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Tuesday, June 30, 2015

Reports of the Day

Sector Update: Rubber Gloves, (Neutral) – “Natural Gas Hike, Electricity Tariff Stays”

At a Glance

FBMKLCI slid 18.55 points to finish at 1,691.92 impacted by the Greece's debt crisis.....(See full report next page)

Strategy

“Bleed, Bleed, Bleed; Greece and Puerto Rico Debt Debacle”

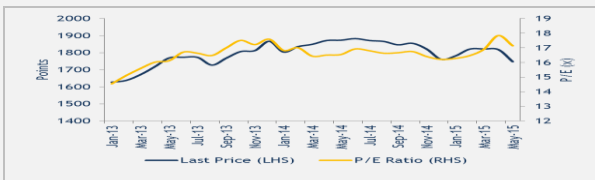
Best course of action would be stay at the sideline until the gathering storm is over.....(See full report next page)

Corporate Highlights

- **TNB, BUY (TP: RM15.20):** Operational target date for Project 3B shifted to June 2019
- **Scientex, HOLD (TP: RM7.30):** Acquires land in Johor for RM219mil
- **Eversendai (CP: RM0.90):** Bags RM250m worth of new jobs

Economic Update

- **Indonesia:** Government to expand corporate tax discounts
- **U.S.:** Greek drama not likely to waylay Federal Reserve's rate hike
- **U.S.:** Pending home sales hit nine-year high



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
EU	29-Jun	5:00 PM	Economic Confidence	-	103.8
EU	29-Jun	5:00 PM	Industrial Confidence	-3.0	-3.0
EU	29-Jun	5:00 PM	Consumer Confidence	-	-5.6
US	29-Jun	10:00 PM	Pending Home Sales MoM	1.0%	3.4%
JP	29-Jun	7:30 AM	Retail Trade YoY	-	5.0%
JP	29-Jun	7:50 AM	Retail Sales MoM	-	0.4%
JP	29-Jun	7:50 AM	Industrial Production MoM	-	1.2%
EU	30-Jun	5:00 PM	Unemployment Rate	11.1%	11.1%
EU	30-Jun	5:00 PM	CPI Estimate YoY	0.2%	-
EU	30-Jun	5:00 PM	CPI Core YoY	0.9%	0.9%
US	30-Jun	9:00 PM	S&P/CaseShiller 20-City Index	-	175.2
US	30-Jun	10:00 PM	Consumer Confidence Index	96.7	95.4
JP	30-Jun	1:00 PM	Housing Starts YoY	-	0.4%
US	1-Jul	4:00 PM	Markit Eurozone Manufacturer	52.5	52.5
US	1-Jul	8:15 PM	ADP Employment Change	205K	201K
US	1-Jul	9:45 PM	Markit US Manufacturing PMI	-	53.40
US	1-Jul	10:00 PM	Construction Spending MoM	0.5%	2.2%
US	1-Jul	10:00 PM	ISM Manufacturing	53.0	52.8
US	1-Jul	10:00 PM	ISM Prices Paid	51.3	49.5
CN	1-Jul	9:00 AM	Manufacturing PMI	50.40	50.20
CN	1-Jul	9:00 AM	Non-manufacturing PMI	-	53.2
CN	1-Jul	9:00 AM	HSBC China Manufacturing PMI	49.6	49.6
JP	1-Jul	7:50 AM	Tankan Large Mfg Index	12	12
JP	1-Jul	7:50 AM	Tankan Large Mfg Outlook	14	10
JP	1-Jul	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	49.9
JP	1-Jul	1:00 PM	Vehicle Sales YoY	-	1.4%
EU	2-Jul	5:00 PM	PPI MoM	-	-0.1%
EU	2-Jul	5:00 PM	PPI YoY	-	-2.2%
US	2-Jul	8:30 PM	Change in Nonfarm Payrolls	225K	220K
US	2-Jul	8:30 PM	Unemployment Rate	5.4%	5.5%
US	2-Jul	8:30 PM	Initial Jobless Claims	-	-
US	2-Jul	8:30 PM	Continuing Claims	-	-
US	2-Jul	10:00 PM	Factory Orders	0.0%	-0.4%
JP	2-Jul	7:50 AM	Monetary Base YoY	-	35.6%
EU	3-Jul	4:00 PM	Markit Eurozone Service PMI	54.4	54.4
EU	3-Jul	4:00 PM	Markit Eurozone Composite PMI	-	54.1
EU	3-Jul	5:00 PM	Retail Sales MoM	-	0.7%
EU	3-Jul	5:00 PM	Retail Sales YoY	-	2.2%
CN	3-Jul	9:45 AM	HSBC China Composite PMI	-	51.2
CN	3-Jul	9:45 AM	HSBC China Service PMI	-	53.5
JP	3-Jul	9:35 AM	Markit/JMMA Japan Service PMI	-	51.5
JP	3-Jul	9:35 AM	Markit/JMMA Japan Composite PMI	-	51.6
NY	3-Jul	9:35 AM	Export YoY	-	-8.8%
NY	3-Jul	9:35 AM	Import YoY	-	-7.0%
NY	3-Jul	9:35 AM	Trade Balance MYR	-	6.89B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,691.92	-18.55	-1.08
FBMEMAS	11,691.52	-141.39	-1.19
FBMEMAS SHA	12,159.33	-147.03	-1.19
FBM100	11,381.30	-129.36	-1.12
Volume (mn)	1,676.30	325.34	24.08
Value (RMmn)	1,713.94	282.40	19.73
FBMKLCI YTD Chg			-3.94

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.1	-4.1
Local Institution	57.4	108.8
Foreign Investors	23.5	-104.7

Top Gainers

	Close	Change+/-	(+/- %)
BAT	60.86	0.36	0.60
HAP SENG CONS	5.48	0.22	4.18
UNITED MALACCA	6.28	0.18	2.95

Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	71.12	-0.88	-1.22
PETRONAS GAS B	21.20	-0.28	-1.30
DUTCH LADY MILK	45.32	-0.28	-0.61

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,596.35	-350.33	-1.95
NASDAQ	4,958.47	-122.04	-2.40
S&P 500	2,057.64	-43.85	-2.09
FTSE 100	6,620.48	-133.22	-1.97
DAX	11,083.20	-409.23	-3.56
Nikkei 225	20,109.95	-596.20	-2.88
HSI	25,966.98	-696.89	-2.61
KOSPI	2,060.49	-29.77	-1.42
STI	3,280.18	-40.72	-1.23
KLCI Futures	1,670.50	(24.50)	(0.01)
USDMYR 3M	10.27	0.04	0.00
USDMYR 6M	10.25	0.01	0.00
USDMYR 12M	10.32	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	58	-0.1	-0.1%
Brent (USD/bbl)	62.0	-1.3	-2.0%
Gold(USD/ounce)	1,180	0.1	0.0%
Coal (USD/mt)	60.5	-0.1	-0.2%
CPO (RM/mt)	2,267	-11.0	-0.5%
Rubber	173	-2.2	-1.3%
RM/USD	3.78	0.0163	-0.43%
EUR/USD	0.89	0.0018	0.20%
YEN/USD	122.57	0.03	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 350.33 points to 17,596.35; S&P 500 slid 43.85 points to 2,057.64. Nasdaq down by 122.04 points to 4,958.47. Stocks plunged nearly 2 percent or more on Monday, with the Dow and S&P 500 wiping out gains for the year on escalating tensions between Greece and its creditors.
- Stocks extended losses in late afternoon trade as Greece Prime Minister Alexis Tsipras said the stronger the rejection of the creditor deal, the stronger the Greek hand in the talks. He added that the aim for the referendum is to bring continuation of negotiations with lenders.

The Local Market

- FBMKLCI slid 18.55 points to finish at 1,691.92 impacted by the Greece's debt crisis. There were 126 gainers and 823 decliners in total value traded of RM1.71 billion.
- Among the losers on Bursa Malaysia were Nestle down 88 cent to RM71.12, Petronas Gas dropped 28 cent to RM21.20, Dutch Lady Milk slid 28 cent to RM45.32 and UMW Holdings shed 26 cent each to RM10.02.

Strategy

- **"Bleed, Bleed, Bleed; Greece and Puerto Rico Debt Debacle"**

Wall Street had a massive field day on Monday, extensively battered and bludgeoned by the brewing strong headwinds from Greece. This time around the nervousness was also contributed by the spark of Puerto Rico debt problem. Safe haven assets such as German bund, US treasury and gold rallied. S&P 500 and DJIA **lost** a massive **43.85 (-2.09%)** and **350.33 (-1.95%)** points to end at 2,057.64 and 17,596.35 respectively. Germany started the first punch by saying that the country is ready in the event Greece choose to remain outside the Eurozone whilst Greece's prime minister, Alexis Tsipras, said that he would not be the one to implement further austerity measures. At the moment, all eyes will focus on the 5th of July where the Greeks will vote to accept or deny the new austerity measures that would also decide the fate of their being in Eurozone. Banks in Greece remain close due to lack of liquidity whilst cash withdrawal is limited to small amount. Added to the rapid storm, Puerto Rico governor, Alejandro Garcia Padilla, revealed that the island's debt was 'not payable'. Puerto Rico has approximately USD72 billion in outstanding debts which has been popular with US municipal bond investors because it's free of all federal and state taxes. Its other reputable investors include Oppenheimer Funds, Franklin Resources, Lord Abbett and Nuveen. All is not well at the moment as the situation is so murky, fluid and uncertain. We cannot see the bottom yet. Hence, best course of action would be stay at the sideline until the gathering storm is over.

- 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): Operational target date for Project 3B shifted to June 2019

Project 3B, the Jimah, Port Dickson power project in which Tenaga Nasional Bhd (TNB) is taking over 1Malaysia Development Bhd's (1MDB) 70% stake, now has a later target date for commercial operation. The 2,000 MW coal-fired plant, initially scheduled to be commissioned in stages from Oct 1, 2018, is to start "no later than June 15, 2019", according to TNB's latest announcement to Bursa Malaysia. TNB announced on Monday that it and project partner Mitsui had received an addendum to the letter of award dated June 3, 2014, for the project from the Energy Commission (EC) saying the Government had approved the transfer by 1MDB's entire shareholding interest in Jimah East Power Sdn Bhd (JEP) to TNB. Spelling out the EC's new terms and conditions, TNB said the scheduled commercial operation dates for Unit No. 1 and Unit No. 2 would respectively be no later than June 15, 2019 and Dec 15, 2019. (Source: *The Star*)

Scientex, HOLD (TP: RM7.30): Acquires land in Johor for RM219mil

Scientex Bhd's wholly-owned subsidiary Scientex Quatari Sdn Bhd has acquired 130.4ha of freehold land in Pulai, Johor Baru, for RM219mil from two vendors. The first piece of land measuring 100.8ha was acquired from Bukit Gambir Company Sdn Bhd while the remaining 29.6ha was bought from Jayaplus Bakti Sdn Bhd, the global packaging manufacturer and property developer said in a statement on Monday. The land is located near the company's integrated township development in Skudai. Scientex managing director Lim Peng Jin said despite the current dampened market sentiment, the company remained optimistic of sustained demand for residential properties in Johor. (Source: *The Star*)

Eversendai (CP: RM0.90): Bags RM250m worth of new jobs

Eversendai Corp Bhd has bagged contracts worth RM250 million in Malaysia, India and the United Arab Emirates (UAE), surpassing the RM1 billion mark for new projects secured in the first half of 2015. In a statement today, Eversendai said it has secured a contract for the the installation of structural steel, metal deck and shear studs, as well as connection design, detailing and temporary engineering for the Dhirumbai Ambani International Convention and Exhibition Centre in India. This is the second contract secured by Eversendai for this project, after being awarded the fabrication contract worth RM184 million in January 2015. (Source: *The Edge*)

E&O (CP: RM1.66): Receives Over 3,000 Registrations For The Tamarind's Second Tower

Eastern & Oriental Bhd (E&O) has received over 3,000 registrations for the Tamarind's second tower, the first executive apartments at its flagship Seri Tanjung Pinang development. Its marketing and sales general manager (Penang), Christina Lau, said Tower 1B, consisting of 552 units, received an overwhelming response after Tower 1A, launched in February this year, was sold out. The successful launch of the first tower (Tower 1A) helped to drum up the keen interest for Tower 1B and also people recognised the opportunity to own a prized property in a much-desired address in Penang. The Tamarind, a 2.8-hectare freehold high-rise development with an estimated gross development value of RM900 million, features two blocks of 33 storeys comprising 1,104 units with three bedrooms and two bathrooms starting from 1,047 sq ft. *(Source: Bernama)*

Sedania (CP: RM0.42): Eyes more telcos

Sedania Innovator Bhd, which offers mobile telecommunication airtime share (ATS) transfer services, is expanding its customer base. Speaking at Sedania's listing ceremony here today, managing director Datuk Azrin Mohd Noor said the company was in the midst of negotiations with other telecommunication companies. He did not elaborate. Sedania's prospectus indicates that the company's existing business partners comprise Axiata Group Bhd and Maxis Bhd. At the press conference, Azrin said he was buoyant on Sedania's prospects in anticipation of more business in collaboration with existing business partners. He said Sedania's ATS platform could process 223 transactions per second. *(Source: The Edge)*

I-Bhd (CP: RM0.55): Mulls higher dividends

I-Bhd, the developer of the 29-ha (72 acre) i-City here, may pay higher dividends as the company expects better profit this year. Speaking to reporters after I-Bhd's annual and extraordinary general meetings today, deputy chairman Datuk Eu Hong Chew said the company expected higher profit due to robust property sales. Sales in the first half of 2015 had increased 30% (year-on-year) and we expect double-digit growth in revenue this year," Eu said. He said the company had a minimum dividend payout policy of 30%.

According to I-Bhd's statements to the exchange, the last time the company rewarded shareholders was via share dividends. *(Source: The Edge)*

Kuantan Flour Mills (CP: RM0.18): Proposes drastic move to erase all losses

Kuantan Flour Mills Bhd (KFM) has proposed to cancel 45 sen of the value of each existing 50 sen ordinary KFM share in a bid to wipe out its entire losses. It told Bursa Malaysia on Monday that the proposed par value reduction would eliminate its accumulated losses that stood at RM21.76mil as at March 31. The proposed exercise would give it credit of between RM30.7mil and RM39.8mil, depending on whether any of its 20.3 million outstanding warrants (due to expire in October 2016) are exercised at the date of the announcement. KFM said the proposed par value reduction would not result in any adjustment to the share price of the company or the number of KFM shares held by the shareholders. *(Source: The Star)*

Yinson (CP: RM3.05): Gets RM228m offer for non-O&G assets from major shareholders

Yinson Holdings Bhd has received a RM228mil offer for its the non-oil and gas assets from Liannex Labuan Ltd, which is controlled by Yinson's major shareholders. The integrated offshore production and support services provider said on Monday Liannex had offered to buy five companies and 65% equity interest in Yinson Power Marine Sdn Bhd. The five companies are Yinson Corporation Sdn Bhd, Yinson Transport Sdn Bhd, Yinson Shipping Sdn Bhd, Yinson Port Venture Pte Ltd, Yinson Vietnam Co. Ltd. The offer included the repayment of inter-company loans owing to Yinson by these target companies. (Source: The Star)

IPO: Sunway Construction offers up to 327.59 mil shares for sale

Sunway Construction Group Bhd's (SCG) listing exercise will offer up to 398.7 million shares for sale, of which 327.59 million shares will be for institutional investors and 71.1 million shares for retail investors. The construction outfit's controlling shareholder Sunway Bhd will be distributing 175 million SCG shares to entitled shareholders by way of dividend-in-specie on a basis of one distribution share for every 10 existing Sunway shares held. In SCG's prospectus to Bursa Malaysia, Sunway said it will not receive any proceeds from this listing. The offer for sale is expected to raise proceeds of approximately RM478.4 million, according to the prospectus. The booking building exercise starts today. The closing dates for institutional investors are on July 7, while retail on July 6. (Source: The Edge)

ECONOMIC UPDATES**Indonesia: Government to expand corporate tax discounts**

Indonesia's government plans to offer corporate tax discounts under a revised tax holiday regulation to attract investors and boost economic growth, the Jakarta Post reported on Monday, citing Finance Minister Bambang Brodjonegoro. The government would offer discounts ranging from 20 percent to 100 percent, with the change coming as early as July, the newspaper cited Brodjonegoro as saying in a recent interview. The government currently offers tax breaks over 5-10 years to companies investing at least 1 trillion rupiah (\$75 million) in certain sectors, but plans to extend the length to 15-20 years, Brodjonegoro said, according to the Jakarta Post. The sectors included in the policy would also be broadened, but the minimum investment required would remain 1 trillion rupiah, the newspaper reported. (Source: The Edge)

U.S.: Greek drama not likely to waylay Federal Reserve's rate hike

The fuse may be lit for a Greek exit from the euro zone but the fallout in the United States is expected to be modest and not enough to throw the Federal Reserve's likely September rate hike off course, said former Fed officials and outside analysts watching the latest turn in Greece's crisis. Major U.S. stock indexes closed down about two percent on Monday following sharp declines in Europe and Asia, while yields on Treasury bonds fell as investors piled into U.S. debt, as is typical in times of overseas stress. But the gyrations in the markets

were not dramatic enough to waylay the Fed, analysts said. Michael Cloherty, head of U.S. rates strategy at Royal Bank of Canada's RBC Capital Markets unit in New York, said events in Greece did not significantly change the outlook for the Fed. *(Source: The Star)*

U.S.: Pending home sales hit nine-year high

Contracts to buy previously owned U.S. homes rose to their highest level in just over nine years in May, in a further boost to the housing market and the broader economic outlook. The National Association of Realtors said on Monday its Pending Home Sales Index, based on contracts signed last month, increased 0.9 percent to 112.6, the highest level since April 2006. Contracts have now increased for five straight months. Pending home contracts become sales after a month or two, and last month's increase pointed to further gains in home resales after they hit a 5-1/2-year high in May. Economists had forecast pending home sales rising 1.2 percent last month. *(Source: The Edge)*

Canada: Household confidence reaches 5-week high on real estate

Canadian consumer sentiment reached a five-week high on reduced concern about the threat to home prices from an oil shock. The Bloomberg Nanos Canadian Confidence Index rose to 56.8 from 56.6 in the week ending June 26, from 56.6 in the prior period, polling by Nanos Research Group shows. That's the most optimistic reading since May and close to the 2015 high of 56.9. The share of people saying home prices in their area will fall in the next six months declined to the lowest since November at 13.2 percent. Home sales and prices in Toronto and Vancouver, two of the country's largest real estate markets, are gaining this year thanks to low interest rates and rising demand. Bank of Canada Deputy Governor Larry Schembri said June 25 the housing market is poised for a soft landing after a period of record prices and elevated consumer debt. *(Source: The Edge)*

Greece: Reels in shock as banks shut

Greeks woke up to shuttered banks, closed cash machines and a climate of rumours and conspiracy theories on Monday as a breakdown in talks between Athens and its creditors pushed the austerity-battered country to the brink. After receiving no extra emergency funding for Greek lenders from the European Central Bank, Prime Minister Alexis Tsipras reluctantly imposed capital controls on Sunday night to prevent banks from collapsing under the weight of mass withdrawals. But after Tsipras angered Greece's international lenders by announcing a snap referendum on the terms of a cash-for-reforms deal, hopes of a last-minute breakthrough are fading fast. *(Source: The Edge)*

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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