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Tuesday, July 21, 2015

Report of The Day

Strategy Report: Top Pick – IJM Corp, BUY (TP: RM8.14) - “Sturdier Growth Ahead”

Strategy Report: Top Pick - Maybank, BUY (TP: RM10.70) - “Regionalisation is the Key”

At a Glance

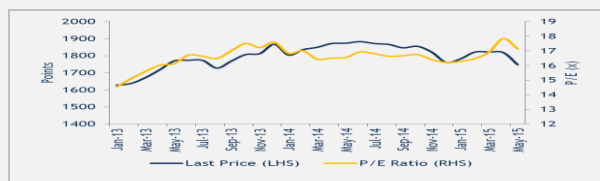
FBMKLCI declined 2.60 points to finish at 1,726.73 due to the selling pressure on some heavyweight counters(See full report next page)

Corporate Highlights

- **CIMB, BUY (TP: RM6.10):** CIMB Thai posts RM38.57mil profit
- **KKB Engineering (CP: RM1.81):** Wins purchase orders
- **Atlan Holdings (CP: RM4.69):** Duty Free International to place out new shares

Economic Update

- **Australia:** Australia banks told to raise US\$7bil under new capital rules
- **Greece:** Banks reopen as Tsipras eyes return to normal
- **Greece:** IMF says Greece repaid arrears worth 2 bln euros



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	1,724.13	-2.60	-0.15
FBMEMAS	11,886.80	-1.64	-0.01
FBMEMAS SHA	12,332.42	0.62	0.01
FBM100	11,570.96	-6.44	-0.06
Volume (mn)	1,522.65	681.62	81.05
Value (RMmn)	1,551.13	516.21	49.88
FBMKLCI YTD Chg			-2.11

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.3	-12.2
Local Institution	50.0	133.5
Foreign Investors	27.7	-121.3

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANT	27.46	0.88	3.31
LATITUDE TREE	6.38	0.28	4.59
DUTCH LADY	46.00	0.20	0.44

Top Losers

	Close	Change+/-	(+/- %)
BATG	65.70	-0.90	-1.35
COCOALAND	2.03	-0.37	-15.42
HONG LEONG FIN	15.46	-0.36	-2.28

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,100.41	13.96	0.08
NASDAQ	5,218.86	8.72	0.17
S&P 500	2,128.28	1.64	0.08
FTSE 100	6,788.69	13.61	0.20
DAX	11,735.72	62.30	0.53
Nikkei 225	20,650.92	50.80	0.25
HSI	25,404.81	-10.46	-0.04
KOSPI	2,073.31	-3.48	-0.17
STI	3,373.48	20.03	0.60
KLCI Futures	1,707.50	(6.00)	(0.00)
USDMYR 3M	9.34	0.04	0.00
USDMYR 6M	9.50	0.02	0.00
USDMYR 12M	9.77	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	50	-0.1	-0.2%
Brent (USD/bbl)	56.7	-0.5	-0.8%
Gold(USD/ounce)	1,099	2.4	0.2%
Coal (USD/mt)	60.6	0.3	0.4%
CPO (RM/mt)	2,188	-3.0	-0.1%
Rubber	166	0.5	0.3%
RM/USD	3.81	0.0109	-0.29%
EUR/USD	0.92	-0.0006	-0.06%
YEN/USD	124.31	0.04	-0.03%

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 13.96 points to 18,100.41, S&P 500 gained 1.64 points to 2,128.28 while Nasdaq up by 8.72 points to 5,218.86. Stocks closed mildly higher on Monday, with the Nasdaq at another record, as investors digested earnings reports.
- No major economic reports are due Monday. About 130 S&P and Dow industrial names post quarterly results this week.

The Local Market

- FBMKLCI declined 2.60 points to finish at 1,726.73 due to the selling pressure on some heavyweight counters. There were 452 gainers and 319 decliners in total value traded of RM1.55 billion.
- Among the losers on Bursa Malaysia were BAT dropped 90 cent to RM65.70, Cocoland down 37 cent to RM2.03, Hong Leong Financial slipped 36 cent RM15.46, and Batu Kawan decreased 9 cent to RM18.14.

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

CIMB, BUY (TP: RM6.10): CIMB Thai posts RM38.57mil profit

CIMB Thai Bank PCL, a unit of CIMB Group Holdings Bhd, has reported a 44.3% year-on-year (y-o-y) drop in net profit to 348.2 million baht (RM38.57mil) for the first-half of the year on an increase in provisions. The bank said in a press release that provisions were up 138.5% y-o-y due to the weaker economic environment. However, operating profit before provisioning rose 53.2% to 2.6 billion baht compared with the same period on lower operating expenses, which rose 1.3%. In the six months ended June 30, CIMB Thai's consolidated operating income rose by 18.4% y-o-y to 6.08 billion baht. (Source: The Star)

KKB Engineering (CP: RM1.81): Wins purchase orders

KKB Engineering Bhd has secured RM14.6mil in purchase orders from JGC (M) Sdn Bhd and Petron Malaysia Refining & Marketing Bhd. In a filing with Bursa Malaysia, KKB Engineering said the purchase order from JGC was for the supply of fabricated steel structures for the Tank 7 new jetty-PAF project for the Petronas LNG Train 9 project, and the order from Petron Malaysia was for the supply of 14Kg LP gas cylinders. "The completion date for the supply of fabricated steel structures to JGC is progressive until the third quarter of 2016, whereas the completion date for the supply of LP gas cylinders is October 2015," it said. (Source: The Star)

Atlan Holdings (CP: RM4.69): Duty Free International to place out new shares

Atlan Holdings Bhd's subsidiary, Duty Free International Ltd, will place out new shares to fulfill the 25% public shareholding requirement for a proposed dual primary listing on the main board of the Stock Exchange of Hong Kong Ltd (SEHK). Duty Free International said its controlling shareholder, Atlan, had informed the company that it does not intend to sell any of its existing shares in Duty Free International in order for the company to fulfil the 25% public float requirement pursuant to the Main Board listing rules of the SEHK. (Source: *The Star*)

Kinsteel (CP: RM0.18): To realise RM3.72m gain on disposal of Perwaja RCULS

Kinsteel Bhd said it has on three separate occasions disposed of 13.29% of the total issued 7-year 7% coupon redeemable convertible unsecured loan stocks (RCULS) of Perwaja Holding Bhd to non-related parties for RM9.3 million cash. In a filing with Bursa Malaysia, Kinsteel said it had disposed of a total of 37.2 million units of Perwaja RCULS, representing 13.29% of the total issued RCULS, on July 8, 14 and 16, 2015. It said the disposal enables the group to realise a gain of RM3.72 million based on the net carrying value of Kinsteel's investment in Perwaja RCULS as at March 31, 2015 of RM31.5 million, and raise funds for its working capital. (Source: *The Edge*)

Mulpha International (CP: RM0.35): Its unit gains RM3m from Aussie firm stake sale

Mulpha Strategic Ltd (MSL), a unit of Mulpha International Bhd, has sold its 19.9% stake in PBD Developments Ltd (PBD) for AU\$19.39 million (RM55.06 million) to Oasis Star Ltd, a wholly-owned subsidiary of Tian An China Investments Co Ltd. The stake disposal, for which MSL received payment in Hong Kong dollars of HK\$112.12 million or approximately RM55.06 million, was expected to net MSL a gain of AU\$1.85 million (about RM5.24 million). "After taking foreign exchange losses into account, MSL recorded a net gain of RM3.05 million from the disposal," said Mulpha International. (Source: *The Edge*)

Nexgram (CP: RM0.10): Gets delivery order for RM1.15bil 'Angkasa Icon City'

Nexgram Holdings Bhd has obtained the development order from the Sepang Municipal Council for the RM1.15bil "Angkasa Icon City" project in Cyberjaya, according to a filing with Bursa Malaysia. Nexgram's subsidiaries – Nexgram Land Sdn Bhd and Nextnation Datacity Sdn Bhd – had entered into an off-take-cum-sale and purchase agreement with MyAngkasa Bina Sdn Bhd last December. The agreement would see Nexgram Land undertaking the mixed commercial development project on freehold land held by Nextnation Datacity, measuring 2.39ha. (Source: *The Star*)

China Stationery (CP: RM0.09): Extension until Sept 7 to submit revamp

Bursa Securities has given China Stationery Ltd (CSL) an extension until Sept 7 to submit a regularisation plan or waiver application to the regulators. CSL, which is a Practice Note 17 company, said on Monday Bursa Securities had considered all the facts of the applications and decided to grant the extension. "The extension of time granted to CSL is without prejudice to Bursa Securities' right to proceed to suspend the trading of the listed securities of CSL and to de-list

the company," it said. To avert a de-listing, CSL has to meet the Sept 7 deadline. (Source: *The Star*)

ECONOMIC UPDATES

Australia: Australia banks told to raise US\$7bil under new capital rules

Australian banks have one year to raise US\$7bil under new rules requiring a bigger cash buffer, a move widely expected to hit profits and push up mortgage rates, slowing a real estate rush that has economists warning of a property bubble. The financial regulator also said large banks and mortgage rival Macquarie Group Ltd may have to raise more in future as the country shifts from letting property lenders decide cash reserves to making them follow global standards. The Australian Prudential Regulation Authority's (APRA) July 2016 deadline for banks to have cash reserves at 25% of mortgage books, from 16% now, adds urgency to a sector-wide restructuring that has already seen lenders raising billions of dollars and selling assets in preparation. (Source: *The Star*)

Greece: Banks reopen as Tsipras eyes return to normal

Greeks queued outside banks on Monday as they reopened three weeks after closing to stop the system collapsing, the first cautious sign of a return to normal after a deal to start talks on a new package of bailout reforms. However limits on withdrawals will remain and payments and wire transfers abroad will still not be possible - a situation which German Chancellor Angela Merkel said on Sunday was "not a normal life" and warranted swift negotiations on a new bailout, expected to be worth up to 86 billion euros. The stock market will also remain closed until further notice. Increases in value added tax agreed under the bailout terms have also taken effect with VAT on food and public transport jumping to 23 percent from 13 percent. (Source: *Reuters*)

Greece: IMF says Greece repaid arrears worth 2 bln euros

Greece has repaid its arrears to the International Monetary Fund, worth about 2 billion euros, IMF communications director Gerry Rice said on Monday. "Greece is therefore no longer in arrears to the IMF," he said in a statement. "As we have said, the Fund stands ready to continue assisting Greece in its efforts to return to financial stability and growth." (Source: *Reuters*)

China: Gold stash rose almost 60% in six years

China's official gold reserves rose by almost 60% over the past six years, according to the first official data on the subject since 2009. The People's Bank of China (PBoC) said bullion holdings rose to 1,658 tonnes as of the end of June, from 1,054 tonnes in April 2009, the last time a figure was released. China is the world's largest producer of the yellow metal, but the 57% pace of increase marked a slowdown in gold accumulation after holdings jumped 75% from 2003 to 2009. Bloomberg News reported that China's gold purchases since 2009 were second only to those of Russia, citing figures from the PBoC and International Monetary Fund (IMF). China ranks fifth globally in gold holdings, Bloomberg added. (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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