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December selloff: Winners & losers so far

KLCI: 1,699.95

Expect respite until year-end as oil finds short-term support

2015 Year-end Target: 1,970 (under review)

The December selloff... The FBM KLCI broke decisively beneath the 1,800 points level at the start of December. The breakdown was in reaction to the drop in international benchmark Brent crude oil prices below the critical USD70pb which was triggered by an OPEC decision in a late November meeting to keep its production level unchanged. Thenceforth, investors' sentiment immediately turned south as further, almost incessant, decline in crude oil prices were met with equally forceful selling bouts in the local equity market.

Winners and losers among the FBM KLCI constituents (Month-to-date up to 18 December)

Name	Price 28-Nov	Price 18-Dec	% Change
Petronas Dagangan	16.08	16.60	3.23
YTL Corp	1.58	1.63	3.16
KLCCP Stapled	6.80	6.78	-0.29
Hong Leong Bank	14.30	14.12	-1.26
Axiata Group	7.06	6.90	-2.27
IHH Healthcare	4.92	4.77	-3.05
Digi.Com	6.30	6.07	-3.65
Maxis	6.93	6.64	-4.18
Genting	9.17	8.76	-4.47
MISC	7.31	6.96	-4.79
Hong Leong Financial Group	17.70	16.70	-5.65
CIMB Group Holdings	5.83	5.50	-5.66
Public Bank	18.58	17.50	-5.81
Tenaga Nasional	14.26	13.40	-6.03
Sime Darby	9.68	9.08	-6.20
Genting Malaysia	4.22	3.95	-6.40
AMMB Holdings	6.66	6.22	-6.61
FBM KLCI	1,820.89	1,699.95	-6.64
Telekom Malaysia	7.08	6.60	-6.78
IOI Corp	4.82	4.46	-7.47
Petronas Gas	22.72	20.96	-7.75
UMW Holdings	11.28	10.34	-8.33
Malayan Banking	9.46	8.57	-9.41
Petronas Chemicals Group	5.63	5.10	-9.41
PPB Group	15.52	14.00	-9.79
British American Tobacco	70.60	62.90	-10.91
Kuala Lumpur Kepong	22.50	19.90	-11.56
RHB Capital	8.18	7.15	-12.59
Astro Malaysia Holdings	3.37	2.93	-13.06
SapuraKencana Petroleum	2.80	2.24	-20.00
Felda Global Ventures	3.30	2.31	-30.00

Source: Bloomberg, MIDFR

...begets outperformers and underperformers. For the month of December up to yesterday's close, the benchmark FBM KLCI fell -6.64% to 1,699.95 points. But despite the broad-based market selloff, there were as always, winners and losers among the constituent stocks. Some may be deemed to either possess the necessary defensive traits or to even benefit outright under the current circumstances, and vice versa. The top 3 outperformers among the market heavyweights thus far this month were (i) Petronas Dagangan, (ii) YTL Corp, and (iii) KLCC Property. On the other hand, the top 3 underperformers were (i) Felda Global, (ii) SapuraKencana, and (iii) Astro Malaysia.


Topping the performance chart, Petronas Dagangan found good buying interest so far this month. But the buying support arrived pursuant to a significant price correction in prior month as a consequence of weaker than expected third quarter earnings. YTL Corp which indirectly owns Wessex Water in the United Kingdom may see translation gains on its pound sterling-based income due to the weakening ringgit. Meanwhile, KLCC Property attracted the interest of anxious investors as it owns a portfolio of high quality, good tenanted properties which almost guarantee a secure income stream.

At the bottom-end of the list, Felda Global Ventures experience continued heavy selling as the falling crude oil exerted downward pressure on the prices of crude palm oil and other commodities. In fact, all other plantation-related constituents of the FBM KLCI underperformed (except Sime Darby, which essentially a conglomerate) thus far this month. Moreover, weak global crude oil price coupled with Petronas' capex cut have resulted in a widespread valuation de-rating among the local oil and gas companies. Hence despite its massive orderbook, SapuraKencana saw huge price decline as investors aggressively cut its previously high relative valuation. Nonetheless, we believe the market overreacted in this instance as its current valuation stands below the relative criteria. Furthermore, Astro Malaysia last week announced a slightly weaker than expected quarterly net profit amid slowing net adds for its pay-tv services. Nonetheless, the prevailing jittery market sentiment was much less tolerable to even the slightest unfavorable news.

Brent crude oil price trading pattern (from July 2014 to present)



Source: Bloomberg, MIDFR

Expect respite until year-end as crude oil finds near-term support. As observed in prior months since July this year, the price of crude oil generally weakened in the first half while buying support mostly appeared in the second half of each month. This distinct price behaviour (in the futures market) is arguably due to the prevalence of selling activities in the earlier half and short covering in the latter half of the month. Basing on the crude oil trading pattern, there is a fair chance that crude oil price may undergo a period of consolidation going forward until the year is out. Therefore, we can expect the selling pressure on FBM KLCI to equally subside. Thus we may see an end, or at least a respite, to the equity market drubbing of the past few weeks. 

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BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	Total return is expected to be <-15% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.