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Thursday, October 20, 2016

Report of the Day

IPO Note: BCM Alliance – “Dominating Self-Service Commercial Laundry Market” (Non-Rated)

At a Glance

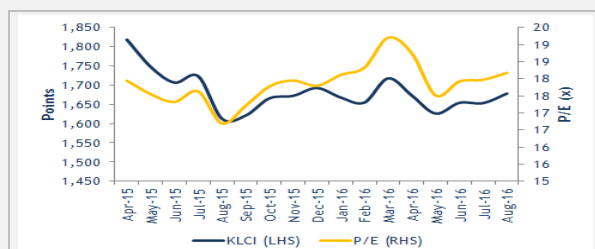
FBMKLCI continued its fine performance by adding 0.70 points to 1,668.27 despite lack of catalyst at this point ahead of budget announcement.(See full report next page)

Corporate Highlights

- **Maxis (CP: RM6.01):** Posts strong earnings in Q3, Div 5 sen
- **Digi (CP: RM5.00):** Posts higher Q3 earnings, Div 5.6 sen
- **Eco World (CP: RM1.36):** Opens Lekas-Eco Majestic interchange

Economic Update

- **Malaysia:** Malaysia To Ensure Sovereignty Will Not Be Compromised By Joining AIIIB
- **U.S.:** Housing Starts Unexpectedly Drop on Multifamily-Unit Slide
- **Brazil:** Cuts Rate For First Time Since 2012 With Cautious Outlook



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	1,668.27	0.70	0.04
FBMEMAS	11,808.42	4.18	0.04
FBMEMAS SHA	12,454.32	0.26	0.00
FBM100	11,508.33	5.30	0.05
Volume (mn)	1,388.47	-180.14	-11.48
Value (RMmn)	1,584.44	-291.27	-15.53
FBMKLCI YTD Chg			-1.43

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	65.5	-51.0
Retail	13.8	-25.3
Foreign	20.7	76.3

Top Gainers

	Close	Change+/-	(+/- %)
KESM INDUS BHD	9.79	0.57	6.18
PANASONIC	37.40	0.50	1.36
LAFARGE MALAY	8.40	0.21	2.56

Top Losers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	47.86	-0.48	-0.99
FRASER & NEAVE	24.10	-0.34	-1.39
KHIND HOLDINGS	2.55	-0.15	-5.56

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,202.62	40.68	0.22
NASDAQ	5,246.41	2.58	0.05
S&P 500	2,144.29	4.69	0.22
FTSE 100	7,021.92	21.86	0.31
DAX	10,645.68	14.13	0.13
Nikkei 225	16,998.91	35.30	0.21
HSI	23,304.97	-89.42	-0.38
KOSPI	2,040.94	0.51	0.02
STI	2,844.62	13.99	0.49
KLCI Futures	1,666.50	0.50	0.00
USDMYR 3M	10.12	0.02	0.00
USDMYR 6M	10.34	0.01	0.00
USDMYR 12M	10.72	0.01	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	-0.1	-0.2%
Brent (USD/bbl)	52.7	1.0	1.9%
Gold(USD/ounce)	1,270	0.3	0.0%
Coal (USD/mt)	91.4	-1.3	-1.4%
CPO (RM/mt)	2,732	18.0	0.7%
Rubber	163	-3.2	-1.9%
RM/USD	4.18	-0.0078	0.19%
EUR/USD	0.91	0	0.00%
YEN/USD	103.38	-0.06	0.06%

What To Expect

U.S. Market

- The Dow Jones Industrials Average rose 40.68 points to 18,202.62 and S&P 500 gained 4.69 points to 2,144.29. Nasdaq increased 2.58 points to 5,246.41. Stocks, boosted by earnings beats by leading companies in the financial and energy sectors, ended higher Wednesday as the market notched its first back-to-back daily gains in October.
- Stocks got a boost from better-than-expected earnings reports from Wall Street bank Morgan Stanley and oil services company Halliburton. Wall Street is closely watching the third-quarter earnings season, as the S&P 500 has posted negative profit growth the prior four quarters and investors are hoping that the July-thru-September quarter marks the end of the so-called earnings recession.

The Local Market

- FBMKLCI continued its fine performance by adding 0.70 points to 1,668.27 despite lack of catalyst at this point ahead of budget announcement. There were 373 gainers and 403 decliners in total value traded of RM1.58 billion.
- Among the gainers on Bursa Malaysia KESM Industry surged 42 cent to RM9.79, Panasonic soared 50 cent to RM37.40, Lafarge added 21 cent to RM8.40 and TAHPs grew 20 cent to RM6.70.

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

Maxis (CP: RM6.01): Posts strong earnings in Q3, Div 5 sen

Maxis Bhd posted a strong set of earnings in the third quarter ended Sept 30, 2016 at RM503mil and declared a dividend of five sen a share. It announced on Wednesday the earnings were up 19.7% from RM420mil a year ago. Its earnings per share were 6.7 sen compared with 5.6 sen a year ago. Maxis' revenue, however, dipped 0.46% to RM2.156bil from RM2.166bil a year ago. It also performed stronger from the second quarter ended June 30, 2016 where its service revenue grew 2.8% to RM2.113bil. Maxis said prepaid revenue grew 6.6% to RM1.022bil while the postpaid segment added 18,000 new customers. Revenue was stable with a slight decline at RM960mil against RM975mil. (Source: The Star)

Digi (CP: RM5.00): Posts higher Q3 earnings, Div 5.6 sen

Digi.Com Bhd saw its earnings climb more than 10% in the third quarter ended Sept 30, 2016, underpinned by strong growth in postpaid revenue and improved prepaid sustainability. The telco announced on Wednesday its earnings rose 10.3% to RM438.38mil from RM396.61mil a year ago. It declared an interim dividend of 5.6 sen per share totalling RM435mil in keeping with the company's commitment to shareholders' returns. Its earnings per share were 5.64 sen compared with 5.10 sen. Its revenue fell 3.32% to RM1.619bil from RM1.674bil a year ago. (Source: The Star)

Eco World (CP: RM1.36): Opens Lekas-Eco Majestic interchange

Eco World Development Group Bhd had today opened the Lekas-Eco Majestic interchange along the Kajang-Seremban Highway (Lekas) to provide easier access to the Eco Majestic township. Eco World is the developer of the 1,089 acre (436 ha) Eco Majestic here. Eco World chairman and president Datuk Chang Khim Wah said the RM50 interchange provided an additional entry and exit point to the township via Exit 2102A. "We expect the interchange to benefit not only residents of Eco Majestic but the community and businesses in surrounding areas," Chang said. He was speaking to reporters at the interchange's opening ceremony here. He said the interchange would not only ease traffic congestion but cut travelling time to the Kuala Lumpur City Centre to about 35 minutes. (Source: The Edge)

LaFarge (CP: RM8.40): Clarifies disposal of unit

Lafarge Malaysia Bhd's disposal of its unit Lafarge Aggregates (Ipoh) Sdn Bhd for RM28 million announced earlier this week was based on a willing buyer willing seller basis, after taking into consideration the net assets, discounted cash flow of LAI and market valuation, said the company. "The purchase consideration of RM28 million was arrived at on a willing buyer willing seller basis, after taking into account our net assets, discounted cash flow and market valuation of our assets," the group said in clarification to Bursa Malaysia today. Lafarge Malaysia's net assets as at Dec 31, 2015 were valued at RM9.8 million, whereas its discounted cash flow based on continued self-operation model now stands at RM14.5 million. (Source: The Edge)

Ajinomoto (CP: RM13.60): To exit Maypak

Ajinomoto (M) Bhd has accepted the offer from Japan's Taisei Lamic Co Ltd to sell its entire stake of 5% in Malaysia Packaging Industry Bhd (Maypak) at RM1.37 million or 65 sen per share. Ajinomoto said in a bourse filing it accepted the unconditional mandatory take-over offer from Taisei today to dispose of its entire shareholding of the 2.1 million shares it held in Maypak. "Subsequent to the above, the company shall cease to be a shareholder of Maypak," it added. Earlier on Monday, minority shareholders of Maypak were advised to reject the takeover offer as the offer price was deemed unattractive. (Source: The Edge)

Scanwolf (CP: RM0.29): FY16 audited results show RM2.05m net loss

Scanwolf Corp Bhd reported a deviation of more than 10% in its net loss between the unaudited results and audited financial statements for the financial year ended June 30, 2016 (FY16). In a filing with Bursa Malaysia yesterday, the company said it made bigger net losses of RM2.05 million for FY16 and not

RM424,605 as reported earlier, reflecting a difference of 383.83%. Scanwolf said the major causes of the variance between the announced unaudited results and the audited financial statement are mainly due to the adjustment for unrealised "revenue" and "property development costs recognised" between two subsidiaries in the property segment of RM2.70 million and RM1.07 million from the consolidated statement of profit or loss and other comprehensive income respectively. *(Source: The Sun)*

Priceworth (CP: RM0.13): To acquire Sabah timber firm for RM260m

Priceworth International Bhd is acquiring the entire stake in Rumpun Capaian Sdn Bhd for RM260 million to put the group in a significantly more profitable financial position. Priceworth is also looking to float wholly owned subsidiary GSR Pte Ltd on the Singapore exchange as part of the funding exercise for the acquisition. In a filing with Bursa Malaysia, Priceworth said the acquisition will enable it to access a significant 100-year concession of 101,161ha of forest management unit in Trus Madi, Sabah, known as FMU5 with timber-harvesting and replanting rights. Concurrently, Priceworth's wholly owned subsidiary Sinora Sdn Bhd has also entered into a log extraction and timber sale agreement with Rumpun's 99.99%-owned subsidiary Anika Desiran Sdn Bhd, to allow it to extract and remove at the contractor's own cost, all commercial logs and/or merchantable timber within the area. *(Source: The Sun)*

Emico (CP: RM0.225): Plans capital reduction to pare losses

Emico Holdings Bhd is proposing a capital reduction by cancelling 90 sen out of the par value of every existing ordinary share of RM1 each to pare down its accumulated losses. According to its filing with the stock exchange today, Emico said the proposed exercise is expected to give rise to credit of approximately RM86.33 million, which will be utilised to set off its accumulated losses. As at March 31, 2016, it had accumulated losses of RM81.28 million at company level and RM74.54 million at group level. "The remaining credit after setting off the accumulated losses will be credited to the retained earnings of the company," it added. The company has an issued and paid-up share capital of RM95.93 million comprising 95.93 million shares as at Sept 30, 2016. *(Source: The Edge)*

Auto Sector: Vehicle sales volume in September down 7.9%

Sales volume of vehicles in September was 7.9% or 4,121 units lower than in August 2016 on stringent hire purchase loans approval, cautious consumer sentiment and the wait for new model launches, the Malaysian Automotive Association said in a statement yesterday. Total industry volume year to date was down 13.8% at 418,433 units, compared with the same period in 2015. Sales volume for October 2016 however is expected to be slightly higher than September 2016 on new model launches. Sales volume for September 2016 stood at 48,191, compared with 51,099 for the same month in 2015. This was on lower production of vehicles at 41,453 for September in 2016, compared with 45,734 produced in 2015. *(Source: The Sun)*

ECONOMIC UPDATES

Malaysia: Malaysia To Ensure Sovereignty Will Not Be Compromised By Joining AIIB

Malaysia will ensure that the country's sovereignty is not compromised by becoming a member of the Asian Infrastructure Investment Bank (AIIB), said Second Finance Minister, Datuk Johari Abdul Ghani. Johari said this at the winding-up of the debate on the Asian Infrastructure Investment Bank Bill which was tabled for the second reading at the Dewan Rakyat today. The Bill aims to enable the country become a full member of AIIB and submit the ratification instruments and pay subscription as a prerequisite. *(Source: Bernama)*

U.S.: Housing Starts Unexpectedly Drop on Multifamily-Unit Slide

New-home construction in the U.S. unexpectedly fell in September on a plunge in multifamily building while permits rose more than forecast, in signs of fitful progress in residential real estate. Residential starts declined 9 percent to a 1.05 million annualized rate, the lowest since March 2015, a Commerce Department report showed Wednesday in Washington. The median forecast of economists surveyed by Bloomberg called for a rise to 1.18 million. Permits, a proxy for future construction, jumped 6.3 percent to the fastest pace since November. *(Source: Bloomberg)*

Brazil: Cuts Rate For First Time Since 2012 With Cautious Outlook

Brazil's central bank cut its benchmark interest rate for the first time in four years, cautioning that the extent and pace of the easing cycle will depend on further progress on economic reforms and inflation. The central bank's board led by President Ilan Goldfajn voted unanimously to cut the so-called Selic rate by a quarter-point to 14 percent, in line with 36 out of 59 analysts surveyed by Bloomberg. Two expected no change and the remainder predicted a 50 basis point cut. "The committee considers that the convergence of inflation toward the target in 2017 and 2018 is compatible with a moderate and gradual easing of monetary conditions," the bank said in an accompanying statement. *(Source: Bloomberg)*

China: Sept property investment and sales quicken, new construction slips

September's investment in Chinese real estate showed its strongest growth since May as booming construction, sales and prices contributed handsomely to third-quarter economic expansion of 6.7% - offsetting stubbornly weak exports. Property investment rose 7.8% in September from a year earlier, compared with 6.2% in August, according to Reuters calculations based on data issued by the National Bureau of Statistics (NBS) on Wednesday. But real estate developers may have become more cautious of taking on new developments, fearing a fall in sales momentum if the government imposes more tightening measures to prevent a property bubble, analysts say. New construction starts fell 19.4% in September month, suggesting sentiment among builders may have already started to cool. *(Source: The Star)*

China: Q3 GDP grows 6.7%, in line with expectations

China's economy grew 6.7 percent in the third quarter from a year earlier, steady from the previous quarter and in line with market expectations, as increased government spending and a property boom offset stubbornly weak exports. Analysts polled by Reuters had predicted gross domestic product (GDP) would grow 6.7 percent in the July-September period, unchanged from the second quarter and the first quarter. While fears of a hard landing have eased this year, recent data also have highlighted growing imbalances in the world's second-largest economy, with growth increasingly dependent on government spending and ballooning debt as private investment tumbles to record lows. The high-flying property market is also beginning to show signs of overheating. (Source: *The Star*)

Canada: Bank of Canada keeps its benchmark rate at 0.50%

The Bank of Canada today announced it is maintaining its target for the overnight rate at 1/2%. The Bank Rate is correspondingly 3/4% and the deposit rate is 1/4%. The global economy is expected to regain momentum in the second half of this year and through 2017 and 2018. After a weak first half, the US economy in particular is strengthening: solid consumption is being underpinned by strong employment growth and robust consumer confidence. However, because of elevated uncertainty, US business investment is on a lower track than expected. Looking through the choppiness of recent data, the profile for growth in Canada is now lower than projected in July's Monetary Policy Report (MPR). This is due in large part to slower near-term housing resale activity and a lower trajectory for exports. The federal government's new measures to promote stability in Canada's housing market are likely to restrain residential investment, while dampening household vulnerabilities. (Source: *The Edge*)

Japan: To tighten regulations on high-frequency traders

Japan plans to tighten regulations on high-frequency trading (HFT), whose growing presence in the Tokyo Stock Exchange has raised concerns such trades could destabilise the market and put retail investors at a disadvantage. Regulators in Europe and elsewhere are also placing high-frequency traders, who use ultra-fast computers to automatically place trades, under closer scrutiny as they have been blamed for accentuating market volatility. Japan's market regulator, the Financial Services Agency, made public on Wednesday its plan to require high-frequency traders to register and to ensure proper risk management measures are in place. (Source: *The Star*)

Indonesia: Central bank seen taking a pause after multiple rate cuts

Indonesia's central bank, which has cut rates aggressively this year, is expected to hold its benchmark steady on Thursday as it assesses the impact of earlier policy easing on the sluggish economy. Bank Indonesia (BI) has cut its key rate five times in 2016, by a total of 125 basis points, and trimmed banks' reserve requirement ratio to aid economic growth, which last year was 4.8%, the slowest since 2009. The central bank has switched its main policy rate from the 12-month reference rate to the 7-day reverse repurchase rate, to more directly impact the financial market and enhance the effects of its monetary easing. Thirteen of 17 economists surveyed by Reuters said BI will leave its benchmark

on Thursday. The other four forecast another 25 basis point cut. (Source: *The Star*)

Saudi Arabia: IMF Sees Saudi Economic Rebound in 2017 as Austerity Eases

Saudi Arabia's economic growth will rebound next year after a sharp slowdown in 2016 as the kingdom's austerity drive eases "a little bit," a senior International Monetary Fund official said. The slump in oil prices has prompted the government to cut spending to curb a budget deficit that ballooned to about 15 percent of gross domestic product last year. Officials have delayed payment to contractors, reduced energy subsidies and trimmed the take-home pay of public servants. With the private sector heavily dependent on public spending, non-oil economic growth will slow to 0.3 percent this year, a rate that is "barely positive," according to Masood Ahmed, the IMF Middle East chief. (Source: *Bloomberg*)

Russia: Retail sales, wages exceed expectations in September

Russia's retail sales fell further in September but at a slower pace, suggesting its economic contraction is easing, data from the federal statistics service showed on Wednesday. Russia's economy has passed the most acute phase of an economic crisis, sparked by Western sanctions and low oil prices, and is now widely expected to return to growth in the next few months though the recovery is expected to be slow. The statistics service Rosstat said retail sales fell by 3.6 percent in September compared with a year ago after falling by 5.1 percent a month earlier. The decline in retail sales, which reflect momentum in consumer demand - the economy's key growth driver - was smaller than a 4.5 percent contraction predicted by analysts polled by Reuters. (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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