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Wednesday, November 11, 2015

At a Glance

FBMKLCI rose 0.41 points to finish at 1,686.11 due to stronger-than-expected September IPI numbers.....(See full report next page)

Strategy

“Local Market May Go Against the Tide”

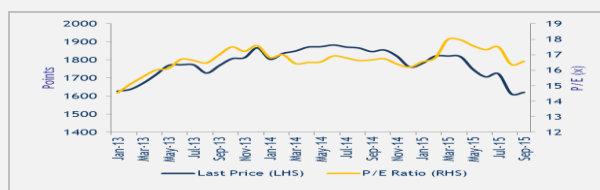
Bursa Malaysia major bellwether index is expected to face greater downside risk.....(See full report next page)

Corporate Highlights

- **SP Setia (CP: RM3.35):** To launch RM500m serviced apartments at KL Eco City in mid-2016
- **Malaysia Smelting Corp (CP: RM2.35):** Profit soars on inventory revaluation
- **BHIC (CP: RM2.29):** Performance falters in Q3

Economic Update

- **Malaysia:** September industrial output exceeds forecasts
- **UK:** Retail sales growth cools in October
- **India:** To Emerge As Winner from Asia's Shrinking Labor Force



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	1,686.11	0.41	0.02
FBMEMAS	11,746.17	12.29	0.10
FBMEMAS SHA	12,622.23	36.87	0.29
FBM100	11,418.35	11.17	0.10
Volume (mn)	2,096.06	-179.60	-7.89
Value (RMmn)	1,703.85	-316.82	-15.68
FBMKLCI YTD Chg			-4.27

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	25.9	-11.4
Local Institution	57.1	65.2
Foreign Investors	17.0	-53.8

Top Gainers

	Close	Change+/-	(+/- %)
KLK	23.40	0.40	1.74
TOP GLOVE	9.72	0.32	3.40
DAIBOCHI PLASTIC	4.62	0.32	7.44

Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	72.40	-0.67	-0.92
HONG LEONG FIN	14.12	-0.42	-2.89
BAT	59.94	-0.26	-0.43

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,758.21	27.73	0.16
NASDAQ	5,083.24	-12.06	-0.24
S&P 500	2,081.72	3.14	0.15
FTSE 100	6,275.28	-19.88	-0.32
DAX	10,832.52	17.07	0.16
Nikkei 225	19,671.26	28.52	0.15
HSI	22,401.70	-325.07	-1.43
KOSPI	1,996.59	-29.11	-1.44
STI	2,997.72	-12.75	-0.42
KLCI Futures	1,650.50	-	-
USDMYR 3M	15.43	0.07	0.00
USDMYR 6M	15.31	0.02	0.00
USDMYR 12M	15.16	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	44	-0.5	-1.2%
Brent (USD/bbl)	47.4	0.3	0.5%
Gold(USD/ounce)	1,091	0.9	0.1%
Coal (USD/mt)	52.2	-0.2	-0.4%
CPO (RM/mt)	2,384	0.0	0.0%
Rubber	121	-1.4	-1.1%
RM/USD	4.38	0.0062	-0.14%
EUR/USD	0.93	-0.0013	-0.14%
YEN/USD	123.10	-0.05	0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average soared 27.73 points to 17,758.21 points, S&P 500 up 3.14 points to 2,081.72. Nasdaq dropped by 12.06 points to 5,147.12. Wall Street ended modestly higher after a choppy session on Tuesday as gains in consumer discretionary stocks offset a drop in Apple and investors hunkered down for a potential interest rate hike next month.
- The report on Apple inflamed already-existing fears of a slowdown in global growth, especially in China, a key market for many U.S. companies including Apple, ahead of the crucial holiday shopping season.

The Local Market

- FBMKLCI rose 0.41 points to finish at 1,686.11 due to stronger-than-expected September IPI numbers. There were 434 gainers and 469 decliners in total value traded of RM1.70 billion.
- Among the gainers on Bursa Malaysia were KLK surged 40 cent to RM23.40, Top Glove jumped 32 cent to RM4.62, Diabochi increased 32 cent to RM4.62 and Kossan gained 29 cent to RM8.70.

Strategy

- **“Local Market May Go Against the Tide”**
Wall Street closed marginally higher as investors picked up attractively valued stocks. **S&P 500** and **DJIA** gained **3.14 (0.15%)** and **27.73 (0.16%)** points to end at **2,081.72** and **17,758.21** respectively. Looking at the recent capital flow in the local market, we found that foreign investors have returned earnestly in the local market, supportive despite the rising odds given the imminent US interest rate adjustment. Few probabilities will take place when that happens (read: US Federal Funds adjustment), widely predicted to take place in December, that is the Ringgit will get hammered along with commodity prices especially oil. Basing on that, Bursa Malaysia major bellwether index is expected to face greater downside risk and hence, the recent accumulation of foreign funds is mind boggling. Therefore, we recommend investors to ‘sell on strength’ given the fact that all major oil producers will be the most to lose once the US starts adjusting its interest rate. We think that the US interest rate adjustment will be done successively and with vengeance as the US Federal Reserve is known not to take chances on inflationary risk more so when the country has hit full employment recently. The coveted full employment environment means that the US spending binge will start again and this will make matter worst when oil price starts to move heavenward. Too late of a response will risk runaway inflation and will be harder to tame, in our view.
- 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

SP Setia (CP: RM3.35): To launch RM500m serviced apartments at KL Eco City in mid-2016

S P Setia Bhd, the country's biggest listed property developer by sales, will launch a serviced apartment project worth RM500 million at its KL Eco City development in the middle of next year. S P Setia acting deputy president and chief operation officer Datuk Wong Tuck Wai said the serviced apartments will be located next to a hotel within the project. To date, the group has launched RM3 billion worth of properties in KL Eco City, which include a 35-storey strata office tower with a gross development value (GDV) of about RM306 million. (Source: The Edge)

Malaysia Smelting Corp (CP: RM2.35): Profit soars on inventory revaluation

Malaysia Smelting Corp Bhd (MSC) has boosted its net profit by 332.5% to RM20.42mil for the third quarter (Q3) ended Sept 30, thanks to a favourable valuation adjustment on tin inventory. The world's second largest tin metal supplier told Bursa Malaysia that this arose from the higher closing tin price at the quarter under review. However, this was partially off-set by a negative impact of foreign currency translation and a lower operating profit of unit Rahman Hydraulic Tin Sdn Bhd's mining operations, it added. The tin mining and smelting group's revenue rose 5.4% year-on-year to RM557.48mil in Q3. (Source: The Star)

BHIC (CP: RM2.29): Performance falters in Q3

Boustead Heavy Industries Corp Bhd's (BHIC) net profit for the third quarter (Q3) shrank 62% year-on-year to RM3.94mil, dragging down the year-to-date cumulative results after posting a promising growth during the first half-year. The maritime and defence solutions provider, with activities ranging from shipbuilding to aerospace parts manufacturing, said its revenue for the quarter ended Sept 30 fell 21% to RM64.92mil from a year earlier. Announcing its interim unaudited results to Bursa Malaysia, the Boustead Holdings subsidiary said its nine-month net profit eased 3.6% to RM21.52mil. For the first six months of the year, its earnings had grown a promising 47.1% against the same period in 2014. (Source: The Star)

Bintulu Port (CP: RM6.83): Profit falls 15.7%

Bintulu Port Holdings Bhd's (BPHB) third-quarter net profit fell 15.7% to RM29.23mil from a year earlier as revenue slipped 2% to RM130.79mil. In its interim unaudited results report filed with Bursa Malaysia, the port operator said the decrease in revenue for the quarter ended Sept 30 was mainly from general cargo and container. BPHB said revenue from construction services for concession infrastructure of RM88.66mil was recognised in Q3 2015 and the corresponding cost of construction for concession services was also recognised. This relates to the development at the Samalaju deepsea port. (Source: The Star)

DKSH (CP: RM4.55): To drive Edgewell's personal care range

DKSH Holdings Malaysia Bhd has been appointed by Edgewell Personal Care Co to drive sale of its personal care products in Malaysia and Singapore. In a

statement released on Monday, the company said its business unit consumer goods will provide marketing, sales, distribution and logistics services to Edgewell in Malaysia and Singapore. Brands under the agreement include Schick® shaving systems, Banana Boat® and Hawaiian Tropic® sun care products as well as Playtex® feminine care products. Additionally, DKSH Smollan Field Marketing (DSFM), a joint venture of DKSH and Smollan, will provide integrated field marketing solutions. The joint venture was established in Malaysia in 2009 and expanded across Asia, including Singapore. *(Source: The Star)*

Hibiscus Petroleum (CP: RM0.37): Proposes to acquire Hydra Energy

Hibiscus Petroleum Bhd has entered a binding equity transaction term sheet to acquire the entire equity interest in Australian oil exploration and production firm Hydra Energy Holdings Pty Ltd (HEH). In its filing with Bursa Malaysia on late Monday, the company said the acquisition would be satisfied via the issuance of new Hibiscus shares and/or in other forms to be mutually agreed to by the parties in the share sale and purchase agreement (SPA). Hibiscus said the proposed acquisition provided it the opportunity to further strengthen its portfolio of assets and enhances its 2P/2C oil reserves/resources in Australia by an additional 15 million-17 million barrels of oil with exploration upside, to 23 million-25 million barrels of oil. *(Source: The Star)*

Iris Corp (CP: RM0.25): Sells stake in Thai company to Yunnan Water HK

Iris Corporation Bhd is selling its 75% stake in a Thai subsidiary PJT Technology Co., Ltd's for US\$24mil (RM103.15mil) to Yunnan Water (Hong Kong) Company Ltd. Iris, which is involved in digital identity and farming, said on Monday the proposed disposal would enable it to unlock the value of assets which are not part of the company's core business. "The proposed disposal is in line with the company's plan to strengthen its balance sheet," it said, adding the sale would free the group from further investments into the Phuket plant. *(Source: The Star)*

ECONOMIC UPDATES

Malaysia: September industrial output exceeds forecasts

Malaysia's industrial production index (IPI) rose stronger than expected in September by 5.1% from a year ago, exceeding estimates of an increase of between 2.9% and 3%. The Statistics Department said on Monday the expansion was driven by positive growth in all indices -- manufacturing (5.6%), mining (4.4%) and electricity (2.6%). It added the IPI in August 2015 was revised to 2.3% on-year due to the revision of electricity index to 2.3% based on revised data received from data provider. "In seasonally adjusted terms, the IPI in September 2015 recorded a growth of 2.4% month-on-month following a rise of the indices: manufacturing (0.1%) and mining (9.2%) but the electricity index declined by 0.8%," it said. *(Source: The Star)*

UK: Retail sales growth cools in October

British retail sales growth cooled last month, marking the weakest performance for the month of October since 2008, according to a survey from the British Retail Consortium on Tuesday. The BRC said the total value of retail sales

between Oct. 4 and Oct. 31 was 0.9 percent higher than in the October period of 2014, down from a 3.9 percent surge in September. The slowdown may have been partly down to shoppers holding off for the November "Black Friday" sales, which have become increasingly popular over the last few years in Britain, the BRC said. *(Source: Reuters)*

India: To Emerge As Winner from Asia's Shrinking Labor Force

Asia's work force is set to shrink over coming decades with India overtaking economic rival China as the region's biggest source of workers. By 2050, the Asia Pacific region will have nearly 50 percent of the world's total work force, down from 62 percent today, according to Bloomberg analysis of United Nations data. The shifting patterns will see India account for 18.8 percent of the global work force compared with 17.8 percent, toppling China from the top spot. China will account for 13 percent, down from 20.9 percent now. The projections, which use working age population as a proxy for labor force, also show a push from Africa, with Nigeria jumping to third spot from ninth and Ethiopia and Congo making it to the top 10. *(Source: Bloomberg)*

India: To allow direct foreign investment in palm oil plantations

India will allow foreign companies to directly invest in palm oil plantations, the government said on Tuesday, as Prime Minister Narendra Modi aims to cut imports of cheap vegetable oils and make the country self-sufficient this decade. Vegetable oils are India's third-highest overseas spend after oil and gold, prompting the government to explore investing \$1.5 billion in the next three years to help farmers grow oil palm trees in an area the size of New Jersey, sources have said. The government said foreign investors can own palm oil as well as coffee, rubber, olive oil tree and cardamom plantations without seeking regulatory permission. *(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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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