

PP14767/09/2012(030761)

Friday, April 10, 2015

At a Glance

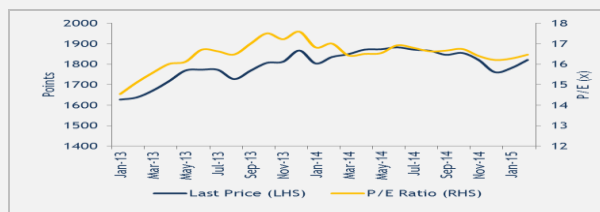
FBMKLCI declined 0.92 points to finish at 1,850.31 due to profit taking activities(See full report next page)

Corporate Highlights

- **MBSB (RM2.25):** No merger talks in the cards, says MBSB
- **Sunway (CP: RM3.76):** To buy Winstar Trading for RM131mil
- **Puncak Niaga (CP: RM2.70):** Selangor deal gets fourth extension
- **MRCB (CP: RM1.28):** To launch mixed development project with GDV of RM1.6bil

Economic Update

- **Malaysia:** ECER draws investments of RM73.04bil
- **U.S.:** Jobless claims data point to strengthening labor market
- **U.S.:** Warns Europe against relying too much on exports



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
JP	6-Apr	1:00 PM	Leading Index CI	-	105.5
JP	6-Apr	1:00 PM	Coincident Index	-	113.3
US	6-Apr	9:45 PM	Markit US Composite PMI	-	58.5
US	6-Apr	9:45 PM	Markit US Services PMI	-	58.6
US	6-Apr	10:00 PM	ISM Non-Manuf Composite	56.6	56.9
EU	7-Apr	4:00 PM	Markit Eurozone Services PMI	-	54.1
EU	7-Apr	4:00 PM	markit Eurozone Composite PMI	-	3.7%
EU	7-Apr	5:00 PM	PPI MoM	-	-0.9%
EU	7-Apr	5:00 PM	PPI YoY	-	-3.4%
MY	7-Apr	-	Foreign Reserves	-	\$109.2B
JP	7-Apr	7:50 AM	Official Reserve Assets	-	\$1251.1B
EU	8-Apr	4:10 PM	Markit Eurozone Retail PMI	-	46.4
EU	8-Apr	5:00 PM	Retail Sales MoM	-	1.1%
EU	8-Apr	5:00 PM	Retail Sales YoY	-	3.7%
JP	8-Apr	7:50 AM	BoP Current Account Balance	¥1312.1B	¥61.4B
US	8-Apr	7:00 PM	MBA Mortgage Applications	-	4.6%
US	9-Apr	8:30 PM	Initial Jobless Claims	-	-
US	9-Apr	8:30 PM	Continuing Claims	-	-
CN	10-Apr	9:30 AM	CPI YoY	1.3%	1.4%
CN	10-Apr	9:30 AM	CPI MoM	-4.4%	-4.8%
MY	10-Apr	12:00 PM	Industrial Production YoY	-	7.0%
CN	10-15 Apr	-	Foreign Reserves	-	\$3840.0B

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,849.39	-0.92	-0.05
FBMEMAS	12,687.25	5.14	0.04
FBMEMAS SHA	13,218.18	-0.43	0.00
FBM100	12,373.93	0.67	0.01
Volume (mn)	1,799.62	-22.35	-1.23
Value (RMmn)	1,790.96	-93.54	-4.96
FBMKLCI YTD Chg			5.00

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.7	-15.8
Local Institution	56.3	27.9
Foreign Investors	24.0	-12.1

Top Gainers

	Close	Change+/-	(+/- %)
BAT	69.10	0.60	0.88
ALLIANZ	12.96	0.40	3.18
LEBTECH BHD	1.33	0.23	20.91

Top Losers

	Close	Change+/-	(+/- %)
PPB GROUP	15.28	-0.56	-3.54
UMW HLDG BHD	10.94	-0.04	-0.36
LTKM BHD	6.45	-0.18	-2.71

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,958.73	56.22	0.31
NASDAQ	4,974.57	23.74	0.48
S&P 500	2,091.18	9.28	0.45
FTSE 100	7,015.36	77.95	1.12
DAX	12,166.44	130.58	1.08
Nikkei 225	19,937.72	147.91	0.75
HSI	26,944.39	707.53	2.70
KOSPI	2,058.87	-0.39	-0.02
STI	3,454.99	-5.69	-0.16
KLCI Futures	1,839.00	(3.00)	(0.00)
USDMYR 3M	9.64	0.03	0.00
USDMYR 6M	9.89	0.07	0.01
USDMYR 12M	10.00	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	-0.1	-0.2%
Brent (USD/bbl)	56.6	1.0	1.8%
Gold(USD/ounce)	1,194	-0.4	0.0%
Coal (USD/mt)	55.3	0.5	0.9%
CPO (RM/mt)	2,120	-46.0	-2.1%
Rubber	165	-2.3	-1.4%
RM/USD	3.63	0.0016	-0.04%
EUR/USD	0.94	-0.0002	-0.02%
YEN/USD	120.57	-0.01	0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 56.22 points to 17,958.73, S&P 500 up by 9.28 points to 2,091.18. Nasdaq surged by 23.74 points to 4,974.57. U.S. stocks closed higher on Thursday after trading in a narrow range as investors digested earnings reports, a rebound in oil prices and looked for more signals on the timing of an interest rate hike.
- Stocks continued Wednesday's choppy trade that followed the release of minutes from the Federal Open Market Committee's March meeting, which showed policymakers were divided over the timing of a rate hike.

The Local Market

- FBMKLCI declined 0.92 points to finish at 1,850.31 due to profit taking activities. There were 479 gainers and 374 decliners in total value traded of RM1.79 billion.
- Among the losers on Bursa Malaysia were PPB Group dropped 56 cent to RM15.28, UMW Holdings slid 4 cent to RM10.94, LKTM and KLK down 18 cent to RM6.45 and RM22.80 respectively.

Strategy

- 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

MBSB (RM2.25): No merger talks in the cards, says MBSB

Non-bank lender Malaysia Building Society Bhd (MBSB) has not initiated any new merger discussions with any organisation after the deal with CIMB Group Holdings Bhd and RHB Capital Bhd fell through. President and chief executive officer Datuk Ahmad Zaini Othman reaffirmed that MBSB has not receive the green light from its shareholders to talk to any financial institution on a potential merger and acquisition. "As far as corporate exercise (is concern), it can come anytime as and when the shareholders feel there is a necessity to embark on it," he said. He was commenting on the market talks on a possible merger between MBSB and Bank Islam Malaysia Bhd. (Source: *The Star*)

Sunway (CP: RM3.76): To buy Winstar Trading for RM131mil

Sunway Bhd via its wholly-owned unit Sunway Holdings Sdn Bhd is acquiring 100% of Winstar Trading Sdn Bhd (WTSB) for RM130.95mil. It is also at the same time acquiring 100% of Singapore-based PND Hardware & Trading Pte Ltd (PND) for S\$2.57mil (RM6.88mil). Sunway in its announcement to Bursa Malaysia said

that it was acquiring profitable market leaders with long experience in the wholesaling of hardware market. It added that there would be synergies from cross-selling across the customer base of Sunway, WTSB and PND and potential cost savings from warehousing facilities due to economies of scale. *(Source: The Star)*

Puncak Niaga (CP: RM2.70): Selangor deal gets fourth extension

Puncak Niaga Holdings Bhd (PNHB) has given Selangor state's unit Pengurusan Air Selangor Sdn Bhd (Air Selangor) a fourth extension to fulfill the conditions necessary to see the takeover of the federal government of its first Selangor water asset. The deal signed on Nov 11, 2014 is yet to be completed as the state and federal government fight it out on details regarding land ownership. In a filing with Bursa Malaysia yesterday, PNHB said yesterday its directors mutually agreed to a one-month extension to May 11, 2015. PNHB said both the company and Air Selangor had mutually agreed to a further extension until May 11 for the fulfillment of the conditions precedent stated in the conditional sale and purchase agreement dated Nov 11 last year. *(Source: The Sunday)*

MRCB (CP: RM1.28): To launch mixed development project with GDV of RM1.6bil

Malaysian Resources Corp Bhd (MRCB) is expected to launch a mixed development with an estimated gross development value (GDV) of between RM1.2bil and RM1.6bil next year. The project will be developed on a 0.76ha acquired from the German Embassy for RM259.16mil recently through tender bidding. MRCB group managing director Tan Sri Mohamad Salim Fateh Din said the management team was considering a mixed development comprising commercial and residential segments due to the land's location and market demand. *(Source: The Star)*

Boustead Holdings (CP: RM4.57): Awards missile system contract for RM9bil combat ships

Boustead Naval Shipyard Sdn Bhd, which is building six littoral combat ships for the Malaysian navy, has awarded a 20 million euro (RM77.7mil) contract for naval strike missile (NSM) ships equipment to Norwegian technology group Kongsberg. In a statement on its website on Thursday, Kongsberg said that Malaysia would be the third user of this modern 5th generation anti-surface weapon. In July last year Boustead Naval Shipyard, a subsidiary of Boustead Holdings Bhd, clinched a RM9bil contract from the Defence Ministry to design, construct, and deliver the combat ships. Boustead has said it targeted to deliver the first ship in 2019. *(Source: The Star)*

Cahya Mata Sarawak (CP: RM4.79): Can finance RM187m Sacofa purchase from own funds

RAM Rating Services Bhd expects the cash-rich Cahya Mata Sarawak Bhd (CMS) to be able to finance its purchase of a 50% stake in Sacofa Sdn Bhd from its own funds. The ratings agency said on Thursday the purchase could be funded entirely by internally generated funds as it had RM830mil cash as at end-2014. "As such, the group's gearing level is expected to remain strong at below 0.1 times and its funds from operations debt coverage at above 1.5 times subsequent to the acquisition," it said. RAM Ratings said the purchase would

not materially impact the group, which is rated AA3/Stable/P1 by RAM. (Source: *The Star*)

Bina Darulaman (CP: RM1.00): Keen to participate in Kulim airport project

Kedah-based property developer, Bina Darulaman Bhd, is keen to participate in the construction of the Kulim International Airport which estimated to cost RM1.6 billion. Group Managing Director Datuk Idzham Yusoff said the company was interested in any project in Kedah that can contribute positively to future earnings. Since the company is involved in the construction of the Langkawi International Airport and Alor Setar Airport, he believed Bina Darulaman was competent enough to partake in the Kulim Airport project. Hence, the firm was currently building upon its resources. (Source: *The Star*)

Solid Automotive (CP: RM1.60): To raise RM21mil from private placement

Solid Automotive Bhd (SAB) is planning to rise up to RM21.15mil from the private placement of 15 million new SAB shares, representing 10% of its issued and paid-up share capital of SAB. In a filing to Bursa Malaysia on Thursday, the group said the expected RM21.15mil proceeds are based on the indicative issue price of RM1.41. The group said proceeds would be used for repayment of bank borrowings and working capital for SAB and its units. The group said the exercise would enable the company to strengthen its shareholders' funds. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: ECER draws investments of RM73.04bil

The East Coast Economic Region (ECER) has successfully attracted RM73.04 billion in investments from 2007 until March this year. The investments will create 73,708 new job opportunities for the people and represents 66 per cent of ECER's RM110 billion investment target by 2020," said ECER Development Council in a statement issued after its first meeting this year chaired by Prime Minister Datuk Seri Najib Tun Razak. Sector-wise, the manufacturing cluster was the biggest contributor with RM39.8 billion, followed by tourism (RM13.5 billion), bio-economy (RM5.6 billion) and oil, gas and petrochemicals (RM4.8 billion). (Source: *The Star*)

U.S.: Jobless claims data point to strengthening labor market

The number of Americans filing new claims for jobless benefits rose less than expected last week and the four-week moving average of claims hit its lowest level since 2000, suggesting an abrupt slowdown in job growth in March could be temporary. Initial claims for state unemployment benefits increased 14,000 to a seasonally adjusted 281,000 for the week ended April 4, the Labor Department said on Thursday. Claims for the prior week were revised to show 1,000 fewer applications received than previously reported. Economists polled by *Reuters* had forecast claims rising to 285,000 last week. (Source: *The Star*)

U.S.: Warns Europe against relying too much on exports

The United States warned Europe on Thursday against relying too much on exports for growth and urged officials to make more use of fiscal policy, saying

stronger demand in Germany was essential. In a report to Congress, the U.S. Treasury Department gave a preview of the positions it will press on foreign policymakers during next week's International Monetary Fund meetings in Washington. For one, America is wary of the euro zone's rising current account surplus, a broad measure of cross-border flows of goods and capital. (Source: Reuters)

China: Q1 economic growth seen at six-year low of 7 pct

China's economy probably cooled further to grow 7 percent in the first three months of the year, a Reuters poll showed, which would be the weakest pace in six years and raise pressure on policymakers to do more to bolster growth. A poll of at least 16 analysts showed activity from trade to investment in the world's second-biggest economy likely remained around multi-year lows in March. That would increase the chance that China will post its slowest growth in 25 years this year. The deluge of data over the coming week, starting with inflation on Friday and culminating with gross domestic product (GDP) data on April 15, will almost certainly revive speculation about when and how China will next ease monetary policy. (Source: The Edge)

Myanmar: Foreign banks opening branches in Myanmar for first time in decades

Two Japanese and one Singaporean bank will become the first foreign banks to operate in Myanmar for decades when they open branches on April 23, as the country emerges from a long phase of economic isolation, state media reported Thursday. The Bank of Tokyo Mitsubishi UFJ Ltd (BTMU), Sumitomo Mitsui Banking Corp (SMBC) and Oversea-Chinese Banking Corp Ltd became the first to clear the final hurdle among nine foreign lenders awarded preliminary approval," the state-backed Global New Light of Myanmar newspaper reported. (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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