

Brokerage shares offer trading opportunity: OCBC

Interest likely to build ahead of results as market remains robust

By **CHARMIAN KOK**

GIVEN the healthy market momentum, interest in broking firms is likely to build up ahead of their release of second-quarter results and this may offer investors shorter-term trading opportunities, says an OCBC Investment Research report.

The report dated yesterday noted that several broking/finance-linked stocks, specifically UOB-KayHian, Kim Eng Holdings and

GK Goh Holdings, have moved up recently. The gains brought these stocks' price gains for the first half of the year to 64 per cent, 49 per cent and 40 per cent respectively.

The stock of Singapore Exchange (SGX), on the other hand, has gained 72 per cent, closing at \$10.30 yesterday. For the first half, the Straits Times Index rose 19 per cent and the SES Financial Index climbed 14 per cent.

"As market momentum looks healthy at the start of the third quarter, we believe that interest in these firms, which derive part of their earnings from trading-related activities should build up ahead of the re-

lease of expected strong second-quarter results," said Carmen Lee, head of OCBC Investment Research.

The surge in trading activity in the past few months saw the volume for the first half of 2007 reach an unprecedented high, more than double of last year's level. A total of 338.8 billion units were traded so far, already surpassing the total volume of 315.3 billion units traded for the whole of last year.

For the first three months of the year, UOB-KayHian, Kim Eng, GK Goh and SGX posted earnings growth of between 35 and 89 per cent. SGX topped the list with earnings of \$89 million; UOB-KayHian

came in next with \$61 million.

Over a three-year basis from 2004 to 2006, SGX also topped the list of the four stocks, with gains of 237 per cent from 2004 to 2006. The other three firms' stocks did not perform as well over the same period and picked up momentum only this year, noted OCBC.

"For investors looking for shorter-term trading ideas, share price gains of 40-64 per cent year-to-date are still slightly below the 35-89 per cent improvement in Q1 earnings, the expected stronger growth rates in Q2 and the more than doubling in trading volumes," said the report.