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Thursday, October 29, 2015

Report of The Day

Results Review: Maxis 3Q15 – “Ready to Compete Again”

Company Update: RHB – “Completed CTS Scheme”

Company Update: WCT – “Bags New Contract from Petronas”

At a Glance

FBMKLCI slid 10.44 points to finish at 1,686.51 in anticipation of US interest rate policy.....(See full report next page)

Strategy

“The Fed Saves the Day”

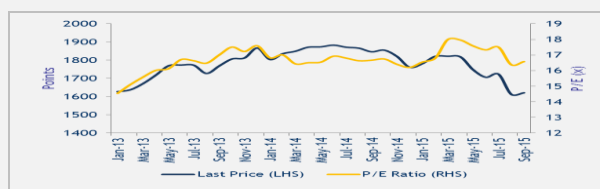
This piece of catalyst is expected to elevate the sentiment in local and regional market.....(See full report next page)

Corporate Highlights

- **Maxis, HOLD (TP: RM7.00):** Q3 profit after tax higher at RM509m, dividend 5 sen
- **TM, HOLD (TP: RM6.87):** Partners with Cambodia's MekongNet
- **UMW-OG, SELL (TP: RM0.90):** Bags jack-up drilling rig contract from Petronas Carigali

Economic Update

- **China:** Oct official PMI seen edging up to 50.0 but still tepid
- **U.S.:** Fed puts Dec rate hike firmly on the agenda
- **Australia:** Soft Australian inflation boosts rate cut hope



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 AM	Initial Jobless Claims	-	1.2%	
US	29-Oct 8:30 AM	GDP Annualized QoQ	1.7%	3.9%	
US	29-Oct 8:30 AM	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	-	0.9%	
US	30-Oct 6:00 PM	CPI Core YoY	-	0.3%	
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	0.2%	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	1,686.51	-10.44	-0.62
FBMEMAS	11,671.67	-59.70	-0.51
FBMEMAS SHA	12,446.16	-51.53	-0.41
FBM100	11,362.75	-63.73	-0.56
Volume (mn)	2,148.76	255.73	13.51
Value (RMmn)	2,053.52	175.49	9.34
FBMKLCI YTD Chg			-4.24

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.3	29.2
Local Institution	57.8	87.7
Foreign Investors	21.9	-116.9

Top Gainers

	Close	Change+/-	(+/- %)
PIE INDUSTRIAL	7.05	0.31	4.60
MAGNI-TECH IND	5.86	0.20	3.53
PERSTIMA	5.00	0.19	3.95

Top Losers

	Close	Change+/-	(+/- %)
BAT	62.70	-1.50	-2.34
PETDAG	22.76	-0.34	-1.47
HONG LEONG FIN	14.24	-0.32	-2.20

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,779.52	198.09	1.13
NASDAQ	5,095.69	65.55	1.30
S&P 500	2,090.35	24.46	1.18
FTSE 100	6,437.80	72.53	1.14
DAX	10,831.96	139.77	1.31
Nikkei 225	18,903.02	125.98	0.67
HSI	22,956.57	-186.16	-0.80
KOSPI	2,042.51	-2.14	-0.10
STI	3,043.91	-8.62	-0.28
KLCI Futures	1,672.50	(11.00)	(0.01)
USDMYR 3M	17.38	(0.06)	(0.00)
USDMYR 6M	16.40	0.05	0.00
USDMYR 12M	15.68	0.05	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45.9	0.1	0.1%
Brent (USD/bbl)	49.1	2.2	4.8%
Gold(USD/ounce)	1,158	1.9	0.2%
Coal (USD/mt)	52.9	0.1	0.2%
CPO (RM/mt)	2,341	19.0	0.8%
Rubber	125	1.5	1.2%
RM/USD	4.27	0.0115	-0.27%
EUR/USD	0.92	-0.0002	-0.02%
YEN/USD	121.05	-0.04	0.03%

What To Expect

U.S. Market

- The Dow Jones Industrials Average surged 198.09 points to 17,779.52 points, S&P 500 soared 24.46 points to 2,090.35. Nasdaq rose by 65.55 points to 5,095.69. Stocks closed sharply higher Wednesday after erasing earlier gains following the Federal Reserve's policy meeting statement, with banks and energy companies leading the rally.
- Equities had advanced into the afternoon Fed statement, boosted by Apple following its better-than-expected results and by energy shares as oil surged the most in eight weeks. A signal that policy makers are still considering an interest-rate increase this year briefly undercut the gains before banks jumped on the prospects for stronger profits.

The Local Market

- FBMKLCI slid 10.44 points to finish at 1,686.51 in anticipation of US interest rate policy. There were 449 gainers and 383 decliners in total value traded of RM2.05 billion.
- Among the losers on Bursa Malaysia were BAT fell RM1.50 to RM62.70, PetGAs dropped 34 cent to RM22.76, Hong Leong Financial shed 32 cent to RM14.24 and Public Bank decreased 22 cent to RM18.18.

Strategy

- **"The Fed Saves the Day"**
Wall Street zoomed higher on Wednesday helped by the Fed's unchanged policy decision and higher crude oil price momentum. **S&P 500** and **DJIA** added **24.46 (1.18%)** and **198.09 (1.13%)** points to end at **2,090.35** and **17,779.52** respectively. There was only one catalyst, albeit a solid one, that shored up investors' sentiment, namely the US Federal Reserve decision to keep status quo the Federal Funds rate. Nonetheless, we have been expecting this given the tepid inflationary momentum in the US that does not justify tight monetary policy. This is enough to elevate risk taking in Wall Street. Note that oil price (WTI) jumped by 0.28% to end at USD46 per barrel as a result. Now, the biggest overhang will be the US final policy meeting that will be held in December. As for today, this piece of catalyst is expected to elevate the sentiment in local and regional market.
- 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

Maxis, HOLD (TP: RM7.00): Q3 profit after tax higher at RM509m, dividend 5 sen

Maxis Bhd's profit after tax rose 3.5% to RM509mil in the third quarter ended Sept 30, 2015 from RM492mil in the preceding quarter underpinned by solid prepaid growth and stable core postpaid. It said on Wednesday the growth was driven by higher data usage, supported by attractive customer propositions and superior Internet experience. "To cater for high data traffic growth, Maxis anticipates that its 2015 capex spend to be in the range of RM1.2bil to RM1.3bil," it said. Maxis' profit after tax rose 1.8% from RM500mil in Q3 from a year ago after adjusting for accelerated depreciation due to network modernisation as well as unrealised foreign exchange losses. (Source: The Star)

TM, HOLD (TP: RM6.87): Partners with Cambodia's MekongNet

Telekom Malaysia Bhd (TM) has partnered with MekongNet, a leading internet service provider and internet exchange provider in Cambodia, to meet the growing needs of its customers. In a statement, TM said MekongNet will be hosting and providing network infrastructure for TM's multi-services node or point-of-presence (POP) in Cambodia. The POP, which is located in MekongNet's internet data centre, in Phnom Penh will be serving various services including internet protocol virtual private network (IPVPN), IP transit and global ethernet services. (Source: The Edge)

UMW-OG, SELL (TP: RM0.90): Bags jack-up drilling rig contract from Petronas Carigali

UMW Oil and Gas Corp Bhd's (UMW-OG) unit, UMW Offshore Drilling Sdn Bhd, has been awarded a contract for the provision of a jack-up drilling rig from Petronas Carigali Sdn Bhd. In a filing with Bursa Malaysia, UMW-OG said it would assign its UMW Naga 7 for this contract. "The contract is for seven firm wells with extension option of one plus one well and the contract will commence on Oct 15, 2015," it said. UMW Naga 7 is a premium independent-leg cantilever jack-up rig that has a drilling depth capability of 30,000 feet and a rated operating water depth of 375 feet. (Source: The Star)

Caring Pharmacy (CP: RM2.06): Sees 83.94% rise in 1QFY16 earnings

Caring Pharmacy Group Bhd reported a 83.94% increase in its net profit for its first quarter ended Aug 31, 2015 (1QFY16) to RM1.02 million from RM554,000 a year ago, due to the opening of a total 12 new outlets in FY15 and the recently-concluded quarter. "During the quarter under review, we have established an additional two new shopping complex outlets, one high street outlet and closed down one specialty retail outlet. As of Aug 31, 2015, we have a total of 106 community pharmacies. The group reported a 4.7% increase in revenue to RM92.55 million for 1QFY16, from RM88.4 million last year. (Source: The Star)

Sunway REIT (CP: RM1.50): To see higher non-taxable income distribution with IBA claims

Sunway Real Estate Investment Trust (REIT) will be able to pay higher non-taxable income distribution from the first quarter of its financial year ending June 30, 2016, onwards, after winning a judicial review that allows it to claim for

industrial building allowance (IBA) for its properties. In a filing with Bursa Malaysia today, Sunway REIT said the entitlement came after the Inland Revenue Board (IRB) withdrew its appeal at the Court of Appeal against a High Court's judgment, allowing the REIT to claim for the IBA. The REIT said its manager Sunway REIT Management Sdn Bhd will compute income distribution by claiming IBA on its hotel properties from 1QFY16, which will result in a higher non-taxable income distribution to be paid. *(Source: The Edge)*

MRCB (CP: RM1.19): Wins RM4.8 billion jobs, kicks off Cyberjaya City Centre project

Malaysian Resources Corp Bhd (MRCB) won some RM4.775 billion worth of jobs and kicked off its RM8 billion-RM10 billion Cyberjaya City Centre (CCC) project yesterday. The group, which hosted a joint venture signing ceremony between itself and Cyberview Sdn Bhd for the development of CCC, also announced two new jobs – a RM1.63 billion contract for the refurbishment and upgrading of facilities at the National Sports Complex in Bukit Jalil, Kuala Lumpur, and a RM3.45 billion management contractor job for Kwasa Utama, a 29.82-acre area within the Kwasa Damansara township. In an announcement to Bursa Malaysia yesterday MRCB said the award of the National Sports Complex job by the Youth and Sports Ministry will see MRCB paid in kind through the transfer of three parcels of land. *(Source: The Sun)*

MISC (CP: RM9.05): Orders eight vessels for RM2.13 billion

MISC Bhd has entered into two shipbuilding contracts for the construction of eight new vessels for US\$500 million (RM2.13 billion) in an effort to renew its fleet. In a filing with the stock exchange, MISC said its wholly-owned subsidiary AET Inc Ltd signed shipbuilding contracts with Samsung Heavy Industries Co Ltd on Tuesday for the construction of four 113,000-deadweight-tonne (dwt) Aframax vessels, which will be delivered in 2018. AET also signed shipbuilding contracts with Hyundai Heavy Industries Co Ltd for the construction of two 114,000 dwt LR2 product vessels and two 158,000 dwt Suezmax vessels, which will be delivered in 2017. *(Source: The Sun)*

Sapura Resources (CP: RM1.36): Evaluating business operations

Sapura Resources Bhd (SapRes) is constantly evaluating its business operations and future plans with a view to enhance value to the group. The diversified company said this in response to a *StarBiz* article published on Tuesday which stated that state-backed private equity firm Ekuiti Nasional Bhd (Ekuinas) may buy up SapRes' remaining 49% stake in the APIIT Education Group. Citing sources, it was reported that Ekuinas might buy up the remaining 49% in APIIT to beef up the business fundamentals of its education arm, Ilmu Education Group Bhd, before the latter's listing on Bursa Malaysia, which is expected to take place next year. *(Source: The Star)*

Eastern & Oriental (CP: RM1.56): China firm bags RM2.3 billion E&O land reclamation job

Eastern & Oriental Bhd (E&O) has awarded China Communications Construction Co Ltd a land reclamation contract worth RM2.32 billion for Seri Tanjung Pinang Phase 2 in Penang. The letter of award (LOA) issued to China Communications Construction's local unit, Communications Construction Co (M) Sdn Bhd

yesterday is an acceptance of the tender to reclaim Phase 2A of Seri Tanjung Pinang Phase 2, an area of about 384 acres, inclusive of the 131 acres of Gurney Drive's foreshore (Package 1), for RM1.035 billion. The reclamation works are expected to be completed in 30 months' time. *(Source: The Sun)*

Success Transformer (CP: RM2.13): Denies SEB stake sale plan

Success Transformer Corporation Bhd does not have plans to dispose of its stake Seremban Engineering Bhd (SEB). It said on Wednesday, it had injected additional resources including financial and management support to SEB despite the losses recorded in financial year ended Dec 31, 2014 and first half of year 2015. The losses were due to the cost overrun suffered in the project of Sabah Ammonia and Urea Plant (Samur) undertaken in Sipitang, Sabah, which has completed in April 2015. Success Transformer said its management had taken various steps and strategies to stabilise and revamp SEB's financial position, while focusing back on its core business. *(Source: The Star)*

Muar Ban Lee (CP: RM0.79): Bags RM16.6m contract

Muar Ban Lee Group Bhd has clinched a RM16.6 million contract to supply an 800 tonnes per 24 hours palm kernel crushing plant and ancillary machinery. Muar Ban Lee announced that its wholly-owned subsidiary Muar Ban Lee Technology Sdn Bhd had on Oct 23 entered into a business contract agreement with PT. Sari Dumai Sejati, to supply an 800 tons per 24 hours palm kernel crushing plant and ancillary machinery at a contract sum of US\$3.93 million (equivalent to RM16.6 million). The contract is expected to contribute positively to the earnings of Muar Ban Lee for the financial years ending Dec 31, 2015 and Dec 31, 2016. *(Source: The Edge)*

ECONOMIC UPDATES

China: Oct official PMI seen edging up to 50.0 but still tepid

Activity in China's manufacturing sector likely picked up slightly in October but remained subdued, a Reuters poll showed, fuelling hopes that the world's second-largest economy may be bottoming out after a burst of stimulus measures. The official manufacturing Purchasing Managers' Index (PMI) likely edged up to 50.0 in October from 49.8 in September, according to a median forecast of 20 economists in a Reuters poll. Still, the expected improvement remained marginal, with the reading at the 50-point mark that separates contraction from expansion on a monthly basis. Factory activity shrank in September for a second straight month, albeit at a slower pace than in August. *(Source: Reuters)*

U.S.: Fed puts Dec rate hike firmly on the agenda

The U.S. Federal Reserve kept interest rates unchanged on Wednesday and in a direct reference to its next policy meeting put a December rate hike firmly in play. Investors had expected the Fed to remain pat on rates, but the overt reference to December came as a surprise. The central bank also downplayed recent global financial market turmoil and said the U.S. labor market was still healing despite a slower pace of job growth. Going into the Fed meeting this

week, the market had viewed March as the most likely time for the central bank to begin its rates "liftoff," but it now sees a greater chance of that happening in late January. *(Source: Reuters)*

Australia: Soft Australian inflation boosts rate cut hope

Australian inflation came in at a lower-than-expected 0.5% in the September quarter, official figures showed on Wednesday, boosting hopes that the central bank will cut interest rates next week. The Consumer Price Index (CPI) reading follows a 0.7% increase in the three months to June and brings the rise through the year to 1.5%, the Australian Bureau of Statistics (ABS) said. Shane Oliver, chief economist at AMP Capital, said underlying inflation was 2.15% year-on-year, putting it at the lower of end of the Reserve Bank of Australia (RBA)'s target range of 2%-3% and therefore increasing the chance of a rate cut. *(Source: AFP)*

Hong Kong: Fed rate call could burst Hong Kong housing bubble

Buoyed by record-low borrowing costs, a Hong Kong housing boom has seen prices more than double in six years, making it one of the world's most expensive property markets, but experts warn a US interest rate hike could send valuations plunging. The expected hike by the Federal Reserve has also renewed debate on whether Hong Kong should maintain a decades old peg with the US dollar, as its ties with China grow ever closer. At the height of the global financial crisis in 2008 the Fed slashed interest rates to near zero and introduced an unprecedented bond-buying scheme that effectively kept long-term borrowing costs down. *(Source: AFP)*

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