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Monday, September 07, 2015

At a Glance

FBMKLCI declined 13.59 points to finish at 1,589.16 ahead of BNM's announcement on international reserve.....(See full report next page)

Strategy

"Global Equity Market to be Volatile These 2 Weeks"

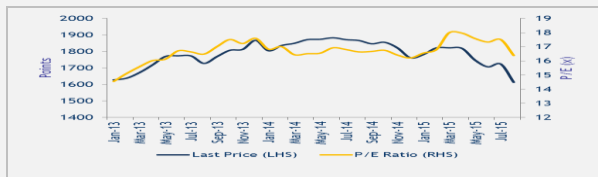
We don't think that the US will risk that situation. In sum, we predict market gyration until end of next week.....(See full report next page)

Corporate Highlights

- **AMMB, BUY (TP: RM6.15):** Chinese bank eyes stake in AMMB?
- **MRCB (CP: RM1.00), George Kent (CP: RM1.39):** Govt picks MRCB, George Kent as PDP for LRT 3
- **Ho Hup (CP: RM0.80):** Cheap entry for Ho Hup

Economic Update

- **Malaysia:** July exports better than forecast
- **Indonesia:** Expects bids for medium-speed rail project from China and Japan
- **U.S.:** Job growth slows, unemployment rate falls to 5.1%



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	7-Sep	-	Foreign Reserves	\$3600.0B	\$3651.3B
EU	8-Sep	5:00 PM	GDP SA QoQ	0.3%	0.3%
EU	8-Sep	5:00 PM	GDP SA YoY	1.2%	1.2%
CN	8-Sep	-	Trade Balance	\$51.10B	\$43.03B
CN	8-Sep	-	Exports YoY	-5.0%	-8.3%
CN	8-Sep	-	Imports YoY	-6.0%	-8.1%
JP	8-Sep	7:50 AM	BoP Current Account Balance	-	¥558.6B
JP	8-Sep	7:50 AM	GDP SA QoQ	-0.4%	-0.4%
JP	8-Sep	7:50 AM	GDP Annualized SA QoQ	-1.7%	-1.6%
JP	8-Sep	7:50 AM	GDP Nominal SA QoQ	0.0%	0.0%
JP	8-Sep	7:50 AM	GDP Deflator YoY	1.6%	1.6%
US	9-Sep	7:00 PM	MBA Mortgage Applications	-	11.3%
US	10-Sep	8:30 PM	Initial Jobless Claims	-	-
US	10-Sep	8:30 PM	Continuing Claims	-	-
MY	10-Sep	12:00 PM	Industrial Production YoY	-	4.3%
CN	10-Sep	9:30 AM	CPI YoY	1.9%	1.6%
CN	10-Sep	9:30 AM	PPI YoY	-5.5%	-5.4%
US	11-Sep	8:30 PM	PPI Final Demand MoM	-0.1%	0.2%
US	11-Sep	8:30 PM	PPI Ex Food and Energy MoM	0.1%	0.3%
US	11-Sep	8:30 PM	PPI Final Demand YoY	-0.9%	-0.8%
US	11-Sep	8:30 PM	PPI Ex Food and Energy YoY	-	0.6%
US	11-Sep	8:30 PM	PPI Ex Food, Energy, Trade YoY	-	0.9%
MY	11-Sep	6:00 PM	BNM Overnight Policy Rate	-	3.25%
CN	10-15 Sep	-	New Yuan Loans CNY	800.0B	1480.0B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,589.16	-13.59	-0.85
FBMEMAS	10,882.04	-68.71	-0.63
FBMEMAS SHA	11,430.11	-24.70	-0.22
FBM100	10,625.79	-70.73	-0.66
Volume (mn)	1,848.98	135.49	7.91
Value (RMmn)	1,580.52	47.27	3.08
FBMKLCI YTD Chg			-9.77

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.6	0.4
Local Institution	51.4	208.8
Foreign Investors	27.0	-209.2

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY	46.88	0.76	1.65
PETRONAS DAG	21.46	0.46	2.19
GEORGE KENT	1.39	0.21	17.80

Top Losers

	Close	Change+/-	(+/- %)
BATU KAWAN	17.50	-0.30	-1.69
TOP GLOVE CORP	7.76	-0.27	-3.36
GENTING	6.91	-0.24	-3.36

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,102.38	-272.38	-1.66
NASDAQ	4,683.92	-49.58	-1.05
S&P 500	1,921.22	-29.91	-1.53
FTSE 100	6,042.92	-151.18	-2.44
DAX	10,038.04	-279.80	-2.71
Nikkei 225	17,792.16	-390.23	-2.15
HSI	20,840.61	-94.33	-0.45
KOSPI	1,886.04	-29.49	-1.54
STI	2,863.81	-42.62	-1.47
KLCI Futures	1,514.00	(21.00)	(0.01)
USDMYR 3M	14.86	0.02	0.00
USDMYR 6M	14.45	(0.03)	(0.00)
USDMYR 12M	14.38	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	-0.3	-0.7%
Brent (USD/bbl)	49.3	-0.3	-0.6%
Gold(USD/ounce)	1,123	1.0	0.1%
Coal (USD/mt)	59.1	-0.4	-0.6%
CPO (RM/mt)	2,031	-1.0	0.0%
Rubber	127	-1.9	-1.5%
RM/USD	4.26	0.0115	-0.27%
EUR/USD	0.90	-0.0002	-0.02%
YEN/USD	119.11	0.12	-0.10%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 272.38 points to 16,102.38, S&P 500 down 29.91 points to 1,921.22. Nasdaq slid by 49.58 points to 4,683.92. U.S. stock indexes dropped more than 1 percent on Friday after a mixed August jobs report did little to quell investor uncertainty about whether the Federal Reserve will increase interest rates this month.
- Trepidation about the first U.S. rate hike in almost a decade added to worries among investors already on edge about a stumbling Chinese economy and a recent market selloff.

The Local Market

- FBMKLCI declined 13.59 points to finish at 1,589.16 ahead of BNM's announcement on international reserve. There were 324 gainers and 452 decliners in total value traded of RM1.58 billion.
- Among the losers on Bursa Malaysia were Batu Kawan dropped 30 cent to RM17.50, Top Glove slipped 27 cent to RM7.76, Genting Bhd down 24 cent to RM6.91 and Tasek Corp slid 20 cent to RM14.70.

Strategy

- **“Global Equity Market to be Volatile These 2 Weeks”**

Wall Street ended last Friday on a defensive note as investors predicted a lower corporate earnings growth after a choppy recent results season. **S&P 500** and **DJIA** lost **29.91 (-1.53%)** and **272.38 (-1.66%)** points to end at **1,921.22** and **16,102.38** respectively. As it turned out to be the US has managed to knock down further its unemployment rate to a nervous level of 5.1% in August from 5.3% in July, sending nervous frenzy across global equity market that the US may not delay further its policy rate adjustment. Hence, September policy decision adjustment is now more than 50% probability, of which we think will send the global equity market in heighten volatility until the decision is out on the 17th September (next Thursday). Although we think that the first adjustment will be in small dose of 25 basis points but that will be enough for a start of roller coaster ride until US policy rate reaches the normalisation level of 5%. Of note, the US policy steps will be data dependent, meaning it can be adjusted upward, stalled or cut depending on the strength of the US economy. Nonetheless, at 5.1% unemployment level, essentially and a decisively full employment level, a delay in adjusting the rate, will risk a runaway inflation, more so when oil prices start to run again. We don't think that the US will risk that situation. In sum, we predict market gyration until end of 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

AMMB, BUY (TP: RM6.15): Chinese bank eyes stake in AMMB?

A CHINESE financial institution is eyeing a stake in AMMB Holdings Bhd, whose major shareholders are said to be open to divesting their stakes. However, talks on the matter may be preliminary, as banking mergers and acquisitions (M&As) need the support of the central bank. AMMB's single-largest shareholder is Australia and New Zealand Banking Group Ltd (ANZ) with 24%, while Tan Sri Azman Hashim, who is chairman and founder of the bank, has an indirect 16.8% stake. The suitor being mentioned in banking circles is Bank of China (M) Bhd (BoC), which already has a presence in the country as a full-fledged foreign commercial bank since 2001. According to sources, it has its eye on ANZ's block, although there is a possibility that part of Azman's shares may be combined in a possible sale. There is a 30% limit on strategic foreign shareholdings for commercial banks. This limit can, however, be raised on a case-by-case basis. (Source: *The Sun Daily*)

MRCB (CP: RM1.00), George Kent (CP: RM1.39): Govt picks MRCB, George Kent as PDP for LRT 3

The Government has picked the consortium of Malaysian Resources Corporation Bhd and George Kent (M) Bhd as the project delivery partner for the light rail transit three, which is estimated to cost RM9bil. Prasarana Malaysia Bhd said the new LRT 3 line will link Bandar Utama to Shah Alam and Klang and is expected to be completed by Aug 31, 2020. The group said the RM9bil excludes the land acquisition costs. Funds for the project are financed via the issuance of sukuk, of which the coupon rate will be decided later. The group said local institutions have shown interest on the financing for the project through its sukuk issuance. (Source: *The Star*)

Ho Hup (CP: RM0.80): Cheap entry for Ho Hup

Ho Hup Construction Co Bhd is planning to move into township development in Johor in an inexpensive way without having to tie up much capital. To recap, the small-cap construction and property developer plans to acquire a 70% stake in Intact Corporate Approach Sdn Bhd (ICA) from I4G Intelliganz Sdn Bhd for RM107.3mil. ICA is a two-year-old owner and developer of real estate, which operates as a subsidiary of I4G Intelliganz. In July, ICA had signed a deal with YPJ Plantations Sdn Bhd – the registered land owner – to buy 429 acres in Kulai for RM107.3mil, where it would be transferred progressively to ICA over five years. (Source: *The Sun Daily*)

PPB (CP: RM155.22): May declare higher final dividend

PPB Group Bhd, which declared an interim single tier dividend of 8 sen per share for the financial year ending Dec 31, 2015 (FY15), may declare a higher final dividend if it sees higher profit contribution from its 18.3% associate Wilmar International Ltd. Its CFO Leong Choy Ying said if the group is able to repeat its first half of the year (ended June 30, 2015, 1H FY15) performance during the second half of the year (2H FY15), it should be able to maintain its dividend payout for FY15. The group declared dividends of 23 sen per share, 25 sen per share and 20 sen per share for FY14, FY13 and FY12 respectively. Its interim dividend of 8 sen per share for FY15 is 1 sen higher than a year ago.

Managing director Lim Soon Huat said the group expects to achieve similar performance in 2H FY15 while the consolidated financial results in 2015 will continue to be substantially supported by Wilmar's business performance. (Source: *The Sun Daily*)

Icon Offshore (CP: RM0.32): Executes BND37m loan facility

Icon Offshore Bhd's unit Icon Bahtera (B) Sdn Bhd has executed a BND37 million loan facility via Islamic financing scheme of Al- Bai'u Bithaman Aajil (BBA) with Bank Islam Brunei Darussalam Bhd, to finance the purchase of a vessel from Icon Kayra (L) Inc. In a filing with Bursa Malaysia last Friday, the offshore support vessel provider said the proceeds would also be used to replenish the temporary utilisation of its initial public offering (IPO) proceeds, as well as to fund its shipbuilding program. Icon Offshore said the BBA-term financing facility will have a tenure of 84 months, which shall be payable by Icon Bahtera to BIBD in monthly installments. (Source: *The Sun Daily*)

Prasarana: LRT 3 construction cost won't top RM9 billion

Prasarana Malaysia Bhd has given an assurance that the construction cost for the light rail transit line three (LRT 3) project will be contained at RM9 billion amid the weakening of the ringgit, which has sparked concerns over higher imported material cost. While he acknowledged that the design of the project "will be a bit more challenging" in view of current developments such as the weakening ringgit, he said the project cost will not overrun with the appointment of the PDP. One of their (PDP) KPIs (key performance indicators) is managing the VOs (variation orders); if they cannot manage it, then we'll deduct a certain percentage of their fee, he said. The PDP will receive a fee of 6% of the total aggregate work package contract value. Should the eventual total cost of the project be less than or equal to the target cost, the PDP will be entitled to the full fee. (Source: *The Sun Daily*)

Automobile Sector (Overweight): NAP 2014 has not changed things much: MAA

The National Automotive Policy (NAP) 2014, one-and-a-half years after its rollout, may still not be good enough for the automotive industry yet, said Malaysian Automotive Association (MAA) president Datuk Aishah Ahmad. Overall, Aishah opined that the NAP has neither changed the automotive industry in a significant way nor has it really made Malaysia an attractive place for auto investments. (But) some car companies have benefited (from the NAP) because they've started doing local assembly of hybrid and EEV (energy-efficient vehicles) so they have enjoyed the incentives," Aishah told *SunBiz*. (Source: *The Sun Daily*)

IPO: Al-Salam REIT to raise RM252.36mil via IPO

Johor Corporation's (JCorp) real estate investment trust (REIT), Al-Salam, expects to raise RM252.36mil via its initial public offering (IPO). Al-Salam REIT, which is enroute to a Main Market listing, is offering 252.36 million units of RM1 each, out of which 240.76 million has been allocated for private placement and another 11.6 million will be made available for the Malaysian public. JCorp President and Chief Executive Datuk Kamaruzzaman Abu Kassim said Al-Salam

REIT aimed to double its asset value to about RM2 billion in the next two years from RM900mil currently. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: July exports better than forecast

Malaysia saw exports in July increase 3.5% from a year earlier as demand for electrical and electronic goods surged, government data showed on Friday. According to the median forecast from a Reuters poll, economists had forecast exports would rise 3.2% on the back of a weakening ringgit currency, although individual estimates varied. Exports of manufactured products helped boost July's figure as demand for electronic integrated circuits grew, especially from China. Despite a weaker ringgit, imports did much better than expected, rising 5.9% from last year due to increases in imports of electronic circuits, petroleum oils and medicament. (Source: *The Star*)

Indonesia: Expects bids for medium-speed rail project from China and Japan

Bids were expected from China and Japan for a medium-speed rail project in Indonesia that will be 40 percent cheaper than the \$6 billion bullet train project that Jakarta scrapped last week, an Indonesian minister said in an interview on Sunday. China and Japan were disappointed by the cancellation of the high-speed rail project, announced by the government on Friday, but could renew rivalries to build the medium-speed rail link between the capital Jakarta and the third-largest city, Bandung. A Japanese embassy official in Jakarta said the Japanese government would not be bidding, but that Indonesia had invited private Japanese companies to participate. (Source: *The Star*)

U.S.: Job growth slows, unemployment rate falls to 5.1%

US job growth rose less than expected in August, which dim prospects of a Federal Reserve interest rate could hike later this month, even as the unemployment rate dropped to a near 7½-year low of 5.1% and wages accelerated. Nonfarm payrolls increased 173,000 last month as the manufacturing sector lost the most jobs since July 2013, after an upwardly revised 245,000 rise in July, the Labor Department said on Friday. It was the smallest gain in employment in five months. The report, however, may have been tarnished by a statistical fluke that in recent years has frequently led to sharp upward revisions to payroll figures for August after initial weak readings. A *Reuters* survey of economists had forecast nonfarm payrolls increasing by 220,000 last month, but economists warned that the model the government uses to smooth the data for seasonal fluctuations might not adequately account for the start of a new school year. (Source: *The Edge*)

U.S.: Semicon sales fall in July on weak demand, currency woes

Global semiconductor sales fell in July from a year ago and a month ago which the US-based Semiconductor Industry Association (SIA) blamed on softening demand and currency devaluation in some regional markets. The Washington-based trade body said on Thursday global sales of semiconductors fell 0.9% to US\$27.9bil in July a year ago when sales were US\$28.1bil. Global sales from July were 0.4% lower than June's US\$28.0bil. This was based on a three-month

moving average. Regionally, sales in the Americas were roughly flat in July compared to last year, while sales in China increased by nearly 6%, it said, based on data compiled by the World Semiconductor Trade Statistics (WSTS) organisation. *(Source: The Star)*

Asean: Cross-border capital rising in Asean made easier

The Monetary Authority of Singapore and Singapore Exchange (SGX), together with the Securities Commission Malaysia and the Securities and Exchange Commission, Thailand, have issued a handbook to implement the Streamlined Review Framework for the ASEAN Common Prospectus. In a joint statement, MAS and SGX said under the framework, ASEAN issuers planning a multi-jurisdictional offering of equity or plain debt securities can expect a shorter time-to-market and faster access to capital across the region. This framework requires both home and host authorities to complete the prospectus review process at the same time, within three to four months from the date of submission. *(Source: The Star)*

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

Head Of Research



Rosnani Rasul
 M&A Securities