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18 March 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1559.0	-27.3	-1.7
Catalist	64.9	1.2	1.9
Finance	354.6	-10.3	-2.8
Property	306.5	-3.7	-1.2
Electronics	289.2	-6.8	-2.3
Vol (m)	1002.4	5.2	0.5
Val (S\$m)	829.7	-27.8	-3.2

World Indices			
	Close	Chg	% Chg
Dow Jones	7395.7	178.7	2.5
Nasdaq	1462.1	58.1	4.1
S&P500	778.1	24.2	3.2
FTSE	3857.1	-6.9	-0.2
KLCI	841.9	1.0	0.1
Hang Seng	12878.1	-98.6	-0.8
Nikkei	7949.1	245.0	3.2
SET	422.3	-2.3	-0.5
KOSPI	1163.9	38.4	3.4
TWSE	5041.4	70.1	1.4

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		182	
No. of losers		218	
No. of unchanged		181	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.7	0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.3	0.0
Crude futures (US\$)	48.8	-0.4

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Key Idea

Golden Agri-Resources Ltd: Still no near-term catalyst

Golden Agri-Resources (GAR), after the recent correction from a high of S\$0.34 in early Feb, has been languishing around current levels, mainly due to the lack of short-term catalysts. In the near to medium term, there is likely limited upside for CPO prices - industry experts expect CPO to trade within a narrow range of MYR1500-2100/ton in 2H09. At the recently concluded 20th Palm and Lauric Oils Conference/Exhibition 2009 in Kuala Lumpur, these industry experts believe the pressure on CPO prices will come from an increase in output, weaker soybean oil prices and declining demand from countries such as China and India due to the global economic slowdown. Although we do not see any near-term catalysts, we believe that most, if not all, of the negatives have been priced in. Hence we maintain our **HOLD** rating and S\$0.30 fair value (based on an undemanding 6x FY09 PER). We would still be buyers closer to S\$0.25.

News Headlines

- SingTel has pumped in another US\$25m into Pacific Bangladesh Telecom Ltd to take its total investment in this associate to US\$143m.
- CapitaLand said its rights issue is 122.1% subscribed, and that Temasek Holdings has taken up its entire pro rata entitlement of 560.2m shares.
- Olam has renewed a one-year revolving multicurrency trade facility and upsized it to US\$170m.
- Workers at Keppel Corp's Cebu shipyard in the Philippines filed a strike notice after the announcement of a redundancy programme that would see the loss of some 200 jobs.
- Sentosa Development Corporation said it will give its tenants a 15% rent rebate.
- Tung Lok Restaurants expects to report a loss for FY09, partly due to the economic slowdown, start-up costs for new restaurants and higher operating costs.
- Shangri-La Asia reported a 51% fall in FY08 net profit to US\$165.9m although sales rose 11% to US\$1.35b.
- An affiliate of City Developments will divest 50% of its stake in MindChamps Holdings for S\$3.5m.
- Asia-Pacific Strategic Investments proposed a renounceable underwritten rights issue of 590m warrants to raise net proceeds of about S\$5.6m.
- Hsu Fu Chi International said the Guangdong provincial government has issued the "High and New Technology Enterprise Status" to its unit, Dongguan Hsu Fu Chi Food.
- A unit of BH Global has signed an MOU with Al Lawami International to set up a galvanised steel wire manufacturing plant in Oman.

Source: MasNet, Bloomberg, Business Times, Straits Times and others

Golden Agri-Resources Ltd: Still no near-term catalyst

Muted CPO outlook. Golden Agri-Resources (GAR), after the recent correction from a high of S\$0.34 in early Feb, has been languishing around current levels, mainly due to the lack of short-term catalysts. Being one of the largest palm oil plantation owners around, GAR is more susceptible to fluctuations in crude palm oil (CPO) prices (Exhibit 1). And in the near to medium term, there is likely limited upside for CPO prices, as industry experts expect CPO to trade within a narrow range of MYR1500-2100/ton in 2H09. At the recently concluded 20th Palm and Lauric Oils Conference/Exhibition 2009 in Kuala Lumpur, these industry experts believe the pressure on CPO prices will come from an increase in output, weaker soybean oil prices and declining demand from countries such as China and India due to the global economic slowdown.

No boost from crude oil. Meanwhile, we also do not expect CPO prices to get any boost from crude oil prices, which are not expected to show any strong recovery due to the still weakening global economy. Although crude oil prices appear to have stabilised around US\$40-50/barrel, we note it was mainly due to a cut in supply, rather than a pick up in demand. In any case, CPO prices have actually risen back above crude oil on a per barrel comparison (Exhibit 2). While this shows that there is still underlying support for CPO prices, due to demand as cooking oil, the flip side is that CPO is not cost viable as a fuel replacement without hefty subsidies.

Worst may be over. But we believe that the worst may be over. For one, GAR should benefit from the easing fertiliser prices, although we expect the bulk of the impact to come in 2Q09. And even if CPO prices stagnate (our assumption is US\$500/ton), GAR's revenue should still get a boost from the expected 7-10% increase in production. Finally, GAR has also put in measures - both operationally and fiscally - to prepare for what it sees as a challenging year. Key among these will be more prudent spending - GAR expects to cap its capex to US\$200m.

Maintain HOLD. Although we do not see any near-term catalysts, we believe that most, if not all, of the negatives have been priced in. Hence we maintain our **HOLD** rating and S\$0.30 fair value (based on an undemanding 6x FY09 PER). We would still be buyers closer to S\$0.25. **(Carey Wong)**

Monday	Tuesday	Wednesday	Thursday	Friday
16-Mar	17-Mar	18-Mar	19-Mar	20-Mar
US Feb Industrial Production	SG Feb NODX US Feb PPI US Feb Housing Starts	US CPI US 4Q Current Account Balance	US Mar FOMC Rate Decision US Feb Leading Indicators	
23-Mar	24-Mar	25-Mar	26-Mar	27-Mar
SG Feb CPI	US Jan House Price Index	US Feb Durable Goods Orders	SG Feb Indust Production US 4Q GDP QoQ	US Mar U of Michigan Confidence China Feb Indust Profits YoY
30-Mar	31-Mar	01-Apr	02-Apr	03-Apr
	SG Feb Money Supply SG Feb Bank Loans & Advances US Mar Consumer Confidence	US Mar ISM Manufacturing	US Feb Factory Orders	US Mar Unemployment Rate US Mar ISM Non-Manf Composite
06-Apr	07-Apr	08-Apr	09-Apr	10-Apr
		US Feb Wholesale Inventories	US Feb Trade Balance	China Mar Trade Bal(11 Apr)
13-Apr	14-Apr	15-Apr	16-Apr	17-Apr
SPH 2Q09	US Mar PPI US Mar Advance Retail Sales	SG Feb Retail Sales US Mar CPI US Mar Indust Production	China 1Q Real GDP US Mar Housing Starts	SG Mar NODX/SG Mar Electronic Exports China Mar PPI/China Mar CPI China Mar Retail Sales/China Mar Ind Prod China Mar Fixed Assets Inv US Apr U of Michigan Confidence

Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday
All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

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