

07 March 2017 | Strategy-Quant

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

KLCI: 1,727.36 points

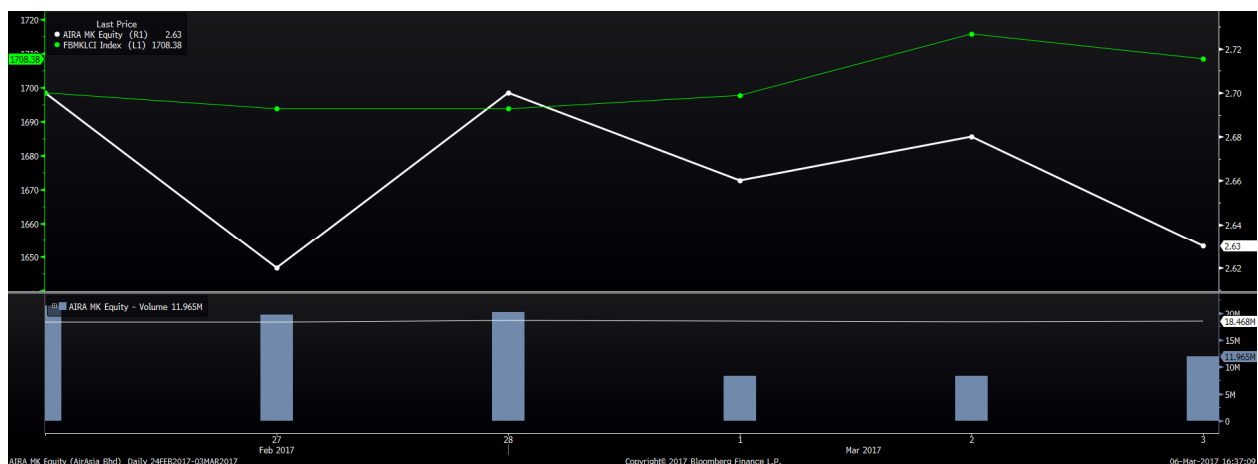
2017 Year-end Target: 1,830 points

Turn of the Month effect. Referring to our report dated 24 February 2017, we have duly analysed the performance of our top 5 picks based on the Turn of the Month Effect for February/March 2017 cycle. Our findings show that 3 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 top gainer, both on absolute and relative basis, was Telekom Malaysia. Moreover, the other absolute gainers were Hong Leong Financial Group and Gamuda. On the other hand, AirAsia and Public Bank lagged.

ANALYSIS OF THE TOP 5 PICKS

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

- AirAsia (BUY; TP: RM3.45; EPR: 29.2%)

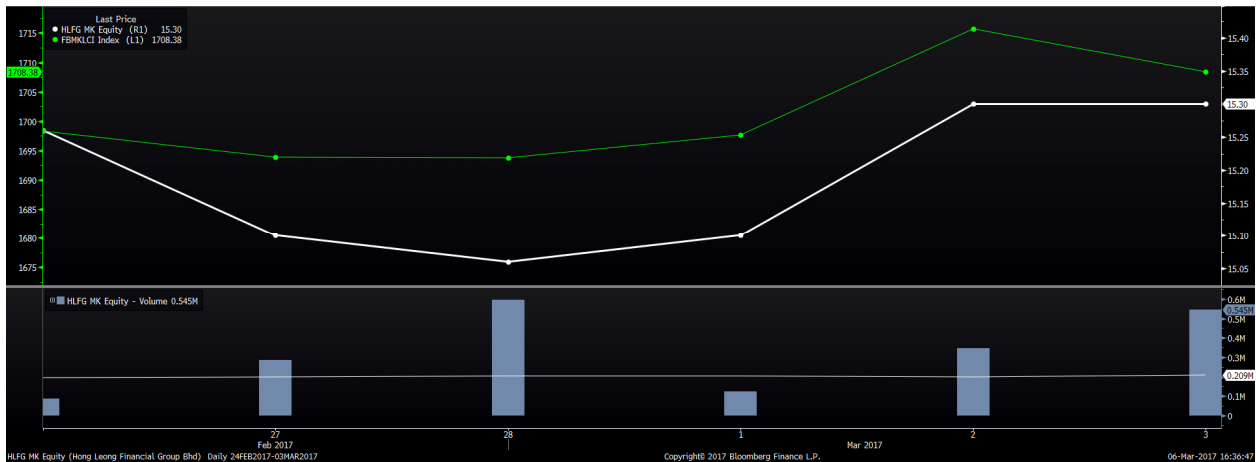


On absolute basis, Air Asia's stock price decreased by -2.6% from RM2.70 at the beginning to RM2.63 at the end of the February/March 2017 cycle of the turn of the month strategic days. Observing the trend in trading volume, we reckon that the turn of the month effect may have kicked off earlier prior to the cycle for Air Asia.

This is evident through high stock prices accompanied with higher than average trading volumes which occurred before the cycle began. For example, on 22 February 2017 which was 3 days before the cycle started, volumes surged to 41 million while stock prices reached its monthly high of 2.83 for the month of February.

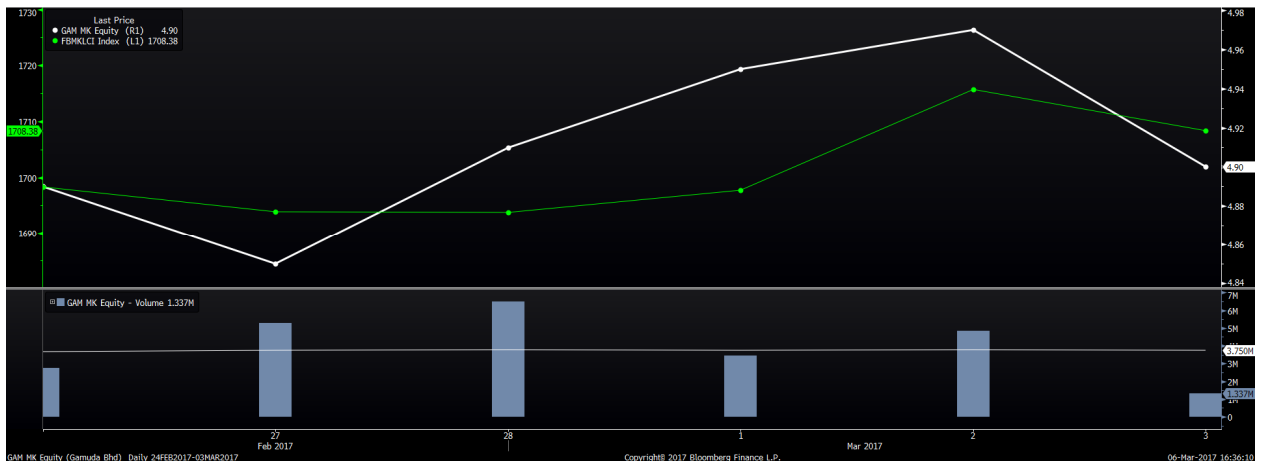
However, the momentum was only sustained until 28 February 2017 or the fourth day of the cycle. A factor that might have boosted trading volume until the fourth day of the cycle was Air Asia's plan to undergo dual listing in either Hong Kong or New York to allow the company to reach a broader base of investors.

- Hong Leong Financial Group (BUY; TP: RM17.59; EPR: 12.3%)



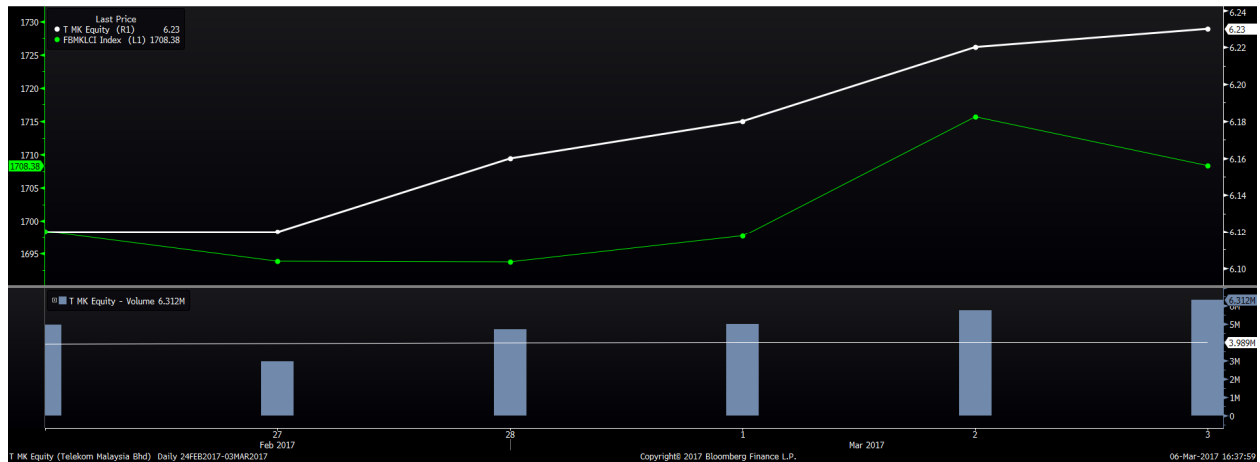
On absolute basis, Hong Leong Financial's stock price increased slightly by 0.3% from the start to the end of the February/March 2017 cycle of the turn of the month strategic days. On relative basis, Hong Leong Financial underperformed the FBM KLCI from the start until the end of cycle.

- Gamuda (BUY; TP: RM5.50; EPR: 10.0%)



On absolute basis, Gamuda's stock price increased by merely 0.2% from the beginning to the end of the February/March 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 middle of the cycle, specifically on 28 February 2017 to a level higher than the average volume of 5.2 million during the cycle. This led Gamuda to outperform the FBM KLCI during the middle of the cycle (from 28 February to 2 March 2017).

- Telekom Malaysia (BUY; RM7.42; EPR: 18.2%)

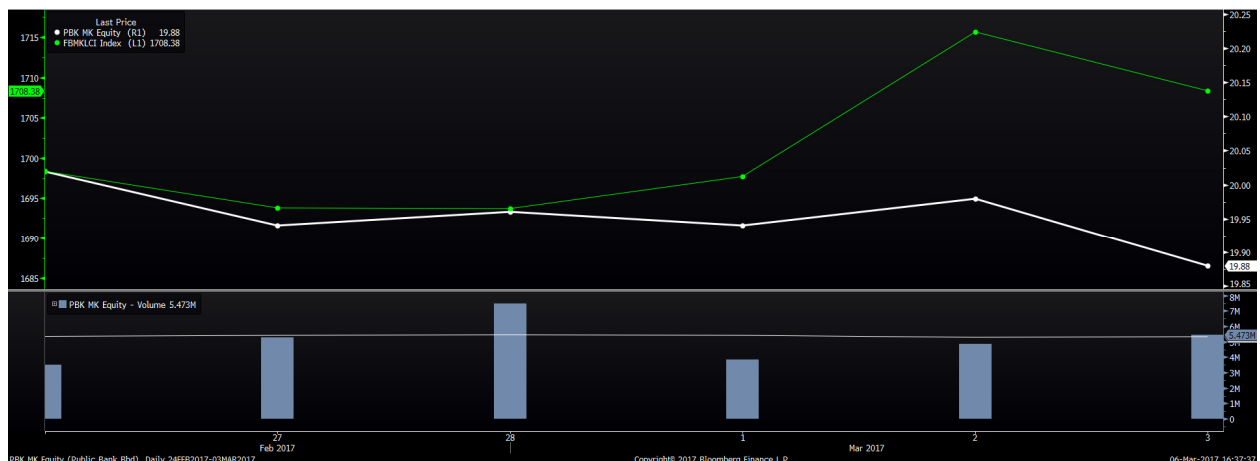


On absolute basis, Telekom’s stock price increased by 1.8% during the February/March cycle. The gradual increase of Telekom’s stock price during the cycle was in tandem with the increase in trading volume which soared to 6.3 million on the last day of the cycle, higher than average volume of 5.0 million.

We reckon that the contributing factors to the higher volume and stock price were its FY2016 results performance that exceeded consensus expectation and coupled with the approving credit assessment by the rating agencies.

According to Moody’s, Telekom’s baseline credit assessment strongly resembles its position as the leading fixed-line and broadband provider in Malaysia combined with a sound debt maturity profile and balanced liquidity needs. Furthermore, Fitch also affirmed Telekom’s Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'A-' on the back of stable outlook.

- Public Bank (BUY; RM22.60; EPR: 13.3%)



Public Bank’s stock price experienced a decrease of -0.7% during the turn of the month cycle and which also underperformed the FBM KLCI throughout the cycle. Nonetheless, Public Bank registered the highest net trading inflow of RM10.15m for the week ended 3 March 2017 with the highest trading volume of 7 million recorded on Tuesday. Therefore, it is notable that the net trading inflow amidst retreating share price may indicate a buy on weakness (BOW) stance among some investors.

SUMMARY OF TOP PICKS PERFORMANCE

Company	Target Price (RM)	Closing Price (6 Mar '17) (RM)	Total Volume for 7 Strategy Days (Million)	Average Volume for 7 Strategy Days (Million)	Dates With Volume Above 7-Day Period Average	% of Days with Higher than Average Volume During 7-Day Period
AirAsia	3.45	2.67	68.7 million	9.8 million	27,28,2,3	27.7
HLFG	17.59	15.66	1.9 million	0.3 million	27,28,2	22.4
Gamuda	5.50	5.00	21.3 million	3.0 million	27,28,2,3	23.0
Telekom	7.42	6.28	24.7 million	3.5 million	27,28	22.8
Public Bank	22.60	19.94	26.9 million	3.8 million	27,2,3	20.3

Source: Bloomberg, MIDFR

FBM KLCI year-end target. We reiterate our FBM KLCI 2017 year-end target at 1,830 points.



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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.