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Thursday, December 10, 2015

**At a Glance**

FBMKLCI dropped 9.88 points to finish at 1,659.36 due to the negative regional market sentiment.....(See full report next page)

**Strategy****"Another Nervous Trading Day for Wall Street"**

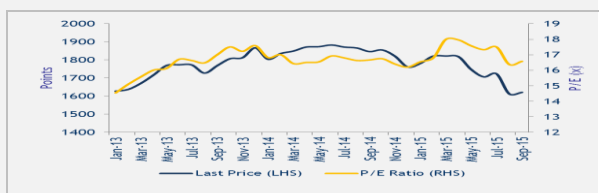
We think that the wobbly sentiment, to be added with the drag in China economy, will continue to weigh on the local and regional market.....(See full report next page)

**Corporate Highlights**

- **SP Setia (CP: RM3.13):** Federal Hill to contribute to sales from 2017
- **KPS (CP: RM1.23):** To explore new investment areas after unit sale
- **Berjaya Food (CP: RM2.33):** Profit falls to RM6.2mil

**Economic Update**

- **China:** November inflation grows 1.5%
- **Malaysia:** Fiscal deficit challenge
- **U.S.:** Banks show worrying trend of increasing risky loans



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 PM	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	1,659.36	-9.88	-0.59
FBMEMAS	11,571.63	-67.39	-0.58
FBMEMAS SHA	12,460.94	-88.45	-0.70
FBM100	11,247.02	-71.53	-0.63
Volume (mn)	1,664.57	-116.90	-6.56
Value (RMmn)	1,824.44	139.85	8.30
FBMKLCI YTD Chg			-5.79

**Daily Trading Position (RM'mn)**

	Participation (%)	Net(RMm)
Local Retail	17.1	10.7
Local Institution	59.7	202.9
Foreign Investors	23.2	-213.6

**Top Gainers**

	Close	Change+/-	(+/- %)
MALAYSIAN PAC	8.99	0.36	4.17
SHANGRI-LA HOTE	5.95	0.26	4.57
MAGNI-TECH IND	4.19	0.22	5.54

**Top Losers**

	Close	Change+/-	(+/- %)
BAT	55.90	-0.90	-1.59
TOP GLOVE CORP	10.64	-0.36	-3.27
APOLLO FOOD HL	5.06	-0.05	-0.98

**World Indices**

	Close	Change+/-	(+/- %)
DJIA	17,492.30	-75.70	-0.43
NASDAQ	5,022.87	-75.38	-1.48
S&P 500	2,047.62	-15.97	-0.77
FTSE 100	6,126.68	-8.54	-0.14
DAX	10,592.49	-81.11	-0.76
Nikkei 225	19,301.07	-191.53	-0.98
HSI	21,803.76	-101.37	-0.46
KOSPI	1,948.24	-0.80	-0.04
STI	2,863.18	-12.85	-0.45
KLCI Futures	1629.0	-8	0.0
USDMYR 3M	12.6	0.02	0.0
USDMYR 6M	12.8	0.0	0.0
USDMYR 12M	12.77	0.01	0.00

**Other Key Economics Data**

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	37	0.2	0.5%
Brent (USD/bbl)	40.1	-0.1	-0.4%
Gold(USD/ounce)	1,072	-0.5	0.0%
Coal (USD/mt)	52.5	0.0	0.0%
CPO (RM/mt)	2,384	-12.0	-0.5%
Rubber	129	-0.4	-0.3%
RM/USD	4.27	0.009	-0.21%
EUR/USD	0.91	0.0007	0.08%
YEN/USD	121.66	0.22	-0.18%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average declined 75.70 points to 17,492.30 points, S&P 500 down 15.97 points to 2,047.62. Nasdaq slipped by 75.38 points to 5,022.87. U.S. stocks were higher at the open on Wednesday, as crude oil prices clawed back some of their losses and reported merger talks between Dow Chemical and DuPont helped prop up shares of raw materials companies.
- Investors remain cautious, as concerns regarding China's slowing economy and its impact on global demand persist. Those concerns have also hurt commodity stocks this year as China is the world's biggest consumer of metals.

### The Local Market

- FBMKLCI dropped 9.88 points to finish at 1,659.36 due to the negative regional market sentiment. There were 373 gainers and 435 decliners in total value traded of RM1.82 billion.
- Among the losers on Bursa Malaysia were BAT fell 90 cent to RM55.90, Top Glove declined 36 cent to RM10.64, Apollo Food erased 5 cent to RM5.06 and Hap Seng slid 23 cent to RM6.25.

### Strategy

- **“Another Nervous Trading Day for Wall Street”**  
Dampened by continued weakness in oil price and the prospect of US interest rate adjustment next week, Wall Street finished lower, yet again. S&P 500 and DJIA erased 15.97 points (-0.77%) and 75.70 points (-0.43%) to end at 2,047.62 and 17,492.30 respectively. Global oil price benchmark, WTI, shaved another level to end at USD37 per barrel, trounced by the imminent US interest rate adjustment. As mentioned, the US is slated to make its first policy rate adjustment next week, its first in 6 years, no thanks to the much healed US labor market. As a point to the fact, we think that the wobbly sentiment, to be added with the drag in China economy, will continue to weigh on the local and regional market. To reiterate, the US will be holding its final policy meeting of the year next week, with policy decision to be made on the 16<sup>th</sup> December.
- 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

**SP Setia (CP: RM3.13): Federal Hill to contribute to sales from 2017**

Property developer SP Setia Bhd expects its Federal Hill project with a gross development value (GDV) of RM15bil to start contributing to sales from 2017 onwards. Setia Federal Hill Sdn Bhd chairman Datuk Khor Chap Jen said the mixed residential and commercial project on a 21.04-hectare (ha) land in Bangsar, here, is expected to be launched in 2017. Setia Federal Hill is an associate company of SP Setia. This project is actually quite a long-haul development, so it will be contributing over the next 15 to 20 years (from 2017). The agreement was signed between Setia Federal Hill and CIMB Investment Bank, Maybank, AmInvestment Bank and Commercial Bank of China for a land swap development transaction under the government's public private partnership programme. *(Source: The Star)*

**KPS (CP: RM1.23): To explore new investment areas after unit sale**

Kumpulan Perangsang Selangor Bhd's (KPS) proposed disposal of its 90.83%-owned unit, Titisian Modal (M) Sdn Bhd (TMSB), to Pengurusan Air Selangor Sdn Bhd (Air Selangor) will help the state-owned investment holding company explore investment opportunities in new business sectors. KPS said, the proposed disposal of TMSB, which wholly-owned the water treatment operator, Konsortium ABASS Sdn Bhd, for RM78.05mil, will facilitate the water restructuring plan of the Selangor and federal governments which aimed to consolidate and restructure the water supply industry in Selangor, Kuala Lumpur and Putrajaya. The proposed disposal will allow KPS to explore investment opportunities in sectors where it already has existing investments as well as in new business sectors or areas. *(Source: The Star)*

**Berjaya Food (CP: RM2.33): Profit falls to RM6.2mil**

Berjaya Food Bhd (BFood) reported a 96.21% fall in its net profit for its second quarter ended Oct 31, attributed to a remeasurement gain of RM158.60mil in the same quarter a year ago. The Berjaya Corp subsidiary posted a net profit of RM6.2mil for the quarter compared with RM163.6mil a year ago. The group said this was due to a recognition of gain arising from the remeasurement of its earlier 50% equity interest in Berjaya Starbucks Coffee Co Sdn Bhd (BStarbucks) prior to it buying the other 50% in the coffee chain operator in September 2014 for US\$88mil (RM374mil). Excluding this remeasurement gain, it said, pre-tax profit for the previous corresponding quarter was about RM6.7mil compared with RM8.79mil this year, a 31% increase. *(Source: The Star)*

**EG Industries (CP: RM1.01): Disposing land for RM8.5mil**

EG Industries Bhd is disposing six parcel of industrial land in Kedah for RM8.5mil as part of its on-going restructuring exercises to dispose of non-core assets. EG wants to focus on its core electronic manufacturing service business, it said in a filing with Bursa Malaysia when announcing the disposal of the land to Schaefer Kalk (M) Sdn Bhd. The disposal of the land owned by EG and its unit SMT Technologies Sdn Bhd would also enable EG to strengthen its balance sheet and improve its gearing. The gross proceeds of RM8.5mil arising from the disposals would be utilised by EG mainly for repayment of bank borrowings with

estimated interest savings of RM425,000 at an annual interest rate of 5%.  
(Source: The Star)

**Transocean Holdings (TP: RM0.37): Tan resigns as Transocean executive director**

Transocean Holdings Bhd executive director Tan Swee Hock has voluntarily resigned from his post effective yesterday after being charged by the Securities Commission Malaysia (SC) for insider trading. In a stock exchange filing yesterday, the integrated freight, forwarding, and customs clearance company said highlighted to shareholders that Tan was charged at the Kuala Lumpur Session Court on Tuesday for insider trading offence. The company said Tan, 62, is claiming trial to the said charge. The SC filed charges against Tan and two other individuals, for insider trading committed six years ago. The three individuals pleaded not guilty. Tan faces 28 charges of abetment in acquiring 632,700 units of Transocean shares through Central Depository System accounts belonging to Yap Lee Lee, 45, and Chan Sze Yeng, 42. (Source: The Sun)

**Petronas: Signs preliminary LNG deal with China's Guanghui Energy**

China's LNG provider Guanghui Energy Co Ltd said it has agreed to import LNG from the Malaysia government-owned Petronas. The Malaysian company will start to supply LNG to the Chinese company from 2017, said Guanghui on Tuesday, without disclosing the size and price of the deal. The LNG will be transported to Guanghui's terminal in Jiangsu province, with planning capacity to store 600,000 tonnes a year when its first phase of the construction is ready to operate, and the terminate will eventually expand its storage to 3 million tonnes a year. (Source: The Star)

**ECONOMIC UPDATES**

**China: November inflation grows 1.5%**

China's consumer price index (CPI), a main gauge of inflation, grew 1.5% year-on-year in November, up from a rise of 1.3% in October, Xinhua News Agency reported on Wednesday. The reading was slightly higher than a 1.4% increase for the first 11 months, it quoted the National Bureau of Statistics (NBS) as saying. The NBS attributed the rise mainly to rising food prices, as vegetable prices surged 9.4% year-on-year last month, while prices for meat and poultry products rose 6.2%. On a monthly basis, consumer prices stayed flat. Last month, the producer price index, which measures wholesale inflation, plunged 5.9% year-on-year last month, marking the 45th straight month of decline and showing continued weak market demand. (Source: The Star)

**Malaysia: Fiscal deficit challenge**

Malaysia's target of having a fiscal deficit of 3.1% would be challenging and a possible revision to Budget 2016 could happen should oil prices continue to hover at current levels of about US\$40 per barrel, according to economists. These concerns have cropped up because the federal government had assumed Brent crude to be at US\$48 per barrel when it unveiled Budget 2016, while the outlook for oil prices was negative based on the current international scenario.

Brent's current price of US\$40.75 is 15% below the budget's estimates. (Source: *The Star*)

**U.S.: Banks show worrying trend of increasing risky loans**

US banks loosened their loan underwriting standards and took on more credit risk this year, the Office of the Comptroller of the Currency said in a report on Wednesday that revealed lending trends similar to those in the years leading up to the financial crisis of 2007 through 2009. "Similar to pre-crisis surveys, the 2015 survey reflects that many banks are pursuing portfolio growth and yield by loosening underwriting standards. Credit risk is increasing because of these trends," according to the report, which covered the 12 months ending on June 30. Specifically, the report found that underwriting standards for retail loans eased in 27% of the major banks surveyed, the highest level since 2006 and the third year in a row of banks loosening their standards. (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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