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Wednesday, March 11, 2015

## Report of the Day

**Sector Update:** Plantation - "Inventory, Production and Export Level in Focus"

## At a Glance

FBMKLCI shed 2.01 points to finish at 1,789.73 due to the lack of fresh catalyst.....(See full report next page)

## Daily Trading Strategy

## "Nervous, Nervous, Nervous"

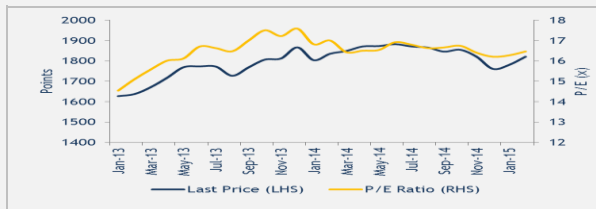
As of now, perhaps the best trading strategy is to stay away from the equity market and accumulate the US treasury or other safe haven .....See full report next page)

## Corporate Highlights

- **MAHB (CP: RM6.88):** Arrivals hit 8.2 million passengers
- **Puncak Niaga (CP: RM2.53):** Yet to receive rescind notice from Selangor
- **Berjaya Food (CP: RM2.80):** Q3 earnings climb, boost from Berjaya Starbucks

## Economic Update

- **U.S.:** Wholesale inventories up, sales post largest drop since 2009
- **U.S.:** Small business confidence ticks up in February
- **China:** February consumer inflation rebounds, producer deflation intensifies



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	9-Mar	7:50 AM	Bop Current Account Adjusted	x117.6B	x976.6B
JP	9-Mar	7:50 AM	Trade Balance BoP Basis	(x896.4B)	(x395.6B)
JP	9-Mar	7:50 AM	GDP SA QoQ	0.5%	0.6%
JP	9-Mar	7:50 AM	GDP Annualized SA QoQ	2.2%	2.2%
JP	9-Mar	7:50 AM	GDP Deflator YoY	2.3%	2.3%
CN	10-Mar	9:30 AM	CPI YoY	1.0%	0.8%
CN	10-Mar	9:30 AM	PPI YoY	-4.4%	-4.3%
JP	10-Mar	7:50 AM	Money Stock M2 YoY	3.5%	3.4%
JP	10-Mar	7:50 AM	Money Stock M3 YoY	2.9%	2.8%
CN	11-Mar	1:30 PM	Retail Sales YTD YoY	11.6%	-
CN	11-Mar	1:30 PM	Industrial Production YTD YoY	7.7%	-
JP	11-Mar	7:50 AM	PPI MoM	0.1%	-1.3%
JP	11-Mar	7:50 AM	PPI YoY	0.5%	0.3%
EU	12-Mar	6:00 PM	Industrial Production SA MoM	-	0.0%
MY	12-Mar	12:00 PM	Industrial Production YoY	-	7.4%
MY	12-Mar	12:00 PM	Manufacturing Sales Value YoY	-	2.1%
JP	12-Mar	1:00 PM	Consumer Confidence Index	-	39.1
US	12-Mar	8:30 PM	Retail Sales Advance MoM	0.5%	-0.8%
US	12-Mar	8:30 PM	Retail Sales Ex Auto MoM	0.6%	-0.9%
US	12-Mar	8:30 PM	Retail Sales Ex Auto and Gas	-	0.2%
US	12-Mar	8:30 PM	Initial Jobless Claims	-	-
JP	13-Mar	12:30 PM	Industrial Production MoM	-	4.0%
JP	13-Mar	12:30 PM	Industrial Production YoY	-	-2.6%
JP	13-Mar	12:30 PM	Capacity Utilization MoM	-	2.0%
US	13-Mar	8:30 PM	PPI Final Demand YoY	0.3%	-0.8%
US	13-Mar	8:30 PM	PPI Ex Food And Energy MoM	0.1%	-0.1%
US	13-Mar	8:30 PM	PPI Ex Food And Energy YoY	-	1.6%
US	13-Mar	10:00 PM	U. of Mich. Sentiment	96.0	95.4
CN	10-15 Mar	-	Money Supply M2 YoY	11.0%	10.8%

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,789.73	-2.01	-0.11
FBMEMAS	12,348.26	-2.14	-0.02
FBMEMAS SHA	12,933.70	-30.24	-0.23
FBM100	12,029.59	-4.37	-0.04
Volume (mn)	2,538.81	401.94	18.81
Value (RMmn)	2,319.52	451.51	24.17
FBMKLCI YTD Chg			1.62

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.9	-18.8
Local Institution	51.0	266.7
Foreign Investors	30.1	-247.9

## Top Gainers

	Close	Change+/-	(+/- %)
LTKM	6.35	0.31	5.13
GUINNESS ANCH	14.94	0.26	1.77
SYKT TAKAFUL	12.44	0.26	2.13

## Top Losers

	Close	Change+/-	(+/- %)
BAT	67.72	-0.82	-1.20
KULIM MALAYSIA	2.91	0.10	3.43
TASEK CORP	16.58	-0.22	-1.31

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,662.94	-332.78	-1.85
NASDAQ	4,859.80	-82.64	-1.67
S&P 500	2,044.16	-35.27	-1.70
FTSE 100	6,702.84	-173.63	-2.52
DAX	11,500.38	-81.73	-0.71
Nikkei 225	18,665.11	-125.44	-0.67
HSI	23,896.98	-226.07	-0.94
KOSPI	1,984.77	-8.05	-0.40
STI	3,404.57	-5.85	-0.17
KLCI Futures	1,776.50	(3.00)	(0.00)
USDMYR 3M	11.01	(0.02)	(0.00)
USDMYR 6M	10.95	(0.02)	(0.00)
USDMYR 12M	10.92	(0.01)	(0.00)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	0.3	0.7%
Brent (USD/bbl)	56.4	-2.1	-3.7%
Gold(USD/ounce)	1,164	1.7	0.1%
Coal (USD/mt)	65.0	-0.3	-0.4%
CPO (RM/mt)	2,237	-34.0	-1.5%
Rubber	172	-0.7	-0.4%
RM/USD	3.70	0.026	-0.70%
EUR/USD	0.93	-0.0003	-0.03%
YEN/USD	120.91	-0.22	0.18%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average fell 332.78 points to 17,662.94, S&P 500 dropped by 35.27 points to 2,044.16. Nasdaq declined by 82.64 points to 4,859.80. U.S. stocks fell, wiping out gains for the year, as the dollar strengthened to near a 12-year high versus the euro amid speculation the Federal Reserve is moving closer to raising interest rates.
- The Fed stands out among major central banks in accepting a higher exchange rate as a sign of economic strength. Peers from Sydney to Wellington, Tokyo, Zurich and Frankfurt are cutting rates and buying government bonds to stimulate growth and, in the process, sometimes weakening their currencies.

### The Local Market

- FBMKLCI shed 2.01 points to finish at 1,789.73 due to the lack of fresh catalyst. There were 273 gainers and 544 decliners in total value traded of RM2.3 billion.
- Among the decliners on Bursa Malaysia BAT fell 82 cent to RM67.72, Guinness Anchor declined 26 sen to RM14.94, Syarikat Takaful dropped 26 cent to RM12.44 and Nestle waned 20 cent to RM74.20.

### Strategy

- **“Nervous, Nervous, Nervous”**

Wall Street cracked under pressure on Tuesday, wobbled by the prospect of US Federal Funds Rate adjustment, widely speculated to be in June, just what we had expected yesterday where the market may not hold given its fast shifting sands. S&P 500 and DJIA erased **332.94 (-1.85%)** and **35.27 (-1.70%)** points to end at 17,762.94 and 2,044.16 respectively. The global equity market positive trajectory yesterday proved to be a temporary blip as the macro picture is that the world may have to embrace elevating systematic risk arising from the prospect of sharp US policy tightening. With the US unemployment rate has been successfully knocked down further to 5.5% in February, signaling the quality of its labor market, it is only right to adjust policy rate before inflation starts creeping in. This needs to be done before oil price starts to gain traction and before the USD strength begin to blunt the US competitiveness.

As it is, the USD has reached its 12-year peak against the Euro yesterday, making the prospect of imported inflation in US a true reality and hence, a runaway inflation, a scary probability given the US current economic imbalance amid a strong private consumption power. This increasing systematic risk at the back of US policy tightening will rear its ugly head along the way as it will surely dent the global commodity prices, making us to believe that it is better to avoid commodity related stock. As of now, perhaps the best trading strategy is to stay away from the equity market

and accumulate the US treasury or other safe haven assets namely the Yen, Swiss Franc, gold including the USD as we bet escalating prices of these assets at the back of chaotic situation in the global equity market.

- 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

##### **MAHB (CP: RM6.88): Arrivals hit 8.2 million passengers**

Malaysia Airports Holdings Bhd (MAHB) saw a total of 8.2 million passenger movements in its system, up 1.9% in February 2015 from 8.05 million passengers in the same month last year. Domestic movements were up 5% to 4.5 million passengers while international movements dropped to 3.7 million passengers, decreasing 1.6% over the same reporting period. Meanwhile, the KL International Airport recorded 4 million passenger movements, a decline of 2.7% in February 2015 against a 16.5% growth in 2014. International and domestic sectors declined by 2.8% and 2.5% respectively, MAHB said. (Source: *The Star*)

##### **Puncak Niaga (CP: RM2.53): Yet to receive rescind notice from Selangor**

Puncak Niaga Holdings Bhd said it has yet to receive either a written request from Pengurusan Air Selangor Sdn Bhd (Air Selangor) for a further extension of time for the fulfilment of the sale and purchase agreement (SPA) for the disposal of its water assets, or a notice to rescind the SPA. This follows Selangor Menteri Besar Mohamed Azmin Ali's statement that the water deal is now void, after the state government declined to give a third extension to the master water agreement, which had lapsed yesterday (Monday, March 9). Puncak Niaga said it will have a meeting to assess the impact of any further delay of the proposed disposals on the daily operations of Puncak Niaga (M) Sdn Bhd (PNSB) and Syarikat Bekalan Air Selangor Sdn Bhd (SYABAS). (Source: *The Edge*)

##### **Berjaya Food (CP: RM2.80): Q3 earnings climb, boost from Berjaya Starbucks**

Berjaya Food Bhd's earnings rose 7.2% to RM8.64mil in the third quarter ended Jan 31, 2015 from RM8.05mil a year ago as it benefited from the consolidation of the Starbucks operations. It said on Tuesday pre-tax profit increased 44% to RM12.63mil from RM8.78mil while revenue jumped 222% to RM133.48mil from RM41.39mil. Earnings per share were 2.43 sen compared with 3.04 sen. Dividend per share was 1.25 sen. "The higher revenue was mainly due to the effect of consolidation of the newly acquired unit, Berjaya Starbucks Coffee Company Sdn Bhd (BStarbucks), as well as the contribution from the Starbucks operations in Brunei, which commenced operation in the fourth quarter of the previous financial year," it said. (Source: *The Star*)

**AirAsia (CP: RM2.36): Expands connectivity to India, Indonesia with 3 new routes**

AirAsia announced three new routes, namely, to Visakhapatnam in India, as well as, Pontianak and Medan in Indonesia. The low-cost airline said the thrice weekly Kuala Lumpur-Visakhapatnam direct flights would commence on May 7. The Kuala Lumpur-Pontianak and Johor Bahru-Medan flights would commence on March 27 with twice weekly flights. Head of Commercial, Spencer Lee said as Visakhapatnam was an up and rising destination for trade and tourism, AirAsia is confident that the move is timely. (Source: The Star)

**My E.G. Services (CP: RM2.77): Disposes subsidiary My E.G. Marketing**

My E.G. Services Bhd announced it is selling its subsidiary, My E.G. Marketing Sdn Bhd, to streamline the group's business activities. In a filing with Bursa Malaysia today, My E.G. Services said its subsidiary, My E.G. Capital Sdn Bhd, will dispose its 50.66% stake or 650,000 shares in My E.G. Marketing to Ng How Hon and Chai Hann Lin for RM571,933.15. Ng and Chai, who are directors of My E.G. Marketing, each hold a 39.47% and 9.87% stake respectively in My E.G. Marketing. Ng and Chai are expected to pay My E.G. Capital RM500,000 upon the execution of the sale and purchase of shares agreement, which My E.G. Capital, Ng and Chai entered yesterday.

**KUB (CP: RM0.41)-Masteel (CP: RM0.84): Tie-up on track for RM1.23bil rail project**

Diversified KUB Malaysia Bhd (KUB) is on track to carry out the proposed RM1.23 billion inter-city rail transit system project in Iskandar Malaysia in partnership with Malaysia Steel Works (KL) Bhd. In a statement, KUB said the Ministry of Transport has received, and is reviewing the updates on the proposed project that would complement the existing and upcoming transport network infrastructure in Iskandar. The group anticipates to soon put into action the partnership agreement made in January 2011," it said. In addition, KUB said it would engage in further discussions with the ministry to speed up its review process and to submit an update on the project to the Economic Council and recommend its re-tabling by this year. (Source: The Star)

**AT Systematization (CP: RM0.10): Wins concession to supply solar energy to Tenaga**

AT Systematization has gotten the greenlight from Sustainable Energy Development Authority Malaysia (SEDA) to supply renewable solar energy to Tenaga Nasional Bhd. The ACE-listed company announced to Bursa Malaysia this evening that its unit AT Engineering Solution Sdn Bhd (ATES) has secured the Feed-in Approval (FiA) from SEDA to supply up to 425 kilowatts (kW) of renewable energy. "ATES is expected to sign an agreement with Tenaga Nasional Berhad for the sale and delivery of renewable energy by ATES to Tenaga for a concession period of 21 years," said AT Systematization in the announcement. (Source: The Edge)

**Plantation Sector (Neutral): CPO exports down 18%**

Malaysia's palm oil exports fell 18.44% to 971,640 tonnes in February, the lowest since 2007 from a month earlier, following lower demand from major importers China, Pakistan, the European Union and the United States, according to the Malaysian Palm Oil Board (MPOB). MPOB said in a statement palm oil stocks also dropped 1.53% to 1.74 million tonnes in February from 1.77 million tonnes in January. For the month under review, crude palm oil (CPO) production also eased to 1.12 million tonnes from 1.16 million tonnes previously. A trader said the lower inventory and production for February came as no big surprise, given the recent floods in palm oil growing areas in the east coast and some parts of Johor and Perak that had affected harvesting of fresh fruit bunches (FFB). (Source: *The Star*)

**ECONOMIC UPDATES****U.S.: Wholesale inventories up, sales post largest drop since 2009**

U.S. wholesale inventories unexpectedly rose in January as sales recorded their biggest decline since 2009, pushing the number of months it would take to clear warehouses to its highest level in more than 5-1/2 years. The Commerce Department said on Tuesday wholesale inventories increased 0.3 percent. Stocks at wholesalers were revised to show them unchanged in December. Economists polled by *Reuters* had forecast wholesale inventories unchanged in January after December's previously reported 0.1 percent gain. Sales at wholesalers fell 3.1 percent in January, the largest drop since March 2009, after slipping 0.9 percent in December. At January's sales pace it would take 1.27 months to clear shelves, the most since July 2009, up from 1.22 months in December. (Source: *The Edge*)

**U.S.: Small business confidence ticks up in February**

U.S. small business optimism edged up in February amid signs of tightening labor market conditions, bolstering the view that a recent slowdown in economic activity will be temporary. The National Federation of Independent Business said on Tuesday its Small Business Optimism Index gained 0.1 point to 98 last month, the third highest reading since early 2007. The survey of 716 small business owners found 29 percent could not fill open positions, the highest level since April, 2006. Fourteen percent of them cited the shortage of skilled labor as their top problem, the highest since September, 2007. The government reported on Friday that nonfarm payrolls increased 295,000 in February, marking the 12th straight month of job gains above 200,000, which is the longest such stretch since 1994. (Source: *The Edge*)

**China: February consumer inflation rebounds, producer deflation intensifies**

China's annual consumer inflation recovered in February, exceeding expectations, but producer prices continued to slide, underscoring deepening weakness in the economy and intensifying pressure on policymakers to find new ways to support growth. The producer price index (PPI) declined 4.8 percent in February, the National Bureau of Statistics said on Tuesday, extending factory deflation to nearly three years. China's statistics bureau attributed the rise in CPI to price rises in vegetables and fruit, while the decline in PPI - which analysts

had expected to come in at minus 4.3 percent - was blamed on sliding prices for global commodities, in particular energy, which have undermined profitability at China's industrial heavyweights. (Source: *The Star*)

**India's: February natural rubber imports jump 42 pct y/y**

India's natural rubber imports in February jumped nearly 42 percent to 28,806 tonnes from a year earlier as lower prices in the world market prompted tyre makers to raise overseas purchases, a government official, who declined to be named, told Reuters. The south Asian country imports natural rubber from Indonesia, Thailand, Vietnam and Malaysia. Natural rubber price in the Indian market was nearly a third higher than Malaysia or Indonesia in February, said a Kochi-based dealer. (Source: *The Edge*)

**Indonesia: To impose temporary anti-dumping import duties**

Indonesia's finance ministry said on Tuesday it will impose temporary anti-dumping import duties to help narrow the current account deficit and strengthen the rupiah. There will be a finance ministry regulation for temporary import duties for anti-dumping. This is to control what we expect to be dumping," Finance Minister Bambang Brodjonegoro told reporters. It was not clear which imported goods would be targeted by the new anti-dumping duties. (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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