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Friday, February 19, 2016

## Report of the Day

Economic Report: Malaysian 2015 GDP – Great Parting Gift from Outgoing Governor

## At a Glance

FBMKLCI grew 15.70 points to close at 1,680.02 due to better-than-expected Malaysia 2015 GDP numbers.....(See full report next page)

## Strategy

## “Expect Profit Taking Mood Today”

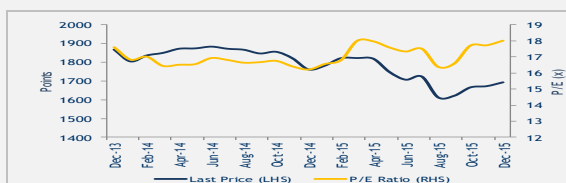
We expect some profit taking activity today .....(See full report next page)

## Corporate Highlights

- **Inari Amertron (CP: RM3.27):** To buy Penang land for RM22.8m
- **Sarawak Plantation (CP: RM1.88):** 4Q earnings down 88% on impairment loss reversal
- **PUC Founder (CP: RM0.085):** Rights issue with warrants undersubscribed 42.8%

## Economic Update

- **Malaysia:** 2015 GDP growth slows
- **China:** January inflation data show deflationary pressure persists
- **U.S.:** Jobless claims in US decline to three-month low



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	22-Feb	5:00 PM	Markit Eurozone Manufacturing PMI	-	52.3
EU	22-Feb	5:00 PM	Markit Eurozone Services PMI	-	53.6
EU	22-Feb	5:00 PM	Markit Eurozone Composite PMI	-	53.6
MY	22-Feb	6:00 PM	Foreign Reserves	-	\$95.5B
JP	22-Feb	10:00 AM	Nikkei Japan PMI Mfg	-	52.3
US	22-Feb	10:45 PM	Markit US Manufacturing PMI	-	52.4
US	23-Feb	11:00 PM	Consumer Confidence Index	-	98.1
US	23-Feb	11:00 PM	Existing Home Sales	-	5.46M
US	23-Feb	11:00 PM	Existing Home Sales MoM	-	14.7%
MY	24-Feb	12:00 PM	CPI YoY	-	2.7%
US	24-Feb	8:00 PM	MBA Mortgage Applications	-	-
US	24-Feb	10:45 PM	Markit US Services PMI	-	53.2
US	24-Feb	10:45 PM	Markit US Composite PMI	-	53.2
US	24-Feb	11:00 PM	New Home Sales	-	544K
US	24-Feb	11:00 PM	New Home Sales MoM	-	10.8%
EU	25-Feb	6:00 PM	CPI MoM	-	0.0%
EU	25-Feb	6:00 PM	CPI YoY	-	0.4%
US	25-Feb	6:00 PM	CPI Core YoY	-	1.0%
US	25-Feb	9:30 PM	Initial Jobless Claims	-	-
US	25-Feb	9:30 PM	Continuing Claims	-	-
US	25-Feb	9:30 PM	Durable Goods Orders	-	-5.0%
US	25-Feb	9:30 PM	Durable Ex Transportation	-	-1.0%
EU	26-Feb	6:00 PM	Economic Confidence	-	105.0
EU	26-Feb	6:00 PM	Business Climate Indicator	-	0.3
EU	26-Feb	6:00 PM	Industrial Confidence	-	-3.2
EU	26-Feb	6:00 PM	Services Confidence	-	11.6
EU	26-Feb	6:00 PM	Consumer Confidence	-	-
CN	26-Feb	9:30 AM	China January Property Prices	-	-
US	26-Feb	9:30 PM	GDP Annualized QoQ	-	0.7%
US	26-Feb	9:30 PM	Personal Consumption	-	2.2%
US	26-Feb	9:30 PM	GDP Price Index	-	0.8%
US	26-Feb	9:30 PM	Core PCE QoQ	-	1.2%
US	26-Feb	11:00 PM	Personal Spending	-	0.0%
US	26-Feb	11:00 PM	Personal Income	-	0.3%
US	26-Feb	11:00 PM	U. of Mich. Sentiment	-	-

## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,680.02	15.70	0.94
FBMEMAS	11,653.05	103.93	0.90
FBMEMAS SHA	12,486.42	119.44	0.97
FBM100	11,356.75	102.73	0.91
Volume (mn)	1,674.24	-77.72	-4.44
Value (RMmn)	2,100.30	476.41	29.34
FBMKLCI YTD Chg			-0.74

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	14.2	-37.8
Local Institution	59.0	-173.2
Foreign Investors	26.8	211.0

## Top Gainers

	Close	Change+/-	(+/- %)
KLK	24.16	0.50	2.11
GENTING BHD	8.19	0.40	5.14
LAFARGE MALAYSI	9.29	0.31	3.45

## Top Losers

	Close	Change+/-	(+/- %)
SAM ENGINEERIN	6.46	-0.39	-5.69
GENTING PLANTA	11.20	-0.36	-3.11
BAT	55.84	-0.24	-0.43

## World Indices

	Close	Change+/-	(+/- %)
DJIA	16,413.43	-40.40	-0.25
NASDAQ	4,487.54	-46.53	-1.03
S&P 500	1,917.83	-8.99	-0.47
FTSE 100	5,971.95	-58.37	-0.97
DAX	9,463.64	86.43	0.92
Nikkei 225	16,196.80	360.44	2.28
HSI	19,363.08	438.51	2.32
KOSPI	1,908.84	24.90	1.32
STI	2,657.57	43.78	1.67
KLCI Futures	1,653.00	13.50	0.01
USDMYR 3M	13.50	(0.19)	(0.01)
USDMYR 6M	13.50	(0.20)	(0.01)
USDMYR 12M	13.49	(0.20)	(0.01)

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	31	-0.2	-0.6%
Brent (USD/bbl)	34.3	-0.2	-0.6%
Gold(USD/ounce)	1,231	0.6	0.0%
Coal (USD/mt)	50.9	0.0	0.1%
CPO (RM/mt)	2,600	-13.0	-0.5%
Rubber	126	-0.1	-0.1%
RM/USD	4.17	-0.0515	1.23%
EUR/USD	0.90	0	0.00%
YEN/USD	113.36	0.12	-0.11%

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## What To Expect

### U.S. Market

- The Dow Jones Industrials Average shed 40.40 points to close at 16,413.43 points, S&P 500 edged down 8.99 points to 1,917.83 points. Nasdaq declined 46.53 points to 4,487.54. U.S. stocks declined following the Standard & Poor's 500 Index's strongest three-day advance in almost six months, as banks, technology and consumer shares lost momentum after bolstering the rally.
- With Federal Reserve members expressing concern over the economy, investors are increasingly scrutinizing reports for signs of any damping in growth. Data today showed the number of Americans filing for unemployment benefits unexpectedly declined last week to a three-month low.

### The Local Market

- FBMKLCI grew 15.70 points to close at 1,680.02 due to better-than-expected Malaysia 2015 GDP numbers. There were 545 gainers and 302 decliners in total value traded of RM2.10 billion.
- Among the gainers on Bursa Malaysia were KLK rose 50 cent to RM24.16, Genting up 40 cent to RM8.19, Lafarge Malaysia increased 31 cent to RM9.29, Sime Darby gained 23 cent to RM8.00.

### Strategy

- **"Expect Profit Taking Mood Today"**  
Wall Street snapped its winning streaks, no thanks to a mild drop in oil price and the selling pressure in US biggest retailer stock, Wal-Mart, due to disappointing quarterly earnings. S&P 500 and DJIA lost 8.99 (-0.47%) and 40.40 (-0.25%) points to end at 1,917.83 and 16,413.43 respectively. Oil price (WTI) recoiled mildly after closing at USD32.69 per barrel, a 0.7% lower against the day before. This was caused by the data on the build-up in US crude inventories. The US government's Energy Information Administration (EIA) said US crude stockpiles rose by 2.1 million barrels last week, to a peak of 504.1 million barrels in the third week, hitting record highs in past month. It's not over too stretch to suggest the rise in US crude inventories could eclipse the output freezing plan by Russia, Saudi Arabia and Iran. At this stage, the momentum of regional and local market is tied closely to the oil price movement. Added with the large gains in the local market of recent past, we expect some profit taking activity today.
- 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

**Inari Amertron (CP: RM3.27): To buy Penang land for RM22.8m**

Inari Amertron Bhd plans to acquire a 5.25-acre piece of leasehold industrial land together with a factory building erected on it in Bayan Lepas Free Trade Zone, Penang, for RM22.8 million. In a filing with Bursa Malaysia today, Inari said its wholly owned subsidiary Inari Technology Sdn Bhd had on Monday signed an agreement with Unetsys Sdn Bhd for the proposed acquisition. The land is located within the vicinity of Inari's existing factories in Bayan Lepas and will increase the group's total manufacturing floor space. Inari intends to fund the purchase via a combination of internal funds and bank borrowings. (Source: *The Edge*)

**Sarawak Plantation (CP: RM1.88): 4Q earnings down 88% on impairment loss reversal, pays 4.5 sen dividend**

Sarawak Plantation Bhd saw its net profit fall 87.7% to RM2.88 million or 1.03 sen for the fourth quarter ended Dec 31, 2015 (4QFY15) from RM23.39 million or 8.37 sen a year ago, mainly due to a reversal of impairment loss in FY14. In its quarterly report to Bursa Malaysia today, the oil palm plantation group explained that the reversal of impairment loss was on deposits paid for acquisition of equity interest in four plantation companies amounting to RM28.5 million. The amount was recognised as other non-operating income in 4QFY14. Apart from that, Sarawak Plantation said the weaker profitability was also due to the effect of lower sales volumes and average selling price of crude palm oil (CPO). (Source: *The Edge*)

**PUC Founder (CP: RM0.085): Rights issue with warrants undersubscribed 42.8%**

PUC Founder (MSC) Bhd's renounceable rights issue of irredeemable convertible unsecured loan stocks (Iculs) with warrants was undersubscribed by 42.83%. The company said valid acceptances and valid excess applications received at the close of acceptance on Feb 5 were RM42.65 million nominal value of the rights Iculs together with 213.26 million free warrants. "This represents an under-subscription of RM31.95 million nominal value of the rights Iculs or approximately 42.83% over the total of RM74,60 million nominal value of the rights Iculs together with 373.03 million free warrants-B available for subscription under the rights issue of Iculs with warrants," Inari told Bursa Malaysia yesterday. (Source: *The Sun*)

**Hup Seng Industries (CP: RM1.32): Pre-tax profit rises to RM73m**

Biscuits manufacturer, Hup Seng Industries Bhd, posted a higher pre-tax profit of RM72.95 million for 2015 compared with RM51.72 million in the previous year on improved sales margins. Its revenue jumped to RM286.86 million for its financial year ended Dec 31, 2015 versus RM262.21 million the previous year. "The increase in profit before tax is mainly due to the improved sales margin brought about by lower input costs, weaker ringgit and improved production efficiency," it said in a filing with Bursa Malaysia on Thursday. Its fourth quarter pre-tax profit stood at RM20.10 million, higher than RM16.74 million in the corresponding quarter of 2014 while revenue rose to RM80.07 million compared with RM73.64 million previously. (Source: *The Star*)

**MK Land (CP: RM0.36): To launch five new products in FY16**

MK Land Holdings Bhd will be launching a total of five new products in the affordable housing segment, led by its condominium project Residensi Suasana @ Damai located at Damansara Damai with a gross development value of RM400 million before its financial year ends on June 30, 2016. MK Land chief executive officer Lau Shu Chuan said although the overall market is subdued, the group was still moving ahead with some new launches in FY16 at the affordable home segment. The group's offering would be the Residensi Suasana built on 5.65 acres of land in Damansara Damai, comprising 780 units, which would be launched according to three phases, with 260 units for each phase. The units would be of two sizes — 1,015 sq ft and 1,455 sq ft — with a minimum price of RM450,000 or RM444 per sq ft. (Source: The Edge)

**Bina Darulaman (CP: RM0.64): 4Q net profit up 84% on doubtful debt recovery, despite lower revenue**

Kedah-based property developer Bina Darulaman Bhd (BDB)'s net profit surged 83.6% to RM14.16 million for the fourth quarter ended Dec 31, 2015 (4QFY15) from RM7.71 million a year ago despite recording lower revenue, due to recovery of doubtful debt. In a filing to Bursa Malaysia, the group said its revenue for 4QFY15 fell 24.35% to RM105.84 million from RM139.9 million in 4QFY14. However, for FY15, the group's net profit slipped 0.84% to RM23.97 million from RM24.17 million in FY14, while revenue also dropped 26.02% to RM243.3 million compared to RM328.88 million in the previous year. BDB explained that it recorded higher revenue for 4QFY14 due to a one-off transaction relating to en-bloc sales to PR1MA Malaysia. (Source: The Edge)

**Sasbadi (CP: RM2.50): Expects better performance in FY16**

Sasbadi Holdings Bhd, which publishes educational materials, expects to see better performance for its current financial year ending Aug 31, 2016 (FY16), underpinned by merger and acquisition (M&A) activities and organic growth. "As the company is expecting more M&As and with the strategies to spur organic growth being put in place, as well as the new government textbook tenders in the pipeline, we look forward to see good growth for FY16," Sasbadi group managing director Law King Hui told reporters after its annual general meeting yesterday. Law said this year that Sasbadi will be coming out with new educational products and planning new titles, as well as putting in place new strategies to market its digital solutions, including through collaborations, social media and new digital channels. (Source: The Edge)

**Notion Vtec (CP: RM0.42): Swings back to profit on higher revenue, derivative gain**

Notion Vtec Bhd swung back to a profit in the first financial quarter ended Dec 31, 2015 (1QFY16), helped by higher revenue and derivative gain. Net profit grew to RM3.11 million or 1.16 sen per share, compared with a net loss of RM5.25 million or 1.96 sen loss per share in 1QFY15. The hard disk drive maker saw its revenue grow 4.8% to RM61.05 million in 1QFY16, from RM58.25 million a year ago. It also recorded a derivative gain of RM2.84 million, compared with a loss of RM17.04 million in 1QFY15. In a filing with Bursa Malaysia today, Notion Vtec said in 1QFY16, it benefited from the write back of provision for mark-to-

market losses of US dollar foreign exchange hedging contracts, amounting to about RM8.1 million. *(Source: The Edge)*

#### **IPO: Chin Hin aims to boost exports 'significantly'**

Chin Hin Group Bhd, which is en route to a listing on the Main Market of Bursa Malaysia Securities Bhd, is positive on its performance this year as it has a manufacturing order book of RM170 million that will keep the group busy until 2018. Managing director Chiau Haw Choon said its three manufacturing facilities in Selangor are running at almost full capacity. The integrated building materials provider intends to raise RM41.08 million from its initial public offering (IPO). "RM15 million (of the IPO proceeds) will be used for the expansion of the existing manufacturing facility and purchase of new equipment and machinery," Chiau told a press conference after the group's prospectus launch here yesterday. *(Source: The Sun)*

### **ECONOMIC UPDATES**

#### **Malaysia: 2015 GDP growth slows**

Malaysia's economy, as measured by gross domestic product (GDP), expanded 4.5% year-on-year (y-o-y) in the fourth quarter (4Q) of 2015, supported by private sector demand and growth in crucial domestic sectors. According to statements by Bank Negara Malaysia and the Statistics Department today, full-year GDP grew 5% after expanding 6% in 2014. On a quarterly basis, 4Q GDP increased 1.5% from the preceding 3Q. During the 4Q, Bank Negara said private consumption grew 4.9% from a year earlier while private investment expanded 5%. "Despite the challenging economic environment during the quarter, the private sector continued to be the key driver of growth," Bank Negara said. On the supply side, the Statistics Department said the services and manufacturing sectors each expanded 5% y-o-y. The construction industry grew 7.4%. *(Source: The Edge)*

#### **Malaysia: RAM Ratings sees Malaysia GDP slowing to 4.4% in 2016**

RAM Rating Services Bhd expects Malaysia's GDP to grow at a slower pace of 4.4% in 2016 after the 5% expansion in 2015 as the country faces more risks and challenges. The ratings agency had on Thursday cited the persistently sluggish global demand and emerging Asia's more pronounced weakness, along with uncertain and divergent global monetary policies amid volatile financial markets, will pose downside risks to growth sustainability. "As such, the main challenges for the Malaysian economy in the coming year will largely be related to policy flexibility in dealing with the changing pace of growth, as the economy transitions to a landscape of weaker domestic demand amid uneven global growth prospects," it said. *(Source: The Star)*

#### **China: January inflation data show deflationary pressure persists**

China's consumer inflation quickened to a five-month high in January due to rising food prices but producer prices shrank for a 47th straight month as falling commodity markets and weak demand add to deflationary pressure in the world's second-largest economy. The consumer price index (CPI) rose 1.8% in January from a year earlier, slightly less than market expectations and up from a



1.6% increase in December, data from the National Bureau of Statistics (NBS) showed on Thursday. But the slight increase was mainly due to a 4.1% seasonal rise in food prices before the long Lunar New Year celebrations, and did not imply any visible improvement in economic activity and broader consumer demand, analysts said. *(Source: Reuters)*

#### **China: Sells net US\$99bil worth of foreign exchange**

China's central bank sold a net 644.5 billion yuan (US\$98.9bil) worth of foreign exchange in January, easing back from a record amount the previous month, but signalling persistent capital outflows as economic growth slows. The People's Bank of China (PBOC) has been supporting the yuan, burning through its massive foreign exchange reserves at a record pace to counter a tide of capital outflows. January's net forex sales, from *Reuters* calculations based on central bank data published yesterday, compare with a record high of 708.2 billion yuan in December. *(Source: The Star)*

#### **U.S.: Jobless claims in US decline to three-month low**

The number of Americans filing for unemployment benefits unexpectedly declined last week to a three-month low, signalling stability in the labour market. Initial jobless claims dropped by 7,000 to 262,000 in the week ended Feb 13, the lowest since Nov 21, a report from the Labour Department showed yesterday. Last week coincided with the period that the government surveys businesses and households to calculate payrolls and the jobless rate for February. The labour market has exhibited persistent strength despite softer foreign sales, a sign domestic demand is helping the US weather a global slowdown. *(Source: The Star)*

#### **Japan: Manufacturers' mood hurt by fears of global slowdown**

Confidence at Japanese manufacturers remained largely subdued in February and the mood was seen deteriorating over the coming three months, a Reuters poll showed, highlighting concerns about slowing global growth and turbulent markets. In a sign of the stiff headwinds dragging on growth in the world's third-largest economy, service-sector sentiment also soured though it was expected to stabilize somewhat in the near term, the Reuters Tankan showed. The monthly poll, which strongly correlates with the Bank of Japan's quarterly tankan survey, suggested the economy remains underpowered after declines in exports and consumer spending led to a contraction in output in the fourth quarter. *(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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