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Friday, July 31, 2015

Report of the Day

Results Review: Public Bank 2Q15, BUY (TP: RM21.70) - "No Slow Down"

Results Review: TNB 3Q15, BUY (TP: RM15.20) - "Weaker Due to Rebates"

Sector Update: Automotive – "1H15 TIV Down, MAA Lowering 2015 TIV to 670k"

At a Glance

FBMKLCI rose 0.93 points to finish at 1,699.92 due to the positive performance in U.S. market.....(See full report next page)

Strategy

"Wall Street Ended Flat at the Back of Encouraging US 2Q15 GDP"

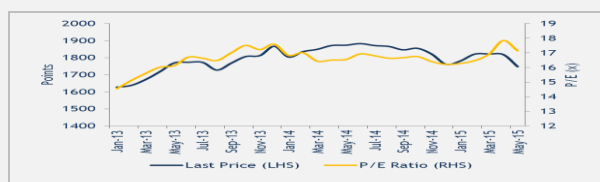
As for today, we see no bad news that can weigh on sentiment. Hence, we expect risk taking and tolerance to improve.....(See full report next page)

Corporate Highlights

- **TNB, BUY (TP: RM15.20):** Q3 earnings slump to RM789m
- **Public Bank, BUY (TP: RM21.70):** Posts strong Q2 earnings, dividend 24 sen
- **MAHB (CP:RM6.05):** Posts net loss of RM19.8mil

Economic Update

- **Malaysia:** Malaysia, Bangladesh bilateral trade to improve in 2H15
- **Malaysia:** Sukuk sale lures weakest demand in 2015 on 1MDB concern
- **Europe:** Inflation-less recovery gains traction



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	1,699.92	0.93	0.05
FBMEMAS	11,757.41	2.29	0.02
FBMEMAS SHA	12,255.79	24.41	0.20
FBM100	11,428.30	0.80	0.01
Volume (mn)	1,617.99	253.10	18.54
Value (RMmn)	1,582.21	-153.53	-8.84
FBMKLCI YTD Chg			-3.48

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	23.7	-1.5
Local Institution	49.3	189.5
Foreign Investors	27.0	-188.0

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE	72.52	0.52	0.72
BAT	66.00	0.40	0.61
ORIENTAL FOOD	6.24	0.28	4.70

Top Losers

	Close	Change+/-	(+/- %)
SHANGRI-LA	6.09	-0.21	-3.33
YSP SOUTHEAST	2.83	-0.18	-5.98
GAMUDA	4.66	-0.14	-2.92

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,745.98	-5.41	-0.03
NASDAQ	5,128.79	17.05	0.33
S&P 500	2,108.63	0.06	0.00
FTSE 100	6,668.87	37.87	0.57
DAX	11,257.15	45.30	0.40
Nikkei 225	20,522.83	219.92	1.08
HSI	24,497.98	-121.47	-0.49
KOSPI	2,019.03	-18.59	-0.91
STI	3,249.52	-34.48	-1.05
KLCI Futures	1,685.00	9.00	0.01
USDMYR 3M	10.23	0.06	0.01
USDMYR 6M	10.45	0.04	0.00
USDMYR 12M	10.82	0.04	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	0.0	0.0%
Brent (USD/bbl)	53.3	-0.1	-0.1%
Gold(USD/ounce)	1,089	-0.2	0.0%
Coal (USD/mt)	60.3	0.0	0.0%
CPO (RM/mt)	2,124	13.0	0.6%
Rubber	159	0.0	0.0%
RM/USD	3.82	0.0087	-0.23%
EUR/USD	0.91	-0.0006	-0.07%
YEN/USD	124.15	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 5.41 points to 17,745.98, S&P 500 up marginally 0.06 points to 2,108.63. Nasdaq soared by 17.05 points to 5,128.79. Stocks closed mostly higher on Thursday as investors digested more earnings and second-quarter GDP, a day after the Federal Reserve left interest rates unchanged.
- After the second-quarter gross domestic product report came in slightly below expectations, traders will watch Friday's employment cost index for another indicator on the labor market and inflation.

The Local Market

- FBMKLCI rose 0.93 points to finish at 1,699.92 due to the positive performance in U.S. market. There were 383 gainers and 401 decliners in total value traded of RM1.58 billion.
- Among the gainers on Bursa Malaysia were Nestle gained 52 cent to RM75.52, BAT grew 40 cent to RM66.00, Oriental Food surged 28 cent to RM6.24 and Top Glove soared 24 cent to RM7.88.

Strategy

- **“Wall Street Ended Flat at the Back of Encouraging US 2Q15 GDP”**
Wall Street ended flat as steady US 2Q15 GDP suggest no turning back in US interest rate adjustment. S&P 500 added a paltry 0.06 points (0.00%) to end at 2,108.83 while DJIA lost a mere 5.41 points (-0.03%) to finish at 17,745.98 respectively. Advanced reading on US 2Q15 shows that the economy increased 2.3% for the quarter against upwardly revised 0.6% for 1Q15. Almost the entire increase in GDP was the result of a 2.9% increase in real personal consumption spending, which contributed 2.0 pps to second quarter growth. With the steady personal consumption spending, the US economy may face the risk of runaway inflation if interest rate continues to be kept at ultra low level and hence, suggest point of no return in interest rate outlook. Therefore, we expect the market to factor in this almost certain probability in this 2H15. Oil will be an added risk especially if it starts to head northbound. As for today, we see no bad news that can weigh on sentiment. Hence, we expect risk taking and tolerance to improve.
- 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

TNB, BUY (TP: RM15.20): Q3 earnings slump to RM789m

Tenaga Nasional Bhd's earnings fell to RM789.40mil in the third quarter ended May 31, 2015 from the RM1.627bil a year ago. The power giant said on Thursday its revenue was lower at RM9.905bil compared with RM11.499bil a year ago. Earnings per share were 13.99 sen compared with 28.83 sen. For the nine months ended May 31, 2015, its earnings were higher at RM5.297bil compared with RM5.111bil. Revenue was higher at RM31.542bil compared with RM31.069bil. The quarter recorded sales of electricity of RM10, 822.9 million against RM10,611.6mil for the same period last financial year. The increase was mainly from sales of electricity in the Peninsular Malaysia, which recorded an increase of 2.4% or RM241.4 mil. (Source: Bursa Malaysia)

Public Bank, BUY (TP: RM21.70): Posts strong Q2 earnings, dividend 24 sen

Public Bank Bhd posted a strong financial performance in the second quarter ended June 30, 2015 with earnings up 13.3% to RM1.196bil from RM1.055bil a year ago. "The improved earnings was mainly due to higher net interest income, higher net fee and commission income and higher investment income partially offset by higher other operating expenses," it said on Thursday. Revenue increased by 16.7% to RM4.737bil from RM4.059bil. Earnings per share were 30.99 sen compared with 30.16 sen. It rewarded shareholders with a dividend of 24 sen a share, slightly higher than the 23 sen a year ago. Commenting on the financial performance, Public Bank said retail operations' pre-tax profit increased by RM32.4mil (4.0%) to RM846.7mil, mainly due to higher net interest income and higher fee income; partially offset by higher other operating expenses. (Source: The Star)

MAHB (CP:RM6.05): Posts net loss of RM19.8mil

Malaysia Airports Holdings Bhd's (MAHB) net loss of RM19.88mil narrowed in the second quarter ended June 30, 2015, from a net loss of RM44.67mil a year ago. In a filing to Bursa Malaysia, the company said on Thursday the net loss narrowed due to the earnings from the acquisition Turkey's Istanbul Sabiha Gokcen International Airport (ISG) and LGM Havalimani Isletmeleri Ticaret ve Turizm (LGM). Overall, it added that the company's net loss was due to amortisation of fair value for the concession rights on the acquisition of ISG and LGM. Total costs for ISG and LGM for the current quarter under review was RM251.2mil, comprising mainly of finance costs, depreciation and amortisation and administrative cost amounting to RM106.5mil, RM85.7mil and RM28.6mil respectively. (Source: The Star)

Gadang (CP: RM1.44): 4Q net profit almost triples on higher property, construction contributions

Gadang Holdings Bhd's net profit in the fourth quarter ended May 31, 2015 (4QFY15) almost tripled to RM24.55 million or 11.35 sen from RM8.59 million or 4.37 sen a year ago, on higher contributions from its property and construction segments. Its revenue for the quarter was also up 19.22% to RM170.48 million from RM142.99 million in 4QFY14, also primarily due to the same reasons, according to its filing to Bursa Malaysia today. The engineering and construction company also proposed a first and final single-tier dividend of 5 sen per share

for FY15 (FY14: 4 sen per share), subject to shareholders' approval at the company's forthcoming annual general meeting (AGM). For the full year (FY15) Gadang saw its net profit come in at RM58.77 million or 27.16 sen per share, up 35.96% from RM43.23 million or 21.98 sen per share in FY14. (Source: The Edge)

Unisem (CP: RM2.36): 2Q net profit surges 189% on year, declares 3 sen dividend

Unisem (M) Bhd (Financial Dashboard)'s net profit surged to RM31.38 million in the second quarter ended June 30, 2015 (2QFY15) from RM10.84 million a year earlier as the semiconductor manufacturer registered higher global sales. In a filing with Bursa Malaysia, Unisem said revenue rose to RM298.79 from RM251.58 million. For 1HFY15, Unisem's net profit jumped to RM54.92 million from RM20.11 million a year earlier. Revenue was up at RM578.85 million from RM479.63 million. Unisem said it expected its FY15 performance to remain "satisfactory". In another filing, Unisem declared an interim tax-free dividend of three sen a share for the quarter in review. (Source: The Edge)

Muhibbah Engineering (CP: RM2.25): Bags RM158.2 million contract

Muhibbah Engineering (M) Bhd has bagged a contract worth RM158.2 million for civil, concrete and buildings works for offsite areas of the steam cracker complex for the refinery and petrochemicals integrated development (RAPID) project in Pengerang, Johor. In a filing with Bursa Malaysia, Muhibbah Engineering said it has accepted the award from Toyo Thai Malaysia Sdn Bhd, a wholly-owned subsidiary of TTCL Public Company Ltd. The contract is under Package No. 5: engineering, procurement, construction and commissioning (EPCC) of the steam cracker complex for RAPID project. The construction is scheduled to commence in August 2015 and is expected to be completed by November 2017. (Source: The Edge)

CI Holding (CP: RM2.28): Johari steps down as CI Holdings group MD

Datuk Johari Abdul Ghani, who was appointed as Finance Deputy Minister, has resigned as group managing director (MD) of CI Holdings Bhd (CIH) effective July 29. The edible oil and tap maker told Bursa Malaysia that executive director Megat Joha Megat Abdul Rahman had been redesignated as group MD and he also replaced Johari as a remuneration committee member. Johari, 51, had been CIH group MD for more than 12 years. He began his career with an international accounting firm and has held senior positions in various listed and unlisted companies, including that of Uda Holdings Bhd chairman. He holds a 32.72% indirect interest in CIH via JAG Capital Holdings Sdn Bhd and has been a substantial shareholder since 2005. (Source: The Star)

ECONOMIC UPDATES

Malaysia: Malaysia, Bangladesh bilateral trade to improve in 2H15

Bilateral trade between Malaysia and Bangladesh, which fell 26.4% as of May this year, is expected to improve in the second half, amid a better economic environment. From January to May 2015, bilateral trade declined to US\$412 million from US\$560 million during the same period of last year. "Bilateral trade will increase by 5% (in the second half of the year. This is my expectation," said

the Malaysia External Trade Development Corporation's (Matrade) Chief Executive Officer, Datuk Dzulkifli Mahmud. Last year, exports to Bangladesh was worth US\$1.2 billion (RM4 billion), a decline of 19.7%. Imports amounted to US\$114.6 million (RM375.7 million), up by 31.9% from 2013. (Source: *The Star*)

Malaysia: Sukuk sale lures weakest demand in 2015 on 1MDB concern

Malaysia attracted the weakest demand at a sovereign sukuk auction in almost eight months amid concern it will need to bail out a state-owned investment company. The Treasury sold 3.5 billion ringgit (\$916 million) of Shariah-compliant bonds due October 2025 to yield 4.105 percent on Thursday, according to data published on the central bank's website. The bid-to-cover ratio of 1.85 was the lowest since Dec. 5, data compiled by *Bloomberg* show. Prime Minister Najib Razak removed his deputy Tuesday as he seeks to head off a public rift within his cabinet over his handling of financial probes into debt-ridden 1Malaysia Development Bhd. The state-owned entity's borrowings totaled 41.9 billion ringgit (\$11 billion) at the end of March 2014. (Source: *Bloomberg*)

Europe: Inflation-less recovery gains traction

Confidence in the euro zone economy hit a four-year high in July and the European Central Bank said recovery is picking up, supported by loose monetary policy aimed at countering persistently low inflation. Spain's economy was a case in point, with data on Thursday showing it growing at the fastest pace since before the financial crisis. Weak German price pressures, however, showed the threat of deflation has not disappeared with the rising economic tide. The ECB is four months into a money-printing programme which has warded off deflation but not yet pepped up prices in the euro zone, where Greece's economic crisis has fed uncertainty about the outlook. The central bank expects prices to start rising towards the end of this year. (Source: *The Edge*)

Japan: BOJ's Ishida warns of stimulus costs, future imbalances

The Bank of Japan must be vigilant to the risk its massive stimulus programme could overheat the economy and create financial imbalances in the long run, board member Koji Ishida said on Thursday. The former banking executive said he saw no immediate signs the central bank's aggressive money printing was sowing the seeds of an asset bubble. But his warning about the long-term costs of the BOJ's aggressive money printing contrasts with the views of Governor Haruhiko Kuroda, who has mostly dismissed such risks and talked up the near-term benefits of the stimulus programme. (Source: *The Star*)

Singapore: Unemployment rate up 2% amid softer economy

Singapore's employment grew at a moderate pace, while unemployment edged up slightly amid softer economic conditions, according to the Ministry of Manpower (MOM). Key preliminary findings from the Employment Situation, Second Quarter 2015 report released by the Manpower Research and Statistics Department, MOM showed a moderate pace of job gains against softer GDP growth in the second quarter of 2015. Preliminary estimates showed that the overall seasonally adjusted unemployment rate edged up to 2% in June 2015 from 1.8% in March 2015. (Source: *The Star*)

U.S.: 2nd-quarter GDP gains speed on consumer spending

U.S. economic growth accelerated in the second quarter as a pick-up in consumer spending offset the drag from soft business spending on equipment, suggesting a steady momentum that could bring the Federal Reserve closer to hiking interest rates this year. Gross domestic product expanded at a 2.3 percent annual rate, the Commerce Department said on Thursday. First-quarter GDP, previously reported to have shrunk at a 0.2 percent pace, was revised up to show it rising at a 0.6 percent rate. The revision to first-quarter growth reflected steps taken by the government to refine the seasonal adjustment for some components of GDP, which economists said left residual seasonality in the data, as well as new source data. *(Source: MSN Money)*

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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