

PP14767/09/2012(030761)

Tuesday, September 15, 2015

## Report of The Day

**Result Review:** BMB 2Q15, BUY (TP: RM4.84) – “6M15 Earnings within Expectation”

## At a Glance

FBMKLCI gained 36.03 points to finish at 1,639.63 lifted by the gain in some heavyweight counters.....(See full report next page)

## Strategy

## “Fiscal Booster to Support the Market Today”

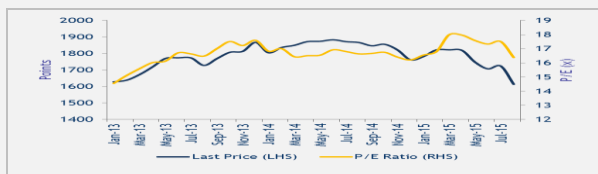
Positive momentum that we expect for today.....(See full report next page)

## Corporate Highlights

- **BMB, BUY (TP: RM4.84):** Q2 earnings flat at RM129m on higher costs
- **SKP Resources (CP: RM1.34):** Secures new contract from Dyson
- **Lay Hong (CP: RM3.71):** QL's exit won't affect the group's operation

## Economic Update

- **Malaysia:** Government introduces measures to protect economy - Najib
- **Malaysia:** Government bond sale draws fewest bids since December
- **Japan:** Economy seen growing more slowly in third quarter



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	10-15 Sep	-	New Yuan Loans CNY	800.0B	1480.0B
EU	10-15 Sep	-	Money Supply M2 YoY	13.3%	13.3%
CN	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	1125K	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	1,639.63	36.03	2.25
FBMEMAS	11,248.84	219.72	1.99
FBMEMAS SHA	11,829.02	277.68	2.40
FBM100	10,979.68	226.91	2.11
Volume (mn)	2,199.14	-28.73	-1.29
Value (RMmn)	2,231.42	367.95	19.75
FBMKLCI YTD Chg			-6.91

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.2	-16.7
Local Institution	58.7	102.7
Foreign Investors	22.1	-86.0

## Top Gainers

	Close	Change+/-	(+/- %)
KLK	22.00	1.10	5.26
TENAGA	11.96	0.74	6.60
SIME DARBY	7.70	0.53	7.39

## Top Losers

	Close	Change+/-	(+/- %)
BAT	62.94	-0.96	-1.50
NESTLE	71.54	-0.56	-0.78
BLD PLANTATION	7.80	-0.30	-3.70

## World Indices

	Close	Change+/-	(+/- %)
DJIA	16,370.96	-62.13	-0.38
NASDAQ	4,805.76	-16.58	-0.34
S&P 500	1,953.03	-8.02	-0.41
FTSE 100	6,084.59	-33.17	-0.54
DAX	10,131.74	8.18	0.08
Nikkei 225	17,965.70	-298.52	-1.63
HSI	21,561.90	57.53	0.27
KOSPI	1,931.46	-9.91	-0.51
STI	2,871.47	-16.56	-0.57
KLCI Futures	1,595.50	50.00	0.03
USDMYR 3M	15.65	(0.01)	(0.00)
USDMYR 6M	15.23	(0.03)	(0.00)
USDMYR 12M	14.89	0.02	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	44	0.2	0.4%
Brent (USD/bbl)	46.4	-1.8	-3.7%
Gold(USD/ounce)	1,109	-0.1	0.0%
Coal (USD/mt)	57.7	-0.1	-0.1%
CPO (RM/mt)	2,192	58.0	2.7%
Rubber	133	0.4	0.3%
RM/USD	4.31	-0.0068	0.16%
EUR/USD	0.88	0.0007	0.08%
YEN/USD	120.33	0.1	-0.08%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average shed 62.13 points to 16,370.96 points; S&P 500 dropped 8.02 points to 1,953.03. Nasdaq slid by 16.58 points to 4,805.76. US stocks were lower at the open on Monday as a weary market awaited this week's Federal Reserve meeting that will decide on an interest rate increase.
- Stocks are expected to remain volatile in the run-up to the policy meeting on Wednesday and Thursday.

### The Local Market

- FBMKLCI gained 36.03 points to finish at 1,639.63 lifted by the gain in some heavyweight counters. There were 470 gainers and 342 decliners in total value traded of RM2.23 billion.
- Among the gainers on Bursa Malaysia were KLK up RM1.10 to RM22.00, Tenaga rose 74 cent to RM11.96, Sime Darby surged 53 cent to RM7.70 and FGVH jumped 37 cent to RM1.64.

### Strategy

- **“Fiscal Booster to Support the Market Today”**  
Wall Street ended lower on negative sentiment ahead of the US policy meeting this week. DJIA and S&P 500 **lost 8.02 (-0.41%)** and **62.13 (0.38%)** points to end at **1,953.03** and **16,370.96** respectively. As mentioned before, the US Federal Reserve will be holding its September policy meeting with the decision on policy rate to come on Thursday. Generally, a 25 basis points adjustment is widely speculated, pushing investors to the side line ahead of the meeting. That aside, local wise, with RM20 billion fiscal priming, as in new fresh funds for Value Cap, the government investment arm, will be the booster that will shore up sentiment in the local market this week. The surprise sizeable fund will be enough to jack-up sentiment in the local market in our view and hence, positive momentum that we expect for today.
- 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

**BIMB, BUY (TP: RM4.84): Q2 earnings flat at RM129m on higher costs**

BIMB Holdings Bhd's net profit was relatively flat at RM129.89mil for the second quarter ended June 30, 2015, compared with RM129.67mil a year ago, as higher costs offset income growth. BIMB said on Monday that during the quarter in review, the earnings per share (EPS) of the financial services provider stood at 8.42 sen, compared with 8.68 sen previously. The group's revenue, however, saw a growth of 10.9% to RM814.71mil in the second quarter this year, compared with RM734.6mil in the previous corresponding period. For the first half of 2015, BIMB's net profit grew 4.9% to RM265.59mil from RM253.13mil previously, resulting in its EPS increasing to 17.26 sen from 16.95 sen. *(Source: The Star)*

**SKP Resources (CP: RM1.34): Secures new contract from Dyson**

SKP Resources Bhd has secured a new contract from its existing customer, Dyson Ltd, for the manufacturing of Dyson's cordless vacuum cleaners. The plastic moulding manufacturer said on Monday the contract, which was scheduled to start in January 2016, would contribute significantly to the company's annual revenue for five years from 2016. "The contract is expected to contribute positively to the group's revenue and earnings for the financial years ending March 31, 2016 and 2017," SKP Resources said in its filings with Bursa Malaysia. However, the amount was not disclosed. *(Source: The Star)*

**Lay Hong (CP: RM3.71): QL's exit won't affect the group's operation**

Lay Hong Bhd said QL Resources Bhd's exit as one of its major shareholders will not affect the group's operation going forward. Lay Hong group managing director Yap Hoong Chai said the group has proven that it can operate independently since its establishment, even before the emergence of QL as a major shareholder. Yap also believes that the two companies will continue to buy raw materials from each other despite the latest development. QL had on last Friday sold off its entire 38.6% stake in Lay Hong for RM60.59 million, citing the lack of board representation and the inability to influence the latter's corporate direction as its reason for the move. *(Source: The Edge)*

**AirAsia X (CP: RM0.19): In talks with Airbus to delay more aircraft**

AirAsia X Bhd is in talks with Airbus Group SE to delay more planes due for delivery in the next two years as the long-haul arm of Southeast Asia's biggest low-fare carrier takes steps to improve its financial standing. The airline has received three of the eight aircraft planned for 2015, with one more scheduled to arrive in October, Chief Executive Officer Benyamin Ismail said in an interview on Sept 11. AirAsia X would like to rework the schedule for the other four planes due this year and the nine it was supposed to take in 2016 and 2017, he said. *(Source: The Edge)*

**Harvest Court (CP: RM0.19): To diversify into property sector**

Harvest Court Industries Bhd, which manufactures timber-related products, plans to diversify into property development while focusing more on timber services to return to profitability by the end of its financial year 2017. Managing director Datuk Eddie Chai Woon Chet said the company had identified two

prime areas in Selayang, Selangor, and Malacca for development. On timber-related business, he said Harvest Court would continue with its timber services amid the restructuring scheme being undertaken at its factory under the company's turnaround plan. *(Source: The Star)*

#### **Halex (CP: RM0.64): Unit ventures into Cambodia's gaming ops**

Agricultural chemical manufacturer and distributor Halex Holdings Bhd is venturing into the Cambodian gaming business. In a filing with Bursa Malaysia yesterday, Halex said its subsidiary Halex International Sdn Bhd has entered into a memorandum of understanding (MoU) with the major shareholder of VW Win Holdings Plc, Goh Teik Keng, for a proposed acquisition of at least 51% stake in the latter. VW Win now operates a licensed lottery gaming business in Cambodia, and intends to apply for and operate an online gaming licence there. Halex said the proposed acquisition would be conditional upon the fulfilment of the conditions as stated in the MoU by Dec 10, this year. *(Source: The Star)*

#### **BP Plastics (CP: RM1.08): Ups production with new equipment**

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. "The new machine is now based at our plant in Batu Pahat," Lim told StarBiz through email recently, adding that the investment would contribute positively to BPP's future earnings. *(Source: The Star)*

#### **Khazanah: To invest RM6.77bil in key sectors**

The Government's strategic investment arm Khazanah Nasional Bhd will be investing RM6.77bil to support the economic measures announced by Prime Minister Datuk Seri Tun Najib Razak. It said in a statement that the investment would be channelled towards key sectors such as leisure and tourism, healthcare and health tourism, export-oriented creative industries, innovation and technology and business process outsourcing (BPO). A significant portion of the investment, or RM4.5bil, will be set aside as development cost for Desaru Coast Destination Resort, an integrated leisure and tourism resort in Johor, between now and 2022. Khazanah said a new Tourism Venture Fund of RM50mil will also be set up for qualified tourism entrepreneurs in the sub-sectors of eco-tourism and cultural/heritage tourism. *(Source: The Star)*

### **ECONOMIC UPDATES**

#### **Malaysia: Government introduces measures to protect economy - Najib**

The government has introduced measures to boost the economy which includes asking both international and local Malaysian companies to repatriate profits and reinvest in Malaysia and to reactivate ValueCap Sdn Bhd with a RM20 billion

injection to boost underperforming shares. Other steps include restructuring and rescheduling the loans of small and medium enterprises and to beef up the working capital guarantee scheme with an additional RM2 billion to other sectors besides the RM5 billion set aside for the services sector. (Source: *Bernama*)

**Malaysia: Government bond sale draws fewest bids since December**

A Malaysian government bond auction on Monday drew the fewest bids of 2015 as prospects the US will raise interest rates this week for the first time in almost a decade deterred investors. The 4 billion ringgit (\$928 million) sale of sovereign notes due 2019 had a bid-to-cover ratio of 1.53 times and an average yield of 3.759%, according to central bank data. That's the lowest ratio for a government bond auction since December, when a 3 billion ringgit offering attracted bids for 1.32 times, data compiled by Bloomberg show. Higher US interest rates would reduce the appeal of emerging-market assets just as funds are exiting amid slowing economic growth in China. (Source: *Bloomberg*)

**Japan: Economy seen growing more slowly in third quarter**

Japan's economy will likely grow much less in the current quarter than projected a month ago and consumer prices remain weak, but many economists expect the Bank of Japan (BoJ) will not announce more stimulus till next year, a Reuters poll showed. Some, however, forecast the BoJ could ease policy next month on concerns China's economic woes and recent financial market turmoil would be a drag on the Japanese economy. Japan's economy, the world's third largest, shrank in the second quarter on weak business investment, which prompted economists to revise down their third-quarter growth forecasts. (Source: *Reuters*)

**China: Seizes US\$157bil unused funds for new projects**

Chinese authorities have seized up to 1 trillion yuan (\$157 billion) from local governments who failed to use their budget allocations, sources said, as Beijing looks for ways to spend its way out of an economic slowdown. The exclusive Reuters report came after China's stocks fell following data suggesting economic growth was running below the 2015 target level of about 7 percent, heightening concerns about the health of the world's second largest economy. Two sources close to the government said budget funds repossessed from local governments would be used to pay for other investments. (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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