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Friday, June 26, 2015

Reports of the Day

Company Update: Tenaga, BUY (TP: 15.20) – Issuing Notes for Track 3B

At a Glance

FBMKLCI slid 14.87 points to finish at 1,716.81 in tandem with gloomy global markets.....(See full report next page)

Strategy

“Market Still Shaky due to Greece”

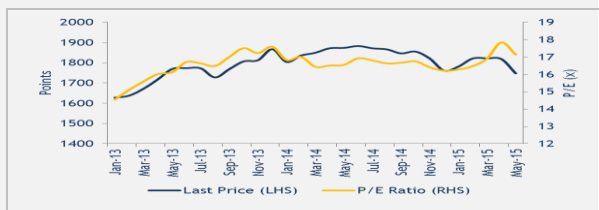
Double-trouble will make investors’ risk taking recoil.....(See full report next page)

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- **Sunway (CP: RM3.40):** To boost its construction order book by RM2bil by year end
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Economic Update

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- **Greece:** Holds Marathon Creditor Talks as Default Lurches Closer
- **South Korea:** Draws up \$13 billion budget boost as MERS bites into growth



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%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,716.81	-14.87	-0.86
FBMEMAS	11,886.87	-97.95	-0.82
FBMEMAS SHA	12,332.19	-124.29	-1.00
FBM100	11,563.38	-97.05	-0.83
Volume (mn)	1,650.91	-137.74	-7.70
Value (RMmn)	2,083.61	196.95	10.44
FBMKLCI YTD Chg			-2.52

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	15.7	-7.7
Local Institution	62.6	276.9
Foreign Investors	21.7	-269.2

Top Gainers

	Close	Change+/-	(+/- %)
UNITED U-LI CORP	4.14	0.30	7.81
TOP GLOVE CORP	6.80	0.30	4.62
SCGM BHD	3.70	0.30	8.82

Top Losers

	Close	Change+/-	(+/- %)
BAT	60.60	-0.58	-0.95
TELEKOM MALAYS	6.60	-0.30	-4.35
RIVERVIEW RUBBE	3.82	-0.22	-5.45

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,890.36	-75.71	-0.42
NASDAQ	5,112.19	-10.22	-0.20
S&P 500	2,102.31	-6.27	-0.30
FTSE 100	6,807.82	-36.98	-0.54
DAX	11,473.13	1.87	0.02
Nikkei 225	20,771.40	-96.63	-0.46
HSI	27,145.75	-259.22	-0.95
KOSPI	2,085.06	-0.47	-0.02
STI	3,349.87	-1.46	-0.04
KLCI Futures	1,710.00	(12.00)	(0.01)
USDMYR 3M	10.02	0.14	0.01
USDMYR 6M	9.99	0.06	0.01
USDMYR 12M	10.10	0.04	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	60	0.0	0.0%
Brent (USD/bbl)	63.2	-0.3	-0.5%
Gold(USD/ounce)	1,174	1.1	0.1%
Coal (USD/mt)	60.2	-0.1	-0.1%
CPO (RM/mt)	2,264	-6.0	-0.3%
Rubber	178	-3.7	-2.0%
RM/USD	3.76	0.0062	-0.17%
EUR/USD	0.89	0	0.00%
YEN/USD	123.56	-0.07	0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 75.71 points to 17,890.36; S&P 500 slid 6.27 points to 2,102.31. Nasdaq down by 10.22 points to 5,112.19. Stocks closed lower on Thursday, failing to hold initial gains as lack of resolution between Greece and its creditors weighed on investor sentiment.
- The major averages extended losses in afternoon trade after earlier struggling to hold gains as a meeting between Greece and its creditors ended without a deal being struck. Another meeting was scheduled for Saturday as the June 30 deadline approaches.

The Local Market

- FBMKLCI slid 14.87 points to finish at 1,716.81 in tandem with gloomy global markets. There were 292 gainers and 552 decliners in total value traded of RM2.08 billion.
- Among the losers on Bursa Malaysia were BAT down 58 cent to RM60.60, Telekom Malaysia dropped 30 cent to RM6.60, Riverview Rubber and TNB slid 22 cent each to RM3.82 and RM12.56.

Strategy

- **“Market Still Shaky due to Greece”**
Wall Street was walking on water on Thursday at the back of yet to settle Greece debt negotiation. S&P 500 and DJIA unloaded 6.27 (-0.03%) and 75.71 (-0.42%) points to end at 2,102.31 and 17,890.36. Greece has failed to secure a new debt deal so far and Wall Street got spooked, yet again. A new negotiation date has been set on Saturday and this may be Greece last attempt to avoid default given the fast approaching deadline of 30th June. In sum, next week will be a nervous week to be weighed obviously by Greece debt deadline on Tuesday and also US May unemployment numbers on Friday. The latter has been predicted to fall further to 5.4%, indicating that there will be point of no return in US adjusting its interest rate in 2H15. If the number turns out strong, there is strong indication for double adjustment in US Federal Funds rate in September and December. Obviously this double-trouble will make investors' risk taking recoil.
- 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, HOLD (TP: RM15.20): Electricity tariff to stay until December 2015

There will be no hike in electricity tariff in Peninsular Malaysia until the end of this year, following the latest review of the Imbalance Cost Pass-Through (ICPT). In a statement today, the Energy, Green Technology and Water Ministry (KeTTHA) said the ICPT rebate of 2.25 sen per kilowatt-hour (kWh) for Peninsular Malaysia and 1.20 sen per kWh average downward revise of tariff for Sabah and Labuan will remain for the July 1 to Dec 31, 2015 period. It added that the decision applies to all categories of consumers except for domestic consumers with monthly consumption of 300kWh and below. Meanwhile, in line with the government's initiative to rationalise power subsidy, the ministry has decided to increase the price of piped natural gas (PNG) in the peninsula by RM1.50 per million British thermal units (MMBtu) to RM16.70 per MMBtu from RM15.20 per MMBtu from July 1, 2015. *(Source: The Edge)*

Sunway (CP: RM3.40): To boost its construction order book by RM2bil by year end

Ahead of Sunway Construction Bhd's prospectus launch next week, Sunway Bhd said it aims to grow its construction order book by between RM1.5bil and RM2bil by the end of this financial year ending Dec 31. He said the outlook of the sector remained strong on the back of large government infrastructure projects under the Economic Transformation Programme and those that have been announced in the Budget 2015. Chong told reporters after the company's AGM yesterday that the company also targeted to grow its property business by aiming for RM1.7bil in property sales this year. *(Source: The Star)*

AirAsia (CP: RM1.60): Says EU ban on its flights from the Philippines lifted

The European Commission has lifted a ban on the Philippine unit of AirAsia Bhd offering services to European Union (EU) member countries, an executive of the airline said today. The lifting of the ban, which was imposed in 2010, comes as a rare spot of good news for the AirAsia group, which is currently under a cloud after a report questioning the company's accounts sent its share price tumbling. With the lifting of the ban, the local AirAsia unit could launch a European service in the next three to five years, depending on market demand, director Alfredo Yao told Reuters. *(Source: The Star)*

Salcon (CP: RM0.85): On the lookout for investments

Salcon Bhd will be sitting on cash pile of RM310 million from its divestments in China and is on the lookout for good investments. Executive Director Datuk Eddy Leong Kok Wah said the company now had cash of RM270mil, after having completed the disposal of eight water concessions out of nine in China. "The disposal of the last concession in Shantung should be resolved by the third quarter. We will then have further cash of RM40mil. "Leong said going forward, the company's engineering and construction division did not require new capital, and was looking for other good investments. *(Source: The Star)*

Gabungan AQRS (CP: RM1.17): Positive on transformation plan

Gabungan AQRS Bhd is optimistic that its transformation plan which began two years ago would crystalise from 2016 onwards. Executive Director Datuk Azizan

Jaafar said the contractor-cum-property developer used to be a company with a small portfolio, but has now managed to secure an orderbook of RM3.3bil. This is in addition to unbilled projects with a gross development value of RM500mil. "On top of this, we still have ongoing projects that will help support us for the next six years," he told reporters at the company's fifth annual general meeting on Thursday. *(Source: The Star)*

Tanjung Offshore (CP: RM0.47): Reveals four-pillar turnaround strategy

Tanjung Offshore Bhd which has been in the limelight after a boardroom fight broke out early this year and more recently for making police reports over questionable deals, is introducing a four-pillar turnaround strategy, which will help the oil and gas (O&G) service provider return to profitability by the third quarter ending Sept 30, 2015 (3QFY15). The four pillars involve focusing on the offshore support vessel (OSV) market, the brownfield O&G segment, maintenance and its recently acquired Gas Generators (Malaysia) Sdn Bhd (GasTec). "Much (turnaround) still depends on the overall situation such as pick up in the O&G sector and whether we can weather the storm. *(Source: The Edge)*

Bina Puri (CP: RM0.54): Gets RM195m job to build 23-storey twin tower in Iskandar Malaysia

Construction firm Bina Puri Holdings Bhd's subsidiary Bina Puri Sdn Bhd (BPSB) has been awarded a RM195 million contract to construct a 23-storey twin tower in Iskandar Malaysia's Medini Central Business District. The iconic landmark project, awarded by Medini Development Sdn Bhd, is expected to be completed within 29 months, according to a statement from Bina Puri today. This brings the total value of new projects that Bina Puri has successfully secured this year to RM738 million, and upping its unbuilt book order to RM2.13 billion, to date. Other notable projects in Johor state previously include the RM300 million Polis DiRaja Malaysia's Batalion 6 camp complex in Muar, Johor, and the RM293 million Eastern Dispersal Link in Johor Bahru, both completed in 2011. *(Source: The Edge)*

Heng Huat Resources (CP: RM0.69): Invests RM35m to expand in Kelantan

Heng Huat Resources Group Bhd is investing RM35mil to expand its operations in Gua Musang, Kelantan to process oil palm empty fruit bunch (EFB) fibre. It said on Thursday the new plant would enable the group to meet the rising demand from China and also export to new markets in Australia, South Korea and Japan. Managing director H'ng Choon Seng said the new plant would source the raw material from palm oil mills in Kelantan which could provide a sustainable supply of EFB. Of the RM35mil, it would use RM11mil to purchase the land and build the factory, RM12mil for the machinery and RM2mil for vehicles and equipment. The remaining RM10mil would be for a biomass co-generation power plant which would enable it to reduce its operating costs through better energy-efficiency and re-utilisation of production waste materials. *(Source: The Star)*

AEON Credit (CP: RM14.18): To maintain its performance this year

AEON Credit Service (M) Bhd expects to maintain its performance in this financial year ending Feb 29, 2016, based on implementation of its business

plan. AEON Credit posted a net profit of RM58.24mil on revenue of RM232.44mil for the first quarter (Q1) ended May 31, 2015. Due to the change of the company's financial year end from Feb 20 to Feb 28, 2015, it did not present comparative figures for the current quarter and cumulative quarter results. However, its Q1 profit was slightly higher than the RM56.28mil achieved for the quarter ended May 20, 2014. AEON Credit said the ratio of total operating expenses against revenue was recorded at 61.2% for the quarter under review compared to 54.6% in the quarter ended May 20, 2014. (Source: *The Star*)

Yinson (CP: RM3.13): Plans placement, wants to reduce bank borrowings

Yinson Holdings Bhd, an oil and gas services company is proposing to place out RM300mil worth of shares to pare down bank borrowings. However, it cautioned that depending on prevailing market condition and investors' interest, the proposed private placement may be implemented in tranches. Yinson said in a filing with Bursa Malaysia the proposed placement would also strengthen its financial position by reducing its gearing to 0.31 times from the present 0.57 times. Yinson planned to use RM289.5mil to repay its bank borrowings, which now stands at RM823.2mil, according to the statement. A large portion of the company's borrowings was to finance the conversion and refurbishment of an floating production, storage and offloading vessel (FPSO) vessel pursuant to the contract that was awarded by Eni Ghana Exploration Production Ltd on Jan 27. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Matrade Wants More SMEs To Venture Into Myanmar

The Malaysia External Trade Development Corporation (MATRADE) wants more small and medium enterprises (SMEs) to venture into Myanmar's growing market, particularly in the oil and gas, franchising and services sectors. Chief Executive Officer Datuk Dzulkifli Mahmud said SMEs should grab the opportunity to increase their presence in Myanmar like what neighbouring countries such as Singapore and Thailand have done. "From the feedback we received, increasing numbers of Malaysian companies have shown interest to invest in Myanmar," he told reporters after the signing of a memorandum of understanding between Viva Global Education Sdn Bhd and academic partners. (Source: *Bernama*)

Greece: Holds Marathon Creditor Talks as Default Lurches Closer

Greece and its creditors are holding marathon emergency talks, struggling to break a five-month impasse that has brought the country to the cusp of default as the end of its bailout program next Tuesday lurches ever closer. Greek Prime Minister Alexis Tsipras, who is meeting round-the-clock in Brussels with the heads of his country's three creditor institutions, will reconvene with them Thursday morning after concluding a series of discussions Wednesday that dragged on well into the night with no breakthrough in sight. European officials said the talks have yielded little as the Greek government holds firm in its positions. (Source: *Bloomberg*)

South Korea: Draws up \$13 billion budget boost as MERS bites into growth

South Korea announced a financial package of more than 15 trillion won (\$13 billion) on Thursday, including a supplementary budget, designed to boost growth as a deadly outbreak of the MERS virus adds pressure on the already shaky economy. Finance Minister Choi Kyung-hwan said although there were concerns a supplementary budget could hurt fiscal soundness, it would be better for the economy long-term. A finance ministry director told Reuters much of the funding for the supplementary budget would come from sales of short-term treasury bonds. The government aims to present a finalised supplementary budget by early July. Choi told a news conference earlier he was concerned growth will lag below 1 percent in the second quarter and that such low growth could continue. *(Source: Reuters)*

U.S.: Consumer spending posts largest gain in nearly six years

US consumer spending recorded its largest increase in nearly six years in May on strong demand for automobiles and other big-ticket items, further evidence that economic growth was gathering momentum in the second quarter. The Commerce Department said on Thursday consumer spending increased 0.9% last month, the biggest gain since August 2009, after an upwardly revised 0.1% rise in April. The sturdy increases suggested households were finally spending some of the windfall from lower gasoline prices, and capped a month of solid economic reports. Consumer spending, which accounts for more than two-thirds of US economic activity, was previously reported to have been unchanged in April. Economists polled by Reuters had forecast a 0.7% rise in May. *(Source: The Star)*

U.S.: Services sector growth slows in June: Markit

The US services sector grew at a slower pace for a third straight month in June, as rates of expansion in both new business and hiring eased, an industry report showed on Thursday. Financial firm Markit said the "flash," or preliminary, reading of its Purchasing Managers Index for the services sector slipped to 54.8 in June, from a final reading of 56.2 in May and short of expectations that called for a 56.7 reading. A mark above 50 signals expansion in economic activity. Markit's June reading of new business at service companies fell to 55 from the final reading of 55.7 in May. *(Source: The Business Times Singapore)*

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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