

3 April 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1803.3	101.1	5.9
Catalist	69.2	1.5	2.3
Finance	423.3	25.1	6.3
Property	366.3	21.9	6.4
Electronics	357.0	9.4	2.7
Vol (m)	1842.7	1017.2	123.2
Val (S\$m)	1693.4	913.7	117.2

World Indices			
	Close	Chg	% Chg
Dow Jones	7978.1	216.5	2.8
Nasdaq	1602.6	51.0	3.3
S&P500	834.4	23.3	2.9
FTSE	4125.0	169.4	4.3
KLCI	905.1	20.9	2.4
Hang Seng	14522.0	1002.4	7.4
Nikkei	8719.8	367.9	4.4
SET	443.0	12.9	3.0
KOSPI	1277.0	43.6	3.5
TWSE	5473.8	159.3	3.0

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		434	
No. of losers		113	
No. of unchanged		129	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	99.6	0.0
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.2	0.0
Crude futures (US\$)	52.2	-0.5

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Key Idea

Golden Agri-Resources Ltd: Most negatives reflected

Golden Agri-Resources (GAR), after the recent correction from a high of S\$0.34 in early Feb, has been languishing around S\$0.29-0.30, where we believe that the current share price should have captured most, if not all, of the negative news. Although there is still some uncertainty about the global economy, we believe that the worst may be over. In the recent run-up in the market, most plantation stocks have also been re-rated, as investors cautiously shift towards early-cycle recovery plays such as commodities. Based on yesterday's closing prices, we note that the sector average is now hovering around 8.9x FY09F EPS. As such, we will also raise our valuation multiple from a very conservative 6x to 8x FY09F EPS, which in turn bumps up our fair value estimate from S\$0.29 (adjusted for the recent bonus issue) to S\$0.40. Given the 40% upside potential, we also raise our rating from Hold to **BUY**.

News Headlines

- World leaders agreed to a US\$1 trillion deal yesterday to combat the deepest economic downturn since the Great Depression.
- Najib Razak will be sworn in as Malaysia's sixth prime minister today.
- A unit of Sembcorp Marine has won the contract to repair, refurbish, upgrade and provide related services for BG LNG carriers that trade in the Far East.
- Ascendas India Trust's S\$50m loan has been refinanced by Citibank and DBS Bank.
- Chip Eng Seng Corporation has secured loan facilities of S\$60m for repayment of notes issued by a subsidiary.
- Sunshine Holdings has been requested by banks to appoint an adviser to conduct a financial review, with a view to restructuring a term loan.
- The SGX has reprimanded Dayen Environmental for a host of breaches, and has directed it to appoint an independent auditor for further investigations.
- The auditors of Guangzhao Industrial Forest Biotechnology Group have steered clear of expressing an opinion on the group's FY08 financial statements.
- A unit of HLH Group has entered into a contract with the Ministry of Environment, Kingdom of Cambodia, to develop 9,985 hectares of concession lands located at Oral Mountain, Cambodia.
- Courts Singapore has sold its 30-year-old freehold store in Upper Bukit Timah Road for S\$25m, but will lease back the premises from buyer Sim Lian Holdings Pte Ltd for two years.

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

Golden Agri-Resources Ltd: Most negatives reflected

Most negative news reflected. Golden Agri-Resources (GAR), after the recent correction from a high of S\$0.34 in early Feb, has been languishing around S\$0.29-0.30, where we believe that the current share price should have captured most, if not all, of the negative news. In fact, we are starting to see some signs of stability in both crude oil prices as well as CPO prices. (See Exhibit 1 for recent price trends), although industry experts at the recently concluded 20th Palm and Lauric Oils Conference/Exhibition 2009 in Kuala Lumpur expect CPO to trade within a narrow range of MYR1500-2100/ton in 2H09. However, even at the bottom of this range, which is around US\$416/ton, we still expect GAR to remain profitable as its cost of production is less than US\$250/ton.

Worst may be over. Although there is still some uncertainty about the global economy, we believe that the worst may be over. For one, we continue to see pretty inelastic demand for CPO as cooking oil - a basic necessity. And should there be a prolonged economic slump, we may even see an increase in demand for CPO as a cheaper substitute by both consumers and even companies. Meanwhile, we also expect GAR to benefit from the easing fertiliser prices, which we understand have fallen by some 30% from the peak in 2H08, although we expect the bulk of the impact to come in 2Q09. And even if CPO prices stagnate around here (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, down from US\$244m in FY08.

Re-rating of plantation stocks. In the recent run-up in the market, most plantation stocks have also been re-rated, as investors cautiously shift towards early-cycle recovery plays such as commodities. Based on yesterday's closing prices, we note that the sector average (see Exhibit 2) is now hovering around 8.9x FY09F EPS. As such, we will also raise our valuation multiple from a very conservative 6x to 8x FY09F EPS, which in turn bumps up our fair value estimate from S\$0.29 (adjusted for the recent bonus issue) to S\$0.40. Given the 40% upside potential, we also raise our rating from Hold to **BUY**. (*Carey Wong*)

Monday	Tuesday	Wednesday	Thursday	Friday
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
20-Apr	21-Apr	22-Apr	23-Apr	24-Apr
US Mar Leading Indicators			SG Mar CPI	
27-Apr	28-Apr	29-Apr	30-Apr	01-May
			SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Employment Rate	

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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