

# Plantations may outperform KLCI if CPO price rise persists

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MALAYSIA'S plantation sector is expected to outperform the market this year if the uptrend in crude palm oil (CPO) prices continues, say industry observers.

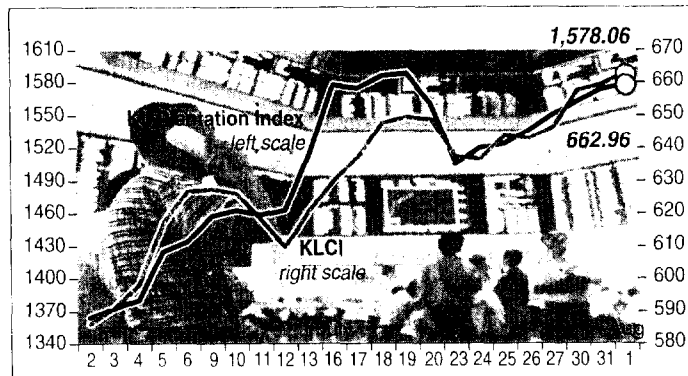
At present, several analysts have already given an "overweight" recommendation for the sector which is expected to strengthen even further in 2002.

With physical CPO prices already breaching the RM1,200-per-tonne level since Monday, their optimism was further boosted by expectations of a tight supply and bigger demand for the commodity in the coming quarter.

The Kuala Lumpur Plantation Index on the Kuala Lumpur Stock Exchange (KLSE) ended 4.76 points higher at 1,578.06 yesterday compared with the KLSE Composite Index (KLCI) which rose 3.56 points to 662.96.

The index has already outperformed both the Emas Index and KLCI in terms of value appreciation and total returns between January 31 and June 29 this year.

Within the period, the Plantation Index appreciated by 3.25 per cent while the Emas Index and KLCI fell by 16.56 and 18.52 per cent, respectively.



It also managed to record a total return of 5.80 per cent in the said period versus Emas Index's minus 15.56 per cent and KLCI's minus 17.58 per cent.

Analysts attributed the stronger performance of local plantation counters to the improvement in CPO prices, which currently hover at around RM1,100 to RM1,200 per tonne.

Malaysia's physical CPO price for August South was traded at RM1,275 per tonne yesterday. At the Malaysia Derivates Exchange, spot August and September each increased by RM30 to settle at RM1,262 and RM1,265 per tonne, respectively.

"We think this is just the

beginning of the bull run in the CPO prices," a plantation analyst with a local research firm told Business Times.

"We are seeing a lot of upside potential for many plantation counters now and if the CPO prices remain on the uptrend, the plantation sector is likely to outperform the market," she said.

CPO prices are expected to be even stronger next year, averaging at around RM1,300 a tonne, she added.

Another analyst said despite the heavy interest on several situational stocks such as United Engineers (M) Bhd and Renong Bhd over the past two weeks, plantation shares still continue to attract players who are bullish about the

sector outlook.

"Investors are still accumulating these (plantation) stocks, especially those with good long-term prospects," he said.

The preferred plantation counters among local analysts are Golden Hope Plantations, IOI Corp Bhd and KL Kepong, while for the smaller firms, they include United Plantations, PPB Oil Palms and Austral Enterprises.

Golden Hope ended two sen higher at RM3.62 yesterday, with IOI Corp unchanged at RM3.44 and KL Kepong up five sen to RM5.25.

United Plantations was unmoved at RM3.44, Austral gained two sen to RM2.82, while PPB Oil eased by three sen to RM1.90.

Meanwhile, cargo surveyor Societe Generale de Surveillance Malaysia yesterday said Malaysian palm oil exports in July fell to 931,919 tonnes from 998,636 tonnes in June.

India was the biggest buyer of Malaysian palm oil last month, taking 200,906 tonnes, followed by China who bought 94,040 tonnes. — *By Nuryushida Laily Yusuf*