

PP14767/09/2012(030761)

Wednesday, June 15, 2016

## Report of the Day

**Results Review:** Berjaya Auto 4Q16 – “Margin Compression”

## At a Glance

FBM KLCI fell 3.66 points to 1,626.11 on continued concerns the UK may leave the European Union (EU) amid anticipation of the US interest rate decision.....(See full report next page)

## Strategy

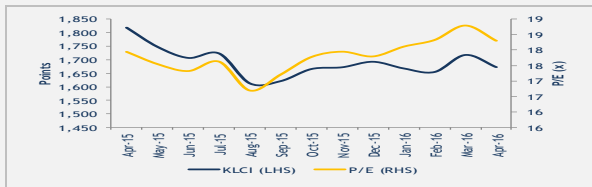
Should the British opt to be out of the European Union, it will certainly be a bad news for the global equity market .....(See full report next page)

## Corporate Highlights

- **RHB Bank, HOLD (TP: RM6.20):** Demands RM118mil payment from MPCorp
- **FGV (CP: RM1.50):** Calls off plan to make plastics from palm oil waste
- **Puncak Niaga (CP: RM1.09):** Unit aborts contract with Genbina

## Economic Update

- **U.S.:** Small business confidence rises modestly amid sales worries
- **Indonesia:** Central bank gains credibility decades after crisis
- **India:** Inflation quickens in May on higher food prices



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
CN	13-Jun	10:00 AM	Industrial Production YoY	6.00%	6.00%
CN	13-Jun	10:00 AM	Industrial Production YTD YoY	5.90%	5.80%
CN	13-Jun	10:00 AM	Retail Sales YoY	10.10%	10.10%
CN	13-Jun	10:00 AM	Retail Sales YTD YoY	10.20%	10.30%
US	14-Jun	8:30 PM	Retail Sales Advance MoM	0.30%	1.30%
US	14-Jun	8:30 PM	Retail Sales Ex Auto MoM	0.40%	0.80%
US	14-Jun	8:30 PM	Retail Sales Ex Auto and Gas	0.30%	0.60%
EU	14-Jun	5:00 PM	Industrial Production SA MoM	0.50%	-0.80%
EU	14-Jun	5:00 PM	Industrial Production WDA YoY	1.10%	0.20%
EU	14-Jun	5:00 PM	Employment QoQ	--	0.30%
EU	14-Jun	5:00 PM	Employment YoY	--	1.20%
JP	14-Jun	12:30 PM	Industrial Production MoM	--	0.30%
JP	14-Jun	12:30 PM	Industrial Production YoY	--	-3.50%
JP	14-Jun	12:30 PM	Capacity Utilization MoM	--	3.20%
US	15-Jun	7:00 PM	MBA Mortgage Applications	--	9.30%
US	15-Jun	8:30 PM	PPI Final Demand MoM	0.30%	0.20%
US	15-Jun	8:30 PM	PPI Ex Food and Energy MoM	0.10%	0.10%
US	15-Jun	8:30 PM	PPI Ex Food, Energy, Trade MoM	0.10%	0.30%
US	15-Jun	8:30 PM	PPI Final Demand YoY	-0.10%	0.00%
US	15-Jun	8:30 PM	PPI Ex Food and Energy YoY	1.00%	0.90%
US	15-Jun	8:30 PM	PPI Ex Food, Energy, Trade YoY	--	0.90%
US	15-Jun	9:15 PM	Capacity Utilization	75.20%	75.40%
EU	15-Jun	5:00 PM	Trade Balance SA	--	22.3b
EU	15-Jun	5:00 PM	Trade Balance NSA	--	28.6b
MY	15-Jun	12:00 PM	CPI YoY	--	2.10%
US	16-Jun	2:00 AM	FOMC Rate Decision (Upper Bound)	0.50%	0.50%
US	16-Jun	2:00 AM	FOMC Rate Decision (Lower Bound)	0.25%	0.25%
US	16-Jun	8:30 PM	Current Account Balance	-\$125.0b	-\$125.3b
US	16-Jun	8:30 PM	Initial Jobless Claims	--	264k
US	16-Jun	8:30 PM	Continuing Claims	--	2095k
US	16-Jun	8:30 PM	CPI MoM	0.30%	0.40%
US	16-Jun	8:30 PM	CPI Ex Food and Energy MoM	0.20%	0.20%
US	16-Jun	8:30 PM	CPI YoY	1.10%	1.10%
US	16-Jun	8:30 PM	CPI Ex Food and Energy YoY	2.20%	2.10%
US	16-Jun	8:30 PM	CPI Index NSA	240.346	239.261
US	16-Jun	8:30 PM	CPI Core Index SA	--	246.574
EU	16-Jun	5:00 PM	CPI MoM	0.30%	0.00%
EU	16-Jun	5:00 PM	CPI YoY	-0.10%	-0.10%
EU	16-Jun	5:00 PM	CPI Core YoY	0.80%	0.80%
JP	16-Jun	-	BOJ Policy Rate	--	-0.10%
US	17-Jun	8:30 PM	Housing Starts	1150k	1172k
US	17-Jun	8:30 PM	Housing Starts MoM	-1.90%	6.60%
US	17-Jun	8:30 PM	Building Permits	1145k	1116k
US	17-Jun	8:30 PM	Building Permits MoM	1.30%	3.60%

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## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,626.11	-3.66	-0.22
FBMEMAS	11,398.14	-17.00	-0.15
FBMEMAS SHA	11,965.94	-5.60	-0.05
FBM100	11,095.81	-15.40	-0.14
Volume (mn)	1,467.38	-16.79	-1.13
Value (RMmn)	1,616.54	406.71	33.62
FBMKLCI YTD Chg			-3.92

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Institution	56.4	215.9
Local Retail	17.1	68.6
Foreign Investors	26.5	-284.5

## Top Gainers

	Close	Change+/-	(+/- %)
MALAYSIA AIRPO	6.57	0.19	1.70
HEINEKEN MALA	14.90	0.16	1.09
PETRONAS GAS	21.56	0.16	0.75

## Top Losers

	Close	Change+/-	(+/- %)
BINTULU PORT	6.62	-0.38	-5.43
UMW HLDG	5.28	-0.26	-4.69
PETRON MALAYS	3.87	-0.24	-5.84

## World Indices

	Close	Change+/-	(+/- %)
DJIA	17,674.82	-57.66	-0.33
NASDAQ	4,843.55	-4.89	-0.10
S&P 500	2,075.32	-3.74	-0.18
FTSE 100	5,923.53	-121.44	-2.01
DAX	9,519.20	-138.24	-1.43
Nikkei 225	15,859.00	-160.18	-1.00
HSI	20,387.53	-125.46	-0.61
KOSPI	1,972.03	-7.03	-0.36
STI	2,768.33	-17.10	-0.61
KLCI Futures	1,612.50	(6.50)	(0.00)
USDMYR 3M	12.18	0.03	0.00
USDMYR 6M	12.00	0.02	0.00
USDMYR 12M	11.90	0.01	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	-0.6	-1.3%
Brent (USD/bbl)	49.8	-0.5	-1.0%
Gold(USD/ounce)	1,286	0.2	0.0%
Coal (USD/mt)	52.4	-0.6	-1.2%
CPO (RM/mt)	2,481	-47.0	-1.9%
Rubber	145	-1.8	-1.2%
RM/USD	4.11	0.0167	-0.41%
EUR/USD	0.89	-0.0004	-0.04%
YEN/USD	105.99	-0.12	0.11%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average declined 57.66 points to 17,674.82 while S&P 500 fell 3.74 points to 2,075.32. Nasdaq lost 4.89 points to 4,843.55. Stocks retreated for a fourth day Tuesday, the longest since February, amid growing uncertainty about the U.K.'s future in the European Union and as investors awaited Wednesday's Federal Reserve announcement.
- As policy makers and investors scrutinize data to weigh U.S. growth, a report today showed retail sales rose more than forecast in May, indicating consumer spending will help boost second-quarter growth. A separate gauge showed inflation pressures are building. The costs of goods imported into the U.S. climbed 1.4 percent in May, the biggest gain in four years.

### The Local Market

- FBMKLCI fell 3.66 points to 1,626.11 on continued concerns the UK may leave the European Union (EU) amid anticipation of the US interest rate decision. There were 278 gainers and 486 decliners in total value traded of RM1.62 billion.
- Among the decliners on Bursa Malaysia were Bintulu Port which dropped 38 cents to RM6.62, UMW Holding declined 26 cents to RM5.28 and Petron Malaysia fell 24 cents to RM3.87.

### Strategy

- **"Nervousness to Prevail"**  
Wall Street ended lower yet again, weighed by the prospective outcome of US interest rate decision and Brexit. S&P 500 and DJIA unloaded 3.74 (-0.18%) and 57.66 (-0.33%) points to end at 2,075.32 and 17,674.82. The US FOMC is due to release its policy decision tomorrow. Although the decision is widely believed to be unchanged but there is a small percentage that it could surprise on the upside, unexpectedly. At this stage, we think it's unlikely more so when Brexit polling is coming. On that score, should the British opt to be out of the European Union, it will certainly be a bad news for the global equity market. Added to the nervousness, oil price has been heading down south after ending at USD47.79 per barrel. In sum, we expect jitteriness to continue for the week.
- 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

**RHB Bank, HOLD (TP: RM6.20): Demands RM118mil payment from MPCorp**

RHB Bank Bhd is demanding RM118.16mil from Malaysia Pacific Corp Bhd (MPCorp) in debt payment, along with interests and costs granted by the High Court on April 11. The property development and investment firm, which is appealing the court's decision, said it received on Tuesday the notice of statutory demand dated June 8 from RHB Bank's lawyers. RHB Bank is demanding RM118.16mil comprising RM43.642,68mil for revolving credit facilities, RM10.62mil for overdraft facilities I and RM63.90mil for overdraft facilities II. In addition, the bank seeks interest to be calculated at the rate of 3.50% per annum + base lending rate on monthly rest from June 9, 2016, until the date of full settlement for the two overdraft facilities as well as interest on the sum of principal RM25.70mil at the rate of 3.00% per annum plus cost of fund from June 9 until the date of full settlement for the revolving credit facilities. (Source: The Star)

**FGV (CP: RM1.50): Calls off plan to make plastics from palm oil waste**

Felda Global Ventures Holdings Bhd (FGV) will not be going ahead with its proposed venture to produce biodegradable plastics from palm oil biomass waste. The plantations company said on Tuesday that Felda Global Ventures Downstream Sdn Bhd, Newlight Technologies LLC and Innogas Technologies Sdn Bhd were unable to reach "acceptable agreement terms". FGV said following the latest hitch, all parties would terminate the proposal. (Source: The Star)

**Puncak Niaga (CP: RM1.09): Unit aborts contract with Genbina**

Puncak Niaga Holdings Bhd's wholly-owned unit, Puncak Niaga Construction Sdn Bhd (PNCBSB), has terminated the D44 project contract with its sub-contractor, Genbina Sdn Bhd, last Friday. PNCBSB has appointed Genbina as its sub-contractor for Package D44 project for the construction of sewer pipe network at Bunus, Kuala Lumpur via a letter of award (LoA) on March 6, 2014. In a filing with Bursa Malaysia yesterday, Puncak Niaga said the contract was terminated due to various breaches of contract under the LoA and slow progress of work at the worksite despite several notices given to Genbina. (Source: The Star)

**Bina Puri (CP: RM0.375): To raise up to RM18.12mil via Megapower IPO**

Bina Puri Holdings Bhd is expected to raise up to RM18.12mil from the proposed listing of its 80%-owned indirect subsidiary, PT Megapower Makmur Tbk, on the Indonesia Stock Exchange. Megapower has proposed to undertake an initial public offering (IPO) involving a public issue of 300 million new shares representing 30.93% of its issued and paid-up capital. The indicative issue price will range between RM0.0453 and RM0.0604 per share. In a filing with Bursa Malaysia, Bina Puri said proceeds from the listing would be utilised for working capital and repayment of loan from its subsidiary, Bina Puri Power Sdn Bhd. (Source: The Star)

**Sarawak Consolidated (CP: RM0.70): Sees 14.55% stake cross off market**

Sarawak Consolidated Industries Bhd saw 11 million shares, representing a 14.55% stake in the company, crossed off market today. The shares were moved in one block for a total value of RM6.98 million or 63.5 sen per share. The

transaction price is 6.5 sen or 9.3% lower, to its open market price of 70 sen a share. It is not known as to who the parties involved in the trades are, as at press time. Sarawak Consolidated Industries through its subsidiaries, invests in and develops properties, as well as manufactures and sells concrete products. The company's substantial shareholders are the group's non-independent non-executive director Lim Nyuk Foh, with a stakeholdings of 16.65 million or 22.63% stake as at March 29, 2016. Lim is also the founder of Priceworth International Bhd. He also helmed group managing director of Priceworth and Bertam Alliance Bhd. *(Source: The Edge)*

#### **Raya International (CP: RM0.22): Biggest shareholder exits**

Water Beaute World Bhd has ceased to be the biggest shareholder of Raya International Bhd, a water filter distributor whose shareholders recently approved its diversification into oil bunkering and oil-related products trading. In a filing with Bursa Malaysia, Raya International said Water Beaute had disposed of 18.27 million shares -- about 12.7% of the company's paid-up capital -- on June 10. Based on the closing price of 23 sen per share on June 10, the shares sold were worth RM4.2mil. Raya International's share price had climbed 38% within the course of a week to hit 36 sen on May 30. Since then, the shares have dropped back to the level seen at the start of the year, closing at 22 sen on Tuesday. *(Source: The Star)*

#### **Air Asia (CP: RM2.67): King Power buys US\$225m stake in Thai AirAsia**

King Power, the Thai duty free conglomerate behind the remarkable rise of English football champions Leicester City, said on Tuesday it had bought a US\$225 million stake in Thai AirAsia, the country's largest budget airline. The purchase allows King Power's billionaire owner Vichai Srivaddhanaprabha to further tap into Thailand's booming tourism industry and expand beyond his duty free and hotel portfolio. Thai AirAsia is 55% owned by Asia Aviation, a Thai company, while the rest is owned by the AirAsia group founded by Malaysian entrepreneur Tan Sri Tony Fernandes. *(Source: The Star)*

### **ECONOMIC UPDATES**

#### **U.S.: Small business confidence rises modestly amid sales worries**

Small business confidence edged up in May amid growing concerns about weak sales growth, which are hurting spending on capital goods and inventory investment. The National Federation of Independent Business (NFIB) said on Tuesday its small business optimism index rose 0.2 point to a reading of 93.8 last month. Although it was the second straight monthly increase in the index, it remained below the 100 reading in December 2014 and its 42-year average of 98. About 700 small business owners participated in the survey. Weak spending on capital goods such as machinery, and a slow pace of inventory accumulation, have been a drag on economic growth. Four components of the NFIB index rose last month, while another four fell and two were unchanged. *(Source: The Edge)*

#### **Indonesia: Central bank gains credibility decades after crisis**

When inflation pressures began surging just as he took the helm of Indonesia's central bank, Agus Martowardojo didn't hesitate to plant his flag on the side of

price stability. The newly installed Bank Indonesia governor proceeded to raise interest rates five times in the second half of 2013 — each time surprising economists accustomed to less-hawkish leadership. A former loan officer who rose to head the nation's largest bank, Martowardojo demonstrated he was ready to sacrifice growth to shore up the rupiah and quell inflation. Three years on, it's becoming clear that Martowardojo has championed a deeper set of changes designed to strengthen the effectiveness and credibility of Bank Indonesia, an institution that had presided over a currency collapse in the 1990s. *(Source: The Star)*

#### **India: Inflation quickens in May on higher food prices**

India's consumer prices rose faster than expected in May due to higher food costs, official figures showed on Monday, which will likely lead the central bank to hold off lowering interest rates. The inflation rate increased to 5.76% from a year earlier, substantially higher than the 4.8% recorded in March and 5.4% in April, the statistics ministry said. The jump was mostly driven by higher food prices, economists said, after two back-to-back droughts. *(Source: The Star)*

#### **Japan: As Central Banks Meet, Japan's Faces the Toughest Dilemma**

As central banks in advanced economies -- including the Bank of England, the Bank of Japan, the Swiss National Bank and the U.S. Federal Reserve -- hold policy their meetings this week, they will all confront tricky questions about the management of national liquidity and cross-border influences. The most fascinating discussion, however, will take place at the Bank of Japan, which has an additional challenge: It has moved closest to the line that separates effective policy measures from ineffective and counterproductive ones, and it may even have already crossed that line. Unconventional central bank policies are overstretched and near exhaustion, having carried the bulk of the burden of promoting economic growth in the last few years. *(Source: Bloomberg)*

#### **Germany: 10-Year Bond Yield Declines Below Zero for First Time**

Germany's 10-year government bond yields tumbled below zero for the first time on record as a weakening global economic outlook fuels demand for perceived havens. The nation joined Japan and Switzerland in having 10-year bond yields of less than zero. The plunge in yields, which has been driven by European Central Bank's policy of negative interest rates and asset purchases, has accelerated after the weakest U.S. payrolls data in almost six years was reported June 3, and as polls indicate Britain's vote on remaining or exiting the European Union is too close to call. *(Source: Bloomberg)*

#### **U.K.: Inflation slightly weaker than expected**

British inflation held steady in May against expectations for a small increase, as continued falls in clothing prices offset pressure from fuel prices, official data showed on Tuesday. Consumer prices rose 0.3 percent compared with a year ago, the Office for National Statistics said, and slightly below economists' expectation for a 0.4 percent annual rise. Overall, the figures underlined the lack of inflationary pressure in Britain's economy, with inflation holding at 0.3 percent throughout 2016 with the exception of March. *(Source: BBC)*



# 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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