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Monday, November 23, 2015

Report of the Day

Results Review: Bumi Armada 3Q15 – “Healthy FPSO Contribution Offset by Weaker OSV”

At a Glance

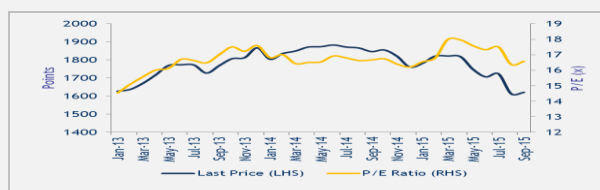
FBMKLCI gained 1.83 points to finish at 1,661.89 due to the positive regional market sentiment.....(See full report next page)

Corporate Highlights

- **Bumi Armada, BUY (TP: RM1.20):** Posts RM70m earnings in Q3
- **Maxis, HOLD (TP: RM7.00):** Confirms Leadership Of Country's 4G Connections
- **AMMB, HOLD (TP: RM5.10):** Sulaiman appointed AMMB group CEO

Economic Update

- **Malaysia:** Inflation Up at slower pace of 2.5% in October
- **China:** Offers \$10 billion in infrastructure loans for Southeast Asia
- **Europe:** ECB willing to act on rates, purchases to boost inflation



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	23-Nov	5:00 PM	Markit Eurozone Manufacturing PMI	-	52.3
EU	23-Nov	5:00 PM	Markit Eurozone Services PMI	-	54.1
EU	23-Nov	5:00 PM	Markit Eurozone Composite PMI	-	53.9
US	23-Nov	10:45 PM	Markit US Manufacturing PMI	54.0	54.1
US	23-Nov	11:00 PM	Existing Home Sales	5.41M	5.55M
US	24-Nov	9:30 PM	GDP Annualized QoQ	2.0%	1.5%
US	24-Nov	9:30 PM	Personal Consumption	-	3.2%
US	24-Nov	9:30 PM	Core PCE QoQ	-	1.3%
US	24-Nov	10:00 PM	S&P/CS Composite-20 YoY	-	5.1%
US	24-Nov	10:00 PM	S&P/CaseShiller 20-City Index NSA	-	182.5
US	24-Nov	11:00 PM	Consumer Confidence Index	99.2	97.6
US	24-Nov	11:00 PM	Richmond Fed Manufact. Index	0.0	-1.0
JP	24-Nov	9:35 AM	Nikkei Japan PMI Mfg	-	52.4
US	25-Nov	8:00 PM	MBA Mortgage Applications	-	6.2%
US	25-Nov	9:30 PM	Personal Income	0.4%	0.1%
US	25-Nov	9:30 PM	Personal Spending	0.3%	0.1%
US	25-Nov	9:30 PM	Durable Goods Orders	1.5%	-1.2%
US	25-Nov	9:30 PM	Durable Ex Transportation	0.4%	-0.4%
US	25-Nov	9:30 PM	Initial Jobless Claims	-	-
US	25-Nov	9:30 PM	Continuing Claims	-	-
US	25-Nov	10:45 PM	Markit US Composite PMI	-	55.0
US	25-Nov	10:45 PM	Markit US Services PMI	-	54.8
US	25-Nov	11:00 PM	New Home Sales	500K	468K
US	25-Nov	11:00 PM	New Home Sales MoM	6.8%	-11.5%
US	25-Nov	11:00 PM	U. of Mich. Sentiment	93.1	93.1
EU	26-Nov	5:00 PM	M3 Money Supply YoY	-	4.9%
EU	27-Nov	6:00 PM	Economic Confidence	-	105.9
EU	27-Nov	6:00 PM	Consumer Confidence	-	-
JP	27-Nov	7:30 AM	Jobless Rate	-	3.4%
JP	27-Nov	7:30 AM	Natl CPI YoY	-	0.0%
JP	27-Nov	7:30 AM	Natl CPI Ex Fresh Food YoY	-	-0.1%
JP	27-Nov	7:30 AM	Natl CPI Ex Food, Energy YoY	-	0.9%
JP	27-Nov	7:30 AM		-	802.6%
JP	27-Nov	7:30 AM		-	902.6%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,661.89	1.83	0.11
FBMEMAS	11,597.13	27.23	0.24
FBMEMAS SHA	12,528.53	20.87	0.17
FBM100	11,267.38	25.97	0.23
Volume (mn)	2,965.92	-459.65	-13.42
Value (RMmn)	1,956.37	-164.71	-7.77
FBMKLCI YTD Chg			-5.64

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	26.2	-7.7
Local Institution	54.0	99.4
Foreign Investors	19.8	-91.7

Top Gainers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	75.30	2.30	3.15
LPI CAPITAL BHD	14.92	0.30	2.05
MALAYSIAN PAC	8.11	0.26	3.31

Top Losers

	Close	Change+/-	(+/- %)
ECM LIBRA FINAN	0.48	-0.32	-40.00
SOLID AUTOMOTI	1.49	-0.41	-21.58
WARISAN TC HLD	2.73	-0.27	-9.00

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,823.81	91.06	0.51
NASDAQ	5,104.92	31.28	0.62
S&P 500	2,089.17	7.93	0.38
FTSE 100	6,334.63	4.70	0.07
DAX	11,119.83	34.39	0.31
Nikkei 225	19,879.81	20.00	0.10
HSI	22,754.72	254.50	1.13
KOSPI	1,989.86	0.95	0.05
STI	2,914.60	-5.23	-0.18
KLCI Futures	1620.0	-2	0.0
USDMYR 3M	13.8	0.045	0.0
USDMYR 6M	13.8	0.0	0.0
USDMYR 12M	13.67	(0.02)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	-0.4	-0.8%
Brent (USD/bbl)	44.5	-0.2	-0.4%
Gold(USD/ounce)	1,077	-1.4	-0.1%
Coal (USD/mt)	52.9	0.1	0.3%
CPO (RM/mt)	2,290	-9.0	-0.4%
Rubber	122	0.0	0.0%
RM/USD	4.29	-0.057	1.33%
EUR/USD	0.94	0.0008	0.09%
YEN/USD	122.94	0.13	-0.11%

What To Expect

U.S. Market

- The Dow Jones Industrials Average surged 91.06 points to 17,823.81 points, S&P 500 soared 7.93 points to 2,089.17. Nasdaq grew by 31.28 points to 5,104.92. U.S. stocks advanced, with the Standard & Poor's 500 Index capping its best weekly gain this year, as Nike Inc. paced a rally in consumer companies and European Central Bank President Mario Draghi hinted at additional stimulus.
- While U.S. policy makers are preparing investors for higher interest rates, the ECB's Draghi hinted at further stimulus measures, saying today that the institution will do what's necessary to reach its inflation goal rapidly

The Local Market

- FBMKLCI gained 1.83 points to finish at 1,661.89 due to the positive regional market sentiment. There were 441 gainers and 426 decliners in total value traded of RM1.95 billion.
- Among the gainers on Bursa Malaysia were Nestle (M) grew RM2.30 to TM75.30, LPI Capital increased 30 cent to RM14.92, Malaysia Pacific Industries up 26 cent to RM8.11 and Muda Holdings surged 23 cent to RM1.81.

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

Bumi Armada, BUY (TP: RM1.20): Posts RM70m earnings in Q3

International offshore oilfield services provider, Bumi Armada Bhd posted earnings of RM69.99mil in the third quarter ended Sept 30, 2015 but for the nine-months period it posted net losses of RM149.48mil. Bumi Armada said on Friday the 9M net losses were due to the non-cash impairment charge that was taken in Q2 2015. For the Q3, it said the earnings were down from the RM108.09mil a year ago. Revenue also fell to RM559.46mil from RM636.51mil. Earnings per share were 1.19 sen compared with 2.29 sen. In the nine-month period, its net losses were in stark contrast with the earnings of RM271.25mil in the previous corresponding period. Revenue dipped to RM1.59bil from RM1.69bil. Bumi Armada said year-to-date earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 12.4% on-year to RM855.1mil. The group generated net cash flows from operating activities for the first nine months of 2015 of RM411.3mil. (Source: The Star)

Maxis, HOLD (TP: RM7.00): Confirms Leadership Of Country's 4G Connections

Malaysia's largest mobile operator, Maxis Bhd has confirmed its leadership of the country's 4G connections with its -98dBm signal as a stringent threshold to ensure consistent and reliable indoor and outdoor coverage. In a statement Friday, it said the -98dBm measurement was equivalent to three or four bars on the phone when outdoors, giving it a more reliable and consistent data experience. With this signal strength, customers can expect zero buffering on YouTube 96 per cent of the time, load top webpages in less than eight seconds, 24/7 consistently fast speeds, and stronger signal and widest 4G coverage. (Source: Bernama)

AMMB, HOLD (TP: RM5.10): Sulaiman appointed AMMB group CEO

AMMB Holdings Bhd has appointed Datuk Sulaiman Mohd Tahir, as its group CEO and CEO of commercial banking arm AmBank (M) Bhd, effective today. Sulaiman was the former CEO of CIMB Group Holdings Bhd's CIMB Bank Bhd. He had been with CIMB Group for 25 years, and resigned in August. AMMB has been without a captain ever since its previous group managing director Ashok Ramamurthy's contract ended on April 1, 2015. Ashok returned to Australia to take on a senior executive role at Australia and New Zealand Banking Group Ltd (ANZ), the single largest shareholder in AMMB. AMMB deputy group managing director Datuk Mohamed Azmi Mahmood, was acting group CEO with the departure of Ashok. (Source: The Sun)

Borneo Aqua (CP: RM1.19): To acquire firm, diversify into mining

Borneo Aqua Harvest Bhd is buying over a dormant company, Wullersdorf Resources Sdn Bhd for RM131 million, in an all-share deal, to diversify into the mining business. Last month, Wullersdorf entered into a sub-lease agreement with Southsea Gold Sdn Bhd, to sub-lease 317.7ha of the 1,000ha land for 33 years for RM60,000 in annual rent. Southsea signed a lease with Sabah Lands and Surveys Department in December last year for a parcel of land in Tawau for mining purpose. The lease for the 1,000ha land is for 35 years, ending on Dec 31, 2048. Southsea Gold has common shareholders as the selling party of Wullersdorf. In a filing with Bursa Malaysia last Friday, Borneo Aqua said it has entered into a share sale agreement with Datuk Lo Fui Ming, Mohd Amir Masry and Dr Tan Su Haw (the vendors) to acquire 10,000 ordinary shares of RM1 each in Wullersdorf. (Source: The Sun)

Nexgram (CP: RM0.08): Launches takeover offer for Ire-Tex

ICT-based Nexgram Holdings Bhd has launched a conditional takeover offer for Ire-Tex Corp Bhd that will see it venture into the manufacturing and industrial automation businesses. Nexgram has proposed to undertake a takeover offer to acquire all the ordinary shares of 40 sen each in Ire-Tex and all its outstanding Ire-Tex warrants and irredeemable convertible unsecured loan stocks (ICULS) via an equity swap based on the offer prices of 40 sen per offer share 1 sen per offer warrant and 5 sen per offer ICULS. The offer prices will be satisfied through the issuance of new ordinary shares in Nexgram with par value of 10 sen each, whereby each holder of the offer securities who accepts the offer will receive four consideration shares for every one offer share surrendered, one consideration share for every 10 offer warrants surrendered, and one consideration share for every two offer ICULS surrendered. (Source: The Sun)

Cypark (CP:RM1.89): Secures 25-year waste management concession from govt

Cypark Resources Bhd's wholly owned unit Cypark Smart Technology Sdn Bhd (CST) has secured a 25-year solid waste management concession from the Malaysian government. CST, it said, inked the concession agreement on Nov 9 with the Solid Waste and Public Cleansing Management Corp and the government of Malaysia; the government was represented by the Ministry of Housing and Local Government. Cypark told Bursa Malaysia that the concession is on a build-operate-manage-and transfer concept, but did not specify its monetary value. It only said it expects the contract to contribute positively to its earnings and net assets for the financial years covered under the concession. Under the agreement, which has been fully executed, CST is granted the rights to design, construct, maintain, operate and manage a solid waste modular advanced recovery and treatment systems, incorporating waste-to-energy systems (SMART WTE System) at Ladang Tanah Merah, Negeri Sembilan. (Source: The Edge)

Ikhmas Jaya (CP:RM0.695): Secures RM161.12m construction job from MRCB

Bore piling and bridging specialist Ikhmas Jaya Group Bhd was just awarded a RM161.12 million contract by Malaysian Resources Corp Bhd (MRCB) for a number of construction works for a proposed mixed development at Persiaran Barat, Section 52, Petaling Jaya, Selangor. Ikhmas Jaya, which debuted on the Main Market of the local bourse on July 28, said its wholly-owned unit Ikhmas Jaya Sdn Bhd accepted a letter of award from MRCB's wholly-owned unit MRCB Builders Sdn Bhd, today. The job entails the substructure works for Towers 2, 3, 5 and 6 of the mixed project's Phase 1A, Phase 1C and Phase 1F on Lot 12 of Persiaran Barat. The job is for a period of 20 months and is expected to commence today and be completed by July 19, 2017. (Source: The Edge)

Ewein (CP: RM1.01): 3Q profit jumps more than 20-fold

Sheet metal manufacturer Ewein Bhd reported that its profit for the third quarter ended Sept 30, 2015 (3QFY15) jumped more than 20-fold to RM8.42 million from RM389,000 in last year's corresponding quarter. Revenue for 3QFY15 more than doubled to RM29.21 million from RM13.42 million. In its Bursa Malaysia note, the group said its early adoption of MFRS 15, which deals with revenue from contracts with customers, has resulted in the group recognising revenue from its property developments based on the stage of completion method. In July, it said Ewein Zenith Sdn Bhd began the development of a 50-acre wellness resort city in Penang known as Wellness City of Dreams, which is worth RM800 million and is expected to contribute RM200 million in pre-tax profit to the group starting 2016. (Source: The Edge)

EPF: Posts lower Q3 investment income

The Employees Provident Fund (EPF) investment income for the third quarter of 2015 (Q32015) fell by 7.58% to RM9.54 billion compared with RM10.32 billion for the corresponding period a year ago. "This third quarter had been challenging for the EPF as the uncertainties in the market heightened. Nevertheless, our global diversification programme helped cushion the impact during this period," EPF CEO Datuk Shahril Ridza Ridzuan said in a statement last Friday. As at September 2015, global investments were 27% of all assets and

contributed about 45% to the fund's total income year to date, which stood at RM31.58 billion. (Source: *The Sun*)

ECONOMIC UPDATES

Malaysia: Inflation Up at slower pace of 2.5% in October

Malaysia's inflation rate in October rose 2.5% from a year ago following an increase in the food and non-alcoholic beverages but slightly below estimates of a 2.6% forecast as the impact of the Goods & Services Tax (GST) continue to show signs of waning. The Statistics Department said on Friday the higher October CPI from a year ago was due to the index for food and non-alcoholic beverages – which has a weight of 30% -- which increased by 4.7% from a year ago. The index for non-food – which has a weight of 69.7% -- increased by 1.5%. When compared with September, the inflation rate for CPI in October increased by 0.4%. For the January-October period, the CPI increased by 2% from the previous corresponding period. (Source: *The Star*)

China: Offers \$10 billion in infrastructure loans for Southeast Asia

China is offering \$10 billion in infrastructure loans to Southeast Asian countries, a senior foreign ministry official said on Sunday. The world's second-largest economy will also provide aid worth 3.6 billion yuan (U.S. \$560 million) to underdeveloped states within the Association of Southeast Asian Nations (ASEAN) in 2016, Vice Foreign Minister Liu Zhenmin told a news conference during the annual East Asia Summit, which this year was held in Kuala Lumpur. Liu did not say which bank would provide the loans. The pledges come as China seeks to expand its influence in the developing world, including Southeast Asia, with government aid programs and loans. The Asian Infrastructure Investment Bank (AIIB), a development bank backed by China, won support from Asian and Western European economies this year despite an ambivalent response from the United States. (Source: *Reuters*)

Europe: ECB willing to act on rates, purchases to boost inflation

The European Central bank is ready to act quickly to boost anemic inflation in the euro zone, its president said on Friday, highlighting changes to its asset-purchase program and deposit rates as possible tools. "If we decide that the current trajectory of our policy is not sufficient to achieve our objective, we will do what we must to raise inflation as quickly as possible," Mario Draghi said, adding that a decision will be made at the ECB's Dec. 3 meeting. "We consider the asset purchase program to be a powerful and flexible instrument, as it can be adjusted in terms of size, composition or duration to achieve a more expansionary stance. The level of the deposit facility rate can also empower the transmission of APP, not least by increasing the velocity of circulation of bank reserves." (Source: *Reuters*)

India: Drop in investments India's top concern

India's central bank chief Raghuram Rajan said Asia's third-largest economy is being hampered by a drop in public and private investments, but held out hope that strong foreign capital flows will help rectify this weakness. Weak capital investment has been a hurdle in India's quest to realise its growth potential and with factories running 30% below capacity, private companies are in no rush to

invest in new projects. On the growth front, the central concern is with investments," said Rajan, who was speaking at a business event in Hong Kong on Friday. "Private investment has fallen back quite a bit and so has public investment." (Source: The Star)

Japan: BoJ to publish new indicators showing prices rising

The Bank of Japan (BoJ) will release a new set of price indicators this month that reconfigures the way price trends are measured as the central bank seeks to show the country's below-target inflation rate is due to volatile items such as energy. Importantly, a new consumer price index (CPI) will exclude energy costs, which have been falling, but include the costs of items such as processed and imported food, which have been rising. The BoJ currently uses the government's core CPI, which excludes fresh food but includes energy costs, as its key price measurement in guiding monetary policy. With core CPI now slipping due largely to slumping oil prices, the central bank began internally calculating a new index that conveniently shows inflation exceeding 1% in the past few months. That index strips away volatile fresh food and energy costs, but includes processed and imported food prices, which are rising. (Source: The Star)

U.K.: Government borrowing worst October figure in six years

Public sector net borrowing (PSNB) rose £1.1bn in October compared with the same month a year ago to £8.2bn, official figures show. That is the highest level of borrowing in October in six years. The government has borrowed £54.3bn so far this year and is making slow progress on meeting the Office for Budget Responsibility's (OBR) forecast. These figures mean Chancellor George Osborne will need to restrict borrowing to just £15bn between now and April. While not impossible - January usually sees a surplus thanks to an influx of self-assessment income tax receipts - it remains unlikely that the chancellor will meet the £69.5bn OBR forecast without severe cuts at next week's Autumn Statement. The previous annual borrowing figure was £90.1bn. (Source: BBC)

U.S.: Treasury ramps up war on tax-evading mergers

The US Treasury announced new measures on Thursday to block "inversion" mergers designed to let companies avoid US taxes, placing a possible obstacle to Pfizer's potential US\$150 billion mega takeover of Ireland-based Allergan. Treasury Secretary Jacob Lew said the aim of the new rules is to "further reduce the benefits of an inversion and make these transactions even more difficult to achieve. They aim to deny tax benefits to US companies buying up smaller foreign firms and then relocating to the home base of those firms, or to a low-tax third country, mainly to lower their corporate tax bills. US companies are currently taking advantage of an environment that allows them to move their tax residence overseas to avoid paying taxes in the United States, without making significant changes in the nature of their overall operations. (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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