

PP14767/09/2012(030761)

Wednesday, January 25, 2017

## At a Glance

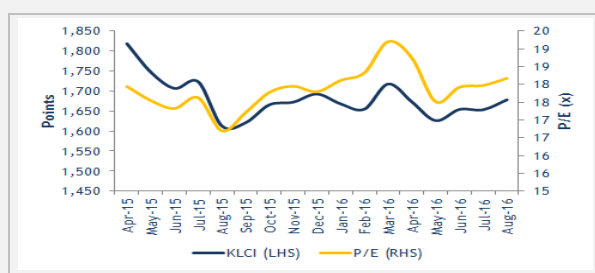
The FBM KLCI lifted 9.38 points to 1,680.69 on a stronger ringgit against a weakening U.S. dollar, amid higher crude oil prices.....(See full report next page)

## Corporate Highlights

- **TNB (CP: RM13.88):** Profit hit by higher forex loss
- **CAB Cakaran (CP: RM1.62):** Subsidiary buys farms and land for RM58.5mil
- **Nakamichi (CP: RM0.10):** Has until March 31 to submit revamp plan

## Economic Update

- **Malaysia:** Bank Negara slaps RM1.4mil fine on financial institution
- **US:** Existing home sales fall as supply hits 17-year low
- **France:** Economy Gathers Pace as Services Outpace Manufacturing



## Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,680.69	9.38	0.56
FBMEMAS	11,766.04	66.47	0.57
FBMEMAS SHA	12,257.34	63.56	0.52
FBM100	11,473.12	68.80	0.60
Volume (mn)	1,559.67	32.16	2.11
Value (RMmn)	2,025.69	218.37	12.08
FBMKLCI YTD Chg			2.37

## Daily Trading Position (RM'mn)

	Participation (%)	Net(RMm)
Institution	63.4	3.6
Retail	11.1	-47.3
Foreign	25.5	43.7

## Top Gainers

	Close	Change+/-	(+/- %)
BRIT AMER TOBAC	46.38	1.96	4.41
PPB GROUP	16.36	0.24	1.49
KESM INDUS BHD	10.26	0.22	2.19

## Top Losers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	54.66	-0.22	-0.40
AEON CREDIT SE	15.90	-0.10	-0.63
UNITED PLANTAT	26.80	-0.10	-0.37

## World Indices

	Close	Change+/-	(+/- %)
DJIA	19,912.71	112.86	0.57
NASDAQ	5,600.96	48.02	0.86
S&P 500	2,280.07	14.87	0.66
FTSE 100	7,150.34	-0.84	-0.01
DAX	11,594.94	49.19	0.43
Nikkei 225	18,787.99	325.24	1.73
HSI	22,949.86	51.34	0.22
KOSPI	2,065.76	5.11	0.25
STI	3,041.95	16.47	0.54
KLCI Futures	1,678.50	14.50	0.01
USDMYR 3M	10.34	0.01	0.00
USDMYR 6M	10.68	0.00	0.00
USDMYR 12M	11.19	-	-

## Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	53	-0.2	-0.3%
Brent (USD/bbl)	55.4	0.2	0.4%
Gold(USD/ounce)	1,209	0.2	0.0%
Coal (USD/mt)	83.8	0.1	0.1%
CPO (RM/mt)	3,149	53.0	1.7%
Rubber	260	8.0	3.2%
RM/USD	4.43	-0.006	0.14%
EUR/USD	0.93	0.0003	0.03%
YEN/USD	113.88	0.09	-0.08%

## What To Expect

## U.S. Market

- The Dow Jones Industrials Average jumped 112.86 points to 19,912.71 while S&P 500 and Nasdaq both rose 14.87 points and 48.01 points to 2,280.07 and 5,600.96, respectively. Stocks rallied on Tuesday as investors looked past U.S. President Donald Trump's protectionist rhetoric and focused on encouraging economic data and quarterly earnings reports. The U.S. dollar firmed against the yen and euro after losses in the wake of Trump's inaugural speech promising more trade protectionism, while U.S. Treasury yields recovered from Monday's slide.
- Oil prices rose on Tuesday on evidence that the global market is tightening as lower production by OPEC and other exporters drains stocks, though increased drilling in the United States could keep a lid on prices. Benchmark Brent crude was up 40 US cents at US\$55.63 a barrel by 1440 GMT, while US light crude was 40 US cents higher at US\$53.15. Ministers from the Organization of the Petroleum Exporting Countries and big producers outside the group said on Sunday that of the almost 1.8 million barrels per day (bpd) they had agreed to remove from the market starting on Jan 1, 1.5 million bpd had already been cut.
- The FBM KLCI lifted 9.38 points to 1,680.69 on a stronger ringgit against a weakening U.S. dollar, amid higher crude oil prices. There were 416 gainers and 353 decliners in total value traded of RM2.02 billion.
- Among the advancers on Bursa Malaysia were BAT which rose 196 cent to RM46.38, PPB Group ended higher 24 cent to RM16.36 and KESM gained 22 cent to RM10.26.

## CORPORATE HIGHLIGHTS

**TNB (CP: RM13.88): Profit hit by higher forex loss**

Tenaga Nasional Bhd (TNB) posted earnings of RM1.74bil in the first quarter ended Nov 30, 2016, down 12% from a year earlier as foreign exchange (forex) translation loss almost quadrupled to RM231.2mil. In its latest quarterly financial report to the stock exchange, the utility giant said the earnings drop was mainly due to the US dollar strengthening against the ringgit. Revenue, however, increased 5% to RM11.24bil as the group increased its electricity sales by 3% to RM11.52bil. All the growth came from sales of electricity in Peninsular Malaysia, which rose 3.5% or RM369.7mil. (Source: The Star)

**CAB Cakaran (CP: RM1.62): Subsidiary buys farms and land for RM58.5mil**

Farm's Best Food Industries Sdn Bhd (FBFI), a 53.04%-owned subsidiary of CAB Cakaran Corp Bhd, has entered into conditional sale and purchase agreements (SPAs) to acquire nine properties belonging to Farm's Best Bhd for some RM58.53mil in cash. These properties consist of 43 parcels of land with 26

broiler poultry farms. In a Bursa Malaysia filing on Tuesday, the poultry breeder said the proposed acquisition would be funded by a mixture of internally generated funds and bank borrowings. "The proposed acquisition of broiler farms has been identified as one of the key steps to grow our broiler farm assets, as well as to increase the broiler production capacity and enhance market presence. (Source: *The Star*)

**Nakamichi (CP: RM0.10): Has until March 31 to submit revamp plan**

Nakamichi Corporation Bhd had been given more time until March 31, 2017 to submit its regularisation plan to the relevant regulatory authorities. The timber company said on Tuesday that Bursa Malaysia Securities had decided to give the company more time but the latter also cautioned that it still had the right to suspend and delist the securities. Nakamichi said the extension of time was without prejudice to Bursa Securities' right to proceed to take the action if it fails to submit a regularisation plan to the regulatory authorities on or before March 31, 2017. (Source: *The Star*)

**Ni Hsin (CP: RM0.28): Aims to enter China with Pentoli cookware**

Ni Hsin Resources Bhd is eyeing to enter the China market with its in-house cookware brand, Pentoli, in a bid to broaden its revenue source. Managing director Chen Shien Yee reckoned that Ni Hsin would be able to grow its topline by more than 10% this year, especially with renewed manufacturing contracts and the growth potential in new markets. "Recently, we went to meet with all our customers and even managed to regain new contracts from lost customers," Chen said after a signing ceremony yesterday. He said the company would not meet its sales target for 2016 because of several contract terminations. (Source: *The Star*)

**AirAsia X (CP: RM0.39): Gets FAA clearance to fly to the US**

AirAsia X has received clearance from the Federal Aviation Authority (FAA) to fly to any destination in the the US, making its foray into an entirely new market as it looks beyond the Asia Pacific. "The airline is the first Asian low-cost carrier to secure approval to operate scheduled passenger flights to the US," it said on Tuesday. AirAsia X is considering flights to several US states including Hawaii as part of its route expansion plans. Its group CEO Datuk Kamarudin Meranun said this was a major milestone for AirAsia X. "Our expansion up until now has concentrated on Asia, Australasia and the Middle East, and we are excited about our first foray into an entirely new market as we look beyond Asia Pacific. (Source: *The Star*)

**Cypark (CP: RM2.17): Secures RM15m solid waste management project in Nilai**

Cypark Resources Bhd has bagged a RM15.19 million solid waste disposal contract in Nilai, Negeri Sembilan. In a filing with Bursa Malaysia today, Cypark said the contract from the National Solid Waste Management Department is for the building of a solid waste disposal site at Pajam. It said the project is scheduled to be completed by April 3, 2018, and is expected to contribute positively to its earnings and net assets for the financial year ending Oct 31, 2017. "The works will further strengthen the company's position as one of Malaysia's leading specialists in solid waste management and integrated environmental solution," it said. (Source: *The Edge*)

**Caring Pharmacy (CP: RM1.36): Net profit jumps 44% in 2Q**

Caring Pharmacy Group Bhd's net profit jumped 44% to RM2.76 million, or 1.27 sen per share, in the second financial quarter ended Nov 30, 2016 (2QFY17), compared with RM1.91 million, or 0.88 sen per share, a year ago. The company attributed the improved earnings mainly to higher sales in the quarter under review. Its revenue increased by 15% to RM113.86 million from RM98.28 million a year ago. In a filing to Bursa Malaysia today, the group said the higher revenue was mainly contributed by the higher sales generated from existing outlets due to low base effect as a result of weaker sale in the previous corresponding quarter, which was impacted from the implementation of goods and services tax in April 2015. (Source: The Edge)

**CMMT (CP: RM1.66): Declares DPU of 4.23 sen for 2HFY2016**

Capitaland Malaysia Mall Trust's (CMMT) net property income for the fourth quarter of financial year ended Dec 31, 2016 (4QFY16) slipped by 0.3% to RM60.4 million from RM60.6 million in the corresponding quarter a year ago. CMMT declared an income distribution per unit (DPU) of 4.23 sen per unit for the second half of 2016, which will go ex on Feb 7 and payable on Feb 28, according to the filing with Bursa Malaysia. The total DPU for the financial year ended Dec 31, 2016 (FY2016) is at 8.43 sen, giving it a yield of about 5.1% of its closing price of RM1.66 today. The REIT's revenue edged higher by 0.2% during the same period to RM93.5 million from RM93.3 million, mainly attributed to better performance from Gurney Plaza on the back of higher rental rates achieved from new and renewed leases. (Source: The Edge)

**Sasbadi (CP: RM1.56): 1Q profit doubles on continued partnership with Education Ministry**

Sasbadi Holdings Bhd's net profit for the first quarter ended Nov 30, 2016 (1QFY17) doubled to RM4.33 million or 1.55 sen per share from RM2.03 million or 0.8 sen per share a year ago. The better profit was due mainly to an increase in revenue from its delivery of robotics sets and textbooks to schools under the Ministry of Education Malaysia. According to a filing to Bursa Malaysia today, Sasbadi's 1QFY17 revenue rose to RM31.21 million from RM21.03 million a year ago. The company said the increase in revenue was attributable to the commencement of operations of its subsidiary Mindtech Education Sdn Bhd from direct sales and network marketing of the group's products last year. (Source: The Edge)

**ECONOMIC UPDATES****Malaysia: Bank Negara slaps RM1.4mil fine on financial institution**

Bank Negara Malaysia (BNM) has imposed an administrative monetary penalty of RM1.4mil on a financial institution for failure to notify it promptly after learning of its dealers' misconduct involving the fixing of the US dollar/ringgit exchange rate. In a statement, BNM said the financial institution, which it did not name, had paid the penalty. "The financial institution has been strongly censured and issued with an order to address the shortcomings in internal controls to ensure timely notification of material findings and review existing internal policies, procedures and practices as well as to put in place robust

surveillance mechanisms to prevent market abuse behaviours,” the central bank said. *(Source: The Star)*

#### **US: Existing home sales fall as supply hits 17-year low**

US home resales fell more than expected in December as the supply of houses on the market dropped to levels last seen in 1999, which could have limited choice for buyers. The National Association of Realtors said on Tuesday existing home sales dropped 2.8% to a seasonally adjusted annual rate of 5.49 million units. November's sales pace was revised up to 5.65 million units, which was the highest since February 2007, from the previously reported 5.61 million units. Economists had forecast sales declining 1.1% to a 5.52 million-unit pace in December. Sales increased to 5.45 million units in 2016, the highest since 2006, from 5.25 million in 2015. *(Source: The Edge)*

#### **France: Economy Gathers Pace as Services Outpace Manufacturing**

Economic momentum in France accelerated to the strongest in more than five years in January, data by IHS Markit show. A Purchasing Managers' Index for manufacturing and services rose to 53.8 from 53.1 in December, the London-based company said in a statement on Tuesday. That's above the 53.2 median estimate in a Bloomberg survey and the highest since June 2011. “The French private sector continued to grow at a solid rate in January,” said Alex Gill, an economist at IHS Markit. “The expansion was broad-based with marked increases in output evident in both the manufacturing and service sectors, driven by firm underlying client demand. In turn, this filtered through into the labor market.” *(Source: Bloomberg)*

#### **Europe: Multi-Speed Inflation Poses an ECB Dilemma**

The European Central Bank has spent the last few years battling the threat of deflation with a combination of negative interest rates and a bond-buying splurge. There's now enough evidence to suggest ECB President Mario Draghi should at last acknowledge that inflation has returned. But even if he does, the fissures underlying the euro zone economy will prevent the central bank from reacting in the usual way. The two-pronged alteration to quantitative easing introduced by the ECB in December was designed to pacify the bank's monetary hawks (by cutting the monthly amount of bond purchases) while reassuring its doves (by extending the length of the program). But as the headline inflation figures improve and the hawkish calls for tapering QE grow, the euro zone's multi-speed economy will be a barrier to policy normalization. *(Source: Bloomberg)*

#### **Australia: Pushes for TPP Without U.S. After Trump Exits Deal**

Australia is leading a push to salvage a Pacific trade deal after U.S. President Donald Trump formally withdrew as a signatory to the 12-nation accord. Prime Minister Malcolm Turnbull said he discussed the deal on Monday night with Japanese counterpart Shinzo Abe, and held talks with the leaders of New Zealand and Singapore. Steven Ciobo, Australia's trade minister, told ABC Radio on Tuesday a Trans-Pacific Partnership without the U.S. was “very much a live option.” “We are all of us working to see how we can ensure we maintain this momentum toward open markets and free trade,” Turnbull told reporters on Tuesday in Sydney. “Losing the United States from the TPP is a big loss -- there is

no question about that -- but we are not about to walk away from our commitment to Australian jobs." (Source: Bloomberg)

**Africa, Nigeria: Inflation, Growth Fears Keep Rates Steady**

The central banks of Africa's two largest economies held borrowing costs steady on Tuesday as they face accelerating inflation and tepid growth. South Africa's Reserve Bank left the benchmark rate at 7 percent for a fifth straight meeting, and Nigeria's monetary policy committee kept its key lending rate at 14 percent. That was in line with the forecasts of all economists in two separate Bloomberg surveys. Setting interest rates in both nations is complicated by above-target inflation and poor economic performance. The key lending rate in South Africa has remained unchanged since March after the MPC raised it by 200 basis points since 2014 in a bid to keep price growth within the central bank's target band of 3 percent to 6 percent. (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.

## DISCLOSURES AND DISCLAIMER

This report has been prepared by M&A SECURITIES SDN BHD. Readers should be fully aware that this report is for informational purposes only and no representation or warranty, expressed or implied is made as to the accuracy, completeness or reliability of the information or opinion contained herein. The recommendation and opinion are based on information obtained or derived from sources believed to be reliable.

This report contains financial forecast/projection based on our assumptions which may defer from the actual financial results announced by the companies under coverage. All opinions, estimates and assumptions are subject to change without notice. Analysts will initiate, update and cease coverage solely at the discretion of M&A SECURITIES SDN BHD.

Investors are to be cautioned that value of any securities invested may fluctuate from time to time. We advise investors to seek financial, legal and other advice for investing based on the recommendation of our report as we have not taken into account each investors' specific investment objectives, risk tolerance and financial position.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. M&A SECURITIES SDN BHD can accept no liability for any consequential loss or damage whether direct or indirect. Investment should be made at investors' own risks.

M&A SECURITIES SDN BHD and INSAS GROUP of companies, their respective directors, officers, employees and connected parties may have interest in any of the securities mentioned and may benefit from the information herein. M&A SECURITIES SDN BHD and INSAS GROUP of companies and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This report may not be reproduced, distributed or published in any form or for any purpose.

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