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Thursday, June 18, 2015

At a Glance

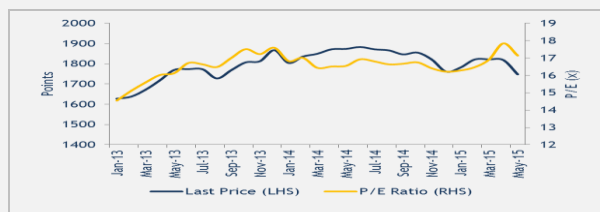
FBMKLCI gained 4.62 points to finish at 1,726.86 despite the mixed regional markets.....(See full report next page)

Corporate Highlights

- **Top Glove, HOLD (TP: RM5.61):** Net profit jumps to RM72mil
- **Top Glove, HOLD (TP: RM5.61):** To boost nitrile gloves output
- **Maxis, HOLD (TP: RM7.10):** Sets up RM5b sukuk programme

Economic Update

- **Singapore:** Economists trim Singapore 2015 growth, inflation forecasts - MAS survey
- **India:** RBI Can Cut Rates by 125 Basis Points More, Adviser Says
- **U.K.:** Unemployment falls again



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
US	15-Jun	9:15 PM	Industrial Production MoM	0.3%	-0.3%
US	15-Jun	9:15 PM	Capacity Utilization	78.3%	78.2%
CN	10-15 Jun	-	Money Supply M1 YoY	4.0%	3.7%
CN	10-15 Jun	-	Money Supply M2 YoY	10.4%	10.1%
US	16-Jun	8:30 PM	Housing Starts	1100K	1135K
US	16-Jun	8:30 PM	Building Permits	1100K	1143K
EU	17-Jun	5:00 PM	CPI MoM	-	0.2%
EU	17-Jun	5:00 PM	CPI YoY	-	0.3%
EU	17-Jun	5:00 PM	CPI Core YoY	-	0.9%
JP	17-Jun	7:50 AM	Trade Balance	-	¥53.4B
JP	17-Jun	7:50 AM	Trade Balance Adjusted	-	¥208.7B
JP	17-Jun	7:50 AM	Export YoY	-	8.0
JP	17-Jun	7:50 AM	Import YoY	-	-4.2
MY	17-Jun	12:00 PM	CPI YoY	-	1.8%
US	17-Jun	7:00 PM	MBA Mortgage Application	-	8.4%
US	18-Jun	2:00 AM	FOMC Rate Decision (Upper Bound)	0.3%	0.3%
US	18-Jun	8:30 PM	Current Account Balance	\$-116.4B	\$-113.5B
US	18-Jun	8:30 PM	CPI MoM	0.5%	0.1%
US	18-Jun	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.3%
US	18-Jun	8:30 PM	CPI YoY	0.0%	-0.2%
US	18-Jun	8:30 PM	Initial Jobless Claims	-	-
US	18-Jun	8:30 PM	Continuing Claims	-	-
US	18-Jun	8:30 PM	Leading Index	0.4%	0.7%
JP	19-Jun	1:00 PM	Leading Index CI	-	107.2
JP	19-Jun	1:00 PM	Coincident Index	-	111.1

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,726.86	4.62	0.27
FBMEMAS	11,924.80	25.48	0.21
FBMEMAS SHA	12,408.74	-10.70	-0.09
FBM100	11,623.37	26.51	0.23
Volume (mn)	1,475.32	-51.57	-3.38
Value (RMmn)	1,737.40	211.62	13.87
FBMKLCI YTD Chg			-1.95

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.5	46.0
Local Institution	53.5	-60.0
Foreign Investors	29.0	14.0

Top Gainers

	Close	Change+/-	(+/- %)
BAT	59.36	0.36	0.61
ELSOFT RESEARCH	1.90	0.22	13.10
GENTING BHD	8.40	0.21	2.56

Top Losers

	Close	Change+/-	(+/- %)
KLK	21.10	-0.30	-1.40
LAFARGE MALAYSI	8.97	-0.20	-2.18
CARLSBERG BREW	11.80	-0.24	-1.99

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,935.74	31.26	0.17
NASDAQ	5,064.88	9.33	0.18
S&P 500	2,100.44	4.15	0.20
FTSE 100	6,680.55	-29.55	-0.44
DAX	10,978.01	-66.00	-0.60
Nikkei 225	20,219.27	-38.67	-0.19
HSI	26,753.79	187.09	0.70
KOSPI	2,034.86	6.14	0.30
STI	3,325.91	27.82	0.84
KLCI Futures	1,716.00	5.50	0.00
USDMYR 3M	10.27	0.02	0.00
USDMYR 6M	10.25	0.03	0.00
USDMYR 12M	10.25	0.06	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	-0.1	-0.2%
Brent (USD/bbl)	63.9	0.2	0.3%
Gold(USD/ounce)	1,185	-0.8	-0.1%
Coal (USD/mt)	60.4	0.0	0.0%
CPO (RM/mt)	2,291	0.0	0.0%
Rubber	183	-0.3	-0.2%
RM/USD	3.76	0.0065	-0.17%
EUR/USD	0.88	-0.0004	-0.05%
YEN/USD	123.48	0.05	-0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 31.26 points to 17,935.74, S&P 500 surged 4.15 points to 2,100.44. Nasdaq grew by 9.33 points to 5,064.88. Stocks closed modestly higher on Wednesday as investors digested the Federal Reserve statement and Fed Chair Yellen's press conference.
- Stocks extended early gains as Yellen said markets should focus on the pace of rate increase rather than the timing of the initial hike.

The Local Market

- FBMKLCI gained 4.62 points to finish at 1,726.86 despite the mixed regional markets. There were 405 gainers and 342 decliners in total value traded of RM1.47 billion.
- Among the gainers on Bursa Malaysia were BAT added 36 cent to RM59.36, Elsoft Research grew 22 cent to RM1.90, Genting Bhd rose 21 cent to RM8.40 and Taliworks Corp raised 20 cent to RM2.60.

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

Top Glove, HOLD (TP: RM5.61): Net profit jumps to RM72mil

Top Glove Corp Bhd's net profit for its third quarter ended May 31, 2015 rose 71% to RM72.27mil from RM42.3mil a year ago from the stronger US dollar, softer raw material prices and higher sales volume. In a statement on Wednesday the group said revenue rose to RM661.19mil from RM574mil a year earlier. For its nine months to-date, Top Glove posted a higher net profit of RM177.03mil against RM134.2mil a year earlier while revenue increased to RM1.8bil from RM1.7bil. The group had also declared a dividend of eight sen per share for the quarter. Moving forward the group said it remained upbeat on the industry outlook as it believed the demand for gloves would grow steadily at 5% to 6% a year. Top Glove said it is planning to expand its annual output capacity to 52.4 billion pieces of gloves by December 2016. (Source: The Star)

Top Glove, HOLD (TP: RM5.61): To boost nitrile gloves output

The world's largest glove maker Top Glove Corp Bhd plans to boost its nitrile gloves production capacity as the outlook for the segment looks promising. Brushing aside concerns that there would be a glut in the segment as many players were seen to build more plants to cater for it, the company said that based on the product mix by glove volume from March 1 till May 31, nitrile still

topped the list, claiming 30% global demand. This is 6% higher compared with the same period, a year ago. Volume from powder-free latex, powdered latex, surgical and vinyl gloves had dropped compared with a year ago. *(Source: The Star)*

Maxis, HOLD (TP: RM7.10): Sets up RM5b sukuk programme

Maxis Bhd the country's largest mobile operator by subscribers has proposed to set up a RM5 billion Islamic bond (sukuk) programme, with proceeds used for its capital expenditure and working capital and to refinance other debts. In a filing with Bursa Malaysia, Maxis said the Securities Commission Malaysia (SC) has, vide its letter today, given its approval for the unrated sukuk programme, which will have a tenure of up to 30 years. CIMB Investment Bank Bhd has been appointed as the sole principal adviser and lead arranger for the sukuk programme. *(Source: The Edge)*

FGV, TBD (TP: RM2.15): Explains RM655mil deposit

Felda Global Ventures Holdings Bhd (FGV) has explained that the US\$174.5mil (RM655.77mil) deposit paid for the proposed acquisition of plantation land from Indonesia's Rajawali Group is a commercial requirement from the vendors. In a filing with Bursa Malaysia, the company said there was a requirement to demonstrate a high level of commitment to the vendors, given that the proposed acquisition was for the single largest equity holding in PT Eagle High Plantations Tbk. Last Friday, FGV entered into an agreement to acquire a 37% stake in Eagle High from Rajawali Group for US\$680mil (RM2.5bil) in cash and stocks. Besides the Eagle High stake acquisition, the company is also acquiring between 93% and 95% in Rajawali's sugar project for US\$67mil (RM251.8mil). *(Source: The Star)*

Eco World Dev (CP: RM1.47): Records nearly RM2b sales until end-May

Eco World Development Group Bhd (EW Bhd) recorded sales of RM1.187bil as at May 31 in the current financial year ending Oct 31, 2015. EW Bhd recorded revenue of RM575.8mil, profit before tax of RM23.3mil and earnings of RM14.86mil in the six months ended April 30, 2015. In the second quarter ended April 30, 2015, its revenue was RM417.82mil which pre-tax profit was RM17.67 and earnings came in at RM11.81mil. EW Bhd said the group has about 5,245 acres of landbank with a total gross development value (GDV) of RM65bil. EW Bhd said ongoing projects which contributed to the profit and revenue achieved include Eco Majestic, Eco Sky and Saujana Glenmarie in the Klang Valley; Eco Botanic, Eco Spring, Eco Summer, Eco Business Park I and Eco Tropics in Iskandar Malaysia. *(Source: The Star)*

CSC Steel (CP: RM1.04): Revenue down 8% in FY14

CSC Steel Holdings Bhd's revenue for the financial year ended Dec 31, 2014 dropped 8% to RM1.048 billion compared to the RM1.142 billion recorded previously. Group Managing Director Chen Chung-Te said the decline was due to stiff competition from cheap imports and a weak steel market. He said FY14 was much more challenging as the Group recorded a loss before tax of RM27.02 million, compared with profit before tax of RM38.73 million recorded previously. Chen said the imbalance in demand and supply globally, especially

the huge export from the world's biggest steel production hub, China, had caused steel prices to buckle and fall drastically. (Source: *The Star*)

Bina Puri (CP: RM0.54): Targets 20% increase in bottom line

Bina Puri Holdings Bhd is eyeing for a 20% increase in its bottom line this year, with the construction division continuing as the main contributor. Group executive director Matthew Tee said despite the challenging global environment and uncertainty in the local market as well as the weakening ringgit, the target was achievable. In 2014, the company's total turnover was at RM1.05bil. On outlook, chairman Tan Sri Wong Foon Meng said demand for property in Malaysia remained high. Bina Puri, he added, would continue tendering for 1Malaysia People Housing projects. He said the company had to-date tendered for up to 20 projects worth about RM5bil, compared with 33 submitted last year. The projects tendered were valued at RM8.63bil. (Source: *The Star*)

Econpile (CP: RM1.05): RM50mil contract for Econpile

Piling and foundation contractor Econpile Holdings Bhd has won an RM49.9mil contract from Ahmad Zaki Resources Bhd to build substructure and basement works for a proposed hotel and office development along Jalan Sultan Ismail in Kuala Lumpur. The company said in a filing with Bursa Malaysia that the works were expected to be ready by next September and would contribute positively to its current and next year's income. The company has been one of the few listings in the past year that has seen its share price perform despite the pressure on the market. (Source: *The Star*)

Sarawak Cable (CP: RM1.38): To up power cable exports

Sarawak Cable Bhd plans to increase power cable exports to 30%-40% from the current 20% of total production and to achieve sales of RM1bil this year. Group managing director Aaron Toh Chee Ching said Australia and Singapore were Sarawak Cable's key export markets for the 132kV underground high-voltage cables which the group had also been exporting to New Zealand and the Middle East. Sarawak Cable, the sole manufacturer of the 275kV underground power cables in Malaysia, targets to commercialise the production of the high-voltage new cables in the second half of 2015. (Source: *The Star*)

Pelikan (CP: RM1.11): Sees return to profitability by 2016

Having undergone a lengthy period of streamlining its European assets, loss-making Pelikan International Corp Bhd now expects its business to return to profitability by 2016. According to Loo, the European market alone could contribute about 20 million euros (RM84.68mil) in earnings before interest and tax to Pelikan. The stationery manufacturer and distributor, which in April completed an asset-injection exercise into its German-listed unit Pelikan AG, saw its net loss narrow to RM10.7mil, or 1.95 sen per share, for the first quarter ended March 31, 2015, from RM11.2mil, or 2.20 sen per share, in the corresponding period last year. The group's revenue fell almost 10% to RM282mil during the period in review from RM312.6mil previously due mainly to the depreciation of the euro, which was its main revenue currency, against the ringgit. (Source: *The Star*)

ECONOMIC UPDATES

Singapore: Economists trim Singapore 2015 growth, inflation forecasts - MAS survey

Economists have slightly lowered their forecasts for Singapore's 2015 growth and headline inflation compared with three months ago, a central bank survey showed on Wednesday. The median forecast of 23 economists surveyed by the Monetary Authority of Singapore (MAS) was for gross domestic product (GDP) to expand 2.7 percent this year, down from 2.8 percent growth expected in a survey published in March. The survey showed that non-oil domestic exports in 2015 are now expected to grow 2.6 percent, up from 1.6 percent in the previous MAS survey. Economists, however, still lowered their 2015 growth forecast for the manufacturing sector to 0.5 percent, down from 1.8 percent in the previous survey. *(Source: The Star)*

India: RBI Can Cut Rates by 125 Basis Points More, Adviser Says

The Reserve Bank of India still has scope to cut interest rates by more than a percentage point given the slowdown in inflation, according to one of its advisers. Asia's third-largest economy has been weighed down by a slump in exports, slowing output and sluggish corporate earnings, adding pressure on the central bank to ease borrowing costs to spur growth. This quarter's rebound in oil prices and a forecast for below-average monsoon rains have reignited concern over inflation in India, where agriculture accounts for about 15 percent of gross domestic product. The timing of further interest-rate cuts by the central bank will be determined by the impact that oil prices and a possible increase in food costs due to deficient rains has on inflation, Virmani, a former executive director at the International Monetary Fund and one of the seven external members of the RBI's policy panel, said in an e-mailed response to questions. *(Source: Bloomberg)*

U.K.: Unemployment falls again

UK unemployment has fallen again while wage growth has hit a near four-year high, official figures have shown. The number of people out of work between February and April fell by 43,000 to 1.81 million, the Office for National Statistics said. The jobless rate held steady at 5.5%, the lowest level since August 2008. Meanwhile wage rises grew at their fastest rate since August 2011, rising 2.7%, both including and excluding bonuses. The total number of people now in work is 31.05 million people, which is 114,000 more than in the previous three month period. The British pound rose to a one-month high against the US dollar at \$1.57, as traders reacted to news that wages are rising more quickly than expected. *(Source: BBC News)*

U.S.: Fed says US economy still strong enough to handle rate hike

The U.S. economy is growing moderately after a winter swoon and likely strong enough to support an interest rate increase by the end of the year, U.S. Federal Reserve officials indicated on Wednesday. After contracting in the first quarter, the economy is now on track to grow between 1.8 percent and 2.0 percent this year, down from the 2.3-2.7 percent range forecast in March, according to the central bank's latest policy statement and new projections issued by Fed policymakers. The Fed also said labor markets continued to improve, though

with unemployment expected to be slightly higher at the end of the year than previously forecast in March. Inflation remains low but is expected to gradually rise to its 2 percent target over the medium term, the Fed said. *(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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