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Tuesday, December 01, 2015

Report of the Day

Results Review: RHB Cap 3Q15 – “Hit by Higher Opex”

Results Review: BIMB 3Q15 - “Back to Usual Pace” At a Glance

FBMKLCI declined 10.43 points to finish at 1,672.16 due to lower PPI numbers in October.....(See full report next page)

Strategy

“Expect Market to be Nervous”

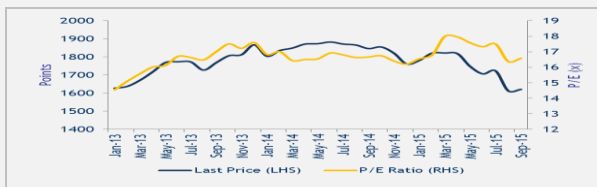
We expect some knee jerk reaction over this but the window dressing activity at the end of the year will be able to re-support the market.....(See full report next page)

Corporate Highlights

- **RHB Capital, HOLD (TP: RM6.15):** Posts 9M net profit of RM1.19b
- **BIMB, BUY (TP: RM4.60):** Net profit at RM120mil
- **FGV (TP: TBA):** Calls off plan to buy 37% of Eagle High

Economic Update

- **Malaysia:** Bank Negara Oct international reserves at US\$94bil
- **Malaysia:** Statistics Department: PPI data down
- **Malaysia:** Business in 4Q expected to slow as confidence weakens



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
JP	30-Nov	7:50 AM	Industrial Production MoM	1.8%	1.1%
JP	30-Nov	7:50 AM	Industrial Production YoY	-0.9%	-0.8%
JP	30-Nov	7:50 AM	Retail Trade YoY	0.9%	-0.2%
JP	30-Nov	7:50 AM	Retail Sales MoM	0.3%	0.7%
JP	30-Nov	1:00 PM	Housing Starts YoY	2.6%	2.6%
JP	30-Nov	1:00 PM	Annualized Housing Starts	0.908M	0.900M
JP	30-Nov	1:00 PM	Construction Orders YoY	-	6.7%
US	30-Nov	10:45 PM	Chicago Purchasing Manager	54.0	56.2
US	30-Nov	11:00 PM	Pending Home Sales MoM	1.0%	-2.3%
CN	1-Dec	9:00 AM	Manufacturing PMI	49.9	49.8
CN	1-Dec	9:45 AM	Catkin China PMI Mfg	-	48.3
CN	1-Dec	9:45 AM	Catkin China PMI Composite	-	49.9
CN	1-Dec	9:45 AM	Catkin China PMI Mfg Services	-	52.0
EU	1-Dec	5:00 PM	Markit US Manufacturing PMI	52.8	52.8
EU	1-Dec	6:00 PM	Unemployment rate	10.8%	10.8%
JP	1-Dec	9:35 AM	Nikkei Japan PMI Mfg	-	52.8
US	1-Dec	10:45 PM	Markit US Manufacturing PMI	52.6	52.6
US	1-Dec	11:00 PM	Construction Spending MoM	0.6%	0.6%
US	1-Dec	11:00 PM	ISM Manufacturing	50.5	50.1
US	1-Dec	11:00 PM	ISM Price Paid	40.0	39.0
EU	2-Dec	6:00 PM	PPI MoM	-0.4%	-0.3%
EU	2-Dec	6:00 PM	PPI YoY	-3.2%	-3.1%
EU	2-Dec	6:00 PM	CPI Estimate YoY	0.2%	0.1%
EU	2-Dec	6:00 PM	CPI Core YoY	1.1%	1.1%
US	2-Dec	8:00 PM	MBA Mortgage Applications	-	-3.2%
US	2-Dec	9:15 PM	ADP Employment Change	190K	182K
EU	3-Dec	5:00 PM	Markit Eurozone Services PMI	54.6	54.6
EU	3-Dec	5:00 PM	Markit Eurozone Composite PMI	54.6	54.6
EU	3-Dec	6:00 PM	Retail Sales MoM	0.2%	-0.1%
EU	3-Dec	6:00 PM	Retail Sales YoY	2.6%	2.9%
EU	3-Dec	8:45 PM	ECB Main Refinancing Rate	0.05%	0.05%
EU	3-Dec	8:45 PM	ECB Deposit Facility Rate	-0.30%	-0.20%
EU	3-Dec	8:45 PM	ECB Marginal Lending Facility	0.30%	0.30%
US	3-Dec	9:30 PM	Initial Jobless Claims	270K	260K
US	3-Dec	9:30 PM	Continuing Claims	2188K	2207K
US	3-Dec	10:45 PM	Markit US Composite PMI	56.1	56.1
US	3-Dec	10:45 PM	Markit US Services PMI	56.7	56.5
US	3-Dec	10:45 PM	Bloomberg Consumer Comfort	-	40.9
US	3-Dec	11:00 PM	Factory Orders	1.4%	-1.0%
MY	4-Dec	12:00 PM	Exports YoY	8.3%	8.8%
MY	4-Dec	12:00 PM	Imports YoY	-3.5%	9.6%
MY	4-Dec	12:00 PM	Trade Balance MYR	9.00B	9.69B
US	4-Dec	9:30 PM	Change in Nonfarm Payrolls	200K	271K
US	4-Dec	9:30 PM	Change in Manufact. Payrolls	0K	0K
US	4-Dec	9:30 PM	Trade Balance	(\$40.50B)	(\$40.81B)
US	4-Dec	9:30 PM	Unemployment Rate	5.0%	5.0%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,672.16	-10.43	-0.62
FBMEMAS	11,625.97	-55.21	-0.47
FBMEMAS SHA	12,506.87	-89.42	-0.71
FBM100	11,312.24	-53.98	-0.47
Volume (mn)	2,507.60	99.21	4.12
Value (RMmn)	3,786.34	1,724.48	83.64
FBMKLCI YTD Chg			-5.06

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	9.9	-23.7
Local Institution	34.8	-32
Foreign Investors	55.3	55.7

Top Gainers

	Close	Change+/-	(+/- %)
PANASONIC MAN	24.10	1.54	6.83
AEON CREDIT	12.98	0.60	4.85
HONG LEONG FIN	14.00	0.40	2.94

Top Losers

	Close	Change+/-	(+/- %)
BAT	57.86	-0.64	-1.09
BATU KAWAN	17.28	-0.30	-1.71
ORIENTAL INT	4.00	-0.28	-6.54

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,719.92	-78.57	-0.44
NASDAQ	5,108.67	-18.86	-0.37
S&P 500	2,080.41	-9.70	-0.46
FTSE 100	6,356.09	-19.06	-0.30
DAX	11,382.23	88.47	0.78
Nikkei 225	19,747.47	-136.47	-0.69
HSI	21,996.42	-71.90	-0.33
KOSPI	1,991.97	-37.02	-1.82
STI	2,867.89	8.77	0.31
KLCI Futures	1630.5	-0.5	0.0
USDMYR 3M	13.3	0.11	0.0
USDMYR 6M	13.2	0.1	0.0
USDMYR 12M	13.25	0.04	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	0.1	0.2%
Brent (USD/bbl)	44.6	-0.3	-0.6%
Gold(USD/ounce)	1,065	0.0	0.0%
Coal (USD/mt)	53.6	-0.2	-0.3%
CPO (RM/mt)	2,346	2.0	0.1%
Rubber	124	-1.4	-1.1%
RM/USD	4.26	0.0065	-0.15%
EUR/USD	0.95	-0.0004	-0.04%
YEN/USD	123.21	0.1	-0.08%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 78.57 points to 17,719.92 points, S&P 500 down 9.70 points to 2,080.41. Nasdaq dropped by 18.86 points to 5,108.67. US stocks were little changed on Monday as investors awaited key economic data including the November jobs report this week and kept an eye on policy decisions by US and European central banks.
- While the US central bank is likely to raise interest rates for the first time since June 2006, the European Central Bank is expected to unveil fresh monetary easing measures on Thursday.

The Local Market

- FBMKLCI declined 10.43 points to finish at 1,672.16 due to lower PPI numbers in October. There were 270 gainers and 678 decliners in total value traded of RM3.78 billion.
- Among the losers on Bursa Malaysia were BAT dropped 64 cent to RM57.86, Batu Kawan fell 30 cent to RM17.28, Oriental slid 28 cent to RM4.00 and Tenaga shed 24 cent to RM 13.36.

Strategy

- **“Expect Market to be Nervous”**
Wall Street started the week trading in the red as investors embraced the fact that the US could re-start its policy rate adjustment in December. **S&P 500** and **DJIA** lost 9.70 points (-0.46%) and 78.52 points (-0.44%) to end at **2,080.41** and **17,719.92** respectively. Note that the US and Eurozone are expected to unveil their policy decision this week with the decision by the former could make or break investors’ sentiment until next week. Janet Yellen, the US Federal Reserve chairman, is due to address the congress on Thursday before slated to give the economic outlook the day before whilst the Eurozone may step up its liquidity driven pumping this week in anticipation of policy tightening measures by the Fed. All in, we expect nervous trading sentiment to continue given the large market overhang in the market, as in the US policy decision due to be revealed on the 16th of December. As reiterated before, we expect some knee jerk reaction over this but the window dressing activity at the end of the year will be able to re-support the market.
- 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

RHB Capital, HOLD (TP: RM6.15): Posts 9M net profit of RM1.19b

RHB Capital Bhd posted earnings of RM1.19bil in the nine months ended Sept 30, 2015 on the back of a turnover of RM7.97bil. The banking group said on Monday the pre-tax profit for the nine months was RM1.63bil. "Excluding a one-off career transition scheme (CTS) expenses of RM308.8mil, the group's normalised pre-tax profit was at RM1.940bil, lower by 7.2%. This was mainly attributed to lower investment banking related fee income and lower trading income and higher operating expenses. "The lower impairment written back on other assets was offset by lower loan impairment charges during the period. The group's net profit before the one-off CTS was at RM1.427bil, a decrease of 8.0% from previous corresponding period," it said. (Source: The Star)

BIMB, BUY (TP: RM4.60): Net profit at RM120mil

Malaysia's only listed Islamic financial services group, BIMB Holdings Bhd, posted a marginally lower net profit of RM119.82mil in the third quarter ended Sept 30 on a revenue that grew 7.8% to RM802.56mil. In the first nine months, BIMB reported a net profit which rose to RM385.4mil from RM378.4mil previously. Its revenue grew to RM2.42bil against the RM2.2bil achieved a year ago. As of end-September, customer deposits stood at RM40.1bil with a year-on-year increase of RM2bil. The current and savings accounts ratio as at Sept 30 stood at 35.1%. The bank has maintained its loan growth forecast to be between 7% and 8% for this year with a stable outlook, as the industry's credit fundamentals remain strong and well-poised to withstand the uncertain environment. (Source: The Star)

FGV (TP: TBA): Calls off plan to buy 37% of Eagle High

Felda Global Ventures Bhd (FGV) has aborted its controversial plan to acquire a non-controlling 37% stake in Indonesia's PT Eagle High Plantations Tbk for US\$680 million (RM2.9 billion), due to changes in market conditions and the palm oil industry. In a filing with the stock exchange yesterday, FGV said it and the vendor agreed that the deadline to enter into the conditional sale and purchase agreement for the Eagle High deal would no longer be applicable. However, FGV noted that the group is currently in discussion with PT Rajawali Corpora, the parent of Eagle High, for a possible different mode of investment in the company. (Source: The SUNDAILY)

Boustead (CP: RM2.07): 3Q earnings down on lower contributions

Boustead Holdings Bhd recorded a 67% fall in net profit to RM6mil for the third quarter ended Sept 30, 2015 from RM18.2mil it posted last year, on weaker contributions from the property, finance and investment, trading and industrial, and heavy industries business segments. Revenue for the period was 21% lower at RM2.12bil compared with RM2.694bil. Nine-month earnings was 91% lower to RM9mil from RM109.2mil in the same period last year on revenue of RM6.22bil against RM7.782bil a year ago. The biggest contributor for the nine-month period was the plantation division, recording higher pre-tax profit of RM88.7mil from RM82.2mil last year, due to gains realised on disposal of lands. (Source: The Star)

Taliworks (CP: RM1.46): Proposes JV via stake-disposal

Taliworks Corp Bhd has proposed a joint-venture (JV) via the disposal of a 50% stake in Pinggiran Muhibbah Sdn Bhd (PMSB) to Pinggiran Ventures Sdn Bhd (PVSB) for RM66.75mil cash. PMSB is a wholly-owned subsidiary of Taliworks while PVSB is a wholly-owned subsidiary of the Employees Provident Fund (EPF). In a filing with Bursa Malaysia, Taliworks said the stake disposal comprised 5,000 ordinary shares of RM1 each in PMSB and 36.42 million redeemable preference shares at par value of RM0.01 each and premium of RM0.99 each. Taliworks added the proposed JV would also further strengthen the strategic partnership with EPF. (Source: The Star)

AZRB (CP: RM0.64): 3Q profit up on unrealised forex gain

Ahmad Zaki Resources Bhd (AZRB) recorded a 137.8% gain in net profit to RM4.43mil for the third quarter ended Sept 30, 2015 from RM1.86mil a year ago, mainly due to net unrealised foreign exchange gain of RM2.6mil. In its filing with Bursa Malaysia on Monday, the company said the gain arose from the revaluation of long term receivable for the arbitration award in Saudi Arabia. This was offset by foreign currency exchange loss from the revaluation of US dollar term loan balance under the plantation division. Revenue was 3.6% higher at RM177.14mil against RM171.05mil in the same period last year, from higher contributions from the construction and oil and gas businesses. (Source: The Star)

Eversendai (CP: RM0.85): 3Q earnings up on higher margins

Eversendai Corp Bhd recorded a jump in earnings to RM14.58mil from RM2.91mil a year ago, on the back of higher value of contract executions and higher margins. Revenue meanwhile improved 95.6% to RM471.48mil against RM241.03mil in the same quarter last year. Earnings per share was higher at 1.88 sen from 0.38 sen a year ago, while net asset value as at the third quarter was RM1.49. The company's nine-month earnings grew 126.8% to RM48.08mil from RM21.2mil last year. Revenue for the period was 87% higher at RM1.299bil from RM694.3mil in 2014. (Source: The Star)

Censof (CP: RM0.29): Plans expansion

Accounting software specialist Censof Holdings Bhd is looking to expand its business offerings following the acquisition of a 51% stake in Asian Business Software Solutions Pte Ltd for RM29.98mil. Shareholders voted in favour of the joint-venture deal with Singapore-based ABSS at the company's EGM. "The only concern shareholders raised was the drop in our currency. When we started talking about the acquisition, the ringgit stood at 2.8 to the Singapore dollar," Censof group managing director Ameer Shaik Mydin told a press conference after the EGM yesterday. (Source: The Star)

ECONOMIC UPDATES**Malaysia: Bank Negara Oct international reserves at US\$94bil**

Bank Negara's international reserves stood at US\$94.027bil, while other foreign currency assets amounted to US\$889.8mil as at the end of October 2015. In a statement, the central bank said for the next 12 months, the predetermined

short-term outflows of foreign currency loans arising from scheduled repayment of external borrowings by the Government would amount to US\$1.42bil. The bulk of the scheduled repayments of external borrowing by the Government reflects the maturing of Wakala Global Sukuk (US\$1.2bil) in July 2016. (Source: *The Star*)

Malaysia: Statistics Department: PPI data down

The producer price index (PPI), which comprises indices for local production, imports and the domestic economy, fell by 2.6% year-on-year in October 2015, as local production index fell 4.8% while the import price index increased by 1.8%. On a month-on-month basis, the PPI for domestic economy in October 2015 grew by 1.7%, due to increases in the local production index (+1.0%) and import price index (+0.7%). "In seasonally adjusted terms, the producer price index for domestic economy in October 2015 increased by 2.3% compared to September 2015," said the Statistics Department of Malaysia in a statement on Monday. (Source: *The Star*)

Malaysia: Business in 4Q expected to slow as confidence weakens

Business performance is expected to slow down in the fourth quarter in 2015, as shown by the Statistics Department of Malaysia's confidence indicator. The confidence indicator, which summarises the overall views on short-term business situation in various sectors was -0.8% as compared with +2.2% in the third quarter of 2015. The indicator is computed as the average of the net balance for selected variables. The net balance is the difference between the percentages of establishments giving favorable and unfavorable responses. (Source: *The Star*)

Japan: Factory output rises

Japan's industrial output rose for a second straight month in October, a sign of a gradual pickup in factory activity as a fall in exports levels off - a potentially optimistic omen for the economy's ability to recover from a recession. Trade ministry data showed factory output rose 1.4% month-on-month in October, compared with economists' median estimate for a 1.9% gain in a Reuters poll and 1.1% increase in the previous month. The latest indicator followed data last week that showed weakness in household spending and consumer inflation, which have kept pressure on the Bank of Japan to top up its already massive stimulus, although the bank is in no mood to act now. (Source: *The Star*)

China: IMF's yuan inclusion signals less risk taking in China

When the International Monetary Fund agrees on Monday to add the Chinese yuan to its reserves basket in the biggest shake-up in more than three decades, the IMF can afford itself a congratulatory nod. By acknowledging the yuan as a major global currency alongside the dollar, euro, yen, and pound sterling, as is widely expected, IMF members will endorse the efforts of China's economic reformers and by doing so hope that will spur fresh change in China. But Chinese policy insiders and international policymakers say reforms may not continue at the breakneck pace of recent months. (Source: *Reuters*)

Australia: Central bank seen on hold amid growth pick up, low inflation

Australian inflation stayed subdued in November, a private-sector survey of prices showed on Monday in a reminder there is plenty of room for further rate cuts even if a move is considered highly unlikely this week. The Reserve Bank of Australia (RBA) holds its December policy meeting on Tuesday but the head of the central bank has already told markets to "chill out" over the Christmas break and watch how the economy performs. The latest reading on credit suggested the current cost of money was not an impediment, with business lending expanding at the fastest pace since 2008 in October. *(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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