

PP14767/09/2012(030761)

Friday, December 18, 2015

## At a Glance

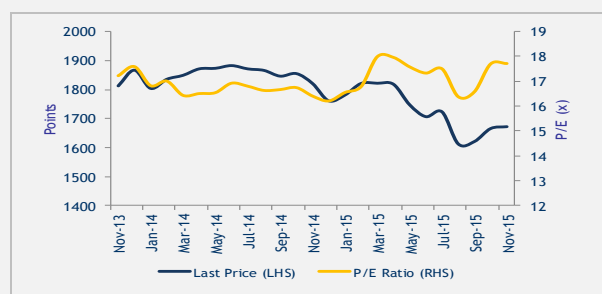
FBMKLCI surged 22.39 points to finish at 1,656.52 due to positive regional market sentiments.....(See full report next page)

## Corporate Highlights

- **Telekom Malaysia, HOLD (TP: RM6.87):** Invests RM2.3bil for better high-speed broadband
- **Maybank, BUY (TP: RM9.92):** Maybank Islamic Custody Services' assets under custody grows to RM9bil
- **Scientex (TBD):** 1Q net profit double

## Economic Update

- **U.S.:** Jobless claims fall; current account deficit widens
- **China:** 2015 retail sales to rise 10.7%, slower than 2014
- **Japan:** BoJ seen standing pat on interest rate



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	1,656.52	22.39	1.37
FBMEMAS	11,581.88	151.70	1.33
FBMEMAS SHA	12,487.96	150.78	1.22
FBM100	11,257.72	152.75	1.38
Volume (mn)	1,948.92	274.85	16.42
Value (RMmn)	2,252.35	485.07	27.45
FBMKLCI YTD Chg			-5.95

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.6	3.0
Local Institution	50.9	139.6
Foreign Investors	30.8	-142.6

## Top Gainers

	Close	Change+/-	(+/- %)
BAT	55.40	1.70	3.17
TOP GLOVE CORP	13.60	1.34	10.93
KLK	22.96	0.56	2.50

## Top Losers

	Close	Change+/-	(+/- %)
TPC PLUS BHD	0.38	-0.02	-5.00
AIJINOMOTO MAL	9.00	-0.25	-2.70
SOUTHERN ACIDS	3.76	-0.14	-3.59

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,495.84	-253.25	-1.43
NASDAQ	5,002.55	-68.58	-1.35
S&P 500	2,041.89	-31.18	-1.50
FTSE 100	6,102.54	41.35	0.68
DAX	10,738.12	268.86	2.57
Nikkei 225	19,353.56	303.65	1.59
HSI	21,872.06	170.85	0.79
KOSPI	1,977.96	8.56	0.43
STI	2,865.34	24.42	0.86
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
	1599.0	9.5	0.0

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	35	-0.1	-0.3%
Brent (USD/bbl)	37.1	-0.3	-0.9%
Gold(USD/ounce)	1,053	1.5	0.1%
Coal (USD/mt)	52.3	-0.1	-0.2%
CPO (RM/mt)	2,385	-18.0	-0.7%
Rubber	1,486	15.0	1.0%
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 fell 253.25 points to 17,495.84 points, S&P 500 decreased 31.18 points to 2,041.89. Nasdaq dropped by 68.58 points to 5,002.55. U.S. stocks dropped Thursday on persistent concern over faltering global economic growth, led by declines in energy and materials shares, a day after shares had rallied on the Federal Reserve's decision to raise interest rates.
- Investors' focus returned on Thursday, however, to concerns about weak global economic conditions as the slide in commodity markets continued unabated.

### The Local Market

- FBMKLCI surged 22.39 points to finish at 1,656.52 due to positive regional market sentiments. There were 594 gainers and 298 decliners in total value traded of RM2.25 billion.
- Among the gainers on Bursa Malaysia were BAT gained RM1.70 to RM55.40, Top Glove grew RM1.34 to RM13.60, KLK rose 56 cent to RM22.96 and Scientex up 55 cent to RM9.15.

### 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

### Telekom Malaysia, HOLD (TP: RM6.87): Invests RM2.3bil for better high-speed broadband

Telekom Malaysia Bhd (TM) will invest a total of RM2.3bil over 10 years under the second phase of an initiative with the Government to roll out high-speed broadband (HSBB) in state capitals and major towns across the nation. TM will invest RM1.3bil and the Government an additional RM500mil under phase two of the HSBB 2 project for the purpose of planning, designing, implementing, operating and maintaining the HSBB network infrastructure and services. Under the project, 95 additional exchanges will be HSBB-ready, providing access to 390,000 premises by 2017. (Source: The Star)

### Maybank, BUY (TP: RM9.92): Maybank Islamic Custody Services' assets under custody grows to RM9bil

Maybank Islamic Bhd, which launched its Islamic Custody Services earlier this year has so far secured RM9bil in mandates. The Islamic banking of the Maybank Group expects more new clients are expected to come on board by the end of this year, bringing the assets under custody (AUC) to a total of RM13bil. In a statement on Thursday, Maybank said the new clients are mainly from the financial institutions and non-bank financial institutions. Moving

forward, the bank will continue targeting these firms while also eyeing clients from government-linked and fund management companies. It has been estimated that the assets under management of Malaysia's leading institutional investors, government-linked companies and sovereign wealth funds are valued at about RM1.4 trillion. (Source: *The Star*)

**Scientex (TBD): 1Q net profit doubles**

Scientex Bhd's net profit for the first quarter ended Oct 31, 2015 (1QFY16) jumped 101% to RM60.85 million from RM30.27 million a year ago on higher packaging product manufacturing revenue and property development income. Scientex said revenue for the quarter rose to RM550.6 million compared to RM431.07 million in 1QFY15. Scientex said it registered "higher contribution from both the industrial and consumer packaging products as well as the contribution from the newly-acquired subsidiary SGW Ipoh". The company said property revenue rose to RM158.6 million from RM110.8 million on contribution from its projects in Johor and Melaka. (Source: *The Edge*)

**Tomei (CP: RM0.49): Sells 45% stake in Hong Kong unit to tap local expertise**

Tomei Consolidated Bhd said it has disposed of 14.49 million shares that is equivalent to a 45% stake in its wholly-owned subsidiary Wealthy Concept Ltd (WCL) for HK\$4.5 million (RM2.5 million), cash. WCL is a Hong Kong-based company that is involved in the distribution and retail of jewellery. The stake was sold to two Chinese citizens Wang Guang (9.66 million shares; 30%) and Li Yi (4.83 million shares; 15%). In its filing with the exchange, Tomei said the sale was to tap on the local expertise of its new shareholders in the retail of gold and jewellery business in China. (Source: *The Edge*)

**Redtone (CP: RM0.62): 2Q net profit stands at RM398,000**

REDtone International Bhd posted a net profit of RM398,000 or 0.05 sen per share in its second quarter ended Oct 31, 2015 (2QFY16), on a revenue of RM35.07 million. There is no comparative figure as the company has changed its financial year end from May 31 to April 30 on Aug 7 this year, to be coterminous with its ultimate parent company, Berjaya Corp Bhd financial year end. For the cumulative six months (1HFY16), REDtone's net profit was RM936,000 or 0.12 sen per share, while revenue was RM58.09 million. (Source: *The Edge*)

**Gadang (CP: RM2.17): Wins RM185mil Pengerang contract**

Gadang Holdings' unit has been awarded an RM185mil contract by Petronas at Pengerang, Johor. The company said its unit, Gadang Engineering (M) Sdn Bhd received the award from PRPC Utilities and Facilities Sdn Bhd, a subsidiary under the Petronas group. The contract is for civil and infrastructure works for the Storm Water East Area package at the utilities, interconnecting and offsite facilities in Pengerang. (Source: *The Star*)

**Anzo (CP: RM0.19): Plans par value reduction, cash call to fund Porto De Melaka project**

Anzo Holdings Bhd, formerly known as Harvest Court Industries Bhd, is planning to cancel 15 sen off the par value of each 25 sen share, which will give rise to a credit of RM42.1 million, to offset accumulated losses, and to facilitate a proposed rights issue with warrants. As at March 31, 2015, its audited

accumulated losses stood at RM25.5 million, according to its Bursa Malaysia filing today. The remainder of the credit would be used as the company deems fit. (Source: *The Edge*)

#### **Instacom (CP: RM0.27): Fixes placement share price at 25 sen each**

Telecommunication specialist Instacom Group Bhd fixed the issue price for its private share placement at 25 sen each. Instacom had last month proposed to undertake the private placement of up to 10% of its issued and paid-up share capital to third-party investors. The company said then the exercise could involve up to 323.42 million new shares. (Source: *The Edge*)

### **ECONOMIC UPDATES**

#### **U.S.: Jobless claims fall; current account deficit widens**

The number of Americans filing for unemployment benefits last week fell from a five-month high, suggesting sustained labor market healing that could lead to further Federal Reserve interest rate hikes next year. Initial claims for state unemployment benefits dropped 11,000 to a seasonally adjusted 271,000 for the week ended Dec 12, the Labor Department said on Thursday. The prior week's claims were unrevised. It was the 41st straight week that claims remained below 300,000, a threshold associated with strong labor market conditions. That is the longest such run since the early 1970s. (Source: *The Edge*)

#### **China: 2015 retail sales to rise 10.7%, slower than 2014**

China's retail sales, a key gauge of domestic consumption in the world's second-biggest economy, is likely to post slower growth this year compared with 2014, the commerce ministry said. Retail sales may expand around 10.7% in 2015, Shen Danyang, spokesman at the commerce ministry, told a news conference in Beijing on Thursday, without giving a reason. Retail sales rose 12% last year. In the first 11 months of 2015, retail sales grew 10.6% from a year earlier. In November, retail sales increased by an annual 11.2% - the strongest monthly expansion this year. China's external outlook remains gloomy. Chinese companies said global demand this year was worse than that during 2008/09 financial crisis, according to a recent survey by the commerce ministry of more than 6,000 firms in 70 key industries. (Source: *The Star*)

#### **Japan: BoJ seen standing pat on interest rate**

The US Federal Reserve's widely expected interest rate hike and its pledge to implement monetary tightening gradually removes one source of uncertainty for the Bank of Japan (BoJ), allowing it to hold off on expanding stimulus at the year's final BoJ rate review on Friday. But BoJ policymakers are still likely to debate lingering risks to the economic outlook that could warrant additional easing in coming months, particularly the oil price rout that is pushing down consumer prices and eroding companies' inflation expectations. (Source: *The Star*)

**Singapore: Nov exports decline unexpectedly as China demand weakens**

Singapore's exports unexpectedly fell in November, dented by a continued contraction in shipments to China, its biggest export market, and as weak external demand clouded the outlook for the city-state's trade sector. Non-oil domestic exports (NODX) fell 3.3% in November from a year earlier, Singapore's trade agency said in a statement on Thursday. The median forecast in a Reuters poll was a rise of 1.5%. October on-year exports were revised upward to unchanged from a contraction of 0.5% in the preliminary report. *(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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