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Monday, September 14, 2015

Report of The Day

Sector Update: Automotive Sector (Neutral) – “Jittery Sentiment in 2H15”

At a Glance

FBMKLCI declined 10.42 points to finish at 1,603.60 ahead of interest rate decision by BNM.....(See full report next page)

Strategy

“US Policy Meeting This Week will be Heavy in Investors Mind”

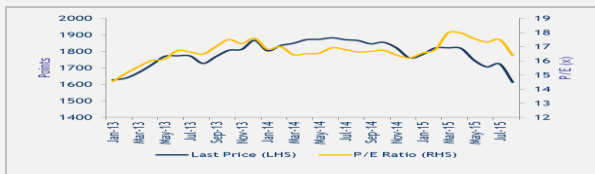
We expect volatility to persist in the local market with greater downside risk.....(See full report next page)

Corporate Highlights

- **Sunway Construction, BUY (TP: RM1.40):** Wins RM1.6bil Putrajaya project
- **Nationwide (CP: RM0.60):** Aims to return to profitability in fiscal 2016
- **Berjaya Food (CP: RM2.14):** Q1 net profit rises to RM6.11m

Economic Update

- **Malaysia:** Bank Negara keeps key rate at 3.25%, says it's supportive of economy
- **Malaysia:** Over RM1bil deals expected from green expo
- **Japan:** Exports growth seen slowing in August



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	10-15 Sep	-	New Yuan Loans CNY	800.0B	1480.0B
CN	10-15 Sep	-	Money Supply M2 YoY	13.3%	13.3%
EU	14-Sep	5:00 PM	Industrial Production SA MoM	-	-0.4%
EU	14-Sep	5:00 PM	Industrial Production WDA YoY	-	1.2%
US	15-Sep	8:30 PM	Retail Sales Advance MoM	0.4%	0.6%
US	15-Sep	8:30 PM	Retail Sales Ex Auto MoM	0.3%	0.4%
US	15-Sep	8:30 PM	Retail Sales Ex Auto and Gas	-	0.4%
US	15-Sep	8:30 PM	Empire Manufacturing	1.00	-14.92
US	15-Sep	8:30 PM	Industrial Production MoM	-0.2%	0.6%
EU	16-Sep	5:00 PM	CPI MoM	-	-0.6%
EU	16-Sep	5:00 PM	CPI YoY	-	0.2%
EU	16-Sep	5:00 PM	CPI Core YoY	-	1.0%
US	16-Sep	7:00 PM	MBA Mortgage Applications	-	-
US	16-Sep	8:30 PM	CPI MoM	0.0%	0.1%
US	16-Sep	8:30 PM	CPI Ex Food and Energy MoM	-	4.3%
US	16-Sep	8:30 PM	CPI YoY	0.2%	0.2%
US	17-Sep	8:30 PM	Housing Starts	1145K	1206K
US	17-Sep	8:30 PM	Building Permits	1135K	1119K
US	17-Sep	8:30 PM	Initial Jobless Claims	-	-
US	17-Sep	10:00 PM	Philadelphia Fed Business Outlook	6.0	8.3
JP	17-Sep	7:50 AM	Trade Balance	-	Y-268.1B
JP	17-Sep	7:50 AM	Trade Balance Adjusted	-	Y-368.8B
US	18-Sep	10:00 PM	Leading Index	0.3%	-0.2%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,603.60	-10.42	-0.65
FBMEMAS	11,029.12	-37.88	-0.34
FBMEMAS SHA	11,551.34	27.64	0.24
FBM100	10,752.77	-46.49	-0.43
Volume (mn)	2,227.87	399.74	21.87
Value (RMmn)	1,863.46	-158.75	-7.85
FBMKLCI YTD Chg			-8.95

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.2	6.5
Local Institution	55.0	238.2
Foreign Investors	23.8	-244.7

Top Gainers

	Close	Change+/-	(+/- %)
LAY HONG	3.90	0.42	12.07
BAT	63.90	0.32	0.50
NESTLE	72.10	0.30	0.42

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.44	-0.34	-1.27
LAFARGE	9.10	-0.33	-3.50
PUBLIC BANK	17.76	-0.26	-1.44

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,433.09	102.69	0.63
NASDAQ	4,822.34	26.09	0.54
S&P 500	1,961.05	8.76	0.45
FTSE 100	6,117.76	-38.05	-0.62
DAX	10,123.56	-86.88	-0.85
Nikkei 225	18,264.22	-35.40	-0.19
HSI	21,504.37	-58.13	-0.27
KOSPI	1,941.37	-20.74	-1.06
STI	2,888.03	-40.15	-1.37
KLCI Futures	1,540.00	(8.00)	(0.01)
USDMYR 3M	15.37	(0.13)	(0.01)
USDMYR 6M	14.92	(0.16)	(0.01)
USDMYR 12M	14.75	(0.05)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	0.2	0.4%
Brent (USD/bbl)	48.2	0.1	0.2%
Gold(USD/ounce)	1,106	-2.2	-0.2%
Coal (USD/mt)	57.7	-0.1	-0.2%
CPO (RM/mt)	2,134	-23.0	-1.1%
Rubber	133	0.1	0.1%
RM/USD	4.32	0.0041	-0.10%
EUR/USD	0.88	-0.0003	-0.03%
YEN/USD	120.73	0.14	-0.12%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 102.69 points to 16,433.09 points, S&P 500 soared 8.76 points to 1,961.05. Nasdaq surged by 26.09 points to 4,822.34. Major stock indexes shook off an early stumble to finish with slight gains on Friday as traders turned their attention to a key meeting of the Federal Reserve next week.
- The economic news wasn't encouraging, either. A reading on consumer confidence this month sank to its lowest level since September of last year.

The Local Market

- FBMKLCI declined 10.42 points to finish at 1,603.60 ahead of interest rate decision by BNM. There were 462 gainers and 352 decliners in total value traded of RM1.86 billion.
- Among the losers on Bursa Malaysia were United Plantations dropped 34 cent to RM26.44, Lafarge down 33 cent to RM9.10, Public Bank slipped 26 cent to RM17.76 and Genting Bhd slid 26 cent to RM7.11.

Strategy

- **“US Policy Meeting This Week will be Heavy in Investors Mind”**
Wall Street ended higher on Friday on technical rebound. DJIA and S&P 500 gained **8.76 (0.45%)** and **102.69 (0.63%)** points to end at **1,961.05** and **16,433.09** respectively. Wall Street Friday's performance will definitely have no bearing on the global equity market this week no thanks to the large overhang in the market, as in the US policy decision that is due this Thursday. With most economists not surprise of a small bump of 25 basis points in US policy rate this week, that would nonetheless be enough to send chill down the spine of most investors. Added with the short week for Bursa Malaysia, we expect volatility to persist in the local market with greater downside risk. If policy rate is adjusted in the US, it will take down the global commodity prices especially oil and not to mention the currency of global oil producer notably Ringgit, Rupiah, Canadian Dollar, Australian Dollar, Venezuelan Bolivar and also Nigeria's Naira.
- Our 2015 year-end target is **1,660** based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

Sunway Construction, BUY (TP: RM1.40): Wins RM1.6bil Putrajaya project

Sunway Construction Group Bhd (SunCon) has bagged a construction project worth RM1.6bil from Putrajaya Holdings Sdn Bhd (PHSB) for works in Precinct 1, Putrajaya. In a filing with Bursa Malaysia, SunCon said its subsidiary Sunway Construction Sdn Bhd had received the letter of award from Putrajaya Bina Sdn Bhd, which is a wholly-owned subsidiary of PHSB. The award would involve the proposed design, construction and completion of government office buildings consisting of office towers, podium parking and external works for Parcel F, Precinct 1, Pusat Pentadbiran Kerajaan Persekutuan, Putrajaya, said SunCon. (Source: *The Star*)

Nationwide (CP: RM0.60): Aims to return to profitability in fiscal 2016

Nationwide Express Courier Services Bhd will intensify its cost-effective measures, increase productivity and improve operational efficiency in its efforts to return to the black in the 2016 financial year. "The company is a market leader in providing courier services to the pharmaceutical companies and financial institutions, and we would like to focus on strengthening our position," said its Managing Director Rozilawati Basir. Nationwide Express, whose business consists of 80 per cent courier services and 20 per cent logistics, complies with temperature sensitive items mostly for the medical industry in line with the Health Ministry's standards. She said the company currently has 30 air-conditioned trucks and it planned to increase this to 60 by next year. (Source: *Bernama*)

Berjaya Food (CP: RM2.14): Q1 net profit rises to RM6.11m

Berjaya Food Bhd's net profit rose 1.73% to RM6.11 million for the first quarter ended July 31, 2015 against RM6.0 million in the previous corresponding period. Revenue for the quarter under review jumped more than threefold from RM39.64 million to RM132.41 million, thanks to the full effect of consolidating Berjaya Starbucks Coffee Company Sdn Bhd (BStarbucks). Berjaya Food has proposed to declare an interim dividend of 1 sen per share. In a statement last Friday, it said the weakening of the ringgit against the US dollar continues to compress the group's profit margin. (Source: *The Sun*)

NTPM (CP: RM0.72): 1Q net profit soars 85%

NTPM Holdings Bhd saw its net profit soar 85% to RM12.92 million or 1.20 sen per share for the first quarter ended July 31, 2015, from RM7.0 million or 0.60 sen per share in the previous year. In its filing with the exchange, NTPM attributed the improvement in profit to higher sales, better margins and lower selling, distribution and operating cost. Revenue for the quarter rose 8% to RM143.40 million, from RM132.24 million a year earlier, due to increase in sales of personal care products. On a segmental basis, its paper products segment saw a 2% year-on-year increase in revenue to RM96.8 million, while pre-tax profit rose 47% to RM13.6 million, on higher margins. (Source: *The Edge*)

BP Plastics (CP: RM1.10): Ups production with new plant

BP Plastics Holdings Bhd (BPP), one of the largest polyethylene film-makers in Asia, is ramping up production amid the ringgit turmoil and volatile climate. The

Johor-based company beefed up its plastic operations with a RM13.5mil investment in a new 3m cast stretch film machine from Austria, a move to increase production capacity and boost exports. Group managing director Lim Chun Yow said that with the commissioning of the machine in June, it intended to lift export sales to 80% of total revenue for the financial year 2015, from last year's 78%. The bulk of BPP's exports was denominated in US dollar, followed by Singapore dollar and euro. The domestic market contributed about 20% to BPP's topline. *(Source: The Star)*

QL (CP: RM4.11): Sells off Lay Hong stake

AN off-market transaction of 19.87 million shares or a 38.8% stake in poultry player Lay Hong Bhd, believed to be the block belonging to QL Resources Bhd was crossed yesterday at a price of RM3.05, according to sources. This crossing is a strong indication that QL Resources, the country's largest egg producer has finally thrown in the towel after almost a year of attempting to wrest control of Lay Hong. The crossing price is at a discount of 85 sen or 22% to Lay Hong's closing price of RM3.90 yesterday. At RM3.90, this is also Lay Hong's 52-week high. Sources say three parties took up the shares. One of them is believed to be Kenanga Investment Bank Bhd, which took up some 15% or 8 million shares of Lay Hong. *(Source: The Star)*

Hibiscus Petroleum (CP: RM0.73): Proposes private placement

Hibiscus Petroleum Bhd has proposed private share placement aiming to raise some RM207.9 million fresh capital, based on its illustrative offer price of 63.6 sen per share. According to a filing to Bursa, Hibiscus Petroleum said the proposed placement will involve the placement of up to 326.9 million new shares, representing up to 25% of the enlarged paid-up share capital of the company. Subject to prevailing market conditions and investors' interest, the proposed placement may be implemented in multiple tranches within six months from the date of approval by Bursa Malaysia, or any extended period as may be approved by the stock exchange, it added. *(Source: The Edge)*

OSK Holdings (CP: RM1.63): Extends takeover bid for OSK Property - again

OSK Holdings Bhd which wants to take OSK Property Holdings Bhd (OSKP) private is extending the closing date for its general offer to Oct 9 from next Tuesday (Sept 15), giving minority shareholders an additional four weeks to make up their minds. It had earlier extended the closing date from Sept 1 to Sept 15. This second extension sparks speculation that OSK Holdings could be concerned about the acceptance of its takeover bid for OSKP shares at RM1.95 per share, and warrants at RM1 per unit. According to its filing to Bursa Malaysia, OSK Holdings has garnered 137.08 million shares so far in its takeover offer as at Sept 11. This raises OSK Holdings' shareholding in OSKP to 96.18%, representing 315.2 million shares. It is understood that OSK Holdings needs an additional 2% or 6.55 million shares to hit the 90% acceptance threshold to trigger a compulsory acquisition. *(Source: The Edge)*

KKB (CP: RM1.43): Unit bags RM171.1m worth of jobs

KKB Engineering Bhd's (KKB) associate Ocean Might Sdn Bhd (OMSB) has bagged contracts worth RM171.1 million from Talisman Malaysia Ltd (Talisman), Syarikat SESCO Bhd (SESCO) and Sarawak Energy Bhd (Sarawak

Energy). In a filing to Bursa Malaysia today, KKB said OMSB has received a letter of award from Talisman for the engineering, procurement and construction of Wellhead Platform for Kinabalu redevelopment project. Additionally, KKB has received a notification of tender award from SESCO for the annual supply and delivery of steel products and a letter of award from Sarawak Energy for the supply, delivery, erection and commissioning of one unit of 1,000 tonne fuel storage tank inclusive of pipings and fittings for the Lawas Power Station. The completion date for Talisman's contract was within the second quarter of 2017. SESCO's contract was scheduled to be completed within the third quarter of 2016, while Sarawak Energy's contract was scheduled to be completed within the first quarter of 2016, it said. *(Source: The Edge)*

Property Sector (Neutral): Unsold property units on the rise in Malaysia

The number of unsold property units in Malaysia have increased due to unreleased Bumiputera lots and loan rejections, says the Real Estate and Housing Developers Association (Rehda). The percentage increased by 14% in the first half of 2015 ended June 30, 2015 from the preceding half ended Dec 31, 2014, according to Rehda's survey. Most of the units which were unsold were in Kedah, Penang, Selangor and Johor. Also the Rehda Property Industry Survey for the first half of 2015, the number of unsold units rose to 78% from 64% in six months before and 57% in the first half ended June 30, 2014. *(Source: The Star)*

ECONOMIC UPDATES

Malaysia: Bank Negara keeps key rate at 3.25%, says it's supportive of economy

Bank Negara Malaysia (BNM) has maintained the overnight policy rate at 3.25% as it remains accommodative and supportive of economic activity. While the Monetary Policy Committee recognises that there are heightened risks in the global economic and financial environment, it said these risks are being carefully monitored to assess their implications on macroeconomic stability and the prospects of the Malaysian economy, to ensure that the monetary policy stance is consistent with the sustainability of the overall growth prospects. In a statement last Friday, the central bank said even though the global economic recovery is expected to continue, the downside risks to growth have increased arising from the moderating growth momentum in the major emerging market economies, uncertainty in commodity prices and the heightened volatility in financial markets. *(Source: The Sun)*

Malaysia: Over RM1bil deals expected from green expo

The Energy, Green Technology and Water Ministry is confident the sixth International Greentech and Eco Products Exhibition and Conference Malaysia 2015 (IGEM 2015) would rake in RM1.2 billion in business deals despite the current economic situation. Minister Datuk Seri Dr Maximus Johny Ongkili said the optimism was based on expectation of a higher interest from foreign companies, driven by the cheaper cost of doing business in the country. "The fact that the ringgit is declining makes it cheaper to do business here for foreign

companies," he told reporters after the launch of IGEM 2015 by Prime Minister Datuk Seri Najib Tun Razak in Kuala Lumpur on Friday. *(Source: The Star)*

Japan: Exports growth seen slowing in August

Japanese exports are forecast to have risen at a slower pace for the second straight month in August, pressured by weakening demand across Asia as China's economic slowdown takes a toll on export-growth engines in the region. Exports were expected up 4% last month from a year ago, a poll of 22 analysts found, slowing from a 7.6% gain in July and a 9.5% jump in June. "Shipments to Asian nations remain weak... there is no change to the trend of exports which is still sluggish," said Tatsushi Shikano, deputy chief economist at Mitsubishi UFJ Morgan Stanley. A slowdown in China, which has recently shown signs of deepening and roiled global financial markets, has knocked export-led economies including Taiwan, South Korea and Singapore. *(Source: Reuters)*

Japan: Convertible bond issuance rises to 9-year high

Convertible bond issuance by Japanese companies in 2015 has already topped 2014's full-year issuance and risen to its highest level since 2006, partly because companies are using them to raise funds to buy back their own shares. Japanese firms issued about 1.2 trillion yen worth of convertible bonds (CBs) in the year through August, compared with 544 billion yen issued in the same period a year ago, and 926 billion in all of 2014, according to Thomson Reuters data. This year's total is on track to challenge 2004's record high 1.7 trillion yen, as companies such as Mitsumi Electric Co, Towa Pharmaceutical Co and T&D Holdings issued CBs and used some or all of the funds raised for share buybacks. *(Source: The Star)*

South Korea: Bank of Korea holds rates as economy recovers

South Korea's central bank reassured investors on Friday that its future policy decisions would be based on economic data, but noted that another rate cut soon was unlikely because the economy was already recovering as expected. The Bank of Korea's seven-member policy committee unanimously held the base rate steady at a record-low 1.5%, the third straight month it unanimously kept the rate unchanged after cutting it in June. Trader reaction to the decision and the Bank of Korea chief's remarks was muted as global financial markets watch and wait for the outcome of the US Federal Reserve's policy meeting Sept 16 and 17. *(Source: The Star)*

U.S.: US consumer sentiment index for Sept falls to one-year low

US consumer sentiment dropped to its lowest level since September last year, a survey released on Friday showed. The University of Michigan's preliminary September reading on the overall consumer sentiment index slid to 85.7, compared with the final reading of 91.9 in August. September's consumer sentiment index was the lowest since September 2014. It was below a forecast of 103.6. The current conditions reading were the weakest since October 2014. The survey's gauge of consumer expectations fell to a one-year low of 76.4 from 83.4 in August and was way below an expected 82.8. The survey's one-year inflation expectation, meanwhile, was 2.9% in September, from 2.8% in August, while the survey's five-year inflation outlook was 2.8% from 2.7% in August. *(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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