

PP14767/09/2012(030761)

Monday, June 08, 2015

At a Glance

FBMKLCI gained 3.85 points to finish at 1,745.33 on returned interest in bluechips counter.....(See full report next page)

Strategy

"Market to Negotiate Few Stress Points This Week"

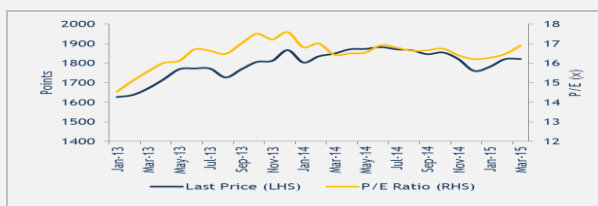
We opine that the market may continue to be jittery and cautiousness may take centre stage..... (See full reports next page)

Corporate Highlights

- **Genting Plantations, HOLD (TP: RM10.77):** Unit Issues RM1 Bln Sukuk
- **Sime Darby, HOLD (TP: RM9.00):** Hyundai Sime Darby Motors launches first luxury car
- **Tanjung Offshore (CP: RM0.45):** Vows to Clean up Weaknesses In Audit Report

Economic Update

- **Malaysia:** Exports Shrink by 8.8 per cent
- **China:** Regulator says amending rules on margin trading, short selling
- **India:** Imposes anti-dumping duty on some steel from China, Malaysia



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	8-Jun	-	Trade Balance	\$44.35B	\$34.13B
CN	8-Jun	-	Exports YoY	-4.0%	-6.4%
CN	8-Jun	-	Imports YoY	-10.0%	-16.2%
JP	8-Jun	7:50 AM	BdP Current Account Balance	-	¥2795.3B
JP	8-Jun	7:50 AM	GDP SA QoQ	0.7%	0.6%
JP	8-Jun	7:50 AM	GDP Annualized SA QoQ	2.7%	2.4%
JP	8-Jun	7:50 AM	GDP Nominal SA QoQ	1.9%	1.9%
JP	8-Jun	7:50 AM	GDP Deflator YoY	3.4%	3.4%
CN	9-Jun	9:30 AM	CPI YoY	1.3%	1.5%
CN	9-Jun	9:30 AM	PPI YoY	-4.5%	-4.6%
JP	9-Jun	1:00 PM	Consumer Confidence Index	-	41.5
JP	10-Jun	7:50 AM	Machine Orders MoM	-	2.9%
JP	10-Jun	7:50 AM	Machine Orders YoY	-	2.6%
JP	10-Jun	7:50 AM	PPI MoM	-	0.1%
JP	10-Jun	7:50 AM	PPI YoY	-	-2.1%
CN	11-Jun	1:30 PM	Retail Sales YoY	10.2%	10.0%
CN	11-Jun	1:30 PM	Retail Sales YTD YoY	10.4%	10.4%
CN	11-Jun	1:30 PM	Industrial Production YoY	6.1%	-
CN	11-Jun	1:30 PM	Industrial Production YTD YoY	6.2%	6.2%
MY	11-Jun	12:00 PM	Industrial Production YoY	-	6.9%
MY	11-Jun	12:00 PM	Manufacturing Sales Value YoY	-	4.4%
US	11-Jun	8:30 PM	Retail Sales Advance MoM	0.9%	0.0%
US	11-Jun	8:30 PM	Retail Sales Ex Auto MoM	0.7%	0.1%
US	11-Jun	8:30 PM	Retail Sales Ex Auto and Gas	-	0.2%
US	11-Jun	8:30 PM	Initial Jobless Claims	-	-
US	11-Jun	8:30 PM	Import Price Index YoY	-	-10.7%
EU	12-Jun	5:00 PM	Industrial Production SA MoM	0.4%	-0.3%
JP	12-Jun	12:30 PM	Industrial Production MoM	-	1.0%
JP	12-Jun	12:30 PM	Industrial Production YoY	-	-0.1%
JP	12-Jun	12:30 PM	Capacity Utilization MoM	-	-1.2%
US	12-Jun	8:30 PM	PPI Final Demand MoM	0.4%	-0.4%
US	12-Jun	8:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.2%
US	12-Jun	8:30 PM	PPI Final Demand YoY	-	-1.3%
US	12-Jun	8:30 PM	PPI Ex Food and Energy YoY	-	0.8%
US	12-Jun	10:00 PM	U. of Mich. Sentiment	91.5	90.7
CN	10-15 Jun	-	Money Supply M1 YoY	3.8%	3.7%
CN	10-15 Jun	-	Money Supply M2 YoY	10.5%	10.1%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,745.33	3.85	0.22
FBMEMAS	12,129.51	16.47	0.14
FBMEMAS SHA	12,650.78	1.18	0.01
FBM100	11,803.86	20.09	0.17
Volume (mn)	1,175.81	-191.19	-13.99
Value (RMmn)	1,316.95	-367.59	-21.82
FBMKLCI YTD Chg			-0.90

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.0	-21.8
Local Institution	54.9	95.2
Foreign Investors	27.1	-73.4

Top Gainers

	Close	Change+/-	(+/- %)
BAT	63.00	2.00	3.28
LTKM BHD	7.00	0.31	4.63
FAR EAST HLDGS	8.38	0.30	3.71

Top Losers

	Close	Change+/-	(+/- %)
KOSSAN	6.48	-0.42	-6.09
PERAK CORP BHD	2.93	-0.07	-2.33
PPB GROUP	14.92	-0.28	-1.84

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,849.46	-56.12	-0.31
NASDAQ	5,068.46	9.33	0.18
S&P 500	2,092.83	-3.01	-0.14
FTSE 100	6,804.60	-54.64	-0.80
DAX	11,197.15	-143.45	-1.26
Nikkei 225	20,460.90	-27.29	-0.13
HSI	27,260.16	-291.73	-1.06
KOSPI	2,068.10	-4.76	-0.23
STI	3,345.00	-11.23	-0.34
KLCI Futures	1,732.00	2.50	0.00
USDMYR 3M	10.16	(0.05)	(0.01)
USDMYR 6M	10.13	(0.06)	(0.01)
USDMYR 12M	10.20	(0.04)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	59	-0.3	-0.6%
Brent (USD/bbl)	63.1	-0.3	-0.4%
Gold(USD/ounce)	1,170	-2.1	-0.2%
Coal (USD/mt)	58.1	0.1	0.1%
CPO (RM/mt)	2,341	22.0	0.9%
Rubber	187	-3.3	-1.7%
RM/USD	3.72	0.0207	-0.56%
EUR/USD	0.90	0.0005	0.06%
YEN/USD	125.66	0.03	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 56.12 points to 17,849.46; S&P 500 down 3.01 points to 2,092.83. Nasdaq soared by 9.33 points to 5,068.46. Stocks closed mixed Friday as investors eyed developments in Greece and weighed a bond yield rally on a strong jobs report, which supports the case for a rate hike this year.
- U.S. nonfarm payrolls totaled 280,000 in May, beating expectations, with unemployment slightly above forecasts at 5.5 percent.

The Local Market

- FBMKLCI gained 3.85 points to finish at 1,745.33 on returned interest in bluechips counter. There were 345 gainers and 345 decliners in total value traded of RM1.31 billion.
- Among the gainers on Bursa Malaysia were British American Tobacco soared RM2.00 to RM63.00, LKTM gained 31 cent to RM7.00, Far East grew 30 cent to RM8.38 and United Plantation rose 26 cent to RM27.50.

Strategy

• “Market to Negotiate Few Stress Points This Week”

Wall Street continued its losing streak last Friday, injured by Greece, oil and also US encouraging labor market development. **S&P 500 and DJIA lost 3.01 (-0.14%) and 56.12 (-0.31%)** points to end at **2,092.83** and **17, 849.46** respectively. To begin with, the reprieve given by Greece creditors to lump Greece June debt repayment of Euro1.6 billion to June 19th has not been received well by Greece’s parliamentarian. Greek Prime Minister Alexis Tsipras, said the proposals received from the lenders are unrealistic and that debt restructuring must be included in any potential agreement. Hence, the Greek drama may continue well into second half of June. In another development, OPEC in its latest meeting decided to maintain its daily oil production at 30 million barrel a day, not a good sign for price. Finally, although the US unemployment had jumped to 5.5% in May from 5.4% in April but average hourly earnings in the US had increased 0.3% which boosted aggregate earnings by 0.5%. Both would only add to the probability that US rate hike in 2nd half would be an almost done deal. Of all these, the most damaging one would be the Greek drama of which we don’t see any easy and swift solution mainly because Greece has sizeable debt repayment due not only in June but also in July. Added with the current on going school holiday, we opine that the market may continue to be jittery and cautiousness may take centre stage.

- 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

Genting Plantations, HOLD (TP: RM10.77): Unit Issues RM1 Bln Sukuk

Genting Plantations Bhd's wholly-owned subsidiary, Benih Restu Bhd, successfully issued its maiden Sukuk, a RM1 billion Sukuk Murabahah. In a filing to Bursa Malaysia, Genting Plantations said the programme has a nominal value of up to RM1.5 billion, with a tenure of 10 years, at a profit rate of 4.62 per cent per annum. "Approval from the Securities Commission for the Sukuk Murabahah Programme was obtained by Benih Restu on July 22, 2013," it added. (Source: *Bernama*)

Sime Darby, HOLD (TP: RM9.00): Hyundai Sime Darby Motors launches first luxury car

Distributor of Hyundai cars, Hyundai Sime Darby Motors Sdn Bhd (HSDM) introduced its first luxury car today, called the Genesis. HSDM's complete car line-up includes the i10, i30, Accent, Elantra (formerly known as Avante), Sonata, Tucson, Santa Fe and Grand Starex Royale. (Source: *The Sun*)

Tanjung Offshore (CP: RM0.45): Vows to Clean up Weaknesses In Audit Report

Tanjung Offshore Bhd has vowed to clean up weaknesses identified by the Ferrier Hodgson forensic audit report and also accepted the recommendations by the Special Task Force. In a filing to Bursa Malaysia, Tanjung Offshore said the recommendations would decide how it proceeds on the various deals highlighted by the forensic audit, which commenced on March 20. Other deals looked into by the forensic audit were the company's RM3.2 million investment into an Ethylene Propylene Diene Monomer project in China and a construction work request. (Source: *Bernama*)

Tune Ins (CP: RM1.84): To conclude acquisition deal before August

Tune Ins Holdings Bhd is expected to conclude the acquisition of Indonesia-based insurance firm PT Asuransi Staco Mandiri for RM35.4 million before August. Chief executive officer Junior Cho said the move is part of the insurance provider's strategy to tap into the ASEAN market. He was speaking at a press conference after the company's annual general meeting here on Friday. Cho said the company is also in talks with several ASEAN-based airlines as well as premium and low-cost airlines in the Middle East and North Africa to provide travel insurance for their passengers. Tune Insurance has acquired a 49% equity interest in Thailand's Osotspa Insurance Public Co Ltd, its first acquisition in the region. (Source: *The Star*)

MClean (CP: RM0.21): to diversify to include surface finishing

MClean Technologies Bhd will seek shareholder's approval to diversify its business to include the provision of surface finishing of metal and non-metal parts for electrical and electronic (E&E) industries as well as other industries, via the acquisition of a 55% stake in DWZ Industries Sdn Bhd, for RM14.09 million. MClean will pay for the stake by issuing 56.38 million new ordinary shares of 25 sen each in MClean. The MClean group's existing principal activities are the provision of precision cleaning, washing, assembly services as well as other

related services for the hard disk drive (HDD) and semiconductor industries. DWZ 's activities are considered to be upstream to the MClean group's existing principal activities in the value chain of the E&E industries. (Source: *The Sun*)

Petronas: Engaging with First Nation on Canada LNG project

Petronas which is currently awaiting environmental approval for its proposed multi-billion ringgit liquified natural gas (LNG) export terminal project in Canada, is engaging with the Canadian aboriginal group known as First Nation to resolve issues related to the group's concerns. Petronas Executive Vice-President and Chief Executive Officer of Upstream Datuk Wee Yeow Hin said the national oil and gas corporation is of the view that the proposed project has a good business case to proceed, although it has yet to make a final investment decision. The aboriginal group earlier rejected an offer of C\$1 billion (C\$1=RM2.97) in return for supporting the export terminal, saying the development would harm a fish habitat next to the project site. (Source: *Business Times*)

ECONOMIC UPDATES

Malaysia: Exports Shrink by 8.8 per cent

Exports shrank by 8.8 per cent in April while imports decreased by seven per cent, and total trade to contract by eight per cent compared to a year ago. The International Trade and Industry Ministry said Malaysia continued to enjoy a trade surplus, making it the 210th consecutive month since late 1997. Malaysia's total trade during the period of January-April 2015 was valued at RM459.02 billion compared with RM473.12 billion registered in the same period 2014, lower by 3 per cent. Exports totalled RM243.62 billion while imports amounted to RM215.4 billion. Trade minister Datuk Seri Mustapa Mohamed said yesterday the first four months' trade performance was affected by the drop in commodity prices and sluggish economic development in the country's major trading partners. (Source: *Business Times*)

China: Regulator says amending rules on margin trading, short selling

China is currently amending rules on margin trading and short selling and will publish them when "time is ripe," the securities regulator said on Friday. Zhang Xiaojun, a spokesman for the China Securities Regulatory Commission, made the comments at a weekly news conference. He did not elaborate. Zhang also said that the regulator was considering new rules for crowd funding. Beijing has traditionally frowned upon informal forms of finance such as crowd funding, but is searching for new ways to boost investment as broad money supply in China, known as M2, has been growing very slowly in recent months. (Source: *The Edge*)

India: Imposes anti-dumping duty on some steel from China, Malaysia

India's finance ministry has imposed anti-dumping duties ranging from \$180 to \$316 per tonne for some industrial-grade stainless steel imported from China, Malaysia and South Korea in a bid to stem surging imports and protect the domestic industry. The move comes after India's trade ministry said in March the domestic industry was suffering "material injury due to such dumped imports" and that a definitive measure was required to stop it. The anti-

dumping duties will be effective for a period of five years, the finance ministry said in a statement late on Friday. *(Source: The Star)*

Greece: Greek PM rejects 'absurd' offer from lenders, delays IMF payment

Greek Prime Minister Alexis Tsipras on Friday spurned "absurd" terms of proposed aid from lenders and delayed a debt payment to the International Monetary Fund, prolonging an impasse that threatens to push Greece into default and out of the euro zone. In a defiant speech aimed at winning parliament's backing for his rejection of the austerity-for-aid package, Tsipras balanced indignation with confidence that a deal was "closer than ever before" to keep his country inside the currency bloc. The contradictory message underscored the growing pressure on Tsipras to quickly sign a deal before cash-strapped Athens runs out of money, while also trying to placate hardliners in his leftist party who oppose the terms creditors are demanding. *(Source: The Star)*

U.S.: Robust US jobs growth

US job growth accelerated sharply in May and wages picked up, signs of strong momentum in the economy that bolster prospects for a Federal Reserve interest rate hike in September. Non-farm payrolls increased 280,000 last month, the largest gain since December, the Labour Department said. While the unemployment rate rose to 5.5% from a near seven-year low of 5.4% in April, that was because more people, including new college graduates, entered the labour force, indicating confidence in the jobs market. *(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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