

PP14767/09/2012(030761)

Wednesday, June 10, 2015

## Report of the Day

**Sector** Update: Results Summary  
(Telecommunication) – “Rough Ride”

**Company Update:** MMC, BUY (TP: RM3.00) – “Going Light”

## At a Glance

FBMKLCI fell 10.40 points to finish at 1,729.05 in tandem with the negative regional market sentiment.....(See full report next page)

## Strategy

## “Investors May Save Their Energy for Next Week”

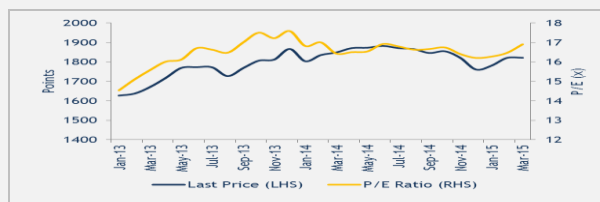
Investors would be nervous to wait for the outcome of US FOMC meeting next week..... (See full reports next page)

## Corporate Highlights

- **FGV, BUY (TP: RM2.15):** Unit's suit against former directors struck off
- **MAHB (CP: RM6.35):** Foresees 15% passenger growth at Sabiha Gokcen
- **Magna Prima (CP: RM1.04):** Faces suit over its luxury condo in KL

## Economic Update

- **Malaysia:** Malaysian firms are keen to expand overseas, Asean a top destination choice
- **Malaysia:** GST helps Malaysia avoid economic crisis, says Najib
- **U.S.:** Job openings hit record high; small businesses upbeat



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	1,729.05	-10.40	-0.60
FBMEMAS	12,010.39	-74.20	-0.61
FBMEMAS SHA	12,501.49	-92.81	-0.74
FBM100	11,690.94	-71.59	-0.61
Volume (mn)	1,329.70	89.96	7.26
Value (RMmn)	1,465.37	83.18	6.02
FBMKLCI YTD Chg			-1.83

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.4	-5.7
Local Institution	57.0	206.0
Foreign Investors	23.6	-200.3

## Top Gainers

	Close	Change+/-	(+/- %)
RAPID SYNERGY	5.90	0.21	3.69
HARBOUR-LINK	2.55	0.21	8.97
NCB HOLDINGS	3.00	0.18	6.38

## Top Losers

	Close	Change+/-	(+/- %)
BAT	61.24	-0.76	-1.23
GOLDEN LAND	1.60	-0.31	-16.23
CARLSBERG	12.16	-0.30	-2.41

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,764.04	-2.51	-0.01
NASDAQ	5,013.87	-7.76	-0.15
S&P 500	2,080.15	0.87	0.04
FTSE 100	6,753.80	-36.24	-0.53
DAX	11,001.29	-63.63	-0.58
Nikkei 225	20,096.30	-360.89	-1.76
HSI	26,989.52	-326.76	-1.20
KOSPI	2,064.03	-1.16	-0.06
STI	3,295.13	-25.20	-0.76
KLCI Futures	1,715.00	(8.00)	(0.00)
USDMYR 3M	10.45	(0.03)	(0.00)
USDMYR 6M	10.38	(0.02)	(0.00)
USDMYR 12M	10.39	(0.01)	(0.00)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	61	0.4	0.7%
Brent (USD/bbl)	64.9	2.2	3.5%
Gold(USD/ounce)	1,177	0.1	0.0%
Coal (USD/mt)	58.4	0.3	0.4%
CPO (RM/mt)	2,317	-16.0	-0.7%
Rubber	187	0.5	0.3%
RM/USD	3.75	-0.0195	0.52%
EUR/USD	0.89	-0.0002	-0.02%
YEN/USD	124.38	0.04	-0.03%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average shed 2.51 points to 17,764.04; S&P 500 up marginally 0.87 points to 2,080.15. Nasdaq slid by 7.76 points to 5,013.87. Stocks closed narrowly mixed as investors eyed recovery in bond yields and economic indicators that could shed light on the timing of a rate hike, amid continued Greece debt negotiations.
- The US 10-year Treasury note yield traded near 2.43 percent after briefly hitting 2.449 percent, the highest since Oct. 3, 2014. The 3-year note yield traded near 1.10 percent after a \$24 billion auction at a high yield of 1.125 percent. The German 10-year bund yield also climbed, holding near 0.95 percent in late trade.

### The Local Market

- FBMKLCI fell 10.40 points to finish at 1,729.05 in tandem with the negative regional market sentiment. There were 221 gainers and 605 decliners in total value traded of RM1.47 billion.
- Among the losers on Bursa Malaysia were BAT down 76 cent to RM61.24, Golden land dropped 31 cent to RM1.60, Carlsberg slipped 30 cent to RM12.16 and PPB Group slid 24 cent to RM14.66.

### Strategy

- **“Investors May Save Their Energy for Next Week”**  
Wall Street ended mixed on Tuesday amid lack of catalyst to boost sentiment. **S&P 500** gained **0.87 (0.04%)** points to end at **2,080.15** while **DJIA** shed **2.51 (-0.01%)** points to end at **17,764.04** respectively. This week would be a done deal at the back of no solutions to Greece debt negotiation as Greece race to meet the debt deadline on the 19<sup>th</sup> of June. If any, we would think any new development could be hammered out over the weekend or just at a nick of time before the clock tick into 19<sup>th</sup> June. At the same time, investors would be nervous to wait for the outcome of US FOMC meeting next week. Hence, we would think that investors may want to save their energy and weapon into next week given these two earth shaking developments. Until then and given that this week is the final week of school holiday, the market may suffer from lack of energy as investors may not want to take big bets.
- 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

**FGV, BUY (TP: RM2.15): Unit's suit against former directors struck off**

The suit by Felda Global Ventures Holdings Bhd's (FGV) unit Pontian United Plantations Bhd (PUPB) against its former board of directors, including DAP founding member Dr Chen Man Hin, has been struck off. FGV told Bursa Malaysia that this was in accordance with a court order dated Sept 5 last year and a settlement between the parties. The claim filed against the 12 PUPB ex-directors was struck off "without liberty to file afresh and with no order as to costs," it said. When it began legal proceedings against them in January 2014, PUPB had sought RM29.146mil and other relief that the court may deem fit. (Source: *The Star*)

**MAHB (CP: RM6.35): Foresees 15% passenger growth at Sabiha Gokcen**

Malaysia Airports Holdings Bhd (MAHB) is projecting a 15% passenger growth at its recently acquired Istanbul Sabiha Gokcen International Airport, in Turkey. MAHB had earlier this year, completed the acquisition of a remaining 40 per cent equity stake in Istanbul Sabiha Gokcen International Airport and LGM Havalimani Isletmeleri Ticaret ve Turizm airport. The airport operator, which bought the operating rights to Sabiha Gokcen in 2008, has invested more than 520 million euros so far in the airport. (Source: *The Star*)

**Magna Prima (CP: RM1.04): Faces suit over its luxury condo in KL**

Magna Prima Bhd, which markets The Avare at the Kuala Lumpur City Centre, is facing a RM25mil suit citing defects and poor workmanship at the super luxury condominium. The property developer told Bursa Malaysia that Dr Adam Victor and 23 others filed a suit in the High Court against it and subsidiary Embassy Court Sdn Bhd (ECSB) for "poor and defective façade design, low quality material, poor workmanship, failure to fully rectify the defect in the parcel and common property, structurally unsound construction and breach of the implied term to build and deliver a six-star luxurious condominium." They also alleged misrepresentation by Magna Prima and ECSB. (Source: *The Star*)

**Bina Darulaman (CP: RM0.85): Bags RM209.9m contract for Kedah road maintenance**

Bina Darulaman Bhd has secured a contract from Jabatan Kerja Raya Negeri worth RM209.9mil for road maintenance of five districts in Kedah. It said on Tuesday that the contract of the project is over three years effective June 10, 2015. Going forward, the company expects the project to contribute positively to the group's earnings for the financial year ending 2015 until 2018. (Source: *The Star*)

**Tanjung Offshore (CP: RM0.48): Secures RM250m contract from Petronas Carigali**

Oil & gas services provider, Tanjung Offshore Bhd secured a RM250mil contract to provide topside maintenance to Petronas Carigali Sdn Bhd's platforms in Sarawak. It said on Tuesday the construction work request contract would involve the maintenance for Petronas Carigali's offshore and onshore facilities in Sarawak. The contract is for two years with an option to extend for another year. Tanjung Offshore chief executive officer Rahman Shamsudin said the

contract would benefit the company in the near term as the cost for such maintenance had little bearing to global oil prices. *(Source: The Star)*

**Malton (CP: RM0.88): Unfazed by BNM's tightening of home loan requirements**

Malton Bhd is unfazed by Bank Negara Malaysia (BNM)'s new ruling, which saw the requirements for home loan applications being tightened. Malton's executive director Hong Lay Chuan believed that it would not dampen market sentiments. "Furthermore, the 112 units of commercial office, which we launched recently, have been sold," he added. Bukit Jalil City, an integrated development which sits on a 50-acre freehold land, carries RM1.5 billion in gross development value (GDV). The development is divided into four phases, comprising Phase 1, the development of 3- and 5-storey signature shop offices, Phase 2, building a luxury high-rise park residence, while Phase 3 and Phase 4 are the development of a regional shopping mall and a proposed hotel or corporate office tower. *(Source: The Edge)*

**Naim Indah (CP: RM0.10): Gets Sabah consultant deal**

Naim Indah Corp Bhd has won a project management consulting deal, valued at about RM24mil, from GE Properties Sdn Bhd. The value for the award is 5% of the gross development cost of RM480mil of the Boulevard Likas project at Teluk Likas, Sabah. Boulevard Likas is a 30-storey mixed commercial development which is expected to take five years to complete, with piling works to start in June 2015. *(Source: The Star)*

**ECONOMIC UPDATES**

**Malaysia: Malaysian firms are keen to expand overseas, Asean a top destination choice**

Over 60% of Malaysian mid-sized companies are keen to expand beyond the country's borders and Asean is the most popular international destination of choice to them, according to a survey conducted by Standard Chartered Bank. Some 76% of Malaysian firms surveyed are already doing business in the Asean region, a statement by Standard Chartered showed. Standard Chartered Bank Malaysia chief executive officer and managing director Mahendra Gursahani said there are many opportunities in markets beyond the domestic borders, but also many challenges. *(Source: The Edge)*

**Malaysia: GST helps Malaysia avoid economic crisis, says Najib**

The fall in oil prices could have sent Malaysia into an economic crisis had the Goods and Services Tax (GST) not been imposed, Datuk Seri Najib Tun Razak said. The prime minister said the GST, which replaced the Sales and Services Tax (SST), has helped broaden the country's revenue stream to avoid a high reliance on oil revenues. The GST is a worldwide tax system which is more transparent and systematic than the SST, he said, adding that the change in the tax system was inevitable. Najib, who is also finance minister, said with the change, Malaysia now has a more diverse revenue stream and strong fundamentals. *(Source: The Star)*

**U.S.: Job openings hit record high; small businesses upbeat**

U.S. job openings surged to a record high in April and small business confidence perked up in May, suggesting the economy was regaining speed after stumbling at the start of the year. The economy's stronger tone was reinforced by other data on Tuesday showing a solid rise in wholesale inventories in April, in part as oil prices stabilized. Job openings, a measure of labor demand, rose 5.2 percent to a seasonally adjusted 5.4 million in April, the highest level since the series began in December 2000, the Labor Department said in its monthly Job Openings and Labor Turnover Survey (JOLTS). (Source: *The Star*)

**China: Inflation eases to 1.2% in May**

China's inflation eased to 1.2% year-on-year (y-o-y) in May, down from 1.5% in April, the National Bureau of Statistics (NBS) said Tuesday. The drop was mainly due to the decline in food prices, with that for vegetables, fruits and eggs down by 9.2%, 2.7% and 1.2% y-o-y, respectively, NBS senior economist Yu Qiumei said in the statement. On a month-on-month basis, the consumer price index (CPI), a measure of inflation, fell 0.2% in May, unchanged from April. In the first five months of the year, inflation rose 1.3% y-o-y on average. The growth was far lower than the government's 'around-three percent' target for this year. (Source: *The Star*)

**India: Rajan seeks to deter Indian defaulters as Fitch sees challenges**

As India's central bank rewrites rules to help lenders recover loans from defaulting companies, the local unit of Fitch Ratings Ltd. said the move is fraught with challenges while bankers welcomed the measure. Under new rules released by the Reserve Bank of India late Monday, lenders will be allowed to convert loans into equity and take a controlling stake in a stressed company under a so-called strategic debt restructuring plan. The banks will also be allowed to bring in management of their choice to make the company profitable. RBI Governor Raghuram Rajan is seeking ways to clean up lenders' balance sheets as stressed assets, set to surge to the highest level since 2002, threaten to derail an economic recovery. (Source: *The Edge*)

**Greece: Tsipras says accord possible if pensions are not cut**

Greece could reach a deal with its international creditors if they dropped demands including cuts to pensions, Prime Minister Alexis Tsipras said in an interview with Italian daily *Corriere della Sera* published on Tuesday. Reflecting the more conciliatory tone Athens has adopted in recent days, he said the two sides could find a compromise on key elements in any deal, including the size of a primary budget surplus. But he showed no signs of accepting creditor demands for cuts to pensions or other social spending, repeating comments he has made over recent days. (Source: *The Edge*)

**Europe: ECB paper finds that weaker currency does not boost exports**

The time taken for business to ramp up production when a currency falls means that the cheaper currency does not significantly translate into higher exports, two European Central Bank economists have found. When a currency rises, however, the impact is much stronger. A 20 percent fall in the euro against the dollar between December 2014 and mid-March 2015 has been credited as a key reason for a pick-up in the euro zone economy this year. But in a report that

turns conventional wisdom on its head, research carried out by ECB economists and based on 10 European Union countries between 2001 and 2012 suggested the link between a falling currency and rising exports is not significant. (*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.

## 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](http://www.mnaonline.com.my)

Head Of Research



Rosnani Rasul  
M&A Securities