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Monday, July 20, 2015

Report of The Day

Strategy Report: Top Pick - DiGi, BUY (TP: RM6.60)
"Bring On the Competition"

Strategy Report: Top Pick - Gamuda, BUY (TP: RM5.87)
"Clear Growth Trajectory"

At a Glance

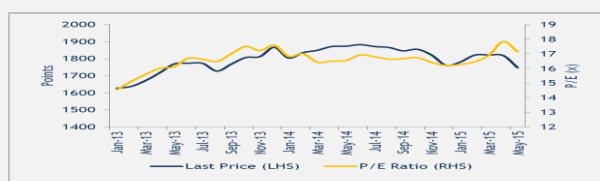
FBMKLCI down -0.53 points to finish at 1,726.73 due to the profit taking activities(See full report next page)

Corporate Highlights

- **Engtex (CP: RM1.24):** Eyes RM300m jobs
- **CMMT (CP: RM1.36):** Posts Q2 income of RM52mil
- **Halex (CP: RM0.51):** Proposes two-call rights issue

Economic Update

- **US:** Inflation, housing data bolster rate hike argument
- **German:** Economy likely grew by around 0.3% in second-quarter
- **Greece:** Greece's Eurobank to buy Alpha Bank branches in Bulgaria



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	21-Jul	1:30 PM	Nationwide Dept Sales YoY	-	6.3%
US	22-Jul	7:00 PM	MBA Mortgage Applicants	-	-
US	22-Jul	10:00 PM	Existing Home Sales	5.40M	5.35M
US	22-Jul	10:00 PM	Existing Home Sales MoM	0.9%	5.1%
US	23-Jul	8:30 PM	Initial Jobless Claims	-	-
US	23-Jul	8:30 PM	Continuing Claims	-	-
US	23-Jul	10:00 PM	Leading Index	0.1%	0.7%
EU	23-Jul	10:00 PM	Consumer Confidence	-	-5.6
JP	23-Jul	7:50 PM	Trade Balance	-	¥216.0B
JP	23-Jul	7:50 PM	Trade Balance Adjusted	-	¥182.5B
JP	23-Jul	7:50 PM	Exports YoY	-	-2.4
JP	23-Jul	7:50 PM	Imports YoY	-	-8.7
MY	23-Jul	-	Foreign Reserves	-	\$105.5B
EU	24-Jul	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.5
EU	24-Jul	4:00 PM	Markit Eurozone Services PMI	-	54.4
EU	24-Jul	4:00 PM	Markit Eurozone Composite PMI	-	54.2
US	24-Jul	9:45 PM	Markit US Manufacturing PMI	53.7	53.6
US	24-Jul	10:00 PM	New Home Sales	540K	546K
US	24-Jul	10:00 PM	New Home Sales MoM	-1.1%	2.2%
CN	24-Jul	9:45 AM	Caixin China PMI Mfg	-	49.4
JP	24-Jul	9:35 AM	Nikkei Japan PMI Mfg	-	50.1

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,726.73	-0.53	-0.03
FBMEMAS	11,888.44	5.78	0.05
FBMEMAS SHA	12,331.80	-24.95	-0.20
FBM100	11,577.40	3.87	0.03
Volume (mn)	841.03	-465.74	-35.64
Value (RMmn)	1,034.92	-660.68	-38.96
FBMKLCI YTD Chg			-1.96

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	NA	NA
Local Institution	NA	NA
Foreign Investors	NA	NA

Top Gainers

	Close	Change+/-	(+/- %)
BAT	66.60	1.26	1.93
LAFARGE	9.45	0.45	5.00
IJM CORP	7.20	0.29	4.20

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.58	-0.72	-2.64
PPB GROUP	15.04	-0.38	-2.46
TENAGA	12.36	-0.30	-2.37

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,086.45	-33.80	-0.19
NASDAQ	5,210.14	46.96	0.91
S&P 500	2,126.64	2.35	0.11
FTSE 100	6,775.08	-21.37	-0.31
DAX	11,673.42	-43.34	-0.37
Nikkei 225	20,650.92	50.80	0.25
HSI	25,415.27	252.49	1.00
KOSPI	2,076.79	-1.89	-0.09
STI	3,353.45	14.59	0.44
KLCI Futures	1,715.00	(0.50)	(0.00)
USDMYR 3M	9.72	0.04	0.00
USDMYR 6M	9.88	0.02	0.00
USDMYR 12M	10.06	-	-

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	0.0	0.0%
Brent (USD/bbl)	57.1	0.0	-0.1%
Gold(USD/ounce)	1,131	-2.9	-0.3%
Coal (USD/mt)	60.3	-0.2	-0.2%
CPO (RM/mt)	2,191	-5.0	-0.2%
Rubber	166	2.5	1.5%
RM/USD	3.81	0.0097	-0.25%
EUR/USD	0.92	-0.0002	-0.02%
YEN/USD	124.13	0.04	-0.03%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 33.80 points to 18,086.45, S&P 500 gained 2.35 points to 2,126.64 while Nasdaq up by 46.96 points to 5,210.14. Wall Street's Nasdaq stock index ended at a record high on Friday on a rally in Google shares, while weak energy stocks and disappointing corporate results from companies such as Boeing and Volvo hit other European and U.S. indexes and the dollar rallied on strong U.S. inflation and housing data.
- Meanwhile, strong U.S. consumer price index data, rebounding housing starts and surging building permits bolstered expectations that the Federal Reserve was moving closer to hiking interest rates, which buoyed the dollar.

The Local Market

- FBMKLCI down -0.53 points to finish at 1,726.73 due to the profit taking activities. There were 314 gainers and 330 decliners in total value traded of RM1.03 billion.
- Among the losers on Bursa Malaysia were United Plantation dropped 72 cent to RM26.58, PPB Group declined 38 cent to RM15.04, Tenaga slipped 30 cent to RM12.36, and Westport decreased 22 cent to RM4.21.

Strategy

- 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

Engtex (CP: RM1.24): Eyes RM300m jobs

Engtex Group Bhd, a distributor of pipes, valves, fittings and plumbing materials, is bidding for projects potentially worth RM300mil. Group managing director Datuk Ng Hook said the company was currently bidding for pipe supply contracts for the Langat 2 Water Treatment Plant project, which is scheduled to be completed in 2019. "The pipe supply contracts for Langat 2 are estimated to be worth RM230mil in total. To date, RM130mil worth of contracts have been awarded. "Of this, Engtex has secured RM70mil worth of orders. "We are currently bidding for RM100mil worth of Langat 2 projects," he told *StarBiz*. (Source: *The Star*)

CMMT (CP: RM1.36): Posts Q2 income of RM52mil

CapitaMalls Malaysia Trust (CMMT) posted a net property income (NPI) of RM52.4mil for the second quarter (Q2) ended June 30, 2015, up 2.4% from a year earlier. "This was on the back of the full quarter contribution from East Coast Mall (in Kuantan) which completed its two-year asset enhancement programme at end-2014, as well as higher rental reversions from many new and renewed leases," said the manager, CapitaMalls Malaysia REIT Management

Sdn Bhd (CMRM). However, the shopping mall-focused real estate investment trust's Q2 net profit of RM88.63mil was 15.5% lower than a year earlier due mainly to a lower fair value gain of investment properties. *(Source: The Star)*

Halex (CP: RM0.51): Proposes two-call rights issue

Halex Holdings Bhd, whose share price has dropped 15% since announcing a proposed rights issue in April, has proposed to do a two-call rights issue instead. The company, which makes agrochemicals and disposable healthcare products, seeks to change the renounceable rights issue of new 50 sen shares with free warrants to a two-call issue with free warrants on a basis to be decided later. This is "after taking into consideration the prevailing market price of shares in Halex", it told Bursa Malaysia on Thursday. *(Source: The Star)*

See Hup (CP: RM1.06): To acquire Mahajaya for RM5.34m

See Hup Consolidated Bhd has entered into a share sale agreement (SSA) to acquire the entire equity interest in Mahajaya View Sdn Bhd, an oil packing company and the registered owner of a piece of vacant industrial land measuring 0.98ha in Penang, for RM5.34 million cash. Upon completion of the proposed acquisition, Mahajaya will become a wholly-owned subsidiary of See Hup and See Hup will have a larger land space to serve its current operations and future expansion needs. See Hup said it entered an SSA with Goh Siong Yean and Lim Sam Keow, for the acquisition of 2.5 million ordinary shares of RM1 each in Mahajaya. *(Source: The Star)*

Petronas: Of 19 LNG terminals proposed in Canada, only Petronas gets nod

Canadian natural gas production will drop 10 percent to 13 billion cubic feet per day (bcf/day) by 2025 unless new terminals are built to enable global LNG exports, the Canadian Association of Petroleum Producers said on Wednesday. There are 19 LNG terminals proposed for Canada's Pacific coast aimed at exporting Canadian gas to energy-hungry markets in Asia, but progress has been slow as the projects seek provincial and federal regulatory approval. So far only one consortium led by Malaysia's state-owned energy company Petronas has given a conditional go-ahead to investing in the project. *(Source: The Star)*

ECONOMIC UPDATES

US: Inflation, housing data bolster rate hike argument

U.S. consumer prices rose for a fifth straight month in June as the cost of gasoline and a range of other goods increased, further signs of firming inflation that strengthen the case for an interest rate hike this year. The Labor Department said its Consumer Price Index rose 0.3 percent last month after increasing 0.4 percent in May. Last month's increase pushed the year-on-year CPI rate into positive territory for the first time since December. In a separate report, the Commerce Department said groundbreaking for new homes increased 9.8 percent to a seasonally adjusted annual pace of 1.17 million units in June. *(Source: Reuters)*

German: Economy likely grew by around 0.3% in second-quarter

The German economy likely grew by around 0.3 percent in the second quarter, the finance ministry said on Monday, adding that the mood in corporate boardrooms remained largely optimistic despite the Greek debt crisis. In the first quarter, growth in Europe's largest economy slowed to 0.3 percent, mainly due to weaker foreign trade, after an unexpectedly strong 0.7 percent expansion between October and December last year. The finance ministry said in its monthly report that the German economy was in an upswing, with domestic demand remaining the key growth driver, but foreign trade also picking up. (Source: Reuters)

Greece: Greece's Eurobank to buy Alpha Bank branches in Bulgaria

Greece's Eurobank has reached a preliminary agreement with another top Greek lender Alpha Bank to buy out its Bulgarian branches, a joint statement said Friday. "The Proposed Transaction covers the entire banking operations of Alpha Bank's Branch in Bulgaria, which consist of deposits worth 254 million euro and gross loans worth 410 million euro," the statement said. Under the deal, some 80 Alpha branches will be absorbed by Eurobank's Bulgarian subsidiary Postbank, giving the latter a network of more than 200 branches throughout the country, with over 3,000 employees. The lenders said the deal was set to be finalised by the end of 2015. (Source: The Star)

Singapore: June exports rise, but soft trend points to economic stress

Singapore's exports in June grew at a stronger-than-expected annual pace, although a disappointing monthly drop suggested a more sustained period of external improvement is necessary to lift the trade-reliant economy amid fitful global demand. Non-oil domestic exports (NODX) rose 4.7% in June from a year earlier on strong shipments to the United States and China, trade agency International Enterprise Singapore said in a statement on Thursday. That compared with a 2% expansion forecast in a Reuters poll. In May, the city-state's shipments contracted a revised 0.3% year-on-year as sales to Europe and China declined. (Source: The Star)

Global: Global corporate debt demand expected to be down 4%, says S&P

The global corporate debt demand is expected to be down 4% to US\$57 trillion from 2015 through 2019 due to lower forecast global nominal GDP growth, according to Standard and Poor's Ratings Services. The rating agency said on Thursday from the US\$57 trillion corporate debt demand, it expects US\$37 trillion of refinancing and US\$20 trillion of new debt. It added that China would have the lion share, as it is now the world's biggest corporate debt market. "Indeed, the Chinese central government's 'capitalism with Chinese characteristics' has led to the corporate sector incurring more debt than the sovereign. In fact, China's corporate debt is eight times the size of the government's," it noted. (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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