

Wednesday, January 06, 2016

At a Glance

FBMKLCI rose 12.33 points and closed at 1,665.70 lifted by the gain in selected heavyweight counters(See full report next page)

Strategy

"Wall Street on Defensive Mode"

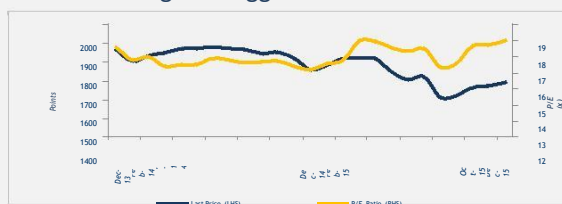
With no catalyst insight just yet, it is just risky to get too deep into the market for now.....(See full report next page)

Corporate Highlights

- **Petronas Dagangan, HOLD (TP: RM22.68):** Sets Aside RM400 Million For Capital Expenditure
- **NCB Holdings (CP: RM4.38):** To Delist NCB From Bursa Malaysia
- **Omesti (CP: RM0.51):** Secures RM31.01 Mln Digitisation Contract

Economic Update

- **Malaysia:** TPPA offers more benefits and challenges
- **Malaysia:** Business confidence rebounds in 1Q
- **Indonesia:** Watchdog imposes extra capital surcharge on biggest banks



Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,665.70	12.33	0.75
FBMEMAS	11,647.68	86.41	0.75
FBMEMAS SHA	12,666.93	118.99	0.95
FBM100	11,319.07	82.63	0.74
Volume (mn)	1,827.82	-88.69	-4.63
Value (RMmn)	1,937.45	203.12	11.71
FBMKLCI YTD Chg			-1.58

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	20.3	-2.5
Local Institution	58.7	78.9
Foreign Investors	21.0	-76.4

Top Gainers

	Close	Change+/-	(+/- %)
PETRONAS DAG	24.50	0.86	3.64
MALAYSIAN PAC	10.30	0.83	8.77
BAT	55.00	0.76	1.40

Top Losers

	Close	Change+/-	(+/- %)
MY EG SERVICES	2.12	-0.01	-0.24
BCB	0.61	0.01	0.83
PIE INDUSTRIAL	10.40	-0.30	-2.80

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,158.66	9.72	0.06
NASDAQ	4,891.43	-11.66	-0.24
S&P 500	2,016.71	4.05	0.20
FTSE 100	6,137.24	43.81	0.72
DAX	10,310.10	26.66	0.26
Nikkei 225	18,374.00	-76.98	-0.42
HSI	21,188.72	-138.40	-0.65
KOSPI	1,930.53	11.77	0.61
STI	2,825.97	-10.00	-0.35
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)	36	0.2	0.6%
Brent (USD/bbl)	36.4	-0.8	-2.1%
Gold(USD/ounce)	1,078	0.3	0.0%
Coal (USD/mt)	50.3	0.4	0.7%
CPO (RM/mt)	2,454	18.0	0.7%
Rubber	115	-0.5	-0.4%
RM/USD	4.30	-0.0255	0.59%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.69	0.01	-0.01%

	Date	Local Time	Event	Survey	Prior
EU	4-Jan	5:00 PM	Markit Eurozone Manufacturing PMI	53.1	53.1
CN	4-Jan	9:45 AM	Caixin China PMI Mfg	49.0	48.6
JP	4-Jan	9:35 AM	Nikkei Japan PMI Mfg	-	52.5
US	4-Jan	10:45 PM	Markit US Manufacturing PMI	-	51.3
US	4-Jan	11:00 PM	Construction Spending MoM	0.6%	1.0%
US	4-Jan	11:00 PM	ISM Manufacturing	49.0	48.6
US	4-Jan	11:00 PM	ISM Prices Paid	36.0	35.5
EU	5-Jan	6:00 PM	CPI Estimate YoY	0.4%	0.2%
EU	5-Jan	6:00 PM	CPI Core YoY	1.0%	0.9%
JP	5-Jan	7:50 AM	Monetary Base YoY	-	32.5%
JP	5-Jan	9:35 AM	Nikkei Japan PMI Services	-	51.6
EU	6-Jan	5:00 PM	Markit Eurozone Services PMI	53.9	53.9
EU	6-Jan	5:00 PM	Markit Eurozone Composite PMI	54.0	54.0
EU	6-Jan	6:00 PM	PPI MoM	-0.2%	-0.3%
EU	6-Jan	6:00 PM	PPI YoY	-3.2%	-3.1%
CN	6-Jan	9:45 AM	Caixin China PMI Services	-	51.2
CN	6-Jan	9:45 AM	Caixin China PMI Composite	-	50.5
JP	6-Jan	9:35 AM	Nikkei Japan PMI Composite	-	52.3
US	6-Jan	8:00 PM	MBA Mortgage Applications	-	7.3%
US	6-Jan	9:15 PM	ADP Employment Change	198K	217K
US	6-Jan	9:30 PM	Trade Balance MYR	(\$44.10B)	(\$43.89B)
US	6-Jan	10:45 PM	Markit US Services PMI	55.8	53.7
US	6-Jan	10:45 PM	Markit US Composite PMI	-	53.5
US	6-Jan	11:00 PM	ISM Non-Manf. Composite	56.0	55.9
US	6-Jan	11:00 PM	Factory Orders	-0.3%	1.5%
US	6-Jan	11:00 PM	Durable Goods Orders	-	0.0%
EU	7-Jan	5:10 PM	Markit Eurozone Retail PMI	-	48.5
EU	7-Jan	6:00 PM	Economic Confidence	106.0	106.1
EU	7-Jan	6:00 PM	Consumer Confidence	-5.7	-5.7
EU	7-Jan	6:00 PM	Unemployment Rate	10.7%	10.7%
EU	7-Jan	6:00 PM	Retail Sales MoM	0.2%	-0.1%
EU	7-Jan	6:00 PM	Retail Sales YoY	2.0	2.5
CN	7-Jan		Foreign Reserves	-	\$3438.38
MY	7-Jan	12:00 PM	Trade Balance MYR	-	12.16B
MY	7-Jan	12:00 PM	Exports YoY	-	16.7%
MY	7-Jan	12:00 PM	Imports YoY	-	-0.4
MY	7-Jan	6:00 PM	Foreign Reserves	-	\$94.9B
US	7-Jan	9:30 PM	Initial Jobless Claims	-	-
US	7-Jan	9:30 PM	Continuing Claims	-	-
JP	8-Jan	1:00 PM	Leading Index CI	103.9	104.2
JP	8-Jan	1:00 PM	Coincident Index	11.6	113.3
US	8-Jan	9:30 PM	Unemployment Rate	5.0%	5.0%
US	8-Jan	9:30 PM	Change in Nonfarm Payrolls	200K	211K
US	8-Jan	9:30 PM	Change in Manufacturing Payrolls	OK	(1K)
US	8-Jan	11:00 PM	Wholesale Inventories MoM	-0.1%	-1.0%

What To Expect

U.S. Market

- The Dow Jones Industrials Average added 9.72 points to 17,158.66 points, S&P 500 gained 4.05 points to 2,016.71. Nasdaq fell by 11.66 points to 4,891.43. Stocks closed narrowly mixed Tuesday, stabilizing after a sharply lower start to the year, amid pressure from declines in oil prices and Apple stock.
- China remained the focus as Beijing implemented measures to stabilize its markets, including a possible delay to the end of a ban on insider selling. The People's Bank of China injected around \$20 billion into its credit markets — the largest liquidity injection since September.

The Local Market

- FBMKLCI rose 12.33 points and closed at 1,665.70 lifted by the gain in selected heavyweight counters. There were 541 gainers and 346 decliners in total value traded of RM1.94 billion.
- Among the gainers on Bursa Malaysia were PetDag surged 86 cent to RM24.50, Malaysian Pacific Industries jumped 83 cent to RM10.30, BAT up 76 cent to RM55.00 and PetGas soared 50 cent to RM22.14.

Strategy

- **“Wall Street on Defensive Mode”**
Wall Street tip toed cautiously on Tuesday, watching closely the development in China's stock market. The latter surrendered 0.3% yesterday despite some USD20 billion of open market operation by PBoC yesterday. S&P 500 and DJIA added a mild 4.05 (0.2%) and 9.72 (0.06%) points to finish at 2,016.71 and 17,158.66 respectively. Note that this week's trading mood will be determined by a host of stress points including China's struggling economy, the tension between Saudi Arabia and Iran along with the US December unemployment rate that will be released this Friday. The uncertainty plaguing the global equity market will continue especially when there is no sign that the commodity prices especially oil will move northwards. With no catalyst insight just yet, it is just risky to get too deep into the market for now.
- Our 1H16 FBMKLCI target is 1,720 based on PER of 16.5x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.5% in 2016

CORPORATE HIGHLIGHTS

Petronas Dagangan, HOLD (TP: RM22.68): Sets Aside RM400 Million For Capital Expenditure

Petronas Dagangan is allocating about RM400 million in capital expenditure (capex) to finance the expansion of its operations this year, says Managing Director/Chief Executive Officer Mohd Ibrahimnuddin Mohd Yunus. "Most of the capex will be used to add between 15 and 20 petrol stations, but on location, it will depend on the market demand," he told reporters at the launch of a retail campaign for 'Kad Mesra' holders here. Petronas Dagangan is a leading retailer and marketer of downstream oil and gas products. *(Source: Bernama)*

NCB Holdings (CP: RM4.38): To Delist NCB From Bursa Malaysia

MMC Corp Bhd will delist NCB Holding Bhd from Bursa Malaysia following the acquisition by its unit, MMC Port Holdings Sdn Bhd (MMC Port), of 435.33 million shares, or 92.58 per cent of the total issued and paid-up capital. MMC Port's adviser, RHB Investment Bank Bhd, said the NCB shares will be suspended with effect from 9 am on Thursday, Jan 28, 2016. Earlier, MMC Port had extended an unconditional takeover offer, through RHB Investment, to acquire all the remaining ordinary shares in NCB for RM4.40 per share in cash, from Dec 16, 2015 to Jan 6, 2016. *(Source: Bernama)*

Omesti (CP: RM0.51): Secures RM31.01 Mln Digitisation Contract

Omesti Bhd's 51 per cent indirect unit, Formis Network Services Sdn Bhd, has secured Phase 2 of the e-COURTS Court Digitisation Programme for RM31.01 million. Omesti said the contract involved technology enhancements to the court infrastructure in Peninsular Malaysia for a duration of 18 months. "The contract is awarded subject to a formal contract agreement between the government and Formis Network Services in due course. It is scheduled to commence on Jan 15, 2016 until July 14, 2017," it said. *(Source: Bernama)*

LBS Bina (CP: RM1.38): Eyes RM1.2 Billion In Sales This Year

LBS Bina Group Bhd aims to rake in RM1.2 billion in sales this year after achieving record sales of RM1.02 billion last year, Managing Director Tan Sri Lim Hock San said. The group's unbilled sales of RM993 million at end-2015 would contribute to the group's turnover this year, he said. "There will be 15 more projects to be launched this year with a total gross development value of around RM2.5 billion. *(Source: Bernama)*

BHIC (CP: RM1.90): Aware sale of chemical tankers would cause RM12m loss

Boustead Heavy Industries Corp Bhd (BHIC) is aware that the decision to dispose of the Chulan chemical tankers will result in a loss of about RM12mil. The company said on Tuesday decision to dispose of the tankers was taken in mid-year 2015 as being in the best interests of the shareholders and the company, and led to the transaction announced on Dec 23, 2015. "This decision will result in a loss of approximately RM12mil to BHIC, which is the difference between the book value of the assets and the selling price, and is the sole criteria for

determining any profit or loss on disposal," it said in a filing with Bursa Malaysia. (Source: *The Star*)

VS Industry (CP: RM1.56): Sees Higher Export Orders

VS Industry Bhd, an electronics manufacturing services provider, is optimistic of business outlook for the financial year ending 2016 on anticipation of increasing export orders this year. Managing Director, Datuk Gan Sem Yam, said the company has received encouraging feedback from key customers on potentially larger orders to commence soon. Meanwhile, Executive Director, Ng Yong Kang, said the company was in talks with new clients in US and some major Europe countries to export niche products. VS Industry is engaged in full service contract manufacturing and product assembly, as well as printed circuit board assembly for leading international consumer electronic brands. (Source: *Bernama*)

ECONOMIC UPDATES

Malaysia: TPPA offers more benefits and challenges

The Trans-Pacific Partnership Agreement (TPPA) will give more benefits than challenges, said International Trade and Industry Minister Datuk Seri Mustapa Mohamed. He said the Government has analysed the full impact of the trade agreement and would continue to provide explanations to all levels of society for them to gain deeper understanding. He said if the country decided to be a party to the TPPA, there would also be a two-year ratification period following the signing. As such, the coming into force of the TPPA was only expected to take place at the earliest by 2018, he said. (Source: *Bernama*)

Malaysia: Business confidence rebounds in 1Q

Business confidence in Malaysia has rebounded into the expansionary zone in the first quarter of 2016 (1QCY16), after a pessimistic preceding quarter in 4QCY15. According to the Dun & Bradstreet (D&B) Malaysia's Business Optimism Index (BOI) study, BOI rose from -14.49 percentage points in 4QCY15 to +4.75 percentage points in 1QCY16. However, compared to a year ago, BOI has moderated markedly from +13.09 percentage points in 1QCY15 to +4.75 percentage points in 1QCY16. In a statement, Dun & Bradstreet (M) Sdn Bhd chief executive officer Audrey Chia said there is a slight improvement in business confidence compared to the previous quarter as firms are likely to rake in good sales and experience greater profit margins during the festive season. (Source: *The Edge*)

Indonesia: Watchdog imposes extra capital surcharge on biggest banks

Indonesia's banking watchdog has instructed the biggest banks to set aside more capital this year in an effort to reduce risks to the financial sector. The Financial Services Authority (OJK) said on its website it will rank systemically important banks (SIBs) based on their size, interconnectedness with the financial system, and the complexity of their business. Under new regulations SIBs are required from Jan 1 to set aside "capital surcharges" of between 0.25% and 0.625% of risk-weighted assets, depending on how systemically important the institutions are. The surcharge will gradually increase each year until 2019

when it reaches 1% to 2.5% of the institution's risk-weighted assets. (Source: Reuters)

China: Economy weighs on consumer tech spending

Spending on personal tech gadgets is taking a hit from the economic slowdown in China and the strong US dollar, researchers from the Consumer Technology Association (CTA) said on Monday. The CTA forecast that US\$950 billion will be spent globally on consumer electronics this year in a 2% drop from the US\$969 billion spent last year, while the number of actual units shipped will see little change. "We are seeing pretty flat demand while we wait for new innovations to reach consumers," CTA senior director of market research Steve Koenig said as the premier Consumer Electronics Show prepared to get under way in Las Vegas. (Source: AFP)

German: Unemployment Falls in Sign Domestic Demand to Stay Robust

German joblessness fell more than economists anticipated in December in a sign that economic momentum will continue to be underpinned by household spending. The number of people out of work declined by a seasonally adjusted 14,000 to 2.757 million, the Federal Labor Agency in Nuremberg said on Tuesday. Economists in a Bloomberg survey predicted a drop of 8,000. The unemployment rate remained unchanged at 6.3 percent, the lowest level since German reunification. (Source: Bloomberg)

India: Weighs fiscal stimulus in new budget despite fast economic growth

India claims to be the world's fastest-growing major economy, yet the government might break its budget deficit targets to stimulate demand, potentially undermining the central bank's fight against inflation. In February, Finance Minister Arun Jaitley will present the budget for the fiscal year starting April 1. A senior official said the minister has been advised to increase its fiscal deficit target to 3.7 or 3.9 percent of gross domestic product (GDP) from 3.5 percent. (Source: Reuters)

STOCK RECOMMENDATIONS

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

SECTOR RECOMMENDATIONS

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