
MARKET OUTLOOK FOR THE WEEK (28th JANUARY – 1st FEBRUARY 2013)

Key Events Last Week

- EUR German PPI m/m actual -0.3% below forecast 0.0%
- CAD Wholesale Sales m/m 0.7% slightly above forecast 0.5%
- JPY Monetary Policy Statement released
- JPY BOJ Press Conference
- EUR German ZEW Economic Sentiment 31.5 above forecast 12.2
- CAD Core Retail Sales m/m actual -0.3% below forecast 0.1%
- AUD CPI q/q actual 0.2% below forecast 0.4%
- CAD BOC Monetary Policy Report and Rate Statement released
- CAD BOC Press Conference
- French Flash Manufacturing PMI 42.9 below forecast 44.9
- EUR German Flash Manufacturing PMI actual 48.8 above forecast 47.1%
- EUR German IFO Business Climate 104.2 above forecast 103.1
- GBP Prelim GDP q/q -0.3% slightly lower than forecast 0.1%
- CAD Core CPI m/m actual -0.6% as compared to forecast -0.2%

Key Events to Focus on This Week

- EUR M3 Money Supply y/y (Mon 5:00pm)
- USD Core durable Goods Orders m/m (Mon 9:30pm)
- USD Pending Home Sales m/m (Mon 11:00pm)
- CAD BOC Gov Carney Speaks (Tues 12:00am)
- EUR GfK German Consumer Climate (Tues 3:00pm)
- USD CB Consumer Confidence (Tues 11:00pm)
- CHF KOF Economic Barometer (Weds 4:00pm)
- USD ADP Non-Farm Employment Change (Weds 9:15pm)
- USD Advance GDP q/q (Weds 9:30pm)
- USD FOMC Statement (Thu 3:15am)
- NZD Official Cash Rate (Thu 4:00am)
- NZD RBNZ Rate Statement (Thu 4:00am)
- CAD GDP m/m (Thu 9:30pm)
- AUD PPI q/q (Fri 8:30am)
- CNY Manufacturing PMI (Fri 9:00am)
- GBP Manufacturing PMI (Fri 5:30pm)
- USD Unemployment Rate (Fri 9:30pm)
- USD ISM Manufacturing PMI (Fri 11:00pm)

Time indicated is in SG Timing

Global Market Summary

ECB Says Banks to Repay More Than Forecast of 3-Year Loan

The European Central Bank said banks will next week repay more of its emergency three-year loans than economists forecast in another sign the euro region's debt crisis is abating.

The prospect of banks repaying early and draining money from the system has hence driven up interest rates in the futures market. However, as the ECB still allows banks to borrow as much money as they want against eligible collateral for periods of one week, one month and three months, some economists say that this reduces the importance of the three-year loans being repaid.

Still, business confidence in Germany rose more than economists expected in January, notching its third straight increase.

Treasuries Fall as Refuge Demand Eases

Treasury 10-year note yields rose the most since start of year as the European Central Bank said that banks will repay more of its loans than forecast and that a strengthening housing market reduced the haven appeal of U.S. government debt.

The benchmark security fell the most since Oct. 17 last Friday after the ECB data spurred optimism that the worst of the European debt crisis may be over, capping the biggest weekly decline since the five days ended Jan 4. Chief investment officer Christopher Sullivan at United Nations Federal Credit Union regarded that the ECB data is "a favourable indicator" while managing director of rates trading at Bank of Montreal Craig Collins anticipates a "risk-on effect in the near term" now that banks can repay weekly, and that treasury "rates are going to go higher".

UK Economy Shrinks More Than Forecast

Britain's economy shrank more than forecast in the fourth quarter as oil and gas output plunged, leaving the country on the brink of an unprecedented triple-dip recession. GDP dropped 0.3 % from the three months through September, and the pound fell as the drop highlighted the challenge Prime Minister David Cameron's government faces to secure momentum in the economy. While jobless benefit claims have fallen to a 1 1/2-year low, a budget-deficit squeeze may keep weighing on growth while heavy snow this month has raised the possibility of a further quarterly contraction.

Excluding one-time factors, London-based Niesr says underlying growth is "flat." The lack of growth is hence making it harder for Chancellor of the Exchequer George Osborne to cut the budget deficit as corporate profits and the taxes they generate come under pressure. While the U.S., German and Canadian economies are back above their pre-recession levels, U.K. GDP was 3.3 % below in the fourth quarter.

Asia Stocks Post Biggest Weekly Drop Since November; Japan Soars

Asian stocks fell the most since November this week as Apple Inc. suppliers declined after the iPhone maker reported its weakest sales since 2009 and some investors speculated shares may have risen too far, too fast.



The MSCI Asia Pacific Index (MXAP) fell 0.7 % to 131.74. Gains in Japanese shares limited declines on the broader pan- Asian benchmark as speculation the new government will take steps to end deflation pushed the TOPIX higher for an 11th week.

Japan's TOPIX gained 0.6 %, marking its longest weekly winning streak since 1973. The Bank of Japan this week said it would shift to Federal Reserve-style open-ended asset purchases and the yen weakened as falling consumer prices added to the case for further easing. Exporters climbed.

Six Canadian Banks May Be Cut by Moody's

Moody's placed Toronto-Dominion, Bank of Nova Scotia, and four other lenders on review for possible downgrade on Oct. 26, citing the heightened risk to Canada's economy from rising consumer debt and real estate prices. Toronto-Dominion is the last publicly traded bank rated AAA by Moody's.

Royal Bank of Canada, the country's largest lender, had its credit rating cut two levels to Aa3 by Moody's on June 21 because of its "significant exposure" to volatile capital markets activities.

Trading Ideas for This Week

TA Trade Idea 1

Long on Golden Agri (E5H) (Long)

GAR's primary activities include cultivating and harvesting of oil palm trees; processing of fresh fruit bunches into crude palm oil ("CPO") and palm kernel oil; and refining CPO into value-added products such as cooking oils, margarine and shortening.



Golden Agri (E5H) retraced to the historic \$0.62 support level on the 17th of January. Exports of palm products fell to 1.1 million metric tons from 1.28 million tons in the same period in December, due to a new tax implemented by the Indian government on crude imports. India is the world 2nd biggest importer of palm oil.

Although imports of palm oil fell over the past week, it is mainly due to Indian companies stockpiling them in light of the new tax. Over the short run, once stockpiles are near depletion, demand for palm oil would see a rise. Moreover, Malaysia looking to retain its zero per cent tariffs on oil exports to clear existing stockpiles.

Key take away: Exports will pick up in the near future once Indian stockpiles decrease.

Support /Resistance analysis - Golden Agri (E5H) tested the \$0.62 support level a total of 4 times over the past week indicating a strong support level at 62 cents.

Oscillator indicators – RSI line has been hovering within the 50%-30% range, touching the 30% line twice last week. This indicates that E5H may be oversold and would look set for a correction.

Market extremes indicator – Price line has broken through the lower Bollinger band (orange dotted lines) on the 16th before touching the line for another 6 days before retracting. Again confirming the position that the stock price looks set for a correction upwards.

Market entry / Price target:

Fibonacci analysis – Setting the base line at 62 cents, the Fibonacci lines (horizontal blue dotted lines) we could see that at 62 cents it acted as a strong support/resistance/support line during November and June 2012.

We should aim for the next support/resistance line at \$0.645 and place our stop loss at \$0.61.

Caution:

Market extremes indicator – Bollinger bands (orange dotted lines) has seen an expansion since the beginning of last week indicating a spike in market volatility. Investors should be cautious and not look to hold their position for too long. The next support/resistance line at \$0.645 would be a safe price level to offload.

TA Trade Idea 2

EUR/USD (Long)



Support /Resistance analysis: After blasting through 1.3400 last week, we can see on the 4-Hour charts a clear channel, with price once again at the point of break out. If price overshoots the 1.376 resistance line as shown above, we foresee that the upward trend will resume and we look to join the prevailing trend.

MACD indicator: The MACD line (white) is well above the signal line (red) with considerable divergence between them and both are clearly signalling the uptrend correlation with price levels. This shows strength in the trend and the possibility of its continuation.

ROC indicator: The ROC (rate of change) is a pure momentum oscillator that measures the percentage change in price from one period to the next. In this scenario, we see a positive value (blue territory) for the ROC and the gradient is still positive as well, indicating an uptrend as well.

Market entry / Price target:

We will consider taking a long position once price breaks out of the short-term resistance and choose to exit when the MACD line crosses the signal line from above or when ROC shows a sudden change and moves towards the negative region. Take caution and prepare for exit when the MACD line and signal line converge and move close towards each other and when the ROC line pivots and adopts a negative gradient (though still remaining in the positive territory)

FA Trade Idea 1

JAYA HOLDINGS (J10.SI)

Background: Jaya Holdings Limited owns, builds, repairs, manages, and charters ships. The Group's core activities include offshore marine chartering, containerized vessel transportation, shipbuilding and ship repair as well as engineering services. The Company supports offshore E&P, marine construction, mining and marine-related activities.

Reason 1: Agreements with IHC Merwede

Jaya Holdings has recently signed an agreement with IHC which enables IHC Asia Pacific's high-specification offshore vessels to be produced by Jaya at its shipyards. The contractual agreements also outline possible opportunities for the future. Jaya also confirms IHC enquiry on acquiring certain company assets; a IHC acquisition of Jaya remains a possibility and a rumour. Look out for potential vessel orders from several parties that could contribute to a robust earnings recovery for Jaya.

Reason 2: Positive outlook for OSV sector

With crude oil trading at over USD90 per barrel since the new year, outlook for offshore E&P activities have remained positive. Confidence in the market would encourage an increase in capital expenditure for support vessels used in exploration and production activity, such as those produced by Jaya, to reverse declining production volumes. This is further supported by Singapore's Second Minister for Trade and Industry S. Iswaran's statement in a November address that "Projections indicate that from 2011 to 2016, Asia's energy demand will drive Asian companies to invest about \$29 billion on deepsea exploration, drilling and production. This is more than double the \$12 billion spent from 2007 to 2011".

Reason 3: Strategic repositioning of the business

Jaya has recently repositioned itself as a services provider for the offshore energy sector. This move from speculative shipbuilding (by taking only build-to-order projects) to chartering will ensure future sustainable income, instead of volatile earnings as seen in previous years.

Reason 4: Lower valuation compared to counterparts

Jaya's **P/E stands at 9.14** compared to Ezion (16.8) and Swiber (10.3). Moreover, a **P/B of 0.89** indicates a **value buy** since Jaya managed to generate a healthy **EBIT of USD11.5 million** over the last quarter and a **ROE of 9.89%**. This signals that Jaya's equity is likely undervalued. Moreover, the potential resumption of dividend payments following Jaya's refinancing of its scheme debt will be a likely catalyst for a re-rating of the stock towards its book value.

Possible Trading Strategies:

Target Price: 0.85 / Current Support: 0.59 / Resistance: 0.71



Short term

Recent breakout from the previous trading range indicates strong bullish sentiment. The stock is currently trading at its 52-week high. Exercise caution as there might be a risk of consolidation. Look out for trading volume and momentum of the daily candles for entry signals.

Mid – Long term

Based on current momentum, the stock looks set to break its current resistance. If the stock retraces, look out to enter close to its previous support. A resumption of dividend payments would confirm a mid-long term hold on this stock. The major decline of this stock during the Global Financial Crisis 08' indicates that its performance hinges largely on the global economy. Look out for changes in the commodity sector as well as industry news for direction signals.



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