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Thursday, April 28, 2016

## Report of the Day

**Results Review:** Tenaga 2Q16 - "Peak Demand Recorded"

**Results Review:** MMHE 1Q16 - "Painful Quarter in 1Q16"

## At a Glance

FBM KLCI down 0.16 points to close at 1,692.34 extended its three days straight loss this week.....(See full report next page)

## Strategy

## "The Fed Flexes Its Muscles: No Rate Hike"

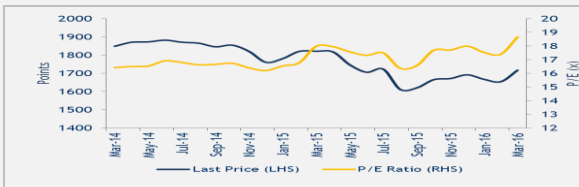
We think that the market will translate that into better risk taking today..... (See full report next page)

## Corporate Highlights

- **TNB, HOLD (TP: RM14.90):** 2Q16 net profit down 38%
- **MMHE, SELL (TP: RM0.88):** Posts RM7.5mil net loss in 1Q16
- **Public Bank, BUY (TP: RM21.38):** KOJADI ink JomPAY Service Agreement

## Economic Update

- **Malaysia:** Muhammad Ibrahim is new Bank Negara governor
- **U.S.:** Fed leaves rates alone, signals confidence in economy
- **China:** Stronger China March industrial profits add to economic recovery hopes



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
US	25-Apr 10:00 PM	New Home Sales	522k	512k	
US	26-Apr 8:30 PM	Durable Goods Orders	1.7%	-3.0%	
US	26-Apr 8:30 PM	Durable Ex Transportation	0.5%	-1.3%	
US	26-Apr 9:00 PM	SGP/CasShiller 20-City Index	-	182.56	
US	26-Apr 9:45 PM	Markit US Services PMI	-	51.3	
US	26-Apr 9:45 PM	Markit US Composite PMI	-	51.3	
US	26-Apr 10:00 PM	Consumer Confidence Index	96.0	96.2	
US	26-Apr 10:00 PM	Richmond Fed Manufacturing Index	10	22	
US	27-Apr 7:00 PM	MBA Mortgage Applications	-	1.3%	
US	27-Apr 10:00 PM	Pending Home Sales MoM	-	3.5%	
EU	27-Apr 4:00 PM	M3 Money Supply YoY	-	5.0%	
US	28-Apr 2:00 AM	FOMC Rate Decision	0.5%	0.5%	
US	28-Apr 8:30 PM	Initial Jobless Claims	-	-	
US	28-Apr 8:30 PM	GDP Annualized QoQ	0.7%	1.4%	
US	28-Apr 8:30 PM	Continuing Claims	-	-	
US	28-Apr 8:30 PM	Personal Consumption	-	2.4%	
EU	28-Apr 5:00 PM	Consumer Confidence	-	-	
CN	28-30 Apr	Leading Index	-	99.00	
JP	28-Apr 7:30 AM	Jobless Rate	-	3.3%	
JP	28-Apr 7:50 AM	Retail Trade YoY	-	0.5%	
JP	28-Apr 7:50 AM	Retail Trade MoM	-	-2.3%	
JP	28-Apr 7:50 AM	Industrial Production MoM	-	-5.2%	
JP	28-Apr 7:50 AM	Industrial Production YoY	-	-1.2%	
JP	28-Apr 1:00 PM	Housing Starts YoY	-	7.8%	
JP	28-Apr 1:00 PM	Annualized Housing Starts	-	0.974m	
JP	28-Apr 1:00 PM	Construction Orders YoY	-	-12.4%	
US	29-Apr 8:30 PM	Personal Income	0.3%	0.2%	
US	29-Apr 8:30 PM	Personal Spending	0.2%	0.1%	
US	29-Apr 8:30 PM	PCE Core MoM	0.1%	0.1%	
US	29-Apr 10:00 PM	University of Michigan Sentiment	90.2	89.7	
EU	29-Apr 5:00 PM	Unemployment Rate	-	10.3%	
EU	29-Apr 5:00 PM	CPI Estimate YoY	-	-	
EU	29-Apr 5:00 PM	CPI Core YoY	-	1.0%	
EU	29-Apr 5:00 PM	GDP SA QoQ	-	0.3%	
EU	29-Apr 5:00 PM	GDP SA YoY	-	1.6%	
MY	29-Apr	Money Supply M3 YoY	-	2.7%	

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## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,692.34	-0.16	-0.01
FBMEMAS	11,756.58	11.32	0.10
FBMEMAS SHA	12,319.95	22.39	0.18
FBM100	11,453.24	6.84	0.06
Volume (mn)	1,728.09	-1,180.41	-40.58
Value (RMmn)	1,868.70	-461.94	-19.82
FBMKLCI YTD Chg			-0.01

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.5	-6.9
Local Institution	60.1	-50.2
Foreign Investors	22.4	57.1

## Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY	53.80	0.88	1.66
AJINOMOTO	10.40	0.75	7.77
MALAYSIAN PAC	7.32	0.46	6.71

## Top Losers

	Close	Change+/-	(+/- %)
BAT	52.10	-2.40	-4.40
CONCRETE ENGIN	1.70	-0.20	-10.53
ALLIANCE	4.05	-0.14	-3.34

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,041.55	51.23	0.28
NASDAQ	4,863.14	-25.14	-0.51
S&P 500	2,095.15	3.45	0.16
FTSE 100	6,319.91	35.39	0.56
DAX	10,299.83	40.24	0.39
Nikkei 225	17,290.49	-62.79	-0.36
HSI	21,361.60	-45.67	-0.21
KOSPI	2,015.40	-4.23	-0.21
STI	2,878.25	-16.41	-0.57
KLCI Futures	1,681.50	2.50	0.00
USDMYR 3M	12.61	(0.12)	(0.01)
USDMYR 6M	12.37	(0.06)	(0.01)
USDMYR 12M	12.12	(0.06)	(0.00)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	-0.1	-0.3%
Brent (USD/bbl)	47.2	1.4	3.1%
Gold(USD/ounce)	1,246	-0.3	0.0%
Coal (USD/mt)	51.0	-0.1	-0.2%
CPO (RM/mt)	2,633	-42.0	-1.6%
Rubber	185	3.1	1.7%
RM/USD	3.92	-0.014	0.36%
EUR/USD	0.88	-0.0004	-0.05%
YEN/USD	111.50	0.04	-0.04%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average lifted 51.23 points and closed at 18,041.55, S&P 500 inched up 3.45 points to close at 2,095.15 points. Nasdaq, however erased 25.14 points to 4,863.14. Major U.S. stock indexes have climbed back near their records after falling sharply early in 2016, and some investors had fretted that the gains could be in jeopardy if the Fed raises rates again too quickly.
- Longer-dated U.S. Treasury debt yields fell on Wednesday for the first time in seven days, after the Fed left the door open for an interest rate rise but signaled its rate hike path still would be a very gradual one. The 30-year yield fell 5 basis points to 2.707 percent after reaching its highest since early February at 2.764 percent on Tuesday.

### The Local Market

- FBMKLCI down 0.16 points to close at 1,692.34 extended its three days straight loss this week. There were 407 gainers and 379 decliners in total value traded of RM1.87 billion.
- Among the losers on Bursa Malaysia were BAT dropped RM2.40 to RM52.10, Concrete Engineering slid by 20 cent to RM1.70, Alliance decreased 14 cent to RM4.05 and MISC slipped 14 cent to RM8.59.

### Strategy

- **“The Fed Flexes Its Muscles: No Rate Hike”**  
Wall Street risk taking improved on Wednesday, driven by the decision of the US Federal Reserve to maintain the US Federal Funds Rate. **S&P 500** and **DJIA added 3.25 (0.16%)** and **51.23 (0.28%)** points to end at **2,095.15** and **18,041.55** respectively. In line with that, oil price, as in WTI, surpassed the important psychological level to end at a steady level of USD45.19 per barrel. Of note, the US Federal Reserve was not in hurry to adjust interest rate given the heightened volatility and increasing external risks although it acknowledged the improvement in US labour market. This decision is widely expected and the US Fed is now looking to June FOMC meeting for a rate hike, if any. In another positive development, the internal favourite, Datuk Muhammad Bin Ibrahim has been appointed at Malaysia’s next governor for a five year term, a decision that will be widely cheered by the market. The appointment of apolitical Datuk Muhammad will be accepted well as it will ensure policy continuity and stability and we think that the market will translate that into better risk taking 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

**TNB, HOLD (TP: RM14.90): 2Q16 net profit down 38%**

Tenaga Nasional Bhd's second quarter ended Feb 29, 2016 earnings fell 38.7% to RM1.32bil from RM2.156bil it posted in the same quarter a year ago, due to higher operating expenses. Revenue for the second quarter was slightly lower at RM10.489bil from RM10.61bil a year ago, mainly due to the recognition of the over recoverability of imbalance cost pass through (ICPT) during the quarter. (Source: The Star)

**MMHE, SELL (TP: RM0.88): Posts RM7.5mil net loss in 1Q16**

Malaysia Marine and Heavy Engineering Holdings Bhd (MMHE) saw its earnings swing to the red with a net loss of RM7.58mil in the first quarter ended March 31, 2016, from net profit of RM36.03mil recorded a year ago. In its filing with Bursa Malaysia on Wednesday, the company attributed its performances to the significantly lower revenue and operating loss from the offshore segment, due mainly to lower backlog from most projects nearing completion. Revenue during the quarter fell to RM256.72mil against RM719.5mil in the previous corresponding period in 2015. (Source: The Star)

**Public Bank, BUY (TP: RM21.38): KOJADI ink JomPAY Service Agreement**

Public Bank Bhd and Koperasi Jayadiri Malaysia Bhd (KOJADI) have signed a service agreement for JomPAY, an e-payment facility, today. It was revealed Public Bank has been appointed by KOJADI as the master biller bank for JomPAY. According to Public Bank, the tie-up offers KOJADI, the convenience of collecting loan repayments from their customers through 40 GIRO participating member banks across Malaysia. (Source: The Star)

**MPI (CP: RM7.32): Earnings up nearly 30% to RM38m, declares 15 sen dividend**

Chip maker Malaysian Pacific Industries Bhd (MPI) reported a strong set of financial results for the third quarter ended March 31, 2016, with its earnings up 29.2% to RM38.99mil but the board expects the operating environment to remain challenging. It said on Wednesday the earnings increased from RM30.17mil a year ago. Its revenue was slightly higher at RM352.12mil from RM351.27mil. Earnings per share were 20.53 sen compared with 15.89 sen. The company declared a 15 sen per share dividend. Revenue from the Europe segment was up 17% while those for Asia and the US fell 6% and 3% from a year ago. (Source: The Star)

**Caring (CP: RM1.80): 3Q net profit plunges 78.7% as lower selling prices hurt margins**

Caring Pharmacy Group Bhd's net profit for the third quarter ended Feb 29 (3QFY16) plunged 78.7% to RM1.62 million, from RM7.60 million a year ago, as margins were hit by lower selling prices caused by competition. Profits were also affected by lower advertising and promotion income, the company said in a filing with Bursa Malaysia. Revenue rose 10.1% to RM103.40 million, from RM93.89 million, thanks to higher sales resulting from aggressive and extensive promotional campaigns, and additional revenue from new outlets. (Source: The Edge)

**Kimlun (CP: RM1.77): Gets RM98.3m housing contract from Mah Sing**

Kimlun Corp Bhd has received a RM98.3 million worth of housing development contract in Johor Bahru from Meridin East Sdn Bhd, a subsidiary of Mah Sing Group Bhd. It told stock exchange that its unit Kimlun Sdn Bhd has received the letter of award from Meridin East today and been tasked to construct a total of 492 units of houses in Mukim Plentong. "The construction work is expected to be completed by July 2018," it said, adding that the contract is expected to contribute positively to its earnings during the contract period. *(Source: The Edge)*

**Datasonic (CP: RM1.37): Secures RM223mil deal to supply Malaysian passports**

Datasonic Group Bhd, which has already bagged a RM318.75mil contract to supply Malaysian passport chips, on Wednesday secured a RM223.38mil deal from the Home Affairs Ministry to supply Malaysian passport documents over the same five-year period starting Dec 1, 2016, or 13.416 million units. The secure ID and chip-based card provider said its wholly owned subsidiary, Datasonic Technologies Sdn Bhd (DTSB), had accepted the letter of award (LOA), under which it is required to furnish a performance bond for RM2.23mil valid throughout the five years. *(Source: The Star)*

**Eduspec (CP: RM0.28): Secures distribution rights for Luxembourg robotics products**

Eduspec Holdings Bhd has secured the exclusive rights to distribute educational and robotic products and toys from Luxembourg's Innovation First Trading SARL (IFTSARL), in a few Asian countries. Eduspec told Bursa Malaysia that its wholly-owned subsidiary, Centillion Robot. *(Source: The Edge)*

**Malayan United Industries (CP: RM0.19): Sees 10.4% stake traded off market**

Malayan United Industries Bhd saw 304.3 million shares or a 10.4% stake traded off market today, for a total value of RM70 million. According to Bloomberg data, the shares were moved in nine blocks via business transaction at 23 sen per share. The buyers and sellers of the shares were not immediately known. The counter closed the day one sen or 5.56% higher at 19 sen. The open market volume of 2.62 million was relatively small in comparison to the amount traded off-market shares, giving it a market capitalisation of RM557.2 million. *(Source: The Edge)*

**Encorp (CP: RM0.72): To sell office suites for RM27m for working capital, cash flow**

Encorp Bhd plans to dispose of a block of office suites in Encorp Strand, Sungai Buloh, to Koperasi Permodalan Felda Malaysia Bhd (KPFM) for RM27 million in a bid to raise funds for working capital and improve cash flow position. Encorp said it has entered into a sale and purchase agreement (SPA) with KPFM, an investment holding company, to dispose of 20 leasehold office suites known as Block P within Garden Office @ Encorp Strand commercial development. *(Source: The Edge)*

**MMS Ventures (CP: RM0.52): Optimistic of 20% sales growth in H1**

MMS Ventures Bhd, which is involved in the design and manufacture of LED and semiconductor industrial automation systems and machinery, is optimistic of a 20% sales growth in the first half this year, driven by the automotive sector. Chairman and chief executive officer Sia Teik Keat said despite a soft first quarter, the group still expected a higher contribution from the automotive sector. He said 30% of the company's products were sold to the automotive sector, another 30% for smart devices and the balance for the general lighting segment. (Source: The Star)

**Tadmax (CP: RM0.37): Proposes one-for-10 bonus issue**

Tadmax Resources Bhd has proposed a one-for-10 bonus issue of 44.48 million shares to reward its shareholders. The construction company said it also intends to improve the marketability and trading liquidity of its shares and widen its share capital base through the bonus issue. The bonus issue will reduce its retained earnings by RM22.24 million to RM44.56 million after the exercise is completed, from its retained earnings of RM66.8 million as at Dec 31. (Source: The Edge)

**ECONOMIC UPDATES****Malaysia: Muhammad Ibrahim is new Bank Negara governor**

Deputy governor of Bank Negara Malaysia, Datuk Muhammad Ibrahim has been appointed as the new governor for five years, effective from May 1, the Prime Minister's Office said on Wednesday. Muhammad will take over from Tan Sri Dr Zeti Akhtar Aziz who retires on April 30. According to the statement, the King, had on the advice of Prime Minister Datuk Seri Najib Tun Razak, endorsed the appointment of Muhammad. Najib said he was confident Muhammad will continue to assist the government and also provide his advice and views to help drive the country's economic growth and also administer the monetary policy and oversee the country's financial industry, including BNM's continuous efforts to develop the industry. (Source: The Star)

**U.S.: Fed leaves rates alone, signals confidence in economy**

The Federal Reserve kept interest rates unchanged on Wednesday but signaled confidence in the U.S. economic outlook, leaving the door open to a hike in June. The U.S. central bank's policy-setting committee said the labor market had improved further despite a recent economic slowdown and that it was keeping a close eye on inflation. (Source: Bloomberg)

**China: Stronger China March industrial profits add to economic recovery hopes**

Profits earned by Chinese industrial companies rose 11.1 percent in March from a year earlier, adding to signs that the country's economic slowdown may be bottoming out. Industrial profits rose to 561.24 billion yuan (\$86.50 billion) in March, the National Bureau of Statistics (NBS) said on its website on Wednesday. That brought total first-quarter profits to 1.34 trillion yuan, up 7.4 percent from a year earlier and improving from a 4.8 percent rise in the January-February period. (Source: Reuters)

**Ghana: Economy Expanded at Slowest Pace in 20 Years in 2015**

Ghana's economy expanded 3.9 percent last year, about the same pace as a year earlier, and near the slowest in 20 years on a drop in oil prices and slumping cocoa production. In the fourth quarter of 2015, the economy grew 4.9 percent, faster than the 4.5 percent expansion a year earlier, assistant government statistician Baah Wadieh told reporters in the capital, Accra. The economy rose 4 percent in 2014. *(Source: Bloomberg)*

**Singapore: Central Bank says policy provides appropriate economic support**

Singapore's central bank said recent monetary policy easings will support the economy and boost inflation over the next two years against a backdrop of weakening growth among the city-state's key trading partners. Earlier this month, the central bank unexpectedly eased its exchange-rate based monetary policy, its third easing in 15 months, to bolster growth. In its half-yearly macroeconomic review released on Wednesday, the Monetary Authority of Singapore (MAS) said the latest easing, along with the government's budget this year, provided appropriate support for the economy. *(Source: Reuters)*

**UK: Economy slows as global weakness, Brexit uncertainty weigh**

Britain's economy slowed at the start of this year, buffeted by a slowing global economy and uncertainty ahead of this year's referendum on European membership, as it relied solely on the services sector to drive growth. First-quarter gross domestic product grew by 0.4 percent, down from 0.6 percent in the three months to December 2015 and in line with economists' forecasts of a 0.4 percent expansion, the Office for National Statistics said on Wednesday. *(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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