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Thursday, March 26, 2015

**At a Glance**

FBMKLCI rose 5.06 points to finish at 1,819.10 lifted by the gain in some heavyweight counters.....(See full report next page)

**Strategy****"Wall Street Jitteriness to Prevail: Wall Street Tank Heftily"**

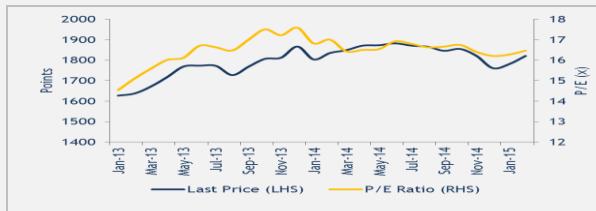
We think that the regional and local market may be spared today although profit taking activity is due.....(See full report next page)

**Corporate Highlights**

- **Media Prima, HOLD (TP: RM1.83):** Fully redeems five-year RM150m bonds
- **Eco World (CP: RM2.94):** Associate to develop Sydney residential project
- **Paramount (CP: RM1.54):** Gears itself for upturn in property market's mid-sized segment

**Economic Update**

- **Malaysia:** Unemployment Rate Rises to 3.1 Pct in January
- **China:** Tells banks to lend more to farm sector
- **U.S.:** Weak U.S. business spending data points to Q1 growth slowdown



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
US	23-Feb	10:00 PM	Existing Home Sales	4.94M	4.82M
US	23-Feb	10:00 PM	Existing Home Sales MoM	2.5%	-4.9%
EU	23-Mar	11:00 PM	Consumer Confidence	-	-6.7
EU	24-Mar	5:00 PM	Markit Eurozone Manufacturing PMI	-	51.0
EU	24-Mar	5:00 PM	Markit Eurozone Services PMI	-	53.7
EU	24-Mar	5:00 PM	Markit Eurozone composite PMI	-	53.3
CN	24-Mar	9:45 AM	HSBC China Manufacturing PMI	50.5	50.7
JP	24-Mar	9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	51.6
US	24-Mar	8:30 PM	CPI MoM	0.2%	-0.7%
US	24-Mar	8:30 PM	CPI Ex Food and Energy MoM	0.1%	0.2%
US	24-Mar	8:30 PM	CPI YoY	-0.1%	-0.1%
US	24-Mar	9:45 PM	Markit US Manufacturing PMI	55.3	55.1
US	24-Mar	10:00 PM	New Home Sales	475K	481K
US	24-Mar	10:00 PM	New Home Sales MoM	-1.3%	-0.2
JP	25-Mar	7:50 AM	PPI Services YoY	-	3.4%
US	25-Mar	7:00 PM	MBA Mortgage Applications	-	-3.9%
US	25-Mar	8:30 PM	Durable Goods Orders	0.6%	2.8%
US	25-Mar	8:30 PM	Durables Ex Transportation	0.5%	0.3%
US	26-Mar	8:30 PM	Initial Jobless Claims	-	-
US	26-Mar	8:30 PM	Continuing Claims	-	-
US	26-Mar	9:45 PM	Markit US Composite PMI	-	57.2
US	26-Mar	9:45 PM	Markit US Services PMI	-	57.1
JP	27-Mar	7:30 AM	Jobless Rate	3.5%	3.6%
JP	27-Mar	7:50 AM	Retail Trade YoY	-2.1%	-2.0%
JP	27-Mar	7:50 AM	Retail Sales MoM	0.6%	-1.3%
US	27-Mar	8:30 PM	GDP Annualized QoQ	2.4%	2.2%
US	27-Mar	8:30 PM	Personal Consumption	-	4.2%
US	27-Mar	8:30 PM	Core PCE QoQ	-	1.1%
US	27-Mar	10:00 PM	U. of Mich. Sentiment	92.0	91.2

**Bursa Malaysia**

	Close	Change+/-	(+/- %)
FBMKLCI	1,819.10	5.06	0.28
FBMEMAS	12,469.59	22.71	0.18
FBMEMAS SHA	13,058.98	-3.58	-0.03
FBM100	12,165.11	19.54	0.16
Volume (mn)	2,039.22	92.61	4.76
Value (RMmn)	2,122.13	287.85	15.69
FBMKLCI YTD Chg			3.28

**Daily Trading Position (RM'mn)**

	Participation (%)	Net(RMm)
Local Retail	17.6	-22.2
Local Institution	54.0	-166.2
Foreign Investors	28.4	188.4

**Top Gainers**

	Close	Change+/-	(+/- %)
BAT	70.00	2.20	3.24
HONG LEONG CAP	10.20	1.95	23.64
TASCO	3.90	0.38	10.80

**Top Losers**

	Close	Change+/-	(+/- %)
RAPID SYNERGY	5.00	-0.38	-7.06
FRASER & NEAVE	18.14	-0.26	-1.41
PIE INDUSTRIAL	6.75	-0.25	-3.57

**World Indices**

	Close	Change+/-	(+/- %)
DJIA	17,718.54	-292.60	-1.62
NASDAQ	4,876.52	-118.21	-2.37
S&P 500	2,061.05	-30.45	-1.46
FTSE 100	6,990.97	-28.71	-0.41
DAX	11,865.32	-140.37	-1.17
Nikkei 225	19,746.20	32.75	0.17
HSI	24,528.23	128.63	0.53
KOSPI	2,042.81	1.44	0.07
STI	3,417.62	4.36	0.13
KLCI Futures	1,809.00	1.00	0.00
USDMYR 3M	10.20	0.02	0.00
USDMYR 6M	10.42	0.05	0.01
USDMYR 12M	10.56	0.04	0.00

**Other Key Economics Data**

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	49	-0.4	-0.8%
Brent (USD/bbl)	56.5	1.4	2.5%
Gold(USD/ounce)	1,196	0.3	0.0%
Coal (USD/mt)	63.3	0.5	0.8%
CPO (RM/mt)	2,167	11.0	0.5%
Rubber	173	-0.5	-0.3%
RM/USD	3.67	0.017	-0.46%
EUR/USD	0.91	0.0003	0.03%
YEN/USD	119.53	0.04	-0.03%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average shed 292.60 points to 17,718.54, S&P 500 tumble by 30.45 points to 2,061.05. Nasdaq decline by 118.21 points to 4,876.52. U.S. stocks plunged on Wednesday, closing more than 1 percent lower as investors weighed the impact of the strong dollar on the economy and the coming earnings season.
- February's durable goods orders posted a decline, rather than the modest expected increase, under pressure from the strong dollar and weak global demand.

### The Local Market

- FBMKLCI rose 5.06 points to finish at 1,819.10 lifted by the gain in some heavyweight counters. There were 449 gainers and 391 decliners in total value traded of RM1.83 billion.
- Among the gainers on Bursa Malaysia were BAT gained RM2.20 to RM70.00, Hong Leong Capital added RM1.95 to RM10.20, Tasco surged 38 cent to RM3.90 and Dutch Lady grew 26 cent to RM47.30.

### Strategy

- **“Wall Street Jitteriness to Prevail: Wall Street Tank Heftily”**  
Wall Street surrendered most of its recent gains, big time, on Wednesday, crushed by unexpected weak data on US durable goods order. S&P 500 and DJIA sliced **30.45 (-1.46%)** and **292.60 (-1.62%)** points to end at 2,061.05 and 17,718.54 respectively. As mentioned, the negativities arising from contraction in US February durable goods order has taken a toll on Wall Street trading sentiment, pushing DJIA to end below the critical 18k level, sliding so fast even though the market has been able to maintain a strong front of above 18k level for a few days. Unable to stop the slide, Wall Street turned jittery when US February goods order declined by 1.4% against a gain of 2.0% the month before, indicating that technology company will suffer in the next few years as a result of anemic growth in other parts of the world, chief user of US technology goods namely China, Japan and the Eurozone, likely to put the US economy on the possibility of teetering. Nonetheless, we think that Wall Street has taken this advantage to square their gains, on herd behaviour, especially after its steady run of late, as the data, at best, is limited to only one month of contraction. It has yet to be proven as a trend. Given the localisation of this US economic data, we think that the regional and local market may be spared today although profit taking activity is due.
- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

## CORPORATE HIGHLIGHTS

**Media Prima, HOLD (TP: RM1.83): Fully redeems five-year RM150m bonds**

Media Prima Bhd has fully redeemed its five-year redeemable fixed rate bonds of RM150 million. In a filing with Bursa Malaysia yesterday, Media Prima announced it had received confirmation today that its bonds were fully redeemed on Monday. The company had received approval from the Securities Commission Malaysia five years ago for the establishment of the five-year redeemable fixed rate bonds of RM150 million in nominal value issued with 50 million detachable warrants. The company said the full redemption of the RM150 million will not any affect its financial position. *(Source: The Edge)*

**Eco World (CP: RM2.94): Associate to develop Sydney residential project**

Eco World International, an associate company of Eco World Development Group Bhd, will be developing a 300-unit residential project in Paramatta, Sydney in Australia. Group president and chief executive officer Datuk Chang Khim Wah said the project would sit on a plot of land measuring one acre and has a gross development value of A\$300 million. "This development will be mainly apartments and will be launched sometime in the middle of this year," he said. This will be Eco World's second foray into international markets, following its joint venture with Ballymore Group to develop three large scale residential projects in London. *(Source: The Edge)*

**Paramount (CP: RM1.54): Gears itself for upturn in property market's mid-sized segment**

Paramount Corp Bhd (Paramount) is gearing itself for an upturn of the property market's mid-sized segment as it prepares to launch a second township development in the Klang Valley, after its shareholders approved its RM227.4 million plan to buy 12 contiguous parcels of freehold land in Dengkil yesterday. This Dengkil development will be its second township after the 525-acre Kemuning Utama Township in Shah Alam. The proposed development is expected to commence in end 2015 or early 2016, and be completed over a span of eight years. *(Source: The Edge)*

**Progressive Impact (CP: RM0.22): Lands govt concession agreement extension worth RM22m**

Progressive Impact Corporation Bhd has bagged an extension of concession agreement for an interim period of one year worth RM22 million from Ministry of Natural Resources and Environment (NRE). In a filing with the local bourse yesterday, the company said its wholly owned subsidiary Alam Sekitar Malaysia Sdn Bhd had yesterday received a letter from the ministry to notify them about the extension. Progressive Impact said the extension is for the interim period of one year commencing on April 14 this year to April 13, 2016. The contract was for the provision of environmental monitoring and data management activities. *(Source: The Edge)*

**Mudajaya (CP: RM1.40): Unable to disclose more info on costs**

Mudajaya Group Bhd said it is not able to disclose further information on the quantum of the additional costs incurred on a specific project which was included in its 2014 fourth-quarter financial report. Mudajaya said this in

relation to its earlier filing which said that it was conducting an internal review on the additional costs incurred on a project by the company involving one former employee. In a reply to Bursa Malaysia, the company said that the revelation of the quantum “may jeopardise the ongoing investigation and any legal proceedings that are being initiated”. (Source: *The Star*)

#### **Sapura Industrial (CP: RM1.30): Profit down to RM54m**

Sapura Industrial Bhd’s fourth-quarter net profit fell by 81% on a year-on-year basis to RM1.3mil on the back of 26.1% drop in revenue to RM54.5mil. The automotive component manufacturer said that the fall in performance was mainly due to lower domestic volume for certain models. Moving forward, the company said it was aware that market conditions would continue to be challenging for the automotive sector and aimed to further strengthen operational efficiency. (Source: *The Star*)

#### **Integrax (CP: RM3.17): Deputy chairman Amin files legal action against Perak Corp**

Integrax Bhd deputy chairman Amin Halim Rasip has initiated legal action against Perak Corp Bhd and its directors, who on Monday rejected his offer to purchase the company’s Integrax shares. In a statement on Wednesday, Amin also said he had given notice to Perak Corp and its board to table a modified or additional resolution at its EGM on Friday. He wants Perak Corp to invite further offers from Tenaga Nasional Bhd or any other party and to seek a minimum price offer of RM3.66 per Integrax share. On the suit, Amin said it was “in respect of due care, diligence and judgement to be exercised always in the best interest of all PCB shareholders.” (Source: *The Star*)

#### **Protasco (CP: RM1.50): Files application in court**

Protasco Bhd has filed an application to strike out proceedings initiated by Tey Por Yee in court. To recap, Tey via his nominated entities Global Capital Ltd and Kingdom Seekers Ventures Sdn Bhd had in January withdrew their injunction application with an order of costs in favour of Protasco and Datuk Seri Chong Ket Pen and two others. Its Bursa Malaysia announcement said that the application to strike out these proceedings will be heard on April 6. (Source: *The Star*)

#### **Tanjung Offshore (CP: RM0.51): Tan drop suits against each other**

Tanjung Offshore Bhd has withdrawn its civil suit against director Tan Sri Tan Kean Soon and five others, soon after the cancellation of an EGM called by Kean Soon, who in turn has also dropped a suit against several directors and officials of the company. Tanjung Offshore said in a statement yesterday that it has dropped the suit against Kean Soon, Muhammad Sabri Ab Ghani Sabri, Datuk Harzani Azmi, HMS Oil & Gas Sdn Bhd, Datuk Dr Nik Norzrul Thani N. Hassan Thani and Datin Norhafizah Mohd Nordin. Tan, on another hand has dropped his suit against Tanjung’s legal adviser Datuk Seri Krishna Kumar Sivasubramaniam, independent non-executive director Shahrizal Hisham Abdul Halim, executive director Eric Tan Wee Koh, corporate finance head Joachim Tan Seow Hoe and corporate finance officer Khairil Annuar Mohd Said. (Source: *The Sun*)

**DGB Asia (CP: RM0.11): To expand overseas contribution to 50%**

DGB Asia Bhd, formerly known as DSC Solutions Bhd, is looking to ramp up its operations in Vietnam and Thailand, as part of its plan to increase overseas revenue contribution to 50% within a year from the current 30%. The group is also confident of turning around its fortunes in the financial year ending Sept 30, 2015. For the first quarter ended Dec 31, 2014, DGB returned to the black by registering RM139,000 in net profit compared with a net loss of RM538,000 in the previous corresponding period. The group has been incurring losses over the past few years, with a net loss of RM5.16 million for the financial year ended Sept 30, 2014. (Source: The Sun)

**ECONOMIC UPDATES****Malaysia: Unemployment Rate Rises to 3.1 Pct in January**

Malaysia's unemployment rate in January 2015 rose marginally to 3.1 per cent from three per cent the previous month, the Statistics Department said. In a statement on the 'Labour Force Statistics Malaysia', it said the year-on-year comparison, however, showed a lower unemployment rate at 3.3 cent in January 2014. The department said the labour force participation rate declined to 67.2 per cent in January as compared with 67.9 per cent in the previous month, it said. "This decline was due to a reduction of population aged 20 to 34 years old in the labour market," it said. Year-on-year, the comparison showed the labour force participation rate was lower at 67.8 per cent in January 2014, it said. (Source: Bernama)

**China: Tells banks to lend more to farm sector**

China's central bank said on Wednesday that banks should step up financing support for the farm sector, in the latest bid to support the vulnerable sector and the overall economy. The banking industry should "enhance the availability of financing for the agricultural sector at an affordable cost", the central bank said in a statement. Chinese policymakers face an uphill battle to channel bank loans into the cash-starved farming sector, which employs almost a third of its 1.4 billion people and produces around 9 percent of China's GDP, though with pitiful productivity. The central bank said that outstanding loans to agriculture totalled 23.6 trillion yuan (\$3.8 trillion) at the end of 2014, accounting for 28.1 percent of the total bank loans. (Source: The Edge)

**U.S.: Weak U.S. business spending data points to Q1 growth slowdown**

U.S. business investment spending plans fell for a sixth straight month in February, likely weighed down by a strong dollar and weak global demand, which could lead economists to further lower their first-quarter growth estimates. The Commerce Department's durable goods report on Wednesday was the latest data to suggest economic growth braked sharply early in the year, in part due to bad weather and a now-settled labor dispute at the country's busy West Coast ports. While economists largely view the slowdown in activity as temporary, softer growth could prompt the Federal Reserve to delay raising interest rates until later in the year. (Source: The Edge)

**U.K.: BoE payment outage showed crisis management failures, report concludes**

A major outage last year in the Bank of England's interbank payments system showed the central bank was not fully equipped to handle crises affecting Britain's banks, a report published by the BoE showed on Wednesday. The BoE suspended nearly 300 billion pounds (\$447 billion) of payments for several hours on Oct. 20 after problems with its Real Time Gross Settlement system. The system underpins financial market trades in the City of London, the world's main centre for foreign exchange dealing, as well as the transfer of funds for house purchases. The outage was embarrassing for the BoE which has warned British banks to guard against technical failures that could lead to financial instability. (Source: *The Edge*)

**Greece: Fails in bid for early cash release, reforms awaited**

Greece failed in a bid on Wednesday to secure a quick cash payment from the euro zone rescue fund to help stave off potential bankruptcy next month, raising pressure on Athens to deliver a convincing reform programme within days. Athens had appealed for the European Financial Stability Facility to return 1.2 billion euros (\$1.32 billion) it said it had overpaid when it transferred bonds intended for bank recapitalisation back to the Luxembourg-based fund this month. But senior Euro zone officials agreed in a telephone conference on Wednesday that Greece was not legally entitled to the money, although they said they would consider how to deal with the issue in the future. (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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