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Friday, November 25, 2016

## At a Glance

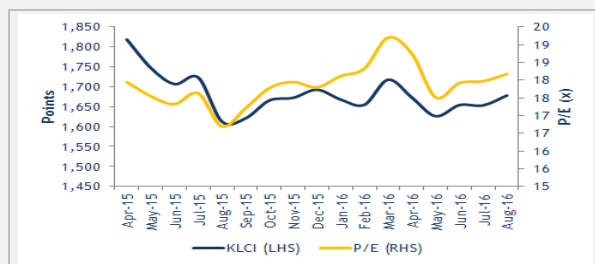
The FBM KLCI fell 6.17 points to 1,624 as the ringgit depreciated to a new one-year level against the US dollar on expectation of a US interest rate increase next month.....(See full report next page)

## Corporate Highlights

- **IHH Healthcare (CP: RM6.39):** 3Q net profit up 46.3% on narrowed forex losses
- **Maybank (CP: RM7.70):** Posts improved Q3 earnings of RM1.79b
- **Genting (CP: RM8.06):** Stronger Q3 performance by Genting Bhd

## Economic Update

- **Brazil:** Economy sheds 74,748 jobs in October
- **Malaysia:** 2017 signals 'delicate recovery' with 4.5% GDP growth
- **German:** Economy ministry questions purchase of U.S. military planes



## 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 PM	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

## Research Team

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## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,624.21	-6.17	-0.38
FBMEMAS	11,411.91	-51.97	-0.45
FBMEMAS SHA	11,995.66	-63.90	-0.53
FBM100	11,128.92	-51.55	-0.46
Volume (mn)	1,300.58	-258.23	-16.57
Value (RMmn)	1,269.31	-555.73	-30.45
FBMKLCI YTD Chg			-4.04

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	62.4	161.9
Retail	17.6	6.8
Foreign	20.0	-168.7

## Top Gainers

	Close	Change+/-	(+/- %)
MALAYSIA SMELTI	4.49	0.20	4.66
MALAYSIAN PAC	7.47	0.17	2.33
PERSTIMA	7.05	0.14	2.03

## Top Losers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	43.86	-0.64	-1.44
NESTLE (MALAY)	77.00	-0.50	-0.65
PANASONIC MAN	35.48	-0.42	-1.17

## World Indices

	Close	Change+/-	(+/- %)
DJIA	-	-	-
NASDAQ	-	-	-
S&P 500	-	-	-
FTSE 100	6,829.20	11.49	0.17
DAX	10,689.26	26.82	0.25
Nikkei 225	18,333.41	54.18	0.30
HSI	22,608.49	-68.20	-0.30
KOSPI	1,971.26	1.66	0.08
STI	2,843.72	4.03	0.14
KLCI Futures	1,632.00	1.50	0.00
USDMYR 3M	13.87	(0.02)	(0.00)
USDMYR 6M	13.60	(0.01)	(0.00)
USDMYR 12M	12.54	0.32	0.03

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	48	0.0	0.0%
Brent (USD/bbl)	49.0	0.0	0.1%
Gold(USD/ounce)	1,183	1.7	0.1%
Coal (USD/mt)	106.0	2.7	2.6%
CPO (RM/mt)	3,004	50.0	1.7%
Rubber	201	4.0	2.0%
RM/USD	4.45	0.0055	-0.12%
EUR/USD	0.95	0.0002	0.02%
YEN/USD	113.54	0.21	-0.19%

## What To Expect

### U.S. Market

- U.S market closed yesterday for Thanksgiving holiday.

- The FBM KLCI fell 6.17 points to 1,624 as the ringgit depreciated to a new one-year level against the US dollar on expectation of a US interest rate increase next month. There were 302 gainers and 452 decliners in total value traded of RM1.27 billion.
- Among the decliners on Bursa Malaysia were BAT which lost 64 cent to RM43.86, Nestle fell 50 cent to RM77.00 and Panasonic ended down 42 cent to RM35.48.

### 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

**IHH Healthcare (CP: RM6.39): 3Q net profit up 46.3% on narrowed forex losses**  
IHH Healthcare Bhd's net profit for the third financial quarter ended Sept 30, 2016 (3QFY16) increased by 46.3% to RM173.3 million from RM118.49 million in 3QFY15. This was after foreign exchange losses on Acibadem Holdings non-Turkish Lira borrowings narrowed significantly over the year. Acibadem Holdings refers to IHH's wholly owned Integrated Healthcare Turkey Yatirimlari Ltd Group, which owns 60% of Acibadem Saglik Yatirimlari Holding A.S. Group. (Source: The Edge)

**Maybank (CP: RM7.70): Posts improved Q3 earnings of RM1.79b**  
Malayan Banking Bhd (Maybank) posted a stronger set of earnings in the third quarter ended Sept 30, 2016 at RM1.79bil – an improvement from the preceding two quarters. South-east Asia's fourth largest bank by assets said on Thursday its earnings rose 54.8% from the RM1.16bil in Q2FY16. However, it was marginally lower by 5.4% compared with aQ3FY15 mainly due to a lower tax charge a year ago. Maybank said Q3FY16 profit before tax (PBT) rose 55.1% over Q2FY16 and 3.1% over the corresponding period last year. PBT for the quarter came in at RM2.46bil compared with RM1.58bil in Q2FY16 and RM2.38bil in Q3FY15. (Source: The Star)

**Genting (CP: RM8.06): Stronger Q3 performance by Genting Bhd**  
Genting Bhd's earnings soared 60% to RM577.21mil in the third quarter (Q3) ended Sept 30 from a year earlier, despite a RM614.8mil drop in contribution from the its investments & others segment. The group's adjusted earnings

before interest, taxes, depreciation and amortisation (Ebitda) fell 12% to RM1.71bil as a result of that segment's reversal from a pre-tax profit of RM604.1mil in Q3 2015 to a loss of RM10.7mil in the quarter under review. The drop in adjusted Ebitda was, however, cushioned by the commendable 19% growth in the leisure and hospitality segment's profit to RM1.42bil and the more than doubling (+113%) of the plantation segment's profit to RM147.1mil. (Source: The Star)

**Ekovest (CP: RM2.29): Expects to win RM600m construction jobs**

Ekovest Bhd expects to secure additional construction jobs worth RM600mil on top of its current RM6.6bil construction order book for the financial year ending June 30, 2017. Managing director Datuk Seri Lim Keng Cheng said the projects would keep the company busy for the next three to four years. "We are aggressive in tendering for more projects as we want to be a key player in the industry," he told reporters after the company's AGM. (Source: The Star)

**Axiata (CP: RM4.31): Quarterly earnings at RM256m**

Axiata Group Bhd posted earnings of RM256.56mil in the third quarter ended Sept 30, 2016, which was an improvement on a quarterly basis as its South Asia operating companies turned out a stronger performance. Axiata said on Thursday the OpCos which performed well were the Ncell, Dialog and Robi. Axiata president and group CEO Tan Sri Jamaludin Ibrahim added: "Our quarter-on-quarter topline indicators improved due to Ncell's first full quarter contribution as well as improvements in service revenue registered across all markets, including Malaysia and Indonesia. (Source: The Star)

**JHM (CP: RM1.45): Q3 earnings jump over 300% on surge in car lighting demand**

JHM Consolidation Bhd saw its earnings jump 326% to RM5.64mil in the third quarter ended Sept 30, 2016, underpinned by the surge in demand for automotive lighting. The research and development company said on Thursday the earnings had jumped from RM1.32mil a year ago. Its revenue increased by 30% to RM45.07mil from RM34.69mil. Earnings per share were 4.58 sen. For the nine months, its earnings jumped 182% to RM12.92mil from RM4.57mil in the previous corresponding period. Its revenue increased 50.5% to RM138.05mil from RM91.71mil. (Source: The Edge)

**AirAsia (CP: RM2.71): Plans two IPOs; to sell leasing arm in 2017**

AirAsia Bhd, which posted its fourth-straight profitable quarter in the third quarter ended Sept 30, 2016 (3QFY16), said bids are coming in for its leasing arm Asia Aviation Capital Ltd, valued at US\$1 billion (RM4.46 billion), with eventual sale of the unit to take place in early 2017. This is part of its plans to dispose of non-core businesses. "2017 promises to be an exciting year [for AirAsia]," its group chief executive officer Tan Sri Tony Fernandes said in a statement yesterday. He revealed that the largest low-cost carrier (LCC) in Asia will go to the markets with two potential initial public offerings, namely its flight crew training centre, AirAsia Academy, on Bursa Malaysia and Asean Holding Co in Hong Kong. (Source: The Edge)

**OldTown (CP: RM2.02): 2Q profit down 5% on higher staff costs, café chain depreciation**

OldTown Bhd's net profit fell 5.45% to RM12.63 million or 2.8 sen a share in its second quarter ended Sept 30, 2016 (2QFY17) from RM13.35 million or 2.96 sen a share a year ago, mainly on lower contribution from its café chain operations. The segment saw lower profit before tax due to higher staff costs and depreciation for the quarter, its bourse filing today showed. Revenue for the quarter, meanwhile, was up 7% at RM99.55 million compared with RM92.62 million a year ago. *(Source: The Edge)*

**Puncak Niaga (CP: RM1.00): Posts fourth straight quarterly loss in 3Q**

Puncak Niaga Holdings Bhd reported its fourth consecutive quarter of net loss at RM102.38 million or 22.79 sen per share for the third quarter ended Sept 30, 2016 (3QFY16). In comparison, the group reported net profit of RM40.09 million in 3QFY15. In a filing with Bursa Malaysia today, Puncak Niaga said it saw lower revenue and recognition of allowance for foreseeable losses, due to higher cost for its ongoing sewerage contract following the termination of the previous sub-contractor due to various breaches of contract and slow work progress. *(Source: The Edge)*

**Pos Malaysia (CP: RM4.00): 2Q net profit doubles on higher courier revenue**

Pos Malaysia Bhd saw its net profit double to RM6.74 million or 1.15 sen per share in the second financial quarter ended Sept 30, 2016 (2QFY17) from RM3.48 million or 0.65 sen per share a year ago, mainly due to higher revenue generated from the courier business segment, as well as better operational cost management. Revenue, however, declined by a marginal 1% to RM395.12 million in 2QFY17 from RM398.8 million in 2QFY16. In a filing with Bursa Malaysia today, the national postal service provider said the courier segment's revenue rose to RM159.4 million from RM132.8 million. The upward performance was driven by increase in demand from e-commerce. *(Source: The Edge)*

**ECONOMIC UPDATES****Malaysia: 2017 signals 'delicate recovery' with 4.5% GDP growth**

Driven by resilient domestic demand and improving prospects for external demand, RAM Rating Services Bhd (RAM Ratings) expects Malaysia's economic growth momentum to stabilise in 2017 with a 4.5% gross domestic product (GDP) growth. To note, the Malaysian government's official guidance envisages a 4-5% GDP growth in 2017. Via its Economic Outlook 2017 report released on Wednesday, the ratings agency said that the prevailing uncertainties vis-à-vis the commencement of BREXIT negotiations and its impact on European businesses, the US's trade strategy under a new administration and the lingering uncertainties over global oil prices could pose crucial downside risks to RAM Ratings' forecasts for next year. *(Source: The Edge)*

**Brazil: Economy sheds 74,748 jobs in October**

Brazil shed a net 74,748 payroll jobs in October, the Labor Ministry said on Thursday, as the economy continues to reel from a second year of deep recession. The number of job cuts increased from September, when Brazilian

companies shed 39,282 payroll jobs, but was below market expectations for a drop of 89,000 jobs. Brazil's economy is expected to shrink more than 3 percent for a second straight year in 2016, with 12 million workers officially unemployed. (Source: Reuters)

#### **German: Economy ministry questions purchase of U.S. military planes**

Germany's economic ministry has questioned a defence ministry plan to buy U.S. transport planes, proposing instead the purchase of a Brazilian aircraft that could trigger orders for German firms. A state secretary in Germany's economic ministry, Brigitte Zypries, told lawmakers in a letter that she had made the suggestion to her counterpart at the defence ministry after a visit to an Embraer facility in Brazil. Zypries said Embraer presented its own KC-390 transport aircraft as a "very convincing" alternative to the purchase of Lockheed Martin Corp C-130J transport planes proposed by Defence Minister Ursula von der Leyen. (Source: Reuters)

#### **German: Growth halves on weak trade, uncertainty clouds euro zone outlook**

Growth in leading euro zone economies slowed over the summer months and an expected German-led rebound at the end of the year may prove too short-lived for the European Central Bank to unwind its monetary stimulus. Germany's quarterly growth rate halved to 0.2 percent in the three months to September even though private consumption and state spending rose, as weak foreign trade slowed overall activity in Europe's biggest economy. (Source: Reuters)

#### **Japan: October consumer prices decline for eighth straight month**

Japan's core consumer prices marked their eighth straight month of annual declines in October, government data showed on Friday, illustrating the sheer scale of the central bank's struggle to beat deflation and stagnant growth with diminishing policy options. The data will keep policymakers under pressure to do more to stimulate the economy, though the Bank of Japan has signaled that fiscal spending may be the preferred option with ultra-loose monetary policy already flooding markets with cash. The nationwide core consumer price index, which includes oil products but excludes volatile fresh food costs, fell 0.4 percent in October from a year earlier, matching a median market forecast, government data showed. (Source: Reuters)

#### **Singapore: Q3 GDP contraction, weak exports reinforce recession risk**

Singapore's government slashed its economic growth and exports forecasts for 2016 after the economy contracted in the third quarter, reinforcing the risk of a recession amid fresh uncertainty around global trade under US President-elect Donald Trump. Exports in much of Asia's trade-reliant economies have crumbled in the past year due to stubbornly weak external demand, with Singapore's manufacturers one of the hardest hit as growth in regional locomotive China cooled. The trade-reliant economy is expected to grow 1.0%-1.5% this year, compared with the previous projection of 1.0%-2.0%, the trade and industry ministry said in a statement on Thursday. (Source: The Edge)



**India: Central bank intervenes as rupee nears record low**

India's central bank intervened to steady the rupee as it neared a record low on Thursday due to broad strength in the US dollar, capital outflows from emerging markets, and worries about India's demonetisation drive. The rupee has fallen around 3% so far this month, its biggest fall against the dollar since August 2015, though it has fared better than many other emerging market currencies have done since Donald Trump's shock win in the US presidential election. Traders spotted the Reserve Bank of India intervening when the rupee fell to around 68.83 per dollar and more heavily later in the morning, sending the rupee sharply higher to 68.74. The central bank likely sold around US\$500 million so far in the morning, the traders said. *(Source: The Edge)*

**China: Says it will promote trade deals regardless of TPP, RCEP direction**

China said it will actively participate in bilateral and multilateral trade deals, with the goal of deepening reform and opening up its economy, regardless of the direction the Trans Pacific Partnership (TPP) or the China-backed Regional Comprehensive Economic Partnership (RCEP) might take. The statement follows US President-elect Donald Trump saying he would withdraw the United States from the multi-country TPP that excludes China, putting RCEP - a rival pact that excludes the United States - as the front-runner for new free trade deals in the region. *(Source: The Edge)*

**U.K.: Sterling edges down after hitting two-month high on budget boost**

Sterling edged down on Thursday after hitting a two-month high on a trade-weighted basis the previous day, after Britain's Autumn Statement on the budget was read as more growth-supportive and upbeat than some had expected. Long-dated British government bond yields surged after Chancellor Philip Hammond ramped up the government's borrowing forecasts to the tune of an extra 122 billion pounds over the next five years. The Office for Budget Responsibility said Brexit would lower trade flows, business investment and migration, cutting growth potential. But its downward growth revisions were less severe than some had expected, with the economy still expected to expand by 1.4 percent next year and 1.7 percent in 2018. *(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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