



Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	51349.9	(0.3)	(1.0)	(4.1)	6.8
S&P 500	7670.8	(0.2)	(1.2)	(0.5)	12.1
FTSE 100	10636.7	(0.5)	(0.7)	(1.7)	7.1
AS30	8886.6	0.4	(0.7)	(4.1)	(1.5)
CSI 300	4345.2	0.1	(4.3)	(6.1)	(6.1)
FSSTI	5714.8	(0.2)	(0.2)	(0.7)	23.0
HSCEI	8178.8	(0.5)	(2.2)	(3.9)	(8.2)
HSI	24523.6	(0.5)	(2.2)	(4.1)	(4.3)
JCI	6121.7	(0.4)	(2.5)	(6.2)	(29.2)
KLCI	1644.0	(1.6)	(2.3)	(4.7)	(2.2)
KOSPI	6870.8	(0.3)	(0.3)	0.7	63.0
Nikkei 225	65481.3	(0.6)	2.1	(1.3)	30.1
SET	1594.3	(0.5)	(0.6)	(0.1)	26.6
TWSE	47632.0	(0.8)	1.0	3.3	64.5
BDI	3178	(2.8)	(7.4)	(0.3)	69.3
CPO (RM/mt)	4474	0.0	(2.9)	(2.9)	13.8
Brent Crude (US\$/bbl)	103	(2.6)	3.4	14.9	68.6

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
New Economy Conference at The Ritz Carlton Hotel	Malaysia	07 Oct	07 Oct
NDR with Food Empire Holdings Ltd (FEH SP)	Malaysia	08 Oct	08 Oct
Small & Mid-Caps Corporate Day	Singapore	21 Oct	21 Oct

Corporate and Macro Calendar

Economic Indicator/Event	Date
Bank Lending AUG	30 Sep
URA Property Index QoQ Prel Q3	1 Oct
SIPMM Manufacturing PMI SEP	2 Oct
S&P Global PMI SEP	5 Oct

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- We raise our 2027 CPO price forecast to RM4,700 per tonne from RM4,400 and set 2028's at RM4,500. Our 2027 earnings forecasts for Bumitama and First Resources are increased by 9.6% and 12.1% respectively. However, a higher Indonesian export levy and a 1% El Niño-induced cut in FFB output limit the upside in the companies' earnings. Maintain OVERWEIGHT.

Market Spotlight

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- US stocks were lower on Tuesday. All indices fell as the energy, materials and consumer staples sectors slid. There were more decliners than advancers on both the NYSE and Nasdaq.
- The FSSTI fell 14.18pt to 5,714.84, on the back of weakness in OCBC, SATS and Singtel, with mid-cap indices falling while small-cap indices rose with a broad market decline on S\$1.98b turnover.

Technical Analysis

AEM Holdings (AEM SP)

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- Trading Buy Range: S\$9.65-9.66

Frencken Group (FRKN SP)

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- Trading Buy Range: S\$2.63-2.64

Plantation

Firmer 2027 CPO Lifts Upstream Earnings

Highlights

- We raise our 2027 CPO price assumption to RM4,700/tonne from RM4,400, as El Niño-induced dryness should strain production while Indonesia's B50 mandate would limit the country's exportable supply.
- We increase our 2027 net profit forecasts for Bumitama (BAL) by 9.6% and 12.1% for First Resources (FR). Indonesian producers keep less of each ringgit of price upside than Malaysian peers, as the export levy rises with the reference price.
- We raise our target prices for BAL to S\$2.54 (from S\$2.15) and FR to S\$5.09 (from S\$4.57), and maintain BUY on both. BAL remains our top pick as it has the purest upstream exposure, with 21% upside to its share price.
- Maintain OVERWEIGHT on the sector.

Analysis

- **Indonesian supply is holding up for now.** The Indonesian Palm Oil Association's (GAPKI) July data put production at 5.37m tonnes, up 1.9% mom, taking January-July output to 35.65m tonnes, up 6.4% yoy. Ending stocks stood at 2.76m tonnes, 7.4% higher than a year earlier. The squeeze will come in 2027 - we expect Indonesian output to fall 3.0% to 52.87m tonnes as the El Niño rainfall deficit feeds through to the harvest.
- **B50 to limit Indonesia's exportable supply of CPO.** Biodiesel absorbed 7.86m tonnes of palm oil in January-July, up 8.6% yoy, with July's 1.29m tonnes being the highest monthly figure this year. Total domestic consumption rose 6.4% yoy to 15.22m tonnes, well ahead of exports at +2.9%. With the 50% biodiesel mandate reaching full pump coverage on 1 October, we expect Indonesian exports to fall 10.6% to 22.99m tonnes in 2027.
- **Indonesian growers keep less of the upside.** Indonesia's export levy rises with the CPO reference price, so part of any price gain is deducted before it reaches growers. Our RM300/tonne upgrade is worth about US\$70/tonne, and we raise our 2027 levy assumptions by 10% of that increase, to US\$251/tonne for BAL and US\$172/tonne for FR. The higher levy takes about 2ppt off each company's 2027 earnings upgrade.
- **El Niño trims the 2027 crop.** We now assume own fresh fruit bunch (FFB) output falls 1.0% yoy in 2027 for both companies, from +2.5% previously for BAL and flat for FR. For BAL, we maintain our previous forecast for bought-in fruit volumes, so its 2027 CPO output is 2.1% below our earlier estimate. Our 2028 FFB growth assumptions are unchanged, as the lower 2027 base carries into 2028.
- **Earnings estimates.** We raise our 2027 net profit forecasts by 9.6% for BAL and 12.1% for FR. The higher CPO price alone adds 15-20% to the companies' 2027 earnings, before the negative impact of the higher export levy (-1.6ppt to -2.4ppt) and the smaller FFB output (-1.6ppt to -7.5ppt) are taken into account.

Peer Comparison

			Price	Target	Upside	Last	PE			Yield	ROE	Market	Price/
Company	Ticker	Rec*	29 Sep 26	Price	To TP	Year	2025	2026F	2027F	2026F	2026F	Cap.	NAV ps
			(\$S)	(\$S)	(%)	End	(x)	(x)	(x)	(%)	(%)	(\$Sm)	(x)
Bumitama Agri	BAL SP	BUY	2.10	2.54	21.0	Dec-26	15.9	12.3	11.6	5.7	24.6	3,676.9	2.9
First Resources	FR SP	BUY	4.47	5.09	13.9	Dec-26	15.4	12.6	12.3	4.8	26.9	7,080.8	3.2

Source: Bloomberg, UOB Kay Hian. PE and yields at US\$1:S\$1.29

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OVERWEIGHT (Maintained)

Segmental Rating

Segment	Rating
Singapore	OVERWEIGHT (Maintained)

Source: UOB Kay Hian

Sector Picks

Company	Ticker	Rec	Share Price (S\$)	Target Price (S\$)
Bumitama Agri	BAL SP	BUY	2.10	2.54

Source: Bloomberg, UOB Kay Hian

CPO Price Assumptions (RM/Tonne)

Calendar year	Previous	New	Change
2026F	4,500	4,500	Unchanged
2027F	4,400	4,700	+6.8%
2028F	4,350-4,450	4,500	+1-3%

Source: UOB Kay Hian

FFB Production Growth (%)

Company	Revised			Previous		
	FY26F (%)	FY27F (%)	FY28F (%)	FY26F (%)	FY27F (%)	FY28F (%)
Bumitama Agri	9.8	-1.0	0.8	9.8	2.5	0.8
First Resources	6.1	-1.0	0.9	6.1	0.0	0.9

Source: Respective companies, UOB Kay Hian. Own FFB (nucleus and plasma)

Earnings, Rating And Target Price Revision

Company	Net Profit Changes		Target Price Changes		Rating Changes	
	FY27F (%)	FY28F (%)	Previous (\$)	New (\$)	Previous	New
Bumitama Agri	9.6	-3.5	2.15	2.54	BUY	BUY
First Resources	12.1	5.9	4.57	5.09	BUY	BUY

Source: UOB Kay Hian. Net profit changes in reporting currency (Rp for BAL; US\$ for FR)

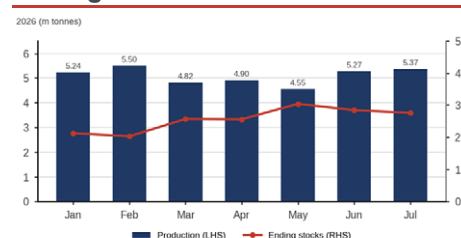
Valuation/Recommendation

- **Maintain OVERWEIGHT.** Firmer CPO prices in 2027 and a tightening Indonesian balance support upstream earnings, although the export levy and a smaller crop limit how much of the price gain Indonesian growers can keep. We keep our valuation bases and multiples unchanged.
- **Top pick: BAL (BUY/Target: S\$2.54).** BAL is the purest upstream name in our coverage and the most sensitive to CPO prices. Our target price is based on 14x 2027F PE, and the stock offers a 2026 dividend yield of 5.7%.
- **Maintain BUY on FR with a higher target price of S\$5.09 (from S\$4.57).** The target price remains based on 14x 2027F PE. The higher CPO price lifts 2027 earnings per share by 12% to 28.3 US cents (36.3 S cents), leaving 13.9% upside. Its refining business remains a strength.

Sector Risks

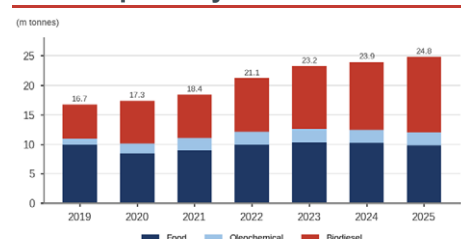
- **B50 slippage following a steep decline in crude oil prices.** Allocation or pump-coverage slippage would put Indonesian exports back into the market and is the main downside risk to our 2027 forecast.
- **A weaker-than-expected El Niño.** A milder dry spell would limit the 2027 crop loss in Indonesia and Malaysia, allowing stocks to rebuild and weigh on CPO prices.
- **Higher Indonesian export levies.** The government could raise the levy further to fund biodiesel subsidies, cutting the price Indonesian growers receive.
- **Agrarian reform law could force landbank adjustments.** Civil society groups reviewing the drafts say concession holders may have to give up at least 20% of their land for redistribution, or pay an equivalent 20% of profits, within a year. The final text is not yet public, and listed companies may be partly exempt.

Indonesia Palm Oil Production And Ending Stocks



Source: GAPKI, UOB Kay Hian

Indonesia Domestic Palm Oil Consumption By Use



Source: GAPKI, UOB Kay Hian

Past El Nino Episodes

Event	Next-crop vs trend (%)	Note
1982-83	-16.4	Record event: +2.40c
1997-98	-17.3	Deepest production cut
2009-10	-8.4	Moderate impact
2015-16	-16.1	Severe; Argentine floods
2023-24	+10.1	Exception: labour return

Source: Bloomberg, UOB Kay Hian

Palm Oil And Soybean Oil Prices



Source: Bloomberg, UOB Kay Hian

CPO Price Sensitivity (Per Rm100/Tonne)

Company	FY27F Net Profit (%)
Bumitama Agri	6.0
First Resources	4.0

Source: UOB Kay Hian

Market News

US stocks were lower on Tuesday, as the energy, materials and consumer staples sectors led shares lower. At the close of the NYSE, the Dow Jones fell 0.26% while the S&P 500 index slid 0.16% and the NASDAQ Composite index declined 0.09%. Falling stocks outnumbered advancing ones on the NYSE by 1,601 to 1,149 and 79 ended unchanged; on the Nasdaq Stock Exchange, 2,960 declined and 1,961 advanced, while 202 ended unchanged.

During the last trading session, the FSSTI fell 14.18pt to 5,714.84. Among the top active stocks were Singtel (-0.2%), DBS (+0.4%), OCBC Bank (-0.2%), SATS (-0.3%) and SIA (-0.6%). The FTSE ST Mid Cap Index fell 0.3%, while the FTSE ST Small Cap Index rose 0.6%. The broader market had 236 gainers and 298 losers with a total trading value of S\$1.98b.

Technical Analysis

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AEM Holdings (AEM SP)

Trading buy range: S\$9.65-9.66
Last price: S\$9.75
Target price: S\$11.43
Protective stop: S\$9.01

Price rebounded with a bullish engulfing candlestick pattern, establishing a concrete reaction low. The RSI remains established above its neutral 50-midline and is turning upward. As long as price holds above yesterday's engulfing demand base, we see continued upward expansion towards higher resistance.

The potential upside target is S\$11.43. Stop-loss could be placed at S\$9.01.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$12.99.



Frencken Group (FRKN SP)

Trading buy range: S\$2.63-2.64
Last price: S\$2.64
Target price: S\$3.07
Protective stop: S\$2.49

Price rebounded from its resistance-turned-support zone, establishing the newly converted horizontal floor as a primary demand anchor. The RSI remains established above its neutral 50-midline and is turning upward. As long as price remains supported above this converted demand, we expect continued upward expansion towards higher resistance.

The potential upside target is S\$3.07. Stop-loss could be placed at S\$2.49.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S\$3.30.

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