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Monday, May 11, 2015

At a Glance

FBMKLCI gained 2.55 points to finish at 1,807.65 in tandem with the positive regional market sentiment.....(See full report next page)

Strategy

“China and the UK Factor to Excite the Market Heavenward”

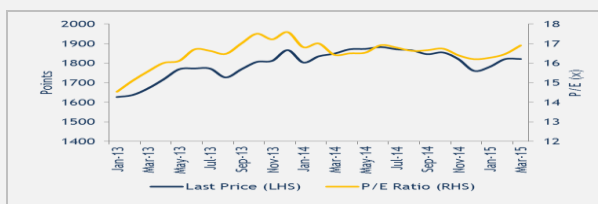
We believe risk appetite will elevate as a result.....(See full report next page)

Corporate Highlights

- **Mah Sing, HOLD (TP: RM2.17):** Double win for Mah Sing at Asia Pacific Property Awards 2015–2016
- **Eco World (CP: RM1.76):** Completes RM2.8b corporate exercise
- **Eco World (CP: RM1.76):** Raises RM638mil

Economic Update

- **China:** April exports down 6.4% y-o-y
- **China:** Cuts interest rates for third time in six months as economy sputters
- **Japan:** First-quarter GDP growth seen moderate, weak consumption a concern



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
MY	11-May	12:00 PM	Industrial Production YoY	-	5.2%
JP	12-May	1:00 PM	Leading Index CI	-	104.8
EU	13-May	5:00 PM	Industrial Production SA MoM	-	1.1%
EU	13-May	5:00 PM	GDP SA QoQ	-	0.3%
EU	13-May	5:00 PM	GDP SA YoY	-	0.9%
US	13-May	7:00 PM	MBA Mortgage Applications	-	-4.6%
US	13-May	8:30 PM	Retail Sales Advance MoM	0.3%	0.9%
JP	13-May	7:50 AM	BoP Current Account Balance	-	¥1440.1B
CN	13-May	1:30 PM	Retail Sales YoY	10.4%	10.2%
CN	13-May	1:30 PM	Retail Sales YTD YoY	10.5%	10.6%
CN	13-May	1:30 PM	Industrial Production YoY	6.0%	5.6%
CN	13-May	1:30 PM	Industrial Production YTD YoY	6.3%	6.4%
US	14-May	8:30 PM	PPI Final Demand MoM	0.1%	0.2%
US	14-May	8:30 PM	PPI Ex Food, Energy, Trade MoM	0.1%	0.2%
US	14-May	8:30 PM	Initial Jobless Claims	-	-
US	14-May	8:30 PM	Continuing Claims	-	-
JP	14-May	7:50 AM	Money Stock M2 YoY	-	3.6%
JP	14-May	7:50 AM	Money Stock M3 YoY	-	3.0%
MY	14-May	12:00 PM	GDP YoY	-	5.8%
MY	14-May	12:00 PM	BoP Current Account Balance MoM	-	6.1B
US	15-May	9:15 PM	Industrial Production MoM	0.1%	-0.6%
US	15-May	9:15 PM	Capacity Utilization	78.4%	78.4%
US	15-May	10:00 PM	U. of Mich. Sentiment	97.0	95.9
JP	15-May	7:50 AM	PPI MoM	-	0.3%
JP	15-May	7:50 AM	PPI YoY	-	0.7%
CN	10-15 May	-	New Yuan Loan CNY	900.0B	1180.0B
CN	10-15 May	-	Money Supply M2 YoY	12.0%	11.6%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,807.65	2.55	0.14
FBMEMAS	12,470.02	11.55	0.09
FBMEMAS SHA	12,956.80	4.42	0.03
FBM100	12,144.99	9.58	0.08
Volume (mn)	1,518.07	-38.56	-2.48
Value (RMmn)	1,937.08	-34.23	-1.74
FBMKLCI YTD Chg			2.63

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.4	-12.2
Local Institution	54.8	210.1
Foreign Investors	29.8	-197.9

Top Gainers

	Close	Change+/-	(+/- %)
CI HOLDINGS BHD	2.91	0.53	22.27
SAM ENGINEER	3.50	0.46	15.13
ORIENTAL FOOD	5.40	0.35	6.93

Top Losers

	Close	Change+/-	(+/- %)
FRASER & NEAVE	18.30	-0.44	-2.35
AMWAY MALAY	10.54	-0.30	-2.77
SYARIKAT TAKAF	14.58	-0.18	-1.22

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,191.11	267.05	1.49
NASDAQ	5,003.55	58.01	1.17
S&P 500	2,116.10	28.10	1.35
FTSE 100	7,046.82	159.87	2.32
DAX	11,709.73	301.76	2.65
Nikkei 225	19,379.19	87.20	0.45
HSI	27,577.34	287.37	1.05
KOSPI	2,085.52	-5.48	-0.26
STI	3,452.01	19.23	0.56
KLCI Futures	1,799.00	14.00	0.01
USDMYR 3M	10.50	(0.01)	(0.00)
USDMYR 6M	10.41	(0.03)	(0.00)
USDMYR 12M	10.31	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	59	-0.1	-0.2%
Brent (USD/bbl)	65.4	0.0	0.0%
Gold(USD/ounce)	1,190	1.8	0.1%
Coal (USD/mt)	61.9	0.0	0.0%
CPO (RM/mt)	2,162	-11.0	-0.5%
Rubber	184	1.7	0.9%
RM/USD	3.60	0.0043	-0.12%
EUR/USD	0.89	0.0013	0.15%
YEN/USD	119.83	0.07	-0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 267.05 points to 18,191.11, S&P 500 up by 28.10 points to 2,116.10. Nasdaq soared by 58.01 points to 5,003.55. U.S. stocks closed higher on Friday as Wall Street lauds jobs growth.
- U.S. job growth rebounded last month and the unemployment rate dropped to a near seven-year low, suggesting underlying strength in the economy at the start of the second quarter after growth hit a soft patch in the first.

The Local Market

- FBMKLCI gained 2.55 points to finish at 1,807.65 in tandem with the positive regional market sentiment. There were 461 gainers and 316 decliners in total value traded of RM1.93 billion.
- Among the gainers on Bursa Malaysia were CI Holding rose 53 cent to RM2.91, Sam Engineering increased 46 cent to RM3.50, Oriental Food surged 35 cent to RM5.40 and Westport up 21 cent to RM4.31.

Strategy

• “China and the UK Factor to Excite the Market Heavenward”

Wall Street had a ball last Friday thanks to the UK clean set of Conservative wins and also within expectation US April unemployment rate. The China factor will be the added catalyst that could bump-up trading sentiment today. **S&P 500** and **DJIA** added **28.10 (1.35%)** and **267.05 (1.49%)** points to end at **2,116.10** and **18,191.11** respectively. The UK controlling party, Conservatives, expanded its strong grip in the UK parliament after it won to control of the upper house, pushing worldwide excitement that the party will continue with its aggressive policy at the back of relatively good management of the UK economy amid challenging external environment. It won 331 of 650 for a simple majority to govern the UK in the next 5 years. In addition, the US managed to knock down its April unemployment rate to 5.4%, within expectation, against March's of 5.5%. This is less of catalyst compared to the happenings in the UK. The bomb, however, came from China over the weekend as it cut its policy rate again, its 3rd in a span of a month, in an effort to combat dwindling economy and lethargic inflation. The People's Bank of China (PBOC) said on its website it was lowering its benchmark, one-year lending rate by 25 basis points to 5.1% from May 11. It cut the benchmark deposit rate by the same amount to 2.25%. Note that this is not its only monetary weapon that it unleashes as China did cut its Reserve Requirement Ratio (RRR) recently, its 5th cut in 5 months. The message is clear, in that China will do all its might to arrest declining economy as this is certainly a good signals to the global equity market. A combination of factor will shore up trading sentiment this week as we believe risk appetite will elevate as a result. It may or may not foreshadow Malaysia's IPI and 1Q15 GDP announcement later in the week. Hence, fasten the seat belt and enjoy the ride heavenward.

- 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

Mah Sing, HOLD (TP: RM2.17): Double win for Mah Sing at Asia Pacific Property Awards 2015–2016

Property developer Mah Sing Group Bhd clinched a double win at the Asia Pacific Property Awards 2015–2016 for two of its developments, namely The Loft@Southbay City and D'Sara Sentral. Mah Sing said the Loft was named the region's Five-star Leisure Development, while D'Sara Sentral took home the title for Highly Commended Commercial High-rise Architecture for Malaysia. Located on the Penang seafront, the Loft, a 3.71-acre development with a gross development value (GDV) of RM290 million, consists of 156 luxurious, serviced suites housed in two tower blocks. D'sara Sentral, on the other hand, is located in Sungai Buloh, Selangor, and is an integrated development with a GDV of RM938 million. It comprises lifestyle retail shops, one block of smart office versatile office (SOVO), and four blocks of serviced residences. *(Source: The Edge)*

Eco World (CP: RM1.76): Completes RM2.8b corporate exercise

Eco World Development Group Bhd has raised total proceeds of RM2.8 billion for its growth and expansion plans, with the completion of the last leg of its corporate exercise yesterday following a 20% placement of shares to institutional investors. The 20% placement raised proceeds of RM638.35 million and will see 394.04 million new shares issued at a subscription price of RM1.62 per share, which represents an 8.5% discount to the closing price of Eco World shares on May 7, 2015 of RM1.77 per share. The subscription price also represents a discount of approximately 9.86% to the five-day volume weighted average market price of Eco World up to and including May 7 of RM1.80 per share. *(Source: The Edge)*

Eco World (CP: RM1.76): Raises RM638mil

Eco World Development Group has raised proceeds amounting to RM638.35mil after completing the final leg of its corporate exercise - a 20% placement of shares to institutional investors. In a statement yesterday, the company said the order book was subscribed 1.41 times with significant orders from long-term institutional investors, attracting strong demand from both local and foreign investors. Pursuant to the book-build exercise, the property developer said it would issue 394.04 million new shares at a subscription price of RM1.62 per share, representing about 20% of its issued and paid-up capital. *(Source: The Star).*

SLP Resources (CP: RM1.05): 1Q net profit surges 76.28% on lower cost

SLP Resources Bhd saw its net profit jump 76.28% to RM4.46 million or 1.8 sen a share for the first quarter ended March 31, 2015 (1QFY15) from RM2.53 million

or 1.02 sen a share a year ago. SLP Resources (fundamental: 2.4; valuation: 1.3) attributed the improved net profit to lower cost of raw materials in line with lower average prices of plastic resins. The change in sales mix to higher proportion of flexible plastic packaging products which led to better margins had also contributed to the significant increase in profit before tax (PBT). Revenue for 1QFY15, however, fell 6.8% to RM41.43 million from RM44.45 million a year ago due to lower domestic sales as well as lower average selling prices of the group's plastic packaging products in line with the lower average prices of plastic resins. No dividend was declared for the current quarter under review. (Source: The Edge)

ECS (CP: RM1.69): Unveils new strategy

ABOUT a year ago, ECS ICT Bhd had expressed hopes of being a top three distributor of smartphones in Malaysia and doubling sales in its mobility division within the year. Chief executive officer Soong Jan Hsung, who was promoted to the role on Jan 1, was previously deputy CEO of the company and had risen in rank and file to several managerial positions since joining a subsidiary of the company as a sales executive 28 years ago. One of Soong's strategies to widen the company's distribution of smartphones is to plant more resources in tier 2 cities like Malacca and Seremban. Mobile markets in these areas need sufficient sales coverage, he says. (Source: The Star)

Petronas: Led group's cash offer rejected

Canada's indigenous community of Lax Kw'alaams has so far given the thumbs down to the C\$1.15bil (RM3.42bil) cash offer from Petroliaam Nasional Bhd (Petronas)-led Pacific NorthWest LNG joint venture, according to various reports from the country. The benefits package pitched to them includes not just the cash offer, to be paid over 40 years, but also the British Columbia (BC) government's offer of 2,200ha Crown land in Prince Rupert Harbour valued at C\$108mil (RM321mil). Petronas and its partners are seeking to build an LNG terminal costing about C\$11bil (RM32.7bil) on the Lax Kw'alaams territory on Lelu Island as part of the proposed C\$36bil Pacific NorthWest LNG project, in which Petronas has a 62% interest. (Source: The Star)

KWAP: Agrees to buy TRX land at lower cost compared with Tabung Haji deal

Retirement Fund Inc (KWAP) has agreed to buy a parcel of land and building that will be its new headquarters at the Tun Razak Exchange (TRX) at a price that is more than 15% lower than what Lembaga Tabung Haji (LTH) had paid for. The heads of agreement for the purchase had been ironed out between KWAP and 1Malaysia Development Bhd (1MDB) that would see KWAP pay between RM1bil and RM1.2bil for a 40-storey building and land at the TRX in Kuala Lumpur. According to sources, KWAP will be purchasing the land at about RM2,300 per sq ft. (Source: The Star)

ECONOMIC UPDATES

China: April exports down 6.4% y-o-y

China's exports fell 6.4 percent in April from a year earlier in dollar-denominated terms, missing market expectations, while imports tumbled 16.2

percent. That left the country with a trade surplus of \$34.13 billion for the month, the General Administration of Customs said on Friday. Analysts polled by Reuters had expected exports to rise 2.4 percent in April from a year earlier, and predicted imports would fall 12 percent. Chinese Vice Premier Wang Yang was quoted by Xinhua state news agency as saying last month that authorities must arrest China's export slowdown lest it further dampen economic growth.- Reuters *(Source: The Star)*

China: Cuts interest rates for third time in six months as economy sputters

China cut interest rates for the third time in six months on Sunday in a bid to lower companies' borrowing costs and stoke a sputtering economy that is headed for its worst year in a quarter of a century. The People's Bank of China (PBOC) said on its website it was lowering its benchmark, one-year lending rate by 25 basis points to 5.1 percent from May 11. It cut the benchmark deposit rate by the same amount to 2.25 percent. At the same time, the overall level of domestic prices remains low, and real interest rates are still higher than the historical average. Sunday's rate cut came just days after weaker-than-expected April trade and inflation data, highlighting that China's economy is under persistent pressure from soft demand at home and abroad. *(Source: Reuters)*

Japan: First-quarter GDP growth seen moderate, weak consumption a concern

Japan's economy was expected to post a second straight quarter of moderate growth in January-March, led by a pickup in exports and business investment, a Reuters poll found, pointing if realized to a steady recovery from recession after last year's sales tax hike. Annual expansion of 1.5 percent in gross domestic product (GDP) would match the rate of growth in October-December, translating into a quarterly increase of 0.4 percent, unchanged from the prior quarter, the Reuters poll of 22 economists found. Subdued growth could be a source of concern for policymakers counting on consumer spending, backed by increased corporate profits and higher wages, to help sustain a virtuous growth cycle and defeat nearly two decades of deflation. *(Source: The Star)*

Indonesia: Bank Indonesia to adjust policies to support growth –governor

The head of Indonesia's central bank said on Friday it would adjust policies this year to support growth after Southeast Asia's largest economy expanded at its slowest pace since 2009. Bank Indonesia (BI) Governor Agus Martowardojo told an economic seminar that the policies would be focused on efforts to encourage banks to lend more, while still mitigating risks in the financial market. "BI is committed to maintaining financial and macroeconomic stability. We will review our position based on data. But our main focus remains stability," Martowardojo said. The pipeline of policy revisions ranged from adjustments to reserve requirement ratio, which BI imposes depending on banks' loan-to-deposit-ratio (LDR), to raising capital requirements for the most important banks, a statement following the speech said. *(Source: The Edge)*

Europe: EU Looking to Asia to spur investment fund

The European Union is seeking Asian capital for a multi-billion euro investment plan it hopes will create more than a million jobs and revive growth. Through the creation of the European Fund for Strategic Investment, presented in Hong Kong on Thursday during its first roadshow outside Europe, the EU seeks to

inject 315 billion euros into a range of long-term projects from broadband infrastructure to green energy. To attract investors, the EU has pledged 16 billion euros from its own budget in guarantees and is looking to fund around 20 percent of each project. Despite the problems posed by the Greek crisis and low growth, some Asian investors signalled an appetite for Europe. (Source: *The Edge*)

Greece: Calls on EU, IMF lenders to show political will for deal

Greece's main debt negotiator called on the European Union and the International Monetary Fund to show their willingness to break an impasse in debt talks, ahead of a crucial meeting of euro zone finance ministers on Monday. Prime Minister Alexis Tsipras' leftist-led government, which came to power promising to end the austerity terms under Greece's existing 240 billion euro debt deal, has been locked for months in talks with its foreign lenders over reforms that could unlock much needed bailout funds. Any delay in achieving this compromise has to do with one and only one reason, and this is the political differences between the government and the institutions," Euclid Tsakalotos, Greece's newly appointed coordinator of the talks, told Avgi newspaper. (Source: *The Star*)

U.S.: Wage increases in focus ahead of retail earnings

Labour expenses will be a key focus during retailers' earnings conference calls in the coming weeks, with many companies under pressure to boost workers' wages at a time when low U.S. unemployment levels have given workers more leverage. Wal-Mart, Target Corp, T.J. Maxx , Gap, and McDonald's Corp have already announced wage increases, and the trend appears to be trickling further into the retail and restaurant sectors. The competition for that job is tougher for the employer. The employee has choices now," said Thomas Sudyka, managing director at investment management firm Lawson Kroeker based in Omaha, Nebraska. (Source: *The Star*)

U.S.: Job growth recovers keeps 2015 Fed rate rise in play

U.S. job growth rebounded last month and the unemployment rate dropped to a near seven-year low of 5.4 percent, suggesting underlying strength in the economy at the start of the second quarter that could keep alive prospects for a Federal Reserve rate hike later this year. Nonfarm payrolls increased 223,000 as gains in services sector and construction jobs offset weakness in mining, the Labor Department said on Friday. The one-tenth of a percentage point decline in the unemployment rate to its lowest level since May 2008 came even as more people piled into the labor market. However, wage growth was tepid and March payrolls were revised downward, leading financial markets to push back rate hike bets.

U.S.: Higher US rates may cause huge market swings

THERE are many reports of concern over potentially huge adjustments in the event of a US interest rate hike that could trigger capital flight and difficulties in debt repayment. The latest voice of warning comes from the Institute of International Finance (IIF), which represents the world's largest banks. Evaporating liquidity and higher US interest rates will likely cause huge market swings with potentially catastrophic consequences, said the *Telegraph*, quoting

Timothy Adams, chief executive of the IIF. Liquidity has been described as the “top issue” at high level meetings of central bankers, chief executives and other financial institutions. *(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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