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Wednesday, April 29, 2015

**At a Glance**

FBMKLCI fell 4.52 points to finish at 1,855.06 due to the absence of fresh catalyst.....(See full report next page)

**Daily Trading Strategy****"Wall Street Nervous on FOMC Policy Statement"**

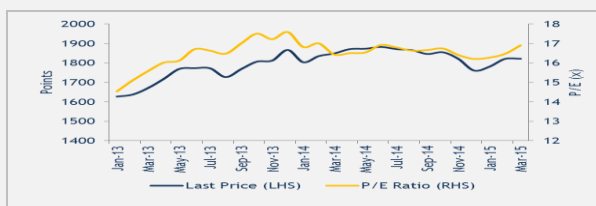
We continue to believe that investors may not want to take big bets ahead of the announcement especially on tectonic shift development like this.....(See full report next page)

**Corporate Highlights**

- **Gas Malaysia, BUY (TP: RM3.90):** Partners Sime Darby Offshore
- **CIMB, HOLD (TP: RM6.10):** Malaysia's CIMB expects Indonesian operations to improve from Q2
- **Bintulu Port (CP: RM7.10):** Cargo handling up 3.6% to 45,395mil tonnes

**Economic Update**

- **Malaysia:** Consumer-led growth to spur Malaysia's exports
- **U.S.:** Home prices rise in February
- **France:** French consumer confidence at highest in five years

**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/CaseShiller 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	1,855.06	-4.52	-0.24
FBMEMAS	12,727.82	-48.36	-0.38
FBMEMAS SHA	13,249.47	-71.75	-0.54
FBM100	12,423.74	-33.57	-0.27
Volume (mn)	2,174.60	54.72	2.58
Value (RMmn)	2,151.10	96.35	4.69
FBMKLCI YTD Chg			5.33

**Daily Trading Position (RM'mn)**

	Participation (%)	Net(RMm)
Local Retail	20.3	-5.1
Local Institution	58.8	5.7
Foreign Investors	20.9	-0.6

**Top Gainers**

	Close	Change+/-	(+/- %)
WZ SATU	1.76	0.19	12.10
TECNIC GROUP	0.93	0.19	25.85
ORIENTAL	7.54	0.15	2.03

**Top Losers**

	Close	Change+/-	(+/- %)
UNITED PLANT	25.54	-0.66	-2.52
BAT	65.94	-0.60	-0.90
KLK	23.06	-0.34	-1.45

**World Indices**

	Close	Change+/-	(+/- %)
DJIA	18,110.14	72.17	0.40
NASDAQ	5,055.42	-4.82	-0.10
S&P 500	2,114.76	5.84	0.28
FTSE 100	7,030.53	-73.45	-1.03
DAX	11,811.66	-227.50	-1.89
Nikkei 225	20,058.95	75.63	0.38
HSI	28,442.75	9.16	0.03
KOSPI	2,147.67	-9.87	-0.46
STI	3,495.09	-20.76	-0.59
KLCI Futures	1,855.50	(3.00)	(0.00)
USDMYR 3M	10.22	0.05	0.00
USDMYR 6M	10.22	0.03	0.00
USDMYR 12M	10.20	0.01	0.00

**Other Key Economics Data**

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	57	-0.2	-0.3%
Brent (USD/bbl)	64.6	-0.2	-0.3%
Gold(USD/ounce)	1,212	-0.2	0.0%
Coal (USD/mt)	62.0	0.3	0.5%
CPO (RM/mt)	2,093	-15.0	-0.7%
Rubber	178	1.0	0.6%
RM/USD	3.56	-0.0107	0.30%
EUR/USD	0.91	0.0009	0.10%
YEN/USD	118.84	-0.02	0.02%

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## What To Expect

### U.S. Market

- The Dow Jones Industrials Average rose 72.17 points to 18,110.14, S&P 500 grew by 5.84 points to 2,114.76. Nasdaq declined by 4.82 points to 5,055.42. Stocks closed mixed Tuesday as investors eyed tech earnings and awaited the Federal Reserve's statement on Wednesday.
- The Federal Market Open Committee began on Tuesday and will conclude with the release of a post-meeting statement expected at 2 p.m. on Wednesday. A wave of mostly disappointing domestic data since the previous FOMC meeting has spurred economists to downgrade their outlooks for the U.S. economy in 2015, particularly for the first quarter.

### The Local Market

- FBMKLCI fell 4.52 points to finish at 1,855.06 due to the absence of fresh catalyst. There were 393 gainers and 445 decliners in total value traded of RM2.15 billion.
- Among the losers on Bursa Malaysia were United Plantation dropped 66 cent to RM25.54, BAT declined 60 cent to RM65.94, KLK and Malaysian Pacific Industries slid 34 cent to RM23.06 and RM6.41 respectively.

### Strategy

- **“Wall Street Nervous on FOMC Policy Statement”**  
Wall Street ended mixed on Tuesday as investors refused to take big bets ahead of the Fed upcoming policy statement. S&P 500 and DJIA added a mild 5.84 (0.28%) and 72.17 (0.40%) points to end at 2,114.76 and 18,110.14 respectively. As mentioned, the US monetary policy committee, FOMC, will be releasing its policy statement on Wednesday at 2pm (US time). This time around, there will be no press conference post-meeting and hence, market participants will have to process and chew the policy statement themselves. The absence of press conference will hike further rumour mongering and speculative activity especially when sentiments have been injured by rising oil prices. At this stage, we continue to believe that investors may not want to take big bets ahead of the announcement especially on tectonic shift development like this. Hence, market may continue to see-saw until then.
- 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

**Gas Malaysia, BUY (TP: RM3.90): Partners Sime Darby Offshore**

Gas Malaysia Bhd has partnered with Sime Darby Offshore Engineering Sdn Bhd to undertake a biogas compressed natural gas distribution business extracted from the palm oil mill effluent. Gas Malaysia said the joint venture would involve the provision of the sale, supply and transportation of BioCNG to customers and carrying out of the design, construction, installation, commissioning and operation of pressure regulating unit at each customer's premises. Gas Malaysia said the tie-up was formed as both parties seek to optimize the combined strengths of each partner. *(Source: The Star)*

**CIMB, HOLD (TP: RM6.10): Malaysia's CIMB expects Indonesian operations to improve from Q2**

CIMB Group Holdings Bhd, Malaysia's second largest bank by assets, expects profit from its Indonesian operations to improve from the second quarter on lower loss provisioning, Chairman Nazir Razak said. The performance in terms of bottom line in Indonesia will be better in the second quarter. He expects significant improvement in performance from the second half of 2015. CIMB's Indonesian unit, Bank CIMB Niaga Tbk PT, chose to take a higher proportion of the provisions in the first quarter, meaning second-quarter provisions will be smaller, Najir said. CIMB Niaga's net profit dropped to 82.72 billion rupiah (\$6.37 million) in the first quarter from 1.1 trillion rupiah a year earlier due to higher operating expenses and provisions. *(Source: The Edge)*

**Bintulu Port (CP: RM7.10): Cargo handling up 3.6% to 45,395mil tonnes**

Bintulu Port's cargo handling for 2014 rose by 3.63 per cent to 45,395 million tonnes from 43,805 million tonnes in 2013. Bintulu Port Holdings Bhd chairman, Tan Sri Dr Ali Hamsa, said of the 45,395 million tonnes, 25,487 million tonnes were liquefied natural gas (LNG) and 19,908 million tonnes non-LNG. In 2013, 25,479 million tonnes were LNG and 18,326 non-LNG, he said. "The handling of the containers in 2014 increased by 8.05 per cent to 270,495 twenty-foot equivalent units (TEUs) compared with 250,353 TEUs in 2013. Ali said with the recent extension of the port's lease for another 30 years from 2023 to 2052, it could continue with its development projects to meet future demands. *(Source: The Star)*

**Pensonic (CP: RM0.40): Net profit jump 22%**

Pensonic Holdings Bhd's net profit for the third quarter ended Feb 28, 2015, jumped 22% to RM2.19mil, from RM1.79mil due to overhead cost spending rationalisation implemented by its management. Its revenue rose 7.2% to RM101.46mil for the quarter compared to RM94.63mil for the corresponding period a year ago due to an increase in its sales. However, a huge improvement in the overseas market demand also cushioned the group's revenue as its export market was up 29.6% to RM37.9mil for the quarter compared to a year ago. Moving forward, Pensonic expects that competition would remain intense for the year. *(Source: The Star)*

**Texchem Resources (CP: RM1.54): Net profit jump more than 5 times**

Texchem Resources Bhd's net profit for the first quarter ended March 31, 2015, jumped more than five times to RM4.99mil, from RM927,000 due to higher net profit from industrial, food, restaurant and other divisions. Its revenue surged 14.86% to RM277.09mil for the quarter compared to RM241.34mil for the corresponding period a year ago cushioned by higher revenue from various divisions. Meanwhile, its industrial division's revenue for the quarter was up 7.9% to RM109.3mil, from RM101.3mil due to improved results of overseas subsidiaries. (Source: *The Star*)

**KKB Engineering (CP: RM1.76): Associate bids for RM550mil projects**

KKB Engineering Bhd associate OceanMight Sdn Bhd, which delivered its maiden fabrication project for the oil and gas (O&G) industry last week, has bid for four more projects worth RM550mil. KKB Engineering executive director Kho Pok Tong expects the outcome of one or two of the four tenders to be known in the second half of 2016. OceanMight is a 43%-owned associate firm of KKB Engineering. Its maiden project worth RM14.5mil involved the fabrication, hook-up and commissioning for the Tanjong Baram wellhead platform. (Source: *The Star*)

**Bina Puri (CP: RM0.55): Denies having relations with "Utokens"**

Bina Puri Holdings Bhd denied it has any kind of relations with any "Utokens", and has never participated in any of its promotion or any other promotions by Thailand-based UFUN Group. The company had recently received several enquiries from its close associates in respect of the purchase of 100 units of residential houses in Bangkok Marina Resort and Spa development by UFUN, through UTR Holding Co. Ltd, in Bangkok. "Bina Puri wishes to clarify that Bangkok Property Co Ltd is the developer of the resort. The group associate, Bina Puri Holdings (Thailand) Ltd, holds 20 per cent shares in the company. (Source: *The Edge*)

**Icon Offshore (CP: RM0.60): Execs get 6-month leave to assist probe**

Oil and gas services provider Icon Offshore Bhd has granted its two top executives, chief executive officer (CEO) Dr Jamal Yusof and chief operating officer (COO) Rahman Yusof, a six-month leave of absence to enable them to focus on assisting ongoing investigations by the Malaysian Anti-Corruption Commission (MACC). In a filing with Bursa Malaysia yesterday, Icon Offshore reiterated that its deputy CEO Capt Hassan Ali would assume the leadership position while Jamal and Rahman were absent, and would continue to discharge all responsibilities of the CEO. (Source: *The Star*)

**BNM: Appoints Adhari as Assistant Governor**

Bank Negara Malaysia (BNM) has appointed Mohd Adhari Belal Din as an Assistant Governor effective May 1, 2015. In a press release on Tuesday, BNM said that Adhari's responsibility comprises of strategic management, human capital development centre, IT services and strategic human capital departments. BNM added that previously, Adhari served as the Director of the strategic human capital department as well as Strategic Management and risk management departments. Despite Adhari's new appointment as an assistant

governor, BNM said he will continue as a Director of strategic human capital department. (Source: *The Star*)

## ECONOMIC UPDATES

### Malaysia: Consumer-led growth to spur Malaysia's exports

A focus on consumer-driven goods will help drive Malaysia's exports, given the improving sentiments in the United States and expected rise in private consumption over the medium to long term in China. China recently released first-quarter gross domestic product (GDP) data that showed the economy slowing to a 7% year-on-year growth. Economists believe that the ongoing restructuring of the economy would see more dependence on private consumption and less reliance on investments. UBS AG senior global economist Paul Donovan said at a media briefing that higher wages for skilled workers, lower crude oil prices and favourable demographics would spur US demand for consumer durables. (Source: *The Star*)

### U.S.: Home prices rise in February

U.S. single-family home prices rose in February from a year earlier, led by strong increases in the western half of the United States, a closely watched survey said on Tuesday. The S&P/Case Shiller composite index of 20 metropolitan areas gained 5 percent in February on a year-over-year basis, besting January's downwardly revised gain of 4.5 percent. This was also above a *Reuters* poll of economists that forecast a rise of 4.7 percent. Denver and San Francisco reported the highest year-over-year gains, with prices increasing by 10 percent and 9.8 percent, respectively, over the last 12 months. (Source: *The Edge*)

### France: French consumer confidence at highest in five years

French consumer confidence rose for the third consecutive month in April to reach its highest in over five years, data showed on Tuesday, although nagging concerns about unemployment meant it was still below the long-term average. The index released by the official INSEE statistics agency came a day after unemployment figures showing the number out of work rose a further 15,400 to just over 3.5 million, making for a jobless rate rooted around 10 percent. The consumer morale reading ticked up to 94 this month from 93 in March, its highest reading since January 2010 and in line with expectations of economists polled by *Reuters*. (Source: *Reuters*)

### Japan: Japan's Amari plays down expectations on U.S. trade deal progress

Japanese Economy Minister Akira Amari played down the prospect of substantial progress in trade talks being announced after a summit meeting between Japan and the United States on Tuesday. Japanese Prime Minister Shinzo Abe meets U.S. President Barack Obama in Washington. The trade negotiations between the two are seen as crucial for the wider TPP as their economies account for 80 percent of the group involved in the talks. Amari said progress had been made on some aspects of the trade talks between the two countries but other aspects were "deadlocked" and he expected the two leaders to instruct officials to make efforts towards an early agreement. (Source: *Reuters*)

**Indonesia: Says FDI commitments rise 14 pct y/y in Q1**

Commitments for foreign direct investments (FDI) in Indonesia rose 14 percent year-on-year in the first quarter of this year, picking up from 10.5 percent growth in the last quarter of 2014. The Investment Coordinating Board (BKPM) said on Wednesday that Southeast Asia's largest economy attracted 82.1 trillion rupiah (\$6.32 billion) of FDI commitments in January-March, up from the 78.7 trillion rupiah commitments in October-December. The board reports FDI commitments in rupiah terms and it uses 12,500 per dollar as the basis for its calculation. The FDI figures will be an encouraging sign for President Joko Widodo, who assumed office in October, and is aiming to revive an economy which grew at its slowest pace in five years in 2014. *(Source: The Edge)*

**Singapore: C. bank says core inflation to moderate in Q2-Q3 before rising**

Singapore's core inflation may moderate in the second and third quarters and headline inflation could be negative for "some consecutive months", the central bank said on Tuesday. Inflation was expected to return next year as oil prices pick up, it said. Direct oil-related items are expected to dampen overall inflation by up to 1 percentage point in 2015 after a negligible contribution last year, the Monetary Authority of Singapore (MAS) said in its half-yearly macroeconomic review. "In sum, the sharp correction in global oil prices is expected to further dampen domestic inflation, with possible second-round effects in terms of lower production costs," the MAS said. It added that while the labour market is likely to remain tight, pass-through of costs should remain moderate because of the slow growth environment. *(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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