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Wednesday, October 21, 2015

Report of The Day

Company Update: MMC – “Bigger Ports”

Company Update: WCT – “New Infrastructure Job at TRX”

Sector Update: Automotive – “Honda to Revise Upward Vehicle Price By 2016”

At a Glance

FBMKLCI declined 13.17 points to finish at 1,705.03 after China’s economy grew at slowest pace in 3Q2015.....(See full report next page)

Strategy

“Budget Rally Over; Ringgit in Spotlight”

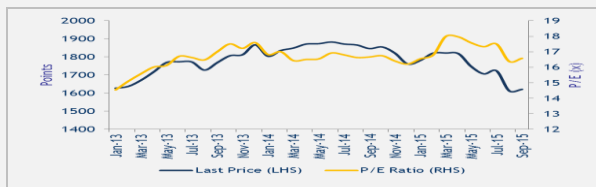
As the local currency catalyst is fast receding, uncertainty of its direction will re-spark cautiousness in investors’ sentiment.....(See full report next page)

Corporate Highlights

- **Eco World, UNDER REVIEW (TP: TBD):** Upbeat on Iskandar project
- **Top Glove, SELL (TP: RM6.46):** To invest RM200m in FY16 for organic growth
- **Hong Leong Bank (CP: RM14.24):** Downsizing workforce

Economic Update

- **Malaysia:** RM61.7m investments approved in services sector in first half
- **U.S.:** Demand for rental apartments boosts U.S. housing starts
- **U.S.:** Regulators mull reforms to fragile U.S. bond markets



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 AM	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 C1	-	103.5	
JP	23-Oct 1:00 PM	Coincident Index	-	112.5	

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,705.03	-13.17	-0.77
FBMEMAS	11,755.85	-68.70	-0.58
FBMEMAS SHA	12,535.55	-36.37	-0.29
FBM100	11,461.50	-65.60	-0.57
Volume (mn)	2,129.88	-436.04	-16.99
Value (RMmn)	1,851.15	-205.53	-9.99
FBMKLCI YTD Chg			-3.19

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.2	-4.8
Local Institution	49.2	59.8
Foreign Investors	28.6	-55.0

Top Gainers

	Close	Change+/-	(+/- %)
TOP GLOVE CORP	9.10	0.29	3.29
HARTALEGA HLDG	4.98	0.23	4.84
SAM ENGINEERI	7.29	0.23	3.26

Top Losers

	Close	Change+/-	(+/- %)
AEON CREDIT SER	13.00	-0.12	-0.93
NESTLE (MALAY)	71.36	-0.26	-0.36
Y&G CORP BHD	1.10	-0.19	-14.73

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,217.11	-13.43	-0.08
NASDAQ	4,880.97	-24.50	-0.50
S&P 500	2,030.77	-2.89	-0.14
FTSE 100	6,345.13	-7.20	-0.11
DAX	10,147.68	-16.63	-0.16
Nikkei 225	18,207.15	75.92	0.42
HSI	22,989.22	-86.39	-0.37
KOSPI	2,039.36	9.09	0.45
STI	3,026.36	1.86	0.06
KLCI Futures	1,674.50	(23.00)	(0.01)
USDMYR 3M	17.40	(0.06)	(0.00)
USDMYR 6M	16.58	(0.01)	(0.00)
USDMYR 12M	15.99	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	-0.4	-0.8%
Brent (USD/bbl)	48.7	0.1	0.2%
Gold(USD/ounce)	1,177	0.8	0.1%
Coal (USD/mt)	53.2	0.2	0.3%
CPO (RM/mt)	2,319	45.0	2.0%
Rubber	129	-0.8	-0.6%
RM/USD	4.27	0.059	-1.38%
EUR/USD	0.88	-0.0004	-0.05%
YEN/USD	119.82	-0.02	0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 13.43 points to 17,217.11 points, S&P 500 dropped 2.89 points to 2,030.77. Nasdaq slipped by 24.50 points to 4,880.97. Stocks slipped from two-month highs Tuesday as disappointing results from IBM coupled with a selloff in biotechnology shares to overshadow better-than-estimated earnings at United Technologies Inc. and Verizon Communications Inc.
- Meanwhile, the probability of a Federal Reserve interest-rate increase this month is now only 6 percent, and about 32 percent for December.

The Local Market

- FBMKLCI declined 13.17 points to finish at 1,705.03 after China's economy grew at slowest pace in 3Q2015. There were 268 gainers and 648 decliners in total value traded of RM1.85 billion.
- Among the gainers on Bursa Malaysia were Aeon Credit Services shed 12 cent to RM13.00, Nestle (M) dropped 26 cent to RM71.36, Y&Y Corp slid 19 cent to RM1.10 and Daibochi Plastic fell 18 cent to RM4.33.

Strategy

- **"Budget Rally Over; Ringgit in Spotlight"**
Wall Street gave up a few points on Tuesday as lack of solid catalyst weighed on risk appetite. **S&P 500** and **DJIA** unloaded 2.89 (-0.14%) and 13.43 (-0.08%) points to end at **2,030.77** and **17,217.11** respectively. Note that economic data from the US was limited only to Housing Starts yesterday. Its steady numbers, although favourable, failed to lift sentiment despite increasing by 6.5% in September to 1.2 million homes. Perhaps investors were looking for more solid signals before entering the market. On the local front, as predicted previously, the Ringgit rally will not hold and this was exactly what happened yesterday as market sentiment was hurt by declining Ringgit. As the local currency catalyst is fast receding, uncertainty of its direction will re-spark cautiousness in investors' sentiment. Hence, we think that the market movement in the near term will be dictated to a large extent by the Ringgit performance.
- 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

Eco World, UNDER REVIEW (TP: TBD): Upbeat on Iskandar project

Eco World Development Group Bhd is optimistic of achieving its sales target of RM1bil for its Iskandar Malaysia project by year-end. As at Aug 31, Eco World has chalked up RM964mil in sales, said president and chief executive officer Datuk Chang Khim Wah. Chang said the achievement was backed by the development area which was sited mostly in matured and growing population catchment area. He said all of the company's projects in Iskandar Malaysia were located next to the highways, therefore the catchment in the area was good. (Source: *The Star*)

Top Glove, SELL (TP: RM6.46): To invest RM200m in FY16 for organic growth

Top Glove Corp Bhd will set aside RM200 million for its financial year ending Aug 31, 2016 (FY16) for organic growth, according to its chairman Tan Sri Lim Wee Chai. "We have plans to grow organically, therefore we have allocated RM200 million for expansion of our factories," he told reporters after the group's fourth financial quarter ended Aug 31, 2015 (4QFY15) and FY15 financial results briefing today. The group's blueprint for expansion includes its factories F27 in Lukut, Port Dickson; F6 in Phuket, Thailand; and F30 in Klang, Selangor. The three factories are expected to churn out 7.8 billion glove pieces per annum by February 2017. (Source: *The Edge*)

Hong Leong Bank (CP: RM14.24): Downsizing workforce

Hong Leong Bank Bhd and Hong Leong Islamic Bank Bhd announced a mutual separation scheme (MSS) in a move to strengthen its operational efficiencies. This will be the second time the Hong Leong group has announced a separation scheme for its staff in a span of about four years. The fifth largest banking group by asset size announced a voluntary separation scheme after it completed its merger with the EON Bank Group back in 2011. For the separation exercise this round, group managing director and chief executive officer Tan Kong Khoon said that this time, the MSS was offered to all permanent staff on all levels, functions and locations on a voluntary basis. (Source: *The Star*)

Hunza (CP: RM2.73): To build affordable homes to meet Penang state policy

Hunza Properties Bhd will build affordable housing accommodation on 3.924ha freehold land in Penang it bought on Tuesday for RM57.02mil. It said this was to fulfill the requirement imposed by the state government to build affordable homes in view of the company developing an integrated project on over 43 acres in Bayan Baru. It was reported earlier this year that Hunza might be planning a mixed development project on its Bayan Baru land with an estimated gross development value of RM6bil. (Source: *The Star*)

KPS Consortium (CP: RM0.44): Settles out of court over aborted Bkt Bintang property buy

KPS Consortium Bhd has agreed to accept RM12.65mil as full and final settlement for the revocation of an agreement to buy Bintang Palace in Bukit Bintang, Kuala Lumpur. The plywood and paper product manufacturer said the dispute had been amicably settled out of court on Monday with Shanghai City Sdn Bhd (SCSB) agreeing to pay this final amount. The total sum received in

respect of the transaction amounted to RM19.45mil. To recap, on July 6, 2012, KPS' unit KPS Plywood Sdn Bhd had signed an agreement to buy the 22,274 sq ft contiguous parcels of land bearing postal address Jalan Walter Grenier, as well as the 7½-storey building erected on it, from Shanghai City Sdn Bhd (SCSB) for RM23.38mil. However, the following year SCSB requested to rescind and revoke the agreement. *(Source: The Star)*

Glomac (CP: RM0.91): Will consider using IBS if govt provides right incentive

Glomac Bhd has said that it will consider utilising the industrialised building system (IBS) in the future if the government provides the right incentive. Glomac group managing director and chief executive officer Datuk Seri Fateh Iskandar Mohamed Mansor said that the government should provide tax rebate to developers if it wants to move towards the IBS direction. "Moving forward, IBS would be something that we should be aiming for. However, IBS is still a little bit more expensive than the conventional way of construction, at this moment in time. "From research that Real Estate and Housing Developers' Association (Redha) has done, it shows that the cost of using IBS is about 20% to 25% higher compared to the conventional way," said Fateh, who is also the president of Redha. *(Source: The Edge)*

Bina Puri (CP: RM0.46): Bags RM234m job at Pengerang oil hub

Bina Puri Holdings Bhd has bagged a RM234.12mil contract to build six buildings at the Pengerang oil and gas hub in Johor. The company, whose activities range from civil engineering to property development, said on Tuesday its unit, Bina Puri Sdn Bhd, had accepted the letter of award from PRPC Utilities And Facilities Sdn Bhd to undertake the engineering and construction of the main control and also laboratory buildings. Bina Puri said the contract, to be completed within 30 months, was for the engineering, procurement, construction and commissioning of the two main control buildings and four laboratory buildings as well as some external civil works. *(Source: The Star)*

IOI Properties (Suspended): In RM1.58b land deal with controlling shareholders

IOI Properties Group Bhd is acquiring Mayang Development Sdn Bhd and Nusa Properties Sdn Bhd for RM1.58 billion from the Lee family, under a cash and share deal. According to IOI Properties' filing with the exchange, Mayang and Nusa Properties have land located near IOI Properties' development in Putrajaya. IOI Properties said it signed conditional share sale agreements with Tan Sri Lee Shin Cheng, Puan Sri Hoong May Kuan and Datuk Lee Yeow Chor, for their respective 100% stakes in Mayang and Nusa Properties. IOI Properties said it was buying Mayang for RM1.26 billion, while Nusa Properties was valued at RM319.83 million. IOI Properties said the acquisitions would be financed by a combination of cash and new IOI Properties shares. *(Source: The Edge)*

ECONOMIC UPDATES

Malaysia: RM61.7m investments approved in services sector in first half

Investments amounting to RM61.7bil in 2,071 projects in the services sector were approved by the Malaysian Investment Development Authority (Mida) in

the first half of the year. Mida deputy chief executive officer Datuk N. Rajendren said domestic investment accounted for RM54.3bil while foreign investments made up the remainder. "These approved projects are expected to create more than 60,000 employment opportunities and add a new dimension to the economy," he said at a seminar on "Investment Opportunities in Healthcare, Hospitality and Green Technology" in Malacca on Tuesday. *(Source: The Star)*

U.S.: Demand for rental apartments boosts U.S. housing starts

U.S. housing starts rose solidly in September on soaring demand for rental apartments, a sign that the housing market continues to steadily improve even as economic growth has slowed. The Commerce Department said on Tuesday groundbreaking increased 6.5 percent to a seasonally adjusted annual pace of 1.21 million units. It was the sixth straight month that starts were above 1 million units, pointing to a sustainable housing recovery. Economists polled by Reuters had forecast groundbreaking on new homes rising to a 1.15 million-unit pace last month. *(Source: Reuters)*

U.S.: Regulators mull reforms to fragile U.S. bond markets

U.S. government regulators puzzling over what to do about frugalities in the increasingly electronic bond markets said on Tuesday reforms may be needed that emphasize stability over what one called the "never-ending competition for more speed." Following an unexplained so-called flash rally in the U.S. Treasuries market on Oct. 15, 2014 that saw volatile swings in bond prices, regulators have ramped up scrutiny of the changing structure of the nearly \$13-trillion Treasuries market. At the same time, some investors and traders are concerned that such significant disruptions will become more frequent in the market for what is considered the world's safest securities. *(Source: Reuters)*

Japan: September exports rise 0.6 percent year-on-year: Ministry of Finance

Japan's exports rose 0.6 percent in September from a year earlier, much slower than the prior month's gains, reflecting a slowdown in top trading partner China, Ministry of Finance data showed on Wednesday. The annual rise was less than a 3.4 percent gain expected by economists in a Reuters poll, and followed a 3.1 percent growth in the previous month. Imports fell 11.1 percent in the year to September, versus economists' median estimate for an 11.7 percent annual decline. The trade balance came to a deficit of 114.5 billion yen (\$955.60 million), compared with a surplus of 84.4 billion yen seen by economists. *(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.

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