

PP14767/09/2012(030761)

Monday, April 11, 2016

Report of the Day

Strategy Report: Malaysia 2Q16 Equity Outlook – “Volatility Set to Reduce”

Strategy Report (Top Pick): BIMB Holding – “Navigating Ship Well Amid Storm”

At a Glance

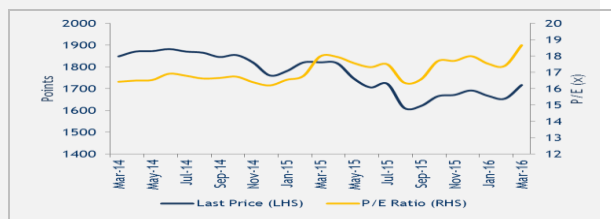
FBMKLCI down 5.89 points to close at 1,718.40 impacted by the loss of selected heavyweight counters(See full report next page)

Corporate Highlights

- **Tan Chong Motor, HOLD (TP: RM2.45):** Gets nod to set up unit for IT project in Vietnam
- **Sime Darby (CP: RM7.85):** Property achieves RM1b YTD sales
- **Econpile (CP: RM1.32):** Bags RM54.5m substructure job

Economic Update

- **U.S.:** Wholesale inventories fall sharply, point to weaker growth
- **U.K.:** Economy May Be Heading for Its Worst Quarter Since 2012
- **Chile:** CPI Slows More Than Forecast After Economy Weakened



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
CN	10-15 Apr	-	Money Supply M2 YoY	13.5%	13.3%
CN	11-Apr	9:30 AM	CPI YoY	2.5%	2.3%
CN	11-Apr	9:30 AM	PPI YoY	-4.6%	-4.9%
MY	11-Apr	12:00 PM	Industrial Production YoY	-	3.2%
US	13-Apr	7:00 PM	MBA Mortgage Applications	-	2.7%
US	13-Apr	8:30 PM	Retail Sales Advance MoM	0.2%	-0.1%
US	13-Apr	8:30 PM	Retail Sales Ex Auto MoM	0.4%	-0.1%
US	13-Apr	8:30 PM	Retail Sales Ex Auto and Gas	0.4%	0.3%
US	13-Apr	8:30 PM	PPI Final Demand MoM	0.2%	-0.2%
US	13-Apr	8:30 PM	PPI Ex Food and Energy MoM	0.1%	0.0%
EU	13-Apr	5:00 PM	Industrial Production SA MoM	-	2.1%
CN	13-Apr	-	Trade Balance	\$33.20b	\$32.59b
CN	13-Apr	-	Export YoY	9.7%	-25.4%
CN	13-Apr	-	Import YoY	-10.0%	-13.8%
JP	13-Apr	7:50 AM	PPI MoM	-	-0.2%
JP	13-Apr	7:50 AM	PPI YoY	-	-3.4%
US	14-Apr	8:30 PM	Initial Jobless Claims	-	-
US	14-Apr	8:30 PM	CPI MoM	0.2%	-0.2%
US	14-Apr	8:30 PM	CPI Ex Food and Energy MoM	0.2%	0.3%
US	14-Apr	8:30 PM	CPI YoY	1.1%	1.0%
EU	14-Apr	5:00 PM	CPI MoM	-	0.2%
EU	14-Apr	5:00 PM	CPI YoY	-	-0.1%
US	15-Apr	9:15 PM	Industrial Production MoM	-0.1%	-0.5%
US	15-Apr	9:15 PM	Capacity Utilization	75.3%	76.7%
US	15-Apr	10:00 PM	U. of Mich. Sentiment	92.0	91.0
CN	15-Apr	10:00 AM	Industrial Production YoY	6.0%	-
CN	15-Apr	10:00 AM	Retail Sales YoY	10.4%	-
CN	15-Apr	10:00 AM	Retail Sales YTD YoY	10.2%	10.2%
CN	15-Apr	10:00 AM	GDP YoY	6.7%	6.8%
JP	15-Apr	12:30 PM	Industrial Production MoM	-	-6.2%
JP	15-Apr	12:30 PM	Industrial Production YoY	-	-1.5%

Research Team

research@mna.com.my
03-22877228/03-22825373

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,718.40	-5.89	-0.34
FBMEMAS	11,952.54	-26.03	-0.22
FBMEMAS SHA	12,542.03	-12.68	-0.10
FBM100	11,646.47	-27.11	-0.23
Volume (mn)	1,441.10	-82.90	-5.44
Value (RMmn)	1,824.25	-337.71	-15.62
FBMKLCI YTD Chg			1.53

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	14.7	-8.8
Local Institution	60.7	-0.5
Foreign Investors	24.6	9.3

Top Gainers

	Close	Change+/-	(+/- %)
PANASONIC MAN	29.56	1.06	3.72
LAFARGE	9.20	0.36	4.07
DUTCH LADY	52.26	0.26	0.50

Top Losers

	Close	Change+/-	(+/- %)
BAT	55.12	-0.56	-1.01
PHARMANIAGA	5.85	-0.40	-6.40
APEX HEALTH	3.75	-0.20	-5.06

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,576.96	35.00	0.20
NASDAQ	4,850.69	2.32	0.05
S&P 500	2,047.60	5.69	0.28
FTSE 100	6,204.41	67.52	1.10
DAX	9,622.26	91.64	0.96
Nikkei 225	15,821.52	71.68	0.46
HSI	20,370.40	104.35	0.51
KOSPI	1,972.05	-1.84	-0.09
STI	2,802.73	-10.86	-0.39
KLCI Futures	1,700.00	(7.50)	(0.00)
USDMYR 3M	12.99	(0.15)	(0.01)
USDMYR 6M	12.94	0.01	0.00
USDMYR 12M	12.85	(0.07)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	40	0.5	1.3%
Brent (USD/bbl)	42.4	0.5	1.1%
Gold(USD/ounce)	1,245	3.9	0.3%
Coal (USD/mt)	49.9	0.3	0.5%
CPO (RM/mt)	2,680	-30.0	-1.1%
Rubber	164	0.5	0.3%
RM/USD	3.90	-0.0143	0.37%
EUR/USD	0.88	-0.0006	-0.07%
YEN/USD	108.25	0.18	-0.17%

What To Expect

U.S. Market

- The Dow Jones Industrials Average up 35.00 points to close at 17,576.96 points, S&P 500 slid 5.69 points to 2,041.91 points. Nasdaq increased 2.32 points to 4,850.69. U.S. stocks edged higher, with the Standard & Poor's 500 Index trimming the worst weekly slide in two months, as a surge in crude that boosted energy shares offset a slump in biotechnology shares.
- Fed head Janet Yellen has several times cited weak world economic growth as a major concern. One bright spot for Europe (except Russia) and Japan is lower oil prices — they import almost all their energy resources.

The Local Market

- FBMKLCI down 5.89 points to close at 1,718.40 impacted by the loss of selected heavyweight counters. There were 365 gainers and 435 decliners in total value traded of RM1.82 billion.
- Among the losers on Bursa Malaysia were BAT slipped 56 cent to RM55.12, Pharmaniaga declined by 40 cent to RM5.85, Apex Healthcare decreased 20 cent to RM3.75 and Scientex dropped 20 cent to RM13.04.

Strategy

- Our 2016 year-end FBMKLCI target is 1,790 based on PER of 17.1x. FBMKLCI is **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.3% in 2016.

CORPORATE HIGHLIGHTS

Tan Chong Motor, HOLD (TP: RM2.45): Gets nod to set up unit for IT project in Vietnam

Tan Chong Motor Holdings Bhd has obtained the green light from the Vietnamese authorities to establish a wholly-owned subsidiary, TC Systems (Vietnam) Co Ltd, that will undertake a US\$5 million (RM19.51 million) information technology (IT) project there. Tan Chong said its wholly-owned subsidiary TCMSC (Labuan) Pte Ltd has received an enterprise registration certificate from the Hanoi Authority for Planning and Investment under Vietnam's Business Registration Division, confirming the registration of TC Systems (Vietnam). TC Systems (Vietnam) will produce software products, providing IT solutions and services and integrating IT systems in Hanoi City, under a US\$5 million contract to develop IT capabilities and to tap into IT talents in Vietnam. *(Source: The Edge)*

Sime Darby (CP: RM7.85): Property achieves RM1b YTD sales

Sime Darby Property Bhd has achieved RM1 billion worth of property sales year-to-date (YTD). The figure accounts for 40% of its RM2.5 billion sales target for

financial year ending June 30, 2016. Sime Darby Property managing director Datuk Jauhari Hamidi said the developer was confident of achieving its sales target for the year, driven by the group's 18 property launches over the next three months. "We have a sales target of more than 2,000 units for the year, valued at RM2.5 billion. We have achieved about 1,000 units so far, with a value of approximately RM1 billion. (Source: *The Edge*)

Econpile (CP: RM1.32): Bags RM54.5m substructure job

Econpile Holdings Bhd has bagged a RM54.5 million contract to undertake substructure works for a commercial development in Shah Alam, Selangor. Econpile said its wholly-owned subsidiary Econpile (M) Sdn Bhd (EMSB) has received a letter of award from Prestij Permai Sdn Bhd for the proposed works which comprise piling and pile cap works, retaining wall and other substructure works. "The duration of the contract is 20 months and is expected to complete in November 2017," it said. (Source: *The Edge*)

HCK Capital (CP: RM3.31): Unit enters JV for Sarawak apartment project

HCK Capital Group Bhd said its indirect 70%-owned unit HCK Premier Builders Sdn Bhd (HPBSB) has entered into a joint venture (JV) development agreement with Daya Builders Sdn Bhd for the development of apartment units in Kuching, Sarawak. The 448 units of walk-up apartments will be constructed on a 16.54-acre piece of land. Under the agreement, Daya Builders, which is an agent for the Housing Development Corp of Sarawak (HDC), has appointed HPBSB as the developer to plan, develop, manage, construct, implement and complete the project. The project will be developed in three phases, with completion expected within 36 months of the commencement of each phase. (Source: *The Edge*)

Perak Corp (CP: RM2.60): Ups stake in unit to ensure completion of animation theme park

Perak Corporation Bhd (Perak Corp) said it is raising its stake in the company that is developing the country's first animation theme park to 51% from 49% to ensure the park's completion. Perak Corp said its wholly-owned subsidiary PCB Development Sdn Bhd has subscribed for additional shares in Animation Theme Park Sdn Bhd (ATP) for RM4.5 million. With this ATP becomes Perak Corp's indirect subsidiary, allowing it to leverage on Perak Corp's resources to ensure the completion of the theme park, known as Movie Animation Park Studio, in Meru Raya, Ipoh. (Source: *The Edge*)

ConnectCounty (CP: RM0.145): Sees double-digit revenue growth

ConnectCounty Holdings Bhd, which manufactures industrial cables and connectors, expects current year revenue and profit growth to mirror the preceding year's quantum on an expanding global connector market. Executive deputy chairman Ang Chuang Juay said global sales of interconnects was expected to grow by approximately 5.8% this year. He said such growth would positively impact ConnectCounty's business. ConnectCounty's financials have improved. For financial year ended Dec 31, 2015 (FY15), it posted a net profit of RM2.64 million from a net loss of RM2.99 million a year earlier. (Source: *The Edge*)

Kenanga (CP: RM0.52): Collaborates with Rakuten Securities for new online broking platform

Kenanga Investment Bank Bhd has entered into a joint venture agreement with Rakuten Securities Inc (Rakuten Sec), one of the main subsidiaries of Japanese electronic commerce and Internet group Rakuten Inc (Rakuten), to develop a new online broking platform. Rakuten also owns Rakuten Ichiba, the largest e-commerce site in Japan and among the world's largest by sales, while Rakuten Sec is a purely online broker in Japan that distributes a comprehensive range of products and services, including domestic and overseas equities and futures, mutual funds, over-the-counter foreign exchange, fixed income, and commodities to a two million client base. According to a joint press statement from Kenanga and Rakuten, the online platform will provide new trading experience to clients and will be launched after securing the relevant regulatory approvals. (Source: *The Edge*)

ECONOMIC UPDATES**U.S.: Wholesale inventories fall sharply, point to weaker growth**

U.S. wholesale inventories fell at their fastest pace in nearly three years in February, pointing to a sharper slowdown in first-quarter economic growth than previously thought. Wholesale inventories dropped 0.5% in February, the Commerce Department said on Friday, the sharpest decline since May 2013. Analysts polled by Reuters expected a 0.1% decline. The government also revised its reading for January to show a 0.2% decline in inventories rather than a 0.2% rise. Inventories are a key component of gross domestic product changes. The component of wholesale inventories that goes into the calculation of GDP — wholesale stocks excluding autos — dropped 0.4% in February. (Source: *Bloomberg*)

U.K.: Economy May Be Heading for Its Worst Quarter Since 2012

The U.K. economy may have grown at the slowest pace in more than three years in the first quarter, according to new estimates that could put a further cloud over the outlook. The National Institute of Economic and Social Research estimated on Friday that gross domestic product rose 0.3 percent, half the pace recorded in the last three months of 2015. That would be the worst performance since the fourth quarter of 2012, which was the last time the economy shrank. The institute published the estimate after data showed the trade gap widened to the most in eight years and there was an unexpected decline in industrial production. (Source: *Bloomberg*)

Chile: CPI Slows More Than Forecast After Economy Weakened

Chile's inflation rate fell more than forecast in March after the peso rallied against the dollar and economic growth remained weak. Prices rose 4.5 percent from the year earlier, the National Institute of Statistics said Friday in a report on its website, compared with 4.7 percent the month before. Inflation has eased for two months after the economy grew at the second-slowest pace in six years in January and the peso rallied as much as 5.8 percent against the dollar this year, damping import prices. (Source: *Bloomberg*)

India: Thirst for Oil Is Overtaking China's

In the energy world, India is becoming the new China. The world's second-most populous nation is increasingly becoming the center for oil demand growth as its economy expands by luring the type of manufacturing that China is trying to shun. And just like China a decade ago, India is trying to hedge its future energy needs by investing in new production at home and abroad. *(Source: Bloomberg)*

German: Exports rebound in Feb as sales to EU jump

German exports bounced back in February, rising at the strongest rate in five months and beating expectations as demand from the country's European partners jumped. Coming two days after figures showed industrial output fell less than expected in February, Friday's Federal Statistics Office trade numbers added to hopes that German economic growth could accelerate in the first quarter. But with orders from abroad having dropped as the global economy struggles, analysts played down prospects of exports returning as a powerful growth engine for Germany in coming months. Seasonally adjusted exports rose 1.3% on the month in February after falling in two consecutive months. *(Source: Reuters)*

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.

DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)
(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6
The Boulevard, Mid Valley City,
Lingkaran Syed Putra,
59200 Kuala Lumpur
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893
Website: www.mnaonline.com.my

Head Of Research



Rosnani Rasul
M&A Securities