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Tuesday, September 29, 2015

Reports of the Day

Results Review: Gamuda 4Q15: "Bright Prospects Ahead"

Company Update: AFG- "Issuing 3 Bonds"

At a Glance

FBMKLCI declined 6.58 points to finish at 1,608.43 in tandem with weak Asian region market.....(See full report next page)

Strategy

"Expect Another Volatile Week"

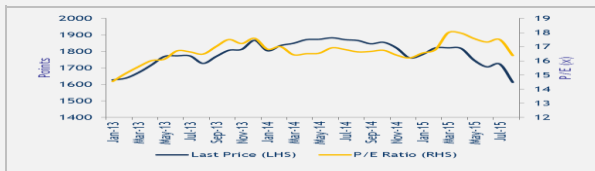
Expect choppy trading sentiment to continue(See full report next page)

Corporate Highlights

- **Gamuda, BUY (TP: RM5.80):** 4Q net profit falls 25.4%
- **MMC, BUY (TP: RM3.00):** Senai Airport City in 60-year land-lease deal with Japan's Fuji Oil
- **Sunway Group (CP: RM3.49):** To draw more visitors with new attraction

Economic Update

- **Malaysia:** 2014 GDP per capita tops world average for first time
- **U.S.:** Consumer spending rises; core inflation firms slightly
- **China:** September official factory PMI seen shrinking for 2nd month



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
JP	28-Sep	1:00 PM	Leading Index CI	-	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	28-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	-	-
US	30-Sep	8:15 PM	ADP Employment Change	185k	190k
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	Tanikan Large Mfg Index	13.0	15.0
JP	1-Oct	7:50 AM	Tanikan Large Mfg Outlook	10.0	16.0
JP	1-Oct	7:50 AM	Tanikan Large Non-Mfg Index	21.0	23.0
JP	1-Oct	7:50 AM	Tanikan Large Non-Mfg Outlook	19.0	21.0
JP	1-Oct	7:50 AM	Tanikan 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	PMI MoM	-	-0.1%
EU	2-Oct	5:00 PM	PMI 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	8:30 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%

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,608.43	-6.58	-0.41
FBMEMAS	11,140.72	-24.66	-0.22
FBMEMAS SHA	11,827.21	-1.43	-0.01
FBM100	10,852.33	-25.06	-0.23
Volume (mn)	1,636.57	-25.11	-1.51
Value (RMmn)	1,547.12	-402.23	-20.63
FBMKLCI YTD Chg			-8.68

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.10	29
Local Institution	55.20	142.2
Foreign Investors	22.7	-171.2

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.00	0.60	0.23
LAY HONG	5.05	0.60	13.48
HARTALEGA	4.98	0.33	0.71

Top Losers

	Close	Change+/-	(+/- %)
BAT	60.80	0.42	-1.81
THRIVEN GLOBAL	0.555	0.27	-32.73
AEON CREDIT	13.30	0.26	-1.92

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,001.89	-312.78	-1.92
NASDAQ	4,543.97	-142.53	-3.04
S&P 500	1,881.77	-49.57	-2.57
FTSE 100	5,958.86	-150.15	-2.46
DAX	9,483.55	-204.98	-2.12
Nikkei 225	17,645.11	-235.40	-1.32
HSI	21,186.32	90.34	0.43
KOSPI	1,942.85	-4.25	-0.22
STI	2,832.64	-38.74	-1.37
KLCI Futures	1,561.00	(10.00)	(0.01)
USDMYR 3M	16.41	0.03	0.00
USDMYR 6M	16.11	(0.01)	(0.00)
USDMYR 12M	15.98	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	0.1	0.2%
Brent (USD/bbl)	47.3	-1.3	-2.6%
Gold(USD/ounce)	1,133	1.0	0.1%
Coal (USD/mt)	55.5	-0.9	-1.6%
CPO (RM/mt)	2,394	52.0	2.2%
Rubber	131	-1.2	-0.9%
RM/USD	4.42	0.0372	-0.84%
EUR/USD	0.89	0.001	0.11%
YEN/USD	119.93	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average plunged 312.78 points to 16,001.89 points, S&P 500 declined 49.57 points to 1,931.34. Nasdaq shed by 142.53 points to 4,543.97. Stocks came under pressure again on Monday with important areas like biotech, Big Tech and junk bonds dropping hard to close below its Aug. 24 “Black Monday” low, returning to levels not seen since late October.
- The catalyst is the ongoing fallout from last week’s speech by Federal Reserve chairman Janet Yellen, in which she reinforced the case for a rate hike before the end of the year, something that hasn’t happened since 2006. This was reinforced by comments by New York Fed President William Dudley, who told the *Wall Street Journal* that rates will go up this year.

The Local Market

- FBMKLCI declined 6.58 points to finish at 1,608.43 in tandem with weak Asian region market. There were 351 gainers and 413 decliners in total value traded of RM1.55 billion.
- Among the losers on Bursa Malaysia were British American Tobacco plunged RM1.12 to RM60.80, Thriven Global declined 27 cent to RM0.55, Aeon Credit dropped 26 cent to RM13.30, Petronans Dagangan fell 24 cent to RM21.72.

Strategy

- **“Wall Street Suffers Choppy Day”**
Wall Street endured another choppy day, hurt by the uncertainty in global economy, emanating from the depressed commodity prices, China’s slower growth and US impending interest rate adjustment. S&P 500 and DJIA lost 49.57 (-2.57%) and 312.78 (-1.92%) points to finish at 1,881.77 and 16,001.89 respectively. All in, we think the biggest fear factor is the US impending interest rate adjustment, more so when the US is due to release their September unemployment rate this Friday. This key data will make or break the sentiment in the global market in the foreseeable future. Note that the US Federal Reserve still has 2 more policy meetings this year including in October and December. As October window is too short to make that momentous call, we think that December is the likely time for the US first interest rate adjustment since the last 6 years. This is in line with the statement by Janet Yellen last week. Hence, expect choppy trading sentiment to continue.
- 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

Gamuda, BUY (TP: RM5.80): 4Q net profit falls 25.4%

Gamuda Bhd (Valuation: 2.00, Fundamental: 1.80)'s net profit declined 25.4% to RM153.68 million in the fourth quarter ended July 31, 2015 (4QFY15) from RM205.89 million a year ago, mainly due to the completion of the electrified-double tracking railway. According to a filing to Bursa Malaysia today, the construction company said its revenue rose 5.28% to RM623.27 million from RM592 million a year ago. The earnings per share (EPS) was 6.39 sen versus 8.89 sen in 4QFY14. For the full year of FY15, Gamuda's net profit fell 5.2% to RM682.1 million from RM719.4 million. Annual EPS decreased to 28.94 sen from 31.29 sen. Revenue was at RM2.4 billion, a slight increase of 7.62% compared with RM2.23 billion in FY14. (Source: The Edge)

MMC, BUY (TP: RM3.00): Senai Airport City in 60-year land-lease deal with Japan's Fuji Oil

MMC Corp Bhd's wholly-owned subsidiary, Senai Airport City Sdn Bhd (SACSB), has leased 24.75 acres of its industrial land to Japanese food products supplier Fuji Oil Asia Pte Ltd, for RM53.9 million. Fuji Oil Asia, which is part of the Fuji Oil Group, has entered into a lease agreement with SACSB for 60 years to construct and operate its manufacturing facility, said MMC Corp in a statement today. Headquartered in Japan, Fuji Oil Asia is a global supplier of intermediate food ingredients, particularly specialty oils and fats, confectionery and bakery, soy protein and its related consumer food products. The facility will be its largest outside Japan and is located adjacent to its major client: US-based confectionary Hershey's largest chocolate manufacturing facility outside of North America. (Source: The Edge)

Sunway Group (CP: RM3.49): To draw more visitors with new attraction

Sunway Group expects its prized Sunway Lagoon theme park to attract two million visitors next year with the opening of an RM100mil Nickelodeon attraction scheduled for the last quarter of this year. Sunway Lagoon, which has been a huge driver for the group and its hotel and shopping centre around the theme park, is estimated to attract 1.5 million visitors this year. The success of Sunway Lagoon has seen not only the size and number of attractions at the theme park increase over the years, but has also allowed the group to capitalise on its accomplishments. To meet the additional number of visitors, the Sunway Group will be launching a 401-room hotel to complement its existing 550-room Sunway Pyramid Tower East Hotel. (Source: The Star)

E&O (CP: RM1.61): To develop RM1.5b infrastructure in Elmina West over 3 years

Property developer Eastern & Oriental Bhd (E&O) said today construction of infrastructure at the 54.63ha freehold land in Elmina West will be carried out over the next three years. In a filing with Bursa Malaysia, the company said the full payment of RM192.75 million for the parcel of land acquired from Sime Darby Elmina Development Sdn Bhd, an indirect wholly-owned subsidiary of Sime Darby Bhd, was completed yesterday. E&O said Sime Darby Elmina Development will continue the construction work on the land, while instalment payments are settled. According to the sale and purchase agreement, E&O had

said 90% the construction sum of RM47.04 million will be paid in equal quarterly installments, over the construction period. (Source: *The Edge*)

Yinson (CP: RM2.90): Sells five subsidiaries for RM168 million

Oil and gas service provider Yinson Holdings Bhd (YHB) is selling its entire equity interest in five logistics and trading subsidiaries to Liannex Labuan Ltd for RM168 million, cash. In its filing to Bursa Malaysia yesterday, Yinson said it has entered into conditional share sale agreement (SSA) to sell off Yinson Corp Sdn Bhd, Yinson Transport (M) sdn Bhd, Yinson Shipping Sdn Bhd, Yinson Power Marine Sdn Bhd and Yinson Overseas Ltd (formerly Yinson Dadang Ltd). In addition, Liannex Labuan shall settle all inter-company loans owing to Yinson by the five units, which amount to approximately RM65.6 million. However, this excludes the RM4.94 million inter-company loan owing by YPMSB to YHB which is expected to be capitalised. (Source: *The Edge*)

IFCA MSC (CP: RM0.925): Unaware of reasons for UMA

IFCA MSC Bhd, which has received yet another unusual market activity (UMA) query from Bursa Malaysia last Friday, said it was unaware of the reasons for the UMA. In a reply to Bursa Malaysia, IFCA MSC said it was unaware of any corporate development save for the submissions of application in respect of proposed acquisition of the business of PT IFCA Consulting Indonesia to Bursa Securities and acceptance of award of contract from Capitaland Management (China) Co. Ltd which were announced earlier. IFCA said it was not also not aware of any rumour or report to concerning the business and affairs of the group that may account for the trading activities. (Source: *The Star*)

MRT Corp.: Final approval for MRT 2 expected in October

The final alignment and railway scheme for Mass Rapid Transit (MRT) Line 2 is expected to be approved by the Land Public Transport Commission (SPAD) next month, with Mass Rapid Transit Corp targeting to start construction in the first quarter of 2016. MRT Corp CEO Datuk Shahril Mokhtar said yesterday the final details of the proposed of 52.2km Sungai Buloh-Serdang-Putrajaya rail line were presented to SPAD last week. He said the presentation includes details of the proposed private land acquisition under Section 4 and Section 8 of the Land Acquisition Act 1960. "We expect construction to start as early as the first quarter of next year as the tender for the first package of construction (will) be out next month. (Source: *The SUNDAILY*)

ECONOMIC UPDATES

Malaysia: 2014 GDP per capita tops world average for first time

Malaysia's gross domestic product (GDP) per capita in 2014 exceeded the average of all countries worldwide for the first time, said the Global Science and Innovation Advisory Council (GSIAC). In a statement, the GSIAC said Malaysia's GDP per capita was at US\$10,830 (RM47,600) in 2014 while the average of all nations worldwide stood at US\$10,804. By comparison, in 2010 national per capita GDP was US\$8,752, some 8% below the then-world average of US\$9,513. The GSIAC Joint Secretariat comprises the Malaysian Industry-Government Group for High Technology (MiGHT) and the New York Academy of Sciences. (Source: *The SUNDAILY*)

U.S.: Consumer spending rises; core inflation firms slightly

U.S. consumer spending grew briskly in August and a key measure of inflation firmed a bit, signs of strength in America's domestic economy that could lead the Federal Reserve to tighten interest rates despite weakness abroad. The Commerce Department said on Monday consumer spending increased 0.4%, after an upwardly revised 0.4% rise in July. The figures give a bullish sign for economic growth in the third quarter. The report could help convince investors of Fed Chair Janet Yellen's view, most recently expressed on Thursday, that the economy was strong enough to warrant a rate increase this year. New York Fed President William Dudley on Monday also said a hike was likely this year and could come as soon as October. (Source: *The Edge*)

China: September official factory PMI seen shrinking for 2nd month

China's giant factory sector likely shrank for the second month in a row in September, a Reuters poll showed, a development that would add to fears of a sharper slowdown in the world's second-largest economy. The official manufacturing Purchasing Managers' Index (PMI) is forecast to inch down to 49.6 from August's 49.7, according to the median forecast of 29 economists in the poll. A reading above 50 indicates an expansion in activity while one below that signifies a contraction on a monthly basis. August saw the deepest contraction in factory activity in three years and if the September number is 49.6, it would be the lowest since August 2012. (Source: *The Star*)

India: Rate Decision-Day Guide Rajan Faces Pressure to Cut Again

Indian central bank Governor Raghuram Rajan is juggling an ambitious inflation target with political pressure to slash interest rates. That has most economists expecting him to cut once more on Tuesday before an extended hold. While consumer price-gains of 3.66 percent in August again undershot the central bank's goal of 6 percent by January, Rajan said this month that the pace is closer to 5.5 percent without base effects. That boosts risks to his target of 5 percent by 2017 and 4 percent in 2018. Forty-two of 52 economists surveyed by Bloomberg expect him to lower the benchmark repurchase rate to 7 percent on Tuesday from 7.25 percent. Separate surveys predict he'll stay put for the next 12 months as the U.S. will probably raise rates. Swaps are pricing in a cut to 7 percent by the end of 2015. (Source: *Bloomberg*)

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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