

Headline	Index inches up to a new all-time high		
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Index inches up to a new all-time high

by Lee Cheng Hooi



Asian share markets fell yesterday as investors sold off after US budget negotiators unveiled an agreement to ease automatic spending cuts by about US\$60 billion (RM193 billion) over two years to reduce America's deficit by as much as US\$23 billion. Investors sold stocks as they believed the budget deal will give the US Federal Reserve confidence to reduce its bond purchases. The S&P 500 fell 20.4 points to close at 1,782.22 points while the Dow plunged 129.6 points to end at 15,843.53 on Wednesday night.

The FBM KLCI traded in an upward range of 19.99 points for the week on a volume of 1.07 billion to 1.40 billion shares done. The index closed at 1,833.87 yesterday, down 8.95 points from the previous day as blue-chip stocks like Hong Leong Financial Group Bhd, MISC Bhd, PPB Group Bhd, Telekom Malaysia Bhd and Tenaga Nasional Bhd caused the index to decline on some low-volume profit taking yesterday.

The index rose on a rally from the 801.27 low (October 2008) to the previous 1,826.22 all-time high (May 2013) and it represents an extended Elliott Wave "Flat" rebound in a "Pseudo-Bull" rise completed. The price movements in the index in the next few months after May 2013 were trapped in a rangy consolidation with key swings of 1,723.74 (low), 1,811.65 (high), 1,660.39 (low), 1,805.15 (high), 1,759.66 (low) and 1,846.92 (high).

The index's daily CCI, DMI, MACD, Stochastic and Oscillator are positive. As such, the index's obvious support levels are seen at 1,800, 1,819 and 1,830, while the resistance of 1,833 and all-time high of 1,846 will witness some heavy profit taking. Our upside targets for the index are now at 1,867 and 1,898 for the medium term.

Its simple moving averages (MA) depict a triple time frame (daily, weekly and monthly) uptrend for now. Due to its positive signals, we believe investors may adopt a "Nibble on Dips" philosophy as the KLCI remains at fairly lofty levels with bearish divergent signals. As such, profit taking on index components as well as small to mid

caps may persist this coming week as the local market remains thinly traded in the year-end window-dressing period.

Despite the lofty tone of the KLCI, we are recommending a chart "buy" on TSH Resources Bhd, a RM2.6 billion market capitalisation company with a return on equity of 15.7% based on its 12-month trailing earnings. The stock hit a new all-time high of RM3.04 in tandem with the rebound of CPO prices and strong investor interest in the plantation sector recently.

TSH recently announced that the company proposes to acquire 60% in Sg Kalabakan Estate Sdn Bhd, which owns 26,974ha of land in Sabah, for RM180 million cash. Our analyst believes the acquisition price is fair at enterprise value per hectare of RM11,197. The land is largely greenfield with a small portion comprising immature estates with

trees aged one years.

Our fundamental analyst continues to like TSH as it is poised to deliver strong three-year fresh fruit bunch compound annual growth rate of 20%, riding on its young tree profile averaging about seven years. The geographical diversification created by the new landbank will enable TSH to accelerate new planting since its existing unplanted land is mainly in Indonesia.

Maybank-IB has an unchanged "buy" call on TSH with a higher RM3.40 target price from RM3.00 previously. A check on *Bloomberg* consensus reveals that 10 brokers have coverage on the stock. Of the 10 brokers, four have a "buy" call on the stock, five "hold" and one "sell". The stock is currently trading at a reasonable historical price-earnings ratio of 16.8 times and a price-to-book value of 2.54 times. TSH's indicated dividend yield is at 0.83%.

TSH's chart trends on the daily, weekly and monthly time frames are very strong indeed. Its share price made an obvious surge since its weekly Wave-4 low of RM2.05 in February. Since that RM2.05 low, TSH surged to its recent December high of RM3.04.

Its chart has moved into very strong daily, weekly and monthly uptrends to its recent high of RM3.04. As it broke above its recent key critical resistances of RM2.53 and

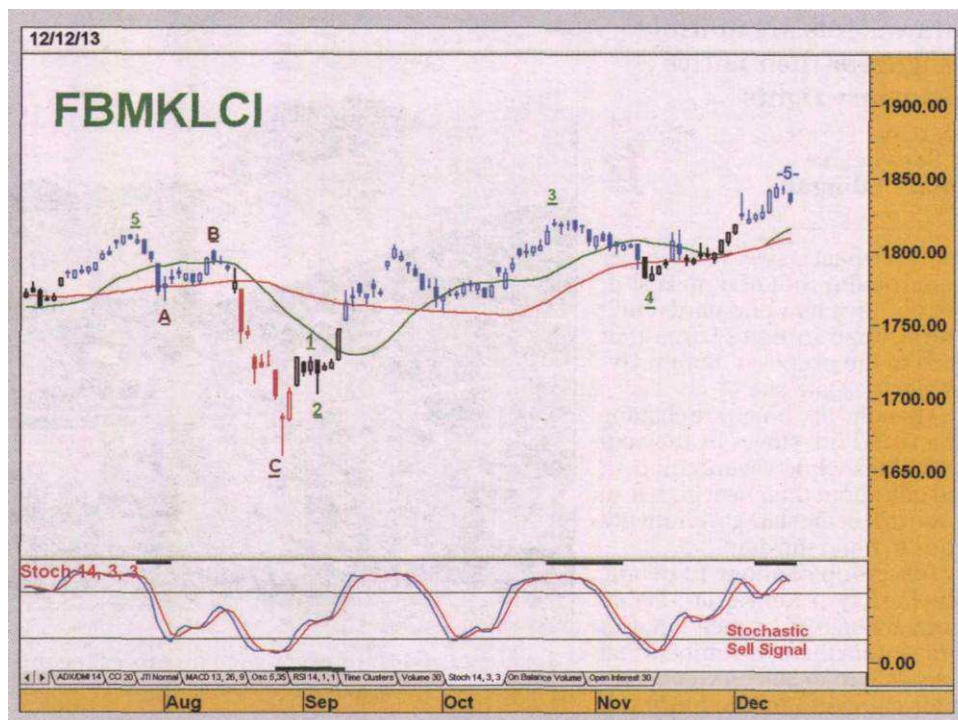
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RM2.87, look to buy TSH on any dips to its support areas as the moving averages depict very firm short- to long-term uptrends for this stock.

The daily, weekly and monthly indicators (like the CCI, DMI, MACD, Stochastic and Oscillator) are very strong and now depict the obvious indications of TSH's eventual surge to much higher levels. We expect TSH to remain very firm towards its support levels of RM2.53, RM2.87 and RM3. It will attract minor profit taking at the resistance levels

of RM3.02 and RM3.04. Its upside targets are now at RM3.30, RM3.40, RM3.76 and RM4.07.

Lee Cheng Hooi is the regional chartist at Maybank Kim Eng. The views expressed in the article are the opinions of the writer and should not be construed as investment advice. Please exercise your own judgment or seek professional advice for your investment decisions. Technical report appears every Wednesday and Friday.



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