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Friday, February 12, 2016

At a Glance

FBMKLCI fell marginally 0.46 points to close at 1,643.95 in line with negative regional market sentiment.....(See full report next page)

Strategy**“Wall Street Back Sliding Again”**

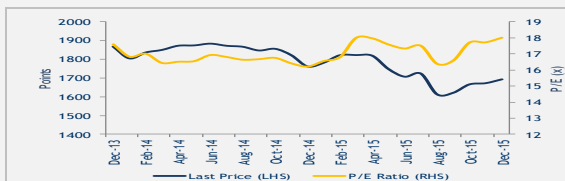
We don't expect the severe volatility in the global equity market to recede anytime soon, not until the US is clear of its policy path.....(See full report next page)

Corporate Highlights

- **TM, HOLD (TP: RM6.87):** increases stake in P1 to 73% by early conversion of medium-term notes
- **FGV (CP: RM1.56):** Malaysia's Felda to re-attempt Indonesian deal with unlisted unit - sources
- **Sime Darby (CP: RM7.74):** RM3b sukuk assigned AA-IS rating, negative outlook

Economic Update

- **Malaysia:** December industrial output exceeds forecast
- **Japan:** Economic Roller Coaster Is Headed for Another Dip
- **Thailand:** Central bank chief says monetary policy supportive



KEY ECONOMIC RELEASE					
	Date	Local Time	Event	Survey	Prior
JP	8-Feb	7:50 AM	BoP Current Account Balance	-	¥1143.5B
JP	8-Feb	7:50 AM	Trade Balance BoP Basis	-	(¥271.5B)
US	9-Feb	11:00 PM	Wholesale Inventories MoM	-0.1%	-0.3%
JP	10-Feb	7:50 AM	PPI MoM	-	-0.3%
JP	10-Feb	7:50 AM	PPI YoY	-	-3.4%
US	10-Feb	8:00 PM	MBA Mortgage Applications	-	-2.6%
MY	11-Feb	12:00 PM	Industrial Production YoY	-	1.8%
US	11-Feb	3:00 AM	Monthly Budget Statement	\$1.5B	-
US	11-Feb	9:30 PM	Initial Jobless Claims	-	-
US	11-Feb	9:30 PM	Continuing Claims	-	-
US	11-Feb	10:45 PM	Bloomberg Consumer Comfort	-	-
EU	12-Feb	6:00 PM	Industrial Production SA MoM	-	-0.7%
EU	12-Feb	6:00 PM	Industrial Production WDA YoY	-	1.1%
EU	12-Feb	6:00 PM	GDP SA QoQ	-	0.3%
EU	12-Feb	6:00 PM	GDP SA YoY	-	1.6%
US	12-Feb	9:30 PM	Import Price Index MoM	-1.4%	-1.2%
US	12-Feb	9:30 PM	Retail Sales Advance MoM	0.1%	-0.1%
US	12-Feb	9:30 PM	Retail Sales Ex Auto MoM	0.1%	-0.1%
US	12-Feb	9:30 PM	Retail Sales Ex Auto and Gas	-	0.0%
US	12-Feb	11:00 PM	U. of Mich. Sentiment	93.0	92.0
CN	10-15 Feb	-	Money Supply M1 YoY	13.2%	15.2%
CN	10-15 Feb	-	Money Supply M2 YoY	13.5%	13.3%
CN	10-15 Feb	-	New Yuan Loans CNY	1900.0B	597.8B

Bursa Malaysia

	Close	Change+/-	(+/- %)
FBMKLCI	1,643.95	-0.46	-0.03
FBMEMAS	11,403.86	-8.71	-0.08
FBMEMAS SHA	12,181.79	-26.02	-0.21
FBM100	11,112.16	-6.64	-0.06
Volume (mn)	1,226.16	338.55	38.14
Value (RMmn)	1,411.24	353.01	33.36
FBMKLCI YTD Chg			-2.87

Daily Trading Position (RM'mn)

	Participation (%)	Net(RMmn)
Local Retail	14.6	6.1
Local Institution	51.6	124.1
Foreign Investors	33.8	-130.2

Top Gainers

	Close	Change+/-	(+/- %)
DUTCH LADY MILK	50.46	0.66	1.33
SCIENTEX BHD	11.26	0.26	2.36
MALAYSIA AIRPOR	5.87	0.24	4.26

Top Losers

	Close	Change+/-	(+/- %)
KESM INDUS BHD	4.40	-0.32	-6.78
LATITUDE TREE HL	6.45	-0.22	-3.30
NESTLE (MALAY)	74.80	-0.20	-0.27

World Indices

	Close	Change+/-	(+/- %)
DJIA	15,660.18	-254.56	-1.60
NASDAQ	4,266.84	-16.76	-0.39
S&P 500	1,829.08	-22.78	-1.23
FTSE 100	5,536.97	-135.33	-2.39
DAX	8,752.87	-264.42	-2.93
Nikkei 225	15,713.39	-372.05	-2.31
HSI	18,545.80	-742.37	-3.85
KOSPI	1,861.54	-56.25	-2.93
STI	2,538.28	-43.82	-1.70
KLCI Futures	1,611.00	(7.50)	(0.00)
USDMYR 3M	13.48	0.03	0.00
USDMYR 6M	13.34	(0.02)	(0.00)
USDMYR 12M	13.40	(0.03)	(0.00)

Other Key Economics Data

	Close	Change+/-	(+/- %)
WTI (USD/bbl)	27	1.2	4.6%
Brent (USD/bbl)	30.1	-0.8	-2.5%
Gold(USD/ounce)	1,243	-3.4	-0.3%
Coal (USD/mt)	50.7	0.3	0.6%
CPO (RM/mt)	2,596	29.0	1.1%
Rubber	122	0.1	0.1%
RM/USD	4.15	0.0236	-0.57%
EUR/USD	0.88	0.0005	0.06%
YEN/USD	112.43	0.01	-0.01%

What To Expect

U.S. Market

- The Dow Jones Industrials Average tumbled 254.56 points to close at 15,660.18 points, S&P 500 declined 22.78 points to 1,829.08 points. Nasdaq derailed 16.76 points to 4,266.84. Stocks closed lower on Thursday, but well off their lows, as investors digested a massive global sell-off, falling oil prices, and chatter about a possible OPEC production cut.
- However, the blue chips bounced back sharply after Dow Jones cited comments from the energy minister of the United Arab Emirates on Sky News Arabia saying OPEC members were ready to cooperate on a production cut. Suhail bin Mohammed al-Mazrouei also said low prices were already forcing non-OPEC members to cap production.

The Local Market

- FBMKLCI fell marginally 0.46 points to close at 1,643.95 in line with negative regional market sentiment. There were 272 gainers and 437 decliners in total value traded of RM1.41 billion.
- Among the losers on Bursa Malaysia were Kesm Industries dropped 32 cent to RM4.40, Latitude Tree declined 22 cent to RM6.45, Nestle (M) slipped 20 cent to RM74.80 and Ajinomoto (M) erased 17 cent to RM8.68.

Strategy

- **“Wall Street Back Sliding Again”**
Wall Street continued its losing streak and this time it was hammered by the sell down in banking stocks amid uncertainty in global growth. S&P 500 and DJIA **shed 22.78 (-1.23%)** and **254.56 (-1.60%)** points to end at 1,829.08 and 15,660.18 respectively. Global growth is now under threat, weighed by depressed commodity prices along with greater downside risk to growth for China. Wall Street took to heart over this and hence, fretted over the fact that banking sector in the US may get hit, leading to the solid selling pressure on Thursday. This is despite oil price (WTI) gained by over 4% to close at USD27.27 per barrel amid UAE minister statement that OPEC was setting the stage for oil production cut soon. All in, we don't expect the severe volatility in the global equity market to recede anytime soon, not until the US is clear of its policy path. In addition, the sorely lacking of the 'ummp' factor, as in solid catalyst, will also weigh on risk taking.
- Our 1H16 FBMKLCI target is 1,720 based on PER of 16.5x. FBMKLCI is a **NEUTRAL**. We have **OVERWEIGHT** call on construction, telco and oil and gas respectively. We predict Malaysia to grow by 4.5% in 2016.

CORPORATE HIGHLIGHTS

TM, HOLD (TP: RM6.87): increases stake in P1 to 73% by early conversion of medium-term notes

Telekom Malaysia Bhd (TM)'s unit Mobikom Sdn Bhd has increased its controlling stake in Packet One Networks (Malaysia) Sdn Bhd (P1) to 72.9% by converting the medium-term bonds into shares in the company. Consequently, another Bursa Malaysia-listed shareholder, Green Packet Bhd, sees its holding in P1 diluted to 18.9%, from 31.1%, due to the larger share base. The country's largest fixed-line telecommunications provider said its wholly-owned subsidiary Mobikom had received 10.67 million new P1 shares, after the early conversion of the subscribed convertible medium term notes issued by P1. *(Source: The Edge)*

FGV (CP: RM1.56): Malaysia's Felda to re-attempt Indonesian deal with unlisted unit -sources

Malaysian state-owned conglomerate Felda will use an unlisted unit to buy into Indonesian tycoon Peter Sondakh's debt-burdened Rajawali Group, sources familiar with the matter said, seeking to avoid heavy investor criticism that scuttled an attempted deal last year. Plans for Felda to buy 37 percent of palm oil plantation firm PT Eagle High Plantations Tbk collapsed last year after politicians and investors blasted a \$680 million deal as an expensive favour for Sondakh, who has long-standing ties with Malaysian Prime Minister Najib Razak. Both Najib and Sondakh have said that the deal was commercially driven. This time, instead of using its main listed entity, Felda Global Ventures Holdings Bhd, the world's third-largest palm plantation operator, Felda will use an unlisted unit to acquire the stake. It is also seeking to cut the price by as much as 30 percent, the sources said. *(Source: The Edge)*

Sime Darby (CP: RM7.74): RM3b sukuk assigned AA-IS rating, negative outlook

Malaysian Rating Corporation Bhd (MARC) has assigned a preliminary AA-IS rating to Sime Darby Bhd's proposed RM3 billion perpetual subordinated sukuk programme, although its outlook stood at negative. The rating agency said that the negative outlook was consistent with the revised outlook on the RM500 million Islamic commercial paper/Islamic medium term note (ICP/IMTN) programme to negative from stable. MARC noted that it has also affirmed the MARC-1 ID/AAA ID ratings on the existing RM4.5 billion IMTN programme and the RM500 million ICP/IMTN programme, with a combined limit of RM4.5 billion. The negative outlook revision factors in the slower than expected pace of measures initiated to address the substantial increase in group borrowings, following the debt-funded acquisition of New Britain Palm Oil Limited (NBPOL) for RM6 billion in March 2015. *(Source: The Edge)*

Kulim (CP: RM3.76): Unit To Buy 4 Indonesian Firms For RM509.35 Million

Kulim (M) Bhd's unit PT Wisesa Inspirasi Nusantara (PT WIN) has entered into a proposed acquisition of four Indonesian companies for a total of RM509.35 million, with 95 per cent equity interest in each company. The four companies are PT Nusa Persada Indonesia, PT Surya Panen Subur, PT Tempirai Palm Resources and PT Rambang Agro Jaya. In a filing to Bursa Malaysia today, Kulim said the plantation assets of the companies are located in South Kalimantan,

South Sumatera and Aceh. "The total consideration of RM509.35 million was reached on a willing buyer-willing seller basis, after considering market value, outstanding shareholders' loans and advances, the aggregate borrowings of the target companies and additional plantation development expenditure," it said. (Source: *Bernama*)

MyEG (CP: RM2.24): Gets revised deal to register illegal foreign workers

E-government service provider MyEG Services Bhd (MyEG) said it received a revised contract from the Home Affairs Ministry yesterday in relation to the management of illegal foreign workers for the rehiring programme. In a stock exchange filing yesterday, MyEG said the new contract will supersede the appointment letter it received dated Sept 4, 2015 in relation to the registration of illegal foreign workers. "All terms and conditions as stated in the earlier letter will be replaced with the new conditions as stated in the letter dated February 11, 2016," it said. MyEG said the project has no fixed value as it is dependent on the number of illegal foreign workers successfully registered. (Source: *The Sun*)

Oriental Holdings (CP: RM6.58): Buys 90% of PT Sumatera Sawit Lestari

Oriental Holdings Bhd's (OHB) unit OBS Pte Ltd has acquired a 90% stake in PT Sumatera Sawit Lestari (PTSSL), which holds a concession to develop oil palm plantation on a 8,000ha land in South Sumatera, for RM2.84 million. This is after it obtained approval from Indonesia's Law and Human Rights Ministry for the acquisition of the stake from PT Tradisi Bina Usaha (TBU) and Saksono Boenjamin (SB). Following the shares subscription agreement, TBU will hold the remaining 10% stake in PTSSL. In a stock exchange announcement yesterday, Oriental Holdings said OBS use internally generated funds to purchase the stake. OBS is a unit of Oriental Boon Siew (Mauritius) Pte Ltd (OBSM) which in turn is a 50.5% unit of OHB. (Source: *The Sun*)

ECONOMIC UPDATES

Malaysia: December industrial output exceeds forecast

Malaysia's industrial output expanded at a faster pace of 2.7% in December, exceeding a forecast of just 1% growth, according to the Statistics Department. It said on Thursday the higher Industrial Production Index (IPI) in December 2015 was supported by positive growth in manufacturing index (4.0%) and electricity index (5.6%). However, the mining index recorded a decrease of 1.5%. The department said the 4% increase in manufacturing sector output showed continued growth from the 4.1% in November 2015. The major sub-sectors which expanded were electrical and electronics Products (8.6%); petroleum, chemical, rubber and plastic products (1.6%) and non-metallic mineral products, basic metal and fabricated metal products (5.0%). (Source: *The Star*)

Japan: Economic Roller Coaster Is Headed for Another Dip

After three years of Abenomics and record monetary stimulus from the central bank, Japan's economy still can't escape a roller-coaster cycle of expansion and contraction. The next round will commence on Feb. 15, when gross domestic product data for the fourth quarter are released. The forecast is pessimistic:

that Japan's economy shrank 0.7 percent on an annualized basis in the last three months of 2015, according to the median estimate of 34 economists who responded to a Bloomberg survey as of Wednesday. Revised data showed the GDP rose 1 percent in the third quarter. The economy's performance has zigzagged over the past three years, since Bank of Japan Governor Haruhiko Kuroda and Prime Minister Shinzo Abe ramped up their stimulus programs in a bid to end decades of deflation and spur higher wages, consumer spending and investment. *(Source: Bloomberg)*

Thailand: Central bank chief says monetary policy supportive

Thailand's economy is recovering at a gradual but uneven pace and monetary policy is still supportive in the face of high downside risks, the central bank governor said on Thursday. High household debt levels will make it difficult to stimulate the economy by lending to households, Bank of Thailand governor Veerathai Santiprabhob told a news conference. On Feb 3, the central bank's monetary policy committee unanimously left the policy rate unchanged at 1.5%, near a record low of 1.25%, saying fiscal spending would help growth. In December, the central bank cut its 2016 economic growth forecast to 3.5% from 3.7%. It is due to give a new projection next month. *(Source: The Star)*

Indonesia: Unveils "big bang" foreign investment package

Indonesia on Thursday announced its boldest measures to attract foreign investment in a decade, loosening restrictions on dozens of sectors including agriculture and the movie industry. The far-reaching move comes a day after President Joko Widodo told Reuters in an interview he planned a "big bang" liberalisation of Southeast Asia's largest economy to encourage competition. *(Source: The Star)*

Sweden: Cuts Rates Deeper Into Negative Territory

Sweden's central bank lowered its key interest rate even further below zero and said it's prepared to use its full toolbox of measures as it battles to revive inflation and keep the krona from appreciating. The repo rate was reduced to minus 0.50 percent from minus 0.35 percent, the Stockholm-based bank said. A cut was predicted by 10 of the 18 analysts surveyed by Bloomberg, though only three had anticipated this magnitude. The bank said government bond purchases will continue as planned for the first six months of 2016 and that it "will reinvest maturities and coupons from the government bond portfolio until further notice." *(Sourced: 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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