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Tuesday, July 28, 2015

At a Glance

FBMKLCI down 11.00 points to finish at 1,709.76 amid weak ending in China stock market.....(See full report next page)

Strategy

“Wall Street Tank on China’s Rout”

The best cause of action would be a wait-and-see attitude unless investors have bigger risk appetite than the rest(See full report next page)

Corporate Highlights

- **Dayang, BUY (TP: RM2.64):** Takeover offer for Perdana Petroleum becomes unconditional
- **AirAsia (CP: RM1.40):** To recapitalize Indonesia affiliate to meet equity rule
- **MyEG (CP: RM2.70):** Shareholders approve RM155mil proposed purchase of office

Economic Update

- **Malaysia:** Consumer confidence slips in Q2 - Nielsen
- **Indonesia:** Q2 FDI up, Axiata biggest investor in June
- **Japan:** BOJ's Nakaso warns of China slowdown impact on exports



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	1,709.76	-11.00	-0.64
FBMEMAS	11,827.41	-64.75	-0.54
FBMEMAS SHA	12,313.99	-31.68	-0.26
FBM100	11,496.50	-62.72	-0.54
Volume (mn)	2,216.61	467.01	26.69
Value (RMmn)	1,779.50	277.32	18.46
FBMKLCI YTD Chg			-2.92

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	27.3	-10.2
Local Institution	53.2	270.0
Foreign Investors	19.5	-259.8

Top Gainers

	Close	Change+/-	(+/- %)
BAT	65.72	1.12	1.73
TAHPS GROUP	8.60	0.55	6.83
CARLSBERG	12.84	0.40	3.22

Top Losers

	Close	Change+/-	(+/- %)
KLK	22.12	-0.40	-1.78
PPB GROUP	15.10	-0.28	-1.82
YSP SOUTHEAST	3.22	-0.22	-6.40

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,440.59	-127.94	-0.73
NASDAQ	5,039.78	-48.85	-0.96
S&P 500	2,067.64	-12.01	-0.58
FTSE 100	6,505.13	-74.68	-1.13
DAX	11,056.40	-291.05	-2.56
Nikkei 225	20,350.10	-194.43	-0.95
HSI	24,351.96	-776.55	-3.09
KOSPI	2,038.81	-7.15	-0.35
STI	3,314.26	-38.39	-1.15
KLCI Futures	1,688.00	(12.50)	(0.01)
USDMYR 3M	10.04	(0.02)	(0.00)
USDMYR 6M	10.25	(0.01)	(0.00)
USDMYR 12M	10.41	(0.04)	(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	3.82	-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 tumbled 127.94 points to 17,440.59, S&P 500 plunged 12.01 points to 2,067.64. Nasdaq dropped by 48.85 points to 5,039.78. Stocks closed lower Monday under pressure from an overnight plunge in the Shanghai Composite and a continued decline in commodities, amid a lackluster earnings season.
- The fear factor of China is very much alive in the market. That's nearing us to some technical support levels," said Peter Cardillo, chief market economist at Rockwell Global Capital. "Slow growth out of China just complicates the oil picture.

The Local Market

- FBMKLCI down 11.00 points to finish at 1,709.76 amid weak ending in China stock market. There were 290 gainers and 609 decliners in total value traded of RM1.78 billion.
- Among the losers on Bursa Malaysia were KLK tumbled 40 cent to RM22.12, PPB Group plunged 28 cent to RM15.10, YSP Southeast dropped 22 cent to RM3.22 and Bintulu Port declined 20 cent to RM6.80.

Strategy

- **"Wall Street Tank on China's Rout"**
Wall Street suffered back-to-back steep selling pressure as sentiment took a hit following equity market rout in China. S&P 500 and DJIA lost 12.01 (-0.58%) and 127.94 (-0.73%) points to finish at 2,067.64 and 17,440.55 respectively. China's Shanghai Composite Index plunged 8.5% on Monday, enduring its largest one-day decline in more than eight years, as investors ran for cover following the tank in China's industrial profits that dropped 0.3% y-o-y against 0.6% growth the month before. The weak China economic outlook poured cold water over the ability of the government to intervene in the equity market this time around, forcing investors to abandon the market. China's government refuted claim that it would intervene anyhow. In a separate development, the US FOMC had begun its 2-day policy meeting to debate the timing of interest rate adjustment, its first hike (if any) in 6 years. The outcome of this may cause nervousness in the global equity market, pushing some investors to the sideline. These 2 major developments from the world's top 2 economies may cause jitteriness in the global equity market, making investing decision quite a delicate balance at this stage. The best course of action would be a wait-and-see attitude unless investors have bigger risk appetite than the rest.
- 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

Dayang, BUY (TP: RM2.64): Takeover offer for Perdana Petroleum becomes unconditional

Dayang Enterprise Holdings Bhd's takeover offer for Perdana Petroleum Bhd has become unconditional, as it now owns a 51.21% stake in the latter. Dayang informed Bursa Malaysia that it had received valid acceptance of the offer for 11.779 million shares or a 1.57% stake, increasing its shareholding in the oil and gas (O&G) services provider to 51.21% or 383.31 million shares. "Accordingly, the acceptance condition has been fulfilled and the offer became wholly unconditional on July 24, 2015," it said. As of the same date, Dayang also held some 12.78 million or 41.71% of Perdana Petroleum's warrants. The offeror Dayang will keep the offer open for acceptance for at least 14 days from the unconditional date. As such, the offer shall remain open for acceptance until 5.00pm on Aug 13, 2015. There will be no further extension of the final closing date. (Source: The Star)

AirAsia (CP: RM1.40): To recapitalise Indonesia affiliate to meet equity rule

AirAsia Bhd CEO Tan Sri Tony Fernandes said on Monday the company will recapitalise its Indonesian affiliate so that the unit can meet a rule set by the country's transport ministry. AirAsia Indonesia has submitted a plan to boost shareholders' equity ahead of a month-end deadline, Fernandes said at a company event in Kuala Lumpur. "We've always said that we're re-capitalizing the airline and we will. There's not a second of worry that AirAsia Indonesia will close down because of equity regulations," he said. (Source: The Star)

MyEG (CP: RM2.70): Shareholders approve RM155mil proposed purchase of office

MY E.G Services Bhd yesterday obtained shareholders' approval for the proposed acquisition of 22 storeys of stratified parcels forming part of a 45-storey corporate office tower at Empire City @ Damansara. Its Executive Chairman, Datuk Dr Norraesah Mohamad, said the RM155.35 million acquisition would allow the company to centralise its operations and relocate all employees under one roof. A minority shareholder, however, told the media that the exercise was part of the company's future expansion plan and grow its staff strength to 3,000 from some 2,000 currently. (Source: The Star)

Borneo Oil (CP: RM0.59): Gets Bursa Malaysia nod for rights issue

Bursa Malaysia has approved Borneo Oil Bhd's rights issue with free warrants, enabling it to raise RM223.39mil to expand its gold mining in Peninsular Malaysia. Its corporate exercise involves the proposed issuance of 2.37bil rights shares on the basis of six rights shares for every one share held and 1.18bil free warrants C on the basis of one warrant C for every two rights shares held. Borneo Oil said on Monday by expanding its gold mining activities, this could raise its net profit to more than 25% in the future. The cash call expects to raise RM223.39mil based on the indicative issue price of 10 sen per renounceable rights share. (Source: The Star)

Destini (CP: RM0.63): Destini Aviation to handle maintenance of AirAsia planes
Destini Bhd's will handle the maintenance, repair and overhaul (MRO) of AirAsia Bhd's aircraft under a proposed strategic outsourcing exercise. Destini said on Monday its unit Destini Aviation Sdn Bhd had signed a collaboration agreement with AirAsia to lay the groundwork for the final negotiations and implementation plan to execute the strategic outsourcing exercise. "The agreement covers key initiatives for strategic outsourcing namely technical handling, component maintenance, repair and overhaul, and hangar based MRO. Each of these initiatives is to be implemented in a phased manner over the next six to eight months, one after the other," it said. (Source: *The Star*)

Ikhmas Jaya (CP: RMxx): Shares close 44% higher on debut

Piling and engineering specialist Ikhmas Jaya Group Bhd made its debut on the Main Market of Bursa Malaysia yesterday with its share price closing 44%, or 25 sen higher at 82 sen, above its 57 sen issue price. The group is engaged in engineering and construction activities, which it involved in piling and foundation works, bridge construction, building construction and other civil works. Ikhmas Jaya's shares hit a low of 67.5 sen and high of 82 sen on the the first day of trading. Speaking at a press conference after its listing ceremony, the group's managing director Datuk Ang Cheng Siong said he is buoyant on the group's long-term prospects, on the progress of existing projects and potential jobs it hopes to secure. He said the contracts it is tendering for were made up mostly of infrastructure jobs, such as work for the Mass Rapid Transit Line 2 (MRT2) and Light Rail Transit Line 3 (LRT3), as well as the government affordable homes projects. (Source: *The Sun*)

BCB (CP: RM1.25): Group MD's offer to take over BCB gets tepid response

The mandatory offer to take over property and construction firm BCB Bhd has received only 10.09% valid acceptances level at the offer's close on Monday. In a filing with Bursa Malaysia, BCB said the offeror Evergreen Ratio Sdn Bhd -- a company controlled by BCB group managing director Datuk Tan Seng Leong and family -- and the persons acting in concert with it (PAC) had raised their holding to 57.87% of BCB shares. This was up from 47.78% on July 6, the date when the offer document was sent out. With more than 50% of the voting shares now in the hands of Evergreen Ratio and PAC, the offer has become unconditional despite the low level of acceptances. The mandatory takeover offer of BCB was triggered on June 15 when Evergreen Ratio bought 11.26% in the company (excluding treasury shares) for RM22.553mil (or RM1 per share) that boosted its stake to 44.08%. (Source: *The Star*)

Melati Ehsan (CP: RM1.08): Q3 earnings sharply lower

Property and construction firm Melati Ehsan Holdings Bhd's earnings fell sharply to RM827,000 in the third quarter ended May 31, from the RM6.64mil a year ago due to higher operating expenses, lower revenue and some provisional cost recognised. It told Bursa Malaysia yesterday that its revenue fell 57% to RM46.26mil from RM108.16mil. Earnings per share were 0.69 sen compared with 5.55 sen. For the nine months, its earnings fell 67.4% to RM5.51mil from RM16.91mil in the previous corresponding period. Revenue declined 39% to RM154.32mil from RM252.69mil. "The decrease in the profit of the group in the current financial period as compared to the preceding year corresponding

period was due mainly to lower operating revenue from all segments of the group," it said. (Source: *The Star*)

Petronas: To start construction of LNG terminal in Canada in Sept

Construction of Petroliam Nasional Bhd's (Petronas) multi-billion ringgit liquefied natural gas (LNG) export terminal project in Canada is expected to start in September. "We are awaiting the final environmental certificate. We are hoping by this fall. All of the other prerequisites have been dealt with now," said British Columbia (BC) Finance Minister Michael de Jong. The final puzzle piece that remains for the US\$36bil (RM137.4bil) project, is the environmental certificate from Canada's central government. "Petronas and their partners are working through that exercise. The Petronas-led Pacific NorthWest LNG project in north-eastern BC, Canada, involves the construction of facilities to process and export natural gas to be produced by Progress Energy Canada Ltd. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Consumer confidence slips in Q2 - Nielsen

The Malaysian consumer confidence index, as measured by Nielsen, slipped to 89 points in the second quarter (Q2), down from 94 in the first quarter, following the introduction of the goods and services tax (GST). This brings the confidence back to the level achieved in Q4 last year. The country is now ranked the 24th most confident country globally, the market research company said in a statement. According to the latest Nielsen Global Survey of Consumer Confidence Spending Intentions, the Philippines (which gained seven points) is the only market in South-East Asia where consumer sentiments increased in the past quarter although confidence levels in the region have remained relatively high. (Source: *The Star*)

Indonesia: Q2 FDI up, Axiata biggest investor in June

Indonesia's foreign direct investment (FDI) grew at the fastest pace since 2013 on yearly basis in the second quarter - a bright spot in an otherwise weak economic outlook. Malaysia was the biggest source of investment in the June quarter, expanding the network of telecommunications operator PT XL Axiata Tbk into 4G. The company is a subsidiary of Axiata Group Berhad. The transport and telecommunication, mining, and construction industries were the biggest recipients of FDI in the second quarter. Annual growth in Southeast Asia's largest economy was only 4.71 percent in the first quarter, the slowest since 2009, and Bank Indonesia predicted second quarter growth to be just as weak as domestic consumption wanes and exports fall. (Source: *The Star*)

Japan: BOJ's Nakaso warns of China slowdown impact on exports

Japanese policymakers must be mindful of the potential negative impact that China's economic slowdown could have on Japanese exports, central bank Deputy Governor Hiroshi Nakaso said on Monday. He also warned of the risk that an expected interest rate hike by the U.S. Federal Reserve could heighten

global market volatility and hurt emerging markets vulnerable to capital outflows. While China's economy is expected to stabilise on stimulus measures taken so far, its slowdown may be prolonged by the huge slack in output and the property market, he said. (Source: Reuters)

U.S.: Business capital spending gauge rebounds solidly in June

A gauge of U.S. business investment plans rebounded solidly in June, suggesting the drag on manufacturing from capital spending cuts was starting to ebb. The Commerce Department said on Monday non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, increased 0.9 percent last month after an unrevised 0.4 percent drop in May. The increase followed two straight months of decline. Economists polled by Reuters had expected these so-called core capital goods to increase 0.4 percent in June. Deep investment spending cuts in the energy sector in the aftermath of a more than 60 percent plunge in crude oil prices last year have weighed on factory activity. But there are signs that the energy spending rout is close to an end. (Source: The Edge)

U.K.: London Home Presales Slump as Taxes, Values Deter Buyers

Demand for London homes under construction slumped by 27 percent in the second quarter as high prices and a sale-tax increase damped demand. Presales in the U.K. capital fell to about 5,109 from 7,046 in the same period last year, broker Chestertons said, citing data compiled by Molior London Ltd. Chancellor of the Exchequer George Osborne hurt sentiment when he raised the stamp duty sales tax for luxury homes in December, while demand has also been dented by affordability tests and loan-to-income restrictions by lenders. The slump is worrying developers because they use down-payment income from off-plan transactions to help secure construction finance. (Source: Bloomberg)

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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