M&A Securities

Morning Call

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Monday, October 12, 2015

Market Access

Report of the Day

Briefing Notes: BIMB – *"Shifting Into High Gears"*

At a Glance

FBMKLCI gained 14.34 points to finish at 1,706.54 in line with positive regional market sentiment.............(See full report next page)

Strategy

"Local Market Performance Depends on Ringgit Movement"

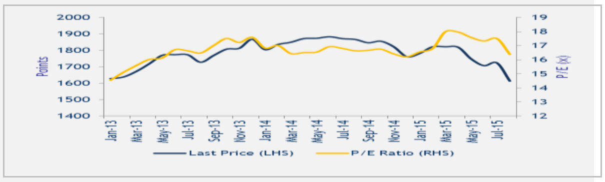
Added with the short trading week, we think that the upside potential of FBMKLCI may be cap if not for some shaving of points due to profit taking activity.............(See full report next page)

Corporate Highlights

- **Sunway Construction, BUY (TP: RM1.40):** Starts work on RM1.6b Putrajaya project
- **Hong Leong Bank (CP: RM13.56):** Eyes 32% growth in digital banking users
- **Coastal Contracts (CP: RM2.16):** Files claims of RM23mil against vessel builders

Economic Update

- **Indonesia:** Return to Opec complicates decision on oil output target
- **U.K.:** Major central banks should not raise rates to discourage EM risks
- **U.S.:** Fed officials see 2015 rate rise provided economy stays on track



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
MY	12-Oct	12:00 PM	Industrial Production YoY	-	6.1%
CN	13-Oct	-	Trade Balance	$47.90b	$60.24b
CN	13-Oct	-	Exports YoY	-6.0%	-5.5%
CN	13-Oct	-	Imports YoY	-15.2%	-13.8%
EU	14-Oct	5:00 PM	Industrial Production SA MoM	-	0.6%
EU	14-Oct	5:00 PM	industrial Production WDA YoY	-	1.9%
US	14-Oct	7:00 PM	MBA Mortgage Applications	-	-
US	14-Oct	8:30 PM	PPI Final Demand MoM	-0.3%	0.0%
US	14-Oct	8:30 PM	Retail Sales Advance MoM	0.2%	0.2%
US	14-Oct	8:30 PM	PPI Ex Food and Energy MoM	0.1%	0.3%
US	14-Oct	8:30 PM	Retail Sales Ex Auto MoM	-0.1%	0.1%
US	14-Oct	8:30 PM	Retail Sales Ex Auto and Gas	-	0.3%
US	14-Oct	8:30 PM	PPI Final Demand YoY	-0.9%	-0.8%
CN	14-Oct	9:30 AM	CPI YoY	1.8%	2.0%
CN	14-Oct	9:30 AM	PPI YoY	-5.9%	-5.9%
JP	14-Oct	7:50 AM	PPI MoM	-	-0.6%
JP	14-Oct	7:50 AM	PPI YoY	-	-3.6%
JP	14-Oct	7:50 AM	Money Stock M2 YoY	-	4.2%
JP	14-Oct	7:50 AM	Money Stock M3 YoY	-	-1.8%
US	15-Oct	8:30 PM	Initial Jobless Claims	-	-
US	15-Oct	8:30 PM	Continuing Claims	-	-
US	15-Oct	8:30 PM	CPI MoM	-0.2%	-0.1%
US	15-Oct	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.1%
US	15-Oct	8:30 PM	CPI YoY	-0.2%	0.2%
JP	15-Oct	12:30 PM	Industrial Production MoM	-	-0.5%
JP	15-Oct	12:30 PM	Industrial Production YoY	-	0.2%
JP	15-Oct	12:30 PM	Capacity Utilazation MoM	-	-0.2%
EU	16-Oct	5:00 PM	CPI MoM	-	0.0%
EU	16-Oct	5:00 PM	CPI YoY	-	-0.1%
EU	16-Oct	5:00 PM	CPI Core YoY	-	0.9%
US	16-Oct	9:15 PM	Industrial Production MoM	-0.3%	-0.4%
US	16-Oct	9:15 PM	Capacity Utilazation	77.3%	77.6%
US	16-Oct	10:00 PM	U. of Mich. Sentiment	89.0	87.2
MY	16-Oct	12:00 PM	CPI YoY	-	3.1%
CN	10-15 Oct	-	Money Supply M2 YoY	13.1%	13.3%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,706.54	14.34	0.85
FBMEMAS	11,734.52	104.38	0.90
FBMEMAS SHA	12,471.90	123.17	1.00
FBM100	11,439.34	99.79	0.88
Volume (mn)	2,462.44	169.89	7.41
Value (RMmn)	2,840.48	173.25	6.50
FBMKLCI YTD Chg			-3.11

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.3	-38.3
Local Institution	59.5	-346.6
Foreign Investors	25.2	384.9

Top Gainers

	Close	Change+/-	(+/- %)
BAT	62.50	0.50	0.81
PETDAG	23.50	0.38	1.64
UMW HLDG BHD	8.38	0.27	3.33

Top Losers

	Close	Change+/-	(+/- %)
PANASONIC MAN	20.76	-0.42	-1.98
MAGNI-TECH IND	5.40	-0.16	-2.88
KOSSAN RUBBER	7.74	-0.14	-1.78

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,084.49	33.74	0.20
NASDAQ	4,830.47	19.68	0.41
S&P 500	2,014.89	1.46	0.07
FTSE 100	6,416.16	41.34	0.65
DAX	10,096.60	103.53	1.04
Nikkei 225	18,438.67	297.50	1.64
HSI	22,458.80	103.89	0.46
KOSPI	2,019.53	13.69	0.68
STI	2,998.50	51.47	1.75
KLCI Futures	1678	18.5	1.0995
USDMYR 3M	15.5825	-0.09	-0.5743
USDMYR 6M	14.8875	-0.1675	-1.1126
USDMYR 12M	14.635	-0.1675	-1.1316

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49.88	0.25	0.503728
Brent (USD/bbl)	52.82	0.17	0.322887
Gold(USD/ounce)	1155.74	-0.79	-0.0683
Coal (USD/mt)	53.6	-0.1	-0.18622
CPO (RM/mt)	2217	-59	-2.59227
Rubber	134	3.5	2.681992
RM/USD	4.1295	-0.106	2.5669
EUR/USD	0.8797	-0.0007	-0.0795
YEN/USD	120.18	-0.09	0.0749

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What To Expect

U.S. Market

- The Dow Jones Industrials Average grew 33.74 points to 17,084.49 points, S&P 500 gained 1.46 points to 2,014.89. Nasdaq rose by 19.68 points to 4,830.47. U.S. stocks closed slightly higher on Friday, ending the S&P 500's best week for 2015 on a quiet note as investors waited for U.S. companies to report third-quarter earnings.

- Investors are anxious to gauge how companies are faring amid U.S. dollar strength and concerns about growth in China, the world's second biggest economy.

The Local Market

- FBMKLCI gained 14.34 points to finish at 1,706.54 in line with positive regional market sentiment. There were 567 gainers and 305 decliners in total value traded of RM2.84 billion.

- Among the gainers on Bursa Malaysia were BAT rose 50 cent to RM62.50, PetDag increased 38 cent to RM23.50, UMW Holdings grew 227 cent to RM8.38 and PPB surged 24 cent to RM15.68.

Strategy

- **“Local Market Performance Depends on Ringgit Movement”**
  Wall Street ended last Friday’s trading in mildly positive trend as lack catalyst weighed on risk appetite. **S&P 500** and **DJIA** added **1.46 (0.07%)** and **33.74 (0.2%)** points to end at **2,014.89** and **17,084.49** respectively. Overall, the global equity market will be banking the US retail sales and Industrial Production Index this week as the main guide whether to take on higher risk or not. Both are due on Wednesday and Thursday respectively. Otherwise, there is not much spark in term of economic release that could excite the market as most economic announcements are tier-2 in a way. As for the local market, the upside potential of bellwether index will depends on Ringgit trend especially after its impressive trajectory last week. As of now, we do not think that Ringgit may emulate its last week’s solid performance as the excitement of US deferring its interest rate adjustment may dissipate while the local economic release is confine only to CPI numbers, due on Friday. Added with the short trading week, we think that the upside potential of FBMKLCI may be cap if not for some shaving of points due to profit taking activity.

- 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.

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CORPORATE HIGHLIGHTS

Sunway Construction, BUY (TP: RM1.40): Starts work on RM1.6b Putrajaya project

Sunway Construction Group Bhd had on Friday embarked on the ground breaking for the RM1.61bil development project in Putrajaya. The development would be on a 34-acre land in Precinct 1 Putrajaya and comprises four packages including 10 blocks of office towers, a podium parking and external works. Completion is expected to be in 34 months, and the contract will positively contribute to the group's earnings. SunCon said the contract for the design and build project was awarded by Putrajaya Bina Sdn Bhd in September. To date, the total outstanding order book for SunCon Group is RM4.3bil. *(Source: The Star)*

Hong Leong Bank (CP: RM13.56): Eyes 32% growth in digital banking users

Hong Leong Bank Bhd (HLB) aims for a 32% growth in its total digital banking user base of 700,000 by end-2016, driven by its mobile banking technology lifestyle proposition -- Hong Leong Connect's Biometric Authentication solution. Hong Leong Islamic Bank Bhd managing director and chief executive officer Raja Teh Maimunah Raja Abdul Aziz said the growth would be supported by a 72% increase in new user registrations for Hong Leong Connect Online, while users and downloads of its mobile application (app) was expected to grow by 42%. "As our lives become more intertwined with digital technology, the smartphone becomes an extension of us. We strive to lead in the field of digital banking technology to provide our customers with the convenience of banking at their fingertips," she told a press conference here on Friday. *(Source: The Star)*

Coastal Contracts (CP: RM2.16): Files claims of RM23mil against vessel builders

Coastal Contracts Bhd's unit Thaumas Marine Ltd (TML) is claiming US$5.65mil (RM23.25mil) plus other damages the Singapore International Arbitration Centre deems fit from the builder and cobuilder of a jack-up drilling rig that it bought earlier this year. The marine services and vessels provider told Bursa Malaysia that TML had on Friday filed a notice of arbitration with the centre. Coastal Contracts said the vessel was accepted to be technically ready for delivery on Sept 11 - 73 days after the cancellation date - and that some of its parts and equipment deviated from the agreed technical specifications. *(Source: The Star)*

BSL Corp (CP: RM0.21): Eyes contract manufacturing for future growth

BSL Corp Bhd which is in the stamping and manufacturing of metal parts, intends to move into contract manufacturing as part of its new strategy for future growth and to turn the company around. The group's chief executive officer Richard Ngiam Tee Yee said the group will be targeting Western-based clients for future growth. We were set up to support multi-national companies (MNCs) clients here in Malaysia. We have been dependent on Japanese based clients since the 90s, such as Panasonic and Yahama, as we were in the business of supplying components. Now, we want to evolve into becoming a contract manufacturer," Ngiam told the media, after the group's extraordinary general meeting (EGM). *(Source: The Edge)*

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Fajar Baru (CP: RM0.47): Signs deal for extraction and sale of timber
Fajarbaru Builder Group Bhd has entered into an agreement with AK Timber Sdn Bhd to undertake the extraction and sale of timber from Hutan Simpanan Yong, Pahang, for RM3.15mil. In a filing with Bursa Malaysia, Fajarbaru said its 51-owned subsidiary Smooth Accomplishment Sdn Bhd entered into the agreement with AK Timber, encompassing two blocks in Hutan Simpan Yong spanning 268 acres and 232 acres, respectively. “AK Timber has acquired all rights in the timber logs to be extracted or removed from the abovementioned timber concession from Lembaga Pemegang Amanah Yayasan Pahang and AK Timber warrants and represents that they have absolute right to deal with the said timber logs,” it said. *(Source: The Star)*

Mitrajaya (CP: RM1.16): Wins RM52mil contract
Mitrajaya Holdings Bhd has bagged a RM52.19mil contract to build the main infrastructure at Pahang Technology Park in Gambang. It said on Friday its unit Pembinaan Mitrajaya Sdn Bhd was awarded the job from the East Coast Economic Region Development Council. It involved the road, drainage, sewerage, water supply system, external electrical, external telecommunication and landscaping. “The contract is for duration of 78 weeks and is expected to be completed by April 18, 2017,” it said. Mitrajaya expects the contract to contribute positively to the group’s future earnings. *(Source: The Star)*

ECONOMIC UPDATES

Indonesia: Return to Opec complicates decision on oil output target
Opec’s policy meeting in December will welcome Indonesia’s return as a member, complicating a decision by the producer group on whether to change its oil output target. After refusing to cut output last year, the Organisation of Petroleum Exporting Countries is pumping much more than its target of 30 million barrels per day (bpd) because of near-record Saudi Arabian and Iraqi production, and smaller increases elsewhere in the group. Indonesia’s return to Opec will expand the group’s members to 13 and add about 900,000 bpd to Opec output. That will push Opec production to almost 32.5 million bpd and in theory calls for the target to be increased, according to some analysts. *(Source: Reuters)*

U.K.: Major central banks should not raise rates to discourage EM risks
Calls for central banks in advanced economies to raise interest rates to discourage investors building up leverage in emerging market assets could be misguided, a deputy governor of the Bank of England said on Saturday. Speaking at a panel at the International Monetary Fund conference in Lima, she said it was preferable to use macroprudential tools rather than monetary policy when targeting global financial risks. "The risk inherent in this build up of leverage (in emerging markets) has motivated calls for a normalisation of advanced economy monetary policy sooner rather than later," said Minouche Shafik, who was a deputy managing director at the IMF before joining the BoE last year. *(Source: Reuters)*

Market Access

U.S.: Fed officials see 2015 rate rise provided economy stays on track

The Federal Reserve will raise interest rates this year provided slower global growth doesn’t undermine forecasts for higher inflation, said two policy makers, while Fed Vice Chair Stanley Fischer said the word from his counterparts abroad was “please do it.” “And we will do it, probably, at some point, but we’re not going to do it at a time that is not suitable for the United States economy," Fischer told CNN International in an interview in Lima, where he is attending a meeting of the Group of 20 major industrialized nations. Officials last month kept the rate near zero, where it has been since December 2008, to see if slower Chinese growth undermines their forecast that U.S. inflation will move back to the Fed’s 2 percent target, minutes of the September meeting released Thursday showed. *(Source: Bloomberg)*

U.K.: Trade Deficit Hits £11.1 Billion in August, Higher Than Forecast

Britain posted a larger-than-forecast trade deficit in August and construction output fell at the fastest pace since 2012, underlining the economy’s slowing momentum. The goods trade deficit was 11.1 billion pounds ($17 billion) compared with an upwardly revised 12.2 billion pounds in July, the Office for National Statistics said in London on Friday. Economists in a Bloomberg survey had forecast a narrowing to 9.9 billion pounds. Construction output fell 4.3 percent, compared with forecasts for a 1 percent increase. Cooling global growth and a strong pound are starting to take their toll on British companies, leaving Bank of England officials in no hurry to raise the benchmarkinterest rate from a record low. *(Source: Bloomberg)*

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STOCK RECOMMENDATIONS

BUY	*Share price is expected to be ≥+10% over the next 12 months.*
TRADING BUY	*Share price is expected to be ≥+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 ≥-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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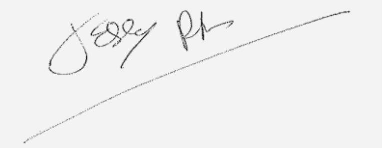

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