CPO sentiment to stay bullish

Strong buying interest on lower stockpile figures

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PETALING JAYA: The bullish sentiment on crude palm oil (CPO) is expected to continue in the first quarter of this year, with analysts pegging the commodity's price at between RM2,500 and RM3,330 per tonne.

As at 5pm yesterday, the benchmark CPO futures for March firmed RM51 to RM3,132 per tonne, reflecting strong buying interest after the release of the Malaysian Palm Oil Board's (MPOB) lower palm oil stockpile of 1.67 million tonnes vs 2.91 million tonnes at end-2015.

CIMB Research in its latest agribusiness sector report said it expected CPO to trade at RM2,800-RM3,200 per tonne this month.

While most analysts are neutral on the plantation sector this year, many expect the main bullish factors for prices would continue to be the weak ringgit, low stockpiles, lower palm oil output and higher biodiesel mandates in the short term.

CIMB Research has projected that palm oil stocks would fall further to 1.58 million tonnes at end-January as exports and domestic usage exceed output.

Oil palm planters are also expected to report a good set of fourth-quarter 2016 earnings as the higher average selling prices will offset lower output, added the research unit.

Kenanga Research, meanwhile, said CPO is expected to trade at RM2,900 to RM3,330 per tonne in the first quarter of 2017, with an estimated full-year average price of RM2,250 per tonne.

"While the market may temporarily turn negative on a continued increase in monthly stocks, we expect CPO prices to recover on production weakness in January.

"But external factors remain supportive, especially a stronger US dollar, better crude oil prices and sustained soybean oil prices in spite of a production pick-up," it said in its latest sector update.

However, the research unit warned that weak demand from key markets could continue to be a risk going forward, especially considering the narrowing soybean oil and CPO price gap.

AffinHwang Capital Research in its latest report also highlighted the positive CPO price uptrend, but cautioned on the narrowing premium to soybean oil.

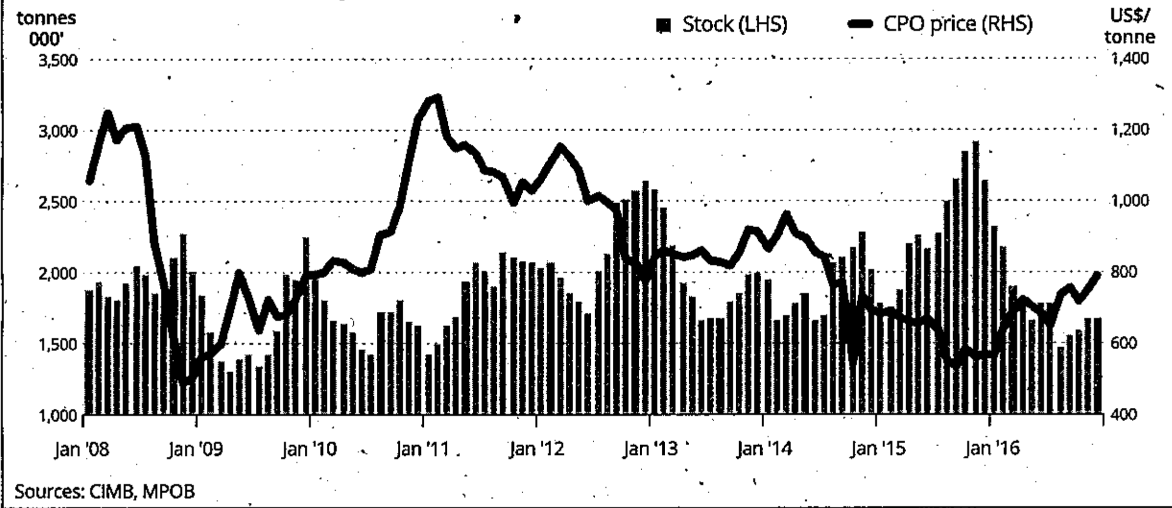
The MPOB said CPO prices strengthened from RM2,885 per tonne in November to RM3,200 per tonne in December. The average CPO price was at RM2,653 per tonne last year compared with RM2,600 in 2015.

"The CPO price has remained above the RM3,200-per-tonne level for the first 10 days of 2017.

"The sizeable increase in CPO prices has narrowed the soybean oil premium over CPO to around US$80 per tonne.

"Furthermore, the price of CPO is now much higher than the price of Brent crude, thereby weakening biodiesel economics," it said.

Historical relationship between CPO price and stockpile



Sources: CIMB, MPOB

HeveaBoard unit buys land for RM13.46mil

KUALA LUMPUR: HeveaBoard Bhd's subsidiary, HeveaPac Sdn Bhd, has entered into a sale and purchase agreement with its executive director, Yee Kong Yin, to acquire 3.13 ha. leasehold vacant land for RM13.46mil.

In a filing with Bursa Malaysia, HeveaBoard said it would build additional factory premises and production facilities on the land located in Seremban to cater for new projects and increasing demand for its products.

"The strategic location of the land which is next to HeveaPac's existing manufacturing plants will facilitate resources sharing and synergise production capacity.

"The acquisition will enable the company, through HeveaPac, to progressively expand its production capacities to meet the current and future demand for its product," said HeveaBoard.

The company said the purchase consideration, to be satisfied by cash, was calculated based on a rate of RM40 per sq ft.

It would be financed by internally generated funds (33%) and borrowings (67%) by HeveaPac from banking or financial institution, it said.

The company said the transaction would not have any effect on the issued and paid-up share capital of HeveaBoard or the shareholdings of its substantial shareholders.

It also would not have any material effect on the earnings per share, net assets per share and gearing of the group for the financial year ending Dec 31, 2017. – Bernama

Sunway REIT to acquire land and buildings for RM91.5mil

PETALING JAYA: Sunway Real Estate Investment Trust (SunREIT) has entered into a conditional sale and purchase agreement with Champion Edge Sdn Bhd to acquire a piece of land and buildings in Shah Alam for RM91.5mil in cash.

"The proposed acquisition is in line with the key investment objective of Sunway REIT Management Sdn Bhd or the manager to continuously pursue an acquisition strategy to acquire and invest in properties that are yield-accretive with the potential to contribute to the long-term growth in SunREIT's distribution per unit (DPU) or net asset value (NAV) per unit," said the company in its filing with Bursa Malaysia yesterday.

The buildings that are on the land consist of a two-storey office with an annexed one-storey factory with a mezzanine floor, a three-storey office together with an annexed one-storey warehouse and an integral two-storey office together with a two-storey factory-cum-warehouse with an adjoining mechanical and electrical building and other ancillary buildings.

It said the property is an income-generating property with an unexpired lease term of 18 years.

As such, the manager believes that the proposed acquisition would immediately improve the earnings and the DPU to SunREIT's unit holders upon the completion of the proposed acquisition.

"SunREIT will benefit from the increase in the enlarged portfolio's weighted average lease to expiry based on the secured gross rental income.

"The weighted average lease to expiry of SunREIT's enlarged portfolio will increase to 2.23 years after the completion of the proposed acquisition from 1.98 years as at June 30, 2016.

"SunREIT's property portfolio size will increase from about RM6.43bil as at June 30, 2016 to RM6.52bil after the proposed acquisition," it said.

SapKen, Proserv in technology service pact

PETALING JAYA: SapuraKencana Petroleum Bhd (SapKen) and United Kingdom-based service provider Proserv are joining forces to provide enhanced technology service offerings to clients in the Asia-Pacific region.

Under the pact, SapKen's subsidiary, SapuraKencana (SK) Technology, will together with Proserv provide a range of services across the drilling, production, maintenance and decommissioning market sectors with a focus on subsea production and subsea maintenance services.

"The partnership will leverage on mutual strengths – Proserv's suite of advanced subsea production equipment and controls and SK Technology's technical support, resources and assets – to better support and enhance client projects," SapKen said in a statement.

SapKen senior vice-president of business acquisition Vivek Arora said the partnership with Proserv allows the company to boost the diversity of its range of services to clients, especially in operations and maintenance services.

"We can now provide clients with more technical expertise and resources to support a range of subsea projects, in particular facility optimisation, to extend the lifespan of fields, services and support."

Meanwhile, Proserv chief executive officer David Lamont said: "We're partnering a company that is well-respected throughout Asia Pacific and that shares our values and commitment to service excellence."

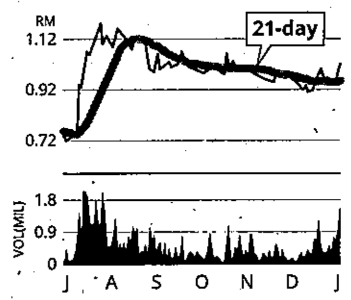
He said Proserv's specialist capabilities complement SapKen's diverse range of services that would further enhance its offering to clients, particularly in the subsea services sector, and continue to grow its presence in the Asia-Pacific region.

"Proserv is a technology services company first and foremost and this partnership firmly underlines our commitment to clients in the region through the delivery of highly reliable, efficient and competitive technology solutions," Lamont said.

K.M. LEE
Support line

Borneo Aqua Harvest

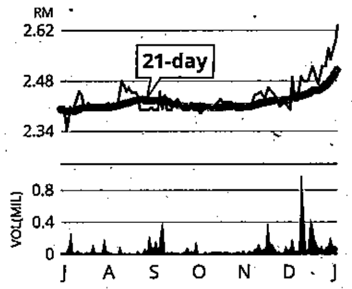
JAN 11 **RM1.03**



BORNEO Aqua Harvest recovered to a 2½-month high of RM1.04 in the wake of renewed bargain-hunting interest following the recent brief correction process. The stochastic and 14-day relative strength index (RSI) are seen to be rising. Combined with the moving average convergence/divergence (MACD) histogram returning to the positive side, they suggest a firmer trend in the immediate term. A breach of the RM1.06 barrier is likely to propel the shares up to the RM1.19-RM1.20 band. Initial support is pegged at the 200-day simple moving average of 94 sen, followed closely by 88 sen.

Hap Seng Plantations

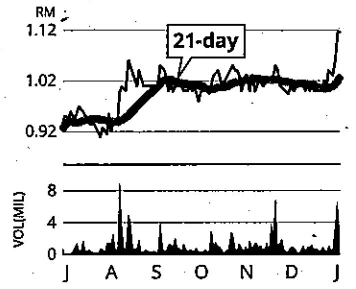
JAN 11 **RM2.63**



HAP Seng Plantations advanced to a high of RM2.64, the best since March 2015 amid continuous bargain-hunting buying momentum. The recent gains in the shares had pushed the stochastic and 14-day RSI deeper into the overbought area, implying further scaling may attract profit-taking activity. But if that happens, investors can consider accumulating on weakness as the MACD histogram is overwhelmingly bullish. Concrete support and heavy resistance are seen at the RM2.50 mark and RM2.90-RM3 range respectively.

JAKS Resources

JAN 11 **RM1.11**



JAKS Resources shares spiked to a high of RM1.17 during intra-day trading amid fresh buying interest. For now, all the short-term indicators, such as the stochastic, the 14-day RSI and MACD histogram are painting an encouraging pictogram, implying prices may challenge the previous rally peak of RM1.28 before the bulls pause for a breather. The next upper target would be the RM1.50 mark. Initial support is lying at RM1.05 and important floor is set at the 200-day simple moving average of RM1 level.

The comments above do not represent a recommendation to buy or sell.