

PP14767/09/2012(030761)

Monday, December 07, 2015

At a Glance

FBMKLCI dropped 6.85 points to finish at 1,667.87 due to the negative regional market sentiment.....(See full report next page)

Strategy**"US Economy is in Full Throttle; Paving Way for First Policy Rate Adjustment"**

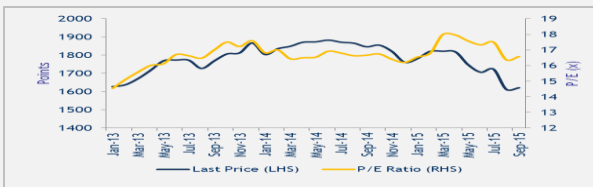
We think that the path of US interest rate adjustment could be long and hard given the US Federal Funds rate of 0%-0.25% currently against its normalisation level of 4%-5%.....(See full report next page)

Corporate Highlights

- **Petronas Chemicals, HOLD (TP: RM6.18):** Award two contracts to Samsung group worth US\$882m
- **Tenaga, HOLD (TP: RM14.60):** Completes sukuk programme
- **Axiata, HOLD (TP: RM6.70):** Axiata's edotco completes stake acquisition in Digicel

Economic Update

- **Malaysia:** October exports surge to RM75.8b, highest since January last year
- **Malaysia:** World Bank expects 4.7% growth for Malaysia this year
- **US:** Trade deficit grows as exports hit 3-year low



| KEY ECONOMIC RELEASE | | | | | |
|----------------------|-----------|------------|------------------------------|------------|------------|
| | Date | Local Time | Event | Survey | Prior |
| CN | 7-Dec | - | Foreign Reserves | \$3,487.5b | \$3,525.5b |
| MY | 7-Dec | - | Foreign Reserves | - | \$93.9b |
| EU | 8-Dec | 6:00 PM | GDP SA QoQ | - | 0.3% |
| EU | 8-Dec | 6:00 PM | GDP SA YoY | - | 1.6% |
| CN | 8-Dec | - | Trade Balance | \$62.30b | \$61.64b |
| CN | 8-Dec | - | Exports YoY | -5.0% | -6.9% |
| CN | 8-Dec | - | Imports YoY | -11.8% | -18.8% |
| JP | 8-Dec | 7:50 AM | GDP SA QoQ | 0.0% | -0.2% |
| JP | 8-Dec | 7:50 AM | GDP Annualized SA QoQ | 0.2% | -0.8% |
| JP | 8-Dec | 7:50 AM | GDP Deflator | 2.0% | 2.0% |
| JP | 8-Dec | 7:50 AM | BoP Current Account Balance | - | ¥1,468.4b |
| JP | 8-Dec | 7:50 AM | Trade Balance BoP Basis | - | ¥82.3b |
| CN | 9-Dec | 9:30 AM | CPI YoY | 1.4% | 1.3% |
| CN | 9-Dec | 9:30 AM | PPI YoY | -5.9% | -5.9% |
| US | 9-Dec | 8:00 PM | MBA Mortgage Applications | - | - |
| US | 9-Dec | 11:00 PM | Wholesale Inventories MoM | 0.0% | 0.5% |
| CN | 10-15 Dec | - | Money Supply M2 YoY | 13.4% | 13.5% |
| MY | 10-Dec | 12:00 PM | Industrial Production YoY | - | 5.1% |
| JP | 10-Dec | 7:50 AM | PPI MoM | - | -0.6% |
| JP | 10-Dec | 7:50 AM | PPI YoY | - | -3.8% |
| US | 10-Dec | 9:30 AM | Initial Jobless Claims | - | - |
| US | 11-Dec | 9:30 PM | Retail Sales Ex Auto MoM | 0.3% | 0.2% |
| US | 11-Dec | 9:30 PM | Retail Sales Ex Auto and Gas | - | 0.3% |
| US | 11-Dec | 9:30 PM | PPI Final Demand MoM | 0.0% | -0.4% |
| US | 11-Dec | 9:30 PM | PPI Ex Food and Energy MoM | 0.1% | -0.3% |
| US | 11-Dec | 9:30 PM | PPI Final Demand YoY | - | -1.6% |
| US | 11-Dec | 9:30 PM | PPI Ex Food and Energy YoY | - | 0.1% |
| US | 11-Dec | 11:00 PM | Uni. Of Mich. Sentiment | 92.2 | 91.3 |

Bursa Malaysia

| | Close | Change+/- | (+/- %) |
|-----------------|-----------|-----------|---------|
| FBMKLCI | 1,667.87 | -6.05 | -0.36 |
| FBMEMAS | 11,610.95 | -21.88 | -0.19 |
| FBMEMAS SHA | 12,523.72 | -4.68 | -0.04 |
| FBM100 | 11,293.26 | -24.08 | -0.21 |
| Volume (mn) | 1,572.50 | -468.50 | -22.95 |
| Value (RMmn) | 1,597.07 | -239.95 | -13.06 |
| FBMKLCI YTD Chg | | | -5.30 |

Daily Trading Position (RM'mn)

| | Participation (%) | Net(RMm) |
|-------------------|-------------------|----------|
| Local Retail | 18.0 | 1.1 |
| Local Institution | 58.3 | 81.3 |
| Foreign Investors | 23.7 | -82.4 |

Top Gainers

| | Close | Change+/- | (+/- %) |
|---------------|-------|-----------|---------|
| KOSSAN RUBBER | 8.46 | 0.36 | 4.44 |
| PESTECH INTL | 6.70 | 0.25 | 3.88 |
| TOP GLOVE | 10.32 | 0.20 | 1.98 |

Top Losers

| | Close | Change+/- | (+/- %) |
|----------------|-------|-----------|---------|
| BAT | 57.88 | -0.72 | -1.23 |
| NESTLE (MALAY) | 74.30 | -0.30 | -0.40 |
| KLK | 22.34 | -0.22 | -0.98 |

World Indices

| | Close | Change+/- | (+/- %) |
|--------------|-----------|-----------|---------|
| DJIA | 17,847.63 | 369.96 | 2.12 |
| NASDAQ | 5,142.27 | 104.74 | 2.08 |
| S&P 500 | 2,091.69 | 42.07 | 2.05 |
| FTSE 100 | 6,238.29 | -36.71 | -0.59 |
| DAX | 10,752.10 | -37.14 | -0.34 |
| Nikkei 225 | 19,504.48 | -435.42 | -2.18 |
| HSI | 22,235.89 | -181.12 | -0.81 |
| KOSPI | 1,974.40 | -19.67 | -0.99 |
| STI | 2,874.01 | -9.88 | -0.34 |
| KLCI Futures | 1,637.5 | -7.5 | 0.0 |
| USDMYR 3M | 12.9 | -0.075 | 0.0 |
| USDMYR 6M | 13.0 | 0.0 | 0.0 |
| USDMYR 12M | 13.04 | (0.01) | (0.00) |

Other Key Economics Data

| | Close | Change+/- | (+/- %) |
|-----------------|--------|-----------|---------|
| WTI (USD/bbl) | 39 | -0.5 | -1.3% |
| Brent (USD/bbl) | 42.8 | -0.2 | -0.5% |
| Gold(USD/ounce) | 1,083 | -3.0 | -0.3% |
| Coal (USD/mt) | 53.0 | 0.0 | 0.0% |
| CPO (RM/mt) | 2,366 | 2.0 | 0.1% |
| Rubber | 127 | -0.5 | -0.4% |
| RM/USD | 4.22 | -0.0011 | 0.03% |
| EUR/USD | 0.92 | -0.0001 | -0.01% |
| YEN/USD | 123.21 | 0.1 | -0.08% |

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 369.96 points to 17,847.63 points, S&P 500 added 42.07 points to 2,091.69. Nasdaq up by 104.74 points to 5,142.27. U.S. stocks rallied on Friday, giving the S&P 500 its biggest gain since early September, as U.S. jobs data suggested the economy was strong enough to sustain a Federal Reserve rate hike this month.
- Nonfarm payrolls increased 211,000 in November, the U.S. Labor Department said, while September and October data were revised to show 35,000 more jobs than previously reported. Analysts said the report, which also showed the unemployment rate held steady at 5 percent

The Local Market

- FBMKLCI dropped 6.85 points to finish at 1,667.87 due to the negative regional market sentiment. There were 347 gainers and 424 decliners in total value traded of RM1.60 billion.
- Among the losers on Bursa Malaysia were BAT fell 72 cent to RM57.88, Nestle decreased 30 cent to RM74.30, KLK slid 22 cent to RM22.34 and Batu Kawan slipped 22 cent to RM17.22.

Strategy

- **“US Economy is in Full Throttle; Paving Way for First Policy Rate Adjustment”**
Wall Street was unfretted by the full swing of the US labor market as evident by the strong closing last Friday thanks to US almost full healing job market. **S&P 500** and **DJIA** gained **42.07 points (2.05%)** and **369.96 points (2.12%)** to end at **2,091.69** and **17,847.63** respectively. The US economy added a strong 211k of new jobs in November, clearing the last hurdle for its first interest rate adjustment on the 16th of December, its first in 6 years. The era of loose policy rate environment is almost over, staging the way for the drying of liquidity and hence, dissipating capital inflow for emerging economies for now. Oil tumbled with WTI ended about USD2 lower to end at USD40 per barrel. The devil is in the details, so the saying goes. Hence, although its rainbow in the US but the adverse can be expected for emerging economies as we think that the path of US interest rate adjustment could be long and hard given the US Federal Funds rate of 0%-0.25% currently against its normalisation level of 4%-5%. It will be a long journey ahead. This last negative hurdle will be the cold water that will pour over the regional and emerging economies sentiment this week.
- 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

Petronas Chemicals, HOLD (TP: RM6.18): Award two contracts to Samsung group worth US\$882m

Petronas Chemicals Group Bhd has awarded two contracts worth US\$882mil (RM3.72bil) to build polyethylene and glycol processing plants, to the Samsung group. It said on Friday the contracts were awarded to the consortium of Samsung Engineering Co. Ltd., Samsung C&T Corporation and Samsung Engineering (M) Sdn Bhd. PetChem's unit PRPC Polymers Sdn Bhd had awarded the engineering, procurement, construction and commissioning (EPCC) contract for the linear low density polyethylene LLDPE worth US\$305mil to the group. (Source: The Star)

Tenaga, HOLD (TP: RM14.60): Completes sukuk programme

Tenaga Nasional Bhd said it sold RM8.98 billion worth of Islamic bonds under a proposed RM10 billion scheme by 70%-owned subsidiary Jimah East Power Sdn Bhd. In a filing with Bursa Malaysia, state-controlled utility Tenaga said the RM8.98 billion sukuk sale would increase the company's gearing to 42%, from 34%. This is based on Tenaga's balance sheet for financial year ended Aug 31, 2015. Tenaga said the sukuk proceeds would finance the construction and operations of a 2,000MW coal-fired power plant at Kuala Lukut, Negeri Sembilan. Tenaga acquired the 70% Jimah East stake from 1Malaysia Development Bhd. (Source: The Edge)

Axiata, HOLD (TP: RM6.70): Axiata's edotco completes stake acquisition in Digicel

Myanmar Axiata Group Bhd's telecommunication infrastructure services arm edotco Group Sdn Bhd has completed the acquisition of a 75% stake in Digicel Myanmar Tower Company Ltd (MTC) for US\$221mil via MTC's parent company, Digicel Asian Holdings Pte Ltd. Axiata has also confirmed that Yoma Strategic Holding Ltd has signed a definitive agreement to retain its 25% effective interest in MTC. Edotco group chief executive officer Suresh Sidhu said the acquisition cemented the tower company's position as a leading telecommunications infrastructure provider in the greater South-East Asia region. (Source: The Star)

TRC Synergy (CP: RM0.40): Bags Putrajaya housing project

TRC Synergy Bhd will develop residential and commercial properties at Putrajaya's Precinct 18 under the 1Malaysia Civil Servant Housing Development scheme. In a filing with Bursa Malaysia today, TRC said Putrajaya Corp appointed TRC as the developer for the properties. TRC said the project, which involved a gross development cost of RM292.74 million, comprised 500 residential units and 316 public residential entities, besides 20 commercial properties. "Barring unforeseen circumstances, the board is of the opinion that the project will contribute positively to the earnings and earnings per share of the TRC group in the future," TRC said. (Source: The Edge)

Datasonic (CP: RM1.55): Bags RM12.9m CCTV camera installation job in Penang

Datasonic Group Bhd has bagged a RM12.9 million contract for the installation of closed-circuit television (CCTV) cameras on Phase 4 of Penang Island. In a

filing with Bursa Malaysia, the group said that its wholly-owned subsidiary Datasonic Technologies Sdn Bhd had accepted a letter of award (LoA) dated Dec 3, 2015 from Majlis Bandaraya Pulau Pinang (MBPP) for a period commencing from Dec 10, 2015 to July 22, 2021 for a contract sum of RM12.9 million. The contract is expected to contribute positively towards the future earnings and net assets per share of Datasonic Group for the financial year ending March 31, 2016 and the financial years thereafter for the duration of the contract. *(Source: The Edge)*

OSK Ventures (CP: RM0.43): Sells its 15.9% stake in Green Packet for RM33mil
OSK Ventures International Bhd (OSKVI) has sold off its entire 15.92% stake in wireless networking and telecommunication product company Green Packet Bhd for RM32.97mil. The venture capital firm told Bursa Malaysia that its unit OSK Technology Ventures Sdn Bhd's disposal of the 109.895 million 20 sen shares, priced at 30 sen each, was done through direct business transaction and was expected to result in a RM1.1mil loss at OSKVI group level. Explaining the reason for the disposal, the company said that based on the relatively low trading volume and marketability of the sale shares, any disposal of a large quantity of the sale shares in the open market might cause a material and adverse effects to their market price. *(Source: The Star)*

Malaysia Pacific Corp (CP: RM0.19): Plan for Aptec falls through
Malaysia Pacific Corp's (MPCorp) plan to team up with China state-owned Black Sea Horizon Investment Holdings Ltd to undertake the ambitious Asia Pacific Trade and Expo City (Aptec) project in Iskandar Malaysia, Johor, has fallen through. The property investment and development company, which signed the memorandum of understanding (MoU) with Black Sea Horizon on Oct 3, 2013, and had extended the MoU period several times, told Bursa Malaysia yesterday that the MoU was not extended and had therefore lapsed. *(Source: The Star)*

AZRB (CP: RM0.64): In financing deals for expressway
EKVE Sdn Bhd, a wholly-owned subsidiary of Ahmad Zaki Resources Bhd (AZRB), has entered into agreements for debt financing facilities for the East Klang Valley Expressway. In a filing with Bursa Malaysia, the civil engineering company said EKVE had entered into a government support loan agreement with the Government for a term loan facility of up to RM635mil. EKVE has also signed a guaranteed sukuk Murabahah facility agreement with Bank Pembangunan Malaysia Bhd and Maybank Investment Bank Bhd for a guaranteed Islamic medium term notes (MTN) facility of up to RM1bil. *(Source: The Star)*

Hua Yang (CP: RM1.91): Plans RM311mil project in Penang
Hua Yang Bhd is planning to develop six parcels of freehold land in Penang into a mixed development project with a gross development value (GDV) of RM311mil. In a filing with Bursa, Hua Yang said it would acquire Penang-based property developer G Land Development Sdn Bhd for RM16.55mil. When the acquisition is completed, G Land would buy six parcels of freehold land measuring 8.59 acres for RM25mil cash from GIM Standard Development Sdn Bhd. The net book value of the land stood at RM7.98mil. The project would comprise service apartments, condominiums and two-story shophouses. *(Source: The Star)*

CBIP (CP: RM2.01): Wins RM60mil deal to supply another mill in PNG

CB Industrial Product Holding Bhd (CBIP) has secured a RM60mil contract from East New Britain Palm Oil Ltd's subsidiary Glory Jade Investments Ltd to supply a continuous sterilisation palm oil mill for the client's Papua New Guinea (PNG) operations. The company, which makes palm oil mill equipment and constructs palm oil mills, told Bursa Malaysia that its unit Modipalm Engineering Sdn Bhd had received a letter of award (LOA) for a palm oil mill with a capacity of 60 tonnes per hour for the Narangit Palm Oil Mill at Rabaul district, East New Britain province. The LOA is expected to contribute positively to the earnings of the CBIP group for the financial years ending Dec 31, 2016 and 2017. (Source: *The Star*)

ECONOMIC UPDATES**Malaysia: October exports surge to RM75.8b, highest since January last year**

Malaysia's exports surged to RM75.8bil in October, 2015 - the highest since January last year - underpinned by the robust demand from major markets including Asean, China, the EU and the US, the International and Industry Ministry said on Friday. It said exports jumped 16.7% from RM64.59bil a year ago and exceeding economists expectations of a 8.4% increase. The rise in exports were mainly to China (+RM1.9bil), EU (+RM1.7bil), US (+RM1.7bil), Singapore (+RM1.1bil), and Australia (+RM789.2mil). On a month-on-month basis, exports increased RM5.6 billion (+8.1%) from RM70.2 billion. In seasonally adjusted terms, exports rose 4.9%. (Source: *The Star*)

Malaysia: World Bank expects 4.7% growth for Malaysia this year

The World Bank expects Malaysia to record 4.7% growth this year and close to 4.2% in 2016 before gradually rising again in 2017, said its chief economist (East Asia and Pacific Region) Sudhir Shetty. He said while Malaysia's current policies provided a good base, to navigate the global uncertainties, it needed to consider further improving public sector performance, accelerate human capital development and re-engineer economic growth. "The 11th Malaysia Plan is appropriately ambitious but the goals will be challenging to attain especially in an uncertain global environment. "Structural reforms need to be undertaken to enhance medium-term development prospects," he told reporters on the sidelines of the 10th Asia Economic Summit in Kuala Lumpur on Friday. (Source: *Bernama*)

US: Trade deficit grows as exports hit 3-year low

The US trade deficit widened in October as exports fell to their lowest level in three years amid a slowing global economy and a strong dollar, official data showed Friday. The trade gap widened to US\$43.9bil (RM184.4bil) in October from an upwardly revised September reading of US\$42.5bil (RM178.5bil). Exports fell faster than imports, another sign of the cause of weakness in the struggling US manufacturing sector, as the strong dollar makes exports relatively more expensive and lacklustre global growth weakens demand. Exports dropped 1.4% to US\$184.1bil (RM773.2bil) as all categories of goods exports fell, from industrial supplies and materials, down to a five-year low, to capital goods, automobiles and consumer goods. (Source: *Reuters*)

US: Solid U.S. employment report a green light for Dec rate hike

U.S. job growth increased solidly in November in a show of the economy's resilience, which most likely paves the way for the Federal Reserve to raise interest rates this month for the first time in nearly a decade. Nonfarm payrolls increased 211,000 last month, the Labor Department said on Friday. September and October data was revised to show 35,000 more jobs than previously reported. The unemployment rate held at a 7-1/2-year low of 5%, even as people returned to the labor force in a sign of confidence in the jobs market. The jobless rate is in a range many Fed officials see as consistent with full employment and has dropped seven-tenths of a percentage point this year. (Source: Reuters)

China: Steel profit secondary to China mills exporting record surpluses

Steelmakers in China are so determined to unload a mountain of unwanted metal on the world that profit has become less important than sales. After years of expanding capacity to keep up with surging demand at home, Chinese mills that account for half the globe's output are shifting to buyers across Asia, Europe and the Americas as the domestic economy slows. Fueled by lower prices, steel-product exports are up 25% this year through October to 92 million metric tons, sending mill losses this year to as much as US\$537 a ton, data compiled by Bloomberg Intelligence show. (Source: Bloomberg)

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. |

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
M&A Securities