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Thursday, October 08, 2015

At a Glance

FBMKLCI surged 26.74 points to finish at 1,689.25 driven by better-than-expected Malaysia export number.....(See full report next page)

Strategy

“Local Market Performance Hinges on Ringgit Trend”

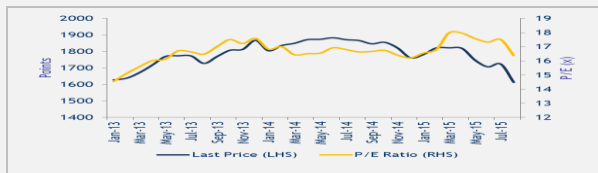
We expect the solid trade surplus numbers to continue support confidence in Ringgit and hence, the expectation of good local market performance today.....(See full report next page)

Corporate Highlights

- **AirAsia (CP: RM1.30):** Says no knowledge of privatisation plan
- **DRB-Hicom (CP: RM1.40):** Sees extra RM218mil in revenue a year from aerospace contract
- **YTL Power (CP: RM1.52):** Energy Minister confirms YTL Power given short-term contract

Economic Update

- **Malaysia:** August exports higher than expected, imports contract
- **Malaysia:** Foreign exchange reserves down US\$2bil in Sept
- **China:** FX reserves fall US\$43.3 bln in Sept



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	-	\$357.4b
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	1,689.25	26.74	1.61
FBMEMAS	11,656.21	206.04	1.80
FBMEMAS SHA	12,377.42	225.81	1.86
FBM100	11,360.53	196.34	1.76
Volume (mn)	2,692.44	562.15	26.39
Value (RMmn)	3,213.82	1,095.25	51.70
FBMKLCI YTD Chg			-4.09

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.10	-63.7
Local Institution	51.50	-226.4
Foreign Investors	32.4	290.1

Top Gainers

	Close	Change+/-	(+/- %)
BAT	63.20	1.40	2.27
PETRONAS DAG	23.12	0.76	3.40
SIME DARBY	8.80	0.60	7.32

Top Losers

	Close	Change+/-	(+/- %)
FRASER & NEAVE	18.40	-0.20	-1.08
APEX HEALTH	3.75	-0.20	-5.06
CHIN TECK PLANT	8.20	-0.19	-2.27

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,912.29	122.10	0.73
NASDAQ	4,791.15	42.79	0.90
S&P 500	1,995.83	15.91	0.80
FTSE 100	6,336.35	10.19	0.16
DAX	9,970.40	67.57	0.68
Nikkei 225	18,322.98	136.88	0.75
HSI	22,515.76	684.14	3.13
KOSPI	2,005.84	15.19	0.76
STI	2,960.33	62.92	2.17
KLCI Futures	1,666.00	32.00	0.02
USDMYR 3M	15.79	(0.17)	(0.01)
USDMYR 6M	15.33	(0.20)	(0.01)
USDMYR 12M	15.16	(0.17)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	0.5	1.1%
Brent (USD/bbl)	51.3	-0.6	-1.1%
Gold(USD/ounce)	1,146	0.4	0.0%
Coal (USD/mt)	53.9	0.2	0.4%
CPO (RM/mt)	2,319	-53.0	-2.2%
Rubber	132	-0.6	-0.5%
RM/USD	4.22	-0.1535	3.64%
EUR/USD	0.89	0.0001	0.01%
YEN/USD	119.97	-0.04	0.03%

What To Expect

U.S. Market

- The Dow Jones Industrials Average grew 122.10 points to 16,912.29 points, S&P 500 gained 15.91 points to 1,995.83. Nasdaq rose by 42.79 points to 4,791.15. U.S. stocks ended stronger after a volatile session on Wednesday, led by a rebound in biotechnology companies that pushed the S&P 500 to its highest level in three weeks.
- Materials shares also rose, helped by rising gold and silver prices. Investors' focus is turning to earnings, and Yum! Brands was the S&P's biggest loser after reporting weak sales out of China, which accounts for more than half of its revenues.

The Local Market

- FBMKLCI surged 26.74 points to finish at 1,689.25 driven by better-than-expected Malaysia export number. There were 699 gainers and 223 decliners in total value traded of RM3.21 billion.
- Among the gainers on Bursa Malaysia were BAT surged RM1.40 to RM63.20, Petronas Dagangan rose 76 cent to RM23.12, Sime Darby grew 60 cent to RM8.80 and Genting Plantation expanded 48 cent to RM10.90.

Strategy

- **“Local Market Performance Hinges on Ringgit Trend”**
Wall Street resumed their buying momentum on Wednesday as the absence of negative news lifted trading spirit. S&P 500 and DJIA gained 15.91 (0.80%) and 122.10 (0.73%) points to finish at 1,995.83 and 16,912.29 respectively. Lack of tier-1 economic announcement has helped Wall Street to move higher as lack of bad news supported buying trend. Local market wise, the steady trajectory yesterday was lifted by the advance of Ringgit which gained by a steady 5% to finish at a solid RM4.16 per Dollar and also roundly positive August trade numbers. The latter jumped by a 4.1% y-o-y in August vs. import that decreased by 6.1%, pushing trade surplus to touch RM10.2 billion, one of its best performances this year or 331% higher m-o-m and 163% bigger than a year ago. We expect the solid trade surplus numbers to continue support confidence in Ringgit and hence, the expectation of good local market performance today.
- 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

AirAsia (CP: RM1.30): Says no knowledge of privatisation plan

AirAsia Bhd states it has no knowledge of plans to privatise the low-cost carrier as reported in the media. It said on Wednesday it was first made aware of the privatisation rumour since it surfaced in August this year with the company shares being actively traded. This was just prior to the company announcing its proposal for a share buy-back of up to ten percent (10%) on Sept 18, 2015. The company confirm that it is in discussion with certain bankers to partially finance the buy-back of these AirAsia shares," it said. (Source: *The Star*)

DRB-Hicom (CP: RM1.40): Sees extra RM218mil in revenue a year from aerospace contract

DRB-Hicom Bhd expects an average increase of RM218mil in revenue to its subsidiary CTRM Aero Composites Sdn Bhd (CTRM-AC) for the next 15 years due to amendments in its contract with Rohr, Inc. In its filing with Bursa Malaysia on Wednesday, the company said it expects the contract amendments to contribute positively to the group. CTRM-AC and Rohr, Inc., a UTC Aerospace Systems (UTAS) company incorporated in Delaware, United States of America, entered into agreements to vary certain terms and conditions of the parties' existing agreements for the provision of certain aerospace products to UTAS. DRB-Hicom said the existing agreements and the contract amendments relate to the supply by CTRM-AC to UTAS of aft cascade rings, fan cowl and thrust reverser products, and related spare parts for use in the commercial aerospace industry. (Source: *The Star*)

YTL Power (CP: RM1.52): Energy Minister confirms YTL Power given short-term contract

Energy, Green Technology and Water Minister Datuk Seri Dr Maximus Ongkili has confirmed that YTL Power Generation Sdn Bhd is among the three power producers which had been given short-term contracts. The minister said on Wednesday the other two were Malakoff and Tenaga Nasional. To recap, Tenaga had said the 21-year power purchase agreement (PPA) with YTL Power had expired on Sept 30, 2015. The utility giant said that following the expiry of the PPA – which was signed on March 31, 1993 – YTL Power no longer exported power to the grid effective Oct 1, 2015. The expiry also affected a leasing agreement between TNB and YTL Power Generation for the latter to lease Tenaga's land in Paka and Pasir Gudang to build its power stations. (Source: *The Star*)

KNM (CP: RM0.55): Group gets RM581m UK waste-to-energy project

KNM Group Bhd's unit has secured a £88mil (RM581mil) contract to build a waste-to-energy plant in Croydon, United Kingdom. It said KNM Process Systems Sdn Bhd had accepted the letter of award from UK-registered Drenl Ltd to undertake the engineering, procurement, construction and commissioning contract. KNM Process Systems has also been awarded the operation and maintenance of the said waste-to-energy facility subject to the finalisation of the terms and conditions," it said. KNM added the duration of the EPCC contract was about 27 months after receiving notice to proceed from Drenl. (Source: *The Star*)

AirAsia X (CP: RM0.21): Indonesia AirAsia X complies with rule

Indonesia AirAsia X (IAAX), a subsidiary of Malaysia's AirAsia Bhd, said it has complied with Indonesia's regulatory requirement of aircraft ownership. In a stock exchange filing yesterday, IAAX said the regulation requires every commercial scheduled airline in Indonesia to have a minimum of 10 aircraft under its fleet, in which half must be owned. IAAX said as at Sept 28, it has complied with the regulation by inducting eight more aircraft to its fleet, bringing the total number of aircraft to 10. (Source: *TheSunDaily*)

Genting (CP: RM4.42): Resort in UK to open on Oct 21

Genting Malaysia Bhd's £150 million (RM967.5 million) Resorts World Birmingham in the UK will open its doors on Oct 21, at 10am (UK time). Resorts World Birmingham, Europe's first resort destination, is a large-scale integrated resort catering to the West Midlands region and beyond. Resorts World Birmingham will offer a full programme of exciting events between its opening day and the end of the year which will demonstrate a wide range of experiences available to its guests. Retailers such as Next Outlet, Nike Factory Store and GAP Outlet as well as other high street brands in fashion, home wares and gifts will open their stores on the resort's first day of operation. The group will subsequently open Cineworld on Oct 23, Genting International Casino on Oct 26 and the 180-room Genting Hotel on Nov 2. (Source: *TheSunDaily*)

Bank Negara: Wants insurers to improve service

Bank Negara wants to see common complaints and grouses against the insurance industry, including delays in claim settlement and mis-selling practices by agents, to be either reduced significantly or eliminated completely. Deputy governor Datuk Muhammad Ibrahim said the regulator had a low level of tolerance for misconduct in the industry, as evidenced by its enforcement measures so far. Through its supervisory interventions, more than RM30mil in premiums were refunded to the affected insurance policyholders due to mis-selling practices in the sale of insurance products. He said the central bank had also directed insurers to refund the premiums in more than 700,000 cases involving the forced purchase of personal accident policies. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: August exports higher than expected, imports contract

Malaysia's exports rose higher than expected in August, underpinned by electrical and electronics (E&E) products, but imports contracted sharply, according to the Statistics Department. It said on Wednesday exports for August rose 4.1% to RM66.5bil from the RM63.9bil a year ago, exceeding forecast of a 1.3% growth. The department said on a month-on-month basis, exports increased RM3.3bil (up 5.2%) to RM66.5bil. In seasonally adjusted terms, exports rose 2.3%. On a month-on-month basis, exports increased due to higher exports to Singapore (+RM1.1bil), Thailand (+RM996.1mil), European Union (+RM656.5mil), USA (+RM497.5mil), Pakistan (+RM249.3mil). (Source: *The Star*)

Malaysia: Foreign exchange reserves down US\$2bil in Sept

Bank Negara's international reserves fell US\$2bil in the last two weeks of September to end the month at US\$93.3bil. The decline in reserves level in US dollar terms as at Sept 30 was mainly due to the quarterly adjustment for foreign exchange revaluation changes. In ringgit terms, the reserves position stood at RM415.1bil. The ringgit is Asia's worst-performing currency this year, driven by a plunge in Brent crude that raised concerns about lower revenue for the region's only major oil exporter. Meanwhile, foreign investors sold their holdings of Malaysian equities and bonds in anticipation of a US interest-rate increase. Malaysia's foreign-exchange dropped by US\$12.2bil in the third quarter, the most since 2008, and are down 20% for the year. (Source: *The Star*)

China: FX reserves fall US\$43.3 bln in Sept

China's reserves, the world's largest, dropped to \$3.514 trillion last month, central bank data showed on Wednesday, after a record slide of \$93.9 billion in August. The devaluation of the yuan on Aug. 11, and the consequent fall in reserves have raised questions about how sustainable China's efforts to support the yuan are, as capital trickles out of the country due to fears of a deepening economic slowdown and prospects of rising U.S. interest rates. The yuan devaluation had sparked worries of a global currency war and raised doubts about Beijing's ability to manage an economy transitioning from an investment- and exports-led model to one driven by domestic demand. The value of China's gold reserves stood at \$61.2 billion at the end of September, down from \$61.8 billion at the end of August, the People's Bank of China said on its website. (Source: *The Star*)

Indonesia: Set to announce third stimulus package

Indonesia will announce a third round of stimulus measures on Wednesday aimed at supporting consumption and reviving economic growth, the chief economics minister said. The government already rolled out two sets of measures last month as part of a strategy to re-energise South-East Asia's largest economy after growth in the second quarter slowed to the 4.67%, the slowest pace in six years. The earlier measures included steps to attract more investment, streamline regulations and stabilise the shaky rupiah currency. Last week, President Joko Widodo ordered his cabinet ministers to review fuel prices and banks' lending rates and see if the two can be lowered to help boost purchasing power. (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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(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