

Warrants Digest



Tuesday, September 03, 2019

CIMB Warrants in Focus

TENAGA-C57 534757	SUPERMX-C66 710666	AIRPORT-C9 5014C9
Close Price (sen) : 14.00	Close Price (sen) : 2.50	Close Price (sen) : 11.00
Strike Price (RM) : 12.60	Strike Price (RM) : 1.70	Strike Price (RM) : 8.00
Implied Volatility (%) : 17.92	Implied Volatility (%) : 34.81	Implied Volatility (%) : 29.13
Expiry : 31-Jan-20	Expiry : 31-Dec-19	Expiry : 30-Apr-20

TENAGA-C57

Tenaga Nasional Bhd (TENAGA) announced that its 2QFY19 net profit fell 9.7% y-o-y to RM1.12bil from RM1.24bil a year ago, due to regulatory adjustments which are now accounted for every month starting from this financial year and the MFRS 16 Leases. The quarterly revenue rose about 3% y-o-y to RM12.88bil driven mainly by the increase in sales of electricity. TENAGA closed up 16 sen to RM13.96 last Friday. TENAGA-C57 stands out as having a more attractive implied volatility among structured warrants on TENAGA.

Warrant	Implied Vol (%)	Strike Price (RM)	Moneyness (%)	Days to Expiry	Gearing (x)	Premium (%)	Close Price (sen)
TENAGA-C57	17.92	12.60	9.74	150	9.97	0.29	14.00
TENAGA-C65	22.27	14.20	-1.72	301	17.45	7.45	8.00
TENAGA-C60	22.59	12.80	8.31	240	10.34	1.36	13.50

SUPERMX-C66

Supermax Corporation Bhd (SUPERMX) closed down 4 sen to RM1.49 last Friday despite announcing its 4QFY19 net profit jumped 58.9% y-o-y to RM15.06mil. The increase in earnings was driven mainly by higher sales in natural rubber and nitrile rubber gloves. SUPERMX said the improved sales revenue was owing to the commissioning of the new replacement lines within the group and a stronger US-MYR exchange rate. Based on the table below, SUPERMX-C66 has a more attractive implied volatility compared to other structured warrants on SUPERMX.

Warrant	Implied Vol (%)	Strike Price (RM)	Moneyness (%)	Days to Expiry	Gearing (x)	Premium (%)	Close Price (sen)
SUPERMX-C66	34.81	1.70	-14.09	119	29.80	17.45	2.50
SUPERMX-C69	36.20	1.45	2.68	178	8.28	9.40	9.00
SUPERMX-C72	44.12	1.60	-7.38	269	8.28	19.46	6.00

AIRPORT-C9

Malaysia Airports Holdings Bhd (AIRPORT)'s 2QFY19 net profit jumped 86% y-o-y to RM160.08mil from RM86.12mil in 2QFY18, on the back of higher revenue. On the other hand, the Malaysian government said it had decided to reduce the passenger service charges (PSC) for international travellers flying beyond ASEAN from KLIA2 and other airports besides the KLIA to RM50 from RM73 effective October 2019. AIRPORT closed down 32 sen to RM8.23 last Friday. AIRPORT-C4 has the lowest implied volatility among structured warrants on AIRPORT, followed by AIRPORT-C9. However, AIRPORT-C4 has only 27 days to expiry whereas AIRPORT-C9 has 240 days to expiry.

Warrant	Implied Vol (%)	Strike Price (RM)	Moneyness (%)	Days to Expiry	Gearing (x)	Premium (%)	Close Price (sen)
AIRPORT-C4	25.06	8.35	-1.46	27	60.96	3.10	1.50
AIRPORT-C9	29.13	8.00	2.79	240	9.35	7.90	11.00
AIRPORT-C8	32.39	8.00	2.79	87	13.06	4.86	10.50

Source: CIMB Research, Bloomberg, The Edge Markets, The Malaysian Reserve, The Star, The Sun Daily & The New Straits Times

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- (i) A purchaser of structured warrants is subject to the risk of losing the full purchase price of the structured warrants and all transaction costs.
- (ii) In order to realize any value from a structured warrant, it is necessary to sell the structured warrants or exercise the structured warrants on or before their expiry date.
- (iii) Under certain conditions, it may become difficult to sell the structured warrants.
- (iv) Upon exercise of the structured warrants, the issuer may settle its obligations via actual delivery of the underlying assets, in cash or a combination of both depending on the terms of the issue of the structured warrants.
- (v) The placing of contingent orders, such as "stop-loss" or "stop limit" orders, will not necessarily limit losses to the intended amount. Market conditions may not make it possible to execute such orders.
- (vi) The high degree of leverage that is obtainable from structured warrants because of the small initial outlay, can work against you as well as in your favour.
- (vii) The use of the leverage can lead to large losses as well as gain.

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