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Monday, April 27, 2015

## At a Glance

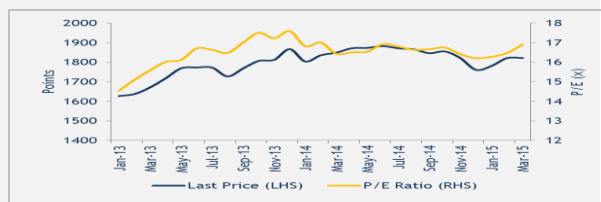
FBMKLCI surged 16.5 points to finish at 1,862.58 lifted by the weaker oil price.....(See full report next page)

## Corporate Highlights

- **AMMB, HOLD (TP: RM7.00):** Ambank, CGC drafting new frontiers in business financing
- **Maybank, BUY (TP: RM10.70):** Raises US\$261m from Samurai bonds
- **Supermax, HOLD (TP: RM2.30):** To venture into RM65mil contact lens business

## Economic Update

- **Malaysia:** Unemployment rate higher in February in Malaysia
- **China:** Says employment resilient despite slower economic growth
- **China:** Cuts to pay and perks trigger flight from China's state bank



## KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
US	27-Apr	9:45 PM	Markit US Composite PMI	-	59.2
US	27-Apr	9:45 PM	Markit US Services PMI	-	59.2
JP	28-Apr	7:50 AM	Retail Trade YoY	-	-1.8%
JP	28-Apr	7:50 AM	Retail Sales MoM	-	0.7%
US	28-Apr	9:00 PM	S&P/CS Composite-20 YoY	4.70%	4.56%
US	28-Apr	9:00 PM	S&P/CasShiller 20-city Index NSA	-	172.94
US	28-Apr	10:00 PM	Consumer Confidence Index	102.5	101.3
EU	29-Apr	4:00 PM	M3 Money Supply YoY	-	4.0%
EU	29-Apr	4:00 PM	M3 3-month average	-	3.8%
EU	29-Apr	5:00 PM	Consumer Confidence	-	-4.6
EU	29-Apr	5:00 PM	Economic Confidence	-	103.9
US	29-Apr	7:00 PM	MBA Mortgage Applications	-	2.3%
US	29-Apr	8:30 PM	GDP Annualized QoQ	1.0%	2.2%
US	29-Apr	8:30 PM	Personal Consumption	1.7%	4.4%
US	29-Apr	8:30 PM	GDP Price Index	0.5%	0.1%
US	29-Apr	8:30 PM	Core PCE QoQ	-	1.1%
US	29-Apr	8:30 PM	Pending Home Sales MoM	1.0%	3.1%
EU	30-Apr	5:00 PM	Unemployment Rate	-	11.3%
EU	30-Apr	5:00 PM	CPI Estimate YoY	-	-
EU	30-Apr	5:00 PM	CPI Core YoY	-	0.6%
JP	30-Apr	7:50 AM	Industrial Production YoY	-	-2.0%
JP	30-Apr	7:50 AM	Industrial Production MoM	-	-3.1%
JP	30-Apr	1:00 PM	Housing Starts YoY	-	-3.1%
CN	1-May	9:00 AM	Manufacturing PMI	-	50.1
CN	1-May	9:00 AM	Non-manufacturing PMI	-	53.7
JP	1-May	7:30 AM	Jobless Rate	-	3.5%
JP	1-May	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	-
JP	1-May	1:00 PM	Vehicle Sales YoY	-	-13.1%

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,862.58	16.50	0.89
FBMEMAS	12,812.73	96.01	0.75
FBMEMAS SHA	13,353.55	92.17	0.70
FBM100	12,487.52	99.86	0.81
Volume (mn)	2,102.99	124.61	6.30
Value (RMmn)	2,003.76	325.72	19.41
FBMKLCI YTD Chg			5.75

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.6	-19.5
Local Institution	52.5	-63.3
Foreign Investors	24.9	82.8

## Top Gainers

	Close	Change+/-	(+/- %)
KLK	23.42	0.96	4.27
NESTLE (MALAY)	75.38	0.88	1.18
PETDAG	22.00	0.40	1.85

## Top Losers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	47.20	-0.30	-0.63
PANASONIC MAN	23.12	-0.46	-1.95
PRESS METAL BHD	2.90	-0.34	-10.49

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,080.14	21.45	0.12
NASDAQ	5,092.09	36.02	0.71
S&P 500	2,117.69	4.76	0.23
FTSE 100	7,070.70	17.03	0.24
DAX	11,810.85	87.27	0.74
Nikkei 225	20,020.04	-167.61	-0.83
HSI	28,060.98	233.28	0.84
KOSPI	2,159.80	-13.61	-0.63
STI	3,513.00	10.25	0.29
KLCI Futures	1,858.50	15.00	0.01
USDMYR 3M	10.06	(0.02)	(0.00)
USDMYR 6M	10.06	(0.02)	(0.00)
USDMYR 12M	10.12	(0.01)	(0.00)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	57	0.0	0.1%
Brent (USD/bbl)	65.4	0.1	0.2%
Gold(USD/ounce)	1,180	0.9	0.1%
Coal (USD/mt)	60.9	0.6	1.0%
CPO (RM/mt)	2,154	-4.0	-0.2%
Rubber	172	0.2	0.1%
RM/USD	3.58	-0.0435	1.22%
EUR/USD	0.92	0.0008	0.09%
YEN/USD	118.93	-0.06	0.05%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average gained 21.45 points to 18,080.14, S&P 500 up by 4.76 points to 2,117.69. Nasdaq grew by 36.02 points to 5,092.09. The Nasdaq Composite hit a 15-year intraday high on Friday afternoon, propelled by strong results from tech behemoths Google, Amazon and Microsoft.
- AS US Company earnings rise and major stock market indices hit new heights, two small problems remain: revenues are static and the trajectory of earnings growth is slipping.

### The Local Market

- FBMKLCI surged 16.5 points to finish at 1,862.58 lifted by the weaker oil price. There were 393 gainers and 445 decliners in total value traded of RM2.0 billion.
- Among the gainers on Bursa Malaysia were KLK gained 96 cent to RM23.42, Nestle (M) up 88 cent to RM75.38, PetDag rose 40 cent to RM22.00 and Tecnic Group increased 30 cent to RM0.74.

### 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

### AMMB, HOLD (TP: RM7.00): Ambank, CGC drafting new frontiers in business financing

AmBank (M) Bhd inked a portfolio guarantee agreement with Credit Guarantee Corp Malaysia Bhd (CGC), allocating up to RM300mil to enhance Small and Medium Enterprise (SME) financing in Malaysia. In a joint statement on Friday, the companies said the tie-up would extend the financing to five main sectors namely wholesale and retail trade, manufacturing, education, health care, construction and resources. Under the SME Masterplan 2012-2020, these high growth sectors have been identified for the country to have both comparative and competitive advantages with high multiplier effect. *(Source: The Star)*

### Maybank, BUY (TP: RM10.70): Raises US\$261m from Samurai bonds

Malayan Banking Bhd (Maybank) raised 31.3bil yen or US\$261mil from its inaugural Samurai bond issuance, which will have a three and five year tenor. Maybank, the fourth largest banking group in Asean by assets, said on Friday this was the first-ever Samurai bond issued out of the Malaysian banking sector, as well as the first Samurai bond issuance in fiscal year 2015 in Japan. *(Source: The Star)*

**Supermax, HOLD (TP: RM2.30): To venture into RM65mil contact lens business**

Supermax Corporation Bhd's new RM65mil contact lens business would make the group the first Malaysian owned brand manufacturer for the product globally, said group managing director Datuk Seri Stanley Thai. Thai said the product, which is currently undergoing research and development in United Kingdom, would complement the group's existing global distribution network in healthcare and medical device industry. (Source: The Star)

**Top Glove, HOLD (TP: RM5.61) still looking to expand via M&As**

The world's leading rubber glove maker Top Glove Corp Bhd, which expects to post a double-digit growth in net profit this year, is still looking to expand rapidly via mergers and acquisitions (M&As). Executive director Lim Cheong Guan said the group was ready to acquire other glove manufacturers or related businesses and was also willing to consider investing in new businesses as well. The group, which commands a fifth of the global market share, had RM142.8mil cash at the end of February. Its net debt to equity ratio currently stands at 1.5%. (Source: The Star)

**QL (CP: RM4.10): To take up stake in Sunsoria**

Agri-food and poultry giant QL Resources Bhd is poised to emerge as a substantial shareholder in property developer Sunsoria Bhd, which is embarking on the Xiamen University Malaysia Campus property development project in Sepang, said sources. The company is believed to have purchased a stake of at least 5% in Sunsoria, which inched up 11 sen to close at RM2.05 per share last Friday. This is likely QL Resources' second investment in a public-listed company. It has a 41.48% stake in biomass boiler manufacturing group Boilermech Holdings Bhd. (Source: The Star)

**Bina Puri (CP: RM0.57): Unit gets RM123.32mil Sabah contract**

Bina Puri Sdn Bhd, a unit of Bina Puri Holdings Bhd, has secured a RM123.32mil Sabah Department of Works (JKR) contract to equip Blocks A and B of the state administrative complex in Kota Kinabalu. In a statement on Friday, the country's integrated civil and building construction service provider said it accepted a letter of award from Sabah's JKR on April 20 and would complete the works within a year. Bina Puri director Tan Sri Tee Hock Seng said the group had secured RM543mil in projects this year and was optimistic of securing further projects by year-end. (Source: The Star)

**Gadang (CP: RM1.56): Gets shareholder nod to buy land in Semenyih**

Investment holding company Gadang Holdings Bhd has obtained shareholders' approval for its proposal to buy 62.84 acres (25.43 ha.) of freehold land in Semenyih from Sementar Properties Sdn Bhd for RM95.8 million in cash. Managing Director Ling Hock Hing told Bernama the acquisition by its indirect wholly-owned subsidiary Crimson Villa Sdn Bhd is to build a mixed development of residential units and shop offices. "Subject to the authorities' approval, our plan is for a central park surrounded by terrace and triple-link houses. "This project is targeted to be launched by end-2015 with a minimum estimated Gross Development Value of RM450 million, and we are looking to increase the value," he said after the company's extraordinary general meeting at the Sri Damansara Club today. Ling added that Gadang has paid around RM9 million for

the proposed acquisition with RM86.23 million left to be settled. (Source: *Business Times*)

#### **Eco World (CP: RM1.84): Aims for RM4 billion sales in 2016**

Property developer, Eco World Development Group Bhd, aims to achieve RM4 billion in sales for its financial year ending Oct 31, 2016. Chief executive officer Datuk Chang Khim Wah said for the current financial year, the company was eyeing RM3 billion, adding, the sales target for both years was on the back of strong sales momentum and high pre-sales registration. The group has achieved cumulative sales of RM3.8 billion over the last 16 months, including RM621 million in the first four months of financial year 2015, he told reporters at Invest Malaysia 2015, here, today. "Prospects for the property market remain strong," said Chang, who is also the company president. (Source: *Business Times*)

#### **Press Metal (CP: RM2.90): To press on despite aluminium glut**

PRESS Metal Bhd, the shares of which had been battered over the past few days, believes that worries over a global supply glut in aluminium will be temporary as China gets ready to remove an export tax on the metal starting next month. Global prices of aluminium have slumped as a glut emerges with China exporting more aluminium in the first quarter of 2015. Reports say exports of unwrought aluminium and aluminium products from China surged 43% in the first quarter of this year to 1.2 million tonnes, worsening a glut situation in the commodity where global giant Alcoa reversed earlier estimates of a deficit to a big surplus of the metal in the global market. (Source: *The Star*)

#### **SBC Corp (CP: RM1.15): To launch Jesselton Quay development soon?**

AFTER two long years since SBC Corp Bhd first signed a joint-venture (JV) agreement with Sabah Ports operator Suria Capital Holdings Bhd to develop the Jesselton Quay in Kota Kinabalu, it is now finally preparing to release commercial properties within the latter for public preview. According to a source, plans are being made for a launch of the first phase of its commercial property which will take place at its sales gallery in Kota Kinabalu. The gallery is being prepped and we expect them to have a launch soon," says the Sabah-based source. (Source: *The Star*)

#### **Malaysia Airlines: Undergoing transformation pains**

THE restructuring of Malaysia Airlines (MAS) will probably leave the airline to be a shell of its former self. Routes and jobs are being cut, and its pilots are looking to hop to other airlines as uncertainties loom. The despair over the current situation has also led to its powerful union throwing in the towel to wind up operations. Amid all this, there are questions as to whether what is being done now is part of the same cookie cutter model that did not work in the past where routes were cut and then reinstated, and planes filled at the expense of yields. (Source: *The Star*)

## ECONOMIC UPDATES

**Malaysia: Unemployment rate higher in February in Malaysia**

Malaysia's unemployment rate rose 0.1% to 3.2% in February 2015 from 3.1% in January, according to the Statistics Department. It said on Friday the unemployment rate was however similar to a year ago. The seasonally adjusted unemployment rate for February 2015 was 3.2%, up 0.2 percentage point compared with 3% in the previous month. The department said the labour force participation rate in February rose 0.2 percentage points to 67.4% from 67.2% in January 2015. The increase was contributed by the increase of 62,700 employed personnel in the labour market. It said the number of employed rose 0.5% to 13.664 million in February, a 0.5% increase from 13.601 million in January. However, there was a 2.9% increase in the unemployed at 454,900 from 442,000 from January. This was also a 1.9% rise from the 446,400 a year ago. (Source: *The Star*)

**China: Says employment resilient despite slower economic growth**

China said on Friday that urban employment held up in the first quarter even as economic growth slowed to a 6-year low, but the labour ministry warned that authorities cannot be "blindly optimistic" as the pace of job creation is slowing. The urban unemployment rate was at 4.05 percent at the end of March, little changed from 4.1 percent at the end of 2014. The world's second-largest economy created 3.24 million new jobs in the first quarter, down from 3.44 million during the same period last year, the ministry said. China's annual economic growth slowed to a six-year low of 7 percent in the first quarter, hurt by a housing slump and a downturn in investment and manufacturing. (Source: *The Edge*)

**China: Cuts to pay and perks trigger flight from China's state bank**

Bankers at China's top state lenders are quitting in increasing numbers because of cuts to their pay and perks, and moving to a new breed of financial firms such as leasing companies, trusts and online platforms, bankers and headhunters say. As part of an austerity, anti-graft drive, Beijing last year dictated pay cuts of up to a half for senior-level state bankers. Some state-owned lenders have since quietly cut salaries across the board. The declining popularity of bank jobs could make it difficult for state lenders to hire and retain talent, making them less able to compete with newer lending institutions. (Source: *The Star*)

**Eurozone: EU-ABC sends proposal to Asean Economic Ministers**

The EU-Asean Business Council (EU-ABC) has put forward its recommendations to Asean Economic Ministers, saying more can be done to improve the commercial, trade and investment environment between the two regions. Executive director Chris Humphrey said that while steady growth was prevalent between Europe and Asean, with over 11,000 European businesses having presence in the region, it was important to look into intra-Asean trade issues for better integration. The annual business summit to be held on Aug 23 in Kuala Lumpur will coincide with the 47th Asean Economic Ministers' Meeting. (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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