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Friday, October 28, 2016

Market Access

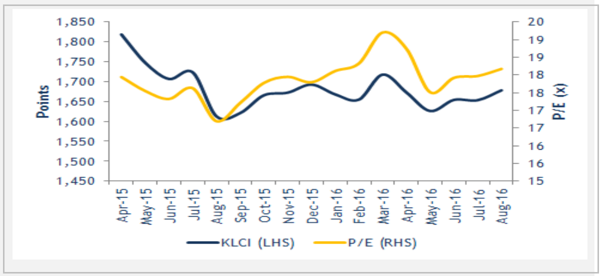
FBMKLCI edged down 4.89 points and closed at 1,669.03 amid slower regional markets after weaker earnings by Apple Inc dragged US markets to close lower overnight……..(See full report next page)

Corporate Highlights

- **TNB (CP: RM14.32):** Q4 net profit leaps on strong ringgit
- **MAHB (CP: RM6.50):** 3Q net profit down 84.4% on lack of one-time gains
- **Texchem (CP: RM1.61):** Sees Q3 net loss on food division drag

Economic Update

- **U.S.:** Consumer Comfort Jumps on Big Upswing in Views of Economy
- **Brazil:** Jobless rate remains at record high in September
- **China:** Slowing industrial profits show rising debt hampering economy



Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,669.03	-4.89	-0.29
FBMEMAS	11,780.66	-23.66	-0.20
FBMEMAS SHA	12,422.94	15.71	0.13
FBM100	11,481.51	-23.77	-0.21
Volume (mn)	1,489.52	-52.57	-3.41
Value (RMmn)	1,613.05	-192.68	-10.67
FBMKLCI YTD Chg			-1.39

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	63	221.7
Retail	13.8	-1.7
Foreign	23.2	-220

Top Gainers

	Close	Change+/-	(+/- %)
HONG LEONG IND	9.55	0.43	4.71
MELATI EHSAN H	1.01	0.30	41.26
BRIT AMER TOBAC	48.20	0.18	0.37

Top Losers

	Close	Change+/-	(+/- %)
FRASER & NEAVE	24.20	-0.28	-1.14
KESM INDUS BHD	9.58	-0.22	-2.24
MALAYAN BANKI	7.79	-0.13	-1.64

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,169.68	-29.65	-0.16
NASDAQ	5,215.98	-34.29	-0.65
S&P 500	2,133.04	-6.39	-0.30
FTSE 100	6,986.57	28.48	0.41
DAX	10,717.08	7.40	0.07
Nikkei 225	17,336.42	-55.42	-0.32
HSI	23,132.35	-193.08	-0.83
KOSPI	2,024.12	10.23	0.51
STI	2,829.83	1.26	0.04
KLCI Futures	1,664.00	(4.50)	(0.00)
USDMYR 3M	9.19	(0.01)	(0.00)
USDMYR 6M	9.52	0.01	0.00
USDMYR 12M	9.98	(0.00)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	50	0.0	-0.1%
Brent (USD/bbl)	50.5	0.5	1.0%
Gold(USD/ounce)	1,270	1.4	0.1%
Coal (USD/mt)	94.1	0.5	0.6%
CPO (RM/mt)	2,786	-10.0	-0.4%
Rubber	173	2.6	1.5%
RM/USD	4.19	0.0265	-0.63%
EUR/USD	0.92	-0.0001	-0.01%
YEN/USD	105.25	-0.04	0.04%

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Market Access

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 29.65 points to 18,169.68 and S&P 500 declined 6.39 points to 2,133.04. Nasdaq fell 34.29 points to 5,215.98. Stocks closed lower Thursday as investors parsed through a fresh batch of corporate earnings results and economic data, while sovereign bonds around the world fell.

- Corporate earnings have done well relative to expectations. According to data from The Earnings Scout, 50 percent of S&P 500 components had posted results as of Thursday morning, with 73 percent beating earnings estimates and 61 percent topping sales expectations.

- FBMKLCI edged down 4.89 points and closed at 1,669.03 amid slower regional markets after weaker earnings by Apple Inc dragged US markets to close lower overnight. There were 339 gainers and 396 decliners in total value traded of RM1.81 billion.

- Among the losers on Bursa Malaysia were F&N tumbled 28 cent to RM24.20, Kesm fell 22 cent to RM9.58, Maybank shed 13 cent to RM7.79 and United U-Li declined 12 cent to RM3.87.

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

TNB (CP: RM14.32): Q4 net profit leaps on strong ringgit

Tenaga Nasional Bhd's (TNB) net profit more than doubled to RM1.76 billion for the fourth quarter ended Aug 31, 2016 against RM820.9 million in the previous corresponding period, buoyed by the strengthening of the ringgit against US dollar and lower average prices of liquefied natural gas. Revenue, however, was down by 4.3% from RM11.74 billion to RM11.24 billion, on the back of higher amount of over-recoverability of Imbalance Cost Pass-Through (ICPT) recognised amounting to RM856 million, which was due to lower LNG prices. The utility giant has proposed a final dividend of 22 sen per share. TNB's full-year net profit rose 20.4% from RM6.12 billion to RM7.37 billion. Revenue came in at RM44.53 billion, 2.9% higher than the RM43.29 billion it made a year ago. *(Source: The Sun)*

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MAHB (CP: RM6.50): 3Q net profit down 84.4% on lack of one-time gains

he lack of a couple of one-time gains caused Malaysia Airports Holdings Bhd (MAHB) to post an 84.4% lower net profit for its third quarter of the 2016 financial year at RM10.68 million, compared with RM68.5 million a year ago, despite a 5.7% gain in revenue. Revenue for the three months ended Sept 30, 2016 (3QFY16) was at RM1.08 billion compared with RM1.02 billion previously, its bourse filing today showed. The airport operator's accounts had reflected an RM81.2 million disposal gain last year after selling off its stake in the Delhi International Airport Pvt Ltd. There was also an unrealised gain from foreign currency translation of a bridger loan that amounted to RM63.4 million, besides associated finance costs of RM59.2 million. *(Source: The Edge)*

Texchem (CP: RM1.61): Sees Q3 net loss on food division drag

Texchem Resources Bhd saw a net loss of RM2.33 million from a RM1.65 million net profit for the third quarter ended Sept 30, 2016 mainly due to losses in the food division due to the reduction of global selling prices of key products. This was on marginally lower revenue of RM258.77 million for the quarter, compared with RM262.48 million for the quarter ended Sept 30, 2015. The company expects the business environment for 2016 to remain challenging due to the prevailing global economic condition. However, the restaurant division is expected to improve its performance as it expects domestic consumer demand to improve in tandem with approaching festive seasons. Similarly, the food division is expected to operate in a more favourable environment moving forward as seafood landing and demand influence the business positively in the following months. *(Source: The Sun)*

Gadang (CP: RM3.29): Sees 1Q17 net profit tumble 20%

Gadang Holdings Bhd saw its net profit tumble some 20% to RM16.62 million or 6.46 sen per share for the first quarter of its financial year ended 31 May 2017 (1Q FY17) from RM20.86 million or 9.61 sen per share. According to its filing to the bourse today, the construction and property player's revenue for the quarter fell to RM104.6 million from RM149.38 million due to lower revenue inflow from its construction division. This was mainly due to the completion of some projects, the company said. “Presently [the construction division’s] outstanding order book stands at some RM603.7 million,” it said. It was reported in July that the company's order book stood at RM615 million. “This division is actively bidding for new contracts involving Government’s infrastructure and building projects. On-going projects are being executed on a fast track basis to optimise on cost saving and design effectiveness.” *(Source: The Edge)*

UMW Oil & Gas (CP: RM0.875): Hess awards UMW Oil & Gas contract for drilling rig services

UMW Oil & Gas Corp Bhd (UMW-OG) has bagged a contract from energy firm Hess Exploration and Production Malaysia BV of the Netherlands to provide drilling rig services for the North Malay Basin in the country. In a filing with Bursa Malaysia today, UMW-OG said its indirect wholly-owned subsidiary UMW Offshore Drilling Sdn Bhd has received a letter of award from Hess for the contract. However, the contract amount was not disclosed. "UMW-OG Group will assign its UMW NAGA 8 (jack-up rig) for this contract (which) is for a duration of 18 months, with the option to extend for a further 12 months," it added. UMW NAGA 8 has a drilling depth capability of 30,000 ft and has a rated operating water depth of 400 ft. The provision of the drilling rig services is expected to contribute positively to the earnings and net assets of UMW-OG Group for the financial year ending Dec 31, 2016 and the financial periods thereafter during the contract period," said UMW-OG. *(Source: The Edge)*

GuocoLand (CP: RM1.20): To take substantial stake in EWI's IPO

Eco World International Bhd (EWI), which is eyeing a listing by March 2017, has announced that Singapore-listed GuocoLand Limited will become a strategic investor in its upcoming initial public offering (IPO) together with Eco World Development Group Bhd. EWI will be issuing up to 2.15 billion new shares or an 89.7% stake in its IPO. GuocoLand and Eco World will subscribe for a 27% stake each in EWI. About 18.7% will be for institutional offering and 17% for retail offering. The remaining 10.3% is to be held by EWI executive vice-chairman Tan Sri Liew Kee Sin. The proposed listing and IPO of EWI is targeting to raise over RM2 billion to fund the development of four projects in London and Sydney. *(Source: The Sun)*

BHS Industries (CP: RM0.455): In discussions with potential investors for Pekan tissue paper factory

BHS Industries Bhd said it is in talks with potential investors to set up a 5,000-tonne capacity tissue paper factory, as part of the first phase of the Pekan Green Technology Park in Kg Paloh Hinai, Pekan, Pahang. In a filing with Bursa Malaysia yesterday, BHS said the plan had yet to take off. "[We are] presently talking to potential investors and once [we] have anything to report, [we] will make an announcement to Bursa Malaysia." The Pahang state government on March 10 this year approved and granted its wholly-owned subsidiary, Ultimate Ivory Sdn Bhd, a piece of land measuring 26 acres (10.52ha) in Kg Paloh Hinai, Pekan, Pahang, for development of the first phase of the Pekan Green Technology Park. *(Source: The Edge)*

TH Heavy (CP: RM0.14): Signs JV with Destini to execute MMEA contract

TH Heavy Engineering Berhad (THHE) signed a joint venture agreement with Destini Berhad yesterday, to execute a shipbuilding project to construct and supply three units of Offshore Patrol Vessels (OPV) awarded by the Malaysian Maritime Enforcement Agency (MMEA). THHE told Bursa Malaysia in a filing yesterday that it will seek written approval of the Ministry of Finance and/or any other relevant agencies for the award of the contract detailed in a Letter of Intent received by THHE on July 27, to a consortium formed between THHE Fabricators Sdn Bhd and Destini Shipbuilding and Engineering Sdn Bhd. The value of the contract was not disclosed. *(Source: The Sun)*

Perisai Petroleum (CP: RM0.055): Served with winding up petition

Perisai Petroleum Teknologi Bhd has been served with a winding up petition on its failure to make payment for its bonds. The claimant Ravi Murarka is a holder of S$15 million out of the S$125 million 6.875% fixed rate bonds, which Perisai had defaulted on. The due date of the bonds was on October 3. Perisai said the presentation of the petition itself will not have any significant financial or operational impact on the group and it has sought preliminary legal advice and

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intends to challenge and oppose the petition. In a separate announcement, Perisai said its 51%-owned subsidiary SJR Marine (L) Ltd yesterday received a notice dated 27 October 2016 from the solicitors for OCBC Al-Amin Bank Bhd on the default of a financing facility granted to SJR. *(Source: The Sun)*

Auditors (CP: RM0.055): Express disclaimer opinion on Kinsteel's FY16 results

Kinsteel Bhd's external auditors have expressed a disclaimer opinion over the group's audited financial statements for the financial year ended June 30, 2016 (FY16). Messrs Crowe Horwath said this is due to their inability to obtain sufficient audit evidence to ascertain the appropriateness of the preparation of the group's consolidated financial statements. The auditors' report, filed to Bursa Malaysia by Kingsteel, noted the group incurred a net loss of RM91.7 million for FY16. The group's current liabilities meanwhile, exceeded its current assets by RM701.7 million. The report also noted that certain trade receivables and amount owed by related parties, amounting to RM10.2 million (RM10.2 million in 2015), have been long overdue. *(Source: The Edge)*

AirAsia (CP: RM2.78): Air Asia CEO says good interest in leasing unit sale

Asia's biggest budget airline AirAsia Bhd is seeing good interest in the sale of its leasing arm, Asia Aviation Capital (AAC), AirAsia Group's chief executive said on Thursday. "The information memo went out, and quite a few NDAs (non-disclosure agreements) came back, so there seems to be good interest," Tony Fernandes said on the sidelines of a CAPA aviation summit in Amsterdam. AirAsia said in August it was considering options for its leasing arm, which it values at around US$1 billion, including a potential sale. Fernandes also said he wanted AirAsiaX, the long-haul affliate of the AirAsia Group, to expand into new long-haul destinations in Europe, the United States and Africa. *(Source: The Edge)*

ECONOMIC UPDATES

U.S.: Consumer Comfort Jumps on Big Upswing in Views of Economy

Consumer sentiment climbed last week by the most since January 2015 on one of the biggest gains ever recorded for Americans' attitudes about the economy, according to figures from the Bloomberg Consumer Comfort Index released Thursday. The broad-based brightening of consumers' attitudes is reassuring after index readings languished over the past two months, and may indicate household spending will remain steady heading into the holiday-shopping season. *(Source: Bloomberg)*

Brazil: Jobless rate remains at record high in September

Oct 27 Brazil's jobless rate remained at a record high in the three months through September, government data showed on Thursday, with 12 million workers unemployed after two years of a severe recession. The national unemployment rate of 11.8 percent was unchanged from the three months through August, statistics agency IBGE said. The median forecast in a Reuters poll projected an unemployment rate of 11.9 percent. Brazil's unemployment rate has nearly doubled from a record low in 2013 amid the country's worst downturn in at least eight decades, high interest rates and a political crisis. *(Source: Reuters)*

China: Slowing industrial profits show rising debt hampering economy
Profit growth in China's industrial firms slowed sharply as some key manufacturing sectors stumbled on weak activity and rising debt, suggesting the world's second-biggest economy remains underpowered despite emerging signs of stability. The September data from National Bureau of Statistics (NBS) underlined the daunting task facing policy makers as the nation's vast manufacturing industry grapples with slack demand, overcapacity and ballooning debt. Industrial sector profits last month rose 7.7 percent to 577.1 billion yuan, slowing markedly after surging 19.5 percent in August, NBS figures released on its website showed on Thursday. *(Source: Reuters)*

Italy: Job Market Beats the U.S.
Italy's economic performance is typically viewed as among the weakest in the developed world. Yet by some measures, its workers are actually better off than those in America -- a reality that raises important questions about the functioning of the U.S. job market. Compared with other developed countries, the U.S. is doing a middling job of providing people in their prime working years with employment. Consider the share of people aged 25 to 54 who have a job in the U.S., Canada, Germany and Italy. *(Source: Bloomberg)*

Spain: Unemployment Rate Falls to More Than Six-Year Low
Spanish unemployment fell to the lowest in more than six years, led by a surge in services jobs as Acting Prime Minister Mariano Rajoy moves closer to forming a government after a 10-month political deadlock. The jobless rate dropped to 18.9 percent in the three months through September, the National Statistics Institute said in Madrid Thursday. That's down from 20 percent in the second quarter and compares with a Bloomberg survey of economists predicting a decline to 19.3 percent for the quarter. The number of Spaniards out of work fell to 4.3 million total for the quarter compared to a crisis record of 6 million in 2013. *(Source: Bloomberg)*

Singapore: Sept industrial production implies better 3Q GDP
Singapore's industrial production (IP), which grew by 6.7% y-o-y in Sept, suggests an upward revision to the final 3Q16 GDP from the earlier advance estimate of 0.6% on year, says Maybank Kim Eng. The boost in Sept's IP figures is largely due to surges in the semiconductor and biomedical sectors. Electronics posted its fourth consecutive month of double-digit growth, rising 15.9% in Sept from 11.5% in Aug. This was propelled by the surge in semiconductor production (+34.8%) amid declines in data storage (–27.1%), computer peripherals (–17.4%), info-communications products & consumer electronics (–7.6%) and other electronic modules or components, which was down 3.6%. *(Source: The Edge)*

UK: Economy defies fears of quick Brexit hit, grows solidly in 3Q
Britain's economy barely slowed in the third quarter despite the Brexit vote shock, further diminishing the chance of a fresh interest rate cut by the Bank of

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England next week. Gross domestic product expanded by 0.5% in the July-September period, less rapid than the unusually strong growth of 0.7% seen in the second quarter but comfortably above a median forecast of 0.3% in a Reuters poll of economists. Compared with the third quarter of last year, growth picked up to 2.3%, the strongest pace in more than a year, according to the preliminary figures from the Office for National Statistics. *(Source: The Edge)*

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M&A Securities

STOCK RECOMMENDATIONS

BUY	Share price is expected to be ≥+10% over the next 12 months.
TRADING BUY	Share price is expected to be ≥+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 ≥-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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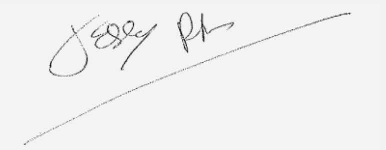

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