

PP14767/09/2012(030761)

Tuesday, April 14, 2015

At a Glance

FBMKLCI dropped 2.23 points to finish at 1,842.08 due to the lack of fresh catalyst.....(See full report next page)

Strategy

“Lack of Catalyst May Push Investors to the Sideline”

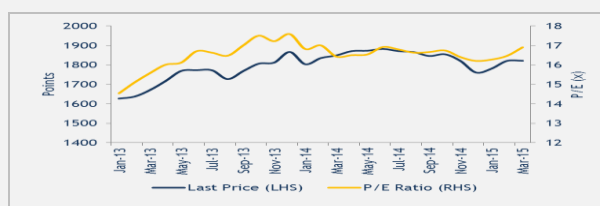
We opine that market participants would prefer to wait for further clues before elevating their trading appetite significantly.....(See full report next page)

Corporate Highlights

- **Petronas Chemicals, HOLD (TP: RM5.80):** Aims RM3bil in capex for 2015
- **DiGi, BUY (TP: RM7.00):** Expects positive growth with HyppTV Everywhere launch
- **TNB, HOLD (TP: RM15.20):** Moves to compulsorily acquire Integrax

Economic Update

- **Malaysia:** World Bank forecasts slower growth, lower govt revenue for M'sia in 2015–2016
- **China:** March exports shrink 15 pct y/y in shock fall
- **Greece:** Casts shadow as ECB money printing buoys euro zone



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	13-Apr	7:50 AM	Machine Orders MoM	-	-1.7%
JP	13-Apr	7:50 AM	PPI MoM	-	0.0%
JP	13-Apr	7:50 AM	PPI YoY	-	0.5%
CN	13-Apr	-	Trade Balance	\$40.55B	\$40.62B
CN	13-Apr	-	Exports YoY	10.0%	48.3%
CN	13-Apr	-	Imports YoY	-10.5%	-20.5%
EU	14-Apr	5:00 PM	Industrial Production SA MoM	-	0.1%
EU	14-Apr	5:00 PM	Industrial Production WDA YoY	-	1.2%
US	14-Apr	8:30 PM	Retail Sales Advance MoM	1.0%	-0.6%
US	14-Apr	8:30 PM	Retail Sales Ex Auto MoM	0.7%	-0.1%
US	14-Apr	8:30 PM	Retail Sales Ex Auto and Gas	-	-0.2%
US	14-Apr	8:30 PM	PPI Final Demand MoM	0.2%	-0.5%
US	14-Apr	8:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.5%
EU	15-Apr	7:45 PM	ECB Main Refinancing Rate	-	0.050%
EU	15-Apr	7:45 PM	ECB Deposit Facility Rate	-	-0.200%
EU	15-Apr	7:45 PM	ECB Marginal Lending Facility Rate	-	0.300%
US	15-Apr	7:00 PM	MBA Mortgage Applications	-	0.4%
US	15-Apr	9:15 PM	Industrial Production MoM	-0.2%	0.1%
US	15-Apr	9:15 PM	Capacity Utilization	78.7%	78.9%
JP	15-Apr	12:30 PM	Industrial Production MoM	-	-3.4%
JP	15-Apr	12:30 PM	Industrial Production YoY	-	-3.6%
JP	15-Apr	12:30 PM	Capacity Utilization MoM	-	3.6%
CN	15-Apr	10:00 AM	Retail Sales YoY	10.9%	7.0%
CN	15-Apr	10:00 AM	Retail Sales YTD YoY	10.7%	10.7%
CN	15-Apr	10:00 AM	Industrial Production YoY	7.0%	-
CN	15-Apr	10:00 AM	Industrial Production YTD YoY	7.0%	6.8%
CN	15-Apr	10:00 AM	GDP YoY	7.0%	7.3%
US	16-Apr	8:30 PM	Housing Starts	1040K	897K
US	16-Apr	8:30 PM	Housing Starts MoM	15.9%	-17.0%
US	16-Apr	8:30 PM	Building Permits	1080K	1092K
US	16-Apr	8:30 PM	Building Permits MoM	-2.0%	3.0%
US	16-Apr	8:30 PM	Initial Jobless Claims	-	-
US	16-Apr	8:30 PM	Continuing Claims	-	-
EU	17-Apr	5:00 PM	CPI MoM	-	0.6%
EU	17-Apr	5:00 PM	CPI YoY	-	-
EU	17-Apr	5:00 PM	CPI Core YoY	-	0.6%
EU	17-Apr	8:30 PM	CPI MoM	0.3%	0.2%
US	17-Apr	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.2%
US	17-Apr	8:30 PM	CPI YoY	0.1%	0.0%
US	17-Apr	10:00 PM	U. of Mich. Sentiment	93.7	93.0
US	17-Apr	10:00 PM	Leading Index	0.3%	0.2%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,842.08	-2.23	-0.12
FBMEMAS	12,648.10	-14.36	-0.11
FBMEMAS SHA	13,175.76	-39.85	-0.30
FBM100	12,329.49	-19.26	-0.16
Volume (mn)	2,119.14	263.93	14.23
Value (RMmn)	1,872.23	69.47	3.85
FBMKLCI YTD Chg			4.59

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	22.3	-22.2
Local Institution	58.3	12.7
Foreign Investors	19.4	9.5

Top Gainers

	Close	Change+/-	(+/- %)
AEON CREDIT SER	13.92	0.38	2.81
NESTLE (MALAY)	75.30	0.20	0.27
GENTING MALAY	4.61	0.19	4.30

Top Losers

	Close	Change+/-	(+/- %)
PESTECH INTL	5.09	-0.29	-5.39
LAFARGE MALAY	10.00	-0.28	-2.72
GENTING BHD	9.01	-0.22	-2.38

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,977.04	-80.61	-0.45
NASDAQ	4,988.25	-7.73	-0.15
S&P 500	2,092.43	-9.63	-0.46
FTSE 100	7,064.30	-25.47	-0.36
DAX	12,338.73	-36.00	-0.29
Nikkei 225	19,905.46	-2.17	-0.01
HSI	28,016.34	743.95	2.73
KOSPI	2,098.92	11.16	0.53
STI	3,484.39	12.01	0.35
KLCI Futures	1,832.50	-	-
USDMYR 3M	9.85	(0.00)	(0.00)
USDMYR 6M	9.93	(0.02)	(0.00)
USDMYR 12M	10.03	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	52	0.1	0.1%
Brent (USD/bbl)	57.9	0.1	0.1%
Gold(USD/ounce)	1,199	0.0	0.0%
Coal (USD/mt)	55.0	0.4	0.6%
CPO (RM/mt)	2,131	3.0	0.1%
Rubber	167	1.2	0.7%
RM/USD	3.71	0.0418	-1.13%
EUR/USD	3.09	0.0016	-0.05%
YEN/USD	0.95	-0.0008	-0.08%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 80.61 points to 17,977.04, S&P 500 down by 9.63 points to 2,092.43. Nasdaq decline by 7.73 points to 4,988.25. U.S. stocks closed lower on Monday, ending three consecutive days of gains as investors remained cautious ahead of earnings season.
- Equities moved lower on Monday, ending three consecutive days of gains, after a surge at the open brought out the sellers on worrisome headlines out of Greece that a debt default will be considered should bailout negotiations with the European establishment fail.

The Local Market

- FBMKLCI dropped 2.23 points to finish at 1,842.08 due to the lack of fresh catalyst. There were 467 gainers and 378 decliners in total value traded of RM1.87 billion.
- Among the losers on Bursa Malaysia were Pestech International declined 29 cent to RM5.09, Lafarge Malaysia down 28 cent to RM10.00, Genting slid 22 cent to RM9.01 and Carlsberg shed 20 cent to RM13.90.

Strategy

- **“Lack of Catalyst May Push Investors to the Sideline”**

Wall Street ended Monday trading in the red, snapping its 3 consecutive days of winning streak, tempered by worry over the upcoming corporate earnings results as consensus have it that earnings may be beaten down due to the strength of Dollar and weak export. S&P 500 and DJIA lost 9.63 (-0.46%) and 80.61 (-0.45%) to end at 2,092.43 and 17,977.04 respectively. Notwithstanding that, there is seemingly lack of catalyst this week with economic announcement limited to second liner which may inevitably pour cold water of trading sentiment. Most investing souls and appetite are awaiting for further clues on the US next policy signals which unfortunately the signs are rather mixed, pushing lethargic risk taking for now. Nonetheless, nervousness could build up as China is set to release their March retail sales and IPI numbers tomorrow (15th April) which could make or break trading sentiment. Excluding that, we opine that market participants would prefer to wait for further clues before elevating their trading appetite significantly.

- 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

Petronas Chemicals, HOLD (TP: RM5.80): Aims RM3bil in capex for 2015

Petronas Chemicals Group Bhd is looking to invest RM3bil in capital expenditure (capex) this year. Chairman Datuk Wan Zulkiflee Wan Ariffin said bulk of the capex would be for the Sabah Ammonia Urea (SAMUR) project. He said the project was on track for completion and commercialisation in 2016. "Once commercialised, we will be the second largest urea producer in the ASEAN region," he said after the group's AGM on Monday. (Source: Star)

DiGi, BUY (TP: RM7.00): Expects positive growth with HyppTV Everywhere launch

Digi Telecommunications Sdn Bhd foresees positive growth in its customer base with the launch of the HyppTV mobile application service, HyppTV Everywhere. The service is an inaugural collaboration with Telekom Malaysia Bhd (TM). Digi Chief Marketing Officer Christian Thrane said its customer based was at 11 million last year, with the smartphone penetration increasing from 38.1 per cent to 49.3 per cent, while Internet subscribers grew 31 per cent in 2014. (Source: Star)

TNB, HOLD (TP: RM15.20): Moves to compulsorily acquire Integrax

Tenaga Nasional Bhd (TNB) has received valid acceptances amounting to 292.74 million shares, representing a 97.32% stake in Integrax Bhd at the closing date of its revised and final offer for the port operator today. Accordingly, TNB (fundamental: 1.3; valuation: 1.8) will proceed to exercise its rights to compulsorily acquire the remaining shares in Integrax (fundamental: 1.65, valuation: 1.4) within two months. On Jan 9 this year, TNB launched a takeover offer for the remaining shares in Integrax at RM2.75 a share. The offer price was subsequently raised to RM3.25 after other major Integrax shareholders argued that the initial offer was not high enough. TNB does not plan to keep Integrax listed and the shares will be suspended from April 21. (Source: The Edge)

Axiata, HOLD (TP: RM7.65): Celcom offers mobile fund remittance service

Celcom Axiata Bhd is offering its customers the convenience of using mobile phones to remit money via a remittance service, Doowit. It said the service facilitates the transfer of funds in a quick, secure and hassle free-way, through their mobile phones from anywhere and anytime. Chief Marketing and Sales Officer Zalman Aefendy Zainal Abidin said customers can be assured that this is a secure mode and a useful financial tool, especially for foreign workers, who may grapple with limited time and work irregular hours. (Source: The Edge)

RHB Capital, HOLD (TP: RM8.30): Unveils reorganisation details

RHB Capital Bhd (RHBCap) is planning a rights issue to raise up to RM2.5 billion under a proposed restructuring that will see the RHB Banking Group moving towards a "bank holding company" structure, in line with major banking groups across Asean. RHBCap is planning to transfer its listing status to RHB Bank under a proposed distribution and capital repayment exercise to "enable RHB Bank Group to gain direct access to the capital markets to raise funds for its continued growth". The proposed internal reorganisation will entail the transfer

by identified assets of RHBCap to RHB Bank after the proposed rights issue, for a total disposal consideration to be determined later.

MBSB (CP: RM2.24): Plans RM900mil covered sukuk issuance

Malaysia Building Society Bhd (MBSB) plans its third issuance of covered sukuk worth RM900mil, according to a regulatory filing by credit rating agency RAM Ratings Bhd. Covered sukuk are rare in Islamic finance but work in much the same way as conventional covered bonds, where investors are entitled to claims not only on the issuer but also on assets backing the structure, giving them two layers of security. MBSB has raised a combined RM1.2bil worth of covered sukuk in the past two years, under a RM3bil programme. The third tranche has a tenor of 10 years and has been assigned a preliminary rating of AA1 by RAM Ratings. (Source: The Star)

Ken Holdings (CP: RM1.09): Aims sustainable earnings from Menara Ken @ TTDI

Property developer, Ken Holdings Bhd, expects its Menara Ken @TTDI project to contribute sustainable earnings of over RM10 million yearly, says group executive chairman, Datuk Tan Boon Kang. He said the income would be secured from renting the double platinum corporate offices, which were scheduled to be completed by year-end. The building, among others, comprises platinum-grade office spaces, art gallery, performing arts theatre and a variety of food and beverages outlets. The Menara Ken @TTDI has received awards for its sustainable design, architecture and green features. He said the property developer would kick-start another project in Kota Baharu, Kelantan by year-end. (Source: Star)

Redtone (CP: RM0.82): ICT value-added services to be main drivers of growth

REdtone International Bhd's managed information communications technology value-added services and solutions are expected to be the company's main growth drivers moving forward. Chief executive officer, Lau Bik Soon, said the company targeted to increase contribution from this segment to group revenue to 30 per cent in the next three to four years. REDtone said the company was set to expand its footprint to South-East Asia. The expansion will start with Indonesia following a memorandum of understanding signed by its unit, REDtone Data Centre Bhd, with PT Sigma Cipta Caraka (TelkomSigma). (Source: Star)

Daya Materials (CP: RM0.135): Terminates JVA with Connect Energy

Oil and gas services provider Daya Materials Bhd has terminated the joint venture agreement (JVA) entered into between Daya Sheffield Sdn Bhd and Singapore-based human capital management and recruitment solutions provider Connect Energy Services Pte Ltd. In a filing with Bursa Malaysia today, the company said the JVA dated Sept 11, 2013 that was entered into between Daya Sheffield — a joint venture company of Daya Materials' subsidiary Daya OCI Sdn Bhd — had been terminated by Daya Sheffield via a notice of termination of the JVA given to Connect Energy. The termination of the JVA is not expected to have any material effect on the earnings, net assets, share capital, gearing and substantial shareholders' shareholdings of Daya Materials

for the financial year ending Dec 31, 2015," read the announcement. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: World Bank forecasts slower growth, lower govt revenue for M'sia in 2015–2016

Malaysia is projected to experience slower growth and lower government revenue in 2015 and 2016, according to the World Bank's East Asia Pacific Economic Update released yesterday. The World Bank has also trimmed its growth projection for developing economies of East Asia to 6.7% in 2015 and 2016 from 6.9% in 2014. In a statement on its website yesterday, the World Bank said that economic growth would ease slightly in developing countries in East Asia and Pacific this year, even as the region benefits from lower oil prices and a continued economic recovery in developed economies. (Source: *The Edge*)

China: March exports shrink 15 pct y/y in shock fall

China's export sales contracted 15 percent in March while import shipments fell at their sharpest rate since the 2009 global financial crisis, a shock outcome that deepens concern about sputtering Chinese economic growth. The tumble in exports - the worst in about a year - compared with expectations for a 12 percent rise and could heighten worries about how a rising yuan has hurt demand for Chinese goods and services abroad, analysts said. In a sign that domestic demand was also tepid, imports into the world's second-biggest economy shrank 12.7 percent last month from a year ago, the General Administration of Customs said on Monday. That was the biggest slump in imports since May 2009, and compared with a Reuters poll forecast for a 11.7 percent drop. (Source: *The Edge*)

Greece: Casts shadow as ECB money printing buoys euro zone

European Central Bank policymakers gathering on Wednesday will examine possible further emergency funding for Greece's banks as they take stock of a wider economic picture showing early signs of improvement. With falling prices in the euro zone beginning to stabilise, ECB President Mario Draghi will be able to claim an early success for the quantitative easing scheme, money printing to buy chiefly government bonds launched by the bank in March. The ECB's borrowing rates are all but certain to be held at record lows, but continued wrangling between Greece and the euro zone over reforms and aid is casting a cloud of uncertainty over the 19-country currency bloc. (Source: *The Edge*)

U.S.: Budget deficit rises to \$53 billion in March

The United States ended the month of March with a budget deficit of \$53 billion, up 43 percent from the same period last year, the U.S. Treasury Department said on Monday. Analysts polled by Reuters had forecast a \$43 billion deficit for last month. The deficit was \$37 billion in March of 2014, according to Treasury's monthly budget statement. The current fiscal year-to-date deficit stood at \$439 billion at the end of last month. Differences in the monthly calendar affected March's budget results. If adjusted for timing-related transactions, the budget deficit would have been \$89 billion. (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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