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Tuesday, September 20, 2016

At a Glance

FBMKLCI continued sliding by 1.28 points to 1,651.71 as market turned cautious ahead of Federal Reserve meeting this week.....(See full report next page)

Daily Equity Market Strategy

"Wall Street Turns Cautious Ahead of US FOMC Meeting"

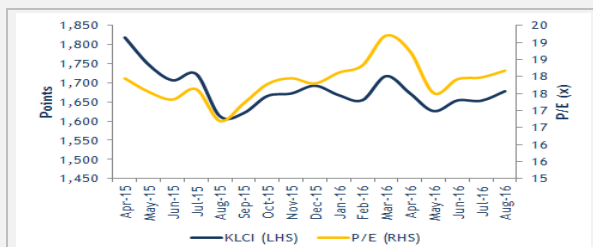
President Nicolas Maduro stated over the weekend that oil producers were close to oil production freeze(See full report next page)

Corporate Highlights

- **IHH Healthcare, HOLD (TP: RM6.49):** Unit accepts RM5.44bil banking facility
- **Mah Sing (CP: RM1.60):** Seeks easier loan approval for first-time home buyers
- **AirAsia (CP: RM2.83):** Sets up subsidiary in Singapore

Economic Update

- **Japan:** BoJ may shift policy focus to rates as monetary firepower wanes
- **Australia:** Busiest port sold for RM30bil to consortium
- **Brazil:** Real Weakens as Traders Weigh GDP Surprise, Oil Gain



KEY ECONOMIC RELEASE				
Date	Local Time	Event	Survey	Prior
EC	19-Sep 4:00 PM	ECB Current Account SA	--	28.2b
EC	19-Sep 5:00 PM	Construction Output MoM	--	0.00%
EC	19-Sep 5:00 PM	Construction Output YoY	--	0.60%
CH	19-Sep 9:30 AM	China August Property Prices		
US	20-Sep 8:30 PM	Housing Starts	1192k	1211k
US	20-Sep 8:30 PM	Housing Starts MoM	-1.60%	2.10%
US	20-Sep 8:30 PM	Building Permits	1170k	1152k
US	20-Sep 8:30 PM	Building Permits MoM	2.30%	-0.10%
MA	21-Sep 12:00 PM	CPI YoY	--	1.10%
JN	21-Sep 7:50 AM	Trade Balance	--	¥513.5b
JN	21-Sep 7:50 AM	Trade Balance Adjusted	--	¥317.6b
JN	21-Sep 7:50 AM	Exports YoY	--	-14
JN	21-Sep 7:50 AM	Imports YoY	--	-24.7
JN	21-Sep	BOJ Monetary Policy Statement		
JN	21-Sep	BOJ Policy Rate	-0.10%	-0.10%
US	22-Sep 2:00 AM	FOMC Rate Decision (Upper Bound)	0.50%	0.50%
US	22-Sep 2:00 AM	FOMC Rate Decision (Lower Bound)	0.25%	0.25%
US	22-Sep 2:00 AM	Fed Summary of Economic Projections		
US	22-Sep 8:30 PM	Continuing Claims	--	--
US	22-Sep 10:00 PM	Existing Home Sales	5.45m	5.39m
US	22-Sep 10:00 PM	Existing Home Sales MoM	1.10%	-3.20%
EC	22-Sep 10:00 PM	Consumer Confidence	--	-8.5
MA	22-Sep 3:00 PM	Foreign Reserves	--	\$97.5b
US	23-Sep 9:45 PM	Markit US Manufacturing PMI	52	52
EC	23-Sep 4:00 PM	Markit Eurozone Manufacturing PMI	--	51.7
EC	23-Sep 4:00 PM	Markit Eurozone Services PMI	--	52.8
EC	23-Sep 4:00 PM	Markit Eurozone Composite PMI	--	52.9

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,651.71	-1.28	-0.08
FBMEMAS	11,651.60	-22.84	-0.20
FBMEMAS SHA	12,277.56	-49.67	-0.40
FBM100	11,354.46	-24.98	-0.22
Volume (mn)	1,147.30	-180.83	-13.62
Value (RMmn)	1,440.34	-878.26	-37.88
FBMKLCI YTD Chg			-2.41

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Institution	52.9	-77.7
Local Retail	17.6	10.3
Foreign Investors	29.5	67.4

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	60.00	1.00	1.70
AEON CREDIT	14.88	0.68	4.79
HEINEKEN	17.72	0.52	3.02

Top Losers

	Close	Change+/-	(+/- %)
TIME DOTCOM	7.80	-0.62	-7.36
PETRONAS GAS	21.50	-0.40	-1.83
HONG LEONG FIN	15.64	-0.34	-2.13

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,120.17	-3.63	-0.02
NASDAQ	5,235.03	-9.54	-0.18
S&P 500	2,139.12	-0.04	0.00
FTSE 100	6,813.55	103.27	1.54
DAX	10,373.87	97.70	0.95
Nikkei 225	16,519.29	114.28	0.70
HSI	23,550.45	214.86	0.92
KOSPI	2,015.78	16.42	0.82
STI	2,852.14	24.69	0.87
KLCI Futures	1,645.50	-	-
USDMYR 3M	11.27	0.01	0.00
USDMYR 6M	11.29	(0.02)	(0.00)
USDMYR 12M	11.48	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	43	0.0	-0.1%
Brent (USD/bbl)	46.0	0.2	0.4%
Gold(USD/ounce)	1,314	0.9	0.1%
Coal (USD/mt)	71.3	0.1	0.1%
CPO (RM/mt)	2,642	77.0	3.0%
Rubber	161	1.5	0.9%
RM/USD	4.14	0.0075	-0.18%
EUR/USD	0.89	-0.0003	-0.03%
YEN/USD	101.88	-0.05	0.05%

What To Expect

U.S. Market

- The Dow Jones Industrials Average dropped marginally by 3.63 points to 18,120.17 and S&P 500 fell slightly by 0.04 points to 2,139.12. Nasdaq tumbled 9.54 points to 5,235.03. U.S. stocks kicked off the new week with little change as Wall Street awaits Wednesday's key Federal Reserve decision on interest rates and reacted to a rise in the price of oil.
- Central banks are the big focus this week. On Wednesday, the Fed breaks from a two-day meeting and global investors will find out if the Fed again holds off on raising rates, or whether it goes off script and surprises the market with its first hike of 2016. Currently, traders are pricing in just 15% of odds of a September rate hike, according to CME Group, down from roughly 35% at the end of August. The probability of a rate hike at the Fed's December meeting is now around 55%.

The Local Market

- FBMKLCI continued sliding by 1.28 points to 1,651.71 as market turned cautious ahead of Federal Reserve meeting this week. There were 333 gainers and 444 decliners in total value traded of RM1.44 billion.
- Among the losers on Bursa Malaysia were Time dotCom tumbled 62 cen to RM7.80, Petronas Gas declined 40 cent to RM21.50, Hong Leong Finance dropped 34 cent to RM15.64 and Genting Plantation fell 26 cent to RM10.70.

Strategy

- **“Wall Street Turns Cautious Ahead of US FOMC Meeting”**
Wall Street continued its cautious stance ahead of US FOMC meeting this week amid a flat market performance in the US. **S&P 500** and **DJIA** lost a marginal 0.04 (-0.00%) and 3.63 (-0.02%) points to end at **2,139.12** and **18,120.17** respectively. To recap, the US FOMC policy meeting is scheduled for this week with policy decision due on the 22nd September. Until and unless the decision is out, we think that the global equity market will be cautious, a mirror of Wall Street performance. Elsewhere, sentiment against energy stocks improved, albeit temporarily, when Venezuelan President Nicolas Maduro stated over the weekend that oil producers were close to oil production freeze. Nonetheless, contradictory statement from OPEC poured cold water over this. OPEC is scheduled to meet on September 26-28. In any case, we think the large overhang, as in US policy decision, will weigh on the market. Expect less-than-sizzling equity market action until then.
- 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

IHH Healthcare, HOLD (TP: RM6.49): Unit accepts RM5.44bil banking facility

IHH Healthcare Bhd's indirect wholly-owned subsidiary, Parkway Pantai Ltd, has accepted a multi-currency banking facility for a total amount equivalent to RM5.44bil. In a filing with Bursa Malaysia, IHH Healthcare said the facility was a multi-currency facility involving Singapore dollars, Hong Kong dollars and US dollars, for a total amount equivalent to S\$1.8bil. The unsecured multi-currency five-year revolving credit facility would be utilised for refinancing, corporate funding, working capital requirements, as well as investments and project financing. The facility is granted by mandated lead arrangers, comprising BNP Paribas, Credit Agricole Corporate and Investment Bank, DBS Bank Ltd, Oversea-Chinese Banking Corp Ltd, The Bank of Tokyo-Mitsubishi UFJ Ltd, and United Overseas Bank Ltd. (Source: The Star)

Mah Sing (CP: RM1.60): Seeks easier loan approval for first-time home buyers

Mah Sing Group Bhd is urging the Government to consider several initiatives including relaxing loan approvals in Budget 2017 for first-time home buyers. Mah Sing group managing director Tan Sri Leong Hoy Kum urged banks to consider relaxing loan approvals and provide up to 95% financing for first homes, 90% for second homes and 70% for third homes. "This also includes a higher debt service ratio of 70% to 80% for first home buyers and loan tenure extending from 35 years to 40 years for first home buyers," he said in a statement on Monday. (Source: The Star)

AirAsia (CP: RM2.83): Sets up subsidiary in Singapore

AirAsia Bhd has set up a subsidiary in Singapore, which will enable it to provide airlines operation services and aviation related management services in the country. According to its bourse filing today, the low-cost airline said it has incorporated AirAsia Pte Ltd (APL) as a wholly-owned subsidiary in Singapore via its unit AirAsia Investment Ltd last Friday (Sept 16). "The principal activity of the company is airlines operation services. In the course of its business operations, the company will also act as a management services company dealing with relevant authorities and service providers in Singapore," it added. APL has an issued share capital of S\$1 million (about RM3 million), comprising 1 million shares of S\$1 each. (Source: The Edge)

Tanjung Offshore (CP: RM0.31): To venture into education, training

Tanjung Offshore Bhd has bought a 67% stake in Hills Education Group Sdn Bhd which will enable it to venture into education and training development business. The oil and gas services company said on Monday it had bought the stake, comprising 134,000 shares, for RM167,500. It added the purchase consideration of RM167,500 had considered the potential business opportunities in education and training development business. Hills Education Group has a paid-up capital of RM200,000. Prior to the purchase, Arnez Desmond George Fernandez owned 140,000 shares and Imran Asif Abdul Rahim the remaining 60,000 shares. (Source: The Star)

NWP Holdings (CP: RM0.28): Banks on construction business to turn around

Timber and timber products firm NWP Holdings Bhd, which has been making losses since 2006, is banking on its construction business to turn around. NWP was recently awarded a RM744 million turnkey construction project by M2B World (M) Sdn Bhd to construct a total of 3,855 houses for six projects under Syarikat Perumahan Negara Bhd (SPNB) and Perbadanan PR1MA Malaysia, with an expected net margin of 15%. Speaking to reporters after the company's EGM here yesterday, executive director Datuk Seri Kee Soon Ling said he is hoping the construction business will help increase the income stream. While the balance sheet of M2B World has raised eyebrows, Kee stressed that it won't have much impact on NWP. "We (deal) directly with SPNB and PR1MA, they will pay us and not through M2B, that's why we don't care about (M2B's) balance sheet," he explained. (Source: *The Sun*)

BToto (CP: RM3.32): Q1 revenue up 8%

Berjaya Sports Toto Bhd (BToto) registered an 8.2% increase in revenue to RM1.44 billion in the first quarter ended July 31, 2016 (Q1) from RM1.33 billion in the corresponding quarter of the previous financial year, mainly attributed to the results of Sports Toto Malaysia Sdn Bhd and H.R. Owen Plc. The group's pretax profit dropped by 14.7% to RM96.4 million mainly due to the results of H.R. Owen as well as the foreign exchange effect recognised by a foreign subsidiary company during the current quarter but was partially offset by the improved results reported by Sports Toto, the principal subsidiary. (Source: *The Sun*)

Poh Huat (CP: RM1.55): Acquires warehouse in Australia

Poh Huat Resources Holdings Bhd is buying a detached warehouse cum office-showroom in South Dandenong, Victoria, Australia, for A\$4.25 million (RM13 million) in a bid to establish an operational base in Australia. The Poh Huat Group is principally involved in the manufacturing and sale of home and office furniture. The group has operational bases in Malaysia, Vietnam and South Africa. As part of its expansion plan, the group intends to expand its operational bases to other countries. In conjunction with the acquisition, the company will incorporate an Australian subsidiary to hold the subject property and to establish furniture sale and distribution business in Australia. (Source: *The Sun*)

Iris (CP: RM0.165): Plans to team up with QIGC for Putrajaya job

Iris Corp Bhd plans to team up with Qingjian International Group Co Ltd (QIGC) in undertaking the RM622.7mil mixed-development project awarded to it by Putrajaya Corp last November. The company, which derives about 70% of its pre-tax profit from the identification solutions business, told Bursa Malaysia yesterday that it had signed a memorandum of understanding (MoU) with QIGC, as it "is desirous" to appoint a co-developer for the project. Iris received the contract from Putrajaya Corp on Nov 26 last year to develop the 1Malaysia Civil Servants Housing Programme (PPA1M) and a mixed development (commercial and residential buildings) on 16.2 acres in Putrajaya. (Source: *The Star*)

Sona (CP: RM0.465): The first SPAC to return cash to shareholders

Sona Petroleum Bhd became the first special-purpose acquisition company (SPAC) to announce a definite date to distribute cash back to its shareholders

after having failed to get a qualifying asset. In an announcement yesterday, Sona said the company would wind up following a High Court order, and that the appointed liquidators had proposed to distribute the first tranche of payment involving 97% of the monies held in the cash trust account to eligible shareholders by November 2016. The balance 3% of the monies to eligible shareholders would be paid within two years from the first distribution after deducting direct expenses related to the liquidation distribution and obtaining tax clearance, Sona said. *(Source: The Star)*

ECONOMIC UPDATES

Japan: BoJ may shift policy focus to rates as monetary firepower wanes

The Bank of Japan (BoJ) could shift negative interest rates to the primary focus of its monetary policy on Wednesday, heightening market disquiet over what any move away from quantitative easing reveals about the waning firepower of global central banks. With three years of massive money printing failing to push up inflation, the BoJ is expected to move away from shock therapy and towards a protracted battle against deflation, say sources familiar with its thinking. The BoJ's "quantitative and qualitative easing" (QQE) has been a signature policy of governor Haruhiko Kuroda since 2013 that aimed to shock the economy out of stagnation and change households' deflationary mindsets. *(Source: The Star)*

Australia: Busiest port sold for RM30bil to consortium

A consortium of global and domestic funds, backed by investors including China Investment Corp, agreed to buy Australia's busiest port for a higher-than-expected A\$9.7bil (RM30.2bil), a sign that tough equity markets are fuelling appetite for infrastructure. The pricetag for Port of Melbourne fell short of the country's largest privatisation deal on record, the A\$10.8bil (RM33.6bil) sale of electricity grid company Transgrid to a global consortium in November 2015, but still ranks among its biggest. *(Source: The Star)*

Brazil: Real Weakens as Traders Weigh GDP Surprise, Oil Gain

Brazil's real dropped as a rebound in commodities prices failed to offset a gloomy economic report showing efforts to kickstart growth are falling short. The real lost 0.3 percent to 3.2730 per dollar Monday in Sao Paulo, missing out on a commodities-driven rally in emerging-market currencies after the central bank's economic activity index, a proxy for gross domestic product, declined 0.09 percent in July. That disappointed economists surveyed by Bloomberg who had forecast a 0.2 percent expansion. *(Source: Bloomberg)*

China: Failing Property Curbs Risk Bubble That May Hurt Economy

China's attempts to slow runaway home-price growth in major cities are showing little sign of success, stoking the threat of a housing bubble that could destabilize the economy. New home prices rose the most in six years in August, jumping 1.2 percent from July, according to Bloomberg calculations based on government data. Home prices rose in 64 of 70 cities tracked by the government, up from 51 the previous month. Shanghai prices surged a record 4.4 percent for a year-on-year gain of 31 percent, while Beijing's climbed 24 percent from a year earlier. *(Source: Bloomberg)*

China interested in agricultural investment in Kalimantan

China has expressed its interest in bringing its private firms to invest in agriculture in areas in the border region of Kalimantan, a top official said on Monday. "The investment can bring employment to areas bordering with Malaysia, Brunei Darussalam, and the Philippines," Indonesia's Agriculture Minister Amran Sulaiman said after a meeting with China's Deputy Agriculture Minister Zhang Taolin in Jakarta. Indonesia and China are discussing opportunities to increase agricultural trade between their two countries. Amran said border areas in Kalimantan were on the government's development priority list to unlock their economic potential, adding that cattle, sugar and corn were among the commodities expected to be developed together with China. (Source: Jakarta Post)

U.K.: London asking prices picked up in September as lull ended

London house prices rebounded this month after four straight declines, reflecting a pickup in the market as the seasonal summer lull ended. Asking prices in the UK capital rose 1.9% from August to 630,974 pounds (US\$825,000), real-estate website Rightmove said in a report published Monday. It added that the recovery this month was "exaggerated by seasonal volatility, with more owners of expensive properties coming to market after the end of the summer holidays." The monthly figures don't paint a full picture of London's housing market. Asking prices in the city's most expensive district — Kensington and Chelsea — have fallen almost 12% in the past year, while there's been an 11% increase in Barking and Dagenham — the cheapest borough, Rightmove said. (Source: The Edge)

Vietnam: Plans Vinamilk stake sale for US\$900mil

Vietnam has invited about half a dozen foreign investment banks to advise it on selling its stake in dairy company Vinamilk, sources said, in one of the strongest signs yet of the government getting serious about offloading its most lucrative assets. Credit Suisse, HSBC, JP Morgan Chase, Nomura Holdings, and advisory firm Rothschild are among the firms that recently received requests from Vietnam's government, several sources with direct knowledge of the matter told Reuters. The communist government's investment arm, the State Capital Investment Corp, holds a 44.7% stake in Vietnam Dairy Products JSC, as Vinamilk is formally known. (Source: The Star)

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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