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Thursday, December 31, 2015

## At a Glance

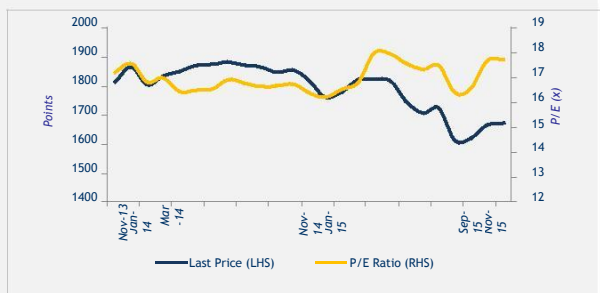
FBMKLCI gained 7.78 points and closed at 1,693.14 backed by selected blue chip stocks.....(See full report next page)

## Corporate Highlights

- **FGV, HOLD (TP: TBD):** Inks MoU To Develop Smallholder Supply Chain Risk Assessment Model
- **Ho Hup (CP: RM1.06):** Pays RM6.95 million for rock-quarrying venture
- **Sumatec (CP: RM0.125):** Dalton resigns as Sumatec CEO, Chan returns as MD

## Economic Update

- **U.S.:** Pending home sales fall in November
- **U.K.:** House price growth picks up in December
- **Russia:** Putin Gets Tough Grades for Managing Russia's Economy



## KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
CN	28-31 Dec	-	Leading Index	-	98.36
JP	28-Dec	7:50 AM	Industrial Production MoM	-	1.4%
JP	28-Dec	7:50 AM	Industrial Production YoY	-	-1.4%
JP	28-Dec	7:50 AM	Retail Trade YoY	-	1.8%
JP	28-Dec	7:50 AM	Retail Sales MoM	-	1.1%
US	29-Dec	10:00 PM	S&P/CS Composite-20 YoY	5.50%	5.4%
US	29-Dec	10:00 PM	S&P/CaseShiller 20-City Index	183.28	182.91
US	29-Dec	11:00 PM	Consumer Confidence Index	94.0	90.4
EU	30-Dec	5:00 PM	M3 Money Supply YoY	5.1%	5.3%
US	30-Dec	11:00 PM	Pending Home Sales MoM	0.6%	0.2%
US	31-Dec	9:30 PM	Initial Jobless Claims	-	-
US	31-Dec	9:30 PM	Continuing Claims	-	-
MY	31-Dec	6:00 PM	Money Supply M3 YoY	-	4.0%
CN	1-Jan	9:00 AM	Manufacturing PMI	49.8	49.6
CN	1-Jan	9:00 AM	Non-manufacturing PMI	-	53.6

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,693.14	7.78	0.46
FBMEMAS	11,785.75	22.54	0.19
FBMEMAS SHA	12,777.67	25.58	0.20
FBM100	11,463.03	25.07	0.22
Volume (mn)	1,774.67	-170.61	-8.77
Value (RMmn)	1,802.92	-1.23	-0.07
FBMKLCI YTD Chg			-3.87

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	22.1	-45.4
Local Institution	56.2	-163.5
Foreign Investors	21.7	208.9

## Top Gainers

	Close	Change+/-	(+/- %)
KUMPULAN H&L	1.48	0.34	29.83
BP PLASTICS HOLD	1.81	0.30	19.87
PPB GROUP	15.88	0.22	1.41

## Top Losers

	Close	Change+/-	(+/- %)
BAT	55.44	-0.36	-0.65
MALAYSIAN PAC	9.32	-0.35	-3.62
ENRA GROUP BHD	2.06	-0.32	-13.45

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,603.87	-117.11	-0.66
NASDAQ	5,065.85	-42.09	-0.82
S&P 500	2,063.36	-15.00	-0.72
FTSE 100	6,274.05	-40.52	-0.64
DAX	10,743.01	-117.13	-1.08
Nikkei 225	19,033.71	51.48	0.27
HSI	21,882.15	-117.47	-0.53
KOSPI	1,961.31	-5.00	-0.25
STI	2,885.51	-2.71	-0.09
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	0.1	0.4%
Brent (USD/bbl)	36.5	-1.3	-3.5%
Gold(USD/ounce)	1,062	0.2	0.0%
Coal (USD/mt)	50.9	-0.1	-0.1%
CPO (RM/mt)	2,495	11.0	0.4%
Rubber	118	0.4	0.3%
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 industrial average finished 0.66 percent weaker at 17,603.87 points and the S&P 500 lost 0.72 percent to 2,063.36. Stocks dropped again on Wednesday in light pre-holiday trading as inventory concerns pummelled crude oil.
- Crude oil lost 2.9% to close at \$36.76 a barrel after American Petroleum Institute inventory data released Tuesday afternoon showed a stockpile build of 2.9 million barrels, far ahead of expectations. Today's Energy Information Administration numbers showed a 2.6-million-barrel build vs. a drop of 5.9 million barrels last week.

- FBMKLCI gained 7.78 points and closed at 1,693.14 backed by selected blue chip stocks. There were 390 gainers and 532 decliners in total value traded of RM1.80 billion.
- Among the gainers on Bursa Malaysia were Kumpulan H&L High-Tech rose 34 cent to RM1.48, BP Plastics increased 30 cent to RM1.81, PPB Group grew 22 cent to RM15.88 and Oriental Food surged 21 cent to RM2.46.

### 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

### FGV, HOLD (TP: TBD): Inks MoU To Develop Smallholder Supply Chain Risk Assessment Model

Felda Global Ventures Holdings Bhd (FGV) has signed a memorandum of understanding (MoU) with several parties to collaborate in the development of the Smallholder Supply Chain Risk Assessment Model. The MoU, valid for three years, was signed with World Resources Institute, Procter and Gamble, Malaysia Institute For Supply Chain Innovation, Wild Asia, Profest Initiative and Daemeter, FGV said. The MoU sets out the understanding and intention of the parties during this interim exploratory period," it said in a filing to Bursa Malaysia Wednesday. *(Source: Bernama)*

### Ho Hup (CP: RM1.06): Pays RM6.95 million for rock-quarrying venture

Ho Hup Construction Company Bhd, via its subsidiary Ho Hup Ventures (Malacca) Sdn Bhd (HHVM) is paying RM6.95 million to obtain rock quarrying rights to complement its ready-mixed concrete business. Yesterday it announced that it would pay RM2 million cash to three parties, namely, Ong Chin Cheong, Ong Chin Yet and Noor Azman Nordin, for 100% equity interest in Erakuasa Global Sdn Bhd (EGSB). EGSB owns 75% equity in ACV-ICM Quarry Sdn

Bhd (AIQSB), which is involved in the business of rock quarrying. (Source: *The Sun*)

**Sumatec (CP: RM0.125): Dalton resigns as Sumatec CEO, Chan returns as MD**

Sumatec Resources Bhd has reappointed Chan Yok Peng as managing director following the resignation of chief executive officer Christopher Layton Dalton. In a filing with Bursa Malaysia, the oil and gas company said Dalton, who joined as CEO in June 2012 and oversaw its transformation into an upstream player, resigned effective Dec 31 following the expiry of his contract. However, he has consented to offer his service as a consultant to the company whenever needed. The 41-year-old British national had served 16 years in the oil and gas industry with Halliburton, one of the world's largest oilfield drilling services providers. (Source: *The Star*)

**Kim Loong (CP: RM2.90): Q3 Pre-tax Profit Rises To RM37.61 Million**

Investment holding company Kim Loong Resources Bhd's pre-tax profit for the third quarter ended Oct 31, 2015 rose to RM37.61 million from RM23.25 million in the same period of 2014. Revenue increased to RM209.12 million from RM179.4 million previously. In a filing to Bursa Malaysia today, Kim Loong attributed the better performance mainly to higher processing quantity and better margins in its palm oil milling operations. Total crude palm oil (CPO) production for the current quarter and year-to-date was 89,100 metric tonnes and 231,200 metric tonnes respectively, which were 25 per cent and 16 per cent higher than the production in the corresponding periods last year," it said. (Source: *Bernama*)

**AirAsia X (CP: RM0.18): Sells Airbus DPE Kits for RM10.22 million**

AirAsia X Bhd is selling its Airbus DPE Kits to a related party, Asian Aviation Centre of Excellence Sdn. Bhd (AACE), for a price of US\$2.38 million (about RM10.22 million). AirAsia X said the Company and AACE has on Dec 30 entered into the sale agreement, to sale, assign and transfer the Airbus DPE Kits. The purchase price was arrived pursuant to the market value comprising of the data package, simulation software package and kit of genuine aircraft parts to be installed in the aircraft simulation training device. The purchase price for the DPE Kits and aircraft manufacturer's license is US\$ 2.38 million exclusive of taxes and AACE will bear such taxes and duties as applicable. (Source: *The Edge*)

## ECONOMIC UPDATES

**U.S.: Pending home sales fall in November**

Contracts to buy previously owned U.S. homes fell in November for the third time in four months, a signal that growth in the U.S. housing market could be cooling. The National Association of Realtors (NAR) said on Wednesday its pending home sales index slipped 0.9 percent to 106.9. The NAR said the index rose slightly more in October than initially estimated. Economists had expected a 0.5 percent increase in November. Pending home contracts become sales after a month or two, and the declines in recent months could point slower growth in homebuying in 2016, when interest rates are expected to rise. Mortgage rates have only inched higher since the Federal Reserve raised its benchmark rate by a quarter point on Dec. 16, but Fed policymakers expect to continue hiking next year. (Source: Reuters)

**U.K.: House price growth picks up in December**

Average house prices grew strongly in December according to the latest survey from building society Nationwide. Prices rose 0.8% in the month compared with 0.1% in November. Overall in 2015 house prices rose by 4.5%, with the average price of a property in the UK now at £196,999. Separately the Land Registry for England and Wales reported that prices rose by 5.6% in the year to November. It said the average price of a house or flat was £186,325. Nationwide said the growth in house prices broadly matched growth in average salaries, adding that it expected to see a similar pace of growth next year. (Source: BBC)

**Russia: Putin Gets Tough Grades for Managing Russia's Economy**

President Vladimir Putin scored an F, the lowest possible, from 27 percent of respondents in a Bloomberg survey that invited them to assess his management of the economy in crisis. An additional 50 percent gave him the next two poorest grades, with a single person saying the Russian leader deserved an A, the highest mark. The majority of the 22 economists in the poll rated the central bank a B, which was also the most common grade assigned to the Finance Ministry. All the economic miseries are amplified by international sanctions which were brought upon Russia by its foreign policy in Ukraine. (Source: Bloomberg)

**Vietnam: Economic Growth Quickens on Investment, Manufacturing**

Vietnam's economic growth quickened in the fourth quarter helped by rising industrial output and record-high foreign investment. Gross domestic product rose 7.01 percent in the fourth quarter from a year earlier, quickening from a revised 6.87 percent gain in the three months through September, according to data released by the General Statistics Office in Hanoi on Saturday. In 2015, the economy grew 6.68 percent, beating the government's 6.2 percent target. (Source: Bloomberg)

**STOCK RECOMMENDATIONS**

<b>BUY</b>	<i>Share price is expected to be <math>\geq +10\%</math> over the next 12 months.</i>
<b>TRADING BUY</b>	<i>Share price is expected to be <math>\geq +10\%</math> within 3-months due to positive newsflow.</i>
<b>HOLD</b>	<i>Share price is expected to be between <math>-10\%</math> and <math>+10\%</math> over the next 12 months.</i>
<b>SELL</b>	<i>Share price is expected to be <math>\geq -10\%</math> over the next 12 months.</i>

**SECTOR RECOMMENDATIONS**

<b>OVERWEIGHT</b>	<i>The sector is expected to outperform the FBM KLCI over the next 12 months.</i>
<b>NEUTRAL</b>	<i>The sector is expected to perform in line with the FBM KLCI over the next 12 months.</i>
<b>UNDERWEIGHT</b>	<i>The sector is expected to underperform the FBM KLCI over the next 12 months.</i>