

PP14767/09/2012(030761)

Tuesday, September 22, 2015

Report of the Day

Company Update: IJM Corp, BUY (TP: RM3.74) -
"New Award to Refill Orderbook"

Company Update: WCT, HOLD (TP: RM1.28) -
"Goodies from Kwasa Land"

At a Glance

FBMKLCI slid 29.98 points to finish at 1,639.47 in tandem with negative regional market sentiment.....(See full report next page)

Strategy

"Wall Street Ascending Trend Like No Bearing on Local Market"

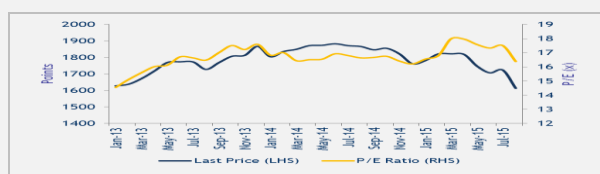
We think that the upside potential on the local market may be suppressed if not outright descending trend.....(See full report next page)

Corporate Highlights

- **AFG, BUY (TP: RM4.70):** Alliance Bank to issue bonds worth RM4bil
- **Axiata, BUY (TP: RM7.10):** Celcom Axiata aims more customers before year-end
- **Scientex, HOLD (TP: RM7.30):** Plan progressing well

Economic Update

- **Malaysia:** August inflation may have eased to 2.9pc
- **U.K.:** Guarantees £2bn nuclear plant deal as China investment announced
- **U.S.:** Existing home sales fall more than expected



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
US	21-Sep	10:00 PM	Existing Home Sales	5.50M	5.59M
US	21-Sep	10:00 PM	Existing Home Sales MoM	-1.6%	2.0%
EU	22-Sep	10:00 PM	Consumer Confidence	-	-6.9
US	22-Sep	9:00 PM	FHFA House Price Index MoM	0.4%	0.2%
US	22-Sep	10:00 PM	Richmond Fed Manufact. Index	2.0	0.0
MY	22-Sep		Foreign Reserves	-	\$94.7B
EU	23-Sep	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.3
EU	23-Sep	4:00 PM	Markit Eurozone Services PMI	-	54.4
EU	23-Sep	4:00 PM	Markit Eurozone Composite PMI	-	54.3
US	23-Sep	7:00 PM	MBA Mortgage Applications	-	-7.0%
US	23-Sep	9:45 PM	Markit US Manufacturing PMI	53.4	53.0
CN	23-Sep	9:45 AM	Caixin China PMI Mfg	47.8	47.3
MY	23-Sep	12:00 PM	CPI YoY	-	3.3%
US	24-Sep	8:30 PM	Chicago Fed Nat. Activity Index	-	0.3
US	24-Sep	8:30 PM	Initial Jobless Claims	-	-
US	24-Sep	8:30 PM	Durable Goods Orders	-2.3%	2.0%
US	24-Sep	8:30 PM	Continuing Claims	-	-
US	24-Sep	8:30 PM	Durables Ex Transportation	0.2%	0.6%
US	24-Sep	10:00 PM	New Home Sales	515K	507K
JP	24-Sep	9:35 AM	Nikkei Japan PMI Mfg	-	51.7
JP	24-Sep	12:30 PM	All Industry Activity Index MoM	0.0%	0.3%
US	25-Sep	8:30 PM	GDP Annualized QoQ	3.7%	3.7%
US	25-Sep	8:30 PM	Personal Consumption	-	3.1%
US	25-Sep	8:30 PM	GDP Price Index	2.1%	2.1%
US	25-Sep	8:30 PM	Core PCE QoQ	-	1.8%
US	25-Sep	9:45 PM	Markit US Composite PMI	-	55.7
US	25-Sep	9:45 PM	Markit US Services PMI	-	56.1
US	25-Sep	10:00 PM	U. of Mich. Sentiment	87.0	85.7
JP	25-Sep	7:30 AM	Natl CPI YoY	0.1%	0.2%
JP	25-Sep	7:30 AM	Natl CPI Ex Fresh Food YoY	-0.1%	0.0%
JP	25-Sep	7:30 AM	Natl CPI Ex Food, Energy YoY	0.7%	0.6%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,639.47	-29.98	-1.80
FBMEMAS	11,302.19	-175.08	-1.53
FBMEMAS SHA	11,940.80	-108.47	-0.90
FBM100	11,021.82	-177.04	-1.58
Volume (mn)	1,599.33	-431.88	-21.26
Value (RMmn)	1,868.69	-758.62	-28.87
FBMKLCI YTD Chg			-6.91

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.4	65.1
Local Institution	57.1	268.8
Foreign Investors	25.5	-333.9

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	72.98	0.94	1.31
BATU KAWAN BH	16.98	0.54	3.29
LAY HONG BHD	4.20	0.40	10.53

Top Losers

	Close	Change+/-	(+/- %)
BAT	61.50	-0.80	-1.28
MISC BHD	8.31	-0.34	-3.93
GENTING MALAYS	4.04	-0.33	-7.55

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,510.19	125.61	0.77
NASDAQ	4,828.96	1.73	0.04
S&P 500	1,966.97	8.94	0.46
FTSE 100	6,108.71	4.60	0.08
DAX	9,948.51	32.35	0.33
Nikkei 225	18,070.21	-362.06	-1.96
HSI	21,756.93	-163.90	-0.75
KOSPI	1,964.68	-31.27	-1.57
STI	2,882.27	2.68	0.09
KLCI Futures	1,594.50	(33.50)	(0.02)
USDMYR 3M	14.90	0.09	0.01
USDMYR 6M	14.53	(0.05)	(0.00)
USDMYR 12M	14.28	(0.07)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	-0.5	-1.1%
Brent (USD/bbl)	48.9	1.5	3.1%
Gold(USD/ounce)	1,133	-0.8	-0.1%
Coal (USD/mt)	57.8	0.0	-0.1%
CPO (RM/mt)	2,151	48.0	2.3%
Rubber	131	-1.8	-1.4%
RM/USD	4.27	0.0755	-1.77%
EUR/USD	0.89	0.0001	0.01%
YEN/USD	120.48	-0.08	0.07%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 125.61 points to 16,510.19 points; S&P 500 up 8.94 points to 1,966.97. Nasdaq surged by 1.73 points to 4,828.96. Stocks closed mostly higher Monday as investors weighed a decline in biotechs and eyed comments from Federal Reserve speakers.
- The Federal Reserve's decision to delay an interest rate increase last week was largely a "risk management" exercise to be sure recent market volatility would not become a drag on the U.S. economy.

The Local Market

- FBMKLCI slid 29.98 points to finish at 1,639.47 in tandem with negative regional market sentiment. There were 273 gainers and 526 decliners in total value traded of RM1.86 billion.
- Among the losers on Bursa Malaysia were BAT dropped 80 cent to RM61.50, MISC Bhd declined 34 cent to RM8.31, Genting Malaysia shed 33 cent to RM4.04 and Latitude Tree fell 32 cent to RM7.00.

Strategy

- **“Wall Street Ascending Trend Like No Bearing on Local Market”**
Wall Street ended higher on Monday, benefitting from new value emerging on index related stocks and also taking advantage of the US Federal Reserve unchanged monetary policy. S&P 500 and DJIA added 8.94 (0.46%) and 125.61 (0.77%) to finish at 1,966.97 and 16,510.19 respectively. Despite this seemingly positive vibes from Wall Street, we think that the market is increasingly factoring in the risk that December US policy adjustment is a done deal whilst October window is not possible. This large overhang in the market will continue to haunt investors especially when no one knows when the adjustment will stop including the quantum and pace for that matter. Unless that is certain, we think jitteriness among investors will continue that will cap the major index upside potential. Added with the short week this week due to festivity and school holiday, we think that the upside potential on the local market may be suppressed if not outright descending trend.
- 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

AFG, BUY (TP: RM4.70): Alliance Bank to issue bonds worth RM4bil

Alliance Financial Group Bhd's unit Alliance Bank (M) Bhd has lodge with Securities Commission to issue debt papers worth RM4bil in nominal value. The bank said it intended to issue three programmes with sizes of RM1.5bil, RM2bil and RM500mil for general banking and working capital requirements. The RM1.5bil senior medium-term notes programme has tenure of 30 years and was rated A1 by RAM Rating Services Bhd. Meanwhile, the RM2bil subordinated medium-term notes (sub-MTN) programme also has 30-year tenure and was rated A2 by RAM. The proceeds shall be utilised, without limitation, for its working capital, general banking and other corporate purposes, including but not limited to the redemption of any existing subordinated notes of ABMB. (Source: The Star)

Axiata, BUY (TP: RM7.10): Celcom Axiata aims more customers before year-end

Celcom Axiata Bhd says it will be aggressive in acquiring customers before the year ends. Chief marketing and sales officer Zalman Aefendy Zainal Abidin says while 2014 was a challenging year for the group, it intends to go all out to build its customer portfolio and increase revenue. "We will be launching about two to three more products either prepaid, postpaid or perhaps in the content space before the year ends. "Since we launched Xpax Magic SIM in June, we have seen growth momentum in customers especially in the internet space," said Zalman on the sidelines after launching Xpax's latest prepaid offering, Magic SIM's free 'internet burung hantu' here earlier. Since the telco will be announcing its third quarter results by the end of September, Zalman did not wish to divulge on the prepaid's performance after the new consumption tax kicked off in April. (Source: The Star)

Scientex, HOLD (TP: RM7.30): Plan progressing well

Scientex Bhd's expansion drive to bolster its consumer packaging segment is on track for completion next year as part of its plan to tap lucrative growth opportunities in the Asia Pacific. Managing director Lim Peng Jin said it is carrying on with its capital expenditure plan of RM300 million from last year to beef up its consumer packaging operations. Scientex is involved in the manufacturing of various industrial and consumer packaging products, with a vast market reach in Malaysia, Japan, South Korea, Indonesia, Europe, Australia and America. The group recently acquired Scientex Great Wall (Ipoh) Sdn Bhd (previously known as Mondi Ipoh Sdn Bhd), for RM58 million, which boosted its consumer packaging production output by 30 per cent as of last month. (Source: NST)

Bintulu Port (CP: RM6.50): Seeks tariff hike

Bintulu Port Holdings Bhd (BPHB) will seek an upward tariff revision of between 20% and 30% in containerised and general cargo handling for Bintulu Port from the Federal Government. Chief executive officer Datuk Mior Ahmad Baiti Mior Lub said the container tariffs were last revised in 1999, while the general cargo tariffs had not been adjusted since 1983. He told StarBiz that BPHB had sent the proposals on the tariff revision to Bintulu Port Authority (BPA) early this year,

but the latter had yet to submit them to the Federal Government. Mior Ahmad hoped that this could be done soon, as BPA was supposed to have handed in the proposals to the authorities in July. The major shareholders of the BPHB are Petrolia Nasional Bhd, state financial secretary Sarawak, Equisar Assets Sdn Bhd and Kumpulan Wang Persaraan. (Source: *The Star*)

Boustead Heavy Industries (CP: RM2.05): Unit gets RM4.8mil contract

Boustead Heavy Industries Bhd's unit, Boustead Penang Shipyard Sdn Bhd (BP Shipyard), has secured a RM4.8 million contract from Trans Resources Corp Sdn Bhd. Boustead said its unit had received the executed formal contract from Trans Resources to formalise the appointment of BP Shipyard as the technical assistance and coordination services provider in the frame of the main contract entered into between DCNS S.A (France) and Trans Resources relating to the design, construction/adaptation of certain infrastructures of the Royal Malaysian Navy Kota Kinabalu Naval base. The contract was signed for a period of 12 months, effective from Feb 1, 2015. The contract will have a material effect on the earnings of the Boustead Group for the financial year ending Dec 31, 2015, and will contribute positively to its earnings for the financial year ending Dec 31, 2016. (Source: *The Star*)

LBS Bina (CP: RM1.51): LBS Bina and China's Zhuhai in trade deal

LBS Bina Group Bhd is stepping up its business initiatives in China with the signing of the memorandum of understanding (MoU) with Zhuhai Jiuzhou Group Holdings Ltd. Managing director Tan Sri Lim Hock San said: "The LBS Bina Group will be playing a major transformation role in enhancing bi-lateral business ties between China and Malaysia. Using Guangdong as a corridor to form a closer connection, the group plan to establish a cultural museum, one-stop centre and Made-in-Malaysia Excellence (MIME) exhibition hall within Zhuhai International Circuit (ZIC). This is made possible with the strong support from the Malacca state government. (Source: *The Star*)

Ivory Properties (CP: RM0.36): To unveil RM2bil worth of projects in Penang

Ivory Properties Group Bhd is carrying out more than RM2bil worth of residential and commercial projects this year despite a tough economic environment. The projects are the first phase of Penang WorldCity (PWC) called Tropicana Bay Residences with a gross development value (GDV) of RM933.4mil, The Central (GDV of RM670.9mil) and The Wave (GDV of RM611mil). Group chief executive officer Datuk Low Eng Hock said in an interview after an AGM that the projects were in integrated developments, which were close to public transportation services and facilities. (Source: *The Star*)

Berjaya Land (CP: RM0.69): Q1 net profit down

Berjaya Land Bhd saw its net profit for the first quarter ended July 31, 2015 drop 74% to RM9.91 million, from RM37.66 million a year ago, mainly due to higher prize payout coupled with the absorption of Goods and Services Tax (GST) expense, lower revenue from hotels and resorts business and higher finance costs. Revenue, however, improved by 7% to RM1.51 billion from RM1.41 billion previously due to higher revenue from its car dealership company, higher new car sales volume, favourable foreign exchange effect from the group's foreign businesses and higher progress billings from property development and

investment business. (Source: *The Sun Daily*)

Bonia (CP: RM0.70): Director says acquisition was a mistake

Bonia Corp Bhd director Chiang Fong Yee clarified that his open market acquisition of 30,000 shares on Sept 2 was a mistake caused by human error and was not successfully executed. In a filing to Bursa Malaysia today, Bonia said that it received a notification dated Sept 18 from Chiang to clarify the matter. This inadvertent mistake was caused by human error of his remisier and was unnoticed until the date of his notification," Bonia said. The notice on the acquisition of the 30,000 shares at 69 sen apiece for a total consideration of RM20,700 was filed to the local exchange on Sept 7. (Source: *The Edge*)

Tecnic (CP: RM1.20): In RTO deal with steel structure fabricator

Tecnic Group Bhd, whose share price hit its all-time high today, has proposed a reverse takeover (RTO) on steel structure fabricator RohasEuco Holdings Sdn Bhd (REI) valued at RM200 million. The corporate exercise is part of its regularisation plan to maintain its listing status on the Main Market of Bursa Malaysia. In a filing with Bursa Malaysia today, Tecnic said it has entered into a non-binding memorandum of understanding (MoU) with REI for the proposed RTO. The RTO entails Tecnic acquiring all the equity interests held by the vendor in REI, comprising 68.38 million shares, for RM200 million. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: August inflation may have eased to 2.9pc

Malaysia's inflation may have eased slightly in August to 2.9 per cent year-on-year from 3.3 per cent in July, Standard Chartered Bank Research said today. "This would bring eight-month 2015 inflation to 1.8 per cent – relatively manageable, in our view, considering the one-off impact of the Goods and Services tax implementation in April," it said. Malaysia will release August inflation numbers on Sept 23, 2015. Among others, it expects transport costs to have eased in August, following the downward adjustment of domestic fuel costs. However, food prices may have stayed high and continued to increase by more than three per cent year-on-year, although some consolidation could set in after the strong rise in July due to festivities, it said in its Research Report. On balance, inflationary pressures appear to be manageable and should not affect the central bank's monetary policy stance, it added. (Source: *NST*)

U.K.: Guarantees £2bn nuclear plant deal as China investment announced

Chancellor George Osborne has announced that the UK will guarantee a £2bn deal under which China will invest in the Hinkley Point nuclear power station. Mr Osborne, who is in China, said the deal would pave the way for a final investment decision on the delayed project by French energy company EDF. He said it would also enable greater collaboration between Britain and China on the construction of nuclear plants. Reports suggest one such reactor could be built at Bradwell in Essex. Energy Secretary Amber Rudd told the Financial Times she wanted Beijing to take the lead in developing new nuclear plants in Britain. She said China was expected to lead the construction of a Beijing-designed nuclear station at the Essex site. (Source: *BBC News*)

U.S.: Existing home sales fall more than expected

US home resales fell more than expected in August, a cautionary sign for the US housing market which has recently looked on stronger footing. The National Association of Realtors said on Monday existing home sales dropped 4.8% to an annual rate of 5.31 million units. Economists polled by *Reuters* had forecast a 5.51 million-unit pace of home sales last month. Sales were up 6.2% from a year ago. The decline in August might be due to rising prices shutting out potential buyers, said Lawrence Yun, the NAR's chief economist. Home sales fell most in America's South and West, areas which had recently seen the fastest price gains, he said. Nationwide, the median home price fell slightly in August to US\$228,700. (Source: *The Edge*)

U.S.: Rental crisis could get a lot worse, report warns

The number of U.S. households that spend at least half their income on rent—the "severely cost-burdened," in the lingo of housing experts—could increase by 25 percent to 14.8 million over the next decade. More than 1 million households headed by Hispanics and more than 1 million headed by the elderly could pass into those ranks. Households shouldn't spend more than 30 percent of income on housing, by the general rule of thumb. The grim figures come from a report out today from Enterprise Community Partners, an affordable-housing nonprofit group, and Harvard's Joint Center on Housing Studies. To reach their conclusions, the researchers considered various scenarios for wage and rent growth over the next decade. (Source: *MSN Money*)

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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