

PP14767/09/2012(030761)

Wednesday, April 13, 2016

Report of the Day

Strategy Report (Sector): Construction – “2016, a Sterling Year”

Strategy Report (Top Pick): Cahya Mata Sarawak – “The Crown Jewels of Sarawak”

Strategy

“Steady Oil Performance to Cheer the Market”

We expect risk taking to be on the right footing today.....(See full report next page)

At a Glance

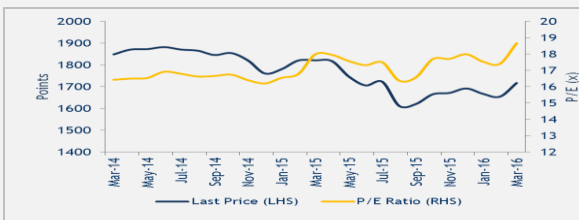
FBMKLCI down 0.28 points to close at 1,715.00 on mild profit taking despite mixed ringgit and rebound in crude oil prices.....(See full report next page)

Corporate Highlights

- **Berjaya Corp (CP: RM0.39):** To sell its BAuto stake for RM526m
- **Reach Energy (CP: RM0.695):** Contemplates fund-raising proposal for QA
- **Eden (CP: RM0.215):** Exits Pakistan's power business

Economic Update

- **Malaysia:** Government allocates RM60m as R&D and commercialisation grants
- **U.S.:** Posts \$108 billion budget deficit in March
- **China:** Tax reform to support economy, structural changes



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	1,715.00	-0.28	-0.02
FBMEMAS	11,927.58	6.97	0.06
FBMEMAS SHA	12,490.31	-22.64	-0.18
FBM100	11,620.57	3.99	0.03
Volume (mn)	1,608.02	108.01	7.20
Value (RMmn)	1,456.44	-23.65	-1.60
FBMKLCI YTD Chg			1.33

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	19.3	-35.6
Local Institution	56.9	14.0
Foreign Investors	23.8	21.6

Top Gainers

	Close	Change+/-	(+/- %)
BAT	55.12	0.82	1.51
SCIENTEX	13.60	0.58	4.46
NESTLE	75.00	0.56	0.75

Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.30	-0.56	-2.09
PANASONIC	28.96	-0.24	-0.82
POWER ROOT	1.99	-0.17	-7.87

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,721.25	164.84	0.94
NASDAQ	4,872.09	38.69	0.80
S&P 500	2,061.72	19.73	0.97
FTSE 100	6,242.39	42.27	0.68
DAX	9,761.47	78.48	0.81
Nikkei 225	15,928.79	177.66	1.13
HSI	20,504.44	63.63	0.31
KOSPI	1,981.32	10.95	0.56
STI	2,814.65	5.41	0.19
KLCI Futures	1,703.50	1.50	0.00
USDMYR 3M	12.99	(0.07)	(0.00)
USDMYR 6M	12.83	(0.06)	(0.00)
USDMYR 12M	12.64	(0.11)	(0.01)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	42	-0.5	-1.1%
Brent (USD/bbl)	44.7	1.9	4.3%
Gold(USD/ounce)	1,255	-0.7	-0.1%
Coal (USD/mt)	50.3	0.1	0.3%
CPO (RM/mt)	2,638	-29.0	-1.1%
Rubber	173	2.3	1.3%
RM/USD	3.88	-0.0088	0.23%
EUR/USD	0.88	0.0002	0.02%
YEN/USD	108.64	0.1	-0.09%

What To Expect

U.S. Market

- The Dow Jones Industrials Average saw a strong rebound of 164.84 points and closed at 17,721.25 points, S&P 500 rose in tandem by 19.73 points to 2,061.72 points. Stocks posted solid gains on Tuesday, led by energy companies after news reports said Saudi Arabia and Russia were working toward an agreement to cut oil production. Investors also worked through the initial batch of earnings from the first quarter of the year.
- Later this week big U.S. banks will start releasing their results, including JPMorgan Chase, Citigroup and Wells Fargo. Investors will be watching the banks to see how well they've weathered the market's recent volatility and low oil prices earlier this year. Banks are often seen as a proxy for how the U.S. economy is doing.

The Local Market

- FBMKLCI down 0.28 points to close at 1,715.00 on mild profit taking despite mixed ringgit and rebound in crude oil prices. There were 390 gainers and 371 decliners in total value traded of RM1.46 billion.
- Among the losers on Bursa Malaysia were United Plantations slipped 56 cent to RM26.30, Panasonic Manufacturing declined by 24 cent to RM28.96, Power Root decreased 17 cent to RM1.99 and KLK dropped 16 cent to RM23.86.

Strategy

- **“Steady Oil Performance to Cheer the Market”**
Wall Street made steady gains on Tuesday, lifted by encouraging oil price performance. S&P 500 and DJIA added 19.73 (1.0%) and 164.84 (0.9%) points to end at 2,061.72 and 17,721.25 respectively. Oil price (WTI and Brent) moved northbound to end at USD42 and USD44 per barrel, energized by this Sunday's global oil producers meeting that will hopefully contain the nagging oil over supply. This has lifted the risk taking of Wall Street and we think this steady sentiment may spill over into the regional and local market. This is one of Brent's highest levels this year and the potential is bright for it to move higher. Hence, expect risk taking to be on the right footing today.
- 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

Berjaya Corp (CP: RM0.39): To sell its BAuto stake for RM526m

Berjaya Corp Bhd (BCorp), controlled by tycoon Tan Sri Vincent Tan, is looking to dispose of 21.88% equity interest in Berjaya Auto Bhd (BAuto) to a special purpose vehicle (SPV) controlled by key members of the Mazda distributor's management, including its chief executive officer Datuk Seri Ben Yeoh Choon San, for RM526.26 million or RM2.10 per BAuto share. Upon completion of the proposed disposal, BCorp will cease to be a direct shareholder of BAuto, but will hold a 33.33% stake only in the SPV. BCorp said its wholly-owned subsidiary Berjaya Group Bhd (BGroup) today signed a memorandum of understanding with Yeoh on the proposed disposal-cum-injection. *(Source: The Edge)*

Reach Energy (CP: RM0.695): Contemplates fund-raising proposal for QA

A week after declaring it has sufficient funds to finance the capital expenditure (capex) to be incurred by its qualifying acquisition (QA), Reach Energy Bhd now says it is contemplating a fund-raising proposal for the purpose. "Although Reach Energy estimated the near-term capex to be low, the company is currently contemplating a fund-raising proposal as mentioned in the company's announcement dated March 5, 2016," it said in a statement today. The oil and gas (O&G) special purpose acquisition (SPAC) added that it will make the necessary announcement when there is material development on the fund-raising proposal. Reach Energy managing director Shahul Hamid Mohd Ismail had said on April 6 that the SPAC has no plans to launch a cash call on investors to fund the capex incurred by its QA in the near term. *(Source: The Edge)*

Picorp (CP: RM0.175): Loses Johor sewerage plant project

Progressive Impact Corp Bhd (Picorp) said its RM43.6 million contract to construct a sewerage treatment plant project in Johor has been cancelled. Picorp won the contract from Danga Bay Sdn Bhd in February, via its 90%-owned subsidiary Alam Sekitar Eco-Technology Sdn Bhd (ASET). Picorp said ASET received a notice for the mutual termination of the letter of award for the contract, and has agreed to accept the termination with claims of costs for work done. The company said the termination was due to the recent changes on the design of the sewerage treatment plant which has resulted in the total cost of the project going up. *(Source: The Edge)*

Eden (CP: RM0.215): Exits Pakistan's power business

Eden Inc Bhd is exiting Pakistan's power business, after disposal of its minority shareholding in power plant developer S K Hydro (Pvt) Ltd. Eden and its executive chairman Tan Sri Abd Rahim Mohamad are selling their entire 5,600 shares in S K Hydro to White Crystal Ltd for 56,000 Pakistani rupees (RM2,077). They acquired the stake in 2005. White Crystal is a wholly-owned subsidiary of Saudi Arabia-based Al Jomaih Group. Eden said it was disposing of its shares, because it deems the project not viable due to a change in the Pakistan government policies and the requirement by the government to increase the capacity from 440 megawatt (MW) to 840MW. *(Source: The Edge)*

GAB (CP: RM13.82): 1Q profit jumps 29%, cautious of increasing prices

Guinness Anchor Bhd (GAB), which saw its net profit for the three months ended March 31, 2016 jump 29% from a year ago, said it is cautious of increasing prices as this will push consumers away from duty-paid products to contraband. "With the recent increase in excise duties for alcohol products effective March 1 and subdued Malaysian consumer sentiment, the group continues to operate in a challenging environment," GAB managing director Hans Essaadi said. *(Source: The Edge)*

Mah Sing (CP: RM1.46): Targets homes costing below RM500,000

Mah Sing Group Bhd is targeting to launch RM2bil properties this year with 50% priced below RM500,000. "In the next two years we are focusing On the affordable house segment to capture the current market demand," executive director Datuk Steven Ng told reporters at Invest Malaysia 2016. He said the consumer sentiment might have reached the bottom, hence there was no need for more cooling measures for the property market. The house price index had dropped to 5.8% in 2015 from 11.8% in 2012. Ng said Mah Sing has unbilled sales of RM4.75bil which could last the company for the next two to three years. *(Source: The Star)*

Eco World (CP: RM1.42): Confident Of Hitting RM4 Bil Sales Target For FY16

Property developer Eco World Development Group Bhd (EW Bhd) is confident of achieving its sales target of RM4 billion for the financial year ending Oct 31, 2016, up from RM3 billion previously. President and Chief Executive Officer Datuk Chang Khim Wah said the target would be driven by the "The Stride" project in Bukit Bintang City Centre (BBCC) and 11 other on-going projects in the country. "The Stride" strata offices project, comprising a 45-storey block with a total investment of RM1.6 billion, will be launched within the next couple of months, he said. Two blocks of serviced residences, comprising 680 units of entry level apartments with sizes starting from 450 sq. ft. (41.8 sq. m.), will also be launched this year, he added. *(Source: Bernama)*

DRB-Hicom (CP: RM1.10): Bank Muamalat listing an alternative for shareholders

Bank Muamalat's chief said the Islamic bank might seek a listing as an alternative to add value after a proposed merger with Malaysia Building Society Bhd (MBSB) failed to materialise. DRB-Hicom Bhd owns 70% of Bank Muamalat while Khazanah Nasional Bhd holds the remaining 30%. Bank Muamalat chief executive officer Datuk Mohd Redza Shah Abdul Wahid said there were, however, no concrete listing plans for now. In February this year, DRB-Hicom and MBSB said in separate statements to the bourse that DRB-Hicom, MBSB and Khazanah had mutually agreed to cease Bank Muamalat-MBSB merger talks and not proceed with the exercise. *(Source: The Edge)*

ECONOMIC UPDATES

Malaysia: Government allocates RM60m as R&D and commercialisation grants

The government via Malaysian Technology Development Corp (MTDC) Sdn Bhd has allocated RM60 million as grants for research and development (R&D) and product commercialisation for 2016. Of the amount, RM40 million is for commercialisation of the local R&D fund, the technology acquisition fund (RM10 million) and business start-up fund (RM10 million). MTDC chief executive officer Datuk Norhalim Yunus said the funds are crucial for local companies to expand their businesses at home and in the global market. *(Source: Bernama)*

U.S.: Posts \$108 billion budget deficit in March

The U.S. government posted a \$108 billion budget deficit in March, more than double the amount from the same period last year, the Treasury Department said on Tuesday. The government had a deficit of \$53 billion in March of 2015, according to the Treasury's monthly budget statement. Analysts polled by Reuters had expected a \$104 billion deficit for last month. Accounting for calendar adjustments, March would have shown a \$102 billion deficit compared with an adjusted \$89 billion deficit in March 2015. The current fiscal year-to-date deficit was \$461 billion, up 5 percent from a \$439 billion deficit this time last year. Receipts last month totaled \$228 billion, while outlays stood at \$336 billion. *(Source: Reuters)*

China: Tax reform to support economy, structural changes

China's value-added tax reforms will help support the economy and speed up structural adjustments, Vice-Finance Minister Shi Yaobin said on Tuesday, playing down concerns such reforms could fan property speculation. China will replace a business tax with a value-added tax in its construction, real estate, financial and consumer services sectors, effective from May 1, and the government hopes to cut taxes by more than 500 billion yuan (US\$77.32 billion) in 2016. The VAT reform, which was launched in 2012 as a trial programme, has been applied to railway transportation, postal services, telecommunications and some service sectors. *(Source: Reuters)*

Global: IMF cuts global growth outlook again, warns of political risks

The International Monetary Fund warned on Tuesday of the risk of political isolationism, notably Britain's possible exit from the European Union, and the risk of growing economic inequality as it cut its global economic growth forecast for the fourth time in a year. In the run-up to the annual spring meetings of the IMF and the World Bank in Washington, D.C. this week, the IMF said the global economy was vulnerable to shocks such as sharp currency devaluations and worsening geopolitical conflicts. In its latest World Economic Outlook, the IMF forecast global economic growth of 3.2 percent this year, compared to a forecast of 3.4 percent in January. The growth estimate also was lowered in July and October of last year. *(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