

PP14767/09/2012(030761)

Tuesday, November 22, 2016

## At a Glance

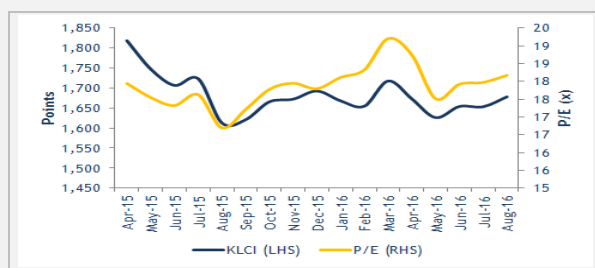
The FBM KLCI ended down 3.48 points to 1,627.28 on bargain hunting activities after having languished in the red for three days last week.....(See full report next page)

## Corporate Highlights

- **KL Kepong (CP: RM23.74):** To take bigger stake in Indonesian joint venture
- **WCT (CP: RM1.93):** 3Q net profit plunges 72.1% on absence of forex gain
- **Malton (CP: RM0.78):** Improved property development revenue boosts Malton's 1Q net profit by 44%

## Economic Update

- **China:** Spending on R&D rises to 2.07% of GDP
- **Canada:** Wholesale trade unexpectedly slumps in September
- **Brazil:** Cuts 2017 growth forecast as recession lingers



## KEY ECONOMIC RELEASE

	Date	Local Time	Event	Survey	Prior
JN	21-Nov	7:50 AM	Trade Balance	¥612.7b	¥498.3b
JN	21-Nov	7:50 AM	Exports YoY	-8.50%	-6.90%
JN	21-Nov	7:50 AM	Imports YoY	-16.30%	-16.30%
US	22-Nov	11:00 PM	Richmond Fed Manufact. Index	0	-4
US	22-Nov	11:00 PM	Existing Home Sales	5.44m	5.47m
US	22-Nov	11:00 PM	Existing Home Sales MoM	-0.60%	3.20%
EC	22-Nov	11:00 PM	Consumer Confidence	-7.8	-8
MA	22-Nov	3:00 PM	Foreign Reserves	--	\$97.8b
US	23-Nov	9:30 PM	Durable Goods Orders	1.10%	-0.30%
US	23-Nov	9:30 PM	Initial Jobless Claims	--	235k
US	23-Nov	9:30 PM	Continuing Claims	--	1977k
US	23-Nov	10:45 PM	Markit US Manufacturing PMI	53.5	53.4
US	23-Nov	11:00 PM	New Home Sales	590k	593k
US	23-Nov	11:00 PM	New Home Sales MoM	-0.50%	3.10%
US	23-Nov	11:00 PM	U. of Mich. Sentiment	91.6	91.6
EC	23-Nov	5:00 PM	Markit Eurozone Manufacturing PMI	53.2	53.5
EC	23-Nov	5:00 PM	Markit Eurozone Services PMI	52.8	52.8
EC	23-Nov	5:00 PM	Markit Eurozone Composite PMI	53.2	53.3
MA	23-Nov	3:00 PM	BNM Overnight Policy Rate	3.00%	3.00%
US	24-Nov	3:00 AM	FOMC Meeting Minutes	--	--
US	25-Nov	9:30 PM	Wholesale Inventories MoM	0.30%	0.10%
US	25-Nov	9:30 PM	Retail Inventories MoM	--	0.30%
US	25-Nov	10:45 PM	Markit US Services PMI	54.8	54.8
US	25-Nov	10:45 PM	Markit US Composite PMI	--	54.9

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## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,627.28	3.48	0.21
FBMEMAS	11,467.10	7.89	0.07
FBMEMAS SHA	12,074.16	-19.06	-0.16
FBM100	11,176.12	5.71	0.05
Volume (mn)	1,382.86	-7.84	-0.56
Value (RMmn)	1,381.38	-132.68	-8.76
FBMKLCI YTD Chg			-3.85

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	57.8	350.2
Retail	13.2	-19.8
Foreign	29.0	-330.4

## Top Gainers

	Close	Change+/-	(+/- %)
HONG LEONG FIN	15.36	0.40	2.67
FAR EAST HLDGS	8.00	0.28	3.63
PETRONAS GAS	21.20	0.20	0.95

## Top Losers

	Close	Change+/-	(+/- %)
NESTLE (MALAY)	77.58	-0.42	-0.54
UNITED PLANTAT	26.70	-0.30	-1.11
BRIT AMER TOBAC	43.94	-0.28	-0.63

## World Indices

	Close	Change+/-	(+/- %)
DJIA	18,956.69	88.76	0.47
NASDAQ	5,368.86	47.35	0.89
S&P 500	2,198.18	16.28	0.75
FTSE 100	6,777.96	2.19	0.03
DAX	10,685.13	20.57	0.19
Nikkei 225	18,106.02	138.61	0.77
HSI	22,357.78	13.57	0.06
KOSPI	1,966.05	-8.53	-0.43
STI	2,816.67	-21.98	-0.77
KLCI Futures	18,956.69	88.76	0.47
USDMYR 3M	5,368.86	47.35	0.89
USDMYR 6M	2,198.18	16.28	0.75
USDMYR 12M	6,777.96	2.19	0.03

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	46	0.4	0.8%
Brent (USD/bbl)	47.3	0.4	0.9%
Gold(USD/ounce)	1,207	-1.3	-0.1%
Coal (USD/mt)	105.1	-1.2	-1.1%
CPO (RM/mt)	2,869	-7.0	-0.2%
Rubber	191	0.0	0.0%
RM/USD	4.42	0.0238	-0.54%
EUR/USD	0.94	0.0005	0.05%
YEN/USD	111.10	0.19	-0.17%

## What To Expect

### U.S. Market

- The Dow Jones Industrials Average gained 88.76 points to 18,956.69 along with S&P 500 and Nasdaq ended lower by 16.28 points and 47.35 points to 2,198.18 and 5,368.86, respectively. The S&P 500, Dow Jones Industrial Average and Nasdaq Composite climbed to a trifecta of records Monday as stocks extended their postelection rally. Stocks have gained since the U.S. presidential election, with major indexes advancing two weeks in a row through Friday.
- U.S. crude oil rose 3.9% to \$47.49 a barrel, its highest level since Oct. 28 after Iraq's oil minister said the country would offer new proposals to cut output at next week's meeting of the Organization of the Petroleum Exporting Countries.

- The FBM KLCI ended down 3.48 points to 1,627.28 on bargain hunting activities after having languished in the red for three days last week. There were 365 gainers and 409 decliners in total value traded of RM1.38 billion.
- Among the advancers on Bursa Malaysia were Hong Leong Financial which gained 40 cent to RM15.36, Far East lifted 28 cent to RM8.00 and Petronas Gas moved up 20 cent to RM21.20.

### 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

### KL Kepong (CP: RM23.74): To take bigger stake in Indonesian joint venture

Kuala Lumpur Kepong Bhd (KLK) plans to acquire a bigger stake in PT Perindustrian Sawit Synergi, a downstream palm oil producer in Indonesia, by upping its stake in the joint venture company from 63% to 75%. In a filing with Bursa Malaysia today, KLK said its wholly-owned subsidiary KL-Kepong Plantation Holdings Sdn Bhd has entered into an amended agreement with Gunaria Sdn Bhd, Mujib Moosa Modak, Modak Moosa Mohamed and Al Hakim Hanafiah to buy a 75% — rather than the original 63% — stake in Perindustrian Sawit Synergi. (Source: The Edge)

### MQ Tech (CP: RM0.085): Rights issue under-subscribed by 34%

MQ Technology Bhd, which is planning to diversify into the theme park business, saw its renounceable rights issue with free warrants under-subscribed by 34.22%. The group, which is going to jointly develop a theme park on a 9.16-acre piece of reclaimed leasehold land in Klebang, Malacca, with a private firm, told Bursa Malaysia today it had received valid acceptances and excess applications totalling 275.27 million for its rights issuance at the close of

acceptance and payment on Nov 14. This comprises total valid acceptances of 126.93 million or 30.33% and total valid excess applications of 148.35 million or 35.45%. (Source: *The Edge*)

**Perisai Petroleum (CP: RM0.06): Has less than 60 days to submit debt restructuring scheme**

Perisai Petroleum Teknologi Bhd, which became the first Malaysian oil and gas company to fall victim to the slump in oil prices and declared itself insolvent on Oct 12, said it has within 60 days from Nov 10 to submit a proposed debt restructuring scheme to the Corporate Debt Restructuring Committee (CDRC). "Upon receipt and review of the proposed scheme, CDRC will call for a meeting with the (company's) lenders to deliberate on the proposed scheme," said Perisai in a filing with Bursa Malaysia today. "Simultaneous with the company's admission to CDRC, letters to all of the company's lenders have been issued by CDRC requesting the lenders to observe an informal standstill and to withhold litigation proceedings against the company with immediate effect," it added.

**Fajarbaru (CP: RM0.545): Associate buys Melbourne land for A\$25.6m**

Fajarbaru Builder Group Bhd's associate company is buying a freehold land measuring 676 sq meter within the central business district of Melbourne, Australia, for A\$25.6 million (RM84.15 million) cash. In a bourse filing with Bursa Malaysia today, the construction outfit said its associate 320 Queen Street Project Pty Ltd is buying the land from the Celtic Club Inc. According to Fajarbaru, the land has been granted a planning permit that allows the construction of a 48-level residential tower, including two basement carpark levels, two recreational levels and service levels on the land from Oct 29, 2017 to Oct 29, 2020. (Source: *The Edge*)

**WCT (CP: RM1.93): 3Q net profit plunges 72.1% on absence of forex gain**

WCT Holdings Bhd's net profit plunged 72.1% to RM23.97 million or 1.92 sen a share for the third quarter ended Sept 30, 2016 (3QFY16) from RM85.91 million or 7.43 sen a share a year ago mainly due to high unrealised foreign exchange gain in 3QFY15. Revenue, however, rose 11.5% to RM414.41 million in 3QFY16 from RM371.8 million in 3QFY15 mainly due to higher contribution from the local construction segment. For the cumulative nine months (9MFY16), net profit dropped 56.8% to RM64.87 million from RM150.18 million a year ago despite revenue increasing 29.2% to RM1.48 billion in 9MFY16 from RM1.15 billion in 9MFY15 for the same reasons.

**Malton (CP: RM0.78): Improved property development revenue boosts Malton's 1Q net profit by 44%**

Property developer Malton Bhd's net profit in the first quarter of the financial year ended Sept 30, 2016 (1QFY17) rose 44.4% year-on-year (y-o-y) to RM6.26 million from RM4.33 million, mainly on higher revenue from its property development division. The division, it said, saw higher billings and profits from its Bukit Jalil City Signature Shops and The Park Sky Residence projects, its filing to Bursa Malaysia today showed. Quarterly revenue gained 5.7% y-o-y to RM130.04 million from RM123.08 million, said its bourse filing. (Source: *The Edge*)

**Pharmaniaga (CP: RM5.70): 3Q net profit down 34.6%, pays four sen dividend**  
Pharmaniaga Bhd's net profit fell 34.6% to RM13.06 million or 5.04 sen a share in its third quarter ended Sept 30, 2016 (3QFY16) from RM19.97 million or 7.71 sen a share a year ago on lower revenue. Revenue slipped 1.8% to RM515.22 million in 3QFY16 from RM524.41 million in 3QFY15, due to reduced demand from government hospitals under the concession business. Nevertheless, the group declared a third interim dividend of four sen per share for the financial year ending Dec 31, 2016, payable on Dec 15. (Source: *The Edge*)

**AMMB Holdings (CP: RM4.10): Sees SME loan growth exceeding 5% in FY17**  
AMMB Holdings Bhd (AmBank Group) expects the loan growth from its small and medium enterprise (SME) loan segment to exceed the group's expected total loan growth of circa 5% for its financial year ending March 31, 2017 (FY17). "If loan growth is overall circa 5% for the whole group, we target loan growth from the SME [segment] to come in higher than that," AmBank group chief executive officer Datuk Sulaiman Mohd Tahir told a media briefing on the group's first-half financial results today. Ambank group chief financial officer Mandy Simpson shared that SME loans currently make up approximately 14% of the group's total loan composition. (Source: *The Edge*)

**Star Media (CP: RM2.43): 3Q earnings down amid poor consumer and business sentiments**

Star Media Group Bhd saw its revenue in the third quarter ended Sept 30, 2016 (3QFY16) fall 18.9% to RM206.5 million from RM254.51 million a year ago mainly due to lower revenue from most of its business segments. This has resulted in lower net profit in 3QFY16 to RM11.31 million or 1.53 sen a share, down 52% from RM23.64 million or 3.2 sen a share in 3QFY15. In a filing with Bursa Malaysia today, Star Media said revenue of its print and digital business segment for 3QFY16 declined 13.4% mainly due to lower advertising revenue resulting from poor consumer and business sentiments. (Source: *The Edge*)

**MKH (CP: RM2.85): Ties up with PR1MA to undertake RM464m mixed project in Kajang**

MKH Bhd is teaming up with PR1MA Corp Malaysia to jointly develop a piece of freehold land measuring 33,280 square metres (8.22 acres) in Kajang into a mixed project with a gross development value (GDV) of RM464 million. In a filing with Bursa Malaysia today, the property developer cum plantation player said its unit Metro KL City Sdn Bhd has inked a joint development agreement with PR1MA Corp, the registered proprietor of the land, to effect their collaboration. Under the tie-up, MKH said Metro KL City will undertake the development of approximately 1,202 units of stratified residential units, together with a commercial area of approximately 42,000 sq ft. (Source: *The Edge*)

**Mesiniaga (CP: RM1.07): Gets TNB network equipment deal worth RM12.17m**  
Mesiniaga Bhd has bagged a network equipment contract from Tenaga Nasional Bhd (TNB) that is worth RM12.17 million. According to its bourse filing today, it received the letter of award, dated Nov 16, for the provision of "ICS IP/MPLS network equipment" from TNB today. The information technology products seller expects the 32-month contract to contribute positively to its earnings over

the period. Shares in Mesiniaga settled one sen or 0.93% lower at RM1.07 today, for a market value of RM65.23 million. (Source: The Edge)

**MSM (CP: RM4.85): Profit shrinks 63.5% in 'very challenging' 3Q, pays 10 sen dividend**

Higher raw material costs and a weaker ringgit has eroded MSM Malaysia Holdings Bhd's profitability by 63.5% in the third financial quarter ended Sept 30, 2016 (3QFY16). In announcing its result, the country's leading refined sugar producer said its 3QFY16 net profit slumped to RM23.31 million or 3.32 sen per share from RM63.87 million or 9.09 sen per share a year earlier, though revenue climbed 16% to RM633.12 million from RM546.49 million. The rise in top line was due to higher volume of refined sugar sold in the domestic market, its filing with Bursa Malaysia revealed today. (Source: The Edge)

**QL Resources (CP: RM4.40): 2Q net profit down 8.4% on lower margins**

QL Resources Bhd's net profit fell 8.4% to RM50.52 million or 4.05 sen a share in the second financial quarter ended Sept 30, 2016 (2QFY17) from RM55.16 million or 4.42 sen a share a year ago, due to lower overall margins of fisheries products and lower contribution from palm oil activities. Revenue, however, rose 5.7% to RM729.7 million in 2QFY17 from RM690.41 million in 2QFY16, due to higher export contribution of fishmeal, surimi and surimi-based products. For the cumulative six months ended Sept 30, 2016 (1HFY17), its net profit slipped 3.6% to RM92.65 million from RM96.09 million a year ago, also due to the same reasons. Revenue grew 4% to RM1.4 billion from RM1.35 billion. (Source: The Edge)

**ECONOMIC UPDATES**

**China: Spending on R&D rises to 2.07% of GDP**

China's spending on research and development (R&D) increased to 2.07% of GDP last year, up by 0.05 percentage points, as policy to promote more innovation led companies to up their investment in research, said a report published by the Ministry of Science and Technology on Monday. China spent a total of 1.42 trillion yuan on R&D in 2015, up 8.9% over the previous year. Of that, companies spent 1.09 trillion yuan, showed the report, up by 8.2% year on year. China this year revised up the size of its economy by adding R&D spending into its calculations for gross domestic product. (Source: The Edge)

**Canada: Wholesale trade unexpectedly slumps in September**

The value of Canadian wholesale trade unexpectedly fell by 1.2 percent in September from August, dropping for the first time in six months after a series of strong gains, Statistics Canada data indicated on Monday. Machinery, equipment and supplies recorded the largest sales decline in dollar terms, dropping by 4.0 percent. The miscellaneous subsector fell by 3.1 percent as sales of agricultural supplies shrank by 8.0 percent. Wholesale trade fell in every one of the 10 provinces, with Ontario, Quebec and Alberta accounting for 82 percent of the overall decrease. After three record-setting months, Ontario posted a 0.7 percent decline. (Source: Reuters)



**Brazil: Cuts 2017 growth forecast as recession lingers**

Brazil's government lowered its forecast for economic growth in 2017 to 1.0 percent from 1.6 percent, echoing recent market pessimism as the country struggles to exit its worst recession in at least eight decades. Brazil's economy is expected to return to growth in the first quarter of 2017, Fabio Kanczuk, the finance ministry's secretary of economic policy, told reporters on Monday. The government also changed its forecast for this year's economic contraction to 3.5 percent from 3.0 percent. Brazil's two-year-long recession deepened in the third quarter, central bank data showed last week, leaving 12 million people unemployed. (Source: Reuters)

**German: Growth to pick up significantly in fourth quarter**

Manufacturing is expected to drive a rebound in German economic growth in the fourth quarter after several lackluster months, Germany's central bank said in a monthly report on Monday. With sentiment improving and new orders rising, employment growth is expected to continue, boosting the euro zone's biggest economy after several relatively modest quarters, the Bundesbank said. "In the last quarter of 2016, growth in the Germany economy is likely to be significantly stronger after the temporary slowdown in the summer," it added. (Source: Reuters)

**Greece: Recession-hit Greece projects return to strong growth in 2017**

Greece expects its economy to exit recession and return to growth next year, driven by private demand and new investment, and vowed in its 2017 budget to continue fiscal efforts to emerge from a lengthy crisis. The economic downturn has wiped out 25 percent of national output since 2008, with a string of recessionary quarters interrupted only by a hiatus of marginal growth in 2014. For next year, authorities predicted a 2.7 percent economic expansion, supported by the trickle-down impact of bailout cash inflows and resurgent private demand. The budget, submitted to parliament for approval, projected a primary surplus - the fiscal balance excluding debt servicing costs - of 2 percent of GDP next year, compared to an above-target 1.1 percent of output in 2016. (Source: Reuters)

**Japan: October exports fall more than expected as strong yen drags**

Japan's exports fell in October for a 13th consecutive month and by more than expected as the strength of the yen and sluggish foreign demand weighed on trade, although current yen weakness could change the outlook. Ministry of Finance (MOF) data showed on Monday that exports fell 10.3 percent in the year to October, pulled down by a strong rise in the value of the yen and lower export volumes, much weaker than the expected 8.6 percent drop and September's 6.9 percent decline. (Source: Reuters)

**Euro zone: Economy to hum at modest pace; ECB to extend QE**

Euro zone economic growth will hum along at a modest pace over the coming year, according to economists in a Reuters poll whose views have barely changed since the U.S. election and five months after Britain voted to exit the European Union. Despite what appears to be a strong likelihood for a U.S. interest rate rise next month, the European Central Bank looks set to keep going

the other way, announcing an extension to its quantitative easing programme beyond March 2017. (Source: *Hellenic Shipping News*)

**Nigeria: Power problems old and new frustrate Buhari's economy push**

Nigeria's biggest power station shows the huge problems that President Muhammadu Buhari must overcome if he is to fulfil his promise to tackle chronic electricity shortages and reform an economy in recession. On the outskirts of Lagos, three out of six turbines lie idle at the Egbin plant, starved both of gas due to militant attacks on pipelines that supply the station - and of funds that would allow its owners to buy alternative fuels and even implement an expansion plan. Buhari won last year's presidential election with pledges to increase power capacity exponentially during his four-year term and meet the demands of Nigeria's 180 million people entirely within a decade. (Source: *Reuters*)

**Mongolia: Rating cut as Moody's expects elevated debt burden**

Mongolia's debt rating was downgraded by Moody's Investors Service as there is "heightened uncertainty" over the government's ability to meet its debt service obligations over the next two years and an expectation that the debt will increase. The nation's long-term issuer and senior unsecured rating was cut one step to Caa1 from B3 by Moody's, the same level as Barbados and Belarus, with a stable outlook, the debt rating company announced on Friday. The new government has to reckon with a multitude of problems — the economy is contracting, the currency is in freefall and the budget deficit has ballooned. It declared a crisis soon after coming to office, announced austerity measures and a plan to stabilize the economy, and last month held talks with the International Monetary Fund to discuss support. (Source: *The Edge*)

# 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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