M&A Securities

Morning Call

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Thursday, July 09, 2015

Market Access

Report of The Day

Strategy Report: 3Q15 US Economic Outlook – *"First Interest Rate Adjustment Soon"*

Strategy Report: Automotive Sector – *"Combustible Performance"*

At a Glance

FBMKLCI shed 16.47 points to finish at 1,695.83 due to sharp dropped in the China market …..(See full report next page)

Strategy

"Another Jittery Moment for Wall Street; DJIA Tank over 200 Points"

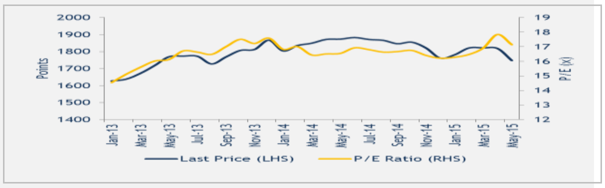
Lack of catalyst may hamper risk taking and we expect regional and local market to mirror the same trend…..(See full report next page)

Corporate Highlights

- **WCT, BUY (TP: RM1.76):** Wins RM1.2b in arbitration case against Meydan
- **Felda, TBA:** Eyes $262 million asset sale as Eagle High irks investors
- **KPJ, HOLD (TP: RM3.92):** MSWG to question KPJ's land disposal, acquisition in EGM

Economic Update

- **Malaysia:** Central Bank expected to hold rates Thursday amid political turmoil
- **U.K.:** Britain trims growth forecast for 2015 in new budget plan
- **Greece:** EU banks watchdog says Greek contagion limited so far, remains vigilant



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-Manf. 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	1,695.83	-16.47	-0.96
FBMEMAS	11,641.88	-153.05	-1.30
FBMEMAS SHA	12,120.09	-125.57	-1.03
FBM100	11,345.02	-140.47	-1.22
Volume (mn)	1,999.34	307.16	18.15
Value (RMmn)	2,259.92	530.33	30.66
FBMKLCI YTD Chg			-3.71

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.7	81.6
Local Institution	54.5	292.4
Foreign Investors	26.8	-374.0

Top Gainers

	Close	Change+/-	(+/- %)
HARTALEGA HLDG	8.97	0.30	3.46
SHELL REFINING	4.60	0.20	4.55
LPI CAPITAL BHD	14.18	0.16	1.14

Top Losers

	Close	Change+/-	(+/- %)
BAT	62.68	-1.02	-1.60
AEON CREDIT SER	12.50	-0.62	-4.73
UNITED PLANTAT	26.60	-0.58	-2.13

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,515.42	-261.49	-1.47
NASDAQ	4,909.76	-87.70	-1.75
S&P 500	2,046.68	-34.66	-1.67
FTSE 100	6,490.70	58.49	0.91
DAX	10,747.30	70.52	0.66
Nikkei 225	19,737.64	-638.95	-3.14
HSI	23,516.56	-1,458.75	-5.84
KOSPI	2,016.21	-24.08	-1.18
STI	3,284.99	-55.94	-1.67
KLCI Futures	1,658.50	(23.00)	(0.01)
USDMYR 3M	10.74	(0.09)	(0.01)
USDMYR 6M	10.77	0.04	0.00
USDMYR 12M	10.81	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	52	0.3	0.6%
Brent (USD/bbl)	57.1	0.2	0.4%
Gold(USD/ounce)	1,157	-1.1	-0.1%
Coal (USD/mt)	59.8	0.3	0.5%
CPO (RM/mt)	2,150	-59.0	-2.7%
Rubber	160	-6.7	-4.0%
RM/USD	3.81	0.0007	-0.02%
EUR/USD	0.90	0.0003	0.03%
YEN/USD	120.77	0.06	-0.05%

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Market Access

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 261.49 points to 17,515.42; S&P 500 down 34.66 points to 2,046.68. Nasdaq slid by 87.70 points to 4,909.76. Stocks closed more than 1 percent lower on Wednesday as continued concerns about Greece and the extended selloff in the Chinese market weighed on investor sentiment. Stocks trimmed losses as the New York Stock Exchange resumed floor trading after a nearly 4-hour halt.

- The Federal Open Market Committee (FOMC) minutes from the June meeting showed policymakers were concerned about the situation in Greece and China, with most judging that rate hike conditions were not yet achieved..

The Local Market

- FBMKLCI shed 16.47 points to finish at 1,695.83 due to sharp dropped in the China market. There were 117 gainers and 828 decliners in total value traded of RM2.26 billion.

- Among the losers on Bursa Malaysia were BAT shed RM1.02 to RM62.68, Aeon Credit dropped 62 cent to RM12.50, United Plantation slid 58 cent RM26.60, and Globetronics Tech erased 37 cent to RM5.44.

Strategy

- **““Another Jittery Moment for Wall Street; DJIA Tank over 200 Points”**
  Wall Street yesterday’s trading jubilant was short lived as investors continued to be bugged by brewing storm in Greece in addition to equity market rout in China. S&P 500 and DJIA **lost 34.68 (-1.67%)** and **261.49 (-1.47%)** points to end at **2,046.68** and **17,515.42** respectively. The uncertain closure on Greece has weighed on the market and it will continue to be so until this Sunday. Sunday will be the day when European leaders will meet to discuss on Greece status in Eurozone. This is at the back of Athens working hard to hammer a new referendum following the Greeks overwhelming rejection of creditors’ austerity measures. Hence, the nervous situation can continue to pound on sentiment. In China, market rout at the back of foreign funds pulling out money from local assets have sent equity market there to plummet by almost 6%. Regional sentiment is quite wobbly at the moment given China’s strong contribution in regional economy with have sent the Rupiah and Baht to a new low with Ringgit also not spared. South East Asia will be major losers if China fails to grow at 7% given their China big importation drive in the region. Elsewhere, the US Federal Reserve had released their latest FOMC meeting minutes. In that it saw economic conditions have improved that would support an interest rate increase whilst also raised its concern on tepid consumers spending. They were also worry on Greece brewing storm. Market gyration in Wall Street has been expected and we expect this intermittent strong selling pressure to continue. Lack of catalyst may hamper risk taking and we expect regional and local market to mirror the same trend.

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- Our 2015 year-end target is **1,660** based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on auto, construction, and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

WCT, BUY (TP: RM1.76): Wins RM1.2b in arbitration case against Meydan
WCT Holdings Bhd won an arbitration case against Meydan Group LLC, which will see the Dubai-based company paying AED1.15 billion (RM1.2 billion) to WCT. In a filing with Bursa Malaysia yesterday, WCT said the tribunal has passed a judgment in the dispute between its wholly-owned subsidiary WCT Bhd (Dubai Branch) (WCTB) and Meydan regarding the cancellation of the Nad Al Sheba race course project in Dubai, ruling in favour of WCTB. On February 2009, WCT had initiated arbitration proceedings against Meydan for cancelling a RM4.6 billion contract to build the Nad Al-Sheba Racecourse. The project was awarded to the 50:50 joint ventures (JV) between WCTB and Arabtec Construction LLC. *(Source: The Edge)*

Felda, TBA: Eyes $262 million asset sale as Eagle High irks investors
Felda Global Ventures Holdings Bhd. plans to raise more than 1 billion ringgit ($260 million) selling non- core assets as the world's biggest crude palm oil producer focuses on plantations to repair investor confidence dented by an acquisition. Unprofitable crushing and refining businesses in the U.S. and Canada that have drawn initial bids ranging from $180 million to $250 million may be sold later this month, Chief Executive Officer Mohd Emir Mavani Abdullah said in an interview. Holdings in a travel firm, and engineering and information technology units may fetch another 300 million ringgit, he said. *(Source: The Edge)*

KPJ, HOLD (TP: RM3.92): MSWG to question KPJ's land disposal, acquisition in EGM
KPJ Healthcare Bhd's disposal of three parcels of land in Negeri Seremban and the acquisition of Crossborder Aim (M) Sdn Bhd is expected to be questioned at its extraordinary general meeting on Thursday, July 9. According to the Minority Shareholder Watchdog Group (MSWG) on Wednesday, it plans to raise questions about the rationale of both the proposed disposal and acquisition which appeared to be "contradictory. It said that part of the disposal proceeds would be used for the repayment of debt, which interest cost ranging from 4.6% to 5.75%. In exchange of the proposed disposal, KPJ University College (KPJUC) and Seremban Specialist Hospital (SSH) would lease back the KPJUC Properties and SHH Lands at a cost of at least 7.1% per annum on the disposal considerations or at the prevailing market value of KPJUC Properties and SSH Lands. *(Source: The Star)*

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Magna Prima (CP: RM1.14): Receives offers from major players for sale of prime lands

Magna Prima Bhd said it is in the process of evaluating the offers it has received for the prime lands it is looking to sell, which are located around the Klang Valley area. "We are quite serious about selling the prime lands we own. So far, we have gotten a few offers, but we are still waiting for some of the bidders to re-adjust their price. Hopefully, we can conclude that in the future," CEO Datuk Rahadian Mahmud Mohammad Khalil told the press, after the group's extraordinary general meeting today. He said the company is in talks with a few players, including major property companies, but did not reveal who the parties were. *(Source: The Edge)*

LPI Capital Q2 (CP: RM14.18): Earnings surge to nearly RM86m

LPI Capital Bhd kicked off the second quarter earnings seasons with a 67.5% increase in its earnings to RM85.74mil for the period ended June 30, from RM51.18mil a year ago, underpinned by its unit Lonpac Insurance Bhd. It announced on Wednesday its revenue increased 4.5% to RM304.72mil from RM291.49mil. Earnings per share were 25.82 sen compared with 15.47 sen previously. It declared an interim dividend of 20 sen a share. For the first half ended June 30, its earnings rose 40.4% to RM142.93mil from RM101.76mil in the previous corresponding period. Revenue increased by 4.7% to RM596.45mil from RM569.29mil. *(Source: The Star)*

Homeritz (CP: RM0.92): Proposes 4.07-ha land acquisition to set up factory

Homeritz Corp Bhd has proposed the purchase of a parcel of land in Tawau, Sabah, for RM7.68 million to build a factory. In a filing with Bursa Malaysia, Homeritz said its subsidiary Embrace Industries Sdn Bhd has entered into a sales and purchase (SPA) agreement with Wong Kim Koon for the purchase of a 4.075-ha agricultural land to be satisfied with cash. Homeritz said the land is located close to the group's existing infrastructure and production facilities at the Bukit Bakri industrial area. The company has proposed to establish a factory on the land. The land is located at the Jalan Bakri district where all the Homeritz's manufacturing plants [are] located. *(Source: The Edge)*

Meda Inc (CP: RM0.60): Aborts RM31.7m land acquisition deal in Hulu Langat

Property developer Meda Inc Bhd has aborted the proposed acquisition of a RM31.7 million freehold land in Hulu Langat district, Selangor. In a filing with Bursa Malaysia, Meda Inc said it was terminating the sale and purchase agreement (SPA) for the acquisition of the 3.9-ha land in Tempat Sungai Sekamat in Cheras. On Oct 20 last year, Meda Inc together with Global Jubilee Sdn Bhd had entered into a SPA with Natwest Trading Sdn Bhd to buy the land to build condominiums with an approximate gross development value of RM252 million. Meda Inc's preliminary development plan was subject to authorities' approval with an expected launch date in the second quarter of 2015. *(Source: The Edge)*

Lysaght (CP: RM3.75): Appoints Wan Razali as chairman

Lysaght Galvanized Steel Bhd, which was in the news recently over a rift among the controlling family's members, has appointed Datuk Wan Razali Wan Muda as its chairman. Wan Razali, 62, joined the board in August last year as an independent, non-executive director, on the same day as previous chairman Datuk Hamzah Hasan. According to the statement to Bursa Malaysia, Wan Razali has vast experience in aircraft engineering, highway engineering, building maintenance and gold mining. He is also a director at a few engineering companies. *(Source: The Star)*

Proton: To unveil three new models next year

Proton Holdings Bhd, which celebrates its 30th anniversary on Wednesday, will introduce three new models next year to boost sales and financial performance, said chairman Tun Dr Mahathir Mohamad. He said the new models are an improvement over the existing Saga, Persona and Perdana models with the collaboration of Japanese car manufacturer Honda. He said while Proton's performance was not so good at present, the company had been working hard to produce quality cars such as the Iriz. *(Source: The Star)*

IPO: Sunway Construction raises $145 mln in IPO after offer priced at the top

Sunway Construction Group Bhd raised 550 million ringgit ($145 million) in Malaysia's second-largest IPO of the year, after final pricing came in at the top of its indicative range. The construction arm of conglomerate Sunway Bhd said in a statement that it had fixed the institutional and retail IPO price at 1.20 ringgit per share. The offering had been marketed in a range of 1.15 ringgit to 1.20 ringgit per share, according to Thomson Reuters publication IFR. It is scheduled to debut on the local bourse on July 28. Maybank Investment Bank and RHB Investment Bank were global coordinators of the IPO. The two banks andHSBC were joint bookrunners. The offering follows a 2.74 billion ringgit IPO in May by Malakoff Corporation Bhd, the country's largest independent power producer. *(Source: The Edge)*

ECONOMIC UPDATES

Malaysia: Central Bank expected to hold rates Thursday amid political turmoil

Bank Negara Malaysia (BNM) is expected to keep its policy interest rate unchanged at a meeting on Thursday, holding a steady course amid market turbulence as corruption allegations swirled around Prime Minister Najib Razak. Following a *Wall Street Journal* (*WSJ*) report last Friday that raised pressure on Najib, traders say the central bank has intervened in currency markets each day to stop the ringgit from sliding too far past 3.80 per dollar - the rate at which the currency was pegged between September 1998 and July 2005. For all the concerns among investors over mounting political risk in Malaysia, there was little to push the central bank to alter monetary policy course, as inflation remained benign and there were hopes of a pick-up in economic growth later this year despite weak export growth. *(Source: The Edge)*

U.K.: Britain trims growth forecast for 2015 in new budget plan

Britain slightly lowered its official growth forecast for 2015 on Wednesday as finance minister George Osborne gave his annual budget statement. Growth for 2015 was forecast to be 2.4 percent, down from a forecast of 2.5 percent made in March, Osborne told parliament. That is faster than America, faster than Germany and twice as fast as France," he said. Growth in 2016 was expected to

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be 2.3 percent, unchanged from the March forecast made by Britain's Office for Budget Responsibility. For the rest of the decade, growth would be 2.4 percent a year, Osborne said. The Bank of England has previously predicted Britain's economy will grow by 2.5 percent this year and by 2.6 percent in 2016. *(Source: The Edge)*

Greece: EU banks watchdog says Greek contagion limited so far, remains vigilant

Markets are coping well with uncertainty over Greece's future in the euro zone, with little sign so far of contagion that would undermine wider European Union financial stability, the bloc's banking regulator said on Wednesday. Euro zone members have given Greece until the end of the week to come up with a proposal for sweeping reforms in return for loans that will keep the country from crashing out of the euro. What we are seeing is a rather ordered reaction among investors and the pressure on equity of banks is rather limited but cautious monitoring and vigilance remain key, a European Banking Authority (EBA) spokesman said in response to questions from *Reuters*. *(Source: The Edge)*

U.S.: India, U.S. to sign tax pact Thursday

India and the United States will sign a tax information sharing agreement on Thursday, under a new U.S. law meant to combat offshore tax dodging by Americans, two Indian government sources and a source at the U.S. embassy said. Washington has so far signed pacts covering more than 80 tax jurisdictions to implement the Foreign Account Tax Compliance Act 2010, or FATCA, requiring financial institutions to share information about Americans' accounts worth more than $50,000. By signing the agreement, India hopes to garner Washington's support for its own efforts to bring back illicit funds stashed by Indians in foreign tax havens and boost revenues. Under the agreement, banks, mutual funds, insurance, pension and stock-broking firms will report their American client details to the tax department for sharing with the U.S., said a finance ministry official, who declined to be named. *(Source: The Edge)*

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STOCK RECOMMENDATIONS

BUY	*Share price is expected to be ≥+10% over the next 12 months.*
TRADING BUY	*Share price is expected to be ≥+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 ≥-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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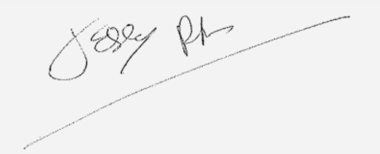

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