

PP14767/09/2012(030761)

Monday, March 30, 2015

At a Glance

FBMKLCI erased 5.05 points to finish at 1,813.37 due to profit taking activities.....(See full report next page)

Strategy

"Another Cautious Week: US March Unemployment Rate on Friday"

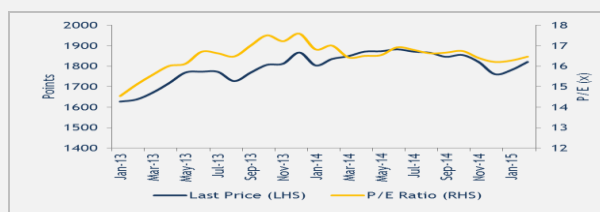
In sum, this week's economic announcement may investors to the sideline assuming oil price behaving well.....(See full report next page)

Corporate Highlights

- **Genting Plantations, HOLD (TP: RM10.63):** Joins the big boys
- **Malaysia Airports (CP: RM6.94):** Raises \$353 mln to repay loans for Turkey airport deal
- **CAB Cakaran (CP: RM1.01):** Expects revenue from biomass in 3 years

Economic Update

- **Malaysia:** Retail slowdown seen
- **China:** To cut 80 million tonnes of steel capacity
- **Greece:** Fitch cuts Greece's rating to 'CCC' on uncertainty over aid release



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	30-Mar	5:00 PM	Consumer Confidence	-	7.0%
JP	30-Mar	7:50 AM	Industrial Production MoM	-	3.7%
JP	30-Mar	7:50 AM	Industrial Production YoY	-	-2.8%
US	30-Mar	8:30 PM	Personal Income	0.3%	0.3%
US	30-Mar	8:30 PM	Personal Spending	0.2%	-0.2%
US	30-Mar	10:00 PM	Pending Home Sales MoM	0.7%	1.7%
EU	31-Mar	5:00 PM	Unemployment Rate	-	11.2%
EU	31-Mar	5:00 PM	CPI Estimate YoY	-	-0.3%
EU	31-Mar	5:00 PM	CPI Core YoY	-	0.7%
EU	31-Mar	5:00 PM	Markit Eurozone Manufacturing PMI	-	51.9
CN	31-Mar	5:00 PM	Non-Manufacturing PMI	-	53.9
US	31-Mar	9:00 PM	SGP/CaseShiller-20 City Index	-	173.02
US	31-Mar	10:00 PM	Consumer Confidence Index	96.3	96.4
CN	1-Apr	9:00 AM	Manufacturing PMI	-	49.9
CN	1-Apr	9:45 AM	HSBC China Manufacturing PMI	-	49.2
JP	1-Apr	7:50 AM	Tankan Large Mfg Outlook	16	9
JP	1-Apr	7:50 AM	Tankan Large Non-Mfg Outlook	18	15
JP	1-Apr	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	50.4
US	1-Apr	7:00 PM	MBA Mortgage Applications	-	9.5%
US	1-Apr	8:15 PM	ADP Employment Change	225K	212K
US	1-Apr	9:45 PM	Markit US Manufacturing PMI	-	55.3
US	1-Apr	10:00 PM	ISM Manufacturing	-	52.9
JP	2-Apr	7:50 AM	Monetary Based YoY	-	36.7%
US	2-Apr	8:30 PM	Initial Jobless Claims	-	-
US	2-Apr	8:30 PM	Trade Balance	(\$41.0B)	(\$41.8B)
US	2-Apr	10:00 PM	Factory Orders	0.5%	-0.2%
MY	3-Apr	12:00 PM	Exports YoY	-	-0.6%
MY	3-Apr	12:00 PM	Imports YoY	-	-5.3%
MY	3-Apr	12:00 PM	Trade Balance MYR	-	9.01B
CN	3-Apr	9:45 AM	HSBC China Composite PMI	-	51.8
CN	3-Apr	9:45 AM	HSBC China Services PMI	-	52.0
JP	3-Apr	9:35 AM	Markit Japan Services PMI	-	48.5
JP	3-Apr	9:35 AM	Markit/JMMA Japan Composite PMI	-	50.0
US	3-Apr	8:30 PM	Change in Nonfarm Payrolls	250K	295K
US	3-Apr	8:30 PM	Unemployment Rate	5.5%	5.5%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,813.37	-5.05	-0.28
FBMEMAS	12,458.65	-23.63	-0.19
FBMEMAS SHA	13,030.44	-34.90	-0.27
FBM100	12,147.74	-23.70	-0.19
Volume (mn)	1,644.66	-798.73	-32.69
Value (RMmn)	1,820.37	-134.98	-6.90
FBMKLCI YTD Chg			2.96

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.7	-18.9
Local Institution	52.5	38.1
Foreign Investors	29.8	-19.2

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	47.68	0.38	0.80
KLK	22.86	0.34	1.51
WARISAN TC	2.90	0.20	7.41

Top Losers

	Close	Change+/-	(+/- %)
BAT	68.04	-1.34	-1.93
TNB	14.20	-0.26	-1.80
GUINNESS ANC	14.26	-0.04	-0.28

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,712.66	34.43	0.19
NASDAQ	4,891.22	27.86	0.57
S&P 500	2,061.02	4.87	0.24
FTSE 100	6,855.02	-40.31	-0.58
DAX	11,868.33	24.65	0.21
Nikkei 225	19,285.63	-185.49	-0.95
HSI	24,486.20	-10.88	-0.04
KOSPI	2,019.80	-2.76	-0.14
STI	3,445.93	14.34	0.42
KLCI Futures	1,802.50	(5.00)	(0.00)
USDMYR 3M	10.21	(0.01)	(0.00)
USDMYR 6M	10.30	(0.01)	(0.00)
USDMYR 12M	10.49	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	-0.5	-1.1%
Brent (USD/bbl)	56.0	-0.4	-0.7%
Gold(USD/ounce)	1,198	-0.8	-0.1%
Coal (USD/mt)	58.1	0.6	1.0%
CPO (RM/mt)	2,169	-23.0	-1.0%
Rubber	171	-2.3	-1.3%
RM/USD	3.68	0.022	-0.60%
EUR/USD	0.92	0	0.00%
YEN/USD	119.26	0.13	-0.11%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 34.43 points to 17,712.66, S&P 500 up by 4.87 points to 2,061.02. Nasdaq soared by 27.86 points to 4,891.22. U.S. stocks rose Friday, snapping a four session losing streak. Despite the gains, stocks posted their biggest weekly losses since late January.
- Wall Street investors may find little reason to make big moves next week as they await monthly U.S. jobs data and any news that could change expectations for the first interest rate hike in almost a decade.

The Local Market

- FBMKLCI erased 5.05 points to finish at 1,813.37 due to profit taking activities. There were 354 gainers and 391 decliners in total value traded of RM1.82 billion.
- Among the losers on Bursa Malaysia were BAT plunged RM1.34 cent to RM68.04, TNB dropped 26 cent to RM14.20, Guinness Anchor declined 4 cent to RM14.26 and Far East erased 20 cent to RM2.42.

Strategy

• “Another Cautious Week: US March Unemployment Rate on Friday”

Wall Street recovered some lost points last Friday as investors’ bottom fishing after a series of market tank. **S&P 500** and **DJIA** gained **4.87 (0.24%)** and **34.43 (0.19%)** points to end at **2,061.02** and **17,712.66** respectively. The market performance says it all as it’s all about bottom fishing, thanks to the last 4 straight days of market implosion although some were mild while some days were strong. Not much could excite Wall Street except new value has emerged while oil failed to head north convincingly despite the rising geopolitical tension in the Middle East. WTI ended the week at USD48 per barrel while Brent closed the week at USD56 per barrel last Friday; lower vis-à-vis Thursday’s closing. This is just as we predicted given lack of supporting catalyst while supply glut remains. The adjustment in US policy rate soon makes matter worst and hence, we predict prolong softness in global oil price. As for this week, we predict a sense of cautiousness in the global equity market given the upcoming US March unemployment rate (due on Friday). The US would also release a host of housing related statistics including pending home sales (Monday), S&P/CaseSchiller Home Index (Tuesday), mortgage application (Wednesday) in addition to factory orders (Thursday). The equity market will also be embracing a series of PMI numbers across the globe this week apart from Eurozone unemployment number on Monday. Malaysia, on the other hand, will be issuing its latest trade numbers on Friday. In sum, this week’s economic announcement may investors to the sideline assuming oil price behaving well.

- 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

Genting Plantations, HOLD (TP: RM10.63): Joins the big boys

GENTING Plantations Bhd has finally joined the league of other vertically integrated top palm oil companies such as IOI Corp Bhd, Sime Darby Bhd and Kuala Lumpur Kepong Bhd following its recent maiden venture into the palm oil refinery business with Singapore-based global refiner, Musim Mas Group. Industry observers describe the venture as timely because it could help to reduce the high exposure to the volatile fluctuations in the crude palm oil (CPO) prices, which are trending lower to trade below RM2,200 per tonne currently. This explains why many upstream plantation players in Malaysia, including Genting Plantations, which produces mainly CPO, are inclined towards setting up refineries, which could provide steadier recurring income from value-added palm oil based products. (Source: The Star)

Malaysia Airports (CP: RM6.94): Raises \$353 mln to repay loans for Turkey airport deal

Malaysia Airports Holdings Bhd, which manages and operates 39 airports mostly in Malaysia, said on Friday it has raised 1.3 billion ringgit (\$353.5 million) through a rights issue, its first since listing in 1999. The proceeds will be mainly used to repay the loan secured to fund its purchase of the remaining stake in the companies that manage and operate Sabiha Gökçen International Airport in Turkey, it said in a press statement. CIMB and Maybank (are the joint principal advisers, joint managing underwriters and joint underwriters for the rights issue. JPMorgan is the joint underwriter, according to Malaysia Airports. (Source: The Edge)

CAB Cakaran (CP: RM1.01): Expects revenue from biomass in 3 years

Poultry based CAB Cakaran Corp Bhd expects its foray into biomass power generation to start bringing in revenue in the next three years. Managing director, Christopher Chuah Hoon Phong, said the group was looking at about 10% contribution from the new business, a partnership with Japanese-based New Chemical Trading Co Ltd and Seri Kedah Corp Sdn Bhd. Chuah said the group was identifying suitable land in the northern region and the draft of the project was likely to be ready by early next year. The plant, which was expected to start operation in 2017, would turn the chicken droppings into energy, he said. (Source: The Star)

Faber (CP: RM3.29): Adopts new name, expands asset management portfolio

Faber Group Bhd is expanding its income stream to include industrial facility management. The move will see the company reducing dependence on its current hospital support services and property development operations. Faber managing director/CEO Azmir Merican said the company was eyeing income from the management of industrial facilities including refineries, plants, and oil and gas structures in Malaysia and abroad this year. "These assets are some of the opportunities that we are seeing this year. It will chart our presence in the

healthcare, infrastructure and commercial sectors, which will drive sustainable business growth," Azmir told reporters after Faber's extraordinary general meeting (EGM) today. Faber's expansion into these business segments followed its acquisition of two companies last year. *(Source: The Star)*

Kanger (CP: RM0.40): Explores starting bamboo plantation in northern Malaysia

China-based bamboo flooring maker Kanger International Bhd is exploring ways to plant bamboo on 10,000 acres in the northern peninsula. Managing director Leng Xingmin told StarBiz that the company was in talks with some state agencies to look into building facilities to produce made-in-Malaysia bamboo products. The company does not sell its products in Malaysia but sees a market for bamboo furniture here because of the hot climate. Considering that land is scarce and expensive in Peninsular Malaysia, the ACE Market-listed Kanger plans to lease it from state agencies or partner local companies to plant bamboo. *(Source: The Star)*

Berjaya Corp (CP: RM0.44): To take over Redtone for 80 sen per share

Berjaya Corp Bhd, which acquired a 10.53% stake in REDtone International Bhd last Friday, has launched a takeover bid for the telecommunication company at 80 sen per share. Following the acquisition, Berjaya Corp together with persons acting in concert (PACs)'s now hold 35.84% stake in REDtone which triggered the mandatory general offer threshold. The PACs includes Berjaya Corp's founder Tan Sri Vincent Tan Chee Yioun, Berjaya Philippines Inc, Prime Credit Leasing Sdn Bhd, and Sia Git Kim. The takeover offer, for the remaining 64.16% stake that Berjaya Corp and PACs do not own in REDtone, came after Sultan of Johor Sultan Ibrahim Ismail emerged as REDtone's single largest shareholder recently, with a 20% stake. *(Source: The Sun Daily)*

AirAsia X (CP: RM0.45): Foresees improvement this year

AirAsia X Bhd, whose shareholders approved its RM395 million rights issue last Friday, is confident of achieving improvements this year despite the widened net loss last year and the QZ8501 incident early this year. We are quite optimistic to turn this around by this year, group CEO Datuk Kamarudin Meranun told reporters after its EGM last Friday. He noted that the airline could not do much in the first quarter of the year but have since rationalised internally by plugging up all operational inefficiencies and looking at unprofitable routes. Essentially, it is capacity management, he remarked. Kamarudin said the group could not embark on major promotions out of respect for those involved in the QZ8501 tragedy however, since things have been "somewhat resolved", it has started marketing initiatives in Australia with similar plans for other markets. *(Source: The Sun Daily)*

Auto Sector (Overweight): MAA: GST is not a big issue, but the exchange rate is.

The Malaysian Automotive Association (MAA) said the depreciation of the ringgit will play a more significant role in determining car prices in the future, than the implementation of Goods & Services Tax (GST) in April. GST is not a big issue to us. The biggest issue to us right now is the exchange rate. Most car companies right now are paying for the completely-knocked down (CKD) and

completely built-up (CBU) vehicle taxes and other multi-sourcing parts in US dollar, which has appreciated more than 10%," its president Datuk Aishah Ahmad told reporters after the 16th MAA's annual general meeting here last Friday. The ringgit is the worst performing currency in Asia this year with some economist expecting the currency to depreciate further to RM3.95 against the dollar by September. (Source: *The Sun Daily*)

Media Sector (Neutral): Adex up 15% in February on campaign by advertisers

Advertising expenditure (adex) in February grew 15% year-on-year to RM1.05mil from RM909,924 in the previous corresponding period, driven by campaigns from advertisers looking to drive sales ahead of the impending goods and services tax (GST) on April 1. With GST on the horizon, consumer sentiment has turned a little bit cautious with many holding back purchases," said an industry observer. The situation has been further compounded by the weakening ringgit and spiralling fuel prices. Advertisers need to constantly remind consumers of their products and services, especially in times of uncertainty, he said. In terms of advertising medium, only newspapers and free-to-air television registered "negative growth", according to data by Nielsen. (Source: *The Star*)

MRT Corp: MRT2 works to start

Mass Rapid Transit Corporation Sdn Bhd (MRT Corp) is expected to start awarding contracts for the various packages of the RM23bil Mass Rapid Transit line 2 (MRT2) in the last quarter of this year. Contractors who handled jobs in the first phase of the MRT (MRT1) would hold an advantage due to their experience in carrying out the works on the first line. Also, many of the contractors did not get the expected returns and profits from MRT1 works due to various reasons, says a contractor. The MRT2 project, which was given priority in the revised Budget 2015, was expected to ground break in the first quarter of next year, according to MRT Corp chief executive officer Datuk Seri Shahril Mokhtar.

ECONOMIC UPDATES

Malaysia: Retail slowdown seen

THIS year could see a slowdown in the retail sector, especially for the consumer discretionary space in view of the impending implementation of the goods and services tax (GST). The consumer sentiment index, private consumption's primary lead indicator, has been languishing since the third quarter of 2014. This is evidenced by the trend in the Malaysian Institute of Economic Research's (Mier) consumer sentiment index (CSI), which plummeted 15 points quarter-on-quarter to 83 in the fourth quarter of 2014, below the 100-point threshold. Concurrently, the institute's business conditions index (BCI) has also contracted to below the 100-point threshold in the last quarter of 2014. Mier says business confidence appears dented following the ringgit depreciation and falling of oil prices. (Source: *The Star*)

China: To cut 80 million tonnes of steel capacity

China will aim to cut as much as 80 million tonnes of excess steel capacity in the next three years to tackle a massive supply glut that has plunged much of the sector into crisis, a government official said. Speaking at an industry forum, Luo Tiejun of the raw materials department of the Ministry of Industry and Information Technology said China would publish a new 2015-2017 action plan to restructure its bloated steel sector before June this year. According to the draft plan, China will cut the number of steel enterprises to "around 300", down from more than 500 currently, and would also strive to achieve zero energy growth from the sector and a cut in emissions by 2017, Luo said. *(Source: The Star)*

Greece: Fitch cuts Greece's rating to 'CCC' on uncertainty over aid release

Ratings agency Fitch on Friday cut Greece's credit rating to 'CCC' from 'B' saying lack of market access, tight liquidity and uncertainty over the timely release of aid from its official creditors are exerting pressure on government funding. Fitch, Standard & Poor's and Moody's had all lifted Greece's rating last year as the economy showed tentative signs of getting back on its feet after six-years of recession. But the new leftist government's standoff with its euro zone partners and the International Monetary Fund over reforms needed to resume remaining bailout funding have clouded the direction of future policy making, rendering the outlook uncertain. *(Source: The Star)*

Europe: Lost Iran Trade May Signal U.S. Sanctions Split

After joining the U.S. in confronting Iran for a decade, Europe is running out of leeway to increase sanctions if talks on the Iranian nuclear program fail. Trade between Europe and Iran has plunged to about \$9 billion from almost \$32 billion in 2005 when sanctions began to be tightened, according to data compiled by Bloomberg. As diplomats work toward a self-imposed March 31 deadline, the disparity between U.S. and European economic engagement with Iran adds an incentive to reach an agreement and avoid a potential trans-Atlantic rift over expanded penalties. It also may signal the limits of European tolerance for threats by U.S. lawmakers to toughen sanctions should talks collapse. *(Bloomberg)*

U.S.: Senate passes Republican budget with deep safety net cuts

The Senate passed a Republican-authored budget plan early on Friday that seeks \$5.1 trillion in domestic spending cuts over 10 years while boosting military funding. The 52-46 vote on the non-binding budget resolution put Congress on a path to complete its first full budget in six years. It came at the end of a marathon 18-hour session that saw approval of dozens of amendments ranging from Iran sanctions to carbon emissions and immigration policies. Two Republican senators who are running or considering running for president, Ted Cruz and Rand Paul, voted against their party's budget plan, which is similar to one passed by House Republicans on Wednesday. *(Source: Reuters)*

U.S.: Listless trading seen as investors await US job data

Wall Street investors may find little reason to make big moves next week as they await monthly US jobs data and any news that could change expectations for the first interest rate hike in almost a decade. The Labour Department report is

due on Friday, when the stock market will be closed for Good Friday, leaving investors unable to trade on the data until the following week. In the meantime, investors will continue adjusting to lowered earnings forecasts for the first quarter and the uncertain direction of the dollar. Stocks have trended downward since rallying on the Federal Reserve's March 18 statement, in which it suggested a less-aggressive approach to raising interest rates than investors had expected. *(Source: The Star)*

U.S.: Fed's Yellen sees gradual rate hikes starting this year

Federal Reserve Chair Janet Yellen signaled that the U.S. central bank will likely start raising borrowing costs later this year, even before inflation and wages have returned to health, but emphasized the return to normal interest rates will be gradual. A downturn in core inflation or wage growth could force the Fed to delay the first increase to borrowing costs since 2006, the central bank's chief said on Friday, but policymakers should not wait for inflation to near the Fed's 2-percent goal before tightening monetary policy. The Fed has held short-term borrowing costs near zero since December 2008. After the first rate increase, Yellen said, a further, gradual tightening in monetary policy will likely be warranted. If incoming data fails to support the Fed's economic forecast, the path of policy will be adjusted, she said. *(Source: The Star)*

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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