

PP14767/09/2012(030761)

Monday, August 01, 2016

## At a Glance

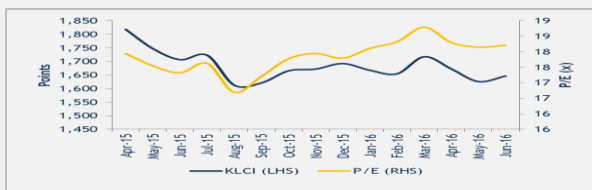
FBMKLCI lost 5.24 points to close at 1,653.26 due to selling pressure with Sime Darby, Genting and IHH Healthcare among the biggest movers .....(See full report next page)

## Corporate Highlights

- **Maybank, HOLD (TP: RM9.10):** Insurance arm aims to double size by 2020
- **RHB, HOLD (TP: RM5.60):** Revises base rate, base lending rate again
- **MPay (CP: RM0.20):** Launches MPay Mastercard prepaid card

## Economic Update

- **Malaysia:** Economy posts RM1.15tril in 2015
- **U.S.:** Q1 growth potholes less cavernous, revisions show
- **Australia:** Central Bank's Lowe Will Be the Economy's Main Carer



KEY ECONOMIC RELEASE					
Date	Local Time	Event	Survey	Prior	
JP	25-Jul	7:50 AM	Exports YoY	-11.7	-11.3
JP	25-Jul	7:50 AM	Imports YoY	-21.1	-13.8
JP	25-Jul	1:00 PM	Leading Index CI	--	100
JP	25-Jul	1:00 PM	Coincident Index	--	110.5
US	26-Jul	9:00 PM	S&P/CS 20 City MoM SA	0.03%	0.45%
US	26-Jul	9:00 PM	S&P/CS Composite-20 YOY NSA	5.60%	5.44%
US	26-Jul	9:45 PM	Markit US Services PMI	--	51.4
US	26-Jul	9:45 PM	Markit US Composite PMI	--	51.2
US	26-Jul	10:00 PM	Consumer Confidence Index	95.5	98
US	26-Jul	10:00 PM	Richmond Fed Manufact. Index	-4	-7
US	26-Jul	10:00 PM	New Home Sales	560k	551k
US	26-Jul	10:00 PM	New Home Sales MoM	1.60%	-6.00%
US	27-Jul	7:00 PM	MBA Mortgage Applications	--	-1.30%
US	27-Jul	8:30 PM	Durable Goods Orders	-1.00%	-2.30%
US	27-Jul	8:30 PM	Durables Ex Transportation	0.30%	-0.30%
US	27-Jul	10:00 PM	Pending Home Sales MoM	1.80%	-3.70%
US	27-Jul	10:00 PM	Pending Home Sales NSA YoY	3.00%	2.40%
EU	27-Jul	4:00 PM	M3 Money Supply YoY	0.05	0.04%
US	28-Jul	2:00 AM	FOMC Rate Decision (Upper Bound)	0.50%	0.50%
US	28-Jul	2:00 AM	FOMC Rate Decision (Lower Bound)	0.25%	0.25%
EU	28-Jul	5:00 PM	Consumer Confidence	-7.9	-7.9
US	29-Jul	8:30 PM	Annual Revision: GDP (Q1 2013 to Q1 2016 revised)		
US	29-Jul	8:30 PM	GDP Annualized QoQ	2.60%	1.10%
US	29-Jul	8:30 PM	Personal Consumption	4.10%	1.50%
US	29-Jul	10:00 PM	U. of Mich. Sentiment	90.5	89.5
EU	29-Jul	5:00 PM	Unemployment Rate	0.101	0.101
EU	29-Jul	5:00 PM	CPI Estimate YoY	0.002	--
EU	29-Jul	5:00 PM	CPI Core YoY	0.009	0.009
EU	29-Jul	5:00 PM	GDP SA QoQ	0.003	0.006
EU	29-Jul	5:00 PM	GDP SA YoY	0.015	0.017
JP	29-Jul	7:30 AM	Jobless Rate	0.032	0.032
JP	29-Jul	7:50 AM	Industrial Production MoM	0.005	-0.026
JP	29-Jul	7:50 AM	Industrial Production YoY	-0.03	-0.004
JP	29-Jul	7:50 AM	Retail Trade YoY	-0.015	-0.019
JP	29-Jul	7:50 AM	Retail Sales MoM	--	0
JP	29-Jul	1:00 PM	Housing Starts YoY	-0.034	0.098
JP	29-Jul	1:00 PM	Annualized Housing Starts	0.991m	1.017m
JP	29-Jul	1:00 PM	Construction Orders YoY	--	0.345
JP	29-Jul		BOJ Monetary Policy Statement		
JP	29-Jul		BOJ Policy Rate	--	-0.001
MY	29-Jul		Money Supply M3 YoY	--	0.022

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,653.26	-5.24	-0.32
FBMEMAS	11,585.11	-33.87	-0.29
FBMEMAS SHA	12,198.77	-37.75	-0.31
FBM100	11,283.78	-32.32	-0.29
Volume (mn)	1,900.81	-319.65	-14.40
Value (RMmn)	2,023.33	176.58	9.56
FBMKLCI YTD Chg			-2.32

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Institution	55.0	-90.2
Local Retail	14.1	37.8
Foreign Investors	30.9	52.4

## Top Gainers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	48.20	1.16	2.47
DUTCH LADY MILK	63.00	0.98	1.58
PANASONIC MAN	39.18	0.60	1.55

## Top Losers

	Close	Change+/-	(+/- %)
UNITED PLANTAT	26.54	-0.52	-1.92
HEINEKEN MALAY	18.00	-0.30	-1.64
HONG LEONG FIN	15.22	-0.28	-1.81

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,432.24	-24.11	-0.13
NASDAQ	5,162.13	7.15	0.14
S&P 500	2,173.60	3.54	0.16
FTSE 100	6,724.43	3.37	0.05
DAX	10,337.50	62.57	0.61
Nikkei 225	16,569.27	92.43	0.56
HSI	21,891.37	-282.97	-1.28
KOSPI	2,016.19	-4.91	-0.24
STI	2,918.62	-50.23	-1.72
KLCI Futures	1,649.00	(4.00)	(0.00)
USDMYR 3M	11.90	(0.02)	(0.00)
USDMYR 6M	11.83	0.02	0.00
USDMYR 12M	11.86	0.01	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	41	-0.1	-0.2%
Brent (USD/bbl)	42.7	-0.8	-1.8%
Gold(USD/ounce)	1,335	-0.6	0.0%
Coal (USD/mt)	61.3	0.0	0.1%
CPO (RM/mt)	2,300	-18.0	-0.8%
Rubber	183	1.6	0.9%
RM/USD	4.05	-0.0295	0.73%
EUR/USD	0.90	-0.0004	-0.04%
YEN/USD	104.77	-0.5	0.48%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average dropped for four consecutive days by losing 24.54 points to 18,432.24 while S&P 500 increased marginally by 3.54 points to 2,173.60. Nasdaq also gained by 7.15 points to 5,162.13. U.S. stocks edged higher, with the S&P 500 Index capping a fifth monthly gain, after data showing the American economy grew slower than forecast last quarter gave the Federal Reserve no reason to accelerate its time table for higher interest rates.
- The U.S. economy stumbled in the first half of 2016 as companies retrenched, leaving consumers to shoulder the burden of sustaining growth heading into the presidential election. That didn't deter equity gains, with the S&P 500 overcoming the longest stretch without a record outside of a bear market since 1985 as central banks signaled additional stimulus and corporate earnings topped estimates.

### The Local Market

- FBMKLCI lost 5.24 points to close at 1,653.26 due to selling pressure with Sime Darby, Genting and IHH Healthcare among the biggest movers. There were 324 gainers and 445 decliners in total value traded of RM2.03 billion.
- Among the losers on Bursa Malaysia were United Plantations plunged 52 cent to RM26.54, Heineken and Genting tumbled 30 cents and 28 cents to RM18.00 and RM15.22, respectively.

### 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

### Maybank, HOLD (TP: RM9.10): Insurance arm aims to double size by 2020

Maybank Ageas Holdings Bhd, the insurance arm of Maybank Group and the country's fourth largest insurer, aims to double its size by 2020 and has not ruled out acquiring other insurers to boost its ranking in Malaysia, its CEO Kamaludin Ahmad said. Maybank Ageas is the parent company of Etiqa Insurance Bhd and Etiqa Takaful Bhd in Malaysia. Kamaludin told SunBiz the company is keen to grow and will consider mergers and acquisitions (M&A) only if the proposition makes sense. "If a proposal (to acquire) is compelling enough and makes sense to us, then maybe we will do it. But, so far, we will grow organically. However, with the current market situation, just growing organically may not help us to get the big growth we are looking for." (Source: The Sun)

**RHB, HOLD (TP: RM5.60): Revises base rate, base lending rate again**

RHB Banking Group cut its base rate (BR) from 3.8% to 3.65% per annum and reduced its base lending rate (BLR) and base financing rate (BFR) from 6.75% to 6.6%. The revision followed an earlier cut on Bank Negara Malaysia's recent decision to reduce the overnight policy rate (OPR) from 3.25% to 3%. In a statement today, RHB group managing director Datuk Khairussaleh Ramli said the further reduction in its rates was effective from today. "We have made a further reduction in the BR, BLR and BFR to reflect the movements of the Kuala Lumpur Interbank Offered Rate (KLIBOR) in line with our BR framework, following Bank Negara's revision on the OPR recently. (Source: *The Edge*)

**MPay (CP: RM0.20): Launches MPay Mastercard prepaid card**

ManagePay Systems Bhd has launched MPay Mastercard Prepaid Card where it enables purchase transactions, bill payments, telcos prepaid reloads and domestic remittance services. The card is accepted at all domestic and millions of retail locations through the Mastercard acceptance network. "The launch of MPay Mastercard Prepaid Card sees the continuous radical change the group is propagating towards the way money is accepted amongst all Small and Medium Enterprises (SMEs) and large enterprises in Malaysia after the group launched MPay Balance Account on April 29," it said. (Source: *The Star*)

**TH Heavy (CP: RM0.22): Gets Lol to supply vessels to MMEA**

TH Heavy Engineering Bhd has received a non-binding letter of intent (LoI) for the supply of three offshore patrol vessels to the Malaysian Maritime Enforcement Agency (MMEA). TH Heavy told Bursa Malaysia yesterday the contract award would need to be confirmed via a definitive agreement between the company and MMEA, which is also known as Agensi Penguatkuasaan Maritim Malaysia. "This letter of intent shall be subject to mutual agreement being reached between MMEA and the company, wherein the company will make further announcement on the matter," TH Heavy said. TH Heavy's shares have been heavily traded as its share price climbed in the past few trading days, which earned it an unusual market activity (UMA) query from Bursa Malaysia due to the sharp rise in its share price and trading volume. (Source: *The Edge*)

**Censof (CP: RM0.21): Auditor qualifies opinion on sum owed by customers**

Censof Holdings Bhd's external auditor Messrs Crowe Horwath has expressed a qualified opinion in the company's audited financial statements for the financial year ended March 31, 2016, on the RM6.7 million owed by its contract customers. Censof directors are of the view that the amount, which is linked to a project with a government agency, is recoverable and therefore no impairment loss has been made in the financial statements. However, given that the amount is long outstanding, the auditor is of the view that an adjustment for impairment loss should be made, which will lead to a decrease in profit and retained profit for the year. "The recoverability of this balance is dependent upon the completion of the relevant acceptance test results, successful negotiations with customers and approval of proposals submitted to the customers," it said. (Source: *The Sun*)

**AirAsia (CP: RM2.93): Air Asia, Scottish firm in data analytics JV**

AirAsia Bhd's data science unit MadCience Consulting Sdn Bhd has entered into an agreement with Scotland's Big Data For Humans Ltd (Bd4h) to set up a data analytics joint venture (JV) in Asia Pacific. The JV will be responsible for building a software-as-a-service business in the region, with its first client being AirAsia. It will be operated through Big Data For Humans APAC Ltd (Bd4h APAC), which is expected to commence operations in the fourth quarter of this year. The Bd4h data science platform will be able to automate insights and generate action plans in real-time to provide AirAsia guests with the best offers based on their preferences across all channels. *(Source: The Sun)*

**Mudajaya (CP: RM1.22): Secures RM75 mil loan facility from AmBank Islamic**

Mudajaya Group Bhd, which has secured works for a portion of the Sarawak side of the Pan Borneo Highway yesterday (July 28), says it has obtained RM75 million worth of credit facility from AmBank Islamic Bhd. The construction firm and power plant owner's filing with Bursa Malaysia revealed that most of the facility — RM50 million — is in the form of a bank guarantee for Mudajaya's performance bonds, tender deposits, advance payment, excise duty fee, sales tax, and earnest money for tender or security deposits. Another RM15 million is in shariah-compliant hire purchase facility, for Mudajaya to buy equipment and machinery. The rest is for working capital, said Mudajaya. *(Source: The Edge)*

**WZ Satu (CP: RM1.13): Accepts RM27m contract**

WZ Satu Bhd has accepted a letter of award worth RM27.03 million from Shell MDS (Malaysia) Sdn Bhd. In a filing with the stock exchange, the company said it is for the mechanical package of SMDS Pipeline project for a duration of 13 months and is expected to commence on Aug 1, 2016. The contract is expected to contribute positively to WZ Satu's future earnings and net assets per share for the financial year ending Aug 31, 2017. *(Source: The Sun)*

**Luxchem (CP: RM1.52): 2Q net profit up 33% on higher contribution from trading, manufacturing segments**

Luxchem Corporation Bhd's net profit rose 32.82% to RM13.03 million or 4.86 sen a share for the second quarter ended June 30, 2016 (2QFY16), from RM9.81 million or 3.75 sen a share a year earlier, on higher contribution from its trading and manufacturing segments. Revenue climbed 9.2% to RM175.85 million from RM161.03 million in 2QFY15, the company said in a bourse filing today. For the first half of the financial year ended Dec 31, 2016 (1HFY16), net profit increased by 76.32% to RM20.03 million or 7.47 sen a share from RM11.36 million or 4.35 sen a share in 1HFY15. Revenue inched up 0.67% to RM335.82 million from RM333.57 million. *(Source: The Edge)*

**United Malacca (CP: RM5.78): Plans to double Indonesia plantation size via JV**

United Malacca Bhd plans to double its plantation hectareage in Indonesia through a joint venture (JV) with an Indonesia firm. In a bourse filing today, the century-old plantation firm said it has entered into a memorandum of understanding (MoU) with Adhi Indrawan and Kartika Dianningsih Antono to establish a JV arrangement with PT Bintang Gemilang Permai. According to United Malacca, PT Bintang Gemilang Permai controls 99.9% equity interest in PT Wana Rindang Lestari, which in turn holds a concession right to develop

about 59,920 hectares (ha) of land within an industrial plantation forest area in Central Sulawesi, Indonesia. (Source: *The Edge*)

**New Hong Fatt (CP: RM2.80): Higher sales, forex gain lift New Hoong Fatt's 2Q earnings by 67%**

New Hoong Fatt Holdings Bhd saw its net profit for the second quarter ended June 30, 2016 (2QFY16) rise 66.9% to RM8.61 million or 11.46 sen a share, as revenue expanded 16.1% on higher demand and the impact of a favourable exchange rate. Quarterly revenue came in at RM59.96 million, compared to RM51.66 million last year, when it recorded a net profit of RM5.16 million or 6.86 sen a share. No dividend was declared during the quarter. For the cumulative six-month period (1HFY16), the automotive replacement parts manufacturer recorded a 48% jump in net profit to RM14.09 million or 18.74 sen per share as compared to RM9.52 million or 12.67 sen per share, again due to higher revenue and favourable foreign exchange rate impact. (Source: *The Edge*)

**ECONOMIC UPDATES**

**Malaysia: Economy posts RM1.15tril in 2015**

Malaysia's economy recorded a value of RM1.157tril in 2015 compared to RM1.106tril registered in 2014, said the Department of Statistics. Gross Operating Surplus (GOS) held the largest share in income components at 60.5% while Compensation of Employees contributed 34.8% to Malaysia's economy, it said. "The remaining 4.7% was contributed by Taxes less Subsidies on Production and Imports," the department said in a statement on Friday. The overall economy recorded a growth of 4.6% in 2015 supported by the positive performance in services, manufacturing and construction sectors. (Source: *The Star*)

**U.S.: Q1 growth potholes less cavernous, revisions show**

First quarter US growth rates from 2013 through 2015 are less anemic, while subsequent rebounds are less hearty, revised data show. The economy grew 1.2% at an annualised rate on average from January through March during the three-year period, up from a prior estimate of 0.5%, according to the Commerce Department's annual update of gross domestic product. For the second quarter, average growth was cut to 2.5% from 3.2%. The new readings represent more complete information on the components of GDP plus efforts to correct for so-called residual seasonality, or the effects that linger even after adjusting the figures for recurring fluctuations. (Source: *The Star*)

**Australia: Central Bank's Lowe Will Be the Economy's Main Carer**

Incoming Australian central bank chief Philip Lowe faces the prospect of nursing a transitioning economy as the government focuses on reducing a budget shortfall to save the country's AAA rating and economists forecasting a Tuesday policy easing. Treasurer Scott Morrison emphasized "getting the deficit down" in an interview at a Group of 20 meeting in China, after S&P Global Ratings cut Australia's outlook to negative amid concerns of fiscal-policy gridlock. "That's



the real challenge for the prime minister and I over the next 6-12 months, to ensure what we've put forward in our budget and the envelope of savings and revenue measures" are passed by parliament, Morrison said. (Source: Bloomberg)

#### **Eurozone: Economy Slowed in Second Quarter**

The eurozone economy faltered in the second quarter, as labor strikes in France choked off a nascent pickup there and a troubled banking sector continued to hamstring the bloc's efforts to haul itself out of a low-growth rut. The figures suggested the eurozone economy was losing steam even before a spate of terror attacks and the U.K. vote in late June to leave the European Union, a worrying sign that increases the likelihood that the European Central Bank will expand its monetary easing later this year. (Source: WSJ)

#### **U.K.: Firms expect growth to stagnate over next 3 months**

British businesses expect economic growth to grind almost to a halt over the next three months due to weaker investment and consumer confidence after June's vote to leave the European Union, the Confederation of British Industry said on Sunday. The CBI said the outlook was the weakest since December 2012 as the proportion of firms expecting lower output was now 3 percentage points higher than the share expecting growth. This marked a sharp turnaround from June, when there was a 16 percentage point margin in favour of those anticipating growth. "This data shows a weaker picture for UK economic growth," CBI Deputy Director-General Josh Hardie said - though he added that the survey, conducted between June 27 and July 14, likely reflected a post-referendum low for consumer-facing firms. (Source: The Star)

#### **Taiwan: Q2 GDP returns to on-year growth but risks cloud rest of 2016**

Taiwan's trade-reliant economy returned to on-year growth in the second quarter for the first time in a year as the slide in exports slowed, but global economic headwinds will keep pressure on the central bank to cut rates in the second half. The economy grew 0.69% year on year in the second quarter, official data showed on Friday, better than the 0.56% growth forecast in a Reuters poll. It also follows three consecutive quarters of on-year contraction in gross domestic product. The growth, however, is unlikely to change the government's meagre full-year GDP estimate of 1.06%, with weak global demand maintaining pressure on the island's central bank to trim interest rates again. (Source: The Edge)

# 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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