

PP14767/09/2012(030761)

Tuesday, August 11, 2015

## Report of the Day

**Sector Update:** Banking—"Cautiously Optimistic on Banks in 2H15"

Sector Update: Plantation—"MPOB July Palm Oil Stock Accelerate 5.3% m-o-m (34.5% y-o-y)"

## At a Glance

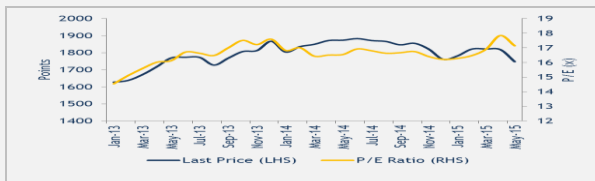
FBMKLCI plunged 28.28 points to finish at 1,654.37 on excessive selling pressure situations in equities and bond markets.....(See full report next page)

## Corporate Highlights

- **Matrix Concept (CP: RM2.26):** Q2 earnings slump as revenue falls
- **Affin Holdings (CP: RM2.43):** Tun Razak Exchange to site Affin Bank's new headquarters
- **Scomi Energy (CP: RM0.28):** Bagged RM140m contracts

## Economic Update

- **Malaysia:** Distributive trade sector up 5% in Q2
- **Malaysia:** June industrial output growth slows
- **China:** Property market continues to recover in H2



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	10-Aug	7:50 AM	BOP Currentt Account Balance	-	¥1880.9B
CN	10-15 Aug	-	New Yuan Loans CNY	725.0B	1279.1B
CN	10-15 Aug	-	Money Supply M2 YoY	11.7%	11.8%
MY	10-Aug	12:00 PM	Industrial Production YoY	-	4.5%
MY	10-Aug	12:00 PM	Manufacturing Sales Value YoY	-	-4.2%
US	11-Aug	8:30 PM	Nonfarm Productivity	1.4%	-3.1%
US	11-Aug	9:45 PM	Wholesale Inventories MoM	0.3%	0.8%
EU	12-Aug	5:00 PM	Industrial Production SA MoM	-	-0.4%
EU	12-Aug	5:00 PM	Industrial Production WDA YOY	-	1.6%
US	12-Aug	7:00 PM	MBA Mortgage Applications	-	4.7%
JP	12-Aug	7:50 AM	PPI MoM	-	-0.2%
JP	12-Aug	7:50 AM	PPI YoY	-	-2.4%
JP	12-Aug	12:30 PM	Industrial Production MoM	-	0.8%
JP	12-Aug	12:30 PM	Industrial Production YoY	-	2.0%
JP	12-Aug	12:30 PM	Capacity Utilization MoM	-	-3.0%
CN	12-Aug	1:30 PM	Retail Sales YoY	-	0.20%
CN	12-Aug	1:30 PM	Retail Sales YTD YoY	-	2.4%
CN	12-Aug	1:30 PM	Industrial Production YoY	6.6%	6.8%
CN	12-Aug	1:30 PM	Industrial Production YTD YoY	6.4%	6.3%
US	13-Aug	8:30 PM	Retail Sales Advance MoM	0.4%	-0.3
US	13-Aug	8:30 PM	Retail Sales Ex Auto MoM	0.5%	-0.1
US	13-Aug	8:30 PM	Retail Sales Ex Auto and Gas	-	-0.2%
US	13-Aug	8:30 PM	Initial Jobless Claims	-	-
US	13-Aug	8:30 PM	Continuing Claims	-	-
MY	13-Aug	12:00 PM	GDP YoY	-	5.6%
MY	13-Aug	6:00 PM	BOP Currentt Account Balance	-	10.0B
EU	14-Aug	5:00 PM	GDP SA QoQ	-	0.4%
EU	14-Aug	5:00 PM	GDP SA YoY	-	1.0%
EU	14-Aug	5:00 PM	CPI MoM	-	0.0%
EU	14-Aug	5:00 PM	CPI YoY	-	0.2%
EU	14-Aug	5:00 PM	CPI Core YoY	-	1.0%
US	14-Aug	8:30 PM	PPI Final Demand MoM	0.1%	0.4%
US	14-Aug	8:30 PM	PPI Ex Food and Energy MoM	0.1%	0.3%
US	14-Aug	8:30 PM	PPI Final Demand YoY	-0.9%	-0.7%
US	14-Aug	8:30 PM	PPI Ex Food and Energy YoY	0.5%	0.8%
US	14-Aug	9:15 PM	Industrial Production MoM	0.3%	0.3%
US	14-Aug	10:00 PM	U of Mich. Sentiment	94.0	93.1

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,654.37	-28.28	-1.68
FBMEMAS	11,364.95	-210.97	-1.82
FBMEMAS SHA	11,770.73	-232.62	-1.94
FBM100	11,076.49	-191.78	-1.70
Volume (mn)	1,906.96	45.65	2.45
Value (RMmn)	1,983.09	185.97	10.35
FBMKLCI YTD Chg			-6.07

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.3	22.6
Local Institution	58.3	207.9
Foreign Investors	21.4	-230.5

## Top Gainers

	Close	Change+/-	(+/- %)
FAR EAST HLDGS	8.25	0.12	1.48
UEM EDGENTA	3.24	0.07	2.21
MYCRON STEEL	0.32	0.06	23.08

## Top Losers

	Close	Change+/-	(+/- %)
BAT	63.00	-1.00	-1.56
MALAYSIAN PAC	6.49	-0.52	-7.42
GUINNESS	13.56	-0.44	-3.14

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,615.17	241.79	1.39
NASDAQ	5,101.80	58.26	1.16
S&P 500	2,104.18	26.61	1.28
FTSE 100	6,736.22	17.73	0.26
DAX	11,604.78	113.95	0.99
Nikkei 225	20,808.69	84.13	0.41
HSI	24,521.12	-31.35	-0.13
KOSPI	2,003.17	-7.06	-0.35
STI	3,196.66	5.27	0.17
KLCI Futures	1,620.50	(36.00)	(0.02)
USDMYR 3M	12.41	0.05	0.00
USDMYR 6M	12.36	0.01	0.00
USDMYR 12M	12.55	0.01	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	-0.2	-0.4%
Brent (USD/bbl)	50.4	1.8	3.7%
Gold(USD/ounce)	1,104	-0.6	-0.1%
Coal (USD/mt)	60.1	0.1	0.1%
CPO (RM/mt)	2,029	-13.0	-0.6%
Rubber	NA	NA	NA
RM/USD	3.94	0.01	-0.25%
EUR/USD	0.91	-0.0001	-0.01%
YEN/USD	124.54	-0.09	0.07%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average gained 241.79 points to 17,615.17, S&P 500 soared 26.61 points to 2,104.18. Nasdaq up by 58.26 points to 5,101.80. UStocks closed more than 1 percent higher on Monday, with the Dow breaking a 7-day losing streak, as a recovery in oil prices.
- Weakness in the dollar and a refinery outage helped oil trade higher on Monday. Brent climbed above \$50 a barrel, after touching a more-than-six-month low of \$48.26 earlier in the session. U.S. crude settled up \$1.09, or 2.48 percent, at \$44.96 a barrel, after falling to \$43.35 earlier, a nearly-five-month low.

### The Local Market

- FBMKLCI plunged 28.28 points to finish at 1,654.37 on excessive selling pressure situations in equities and bond markets. There were 94 gainers and 923 decliners in total value traded of RM1.98 billion.
- Among the losers on Bursa Malaysia were British American Tobacco tumbled RM1.00 cent to RM63.00, Malaysia Pac In dropped 52 cent to RM6.49, Guinness Anchor slipped 44 cent to RM13.56 and Time dotCom slid 40 cent to RM6.20.

### 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

### Matrix Concept (CP: RM2.26): Q2 earnings slump as revenue falls

Seremban-based developer Matrix Concept Holdings Bhd's net profit for the second quarter ended June 30 (2Q15) fell 30% to RM29.85mil on the back of revenue which dropped 26% to RM120.44mil. The decline was mainly due to the lower revenue recognition in the quarter under review. There was an acceleration in project progress and completion of industrial property sales before the implementation of the Goods and Services Tax for 2Q15 quarter-on-quarter. As a result, net profit decreases in tandem with the fall in revenue. The developer's total unbilled sales from ongoing projects amounted to RM540mil as at June 30 and that will last it until 2018. (Source: The Star)

### Affin Holdings (CP: RM2.43): Tun Razak Exchange to site Affin Bank's new headquarters

Affin Bank Bhd will set up its new headquarters within Tun Razak Exchange's (TRX) Financial Quarter following the signing of a sale and purchase agreement on Monday. 1MDB Real Estate Sdn Bhd, which is undertaking the TRX development, said in a statement that the 54,266 sq ft plot, earmarked for a 35-storey Prime Grade A office block, would bring together the Affin group's

financial services entities under one roof and cater for its expansion plans. A commercial tower will be developed for a consideration of RM255mil. It will have a gross floor area (GFA) of 823,439 sq ft, with the price per sq ft of RM309.67. (Source: *The Star*)

#### **Scomi Energy (CP: RM0.28): Bagged RM140m contracts**

Scomi Energy Services Bhd's marine service has secured more than RM140mil of contracts in the last four months. It said on Friday the contracts are for transportation of coal and provision of offshore vessel services to clients in Indonesia, Malaysia and Thailand. Scomi Energy said its target market would remain to be the Southeast Asian region with Malaysia and Indonesia as the key locations for its coal logistics operations. Its president for marine services Mukhnizam Mahmud said the company would continue to bid for more affreightment contracts to maximise the utilisation rates of its vessels as there was still good opportunities for the business in the region. (Source: *The Star*)

#### **MAHB (CP: RM5.09): Malaysia Airport Holdings CFO resigns**

Malaysia Airport Holdings Bhd (MAHB) announced on Monday its chief financial officer Faizal Sham Abu Mansor is resigning. It said on Monday, its resignation takes effect from Aug 17. MAHB said the reason for his resignation was because of "new opportunity". Faizal, 45, has extensive experience in treasury, corporate finance and investment banking initially with the Bank of Tokyo-Mitsubishi and subsequently with the AmInvestment Group. He had also worked in Australia as a corporate accountant in a manufacturing company being involved in its corporate restructuring and process improvements. (Source: *The Star*)

#### **MPHB Cap (CP: RM1.66): Subsidiary Mimaland ends JV development plan**

The joint venture (JV) to redevelop the Gombak site of the once-popular but now-long-closed Mimaland recreational park has been terminated. MPH B Capital Bhd (MPHB Cap) told Bursa Malaysia that its 98.2% owned subsidiary Mimaland Bhd, which owns the 324-acre land (comprising seven parcels), and Bandar Raya Developments Bhd's (BRDB) unit Magna Senandung Sdn Bhd entered into a deed of termination on Monday. The property developer did not provide any reason for the cancellation. However, MPH B Cap did not say on the termination of the JV agreement, Mimaland nor Magna Senandung would have any claims against the other. (Source: *The Star*)

#### **AirAsia (CP: RM1.30): PBMT Tie Up To Develop Productive Communities In Indonesia**

Asia's largest low-cost carrier, AirAsia Bhd and one of the world's largest Shariah micro finance groups, Perhimpunan BMT (PBMT) Indonesia today signed a collaborative agreement to develop poor communities into productive communities in the republic. The two parties aim to generate productive communities where the impoverished are being engaged in productive activities, enabling them to sustain themselves and improve their standards of living in the long term. According to Indonesia's Central Statistics Agency (BPS), as of September 2014, 27.73 million Indonesians or 10.96 per cent of the country's total population live below the poverty line. The development of productive communities is therefore pivotal to address such social issues. (Source: *Bernama*)

## ECONOMIC UPDATES

**Malaysia: Distributive trade sector up 5% in Q2**

Malaysia's distributive trade sector increased by five per cent in the second quarter of 2015 (Q2), driven by positive trading in its sub-sectors. The retail trade sub-sector grew by 7.2%, followed by wholesale trade (4%) and motor vehicles (3.1%). On a quarterly basis, sales value fell 0.4% to RM247.7 billion from RM248.6 billion, it said. The total number of persons engaged in this sector was 1.6 million, up 2.5% or 39,536 persons, against the same quarter a year ago. Sales value of the wholesale trade sub-sector rose by 4% to RM121.9 billion in Q2 compared with the same quarter of 2014. This was due to the contribution of wholesale of household goods (8.1%), non-specialised wholesale trade (6.2%) and wholesale of food, beverages and tobacco (6%). *(Source: The Star)*

**Malaysia: June industrial output growth slows**

Malaysia's industrial production index (IPI) grew 4.3% in June from a year earlier on higher manufacturing and mining output as electricity production fell, the Statistics Department said today. According to the department's statement on its website, manufacturing output expanded 4.9%, buoyed by higher production of items including electrical and electronics (E&E) besides food, beverage and tobacco products. Mining output increased 4% due to the increase in crude oil and natural gas production. The department said electricity output contracted 2.3%. On a month-on-month (m-o-m) basis, June IPI grew 0.1%. June IPI's 4.3% year-on-year (y-o-y) growth compared with the 4.5% rise registered in May this year, according to the department. *(Source: The Edge)*

**China: Property market continues to recover in H2**

China's top economic planner said on Monday the property market was likely continue to improve in the second half of this year, a good sign for the broad economy. China's consumer prices are expected to stabilise and start to pick up in the second half of 2015, the National Development and Reform Commission (NDRC) said on a statement on its website. China's annual consumer inflation remained muted at 1.6% despite pork prices surging in July, and in line with forecasts and slightly higher than June's 1.4%. *(Source: The Star)*

**Greece: Hopes to conclude bailout talks by Aug. 11**

Greece hopes to conclude negotiations with international creditors by early Tuesday at the latest, a Greek official said as talks continued in Athens on a new multi-billion euro bailout designed to keep the country from financial ruin. Greece's finance and economy ministers were locked in negotiations with representatives of creditors on Sunday, which stretched until the early hours of Monday. Greek officials have previously said they expect the bailout accord to go to the country's parliament for approval by Aug. 18. When the new bailout comes to parliament for a vote it will be one bill with two articles - one article will be the loan agreement and the MoU (memorandum of understanding) and the second article will be the prior actions. *(Source: The Edge)*

**Japan: June current account in surplus**

Japan posted 12 straight monthly balance of payments gains in June, taking the half-year surplus to its highest in five years as overseas income and tourism

receipts prospered. June's current account surplus was 558.6 billion yen (\$4.5 billion) Ministry of Finance data showed on Monday, compared with a median forecast for a 773.6 billion yen. The gain was driven by a rising primary income surplus, which measures profits from investment abroad, and a gain in the travel account due primarily to growth in tourist numbers on the back of the weak yen. Drivers of growth in the current account have shifted from trade surplus to income gains and other areas such as a rise in the number of tourists. (Source: The Star)

**Philippine: Central Bank says monetary policy stance appropriate**

The Philippine central bank's current monetary policy stance remains appropriate, with the economy's solid growth fundamentals still intact despite weakness in the first quarter and inflation expected to stay manageable, its governor said on Monday. Amando Tetangco also told a budget hearing in Congress that average inflation this year was expected to settle near the low end of the government's 2-4 percent target, with the country having a solid foundation to weather global and domestic economic uncertainties. Recent forecasts and market expectations, as well as an assessment of benign inflation, indicate that the manageable inflation environment could be sustained in the near term. (Source: The Edge)

**U.S.: Inflation temporarily 'very low'**

U.S. inflation is only temporarily "very low" due in part to commodity prices, while the U.S. economy has nearly achieved full employment, Federal Reserve Vice Chairman Stanley Fischer said on Monday. A large part of the current inflation is temporary. It has to do with the decline in the price of oil; it has to do with the decline in the price of raw materials. These are things which will stabilize at some point, Fischer added, in comments that were careful not to tip his hand on when he thinks U.S. interest rates should rise. "We are in a situation with nearly full employment but very low inflation." The U.S. central bank has kept rates near zero since the depths of financial crisis in 2008, but could start tightening policy as soon as next month, given unemployment has fallen to 5.3 percent from a recessionary high of 10 percent. (Source: Reuters)



# 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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A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6  
The Boulevard, Mid Valley City,  
Lingkaran Syed Putra,  
59200 Kuala Lumpur  
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893  
Website: [www.mnaonline.com.my](http://www.mnaonline.com.my)

Head Of Research



Rosnani Rasul  
M&A Securities