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Thursday, June 11, 2015

## Report of the Day

**Sector Update:** Plantation: Results Roundup – “Another Tough Quarter”

**Sector Update:** Plantation: MPOB May 2015 – “May Inventories, Productions, Import and Export Rise”

### At a Glance

FBMKLCI up 6.58 points to finish at 1,735.63 lifted by blue chip stocks.....(See full report next page)

### Strategy

**“Wall Street Rally Thanks to New Development on Greece”**

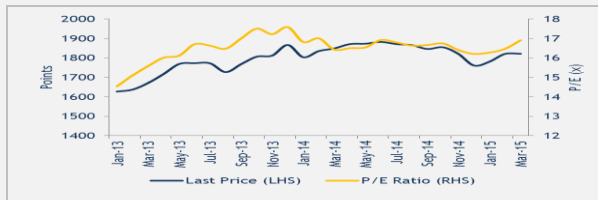
The local and regional equity market may resume re-accumulating the equity market today..... (See full reports next page)

### Corporate Highlights

- **MAHB (CP: RM6.19):** To beef up non aerospace industry by 60%
- **Matrix Concepts (CP: RM3.25):** Aims more investors into industrial parks
- **Guocoland (CP: RM1.37):** RM2.5b Damansara City to fully operate by Q2 2016

### Economic Update

- **U.S.:** Wages in U.S. increased in first quarter by most since 2006
- **U.S.:** Consumer sentiment index falls in June
- **China:** EU business lobby says cutbacks looming on China growth pessimism



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	1,735.63	6.58	0.38
FBMEMAS	12,038.89	28.50	0.24
FBMEMAS SHA	12,550.03	48.54	0.39
FBM100	11,720.37	29.43	0.25
Volume (mn)	1,224.67	-105.03	-7.90
Value (RMmn)	1,546.06	80.69	5.51
FBMKLCI YTD Chg			-1.45

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.4	-14.6
Local Institution	52.6	198.4
Foreign Investors	32.0	-183.8

## Top Gainers

	Close	Change+/-	(+/- %)
PPB GROUP BHD	15.10	0.44	3.00
PETRONAS DAGA	20.00	0.28	1.42
HONG LEONG BA	13.90	0.26	1.91

## Top Losers

	Close	Change+/-	(+/- %)
BAT	61.10	-0.14	-0.23
SIME DARBY	8.53	-0.07	-0.81
MALAYAN BANKIN	9.16	-0.06	-0.65

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,000.40	236.36	1.33
NASDAQ	5,076.69	62.82	1.25
S&P 500	2,105.20	25.05	1.20
FTSE 100	6,830.27	76.47	1.13
DAX	11,265.39	264.10	2.40
Nikkei 225	20,046.36	-49.94	-0.25
HSI	26,687.64	-301.88	-1.12
KOSPI	2,051.32	-12.71	-0.62
STI	3,325.77	30.64	0.93
KLCI Futures	1,729.00	15.00	0.01
USDMYR 3M	10.39	-	-
USDMYR 6M	10.31	(0.01)	(0.00)
USDMYR 12M	10.34	0.02	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	61	-0.3	-0.5%
Brent (USD/bbl)	65.7	0.8	1.3%
Gold(USD/ounce)	1,186	0.1	0.0%
Coal (USD/mt)	59.5	1.2	2.0%
CPO (RM/mt)	2,291	-26.0	-1.1%
Rubber	188	1.0	0.5%
RM/USD	3.73	-0.0182	0.49%
EUR/USD	0.88	0.0006	0.07%
YEN/USD	122.86	0.18	-0.15%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average gained 236.36 points to 18,000.40, S&P 500 up 25.05 points to 2,105.20. Nasdaq soared by 62.82 points to 5,076.69. Stocks bounced Wednesday, closing up more than 1 percent amid signs of encouraging developments in the Greece debt talks and better economic growth as yields continued to rally.
- Meanwhile, S&P 500 posted its best gain in a month on Wednesday on a Bloomberg report that Germany was softening its bailout negotiation position with Greece. Specifically, that Berlin would accept a single economic reform (such as higher taxes) in exchange for unlocking bailout funds in staggered fashion.

### The Local Market

- FBMKLCI up 6.58 points to finish at 1,735.63 lifted by blue chip stocks. There were 357 gainers and 417 decliners in total value traded of RM1.54 billion.
- Among the gainers on Bursa Malaysia were PPB Group up 44 cent to RM15.10, Petronas Dagangan increased 28 cent to RM20.00, Hong Leong Bank soared 26 cent to RM13.90 and Telekom Malaysia gained 18 cent to RM6.78.

### Strategy

- **“Wall Street Rally Thanks to New Development on Greece”**  
Wall Street snapped its losing streak by closing in strong positive momentum driven by new development on Greece debt negotiation. **DJIA** and **S&P 500** gained **25.05 (1.20%)** and **236.36 (1.33%)** points to end at **18,000.40** and **2,105.20** respectively. Germany’s chancellor, Angela Merkel, said that the country may be willing to release more money from Greece's bailout fund if the Greek government commits to at least one move to tighten its budget. On a related note, the European Central Bank increased Greece's allowance to Emergency Liquidity Assistance funds by EUR2.30 billion to EUR83 billion, potentially averting precarious debt crisis in Greece, at least temporarily. This piece of news was enough to halt the continuous losing streak in Wall Street as investors can see that Greece could at least meet its debt obligation and hence, avoiding the catastrophic possibility of opting out from the pact. With these sizeable funds, Greece will be able to meet its debt repayment scheduled for June and July. As of now, the rising systematic risk emanating from Greece has been successfully halted and the successful negotiation on this will pave the way for global equity market to regain some lost ground. The local and regional equity market may resume re-accumulating the equity market today.
- 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

##### **MAHB (CP: RM6.19): To beef up non aerospace industry by 60%**

Malaysia Airports Holdings Bhd is targeting to grow the local non-aerospace industry by at least 60%, its managing director Datuk Badlisham Ghazali told the press at the sidelines of the Global Airport Development Asia 2015 conference in Kuala Lumpur. Currently, the non-aerospace industry contributes to about 50% of group's revenue, he said. MAHB will do this by focusing on three areas - cargo and logistics, a significant portion of the non-aerospace segment, commercial as well as leisure and entertainment. *(Source: The Star)*

##### **Matrix Concepts (CP: RM3.25): Aims more investors into industrial parks**

Property developer Matrix Concepts Holdings Bhd expects to attract more investors to set up manufacturing facilities at its Sendayan TechValley (STV) and Sendayan TechPark (STP) high-tech industrial parks in Seremban. In a statement on Wednesday today, Chairman Datuk Mohamad Haslah Mohamad Amin said the anticipated influx of high-skilled professionals into the industrial parks would boost demand for properties in Bandar Sri Sendayan (BSS), which is the company's flagship township development. *(Source: The Star)*

##### **Guocoland (CP: RM1.37): RM2.5b Damansara City to fully operate by Q2 2016**

The RM2.5 billion Damansara City (DC), the flagship development of Guocoland (Malaysia) Bhd, is set to operate fully by the second quarter of 2016. Sprawled over 3.44 hectares in Damansara Heights, the project would consist of two high-rise residency towers, two Grade-A office towers, a lifestyle mall and a five-star hotel, and is expected to attract more than 10,000 patrons daily. DC residents are welcomed to move in by the end of this year while corporate and retail tenants can do so by the second quarter of next year. He said the project was under the Economic Transformation Programme, set to elevate Malaysia to a developed nation status by 2020. *(Source: The Star)*

##### **Genting Malaysia (CP: RM4.20): Eyes investment opportunities**

Genting Malaysia Bhd will continue to review investment opportunities both locally and abroad, despite failing to secure a second casino licence in upstate New York last year. Currently, we will continue our focus on the existing Resort World Casino New York City. We also expect to cut labour cost and bring in more automated machines. The operation is expected to start benefitting from these operational efficiencies next year, its chairman Tan Sri Lim Kok Thay told Genting Malaysia shareholders at the annual general meeting today. The gaming group had submitted two bids to operate casino resorts in Orange county in June last year, but had failed to secure the licences from the New York Gaming Facility Location Board. *(Source: The Edge)*

##### **Zecon (CP: RM0.75): To develop RM150mil KUTM commercial centre**

Zecon Bhd is set to invest RM250mil to develop Koperasi Universiti Teknologi Malaysia Bhd's commercial centre along the Skudai-Pontian highway and next

to Taman Desa Skudai. Deputy Managing Director Zainurin Ahmad said the project is expected to be completed in five to 10 years. The 1.626 ha. development comprises a 373-room four-star hotel, 330 units of serviced apartments, commercial space and a park for 800 cars. Zainurin said the project, the Sarawak-based construction company's first in Johor, will be financed via internally generated funds and bank loans.

**Bina Puri (CP: RM0.55): Eyes LRT 3, MRT 2 infrastructure work packages**

Construction company Bina Puri Holdings Bhd is eyeing to clinch the infrastructure works of the light rail transit line 3 (LRT3) and the Mass Rapid Transit Line 2 (MRT2). Bina Puri group executive director Matthew Tee said today that the company is targeting to bid for both public transportation projects and is eyeing the infrastructure package for above ground works. He said Bina Puri had tendered for infrastructure works on MRT Line 1, but was not shortlisted since the company was busy with other projects then, such as klia2. (Source: *The Edge*)

**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. Magna Prima is the proprietor of the The Avare @ KLCC site, while ECSB was the developer. Its 78 units range from 3,800 sq ft to 7,696 sq ft in size, according to Magna Prima's website. The company is applying to strike out the plaintiffs' claim. (Source: *The Star*)

**Poh Kong (CP: RM0.47): Net profit jumps 92%**

Poh Kong Holdings Bhd's net profit for its third quarter ended April 30, 2015 surged 92.2% to RM7.92mil from RM4.12mil a year earlier due to the improvement in its gross profit margin. The jeweller's revenue was up 14.8% to RM210.34mil for the quarter compared to RM183.12mil in the corresponding period last year, mainly attributed by a surge of demand for gold investment products and jewellery products. The group's revenue is largely derived from retail segment while the manufacturing segment supplies the finished gold jewellery to the retail segment," Poh Kong said on Wednesday. Meanwhile, its earnings per share for the quarter rose to 1.93 sen, from 1.01 sen a year ago. Going forward, Poh Kong expects economic challenges to occur in 2015 whereby Malaysians would continue to be cautious in their spending, posing the biggest challenge in the retail industry. (Source: *The Star*)

**Prolexus (CP: RM2.18): Explains Kluang land acquisition**

Prolexus Bhd said the recent RM9.9mil land purchase in Kluang fitted the apparel company's facility expansion plan and that the purchase price was within market range. Prolexus said the acquisition was in line with the group's objective to expand its textile business. "The land is to house additional

production capacity for its future expansion,” it said in a reply to Bursa Malaysia that had asked for additional information on the acquisition yesterday. It said that the purchase price was based on “willing buyer-willing seller” basis, after taking into consideration potential development of the land and that the purchase consideration was calculated at RM8.24 per sq ft for a total land area of 11.159ha. (Source: *The Star*)

**Oil and Gas Sector (Neutral): Malaysia needs to grow its O&G services sector, says MPRC**

Government oil and gas (O&G) agency Malaysia Petroleum Resources Corp (MPRC) said Malaysia needs to grow its oil and gas services and equipment (OGSE) segment for the country to become an O&G hub in the Asia Pacific region. Speaking at the launch of the agency’s second edition of its MPRC 100 publication today, MPRC executive director Shahreen Zainooreen Madros said there is an urgency for Malaysia to develop its OGSE segment as the country cannot rely on its natural resources indefinitely. On average, the O&G industry contributes about 20% to Malaysia’s gross domestic product (GDP), with the OGSE segment making up 5% of that total contribution, while the balance 95% is accounted by the exploration and production (E&P) segment. MPRC hopes to increase the services sector contribution to 20% by 2020. (Source: *The Edge*)

**Rubber Glove Sector (Overweight): Rubber glove makers call for a delay in gas tariff revision**

Rubber glove makers are asking the Government to delay the revision of natural gas tariff by four months. The Malaysian Rubber Glove Manufacturers Association (MARGMA), responding to Gas Malaysia Bhd’s Tuesday announcement of the tariff revision effective July 1, said the exercise would have “tremendous and adverse impact” on the manufacturing costs for rubber glove makers as well as the overall economy. MARGMA president Denis Low said the timing of any increases must be simultaneous with the increase in prices of their products to the world. (Source: *The Star*)

**ECONOMIC UPDATES**

**U.S.: Wages in U.S. increased in first quarter by most since 2006**

Wages and salaries advanced in the first quarter at the fastest pace since 2006, signaling American workers are having success seeking raises as the labor market strengthens. The Labor Department’s Employer Costs for Employee Compensation report on Wednesday showed average pay for all civilian workers climbed 4.2 percent in the first quarter from the same period in 2014 to \$22.88 an hour. That compares with a 4 percent year-over-year gain in the fourth quarter and is the strongest since July-September 2006. Including benefits such as health insurance, total compensation increased 4.9 percent in the January-March period, matching the previous three months as the biggest gain since records began in 2004. (Source: *The Edge*)

**U.S.: Consumer sentiment index falls in June**

U.S. consumer confidence fell 1.7 percentage points in June, declining for the second consecutive month and to its lowest level this year, a survey released on



Wednesday showed. The Thomson Reuters/IPSOS Primary Consumer Confidence Sentiment Index fell to 55.0 in June from 56.7 in May. The Thomson Reuters PCSI comes out two days before the University of Michigan consumer sentiment index and independent testing has shown up to a 90 percent correlation between the PCSI and University of Michigan survey and up to a 93 percent correlation with the Conference Board Consumer Confidence Index. (Source: Reuters)

**China: EU business lobby says cutbacks looming on China growth pessimism**

European companies are growing more pessimistic as China's economy slows, a European business lobby said on Wednesday, with many firms preparing for lay-offs in the face of weaker economic growth and slow market reforms. Beijing is targeting 7% annual growth this year, which would be the slowest in a quarter century, though many private economists doubt the government can keep that up for the next five years. The European Union Chamber of Commerce in China said its annual survey of members showed 39% of 541 respondents were planning to cut costs, a figure that rose from around 24% in 2014. Most of those are "planning employee lay-offs", the survey report said. (Source: The Star)

**China: Doubles debt swap to two trillion yuan, walks policy tightrope**

China's finance ministry said on Wednesday it has approved a second batch of local government debt swaps worth 1 trillion yuan (\$161.2 billion), doubling the size of the existing swap program announced in March. As growth has slowed in 2015, Beijing has been walking a fine line, trying to simultaneously rationalize often inefficient local government spending without damaging growth and investment too much. The result has been a sometimes seemingly contradictory fiscal policy mix. Recent directives have both propped up the newly minted official municipal bond market, a cornerstone of the fiscal reform agenda while also easing restrictions on off-balance sheet "local government financing vehicles", though these had been a focus of a larger crackdown on shadow financing beginning in 2014. (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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