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Wednesday, December 07, 2016

At a Glance

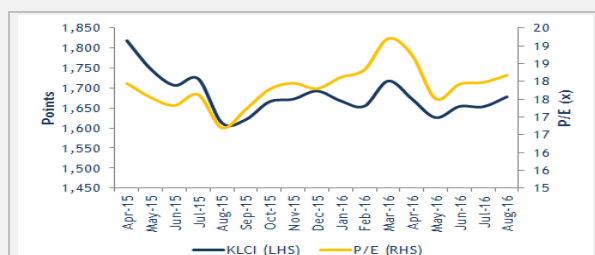
The FBM KLCI rose 4.76 points to 1,629.73 amid thin volume trading and sentiment remained lackluster.....(See full report next page)

Corporate Highlights

- **KPS (CP: RM1.12):** Secures 90% of Century Bond a week before offer closes
- **MKH (CP: RM2.90):** To raise RM80 million via rights issue
- **TCHONG (CP: RM1.84):** RAM Ratings assigns 'AAA' rating to Tan Chong-sponsored RM203m notes

Economic Update

- **Malaysia:** KL-Singapore HSR Progressing Well, Deal To Be Inked Next Week
- **Japan:** Economy Is About to Grow by \$175 Billion
- **Hungary:** Industrial Output Decline Fuels Worry About Expansion



KEY ECONOMIC RELEASE

| | Date | Local Time | Event | Survey | Prior |
|----|-------|------------|---------------------------------|-----------|-----------|
| US | 5-Dec | 10:45 PM | Markit US Services PMI | 54.9 | 54.7 |
| US | 5-Dec | 10:45 PM | Markit US Composite PMI | -- | 54.90.00% |
| US | 5-Dec | 11:00 PM | ISM Non-Manuf. Conditions Index | 54.9 | 70.00% |
| US | 5-Dec | 11:00 PM | ISM Non-Manf. Composite | 5520.00% | 5480.00% |
| US | 6-Dec | 9:30 PM | Trade Balance | -\$41.6b | -\$36.4b |
| US | 6-Dec | 9:30 PM | Nonfarm Productivity | 0.032 | 0.031 |
| US | 6-Dec | 9:30 PM | Unit Labor Costs | 0.30% | 0.30% |
| US | 6-Dec | 11:00 PM | Factory Orders | 2.50% | 0.30% |
| US | 6-Dec | 11:00 PM | Durable Goods Orders | 0.70% | 4.80% |
| US | 7-Dec | 8:00 PM | MBA Mortgage Applications | -- | -0.094 |
| US | 8-Dec | 4:00 AM | Consumer Credit | \$17.500b | \$19.292b |
| US | 8-Dec | 9:30 PM | Initial Jobless Claims | -- | 268k |
| US | 8-Dec | 9:30 PM | Continuing Claims | -- | 2081k |
| US | 9-Dec | 11:00 PM | U. of Mich. Sentiment | 94.1 | 93.8 |
| CN | 5-Dec | 9:45 AM | Caixin China PMI Services | -- | 5240.00% |
| CN | 5-Dec | 9:45 AM | Caixin China PMI Composite | -- | 5290.00% |
| CN | 7-Dec | | Foreign Reserves | \$3065.7b | \$3120.7b |
| CN | 8-Dec | | Trade Balance | \$46.57b | \$49.06b |
| CN | 8-Dec | | Exports YoY | -5.00% | -7.30% |
| CN | 8-Dec | | Imports YoY | -1.80% | -1.40% |
| CN | 9-Dec | 9:30 AM | CPI YoY | 0.022 | 2.10% |
| CN | 9-Dec | 9:30 AM | PPI YoY | 2.20% | 1.20% |
| EU | 5-Dec | 5:00 PM | Markit Eurozone Services PMI | 54.1 | 54.1 |
| EU | 5-Dec | 5:00 PM | Markit Eurozone Composite PMI | 54.1 | 5410.00% |
| EU | 5-Dec | 5:30 PM | Sentix Investor Confidence | 14.5 | 13.1 |
| EU | 5-Dec | 6:00 PM | Retail Sales MoM | 0.008 | -0.002 |
| EU | 5-Dec | 6:00 PM | Retail Sales YoY | 0.017 | 0.011 |
| EU | 6-Dec | 5:10 PM | Markit Eurozone Retail PMI | -- | 48.6 |
| EU | 6-Dec | 6:00 PM | GDP SA QoQ | 0.003 | 0.003 |
| EU | 6-Dec | 6:00 PM | GDP SA YoY | 0.016 | 0.016 |
| EU | 8-Dec | 8:45 PM | ECB Main Refinancing Rate | 0 | 0 |
| EU | 8-Dec | 8:45 PM | ECB Deposit Facility Rate | -0.004 | -0.004 |
| MY | 7-Dec | 12:00 PM | Exports YoY | -5.50% | -3.00% |
| MY | 7-Dec | 12:00 PM | Imports YoY | 0.015 | -0.10% |
| MY | 7-Dec | 12:00 PM | Trade Balance MYR | 8.70b | 7.56b |
| MY | 7-Dec | 3:00 PM | Foreign Reserves | -- | \$98.3b |
| MY | 9-Dec | 12:00 PM | Manufacturing Sales Value YoY | -- | 0.011 |
| MY | 9-Dec | 12:00 PM | Industrial Production YoY | 3.70% | 3.20% |
| JP | 5-Dec | 8:30 AM | Nikkei Japan PMI Services | -- | 5050.00% |
| JP | 5-Dec | 8:30 AM | Nikkei Japan PMI Composite | -- | 51.3 |
| JP | 7-Dec | 1:00 PM | Leading Index CI | 10150.00% | 10030.00% |
| JP | 7-Dec | 1:00 PM | Coincident Index | 11420.00% | 11270.00% |
| JP | 8-Dec | 7:50 AM | BoP Current Account Balance | ¥1568.1b | ¥1821.0b |
| JP | 8-Dec | 7:50 AM | GDP SA QoQ | 0.60% | 0.50% |
| JP | 8-Dec | 7:50 AM | GDP Annualized SA QoQ | 2.30% | 2.20% |
| JP | 8-Dec | 7:50 AM | GDP Nominal SA QoQ | 0.20% | 0.20% |
| JP | 8-Dec | 7:50 AM | GDP Deflator YoY | -0.10% | -0.10% |

Bursa Malaysia

| | Close | Change+/- | (+/- %) |
|-----------------|-----------|-----------|---------|
| FBMKLCI | 1,629.73 | 4.76 | 0.29 |
| FBMEMAS | 11,385.98 | 19.33 | 0.17 |
| FBMEMAS SHA | 11,921.93 | 14.59 | 0.12 |
| FBM100 | 11,122.49 | 22.20 | 0.20 |
| Volume (mn) | 1,089.86 | -49.78 | -4.37 |
| Value (RMmn) | 1,553.17 | 200.75 | 14.84 |
| FBMKLCI YTD Chg | | | -3.71 |

Daily Trading Position (RM'mn)

| | Participation (%) | Net(RMm) |
|-------------|-------------------|----------|
| Institution | 61.0 | 134.8 |
| Retail | 10.7 | 28.4 |
| Foreign | 28.3 | -163.2 |

Top Gainers

| | Close | Change+/- | (+/- %) |
|----------------|-------|-----------|---------|
| FRASER & NEAVE | 23.40 | 0.82 | 3.63 |
| PETRONAS GAS | 21.32 | 0.48 | 2.30 |
| HEINEKEN MALAY | 16.50 | 0.48 | 3.00 |

Top Losers

| | Close | Change+/- | (+/- %) |
|-----------------|-------|-----------|---------|
| BRIT AMER TOBAC | 44.90 | -0.40 | -0.88 |
| SHELL REFINING | 2.23 | -0.34 | -13.23 |
| DKSH HOLDINGS | 4.79 | -0.21 | -4.20 |

World Indices

| | Close | Change+/- | (+/- %) |
|--------------|-----------|-----------|---------|
| DJIA | 19,251.78 | 35.54 | 0.18 |
| NASDAQ | 5,333.00 | 24.11 | 0.45 |
| S&P 500 | 2,212.23 | 7.52 | 0.34 |
| FTSE 100 | 6,779.84 | 33.01 | 0.49 |
| DAX | 10,775.32 | 90.49 | 0.85 |
| Nikkei 225 | 18,360.54 | 85.55 | 0.47 |
| HSI | 22,675.15 | 169.60 | 0.75 |
| KOSPI | 1,989.86 | 4.14 | 0.21 |
| STI | 2,949.12 | 6.07 | 0.21 |
| KLCI Futures | 1,627.50 | (4.00) | (0.00) |
| USDMYR 3M | 13.97 | 0.01 | 0.00 |
| USDMYR 6M | 13.88 | - | - |
| USDMYR 12M | 13.26 | 0.01 | 0.00 |

Other Key Economics Data

| | Close | Change+/- | (+/- %) |
|-----------------|--------|-----------|---------|
| WTI (USD/bbl) | 51 | 0.1 | 0.1% |
| Brent (USD/bbl) | 53.9 | -1.0 | -1.8% |
| Gold(USD/ounce) | 1,169 | -0.9 | -0.1% |
| Coal (USD/mt) | 84.0 | -2.8 | -3.2% |
| CPO (RM/mt) | 3,183 | 48.0 | 1.5% |
| Rubber | 212 | 2.7 | 1.3% |
| RM/USD | 4.44 | -0.013 | 0.29% |
| EUR/USD | 0.93 | 0 | 0.00% |
| YEN/USD | 114.18 | 0.16 | -0.14% |

What To Expect

U.S. Market

- The Dow Jones Industrials Average gained 35.54 points and ended up at 19,251.78 along with S&P 500 and Nasdaq both rose 7.52 points and 24.11 points at 2,212.23 and 5,333.00 points, respectively. The S&P financial sector rose 0.7 percent, lifted by a 1.3 percent gain for Wells Fargo. The bank's chief executive told an investor conference it will see a near-term profit hit because of the sharp rise in interest rates, but will benefit in the longer term from rising interest rates.
- Oil prices on Tuesday ended lower for the first time since OPEC agreed on Nov. 30 to cut output, as data showing record high production in the producer group fed skepticism that it would be able to reduce supplies. Brent futures slid \$1.01 to settle at \$53.93 a barrel, while U.S. West Texas Intermediate (WTI) crude futures fell 86 cents to \$50.93 per barrel. Crude had surged more than 15 percent in the four sessions since the Nov. 30 OPEC meeting.

- The FBM KLCI rose 4.76 points to 1,629.73 amid thin volume trading and sentiment remained lackluster. There were 304 gainers and 409 decliners in total value traded of RM1.35 billion.
- Among the gainers on Bursa Malaysia were F&N which increased 82 cent to RM23.40, Petgas ended up higher by 48 cent to RM21.32 and Heineken lifted by 48 cent to RM16.50.

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

KPS (CP: RM1.12): Secures 90% of Century Bond a week before offer closes

A week before the close of its offer for Century Bond Bhd, Selangor government-linked firm Kumpulan Perangsang Selangor Bhd said it has obtained control of more than 90% of the company's listed shares. As such, it does not intend to maintain the listing status of leading cement packaging player Century Bond. The trading of Century Bond's shares will be suspended upon the expiry of five market days from the close of the offer period on Dec 13, said KPS in a bourse filing. (Source: The Edge)

MKH (CP: RM2.90): To raise RM80 million via rights issue

MKH Bhd has proposed a one-for-10 rights issue to raise about RM80 million to fund the group's property development activities. Along with the rights issue will be a two-for-one bonus issue. The property developer, in a filing with Bursa Malaysia, said it also intends to use the funds raised from the exercise to

finance infrastructure related to its property development, as well as for payment of landowners' entitlement, construction of a KTM commuter station in Kajang, and working capital. The renounceable rights issue comprises 45.4 million new shares of RM1 each at an issue price to be announced later. The bonus issue, meanwhile, would consist of 90.81 million new shares. *(Source: The Edge)*

TCHONG (CP: RM1.84): RAM Ratings assigns 'AAA' rating to Tan Chong-sponsored RM203m notes

RAM Rating Services Bhd (RAM Ratings) has assigned preliminary rating to Premium Commerce Bhd's (PCB) RM203 million Class A Notes, the auto-loan securitisation notes sponsored by Tan Chong Motor Holdings Bhd, at "AAA" with stable outlook. Meanwhile, the credit rating agency also assigned an "AA2" rating with stable outlook on PCB's RM5 million Class B Notes. The Class A Notes and Class B Notes are collectively known as 2016-A Notes. "While the 2016-A Notes represent the first issuance under the RM2 billion asset-backed medium-term note (MTN) programme this year, it will be PCB's 10th issuance on the whole," RAM Ratings said in a press release today. *(Source: The Edge)*

Sarawak Oil Palms (CP: RM3.73): Rights issue sees near 18% over-subscription

Sarawak Oil Palms Bhd's renounceable rights issue saw an over-subscription of 17.6% at the close of acceptance and payment of the rights issue on Nov 30. In a filing with Bursa Malaysia today, SOPB said it received a total of 148.9 million acceptances and excess applications, of which 22.3 million were over subscribed. Recall that Sarawak Oil Palms had, on July 4, announced a rights issuance of up to 127.7 million shares to part finance its acquisition of Shin Yang Oil Palm (Sarawak) Sdn Bhd for RM873 million. *(Source: The Edge)*

Berjaya Food (CP: RM1.62): 2Q net profit down 18.8% on Kenny Rogers' losses

Berjaya Food Bhd (BJFood) reported an 18.8% drop in net profit for the second quarter ended Oct 31, 2016 to RM5.03 million or 1.34 sen per share, from RM6.2 million or 1.65 sen a year earlier. The group attributed this to losses incurred by Kenny Rogers Roasters operations in Malaysia caused by weak consumer sentiment. Revenue rose 10.1% to RM149.1 million from RM135.4 million on higher sales recorded by existing cafes and additional cafes operating in the quarter. *(Source: The Edge)*

Omesti (CP: RM0.47): Group bags RM17mil project from Companies Commission

Omesti Bhd's 51% owned subsidiary Formis Network Services Sdn Bhd has been awarded a RM17mil contract by the Companies Commission of Malaysia (SSM) to develop a new XBRL online document submission platform to enable companies to file annual returns and audited accounts electronically. Omesti, which is currently developing the Federal Court of Malaysia's eCourts infrastructure, told Bursa Malaysia that the project formed part of a comprehensive re-engineering of the SSM online infrastructure to an XBRL (eXtensible Business Reporting Language) domain. *(Source: The Star)*

UEM Edgenta (CP: RM3.20): Healthcare Segment To Contribute 20 Per Cent To Group Revenue

UEM Edgenta Bhd, which is acquiring Asia Integrated Facility Solutions Pte Ltd (AIFS) for RM563.2 million, expects the healthcare segment's contribution to total group revenue to increase to 20 per cent in 2017 from 11 per cent this year. UEM Edgenta shareholders on Friday, approved the proposed acquisition which is expected to be completed by the middle of this month. "The acquisition will contribute an additional RM310 million to the current contribution of RM350 million from the healthcare sector. (Source: *The Edge*)

ECONOMIC UPDATES**Malaysia: KL-Singapore HSR Progressing Well, Deal To Be Inked Next Week**

Prime Minister Datuk Seri Najib Tun Razak has described the progress of the Kuala Lumpur-Singapore High-Speed Rail (HSR) as "well and good". Najib, who is also the Finance Minister, said that Singapore had requested for a bit of time as the country required the approval from its President. "(Singapore) Prime Minister Lee Hsien Loong has called me and asked for a little bit of time to brief their President," he told reporters after officiating the 10th anniversary of Iskandar Malaysia at Educity here, today. (Source: *The Edge*)

Japan: Economy Is About to Grow by \$175 Billion

Japan's economy will grow by an amount equivalent to New Zealand's economy in the blink of an eye on Thursday. That's when the government announces the revision of gross domestic product data, using a new accounting standard. Nominal GDP was 500.6 trillion yen for fiscal year 2015, according to the most recent reading released on Nov. 14. One of the most important changes will include research and development to the sum of all goods and services produced in the nation. This will bring Prime Minister Shinzo Abe closer to his goal of expanding GDP to 600 trillion yen, although it won't alter the fundamental problem of weak economic growth in Japan. (Source: *Bloomberg*)

Hungary: Industrial Output Decline Fuels Worry About Expansion

Hungary's industrial output dropped for a second month in October, reinforcing doubts about the government's growth target after retail sales also failed to meet expectations and underscoring the economic slowdown taking place in the European Union's eastern wing. Industrial production fell 2.1 percent in October from a year ago, the statistics office reported on Tuesday. That compared with an estimate for zero growth by eight economists in a Bloomberg survey. Output rose 2 percent from the previous month. Gross domestic product expanded 2.2 percent in the third quarter from a year earlier, up from an initial reading of 2 percent. (Source: *Bloomberg*)

South Africa: GDP Growth Slows as Junk Rating Remains Risk

South Africa's economic growth slowed in the third quarter as factory production and trade contracted, complicating the government's task of boosting output to avoid a possible credit-rating downgrade to junk next year. Gross domestic product expanded an annualized 0.2 percent in the three months through September compared with upwardly revised growth of 3.5 percent in the preceding quarter, the statistics office said in a report released on

Tuesday in Cape Town. The median of 19 economist estimates compiled by Bloomberg was for 0.6 percent growth compared with unrevised expansion of 3.3 percent in the second quarter. The economy expanded 0.7 percent from a year earlier. *(Source: Bloomberg)*

Australia: Holds Key Rate as Commodity Upswing Outweighs Slowdown

Australia's central bank kept interest rates unchanged as a global commodity upswing eases the impact of a weaker economy at home. Governor Philip Lowe left the cash rate at 1.5 percent Tuesday, saying "some slowing in the year-ended growth rate is likely" while noting that higher resource export prices "are providing a boost to national income." The decision was predicted by economists and traders heeding Lowe's concern that further easing could destabilize an economy where households are already saddled with record debt. *(Source: Bloomberg)*

German: Factory Orders Surge on Demand for Investment Goods

German factory orders surged in October, suggesting growth in Europe's largest economy will accelerate at the end of the year. Orders, adjusted for seasonal swings and inflation, jumped 4.9 percent from September, when they fell a revised 0.3 percent, data from the Economy Ministry in Berlin showed on Tuesday. The increase was the biggest since July 2014, and compared with a median estimate of 0.6 percent in a Bloomberg survey. Orders gained 6.3 percent from a year earlier. *(Source: Bloomberg)*

Canada: Key Rate Set to Lag Fed's for First Time Since 2007

Canada and the U.S., among the world's biggest trade partners, are diverging when it comes to how their central banks view the recovery. That's reflected in the odds investors are assigning to a rate increase this month at the Bank of Canada (zero) versus the Federal Reserve (100 percent). Governor Stephen Poloz makes his decision Wednesday at 10 a.m. from Ottawa. A rate increase from the Washington-based Fed on Dec. 14 would take the U.S. past Canada for the first time since 2007. *(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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M & A Securities Sdn Bhd (15017-H)
(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