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Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	2028.7	108.4	5.6
Catalist	79.0	3.2	4.2
Finance	499.1	40.2	8.8
Property	407.6	22.2	5.8
Electronics	429.3	15.6	3.8
Vol (m)	2849.9	824.5	40.7
Val (S\$m)	2370.6	587.3	32.9

World Indices			
	Close	Chg	% Chg
Dow Jones	8426.7	214.3	2.6
Nasdaq	1763.6	44.4	2.6
S&P500	907.2	29.7	3.4
FTSE	4243.2	-0.5	0.0
KLCI	1009.4	18.6	1.9
Hang Seng	16381.1	860.1	5.5
Nikkei	8977.4	149.1	1.7
SET	506.3	14.6	3.0
KOSPI	1397.9	28.6	2.1
TWSE	6330.4	337.8	5.6

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		461	
No. of losers		133	
No. of unchanged		132	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.9	0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.0	0.0
Crude futures (US\$)	54.5	0.0

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Key Idea

Semiconductor Industry: No clear signs of sustainable recovery yet

The Philadelphia Semiconductor Index had shot up 29.7% since March 2009 amid early optimism of a market recovery. In stark contrast to the negative outlook given just towards the end of 2008, major semicon companies are now citing improvements in orders and better utilization rates. However, we note that there is scant evidence that points to a sustainable recovery in semicon demand. Nearly all sectors in the electronics industry were poised to report dismal performances in 2009, as consumers cut spending in face of the global recession. Moreover, it is likely to continue to be mired by great uncertainty and limited visibility while the crisis plays out. Until we see clearer signs of a firming up in the semicon demand, backed by leading indicators and economic data, we maintain our **UNDERWEIGHT** rating for the semicon industry. Additionally, we keep our **HOLD** ratings on Avi-Tech (Fair Value: S\$0.11) and MMH (FV: S\$0.19), and **SELL** rating on Chartered (FV: S\$0.08 before share consolidation).

More reports:

- **Koda Ltd: Expects a loss in 3Q09**
- **Foreland Fabrictech: Faces 1Q09 Blues**

News Headlines

- Independent directors of China Sun Bio-Chem have released an update on the company to inform shareholders of recent developments and their "serious concerns".
- A-Reit has signed a deal with SingTel to develop a high-tech industrial building at Kim Chuan Road for S\$175.4m.
- Hi-P International reported a 9.6% YoY fall in 1Q09 revenue to S\$244m and a 8.5% fall in net profit to S\$22.5m.
- Kingboard Copper Foil has received an offer from its parent firm to take it private.
- Cosco Corp Singapore has won an order from Mitsui Ocean Development and Engineering to convert an oil tanker into a FPSO vessel.
- The Chinese buyer who failed to make outstanding payment to MCL Land for 20 units at The Fernhill when the project received its TOP recently has sealed a deal to sell 19 of the units.
- Pine Agritech has warned of a loss for 1Q09 as its operations and financial results were hit by the global economic slowdown.
- Ban Leong Technologies expects to declare a loss for FY09 as the economic downturn towards the end of 2008 "had a negative impact" on business activities.
- Craft Print International expects to record a loss for 1H09 as revenue was lower than anticipated with customers holding back orders.

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

Semiconductor Industry: No clear signs of sustainable recovery yet

Market rally on improvement in businesses... The Philadelphia Semiconductor Index had shot up 29.7% since March 2009 amid early optimism of a market recovery. In stark contrast to the negative outlook given just towards the end of 2008, major semicon companies, including foundries like TSMC and UMC, are now citing improvements in orders and better utilization rates. A report released over the weekend by Semiconductor Industry Association (SIA) had also suggested that the semicon demand has stabilized somewhat, with global sales up 3.3% MoM in March vs. 7.6% MoM decline in February.

...notwithstanding the losses seen in 1Q09. Under our coverage, Chartered Semiconductor and Micro-Mechanics (MMH) had similarly cited demand pickup during the period, partly buoyed by introduction of new products and/or inventory re-stocking. However, as with many companies, the improved orders were not enough to bring them back to profitability. As such, both Chartered (UMC and SMIC alike) and MMH registered significant losses in 1Q09. For Chartered, it was hit by lower revenue, high fixed costs and lower utilization rates. As for MMH, it was mainly dragged down by low business volumes, high fixed costs at its Custom Machining & Assembly (CMA) plant in US, and to a lesser extent, price pressure. We believe we may see downside earnings surprise for Avi-Tech Electronics (due to report soon) as well.

Maintain UNDERWEIGHT - no clear signs of sustainable recovery. In the near term, we also note that there is scant evidence that points to a sustainable recovery in semicon demand. Nearly all sectors in the electronics industry (key markets for semicon industry) were poised to report dismal performances in 2009, as consumers cut spending in face of the global recession. Moreover, it is likely to continue to be mired by great uncertainty and limited visibility while the crisis plays out. As it is, industry watcher Gartner has recently projected the Asia-Pacific chip market to fall 22.7% to US\$115.2b and global semicon revenue to fall 24.1% to US\$194.5b in 2009. Until we see clearer signs of a firming up in the semicon demand, backed by leading indicators and economic data, we maintain our **UNDERWEIGHT** rating for the semicon industry. Additionally, we keep our **HOLD** rating on Avi-Tech (Fair Value: S\$0.11) and MMH (FV: S\$0.19), and **SELL** rating on Chartered (FV: S\$0.08 before share consolidation), as the latter may not be able to return to profitability in FY10 and its re-financing issues continue to be a concern. *(Kevin Tan)*

Koda Ltd: Expects a loss in 3Q09

Koda Ltd (Koda) has issued a profit guidance, warning shareholders that it expects to slip into a loss in 3Q09 vs. a US\$0.5m profit in 3Q08. This warning does not come as a surprise. Management had previously sounded the alarm bell and highlighted that the prolonged global economic recession would hurt its sales, resulting in capacity under-utilisation and thinning profit margins. In addition, its seasonally weak 3Q will be dragged down by shorter working months due to the festive holidays. We believe that Koda's poor earnings outlook has largely been anticipated by the market and reflected in its beaten down valuations. We will instead shift our focus to the group's balance sheet health, gearing and receivables during its upcoming 3Q09 earnings announcement on 15 May 09, which we project should remain relatively robust. More details will be announced then. For now, we retain our **HOLD** rating and S\$0.145 fair value estimate on the stock. *(Lee Wen Ching)*

(OCBC Investment Research Pte Ltd (OIR) produced this report under the SGX Research Incentive Scheme. OIR is compensated S\$7,500 per annum for each company covered under the scheme.)

Foreland Fabrictech: Faces 1Q09 Blues

Foreland Fabrictech has announced that it expects to report a weaker performance in 1Q09 as compared to 4Q08, citing the generally weaker demand in the textile industry. However, it expects performance to improve in 2Q09 as orders have steadily been trickling in. We are not surprised as the writing has been on the wall for some time, given the rapid deceleration in China textile exports since mid-2008. We have also noted in our earlier report that the most textile factories have taken a longer-than-usual break for Chinese New Year of up to one month (as compared to one week previously) due to the lack of orders and it was no different for Foreland. And from our recent meetings with management, we believe that our forecasts have already taken a weaker overall showing for FY09 into consideration and will hold off adjusting our numbers until we see the actual 1Q09 results. For now, we maintain our **HOLD** rating and S\$0.12 fair value. *(Carey Wong)*

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Monday	Tuesday	Wednesday	Thursday	Friday
04-May	05-May	06-May	07-May	08-May
	Noble/STE 1Q09 GE 1Q09 RLS 3Q09 US Apr ISM Non-Manf Composite	OCBC 1Q09 UOB 1Q09 Ausgroup 3Q09 (est)	StarHub/Hyflux 1Q09 Sino Env 1Q09 (est) Hyflux 1Q09	Koda 3Q09 (est) DBS 1Q09 SMM 1Q09 US Apr Unemployment Rate
11-May	12-May	13-May	14-May	15-May
CDL 1Q09/SATS FY09 SIA EC 4Q09 Synear 1Q09 China Apr PPI/China Apr CPI	Food Empire/NOL/Pan Utd 1Q09 SP Ausnet FY09 China Apr Trade Bal US Mar Trade Bal	Midas/Rotary/Wilmar 1Q09 MIIF 1Q09 China Apr Retail Sales/China Apr Ind Prod US Mar Biz Inventories US Apr Imp Price Ind/US Apr Adv Retail Sales	SIA FY09 Olam 3Q09 Foreland 1Q09 Comfort Delgor 1Q09 US Apr PPI	SIA 4Q09 SG Mar Retail Sales US Apr CPI US Apr Ind Production US May U of Michigan Confidence
18-May	19-May	20-May	21-May	22-May
SG Apr NODX SG Apr Electronic Exports	US Apr Housing Starts		US May Philadelphia Fed	
25-May	26-May	27-May	28-May	29-May
SG Apr CPI	SG Apr Ind Production	CitySpring 4Q09 (est) Willas Array FY09 US Apr Existing Home Sales	Tat Hong 4Q09 US Apr Durable Good Orders US Apr New Home Sales	SG Apr Money Supply SG Apr Bank Loans & Advances US 1Q GDP US May U of Michigan Confidence
01-Jun	02-Jun	03-Jun	04-Jun	05-Jun
US Apr Personal Income US May ISM Manufacturing		US May Total Vehicle Sales US May ISM Non-Manf Composite US Apr Factory Orders		

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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