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Monday, November 16, 2015

Report of the Day

Economic Report: 3Q15 GDP-"Marginally Scathe from the Storm; 3Q15 GDP Touch 4.7%"

At a Glance

FBMKLCI erased 4.29 points to finish at 1,658.91 in tandem with negative regional market sentiment.....(See full report next page)

Strategy

"Terrorist Attack in Paris Could Stock Fear"

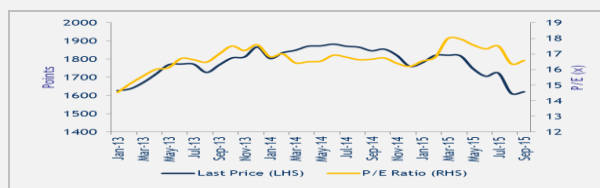
The best fortification is to stay away until the coast in clear.....(See full report next page)

Corporate Highlights

- **Axiata, BUY (TP: RM7.10):** Issues 2nd multi-currency bond tranche
- **Westports (CP: RM4.32):** Q3 earnings slip to RM130m as tax expenses double
- **Pos Malaysia (CP: RM3.82):** Expects Islamic pawnbroking arm to disburse RM1bil

Economic Update

- **Malaysia:** Economy grew 4.7% in Q3 of 2015
- **Malaysia:** Business confidence drops on China slowdown
- **China:** Yuan takes leap towards joining IMF currency basket



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	16-Nov	6:00 PM	CPI MoM	-	0.2%
EU	16-Nov	6:00 PM	CPI YoY	-	0.0%
EU	16-Nov	6:00 PM	CPI Core YoY	-	1.0%
JP	16-Nov	7:50 AM	GDP SA QoQ	-0.1%	-0.3%
JP	16-Nov	7:50 AM	GDP Annualized SA QoQ	-0.3%	-1.2%
JP	16-Nov	7:50 AM	GDP Deflator YoY	1.7%	1.5%
US	16-Nov	9:30 PM	Empire Manufacturing	-5.0	-11.4
US	17-Nov	9:30 PM	CPI MoM	0.2%	-0.2%
US	17-Nov	9:30 PM	CPI Ex Food and Energy MoM	0.2%	0.2%
US	17-Nov	9:30 PM	CPI YoY	0.1%	0.0%
US	17-Nov	9:30 PM	CPI Ex Food and Energy YoY	1.8%	1.9%
US	17-Nov	10:15 PM	Industrial Production MoM	0.1%	-0.2%
CN	18-Nov	9:30 AM	China October Property Prices	-	-
US	18-Nov	8:00 PM	MBA Mortgage Applications	-	-
US	18-Nov	9:30 PM	Housing Starts	1157K	1206K
US	18-Nov	9:30 PM	Buildings Permits	1139K	1103K
JP	19-Nov	7:50 AM	Exports YoY	-	0.6
JP	19-Nov	7:50 AM	Imports YoY	-	-11.1
US	19-Nov	9:30 PM	Initial Jobless Claims	-	-
US	19-Nov	9:30 PM	Continuing Claims	-	-
US	19-Nov	10:45 PM	Bloomberg Consumer Comfort	-	-
US	19-Nov	11:00 PM	Leading Index	0.5%	-0.2%
EU	20-Nov	11:00 PM	Consumer Confidence	-	-7.7
CN	20-Nov	10:00 AM	Conference Board China October Leading Economic Index	-	-
MY	20-Nov	12:00 PM	CPI YoY	-	2.6%
MY	20-Nov	-	Foreign Reserves	-	\$94.0B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,658.91	-4.29	-0.26
FBMEMAS	11,567.02	-34.86	-0.30
FBMEMAS SHA	12,463.67	-30.70	-0.25
FBM100	11,238.32	-33.82	-0.30
Volume (mn)	2,210.26	73.06	3.42
Value (RMmn)	2,137.27	290.93	15.76
FBMKLCI YTD Chg			-5.81

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	21.0	41.4
Local Institution	54.2	290.1
Foreign Investors	24.8	-321.5

Top Gainers

	Close	Change+/-	(+/- %)
FRASER & NEAVE	18.46	0.48	2.67
PANASONIC MAN	22.60	0.46	2.08
XOX BHD	0.58	0.09	17.35

Top Losers

	Close	Change+/-	(+/- %)
BAT	58.30	-0.42	-0.72
FAR EAST HLDGS	7.50	-0.25	-3.23
HUAT LAI RESOUR	4.71	-0.24	-4.85

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,245.24	-202.83	-1.16
NASDAQ	4,927.88	-77.20	-1.54
S&P 500	2,023.04	-22.93	-1.12
FTSE 100	6,118.28	-60.40	-0.98
DAX	10,708.40	-74.23	-0.69
Nikkei 225	19,596.91	-100.86	-0.51
HSI	22,396.14	-492.78	-2.15
KOSPI	1,973.29	-20.07	-1.01
STI	2,929.05	-29.96	-1.01
KLCI Futures	1,612.50	2.50	0.00
USDMYR 3M	14.96	0.16	0.01
USDMYR 6M	14.90	0.05	0.00
USDMYR 12M	14.78	0.04	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	41	0.1	0.2%
Brent (USD/bbl)	44.6	0.1	0.2%
Gold(USD/ounce)	1,088	4.1	0.4%
Coal (USD/mt)	52.4	0.3	0.5%
CPO (RM/mt)	2,344	-33.0	-1.4%
Rubber	124	1.4	1.1%
RM/USD	4.38	0.013	-0.30%
EUR/USD	0.93	0.006	0.65%
YEN/USD	122.38	-0.23	0.19%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 202.83 points to 17,245.24 points, S&P 500 dropped 22.93 points to 2,023.04. Nasdaq fell by 77.20 points to 4,927.88. Wall Street fell sharply on Friday and capped off its worst week since the dark days of August, hurt by a selloff in technology companies, while department stores dropped on concerns about the upcoming holiday shopping season.
- Retailers were hit by disappointing reports from department store chains. Nordstrom lowered its full-year forecast on Thursday, spooking investors already on edge after Macy's cut its forecast on Wednesday. In addition, data showed U.S. retail sales rose less than expected in October, suggesting a slowdown in consumer spending.

The Local Market

- FBMKLCI erased 4.29 points to finish at 1,658.91 in tandem with negative regional market sentiment. There were 339 gainers and 558 decliners in total value traded of RM2.13 billion.
- Among the losers on Bursa Malaysia were BAT dropped 42 cent to RM58.30, Far East Holdings declined 25 cent to RM7.50, Huat Lai fell 24 cent to RM4.71 and Hap Seng decreased 23 cent to RM6.24.

Strategy

- **“Terrorist Attack in Paris Could Stock Fear”**
Wall Street finished last Friday's trading in the red yet again, wedged by the elevation of risks to global growth, battered by the prospects of US interest rate adjustments, the likelihood of China and emerging countries cooling economy apart from increasing downside risk to global commodity prices in the near term. S&P 500 and DJIA unloaded 22.93 (-1.12%) and 202.83 (-1.16%) to finish at 2,023.04 and 17,245.24 as a result. While we are cognizant of the factors mentioned above that could hurt sentiment against the global equity market but we are more concern of the elevation in fear over the recent terrorists attack in Paris (France) that could be harbinger to greater attack in advanced economies, notably in Europe, the heart of global financial market, in the near future. We are concern that there could be another unwelcome point of stress in the already overwhelming downside risks to global capital markets if this gets out of hand. The fear of attack may push investors towards safe haven liquid assets, notably the US treasury, USD, Japanese yen, Swiss franc and gold, pulling liquidity out of the global equity market until the storm recede. This uncertainty and jitteriness may cause another backslide in the global equity market unless the authority can calm nervousness for the time being. As mentioned and in line with the elevation in global headwinds, the best fortification is to stay away until the coast is clear.

- 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

Axiata, BUY (TP: RM7.10): Issues 2nd multi-currency bond tranche

Axiata Group Bhd is issuing a US\$500m (RM2.183 billion) Islamic bond, which forms the second portion of the mobile telecommunication network provider's multi-currency US\$1.5 billion sukuk scheme. In a statement to Bursa Malaysia, Axiata said the five-year US\$500m sukuk carried an annual profit rate of 3.466%. "The book-building process for the second series was completed intra-day on 12 November 2015," Axiata said. The company said the sukuk was expected to be listed on Bursa Malaysia and the Singapore bourse. In a separate statement, Axiata president and group chief executive officer Datuk Seri Jamaludin Ibrahim said the sukuk had attracted interest from Islamic and conventional institutional investors. (Source: The Edge)

Westports (CP: RM4.32): Q3 earnings slip to RM130m as tax expenses double

Westports Holdings Bhd's earnings were lower at RM130.04mil in the third quarter ended Sept 30, 2015 due to higher tax expenses which doubled from a year ago. The port operator said on Friday the earnings fell 7.6% from RM140.87mil a year ago. Tax expenses increased to RM32.29mil from RM15.40mil. Earnings per share were 3.81 sen compared with 4.13 sen. "Container throughput has increased by 6% from 2.16 million to 2.29 million twenty-foot equivalent units (TEUs) for period under review. The group recorded profit before tax of RM162.33mil for Q315 compared to RM156.27mil for the quarter ended Sept 30, 2014, an increase of 4%. The improvement in profitability was mainly attributed to reduction of fuel cost. (Source: The Star)

Pos Malaysia (CP: RM3.82): Expects Islamic pawnbroking arm to disburse RM1bil

Pos Malaysia Bhd expects its wholly-owned subsidiary Pos Ar-Rahnu Sdn Bhd to disburse RM1bil in financing through its Islamic pawnbroking (Ar-Rahnu) business by 2018. Ar-Rahnu is a syariah-based pawnbroking system for short-term collateralised borrowing. Chief executive officer Datuk Mohd Shukrie Mohd Salleh said since its inception in June 2012 until Oct 31, 2015, Pos Ar-Rahnu has disbursed more than RM700mil in financing to over 100,000 customers including foreigners. Pos Malaysia also targets its Ar-Rahnu business segment to contribute between RM25mil and RM30mil to its overall revenue for its upcoming financial year. (Source: The Star)

MBSB (CP: RM1.69): Unable to meet return on equity target due to lower operating profit

Malaysia Building Society Bhd (MBSB) says it did not meet the annualised group net return on equity (ROE) due to lower operating profit. MBSB said on Friday the annualised net ROE was 7.6% for the nine months ended Sept 30, 2015 compared with the target 2015 headline key performance indicators of 12.5%. However, the annualised group net ROE did not meet the target set mainly due

to lower operating profit as a result of higher impairment losses on loans, advances and financing," it said. MBSB said its annualised group revenue growth for Q3 met the targeted headline KPI mainly due to higher income from investments and higher financing income from corporate segments. *(Source: The Star)*

Boustead (CP: RM3.98): Boustead, LTAT sign shareholders' agreement to jointly manage AES

Boustead Holdings Bhd said it has today signed a shareholders' agreement (SA) with parent Lembaga Tabung Angkatan Tentera (LTAT) to regulate their relationship following Boustead's acquisition of a 50% stake in Irat Properties Sdn Bhd for RM199 million. Boustead first made the announcement in March this year. The acquisition sees Boustead acquiring a stake in the controversial automated enforcement system (AES) in which Irat holds a five-year concession after the latter's acquisition of Beta Tegap Sdn Bhd and ATES Sdn Bhd, as well as two properties here, namely the Chulan Tower office block and The Royale Chulan Kuala Lumpur Hotel worth a combined RM508 million. The SA sets out their respective commitments, rights and obligations in relation to the management and functioning of Irat and other matters incidental thereto. *(Source: The Edge)*

7-Eleven (CP: RM1.42): Scraps plans for distribution centre, reallocates IPO proceeds

7-Eleven Malaysia Holdings Bhd, the country's largest convenience store chain controlled by tycoon Tan Sri Vincent Tan, has scrapped plans to use RM40.79 million from its initial public offering (IPO) to build a combined distribution centre (CDC). Instead, the money will now be allocated for working capital. In a filing with Bursa Malaysia today, 7-Eleven Malaysia said the RM40.79 million was part of a proposed utilisation for total capital expenditure (capex) of RM184.79 million as contained in its IPO prospectus. The amount of RM40.79 million, which was allocated for the construction of the CDC, remained unutilised as at Aug 28. The board of directors of the group wishes to announce that they have approved for the unutilised balance of RM40.79 million to be re-allocated for working capital which will further support the continued growth of our business. *(Source: The Edge)*

BP Plastics (CP: RM1.52): 3Q profit quadruples on higher efficiency

BP Plastics Holding Bhd saw its net profit for the third quarter ended Sept 30, 2015 jump more than fourfold to RM5.95 million from RM1.41 million a year ago, primarily on higher revenue and lower cost of sales. Its revenue for the period came in at RM68.4 million, up 3.06% from RM66.37 million previously, its filing on Bursa Malaysia yesterday showed. For the nine-month period (9MFY15), its net profit almost doubled to RM13.78 million from RM7.83 million in the same corresponding period last year, due to a better product mix and higher process efficiencies. Revenue for the cumulative period was however lower by 5.55% at RM202.39 million compared with RM214.28 million in the same period a year ago, "due to weakened domestic market sales. *(Source: The Edge)*

CCM (CP: RM1.00): CCM and Y&G calls truce over land dispute

Chemical Company of Malaysia Bhd (CCM) has called a truce with property developer Y&G Corp Bhd over a land dispute. In a filing with Bursa Malaysia today, CCM said the settlement of the legal dispute in respect of its claims has been reached with Y&G after the latter agreed to its proposed terms of settlement. CCM said the terms include the termination of the lease granted to Y&G by CCM. Y&G also agreed to waive all of its rights against CCM under the lease. In connection with the termination of the lease, CCM has the right to re-enter and to re-occupy the premises with immediate effect. CCM said Y&G has agreed to surrender the lease and to execute and deliver to CCM or its solicitors any and all documents necessary and/or incidental to effect the registration of the surrender of the lease, including but not limited to documents relating to Y&G's change of name. *(Source: The Edge)*

Lay Hong (CP: RM6.52): Seeks more time to conclude JV overseas

Lay Hong Bhd, which is in talks in relation to a possible joint venture (JV) project to invest in an integrated livestock business overseas, said it now needs more time to seal the possible corporate exercise. In a filing with Bursa Malaysia today, Lay Hong said the negotiations between it and the two foreign parties are still ongoing. The company expects to conclude and execute the definitive agreement(s) in less than three months," the poultry egg producer said, adding that it needs more time to finalise the terms. Initially, the group had expected to conclude the deal within two months, according to its filing on Nov 3. Lay Hong said it will make the necessary announcement in respect of any material information in compliance with Bursa Securities Main Market listing requirements. *(Source: The Edge)*

Encorp (CP: RM0.78): Unit forms tie-up to develop Aussie land

Encorp Bhd subsidiary Encorp Development Pty Ltd (EDPL) has partnered Australian property development company, Tew Investments Pty Ltd (TIPL), to develop a piece of freehold land in Perth, Australia. In a filing with Bursa Malaysia, Encorp said the land was located at Tea Tree Close Cockburn Central, about 18 km south of Perth Central Business District. The land will be developed into a multi-level mixed development project comprising commercial units and 165 apartments. On a preliminary basis, the gross development value of the project is A\$75.41mil. As of today, the development plan of the project has yet to be finalized. Encorp said the joint venture would provide EDPL with the opportunity to unlock the value of the land, which was currently vacant, and allow it to enjoy the prospects from participating in the project development. *(Source: The Star)*

ECONOMIC UPDATES

Malaysia: Economy grew 4.7% in Q3 of 2015

Malaysia's economy expanded 4.7% in the third quarter ended Sept 30, 2015, underpinned by the services and manufacturing sectors, which was in line with forecasts. Bank Negara Governor Tan Sri Dr Zeti Akhtar Aziz said on Friday that the private sector remained the anchor of growth. Private consumption grew 4.1% while private investments rose 5.5%. Public sector consumption, on the other hand, expanded 3.5% and investments were up 1.8%. Zeti again stuck to a cautious assessment of the economy and its outlook, saying that the current situation called for alertness but not alarm. *(Source: The Star)*

Malaysia: Business confidence drops on China slowdown

Business confidence in Malaysia saw especially sharp falls in the third quarter (Q3) of 2015 as China's problems have cast a long shadow over the Asia Pacific region, according to the latest global survey of accountants. The Global Economic Conditions Survey (GECS) carried out jointly by the Association of Chartered Certified Accountants (ACCA) and Institute of Management Accountants (IMA) for Q3'15 said Malaysia, Indonesia and Australia have benefitted over the last decade from China's investment boom, both in the form of direct Chinese demand for their exports and, perhaps more importantly, from higher commodity prices that it helped to create. *(Source: The Sun)*

China: Yuan takes leap towards joining IMF currency basket

China's yuan moved closer to joining other top global currencies in the International Monetary Fund's benchmark foreign exchange basket on Friday after Fund staff and IMF chief Christine Lagarde gave the move the thumbs up. The recommendation paves the way for the Fund's executive board, which has the final say, to place the yuan on a par with the U.S. dollar, Japanese yen, British pound and euro at a meeting scheduled for Nov. 30. Joining the Special Drawing Rights (SDR) basket would be a victory for Beijing, which has campaigned hard for the move, and could increase demand for the yuan among reserve managers as well as marking a symbolic coming of age for the world's second-largest economy. *(Source: The Edge)*

Europe: ECB stimulus decision depends on long-term trends

The European Central Bank will decide in early December whether to loosen monetary policy further and will contemplate long-term trends rather than short-term indicators, Executive Board member Yves Mersch told the French newspaper Les Echos on Sunday. Inflation is expected to rise again at the beginning of next year owing to base effects on energy prices," Mersch said. "However, analysts shouldn't focus so much on short-term data or on certain inflation expectations indices. Our approach is more holistic. The ECB has said it will decide at its Dec. 3 meeting whether it needs to loosen policy to kick-start inflation. It has said an expansion of its 60 billion euro per month asset buying program and a deposit rate cut are among options under discussion. *(Source: Reuters)*

Japan: Economy shrinks 0.8 percent in third quarter, back in recession

Japan's economy slipped back into recession in the July-September quarter, contracting at a 0.8 percent annualized rate on weak domestic demand, government data showed on Monday. The preliminary figure for gross domestic product compared with the median estimate of a 0.2 percent contraction in a Reuters poll of economists. It followed a revised 0.7 percent fall in April-June, which was the first decline in three quarters. On a quarter-on-quarter basis, the economy shrank 0.2 percent in the third quarter, the Cabinet Office data showed. *(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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