

PP14767/09/2012(030761)

Tuesday, April 21, 2015

Report of the Day

Results Review: Public Bank 1Q15-“Steady 1Q15”

At a Glance

FBMKLCI surged 2.80 points to finish at 1,848.66 driven by the gain in some heavyweight stocks(See full report next page)

Daily Trading Strategy

“The Bull Charging Again Thanks to China”

China factor will continue to spin global equity market this week assuming that Greece and oil prices do not weigh on sentiment(See full report next page)

Corporate Highlights

- **Public Bank, HOLD (TP: RM20.60):** Q1 earnings up 15% to RM1.17b
- **Nestle, SELL (TP: RM59.30):** Q1 profit up 2.4% to RM188mil
- **Sime Darby, HOLD (TP: RM9.08):** Sime Darby JV gets RM58m tractors deal from Westports

Economic Update

- **Malaysia:** US Fed Reserve Should Act Sooner On Rate Boost - Zeti
- **China:** To launch three new free trade zones
- **Greece:** Tsipras to Seize Public-Sector Funds to Keep Greece Afloat



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	21-Apr	1:00 PM	Leading Index CI	-	105.3
JP	21-Apr	1:00 PM	Coincident Index	-	110.5
EU	22-Apr	10:00 PM	Consumer Confidence	-	-3.7
US	22-Apr	7:00 PM	MBA Mortgage Applications	-	-2.3%
US	22-Apr	10:00 PM	Existing Home Sales	5.05M	4.88M
US	22-Apr	10:00 PM	Existing Home Sales MoM	3.3%	1.2%
JP	22-Apr	7:50 AM	Trade Balance	(¥424.6B)	(¥425.0B)
JP	22-Apr	7:50 AM	Exports YoY	-	2.4
JP	22-Apr	7:50 AM	Imports YoY	-	-3.6
MY	22-Apr	12:00 PM	CPI YoY	0.8%	0.1%
MY	22-Apr	-	Foreign Reserves	-	\$105.1B
EU	23-Apr	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.2
EU	23-Apr	4:00 PM	Markit Eurozone Services PMI	-	54.2
EU	23-Apr	4:00 PM	Markit Eurozone Composite PMI	-	54.0
US	23-Apr	8:30 PM	Initial Jobless Claims	-	-
US	23-Apr	8:30 PM	Continuing Claims	-	-
US	23-Apr	9:45 PM	Markit US Manufacturing PMI	56.0	55.7
US	23-Apr	10:00 PM	New Home Sales	510K	539K
CN	23-Apr	9:45 AM	HSBC China Manufacturing PMI	-	49.6
JP	23-Apr	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	50.3
US	24-Apr	8:30 PM	Durable Goods Orders	0.8%	-1.4%
US	24-Apr	8:30 PM	Durable Ex Transportation	0.7%	-0.4%

Research Team
 research@mna.com.my
 03-22877228/03-22825373

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,848.66	2.80	0.15
FBMEMAS	12,735.77	11.51	0.09
FBMEMAS SHA	13,289.16	24.80	0.19
FBM100	12,401.20	12.80	0.10
Volume (mn)	3,131.23	551.39	21.37
Value (RMmn)	2,144.31	-139.36	-6.10
FBMKLCI YTD Chg			4.96

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	26.3	-28.7
Local Institution	55.7	85.9
Foreign Investors	18.0	-57.2

Top Gainers

	Close	Change+/-	(+/- %)
PANASONIC	23.50	0.30	1.29
TASCO	4.10	0.22	5.67
SYARIKAT TAKAF	14.82	0.22	1.51

Top Losers

	Close	Change+/-	(+/- %)
BAT	67.38	-0.50	-0.74
FRASER & NEAVE	18.30	-0.20	-1.08
BLD PLANTATION	8.00	-0.15	-1.84

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,034.93	208.63	1.17
NASDAQ	4,994.60	62.79	1.27
S&P 500	2,100.40	19.22	0.92
FTSE 100	7,052.13	57.50	0.82
DAX	11,891.91	203.21	1.74
Nikkei 225	19,634.49	-18.39	-0.09
HSI	27,094.93	-558.19	-2.02
KOSPI	2,146.71	3.21	0.15
STI	3,503.44	-21.75	-0.62
KLCI Futures	1,843.00	2.50	0.00
USDMYR 3M	9.91	(0.01)	(0.00)
USDMYR 6M	9.96	(0.02)	(0.00)
USDMYR 12M	10.02	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	56	0.0	-0.1%
Brent (USD/bbl)	63.5	0.0	0.0%
Gold(USD/ounce)	1,196	0.1	0.0%
Coal (USD/mt)	57.4	-0.5	-0.9%
CPO (RM/mt)	2,156	8.0	0.4%
Rubber	167	0.2	0.1%
RM/USD	3.62	-0.0025	0.07%
EUR/USD	0.93	-0.0001	-0.01%
YEN/USD	119.27	0.09	-0.08%

What To Expect

U.S. Market

- The Dow Jones Industrials Average surged 208.63 points to 18,034.93, S&P 500 rose by 19.22 points to 2,100.40. Nasdaq grew by 62.79 points to 4,994.60. U.S. stocks closed sharply higher on Monday amid an unexpected stimulus from China's central bank as investors kept eyeing corporate earnings.
- On Sunday, China's central bank lowered the reserve requirement ratio for all banks by 100 basis points. The wider-than-expected cut was the People's Bank of China's second reduction in two months, and marks a continuing effort by the world's second-largest economy to combat slowing growth.

The Local Market

- FBMKLCI surged 2.80 points to finish at 1,848.66 driven by the gain in some heavyweight stocks. There were 346 gainers and 485 decliners in total value traded of RM2.14 billion.
- Among the gainers on Bursa Malaysia were Panasonic Manufacturing jumped 30 cent to RM23.50, Tasco rose 22 cent to RM4.10, Syarikat Takaful up 22 cent to RM14.82 and United Plantations grew 20 cent to RM26.60.

Strategy

- **“The Bull Charging Again Thanks to China”**
Wall Street was charging ahead nicely on Monday, picking up some of the pieces on Friday as sentiment was boosted by China's latest monetary measure. **S&P 500** and **DJIA** gained **19.22 (0.92%)** and **208.93 (1.17%)** to finish at **2,100.40** and **18,043.93** respectively. As mentioned, China factor was responsible in rocking up the trading sentiment and investors wasted no time in getting on the line to re-accumulate their holdings. To surmise, it was China factor that waken up the bull as sentiment was shored up solidly thanks to China's surprise 100 basis points cut in RRR. As the move was unprecedented as rarely does China cut RRR in full percentage point, we believe that China is pulling its might to combat economic deceleration in an apparent war against weak retail spending and dwindling export, hurt mainly by exogenous factors. Some even went so far to predict that oil price will gain handsomely in 2H15 thanks to the likely recovery of China economy. Oil futures closed higher yesterday due to this. Note that China economy grew spot on at 7% in 1Q15 in line with premier Li Keqiang expectation. At this juncture, China factor will continue to spin global equity market this week assuming that Greece and oil prices do not weigh on sentiment.
- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

Public Bank, HOLD (TP: RM20.60): Q1 earnings up 15% to RM1.17b

Public Bank Bhd's earnings rose 15.1% to RM1.171bil in the first quarter ended March 31, 2015 from RM1.017bil a year ago due to higher net interest income and higher net fee and commission income. It announced on Monday its revenue increased by 16.5% to RM4.60bil from RM3.948bil. Earnings per share were 30.34 sen compared with 29.04 sen. Public Bank explained the improved earnings were mainly due to higher net interest income of RM131.2mil (9.4%) and higher net fee and commission income of RM47.4mil (14.7%). However, these were partially offset by higher other operating expenses of RM46.9mil (7.2%) mainly due to higher personnel costs which were in tandem with the increased headcount to support business expansion. (Source: *The Star*)

Nestle, SELL (TP: RM59.30): Q1 profit up 2.4% to RM188mil

Nestle (M) Bhd registered a higher net profit of RM187.9mil for its first quarter ended March 31 due to better sales, favourable input costs and timing of fixed expenses. Its net profit rose 2.38% from a year ago while revenue climbed marginally by 0.39% to RM1.28bil. Although consumer sentiment remained subdued, the group has performed solidly in its domestic business. The lower export sales to the affiliated companies had an impact on the overall turnover development," the company said in a filing with Bursa Malaysia. Last year, the consumer heavyweight exported about 21% of its products. (Source: *The Star*)

Sime Darby, HOLD (TP: RM9.08): Sime Darby JV gets RM58m tractors deal from Westports

Terberg Tractors Malaysia Sdn Bhd (TTM), a joint venture between Terberg group and Sime Darby Industrial secured a contract worth RM58mil from Westports Malaysia to supply new terminal tractors. TTM said on Monday the contract comprises of 104 units of YT220 MKII Terberg terminal tractors as well as service and maintenance over the next seven years. "The MKII features an upgraded euro 3 engine and ample enhancements in the overall specifications to provide up to 10% savings in fuel efficiency," TTM said. (Source: *The Star*)

Aeon Credit (CP: RM14.48): Q4 net profit higher

Aeon Credit Service (M) Bhd's net profit for the fourth quarter ended Feb 20 rose 15.8% to RM55.36mil from RM47.82mil in the previous corresponding period. Its revenue for the quarter also jumped 20.4% to RM226.37mil compared to the same period last year. Meanwhile, its non-performing loans ratio was 2.75% as at Feb 20 compared with 2.14% one year ago. (Source: *The Star*)

Sunsuria (CP: RM1.65): Takes control of township project in Putrajaya

Property developer Sunsuria Bhd is taking full control of a 331.27-acre township project in Putrajaya called Suria Serenia by acquiring the 50% stake held by its joint-venture (JV) partner for RM173.4mil. Sunsuria told Bursa Malaysia on Monday that it had signed a conditional share purchase agreement with Sime Darby Property (Sungai Kapar) Sdn Bhd to acquire the equity interest in Sime Darby Sunsuria Development Sdn Bhd (SDSD). The RM173.4mil includes a shareholders advance of RM16.39mil. The cash consideration for the 50% stake

translates to a price of RM41 per sq ft after having considered the possible adjusted land areas and after deducting outstanding land payments by SDSA to vendors as well as shareholders advances. (Source: *The Star*)

Axis REIT (CP: RM3.60): Net profit up 4.15%

Axis Real Estate Investment Trust has posted a 4.15% rise in net profit to RM23.32mil in the first quarter ended March 31 compared with the same quarter last year. It also recorded a 4% rise in revenue to RM40.62mil for its first quarter compared with the same period last year. It has spent RM5.28mil to enhance properties under its management. The company has also announced a first interim dividend of 4.1 sen per share to be paid on May 29. (Source: *The Star*)

Affin Holdings (CP: RM2.97): To balance loan portfolio, aims to achieve 8% ROE this year

Affin Holdings Bhd aims to balance the loan portfolio of its retail banking division by making its corporate and consumer segments contribute half each to the segment's revenue in the next three years, said its recently-appointed managing director and chief executive officer Kamarul Ariffin Mohd Jamil. "This is part of our prudent strategies to achieve business growth. At present, some 40% of our portfolio comes from the retail (consumer) segment and 60% in the corporate segment respectively," he told reporters, after the group's 39th annual general meeting yesterday. (Source: *The Edge*)

Jobstreet (CP: RM0.46): Mulls acquisition within next two years

Local internet recruitment services provider JobStreet Corp Bhd, which is still exploring potential new businesses following its employment assets disposal, is planning to acquire new business within the Southeast Asia region over the next two years, depending on the market environment. To recap, JobStreet is selling off its entire online employment business in Malaysia, Singapore, the Philippines, Indonesia and Vietnam, to Australia's SEEK Asia Ltd for RM1.73 billion. The company is in the midst of transferring its business activities to SEEK Asia, which it expects to be completed in November 2015. (Source: *The Sun*)

Ecofirst (CP: RM0.355): Unit to buy RM62m land in Gombak

Ecofirst Consolidated Bhd's (ECB) wholly-owned subsidiary Ecofirst Development Sdn Bhd plans to buy a 101,550 sq m land in Ulu Kelang, Gombak for RM62.8 million. Yesterday, Ecofirst Development entered into an option agreement with Harta Villa Sdn Bhd, a wholly-owned subsidiary of Tan & Tan Developments Bhd, which in turn is a wholly-owned subsidiary of IGB Corp Bhd in relation to the proposed acquisition. Barring unforeseen circumstances, the proposed acquisition is expected to be completed within 30 months from the date of the agreement 1. (Source: *The Sun*)

EPF: Pulls off best valuation possible for London property

The sale of One Sheldon Square in London to British Land, the UK's largest real estate company, for 210 million pounds (1 = RM5.39) is the highest price ever fetched for a property in the city's history, the Employees' Provident Fund (EPF) said. EPF chief executive officer Datuk Shahril Ridza Ridzuan said the EPF made a hefty profit from the sale as the property was purchased at 150 million in 2010.

He said British Land won the bid through an open tender process for which more than 20 companies vied for. One Sheldon Square, comprising nearly 200,000 square feet of freehold office space over nine floors, was fully let to Visa Services Europe until December 2022. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: US Fed Reserve Should Act Sooner On Rate Boost - Zeti

The U.S. Federal Reserve, which is gearing up to boost its main rate for the first time since 2006, should act sooner rather than later, Bank Negara Malaysia (BNM) governor Tan Sri Zeti Akhtar Aziz said. She said Malaysia is prepared for capital outflows resulting from the impending policy change. Zeti said reversals "have already commenced" in the run-up to the rate increase, which could come as early as June. She said Asia as a region would also be resilient in the face of any volatility that comes from the Fed policy change. (Source: *Bernama*)

China: To launch three new free trade zones

China will launch three new free-trade zones on Tuesday, official media said Monday, building on a project that began in Shanghai to much fanfare but has so far undershot expectations. The free trade zones (FTZs) will be opened in the southern province of Guangdong, the northern port of Tianjin and the eastern province of Fujian, reported the website of the People's Daily, the ruling Communist Party's mouthpiece. Each will cover around 120 sq km, the State Council, China's cabinet, said. China's first FTZ, set up in the commercial hub Shanghai in September 2013, would also be quadrupled in size, it said, bringing it up to a similar scale and likely to take in the financial centre of Lujiazui, along with a manufacturing area and a high-tech base. (Source: *The Star*)

Greece: Tsipras to Seize Public-Sector Funds to Keep Greece Afloat

Running out of options to keep his country afloat, Greek Prime Minister Alexis Tsipras ordered local governments to move their funds to the central bank. With negotiations over bailout aid deadlocked, Tsipras needs the cash for salaries, pensions and a repayment to the International Monetary Fund. Greek bonds fell after the move, pushing three-year yields to the highest since the nation's debt restructuring in 2012. The order was questioned by local officials and slammed by the leading opposition party. The decree to confiscate reserves now held in commercial banks and transfer them to the central bank could raise about 2 billion euros (\$2.15 billion), according to two people familiar with the decision. (Source: *Bloomberg*)

Japan: Government leaves economic assessment unchanged in April

Japan's government kept its overall assessment of the economy unchanged on Monday, noting a moderate recovery trend as factory output is picking up on the back of improving corporate activity. In its monthly economic report, the government also kept unchanged its assessment of consumer spending, capital expenditure and exports, as the economy stabilizes after a recession unexpectedly caused by a sales tax hike last April. The report comes ahead of a closely watched Bank of Japan meeting on April 30 where the central bank will

update its forecasts for consumer prices and inflation. Some economists say that could set the stage for further monetary easing. *(Source: Reuters)*

U.S.: U.S. and Japan narrow gaps substantially in trade talks: USTR Froman

The United States and Japan have made significant progress in trade talks over recent days, adding momentum to multilateral efforts toward a free-trade pact, U.S. Trade Representative Michael Froman said early on Tuesday. The two sides narrowed their gaps substantially in the bilateral discussions, Froman told reporters after two days of talks with Economy Minister Akira Amari, following senior working-level discussions last week. The bilateral deal between the two nations is vital to the success of a 12-nation Trans-Pacific Partnership (TPP) trade pact. Amari has said the two sides want to make enough progress to be welcomed at a summit of Prime Minister Shinzo Abe and President Barack Obama next week in Washington. *(Source: Bloomberg)*

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.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
 (A wholly-owned subsidiary of INSAS BERHAD)
 A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
 The Boulevard, Mid Valley City,
 Lingkaran Syed Putra,
 59200 Kuala Lumpur
 Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
 Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
 M&A Securities