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Tuesday, May 05, 2015

**At a Glance**

FBMKLCI down 24.66 points to finish at 1,818.27 ahead of Labour Day and Wesak holidays.....(See full report next page)

**Daily Trading Strategy****"Another Cautious Week"**

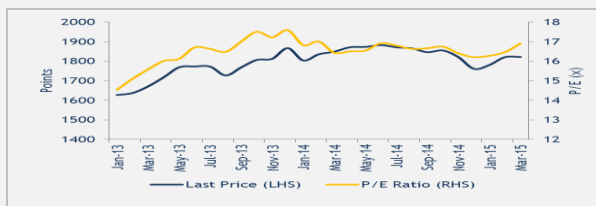
Further knock down on the rate will rattle the market.....(See full report next page)

**Corporate Highlights**

- **UEM Sunrise (TBA):** To launch RM3.7b of property projects
- **IJM, HOLD (TP: RM7.50):** Eyeing 1MDB's power generation assets
- **MISC (CP: RM9.15):** Flat Q1 earnings as LNG revenue dips

**Economic Update**

- **Malaysia:** Domestic PPI for March falls 0.5 percent
- **Malaysia:** Sukuk sales jump to 16-month high as confidence returns
- **Malaysia:** Government to boost SMEs role under master plan



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	4-May	4:00 PM	Markit Eurozone Manufacturing PMI	-	51.9
EU	4-May	5:00 PM	PPI MoM	-	0.5%
EU	4-May	5:00 PM	PPI YoY	-	-2.8%
CN	4-May	9:45 AM	HSBC China Manufacturing PMI	49.4	49.2
US	4-May	10:00 PM	Factory Orders	2.1%	0.2%
US	5-May	8:30 PM	Trade Balance	(\$40.1B)	(\$35.4B)
US	5-May	9:45 PM	Markit US Composite PMI	-	57.4
US	5-May	9:45 PM	Markit US Services PMI	-	57.8
EU	6-May	4:00 PM	Markit Eurozone Services PMI	-	53.7
EU	6-May	4:00 PM	Markit Eurozone Composite PMI	-	53.5
EU	6-May	5:00 PM	Retail Sales MoM	-	-0.2%
EU	6-May	5:00 PM	Retail Sales YoY	-	3.0%
CN	6-May	9:45 AM	HSBC China Composite PMI	-	51.8
CN	6-May	9:45 AM	HSBC China Services PMI	-	52.3
US	6-May	7:00 PM	MBA Mortgage Applications	-	-
US	6-May	8:15 PM	ADP Employment Change	185K	189K
EU	7-May	4:10 PM	Markit Eurozone Retail PMI	-	48.6
MY	7-May	12:00 PM	Exports YoY	-	-9.7%
MY	7-May	12:00 PM	Imports YoY	-	0.4%
MY	7-May	6:00 PM	BNM Overnight Policy Rate	3.25%	3.25%
JP	7-May	9:35 AM	Markit Japan Services PMI	-	48.4
JP	7-May	9:35 AM	Markit/JMMA Japan Composite PMI	-	49.4
US	7-May	8:30 PM	Initial Jobless Claims	-	-
CN	8-May	-	Trade Balance	-	\$3.08B
CN	8-May	-	Exports YoY	-	-15.0%
CN	8-May	-	Imports YoY	-	-12.7%
US	8-May	8:30 PM	Change in Nonfarm Payrolls	223K	126K
US	8-May	8:30 PM	Change in Manufact. Payrolls	5K	(1K)
US	8-May	8:30 PM	Unemployment Rate	5.4%	5.5%
US	8-May	8:30 PM	Labor Force Participation Rate	-	62.7%

**Bursa Malaysia**

	Close	Change+/-	(+/- %)
FBMKLCI	1,818.27	-24.66	-1.34
FBMEMAS	12,539.04	-124.62	-0.98
FBMEMAS SHA	13,073.91	-110.53	-0.84
FBM100	12,220.51	-134.13	-1.09
Volume (mn)	1,515.84	-69.42	-4.38
Value (RMmn)	2,173.40	281.69	14.89
FBMKLCI YTD Chg			3.24

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

	Participation (%)	Net(RMm)
Local Retail	NA	NA
Local Institution	NA	NA
Foreign Investors	NA	NA

**Top Gainers**

	Close	Change+/-	(+/- %)
UNITED PLANT	25.90	0.30	1.17
MY EG SERVICES	2.53	0.24	10.48
WESTPORTS	4.50	0.20	4.65

**Top Losers**

	Close	Change+/-	(+/- %)
KLK	22.14	-0.64	-2.81
PETRONAS DAG	21.40	-0.46	-2.10
PPB GROUP	15.34	-0.40	-2.54

**World Indices**

	Close	Change+/-	(+/- %)
DJIA	18,070.40	46.34	0.26
NASDAQ	5,016.93	11.54	0.23
S&P 500	2,114.49	6.20	0.29
FTSE 100	6,985.95	25.32	0.36
DAX	11,619.85	165.47	1.44
Nikkei 225	19,531.63	11.62	0.06
HSI	28,123.82	-9.18	-0.03
KOSPI	2,132.23	5.06	0.24
STI	3,482.70	-4.69	-0.13
KLCI Futures	NA	(28.00)	(0.02)
USDMYR 3M	10.40	(0.01)	(0.00)
USDMYR 6M	10.32	(0.01)	(0.00)
USDMYR 12M	10.25	0.01	0.00

**Other Key Economics Data**

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	59	0.0	0.0%
Brent (USD/bbl)	66.5	0.0	0.0%
Gold(USD/ounce)	1,189	0.2	0.0%
Coal (USD/mt)	62.2	0.0	0.0%
CPO (RM/mt)	2,102	20.0	1.0%
Rubber	185	5.5	3.1%
RM/USD	3.60	0.0243	-0.68%
EUR/USD	0.90	-0.0001	-0.01%
YEN/USD	120.14	0.01	-0.01%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average gained 46.34 points to 18,070.40, S&P 500 up by 6.20 points to 2,114.49. Nasdaq surged by 11.54 points to 5,016.93. U.S. stocks closed higher on Monday, following positive momentum from Europe, as investors looked to Federal Reserve speeches and economic data for signals on the timing of a rate hike.
- Ahead of Friday's important jobs report for the month of April, factory orders for March showed a gain of 2.1 percent, the biggest increase in eight months and above expectations of a 1.9 percent increase.

### The Local Market

- FBMKLCI down 24.66 points to finish at 1,818.27 ahead of Labour Day and Wesak holidays. There were 372 gainers and 422 decliners in total value traded of RM2.17 billion.
- Among the losers on Bursa Malaysia were KLK dropped 64 cent to RM22.14, Petronas Dagangan declined 46 cent to RM21.40, PPB Group slid 40 cent to RM15.34 and Genting Bhd fell 34 cent to RM8.75.

### Strategy

- **“Another Cautious Week”**

Wall Street made some gains on Monday driven by bearish outlook on policy rates by Fed policy makers. S&P 500 and DJIA added 6.20 (0.29%) and 46.34 (0.26%) points to end at 2,114.49 and 18,070.46 respectively. As mentioned, one of Fed policy makers from Chicago, Charles Evans, suggested that policy adjustment may not be appropriate this year and may be deferred until next year due to weak 1Q economic performance. This has delighted market participants as ultra-low policy rates may continue well into next year, against the expectation of largely this year. At the same time, US factory orders for March showed a gain of 2.1%, the biggest increase in eight months and above expectations of a 1.9% increase. Note that for this week, investing mood will be largely driven by the US April unemployment rate due for release this week while Malaysia will be issuing its policy decision on Thursday. In addition to that, a host of PMI numbers across the globe will be announced, making us believe that market participants may want to wait for the outcome of these announcements before making big bets. All of these, the US unemployment rate for April will be a deal marker or breaker in our view. US March unemployment rate stood at 5.5% and we foresee that the rate may stay at that level for the month of April. Further knock down on the rate will rattle the market while any elevation will receive muted response from the market.

- 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

### **UEM Sunrise (TBA): To launch RM3.7b of property projects**

UEM Sunrise is expecting to launch RM3.7bil worth of property projects in 2015, of which RM100mil would be contributed from its projects overseas. Speaking to reporters in a press conference on Thursday, managing director Anwar Syahrin Abdul Ajib said as of now, it has projects with an estimated gross development value (GDV) of RM39bil. Of that RM39bil, half of the projects are wholly owned and the others are via joint ventures, mostly in Johor. UEM Sunrise said the group was also looking to expand in the central region and targets that 30% to 40% of the GDV would be from this are. *(Source: The Star)*

### **IJM, HOLD (TP: RM7.50): Eyeing 1MDB's power generation assets**

IJM Corp Bhd former chief executive officer and managing director Datuk Teh Kean Ming leaves a diversified group that has its finger in several pies, from construction to ports and plantations, with all five of its core business units moving full steam ahead. Teh, who retired last month after having served the company for more than two decades, said all the divisions had a plan mapped out for their continued growth without burdening the group's balance sheet. The plantation sector will see growth from Indonesia, while the property segment has just inked a deal with a Singapore developer, so the capital requirement will be shared. The infrastructure division's Kuantan Port has a partner from China to drive growth. Next on the horizon for IJM is its move into the power generation sector. One option is the Tanjong and Genting power plants belonging to Edra Global Energy Bhd, which is under the troubled 1Malaysia Development Bhd (1MDB). Teh said that IJM had always been looking for opportunities to grow its businesses and that 1MDB's power assets presented an opportunity. *(Source: The Star)*

### **MISC (CP: RM9.15): Flat Q1 earnings as LNG revenue dips**

MISC Bhd's net profit for the first quarter ended March 31, 2015 was flat at RM486.31mil due to lower revenue from the liquefied natural gas (LNG) business and additional costs from some heavy engineering projects. The national LNG carrier said on Thursday it expects this year to be a challenging year for the oil and gas services segment, given the decline in capital and operating expenditures by major oil companies in a low oil price environment. To sustain the profitability for the year, the group's Heavy Engineering business would need to draw more businesses to the orderbook together with cost management and operational excellence initiatives. *(Source: The Star)*

### **Westports (CP: RM4.50): Q1 earnings up as container volume surges**

Westports Holdings Bhd's earnings hit RM120.18mil in the first quarter ended March 31, 2015, boosted by the surge in container volume. It said on Thursday the earnings were up 10.2% from the RM109.03mil a year ago. Revenue increased 9.8% to RM398.72mil from RM363.16mil. Earnings per share were 3.52 sen compared with 3.20 sen. Operational revenue increased by 11% to

RM387mil in Q1 FY15 while profit before and after tax increased by 21% and 10% respectively, it said. Westports said container volume surged 17% to 2.26 million twenty-foot equivalent units (TEUs), underpinned by robust growth in transhipment throughput. *(Source: The Star)*

**Ho Hup (CP: RM1.39): To generate RM90m to RM100m sales annually**

Small cap property and construction company Ho Hup Construction Company Bhd will be able to generate between RM90mil and RM100mil annually from its mixed integrated Bukit Jalil development for the next seven to eight years. CEO Derek Wong Kit-Leong said on Thursday this would enable the company to increase its land bank as it aims to continue making property development its main revenue contributor for the group. The company, which exited from its PN17 status last year, other main business is construction but although revenue was fairly evenly distributed between property development and construction, at profit level, property segment accounts for 80% and the remainder coming from construction. *(Source: The Star)*

**Cahya Mata Sarawak (CP: RM5.07): To expand cement production capacity by 60%**

Cahya Mata Sarawak Bhd (CMS) will raise cement production capacity by almost 60% to 2.75 million tonnes per annum when its third grinding plant, currently being built, is commissioned in the first quarter of 2016. Group managing director Datuk Richard Curtis said the proposed RM190mil plant project located adjacent to the group's clinker plant in Mambong, Penrissen Road near here was progressing well, with trial production scheduled by end-2015. CMS, Sarawak's sole cement manufacturer, now owns and operates two cement plants with annual combined rated production capacity of 1.75 million tonnes. Between 2010 and 2014, the Kuching and Bintulu plants registered a combined average utilisation factor of 85%. Curtis said the company would invest another RM17mil this year to enhance its cement distribution capabilities. *(Source: The Star)*

**Compugates (CP: RM0.05): May have just turned the corner**

IT distributor Compugates Holdings Bhd might have just turned the corner after years of recording losses. This sense of optimism from executive director T See Goh stems from the sale of its Agarwood trees to Westwood Marketing Sdn Bhd for RM43.9mil. The trees were part of a plan the company realised it needed to embark on years ago to turn around Compugates since its business of distributing cameras and printers was seeing low margins. It had committed RM1.5mil to plant the 23,000 Agarwood trees, which has since delivered a fantastic return to Compugates. The use of the Agarwood tree ranges from incense to perfume and ornamental functions. On April 24, it announced that Westwood Marketing had decided to buy the Agarwood trees from Compugates, allowing the latter to get into Agarwood cultivation and trading in a bigger way. *(Source: The Star)*

**MCT (CP: RM1.32): To unveil 3 more hotels in Klang Valley**

Integrated builder MCT Bhd, which is currently operating a 243-room hotel in Subang Jaya, will be introducing three more hotels with a combined gross development value (GDV) of over RM400mil. "We have three hotels coming up.

One will be a 5-star hotel and the other two 4-star hotels. "We are currently in an advance stage of negotiation with international hotel brands and hopefully we can finalise the deal and announce it within a month's time," CEO Datuk Seri Tong Seech Wi told StarBiz at the sidelines of Invest Malaysia here. He said two of the hotels would be located in OneCity, Subang Jaya and the other one in Cyberjaya. Tong also revealed that the group intended to grow its recurring income to 30% beyond 2020, noting that the group's passive income was very small currently. Tong said MCT would own investment properties worth RM3.61bil in GDV by 2020, positioning the group to potentially unlock value by "REIT-ing" the assets at a later stage. (Source: The Star)

#### **JCorp: To boost presence in O&G sector via subsidiaries**

State-owned investment arm Johor Corp (JCorp) is looking to expand its participation in the oil and gas (O&G) sector through its subsidiary companies. Johor Menteri Besar Datuk Mohamed Khaled Nordin said that E.A. Technique (M) Bhd was one of JCorp's subsidiary companies that are focused on the O&G sector. "E.A. Technique currently possesses 33 marine vessels including its latest offshore storage vessel namely the FOIS Nautica Tembikai. "With the new vessel set to sail along with its six-year contract valued at US\$63mil, the company is well on its way to expansion," he said after officiating at the launch of the FOIS Nautica Tembikai vessel at the Malaysia Marine and Heavy Engineering Sdn Bhd yard here recently. "JCorp is involved in a wide scope of fields and this is just a mid-size investment for it," he said, adding that E.A. Technique had been listed on the stock exchange's Main Market since December last year. Khaled said the state government was also looking at providing better infrastructure within the Iskandar region especially Pasir Gudang, where domestic and international trading activities thrive. (Source: The Star)

#### **ECONOMIC UPDATES**

##### **Malaysia: Domestic PPI for March falls 0.5 percent**

Malaysia's domestic Producer Price Index (PPI) for March 2015 decreased by 0.5 per cent to 104.8 from 105.3 in February, the Statistics Department said on Thursday. This was due to a decrease in local Production Index of 0.8 per cent while the Import Price Index increased by 0.1 per cent. Year-on-year (yoy), the PPI fell 6.1 per cent from the 111.6 in March last year due to a decline in the local Production Index and Import Price indexes. The PPI for local production also went down by 0.8 per cent in March 2015 compared to the previous month, mainly due to the dropped in mining (-4.7 percent) and manufacturing (-0.5 per cent). (Source: The Star)

##### **Malaysia: Sukuk sales jump to 16-month high as confidence returns**

Islamic bond sales in Malaysia jumped this month to the most since December 2013, adding to signs confidence is returning to the world's biggest sukuk market. Issuance was 23 percent higher than in March at 11.3 billion ringgit (\$3.2 billion), according to figures compiled by Bloomberg. Sovereign wealth fund Khazanah Nasional Bhd. accounted for 2 billion ringgit and DanaInfra Nasional Bhd., a state-owned company that funds subway construction, raised 3.5 billion ringgit. Malaysia's government drew bids for six times the \$1.5 billion



of dollar-denominated sukuk it offered last week and the ringgit is having its best month in three years. (Source: *The Edge*)

#### **Malaysia: Government to boost SMEs role under master plan**

The International Trade and Industry Ministry (MITI) aims to boost the small and medium enterprises' (SMEs) role in the country's development under the SME Master Plan in the next five years. Its Minister Datuk Seri Mustapa Mohamed said on Thursday the government hoped to improve the SMEs' contribution to the country by 2020 as they account for 98% of the businesses in the country. Among others, the 33% contribution to the country's gross domestic products (GDP) will be improved to 41% in five years. Employment opportunities created by SMEs is expected to improve to 62% from 58% now and exports to increase to 25% from 17% currently. (Source: *The Star*)

#### **Thailand: Central bank relaxes curbs on capital flows to ease baht strength**

Thailand's central bank on Thursday relaxed curbs on capital outflows, a move aimed at weakening a strong baht that has hurt exports, a key driver of the economy the military government has been struggling to revive after a coup last May. Thailand will allow Thais to freely purchase foreign currencies for deposit up to a limit of \$5 million, raising it from \$500,000, the Bank of Thailand said in a statement. It will also allow Thais to purchase properties abroad up to a value of \$50 million per year, from \$10 million. Measures that were in place to prevent Thai baht speculation by non-residents will also be relaxed, the central bank said. (Source: *The Star*)

#### **Asia: China, Japan, S.Korea commit to policies supporting demand**

Central bankers and finance ministers from China, Japan and South Korea said yesterday they remained committed to policies to support demand in the face of moderate and uneven global growth. The policymakers for the three North Asian economies held a trilateral meeting, chaired by Japan's Deputy Prime Minister and Finance Minister Taro Aso, on the sidelines of an Asian Development Bank Meeting in Baku, Azerbaijan. Their joint statement noted that the global economy was passing through an uncertain phase, and growth remained moderate and was following divergent paths. Structural reforms to increase potential growth should continue to remain a high priority for a sustainable and balanced growth. (Source: Reuters)

#### **Australia: RBA Rate-Cut Call Galvanized by Aussie Hovering at 78 U.S. Cents**

Traders and economists are the most united they've been this year that central bank Governor Glenn Stevens needs to cut rates Tuesday in the face of a stronger currency. The market is pricing in a better than 75 percent chance borrowing costs will fall to a fresh record of 2 percent and 25 of 29 economists also predicted a quarter-point reduction. Galvanizing the forecasts is a rebounding currency hovering at 78 U.S. cents and a stalled recovery in the price for iron ore that underpins export earnings. Policy makers also face the risk that firms outside of mining that were supposed to pick up the slack in the economy will actually reduce investment in an economy growing below its potential. (Source: *Bloomberg*)

**China: April HSBC PMI shows biggest drop in factory activity in a year**

China's factories suffered their fastest drop in activity for a year as new orders fell in April, a private business survey showed on Monday, hardening the case for fresh policy stimulus to boost a flagging economy. The HSBC/Markit Purchasing Managers' Index (PMI) fell to 48.9 in April - the lowest level since April 2014 - from 49.6 in March, as demand faltered and deflationary pressures persisted. The number was weaker than a preliminary reading of 49.2, and below the 50-point level that separates growth from contraction compared with the previous month. (Source: *The Star*)

**Greece: Greek Debt Crisis Rejected by Europe's Yield-Starved Bond Buyers**

European bond markets are showing real signs of Greek debt-crisis fatigue. Many investors frankly seem to be so exhausted by the debate about whether Greece will leave the euro zone that they're now dismissing the possibility altogether. How else can you explain why corporate-debt yields in countries like Portugal, Spain and Italy are so incredibly low, even as Greece fails to secure an agreement just days before the European Central Bank's next decision on emergency aid. In credit, we think peripheral valuations are priced to perfection," meaning that yields don't reflect much of the downside risks. (Source: *Bloomberg*)

**U.S.: Factory orders rebound solidly, but trend still soft**

New orders for U.S. factory goods recorded their biggest increase in eight months in March, boosted by demand for transportation equipment, but the underlying trend remained weak against the backdrop of a strong dollar. The report on Monday from the Commerce Department was the latest indication that the rebound from the first quarter's abrupt slowdown would not be as strong as experienced during the same period last year when output was chilled by cold weather. New orders for manufactured goods increased 2.1 percent, the largest gain since July last year, after dipping 0.1 percent in February. It was the first rise since last August and was buoyed by a 13.5 percent jump in orders for transportation equipment. (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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