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At a Glance

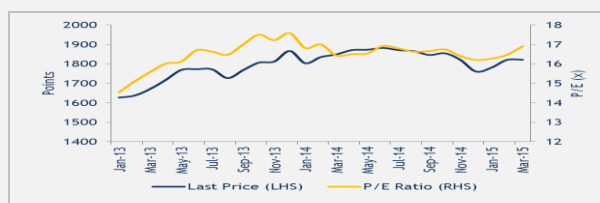
FBMKLCI continued in weak mood fell by 2.04 points to finish at 1,741.37 in tandem with the negative regional market sentiment.....(See full report next page)

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- **MSM, HOLD (TP: RM5.30):** Aims to be an integrated sugar producer in 2016
- **KESM Industries (CP: RM3.67):** Higher demand for testing devices boosts KESM's earnings
- **Digistar (CP: RM0.22):** 1HFY15 net profit rises to RM2.6m

Economic Update

- **Malaysia:** To convince Fitch it's economy still positive
- **U.S.:** May auto sales race to strongest pace in nearly decade
- **U.S.:** Factory orders fall unexpectedly; weakness in demand broad-based



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	1-Jun	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.3
CN	1-Jun	9:00 AM	Manufacturing PMI	50.2	50.1
CN	1-Jun	9:45 AM	HSBC China Manufacturing PMI	49.3	49.1
JP	1-Jun	7:50 AM	Capital Spending YoY	-	2.8%
JP	1-Jun	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	50.9
JP	1-Jun	1:00 PM	Vehicle Sales YoY	-	5.0%
US	1-Jun	8:30 PM	Personal Income	0.3%	0.0%
US	1-Jun	8:30 PM	Personal Spending	0.1%	0.4%
US	1-Jun	9:45 PM	Markit US Manufacturing PMI	-	53.8
US	1-Jun	10:00 PM	Construction Spending MoM	0.7%	-0.6%
US	1-Jun	10:00 PM	ISM Manufacturing	51.9	51.5
US	1-Jun	10:00 PM	ISM Price Paid	42.5	40.5
EU	2-Jun	5:00 PM	PPI MoM	-	0.2%
EU	2-Jun	5:00 PM	PPI YoY	-	-2.3%
EU	2-Jun	5:00 PM	CPI Estimate YoY	-	-
US	2-Jun	10:00 PM	Factory Orders	-0.2%	2.1%
EU	3-Jun	4:00 PM	Markit Eurozone Services PMI	-	53.3
EU	3-Jun	4:00 PM	Markit Eurozone Composite PMI	-	53.4
EU	3-Jun	5:00 PM	Unemployment Rate	-	11.3%
EU	3-Jun	5:00 PM	Retail Sales MoM	-	-0.8%
EU	3-Jun	5:00 PM	Retail Sales YoY	-	1.6%
EU	3-Jun	7:45 PM	ECB Main Refinancing Rate	-	0.050%
EU	3-Jun	7:45 PM	ECB Deposit Facility Rate	-	-0.200%
EU	3-Jun	7:45 PM	ECB Marginal Lending Facility	-	0.300%
CN	3-Jun	9:45 AM	HSBC China Composite PMI	-	51.3
CN	3-Jun	9:45 AM	HSBC China Services PMI	-	52.9
JP	3-Jun	9:35 AM	Markit Japan Services PMI	-	51.3
JP	3-Jun	9:35 AM	Markit/JMMA Japan Composite PMI	-	50.7
US	3-Jun	7:00 PM	MBA Mortgage Applications	-	-
US	3-Jun	8:15 PM	ADP Employment Change	180K	169K
US	3-Jun	8:30 PM	Trade Balance	(\$44.3B)	(\$51.4B)
US	3-Jun	9:45 PM	Markit US Composite PMI	-	56.1
US	3-Jun	9:45 PM	Markit US Services PMI	-	56.4
US	4-Jun	8:30 PM	Nonfarm Productivity	-2.9%	-1.9%
US	4-Jun	8:30 PM	Initial Jobless Claims	-	-
US	4-Jun	8:30 PM	Continuing Claims	-	-
EU	5-Jun	5:00 PM	GDP SA QoQ	-	0.4%
MY	5-Jun	12:00 PM	Exports YoY	-	2.3%
MY	5-Jun	12:00 PM	Imports YoY	-	5.8%
MY	5-Jun	12:00 PM	Trade Balance MYR	-	7.82B
MY	5-Jun	-	Foreign Reserves	-	\$106.2B
US	5-Jun	8:30 PM	Unemployment Rate	5.4%	5.4%
US	5-Jun	8:30 PM	Labour Force Participation Rate	-	62.8%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,741.37	-2.04	-0.12
FBMEMAS	12,084.37	1.35	0.01
FBMEMAS SHA	12,577.99	22.97	0.18
FBM100	11,756.23	-11.92	-0.10
Volume (mn)	1,730.30	116.66	7.23
Value (RMmn)	2,147.29	341.41	18.91
FBMKLCI YTD Chg			-1.13

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.0	-20.8
Local Institution	55.6	286.1
Foreign Investors	28.4	-265.3

Top Gainers

	Close	Change+/-	(+/- %)
KLK	21.46	0.46	2.19
ECM LIBRA	1.36	0.31	29.52
KAWAN FOOD	2.23	0.30	15.54

Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	71.00	-0.30	-0.42
BAT	60.64	-0.26	-0.43
CARLSBERG	12.34	-0.26	-2.06

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,011.94	-28.43	-0.16
NASDAQ	5,076.52	-6.41	-0.13
S&P 500	2,109.60	-2.13	-0.10
FTSE 100	6,928.27	-25.31	-0.36
DAX	11,328.80	-107.25	-0.94
Nikkei 225	20,543.19	-26.68	-0.13
HSI	27,466.72	-130.44	-0.47
KOSPI	2,078.64	-23.73	-1.13
STI	3,346.54	-45.57	-1.34
KLCI Futures	1,722.00	(10.00)	(0.01)
USDMYR 3M	10.12	(0.02)	(0.00)
USDMYR 6M	10.08	0.02	0.00
USDMYR 12M	10.12	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	61	-0.4	-0.6%
Brent (USD/bbl)	65.5	0.6	0.9%
Gold(USD/ounce)	1,193	0.1	0.0%
Coal (USD/mt)	57.8	0.5	1.0%
CPO (RM/mt)	2,315	21.0	0.9%
Rubber	189	-1.2	-0.6%
RM/USD	3.70	0.0123	-0.33%
EUR/USD	0.90	0.0001	0.01%
YEN/USD	124.07	-0.04	0.03%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 28.43 points to 18,011.94; S&P 500 up down 2.13 points to 2,109.60. Nasdaq slid by 6.41 points to 5,076.52. U.S. stocks closed slightly lower on Tuesday, as investors failed to hold positive momentum over domestic data and Greece debt talks.
- Auto sales for May showed the strongest pace in nearly a decade, with pickup trucks and SUVs leading the way. Factory orders for April showed a decline of 0.4 percent. March's figure was increased to 2.2 percent from 2.1 percent.

The Local Market

- FBMKLCI continued in weak mood fell by 2.04 points to finish at 1,741.37 in tandem with the negative regional market sentiment. There were 571 gainers and 262 decliners in total value traded of RM2.14 billion.
- Among the losers on Bursa Malaysia were Nestle declined 30 cent to RM71.00, British American Tobacco dropped 26 cent to RM60.64, Carlsberg slid 26 cent to RM12.34 and United Plantation shed 22 cent to RM26.46.

Strategy

- 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

MSM, HOLD (TP: RM5.30): Aims to be an integrated sugar producer in 2016

MSM Malaysia Holdings Bhd aims to be an integrated sugar producer next year by diversifying into the upstream market and expanding its midstream market, apart from its downstream core business. The listed subsidiary of Felda Global Ventures Holdings Bhd is in "advanced" negotiations to acquire two Indonesia-based firms operating in the upstream market. MSM also aims to dominate the Singapore midstream market in 2018, from the current market share of about 18% to 20%. The plan for MSM, going forward in 2015 and 2016, are growth years. We plan to diversify the income stream. (Source: The Edge)

KESM Industries (CP: RM3.67): Higher demand for testing devices boosts KESM's earnings

KESM Industries Bhd's net profit for its third quarter ended April 30, 2015 rose 27% to RM1.73mil from RM1.36mil in the previous corresponding period mainly due to higher demand from burn-in and other testing devices. Meanwhile, the semiconductor device testing firm's revenue increased to RM62.93mil from RM59.11mil. In a statement to Bursa Malaysia on Tuesday, the company said

raw materials and consumables used and changes in work-in-progress and finished goods were lower by RM1.9mil from RM7.4mil to RM5.5mil, due to lower sales from electronic manufacturing services. *(Source: The Star)*

Digistar (CP: RM0.22): 1HFY15 net profit rises to RM2.6m

Digistar Corporation Bhd saw its net profit ballooned to RM6.48 million or 1.4 sen a share in the second financial quarter ended March 31, 2015 (2QFY15), from RM900,000 previously. However, cumulative six months net profit (1HFY15) had only increased to RM2.62 million, from RM1.17 million, after accounting for losses incurred in the first quarter. Meanwhile, revenue for 2QFY15 jumped to RM52.63 million, from RM19.34 million, while that of 1HFY15 rose to RM83.87 million, from RM27.61 million. The group attributed the strong 2QFY15 earnings to the completion of The Imperial Heritage project in Melaka. It added that its construction segment also contributed to the favourable results. *(Source: The Edge)*

Kulim (CP: RM2.60): Plans 2 property projects in Johor

Kulim (M) Bhd will be making a comeback to the property industry as plans to develop some 8,000ha of its oil palm plantations are in the pipeline. Chairman Datuk Kamaruzzaman Abu Kassim said the company was planning a mixed development at its Ladang Siang near Desaru and Ladang Sungai Papan near Tanjung Belungkor oil palm plantations here. Kamaruzzaman said this at a press conference after the company's AGM here yesterday. Kulim, which is a subsidiary of Johor Corp, is largely plantation-based and it has been expanding into the oil and gas (O&G) sector. *(Source: The Star)*

Sona Petroleum (CP: RM0.42): Ends discussion with Ophir

Sona Petroleum Bhd and Ophir Energy Plc have mutually agreed to discontinue discussions with regards to Salamander Energy (Bualuang) Ltd's assets. In a statement, Sona said the assets now appeared less attractive from Sonas qualifying acquisition investment perspective after due process of updating the technical and economic valuations. However, Sona, which is Malaysia's largest special purpose acquisition company (SPAC), would continuously review alternative assets and provide an update when a target has been identified, in line with relevant regulatory requirements. *(Source: The Star)*

Cocoaland (CP: RM2.04): Gets takeover offer from First Pacific

Snacks and candy company Cocoaland Holdings Bhd has received an indicative non-binding proposal from First Pacific Company Ltd to acquire the business of Cocoaland including all of its assets and liabilities for RM463.32mil or RM2.70 per share. This is the second takeover offer Cocoaland is receiving in less than two weeks. Last week, Cocoaland's board rejected a takeover offer from private equity firm Navis Asia VII Management Co Ltd for RM377.52mil or RM2.20 per share. The confectionery maker said then that its board had deliberated on the proposed acquisition made on May 22, and unanimously rejected the offer. *(Source: The Star)*

Mega First (CP: RM2.41): Buys Melewar for RM12.69m to get Perak Land

Quarry operator Mega First Corp Bhd (MFCB) is buying a 51.22% stake in Melewar Jutamas Sdn Bhd (MJSB) for RM12.69 million, cash. In a filing with Bursa Malaysia, Mega First said its wholly-owned unit Rock Chemical Industries (Malaysia) Sdn Bhd had on June 1, entered into a conditional share subscription agreement with MJSB and two unrelated parties, to subscribe for 210,000 new ordinary shares of RM1 each in the enlarged, issued and paid-up share capital of MJSB. MFCB said RCI will execute and effect the proposed subscription on or before July 31, subject to the findings of a financial and legal due diligence review on MJSB, which was incorporated on Feb 8, 2013. (Source: *The Edge*)

Dataprep Holdings (CP: RM0.20): MD resigns

Dataprep Holdings Bhd's managing director Muhammad Fauzi Abd Ghani has resigned from office, effective today, to pursue other business interests. In a filing with Bursa Malaysia, the information technology consulting firm said Muhammad Fauzi was redesignated as managing director on Dec 18, 2013, after he relinquished his role as senior vice president, business development downstream, at Felda Global Ventures Holdings Bhd in May 2013. As at March 31, 2015, Muhammad Fauzi owns 0.065% stake in Dataprep. His resignation came after Dataprep's fourth quarter ended March 31, 2015 (4QFY15) net loss widened to RM2.19 million, from RM825,000 a year ago; revenue was largely flat at RM21.56 million, compared with RM21.72 million previously. (Source: *The Edge*)

Petronas: To lead industry-wide effort involving 25 PACs

Petroleum Nasional Berhad (Petronas) is leading the Cost Reduction Alliance, Coral 2.0, an industry-wide effort towards cost discipline which involves 25 petroleum arrangement contractors (PACs). The aim is to inculcate a cost-conscious mindset that will ultimately embrace a structural change Malaysia's upstream business environment. Petronas has announced Capex cuts of 15% and Opex cuts of 25%. "This is not a mere cost cutting exercise. Beyond that, it is about ensuring the robustness and sustainability of our business," Petronas' chairman Tan Sri Sidek Hassan said in his speech at the opening ceremony of 15th Asian Oil, Gas and Petrochemical Engineering Exhibition (OGA 2015) yesterday. (Source: *The Edge*)

ECONOMIC UPDATES**Malaysia: To convince Fitch it's economy still positive**

Finance Ministry officials are reported to have met representatives from Fitch Ratings late yesterday to convince the rating agency that Malaysia's economy "is still sustainable and should be viewed positively". The ministry's secretary-general Tan Sri Irwan Serigar Abdullah said the officials would be meeting with Fitch later on Tuesday, according to a *Bernama* report. Fitch on Jan 20 had indicated that it was "more likely than not to downgrade the rating of the sovereign" in the coming months, following the Government's revision of this year's fiscal deficit target to 3.2% from 3% of gross domestic product (GDP) as well as the reduction of the GDP growth forecast to between 4.5% and 5.5% from 5% to 6%. (Source: *The Star*)

U.S.: May auto sales race to strongest pace in nearly decade

The U.S. auto industry remained on track for the best sales year in a decade as consumers bought cars and trucks in May at the fastest pace in almost a decade. Sales of pickup trucks and SUVs again led the way, which bodes well for the profit margins of the major automakers. General Motors Co forecast industry U.S. sales to finish May at a seasonally adjusted annualized rate of 17.6 million vehicles, the strongest pace since January 2006. GM sales rose 3 percent in May, while Fiat Chrysler Automobiles' increased 4 percent, the automakers said on Tuesday. *(Source: The Edge)*

U.S.: Factory orders fall unexpectedly; weakness in demand broad-based

New orders for U.S. factory goods unexpectedly fell in April as demand for transportation equipment and a range of other goods weakened, suggesting that manufacturing remained constrained by a strong dollar and spending cuts in the energy sector. New orders for manufactured goods slipped 0.4 percent after a slightly upwardly revised 2.2 percent increase in March, the Commerce Department said on Tuesday. March's orders were previously reported to have increased 2.1 percent. Factory orders have declined in eight of the last nine months. Economists had forecast orders to be flat in April. Excluding the volatile transport component, orders were unchanged for a second straight month. *(Source: The Edge)*

UK home prices to rise 6.0 pct this year, brush off any later BoE hikes

British house prices will continue to rise over the next three years as the market is capable of withstanding the gradual interest rate increases expected from the Bank of England, a *Reuters* poll showed. Home values will rise 6.0 percent this year, 4.0 percent next and 3.5 percent in 2017, the poll of over 20 analysts taken in the past week found, faster than predicted in a February poll. "A lack of homes on the market will boost house prices this year, as will the reform to stamp duty implemented at the end of last year," said Matthew Pointon at Capital Economics, referring to the property transaction tax in Britain. *(Source: The Edge)*

India: RBI cuts rates for third time to put Indian growth on firmer footing

India's central bank cut interest rates for a third time this year on Tuesday, taking advantage of subdued inflation to give more support to an economy that many economists doubt is doing as well as latest impressive growth numbers suggest. The Reserve Bank of India's quarter point reduction in the repo rate to 7.25 percent was predicted by 35 of 48 analysts polled by Reuters. Previous cuts, in January and March, had also been by 25 basis points. The reduction showed policymakers recognised the need to put the economy on a sounder footing, regardless of data released on Friday that showed India outpaced China by growing 7.5 percent in the March quarter. *(Source: The Edge)*

Greece: Can't make more concessions for deal,

Greece's government can make no more concessions in negotiations for a cash-for-reforms deal and its international lenders must take responsibility for their role in the talks, Labour Minister Panos Skourletis said on Tuesday. Athens and its creditors from Europe and the International Monetary Fund are racing to prevent the country from defaulting on its debt and potentially leaving the euro

zone. The bloc has set a deadline of Friday to conclude the talks to allow time for institutions and ministers to approve a deal and secure parliamentary backing to disburse frozen aid before Greece's bailout expires at the end of June. (Source: *The Edge*)

Philippines: Halts sugar exports, cuts 2014/15 output forecast

The Philippines said on Tuesday it was scrapping export plans in favour of allocating to the domestic market all its sugar output, beginning from the last week of May and over the next three months, as it seeks to rein in rising local prices. The move is unlikely to affect the global market, which now faces a sugar glut, but will effectively halt supply from the Southeast Asian country to key markets, chief among them the United States. Boosting domestic supply could help to halt a price rise the Philippine central bank has pinpointed as a key source of inflationary pressure. A "comfortable buffer" must be maintained to ensure stable supply and prices, the Sugar Regulatory Administration said in a policy announcement on its website. (Source: *The Edge*)

Germany: Rallies reinforcement to pitch for EU-US trade deal

European and US trade officials came to Berlin on Tuesday to try to drum up support for a transatlantic trade deal that faces growing opposition in Europe's biggest economy. Support among the German public for the Transatlantic Trade and Investment Partnership (TTIP) has fallen sharply over the past year, with many worrying it will weaken food, environmental and auto safety standards and give US firms too much power. Only 41% of Germans think TTIP is a good thing, according to a Pew Research poll published last month, down from 55% a year earlier. In contrast, 50% of Americans are in favour. (Source: *The Edge*)

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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