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Thursday, July 23, 2015

Report of The Day

Company Update: IJM Corp, BUY (TP: RM8.14) - "Dispose 70% Stake in Swarna Tollway"

Company Update: TNB, BUY (TP: RM15.20) - "Interest in Edra Assets"

At a Glance

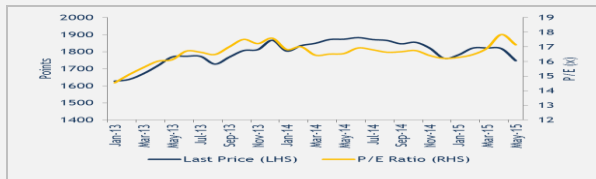
FBMKLCI declined 6.66 points to finish at 1,729.53 in tandem with the negative regional market sentiment(See full report next page)

Corporate Highlights

- **DiGi, BUY (TP: RM6.60):** To expand 4G coverage in Sarawak
- **AirAsia (CP: RM1.36):** Re-starting Japan flights early next year
- **NCB Holdings (CP: RM4.20):** Public shareholding spread at 22% as MMC ups stake

Economic Update

- **Malaysia:** Consumer spending stabilised a month after GST
- **Malaysia:** Set to become regional green technology hub
- **Australia:** Inflation edges up



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	1,729.53	-6.66	-0.38
FBMEMAS	11,933.98	-28.73	-0.24
FBMEMAS SHA	12,384.40	-26.44	-0.21
FBM100	11,608.57	-33.31	-0.29
Volume (mn)	1,664.09	7.72	0.47
Value (RMmn)	1,681.58	171.14	11.33
FBMKLCI YTD Chg			-1.80

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.6	-1.3
Local Institution	50.5	185.1
Foreign Investors	27.9	-183.8

Top Gainers

	Close	Change+/-	(+/- %)
PETRONAS GAS	21.78	0.30	1.40
ORIENTAL	7.25	0.25	3.57
KOSSAN RUBBER	7.07	0.22	3.21

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	27.00	-0.42	-1.53
LAFARGE	9.19	-0.36	-3.77
KLK	22.68	-0.32	-1.39

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,851.04	-68.25	-0.38
NASDAQ	5,171.77	-36.35	-0.70
S&P 500	2,114.15	-5.06	-0.24
FTSE 100	6,667.34	-101.73	-1.50
DAX	11,520.67	-84.13	-0.72
Nikkei 225	20,593.67	-248.30	-1.19
HSI	25,282.62	-253.81	-0.99
KOSPI	2,064.73	-18.89	-0.91
STI	3,359.17	-12.24	-0.36
KLCI Futures	1,707.00	(11.00)	(0.01)
USDMYR 3M	9.17	0.05	0.00
USDMYR 6M	9.39	0.02	0.00
USDMYR 12M	9.72	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	0.0	0.0%
Brent (USD/bbl)	56.1	-0.9	-1.6%
Gold(USD/ounce)	1,094	0.1	0.0%
Coal (USD/mt)	60.5	0.0	0.0%
CPO (RM/mt)	2,205	-13.0	-0.6%
Rubber	167	-1.5	-0.9%
RM/USD	3.79	-0.0074	0.20%
EUR/USD	0.92	0.0002	0.02%
YEN/USD	124.03	0.06	-0.05%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 68.25 points to 17,851.04, S&P 500 drop 5.06 points to 2,114.15. Nasdaq down by 36.35 points to 5,171.77. Stocks closed lower Wednesday as disappointing tech earnings weighted down on the three major indices.
- U.S. stocks closed lower on Tuesday, with lackluster earnings from IBM and UTX sending the Dow Jones down 1 percent and the Nasdaq off its recent records.

The Local Market

- FBMKLCI declined 6.66 points to finish at 1,729.53 in tandem with the negative regional market sentiment. There were 403 gainers and 409 decliners in total value traded of RM1.68 billion.
- Among the losers on Bursa Malaysia were United Plantations down 42 cent to RM27.00, Lafarge dropped 36 cent to RM9.19, KLK shed 32 cent to RM22.68 and Magni-Tech decreased 19 cent to RM4.30.

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

DiGi, BUY (TP: RM6.60): To expand 4G coverage in Sarawak

Digi Telecommunications Sdn Bhd will expand its high-speed broadband 4G coverage to Samarahan and Sibu by year-end, said its head of Sarawak region, Benny Wee. Currently, the coverage was in Kuching City, Bintulu and Miri City. He said the store was the fourth in the state after Kuching City, Sibu and Bintulu. "We are looking into the possibility of opening the second store in Kuching City and Miri City respectively if there is a growing demand", he said. (Source: *The Star*)

AirAsia (CP: RM1.36): Re-starting Japan flights early next year

AirAsia Bhd said it will start domestic and international flights from Japan early next year, after a high-profile exit from the market following the collapse of its joint venture with All Nippon Airways (ANA). The Malaysia-based company said it has applied to Japan's transport ministry to operate commercial flights, becoming the latest budget carrier aiming to crack a market long-controlled by ANA and rival Japan Airlines. AirAsia Japan will launch both Japan domestic and international routes from its base in Chubu Centrair Airport starting Spring 2016, said AirAsia Japan's chief executive Yoshinori Odagiri. The airport is located near Nagoya, a major city southwest of Tokyo. AirAsia entered the

Japanese market in 2012 in a tie-up with ANA but the project ended in an acrimonious dispute over business practices in 2013. (Source: The Star)

NCB Holdings (CP: RM4.20): Public shareholding spread at 22% as MMC ups stake

NCB Holdings Bhd, which saw MMC Corporation Bhd buying into the port-to-logistics operator, reported its public shareholding spread was below the 25% requirement under the listing rules of Bursa Malaysia Securities. It said on Wednesday that based on the record of depositors as at Tuesday, the public shareholding spread was 22.16%. "The number of public shareholders based on the record of depositors as at July 21 is 8,291. The company will apply to Bursa Securities for an extension of time to comply with its public shareholding spread requirement," it said. (Source: The Star)

Comintel Corp (CP: RM0.38): Hit with delays over power supply

Comintel Corp Bhd said its supply of renewable energy (RE) to Tenaga Nasional Bhd (TNB) will be delayed by seven months as its gasifier system is not operating at its optimisation capacity. This follows the approval by the Sustainable Energy Development Authority Malaysia (Seda) to extend the date of commencement of Comintel's Feed-in-Tariff (FiT) to Dec 31, 2015 from May 31. In a filing with Bursa Malaysia, Comintel said its unit Comintel Green Technologies Sdn Bhd (CGT) had sought for the extension as it was not able to meet the scheduled FiT commencement date as the programme set-up and gasifier system optimisation has taken a much longer period than expected when the Biogen PLC and software team did the programming, testing and commissioning the gasifier system. (Source: The Edge)

MRCB-Quill REIT (CP: RM1.17): Q2 net profit soars on Platinum Sentral contribution

MRCB-Quill Real Estate Investment Trust (REIT) (formerly Quill Capita Trust) (MQReit) recorded a net profit of RM13.632mil for the second quarter (Q2) ended June 30, 2015, a 59.2% jump from a year earlier due to recognition of the full-quarter income contribution from Platinum Sentral. This was achieved on an 85.4% growth in revenue to RM32.175mil, attributed mainly to additional revenue arising from the RM740mil acquisition of Platinum Sentral in Kuala Lumpur on March 30, higher revenue from Plaza Mont'Kiara as well as rental rate increases for some properties. Net property income soared 81.4% year-on-year to RM24.313mil for the quarter under review. However, total expenditure more than doubled, resulting in the lower realised net income growth of 59.2%. Finance costs of RM8.19mil and manager's fee of RM2.1mil were incurred during the quarter, compared with RM3.57mil and RM1.35mil respectively in Q2 last year. (Source: The Star)

Tropicana (CP: RM1.00): Aman properties worth RM700m to be launched this year

Tropicana Corp Bhd expects to launch RM700 million of the RM13 billion gross development value (GDV) of the Tropicana Aman development here this year, said its group managing director Datuk Edmund Kong. Spanning across 863 acres, Tropicana Aman is a self-contained mixed township development situated next to Kota Kemuning. It will have 20 phases. It is the property developer's

biggest township development in Malaysia and also the group's first foray into Shah Alam. It is Tropicana's fifth township development in the Klang Valley. The first phase of Tropicana Aman, called Arahsia Residences, has a GDV of RM342 million and was launched in May 2015 with all 432 units of link homes taken up. It is expected to be completed in three years. (Source: *The Sun Daily*)

SEB (CP: RM0.43): To sell off stake in associate for RM10m

Seremban Engineering Bhd (SEB), which is primarily involved in the provision of designing, engineering and maintenance works for the palm oil, oil and gas, and food processing industries, plans to sell off its entire 40% stake in loss-making associate Selektta Spektra Sdn Bhd for RM10 million, cash. The proposed stake disposal is expected to net SEB a one-off gain of RM1.28 million, based on the audited accounts of Dec 31, 2014, is RM1.28 million, which will be used for its working capital, said SEB in its filing to Bursa Malaysia today. SEB said it has entered into a conditional share sale agreement (SSA) with Grand River Marketing Sdn Bhd, a newly incorporated private limited firm, for the proposed stake disposal involving 2.37 million shares at approximately RM4.22 per share. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: Consumer spending stabilised a month after GST

Consumer spending somewhat stabilised a month after the Goods and Services Tax (GST) was introduced on April 1 and it is expected to further improve over the next six months, said BBDO (Malaysia) Sdn Bhd. Its chief innovation and strategy officer Anirban Ganguly said consumers had adjusted their spending accordingly after the GST implementation. There was a lot of frontloading at end-March in anticipation that goods and services would be more expensive after April 1. But, consumers have been adapting well thereafter," he told Bernama. BBDO, an advertising and marketing company, conducted a study on the GST between March and April to gauge consumers' behaviour before and after the implementation of the GST. (Source: *The Star*)

Australia: Inflation edges up

Australian consumer prices rose 0.7% in the three months to June as petrol prices increased, official data showed yesterday, but annual inflation was soft, giving the central bank leeway to lower interest rates. The consumer price index (CPI) increase in the second quarter followed a 0.2% lift in the first three months of the year and took the annual headline rate of inflation to 1.5%, the Australian Bureau of Statistics reported. The latest figures were broadly in line with market expectations, with economists forecasting a 0.8% rise for the period for an annual reading of 1.7%. The Australian dollar rose slightly, buying 74.29 US cents after the data was released. (Source: *The Star*)

Europe: ECB said to raise Greek emergency bank aid before bailout vote

The European Central Bank increased the emergency liquidity available to Greek lenders as the country's lawmakers prepared for a second vote on a bailout package, people familiar with the matter said. The ECB's Governing Council agreed in a telephone conference on Wednesday to raise the cap on

Emergency Liquidity Assistance by 900 million euros (\$981 million), the people said, asking not to be named as the call was private. An ECB spokesman declined to comment. The ceiling on the funds was previously at 89.5 billion euros. Greek Prime Minister Alexis Tsipras is back in the Greek parliament on Wednesday to seek support from opposition parties on reforms that sections of his own party won't accept. A vote on two pieces of legislation required by creditors to qualify for bailout negotiations is expected in Athens around midnight. *(Source: The Edge)*

Thailand: Needs to restructure its economy with investment

The level of private investment in Thailand is a worry, the country's next central bank governor said on Wednesday, and Southeast Asia's second largest economy and workforce will face problem if it does not improve soon. Thailand's military-led government has struggled to revive Southeast Asia's second-largest economy after seizing power in a coup last May, with exports and domestic demand still sluggish. The junta has stepped up infrastructure plans and accelerated approvals for private investment in its effort to rekindle the economy. He said recent investment had been focused on only a few industries such as telecoms, renewable energy and transport. Foreign direct investment in Thailand flows mostly in to the service sector and foreign firms have been acquiring businesses rather than expanding new bases in the country. *(Source: The Edge)*

U.S.: Existing home sales near 8-1/2-year high

U.S. home resales rose in June to their highest level in nearly 8-1/2 years, a sign of pent-up demand that should buoy the housing market recovery and likely keep the Federal Reserve on track to raise interest rates later this year. The National Association of Realtors said on Wednesday existing home sales increased 3.2 percent to an annual rate of 5.49 million units, the highest level since February 2007. Existing sales this year are on track to record their biggest gain in eight years, the NAR said. Economists had forecast home resales rising to a 5.40 million-unit pace last month. Sales were up 9.6 percent from a year ago. June's solid home sales report came on the heels of last week's strong housing starts and building permits data. A tightening labor market is starting to push up wages, helping to boost demand for housing, especially among young adults. *(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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