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Thursday, March 12, 2015

At a Glance

FBMKLCI shed 11.57 points to finish at 1,778.16 at the back of chaotic situation in the global equity market.....(See full report next page)

Daily Trading Strategy**"Wall Street Still Nervous"**

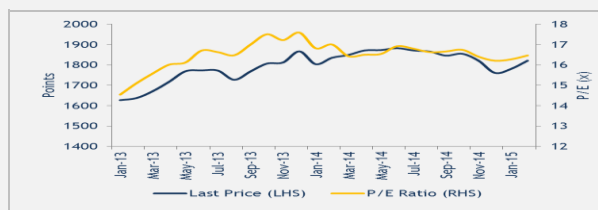
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Corporate Highlights

- **SP Setia (TBA):** Q1 profit 4.7% higher to RM101.3mil
- **Prestariang (CP: RM2.34):** Gets RM24.3m contract from Education Ministry
- **Global Oriental (CP: RM0.52):** To sell land for RM142mil

Economic Update

- **Malaysia:** BNM Report 2014: Malaysian economy to grow 4.5% to 5.5%
- **Malaysia:** External debt more than triples to RM740b in 3Q2014
- **China:** Factory production data shows weakest start in six years



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	9-Mar	7:50 AM	BoP Current Account Adjusted	¥117.6B	¥976.6B
JP	9-Mar	7:50 AM	Trade Balance BoP Basis	(¥896.4B)	(¥395.6B)
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	1,778.16	-11.57	-0.65
FBMEMAS	12,266.22	-82.04	-0.66
FBMEMAS SHA	12,886.19	-47.51	-0.37
FBM100	11,950.46	-79.13	-0.66
Volume (mn)	2,505.13	-33.68	-1.33
Value (RMmn)	2,239.25	-80.26	-3.46
FBMKLCI YTD Chg			0.96

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.7	34.9
Local Institution	50.8	286.3
Foreign Investors	30.5	-321.2

Top Gainers

	Close	Change+/-	(+/- %)
ATLAN HLDG BHD	5.00	0.30	6.38
LPI CAPITAL BHD	22.40	0.26	1.17
OPCOM HOLDING	0.92	0.21	29.79

Top Losers

	Close	Change+/-	(+/- %)
IJM PLANTATIONS	3.50	-0.28	-7.41
FRASER & NEAVE	18.40	-0.20	-1.08
UMW HLDG BHD	10.66	-0.20	-1.84

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,635.39	-27.55	-0.16
NASDAQ	4,849.94	-9.85	-0.20
S&P 500	2,040.24	-3.92	-0.19
FTSE 100	6,721.51	18.67	0.28
DAX	11,805.99	305.61	2.66
Nikkei 225	18,723.52	58.41	0.31
HSI	23,717.97	-179.01	-0.75
KOSPI	1,980.83	-3.94	-0.20
STI	3,378.59	-19.67	-0.58
KLCI Futures	1,768.50	(8.00)	(0.00)
USDMYR 3M	11.02	(0.04)	(0.00)
USDMYR 6M	11.01	(0.01)	(0.00)
USDMYR 12M	10.99	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	0.2	0.4%
Brent (USD/bbl)	57.5	1.2	2.0%
Gold(USD/ounce)	1,155	-0.2	0.0%
Coal (USD/mt)	65.5	0.5	0.8%
CPO (RM/mt)	2,276	39.0	1.7%
Rubber	171	-0.5	-0.3%
RM/USD	3.70	-0.0068	0.18%
EUR/USD	0.95	0.0002	0.02%
YEN/USD	121.47	0.02	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average fell 27.55 points to 17,635.39, S&P 500 dropped by 3.92 points to 2,040.24. Nasdaq declined by 9.85 points to 4,849.94. U.S. stocks closed mildly lower on Wednesday as equities failed to recover from Tuesday's selloff amid continued concern over dollar gains and the timing of a Fed interest rate hike.
- This suggests the market has started pricing in a negative effect on the U.S. economy, with the dollars "pace of acceleration, there is a risk that further dollar strength could impact the U.S. market.

The Local Market

- FBMKLCI shed 11.57 points to finish at 1,778.16 at the back of chaotic situation in the global equity market. There were 321 gainers and 523 decliners in total value traded of RM2.2 billion.
- Among the decliners on Bursa Malaysia IJM Plantation fell 28 cent to RM3.50, Fraser & Neave, UMW Holdings and Berjaya Food Berhad declined 20 sen each to RM18.40, RM10.66 and RM2.60.

Strategy

• "Wall Street Still Nervous"

Wall Street was still nervous on Wednesday following Tuesday rout, a reverberating impact that had caused regional equity market to gyrate following the increase in probability that the US Federal Reserve will not be hesitant to adjust policy rate following the descending in US unemployment rate. S&P 500 and DJIA unloaded 3.92 (-0.19%) and 27.55 (-0.16%) points to end at 2,040.24 and 17,635.39 respectively. There was nothing that could further weigh on sentiment other than the fact that nervousness was still pervasive in the mind of investors. We think this sticky situation will go on at least until the 17-18th of March following the US Federal Reserve policy meeting, more glaringly on the 18th as the Fed will issue its policy statement. While we think that the Fed will soothe the market that it will practice 'patience' in adjusting policy rate (i.e. in policy statement narration) but we all know that the inevitable will eventually come and this probability has been raised significantly to June. As the adjustment of Federal Funds rate will knock down certain class of assets, we predict jitteriness will prevail until the signals are all clear that June adjustment will be the fateful time pick by the Fed.

- 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

SP Setia (TBA): Q1 profit 4.7% higher to RM101.3mil

SP Setia Bhd, the property developer controlled by Permodalan Nasional Bhd, said net profit in the first quarter ended Jan 31 climbed 4.7% to RM101.3mil from RM96.8mil made a year ago. Revenue from property development activities increased by 22%, the company said, but margins were affected by higher selling and marketing cost incurred for the global launch of the group's Battersea Power Station Phase 3A in London. It also said early recognition of the Goods and Services Tax financial impact had also cost the company RM22.7mil during the quarter. *(Source: The Star)*

Prestariang (CP: RM2.34): Gets RM24.3m contract from Education Ministry

Prestariang Bhd has received a letter of award from the Education Ministry to supply Microsoft software licences and related services under the education alliance agreement (EAA) to schools and colleges under the ministry. It said on Wednesday the three-year contract, effective on March 10, was at a total price of RM24.30mil. Prestariang said the contract would enable it to deliver and manage Microsoft software licenses and services across schools and colleges under the ministry. *(Source: The Star)*

Global Oriental (CP: RM0.52): To sell land for RM142mil

Global Oriental Bhd's shareholders today agreed to the disposal of two parcels of land in Selangor for RM142.35 million to improve cash flow and loan repayment. Executive director, Wee Beng Aun, said the disposal would also help support the company's new development in Jalan Ampang here. The 2.27-hectare project, comprising integrated townhouses and high-end condominium, is expected to begin in the coming month, with completion period for about five years. It would also comprise commercial offices. Wong said the move was to diversify the company's property business, apart from developing the core businesses of townships mainly in Equine Park, Selangor and Batu Kawan, Penang. *(Source: The Star)*

REDtone (CP: RM0.77): To provide broadband services to IOI Properties' The Platino

REDtone International Bhd (REDtone) has tied-up with IOI Properties Group Bhd (IOIPG) to provide residents of The Platino apartments in Iskandar Malaysia, Johor Bahru, with high-speed broadband connectivity. In the agreement between Trilink Pyramid Sdn Bhd, a unit of IOIPG and REDtone Marketing Sdn Bhd, a subsidiary of REDtone will provide tailor-made broadband packages on an exclusive basis for two years to residents of The Platino's 711 serviced apartments units that are scheduled to be completed at the end of this year, a statement from REDtone read. The Platino Serviced Apartments is located in Johor Bahru, fronting Jalan Skudai highway. REDtone group chief executive officer (CEO) Lau Bik Soon said the collaboration will provide the group an opportunity to expand its telecommunications services segment, one of the company's four core business pillars which covers broadband and data services. *(Source: The Star)*

Hap Seng Consolidated (CP: RM3.79): In billion ringgit deals

Hap Seng Consolidated Bhd is undertaking two corporate exercises valued at more than RM1bil which involves sale of a unit and purchase of a building being built in Kota Kinabalu. It said on Wednesday it was selling the entire 49.60 million shares of Hap Seng Capital Pte Ltd to Lei Shing Hong Ltd for cash consideration of S\$240mil (RM640.80mil). Hap Seng also proposed to buy a 14-storey retail and office tower block – to be known as Menara Hap Seng KK, which is being built in Kota Kinabalu. It added the building would be acquired from Akal Megah Sdn Bhd for cash consideration of RM395mil. *(Source: The Star)*

Borneo Oil (CP: RM0.88): Bags mining contract in Pahang

Borneo Oil Bhd's wholly-owned subsidiary Borneo Oil and Gas Corp Sdn Bhd (BOG) entered into an exclusive production sharing agreement with HDL Global Sdn Bhd yesterday to carry out mining works on an exclusive basis in Pahang. The agreement includes prospecting, exploration, mining, extraction, processing, marketing, sales and collection of sales revenue with respect to all minerals and precious metals including gold. In a filing with Bursa Malaysia yesterday, Borneo Oil said the mining works will be carried out on an exclusive basis on an area measuring 1,200ha in Hutan Simpan Bukit Ibam, a forest reserve located in Rompin, Pahang. *(Source: The Sun Daily)*

Petra Energy (CP: RM1.40): Awarded contract by Sabah Shell

Petra Energy Bhd's wholly-owned subsidiary Petra Resources Sdn Bhd has been awarded a contract by Sabah Shell Petroleum Co Ltd to provide contract management, site execution and offshore maintenance services for the Gumusut-Kakap floating production system. In a filing with Bursa Malaysia yesterday, Petra Energy said there is no firm value stated in the letter of award dated Nov 18, 2014, as the contract is on a "call-out" basis whereby work orders will be issued at the discretion of Sabah Shell at rates based on a standard schedule. The contract runs for 14 months from April 1, 2015 and will expire on May 31, 2016. Petra Energy said the contract is an addition to the offshore services contract awarded in 2012 by Shell for Gumusut-Kakap, which was the first deepwater project for Petra Energy. *(Source: The Sun Daily)*

Media Sector (Neutral): Newspaper publishes told to innovate, diversify

Print is not dead and will continue to be relevant but newspaper publishers need to change, diversify and grow in a multichannel media ecosystem today. The Malaysian Newspaper Publishers Association (MNPA) chairman Datuk Mohammad Azlan Abdullah said publishers have a challenging term ahead and that newspaper publishers must be better geared to mine the revenue streams that by-pass traditional media. Moving forward it's about how we can increase total revenue be it from the sale of newspaper, sale of advertising, sale of news content via smart devices and more. *(Source: The Sun Daily)*

Petronas: Prepares \$7 Billion Bond as Borrowing Costs Soar on Oil

Malaysia's Petrolia Nasional Bhd. is offering the second-largest dollar bond from Asia as the state-owned oil firm's borrowing costs soar to the highest in a year. Petronas is marketing notes in the U.S. currency with four different maturities and expected to reach \$7 billion, according to people familiar with

the matter. The five-year portion is being offered at about 135 basis points more than Treasuries, similar to what the issuer currently pays on its 2019 dollar-denominated bonds. The yield on those notes climbed to 2.93 percent on March 6, the highest since February last year. (Source: Bloomberg)

ECONOMIC UPDATES

Malaysia: BNM Report 2014: Malaysian economy to grow 4.5% to 5.5%

Malaysia's economy is expected to expand at between 4.5% and 5.5% in 2015 when compared with the 6% growth last year, amid a more challenging external environment. Bank Negara Malaysia governor Tan Sri Dr Zeti Akhtar Aziz said on Wednesday the more moderate recovery of the global economy projected for 2015 is generating a challenging environment across both the advanced and emerging economies. Although the growth momentum is strengthening in some economies, weaknesses in several major economies suggest that the global economy remains vulnerable to downside risks, she said. Zeti said pointed out the significant decline in global oil prices was also having a differentiated impact on the world economy. (Source: The Star)

Malaysia: External debt more than triples to RM740b in 3Q2014

Malaysia's external debt more than tripled to RM740 billion in the third quarter of 2014 (3Q2014) from RM196 billion at the end of 2013, said Prime Minister Datuk Seri Najib Razak. Total external debt grew to RM740 billion for 3Q2014 from RM41.5 billion in 1990 and RM196 billion at the end of 2013," said Najib, who is also the finance minister. He attributed the huge jump in the country's external debt to a redefinition of external debt that came into force last year. Najib also said about two-thirds of the increase in 3Q2014 was due to foreigners holdings of Malaysian bonds, now considered part of the external debts. Najib also noted that the country's debt stood at RM582.8 billion, or 54.5% of the gross domestic product (GDP), as of end-December 2014. (Source: The Edge)

China: Factory production data shows weakest start in six years

China's industrial output, investment and retail sales growth missed analysts' estimates in January and February, suggesting more stimulus may be needed to boost the world's second-largest economy. Factory production rose 6.8 percent in the two-month period from a year earlier, the National Bureau of Statistics said in Beijing Wednesday, compared with the median projection for 7.7 percent in a Bloombergsurvey. Retail sales advanced 10.7 percent, while fixed-asset investment increased 13.9 percent. Premier Li Keqiang last week set the nation's 2015 expansion target at about 7 percent, the slowest in more than 15 years, as China's leaders grapple with the debt, pollution and corruption spurred in a three-decade-long economic boom. The central bank has sought to cushion the slowdown with two interest rate cuts and one reduction to banks' reserve requirements in the past four months. (Source: The Edge)

Eurozone: Draghi Says ECB Action Can and Will Return Inflation to Goal

Mario Draghi said the European Central Bank's expanded asset purchases will succeed in pushing inflation in the euro area back toward its goal. In his first public appearance since QE started, Draghi can point to falling yields on

government debt and a slide in the euro as signs that the program to buy 60 billion euros a month of sovereign and private-sector debt is making a mark. What he can't yet show is whether banks and companies will respond by putting the fresh cash to work in the real economy. The yield on 5-year German bonds was minus 0.12 percent at 9:57 a.m. Frankfurt time and 10-year Spanish debt was at 1.23 percent. The euro was down 0.4 percent at \$1.065. Draghi's speech on Wednesday was followed by comments from Executive Board member Peter Praet, the ECB's chief economist. *(Source: Bloomberg)*

Holland: Deutsche Post Sees Subdued Profit Growth on Weak Economy

Deutsche Post AG said operating profit growth this year may be less than 3 percent as global expansion provides little tailwind for Europe's largest postal service. The shares fell the most in 10 months. Earnings before interest and taxes will rise to between 3.05 billion euros (\$3.26 billion) and 3.2 billion euros, the Bonn-based company said in a statement today. That compares with an average estimate for 3.24 billion euros collected from 22 analysts by Bloomberg. Deutsche Post is adding capacity at express hubs and sorting centers and installing SAP SE software at its freight forwarding units as economic growth remain subdued. The World Trade Organization in September cut its forecast for this year's trade growth by one-quarter, and the European Central Bank this week started buying bonds under a quantitative-easing plan to boost the region's price growth. *(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.

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