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Tuesday, May 17, 2016

At a Glance

FBMKLCI plunged 7.05 points to close at 1,621.21 hampered by the impact of weaker China economic data.....(See full report next page)

Strategy

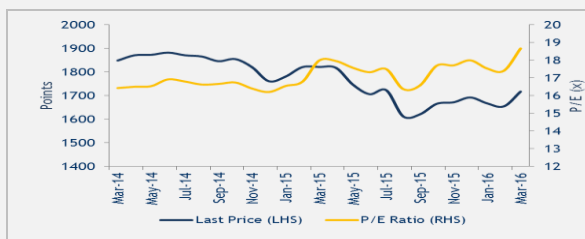
We predict that the local market may gain some precious points today, able to recover the loss of precious points in the last few days (See full report next page)

Corporate Highlights

- **Cahya Mata Sarawak (TP: TBC):** 1Q net profit plunges 98% on lower revenue
- **KL Kepong (CP: RM23.10):** Q2 earnings down 24% to RM168m
- **Tien Wah (CP: RM2.34):** To jointly partake in PJ commercial development

Economic Update

- **U.S.:** Confidence among homebuilders in US held steady in May
- **China:** Slowdown Shows Debt Addiction Will Be Tough to Shake
- **Philippine:** C.bank to move to interest rate corridor system starting June 3



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
EU	18-May	5:00 PM	CPI MoM	0.00%	1.20%
EU	18-May	5:00 PM	CPI YoY	-0.20%	-0.20%
EU	18-May	5:00 PM	CPI Core YoY	0.70%	0.70%
JP	16-May	7:50 AM	PPI YoY	-3.70%	-3.80%
JP	16-May	2:00 PM	Machine Tool Orders YoY	--	-21.20%
JP	17-May	12:30 PM	Industrial Production MoM	--	3.60%
JP	17-May	12:30 PM	Capacity Utilization MoM	--	-5.40%
JP	18-May	7:50 AM	GDP SA QoQ	0.10%	-0.30%
JP	18-May	7:50 AM	GDP Annualized SA QoQ	0.30%	-1.10%
JP	18-May	7:50 AM	GDP Deflator YoY	1.00%	1.50%
JP	19-May	7:50 AM	Machine Orders YoY	1.40%	-0.70%
MY	18-May	12:00 PM	CPI YoY	--	2.60%
MY	19-May	6:00 PM	BNM Overnight Policy Rate	3.25%	3.25%
MY	20-May	6:00 PM	Foreign Reserves	--	\$97.0b
US	17-May	8:30 PM	Housing Starts	1120k	1089k
US	17-May	8:30 PM	Building Permits	1132k	1086k
US	17-May	8:30 PM	CPI MoM	0.40%	0.10%
US	17-May	8:30 PM	CPI Ex Food and Energy MoM	0.20%	0.10%
US	17-May	8:30 PM	CPI YoY	1.10%	0.90%
US	17-May	9:15 PM	Industrial Production MoM	0.30%	-0.60%
US	17-May	9:15 PM	Capacity Utilization	75.00%	74.80%
US	18-May	7:00 PM	MBA Mortgage Applications	--	0.40%
US	19-May	8:30 PM	Initial Jobless Claims	--	--
US	19-May	9:45 PM	Bloomberg Consumer Comfort	--	--
US	19-May	10:00 PM	Leading Index	0.40%	0.20%
US	20-May	10:00 PM	Existing Home Sales	5.40m	5.33m
US	20-May	10:00 PM	Existing Home Sales MoM	1.30%	5.10%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,621.21	-7.05	-0.43
FBMEMAS	11,350.12	-51.75	-0.45
FBMEMAS SHA	11,849.01	-56.77	-0.48
FBM100	11,040.17	-50.05	-0.45
Volume (mn)	1,690.61	-134.73	-7.38
Value (RMmn)	1,686.12	-1,120.23	-39.92
FBMKLCI YTD Chg			-4.21

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Local Retail	17.4	24.3
Local Institution	55.5	283.0
Foreign Investors	27.1	-307.3

Top Gainers

	Close	Change+/-	(+/- %)
HONG LEONG IN	7.78	0.29	3.87
KUALA LUMPUR K	23.10	0.24	1.05
PPB GROUP	15.78	0.20	1.28

Top Losers

	Close	Change+/-	(+/- %)
BRIT AMER TOBA	48.00	-0.43	-0.89
CAHYA MATA	3.30	-0.48	-12.70
PETRONAS GAS	20.92	-0.40	-1.88

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,710.71	175.39	1.00
NASDAQ	4,775.46	57.78	1.22
S&P 500	2,066.66	20.05	0.98
FTSE 100	6,151.40	12.90	0.21
DAX	9,952.90	90.78	0.92
Nikkei 225	16,466.40	54.19	0.33
HSI	19,883.95	164.66	0.84
KOSPI	1,967.91	0.92	0.05
STI	2,734.91	-1.44	-0.05
KLCI Futures	1,600.00	(9.00)	(0.01)
USDMYR 3M	13.24	0.24	0.02
USDMYR 6M	12.82	0.03	0.00
USDMYR 12M	12.66	0.10	0.01

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	0.2	0.3%
Brent (USD/bbl)	49.0	1.1	2.4%
Gold(USD/ounce)	1,275	1.0	0.1%
Coal (USD/mt)	50.7	0.1	0.2%
CPO (RM/mt)	2,587	27.0	1.1%
Rubber	174	-3.2	-1.8%
RM/USD	4.03	-0.0037	0.09%
EUR/USD	0.88	0.0003	0.03%
YEN/USD	109.07	0.04	-0.04%

What To Expect

U.S. Market

- The Dow Jones Industrials Average surged 175.39 points and closed at 17,710.71, S&P 500 increased 20.05 points to 2,066.66 points. Nasdaq 57.78 points to 4,775.46 at the closing. U.S. stocks closed higher Monday, rebounding after three straight weeks of declines, as a surge in oil prices and a rally in tech stocks overshadowed weaker-than-expected manufacturing data from the New York region.
- Oil prices hit six-month highs on Monday on worries about global supply outages and as long-time bear Goldman Sachs sounded more positive on the market, although a stockpile build at the U.S. storage hub for crude futures limited gains. U.S. crude's West Texas Intermediate (WTI) futures rose by \$1.51, or 3.3 percent, to end at \$47.72 after touching a six-month high at \$47.85. Brent crude futures settled up \$1.14, or 2.4 percent, at \$48.97 per barrel.

The Local Market

- FBMKLCI plunged 7.05 points to close at 1,621.21 hampered by the impact of weaker China economic data and the anticipated cut of Malaysia's weightage in the Morgan Stanley Composite Index. There were 250 gainers and 539 decliners in total value traded of RM1.68 billion.
- Among the losers on Bursa Malaysia were BAT declined 43 cent to RM48.00, Cahya Mata Sarawak slipped by 48 cent to RM3.30, Petronas Gas slid 40 cent to RM20.920 and United Plantation decreased 38 cent to RM26.30.

Strategy

- **"Strength in Oil and Weakness in Dollar Pump-up Sentiment"**
Wall Street started the week in style, boosted by the rally in oil price and helped by the weakness in Dollar. S&P 500 and DJIA added 20.05 (0.98%) and 175.39 (1.00%) points to end at 2,066.66 and 17,710.71 respectively. Oil price, as in WTI, touched USD47.86 per barrel, its highest for the year. Whilst, Euro gained 0.1% against the Dollar to end at \$1.1319, sparking hope that the US may gain at the expense of its weakening currency. Given the relatively high volatility in the global equity market off late, the breather given by these two catalysts is much welcome. Hence, we predict that the local market may gain some precious points today, able to recover the loss of precious points in the last few days.
- 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

Cahya Mata Sarawak (TP: TBC): 1Q net profit plunges 98% on lower revenue

Cahya Mata Sarawak Bhd (CMSB) saw its net profit plunged 98% to RM1.05 million or 0.1 sen a share in the first quarter ended March 31, 2016 (1QFY16), from RM57.42 million or 5.52 sen a share a year ago, on lower revenue and profit margin and share of substantial losses in associates. CMSB said most of its divisions reported lower pre-tax profit, with the cement division reporting the steepest decline in 1QFY16. Revenue for 1QFY16 fell 29% to RM346.91 million, from RM490.99 million in 1QFY15, affected mainly by the construction materials and trading division, as well as construction and road maintenance division. (Source: The Edge)

KL Kepong (CP: RM23.10): Q2 earnings down 24% to RM168m

Kuala Lumpur Kepong Bhd (KL Kepong) reported a 24.2% fall in its earnings to RM168.53mil in the second quarter ended March 31, 2016 as it was impacted by net unrealized foreign exchange loss and weaker property sales. The company said on Monday the decline in earnings from RM222.54mil a year ago was due to forex loss of RM35.8mil in the plantations segment compared with net gain of RM210,000 a year ago. KL Kepong said the forex loss arose from the translation of loans advanced and bank borrowings to Indonesian companies. However, the reduction in profit was mitigated by the improved performance from the processing operations. (Source: The Star)

Tien Wah (CP: RM2.34): To jointly partake in PJ commercial development

Printing firm Tien Wah Press Holdings Bhd is proposing to jointly partake in a mixed-use commercial development in Petaling Jaya (PJ), Selangor, with Singaporean firm Kemensah Holdings Pte Ltd. Kemensah is a wholly-owned subsidiary of Singapore Exchange listed Lum Chang Holdings Ltd, which engages in construction, project management, property development, and investment activities in Singapore and internationally. In a filing with Bursa Malaysia today, Tien Wah said its subsidiary Tien Wah Properties Sdn Bhd (TWPSB) had entered into a shareholders agreement with Kemensah to form and operate a joint venture (JV) company currently known as Sterling Model Sdn Bhd for the proposed development at No 9&11, Jalan Semangat, PJ. The JV company will be a 50:50 venture between TWPSB and Kemensah. The JV company, with the intended principal activity of property development, will be applying to the Companies Commission of Malaysia for the change of company name to Lum Chang Tien Wah Sdn Bhd. (Source: The Edge)

Signature (CP: RM1.05): 3Q net profit falls 62.6% on lower project revenue contribution

Signature International Bhd saw its third quarter ended March 31, 2016 (3QFY16) net profit fall 62.6% to RM5.01 million or 4.2 sen a share, from RM13.39 million or 11.2 sen a share a year ago, mainly due to lower project revenue contribution from the kitchen and wardrobe, and glass and aluminum segments. Revenue for 3QFY16 also declined 37.5% to RM54.69 million from RM87.55 million in 3QFY15. For the cumulative nine months (9MFY16), the group's net profit dropped 51.8% to RM15.55 million or 13 sen a share from

RM32.25 million or 26.9 sen a share in 9MFY15. Revenue dropped 29.1% to RM154.54 million in 9MFY16 from RM217.97 million in 9MFY15. In a filing with Bursa Malaysia today, Signature said apart from lower project revenue contribution from its two segments, the decrease in profit and revenue was also due to the impact of the weakening ringgit against the US dollar, which resulted in higher import costs. *(Source: The Edge)*

Century Logistic (CP: RM0.84): 1Q net profit slumps 40%

Century Logistic Bhd's net profit for the first quarter ended March 31, 2016 (1QFY16) slumped 40.3% to RM4.46 million or 1.19 sen per share, from RM7.47 million or 2.04 sen per share in 1QFY15, mainly due to the overall lower activities of the Group as a result of overall weakness in consumer sentiments. According to a filing to Bursa Malaysia today, the Group's revenue for 1QFY16 also declined 3.31% to RM69.54 million, from RM71.92 million in the same corresponding quarter last year. In a separate filing with the bourse, the board of directors declared a single-tier interim dividend of one sen per ordinary share with an ex-date on June 1 and payment date on June 17. On the Group's prospect, a note to the financial report said: "In the face of an uncertain global economic climate, the logistics sector is similarly expected to remain challenging in 2016." *(Source: The Edge)*

Eduspec (CP: RM0.285): Eyes RM40m revenue from distributorship

Bursa Malaysia's ACE Market-listed Eduspec Holdings Bhd hopes to earn as much as RM40 million over the next three to five years after securing the rights to distribute educational and competitive robotic products, and consumer robotics toys in several countries. "As these are hardware sales unlike other solutions and services (where there is a longer gestation time) we provide to schools, [the] income contribution for these products will be immediate, with first-year revenue of at least US\$500,000 (RM2.01 million)," said its chief executive officer Lim Een Hong. *(Source: The Edge)*

Nakamichi (CP: RM0.07): Has till Aug 30 to submit regularisation plan

Practice Note 17 (PN17) company Nakamichi Corp Bhd has been granted an extension of time up to Aug 30, from the earlier stipulated date of April 29, by Bursa Malaysia to submit its regularization plan. In a filing to the exchange today, Nakamichi said Bursa will have the right to suspend the trading of the company's securities and to de-list the company if it fails to submit its regularization plan by Aug 30, as well as fail to obtain the necessary approvals for the implementation of the plan and implement the plan. Nakamichi fell into PN17 status in April last year after its creditors wound up the company's last operating subsidiary, Tamabina Sdn Bhd. The timber company had announced last month that it has inked a memorandum of understanding (MoU) with Aktau Transit LLP on a proposed collaboration to jointly develop AT oilfields in Aktau, Kazakhstan. *(Source: The Edge)*

Komarkcorp (CP: RM0.47): ED disposes of stake in company

Komarkcorp Bhd's executive director Lim Pei Tiam @ Liam Ahat Kiat, 69, has ceased to be a substantial shareholder in the labels manufacturer, following the disposal of 15.62 million shares representing a 12.5% stake. In a filing with Bursa Malaysia today, it was revealed that Lim, who has been an executive director in

Komarkcorp since Aug 16, 2013, had disposed of his shareholdings last Thursday (May 12) via an off-market deal. Komarkcorp in a separate filing to the exchange said it has varied the utilization of the RM48 million cash proceeds from the disposal of Komark Investment Holdings Ltd and its subsidiaries Shanghai Komark Labels & Labelling Co Ltd and Guangzhou Komark Labels & Labelling Co Ltd, to include a proposed special interim dividend of 3 sen per share for each Komarkcorp share held at an entitlement date to be determined later. (Source: The Edge)

Johan Holdings (CP: RM0.135): Bursa reprimands Johan after company posts two varying figures on FY15 losses

Bursa Malaysia has reprimanded Johan Holdings Bhd after the company posted a 12.05% variance in its loss after taxation and minority interest in its unaudited fourth quarter of financial year 2015 (4QFY15) results and its audited financial statements for financial year 2015. In a filing with Bursa Malaysia today, Johan said it had reported a loss after taxation and minority interest of RM18.63 million in 4QFY15, announced on March 24, 2015, but reported an audited loss after taxation and minority interest of RM16.39 million in its audited financial statements for the financial year ended Jan 31, 2015. The main adjustment was in respect of the reversal of the provision for customer reward points which was over provided by RM1.38 million in 4QFY15 without reasonable justification. (Source: The Edge)

Auto Sector: April vehicle sales down 6.7% to 42,177 units

Stricter hire purchase loan approvals and cautious consumer sentiment continued to weigh down April vehicle sales, which saw only 42,177 units. The Malaysian Automotive Association (MAA) said on Monday the total industry vehicles sold in April were down 6.7% from the 45,187 units a year ago and it expects the sales volume to remain the same in May. Sales volume in April 2016 was 13.6% or 6,611 units lower than March 2016. Of the 42,177 units sold, the MAA said 37,893 were passenger vehicles and 4,284 were commercial vehicles. (Source: The Star)

ECONOMIC UPDATES

U.S.: Confidence among homebuilders in US held steady in May

Confidence among US homebuilders held steady in May, signaling limited progress in residential real estate during the busy spring selling season, National Association of Home Builders/Wells Fargo data showed Monday. Builder sentiment gauge unchanged at 58, where it's been for four straight months. Readings greater than 50 indicate more respondents reported good market conditions. Median forecast in a Bloomberg survey of economists projected 59. Gauge of prospective buyer traffic held at 44 in May, while index of current sales was also steady at 63. Measure of the six-month sales outlook rose to 65, highest this year, from 62. (Source: Reuters)

China: Slowdown Shows Debt Addiction Will Be Tough to Shake

China's run of disappointing April data underscore the bind facing policy makers seeking to cut capacity from the worst-performing sectors and curb credit

excesses in recovering ones without stalling the economy. China's central bank was quick to reassure that monetary policy would continue to support the economy, with a statement Saturday that sought to explain the lending slowdown. The tepid readings hours later underscored China's plight, showing growth remains overly reliant on debt, and when credit moderates, so too does the economy. *(Source: Bloomberg)*

Philippine: C.bank to move to interest rate corridor system starting June 3

The Philippine central bank will make the transition to an interest rate corridor (IRC) system starting on June 3, in a move to improve monetary policy transmission to the broader economy, senior officials said. Operational details would be given later on Monday, the officials said. Under the IRC framework, the overnight lending or repurchase window will serve as the ceiling and the special deposit account rate (SDA) as the floor of the rate corridor. The key overnight borrowing rate will be in the middle. The corridor "has to be sufficiently narrow to provide effective guidance to market," Zeno Abenoja, a director at the central bank, told a media briefing, but he reiterated the changes will be policy neutral. *(Source: The Edge)*

Singapore: Home sales slide in April, outlook seen tepid

Sales of private homes by developers in Singapore slid 36 percent in April from a year earlier, with demand expected to remain weak due to an uncertain economic growth outlook. Developers sold 745 units in April, data from the Urban Redevelopment Authority showed on Monday, down from the 1,167 units sold in April last year. The sales were also down 11.6 percent from the 843 units sold in March. *(Source: Reuters)*

Thailand: Economy Expands More Than Expected in First Quarter

Thailand's economy grew more than analysts estimated in the first quarter as the military government's spending helped counter weak local demand and exports. Gross domestic product expanded 3.2 percent in the three months through March from a year earlier, the National Economic and Social Development Board said in Bangkok Monday. That compares with the 2.8 percent median estimate in a Bloomberg News survey of 21 analysts. GDP grew 0.9 percent from the previous three months, compared with 0.6 percent median estimate. *(Source: Bloomberg)*

UK: Job vacancies fall on Brexit worries, higher minimum wage

Job vacancies in Britain slumped in April as uncertainty around the country's European Union membership referendum and the introduction of a higher minimum wage made employers more reluctant to hire, a jobs website said. Job openings dropped by 9 percent in April from March and were down a hefty 27 percent versus a year ago, the survey by job site indeed showed on Tuesday, a day before the release of official jobs market figures. The monthly release said the slump in recruitment began in March and accelerated in April when the government introduced a new and compulsory higher minimum wage of 7.20 pounds an hour, up from 6.70 pounds for workers aged 25 or above. *(Source: Bloomberg)*

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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