

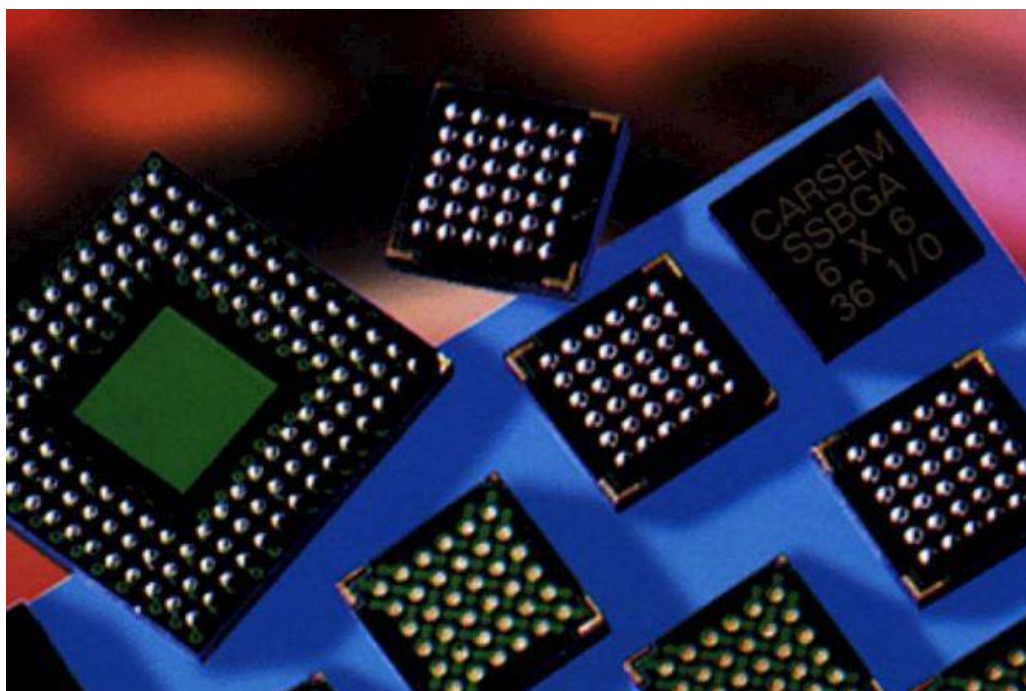
Further volatility in semiconductor stocks expected, says Maybank IB Research

Tuesday, 22 March 2016

KUALA LUMPUR : Maybank IB Research cautioned that semiconductor counters in Bursa Malaysia may experience further volatility should the ringgit continues to strengthen in the immediate term.

In a note today, the research house says that it forecast the ringgit to average RM4.10 against the US dollar this year.

As a net exporter, semiconductor and technology equipment players suffer from a strengthening domestic currency, it says. The ringgit has so far strengthened by 5% to date against the dollar.



Despite the potential headwind, Maybank IB is maintaining a 'positive' rating on the sector due to the demand recovery ahead of new smart device launches in the second half of this year.

"Our top pick is Inari Amertron Holdings Bhd as potential job wins from Broadcom and Osram in Penang would be earnings accretive from its 2017 financial year (FY17) onwards. Conservatively, we have factored in RM150mil to RM300mil job wins for FY17/18," it says.

Maybank IB adds that it is maintaining its earnings forecasts and 'buy' calls on both Globetronics Bhd and Vitrox Corp Bhd.

"We favour Vitrox over the near term for relatively better earnings visibility, riding on a strong order backlog which more than offset the impact of the ringgit's strength," it says.

On the other hand, Globetronics remains a 'buy' call for the potential adoption of the 3D-imaging sensor in the next generation smartphones, Maybank IB adds.

The research house currently has a target price for RM3.85 for Inari. Furthermore, its target prices for Globetronics and Vitrox are at RM6.90 and RM4 respectively.

<http://www.thestar.com.my/business/business-news/2016/03/22/semiconductor-sector-maybank-ib/>