Chris Eng
+60(3) 9207 7677
chris.eng@osk.com.my

Market Outlook

2008 – A Year to Forget

From record highs to multi-year lows. 2008 was indeed a roller coaster year for the KLCI as the benchmark index touched a record high of 1,524.69 pts on Jan 14, '08 before plunging to a four-year low of 801.27 on Oct 28, '08. Caution was already in the air at the start of the year as the valuations of certain companies started to look stretched although the market PER as a whole was still reasonable at 16x to 17x. As the global financial turmoil worsened, the deleveraging by hedge funds which had been caught flat-footed led to capital flight from emerging markets and back to the US. This in turn bolstered the US dollar, which strengthened from a low of RM3.13 to a high of RM3.63 on Nov 20, '08. The stronger US$ consequently brought about a weakening in commodity prices. Crude Oil touched a peak of US$147.27 per barrel in July and then plummeted by some 60% while Crude Palm Oil, which hit a high of RM4,206 per tonne in March, lost 70% up to October. When commodity prices slid, so too did the commodity related sectors such as plantation, oil & gas (O&G) and steel. While the plantation sector constituted some 21% of the KLCI's weighting in January, this had fallen to 15% by October given the dip in plantation stocks.

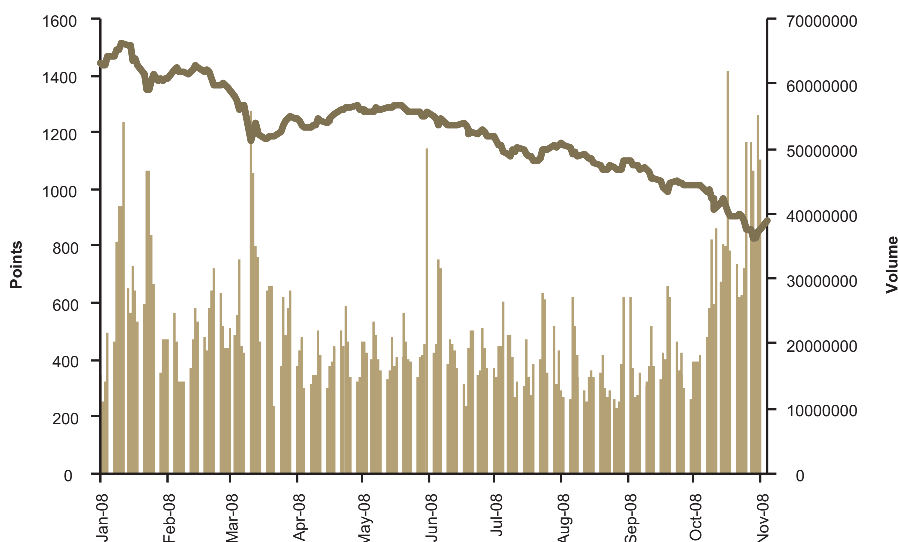
A busy year for news. Undoubtedly, the biggest news in 2008 was the outcome of the March 8 General Election. With the ruling Barisan Nasional returned to power on only a simple majority and 5 states falling into the Opposition's hands, the market had reacted negatively, plummeting some 123 pts in its largest single day drop in 2008. Other key events that sparked strong reaction in the market were:

- Jan 16 and 22: A drop of 52 and 54 pts on fears of a global recession.
- Jun 5: A 30-pt drop after the Government imposed a windfall tax on Independent Power Producers.
- Aug 29: A Pre-Merdeka rally.

As far as news flow was concerned, 2008 was not short on major developments that included :

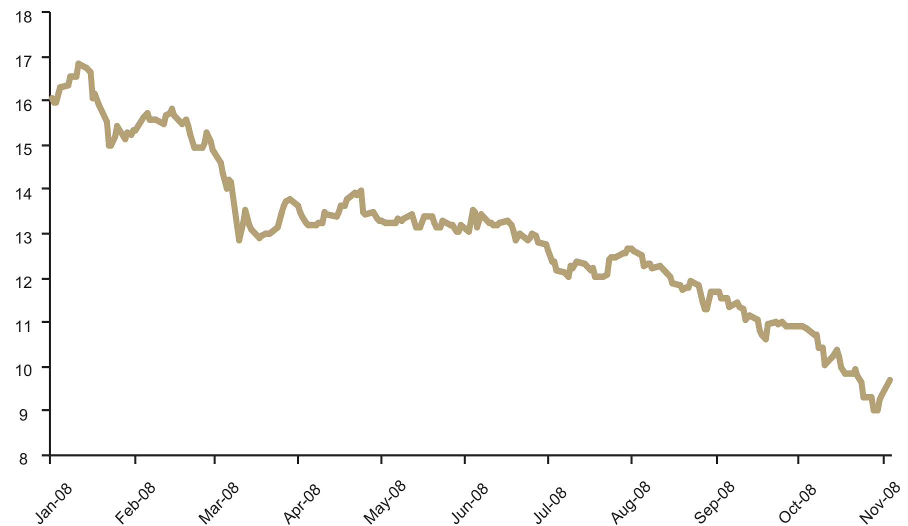
- Bank transactions: EPF's sale of a 25% stake in RHB to the Abu Dhabi Commercial Bank, Maybank's acquisitions of Pakistan's MCB Bank and Indonesia's BII, Bumi-Commerce's acquisition of a stake in Bank Thai.
- Oil & Gas developments: KNM's RM1.7bn purchase of Germany's Borsig, MISC Cancelation of its proposed RM3.2bn RTO of Ramunia and Dialog as well as Wah Seong securing contracts for the Sabah Sarawak Gas Pipeline.
- Major corporate restructuring: Telekom was split into TM and TMI, MMC proposed a major related party transaction involving Senai Airport and UEM World's major restructuring exercise.

Figure 1: From Record Highs to Multi-year Lows



Source: Bloomberg

Figure 2: PER Valuations Collapse to 2 std dev below mean



Source: Bloomberg

Defensive Nature returns. In line with previous years, the defensive nature of the Malaysian market returned to the fore as the KLCI outperformed all its major regional peers. Even as political turmoil gripped the local market, news flow from the region was equally poor with political unrest in Thailand, recession in Singapore, natural disasters and a massive food scare in China and political uncertainty in Korea. Markets in East Asia performed even worse than the US largely due to deleveraging by US-based funds.

Total Return (Year To Date)

Country	Change(%)	Country	Change (%)
China	-62.3	Malaysia	-40.5
Hong Kong	-56.5	Philippines	-49.1
Indonesia	-58.3	Singapore	-53.7
Japan	-49.7	Taiwan	-51.9
Korea	-50.0	Thailand	-54.3

Prices as at 20 Nov 2008

Relief rally peters out. At the time of writing, as we had been predicting since 3Q, the KLCI had indeed staged a relief rally, taking it off its low of 800 pts towards the 900 pts level. However, this rally petered out in the second week of November and selling pressure remerged across the region with the Ringgit hitting new lows against the US dollar.

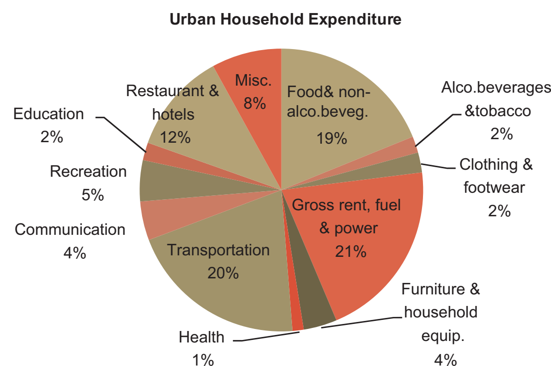
1H2009 – Not A Pretty Picture

Financial turmoil leads to global slowdown. While the latter part of 2008 was dominated by news of bank failures in Europe and the US as well as a crisis of confidence, this is giving way to the reality that the global economy faces a sharp slowdown, if not a recession. While the interest rate cuts by various Governments worldwide should help ease the pain, the slowdown in consumer spending is certain to take its toll on economic growth, particularly in the 1H2009.

Malaysia will not be spared. While our house forecast for GDP growth may appear relatively optimistic at 2.7%, this must be viewed in light of past growth rates of 5.9% in 2006, 6.3% in 2007 and 5.3% in 2008. The fall in commodity prices, especially oil and CPO, will take its toll on Government and corporate revenue. As the global drop in consumer confidence and spending will reduce demand for Malaysia's electronic exports, we will also see domestic consumption shrinking sharply in 1H2009. All in all, 1H2009 will not be an easy time for corporate Malaysia.

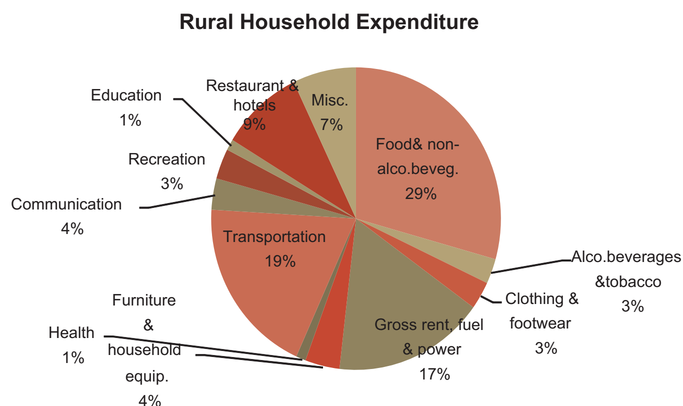
Spending patterns will change. As the economy slows down, we see the 'rakyat' being squeezed by lower disposable income. While the issue for most of 2008 was high inflation brought about by high petrol prices and electricity tariff adjustments, the concern for 2009 appears to be of reduced income. From SMEs that would have to cut back on exports and production to the man in the street who faces possible retrenchment, there seems to be very little reprieve for the domestic consumer, who has yet to recover from the high price pressures in mid-2008. For 2009, spending patterns would definitely shift with non-essential items likely to drop out of most of consumers' shopping list. We see Malaysian urban spending shift closer to rural spending patterns with reduced spending on recreation, restaurants, hotels and miscellaneous items.

Figure 3: Estimated urban spending pattern in Malaysia



Source: OSK

Figure 4: Estimated rural spending pattern in Malaysia



Source: OSK

Not cheap on a regional basis. Looking at the stock market, the pessimistic view on the economy is reinforced by Malaysia's standing as an out-performer during the recent selldown that has rendered it a relatively expensive market compared with its peers. As it currently stands, Malaysia is the third most expensive market in Asia behind only China and Japan. Our saving grace is the relatively high dividend yield, which reinforces the view of Malaysia as a defensive market.

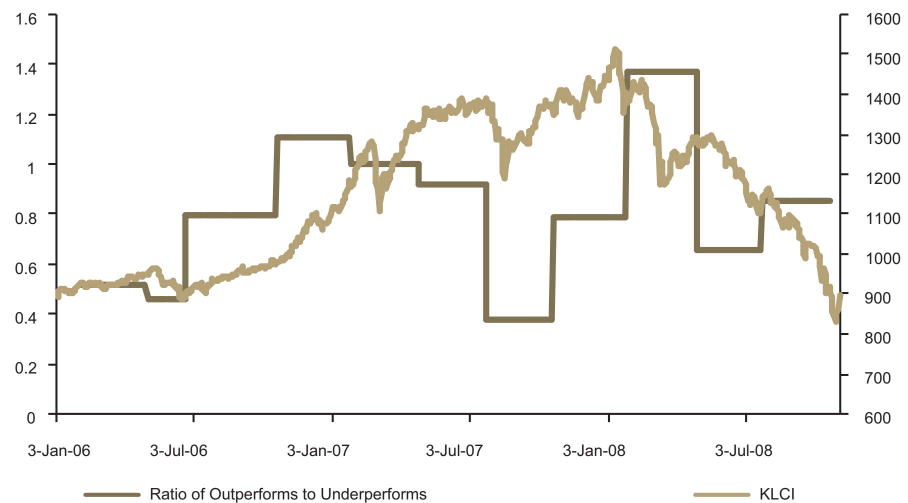
Figure 5: Regional peers comparison

Index	PE Ratio (x)	Est PE Ratio (x)	PBV Ratio (x)	Dividend Yield (%)
Shanghai	15.64	14.95	2.24	2.06
Japan	11.21	13.61	0.91	2.89
Malaysia	**9.67**	**10.20**	**1.28**	**6.33**
Hong Kong	7.42	8.79	1.14	6.13
Korea	7.35	8.49	0.77	3.05
Indonesia	6.83	5.31	1.35	5.95
Thailand	6.31	6.30	0.85	8.33
Singapore	5.30	8.19	0.97	6.68

Source: Bloomberg

4Q FY08 results season likely to be ugly. While we are hopeful that the 3Q FY08 results will be relatively benign given that commodity prices had remained largely firm during the quarter, the collapse in commodity prices and the subsequent global slowdown should hit 4Q numbers rather hard. With the 4Q results reporting season falling in February 2009, we expect the KLCI to hit a nadir around this period. Looking at Figure 6, we see a correlation between the results being announced and the performance of the local market. Our expectation for a benign 3Q fits in with our view of a 2008 year-end flattish performance for the KLCI but expectation of a weak 4Q results season ties in with our view of a poor 1H2009.

Figure 6: Correlation between KLCI and Results Performance (adjusted for reporting delay)



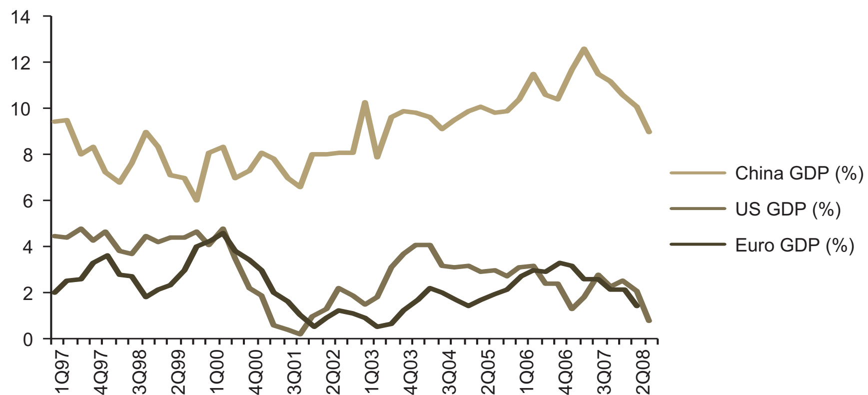
Source: Bloomberg & OSK

2H2009 – Hoping For A Recovery

Things may turn better in 2H2009. Given our expectation that the stock market tends to trade ahead of the economy by 6 months, we expect a recovery in the KLCI in 2H2009 as we believe an economic recovery may come about beginning end-2009. For 2009, we see external factors playing a more crucial role than domestic factors. We see East Asian economies, especially China, as the key to economic recovery while the US Government's rescue plans may also take effect later in 2009. On the domestic front, political uncertainties are expected to ease after the UMNO election in March 2009 when the Deputy President's position will be determined.

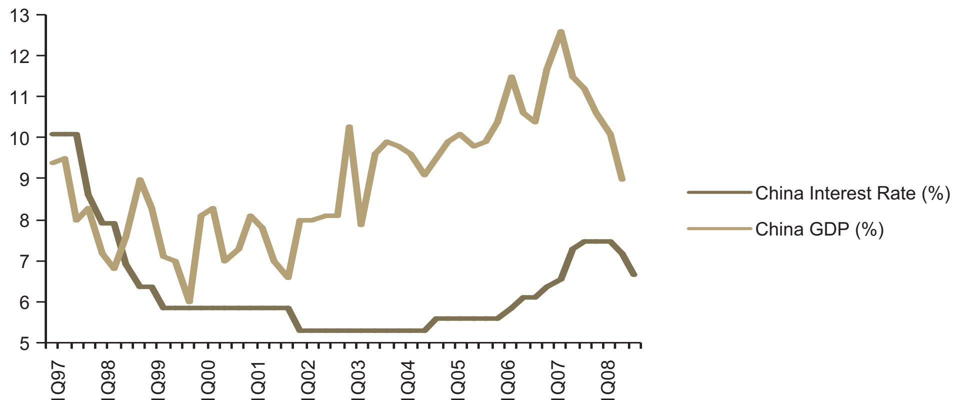
East Asian economies lead the way. While the recent turn of events have proven that the theory of 'economic decoupling' remains a theory, East Asian economies are nonetheless in a much stronger position to assist in the global recovery. China's foreign reserves exceeding US$1.9tn far outweigh those held by any other developed economy, perhaps with the exception of Japan's more than US$900bn. While its trade surplus should narrow somewhat given its dependence on exports, we believe an aggressive monetary policy by the Chinese Government could see it slashing interest rates significantly to prop up domestic spending. While a double-digit growth rate will likely be out of reach in 2009, most estimates still point to GDP growth of 7 to 8% for China. Figure 7 below shows that China still had the capacity for growth during the 2000/2001 tech bubble recession in the US while Figure 8 indicates that China is not a country to shrink away from aggressive interest rate cuts, as evident in 1997/1998 and 2000/2001. From a high of 7.47% in 1H2008, China has now cut its interest rates to 5.58% and we believe it could well be slashed further to 5.3%, which was the low in 2002. The Chinese Government has also indicated that it is not averse to aggressive stimulus packages, having unveiled its own package valued at US$586bn through 2010, a sum equivalent to some 18% of its US$3.3trn annual GDP compared to the US' US$700bn package, which amounts to only some 5% of its annual GDP.

Figure 7: China's GDP growth versus US and Europe



Source: Bloomberg

Figure 8: China's interest rate versus GDP growth

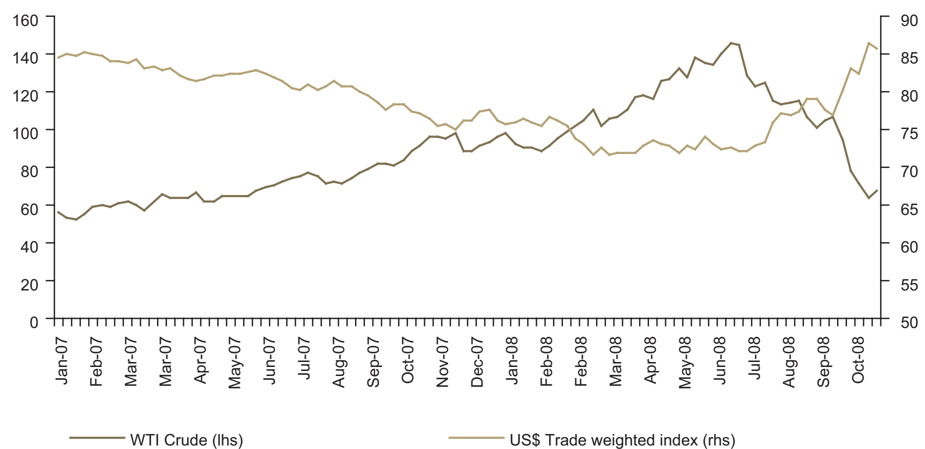


Source: Bloomberg

US not going the way of Japan. The current turmoil in the US has been compared with Japan's situation in the early 1990s. While both recessions appear to have been triggered by easy liquidity that led to an asset bubble that eventually burst, the reaction of the US Government appears to have been much quicker than the path taken by Japan in the 1990s. While housing prices in the US fell before the stock market, giving the US Fed more leeway to cut interest rates much faster and more aggressively, it was the other way around in Japan, with the stock market falling before asset prices, leading to the government keeping its interest rates high even as markets tumbled. The Japanese Government was also less aggressive in disbursing stimulus packages that could have spurred a recovery in its economy while the US has already given a US$150bn tax rebate, US$700bn in the Toxic Assets Rescue Plan (TARP) and is now considering another stimulus package. As such, combined with China's ability to spur domestic consumption via interest rate cuts and other stimulus packages, we believe the global economy will recover towards end-2009.

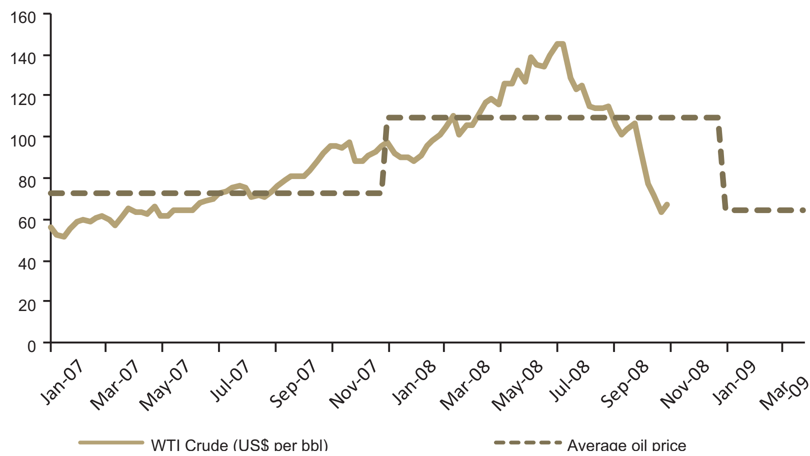
Commodity prices to stabilise. While we had earlier hoped to avoid a global recession and the corresponding collapse in commodity prices (see our Sep 11, '08 report), the reality now is quite different, with the World Bank having cut its GDP growth forecast to 1% for 2009 - a recession in all but numbers. This, coupled with a reversal in speculation sentiment, drove down commodity prices across the board with Crude Palm Oil (CPO) and crude oil taking a bashing albeit at a different pace. For 2009, we see commodity prices gradually stabilising despite the forecast drop in demand. With the Organisation of Petroleum Exporting Countries (Opec) already having cut supply by 1.5 million barrels per day (bpd) since early September, it is expected to announce another cut of 1.0 m bpd by end-November, with a possibility of more cuts in December if oil prices do not stabilise. Some Opec countries have indicated that a price range of US$70 to US$90 per bbl is an acceptable range. Consistent with our house view of a weakening US dollar after global deleveraging ends, commodity prices should recover in 2009. Since early 2007, oil prices have been showing a strong negative correlation to the US dollar, as indicated by the Dollar Trade Weighted Index. With a slew of Treasury bills to be issued to fund the US$700bn bailout plan and further interest rate cuts in the pipeline by the US Federal Reserve, we see a weakening in the US dollar and strengthening oil prices in the coming months. As for CPO prices, we see a decoupling from oil prices given CPO's far steeper fall in the last few months. With soybean prices at breakeven level, the planting of soybean will ease, which should help support vegetable oil prices. The mandatory use of biodiesel in Indonesia should help reduce the inventory of CPO while the cut-back in the use of fertilisers will eventually have an impact on production come 2010. Our house view on commodity prices is for oil to average at US$60 to US$70 per bbl in 2009 while our average CPO price assumption is RM1,650 per tonne. Given that plantation counters still account for some 15% of the KLCI's weighting, stable CPO prices should allow the KLCI to arrest any further selling pressure.

Figure 9: Oil should stabilise once US Dollar stabilises



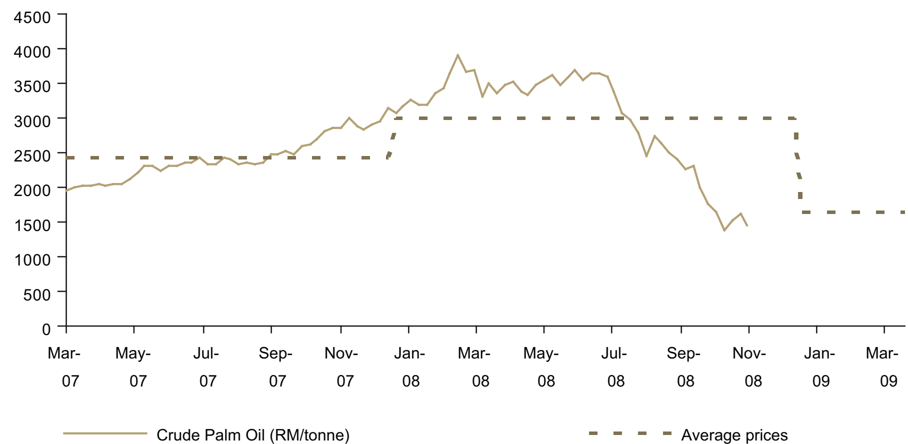
Source: Bloomberg

Figure 10: We forecast oil to stabilise at between US$60 to 70 per bbl in 2009



Source: Bloomberg

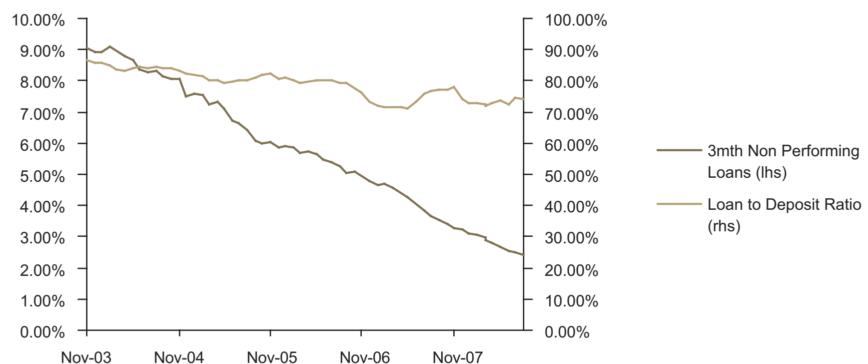
Figure 11: We forecast CPO to average at RM1650 per tonne in 2009



Source: Bloomberg

Malaysia – No Repeat of 1998. On the domestic front, Malaysia is in a much better position than it was in 1998 or even 2001. With our foreign reserves having grown 4-fold since 1998 and 3-fold since 2001, we are in a better liquidity position than we were 10 years ago. Our non-performing loans level has also fallen significantly from 13.6% in 1998 to 2.4% currently while our loans to deposit ratio is also much healthier at 74.3% compared with 92% in 1998. As such, our banks are not at risk of major defaults and we feel that the entire financial system is much healthier than it was 10 years ago. We are still looking at a 4% loans growth for 2009.

Figure 12: The Malaysian finance sector continues to strengthen

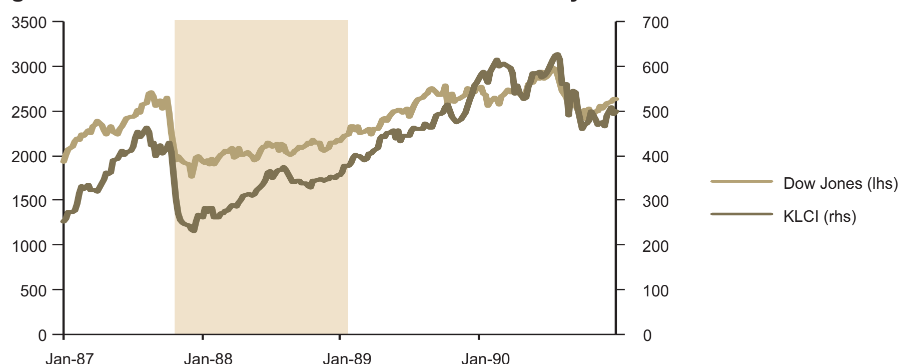


Source: Bloomberg

Inflation easing. While the concern starting from 2Q2008 was of stagflation as inflation rates in Malaysia hit a high of 8.5%, we believe this will ease significantly in the coming months. The Government has already implemented several petrol price cuts to bring the pump price down from RM2.70 per litre for RON97 to RM2.00 per litre. The drop in international coal prices is also giving Tenaga Nasional (TNB) less ammunition to argue for an electricity tariff hike in 2009. In fact, the Energy Minister has stated that if coal prices fall consistently to below US$75 per tonne, there should be a tariff cut. Given the Government's move to pressure food outlets and hypermarkets to cut prices, we see inflationary pressures easing significantly by 2H2009 for an average Consumer Price Index (CPI) growth of 3.4% in 2009 versus 5.8% in 2008. As such, there may be a pick up in domestic consumption towards the end of 2009.

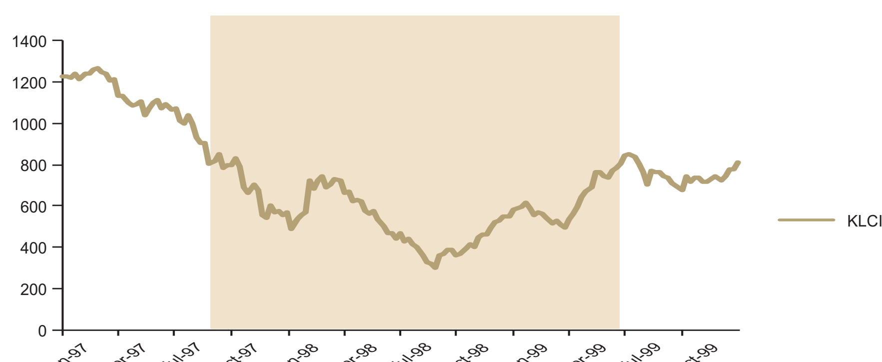
Malaysians have short memories. Assuming that 'history repeats itself' and a generation spans 20 years, we take a look at the previous bear markets in 1987/88, 1997/98 and 2000/01 and note that the market took an average 18 to 22 months to recover to a reasonable level. In 1987/88, it was 18 months before the market recovered between Oct '87 and Mar '89. In 1997/98, the bear market stretched some 22 months from Aug '97 to Jun '99 while for 2000/01, the bear market lasted 20 months, from Jun '00 to Feb '02. If we take the current bear market as having started from March '08, we see the market recovering by 3Q or 4Q2009.

Figure 13: 1987/ 1989 crisis – 18 months to recovery



Source: Bloomberg

Figure 14: 1997 / 1998 crisis – 22 months to recovery



Source: Bloomberg

Figure 15: 2000 / 2001 crisis – 20 months to recovery

Source: Bloomberg

But watch out for Banana Skins

Politics. Aside from the risk of the global economy taking longer to recover or developing countries being dragged into a recession, we feel that the greatest risk to a recovering market in 2H2009 will be politics. While the credibility of the Opposition claim of taking over the Federal Government had somewhat taken a dent since the Sept '08 deadlines came and went, we do not write it off completely. Given that Foreign Direct Investment (FDI) is unlikely to return significantly in 2009, any change of Government can only lead to greater instability for the nation at this time. At the same time, the long drawn out campaign period for the UMNO general assembly up to March 2009 could see the domestic political scene continue to remain unstable for some months yet. As such, we only see a market recovery after March '09 when the issue is hopefully resolved.

Corridors may not help. While the growth corridors were generally launched with much fanfare in 2007, the news flow for many of the corridors has slowed down considerably. While we were never too optimistic on the impact of the corridors on the stock market to begin with, the cancellation or postponement of any of the corridors, especially after the political landscape changes in March '09, could create more jitters among foreign investors.

Corridor	Aspirations	Status
Iskandar Malaysia	With a total of RM370 bn projected to be spent, the Iskandar Regional Development Authority (IRDA) is responsible for developing the creative, tourism, financial services, healthcare, education and logistics industries	As of August 2008, IDR has attracted RM36 bn worth of investments. Some of the biggest investments with initial investment of RM4.2 bn come from Middle East investors. The Eastern Dispersal Link Expressway is expected to be completed by 2011 and operational by 2012 The Johor State New Administrative Centre (JSNAC), 320ha of State and Federal government offices, is 90% completed and will be ready for occupation by year-end About 530 sq m of the Southern Industrial and Logistics Clusters (SiLC) at IDR have been launched. According to developer UEM Land, more than 95% was taken up by Singapore-based companies
Northern Corridor Economic Region (NCER)	NCER focuses on the agriculture, manufacturing, tourism and logistics services sectors while emphasising social development, community infrastructure and environmental integrity. Some RM177 bn worth of projects would be undertaken for the NCER	The Penang Monorail and Penang Outer Ring Road projects have temporarily been shelved; reason being the government would like to allocate the funds for more urgent matters like flood mitigation projects. Construction on the 2nd Penang Bridge has begun on the 16.37km sea portion of the 23km-long bridge, which will have a middle cable stayed span much like the present Penang Bridge. Scheduled to complete by May, 2012. The Butterworth container terminal phase III expansion project is being reviewed and apart from berth extension, other works may be scaled down or put on hold because of rising prices of steel and other building materials For the Kedah flood mitigation projects, Phase I has been completed and Phase II was launched in Feb '08
East Coast Economic Region (ECER)	Focuses on the development of oil, gas and petrochemical, agriculture, manufacturing and tourism economic clusters. The Federal Government expects a total of RM112bn to be invested in ECER.	Not much update except for the 140ha Kertih Plastic Park, due to be launched on Dec 2 and is expected to lure RM1.3bn in investments.

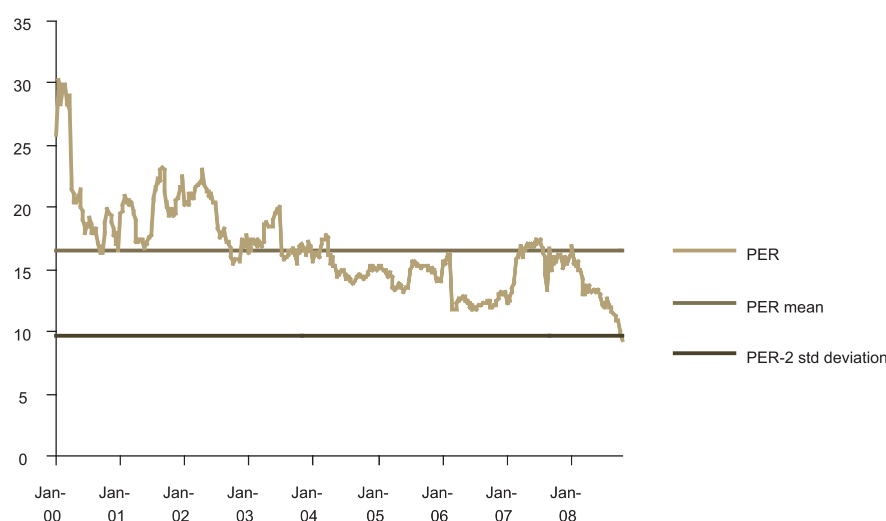
Corridor	Aspirations	Status
Sabah Development Corridor (SDC)	Plans to capture higher value economic activity, promote balanced economic growth and ensure sustainable growth while conserving the environment through the identified growth drivers - tourism, agriculture, manufacturing and logistics. A total sum of RM105bn is scheduled to be spent in the region	Minimal update aside from the Kota Kinabalu City Waterfront project which is being reviewed, land purchases for a modern fish landing facility in Sandakan and talk of a petrochemical hub in Kimanis where gas will be channelled to the Sabah-Sarawak Gas Pipeline.
Sarawak Corridor of Renewable Energy (SCORE)	Focuses on the optimal utilisation of natural energy resources through the development of energy intensive industries, particularly hydropower (28,000 MW), coal (1.46 billion tonnes), and natural gas (40.9 trillion square cubic feet) found in abundance within the Central Region between Tanjung Manis and Similajau. A total of RM344bn is projected to be spent to stimulate its economic growth	A lot of news on the proposed Rio Tinto aluminium smelter in Samalaju Industrial Park. Aside from the smelter, possible projects include a deepwater port at Similajau, steel refineries and other industrial developments. The development of hydropower in the region by Sarawak Energy is also a part of a long-term project to export electricity from Sarawak.

Forecasting a flat KLCI target of 1020

2009 target: 1,020 pts. With our house estimates of a 4% loans growth, crude oil at US$60-70 per barrel and CPO at RM1,650 per tonne, and the country's still positive GDP growth, we see corporate earnings growing by some 1.8% in 2009. We derive our 2009 year-end target of 1,020 pts after applying a 12x PER to the KLCI. Over the past 10 years, the KLCI has traded in a wide range with the lows of 8-9x during the 97/98 financial crisis. Since 2000, the KLCI has traded within a tighter PER range of 9-30x with the market reaching a trough in the latter months of 2008. With the market average PER at 16x, we see a 12x target PER - which is more than 1 standard deviation from the mean - as being reasonable as market confidence slowly returns across the globe.

Parameter	2008	2009
GDP growth (%)	5.3	2.7
Loans Growth (%)	7.5	4.0
Average Oil Price (US$ per bbl)	100	60 - 70
CPO price (RM per tonne)	2,800	1,650
Earnings growth (%)	2.1	1.8
Average RM to US$	3.30 - 3.35	3.45 - 3.50
KLCI year end target	918	1,020

Figure 16: KLCI PER range since 2000



Source: Bloomberg

Not a pipe dream. With an upside of some 170 pts to our 2009 target, we wish to clarify that this is no pipe dream. Based on the fair value on our buy calls among the top 15 KLCI constituents which make up some 36.8% of the KLCI, achieving our fair values would see the KLCI rise some 89 pts. As such, achieving the 1,020-pt year-end target should not be too far out of reach.

Top 10 CI Constituents	Price (RM)	Target (RM)	Weighting to KLCI	Impact on KLCI (pts)
MISC	8.50	9.75	6.7%	10.3
Public Bank	8.50	9.10	6.3%	5.1
Tenaga Nasional	6.15	9.80	5.6%	32.0
Petronas Gas	9.75	11.10	4.1%	4.9
IOI Corp	3.12	4.22	4.0%	14.7
Genting	4.54	6.40	3.6%	13.2
TMI	4.06	7.25	3.2%	8.8
TOTAL			**36.8%**	**89.0**

The sectors we like. Based on our house view of a depressed 1H2009 followed by a potential recovery in 2H, the sectors that we are still overweight on are generally the defensive ones. We remain Overweight on only 5 sectors namely Gaming, Consumer - Food, Rubber Gloves, Steel and Utilities.

Sectors	Our stance	Comments
AUTO	NEUTRAL	We expect a TIV contraction of 13% in 2009 after a bumper 2008. There will be a dearth of new models launched and we foresee the slowdown leading to preference for cheaper national marques.
BANKING	NEUTRAL	Loans growth expected to moderate to 4.0% with weaker credit demand and business confidence. Although balance sheets are much stronger than in 97/98, valuations still appear stretched when compared with 2000/01 valuations.
CONSTRUCTION	NEUTRAL	With RM44.5bn worth of mega projects delayed or scrapped thus far, interest should shift to the smaller players given the Government's new focus on pump priming.
CONSUMER F&B/ TOBACCO	OVERWEIGHT	F&B players should be relatively resilient with companies focusing on basic foodstuff likely beneficiaries of the current situation. We see stable conditions for breweries while tobacco players should see some volatility with new ad regulations.
CONSUMER - RETAIL	NEUTRAL	Consumers will probably divert spending from non-necessities thus retailers focused on necessities and targeting lower income groups should be more resilient.
HEALTHCARE	NEUTRAL	Despite being relatively resilient domestically, healthcare companies face growing competition from imported pharmaceutical products and services. However, thin liquidity makes this sector a Neutral.
GAMING	NEUTRAL	With a monopoly status, significantly lower product pricing and stable domestic demand, the casino players are in a much better position than their overseas counterparts. NFO players will also benefit from the 'hope' factor in downturns.
MEDIA	NEUTRAL	Adex growth to slow as consumer spending and business confidence takes a dip. The strong US$ and high newsprint prices also take their toll on printed media.
OIL & GAS	NEUTRAL	Despite the drop in crude oil prices, Petronas remains the lynchpin for the domestic O&G sector with its preference for awarding contracts domestically. The need to replenish reserves should also see the local service providers continue to enjoy contracts.
PLANTATION	NEUTRAL	Although palm oil prices have fallen significantly, the sector is not ready for an upcycle until inventories have been pared down through biodiesel consumption come late 2009.
PROPERTY	NEUTRAL	The combination of subdued demand and intense competition as a result of the supply cycle may provide just the right ingredients for the "perfect storm" for the sector next year.
RUBBER GLOVE	OVERWEIGHT	With the increased awareness of healthcare and rubber gloves only constituting less than 1% of total healthcare costs, the sector is largely recession proof. The sector is trading well below its historical values.
STEEL	OVERWEIGHT	Despite the collapse in steel prices, we retain our Overweight call as steel counters have been oversold. We believe demand for steel will recover in 2009 with domestic and international pump priming.

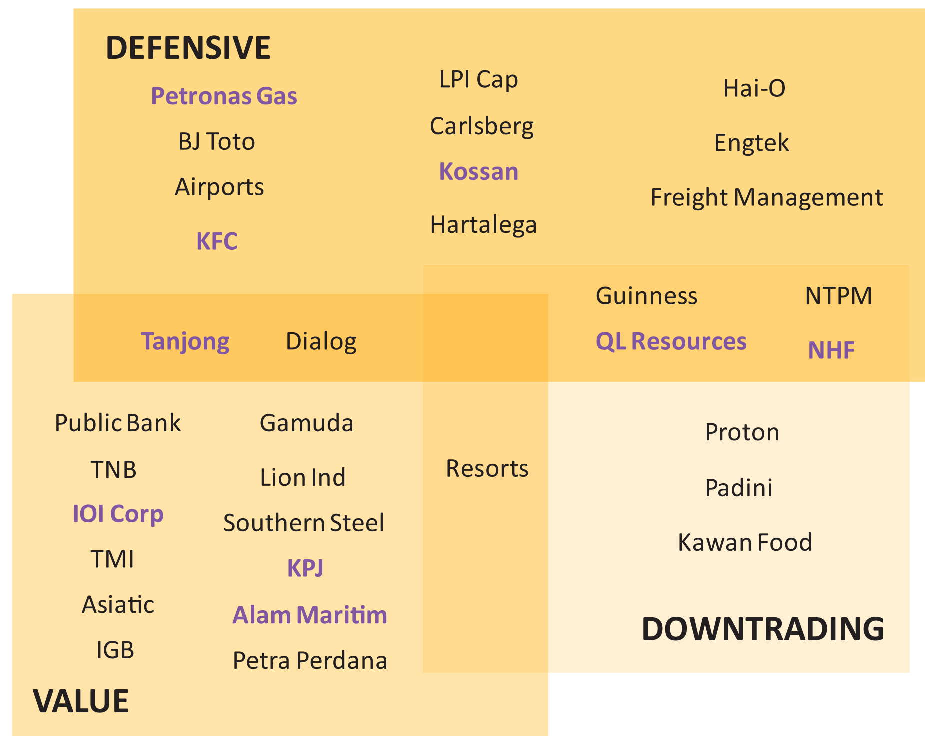
Sectors	Our stance	Comments
TECHNOLOGY	NEUTRAL	Covering a broad 11 sub-sectors, we remain overweight only on the BPO and Hard Disk segments. Exposure to global demand is the key risk.
TELECOMMUNICATION	NEUTRAL	With valuations appearing expensive on a regional basis and margins under compression due to escalating competition, we downgrade the sector to a Neutral.
TRANSPORT	NEUTRAL	Despite fuel costs coming down significantly, demand is forecast to slump for both airlines and shipping as the global economy slows. Our Malaysian players are better positioned than many international peers to weather the downturn.
UTILITIES	OVERWEIGHT	With fuel costs on the downtrend, utility companies may face less cost pressure. Despite the downturn, we still see positive electricity demand growth. On the flip side, fluctuating regulations in relation to windfall payments and PPA renegotiations may dampen sentiment
WATER	NEUTRAL	While the consolidation of assets in the Klang valley appears to be progressing, developments in other states seems to have slowed down with some infrastructure projects also at risk of cancellation.

Investment Strategy. Again, based on our market outlook for 2009, we draw up a 3-pronged strategy designed to satisfy a broad range of investors:

* For those with lower risk appetite and who are less keen to try and time the market, we have a list of Defensive Stocks that should ride out the coming economic storm relatively unscathed
* For those with a higher risk appetite who believe that the market may recover in 2H, we list out a few Value Stocks that should provide higher returns when the KLCI rebounds.
* For those looking to benefit from the downturn, we have also identified a number of Downtrading stocks although many of these are not under our regular coverage.

Out of this basket of stocks, we have distilled our Top 5 Big Cap Picks and Top 5 Small Cap Picks.

Figure 17: OSK Research Stock Selection



OSK Top Big Cap Picks

Stock	Price RM^	Fair Value RM	Mkt Cap RMm	PER (x)		FY1 DY %	P/NTA (x)	Rating
				FY1	FY2			
PETRONAS GAS	9.80	11.10	19,391.6	19.5	19.3	5.6	2.4	BUY
IOI CORP	3.10	4.22	19,066.9	8.8	12.0	4.2	2.3	T.BUY
TANJONG	11.80	18.60	4,798.8	7.8	6.8	8.8	1.8	BUY
KFC	6.95	7.70	1,378.0	10.5	10.2	3.3	2.0	BUY

OSK Top Small Cap Picks

Stock	Price RM^	Fair Value RM	Mkt Cap RMm	PER (x)		FY1 DY %	P/NTA (x)	Rating
				FY1	FY2			
QL RESOURCES	2.40	3.90	782.1	8.6	7.8	3.4	2.2	BUY
KPJ HEALTHCARE	2.80	5.00	586.2	7.0	6.3	7.1	1.1	BUY
ALAM MARITIM	0.92	1.34	453.4	7.0	6.2	1.1	4.0	BUY
KOSSAN RUBBER	2.37	4.60	375.7	6.2	5.0	4.2	1.5	BUY
NEW HOONG FATT	1.62	1.98	124.0	4.7	4.0	6.8	0.6	BUY

^ 18/11/08