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Tuesday, December 15, 2015

At a Glance

FBMKLCI fell 10.18 points to finish at 1,629.96 impacted by cautious sentiment ahead of the expected US rate hike later this week.....(See full report next page)

Strategy**"Volatile is the Word"**

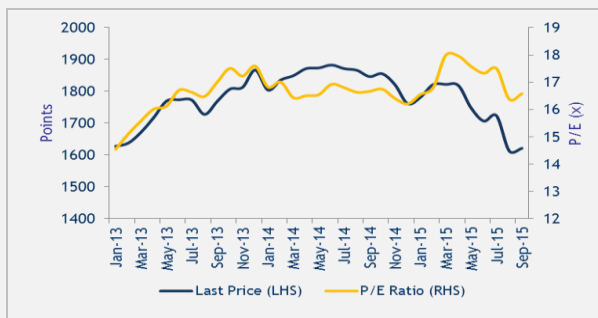
The market may swing back into positive trajectory today but we think upside will be capped by the large overhang, as in the jitteriness over US upcoming policy decision tomorrow.....(See full report next page)

Corporate Highlights

- **TNB, BUY (TP: RM14.60):** Impact of forex volatility on TNB's bottomline neutral, says CFO
- **CIMB, BUY (TP: RM4.90):** Mohamed Rafe is CIMB Islamic Bank's new CEO
- **DRB-Hicom (CP: RM1.20):** Appoints Syed Faisal Albar as CEO

Economic Update

- **Malaysia:** Iskandar Malaysia records RM187.96 Billion in cumulative committed investments
- **Malaysia:** Malaysian banks' outlook stable – Moody's
- **New Zealand:** Forecasts return to budget deficit as growth slows



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	1,629.96	-10.18	-0.62
FBMEMAS	11,360.06	-79.64	-0.70
FBMEMAS SHA	12,218.18	-88.23	-0.72
FBM100	11,043.90	-71.61	-0.64
Volume (mn)	1,580.89	-25.73	-1.60
Value (RMmn)	1,590.90	-287.65	-15.31
FBMKLCI YTD Chg			-7.45

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.8	58.8
Local Institution	56.7	194.9
Foreign Investors	26.5	-253.7

Top Gainers

	Close	Change+/-	(+/- %)
AJINOMOTO	7.90	0.35	4.64
KLUANG RUBBER	3.58	0.22	6.55
PANASONIC MAN	24.60	0.20	0.82

Top Losers

	Close	Change+/-	(+/- %)
BAT	55.46	-1.54	-2.70
PETRONAS GAS	22.14	-0.54	-2.38
PETRONAS DAG	24.20	-0.38	-1.55

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,368.50	103.29	0.60
NASDAQ	4,952.23	18.76	0.38
S&P 500	2,021.94	9.57	0.48
FTSE 100	5,874.06	-78.72	-1.32
DAX	10,139.34	-200.72	-1.94
Nikkei 225	18,883.42	-347.06	-1.80
HSI	21,309.85	-154.20	-0.72
KOSPI	1,927.82	-20.80	-1.07
STI	2,811.81	-22.82	-0.81
KLCI Futures	1589.5	-27.5	0.0
USDMYR 3M	13.2	-0.195	0.0
USDMYR 6M	13.1	-0.1	0.0
USDMYR 12M	13.11	(0.03)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	36	-0.1	-0.4%
Brent (USD/bbl)	37.9	0.0	0.0%
Gold(USD/ounce)	1,063	2.9	0.3%
Coal (USD/mt)	52.2	0.0	-0.1%
CPO (RM/mt)	2,404	-37.0	-1.5%
Rubber	126	-1.9	-1.5%
RM/USD	4.33	0.0302	-0.70%
EUR/USD	0.91	-0.0001	-0.01%
YEN/USD	121.03	0	0.00%

What To Expect

U.S. Market

- The Dow Jones Industrials Average increased 103.29 points to 17368.50 points, S&P 500 was up 9.57 points to 2,021.94. Nasdaq gained by 18.76 points to 4,952.23. U.S. stocks recovered from early losses on Monday to close higher, helped by firmer oil prices, as investors awaited an expected Federal Reserve interest rate hike later in the week.
- While investors widely expect the Fed to announce its first rate hike in nearly a decade on Wednesday, they are also waiting for commentary from policymakers about what will happen next.

The Local Market

- FBMKLCI fell 10.18 points to finish at 1,629.96 impacted by cautious sentiment ahead of the expected US rate hike later this week. There were 177 gainers and 782 decliners in total value traded of RM1.59 billion.
- Among the losers on Bursa Malaysia were BAT dropped RM1.54 to RM55.46, Petronas Gas declined 54 cent to RM22.14, Petronas Dagangan slid 38 cent to RM24.20 and Top Glove erased 30 cent to RM11.00.

Strategy

- **“Volatile is the Word”**
Wall Street swung back into positive territory on Monday amid nervousness over the US impending interest rate adjustment at the back of steady oil price. **S&P 500** and **DJIA** added **9.57 points (0.48%)** and **103.29 points (0.60%)** to end at **2,021.94** and **17,368.60** respectively. Above all, we think that investors picked up badly beaten share price given last Friday’s blood bath. Note that the US Federal Reserve is due to announce its final policy decision tomorrow, likely to be an upward adjustment, its first in almost 7 years, with the traders expecting 83% chance of an increase of 25 basis points. More importantly, the policy statement will be much awaited by many as it will spell the policy outlook in 2016. Note that we expect oil price to remain depressed at the current level at least until the short term. Oil price benchmark, as in WTI, closed at lethargic level of USD36 per barrel yesterday. As for outlook, the market may swing back into positive trajectory today but we think it upside will be capped by the large overhang, as in the jitteriness over US upcoming policy decision tomorrow.
- 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

TNB, BUY (TP: RM14.60): Impact of forex volatility on TNB's bottomline neutral, says CFO

The impact of the volatility in the foreign exchange (forex) market on Tenaga Nasional Bhd's (TNB) bottomline is neutral, said Chief Financial Officer (CFO) Fazlur Rahman Zainuddin. TNB registered a RM819.3 million forex translation loss for the financial year ended Aug 31, 2015 (FY 2015) as compared with a gain of RM445.3 million during FY 2014. He said the forex translation loss was due to its US dollar-denominated borrowings, which were about seven per cent of its total borrowings. *(Source: Bernama)*

CIMB, BUY (TP: RM4.90): Mohamed Rafe is CIMB Islamic Bank's new CEO

CIMB Group Holdings Bhd has appointed Mohamed Rafe Mohamed Haneef as the chief executive officer (CEO) and executive director of CIMB Islamic Bank Bhd and the CEO of group Islamic banking division from Jan 4, 2016. The post has been left vacant after the resignation of Badlisyah Abdul Ghani on Aug 15. The bank was led temporarily by Mohd Shafri Shahul Hamid prior to Rafe's appointment. Rafe is a proven leader, with a deep and broad understanding of Islamic banking, having been an Islamic banker for the last 15 years and worked in multiple financial centres around the world. *(Source: The Edge)*

DRB-Hicom (CP: RM1.20): Appoints Syed Faisal Albar as CEO

DRB-HICOM Bhd has appointed Datuk Seri Syed Faisal Albar Syed Ali Rethza Albar group chief executive officer of effective 4 January 2016 succeeding Tan Sri Mohd Khamil Jamil, who will be retiring next year. Syed Faisal, 50 years old, is an accountant by profession and he brings with him extensive corporate experience in various industries. He was formerly the CEO of Malakoff Corp Bhd. He joined Malakoff in July last year after a half-year stint as CEO of Gas Malaysia Bhd. Syed Faisal was the former executive director of Konsortium Logistik Bhd (KLB) and group managing director of Pos Malaysia Bhd. *(Source: The Star)*

Handal Resources (CP: RM0.36): Inks deal with Perbadanan Menteri Besar Kelantan

Handal Resources Bhd has entered into a heads of agreement (HOA) with Perbadanan Menteri Besar Kelantan (PMBK) And Tirai Dimensi Sdn Bhd to undertake the development and implementation of a tank farming project. In a filing with Bursa Malaysia, Handal Resources said its wholly owned subsidiary, Handal Engineering Sdn Bhd entered into the HOA. PMBK is an investment arm for the Kelantan State Government while Tirai Dimensi is a special purpose vehicle whose promoters and founders have a combined experience of more than 20 years in the oil and gas industry. *(Source: The Star)*

George Kent (CP: RM1.64): 3Q net profit surges 67% on favourable exchange rate

George Kent (Malaysia) Bhd saw its net profit surge 67.02% to RM12.07 million in the third financial quarter ended Oct 31, 2016 (3QFY16), from RM7.23 million a year ago, underpinned by the effect of foreign exchange rate on export sales. The metering and engineering company said revenue for 3QFY16 was up 0.94% to RM96.94 million, from RM96.03 million in 3QFY15. George Kent also declared

a second interim dividend of 1.5 sen per share, amounting to RM4.51 million, for the financial year ending Jan 31, 2016 (FY16), payable on Jan 26, 2016. (Source: *The Edge*)

Java (CP: RM0.215): Subsidiaries default on RM30.2m term loan repayments

Java Bhd's wholly-owned subsidiaries Java Industries Sdn Bhd and Java Timber Sdn Bhd have defaulted on loan repayments totalling RM30.2 million to Hong Leong Bank Bhd, which were each due on Nov 24, 2015. Java said the default had stemmed from a slowdown in businesses and adverse market conditions of the timber industry, resulting in both of its subsidiaries being unable to generate sufficient revenue to meet the repayment of the entire principal sum of the term loans on its due date. (Source: *The Edge*)

NTPM (CP: RM0.745) 2Q net profit up 85% on higher sales, better margin

NTPM Holdings Bhd saw its net profit for the second quarter ended Oct 31, 2015 soar 85% to RM17.04 million or 1.5 sen per share, from RM9.19 million or 0.8 sen per share in the previous year. In its filing with the exchange, NTPM attributed the better performance to improvements in sales and margin. Revenue for the quarter rose 10.6% to RM152.63 million, from RM138.09 million a year earlier, due to increase in sales of personal care products. For the six months ended Oct 31, 2015 (1HFY16), net profit came in 84.9% higher at RM29.96 million or 2.7 sen per share, from RM16.2 million or 1.4 per share in 1HFY15; while revenue added 9.5% to RM296.03 million, from RM270.34 million. (Source: *The Edge*)

E.A. Technique (CP: RM1.26): Ventures into floating services operation

E.A. Technique (M) Bhd has teamed up with MTC Engineering Sdn Bhd (MTCE) to undertake floating services operation and its related ancillary activities. E.A. Technique said this is in line with the group's expansion plan and to strategically expand its venture into floating solutions for marginal oil fields for the oil and gas sector. The group today signed a conditional joint venture (JV) and shareholders' agreement with MTCE to, inter-alia, subscribe to the equity of EAT MTC Floating Services Sdn Bhd (EMF), a dormant company. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: Iskandar Malaysia records RM187.96 Billion in cumulative committed investments

Iskandar Malaysia, the main southern development corridor in Johor, recorded RM187.96 billion in total cumulative committed investments from 2006 until November 2015, according to the Iskandar Regional Development Authority (IRDA). Of the total amount, 50 per cent or RM93.39 billion represents investments that have been realised as projects on the ground, IRDA said in a statement. IRDA, which is mandated to plan, promote and facilitate the Iskandar Malaysia development said Iskandar Malaysia secured RM29.83 billion in investments from January until November this year. (Source: *Bernama*)

Malaysia: Malaysian banks' outlook stable – Moody's

Moody's Investors Service said most Asia-Pacific banks, including those in Malaysia, had a stable outlook due to their loss-absorbing buffers. In a report yesterday, Moody's Financial Institutions Group managing director for Asia Pacific Stephen Long said regional banks had a stable outlook despite asset quality concerns. High household debt is a concern for banks in Malaysia, according to Long. But he also noted that household debt growth had slowed due to regulatory measures. *(Source: The Edge)*

New Zealand: Forecasts return to budget deficit as growth slows

New Zealand's budget will return to deficit this year as plunging dairy prices curb economic growth and benign inflation damps tax revenue. The operating deficit will be NZ\$401 million (\$272 million) in the year ending June 30, 2016, compared to a NZ\$414 million surplus a year earlier, Finance Minister Bill English said in his half-year update Tuesday in Wellington. In May, the government forecast a NZ\$176 million surplus for 2015-16. *(Source: Bloomberg)*

Indonesia: Pushes back deadline for Islamic megabank merger

The difficulties in forming a megabank in the US\$2 trillion (RM8.7 trillion) Islamic finance industry are becoming clear as Indonesia pushes back deadlines for its plan after failures in Malaysia and the Middle East. Financial Services Authority Director Dhani Gunawan Idat is the latest official to repeat Indonesia's goal for such an entity after two years of trying, with a plan to merge the syariah-compliant units of PT Bank Mandiri, PT Bank Negara Indonesia, PT Bank Rakyat Indonesia and PT Bank Tabungan Negara. *(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.

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