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Monday, September 28, 2015

At a Glance

FBMKLCI recovered 1.84 points to finish at 1,615.01 in tandem with positive Asian region market.....(See full report next page)

Strategy

"Expect Another Volatile Week"

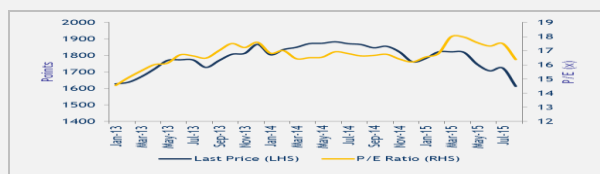
We expect another choppy if not persistent stock market gyration this week.....(See full report next page)

Corporate Highlights

- **Parkson, BUY (TP: RM1.20):** Parkson's timely move
- **Eco World (CP: RM1.46):** To clarify RM1.18b Ijok land buy after S'gor warns of legal action
- **Pestech (CP: RM5.85):** Gets RM134m Tenaga project for Yong Peng station

Economic Update

- **Malaysia:** RM2bil allocation will help SMEs maintain ops - FMM
- **Japan:** August factory output to rise but weak Asian economies weigh
- **Greek:** New finance minister confident of returning to growth



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	28-Sep	1:00 PM	Leading Index C1	-	104.9
US	28-Sep	8:30 PM	Personal Income	0.4%	0.4%
US	28-Sep	8:30 PM	Personal Spending	0.3%	0.3%
US	28-Sep	10:00 PM	Pending Home Sales MoM	0.4%	0.5%
EU	29-Sep	5:00 PM	Economic Confidence	-	104.2
EU	29-Sep	5:00 PM	Consumer Confidence	-	-
US	29-Sep	9:00 PM	S&P/CS Composite-20 YoY	5.1%	5.0%
US	29-Sep	10:00 PM	Consumer Confidence	97.0	101.5
EU	30-Sep	5:00 PM	Unemployment Rate	-	10.9%
EU	30-Sep	5:00 PM	CPI Estimate YoY	-	-
EU	30-Sep	5:00 PM	CPI Core YoY	-	0.9%
JP	30-Sep	7:50 AM	Industrial Production MoM	-	-0.8%
JP	30-Sep	7:50 AM	Industrial Production YoY	-	0.0%
JP	30-Sep	7:50 AM	Retail Trade YoY	-	1.6%
JP	30-Sep	7:50 AM	Retail Sales MoM	-	1.2%
JP	30-Sep	1:00 PM	Housing Starts YoY	-	7.4%
JP	30-Sep	1:00 PM	Annualized Housing Starts	-	0.914m
US	30-Sep	7:00 PM	MBA Mortgage Applications	-	190k
US	30-Sep	8:15 PM	ADP Employment Change	185k	-
US	30-Sep	9:45 PM	Chicago Purchasing Manager	53.1	54.4
EU	1-Oct	4:00 PM	Markit Eurozone Manufacturing PMI	-	-
CN	1-Oct	9:00 AM	Manufacturing PMI	-	49.7
CN	1-Oct	9:00 AM	Non-manufacturing PMI	-	53.4
CN	1-Oct	9:45 AM	Caixin China PMI Mfg	-	-
CN	1-Oct	9:45 AM	Caixin China PMI Composite	-	48.8
CN	1-Oct	9:45 AM	Caixin PMI Services	-	51.5
JP	1-Oct	7:50 AM	Tankan Large Mfg Index	13.0	15.0
JP	1-Oct	7:50 AM	Tankan Large Mfg Outlook	10.0	16.0
JP	1-Oct	7:50 AM	Tankan Large Non-Mfg Index	21.0	23.0
JP	1-Oct	7:50 AM	Tankan Large Non-Mfg Outlook	19.0	21.0
JP	1-Oct	7:50 AM	Tankan Large All Industry Capex	8.5%	9.3%
JP	1-Oct	9:35 AM	Nikkei Japan PMI Mfg	-	-
JP	1-Oct	1:00 PM	Vehicle Sales YoY	-	2.3%
US	1-Oct	8:30 PM	Initial Jobless Claims	-	-
US	1-Oct	8:30 PM	Continuing Claims	-	-
US	1-Oct	9:45 PM	Markit US Manufacturing PMI	-	-
US	1-Oct	9:45 PM	Bloomberg Consumer Comfort	-	-
US	1-Oct	10:00 PM	Construction Spending MoM	0.6%	0.7%
US	1-Oct	10:00 PM	ISM Manufacturing	51.0	51.1
US	1-Oct	10:00 PM	ISM Prices Paid	40.0	39.0
EU	2-Oct	5:00 PM	PPI MoM	-	-0.1%
EU	2-Oct	5:00 PM	PPI YoY	-	-2.1%
JP	2-Oct	7:30 AM	Jobless Rate	-	3.3%
JP	2-Oct	7:50 AM	Monetary Base YoY	-	33.3%
US	2-Oct	8:30 PM	Change in Nonfarm Payrolls	200k	173k
US	2-Oct	10:00 PM	Unemployment Rate	5.1%	5.1%
US	2-Oct	10:00 PM	Factory Orders	-0.6%	0.4%
JP	2-Oct	7:50 AM	Monetary Base YoY	-	33.3%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,615.01	1.84	0.11
FBMEMAS	11,165.38	12.35	0.11
FBMEMAS SHA	11,828.64	42.46	0.36
FBM100	10,877.39	10.58	0.10
Volume (mn)	1,661.68	-114.64	-6.45
Value (RMmn)	1,949.35	-174.41	-8.21
FBMKLCI YTD Chg			-8.30

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.6	11.7
Local Institution	50.6	191.0
Foreign Investors	31.8	-202.7

Top Gainers

	Close	Change+/-	(+/- %)
BAT	61.92	0.42	0.68
PPB GROUP	15.56	0.36	2.37
HARTALEGA	4.65	0.28	6.41

Top Losers

	Close	Change+/-	(+/- %)
ALLIANZ	10.42	-0.22	-2.07
MAHB	5.14	-0.16	-3.02
JMR CONGLO	0.98	-0.16	-14.04

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,314.67	113.35	0.70
NASDAQ	4,686.50	-47.98	-1.01
S&P 500	1,931.34	-0.90	-0.05
FTSE 100	6,109.01	147.52	2.47
DAX	9,688.53	260.89	2.77
Nikkei 225	17,880.51	308.68	1.76
HSI	21,186.32	90.34	0.43
KOSPI	1,942.85	-4.25	-0.22
STI	2,832.64	-13.10	-0.46
KLCI Futures	16,314.67	113.35	0.70
USDMYR 3M	4,686.50	-47.98	-1.01
USDMYR 6M	1,931.34	-0.90	-0.05
USDMYR 12M	6,109.01	147.52	2.47

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	-0.3	-0.7%
Brent (USD/bbl)	48.4	-0.3	-0.5%
Gold(USD/ounce)	1,147	0.5	0.0%
Coal (USD/mt)	56.4	-0.3	-0.5%
CPO (RM/mt)	2,342	102.0	4.6%
Rubber	132	1.5	1.1%
RM/USD	4.39	0.0123	-0.28%
EUR/USD	0.89	0.0003	0.03%
YEN/USD	120.49	-0.1	0.08%

What To Expect

U.S. Market

- The Dow Jones Industrials Average surged 113.35 points to 16,314.67 points, S&P 500 declined 0.90 points to 1,931.34. Nasdaq shed by 47.98 points to 4,686.50. Stocks on Wall Street initially jumped following an almost 3-percent surge in Europe, after a report showed the U.S. economy grew more than previously estimated in the second quarter, propelled by consumer spending and construction. Gross domestic product grew at a 3.9 percent annual clip, up from a 3.7 percent estimate in August, the Commerce Department said.
- Yellen said that she and other Fed policymakers do not expect recent economic and financial market turmoil to significantly alter the central bank's policy, easing concerns about the world's economic health.

The Local Market

- FBMKLCI recovered 1.84 points to finish at 1,615.01 in tandem with positive Asian region market. There were 315 gainers and 483 decliners in total value traded of RM1.95 billion.
- Among the gainers on Bursa Malaysia were British American Tobacco surged 42 cent to RM61.92, PPB Group soared 36 cent to RM15.56, Hartalega grew 28 cent to RM4.65 and Sam Engineering rose 25 cent to RM5.48.

Strategy

- **“Expect Another Volatile Week”**

Wall Street ended in mixed condition last Friday even after the US clocked in steady 2Q15 GDP (3rd reading) that jumped to 3.9% from 3.7% (2nd reading), hampered by lack of catalyst and this week's heart pumping economic announcement. **S&P 500 lost 0.90 (-0.05%)** points to finish at **1,931.34** whilst **DJIA** gained 113.35 (0.70%) points to end at 16,314.67 respectively. All said and done, this week's investors mood will be dictated to a large extent by the US September unemployment rate that is due on Friday (2nd October). Despite the said unemployment rate that is likely to stay at 5.1% (August: 5.1%), we posit that the announcement will inject a steady sense of jitteriness until and unless the US starts adjusting its policy rate, widely expected to be in December. Despite many quarters expecting the rate to stay steady until year-end, we nonetheless think otherwise. The US steady labor market will be the key that will determine the policy path and it will be a big risk if the US Federal Reserve continues to delay it. A 25 basis points bump up in policy rate will not hurt for a full employment economy. As mentioned before, the adjustment in US interest rate will push the USD higher at the expense of the rest of world's currency, taking along with it global commodity prices. With China still grappling to get its big economic ship sailing, lack of catalyst for that matter will weigh on sentiment. Hence, we expect another choppy if not persistent stock market gyration this week.

- 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

Parkson, BUY (TP: RM1.20): Parkson's timely move

THE proposal by Parkson group of companies to streamline its retail business in the region under Parkson Retail Group Ltd could not have come at a better time. The challenging regional landscape and slowing economy of China are among reasons for Malaysia-listed Parkson Holdings Bhd to divest its interest in Singapore-listed Parkson Retail Asia Ltd (PRA) to Parkson Retail in a corporate exercise that would go to shareholders for approval next month. Parkson Holdings says the sale of PRA is aimed at consolidating the retail business in the region with that of Parkson Retail which operates a similar business in China. Parkson Retail is listed on the Hong Kong stock exchange and is one of Malaysia's biggest success stories of local companies breaking into mainland China market. But the market in China has slowed down, hence giving it a chance to expand in the region. *(Source: The Star)*

Eco World (CP: RM1.46): To clarify RM1.18b Ijok land buy after S'gor warns of legal action

Eco World Development Bhd will meet the Selangor state government to clarify its proposed land buy for a RM15 billion township in Ijok. In a statement to the exchange today, Eco World said Menteri Besar Inc (MBI), which raised its concerns on the matter, could be referring to a separate portion from the sites, which Eco World was buying. Eco World said it "believes that the parcels referred to by the MBI may be a separate parcel north of the lands and we will be arranging to meet with MBI to clarify this and also to address any concerns they may have, in relation to the proposed acquisitions. As part of the conditions precedent, the vendors are required to procure the approval of the state authority of Selangor for the transfer of the lands to PPSB (Paragon Pinnacle Sdn Bhd), and also to ensure that any legal disputes with the state authority of Selangor are satisfactorily resolved, before the SPAs become unconditional. *(Source: The Edge)*

Pestech (CP: RM5.85): Gets RM134m Tenaga project for Yong Peng station

Pestech International Bhd has secured a RM134mil contract from Tenaga Nasional Bhd to build the backbone main intake substation in Yong Peng East, Johor. It said on Friday its unit Pestech Sdn Bhd had received the letter of acceptance from Tenaga for the projects involving the construction of the 500/275kV Yong Peng East (2x1050 MVA) backbone main intake substation. The project shall become effective on the date of the letter of award (that is Sept 23, 2015) and is to be completed within 1,085 days. The project will enable the national grid 500kV backbone connectivity from Yong Peng East, Johor to Lenggeng in Negeri Sembilan and further access to Ayer Tawar in Perak. When ready, the project will form the transmission line infrastructure for the peninsular power grid system," it said. *(Source: The Star)*

MyEG (CP: RM2.72): Proposes 1-for-1 bonus issue to reward shareholders

MyEG Services Bhd has proposed a bonus issue of up to 1.2 billion new shares to reward its shareholders, on the basis of one bonus share for every one share held. In its filing with the bourse, the company said it aims to enlarge its share base, encourage trading liquidity and enlarge the number of shares held by its existing shareholders through the exercise. The proposed bonus issue is not expected to have any material effect on the consolidated earnings of MyEG for the financial year ending June 30, 2016. However, the consolidated earnings per share (EPS) of MyEG is expected to reduce proportionally as a result of the additional MyEG shares issued pursuant to the proposed bonus issue (*Source: The Edge*)

XingQuan (CP: RM0.57): Plans rights issue to raise up to RM50.71m for new knitting machines

China-based shoe maker XingQuan International Sports Holdings Ltd is planning to undertake a one-for-two renounceable rights issue with free warrants, at an entitlement date to be fixed later, that could raise up to RM50.71 million for business expansion. Prior to the rights issue, it plans to first reduce the par value of its shares by 90% or 9 US cents from each 10-cent share, to be effected on a date to be determined, its filing to Bursa Malaysia today showed. Its authorised share capital as at Sept 8 is US\$100 million, divided into 1 billion shares of 10 US cents each, of which 338.06 million have been issued and fully paid-up. (*Source: The Edge*)

GPA Holdings (CP: RM0.09): Three loss-making units of GPA Holdings to cease operations

Three loss-making subsidiaries of GPA Holdings Bhd are ending their respective manufacturing operations after suffering consecutive losses in the past few years — with weak prospects ahead — which is expected to improve the group's overall earnings in the financial year ending March 31, 2017 (FY17). The three units are GP Autobat Sdn Bhd (GPA), GPA Plastic Industries Sdn Bhd (GPAI) and GPA Technologies Sdn Bhd (GPAT). GPA is primarily in the manufacturing and sale of automotive batteries and components, while GPAI makes plastic components and its related products. GPAT, meanwhile, is involved in the production and sale of sealed lead acid batteries. (*Source: The Edge*)

Destini (CP: RM0.58): To buy remaining 49% of Vanguard for S\$3.5m

Destini Bhd plans to acquire the remaining 49% stake it does not own in Vanguard Composite Engineering Pte Ltd, for S\$3.5 million (RM10.71 million), cash, to improve the latter's business performance to increase its profit contribution to the Destini Group. As at Sept 23, 2015, Destini held an indirect 51% stake in the company — or 520,408 Vanguard shares — through its wholly-owned subsidiary Destini Armada Pte Ltd. In its filing to Bursa Malaysia today, Destini said it had entered into a share sale agreement with vendor Ng Tuck Whye on Sept 23, 2015 for the proposed acquisition. Incorporated in Singapore, the Vanguard Group is principally engaged in the provision of the manufacturing of lifeboats, hyperbaric lifeboats, fast rescue boats and life rafts. (*Source: The Edge*)

Tadmax (CP: RM0.27): Gets nod to extend private placement

Tadmax Resources Bhd has received Bursa Malaysia's approval for a further extension of six months to complete its private placement exercise. In a filing with the stock exchange, the property developer and timber concessionaire said the extension is from September 26, 2015 to March 25, 2016. The private placement is expected to raise RM18.6 million based on an indicative placement price of 50 sen per share. *(Source: The Sun)*

Auto sector (Neutral): In a state of flux

At least three carmakers — Honda, Toyota and Mitsubishi — are expected to increase prices any time now, with some looking to do so as early as Oct 1, according to The Edge weekly in its latest edition. The Edge's Jose Barrock and Izatun Shari wrote that other brands such as Hyundai are said to have already raised the prices of their models, including for the Santa Fe and Elantra. The weekly in its cover story said that second national car manufacturer, Perusahaan Otomobil Kedua Sdn Bhd (Perodua) — the market leader with a 31% market share — said earlier this month that it might increase prices as a buffer against the rising exchange rate. The Edge said the price hikes come at a time when the automotive industry is grappling with a weakening ringgit, dampened economic conditions and the implementation of the Goods and Services Tax (GST) in April — all of which adversely affected sales. *(Source: The Edge)*

Plantation (Neutral): MPOB sets aside RM100m for replanting incentive scheme

The Malaysian Palm Oil Board (MPOB) is allocating RM100 million for a replanting incentive scheme beginning Oct 1, 2015. In a statement last Friday, the Plantation Industries and Commodities Ministry said the scheme is targeting to replant 83,000ha of unproductive and old palms. The scheme is open from Oct 1, 2015 to Dec 31, 2015 for approved applicants to fell unproductive and old palms, on a first-come-first served basis. For the first phase, an incentive of RM1,500 per hectare will be granted for an approved area of 33,000ha, while for the second phase it is RM1,000 per hectare for 50,000ha. *(Source: The Sun)*

ECONOMIC UPDATES**Malaysia: RM2bil allocation will help SMEs maintain ops - FMM**

The Federation of Malaysian Manufacturers (FMM) has expressed relief over the Government's move to enhance the Working Capital Guarantee, where an additional allocation of RM2bil would be given for non-service sectors. The scheme will help small and medium enterprises (SMEs) gain access to finance and maintain their operations under current economic constraints," FMM chief executive officer Yeoh Oon Tean told *Bernama*. It was one of the measures outlined by Datuk Seri Najib Tun Razak recently to protect Malaysia's real economy to restore business confidence and cushion the impact of global economic uncertainty. *(Source: The Star)*

Japan: August factory output to rise but weak Asian economies weigh

Output at Japanese factories is expected to have risen in August, and domestic consumption measures also probably improved, but analysts say firms may keep a lid on production as China's economic slowdown begins to crimp global demand. In a nod to growing stresses on Japan's economy, the government on Friday lowered its economic assessment and highlighted risks posed by China and an anticipated US rate hike in coming months. A Reuters poll of 21 analysts forecast industrial production to have risen 1% in August from the previous month, when it fell 0.8%, but some analysts doubt the gains will be sustained. (Source: The Star)

Greek: New finance minister confident of returning to growth

Greece's new finance minister, Euclid Tsakalotos, while speaking to the Financial Times, said he "didn't see any reason" why growth wouldn't return to the beleaguered European nation, a week after it re-elected the left-wing Syriza party with 145 of 300 parliamentary seats to form a new government. Tsakalotos said he expected Greece's creditors to conduct a formal review of planned economic reforms by end-November, and if the verdict is positive, Greece could begin debt relief negotiations to recapitalize its banks before Christmas, the FT reported. The EU estimates that the Greek banking sector will need anything from 10 billion euros to 25 billion euros, but the exact amount needed would depend on the results of stress tests and asset-quality reviews. (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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