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Friday, October 09, 2015

Report of the Day

Company Update: Axiata – “Hello Myanmar”

At a Glance

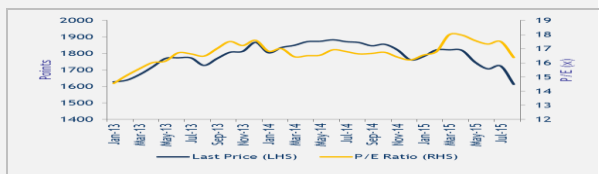
FBMKLCI gained 2.95 points to finish at 1,692.20 driven by the gain in some heavyweight counters.....(See full report next page)

Corporate Highlights

- **LPI Capital (CP: RM14.44):** Kicks off Q3 earnings season on firm note
- **Hong Leong Bank (CP: RM13.58):** Biometric authentication payment to boost Hong Leong's mobile banking services
- **MAHB (CP: RM5.40):** 83% Of Klia2 pavement overlay works completed on Sept 30

Economic Update

- **Malaysia:** Able to execute AEC, TPPA at same time
- **U.S.:** Jobless claims fall to near a 42-year low
- **Taiwan:** September shipments tumble more than expected



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	5-Oct	4:00 PM	Markit Eurozone Services PMI	-	54.0
EU	5-Oct	4:00 PM	Markit Eurozone Composite PMI	-	53.9
EU	5-Oct	5:00 PM	Retail Sales MoM	-	0.4%
EU	5-Oct	5:00 PM	Retail Sales YoY	-	2.7%
US	5-Oct	9:45 PM	Markit US Composite PMI	-	55.3
US	5-Oct	9:45 PM	Markit US Services PMI	-	56.6
US	5-Oct	10:00 PM	ISM Non-Manuf. Composite	58.0	59.0
JP	5-Oct	9:35 AM	Nikkei Japan PMI Services	-	53.7
JP	5-Oct	9:35 AM	Nikkei Japan PMI Composite	-	52.9
EU	6-Oct	4:10 PM	Markit Eurozone Retail PMI	-	51.4
US	6-Oct	8:30 PM	Trade Balance	(\$41.65b)	(\$41.86b)
US	7-Oct	7:00 PM	MBA Mortgage Applications	-	-
CN	7-Oct	-	Foreign Reserves	-	\$3557.4b
MY	7-Oct	12:00 PM	Exports YoY	-	3.5%
MY	7-Oct	12:00 PM	Imports YoY	-	5.9%
MY	7-Oct	12:00 PM	Trade Balance MYR	-	2.38b
MY	7-Oct	-	Foreign Reserves	-	\$95.3b
US	8-Oct	8:30 PM	Initial Jobless Claims	-	-
US	8-Oct	8:30 PM	Continuing Claims	-	-
JP	8-Oct	7:50 AM	Machine Orders MoM	-	-3.6%
JP	8-Oct	7:50 AM	Machine Orders YoY	-	2.8%
JP	8-Oct	7:50 AM	Trade Balance BoP Basis	-	(¥108.0b)
JP	8-Oct	7:50 AM	BoP Current Account Balance	-	¥1808.6b
US	9-Oct	2:00 AM	U.S. Fed Released Minutes from Sept. 16-17 FOMC Meeting	-	-
US	9-Oct	8:30 PM	Imports Price Index MoM	-0.5%	-1.8%
US	9-Oct	10:00 PM	Wholesale Inventories MoM	0.0%	-0.1%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,692.20	2.95	0.17
FBMEMAS	11,630.14	-26.07	-0.22
FBMEMAS SHA	12,348.73	-28.69	-0.23
FBM100	11,339.55	-20.98	-0.18
Volume (mn)	2,292.55	-399.89	-14.85
Value (RMmn)	2,667.23	-546.59	-17.01
FBMKLCI YTD Chg			-3.92

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.9	-31.4
Local Institution	58.7	-89.3
Foreign Investors	25.4	120.7

Top Gainers

	Close	Change+/-	(+/- %)
UMW HLDG	8.11	0.38	4.92
LPI CAPITAL	14.44	0.24	1.69
AXIATA GROUP	6.21	0.21	3.50

Top Losers

	Close	Change+/-	(+/- %)
TASCO	2.01	0.03	1.52
BAT	62.00	-1.20	-1.90
GENTING PLANT	10.30	-0.60	-5.51

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,050.75	138.46	0.82
NASDAQ	4,810.79	19.64	0.41
S&P 500	2,013.43	17.60	0.88
FTSE 100	6,374.82	38.47	0.61
DAX	9,993.07	22.67	0.23
Nikkei 225	18,141.17	-181.81	-0.99
HSI	22,354.91	-160.85	-0.71
KOSPI	2,019.53	13.69	0.68
STI	2,942.74	-19.07	-0.64
KLCI Futures	1,662.50	(0.50)	(0.00)
USDMYR 3M	16.08	0.38	0.02
USDMYR 6M	15.51	0.21	0.01
USDMYR 12M	15.25	0.11	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	50	0.2	0.5%
Brent (USD/bbl)	53.1	1.7	3.4%
Gold(USD/ounce)	1,140	1.4	0.1%
Coal (USD/mt)	53.7	-0.1	-0.3%
CPO (RM/mt)	2,276	-43.0	-1.9%
Rubber	131	-1.5	-1.1%
RM/USD	4.24	0.018	-0.43%
EUR/USD	0.89	-0.0008	-0.09%
YEN/USD	119.91	-0.02	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average grew 138.46 points to 17,050.75 points, S&P 500 gained 17.60 points to 2,013.43. Nasdaq rose by 19.64 points to 4,810.79. U.S. stocks closed higher Thursday, with the Dow and S&P above key psychological levels, as investors digested the Fed's September meeting minutes.
- The September meeting minutes indicated that policymakers were concerned about inflation and slower global growth. Since the Fed meeting was held on Sept. 16 and 17, the minutes didn't reflect the central bank's view on last Friday's weaker-than-expected nonfarm payrolls report.

The Local Market

- FBMKLCI gained 2.95 points to finish at 1,692.20 driven by the gain in some heavyweight counters. There were 339 gainers and 520 decliners in total value traded of RM2.68 billion.
- Among the gainers on Bursa Malaysia were UMW surged 38 cent to RM8.11, LPI Capital rose 24 cent to RM14.44, Axiata grew 21 cent to RM6.21 and Hong Leong Financial expanded 18 cent to RM14.78.

Strategy

- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

LPI Capital (CP: RM14.44): Kicks off Q3 earnings season on firm note

Insurer LPI Capital Bhd kicked off the third quarter results season on Thursday with earnings at RM75.84mil on better claims experience, lower commission expenses. LPI said on Thursday the earnings were up 18.1% from the RM64.19mil a year ago. Profit before tax surged 22.6% to RM94.87mil from RM77.42mil. Revenue rose 16% to RM349.51mil from RM301.23mil a year ago. Earnings per share were 22.85 sen compared with 19.39 sen. LPI's insurance unit Lonpac Insurance Bhd (Lonpac) delivered a strong performance for the third quarter of 2015, with gross premium income and underwriting profit having grown by 7.8% and 26.5% to RM310mil and RM67.8mil respectively (from RM287.7mil and RM53.6mil respectively a year ago). (Source: *The Star*)

Hong Leong Bank (CP: RM13.58): Biometric authentication payment to boost Hong Leong's mobile banking services

Hong Leong Bank Bhd (HLB) and Hong Leong Islamic Bank Bhd (HLIB) have launched a biometric fingerprint authentication payment function on Connect, its mobile banking application. The biometric payment authentication function, the first in the country according to HLB in a statement yesterday, is expected to help boost its digital banking user base. HLB is expecting a 32% growth in its

digital banking user base, supported by a 72% increase in new user registrations for Hong Leong Connect Online, said HLIB managing director and chief executive officer Raja Teh Maimunah Raja Abdul Aziz. Users and downloads of the Hong Leong Connect mobile application is also expected to grow by 42%, she said. (Source: The Star)

MAHB (CP: RM5.40): 83% Of Klia2 pavement overlay works completed on Sept 30

Up to 83 per cent of the pavement overlay works involving 19 per cent of the total 1.48 million sq. m. of Kuala Lumpur International Airport 2 (KLIA2) airport area have been completed as of Sept 30 this year, said Malaysia Airports Holdings Bhd (Malaysia Airports). It said this year, the percentage of the area to be maintained with pavement overlay works would reduce over time from 19 per cent, tapering to a minimum of five per cent by 2019. In a statement today, the airport operator said construction of the concrete slabs in the affected parking aprons and taxiway has been progressively implemented as a long-term solution and is expected to be completed by April 2016. (Source: Bernama)

Symphony Life (CP: RM0.70): Plans property project with GDV of RM600m

Symphony Life Bhd (SymLife) plans to undertake a property project comprising of service apartments and shop offices with a gross development value (GDV) of RM600mil along Jalan Cheras here. SymLife had on Thursday entered into a development agreement with Majlis Kebajikan Dan Sukan Anggota-Anggota Kerajaan Malaysia (MAKSAK) – the owner of the 13,595 square metres leasehold land – for a total consideration of RM100.081mil. The lease will expire in June 2084. Under the plan, SymLife will pay RM15.52mil for the land and it will build MAKSAK's headquarters at a cost not more than RM7.36mil. (Source: The Star)

MyEG (CP:RM2.68): Says fine unlikely to hurt earnings

The fine imposed by the Malaysia Competition Commission (MyCC) on MyEG Services Bhd for allegedly misusing its dominant position in the provision and management of online foreign workers work permit renewal (FWPR) services, is not likely to impact the company's future earnings. MyEG, in a filing with the stock exchange yesterday and in reference to *The Star Online's* article dated Oct 7, said the RM307,200 fine for infringing the Competition Act 2010 was not expected to have significant financial impact, but couldn't verify the operational shock at this point, pending remedial actions finalised with MyCC. MyEG said MyCC had issued a notice to it and its unit, MyEG Commerce Sdn Bhd, on Oct 6 on the proposed decisions by the independent body that enforced the Competition Act 2010. (Source: The Star)

Daya (CP: RM0.10): Unit wins RM88mil naval job

Daya Materials Bhd has been awarded a 17.7 million euro (RM88mil) contract to provide marine heating, ventilating and air-conditioning (HVAC) equipment and services for six navy vessels. In its filing with Bursa Malaysia, Daya said its unit – Daya OCI Sdn Bhd – was awarded the contract by France-based Axima Concept Sa, a subsidiary of energy company Engie, formerly known as GDF Suez. The contract for the six vessels based at Lumut is effective from 2015 until 2021. (Source: The Star)

CLIQ (CP: RM0.69): To raise RM210mil with rights issue with free detachable warrants

Special-purpose acquisition company CLIQ Energy Bhd has proposed a rights issue with free detachable warrants (warrants B) to raise at least RM210mil. This is mainly to address the potential cash shortfall in the company's trust account to buy back shares from shareholders who choose to vote against the proposed acquisition it had announced earlier. Due to the weakening ringgit, it would also have to pay an additional RM46.6mil for the qualifying asset. CLIQ had proposed to buy 51% in Phystech II Joint Stock Company for US\$117.3mil (RM518.5mil). As at Sept 13, there was RM351.2mil in the trust account, the company said in a filing with Bursa Malaysia. (Source: *The Star*)

YTL Power (CP: RM1.55): Unit selected for bidding

YTL Power International Bhd's unit YTL Power Generation Sdn Bhd (YTLPG) has been selected as a successful bidder for the supply of power from its existing facility in Paka, Terengganu under the short-term capacity bid called by the Energy Commission for a period of two years and 10 months from March 1, 2016. This follows the successful completion of the 21-year power purchase agreement entered into between YTLPG and Tenaga Nasional Bhd on Sept 30," YTL Power said in a filing with Bursa Malaysia yesterday. Separately, YTLPG has registered its interest to participate in the New Enhanced Dispatch Arrangement under rules recently announced by the Energy Commission and is looking forward to the introduction of a competitive market in the Malaysian electricity supply industry. (Source: *The Star*)

Econpile (CP: RM0.93): Unit gets arbitration notice over disputed piling works

Econpile Holdings Bhd's (Econpile) unit, Econpile (M) Sdn Bhd (EMSB), has been served an arbitration notice from IRDK Ventures Sdn Bhd (IRDK) over a disputed non-performance of a contract, for which it is demanding almost RM120 million in damages and loss of profit. IRDK had on Sept 28, served a notice of demand upon EMSB, demanding for the said loss of profit and damages due to the non performance of the contract. Thereafter, it served EMSB the notice of arbitration on Oct 7, according to Econpile's filing to Bursa Malaysia today. The disputed contract is a RM8.73 million piling works awarded by IRDK for a condominium project in Puchong, Selangor, on Oct 8, 2014. On June 3, 2015, IRDK served EMSB a notice to determine the contract, for which EMSB have been, and still is, disputing. (Source: *The Edge*)

ECONOMIC UPDATES**Malaysia: Able to execute AEC, TPPA at same time**

Taking on multiple tasks may be a strain on resources, but it can be done, said International Trade and Industry (Miti) minister Datuk Seri Mustapa Mohamed. "Yes, Malaysia is doing many things in parallel, such as the Asean Economic Community (AEC) and the Trans-Pacific Partnership Agreement (TPPA), but doesn't mean we have to put a stop to anything. That's the nature of the Government. It's a pressure on resources but we've managed. Our approach is to do things concurrently and we've done it well," he said at a press conference following the launch of the Asean Pathfinder clinic today. On

Monday – more than five years after negotiations started – officials from Malaysia and 11 other countries have come up with a pact that is likely to be debated vigorously within each of these countries before the governments sign it. (Source: *The Star*)

U.S.: Jobless claims fall to near a 42-year low

The number of Americans filing new applications for jobless benefits fell more than expected to near a 42-year low last week, pointing to ongoing tightening in the labor market despite the recent slowdown in hiring. The data released on Thursday provides an upbeat check on the health of the labor market after last week's monthly employment report increased doubts the Federal Reserve would raise interest rates by the end of this year. Initial claims for state unemployment benefits dropped 13,000 to a seasonally adjusted 263,000 for the week ended Oct 3, the Labor Department said. That was the lowest since mid-July when the number of claims was at its lowest since 1973. Hitting such a historical low is remarkable considering the U.S. workforce has grown considerably since the 1970s. (Source: *Reuters*)

German: Exports plunge at fastest pace since global financial crisis

German exports plunged in August by their largest amount since the height of the global financial crisis and imports also fell sharply in the latest sign that Europe's largest economy is feeling the pain from a slowdown in emerging markets. Data from the Federal Statistics Office showed seasonally-adjusted exports sliding by 5.2% to 97.7 billion euros month-on-month, while imports tumbled by 3.1% to 78.2 billion euros. Germany's trade surplus narrowed to 19.6 billion euros. (Source: *Reuters*)

Taiwan: September shipments tumble more than expected

Trade-reliant Taiwan on Wednesday effectively wrote off any chances of a global export recovery this year after its September shipments tumbled more than expected, with weakening in all of its major markets, particularly China. Exports sank last month for the eighth month in a row and at the second-fastest pace in over two years, reinforcing the rationale behind the central bank's decision to cut interest rates last month for the first time since the global crisis. September exports, however, showed a further deterioration in demand rather than any signs of a seasonal bounce, falling 14.6% from a year ago, worse than expectations for an 11.6% decline in a Reuters poll. (Source: *Reuters*)

Thailand: Consumer confidence sinks as economy struggles to fire

Thai consumer confidence fell for the ninth successive month in September to a 16-month low, a university survey showed, as weak exports and low farm prices undermine an economic recovery that's forced the government to offer fresh stimulus. The consumer confidence index of the University of the Thai Chamber of Commerce dropped to 72.1 in September from 72.3 in August. The reading was the lowest since June 2014, a month after the army seized power after prolonged political unrest that had sapped confidence. But consumers were more optimistic that the economy will pick up pace in the future due to recent economic support measures introduced by the government, the university said in a statement on Thursday. (Source: *Reuters*)

M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be $\geq +10\%$ over the next 12 months.
TRADING BUY	Share price is expected to be $\geq +10\%$ within 3-months due to positive newsflow.
HOLD	Share price is expected to be between -10% and $+10\%$ over the next 12 months.
SELL	Share price is expected to be $\geq -10\%$ over the next 12 months.

SECTOR RECOMMENDATIONS

OVERWEIGHT	The sector is expected to outperform the FBM KLCI over the next 12 months.
NEUTRAL	The sector is expected to perform in line with the FBM KLCI over the next 12 months.
UNDERWEIGHT	The sector is expected to underperform the FBM KLCI over the next 12 months.

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