASEAN" peers given its relative underperformance this year.

Figure 27 : ASEAN Developing-4 (Price-Earnings Ratio and Dividend Yield)





Source: Bloomberg, PublicInvest Research

Recent quarter was a fairly stable one in which more expectations were met than no

Number of positives from the current set of earnings reports, the most significant of which is the stronger business performance of some companies as a result of better operating conditions.

Continues to reinforce our conviction of earnings recovery

Anticipate more positive surprises going into 2018

Table 13 : Investment Merits – 2018

	Malaysia *	Thailand **	Indonesia **	Philippines **
GDP Growth	5.2%	3.7%	5.3%	6.6%
Inflation	3.0%	1.4%	3.8%	3.6%
Current Account	2.2% of GDP	8.5% of GDP	-1.9% of GDP	-0.3% of GDP
Budget Balance	-2.8% of GDP	-2.8% of GDP	-2.5% of GDP	-2.8% of GDP
1-year fwd PE	15.6x	17.7x	22.3x	22.6x
Dividend yield	3.2%	2.9%	2.0%	1.5%

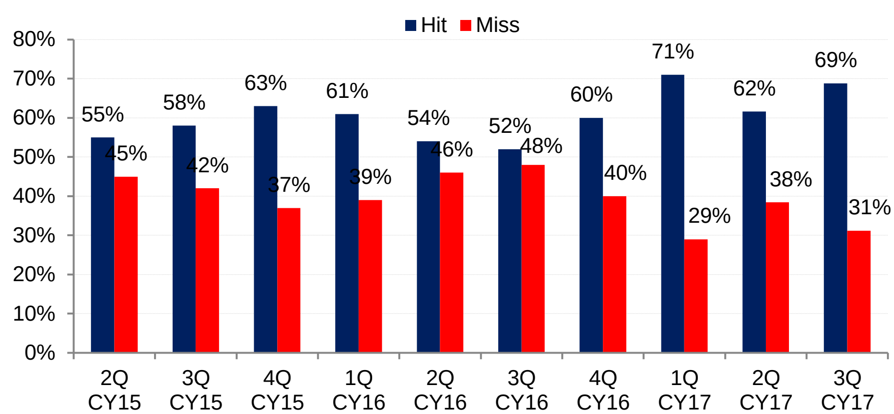
Source: * PublicInvest Research. ** Bloomberg

Earnings growth: There were no major surprises seen in the recent 3Q CY17 reporting period, though the much-maligned oil and gas sector continued to throw up a mixed bag. With expectations already very much lowered in recent quarters, slight disappointments were still seen, but not as pronounced however. The auto and healthcare sectors were major letdowns for the quarter, the former on crimped big-ticket consumption spending and the latter still on elevated cost pressures. By and large, the recent quarter was a fairly stable one in which more expectations were met than not.

We can take a number of positives from the current set of earnings reports, the most significant of which is the stronger business performance of some companies as a result of better operating conditions. While quite a number continue to grapple with cost issues, the quantum is not as pronounced as before. A number of disappointments are also coming about as a result of delayed work schedules and/or one-off weaknesses in certain business divisions, which more than likely will not reoccur in the coming financial year.

Earnings hits (above and/or in-line) are at 69%:31% vs the 62%:38% as at 2QCY17.

Figure 28 : Earnings Trail



Source: PublicInvest Research
Note: Hit = Above/In-line, Miss = Below

We started the year with earnings growth expectation of 7.8% for 2017 and 6.2% for 2018, and with the clear view that the earnings picture had stabilized. While this has subsequently been lowered to 5.2% and 6.1% respectively as at the most recent quarterly reporting, it nonetheless continues to reinforce our conviction of an on-going theme we have been chiming for the Malaysian market this year and next – earnings recovery.

Strong recovery in global demand and international trade has had a big hand in the better-than-expected economic expansion to-date, but has not impacted earnings of the broader market as immediately, with the exception of the manufacturing (exporters) sector perhaps. We do anticipate more positive surprises going into 2018 as the country's robust economic numbers cascade into corporate and consumer Malaysia more strongly on account of improving business and consumer sentiment.

Table 14 :FBM KLCI Earnings Growth (2015 – 2018, by Calendar Year)

	2015	2016	2017	2018
AMMB Holdings	1,456,250	1,318,950	1,342,600	1,405,900
Astro Malaysia	607,308	623,000	732,967	783,600
Axiata Group	2,071,000	1,418,000	1,320,900	1,379,500
CIMB Group Holdings	2,849,500	3,564,200	4,568,700	5,004,300
Digi	1,812,000	1,632,700	1,558,100	1,539,500
Genting Malaysia	1,326,900	1,601,600	1,218,000	1,523,600
Genting	1,861,300	2,146,500	2,181,500	2,397,100
Hong Leong Bank *	2,068,094	2,062,000	2,275,000	2,477,000
Hong Leong Financial Group *	1,489,872	1,474,000	1,612,500	1,790,500
IHH Healthcare	933,900	612,400	550,200	746,600
IOI Corporation	978,500	1,054,650	1,051,650	1,105,500
KLCC Property *	641,321	885,971	749,417	772,083
KL Kepong	915,575	990,700	1,171,675	1,215,875
Maxis	1,952,000	1,963,000	1,965,000	1,853,100
Maybank *	6,835,939	6,743,000	7,107,000	7,772,000
MISC *	2,468,000	2,582,000	2,226,000	2,238,000
Nestle Malaysia *	-	-	659,727	710,091
Public Bank *	5,062,152	5,207,000	5,270,000	5,553,000
Petronas Chemicals *	2,782,000	2,932,000	3,904,000	3,897,000
Petronas Dagangan *	789,975	944,608	1,103,000	996,889
Petronas Gas *	1,987,452	1,739,000	1,774,000	1,890,000
PPB Group *	1,051,311	1,045,000	1,052,000	1,111,000
Press Metal *	-	-	615,667	925,000
RHB Capital *	1,511,427	1,682,000	2,014,000	2,145,000
Sime Darby ^	1,726,250	1,865,700	920,050	920,500
Sime Darby Plantations ^	-	-	1,474,650	1,407,000
Tenaga Nasional	6,534,800	7,290,833	7,065,133	7,387,400
Telekom Malaysia	894,900	847,900	845,700	880,200
YTL Corporation *	998,835	921,384	740,810	967,500
Total	**56,438,145**	**57,022,777**	**59,069,946**	**62,794,738**
Earnings growth	*-3.2%*	*1.0%*	*3.6%*	*6.3%*

Source: CEIC, Bursa Malaysia, PublicInvest Research
Note: * Companies not under PIVB coverage- consensus estimates. Hap Seng omitted (no consensus)
^ Sime Darby and Sime Darby Plantations post-demerger

'How To Play 2018'

*Conditions are **Still Good Enough** to warrant continued investments in the local bourse*

Malaysia's finances aren't in too bad of a shape particularly with crude oil prices hovering steadily above the USD55/barrel mark, a boon to national income and investment sentiment. External trade is improving steadily, with GDP growth expected to remain above the 5% level next year. While the Ringgit has strengthened sharply in recent months, we think there is still some room to improve, albeit muted and not in the manner seen in 2017. In essence, conditions are ***Still Good Enough*** to warrant continued investments in the local bourse. Foreign investors may be less of a factor in the coming year, but that may be inconsequential given the ample domestic liquidity.

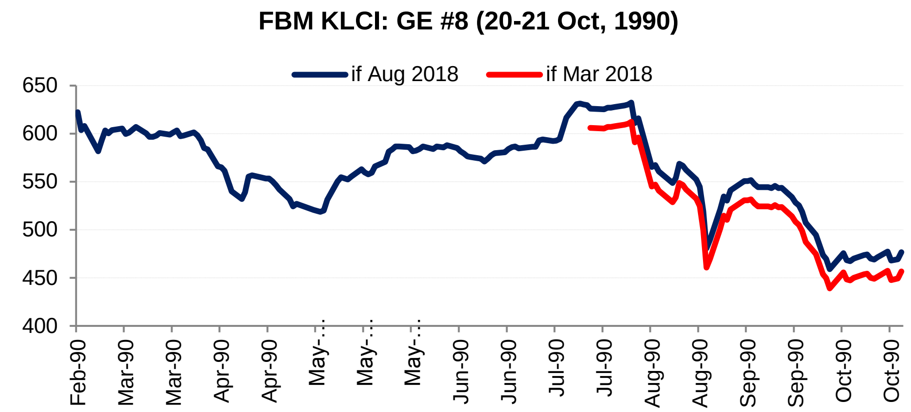
But there remains a large elephant in the room, the 14th General Elections.

Clock running down and just a mere 8 months

With the clock running down and just a mere 8 months to go before the next one needs to be held mandatorily, we continue to take a look at market movements over the last 6 events in hope of gleaning possible conclusions. Various dates have been bandied around, but we take a look at 1 most possible instance (mid-March 2018) and one mandatory instance (mid-August 2018), and postulate potential market movements leading up to the event, gleaning on past developments. We would like to stress the oft-repeated phrase here again, that past performances are no predictors of the future.

Figure 29 : General Election #8 (20-21 October, 1990)

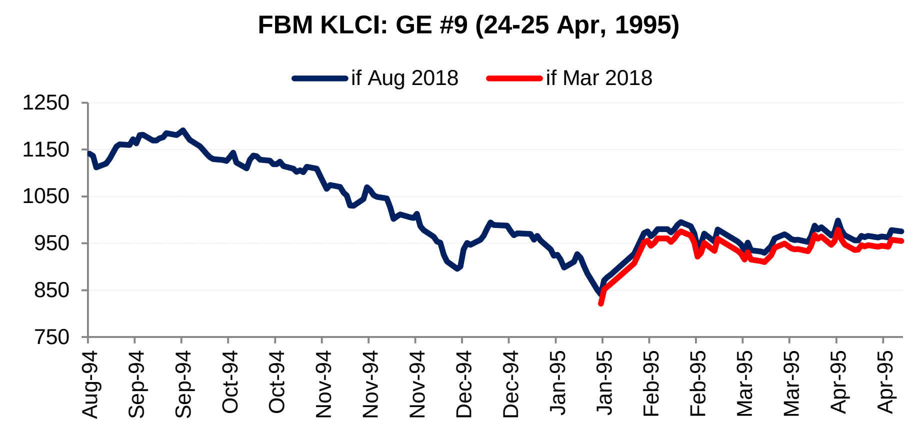
Down 8 and 3 months prior to



Source: Bloomberg, Various, PublicInvest Research

Figure 30 : General Election #9 (24-25 April, 1995)

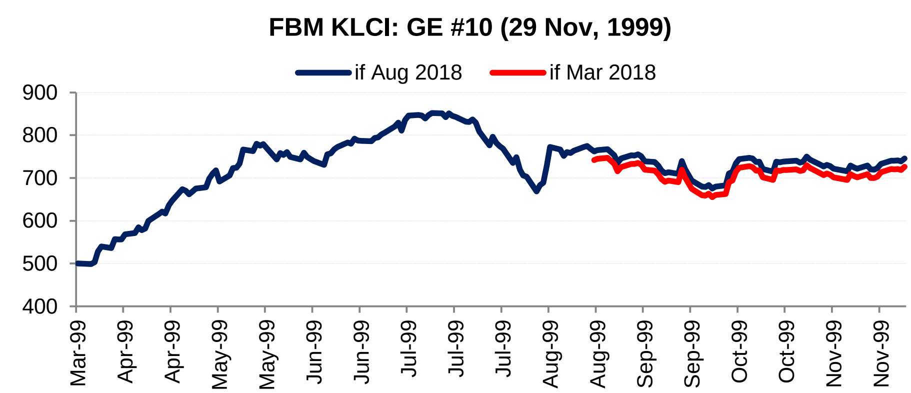
Down 8 months prior to, up 3 months prior to



Source: Bloomberg, Various, PublicInvest Research

Figure 31 : General Election #10 (29 November, 1999)

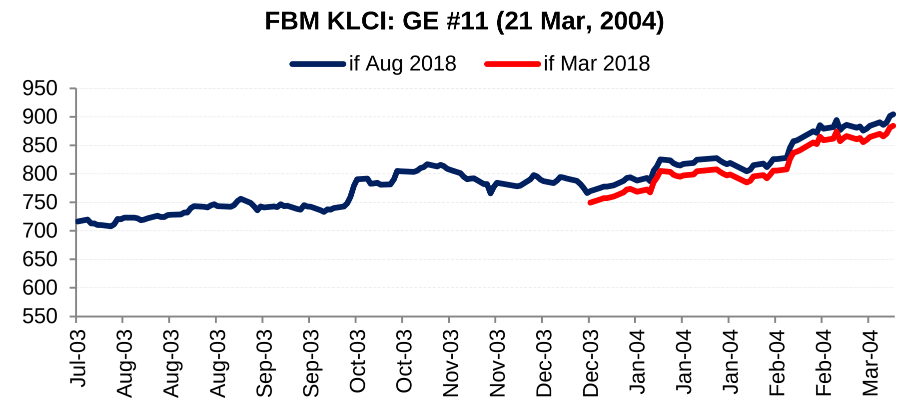
Up 8 months prior to, no change 3 months prior to



Source: Bloomberg, Various, PublicInvest Research

Figure 32 : General Election #11 (21 March, 2004)

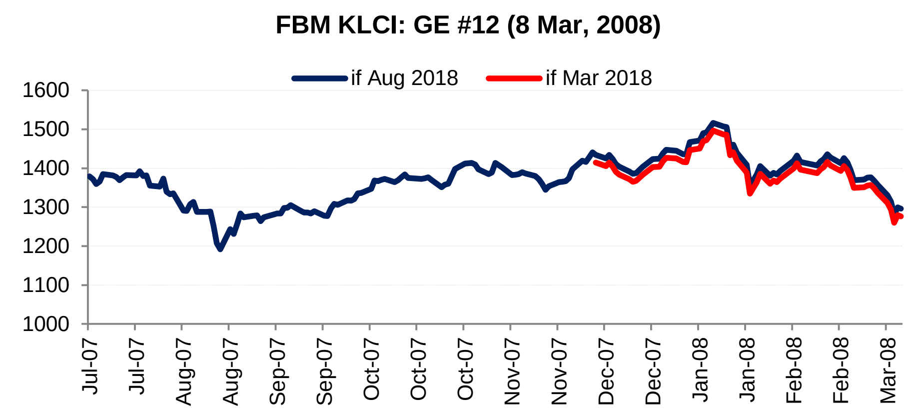
Up 8 and 3 months prior to



Source: Bloomberg, Various, PublicInvest Research

Figure 33 : General Election #12 (8 March, 2008)

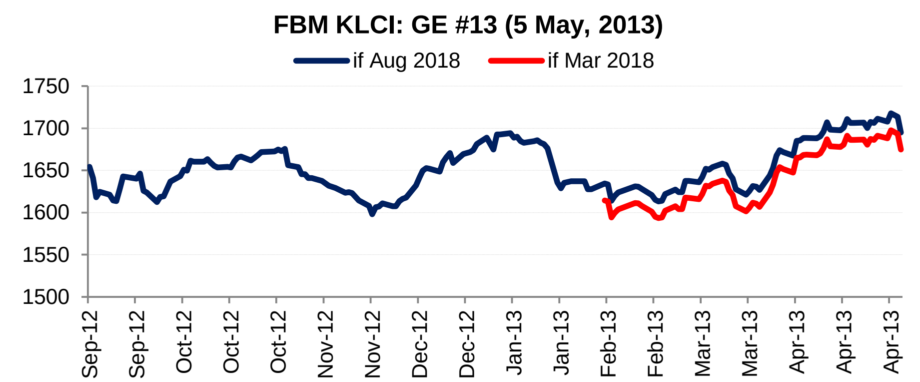
No change 8 months prior to, down 3 months prior to



Source: Bloomberg, Various, PublicInvest Research

Figure 34 : General Election #13 (5 May, 2013)

Not much change 8 months prior to, up 3 months prior to



Source: Bloomberg, Various, PublicInvest Research

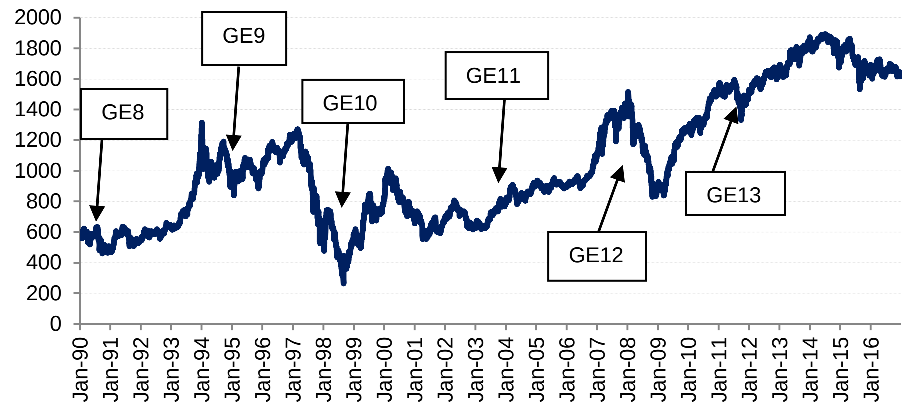
Equal instances of the benchmark moving higher, lower and going nowhere 8 months prior, in the last 6 events.

Based on developments in the past, and assuming it carries into the future, it's anyone's guess where the FBM KLCI would head if the 14th GE were to be held in August 2018. There have been equal instances of the benchmark moving higher, lower and going nowhere 8 months prior, in the last 6 events.

If the 14th GE were to be held in March 2018, there are better odds that the benchmark FBM KLCI could see upticks

If the 14th GE were to be held in March 2018, there are better odds that the benchmark FBM KLCI could see upticks (3 instances in 1995, 2004 and 2013). We'll leave this discussion as is. Figure 35 highlights performance of the FBM KLCI since 1990 which will show what happened after each General Election, for those who want to know.

Figure 35 : FBM KLCI (1990 to 2016)



Source: Bloomberg, Various, PublicInvest Research

But post-GE, more often than not - up

Positive on the local bourse for 2018, though not overly-enthusiastic

We are positive on the local bourse for 2018, though not overly-enthusiastic. On the plus side:

FBM KLCI is cheap from a regional standpoint

- The FBM KLCI is cheap from a regional standpoint, at 15.6x 1-year forward price-to-earnings ratio compared to Thailand's 17.7x, our most direct comparable, economy-wise. Indonesia and Philippines are currently trading in excess of 20x earnings.

Earnings growth will accelerate from 3.6% in 2017 to 6.3% in 2018

- Earnings growth will accelerate from 3.6% in 2017 to 6.3% in 2018, underpinned by the country's stronger economic performances cascading into corporate and consumer Malaysia

Economic conditions will continue to remain healthy

- Economic conditions will continue to remain healthy with GDP growth to remain above 5%, and with crude oil prices remaining strongly above USD50/barrel a boon to national coffers and investor sentiment

Forthcoming General Elections could provide a near-term trading-oriented lift

- Run-up to forthcoming General Elections could provide a near-term trading-oriented lift, have more often than not been preceded by markets moving higher, though not necessarily in a straight line, no matter what the prevailing environment is

On the slightly less positive side:

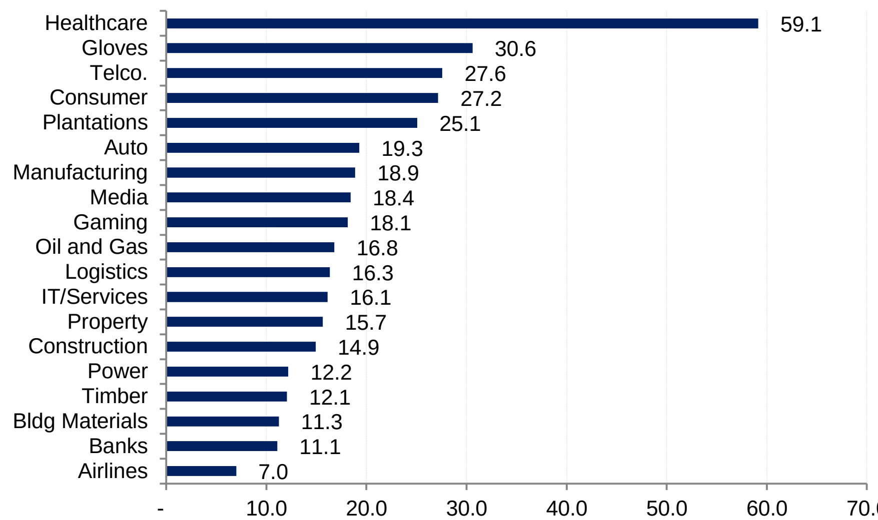
- While the Ringgit still remains undervalued from a fundamental standpoint (we think it should be worth between RM3.75 and RM4.00 to USD1), near-term movements will likely be capped, one less incentive for foreign funds to dive headlong into the local market which has already seen a YTD stock gain of 7.1% (based on FBM KLCI) and YTD currency gain of 10.1%. 2017 was perhaps most opportune for any investor to benefit significantly from the undervalued Ringgit. While we do think it may strengthen a little more and give the market a slight push, the currency play and resultant market movements are likely over

- Pricing of economic expectations, a double-edged sword. GDP growth outlooks has had some bearing on market movements in quarters past, but with near-term growth expected to taper off between 5.0% and 5.5%, particularly robust flows aren't to be expected. It will however be decent, enough to still give the market a little push

- External negativities, while posing potential risks, are likely to be well contained this year

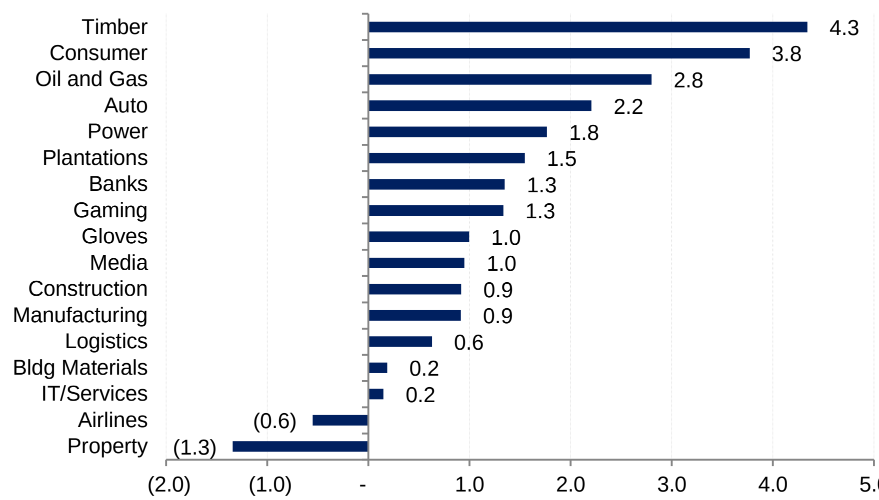
All said and done, the negatives aren't altogether detrimental. We believe it may cap significant moves to the upside however as valuations of certain market-moving sectors are already appearing toppish relative to respective growth prospects. .

Figure 36 : 2018 Sector Valuations, PE(x)



Source: Bursa Malaysia, PublicInvest Research

Figure 37 : Price Earnings – to – Earnings Growth Multiple, 2017



Source: Bursa Malaysia, PublicInvest Research
Note: Telecommunications (44.7) omitted for scale purposes

*Remain OVERWEIGHT on the **Oil and Gas** and **Construction** for the on-going positive news flows and probably earnings uplifts, and the broad-based **Manufacturing** sector for demand growth on account of strong global trade.*

*Selective exposure into the **Banking** sector, as we see valuations of remaining attractive at current levels*

***Consumer** sector will be a beneficiary of higher GDP per capita*

We remain **OVERWEIGHT** on the **Oil and Gas** and **Construction** for the on-going positive news flows and probable earnings uplifts, and the broad-based **Manufacturing** sector for demand growth on account of strong global trade.

We also suggest selective exposure into the **Banking** sector, as we see valuations of remaining attractive at current levels. We think the sector is primed for a long-overdue run post-MFRS9 clarity come 1 January 2018. The **Consumer** sector will be a beneficiary of higher GDP per capita, higher private consumption spending and improving consumer sentiment.

We are less sanguine on the media and telecommunications sectors however, both facing long-term structural issues. The latter's high weightage in the benchmark FBM KLCI warrants continued exposures for tracking purposes however.

Table 15 : PIVB Sector Summary

	PE(x) 2017	PE(x) 2018	Earnings Growth (%)	Note
OVERWEIGHT				
Oil and Gas	23.0	16.8	6.0%	Sentiment recovery, positive catalysts
Construction	17.2	14.9	16.3%	Positive news flows
Manufacturing	26.1	18.9	20.6%	Segment-specific growth
NEUTRAL				
Banking (p)	12.0	11.1	8.2%	Valuations looking attractive
Consumer (p)	29.0	27.2	7.2%	Beneficiary of higher GDP per capita
IT/Services	33.2	16.1	107.1%	Segment-specific growth
Logistics	20.6	16.2	26.0%	Attractive proposition
Power	12.8	12.2	6.9%	Earnings stability, dividend yields
Bldg Materials	18.0	11.3	60.0%	Attractive valuations
Plantations	31.3	25.1	16.2%	Sector not cheap, no catalysts
Property	15.7	15.7	-11.7%	Value proposition, but negative headwind
Timber	12.4	12.1	2.8%	Attractive valuations, but limited growth
Gloves	41.5	30.6	30.7%	Growth priced-in
Gaming	21.3	18.1	13.6%	No re-rating catalysts
Media (n)	22.3	18.4	19.4%	No re-rating catalysts
Healthcare	79.8	59.1	33.1%	Growth “overpriced-in”
Telecomm. (n)	27.7	27.6	-0.6%	No re-rating catalysts
Auto	21.0	19.3	8.7%	Big-ticket consumption crimped
Airlines	6.5	7.0	-12.7%	Earnings volatility

Source: PublicInvest Research
Note: IT/Services, Logistics, Media and Healthcare strong 2018 earnings growth largely due to lower 2017 base

*Year-end 2018 target for the FBM KLCI is **1,860 points***

Our year-end 2018 target for the FBM KLCI is **1,860 points,** which corresponds to a 16x multiple to 1-year forward earnings.

Our suggested picks for 2018 are mostly cyclical in nature, in line with our sector call overweights.

Table 16 : 2018 Suggested Picks

Stocks	Rationale
AMMB Holdings	• To benefit from stronger credit expansion in 2018 • To also benefit from any potential OPR hikes
Hibiscus Petroleum	• Improving performance of the Anasuria Cluster which has already been secured, and the potential upside from the North Sabah PSC on Hibiscus’ valuation
SKP Resources	• Bright prospects amid a multi-year growth spurt, tapping on the growing demands of its key customers
Johore Tin	• Growth opportunities in its dairy segment • Undemanding valuation of 8x FY18F EPS, a 60+% discount compared to other F&B peers
Chin Hin Group	• Strong growth prospects, driven by its manufacturing segment (pre-cast concrete and AAC blocks) which is running at full-capacity, and currently being expanded further
Mega First Corporation	• Share price to move in tandem with progress of Dan Sahong hydropower project, which will be key growth driver over next 3 years
N2N Connect	• Group continues to make inroads in extracting synergistic benefits from its recent HK acquisition, which we think could contribute much earlier than expected • 2-year CAGR growth (FY17-FY19) is estimated at 36.5%, with scope for further enhancements on potential merger and acquisition-related deals
Yong Tai	• Stands at the cusp of an exciting period of growth underpinned by its “Impression”-based projects
TRC Synergy	• Group’s outstanding order book in excess of RM2.5bn, from RM1.7bn a quarter ago, ensuring earnings visibility for the next 2-3 years

*Potential turnaround plays, **M3 Technologies** and **Daya Materials***

Of interest could be potential turnaround plays, **M3 Technologies** and **Daya Materials,** as well as under-appreciated **Apex Healthcare**.

The following are key numbers for our Outperform/Trading Buy recommendations.

Table 17 : Large-Cap Outperform / Trading Buy Calls

	Market Cap. (RMm)	Current Price (RM)	Target Price (RM	Upside (%)	EPS (sen) 2016	EPS (sen) 2017	PE(x) 2016	PE(x) 2017
Tenaga Nasional	87,369.5	15.42	17.02	10.4%	121.5	130.0	12.7	11.9
CIMB Group	58,766.7	6.37	6.60	3.6%	49.5	54.2	12.9	11.8
Genting	35,385.5	9.25	11.50	24.3%	50.1	54.8	18.5	16.9
Sime Darby Plant.	35,840.4	5.27	UR	0.0%	13.9	21.5	37.9	24.5
Sime Darby	14,281.8	2.10	UR	0.0%	-	-	-	-
Astro Malaysia	13,712.5	2.63	3.24	23.2%	12.0	14.2	21.9	18.5
Dialog Group	13,870.2	2.46	2.89	17.5%	6.9	9.7	35.7	25.4
AMMB Holdings	13,262.4	4.40	5.00	13.6%	43.9	44.7	10.0	9.8
Gamuda	11,662.7	4.75	6.20	30.5%	24.5	30.8	19.4	15.4
IJM Corporation	9,977.7	2.75	3.40	23.6%	18.1	17.6	15.2	15.6
Air Asia	10,894.5	3.26	3.69	13.2%	53.2	46.2	6.1	7.1
SP Setia	10,283.4	3.40	4.50	32.4%	27.9	23.2	12.2	14.7
Genting Plant.	8,257.3	10.28	12.93	25.8%	41.0	48.7	25.1	21.1
Top Glove	8,557.8	6.82	7.86	15.2%	26.1	32.5	26.1	21.0
Sapura Energy	4,823.7	0.81	1.69	109.9%	7.1	(0.9)	11.3	n.a.
UEM Sunrise	4,900.4	1.08	1.50	38.9%	6.6	6.9	16.4	15.7
Malakoff Corp.	4,674.5	0.94	1.28	36.9%	5.9	4.6	15.8	20.3
Bumi Armada	4,341.0	0.74	0.90	21.6%	7.9	9.3	9.4	8.0
Serba Dinamik	4,245.3	3.18	3.50	10.1%	19.7	25.0	16.1	12.7
VS Industry	3,935.2	3.10	3.11	0.3%	9.9	14.6	31.3	21.2
DRB Hicom	3,363.8	1.74	2.19	25.9%	-51.)	-39.8	n.a.	n.a.
Petron Malaysia	3,580.2	13.26	14.46	9.0%	160.0	148.0	8.3	9.0
Berjaya Toto	3,044.2	2.26	2.98	31.9%	17.9	19.0	12.6	11.9
SKP Resources	2,850.4	2.28	2.39	4.8%	8.3	11.2	27.5	20.4
Bermaz Auto	2,493.6	2.16	2.41	11.6%	10.3	11.2	21.0	19.3

Source: PublicInvest Research

Table 18: Mid- and Small- Cap Outperform / Trading Buy Calls

	Market Cap. (RMm)	Current Price (RM)	Target Price (RM	Upside (%)	EPS (sen) 2016	EPS (sen) 2017	PE(x) 2016	PE(x) 2017
Eastern & Oriental	1,828.1	1.40	2.00	42.9%	7.0	5.5	20.0	25.5
Ta Ann Holdings	1,578.5	3.55	4.14	16.6%	28.8	29.6	12.3	12.0
LBS Bina Group	1,584.5	2.32	2.45	5.6%	14.6	19.5	15.9	11.9
Mega First Corp.	1,412.8	3.62	4.48	23.8%	40.2	36.9	9.0	9.8
Hibiscus Petroleum	1,281.5	0.830	1.06	27.7%	7.3	18.7	11.4	4.4
Prestariang	718.6	1.49	1.85	24.2%	4.1	9.2	36.3	16.2
Chin Hin Group	656.5	1.18	1.40	18.6%	6.5	10.4	18.2	11.3
Yong Tai	617.1	1.41	2.25	59.6%	1.9	8.8	74.2	16.0
DKSH Holdings	641.7	4.07	5.80	42.5%	33.9	35.6	12.0	11.4
Apex Healthcare	632.6	5.40	5.92	9.6%	35.7	38.7	15.1	14.0
Dayang Enterprise	583.7	0.61	1.00	65.3%	4.2	10.0	14.4	6.1
I-Berhad	534.3	0.530	0.91	71.7%	5.8	7.6	9.1	7.0
SCGM	505.9	2.62	3.02	15.3%	11.9	13.2	22.0	19.8
Uzma	422.4	1.32	2.07	56.8%	15.7	18.8	8.4	7.0
N2N Connect	451.0	0.96	1.53	59.4%	3.5	6.1	27.4	15.7
Yee Lee Corpo.	411.9	2.15	2.42	12.6%	19.9	23.6	10.8	9.1
Century Logistics	404.6	1.03	1.39	35.0%	5.0	6.3	20.6	16.3
Johore Tin	378.8	1.22	1.62	32.8%	10.0	15.5	12.2	7.9
TRC Synergy	293.1	0.61	0.82	34.4%	6.8	7.7	9.0	7.9

Source: PublicInvest Research

The following are our thoughts on sectors.

Oil And Gas – Renewed Optimism

Recommendation: OVERWEIGHT

We are positive on 2018's outlook, considering our view that oil prices will remain range-bound at the USD60-65/bbl levels

We are positive on 2018's outlook, considering our view that oil prices will remain range-bound at the USD60-65/bbl levels supported by demand growth and OPEC's output cuts to manage supply. This is however capped by potential US shale growth at higher oil price levels which is expected to encourage production yet again. The O&G industry is more concerned on robust activity at stable oil prices, rather than very high oil prices at this juncture which is not sustainable. We continue to recommend an Overweight stance on the O&G sector with our average Brent oil price levels estimated at 2018 – USD60/bbl.

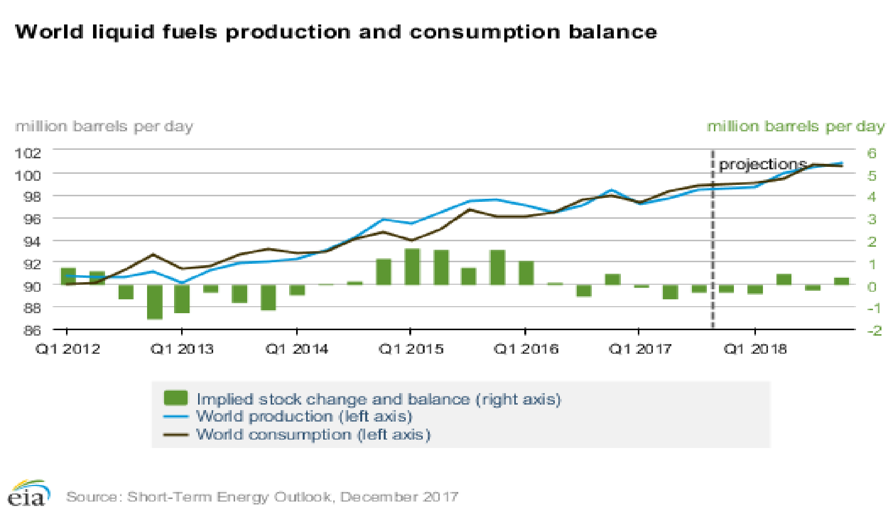
Demand growth. The IEA has recently increased 2017 demand growth by 100,000bbls/day to 1.6mbbls/day (+1.7%). OPEC supplies are falling and its inventories of refined fuels in developed nations are in the same trend towards average levels.

Oil prices although at a higher level could still continue to see downwards pressure with countries such as Iraq who has not complied with the oil cuts under the OPEC deal, but instead has remained adamant in increasing production. Iraq is now offering 9 new oil blocks in border regions and offshore to boost its production while maximising reserves. The nation has invited foreign players to bid and develop in hopes to reach its target production level to 5.0mbbls/day by end of this year. Currently producing about 4.8mbbls/day, Iraq under the OPEC deal was supposed to cut production by 210,000bbls/day from its 4.4mbbls/day production in October 2016.

Why oil price should fundamentally improve?

i) Yearly natural field production decline is estimated at 5-8%.
ii) 2019 reserve replenishment is 1.2mbbls/day.
iii) Decline in production is however 4.0mbbls/day. 2019 will likely see the crux of the supply crunch, but to start as soon as 2017. Narrowing of the demand and supply gap, is fundamentally seeing an inevitable rebalancing of oil prices (figure 1).

Figure 38 : World Liquid Fuels Production And Consumption Balance

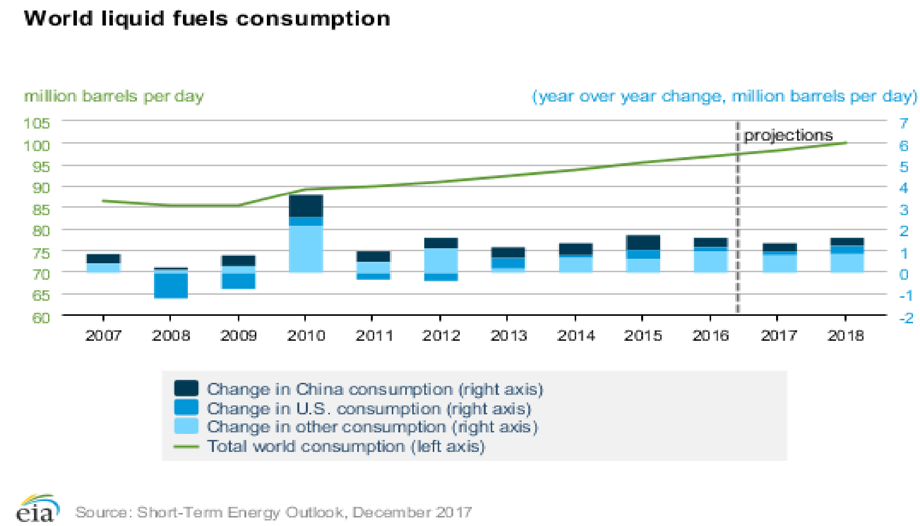


Source: US Energy Information Administration

Demand forecast raised in 2018 for cartel oil

Demand forecast raised in 2018 for cartel oil. Forecasted demand has been increased to 400,000bbls/day from the previous month to 33.4mbbls/day. Global demand growth is expected by OPEC to rise by 1.53mbbls/day in 2017 and 1.51m bbls/day in 2018, attributed to better performance from China. The sharp increase is backed by recent global economic strength, which has helped draw down inventories that built up during the crude glut since late 2014. The rise in demand will aid in tightening the oil market, together with c.1.8mbbls/day of production cuts by OPEC and non-OPEC members since January this year.

Figure 39: World Liquid Fuels Consumption (mbbls/day)

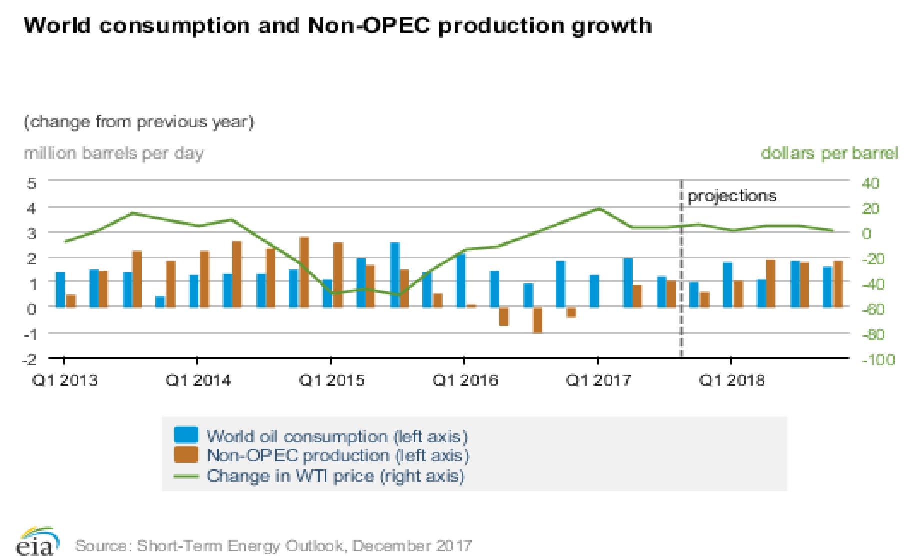


Source: US Energy Information Administration

Oil output cuts extended till the end of 2018

OPEC and non-OPEC producers led by Russia agreed to extend oil output cuts till the end of 2018, in attempts to clear a global glut of crude while posing that an early exit from the deal is also possible if the market overheats. OPEC has also decided to cap the combined output of Nigeria and Libya at 2017 levels below 2.8mbbls/day as both countries have been exempt from cuts following the unrest and lower-than-normal production. Russia and OPEC collectively produce >40% of global oil currently, but has reduced production significantly by about half the excess of global oil stocks. We believe oil prices will see some stabilisation at the current USD60/bbl levels for 2018, supported by demand and supply fundamentals, but concurrently limited by news flow pressures.

Figure 40: World Consmption vs Non-OPEC Production Growth (mbbls/day)



Source: US Energy Information Administration

Russia's concern. Russia has signaled that it wants to understand better how producers will exit from the cuts as it needs to provide guidance to its private and state energy companies. There have also been reports that Russia may not participate in another deal extension beyond March 2018, as Brent at USD60-65 levels is ideal for the world's top producer. This is also on the backdrop notion that at higher oil prices, US shale players may push for higher production again.

Overweight reaffirmed, based on oil prices expected to remain stabilized in 2018, enough for oil majors to restart their capex plans, considering the lower cost of production and better efficiencies in the sector. We concede that the O&G industry is more concerned on robust activity at stable oil prices, rather than very high oil prices at this juncture which is not sustainable. We continue to recommend an Overweight stance on the O&G sector with our average Brent oil price levels estimated at 2018 – USD63/bbl.This is further supported by the chart above which shows a fundamental correction. The fall in stock pile, sees the narrowing of the demand and supply gap, forecasted by 1Q 2017. For sector exposure, we like **Dialog Group, Hibiscus Petroleum** and **Uzma.**

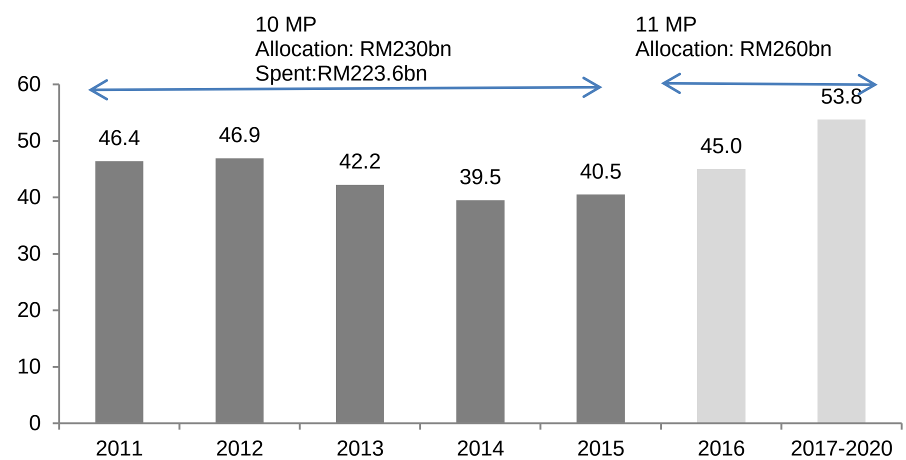
Construction – More Mega Projects in 2018

Recommendation: OVERWEIGHT

Infrastructure spending is still not showing signs of slowing down

Infrastructure remains the key primer. Infrastructure spending is still not showing signs of slowing down with more high profile jobs planned. Despite some mega projects (such as ECRL and potentially MRT3) likely to be led by foreign companies, we believe local contractors could still participate as sub-contractors only under the 'build-and finance" model. Local content for these projects can go as high as 50%, with a package from ECRL expected to be awarded to a local player in the next few months.

Figure 41 : Development Expenditure Allocation

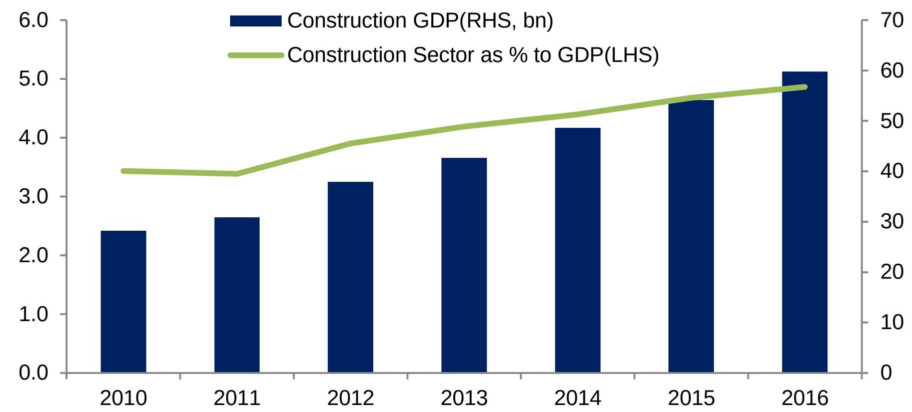


Source: Ministry of Finance Malaysia, PublicInvest Research

Construction will remain a key contributor to the local economy

Construction as economic stimulus. We believe that construction will remain a key contributor to the local economy. As a percentage of GDP, construction continues to trend higher, with c.4.9% of GDP in 2016 from c.3.0% of GDP in 2006-2007. It appears higher than other emerging countries (averaging 3.6% of GDP between 1992 and 2013) but within the range of developed countries in Asia and Oceania (4.6% of GDP). China's construction spending is the highest at 8.6% of GDP. As such, we expect the current trajectory of construction spending to continue, supported especially by transportation-related jobs.

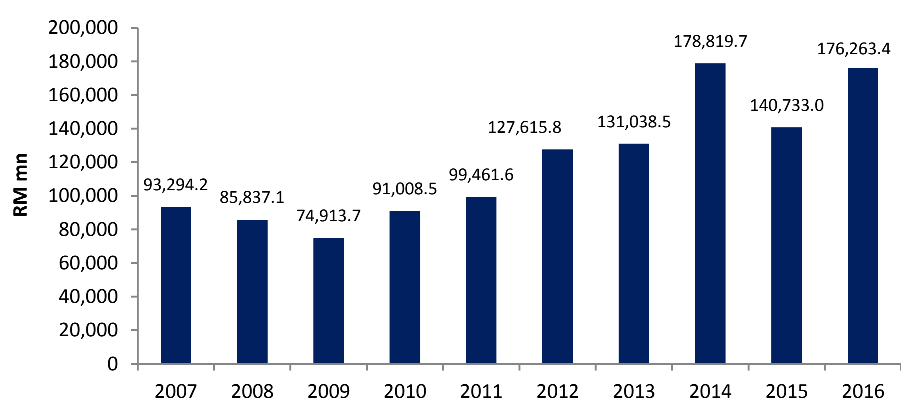
Figure 42 : Construction Spending GDP



Source: CEIC, PublicInvest Research

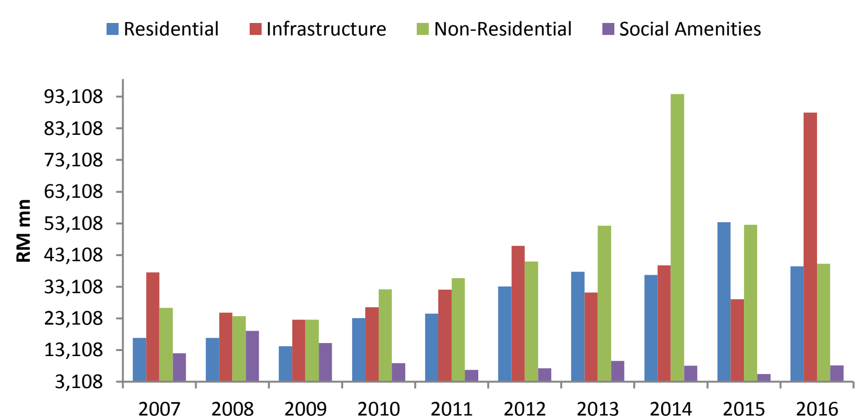
Pipeline construction jobs. Among the key infrastructure jobs that we expect to be awarded next year include East Coast Rail Link (c.RM55bn), Kuala Lumpur-Singapore High Speed Rail (c.RM70bn) and MRT3 (c.RM50bn). Other infrastructure jobs include Gemas-JB Double Tracking (c.RM9bn) and Pan Borneo Sabah (c.RM13bn).

Figure 43 : Total Jobs Awarded



Source: Construction Industry Development Board (CIDB), PublicInvest Research

Figure 44 : Jobs Awarded, by Type



Source: Construction Industry Development Board (CIDB), PublicInvest Research

Expect construction stocks to continue to be bolstered by the positive jobsflow

Maintain Overweight. We expect construction stocks to continue to be bolstered by the positive jobsflow, especially from the planned infrastructure mega projects. Most contractors' outstanding orderbooks are at historical highs, bolstered by the mega jobs such as Pan Borneo Sarawak (RM16bn), MRT2 (RM32bn) and LRT3 (RM12bn). Hence, we believe revenue visibility to remain good, with most construction players under our coverage have outstanding orderbook that could last them c.2-5 years, with scope for jobs replenishment remains healthy with government committed to spend on infrastructure with gross development expenditure kept at RM46bn. Key pick include **Gamuda** for big-cap and **TRC Synergy** for small-mid cap construction players.

Banking – Relative Undervaluation Undeserved

Recommendation: NEUTRAL

Loan applications starting to see some life

Loan applications starting to see some life, with October 2017's numbers registering a healthy 12.8% YoY gain, underpinned by the residential mortgage segment (57.1% of household loans and 32.8% of system loans) recording good numbers (+18.9% YoY, +8.6% MoM). Business related loan applications are also starting to pick up: working-capital loans (+18.1% MoM, +8.4% YoY), construction (+11.2% MoM, +44.9% YoY).

Remain optimistic that the country's recent robust economic numbers cascade into corporate and consumer Malaysia more strongly in the coming months, to drive loans growth

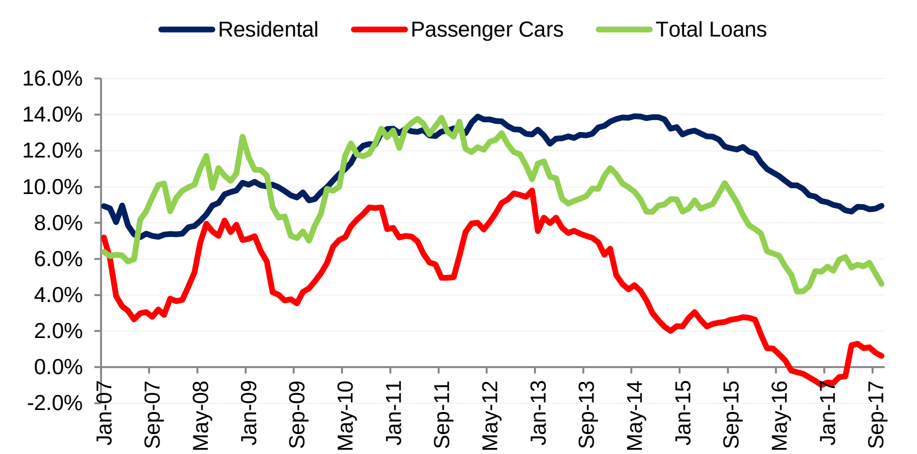
57.4% of system loans are household-related. While there are still no discernible signs of rising living costs being eased, we remain optimistic that the country's recent robust economic numbers cascade into corporate and consumer Malaysia more strongly in the coming months, to drive loans growth significantly beyond October's +4.6% YoY expansion.

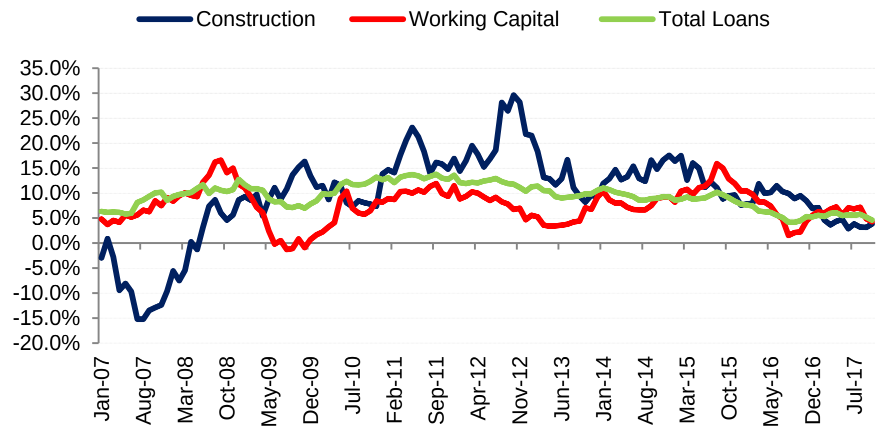
Selective exposure still warranted. With implementation of the net stable funding ratios (NSFR) pushed back by a year, the industry has one less "issue" to contend with for now (ie. MFRS 9), though a large number of banks are already reportedly in compliance. On the latter, most financial institutions seem to be well equipped based on current understandings and assessments. Impacts to capital are still estimated at between 50bps to 100bps, not particularly worrisome as average industry CET-1 ratios remain a relatively healthy 13.3% as at October 2017.

Stronger earnings momentum in the coming financial year post-MFRS 9 clarity

Even as provision levels of some financial institutions may remain elevated in the near term, none are showing any worse for wear. While funding costs have undeniably risen in recent times to compress margins, we remain optimistic of stronger earnings momentum in the coming financial year post-MFRS 9 clarity, underpinned by improving economic conditions regionally and stable capital markets. We maintain our Neutral view on the sector, but with a positive bias. For sector exposure, we like **CIMB Group** and **AMMB Holdings.**

Figure 45 : Loans Growth, YoY (Major Household and Business Segments)





Source: Bank Negara Malaysia, PublicInvest Research

Consumer – Gradual Recovery Ahead

Recommendation: NEUTRAL

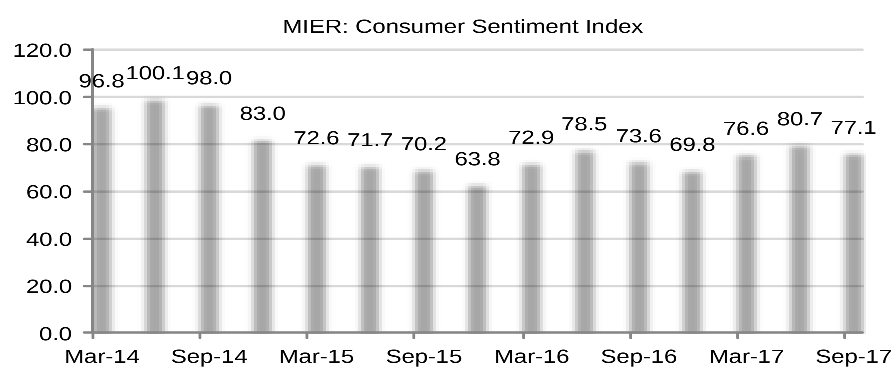
Expect to see a mild recovery for the consumer sector in year 2018

We expect to see a mild recovery for the consumer sector in year 2018, on the back of i) improving consumer sentiment, ii) strengthening of Ringgit against USD, which should also translate into iii) lower input costs for companies. Yet we also take heed of potential risks to margin sustenance including fluctuations in raw material prices and uptrend in energy costs leading to higher transportation costs.

Foresee sentiment to remain hovering in the higher range of 75-85 in near term

MIER Consumer Sentiment Index (CSI) reported a slight downtick to 77.1 in 3Q17, from a ten-quarter high of 80.7 in 2Q17. We however note that the 78.1 average point for period of 1Q17-3Q17 is higher than 1Q16-3Q16 and 1Q15-3Q15 averages of 75.1 and 71.5 respectively. We view this positively as we foresee sentiment to remain hovering in the higher range of 75-85 in near term. To put into perspective, recent 3Q17 is the 13th quarter where CSI remain below the optimism threshold of 100 in comparison to the 1997-1998 Asian Financial Crisis (5 quarters below 100-point) and 2007-2009 (4 quarters below 100-point). Having said that, we see consumption pattern to remain conservative with a slow yet positive uptrend, slightly boosted by continued targeted cash gifts from Budget 2018, feel-good factor surrounding GE14 and expectations of slower inflation rate next year.

Figure 46 : MIER: Consumer Sentiment Index



Source: CEIC, PublicInvest Research

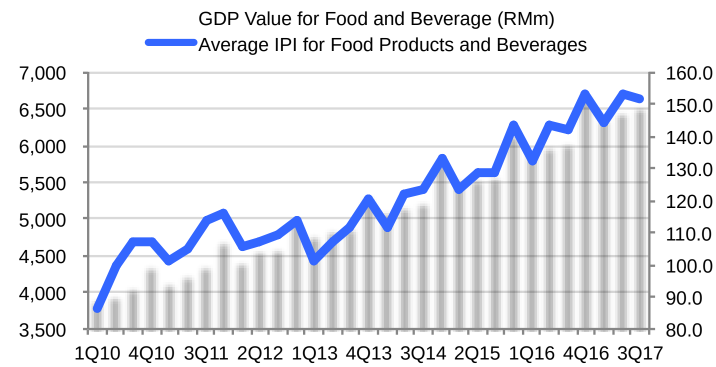
Strengthening of Ringgit against USD is expected to help lift consumer sentiment in view of increase in purchasing powe

Strengthening of Ringgit against USD is expected to help lift consumer sentiment in view of increase in purchasing power, which also derives from the expectation of lower inflationary pressure due to lower price of finished imported goods on top of the higher base effect in 2017. This will continue to stimulate consumption within the domestic industry. The appreciation of Ringgit will also lead to imported raw materials and other components becoming relatively cheaper, which will bring down costs of production and subsequently reduce margin pressure for consumer companies bearing costs in USD. For raw materials, there is likely a lag in exchange rate effect, depending on the hedging, forward purchases and overall management of raw materials inventory which varies across companies. Volatility of raw material prices could, however, reverse or set off the positive impact.

With the expectation of growing consumerism and strong economic landscape next year, the F&B industry will see stable growth

Food and Beverage (F&B). With the expectation of growing consumerism and strong economic landscape next year, the F&B industry will see stable growth due to the industry being largely domestic-oriented, on top of its resilience and recession-proof nature. From 2011 to 2016, GDP for F&B has been rising on an average of 7%, while the quarterly IPI for food products and beverages have grown in tandem by 6% average YoY. Overall improvement in the economy should translate into solid consumer spending on F&B products.

Figure 47: GDP Value for Food and Beverage (RMm) vs Average IPI for Food Products and Beverage



Source: Bank Negara Malaysia, PublicInvest Research

Retail. The retail segment will likely see slower growth rate from a higher base in 2017, in the absence of major events in Malaysia next year in comparison to 2017 SEA Games. Nonetheless, retail spending will continue to be supported by expectation of lower inflationary pressure and perception of higher purchasing power with the appreciation of Ringgit against USD, on top of mega sales and festive celebrations throughout the year.

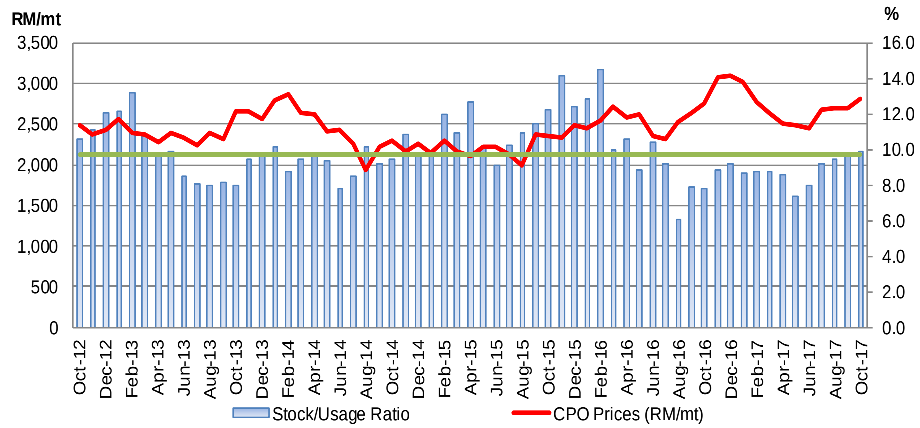
Plantations – Dragged by Higher Inventories and Stronger Ringgit

Recommendation: NEUTRAL

Global palm oil inventory on the rising trend in 2018

Global palm oil inventory on the rising trend in 2018. Majority of the plantation players had a good year in 2017, riding on the recovery in FFB production after receiving favourable rainfall and stronger CPO prices. We expect Malaysian production to grow by 3-4% while Indonesian production is expected to increase by 5-6%. Given the muted demand outlook coupled with the prospects of increasing CPO production, we think Malaysian inventories will likely rise above 2.3m mt in the 1H of 2018, the highest level since Jan-2016 while Indonesian inventories are set to rise above 4m mt, the highest since 2016.

Figure 48: CPO Prices vs Stock-to-Usage Ratio



Source: MPOB, Bloomberg, PublicInvest Research

Biodiesel outlook in the doldrums

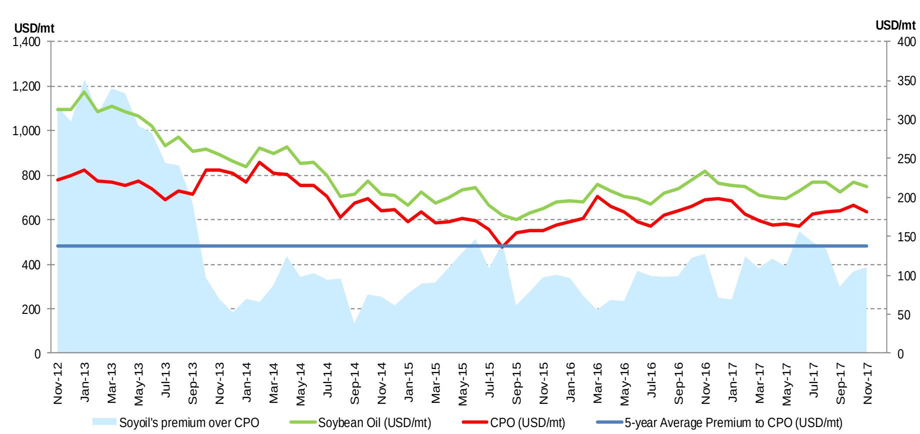
Biodiesel outlook in the doldrums. We think that it is still a relative struggle for Malaysian biodiesel producers at current gasoline and CPO prices. Firstly, it is not commercially viable to produce biodiesel without the subsidy from the government given the current cheap gasoline prices. The situation is more exacerbated given the prospects of new legislation that restricts palm-based biodiesel in EU by 2020. Almost 99% of Malaysia's palm oil based biodiesel is exported to the EU. The proposed resolution to curb the use of palm oil-based biodiesel by 2020 and a also a hike in US import duties on biodiesel from Indonesia of as much as 64% would make biodiesel demand less appealing in the market. Meanwhile, Malaysian government's push for the B10 biodiesel mandate has remained muted.

EU palm oil consumption outlook hanging in the balance

EU palm oil consumption outlook hanging in the balance. Following the proposal of phasing out palm-based biofuel in EU by 2020, it is worrying that the similar policy will also be introduced in other regions as well as other industries, where palm oil is used. EU, the second largest palm oil export destination for Malaysia, makes up 11.8% of Malaysia's total palm oil exports for the first 10 months this year. It is worth noting that close to 46% of total palm oil imports by EU is used for the biofuel production. Malaysia's export of palm oil and palm-based products to the EU is worth more than RM10bn a year. The decisions of banning palm-based biofuel will not only further discredit the perception of palm oil but will also affect the demand for palm oil going forward as EU consumers will gradually switch to other vegetable oils.

Still decent earnings for Malaysian plantation players. Despite the recent sharp correction in CPO prices, down more than 13% since mid-Nov, we think Malaysian plantation players are expected to deliver steady earnings in 2018 on the back of recovery in FFB production growth following a second wave of El Nino in Sabah.

Figure 49: Price Discount Between CPO and Soybean Oil



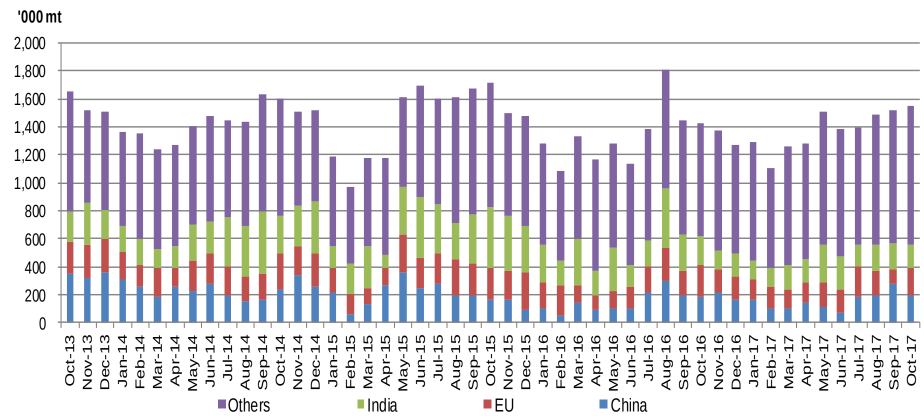
Source: Bloomberg, PublicInvest Research

We see a strong possibility of lower average CPO price for 2018 on the prospects of two key factors

Looking at an average of RM2,500/mt for 2018. We see a strong possibility of lower average CPO price for 2018 on the prospects of two key factors, the strengthening of Malaysian Ringgit and heightening palm oil inventories. 2017's average CPO price will likely average around RM2,800/mt, higher than our full-year estimate of RM2,500/mt and also 2016's RM2,601/mt. Nevertheless, CPO prices had taken a beating since 14 Nov, down more than 13% to RM2,464/mt since the recent recovery in Malaysian Ringgit (up 9.2% YTD) and higher import duty imposed on palm oil by India, which would curb the demand for palm oil. The uncertainties over the EU policy on the exclusion of palm oil biofuels from the EU's renewable energy will also further dampen the CPO price outlook.

We prefer strong FFB production growth plantation players. We like upstream plantation companies with double-digit FFB production growth. Our top picks are **Genting Plantations** and **Ta Ann** as we expect to see at least 10%-15% FFB production growth for the next 1-2 years.

Figure 50: Palm Oil Exports (By Country)



Source: MPOB, Bloomberg, PublicInvest Research

Power – Keeping The Lights On

Recommendation: NEUTRAL

No major capacity plant-ups next year and there will likely be no more tenders to be called for the rest of the year, except for the large-scale-solar project

We are ***Neutral*** on the power sector as there is no major capacity plant-ups next year and there will likely be no more tenders to be called for the rest of the year, except for the large-scale-solar project. All eyes will be on the upcoming tariff revision under the Second regulatory period (RP2) (January 2018 to December 2020) of the Incentive-Based Regulation (IBR) framework, to be announced in December 2017, and potential listing of Edra Power. We continue to like **Tenaga Nasional** for its defensive qualities, resilient earnings and undemanding valuation which is trading around 11x forward FY18F EPS.

Table 19: New Generation Projects, 2018-2024

No.	Projects	Fuel	Capacity (MW)	Commercial Operation Date
1	Pengerang Power	Gas	200	Jan 2019
2	Jimah East Power (Track 3B)	Coal	2,000	U1: Jun 2019 U2: Dec 2019
3	SIPP Energy (Track 4A)	Gas	1,440	Jan 2020
4	Edra Energy	Gas	2,242	Jan 2021
5	Tekai	Water	168	Jul 2021
6	Nenggiri	Water	300	U1: Apr 2022 U2: Jul 2022 U3: Sep 2022
7	Tadmax Resources	Gas	1,000	Jan 2023

8 Telom	Water	132	Oct 2024
9 Lebir	Water	274	U1: Dec 2022 U2: Mar 2023

Source: Energy Commission, PublicInvest Research

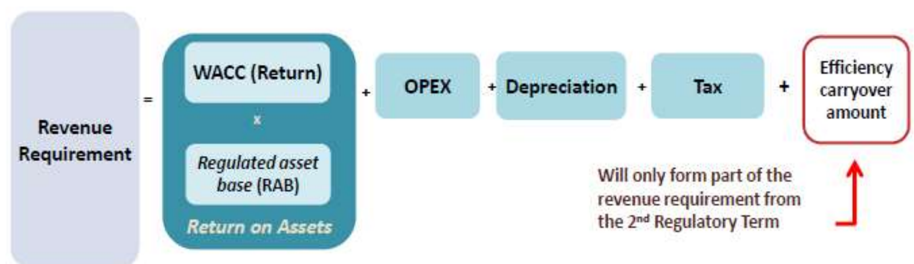
Steady electricity demand growth

Steady electricity demand growth. Electricity sales are forecasted to continue to stabilise and grow at an average of 2% per annum, after an unusually high temperature in 2016, attributed to El Nino phenomenon. Industrial sector remains the biggest consumer with 40% market share of sales, followed by commercial with 35% and domestic with 23%.

Tariff revision under RP2.

Tariff revision under RP2. The First regulatory period of the IBR will be completed by end of 2017. Assessment of Key Performance Indicators and overall performance of TNB's regulated business units for RP1 will be made public by December 2017 as IBR turns to the second regulatory period in 2018. To recap, TNB has started the negotiations with the Government on the proposed cost and investment plan for the RP2 since April 2017. Currently, markets are expecting lower regulatory WACC (currently under RP1 of 7.5%) which could negatively impact TNB's earnings. However, higher regulated asset base could potentially support its return on assets. Management is of the view that the government or EC will maintain a reasonable return to TNB, to protect shareholders' interests.

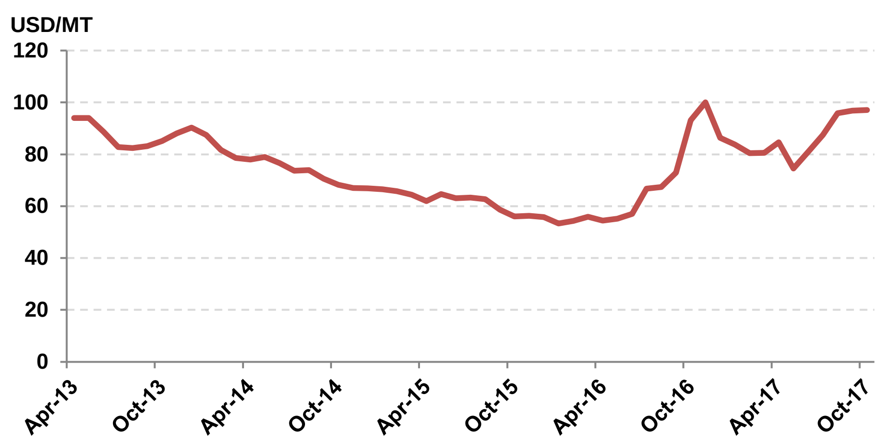
Figure 51: Revenue Requirement Building Block Model Under the IBR



Source: Energy Commission

Coal prices trend. Coal prices have been hovering around USD80 to USD97 per metric tonne level since the beginning of the year. This is mainly due to strong demand from China with mining outages tightening supply, strong northern hemisphere summer and hydropower curtail owing to heavy rainfall in south eastern. Nevertheless, via the Imbalance Cost Pass-Through (ICPT) structure under IBR framework, fuel and other generation costs will be reviewed every six months to reflect changes, of which an increase or decrease against the base tariff will be given to consumers. Hence, neutral impact to TNB and Independent Power Producers (IPPs).

Figure 52: Australian Thermal Coal Prices



Source: www.indexmundi.com

8,000MW new capacity needed by 2024

Sector headwinds are still prevalent with recovery not likely in the near term

Property sales for most develops will be flattish at best in our view

Large Scale Solar (LSS) is introduced under the Feed-in Tariff (FiT) scheme in 2016 by the Energy Commission (EC) in an effort to ensure the expansion of renewables-based capacity to be competitive and in line with conventional market dynamism. Its second competitive bidding for LSS projects with 360MW allocated to Peninsular Malaysia for commercial operation in 2019 was completed in August 2017. The results on the successful bidders are expected to be announced by early 2018.

8,000MW new capacity needed by 2024. According to the Energy Commission's demand projection, Malaysia will need an additional 8,000MW in new capacity by 2024, with major capacity plant-ups have already been awarded by the Energy Commission (EC). Of this, 62% would be new gas-fired power plants (4,882MW), while the remaining are coal-fired (2,000MW) and hydro (874MW). This after taking into consideration the number of existing gas-fired power plant that will be retired from the system upon the expiry of their power purchase agreements (PPA).

Table 20: Power Plant Retirement, 2018-2024

No.	Plants	Fuel	Capacity (MW)	Expiry PPA
1	SJ Jambatan Connaught	Gas	300	Dec 2018
2	Kapar Energy Ventures	Gas	205	Jul 2019
3	Port Dickson Power	Gas	436.4	Dec 2019
4	Powertek	Gas	434	Dec 2019
5	Pahlawan Power	Gas	322	Aug 2020
6	TNB Pasir Gudang Energy	Gas	275	Aug 2022
7	Stesen-stesen Janakuasa Sungai Perak	Water	649.1	Aug 2022
8	GB3	Gas	640	Dec 2022
9	Panglima Power	Gas	720	Feb 2023
10	Teknologi Tenaga Perlis Consortium	Gas	650	Mar 2024
11	Prai Power	Gas	350	Jun 2024
12	SJ Gelugor	Gas	310	Aug 2024

Source: Energy Commission, PublicInvest Research

Property – A Long Winter

Recommendation: NEUTRAL

Still challenging. Sector headwinds are still prevalent with recovery not likely in the near term due to difficult trading environment currently. The sector is still plagued by challenges which among others include i.e. tighter financing, high property prices (and high household debt) and oversupply in certain segments-such as high-end condominiums in Iskandar. Maintain Neutral stance but believe that property prices to be holding well, which is supported by ample liquidity, high input costs (due to compliance/land costs), low interest environment and strong secular positives (young demographics and improved connectivity from MRT/LRT/HSR spending).

Flat sales growth. Property sales for most develops will be flattish at best in our view, with most still grappling with the impact of cooling measures and oversupply concerns in certain markets (mainly Iskandar Johor). Most have also refocused on affordable housing segment. Albeit getting lower margins, the strategy is necessary to bring in sales as this segment is given more incentives i.e. financing such as the 'step-up' scheme by Perbadanan PR1MA whereby homebuyers are allowed to service only interest for the first 5 years. Recently, certain banks also introduced 'rent-to-own' scheme to encourage home sales**.**

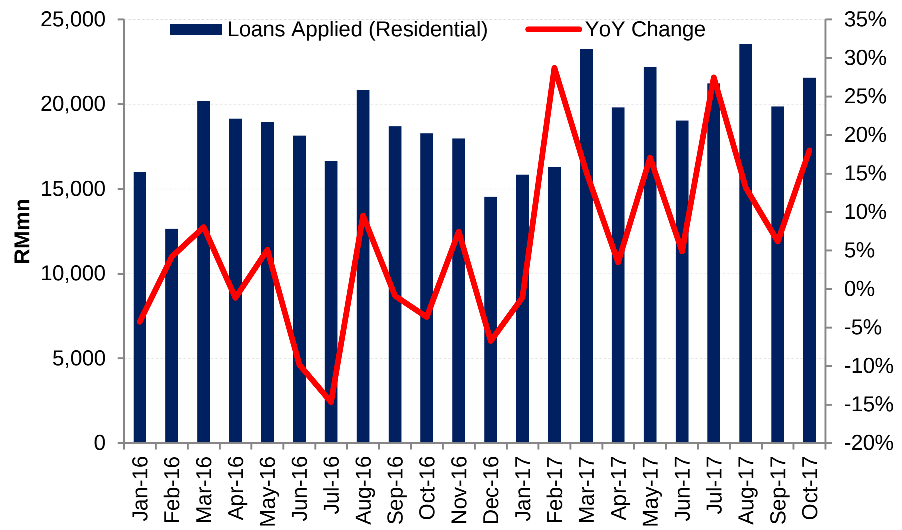
Affordability issues. High property prices seem to be a new norm especially in the developed countries, which still recording new highs despite the cooling measures introduced which successfully reduced transactions. In normal circumstances, property prices should ease but in certain markets, property prices still stubbornly at elevated levels. Meanwhile, the cooling measures in Malaysia have successfully slowed down

Lending appears to be trending higher this year

the property price increase somewhat. Based on the recent data, the property prices in Malaysia are still considered unaffordable with the median house prices already more than 5.5x (KL: c.7x for residential properties) as compared to 3x, which is considered affordable range. Consumer sentiment is still weak and household debt is still are high levels (albeit easing marginally from 89% of GDP in 2015 to 85% currently).

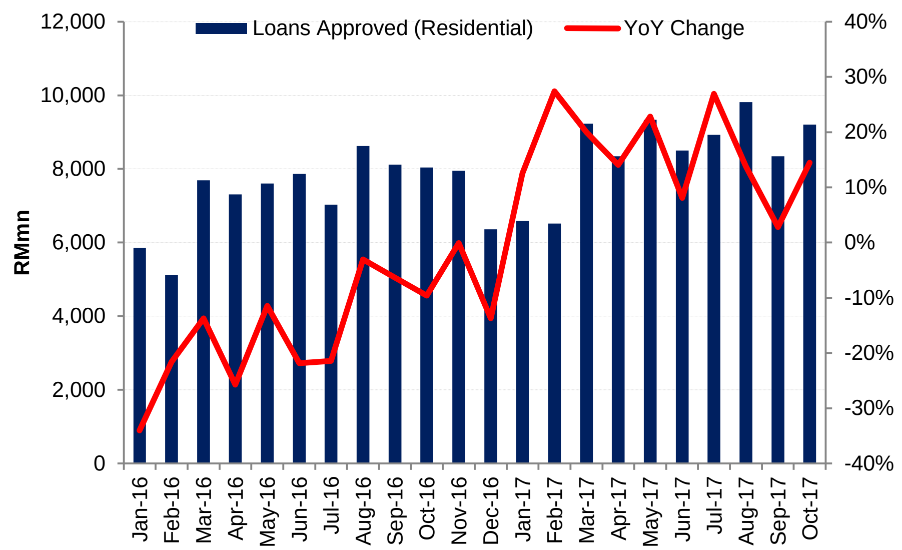
The comforting sign is that lending appears to be trending higher this year with the monthly average residential mortgage loan applications rose by 15% YoY. Correspondingly, mortgage approvals also trended higher by 16% YoY. However, the volume of residential transactions based on the 1H statistics by NAPIC indicated a 7% YoY decline but the value of transactions ticked up marginally by 0.5%.

Figure 53 : Loans Applied (Residential)



Source: CEIC, PublicInvest Research

Figure 54 : Loans Approved (Residential)



Source: CEIC, PublicInvest Research

Stock Picks. The picks for property stocks are **SP Setia** and **UEM Sunrise** which have healthy unbilled sales, exposure in the main growth areas and well-located landbank (especially for SP Setia, which is expected to grow even bigger with the proposed merger with I&P). As for UEM Sunrise, we believe the Group will be able to regain its sales momentum, given its well-located landbank in Klang Valley, overseas projects and Iskandar, Johor (Johor market is expected to be still challenging however). Recent launches by UEM Sunrise are showing encouraging demand. For instance, its Solaris Parq project at Dutamas is now more than 80% sold despite selling at an average selling price of RM1.1k psf, arguably at a premium as compared to neighboring projects.

Telco – Chasing for spectrum

Recommendation: NEUTRAL

Prepaid subscriber base would continue to decline

Challenging prepaid market. We believe prepaid subscriber base would continue to decline on the back of smaller foreign workers population, switching over to postpaid plans as well as competition from mobile virtual network operators (MVNO). Effective January 2018, tighter prepaid registration guidelines will be fully enforced and this could further aggravate the challenging operating environment for the prepaid segment. The guidelines, set by the Malaysian Communications and Multimedia Commission, are requiring more documents to be presented to the service providers for new prepaid registration and top-up. Apart from the usual identification document, all users regardless of their nationality must provide additional documents to verify mailing address and hotel/temporary residential address. Also, photocopy of identification documents are not allowed and each user/customer can only register up to 5 SIM cards (previously 10 SIM cards). These guidelines may lead to further decline in prepaid customer base. DiGi derives a large chunk of its revenue from the prepaid market (62% versus 46% and 43% for Maxis and Celcom respectively).

All eyes on spectrum allocation

All eyes on spectrum allocation. We expect MCMC to review and re-allocate some of the spectrum in the 700MHz, 2100MHz, 2300MHz and 2600MHz in 2018. The 2100MHz band is due for expiry in April 2018. Although the current allocation under this band appears to be fair (each incumbent holding 2x15MHz + 1x5MHz), we believe the pricing, particularly the upfront cost, could be revised upward. Also, smaller operators were given allocation under the 2600MHz band but going forward, we expect this to be re-farmed to the major operators in order to improve efficiency and maximize revenue collection by the government. Meanwhile, the valuable 700MHz band may only be made available to the telcos once digital television broadcasting is closer to successful launching, perhaps in 2H2018. MCMC has announced an attractive pricing for the 700MHz (vis-à-vis 900MHz and 1800MHz costs) and the closing date for submission will be on 2 January 2018. We believe all the incumbent mobile operators will submit their tender and Telekom is also likely to participate. A total of 8 blocks of 2x5MHz will be made available and we anticipate Telekom, Maxis and Celcom to be allocated 2 blocks each while DiGi and Umobile may receive 1 block each.

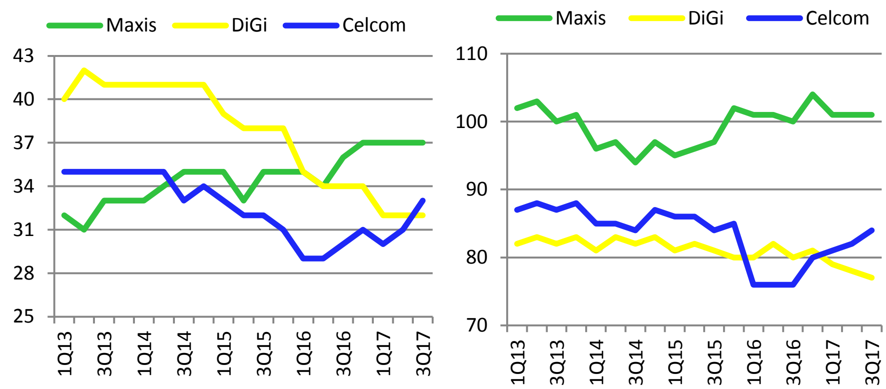
Funding for spectrum

Funding for spectrum. DiGi has the strongest balance sheet with low gearing level. Hence, we reckon that funding for the spectrum will not be an issue for DiGi. Likewise, after undertaking a private placement of new shares, Maxis should have no constraint for funding. Axiata however may see itself breaching its comfortable 2.5x gross debt to EBITDA if it does not raise fresh funds for this new spectrum. Therefore, we believe there would be more corporate activities at Axiata such as paring down stakes in foreign subsidiaries in order to raise funds to acquire spectrum in Malaysia or perhaps an initial public offering for its tower company, edotco. Telekom may also require to undertake fund raising exercise as its gross debt to EBITDA is estimated to increase to 2.5x from 2.3x. Separately on DiGi's shariah compliance status, it has already regularised its conventional debt ratio to within 33% threshold in 2Q17 with the establishment of Islamic debt financing. Even under scenario of further borrowing is required for the payment of 700MHz spectrum, the ratio is not likely to go beyond the threshold as DiGi has a RM5bn Islamic bond (Sukuk) programme in place.

Sector will continue to deliver subdued earnings growth

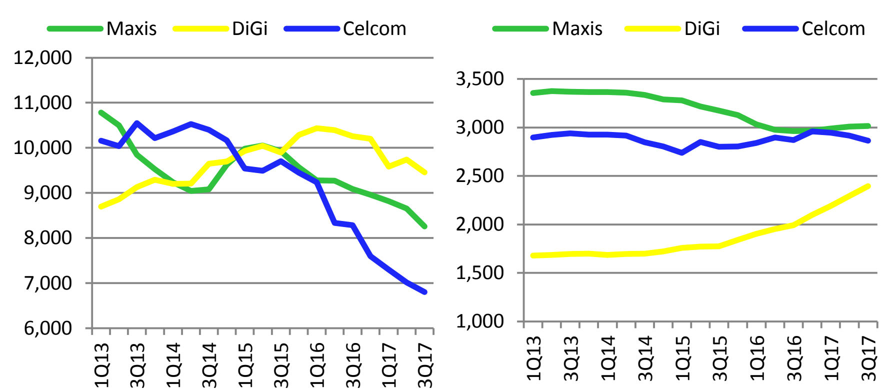
Earnings growth remains subdued. The telco sector will continue to deliver subdued earnings growth, largely supported by cost rationalisation measures which include the adoption of digitisation to lower operating costs. We maintain our ***NEUTRAL*** call on the sector. Our preferred exposure is Telekom as convergence remains its core business strategy. Although mobile business is not likely to yield any significant return over the next 1-2 years, Telekom is moving towards the right direction of becoming a convergence player, which is in line with the other global operators.

Figure 55 : Prepaid ARPU (lhs) and Postpaid ARPU (rhs) – RM/month



Source: Company, PublicInvest Research estimates

Figure 56 : Prepaid Subscribers (lhs) and Postpaid Subscribers (rhs) – '000 units



Source: Company, PublicInvest Research estimates

Gaming – Sigh of relief for the NFOs

Recommendation: NEUTRAL

Likely to deliver better performance in 1H18 after suffering from poor luck factor and slow ticket sales in 1H17

Worst is over for NFOs? The number forecasting business is likely to deliver better performance in 1H18 after suffering from poor luck factor and slow ticket sales in 1H17. The drop in sales was attributable to weak consumer spending as well as the proliferation of illegal gaming activities in the market. However, in recent months, authorities have intensified their crackdown on illegal operators and we believe this has led to some stabilisation in the number forecasting business, though consumer sentiments remain weak. Meanwhile, luck factor appears to have improved with a declining prize payout ratio for both operators. Overall, we do not expect further decline in ticket sales but growth should remain subdue as we do not expect a strong pick-up in consumer spending.

Regional casino business continues to flourish

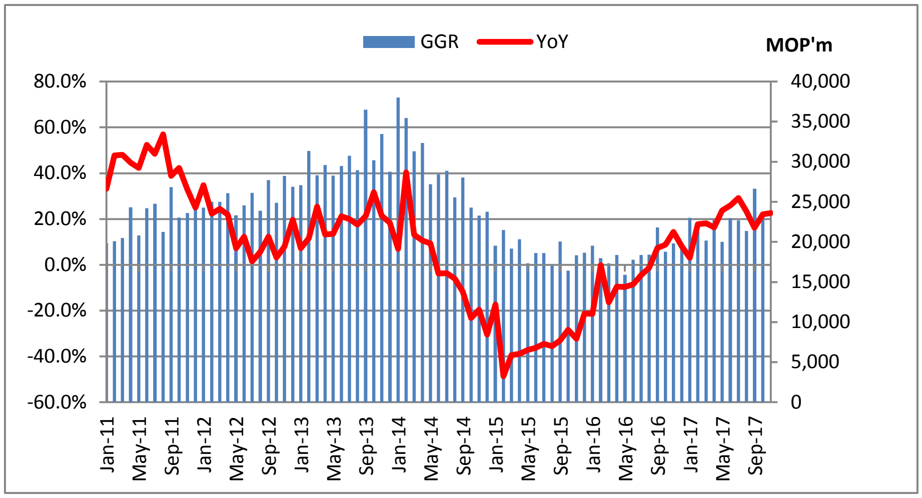
Regional casino business continues to flourish. Based to the latest statistic released by the Gaming Inspection and Coordination Bureau, Macau's gross gaming revenue (GGR) and VIP GGR continue to trend upward. Meanwhile, Genting

Singapore has been posting stronger results on the back of improving VIP business and lower impairment on receivables. All these suggest that regional casino operations are thriving and we expect this to continue into 1H18. As for Malaysian casino business, although the gradual opening of Genting Malaysia's (GENM) GITP project would boost visitor arrival and casino revenue going forward, escalating cost may result in limited margin expansion in the near term.

Turning more positive on the NFOs

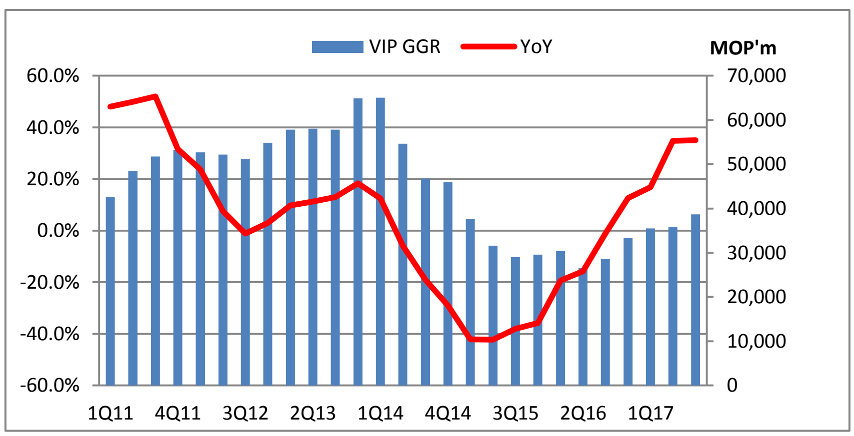
We remain Neutral on the gaming sector. However, we are turning more positive on the NFOs and maintain our ***Trading Buy*** call on Berjaya Sports Toto. We are Neutral on Magnum mainly due to the overhang issue pertaining to its on-going litigation with local tax authority. We also like Genting Bhd for its exposure to regional gaming business via Genting Singapore and reiterate our ***Outperform*** call.

Figure 56 : Macau's mass GGR



Source: The Gaming Inspection and Coordination Bureau

Figure 57 : Macau's VIP GGR



Source: The Gaming Inspection and Coordination Bureau

Healthcare – Expansion Plans Weighing On Margins

Recommendation: NEUTRAL

Steady demand to continue driving growth of the healthcare industry

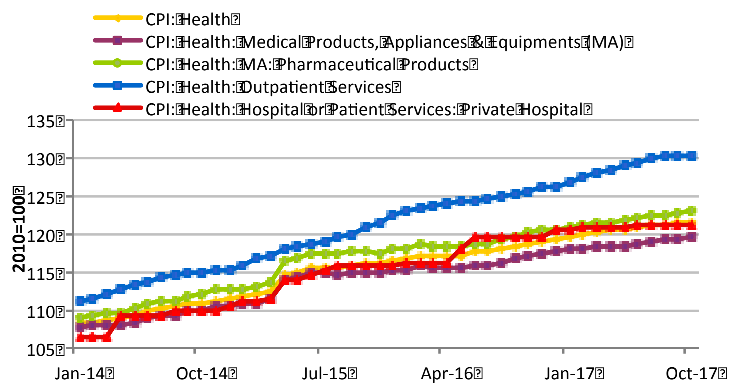
2018 will see steady demand to continue driving growth of the healthcare industry, primarily attributed to i) ageing population, ii) rising lifestyle diseases and iii) healthcare awareness. For the private healthcare providers, these factors are in addition to inflow of patients from overwhelmed patient volume in public healthcare as well as consumers' preference for comfortable healthcare treatment experience. Translation into healthy earnings prospects, however, is challenging as we note the costs issues faced in existing operations including wage inflation, rising cost of purchases such as drug costs and medical supplies, and currency volatility effects. Another theme shared by two healthcare providers under our coverage, IHH and KPJ is margin pressure arising from new hospitals in gestation period, which stemmed from their recent ongoing execution of projects, locally and abroad.

CPIs for health services have been rising steadily in past few years,

CPI for Health on the rise. CPIs for health services have been rising steadily in past few years, primarily owing to the weakness in Ringgit. Overall Health CPI increased at a 3-year CAGR of 3.1%, with medical products, appliances and equipments as well as pharmaceutical products on a similar uptrend (3-year CAGR of 2.8% and 3.1% respectively). Previously, extra costs incurred by the healthcare providers were typically passed on to consumers to certain extent, hence sustenance of margin levels. However in the past few quarters, it has been relatively more difficult for private healthcare providers to implement price revisions smoothly, as patient volume has been more sensitive to price changes.

In KPJ's case, this sensitivity pattern is more noticeable in outpatient traffic, which we tie to the steeper increase in CPI for outpatient services (3-year CAGR of 4.3%) and competitive pricing among alternative providers. For IHH, no trend is observed due to limited available data on outpatient volume. On the other hand, inpatient admissions for both providers have been gradually increasing in tandem with new beds from capacity expansion and newly opened hospitals.

Figure 58 : CPI for Health



Source: CEIC, PublicInvest Research

KPJ remains a predominantly domestic play

KPJ remains a predominantly domestic play with a number of expansion plans and new hospital projects in its 2018-2019 pipeline. Apart from KPJ Perlis (60 beds) which should be opened by year end, KPJ has another 3 new hospitals for next year, star being KPJ Bandar Dato' Onn Specialist Hospital which is intended for the premium market, with first phase of 90 beds scheduled for mid-2018.

Though we are positive over ongoing projects to continue supporting topline growth, we are concern over its bottomline as KPJ is already facing subdued margins due to its three hospitals currently in gestation on top of the hitch from outpatient traffic sensitivity resulting in difficulty in implementing price revisions. With the new hospitals coming on board, we expect margins to remain suppressed in near term before seeing earnings visibility from new hospitals turning profitable. Nonetheless, we also understand the strategy of also ramping up existing hospitals hand in hand to cushion the impact of new hospitals in gestation period. Capacity expansion plans in 2018 will involve five of its existing hospitals (addition of 301 beds and 49 clinics).

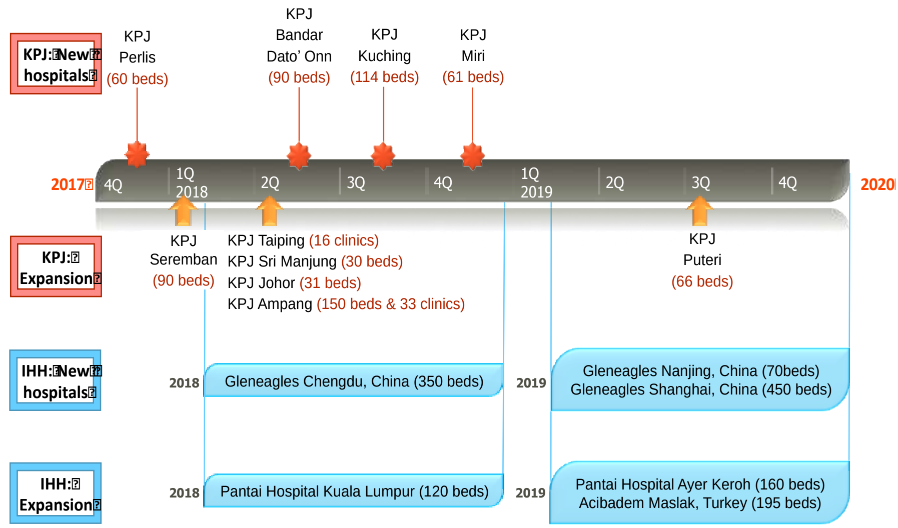
IHH is gearing its resources into China

IHH is gearing its resources into China healthcare industry, with plans to establish its fifth home market after Malaysia, Singapore, Turkey and India. For 2018, IHH plans to launch Gleneagles Chengdu (350 beds), while 2019 will see Gleneagles Nanjing (70 beds) and Gleneagles Shanghai (450 beds) coming on board. As these are large-scale hospitals, we see this as a long term growth driver for IHH as beds and wards are gradually opened up after initial opening phase.

Pharmaceutical segment to continue growing steadily in the coming years, driven by greater access to preventive and curative healthcare services.

IHH's short-term cost challenges include start-up costs incurred with the opening of Gleneagles Hong Kong and Acibadem Altunizade in early 2017. We understand that due to the large scale of the hospitals, the high costs incurred during its gestation period will weigh on its existing business' contributions at Group level, hence weakening of earnings in near term. We however expect the continuous ramp-up of the new hospitals coupled with higher number of complex cases undertaken to gradually buffer margin compression before achieving optimal operating leverage.

Figure 59 : IHH and KPJ's Project Pipeline, 2018-2019

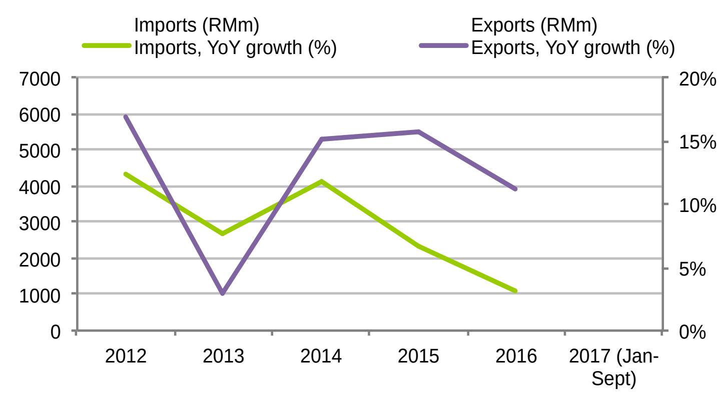


Source: Company, PublicInvest Research

We expect the pharmaceutical segment to continue growing steadily in the coming years, driven by greater access to preventive and curative healthcare services. In terms of trade, imports and exports of pharmaceutical products have been increasing over past years, in tandem with rising consumption and needs, as well as domestic manufacturers becoming more sophisticated and gaining traction. Between 2012 and 2016, medicinal and pharmaceutical products' imports grew at a CAGR of 7%, while exports' CAGR was 11%. In terms of YoY growth, average for imports and exports were 8% and 12% respectively.

For **Apex Healthcare**, we forecast sustainable growth ahead, driven by i) its focus on developing own-brand products to enhance margins, ii) potential opportunities from recently-awarded EU GMP certification, iii) existing distribution and trading strength and iv) additional capacity from its new plant, SPP NOVO to be ready in 1HFY18 to support organic growth in medium to long term.

Figure 60 : Imports and Exports of Medicinal and Pharmaceutical Products, Value (RMm) vs YoY Growth (%)



Source: CEIC, PublicInvest Research

Gloves – Reaping From Expansion Plans

Recommendation: NEUTRAL

Industry players' expansion has become timely

Industry players' expansion has become timely, with the demand growth of nitrile offering and more specific product types. Escalating costs however remains a pressure, however the major glove players are relatively immune by now, and thus have continuously adopted continuous efficiency initiatives to tackle potential fluctuations of natural gas hikes, labour costs (though this should be partly mitigated by efficiency enhancements and cost-pass through mechanisms) but with its impact offset by the sustained demand growth and penetration into untapped markets. For the interim, we maintain a Neutral view on the sector, as we believe growth has already been priced in at current levels, and with recent cost hikes, would see some time lag of the cost-pass through 1H18.

Recovering average selling prices (ASP). The adjustment of ASP continues, mainly attributed to raw material prices fluctuations, especially natural rubber (NR) which spiked from the range of RM4/kg to RM8/kg in January 2017.

Continuous innovation. While enhancing efficiencies, the innovation aspects of the industry has continued to improve costs for its product offerings and better margins from lower cost production methods.

Unexpected Gas tariff hike. At end 2016, the gas tariff was tabled up to 2018. Recently however, a c.20% hike in gas tariff was announced for 1H18 additional to the tabled rate, thus increasing overall energy costs.

For sector exposure, we like **Top Glove Corporation** for its next growth phase through penetration into the surgical gloves market which command better margins.

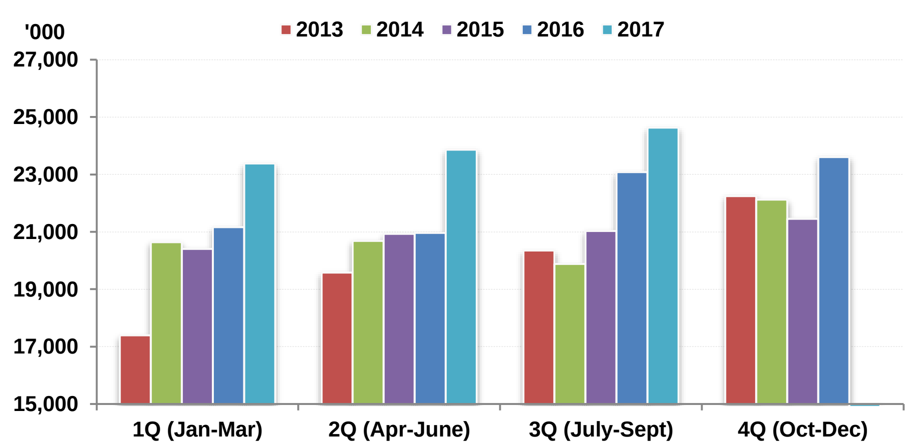
Airlines – Capacity Expansion Limits Yield Growth

Recommendation: NEUTRAL

Passenger growth is expected to remain strong supported by steady travel demand

Strong traffic growth. Malaysian operations passenger growth is expected to remain strong supported by steady travel demand owing to visa relaxations, weak Ringgit, various promotional efforts and increased frequencies by airlines. AirAsia and AirAsia X (AAX) are anticipating to accelerate its expansion plan for their fleet size. AirAsia plans to add about 17 aircraft to the consolidated group, while AAX is expected to increase by 9 aircraft by FY18. Nevertheless, we expect strong growth will be detrimental to the yield growth. Hence, maintain our ***Neutral*** call to the sector.

Figure 61: Malaysian Passenger Traffic (By Quarter)



Source: MAHB, PublicInvest Research

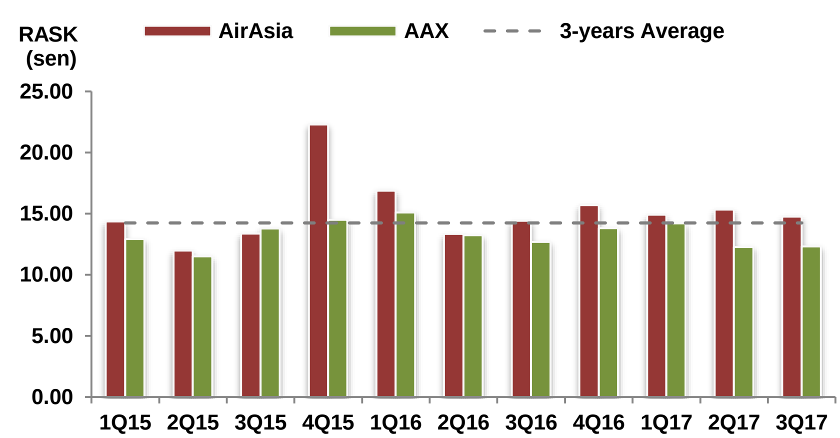
Recent red flag removal against safety concerns on Thailand airlines by International Civil Aviation Organization (ICAO)'s will be favourable to TAAX

Capacity expansion. AirAsia is planning to add 17 aircraft in 2018 for its consolidated Group operations. A net addition of seven aircraft will be allocated to Malaysia (MAA), five aircraft to Indonesia (IAA) and four aircraft to Philippines (PAA). This is higher compared to a net addition of 11 aircraft in 2017. Meanwhile, AAX is expected to lease nine aircraft, of which three aircraft is due for delivery to Malaysia AAX (MAAX) in 2H2018 to support growth. It expects to focus on shorter North Asian routes. Another four aircraft is planned for Thailand AAX (TAAX), of which two in 1H2018 and another two aircraft in the 2H of the year. To recap, recent red flag removal against safety concerns on Thailand airlines by International Civil Aviation Organization (ICAO)'s will be favourable to TAAX, given the growth opportunity in adding frequencies and introduce new routes to Japan and Korea. For Indonesia AAX (IAAX), it plans to deliver two aircraft in 4Q18. AAX is expected to realign its Australian routes in 1Q18, and redeploy to new markets i.e. Jeju, Jaipur, other new routes and existing North Asian routes.

Airline yields are usually stronger in 1Q and 4Q of the year due to peak-period and long holidays

Yields. Airline yields are usually stronger in 1Q and 4Q of the year due to peak-period and long holiday. As at 3Q17, revenue per average seats km (RASK) for AirAsia and AAX declined by 1.5% and 3.0% YoY respectively. Nevertheless, YTD 9MFY17, AirAsia's RASK jump by 4.0% YoY, boosted by its ancillary revenue to RM49 (+5.0% YoY). The Group targets to increase its ancillary income to RM60/pax in the near term, contributed by its Rokki shop (new e-commerce website), Red Cargo (new cargo agent), Red Box (e-commerce courier), BigPay (multi-currency FX e-Wallet) and Santan (in-house F&B). On the other hand, the Group also benefitted from the capacity cutting by other domestic airlines i.e. Malindo and Malaysia Airlines. Meanwhile, AAX's RASK has declined 5.5% YoY, despite an increase of 2.9% YoY for its ancillary revenue. The Group expects fare pressure on certain routes going forward to strengthen the market dominance in its core markets segments e.g. North Asian routes. In respect of strong demand and aggressive capacity expansion, we expect yield to slightly decline or flattish YoY.

Figure 62: Revenue Per Average Seats Km (RASK) By Quarter



Source: Company, PublicInvest Research
*RASK for AirAsia in 4QFY15 was exceptionally higher due to one-off recognition on maintenance service revenue which was not recognised previously due to uncertainty in recoverability of the amount

Fuel hedging. Both AirAsia and AAX have hedged 15% of its 1H2018 fuel cost at USD62/barrel. Jet fuel prices is currently standing at an average of USD72/barrel.

Auto – Expecting A Mild Recovery

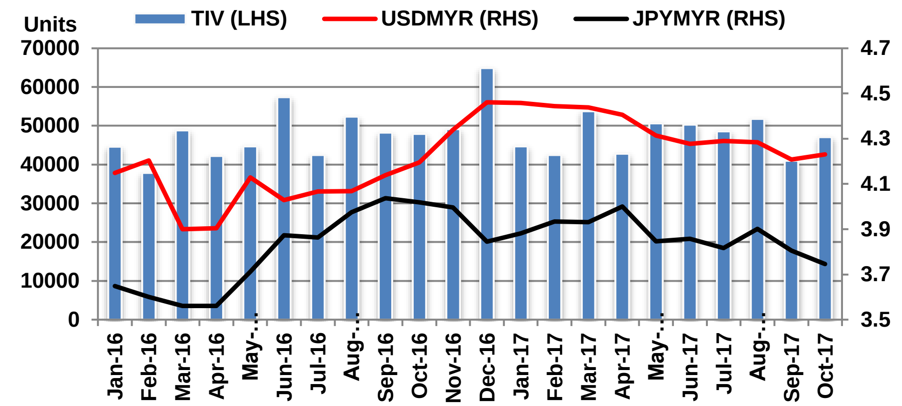
Recommendation: NEUTRAL

YTD TIV grew marginally by 1.4% YoY. As of October 2017, new vehicle sales volume in Malaysia increased 1.4% YoY to 472,723 units, making up 80.1% of the Malaysia Automotive Association (MAA)'s forecast of 590,000 units. The local brands' sales, i.e. Proton sales volume improved by 6.3%, while Perodua was flattish at 0.6% YoY to 229,451 units. For non-national brands', Nissan and Mazda recorded a sales declined by 30.7% and 27.8% YoY. Meanwhile Honda and Toyota sales boosted by 22.9% and 11.0% YoY respectively. Overall, Perodua and Honda still led the TIV at market share of 35.6% and 18.6% respectively. MAA is forecasting a 4.9% growth of vehicle sales in 2018 to 619,000 units.

Easing cost pressures

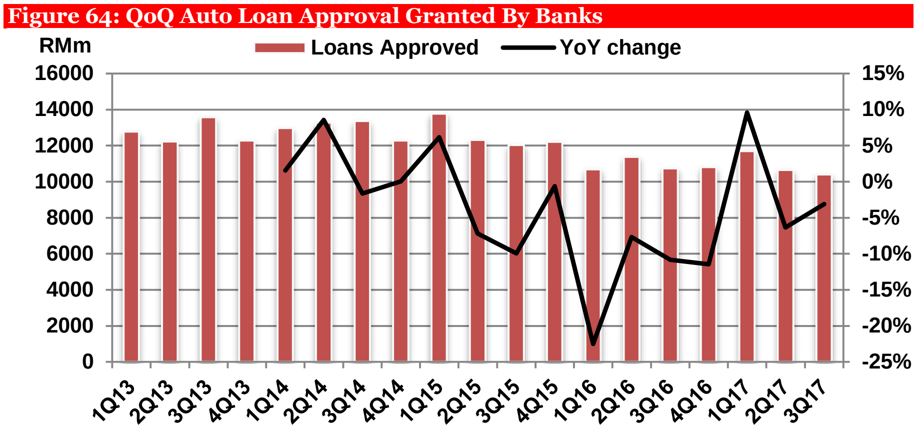
Easing cost pressures? In the early part of the year, auto players' margins were hit by a strong dollar and yen. The rates have however come off from its high of RM4.46/USD in Dec 2016 and RM4.04/100JPY in Sept 2016. This suggests that the margin of auto businesses may recover next year owing to lower imported auto parts. Currently, dollar and yen are standing at RM4.08/USD and RM3.60/100JPY respectively.

Figure 63: MoM Total Industry Volume (TIV) vs USDMYR



Source: MAA, PublicInvest Research

Figure 64: QoQ Auto Loan Approval Granted By Banks



Source: CEIC, PublicInvest Research

Improved auto loans approval. We note that YoY auto loan's approval in 2017 has shown some improvements. For YTD October 2017, auto loan approval rate was at an average of 53.6%, compared to 2016's at c.52.4%. This suggests more lenient measures from the banks to spur the slow demand.

Expect a mild recovery in the sector going forward

Outlook. We expect a mild recovery in the sector going forward, supported by improve consumer sentiment and launch of new models e.g. Perodua Myvi and Mazda CX-5. Nonetheless, volatility in petrol fuel prices after the removal of subsidy from the government and low consumer confidence may hinder new demand. Hence, our ***Neutral*** call on the sector. For exposure, we like **Bermaz Auto** due to its asset light business model and potential higher dividend upon its Philippines' unit listing. Sales volume for Mazda seen rebounding at 1k level in October 2017 and expected to improve further in 2HFY18 due to the recent launched of new CX-5 and CX-9 in 4QCY17.

Media – Fragmented Traditional Media Landscape

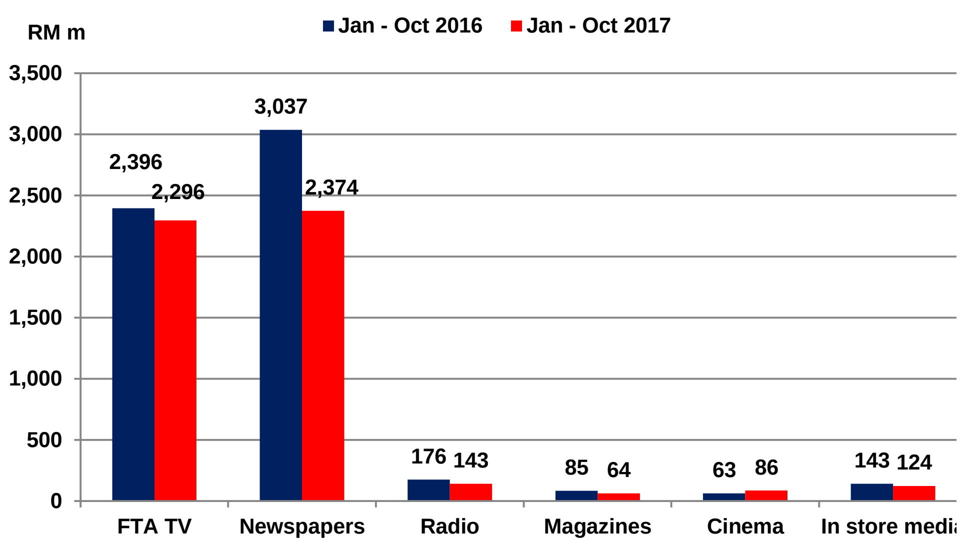
Recommendation: NEUTRAL

Anticipate flat to marginal advertising expenditure (adex) growth for 2018

Adex outlook. We anticipate flat to marginal advertising expenditure (adex) growth for 2018. The 14th General Election and FIFA World Cup which will be held in 2018 are expected to serve as short-term catalysts for 2018 adex. Campaigns in anticipation of the next general election could provide some cushion to the ailing traditional media adex. That said, we maintain our ***Neutral*** call on the sector as we are cautious on the traditional media adex outlook and we expect the sector to remain lacklustre in the near term.

Deteriorating adex. According to latest Nielsen data, the total gross adex for traditional media declined by 13.8% YoY in the first ten months of 2017 despite having several adex-friendly events held in the year (i.e. 29th SEA Games, 60th National Day, 9th ASEAN Para Games). Magazines (-25.0% YoY) and newspapers adex (-21.8% YoY) which continued to record double digit contraction were the worst performers among the traditional media platforms. FTA TV reported a marginal decline of 4.2% YoY, while radio and in-store media dropped by 18.7% and 12.9% YoY respectively. Cinema was the only platform recorded positive adex growth (+35.4% YoY) in the first ten months of 2017.

Figure 65 : Jan to Oct Gross Adex

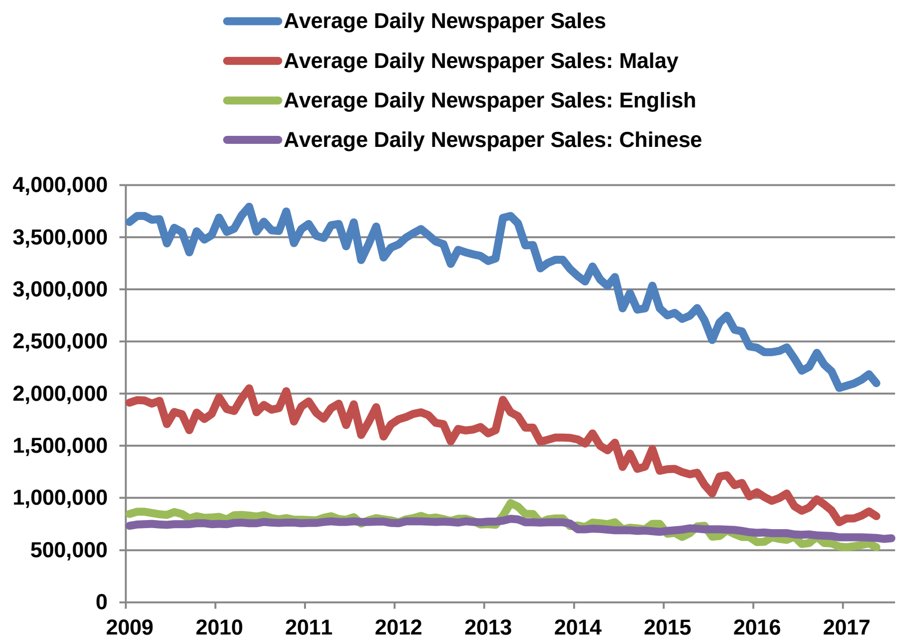


Source: Nielsen Media Research, PublicInvest Research

Consumers' media consumption habits and advertisers' advertising budgets continued to shift from traditional platforms to digital media

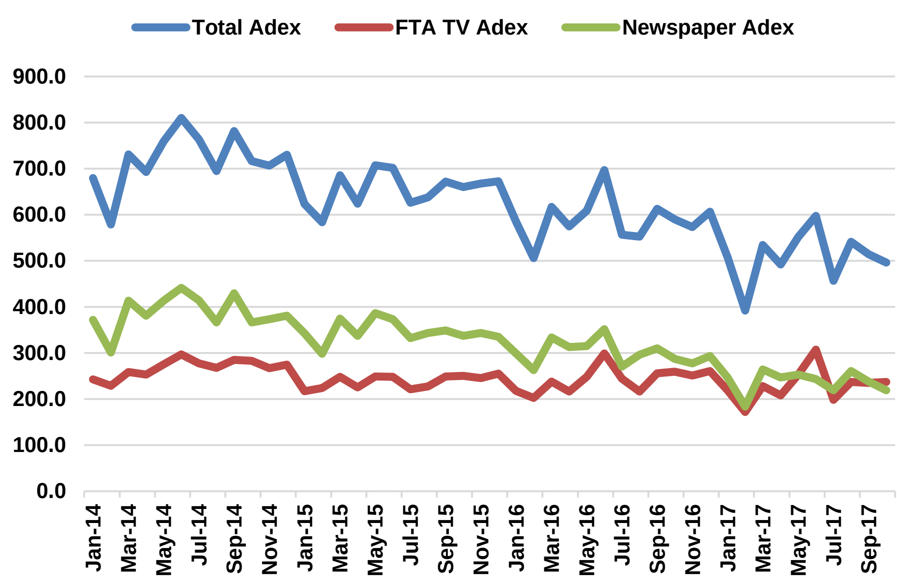
Continuing shifting of trends. With Malaysia's internet penetration rate reaching 76.9% in 2016, consumers' media consumption habits and advertisers' advertising budgets continued to shift from traditional platforms to digital media. A continuous drop in printed newspapers' circulation numbers and adex bear growing evidence of the shift (refer to Figure 66 & 67). We maintain our view that traditional media business (especially print) is likely to be cannibalised by digital media in the long term, as the latter is relatively cheap and able to reach a wider audience more effectively by harnessing data and technology. Although media companies have reviewed their strategies, implemented transformation plans and diversified revenue streams into non-traditional platforms to mitigate the soft adex market, we do not expect any significant positive returns to be realised in the near future. Therefore, the decline in traditional earnings is not likely to be fully compensated by the new digital businesses.

Figure 66: Malaysian Average Daily Newspapers Sales



Source: CEIC

Figure 67 : Jan-2014 to Oct-2017 Gross Adex



Source: Nielsen Media Research, PublicInvest Research

Lower dividend payout. Historically, media companies have been paying attractive dividends owing to their steady earnings flow and huge cash pile. However, the changing media landscape has impacted the traditional media adex and media companies' earnings, limiting media companies' ability to sustain their dividends. Given the depleting cash pile, we anticipate lower dividend payout from media companies under our coverage, particularly Media Prima and Star.

Table 21: PublicInvest Research Stock Coverage (Prices as at 14 December, 2017)

	Call	Mkt Cap. RM'm	Current Price	Target Price	Upside	EPS 2017 (sen)	EPS 2018 (sen)	P/E 2017 (x)	P/E 2018 (x)
Airlines									
Air Asia	Outperform	10,894.51	3.26	3.69	13.2%	53.2	46.2	6.1	7.1
Air Asia X	Neutral	1,389.63	0.335	0.38	13.4%	3.4	4.8	9.9	7.0
Auto									
DRB-Hicom	Trading Buy	3,363.83	1.74	2.19	25.9%	(51.4)	(39.9)	-	-
Bermaz Auto	Outperform	2,493.65	2.16	2.41	11.6%	10.3	11.2	21.0	19.3
Building Materials									
Chln Hin Group	Outperform	656.54	1.18	1.40	18.6%	6.5	10.4	18.2	11.3
Construction									
Gamuda	Outperform	11,662.74	4.75	6.20	30.5%	24.5	30.8	19.4	15.4
IJM Corporation	Outperform	9,977.73	2.75	3.40	23.6%	18.1	17.6	15.2	15.6
TRC Synergy	Outperform	293.10	0.61	0.82	34.4%	6.8	7.7	9.0	7.9
Hock Seng Lee	Neutral	807.79	1.47	1.55	5.4%	8.1	12.1	18.1	12.1
WCT Holdings	Neutral	2,110.21	1.50	1.80	20.0%	9.5	11.2	15.8	13.4
JAKS Resources	Neutral	748.98	1.52	1.50	-1.3%	8.3	16.1	18.3	9.4
Consumer									
DKSH Holdings	Outperform	641.67	4.070	5.80	42.5%	33.9	35.6	12.0	11.4
Yee Lee Corporation	Outperform	411.95	2.150	2.42	12.6%	19.9	23.6	10.8	9.1
QL Resources	Neutral	6,944.04	4.28	4.16	-2.8%	12.1	12.8	35.4	33.4
NTPM Holdings	Neutral	758.10	0.68	0.61	-9.6%	4.4	3.1	15.2	21.9
Parkson Holdings	Neutral	554.95	0.52	0.75	44.2%	(11.2)	4.8	-	10.8
3A Resources	Neutral	526.44	1.07	1.17		7.3	7.8		
Kumpulan Fima	Neutral	443.10	1.57	1.72	9.6%	10.7	12.2	14.7	12.9
London Biscuits	Neutral	125.91	0.675	0.82	21.5%	8.6	10.3	7.8	6.6
Financials									
CIMB Group Holdings	Trading Buy	58,766.71	6.37	6.60	3.6%	49.5	54.2	12.9	11.8
AMMB Holdings	Trading Buy	13,262.41	4.40	5.00	13.6%	43.9	44.7	10.0	9.8
Gaming									
Genting	Outperform	35,385.53	9.25	11.50	24.3%	50.1	54.8	18.5	16.9
Berjaya Toto	Trading Buy	3,044.22	2.26	2.98	31.9%	17.9	19.0	12.6	11.9
Genting Malaysia	Neutral	32,253.41	5.69	5.05	-11.2%	21.5	26.9	26.5	21.2
Magnum	Neutral	2,433.25	1.71	1.92	12.3%	13.3	14.3	12.9	12.0
Gloves									
Top Glove Corporation	Outperform	8,557.84	6.82	7.86	15.2%	26.1	32.5	26.1	21.0
Hartalega Holdings	Neutral	15,827.43	9.58	7.98	-16.7%	17.3	24.5	55.4	39.1
Kossan Rubber	Neutral	4,987.85	7.80	8.05	3.2%	31.0	37.4	25.2	20.9
Healthcare									
Apex Healthcare	Outperform	632.59	5.40	5.92	9.6%	35.7	38.7	15.1	14.0
IHH Healthcare	Neutral	47,045.32	5.71	5.79	1.4%	6.7	9.1	85.2	62.7
KPJ Healthcare	Neutral	3,901.99	0.93	0.90	-2.7%	3.3	3.6	28.0	25.7
IT/Services									
Prestariang	Outperform	718.63	1.49	1.85	24.2%	4.1	9.2	36.3	16.2
N2N Connect	Outperform	450.99	0.96	1.53	59.4%	3.5	6.1	27.4	15.7
Logistics									
Century Logistics	Outperform	404.58	1.03	1.39	35.0%	5.0	6.3	20.6	16.3
Manufacturing									
VS Industry	Outperform	3,935.19	3.10	2.83	-8.7%	9.8	14.6	31.6	21.2
SKP Resources	Outperform	2,850.43	2.28	2.39	4.8%	8.3	11.2	27.5	20.4
SCGM	Outperform	505.85	2.62	3.02	15.3%	11.9	13.2	22.0	19.8
Johore Tin	Outperform	378.77	1.22	1.62	32.8%	10.1	15.5	12.1	7.9
Magni-Tech Industries	Neutral	929.20	5.71	6.40	12.1%	69.1	60.4	8.3	9.5
Media									
Astro Malaysia	Outperform	13,712.51	2.63	3.24	23.2%	12.0	14.2	21.9	18.5
Star Media Group	Neutral	1,062.54	1.44	1.45	0.7%	4.9	7.4	29.4	19.5
Media Prima	Underperform	676.61	0.61	0.68	11.5%	(9.2)	1.8	-	33.9
Oil and Gas									
Dialog	Outperform	13,870.24	2.46	2.89	17.5%	6.9	9.7	-	25.4
Sapura Energy	Outperform	4,823.68	0.81	1.69	109.9%	7.1	(0.9)	11.3	
									(89.4)
Bumi Armada	Outperform	4,341.04	0.74	0.90	21.6%	7.9	9.3	9.4	8.0
Petron Malaysia	Outperform	3,580.20	13.26	14.46	9.0%	160.0	148.0	8.3	9.0
Serba Dinamik	Outperform	4,245.30	3.18	3.50	10.1%	19.7	25.0	-	12.7
Hibiscus Petroleum	Outperform	1,281.46	0.83	1.06	27.7%	7.3	18.7	-	4.4

Dayang Enterprise	Outperform	583.71	0.61	1.00	65.3%	4.2	10.0	14.4	6.1
Uzma	Outperform	422.44	1.32	2.07	56.8%	15.7	18.8	8.4	7.0
Wah Seong Corporation	Neutral	904.18	1.17	1.31	12.0%	8.0	13.1	14.6	8.9
Petra Energy	Neutral	272.81	0.85	0.95	11.8%	(4.6)	9.5	-	8.9
Daya Materials	Neutral	143.01	0.07	0.07	0.0%	0.4	0.9	17.5	7.8
Power									
Tenaga Nasional	Outperform	87,369.51	15.42	17.02	10.4%	121.5	130.0	12.7	11.9
Mega First Corporation	Outperform	1,412.82	3.62	4.48	23.8%	40.2	36.9	9.0	9.8
Malakoff Corporation	Trading Buy	4,674.51	0.94	1.29	38.0%	5.9	4.6	15.8	20.3
Cypark Resources	Neutral	666.08	2.55	2.62	2.7%	20.5	31.4	12.4	8.1
Property									
SP Setia	Outperform	10,283.38	3.40	4.50	32.4%	27.9	23.2	12.2	14.7
UEM Sunrise	Outperform	4,900.43	1.08	1.50	38.9%	6.6	6.9	16.4	15.7
E & O	Outperform	1,828.12	1.40	2.00	42.9%	7.0	5.5	20.0	25.5
LBS Bina Group	Outperform	1,584.51	2.32	2.45	5.6%	14.6	19.5	15.9	11.9
Yong Tai	Outperform	617.07	1.41	2.25	59.6%	1.9	8.8	74.2	16.0
I-Berhad	Outperform	534.34	0.53	0.91	71.7%	5.8	7.6	9.1	7.0
IGB Corporation	Neutral	3,952.80	2.96	3.00	1.4%	24.5	19.9	12.1	14.9
TAHPS Group	Neutral	508.25	6.79	7.37	8.5%	22.6	23.2	30.0	29.3
Plantations									
Sime Darby Plantation	Outperform	35,840.42	5.27	Review	-	13.9	21.5	37.9	24.5
Genting Platations	Outperform	8,257.30	10.28	12.93	25.8%	41.0	48.7	25.1	21.1
IOI Corporation	Neutral	28,088.85	4.47	4.65	4.0%	16.2	17.3	27.6	25.8
KL Kepong	Neutral	26,070.36	24.48	25.18	2.9%	103.2	113.9	23.7	21.5
TSH Resources	Neutral	2,278.22	1.65	1.87	13.3%	9.1	9.4	18.1	17.6
Felda Global Ventures	Under Review	6,347.78	1.74	Review	-	**3.4**	**3.8**	51.2	45.8
Telecommunications									
Axiata Group	Neutral	48,496.92	5.36	4.70	-12.3%	15.4	16.1	34.8	33.3
Maxis	Neutral	46,394.75	5.94	6.10	2.7%	25.2	23.7	23.6	25.1
Digi	Neutral	37,086.75	4.77	5.00	4.8%	20.0	19.8	23.9	24.1
Telekom Malaysia	Neutral	23,148.88	6.16	6.00	-2.6%	22.7	23.7	27.1	26.0
Timber									
Ta Ann Holdings	Outperform	1,578.49	3.55	4.14	16.6%	28.8	29.6	12.3	12.0

Source: PublicInvest Research

RATING CLASSIFICATION

STOCKS

OUTPERFORM	The stock return is expected to exceed a relevant benchmark's total of 10% or higher over the next 12months.
NEUTRAL	The stock return is expected to be within +/- 10% of a relevant benchmark's return over the next 12 months.
UNDERPERFORM	The stock return is expected to be below a relevant benchmark's return by -10% over the next 12 months.
TRADING BUY	The stock return is expected to exceed a relevant benchmark's return by 5% or higher over the next 3 months but the underlying fundamentals are not strong enough to warrant an Outperform call.
TRADING SELL	The stock return is expected to be below a relevant benchmark's return by -5% or more over the next 3 months.
NOT RATED	The stock is not within regular research coverage.

SECTOR

OVERWEIGHT	The sector is expected to outperform a relevant benchmark over the next 12 months.
NEUTRAL	The sector is expected to perform in line with a relevant benchmark over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform a relevant benchmark over the next 12 months.

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