

PP14767/09/2012(030761)

Monday, July 06, 2015

## At a Glance

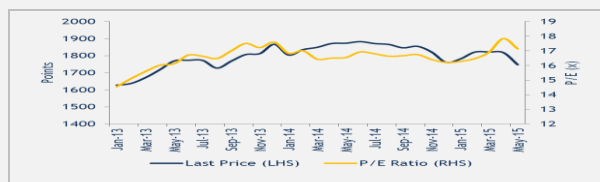
FBMKLCI gained marginally 0.36 points to finish at 1,734.24 tandems with the mixed regional market sentiment .....(See full report next page)

## Corporate Highlights

- **FGVH, TBA:** Sees 'double-digit return' from Vietnam
- **SapuraKencana, BUY (TP: RM2.95):** In the race for Shell job
- **TNB, BUY (TP: RM15.20):** Buys 1MDB's project 3B for RM47m

## Economic Update

- **Malaysia:** May exports fall, but less than expected
- **China:** Services Sector Slows To 51.8 In June: HSBC Markit
- **Eurozone:** Europeans tried to block IMF debt report on Greece



## KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
EU	6-Jul	4:10 PM	Markit Eurozone Retail PMI	-	51.4
US	6-Jul	9:45 PM	Markit US Composite PMI	-	54.6
US	6-Jul	9:45 PM	Markit US Services PMI	-	54.8
US	6-Jul	10:00 PM	ISM Non-Manuf. Composite	56.0	55.7
US	7-Jul	8:30 PM	Trade Balance	\$-42.00B	\$-40.90B
MY	7-Jul	-	Foreign Reserves	-	\$105.3B
US	8-Jul	7:00 PM	MBA Mortgage Applications	-	-4.7%
JP	8-Jul	7:50 AM	BoP Current Account Balance	-	¥1326.4B
US	9-Jul	8:30 PM	Initial Jobless Claims	-	-
US	9-Jul	8:30 PM	Continuing Claims	-	-
JP	9-Jul	7:50 AM	Machine Orders MoM	-	3.8%
JP	9-Jul	7:50 AM	Machine Orders YoY	-	3.0%
CN	9-Jul	9:30 AM	CPI YoY	1.4%	1.2%
CN	9-Jul	9:30 AM	PPI YoY	-4.6%	-4.6%
MY	9-Jul	6:00 PM	BNM Overnight Policy Rate	3.25%	3.25%
US	10-Jul	10:00 PM	Wholesale Inventories MoM	0.2%	0.4%
JP	10-Jul	7:50 AM	PPI YoY	-	-2.1%
CN	10-15 Jul	-	Money Supply M2 YoY	11.0%	10.8%
MY	10-Jul	12:00 PM	Industrial Production YoY	-	4.0%

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,734.24	0.36	0.02
FBMEMAS	11,958.45	-12.46	-0.10
FBMEMAS SHA	12,431.07	-11.61	-0.09
FBM100	11,644.80	-7.54	-0.06
Volume (mn)	1,456.26	-1.02	-0.07
Value (RMmn)	1,390.73	-462.25	-24.95
FBMKLCI YTD Chg			-1.53

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.9	-4.1
Local Institution	57.3	68.1
Foreign Investors	22.8	-64.0

## Top Gainers

	Close	Change+/-	(+/- %)
BAT	64.48	0.48	0.75
DUTCH LADY MILK	45.76	0.26	0.57
PETRONAS DAGA	20.80	0.24	1.17

## Top Losers

	Close	Change+/-	(+/- %)
HONG LEONG FIN	15.40	-0.28	-1.79
PHARMANIAGA B	7.02	-0.22	-3.04
HAP SENG CONS	5.23	-0.17	-3.15

## World Indices

	Close	Change+/-	(+/- %)
DJIA	NA	NA	NA
NASDAQ	NA	NA	NA
S&P 500	NA	NA	NA
FTSE 100	6,585.78	-44.69	-0.67
DAX	11,058.39	-40.96	-0.37
Nikkei 225	20,539.79	17.29	0.08
HSI	26,064.11	-218.21	-0.83
KOSPI	2,104.41	-2.92	-0.14
STI	3,342.73	14.89	0.45
KLCI Futures	1,715.50	(5.00)	(0.00)
USDMYR 3M	10.07	(0.02)	(0.00)
USDMYR 6M	10.09	0.02	0.00
USDMYR 12M	10.18	0.03	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	55	-2.0	-3.6%
Brent (USD/bbl)	59.7	-0.7	-1.1%
Gold(USD/ounce)	1,172	3.6	0.3%
Coal (USD/mt)	60.2	-0.3	-0.4%
CPO (RM/mt)	2,270	3.0	0.1%
Rubber	171	-0.3	-0.2%
RM/USD	3.78	0.0043	-0.11%
EUR/USD	0.91	0.0063	0.70%
YEN/USD	122.30	-0.49	0.40%

## What To Expect

### U.S. Market

- U.S. Market was closed on Friday.

### The Local Market

- FBMKLCI gained marginally 0.36 points to finish at 1,734.24 tandem with the mixed regional market sentiment. There were 295 gainers and 459 decliners in total value traded of RM1.39 billion.
- Among the gainers on Bursa Malaysia were BAT up 48 cent to RM64.48, Dutch Lady gained 26 cent to RM45.76, Petronas Dagangan surged 24 cent to RM20.80 and Lafarge soared 21 cent each to RM8.96.

### 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

### FGVH, TBA: Sees 'double-digit return' from Vietnam

Felda Global Ventures Holdings Bhd (FGV) is confident of a double-digit return from its investments in palm oil-based consumer products in Vietnam. Head of palm downstream cluster, Datuk Zakaria Arshad, said FGV is making forays into one of the biggest consumers of palm oil with high population growth and vegetable oil consumption. FGV recently announced a collaboration with Vietnam's leader in the confectionery industry, Kinh Do Corp, and regional solutions provider for integrated logistics Indo Trans Logistics Corp (ITL). The partnership focuses on the production, sales, marketing and distribution of specialty oils and oil palm-based consumer packaged goods for the Vietnamese market. Zakaria said the partnership would be finalised in the next six months, culminating in the formation of a joint-venture company where both Kinh Do and FGV taking a 40% shareholding each, while ITL and other associate companies, the remaining stake. *(Source: The Star)*

### SapuraKencana, BUY (TP: RM2.95): In the race for Shell job

SapuraKencana Petroleum and three other drillers are in the race for Shell's Malikai deep-water development project, offshore Malaysia. According to Upstream online magazine, the other three are Energy Drilling, PV Drilling and Seadrill. The magazine said the four had nominated deep-water units for the 18-

month development job. Reports said the Malikai development involves 17 wells drilled from a 23,500 tonne tension leg platform production facility, the first TLP to be fabricated and installed in Malaysia. The Malikai oil field is 100km offshore Sabah. The field, in up to 500m depth, is part of the Block G Production Sharing Contract awarded by Petronas in 1995. *(Source: The Star)*

**TNB, BUY (TP: RM15.20): Buys 1MDB's project 3B for RM47m**

Tenaga Nasional Bhd (TNB) has entered into a share sale and purchase agreement with 1Malaysia Development Bhd (1MDB) for the acquisition of a 70% shareholding in Jimah East Power Sdn Bhd (JEP) for RM46.98 million. JEP is the special purpose vehicle company set up to develop the 2,000MW coal-fired power plant in Jimah, Negeri Sembilan, known as Project 3B. Japan's Mitsui Corp Ltd owns the remaining 30% equity interest in JEP. TNB said the actual project development cost incurred by 1MDB was RM83.68 million as at April 17. "Estimated project costs are about RM11.7bil which will be financed through a combination of project finance and equity. "Any debt raised will not have an adverse impact on TNB's credit profile and consolidated gearing will remain within appropriate levels. The effects on TNB's future earnings and EPS will only be determined upon completion of the project," it said. *(Source: The Sun)*

**Ho Hup (CP: RM1.22): Wins legal battle over Bukit Jalil land**

The years-long legal battle over Ho Hup Construction Co Bhd's joint development project on 24.28ha in Bukit Jalil has wound down to a close. It told Bursa Malaysia yesterday that the Federal Court had dismissed Zen Courts Sdn Bhd's application of leave and ordered Zen Courts to pay it and its subsidiary Ho Hup Equipment Rental Sdn Bhd costs of RM20,000. "With this result, Zen Courts has exhausted avenues of appeal against the 'by consent' aspects of the High Court order, and will not be allowed further to challenge the High Court order that interest at 5% per annum on the purchase price for 30% of the shares in Bukit Jalil Development Sdn Bhd (BJD) will be calculated from the date of that order (i.e. July 18, 2013)," it said. *(Source: The Star)*

**Tomei (CP: RM0.56): Diversifies into cosmetics**

Tomei Consolidated Bhd has diversified into the skincare and cosmetics business by bringing in new products from South Korea and launched its own retail outlet. It may be a surprise for some to know that a company operating for decades in the gold and jewellery industry had moved into a different business. "We view both jewellery and skincare businesses as complementing each another. Both the products share the same target consumer group," group managing director Datuk Ng Yih Pyng tells *StarBizWeek*. He says that with easy access to information via the social media, our young customers, particularly, are very conscious of their looks. They want to stay healthy and look good. *(Source: The Star)*

**Syarikat Takaful Malaysia (CP: RM3.89): Sees 15 Per Cent Overall Growth By Year-End**

Syarikat Takaful Malaysia Bhd expects its overall company growth to hit 15 per cent this year versus 12 per cent recorded last year. Group Managing Director Datuk Seri Mohamed Hassan Kamil said the target is achievable, driven by positive market response to its product offerings. Recently we launched two

new products to cater to small and medium enterprises and the take-up rate has been encouraging," he told reporters after taking 50 orphans from Pertubuhan Kebajikan dan Perlindungan Nur Qaseh Malaysia for Hari Raya shopping here today. The annual programme is part of Takaful Malaysia's corporate social responsibility initiative Takaful myJalinan in giving back to the community. The insurance provider has allocated RM1.5 million yearly for its CSR programme. (Source: Bernama)

#### **JAKS (Suspended): To jointly develop 1,200MW power plant in Vietnam**

JAKS Resources Bhd has requested for a suspension of trading of its securities next Monday (July 6), pending a material announcement. Next Monday, JAKS is due to sign an agreement with a new equity partner, to jointly develop a 1,200MW coal-fired power plant in Hai Duong Province, Vietnam, which is under a build-operate-transfer contract. In a filing with Bursa Malaysia today, JAKS said the request for suspension is made under subparagraph 3.1(b) of Practice Note No. 2 on Requests for Suspension of the Main Market Listing Requirements of Bursa Securities. JAKS is primarily engaged in the integrated water works industry. It is also involved in the designing and construction of sewerage treatment facilities, as well as manufacturing of mild steel pipes and other steel products. (Source: The Edge)

#### **Petronas: Chairman's contract extended**

Tan Sri Mohd Sidek Hassan's tenure as non-executive chairman of Petroliaam Nasional Bhd (Petronas) has been extended for another three years. In a statement today, Petronas said Mohd Sidek's contract extension with the company started last Wednesday (July 1). Mohd Sidek joined the Petronas board in 2012. Prior to that, he spent 38 years in Malaysian civil service until his retirement as the 12th Chief Secretary to the Government. (Source: The Edge)

#### **KWAP: To allocate RM100mil for fund manager**

The Retirement Fund Inc (KWAP) plans to allocate RM100mil to be managed by a fund manager, adding to the RM1.2bil currently being managed by existing fund managers. Chief Executive Officer (CEO), Wan Kamaruzaman Wan Ahmad, said KWAP has identified a fund manager and both parties were already in the discussion stage. We are, more or less, already in agreement. It is just that there are a few operational gaps the need to be rectified. On its overseas assets, Wan Kamaruzaman said KWAP would take advantage of the weak ringgit by increasing its hedging activities to lock up its foreign exchange gains and bring back returns to the fund. The fund's overseas assets include the Intu Uxbridge Shopping Centre, as well as, the 18-storey 88 Wood Street and 10 Gresham Street offices in London. (Source: The Star)

### **ECONOMIC UPDATES**

#### **Malaysia: May exports fall, but less than expected**

Malaysia's May exports fell 6.7% on-year to RM60.5bil from the RM64.8bil a year ago due to a decline in exports to Japan and Australia and a decline in shipment of liquefied natural gas (LNG). The Statistics Department said on Friday there was a RM2bil fall in exports to Japan and a RM1.1bil drop in exports

to Australia, Taiwan (-RM527.6mil), Indonesia (-RM475.5mil) and US (-RM269.2mil). It said LNG, which contributed 4.4% to total exports, dropped 47.9% or RM2.4bil to RM2.6bil as a result of both lower average unit value (-47.2%) and export volume (-1.5%). The department's data showed the on-year fall in exports was not as steep as forecast by a Reuters' survey of an 8.9% decline. Refined petroleum products, which accounted for 6.3% of total exports, fell RM1.5bil or 28.3% to RM3.8bil due to the decrease in average unit value (-27.2%) and export volume (-1.4%). (Source: *The Star*)

#### **China: Services Sector Slows To 51.8 in June**

The HSBC/Markit Services Purchasing Managers' Index (PMI) showed China's services industry fell to 51.8 in June, down from 53.5 in May, hitting the slowest expansion since January. A reading above 50 indicates expansion, while below 50 reflects contraction. An economist at Markit, Annabel Fiddes, said in a statement released on Friday that the latest PMI data signalled a further loss of growth momentum in China's economy at the end of the second quarter. In the services sector, business activity, new orders and employment all expanded at slower rates, while optimism towards the business outlook also moderated, while manufacturers cut their staff numbers at the quickest rate in over six years and output fell slightly for the second month in a row. (Source: *Bernama*)

#### **Eurozone: Europeans tried to block IMF debt report on Greece**

Euro zone countries tried in vain to stop the IMF publishing a gloomy analysis of Greece's debt burden which the leftist government says vindicates its call to voters to reject bailout terms, sources familiar with the situation said on Friday. The document released in Washington on Thursday said Greece's public finances will not be sustainable without substantial debt relief, possibly including write-offs by European partners of loans guaranteed by taxpayers. It also said Greece will need at least 50 billion euros in additional aid over the next three years to keep it afloat. Publication of the draft Debt Sustainability Analysis laid bare a dispute between Brussels and the Washington-based global lender that has been simmering behind closed doors for months. . (Source: *The Star*)

#### **China: Curbs IPOs, enlists brokers in all-out bid to end market rout**

Beijing intensified efforts at the weekend to pull China's stock markets out of a nose-dive that is threatening the world's second-largest economy, with top brokerages pledging to buy massive amounts of shares and a report that the government has set up a market stabilisation fund. Beijing has also suspended new share offers in an attempt to take pressure off the market after a 30 percent plunge in three weeks, the Wall Street Journal said. The reported suspension of initial public offers (IPOs) came a few hours after extraordinary announcements by major brokers and fund managers, which collectively pledged to invest at least \$19 billion of their own money into stocks. (Source: *The Star*)

#### **Global: World Bank removes section from China report**

The World Bank has removed a critical portion from a recently released report on China's economy, saying the section had not been adequately reviewed. On Wednesday, the Washington-based institution released its *China Economic Update* report in Beijing, which included a section urging the country to

accelerate reform of its state-dominated financial sector. In blunt language, the World Bank warned that failure to address the issue could end “three decades of stellar performance” for the world’s second-largest economy. The organisation, however, said in an update to the report posted on its website on Friday that the section had been removed. (*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