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Friday, July 10, 2015

## Report of The Day

**Strategy Report:** 3Q15 Eurozone Economic Outlook – “Greece to Cause Splitting Headache”

**Strategy Report:** Top Pick - Berjaya Auto, BUY (TP: RM3.32) – “Acceleration Mode”

## At a Glance

FBMKLCI gained 5.71 points to finish at 1,701.54 in tandem with the positive gained in regional markets. ....(See full report next page)

## Strategy

**“Greece Send in New Reform Plan at the back of Rally in China Market”**

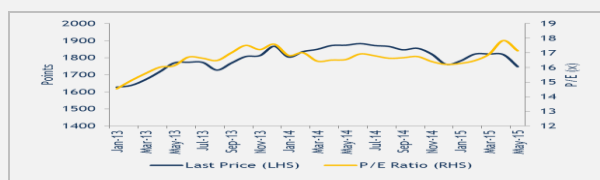
Status quo in Greece and China fast dialing its stock market may put investors buying mood on the right pedestal .....(See full report next page)

## Corporate Highlights

- **TNB, BUY (TP: RM15.20):** Jimah East Power is officially Tenaga subsidiary
- **SP Setia, (TP: Under Review ):** RM336mil 18 Woodville in S'pore completed ahead of schedule
- **Sunway (CP: RM3.45):** Apply wait-and-see approach on property launches

## Economic Update

- **Malaysia:** Bank Negara maintains interest rate, expects moderate growth
- **China:** June inflation edges up, producer deflation stays entrenched
- **Greece:** PM scrambles to ready tough reforms package



## 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%

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## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,701.54	5.71	0.34
FBMEMAS	11,706.01	64.13	0.55
FBMEMAS SHA	12,200.43	80.34	0.66
FBM100	11,402.82	57.80	0.51
Volume (mn)	1,817.36	-181.99	-9.10
Value (RMmn)	1,827.40	-432.52	-19.14
FBMKLCI YTD Chg			-3.39

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.9	-12.4
Local Institution	56.5	160.6
Foreign Investors	22.6	-148.2

## Top Gainers

	Close	Change+/-	(+/- %)
GLOBETRONICS TE	5.77	0.33	6.07
UNITED PLANTAT	26.90	0.30	1.13
TOP GLOVE CORP	7.37	0.27	3.80

## Top Losers

	Close	Change+/-	(+/- %)
BAT	62.00	-0.68	-1.08
PANASONIC MAN	22.00	-0.18	-0.81
PUBLIC BANK BHD	18.50	-0.18	-0.96

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,548.62	33.20	0.19
NASDAQ	4,922.40	12.64	0.26
S&P 500	2,051.31	4.63	0.23
FTSE 100	6,581.63	90.93	1.40
DAX	10,996.41	249.11	2.32
Nikkei 225	19,855.50	117.86	0.60
HSI	24,392.79	876.23	3.73
KOSPI	2,027.81	11.60	0.58
STI	3,267.40	-17.59	-0.54
KLCI Futures	1,686.00	30.00	0.02
USDMYR 3M	10.76	(0.04)	(0.00)
USDMYR 6M	10.61	(0.02)	(0.00)
USDMYR 12M	10.69	(0.01)	(0.00)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	53	0.0	0.0%
Brent (USD/bbl)	58.6	1.6	2.7%
Gold(USD/ounce)	1,160	0.2	0.0%
Coal (USD/mt)	60.1	0.3	0.5%
CPO (RM/mt)	2,187	37.0	1.7%
Rubber	164	4.0	2.5%
RM/USD	3.80	-0.0128	0.34%
EUR/USD	0.90	-0.0021	-0.23%
YEN/USD	121.70	0.36	-0.30%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average gained 33.20 points to 17,548.62; S&P 500 up 4.63 points to 2,051.31. Nasdaq soared by 12.64 points to 4,922.40. Stocks closed mildly higher on Thursday, giving back more than half of opening gains as investors remained cautious on China and Greece.
- The Greek government was expected to submit reform proposals by midnight Thursday. A government source told Reuters that Athens will ask for parliament's approval on Friday to negotiate on the text of "prior actions" that could form the basis of a cash-for-reforms deal with creditors.

### The Local Market

- FBMKLCI gained 5.71 points to finish at 1,701.54 in tandem with the positive gained in regional markets. There were 557 gainers and 271 decliners in total value traded of RM1.82 billion.
- Among the gainers on Bursa Malaysia were Globetronics Tech gain 33 cent to RM5.77, United Plantation jumped 30 cent to RM26.90, Top Glove up 27 cent RM7.37, and Genting Bhd soared 21 cent to RM8.09.

### Strategy

- **"Greece Send in New Reform Plan at the back of Rally in China Market"**  
Wall Street made a turnaround in performance yesterday amid Greece new reform plan and China's biggest daily gains in stock market. S&P 500 and DJIA added 4.63 (0.63%) and 33.20 (0.19%) points to end at 2,051.31 and 17,548.62 respectively. Greece is now seeking its parliament clearance to approve new reform package in a last minute bid to keep them in Eurozone. The latest package contains similar fiscal consolidation like the previous one with a tinge of sales tax increase. Either way, even if this one goes through, Greece will still be in hot soup as the country growth risks have never been higher and this will continue to weigh on Eurozone. Eurozone, in the meantime, may be hit with fatigue over this seemingly never ending problem as only time will tell when they will throw in the towel. The new reform package will be discussed this Sunday and hence, global equity market reaction will be known on Monday. China stock market, on the other hand, had a field day yesterday with Shanghai Composite Index jumped to its best daily gains in 6 years. It vaulted 5.8%. Of note, we have always acknowledged Beijing's financial power to whip its economy including the stock market and even its GDP momentum. At this stage, status quo in Greece and China fast dialing its stock market may put investors buying mood on the right pedestal. Nonetheless, cautiousness and jitteriness may cap huge risk taking.
- 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

##### **TNB, BUY (TP: RM15.20): Jimah East Power is officially Tenaga subsidiary**

Jimah East Power Sdn Bhd is officially a subsidiary of Tenaga Nasional Bhd as the 70% stake acquisition is now completed. In a filing to Bursa Malaysia on Thursday, Tenaga Nasional said it had on July 3 entered into a Share Sale and Purchase Agreement with 1Malaysia Development Bhd (1MDB) for the acquisition for about RM46.98mil. To recap, Jimah East Power was incorporated by 1MDB and Mitsui and Co Ltd on July 5, 2013 as the special purpose vehicle company for the development of the 2x1000 MegaWatt coal-fired power plant in Jimah, Negeri Sembilan. 1MDB previously owned 70% equity in Jimah East Power while Mitsui, via 3B Power Sdn Bhd, owned the remaining 30%. (Source: The Star)

##### **SP Setia, (TP: Under Review ): RM336mil 18 Woodsville in S'pore completed ahead of schedule**

SP Setia's maiden development in Singapore, 18 Woodsville, has been completed two months ahead of schedule. The property developer said in a statement that owners of apartments in the 15-storey building with a gross development value (GDV) of S\$120mil (RM336.5mil) were now being invited to collect the keys to their units. 18 Woodsville is a freehold development comprising 101 units of 1-, 2- and 3-bedroom apartments. The development is located next to the Potong Pasir MRT station and easily accessible via the Pan-Island Expressway (PIE), Central Expressway (CTE) and Kallang Paya-Lebar Expressway (KPE). (Source: The Star)

##### **Sunway (CP: RM3.45): Apply wait-and-see approach on property launches**

Sunway Bhd, which has unbilled property sales of RM2.5bil as of March, will apply a wait and see policy and plan its property launches accordingly amid the soft property market. Its property division managing director Sarena Cheah said due to the uncertain market sentiments and the recent Strata Title Act, it has impacted its property launches in terms of timing. The company is expected to launch about five property developments in the third and fourth quarters of this year, namely Sunway Gandaria, Sunway Velocity, Sunway Geo Residence 3, Casa Kiara 3 and Sunway Emerald Residence. These properties have a combined gross domestic value (GDV) of about RM1.5bil. (Source: The Star)

##### **GuocoLand (CP: RM1.24): Banks on foreign buying power**

GuocoLand (Malaysia) Bhd is undeterred by the slowing property market in the country and is banking on foreign buyers to take up a bulk of its flagship development Damanasara City. The company, which officially opened Tower A of the DC Residency for sale yesterday, is confident of achieving 100% sales of the luxury residential tower by year-end. "It is highly achievable because we are not only selling to the locals. We are taking this product overseas due to the slow local market," its general manager of marketing and sales Kenny Wong told

reporters at a briefing yesterday. To date, more than 60% of Tower A has been taken up, following private showings and previews here and around the region. Wong said about half of the buyers to date are from Singapore and Hong Kong. (Source: *The Sun*)

#### **Masteel (CP: Suspended): Resumes trading today**

Malaysia Steel Works (KL) Bhd (Masteel) submitted its outstanding annual report for the financial year ended Dec 31, 2014 (FY14) yesterday and resumed trading today. In a filing with Bursa Malaysia yesterday, it said that it had also submitted its outstanding quarterly report for the financial period ended March 31, 2015 and the outstanding annual audited accounts for FY14 on July 2 and June 19 respectively. Earlier in April, the company said it would not be able to meet the April 30 deadline to submit its annual audited accounts for FY14 as its external auditor Messrs Nexia SSY was unable to express an opinion on its FY14 financial statements. External auditor, Nexia SSY had raised various issues to the audit committee and the board on April 27, pertaining to the classification, description and recoverability of various transactions carried out by the company in FY14. (Source: *The Sun*)

#### **Daya (CP: RM0.11): Signs vessel deal with Siem Offshore**

Daya Materials Bhd has entered into a novation agreement with Siem Offshore Rederi AS (SORA) via its wholly-owned subsidiary Daya Global Pte Ltd of the dynamic positioning class 2 offshore subsea construction vessel. In a filing with Bursa Malaysia, Daya said it would assume all obligations and liabilities of the memorandum of agreement, while SORA released and discharged Daya from all obligations and liabilities to accept DG1PL's. This comes after the integrated oil and gas company's shareholders approved the planned purchase of the vessel in spite of earlier concerns of low oil prices. (Source: *The Star*)

#### **Censof (CP: RM0.31): Buys controlling stake in partner ABSS**

Software and solutions provider Censof Holdings Bhd is buying a controlling stake in its partner Asian Business Software Solutions Pte Ltd (ABSS) for S\$10mil (RM28.06mil). Censof deputy group managing director Tamil Selvan Durairaj said the deal would take about two months to be completed. For the financial year ended Dec 31, 2014, ABSS's revenue was at S\$8mil while earnings before interest, taxes, depreciation and amortisation stood at S\$4mil. The purchase would be funded equally via its proposed private placement and bank borrowings, he told a press conference yesterday.

#### **Sedania Innovator (CP: RM0.59): Sees positive impact on revenue from TuneTalk**

Mobile services enabler, Sedania Innovator Bhd, expects its collaboration with TuneTalk Sdn Bhd to have a positive impact on revenue this year. The partnership with TuneTalk is the fourth for Sedania's Airtime Sharing Service (ATS), and in expanding its addressable captive market to more than 52 million mobile subscribers. Speaking to reporters here today, Sedania Executive Director Firoz Mohd Noor said the group expects the TuneTalk partnership to have a positive impact on revenue within the next six months. (Source: *The Star*)

**IPO: Sunway Construction shares get good response**

Sunway Construction Group Bhd (SCG)'s shares for its institutional offering have been oversubscribed by 4.6 times at the RM1.20 per offer for sale share. The institutional offering involved up to 327.6 million shares. Slightly about 41.5% of the shares were allocated to bumiputra investors approved by the International Trade and Industry Ministry while 58.56% were placed out to local and foreign institutional and selected investors SCG said in a filing with the stock exchange that 189.23 million shares that were opened to the Malaysian public were oversubscribed by 2.66 times. SCG is slated for listing on Bursa's Main Market on July 28. The construction arm of conglomerate Sunway Bhd aims to raise about RM478.4mil through its initial public offering. *(Source: The Star)*

**IPO: Eco World on track to list in Q1 next year**

Eco World International Bhd (EWI) is on track to list on the local bourse in the first quarter of next year, said its executive vice chairman Tan Sri Liew Kee Sin *(pix)*. He explained that it takes more time for the submission for a direct listing compared with a special purpose acquisition company (SPAC) listing as the company has to submit the new valuation report. "We have to withdraw the SPAC listing and resubmit EWI listing, so the documentation is different, hopefully we can submit within a month or two," Liew told reporters at the sidelines of the "Alliance Bank SME Innovation Challenge". EWI aims to raise RM2 billion from its proposed listing and IPO to fund the acquisition of four assets in the UK and Australia. Meanwhile, Liew is confident that Eco World Development Group Bhd (EWD) will be able to achieve its RM3 billion sales target for the financial year ending Oct 31, 2015 (FY15) despite uncertainties in the global economy. *(Source: The Sun)*

**ECONOMIC UPDATES****Malaysia: Bank Negara maintains interest rate, expects moderate growth**

Bank Negara has kept its overnight policy rate unchanged at 3.25% amid expectations of growth moderating. In a statement after its monetary policy committee (MPC) meeting, the central bank said there were heightened risks to global growth and financial conditions, which were monitored to assess their implications on the Malaysian economy. International financial markets have also become more volatile following increased concerns over developments in Europe and continued policy uncertainties in several major advanced countries. *(Source: The Star)*

**China: June inflation edges up, producer deflation stays entrenched**

China's consumer inflation edged up slightly in June while stubbornly weak producer prices fell again, data that could increase worries about a sluggish Chinese economy which is also smarting from a stock market rout. China's consumer inflation quickened to 1.4% year-on-year in June, while the producer price index cooled to minus 4.8% in June, the National Bureau of Statistics said. *(Source: Reuters)*



**Greece: PM scrambles to ready tough reforms package**

Greek Prime Minister Alexis Tsipras raced yesterday to finalise a tough package with tax hikes and pension reforms due within hours if Athens is to win a new aid lifeline from creditors and avoid crashing out of the euro. Tsipras was huddled with advisers, pulling together a package of reforms that is expected to include much tougher measures than those included in a previous plan from creditors that was rejected by Greeks in a referendum on Sunday. But having won wide public support at the referendum and the subsequent backing of opposition parties, an emboldened Tsipras is expected to have an easier time facing down any resistance at home, allowing him to focus on appeasing creditors.

**South Korea: Bank of Korea cuts 2015 growth forecast for third time**

South Korea's central bank cut its 2015 economic growth forecast for the third time this year, while keeping its benchmark interest rate unchanged at a record low of 1.5%. Citing sluggish exports and weak domestic consumption - exacerbated by an outbreak of Middle East Respiratory Syndrome that has killed 35 people - the Bank of Korea lowered its forecast from 3.1% growth to 2.8%. The bank had previously cut its forecast from 3.9% to 3.4% in January and down again in April to 3.1%. Economic growth in the quarter to June was put at just 0.4%. (Source: AFP)

**U.S.: More Americans than forecast filed jobless claims last week**

More Americans than forecast filed for unemployment benefits last week, representing a pause in the pace of labor-market improvement. Jobless claims climbed by 15,000 to 297,000 in the week ended July 4, the highest since February, a Labor Department report showed today in Washington. The median forecast of economists surveyed by *Bloomberg* projected claims of 275,000. The data can be volatile this time of year because of the Fourth of July holiday and seasonal auto plant shutdowns. Applications for benefits have been below 300,000 for 18 straight weeks, the longest stretch since 2000 and indicating companies are content to maintain staffing levels. Stronger demand would probably help persuade employers to boost hiring and assure employers about the U.S. outlook in the face of weaker economies abroad. (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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