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Report of The Day

Sector Update: Banking November Statistic - "Pointing towards softer 2016"

At a Glance

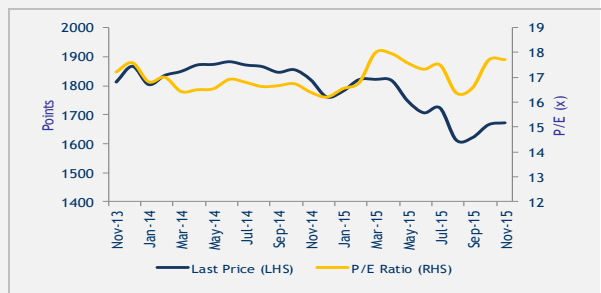
FBM KLCI fell 39.14 points and closed at 1,653.37 in tandem with negative regional market sentiment.....(See full report next page)

Corporate Highlights

- **IOI Properties (CP: RM2.20):** Phase 2 of IOI City Mall to receive RM500 mil investment
- **Econpile (CP: RM1.04):** Gets RM20mil job
- **SCB (CP: RM1.68):** Eyes Sumatra projects

Economic Update

- **Malaysia:** Manufacturing conditions worsened
- **China:** Cuts yuan to weaker than 6.5 against dollar
- **China:** Manufacturing worsens in December



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
EU	4-Jan 5:00 PM	Markit Eurozone Manufacturing PMI	53.1	53.1	
CN	4-Jan 9:45 AM	Caixin China PMI Mfg	49.0	48.6	
JP	4-Jan 9:35 AM	Nikkei Japan PMI Mfg	-	52.5	
US	4-Jan 10:45 PM	Markit US Manufacturing PMI	-	51.3	
US	4-Jan 11:00 PM	Construction Spending MoM	0.6%	1.0%	
US	4-Jan 11:00 PM	ISM Manufacturing	49.0	48.6	
US	4-Jan 11:00 PM	ISM Prices Paid	36.0	35.5	
EU	5-Jan 6:00 PM	CPI Estimate YoY	0.4%	0.2%	
EU	5-Jan 6:00 PM	CPI Core YoY	1.0%	0.9%	
JP	5-Jan 7:50 AM	Monetary Base YoY	-	32.5%	
JP	5-Jan 9:35 AM	Nikkei Japan PMI Services	-	51.6	
EU	6-Jan 5:00 PM	Markit Eurozone Services PMI	53.9	53.9	
EU	6-Jan 5:00 PM	Markit Eurozone Composite PMI	54.0	54.0	
EU	6-Jan 6:00 PM	PPI MoM	-0.2%	-0.3%	
EU	6-Jan 6:00 PM	PPI YoY	-3.2%	-3.1%	
CN	6-Jan 9:45 AM	Caixin China PMI Services	-	51.2	
CN	6-Jan 9:45 AM	Caixin China PMI Composite	-	50.5	
JP	6-Jan 9:35 AM	Nikkei Japan PMI Composite	-	52.3	
US	6-Jan 8:00 PM	MBA Mortgage Applications	-	7.3%	
US	6-Jan 9:15 PM	ADP Employment Change	198K	217K	
US	6-Jan 9:30 PM	Trade Balance MYR	(\$44.10B)	(\$43.89B)	
US	6-Jan 10:45 PM	Markit US Services PMI	55.8	53.7	
US	6-Jan 10:45 PM	Markit US Composite PMI	-	53.5	
US	6-Jan 11:00 PM	ISM Non-Manf. Composite	56.0	55.9	
US	6-Jan 11:00 PM	Factory Orders	-0.3%	1.5%	
US	6-Jan 11:00 PM	Durable Goods Orders	-	0.0%	
EU	7-Jan 5:10 PM	Markit Eurozone Retail PMI	-	48.5	
EU	7-Jan 6:00 PM	Economic Confidence	106.0	106.1	
EU	7-Jan 6:00 PM	Consumer Confidence	-5.7	-5.7	
EU	7-Jan 6:00 PM	Unemployment Rate	10.7%	10.7%	
EU	7-Jan 6:00 PM	Retail Sales MoM	0.2%	-0.1%	
EU	7-Jan 6:00 PM	Retail Sales YoY	2.0	2.5	
CN	7-Jan -	Foreign Reserves	-	\$3438.3B	
MY	7-Jan 12:00 PM	Trade Balance MYR	-	12.16B	
MY	7-Jan 12:00 PM	Exports YoY	-	16.7%	
MY	7-Jan 12:00 PM	Imports YoY	-	-0.4	
MY	7-Jan 6:00 PM	Foreign Reserves	-	\$94.9B	
US	7-Jan 9:30 PM	Initial Jobless Claims	-	-	
US	7-Jan 9:30 PM	Continuing Claims	-	-	
JP	8-Jan 1:00 PM	Leading Index CI	103.9	104.2	
JP	8-Jan 1:00 PM	Coincident Index	11.6	113.3	
US	8-Jan 9:30 PM	Unemployment Rate	5.0%	5.0%	
US	8-Jan 9:30 PM	Change in Nonfarm Payrolls	200K	211K	
US	8-Jan 9:30 PM	Change in Manufacturing Payrolls	OK	(1K)	
US	8-Jan 11:00 PM	Wholesale Inventories MoM	-0.1%	-1.0%	

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,653.37	-39.14	-2.31
FBMEMAS	11,561.27	-232.38	-1.97
FBMEMAS SHA	12,547.94	-252.71	-1.97
FBM100	11,236.44	-234.13	-2.04
Volume (mn)	1,916.51	568.57	42.18
Value (RMmn)	1,734.33	402.11	30.18
FBMKLCI YTD Chg			-2.31

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	23.4	32.9
Local Institution	58.8	97.1
Foreign Investors	17.8	-130.0

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANT	26.00	0.64	2.52
PETRON MALAYSI	5.48	0.48	9.60
TANAH MAKAMUR	1.57	0.17	12.14

Top Losers

	Close	Change+/-	(+/- %)
BAT	54.24	-1.84	-3.28
PETDAG	23.64	-1.22	-4.91
PETGAS	21.64	-1.06	-4.67

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,148.94	-276.09	-1.58
NASDAQ	4,903.09	-104.32	-2.08
S&P 500	2,012.66	-31.28	-1.53
FTSE 100	6,093.43	-148.89	-2.39
DAX	10,283.44	-459.57	-4.28
Nikkei 225	18,450.98	-582.73	-3.06
HSI	21,327.12	-587.28	-2.68
KOSPI	1,918.76	-42.55	-2.17
STI	2,835.97	-46.76	-1.62
KLCI Futures	1599.0	9.5	0.0
USDMYR 3M	13.1	-0.04	0.0
USDMYR 6M	13.1	0.0	0.0
USDMYR 12M	13.10	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	37	0.1	0.2%
Brent (USD/bbl)	37.2	-0.1	-0.2%
Gold(USD/ounce)	1,074	-0.9	-0.1%
Coal (USD/mt)	49.9	-0.7	-1.4%
CPO (RM/mt)	2,436	-49.0	-2.0%
Rubber	116	-5.4	-4.5%
RM/USD	4.30	-0.0255	0.59%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.69	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped 276.09 points to 17,148.94 points, S&P 500 declined 31.28 points to 2,012.66. Nasdaq fell by 104.32 points to 4,903.09. The Dow Jones industrial average was set for its worst start to a year since 1932 as stock markets tanked after weak Chinese economic data reignited fears of a global slowdown.
- Surveys showed factory activity in the world's second-largest economy shrank sharply in December, sparking a 7% slide in Chinese shares that triggered a trading halt. Adding to investors' worries, China's central bank fixed the yuan at a 4½-year low, further weakening it against the dollar.

The Local Market

- FBMKLCI fell 39.14 points and closed at 1,653.37 in tandem with negative regional market sentiment. There were 278 gainers and 708 decliners in total value traded of RM1.73 billion.
- Among the losers on Bursa Malaysia were BAT slipped RM1.84 to RM54.24, PetDag declined RM1.22 to RM23.64, PetGas dropped RM1.06 to RM21.64 and Inari Amertron down 9 cent to RM3.75.

Strategy

- Our 2015 year-end target is 1,660 based on PER of 15.6x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction and telco respectively. We predict Malaysia to grow by 5.0% in 2015.

CORPORATE HIGHLIGHTS

IOI Properties (CP: RM2.20): Phase 2 of IOI City Mall to receive RM500 mil investment

IOI Properties Group Bhd is targeting to begin construction of Phase 2 of IOI City Mall here before this year end, with an investment of RM500 million. IOI Properties' chief executive officer Lee Yeow Seng said that the design and planning of Phase 2 of the shopping mall is currently on-going. "Construction is expected to take about 2 to 3 years," he said, after the company's extraordinary general meeting (EGM) yesterday. IOI Properties' EGM sought the approval of minority shareholders on the injection of Shin Cheng's private land into the property arm of IOI Group. (Source: *The Edge*)

Econpile (CP: RM1.04): Gets RM20mil job

Econpile Holdings Bhd's wholly-owned unit Econpile (M) Sdn Bhd (EMSB) has received a letter of acceptance from Ahmad Zaki Sdn Bhd to undertake piling and sub-structure works worth RM20.3mil. In a filing with Bursa Malaysia, Econpile said the contract comprised bored sheet piling, earthworks and sub-

structure works for a mixed commercial and residential development in Kampung Bharu, Kuala Lumpur. It said the duration of the contract was about eight months and was expected to be completed in July. (Source: *The Star*)

SCB (CP: RM1.68): Eyes Sumatra projects

Sarawak Cable Bhd (SCB) plans to invest in two more joint-venture hydro power plant projects in north Sumatra, Indonesia, where its first such project is near completion. Group managing director and chief executive officer Aaron Toh Chee Ching said SCB would team up with local Indonesian partners to undertake the proposed projects, which would each have a generation capacity of 10MW. The projects have been approved by the local authorities. The hydro dams, which would both be built along the Ordi River, are estimated to cost between RM65mil and RM70mil each. (Source: *The Star*)

Ikhmas Jaya (CP: Rm0.67): Gets RM166mil contract

Ikhmas Jaya Group Bhd has accepted a letter of award to undertake the construction of a RM166.4mil "suite" serviced apartments for Bina Puri Holdings's property subsidiary Star Effort Sdn Bhd. The bore piling and bridge specialist said it had accepted the terms and conditions of the letter through its wholly-owned subsidiary, Ikhmas Jaya Sdn Bhd yesterday. In a filing with Bursa Malaysia, the group said the contract was for a period of 29 months and was expected to commence on January 2, 2016 and to be completed by June 1, 2018. (Source: *The Star*)

TDM (CP: RM0.68): Appoints Kamarul Bahrein as group CEO

Mid-sized plantation player TDM Bhd has appointed Kamarul Bahrein Kamarulzaman as its new group chief executive officer (CEO) effective Jan 1. He succeeds Badrul Hisham Mahari, who tendered his resignation due to health reasons last year, which was effective last Friday (Jan 1). Badrul, 56, had been the company's CEO since 2008. TDM said Kamarul Bahrein was the Senior Vice President/Head of Business Banking II at Bank Pembangunan Malaysia Bhd since Nov 2012, where his primary responsibility was to plan and lead the strategic development of the bank's lending activities in the mandated sectors of Infrastructure, Maritime, Oil and Gas and Technology. (Source: *The Edge*)

ConnectCounty (CP: RM0.17): To Invest RM20 Million To Boost Capacity In China

ConnectCounty Holdings Bhd (ConnectCounty) plans to invest close to RM20 million to expand its manufacturing capacity in China. The facility manufactures interconnect products such as custom cable assemblies, wire harnesses, USB cables, audio and video cables, computer peripheral cables, custom cables and flat cable assemblies. In a statement yesterday, Connect said it also plans to expand its workforce in China by close to 40 per cent by the end of 2016. Connect pointed out that global sales of interconnects reached about US\$190 billion in 2014, an increase of 8.3 per cent over the previous year. (Source: *Bernama*)

AirAsia X (CP: RM0.18): To charter IAA aircraft for 24 KL-Jakarta flights

AirAsia X Bhd (AAX) is chartering aircraft from PT Indonesia AirAsia (IAA) for 24 flights between Jakarta and Kuala Lumpur. In a filing with Bursa Malaysia

yesterday, AAX said it has entered into a charter agreement with IAA for the provision of 24 return flights between Jakarta and Kuala Lumpur, which sums up to 8,640 seats as a dedicated Fly-Thru connectivity with the company's current Kuala Lumpur-Jeddah operations. The charter between AAX and IAA started yesterday and will expire on Feb 29, 2016 or at the end of the extension period as may be agreed by both parties. (Source: *The Sun*)

XOX (CP: RM0.20): Fixes rights issue price at 20 sen per share

XOX Bhd has fixed the issue price of its renounceable rights issue of up to 356 million new shares at 20 sen per rights share, which could raise up to RM71.2 million. In a filing with Bursa Malaysia, XOX said it has also fixed the exercise price of the free warrants that will come with the rights shares on the basis of one free warrant for every one rights share subscribed at 20 sen each. To recap, XOX had announced on Oct 9, 2014 that it would undertake the renounceable rights issue of up to 356 million new shares with free detachable warrants, on a basis of one rights share for every one existing XOX share. (Source: *The Edge*)

ECONOMIC UPDATES

Malaysia: Manufacturing conditions worsened

Manufacturing operating conditions worsened at a "solid rate" in Malaysia in December, with the headline Nikkei Malaysia Manufacturing Purchasing Managers' Index (PMI) at 48.0, albeit one that was less pronounced than in November. At 48.0, up from 47.0 in November (the lowest reading since the survey began in July 2012), the headline PMI signalled a slower, albeit still solid, deterioration in operating conditions at Malaysian manufacturers. The PMI averaged 47.7 in the final quarter of 2015, equalling that seen in the third quarter and the joint-weakest in the history of the survey. The Nikkei Malaysia Manufacturing PMI is a composite single-figure indicator of manufacturing performance. It is derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of sector operating conditions. (Source: *The Sun*)

China: Cuts yuan to weaker than 6.5 against dollar

China cut the yuan's value against the greenback on Monday, making it weaker than 6.5 for the first time in more than four-and-a-half years, with pressure mounting on the world's number two economy from a growth slowdown. The People's Bank of China (PBoC) says it is seeking to make the unit more market-oriented, and has succeeded in a long campaign to have the International Monetary Fund include the yuan in its Special Drawing Rights basket. Nonetheless Beijing rigidly controls the unit, including only allowing it to move up or down 2% against the US dollar from the mid-rate set daily by the central bank. (Source: *Reuters*)

China: Manufacturing worsens in December

China's factory activity shrank further in December, a private survey showed on Monday, the 10th consecutive month of contraction with the world's second-largest economy set to post its weakest growth in a quarter of a century. The Caixin Purchasing Managers' Index (PMI), tracking activity in the factory and

workshop sector, came in at 48.2 in December, down from 48.6 the previous month, the Chinese media group said. The sector is key to the health of the economy which is a major driver of global expansion. A PMI figure above 50 signals expanding activity while anything below indicates shrinkage. (Source: Reuters)

Singapore: Q4 GDP beats forecasts but belies Asian weakness

Singapore's economy posted surprisingly strong growth in the fourth quarter, driven mostly by domestically-focused sectors, which offset weakness in the city-state's export-oriented industries as Asian economic demand continued to slump. Gross domestic product expanded by 5.7% in the fourth quarter on an annualised and seasonally adjusted basis, advance estimates from the trade and industry ministry showed on Monday. That was up from a downwardly revised 1.7% growth in the third quarter, and well above the median forecast of 1.7% growth in a Reuters survey. (Source: Reuters)

German: Inflation Misses Estimate, Highlighting Challenge for ECB

German inflation unexpectedly slowed, in a sign that price growth in the 19-nation euro area may also be weaker than anticipated. Consumer prices in Europe's largest economy rose an annual 0.2 percent in December after increasing 0.3 percent in November, the Federal Statistics Office in Wiesbaden said on Monday. Economists predicted a pickup to 0.4 percent, according to the median of 20 estimates in a Bloomberg survey. (Source: Bloomberg)

U.S.: Factory, construction data point to tepid growth

U.S. manufacturing contracted further in December as lower oil prices undercut spending in the energy sector while construction spending fell in November for the first time in nearly 1-1/2 years, suggesting the economy ended 2015 with less momentum. The downbeat reports on Monday cast a dark cloud over the near-term growth outlook and prompted economists to sharply lower their growth estimates for the fourth quarter. (Source: Reuters)

Indonesia: Lowest inflation in 6 years widens room for rate cut

Indonesia's annual inflation rate cooled to the lowest in six years in December, which might pave the way for the central bank to cut a benchmark rate held at 7.5% since February 2015. High inflation has been one of the issues keeping Bank Indonesia (BI) from cutting its policy rates. Annual inflation topped 8% in December 2014, after a fuel price hike, and stayed above 6% for most of 2015. The rate cooled to 3.35% in December, Indonesia's statistics bureau said on Monday, from 4.89% in November. But it was higher than analysts' forecast of 3% in a Reuters poll. The December inflation rate will increase the chance that BI will reduce its benchmark rate to lift growth, which has fallen to its lowest level since 2009. (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.

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