

10 March 2008

## 2008 ELECTION SNAPSHOT

- For the first time ever, BN failed to get the 2/3 majority in Parliament after it won only 140 of the 222 Parliament seats, short of the 148 needed (2004 GE: 198 of 219 Parliament seats).
- BN lost control of four States – Penang, Kedah, Perak and Selangor, on top of failing to capture Kelantan yet again, which has been in the Opposition (PAS) hands since 1990, plus Federal Territory of Kuala Lumpur. Consequently, BN garnered 305 out of the 505 State Assembly seats that were up for grabs.
- BN also saw its share of votes dip to just 50.4% versus 64.4% in 2004 General Election.

Bursa Malaysia succumbed to heavy selling activities after the 2008 election (the KLCI nosedived 10% to 1,166) on concerns of the following:

- Political uncertainty due to heavy losses faced by Barisan Nasional (BN). Gerakan and MIC parties face major upheaval given their leaders were all voted out while UMNO may undergo an internal review. Vacant cabinet posts will have to be filled out, but given the damaging losses in the Gerakan, MCA and MIC parties, UMNO may push for new appointees from its party, potentially causing further rifts within BN.
- The opposition parties were unprepared for the wins and have been caught off-guard in their readiness to govern.
- State development projects at risk due to the loss of the northern states (Penang, Kedah and Perak) to the opposition. These include the second Penang bridge (JEMBUILD), Penang monorail (MRCB, SCOMI ENG), Penang Global City (EQUINE), the new Butterworth terminal, Penang Outer Ring Road and bullet train project to Singapore (YTL).
- Companies dependent on federal government policies:
  - TENAGA: the fuel cost pass-through tariff mechanism might be delayed as the Cabinet reviews and analyses the losses.
  - KPS: the proposal to become a water asset management company for Selangor state may be reviewed. This will also affect PUNCAK.
- The following sectors will not be affected by the election results:
  - TELECOMMUNICATIONS: The demerger of TM is ongoing – reportedly to be completed on 17 April. DIGI's proposed acquisition of 3G spectrum from TIME DOT COM is also unlikely to be affected.
  - BANKS: Economic outlook remains intact.
  - PLANTATIONS: CPO prices remain intact.
  - OIL & GAS: Support services sector are driven by external factors.

## COMPANIES THAT MAY BE IMPACTED

Stock	Reasons
Scomi	It is uncertain if the Penang Monorail project will still go ahead under the DAP. However, impact to group is not significant as increased earnings from monorail business only account to 2%-5% of Scomi Group's FY09F-FY10F earnings.
MRCB	MRCB's exposure to Penang is via Penang Monorail and new Butterworth Terminal. These projects are estimated to account for 10-15% of MRCB's FY08-FY09F net profit.
Gamuda	Higher execution risk on double-tracking railway project. Land matters under the purview of state governments.
Equine	The proposed development of the Penang Global City on the current turf club site may be at risk.
UEM Builders	Penang Second Bridge.
KPS	Pahang-Selangor Raw Water Transfer project
JAKS	Pahang Selangor Raw Water Transfer project
Tenaga	Electricity tariffs increase may be more difficult to implement.
NFOs – B-Toto, Tanjong & Magnum	Risk that the PAS-led state governments in Kedah and Perak may close down NFO outlets. As an indication, out of Tanjong PLC's 347 outlets nationwide, 12 are in Kedah while 48 are in Perak.
Brewers – Guinness and Carlsberg	Potential restrictions on the sales of alcohol in Kedah and Perak under a PAS-appointed chief minister
Puncak Niaga	Hike in water rates may be more difficult to implement.
PLUS	Risk of a delay in toll hike

## INDEX & SECTORAL PERFORMANCE

	10-Mar	Chg From 7-Mar %
KLCI	1,173.22	(9.50)
FBM EMAS	7,961.82	(9.47)
FBM SYARIAH	8,402.57	(10.70)
CONSTRUCTION	217.41	(15.77)
SERVICES	157.36	(9.72)
INDUSTRIAL	2,486.07	(9.52)
PROPERTY	761.93	(9.22)
PLANTATION	7,041.23	(8.97)
FINANCE	9,081.04	(7.81)
SECOND BOARD	5,654.58	(7.22)
CONSUMER	300.79	(4.92)