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Monday, November 09, 2015

At a Glance

FBMKLCI dropped 2.84 points to finish at 1,685.70 due to profit taking activities.....(See full report next page)

Strategy

"Market May Pull Back on Imminent Interest Rate Adjustment in US"

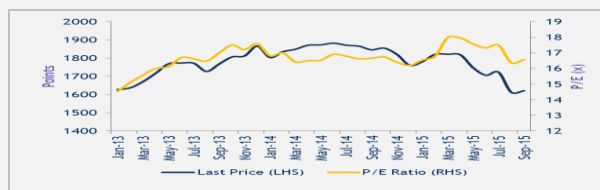
Once the US starts the adjustment, we think that the trend may continue well into 2016 although the caveat is that the adjustment is data dependent.....(See full report next page)

Corporate Highlights

- **Public Bank, BUY (TP: RM21.38):** Unit launches Islamic equity fund
- **Takaful Malaysia (CP: RM3.78):** Q3 net profit grew 3.4%
- **PPB Group (CP: RM15.52):** Awards RM27m contract

Economic Update

- **Malaysia:** September exports exceed forecasts
- **China:** Exports down for 4th month
- **U.S.:** Robust US jobs report bolsters case for December rate hike



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
MY	9-Nov	12:00 PM	Industrial Production YoY	-	3.0%
CN	10-Nov	9:30 AM	CPI YoY	1.5%	1.6%
CN	10-Nov	9:30 AM	PPI YoY	-5.9%	-5.9%
JP	10-Nov	7:50 AM	BoP Current Account Balance	-	¥1653.1B
JP	10-Nov	1:00 PM	Eco Watchers Survey Outlook	-	49.1
CN	11-Nov	1:30 PM	Retail Sales YoY	10.9%	10.9%
CN	11-Nov	1:30 PM	Retail Sales YTD YoY	10.6%	10.5%
CN	11-Nov	1:30 PM	Industrial Production YoY	5.8%	5.7%
CN	11-Nov	1:30 PM	Industrial Production YTD YoY	6.2%	6.2%
JP	11-Nov	7:50 AM	Money Stock M3 YoY	-	3.1%
US	11-Nov	8:00 PM	MBA Mortgage Applications	-	-0.8%
EU	12-Nov	6:00 PM	Industrial Production SA MoM	-	-0.5%
EU	12-Nov	6:00 PM	Industrial Production WDA YoY	-	0.9%
JP	12-Nov	7:50 AM	PPI MoM	-	-0.5%
JP	12-Nov	7:50 AM	PPI YoY	-	-3.9%
JP	12-Nov	7:50 AM	Machine Orders MoM	-	-5.7%
JP	12-Nov	7:50 AM	Machine Orders YoY	-	-3.5%
US	12-Nov	9:30 PM	Initial Jobless Claims	-	-
EU	13-Nov	6:00 PM	GDP SA QoQ	-	0.4%
EU	13-Nov	6:00 PM	GDP SA YoY	-	1.5%
MY	13-Nov	12:00 PM	GDP YoY	-	4.9%
JP	13-Nov	12:30 PM	Industrial Production MoM	-	1.0%
JP	13-Nov	12:30 PM	Industrial Production YoY	-	-0.9%
JP	13-Nov	12:30 PM	Capacity Utilization MoM	-	-0.9%
US	13-Nov	9:00 PM	Retail Sales Advance MoM	0.2%	0.1%
US	13-Nov	9:00 PM	Retail Sales Ex Auto MoM	0.4%	-0.3%
US	13-Nov	9:00 PM	Retail Sales Ex Auto and Gas	0.4%	0.0%
US	13-Nov	9:30 PM	PPI Final Demand MoM	0.2%	-0.5%
US	13-Nov	9:30 PM	PPI Ex Food and Energy MoM	0.1%	-0.3%
US	13-Nov	9:30 PM	PPI Final Demand YoY	-1.1%	-1.1%
US	13-Nov	9:30 PM	PPI Ex Food and Energy YoY	0.5%	0.8%
US	13-Nov	11:00 PM	U. of Mich. Sentiment	91.1	90.0
CN	10-15 Nov	-	New Yuan Loans CNY	800.0B	1050.0B
CN	10-15 Nov	-	Money Supply M2 YoY	13.2%	13.1%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,685.70	-2.84	-0.17
FBMEMAS	11,733.88	1.14	0.01
FBMEMAS SHA	12,585.36	19.42	0.15
FBM100	11,407.18	-4.05	-0.04
Volume (mn)	2,275.66	92.00	4.21
Value (RMmn)	2,020.66	-149.12	-6.87
FBMKLCI YTD Chg			-4.29

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.1	6.0
Local Institution	60.9	-46
Foreign Investors	17.0	40.0

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	73.72	0.72	0.99
PETDAG	23.16	0.60	2.66
UNITED PLANTAT	27.00	0.60	2.27

Top Losers

	Close	Change+/-	(+/- %)
MAGNI-TECH IND	3.84	-0.06	-1.54
TASEK CORP BHD	14.46	-0.30	-2.03
APOLLO FOOD	5.00	-0.25	-4.76

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,910.33	46.90	0.26
NASDAQ	5,147.12	19.38	0.38
S&P 500	2,099.20	-0.73	-0.03
FTSE 100	6,353.83	-11.07	-0.17
DAX	10,988.03	100.29	0.92
Nikkei 225	19,265.60	149.19	0.78
HSI	22,867.33	-183.71	-0.80
KOSPI	2,041.07	-8.34	-0.41
STI	3,010.47	-13.18	-0.44
KLCI Futures	1,649.50	4.50	0.00
USDMYR 3M	15.36	0.22	0.01
USDMYR 6M	15.30	0.15	0.01
USDMYR 12M	15.30	0.20	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	44	0.0	0.0%
Brent (USD/bbl)	47.5	0.0	0.1%
Gold(USD/ounce)	1,090	0.5	0.0%
Coal (USD/mt)	52.2	-0.1	-0.3%
CPO (RM/mt)	2,322	-26.0	-1.1%
Rubber	122	0.9	0.7%
RM/USD	4.31	0.0127	-0.29%
EUR/USD	0.93	0.0008	0.09%
YEN/USD	123.27	0.14	-0.11%

What To Expect

U.S. Market

- The Dow Jones Industrials Average soared 46.90 points to 17,910.33 points, S&P 500 down 0.73 points to 2,099.20. Nasdaq surged by 19.38 points to 5,147.12. U.S. stocks ended little changed on Friday, with a rise in financials countered by a slide in utilities and other sectors, as Wall Street took the strong U.S. jobs report as evidence the Federal Reserve will soon raise interest rates.
- Since the Fed last week opened the door to a rate increase in December, investors have been looking to economic reports for clues to whether the central bank will take action. Data on Friday showed U.S. non-farm payrolls growth in October was the best since December 2014, while the unemployment rate fell to 5 percent, the lowest since April 2008.

The Local Market

- FBMKLCI dropped 2.84 points to finish at 1,685.70 due to profit taking activities. There were 500 gainers and 388 decliners in total value traded of RM2.02 billion.
- Among the losers on Bursa Malaysia were Tasek Corp fell 30 cent to RM14.46, Apollo Food shed 25 cent to RM5.00, Time DotCom declined 20 cent to RM6.85 and Malaysia Pacific Industries slid 15 cent to RM7.04.

Strategy

- **“Market May Pull Back on Imminent Interest Rate Adjustment in US”**
Wall Street closed mix as market digesting US solid October unemployment rate data. S&P 500 lost 0.73% (-0.03%) to finish at 2,099.20 while DJIA gained 46.90 (0.26%) points to end at 17,910.33. Note that the US October unemployment rate has been knocked down to 5.0% from 5.1% following the new addition of 271k of non-farm payroll. In addition, US hourly earnings rose 0.4% while the consensus expected an uptick of 0.2%. With this, the odds of the Federal Fund rate adjustment in December has been lifted to almost 70% from about 50% before, suggesting that some pull back in global equity market in the imminent future. This rising odds may pound the major oil producer countries equity market as oil price may dip while their currencies may weaken as a result. More worryingly, once the US starts the adjustment, we think that the trend may continue well into 2016 although the caveat is that the adjustment is data dependent.
- 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

Public Bank, BUY (TP: RM21.38): Unit launches Islamic equity fund

Public Bank Bhd's wholly-owned unit, Public Mutual Bhd, is launching the Public Mutual PRS Islamic Strategic Equity Fund (PRS-ISEQF). Public Bank said PRS-ISEQF was a non-core Islamic equity fund under the Private Retirement Scheme (PRS). The fund would invest between 75% and 98% of its net asset value (NAV) in syariah-compliant equities, it said. For increased diversification, PRS-ISEQF can invest up to 98% of the NAV in selected foreign markets which include Asia and other permitted markets. Contributors looking to benefit from the growth potential of foreign economies and their respective currencies can therefore consider contributing to this fund (*Source: Bernama*)

Takaful Malaysia (CP: RM3.78): Q3 net profit grew 3.4%

Syarikat Takaful Malaysia Bhd, the country's pioneer Islamic insurer, net profit for the third quarter ended Sep 30, 2015 grew 3.43% to RM34.4 million from RM33.26 million in the previous corresponding quarter. Revenue for the quarter however declined 1.3% to RM389.24 million, compared with RM394.32 million previously. In a filing with Bursa Malaysia last Friday, Takaful Malaysia said the decrease in revenue was mainly attributed to lower sales generated from its family Takaful business, partially offset by higher sales generated by the general Takaful. For the first nine months its net profit increased 8% to RM119.6 million from RM110.8 million a year ago, while revenue up 10.4% to RM1.38 billion, against RM1.25 billion last year. (*Source: The Sun*)

Formosa (CP: RM0.74): 3Q net profit more than doubles on higher sales

Formosa Prosonic Industries Bhd, which is principally involved in the manufacturing and selling of high quality speaker systems, saw its net profit for the third financial quarter ended Sept 30, 2015 (3QFY15) surge by 127% to RM9.05 million, mainly on higher sales at its Malaysian operations. The higher sales was a result of its acquisition of manufacturing assets and equipment in Sg Petani, Kedah, in March and a higher share of profit in an associate, according to its filing on Bursa Malaysia this evening. The group also benefited from a favourable foreign exchange rate, from the stronger US dollar against the local note. In comparison, the group recorded a RM3.98 million net profit in the corresponding quarter a year ago. (*Source: The Edge*)

PPB Group (CP: RM15.52): Awards RM27m contract

PPB Group Bhd's sub-subsidiary FFM Grains & Mills Sdn Bhd (FGM) has awarded a RM26.68 million contract to build a 500 tonne per day flour mill at its existing plant in Pasir Gudang, Johor to Minsec Engineering Services Sdn Bhd (MES). The contract for the mill construction was awarded based on an open tender; MES is a prequalified contractor and had submitted the lowest tender," PPB said in a filing with the stock exchange. FGM is wholly-owned subsidiary of FFM Bhd, which in turn is an 80%-owned subsidiary of PPB. The works will take 17 months to complete beginning from this month and scheduled to be completed in about 17 months. (*Source: The Sun*)

Bland (CP: RM0.69): Halts work at Jeju Airst City, sues Korean govt unit over land buy issues

Berjaya Land Bhd (Bland) is suing a unit of the Korean government for losses and damages incurred due to an alleged breach of agreement in a land sale agreement in relation to Bland's Jeju Airst City development in Jeju Island, South Korea. However, In Bland's announcement to Bursa Malaysia this evening about the initiation of the legal proceedings, the quantum of losses and damages it is seeking was not specified. Meanwhile, Bland has suspended ongoing development works at Jeju Airst City, a reported 183.8-acre integrated resort development that is said to carry an estimated gross development value of US\$2.4 billion (RM10.34 billion). (Source: *The Edge*)

Petronas: Begins construction of 2nd floating LNG facility in Korea

Petroleum Nasional Bhd (Petronas) has officially begun the construction of the group's Floating LNG2 (PFLNG2) with the keel laying of its second floating liquefaction plant in Geoje Island, South Korea, on Oct 28. In a statement today, Petronas said the second floating LNG facility will enable the liquefaction, production and offloading processing of natural gas in the Rotan field, which is 130 km offshore Sabah. With a capacity of 1.5 million tonnes per annum (mtpa) and designed for deep-water, PFLNG2 is expected to commission in 2018," the group said. Petronas collaborated with JGC Group and Samsung Heavy Industries, the consortium that led the engineering, procurement, construction, installation and commissioning of the PFLNG2. (Source: *The Edge*)

ECONOMIC UPDATES**Malaysia: September exports exceed forecasts**

Malaysia's exports jumped 8.8% to RM70.20bil in September from a year ago, which exceeded economists' forecasts of 3.6% growth, as exports to the European Union, China and the US expanded. The Statistics Department said on Friday that on a month-on-month basis, exports rose RM3.7bil (up 5.5%) from RM66.5bil. In seasonally adjusted terms, exports increased 5.2%. On a on-year basis, the rise in exports was mainly to EU (+RM1.4bil), China (+RM1bil), US (+RM933.5mil), Singapore (+RM923.5mil) and Philippines (+RM618mil). The department imports grew RM5.3bil or 9.6% to RM60.5bil – exceeding the forecast of a 3% increase. Imports grew RM4.1bil or 7.3% from RM56.3bil from a month ago. In seasonally adjusted terms, imports rose 8.9%. (Source: *The Star*)

Malaysia: International reserves at RM418b

The international reserves of Bank Negara Malaysia amounted to RM417.9 billion (US\$94 billion) as at Oct 30, 2015. The reserves position is sufficient to finance 8.7 months of retained imports and is 1.2 times the short-term external debt, the central bank said in a statement last Friday. (Source: *The Sun*)

China: Exports down for 4th month

China's exports declined for a fourth straight month in October, adding to signs of mounting headwinds facing the world's second-largest economy. Overseas shipments dropped 3.6% in October in yuan terms, the customs

administration said, compared with a 1.1% decline in September. Imports fell for a 12th straight month, declining 16% in yuan terms, after a 17.7% decrease the prior month. The trade surplus was 393.2 billion yuan (US\$61.9bil). Chinese exports continue to face structural headwinds due to weak demand in key markets” such as the European Union (EU) and Japan. *(Source: The Star)*

U.S.: Robust US jobs report bolsters case for December rate hike

U.S. job growth surged in October and the unemployment rate hit a 7-1/2-year low of 5.0 percent in a show of economic strength that makes it much more likely the Federal Reserve will raise interest rates in December. Nonfarm payrolls increased 271,000 last month, the largest rise since December 2014, the Labor Department said on Friday. In addition, average hourly earnings rose a respectable 9 cents. The payrolls jump followed modest gains in August and September. The unemployment rate now stands at its lowest level since April 2008 and is in a range many Fed officials see as consistent with full employment. *(Source: The Star)*

U.K.: Osborne will announce new government cuts

British finance minister George Osborne will spell out on Monday the first set of spending cuts to be imposed on government departments as part of an overall 37 billion-pound (\$56 billion) austerity plan to turn Britain's deficit into a surplus by 2020. Osborne, seen as the frontrunner to succeed Prime Minister David Cameron, is seeking to shore up his credentials as a safe pair of hands on the economy after an embarrassing parliamentary defeat over welfare cuts last month. Britain's transport, environment, local government and finance departments will have their day-to-day budgets, excluding capital expenditure, cut by an average of 8 percent a year over the next four years, Osborne will announce, according to advance extracts of the speech. *(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.

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