

ELCI Ideas

Overview

Fundamental Overview

- Recent optimism towards Fed stimulus and ECB bond purchase program looks likely to provide support for equities.
- For clients with higher risk appetites, they may like to consider investing in **cyclical equities with earning visibility** (Financials, Commodities and Oil & Gas).
- More conservative clients may wish to **take on risk slowly**, opting for **defensive, dividend-yielding blue-chip equities** (REITs and Telecoms) in the interim.

Summary of our ELCI Ideas

Company	Suggested Strike Level	Sector	Sector highlights
Capitaland	96%	Property	Diversified property development and management
Keppel Corp	98%	Oil & Gas	Strong order books and positive outlook from management about the offshore market
SembCorp Marine	98%	Oil & Gas	Strong order book and positive industry outlook will continue to provide support
Noble Group	95%	Commodity	Strong liquidity position can provide it the opportunity to invest in attractive assets
Global Logistic Properties	95%	Real Estate	Defensive earnings should help limit any downside risk in terms of renewed economic slowdown
Wells Fargo & Co.	95%	Financial	Improving balance sheet will position it well for the medium term

Some notes:

- Prices and strike levels are indicative depending on spot prices of the relevant shares on prevailing trade date. Please refer to your Relationship Manager for an updated pricing.

ELCI Ideas

Idea 1: Capitaland Ltd (CAPL SP)

OCBC Investment Research issued a buy call on 08 Oct 2012

Consensus Rating:	No. of Analysts:
Buy	16
Hold	6
Sell	1

Source: Bloomberg

Upcoming Events:	Date/Amount:
Ex-Dividend	07 May 2013/SGD 0.055
Q3 2012 Quarterly Result	19 Oct 2012

Fundamental

- **Core Business** – Operates residential and commercial properties, property fund management, and serviced residences. The company also manages other properties.
- **Q2 12 Results** – Announced 2Q12 PATMI of S\$385.9m - down 3.3% YoY. One-time gains for the quarter include S\$89.2m of portfolio gains, mostly from the divestment of 50% stakes in two shopping malls, and S\$206.5m of revaluation gains/impairments. Top-line for the quarter came in at S\$862.5m, climbing 16.5% YoY mainly due to stronger contributions from residential developments and shopping malls.
- **China Residential Sales** - Residential units sold increased 218% QoQ to 812 units as buyer sentiments rebounded somewhat.
- **Diversified Exposure** - Capitaland offers diversified exposure to investors with its property development and management in the region.

ELCI Ideas

Technical

- Indicators remain neutral to positive with the RSI and MACD maintaining above their respective 50-neutral and zero lines. Prices have been supported by the 50-day exponential moving average (EMA) at \$3.10 since Jul 2012.
- The next support can be seen at the cluster region of \$3.01-\$3.04 where the 100-day EMA and 23.6% Fibonacci retracement coincide.
- Any further weakness will see support at the cluster region of \$2.88-\$2.92 where the 38.2% and 200-day EMA coincide.

Trade Idea

- Clients can look to strike 96% at \$3.06 or lower (preferably closer to \$3.04 or lower).
- Clients who are more conservative can wait for any price dip to strike at \$2.92 or lower.

Risks

- Any further property curbs in China and Singapore is expected to hit its residential property sales.



ELCI Ideas

Idea 2: Keppel Corp (KEP SP)

OCBC Investment Research issued a buy call on 05 Oct 2012

Consensus Rating:	No. of Analysts:
Buy	22
Hold	2
Sell	1

Source: Bloomberg

Upcoming Events:	Date/Amount:
Ex-Dividend	29 Apr 2013/SGD 0.209091
Q3 2012 Quarterly Result	18 Oct 2012

Fundamental

- **Core Business** – Offshore and marine infrastructure, property investment and development, telecommunications and transportation, energy and engineering.
- **Macro Environment** – Medium term positive outlook for commodities will continue to benefit the oil & gas industry. The search for oil goes into deeper waters and amidst harsher conditions will also increase demand for high-spec jack-ups with better operational capabilities, benefiting Keppel.
- **Strong Q2 12 Results** – Reported a 52.2% YoY rise in revenue to S\$3.5b and a 35.4% increase in net profit to S\$520.9m in 2Q12. Lumpy earnings from the property division boosted net profit, which is not expected to recur in 2H12. Operating margin in the O&M division continued to normalize to about 12% in the quarter, in line with management's guidance.
- **Strong Order Book and Positive Outlook** – The group's net order book stands at about S\$13.9b, with deliveries extending to 2015. KEP remains optimistic about the return of semi-submersible orders, given the tight supply of deepwater rigs.

ELCI Ideas

Technical

- Indicators remain neutral to negative after failed to break above \$11.50 recently. Prices have been supported by the 100-day exponential moving average (EMA) at \$11.05.
- Any further weakness will see support at the cluster region of \$10.77-\$10.85 where the 200-day EMA and 23.6% Fibonacci retracement coincide.

Trade Idea

- Clients can look to strike 98% at \$11.02 or lower.
- Clients who are more conservative can wait for any price dips to strike closer to \$10.85 or lower.

Risks

- Economic slowdown and sharp decline in oil prices may affect the demand for offshore drilling equipments.



ELCI Ideas

Idea 3: SembCorp Marine (SMM SP)

OCBC Investment Research issued a buy call on 05 Oct 2012

Consensus Rating:	No. of Analysts:
Buy	22
Hold	2
Sell	1

Source: Bloomberg

Upcoming Events:	Date/Amount:
Ex-Dividend	22 Apr 2013/SGD 0.06
Q3 2012 Quarterly Result	05 Nov 2012

Fundamental

- **Core Business** – Operates ship building, ship owning, ship repair and conversion. Through its subsidiaries, the company provides equipment rental, cleaning and maintenance services, marine, general electronics and electric works. It also trades copper slag, processes copper slag for grit blasting and building, as well as fabricates metal structures.
- **Q2 2012 Results** - Reported a 46.4% YoY rise in revenue but saw a 4.6% fall in net profit to S\$142.8m in 2Q12. Operating margin improved from 12.8% in 1Q12 to 13.1% in 2Q12 but was lower compared to 2Q11 which registered a high margin of 21.6%.
- **Positive Outlook** – OCBC Investment Research (OIR) expects SMM's earnings to pick up in 2H12 as higher margin contracts contribute to the group's results.
- **Strong Order Book**- Enquiries for newbuilds remain healthy and the group is seeing interest for various products, such as semi-submersibles, jack-ups and FPSOs. SMM has recently secured contracts worth about US\$4.0b from Sete Brasil for the design and construction of five drillships. With these orders, SMM has secured about S\$9.1b worth of new orders YTD (vs. S\$5.1b as at end 2011).

ELCI Ideas

Technical

- Indicators have weakened with both the RSI and MACD back below their respective 50-neutral and zero lines. Prices have been supported by an upward sloping trendline since Oct 2011 with immediate support at \$4.85 (an important level to watch), which also coincides with the 200-day exponential moving average.
- Should \$4.85 be tested, the next support can be seen at \$4.70 where the 38.2% Fibonacci retracement resides.

Trade Idea

- Clients can look to strike 98% at \$4.82 or lower.
- Clients who are more conservative can wait for any price dips to strike closer to \$4.70 or lower.

Risks

- Any continued global slowdown and uncertainty may risk orders cancel and affect its earnings.



ELCI Ideas

Idea 4: Noble Group Ltd (NOBL SP)

OCBC Investment Research issued a buy call on 14 Aug 2012

Consensus Rating:	No. of Analysts:
Buy	16
Hold	1
Sell	2

Source: Bloomberg

Upcoming Events:	Date/Amount:
Ex-Dividend	17 May 2013/USD 0.017191
Q3 2012 Quarterly Result	08 Nov 2012

Fundamental

- **Core Business** – Provides global supply chain management services. The company specializes in bulk commodities in the agricultural, industrial and energy sectors, particularly coal and coke, soybeans, iron ore, oil and gas, petrochemicals, sugar and ethanol.
- **Q2 12 Results** – Reported 1H12 revenue rising 19% to US\$47,069.0m, driven by its Energy and MMO (Metals, Minerals and Ores) segments. Interim net profit slipped 11% to US\$304.9m, which included US\$100.3m gain from the Gloucester-Yancoal deal and a tax credit of US\$10.5m.
- **Strong Liquidity Position** - It currently has about US\$6.2b worth of debt headroom, which management believes “eliminates any refinancing risk in the short and medium term”. It adds that it expects to receive some US\$800m in 2H12 from the Gloucester-Yancoal merger and sale of a tank farm asset in Brazil.
- **Opportunities** - Noble believes the market volatility will continue to provide it the opportunity to attract talent and invest in attractively priced assets.

ELCI Ideas

Technical

- Indicators remain neutral to positive with both the RSI and MACD staying above their respective 50-neutral and zero lines, with prices being held up by an upward sloping trendline since Aug 2012.
- Support can be seen at \$1.26 where the 50-day exponential moving average coincides with the 38.2% Fibonacci retracement.
- Any further weakness will see strong support at \$1.17 where the 23.6% Fibonacci retracement resides. This is also a resistance-turned-support level since Aug 2012.

Trade Idea

- Clients can look to strike 95% at \$1.26 or lower.
- Clients who are more conservative can wait for any price dip to strike at \$1.17 or lower.

Risks

- Any renewed global economic concerns may dampen sentiment, pulling back commodity prices.



ELCI Ideas

Idea 5: Global Logistic Properties (GLP SP)

Consensus Rating	No. of Analysts
Buy	9
Hold	4
Sell	2

Source: Bloomberg

Upcoming Events	Date/Amount
Ex-Dividend	-
Q2 2013 Quarterly Result	15 Nov 2012

Fundamental

- **Core Business** – Provides logistic facilities in Asia. The company owns, manages and leases a network of integrated logistics facilities near key hubs, near major seaports, transportation hubs and industrial zones.
- It is a large logistic provider in China as well as Japan, enabling investors to leverage on China's domestic consumption growth story.
- **Q1 2013 Results** – Reported a 57% y-o-y boost in bottomline to US\$153m on 32% higher revenue of US\$170.5m, thanks to better operational performance, additional contributions from new acquisitions such as Yupei, Vialog and Transfar.
- **Positive Outlook** – Its strong balance sheet could make ways for more acquisitions in FY13, allowing it to make value acquisitions to position for growth going forward. While macro outlook is more muted, there is still robust demand for logistics space from tenants that cater to domestic consumption trades such as e-commerce players.

ELCI Ideas

Technical

- Indicators remain neutral to positive with the RSI maintaining above its 50-neutral lines, together with positively placed directional indicators. However the MACD is weakening and heading towards its zero line.
- Interim support can be seen at \$2.44 where the 50-day exponential moving average (EMA) resides – a level that has support prices since Jul 2012.
- On any weakness, support can be seen at \$2.40 where the 23.6% Fibonacci retracement resides before the next support at \$2.31 where the 100-day EMA resides.
- Any further weakness will see support at the cluster region of \$2.20-\$2.24 where the 38.2% Fibonacci retracement and 200-day EMA coincide – a resistance-turned-support level since Jul 2012.

Trade Idea

- Clients can look to strike 95% at \$2.37 or lower.
- Clients who are more conservative can wait for any price dip to strike at \$2.24 or lower.

Risks

- Any renewed fears of global economic slowdown are likely to impact its margins from leases.



ELCI Ideas

Idea 6: Wells Fargo & Co (WFC US)

Consensus Rating	No. of Analysts
Buy	28
Hold	11
Sell	1

Source: Bloomberg

Upcoming Events	Date/Amount
Ex-Dividend	31 Oct 2012/USD 0.22
Q3 2012 Quarterly Result	12 Oct 2012 (Reported)

Fundamental

- **Core Business** – Diversified financial services company providing banking, insurance, mortgage, leasing, credit cards, and consumer finance. The company operates through physical stores, the Internet, and other distribution channels cross North America and elsewhere internationally.
- **Strong Q3 2012 Results** – Earnings rose 22% as revenue and mortgage income grew and credit strengthened. Posted a profit of \$4.94 billion, compared with a year-earlier profit of \$4.06 billion. Earnings per share were 88 cents versus 72 cents last year. Core loans grew by \$11.9 billion and saw continued strength in mortgage and deposit businesses.
- **Consistent Results** - Achieved six consecutive quarters of record net income and EPS.
- **Improving Credit Quality** –Net charge-offs of \$2.4 billion were 1.21 per cent of average loans, compared with 1.37 per cent a year earlier and 1.15 per cent in the second quarter. Credit-loss provisions totalled \$1.59 billion, compared with \$1.81 billion a year earlier and \$1.8 billion in the second quarter.

ELCI Ideas

Technical

- Indicators are weakening with the RSI back below its 50-neutral line but prices managed to stay afloat above its 200-day exponential moving average (EMA) at \$32.56 which has provided support since Jan 2012.
- Any further weakness will see support at \$31.19 where the 38.2% Fibonacci retracement resides.

Trade Idea

- Clients can look to strike 95% at \$32.56 or lower
- Clients who are more conservative can wait for any price dip to strike at \$31.19 or lower.

Risks

- Any global economic slowdown will likely result in slower activities, lower income and margins.



ELCI Ideas

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