

PP14767/09/2012(030761)

Friday, June 19, 2015

## Report of The Day

**Result Review:** Top Glove 3Q15, HOLD (TP: RM6.46)- "Incredible 9M15 Performance"

## At a Glance

FBMKLCI shed 8.74 points to finish at 1,718.12 due to the lack of fresh catalyst.....(See full report next page)

## Strategy

## "Wall Street Rally on Dovish Policy Outlook"

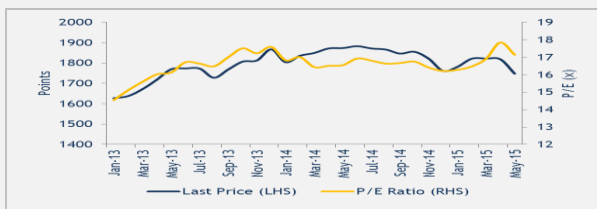
In sum, the good vibes coming from Janet Yellen along with the absence of wrecking news from Greece would certainly help risk taking today.....(See full report next page)

## Corporate Highlights

- **Mah Sing, HOLD (TP: RM1.74):** Focuses on affordable homes in Klang Valley
- **TNB, BUY (TP: RM15.20):** Minister confirms power plant takeover from 1MDB
- **Pesona Metro (CP: RM0.56):** On tract to exceed FY14 performance

## Economic Update

- **Malaysia:** Both global and domestic developments affect ringgit, says Bank Negara
- **China:** May FDI rises 7.8 pct y/y
- **Japan:** Business mood signals pick-up in private consumption



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	-	Y-53.4B
JP	17-Jun	7:50 AM	Trade Balance Adjusted	-	Y-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	1,718.12	-8.74	-0.51
FBMEMAS	11,887.41	-37.39	-0.31
FBMEMAS SHA	12,352.06	-56.68	-0.46
FBM100	11,581.66	-41.71	-0.36
Volume (mn)	1,445.78	-29.54	-2.00
Value (RMmn)	1,974.12	236.72	13.63
FBMKLCI YTD Chg			-2.45

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.0	-24.3
Local Institution	57.7	78.2
Foreign Investors	27.3	-53.9

## Top Gainers

	Close	Change+/-	(+/- %)
BAT	60.16	0.80	1.35
TOP GLOVE CORP	6.36	0.49	8.35
UNITED PLANT	27.00	0.40	1.50

## Top Losers

	Close	Change+/-	(+/- %)
TNB	12.60	-0.56	-4.26
MISC BHD	7.89	-0.41	-4.94
GENTING BHD	8.19	-0.21	-2.50

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,115.84	180.10	1.00
NASDAQ	5,132.95	68.07	1.34
S&P 500	2,121.24	20.80	0.99
FTSE 100	6,707.88	27.33	0.41
DAX	11,100.30	122.29	1.11
Nikkei 225	19,990.82	-228.45	-1.13
HSI	26,694.66	-59.13	-0.22
KOSPI	2,041.88	7.02	0.34
STI	3,300.42	-25.49	-0.77
KLCI Futures	1,696.00	(20.50)	(0.01)
USDMYR 3M	10.17	(0.00)	(0.00)
USDMYR 6M	10.18	0.02	0.00
USDMYR 12M	10.20	0.03	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	0.0	0.0%
Brent (USD/bbl)	64.3	0.4	0.6%
Gold(USD/ounce)	1,201	-0.5	0.0%
Coal (USD/mt)	60.2	-0.3	-0.4%
CPO (RM/mt)	2,237	-54.0	-2.4%
Rubber	181	-1.5	-0.8%
RM/USD	3.71	-0.0485	1.31%
EUR/USD	0.88	-0.0008	-0.09%
YEN/USD	122.97	0.01	-0.01%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average rose 180.10 points to 18,115.84, S&P 500 surged 20.80 points to 2,121.24. Nasdaq grew by 68.07 points to 5,132.95. Stocks closed about 1 percent higher on Thursday, with the Nasdaq topping its intraday high from March 2000. The Fed's dovish statement from Wednesday afternoon boosted investor sentiment amid the Greece debt talks.
- Stocks briefly trimmed gains in early afternoon trade on discouraging news out of the negotiations in Europe. Greece and its creditors failed to reach a cash-for-reforms deal on Thursday during a euro group meeting of regional finance ministers. As a result, European Council President Donald Tusk said euro zone leaders will meet to discuss the impasse on Monday.

### The Local Market

- FBMKLCI shed 8.74 points to finish at 1,718.12 due to the lack of fresh catalyst. There were 380 gainers and 369 decliners in total value traded of RM1.97 billion.
- Among the losers on Bursa Malaysia were TNB shed 56 cent to RM12.60, MISC Bhd shrank 41 cent to RM7.89, Genting Bhd and Genting Plantation dropped 21 cent to RM8.19 and RM9.89.

### Strategy

- **“Wall Street Rally on Dovish Policy Outlook”**  
Wall Street made some good gains on Thursday, many thanks to dovish statement by Janet Yellen over the Fed's interest rate outlook. The absent of damaging news from Greece also helped sentiment. **S&P 500** and **DJIA** added **20.80 (0.99%)** and **180.16 (1.00%)** points to end at **2,121.24** and **18,115.84**. Janet Yellen held a post FOMC policy meeting yesterday and in that she sounded less aggressive in the outlook of the US Federal Funds rate. She said that while the data so far would support a first rate hike this year but there just no guarantee to that. Hence, the investment fraternity surmised that there would be rate hike this year but in less aggressive manner, in that there is possibility of only 1 hike in 2H15. This has lifted the spirit of investors. In sum, the good vibes coming from Janet Yellen along with the absence of wrecking news from Greece would certainly help risk taking 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

**Mah Sing, HOLD (TP: RM1.74): Focuses on affordable homes in Klang Valley**

Mah Sing Group Bhd will remain focused on affordable homes, priced below RM1mil, especially in the Klang Valley, due to the overcall cautious sentiment. Managing director and group chief executive, Tan Sri Leong Hoy Kum said on Thursday: "We have to sell what people want to buy and our strategy of reaching out to the mid-range mass market is in line with current market needs amidst the challenging property market." The company's pricing strategy for 2015 is that 84% of planned residential launches will be below RM1mil. Leong said the industry was cautious despite that the fundamentals remained intact. (Source: The Star)

**TNB, BUY (TP: RM15.20): Minister confirms power plant takeover from 1MDB**

Tenaga Nasional Bhd (TNB) is to take over 1Malaysia Development Bhd's (1MDB) Project 3B power plant, said Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili. He said the Cabinet had approved the deal, which would involve TNB taking over the 70% stake held by 1MDB's energy arm, Edra Global Energy Bhd. The RM11bil Project 3B involves a 2,000MW coal-fired plant in Negri Sembilan where the Jimah Power Station is located. The project was to have been developed under a consortium known as Jimah East Sdn Bhd, which is jointly owned by 1MDB and Mitsui Corp Ltd, on June 3 last year. (Source: The Star)

**Pesona Metro (CP: RM0.56): On tract to exceed FY14 performance**

Pesona Metro Holdings Bhd is on track to exceed its financial year 2014 (FY14) performance with a RM800 million order book and tenders worth more than RM1 billion at present. For the financial year ended Dec 31, 2014, the construction company's pre-tax profit stood at RM10.66 million on the back of RM267.41 million in revenue. Director Wie Hock Kiong said the company was upbeat over its 2015 financial year performance, given its 20 per cent success rate in securing projects tendered. "The success rate in clinching contracts also depends on how aggressive we are. Normally, a fair rate would be around 20 per cent," he told Bernama after Pesona Metro's annual general meeting on Thursday. (Source: The Star)

**Lysaght (CP: RM3.94): Ordered to hold separate meeting for board elections**

Lysaght Galvanised Steel Bhd, which scheduled its AGM for next Monday, has been ordered by the court to hold a separate meeting with regards to the election/re-election of directors. However, the resolutions to approve additional directors' fees for 2014 and to approve directors' fees for 2015 as well as to re-appoint Ernst & Young as auditors (as announced in its notice of AGM dated May 22) may be tabled at Monday's meeting. The galvanised steel product maker told Bursa Malaysia that the court had ordered that the resolutions to re-elect managing director Liew Swee Mio and four existing directors be adjourned to an AGM on June 30. The time and place will be later decided by the company. (Source: The Star)

**MyEG (CP: RM2.53): Launches MyMotor automotive portal**

MY E.G. Services Bhd (MYEG) has launched its new automotive portal, MyMotor, offering integrated transactional online solution to vehicle ownership. The portal would search for the best deals, ensure cars listed for sale were verified by a team of motoring experts and provide a comprehensive one-stop solution for all transactions required on a safe and secure platform, MYEG said in a statement on Thursday. During this Ramadan month, the first 50 cars successfully purchased through MyMotor will receive RM3,000 cashback subject to approved vehicle financing, valid until the end of Ramadan or for the first 50 cars sold, whichever comes first. *(Source: The Star)*

**Press Metal (CP: RM2.63): Aims to up contribution from value added products**

Aluminum producer Press Metal Bhd wants to up contribution from its value added product segment to make up for lower commodity prices. It is looking to increase contribution to more than half its earnings, compared to 30% to 40% currently. "We want to increase our value added products instead of just pure infotainment to improve our margins," said group chief executive officer Datuk Paul Koon. One of its value added products is alloy wheels, which has met quality standards from countries like Korea and Europe. *(Source: The Star)*

**Goodway (CP: RM0.33): Plans to cut losses in 2015**

Rubber product manufacturer, Goodway Integrated Industries Bhd, plans to reduce losses this year with an intensified marketing strategy, especially for the export market. For the financial year ended Dec 31, 2014, the company posted a pre-tax loss of RM10.82 million as compared with a pre-tax profit of RM6.86 million in 2013. Revenue slipped to RM216.39 million from RM265.77 million. Chief Operating Officer Alison Wong Ping Kiong attributed the loss to technicalities and processing issues in rubber compound production, which contributes to 65% of the company's revenue. *(Source: The Star)*

**Malaysia Pacific Corp (CP: RM0.19): Appoints special auditors**

Malaysia Pacific Corp Bhd (MPC) has appointed UHY its special auditors to undertake a special audit and address queries raised by minority shareholders and Bursa Malaysia. In a statement to Bursa Malaysia on Thursday, the property firm said the appointment was also made to address the disclaimer opinion issued by its former external auditors on the audited financial statements for the financial year ended June 30, 2014 (FY14). MPC said UHY's scope of work would include the review of its procedures on payment to directors' fees and remunerations, related parties transactions for FY14, as well as policy and procedures adopted by the company and parties involved in relation to appointment of consultants. *(Source: The Star)*

**ECONOMIC UPDATES****Malaysia: Both global and domestic developments affect ringgit, says Bank Negara**

Bank Negara on Thursday reiterated that the ringgit's current movements are affected by both global and domestic developments. The central bank was referring to recent "inaccurate and misleading" media reports regarding alleged reasons for the volatility in the ringgit's exchange rate. Bank Negara said it

remained focused on its role and mandate in maintaining monetary and financial stability and to support sustainable economic growth. (Source: *The Star*)

#### **China: May FDI rises 7.8 pct y/y**

China's foreign direct investment in May increased 7.8 percent to 57.4 billion yuan (\$9.25 billion) from a year earlier, the commerce ministry said on Thursday. The ministry did not provide a growth figure in dollar terms. In the first five months of the year, FDI grew 10.5 percent from a year earlier to 331.0 billion yuan. Non-financial outbound direct investment increased 47.4 percent to 278.4 billion yuan over the same period. (Source: *Reuters*)

#### **Japan: Business mood signals pick-up in private consumption**

Confidence at Japanese manufacturers in June rose for the second straight month and retailers were at their most optimistic in over a year, a Reuters poll showed, offering a welcome sign that consumers may have finally shaken off the effects of a sales tax hike. The Reuters Tankan which closely tracks the central bank's quarterly tankan survey gives credence to the Bank of Japan's view that the economic recovery will strengthen over the next year although analysts doubt its 2% inflation target is achievable in fiscal 2016. (Source: *Reuters*)

#### **Philippines: Allows foreign lenders to own local trust corporations**

Foreign lenders in the Philippines will be allowed to fully own local trust corporations under new guidelines, a central bank official said on Thursday. In 2011, the Bangko Sentral ng Pilipinas allowed the establishment of stand-alone trust corporations to encourage banks to spin off their departments and allow market players, other than banks, to provide trust services. Separating the functions of banks and trust entities was aimed at reducing risks and enabling the central bank to better monitor the activities of trust entities. (Source: *Reuters*)

#### **South Korea: Moody's says MERS poses risk to S.Korean economy**

An outbreak of Middle East Respiratory Syndrome (MERS) threatens to deal a blow to South Korea's economic recovery, Moody's Investors Service said on Thursday, as the Health Ministry reported three new cases, the lowest daily increase in 17 days. The World Health Organization (WHO) said the outbreak was a "wake-up call" but does not constitute a global emergency. The WHO also described South Korean authorities' efforts to contain the spread "very impressive". The outbreak has kept consumers from visiting malls and parks, spelling a drop in consumer spending. Worried by the economic impact, President Park Geun-hye and other leaders have urged the public and the business community to return to normal. (Source: *Reuters*)

#### **U.S.: Consumer prices post largest gain in more than two years**

US consumer prices in May recorded their largest increase in more than two years as gasoline prices surged, suggesting an energy-driven disinflationary trend had probably run its course. Other data on Thursday showed the labour market continued to tighten, as first-time applications for unemployment benefits declined last week to a near 15-year low. The slight pickup in inflation

and a strengthening labor market put the Federal Reserve a step closer to raising interest rates later this year. The Consumer Price Index rose 0.4% last month after gaining 0.1% in April, the Labor Department said. That was the largest increase since February 2013, and left the CPI unchanged in the 12 months through May after a 0.2% yearly decline in April. *(Source: The Star)*

**U.S.: Inflation stirring as energy-driven price plunge ebbs**

U.S. consumer prices in May recorded their largest increase in more than two years as gasoline prices surged, suggesting the drag on inflation from lower oil prices was fading. Other data on Thursday showed the economy was regaining momentum after stumbling in the first quarter. The number of Americans filing new applications for unemployment benefits fell last week to a near 15-year low and factory activity in the mid-Atlantic region accelerated to a six-month high in June. Price stability and a strengthening economy, highlighted by the tightening labor market, likely will push the Federal Reserve a step closer to raising interest rates later this year. Still, rate hikes will probably be gradual as a strong dollar continues to dampen underlying price pressures. *(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