

Market Pulse

Tuesday, 27 Oct, 2015

Scorecard

	Close	Change
	26-Oct-15	%
FBM KLCI	1,706.79	-0.24
FBM EMAS	11,801.61	0.17
FBM 100	11,494.80	0.15
Volume (m)	1,907.05	-21.18
Value (RM m)	1,802.40	-10.12
Dow Jones	17,623.05	-0.13
NASDAQ	5,034.70	0.06
FTSE	6,417.02	-0.42
DAX	10,801.34	0.06
CAC	4,897.13	-0.54
STI	3,061.49	-0.23
Hang Seng	23,116.25	-0.15
Nikkei 225	18,947.12	0.65
WTI (USD)	43.98	0.76
CPO (RM)	2,279.00	-2.10
USD	4.2292	-0.224
GBP	6.4837	-0.369
EURO	4.6657	-0.427
SGD	3.0340	-0.400
YEN	28.608	0.344



Consolidation To Continue Amid Lack Of Catalyst

- Despite opening higher at the trading bell, quick profit taking sent the key index to hover in the negative territory for most of the trading session, before closing 0.2% lower yesterday. Much of the losses were due to the selling pressure on banking, oil & gas and telco heavyweights. The lower liners and broader market was also painted in red with the exception of Consumer Products (+0.2%) and Plantations (+0.4%) sectors.
- Market breadth turned negative as losers outpaced gainers on a ratio of 466-to-402 stocks. Traded volumes fell by 21.2% to 1.91 bln shares as investors locked-in recent gains.
- Leading the losers on key index was Petronas Gas (-32.0 sen), followed by KLK (-16.0 sen), Digi (-10.0 sen), Petronas Chemicals (-8.0 sen) and Hong Leong Bank (-6.0 sen). Amongst the biggest decliners of the day were United Plantations (-40.0 sen), Kossan (-15.0 sen) MSM (-15.0 sen), SAM (-15.0 sen) and MPI (-13.0 sen).
- Consumer Products stocks like Oriental Food (+43.0 sen), Huat Lai (+20.0 sen), Kawan Food (+17.0 sen) and IQ Group (+15.0 sen) outperformed the broader market, while BLD Plantations added 25.0 sen. Meanwhile, BAT (+12.0 sen), IOI Corporation (+12.0 sen), Hong Leong Financial Group (+6.0 sen), MISC (+4.0 sen) and Genting Malaysia (+3.0 sen) were among the biggest decliners on the FBM KLCI.
- The Nikkei extended its gains by 0.7% to close at a two-month high, owing to the stronger-than-expected quarterly earnings from technology bellwethers like Hitachi Ltd and Panasonic Corp, both of



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which rose 6.1% each. Elsewhere, the Shanghai Composite climbed 0.5% after the People Bank of China cuts its interest rate, but the Hang Seng Index gave up earlier gains to close 0.2% lower. ASEAN indices, meanwhile, ended mixed.

- Following two consecutive days of sharp gains, U.S. stockmarkets closed mildly lower as the Dow fell 0.1% ahead of the Federal Reserve's two-day policy meeting. On the broader market, the S&P 500 closed 0.2% lower, dragged by the energy sector (-2.5%) as oil prices dipped.
- European benchmark indices also closed mostly lower as the FTSE and CAC fell 0.4% and 0.5% respectively, coming off from two-months high on minor profit taking activities. The DAX, however, added 0.1% as the IFO Business Climate Index for October 2015 rose to 108.2 – stronger than economists' expectations of 107.8.

THE DAY AHEAD

- The market consolidated yesterday amid the lack of fresh leads from last Friday's Budget announcement, while the surging overseas stockmarkets failed to provide a spark to the domestic market sentiments. Consequently, this left the market to drift lower as the profit taking activities escalated instead.
- Under the prevailing market environment where there continues to be few domestic leads and investors are awaiting for the outcome of the FOMC meeting to decide on the direction of interest rates, we think the consolidation will persist over the near term amid the still toppish conditions on Bursa Malaysia following the strong recovery from the 1,600 points level recently.
- On the downside, the 1,700 points level

remains the key support level, while the 1,720 level is the major upside hurdle.

COMPANY UPDATE

- **Mitrajaya Holdings Bhd** has signed a Deed of Sale with Scarlet Ribbon Properties 27 (Pty) Ltd to buy 215.0-ac. of land in Pretoria, South Africa, located next to the existing upmarket Copper Leaf Golf Estate, for 40.0 mln Rand (RM12.2 mln).
- Mitrajaya plans to launch a residential development with an estimated gross development value of 1.60 bln Rand (RM497.3 mln), comprising of the development of an Eco Park Residential Estate with at least 1,600 units of medium to high-density cluster/apartment homes. The acquisition shall be satisfied fully in cash and is expected to be completed by 31st January 2016.

Comments

- We opine that it is a strategic move by Mitrajaya for its overseas land replenishment, particularly in a country where it has built-up a presence. The purchase price of the freehold land translates to approximately RM1.30 psf. and is also within a radius of 6.0-km of mature residential and commercial development, hotel and shopping mall. The site is also approximately 20 minutes driving distance from the group's Blue Valley Golf & Country Estate. Upon the completion of the abovementioned acquisition, Mitrajaya's net gearing is expected to increase to 0.26x, from 0.24x as reported in 2Q2015.
- As the acquisition and proposed development is still at the preliminary stage, we leave our earnings estimates unchanged and we reiterate our **BUY** recommendation on Mitrajaya with an unchanged target price of RM1.75. Our

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target price is derived from a sum-of-part basis by ascribing a targeted PER of 11.0x to its fully diluted 2016 construction earnings and a PER of 9.0x to its fully diluted healthcare earnings, while the value of its property development units, both local and overseas, are valued at 0.8x of its book value after accounting for the full conversion of Warrants-C and Warrants-D.

COMPANY BRIEF

- Bursa Malaysia Securities has issued an Unusual Market Activity (UMA) query on mobile network operator **XOX Bhd** over the sharp rise in price and volume of its shares recently. Its share price had surged from 8.5 sen on 1st October, 2015 to a high of 24.5 sen yesterday. (The Star Online)
- **DiGi.com Bhd**'s 3Q2015 net profit contracted 18.5% Y.o.Y to RM396.6 mln, due to intense competition, weaker consumer sentiment, weak Ringgit and higher progressive depreciation from its network expansion exercise. Revenue for the quarter fell 4.6% Y.o.Y to RM1.67 bln.
- For 9M2015, cumulative net profit declined 8.9% Y.o.Y to RM1.34 bln. Revenue for the period decreased 0.6% Y.o.Y to RM5.19 bln. An interim dividend of 5.1 sen a share for the quarter, payable on 4th December 2015, was declared. (The Star Online)
- **Bina Puri Holdings Bhd** has received the Letter of Intent from PR1MA Corp Malaysia (PR1MA) for a housing project in Johor Bahru valued at RM230.0 mln. The contract was to build 994 units of PR1MA homes comprising of apartments and 20 shops on a 18.2-ac. freehold land. (The Star Online)
- Property developer **Y&G Corp Bhd** is being sued by **Chemical Company of Malaysia Bhd** (CCM) over outstanding lease rental for a piece of land. CCM is claiming for a declaration that the land lease is appropriately terminated, an order to re-enter and repossess the leased land, an order that Y&G shall pay CCM a sum of RM2.2 mln being six years' lease rental in arrears, 5.0% interest per annum on the arrears lease rental (calculated from 8th July 2015 until the date of full settlement) and other incidental costs.
- Nevertheless, Y&G has reported that it is not aware of the past land lease arrangement entered into on 29th August 1987, nor the arrears lease rental and therefore, would arrange to seek further clarification from CCM in due course. (The Edge Daily)
- **SMTrack Bhd**'s Managing Director cum Chief Executive Officer (CEO), Yow Lock Sen has ceased to be a substantial shareholder in the radio frequency ID tags specialist.
- Yow has disposed of 4.0 mln SMTrack shares at 9.5 sen per share on 22nd October 2015 and is left with 6.0 mln shares or a 2.1% direct interest, as well as 4.3 mln shares representing a 1.5% indirect interest in the company.
- Yow first emerged as a substantial shareholder in the company on 8th May 2014 after acquiring 10.0 mln shares that represented a 3.5% direct interest, together with 12.2 mln indirect shares or a 4.3% indirect interest held through his son's substantial shareholdings in Online Entertainment Sdn Bhd. He was appointed as CEO of SMTrack a day after, on 9th May 2014. (The Edge Daily)
- Electronic payment solutions provider **ManagePay Systems Bhd** has signed a partnership agreement with Adv Fusionex Sdn Bhd (Fusionex) for the development of services related to big data analytics

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and e-payment. Fusionex will provide ManagePay and its clients with data analytics, big data tools and platform support, while ManagePay will provide electronic money (e-money) and electronic wallet (e-wallet) services to clients of Fusionex. The e-money and e-wallet services are slated to be rolled out at the end-2015. (The Edge Daily)

- Building material manufacturer **Ajiya Bhd** has proposed to undertake a private placement of up to 6.9 mln shares to raise RM26.0 mln, mainly for working capital. The new shares, which represent about 10.0% of its total issued and paid-up share capital, are meant to be issued to independent third party investors to be identified later.
- The placement shares will be priced at a discount of not more than 10.0% to the volume weighted average market price for five market days (5D-WAMP), immediately preceding the price fixing date.
- Some 70.6% of the proceeds will be utilised for working capital, 17.3% for acquisition of equipment and factory facilities, 9.6% for expansion of production capacity and the remaining for estimated expenses incurred for the corporate exercise. The private placement is expected to be completed by 1Q2016. (The Edge Daily)
- Timber producer **Jaya Tiasa Holdings Bhd**'s wholly-owned subsidiary, Multi Greenview Sdn Bhd, has acquired a 9.9% stake in **Rimbunan Sawit Bhd** for RM70.0 mln to expand its interest in the oil palm sector.
- Jaya Tiasa has acquired a total of 140.0 mln shares from related parties – Pemandangan Jauh Plantation Sdn Bhd (PJP) (100 mln shares) and Tiong Toh Siong Holdings Sdn Bhd (TTS) (40 mln shares). The purchase consideration was made in cash and funded by borrowing. (The Edge Daily)

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