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Tuesday, October 20, 2015

At a Glance

FBMKLCI grew 1.38 points to finish at 1,718.20 lifted by the gain in some heavyweight counters(See full report next page)

Strategy

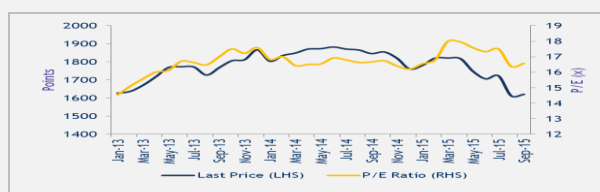
We think that solid rally is off the table for now due to the large overhang in the market, as in the uncertainty of the US policy direction.....(See full report next page)

Corporate Highlights

- **WCT, HOLD (TP: RM1.28):** Bags RM755m TRX job, buys TRX land for RM223m
- **Maybank, BUY (TP: RM9.92):** Completes RM2.2bil subordinated notes issuance
- **MMC, BUY (TP: RM3.00):** To raise stake in NCB to 83.55%, make general offer

Economic Update

- **Malaysia:** In talks on FTA with Bosnia and Herzegovina
- **U.S.:** Homebuilder Confidence Reaches Decade High on U.S. Sales Outlook
- **China:** Economic growth declines to 6-year low



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	19-Oct	10:00 AM	Retail Sales YoY	10.8%	10.8%
CN	19-Oct	10:00 AM	Retail Sales YTD YoY	10.5%	10.5%
CN	19-Oct	10:00 AM	Industrial Production YoY	6.0%	6.1%
CN	19-Oct	10:00 AM	Industrial Production YTD YoY	6.3%	6.3%
CN	19-Oct	10:00 AM	GDP YoY	6.8%	7.0%
US	20-Oct	8:30 PM	Housing Starts	1140K	1126K
US	20-Oct	8:30 PM	Buildings Permits	1158K	1170K
US	21-Oct	7:00 PM	MBA Mortgage Applications	-	-27.6%
JP	21-Oct	12:30 PM	All Industry Activity Index MoM	-	0.2%
EU	22-Oct	7:45 PM	ECB Main Refinancing Rate	-	0.050%
EU	22-Oct	7:45 PM	ECB Deposit Facility Rate	-	-0.020%
EU	22-Oct	7:45 PM	ECB Marginal Lending Facility	-	0.300%
EU	22-Oct	10:00 PM	Consumer Confidence	-	-7.1
US	22-Oct	8:30 PM	Initial Jobless Claims	-	-
US	22-Oct	8:30 PM	Continuing Claims	-	-
US	22-Oct	10:00 PM	Existing Home Sales	5.35m	5.31m
US	22-Oct	10:00 PM	Existing Home Sales MoM	0.8%	-4.8%
US	22-Oct	10:00 PM	Leading Index	0.0%	0.1%
US	22-Oct	11:00 PM	Kansas City Fed Manf. Activity	-	-8.0%
MY	22-Oct	-	Foreign Reserves	-	\$93.3b
EU	23-Oct	4:00 PM	Markit Eurozone Manufacturing PMI	-	52.0
EU	23-Oct	4:00 PM	Markit Eurozone Services PMI	-	53.7
EU	23-Oct	4:00 PM	Markit Eurozone Composite PMI	-	53.6
US	23-Oct	9:45 PM	Markit US Manufacturing PMI	53.0	53.1
JP	23-Oct	9:35 AM	Nikkei Japan PMI Mfg	-	51.0
JP	23-Oct	1:00 PM	Leading Index CI	-	103.5
JP	23-Oct	1:00 PM	Coincident Index	-	112.5

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,718.20	1.38	0.08
FBMEMAS	11,824.55	18.89	0.16
FBMEMAS SHA	12,571.92	0.33	0.00
FBM100	11,527.10	18.05	0.16
Volume (mn)	2,564.44	-11.68	-0.45
Value (RMmn)	2,056.47	-168.82	-7.59
FBMKLCI YTD Chg			-2.44

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.5	-8.6
Local Institution	57.2	16.7
Foreign Investors	21.3	-8.1

Top Gainers

	Close	Change+/-	(+/- %)
BAT	62.80	0.30	0.48
MAGNI-TECH IND	5.72	0.27	4.95
SOUTHERN ACIDS	4.00	0.27	7.24

Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	71.62	-0.82	-1.13
UMW HLDG BHD	8.21	-0.26	-3.07
SCC	1.86	-0.18	-8.82

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,230.54	14.57	0.08
NASDAQ	4,905.47	18.78	0.38
S&P 500	2,033.66	0.55	0.03
FTSE 100	6,352.33	-25.71	-0.40
DAX	10,164.31	59.88	0.59
Nikkei 225	18,131.23	-160.57	-0.88
HSI	23,075.61	8.24	0.04
KOSPI	2,030.27	0.01	0.00
STI	3,026.11	-4.50	-0.15
KLCI Futures	1,702.50	5.00	0.00
USDMYR 3M	17.42	(0.05)	(0.00)
USDMYR 6M	16.61	-	-
USDMYR 12M	16.03	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	0.3	0.5%
Brent (USD/bbl)	48.6	-1.9	-3.7%
Gold(USD/ounce)	1,170	-1.3	-0.1%
Coal (USD/mt)	53.1	-0.1	-0.1%
CPO (RM/mt)	2,274	-28.0	-1.2%
Rubber	130	-3.1	-2.3%
RM/USD	4.21	0.03	-0.71%
EUR/USD	0.88	0.0001	0.01%
YEN/USD	119.52	0.02	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average grew 14.57 points to 17,230.54 points, S&P 500 gained 0.55 points to 2,033.66. Nasdaq added by 18.78 points to 4,905.47. U.S. equities finished marginally higher on Monday in what was a fairly quiet session. Investors are braced for a surge of earnings reports this week including Yahoo! Inc., Verizon Communications Inc., Morgan Stanley, The Coca-Cola Co, Caterpillar Inc. and American Airlines Group Inc .
- New York Federal Reserve Bank President William Dudley stated that while policymakers had previously believed they could raise rates by the end of 2015, the situation has made that less likely now. Problems cited included financial market turbulence, modest global growth and low energy prices.

The Local Market

- FBMKLCI grew 1.38 points to finish at 1,718.20 lifted by the gain in some heavyweight counters. There were 487 gainers and 345 decliners in total value traded of RM2.05 billion.
- Among the gainers on Bursa Malaysia were BAT gained 30 cent to RM62.80, Magni-Tech Industries and Southern Acids rose 27 cent to RM5.72 and RM4.00 respectively.

Strategy

- **“No Bad News is Good News”**
Wall Street ended near its flat line as the third quarter GDP growth in China did not come worse than expected. S&P 500 and DJIA gained a mere 0.55 (0.03%) and 14.57 (0.08%) points to end at 2,033.66 and 17,230.54 respectively. Note that China’s 3Q15 GDP came in at 6.9%, slightly better than street estimate of 6.8% but marginally lower than PBoC’s target of 7.0%, which we think no cause for alarm. Hence, we take this is broadly in line with expectation. With no bad news that can weigh on the market and added with rising optimism arising from 2016 Malaysia Budget tabling this Friday, we think that market participants will generally will positive on the local market although we think that solid rally is off the table for now due to the large overhang in the market, as in the uncertainty of the US policy direction.
- 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

WCT, HOLD (TP: RM1.28): Bags RM755m TRX job, buys TRX land for RM223m

WCT Holdings Bhd's unit WCT Bhd has clinched a contract worth RM754.8 million from 1MDB Real Estate Sdn Bhd (1MDBRE) for the construction and completion of infrastructure and roadway works at the Tun Razak Exchange (TRX) in Kuala Lumpur. Work on the site is to start tomorrow. In a joint statement released yesterday, WCT said the two-year contract will cover underground road structures, installation of direct buried utilities, at-grade and elevated roadway, as well as associated earthworks and mechanical and electrical works. The civil engineering provider said the infrastructure works will provide direct links between TRX with major highways as well as the city's arterial roads. *(Source: The Sun)*

Maybank, BUY (TP: RM9.92): Completes RM2.2bil subordinated notes issuance

Malayan Banking Bhd (Maybank) has completed the issuance of RM2.2bil Basel III-compliant Tier 2 subordinated notes under the RM7bil subordinated note programme. In a filing to Bursa Malaysia on Monday, Maybank said the notes would for a tenure of 10 years with maturity date on Oct 17, 2025. "The proceeds from the subordinated notes will be utilised to fund Maybank's working capital, general banking and other corporate proposes," it said. The subordinated notes, rated 'AA1' by RAM Ratings Services Bhd, will qualify as Tier 2 capital of Maybank in accordance with the Bank Negara Malaysia Capital Adequacy Framework. *(Source: The Star)*

MMC, BUY (TP: RM3.00): To raise stake in NCB to 83.55%, make general offer

MMC Corp Bhd proposes to acquire a 53.42% equity interest in NCB Holdings Bhd from Permodalan Nasional Bhd (PNB) and AmanahRaya Trustees Bhd for RM1.105 billion, triggering a mandatory general offer (MGO). In a filing with Bursa Malaysia yesterday, MMC Corp and its subsidiary MMC Port Holdings Sdn Bhd announced that it had entered into a conditional sale of shares agreement with PNB and AmanahRaya Trustees whereby MMC Port will acquire 251.2 million NCB shares at RM4.40 per share. The move will see MMC Corp's interest in NCB rise from 30.13% to 83.55%. An MGO will be made for 16.45% of the issued and paid-up share capital of NCB at an offer price of RM4.40 per share to be satisfied by cash. The maximum consideration for the MGO is RM340.506 million. *(Source: The Sun)*

FGV, HOLD (TP: RM1.30): Gets nod for RM622mil divestment

Felda Global Ventures Holdings Bhd's (FGV) Canada-based indirect unit involved in oleochemical production has received approvals from the Canadian and US authorities for the disposal of an oilseeds crushing and refining plant in Quebec for C\$190mil (RM622.4mil) cash. The crude palm oil producer told Bursa Malaysia on Monday that the Competition Act (Canada) and United States Hart-Scott-Rodino Antitrust Improvements Act approvals had been obtained for the proposed disposal to Glencore plc's unit Viterra. The company being divested, Twin Rivers Technologies Entreprises de Transformation de Graines Oléagineuses du Québec Inc (TRT-ETGO), operates an oilseed crushing facility and a food grade oil refinery operator in Bécancour, Quebec. *(Source: The Star)*

KPJ Healthcare, HOLD (TP: RM3.92): Surpasses health tourism target for 2015

KPJ Healthcare Bhd said that it has surpassed the target it set for the health tourism segment this year. The group told theedgemarkets.com that the current revenue from health tourism exceeded the RM90 million target that it had earlier set out to achieve by end-2015. KPJ Healthcare president and managing director Datuk Amiruddin Abdul Satar, however, declined to disclose the year-to-date contribution amount of the health tourism segment to the group. The group collected RM78 million in revenue from health tourism in 2014 and had upped its target for 2015 on the back of rising popularity of Malaysia as a medical tourism destination. (Source: The Edge)

Affin Holdings (CP: RM2.44): Affin Hwang and Daiwa want more time to negotiate

Affin Holdings Bhd's (AHB) unit Affin Hwang Investment Bank Bhd is seeking more time to conclude negotiations with Daiwa Securities Group Inc, which seeks to take a minority stake in the investment banking services provider. AHB told Bursa Malaysia that it had made an application to Bank Negara on Monday for a time extension. In a letter dated April 29, Bank Negara had given the two parties six months to wrap up negotiations. On concluding their negotiations, Daiwa and Affin must still get the prior approval of the central bank, pursuant to the Financial Services Act 2013, before entering into any agreement to effect the proposal. (Source: The Star)

Yinson (CP: RM2.93): Gets second extension on Addax contract worth RM531m

Addax Petroleum Development (Nigeria) Ltd has further extended its contract for the charter of one floating production, storage and offloading vessel (FPSO), called FPSO Adoon, with Adoon Pte Ltd, an indirect wholly-owned subsidiary of Yinson Holdings Bhd. In a filing with Bursa Malaysia, Yinson said Addax has extended for the second time its contract for the charter of FPSO Adoon by three years, with effect from Oct 17, 2015 to Oct 16, 2018, and that the extension is valued at approximately US\$129 million (RM531 million). The original contract for the FPSO was awarded on Oct 17, 2006, for a firm eight-year period with option to renew up to eight years and the said original contract had expired on Oct 16, 2014. (Source: The Edge)

Trive Property (CP: RMxx): RM62m contract withdrawn

Trive Property Group Bhd, formerly known as ETI Tech Corp Bhd, said the RM62 million worth contract in Sabah awarded to its wholly-owned subsidiary, has been withdrawn. In a filing with Bursa Malaysia, the battery-solutions provider said the contract awarded by Wira Syukur (M) Sdn Bhd to its wholly-owned unit, Proper Methods Sdn Bhd, as a sub-contractor to design, construct and complete 500 units of apartments in Tawau, Sabah, has been withdrawn. The contract is part of the people's housing programme. (Source: The Edge)

MQ Technology (CP: RM0.12): Unaware of rise in volume of shares recently

MQ Technology Bhd is unaware about the sharp rise in volume of the company's share recently. In response to a query from Bursa Malaysia Securities Bhd, it said on Monday that it was not aware of any rumour or report

concerning the business and affairs of the group that may account for the trading activity. MQ added it was not aware of any other possible explanation to account for the trading activity. To recap, it said that on Feb 27, 2015 it had signed a heads of agreement with Cash Support Sdn Bhd to form a joint venture which will enter into a lease over a parcel of land in Malacca to be developed into a theme park. (Source: *The Star*)

Guocoland (CP: RM1.30): Associate sells Sepang land for nearly RM475m

Guocoland (Malaysia) Bhd's associate Vintage Heights Sdn Bhd is selling 679.2 hectares of land in Sepang, Selangor to Putrajaya Properties Sdn Bhd for cash consideration of RM475mil. Guocoland said on Monday upon completion of the disposal, Vintage Heights is expected to realise a net gain on disposal of about RM290mil and about RM116mil is expected to be attributable to Guocoland. The net gain attributable to owners of the company represents an increase in earnings per share and net assets per share of the company of approximately 17.31 sen. It said the proceeds would be used for Vintage Holdings' working capital purposes, repayment of borrowings and/or distribution to Vintage Holdings' shareholders. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: In talks on FTA with Bosnia and Herzegovina

The Government is in discussions on establishing a free trade agreement (FTA) with Bosnia and Herzegovina, Deputy Home Minister Datuk Nur Jazlan Mohamed said. He said this was one of the Government's initiatives to help businesses in that country while helping Malaysian entities to establish their presence there, especially in the import and export of halal products. "A lot of products needed by the people of Bosnia and Herzegovina can be made in Malaysia; and apart from halal products, there are other sectors to venture into," he told reporters at a corporate luncheon organised by the Malaysia-Bosnia and Herzegovina Council (MBBC). (Source: *The Star*)

U.S.: Homebuilder Confidence Reaches Decade High on U.S. Sales Outlook

Confidence among U.S. homebuilders climbed in October to a 10-year high, a sign demand for housing may remain solid in the months to come. The National Association of Home Builders/Wells Fargo sentiment gauge increased to 64 this month, the highest since October 2005, from 61 in September, the Washington-based group reported Monday. Readings above 50 mean more respondents said conditions were good. A labor market that's added 1.8 million people to payrolls this year and mortgage rates at historic lows are combining to make home-buying a possibility for many Americans. (Source: *Bloomberg*)

China: Economic growth declines to 6-year low

China's economic growth decelerated in the latest quarter but relatively robust spending by Chinese consumers helped to avert a deeper downturn. The world's second-largest economy grew by 6.9 percent in the three months ended in September, the slowest since early 2009 in the aftermath of the global crisis, data showed Monday. That was down from the previous quarter's 7 percent. Weakening trade and manufacturing have fueled concern about possible job

losses and unrest. The communist government has cut interest rates five times since last November in an effort to shore up growth. (Source: NST)

China: Property Investment Continues To Slow

Investment in China's property sector, once a major growth engine, continued to slow in the first three quarters of this year, Xinhua News Agency reported Monday. Real estate investment rose 2.6 per cent year-on-year to 7.05 trillion yuan from January to September, it quoted the National Bureau of Statistics (NBS). It said the growth was 0.9 percentage point slower than in the first eight months and down by two percentage points from that in the first half. Investment in residential housing, which accounts for about two-thirds of total property investment, climbed 1.7 per cent from a year earlier, compared with a growth of 2.3 per cent in the first eight months and 2.8 per cent in the first half, it added. (Source: Bernama)

Europe: Draghi in the spotlight amid growth worries

Mario Draghi will take centre stage next week as the European Central Bank, steeped in concern over sluggish euro zone growth and struggling to increase consumer prices, takes stock of how effective its stimulus measures have been so far. Not that the ECB chief is expected to take drastic action when the governing council meets in Malta on Thursday — but markets will be looking for signs of how inclined Draghi will be to do so weeks from now. Lower oil prices dragged euro zone consumer prices into negative territory in September and growth in the currency bloc appears to be slowing again. (Source: The Edge)

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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