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Friday, November 13, 2015

At a Glance

FBMKLCI declined 2.12 points to finish at 1,663.20 due losses in selected heavyweight counters.....(See full report next page)

Strategy

"Wall Street Tank Precipitously"

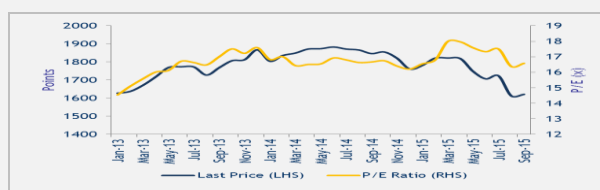
In the immediate term we expect the storm to continue raging and the best fortification is to stay away.....(See full report next page)

Corporate Highlights

- **TSH Resources, HOLD (TP: RM1.95):** Signs MoU with Sabah Government to preserve Meliau range forest
- **WCT, BUY (TP: RM1.62):** Bags RM315.6 million Petronas EPCC job
- **Supermax (CP: RM2.45):** Clinches NHS licence to supply gloves to UK hospitals

Economic Update

- **Malaysia:** Report on TPPA cost-benefit analyses ready in 10 days
- **China:** Credit Growth Slows As Tepid Economy Erodes Loan Demand
- **U.S.:** Budget deficit widens to \$136 billion in October



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	1,663.20	-2.12	-0.13
FBMEMAS	11,601.88	-13.36	-0.12
FBMEMAS SHA	12,494.37	-30.52	-0.24
FBM100	11,272.14	-17.44	-0.15
Volume (mn)	2,137.20	-206.83	-8.82
Value (RMmn)	1,846.34	-458.89	-19.91
FBMKLCI YTD Chg			-5.57

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	22.1	36.3
Local Institution	58.7	27.9
Foreign Investors	19.2	-64.2

Top Gainers

	Close	Change+/-	(+/- %)
TIEN WAH	2.34	0.52	28.57
HCK CAPITAL	3.45	0.39	12.75
MALAYSIAN PAC	7.47	0.34	4.77

Top Losers

	Close	Change+/-	(+/- %)
PETRONAS DAG	23.42	-0.66	-2.74
PPB GROUP	15.32	-0.42	-2.67
KLK	22.54	-0.42	-1.83

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,448.07	-254.15	-1.44
NASDAQ	5,005.08	-61.94	-1.22
S&P 500	2,045.97	-29.03	-1.40
FTSE 100	6,178.68	-118.52	-1.88
DAX	10,782.63	-125.24	-1.15
Nikkei 225	19,697.77	6.38	0.03
HSI	22,888.92	536.75	2.40
KOSPI	1,993.36	-3.91	-0.20
STI	2,960.58	-21.01	-0.70
KLCI Futures	1,615.00	-	-
USDMYR 3M	14.98	0.01	0.00
USDMYR 6M	14.93	0.02	0.00
USDMYR 12M	14.76	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	-0.1	-0.2%
Brent (USD/bbl)	44.1	-1.8	-3.8%
Gold(USD/ounce)	1,084	-1.0	-0.1%
Coal (USD/mt)	52.2	0.0	0.0%
CPO (RM/mt)	2,333	1.0	0.0%
Rubber	123	0.4	0.3%
RM/USD	4.37	-0.0025	0.06%
EUR/USD	0.93	0.0005	0.05%
YEN/USD	122.60	-0.01	0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 254.15 points to 17,448.07 points, S&P 500 dropped 29.03 points to 2,045.97. Nasdaq fell by 61.94 points to 5,005.08. Stocks fell the most in six weeks Thursday as a rout in commodities pressured energy and raw-materials providers while investors braced for the first rise in interest rates since 2006.
- Tighter policy expectations coming out of the Fed has led to a mini rally in the dollar and inflation expectations seem fairly well-anchored so additional pressure on commodities is not really a surprise

The Local Market

- FBMKLCI declined 2.12 points to finish at 1,663.20 due losses in selected heavyweight counters. There were 476 gainers and 409 decliners in total value traded of RM1.85 billion.
- Among the losers on Bursa Malaysia were PetDag fell 66 cent to RM23.42, PPB Group dropped 42 cent to RM15.32, KKK shed 42 cent to RM22.54 and Lafarge slid 18 cent to RM8.90.

Strategy

- **“Wall Street Tank Precipitously”**
Wall Street performance dropped precipitously on Thursday decimated by US policy maker hint, continuing backsliding of oil price and IMF lower global GDP forecast for 2015 and 2016 respectively. S&P 500 and DJIA erased 29.03 (-1.40%) and 254.15 (-1.44%) points to end at 2,045.97 and 17,448.07 respectively, pushing both indexes to be in the red for the year. Note that one of US policy makers hinted yesterday that the US may be ripe and ready for its first interest rate adjustment given the strength of economic data thus far. Comments by New York Fed President William Dudley has certainly sent chill down investors spine, pushing them to unload shares big time. Added to that, sentiment was also hammered by the drop in oil price (WTI) that slid by 0.29%. Finally, IMF has cut, yet again, its global growth forecast for 2015 and 2016 to 3.1% and 3.6% from 3.3% and 3.8%, citing rising unemployment and declining commodity prices as catalyst that could raise downside risks. It seems that global equity market catalyst is fast depleting and yet the negative catalyst is rising inexorably which suggest that upside potential is limited, at least until the storm is over. Hence, in the immediate term we expect the storm to continue raging and the best fortification is to stay away.
- 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

TSH Resources, HOLD (TP: RM1.95): Signs MoU with Sabah Government to preserve Meliau range forest

TSH Resources Bhd is surrendering 30,000 hectares to the Sabah state government to preserve the natural habitat of the Meliau Range forest. In a statement, Sabah-based TSH said it signed a memorandum of understanding with the Sabah government yesterday to reaffirm its commitment in promoting sustainable development. "The 30,000ha are to be designated as Class 1 Forest Reserve, the highest category for environmental protection and biodiversity preservation," it said. It said the ultramafic forests of Borneo Island, with their unique vegetation and biodiversity, can be found in Meliau Range. *(Source: Bernama)*

WCT, BUY (TP: RM1.62): Bags RM315.6 million Petronas EPCC job

WCT Holdings Bhd has clinched a RM315.56 million contract from Petroliaam Nasional Berhad (Petronas) for the engineering, procurement, construction and commissioning (EPCC) of substations, field auxiliary rooms, operator shelter building and local control building. In a filing with the stock exchange, WCT said the scope of works for the contract includes earthworks, environmental protection, piling and foundation works, architectural works, architectural modelling works, building structural works, building services works, health, safety and environmental design, civil works and external works. The works under the contract are expected to be completed in 33 months. It is expected to contribute positively to the group's future earnings and net assets. *(Source: The Sun)*

Supermax (CP: RM2.45): Clinches NHS licence to supply gloves to UK hospitals

Supermax Corp Bhd's receipt of a licence to supply medical gloves to the National Health Service (NHS) in the United Kingdom (UK) is expected to contribute positively to its earnings and net assets for four years from the financial year ending June 30, 2017. In a filing with Bursa Malaysia today, Supermax said its UK-based wholly-owned Supermax Healthcare Ltd was awarded the licence by NHS, which covers every UK hospital. Through the award, Supermax would be able to benefit from the business that sees an annual medical glove consumption worth about £50 million (RM332 million). With this licence, Supermax will be in a position to capture a share of the lucrative NHS business. There will be no immediate significant financial impact in the coming quarters from the award. *(Source: The Edge)*

AZRB (CP: RM0.66): AZRB, Getrahome secure two Kwasa Damansara projects

Ahmad Zaki Resources Bhd (AZRB) and Getrahome Sdn Bhd were the two successful bidders for its residential projects under the Bumiputera developer category in Kwasa Damansara. Master developer Kwasa Land Sdn Bhd said on Thursday they were the two successful developers among the 21 pre-qualified Bumiputera developers which were invited on May 14 to pitch for the projects. AZRB's unit Ahmad Zaki Sdn Bhd was awarded the R3-4 project while Getrahome was awarded the R3-3 project. The letter of award stipulated conditions for the parties to finalise and to sign the development rights agreement within 60 days. *(Source: The Star)*

Instacom (CP: RM0.225): Awarded three contracts worth RM259m

Instacom Group Bhd has bagged three contracts with a total value of RM259.29 million. In a filing with the stock exchange, Instacom said it had on Nov 12 received the award from CRCC Malaysia Bhd, for construction works of a second package mixed commercial development known as 1Gateway in Klang for RM195.53 million. On the same day, CRCC Malaysia also awarded Instacom a RM34.76 million contract for the construction of the second package condominium project known as Pavilion Hilltop in Mont Kiara.)The projects are expected to be completed within three years. In a separate announcement, Instacom announced that it was awarded a RM29 million project by Teras Millenium Sdn Bhd to supply, deliver and install tower structures. (Source: *The Sun*)

Inari Amertron (CP: RM3.82): 1Q earnings jump 34.8%, pays 2.8 sen dividend

Favourable US dollar exchange movements pulled up Inari Amertron Bhd's net profit by 34.8% to RM45.5 million or 6.24 sen per share in its first quarter ended Sept 30, 2015 (1QFY16), compared with RM33.8 million or 6 sen per share last year. For the same reason, its revenue for the latest quarter grew by 24% to RM274.9 million from RM221.9 million in 1QFY15, its filing to Bursa Malaysia today showed. It also announced a dividend payout of 2.8 sen, comprising a first single-tier interim dividend of 2.3 sen, and a special single-tier dividend of 0.5 sen, which is payable on Dec 16. Inari Amertron is involved in back-end semiconductor packaging, comprising back-end wafer processing, package assembly and radio frequency (RF) final testing for the semiconductor industry, with customers in the wireless communication segment. (Source: *The Edge*)

Only World (CP: RM2.69): Group 1Q net profit growth flat

Leisure and hospitality services provider Only World Group Holdings Bhd's (OWG) net profit saw flat growth to RM3.05 million or 1.6 sen a share for the first financial quarter ended Sept 30, 2015 (1QFY16) from RM3.04 million or 2.4 sen a share a year ago, due to higher administrative expenses, mainly start-up costs incurred for new outlets at Komtar Penang. Revenue for 1QFY16 grew 18% to RM22.68 million from RM19.22 million in 1QFY15. The group also declared a first interim dividend of 2.8 sen a share for the financial year ending June 30, 2016 (FY16), payable on Nov 16. In a filing with Bursa Malaysia today, OWG said the group's operations are inherently seasonal in nature and generally experience a pick-up in number of patrons during the weekends and holiday seasons. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: Report on TPPA cost-benefit analyses ready in 10 days

The report on two cost-benefit analyses on Malaysia's participation in the Trans-Pacific Partnership Agreement (TPPA) will be ready in 10 days. International Trade and Industry Minister Datuk Seri Mustapa Mohamed said the report would be presented to the Cabinet before being made public. On Indonesia's interest in TPPA, Mustapa said he welcomed the country's participation as the deal would give it greater access to markets. Giving an example, he said, the Asia-Pacific Economic Cooperation's (Apec) 21 members, including Indonesia, China, South Korea and Taiwan, had been successful, and this would be the same for TPPA members as the pact was opened for accession by other Apec economies. *(Source: The Star)*

China: Credit Growth Slows As Tepid Economy Erodes Loan Demand

China's broadest measure of new credit fell in October, adding to evidence six central bank interest-rate cuts in a year haven't spurred a sustained pick up in borrowing. Aggregate financing was 476.7 billion yuan (\$75 billion), according to a report from the People's Bank of China on Thursday. That compared to a projection by economists for 1.05 trillion yuan and September's reading of 1.3 trillion yuan. The data underscore the government's challenge to spur an economic recovery even after boosting fiscal stimulus and continued monetary easing. Authorities have said they won't tolerate a sharp slowdown in the next five years. *(Source: Bloomberg)*

Australia: Unemployment dives to 5.9 per cent in October as 58,600 new jobs created

Australia's unemployment rate has dived to 5.9 per cent driven by a surprisingly strong growth in new jobs. The October figure is the lowest rate of unemployment since April 2014 and down 0.3 per cent on the September. In seasonally adjusted terms the number of jobs increased by 58,600, a substantial increase on the market forecast of 15,000. Full-time employment increased by 40,000, while part time jobs were up 18,600. The number of people looking for jobs also increased with the participation rate up 0.1 per cent to 65 per cent. *(Source: ABC Online)*

Philippines: Holds Interest Rates as Peso Slumps to Six-Year Low

The Philippines left its benchmark interest rate unchanged for a ninth straight meeting, joining neighbors from Indonesia to Thailand in refraining from easing as the impending increase in U.S. borrowing costs threatens emerging-market currencies. Bangko Sentral ng Pilipinas kept the rate it pays lenders for overnight deposits at 4 percent, it said in Manila Thursday, as predicted by all 16 economists surveyed by Bloomberg. Policy makers also held the rate on so-called special deposit accounts at 2.5 percent, as forecast by all seven analysts surveyed. *(Source: Bloomberg)*

U.S.: Budget deficit widens to \$136 billion in October

The United States posted a budget deficit of \$136 billion, up 12 percent from the same period last year, the Treasury Department said on Thursday. Analysts polled by Reuters had expected a \$130 billion deficit for last month. The

government had a deficit of \$122 billion in October of 2014, according to Treasury's monthly budget statement. Differences in monthly calendar adjustments and outlays to account for benefit payments shifting into last month from November contributed to the widening of the deficit. Accounting for those adjustments would leave the October deficit at \$80 billion, roughly the same level as the adjusted figure for October 2014. The current fiscal year-to-date deficit stood at \$136 billion. *(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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