

PP14767/09/2012(030761)

Wednesday, July 22, 2015

Report of The Day

Strategy Report: Top Pick – MBM Resources, BUY (TP: RM4.17) - *"Gear Up Earnings Momentum"*

Strategy Report: Top Pick – MMC Corporation, BUY (TP: RM3.00) - *"Lean and Light"*

At a Glance

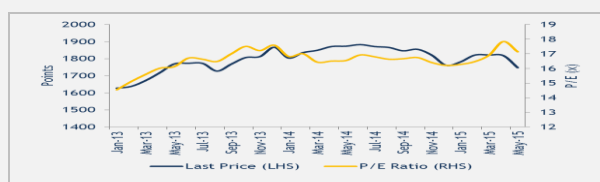
FBM KLCI surged 12.06 points to finish at 1,736.19 lifted by China's rising FDI data.....(See full report next page)

Corporate Highlights

- **FGV, (TBA):** Confirms Emir is still in charge
- **Petronas Chemical, SELL (TP: RM5.80):** BASF, Petronas Chemicals to build global plant in Kuantan
- **AFG, BUY (TP: RM5.05):** Expects lower loan growth for 2016

Economic Update

- **China:** FDI increases only marginally in June
- **Vietnam:** Economic risks for Vietnam's banks very high
- **Singapore:** Inflation likely below forecast



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	Import 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	1,736.19	12.06	0.70
FBMEMAS	11,962.71	75.91	0.64
FBMEMAS SHA	12,410.84	78.42	0.64
FBM100	11,641.88	70.92	0.61
Volume (mn)	1,656.37	133.73	8.78
Value (RMmn)	1,510.45	-40.69	-2.62
FBMKLCI YTD Chg			-1.42

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	23.8	-8.3
Local Institution	51.3	104.6
Foreign Investors	24.9	-96.3

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	46.60	0.60	1.30
HONG LEONG FIN	15.80	0.34	2.20
BINTULU PORT	7.20	0.30	4.35

Top Losers

	Close	Change+/-	(+/- %)
HEVEABOARD	1.05	0.10	10.88
NESTLE	71.42	-0.58	-0.81
ORIENTAL	7.00	-0.26	-3.58

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,919.29	-181.12	-1.00
NASDAQ	5,208.12	-10.74	-0.21
S&P 500	2,119.21	-9.07	-0.43
FTSE 100	6,769.07	-19.62	-0.29
DAX	11,604.80	-130.92	-1.12
Nikkei 225	20,841.97	191.05	0.93
HSI	25,536.43	131.62	0.52
KOSPI	2,083.62	10.31	0.50
STI	3,371.41	-2.07	-0.06
KLCI Futures	1,719.00	10.50	0.01
USDMYR 3M	9.19	0.03	0.00
USDMYR 6M	9.42	-	-
USDMYR 12M	9.75	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	-0.3	-0.5%
Brent (USD/bbl)	57.0	0.4	0.7%
Gold(USD/ounce)	1,103	1.6	0.1%
Coal (USD/mt)	60.5	-0.1	-0.2%
CPO (RM/mt)	2,218	30.0	1.4%
Rubber	168	2.0	1.2%
RM/USD	3.80	-0.0065	0.17%
EUR/USD	0.91	0.0001	0.01%
YEN/USD	123.84	-0.05	0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 181.12 points to 17,919.29, S&P 500 drop 9.07 points to 2,119.21. Nasdaq down by 10.74 points to 5,208.12. Stocks closed lower on Tuesday, with the Dow Jones industrial average pressured by lackluster earnings from a few blue chips.
- For the first time in a while, fundamentals seem to be driving the action today in an otherwise very quiet macro backdrop and probably will continue to do so for the next couple of weeks as we work through the heart of earnings season.

The Local Market

- FBMKLCI surged 12.06 points to finish at 1,736.19 lifted by China's rising FDI data. There were 555 gainers and 261 decliners in total value traded of RM1.51 billion.
- Among the gainers on Bursa Malaysia were Dutch Lady soared 60 cent to RM46.60, Hong Leong Finance added 34 cent to RM15.80, Bintulu Port grew 30 cent to RM7.20 and Ibraco expanded 28 cent to RM2.30.

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

FGV, (TBA): Confirms Emir is still in charge

Felda Global Ventures Holdings Bhd (FGV) has confirmed a StarBiz report that Datuk Mohd Emir Mavani Abdullah is still group president and CEO. FGV said on Tuesday that Emir "is still the group president and CEO". It said that as a company listed on the Main Board of Bursa Malaysia, all official announcements would be made via Bursa Malaysia accordingly. StarBiz reported Emir's contract to helm the plantation group was likely to be renewed for another year. It reported that Emir's contract that ended last Wednesday was extended. Previously there was speculation that there would be a new person to lead FGV following scrutiny on the company's performance and deals. (Source: The Star)

Petronas Chemical, SELL (TP: RM5.80): BASF, Petronas Chemicals to build global plant in Kuantan

Germany's BASF and Petronas Chemicals Group Bhd will build a new world-scale production plant in Kuantan for highly reactive polyisobutene (HR-PIB). They said in a joint statement on Tuesday the plant, which will be the first of its kind in South East Asia with a total annual capacity of 50,000 tonnes of HR-PIB, was expected to start production in the fourth quarter of 2017. They said HR-PIB was an important intermediate product for the manufacturing of high performance fuel and lubricant additives, including additives for sludge

prevention. The new plant would be at the site of their existing joint venture, BASF Petronas Chemicals Sdn Bhd. Petronas Chemicals Group president and CEO Datuk Sazali Hamzah said the investment marked another significant milestone in the development of the Kuantan site as a leading specialty chemicals hub in the Asia Pacific region. *(Source: The Star)*

AFG, BUY (TP: RM5.05): Expects lower loan growth for 2016

Alliance Financial Group Bhd is looking to record a lower loan growth of between 8% and 9% for the financial year ending March 31, 2016. This is lower than the 14.9% growth in loans to RM36.6bil seen in its 2015 financial year, driven mainly by expansion in the consumer and business banking loan portfolio. Meanwhile, loans from small and medium enterprises are anticipated to grow by about 15%, also lower than the 26.8% growth recorded in 2015. Group chief executive officer Joel Kornreich said the group was working on changing the mix of its loans origination. "The areas you will see lower loan growth are in hire purchase and to some extent, in business purpose financing and mortgages. Those are basically the elements that will drive lower loans growth," he said at a briefing after the company's AGM yesterday. *(Source: The Star)*

Hibiscus (CP: RM0.80): unit fails to find oil in Haribo prospect

Hibiscus Petroleum Bhd has failed to discover petroleum in the Haribo prospect in PL616 located in the Norwegian North Sea. In a filing today, Hibiscus said the well drilled to extract the targeted oil reserve will be "plugged and abandoned" as efforts to locate the petroleum reservoir failed. Hibiscus holds a US\$500,000 (RM1.91 million) interest in the well. "The well was spudded on June 21, 2015 by the semi-submersible rig Transocean Searcher in water depth of 70m, some 10km from the Valhall platform in the southern part of the Norwegian North Sea," the filing stated. "Drilling was stopped at 3,388m below sea level in the upper cretaceous hidra formation. The well will now be plugged and abandoned, as the targeted high porosity reworked chalk reservoir was not found. However, the chalk sequence had zones with fair porosity albeit no permeability with traces of hydrocarbons. *(Source: The Edge)*

AirAsia (CP: RM1.37): To start KL-Maldives direct flights

AirAsia will commence three weekly Kuala Lumpur-Maldives direct flights starting Oct 22, 2015. In a statement on Tuesday, the airline said the seats were now available for booking online at airasia.com with all-in-fare from as low as RM169 one way. The promotion is ongoing until July 26, 2015 for travel period of Oct 22, 2015 until Aug 31, 2016. AirAsia Bhd Head of Commercial, Spencer Lee, said the flight schedules for this route would allow travellers from all other regions such as South Korea, Japan, China, Hong Kong, Thailand, Australia to connect easily using AirAsia's Fly-Thru service. AirAsia is the only airline that flies direct to Maldives from here, offering three times weekly flights to this island destination. *(Source: The Star)*

UOA (CP: RM1.62): Q2 revenue up 4%

UOA Real Estate Investment Trust's revenue for its second quarter ended June 30 increased 4.6% to RM23.15mil from RM22.13mil a year ago. Net profit for the quarter was up by 2.7% to RM11.85mil from RM11.54mil a year earlier. It

has announced a dividend of 2.69 sen, bringing the total dividends announced for the financial year to 5.32 sen. For the first half of the financial year ending Dec 31, 2015, topline was 4% higher at RM45.94mil year-on-year. Earnings rose marginally to RM23.94mil from RM23.71mil. (Source: *The Star*)

BCorp (CP: RM0.40): Buys 50% stake in BLand's Japan project for RM97.3mil

Berjaya Corp Bhd (BCorp) is buying a 50% stake in Berjaya Kyoto Development (S) Pte Ltd (BKyoto) for RM97.3mil. The seller of the stake is its 58%-owned Berjaya Land Bhd (BLand). After selling half of BKyoto to its parent, BLand will own the remaining 50%. BCorp will undertake to advance up to RM152.74mil to BKyoto for the purpose of working capital and proportionate settlement of the inter-company loan with BLand. Resort hotel developer BKyoto owns a five-acre parcel of freehold land, which is 2km from the Kyoto station. The land is also close to tourist attractions. (Source: *The Star*)

ECONOMIC UPDATES

China: FDI increases only marginally in June

The amount of foreign direct investment (FDI) China drew in June was only 0.7% more than the year-earlier total, underlining how a slowing economy continues to dent investor confidence. China attracted US\$14.6 billion in FDI in June, the Commerce Ministry said on Tuesday. Last month saw the weakest annual increase, percentage-wise, since there was an on-year decline in August 2014. In the first six months, China drew \$68.4 billion in FDI, up 8.3% from a year earlier. The figures released on Tuesday do not match year-to-date numbers published on July 17 the central government's website, which quoted Vice Commerce Minister Wang Shouwen as saying January-June FDI rose 8%. China's fast-growing services sector attracted \$43.4 billion of FDI in the first half of this year, up 23.6% from a year ago. (Source: *The Star*)

Vietnam: Economic risks for Vietnam's banks very high

Economic risks for Vietnam's banking sector are very high by global standards, according to Standard & Poor's Ratings Services. The ratings agency said on Tuesday the risks were reflected in the country's low income levels, developing financial system, and evolving policy framework. S&P expected private sector credit to increase in line with nominal GDP growth, and property prices to stabilize over time. Banks' credit risks remain extremely high, in our opinion, reflecting high private sector debt, low income levels, legacy stressed assets, and rudimentary underwriting standards," it said. In its report "Banking industry country risk assessment: Vietnam", S&P classified Vietnam's banking sector in group "9" under its banking industry country risk assessment methodology. (Source: *The Star*)

Singapore: Inflation likely below forecast

Singapore's central bank said today headline and core inflation this year are likely to be at the lower end of its earlier forecasts, but it expects prices to pick up in 2016. The Monetary Authority of Singapore said that core inflation is expected to be in the lower half of its 0.5-1.5% range. MAS managing director Ravi Menon said Singapore is "not facing deflation" as price declines have been

neither persistent nor pervasive. MAS, which released its annual report today, said it is reviewing its forecast for economic growth this year. The current forecast is for gross domestic product to expand 2-4%. The annual report comes after government data released last week that showed Singapore's economy contracted in the second quarter. (Source: *The Edge*)

U.S.: Fed takes tough stance on bond liquidity

While Wall Street frets over the ability of bond markets to absorb an approaching interest rate rise, the US Federal Reserve has a message for the industry: deal with it. The financial industry worries that when the Fed's tightening plans take hold, a sell-off in the massive US bond market could ensue, and be exacerbated by a lack of bank buyers willing to jump in. Banks including primary dealers who act as market makers for US Treasuries, have slashed bond inventories in the past few years in response to tougher capital requirements, reducing a liquidity buffer for the fixed income market. Private and public comments by Fed officials show that they do not share Wall Street's degree of concern about liquidity, and do not believe that capital rules are solely to blame for the bond market's growing tendency to seize up. (Source: *The Star*)

U.S.: Factory output in U.S. more restrained than initially reported

Manufacturing in the U.S. was more restrained in recent years than previously estimated, according to annual revisions to industrial production data released by the Federal Reserve on Tuesday. Output at factories, mines and utilities returned to its pre-recession peak in May 2014, seven months later than the Fed previously reported, according to the revisions. Total production increased slightly less than 2.5 percent annually from 2011 through 2013, then accelerated to 4.5 percent in 2014 before falling back so far this year. Estimates of durable goods production for 2012 and 2013 were almost halved. Output of big-ticket items increased 3.5 percent in 2012 and 2 percent the following year. Previously, output was reported up 6 percent and 5 percent in those years, respectively. (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.

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

Head Of Research



Rosnani Rasul
M&A Securities