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Friday, May 08, 2015

Report of the Day

Economic Report: Malaysia Policy Decision-“*OPR Maintain at 3.25%*”

Economic Report: Malaysian Trade-“*Malaysia Export Reverse its Course; Positive Growth in March*”

At a Glance

FBMKLCI declined 15.87 points to finish at 1,805.10 despite recorded a positive growth on March's trade data.....(See full report next page)

Strategy

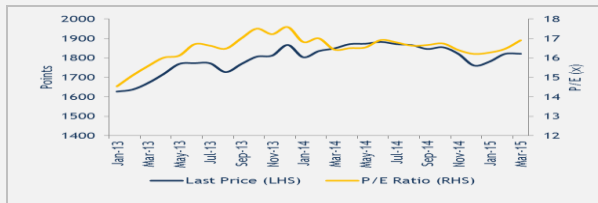
There is a good change for buying momentum to continue especially after the last few days of bleeding.....(See full report next page)

Corporate Highlights

- **Petronas Chemicals, HOLD (TP: RM5.80):** Q1 performance hurt by lower average prices
- **Gas Malaysia, HOLD (TP: TBA):** 1Q net profit drops 31.5% due to tariff revision
- **DiGi, BUY (TP: RM7.00):** Eyes wider coverage for high-speed wireless services for mobile phones

Economic Update

- **Malaysia:** March exports rebound, exceed survey with 2.3% growth
- **Malaysia:** Bank Negara keeps OPR unchanged at 3.25%
- **Greece:** Faces deadline next week as ECB eyes haircut option



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 AM	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 J/MMA 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%	

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,805.10	-15.87	-0.87
FBMEMAS	12,458.47	-96.13	-0.77
FBMEMAS SHA	12,952.38	-97.39	-0.75
FBM100	12,135.41	-99.73	-0.82
Volume (mn)	1,556.63	-363.84	-18.95
Value (RMmn)	1,971.31	175.72	9.79
FBMKLCI YTD Chg			2.49

Daily Trading Position (RM'mn)

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

Top Gainers

	Close	Change+/-	(+/- %)
SYARIKAT TAKAF	14.76	0.40	2.79
APEX HEALTH	4.12	0.17	4.30
IQ GROUP	2.72	0.15	5.84

Top Losers

	Close	Change+/-	(+/- %)
BAT	66.10	-0.98	-1.46
CARLSBERG	12.64	-0.50	-3.81
HONG LEONG FIN	16.26	-0.48	-2.87

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,924.06	82.08	0.46
NASDAQ	4,945.54	25.90	0.53
S&P 500	2,088.00	7.85	0.38
FTSE 100	6,886.95	-46.79	-0.67
DAX	11,407.97	57.82	0.51
Nikkei 225	19,291.99	-239.64	-1.23
HSI	27,289.97	-350.94	-1.27
KOSPI	2,091.00	-13.58	-0.65
STI	3,432.78	-27.01	-0.78
KLCI Futures	1,788.00	(24.50)	(0.01)
USDMYR 3M	10.85	0.20	0.02
USDMYR 6M	10.66	0.15	0.01
USDMYR 12M	10.42	0.11	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	59	0.0	0.1%
Brent (USD/bbl)	65.5	-2.2	-3.3%
Gold(USD/ounce)	1,184	-0.5	0.0%
Coal (USD/mt)	61.9	-0.4	-0.7%
CPO (RM/mt)	2,173	-10.0	-0.5%
Rubber	182	-3.4	-1.8%
RM/USD	3.59	0.0244	-0.68%
EUR/USD	0.89	0.0018	0.20%
YEN/USD	119.72	-0.02	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 82.08 points to 17,924.06, S&P 500 up by 7.85 points to 2,088.00. Nasdaq soared by 25.90 points to 4,945.54. U.S. stocks closed higher on Thursday as investors awaited the key April jobs report and eyed easing in oil prices and bond yields.
- Jack Ablin, chief investment officer at BMO Private Bank expects a slight disappointment in the monthly employment report, with creation of fewer than 200,000 jobs. The key point for most analysts is wage growth, which could indicate an increase in inflation and support an interest rate hike.

The Local Market

- FBMKLCI declined 15.87 points to finish at 1,805.10 despite recorded a positive growth on March's trade data. There were 319 gainers and 437 decliners in total value traded of RM1.97 billion.
- Among the losers on Bursa Malaysia were BAT dropped 98 cent to RM66.10, Carlsberg down 50 cent to RM12.64, Hong Leong Financial shed 48 cent to RM16.26 and PPB Group fell 44 cent to RM15.16.

Strategy

- **“Wall Street in Positive Mode Ahead of Unemployment Numbers”**

There was no apparent catalyst for Wall Street to jump higher on Thursday except investors picking up beaten down share price ahead of US April unemployment numbers. S&P 500 and DJIA added 7.85 (0.38%) and 82.08 (0.46%) points to finish at 2,088 and 17,924.06 respectively. As mentioned, there was nothing that could change the mood of Wall Street investors as share price there appears attractive after a few days of back sliding. This change of trading mode is ahead of US job market report that is due today. By all account, street estimate expects April unemployment rate to be knocked down by 1pps to 5.4% which we think is not alarming given the struggling US economy in 1Q15. Therefore, the report may not inflict such a big dent in trading appetite next week. As for today, there is a good change for buying momentum to continue especially after the last few days of bleeding although the excitement could be capped by the key job market announcement in the US today.

- 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

Petronas Chemicals, HOLD (TP: RM5.80): Q1 performance hurt by lower average prices

Petronas Chemicals Group Bhd (Petchem), hit by lower average product prices, registered lower revenue and profit for the first quarter ended March 31 compared to a year earlier despite having higher production and sales volume. The company reported a 19.2% drop in net profit year-on-year (y-o-y) for the quarter to RM672mil while revenue fell 17.5% to RM3.14bil. Petchem recorded “significantly higher” plant utilisation at 90% for the quarter compared to 80% a year ago on the back of improved methane gas supply and better plant reliability at the group’s methanol facilities. *(Source: The Star)*

Gas Malaysia, HOLD (TP: TBA): 1Q net profit drops 31.5% due to tariff revision

Gas Malaysia Bhd saw a 31.5% drop in its first-quarter net profit, mainly due to tariff revision resulting in lower gross profit. For the three months ended March 31, 2015 (1QFY15), the group posted a net profit of RM28.49 million or 2.22 sen a share compared with RM41.61 million or 3.24 sen a share in 1QFY14. Revenue, however, rose 31.2% to RM761.58 million from RM580.57 million in 1QFY14. In a filing with Bursa Malaysia today, Gas Malaysia (fundamental: 2.1; valuation: 1.1) attributed the improved revenue to higher volume of gas sold and the upward revision of natural gas tariff. *(Source: The Edge)*

DiGi, BUY (TP: RM7.00): Eyes wider coverage for high-speed wireless services for mobile phones

DiGi.Com Bhd is expanding its high-speed wireless communication services for mobile phones, or long-term evolution (LTE), to reach 45% nationwide coverage by the end of this year from 32% as at the end of 2014, as it puts more effort to “monetise” the fastest-growing segment of the market. If notice also, the prices of LTE devices have come down quite substantially, hence making it much more affordable. The groups do not charge differently for LTE or 3G, all Internet packages, regardless of technology being used, are of the same (price), the company’s chief executive officer Albern Murty said at a press conference after its AGM yesterday. *(Source: The Star)*

Wah Seong, HOLD (TP: RM1.30) ordered to pay RM40.3mil to Socotherm

Wah Seong Corp Bhd has been ordered by an international court of arbitration in Paris to pay RM40.3mil to Socotherm SpA for breaches to a joint-venture agreement and supplemental agreement. The company will also have to pay Socotherm about RM4.7mil for costs and expenses. In a filing with Bursa Malaysia, Wah Seong said the arbitration would not have any significant financial impact on its net profits for the financial year ending Dec 31, 2015 as it had accruals to cover a substantial portion of the claim. *(Source: The Star)*

MBSB (CP: RM2.01): Q1 net profit down 36% to RM124mil

Malaysia Building Society Bhd's (MBSB) net profit for its first quarter ended March 31, 2015 fell 36% to RM124.31mil from RM196.73mil a year ago. In a filing to Bursa Malaysia on Thursday, the group said revenue for the quarter

rose 3.5% to RM690.6mil from RM667.11mil a year ago. Earnings per share for the period fell to 4.59 sen from 8.37 sen the previous year. The group said its higher revenue was due to the company's efforts in penetrating the corporate segment, resulting in a slight asset growth amidst a challenging retail banking environment. Meanwhile the decrease in earnings was mainly due to higher allowances for impairment losses on loans, advances and financing and lower operating income on the back of higher revenue growth. *(Source: The Star)*

MBSB (CP: RM2.01): Eyeing KFH Malaysia in bid to become full-fledged Islamic bank

Malaysia Building Society Bhd (MBSB), which aims to become a full-fledged Islamic bank, is said to be looking at Kuwait Finance House (M) Bhd (KFH Malaysia) as an option for a merger exercise, sources say. According to banking sources, MBSB and its major shareholder, the Employees Provident Fund (EPF), are looking at the foreign Islamic bank from "afar" and currently studying its numbers. KFH Malaysia is wholly-owned by Kuwait-based Kuwait Finance House (KFH) and is the country's first and largest foreign Islamic lenders here. *(Source: The Star)*

Century Logistic (RM: 0.81): Century sells land for RM20mil

Century Logistics Holdings Bhd has entered into a sale and purchase agreement (SPA) to dispose of a 1.5-acre freehold commercial land to Top Glove Properties Sdn Bhd for RM20.26mil. The company expects to realise a net gain of about RM9.2mil, after deducting ancillary costs and real properties gain tax. Century said in a filing with Bursa Malaysia that the proceeds would be added to the group's existing deposits, cash and bank balances. The funds will continue to be invested in fixed income unit trust that generates about 3% per annum. "The group intends to utilise the funds as and when suitable investments are identified in the future," it said. As at Dec 31, 2014, the net book value of the property was RM9.21mil. Century bought the land on Feb 25, 2011 for RM8.82mil. The company said its board took a strategic decision not to proceed with the plan to construct a commercial office building on the property for its use. *(Source: The Star)*

Tune Ins (CP: RM1.84): Proposed acquisition to have no impact on Tune's ratings

Tune Ins Holdings Bhd (TIH) proposed acquisition to acquire 50%-plus-one-share of Indonesian insurer, PT Asuransi Staco Mandiri would not impact its A1/Stable/P1 ratings, according to RAM Ratings. The rating agency said on Thursday that the proposed acquisition worth RMM22.8mil would be funded internally via its initial public offering proceeds. It added that as at 2014, the company was debt-free with cash and deposits of over RM400mil. Hence, RAM Ratings believes the acquisition is a positive move that would help the company to penetrate into the travel insurance market which accounts for about 8% of TIH's gross written premiums from travel insurance. *(Source: The Star)*

Brahim's (CP: RM0.94): Still in talks with MAS to extend catering deal

Brahim's Holdings Bhd's subsidiary is in talks with Malaysian Airline System Bhd (MAS) to extend the new catering agreement, which expired on April 30, 2015. The in-flight caterer said on Thursday its 70% owned Brahim's Airline Catering

Sdn Bhd “is still engaged in discussions to mutually extend” the cut-off date for the new agreement. To recap, the parties had on April 1 inked an extension agreement to allow the negotiations for the new catering deal to be executed. The agreement was extended from March 31 to April 30. *(Source: The Star)*

Tabung Haji: Buys parcel of land in TRX for RM188.5mil for apartments project

Lembaga Tabung Haji (TH) acquired one parcel of land in the Tun Razak Exchange (TRX) financial district for RM188.5mil to develop a block of residential apartments. Tabung Haji group managing director and CEO Datuk Johan Abdullah had on Thursday denied that the pilgrim fund had purchased two parcels of land in TRX as alleged by a blog. Johan denied the purchase was a bailout and that the proposal had undergone rigorous due diligence process from the board to the ministry level. Meanwhile, Johan also said leakages of proposal papers are not proof of approved investment decisions. *(Source: The Star)*

ECONOMIC UPDATES

Malaysia: March exports rebound, exceed survey with 2.3% growth

Malaysia’s exports in March 2015 rebounded with a 2.3% growth to RM66.47bil from a year ago, exceeding economists forecast of a 4.2% decline. The International Trade and Industry Ministry (MITI) said on Thursday the exports were higher than the RM64.96bil a year ago and from the RM53.16bil in February 2015. MITI said March imports rose by 5.8% to RM58.64bil from RM55.43bil a year ago. The imports were also higher than February’s RM48.61bil. It said trade balance widened to RM7.82bil from RM4.56bil in February, making it the 209th consecutive month of trade surplus since November 1997. “Expansion in exports to the US, India, Hong Kong and China supported the higher exports in March 2015,” MITI said. *(Source: The Star)*

Malaysia: Bank Negara keeps OPR unchanged at 3.25%

Bank Negara Malaysia’s (BNM) monetary policy committee kept the Overnight Policy Rate (OPR) unchanged at 3.25% as the policy remains accommodative and supportive of economic activity. It said on Thursday that latest indicators suggested domestic demand has continued to support growth in the first quarter. BNM said it expected private consumption to moderate as households adjust to the Goods and Services Tax (GST), which came into effect on April 1. *(Source: The Star)*

Greece: Faces deadline next week as ECB eyes haircut option

Greece needs to show it’s serious about reaching an agreement with international creditors next week or risk tighter liquidity rules being imposed on its banks. European Central Bank officials want progress at a meeting of euro-region finance ministers on May 11 or they will consider tightening Greek banks’ access to emergency liquidity they need to stay afloat, said two officials who spoke on condition of anonymity as the talks are private. One policy maker said they’re prepared to raise haircuts the discounts imposed on collateral pledged by Greek banks in return for funding to levels seen last year. *(Source: The Edge)*

U.S.: Jobless claims hover near 15-year low, boost growth outlook

The number of Americans filing new claims for unemployment benefits held near a 15-year low last week in a sign that the labor market was strengthening despite moderate economic growth. Initial claims for state unemployment benefits rose 3,000 to a seasonally adjusted 265,000 for the week ended May 2, the Labor Department said on Thursday. That was well below the increase to 280,000 that economists had forecast. Claims for the prior week were unrevised at 262,000, which was the lowest reading since April 2000. The sustained strength suggests March's sharp step down in job growth was likely an aberration, and could keep the Federal Reserve on track to raise interest rates this year. (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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