

Investors seen focusing on budget and general election

PETALING JAYA: Investors may have started to focus on stock strategies related to Budget 2017 and the general election, said Kenanga Research.

The research house said in an investment strategy report that investors looking for non-mainstream investment ideas, have hit on these themes for tactical and thematic angles.

"While there are a few tactical theme plays currently, we notice that these theme plays are news flow driven and companies have yet to translate them into top and bottom lines.

"Hence, we believe stock-picking is still the key to outperformance in the forthcoming quarters and year," said Kenanga Research in an investment strategy report.

The market expects Budget 2017 to be generally a "rakyat"-friendly one, with positive measures for affordable housing, government servants and the lower income group.

Analysts also expect the budget to be corporate-neutral.

An example of such measures would be a higher pay-out for Bantuan Rakyat 1Malaysia (BR1M) of an estimated RM1,200 per year.

Besides an indirect positive impact to food and beverage (F&B) and retail consumer sub-sectors, these measures should also benefit money lenders, particularly those with lower income group and civil-servant clients such as Aeon Credit Service (M) Bhd and RCE Capital Bhd.

"For big ticket items such as automobile and housing, there are talks in the market that auto players are lobbying for excise duty exemption for first-time car buyers purchasing high local contained complete knock

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down or national cars in the A and B segments.

"Meanwhile, for housing, there would be higher EPF account two withdrawal limit for house-buyers, especially for first home buyers," said Kenanga Research.

For the property sector, the research house believes that the budget would only have a muted impact on most developers as affordable housing does not represent a significant sales and earnings driver.

Affordable housing players such as Hua Yang Bhd and Matrix Concepts Holdings Bhd could benefit as they have higher exposure in this segment.

As for the auto sector, Kenanga Research opined that Tan Chong Motor Holdings Bhd could see a stronger recovery in its share price being a laggard in share-price performance despite a strong turnaround in sales.

On the other hand, DRB-Hicom Bhd's share

price has recently jumped on merger and acquisition talks.

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"Moreover, in Budget 2016, the Government had factored in crude oil price of US\$30 to US\$35 per barrel, which has proven conservative, given the year-to-date average of more than US\$40 per barrel.

"Again, should this expectation materialise, this should be good for the consumer F&B and retail sub-segments," said Kenanga Research.

The research house said the Government may make GST Electronic Monitoring System mandatory for retailers who deal directly with end-consumers for both goods and services, to enhance GST collection.

As such, MyEG Services Bhd stands to be the clear-cut winner from this development as the company has the ready technology to capitalise on this new opportunity, should the parliament pass this proposal.

On another note, Kenanga Research believes that the expected general election next year could merely be a theme play instead of creating any real economic benefits, except for construction players who have seen stronger contract flows recently.

"Based on our study, there is actually no conclusive direction in FBMKLCI or the out-performance of so-called 'general election stocks' under this theme play," said Kenanga Research.