

PP14767/09/2012(030761)

Wednesday, November 04, 2015

Report of the Day

Results Review: Petronas Chemicals 3Q15 – “Out of The Woods”

Results Review: MMHE 3Q15 – “Earnings Outlook Still Fragile”

At a Glance

FBMKLCI gained 13.49 points to finish at 1,677.56 lifted by the gain in selected heavyweight counters.....(See full report next page)

Strategy

“Wall Street Up on Bargain Hunting”

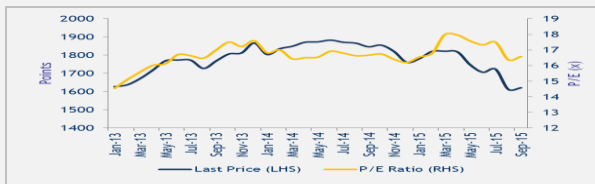
With no solid catalyst that could support the market today, we think yesterday's local market gains may not hold as profit taking activity could take centre stage.....(See full report next page)

Corporate Highlights

- **Petronas Chemicals, HOLD (TP: RM6.18):** Higher Q3 earnings for Petronas Chemicals
- **MMHE, HOLD (TP: RM1.04):** Posts lower Q3 net profit of RM17mil
- **FGVH, SELL (TP: RM1.30):** Completes divestment of Canadian unit

Economic Update

- **U.S.:** Factory orders fall for second straight month
- **Malaysia:** Malaysian consumer confidence at 10-year low
- **Thailand:** Central bank seen holding policy rate steady after stimulus



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	0.3%	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-Manuf. 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	Foreign Reserves	-	\$94.1b	
JP	6-Nov 1:00 PM	Leading Index CI	-	103.5	
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 Manufact. Payrolls	0K	(9K)	
US	6-Nov 9:30 PM	Unemployment Rate	5.1%	5.1%	

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,677.56	13.49	0.81
FBMEMAS	11,658.88	83.38	0.72
FBMEMAS SHA	12,468.19	70.60	0.57
FBM100	11,336.03	81.41	0.72
Volume (mn)	2,799.55	189.97	7.28
Value (RMmn)	2,259.33	291.36	14.80
FBMKLCI YTD Chg			-4.75

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.0	-22.9
Local Institution	59.1	1.4
Foreign Investors	18.9	21.5

Top Gainers

	Close	Change+/-	(+/- %)
BAT	62.30	1.30	2.13
HONG LEONG FIN	14.70	0.60	4.26
PIE INDUSTRIAL	8.00	0.54	7.24

Top Losers

	Close	Change+/-	(+/- %)
TASEK CORP	14.80	-0.20	-1.33
HIBISCS	0.34	-0.18	-33.98
NPC RESOURCES	2.61	-0.14	-5.09

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,918.15	89.39	0.50
NASDAQ	5,145.13	17.98	0.35
S&P 500	2,109.79	5.74	0.27
FTSE 100	6,383.61	21.81	0.34
DAX	10,951.15	0.48	0.00
Nikkei 225	18,683.24	-399.86	-2.10
HSI	22,568.43	198.39	0.89
KOSPI	2,048.40	13.16	0.65
STI	3,005.27	30.86	1.04
KLCI Futures	1,629.50	-	-
USDMYR 3M	15.52	(0.10)	(0.01)
USDMYR 6M	15.66	(0.02)	(0.00)
USDMYR 12M	15.27	(0.08)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	-0.1	-0.2%
Brent (USD/bbl)	50.5	1.8	3.6%
Gold(USD/ounce)	1,120	2.2	0.2%
Coal (USD/mt)	52.8	-0.1	-0.2%
CPO (RM/mt)	2,309	-1.0	0.0%
Rubber	123	-0.2	-0.2%
RM/USD	4.29	-0.0123	0.29%
EUR/USD	0.91	0	0.00%
YEN/USD	121.10	0.03	-0.02%

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 89.39 points to 17,918.15 points, S&P 500 jumped 5.74 points to 2,109.79. Nasdaq surged by 17.98 points to 5,145.13. Big tech and energy sector gains drove U.S. stocks higher on Tuesday, as an index of 100 major Nasdaq companies finished at a record closing high.
- As the third-quarter earnings season winds down, investors will be looking to Friday's employment report and other economic data for clues as to whether the Federal Reserve will raise rates in December.

The Local Market

- FBMKLCI gained 13.49 points to finish at 1,677.56 lifted by the gain in selected heavyweight counters. There were 521 gainers and 357 decliners in total value traded of RM2.25 billion.
- Among the gainers on Bursa Malaysia were BAT rose RM1.30 to RM62.30, Hong Leong Financial grew 60 cent to RM14.70, PIE Industrial and PPB Group increased 54 cent to RM8.00 and RM15.82 respectively.

Strategy

- **"Wall Street Up on Bargain Hunting"**
Wall Street zoomed higher back-to-back on Tuesday as investors bargained hunting mostly on energy and technology stocks. **S&P 500** and **DJIA** added **5.74 (0.27%)** and **89.39 (0.50%)** points to finish at **2,109.79** and **17,918.15**. There was no news that could lift Wall Street higher and hence, investors mostly accumulated on dip that led to the gains in bellwether index. In fact, there was one disappointing news that could puncture their sentiment as in the US September factory order that dropped by 1%, second straight month of decline. Surprisingly, investors did not pick that up but instead turned their eye to the attractively valued energy and technology stocks more so when both have been bashed of late. With no solid catalyst that could support the market today, we think yesterday's local market gains may not hold as profit taking activity could take centre stage.
- 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 Chemicals, HOLD (TP: RM6.18): Higher Q3 earnings for Petronas Chemicals

Petronas Chemicals Group Bhd posted a strong set of financial results for the third quarter ended Sept 30, 2015, boosted by higher sales volumes, favourable exchange rate movement and lower feedstock costs particularly for naphtha, propane and butane. It said on Tuesday its earnings rose 38.5% to RM916mil from RM661mil. Earnings per share were 11 sen compared with eight sen a year ago. Revenue was higher by 2.6% to RM3.642bil from RM3.549bil as the higher sales volumes and favourable exchange rate movement offset the impact of lower average product prices. Petronas Chemicals said the group achieved better operational performance during the quarter, recording higher plant utilisation of 88% compared to 75% a year ago. *(Source: The Star)*

MMHE, HOLD (TP: RM1.04): Posts lower Q3 net profit of RM17mil

Malaysia Marine and Heavy Engineering Holdings Bhd (MMHE) recorded net profit of RM16.97mil in the third quarter ended Sept 30, 2015, 57% lower than a year ago. The group attributed its performance to due to lower contribution from the offshore segment. Revenue for the quarter was also lower at RM436.25mil compared with RM539.79mil in the same quarter last year. Earnings per share was RM1.10 per share against RM2.40 in the previous corresponding quarter. The offshore segment registered lower revenue and an operating loss during the third quarter mainly due to completion of most projects and additional cost provision for the Malikai TLP project. MMHE said it is actively pursuing the compensations and claims. *(Source: The Star)*

FGVH, SELL (TP: RM1.30): Completes divestment of Canadian unit

Felda Global Ventures Holdings Bhd (FGV) has completed the divestment of its non-core oilseeds crushing and refining plant in Quebec, Canada, to Viterra Inc today for CAD172.7 million (RM567.1 million). FGV said Viterra had settled the cash purchase price of CAD172.7 million (RM567.1 million) to the company today, in accordance with the terms of the sales and purchase agreement (SPA). FGV had on Aug 23 announced it was disposing the oilseeds crushing and refining plant, Twin Rivers Technologies Entreprises De Transformation De Graines Oleagineuses Du Quebec Inc (TRT-ETGO), in Quebec, Canada. *(Source: The Edge)*

Maybank, (TP: RM9.92): Sets up US\$500mil notes programme

Malayan Banking Bhd (Maybank) has set up a US commercial paper (CP) programme of up to US\$500mil (RM2.1bil) in nominal value. In a filing with Bursa Malaysia yesterday, the bank said that under the CP programme, its New York branch might issue, from time to time, notes up to a maximum aggregate amount outstanding at any time of that nominal value. The notes will be offered and sold in privately negotiated transactions exempt from the registration requirements of the US Securities Act of 1933 based on Section 3(a)(2) that provides such exemption for any security issued or guaranteed by a bank. *(Source: The Star)*

SP Setia (CP: RM3.31): In JV bid for Adelaide redevelopment project

A Malaysian government-linked corporation has teamed up with an Australian entity to bid for the redevelopment of the 7-hectare Royal Adelaide Hospital (RAH) site into a mixed development, reported The Australian. The four master developers shortlisted for the project are Investec Australia and Malaysia's SP Setia Bhd Group, construction giant John Holland with parent group China Communications Construction Company in partnership with Adelaide-based Commercial & General, listed giant Lend Lease and tycoon Lang Walker's property company. The next step is to request proposals from the four to come up with schemes to transform the existing 275,000 sq m of buildings into a project that could rival elements of Sydney's Barangaroo precinct. *(Source: The Edge)*

MRCB (CP: RM1.36): Land strategy, eyes Bukit Jalil deal

The RM1.6bil land swap deal that Malaysian Resources Corp Bhd (MRCB) secured to regenerate Bukit Jalil National Sports Complex (NSC) is in line with the company's strategy to expand its land bank. The construction and property development company further notes it will be able to internally generate funds to sufficiently finance the two-phased project to refurbish and upgrade Bukit Jalil NSC into KL Sports City over the next five to six years. "We have no issue with cash flow as we are able to internally generate funds for the projects," MRCB executive director Imran Salim said. *(Source: The Star)*

Tasek (CP: RM14.80): 3Q profit down 16% on year, pays 20 sen dividend

Tasek Corp Bhd's third quarter net profit fell from a year earlier as the cement manufacturer lowered selling prices amid costlier raw materials. These factors resulted in lower profit contribution from an associate. Tasek said group net profit fell to RM18.04 million in the third quarter ended Sept 30, 2015 (3QFY15) from RM21.47 million. Revenue was higher at RM165.57 million versus RM148.68 million in 3QFY14. The group achieved higher net revenue of RM165.6 million for the current quarter compared to RM148.7 million in the previous year's corresponding quarter mainly due to higher sales volume registered by both cement and ready-mixed concrete divisions. *(Source: The Edge)*

Lay Hong (CP: RM6.38): Poultry-based Lay Hong says foreign groups keen on stake

Lay Hong Bhd is in talks with two foreign companies which are keen on buying a strategic stake in the integrated poultry based company. It said on Tuesday it was in the midst of discussions and negotiations with the two parties and also a possible joint venture to invest in an integrated layer farming and integrated broiler processing, either locally or overseas. "Both negotiations are progressing and the company expects to conclude and execute definitive agreements in less than two months either with one party or both," it said in its reply to a query from Bursa Malaysia Securities. Bursa Securities had queried the company over the unusual market activity in the trading of the shares. *(Source: The Star)*

Astral Supreme (CP: RM0.13): Wins RM80.5mil People's Housing job in Sabah

Astral Supreme Bhd has received a RM80.53mil subcontract job to undertake the main building works under the People's Housing Programme (PPR) in Kota

Belud, Sabah. The electronic product maker, which has begun diversifying into construction, told Bursa Malaysia that its unit Astral Supreme Construction Sdn Bhd (ASC) had received the letter of award (LOA) for the job from Kuasa Lumpadang Sdn Bhd. ASC is expected to make a gross profit of RM5.48mil, or a margin of 6.8%, from the job. Under the agreement, ASC will supply material, labour, and equipment to design, build and deliver 900 units single-storey terrace house and other related works at Ulu Perasan, Kota Belud. *(Source: The Star)*

ECONOMIC UPDATES

U.S.: Factory orders fall for second straight month

New orders for U.S. factory goods fell for a second straight month in September as the manufacturing sector continues to struggle under the weight of a strong dollar and deep spending cuts by energy companies. The Commerce Department said on Tuesday new orders for manufactured goods declined 1.0 percent after a downwardly revised 2.1 percent drop in August. Factory activity, which accounts for about 12 percent of the economy, is also being constrained by efforts by businesses to reduce an inventory overhang and tepid global demand. But the worst could be over for the sector after a report on Monday showed new orders rose in October for the first time since July. *(Source: CNBC)*

Malaysia: Malaysian consumer confidence at 10-year low

The Malaysian consumer confidence index for Q3 2015 slipped to a 10-year low of 78 percentage points (pp), compared to 89 pp in the previous quarter, according to the latest Nielsen Global Survey of Consumer Confidence and Spending Intentions. In comparison, confidence levels in Southeast Asia remained relatively high with five out of six countries in the region scoring above the 100 pp mark, except for Malaysia. The Philippines (117 pp, -5 from last quarter), Indonesia (116 pp, -4), Thailand (111 pp, unchanged from previous quarter) and Vietnam (105 pp, +1) are among the top 10 most confident countries globally while Singapore scored 101 pp (+2), said Nielsen. Consumer confidence levels above and below a baseline of 100 indicate degrees of optimism and pessimism. *(Source: The Star)*

Thailand: Central bank seen holding policy rate steady after stimulus

Thailand's central bank is widely expected to leave its policy interest rate steady on Wednesday for a fourth straight meeting even though the economy is making little headway after more than a year of military rule. All but one of 23 economists polled predicted the one-day repurchase rate would be left steady at 1.5% when the monetary policy committee (MPC) meets on Nov 4. The committee was seen likely to wait for the effects of recent stimulus measures and a weak baht to filter through while the trade-dependent economy confronts global market uncertainties. One economist predicted a 25-basis-point cut this week, citing a weak outlook. That would match the record low of 1.25% during the global financial crisis. *(Source: The Star)*

South Korea: Inflation at 11-month high, more monetary easing unlikely

South Korea's annual inflation accelerated to an 11-month high in October, raising the hurdle to further monetary easing as the central bank showed it was wary about taking borrowing costs even lower amid rising household debt and external risks. The consumer price index rose 0.9% in October from a year earlier, Statistics Korea data showed on Tuesday, driven by rising prices in the services sector. It was up from a 0.6% increase in September, and marked the fastest rise since a 1% gain in November last year. Annual core inflation rose 2.3% from 2.1% in September, the highest since February this year. *(Source: Reuters)*

Australia: Holds interest rates at 2%

Australia's central bank on Tuesday held interest rates at a record low 2%, but kept the door open for further easing as the economy slows on softening Chinese growth. Economists had been split about whether the Reserve Bank of Australia would act this month, after a surprisingly weak third-quarter reading of consumer prices released last week gave the central bank room to slash rates further. *(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.

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