

PP14767/09/2012(030761)

Tuesday, October 25, 2016

## At a Glance

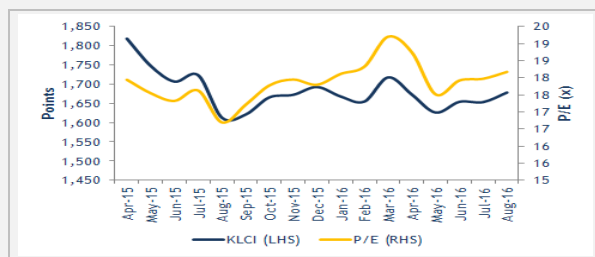
FBMKLCI continued its momentum by adding 7.78 points to 1,677.76 on speculation Malaysia may hold its next general election earlier than expected after the country announced Budget 2017.....(See full report next page)

## Corporate Highlights

- **Maybank, BUY (TP: RM8.70):** Maybank Indonesia posts strong 9M earnings
- **TM (CP RM6.58):** Speed upgrade won't hurt bottom line
- **BAT (CP RM50.24):** Profit continues to be impacted by Nov 2015 excise hike

## Economic Update

- **Malaysia:** Govt guarantee of up to RM100,000 to help buyers of PR1MA homes
- **Euro zone:** Oct business growth buoyant, prices rise - PMIs
- **India:** Central bank meets bank officials after debit card security breach



## 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

## Research Team

research@mna.com.my  
03-22877228/03-22825373

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,677.76	7.78	0.47
FBMEMAS	11,845.99	35.87	0.30
FBMEMAS SHA	12,475.78	33.41	0.27
FBM100	11,544.02	34.29	0.30
Volume (mn)	1,635.52	193.95	13.45
Value (RMmn)	1,690.70	-359.55	-17.54
FBMKLCI YTD Chg			-0.87

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	60.5	-11.9
Retail	15.6	-23.6
Foreign	23.9	35.5

## Top Gainers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	50.24	0.44	0.88
DUTCH LADY MILK	60.18	0.38	0.64
PETRONAS GAS	22.10	0.36	1.66

## Top Losers

	Close	Change+/-	(+/- %)
CARLSBERG	14.76	-0.24	-1.60
BURSA MALAYSIA	8.80	-0.23	-2.55
SCIENTEX BHD	6.74	-0.21	-3.02

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,223.03	77.32	0.43
NASDAQ	5,309.83	52.43	1.00
S&P 500	2,151.33	10.17	0.47
FTSE 100	6,986.40	-34.07	-0.49
DAX	10,761.17	50.44	0.47
Nikkei 225	17,234.42	49.83	0.29
HSI	23,604.08	229.68	0.98
KOSPI	2,047.74	14.74	0.73
STI	2,831.06	24.55	0.87
KLCI Futures	1,675.00	12.00	0.01
USDMYR 3M	9.53	0.02	0.00
USDMYR 6M	9.82	0.01	0.00
USDMYR 12M	10.08	0.01	0.00

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	51	0.0	0.0%
Brent (USD/bbl)	51.5	-0.3	-0.6%
Gold(USD/ounce)	1,263	-1.0	-0.1%
Coal (USD/mt)	92.8	0.0	0.0%
CPO (RM/mt)	2,822	98.0	3.6%
Rubber	165	1.6	1.0%
RM/USD	4.17	-0.0018	0.04%
EUR/USD	0.92	0.0007	0.08%
YEN/USD	104.32	0.14	-0.13%

---

**What To Expect**

---

---

**U.S. Market**

---

- The Dow Jones Industrials Average recovered the losses by adding 77.32 points to 18,223.03 and S&P 500 added 52.43 points to 2,151.33. Nasdaq rose 52.43 points to 5,309.83. Stocks rose Monday as investors seemed heartened by a flurry of activity in the mergers and acquisitions space.
- The deal activity suggests that companies are feeling positive about the prospects of the economy and that is encouraging. Investors will also parse quarterly earnings reports from companies. More than a third of the S&P 500 components are scheduled to report earnings this week, including heavyweights such as Apple and Boeing. Third-quarter earnings are expected to increase 1.1% from a year earlier, according to Thomson Reuters data. Of the 116 S&P companies that have reported earnings so far, 79 percent have beat analyst expectations, above the long-term average of 64 percent.

- 
- FBMKLCI continued its momentum by adding 7.78 points to 1,677.76 on speculation Malaysia may hold its next general election earlier than expected after the country announced Budget 2017. There were 378 gainers and 407 decliners in total value traded of RM1.69 billion.
  - Among the gainers on Bursa Malaysia were British American Tobacco surged 44 cent to RM50.24, Dutch Lady surged 38 cent to RM60.18, Petronas Gas added 36 cent to RM22.10 and Heineken grew 26 cent to RM17.08.

---

**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, BUY (TP: RM8.70): Maybank Indonesia posts strong 9M earnings**

PT Bank Maybank Indonesia Tbk (Maybank Indonesia) posted a strong set of earnings in the January-September 2016 at Rp1.3 trillion or RM416.89mil, boosted by higher net interest income and improvement in fee based income. The bank reported on Monday the earnings had jumped 118.4% from Rp592.2bil. Profit before tax surged 123.7% to Rp1.8 trillion in September 2016 from Rp784bil a year ago. Maybank Indonesia reported net interest income rose 14.8% to Rp5.5 trillion from Rp4.8 trillion in the previous corresponding period due to the bank's discipline in loan pricing and active funding management. Its net interest margin (NIM) increased 4.8% in September 2015 to 5.1% in September 2016. (Source: The Star)

**TM (CP RM6.58): Speed upgrade won't hurt bottom line**

Telekom Malaysia Bhd (TM), which was quick to announce its Broadband Improvement Plan following Budget 2017, said the speed upgrade for its broadband packages won't weigh on its bottom line in the short term. However, when asked about the price reduction by 50% by 2019, TM CEO Tan Sri Zamzamzairani Mohd Isa said the group is in talks with the government on the matter. "We're still discussing with the government and MCMC (Malaysian Communications and Multimedia Commission) on how we will implement it. We still have two years to look at it," he told a press conference here yesterday. Under the Broadband Improvement Plan, Zamzamzairani said, the average broadband speeds for residential UniFi customers will be doubled without any change in pricing. (Source: The Sun)

**BAT (CP RM50.24): Profit continues to be impacted by Nov 2015 excise hike**

British American Tobacco (M) Bhd (BAT) posted a profit attributable to shareholders of RM212.63mil for the third quarter ended Sept 30, down 17% from a year earlier. Revenue meanwhile dipped 20% to RM932.9mil. the cigarette manufacturer and retailer told Bursa Malaysia. For the nine-month period, its profit fell 40% to RM432.95mil due in part to the RM86mil provision for restructuring expenses made in the second quarter in relation to the winding down of its factory operations. BAT also noted that as of September 2016 year to date, total legal domestic market experienced a volume contraction of 28.6% versus the same period of last year, mainly driven by the steep excise increase in November last year. (Source: The Star)

**Eversendai (CP RM0.495): Order book hits RM2.5b**

Structural steel turnkey contractor Eversendai Corporation Bhd has secured contracts worth RM1.8bil for 2016, to date. It said on Monday its current order book was RM2.5bil and tender book RM20.8bil. Eversendai said its latest total secured projects in the Middle East, India and South East Asia have been progressing as scheduled, surpassing Eversendai's record. Amongst the new projects secured in September 2016 were The Royal Atlantis in Dubai, Al Wakrah Bypass, ITS Gantries in Qatar, Rupa Renaissance, Mumbai and Ameerpet & MGBS Stations, Hyderabad in India. The others were the Sinohydro-Jimah Project: Steam Turbine & Center Control building in Malaysia and New State Courts in Singapore. (Source: The Star)

**Bursa Malaysia (CP: RM8.80): 3QFY16 net profit drops to RM44.04mil**

Bursa Malaysia Bhd reported a lower net profit of RM44.04mil for its third quarter ended September 30, 2016 (3QFY16) from RM51.47mil a year ago on the back of lower trading activity and a subsequent increase in operating revenue. The stock exchange operator reported a revenue of RM119.4mil for the quarter compared to RM128.83mil over the corresponding period last year. No dividend was declared for the period. In its filing, Bursa disclosed that its trading revenue had fallen by 10.5% to RM51.3mil in 3QFY16 with a lower average daily value (ADV) for on-market trades (OMT) and direct business trades (DBT) of RM1.88bil compared to RM2.01bil a year ago. *(Source: The Star)*

**R & A Telecommunication (CP: Suspended): Given more time to submit plan**

R & A Telecommunication Group Bhd has secured a reprieve from Bursa Malaysia Securities from a delisting. This comes after it inked a memorandum of understanding earlier this month for the proposed acquisition of construction firm Synergy Goldtree Sdn Bhd as part of its regularisation plan. The telecommunication industry player said in a statement that the regulator, which last month rejected its application for a further time extension to submit a regularisation plan, had considered its appeal and gave a further extension up to Dec 31, 2016. In its Oct 13 announcement, R & A said Synergy Goldtree had bagged construction contracts with a total value of about RM839mil as at July 31, of which RM784mil was yet to be billed. *(Source: The Star)*

**Ekovest (CP RM2.18): Unit bags RM255mil contract**

Ekovest Bhd's wholly-owned unit, EkoRiver Construction Sdn Bhd, has received a letter of acceptance from Kuala Lumpur City Hall (DBKL) for the proposed improvement and beautification works worth RM255.49mil. The works are for package 4A – Sungai Klang vicinity from Jalan Kinabalu to Jalan Maarof; and Package 4B Brickfields, covering Jalan Scott, Jalan Tun Sambanthan 4, Jalan Thambipillay, Jalan Sultan Abdul Samad, Jalan Vivekananda, Jalan Rozario, Lorong Chan Ah Tong, Jalan Chan Ah Tong and Jalan Tebing. The contract also included the construction of an interceptor system and related works to improve the river water quality including the water treatment system along the Sungai Gombak and Sungai Klang. *(Source: The Star)*

**Ta Ann (CP RM3.58): Acquires over 5,000ha in Sarawak for RM211mil**

Ta Ann Holdings Bhd will boost its plantation land by 5,280ha through the proposed acquisition of the entire equity interest in Agrogreen Ventures Sdn Bhd for RM211.14mil. In a filing with Bursa Malaysia, the Sarawak-based timber and palm oil producer said it had on Monday inked three separate conditional share sale agreements to acquire 100% equity interest in Agrogreen. Agrogreen's main assets are its mineral soil land bank of 5,280ha in Lundu, Sarawak, of which more than 5,090ha have been planted with oil palms age one to five years old. Based on the planted acreage reported in its latest annual report, this would increase its planted area by over 6% to 87,372ha. *(Source: The Star)*

**GuocoLand (CP RM1.19): Posts 95% fall in 1Q earnings to S\$25.6 mil**

Developer GuocoLand saw 1Q earnings fall 95% to S\$25.6 million from S\$516.5 million a year ago on lower revenue and absence of one-off gain. Revenue fell

54% to S\$202.8 million. The lower revenue was mainly due to the absence of contribution from the sale of an office block in Shanghai Guoson Centre in the previous corresponding quarter. Gross profit declined by 70% due to the fall in revenue and lower gross margin arising from change in sales mix in the two periods of review. Meanwhile, other income in current quarter decreased by 98% to S\$12.4 million due to a one-time gain from the disposal of subsidiaries relating to the Dongzhimen project in the same quarter a year ago. *(Source: The Edge)*

**Axis REIT (CP RM1.75): 3Q NPI falls 3% on higher opex**

Axis Real Estate Investment Trust (REIT) saw its net property income (NPI) fall 3% to RM35.8 million for the third quarter ended Sept 30, 2016, from RM37.05 million in the previous year. Revenue was slightly higher at RM41.98 million, compared with RM41.86 million a year earlier, Axis REIT said in a filing today. The trust saw higher other operating expenditure for the quarter, at RM5.81 million versus the previous year's RM4.66 million. The trust said it is distributing RM22.66 million — representing 99.95% of total income available for distribution for the period of July 1 to Sept 30, 2016 — translating into 2.05 sen per unit, payable on Nov 30. *(Source: The Edge)*

**Metronic (CP RM0.075): Metronic and another shareholders seek to remove five MNC directors**

Metronic Global Bhd and another shareholder of MNC Wireless Bhd have last Friday given Special Notice to MNC of its intention to convene an EGM to remove certain directors namely Kua Khai Shyuan, Wong Kok Seong, Pang Siaw Sian, Thu Soon Shien and Tan Chor How @ Christopher from the board. Metronic is looking to appoint Nga Koo Koy, Eric Boon Chuan Kit, Ng Wee Peng, Tan Kian Hong and Raja Aida Jasmin Binti Raja Shahrome as directors instead. The action follows a suit filed by Metronic against CEO Datuk Seri Dr. Pang Chow Huat, Kua, Wong, Siaw Sian, Thu, Tan and MNC to restrain it from implementing a proposed rights issues, establish an employee share option scheme, increase the authorised share capital of MNC and amend the memorandum of association. *(Source: The Sun)*

**Ajiya (CP RM0.785): Ajiya and YKGI forge partnership**

Ajiya Bhd, a company involved in the manufacturing and supply of materials used in the construction and building-based industries, has entered into a memorandum of understanding (MoU) with YKGI Holdings Bhd for a long-term strategic business partnership between both companies in Sabah and Sarawak. In a filing with Bursa Malaysia yesterday, Ajiya said the partnership will synergise and optimise both parties' manufacturing resources. YKGI's principal activity is the manufacturing and sale of galvanised and coated steel products, pickled and oiled hot-rolled coils and cold-rolled coils. *(Source: The Sun)*



## ECONOMIC UPDATES

**Malaysia: Govt guarantee of up to RM100,000 to help buyers of PR1MA homes**

The government will guarantee up to RM100,000 under the special step-up end-financing scheme announced for PR1MA (1Malaysia People's Housing Programme). Secretary General of Treasury Tan Sri Dr Mohd Irwan Serigar Abdullah said some buyers who were chosen from the PR1MA balloting process were still unable to obtain loans. "The banks said the credit worthiness is not there. So we talked to the banks, and up to RM100,000 the government will guarantee," he said during his keynote address at a dialogue on Budget 2017 organised by the Malaysian Economic Association yesterday. "Let's say they are only eligible for RM160,000 but they want to buy a RM250,000 house, the government will cater for the difference of RM90,000. In that sense the government will finance the borrowing," he said. Irwan said in the event of a loan default, the property will be put up for auction. (Source: *The Sun*)

**Euro zone: Oct business growth buoyant, prices rise - PMIs**

Business activity in the euro zone has expanded at the fastest pace this year so far in October, as a buoyant Germany offset the impact from firms raising prices at the sharpest rate in more than five years, a survey showed. The upturn in both activity and prices will make welcome reading for policymakers at the European Central Bank, who left their ultra-loose policy unchanged last Thursday but kept the door open to more stimulus in December. IHS Markit's euro zone flash composite Purchasing Managers' Index, seen as a good overall growth indicator, jumped to 53.7 from September's 52.6. It was far above the 50 point line indicating growth in activity and smashed even the highest forecast in a *Reuters* poll of economists which had predicted a more modest rise to 52.8. (Source: *The Edge*)

**India: Central bank meets bank officials after debit card security breach**

India's central bank said it met with senior officials from select banks, the National Payment Corporation of India and card network operators following one of the country's largest-ever cyber security incidents. A slew of banks in India are replacing or asking their customers to change security codes of as many as 3.25 million debit cards due to fears that the card data may have been stolen. The meeting was to review the steps taken by various agencies to contain any adverse fallout, the Reserve Bank of India said on Monday, adding that the number of cards misused, as per currently available information, was few. (Source: *The Edge*)

**Japan: Exports fall as yen gains**

Japan's exports fell for a 12th straight month in September from a year earlier, official data showed, as the yen's gains undermined export prices, but rising shipment volumes pointed to a tentative pick-up in global demand. Finance ministry data issued on Monday showed Japan's exports fell 6.9% in September from a year earlier, following a 9.6% decline in August, dragged down by US-bound shipments of cars, China-bound shipments of electronics parts and exports of steel. The result is a little less gloomy than the median forecast in a

Reuters poll of economists for a 10.4% fall as the yen's 16% gains versus the dollar from a year earlier hurt the value of exports. (Source: *The Star*)

#### **S. Korea: Q3 GDP seen slowing slightly**

South Korea's economy is expected to have slowed down slightly over July through September after accelerating in the previous quarter, a Reuters survey found, as gains from construction were undercut by strikes and the collapse of Hanjin Shipping. The economy was expected to grow a seasonally adjusted 0.6% quarter-on-quarter, the poll found, with construction investment contributing to growth. Gross domestic product (GDP) expanded 0.8% in April-June, which was the fastest quarterly growth since last year's September quarter. (Source: *The Star*)

#### **Singapore: Sept headline CPI falls 0.2% y/y, down for 23rd month**

Singapore's headline consumer price index fell in September from a year earlier, dragged down by a decline in the cost of housing, while core inflation unexpectedly slowed to a five-month low, data showed on Monday. The all-items consumer price index (CPI) in September declined 0.2% from a year earlier, after falling 0.3% in August. It marked 23 straight months of decline in the index. The median forecast in a *Reuters* poll was a drop of 0.2%. Singapore's core CPI rose 0.9% in September from a year earlier, the smallest rise since a 0.8% increase recorded in April. The median forecast was a rise of 1.0%. (Source: *The Edge*)

#### **U.K.: Bank of England deputy governor sees barriers to global regulatory cooperation**

Barriers to cooperation between different countries' financial regulators remain high, despite the shared nature of risks from rapid lending growth, Bank of England deputy governor Minouche Shafik said on Monday. Shafik, who is responsible for financial markets at the British central bank, said that even if regulators could control the lending by domestic banks, foreign lending still had a major influence on the risk of financial crises. But regulators were understandably reluctant to think beyond their own borders, she said at a conference in Hong Kong hosted by the BoE, the International Monetary Fund, and the Hong Kong Monetary Authority. (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.

## DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

M & A Securities Sdn Bhd (15017-H)  
(A wholly-owned subsidiary of INSAS BERHAD)  
A Participating Organisation of Bursa Malaysia Securities Berhad

Level 1,2,3 No.45-47 & 43-6  
The Boulevard, Mid Valley City,  
Lingkar Syed Putra,  
59200 Kuala Lumpur  
Tel: +603 – 2282 1820 Fax: +603 – 2283 1893  
Website:

Head Of Research



Rosnani Rasul  
M&A Securities