

PP14767/09/2012(030761)

Tuesday, November 03, 2015

Report of the Day

Sector Update: Banking – “Slower Loan Growth in September”

Results Review: Petronas Dagangan 3Q15 – “Proficient Cost Control”

At a Glance

FBMKLCI fell 1.64 points to finish at 1,664.07 due to lack of fresh catalyst.....(See full report next page)

Strategy

“Disappointing China PMI to Weigh on Sentiment Despite Steady Wall Street”

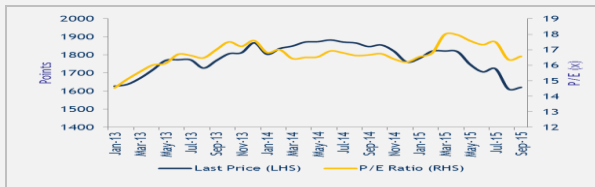
we expect the cautious sentiment to continue.....(See full report next page)

Corporate Highlights

- **Petronas Dagangan, HOLD (TP: RM22.68):** Earnings grow 36% as margins improve
- **Puncak Niaga (CP: RM2.84):** RM1 special dividend to be paid on Dec 23
- **Prestariang (CP: RM2.41):** Bags RM20mil project from Higher Education Ministry

Economic Update

- **China:** Caixin October PMI rises to 48.3 vs 47.2 in September
- **U.S.:** Manufacturing weakness persists; worst may be over
- **German:** Factory activity posts modest growth at start of fourth quarter



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	2-Nov	5:00 PM	Markit Eurozone Manufacturing PMI	-	52.0
CN	2-Nov	9:45 AM	Caixin China PMI Mfg	47.6	47.2
JP	2-Nov	9:35 AM	Nikkei Japan PMI Mfg	-	52.5
US	2-Nov	10:45 PM	Markit US Manufacturing PMI	-	54.0
US	2-Nov	11:00 PM	Construction Spending MoM	0.5%	0.7%
US	2-Nov	11:00 PM	ISM Manufacturing	49.7	50.2
US	2-Nov	11:00 PM	ISM Price Paid	-	38.0
US	3-Nov	11:00 PM	Factory Orders	-1.0%	-1.7%
EU	4-Nov	5:00 PM	Markit Eurozone Services PMI	-	54.2
EU	4-Nov	5:00 PM	Markit Eurozone Composite PMI	-	54.0
EU	4-Nov	6:00 PM	PPI MoM	-	-0.8%
EU	4-Nov	6:00 PM	PPI YoY	-	-2.6%
CN	4-Nov	9:45 AM	Caixin China PMI Composite	-	48.0
CN	4-Nov	9:45 AM	Caixin China PMI Services	-	50.5
JP	4-Nov	9:32 AM	Nikkei Japan PMI Services	-	51.4
JP	4-Nov	9:32 AM	Nikkei Japan PMI Composite	-	51.2
US	4-Nov	8:00 PM	MBA Mortgage Applications	-	-3.5%
US	4-Nov	9:15 PM	ADP Employment Change	178K	200K
US	4-Nov	9:30 PM	Trade Balance (\$46.50b)	-	0.9%
US	4-Nov	10:45 PM	Markit US Composite PMI	-	54.5
US	4-Nov	10:45 PM	Markit US Services PMI	-	54.4
US	4-Nov	11:00 PM	ISM Non-Manif. Composite	56.5	56.9
EU	5-Nov	5:10 PM	Markit Eurozone Retail PMI	-	51.9
EU	5-Nov	6:00 PM	Retail Sales MoM	-	0.0%
EU	5-Nov	6:00 PM	Retail Sales YoY	-	2.3%
MY	5-Nov	6:00 PM	BNM Overnight Policy Rate	-	3.25%
US	5-Nov	9:30 PM	Initial Jobless Claims	-	-
US	5-Nov	9:30 PM	Nonfarm Productivity	0.3%	3.3%
US	5-Nov	9:30 PM	Continuing Claims	-	-
US	5-Nov	10:45 PM	Bloomberg Consumer Comfort	-	-
MY	6-Nov	12:00 PM	Exports YoY	2.5%	4.1%
MY	6-Nov	12:00 PM	Imports YoY	1.4%	-6.1%
MY	6-Nov	6:00 PM	Foreign Reserves	-	\$94.1b
JP	6-Nov	1:00 PM	Leading Index C1	-	102.5
JP	6-Nov	1:00 PM	Coincident Index	-	112.2
US	6-Nov	9:30 PM	Change in Nonfarm Payrolls	177K	142K
US	6-Nov	9:30 PM	Change in Manuf. Payrolls	OK	(9K)
US	6-Nov	9:30 PM	Unemployment Rate	5.1%	5.1%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,664.07	-1.64	-0.10
FBMEMAS	11,575.50	1.60	0.01
FBMEMAS SHA	12,397.59	4.76	0.04
FBM100	11,254.62	-1.41	-0.01
Volume (mn)	2,609.58	485.18	22.84
Value (RMmn)	1,967.97	-76.53	-3.74
FBMKLCI YTD Chg			-5.52

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.9	0.0
Local Institution	55.0	130.8
Foreign Investors	22.1	-130.8

Top Gainers

	Close	Change+/-	(+/- %)
LAY HONG BHD	6.50	0.70	12.07
HUAT LAI RESOUR	3.80	0.30	8.57
PERSTIMA	5.28	0.24	4.76

Top Losers

	Close	Change+/-	(+/- %)
BAT	61.00	-0.82	-1.33
UNITED PLANTAT	26.00	-0.50	-1.89
CARLSBERG BREW	12.16	-0.26	-2.09

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,828.76	165.22	0.94
NASDAQ	5,127.15	73.40	1.45
S&P 500	2,104.05	24.69	1.19
FTSE 100	6,361.80	0.71	0.01
DAX	10,950.67	100.53	0.93
Nikkei 225	18,683.24	-399.86	-2.10
HSI	22,370.04	-270.00	-1.19
KOSPI	2,035.24	5.77	0.28
STI	2,972.38	-25.97	-0.87
KLCI Futures	1,616.00	-	-
USDMYR 3M	16.55	0.08	0.00
USDMYR 6M	16.22	(0.05)	(0.00)
USDMYR 12M	15.75	0.17	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	0.1	0.2%
Brent (USD/bbl)	48.8	-0.8	-1.6%
Gold(USD/ounce)	1,133	-0.4	0.0%
Coal (USD/mt)	52.9	0.1	0.1%
CPO (RM/mt)	2,328	-3.0	-0.1%
Rubber	123	-2.6	-2.1%
RM/USD	4.30	-0.0009	0.02%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	120.76	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 165.22 points to 17,828.76 points, S&P 500 jumped 24.69 points to 2,104.05. Nasdaq surged by 73.40 points to 5,127.15. U.S. stocks added to their recent run with gains across all sectors on Monday, led by increases in the beaten-down energy group and the acquisition-driven healthcare industry.
- Data on Monday showed U.S. manufacturing activity in October sank to a 2-1/2-year low, but a rise in new orders offered encouragement. Elsewhere, factory activity in Germany beat economists' estimates, and manufacturing in Central and Eastern Europe kept up a robust pace in October.

The Local Market

- FBMKLCI fell 1.64 points to finish at 1,664.07 due to lack of fresh catalyst. There were 442 gainers and 444 decliners in total value traded of RM1.96 billion.
- Among the losers on Bursa Malaysia were BAT declined 82 cent to RM61.00, United Plantation shed 50 cent to RM26.00, Carlsberg dropped 26 cent to RM12.16 and KLK decreased 22 cent to RM22.56.

Strategy

- **“Disappointing China PMI to Weigh on Sentiment Despite Steady Wall Street”**
Wall Street ended higher on Monday driven by year-end rally helped by gains in health and energy stocks. **S&P 500** and **DJIA** added **24.69 (1.19%)** and **165.22 (0.94%)** points to finish at **2,104.05** and **17,828.76**. Note that China PMI manufacturing for October came in at disappointing level of 49.8, essentially a contraction although unchanged from previous month. This is enough to weigh on regional market yesterday and we think this somber mood may continue today. Added to that, sentiment may also get affected by this coming Friday key US economic release, as in US October unemployment level. Hence, we expect the cautious sentiment to continue.
- 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

Petronas Dagangan, HOLD (TP: RM22.68): Earnings grow 36% as margins improve

Petrolia Nasional Bhd's (Petronas) domestic retail arm posted a 36.5% jump in earnings year-on-year to RM218.88mil for the third quarter (Q3) ended Sept 30 despite its revenue falling 20.6% to RM6.53bil. Petronas Dagangan Bhd (PetDag) told Bursa Malaysia that the lower revenue was due to an 18% drop in average net selling price and 3% slide in sales volume. The commercial segment's revenue, which in last year's corresponding quarter exceeded the retail segment's revenue, this time fell below the latter. The segment's average selling price plunged 31% although sales volume improved 3%, leading to revenue dropping by 29.4% or RM1.259bil to RM3.024bil. The retail segment also saw a decrease of revenue, but by a smaller percentage - i.e. 11.2% or RM440.8mil. (Source: The Star)

Puncak Niaga (CP: RM2.84): RM1 special dividend to be paid on Dec 23

Puncak Niaga Holdings Bhd, which will receive RM1.6bil cash from the sale of its water-related assets in Selangor, will pay out the special dividend of RM1 to the shareholders on Dec 23. Puncak, which is venturing into oil and gas, said on Monday the shareholders names had to appear in records at as Dec 8. The ex date was Dec 4. It said holders of its existing warrants 2013/2018 should subscribe for the new Puncak shares on or before Nov 25. Puncak said this was to enable the new shares arising from the exercise to be allotted to the warrant holders by the Dec 8 deadline. (Source: The Star)

Prestariang (CP: RM2.41): Bags RM20mil project from Higher Education Ministry

Prestariang Bhd's unit, Prestariang Systems Sdn Bhd, has secured a project worth RM20mil from the Higher Education Ministry (MOHE). The project was for the supply of autodesk software services aligned with the industry based certification programme to public universities, polytechnics and community colleges under MOHE, over two years from Nov 2, 2015 until Nov 2, 2017, the company said in a filing with Bursa Malaysia. "The services from Prestariang Systems to MOHE is a continuous initiative since 2006, in line with the ministry's Higher Education Blueprint's objectives and focuses. (Source: The Star)

Destini (CP: RM0.61): Net profit up 66% to RM7.1mil

Destini Bhd's net profit for its third quarter ended Sept 30, 2015 rose 66% to RM7.1mil from RM4.2mil the same period last year due to the increase in demand for the group's maintenance repair and overhaul services (MRO), and marine manufacturing services. The company, which provides MRO services to the military said its revenue for the period more than doubled to RM90.3mil from RM39.1mil a year ago, while earnings per share increased to 0.88 sen from 0.54 sen a year ago. For its nine months to-date, net profit increased 35% to RM11.55mil from RM8.5mil a year ago, while revenue jumped 70% to RM179mil from RM105mil compared to last year. (Source: The Star)

Icon Offshore (CP: RM0.36): Appoints Petronas top exec Amir as new MD

Icon Offshore Bhd, one of the largest offshore support vessel companies in the country, has roped in a top executive from Petroliaam Nasional Bhd (Petronas) to helm the company. The company said in a statement that it had appointed Amir Hamzah Azizan to take over the post as managing director effective March 1, 2016. This is following current chief executive officer Dr Jamal Yusof's decision not to renew his contract. Amir, 48, is currently the CEO of Petronas Lubricants International. He is also a vice-president at Petronas and a director at South Africa's Engen Petroleum. (Source: The Star)

Sona Petroleum (CP: RM0.45): Buying 100% of Stag Oilfield for RM215m

Sona Petroleum Bhd is buying the 100% stake in the Stag Oilfield, offshore Western Australia, for US\$50mil (RM215.2mil), which will be its qualifying acquisition. It said on Monday it was buying the production licence WA-15-L and pipeline licence WA-6-PL (Stag Oilfield) and the associated assets from Quadrant Northwest Pty Ltd and Santos Offshore Pty Ltd. Sona said the Stag Oilfield is a producing oilfield in the Dampier sub-basin of the Carnarvon Basin, offshore Western Australia and in a water depth of 50 metres and 60km offshore. Santos owns 66.67% of Stag Oilfield while the operator Quadrant owns the remaining stake. Sona said the purchase consideration would be satisfied in cash and funded via Sona Petroleum's internal funds raised from its initial public offering held under a trust account (net of taxes payable) amounting to RM525.6mil as at Oct 30, 2015. (Source: The Star)

ECONOMIC UPDATES**China Caixin October PMI rises to 48.3 vs 47.2 in September**

Manufacturing activity slumped again in China in October although at a less severe pace than the previous month, a closely-watched survey showed Monday. The preliminary Caixin China manufacturing purchasing managers' index (PMI) rose to 48.3 in October, above the 47.5 forecast in a Reuters poll. This compares with a final reading of 47.2 in September, the lowest since March 2009. A print above 50 indicates an expansion in activity while one below points to a contraction. Both output and new orders components rose, with the new export order component rising to 50.7, the highest level in 10 months. (Source: CNBC)

U.S.: Manufacturing weakness persists; worst may be over

U.S. manufacturing activity in October hit a 2-1/2-year low, but a rise in new orders offered hope for a sector buffeted by a strong dollar and relentless spending cuts by energy companies. Other data on Monday showed construction spending rose in September, indicating the economy remained on firmer ground despite signs of consumer spending cooling. Given that manufacturing accounts for only 12 percent of the economy, analysts said it was unlikely to influence the U.S. Federal Reserve's decision whether to raise interest rates this year. The Institute for Supply Management said its national manufacturing index slipped to 50.1 this month, the lowest level since May 2013, from a reading of 50.2 in September. (Source: Reuters)

German: Factory activity posts modest growth at start of fourth quarter

Growth in German factory activity eased a little in October but remained solid overall, a survey showed on Monday, suggesting the economy has weathered the Volkswagen scandal and a slowdown in China at the start of the fourth quarter. Markit's purchasing managers' index (PMI) for manufacturing, which accounts for about a fifth of Europe's largest economy, fell to 52.1 in October from 52.3 the previous month. That was slightly above a Reuters consensus forecast and a preliminary estimate of 51.6. "The headline PMI was indicative of a further modest improvement in companies' business conditions," said Markit economist Oliver Kolodseike. *(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.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
(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