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Friday, October 14, 2016

At a Glance

FBMKLCI ended weaker by losing 2.01 points at 1,665.02 after late selling of heavyweights in line with weaker key Asian markets(See full report next page)

Strategy

"The Prospect of US Interest Rate Hike Hurt Wall Street"

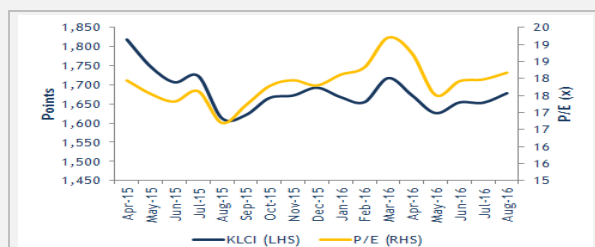
In any case, we are less concern on that prospect but more concern of the US presidential election.(See full report next page)

Corporate Highlights

- **Nexgram (CP: RM0.06):** Receives LOI for JV on Rakyat 1Malaysia housing project
- **Gadang (CP: RM3.00):** Clinches development rights for R3-1
- **Hibiscus (CP: RM0.245):** To buy Shell's operatorship of four oil fields offshore Sabah

Economic Update

- **Malaysia:** Steel Industry Players Should Consider Industry Consolidation
- **Argentina:** Macri Faces an Ugly Economic Dilemma
- **China:** Gloomy Sept trade data raise fears recovery may be faltering



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
JN	11-Oct	7:50 AM	Trade Balance BoP Basis	¥119.2b	¥613.9b
US	12-Oct	7:00 PM	MBA Mortgage Applications	--	0.029
MA	12-Oct	12:00 PM	Industrial Production YoY	--	0.041
MA	12-Oct	12:00 PM	Manufacturing Sales Value YoY	--	-0.034
US	13-Oct	2:00 AM	U.S. Fed Releases Minutes from Sept. 20-21 FOMC Meeting		
US	13-Oct	2:00 AM	FOMC Meeting Minutes	--	--
US	13-Oct	8:30 PM	Import Price Index MoM	0.001	-0.002
US	13-Oct	8:30 PM	Import Price Index YoY	--	-0.022
US	13-Oct	8:30 PM	Initial Jobless Claims	--	2.49k
US	13-Oct	8:30 PM	Continuing Claims	--	2058k
US	14-Oct	8:30 PM	Retail Sales Advance MoM	0.006	-0.003
US	14-Oct	8:30 PM	Retail Sales Ex Auto MoM	0.004	-0.001
US	14-Oct	8:30 PM	PPI Final Demand MoM	0.002	0
US	14-Oct	8:30 PM	PPI Ex Food and Energy MoM	0.001	0.001
US	14-Oct	8:30 PM	PPI Ex Food, Energy, Trade MoM	--	0.003
US	14-Oct	8:30 PM	PPI Final Demand YoY	0.006	0
US	14-Oct	8:30 PM	PPI Ex Food and Energy YoY	0.012	0.01
US	14-Oct	10:00 PM	U. of Mich. Sentiment	92	91.2
CH	14-Oct	9:30 AM	CPI YoY	0.016	0.013
CH	14-Oct	9:30 AM	PPI YoY	-0.003	-0.008
JN	14-Oct	7:50 AM	PPI MoM	-0.001	-0.003
JN	14-Oct	7:50 AM	PPI YoY	-0.032	-0.036

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Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,665.02	-2.01	-0.12
FBMEMAS	11,758.33	-14.11	-0.12
FBMEMAS SHA	12,415.67	-18.41	-0.15
FBM100	11,457.23	-14.26	-0.12
Volume (mn)	1,758.56	159.56	9.98
Value (RMmn)	1,939.84	95.87	5.20
FBMKLCI YTD Chg			-1.62

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	60.2	51.6
Retail	12.9	-5.6
Foreign	26.9	-46.0

Top Gainers

	Close	Change+/-	(+/- %)
FRASER & NEAVE	24.50	0.52	1.70
KESM INDUS BHD	8.84	0.39	4.62
LATITUDE TREE HL	5.19	0.34	7.01

Top Losers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	47.82	-0.92	-1.89
PETRONAS DAGA	23.28	-0.18	-0.77
PETRONAS GAS	21.84	-0.12	-0.55

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,098.94	-45.26	-0.25
NASDAQ	5,213.33	-25.69	-0.49
S&P 500	2,132.55	-6.63	-0.31
FTSE 100	6,977.74	-46.27	-0.66
DAX	10,414.07	-109.00	-1.04
Nikkei 225	16,774.24	-65.76	-0.39
HSI	23,031.30	-375.75	-1.61
KOSPI	2,015.44	-18.29	-0.90
STI	2,800.84	-12.87	-0.46
KLCI Futures	1,661.00	(4.50)	(0.00)
USDMYR 3M	10.34	(0.04)	(0.00)
USDMYR 6M	10.56	0.01	0.00
USDMYR 12M	10.88	(0.01)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	0.2	0.3%
Brent (USD/bbl)	52.0	0.2	0.4%
Gold(USD/ounce)	1,257	-0.7	-0.1%
Coal (USD/mt)	88.0	2.0	2.3%
CPO (RM/mt)	2,618	-35.0	-1.3%
Rubber	164	-1.5	-0.9%
RM/USD	4.21	0.014	-0.33%
EUR/USD	0.90	0.0002	0.02%
YEN/USD	103.63	-0.08	0.08%

What To Expect

U.S. Market

- The Dow Jones Industrials Average weakened by 45.26 points to 18,098.94 and S&P 500 fell 6.63 points to 2,132.55. Nasdaq shed 25.69 points to 5,213.33. A sharp decline in China's exports rattled global markets while fueling increases in gold and government-bond prices, before U.S. stock indexes bounced back in afternoon trading.
- Oil prices recovered from an early loss. Benchmark U.S. crude rose 26 cents to \$50.44 a barrel. Brent crude, the international standard, rose 22 cents to \$52.03 a barrel. Investors bought government bonds, which sent yields sharply lower. The yield on the 10-year Treasury note slid to 1.74% from 1.77%.

The Local Market

- FBMKLCI ended weaker by losing 2.01 points at 1,665.02 after late selling of heavyweights in line with weaker key Asian markets. There were 304 gainers and 485 decliners in total value traded of RM1.94 billion.
- Among the losers on Bursa Malaysia British American Tobacco dropped 92 cent to RM47.82, Petronas Dagangan declined 18 cent to RM23.28 and Petronas Gas fell 12 cent to RM21.84.

Strategy

- **“The Prospect of US Interest Rate Hike Hurt Wall Street”**
Wall Street ended lower on Thursday hurt by the rising prospect of US interest rate hike. **S&P 500** and **DJIA** lost 6.63 (-0.31%) and 45.26 (-0.25%) points to end at **2,132.55** and **18,098.94** respectively. US FOMC meeting minutes showed that the case for lifting policy accommodation has increased. The street now expects 70% chance of the FFR may get adjusted in December with November adjustment off the table due to US presidential election. In any case, we are less concern on that prospect but more concern of the US presidential election. The latter will take place on the 8th of November. Although the race is now led by Hillary Clinton but it is not hands down. Anything can happen and that is a big concern for the global equity market. The market may get jittery if the Republican candidate gets elected and so are we. Until and unless that big overhang is removed, we continue to believe that the market will trade cautiously.
- 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

Nexgram (CP: RM0.06): Receives LOI for JV on Rakyat 1Malaysia housing project

Nexgram Holding Bhd has received a Letter of Intent (LOI) and Joint-Collaboration to work with Suara Hati Sdn Bhd (Suara Hati) on a proposed Rakyat 1Malaysia housing development project. The group said its 70%-owned subsidiary Blue Hill Development Sdn Bhd had received the (LOI) on Oct 10, to work with Suara Hati on a joint venture basis to develop the "Gombak PR1MA Valley" in Gombak, Selangor. In an announcement to Bursa Malaysia on Thursday, the group said the project would be situated on 49.43 acres of leasehold Malay reserved land. (Source: The Star)

Hibiscus (CP: RM0.245): To buy Shell's operatorship of four oil fields offshore Sabah

Shell has reached an agreement to sell its 50% equity interest in the 2011 North Sabah enhanced oil recovery (EOR) production sharing contract (PSC) to Hibiscus Petroleum Bhd's indirect unit SEA Hibiscus Sdn Bhd for US\$25mil (RM104.8mil). The amount excludes post completion adjustments and reimbursements to Shell. Currently, Sabah Shell Petroleum Co (25%) is the operator, partnering with Shell Sabah Selatan (25%) and Petronas Carigali Sdn Bhd (50%) in the PSC, which includes the Labuan Crude Oil Terminal, and the fields of St Joseph, South Furious, SF30 and Barton, all located offshore Sabah. Total oil production (on a 100% PSC basis) averaged 18 kilobarrels (kbbbls) per day last year, according to statements from Shell and Hibiscus. (Source: The Star)

Gadang (CP: RM3.00): Clinches development rights for R3-1

Gadang Holdings Bhd (Gadang) has been awarded the development rights for Plot R3-1 of the Kwasa Damansara township by master developer Kwasa Land Sdn Bhd (Kwasa Land). More than 10 developers were invited to bid for Plot R3-1, which is the biggest thus far for residential developments to be developed by Tier-2 developers. The plot is sited on a freehold land measuring 24.08 acres and is located close to a town park, proposed schools, a mosque, and commercial developments. (Source: The Star)

Atlan (CP: RM4.86): Q2 profit soars on weaker ringgit

Atlan Holdings Bhd, a duty free operator, doubled its net profit to RM14mil in the second quarter ended Aug 31 from the same quarter a year ago, helped by the weaker ringgit. Revenue improved 3.9% to RM199.6mil. The company, in a filing with Bursa Malaysia yesterday, said lower operating expenses and higher revenue have led Atlan to experience significant increase in its after-tax profit. Earnings per share has also increased from 1.85 sen from the second quarter of 2015 to 3.78 sen. The entity's total borrowing as of the latest quarter, stood at about RM96.39mil. (Source: The Star)

Press Metal (CP: RM4.36): JV firm in China to start ops in 18-24 months

Press Metal Bhd's (PMB) joint-venture (JV) with Chinese aluminium company, Sunshine Development Co Ltd (SDCL), to set up Shandong Sunstone and PMB Carbon (SSPC), is expected to start operations in 18 to 24 months from now.

PMB, which will have a 20% stake in the RM280mil JV, with an option to increase it to 40%, aims to secure long-term supply of one of the major raw materials, pre-baked carbon anode. Group chief executive officer, Datuk Koon Poh Keong (pic), said PMB's share would only be worth about RM30mil. (Source: *The Star*)

Perisai (CP: RM0.07): Hits all-time low again after falling into PN17

Perisai Petroleum Teknologi Bhd saw its share price tumble to an all-time low of 6.5 sen early Thursday after it fell into Practice Note 17 (PN17) following a default in its debt notes. It was down one sen to 6.5 sen with 12.52 million shares done. The struggling oil and gas services company reported that its unit Perisai Capital (L) Inc defaulted on S\$125mil debt notes due on Oct 3. It has 12 months to regularise its financial position and implement the regularisation plan within the timeframe set by either the Securities Commission or Bursa Malaysia Securities Bhd. (Source: *The Star*)

BHIC (CP: RM1.80): Aeroservices bags RM62.5m govt job to maintain 3 helicopters

Boustead Heavy Industries Corporation Bhd's (BHIC) subsidiary has secured a RM62.58mil government contract to provide maintenance and support services for three helicopters. BHIC said on Thursday BHIC Aeroservices Sdn Bhd will provide maintenance and logistics support services for three Dauphin AS365N3 helicopters which belong to the Malaysian Maritime Enforcement Agency (MMEA). The 33 month contract took effect on Oct 1. (Source: *The Star*)

Cagamas: RM350mil debt notes yield at 3.42%

Cagamas Bhd (Cagamas) is issuing a two-year RM350mil in debt notes to fund the purchase of housing loans from the financial system. Cagamas, which is the National Mortgage Corporation of Malaysia, said on Thursday that the conventional medium term notes (CMTN) was concluded at a competitive yield of 3.42%. This was a spread of 10 bps over the two-year IRS rate. Cagamas CEO Chung Chee Leong said this was achieved despite the uncertainty in global markets ahead of the US Presidential elections and the Federal Open Market Committee (FOMC) rate decision in November. (Source: *The Star*)

ECONOMIC UPDATES

Malaysia: Steel Industry Players Should Consider Industry Consolidation

Steel industry players should seriously consider consolidation as well as getting foreign partners for joint-ventures and collaborations. Second Minister of International Trade and Industry, Datuk Seri Ong Ka Chuan, said the local steel industry must evolve to produce higher grade and higher value-added products to stay competitive and relevant. "The global outlook for the steel market is still uncertain especially with the surplus of world steel production. (Source: *Bernama*)

Argentina: Macri Faces an Ugly Economic Dilemma

When President Mauricio Macri took office in Argentina last December, he faced two monsters that his 44 million compatriots know only too well. The first

was an economy ravaged by spendthrifts, who'd driven public finances into disarray and then papered over the mess with magical statistics. The second was the quandary of how to restore sensible government without inflicting more sacrifice on an already castigated society, whose woes Macri's populist opponents predicted and are masters at exploiting. Argentina is hardly alone in this dilemma. As last decade's commodities boom collapsed, leaders who squandered the bonanza fell out of favor across Latin America. (Source: Bloomberg)

China: Gloomy Sept trade data raise fears recovery may be faltering

China's September exports fell 10% from a year earlier, far worse than expected, while imports unexpectedly shrank after picking up in August, suggesting signs of steadying in the world's second-largest economy may be short-lived. The disappointing trade figures pointed to weaker demand both at home and abroad, and deepened concerns over the latest depreciation in China's yuan currency, which hit a fresh six-year low against a firming US dollar on Thursday. "This comes on the heels of weak South Korean trade data, and it definitely makes us worry about to what extent global demand is improving," said Luis Kujis, head of Asia economics at Oxford Economics in Hong Kong. (Source: The Star)

China: Cooling Property Market May Risk Economic Growth

Actions by China's policy makers to rein in property prices in the bubble-prone nation may prove so effective that the economy's growth rate could be affected next year. At least 21 cities have introduced purchase restrictions and toughened mortgage lending since late September, reversing two years of easing to support home buyers. Goldman Sachs Group Inc. says more tightening is likely to follow if prices keep soaring, while Citigroup Inc. estimates shrinking demand may lead sales volume to contract in the fourth quarter. "This is a round of substantial and high-profile property tightening, whose national impacts should not be underestimated," Harrison Hu, chief greater China economist at Royal Bank of Scotland Group Plc. in Singapore, wrote in a report. (Source: Bloomberg)

Japan: Households See Economy Weak and Inflation Hitting 2%

Japanese households' inflation expectations remain unchanged from three months ago while their negative view of the economy has eased somewhat, according to a quarterly survey by the Bank of Japan. The median forecast of households for inflation one year from now was 2 percent, a survey conducted by the central bank from Aug. 10 to Sept. 5 shows. Households also see 2 percent inflation in five years, according to the survey, which was released on Thursday. This is in contrast to Japanese companies, which have cut their inflation projections. They see inflation of 0.6 percent in one year, and 1 percent in five years, according to a separate BOJ survey released on Oct. 4. (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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