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Friday, July 29, 2016

## At a Glance

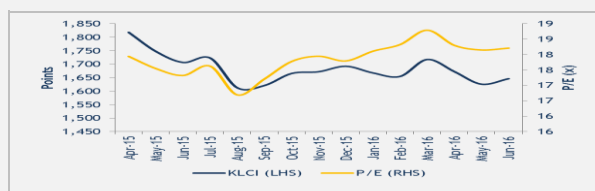
FBMCLCI lost 5.06 points to close at 1,658.50 caused by news Fitch downgraded Malaysia's ringgit-denominated debt rating .....(See full report next page)

## Corporate Highlights

- **Public Bank, BUY (TP: RM21.38):** Declares Q2 dividend of 26 sen totalling RM1b after strong results
- **Gamuda, BUY (TP: RM5.80) Naim (CP: RM1.91):** JV bags RM1.57b Pan Borneo Highway package
- **Maxis, HOLD (TP: RM6.46):** Partners with Vodafone to provide IoT solutions to M'sia businesses

## Economic Update

- **U.S.:** Jobless claims rise; labor market still strong
- **Japan:** Govt plans direct spending of about 7 trln yen in stimulus package
- **Europe:** Economic Sentiment Unexpectedly Rises After Brexit



| KEY ECONOMIC RELEASE |        |            |   |        |        |
|----------------------|--------|------------|---|--------|--------|
|                      | Date   | Local Time | Event   | Survey | Prior  |
| JP                   | 25-Jul | 7:50 AM    | Exports YoY                                       | -11.7  | -11.3  |
| JP                   | 25-Jul | 7:50 AM    | Imports YoY                                       | -21.1  | -13.8  |
| JP                   | 25-Jul | 1:00 PM    | Leading Index CI                                  | --     | 100    |
| JP                   | 25-Jul | 1:00 PM    | Coincident Index                                  | --     | 110.5  |
| US                   | 26-Jul | 9:00 PM    | SBP/CS 20 City MoM SA                             | 0.03%  | 0.45%  |
| US                   | 26-Jul | 9:00 PM    | SBP/CS Composite-20 YOY NSA                       | 5.60%  | 5.44%  |
| US                   | 26-Jul | 9:45 PM    | Markit US Services PMI                            | --     | 51.4   |
| US                   | 26-Jul | 9:45 PM    | Markit US Composite PMI                           | --     | 51.2   |
| US                   | 26-Jul | 10:00 PM   | Consumer Confidence Index                         | 95.5   | 98     |
| US                   | 26-Jul | 10:00 PM   | Richmond Fed Manufact. Index                      | -4     | -7     |
| US                   | 26-Jul | 10:00 PM   | New Home Sales                                    | 560k   | 551k   |
| US                   | 26-Jul | 10:00 PM   | New Home Sales MoM                                | 1.60%  | -6.00% |
| US                   | 27-Jul | 7:00 PM    | MBA Mortgage Applications                         | --     | -1.30% |
| US                   | 27-Jul | 8:30 PM    | Durable Goods Orders                              | -1.00% | -2.30% |
| US                   | 27-Jul | 8:30 PM    | Durables Ex Transportation                        | 0.30%  | -0.30% |
| US                   | 27-Jul | 10:00 PM   | Pending Home Sales MoM                            | 1.80%  | -3.70% |
| US                   | 27-Jul | 10:00 PM   | Pending Home Sales NSA YoY                        | 3.00%  | 2.40%  |
| EU                   | 27-Jul | 4:00 PM    | M3 Money Supply YoY                               | 0.05   | 0.049  |
| US                   | 28-Jul | 2:00 AM    | FOMC Rate Decision (Upper Bound)                  | 0.50%  | 0.50%  |
| US                   | 28-Jul | 2:00 AM    | FOMC Rate Decision (Lower Bound)                  | 0.25%  | 0.25%  |
| EU                   | 28-Jul | 5:00 PM    | Consumer Confidence                               | -7.9   | -7.9   |
| US                   | 29-Jul | 8:30 PM    | Annual Revision: GDP (Q1 2013 to Q1 2016 revised) |        |        |
| US                   | 29-Jul | 8:30 PM    | GDP Annualized QoQ                                | 2.60%  | 1.10%  |
| US                   | 29-Jul | 8:30 PM    | Personal Consumption                              | 4.10%  | 1.50%  |
| US                   | 29-Jul | 10:00 PM   | U. of Mich. Sentiment                             | 90.5   | 89.5   |
| EU                   | 29-Jul | 5:00 PM    | Unemployment Rate                                 | 0.101  | 0.101  |
| EU                   | 29-Jul | 5:00 PM    | CPI Estimate YoY                                  | 0.002  | --     |
| EU                   | 29-Jul | 5:00 PM    | CPI Core YoY                                      | 0.009  | 0.009  |
| EU                   | 29-Jul | 5:00 PM    | GDP SA QoQ  | 0.003  | 0.006  |
| EU                   | 29-Jul | 5:00 PM    | GDP SA YoY  | 0.015  | 0.017  |
| JP                   | 29-Jul | 7:30 AM    | Jobless Rate                                      | 0.032  | 0.032  |
| JP                   | 29-Jul | 7:50 AM    | Industrial Production MoM                         | 0.005  | -0.026 |
| JP                   | 29-Jul | 7:50 AM    | Industrial Production YoY                         | -0.03  | -0.004 |
| JP                   | 29-Jul | 7:50 AM    | Retail Trade YoY                                  | -0.015 | -0.019 |
| JP                   | 29-Jul | 7:50 AM    | Retail Sales MoM                                  | --     | 0      |
| JP                   | 29-Jul | 1:00 PM    | Housing Starts YoY                                | -0.034 | 0.098  |
| JP                   | 29-Jul | 1:00 PM    | Annualized Housing Starts                         | 0.991m | 1.017m |
| JP                   | 29-Jul | 1:00 PM    | Construction Orders YoY                           | --     | 0.345  |
| JP                   | 29-Jul |            | BOJ Monetary Policy Statement                     |        |        |
| JP                   | 29-Jul |            | BOJ Policy Rate                                   | --     | -0.001 |
| MY                   | 29-Jul |            | Money Supply M3 YoY                               | --     | 0.022  |

## Bursa Malaysia

|                 | Close     | Change+/- | (+/- %) |
|-----------------|-----------|-----------|---------|
| FBMCLCI         | 1,658.50  | -5.06     | -0.30   |
| FBMEMAS         | 11,618.98 | -31.14    | -0.27   |
| FBMEMAS SHA     | 12,236.52 | -6.98     | -0.06   |
| FBM100          | 11,316.10 | -27.90    | -0.25   |
| Volume (mn)     | 2,214.70  | 462.49    | 26.39   |
| Value (RMmn)    | 1,844.52  | 136.48    | 7.99    |
| FBMCLCI YTD Chg |           |           | -2.01   |

## Daily Trading Position (RM'mn)

|                   | Participation (%) | Net(RMm) |
|-------------------|-------------------|----------|
| Local Institution | 54.0              | 13.6     |
| Local Retail      | 16.6              | 20.0     |
| Foreign Investors | 29.4              | -33.6    |

## Top Gainers

|                 | Close | Change+/- | (+/- %) |
|-----------------|-------|-----------|---------|
| PANASONIC       | 36.42 | 1.44      | 1.70    |
| DUTCH LADY MILK | 63.00 | 0.50      | 0.80    |
| AJINOMOTO       | 14.48 | 0.48      | 3.43    |

## Top Losers

|             | Close | Change+/- | (+/- %) |
|-------------|-------|-----------|---------|
| BRIT AMER   | 49.80 | -1.60     | -11.07  |
| CHIN TECK   | 7.41  | -0.39     | -5.00   |
| GENTING BHD | 8.51  | -0.39     | -4.38   |

## World Indices

|              | Close     | Change+/- | (+/- %) |
|--------------|-----------|-----------|---------|
| DJIA         | 18,456.35 | -15.82    | -0.09   |
| NASDAQ       | 5,154.98  | 15.17     | 0.30    |
| S&P 500      | 2,170.06  | 3.48      | 0.16    |
| FTSE 100     | 6,721.06  | -29.37    | -0.44   |
| DAX          | 10,274.93 | -44.62    | -0.43   |
| Nikkei 225   | 16,476.84 | -187.98   | -1.13   |
| HSI          | 22,174.34 | -44.65    | -0.20   |
| KOSPI        | 2,021.10  | -3.95     | -0.20   |
| STI          | 2,941.49  | -23.63    | -0.80   |
| KLCI Futures | 1,649.00  | (4.00)    | (0.00)  |
| USDMYR 3M    | 11.90     | (0.02)    | (0.00)  |
| USDMYR 6M    | 11.83     | 0.02      | 0.00    |
| USDMYR 12M   | 11.86     | 0.01      | 0.00    |

## Other Key Economics Data

|                 | Close  | Change+/- | (+/- %) |
|-----------------|--------|-----------|---------|
| WTI (USD/bbl)   | 41     | -0.1      | -0.2%   |
| Brent (USD/bbl) | 42.7   | -0.8      | -1.8%   |
| Gold(USD/ounce) | 1,335  | -0.6      | 0.0%    |
| Coal (USD/mt)   | 61.3   | 0.0       | 0.1%    |
| CPO (RM/mt)     | 2,300  | -18.0     | -0.8%   |
| Rubber          | 183    | 1.6       | 0.9%    |
| RM/USD          | 4.05   | -0.0295   | 0.73%   |
| EUR/USD         | 0.90   | -0.0004   | -0.04%  |
| YEN/USD         | 104.77 | -0.5      | 0.48%   |

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average dropped for four consecutive days by losing 15.82 points to 18,456.35 while S&P 500 inched up 3.48 points to 2,170.06. Nasdaq also soared by 15.17 points to 5,154.98. Stocks closed mixed Thursday, with the S&P 500 Index staging an afternoon advance as it heads for a fifth monthly gain amid a raft of corporate results. Trading was light as investors awaited a Bank of Japan policy decision and data tomorrow on the strength of the American economy.
- The main gauge for U.S. stocks has rallied more than 8 percent since June 27, two days after the U.K.'s secession vote roiled global markets. The index slipped on Wednesday amid earnings reports and a drop in oil. The Fed's reiteration that it is in no rush to raise interest rates amid tepid inflation weighed on the dollar, which bolstered shares of companies whose fortunes are tied to sales abroad.

### The Local Market

- FBMKLCI lost 5.06 points to close at 1,658.50 caused by news Fitch downgraded Malaysia's ringgit-denominated debt rating. There were 300 gainers and 467 decliners in total value traded of RM1.84 billion.
- Among the losers on Bursa Malaysia were British American Tobacco plunged 160 cent to RM49.80, Chin Teck and Genting tumbled 39 cents respectively to RM5.00 and RM4.38 and Lafarge declined 23 cent to RM8.02.

### 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

### Public Bank, BUY (TP: RM21.38): Declares Q2 dividend of 26 sen totalling RM1b after strong results

Public Bank Bhd posted earnings of RM1.25bil in the second quarter ended June 30, 2016, up 11.4% from the RM1.19bil a year ago and it declared an interim dividend of 26 sen a share, which was higher than the 24 sen a year ago. The banking group's founder and chairman, Tan Sri Teh Hong Piow said on Thursday the dividend of 26 sen "which will result in a total dividend payout of RM1bil". He said the first interim dividend will be paid on Aug 22 based on the dividend entitlement date of Aug 12. On the banking group's revenue, it increased by 6% to RM5.02bil from RM4.74bil a year ago. Its earnings per share were 32.53 sen compared with 30.99 sen a year ago. (Source: The Star)

**Gamuda, BUY (TP: RM5.80) Naim (CP: RM1.91): JV bags RM1.57b Pan Borneo Highway package**

Naim Holdings Bhd announced that its wholly-owned unit Naim Engineering Sdn Bhd, via a joint venture (JV) with Gamuda Bhd, has won a RM1.57 billion total works package for the proposed Pan Borneo Highway. According to a bourse filing today, the contract, awarded by Lebuhraya Borneo Utara Sdn Bhd, entails the development and upgrading of Phase 1 of the highway in Sarawak. The JV will undertake works package — WPC-04 (Pantu Junction to Batang Skrang). The contract is for a 51-month period from the date of site possession. "The above contract is expected to contribute positively to the earnings and net assets of the group during the tenure of the contract," said Naim. Naim holds a 70% stake in the JV, while Gamuda owns the remaining 30%. (Source: The Edge)

**Maxis, HOLD (TP: RM6.46): Partners with Vodafone to provide IoT solutions to M'sia businesses**

Maxis Bhd is teaming up with global telecommunications firm Vodafone to provide customised Internet of Things (IoT) solutions to Malaysian businesses, especially small and medium enterprises. "Through our agreement with Vodafone, which brings with it a global standard of service, unrivalled IoT experience and highly ranked by analysts, we are equipping businesses in Malaysia with more than just connectivity through our advanced data network, but a suite of IoT solutions to digitalise and transform their operations," said Maxis head of enterprise marketing and products Shanti Jusnita Johari. Shanti said Maxis will talk to different customers to understand their needs and tailor a customised "fit-for-purpose" service that can easily integrate into their existing system. Maxis also has a team to provide support to its clients, she said at a press conference today. (Source: The Edge)

**Westports (CP: RM4.39): Strong results from Westports in Q2, dividend 7.3 sen a share**

Westports Holdings Bhd recorded a strong set of results in the second quarter ended June 20, 2016 as earnings rose 31% to RM159.87mil from RM122.10mil a year ago. It rewarded shareholders with a dividend of 7.3 sen compared with 5.32 sen a year ago. The port operator announced on Thursday its revenue increased by 28.9% to RM522.63mil from RM405.28mil a year ago. Its earnings per share were 4.69 sen compared with 3.58 sen a year ago. In the first half ended June 30, 2016, its earnings increased by a strong 36.7% to RM331mil from RM242mil in the previous corresponding period. Its revenue rose 22.8% to RM987.34mil from RM804mil. (Source: The Star)

**SapuraKencana (CP: RM1.42): Bags RM510m pipeline, cable job in Turkish Straits**

SapuraKencana Petroleum Bhd has bagged a US\$125.9mil (RM510mil) contract to offshore pipelines and fibre optic cables for Trans Anatolian Natural Gas Pipeline in the Turkish Straits. It said on Thursday its unit SapuraKencana TL Offshore Sdn Bhd was awarded the contract for the engineering, procurement, construction and installation of offshore pipelines and fibre optic cables for the Trans Anatolian natural gas pipeline from Tanap Dogalgaz İletim A.S. The contract scope comprises the design and pre-commissioning of offshore pipelines and fibre optic cables works for the installation of two 36 inch offshore

pipelines approximately 35km in total length, two 48-core and two 192-core offshore fibre optic cables running parallel to the offshore pipelines, and other associated works relating to the Contract. (Source: *The Star*)

**Mudajaya (CP: RM1.26) – Musyati (Unlisted): JV wins RM1.33b contract for Pan Borneo Highway works**

Mudajaya Corporation Bhd's joint venture (JV) with Musyati Sdn Bhd has clinched a RM1.33 billion contract under the Pan Borneo Highway project in Sarawak. In a bourse filing today, Mudajaya said the contract falls under Phase 1 of the development and upgrading of the proposed highway and involves the areas from Sungai Kua Bridge to Sungai Arip Bridge in Sarawak. The company said the works will be undertaken by Mudajaya together with Musyati Sdn Bhd under a 70:30 joint venture. The contract is targeted to be fully completed by October 2020 with a construction period of 48 months from the date of the site possession, the filing read. The contract is expected to contribute positively to the earnings of the group for the financial year ending Dec 31, 2016 onwards. (Source: *The Edge*)

**TNB (CP: RM14.32): Posts electrifying results for third quarter**

Tenaga Nasional Bhd's (TNB) net profit for the third quarter ended May 31, 2016 almost tripled to RM2.31 billion from RM789.4 million a year ago due to the recognition of Imbalance Cost Pass-Through (ICPT) and higher sales of electricity. "This was mainly due to the recognition of the over-recoverability of ICPT during the corresponding quarter amounting to RM1.82 billion compared with RM537.6 million recognised in the current quarter," it said in a filing with Bursa Malaysia yesterday. The group recorded a 7.4% increase in sales of electricity. The increase in sales was mainly from Peninsular Malaysia, which recorded a 7.6% jump. The recognition of ICPT and higher sales of electricity resulted in a 22.44% growth in revenue to RM12.13 billion from RM9.91 billion a year ago. (Source: *The Sun*)

**Malaysia Pacific (CP: RM7.90): To sell part of Wisma MPL**

Malaysia Pacific Corp Bhd (MPC) has signed a memorandum of understanding (MoU) to dispose of part of Wisma MPL, which it owns, to Singapore property investment company Terra Pontus Ptd Ltd, for RM250 million. The property is a 23-storey office complex, comprising a 19-storey office tower over a four-storey retail podium block, together with a two-level basement car park. MPC has sold some of the units in Wisma MPL and it does not form part of the MoU. A due diligence exercise has been conducted by Terra Pontus, and a binding sale and purchase agreement between the two parties is to be signed within two months. (Source: *The Sun*)

**Puncak Niaga (CP: RM1.07): Enters palm oil sector**

Puncak Niaga Holdings Bhd has acquired two new wholly owned subsidiaries Aneka Suriamas Sdn Bhd and Pujian Bayu Sdn Bhd for expansion into the oil palm plantation sector. In a filing with Bursa Malaysia yesterday, the group said Aneka Suriamas and Pujian Bayu are both dormant companies with authorised share capital of RM400,000 each, with a paid-up share capital of RM2 each. Puncak Niaga acquired 100% of the total issued and paid-up share capital of

both companies at a cash consideration of RM2 each. Both companies will remain as dormant companies for the time being. (Source: *The Sun*)

#### **Astro (CP: RM2.92): Ends ties with Bloomberg Malaysia**

Pay-TV operator Astro Malaysia Holdings Bhd has stopped broadcasting Bloomberg TV Malaysia (BTVM) programmes on Channel 519 since the beginning of July. Astro said BTVM's two regular programmes – Moving Malaysia and Dashboard – would be replaced by other Bloomberg TV programmes. According to an industry official, Astro had sent out a note to its operations staff informing them that BTVM would no longer be aired from early July. Channel 519 also carries Bloomberg TV's other programmes, including Bloomberg Markets and Daybreak Asia. BTVM's slot was for a few hours in a day. (Source: *The Star*)

#### **TH Heavy (CP: RM0.20): Bags contract for 3 offshore patrol boats from MMEA**

TH Heavy Engineering has received a non-binding letter of intent from the Malaysian Maritime Enforcement Agency (MMEA) to supply three offshore patrol boats. TH Heavy said on Thursday the letter of intent shall be subject to a mutual agreement between the two parties. More details would be announced then. Earlier, StarBiz reported the future of TH Heavy came under the radar following concerns that it may not be able to deliver the anchor production facility for Japan's JX Nippon-operated Layang field development - a project touted to take it out of its flagging fortunes. (Source: *The Star*)

#### **Hong Leong (CP: RM13.24): To lower BR, BLR by 25bps**

Hong Leong Bank Bhd and Hong Leong Islamic Bank Bhd will join other banks and lower its base rate (BR) and base lending rate (BLR) from tomorrow (July 29), following the reduction in Bank Negara Malaysia's overnight policy rate (OPR) by 25 basis points. In a statement today, Hong Leong Bank said this revision of rates brings Hong Leong Bank's BR to 3.69% from 3.94% and BLR to 6.7% from 6.95%. Concurrently, Hong Leong Islamic Bank's Islamic Base Rate will be revised to 3.69% from 3.94%, and its Islamic Financing Rate will be concurrently revised to 6.7% from 6.95%. (Source: *The Edge*)

#### **TMC Life (CP: RM0.875): Higher patient load boosts TMC Life's earnings**

Hospital operator TMC Life Sciences Bhd saw its net profit for the fiscal quarter ended May 31, 2016 grow 35.31% to RM5.39 million, from RM3.98 million a year ago, due mainly to higher patient load supported by additional bed capacity, consultants, higher growth in fertility business, and interest income. Nevertheless, earnings per share (EPS) fell to 0.32 sen, from 0.4 sen previously. In a filing to Bursa Malaysia today, TMC Life said the abovementioned drivers also resulted in higher revenue to RM34.91 million in the quarter under review, which was 22.49% higher than RM28.50 million last year. For the cumulative 12 month, TMC Life's net profit rose by 50.11% to RM14.90 million, from RM9.92 million in previous corresponding financial period. (Source: *The Edge*)

#### **DRB-Hicom (CP: RM0.91): Shareholders OK sale of certain assets to Pos for RM818m**

DRB-Hicom Bhd's shareholders approved its corporate exercise to dispose of certain assets to its associate Pos Malaysia Bhd at its EGM on Thursday which



would see it strengthening the logistic business as it reduces dependency on property and automotive. Under the corporate exercise, the diversified DRB-Hicom proposed to dispose of the entire issued and paid-up capital of its unit, KL Airport Services Sdn Bhd (KLAS), for RM749.35mil. The resolution received 99.99% of the votes representing 1.487 billion shares. The second resolution was DRB-Hicom's plans to dispose of an indirect wholly owned subsidiary, Hicom Indungan Sdn Bhd, as part of a freehold industrial land in Section 28, Shah Alam, Selangor for RM69mil. (Source: The Star)

#### **MAHB (CP: RM5.85): Records RM2b revenue in H1 2016**

Malaysia Airports Holdings Bhd (MAHB) reported revenue of RM2bil and earnings before interest, tax, depreciation and amortisation (EBITDA) of RM870.2mil for the six months ended June 30 (H116). This was an increase of 11.1% and 28.1% of the group's revenue and normalised EBITDA respectively compared with a year ago. The EBITDA achieved was 50.7% of its annual EBITDA target for the full year ending 2016. MAHB said this achievement was driven by the resilient growth in passenger numbers and commercial performance for both Malaysia and Turkey in spite of the recent global events which have posed some downside risks to air travel. (Source: The Star)

#### **Yi-Lai (CP: RM0.935): RTO deal may be finalised by next week**

The reverse take-over (RTO) of Yi-Lai Bhd may be concluded by next week. Property developer Aspen Vision Group chief executive officer Datuk M Murly said that he expected to announce and sign the shares sale agreement next week. "The Securities Commission is expected to give the green light by the end of the week," Murly said. He spoke after the official opening of Aspen Vision City sales gallery in Batu Kawan by Penang Chief Minister Lim Guan Eng. The RTO would be settled via the issuance of 450 million new Yi-Lai shares at an issue price of RM1, while the remaining RM100 million will be paid in cash. (Source: The Star)

### **ECONOMIC UPDATES**

#### **U.S.: Jobless claims rise; labor market still strong**

The number of Americans filing for unemployment benefits rose more than expected last week, but the underlying trend continued to point to sustained labor market strength. Initial claims for state unemployment benefits increased 14,000 to a seasonally adjusted 266,000 for the week ended July 23, the Labor Department said on Thursday. Claims for the prior week were revised to show 1,000 fewer applications received than previously reported. Economists polled by *Reuters* had forecast initial claims rising to 260,000 in the latest week. Claims have now been below 300,000, a threshold associated with a healthy labor market, for 73 consecutive weeks, the longest stretch since 1973. Prices of US Treasuries were unchanged after the data. US stock futures were trading lower and the dollar was weaker against a basket of currencies.

**Japan: Govt plans direct spending of about 7 trln yen in stimulus package**

The Japanese government is planning direct fiscal spending of around 7 trillion yen (\$67 billion) to help fund an economic stimulus package totalling more than 28 trillion yen, two people briefed on the matter told Reuters on Thursday. That amount - at just a quarter of the total package - could disappoint some market players bracing for bigger outlays given the massive headline figure, equal to more than 5 percent of gross domestic product. The total package, to be approved by Prime Minister Shinzo Abe's cabinet next Tuesday, also includes 6 trillion yen for a fiscal loan and investment programme aimed at spurring private-sector spending such as for construction of a "maglev" train line, the sources said. They spoke on condition of anonymity because the plan has not been finalised. (Source: *The Star*)

**Europe: Economic Sentiment Unexpectedly Rises After Brexit**

Euro-area economic confidence unexpectedly improved in July in a sign that the immediate impact on growth of Britain's surprise vote to leave the European Union may be muted. An index of business and consumer confidence rose to 104.6 in July from 104.4 the previous month, the European Commission in Brussels said on Thursday. Economists in a Bloomberg survey predicted a decline to 103.5. (Source: *Bloomberg*)

**Germany: Inflation Exceeds Forecasts as Draghi Eyes Brexit Clues**

German inflation accelerated more than economists estimated in July, a positive signal for policy makers struggling to meet their goal for price growth in the 19-nation euro area. The rate rose to 0.4 percent from 0.2 percent in June, the Federal Statistics Office in Wiesbaden said on Thursday. Economists in a Bloomberg survey predicted a pickup to 0.3 percent. Prices increased 0.4 percent from the previous month. The report from Europe's largest economy comes a week after European Central Bank President Mario Draghi said he won't hesitate to add fresh stimulus if the U.K.'s vote to leave the European Union harms growth and prices in the bloc. (Source: *Bloomberg*)

**Spain: Jobless Falls to Almost Six-Year Low Amid Recovery**

Spanish unemployment fell to the lowest in almost six years in a fresh sign the economy is pushing ahead even as lawmakers struggle to form a government that can end an unprecedented seven-month political deadlock. The jobless rate dropped to 20 percent in the three months through June, the National Statistics Institute said in Madrid Thursday. That's down from 21 percent in the previous quarter and beats a Bloomberg survey of economists predicting a reading of 20.3 percent for the second quarter, reflecting the start of the summer season. (Source: *Bloomberg*)

**Singapore: Tepid growth, productivity push put squeeze on Singapore jobs**

Singapore's overall unemployment rate rose to 2.1% in the second quarter from 1.9% in the first as subdued global economic conditions dampened hiring. Though the city-state remains in near-full employment, the government's efforts to raise productivity amid slowing economic growth may push the unemployment rate higher in coming quarters. Singapore added 5,500 new jobs between April and June, compared with 13,000 in the previous quarter and 9,700 in the second quarter of 2015, Ministry of Manpower data show. As many

as 5,500 workers were made redundant during the second quarter, an increase over the 4,710 jobs lost in the first three months of this year. (Source: *The Edge*)

**U.K.: Brexit impact on house prices is uncertain**

The Brexit effect on the housing market may take months to become clear, the Nationwide said as it reported a slight rise in UK house prices in July. The UK's biggest building society said that uncertainty after the UK's vote to leave the EU could reduce demand among buyers. Even so, the resulting impact on house prices was "not certain". Property prices rose by 0.5% in July compared with June, and were up 5.2% on a year earlier. That meant the average UK home was valued at £205,715, the Nationwide said. (Source: *BBC*)



# 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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