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Thursday, July 02, 2015

Reports of the Day

Sector Update: Banking May Statistics , (Neutral) – “Mixed Reaction to GST”

At a Glance

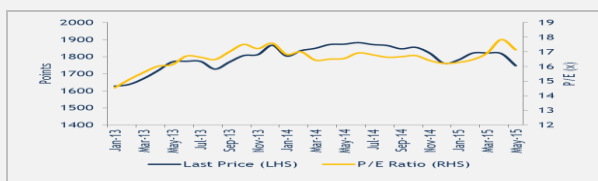
FBMKLCI gained 21.32 points to finish at 1,727.96 lifted by positive regional market sentiment(See full report next page)

Corporate Highlights

- **CIMB, BUY (TP: RM6.10):** Separation scheme costs RM443mil
- **Bumi Armada, BUY (TP: RM1.32):** Increases FPSO unit allocation to RM1.52 bil
- **UEM Sunrise, TBD:** Unveils RM7bil GDV residential project in Puteri Harbour

Economic Update

- **Malaysia:** June manufacturing PMI hits 32-month low as domestic orders slump
- **China:** June factory, services surveys fuel hopes economy levelling out
- **India:** Weak demand dampens Indian factory activity in June



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	7:50 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%
EU	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	280K
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 Japan Service PMI	-	51.5
JP	3-Jul	9:35 AM	Markit/JMMA Japan Composite PMI	-	51.6
MY	3-Jul	9:35 AM	Export YoY	-	-8.8%
MY	3-Jul	9:35 AM	Import YoY	-	-7.0%
MY	3-Jul	9:35 AM	Trade Balance MYR	-	6.89B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,727.96	21.32	1.25
FBMEMAS	11,935.80	163.86	1.39
FBMEMAS SHA	12,429.85	221.00	1.81
FBM100	11,617.77	159.03	1.39
Volume (mn)	1,942.36	196.89	11.28
Value (RMmn)	2,174.29	-76.75	-3.41
FBMKLCI YTD Chg			-1.89

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.6	-89.9
Local Institution	60.6	130.8
Foreign Investors	20.8	-40.9

Top Gainers

	Close	Change+/-	(+/- %)
BAT	63.12	1.12	1.81
NESTLE (MALAY)	72.00	0.50	0.70
MISC BHD	8.13	0.41	5.31

Top Losers

	Close	Change+/-	(+/- %)
HUAT LAI RESOUR	3.18	-0.27	-7.83
SHELL REFINING	4.65	-0.19	-3.93
FAR EAST HLDGS	8.10	-0.10	-1.22

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,757.91	138.40	0.79
NASDAQ	5,013.12	26.26	0.53
S&P 500	2,077.42	14.31	0.69
FTSE 100	6,608.59	87.61	1.34
DAX	11,180.50	235.53	2.15
Nikkei 225	20,329.32	93.59	0.46
HSI	26,250.03	283.05	1.09
KOSPI	2,097.89	23.69	1.14
STI	3,331.14	13.81	0.42
KLCI Futures	1,727.50	36.00	0.02
USDMYR 3M	10.04	(0.10)	(0.01)
USDMYR 6M	10.11	(0.05)	(0.00)
USDMYR 12M	10.21	(0.09)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	57	0.0	0.0%
Brent (USD/bbl)	62.0	-1.6	-2.5%
Gold(USD/ounce)	1,169	0.1	0.0%
Coal (USD/mt)	60.6	-0.3	-0.4%
CPO (USD/mt)	2,267	38.0	1.7%
Rubber	170	2.7	1.6%
RM/USD	3.75	-0.0248	0.66%
EUR/USD	0.91	0.0007	0.08%
YEN/USD	123.23	0.06	-0.05%

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What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 138.40 points to 17,757.91; S&P 500 up 14.31 points to 2,077.42. Nasdaq surged by 26.26 points to 5,013.12. Stocks closed higher Wednesday as investors eyed better-than-expected data and remained optimistic on resolution between Greece and its creditors.
- Stocks advanced despite Prime Minister Alexis Tsipras' statements the country will go ahead with the referendum on Sunday and that it is not a determinant of whether or not Greece remains in the euro zone, Reuters reported.

The Local Market

- FBMKLCI gained 21.32 points to finish at 1,727.96 lifted by positive regional market sentiment. There were 678 gainers and 192 decliners in total value traded of RM2.17 billion.
- Among the gainers on Bursa Malaysia were BAT up RM1.12 to RM63.12, Nestle gained 50 cent to RM72.00, MISC surged 41 cent to RM8.13 and KLK soared 34 cent each to RM21.74.

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 and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

CIMB, BUY (TP: RM6.10): Separation scheme costs RM443mil

Malaysia's second largest lender by assets, CIMB Group Holdings Bhd, has completed a RM443.3mil Mutual Separation Scheme (MSS). In a filing with Bursa Malaysia yesterday, the group said the job cuts that involved 11.1% of its workforce in Malaysia and Indonesian banking arm PT CIMB Niaga TBK, could save RM291.6mil a year. This translated to an 18.2-month payback. Of the 3,599 approved applications, the bulks were from its Malaysian operations with 1,891 employees, while the remaining was from Indonesia. The MSS was introduced as part of our continued efforts to enhance efficiency and productivity within the group. With the completion of the MSS, we are on track to meet the targets set in our cost-to-income plans outlined in our T18 strategy," said the group chief executive Tengku Datuk Zafrul Tengku Abdul Aziz. (Source: The Star)

Bumi Armada, BUY (TP: RM1.32): Increases FPSO unit allocation to RM1.52 bil

Bumi Armada Bhd has increased the allocation to its floating production, storage and offloading (FPSO) unit to RM1.52 billion from RM1.4 billion previously, from the RM1.98 billion worth of proceeds it raised from its rights issue last year. In a

filing with Bursa Malaysia yesterday, Bumi Armada said the increased allocation will be used to cover capital expenditure in both the FPSO and floating gas solutions (FGS) business units. In addition, capital expenditure will encompass FPSOs of any liquid or gas production capacity (previously capacity of 70,000 bpd or more) in any location (previously in locations in Asia, Africa or Latin America) as well as capital expenditure in gas related vessels such as floating liquefied natural gas units, floating storage and regasification units and floating storage units, under the FGS business unit," said the group. *(Source: The Edge)*

UEM Sunrise, TBD: Unveils RM7bil GDV residential project in Puteri Harbour

UEM Sunrise Bhd today unveiled the 'Estuari' series of residential properties, surrounding Puteri Harbour area, with a gross development value of RM7bil. Acting Chief Marketing Officer Zaidi Hanief Mohamad Zaidi said the project's selling point would be the different concept of residential projects over a span of seven to 10 years. There will be nine to 10 phases altogether on the 159.6 hectares of land. The first phase will be Estuari Garden, which is our first landed development in Puteri Harbour. Market interest will be driven from landed residential property in Johor," he told reporters at a media briefing on Wednesday. The first phase, which started construction last year, is 30% complete and expected to be completed mid-2017, he said. Estuari Garden, consisting of 350 double storey superlink houses would open for sale on July 5. *(Source: The Star)*

IHH, SELL (TP: RM5.19): Nears China venture

IHH Healthcare Bhd is one step closer to opening its first hospital in China with a local partner after having obtained a 20-year business licence from the local authority in Shanghai. The group said in a Bursa Malaysia announcement yesterday that its indirect unit - M&P Investments Pte Ltd - had received a licence from the Shanghai Administration for Industry and Commerce to set up a 70%-owned joint venture (JV) with Shanghai Hongxin Medical Investment Holding Co Ltd. The JV, Parkway Health Shanghai International Hospital Co Ltd (PHSIH), is intended as a medical and health-related facilities and service provider. This includes the provision of multi-specialty hospital outpatient and inpatient services. *(Source: The Star)*

Shell Refining (CP: RM4.65): In midst of settling short-term loan of RM450mil

Shell Refining Co (Federation of Malaya) Bhd's (SRC) is in the midst of settling its short-term loan of RM450mil by year-end. SRC had in 2010 obtained the RM450mil loan to be used as working capital. It is required to make the interest payment via 20 quarterly installments and a bullet repayment. The loan was received at an interest rate based on the Kuala Lumpur Interbank Offer Rate (KLIBOR) + 0.3%. Chairman Iain John Lo said the loan maturity date has been extended to Dec 31, 2015 from the original date of June 15, 2015. As part of the structured review, the SRC's board is proactively investigating long-term options in the best interest of the company. *(Source: The Star)*

Cypark (CP: RM1.77): Tweaks private placement plan due to market conditions

Cypark Resources Bhd has revised its private placement plan in line with its falling share price. The proposed placement will now be made in tranches, with the issue price of the first tranche being set 10.7% lower than what the

company had indicated back in February. The environmental solutions firm, whose share price has declined by about 15% from the start of the year, told Bursa Malaysia on Wednesday that the board decided to make the placement in tranches as a result of “the prevailing market conditions. Cypark had proposed on Feb 10 to issue up to 40.98 million new shares, representing 20% of its issued and paid-up capital, mainly to raise funds for working capital. (Source: *The Star*)

NCB (CP: RM3.55): Reappoints Idris as Northport chairman

Port operator NCB Holdings Bhd has reappointed Datuk Idris Kechot as chairman of the board of directors of its wholly owned subsidiary, Northport (Malaysia) Bhd, effective July 1. In a filing with Bursa Malaysia, the group said the appointment comes after the resignation of Northport chairman and director Tan Sri Wan Abdul Rahman Wan Yaacob. Idris is also the deputy president and group chief operating officer of Permodalan Nasional Bhd (PNB), a position he has helmed since December 2014. He was previously the executive director of Amanah Saham Nasional Bhd, a wholly owned subsidiary of PNB. (Source: *The Star*)

Gromutual (CP: RM0.47): Rescinds RM19.03 million land deal

Property developer Gromutual Bhd today announced that it is calling off a RM19.03 million land acquisition from Berjaya Land Development Sdn Bhd, a wholly-owned unit of Berjaya Land Bhd. In a filing with Bursa Malaysia, Gromutual said its wholly-owned subsidiary Rainbow Entity Sdn Bhd (RESB) is entering into a “Deed of Mutual Revocation and Rescission on Sale and Purchase Agreement” with Berjaya Land Development. Both parties have mutually agreed to rescind and revoke the sale and purchase agreement (SPA) entered into earlier this year. No reason was provided for the revocation and rescission of the SPA. To recap, RESB had on Mar 16 entered into the said SPA to acquire two pieces of freehold land in Mukim of Plentong, Johor Bahru, which have a collective acreage of 21.51 acres. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: June manufacturing PMI hits 32-month low as domestic orders slump

Malaysia's June PMI signalled a further worsening in operating conditions, with its weakest reading in 32 months. Output declined at the quickest rate in two-and-a-half years, with marked fall in new orders. The fall was mainly attributed to weaker domestic demand, while new export orders remained marginally in growth territory. Employment levels declined for the first time this year. Purchasing costs rose over higher raw material costs and increase in taxation. This attributes to charges going up for the fourth straight month, as companies pass on burden of higher costs to clients. Readings above 50.0 signal an improvement in business conditions, while readings below indicate deterioration. (Source: *The Star*)

Malaysia: May exports seen falling 8.9%

Malaysia's May exports probably fell due to slow demand for liquefied natural gas (LNG) and manufactured exports, a Reuters poll showed. Exports are

expected to fall 8.9% from a year earlier, also weighed down by lower commodity prices, analysts said, adding that this downtrend was likely to continue. May's imports are predicted to decline by 8.7% due to weak domestic demand. Analysts expect consumers to hold back on spending in the next quarter following the start of a consumption tax in April. The country's trade surplus in May was forecast at RM5.5bil, down from RM6.9bil in April. (Source: *The Star*)

China: June factory, services surveys fuel hopes economy levelling out

Activity in China's factory sector expanded slightly in June though not as much as expected, while growth in the services sector sped up, official surveys showed, offering some signs that the world's second-largest economy may be starting to slowly level out after a raft of support measures. Beijing has rolled out a flurry of steps since last year, including interest rate cuts and more infrastructures spending, but analysts remain wary about the outlook given the still-weak property market, erratic global demand for China's exports and fears of a collapse in its wild stock market. The government is due to release second-quarter gross domestic product data on July 15 and many economists expect growth to dip below 7 percent, which would be the weakest performance since the global financial crisis. (Source: *The Star*)

India: Weak demand dampens Indian factory activity in June

Order books at Indian factories filled up at the slowest pace since September last year, dampening overall manufacturing activity and putting companies off from hiring staff, a business survey showed. The Nikkei Manufacturing Purchasing Managers' Index, compiled by Markit, fell to 51.3 in June from 52.6 in May but stayed above the 50-point mark that separates growth from contraction for the 20th month. June PMI data pointed to a slowdown in India's economic upturn. New business expanded at a noticeably weaker pace, in part reflecting a loss of momentum in export business, said Pollyanna De Lima, economist at Markit. Manufacturers remained in cautious spirits and employment numbers were unchanged once again, De Lima added. (Source: *The Star*)

Greece: Seeks support after IMF default

Greece was appealing to its eurozone partners and the European Central Bank (ECB) to keep it afloat after defaulting on its debt to the International Monetary Fund (IMF) and losing frozen international bailout money. Athens was due to put new proposals for a two-year loan agreement and a debt rescheduling to Eurogroup finance ministers after hinting that leftist Prime Minister Alexis Tsipras might be willing to scrap a referendum on bailout terms. Finance Minister Yanis Varoufakis told colleagues the ruling Syriza party might even urge Greeks to vote "yes" in Sunday's plebiscite if Athens is granted a loan, participants said. (Source: *The Star*)

Eurozone: Factory June growth tepid as Greece weighed -PMI

Euro zone factory growth picked up slightly last month but remained tepid as uncertainty around Greek debt talks -- and the country's possible exit from the bloc swept across the region, a survey found on Wednesday. Amid speculation Athens would fail to make Tuesday's 1.6 billion euro repayment to the

International Monetary Fund, expectations Greece would crash out of the currency union jumped. A *Reuters* poll on Monday said there was a 45 percent likelihood it does leave, up from just 30 percent the week before. Those fears kept Markit's final euro zone manufacturing purchasing managers' index (PMI) in check. It nudged up to a 14-month high of 52.5 last month from May's 52.2, in line with a preliminary reading published before the fears intensified. (Source: *The Edge*)

U.K.: Manufacturing growth hits 2-year low

British manufacturing growth slowed unexpectedly to its weakest rate in more than two years in June, dented by subdued export demand from Europe in the face of a strong pound, a closely watched survey showed yesterday. The Markit/CIPS manufacturing purchasing managers' index (PMI) fell to 51.4, the weakest reading since April 2013, from a downwardly revised 51.9 in May. June's PMI was worse than all forecasts in a *Reuters* poll that had predicted a slight improvement to 52.5, although it still held above the 50 mark that denotes growth. The slowdown in manufacturing means Britain's economy will become even more reliant on other sectors, such as services, to drive growth, said data company Markit. (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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