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## At a Glance

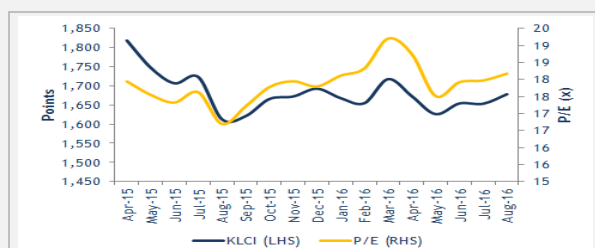
FBMKLCI halted the losses by adding 13.86 points at 1,667.57 as global oil prices rebounded and stronger ringgit that spurred buying interest .....(See full report next page)

## Corporate Highlights

- **Damansara Realty (CP: RM0.705):** Unit gets civil servant home project in Putrajaya
- **HeiTech Padu (CP: RM0.625):** Bags RM14.86m contract from Prudential Services Asia
- **Tanjung Offshore (CP: RM0.315):** Plans to buy RM9.8m property to save on rental

## Economic Update

- **Malaysia:** Insurance industry not up to mark yet, says BNM governor
- **China:** Credit Surge Fuels Economic Stabilization, Debt Concerns
- **EU:** Governments Stall on Canada Trade Accord Amid Belgian Split



## KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
US	17-Oct	9:15 PM	Industrial Production MoM	0.20%	-0.40%
EC	17-Oct	5:00 PM	CPI MoM	--	0.001
EC	17-Oct	5:00 PM	CPI YoY	--	0.004
EC	17-Oct	5:00 PM	CPI Core YoY	--	0.008
JN	17-Oct	12:30 PM	Industrial Production MoM	--	1.50%
JN	17-Oct	12:30 PM	Industrial Production YoY	--	4.60%
US	18-Oct	8:30 PM	CPI MoM	0.30%	0.20%
US	18-Oct	8:30 PM	CPI Ex Food and Energy MoM	0.20%	0.30%
US	18-Oct	8:30 PM	CPI YoY	1.50%	1.10%
US	19-Oct	7:00 PM	MBA Mortgage Applications	--	-6.00%
US	19-Oct	8:30 PM	Housing Starts	1170k	1142k
US	19-Oct	8:30 PM	Housing Starts MoM	2.50%	-5.80%
US	19-Oct	8:30 PM	Building Permits	1163k	1139k
US	19-Oct	8:30 PM	Building Permits MoM	0.90%	-0.40%
CH	19-Oct	10:00 AM	Industrial Production YoY	0.064	0.063
CH	19-Oct	10:00 AM	Industrial Production YTD YoY	0.061	0.06
CH	19-Oct	10:00 AM	Retail Sales YoY	0.107	0.106
CH	19-Oct	10:00 AM	Retail Sales YTD YoY	0.103	0.103
CH	19-Oct	10:00 AM	GDP YTD YoY	0.067	0.067
CH	19-Oct	10:00 AM	GDP SA QoQ	0.018	0.018
CH	19-Oct	10:00 AM	GDP YoY	0.067	0.067
US	20-Oct	8:30 PM	Initial Jobless Claims	--	--
US	20-Oct	8:30 PM	Continuing Claims	--	--
US	20-Oct	10:00 PM	Existing Home Sales	5.34m	5.33m
US	20-Oct	10:00 PM	Existing Home Sales MoM	0.20%	-0.90%
US	20-Oct	10:00 PM	Leading Index	0.20%	-0.20%
EC	20-Oct	7:45 PM	ECB Main Refinancing Rate	--	0
EC	20-Oct	7:45 PM	ECB Deposit Facility Rate	--	-0.004
EC	20-Oct	7:45 PM	ECB Marginal Lending Facility	--	0.0025
MA	21-Oct	3:00 PM	Foreign Reserves	--	\$97.7b

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## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,667.57	13.86	0.84
FBMEMAS	11,804.24	94.64	0.81
FBMEMAS SHA	12,454.06	85.05	0.69
FBM100	11,503.03	96.54	0.85
Volume (mn)	1,561.47	299.61	23.74
Value (RMmn)	1,872.15	355.46	23.44
FBMKLCI YTD Chg			-1.47

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	59.2	-224.1
Retail	12.3	-30.1
Foreign	28.5	254.2

## Top Gainers

	Close	Change+/-	(+/- %)
KESM INDUS BHD	9.22	0.42	4.77
PANASONIC	36.90	0.32	0.87
ALLIANCE FIN	3.98	0.17	4.46

## Top Losers

	Close	Change+/-	(+/- %)
HEINEKEN	16.76	-0.32	-1.87
CARLSBERG	14.48	-0.24	-1.63
AJINOMOTO	13.60	-0.20	-1.45

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,161.94	75.54	0.42
NASDAQ	5,243.84	44.01	0.85
S&P 500	2,139.60	13.10	0.62
FTSE 100	7,000.06	52.51	0.76
DAX	10,631.55	127.98	1.22
Nikkei 225	16,963.61	63.49	0.38
HSI	23,394.39	356.85	1.55
KOSPI	2,040.43	12.82	0.63
STI	2,817.07	11.22	0.40
KLCI Futures	1,666.50	20.00	0.01
USDMYR 3M	10.29	0.02	0.00
USDMYR 6M	10.46	0.02	0.00
USDMYR 12M	10.82	0.02	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	0.5	1.0%
Brent (USD/bbl)	51.7	0.2	0.3%
Gold(USD/ounce)	1,263	0.3	0.0%
Coal (USD/mt)	92.7	1.8	1.9%
CPO (RM/mt)	2,714	-54.0	-2.0%
Rubber	166	2.2	1.3%
RM/USD	4.19	-0.0255	0.61%
EUR/USD	0.91	0.0003	0.03%
YEN/USD	103.84	-0.03	0.03%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average rose 75.54 points to 18,161.94 and S&P 500 gained 13.10 points to 2,139.60. Nasdaq increase 44.01 points to 5,243.84. U.S. stocks closed higher Tuesday as investors welcomed stronger-than-expected quarterly results from a roster of companies, including Goldman Sachs Group Inc., UnitedHealth Group Inc. and Netflix Inc.
- U.S. stocks closed higher Tuesday as investors welcomed stronger-than-expected quarterly results from a roster of companies, including Goldman Sachs Group Inc., UnitedHealth Group Inc. and Netflix Inc. U.S. West Texas Intermediate (WTI) crude CLc1 ended the session up 35 cents, or 0.7 percent, at \$50.29. In post-settlement trade, it got to \$50.78.

### The Local Market

- FBMKLCI halted the losses by adding 13.86 points at 1,667.57 as global oil prices rebounded and stronger ringgit that spurred buying interest. There were 467 gainers and 319 decliners in total value traded of RM1.87 billion.
- Among the gainers on Bursa Malaysia KESM Industry surged 42 cent to RM9.22, Panasonic soared 32 cent to RM36.90, Alliance Financial Group and Hong Leong Industry added 17 cent respectively to RM3.98 and RM9.50.

### 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

### **Damansara Realty (CP: RM0.705): Unit gets civil servant home project in Putrajaya**

Damansara Realty Bhd subsidiary Damansara Realty (Johor) Sdn Bhd will develop the 1Malaysia Civil Servants Housing (PPA1M) project in Putrajaya. The project has a gross development value of RM467.3 million. Damansara Realty (Johor) on Tuesday signed an agreement with Putrajaya Corp (PJC) on the venture. The project, spread over 4.82ha, comprises 1,350 residential units and 45 commercial units at Presinct 5 and is expected to be completed by end-2019, Damansara Realty said in a statement. It said revenue from the PPA1M project will be recognised in the current financial year ending Dec 31, 2016 and is expected to increase significantly in the financial year ending Dec 31, 2017. (Source: The Star)

**HeiTech Padu (CP: RM0.625): Bags RM14.86m contract from Prudential Services Asia**

HeiTech Padu Bhd has accepted a purchase order worth RM14.86 million from Prudential Services Asia Sdn Bhd for Disaster Recovery Services and Office Rental Services. In a filing with Bursa Malaysia today, HeiTech Padu said the duration of the purchase order is for three years. "The purchase order will not have any material effect on HeiTech's net asset for the financial year ending Dec 31, 2016 (FY16) and is expected to contribute positively to the future earnings of HeiTech," it said. The risks are normal ones encountered by other companies undertaking a similar endeavour, and HeiTech Padu has taken necessary steps to protect itself, as well as to mitigate the risks, when and as it occurs. (Source: *The Edge*)

**Tanjung Offshore (CP: RM0.315): plans to buy RM9.8m property to save on rental**

Tanjung Offshore Bhd's wholly-owned subsidiary T7 Property Sdn Bhd plans to acquire a RM9.8 million freehold single-storey detached factory in Hulu Langat, Selangor to save on rental and improve its corporate image. In a filing with Bursa Malaysia, Tanjung said it has entered into a sale and purchase agreement (SPA) with Public Bank Bhd for the building annexed with a three-storey office/showroom. Tanjung said the rational was due to the expiry of tenancy agreement of Gas Generators Sdn Bhd, its wholly-owned subsidiary, in the fourth quarter of 2016. (Source: *The Edge*)

**Selangor Dredging (CP: RM0.86): Sells Damansara Heights lands for RM71m**

Selangor Dredging Bhd, a property developer, is disposing of 16 pieces of freehold land at Damansara Heights, which collectively measures 15,751 square metres, for RM71 million cash. In a filing with Bursa Malaysia today, Selangor Dredging said its wholly-owned subsidiary SDB Damansara Sdn Bhd has entered into an agreement with Bukit Selesa Development Sdn Bhd for the disposal. Selangor Dredging said the disposal consideration will be solely used for the repayment of intercompany borrowings. (Source: *The Edge*)

**Pantech (CP: RM0.58): 2Q net profit down by half amid weak O&G demand**

Pantech Group Holdings Bhd saw its net profit plunge 51% to RM5.14 million or 0.84 sen per share for the second quarter ended Aug 31, 2016 (2QFY2017), from RM10.43 million or 1.72 sen per share a year earlier. Revenue was down 14% to RM103.81 million, from RM121.41 million, it said in a filing with the stock exchange. Pantech said the lower performance was due to weak demand in the oil and gas (O&G) sector, while competition has pressured margins. Segmentally, its trading division saw lower profit of RM3.94 million versus RM6.36 million in the preceding year, while the manufacturing division's profit fell 14% year-on-year to RM3.81 million. (Source: *The Edge*)

**Pensonic (CP: RM0.75): To set up marketing units in Indonesia and Thailand**

Pensonic Holdings Bhd, Malaysia's first home-grown electrical appliance company, plans to set up sales and marketing subsidiaries in Indonesia and Thailand. "We are considering the model that would be used for the set-up in these countries. It could be a joint venture or a set-up on our own," said its group chief executive officer Dixon Chew. "We are talking to several parties and

we plan to start by the fourth quarter (of the financial year ended May 31, 2017)," Chew told reporters before the company's annual general meeting here today. Pensonic currently uses third party agents to undertake sales and marketing in Thailand and Indonesia. (Source: *The Edge*)

#### **UEM Sunrise (CP: RM1.21): Unit loses to taxman in RM73.8mil suit**

UEM Sunrise Bhd's indirect unit Bandar Nusajaya Development Sdn Bhd (BND) won against the Inland Revenue Board (IRB) in two lower courts, but its luck ran out at the Federal Court, the country's highest court. The property developer, which is ultimately controlled by Khazanah Nasional Bhd (66.06% indirect stake), told Bursa Malaysia that the Federal Court had ruled in favour of IRB, which sought additional tax and penalty totalling RM73.84mil from BND. UEM Sunrise said the court also instructed BND to follow the alternative appeal route provided under Section 99 of the Income Tax Act 1967 and appeal the matter to the Special Commissioners of Income Tax. (Source: *The Star*)

### **ECONOMIC UPDATES**

#### **Malaysia: Insurance industry not up to mark yet, says BNM governor**

Malaysia's insurance industry has in essence, not delivered the required results expected of it, said Bank Negara Malaysia (BNM) Governor Datuk Muhammad Ibrahim. In his keynote address at the Sixth Malaysian Insurance Summit today, the governor said the central bank had in the Insurance Annual Report for 2000, projected Malaysia's insurance sector would expand, following the trajectory of an "S-curve". BNM had forecast then that growth in both the life and general insurance markets would significantly outpace the economy, ascending the steep slope up the S-curve. Ibrahim said since then, total assets of the insurance and takaful sector have expanded at an annual rate of 13.3%, more than tripling in value from RM52 billion in 2000 to RM181 billion in 2010, with life insurance penetration increasing from 33% to 51% of the country's population over the same period. (Source: *The Edge*)

#### **China: Credit Surge Fuels Economic Stabilization, Debt Concerns**

China's broadest measure of new credit exceeded estimates in September to fuel the economy's continued stabilization and at the same time underscore escalating concerns over a property binge and the pace of debt expansion. With a credit-binge having succeeded in stabilizing the economy, policy makers are switching focus to reining in soaring home price gains that cheap borrowing costs have spurred. (Source: *Bloomberg*)

#### **EU: Governments Stall on Canada Trade Accord Amid Belgian Split**

European Union governments put off giving their verdict on the EU's draft trade agreement with Canada as they sought more time to overcome a political split in Belgium. Trade ministers from the 28-nation EU discussed the Canada accord on Tuesday in Luxembourg while separate talks continue in a bid to address concerns in Belgium's French-speaking southern region of Wallonia. The pact, the EU's first commercial deal with a fellow member of the Group of Seven leading industrialized countries, needs the support of all the bloc's governments as well as the European Parliament to take provisional effect in 2017. (Source: *Bloomberg*)

**Australia: RBA says 3Q inflation key for Nov rate call**

Australia's central bank says coming data on inflation and employment will be critical for interest rates at its next meeting on Nov. 1, opening the door to a possible easing in policy. A cut would surprise markets, which are pricing in only a small chance of an easing this year or next as Australia's A\$1.6 trillion (US\$1.2 trillion) economy marks a quarter century of growth without recession. New governor Philip Lowe said policy makers had to "guard" against the risk that sluggish consumer prices would feed into ever lower expectations for inflation, leading to an unwelcome downward spiral. "Lowe emphasised low inflation expectations more than the previous governor ever did," said CBA economist Kristina Clifton, referring to the recently retired Glenn Stevens. *(Source: The Edge)*

**Indonesia: Palm output likely rose in Sept**

Indonesia's crude palm oil (CPO) output likely rose in September on the onset of the harvest season, while a rise in exports was also seen, according to a Reuters survey. CPO production likely climbed by 2.4% to 2.9 million tonnes, according to the median estimate in a survey of three industry associations, a state palm research firm and one of Indonesia's largest planters. There has been an increase in output for the fifth month as production at the world's top producer of palm oil steadily recovers from an after-effect of drought caused by the El Nino weather pattern. *(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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