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Wednesday, September 23, 2015

Report of the Day

IPO Notes: Al Salam REITS, BUY (TP: RM1.13) -
"Another Islamic REIT by JCorp"

At a Glance

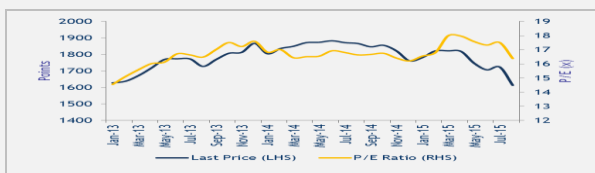
FBMKLCI declined 4.10 points to finish at 1,635.37 due to lack of fresh catalyst to support the market.....(See full report next page)

Corporate Highlights

- **MMC, BUY (TP: RM3.00):** To raise RM1.5b from sukuk for debt refinancing
- **Eco World (CP: RM1.50):** Buys 2,198.4 acres of land for RM1.1bil
- **EcoWorld (CP: RM1.50):** Gets more time to obtain planning permission for RM10b Penang project
- **DRB-Hicom (CP: RM1.33):** Aims to sell 300 units of Tata vehicles by next year-end

Economic Update

- **Malaysia:** Bank Negara's international reserves up 0.63% to US\$95.3b
- **China:** Xi says to push yuan reform, FX reserves remain ample
- **Greece:** Tsipras to back Greek bailout with Tsakalotos as finance minister



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%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,635.37	-4.10	-0.25
FBMEMAS	11,290.27	-11.92	-0.11
FBMEMAS SHA	11,927.30	-13.50	-0.11
FBM100	11,007.53	-14.29	-0.13
Volume (mn)	1,989.27	389.93	24.38
Value (RMmn)	1,954.55	85.86	4.59
FBMKLCI YTD Chg			-7.15

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.5	14.6
Local Institution	57.2	170.9
Foreign Investors	22.3	-185.5

Top Gainers

	Close	Change+/-	(+/- %)
TRIPLC BHD	1.17	0.30	34.48
UNITED U-LI CORP	4.00	0.26	6.95
TOP GLOVE CORP	7.69	0.24	3.22

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	25.72	-0.78	-2.94
NESTLE (MALAY)	72.30	-0.68	-0.93
KLK	21.54	-0.66	-2.97

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,330.47	-179.72	-1.09
NASDAQ	4,756.72	-72.23	-1.50
S&P 500	1,942.74	-24.23	-1.23
FTSE 100	5,935.84	-172.87	-2.83
DAX	9,570.66	-377.85	-3.80
Nikkei 225	18,070.21	-362.06	-1.96
HSI	21,796.58	39.65	0.18
KOSPI	1,982.06	17.38	0.88
STI	2,869.69	-12.58	-0.44
KLCI Futures	1,584.00	(13.00)	(0.01)
USDMYR 3M	14.87	0.06	0.00
USDMYR 6M	14.52	(0.04)	(0.00)
USDMYR 12M	14.26	(0.07)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	0.0	-0.1%
Brent (USD/bbl)	49.1	0.2	0.3%
Gold(USD/ounce)	1,125	-0.1	0.0%
Coal (USD/mt)	57.7	0.0	-0.1%
CPO (RM/mt)	2,183	32.0	1.5%
Rubber	131	-0.2	-0.2%
RM/USD	4.30	0.0322	-0.75%
EUR/USD	0.90	-0.001	-0.11%
YEN/USD	120.02	-0.13	0.11%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 179.72 points to 16,330.47 points; S&P 500 declined 24.23 points to 1,942.74. Nasdaq shed by 72.23 points to 4,756.72. Stocks were under pressure again Tuesday as the chatter from Federal Reserve officials continue to talk up the chance of an interest rate hike — which would be the first since 2006 — sometime later this year. This comes in the context of a possible government shutdown and the looming start of the sure-to-be-disappointing third-quarter earnings season.
- Concerning a rate hike, it's clear the market doesn't want it: Futures put the odds of a December rate hike at about even while the odds of an October hike are at less than 25%. Traders apparently want the Fed to drop any and all hints of a 2015 interest rate hike. And it will continue with the selloff tantrums until that is accomplished.

The Local Market

- FBMKLCI declined 4.10 points to finish at 1,635.37 due to lack of fresh catalyst to support the market. There were 424 gainers and 322 decliners in total value traded of RM1.95 billion.
- Among the losers on Bursa Malaysia were United Plantation dropped 78 cent to RM25.72, Nestle declined 68 cent to RM72.30, Kuala Lumpur Kepong shed 66 cent to RM21.54 and Public Bank fell 28 cent to RM18.12.

Strategy

- 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

MMC, BUY (TP: RM3.00): To raise RM1.5b from sukuk for debt refinancing

MMC Corp Bhd will issue up to RM1.5 billion in Sukuk Murabahah Programme, which will be largely utilised to refinance the conglomerate's existing borrowings. In a statement today, Malaysian Rating Corp Bhd (MARC) said it has assigned a rating of AA-IS with a stable outlook to MMC's proposed sukuk. The rating considers MMC's strong competitive position and healthy operational track record of its ports and energy concession assets as well as in engineering and construction. The rating also factors in the dividend-paying ability and track record of its key subsidiaries and associates to service the holding company's financial obligations," said MARC. (Source: *The Edge*)

Eco World (CP: RM1.50): Buys 2,198.4 acres of land for RM1.1bil

Eco World Development Group Bhd has proposed to buy 2,198.4 acres of land in Kuala Selangor for RM1.181bil. The group said in a filing with Bursa Malaysia on Tuesday that its unit Paragon Pinnacle Sdn Bhd (PPSB) entered into five separate sales and purchase agreements (SPA) with Mujur Zaman Sdn Bhd, Ringgit

Exotika Sdn Bhd, Liputan Canggih Sdn Bhd, and LBCN Development Sdn Bhd, to buy the land in Kuala Selangor. Eco World said the acquisitions will provide it with sizeable tracts of lands in the North-Western growth corridor of the Klang Valley. "This will enable Eco World to establish a dominant presence in this area with access to a new market catchment to complement its strong township positioning in the South-Western and South-Eastern corridors," it said. It has so far identified three projects to develop including a 1,400 acres mixed eco township development to be known as "Eco Gardens" consisting mainly landed and high rise residential homes, among others. (Source: *The Star*)

EcoWorld (CP: RM1.50): Gets more time to obtain planning permission for RM10b Penang project

Eco World Development Group Bhd has received a six-month extension to obtain the planning permission, until March 26 next year, from the Penang Development Corp (PDC) for its proposed RM10 billion Eco Marina Development project in Bandar Cassia, Batu Kawan, in Seberang Perai Selatan, Penang. In a filing with Bursa Malaysia, EcoWorld said the extension was pursuant to the expiry of the six-month period — from the letter of award (LoA) — to obtain the planning permission (planning permission period) and its shareholder's approval (shareholder approval period) at an extraordinary general meeting, pursuant to the proposed Eco Marina Development on Sept 26. But under the LoA, the planning permission period may be extended for a further six months, while the shareholder approval period may be extended for another three months, both subject to the PDC's consent. (Source: *The Edge*)

DRB-Hicom (CP: RM1.33): Aims to sell 300 units of Tata vehicles by next year-end

DRB-HICOM Commercial Vehicles Sdn Bhd (DHCV), a wholly-owned unit of DRB-HICOM Bhd, targets to sell 300 units of three new Tata vehicle models by the financial year ending March 31, 2016 (FY2016). DRB-HICOM Head of Operations, Automotive Distribution and Manufacturing, Datuk Hisham Othman, said the new models are the Tata Xenon pick-up, Tata Ultra 512 and Tata Prima launched in January 2015. DHCV has been appointed exclusive distributor of Tata commercial vehicles to revive the Indian brand in the Malaysian market. The demand for the new models increases each day. With 1% market share, we will focus on brand awareness first and then we believe market share will increase. (Source: *The Star*)

Kelington Group (CP: RM0.35): Wins S\$21mil contract

Kelington Group Bhd has secured a S\$21mil (RM65mil) contract from M+W Singapore Pte Ltd to supply and install an exhaust distribution system. This is the second contract from M+W Singapore, bringing Kelington's total contract award to RM106mil. Last month, the integrated engineering solutions provider was awarded with a S\$14mil contract (RM43mil) from M+W Singapore for the supply and installation of a bulk gas and clean dry air distribution system. Both of the contracts, totaling S\$35mi (RM106mil) are for a new manufacturing facility of one of the top five semiconductor manufacturers in the world, of which M+W Singapore Pte Ltd is the turnkey engineer. The contracts shall be completed in the first half of 2016. (Source: *The Star*)

Iris (CP: RM0.205): Sees Better Performance In FY16

Iris Corp Bhd anticipates a better performance for its 2016 financial year (FY16), driven by its trusted identification division, waste-to-energy incineration plant in Phuket, Thailand and property development segment. Its Group Managing Director and Chief Executive Officer, Datuk Tan Say Jim, said the trusted identification division had submitted proposals in two countries. For the financial year ended March 31, 2015, Iris Corp recorded a pre-tax loss of RM17.04 million compared with a pre-tax profit of RM35.08 million previously, while revenue amounted to RM564.49 million from RM573.23 million. (Source: *Bernama*)

JAKS Resources (CP: RM1.09): Secures US\$1.4b financing for Vietnam power project

JAKS Resources Bhd has secured US\$1.402 billion (RM5.82 billion) in financing to partly fund the construction of a coal-fired thermal power plant project (IPP project) in Hai Duong province, Vietnam. The thermal plant has a project cost of US\$1.87 billion, with total engineering, procurement and construction (EPC) works amounting to US\$1.52 billion (RM6.31 billion) to be executed under the two separate EPC contracts. The agreements between its joint-venture partner, China Power Engineering Consulting Group Co Ltd (CPECC), and the principal financiers, Industrial and Commercial Bank of China, China Construction Bank Corporation and Export-Import Bank of China, fully funds the debt funding requirement. (Source: *the Sun*)

Protasco (CP: RM1.59): To hand over Phase 1 of RM10b De Centrum City in December

Protasco Bhd (will hand over its entire Phase 1 of the De Centrum City development in Kuala Lumpur South, comprising a shopping centre block with 29 retail units, a service apartment block with 320 units, a small office/home office block with 192 units and 54 shop lots to purchasers in December this year. The property developer had first unveiled the RM10 billion new township in 2007. Spanning 100 acres, the new township will be developed in stages over a 15-year period. The freehold tract of land where the township is being built is currently the site for De Centrum Sales Gallery and the Infrastructure University Kuala Lumpur (IUKL). (Source: *The Edge*)

Westports (CP: RM4.30): Container hike delays again to Nov 1

There's another delay on the container tariff hike at Port Klang. In a filing with Bursa Malaysia, Westport Holdings Bhd said the implementation of the container tariff hike has been delayed for the second time to Nov 1, 2015, instead of Oct 1. Port Klang Authority has issued a letter to inform Westports Holding on the delay. However, the regulator did not reveal the reason for the second delay. The implementation was first scheduled for Sept 1. It was then postponed to Oct 1. The Transport Ministry had on Aug 5, approved a container tariff revision to be implemented in two phases, with an average increase of 15% in each. (Source: *The Edge*)

APFT (CP: RM0.23): Bags RM32.79m equipment installation job in Kuantan

Flight academy operator APFT Bhd has clinched an equipment installation job from Flexsys Chemicals (M) Sdn Bhd (Flexsys), valued at RM32.79 million. In a

filing with Bursa Malaysia today, APFT said its unit, PT Technic (M) Sdn Bhd, had on Sept 12 entered into an agreement with Flexsys, in relation to the deal. Under the contract, APFT is required to furnish all labour, supervision, equipment, materials, services and all other things necessary to supply, fabricate and erect structural steel and mechanical equipment installation works and related works. According to the group, the job is part of or associated with project Kuantan 2nd Crystex (K2C), which is to be constructed on the land at Flexsys's plant, located in Kuantan, Malaysia. *(Source: The Edge)*

Nexgram (CP: RM0.075): Plans to halve the par value of its shares

Telecommunications software specialist Nexgram Holdings Bhd is planning to cancel off 5 sen from the par value of each 10 sen share in the company to provide it greater flexibility to raise funds at a more attractive price. In a statement to Bursa Malaysia this evening, Nexgram, which closed at 7.5 sen at the end of trading hours today, said as at Sept 15, its issued and paid-up share capital was RM188.31 million, comprising 1.883 billion shares. Once the proposed par value reduction takes effect, its authorised share capital will remain intact at RM500 million, but will be divided into 10 billion shares of par value of 5 sen each. The exercise will give rise to a credit of RM94.16 million under the minimum scenario and a credit of RM131.01 million under the maximum scenario. *(Source: The Edge)*

YFG (CP: RM0.06): Falls into PN17 status

YFG Bhd announced that it has fallen into the PN 17 category after auditors expressed an emphasis on the company's and its subsidiaries' ability to continue as a going concern. YFG's reissued audited financial statements for the financial year ended June 30, 2014 under the directive from the Securities Commissions Malaysia shows that its shareholders' equity as at June 30, 2014 was less than 50% of the issued and paid-up capital of the company. As at June 30, 2014, YFG's issued and paid-up capital totalled to RM54.47 million whereas its shareholders' equity was only RM24.9 million, falling short of the 50% threshold. *(Source: The Edge)*

ECONOMIC UPDATES

Malaysia: Bank Negara's international reserves up 0.63% to US\$95.3b

The international reserves of Bank Negara Malaysia have increased by 0.63% to US\$95.3 billion (RM360.1 billion), as at Sept 15, from US\$94.7 billion (RM357.7 billion) on Aug 28, 2015. In a statement today, Bank Negara said the reserves' position as at Sept 15 is sufficient to finance 7.3 months of retained imports and is 1.1 times the short-term external debt. Short-term external debt refers to short-term offshore borrowing, non-resident holdings of short-term ringgit debt securities, non-resident deposits with the banking system, and other short-term debt, according to the statement. This is the second consecutive increase in international reserves recorded by the central bank since June 30 this year. *(Source: The Edge)*

China: Xi says to push yuan reform, FX reserves remain ample

China will push forward market-based reform of its currency regime and make the yuan convertible on the capital account over time, President Xi Jinping told the Wall Street Journal in an interview published on Tuesday. Top Chinese officials have been trying to reassure jittery global markets about their policy goals after a run of soft economic data and China's surprise devaluation of the yuan rattled investors over the past month. China is advancing changes to make the yuan convertible on the capital account in a "steady and orderly manner", Xi was quoted as saying ahead of a visit to the United States. *(Source: The Star)*

Greece: Tsipras to back Greek bailout with Tsakalotos as finance minister

Greek Prime Minister Alexis Tsipras appointed two respected bailout negotiators to head his economic team on Tuesday, moving to assure wary European partners that the new government will not backtrack on its cash-for-reform deal. Tsipras reappointed Euclid Tsakalotos as finance minister and made George Chouliarakis deputy finance minister. Tsakalotos, a low-key Oxford University-trained Marxist economist, was at the finance helm when Greece and its creditors produced an 86 billion-euro loan accord on August. Chouliarakis, who was finance minister in the caretaker government during the recent election campaign, was a senior member of the bailout negotiation team, known for his grasp of details. *(Source: Reuters)*

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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