

Headline **Consumer industry to see stronger spending**
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Consumer industry to see stronger spending

KUALA LUMPUR: Consumer sector players are expected to benefit from the recovering economic conditions as it anticipated strong consumer spending to follow suit.

OSK Research Sdn Bhd (OSK Research) in its latest research report said this trend was believed to be led by bigger consumer stocks, which include the likes of Nestle (M) Bhd, Fraser & Neave Holdings Bhd, and Dutch Lady Milk Industries Bhd.

The research house attributed this to rotational play, whereby consumer corporates were expected to post good earnings in the upcoming quarterly results on the back of stronger consumer sentiment.

Apart from the decent valuation experienced by these consumer players, the companies additionally offered decent dividend yields between one to six per cent, which would serve as a good buffer for an anticipated volatile second half of the year.

This positive uptake in consumer stocks also spilled over to small consumer companies, standing to gain from strong consumer spending to a

certain extent. In addition, the smaller players were trading at a large average discount of some 67 per cent to the bigger players.

Given their more

attractive valuations, the smaller players generally offered higher dividend yields of up to 15.8 per cent compared with the big players, added OSK Research.

While the research house was uncertain of how much this gap might narrow, trading opportunity was still present as there were anticipated strong quarterly earnings from bigger players to continue to drive momentum.

Having said that, there existed a short term trading opportunity as OSK Research believed investors might shift their focus from the small cap consumer companies to the big caps as these companies were expected to release good results in August.

Furthermore, concerns that the smaller consumer companies might not have recovered fully from the recession last year, which would prod investors to switch around their funds.

With expectations of a better recovery of consumer sentiment and hence consumer spending, OSK Research maintained an **o v e r w e i g h t** recommendation on both the consumer retail as well as the food and beverage sectors.

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