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Wednesday, December 16, 2015

At a Glance

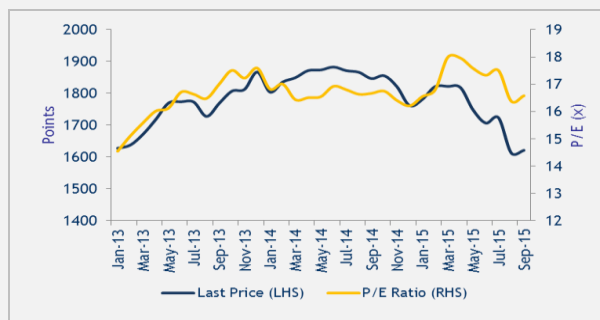
FBMKLCI declined 7.12 points to finish at 1,622.84 despite mixed performance of the regional markets.....(See full report next page)

Corporate Highlights

- **BIMB, BUY (TP: RM4.60):** Bank Islam issues RM400mil sukuk
- **Top Glove (TP: TBA):** Reports 164% jump in 1QFY16 net profit on strong USD, lower costs
- **WCT, HOLD (TP: RM1.63):** Secures new RM322.56mil contract from Petronas

Economic Update

- **U.S.:** Steadily firming US inflation supports Fed rate hike
- **U.S.:** Fed opens meeting to put an end to crisis era policy
- **Indonesia:** Signs \$7.1 Billion Currency-Swap Deal With Australia



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	1,622.84	-7.12	-0.44
FBMEMAS	11,340.09	-19.97	-0.18
FBMEMAS SHA	12,228.08	9.90	0.08
FBM100	11,017.94	-25.96	-0.24
Volume (mn)	1,428.71	-152.18	-9.63
Value (RMmn)	1,661.04	70.14	4.41
FBMKLCI YTD Chg			-7.86

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	16.1	38.9
Local Institution	54.7	178.6
Foreign Investors	29.2	-217.5

Top Gainers

	Close	Change+/-	(+/- %)
TOP GLOVE CORP	11.86	0.86	7.82
AIJINOMOTO MAL	8.52	0.62	7.85
TA ANN HLDGS	4.85	0.18	3.85

Top Losers

	Close	Change+/-	(+/- %)
BAT	54.46	-1.00	-1.80
UNITED PLANTAT	25.52	-0.48	-1.85
KLUANG RUBBER	3.36	-0.22	-6.15

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,524.91	156.41	0.90
NASDAQ	4,995.36	43.13	0.87
S&P 500	2,043.41	21.47	1.06
FTSE 100	6,017.79	143.73	2.45
DAX	10,450.38	311.04	3.07
Nikkei 225	18,565.90	-317.52	-1.68
HSI	21,274.37	-35.48	-0.17
KOSPI	1,932.97	5.15	0.27
STI	2,815.52	0.48	0.02
KLCI Futures	1599.0	9.5	0.0
USDMYR 3M	13.1	-0.04	0.0
USDMYR 6M	13.1	0.0	0.0
USDMYR 12M	13.10	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	37	-0.5	-1.3%
Brent (USD/bbl)	38.5	0.5	1.4%
Gold(USD/ounce)	1,062	0.7	0.1%
Coal (USD/mt)	52.4	0.1	0.3%
CPO (RM/mt)	2,410	-64.0	-2.6%
Rubber	124	-1.9	-1.5%
RM/USD	4.30	-0.0255	0.59%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.69	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 156.41 points to 17,524.91 points, S&P 500 increased 21.47 points to 2,043.41. Nasdaq rose by 43.13 points to 4,995.36. U.S. stocks rose broadly on Tuesday but ended far off their session highs ahead of Wednesday's interest rate decision from the Federal Reserve.
- With the near certainty of a Fed hike on Wednesday priced in for weeks, investors have been focusing on the pace at which the U.S. central bank will continue to tighten policy.

The Local Market

- FBMKLCI declined 7.12 points to finish at 1,622.84 despite mixed performance of the regional markets. There were 387 gainers and 386 decliners in total value traded of RM1.66 billion.
- Among the losers on Bursa Malaysia were BAT fell RM1.00 to RM54.46, United plantation dropped 48 cent to RM25.52, Kluang Rubber slid 22 cent to RM3.36 and Tenaga shed 23 cent to RM12.82.

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

BIMB, BUY (TP: RM4.60): Bank Islam issues RM400mil sukuk

BIMB Holdings Bhd's wholly-owned unit Bank Islam Malaysia Bhd has issued the second tranche of the subordinated sukuk murabahah amounting to RM400mil under the subordinated sukuk murabahah programme. BIMB said the sukuk's tenure would be 10 years, with non-callable five years, and the maturity date would be Dec 15, 2025. The proceeds shall be used to finance Bank Islam's Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding subordinated sukuk murabahah issued under the subordinated sukuk murabahah programme. (Source: The Star)

Top Glove (TP: TBA): Reports 164% jump in 1QFY16 net profit on strong USD, lower costs

Top Glove Corp Bhd reported a 164% jump in its net profit to RM128.34mil in the first quarter ended Nov 30, 2015 from RM48.68mil a year ago on the back of a strong US dollar and lower raw material prices. The glove maker's revenue rose to a record high of RM800.3mil, a 41% growth against the same quarter a year ago and a 12.8% increase over the fourth quarter FY15. Its earnings per

share was higher at 20.64 sen in the first quarter against 7.85 sen previously. (Source: The Star)

WCT, HOLD (TP: RM1.63): Secures new RM322.56mil contract from Petronas

WCT Holdings Bhd has secured a contract worth RM322.56mil from PRPC Utilities and Facilities Sdn Bhd, a subsidiary of Petroliaam Nasional Bhd (Petronas). In a filing with Bursa Malaysia, WCT said its wholly owned subsidiary, WCT Bhd has received a letter of award from PRPC for the utilities, interconnecting and offsite (UIO) facilities: procurement, construction and commissioning (PCC) of civil & infrastructure works at storm drain central area for rapid project (Package 14-0401). (Source: The Star)

Axiata, BUY (TP: RM6.70): Axiata's Indonesian unit said to weigh US\$500 mil fundraising

PT XL Axiata, the most indebted of Indonesia's listed wireless carriers, is considering raising as much as US\$500 million next year, people with knowledge of the matter said. The company, a unit of Malaysia's Axiata Group Bhd, is weighing several fundraising options including selling stock to existing investors through a rights offering, according to the people. It could sell shares in the first half of next year depending on market conditions, the people said, asking not to be named as the information is private. (Source: The Edge)

Datasonic (CP: RM1.53): Clinches RM318.75mil contract from Ministry of Home Affairs

Datasonic Group Bhd has clinched a RM318.75mil contract from the Government for the supply of Malaysian passport chips. In a filing with Bursa Malaysia, Datasonic said its wholly owned subsidiary, Datasonic Technologies Sdn Bhd (DTSB) had accepted the letter of award (LOA) from the Ministry of Home Affairs for the supply of passport chips. The contract is for a period of five years from Dec 1, 2016 to Nov 30, 2021 for the provision of 12.5 million passport chips. (Source: The Star)

UEM Edgenta (CP: RM3.30): Enters into agreement with KFM Holdings' shareholders

UEM Edgenta Bhd, which has proposed to acquire an 80% equity stake in KFM Holdings Sdn Bhd for RM128mil cash, has entered into a shares sale agreement with KFM's controlling shareholders for the deal. In a filing with Bursa Malaysia, UEM Edgenta said it had entered into a shares sale agreement with the Nurolamin Abas and Fardan Abdul Majeed, who hold stakes of 51% and 49% respectively in KFM. It said the acquisition involved an upfront payment of RM92mil, of which RM36mil is in cash while RM56mil will come from new UEM Edgenta shares to be issued. (Source: The Star)

Takaful Malaysia (CP: RM3.82): Chairman Ismee steps down

Syarikat Takaful Malaysia Bhd said its non-independent and non-executive chairman Tan Sri Ismee Ismail has stepped down from his role, on the expiry of his tenure today. Takaful Malaysia said Ismee, 50, has no disagreement with the board of directors. Ismee, who is currently group managing director and chief executive officer (CEO) of Lembaga Tabung Haji, was appointed to his current role on Dec 16, 2009. (Source: The Edge)

United Malacca (CP: RM5.86): To acquire 83% stake in Indonesian planter for RM285m

United Malacca Bhd (UMB) has proposed to acquire an 83% effective equity interest in Indonesia-based PT Lifere Agro Kapuas (LAK), via the acquisition of 793,837 ordinary shares or 88.2% in International Natural Resources Pte Ltd (INR) from Lincoln Wilshire Investments Ltd (LWIL) for US\$66.4 million (RM285.02 million, based on US\$1=RM4.2925). INR holds approximately 94.1% equity interest in LAK, which has obtained a plantation license over approximately 24.59 ha of oil palm plantation located in Mantangai district, Kapuas Barat district, Dadahup district and Kapuas Murung district in the Kapuas Regency, Kalimantan Tengah, Indonesia (collectively known as the plantation land). (Source: The Edge)

ECONOMIC UPDATES**U.S.: Steadily firming US inflation supports Fed rate hike**

Underlying U.S. inflation pressures rose in November, which could give the Federal Reserve more confidence to raise interest rates on Wednesday, even as renewed weakness in gasoline prices kept overall consumer prices in check. The Labor Department said on Tuesday its so-called core Consumer Price Index, which excludes food and energy, gained 0.2 percent last month. It was the third straight month that the core CPI increased by that margin, and reflected rising rents, airline fares, new motor vehicles and healthcare costs. (Source: Reuters)

U.S.: Fed opens meeting to put an end to crisis era policy

Eight years after a devastating recession opened an era of loose U.S. monetary policy, the Federal Reserve on Tuesday began a two-day meeting at which it is expected to turn in the other direction and raise rates in an increasingly normal economy. The decision will be released on Wednesday at 2 p.m. (1900 GMT), with markets prepared for an initial 25 basis point "liftoff" that would move the Fed's target rate from the zero lower bound to a range of between 0.25 and 0.50 percentage points. It is to be followed by a news conference by Fed Chair Janet Yellen to elaborate on the central bank's latest policy statement. (Source: Reuters)

Indonesia: Signs \$7.1 Billion Currency-Swap Deal With Australia

Indonesia's central bank has signed a 100 trillion rupiah (\$7.1 billion) bilateral local-currency swap agreement with its Australian counterpart to bolster its defenses against potential market turbulence. The accord, effective from Tuesday, will last for three years and can be extended if both sides consent, the Reserve Bank of Australia said in a statement. It's designed to promote bilateral trade and will ensure that trade between the two countries can continue to be settled in local currencies even in times of financial stress, Bank Indonesia said in a statement. (Source: Bloomberg)

Indonesia: Posts first trade deficit in 12 months in Nov

Indonesia posted its first trade deficit in 12 months in November, highlighting persistently weak demand at home and abroad and the growing impact of slumping prices on economies of the world's major commodity exporters.

Indonesia had a US\$346.4 million trade deficit in November, compared with an US\$840 million surplus expected in a Reuters poll and a US\$1.01 billion surplus in October, the statistics bureau said on Tuesday. The country had posted trade surpluses 11 months in a row through October as its imports fell faster than exports. (Source: *The Star*)

Myanmar: To grant new foreign banking licences in 2016

Myanmar will open a second round of foreign bank licensing early next year, its central bank said, in the hopes of attracting further foreign investment into an economy emerging from five decades of military rule and isolation. Banks from countries that have already been granted licenses — Australia, Japan, Malaysia, China, Singapore, and Thailand will not be eligible for the new licenses. New licenses will instead be given to "additional neighbouring and important trading-partner economies," the central bank said. (Source: *The Edge*)

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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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