

PP14767/09/2012(030761)

Thursday, July 30, 2015

At a Glance

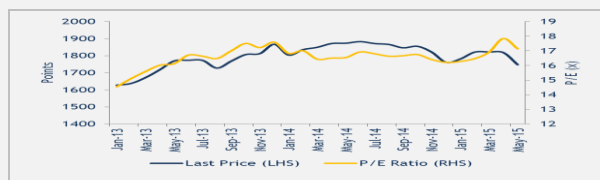
FBMKLCI tumbled marginally 0.71 points to finish at 1,698.99 due to selling pressure on some heavyweight counters.....(See full report next page)

Corporate Highlights

- **Cepatwawasan (CP: RM0.79):** Net profit falls 60
- **TA Global (CP: RM0.32):** Aims big improvement in earnings for FYE 2017
- **Datasonic (CP: RM1.26):** Zooms in on credit, ATM card migration market

Economic Update

- **Malaysia:** Will continue to grow sustainably, says Najib
- **Malaysia:** German businesses upbeat about Malaysia's investment climate
- **Malaysia:** Will not sign any TPP pact in Hawaii



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%
NY	31-Jul	6:00 PM	Money Supply M3 YoY	-	5.7%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,698.99	-0.71	-0.04
FBMEMAS	11,755.12	17.10	0.15
FBMEMAS SHA	12,231.38	27.21	0.22
FBM100	11,427.50	11.81	0.10
Volume (mn)	1,364.89	-776.64	-36.27
Value (RMmn)	1,735.74	-515.53	-22.90
FBMKLCI YTD Chg			-3.53

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.2	-3.6
Local Institution	54.9	244.2
Foreign Investors	26.9	-240.6

Top Gainers

	Close	Change+/-	(+/- %)
MALAYSIAN PAC	7.20	0.50	7.46
DUTCH LADY MILK	46.82	0.32	0.69
KOSSAN RUBBER	7.45	0.30	4.20

Top Losers

	Close	Change+/-	(+/- %)
SHELL REFINING	4.77	-0.14	-2.85
YSP SOUTHEAST	3.01	-0.13	-4.14
IBRACO BHD	1.68	-0.12	-6.67

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,751.39	121.12	0.69
NASDAQ	5,111.73	22.53	0.44
S&P 500	2,108.57	15.32	0.73
FTSE 100	6,631.00	75.72	1.16
DAX	11,211.85	37.94	0.34
Nikkei 225	20,302.91	-25.98	-0.13
HSI	24,619.45	115.51	0.47
KOSPI	2,037.62	-1.48	-0.07
STI	3,284.00	2.91	0.09
KLCI Futures	1,676.00	4.00	0.00
USDMYR 3M	9.98	0.05	0.00
USDMYR 6M	10.22	0.02	0.00
USDMYR 12M	10.45	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	0.1	0.2%
Brent (USD/bbl)	53.4	0.1	0.2%
Gold(USD/ounce)	1,097	0.6	0.1%
Coal (USD/mt)	60.3	0.0	0.0%
CPO (RM/mt)	2,111	-20.0	-0.9%
Rubber	159	0.0	0.0%
RM/USD	3.81	-0.0047	0.12%
EUR/USD	0.91	-0.0003	-0.03%
YEN/USD	123.90	-0.04	0.03%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 121.12 points to 17,751.39, S&P 500 up 15.32 points to 2,108.57. Nasdaq soared by 22.53 points to 5,111.73. Stocks closed higher Wednesday after the Federal Reserve kept rates unchanged in its July statement and the continued recovery in oil prices encouraged investor sentiment.
- The Federal Reserve kept rates unchanged and gave no hint of liftoff coming in the next meeting. The decision on the rates was unanimous. Policymakers said the economy is expanding moderately and made no mention of recent volatility around Greece or China.

The Local Market

- FBMKLCI tumbled marginally 0.71 points to finish at 1,698.99 due to selling pressure on some heavyweight counters. There were 444 gainers and 371 decliners in total value traded of RM1.73 billion.
- Among the losers on Bursa Malaysia were Shell Refining tumbled 14 cent to RM4.77, YSP Southeast Asia 13 cent to RM3.01, Ibraco Bhd dropped 12 cent to RM1.68 and Sarawak Oil Palm declined 11 cent to RM4.34.

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

Cepatwawasan (CP: RM0.79): Net profit falls 60%

Cepatwawasan Group Bhd's net profit fell 60.4% to RM3.26mil in the second quarter ended June 30, 2015 from RM8.26mil a year ago dragged by falling crude palm oil (CPO) and palm kernel prices. Its revenue slipped 20.9% to RM53.97mil for the quarter compared to RM68.29mil a year ago due to falling crude palm oil (CPO), palm kernel prices and lower CPO sales volume. In a filing to Bursa on Wednesday, the company said that CPO and palm kernel prices fell by 14% and 25% respectively and lower CPO sales volume by 7%. (Source: *The Star*)

TA Global (CP: RM0.32): Aims big improvement in earnings for FYE 2017

TA Global Bhd, the property arm of TA Enterprise Bhd, expects to see its financial performance improve significantly in the financial year ending Jan 31, 2017. The contribution will come mainly from properties that will be complete in 2016. The first phase of its project in Little Bay, Sydney, called Solis, has been fully sold. The 45-unit project luxury apartments will be ready for delivery in the first quarter of 2016, said TA Enterprise managing director and chief executive officer Alicia Tiah. She said that progress for the second phase in Little Bay,

Illume, is ongoing and will be ready for launch next month. The project consists of 179 residential apartments with a gross development value of A\$160mil. (Source: *The Star*)

Datasonic (CP: RM1.26): Zooms in on credit, ATM card migration market

Datasonic Group Bhd is targeting to grab a 50% share of the renewal of credit cards and automated teller machine (ATM) cards market within the next two years. During a press conference after the company's AGM yesterday, chairman General Tan Sri Mohamed Hashim Mohd Ali said the company is poised to benefit from the card market, which has an estimated business potential of 52 million cards. In keeping with the goal, he noted that Datasonic is aiming to ramp up its production to 10 million cards a year compared with only two million to three million at present. Under the payment card reform framework announced by Bank Negara last year, banks are required to migrate to a pin-based model credit card payment system, from the current signature-based model, by end of 2016. (Source: *The Sun*)

MBSB (CP: RM1.76): Muamalat merger, full-fledged Islamic bank on the cards

Malaysia Building Society Bhd (MBSB), one of the non-conventional banks in the local financial industry, is on track to obtaining a full-fledged Islamic banking licence with plans under way for a merger with Bank Muamalat. Sources said the plans were being crafted as part of MBSB's vision to obtain a full-fledged Islamic banking licence. Currently, the largest shareholder in Bank Muamalat is DRB-Hicom Bhd, which controls 70% of the group, followed by the Government's investment arm Khazanah Nasional Bhd that has a 30% stake. When DRB-Hicom took over Bank Muamalat in 2008, Bank Negara had imposed a condition that its stake had to be pared down to 40%. DRB-Hicom had acquired the stake from Bukhary Capital. In 2011, Khazanah's managing director Tan Sri Azman Mokhtar said that its stake in Bank Muamalat was a "non-core holding", which it was seeking to dispose of. Malaysia Building Society Bhd (MBSB), one of the non-conventional banks in the local financial industry, is on track to obtaining a full-fledged Islamic banking licence with plans under way for a merger with Bank Muamalat. (Source: *The Star*)

Boustead (CP: RM4.02): Olio Resources in O&G project MoU

Boustead Holdings Bhd has signed a MoU with Olio Resources Sdn Bhd to bid for two oil and gas upstream projects. The first project involves the rental of seawater filter skid for new platform and the second is the provision of seawater treatment package for waterflooding project relating to enhanced oil recovery operation," Boustead said in a filing with Bursa Malaysia. The initiative followed an earlier MoU entered between Boustead with Olio Resources to record their mutual cooperation as a platform for the parties in their pursuit of tapping into the vast opportunities of the Malaysian oil and gas sector. (Source: *The Star*)

AWC (CP: RM0.43): To buy M&E companies

AWC Bhd has proposed to acquire the entire stake in Qudotech Sdn Bhd and DD Techniche Sdn Bhd for RM26.5 million, through a combination of cash and issuance and allotment of new ordinary shares of par value 30 sen each in AWC. Qudotech is principally involved in mechanical and electrical (M&E) engineering

works, specifically in all manners of plumbing works, while DDT is principally involved in the contracting for mechanical engineering works, the design of piping and systems for rainwater harvesting products and trading of specialised water tanks and rainwater harvesting products. AWC said the cash portion of RM14.85 million of the total purchase consideration will be funded via internally generated funds. *(Source: The Sun)*

Xidelang (CP: RM0.18): To expand into apparels manufacturing business

China-based sports shoemaker Xidelang Holdings Ltd has proposed to acquire the entire stake in JinJiang YangSen Garments Co.,Ltd (YangSen), in a bid to diversify its business to include manufacturing of apparels. However, the acquisition sum will only be disclosed upon completion of the due diligence exercise. Xidelang proposes to satisfy the purchase consideration via cash and/or issuance and allotment of new shares at an issue price of 22 sen per share. Presently, Xidelang is involved in the design, manufacturing and marketing of sports and leisure shoes as well as design and marketing of sports and leisure apparels. *(Source: The Sun)*

ECONOMIC UPDATES

Malaysia: Will continue to grow sustainably, says Najib

Malaysia will continue to grow sustainably, reduce fiscal deficit and keep debt at a manageable level, said Prime Minister Datuk Seri Najib Tun Razak. We have strong fundamentals, Najib said via Twitter. Meanwhile, the Prime Minister's Office (PMO) has expressed satisfaction with the Standard and Poor's reaffirmation of its ratings in various 'A' categories for short- and long-term credit ratings for Malaysia. In its Facebook post, the PMO said the rating agency also believed that Malaysia's fiscal deficits and government debts were moderate, taking into consideration the country's 'strong external position' and 'considerable monetary flexibility'. *(Source: The Star)*

Malaysia: German businesses upbeat about Malaysia's investment climate

German businesses in the country are not perturbed by the reported pull-out of foreign fund managers, saying that fund activity and real business were completely two different things. It is completely two different issues. We are in the real business to produce products and services and are not affected with what institutional funds are doing. It (fund movement) is very volatile all over the world but we are talking about real business here, so we are not concerned," said Malaysian-German Chamber of Commerce and Industry Executive Director Alexander Stedtfeld after presenting the findings of the Asean Business Climate Survey 2015 here on Wednesday. He also said the ringgit's fluctuation did not have any significant impact on German companies. *(Source: The Star)*

Malaysia: Will not sign any TPP pact in Hawaii

As pivotal negotiations in the making or breaking of the Trans-Pacific Partnership (TPP) enter the final stretch, the Ministry of International Trade and Industry (MitI) has stated that Malaysia will not sign any agreement during the current round of talks, which runs until July 31, and sought to reassure critics

that it will stand firm on issues of sovereignty, government procurement, state-owned enterprises and the bumiputra agenda. The latest TPP Ministerial Meeting began on Tuesday in Hawaii, USA. "Signing of the TPPA (Trans-Pacific Partnership Agreement) will not happen in Hawaii. Like Malaysia, each TPPA member will need to go through its own domestic process before a final decision to sign and ratify the TPPA is made," Minister Datuk Seri Mustapa Mohamed said in a statement released yesterday. In acknowledging criticism against the ongoing TPPA negotiations, Mustapa also addressed known concerns on the inclusion of the Investor-State Dispute Settlement (ISDS) mechanism, government procurement, capital controls, medicines, market access, position of Islam as the official religion of Malaysia and the secrecy of the negotiations. (Source: The Sun)

Eurozone: Disappointed ECB says euro zone economies further apart than at the start

The euro zone's founding members are further apart economically than they were, a "disappointing" outcome defying the premise that laggards would slowly catch up in common currency bloc, the European Central Bank said on Wednesday. Early members failed to recognise that lower borrowing costs, a key benefit in the currency union, would only provide a temporary boost, and left unchecked, would actually lead to many of the troubles that plunged the bloc into its debt crisis. Progress towards real convergence among the 12 countries that formed the euro area in its initial years has been disappointing," the ECB said in an economic bulletin. The unusually strong commentary from the bank highlights the fragility of the currency union, which is still fighting an existential crisis after Greece came close to being forced out after years of failed reforms and ballooning debt. (Source: The Edge)

U.S.: Fed expected to push ahead with rate hike plan

The US Federal Reserve is expected on Wednesday to point to a growing US economy and stronger job market as it sets the stage for a possible interest rate hike in September. The US central bank is scheduled to issue its latest policy statement at 1800 GMT following a two-day meeting, spelling out how policymakers feel the economy has progressed since they last met in June. Earlier this year the Fed embraced a meeting-by-meeting approach on the timing of what will be its first rate hike since June 2006, making such a decision solely dependent on incoming economic data. With a slew of employment, inflation and gross domestic product (GDP) reports to come before its September meeting, the Fed is unlikely to hint too strongly about its plans, Barclays economists Michael Gapen and Rob Martin wrote in a preview of this week's meeting. (Source: The Star)

U.S.: Fed says economy improving; September rate hike in view

The U.S. economy and job market continue to strengthen, the Federal Reserve said on Wednesday, leaving the door open for a possible interest rate hike when central bank policymakers next meet in September. Following their latest two-day policy meeting, Fed officials said they felt the economy had overcome a first-quarter slowdown and was "expanding moderately" despite a downturn in the energy sector and headwinds from overseas. They nodded in particular to the "solid job gains" seen in recent months. (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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