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Thursday, November 12, 2015

Report of the Day

Company Update: Bumi Armada - "Potential Tie-up with MISC?"

At a Glance

FBMKLCI declined 20.79 points to finish at 1,665.32 as rising concern on China economic slowdown.....(See full report next page)

Strategy

"Market to Remain Volatile"

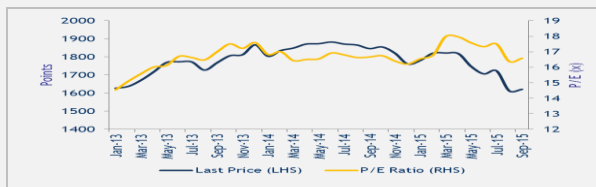
We expect global equity market volatility to continue until then.....(See full report next page)

Corporate Highlights

- **Hibiscus Petroleum (CP: RM0.30):** Says strikes dry well at Sea Lion-1
- **Mudajaya (CP: RM1.11):** Plant commences operations
- **Zecon (CP: RM0.72):** Inks MoU with Unimas to build hospital

Economic Update

- **Japan:** September core machinery orders up 7.5 pct month/month
- **China:** October property investment slows further, sales cool
- **China:** Warns WTO its cheap exports will soon be harder to resist



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%
CN	10-15 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	1,665.32	-20.79	-1.23
FBMEMAS	11,615.24	-130.93	-1.11
FBMEMAS SHA	12,524.89	-97.34	-0.77
FBM100	11,289.58	-128.77	-1.13
Volume (mn)	2,344.03	246.43	11.75
Value (RMmn)	2,305.23	600.85	35.25
FBMKLCI YTD Chg			-5.45

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.4	39.8
Local Institution	52.9	234.7
Foreign Investors	26.7	-274.5

Top Gainers

	Close	Change+/-	(+/- %)
PETDAG	24.08	0.94	4.06
TOP GLOVE CORP	10.00	0.28	2.88
BINTULU PORT	7.10	0.27	3.95

Top Losers

	Close	Change+/-	(+/- %)
BAT	59.30	-0.64	-1.07
HONG LEONG FIN	13.58	-0.54	-3.82
KLK	22.96	-0.44	-1.88

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,702.22	-55.99	-0.32
NASDAQ	5,067.02	-16.22	-0.32
S&P 500	2,075.00	-6.72	-0.32
FTSE 100	6,297.20	21.92	0.35
DAX	10,907.87	75.35	0.70
Nikkei 225	19,691.39	20.13	0.10
HSI	22,352.17	-49.53	-0.22
KOSPI	1,997.27	0.68	0.03
STI	2,985.54	-12.18	-0.41
KLCI Futures	1,618.00	-	-
USDMYR 3M	15.23	0.08	0.01
USDMYR 6M	15.23	0.08	0.00
USDMYR 12M	15.11	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	43	0.1	0.3%
Brent (USD/bbl)	45.8	-1.6	-3.4%
Gold(USD/ounce)	1,087	0.9	0.1%
Coal (USD/mt)	52.2	0.0	0.0%
CPO (RM/mt)	2,330	0.0	0.0%
Rubber	123	1.6	1.3%
RM/USD	4.37	-0.015	0.34%
EUR/USD	0.93	-0.0016	-0.17%
YEN/USD	122.79	-0.07	0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 55.99 points to 17,702.22 points, S&P 500 dropped 6.72 points to 2,075.00. Nasdaq fell by 16.22 points to 5,067.02. 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 declined 20.79 points to finish at 1,665.32 as rising concern on China economic slowdown. There were 279 gainers and 709 decliners in total value traded of RM2.30 billion.
- Among the losers on Bursa Malaysia were BAT fell 64 cent to RM59.30, Hong Leong Financial dropped 54 cent to RM13.58, KLK shed 44 cent to RM22.96 and Hong Leong Bank slid 36 cent to RM13.70.

Strategy

- **“Market to Remain Volatile”**
Wall Street closed lower as investors sold off energy stocks as WTI tanked by over 2%. S&P 500 and DJIA **erased 6.72 (-0.32%)** and **55.99 (-0.32%)** points to end at **2,075.00** and **17,702.22** respectively. We expect global equity market along with global commodity prices to remain volatile particularly approaching December 16th as that will be the day when the US Federal Reserve will issue its final policy decision of the year. We expect see-saw trading pattern to continue more so if the oil price continues its backsliding momentum as evident yesterday when WTI, the global benchmark for oil price coming from North America, slid by over 2%. The repercussion is that major global oil producers' currency will be pulled down as well including the like of Ringgit, Brazilian real, Norway's krone, Russian Rubble, Indonesian rupiah and Australian, New Zealand and Canadian dollar. This will be the implication of the US series of interest rate adjustments. Note that the odds are rising to above 70% probability that the Fed will adjust its interest rate in December especially when the country's unemployment level had touched 5% recently. Hence, we expect global equity market volatility to continue until then.
- 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

Hibiscus Petroleum (CP: RM0.30): Says strikes dry well at Sea Lion-1

Hibiscus Petroleum Bhd says its unit Carnarvon Hibiscus Pty Ltd (CHPL) did not find any zones of commercial hydrocarbons in the Sea Lion-1 well, off Australia. It said on Wednesday it would plug and abandon the Sea Lion-1 well and to demobilise the West Telesto drilling rig from the site. It added that this followed the completion of the wireline evaluation and sampling of formation fluids over the six zones of interest identified on preliminary Sea Lion-1 data. Hibiscus Petroleum's managing director, Dr Kenneth Pereira said, "While the Sea Lion results were disappointing, we are pleased that with the recent announcement of the acquisition of Hydra Energy and their 2P (proven and probable) reserves in Western Australia we have reduced the impact of the unsuccessful Sea Lion well to the company by acquiring more reserves that are synergistic to our current business. (Source: The Star)

Mudajaya (CP: RM1.11): Plant commences operations

Mudajaya Group Bhd's Indonesian 2 x 7 MW coal-fired power plant has commenced commercial operations. This would essentially allow it to submit proposals to the relevant authorities to develop new power plants within the same region. The group said in its filing with Bursa Malaysia on Wednesday that its 46%-owned associate, PT Harmoni Energy Indonesia has achieved commercial operation date for its 2 x 7 MW coal-fired steam power plant in Desa Baruta Analalaki, Southeast Sulawesi, Indonesia on Oct 29, 2015. This was confirmed by PT PLN (Persero) Wilayah Sulawesi Selatan, Sulawesi Tenggara Dan Sulawesi Barat (PLN) on Nov 10. Group managing director and CEO James Wong said this marked a "significant milestone" for the company in its foray into the power sector in Indonesia. (Source: The Star)

Zecon (CP: RM0.72): Inks MoU with Unimas to build hospital

Zecon Bhd has inked an MoU with Universiti Malaysia Sarawak's unit Unimas Holdings Sdn Bhd (UHSB) to undertake the Unimas health metropolis project. It said on Wednesday the project involved building a 300-bed hospital, 90-bed nurses hostel, an annex academic block and a commercial block. Zecon said the commercial block consisted of a nine storey hotel and service apartment, a 12 storey apartment, a 10 storey office tower and a three storey shophouses. Zecon has invited UHSB to take a stake in the equity in the special purpose vehicle (SPV) designated to undertake the commercial block of the project in consideration of UHSB providing land for the project. (Source: The Star)

MAHB (CP: RM5.30): Sees 5.3% fewer passengers in October

Malaysia Airports Holdings Bhd (MAHB) handled 5.3% fewer passengers in October this year compared with the same month last year, due to runway closure and cancellation of flights primarily caused by the haze that had blanketed the Southeast Asian region for months. It saw 6.47 million passengers passing through its 39 airports in Malaysia in October 2015 compared with 6.84 million in October last year. In a filing with Bursa Malaysia today, MAHB said the international sector recorded 3.15 million passengers, down 3.6% year-on-year (y-o-y) from 3.26 million a year ago, while domestic traffic fell 6.8% to 3.33 million passengers from 3.57 million in the previous year. Overall aircraft

movements declined by 4% (in October this year to 66,145), with international and domestic movements registering contractions of 0.3% and 6% respectively over October 2014. *(Source: The Edge)*

Mlabs (CP: RM0.09): Proposes capital reduction

Mlabs Systems Bhd has proposed a capital reduction exercise to reduce the accumulated losses of the company which stood at RM22.5 million as at Dec 31, 2014. The exercise involves the cancellation of 5 sen from the par value of every 10 sen shares and the proposed reduction of the share premium account of RM9.4 million. In a filing with the stock exchange, Mlabs said the move provides the company with greater flexibility to raise funds at a more attractive price and to implement future corporate exercises, which entail the issuance of equity and equity-related securities including, among others, ordinary shares and convertible securities, thus enabling Mlabs to take advantage of future fund raising opportunities as and when the need arises. *(Source: The Sun)*

Weida (CP: RM1.94): To buy land owner for RM6 million

Weida (M) Bhd has terminated a RM6 million land deal with Premium Fortune Sdn Bhd (PFSB) and instead plans to now acquire the company. In a filing with Bursa Malaysia yesterday, Weida said its wholly-owned subsidiary Weida Integrated Industries Sdn Bhd (WII) had entered into a deed of rescission and termination with PFSB to mutually rescind, revoke and terminate a sale and purchase agreement (SPA) on Tuesday. The SPA, dated Aug 17, 2015, was in relation to the acquisition of a 40,140 sq m land in Kuching, Sarawak, for RM6 million cash. WII on Tuesday entered into a sale of shares agreement (SSA) with related parties Datuk Lee Choon Chin and Jee Hon Chong (collectively known as the vendors) to acquire the entire equity interests in the issued and paid-up share capital of PFSB for RM6 million cash. *(Source: The Sun)*

Axis REIT (CP: RM1.59): Buys Kulai business property for RM61mil

Axis Real Estate Investment Trust (REIT) is adding a two-storey office building with four single-storey detached factories in iPark industrial area in Kulai, Johor. Axis REIT Managers Bhd (ARMB), which manages the business and industrial REIT, told Bursa Malaysia that the fund proposed to acquire the property on 3.95ha freehold land for RM61mil cash from Axis AME IP Sdn Bhd, a company which is a related party to certain ARMB directors who are also Axis-REIT untholders. Axis AME IP Sdn Bhd is involved in the joint venture to develop the industrial city. ARMB directors Datuk George Stewart LaBrooy (chief executive officer), Stephen Tew Peng Hwee and Datuk Abas Carl Gunnar Abdullah (executive deputy chairman) hold 20%, 20% and 40% indirect interest in Axis AME IP. *(Source: The Star)*

SEG International (CP: RM1.40): 3Q net profit up 7.4%

SEG International's (SEGi) net profit rose 7.4% to RM5.09 million or 0.75 sen a share for its third quarter ended Sept 30, 2015 (3QFY15) from RM4.74 million or 0.74 sen a share a year ago, mainly due to better product mix and better demand for higher end programmes. Revenue for 3QFY15 also increased 2.4% to RM61.37 million from RM59.92 million in 3QFY14. For the nine-month period (9MFY15), its net profit jumped 27.7% to RM23.86 million or 3.44 sen a share

from RM18.69 million or 2.91 sen a share in 9MFY14. Revenue for 9MFY15 rose 5.8% to RM193.8 million from RM183.25 million in 9MFY14. *(Source: The Edge)*

Guocoland (CP: RM1.38): 1Q net profit rises sevenfold on valuation gain

Guocoland (Malaysia) saw its net profit surge more than sevenfold to RM21.33 million in the first quarter ended Sept 30, 2015 (1QFY16) from RM2.78 million last year, on higher revenue and recognition of fair value gain amounting to RM16.7 million arising from the valuation of investment properties. Earnings per share for 1QFY16 was 3.18 sen compared to 0.42 sen in the previous year. In a filing with Bursa Malaysia today, the property developer also said revenue rose 148% to RM70.81 million, from RM28.50 million last year. The increase in revenue was mainly due to higher contribution from the group's residential project in Damansara City and commercial project in PJ City Corporate Hub. *(Source: The Edge)*

Petronas: Q3 earnings tumble 87% to RM1.4b

It's a tough period for the oil and gas sector and Petroliaam Nasional Bhd is feeling it for its third quarter results. Its president and CEO Datuk Wan Zulkiflee Wan Ariffin said on Wednesday. Due to higher asset impairments and net foreign exchange loss on US dollar borrowing, its net profit plunged 87% to RM1.4bil for the third quarter ended Sept 30, 2015 from RM11.1bil in the previous quarter. During the quarter, Brent crude was trading at an average of US\$50.26 per barrel, which shed about a-fifth from the previous quarter. *(Source: The Star)*

ECONOMIC UPDATES

Japan: September core machinery orders up 7.5 pct month/month

Japan's core machinery orders rose 7.5 percent in September for the first increase in four months, Cabinet Office data showed on Thursday, in an encouraging sign for capital expenditure. Companies surveyed by the Cabinet Office forecast that core orders will rise 2.9 percent in October-December from the previous quarter. Orders fell 10.0 percent in July-September, marking the first decline in five quarters. Compared with a year earlier, core orders, a highly volatile data series regarded as an indicator of capital spending in the coming six to nine months, fell 1.7 percent in September. *(Source: Reuters)*

China: October property investment slows further, sales cool

Annual growth in real estate investment in China slowed further in October while sales cooled slightly, pointing to persistent weakness in the property market that could continue to drag on the broader economy. Property investment, a crucial growth driver, grew 2.0 percent in the first 10 months from a year earlier, down from an annual rise of 2.6 percent in the January to September period, the National Bureau of Statistics(NBS) said on Wednesday. That was the slowest rate since early 2009. New construction fell 13.9 percent during January to October period from a year earlier, worsening from a 12.6 percent annual drop in the first nine months, the NBS data showed. *(Source: The Star)*

China: Warns WTO its cheap exports will soon be harder to resist

China has served notice to World Trade Organization members including the European Union and United States that complaints about its cheap exports will need to meet a higher standard from December 2016, a Beijing envoy said at a WTO meeting. Ever since it joined the WTO in 2001, China has frequently attracted complaints that its exports are being "dumped", or sold at unfairly cheap prices on foreign markets. China's representative at a WTO meeting on Tuesday said the practice was "outdated, unfair and discriminatory" and under its membership terms, it would automatically be treated as a "market economy" after 15 years, which meant Dec. 11, 2016. (Source: Reuters)

Europe: ECB mulls buying debt of cities and regions

The European Central Bank is examining whether to buy municipal bonds of cities such as Paris or regions like Bavaria, according to people with knowledge of a possible extension of its one-trillion-euro-plus money printing scheme. This regional bond buying could be one in a series of measures to be rolled out in the coming months, although one of the sources said time was short for a full launch in December and that this would likely come by March next year. The ECB declined to comment. Despite the ECB's scheme of quantitative easing (QE) to buy chiefly state bonds, the euro zone's economy is growing only modestly and the central bank is urgently considering what more it can do to improve it and stagnant price inflation. (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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