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Monday, December 14, 2015

At a Glance

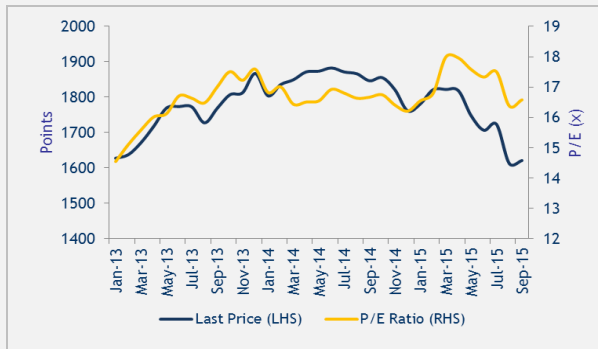
FBMKLCI fell 8.51 points to finish at 1,640.14 impacted by losses in selected heavyweight counters.....(See full report next page)

Corporate Highlights

- **RHB Cap, HOLD (TP: RM6.15):** Rights issue oversubscribed by 30.5%
- **FGV, SELL (TP: RM1.30):** To buy 37% of Eagle High in restructured deal, says Rajawali exec
- **Petronas Dagangan, HOLD (TP: RM22.68):** Divests Vietnam LPG biz

Economic Update

- **China:** Aluminium smelters vow to cut capacity 500,000 tonnes capacity by year-end
- **Japan:** Seeks more sales tax hike exemptions
- **U.S.:** Consumer spending gauge rises strongly



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
JP	14-Dec 7:50 AM	Tankan Large Mfg Index	11.0	12.0	
JP	14-Dec 7:50 AM	Tankan Large Mfg Outlook	11.0	10.0	
JP	14-Dec 7:50 AM	Tankan Large Non-Mfg Index	23.0	25.0	
JP	14-Dec 7:50 AM	Tankan Large Non-Mfg Outlook	22.0	19.0	
JP	14-Dec 12:30 PM	Industrial Production MoM	-	1.4%	
JP	14-Dec 12:30 PM	Industrial Production YoY	-	-1.4%	
JP	14-Dec 12:30 PM	Capacity Utilization MoM	-	1.5%	
EU	15-Dec 6:00 PM	Employment QoQ	-	0.3%	
EU	15-Dec 6:00 PM	Employment YoY	-	0.8%	
US	15-Dec 9:30 PM	CPI MoM	0.0%	0.2%	
US	15-Dec 9:30 PM	CPI Ex Food and Energy	0.2%	0.2%	
US	15-Dec 9:30 PM	CPI YoY	0.6%	0.2%	
EU	16-Dec 5:00 PM	Markit Eurozone Manufacturing PMI	-	52.8	
EU	16-Dec 5:00 PM	Markit Eurozone Services PMI	-	54.2	
EU	16-Dec 5:00 PM	Markit Eurozone Composite PMI	-	54.2	
EU	16-Dec 6:00 PM	CPI MoM	-	0.1%	
EU	16-Dec 6:00 PM	CPI YoY	-	-	
EU	16-Dec 6:00 PM	CPI Core YoY	-	0.9%	
US	16-Dec 8:00 PM	MBA Mortgage Applications	-	-	
US	16-Dec 9:30 PM	Housing Starts	1130K	1060K	
US	16-Dec 9:30 PM	Buildings Permits	1150K	1150K	
US	16-Dec 10:15 PM	Industrial Production MoM	0.1%	-0.2%	
US	16-Dec 10:15 PM	Capacity Utilization	77.5%	77.5%	
JP	16-Dec 2:00 PM	Machine Tool Orders YoY	-	-17.9%	
US	17-Dec 9:30 PM	Current Account Balance	(\$118.7B)	(\$109.7B)	
US	17-Dec 9:30 PM	Initial Jobless Claims	-	-	
US	17-Dec 9:30 PM	Continuing Claims	-	-	
US	17-Dec 11:30 PM	Leading Index	0.1%	0.6%	
JP	17-Dec 7:50 AM	Trade Balance	-	¥111.5B	
JP	17-Dec 7:50 AM	Exports YoY	-	-2.1	
US	18-Dec 10:45 PM	Markit US Services PMI	-	56.1	
US	18-Dec 10:45 PM	Markit US Composite PMI	0.0	0.0	
CN	10-15 Dec	Money supply M2 YoY	13.4%	13.5%	

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,640.14	-8.51	-0.52
FBMEMAS	11,439.70	-71.82	-0.62
FBMEMAS SHA	12,306.41	-93.50	-0.75
FBM100	11,115.51	-71.91	-0.64
Volume (mn)	1,606.62	-452.94	-21.99
Value (RMmn)	1,878.55	-64.34	-3.31
FBMKLCI YTD Chg			-6.88

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	14.7	26.7
Local Institution	58.0	200.5
Foreign Investors	27.3	-227.2

Top Gainers

	Close	Change+/-	(+/- %)
BAT	57.00	3.90	7.35
PETRON MALAYSI	4.43	0.25	5.98
AJINOMOTO MAL	7.55	0.24	3.28

Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	73.50	-0.70	-0.94
UMW HLDG BHD	7.59	-0.23	-2.94
SIME DARBY	7.23	-0.21	-2.82

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,265.21	-309.54	-1.76
NASDAQ	4,933.47	-111.71	-2.21
S&P 500	2,012.37	-39.86	-1.94
FTSE 100	5,952.78	-135.27	-2.22
DAX	10,340.06	-258.87	-2.44
Nikkei 225	19,230.48	183.93	0.97
HSI	21,464.05	-240.56	-1.11
KOSPI	1,948.62	-3.45	-0.18
STI	2,834.63	-13.83	-0.49
KLCI Futures	1613.0	-8	0.0
USDMYR 3M	12.7	0.035	0.0
USDMYR 6M	12.8	0.1	0.0
USDMYR 12M	12.82	0.03	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	36	0.0	-0.1%
Brent (USD/bbl)	37.9	0.0	0.0%
Gold(USD/ounce)	1,074	-1.3	-0.1%
Coal (USD/mt)	52.3	-0.1	-0.2%
CPO (RM/mt)	2,441	64.0	2.7%
Rubber	128	0.0	0.0%
RM/USD	4.30	0.0333	-0.78%
EUR/USD	0.91	0.0012	0.13%
YEN/USD	120.82	-0.19	0.16%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 309.54 points to 17,265.21 points, S&P 500 fell 39.86 points to 2012.37. Nasdaq erased by 111.71 points to 4,933.47. U.S. stocks closed sharply lower on Friday, with the S&P 500 ending its worst week since August, as plunging crude oil prices compounded investor nervousness on expectations for the first U.S. interest rate hike in nearly a decade.
- Oil dragged down market as a whole, as investors worried whether a weakness in commodities signaled a broader slowdown. Furthermore, investors were worried about declines in China's yuan and in high-yield debt markets.

The Local Market

- FBMKLCI fell 8.51 points to finish at 1,640.14 impacted by losses in selected heavyweight counters. There were 306 gainers and 477 decliners in total value traded of RM1.87 billion.
- Among the losers on Bursa Malaysia were Nestle (M) dropped 70 cent to RM73.50, UMW Holdings declined 23 cent to RM7.59, Sime Darby slid 21 cent to RM7.23 and Batu Kawan erased 18 cent to RM17.12.

Strategy

- 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 Cap, HOLD (TP: RM6.15): Rights issue oversubscribed by 30.5%

RHB Capital Bhd's (RHB Cap) rights issue, which aims to raise gross proceeds of up to RM2.5bil to fund RHB Bank Bhd, has been oversubscribed by 30.5%. RHB Investment Bank, in a statement on behalf of the RHB Cap board, said there were 634.35 million total valid acceptances and excess applications received as at the close of the rights issue at 5pm on Dec 8. This represented an oversubscription of 148.16 million right shares, or about 30.47%, over the total number of 486.19 million rights shares available for subscription. It said the rights shares were expected to be listed on the Main Market of Bursa Malaysia on Dec 21. (Source: The Star)

FGV, SELL (TP: RM1.30): To buy 37% of Eagle High in restructured deal, says Rajawali exec

Felda Group plans to buy 37% in PT Eagle High Plantations Tbk, the plantation unit of Indonesian conglomerate Rajawali Group, in a restructured deal, Rajawali's managing director told Reuters on Friday. Under the new deal, Kuala

Lumpur-listed Felda Global Ventures Holdings Bhd may take less than 10% in Eagle High, with the remaining stake bought by Felda Investment, a unit of Felda Group, said Rajawali's Darjoto Setyawan. The companies are "finalising" the price, Setyawan said. Last month, Felda Global said it needed to rethink its planned purchase of 37% of Eagle High for US\$680mil after its shareholders criticised the deal as too expensive. *(Source: The Star)*

Petronas Dagangan, HOLD (TP: RM22.68): Divests Vietnam LPG biz

Petronas Dagangan Bhd is divesting its liquefied petroleum gas (LPG) businesses in Vietnam as part of its portfolio rationalisation strategy. In a filing with Bursa Malaysia on Friday, Petronas Dagangan said its unit, PDB (Netherlands) BV (PDBN), had entered into two share sale and purchase agreements with Totalgaz Vietnam Ltd. Under these agreements, PDBN will divest 100% equity interest in Petronas (Vietnam) Co Ltd (PVL) and Thang Long LPG Co Ltd (TLLCL). Upon completion of the divestment, expected by the second quarter of 2016, PVL and TLLCL will cease to be indirect units of PDB. *(Source: TheSunDaily)*

MISC (CP: RM9.04): MISC's unit AET appoints Capt Rajalingam as new CEO

AET Tanker Holdings Sdn Bhd, a subsidiary and petroleum arm of MISC Bhd, has appointed Captain Rajalingam Subramaniam as its new president and chief executive officer (CEO), with effect from Jan 1 next year. Raja has been overseeing the running of AET since July, alongside his role as vice president (VP) of fleet management services at parent company, MISC. MISC's president and CEO Yee Yang Chien said Raja had also headed AET's shipmanagement division before moving to MISC in 2008, and has an in-depth understanding of the company. *(Source: The Edge)*

Hibiscus (CP: RM0.24): Confident of better profit next year

Malaysia's first special purpose acquisition company, Hibiscus Petroleum Bhd, is optimistic of better profit in the financial year ending June 30, 2016, boosted by several acquisitions. Among its recent acquisitions were substantial interest in the Anasuria cluster in the North Sea, UK and the West SeaHorse field, Australia. According its 2014/2015 annual report, the economic interest derived from Anasuria deal will be back dated to Jan 1, 2015 and the acquisition of the cluster is expected to be completed only in the first quarter of 2016. For the first quarter ended Sept 30, 2015, Hibiscus posted a pre-tax profit of RM4.76mil compared with a pre-tax loss of RM9.97mil previously. *(Source: The Star)*

Icon (CP: RM0.35): Wins RM22mil contract

Icon Offshore Bhd has won a RM22mil job from "an oil major" for the provision of one unit of utility tug vessel. In a filing to Bursa Malaysia on Friday, Icon said it would provide the services for a period of three years, commencing from Oct 21, 2015 with an extension option of one year and an additional one year. It said that the contract is expected to contribute positively to the earnings and net assets of Icon group for the financial year ending Dec 31, 2015 and beyond. *(Source: The Star)*

I-Bhd (CP: RM0.45): To launch 2 projects next year

I-Bhd, the master developer of i-City, will be launching two new real estate projects in early 2016 which are the Hyde Towers @i-City and 8Kia Peng @KLCC. In a statement on Friday the group said i-City will be unveiling its last tower block located on its western parcel on Jan 15 next year. Hyde is a 43-storey tower block with units ranging from 465 sq to 769 sq ft. The group said Hyde Tower is near the CentralPlaza@i-City mall, a 60:40 project between Thailand's leading retail property developer Central Pattana Pcl (CPN) and I-Bhd. It said that the direct flyover from Federal Highway is now completed and the light rail transit (LRT) to i-City is slated for completion in 2020. (Source: The Star)

Prolexus (CP: RM2.67): To set up Vietnam ops to gain from TPPA

Prolexus Bhd is making a cash call to raise up to RM62.53mil in order to set up a garment factory in Vietnam as well as a fabric mill in Johor to expand into upstream garment production. The apparels manufacturer announced to Bursa Malaysia on Friday a proposed renounceable rights issue of up to 62.53 million new 50 sen shares in the company at a price to be determined later together with the same number of free warrants. This will be on the basis of one rights share and one warrant for every two existing Prolexus shares held by the company's entitled shareholders on an entitlement date to be determined and announced later. (Source: The Star)

Comfort Gloves (CP: RM0.88): Net profit up at RM7mil

Comfort Gloves Bhd's net profit surged to RM7.16mil in the third quarter ended Oct 31 from RM672,000 previously mainly resulting from a successful expansion plan that was carried out throughout this year. The company's revenue for the quarter rose to RM61.27mil from 38.39mil in the same period a year ago. The new expansion plan will significantly improve profits as the group does not anticipate any further increases in existing operating fixed costs except for depreciation and maintenance expenses associated to the manufacturing facility. (Source: The Star)

ECONOMIC UPDATES**China: Aluminium smelters vow to cut capacity 500,000 tonnes capacity by year-end**

China's top aluminium smelters will reduce capacity by 500,000 tonnes by year-end, taking total capacity cuts for 2015 to just under five million tonnes in a bid to whittle down a domestic supply glut, a major trade association said on Friday. In a statement following a meeting of 14 major producers including Aluminium Corp of China (Chalco) in Yunnan province on Thursday, China's Nonferrous Metals Industry Association (CNIA) said the producers had also pledged not to open any new capacity for at least one year or to reopen any idled capacity. China's metals industry has been blighted by overcapacity as the world's No. 2 economy slows, sending international prices plunging, with benchmark aluminium down by a quarter since May. (Source: Reuters)

Japan: Seeks more sales tax hike exemptions

Japan's ruling coalition is arranging to broaden exemptions in a planned sales tax hike to cushion a blow to the flagging economy - a welcome move for consumers but a setback to fiscal discipline. Prime Minister Shinzo Abe's ruling Liberal Democratic Party (LDP) and small coalition ally Komeito are in the final stages of a deal to exempt both fresh and processed foods from higher sales tax when it is raised to 10% from 8% in April 2017. The exemption would lead to a loss of revenue worth more than one trillion yen (US\$8.19 billion) - about a fifth of tax income brought by the planned tax hike. The government must now scramble for alternative funding sources to cover the revenue hole. (Source: Reuters)

U.S.: Consumer spending gauge rises strongly

A gauge of U.S. consumer spending rose solidly in November, suggesting enough momentum in the economy for the Federal Reserve to raise interest rates next week for the first time in nearly a decade. Other data on Friday showed producer prices increased last month as services cost more, but the underlying trend continued to point to weak inflation pressures. Retail sales excluding automobiles, gasoline, building materials and food services increased 0.6%, after gaining 0.2% in October, the Commerce Department said. These so-called core retail sales correspond most closely with the consumer spending component of gross domestic product. Consumer spending, which accounts for more than two-thirds of U.S. economic activity, surprisingly slowed in September and October. (Source: Reuters)

China: FDI Inflow Rises 1.9 Per Cent In November

Foreign direct investment (FDI) into China increased 1.9 per cent year-on-year to 64.9 billion yuan in November, Xinhua News Agency reported. The growth slowed from a 4.2 per cent rise recorded in October. For the first 11 months, FDI, which excludes investment in the financial sector, stood at 704.3 billion yuan, up 7.9 per cent from the same period last year, it quoted data from the Ministry of Commerce. It said foreign investment in the service industry rose 18.8 per cent, with the high-tech service sector seeing a jump of 51.7 per cent to US\$7.23 billion. High-tech manufacturing attracted US\$8.54 billion of foreign investment during the January-November period, up 11.7 per cent and accounted for 23.8 per cent of the total FDI in manufacturing. (Source: Reuters)

India: RBI says looking at bank powers to tackle stressed assets

The Reserve Bank of India said on Friday it would look at the way banks use measures intended to help them tackle a crippling bad-debt burden, as concern grows that lenders are using the tools to camouflage troubled loans instead. Grappling with more than US\$110 billion of stressed loans, India's banks have faced questions this week over their use of one of the most high-profile tools offered to the sector by the central bank - strategic debt restructuring (SDR). SDR helps banks swap unpaid debt for majority control in troubled companies. Crucially, it allows debt in the process to be classed as "standard", without extra provisions or writedowns, for 18 months. (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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