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Thursday, April 30, 2015

At a Glance

FBMKLCI fell 12.13 points to finish at 1,842.93 due to the absence of fresh catalyst.....(See full report next page)

Daily Trading Strategy

“Business as Usual”

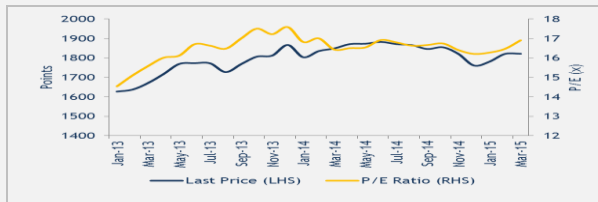
We foresee the local market may continue to suffer from lack of energy as there is no earth shaking catalyst that could lift momentum higher.....(See full report next page)

Corporate Highlights

- **IHH, HOLD (TP: RM4.92):** Eyes stake in India’s US-Owned CARE Hospitals
- **UEM Sunrise (TBA):** Iskandar security deal fails to get Home Ministry approval
- **Westports Holdings (CP: RM4.30):** RM500m capex by Westports

Economic Update

- **China:** Official factory PMI seen stalling at 50.0 in April
- **Thailand:** Surprises with rate cut as risk to growth rises
- **Greece:** To present draft reform bill to lenders



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	1,842.93	-12.13	-0.65
FBMEMAS	12,663.66	-64.16	-0.50
FBMEMAS SHA	13,184.44	-65.03	-0.49
FBM100	12,354.64	-69.10	-0.56
Volume (mn)	1,585.26	-589.34	-27.10
Value (RMmn)	1,891.71	-259.39	-12.06
FBMKLCI YTD Chg			4.64

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.5	18.2
Local Institution	59.1	148.5
Foreign Investors	25.4	-166.7

Top Gainers

	Close	Change+/-	(+/- %)
BAT	67.00	1.06	1.61
ORIENTAL HOLDIN	7.80	0.26	3.45
SUPER ENT HLDGS	3.19	0.25	8.50

Top Losers

	Close	Change+/-	(+/- %)
PETRONAS DAG	21.86	-0.54	-2.41
HONG LEONG FIN	16.40	-0.30	-1.80
NESTLE (MALAY)	74.38	-0.30	-0.40

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,035.53	-74.61	-0.41
NASDAQ	5,023.64	-31.78	-0.63
S&P 500	2,106.85	-7.91	-0.37
FTSE 100	6,946.28	-84.25	-1.20
DAX	11,432.72	-378.94	-3.21
Nikkei 225	20,058.95	75.63	0.38
HSI	28,400.34	-42.41	-0.15
KOSPI	2,142.63	-5.04	-0.23
STI	3,489.09	-6.00	-0.17
KLCI Futures	1,844.00	(12.50)	(0.01)
USDMYR 3M	10.15	(0.00)	(0.00)
USDMYR 6M	10.21	(0.01)	(0.00)
USDMYR 12M	10.20	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	59	0.0	0.0%
Brent (USD/bbl)	65.8	1.2	1.9%
Gold(USD/ounce)	1,205	-0.1	0.0%
Coal (USD/mt)	61.9	-0.1	-0.1%
CPO (RM/mt)	2,082	-11.0	-0.5%
Rubber	178	0.6	0.3%
RM/USD	3.56	0.0019	-0.05%
EUR/USD	0.90	0.0013	0.14%
YEN/USD	119.02	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average tumbled 74.61 points to 18,035.53, S&P 500 plunged by 7.91 points to 2,106.85. Nasdaq declined by 31.78 points to 5,023.64. Stocks closed lower on Wednesday as investors remained on edge amid earnings as the Federal Reserve reaffirmed its data-dependent stance following a weak first-quarter GDP report.
- The Federal Reserve Open Market Committee released its meeting statement on Wednesday afternoon that removed all calendar references and showed no new guidance on the timing of the rate hike.

The Local Market

- FBMKLCI fell 12.13 points to finish at 1,842.93 due to the absence of fresh catalyst. There were 410 gainers and 407 decliners in total value traded of RM1.89 billion.
- Among the losers on Bursa Malaysia were Petronas Dagangan dropped 54 cent to RM21.86, Hong Leong Finance and Nestle declined 30 cent to RM16.40 and RM74.38 and KLK slid 28 cent to RM22.78 respectively.

Strategy

- **“Business as Usual”**
Wall Street shed some fats on Wednesday as they chew on US FOMC policy statement. **S&P 500** and **DJIA** lost **7.91 (-0.37%)** and **74.61 (-0.41%)** points to end at **2,106.85** and **18,035.53** respectively. As it turned out to be, the US FOMC may need some more time before adjusting the Federal Fund rate (FFR) amid less-than-sanguine US Fed assessment of US economy. The target for policy adjustment has now been upped to 3Q of 2015, as in September the earliest. FOMC is of the view that US economy is still weak as growth during the winter almost stalled and they need to at least ensure that inflation can reasonably reach their target of 2% before making conclusive call to adjust the FFR. This means that business will be as usual and the absence of bad news means that investors may want to take big bets again although we think that the trend may only start next week due to holiday shortened week this week. As for today, we foresee the local market may continue to suffer from lack of energy as there is no earth shaking catalyst that could lift momentum higher, to be tempered also by long holiday ahead.
- 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

IHH, SELL (TP: RM4.92): Eyes stake in India's US-Owned CARE Hospitals

Private healthcare provider IHH Healthcare Bhd is one of four parties eyeing a stake in India's CARE Hospitals Group, sources said. The interested parties are believed to have been in talks in the past month with CARE Hospitals' present stakeholder, United States-based private equity firm Advent International. The talks have touched on the pricing of the deal and given that the potential new shareholders have buying power, they also want to exercise their bargaining power in some sense," a source said. Bargaining could intensify moving forward, given that such assets command a premium today. How much of a premium that is willing to be paid will be the factor that will sway the deal in either direction," another source added. *(Source: The Star)*

UEM Sunrise (TBA): Iskandar security deal fails to get Home Ministry approval

The joint-venture agreement (JVA) between UEM Sunrise Bhd, Medini Security Services Sdn Bhd (MSS) and Nusajaya Five O Sdn Bhd (NFO) to form a full-fledged security service company in Nusajaya has been rescinded due to NFO's inability to obtain a security licence as it was unable to fulfil certain criteria. UEM Sunrise said in a filing with Bursa Malaysia that the JVA was rescinded as NFO was unable to secure the approval from the Home Ministry, which stated that 30% of the equity in NFO is to be held by individual or group individual shareholders. Recall, this JVA was first announced on Jan 10, 2012 between UEM Land Holdings Bhd (subsequently renamed UEM Sunrise) and MSS, a wholly owned subsidiary of Iskandar Investment Bhd, to provide enhanced security for the Nusajaya project, which was one of the five nodes of Iskandar Malaysia. *(Source: The Star)*

Westports Holdings (CP: RM4.30): RM500m capex by Westports

Westports Holdings Bhd has allocated RM500mil capital expenditure (capex) for this year, of which RM400mil would be used for its Container Terminal 8 (CT8) phase one construction. The company commenced the development of CT8 in January and would complete it in mid-2017. CT8 involved a total investment of RM1bil which is going to increase Westports handling capacity to 13.5 million twenty-foot equivalent units (TEUs) from 11 million TEUs presently. Westports chief executive officer Ruben Emir Gnanalingam said the capex for this year would be funded via internally-generated funds and that the company had no plans to raise any debt this year. *(Source: The Star)*

Berjaya Assets (CP: RM0.86): Buys office units for RM108m

Berjaya Assets Bhd has purchased 76 unsold office units in Menara MSC Cyberport in Johor Baru for RM107.5mil through its 80%-owned subsidiary Berjaya Times Square Sdn Bhd. In a filing with Bursa Malaysia, it said the subsidiary would take over the properties as the owner, property developer Mol Properties Sdn Bhd, released its rights since paying a deposit of RM10.75mil to Dunlop Estates Holdings Sdn Bhd. Tan Sri Vincent Tan is a substantial shareholder of MOL, while Dunlop is 100% owned by Sarawak Energy Bhd and wholly-owned by the state of Sarawak. *(Source: The Star)*

Genting Malaysia (CP: RM4.38): Malaysia segment contribution to Genting down first time in 5 years

For the first time in five years, Genting Malaysia Bhd reported a drop in annual revenue generated from Malaysian customers in 2014. According to its annual audited accounts posted on Bursa Malaysia on Wednesday, revenue from domestic customers fell 4.5% to RM5.48bil while revenues from the other two main geographical segments - the UK, and the US and Bahamas - respectively grew 7% to RM1.7bil and 5.3% to RM984.7mil. Except for last year, the Malaysian segment had been growing between 1.5% and 6.8% annually since 2010. During the five-year period, revenue of the three geographical segments combined had jumped 54% to reach RM8.23bil last year. (Source: *The Star*)

Masteel (CP: RM0.63): 2014 financial results filing delayed

Malaysia Steel Works (KL) Bhd (Masteel) is delaying the filing of its annual accounts as well as the auditors and directors' report for the financial year ended Dec 31, 2014 (FY14). The company said in a stock exchange filing that the annual accounts would be delayed beyond the filing deadline of April 30, 2015. Masteel said Bursa Securities would suspend trading in its shares on May 12 if the company failed to submit the annual audited financial statement for FY14 (AFS 2014). The company said the delay in the release of the 2014 audited financial statement was due to the external auditors requiring more information to complete the audit. (Source: *The Star*)

Sunway REIT (CP: RM1.66): Q3 profit dragged down by hotel and office segments

Sunway Real Estate Investment Trust (REIT) posted a net profit of RM56.82mil for the third quarter (Q3) ended March 31, down 2.8% from a year earlier mainly due to lower net property income (NPI) from the hotel and office segments. However, the year-to-date profit increased 4.3% to RM183.54mil versus the preceding year's corresponding period. Revenue for the quarter rose 2.4% year-on-year to RM110.71mil. Growth in the retail segment's gross revenue helped to offset the lower gross revenue in the office and hotel segments compared to the same quarter in 2014. Sunway Medical Centre, acquired on Dec 31, 2012, also contributed a higher revenue and net property income. (Source: *The Star*)

Borneo Oil (CP: RM0.81): Rights issue of RM237m account for 80.7% of market cap

Borneo Oil Bhd's recent proposed rights issue could attract some attention as it plans to rise up to RM237.38mil -- accounting for 80.7% of its market capitalisation of RM294.1mil as at Wednesday. The company, in which Victoria Limited and Hap Seng Insurance own a combined 157.12 million shares, sweetened the cash call via the rights issue by issuing free warrants. So far Victoria Ltd, which owns 25.48%, and Hap Seng 16.72% have pledged to subscribe for the rights shares. Hap Seng Insurance and Victoria Ltd's entitlement would see them, forking out RM37.34mil and RM56.92mil respectively for the rights shares. (Source: *The Star*)

AirAsia X (CP: RM0.44): Offers Free Flights to Nepal for NGOs, Humanitarian Agencies

AirAsia X is offering free flights to Nepal from today until May 10, 2015, for non-governmental organisations (NGOs) and humanitarian agencies to aid relief efforts in light of the recent earthquake. In a statement issued Wednesday, it said the airline is facilitating free flights for the said period based on seat availability. All NGOs and humanitarian agencies can send in their requests for flight coordination to AirAsia Foundation at foundation@airasia.com. AirAsia has also supported the recovery of Bali, Indonesia, after the terrorist bombings in giving away 12,000 free seats on its flights. (Source: *Bernama*)

MRT Corp: To cut Line 2 land acquisition cost

Malaysian government-owned Mass Rapid Transit Corp Sdn Bhd (MRT Corp) hopes to reduce land acquisition cost for the construction of the 52.2km Sungai Buloh-Serdang-Putrajaya MRT line (Line 2) in the Klang Valley. MRT Corp project director Amiruddin Maaris said MRT Corp hoped to reduce land purchase expenses for Line 2, through mutual agreements with landowners. Amiruddin said MRT Corp aimed to repeat its feat under the 51km MRT Line 1, which would link Sungai Buloh and Kajang (SBK Line). He said MRT Corp managed to save RM1.6 billion out of the RM3 billion set aside for land acquisition. (Source: *The Edge*)

ECONOMIC UPDATES**China: Official factory PMI seen stalling at 50.0 in April**

Growth in China's vast factory sector likely stalled in April, a *Reuters* poll showed, reinforcing persistent sluggishness in the economy and arguing the case for more policy easing. The official Purchasing Managers' Index (PMI) is forecast to edge down to 50.0 from 50.1 in March, according to the median forecast of 13 economists in a *Reuters* poll. A reading above 50 points indicates an expansion in activity while one below that shows a contraction on a monthly basis. The flash HSBC/Markit PMI released last week showed factory activity contracted at its fastest pace in a year in April, suggesting that the economic slowdown was intensifying despite increasingly aggressive policy easing by the central bank. (Source: *The Edge*)

Thailand: Surprises with rate cut as risk to growth rises

Thailand's central bank surprised markets by cutting its key interest rate for a second straight meeting on Wednesday, with policymakers under pressure to revive the stumbling economy. The Bank of Thailand's monetary policy committee (MPC) voted 5-2 to cut the one-day repurchase rate by 25 basis points to 1.50%, confounding expectations for no change in a *Reuters* poll of economists. At the last meeting on March 11, the committee also unexpectedly cut the policy rate by 25 basis points, the first rate change in a year, but the vote was a close 4-3. (Source: *The Star*)

Greece: To present draft reform bill to lenders

Greece is expected to present draft reform legislation to lenders on Wednesday, government officials said, in a bid to show it is serious about acting on pledges to secure aid. Athens needs to repay loans of about 1 billion euros (\$1.1 billion) to the IMF in May and the bill is its latest move to speed up negotiations in the hopes of reaching a deal with European and IMF creditors before it runs out of cash. The bill is not expected to offer major new concessions beyond those already discussed with lenders, officials said. But it includes details on measures to tackle corruption and evasion, and the publication of a concrete bill is meant to underline the government's intent. (Source: *The Edge*)

France: To raise defence budget by 3.8 billion euros from 2016-2019

French President Francois Hollande said on Wednesday he would increase the country's defence budget by 3.8 billion euros over four years from 2016 to ensure the army had the capacity to deal with threats at home and handle overseas operations. He said the defence budget in 2015 would remain at 31.4 billion euros (\$34.51 billion), but that an extra 3.8 billion euros would be given to the army over the period between 2016-2019. He did not say how the extra costs would be financed. (Source: *The Star*)

U.K.: Consumer confidence falls as election nears

British consumer confidence fell this month for the first time since December, according to a survey that will disappoint Prime Minister David Cameron ahead of next week's national election. Polling firm YouGov and economics consultancy CEBR said their measure of consumer confidence fell to 113.1 in April from 113.9 in March, more than a point lower than it was this time last year. With the election just over a week away, the dip in consumer slow down, it is clear confidence has come at exactly the wrong time for the government," said Stephen Harmston, head of YouGov Reports. (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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