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Monday, July 27, 2015

At a Glance

FBMKLCI declined 1.68 points to finish at 1,720.76 in tandem with weaker regional market sentiments.....(See full report next page)

Strategy**“Watch out for US Policy Decision This Week”**

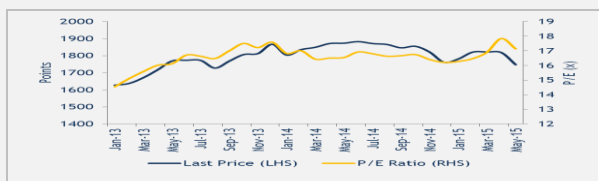
Market trading mood this week will be influenced by the Eurozone's July unemployment, US FOMC policy decision and US 2Q15 GDP announcement(See full report next page)

Corporate Highlights

- **Mah Sing, BUY (TP: RM1.84):** Eyes RM300m in sales from Penang properties
- **Denko Industrial Corp (CP: RM0.44):** To diversify into different industries
- **Datasonic (CP: RM1.31):** Submits plans for passport, ICT solutions to Home Ministry

Economic Update

- **Malaysia:** Leading Index down 1.2% in May
- **Singapore:** Private home prices fall for 7th quarter
- **Greece:** Business exodus to 'safe haven' Bulgaria



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	27-Jul	4:00 PM	M3 Money Supply YoY	-	5.0%
US	27-Jul	8:30 PM	Durable Good Orders	2.5%	-1.8%
US	27-Jul	8:30 PM	Durable Ex Transportation	0.5%	0.5%
US	27-Jul	8:30 PM	Dallas Fed Manuf. Activity	-4.0%	-7.0%
US	28-Jul	9:00 PM	S&P/CS Composite-20 YoY	5.35%	4.91%
US	28-Jul	9:45 PM	Markit US Composite PMI	-	54.6
US	28-Jul	9:45 PM	Markit US Services PMI	-	54.8
US	28-Jul	10:00 PM	Consumer Confidence Index	100.0	101.4
US	29-Jul	7:00 PM	MBA Mortgage Applications	-	0.1%
US	29-Jul	10:00 PM	Pending Home Sales MoM	1.0%	0.9%
JP	29-Jul	7:50 AM	Retail Trade YoY	-	3.0%
JP	29-Jul	7:50 AM	Retail Sales MoM	-	1.7%
EU	30-Jul	5:00 PM	Business Climate Indicator	-	0.14
EU	30-Jul	5:00 PM	Industrial Confidence	-	-3.4
EU	30-Jul	5:00 PM	Consumer Confidence	-	-
US	30-Jul	2:00 AM	FOMC Rate Decision (Upper Body)	0.25%	0.25%
US	30-Jul	8:30 PM	GDP Annualized QoQ	2.5%	-0.2%
US	30-Jul	8:30 PM	Personal Consumption	2.7%	2.1%
US	30-Jul	8:30 PM	Initial Jobless Claims	-	-
US	30-Jul	8:30 PM	Continuing Claims	-	-
JP	30-Jul	7:50 AM	Industrial Production MoM	-	-2.1%
US	30-Jul	8:30 PM	Industrial Production YoY	-	-3.9%
EU	31-Jul	5:00 PM	Unemployment Rate	-	11.1%
EU	31-Jul	5:00 PM	CPI Estimate YoY	-	0.2%
EU	31-Jul	5:00 PM	CPI Core YoY	-	0.8%
US	31-Jul	9:45 PM	Chicago Purchasing Manager	50.8	49.4
US	31-Jul	10:00 PM	U. of Mich. Sentiment	94.0	93.3
JP	31-Jul	7:30 AM	Jobless Rate	-	3.3%
JP	31-Jul	1:00 PM	Housing Starts YoY	-	5.8%
JP	31-Jul	1:00 PM	Annualized Housing Starts	-	0.912M
JP	31-Jul	1:00 PM	Construction Orders YoY	-	-7.4%
MY	31-Jul	6:00 PM	Money Supply M3 YoY	-	5.7%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,720.76	-1.68	-0.10
FBMEMAS	11,892.16	-8.00	-0.07
FBMEMAS SHA	12,345.67	-5.45	-0.04
FBM100	11,559.22	-9.73	-0.08
Volume (mn)	1,749.61	-12.19	-0.69
Value (RMmn)	1,502.19	-186.46	-11.04
FBMKLCI YTD Chg			-2.30

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	25.3	-18.9
Local Institution	55.0	179.3
Foreign Investors	19.7	-160.4

Top Gainers

	Close	Change+/-	(+/- %)
PIE INDUSTRIAL	6.60	0.67	11.30
NESTLE	72.00	0.48	0.67
TAHPS GROUP	8.05	0.45	5.92

Top Losers

	Close	Change+/-	(+/- %)
CARLSBERG	12.44	-0.24	-1.89
BAT	64.60	-0.18	-0.28
RHB CAPITAL BHD	7.39	-0.15	-1.99

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,568.53	-163.39	-0.92
NASDAQ	5,088.63	-57.78	-1.12
S&P 500	2,079.65	-22.50	-1.07
FTSE 100	6,579.81	-75.20	-1.13
DAX	11,347.45	-164.66	-1.43
Nikkei 225	20,544.53	-139.42	-0.67
HSI	25,128.51	-270.34	-1.06
KOSPI	2,045.96	-19.11	-0.93
STI	3,352.65	-3.72	-0.11
KLCI Futures	1,700.00	(3.00)	(0.00)
USDMYR 3M	9.88	(0.00)	(0.00)
USDMYR 6M	10.21	0.00	0.00
USDMYR 12M	10.38	(0.03)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	-0.1	-0.2%
Brent (USD/bbl)	54.6	0.0	0.0%
Gold(USD/ounce)	1,096	-2.7	-0.2%
Coal (USD/mt)	60.4	0.0	0.1%
CPO (RM/mt)	2,178	-11.0	-0.5%
Rubber	163	-2.5	-1.5%
RM/USD	3.81	0.0053	-0.14%
EUR/USD	0.91	0.0008	0.09%
YEN/USD	123.81	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 163.39 points to 17,568.53, S&P 500 drop 22.50 points to 2,079.65. Nasdaq down by 57.78 points to 5,088.63. Stocks closed lower Friday despite surprisingly strong Amazon earnings as signs of slower global growth weighed on sentiment.
- A surprising decline in new home sales and continued lack of revenue growth in earnings. Nearly all the commodities are in a bear market and gold and crude settled at lows Friday.

The Local Market

- FBMKLCI declined 1.68 points to finish at 1,720.76 in tandem with weaker regional market sentiments. There were 424 gainers and 416 decliners in total value traded of RM1.50 billion.
- Among the losers on Bursa Malaysia were Carlsberg tumbled 24 cent to RM12.44, BAT plunged 18 cent to RM64.60, RHB Capital dropped 15 cent to RM7.39 and Aeon Credit declined 12 cent to RM13.88.

Strategy

- **“Watch out for US Policy Decision This Week”**
Wall Street closed markedly lower last Friday, hurt by lethargic commodity prices and also disappointing corporate earnings results. **S&P 500** and **DJIA** lost **22.50 (-1.07%)** and **163.39 (-0.92%)** points to finish at **2,079.65** and **17,568.53** respectively. For commodity prices especially oil, there was just no catalyst that could push up momentum. In fact, it has been languishing at a level imponderable by many. WTI and Brent ended last Friday's trading at USD48 and USD55 per barrel respectively, potentially weighing emerging economies economic momentum including Malaysia, Brazil, Russia and Indonesia. Market trading mood this week will be influenced by the Eurozone's July unemployment's rate due this Friday apart from US FOMC policy decision on Thursday in addition to US 2Q15 GDP announcement, both this Thursday. As for Malaysia, the added pressure will come from the movement of Ringgit which has tested new level of RM3.81 per Dollar recently. In sum, risk taking will be influenced by the outcome of these significant announcements and development.
- 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

Mah Sing, BUY (TP: RM1.84): Eyes RM300m in sales from Penang properties

Property developer, Mah Sing Group Bhd, is eyeing sales target of RM300 million for this year from its Penang properties. Group Chief Operating Officer, Teh Heng Chong, said the take-up rate of the company's projects was healthy and the company was confident of achieving the target. He said Mah Sing's projects in Penang included the Ferringhi Residence condo villas, the integrated development of Southbay city and three-storey resort bungalows in Lagenda@Southbay. We are optimistic of the Penang projects and we believe they will be able to contribute about 11 per cent to our group total sales this year," he told reporters after the launch of its new lifestyle show gallery here on Friday. He said the group still has about 33 hectares of undeveloped land in Penang. (Source: The Star)

Denko Industrial Corp (CP: RM0.44): To diversify into different industries

Denko Industrial Corp Bhd, a manufacturer of consumers and industrial products aims to diversify into different industries such as plantations and battery manufacturing to enhance its shareholders value. The company said on Friday that it expects to deliver revenue of RM100mil with a profit before tax of RM5mil for next year. For its financial year 2015 ended March 31, 2015, Denko Industrial Corp Bhd said it delivered a commendable performance, posting revenue of RM80mil and profit after tax of RM2.8mil due to a better demand for consumer electronics. (Source: The Star)

Datasonic (CP: RM1.31): Submits plans for passport, ICT solutions to Home Ministry

Datasonic Group Bhd has submitted three proposals to the Home Ministry to provide passport and information and communications technology (ICT) solutions. In its reply to Bursa Securities over the unusual market activity, the company said the discussions were still in a state of flux at this juncture. Datasonic said it would make the necessary announcement once the proposal or proposals have been awarded to the company. (Source: The Star)

Coastal (CP: RM2.47): Wins RM130mil jobs

Coastal Contracts Bhd has netted contracts worth a total of RM130mil involving the sale of two offshore support vessels (OSVs) and six low-end vessels. The offshore support vessel fabricator told Bursa Malaysia that these contracts, bagged by units Coastal Offshore (Labuan) Pte Ltd, Thaumass Marine Ltd and Pleasant Engineering Sdn Bhd, raised the group's order book to about RM3.38bil. Of the amount, the vessels and rig sales order book constituted RM1.97bil. All of these vessels are expected to be delivered in 2015. Consequently, the revenue stream from these vessels is expected to contribute positively to the top and bottom line performance of the group for the financial year ending Dec 31, 2015 (FY15)," it said. (Source: The Star)

Oceancash Pacific (CP: RM0.39): To make a bigger splash

Felt and non-woven product manufacturer Oceancash Pacific Bhd has set a target of achieving an annual turnover of RM100 million within the next three years in line with increased demand for its products. We should cross RM80

million (in revenue) this year, chairman and CEO Tan Sri Tan Siew Chin told *SunBiz* in a recent interview. Oceancash reported a 24.43% drop in net profit to RM4.91 million for the financial year ended December 31, 2014 from RM6.50 million a year ago, due to a RM1.7 million write off from the cessation of a production line under the PE division, which had been making losses over the last few years. Revenue, meanwhile, rose 6.16% from RM68.58 million to RM72.81 million. For the current financial year ending December 31, 2015, Tan is confident that the company will register better results, in particular with better growth prospects for the non-woven segment. (Source: *The Sun Daily*)

TMC (CP: RM0.59): Posts higher Q4 earnings

Healthcare and hospital provider TMC Life Sciences Bhd reported a 48.52% rise in earnings for its fourth quarter ended May 31 to RM3.98mil from RM2.68mil a year ago. Revenue rose by 20% to RM28.5mil, compared with the previous corresponding period. The improved revenue was due to higher patient load catered for by increased bed capacity and additional consultants recruited. The company noted that the quarter also saw increased operating expenditure especially from one-off corporate exercise expenses of RM1.5mil and staff cost that had resulted in lower pre-tax profits for the current quarter. (Source: *The Star*)

RGB (CP: RM0.14): Shelves plan to enter Timor-Leste gaming industry

RGB International Bhd has shelved its plan to enter the gaming industry in Timor-Leste via the purchase of a 30% stake in Timor Holding, Lda (THL). The electronic gaming machines and equipment manufacturer told Bursa Malaysia that RGB (Macau) Ltd, which is wholly owned by its unit RGB Ltd, had decided not to acquire the 30% equity stake – representing one share quota - in THL, whose business is operating of amusement and electronic gaming machines. RGB said it and vendor Steven Lim Tow Boon, who is also RGB's executive director and chief operating officer, mutually agreed to rescind the agreement dated July 8, 2014, with immediate effect as the relevant gaming licence has yet to be issued by the Timor-Leste authority. (Source: *The Star*)

Flonic Hi-Tec (CP: RM0.06) pins hope on project management, interior fit-out biz

Loss-making Flonic Hi-Tec Bhd expects its financial performance to improve in the medium-term, driven by the project management and interior fit-out business following the acquisition of a 51% stake in Jiwa Holdings Sdn Bhd late last year. Speaking to reporters after the company's AGM last Friday, executive chairman Datuk Chua Wye Man said he can't predict it will take how long for the company to turnaround, except to say that he is hopeful of an improvement in the medium-term. Describing the precision cleaning system as a legacy business, he said this segment is currently running at "low activity" after the departure of the previous management team who has the expertise in this area. "It's a legacy business that has been de-emphasised, we still have that subsidiary, just that we don't do so much," he explained. (Source: *The Sun Daily*)

ECONOMIC UPDATES

Malaysia: Leading Index down 1.2% in May

The Leading Index (LI), which monitors the economic performance in advance, showed a decrease of 1.2% in May 2015 to 117.2 points from 118.6 points in the previous month. The decline was led by two main components of LI -- real imports of other basic precious and other non-ferrous metal (-0.7%) and a number of new companies registered (-0.6%). The annual change of LI dropped to -0.2% as against 0.9% in the previous month, said the Statistics Department in a statement on "Malaysian Economic Indicators: Leading, Coincident and Lagging Indexes May 2015" here on Friday. (Source: *The Star*)

Singapore: Private home prices fall for 7th quarter

Prices of private homes in Singapore dropped for the seventh straight quarter, the longest declining streak in more than a decade, and analysts expect the market to continue to soften for the rest of 2015 as property cooling measures take their toll. The second-quarter private residential property index fell 0.9% from the previous quarter to 144.2, with prices dropping across all market segments, Urban Redevelopment Authority data showed. Singapore has introduced several rounds of cooling measures since 2009, including higher stamp duties and tougher mortgage conditions, hurting sales volumes. The measures sent prices of private homes down 4% in 2014, the first year of overall price decline since the global financial crisis. (Source: *The Star*)

Greece: Business exodus to 'safe haven' Bulgaria

Faced with a deep economic crisis at home, at least 11,000 Greek companies have found a safe haven in neighbouring low-wage Bulgaria – the poorest member of the European Union. We have stability here: reliable taxation, sound legislation and a positive environment," said Ioannis Politis, manager of Greek hygiene products company Septona, which established a plant in the northern Bulgarian city of Ruse 10 years ago. Some 120 large Greek businesses set up in Bulgaria in the 2000s in sectors such as retail, metallurgy, fuel distribution, construction and real estate. And if the Greek crisis put an end to the big-business migration in 2009, a rising number of small and medium Greek companies – especially ones that trade with Europe, the Balkans and Russia – have continued moving to Bulgaria to take advantage of its lower taxes. (Source: *The Star*)

U.S.: Fed unlikely to hike interest rate until September

A meeting of the US Federal Reserve and the first estimate of US second-quarter growth are likely to be this week's economic centrepieces with markets able for the first time in months to look beyond Greece's debt struggle. After a series of emergency eurozone meetings, Greece has received a bridge loan of 7.2 billion euros and passed a series of measures designed to persuade international creditors to agree a third bailout of 86 billion euros. Those talks are likely to come to a head in August. In the meantime, the Fed's rate-setting Open Market Committee meets tomorrow and Wednesday. Economists do not expect a rate rise until September when the central bank plans a news conference, unlike July when only a statement is planned. (Source: *The Star*)

U.S.: Next IMF boss likely to come from outside Europe, says deputy MD

The next managing director of the International Monetary Fund (IMF) is likely to come from outside Europe when current leader Christine Lagarde eventually leaves, the deputy head of the Washington-based fund said in an interview broadcast. IMF first deputy managing director David Lipton told the BBC World Service on Saturday that the tradition by which a European heading the fund while an American leading the World Bank was coming under pressure and the next appointment would be “strictly merit-based”. Described on the same radio programme as an “incredible anachronism” by former IMF chief economist Kenneth Rogoff, the convention that has ensured that Europeans lead the fund has been increasingly challenged during the eurozone crisis. (Source: *The Star*)

U.S.: U.K. growth in focus as Greece crisis pauses

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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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