PRESS CUTTINGS

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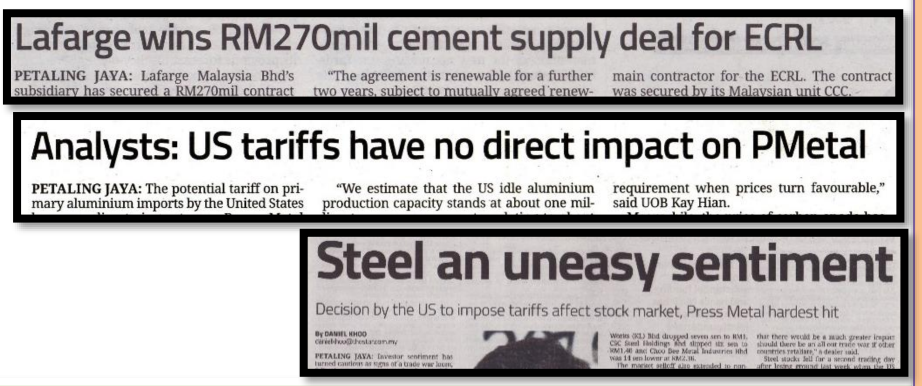

Lafarge wins RM270mil cement supply deal for ECRL

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Steel an uneasy sentiment

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Part 1:

METALLIC COMMODITIES

Source : Star Biz Date : 06 March 2018 (Tuesday)

Steel an uneasy sentiment

Decision by the US to impose tariffs affect stock market, Press Metal hardest hit

By DANIEL KHOO
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PETALING JAYA: Investor sentiment has turned cautious as signs of a trade war loom, following an announcement late last week by the United States to impose tariffs on steel and aluminium imports.

This comes after the decision to impose tariffs on solar panels in January.

According to a *Bloomberg* report, the steel tariff can be expected to be signed formally early in the week.

With two moves against trade this year, many believed that US President Donald Trump might be close to withdrawing from the North American Free Trade Agreement.

Speculation over whether major US trade partners would retaliate weighed on investor sentiment, with Asian markets closing lower.

China, which only accounts for a fraction of US steel imports, has said it would defend its interest if the newest move by Trump hurts it.

It was also reported that the European Union may be considering imposing 25% tariffs on US$3.5bil worth of goods – a third steel, a third industrial goods and a third agricultural.

European markets opened higher with trading at mid-morning still up.

The uncertainty hit the local bourse, with the benchmark FBM KLCI slipping 13.72 points or 0.72% to close at 1,842.62.

Bursa Malaysia turned wobbly as Trump's steel tariff impacted investor sentiment, with some 2.62 billion shares worth RM2.41bil changing hands.

There were 963 losers to 172 gainers, while 266 counters remained unchanged with 458 untraded.

Among the stocks hardest hit by the tariff was aluminium producer Press Metal Bhd, which fell 50 sen or 9% to RM4.97.

Trade dampener: Soh says Trump's action is uncalled for as high-end steel products for automotive, aeroplane and transportation industries are mostly imported.

The counter fell 32 sen last Friday. Ann Joo Resources Bhd, a steel producer, was down 12 sen to RM3.32, Southern Steel Bhd was nine sen lower at RM1.97, Hiap Teck Venture Bhd lost three sen to 46.5 sen, Malaysia Steel Works (KL) Bhd dropped seven sen to RM1, CSC Steel Holdings Bhd slipped six sen to RM1.40 and Choo Bee Metal Industries Bhd was 14 sen lower at RM2.36.

The market selloff also extended to non-steel and non-aluminium producers, with oil refiner Heng Yuan Bhd slipping RM1.80 to RM10.38, wiping off RM540mil in market capitalisation.

Another refiner, Petron Malaysia Bhd, fell 80 sen to RM9.72, while Hong Leong Bank Bhd, the country's fifth-largest bank by assets, was down 80 sen to RM18.70.

According to Malaysian Iron and Steel Industry Federation president Datuk Soh Thian Lai, Trump's trade actions' actual potential financial effects on local steel players are limited.

"The impact is not severe because Malaysia only exported 96,000 tonnes to the United States out of 34 million tonnes which it imported (in 2017). Malaysia's imports from the United States only took up 0.28%, and Malaysia mainly exported flat products to the United States," he told *StarBiz*.

"Trump's action to use Section 232 of the Trade Expansion Act of 1962 in view of national security reasons was totally uncalled for because currently, those high-end steel products for automotive, aeroplane and transportation industries are mostly imported," Soh added.

He said such severe actions by the country could hamper global trade and feared retaliation from others.

Dealers said local investors were mostly selling on strength and taking some money off the table after the solid gains that had been racked up in steel stocks the last few months.

"Some traders would opt to sell first although the impact on local stocks is not so clear or minimal at the moment. There is fear that there would be a much greater impact should there be an all-out trade war if other countries retaliate," a dealer said.

Steel stocks fell for a second trading day after losing ground last week when the US tariff was announced.

AmInvestment Bank Research said while Malaysia does not export much steel to the United States, the implications of the tariff were wider, as it may add up to 40 million more tonnes of steel supply to the global market.

"But we have protection measures from the Government so it should be okay (for companies locally). I believe that South Korea and Canada would experience the most impact from Trump's announcement. But China's exports to the United States is also not that high," he said.

"Steel stocks falling is an overreaction to the news and I don't foresee much of an impact. If demand does not pick up, then we might see steel prices going down but the demand outlook so far remains good," he added.

Meanwhile, Press Metal said in a statement that the tariff would have minimal impact. "We have been monitoring this development and feel the current direct impact on our business is minimal.

Press Metal exports a very minimal amount of its primary aluminium products to the United States. Including extrusion products, our exposure to the US market is less than 1% of our total revenue," it said.

The company noted that US consumption of primary aluminium was almost six million tonnes last year compared with the domestic production of close to one million tonnes. Canada, Russia and the Middle East were the top-three exporters to the United States, constituting 80% to 90% of the US imports of primary aluminium.

Source : Star Biz Date : 08 March 2018 (Thursday)

Analysts: US tariffs have no direct impact on PMetal

PETALING JAYA: The potential tariff on primary aluminium imports by the United States has no direct impact on Press Metal Aluminium Holdings Bhd (PMetal).

According to AmInvestment Bank and UOB Kay Hian, PMetal exports less than five million tonnes of extrusion goods to the United States, or less than 1% of the company's sales.

However, AmInvestment Bank believed that PMetal would still feel the impact of lower aluminium prices in the international market if the tariff takes effect, irrespective of whether it exports its products to the United States.

"Assuming the tariff is to take effect, theoretically, aluminium in the US domestic market will trade at a 25% and 10% premium to international prices.

"This could prompt US aluminium producers to restart their idle capacities, which are not commercially viable based on the current international prices of steel and aluminium.

"We estimate that the US idle aluminium production capacity stands at about one million tonnes per annum, translating to about 50% to 60% of the total installed aluminium production capacity in the US," said AmInvestment Bank.

Meanwhile, UOB Kay Hian opined that there would be minimal impact from higher alumina prices on PMetal due to hedging policy.

The research house said although alumina prices, which account for more than one-third of cost of goods sold, fell to below US$400 per tonne currently from the fourth quarter 2017 high of US$450 to US$500 per tonne, prices are still high compared with US$200 to US$350 per tonne in 2016.

"However, we are not concerned about the impact in the near to medium term, given that PMetal has locked in the bulk of its alumina requirement for 2018 at low prices.

"For its 2019 requirement, we opine that there is still ample time to lock in its alumina requirement when prices turn favourable," said UOB Kay Hian.

Meanwhile, the price of carbon anode has seen a significant rise, reaching a seven-year high of 4,500 yuan in December 2017, from 2,650 yuan in November 2016.

PMetal said the sharp increase in anode prices suggested that a further increase might not be likely, but current high prices might prolong.

AmInvestment Bank revised up the carbon anode cost price in FY18 to FY20 by 10%, 5% and 8%, to US$560, US$600 and US$660, respectively.

For every 1% drop in the US dollar to ringgit exchange rate, it is estimated that the company's overall earnings will be eroded by 2%, to which AmInvestment Bank revises its dollar to ringgit assumptions to 4.10 in FY18 and 4.00 in FY19 to FY20, from 4.35 in FY18 and 4.20 in FY19 to FY20 previously.

Press Metal closed 4.4% lower at RM4.95, trading on a volume of 15.1 million shares.

Source : Star Biz Date : 09 March 2018 (Friday)

Japanese steel mills to spend billions to fend off Arcelor

TOKYO: Japan's two biggest steelmakers expect to spend more than US$20bil in the next three years to revamp plants, expand production of high-quality metal for electric vehicles and boost operational efficiency to fend off rivals such as ArcelorMittal, Posco and producers in China.

JFE Holdings Inc, the second-largest, would shell out more than US$6bil over the period, executive vice-president Shinichi Okada said in an interview.

Nippon Steel & Sumitomo Metal Corp, the biggest, outlined a plan just last week to raise capital expenditure by 35% to about 1.7 trillion yen (US$16bil).

The producers are investing some of their bumper profits to refurbish ageing mills built in the postwar boom as they strive for an edge over foreign rivals including mills in China, which supplies more than half of the world's steel.

They're also preparing for rising demand from new energy vehicles and the 2020 Olympics. Nippon Steel and JFE get about a third of their sales from exports, while as a country, Japan vies with India as the no. 2 producer.

"We won't be able to survive in global markets unless we make our mills competitive," Okada said in Tokyo.

"We assume high levels of capital expenditure," he said, adding the total would exceed the 650 billion yen that was planned for the three years ending this month.

To keep pace with demand, JFE planned to raise local output to 30 million tonnes from 28 million tonnes in the coming years, Okada said.

The company would make more high-quality steel for the auto industry and move production of general-use construction metal to lower-cost nations in Asia, he said.

> **We won't be able to survive in global markets unless we make our mills competitive. We assume high levels of capital expenditure.**
>
> Shinichi Okada

JFE's expanding in places such as India, Vietnam and Myanmar through local partners.

Okada expects healthy market conditions in Asia to continue until at least the end of the first half of the country's financial year in September as capacity cuts and pollution curbs in China limit production and constrain exports.

While it's too early to properly assess the outcome of President Donald Trump's plan for a 25% import tariff on steel, Okada's concerned that the move will have a "big impact" on the global economy as countries retaliate on products beyond metals.

Kosei Shindo, steel federation chairman and president of Nippon Steel, has already said the duties risk opening a Pandora's box of retaliation that could go well beyond the industry.

Nippon Steel shares have lost 16% in the past year and closed at 2,359.5 yen in Tokyo yesterday, while JFE was up 7.7% in the same period. — Bloomberg

Source : Star Biz Date : 21 March 2018 (Wednesday)

Steel stocks poised for re-rating

UOB Kay Hian says steel firms may report another set of strong Q1 earnings in May

PETALING JAYA: Share price weakness of steel stocks, partly due to an overreaction to the US import tariff on Chinese products, should see a re-rating during a possibly strong first-quarter 2018 results season in May, said UOB Kay Hian.

In a sector update report yesterday, the research house opined that steel companies may report another strong set of earnings for the first quarter, with gross profit per tonne potentially expanding to RM733 per tonne.

This is based on UOB Kay Hian's generic model and quarter-to-date steel price of RM2,717 per tonne. "The sector's current share price weakness, partly as a result of the US tariff on imported steel and aluminium, may present a good buying opportunity.

"For steel stocks under our coverage, share prices weakened by an average of 18.3% from their recent highs compared to Chinese steel companies, which saw an average decline of 17.1%," said UOB Kay Hian.

It added that the outlook for steel remains promising, given the sustainably high local steel prices that are supported by industry consolidation in China.

The research house expects local steel demand to gradually improve on the back of the commencement of various mega and infrastructure projects.

"We also reiterate our view that the tariff imposed on imported steel and aluminium by the US should not have a significant impact on local steel players, given that excess supply from US imports should easily be absorbed given the aggressive capacity cuts by China.

"In addition, logistically, it would be economically inefficient for US steel suppliers such as Canada, Brazil and Mexico to divert excess supply to Asia," said UOB Kay Hian.

In February 2018, local steel bar and billet prices declined marginally by 2.7% and 2% to RM2,725 per tonne and RM2,375 per tonne, respectively.

Despite the slight decline, the research house said that local steel prices are still on the high side and well-supported by rising steel consumption, as well as the safeguard duty on imported steel.

For companies under UOB Kay Hian's coverage, Ann Joo Resources Bhd's reported results that came in within its estimates, while Choo Bee Metal Industries Bhd reported stronger-than-expected earnings.

"Ann Joo, a long steel player, reported a 12.2% quarter-on-quarter (q-o-q) growth in core net profit in the fourth quarter of 2017, thanks to a higher average selling price of 3.2% q-o-q increase to RM2,494 per tonne, moderately higher sales volume and lower effective tax rate thanks to an income tax exemption order.

"For Choo Bee, earnings for the fourth quarter saw a 33.1% q-o-q improvement, largely supported by strong growth from the manufacturing division as well as the trading division," said UOB Kay Hian.

The research house added that Ann Joo was a prime beneficiary from rising price demand for long steel products, given its hybrid manufacturing facility, as well as effective capital management.

Meanwhile, Choo Bee maintained its net cash position in 2017 with the net cash level making up 19% of its market cap.

UOB Kay Hian has maintained its "buy" call on Ann Joo based on a nine times price-earnings (PE) multiple of the 2019 earnings per share (EPS), and has reiterated its "buy" call on Choo Bee based on a PE multiple of seven times the 2019 EPS.

Ann Joo closed 2.1% lower at RM3.28, trading on a volume of 1.07 million shares, while Choo Bee closed 1.6% lower at RM2.50, with 97,300 shares changing hands.

Ready for shipping: A file picture showing steel coils produced at a steel mill in Indiana being prepared for shipping. Local steel stocks have fallen 18.3% after the US announced proposed tariffs on steel and aluminium imports. — AFP

Part 2:

NON-METALLIC COMMODITIES

Source : Star Biz **Date : 20 March 2018 (Tuesday)**

Lafarge wins RM270mil cement supply deal for ECRL

PETALING JAYA: Lafarge Malaysia Bhd's subsidiary has secured a RM270mil contract to supply cement to China Communications Construction (ECRL) Sdn Bhd (CCC) for the proposed East Coast Rail Link (ECRL) project.

It said in a statement that Lafarge Cement Sdn Bhd would supply cement from now to Dec 31, 2019 to all eight packages of work for the project.

"The agreement is renewable for a further two years, subject to mutually agreed renewal terms and conditions," it said.

The ECRL is a 688-km railway line which will link the Klang Valley to Pengkalan Kubor in Kelantan.

To recap, in 2016, China's state-owned China Communications Construction Co Ltd was awarded the RM55bil contract to be the main contractor for the ECRL. The contract was secured by its Malaysian unit CCC.

The ECRL, which stretches over four states, will have two phases: Phase 1 is from the Integrated Transport Terminal in Gombak, Selangor, to Kota Baru, Kelantan; and Phase 2 from Gombak North to Port Klang, Selangor, and Kota Baru to Pengkalan Kubor, Kelantan.

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by;

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