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Friday, October 16, 2015

At a Glance

FBMKLCI surged 2.11 points to finish at 1,713.25 in line with positive regional market sentiment.....(See full report next page)

Strategy**Wall Street Rally Driven by Multiple Force"**

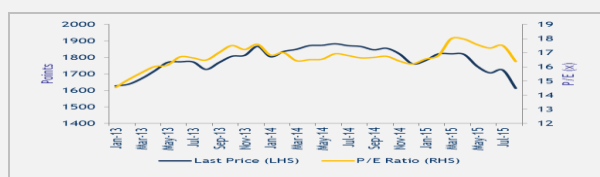
We are cautiously optimistic that investors will return accumulating equity holdings in the near term..... (See full report next page)

Corporate Highlights

- **Sunway Construction, BUY (TP: RM1.40):** Bags RM174mil housing project
- **Mah Sing, HOLD (TP: RM1.34):** Bring back DIBS for first timers
- **Eco World (CP: RM1.44):** On track to achieving RM3bil sales target

Economic Update

- **Australia:** Jobless rate steady at 6.2%
- **India:** Central bank expected to cut rates just once in next 18 months
- **U.S.:** Fiscal year budget deficit narrows to \$439 billion



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+/-	(+/- %)
FBMKLCI	1,713.25	2.11	0.12
FBMEMAS	11,781.10	10.36	0.09
FBMEMAS SHA	12,532.44	1.59	0.01
FBM100	11,488.52	10.72	0.09
Volume (mn)	2,401.06	-71.51	-2.89
Value (RMmn)	2,535.46	79.70	3.25
FBMKLCI YTD Chg			-2.73

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.3	22.4
Local Institution	55.1	-70.6
Foreign Investors	28.6	48.2

Top Gainers

	Close	Change+/-	(+/- %)
AIJYA BHD	3.69	0.53	16.77
TOP GLOVE CORP	8.44	0.39	4.85
BAT	63.10	0.38	0.61

Top Losers

	Close	Change+/-	(+/- %)
LII HEN IND BHD	2.25	-0.10	-4.26
GAMUDA BHD	4.65	-0.14	-2.92
SKB SHUTTERS	0.53	-0.13	-19.23

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,141.75	217.00	1.28
NASDAQ	4,870.10	87.25	1.82
S&P 500	2,023.86	29.62	1.49
FTSE 100	6,338.67	69.06	1.10
DAX	10,064.80	148.95	1.50
Nikkei 225	18,096.90	205.90	1.15
HSI	22,888.17	448.26	2.00
KOSPI	2,033.27	23.72	1.18
STI	3,011.94	28.02	0.94
KLCI Futures	1,695.00	-	-
USDMYR 3M	17.44	(0.22)	(0.01)
USDMYR 6M	16.50	(0.06)	(0.00)
USDMYR 12M	15.83	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	47	0.5	1.1%
Brent (USD/bbl)	49.7	0.0	0.1%
Gold(USD/ounce)	1,182	-1.3	-0.1%
Coal (USD/mt)	53.2	0.1	0.2%
CPO (RM/mt)	2,318	-30.0	-1.3%
Rubber	134	0.8	0.6%
RM/USD	4.12	-0.0767	1.86%
EUR/USD	0.88	0.0012	0.14%
YEN/USD	118.96	0.06	-0.05%

What To Expect

U.S. Market

- The Dow Jones Industrials Average soared 217.0 points to 17,141.75 points, S&P 500 gained 29.62 points to 2,023.86. Nasdaq added by 87.25 points to 4,870.10. The October rebound in global equities resumed Thursday, with U.S. stocks rising to an eight-week high amid bank earnings and growing speculation the Federal Reserve will delay raising interest rates until 2016. Treasuries fell and gold erased its loss for the year.
- The Standard & Poor's 500 Index jumped the most in 10 days with gains in the nation's largest financial firms leading equities higher after two days of declines. Economic data from Group of 10 nations are missing analysts' estimates by the most in four months, fueling bets the Fed will delay raising interest rates until next year.

The Local Market

- FBMKLCI surged 2.11 points to finish at 1,713.25 in line with positive regional market sentiment. There were 453 gainers and 395 decliners in total value traded of RM2.53 billion.
- Among the gainers on Bursa Malaysia were Ajiya gained 53 cent to RM3.69, Top Glove grew 39 cent to RM8.44, BAT increased 38 cent to RM63.10, and Nestle (M) rose 32 cent to RM73.92.

Strategy

- **Wall Street Rally Driven by Multiple Force"**
Wall Street was charging energetically on Thursday driven by multiple catalyst including tepid US CPI and dovish statement by European policy maker. S&P 500 and DJIA added 29.62 (1.49%) and 217.00 (1.28%) points to end at 2,023.86 and 17,147.75 respectively. The lethargic US CPI for September that declined by 0.2% with core CPI gaining by 0.2% had cheered Wall Street as this may mean no case for policy rate adjustment this year. Our bet is now pushed to the first quarter next year of adjustment given the weak economic signals as hasty adjustment will only choke US economic recovery. In another delightful development, two European policy makers had urged for more quantitative easing measures for the region in order to give the economy more energy to boost growth, which means liquidity may continue to pump into the global equity market as a result. Looking at Wall Street steady gain yesterday, we opine that the feel-good-factor will spill over into the regional equity market especially in the absence negative catalyst. With next week's economic announcement will still be tier-2, we are cautiously optimistic that investors will return accumulating equity holdings in the near term.
- 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

Sunway Construction, BUY (TP: RM1.40): Bags RM174mil housing project

Sunway Construction Group Bhd (SunCon) has secured an RM174.5mil contract from Sunway Iskandar Sdn Bhd for the construction of houses in Pulau, Johor Baru. In a filing with Bursa Malaysia, SunCon said the contract was in relation to the main building works for the proposed strata development on Plot F27 to construct 222 units of linked houses, cluster homes and semi-detached houses in two phases on part of the land held under PTD 199240 in Pulau. The project is due for completion by Dec 31, 2017, and is expected to contribute positively to the SunCon group's earnings from the financial year ending Dec 31 onwards. (Source: The Star)

Mah Sing, HOLD (TP: RM1.34): Bring back DIBS for first timers

Mah Sing Group Bhd is asking the government to reinstate the Developer Interest-Bearing Scheme (DIBS) but only for first-time homebuyers. "The scheme will ease purchase of homes by genuine homebuyers by allowing them to lock in properties at current prices," the property developer said in its Budget 2016 wishlist yesterday. It said that reinstating the DIBS, which was removed during Budget 2014, will be in line with the government's aspiration and assist first-time property buyers. "We laud the government's continuous initiatives to encourage home ownership, especially for first-time home buyers. We are also aware of the government's concerns about the affordability of properties. (Source: The Sun)

Eco World (CP: RM1.44): On track to achieving RM3bil sales target

Eco World Development Group Bhd is optimistic of achieving its 2015 sales target of RM3bil despite the current challenging economic environment. President/chief executive officer Datuk Chang Khim Wah said as of August this year, the group had recorded total sales of RM2.37bil from its mixed development projects launched nationwide. We are quite confident of achieving our sales target, given the overwhelming response to our projects in the Klang Valley and Iskandar Malaysia, Johor," he told reporters after the group's EGM yesterday. He said among the hot-pick projects for Eco World currently were Eco Sanctuary, Eco Majestic in the Klang Valley, Eco Tropics in Iskandar Malaysia and Eco Meadows in Penang. (Source: The Star)

Top Glove (CP: RM8.44): Record earnings for Top Glove, dividend 12 sen a share

Top Glove Corporation Bhd posted a strong set of earnings for the financial year ended Aug 31, 2015 underpinned by internal quality and cost efficiency improvements, strong US dollar and weak raw materials. It announced on Thursday its FY15 earnings rose 55% to RM280.14mil from RM180.52mil in FY14. Its revenue increased by 10.3% to RM2.51bil from RM2.27bil. For the four quarter, its earnings jumped 122% to RM103.12mil from RM46.32mil. Its revenue increased by 22.5% to RM709.44mil from RM579.11mil. It announced a dividend of 12 sen a share. Top Glove also recorded robust growth in sales volume (quantity) of 8%, having strengthened its presence in developed markets where nitrile glove sales increased by more than 27% versus FY2014.

Meanwhile, natural rubber gloves sales continued to rise steadily. *(Source: The Star)*

BHIC (CP: RM2.45): subsidiary gets additional LOA

Boustead Heavy Industries Corp Bhd (BHIC) announced that its subsidiary Boustead DCNS Naval Corp Sdn Bhd (BDNC) has received an additional letter of acceptance (LOA) for the extension of its submarine in-service support (ISS) contract, with a revised and final negotiation price. The company said in its filing on Thursday that the LOA is in relation to BDNC providing ISS for two units of Prime Minister's class submarines for the Royal Malaysian Navy (RMN) for 193 million euros (RM532mil) as announced in September 2014. This is also with a further LOA announced on March 31, 2015 for an additional ceiling contract value of RM532.2mil to extend the ISS contract up to May 31, 2017. *(Source: The Star)*

Genting Malaysia (CP: RM4.44): Disposes land to Genting Plantations for RM65.76m

Genting Malaysia Bhd's (Genting) wholly owned subsidiary Genting Highlands Tours and Promotion Sdn Bhd will dispose two parcels of leasehold land at Jalan Segambut, Kuala Lumpur to a unit of Genting Plantations Bhd (or RM65.76 million cash. In a filing with Bursa Malaysia, Genting said Genting Highlands Tours had entered into a conditional sale and purchase (SPA) agreement with Esprit Icon Sdn Bhd, a wholly-owned subsidiary of Genting Plantations, for the disposal of the land. The two pieces of adjoining land, measuring 3.54ha, houses a single storey office building, store, workshop and parking yard or garage, with a net book value of RM7.9 million, free of encumbrances, the filing stated. *(Source: The Edge)*

Symphony House (CP: RM0.16): Chance for Symphony shareholders to tap Ranhill ops

The reverse takeover (RTO) of Symphony House Bhd by Ranhill Holdings Bhd is expected to provide Symphony shareholders an opportunity to tap the latter's growing water and power businesses and reap its recurring income stream. In a circular to shareholders yesterday, Symphony, which is involved in business process outsourcing, said its business, moving forward, would remain challenging due to competition, pricing pressure and possibly a lower number of capital market activities. Symphony said Ranhill Holdings Group's revenue contribution by its water business, particularly the growing water and wastewater treatment business in China, had been increasing with new concessions/contracts being secured both locally and regionally. *(Source: The Star)*

Xingquan (CP: RM0.50): Explains rationale for cash call

Xingquan International Sports Holdings Ltd, a China-based shoemaker with a cash pile of RM886.55mil (1.46 billion yuan), said the RM50.71mil to be raised from investors in a planned rights shares issue would be used to pay for machinery. The company added that the current cash reserves was to cover for its daily operational needs and future acquisition purposes. It is common practice for those prudent and sustainable sports/casual footwear companies to

have large cash balances. The company had last month proposed to undertake a rights issue exercise. (Source: *The Star*)

Uzma (CP: RM2.24): Acquires 30% stake in RockWash

Uzma Bhd has acquired a 30.04% stake in UK-based Rockwash Prep and Store Ltd (RockWash) to enhance and complement its service offerings in the oil and gas geoscience sub-surface segment. In a filing with Bursa Malaysia, Uzma chief executive officer Datuk Kamarul Redzuan said the tie-up with RockWash would add another facet to the company's laboratory testing and analysis of reservoir rocks service offerings. "The technology from RockWash will expand and strengthen our Geoscience and Petroleum Engineering Department, specifically for our laboratory services, giving Uzma further grip in this core area. (Source: *The Star*)

Puncak Niaga (CP: RM2.87): Gets RM1.55bil final payment

The conclusion of the long-drawn-out Selangor water-restructuring deal went right down to the wire. Puncak Niaga Holdings Bhd, one of the key water concessionaires in the state, said yesterday it had received the final payment of RM1.55bil from Pengurusan Air Selangor Sdn Bhd (Air Selangor) on the Oct 15 deadline. "As such, the proposed disposals have been completed on even date," it said in a filing with Bursa Malaysia. The Oct 15 deadline was the eighth extension since Puncak Niaga signed the conditional sale and purchase agreement (SPA) with Air Selangor in November last year. (Source: *The Star*)

ECONOMIC UPDATES

Australia: Jobless rate steady at 6.2%

Australia's unemployment rate remained stable at 6.2% in September, data showed on Thursday, with some analysts suggesting it may have peaked as the economy moves away from a dependence on mining. The Australian Bureau of Statistics figures showed that in rounded terms, some 5,100 jobs were lost from the economy, with full-time positions falling by about 13,900 and part-time roles increasing by around 8,900. The seasonally adjusted reading was better than analysts' expectations of an increase to 6.3%, although the market was disappointed with the decline in the number of jobs. In unrounded percentage terms, the data were more positive, with unemployment dipping slightly from 6.22% in August to 6.16% in September. (Source: *The Star*)

India: Central bank expected to cut rates just once in next 18 months

The Reserve Bank of India (RBI) is forecast to cut its main lending rate just once more over the next 18 months, despite weak inflation and a slowing economy, according to a Reuters poll. Weakening inflation and concern that a China-led global slowdown was weighing on Asia's third-largest economy pushed India's central bank to cut the repo rate to a 4 1/2-year low of 6.75% last month, taking many by surprise. But the RBI is unlikely to move again any time soon, according to the poll of over 25 economists taken in the past week, and the next cut of 25 basis points won't come until the April-June 2016 quarter. September's cut reflected the RBI's "comfort with the path of inflation in the next 12-15 months, while recognising the need to support the economy in an increasingly

challenging global backdrop," wrote economists at Deutsche Bank. *(Source: The Star)*

U.S.: Fiscal year budget deficit narrows to \$439 billion

The U.S. budget deficit narrowed to \$439 billion in fiscal 2015, the lowest level since 2008, as the economy continued to recover from the financial crisis and revenue growth outpaced a rise in spending, the Treasury Department said on Thursday. The 2015 deficit fell to 2.5 percent of gross domestic product, the lowest since 2007 and less than the average of the last 40 years. Last year's deficit was \$483 billion, with a deficit-to-GDP ratio of 2.8 percent. Accounting for calendar adjustments, the 2015 fiscal year deficit was \$445 billion. Fiscal 2015 revenues grew 8 percent to \$3.249 trillion, while outlays rose 5 percent to \$3.688 trillion. *(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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