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Friday, April 17, 2015

At a Glance

FBMKLCI gained 7.81 points to finish at 1,847.94 in tandem with the positive regional market sentiment(See full report next page)

Daily Trading Strategy**"Wall Street Slightly Nervous About Oil Price"**

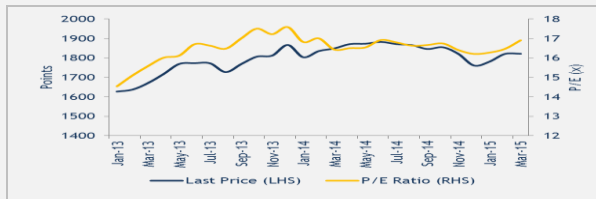
Lack of catalyst may push investors to the sideline with the bellwether index predicted to experience greater downside risk.(See full report next page)

Corporate Highlights

- **TM, HOLD (TP: RM6.95):** Introduces new broadband packages
- **RHB, HOLD (TP: RM8.30):** To sell insurance arm?
- **KPJ Healthcare, HOLD (TP: RM3.95):** Issues RM800m Sukuk

Economic Update

- **Malaysia:** Successfully prices US\$1.5bil global sukuk, says MOF
- **China:** FDI up 2.2 percent in March to US\$12.4bil
- **U.S.:** Housing starts data underperforms; jobless claims rise



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	\$60.62B
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	-	-2.6%
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%
US	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%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,847.94	7.81	0.42
FBMEMAS	12,728.17	64.24	0.51
FBMEMAS SHA	13,270.13	65.49	0.50
FBM100	12,396.93	61.80	0.50
Volume (mn)	2,695.20	-6.46	-0.24
Value (RMmn)	2,521.77	13.65	0.54
FBMKLCI YTD Chg			4.92

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.4	-58.9
Local Institution	56.2	-113.5
Foreign Investors	22.4	172.4

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.40	0.40	1.54
MELATI EHSAN	1.44	0.27	23.08
PUBLIC BANK	19.24	0.22	1.16

Top Losers

	Close	Change+/-	(+/- %)
BAT	68.28	-0.72	-1.04
APM AUTO	5.00	-0.14	-2.72
LPI CAPITAL	14.50	-0.10	-0.68

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,105.77	-6.84	-0.04
NASDAQ	5,007.79	-3.23	-0.06
S&P 500	2,104.99	-1.64	-0.08
FTSE 100	7,060.45	-36.33	-0.51
DAX	11,998.86	-232.48	-1.90
Nikkei 225	19,885.77	16.01	0.08
HSI	27,739.71	120.89	0.44
KOSPI	2,139.90	19.94	0.94
STI	3,528.21	-11.74	-0.33
KLCI Futures	1,839.50	4.50	0.00
USDMYR 3M	9.85	(0.05)	(0.00)
USDMYR 6M	9.97	(0.02)	(0.00)
USDMYR 12M	10.03	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	57	-0.1	-0.1%
Brent (USD/bbl)	64.0	0.7	1.0%
Gold(USD/ounce)	1,199	0.3	0.0%
Coal (USD/mt)	56.8	1.1	2.0%
CPO (RM/mt)	2,146	-5.0	-0.2%
Rubber	167	0.9	0.5%
RM/USD	3.65	-0.0523	1.43%
EUR/USD	0.93	-0.0006	-0.06%
YEN/USD	119.00	-0.02	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 6.84 points to 18,105.77, S&P 500 down by 1.64 points to 2,104.99. Nasdaq tumble by 3.23 points to 5,007.79. Stocks gave up all gains by market close Thursday after a choppy session with no clear direction.
- An earlier decline in oil and worries over Greece's future pulled equities in one direction. Greece's uncertain future continued to spook global markets after Standard & Poor's downgraded the country's credit rating to CCC+ with a negative outlook. Greece is currently barreling toward an end-of-month deadline to repay debts to European creditors.

The Local Market

- FBMKLCI gained 7.81 points to finish at 1,847.94 in tandem with the positive regional market sentiment. There were 517 gainers and 340 decliners in total value traded of RM2.52 billion.
- Among the gainers on Bursa Malaysia were United Plantations up 40 cent to RM26.40, Melati Ehsan grew 27 cent to RM1.44, Public Bank surged 22 cent to RM19.24 and Fraser & Neave jumped 20 cent to RM18.50.

Strategy

- **“Wall Street Slightly Nervous About Oil Price”**
Wall Street ended in mild negative territory as sentiment was hampered by rising oil price. **S&P 500** and **DJIA** lost **1.64 (-0.08%)** and **-6.84 (-0.04%)** to finish at **2,104.99** and **18,105.77** respectively. Oil price managed to make a slow but steady ground with the Brent inching up to USD64 per barrel yesterday with WTI finishing USD56 per barrel. Although depressed oil price is good for consumers spending pattern but its steady gains off late is worrying as it would put pressure to inflation not to mention further risk to fiscal spending especially for net oil importer country. Hence, we opine that oil will be under the investors' serious radar as the shift in paradigm to higher oil will definitely stoke trading fear. Nonetheless, we believe investors would want to accumulate oil players shares now as the acceleration in oil price would change the players fate almost certainly. As for next week, the world will witness laden numbers of first liners economic announcement including PMI numbers across the globe in addition to a string of US housing related statistics. Notwithstanding that, we opine that oil price movement will dictate investors risk taking next week. As for today, lack of catalyst may push investors to the sideline with the bellwether index predicted to experience greater downside risk.
- 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

TM, HOLD (TP: RM6.95): Introduces new broadband packages

Telekom Malaysia Bhd (TM) announced on Thursday the introduction of two new broadband packages to support the Government's aim of boosting broadband take-up. TM said in a statement that the first was at RM38 a month (excluding goods and services tax) for 1Mbps with data usage of up to 1GB. This is 57% cheaper than the current offering at RM88 for the existing 1Mbps package. The other is a new UniFi 10Mbps triple-play package at RM179 a month (excluding GST) that includes unlimited broadband Internet access, free fixed telephone calls nationwide and 22 basic HyppTV channels. This package is 10% cheaper than the existing UniFi 10Mbps package of RM199/month. (Source: The Star)

RHB, HOLD (TP: RM8.30): To sell insurance arm?

RHB Capital Bhd (RHBCap), which is undertaking a major corporate restructuring, may dispose of or reduce its interest in its insurance arm, RHB Insurance Bhd, to further unlock value in the group. Sources said the insurance arm contributed only 3% of the group's earnings. RHB Capital controls 94.7% of RHB Insurance and 100% of RHB Bank. Under the group's corporate restructuring announced on Monday, RHBCap said it would, among others, undertake a reorganisation exercise with its banking arm RHB Bank acquiring from the former its entire equity interest in RHB Investment Bank, RHB Insurance and the assets and liabilities of the other operating subsidiaries of the group. The total disposal consideration would be determined later. (Source: The Star)

KPJ Healthcare, HOLD (TP: RM3.95): Issues RM800m Sukuk

KPJ Healthcare Bhd has issued RM800mil Islamic medium term notes (IMTN) under its proposed RM1.5bil programme. The hospital owner and operator said on Thursday its unit Point Zone (M) Sdn Bhd had made the first issuance of RM800mil which would be used for Shariah-compliant purposes. They include to refinance and or partially refinance its existing outstanding facilities, including the bridging loan facility and to advance to the company to finance the working capital requirements of the KPJ group's healthcare and healthcare related businesses. The Islamic commercial papers are based on the Shariah principle of Murabahah (via Tawarruq arrangement). (Source: The Star)

Eco World (CP: RM1.82): Buys nearly 300 acres of land in Batu Kawan for RM731m

Eco World Development Group Bhd is buying 299.64 acres of leasehold land in Batu Kawan, Penang state for RM730.93m to build residential and commercial properties. The property developer said on Thursday it has received a letter of award from the Penang Development Corporation about its proposal to undertake the projects. Eco World is also leasing about 150 acres of land for 30 years, with an option for a renewal of another 30 years, for an estimated lease consideration of RM65.34mil. The 150 acres is to develop an international standard golf course with a minimum of 18 holes and a club house. "The

estimated total consideration for the land parcels is approximately RM796.30mil," it said. *(Source: The Star)*

CBIP (CP: RM2.08): Secures RM25m contracts for two oil palm mills

CB Industrial Product Holding Bhd (CBIP) has secured two contracts valued at RM25.46mil for its modipalm continuous sterilisation milling system from Indonesia's PT Niagamas Gemilang. CBIP said on Thursday the contracts are collectively the 100th system order placed by its clients, which was the most significant milestone of its patented technology since its inception a decade ago. Its unit Modipalm Engineering Sdn Bhd had signed a RM22.09mil contract with Niagamas Gemilang to design and operate a 30 tonne fresh fruit bunches extendable to 60 tonnes per hour mill. *(Source: The Star)*

KLCC Stapled Group (CP: RM7.12): Petronas real estate arm eyes multi-billion ringgit KLCC assets

Petroleum Nasional Bhd's (Petronas) real estate investment trust may add two multi-billion ringgit prime land assets here into its portfolio. KLCC Real Estate Investment Trust (KLCC REIT) chief executive officer Datuk Hashim Wahir said it might acquire the two mixed-development projects within the Kuala Lumpur City Centre (KLCC) from its parent company upon completion of the properties over the next five years. The two mixed-development projects are known as Lot 185 and Lot 91. According to Hashim, Lot 185 is a 50:50 joint venture (JV) with Qatari Diar REIT. The property will comprise two towers, a 56-storey entity and another 77-storey building. *(Source: The Edge)*

Hibiscus (CP: RM0.80): Buys 30% stake in North Sea production licence

Hibiscus Petroleum Bhd's jointly-controlled entity, Lime Petroleum Norway AS (Lime Norway), has signed an agreement to acquire a 30% interest in Production Licence 544 (PL544) from Lundin Norway AS. Hibiscus told Bursa Malaysia on Thursday that the license was located in the North Sea, in water depth of about 100 metres. The Fosen prospect is under evaluation for possible drilling in 2015. The independent oil and gas producer, however, did not disclose its purchase price. Following the relevant authority's approval, the parties in the licence will be Lime Norway (30%), Lundin (the operator, owned by Sweden-based Lundin Petroleum) (40%) and Bayerngas Norge AS2 (30%). Hibiscus has a 35% interest in Lime Norway, which received pre-qualification status as a licensee in Norway in February 2013. *(Source: The Star)*

Pesona Metro (CP: RM0.81): Bags RM267m Cyberjaya project

Pesona Metro Holdings Bhd (PMHB) has clinched a property development project in Cyberjaya worth RM266.8 million from PBT Engineering Sdn Bhd (PBTE), the engineering business unit and part of the construction and building division of Singapore's TEE International Ltd. In a filing with Bursa Malaysia yesterday, PMHB said the 29-month project will involve the execution and completion of building works to develop one 17-floor office block with 8-floors being a car park area and an office lobby, two blocks of Soho units with 30-floors and 35-floors respectively that comes with 8-floors of car park areas, lobbies and commercial shops situated on PT 12059, Jalan Teknokrat 3, Cyber 4, Cyberjaya. Recently, the company secured the Central Spine Road highway

Package 3 linking Gua Musang, Kelantan to Kg Relong, Pahang project worth over RM170 million. (Source: *The Sun*)

VS Industry (CP: RM4.07): Associate firm joins solar power plant industry

VS Industry Bhd's Hong Kong-listed associate VS International Group Ltd (VSIG) is diversifying into the solar photovoltaic power plant business. The electronics manufacturing services provider told Bursa Malaysia on Thursday that VSIG was buying Zhuhai Deyuan Energy Conservation Technology Co Ltd for 20 million yuan (RM11.8mil) and, as part of the acquisition deal, would have to inject a capital of 40 million yuan (RM23.6mil). Zhuhai Deyuan Energy is engaged in developing solar photovoltaic power plants and energy conservation technology. (Source: *The Star*)

IPO: Malakoff sets tight bookbuilding range in up to US\$750m IPO

Malakoff Corporation Bhd, Malaysia's largest independent power firm, set a tight bookbuilding range for its initial public offering, two people with direct knowledge of the process said, with solid support from domestic cornerstone investors. The top end of the range set on Thursday values the IPO at up to RM2.74bil (US\$750mil), the largest in Malaysia in almost three years. The people declined to be identified because they are not authorised to speak to the media. The listing comes as many Malaysian companies, susceptible to significant volatility in energy prices and the ringgit, opt against embarking on IPOs, for fear that volatility could squeeze their valuations. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Successfully prices US\$1.5bil global sukuk, says MOF

Malaysia has successfully priced US\$1 billion of 10-year and US\$500 million of 30-year benchmark Trust Certificates (Sukuk) for a total deal size of US\$1.5 billion. The Ministry of Finance, in a statement, said, the 30-year tranche was the governments inaugural sukuk issuance which is the longest tenured sukuk ever by a sovereign. The deal was oversubscribed, attracting an aggregate interest of over US\$9 billion from a combined investor base of over 450 accounts, it said. The 10-year tranche was oversubscribed by almost seven times and the 30-year tranche was oversubscribed by approximately six times. (Source: *The Star*)

China: FDI up 2.2 percent in March to US\$12.4bil

China drew US\$12.4 billion in foreign direct investment (FDI) in March, up 2.2 percent from a year earlier, the Commerce Ministry reported on Thursday, while outbound non-financial investment rose 0.4 percent to \$8.39 billion. That's a sharp uptick from February's 0.9 percent reading and marks an overall rise of 11.3 percent for FDI in the first quarter to a total of \$34.88 billion. Outbound non-financial investment rose 29.6 percent to \$25.79 billion in the first quarter. The data follows a disappointing series of economic readings from March, including a surprising slump in exports and weaker-than-expected investment and industrial output. (Source: *The Star*)

Australia: Adds more jobs than expected in March

The Australian economy added more jobs than expected in March, pushing the unemployment rate lower and easing pressure on the central bank to reduce interest rates further. Australia's economy added 37,700 jobs in March, above expectations for the addition of 15,000 jobs in a Reuters poll. That consisted of a 31,500 increase in full-time employment and a 6,100 increase in part-time employment. The unemployment rate ticked down to 6.1 percent. That was more favorable than expectations of 6.3 percent but still marked the tenth month that unemployment held above 6 percent. *(Source: CNBC)*

U.K.: OPEC oil output surge boosts surplus, despite higher demand

OPEC said its oil output surged in March, adding to a global glut, despite more evidence that the producer group's strategy of letting prices fall to hurt other producers is taking effect. OPEC's report may reinforce the perception that major producers are staking out market share ahead of a potential rise in Iranian exports following its framework accord with world powers over its nuclear programme. Thanks to lower output from the United States and other rival producers due to the oil price drop, the Organization of the Petroleum Exporting Countries said demand for its oil this year would be 80,000 barrels per day (bpd) higher than previously thought. *(Source: The Edge)*

U.S.: Housing starts data underperforms; jobless claims rise

U.S. housing starts rose far less than expected in March and permits recorded their biggest drop since last May, which could raise concerns about the economy's ability to bounce back from a soft patch hit in the first quarter. The economy stumbled at the start of the year under the weight of a harsh winter, a resurgent dollar, weaker global growth and a now-resolved labor dispute at the West Coast ports. There are expectations that growth will rebound in the second quarter, but the tepid housing starts report and a struggling manufacturing sector suggest the momentum will probably not be strong enough for the Federal Reserve to start raising interest rates before September. *(Source: The Edge)*

U.S.: Jobless claims rise; continuing claims lowest since 2000

The number of Americans filing new claims for jobless benefits unexpectedly rose last week, but the underlying trend continued to point to a strengthening labor market. Initial claims for state unemployment benefits rose 12,000 to a seasonally adjusted 294,000 for the week ended April 11, the Labor Department said on Thursday. Claims for the prior week were revised to show 1,000 more applications received than previously reported. Claims tend to be volatile around this time of the year because moving holidays like Easter and the school spring break can throw off the model that the government uses to smooth the data for seasonal fluctuations. *(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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