

07 February 2017 | Strategy-Quant

Review: Turn of the Month effect Analysis of top 5 picks for Jan/Feb 2017 cycle

KLCI: 1,691.24 points

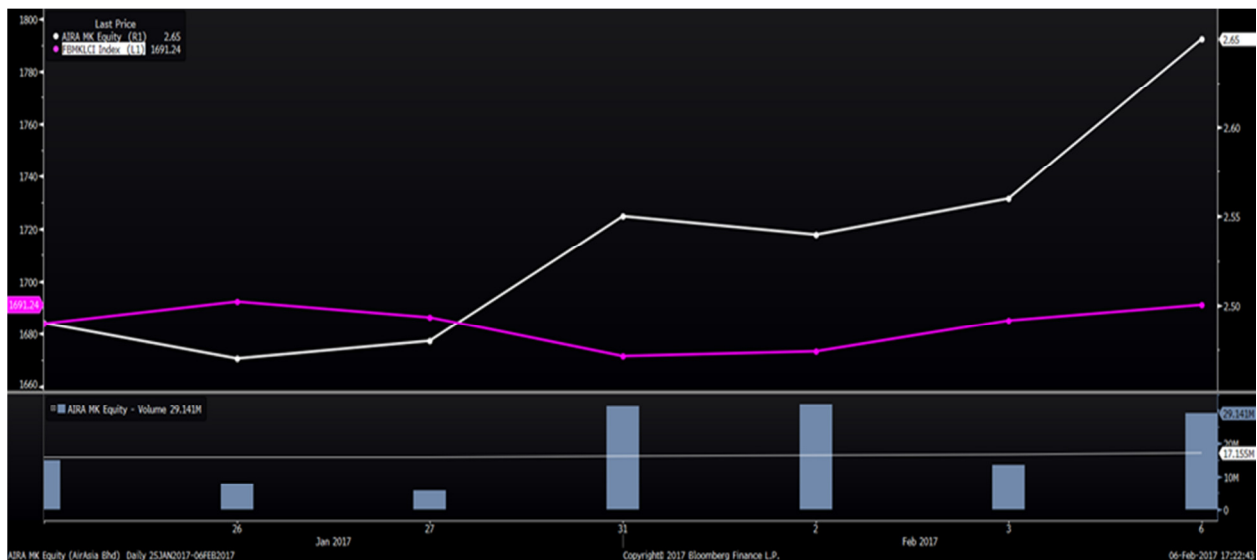
2017 Year-end Target: 1,830 points

Turn of the Month effect. Referring to our report dated 25 January 2017, we have analysed our 5 top picks based on the Turn of the Month Effect for January/February 2017 cycle. Our findings show that 4 out of the 5 top picks experienced an increase in their respective stock price on absolute basis during the turn of the month strategic days. The gainers are Air Asia, Hong Leong Financial Group, Gamuda and CIMB.

ANALYSIS OF THE TOP 5 PICKS

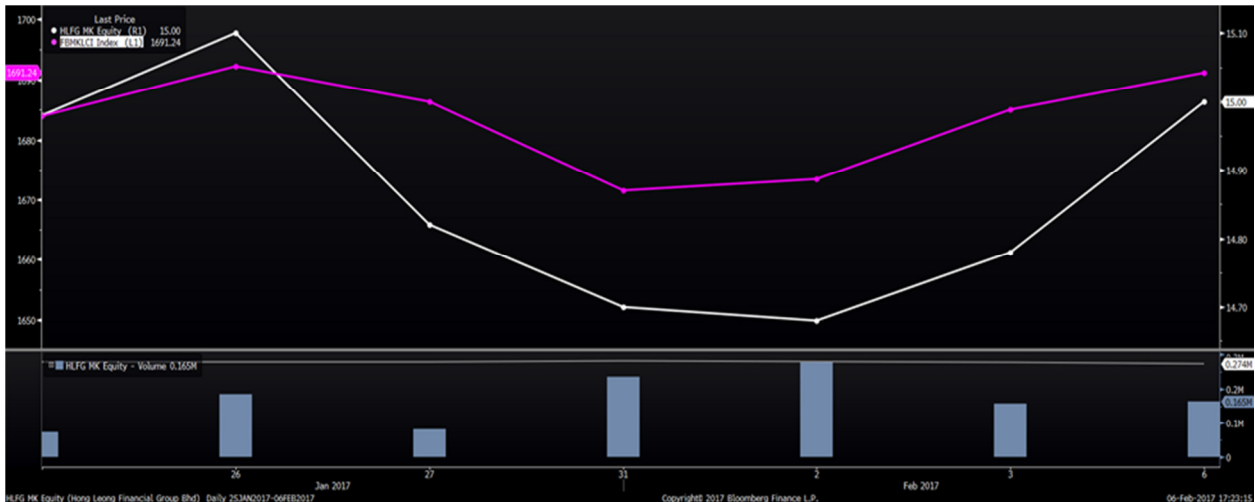
Top 5 picks. We list below our top 5 stocks recommendation together with the review analysis for the January/February 2017 cycle of the turn of the month strategic days:

- AirAsia (BUY; TP: RM3.45; EPR: 30.2%)



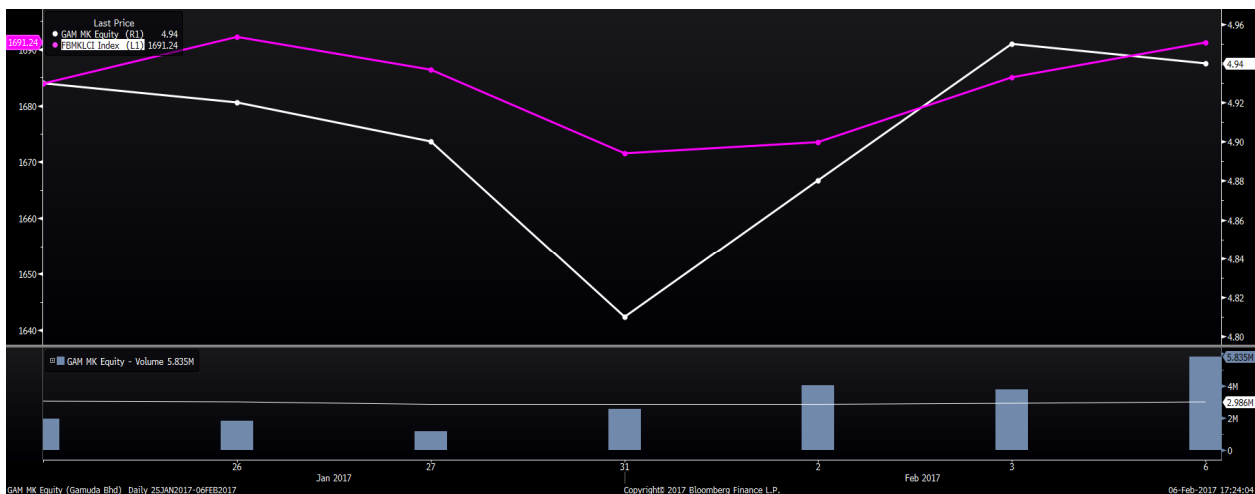
On absolute basis, AirAsia's stock price increased by 6.4% from RM2.49 at the beginning to RM2.65 at the end of the January/February 2017 cycle of the turn of the month strategic days. In terms of trading volume, volumes surged to 31 million on 31 January 2017 from a low of 6 million on 27 January 2017 pursuant to AirAsia's plans to aggressively expand its fleets that may give rise to keener price competition. On relative basis, this led AirAsia to outperform the FBM KLCI from 31 January 2017 until 6 February 2017.

- Hong Leong Financial Group (BUY; TP: RM17.20; EPR: 10.3%)



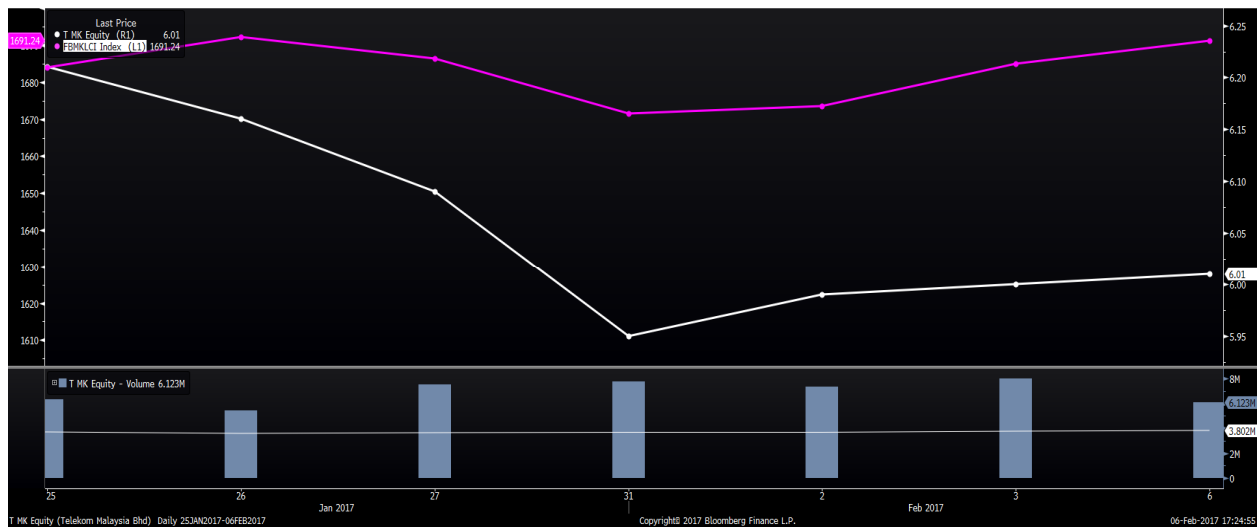
On absolute basis, Hong Leong Financial's stock price increased by 0.1% from the start to the end of the January/February 2017 cycle of the turn of the month strategic days. Overall, Hong Leong Financial initially outperformed the FBM KLCI on 26 January 2017 but thereafter underperformed until the cycle ended.

- Gamuda (BUY; TP: RM5.50; EPR: 11.3%)



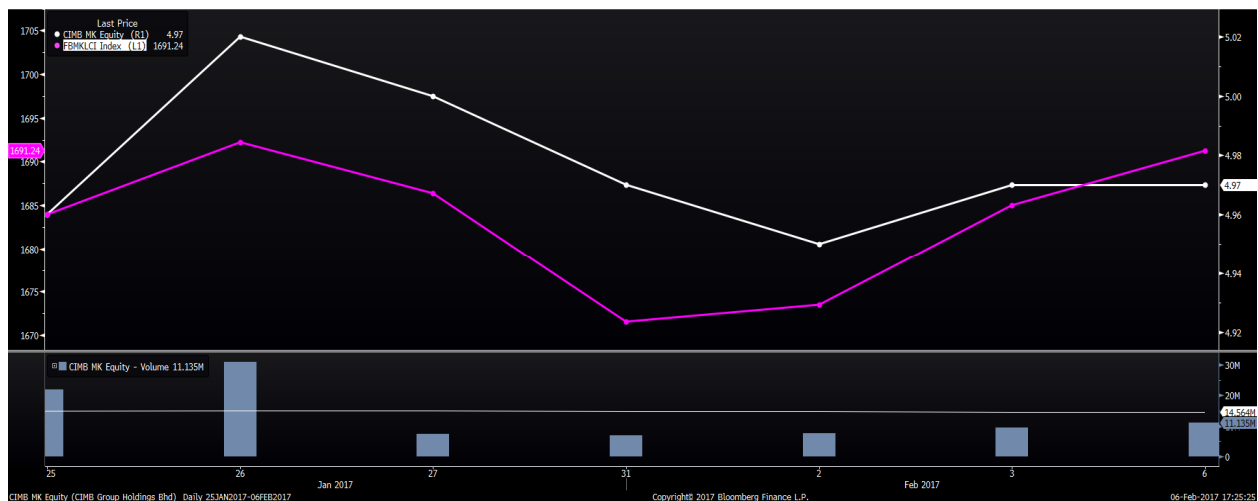
On absolute basis, Gamuda's stock price increased by merely 0.2% from the beginning to the end of the January/February 2017 cycle of the turn of the month strategic days. Despite the slight increase in Gamuda's stock price, the daily trading volume expanded during the first three trading days in February to levels higher than the average volume of 3.03 million for the whole cycle of the turn of the month strategic days. Trading volume for Gamuda spiked up to 4 million on 2 February 2017 while its stock price outperformed against the FBM KLCI which may be attributable to dispute settlement between Gamuda's 50%-owned joint venture (JV) with MMC Engineering Group (MMCEG-Gamuda) and Wayss & Freytag (M) Sdn Bhd. MMCEG-Gamuda agreed to pay Wayss & Freytag a sum of RM109.1 million to settle the arbitration proceedings as a full and final settlement for a dispute. The settlement is a way to save further costs and at the same time is not expected to have any material impact on its earnings for the financial year ending July 31, 2017.

- Telekom Malaysia (BUY; RM8.18; EPR: 36.1%)



Telekom’s stock price declined by 3.2% during the January/February cycle on an absolute basis. Nonetheless, trading volume picked up by more than half on the first day of the cycle compared to the day before it and was sustained until the end of the cycle. We reckon that the sustaining factor for the volume was due to the recently-launched mobile portfolio Webe which is expected to grow rapidly while complementing its fixed line businesses, i.e. Streamyx and Unifi.

- CIMB Group (BUY; RM5.90; EPR: 19.9%)



CIMB’s stock price experienced a slight increase of 0.2% during the turn of the month cycle and which also outperformed the FBM KLCI. Observing the trend in trading volume, we reckon that the turn of the month effect may have kicked off earlier before 25 January 2017 for CIMB Group. This is evident through the increasing stock price accompanied with high trading volumes of above 20 million which started before the cycle but continued only until the second day of the cycle (26 January 2017). We believe that this is attributable to CIMB’s plan to sell a stake in its brokerage business to China Galaxy Securities Co., in line with CIMB’s initiative to cut costs, exit some low-return businesses while growing into selected areas to boost profitability.

SUMMARY OF TOP PICKS PERFORMANCE

Company	Target Price (RM)	Closing Price (6 Feb '17) (RM)	Total Volume for 7 Strategy Trading Days (Million)	Average Volume for 7 Strategy Trading Days (Million)	Dates With Volume Above 7-Day Period Average	% of Days with Higher than Average Volume During 7-Day Period
AirAsia	3.45	2.65	134.7 million	19.3 million	31,2,6	68.7
HLFG	17.20	15.00	1.1 million	0.17 million	26,31,2	43.6
Gamuda	5.50	4.94	21.2 million	3.03 million	2,3	64.3
Telekom	8.18	6.01	48.6 million	6.94 million	27,31,2,3	63.1
CIMB	5.90	4.97	95.7 million	13.7 million	25,26	55.4

Source: Bloomberg, MIDFR

FBM KLCI year-end target. We reiterate our FBM KLCI 2017 year-end target at 1,830 points which equates to PER17 of 17.1x. 

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

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.