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Monday, January 11, 2016

At a Glance

FBMKLCI rose 2.48 points and closed at 1,657.61 lifted by the gain in selected heavyweight counters.....(See full report next page)

Strategy

“Expect Another Uncertain and Nervous Week”

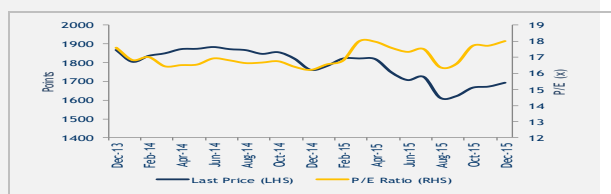
We don't expect much change from last week until and unless there is solid catalyst that could shore up sentiment.....(See full report next page)

Corporate Highlights

- **UMW O&G, SELL (TP: RM0.83):** To reorganise debt portfolio
- **Seacera (CP: RM1.27):** May venture into manufacturing, medical-related business
- **Sarawak Cable (CP: RM1.82):** Proposes to raise RM53.9m via private placement

Economic Update

- **U.S.:** Payrolls surge in December in boost to economic outlook
- **Malaysia:** Halal Products Export to Hit RM50 Bln This Year
- **China:** Regulator orders some banks to limit dollar buying-sources



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
MY	11-Jan	12:00 PM	Industrial Production YoY	-	4.2%
JP	12-Jan	7:50 AM	BoP Current Account Balance	-	¥1458.4B
JP	12-Jan	7:50 AM	Trade Balance BoP Basis	-	¥200.2B
EU	13-Jan	6:00 PM	Industrial Production SA MoM	-	0.6%
EU	13-Jan	6:00 PM	Industrial Production WDA YoY	-	1.9%
CN	13-Jan	-	Trade Balance	\$52.00B	\$54.10B
CN	13-Jan	-	Exports YoY	-0.8%	-6.8%
CN	13-Jan	-	Imports YoY	-10.3%	-8.7%
US	13-Jan	8:00 PM	MBA Mortgage Applications	-	-11.6%
JP	14-Jan	7:50 AM	Machine Orders MoM	-	10.7%
JP	14-Jan	7:50 AM	Machine Orders YoY	-	10.3%
JP	14-Jan	7:50 AM	PPI MoM	-	-0.1%
JP	14-Jan	7:50 AM	PPI YoY	-	-3.6%
JP	14-Jan	2:00 PM	Machine Tool Orders YoY	-	-17.7%
US	14-Jan	9:30 PM	Initial Jobless Claims	-	-
US	14-Jan	9:30 PM	Continue Claims	-	-
US	14-Jan	10:45 PM	Bloomberg Consumer Comfort	-	-
US	15-Jan	9:30 PM	Retail Sales Advance MoM	0.1%	0.2%
US	15-Jan	9:30 PM	Retail Sales Ex Auto and Gas	-	0.5%
US	15-Jan	9:30 PM	PPI Final Demand MoM	-0.1%	0.3%
US	15-Jan	9:30 PM	PPI Ex Food and Energy MoM	0.1%	0.3%
US	15-Jan	9:30 PM	PPI Final Demand YoY	-	-1.1%
US	15-Jan	9:30 PM	PPI Ex Food and Energy YoY	-	0.5%
US	15-Jan	9:30 PM	Empire Manufacturing	-4.0	4.6
US	15-Jan	10:15 PM	Capacity Utilization	76.9%	77.0%
US	15-Jan	10:15 PM	Industrial Production MoM	-0.1%	-0.6%
US	15-Jan	11:00 PM	U. of Mich. Sentiment	93.0	92.6
CN	10-15 Jan	-	New Yuan Loans CNY	700.0B	708.9B
CN	10-15 Jan	-	Money Supply M2 YoY	13.6%	13.7%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,657.61	2.48	0.15
FBMEMAS	11,623.28	21.40	0.18
FBMEMAS SHA	12,624.38	13.92	0.11
FBM100	11,289.97	19.55	0.17
Volume (mn)	2,073.64	-977.98	-32.05
Value (RMmn)	1,928.06	-342.73	-15.09
FBMKLCI YTD Chg			-2.06

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	23.2	14.2
Local Institution	53.0	119.8
Foreign Investors	23.8	-134.0

Top Gainers

	Close	Change+/-	(+/- %)
BAT	54.10	0.60	1.12
PETRON MALAYSI	6.18	0.43	7.48
TIEN WAH PRESS	3.20	0.32	11.11

Top Losers

	Close	Change+/-	(+/- %)
KOSSAN RUBBER	8.85	-0.31	-3.38
GLOBETRONICS	6.22	-0.26	-4.01
PANASONIC MAN	24.20	-0.18	-0.74

World Indices

	Close	Change+/-	(+/- %)
DJIA	16,346.45	-167.65	-1.02
NASDAQ	4,643.63	-45.80	-0.98
S&P 500	1,922.03	-21.06	-1.08
FTSE 100	5,912.44	-41.64	-0.70
DAX	9,849.34	-130.51	-1.31
Nikkei 225	17,697.96	-69.38	-0.39
HSI	20,453.71	120.37	0.59
KOSPI	1,917.62	13.29	0.70
STI	2,751.23	21.32	0.78
KLCI Futures	1599.0	9.5	0.0
USDMYR 3M	13.1	-0.04	0.0
USDMYR 6M	13.1	0.0	0.0
USDMYR 12M	13.10	0.02	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	33	-0.5	-1.5%
Brent (USD/bbl)	33.1	-0.5	-1.5%
Gold(USD/ounce)	1,107	2.8	0.3%
Coal (USD/mt)	50.3	-1.0	-2.0%
CPO (RM/mt)	2,435	13.0	0.5%
Rubber	113	0.8	0.7%
RM/USD	4.30	-0.0255	0.59%
EUR/USD	0.91	-0.0002	-0.02%
YEN/USD	121.69	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average erased 167.65 points to 16,346.45 points, S&P 500 cut 21.06 points to 1,922.03. Nasdaq shed by 45.80 points to 4,643.63. U.S. stocks tumbled in a late-afternoon selloff that sent major equity indexes to their worst weekly declines in more than four years, as investors found little relief in moves by China to restore calm to its sinking markets and data that showed resilience in the U.S labor market.
- European Union policy makers are poised to kick off deliberations to determine whether EU industries ranging from steel to solar can keep relying on import tariffs to fend off aggressive Chinese competitors, the opening salvo in a political and economic battle due to last all year.

The Local Market

- FBMKLCI rose 2.48 points and closed at 1,657.61 lifted by the gain in selected heavyweight counters. There were 529 gainers and 375 decliners in total value traded of RM1.92 billion.
- Among the gainers on Bursa Malaysia were BAT surged 60 cent to RM54.10, Petron Malaysia gained 43 cent to RM6.18, Tien Wah Press increased 32 cent to RM3.20 and Fiamma grew 29 cent to RM2.49.

Strategy

- **“Expect Another Uncertain and Nervous Week”**

Wall Street erased a few more major points last Friday hurt by uncertainty in China and also the drop in oil price at the back of steady US December unemployment rate. S&P 500 and DJIA lost 21.06 (-1.08%) and 167.65 (-1.02%) points to finish at 1,922.03 and 16,346.45 respectively. There was no new catalyst that could be a breather for Wall Street last Friday and hence, market participants turned to oil market clue. True enough the oil price dropped further to USD32.73 per barrel. Note that market sentiment was, nonetheless, supported by steady US December unemployment that stayed at 5.0%. Note that market watchers are expected four US rate hike this year given the level of US unemployment rate and the prospects of labour market. As for the weekly outlook, we don't expect much change from last week until and unless there is solid catalyst that could shore up sentiment.

- Our 1H16 FBMKLCI target is 1,720 based on PER of 16.5x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.5% in 2016.

CORPORATE HIGHLIGHTS

UMW O&G, SELL (TP: RM0.83): To reorganise debt portfolio

UMW Oil & Gas Corp Bhd (UMW O&G) will be converting some of its short-term loans into longer-term loans as a prudent measure in the current environment of weak crude oil prices. The company, which is involved in drilling and oilfield services for the oil and gas sector, will not be the first to reorganise its debts as another oil and gas-related firm SapuraKencana Petroleum Bhd (SapKen) said in September that it would issue debt papers starting with a US\$200mil (about RM874mil) Islamic medium-term note programme, as part of its strategy to refinance a US\$2.3bil facility that is due next month. According to sources, most oil and gas firms have already restructured their debts or will be following suit. (Source: The Star)

Seacera (CP: RM1.27): May venture into manufacturing, medical-related business

Seacera Group Bhd is looking to venture into a new business, which is likely to overtake the tile segment as the largest revenue contributor for the group, according to managing director Zulkarnin Ariffin. "There are some M&As (mergers and acquisitions) for the diversification. We're looking at new things which can give value creation," he told SunBiz in a recent interview. Describing the new business as less competitive with a promise of high margins, he opined that it could even bring in more than the tile business, which makes up 60% of the group's top line currently. The construction business contributes the remaining 40%. While Seacera ventured into the construction business in 2014 following the disposal of its plastic packaging business, Zulkarnin said the group still needs "another big business" to fill the gap. He declined to disclose further details. (Source: The Sun)

Sarawak Cable (CP: RM1.82): Proposes to raise RM53.9m via private placement

Sarawak Cable Bhd (SCB) is proposing to raise RM53.9 million from a private placement of 31.7 million new shares, based on indicative issue price of RM1.70 per share. In a filing with Bursa Malaysia last Friday, SCB said the proceeds will be used mainly for the repayment of borrowings and placement expenses. SCB said the exercise will enable the group to reduce its interest expenses, and allows it to better manage its gearing level and add flexibility to its cash flow management to fund its operations for future expansion. The group does not expect the placement exercise to have any material effect on its earnings for the financial year ending Dec 31, 2016. (Source: The Sun)

OSK Holdings (CP: RM1.63): To launch RM3.6bil mixed development project in Seremban

OSK Holdings Bhd, through indirect unit Aspect Synergy Sdn Bhd, plans to undertake an integrated residential and commercial development in Seremban, Negri Sembilan, with an estimated gross development value of RM3.6bil. In a filing with Bursa Malaysia, the property investment/ development and capital financing group said the project would comprise mixed landed and high rise residential and mixed commercial components. On Friday, Aspect Synergy had bought the land where the project was to be

sited from AmBank (M) Bhd. OSK is buying the six parcels of land totalling 767.73 acres for RM145mil, or RM4.34 per sq ft. (Source: *The Star*)

AZRB (CP: RM0.625): Targets RM800mil to RM1bil in new construction contracts

AHMAD Zaki Resources Bhd (AZRB) targets to replenish its construction order book by RM800mil to RM1bil this year, inclusive of the highly anticipated job in the development of the mass rapid transit (MRT) line 2. Group chief operating officer Datuk Roslan Jaffar says although the construction industry outlook is robust this year, supported by a couple of developments of urban rail network in the capital, he admits this target is lower than what was recorded last year when the company clinched its first toll concession job, the East Klang Valley Expressway (EKVE), worth RM1.55bil. AZRB's order book stands at RM3.47bil as at Sept 30, 2015 that should keep the company busy for the next three to four years. (Source: *The Star*)

Landmarks (CP: RM1.11): Calls off JV wellness resort project in Indonesia

Landmarks Bhd has lost a partner - US-based healthy living and luxury spa vacations provider Canyon Ranch - in its massive Treasure Bay resort city project on Bintan Island, Indonesia. The company, an associate firm of Genting Bhd, said in a two-paragraph statement that after much consideration and deliberation, it and Canyon Ranch had decided not to move forward with the planned joint-venture development at Treasure Bay Bintan. Canyon Ranch had announced the proposed Canyon Ranch Bintan health and spa facility in June 2014. (There was no announcement by Landmarks to Bursa Malaysia in 2014 on the joint venture.) (Source: *The Star*)

MRCB (CP:RM1.29): Gets another month to fulfill conditions in RM1.6b Bukit Jalil deal

Malaysian Resources Corp Bhd (MRCB) said the Ministry of Youth and Sports has agreed to extend for another one month, for the group to fulfill the conditions precedent in a RM1.63 billion deal with the government to regenerate the Bukit Jalil National Sports Complex into an iconic Kuala Lumpur Sports City. The new deadline is Jan 28. "The government, represented by the Ministry of Youth and Sports, had vide its letter dated Dec 28, 2015 to Rukun Juang Sdn Bhd (RJSB), agreed to the latter's request for an extension of time of one month from Dec 28, 2015 until Jan 28, 2016 to fulfil the conditions precedent, as set out in the privatisation agreement," MRCB said in a filing with Bursa Malaysia. On Oct 28 last year, RJSB, an 85%-owned subsidiary of MRCB's wholly-owned subsidiary, MRCB Land Sdn Bhd, entered into a privatisation agreement with the ministry and Syarikat Tanah and Harta Sdn Bhd. (Source: *The Edge*)

E.A. Technique (CP: RM1.12): Bags 4 contracts worth RM26.59m

E.A. Technique (M) Bhd has bagged four contracts — the provisioning of two 60-tonne pull harbour tugs, a unit of 40-tonne bollard pull harbour tug and a unit of multipurpose mooring boat — collectively valued at RM26.59 million from Sungai Udang Port Sdn Bhd. In a filing with Bursa Malaysia today, E.A. Technique said Sungai Udang Port awarded the contract to the group vide a letter of award dated Dec 22, 2015. Confirmation and/or approval on the award of the contracts were obtained from Sungai Udang Port on yesterday," it added.

According to E.A. Technique, these contracts have commenced from Jan 1 and shall continue to be valid for a period of two years with an option to extend for another one year upon expiry thereof. (Source: *The Edge*)

Brahim's (CP: RM1.05): To See Strong Turnaround In FY16

In-flight caterer Brahim's Holdings Bhd expects to turn round strongly this year after wallowing in huge losses in the third quarter ended Sept 30, 2015. Group Executive Chairman Datuk Ibrahim Ahmad said the company hoped to be able to turn around in financial year 2016 (FY16), but it would not be a complete turnaround due to the massive losses but "it will be a substantial turnaround". Brahim's recorded a pre-tax loss of RM10.14 million in the third quarter ended Sept 30, 2015 compared with a pre-tax profit of RM5.69 million in the same period in 2014, while revenue declined to RM64.88 million from RM89.69 million previously. (Source: *Bernama*)

ECONOMIC UPDATES

U.S.: Payrolls surge in December in boost to economic outlook

US job growth surged in December and employment for the prior two months was revised sharply higher, suggesting that a recent manufacturing-led slowdown in economic growth would be temporary. Non-farm payrolls increased by 292,000 last month, the Labor Department said on Friday. The unemployment rate held steady at a 7-1/2-year low of 5% even as more people entered the labor force, a sign of confidence in the job market. Payrolls for October and November were revised to show 50,000 more jobs created than previously reported, adding to the report's upbeat tone. The only wrinkle was a one cent drop in average hourly earnings, but that was most likely because of calendar effects which should reverse in the January report. (Source: *The Edge*)

Malaysia: Halal Products Export to Hit RM50 Bln This Year

Malaysia is targeting halal products export to hit RM50 billion this year compared with last year's target of RM40 billion. As of September 2015, the export value of halal products totalled RM31.1 billion, up 27 per cent from a year earlier, said Deputy Minister of International Trade and Industry (MITI) Datuk Ahmad Maslan. Hence, he was confident of achieving the target of RM40 billion for 2015. The top five markets for Malaysia's halal products exports last year were China, Singapore, the United States, Indonesia, and the Netherlands, he told reporters after visiting Dewina Food Industries Sdn Bhd, the manufacturer of popular halal food brand, Brahim's, in Bandar Baru Bangi, Friday. (Source: *Bernama*)

China: Regulator orders some banks to limit dollar buying-sources

China's foreign exchange regulator has ordered banks in some of the country's major import and export centres to limit purchases of U.S. dollars this month, three people with direct knowledge said on Friday, in the latest attempt to stem capital outflows. The move comes as China reported its biggest annual drop in foreign exchange reserves on record in 2015, while the central bank has allowed a sharp slide in the yuan currency to multi-year lows, raising fears of more capital flight and panicking global markets. The price spread between the

onshore and offshore markets for the yuan, or renminbi, has been growing since China's surprise devaluation last August, spurring Beijing to adopt a range of measures to curb outflows of capital. (Source: Reuters)

Global: Semicon sales dip in November as demand weakens

Weaker demand and lingering macroeconomic issues weighed on the global semiconductor industry as November sales came in lower at US\$28.9bil. According to a recent report by the US-based Semiconductor Industry Association (SIA), the November sales were down 0.3% from October's US\$29bil. From a year ago, global sales fell 3% from the November 2014 total of US\$29.8bil. SIA, president and CEO John Neuffer said: "Softening demand and lingering macroeconomic challenges continued to limit global semiconductor sales in November." said John Neuffer, president and CEO, Semiconductor Industry Association. (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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