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Wednesday, October 28, 2015

At a Glance

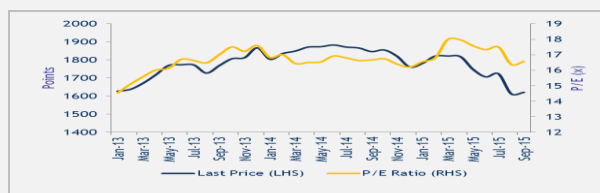
FBMKLCI declined 9.84 points to finish at 1,696.95 in line with weak regional market(See full report next page)

Corporate Highlights

- **AFG, HOLD (TP: RM4.00):** Completes first issuance of RM900m debt notes
- **RHB Capital, HOLD (TP: RM6.60):** Job cuts to cost RM309 million
- **WCT, HOLD (TP: RM1.43):** Secures RM267 million contract from Petronas
- **BAT (CP: RM64.20):** 3Q net profit rises 6.55%, pays 78 sen dividend

Economic Update

- **Malaysia:** Federal government seeks to tighten tax laws, ups fine for those failing to file returns
- **U.S.:** Weak U.S. business spending plans point to slower economic growth
- **China:** September industry core earnings fall, third-quarter unemployment stable



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
US	26-Oct 10:00 PM	New Home Sales	547K	552K	
US	26-Oct 10:00 PM	New Home Sales MoM	-0.9%	5.7%	
US	26-Oct 10:30 PM	Dallas Fed Manf. Activity	-6.0	-9.5	
EU	27-Oct 5:00 PM	M3 Money Supply YoY	-	4.8%	
US	27-Oct 8:30 PM	Durable Goods Orders	-1.1%	-2.0%	
US	27-Oct 8:30 PM	Durable Ex Transportation	0.0%	0.0%	
US	27-Oct 9:00 PM	S&P/CS Composite-20 YoY	0.15%	-0.20%	
US	27-Oct 9:00 PM	S&P/CaseShiller 20 City Index NSA	-	181.9	
US	27-Oct 9:45 PM	Markit US Composite PMI	-	55.0	
US	27-Oct 9:45 PM	Markit US Services PMI	-	55.1	
US	27-Oct 10:00 PM	Consumer Confidence Index	102.8	103.0	
US	27-Oct 10:00 PM	Richmond FedManufac. Index	-2.0	-5.0	
US	28-Oct 7:00 PM	MBA Mortgage Applications	-	11.8%	
JP	28-Oct 7:50 AM	Retail Trade YoY	-	0.8%	
JP	28-Oct 7:50 AM	Retail Sales MoM	-	0.0%	
EU	29-Oct 6:00 PM	Economic Confidence	-	105.6	
EU	29-Oct 6:00 PM	Consumer Confidence	-	-	
US	29-Oct 2:00 AM	FOMC Rate Decision (Upper Bound)	0.25%	0.25%	
US	29-Oct 8:30 PM	Initial Jobless Claims	-	-	
US	29-Oct 8:30 PM	GDP Annualized QoQ	1.7%	3.9%	
US	29-Oct 8:30 PM	Core PCE QoQ	-	1.9%	
US	29-Oct 9:45 PM	Bloomberg Consumer Comfort	-	-	
US	29-Oct 10:00 PM	Pending Home Sales MoM	0.5%	-1.4%	
JP	29-Oct 7:50 AM	Industrial Production MoM	-	-1.2%	
JP	29-Oct 7:50 AM	Industrial Production YoY	-	-0.4%	
EU	30-Oct 6:00 PM	Unemployment Rate	-	11.0%	
EU	30-Oct 6:00 PM	CPI Estimate YoY	-	-	
EU	30-Oct 6:00 PM	CPI Core YoY	-	0.9%	
US	30-Oct 8:30 PM	Personal Income	0.2%	0.3%	
US	30-Oct 8:30 PM	Personal Spending	0.2%	0.4%	
US	30-Oct 8:30 PM	PCE Core MoM	-	0.1%	
US	30-Oct 8:30 PM	PCE Core YoY	1.4%	1.3%	
US	30-Oct 9:45 PM	Chicago Purchasing Manager	49.0	48.7	
US	30-Oct 10:00 PM	U. of Mich. Sentiment	92.6	92.1	
JP	30-Oct 7:30 AM	Jobless Rate	-	3.4%	
JP	30-Oct 7:30 AM	Job-To-Applicant Ratio	-	1.2%	
JP	30-Oct 7:30 AM	Natl CPI YoY	-	0.2%	
JP	30-Oct 12:00 PM	Vehicle Production YoY	-	-4.7%	
JP	30-Oct 1:00 PM	Housing Starts YoY	-	8.8%	
JP	30-Oct 1:00 PM	Annualized Housing Starts	-	0.931M	
JP	30-Oct 1:00 PM	Construction Orders YoY	-	-15.6%	
MY	30-Oct 6:00 PM	Money Supply M3 YoY	-	4.6%	
CN	28-31 Oct	Leading Index	-	98.2	

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,696.95	-9.84	-0.58
FBMEMAS	11,731.37	-70.24	-0.60
FBMEMAS SHA	12,497.69	-65.59	-0.52
FBM100	11,426.48	-68.32	-0.59
Volume (mn)	1,893.03	-14.02	-0.74
Value (RMmn)	1,878.03	75.62	4.20
FBMKLCI YTD Chg			-3.65

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.0	28.1
Local Institution	60.6	27.0
Foreign Investors	21.4	-55.1

Top Gainers

	Close	Change+/-	(+/- %)
BAT	64.20	1.10	1.74
SEREMBAN ENGIN	0.76	0.30	65.22
NATIONWIDE	0.84	0.24	40.00

Top Losers

	Close	Change+/-	(+/- %)
FRASER & NEAVE	18.20	-0.30	-1.62
DIGI	5.30	-0.23	-4.16
D'NONCE TECH	0.22	-0.08	-25.42

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,581.43	-41.62	-0.24
NASDAQ	5,030.15	-4.56	-0.09
S&P 500	2,065.89	-5.29	-0.26
FTSE 100	6,365.27	-51.75	-0.81
DAX	10,692.19	-109.15	-1.01
Nikkei 225	18,777.04	-170.08	-0.90
HSI	23,142.73	26.48	0.11
KOSPI	2,044.65	-3.43	-0.17
STI	3,053.20	-29.87	-0.97
KLCI Futures	1,687.00	(7.00)	(0.00)
USDMYR 3M	17.40	0.19	0.01
USDMYR 6M	16.34	0.02	0.00
USDMYR 12M	15.63	(0.11)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	43	0.1	0.2%
Brent (USD/bbl)	46.8	-0.7	-1.5%
Gold(USD/ounce)	1,167	0.0	0.0%
Coal (USD/mt)	52.8	-0.1	-0.2%
CPO (RM/mt)	2,322	43.0	1.9%
Rubber	123	-3.1	-2.5%
RM/USD	4.26	0.0298	-0.70%
EUR/USD	0.91	0.001	0.11%
YEN/USD	120.46	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 41.62 points to 17,581.43 points, S&P 500 fell 5.29 points to 2,065.89. Nasdaq down by 4.56 points to 5,030.15. Stocks declined Tuesday amid mixed earnings reports and data showing renewed concern over the strength of the global economy as the Federal Reserve began a two-day monetary policy meeting.
- A rally in equities has tapped the brakes as investors await the latest from the Fed. Policy makers kept interest rates near zero last month, opting to hold off for a better read on the impact of weaker growth in China and lackluster inflation.

The Local Market

- FBMKLCI declined 9.84 points to finish at 1,696.95 in line with weak regional market. There were 253 gainers and 608 decliners in total value traded of RM1.87 billion.
- Among the losers on Bursa Malaysia were Fraser & Neave fell 30 cent to RM18.20, Digi.Com dropped 23 cent to RM5.30, D'nonce Tech shed 8 cent to RM0.22 and Public Bank slid 20 cent to RM18.40.

Strategy

- 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

AFG, HOLD (TP: RM4.00): Completes first issuance of RM900m debt notes

Alliance Financial Group Bhd's (AFG) unit had completed its first issuance of the subordinated medium term notes (MTNs) of RM900mil in nominal value. AFG said on Tuesday the issuance of the notes by Alliance Bank Malaysia Bhd was pursuant to the RM2bil programme. The sub-MTNs will qualify as Basel III compliant Tier 2 capital of Alliance Bank for Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) issued on Nov 28, 2012. The approval from BNM for the sub-MTN issuance had been obtained on Aug 28, 2015. (Source: The Star)

RHB Capital, HOLD (TP: RM6.60): Job cuts to cost RM309 million

RHB Capital Bhd's downsizing exercise, which will see the exit of 1,812 employees from next month to January next year, is estimated to involve a payout of RM309 million. "The group expects to achieve an annual personnel costs rationalisation of RM193 million," it said in a statement yesterday. RHBCap has accepted the application of 1,812 employees for the Career Transition Scheme (CTS), which was open to its permanent workforce in Malaysia, and completed on Sept 30, 2015. This represents 11.8% of the group's Malaysian

workforce of 15,348 and 13.1% of the group's permanent workforce of 13,787 in Malaysia. (Source: *The SUNDAILY*)

WCT, HOLD (TP: RM1.43): Secures RM267 million contract from Petronas

WCT Holdings Bhd's wholly owned subsidiary WCT Bhd has been awarded a procurement, construction and commissioning (PCC) contract worth RM267 million from Petroliaam Nasional Bhd (Petronas). In a filing with Bursa Malaysia yesterday, WCT Holdings said it received the letter of award on Monday from Petronas' subsidiary PRPC Utilities and Facilities Sdn Bhd for the Utilities, Interconnecting and Offsite (UIO) Facilities: PCC of Civil & Infrastructure Works at Petchem Interconnecting and 6900 Area (Package 14-0302); and PCC of Civil & Infrastructure Works at Petchem Interconnecting South Area (Package 14-0303). The works are expected to be completed in 31 months from the effective date. (Source: *The SUNDAILY*)

BAT (CP: RM64.20): 3Q net profit rises 6.55%, pays 78 sen dividend

British American Tobacco (Malaysia) Bhd (BAT)'s net profit rose 6.55% to RM256.89 million for the third quarter ended Sept 30, 2015 (3QFY15), from RM241.10 million a year ago, largely on lower operating expenses, lower finance cost and lower cost of sales. In a filing with Bursa Malaysia, the group said its revenue for 3QFY15 fell 3.99% to RM1.16 billion, from RM1.21 billion in the previous year. BAT declared a third interim dividend of 78 sen per share, amounting to RM222.71 million for the financial year ending Dec 31, 2015, payable on Nov 26. (Source: *The Edge*)

MAHB (CP: RM5.37): 3Q net profit surges 41-fold, driven by Turkish ops, higher revenue and passenger traffic

Malaysia Airports Holdings Bhd (MAHB) saw its net profit jump more than 41-fold to RM68.5 million or 1.63 sen per share in the third quarter ended Sept 30, 2015 (3QFY15), from RM1.61 million or 0.12 sen per share a year ago, driven by robust growth from its operations in Turkey which surpassed its passenger growth forecasts, as well as higher revenue and passenger movements at its airports in the current quarter. Revenue for 3QFY15 increased 50.6% to RM1.02 billion, from RM675.76 million in 3QFY14. In a filing with Bursa Malaysia, MAHB said system-wide, it handled 29.7 million passengers in 3QFY15, registering a 10.5% growth over the same corresponding period last year, contributed by both Raya travel and summer holiday travel. (Source: *The Edge*)

AirAsia (CP: RM1.51): Named best low-cost carrier

AirAsia took home the coveted title of Best Low-Cost Carrier at the inaugural 2015 Travel Weekly Asia Readers Choice Awards as voted by the leading travel trade magazine's strong base of readers comprising of seasoned travellers and industry players. Readers of Travel Weekly Asia magazine casted their votes from Aug 14 to Sept 25 on www.travelweekly-asia.com to choose their favourite travel and hospitality establishments out of 31 award categories ranging from airlines, cruise lines to travel agencies and hotel chains. AirAsia Singapore chief executive officer Logan Velaitham received the award on behalf of the group at the award ceremony held on Sunday in Singapore. (Source: *The Star*)

KNM (CP: RM0.53): Signs definitive contract for RM268.38m solid waste project

KNM Group Bhd said it has signed a definitive contract with Cypark Sdn Bhd for the RM268.38 million solid waste project. In a filing to Bursa Malaysia today, KNM said its wholly-owned subsidiary, KNM Process Systems Sdn Bhd, via SHK Consortium, has signed the definitive contract agreement yesterday (Oct 26) to undertake engineering, procurement, construction and commissioning (EPCC) works of the solid waste modular advanced recovery and treatment systems waste management solutions (SMART WTE system) at Ladang Tanah Merah, Negeri Sembilan. SHK Consortium is a consortium formed between KNM Process and Hitachi Zosen Corp, Japan. *(Source: The Edge)*

Nexgram (CP: RM0.08): Still in talks with 1MDB on TRX land

Nexgram Holdings Bhd has yet to conclude talks with 1Malaysia Development Bhd (1MDB) to acquire land in the latter's Tun Razak Exchange (TRX) due to pricing issues. "TRX has so far not fulfilled what we want and if it can fit what we want, and our customer likes it, we will pursue. There is no rush for that. It is a demand and supply market," its CEO Datuk Tey Por Yee told reporters after Nexgram's AGM and EGM yesterday. He declined to reveal which parcel the company is eyeing within TRX, saying only that it must be enough to build a mixed development, including office and semi-residential units. However, prices are still quite high. *(Source: The SUNDAILY)*

ECONOMIC UPDATES**Malaysia: Federal government seeks to tighten tax laws, ups fine for those failing to file returns**

The government is upping the ante on those who do not file their income tax returns: those found guilty of not doing so for two years or more can be jailed up to six months, or fined up to RM20,000, or both, according to its proposed amendments to the Income Tax Act 1967 (ITA). This is according to the Finance Act 2015 Bill tabled for first reading in Parliament yesterday to amend the ITA and five other existing tax laws. Currently, anyone who fails to furnish a return can only be fined up to RM2,000, or jailed not more than six months, or both, regardless of the number of years the tax returns were not filed. *(Source: The Edge)*

U.S.: Weak U.S. business spending plans point to slower economic growth

A gauge of U.S. business investment plans fell for a second straight month in September, the latest indication that economic growth braked sharply in the third quarter. The Commerce Department said on Tuesday non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending plans, slipped 0.3% last month after a downwardly revised 1.6% decline in August. These so-called core capital goods were previously reported to have dropped 0.8% August. The data was the latest dour news for the manufacturing sector, which has been hobbled by a strong dollar and deep spending cuts in the energy sector. *(Source: The Edge)*

China: September industry core earnings fall, third-quarter unemployment stable

Profits earned by Chinese industrial companies fell 0.1 percent in September from a year earlier, data from the statistics bureau showed on Tuesday, leveling after a record 8.8 percent collapse in August. Industrial profits – which cover large enterprises with annual revenue of more than 20 million yuan (\$3.15 million) from their main operations - fell 1.7 percent in the first nine months of the year compared with the same period a year earlier, the National Bureau of Statistics said on its website. The NBS added that core business revenues had declined 0.5 percent at industrial firms, the first time in "many years" it had done so. *(Source: Reuters)*

Singapore: Central bank says policy easings sufficient buffer for economy

Singapore's central bank said its monetary easings this year were sufficient to reduce downside risks to economic growth, and expects inflation to pick up on the diminishing effects of lower oil prices. The trade-dependent economy is being pressured by sluggish global growth, but expectations of more aggressive stimulus at the Oct 14 policy meeting were "unwarranted," the Monetary Authority of Singapore (MAS) said in its half-yearly macroeconomic review released on Tuesday. "An even stronger policy easing in the most recent October review, including flattening the slope of the S\$NEER policy band, was clearly unwarranted," the central bank said. *(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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