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Wednesday, October 07, 2015

Report of the Day

Company Update: WCT – “New TRX Job”

Company Update: UMW – “Price Hike in January 2016”

At a Glance

FBMKLCI gained 14.92 points to finish at 1,662.51 due to positive regional market sentiment.....(See full report next page)

Strategy

“Lack of Catalyst Weigh on Wall Street”

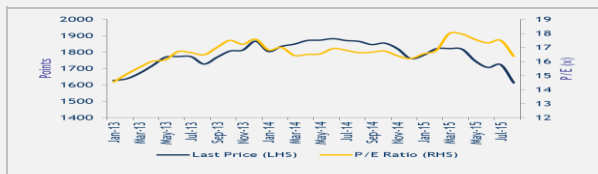
We expect profit taking activity to take center stage.....(See full report next page)

Corporate Highlights

- **Maybank, BUY (TP: RM9.92):** Confident on Indonesia outlook
- **Aeon Credit (CP: RM13.58):** Records RM48.5m net profit in 2Q
- **MyEG (CP: RM2.81):** MyCC to fine MyEG for RM307,200 for infringing Competition Act

Economic Update

- **Malaysia:** Growth easing to 4.7%, to improve to 5% in 2017
- **Malaysia:** TPPA cost benefit analysis still pending
- **U.S.:** international trade gap at \$48.3 billion in Aug vs \$47.4 billion expected



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	5-Oct	4:00 PM	Markit Eurozone Services PMI	-	54.0
EU	5-Oct	4:00 PM	Markit Eurozone Composite PMI	-	53.9
EU	5-Oct	5:00 PM	Retail Sales MoM	-	0.4%
EU	5-Oct	5:00 PM	Retail Sales YoY	-	2.7%
US	5-Oct	9:45 PM	Markit US Composite PMI	-	55.3
US	5-Oct	9:45 PM	Markit US Services PMI	-	56.6
US	5-Oct	10:00 PM	ISM Non-Manuf. Composite	58.0	59.0
JP	5-Oct	9:35 AM	Nikkei Japan PMI Services	-	53.7
JP	5-Oct	9:35 AM	Nikkei Japan PMI Composite	-	52.9
EU	6-Oct	4:10 PM	Markit Eurozone Retail PMI	-	51.4
US	6-Oct	8:30 PM	Trade Balance	(\$41.65b)	(\$41.86b)
US	7-Oct	7:00 PM	MBA Mortgage Applications	-	-
CN	7-Oct	-	Foreign Reserves	-	\$3557.4b
MY	7-Oct	12:00 PM	Exports YoY	-	3.5%
MY	7-Oct	12:00 PM	Imports YoY	-	5.9%
MY	7-Oct	12:00 PM	Trade Balance MYR	-	2.38b
MY	7-Oct	-	Foreign Reserves	-	\$95.3b
US	8-Oct	8:30 PM	Initial Jobless Claims	-	-
US	8-Oct	8:30 PM	Continuing Claims	-	-
JP	8-Oct	7:50 AM	Machine Orders MoM	-	-3.6%
JP	8-Oct	7:50 AM	Machine Orders YoY	-	2.8%
JP	8-Oct	7:50 AM	Trade Balance BoP Basis	-	(¥108.0b)
JP	8-Oct	7:50 AM	BoP Current Account Balance	-	¥1808.6b
US	9-Oct	2:00 AM	U.S. Fed Released Minutes from Sept. 16-17 FOMC Meeting	-	-
US	9-Oct	8:30 PM	Imports Price Index MoM	-0.5%	-1.8%
US	9-Oct	10:00 PM	Wholesale Inventories MoM	0.0%	-0.1%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,662.51	14.92	0.91
FBMEMAS	11,450.17	84.94	0.75
FBMEMAS SHA	12,151.61	73.95	0.61
FBM100	11,164.19	86.80	0.78
Volume (mn)	2,130.29	215.51	11.26
Value (RMmn)	2,118.57	258.31	13.89
FBMKLCI YTD Chg			-5.61

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.2	-32.8
Local Institution	54.0	-28.6
Foreign Investors	26.8	61.4

Top Gainers

	Close	Change+/-	(+/- %)
BAT	61.80	0.82	1.35
NESTLE (MALAY)	73.00	0.50	0.69
PETGAS	22.70	0.30	1.34

Top Losers

	Close	Change+/-	(+/- %)
SCC	1.86	-0.14	-7.00
Y&G CORP BHD	1.30	-0.14	-9.72
DATASONIC GROU	1.43	-0.13	-8.33

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,790.19	13.76	0.08
NASDAQ	4,748.36	-32.90	-0.69
S&P 500	1,979.92	-7.13	-0.36
FTSE 100	6,326.16	27.24	0.43
DAX	9,902.83	88.04	0.90
Nikkei 225	18,186.10	180.61	1.00
HSI	21,831.62	-22.88	-0.10
KOSPI	1,990.65	12.40	0.63
STI	2,897.07	45.82	1.61
KLCI Futures	1,624.50	12.50	0.01
USDMYR 3M	15.82	0.02	0.00
USDMYR 6M	15.50	(0.00)	(0.00)
USDMYR 12M	15.56	-	-

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	0.2	0.5%
Brent (USD/bbl)	51.9	2.7	5.4%
Gold(USD/ounce)	1,147	0.1	0.0%
Coal (USD/mt)	53.7	-0.2	-0.4%
CPO (RM/mt)	2,372	-43.0	-1.8%
Rubber	133	0.4	0.3%
RM/USD	4.37	0.002	-0.05%
EUR/USD	0.89	0.0004	0.05%
YEN/USD	120.25	0.02	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 13.76 points to 16,790.19 points, S&P 500 dropped 7.13 points to 1,979.92. Nasdaq declined by 32.90 points to 4,748.36. U.S. stocks closed narrowly mixed Tuesday, stabilizing after a sharp two-day rally, as investors awaited the official beginning of the third-quarter earnings season.
- On the data front, the August trade deficit came in at \$48.3 billion, the widest in five months. The International Monetary Fund trimmed its global growth forecast for 2015 from 3.3 percent to 3.1 percent, citing weaker growth prospects for emerging economies.

The Local Market

- FBMKLCI gained 14.92 points to finish at 1,662.51 due to positive regional market sentiment. There were 495 gainers and 363 decliners in total value traded of RM2.1 billion.
- Among the gainers on Bursa Malaysia were BAT surged 82 cent to RM61.80, Nestle (M) rose 50 cent to RM73.00, PetGas grew 30 cent to RM22.70 and United Plantation increased 28 cent to RM26.20.

Strategy

- **“Lack of Catalyst Weigh on Wall Street”**
Wall Street snapped their winning streak after closing mixed following lack of catalyst and less-than-upbeat IMF new global growth forecast. **S&P 500 lost 7.13 (-0.36%)** points to end at **1,979.92** while and **DJIA** added 13.76 (0.08%) to finish at **16,790.19** respectively. Wall Street’s 3rd quarter earnings results season is just around the corner and many hearts are pumping given the expectation of tepid corporate earnings performance. This has weighed on sentiment and may brew for quite some time especially in the absence of fresh catalyst that could lift sentiment. Added to yesterday’s luck warm Wall Street’s performance was IMF new global 2015 and 2016 growth forecast of which the institution had cut both years forecast by 0.2pps to 3.1% and 3.6%, citing rising weakness from China economy and spillover effects to other countries. Although IMF had rarely been accurate in their prediction but we foresee the negative tune is nonetheless also shared by other powerful institution like the World Bank. Note that World Bank is predicting global growth to hit 2.8% in 2015 before rising to 3.3% in 2016. All in, as mentioned before, we expect the excitement from the possibility of US deferring its policy adjustment to 2016 to dissipate and lack of fresh catalyst may weigh on sentiment soon. Added with the steady local bellwether index performance in the last few days, we expect profit taking activity to take center stage.
- 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

Maybank, BUY (TP: RM9.92): Confident on Indonesia outlook

Malayan Banking Bhd (Maybank) remains confident of Indonesia's long term economic outlook due to its strong fundamentals buoyed by stable fiscal and macro-economic policies. It noted that the Indonesian administration in its 2016 draft budget pledged to drive growth further by increasing infrastructure spending by 8% to IDR314 trillion (RM93.2 billion) from IDR290 trillion and creating greater trade and investment opportunities by encouraging more foreign direct investment into the country. Maybank said the move to increase infrastructure spending will greatly improve accessibility and interconnectivity as well as education and employment rates in the republic. *(Source: The Sun)*

Aeon Credit (CP: RM13.58): Records RM48.5m net profit in 2Q

Aeon Credit Service (M) Bhd (ACSB) recorded a net profit of RM48.49 million or 31.45 sen per share on the back of RM228.7 million revenue in its second quarter ended Aug 31, 2015 (2QFY16), due to increased financing. In a filing with Bursa Malaysia, ACSB proposed a single tier dividend of 29.85 sen for the financial year ending Feb 29, 2016 (FY2016), with the ex-date being Oct 20 and entitlement date on Oct 22. ACSB said the company's revenue rose 9% in the second quarter under review. Its revenue grew 12% for cumulative six months ended Aug 31, 2015, as compared to the corresponding period ended Aug 20, 2014. *(Source: The Edge)*

IGB Corp (CP: RM2.49): Sells freehold Gombak land to Ecofirst unit for RM62.8m

IGB Corp Bhd's indirectly-owned unit Harta Villa Sdn Bhd (HVSB) is selling a piece of freehold land measuring some 10.155ha in Ulu Kelang, Gombak, Selangor, to a wholly-owned unit of Ecofirst Consolidated Bhd for RM62.8 million. In its filing to Bursa Malaysia today, IGB said HVSB — a wholly-owned unit of Tan & Tan Developments Bhd, which is in turn a wholly-owned unit of IGB — entered into a sale and purchase agreement today with Ecofirst Development Sdn Bhd (EDSB), to effect the disposal. HVSB originally entered into an option agreement with EDSB on April 20, which granted EDSB the right to purchase the land at RM62.8 million. *(Source: The Edge)*

MyEG (CP: RM2.81): MyCC to fine MyEG for RM307,200 for infringing Competition Act

Malaysia Competition Commission (MyCC) proposes to impose a financial penalty of RM307,200 against the My E.G. Services Bhd (MyEG) for infringing Section 10 of the Competition Act 2010. MyCC said on Tuesday MyEG had abused its dominant position in the provision and management of online Foreign Workers Permit Renewal (PLKS) applications, by applying different conditions to equivalent transactions with other trading parties to the extent that may harm competition. MyCC commenced its investigation on the MyEG pursuant to the complaints filed by numerous parties. *(Source: The Star)*

Boilermech (CP: RM1.11): Eyes flat earnings growth for FY16

Boilermech Holdings Bhd expects to see flat bottomline growth in its financial year ending March 31, 2016 (FY16) results, amid current economic uncertainties. "Since the (economic) downturn is affecting everybody today, we are aiming to achieve what we achieved last year," the group's managing director Leong Yew Cheong told a press conference today. For FY15, Boilermech registered a net profit of RM39.2 million, up 26% from the RM31 million seen in FY14; revenue also rose 14.8% to RM277.9 million, from RM242 million in FY14. Currently, Leong said the group has an orderbook of about RM300 million, which would keep Boilermech busy for the next 18 months. The group is also tendering for jobs valued at up to RM30 million. (Source: *The Edge*)

Johan Holdings (CP: RM0.15): Reaps RM25.5m net gain from Jacks International sale

Johan Holdings Bhd expects to recognise net gain of RM25.54mil from the sale of 66.08% of Singapore-listed Jacks International Ltd. It said on Tuesday it was selling the 19.82 million shares at 80 Singapore cents each for a total sale consideration of S\$15.86mil (RM48.72mil) to Creative Elite Holdings Ltd. The original cost of investment of the sale shares in Jacks International was RM13.57mil which was made on July 1, 1987. Johan Holdings said the proposed disposal was in line with the measures implemented by the board to divest non-core business and loss making subsidiaries which have negative impact on the profitability. (Source: *The Star*)

Progressive Impact (CP: RM0.20): Aims to grow at 10%-20% annually

Environmental engineering consultancy firm Progressive Impact Corp Bhd is looking to grow its profit by 10%-20% annually, with its new technology systems and expansion plans. Speaking to reporters after its EGM today, CEO Johar Yusof said the group has launched three new technologies recently, namely predictive emissions monitoring system (PEMS), hybrid waste water and wave glider. "This year, we will start to hit the orders, but the (systems) implementation would be probably in 2016, so we expect the real growth would be seen in 2016." "We also plan to go into the Middle East, such as United Arab Emirates, Qatar and Saudi Arabia, bringing the new technologies that we have, especially the waste water technology," he added. (Source: *The Sun Daily*)

AirAsia (CP: RM1.25): Buys remaining 60% in Tune Money

AirAsia Bhd is acquiring the remaining 60% interest in financial services provider Tune Money Sdn Bhd as well as its entire issued redeemable preference shares (RPS) for RM6.36mil in cash. In a filing with Bursa Malaysia, AirAsia said the payment of about RM0.038 per ordinary 10 sen share and RM150,000 per RPS to vendor Tune Money International Sdn Bhd (TMI) would be financed by the company's internally generated funds. TMI and AirAsia share two common shareholders and directors, namely Tan Sri Tony Fernandes and Datuk Kamarudin Meranun. (Source: *The Star*)

Opcom (CP: RM0.77): Clinches RM67.8 million network delivery job

Opcom Holdings Bhd has been awarded a RM67.8 million contract by Telekom Malaysia Bhd for network delivery projects. It told Bursa Malaysia it includes the supply, delivery, installation, testing and commissioning of the Line Plant

Network Project as well as associated civil works in Malaysia via schedule of rates for Telekom for a period of three years, commencing from Oct 1 to Sept 30, 2018. The contract is expected to contribute positively towards Opcom's earnings and net assets for the period of the award. *(Source: The Sun)*

ECONOMIC UPDATES

Malaysia: Growth easing to 4.7%, to improve to 5% in 2017

Malaysia's growth is expected to ease from this year through 2016 amid intensifying downside risks from a potential slowdown in China's economy, the impending US interest rate hike, weak commodity prices and moderating domestic demand, according to the World Bank. The global lender has projected Malaysia's gross domestic product (GDP) growth to slow to 4.7% in 2015 from 6% last year. While the World Bank's GDP growth projection for Malaysia this year was unchanged from its earlier forecast in April, its 2016 growth estimate for the country has been cut to 4.7% from 5% previously. According to the World Bank, Malaysia's economic growth would pick up to 5% in 2017, as exports would likely strengthen by then. *(Source: The Star)*

Malaysia: TPPA cost benefit analysis still pending

The cost benefit analysis on the Trans-Pacific Partnership Agreement (TPPA) should have been finalised and released earlier for the sake of public understanding, Bantah TPPA group chairman Mohd Nizam Mahshar said in a statement yesterday. Commenting on the conclusion of the TPPA negotiations, he said the cost benefit analysis should have been finalised and released earlier, to provide the public and interested parties with a greater understanding of the TPPA and its implications. The release of the cost benefit analysis has been delayed for months. Until now, it has not been released and we only have three months from the official date of the negotiation's conclusion to the date that it has to be signed," he added. International Trade and Industry Minister, Datuk Seri Mustapa Mohamed said in a Facebook posting yesterday that the contents of the TPPA deal will be made public next month and presented to parliament for debate within the next two months. *(Source: The Edge)*

U.S.: International trade gap at \$48.3 billion in Aug vs \$47.4 billion expected

U.S. exports took a hit from an ailing global economy in August and imports from China surged, fueling the largest expansion of America's trade deficit in five months. The data released on Tuesday by the Commerce Department illustrates the U.S. economy's vulnerabilities to a strong dollar and weak demand in foreign markets, which could impose further caution on the Federal Reserve's plans to hike interest rates. The trade deficit swelled by 15.6 percent to \$48.3 billion in August, according to data that is adjusted for seasonal factors. The scope of the increase was accentuated by the unusually narrow trade deficit registered in July. *(Source: CNBC)*

Indonesia: Economy needs quick fix, experts note

The Indonesian government's economic policy package to be released this week should focus on prompt solutions to boost sluggish purchasing power,

economists and industry groups have said. Institute for Development of Economics and Finance (INDEF) director Enny Sri Hartati said that restoring purchasing power would aid domestic demand, which constituted 55 per cent of the country's economy but had not been sufficiently addressed in the first and second economic packages released in September. The September packages focused primarily on boosting investment and cutting red tape. (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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