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Wednesday, November 18, 2015

Report of the Day

Results Review: Dialog 1Q16 – “Well On Track”

Results Review: Dutch Lady 3Q15 – “Double Whammy”

At a Glance

FBMKLCI rose 5.53 points to finish at 1,661.53 in tandem with positive regional market sentiment.....(See full report next page)

Strategy

“Bomb Scare in Germany Knock Down Wall Street”

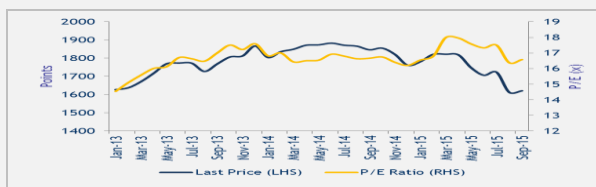
As mentioned before, Washington and Europe is high on Islamic State (IS) list to pound the key city and this may result in full blown financial crisis.....(See full report next page)

Corporate Highlights

- **Dialog, HOLD (TP: RM1.60):** Earnings up, overseas fabrication jobs help
- **Dutch Lady (TP: TBD):** 3Q profit up 75%, pays RM1.10 dividend
- **Maybank, BUY (TP: RM9.92):** Expands private wealth business to Sarawak

Economic Update

- **Malaysia:** Stimulus plans hampered as Islamic yield curve steepens
- **U.S.:** Inflation turning corner; factory output rises
- **Singapore:** October exports down less than expected



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	1,661.53	5.53	0.33
FBMEMAS	11,582.28	45.61	0.40
FBMEMAS SHA	12,501.58	73.76	0.59
FBM100	11,257.44	44.25	0.39
Volume (mn)	2,181.16	264.07	13.77
Value (RMmn)	2,036.96	342.45	20.21
FBMKLCI YTD Chg			-5.66

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	20.5	-14.8
Local Institution	55.9	37.1
Foreign Investors	23.7	-22.5

Top Gainers

	Close	Change+/-	(+/- %)
DAIBOCHI PLASTIC	5.24	0.53	11.25
UMW HLDG	8.34	0.34	4.25
TOP GLOVE	10.14	0.34	3.47

Top Losers

	Close	Change+/-	(+/- %)
LATITUDE TREE	6.30	-0.19	-2.93
DKSH HOLDINGS	4.54	-0.18	-3.81
PANASONIC MAN	22.20	-0.10	-0.45

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,489.50	6.49	0.04
NASDAQ	4,986.02	1.40	0.03
S&P 500	2,050.44	-2.75	-0.13
FTSE 100	6,268.76	122.38	1.99
DAX	10,971.04	257.81	2.41
Nikkei 225	19,630.63	236.94	1.22
HSI	22,264.25	253.43	1.15
KOSPI	1,963.58	20.56	1.06
STI	2,916.74	1.01	0.03
KLCI Futures	1,618.50	-	-
USDMYR 3M	14.39	0.01	0.00
USDMYR 6M	14.22	-	-
USDMYR 12M	14.09	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	41	0.3	0.8%
Brent (USD/bbl)	43.6	-1.0	-2.2%
Gold(USD/ounce)	1,070	0.2	0.0%
Coal (USD/mt)	52.7	0.2	0.3%
CPO (RM/mt)	2,294	1.0	0.0%
Rubber	121	-1.1	-0.9%
RM/USD	4.38	0	0.00%
EUR/USD	0.94	0.0001	0.01%
YEN/USD	123.45	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average grew 6.49 points to 17,489.50 points, S&P 500 down 2.75 points to 2,050.44. Nasdaq grew by 56.73 points to 4,984.62. U.S. stocks forfeited gains on Tuesday after a soccer match between Germany and the Netherlands was called off over fears of a bombing.
- Meanwhile, data on Tuesday offered a mixed view of the health of the U.S. economy - consumer prices increased in October after two straight months of declines, while industrial production fell.

The Local Market

- FBMKLCI rose 5.53 points to finish at 1,661.53 in tandem with positive regional market sentiment. There were 532 gainers and 379 decliners in total value traded of RM2.04 billion.
- Among the gainers on Bursa Malaysia were Daibochi Plastic surged 53 cent to RM5.24, UMW and Top Glove jumped 34 cent to RM8.34 and RM10.14 respectively and BLD Plantation grew 30 cent to RM9.35.

Strategy

- **“Bomb Scare in Germany Knock Down Wall Street”**
Wall Street ended mixed after a bomb scare in Hanover, Germany, knocked down sentiment. **S&P 500** erased 2.75 points (-0.13%) to finish at **2,050.44** while **DJIA added a paltry 6.49 (0.04%)** to finish at **17,489.50** respectively. Officials in Germany had received a bomb scare around the time of soccer match between Germany and the Netherlands in Hanover (Germany), raising concern that the threat of terrorism still pervasive and hence, choked investors' confidence. Although the foreign minister of Germany later refuted this but the threat cannot be taken lightly as any city can face the same threat and this risk which could elevate into financial tsunami if it gets out of hand. As mentioned before, Washington and Europe is high on Islamic State (IS) list to pound the key city and this may result in full blown financial crisis. Although it turned out to be a hoax but we reckon that investors would prefer not to take big bets until the threat of IS is clamped down or recede to manageable level.
- 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

Dialog, HOLD (TP: RM1.60): Earnings up, overseas fabrication jobs help

Oil and gas (O&G) services firm Dialog Group Bhd's net profit increased 20.37% to RM60.07mil for the first quarter ended Sept 30, compared with the same quarter a year earlier, supported by better margins on the company's international sales that are mostly denominated in US dollars. Earnings per share increased to 1.18 sen from 1.02 sen. However, revenue for the quarter dropped 0.9% to RM536.37mil. Dialog said in a stock exchange filing that revenue from Malaysian operations mostly came from ongoing engineering and construction activities. (Source: The Star)

Dutch Lady HOLD (TP: RM47.30): 3Q profit up 75%, pays RM1.10 dividend

Dutch Lady Milk Industries Bhd saw its net profit for the third financial quarter ended Sept 30, 2015 (3QFY15) surge 74.8% to RM49.95 million or 78.1 sen a share, from RM28.55 million or 44.6 sen a share a year ago, thanks to favourable raw material purchases and positive foreign currency hedging effects. Its 3QFY15 revenue came in 6.3% higher at RM255.58 million from RM240.49 million in 3QFY14, mainly due to the relaunch of the Dutch Lady Children Formula milk, its filing to Bursa Malaysia yesterday. The group declared a special interim dividend of 60 sen per share for its financial year ending Dec 31, 2015 (FY15), along with a standard interim dividend of 50 sen per share. Both dividends are to be paid on Dec 18. (Source: The Edge)

Maybank, BUY (TP: RM9.92): Expands private wealth business to Sarawak

Malayan Banking Bhd (Maybank) has expanded its wealth management business to Sarawak with the opening of a new Private Wealth Centre in Kuching and located within the existing Maybank Crown Towers Premier Centre. Maybank's global network of private wealth centres now stands at five with its other centres located in Kuala Lumpur, Singapore, Hong Kong and London, the bank said. In a statement on Tuesday, Maybank said wealth management remained a key pillar of its growth over the next few years. As at September 2015, its total private wealth business recorded some RM20bil in total financial assets (TFA). Combined with its premier wealth segment, the total wealth management business tipped the scale at RM150bil. (Source: The Star)

Hong Leong Financial (CP: RM13.70): Q1 earnings dip to RM386.8m

Hong Leong Financial Group Bhd (HLFG) posted slightly lower earnings in the first quarter ended Sept 30, 2015 due to lower contributions from its banking and investment banking division but it rewarded shareholders with an interim dividend of 13 sen a share. HLFG said on Tuesday its earnings were at RM386.88mil, down just 1.3% from RM392.15mil a year ago. It posted pre-tax profit of RM696.98mil compared with RM746.99mil, down nearly RM50mil or 6.7%. "The overall decrease was mainly due to lower contribution from the banking and investment banking division," it said. However, its revenue was higher at RM1.146bil, up 5.8% from RM1.083bil. It earnings per share were 36.90 sen compared with 37.40 sen. (Source: The Star)

Hong Leong Bank (CP: RM13.70): Q1 earnings lower on higher allowance for impairments

Hong Leong Bank Bhd posted lower earnings of RM502.92mil in the first quarter ended Sept 30, 2015 due to higher allowance for impairments during the period. The bank said on Tuesday its earnings were down 8.1% from the RM547.56mil a year ago. Its revenue was slightly higher at RM1.023bil from RM1.014bil. Earnings per share were 28.49 sen compared with 31.05 sen. It has made an allowance for impairment losses totalling RM23.97mil in the quarter compared with the writeback of RM14.90mil a year ago. Its group managing director and CEO, Tan Kong Khoon said the outlook for the banking sector remains challenging, amidst external headwinds, regulatory environments and market forces. (Source: The Star)

Hong Leong Industries (CP: RM6.20): 1Q profit dips 7% to RM44.82m

Hong Leong Industries Bhd's (HLI) net profit for the first quarter ended Sept 30, 2015 (1QFY16) dipped by 6.95% to RM44.82 million or 14.53 sen a share because of lower sales and higher production cost with the weaker ringgit. The company said in a filing to Bursa Malaysia yesterday that the drop was cushioned by better margin from the industrial products segment and higher profit contribution from an associate. Revenue for 1QFY16 was RM519.12 million, or 1.02% lower than the previous corresponding quarter's RM524.49 million. While there was a slight drop in its bottom line, HLI declared a higher interim single-tier dividend of 13 sen a share, from 12 sen a share last year. (Source: The Edge)

Matrix Concepts (CP: RM2.44): 3Q profit falls 31.1% on lower revenue recognition from property sales

Matrix Concepts Holdings Bhd's net profit dropped 31.1% to RM31.08 million or 5.9 sen a share for the third quarter ended Sept 30, 2015 (3QFY15) from RM45.09 million or 10.5 sen a share a year ago, mainly due to lower revenue recognition from the sales of properties. The Negeri Sembilan-based property developer's revenue also fell 18.4% to RM121.37 million in 3QFY15 from RM148.82 million in 3QFY14. Nevertheless, it declared a third interim dividend of 3.5 sen per share for the financial year ending Dec 31, 2015 (FY15), payable on Jan 8, 2016. This brings the year's total dividend to 10.6 sen per share with a payout of RM58.2 million or 33% of the net profit for the nine months period (9MFY15). (Source: The Edge)

MPI (CP: RM7.35): Earnings soar on weaker ringgit and lower raw material cost

Malaysian Pacific Industries Bhd (MPI) kicked off its 2016 financial year on a strong note, with the first quarter's earnings rising 135.7% over the same period last year. In its interim financial report to Bursa Malaysia, the integrated circuit and semiconductor device maker said profit attributable to shareholders rose to RM46.92mil from RM19.91mil previously, achieved on 18% higher revenue of RM386.64mil. It attributed the better profit to the strengthening of the US dollar against the ringgit and lower material cost arising from lower commodity prices in the quarter under review. (Source: The Star)

JAKS Resources (CP: RM1.16): Doubles earnings on better profits from construction and trading

JAKS Resources Bhd has more than doubled its quarterly earnings with higher profit contributions from the construction and trading divisions. Announcing its unaudited results for the third quarter ended Sept 30 to Bursa Malaysia on Tuesday, it said earnings 112.7% to RM5.914mil from a year earlier on 21.7% higher revenue of RM114.15mil. Construction achieved a pre-tax profit of RM5.2mil, up from RM1.1mil reported a year ago, while the trading division swung from a loss of RM3.7mil to a profit of RM4.2mil. Property development's pre-tax profit contribution dropped 57.3% to RM4.7mil and the manufacturing division continued to suffer losses, albeit a smaller one of RM343,000 against RM747,000 previously. (Source: The Star)

Warisan TC (CP: RM2.99): Returns to the black in 3Q

Warisan TC Holdings Bhd returned to the black with a net profit of RM3.37 million in the third quarter ended Sept 30, 2015 (3QFY15) from a net loss of RM2.19 million a year ago, primarily due to the better performance of its automotive division and lower operating cost recorded by the travel and car rental division. Revenue for 3QFY15 rose 8.9% to RM122.03 million from RM112.07 million in 3QFY14, primarily due to higher volume of sales by the automotive division. However, it posted a net loss of RM363,000 for the nine months period (9MFY15) compared with a net profit of RM1.89 million in 9MFY14, on lower revenue. (Source: The Star)

ECONOMIC UPDATES**Malaysia: Stimulus plans hampered as Islamic yield curve steepens**

Prime Minister Najib Razak's plan to revive Malaysia's faltering economy is getting no help from the country's Islamic bond market. Yields on government 10-year sukuk, used by companies to gauge the cost of Shariah-compliant financing, are at their highest level in 18 months relative to two-year securities, according to data compiled by Bloomberg. And with the slide in Brent crude prices sapping Malaysia's oil-export revenue against a backdrop of looming U.S. interest-rate increases, investors say longer-term borrowing won't be getting cheaper anytime soon. (Source: Bloomberg)

Malaysia: October inflation rate seen steady at 2.6% y/y

Malaysia's consumer price index in October likely rose 2.6% from a year earlier on higher fuel and transport prices, a Reuters poll showed. Inflation was also at 2.6% in September, due to higher prices for consumer goods, but had moderated from the previous month. Consumer prices have been picking up in the last six months since the government introduced a 6% consumption based tax in April. (Source: Reuters)

Malaysia: Matrade urges local firms to partner foreign companies for bids

The Malaysian External Trade Development Corp (Matrade) has called on local companies to forge partnerships with foreign firms to bid for international projects. Chief executive officer Datuk Dzulkifli Mahmud said local companies should look for expansion opportunities outside of Malaysia and be global

champions instead of just targeting the domestic market. "Turkey is building its third airport with an extendable capacity of 200 million passengers. "This is where Malaysian companies should be involved, as we already have one local entity running an airport in Turkey," he told a media conference in conjunction with the two-day International Sourcing Programme (INSP) for Information and Communications Technology (ICT). (Source: Bernama)

U.S.: Inflation turning corner; factory output rises

U.S. consumer prices increased in October after two straight months of declines as the cost of healthcare and other services rose, evidence of firming inflation that further supports views that the Federal Reserve will raise interest rates next month. The economic outlook also got a boost from other data on Tuesday showing a fairly solid increase in manufacturing output in October after dropping for two consecutive. U.S. consumer prices increased in October after two straight months of declines as the cost of healthcare and other services rose, evidence of firming inflation that further supports views that the Federal Reserve will raise interest rates next month. (Source: Reuters)

Singapore: October exports down less than expected

Singapore exports fell less than expected in October as sales to Europe rebounded modestly, but underlying shipments remained weak amid sluggish global demand and look set to drag on the trade-dependent economy. Non-oil domestic exports eased 0.5% in October from a year earlier, trade agency International Enterprise Singapore said in a statement on Tuesday, compared with a 3% contraction forecast in a Reuters poll. In September, non-oil domestic exports edged up 0.3%, but shipments to major markets such as the United States and China slumped. The overall picture showed some signs of improvement in October, with annual sales to Europe up 1% after a 2.1% contraction in September, but major markets China and the United States continued to take in less goods from the city-state. (Source: Reuters)

Indonesia: Considers new tax incentives for employees

Indonesia is considering offering tax incentives for employees as part of the country's current efforts to spur economic growth through changes to its tax regime, Coordinating Minister for Economics Darmin Nasution said on Tuesday. The government of South-East Asia's largest economy has introduced several other incentives this year. These include increasing the threshold for income tax, offering up to 25 years of free corporate tax for some investors, removing double taxation on real estate investment trusts and cutting the tax rate on asset revaluation. Nasution told reporters the government is currently looking at options to change rules on the pay-as-you-earn tax, but did not provide any details. (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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