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Wednesday, August 12, 2015

At a Glance

FBMKLCI plunged 17.66 points to finish at 1,636.71 following PBOC decision devalued its Yuan currency.....(See full report next page)

Strategy

"China Unleashes Currency Wars; Wall Street Rattle"

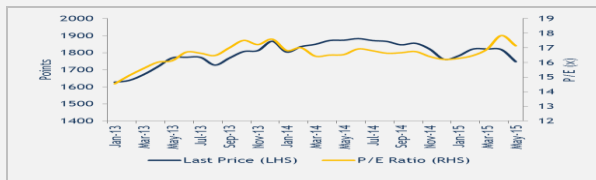
These negative catalysts will continue to weigh on the local market and we expect volatility to continue in the foreseeable time.(See full report next page)

Corporate Highlights

- **MMC, BUY (TP: RM3.00):** Sells Senai land
- **UMW Holdings, HOLD (TP: RM10.77):** Badrul appointed UMW president and group CEO
- **Sunway REIT (CP: RM1.53):** Q4 profit up 52% due to retail segment

Economic Update

- **Malaysia:** Matrade generates RM119.53mil export sales
- **Malaysia:** Construction sector records RM27.24b in project value for 2Q15
- **China:** Weakens yuan amid economic and reform boost



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	10-Aug	7:50 AM	BOP Current 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 Current 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	1,636.71	-17.66	-1.07
FBMEMAS	11,255.60	-109.35	-0.96
FBMEMAS SHA	11,692.89	-77.84	-0.66
FBM100	10,965.62	-110.87	-1.00
Volume (mn)	1,978.93	64.35	3.36
Value (RMmn)	2,065.56	72.90	3.66
FBMKLCI YTD Chg			-7.07

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.8	30.9
Local Institution	58.0	357.6
Foreign Investors	23.2	-388.5

Top Gainers

	Close	Change+/-	(+/- %)
VS INDUSTRY BHD	5.27	0.13	2.53
STORE CORP BHD	2.88	0.12	4.35
IJM PLANTATIONS	3.50	0.12	3.55

Top Losers

	Close	Change+/-	(+/- %)
BAT	62.02	-0.98	-1.56
PETRONAS DAG	20.58	-0.70	-3.29
CARLSBERG	12.00	-0.40	-3.23

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,402.84	-212.33	-1.21
NASDAQ	5,036.79	-65.01	-1.27
S&P 500	2,084.07	-20.11	-0.96
FTSE 100	6,664.54	-71.68	-1.06
DAX	11,293.65	-311.13	-2.68
Nikkei 225	20,720.75	-87.94	-0.42
HSI	24,498.21	-22.91	-0.09
KOSPI	1,986.65	-16.52	-0.82
STI	3,196.66	-42.97	-1.34
KLCI Futures	1,601.00	(14.00)	(0.01)
USDMYR 3M	13.22	0.19	0.01
USDMYR 6M	13.15	0.16	0.01
USDMYR 12M	13.23	0.05	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	43	0.3	0.7%
Brent (USD/bbl)	49.2	-1.2	-2.4%
Gold(USD/ounce)	1,109	-0.4	0.0%
Coal (USD/mt)	59.9	-0.3	-0.4%
CPO (RM/mt)	2,040	11.0	0.5%
Rubber	1,587	-31.5	-1.9%
RM/USD	3.97	0.037	-0.93%
EUR/USD	0.91	0	0.00%
YEN/USD	125.05	-0.08	0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 212.33 points to 17,402.84, S&P 500 down 20.11 points to 2,084.07 while Nasdaq dropped by 65.01 points to 5,036.79. Stocks closed lower by about 1 percent on Tuesday after an unexpected move overnight by the People's Bank of China to depreciate the yuan by nearly 2 percent.
- Meanwhile, sharp declines in oil pressured the energy sector to give back much of Monday's gains, dropping nearly 2 percent as one of the greatest decliners in the S&P 500. Renewed concerns about a deeper slowdown in the world's second-largest economy increased negative sentiment.

The Local Market

- FBMKLCI plunged 17.66 points to finish at 1,636.71 following PBOC decision devalued its Yuan currency. There were 290 gainers and 529 decliners in total value traded of RM2.06 billion.
- Among the losers on Bursa Malaysia were British American Tobacco tumbled 98 cent to RM62.02, Petronas Dagangan dropped 70 cent to RM20.58, Carlsberg sand PIE Industrial slipped 40 cent to RM12.00 and RM6.40 respectively.

Strategy

- **"China Unleashes Currency Wars; Wall Street Rattle"**

Wall Street ended sharply lower on Tuesday hit under the belly by China's surprise currency devaluation. **S&P 500** and **DJIA** lost **20.11 (-0.96%)** and **212.33 (-1.21%)** points to end at **2,084.07** and **17,402.86** respectively. In a surprise move, PBoC said it will depreciate Yuan by 2%, sparking currency wars, in an attempt to re-start its dwindling export momentum, a move seen by many as a desperate measure to halt its descending economy. Wall Street recoiled as a result. A few negative message from PBoC latest move, including 1) China's economy is moving slower-than-expected 2) its export is struggling 3) USD will gain strength and hence, will weigh on its export and further headwinds for its multinationals. In an apparent move to save its country using this weapon, China had sparked currency wars, indicating further volatility in currency market including uncertainty in the financial market. Note that Indonesia had recently urged the US to quickly adjust its interest fast in order to avoid sustained volatility which will be detrimental to the global financial market. Oil, in the meantime, continued to be depressed with Brent traded below USD50 per barrel in yesterday's trading, suggesting no ending to the bleak outlook on the precious commodity. All in, these negative catalysts will continue to weigh on the local market and we expect volatility to continue in the foreseeable time.

- 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

MMC, BUY (TP: RM3.00): Sells Senai land

Conglomerate MMC Corp Bhd is selling three parcels of land totalling 188.7 acres in Senai Airport City, Johor, to IPark Development Sdn Bhd for RM370mil. Proceeds from the sale will help its unit Senai Airport City Sdn Bhd (SACSB) speed up development in the area and pare down group debt. SACSB, which owns 2,718 acres in Senai, is the master developer of Senai Airport City. The area surrounding the Senai airport is being developed into an integrated industrial zone. IPark Development is a unit of Johor-based AME Group which has interest in property, construction, engineering and IT services. *(Source: The Star)*

UMW Holdings, HOLD (TP: RM10.77): Badrul appointed UMW president and group CEO

UMW Holdings Bhd has appointed its group chief operating officer (COO) Badrul Feisal Abdul Rahim as its new president and group chief executive officer (CEO). The appointment, which will take effect from Oct 1, will see Badrul replacing Datuk Syed Hisham Syed Wazir, who will retire on Sept 30. Syed Hisham had been UMW president and CEO since 2010 and had intended to retire upon the expiry of his employment contract, a statement issued by UMW said yesterday. Pursuant to Badrul's appointment as UMW's new president and group CEO, its executive director of group financial services division and group chief financial officer Azmin Che Yusoff will assume the position of group COO. *(Source: The Star)*

Sunway REIT (CP: RM1.53): Q4 profit up 52% due to retail segment

Sunway Real Estate Investment Trust (REIT) said its fourth quarter net profit rose 52.16% to RM357.91mil from RM235.21mil in the same quarter a year ago. Profit for the year jumped 32% to RM541.4mil, comprising realised profit of RM242mil million and unrealised profit of RM299.4mil mainly arising from fair value gain. Sunway REIT said in a press release that gross revenue and net property income for the fourth quarter increased by 5.2% year-on-year and 7.1% year-on-year respectively, mainly due to the retail segment. *(Source: The Star)*

Hong Leong Bank (CP: RM13.38): Plans rights issue this year

Hong Leong Bank Bhd (HLB) is planning to raise up to RM3bil in rights issues this year to strengthen its capital, two sources with direct knowledge of the matter told Reuters. The bank, Malaysia's fifth largest by assets, was the last of its peers to bolster its capital to meet more stringent central bank requirements under the global Basel III framework, the sources said. Analysts had earlier said Hong Leong Bank's core capital, measured by its common equity tier-1 ratio, was one of the lowest among local banks at 8.1% and that the bank was seeking to increase that level to at least 10%. *(Source: The Star)*

AirAsia X (CP: RM0.20): Passenger traffic down in second quarter

AirAsia X Bhd, the long-haul affiliate of the AirAsia group, reported a drop in passenger traffic in the second quarter ended June 30, but the airline is optimistic of a quick rebound. "This is evidenced by promising advance bookings, especially from the Australian market, and the trend is in line with expectations to override the setbacks in the first half of 2015," it said in a statement yesterday. A total of 810,944 passengers used the airline during the April-June quarter, down 20% compared with the same corresponding quarter a year ago. (Source: The Star)

Mitrajaya (CP: RM1.76): Posts 70% earnings growth in Q2

Mitrajaya Holdings Bhd's earnings jumped 70% year-on-year to RM23.09mil in the second quarter (Q2) ended June 30, 2015, as the construction division more than doubled its contribution. The company, whose revenue rose 80.5% to RM243.2mil for the quarter, told Bursa Malaysia that pre-tax profit from construction activities grew to RM24.84mil from RM11.33mil a year earlier thanks to the higher recognition from new projects netted since last year. Its property development project in South Africa, Blue Valley Golf & Country Estate, also chalked up a much higher pre-tax profit of RM4.02mil against RM71,000 in last year's corresponding period. (Source: The Star)

Ge-Shen (CP: RM0.855): Gets takeover offer from Pelita Niagamas

Ge-Shen Corporation Bhd has received a takeover offer from Pelita Niagamas Sdn Bhd at 81 sen a share – which is sharply lower than the closing price of 92.5 sen at midday on Tuesday. Pelita Niagamas also offered 81 sen for the remaining redeemable convertible preference shares. Pelita Niagamas had on Tuesday acquired 29.50 million shares or 38.36% for RM23.90mil or 81 sen a share. After the purchase, it owned 40.50 million shares or 52.67% and this required it to make a takeover offer for the remaining shares. (Source: The Star)

Kronologi Asia (CP: RM0.195): Pramotedham requisition for an EGM to appoint 4 new directors

Kronologi Asia Bhd has received a requisition from its largest shareholder Piti Pramotedham who currently holds 53.03% in the company, requiring it to call an extraordinary general meeting (EGM). Pramotedham, who is Kronologi's executive chairman and group chief executive officer, is seeking to requisition an EGM on Aug 26 to consider ordinary resolutions to appoint four new directors and to remove any person appointed by the directors of the company as an additional director between the date of requisition and the conclusion of the EGM. In a filing with Bursa Malaysia, the enterprise data management solutions provider said the proposed directors are Dr Chew Seng Poh, Anand Padmanabhan, Edward Khor Yew Heng and Tan Bee Kheng. (Source: The Edge)

ECONOMIC UPDATES**Malaysia: Matrade generates RM119.53mil export sales**

Three recent sourcing visits organised by the Malaysia External Trade Development Corp (Matrade) for Malaysian companies with international buyers have generated RM119.53mil worth of export sales. The three

international buyers were the Home Retail Group from the United Kingdom, Boots Retail Thailand and SN Wide Reach Marketing from the Philippines, said Matrade in a statement here. The Home Retail Group is the United Kingdom's leading home and general merchandise retailer with 1,100 stores and 50,000 product lines. Boots Retail is a major pharmacy-led health and beauty retailer in Thailand with 250 outlets while SN Wide Reach Marketing is one of the leading distributors of industrial chemicals, medical supplies, gloves and nutraceuticals in the Philippines. *(Source: The Star)*

Malaysia: Construction sector records RM27.24b in project value for 2Q15

Malaysia's construction sector recorded RM27.24 billion worth of projects for the second quarter (2Q15), a 8.2% year-on-year rise compared to the RM25.17 billion in the previous corresponding quarter. However, on the quarter-on-quarter basis, it recorded a decrease of 5.2% as compared to 28.74 billion in the preceding quarter (1Q15). In a statement today, the Statistics Department said the rise was led by the non-residential buildings sub-sector which recorded 34.6%. This was followed by the civil engineering sub-sector with 30.4%, the residential buildings sub-sector with 30.3% and the special trades sub-sector with 4.7%. *(Source: The Edge)*

China: Weakens yuan amid economic and reform boost

China's central bank on Tuesday devalued its yuan currency by nearly 2% against the US dollar, as authorities seek to push market reforms and bolster the world's second-largest economy. The surprise move marked the biggest drop since China reformed its currency system in 2005 by unpegging the yuan - also known as the renminbi (RMB) - from the greenback. It should make the country's exports more competitive overseas, but analysts said it could prompt anger in the United States. The People's Bank of China (PBoC) set its daily reference rate for the yuan at 6.2298 to US\$1, compared with 6.1162 yuan the previous day, effectively 1.86% lower. *(Source: The Star)*

China: Bank lending up in July on stock market rescue

China's bank lending rose in July, the central bank said on Tuesday, as money poured into a massive rescue for the country's stock market. The People's Bank of China (PBoC) said domestic banks extended new loans of 1.48 trillion yuan (US\$238bil), up from 1.27 trillion yuan in June - almost twice the estimate of economists surveyed by Bloomberg News. But total social financing, an alternative measure of credit in the real economy, hit 718.8 billion yuan last month, down from 1.86 trillion yuan in June and short of economists' forecast of one trillion yuan, according to Bloomberg. For the first seven months of this year, Chinese banks extended a total of 8.04 trillion yuan in new loans, up 2.15 trillion yuan from the same period last year, the PBoC said. *(Source: The Star)*

Greece: Lenders agree on bailout terms

Greece and its international lenders clinched a multi-billion euro bailout agreement on Tuesday after marathon talks through the night, officials said, raising hopes aid can be disbursed in time for a major debt repayment falling due in days. After an 23-hour session that began Monday afternoon, exhausted Greek officials emerged in a central Athens hotel to announce the two sides had agreed details of the deal though a couple of minor issues remained to be

ironed out. Greek officials have said they expect the accord to be ratified by parliament on Wednesday or Thursday and then be vetted by eurozone finance ministers on Friday. This would pave the way to aid disbursements by Aug 20, when a 3.2 billion euro debt payment is due to the European Central Bank. (Source: *The Star*)

Singapore: Downgrades 2015 growth forecast to 2-2.5 pct

Singapore downgraded its 2015 gross domestic product forecast on Tuesday, and analysts said growth was likely to remain tepid in the second half with the outlook clouded by risks to global economic growth. Gross domestic product fell 4.0 percent in the second quarter from the previous quarter on an annualised and seasonally adjusted basis, the Ministry of Trade and Industry (MTI) said on Tuesday. That was better than the government's advance estimate issued in July, of a 4.6 percent contraction. The median forecast in a *Reuters* survey was also for a contraction of 4.6 percent. MTI also lowered the upper end of its forecast range for 2015 GDP growth, with the full-year growth forecast revised to 2.0-2.5 percent from 2-4 percent previously. (Source: *The Edge*)

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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