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Friday, August 28, 2015

Report of the Day

Results Review: Maybank 2Q15, HOLD (TP: RM10.20): – “Conservative on Outlook”

Results Review: Bumi Armada, BUY (TP: RM1.06): – “FPSO Shield Earnings from Weaker OSV”

At a Glance

FBMKLCI surged 21.33 points to finish at 1,601.70 in tandem with positive regional market sentiment.....(See full report next page)

Strategy

“Wall Street Advance Again”

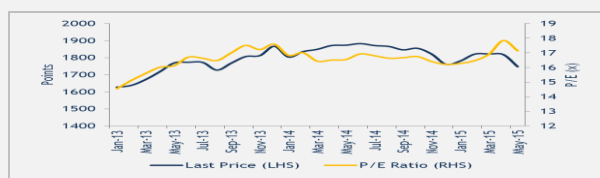
We expect the market to trade favourable at least until mid-next week.....(See full report next page)

Corporate Highlights

- **Maybank, BUY (TP: RM10.20):** Posts higher Q2 earnings, div 24 sen
- **Bumi Armada, BUY (TP: RM1.06):** Swings into the red in Q2
- **KPJ Healthcare, (TBA):** Reports higher Q2 earnings

Economic Update

- **Malaysia:** Central banks of Malaysia, Thailand set up local currencies framework
- **Indonesia:** Promises policy package soon for rupiah, economy
- **South Korea:** 'Flexibly' manage its capital controls



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	24-Aug	1:00 PM	Leading Index C1	-	107.2
US	25-Aug	9:45 PM	Markit US Composite PMI	-	55.7
US	25-Aug	9:45 PM	Markit US Services PMI	-	55.7
US	25-Aug	10:00 PM	New Home Sales	514K	482K
US	25-Aug	10:00 PM	Consumer confidence Index	93.0	90.9
US	26-Aug	7:00 PM	MBA Mortgage Applications	-	3.6%
US	26-Aug	8:30 PM	Durable Goods Orders	-0.5%	3.4%
US	26-Aug	8:30 PM	Durables Ex Transportation	0.3%	0.8%
EU	27-Aug	4:00 PM	M3 Money Supply YoY	-	5.0%
US	27-Aug	8:30 PM	GDP Annualized QoQ	3.2%	2.3%
US	27-Aug	8:30 PM	Personal Consumption	3.0%	2.9%
US	27-Aug	8:30 PM	GDP Price Index	2.0%	2.0%
US	27-Aug	8:30 PM	Core PCE QoQ	-	1.8%
US	27-Aug	8:30 PM	Initial Jobless Claims	-	-
US	27-Aug	8:30 PM	Continuing Claims	-	-
US	27-Aug	10:00 PM	Pending Home Sales MoM	1.0%	-1.8%
EU	28-Aug	5:00 PM	Economic Confidence	-	104.0
EU	28-Aug	5:00 PM	Consumer Confidence	-	-
US	28-Aug	8:30 PM	Personal Income	0.4%	0.4%
US	28-Aug	8:30 PM	Personal Spending	0.4%	0.2%
US	28-Aug	10:00 PM	U. of Mich. Sentiment	93.3	92.9
JP	28-Aug	7:30 AM	Jobless Rate	-	3.4%
JP	28-Aug	7:30 AM	Job-To-Application Ratio	-	1.19
JP	28-Aug	7:50 AM	Retail Trade YoY	-	0.9%
JP	28-Aug	7:50 AM	Retail Sales MoM	-	-0.8%
MY	28-Aug	6:00 PM	Money Supply M3 YoY	-	6.0%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,601.70	21.33	1.35
FBMEMAS	10,904.92	159.46	1.48
FBMEMAS SHA	11,392.54	145.69	1.30
FBM100	10,665.28	150.68	1.43
Volume (mn)	2,105.32	-45.41	-2.11
Value (RMmn)	2,316.23	42.21	1.86
FBMKLCI YTD Chg			-9.06

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.0	-30.1
Local Institution	52.9	39.1
Foreign Investors	30.1	-9.0

Top Gainers

	Close	Change+/-	(+/- %)
BAT	61.60	1.60	2.67
CARLSBERG	11.80	0.64	5.74
NESTLE	72.18	0.58	0.81

Top Losers

	Close	Change+/-	(+/- %)
MAHB	4.22	-0.21	-4.74
FAR EAST HLDGS	7.50	-0.20	-2.60
ASIA BRANDS	1.44	-0.18	-11.11

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,654.77	369.26	2.27
NASDAQ	4,812.71	115.17	2.45
S&P 500	1,987.66	47.15	2.43
FTSE 100	6,192.03	212.83	3.56
DAX	10,315.62	318.19	3.18
Nikkei 225	18,574.44	197.61	1.08
HSI	21,838.54	758.15	3.60
KOSPI	1,908.00	13.91	0.73
STI	2,945.43	72.43	2.52
KLCI Futures	1,550.50	38.50	0.02
USDMYR 3M	15.34	(0.29)	(0.02)
USDMYR 6M	14.87	(0.32)	(0.02)
USDMYR 12M	14.54	(0.32)	(0.02)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	-0.1	-0.2%
Brent (USD/bbl)	47.6	4.4	10.2%
Gold(USD/ounce)	1,127	1.7	0.2%
Coal (USD/mt)	58.4	-0.2	-0.3%
CPO (RM/mt)	1,925	58.0	3.1%
Rubber	129	-0.9	-0.7%
RM/USD	4.23	-0.0142	0.34%
EUR/USD	0.89	-0.0002	-0.02%
YEN/USD	121.10	0.07	-0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 369.26 points to 16,654.77, S&P 500 up 47.15 points to 1,987.66. Nasdaq increased by 115.17 points to 4,812.71. U.S. stocks closed more than 2 percent higher in a second straight day of recovery from a recent plunge, with sentiment helped by a rebound in oil and continued signs of strength in the U.S. economy.
- The major averages ended near session highs after briefly more than halving gains in choppy trade leading into the close.

The Local Market

- FBMKLCI surged 21.33 points to finish at 1,601.70 in tandem with positive regional market sentiment. There were 726 gainers and 206 decliners in total value traded of RM2.32 billion.
- Among the gainers on Bursa Malaysia were BAT rose RM1.60 to RM61.60, Carlsberg soared 64 cent to RM11.80, Nestle grew 58 cent to RM72.18 and Lafarge added 50 cent to RM9.50.

Strategy

- **“Wall Street Advance Again”**
Wall Street turned heaven bound 2 straight days driven by feel-good-factor of the US economy and the fact that US interest rate adjustment for September is off the table. S&P 500 and DJIA gained 42.15 (2.43%) and 369.26 (2.26%) points to end at 1,987.66 and 16,654.77 respectively. Note that the US 2Q15 GDP for second reading shows that the world’s largest economy grew 3.7%, beating estimates. Added with the high probability that the US interest adjustment for September is off the table, Wall Street turned jubilant, leading to major index straight 2 days of solid advance. Nonetheless, next week could be another cautious week given the impending release of US latest unemployment data on Friday. Assuming no more bad news from China and oil prices and Ringgit move orderly, we expect the market to trade favourable at least until mid-next week.
- 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

Maybank, BUY (TP: RM10.20): Posts higher Q2 earnings, div 24 sen

Malayan Banking Bhd (Maybank) posted slightly higher earnings of RM1.584bil in the second quarter ended June 30, 2015. It said on Thursday the earnings were up 0.5% from the RM1.575bil a year ago. Revenue was up 2% to RM8.935bil from RM8.759bil. EPS were 16.76 sen compared with 17.47 sen. It rewarded shareholders with a dividend of 24 sen a share, similar to a year ago. In the first half, its earnings rose 3.4% to RM3.285bil from RM3.117bil in the previous corresponding period. Revenue was up 5.8% to RM18.120bil from RM17.116bil. It said the group's net interest income and Islamic Banking income for Q2 FY15 increased by RM430.5mil or 13.4% compared to a year ago, largely due to the growth in the group's gross loans, advances and financing," it said. (Source: The Star)

Bumi Armada, BUY (TP: RM1.06): Swings into the red in Q2

International offshore oilfield services provider Bumi Armada Bhd incurred net losses of RM291.53 million in the second quarter ended June 31, 2015 compared with a net profit of RM98.37 million as it took a non-cash impairment charge of RM383.7 million that included an impairment of a non-core asset at a joint venture. The group said excluding the impairment charge, it would have posted an adjusted net profit of RM84.8 million. The impairment charge was made pursuant to MFRS 136 'Impairment of Assets', and relates mainly to the write down of the carrying value of certain vessels in the Transport and Installation (T&I) and Offshore Support Vessel (OSV) business units, and a non-core asset held at a joint venture, in light of the weak outlook for the oil and gas sector. In addition, the charge includes a write down of the group's available-for-sale financial assets," it told the stock exchange yesterday. (Source: The Sun)

KPJ Healthcare, (TBA): Reports higher Q2 earnings

Lifted by higher revenue and contribution from the hospitals, KPJ Healthcare Bhd's net profit rose 6.7% to RM36mil in the second quarter ended June 30, 2015, from RM33.7mil a year ago. The healthcare services provider said on Thursday that during the quarter in review, its revenue increased 7.8% to RM714.3mil from RM662.8mil previously. Its earnings per share (EPS) rose to 3.59 sen from 3.38 sen. "The increase in net profit before tax is in line with the increase in revenue and contribution from the hospitals," KPJ said. "Higher revenue for the period is mainly due to the increase in revenue of the existing hospitals and newly opened hospitals in the group," it added. (Source: The Star)

TM, BUY (TP: RM6.70): Seals deal with TIME for construction, maintenance of SKR1M

Telekom Malaysia Bhd (TM) inked a 20-year construction and maintenance agreement (CMA) with TIMEdotCom Bhd's unit TT dotCom Sdn Bhd (TTdC) today for the development and construction of a new submarine cable system, 'Sistem Kabel Rakyat 1 Malaysia'(SKR1M). The new submarine cable system is part of the government's initiatives to increase the capacity of high-speed broadband, as outlined in Budget 2014 and 2015. Under the agreement, TM and TTdC will cooperate with each other to provide, construct, operate and maintain SKR1M cable system. The cooperation will also extend to "rules which shall

govern the investment principles, voting rights, use of capacity, operation and maintenance obligations, as well as the implementation and management of SKR1M", said TM in its filing to Bursa Malaysia today. (Source: The Edge)

Aeon (CP: RM2.79): Lower sales, higher operating costs drag down Aeon's 2Q results

Aeon Co (M) Bhd which operates the Aeon and MaxValue retail stores and Aeon Big hypermarkets and supermarkets in Malaysia, saw its net profit for the second quarter ended June 30, 2015 (2QFY15) fall 66.6% to RM15.66 million or 1.12 sen per share from RM46.96 million or 3.34 sen per share a year ago. The Japanese retailer attributed the weaker earnings to lower sales, higher operating costs and interest expenses and the results of 2QFY14 had included a RM14.2 million gain on disposal of an 18.18% stake of the land and building of Aeon Taman Universiti Shopping Centre. Revenue for the current quarter came in 5.4% lower at RM811.1 million from RM857.72 million in 2QFY14 mainly due to weaker consumer spending after the implementation of the goods and services tax in April. (Source: The Edge)

DRB-Hicom (CP: RM1.32): Posts loss in 1Q, warns of a "very challenging year"

DRB-Hicom Bhd which wholly owns national car maker Proton Holdings Bhd slipped to a net loss of RM19.72 million in the first quarter ended June 30, 2015 (1QFY16) from a RM107.84 million net profit a year earlier, dragged by lower sales of motor vehicles during the current quarter. It incurred a loss per share of 1.02 sen in 1QFY16 compared with an earnings per share of 5.58 sen in 1QFY15. Revenue for 1QFY16 fell 20.8% to RM2.95 billion from RM3.72 billion a year ago. DRB-Hicom's automotive business had suffered a 22.12% drop in revenue in 1QFY16. Automotive contributed 76% to the group's total revenue. In a statement today, DRB-Hicom said the automotive industry is currently experiencing challenging motor vehicles sales due to various factors including more stringent loan approval policies coupled with weaker consumer sentiments. (Source: The Edge)

AirAsia X (CP: RM0.16): Lodges police report over RM7.01m 'fictitious' payments

AirAsia X Bhd said its auditors have discovered 24 payments totalling RM7.01 million made to a service provider, that are now established to be fictitious. The long-haul discount arm of AirAsia Bhd said the payments were authorised by a person in a management position within the company, but did not name the person. It added that the board of directors could not make any announcement earlier as it did not have sufficient evidence to substantiate the allegations and to assess with certainty the financial and operational impact to the company. Following this discovery of irregularities, AirAsia X has lodged a police report, adding that it has sought legal advice on the possible courses of action the company can take to recover the losses. (Source: The Edge)

Encorp (CP: RM0.90): Posts net losses of RM10.6m in Q2

Encorp Bhd posted net losses of RM10.60mil in the second quarter ended June 30, 2015 from earnings of RM1.50mil a year ago. The property and construction company said on Thursday its revenue fell 50.3% to RM59.18mil from

RM119.14mil a year ago. Its loss per share was 3.81 sen compared with earnings per share of 0.65 sen. It said the weaker financial performance was due to lower sales achieved by the property division because of the softer property market and cost written off and recognition of foreseeable losses of terminated construction projects. *(Source: The Star)*

UEM Sunrise (CP: RM0.82): Eyes up to RM500mil sales from campaign

Property developer UEM Sunrise Bhd aims to secure sales worth RM300 million to RM500 million during its two-month Signature Selection campaign, said managing director and chief executive officer Anwar Syahrin Abdul Ajib. The campaign, which runs from Sept 1 to Oct 31, offers customers property projects with a gross development value of RM800 million launched two years ago in Mont'Kiara in Kuala Lumpur, Cyberjaya and Nusajaya, Johor. He said among the projects were 11 Mont'Kiara, Residensi22 Mont'Kiara, East Ledang's Lakeside Twin Villas and Nusa Idaman's Twin Villas II. *(Source: The Star)*

ECONOMIC UPDATES

Malaysia: Central banks of Malaysia, Thailand set up local currencies framework

Bank Negara Malaysia (BNM) and Bank of Thailand (BOT) plan to set up a framework to promote the settlement of bilateral trade and direct investment in their local currencies. The two central banks had on Thursday signed an MoU which would ultimately enable both countries enhance the bilateral trade and investment flows. Under the arrangement, both central banks would boost their efforts to promote the use of Malaysian ringgit and Thai baht by the private sector to settle cross-border trades and direct investment. This move would also reduce the risks of exposure to the volatility of global settlement currencies and also to lower transaction costs for businesses. *(Source: The Star)*

Indonesia: Promises policy package soon for rupiah, economy

Indonesia will soon unveil a policy package aimed at propping up the fragile rupiah and helping an economy growing at its slowest pace in six years, senior government officials said on Thursday. The package is expected to add to tax incentives announced on Monday aimed at promoting selected activities including oil refineries and infrastructure. Governments and central banks across emerging markets are being forced into action to stem falls in their currencies, especially after China allowed its yuan to weaken to four-year lows. On Wednesday, Malaysia created a special economic committee to propose measures to restore confidence in that country's economy. *(Source: The Edge)*

South Korea: 'Flexibly' manage its capital controls

The South Korean government is strengthening its monitoring of all financial markets in case global volatility rises, and it will actively respond to stabilise domestic ones if needed, the country's finance minister said on Thursday. This includes managing existing capital controls in a "flexible" manner, said Finance Minister Choi Kyung-hwan in a speech opening a treasury bond conference in Seoul. He gave assurances there was no need to worry about capital flight from South Korea although there has been a slight decrease in inflows from offshore

this year to buy Korean treasury bonds. But central banks in major economies have been steadily buying them, he added. *(Source: Reuters)*

Japan: BoJ's Kuroda says China slowdown unlikely to hit Japan exports much

China's economic slowdown should not harm Japan's exports very much in coming years, and falling oil prices will not stop the Bank of Japan (BoJ) from hitting its inflation target, governor Haruhiko Kuroda said on Wednesday. Kuroda said China's economy is likely to slow although he predicted growth in its gross domestic product will remain at 6%-7% this year and next. China's monetary easing is an appropriate step to mitigate any impact on its economy, adding that some market players have become "too pessimistic" about the Chinese economy given its growth is "still quite robust". *(Source: Reuters)*

Philippines: Q2 growth quickens to 5.6%, but China woes temper outlook

The Philippine economy rebounded with growth of 5.6% in the second quarter, defying a regional slowdown thanks to robust government spending, but faltering exports and deepening economic woes in China tempered the outlook. While annual growth was the third-fastest in the region after China and Vietnam, and ahead of the 5.0% rate in the first quarter, the El Nino dry weather phenomenon posed a major downside risk for the Philippines, economic planning Secretary Arsenio Balisacan said. A rebound in state infrastructure spending helped the economy grow 1.8% in April-June from the previous three months, slightly below the 2.0% forecast in a *Reuters* poll. Weak government spending has been blamed for declining growth in 2014 and in the first quarter of 2015. *(Source: The Edge)*

U.K.: House price growth cooled in August

UK house price growth slowed in August in a sign values are stabilizing, according to Nationwide Building Society. Prices rose 0.3% from July to an average 195,279 pounds (\$302,000), the lender said in a statement on Thursday. The annual pace of growth slowed to 3.2%, the lowest since June 2013, in part due to unusual strength in the annual measure of prices gains in August last year. Home values may be settling around the level of earnings growth, which historically has been about 4%, Nationwide Chief Economist Robert Gardner said in the statement. The trend won't last unless the supply of homes increases to match rising demand, he said. *(Source: The Edge)*

U.S.: Q2 GDP growth revised sharply higher to 3.7%

The U.S. economy grew faster than initially thought in the second quarter on solid domestic demand, showing fairly strong momentum that could still allow the Federal Reserve to hike interest rates this year. Gross domestic product expanded at a 3.7% annual pace instead of the 2.3% rate reported last month, the Commerce Department said on Thursday in its second GDP estimate. The GDP report, which was released in the wake of a global stock market sell-off, should assure investors and cautious Fed officials that the United States was in good shape to weather the growing strains in the world economy. Concerns over slowing economic growth in China sent global equity markets into a tailspin last week, raising doubts that the U.S. central bank would raise its short-term interest rate next month. *(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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