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Thursday, November 05, 2015

## At a Glance

FBMKLCI gained 8.06 points to finish at 1,685.62 lifted by the gain in selected heavyweight counters.....(See full report next page)

## Strategy

## "Wall Street Down on Janet Yellen Premonition"

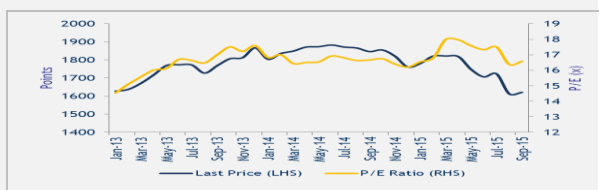
We have been expecting the market to pull back due to US key economic release on Friday .....(See full report next page)

## Corporate Highlights

- **SapuraKencana, BUY (TP: RM2.55):** Gets nod for first upstream gas development project in M'sia
- **AirAsia (CP: RM1.48):** Major shareholders says no plans to take private
- **EG Industries (CP: RM0.80):** Rights issue oversubscribed by 12.9%

## Economic Update

- **Malaysia:** BNM seen holding rates steady to pass through turbulence
- **U.S.:** Fed's Yellen sees possible Dec rate rise, gradual hiking path
- **Indonesia:** Economy seen growing slightly faster in Q3



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-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	OK	(9K)
US	6-Nov	9:30 PM	Unemployment Rate	5.1%	5.1%

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,685.62	8.06	0.48
FBMEMAS	11,711.56	52.68	0.45
FBMEMAS SHA	12,516.97	48.78	0.39
FBM100	11,387.77	51.74	0.46
Volume (mn)	2,671.24	-128.31	-4.58
Value (RMmn)	2,465.93	206.60	9.14
FBMKLCI YTD Chg			-4.29

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	18.9	12.1
Local Institution	57.7	-118.9
Foreign Investors	23.4	106.8

## Top Gainers

	Close	Change+/-	(+/- %)
KLK	22.96	0.26	1.15
NESTLE (MALAY)	72.60	0.20	0.28
HUAT LAI RES	4.40	0.20	4.76

## Top Losers

	Close	Change+/-	(+/- %)
Bat	60.82	-1.48	-2.38
CARLSBERG	11.94	-0.46	-3.71
GUINNESS ANC	14.12	-0.12	-0.84

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,867.58	-50.57	-0.28
NASDAQ	5,142.48	-2.65	-0.05
S&P 500	2,102.31	-7.48	-0.35
FTSE 100	6,412.88	29.27	0.46
DAX	10,845.24	-105.91	-0.97
Nikkei 225	18,926.91	243.67	1.30
HSI	23,053.57	485.14	2.15
KOSPI	2,052.77	4.37	0.21
STI	2,999.56	37.97	1.27
KLCI Futures	1,649.50	-	-
USDMYR 3M	15.36	0.12	0.01
USDMYR 6M	15.29	0.14	0.01
USDMYR 12M	15.21	0.12	0.01

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	0.2	0.4%
Brent (USD/bbl)	48.6	-2.0	-3.9%
Gold(USD/ounce)	1,110	1.6	0.1%
Coal (USD/mt)	52.3	-0.5	-0.9%
CPO (RM/mt)	2,362	2.0	0.1%
Rubber	122	-0.7	-0.6%
RM/USD	4.27	-0.023	0.54%
EUR/USD	0.92	0.0001	0.01%
YEN/USD	121.52	-0.05	0.04%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average declined 50.57 points to 17,867.58 points, S&P 500 down 7.48 points to 2,102.31. Nasdaq fell by 2.65 points to 5,142.48. U.S. stocks edged lower on Wednesday, retracing recent gains along with energy shares, while comments by Federal Reserve Chair Janet Yellen pointing to a possible interest rate hike in December added to investor caution.
- Meanwhile, a raft of data on Wednesday, including a report showing U.S. private employers maintained a steady pace of hiring in October, suggested the economy was strong enough to support ending an era of near-zero interest rates.

### The Local Market

- FBMKLCI gained 8.06 points to finish at 1,685.62 lifted by the gain in selected heavyweight counters. There were 558 gainers and 333 decliners in total value traded of RM2.47 billion.
- Among the gainers on Bursa Malaysia were KLK surged 26 cent to RM22.96, Nestle and Huat Lai Resources soared 20 cent to RM72.60 and RM4.40 respectively, and Globetronic grew 18 cent to RM6.43.

### Strategy

- **“Wall Street Down on Janet Yellen Premonition”**  
Wall Street snapped its recent days’ gains after US Federal Reserve chairman gave a hint on US policy direction. S&P 500 and DJIA lost 7.48 (-0.35%) and 50.57 (-0.28%) points to finish at 2,102.31 and 17,867.58. Janet Yellen told the US Congress yesterday that if the US economic data was consistent, pointing to elevating inflation, December US interest rate hike may be possible, stoking fear in Wall Street yesterday and hence, its reddish performance. Added to that, the US ADP National Employment Report revealed that employment in the nonfarm private business sector rose by 182,000 in October, beating consensus expectation of 180k addition, suggesting Friday’s US October unemployment rate could get knocked down further from 5.3%. Further, the US ISM Services index jumped to 59.1 in October from 56.9 in September thumping again consensus projection of 56.6. Noted with the fact that the global equity markets have been enjoying steady upside of late due to the recovery in the global oil price and palm oil price (Malaysia) but this piece of news coming from the Fed boss could take away the punch bowl. We have been expecting the market to pull back due to US key economic release on Friday (read: US October unemployment rate) and we think it may materialise due to the combination of above factors.
- 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

### **SapuraKencana, BUY (TP: RM2.55): Gets nod for first upstream gas development project in M'sia**

SapuraKencana Petroleum Bhd's unit SapuraKencana Energy Inc (SKE) has secured field development plan (FDP) approval from Petroliaam Nasional Bhd (Petronas) for a gas field development project offshore Sarawak. SapuraKencana said in a statement that with this approval, SKE would start the development phase for the SK310 B15 development project, with the first gas delivery targeted for the fourth quarter of 2017. The B15 field, discovered in December 2010, is located within the SK310 production sharing contract (PSC) area, offshore East Malaysia. The company said the development would comprise a central processing platform with a 35km gas evacuation pipeline to be tied into existing infrastructure. (Source: The Edge)

### **AirAsia (CP: RM1.48): Major shareholders says no plans to take private**

AirAsia Bhd says its major shareholders have not reached a decision as yet on whether to take the low-cost carrier private. It said the major shareholders do evaluate all strategic options with regards to its various investments and they have been "approached by several parties from time to time with various proposals including to explore the possibility of increasing their stake in the company. However, the major shareholders have not reached any decision at this stage as there are many factors to carefully consider and this may or may not lead to any transaction. It was clarifying a news report on the reasons why AirAsia founder Tan Sri Tony Fernandes had started talks with bankers to take Asia's No. 1 budget airline private. It also said that after having made due enquiries with the board of directors, the board had not received any offers to take it private. (Source: The Star)

### **EG Industries (CP: RM0.80): Rights issue oversubscribed by 12.9%**

The rights issue exercise undertaken by EG Industries Bhd has been oversubscribed by 12.9%. In its filing with Bursa Malaysia, EG Industries said it received valid acceptances and excess applications for 130.1 million rights shares worth RM65.1mil. This represents a subscription level of 112.9% of the total 115.24 million rights shares available under the rights issue with warrants. The electronic manufacturing services player issued a 3-for-2 rights issue comprising a total of up to 115.24 million new shares of 50 sen each, together with 57.8 million free detachable warrants on the basis of 1 free warrant for every 2 rights shares subscribed. The exercise will see EG Industries' total outstanding shares increase to 250.6 million of 50 sen each, with enlarged share capital of RM125.3mil. (Source: The Star)

### **Jiankun (CP: RM0.24): Gets statement of claim from property brokers**

Jiankun International Bhd received a statement of claim from Megaharta Real Estate Sdn Bhd and Hartanah Realty, which alleged that Jiankun had failed to settle an outstanding sum of RM848,000. In a filing with Bursa Malaysia today,

property developer Jiankun said Megaharta and Hartanah Realty claimed that Jiankun was "reluctant" to settle the outstanding sum. The circumstances leading to the filing of the writ and statement of claim against JIB (Jiankun) was due to the fact that JIB has failed, [was] reluctant and/or neglected to settle the outstanding sum for provision of professional services as real estate broker to JIB. The above had never been agreed by JIB. (Source: The Edge)

#### **MISC (CP: RM9.09): Slightly higher Q3 earnings for MISC after impairments**

MISC's earnings were slightly higher at RM483.56mil in the third quarter ended Sept 30, 2015 as it was impacted by a provision for net impairments. The LNG shipping company said on Wednesday there was a provision of RM232.32mil for net impairments Q3, 2015 due to. A year ago, its earnings were RM470.79mil. Its revenue increased 14.9% to RM2.505bil from RM2.180bil. Earnings per share were higher at 10.8 sen versus 10.5 sen a year ago. MISC said its energy related shipping rose 34.7% to RM1.98bil from the RM1.47bil mainly due to improved freight rates in the petroleum business. However, a smaller fleet of operating vessels and lower earning days caused declines in chemical and LNG businesses' revenue respectively. (Source: The Star)

#### **Petronas: Bukit Tua, Kepodang fields in Indonesia hit first O&G**

Petroleum Nasional Bhd (Petronas) has struck oil and gas (O&G) from its Bukit Tua and Kepodang fields in Indonesia. Achieving first O&G in the Bukit Tua field and first gas in the Kepodang field is a significant milestone for Petronas, as it demonstrates our commitment to contribute towards Indonesia's energy demand and potential growth of the country's energy sector," said Petronas' country chairman for Indonesia, and PC Muriah Ltd's and PC Ketapang II Ltd's president Hazli Sham Kassim in a statement today. Located in the Ketapang block, 35km north off the coast of Madura Island, East Java, the Bukit Tua field is an integrated O&G project and is expected to produce 20,000 barrels of oil per day (bopd) and up to 50 million standard cubic feet per day (mmscfd) of gas. (Source: The Edge)

#### **Semiconductor Sector: Global semicon sales in Q3 higher at US\$85b**

Global semiconductor sales reached US\$85.2bil in the third quarter ended Sept 30, 2015, which was an improvement from the previous quarter, according to the US-based Semiconductor Industry Association (SIA). It said on Wednesday the Q3 FY15 sales were higher by 1.5% from the second quarter but despite the improvement on a quarterly basis, they were down 2.8% from a year ago. Global sales for September 2015 were US\$28.4bil, which was 1.9% more than last month's sales, but 2.8% less than sales from September 2014," it said. The monthly sales represented a three-month moving average. SIA president and CEO John Neuffer said global semiconductor sales showed signs of resilience in September, increasing compared to the previous month across all regional markets for the first time in more than a year. (Source: The Star)

## ECONOMIC UPDATES

**Malaysia: BNM seen holding rates steady to pass through turbulence**

Malaysia's central bank is expected to keep interest rates on hold when it meets on Thursday, a Reuters poll showed, as the economy weathers a plunge in the ringgit, low commodity export prices, and a political scandal that has hurt investor sentiment. Economists surveyed by Reuters were unanimous in their forecasts for Bank Negara Malaysia (BNM) to keep its overnight policy rate (OPR) unchanged at 3.25 percent. BNM is walking on a tightrope with its monetary policy," said Irvin Seah, economist at DBS Bank. The ringgit has lost 18 percent of its value this year, and is emerging Asia's worst performing currency, dropping to 17-year lows. After a year-long decline, the ringgit was showing some signs of stabilising, trading at 4.2670 on Wednesday afternoon. (Source: *The Star*)

**U.S.: Fed's Yellen sees possible Dec rate rise, gradual hiking path**

Federal Reserve Chair Janet Yellen on Wednesday pointed to a possible December interest rate "liftoff" but said rates would rise only slowly from then on to nurture the U.S. economic recovery. In her first public comments since the Fed's meeting last week Yellen laid out what now appears the base case at the U.S. central bank - that low unemployment, continued growth and faith in a coming return of inflation means the country is ready for higher interest rates. Her remarks pushed bond yields higher and stocks lower. They also caused investors to reset their expectations of a December rate hike above 60 percent, a sign that markets are finally taking the Fed's language seriously after a period in which U.S. central bankers were frustrated by the gap between their own outlook and market bets about their likely course of action. (Source: *The Star*)

**Indonesia: Economy seen growing slightly faster in Q3**

Indonesia on Thursday will announce a third-quarter growth rate that's expected to be slightly better than the poor April-June number and which the government hopes will be the start of a sustained recovery after three years of slowdown. Weak investment, falling consumer spending, high interest rates and low state expenditure contributed to annual growth declining to 4.67% in the second quarter, the slowest in six years. President Joko Widodo, who pledged to lift annual growth to 7% on average during a five-year term that began a year ago, believes that faster state spending and a series of steps to boost activity helped the July-September rate reach 4.85%. (Source: *The Star*)

**South Korea: Q4 exports seen down around 9%**

South Korean exports are likely to fall sharply in the current quarter, a government-run bank specialising in trade financing said on Wednesday, extending a year-long decline that has dragged on growth in Asia's fourth-largest economy. A report by the research arm of the Export-Import Bank of Korea forecast that South Korea's exports would fall by around 9% during the October-December period from a year ago, after a 9.5% decline in the third quarter. Shipments by the world's seventh-largest exporting country and a bellwether for global demand have collapsed this year, mainly as China's giant economy cools to the slowest pace in decades and as Europe struggles to lift-off. (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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