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Tuesday, June 09, 2015

Report of The Day

Sector Update: Oil and Gas (Neutral) – “Uninspiring Quarter”

Sector Update: Construction (Overweight) – “Positive Catalyst on 11 MP”

At a Glance

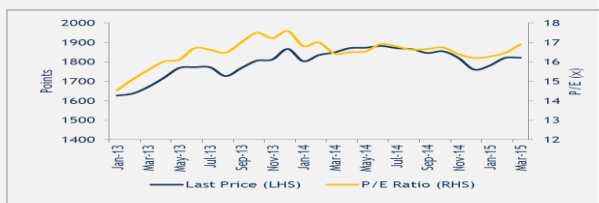
FBMKLCI fell 5.88 points to finish at 1,739.45 due to selling pressure on some heavyweight counters.....(See full report next page)

Corporate Highlights

- **Bumi Armada, HOLD (TP: RM1.32):** Appoints Newman as director
- **FGVH, BUY (TP: RM2.15):** Buys four firms and land from Golden Land for RM655mil
- **Pos Malaysia (CP: RM4.56):** Suspends postal services at Mount Kinabalu

Economic Update

- **China:** May exports down 2.5%, imports slump 16.7%
- **Japan:** GDP unexpectedly accelerates in Q1 as firms boost investment
- **Global:** IMF increases Spain GDP growth targets for 2015, 2016



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	Bop 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	1,739.45	-5.88	-0.34
FBMEMAS	12,084.59	-44.92	-0.37
FBMEMAS SHA	12,594.30	-56.48	-0.45
FBM100	11,762.53	-41.33	-0.35
Volume (mn)	1,239.75	62.64	5.32
Value (RMmn)	1,382.19	63.76	4.84
FBMKLCI YTD Chg			-1.24

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.1	-19.4
Local Institution	53.9	144.0
Foreign Investors	28.0	-124.6

Top Gainers

	Close	Change+/-	(+/- %)
PANASONIC MAN	22.38	0.46	2.10
DUTCH LADY	45.88	0.38	0.84
LYSAGHT GALVANI	4.19	0.27	6.89

Top Losers

	Close	Change+/-	(+/- %)
BAT	62.00	-1.00	-1.59
KLK	21.74	-0.76	-3.38
HONG LEONG FIN	15.50	-0.50	-3.13

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,766.55	-82.91	-0.46
NASDAQ	5,021.63	-46.83	-0.92
S&P 500	2,079.28	-13.55	-0.65
FTSE 100	6,790.04	-14.56	-0.21
DAX	11,064.92	-132.23	-1.18
Nikkei 225	20,457.19	-3.71	-0.02
HSI	27,316.28	56.12	0.21
KOSPI	2,065.19	-2.91	-0.14
STI	3,322.78	-10.89	-0.33
KLCI Futures	1,723.00	(9.00)	(0.01)
USDMYR 3M	10.43	0.10	0.01
USDMYR 6M	10.36	0.10	0.01
USDMYR 12M	10.38	0.08	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	58	0.2	0.3%
Brent (USD/bbl)	62.7	-0.6	-1.0%
Gold(USD/ounce)	1,173	-1.3	-0.1%
Coal (USD/mt)	58.1	0.0	0.0%
CPO (RM/mt)	2,333	-8.0	-0.3%
Rubber	187	-0.7	-0.4%
RM/USD	3.77	0.053	-1.41%
EUR/USD	4.19	0.0072	-0.17%
YEN/USD	3.03	-0.0027	0.09%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 82.91 points to 17,766.55; S&P 500 down 13.55 points to 2,079.28. Nasdaq dropped by 46.83 points to 5,021.63. Stocks closed lower Monday as investors weighed multi-month highs in bond yields amid greater expectations of tightening after Friday's strong jobs report.
- Nonfarm payrolls for May beat expectations with the addition of 280,000 jobs. Analysts also cheered a greater-than-forecast 8 cent increase in hourly wages and a 5.5 percent unemployment rate. Signs of continued strength in the labor market strengthened the case for the Federal Reserve to begin raising short-term interest rates in September.

The Local Market

- FBMKLCI fell 5.88 points to finish at 1,739.45 due to selling pressure on some heavyweight counters. There were 345 gainers and 345 decliners in total value traded of RM1.38 billion.
- Among the losers on Bursa Malaysia were BAT dropped RM1.00 to RM62.00, KLK slid 76 cent to RM21.74 and Hong Leong Financial shed 50 cent to RM15.50.

Strategy

- 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

Bumi Armada, HOLD (TP: RM1.32): Appoints Newman as director

Bumi Armada Bhd has appointed Steven Leon Newman as a member of the company's board effective July 1. The company said in a Bursa Malaysia announcement that Newman was previously president and chief executive officer of Geneva-based Transocean Ltd. Newman has more than 20 years of experience in strategy development, crisis management, organisational turn-around, leadership team formation, mergers and acquisitions, capital markets transactions and board renewal and development. Bumi Armada chairman Tunku Ali Redhaudin said Newman's expertise in the offshore industry and strategy development would add further strength to the company. *(Source: The Star)*

FGVH, BUY (TP: RM2.15): Buys four firms and land from Golden Land for RM655mil

Felda Global Ventures Holdings Bhd (FGV) is buying four plantation-based firms and 836.1ha oil palm land in Sabah from Golden Land Bhd for RM655mil cash.

For FGV, the proposed acquisitions are expected to improve its brownfield land and age profile of its oil palms. Meanwhile, Golden Land sees the proposed disposals as offering an opportunity for the group to unlock and realise the value of its investments in the companies and land being sold. However, Golden Land may be classified as a “cash company” and/or an “affected listed issuer” pursuant to Practice Note 16 and Practice Note 17 (PN17) of the Listing Requirements. (Source: *The Star*)

Pos Malaysia (CP: RM4.56): Suspends postal services at Mount Kinabalu

Pos Malaysia Bhd has suspended its postal services and retail operations at Mount Kinabalu due to the aftermath of the recent earthquake, it said in a statement. It said this was also in accordance with Sabah state governments announcement on June 6, 2015 that climbing activities at the mountain had been suspended for three weeks and the trail has been closed. (Source: *Bernama*)

Emas Kiara (CP: RM0.80): Sees sustained growth in LED related sales

Diversified group Emas Kiara Industries Bhd expects its energy efficient lighting solutions division's business to sustain in 2015. The group's LED related sales jumped 271% to RM9.15mil for the financial year 2014 from RM2.46mil a year ago, driven by government contracts for street lighting in the Klang Valley. Deputy executive chairman Roger Wong said the group was positive on the outlook of the segment and it was seeking to secure contracts with other local councils. (Source: *The Star*)

Daibochi (CP: RM4.30): Targets RM15 million CAPEX for FY15

Daibochi Plastic and Packaging Industry Bhd (Daibochi) has earmarked RM15 million in capital expenditure (CAPEX) for the financial year ending 31 December 2015 (FY15) to expand its manufacturing operations. Daibochi managing director Thomas Lim said that the CAPEX is for the acquisition of new machinery for the Group's manufacturing plant in Ayer Keroh, Melaka. This CAPEX is in line with our intention to capture a larger share of the regional food and beverage (F&B) and fast moving consumer goods (FMCG) markets. Revenue from exports made up 47% of the Group's sales in the first quarter of 2015 and we are optimistic of growing this further in future by commercialising new products and enlarging our clientele. The company aims to increase its operational efficiency with its investment strategy of acquiring more automated and efficient machinery, notably a new high-speed laminating machine and more automated printing machine targeted to begin operations in July 2015 and November 2015 respectively. (Source: *The Edge*)

PDZ Holdings (CP: RM0.11): Gets shareholders nod to diversify into LPG business

PDZ Holdings Bhd, involved in marine, container and transportation business, has received its shareholders' nod to diversify into liquefied petroleum gas (LPG) business. PDZ Holdings aimed to produce 350 metric tonnes of LPG by the second quarter of its financial year ending June 30, 2019 (FY19), Group Managing Director Aminuddin Yusof Lana said. He said the LPG would be supplied by Ken Makmur Holdings Sdn Bhd from the Rakushechnoye oil and gas

field in Kazakhstan. The two companies signed a framework agreement last year. To pay for the new business venture worth US\$205 million (RM656 million), PDZ Holdings would raise at least RM672 million via the sale of new shares and rights issue with warrants. *(Source: Bernama)*

MBSB (CP: RM1.84): Good time to merge, aims for Islamic financial institution status

It may be a good time for Malaysia Building Society Bhd (MBSB) to merge, according to president and chief executive officer Datuk Ahmad Zaini Othman. "It may be a good time," Ahmad Zaini said when asked whether the banking sector's present valuations would be conducive for a merger with possible partner, Bank Islam Malaysia Bhd. He said a merger with Bank Islam could be seen as a fast track solution for the non-bank lender to achieve a Islamic financial institution status. MBSB had earlier said it wanted to achieve Islamic financial institution status in five years and would consider inorganic means to achieve that status. *(Source: The Star)*

HeiTech Padu (CP: RM0.68): Gets RM6.9mil defence job

HeiTech Padu Bhd has accepted a contract worth RM6.89mil from the Defence Ministry for the maintenance services and spare parts of Radar ArthusWLS, a weapon locating system. The company said in a filing with Bursa Malaysia yesterday that the contract was for a period of three years and any further extension would be based on the approval of the Government. The company said the contract would contribute to its future earnings although would have no impact on earnings per share, dividend policy, gearing, share capital and the substantial shareholdings of the company for the financial year ending Dec 31, 2015. *(Source: The Star)*

ELK-Desa Resources (CP: RM1.47): To raise RM75mil from rights issue

ELK-Desa Resources Bhd plans to raise up to RM75mil through a rights issue to repay part of its debt and to use the proceeds for working capital. The company has proposed to raise the amount by issuing up to 62.5 million new RM1 ordinary shares on a one-for-two basis. It said in a stock exchange filing that the exercise would enable the company to raise funds without incurring interest cost compared to bank borrowings, for the purpose of hire purchase disbursements and to partially repay bank borrowings. The company said the rights issue would also enable the company to strengthen its financial position with enhanced shareholders' funds and reduced gearing level. *(Source: The Star)*

Ewein (CP: RM0.92): Gets Pioneer Status for maintenance of Fort Cornwallis

Precision sheet metal fabricator Ewein Bhd's wholly-owned subsidiary Esplanade Park Sdn Bhd (EPSB) has been awarded five-year Pioneer Status by the Malaysian Investment Development Authority (Mida). In a filing with Bursa Malaysia, Ewein said EPSB received the status under the Promotions of Investment Act 1986 for its tourism project in the 229-year-old Fort Cornwallis. According to the Act, a company that is granted the status would enjoy different degrees of tax exemption depending on the types of promoted products or activities. It was reported that Ewein has spent RM1.5 million so far for landscaping after being selected through a request for proposal (RFP) to

maintain, operate and manage the fort and its surrounding beginning June 1 last year. (Source: *The Edge*)

1MDB: Repays RM3.6bil loan

Amid raging questions about its operations and financial health, 1Malaysia Development Bhd (1MDB) has settled a loan amounting to US\$975mil (RM3.6bil) to a consortium of international banks. In a statement, the Government investment arm which had racked up RM42bil in debts as of March 31, 2014 asserted that the repayment on Monday showed its commitment to reduce its liabilities. In a separate statement, 1MDB said it had never approved any action or series of actions to transfer funds to any third party other than intended beneficiary in response to a fresh series of articles on its financial dealings over the weekend. 1MDB added that it had cooperated with authorities that were currently investigating the fund. (Source: *The Star*)

ECONOMIC UPDATES

China: May exports down 2.5%, imports slump 16.7%

China's exports dropped 2.5% to US\$ 190.8 billion in May from a year earlier, while imports slumped 17.6% to US\$131.3 billion compared to the same period last year, said the General Administration of Customs (GAC). The figures showed China registered a trade surplus of US\$59.49 billion in May compared to April's US\$34.13 billion. In the first five months of the year, China's exports climbed 0.7%, while imports slid by 17.3% compared with the same period last year, as the trade surplus totalled US\$217.26 billion, the GAC said in a statement released Monday. In the same period, trade between China and the United States and ASEAN countries rose 2.6% and 0.3% year-on-year (y-o-y), respectively. (Source: *The Star*)

Japan: GDP unexpectedly accelerates in Q1 as firms boost investment

Japan's economy expanded much faster than initially expected over January to March as companies ramped up capital investment, underscoring the central bank's view that recovery from last year's recession is gaining momentum. The economy grew an annualised 3.9 percent in the first three months of this year, Cabinet Office data showed on Monday, handily beating a preliminary estimate of a 2.4 percent gain, and topping a median market estimate for 2.7 percent growth. "This is a pretty positive figure and shows the recovery is picking up pace," said Takeshi Minami, chief economist at Norinchukin Research Institute. Non-manufacturers are boosting spending on expectations that private consumption will recover, so this should serve as a key driver of growth. (Source: *The Edge*)

Global: IMF increases Spain GDP growth targets for 2015, 2016

The International Monetary Fund on Monday increased its growth forecast for Spain in 2015 and 2016 to 3.1 percent and 2.5 percent, from the 2.5 percent and 2 percent it forecast in April, but warned the country against reversing unpopular reforms. "A reversal of past reforms would create uncertainty and could stall the recovery, especially if the external environment were to

deteriorate," the IMF said in a report at the end of an official visit to the country. Some investors have fretted that Spain could cool the pace of its reforms after the country's ruling People's Party was punished at local elections last month. *(Source: The Edge)*

Greece: Ready to negotiate for EU/IMF deal till end-June

Greece will exhaust all options to reach a deal with its EU/IMF creditors and is ready to negotiate until the end of June to achieve this, government spokesman Gabriel Sakellaridis said on Monday. An extension to Greece's bailout programme with its international creditors is due to expire at the end of this month. "The time limit is to have a lot of political negotiations through all this time until the end of the month so that there is a positive outcome," Sakellaridis told a news conference. Asked whether the bailout programme could be extended again beyond June, he said all issues were open and being discussed. *(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.

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