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Tuesday, January 26, 2016

At a Glance

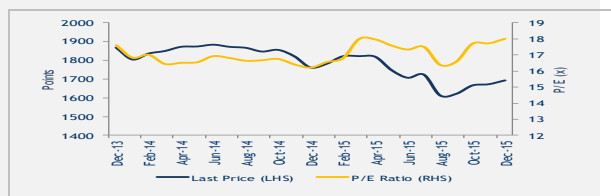
FBMKLCI gained 24.29 points to close at 1,625.21 due to positive regional market sentiment.....(See full report next page)

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- **Lay Hong (CP: RM8.18):** Confirms NH Foods accumulated 8 million shares
- **Metronic (CP: RM0.07):** Sells 17.65 Per Cent Stake In Unilink For RM2.4 Million

Economic Update

- **Malaysia:** Economy To Stabilise In 2nd Half
- **Malaysian:** Malaysian banks in Indonesia to gain from BI rate cut
- **Europe:** ECB Has 'Plenty of Instruments' to Revive Inflation



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	25-Jan	7:50 AM	Trade Balance	-	(x379.7B)
JP	25-Jan	7:50 AM	Trade Balance Adjusted	-	(x3.3B)
US	26-Jan	10:00 PM	S&P/CaseShiller 20-City Index NSA	-	182.8
US	26-Jan	10:00 PM	S&P/CS Composite-20 YoY	-	5.5%
US	26-Jan	10:45 PM	Markit US Services PMI	-	54.3
US	26-Jan	10:45 PM	Markit US Composite PMI	-	54.0
US	26-Jan	11:00 PM	Consumer Confidence Index	96.8	96.5
US	27-Jan	8:00 PM	MBA Mortgage Applications	-	-
US	27-Jan	11:00 PM	New Home Sales	505K	490K
EU	28-Jan	6:00 PM	Consumer Confidence	-	-
JP	28-Jan	7:50 AM	Retail Trade YoY	-	-1.0%
JP	28-Jan	7:50 AM	Retail Sales MoM	-	-2.5%
US	28-Jan	3:00 AM	FOMC Rate Decision (Lower Bound)	0.5%	0.5%
US	28-Jan	9:30 PM	Initial Jobless Claims	-	-
US	28-Jan	9:30 PM	Continuing Claims	-	-
US	28-Jan	9:30 PM	Durable Goods Orders	-1.1%	0.0%
US	28-Jan	9:30 PM	Durable Ex Transportation	0.1%	0.0%
US	28-Jan	11:00 PM	Pending Home Sales MoM	1.0%	-0.9%
EU	29-Jan	5:00 PM	M3 Money Supply YoY	-	5.1%
EU	29-Jan	6:00 PM	CPI Core YoY	-	-
NY	29-Jan	-	Money Supply M3 YoY	-	3.7%
JP	29-Jan	7:30 AM	Jobless Rate	-	3.3%
JP	29-Jan	7:50 AM	Industrial Production MoM	-	-0.9%
JP	29-Jan	7:50 AM	Industrial Production YoY	-	1.7%
JP	29-Jan	1:00 PM	Housing Starts YoY	-	1.7%
JP	29-Jan	1:00 PM	Annualized Housing Starts	-	0.886M
US	29-Jan	9:30 PM	GDP Annualized QoQ	0.5%	2.0%
US	29-Jan	9:30 PM	Personal Consumption	-	3.0%
US	29-Jan	11:00 PM	U. of Mich. Sentiment	-	93.3
CN	28-31 Jan	-	Leading Index	-	98.1

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,625.21	24.29	1.52
FBMEMAS	11,331.52	154.64	1.38
FBMEMAS SHA	12,231.37	125.77	1.04
FBM100	11,030.15	148.74	1.37
Volume (mn)	1,932.60	-585.12	-23.24
Value (RMmn)	1,795.91	-323.43	-15.26
FBMKLCI YTD Chg			-3.98

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	18.9	-18.2
Local Institution	59.2	-98.7
Foreign Investors	21.9	116.9

Top Gainers

	Close	Change+/-	(+/- %)
BAT	55.50	1.00	1.84
HONG LEONG FIN	13.22	0.50	3.93
PPB GROUP	16.10	0.48	3.07

Top Losers

	Close	Change+/-	(+/- %)
FRASER & NEAVE	18.20	0.20	1.08
NEGRI SEMBILAN	4.05	-0.15	-3.57
NESTLE (MALAY)	73.32	-0.10	-0.14

World Indices

	Close	Change+/-	(+/- %)
DJIA	15,885.22	-208.29	-1.29
NASDAQ	4,518.49	-72.69	-1.58
S&P 500	1,877.08	-29.82	-1.56
FTSE 100	5,877.00	-23.01	-0.39
DAX	9,736.15	-28.73	-0.29
Nikkei 225	16,958.53	941.27	5.88
HSI	19,080.51	538.36	2.90
KOSPI	1,879.43	38.90	2.11
STI	2,580.95	48.25	1.91
KLCI Futures	1,614.00	29.00	0.02
USDMYR 3M	12.27	0.12	0.01
USDMYR 6M	12.41	0.05	0.00
USDMYR 12M	12.63	0.05	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	30	-0.4	-1.5%
Brent (USD/bbl)	30.5	-1.7	-5.2%
Gold(USD/ounce)	1,108	0.3	0.0%
Coal (USD/mt)	49.0	0.0	-0.1%
CPO (RM/mt)	2,460	38.0	1.6%
Rubber	128	0.5	0.4%
RM/USD	4.27	-0.0233	0.55%
EUR/USD	0.92	0	0.00%
YEN/USD	118.27	-0.03	0.03%

What To Expect

U.S. Market

- The Dow Jones Industrials Average fell 208.29 points to 15,885.22 points, S&P 500 declined 29.82 points to 1,877.08 points. Nasdaq down 72.69 points to 4,518.49. Wall Street sold off on Monday, pulled lower by further weakness in oil prices as energy shares led declines, with major indexes retreating after last week's strong gains.
- Investors will look for insight about the economy's direction later this week as many heavyweight companies report results. Federal Reserve policymakers meet on Tuesday and Wednesday for the first time since raising interest rates in December.

The Local Market

- FBMKLCI gained 24.29 points to close at 1,625.21 due to positive regional market sentiment. There were 712 gainers and 217 decliners in total value traded of RM1.79 billion.
- Among the gainers on Bursa Malaysia were BAT rose RM1.00 to RM55.50, Hong Leong Financial up 50 sent to RM13.22, PPB Group increased 48 cent to RM16.10 and PetDag added 44 cent to RM24.24.

Strategy

- **"Expect Market to Remain Nervous"**
Wall Street took a beating on Monday, hammered by the murky outlook of oil price which hurt energy stock prices. S&P 500 and DJIA lost 29.82 (-1.56%) and 208.29 (-1.29%) points to end at 1,877.08 and 15,885.22 respectively. The outlook on oil prices will be more uncertain with the US FOMC policy meeting this week, scheduled on the 28th of January, this Thursday. The first policy meeting of the year may as well set the tone on the first policy rate adjustment which may come in small dose of 25 basis points. Although the probability is 50:50 due to weak US inflation due to lethargic oil price but we think that oil price may have reached its bottom and due for a rebound. Hence, the global equity market gyration expectation for this week.
- Our 1H16 FBMKLCI target is 1,720 based on PER of 16.5x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.5% in 2016.

CORPORATE HIGHLIGHTS

Lay Hong (CP: RM8.18): Shares sold at RM5 apiece off market

A big block of shares in poultry farmer Lay Hong Bhd was transacted at a steep discount to its market price, sparking speculation that either a new strategic shareholder, or newly minted substantial shareholder NH Foods Ltd has increased its stake in the company. The off-market deal involving eight million shares translates to a 13.8% stake in Lay Hong and is valued at RM40mil at the crossing price of RM5. This is 37.5% cheaper to Lay Hong's closing price of RM8 yesterday. At that price, the stake is purchased at a price earnings ratio of 12 times. (Source: The Star)

Lay Hong (CP: RM8.18): Confirms NH Foods accumulated 8 million shares

The poultry player Lay Hong confirmed that its major shareholder NH Foods Ltd (NHF) had acquired the 8 million shares of Lay Hong valued at RM40 million or RM5 per share yesterday. Lay Hong replied to the bourse's query today that its Japan-listed partner NHF had on Jan 21 conducted a direct business transaction for the acquisition of 8 million Lay Hong shares at a crossing price of RM5. "NHF will provide the necessary notice to the company in compliance with its obligations under the main market listing requirements of Bursa Securities," it said. (Source: The Edge)

Metronic (CP: RM0.07): Sells 17.65 Per Cent Stake In Unilink For RM2.4 Million

Metronic Global Bhd has disposed of 250 shares, or 17.65 per cent of issued capital of Unilink Development Ltd to Toch Pte Ltd for US\$551,724 or RM2.4 million cash. In a filing to Bursa Malaysia Thursday, Metronic said the disposal was part of the company's rationalisation exercise to focus more on local operation. Unilink is a limited company incorporated in Hong Kong with the principal activity of investment holding. Metronic said the disposal value was on willing-buyer-willing seller basis after taking into consideration the net asset value of Unilink. (Source: Bernama)

CAB (CP: RM1.69): Salim Group chairman buys 6.7% stake in CAB Cakaran

An entity linked to Indonesia's Salim Group has emerged as a substantial shareholder of integrated poultry company CAB Cakaran Bhd after it bought 10.06 million shares or a 6.69% stake in the company via an off market transaction on Jan 20. A filing with Bursa showed that KMP Private Ltd via Plant Wealth Holdings Ltd was the buyer of that block of shares. The off market transaction is believed to have been transacted at RM1.68. Cab Cakaran closed on Friday at RM1.69. A press release issued on behalf of CAB Cakaran stated that Plant Wealth is a company controlled by KMP Private Ltd, which in turn is owned by Indonesian tycoon Anthoni Salim, who is chairman of the Salim Group. (Source: The Star)

Mercury (CP: RM1.48): Wins RM106.6 mil PR1MA Homes contract

Mercury Industries secured a RM106.6 million contract involving the construction of serviced apartments under PR1MA Homes. Mercury said the contract entailed the construction of four apartment towers involving 648 apartments at Pekan Tanjung Kling Sek 11, Daerah Melaka Tengah, Melaka. "The said project is expected to contribute positively to the net assets and earnings of

Mercury group for the financial year ending Dec 31, 2016," Mercury said. Mercury said its 70%-owned subsidiary Paramount Bounty Sdn Bhd accepted the project from Upaya Jernih Sdn Bhd "for the construction and completion of the main building and external works". (Source: *The Edge*)

MRCB-Quill REIT (CP: RM1.08): 4Q realised net income up 92.5%, declares DPU of 4.37 sen

MRCB-Quill REIT's (MQReit) realised net income for the fourth quarter ended Dec 31, 2015 (4QFY15) grew 92.5% to RM16.4 million, from RM8.5 million a year ago, due to higher income contribution from Platinum Sentral here, higher net property income, and higher interest income. Net property income for 4QFY15 surged 99.7% to RM26.79 million from RM13.41 million in the previous year. Revenue for the quarter also came in higher at RM32.58 million, a 79.2% jump from RM18.18 million in 4QFY14. It also declared a final distribution per unit (DPU) of 4.37 sen for FY15, payable on Feb 29. This brings total DPU for the year to 8.47 sen, from 8.38 sen in FY14. (Source: *The Edge*)

KBES (CP: RM0.385): Sees 17.79% stake traded off-market

Express bus operator KBES saw some 22.42 million shares of its shares, which represent a 17.79% stake in the company, traded off-market today for RM11.21 million. According to Bloomberg data, the KBES shares were moved in a direct business transaction block at 50 sen per share, 11.5 sen higher than its last-traded price of 38.5 sen today. However, it is not immediately known as to whom the parties involved in the transactions were. According to the company's filing dated Jan 6, KBES's largest shareholder, Sani Zaleha Sdn Bhd, was left with a 17.79% stake in KBES, after disposing of 509,700 shares in the open market on Dec 31, 2015. (Source: *The Edge*)

GUH (CP: RM0.94): Has unbilled sales of RM100mil

GUH Holdings Bhd has generated unbilled sales of about RM100mil for its water and wastewater treatment business for fiscal year 2015. Group managing director Datuk Kenneth H'ng told StarBiz that the amount included new contracts secured for 2015. "The amount is more than the RM85mil of unbilled sales for the same period of 2014," H'ng added. "For 2016, the contribution from the division is projected to be more than 15%, compared with less than 10% in 2015, due to the higher construction progress of water projects. (Source: *The Star*)

Automotive Sector (Neutral): Automotive TIV to hit 680,000 in 2016 -Malaysia Automotive Institute

The Malaysia Automotive Institute (MAI) expects total industry volume (TIV) to rise to 680,000 units this year, from a year earlier, driven by demand for national cars. MAI chief executive officer Datuk Madani Sahari said industry players were optimistic on the sector. "We are hoping both the TIV and total production will increase this year, especially the production figure, as it could spur the country's economic growth," Madani said at a press conference here today on the automotive industry's trend and outlook for 2016. MAI's 2016 TIV forecast announcement followed Malaysia Automotive Association's (MAA) estimate, which was announced yesterday (Jan 21). (Source: *Bernama*)

ECONOMIC UPDATES

Malaysia: Economy To Stabilise In 2nd Half

There is a good chance the Malaysian economy will stabilise in the second half of this year as there is a possibility the prices of global benchmark, Brent Crude, will rebound, said OCBC Bank (M) Bhd Chief Economist Selena Ling. "Malaysia is expected to post a growth rate of 4.7 per cent in 2016 as the oil prices could rebound by between US\$45 and US\$50 per barrel in the third and fourth quarter, respectively. "This is broadly in line with what the economy is on course to achieving in 2015, which is a growth rate of 4.8 per cent," she told a media conference on 2016 economic outlook here Friday. (Source: Bernama)

Malaysian: Malaysian banks in Indonesia to gain from BI rate cut

The interest rate cut by Bank Indonesia (BI) last week and further anticipated rate cuts in that country could be a game changer for Malaysian banks in Indonesia as they could see an uplift in their loan growth and earnings amid a challenging economic environment following weaker commodity prices and slower economic growth. Malayan Banking Bhd (Maybank) and CIMB Group Holdings Bhd's units had been bogged down by provisions due to pressure on their asset quality but this scenario is set to change amid signs of further rate cuts by the Indonesian central bank. Maybank operates in Indonesia via PT Bank Maybank Indonesia Tbk and has about 80% shareholding in Maybank Indonesia Tbk while CIMB Group has 97.94% stake in PT Bank CIMB Niaga Tbk. (Source: The Star)

Europe: ECB Has 'Plenty of Instruments' to Revive Inflation

Mario Draghi said he's concerned about the outlook for euro-area inflation and is determined to reach his price-stability mandate, a day after saying the European Central Bank could step up its stimulus as soon as March. "We've plenty of instruments," the ECB president said on Friday at the World Economic Forum in Davos, Switzerland. "We have the determination, and the willingness and the capacity of the Governing Council to act and deploy these instruments." The comments reflect the ECB's agreement on Thursday to review its stimulus strategy of buying 1.5 trillion euros (\$1.6 trillion) of bonds and driving interest rates below zero. (Source: Bloomberg)

Canada: Central bank keeps key interest rate unchanged

Canada's central bank maintained its key lending rate at 0.5 percent Wednesday, saying the economy would pick up later than forecast, in this year's second quarter. The Bank of Canada may cut its key interest rate this year to zero and possibly go negative to compensate for falling crude prices. Risks were present but global growth was expected to trend higher starting this year, Canadian policymakers said. The Canadian dollar jumped about half a cent on the rate news, indicating that markets were anxious about a rate cut, and priced it into the value of the currency. (Source: Bloomberg)

Russia: Economy Shrinks Most Since 2009 as Oil Prices Sink

Russia's economy, facing renewed pressure from plunges in energy prices and the ruble, contracted the most since 2009 last year on oil's decline and sanctions over the conflict in Ukraine that curbed access to international

financing. Gross domestic product fell 3.7 percent after growth of 0.6 percent in 2014, the Federal Statistics Service said Monday on its website, citing preliminary estimates. Economists in a Bloomberg survey forecast a 3.8 percent drop. A separate release of consumer data for December showed spending continued to decline as real wages and disposable incomes fell further. (Source: Bloomberg)

German: Business Sentiment Falls as Market Woes Cloud Outlook

German business confidence fell for a second month in January in a sign that companies in Europe's largest economy are increasingly worried about slowing global growth. German manufacturing is increasingly at risk from a slowdown in global trade, with the weakest Chinese economic growth in more than two decades throwing markets into turmoil and the International Monetary Fund downgrading its outlook for 2016. Even so, the Bundesbank remains confident that exports will rise and predicts that low interest rates and falling unemployment continue to support domestic demand. (Source: Bloomberg)

Korea: Growth Falls From Five-Year High as Property Boom Cools

South Korea's growth rate retreated from a five-year high as a surge in property transactions that supported the economy earlier in 2015 fizzled out. The gross domestic product rose 0.6 percent in the fourth quarter from the previous three months, when it jumped by 1.3 percent as shoppers flocked back following the MERS outbreak, data from the Bank of Korea showed. Compared with a year earlier, GDP grew 3 percent. Tepid growth underscores the difficulties policy makers face relying on domestic demand to shore up growth as China's slowdown and global uncertainties hit export industries. While the central bank and the government both project that the economy will expand at least 3 percent this year, economists surveyed by Bloomberg estimate just 2.8 percent. (Source: Bloomberg)

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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(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