

PP14767/09/2012(030761)

Thursday, September 10, 2015

Report of The Day

Sector Update: Consumer (Neutral) – “Cautiously Optimistic”

At a Glance

FBMKLCI gained 16.24 points to finish at 1,603.36 coincide with other regional markets.....(See full report next page)

Strategy

“Wall Street Backslide Again”

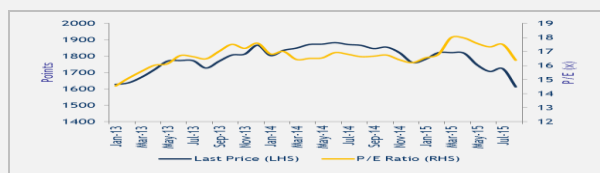
At 5.1% current US unemployment level, a small dose of 25 basis points adjustment is absorbable.....(See full report next page)

Corporate Highlights

- **Axiata, BUY (TP: RM7.10):** Malaysia's Axiata and Bharti may merge Bangladeshi ops
- **Titijaya (CP: RM1.73):** Scales down 2016 sales target
- **Reach Energy (CP: RM0.59):** Incurs a net loss of RM10.98m for 12MFY15

Economic Update

- **Malaysia:** Seen holding policy rate steady amid ringgit woes
- **U.S.:** Job openings in US surged to record in July
- **China:** Changes GDP data calculation method to improve accuracy



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	1,603.36	16.24	1.02
FBMEMAS	11,004.79	126.39	1.16
FBMEMAS SHA	11,498.45	114.69	1.01
FBM100	10,728.90	118.69	1.12
Volume (mn)	2,558.22	550.89	27.44
Value (RMmn)	2,421.20	714.94	41.90
FBMKLCI YTD Chg			-8.96

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.3	-33.1
Local Institution	54.6	80.0
Foreign Investors	26.1	-46.9

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.78	0.78	3.00
ALLIANZ MALAYSI	10.80	0.40	3.85
MALAYSIA AIRPOR	4.71	0.25	5.61

Top Losers

	Close	Change+/-	(+/- %)
VS INDUSTRY BHD	1.36	0.07	5.59
BAT	61.00	-0.26	-0.42
CARLSBERG BREW	11.46	-0.20	-1.72

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,253.57	-239.11	-1.45
NASDAQ	4,756.53	-55.40	-1.15
S&P 500	1,942.04	-27.37	-1.39
FTSE 100	6,229.01	82.91	1.35
DAX	10,303.12	31.76	0.31
Nikkei 225	18,770.51	1,343.43	7.71
HSI	22,131.31	872.27	4.10
KOSPI	1,934.20	55.52	2.96
STI	2,923.56	38.24	1.33
KLCI Futures	1,552.00	4.00	0.00
USDMYR 3M	15.76	(0.15)	(0.01)
USDMYR 6M	15.42	(0.25)	(0.02)
USDMYR 12M	15.36	(0.27)	(0.02)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	44	0.0	-0.1%
Brent (USD/bbl)	47.6	-1.9	-3.9%
Gold(USD/ounce)	1,107	-0.5	0.0%
Coal (USD/mt)	57.8	-0.3	-0.5%
CPO (RM/mt)	2,113	21.0	1.0%
Rubber	133	2.0	1.5%
RM/USD	4.31	-0.0263	0.61%
EUR/USD	0.89	-0.0009	-0.10%
YEN/USD	120.25	-0.25	0.21%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 239.11 point to 16,253.57 points, S&P 500 declined 27.37 points to 1,942.04. Nasdaq tumbled by 55.40 points to 4,756.53. U.S. equities moved lower Wednesday after the much-hyped Apple event came and went with a dull thud.
- The day's slump was a surprise to many given the excitement seen in the Asian trading session with Japan's Nikkei 225 index rising a whopping 7.7% in response to a substantial corporate tax-cut announcement. China's Shanghai Composite gained 2.3% after the Ministry of Finance said a more powerful fiscal stimulus would be used to stimulate growth.

The Local Market

- FBMKLCI gained 16.24 points to finish at 1,603.36 coincide with other regional markets. There were 666 gainers and 228 decliners in total value traded of RM2.42 billion.
- Among the gainers on Bursa Malaysia were United Plantation surged 78 cent to RM26.78, Allianz Malaysia soared 40 cent to RM10.80, Malaysia Airport Berhad added 25 cent to RM4.71 and Lysaght Galvanized Steel Bhd grew 24 cent to RM3.50.

Strategy

- **"Wall Street Backslide Again"**
Wall Street ended lower on Wednesday despite a host of positive catalysts coming from the US, China and Japan. **DJIA** and **S&P 500** lost **27.37 (-1.39%)** and **239.11 (-1.45%)** points to end at **1,942.04** and **16,253.11** respectively. Despite a steady stream of positive development from advanced and emerging countries, Wall Street failed to maintain Tuesday's steady momentum, no thanks to the large overhang in the market, as in the US policy decision next week. Positive vibes yesterday came from China which pledged to increase infrastructure spending, strengthen fiscal policy along with speeding up tax reform to reenergize growth. Japan, in the meantime, vowed to reduce corporate tax by at least 3.3% which shored-up Nikkei 225 that advanced by 7.7%, its single largest day gain since October 2008. Finally, job openings in the US vaulted to a steady level of 5.7 million from 5.3 million before. As mentioned, nothing could beat the nervousness arising from the US next policy steps. With the decision to come next week 17th September, we are of the view that there is more than 50% probability that the US Federal Funds Rate could be bump up by 25 basis points. At 5.1% current US unemployment level, a small dose of 25 basis points adjustment is absorbable and manageable by the US economy but that in turn will be bad news for the rest of the world. Hence, the prolong jitteriness in the global equity market.
- 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

Axiata, BUY (TP: RM7.10): Malaysia's Axiata and Bharti may merge Bangladeshi ops

Telecommunication services provider Axiata Group Bhd is in talks to merge its operations in Bangladesh with that of India-based Bharti Airtel Ltd. In its filings with Bursa Malaysia, Axiata said it had entered into an exclusive discussion with Bharti to explore the possibility of combining the business operations of their telecommunication subsidiaries in Bangladesh; namely, Robi Axiata Ltd and Airtel Bangladesh Ltd. It, however, stressed that there was no certainty that the negotiations would lead to anything concrete. *(Source: The Star)*

Titijaya (CP: RM1.73): Scales down 2016 sales target

Titijaya Land Bhd has targeted RM400mil in sales for the financial year ending June 30, 2016, 20% lower than the RM500mil of sales it achieved in FY15. The prudent move is in light of the soft economic climate. Deputy group managing director Lim Poh Yit said Titijaya would scale back its launches in order to be cautious moving into the new financial year, in spite of its net cash position. In FY16, Titijaya will launch three projects – phase 2 of high rise residences H2O in Ara Damansara, landed residences in Cheras and office suites Emporia at Shah Alam – which will have a collective gross development value of RM400mil. *(Source: The Star)*

Reach Energy (CP: RM0.59): Incurs a net loss of RM10.98m for 12MFY15

Reach Energy Bhd which is still in the midst of securing a qualifying acquisition (QA), saw its net loss for the 12 months ended Jul 31, 2015 (12MFY15) narrow 61.3% to RM10.98 million, compared to RM28.38 million it reported a year ago. In its quarterly report to Bursa Malaysia, the oil and gas special purpose acquisition company, which changed its financial year end to Dec 31 from Jul 31, said the loss was mainly due to expenses like management team remuneration, finance costs, travelling costs, and listing expenses. As it has yet to complete its QA, Reach Energy's main source of income, which amounted to RM27.6 million in 12MFY15, was derived from interests earned from its fixed deposits. *(Source: The Edge)*

Sentoria (CP: RM0.97): Unveils 2nd resort city

Theme park operator-cum-property developer Sentoria Group Bhd has launched its second resort city, Borneo Samariang Resort City (BSRC), in Kuching. The project, which is expected to have a total of RM2bil gross development value (GDV), would spread across 500 acres. This is equivalent to RM4mil per acre. The project will feature a water theme park, safari park, a hotel with meeting, incentives, conference and exhibition facilities as well as various types of affordable housing and commercial properties. Sentoria said in a statement yesterday that the first phase of the BSRC development would have a GDV of RM500mil, which comprise 428 units of service apartment, is expected to be launched progressively over the next three years. *(Source: The Star)*

TH Heavy (CP: RM0.18): Looks beyond offshore fabrication

Loss-making TH Heavy Engineering Bhd, which is raising RM275mil from a rights issue exercise, said it is looking beyond offshore fabrication business in a fresh effort to quickly turn the company around. Newly appointed chief executive officer Nusrul Danir said his immediate priority was to boost returns for shareholders. He added that the company had submitted bids worth RM881mil and was planning to tender for additional RM1bil jobs both in the upstream and downstream sector within the industry. Nusrul said his main priorities was to identify quick wins and undertake aggressive cost optimisation measures and to deliver within schedule of TH Heavy's commitment on the JX Nippon Layang floating production, storage and offloading (FPSO) facility contract, and the Petronas Carigali Kinabalu NAG Phase 11 Project. *(Source: The Star)*

GUH (CP: RM0.95): Unit to buy Penang land for RM22.6mil

GUH Holdings Bhd's unit GUH Realty Sdn Bhd has proposed to acquire two pieces of land in Seberang Perai, Penang for RM22.6mil. The purchase consideration will be financed through bank borrowing and internally generated funds, the company said in a filing with Bursa Malaysia yesterday. It said the land totalled 2.88ha would be acquired from Leader Holdings Sdn Bhd and Thow Gooi Chee. The two pieces of land were strategically located in South Seberang Perai District where various government projects, including the Batu Kawan Industrial Park had been initiated, GUH added. *(Source: The Star)*

Land and General (CP: RM0.39): Faces up to 20% cost increase for future projects

Property developer Land and General Bhd (L&G) has admitted that the weakening ringgit against the US dollar will have an increase development cost for their future projects, if the situation has not abated. Speaking to a press conference after attending its annual general meeting, L&G's managing director Low Gay Teck said there will be a definite impact on imported items, commodity and construction items quoted in US dollars for new projects, but current projects are unaffected. Cost have been going up progressively over the past two years. The past six months' development have seen the weakening ringgit and this will impact future contract awarded as part of the construction materials, some imported raw items or finishing items are quoted in US dollars. *(Source: The Edge)*

ECONOMIC UPDATES**Malaysia: Seen holding policy rate steady amid ringgit woes**

Bank Negara is expected to hold its benchmark rate at 3.25% at a policy review on Friday amid a plunging ringgit and global market uncertainty, a Reuters poll showed. All 13 economists were unanimous that the central bank will not change its overnight policy rate (OPR), due to risks posed to Malaysia's economic growth by lower commodity prices, capital outflows, the weakened ringgit and a potential rate hike by the US Federal Reserve. Malaysia, a major exporter of natural gas, has seen its earnings drop, as gas prices are linked to oil prices, which have lost almost 60% since June 2014. The central bank last raised its key interest rate in July 2014 from 3% to 3.25%. The ringgit has lost almost

19% so far this year, and is emerging Asia's worst performing currency. It hit fresh 17-year lows this week, dropping to 4.3695 against the dollar on Tuesday. – Reuters (*Source: The Star*)

U.S.: Job openings in US surged to record in July

Job openings in the US surged to a record in July, a sign employment will keep climbing. The number of positions waiting to be filled jumped by 430,000, the biggest gain since April 2010, to 5.75 million, a Labor Department report showed Wednesday in Washington. The July data show employers were optimistic enough about the economic outlook to post more vacancies and compete for a dwindling pool of available workers as the jobless rate held at a seven-year low. Federal Reserve officials also will have to consider whether market turmoil that began last month will offset labor-market improvement and interrupt plans to raise the benchmark interest rate for the first time since 2006. (*Source: Bloomberg*)

China: Changes GDP data calculation method to improve accuracy

China's statistics bureau said on Wednesday it has changed the way quarterly gross domestic product data is calculated, a move it calls a step to adopt international standards and improve the accuracy of Chinese numbers. There has long been widespread scepticism about the reliability of Chinese data, especially as the government has sought to tamp market expectations of a protracted slowdown in the world's second-largest economy. The move by the National Bureau of Statistics (NBS) comes after China said in July its annual growth rate in the second quarter was 7%, the same as in January-March. Many economists believe the April-June pace was lower. (*Source: The Star*)

Australia: RBA: Australia economy flexible, China still offers opportunities

Australia's falling exchange rate, flexible labour force and record low interest rates are all helping to support the economy, a top Australian central banker said on Wednesday, but the country will have to get used to less growth from China. In comments that appeared in line with the central bank's wait-and-see stance on monetary policy, Reserve Bank of Australia (RBA) deputy governor Philip Lowe also downplayed recent data that highlighted sharply slower growth. Figures last week showed the economy grew just 0.2% in the second quarter, taking the annual growth rate down to 2%, well below the long-term average of 3%-3.25%. (*Source: The Star*)

Indonesia: To unveil massive deregulation as part of stimulus package

Indonesia is set to announce what President Joko Widodo called a "massive" deregulation package on Wednesday, aimed at luring more investment and supporting a currency that has weakened to 17-year lows. The package, scheduled to be unveiled around 0900 GMT, "should bring progress" for the economy, Widodo said on Twitter on Wednesday. In March, after the rupiah hit its lowest level since 1998, Widodo launched his first policy package which included a plan to impose temporary anti-dumping import duties and waive visa for dozens of countries. But the rupiah has weakened steadily since as Southeast Asia's largest economy slowed and the U.S. dollar climbed on expectations the Federal Reserve will raise interest rates later this year, pressuring emerging market currencies. (*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.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
(A wholly-owned subsidiary of INSAS BERHAD)
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