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Tuesday, March 31, 2015

Report of The Day

Results Review: Astro 4Q15 – “TV and Radio Lift Earnings”

At a Glance

FBMKLCI gained 8.46 points to finish at 1,813.37 in tandem with positive regional market sentiment.....(See full report next page)

Strategy

“Spring is Here: Wall Street Rally”

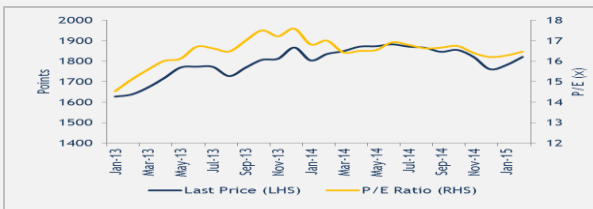
Wall Street impressive overnight performance will almost certainly boost regional and local risk taking today.....(See full report next page)

Corporate Highlights

- **Astro, HOLD (TP: RM3.39):** Earnings up on TV, radio subscription revenue
- **Sime Darby, HOLD (TP: RM9.08):** Outlook revised
- **Public Bank, HOLD (TP: RM20.60):** Set to maintain earnings momentum in 2015, says founder

Economic Update

- **Malaysia:** Government has no plan to peg ringgit
- **U.S.:** Consumer spending tepid; savings at two-year high
- **U.S.:** Individual tax share grows, corporates lag



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 Estmae 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	S&P/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%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,821.83	8.46	0.47
FBMEMAS	12,503.08	44.43	0.36
FBMEMAS SHA	13,075.52	45.08	0.35
FBM100	12,196.76	49.02	0.40
Volume (mn)	1,922.61	277.95	16.90
Value (RMmn)	1,709.00	-111.37	-6.12
FBMKLCI YTD Chg			3.44

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.7	-29.2
Local Institution	54.0	-2.5
Foreign Investors	26.3	31.7

Top Gainers

	Close	Change+/-	(+/- %)
TAHPS GROUP	7.10	0.59	9.06
SYARIKAT TAKAFU	13.02	0.34	2.68
RAPID SYNERGY	5.29	0.23	4.55

Top Losers

	Close	Change+/-	(+/- %)
KLK	22.42	-0.44	-1.92
BAT	67.80	-0.24	-0.35
HONG LEONG FIN	16.68	-0.22	-1.30

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,976.31	263.65	1.49
NASDAQ	4,947.44	56.22	1.15
S&P 500	2,086.24	25.22	1.22
FTSE 100	6,891.43	36.41	0.53
DAX	12,086.01	217.68	1.83
Nikkei 225	19,411.40	125.77	0.65
HSI	24,855.12	368.92	1.51
KOSPI	2,030.04	10.24	0.51
STI	3,454.26	4.16	0.12
KLCI Futures	1,817.50	16.50	0.01
USDMYR 3M	10.24	0.00	0.00
USDMYR 6M	10.30	-	-
USDMYR 12M	10.50	(0.00)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	-0.1	-0.1%
Brent (USD/bbl)	56.3	-0.1	-0.2%
Gold(USD/ounce)	1,186	0.2	0.0%
Coal (USD/mt)	57.2	-0.9	-1.5%
CPO (RM/mt)	2,191	22.0	1.0%
Rubber	171	-0.6	-0.4%
RM/USD	3.71	0.027	-0.73%
EUR/USD	0.92	0.0009	0.10%
YEN/USD	120.06	-0.01	0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 263.65 points to 17,976.31, S&P 500 up by 25.22 points to 2,086.24. Nasdaq soared by 56.22 points to 4,947.44. Stocks rebounded nicely on Monday helped largely by stimulus chatter out of China that sent the Shanghai Composite Index on a tear. Also, traders are somewhat retroactively applying the “dovish” label to Fed chairman Janet Yellen’s comments on Friday.
- Meanwhile, Janet Yellen said that the pace of rate hikes could be reversed, stopped, or slowed should the economy falter. Given another batch of weak economic data today, the Dallas Fed Manufacturing Index which plunged to the lowest level since June 2011, the thinking is that the Fed will need to push back its rate liftoff timing.

The Local Market

- FBMKLCI gained 8.46 points to finish at 1,813.37 in tandem with positive regional market sentiment. There were 400 gainers and 383 decliners in total value traded of RM1.70 billion.
- Among the gainers on Bursa Malaysia were Tahps Group up 59 cent to RM7.10, Syarikat Takaful increased 34 cent to RM13.02, Rapid Synergy improved 23 cent to RM5.29 and Heave Board surged 22 cent to RM3.17.

Strategy

- “Spring is Here: Wall Street Rally”

Wall Street had some leg up on Monday as investors became more confident to increase their holdings although DJIA failed to break the crucial 18k level. **S&P 500** and **DJIA** added **25.22 (1.22%)** and **263.55 (1.49%)** points to end at **2,086.24** and **17,976.31** respectively. To begin with, the market got excited with a possibility that China may cough fresh stimulus in order to stem the economic slowdown and fight deflationary pressure. As always, any good news from China will excite the market, likewise the market will bleed when China refuses to act, economic wise. Although this is probably a wishful thinking as there is nothing official from the PBoC yet but we take it as a very positive development which may likely come true given the possibility of China growing much slower than expected in 2015. Note that China’s premier, Li Keqiang, said recently that China may grow at much slower pace of 7.0% in 2015 against 2014 of 7.4%. We are afraid that that expectation could be too optimistic especially when China’s major trading partner is still grappling to stay afloat especially Eurozone and Japan. At this stage we take the latest development on a face value and nothing is certain until PBoC opens its mouth. In another development, oil suffered another setback as it was reported that sanction over Iran may be lifted and Iran may resume exporting their oil in big sum, another black swan for the oil market this year. Also, benign economic data from the US has helped shoring up sentiment including personal income that gained by a mere 0.4% in February while pending home sales jumped by a mere 3.1% where purchases were more localised in the West

and Midwest and not wide spread. Wall Street impressive overnight performance will almost certainly boost regional and local risk taking today.

- 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

Astro, HOLD (TP: RM3.39): Earnings up on TV, radio subscription revenue

Expansion in subscriber base helped boost Astro Malaysia Holdings Bhd's performance in the last financial year despite the soft advertising market. The media group said on Monday net profit rose 16% jump to RM519.4mil for the financial year ended Jan 31, 2015 (FY15) on a 9% higher revenue of RM5.23bil. The increase in revenue was mainly contributed by the 7% rise in TV and radio subscription revenue. However, advertising revenue for TV dipped 2.3% to RM327.2mil. Overall revenue for radio rose 5.9% to RM261.3mil. In the fourth quarter, Astro chalked up a 26% hike in net profit to RM140mil as revenue grew 7% to RM1.35bil. (Source: The Star)

Sime Darby, HOLD (TP: RM9.08): Outlook revised

Fitch Ratings has revised its outlook on Sime Darby Bhd's long-term foreign and local currency issuer default ratings (IDR) to "negative" from "stable," following the steep increase in the company's funds from operations (FFO) adjusted net leverage. According to the rating agency, Sime Darby's FFO-adjusted net leverage rose 2.5 times in the first half of the financial year ended June 30, 2015 (FY15), which was well above the 1.75 times that Fitch considered "negative rating action." (Source: The Star)

Public Bank, HOLD (TP: RM20.60): Set to maintain earnings momentum in 2015, says founder

Public Bank Bhd founder and chairman Tan Sri Teh Hong Piow says Public Bank is set to maintain its earnings momentum in 2015, he told some 5,600 shareholders in his opening speech at the 49th annual general meeting (AGM) on Monday. Net profit in 2014 was up 11.2% on-year to RM4.52 billion. Group chief operating officer Chang Siew Yen said the banking group has no intention to expand into new markets overseas and will focus on organic growth in existing countries and areas it is currently operating in. Public Bank's presence in the region is manifest in 83 branches in Hong Kong, 3 branches in China, 27 branches in Cambodia, 7 in Vietnam, 4 in Laos and 3 branches in Sri Lanka, according to its annual report. (Source: The Edge)

Affin Holdings (CP: RM2.92): Kamarul Ariffin new group CEO of Affin Holdings

Affin Holdings Bhd has appointed Kamarul Ariffin Mohd Jamil as its new group CEO and also managing director/CEO of Affin Bank Bhd. The banking group said on Monday it has obtained Bank Negara Malaysia's approval for the appointment of Kamarul Ariffin. He takes over from Datuk Zulkiflee Abbas Abdul Hamid who will retire on April 1. Affin Holdings said Zulkiflee, whose career spanned over 30 years in the banking sector, both locally and internationally, had assumed dual roles in January 2014. He was appointed as the MD/CEO of Affin Bank on April 1, 2009 and under his leadership, the group has grown in size and stature. (Source: The Star)

Seacera (CP: RM0.86): To develop project worth RM10bil in GDV

Seacera Group Bhd is expected to develop a township-concept project on a 202.34-hectare site in Hulu Langat with a gross development value (GDV) of more than RM10bil. Group Managing Director Zulkarnin Ariffin said the manufacturing company would develop the land either on its own or through a partnership. He said Seacera's project would definitely be higher in value than other RM10bil GDV worth of projects in the area. The group think this project will be a success because our land is nearer to the city than other properties which are located further away. The take up is expected to be good, if the positive response received by other developers in the area is anything to go by, he told a press conference after the company's extraordinary general meeting (EGM) here on Monday. (Source: The Star)

Boustead Heavy (CP: RM2.18): JV submarine contract extended valued at RM532m

Boustead Heavy Industries Corporation Bhd's (BHIC) joint venture, which provides in-service support for two of the Malaysian navy's submarines, has the contract extended. BHIC said on Monday the contract for the Prime Minister's class submarines was extended up to May 31, 2017 from the earlier. It had received the letter of acceptance from the government for the additional contract valued at RM532mil. Boustead DCNS Naval Corporation Sdn Bhd (BDNC) which is 60% owned by BHIC Defence Technologies Sdn Bhd and the remaining 40% by DCNS S.A. is providing the services for the navy. (Source: The Star)

Datasonic (CP: RM1.18): Accepts RM32mil job

Datasonic Group Bhd has accepted the letter of award from the Ministry of Home Affairs for a RM32.56mil contract. The group said the award is for the maintenance services for personalisation process at the National Registration Department of Malaysia for a period of two years, commencing from May 1 to 30 April 2017. It said under the letter of award, Datasonic is required to furnish a performance bond for the amount of RM814,223.40 to the Ministry of Home Affairs, with validity period commencing from May 1, to 30 April 2018. (Source: The Star)

Amcorp Properties (CP: RM0.82): In JV to develop London properties, GDV RM5.5b

Amcorp Properties Bhd is teaming up with Temasek and two other companies to acquire two London properties for £308mil and will undertake a mixed-use redevelopment on the property. Amcorp said on Monday it had inked a joint venture with Temasek, Hotel Properties Ltd (HPL) and UK developer, Native Land (NL) to jointly develop Sampson House and Ludgate House in the heart of London's South Bank, along River Thames. The JV Co will undertake to redevelop the property into a world class residential led mix developments complete with state-of-the-art offices, retail and leisure facilities. (Source: *The Star*)

Integrax (CP: RM3.22): Game over

Tenaga Nasional Bhd (TNB) has secured more than 50% acceptance for its takeover offer of port operator Integrax Bhd, effectively gaining control of the company in a corporate battle that had lasted close to three months. In a filing with Bursa Malaysia yesterday, TNB announced that it had secured 50.83% in Integrax, making its offer unconditional. The utility giant also extended the closing date for the acceptance of the offer by two more weeks to April 13. TNB's success in securing a majority stake in Integrax has effectively ended the latter's second-largest shareholder Amin Halim Rasip's bid to control the company. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: Government has no plan to peg ringgit**

The government has no plan to peg the ringgit against the US dollar to address its depreciation, Deputy Finance Minister Datuk Chua Tee Yong said. He said the current situation is different from the financial crisis in 1997-1998 when such measure was taken as the country's economic condition now is on a strong footing. The current situation is driven by global development that have also affected other countries in the region. (Source: *The Star*)

U.S.: Consumer spending tepid; savings at two-year high

U.S. consumer spending barely rose in February as households boosted savings to their highest level in more than two years, the latest sign that the economy hit a soft patch in the first quarter. The Commerce Department said on Monday that consumer spending edged up 0.1 percent after dropping 0.2 percent in January. Households cut back on purchases of big-ticket items like automobiles, but a cold snap lifted spending on utilities. Economists polled by *Reuters* had expected consumer spending, which accounts for more than two-thirds of U.S. economic activity, to increase 0.2 percent last month. When adjusted for inflation, consumer spending dipped 0.1 percent last month, the weakest reading since April of last year, after rising 0.2 percent in January. (Source: *The Edge*)

U.S.: Individual tax share grows, corporates lag

Tax collections from individual Americans last year reached their highest share of the U.S. economy in seven years while corporate tax revenue again lagged historical averages, a new congressional report showed on Monday. The Joint Committee on Taxation (JCT) said in a review of the tax system that individual federal income tax receipts were 8.1 percent of gross domestic product (GDP) in fiscal 2014. That level was last achieved in 2007 before the financial crisis plunged the economy into its worst recession since the 1930s. As large companies clamor for tax code reforms aimed at reducing corporate rates, the JCT data show individual wage-earners and business owners who treat their firms' profits as personal income are bearing an increasing share of the U.S. tax burden. (Source: Reuters)

China: Eases housing tax, lending rules to fight downturn

China on Monday courted home buyers with a bigger tax break as it cut downpayment requirements for the second time in six months, stepping up a fight against sliding house prices that is imperiling the world's second-biggest economy. The People's Bank of China (PBOC) said on its website that commercial banks can now lower their minimum downpayment requirement for buyers of second homes, and with outstanding mortgages, to 40 percent from 60 percent previously. The Ministry of Finance, in a separate statement around the same time, said individuals selling an ordinary house were exempt from business taxes if they had owned it for more than two years. Analysts said sellers were previously exempted from taxes only if they owned the houses for at least five years. (Source: The Edge)

Singapore: Announces new government bond scheme for retail investors

The Monetary Authority of Singapore has announced details of a new bond instrument backed by the Government and targeted at retail investors. Singapore Savings Bonds will have a 10-year tenor and be linked to the rate paid by Singapore Government Securities. However, unlike SGS, they will pay a coupon that steps up over time. Singapore Savings Bonds will be issued on a monthly basis, with the launch of the scheme planned for the second half of 2015. Holders can redeem their bonds in any given month without penalty or any loss of principal, but they cannot be traded in the secondary market. The minimum investment amount is S\$500 (US\$364) and bonds will be issued in multiples of S\$500. (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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