

PP14767/09/2012(030761)

Monday, May 18, 2015

Report of The Day

Company Update: TH Plantations, HOLD (TP: RM1.47) – “Leap, and the Net will Appear”

Economic Report: Malaysia 1Q15 GDP – “Good Start; 1Q15 GDP Hit 5.6%

At a Glance

FBM KLCI rose 4.37 points to finish at 1,811.92 due to the positive growth of Malaysia 1Q GDP.....(See full report next page)

Strategy

“Cautious Week Likely”

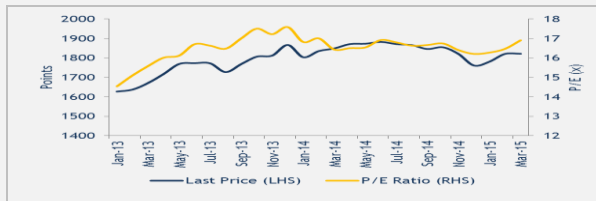
We opine that investors would prefer to wait for further economic signs and signals before taking big bets in the market.....(See full report next page)

Corporate Highlights

- **Amway, HOLD (TP: RM10.10):** 1Q earnings up 40%, declares 10 sen dividend
- **Mah Sing, HOLD (TP: RM2.17):** Expects MRT2 to boost demand
- **CIMB, HOLD (TP: RM6.10):** CIMB and CIMB Niaga offer MSS to employees

Economic Update

- **Malaysia:** Economy expands 5.6% in first quarter
- **Malaysia:** BNM to review inflation outlook if oil exceeds US\$70 a barrel
- **China:** Jan-Apr non-financial outbound FDI up 36.1 pct y/y



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	18-May	7:50 AM	Machine Orders MoM	-	-0.4%
JP	18-May	7:50 AM	Machine Orders YoY	-	5.9%
JP	18-May	12:30 PM	Industrial Production MoM	-	-0.3%
JP	18-May	12:30 PM	Industrial Production YoY	-	-1.2%
JP	18-May	12:30 PM	Capacity Utilization MoM	-	0.0%
EU	19-May	5:00 PM	Trade Balance NSA	-	20.38
EU	19-May	5:00 PM	CPI MoM	-	1.1%
EU	19-May	5:00 PM	CPI YoY	0.0%	0.0%
EU	19-May	5:00 PM	CPI Core YoY	0.6%	0.6%
US	19-May	8:30 PM	Housing Starts	1020K	926K
US	19-May	8:30 PM	Building Permits	1063K	1039K
US	20-May	7:00 PM	MBA Mortgage Applications	-	-3.5%
JP	20-May	7:50 AM	GDP SA QoQ	0.4%	0.4%
JP	20-May	7:50 AM	GDP Annualized SA QoQ	1.6%	1.5%
JP	20-May	7:50 AM	GDP Deflator YoY	3.6%	2.4%
JP	20-May	1:00 PM	Leading Index C1	-	105.5
JP	20-May	1:00 PM	Coincident Index	-	109.5
EU	21-May	4:00 PM	Markit Eurozone Manufacturing PMI	51.8	52.0
EU	21-May	4:00 PM	Markit Eurozone Services PMI	53.8	54.1
EU	21-May	4:00 PM	Markit Eurozone Composite PMI	53.6	53.9
EU	21-May	10:00 PM	Consumer Confidence	-	-4.6
US	21-May	8:30 PM	Initial Jobless Claims	-	-
US	21-May	8:30 PM	Continuing Claims	-	-
US	21-May	9:45 PM	Markit US Manufacturing PMI	54.4	54.1
US	21-May	10:00 PM	Existing Home Sales	5.22M	5.19M
US	21-May	10:00 PM	Existing Home Sales MoM	0.6%	6.1%
US	21-May	10:00 PM	Leading Index	0.2%	0.2%
CN	21-May	9:45 AM	HSBC China Manufacturing PMI	-	48.9
US	22-May	8:30 PM	CPI MoM	0.1%	0.2%
US	22-May	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.2%
US	22-May	8:30 PM	CPI YoY	-0.2%	-0.1%
US	22-May	8:30 PM	CPI Ex Food and Energy YoY	1.7%	1.8%
JP	22-May	-	Bank of Japan Monetary Policy Statement	-	-
MY	22-May	12:00 PM	CPI YoY	-	0.9%
MY	22-May	-	Foreign Reserves	-	\$105.8B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBM KLCI	1,811.92	4.37	0.24
FBMEMAS	12,495.95	29.23	0.23
FBMEMAS SHA	12,996.85	53.78	0.42
FBM100	12,171.33	29.17	0.24
Volume (mn)	1,746.15	171.98	10.93
Value (RMmn)	1,845.15	50.72	2.83
FBM KLCI YTD Chg			2.88

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.7	-113.3
Local Institution	56.1	47.6
Foreign Investors	22.2	71.7

Top Gainers

	Close	Change+/-	(+/- %)
BAT	64.92	1.18	1.85
YSP SOUTHEAST A	1.95	0.34	21.12
LYSAGHT GALVANI	3.88	0.28	7.78

Top Losers

	Close	Change+/-	(+/- %)
GENTING BHD	8.90	-0.30	-3.26
NESTLE (MALAY)	72.80	-0.20	-0.27
TAHPS GROUP	6.85	-0.15	-2.14

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,272.56	20.32	0.11
NASDAQ	5,048.29	-2.50	-0.05
S&P 500	2,122.73	1.63	0.08
FTSE 100	6,960.49	-12.55	-0.18
DAX	11,447.03	-112.79	-0.98
Nikkei 225	19,732.92	162.68	0.83
HSI	27,822.28	535.73	1.96
KOSPI	2,106.50	-13.83	-0.65
STI	3,463.10	7.32	0.21
KLCI Futures	1,801.50	3.50	0.00
USDMYR 3M	9.86	0.02	0.00
USDMYR 6M	9.98	(0.01)	(0.00)
USDMYR 12M	10.08	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	0.1	0.1%
Brent (USD/bbl)	66.8	0.0	0.0%
Gold(USD/ounce)	1,224	-0.9	-0.1%
Coal (USD/mt)	61.3	-0.2	-0.3%
CPO (RM/mt)	2,188	-19.0	-0.9%
Rubber	182	0.3	0.2%
RM/USD	3.56	-0.0165	0.46%
EUR/USD	0.87	0.0007	0.08%
YEN/USD	119.39	0.14	-0.12%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 20.32 points to 18,272.56, S&P 500 grew by 1.63 points to 2,121.73. Nasdaq declined by 2.50 points to 5,048.29. A weak industrial output and consumer sentiment reports on Friday did little to instill confidence in investors about the economy's growth momentum.
- Industrial output slipped 0.3 percent, weighed by a decline in production by mining companies and utilities. Economists had forecast a rise of 0.1 percent. U.S. consumer sentiment also fell more than expected in May and was at its lowest since October.

The Local Market

- FBMKLCI rose 4.37 points to finish at 1,811.92 due to the positive growth of Malaysia 1Q GDP. There were 411 gainers and 358 decliners in total value traded of RM1.84 billion.
- Among the gainers on Bursa Malaysia were BAT gained RM1.18 to RM64.92, YSP Southeast Asia soared 34 cent to RM1.95, Lysaght Galvanized Steel rose 28 cent to RM3.88 and Lafarge Malaysia up 26 cent to RM9.81.

Strategy

- **"Cautious Week Likely"**
Wall Street made some small gains last Friday as investors took comfort that the US Federal Reserve (Fed) will not be urgent in adjusting the Federal Funds Rate (FFR) after a series of disappointing economic indicators. **S&P 500** and **DJIA** gained **1.63 (0.08%)** and **20.32 (0.11%)** points to end at **2,121.73** and **18,272.56** respectively. The US churned a host of disappointing economic readings last Friday including industrial production that registered fifth consecutive monthly of decline in April of 0.3% after dipping an upwardly revised 0.3% (from -0.6%) in March. In addition, manufacturing production was flat after increasing by 0.3% in March while The University of Michigan Consumer Sentiment Index declined to 88.6 in the preliminary May reading from 95.9 in April. All these are hugely important indicators which suggest that the Fed may have to think twice before choking the economic with hastily decision to adjust the FFR and hence, a reprieve to market sentiment. As for this week, investors would need concrete reason before dipping heavier in the market especially when Japan will release its 1Q15 GDP on 20th May followed by a series of PMI readings and US housing related statistics. As catalyst is scarce, we opine that investors would prefer to wait for further economic signs and signals before taking big bets in 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

Amway, HOLD (TP: RM10.10): 1Q earnings up 40%, declares 10 sen dividend

Consumer products distributor Amway (Malaysia) Holdings Bhd (Amway) reported a 40.1% on-year hike in its net profit to RM36.7 million in its first quarter ended March 31, 2015 (1QFY15), from RM25.5 million previously, due to higher sales before the implementation of the goods and services tax (GST). Its 1QFY15 revenue was up 50.1% on-year to RM321.9 million, from RM213.3 million; while earnings per share (EPS) improved to 22.41 sen, compared to 15.49 sen in 1QFY14, its filing to Bursa Malaysia showed today. In tandem with its improved financials, the group declared a first interim single-tier dividend of 10 sen per share for the financial year ending Dec 31, 2015, which will be paid to shareholders on June 17. Amway said the revenue increase was due to pre-GST buys and well-received promotions focusing on high value items. (Source: The Edge)

Mah Sing, HOLD (TP: RM2.17): Expects MRT2 to boost demand

Mah Sing Group Bhd expects the proposed Mass Rapid Transit Line 2 (MRT2) project to ramp up demand for its developments in Sg Buloh and Kepong, and consequently the value of the same. Mah Sing chief executive officer (CEO) Ng Chai Yong told theedgemarkets.com on Friday that the MRT Line 2 will pass by its Lakeville Residence development in Kepong, while both MRT1 (Line 1) and MRT2 will serve its D'sara Sentral development in Sg Buloh, with stations to be located close to the development. (Source: The Edge)

CIMB, HOLD (TP: RM6.10): CIMB and CIMB Niaga offer mutual separate scheme to employees

CIMB Group Holdings Bhd (CIMB) (and its Indonesian counterpart PT CIMB Niaga Tbk (CIMB Niaga) announced today that they have offered employees in Malaysia and Indonesia a mutual separation scheme (MSS) to enhance its efficiency. CIMB's group chief executive officer Tengku Datuk Zafrul Aziz Tengku Aziz said, "This exercise is fully voluntary and is aimed at enhancing our efficiency levels across the board. This is consistent with the return on equity and cost-to-income plans we have outlined for the future. Some of our employees from Malaysia have also enquired about these types of schemes, so this MSS is also a response to them," he added in a press release today. Zafrul said that the MSS exercise received the backing of the CIMB Niaga's board of commissioners and board of directors as it is consistent with the operating strategies of CIMB Niaga. (Source: The Edge)

Amway, HOLD (TP: RM10.10): RM1b sales target by 2015 'no longer relevant'

Amway (M) Holdings Bhd said its RM1 billion sales target by 2015 "is no longer relevant" as the consumer products distributor contends with Malaysia's goods and services tax (GST) and a weaker ringgit versus the US dollar. Amway executive director Yee Kee Bing said slow revenue growth had pushed the company's RM1 billion sales aim to another three to five years. In current financial year ending December 31, 2015 (FY15), he said Amway expected Malaysia's GST and a weaker ringgit versus the US dollar to have a negative impact on the company's revenue growth and profitability. (Source: The Edge)

Lysaght (CP: RM3.88): 1Q net profit rises 120.9% on land disposal gain

Lysaght Galvanized Steel Bhd 's net profit for the first quarter ended March 31, 2015 (1QFY15) rose 120.92% to RM6.76 million or 16.26 sen per share from RM3.06 million or 7.57 sen per share last year due to gain from sales of investment property. Revenue for the quarter gained 12.93% to RM17.03 million from RM15.08 million in 1QFY14. No dividend was declared for the current quarter under review, according to its filing with Bursa Malaysia today. Lysaght said it had on Sept 5 last year entered into a Sales and Purchase Agreement with Semai Haruman Sdn Bhd for the disposal of a piece of leasehold land in Bandar Sunway for RM6.4 million. *(Source: The Edge)*

CI Holding (CP: RM2.87): Goes for M&A boost

C.I. Holdings Bhd (CIH), a consumer edible oil company whose share price peaked to all-time high two days ago, is looking forward to higher earnings as it plans to double its monthly export volume in one to two years via its recent RM8.25mil purchase of a 60% stake in Palmtop Vegeoil Products Sdn Bhd. Group managing director cum major shareholder Datuk Johari Abdul Ghani (*pic*) says the strategic advantage of acquiring Palmtop hinges on its under-utilised capacity with huge international market connections for consumer-packed edible oil but its growth is crimped by the lack of working capital. This is because refined palm oil, which is the raw material for the on-the-shelf exported consumer goods, needs a high amount of working capital due to its short term credit or mainly cash transaction. *(Source: The Star)*

Insas (CP: RM0.96): 3Q net profit falls despite revenue more than doubled

Insas Bhd net profit fell 8% to RM28.12 million or 4.23 sen per share for the third financial quarter ended March 31, 2015, from RM30.69 million or 4.61 sen per share in the previous year. However, revenue more than doubled to RM139.69 million, from RM65.97 million a year earlier. Its financial services and credit & leasing division saw lower revenue, due to weaker market sentiment during the quarter under review. On the other hand, the loss reported by its investment holding and trading division was attributed to higher impairment loss on financial assets of RM17.6 million. *(Source: the Edge)*

ECONOMIC UPDATES**Malaysia: Economy expands 5.6% in first quarter**

Malaysia's economy expanded by 5.6% in the first quarter ended March 31, 2015, underpinned by strong private consumption and private investment. Bank Negara Malaysia (BNM) announced on Friday that the GDP growth, on a quarter-on-quarter seasonally adjusted, grew at 1.2 per cent. GDP in current prices amounted to RM277.2bil in this quarter. In constant 2010 prices, GDP registered a value of RM254.4bil," it said. The firm GDP growth – which was above economists' expectations of a 5.5% growth -- was driven by an 8.8% growth in private consumption and the 11.7% increase in private investment. The GDP growth in Q1 2015 at 5.6% was slower when compared with a year ago when the economy expanded at 6.3%. *(Source: The Star)*

Malaysia: BNM to review inflation outlook if oil exceeds US\$70 a barrel

Bank Negara Malaysia (BNM) may look into reviewing its inflation projection this year from the two to three percent set earlier, if the oil price exceeds US\$70 per barrel. However, its Governor Tan Sri Dr Zeti Akhtar Aziz, said at the current level, the oil price is not going to have a significant adverse impact on inflation and consumption spending. In the first quarter ended March 31, 2015, inflation fell to 0.7% from 2.8% in the preceding quarter due to negative contribution of the transportation segment following the downward revision to domestic fuel prices. (Source: *The Star*)

China: Jan-Apr non-financial outbound FDI up 36.1 pct y/y

China's outbound non-financial direct investment rose 36.1 percent to \$34.97 billion in the first four months of the year from a year earlier, the Commerce Ministry reported on Friday. On Wednesday the ministry released figures that showed China's foreign direct investment (FDI) climbed at an annual rate of 11.1 percent in the first four months of the year to \$44.5 billion. China warned on Wednesday that it faces stiffer competition from other countries when wooing foreign investors to the mainland due to rising Chinese wages. China's FDI in March grew only 2.2 percent from a year earlier. (Source: *The Edge*)

Europe: ECB satisfied with effects of QE, no plans to end it early

The European Central Bank is satisfied with the effects of its bond buying programme on the economy and inflation and has no intention of ending it prematurely, ECB Executive Board Member Yves Mersch said on Saturday. In March, the ECB started buying 60 billion euros worth of euro zone government bonds a month to inject more cash into the economy and reverse a trend of falling prices. He said that while cyclical factors in the economy also played a part, "at the ECB we are quite satisfied, that we have taken the right measures at the right time and that is probably why they were more effective. (Source: *The Star*)

Indonesia: Economy lacks momentum

Indonesia posted a trade surplus for the fifth straight month in April, but that stemmed from imports tumbling more quickly from a year earlier than exports did, showing that the economy remained sluggish at the start of the second quarter. Imports plunged 22.31% in April, sliding for a seventh straight month. The biggest fall was for refined oil products, down 43.6% from a year earlier. The Statistics Bureau did not give an April breakdown, but said January-April imports of raw materials were down 17.81% from a year earlier, capital goods off 13.94% and consumption goods down 15.74%. April exports from Southeast Asia's largest economy, hurt by low commodity prices, dropped 8.46% from a year earlier, more than a forecast 7%. (Source: *The Star*)

Singapore: Non-oil domestic exports seen down

Singapore's non-oil domestic exports are forecast to have fallen in April, a Reuters poll showed, indicating sluggish global growth may hobble shipments from the city-state despite emerging signs of a pick up. Non-oil domestic exports were seen down 4.2% from a year earlier, according to the median forecast in the survey of 13 economists. In March, non-oil domestic exports jumped 18.5% from a year earlier, the largest annual growth since February 2012, on surging

sales to the United States and Europe. Exports of electronics also rose. Despite the March bounce, uneven global demand and weak domestic manufacturing activity point to uncertainty ahead. *(Source: The Star)*

U.S.: Industrial output falls for fifth straight month

U.S. industrial production fell for a fifth straight month in April, weighed down by declines in mining and utilities output, pointing to a lack of momentum in the economy at the start of the second quarter. Industrial output slipped 0.3 percent after a revised 0.3 percent drop in March, the Federal Reserve said on Friday. Economists polled by *Reuters* had forecast industrial production edging up 0.1 percent last month after a previously reported 0.6 percent fall in March, which was the biggest drop since August 2012. The dour report added to weak retail sales data in suggesting that the economy was struggling to regain momentum after growth slowed abruptly in the first quarter. Mining production fell 0.8 percent as oil and gas well drilling plunged 14.5 percent. It was the fourth straight monthly decline in mining output. Utilities production tumbled 1.3 percent, likely as warmer weather reduced demand for heating. *(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.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
M&A Securities