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Monday, June 22, 2015

Report of The Day

Briefing Notes: Eco World, (TBD) – “Time to Perform”

At a Glance

FBMKLCI gained 3.65 points to finish at 1,721.77 in line with the surge in most key regional markets.....(See full report next page)

Strategy

“Wall Street Recoil due to Greece”

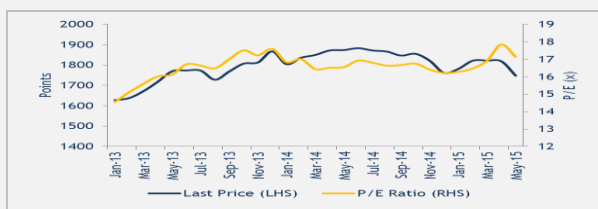
We don't think that second liners economic announcements will have much bearing in the global equity market.....(See full report next page)

Corporate Highlights

- **TNB, BUY (TP: RM15.20):** Sets condition for take-over of 3B project
- **TNB, BUY (TP: RM15.20):** Takeover of power project not a bailout
- **FGV, TBA (TP: RM2.15):** Trading aims for RM8bil revenue

Economic Update

- **Malaysia:** May inflation picks up, slightly above forecast
- **Japan:** BOJ keeps upbeat view of economy, maintains asset purchases
- **Japan:** BoJ to hold fewer policy-setting meetings from 2016



KEY ECONOMIC RELEASE				
Date	Local Time	Event	Survey	Prior
EU	22-Jun 10:00 PM	Consumer Confidence	-	-5.5
US	22-Jun 10:00 PM	Existing Home Sales	5.25M	5.04M
US	22-Jun 10:00 PM	Existing Home Sales MoM	4.2%	-3.3%
MY	22-Jun -	Foreign Reserves	-	\$106.4B
EU	23-Jun 4:00 PM	Markit Eurozone Manufacturing PMI	-	52.2
EU	23-Jun 4:00 PM	Markit Eurozone Services PMI	-	53.8
EU	23-Jun 4:00 PM	Markit Eurozone Composite PMI	-	53.6
US	23-Jun 8:30 PM	Durable Goods Orders	-0.5%	-0.5%
US	23-Jun 8:30 PM	Durable Ex Transportation	0.8%	0.5%
US	23-Jun 9:45 PM	Markit US Manufacturing PMI	-	54.0
US	23-Jun 10:00 PM	New Home Sales	515K	517K
US	23-Jun 10:00 PM	New Home Sales MoM	-0.4%	6.8%
CN	23-Jun 9:45 AM	Markit China PMI Mfg	49.4	49.2
JP	23-Jun 9:35 AM	Markit Japan PMI Mfg	-	50.9
US	24-Jun 7:00 PM	MBA Mortgage Application	-	-5.5%
US	24-Jun 8:30 PM	GDP Annualized QoQ	-0.3%	-0.7%
US	24-Jun 8:30 PM	Personal Consumption	-	1.8%
US	24-Jun 8:30 PM	Core PCE QoQ	-	0.8%
JP	24-Jun 1:00 PM	Small Business Confidence	-	48.1
US	25-Jun 8:30 PM	Initial Jobless Claims	-	-
US	25-Jun 9:45 PM	Markit US Composite PMI	-	56.0
US	25-Jun 9:45 PM	Markit US Service PMI	-	56.2
US	25-Jun 11:00 PM	Kansas City Fed Manf. Activity	-	-13
EU	26-Jun 4:00 PM	M3 Money Supply YoY	-	5.3%
EU	26-Jun 4:00 PM	M3 3-month average	-	4.7%
JP	26-Jun 7:30 AM	Natl CPI YoY	-	0.6%
JP	26-Jun 7:30 AM	Natl CPI Ex Fresh Food YoY	-	0.3%
JP	26-Jun 7:30 AM	Natl CPI Ex Food, Energy YoY	-	0.4%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,721.77	3.65	0.21
FBMEMAS	11,906.81	19.40	0.16
FBMEMAS SHA	12,376.76	24.70	0.20
FBM100	11,596.78	15.12	0.13
Volume (mn)	1,720.37	274.58	18.99
Value (RMmn)	2,423.52	449.40	22.76
FBMKLCI YTD Chg			-2.24

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	13.6	21.3
Local Institution	51.1	174.9
Foreign Investors	35.3	-196.2

Top Gainers

	Close	Change+/-	(+/- %)
ORIENTAL FOOD	5.99	0.33	5.83
HONG LEONG BA	13.78	0.32	2.38
ALLIANZ MALAYS	12.00	0.30	2.56

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANTA	26.68	-0.32	-1.19
FRASER & NEAVE	18.00	-0.30	-1.64
PANASONIC MAN	21.94	-0.26	-1.17

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,015.95	-99.89	-0.55
NASDAQ	5,117.00	-15.95	-0.31
S&P 500	2,109.99	-11.25	-0.53
FTSE 100	6,710.45	2.57	0.04
DAX	11,040.10	-60.20	-0.54
Nikkei 225	20,174.24	183.42	0.92
HSI	26,760.53	65.87	0.25
KOSPI	2,046.96	5.08	0.25
STI	3,300.96	0.54	0.02
KLCI Futures	1,708.00	15.50	0.01
USDMYR 3M	10.08	0.06	0.01
USDMYR 6M	10.08	0.06	0.01
USDMYR 12M	10.18	0.05	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	59	-0.2	-0.4%
Brent (USD/bbl)	62.7	-0.4	-0.6%
Gold(USD/ounce)	1,199	-1.5	-0.1%
Coal (USD/mt)	60.2	0.1	0.1%
CPO (RM/mt)	2,237	0.0	0.0%
Rubber	182	0.7	0.4%
RM/USD	3.74	0.0345	-0.92%
EUR/USD	0.88	-0.0011	-0.12%
YEN/USD	122.72	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 99.89 points to 18,015.95; S&P 500 slid 11.25 points to 2,109.99. Nasdaq slipped by 15.95 points to 5,117.00. U.S. stocks fell on Friday ahead of a summit next week that could decide whether Greece will need to print its own currency and ditch the euro.
- Euro zone leaders are scheduled to meet on Monday night in a last-ditch effort to reach a deal with Athens. As bank withdrawals across Greece ballooned to about 4.2 billion euros this week, the European Central Bank boosted its emergency funding for Greek banks.

The Local Market

- FBMKLCI gained 3.65 points to finish at 1,721.77 in line with the surge in most key regional markets. There were 489 gainers and 299 decliners in total value traded of RM2.42 billion.
- Among the gainers on Bursa Malaysia were Oriental Food added 33 cent to RM5.99, Hong Leong Bank surged 32 cent to RM13.78, Allianz Malaysia up 30 cent to RM12.00 and Hume Industries soared 28 cent to RM3.92.

Strategy

- **“Wall Street Recoil due to Greece”**

Wall Street unloaded some points on Friday hurt by the brewing storms from Greece. **S&P 500** and **DJIA** let go **11.25 (-0.53%)** and **99.89 (-0.55%)** points to end at **2,109.99** and **18,015.95**. In a last ditch to save Greece from defaulting, the country and its creditors will be holding an emergency summit on Monday to thrash out a plan with Athens to provide Greece with additional funds to prevent it from defaulting on its debt. As the plot thickens and the clock ticking, Greece continued to reiterate that it does not have the money to meet its debt obligation although the amount is only a minute €3.1 billion. Note that there is a real possibility that Greece could default on its obligation this time around. As the deadline is nearing, i.e. June 30th, we opine that news about Greece could dominate the minds of global equity players throughout the time. Notwithstanding that, this week's economic announcements will be dominated mostly by PMI releases around the global and the US final 1Q15 GDP numbers. Other than that, we don't think that second liners economic announcements will have much bearing in the global equity market. Hence, expect some nervousness and jitteriness in the global equity market to continue.

- 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

TNB, BUY (TP: RM15.20): Sets condition for take-over of 3B project

Utility giant, Tenaga Nasional Bhd (TNB)'s take-over of the coal-fired 3B power plant project will be subject to terms and conditions, which includes the firm and final levelised tariff not exceeding 26.67 sen/kWh. In a filing to Bursa Malaysia, the company said it has received a letter of invitation from the Energy Commission (EC) to submit a proposal pertaining to the participation of TNB through 70% ownership of Jimah East Power Sdn Bhd (JEP) in developing a 2x1000MW coal-fired power plant in Jimah, Negeri Sembilan. EC in consultation with the government has accepted TNB's participation as the lead developer in the project for the development of 2x1000MW coal-fired power plant in Jimah in consortium with Mitsui Co Ltd (Mitsui). *(Source: The Star)*

TNB, BUY (TP: RM15.20): Takeover of power project not a bailout

A steep selldown on Thursday showed just what investors thought of TNB taking over the 2,000 MW Greenfield power plant from 1MDB and the national utility company has to assuage fears that the deal is not favourable to it. TNB president and CEO Datuk Azman Mohd says the takeover of project 3B is not a bailout of 1MDB. He is confident that Project 3B will enhance its shareholder's value and bring positive value in the long term. TNB has received an official letter of invitation from the Energy Commission (EC) to be the lead developer in the project for the development of the 2x1000 MW coal-fired power plant in Jimah, as a consortium with Mitsui Co Ltd. TNB is offered a levelised tariff of not more than 26.67 sen per kWh, 1.34 sen higher than the levelised tariff that was awarded to 1MDB-Mitsui consortium at 25.33 sen. *(Source: The Star)*

FGV, TBA (TP: RM2.15): Trading aims for RM8bil revenue

Felda Global Ventures Holdings Bhd's (FGV) wholly owned subsidiary, FGV Trading, is targeting revenue of between RM6bil and RM8bil this year. FGVs transformation plan, which channeled its oil trading activities through FGV Trading, showed impressive growth with revenue of RM2.5bil in just four months of its trading operations since February, said a statement. Head of trading, marketing and logistics cluster Datuk Khairil Anuar Aziz said FGV Trading would become the second largest contributor to the group's revenue, at 34%. *(Source: The Star)*

Gamuda, BUY (TP: RM5.87): And Partners bid for Singapore land

A consortium comprising Gamuda Bhd, Evia Real Estate (7) Pte Ltd and Maxdin Pte Ltd has placed a tender worth S\$345.86 million (RM962.5million) to potentially develop a 99-year leasehold plot of land in Toa Payoh, Singapore. The bid, the highest of 14 bids submitted for the development, worked out to an average land cost of S\$8,130 (RM22,672) per sq m of gross floor area, or about S\$755 (RM2,105) per sq ft, said Gamuda. The tender was conducted by the Housing & Development Board (HDB) and closed on Thursday. Gamuda said that Toa Payoh was a well-established and matured estate located in the central region of Singapore, with very few private residential projects. *(Source: The Sun Daily)*

KNM (CP: RM0.54): Issues MTN of RM838m

KNM Group Bhd's wholly-owned unit, Splendid Investments Ltd, is setting up a multicurrency medium-term note programme of an initial size of up to S\$300 million (RM838.8 million). The Labuan-incorporated Splendid Investments was formed to provide funding and treasury services for KNM and its subsidiaries that mainly manufacture oil and gas-related equipment. KNM said the notes issued under the programme were unrated, would be unconditionally and irrevocably guaranteed by the company and might be listed on the Singapore Exchange or any other stock exchange(s). Under the programme, Splendid Investments may from time to time issue notes in series or tranches, on a syndicated or non-syndicated basis, in Singapore dollars and/or any other currency as may be agreed between the issuer, KNM (the guarantor) and the relevant dealers of the particular series or tranche of notes. *(Source: The Sun Daily)*

Masterskill (CP: RM0.56): Cautiously optimistic of turnaround

Masterskill Education Group Bhd (MEGB), which has obtained shareholders' approval to rename the group as Asiamet Education Group Bhd, is cautiously optimistic of its one-year turnaround plan. Executive director Datuk R Palan said it will look at cost efficiency and offer programmes that are in demand to boost student enrollment at its Asia Metropolitan University (AMU) campuses. He said AMU will continue to have a focus on medicine, pharmacy, physiotherapy, allied sciences and management courses. *(Source: The Sun Daily)*

Tambun Indah (CP: RM1.70): Buys RM39.4mil land

Tambun Indah Land Bhd has expanded its landbank further by buying a 19.05-acre land in Kota Permai, Bukit Mertajam for RM39.4mil. In a statement on Friday, the group said it would increase its available undeveloped landbank to 472 acres, which would sustain the group for approximately six to seven years. Managing director Teh Kiak Seng said that the land acquisition was timely, as Mainland Penang property market held tremendous potential for growth in tandem with the increasing number of infrastructure initiatives. "Alongside our ongoing landbank expansion strategy, we are focusing our efforts on building up the recreational aspects of in our flagship Pearl City township". *(Source: The Star)*

AirAsia (CP: RM1.61): Resumes direct flights to Dhaka

AirAsia will resume direct flights from Kuala Lumpur to Dhaka, Bangladesh, tapping into the vast market with a population of over 18 million, from July 10. To celebrate the resumption, AirAsia is offering promotional all-in-fares from RM399 one-way with a free checked baggage allowance of up to 30kg, and available for booking from now to June 28 for the travel period of July 10, 2015 to May 31, 2016, it said in a statement on Friday. *(Source: The Star)*

Mercury Industries (CP: RM1.30): Looks to a better FY15

Mercury Industries Bhd expects a better performance in its financial year ending Dec 31, 2015 (FY15), with its diversification into the construction sector. Executive Director Datuk Tiong Kwing Hee said the company's shareholders had shown support for the group's proposed RM42 million acquisition of Paramount Bounty Sdn Bhd (PBSB), a development company. "Mercury's earnings as a

group will see some improvement beginning this year (FY15) with the inclusion of PBSB's earnings. Tiong said PBSB is also linked with three other development companies, namely Meda Inc, Ecofirst and Andaman Group and have projects with a combined gross development value of RM1.5 billion. *(Source: The Star)*

Cuscapi (CP: RM0.18): Expects new products to contribute 30% to revenue

Cuscapi Bhd is projecting its new products and services, namely self-service tablets (REV) and delivery call centres (CODS), to contribute 30% to the group revenue for the financial year ending Dec 31, 2015 from 15% in FY2014. Cuscapi provides information technology systems for the food and beverage (F and B) industry. Chief executive officer Her Chor Siong said REV contribution per store stood at about RM100,000, while the traditional point-of-sales (pos) systems contribution per store contributed between RM30,000 and RM40,000. *(Source: The Star)*

Muhibbah Engineering (CP: RM2.22): Wins RM60mil orders

Muhibbah Engineering (M) Bhd and its wholly-owned subsidiary Muhibbah Airline Support Industries Sdn Bhd secured orders totalling RM60.3mil in April 2015. In its filing with Bursa Malaysia, the company said it secured two contracts, one from Westports Malaysia Sdn Bhd and the other from BASF Petronas Chemical Sdn Bhd while its unit was awarded a contract by Mass Rapid Transit Corp Sdn Bhd (MRT Corp). The contract from Westports is for a 14-lane exit gate at Container Terminal 7 at Port Klang. Muhibbah said the contract was expected to be delivered by the first quarter of 2016. It will undertake civil and structure works for BASF's 30,000 tonne 2-Ethylhexanoic Acid production plant in Kuantan, which Muhibbah will deliver by the second quarter next year. *(Source: The Star)*

ECONOMIC UPDATES

Malaysia: May inflation picks up, slightly above forecast

Malaysia's consumer price index in May rose 2.1% from a year earlier after a new consumption tax was introduced the previous month, data from the Statistics Department showed on Friday. The May inflation rate was above economists' median estimate of 2% in a Reuters poll. It attributed the increase to the significant rise in the index for alcoholic beverages and tobacco group, health, restaurants and hotels and food and non-alcoholic beverages, which contributed 76.3% to the CPI's increase. On a month-on-month basis, the CPI rose 0.4% from April 2015 due to increases in the index for house, water, electricity, gas and other fuels (0.7%); food and non-alcoholic beverages (+0.4%); restaurants and hotels (+0.4%); health and miscellaneous goods and services by 0.3%. *(Source: The Star)*

Japan: BOJ keeps upbeat view of economy, maintains asset purchases

The Bank of Japan kept monetary policy steady and maintained its upbeat assessment of the economy on Friday, signalling its conviction that inflation will hit its 2% target without additional monetary stimulus. As widely expected, the BOJ reiterated its pledge to increase base money, or cash and deposits at the central bank, at an annual pace of 80 trillion yen (\$648 billion) through

purchases of government bonds and risky assets. The policy board made the decision by an 8-1 vote. "Japan's economy continues to recover moderately," the central bank said in a statement. It also said it will cut the number of policy-setting meetings to eight each year, from the current 14. (Source: Reuters)

Japan: BoJ to hold fewer policy-setting meetings from 2016

The changes would bring the BoJ's meeting calendar and disclosure in line with the US Federal Reserve and the European Central Bank (ECB), a move economists welcomed as a step toward reducing information overload. While the total number of meetings will fall, the BoJ will issue long-term economic and price forecasts four times each year – in January, April, July and October. Now, it issues such reports only in April and October. The long-term forecasts will also show whether each policy board member thinks the risks to their forecasts are tilted to the upside or the downside, which will give economists more information about which direction the board is leaning. (Source: The Star)

South Korea: June exports up

South Korean exports during the first 20 days of June edged up 1.2% from a year ago to US\$29.552bil while imports slumped 17% to US\$25.247bil, Customs Korea data showed yesterday. This resulted in a trade surplus of US\$4.31bil for that period, according to *Reuter's* calculations. The customs agency releases only the total value and percentage change on its website (<http://www.customs.go.kr>) without elaborating. Estimates for the full month will be released by the trade ministry on July 1. (Source: The Star)

Indonesia: Rising unemployment piles up problems for Indonesian president

Indonesian companies are shedding jobs as they grapple with the weakest economic growth in six years, adding to the troubles facing President Joko Widodo, who was elected last year on pledges to dig the country out of a rut. Government data might suggest no cause for alarm - unemployment was 5.81 percent in February, up only slightly from 5.70 percent a year earlier - but the official numbers are notoriously unreliable and don't adequately cover the informal sector, which is two-thirds of Southeast Asia's biggest economy. Recent reports of heavy lay-offs across the country paint a bleaker picture, and business executives, recruitment firms and jobseekers say it is getting worse. (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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