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Friday, September 04, 2015

At a Glance

FBMKLCI gained 12.56 points to finish at 1,602.75 in tandem with positive regional market sentiment.....(See full report next page)

Strategy**“Wall Street Cautious Ahead of US Unemployment Numbers Today”**

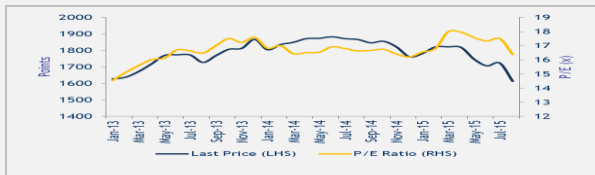
We expect equity market to be calmer and that means less volatile.....(See full report next page)

Corporate Highlights

- **RHBCap, BUY (TP: RM7.70):** To trim 15pc of workforce
- **FGV, HOLD (TP: RM1.30):** May seek revised terms for US\$680m Eagle High deal
- **SapuraKencana, BUY (TP: RM2.95):** US\$200m sukuk to be sold next week

Economic Update

- **Malaysia:** Economy in stronger position to meet any incoming storms, says Najib
- **India:** Central bank hires outside talent to boost market nous
- **Europe:** Eurozone Aug business growth at four-year high, still weak -PMI



| KEY ECONOMIC RELEASE | | | | | |
|----------------------|-------|------------|-----------------------------------|------------|------------|
| | Date | Local Time | Event | Survey | Prior |
| MY | 1-Sep | 10:15 AM | Nikkei Malaysia PMI | - | 47.7 |
| EU | 1-Sep | 4:00 PM | Markit Eurozone Manufacturing PMI | - | 52.4 |
| EU | 1-Sep | 5:00 PM | Unemployment Rate | - | 11.1% |
| CN | 1-Sep | 9:00 AM | Manufacturing PMI | 49.7 | 50.0 |
| CN | 1-Sep | 9:00 AM | Non-Manufacturing PMI | - | 53.9 |
| CN | 1-Sep | 9:45 AM | Caixin China PMI Mfg | 47.3 | 47.1 |
| CN | 1-Sep | 9:45 AM | Caixin China PMI Composite | - | 50.2 |
| CN | 1-Sep | 9:45 AM | Caixin China PMI services | - | 53.8 |
| JP | 1-Sep | 9:35 AM | Nikkei Japan PMI Mfg | - | 51.9 |
| US | 1-Sep | 9:45 PM | Markit US Manufacturing PMI | - | 52.9 |
| US | 1-Sep | 10:00 PM | ISM Manufacturing | 52.8 | 52.7 |
| EU | 2-Sep | 5:00 PM | PPI MoM | - | -0.1% |
| EU | 2-Sep | 5:00 PM | PPI YoY | - | -2.2% |
| JP | 2-Sep | 7:50 AM | Monetary Based YoY | - | 32.8% |
| US | 2-Sep | 7:00 PM | MBA Mortgage Applications | - | 0.2% |
| US | 2-Sep | 8:15 PM | ADP Employment Change | 198K | 185K |
| US | 2-Sep | 8:30 PM | Nonfarm Productivity | 2.5% | 1.3% |
| US | 2-Sep | 10:00 PM | Factory Orders | 0.0% | 1.8% |
| EU | 3-Sep | 4:00 PM | Markit Eurozone Services PMI | - | 54.3 |
| EU | 3-Sep | 4:00 PM | Markit Eurozone Composite PMI | - | 54.1 |
| EU | 3-Sep | 5:00 PM | Retail Sales MoM | - | -0.6% |
| EU | 3-Sep | 5:00 PM | Retail Sales YoY | - | 1.2% |
| EU | 3-Sep | 7:45 PM | ECB Main Refinancing Rate | - | 0.050% |
| EU | 3-Sep | 7:45 PM | ECB Deposit Facility Rate | - | -0.200% |
| EU | 3-Sep | 7:45 PM | ECB Marginal Lending Facility | - | 0.300% |
| US | 3-Sep | 8:30 PM | Initial Jobless Claims | - | - |
| US | 3-Sep | 8:30 PM | Trade Balance | (\$44.50B) | (\$43.84B) |
| US | 3-Sep | 9:45 PM | Markit US Composite PMI | - | 55.0 |
| US | 3-Sep | 9:45 PM | Markit US Services PMI | - | 55.2 |
| US | 3-Sep | 10:00 PM | ISM Non-Manuf. Payrolls | 59.0 | 60.3 |
| MY | 4-Sep | 12:00 PM | Exports YoY | - | 48.0% |
| MY | 4-Sep | 12:00 PM | Imports YoY | - | -1.5% |
| MY | 4-Sep | 12:00 PM | Trade Balance MYR | - | 7.99B |
| MY | 4-Sep | - | Foreign Reserves | - | 594.5B |
| EU | 4-Sep | 4:10 PM | Markit Eurozone Retail PMI | - | 54.2 |
| EU | 4-Sep | 8:30 PM | Change In Nonfarm Payrolls | 205K | 215K |
| US | 4-Sep | 8:30 PM | Unemployment Rate | 5.3% | 5.3% |

Bursa Malaysia

| | Close | Change+/- | (+/- %) |
|-----------------|-----------|-----------|---------|
| FBMKLCI | 1,602.75 | 12.56 | 0.79 |
| FBMEMAS | 10,950.75 | 86.43 | 0.80 |
| FBMEMAS SHA | 11,454.81 | 73.15 | 0.64 |
| FBM100 | 10,696.52 | 78.30 | 0.74 |
| Volume (mn) | 1,713.50 | -174.44 | -9.24 |
| Value (RMmn) | 1,533.25 | -595.28 | -27.97 |
| FBMKLCI YTD Chg | | | -9.00 |

Daily Trading Position (RM'mn)

| | Participation (%) | Net(RMm) |
|-------------------|-------------------|----------|
| Local Retail | 20.0 | 4.5 |
| Local Institution | 55.3 | 198.2 |
| Foreign Investors | 24.7 | -202.7 |

Top Gainers

| | Close | Change+/- | (+/- %) |
|-----------------|-------|-----------|---------|
| BAT | 61.10 | 0.62 | 1.03 |
| AEON CREDIT SER | 12.70 | 0.50 | 4.10 |
| LINGKARAN TRAN | 5.15 | 0.29 | 5.97 |

Top Losers

| | Close | Change+/- | (+/- %) |
|-----------------|-------|-----------|---------|
| PANASONIC MAN | 20.42 | -0.19 | -0.92 |
| DUTCH LADY MILK | 46.12 | -0.76 | -1.62 |
| PHARMANIAGA | 6.02 | -0.38 | -5.94 |

World Indices

| | Close | Change+/- | (+/- %) |
|--------------|-----------|-----------|---------|
| DJIA | 16,374.76 | 23.38 | 0.14 |
| NASDAQ | 4,733.50 | -16.48 | -0.35 |
| S&P 500 | 1,951.13 | 2.27 | 0.12 |
| FTSE 100 | 6,194.10 | 110.79 | 1.82 |
| DAX | 10,317.84 | 269.79 | 2.68 |
| Nikkei 225 | 18,182.39 | 86.99 | 0.48 |
| HSI | 20,934.94 | -250.49 | -1.18 |
| KOSPI | 1,915.53 | 0.31 | 0.02 |
| STI | 2,906.43 | 28.30 | 0.98 |
| KLCI Futures | 1,533.50 | 29.00 | 0.02 |
| USDMYR 3M | 14.95 | 0.10 | 0.01 |
| USDMYR 6M | 14.50 | 0.01 | 0.00 |
| USDMYR 12M | 14.40 | 0.01 | 0.00 |

Other Key Economics Data

| | Close | Change+/- | (+/- %) |
|-----------------|--------|-----------|---------|
| WTI (USD/bbl) | 47 | 0.0 | -0.1% |
| Brent (USD/bbl) | 50.7 | 0.2 | 0.4% |
| Gold(USD/ounce) | 1,125 | -0.3 | 0.0% |
| Coal (USD/mt) | 59.4 | -0.3 | -0.4% |
| CPO (RM/mt) | 2,032 | 43.0 | 2.2% |
| Rubber | 129 | -1.4 | -1.1% |
| RM/USD | 4.25 | 0.0378 | -0.89% |
| EUR/USD | 0.90 | 0.0001 | 0.01% |
| YEN/USD | 120.15 | 0.08 | -0.07% |

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 23.38 points to 16,374.76, S&P 500 up 2.27 points to 1,951.13. Nasdaq down by 16.48 points to 4,733.50. Stocks closed mixed as investors eyed fluctuations in oil prices and awaited Friday's monthly jobs report before the Federal Reserve's key September meeting.
- Friday's nonfarm payrolls report is the last monthly employment report before the Federal Reserve meets in two weeks, when an announcement on interest rates is widely anticipated.

The Local Market

- FBMKLCI gained 12.56 points to finish at 1,602.75 in tandem with positive regional market sentiment. There were 577 gainers and 213 decliners in total value traded of RM1.53 billion.
- Among the gainers on Bursa Malaysia were BAT increased 62 cent to RM61.10, Aeon Credit Services grew 50 cent to RM12.70, and Lingkaran Trans up 29 cent to RM5.15.

Strategy

- **“Wall Street Cautious Ahead of US Unemployment Numbers Today”**
Wall Street closed steadily in positive territory albeit in cautious mode ahead of US August unemployment numbers that is to be released today. **S&P 500** and **DJIA** gained 2.27 (0.12%) and 23.38 (0.14%) points to end at **1,951.13** and **16,374.76** respectively. As the US Federal Reserve heading for September policy meeting, today's unemployment numbers will key to the next policy steps. Although the unevenness of US growth so far pushes us to think that rate hike this 17th September is off the table but we still think that the probability cannot be decisively nil. Of note, the US next policy meeting will be held on the 16-17th September whilst the US July unemployment numbers stood at 5.3%. On the same breath, the US added 220,000 nonfarm jobs in August, up from 215,000 in July, suggesting that US August unemployment rate could get knocked down by 10 basis points to 5.2%. As for today and next week, provided that oil price and Ringgit behave well, we expect equity market to be calmer and that means less volatile. Hence, buying sentiment could resume before pulling back the week after given the US impending policy decision on the 17th September.
- 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

RHBCap, BUY (TP: RM7.70): To trim 15pc of workforce

RHB Capital Bhd (RHBCap) plans to trim about 15 per cent of its workforce, becoming the second local banking group to do so in recent months amid a tough economic landscape. CIMB Group Holdings Bhd trimmed its workforce by 11.1 per cent this year through a mutual separation scheme to meet its cost-to-income plans outlined in its T18 strategy. RHBCap is looking at reducing its staff strength by about 2,700 via a career transition scheme (CTS), which is similar to the one offered by Maxis Bhd in 2013 as part of the latter's plan to cut costs and make the telco more agile. RHBCap's CTS was part of its rationalisation exercise, said its managing director Datuk Khairussaleh Ramli in an email to staff on Tuesday. RHBCap had almost 18,000 employees as at December last year. (Source: NewStraitsTimes)

FGV, HOLD (TP: RM1.30): May seek revised terms for US\$680m Eagle High deal

Felda Global Ventures Holdings Bhd (FGV), the world's biggest crude palm oil (CPO) producer, is considering seeking revised terms for its US\$680 million (RM2.8 billion) deal to buy a stake in PT Eagle High Plantations, said people with knowledge of the matter. It might ask for a lower price to take into account issues discovered during due diligence on the Indonesian company, they said. The two companies reached a preliminary agreement in June and said they planned to announce a final pact by the middle of last month, a deadline that has since been extended to October 31. FGV said on August 14 it had "substantially completed" due diligence and was in the process of negotiating the terms of the definitive documentation. (Source: NewStraitsTimes)

SapuraKencana, BUY (TP: RM2.95): US\$200m sukuk to be sold next week

SapuraKencana Petroluem Bhd's wholly owned subsidiary, SapuraKencana TMC Sdn Bhd (SKTMC), will be launching its first sukuk offering of US\$200 million under its multicurrency programme next week. The first tranche of the US\$200 million sukuk is scheduled to be launched on Sept 8 2015, it said in a statement yesterday. Proceeds raised from the programme will be utilised to partly refinance SKTMC's existing financing. Under the 30-year multi-currency sukuk programme, the company plans to raise up to RM7 billion. (Source: The Sun Daily)

Scomi Engineering (CP: RM0.24): Keen to bid for local rail projects

Scomi Engineering Bhd (SEB) is keen on bidding for the upcoming mass rapid transit (MRT) and light rail transit (LRT) projects. "The government had said that the LRT3 and MRT 2 projects must have 30% local content, but today we are offering products that will achieve 60% local content, so yes, we are eyeing the Malaysian project," said the company's chief executive officer Kanesan Velupillai. The 36km LRT3 or Bandar Utama-Klang Line's construction work will begin in 2016 and is expected to be completed in 2020. The MRT2 or the Sungai Buloh-Serdang-Putrajaya line is expected to be up for tender by year-end and the contract awarded by the first or second quarter in 2016, with Phase 1 opening by May 2021 and Phase 2 by July 2022. (Source: The Edge)

UDA Holdings (Delisted): To redevelop Kompleks Niaga Utama into apartments, GDV RM250m

UDA Holdings Bhd plans to redevelop the under-utilised Kompleks Niaga Utama (KNU) in Bangsar into fully furnished service apartments. UDA said on Thursday the project would have a gross development value (GDV) of more than RM250mil when completed by 2019. It would expand UDA's portfolio as one of the country's leading sustainable property development and asset management organisation. UDA's group managing director Datuk Ahmad Abu Bakar said the 14 traders at the building would be given three months' notice to shift to Pudu Sentral and Pertama Complex, instead of one month. *(Source: The Star)*

Bina Puri (CP: RM0.37): Gets RM95m Petronas job at Pengerang site

Bina Puri Holdings Bhd has secured a RM94.94mil contract for the civil works in a steam cracker complex at Petronas RM60bil Refinery and Petrochemical Integrated Development (RAPID) project in Pengerang, Johor. The company said on Thursday works will begin in January 2016 and set to be completed in 27 months. The on-going RAPID project, which will have the refining capability of 300,000 barrel per stream day, is part of the larger multi-billion Pengerang Integrated Petroleum Complex (PIPC) in Johor. Its unit Bina Puri Sdn Bhd accepted a letter of award from Toyo Engineering & Construction Sdn Bhd on Aug 12. Bina Puri group executive director Matthew Tee said this contract marked the group's first successful tender to undertake a sizeable construction project in civil works for an oil and gas complex. *(Source: The Star)*

MAB (CP: RM0.26): Keeps 9,000 permanent staff

The new Malaysia Airlines Bhd (MAB) has hired only 9,000 of its employees on permanent contracts. Another 4,000 employees of MAB are on short-term contracts. This is a far cry from the old Malaysia Airlines (MAS) that had 20,000 employees mostly on permanent contracts. The new airline MAB took over the operations of the old airline on Sept 1. The short-term contracts range from three months to 12 months, implying that the total workforce being eventually laid off as part of the remaking of MAS into MAB may go up to 11,000 people instead of the 6,000 announced earlier. *(Source: The Star)*

Amcorp Properties (CP: RM0.79): To expand its renewable energy business to Indonesia

Amcorp Properties Bhd (AmProp), the property arm of Amcorp Group Bhd, is looking to expand its renewable energy (RE) business into Indonesia. Group managing director Ben Lee said AmProp is in talks with several parties in Indonesia, although they are still in preliminary stage. On the local front, Lee said AmProp is still growing the business and intends to build more solar or hydro power plants here. AmProp had in May signed a 21-year RE power purchase agreement (REPPA) with Tenaga Nasional Bhd (TNB) to build and operate two RE mini-hydro power plants at Sg Liang, Raub, Pahang, with a capacity of 10 megawatts (MW) each. AmProp currently operates a 6MW mini-hydro power plant in Bentong, Pahang, and a 10.25MW solar power plant in Gemas, Negri Sembilan. *(Source: The Edge)*

Muhibbah (CP: RM1.84): RM949mil job for Muhibbah

Construction firm Muhibbah Engineering (M) Bhd and its consortium partner, India's Va Tech Wabag Ltd (Wabag), have clinched a RM949.6mil effluent treatment plant (ETP) contract for the Refinery and Petrochemical Integrated Development (Rapid) project in Pengerang, Johor. The contract is scheduled to start in the third quarter of 2015 and slated for completion by the end of 2018," Muhibbah said in a filing with Bursa Malaysia. The ETP contract, which will form part of the Rapid complex in Pengerang, was awarded by PRPC Utilities and Facilities Sdn Bhd, a unit of Petronas Refinery and Petrochemical Corp Sdn Bhd, which is also wholly owned by Petroliaam Nasional Bhd (Petronas). The purpose of the Integrated ETP is to reduce the pollution in the aqueous effluents of the Rapid complex to below the regulatory discharge limit," it said. Both Muhibbah and the Chennai-based Wabag would be carrying out a design competition for re-feed and engineering jobs as well as procurement, construction and commissioning works of the ETP project, said Muhibbah. (Source: The Star)

Bintai (CP: RM0.23): Unit wins RM42mil Singapore job

Bintai Kinden Corp Bhd, via its nearly 70%-owned subsidiary Bintai Kindenko Pte Ltd, has received and accepted a letter of intent from Sunray Woodcraft Construction Pte Ltd to undertake RM42.4mil worth of sub-contract works. The company in a filing with Bursa Malaysia said the job was for mechanical and electrical works to the proposed additions and alterations to the existing compass point comprising works from basement 1 to the roof storey at Sengkang Square in Singapore. The duration of the project is from Oct 9 to May 8, 2016. The project is expected to contribute positively to the future earnings of group for the financial year ending March 31, 2016. (Source: The Star)

Encorp (CP: RM0.90): To gain RM8.7mil from sale of its unit

Encorp Bhd's is expected to gain RM8.7mil or 3 sen per ordinary share from the disposal of its unit Encorp Construction and Infrastructure Sdn Bhd (ECISB). In a filing with the stock exchange yesterday, Encorp said the disposal was part of a rationalisation and restructuring exercise undertaken by Encorp Group to do away with its non-core and loss-making subsidiary. The group had recorded an accumulated loss of RM43.4mil and net liabilities of RM28.4mil based on its audited financial statements for the financial year ended Dec 31, 2014. An April report said that the group was looking to put its house in order by downsizing its troubled construction unit and moving into full-fledged property development status. Felda is the ultimate parent company of Encorp's single-largest shareholder, Felda Investment Corp (FIC), which owns 70.97% of Encorp. (Source: The Star)

Consumer Sector (Neutral): Retail Group again cuts retail sales growth after Q2 sales tumble

Retail Group Malaysia has once again cut its 2015 retail-sales-growth projection for Malaysia after second quarter sales plunged 11.9% from a year ago, the worst quarterly retail growth rate since the 1997/98 Asian financial crisis. The independent retail research firm had on Thursday attributed the outlook due to the weak consumer sentiment due to a softening local currency and recent political development. It now expects retail sales in the country to grow 3.1%

this year, instead of the earlier forecast of 4%. It said this was the fourth time it had revised downwards its forecast for 2015. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Economy in stronger position to meet any incoming storms, says Najib

The Malaysian economy is in a stronger position than it was during the 1997 Asian Financial Crisis to bear any "incoming storms", Prime Minister Datuk Seri Najib Tun Razak said on Thursday. Local companies now have stronger balance sheets and governance, while structural reforms to the financial and banking sector has strengthened it against "intense bouts of volatility", Najib said at the World Capital Markets Symposium, an event organised by the country's Securities Commission. "We are on track to achieve our goal of becoming a high income status nation by 2020," Najib said. The ringgit, Asia's worst-performing currency this year, has been hit by China's slowing economy and the ongoing political crisis in the country. Najib established a special economic team last month to ensure continued growth and boost confidence in the ringgit and the country's stocks. (Source: *The Star*)

India: Central bank hires outside talent to boost market nous

The Reserve Bank of India has hired a former Nomura algorithmic trader, officials said, taking a rare step to recruit externally as it seeks expertise needed to make India's financial markets deeper and more responsive to monetary policy moves. Since taking the helm in late 2013, RBI Governor Raghuram Rajan has set out to bring fresh ideas to the conservative institution and has eyed recruiting more specialists from outside, but they have been few and far between. In late 2014, Rajan, who has lamented a dearth of capable economists in India, brought in former IMF economist Prachi Mishra to bolster economic research. Senior officers at the central bank typically rise through the ranks having joined at a junior level. Some are seconded to foreign central banks to gather more specialist experience. The new hire, Gangadhar Darbha, joined as a consultant at the start of this month, officials with direct knowledge said. (Source: *The Edge*)

Europe: Eurozone Aug business growth at four-year high, still weak -PMI

Euro zone business activity accelerated at its fastest pace in more than four years last month as Italy turned in its best performance since early 2011 and German growth strengthened, surveys showed on Thursday. But while those upbeat surveys will provide some welcome news for the European Central Bank, which is struggling to boost the economy and inflation, they still only point to modest third-quarter GDP growth. No change is expected when the ECB's Governing Council announces its latest policy decision later on Thursday, but there is a growing chance its billion-euro stimulus programme will be extended beyond a planned completion date of September 2016. (Source: *The Edge*)

Europe: ECB to cut inflation forecast but keep powder dry

The European Central Bank is set to cut its inflation forecasts on Thursday but hold back from concrete policy action, promising only to beef up its bond-buying programme if prospects weaken further. The bank is expected to leave

interest rates unchanged and argue that the chance of missing its medium-term inflation target has increased due to lower oil prices and weaker growth in China. But it is also likely to say that its 1 trillion euro plus asset buying programme is working, albeit slowly, and that the time is not yet right to take further policy action. The ECB launched the 60 billion euro (\$67.7 billion) per month quantitative easing programme in March to boost consumer prices after a short bout of deflation. But nearly all key price drivers have been working against its efforts to bring inflation, now running at 0.2%, back to its target of just under 2%. *(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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