

PP14767/09/2012(030761)

Thursday, October 15, 2015

## Report of the Day

**Sector Update:** Plantation Sector – “September’s Palm Oil Stocks Accelerate 5.5% m-o-m (25.7% y-o-y)”

**Company Update:** CIMB Group – “Pessimistic Over KPI Outlook”

## At a Glance

FBM KLCI grew 1.28 points to finish at 1,711.14 due to the profit taking activities. ....(See full report next page)

## Strategy

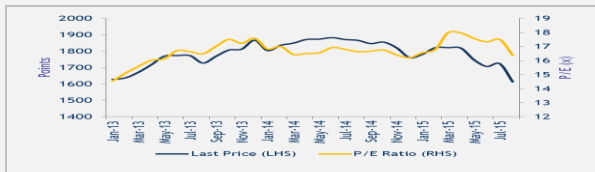
We posit that Ringgit may continue to be weighed as a result and hence, the sentiment on local market as a result..... (See full report next page)

## Corporate Highlights

- **TNB, BUY (TP: RM15.20):** Seen as top contender in 1MDB power assets sale
- **Pintaras (CP: RM3.56):** Says no planned capex for first half of FY16
- **Hiap Huat (CP: RM0.10):** To boost lubricants’ contribution

## Economic Update

- **Malaysia:** Ringgit to weaken between RM4.45 and RM4.50 if China devalues yuan
- **China:** Imports slump on weak commodities prices
- **Indonesia:** Central bank expected to keep benchmark rate unchanged



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 Utilization 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 Utilization	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+/-	(+/- %)
FBM KLCI	1,711.14	1.28	0.07
FBMEMAS	11,770.74	4.37	0.04
FBMEMAS SHA	12,530.85	-14.48	-0.12
FBM100	11,477.80	5.73	0.05
Volume (mn)	2,472.57	378.53	18.08
Value (RMmn)	2,455.76	251.15	11.39
FBM KLCI YTD Chg			-2.85

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	NA	NA
Local Institution	NA	NA
Foreign Investors	NA	NA

## Top Gainers

	Close	Change+/-	(+/- %)
BAT	62.72	1.22	1.98
NESTLE (MALAY)	73.60	0.50	0.68
SUCCESS TRANSF	1.61	0.24	17.52

## Top Losers

	Close	Change+/-	(+/- %)
BORNEO OIL BHD	0.20	0.02	14.04
AEON CREDIT SER	13.40	-0.24	-1.76
UEM EDGENTA	3.36	-0.24	-6.67

## World Indices

	Close	Change+/-	(+/- %)
DJIA	16,924.75	-157.14	-0.92
NASDAQ	4,782.85	-13.76	-0.29
S&P 500	1,994.24	-9.45	-0.47
FTSE 100	6,269.61	-72.67	-1.15
DAX	9,915.85	-116.97	-1.17
Nikkei 225	18,234.74	-203.93	-1.11
HSI	22,600.46	-130.47	-0.57
KOSPI	2,019.05	-2.58	-0.13
STI	2,990.14	-41.97	-1.38
KLCI Futures	1,690.50	-	-
USDMYR 3M	17.59	0.02	0.00
USDMYR 6M	16.55	0.07	0.00
USDMYR 12M	15.88	0.02	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	-0.3	-0.7%
Brent (USD/bbl)	49.2	-0.1	-0.2%
Gold(USD/ounce)	1,185	0.9	0.1%
Coal (USD/mt)	53.1	-0.2	-0.3%
CPO (RM/mt)	2,320	63.0	2.8%
Rubber	133	-0.6	-0.4%
RM/USD	4.20	0.012	-0.29%
EUR/USD	0.87	0	0.00%
YEN/USD	118.84	0.01	-0.01%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average plunged 157.14 points to 16,924.75 points, S&P 500 dropped 9.45 points to 1,994.24. Nasdaq fell by 13.76 points to 4,782.85. Stocks moved lower again on Wednesday, making for a two-day losing streak as weaker-than-expected guidance from Wal-Mart Inc and a disappointing retail sales report called into question the health of the consumer, casting further doubt on the health of corporate earnings as the third-quarter reporting season rolls on.
- During the regular session, Wal-Mart sank 10 percent to \$60.03 in its biggest one-day percentage decline in years and its heaviest trading day since January 2009, after it forecast a drop of up to 12 percent in earnings per share in fiscal 2017. The decline erased roughly \$22 billion off the retailer's market value, and the stock was the biggest drag on both the Dow Jones industrial average and S&P 500.

### The Local Market

- FBMKLCI grew 1.28 points to finish at 1,711.14 due to the profit taking activities. There were 432 gainers and 414 decliners in total value traded of RM2.45 billion.
- Among the gainers on Bursa Malaysia were BAT surged RM1.22 to RM62.72, Nestle (M) gained 50 cent to RM73.60, Success Transformer up 24 cent to RM1.61 and Magni-Tech Industries increased 22 cent to RM5.45.

### Strategy

- **“Lower Oil Forecast by EIA in 2016 May Weigh on Sentiment”**  
Wall Street ended lower on Wednesday, hurt by less-than-sanguine US economic indicators namely retail sales and PPI. S&P 500 and DJIA shaved 9.45 (-0.47%) and 157.14 (-0.92%) points to end at 1,994.24 and 16,924.75 respectively. Note that the US September retail sales only gain by 0.1%, coming in below expectation of 0.2% growth while PPI declined by 0.3% against the expectation of 0.1% increase, suggesting that the US Federal Reserve may consider to delay the adjustment in Federal Funds rate into the first quarter next year, amid weak economic signals. The slow growth of US economy, the only anchor to global growth this year, may weigh on overall sentiment, while on the flip side, if it grows strongly would only push for the adjustment in policy rate. Hence, the happening in the US is a double edge sword to the rest of global equity market as far as we concern. On another development, one bad news that could weigh on local market sentiment today is the US EIA forecast for 2015 and 2016 oil price which is decisively negative in our view. They project oil price, as in WTI, to average at only USD49 in 2015 before accelerating marginally to USD54 per barrel, hit by tepid economic growth in emerging markets, continuing supply growth, increases in global liquids inventories, and the possibility of increasing volumes of Iranian crude oil entering the market. With darkening forecast of global oil price, we posit that Ringgit may continue to be weighed as a result and hence, the sentiment on local

market as a result.

- 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

### **TNB, BUY (TP: RM15.20): Seen as top contender in 1MDB power assets sale**

Utility heavyweight Tenaga Nasional Bhd (TNB) is inching towards a multi-billion dollar purchase of energy assets from 1Malaysia Development Bhd (1MDB) after a rival bidder dropped out, a deal that would bring welcome financial relief to the state fund. Hong Kong-listed CGN Meiya Power Holdings Co, the only firm beyond TNB to have openly expressed an interest for some 1MDB assets, said in regulatory filings on Friday it was no longer considering the transaction. Other companies that had been initially shortlisted for the asset sale were not expected to bid before an end of week deadline, leaving the field open for the Malaysian suitor, bankers and sources close to the situation told *Reuters*. (Source: *The Star*)

### **Pintaras (CP: RM3.56): Says no planned capex for first half of FY16**

Pintaras Jaya Bhd will not spend on capital expenditure in the first half of its financial year 2016 due to the continued subdued outlook for the piling industry. "Excess capacity in the industry has led to a reduction in margins. If things pick up in the second half we will resume capex again," it's managing director Chiu Hong Keong said at a press conference earlier Tuesday. He said that spending on capex now would mean higher expenditure as most of its machinery was imported from Europe and Japan. "We are thankful we have spent earlier," he said. He added while outlook for the industry remains subdued presently, he expects it to pick up again in FY17 once the MRT 2 and LRT3 contracts are given out. (Source: *The Star*)

### **Hiap Huat (CP: RM0.10): To boost lubricants' contribution**

Hiap Huat Holdings Bhd is targeting its lubricant segment to contribute up to 30% of its revenue in 12 months, from 10% currently. Managing director Chan Say Hwa (pix) said the lubricant segment is its third biggest revenue contributor after fuel oil (50%) and scheduled waste collection (20%). Examples of lubricant products are engine oil, mould release oil and grease for the manufacturing industry. "At the moment, fuel oil is the major revenue contributor and, in fact, none of the other segments' revenue can easily overtake it but due to the existing oil price situation, the chance for us to move (focus) to lubricants is higher," he told SunBiz in an interview recently. (Source: *The Sun*)

### **Mida: Eyes RM170b investment in manufacturing, services**

The Malaysian Investment Development Authority (Mida) is targeting for RM170 billion investments in manufacturing and services sector by the year-end. Deputy chief executive officer Datuk Phang Ah Tong said that for the first six months of the year, the authority had approved some RM49 billion of

investments in manufacturing sector and RM62 billion in services sector. (Source: The Star)

#### ECONOMIC UPDATES

##### **Malaysia: Ringgit to weaken between RM4.45 and RM4.50 if China devalues yuan**

The ringgit is likely to trade between RM4.45 and RM4.50 against the US dollar by year-end if China, the world's second largest economy, were to devalue its currency again. The local currency, which lost 16 per cent so far this year, was trading against the US dollar at 4.1780 and 4.1850 this morning. Rabobank Head of Financial Markets Research Asia-Pacific Director, Michael Every, said if China did not devalue its currency by year-end then the ringgit would not see any downward pressure. On whether China's devaluation has more impact on the ringgit than the likely US Federal Reserve's (Fed) interest rate increase, he said both were equally vital. (Source: The Star)

##### **China: Imports slump on weak commodities prices**

Chinese imports slumped nearly 18% last month, official figures showed on Tuesday, highlighting the task facing the country's leaders as commodities prices slump on the back of a slowing growth in the world's second-largest economy. The Asian giant is the world's leading trader in goods but a slowdown in economic growth has led to a sharp fall in demand for the resources it uses - such as iron ore and oil - hitting producer countries such as Australia. However, Customs department spokesman Huang Songping told reporters: "Imports of some of the bulk commodity exhibited an increase in volume and a fall in price." Imports sank 17.7% to 924 billion yuan (about US\$146 billion). (Source: The Star)

##### **Indonesia: Central bank expected to keep benchmark rate unchanged**

Indonesia's central bank is expected to keep its benchmark policy rate unchanged at 7.5% on Thursday even though the rupiah recently strengthened and the inflation rate has declined. Bank Indonesia (BI) has held its key rate since making a 25 basis-point cut in February, despite the worst economic slowdown since 2009. At the last two monthly meeting, it has cited the rupiah as its main focus. All 12 economists in a Reuters poll predicted BI will hold the policy rate at 7.5% on Thursday. "There is really no room for BI to trim its interest rate at this point," said Gundy Cahyadi, an economist with DBS in Singapore. (Source: The Star)

##### **Japan: Govt cuts economic assessment as output sags**

Japan's government lowered its assessment of the economy on Wednesday as output sags, in a worrying sign that recovery is stalling as overseas demand weakens. The government also downgraded its view of industrial production as factory activity contracts and inventories rise. The gloomy overall assessment raises the stakes for the Bank of Japan (BoJ)'s monetary policy meeting at the end of the month and places Prime Minister Shinzo Abe's economic policies under even greater scrutiny. "The economy is in a gradual recovery trend, but there are some pockets of weakness," the Cabinet Office said in its monthly economic report. (Source: The Star)

**Singapore: Avoids technical recession, eases monetary policy**

Trade-dependent Singapore narrowly avoided a technical recession in the third quarter, official estimates showed on Wednesday, but analysts said the city-state's growth outlook remains subdued because of China's slowdown. In a move to bolster growth, the Monetary Authority of Singapore (MAS) eased policy for a second time this year, slightly reducing the local dollar's rate of appreciation to make exports more competitive after other Asian countries weakened their own currencies. The central bank uses currency policy rather than interest rates as a tool to tweak the island's open economy. It manages the Singapore dollar against an undisclosed basket of currencies of its major trading partners and competitors. (Source: *The Star*)

**Thailand: Auto sales fall 14.6% as economy sputters**

Domestic auto sales in Thailand will fall this year, the Federation of Thai Industries said on Wednesday, as the weak economy prompts consumers to cut back on spending. Thailand is a regional vehicle production and export base for the world's top carmakers, but the military government that seized power in a May 2014 coup has struggled to get Southeast Asia's second-largest economy back on track. Both export and domestic demand remain weak, weighing on manufacturers. Thai auto sales are expected to reach 750,000 to 800,000 cars this year, he said, down from 881,832 in 2014. The federation had already cut its car sales target in July to 850,000 cars from 950,000 cars seen earlier for this year, but maintains its car export estimate for 2015 at 1.2 million cars. (Source: *The Star*)

**U.K.: Inflation rate turns negative again**

Inflation as measured by the Consumer Prices Index fell to -0.1% in September, official figures have shown. The Office for National Statistics (ONS) said that a smaller than usual rise in clothing prices, and falling motor fuel prices, were the main contributors to the drop in the rate. The CPI rate has been at or close to zero for most of this year. It was last in negative territory in April. Retail Prices Index (RPI) inflation fell to 0.8% in September from 1.1%. Ben Brettell, senior economist at Hargreaves Lansdown, said the figures meant there was "no pressure on the Bank of England to lift interest rates". Last week, the Bank said it did not expect inflation to reach 1% until spring 2016. (Source: *BBC News*)



# 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](http://www.mnaonline.com.my)

Head Of Research



Rosnani Rasul  
M&A Securities