

PP14767/09/2012(030761)

Friday, June 05, 2015

At a Glance

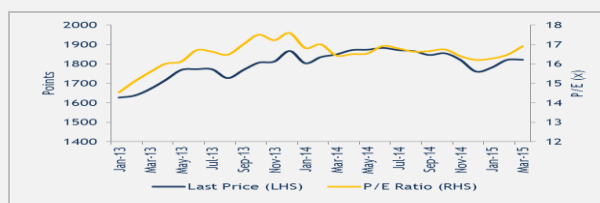
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Economic Update

- **Malaysia:** Productivity rose 3.5 pc last year
- **Europe:** IMF calls for simpler EU budget rules, focus on debt
- **Greece:** Delays IMF payment, PM to brief angry parliament



KEY ECONOMIC RELEASE				
Date	Local Time	Event	Survey	Prior
EU	1-Jun 4:00 PM	Markit Eurozone Manufacturing PMI	-	52.3
CN	1-Jun 9:00 AM	Manufacturing PMI	50.2	50.1
CN	1-Jun 9:45 AM	HSBC China Manufacturing PMI	49.3	49.1
JP	1-Jun 7:50 AM	Capital Spending YoY	-	2.8%
JP	1-Jun 9:35 AM	Markit/JMMA Japan Manufacturing PMI	-	50.9
JP	1-Jun 1:00 PM	Vehicle Sales YoY	-	5.0%
US	1-Jun 8:30 PM	Personal Income	0.3%	0.0%
US	1-Jun 8:30 PM	Personal Spending	0.1%	0.4%
US	1-Jun 9:45 PM	Markit US Manufacturing PMI	-	53.8
US	1-Jun 10:00 PM	Construction Spending MoM	0.7%	-0.6%
US	1-Jun 10:00 PM	ISM Manufacturing	51.9	51.5
US	1-Jun 10:00 PM	ISM Price Paid	42.5	40.5
EU	2-Jun 5:00 PM	PPI MoM	-	0.2%
EU	2-Jun 5:00 PM	PPI YoY	-	-2.3%
EU	2-Jun 5:00 PM	CPI Estimate YoY	-	-
US	2-Jun 10:00 PM	Factory Orders	-0.2%	2.1%
EU	3-Jun 4:00 PM	Markit Eurozone Services PMI	-	53.3
EU	3-Jun 4:00 PM	Markit Eurozone Composite PMI	-	53.4
EU	3-Jun 5:00 PM	Unemployment Rate	-	11.3%
EU	3-Jun 5:00 PM	Retail Sales MoM	-	-0.8%
EU	3-Jun 5:00 PM	Retail Sales YoY	-	1.6%
EU	3-Jun 7:45 PM	ECB Main Refinancing Rate	-	0.050%
EU	3-Jun 7:45 PM	ECB Deposit Facility Rate	-	-0.200%
EU	3-Jun 7:45 PM	ECB Marginal Lending Facility	-	0.300%
CN	3-Jun 9:45 AM	HSBC China Composite PMI	-	51.3
CN	3-Jun 9:45 AM	HSBC China Services PMI	-	52.9
JP	3-Jun 9:35 AM	Markit Japan Services PMI	-	51.3
JP	3-Jun 9:35 AM	Markit/JMMA Japan Composite PMI	-	50.7
US	3-Jun 7:00 PM	MBA Mortgage Applications	-	-
US	3-Jun 8:15 PM	ADP Employment Change	180K	169K
US	3-Jun 8:30 PM	Trade Balance	(\$44.3B)	(\$51.4B)
US	3-Jun 9:45 PM	Markit US Composite PMI	-	56.1
US	3-Jun 9:45 PM	Markit US Services PMI	-	56.4
US	4-Jun 8:30 PM	Nonfarm Productivity	-2.9%	-1.9%
US	4-Jun 8:30 PM	Initial Jobless Claims	-	-
US	4-Jun 8:30 PM	Continuing Claims	-	-
EU	5-Jun 5:00 PM	GDP SA QoQ	-	0.4%
MY	5-Jun 12:00 PM	Exports YoY	-	2.3%
MY	5-Jun 12:00 PM	Imports YoY	-	5.8%
MY	5-Jun 12:00 PM	Trade Balance MYR	-	7.82B
MY	5-Jun -	Foreign Reserves	-	\$106.2B
US	5-Jun 8:30 PM	Unemployment Rate	5.4%	5.4%
US	5-Jun 8:30 PM	Labour Force Participation Rate	-	62.8%

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,741.48	-7.69	-0.44
FBMEMAS	12,113.04	-25.35	-0.21
FBMEMAS SHA	12,649.60	-36.18	-0.29
FBM100	11,783.77	-26.27	-0.22
Volume (mn)	1,367.00	-111.81	-7.56
Value (RMmn)	1,684.54	-302.13	-15.21
FBMKLCI YTD Chg			-1.12

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	15.8	-11.9
Local Institution	55.3	245.0
Foreign Investors	28.9	-233.1

Top Gainers

	Close	Change+/-	(+/- %)
UNITED PLANT	27.24	0.56	2.10
KOSSAN RUBBER	6.90	0.32	4.86
KLK	22.70	0.32	1.43

Top Losers

	Close	Change+/-	(+/- %)
PETDAG	19.90	-0.30	-1.49
FAR EAST	8.08	-0.30	-3.58
BAT	61.00	-0.20	-0.33

World Indices

	Close	Change+/-	(+/- %)
DJIA	17,905.58	-170.69	-0.94
NASDAQ	5,059.13	-40.11	-0.79
S&P 500	2,095.84	-18.23	-0.86
FTSE 100	6,859.24	-91.22	-1.31
DAX	11,340.60	-79.02	-0.69
Nikkei 225	20,488.19	14.68	0.07
HSI	27,551.89	-105.58	-0.38
KOSPI	2,072.86	9.70	0.47
STI	3,348.37	-1.47	-0.04
KLCI Futures	1,729.00	(12.00)	(0.01)
USDMYR 3M	10.19	(0.05)	(0.01)
USDMYR 6M	10.18	0.02	0.00
USDMYR 12M	10.16	0.00	0.00

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	58	-0.1	-0.1%
Brent (USD/bbl)	62.0	-1.8	-2.8%
Gold(USD/ounce)	1,177	0.5	0.0%
Coal (USD/mt)	58.1	0.1	0.2%
CPO (RM/mt)	2,319	25.0	1.1%
Rubber	191	1.2	0.6%
RM/USD	3.70	0.0133	-0.36%
EUR/USD	0.89	0.0038	0.43%
YEN/USD	124.42	0.06	-0.05%

What To Expect

U.S. Market

- The Dow Jones Industrials Average shed 170.69 points to 17,905.58; S&P 500 down 18.23 points to 2,095.84. Nasdaq slid by 40.11 points to 5,059.13. Stocks closed lower on Thursday as the recent bond selloff and lack of resolution on Greece kept investors on edge ahead of Friday's employment report.
- Ahead of tomorrow's jobs number it's becoming abundantly clear that the economy is currently not strong and that's the rising concern for investors because that changes the narrative on the Fed.

The Local Market

- FBMKLCI fell 7.69 points to finish at 1,741.48 due to the lack of fresh catalyst. There were 377 gainers and 434 decliners in total value traded of RM1.68 billion.
- Among the losers on Bursa Malaysia were PetDag down 30 cent to RM19.90, Far East dropped by 30 cent to RM8.08, BAT declined 20 cent to RM61.00 and Allianz Malaysia decreased 20 cent to RM12.30.

Strategy

- Our 1H15 year-end target is 1,840 based on PER of 16.0x and hence, FBMKLCI is poised to record a gain of 4.5% against 2014 closing of 1,761. We have an **OVERWEIGHT** call on auto, construction, rubber gloves and telco respectively. We predict Malaysia to grow by 5.0% in 2015 against the projection of 5.9% in 2014.

CORPORATE HIGHLIGHTS

Malakoff, BUY (CP: RM2.30): Tanjung Bin plant to operate in March 2016

Malakoff Corporation Bhd's Tanjung Bin Energy boiler was successfully ignited using fuel oil on May 31, said the group in a statement on Thursday. It said that the plant is expected to commence operation on March 1 next year. "The fuel-firing of the boiler on May 31 is a major step towards the timely completion of the power plant. "It will pave the way for the next equally important milestones, such as the boiler's coal-firing and thereafter the power plant's synchronisation to the national power grid," said chief operating officer Habib Husin. *(Source: The Star)*

Axiata, BUY (TP: RM7.40): Celcom Axiata's Xpax unveils Magic SIM

Xpax, Celcom Axiata Bhd's main prepaid brand, has unveiled its latest limited edition simcard package, the Magic SIM. A RM5 Xpax Magic SIM starter pack comes with free basic internet, free 200 Megabytes (MB) high-speed internet, and 20 free minutes free calls and SMS or SMS to Celcom numbers. The SIM exemplifies our goal to become internet champion and ensures that the society is connected to fast 4G speeds in our network," Celcom Axiata Chief Marketing Officer Zalman Aefendy Zainal Abidin told reporters at the launch of the Magic

SIM here on Thursday. Zalman said SIM would help enhance affordability among customers and to broaden broadband access. The Magic Box package entails a set of internet plans from as low as RM1 per day for 60 MB per second to RM25 per day for 1GB high-speed internet, he added. (Source: The Star)

DiGi, BUY (TP: RM6.60): 4G LTE powers up Johor Bahru

DiGi Telecommunications Sdn Bhd's 4G LTE service, high service inter connectivity is now available to the public in Johor Bahru. Johor Exco chairman for Public Works, Rural and Regional Development chairman Datuk Hasni Mohammad said access to fast and reliable Internet will create educational and employment opportunities. DiGi's chief network officer Kesavan Sivabalan said the company aims to continue the LTE rollout throughout the country as well as improve network quality for its customers. By end 2015, customers in Johor, Malacca and Negeri Sembilan will enjoy DiGi's LTE services, where we will have expanded our LTE footprint to 25% in addition to 3G services covering 92% of the southern region. (Source: The Star)

Westports (CP: RM4.42): To up cargo handling capacity

Westports Malaysia expects to increase its cargo handling capacity to 13 million twenty-foot equivalent units (TEUs) from 11 million TEUs following the completion of its Container Terminal 8 (CT8) by mid-2017. Its Chief Executive Officer, Ruben Emir Gnanalingam, said in tandem with the construction of CT8, Westports was also building a new container gate for local cargo as well as other back of terminal support facilities. "Our focus is always skewed towards a supply-driven approach to meet our customer demand. With CT8, we will be able to handle big vessels while continuously maintain the highest level of productivity and all other service string," (Source: The Star)

Westports: (CP: RM4.42): Now in KLCI list, FGV dropped

Westports Holdings has been included in the 30-stock FBM KLCI, replacing Felda Global Ventures Holdings (FGV) after the semi-annual review of the FTSE Bursa Malaysia index series. Bursa Malaysia Securities said on Thursday following FGV's exclusion from the KLCI, it is now placed in the Mid-70 Index. The changes will take effect on June 22. The KLCI reserve list comprises of the five highest ranking non-constituents of the index by market capitalisation. They are IJM Corp, YTL Power International, Gamuda, Malaysia Airports Holdings and Hap Seng Consolidated. The companies included in the mid-70 index includes FGV, Sunway Real Estate Investment Trust, Press Metal, Eco World Development Group, Karex, Pharmaniaga and Hume Industries. (Source: The Star)

Affin Holding (CP: RM2.78): Affin Islamic Bank appoints new CEO

Nazlee Khalifah has been appointed chief executive officer (CEO) of Affin Islamic Bank Bhd effective June 3. In a filing with Bursa Malaysia on Thursday, Affin Holdings said Nazlee brought with him 23 years of experience in banking industry, primarily in developing and implementing business strategies. Affin Islamic Bank's previous CEO, Kamarul Ariffin Mohd Jamil, was promoted to Affin Holdings group CEO and Affin Bank Bhd managing director/CEO effective April 1. Nazlee joined Affin Bank Bhd as head (business strategy & support) at the business banking division on Feb 3, 2009. He was promoted to chief corporate strategist on April 1, 2011. (Source: The Star)

Hap Seng Consolidated (CP: RM5.06): Targets 20% growth

Hap Seng Consolidated Bhd, which has seen its operating profit grow from RM500mil to RM1bil in the last five years, is confident of sustaining 20% growth year-on-year. Managing director Datuk Edward Lee said looking at the Malaysian economy, the group expects its divisions to perform satisfactorily. "Growth will be driven by the property division as proven by the results last year followed by plantation," Lee said after Hap Seng's 39th AGM on Thursday. With property taking the lead, Lee said the group plans to convert some of its plantation land for property development. (Source: *The Star*)

AirAsia X (CP: RM0.27): Directors of loss-making AirAsia X will forfeit RM434,658 in fees

Nine directors of AirAsia X Bhd (AAX), which now aims to return to the black in the second half of this year, have agreed to forfeit their director's fees amounting to RM434,658 for the for the financial year ended Dec 31, 2014 (FY14) at its annual general meeting (AGM) yesterday. "I think we have to be with the shareholders, and that's why we have decided to forfeit the fees," AAX group chief executive officer (CEO) Datuk Kamaruddin Meranun told reporters after the meeting. The nine directors comprised Kamaruddin, Tan Sri Rafidah Aziz, Tan Sri Tony Fernandes, Datuk Seri Kalimullah Masheerul Hassan, Lim Kian Onn, Datuk Fam Lee Ee, Tan Sri Asmat Kamaludin, Datuk Yusli Mohamad Yusoff and Kiyotaka Tanaka. (Source: *The Edge*)

Dayang Enterprise (CP: RM2.48): Wins RM250mil contract from Petronas Carigali

Dayang Enterprise Holdings Bhd has won a RM250mil facilities improvement contract from Petronas Carigali Sdn Bhd covering the latter's Sarawak and Sabah offshore operations. The Miri-based offshore oil and gas service provider told Bursa Malaysia on Thursday that the contract, awarded on May 6, would be performed on a call-out basis and include any other work and services related to modification or upgrading, including working under Simops (simultaneous operations), hook-up and commissioning and major construction work. The contract will span a primary period of two years starting June 8, 2015. Dayang Enterprise was in the news recently, launching a mandatory general offer for the remaining shares and warrants in Perdana Petroleum Bhd on May 14. (Source: *The Star*)

IPO: Sunway Construction bags RM243.7mil contract

Sunway Bhd's soon-to-be-listed subsidiary Sunway Construction Group Bhd has clinched a RM243.691mil deal to build and complete the main building work of a commercial block in Bandar Sunway for Sunway South Quay Sdn Bhd. Sunway Bhd told Bursa Malaysia that Sunway Construction Sdn Bhd, owned by Sunway Construction Group, had on Thursday accepted the letter of award issued by SA Architects Sdn Bhd in relation to this. The building will comprise seven storeys of retail space, four storeys of office space, three storeys of semi basement car park and a block of 27-storey service apartment with five levels of podium car park.

ECONOMIC UPDATES

Malaysia: RAM sees a challenging year for domestic corporate bond market

RAM Holdings Bhd (RAM) expects a "challenging year" for the domestic corporate bond market this year and issuances is expected to slowdown slightly with a projected gross value of RM75 billion to RM85 billion. RAM Rating Services Bhd chief executive officer Foo Soo Yin said while the first two months had been relatively quiet, it started to pick up in March and April but the total private debt securities issuances were 20% lower compared to last year. Foo

Malaysia: Productivity rose 3.5 pc last year

Malaysia registered a productivity growth of 3.5% last year to a productivity level of RM61,708 per employee from RM60,437 in 2013. Based on the Productivity Report 2014/2015 launched on Thursday by International Trade and Industry Minister, Datuk Seri Mustapa Mohamed, the growth signified that the country's labour productivity was a strong contributing factor to the gross domestic product growth of 6% in 2014. Speaking to reporters at the report launch, he said Malaysia was on track to achieve its goal of having a 3.7% annual productivity growth rate by 2020. (Source: The Star)

Europe: IMF calls for simpler EU budget rules, focus on debt

The International Monetary Fund called on the European Union on Thursday to simplify its budget rules to limit discretion in their application and focus on bringing down public debt. The head of the IMF's fiscal department Vitor Gaspar told a seminar organised by the European Political Strategy Centre that the European Union's rules were overlapping, difficult to explain and that they diverted attention from debt. The complexity allows for considerable discretion in the application of the rules. The track record of compliance is quite weak. Europe needs a governance framework that anchors public debt, is less complex, and easier to communicate. (Source: The Edge)

Greece: Delays IMF payment, PM to brief angry parliament

Greece delayed a key debt payment to the International Monetary Fund due on Friday as Prime Minister Alexis Tsipras, facing fury among his leftist supporters, demanded changes to tough terms from international creditors for aid to stave off default. The IMF said Athens planned to bundle four payments due in June into a single 1.6 billion euro lump sum which is now due on June 30. It was the first time in five years of crisis that Greece has postponed a repayment on its 240 billion euro bailouts from euro zone governments and the IMF, even though Tsipras said earlier this week that Athens had the money and would make the payment. The delay came as German Chancellor Angela Merkel said talks on a cash-for-reforms deal were still far from reaching an agreement. (Source: The Edge)

Indonesia: Chief econ minister says does not want rupiah to be too weak

Indonesia's coordinating minister for economics, Sofyan Djalil, said he did not want the rupiah currency to be traded too weakly against the dollar after it slid to a 17-year low on Thursday. The government will improve matters on the fiscal side by accelerating spending, Djalil said, while Bank Indonesia would

manage the monetary side. The Indonesian rupiah closed at 13,279 to the dollar on Thursday, its weakest since August 1998, during the throes of the Asian financial crisis. It has weakened more than 6 percent this year to become the worst performing currency in emerging Asia. *(Source: The Edge)*

Thailand: Consumer confidence index at 11-month low

Thai consumer confidence slipped for a fifth straight month in May, a university survey showed on Thursday, as low commodity prices and worries over the faltering economy hurt consumption. The consumer confidence index of the University of the Thai Chamber of Commerce fell to 75.6 in May from 76.6 in April. The May reading was the lowest since June last year, when confidence was rising after a military coup ended months of political unrest that brought the economy to the brink of recession. *(Source: The Star)*

U.S.: Productivity plunges in Q1; unit labour costs surge

US non-farm productivity fell more sharply than previously thought in the first quarter, leading to a jump in labour-related production costs, a trend that could spur a rapid increase in inflation. Productivity dropped at a 3.1% annual rate instead of the previously reported 1.9% rate, the Labour Department said on Thursday. That was the first back-to-back fall in productivity since 2006. Economists polled by Reuters had expected that productivity, which measures hourly output per worker, would be revised to show it falling at a 2.9% rate. *(Source: The Star)*

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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