M&A Securities

Morning Call

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Thursday, November 10, 2016

Market Access

Daily Equity Market Strategy

- **Uncertainty, Uncertainty, Uncertainty**

Despite of all the dramas there lie huge uncertainty for emerging economies including the scrap of Trans Pacific Partnership……..(See full report next page)

At a Glance

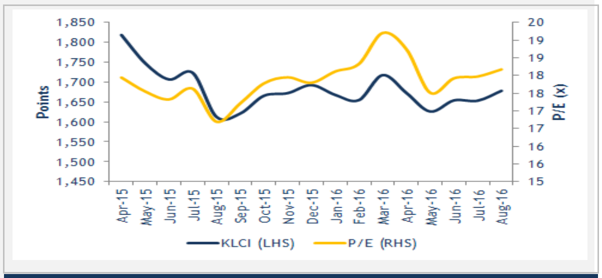
The FBM KLCI plunged 16.20 points to 1,647.62 with Asian shares on Republican candidate Donald Trump's US presidential election victory ……..(See full report next page)

Corporate Highlights

- **StemLife (CP: RM0.52):** Posts 26.8% dip in 1Q net profit; FY17 outlook remains challenging
- **SP Setia (CP: RM3.16):** Wins tender to buy Seberang Perai land for RM620m
- **WCT (CP: RM1.80):** Bag MRT jobs worth RM1.58b

Economic Update

- **US:** Wholesale inventories rise 0.1%
- **China:** Trump win creates uncertainty, opportunity
- **EU:** Cuts euro zone, UK growth forecasts citing political uncertainty



KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
MA	7-Nov	3:00 PM	Foreign Reserves	--	$97.8b
EC	7-Nov	5:10 PM	Markit Eurozone Retail PMI	--	49.6
EC	7-Nov	6:00 PM	Retail Sales MoM	-0.50%	-0.10%
EC	7-Nov	6:00 PM	Retail Sales YoY	1.20%	0.60%
CH	7-Nov		Foreign Reserves	$3132.5b	$3166.4b
US	8-Nov	4:00 AM	Consumer Credit	$17.500b	$25.873b
JN	8-Nov	1:00 PM	Leading Index CI	100.4	100.9
JN	8-Nov	1:00 PM	Coincident Index	112.1	112
CH	8-Nov		Trade Balance	$51.80b	$41.99b
CH	8-Nov		Exports YoY	-6.00%	-10.00%
CH	8-Nov		Imports YoY	-1.20%	-1.90%
CH	8-Nov		Trade Balance CNY	365.40b	278.35b
CH	8-Nov		Exports YoY CNY	-0.80%	-5.60%
CH	8-Nov		Imports YoY CNY	5.00%	2.20%
CH	8-Nov		Foreign Direct Investment YoY CN	2.50%	1.20%
US	9-Nov	8:00 PM	MBA Mortgage Applications	--	-1.20%
CH	9-Nov	9:30 AM	CPI YoY	2.10%	1.90%
CH	9-Nov	9:30 AM	PPI YoY	0.90%	0.10%
US	10-Nov	9:30 PM	Initial Jobless Claims	--	265k
US	10-Nov	9:30 PM	Continuing Claims	--	2026k
US	11-Nov	11:00 PM	U. of Mich. Sentiment	87.3	87.2
MA	11-Nov	12:00 PM	GDP SA QoQ	--	0.70%
MA	11-Nov	12:00 PM	GDP YoY	4.10%	4.00%
MA	11-Nov	12:00 PM	BoP Current Account Balance MYR	2.1b	1.9b
MA	11-Nov	12:00 PM	Industrial Production YoY	4.20%	4.90%
MA	11-Nov	12:00 PM	Manufacturing Sales Value YoY	--	-0.60%
JN	11-Nov	7:50 AM	PPI MoM	0.00%	0.00%
JN	11-Nov	7:50 AM	PPI YoY	-2.60%	-3.20%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,647.62	-16.20	-0.97
FBMEMAS	11,576.26	-122.48	-1.05
FBMEMAS SHA	12,154.93	-127.70	-1.04
FBM100	11,292.78	-116.32	-1.02
Volume (mn)	2,506.78	1,259.63	101.00
Value (RMmn)	2,393.68	685.69	40.15
FBMKLCI YTD Chg			-2.65

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	66.8	129.0
Retail	19.5	20.3
Foreign	13.7	-149.3

Top Gainers

	Close	Change+/-	(+/- %)
FAR EAST HLDGS	7.90	0.24	3.13
EKOVEST BHD	2.35	0.10	4.44
HONG LEONG INDS	9.70	0.05	0.52

Top Losers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	47.92	-0.44	-0.91
TAHPS GROUP	6.75	-0.35	-4.93
AEON CREDIT SER	13.98	-0.34	-2.37

World Indices

	Close	Change+/-	(+/- %)
DJIA	18,589.69	256.95	1.40
NASDAQ	5,251.07	57.58	1.11
S&P 500	2,163.26	23.70	1.11
FTSE 100	6,911.84	68.71	1.00
DAX	10,646.01	163.69	1.56
Nikkei 225	16,251.54	593.11	3.65
HSI	22,415.19	-494.28	-2.16
KOSPI	1,958.38	27.99	1.43
STI	2,789.88	-30.36	-1.08
KLCI Futures	1,640.00	(13.50)	(0.01)
USDMYR 3M	9.31	0.06	0.01
USDMYR 6M	9.50	0.04	0.00
USDMYR 12M	9.83	0.04	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	45	-0.1	-0.2%
Brent (USD/bbl)	46.4	0.3	0.7%
Gold(USD/ounce)	1,278	-0.2	0.0%
Coal (USD/mt)	111.4	-0.7	-0.6%
CPO (RM/mt)	2,845	2.0	0.1%
Rubber	179	0.5	0.3%
RM/USD	4.25	0.0138	-0.32%
EUR/USD	0.92	-0.0015	-0.16%
YEN/USD	105.70	0.03	-0.03%

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

Market Access

What To Expect

U.S. Market

- The Dow Jones Industrials Average jumped 256.95 points to 18,589.69 along with S&P 500 and Nasdaq ended up higher by 23.70 points and 57.58 points to 2,163.26 and 5,251.07, respectively. Wall Street stocks rose sharply on Wednesday, bouncing from a dramatic overnight sell-off, while the Mexican peso was battered as investors reacted to Donald Trump's surprise win in the U.S. presidential election. After sharp declines in U.S. stock futures overnight, equity investor panic eased but bond investors pushed up Treasury yields as they worried Trump's policies would ultimately weaken the dollar and hike inflation.

- Oil prices rose on Wednesday, as U.S. financial markets bounced back from a early Brexit-like slide that followed Donald Trump's surprise victory in the U.S. presidential election. Gold had surged by nearly 5 percent to a six-week high of $1,337.40 an ounce as it emerged that the Republican nominee had triumphed over Democrat Hillary Clinton in the presidential election, a surprise for markets which prompted investors to seek refuge in perceived safe-haven assets like gold.

- The FBM KLCI plunged 16.20 points to 1,647.62 with Asian shares on Republican candidate Donald Trump's US presidential election victory. There were 165 gainers and 807 decliners in total value traded of RM2.4 billion.

- Among the losers on Bursa Malaysia were BAT which rose 44 cent to RM47.92, TAHPS shred 35 cent to RM6.75 and Aeon Credit lost 34 cent to RM13.98.

Strategy

- **Uncertainty, Uncertainty, Uncertainty**

  Wall Street had a big U-turn in performance on Wednesday following the surprise outcome of US presidential election. S&P 500 and DJIA added 256.95 (1.40%) and 23.70 (1.11%) points to end at 18,859.69 and 2,163.26 respectively. Wall Street zoomed from bleeding to strong rally yesterday as investors took comfort of US president-elect Donald Trump acceptance speech which was seen conciliatory. Nonetheless, despite of all the dramas there lie huge uncertainty for emerging economies including the scrap of Trans Pacific Partnership in addition to business and foreign policy uncertainty. Policy stability, certainty and continuity are critical amid the healing of world's growth. His combative style could be negative for the world trade but nonetheless it is too early to be conclusive on this. At this stage, uncertainty is loath upon and we think there will still be resonating impact to local and regional market today.

Research Team
research@mna.com.my
03-22877228 ext. 258,221,229,249

- 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

StemLife (CP: RM0.52): Posts 26.8% dip in 1Q net profit; FY17 outlook remains challenging

StemLife Bhd's net profit for the first financial quarter ended Sept 30, 2016 (1QFY17), slipped 26.8% to RM1.04 million from RM1.42 million a year earlier, mainly due to extraordinary gains from reversal of over-provision in prior year's tax and settlement of legal suit. Revenue, however, rose 24.9% to RM5.93 million from RM4.75 million in 1QFY16, the group said in a filing to Bursa Malaysia today. StemLife attributed the increase in revenue to three factors: enhanced umbilical cord blood stem cells and umbilical cord lining (UCL) contracts accounted under a new revenue recognition method, higher deliveries in UCL as well as contributions from new Wharton Jelly banking service launched in March this year. *(Source: The Edge)*

SP Setia (CP: RM3.16): Wins tender to buy Seberang Perai land for RM620m

Property developer SP Setia Bhd has won the tender to purchase a 1,675-acre piece of land at Seberang Perai Utara, Penang for RM620 million. In a statement today, SP Setia said it plans to develop the land into an eco-themed mixed development township that has a potential gross development value of RM9.6 billion, spanning over 15 to 20 years. It added that it had been notified by WTW Real Estate Sdn Bhd of its successful tender bid for the freehold land. The land tender was made through its subsidiary, Setia Recreation Sdn Bhd. "The land represents SP Setia’s maiden entry into mainland Penang and it is located within the Butterworth-Sungai Petani growth corridor, with good accessibility from North-South Highway via Bertam Interchange. The land is approximately 18km away from Butterworth and 32km away from Penang Bridge," it said. *(Source: The Edge)*

WCT (CP: RM1.80): Bag MRT jobs worth RM1.58b

Mass Rapid Transit Corp Sdn Bhd (MRT Corp) has awarded two work packages worth a combined RM1.58 billion for the construction of the MRT Sungai Buloh-Serdang-Putrajaya Line (MRT2) to WCT Holdings Bhd and MTD Construction Sdn Bhd. WCT edged out five other contenders for the RM896.41 million V204 work package, which involves the construction of a viaduct guideway and other associated works from Bandar Malaysia's south portal to Kampung Muhibbah here. In a statement today, MRT Corp said the tender for V204 work package, which is in the open category, commenced on June 2 and closed on Aug 16. *(Source: The Edge)*

Research Team
research@mna.com.my
03-22877228 ext. 258,221,229,249

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BHIC (CP: RM2.00): Posts 2nd straight quarter of profits in 3Q on right-sizing initiatives

Boustead Heavy Industries Corp Bhd (BHIC) registered its second consecutive profitable quarter, arising from the group's ongoing transformation initiative to tighten operational efficiencies coupled with a strong focus on its core businesses and competencies. Its net profit almost quadrupled to RM14.88 million or 5.99 sen a share in the third quarter ended Sept 30, 2016 (3QFY16), from RM3.94 million or 1.59 sen a share a year ago. In a statement today, BHIC executive deputy chairman and managing director Tan Sri Ahmad Ramli Mohd Nor said the group's performance for 3QFY16 is in line with its expectation of positive results amid a challenging operating environment. *(Source: The Edge)*

Perisai (CP: RM0.045): Sued by JV partner for US$278,114

Perisai Petroleum Teknologi Bhd said two lawsuits for a total of US$278,114 (about RM1.18 million) has been filed against its 51%-owned subsidiary SJR Marine (L) Ltd by its joint venture partner. The partner, Emas Offshore (M) Sdn Bhd, owns the remaining 49% stake in SJR Marine. In the first suit, Emas Offshore's wholly-owned unit Emas Offshore Construction and Production Pte Ltd is seeking US$131,189 for project management services the outfit allegedly provided for the benefit of SJR Marine. In the second suit, Emas Offshore claims it is owed some US$146,925 for charter-party agreements between the company and SJR Marine. *(Source: The Edge)*

Ekovest (CP: RM2.35): To list highway unit in US$500m IPO

Ekovest Bhd, Malaysia's construction and property developer, plans to list its highway operating subsidiary in 2018 in an initial public offering that could raise at least US$500 million, a top executive said on Wednesday. There has been a dearth of IPOs in Malaysia in recent years as its currency took a hit from the sustained volatility in global commodity markets. However, a few offerings could be launched the next year or so. Property developer Eco World Development Group's international unit will list in the first quarter of next year with an aim to raise nearly US$500 million. *(Source: The Edge)*

ECONOMIC UPDATES

US: Wholesale inventories rise 0.1%

US wholesale inventories in September rose slightly less than previously reported, the Commerce Department said on Wednesday. Inventories edged up 0.1% during the month, the department said. The department's monthly advance economic indicators report published last month had estimated that wholesale inventories rose 0.2% in September, as did economists polled by Reuters. The component of wholesale inventories that goes into the calculation of GDP — wholesale stocks excluding autos — increased 0.4% in September. *(Source: Reuters)*

Research Team
research@mna.com.my
03-22877228 ext. 258,221,229,249

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China: Trump win creates uncertainty, opportunity

Donald Trump's upset election victory cracks open pressing strategic and economic questions in US-China ties, and has likely surprised and worried Chinese leaders, who prize stability in relations between the two powers. Trump had lambasted China throughout the campaign, drumming up headlines with his pledges to slap 45% tariffs on imported Chinese goods and label the country a currency manipulator his first day in office. He has also questioned US security commitments to allies and undercut long-held bipartisan US foreign policy norms, such as suggesting that Japan develop nuclear weapons, all stances that if he follows through on could upset the regional security balance in Asia. *(Source: The Edge)*

EU: Cuts euro zone, UK growth forecasts citing political uncertainty

Euro zone and Britain's growth will slow next year, the European Commission said on Wednesday, cutting its economic forecasts for 2017 because of increased political uncertainty, including Britain's Brexit vote, and weakening global trade. The EU executive estimated that growth in the 19 countries sharing the euro would slow to 1.7% this year from 2.0% in 2015 and decelerate further to 1.5% in 2017 before picking up again to 1.7% in 2018. It revised down its previous forecasts released in May of an expansion of the euro zone Gross Domestic Product by 1.8% in 2017, but slightly raised the forecast for this year from a previously estimated 1.6%. *(Source: The Edge)*

Hong Kong: Regulator steps up efforts to probe IPO misconduct

Hong Kong, the world's second-largest market for new listings this year, is planning to step up its efforts to police misconduct by sponsors of initial public offerings. The Securities and Futures Commission will bring more cases against IPO sponsors, or financial institutions that sign off on listings, Thomas Atkinson, the regulator's executive director of enforcement, said Wednesday at a conference in the city. The SFC is boosting its supervision of new listings amid a spike in complaints against publicly traded companies in recent years. Inexplicably high valuations, excessive shareholding concentrations and trading volumes that collapsed after some IPOs were among problems highlighted by the SFC's Chief Executive Officer Ashley Alder earlier this week. *(Source: The Star)*

Thailand: Holds interest rate amid market turmoil

Thailand held its key interest rate for a 12th meeting, the longest streak on record, opting to preserve its firepower as growth risks mount following the death of King Bhumibol Adulyadej and market turmoil heightened in the aftermath of the US elections. The Bank of Thailand kept its one-day bond repurchase rate at 1.5%, with monetary policy committee members voting unanimously in favor, it said in Bangkok. All but one of the 24 economists surveyed by Bloomberg predicted the decision, with JPMorgan Chase & Co forecasting a cut. *(Source: The Star)*

Research Team
research@mna.com.my
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M&A Securities

STOCK RECOMMENDATIONS

BUY	*Share price is expected to be ≥+10% over the next 12 months.*
TRADING BUY	*Share price is expected to be ≥+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 ≥-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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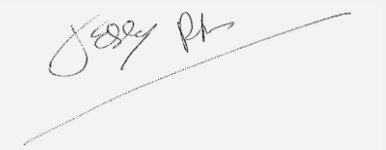
(A wholly-owned subsidiary of INSAS BERHAD)
A Participating Organisation of Bursa Malaysia Securities Berhad

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

Head Of Research



Rosnani Rasul
M&A Securities

Research Team
research@mna.com.my
03-22877228 ext. 258,221,229,249