

PP14767/09/2012(030761)

Friday, October 02, 2015

Reports of the Day

Sector Update: Banking (Neutral) – “Stiffs Competition for Deposit and Loans in the Market”

At a Glance

FBM KLCI gained 12.89 points to finish at 1,633.93 due to better-than-expected China's PMI data.....(See full report next page)

Strategy

“Wall Street Processing Mix Economic Signals”

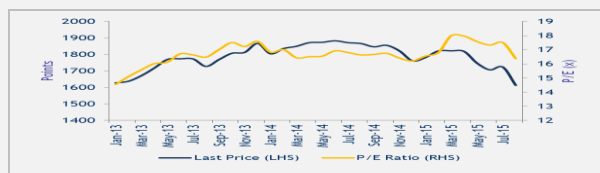
US will be releasing its September unemployment rate today and that would be enough to push investors to the sideline.....(See full report next page)

Corporate Highlights

- **Media Prima, BUY (TP: RM1.80):** Buys radio stations for RM20m
- **Top Glove, HOLD (TP: RM6.46):** In the mood for M&A, looking to seal a deal within a year
- **EcoWorld (CP: RM1.38):** Gets all clear for RM8b Bukit Bintang City Centre project

Economic Update

- **Malaysia:** Government to announce slightly higher budget for 2016
- **China:** September official factory PMI contracts for second month
- **Japan:** Big manufacturers confidence down



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	-	-	
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	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	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%	

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBM KLCI	1,633.93	12.89	0.80
FBMEMAS	11,273.24	71.61	0.64
FBMEMAS SHA	11,935.96	46.91	0.39
FBM100	10,991.57	70.50	0.65
Volume (mn)	1,515.27	-175.31	-10.37
Value (RMmn)	1,822.91	-663.83	-26.69
FBM KLCI YTD Chg			-7.23

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.5	4.9
Local Institution	58.3	90.4
Foreign Investors	24.2	-95.3

Top Gainers

	Close	Change+/-	(+/- %)
KLK	22.28	0.58	2.67
BAT	60.80	0.48	0.80
SCIENTEX	7.59	0.48	6.75

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	25.94	-1.04	-3.86
ALLIANZ	10.40	-0.20	-1.89
SHANGRI-LA	6.13	-0.15	-2.39

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,272.01	-12.69	-0.08
NASDAQ	4,627.08	6.92	0.15
S&P 500	1,923.82	3.79	0.20
FTSE 100	6,072.47	10.86	0.18
DAX	9,509.25	-151.19	-1.57
Nikkei 225	17,722.42	334.27	1.92
HSI	20,846.30	289.70	1.41
KOSPI	1,979.32	16.51	0.84
STI	2,801.85	10.96	0.39
KLCI Futures	1,590.50	11.50	0.01
USDMYR 3M	16.21	0.02	0.00
USDMYR 6M	16.01	(0.01)	(0.00)
USDMYR 12M	15.98	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	0.4	0.9%
Brent (USD/bbl)	47.7	-0.7	-1.4%
Gold(USD/ounce)	1,114	0.4	0.0%
Coal (USD/mt)	53.5	-0.4	-0.7%
CPO (RM/mt)	2,414	39.0	1.6%
Rubber	134	1.6	1.2%
RM/USD	4.41	0.0117	-0.27%
EUR/USD	0.89	0.0004	0.04%
YEN/USD	119.85	-0.08	0.07%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 12.69 points to 16,272.01 points, S&P 500 added 3.79 points to 1,923.82. Nasdaq rose by 6.92 points to 4,627.08. U.S. equities spent most of the session in the red before a powerful rally pushed most of the major averages into the green by the closing bell.
- The latest update on the health of the job market will be closely watched because of the confusion surrounding a potential interest rate hike from the Federal Reserve before the end of the year.

The Local Market

- FBMKLCI gained 12.89 points to finish at 1,633.93 due to better-than-expected China's PMI data. There were 465 gainers and 306 decliners in total value traded of RM1.82 billion.
- Among the gainers on Bursa Malaysia were KLK jumped 58 cent to RM22.28, BAT grew 48 cent to RM60.80, Scientex up 48 cent to RM7.59 and Magni-Tech Industries rose 41 cent to RM5.60.

Strategy

- **"Wall Street Processing Mix Economic Signals"**
Wall Street started off the 4th quarter trading in mix fashion after conflicting economic signals sent investors back to the drawing board. S&P 500 gained 3.79 (0.2%) points to end at 1,932.82 while DJIA erased 12.69 (-0.08%) points to finish 16,272.01 respectively. Note that the US weekly jobless claim jumped to 277k from a revised of 267k the week before, suggesting that the US unemployment rate for September could stay at 5.1% while continuing claims declined to 2.191 million from an upwardly revised 2.244 million (from 2.242 million), representing the lowest reading since November 2000. We posit that this reading should be enough to stall the US Federal Reserve interest rate adjustment this October but we think that the December window is still wide open. In addition, US ISM Manufacturing Index declined to 50.2 in September from 51.1. As mentioned, this conflicting signal may well be enough for the US to maintain its policy rate for a while but we think that December adjustment is almost a done deal. Note that the US will be releasing its September unemployment rate today and that would be enough to push investors to the sideline or cap their trading appetite to some extent, at least for the time being.
- 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

Media Prima, BUY (TP: RM1.80): Buys radio stations for RM20m

Media Prima Bhd has proposed to acquire the entire stake in a radio broadcasting company for a total cash consideration of RM20mil to expand its portfolio of media assets. The integrated media group said on Thursday that its unit Synchrosound Studio Sdn Bhd had signed a conditional share purchase agreement to buy 500,000 ordinary shares in Copyright Laureate Sdn Bhd (CLSB), representing a 100% in the company, from Mohamad Fazhly Johari, Hamyzar Toha and Lau Chuan Chiat. CLSB owns two radio broadcasting stations, namely Ultra FM and Pi Mai FM. (Source: *The Star*)

Top Glove, HOLD (TP: RM6.46): In the mood for M&A, looking to seal a deal within a year

Top Glove Corp Bhd, a beneficiary of the falling ringgit, is looking to expand aggressively through mergers and acquisitions and is hoping to conclude a deal within a year. Speaking to reporters after the launch of the 23-storey Top Glove Tower yesterday, chairman Tan Sri Lim Wee Chai (pix) said the company is talking to three or four rubber glove-related companies in Malaysia and Thailand. "We have our KPI (key performance indicator) and must acquire one to two companies a year for us to grow," he explained. Top Glove, which sits on cash pile of RM200 million, will be able to come up with RM1 billion to RM2 billion more for the acquisition, according to Lim. (Source: *The Sun*)

EcoWorld (CP: RM1.38): Gets all clear for RM8b Bukit Bintang City Centre project

Property developer Eco World Development Group Bhd told Bursa Malaysia yesterday that all the conditions precedent (CP) set out in its agreements in relation to its joint development of the RM8 billion Bukit Bintang City Centre project at the former Pudu Jail site have been met. As such, its subscription and shareholders agreement (SSA) with Uda Holdings Bhd (UDA), the Employees Provident Fund (EPF) and BBCC Development Sdn Bhd that was entered into on Feb 4 — whereby EcoWorld, UDA and EPF agree to invest and fund BBCC as the vehicle to undertake the proposed joint development — has become unconditional. Under the SSA, UDA and EcoWorld will each own a 40% stake in BBCC, with the remaining 20% held by EPF. (Source: *The Star*)

MBSB (CP: RM1.51): Gets BNM nod for talks on merger with Bank Muamalat

Malaysia Building Society Bhd (MBSB) is in talks with the shareholders of Bank Muamalat Malaysia Bhd, Khazanah Nasional Bhd and DRB-Hicom Bhd, for a proposed merger between the two. MBSB has a market capitalisation of RM4.3 billion. Bank Muamalat is one of only two domestic standalone Islamic banks in Malaysia. In a filing with Bursa Malaysia yesterday, MBSB said Bank Negara Malaysia (BNM) said it has no objection in principle for them to hold talks. BNM requires that the negotiations must be completed within three months from the date of the central bank's letter. (Source: *The Sun*)

BCB (CP: RM1.10): In RM58.5m land lease deal for RM400m shoplots project in Iskandar

BCB Bhd is buying the rights of the lease of a freehold tract measuring 22 acres in Medini Iskandar Malaysia, Johor, for RM58.5 million or RM40 per sq ft, to develop shoplots worth an estimated RM400 million in gross development value. Based on preliminary plans, the project comprises 175 units of 3/5 shoplots, according to BCB's filing on Bursa Malaysia today.

The Johor Bahru based property developer said the proposed project is expected to take four years to complete. BCB's wholly owned subsidiary Absolute 88 Sdn Bhd entered into a lease purchase agreement with Metrogold Assets Sdn Bhd, who holds the lease that is expiring on Feb 13, 2017, to effect the acquisition today. *(Source: The Edge)*

Genting (CP: RM7.44): Genting sells UK online gaming biz to GENM for RM48m

Genting and the Lim family are disposing of their online gaming business in the UK to cash-rich Genting Malaysia Bhd (GENM), Genting's 49.3%-owned subsidiary, for £7.2 million (approximately RM48.09 million) cash, to streamline the group's gaming business there under one management. The online gaming business is currently parked under Genting Alderney Ltd, which is wholly-owned by RWI International Investments Ltd, in which Genting and its chairman and chief executive Tan Sri Lim Kok Thay each has a 50% indirect interest. Currently, GENM operates land-based casinos in the UK through Genting UK Plc (GUK), its indirect wholly-owned unit. *(Source: The Edge)*

AirAsia (CP: RM1.26): Converts amount due from Indonesia AirAsia into debt notes

AirAsia Bhd has converted part of the existing amount due from by its affiliate PT Indonesia AirAsia (IAA) by subscribing for the 2,058 bil rupiah perpetual capital securities issued by the latter. The low-cost carrier had on Thursday said the 2,058bil rupiah was the 49% of the securities issued by IAA. The portion was based on its 49% stake which it owns in IAA. The total amount due from IAA as of June 30, 2015 was 4,280 bil rupiah. Hence, AirAsia had on Sept 29, 2015, entered into a perpetual security purchase agreement with IAA to formalise the issuance and terms and conditions between IAA and AirAsia over the subscription. *(Source: The Star)*

ManagePay (CP: RM0.245): To manage local retail chains' e-wallet, loyalty card programme

ManagePay Systems Bhd has been appointed the operator of the local retail chains' electronic wallet (e-wallet) and cash-back loyalty card programme. In a press statement today, ManagePay said its wholly-owned unit ManagePay Services Sdn Bhd (MPSB) will be responsible for issuing, acquiring and operating the Malaysia Retail Chain Association's (MRCA) Ringgit Rewards Card — a MasterCard co-branded prepaid card — programme. The appointment is subject to approvals from all relevant authorities and participating merchants. MRCA represents over 250 leading retail chain store operators and franchisors with over 20,000 outlets throughout Malaysia. *(Source: The Edge)*

Mega First (CP: RM2.55): PPA for Mega First's Laos unit

Mega First Corp Bhd said its 80%-owned power generation unit in Laos, Don Sahong Power Co Ltd, has secured the power purchase agreement (PPA) for its hydropower project. The PPA between Don Sahong Power and Electricité Du Laos (EDL) covers 25 years from the commercial operation of the project. Don Sahong Power will construct a 230kV transmission line from the project's switchyard to interconnect with the existing EDL grid system. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: Government to announce slightly higher budget for 2016**

The government is set to announce a slightly higher budget for 2016 on Oct 23 compared to that in 2015 given the year is the beginning of the 11th Malaysian Plan, as well as to boost the domestic economy. Second Finance Minister Ahmad Husni Hanadzlah said the 2016 Budget is very challenging as the government, in the face of the global economic uncertainty, at the same needs to ensure the vision of high prosperity for the people is achieved. After taking into account the current situation, Husni said the 2016 budget would see a larger allocation for development expenditure with a reduction in operating expenditure to balance the budget deficit. (Source: *Bernama*)

China: September official factory PMI contracts for second month

straight month in September, an official survey showed on Thursday, adding to signs of weakness in the world's second-largest economy which are shaking global markets. The official Purchasing Managers' Index (PMI) inched up to 49.8 in September from the previous month's reading of 49.7. Though slightly better than market expectations, it still suggested conditions were deteriorating. Analysts polled by Reuters had expected the figure to dip to 49.6, the weakest level since August 2012, as softening demand at home and abroad left many firms with idle capacity and less appetite for raw materials from iron ore and copper to petrochemicals and coal. (Source: *Reuters*)

Japan: Big manufacturers confidence down

The confidence of Japan's big manufacturers worsened in the three months to September, the central bank's tankan survey found, raising doubts the government's "Abenomics" policies of fiscal and monetary stimulus can do much more to improve Japan Inc's cautious economic outlook. The service-sector's mood, however, improved to more than a two-decade high and big firms maintained their bullish capital expenditure plans, offering some relief to policymakers worried at growing signs that Japan may slide into another recession. While the mixed reading alone may not nudge the Bank of Japan (BoJ) into expanding stimulus immediately, it will keep the BoJ under pressure to offer monetary support to keep overseas headwinds from curtailing corporate spending plans too severely. (Source: *The Edge*)

U.S.: Factories show vulnerability to chill in global economy

The pace of growth at U.S. factories slowed in September, a sign that the chill falling over the global economy could complicate the Federal Reserve's plans to raise interest rates. Other data on Thursday pointed to a tightening labor market and stronger spending on home construction, highlighting the split in the economy between strong domestic growth and weakness abroad. This is causing headaches at the Fed, which cited concerns last month about "global economic and financial developments" when it surprised much of Wall Street by holding off on hiking rates. The Institute for Supply Management (ISM) said its index of national factory activity fell to 50.2, its lowest since May 2013 and just below the median forecast in a Reuters poll. (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.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
M&A Securities