M&A Securities

Morning Call

Market Access

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FBMKLCI fell 2.08 points to finish at 1,845.86 due to the profit taking activities ……(See full report next page)

Daily Trading Strategy

“Booster From China; PBoC Cut RRR by full 1%”

We foresee investors to continue to be cautious as a result……(See full report next page)

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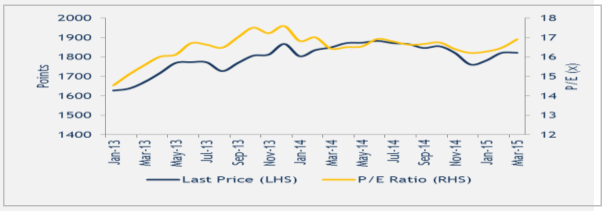
- **U.S.:** Companies use more of their bank credit lines in sign of confidence
- **U.S.:** Sluggish US growth may weigh on exports



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
JP	21-Apr	1:00 PM	Leading Index CI	-	105.3
JP	21-Apr	1:00 PM	Coincident Index	-	110.5
EU	22-Apr	10:00 PM	Consumer Confidence	-	-3.7
US	22-Apr	7:00 PM	MBA Mortgage Applications	-	-2.3%
US	22-Apr	10:00 PM	Existing Home Sales	5.05M	4.88M
US	22-Apr	10:00 PM	Existing Home Sales MoM	3.3%	1.2%
JP	22-Apr	7:50 AM	Trade Balance	(¥424.6B)	(¥425.0B)
JP	22-Apr	7:50 AM	Exports YoY	-	2.4
JP	22-Apr	7:50 AM	Imports YoY	-	-3.6
MY	22-Apr	12:00 PM	CPI YoY	0.8%	0.1%
MY	22-Apr	-	Foreign Reserves	-	$105.1B
EU	23-Apr	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.2
EU	23-Apr	4:00 PM	Markit Eurozone Services PMI	-	54.2
EU	23-Apr	4:00 PM	Markit Eurozone Composite PMI	-	54.0
US	23-Apr	8:30 PM	Initial Jobless Claims	-	-
US	23-Apr	8:30 PM	Continuing Claims	-	-
US	23-Apr	9:45 PM	Markit US Manufacturing PMI	56.0	55.7
US	23-Apr	10:00 PM	New Home Sales	510K	539K
CN	23-Apr	9:45 AM	HSBC China Manufacturing PMI	-	49.6
JP	23-Apr	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	50.3
US	24-Apr	8:30 PM	Durable Goods Orders	0.8%	-1.4%
US	24-Apr	8:30 PM	Durable Ex Transportation	0.7%	-0.4%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,845.86	-2.08	-0.11
FBMEMAS	12,724.26	-3.91	-0.03
FBMEMAS SHA	13,264.36	-5.77	-0.04
FBM100	12,388.40	-8.53	-0.07
Volume (mn)	2,579.84	-115.35	-4.28
Value (RMmn)	2,283.66	-238.11	-9.44
FBMKLCI YTD Chg			4.80

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.8	-9.1
Local Institution	56.5	-4.9
Foreign Investors	20.7	14.0

Top Gainers

	Close	Change+/-	(+/- %)
PHARMANIAGA B	6.80	0.44	6.92
AEON CREDIT	14.48	0.30	2.12
DUTCH LADY MILK	48.48	0.30	0.62

Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	74.50	-0.98	-1.30
BAT	67.88	-0.40	-0.59
BATU KAWAN	18.02	-0.26	-1.42

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,826.30	-279.47	-1.54
NASDAQ	4,931.81	-75.98	-1.52
S&P 500	2,081.18	-23.81	-1.13
FTSE 100	6,994.63	-65.82	-0.93
DAX	11,688.70	-310.16	-2.58
Nikkei 225	19,652.88	-232.89	-1.17
HSI	27,653.12	-86.59	-0.31
KOSPI	2,143.50	3.60	0.17
STI	3,525.19	-6.42	-0.18
KLCI Futures	1,840.50	1.00	0.00
USDMYR 3M	9.95	(0.00)	(0.00)
USDMYR 6M	9.97	(0.01)	(0.00)
USDMYR 12M	10.03	-	-

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	56	0.5	0.9%
Brent (USD/bbl)	64.1	0.6	1.0%
Gold(USD/ounce)	1,206	1.3	0.1%
Coal (USD/mt)	57.9	1.1	1.9%
CPO (RM/mt)	2,148	2.0	0.1%
Rubber	167	-0.4	-0.2%
RM/USD	3.62	-0.0297	0.82%
EUR/USD	0.93	0.0002	0.02%
YEN/USD	118.89	-0.01	0.01%

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What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 279.47 points to 17,826.30, S&P 500 down by 23.81 points to 2,081.18. Nasdaq tumble by 75.98 points to 4,931.81. Stocks posted its biggest percentage loss since March 25 on Friday as investors shunned risk amid new trading regulations in China, renewed worries about Greece running out of money, and tepid U.S. corporate earnings.

- China's securities regulator warned investors to be cautious as Chinese shares hit seven-year highs. China allowed fund managers to lend stocks for short-selling and expanded the number of stocks investors can short.

The Local Market

- FBMKLCI fell 2.08 points to finish at 1,845.86 due to the profit taking activities. There were 493 gainers and 334 decliners in total value traded of RM2.28 billion.

- Among the losers on Bursa Malaysia were Nestle down 98 cent to RM74.50, BAT shed 40 cent to RM67.88, Batu Kawan Bhd tumble 26 cent to RM18.02 and PPB Group slid 20 cent to RM16.00.

Strategy

- **"Booster From China; PBoC Cut RRR by full 1%"**
  Wall Street sunk in deeper in hole last Friday caused by jitteriness of Greece's insolvency and also the northbound movement of oil prices. Nonetheless, the surprise RRR cut by PBoC on Sunday could stem the global equity market slide today. **S&P 500** and **DJIA** lost **23.81 (-1.13%)** and **-279.47 (-1.54%)** to finish at **2,081.18** and **17,826.30** respectively. As mentioned, the strength in oil prices movement has stoked selling pressure in Wall Street last Friday as its steady heavenward pace has caused chill across the globe. Rising oil price means fiscal pressure and not to mention will weigh on consumers spending as inflation for oil importing nation will head north, the most pressurised would be the US, Japan, India, to mention a few. Nonetheless, the outlook for oil producing countries has changed for the better now. Greece, in the meantime, continued to be the pain-in-the-neck as it is fast running out of cash, pushing the country at the mercy of its creditors again. More importantly, PBoC has made a splash last Sunday after it announced a full 1% cut in reserve ratio requirement (RRR) to 18.5% that will flood the banking system with additional USD194 billion in liquidity in an apparent fight to combat economic downturn, the second cut in 2 months, as the country was choking with weak retail spending and falling output amid excess capacity and rising Yuan (hence, dwindling export). The magnitude of the cut is huge as rarely does PBoC opt for full percentage cut and this will be precursor that will offset slide in global equity market today, potentially caused by the bleeding in Wall Street. We view this as more of firefighting to stem China's economic decline rather than fresh catalyst that would shore up the economy of China. Hence, we foresee investors to continue to be cautious as a result.

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- 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% in2014.

CORPORATE HIGHLIGHTS

Gamuda, BUY (TP: RM5.87): KWAP, EPF cut stakes in Gamuda
Kumpulan Wang Persaraan (Diperbadankan) or KWAP and the Empoyees Provident Fund Board (EPF) were seen taking profit on infrastructure-property based Gamuda Bhd. Filings with Bursa Malaysia on Friday said the KWAP sold one million shares on April 8 and 1.747 million units the next day. It disposed of 1.036 million shares on April 10. The recent transactions saw its total shareholding reduced to 186.599 million shares or 7.94%. Another filing showed the EPF disposed of 1.57 million shares on April 14 but it also bought 500,000 shares on that day. The recent transactions saw its shareholding reduced to 219.85 million shares or 9.34%. *(Source: The Star)*

MMHE, HOLD (TP: RM1.33): Looks abroad
Malaysia Marine and Heavy Engineering Holdings Bhd (MMHE), an oil and gas (O&G) services provider, is clearly facing challenging times, considering its depleting order-book and a need to increase the utilisation of its massive fabrication yard in Johor. Like several other O&G services providers, MMHE's share price has been on a downward spiral. The company saw its shares traded as low as RM1.07 last month, down 66% from a year ago, losing about RM4.1bil in market value during that period. But the Petronas-controlled company is currently sitting on a healthy balance sheet with total borrowings of RM265mil, and cash and cash equivalent almost double that at RM589.23mil. (*Source: The Star)*

MMHE, HOLD (TP: RM1.33): Abu Fitri takes up the challenge as new MMHE chief
Abu Fitri Abdul Jalil has big shoes to fill with his appointment as Malaysia Marine and Heavy Engineering Holdings Bhd's (MMHE) managing director and chief executive officer last month. With 23 years' experience in the oil and gas (O&G) industry, he joined MMHE during one of the most challenging times for the local O&G sector following the slump in oil prices. Abu Fitri, 49, is the third CEO to helm MMHE after the company's 2010 listing. He replaced Dominique de Soras, who joined the company in 2011, just four months after MMHE was listed, in a move seen to revamp and make the engineering company more cost-efficient. (*Source: The Star)*

Naim Indah (CP: RM0.13): To develop GDV US$120m 32-flr office tower in Yangon
Naim Indah Corporation Bhd is in talks to develop a 32-floor office tower with a gross development value of US$120 million in Yangon, Myanmar, via a joint venture. "Things are still under planning, we have not finalized, we are currently in talks with a Myanmar partner," Naim Indah managing director Datuk Alex

Siaw Swee Hin told reporters after EGM on Friday. Siaw said the loss-making Naim Indah is expected to turn around in 2015, with the contribution from the RM18 million contracts for Gateway Klang Project which will be completed in 2017. *(Source: The Star)*

OSK Property (CP: RM1.89): Sets capex for land acquisition at RM100m
OSK Property Holdings Bhd is setting aside RM100mil as capital expenditure for land acquisition this year. Its managing director and CEO Tan Sri Ong Leong Huat said on Friday the group targets to maintain RM1bil of gross development value in property launches this year. About 20% to 30% of this would be from the on-going Sungai Petani development in Kedah, he added. *(Source: The Star)*

DRB-Hicom (CP: RM1.90):Iin JV to produce, sell Lotus in China
DRB-Hicom Bhd's wholly-owned subsidiary Proton Holdings Bhd and Lotus Group International Ltd have entered into a joint venture with Goldstar Heavy Industrial Co Ltd to produce and sell Lotus branded passenger cars in China. In a filing with the stock exchange, DRB-Hicom said the total investment in the joint venture entity will increase from RMB2.7 billion (RM1.61 billion) during the initial stage to RMB10 billion (RM5.97 billion) for the second stage. Proton, Lotus and Goldstar will each own a 40%, 10% and 50% in the joint venture company.

IPO: Malakoff set for big comeback after RM3.15b IPO
MMC Corp Bhd's power unit, Malakoff Corp Bhd is setting for a big comeback with its relisting on the Main Market of Bursa Malaysia Securities, which is slated for May 15, 2015. The company is expected to raise up to RM3.15 billion in proceeds from the offering of 1.75 billion shares (including the over-allotment option) at a maximum indicative price of RM1.80 per share, which is subject to final determination. The initial public offering (IPO) is expected to be one of the biggest in Malaysia and Asia this year. Malakoff was first listed on the then Kuala Lumpur Stock Exchange in 1976 and was subsequently taken private in July 2007 following the completion of its acquisition by MMC.

IPO: LTH, Socso among Malakoff's 12 cornerstone investors
Malakoff Corporation Bhd has secured 12 cornerstone investors for its re-listing exercise and they include the Social Security Organisation (Socso) and Lembaga Tabung Haji. Its non-executive chairman Tan Sri Syed Zainol Anwar Syed Putra Jamalullail said on Friday these investors have agreed to acquire about 533.80 million shares of 10.7% of the enlarged issued and paid-up share capital. The other cornerstone investors include CIMB-Principal Asset Management Bhd, Maybank Asset Management Bhd, Maybank Islamic Asset Management Sdn Bhd, Great Eastern Life Assurance (Malaysia) Bhd and RHB Asset Management Sdn Bhd. The others are UOB asset Management (Malaysia) Bhd, Hong Leong Asset Management Bhd, Eastspring Investments Bhd, Kencana Capital Sdn Bhd and Coston-Smith Asset Management Sdn Bhd. (*Source: The Star)*

Banking Sector (Neutral): Not worried about impact of GST on sentiment
Banks are unfazed by the goods and services tax (GST) dampening consumer and business sentiment, as the situation is temporary. However, some analysts feel the GST would impact loan and fee income growth. This would put a strain

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on existing challenges faced by the banking sector like margin contraction and higher credit costs. RHB banking group deputy group managing director and RHB Bank managing director Datuk Khairussaleh Ramli told *StarBiz* the bank was maintaining its loan and fee income growth target this year despite the GST. (*Source: The Star)*

Automotive Sector (Overweight): Vehicle sales surge in March ahead of GST

Vehicle sales in the country jumped to 67,314 units in March 2015, a 33.6% increase from February, ahead of the implementation of the goods and services tax (GST) on April 1. According to the Malaysian Automotive Association (MAA), this was the second highest monthly sales since July 2013 when sales volume surged to 68,451 units. The surge was due to very attractive offers and incentives given by car companies to clear stocks prior to the implementation of the GST, it said. Of the 67,314 units sold in March, MAA said that 59,318 were passenger vehicles and the balance 7,996 commercial units. (*Source: The Star)*

ECONOMIC UPDATES

Malaysia: China, Malaysia renew currency swap arrangement for 3 years

China and Malaysia have renewed their currency swap arrangement for a further three years, according to a statement on the website of the Malaysian central bank. The swap exchanges 180 billion yuan ($29.04 billion) for 90 billion ringgit ($24.83 billion), according to the report, unchanged from the previous swap arrangement in 2012, which increased the size of the first swap signed in 2009. A separate report on China's official Xinhua news service said the agreement was signed by Malaysian central bank governor Tan Sri Dr Zeti Akhtar Aziz and her Chinese counterpart Zhou Xiaochuan in the United States. (*Source: The Star)*

U.S.: Companies use more of their bank credit lines in sign of confidence

U.S. banks are reporting that companies are tapping more of their credit lines to fund hiring and expand their businesses, a promising sign for the economy. Commercial borrowers are using two or three percentage points more of their credit lines than they were a year ago, reaching levels not seen since before the financial crisis was at its height in 2009. Companies are using the funds for a variety of things, from boosting manufacturing capacity to investing in new businesses and building inventory as customer demand increases. *(Source: Reuters)*

U.S.: Sluggish US growth may weigh on exports

Faltering US economic growth may weigh on Malaysian exports, already facing a challenging year given lower commodity prices and uncertain global economic growth. While Malaysian policymakers have factored in lower gains for exports this year, the slew of US economic data points to not only a slower first-quarter but also trouble ahead, with investors becoming more concerned about upcoming US corporate earnings. Independent economist Lee Heng Guie told *StarBiz* that lacklustre US economic growth would not bode well for Malaysia despite moderate exports growth having been factored in. (*Source: The Star)*

U.S.: IMF warns clear fiscal reform plan key to success of BOJ's stimulus

Japan must come up with and implement a clear, specific plan to cut its huge debt pile in order to make its monetary stimulus effective, the IMF's mission chief for the country said, warning Tokyo against loosening its grip on fiscal consolidation. Prime Minister Shinzo Abe put off a sales tax hike last year and has been slow in pushing through painful spending cuts, arguing that Japan should focus more on boosting tax revenues by reflating the economy with stimulus. The Bank of Japan's massive stimulus, deployed in 2013 and expanded last year, has kept borrowing costs ultra-low. But bank lending has failed to pick up as companies hold off on spending. Inflation ground to a halt on slumping oil costs, keeping alive expectations that the BOJ will ease again this year. *(Source: The Edge)*

Global: Global oil demand to rise by 1.2m barrels per day in 2015

Global oil demand is anticipated to rise by 1.2 million barrels per day (mb/d), with total growth continuing to come mostly from non-Organisation of Economic Co-operation and Development (OECD) countries, according to the secretary-general of the Organisation of the Petroleum Exporting Countries (OPEC) Abdalla Salem E-Badri. In a statement to the International Monetary and Financial Committee on April 16, Abdalla said North America in the OECD was the only region expected to see positive growth, driven mainly by an improvement in economic growth in the US. *(Source: The Edge)*

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STOCK RECOMMENDATIONS

BUY	Share price is expected to be ≥+10% over the next 12 months.
TRADING BUY	Share price is expected to be ≥+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 ≥-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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