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Wednesday, December 09, 2015

Report of the Day

Company Update: SapuraKencana – “Grabs RM300 million Multiple Awards”

Company Update: Gamuda – “Injects RM7.5 billion for FY16 Development”

At a Glance

FBM KLCI erased 2.76 points to finish at 1,669.24 due to the negative regional market sentiment.....(See full report next page)

Strategy

“Another Choppy Session for Wall Street”

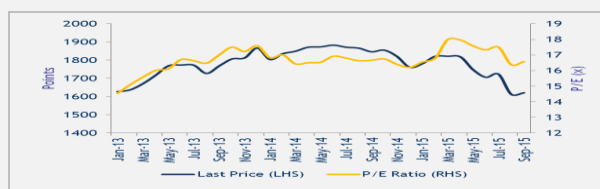
We expect the injury to the sentiment from Wall Street to radiate across the regional and local market today.....(See full report next page)

Corporate Highlights

- **Tenaga, HOLD (TP: RM14.60):** Consumers to pay more for electricity, but TNB's earnings won't be higher
- **MMC Corp, BUY (TP: RM2.80):** Johor Port wins Petronas contract
- **MAHB (CP: RM5.65):** Confident in recording more travellers in 2016

Economic Update

- **China:** Imports and exports fall again in November
- **Malaysia:** Draws debt funds in November as ringgit recovers ground
- **Malaysia:** Investor sentiment for Malaysian debt improved in Nov



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	Unl. Of Mich. Sentiment	92.2	91.3

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBM KLCI	1,669.24	-2.76	-0.17
FBMEMAS	11,639.02	-16.87	-0.14
FBMEMAS SHA	12,549.39	-24.15	-0.19
FBM100	11,318.55	-18.53	-0.16
Volume (mn)	1,781.47	-6.78	-0.38
Value (RMmn)	1,684.58	-56.72	-3.26
FBM KLCI YTD Chg			-5.22

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.9	-14.5
Local Institution	56.2	155.3
Foreign Investors	23.9	-140.8

Top Gainers

	Close	Change+/-	(+/- %)
KOSSAN RUBBER	8.79	0.44	5.27
SHH RESOURCES	2.40	0.31	14.83
HAP SENG CONS	6.48	0.28	4.52

Top Losers

	Close	Change+/-	(+/- %)
GUINNESS ANCHO	13.96	-0.17	-1.20
PETRONAS GAS	22.88	-0.44	-1.89
BAT	56.80	-0.24	-0.42

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,568.00	-162.51	-0.92
NASDAQ	5,098.24	-3.57	-0.07
S&P 500	2,063.59	-13.48	-0.65
FTSE 100	6,135.22	-88.30	-1.42
DAX	10,673.60	-212.49	-1.95
Nikkei 225	19,492.60	-205.55	-1.04
HSI	21,905.13	-298.09	-1.34
KOSPI	1,949.04	-14.63	-0.75
STI	2,876.03	-24.89	-0.86
KLCI Futures	1635.0	-8	0.0
USDMYR 3M	12.7	0.035	0.0
USDMYR 6M	12.8	0.0	0.0
USDMYR 12M	12.79	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	38	0.6	1.5%
Brent (USD/bbl)	40.3	-0.5	-1.2%
Gold(USD/ounce)	1,077	1.6	0.1%
Coal (USD/mt)	52.5	-0.2	-0.4%
CPO (RM/mt)	2,396	-40.0	-1.6%
Rubber	129	-0.5	-0.4%
RM/USD	4.26	0.0465	-1.09%
EUR/USD	0.92	0	0.00%
YEN/USD	122.93	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average declined 162.51 points to 17,568.00 points, S&P 500 down 13.48 points to 2,063.59. Nasdaq slipped by 3.57 points to 5,098.24. U.S. stocks fell in a choppy session on Tuesday as lower oil prices pressured energy stocks for a fifth day and weak Chinese trade data reignited fears of a global slowdown.
- Meanwhile, data released overnight showed China's imports fell for the 13th consecutive month, with an 8.7 percent decline in November compared with a year earlier.

The Local Market

- FBMKLCI erased 2.76 points to finish at 1,669.24 due to the negative regional market sentiment. There were 393 gainers and 243 decliners in total value traded of RM1.68 billion.
- Among the losers on Bursa Malaysia were PetGas fell 44 cent to RM22.88, BAT dropped 24 cent to RM56.80 and Pos Malaysia declined 21 cent to RM3.05.

Strategy

- **“Another Choppy Session for Wall Street”**
Wall Street continued to be buffeted over the dim prospect of oil price and yesterday's negative sentiment was added with disappointing China trade data. S&P 500 and DJIA **erased 13.48 points (-0.65%)** and **162.51 points (-0.92 %)** to end at 2,063.59 and 17,568 respectively. Oil price may suffer from lack of energy following the impending US interest rate adjustment and Wall Street continued to be fretted over this. WTI, global benchmark for oil price, settled at USD38 per barrel yesterday, languishing at its 7-year low. China trade numbers came in at nervously disappointing level after trade surplus shrunk to USD54.10 billion in November from USD61.64 billion the month before (expected surplus of USD63.30 billion) as exports fell 6.8% y-o-y (consensus -5.0%; previous -6.9%) and imports declined 8.7% (expected -12.6%; last -18.8%). All told, we expect the injury to the sentiment from Wall Street to radiate across the regional and local market today.
- 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

Tenaga, HOLD (TP: RM14.60): Consumers to pay more for electricity, but TNB's earnings won't be higher

Despite consumers in Peninsular Malaysia having to pay 0.73 sen per kilowatt hour (kWh) more for electricity for the next six months beginning Jan 1, the impact of the rebate's implementation is neutral on Tenaga Nasional Bhd (TNB). This is because the utility company will return some RM762mil in net savings to electricity consumers in the first half of next year, which translates into a rebate of 1.52 sen per kWh from 2.25 sen per kWh now. TNB, in a stock exchange filing yesterday, said the rebate would be applicable to all consumers except domestic consumers with a monthly consumption of 300kWh or below. This category of consumers enjoy lower rates and are not affected by the tariff adjustments. (Source: The Star)

MMC Corp, BUY (TP: RM2.80): Johor Port wins Petronas contract

MMC Corp Bhd unit Johor Port Bhd will offer logistic services to Petroliaam Nasional Bhd's (Petronas) Refinery and Petrochemicals Integrated Development (Rapid) project in Pengerang, Johor. MMC said Johor Port would manage the logistic functions at the Teluk Ramunia material offloading facility (MOLF), from which, cargo would be transported to the Rapid site. "MOLF Teluk Ramunia consists of four berthing facilities, with water depth of 5m Chart Datum (CD). It will be utilised to receive an estimated 3 million tonnes of containerised and break bulk cargo. The cargo will be transported to the Rapid project site, via the 15 kilometres heavy haul road. "JPB (Johor Port) will provide comprehensive services ranging from marine services, manpower, equipment and system, to operate and manage the MOLF Teluk Ramunia," MMC said. (Source: The Edge)

MAHB (CP: RM5.65): Confident in recording more travellers in 2016

Malaysia Airports Holdings Bhd (MAHB) is optimistic of capturing a fair share of the travellers market in 2016, boosted by the government's effort to relax visa restriction process. Managing Director Datuk Badlisham Ghazali said there were a lot of headwinds this year such as the haze, aftermath of the twin MAS tragedies (MH370 and MH17) and other air incidents. (Source: The Star)

Astro (CP: RM2.86): To maintain dividend payout

Astro Malaysia Holdings Bhd, which saw its net profit slide 6.5% to RM106.01mil for the third quarter ended Oct 31, on unrealised foreign exchange (forex) impact, said it will maintain its dividend policy payout amid the volatile landscape. The broadcaster has declared a dividend of 2.75 sen per share for the quarter under review. In a filing with the stock exchange yesterday, the group said the lower net profit was due to a decrease in earnings before interest, tax, depreciation and amortisation (EBITDA) of RM16.1mil, higher net finance costs by RM36.4mil on an unrealised forex impact arising from an unhedged finance lease liability of RM54.5mil, and unhedged vendor financing of RM8.8mil. (Source: The Star)

Star Media (CP: RM2.27): Seeks to be on syariah list again

Star Media Group Bhd is in the process of complying with the Securities Commission's (SC) requirements to be reinstated into the syariah-compliant list

of stocks on the local bourse. In November this year when the SC published its updated list of syariah compliant stocks, Star Media Group was omitted because its financial ratios did not comply with the requirements. To be a syariah-compliant stock, no more than 33% of liquid assets can be placed in conventional products. The liquid assets include short-term deposits, cash and bank balances. Star Media Group's ratio for the financial year ended Dec 31, 2014 was above the 33% threshold. *(Source: The Star)*

CMS Cement (CP: RM5.28): To raise cement prices by 4.6% on average

CMS Cement Sdn Bhd, a subsidiary of Cahya Mata Sarawak Bhd, announced that it will adjust its cement prices upwards by an average of 4.6% effective Jan 1, 2016, due to the depreciation of the ringgit. In a statement issued on Tuesday, CMS said it will increase the prices to maintain the quality of its cement manufacturing and supply businesses, among others. It added that the sustained depreciation of the ringgit since January 2015 had created an unprecedented increase in the cost of cement production, as over 60% of the key raw materials used to make cement namely clinker and gypsum are bought in US dollars. In addition, the equipment and spare parts for machinery and all shipping costs are paid for in US dollars. As at mid-November 2015, the ringgit recorded a 24.8% year-to-date loss, and a 30.9% depreciation over the same period last year. *(Source: The Star)*

Barakah (CP: RM0.88): Wins Sabah Sarawak Gas Pipeline contract

Barakah Offshore Petroleum Bhd has received the letter of award from Petronas Gas Bhd (PGB) for the provision of repair and maintenance of Sabah Sarawak Gas Pipeline. It said in its filing with Bursa Malaysia that its subsidiary PBJV Group Sdn Bhd received the letter of award. The Sabah Sarawak Gas Pipeline is a network of onshore pipeline that link Sabah Oil and Gas Terminal in Kimanis, Sabah and Petronas LNG Complex in Bintulu, Sarawak. The length of the pipeline is 503km. The scope of the contract includes inspection, testing, repair and maintenance of the pipes and related infrastructures to maintain the pipeline integrity. Barakah said the contract is for two years from Dec 1, 2015 until Nov 30, 2017. PGB has the option to extend the contract for an additional year. *(Source: The Star)*

Spring Gallery (CP: RM0.68): Tapping into Terengganu's property market for future growth

Ceramics maker turned property-construction company Spring Gallery Bhd is banking on the untapped East Coast property market for its future growth. Previously known as PFCE Bhd, the group had on Nov 12, 2015 received its second managing contractor agreement worth some RM147 million for the development of a three-storey shopping complex and a 12-storey three star hotel in Kemaman district, Terengganu. *(Source: The Edge)*

Hibiscus (CP: RM0.25): Refutes oil field stake claim

Hibiscus Petroleum Bhd refuted Rex International Holding Ltd's claim that Hibiscus had not disclosed changes of Lime Petroleum Plc's (Lime Plc) stake in Masirah Oil Ltd. Masirah has secured the rights for the Block 50 oil field in Oman. According to Hibiscus's filing with Bursa Malaysia yesterday, Hibiscus said

Rex claimed the details were not disclosed in notes accompanying Hibiscus' results for the first quarter ended Sept 30, 2015. *(Source: The Edge)*

Cepatwawasan (CP: RM0.72): Sees gain of RM2m to FY15 pre-tax profit from terminations

Cepatwawasan Group Bhd expects to recognise a gain of RM2 million to its pre-tax profit for the financial year ending Dec 31, 2015 (FY15), following the termination of two emission reductions purchase agreements with NE Climate A/S. In a filing with Bursa Malaysia yesterday, Cepatwawasan said its subsidiaries Mistral Engineering Sdn Bhd and Cash Horse Sdn Bhd have entered into two agreements for the purpose of terminating and cancelling the respective emission reductions purchase deals, entered with NE on Oct 11, 2010. This includes the respective supplemental agreements signed on May 31, 2011. *(Source: The Edge)*

Eduspec (CP: RM0.31): Partners Singapore's CM Asia Learnings

Education provider, Eduspec Holdings Bhd will grant exclusive distribution rights of its education products to CM Asia Learnings Pte Ltd, after signing a master distribution agreement with the Singapore's software solutions provider. Additionally, Eduspec will acquire a 19.35% stakes of CM Asia, upon execution of the agreement. In a filing with Bursa Malaysia, Eduspec said it had on Dec 7, signed the agreement with CM Asia, whereby the company grants an exclusive distribution rights within the designated markets and the right to appoint resellers or distributor to distribute Science Technology Engineering Mathematics (STEM) Education Using Robotics, Stem Computer Science For Schools Program (STEM CS) and Software Development Program (SDP) to CM Asia. *(Source: The Edge)*

KUB Malaysia (CP: RM0.28): To strengthen assets following A&W disposal

KUB Malaysia Bhd will be strengthening its assets in the plantation, ICT and oil and gas sectors following the disposal of its stakes in the Thailand A&W chain and KUB Builders Sdn Bhd. Its president and group managing director Datuk Abdul Rahim Mohd Zin said the sale of the subsidiaries were part of the group's strategy to dispose of its underperforming businesses. "The proceeds will help to strengthen our balance sheet and to expand our business in core areas," he told a media briefing here on Tuesday. He said there were no further plans to dispose of other subsidiaries at the moment, but they were looking at acquisitions in the power and plantation sectors. *(Source: The Star)*

ECONOMIC UPDATES

China: Imports and exports fall again in November

Chinese imports and exports both fell in November, official data showed Tuesday, the latest poor figures from the world's second-largest economy. The country is a key driver of global growth and its shipments of finished goods, along with its demand for the resources to manufacture them, affect nations across the world. China's exports sank 6.8% to \$197.2bil in November, Customs said -- a marginal improvement on the previous month, but worse than the five percent drop forecast in a Bloomberg poll of economists. Overseas shipments have been declining every month this year except for February, when the figures were skewed by the Chinese New Year. Imports tumbled 8.7% to \$143.1bil -- the 13th straight month of declines, but narrowing significantly from an 18.8 percent slump in October. (Source: *The Star*)

Malaysia: Draws debt funds in November as ringgit recovers ground

Investor sentiment for Malaysian debt improved in November as global funds raised holdings to a seven-month high, aided by a recovery in the ringgit. Ownership of sovereign and corporate notes rose 1.9% from a month earlier to 213.6 billion ringgit (US\$50 billion), the highest since April, with the most pronounced increases seen in the Islamic bond component, according to the latest central bank data. The ringgit extended a rally in November from October, after weakening in the previous five months as depressed Brent crude prices weighed on government earnings for Asia's only major net oil exporter. (Source: *The Edge*)

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Malaysia: Rubber industry exports in first nine months up 4.3%

The export value of Malaysia's rubber industry for January to September this year increased 4.3% to RM24.21bil from RM23.21bil for the same period last year, said Datuk Douglas Uggah Embas. The Plantation Industries and Commodities Minister said of the total export value, natural rubber accounted for RM3.10bil. "Exports of rubber products for the same period increased 18.1% from RM11.14bil to RM13.16bil, driven by an almost 22% growth in exports of rubber gloves to global markets for the first nine months of this year," he said at the presentation of rubber industry awards in Kuala Lumpur on Tuesday night. (Source: *The Star*)

India: Ready to impose more curbs on steel imports

India is readying to impose more curbs on steel imports, including introducing a safeguard duty, after a 20% import tax failed to contain losses for producers such as Steel Authority of India. SAIL, JSW Steel and Essar Steel have complained that surging imports from Indonesia, China, Japan, Russia, Ukraine and South Korea were squeezing their market share and profit margins. In October, steelmakers asked the government to impose a safeguard duty for four years on imports of hot rolled flat sheets and plates of alloy or non-alloy steel, and set a minimum import price, to contain cheaper steel imports. *(Source: The Star)*

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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