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10 OCTOBER 2016

MALAYSIA EQUITY

4Q16 OUTLOOK

MILDLY EXPANDING VALUATION

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EXECUTIVE SUMMARY

3Q16 IN BRIEF

- The post-Brexit panic was rather short-lived. Entering 3Q16, the combination of a lukewarm economic landscape with increasingly dovish monetary policies has created a goldilocks environment for equity buying. Foreign liquidity tide into the region improved as global investors returned in search for higher yield in Asian markets.
- On Bursa, however, the liquidity tide-in was relatively less vigorous arguably due to volatile crude oil price. The price of crude oil continued to hold sway on Ringgit's movement which in turn influenced the performance of the equity market.
- Brent crude tumbled from more than USD50pb in early July to less than USD42pb in August but later rebounded back towards USD50pb level. The FBM KLCI ended the third quarter almost unchanged at 1,652.55 points.

MILDLY EXPANDING VALUATION

- Since end-2013, the PER of FBM KLCI has exhibited a descending valuation trend which corresponded with the onset of QE3 taper in 2014 and followed by US rate liftoff in 2015. However, the descending valuation trend has been broken post-Brexit.
- The mildly expanding valuation post-Brexit may likely to persist in 4Q16. This view is underpinned by the apparent readiness among world's central banks to provide ever more monetary stimulus to cushion any incoming shock.
- On that score, the US Fed is seemingly tightening at the loosest possible pace. Meanwhile, we believe the other major monetary authorities, i.e. Europe and Japan, are standing ready to bring their rates deeper into the negative territory. Domestically, BNM's surprise 25bp OPR cut in July signaled its commitment to support Malaysia's economic momentum and we do not discount a further easing in the near future.

INTRODUCE FBM KLCI 2017 YEAR-END TARGET AT 1,830 POINTS

- We reiterate our assertion that empirical observations between earnings and price are conclusive with regard to the nature of their secular direct relationship. This is despite the ever present 'noises' from short-term price volatility which is influenced by market sentiment and other situational issues. Basing on this framework, we introduce our 2017 FBM KLCI year-end target at 1,830 points which equates to PER17 of 17.0x or SD of 1.05.
- Also, we reiterate our 2016 FBM KLCI year-end target of 1,750 points which equates to PER16 of 17.5x or SD of 1.40.

10 OCTOBER 2016

KLCI (07 OCTOBER 2016) : 1,665.38
END-2016 TARGET : 1,750.00

SECTOR VIEW

POSITIVE	
Aviation	Oil & Gas
Construction	Plantation
Glove	Port
Healthcare	Shipping
Insurance	Power
NEUTRAL (with Positive bias)	
Banking	REIT
NEUTRAL	
Automotive	Property
Consumer	Technology
Media	Telecom
NEUTRAL (with Negative bias)	
Cement	Tobacco
NEGATIVE	
Steel	

TOP BUYS

STOCK	Price 30 Sep (RM)	Target Price (RM)	Total Exp. Return
MRCB	1.30	2.08	62.8%
MMC Corp	2.28	3.11	38.2%
Muhibbah	2.30	3.05	34.8%
Deleum	1.06	1.36	33.5%
Maybulk	0.78	1.04	33.3%
IJM Corp	3.21	4.00	30.2%
Tenaga	14.30	16.80	21.4%
CIMB	4.71	5.50	20.8%
KL Kepong	23.98	27.38	16.7%
IOI Corp	4.45	5.05	15.6%

A. MARKET & EARNINGS

I. MARKET PERFORMANCE

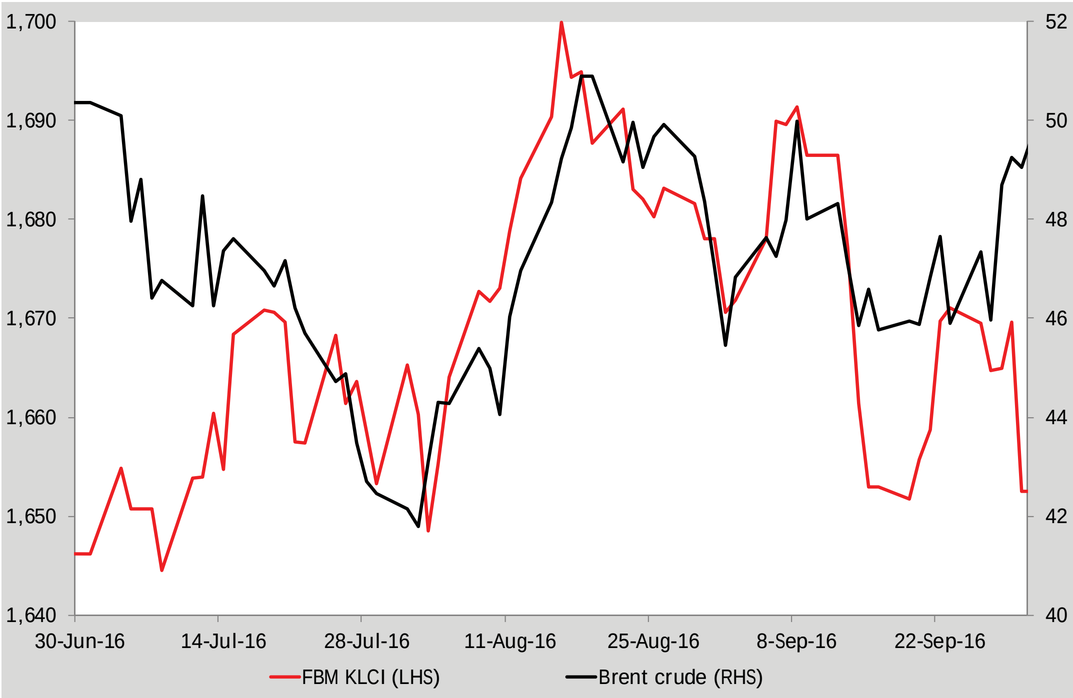
- **Goldilocks environment...** The combination of a lukewarm but resilient economic landscape with increasingly dovish monetary policies worldwide has created a "goldilocks" environment for equity buying across the globe. Domestically, BNM's surprise 25bp OPR cut in July signaled its commitment to support Malaysia's economic momentum.

- **...underpinned global equities robust comeback in July.** as post-Brexit flight to safety diminished. The panic was short-lived as central bankers worldwide avowed their willingness to conduct more monetary stimulus to cushion any shock. Likewise, investors' dented appetite for emerging markets recovered promptly from their Brexit fear. Foreign liquidity tide into the region improved as global investors returned in search for higher yield in Asian markets.

- **But local market performance was relatively tepid...** On Bursa, however, the liquidity tide-in was relatively less vigorous arguably due to weak crude oil price. The price performance of crude oil continued to hold bearing on Ringgit's movement. The decline in Ringgit's strength had in turn contributed to FBM KLCI tepid performance. The local equity benchmark hovered narrowly between 1,645 to 1,670 points level in July.

- **...as crude oil price went south.** Brent crude oil price entered into a consolidation mode where traders have potentially turned cautious in July as it still remained fresh to them the memories of (i) 2H14 onset of the bear market in crude oil, during which Brent price slumped precipitously below the USD100pb level, and (ii) 2H15 recovery-turned-bear market, during which Brent price was recovering to more than USD60pb around mid-year, but then suddenly embarked on a lengthy downtrend to below USD30pb level in January 2016. Some traders were arguably concerned of a re-occurrence of adverse price movement in 2H16.

Chart 1: FBM KLCI versus Brent crude oil



Source: Bloomberg, MIDFR

- **Crude oil price later rebounded…** Brent crude oil price, which had fallen to below USD42pb in early August, staged an abrupt rebound and rallied to above the USD50pb psychological level by third week of the month. Positivity came from the IEA statement that global inventories could dwindle in the second half as supply is not catching up with demand. The upward climb was also attributed to OPEC's talks of freezing output. Higher oil prices lifted Ringgit, helping it to break below USD/MYR4.00. Likewise, the momentum of foreign liquidity tide into Bursa accelerated.

- **…which help lifted local benchmark towards 1,700 points level.** Dow Jones, S&P 500 and Nasdaq Composite all closed mid-August at record highs boosted by higher oil prices. In reaction, the FBM KLCI gained ground and flirted with 1,700 psychological points but did not manage to punch through.

- **However, global stock markets went into a cautious mode** soon after US Fed's meeting minutes released in third week of August showed a split decision on when it should raise interest rates. One FOMC member commented that an interest rate hike in September was possible and US Fed Chair Yellen later said the case for a rate hike has strengthened in recent months without specifying when that will be. US stocks dropped the most since Brexit following her comments. Meanwhile, the FBM KLCI retreated to 1,670 points level by end-August.

- **Brent crude oil declined to below USD46pb due to the stronger US Dollar** coupled with concerns of an oversupply. The prospect of a sooner rate hike underpinned a stronger US Dollar and the Ringgit reverted back to above USD/MYR4.00. Lower oil prices had also put pressure on the Ringgit strength.

- **Global stock markets staged a small rally in early September** prompted by a weaker than-expected US job data and which saw the FBM KLCI rebounded towards 1,690 points level. Moreover, Brent crude price climbed to circa USD50pb as traders digest the deal between Saudi Arabia and Russia while keeping an eye on the inventory level. Meanwhile, Ringgit rebounded on weaker US Dollar, higher crude oil and was further underpinned by BNM decision to maintain the OPR at 3% level.

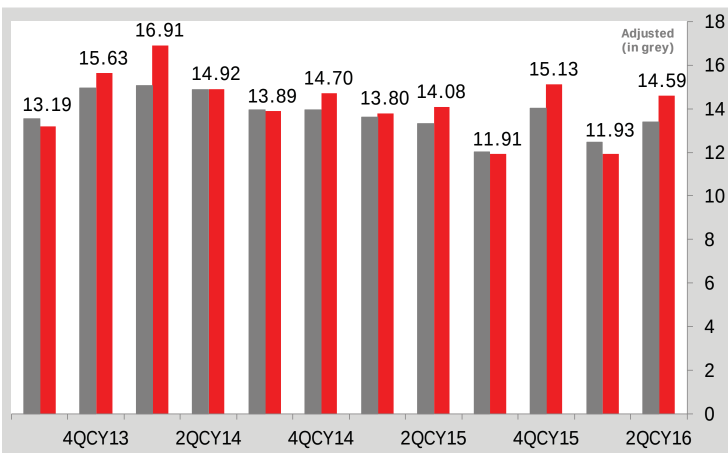
- **The early September upswing was short-lived** due to the ever returning concerns of an imminent US Fed rate increase. The FBM KLCI moved lower in consecutive trading days, sliding towards 1,650 points level. The selling pressure was also contributed by easing crude oil prices and slight weakening in the Ringgit. Nonetheless, the US Fed decision to maintain interest rate at 0.50% during its third-week of September meeting was a welcome respite to the market.

- **The FBM KLCI closed marginally lower by -0.1% in the third quarter** at 1,652.55 points. On year-to-date basis, the local benchmark is down by -2.4%.

II. CORPORATE EARNINGS

- The aggregate reported earnings of FBM KLCI 30 constituents totalled RM14.59b in 2QCY16. The figure was higher both sequentially and on-year at 22.3%qoq and 3.6%yoy respectively. However, the aggregate reported earnings figure requires some adjustments in order for the sequential and on-year growth numbers to reflect a fairer picture of the benchmark's earnings performance.

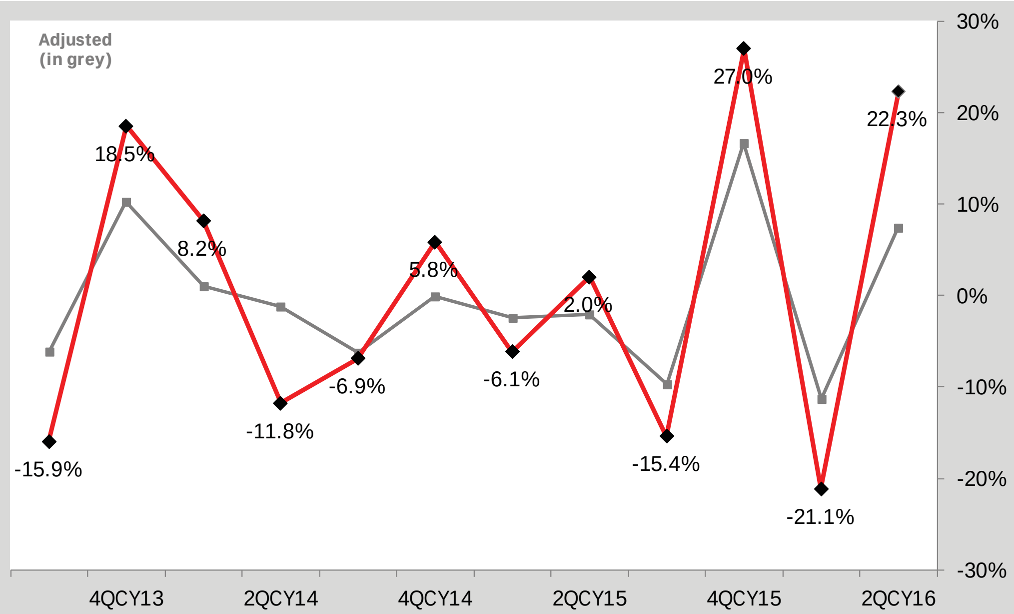
Chart 2: Quarterly aggregate earnings of FBM KLCI (RMb)



Source: Bloomberg, MIDFR

- The aggregate normalized 2QCY16 earnings of FBM KLCI 30 constituents was lower at RM13.39b. Some of the major non-operational items reported during the review quarter include (i) RM847m negative goodwill gain on its Gumusut-Kakap acquisition by MISC, and (ii) RM128m tax credit pursuant to the recognition of a special tax incentive on fixed assets revaluation in Indonesia by Sime Darby.

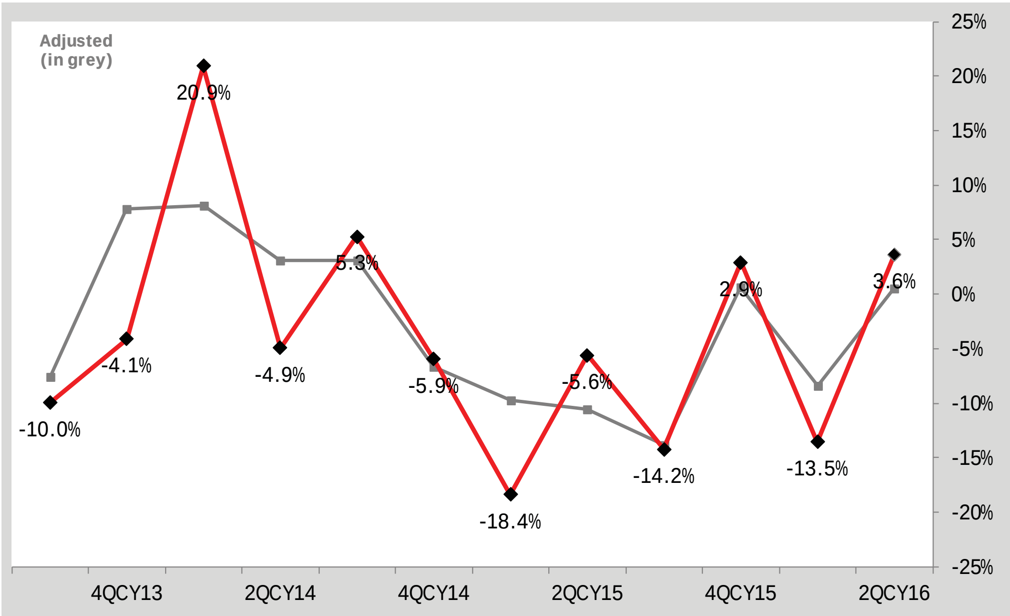
Chart 3: Quarterly aggregate earnings of FBM KLCI (QoQ % growth)



Source: Bloomberg, MIDFR

- After neutralizing the impact of non-operational items (2QCY16: -RM1.20b, 1QCY16: +RM533m, 2QCY15: -RM753m), the normalized sequential growth in 2QCY16 is more tepid at 7.4%qoq. Likewise, the normalized on-year growth number is also lower at 0.5%yoy, but nonetheless it is still superior to the -8.4%yoy normalized growth performance of the preceding 1QCY16 quarter.

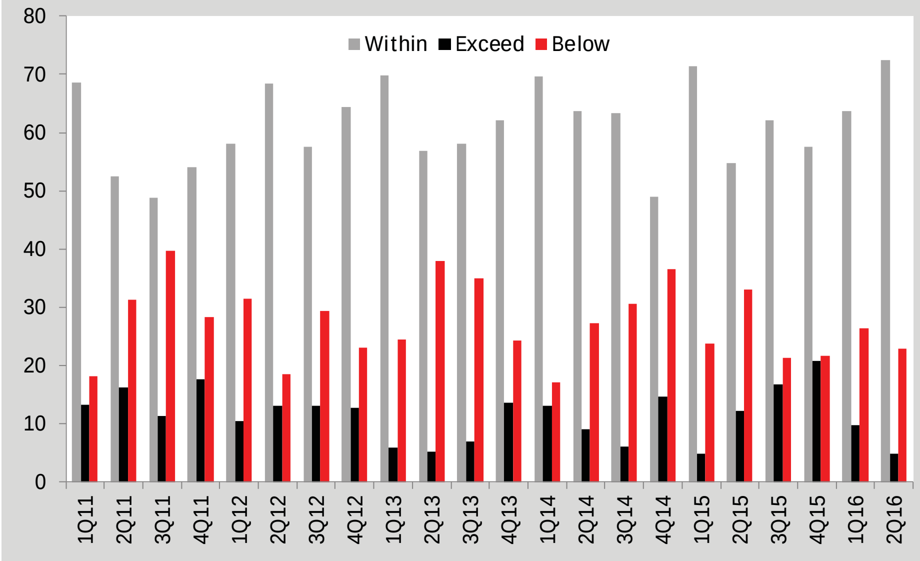
Chart 4: Quarterly aggregate earnings of FBM KLCI (YoY % growth)



Source: Bloomberg, MIDFR

- It is notable that prior to the 2QCY16 earnings reporting season, the aggregate earnings of FBM KLCI constituents was estimated to come in at RM15.12b. On that score, basing on the actual results, the reported aggregate figure of RM14.59b accounted for 96.5% of our estimate.

Chart 5: MIDFR Universe - Earnings surprises (%)



Source: Bloomberg, MIDFR

- Under the MIDFR Universe, we made 12 changes to our stock recommendations with 3 upgrades and 9 downgrades. Moreover, target price changes involved 11 upward against 22 downward adjustments. Also, we recently added Deleum Berhad, IOI Properties Group Berhad and My EG Services Berhad to our universe and ceased coverage of Perdana Petroleum Berhad.

- The percentage of companies within the MIDFR Universe which registered earnings that came below our expectations recorded a decline to 23% in 2QCY16 from 26% in the prior quarter. Moreover, it is noteworthy that the proportion of positive surprises also dropped to 5% during the quarter under review vis-à-vis 10% recorded in 1QCY16.

Table 1: FBM KLCI - Outperformer versus Underperformer

	Outperformers	Underperformers
2QCY16	1	4
1QCY16	0	8
4QCY15	7	7
3QCY15	5	8
2QCY15	4	9

Source: MIDFR

- Accordingly, companies with results that were in line with expectations climbed to 72% in 2QCY16 from 64% in the prior quarter.

- Insurance, Media, Technology and Utility were the sectors which recorded higher total earnings (as reported) in 2QCY16 when compared to both the preceding quarter and corresponding period last year.

- On the other hand, sectors such as Banking, Glove, Healthcare, Oil & Gas, Plantation, Telecommunication and Tobacco were those that showed negative sequential as well as on-year earnings (as reported) growth percentages in 2QCY16.

- The aggregate 2QCY16 and 1HCY16 earnings of FBM KLCI constituents were estimated to come in at RM15.12b and RM27.05b respectively prior to the just concluded earnings reporting season. Hence, basing on the actual results, we thereby conclude that the 2QCY16 and 1HCY16 earnings of FBM KLCI constituents came within (±5ppts) our expectations as the reported aggregate figures of RM14.59b and RM26.52b accounted for 96.5% and 98.1% of our estimates.

- It is also notable that the ratio of outperformer against underperformer among the FBM KLCI constituents improved somewhat to 1:4 in 2QCY16. The sole outperformer was SapuraKencana Petroleum while the underperformers were BAT, IHH Healthcare, IOI Corp and MISC.
- Recall that there was zero outperformer in 1QCY16 against 8 underperformers. In the preceding year, the ratio stood at 7:7 in 4QCY15, 5:8 in 3QCY15, 4:9 in 2QCY15, and 0:10 at its nadir in 1QCY15 period.
- The aggregate FY2016 earnings of the FBM KLCI constituents under our coverage was adjusted lower by -1.2% to RM53.48b vis-à-vis our earlier estimate pursuant to the prior reporting season. Likewise, the aggregate FY2016 earnings of the stocks under MIDFR coverage universe was also trimmed by -3.1% to RM70.25b vis-à-vis our earlier estimate pursuant to the prior reporting season.

Table 2: Sectorial valuation

KLCI: 1,652.55	Earnings Growth (%)			PER (x) 1/			Recommendation
	FY15	FY16		FY15	FY16		
		Previous	Revised		Previous	Revised	
AVIATION	(43.4)	725.2	835.0	78.0	14.0	11.6	Positive
CONSTRUCTION	(9.2)	48.8	19.4	17.1	11.9	14.8	Positive
GLOVE	25.1	32.7	26.3	32.2	17.2	18.1	Positive
HEALTHCARE	14.6	16.1	(6.2)	48.5	42.2	52.2	Positive
OIL & GAS	6.0	(2.8)	(10.7)	21.5	20.3	22.0	Positive
PLANTATION	(49.6)	3.7	13.5	29.1	27.8	25.4	Positive
PORT	(1.4)	19.5	19.5	27.8	23.7	23.7	Positive
POWER	(8.2)	9.2	14.6	12.3	11.8	11.2	Positive
SHIPPING	(41.8)	101.4	79.6	33.0	13.1	14.7	Positive
TOLL	2.8	26.3	26.3	18.9	17.1	17.1	Positive
BANKING	(0.8)	1.7	0.2	12.0	11.2	11.4	Neutral (+)
REIT	(5.0)	(8.4)	(5.2)	15.9	19.2	18.6	Neutral (+)
AUTOMOTIVE	(66.6)	52.7	(66.7)	42.7	22.6	102.5	Neutral
CONSUMER	(5.0)	28.7	10.5	23.3	19.8	23.1	Neutral
FINANCE	(62.4)	(22.3)	(0.0)	18.6	24.7	19.2	Neutral
MEDIA	24.6	9.6	1.3	22.1	21.6	23.3	Neutral
PROPERTY	13.0	(8.2)	(11.8)	8.4	8.9	9.3	Neutral
TECHNOLOGY	61.3	19.8	13.1	12.1	7.6	8.1	Neutral
TELECOMMUNICATION	(3.1)	(1.0)	(5.2)	26.1	23.5	24.6	Neutral
CEMENT	(1.9)	3.6	(28.3)	30.1	25.6	37.0	Neutral (-)
TOBACCO	0.9	(11.5)	(42.2)	17.6	18.7	28.6	Neutral (-)
STEEL	(19.1)	(33.6)	(33.6)	(1.4)	(3.1)	(3.1)	Negative
MIDFR Universe	**(8.5)**	**5.2**	**1.9**	**9.0**	**8.2**	**8.5**	
FBM KLCI 2/	**(6.3)**	**1.9**	**0.6**	**18.1**	**16.8**	**17.1**	

Source: MIDFR
1/ As at 30 September 2016
2/ Only 28 FBM KLCI component stocks covered under the MIDFR Universe

III. MACRO ECONOMICS PERFORMANCE AND OUTLOOK

CHINA: RIDING ON THE OLD ECONOMY

- **As we have been expecting previously, China's economy continue to rebound.** Since the fourth quarter of last year, we have been expecting that China would eventually rebound, as a lagged effect of its various fiscal and monetary policy programme which was especially intensive since the end of 2014. However, in line with our expectation, that the rebound was mainly led by the manufacturing sector, rather than its intended services sector. As China is a socialist market economy, most of the rebound was coming from Government's support to their State Owned Enterprises (SOE), which one could refute the sustainability of such model. Nevertheless, we foresee that China would eventually benefit from this and continue its upward trend until at least 2Q17, and hopefully it will provide some support to the global economy.

UNITED STATES: MIXED DATA CONTINUES TO DETER POLICY MAKERS

- **Fed has not raised the benchmark interest rate even once this year.** So far the Fed has yet to increase the fed fund rate even once this year, despite their original expectation of raising it four times for this year alone. Despite some dissents among economists on the Fed's inconsistency between their comments and their actions, we could understand the Fed's decision as the data has been mixed. Although Fed's main indicators i.e. jobs market and PCE inflation was doing well, others data had not. It is becoming worse by the fact that although economy is long-term in nature, both Fed and the market has been affected by short-term volatility of the jobs market.

- **However, remember that both jobs market and inflation are lagging indicators.** It is bad enough that the Fed is affected by volatility in the seasonally adjusted data, but then it becomes worse when the two indicators are in fact lagging indicators. As such, once we see that the investment momentum had been contracting since 1Q16, we have been expecting that both jobs market and inflation data would show weaknesses in 2H16. However, as the data continues to be volatile, we are unable to say for sure that the data will remain in the downtrend, as two consecutive data of good jobs market and inflationary pressure prior to the Fed's FOMC meeting is enough to convince them to tighten their monetary policy. As such, we are maintaining our expectation of no rate hike by the Fed for the rest of 2016, though we do not deny that there is a live possibility should the data warrants so. In addition, the outcome of the US Presidential election in November will also influence the trajectory path of Fed rate normalization process.

EXPECTING SLOWER GDP GROWTH IN 2017 DUE TO VARIOUS ECONOMIC UNCERTAINTIES

- **Year-to-date exports growth was at 0.3%yoy.** Exports continue to remain weak, with year-to-date exports growth was only at 0.3%yoy. However, it should be noted that June data was exceptionally good, while July data was in a complete opposite, indicating that the volatility in global trade activity has yet to recede. The bankruptcy of Hanjin trading company in early September gave another blow to the global trade activity. Although we are yet to know the actual impact of the fall down of one of the major freight company in the world, we expect the impact will be significant but only in the short term as the overcapacity in the industry should eventually allow replacement for Hanjin's operation. However, what is most worrying is the fact that the shipping industry remains in excess of capacity. If the global trade activity continues to weaken in the coming months, there exists a possibility that there will be another shipping company filed for bankruptcy later.

- **Leading indicator reversed its previous rebound. In May and June 2016,** there was a glimpse of hope that the leading indicator would again rebound to positive territory, after being in contraction for 9 consecutive months. However, the data in July was reversal, with the leading indicator was once again back to -2.5%yoy, the same level it was in April 2016 and was also the lowest level in more than 7 years. Historically, we notice that the Malaysia leading indicator has been quite successful in predicting the momentum of the economy approximately 2 quarters prior.

Table 3: Investment in ASEAN region is trending downwards (GFCF YoY)

Quarter	Philippines	Malaysia	Indonesia	Thailand	Singapore
2Q14	5.5	6.9	4.1	-4.7	-2.6
3Q14	11.2	1.3	4.5	2.7	-6.3
4Q14	8.0	4.3	4.6	3.6	-1.1
1Q15	8.8	7.9	4.6	10.3	-4.2
2Q15	12.7	0.4	3.9	2.6	2.3
3Q15	13.9	4.2	4.8	-2.6	-1.6
4Q15	24.2	2.7	6.9	9.4	-0.7
1Q16	28.2	0.1	5.6	4.9	-2.8
2Q16	27.2	6.1	5.1	2.7	1.1

Source: CEIC

Table 4: United States Gross Domestic Private Investment Shrunk for two consecutive quarters for the first time (GFCF YoY)

Quarter	Taiwan	Hong Kong	Japan	Korea	United States
2Q14	3.8	-6.1	3.1	3.6	5.6
3Q14	5.0	-2.5	0.2	3.6	4.5
4Q14	0.4	3.8	-1.2	0.8	3.8
1Q15	-1.1	5.6	-2.0	2.6	8.1
2Q15	-2.0	3.9	1.7	2.2	5.5
3Q15	0.6	-6.2	3.1	5.1	3.8
4Q15	-0.7	-9.4	2.0	5.4	2.6
1Q16	-1.0	-9.6	-1.0	3.0	-0.7
2Q16	1.0	-4.9	-0.1	5.3	-2.9

Source: CEIC

- **Investment activity was weak, but it is not just in Malaysia.** Seasonally adjusted gross fixed capital formation contracted by 1.5%qoq in 1Q16, and rebounded slightly by 0.5%qoq in 2Q16. Moving forward, it could potentially reflect a weaker economic activity. However, the same pattern can be seen in the global economy and not just in Malaysia. All of this was due to the slowdown in global trade activity, causing businesses to see limited opportunity for expansion and hence scaling back in their investment activity.

- **Malaysia job vacancies continue to decline year-to-date.** Beginning with the oil and gas sector, which was then followed by the financial and later manufacturing sector, it is apparent that many companies are holding back from employment activity. This has led to the decline of job vacancy 267.8 thousand year-to-date, which is approximately 52.2% lower as compared to the same period last year. Moving forward, there is a possibility that the jobs market would continue to moderate, which will eventually affect both income and consumption level. As a result, we are expecting Malaysia economic growth to moderate slightly next year.

- **Protectionism is killing the global economy.** One could blame China for the slowdown in global trade activity, though we opine that the problem is not with China specifically, but on the increasing trend of protectionism globally – which of course also applies to China. Nowadays most countries are trying to reduce their imports content while increasing their exports, which eventually lead to very competitive trading environment with factories shifting to countries with lower cost of production. A winner has yet to emerge, though countries such as China and Vietnam has the most possibility of winning the war.

- **However, in the long run we are of the view that countries which possess the most free trade agreement** (FTA) with other countries would eventually benefit the most. As at least they could secure their trading activity with their counterparts. While for those countries which do not possess the FTAs, it is likely that both parties will ended up losing as theoretically there is no limit on a country's protectionism policy.

- **We are maintaining our Ringgit forecast at RM3.95/USD for year-end 2016 and 2017.** Currently there are two positive indicators for the Ringgit, 1) a relatively higher and stable oil price from OPEC's output cap agreement and 2) possibility of a more gradual tightening of US interest rate. As such, we are maintaining our positive stance on the Ringgit, with a target of RM3.95/USD by year-end 2016 and 2017. The limited potential for Ringgit next year is due to the limited upward trend of the oil price next year, which we are currently expecting crude brent to be at an average of $50 per barrel in 2017.

- **We are maintaining our GDP forecast for year 2016 and 2017 at 4.0% and 4.0% respectively.** At the moment, we are maintaining our GDP forecast of 4.0% and 4.0% for year 2016 and 2017 respectively, with a rebound beginning in the second half of 2017, mostly due to the recovery of global trade activity and accommodative financial environment from the expected monetary policy easing by BNM.

Table 5: Key macroeconomic indicators

(YoY%) unless stated otherwise	2014	2015	2016f	1Q16	2Q16f	3Q16f	4Q16
Real GDP	6.0	5.0	4.0	4.2	3.9	4.1	3.8
Private consumption expenditure	7.1	5.5	4.5	5.3	5.0	4.8	2.7
Government expenditure	4.4	4.7	4.5	3.8	3.3	4.2	6.6
Gross fixed capital formation	4.8	3.4	0.2	0.1	4.7	-0.3	-3.6
Exports of goods and services	5.1	0.6	-1.8	-0.5	1.3	-3.6	-4.6
Imports of goods and services	4.2	1.2	-2.0	1.3	2.2	-4.6	-6.7
Net exports	12.8	-3.3	-0.5	-12.4	-5.5	3.6	12.2
Nominal GDP	8.6	4.5	4.1	4.7	4.4	4.3	4.2
Exports of Goods (f.o.b)	6.3	1.9	-0.5	2.2	-1.6	-2.3	0.9
Imports of Goods (c.i.f)	5.3	0.4	1.3	2.3	0.6	1.7	3.1
Trade Balance – RMb	82.5	94.3	81.9	23.9	16.4	14.4	27.1
Consumer price index	3.2	2.2	2.6	3.4	2.0	2.3	2.4
Current account – RMb	47.3	34.0	25.0	-	-	-	-
Current account - % of GNI	4.8	2.8	2.5	-	-	-	-
Fiscal balance - % of GDP	-3.5	-3.2	-3.1	-	-	-	-
Federal government debt - % of GDP	52.7	54.3	53.8	-	-	-	-
	2014	**2015**	**2016f**	**1Q16**	**2Q16f**	**3Q16f**	**4Q16**
Brent Crude Oil (Avg)	99.4	53.6	45.0	-	-	-	-
Crude Palm Oil (Avg)	2,415	2,168	2,500	-	-	-	-
USD/MYR (Avg)	3.273	3.907	4.100	-	-	-	-
EUR/MYR (Avg)	4.347	4.336	4.400	-	-	-	-
JPY/MYR (Avg)	3.096	3.228	3.500	-	-	-	-
SGD/MYR (Avg)	2.583	2.840	2.950	-	-	-	-
Brent Crude Oil (End of)	57.3	37.3	50.0	39.0	49.0	50.0	50.0
Crude Palm Oil (End of)	2,297	2,200	2,500	2,600	2,378	2,500	2,500
USD/MYR (End of)	3.497	4.294	4.100	3.900	4.060	4.080	4.100
EUR/MYR (End of)	4.251	4.691	4.300	4.446	4.500	4.400	4.300
JPY/MYR (End of)	2.922	3.572	4.000	3.464	3.970	4.000	4.000
SGD/MYR (End of)	2.647	3.040	2.950	2.895	3.000	2.950	2.950
Yield on generic 10-year MGS (%)	4.15	4.19	3.65	3.77	3.85	3.70	3.65
3-month KLIBOR (%)	3.86	3.84	3.20	3.71	3.65	3.40	3.20
Overnight policy rate (%)	3.25	3.25	3.00	3.25	3.25	3.00	3.00

Source: Department of Statistics, BNM, MIDFR estimates

IV. MARKET VALUATION AND STOCK SELECTION

VALUATION

- **FBM KLCI valuation is cheaper in comparison to regional peers…** As at the close of week ended 30 September, the PER of FBM KLCI stood at 15.4x based on forward year earnings (current year earnings: 16.6x). With a standard deviation (SD) to PER of 0.05, the valuation of FBM KLCI is relatively cheaper in comparison to its emerging market regional peers such as Jakarta's JCI, Bangkok's SET and Manila's PCOMP. On the other hand, the local benchmark is more expensive vis-à-vis Singapore's FSSTI.

Table 6: FBM KLCI - Valuations against regional markets (as of 30 September)

	FBM KLCI	FSSTI	JCI	SET	PCOMP
SD	0.05	-0.57	0.33	0.61	0.67
PER	15.4	13.1	15.1	13.9	17.8
PER (+1SD)	16.9	15.5	16.6	14.8	18.8
PER (Mean)	15.3	13.9	14.4	12.4	15.7
PER (-1SD)	13.8	12.4	12.1	10.0	12.7

Source: Bloomberg, MIDFR

Note: Data for the purpose of Mean and SD calculations are from Jan 2006 to present

- **...as well as against Wall Street and Euro region.** Similarly, against the proxies of Wall Street, i.e. DJIA and S&P500, as well as the barometer of Euro region, i.e. Euro Stoxx, the FBM KLCI is also relatively cheaper in the SD to PER valuation term. However, the local benchmark is more expensive if compared to the German's DAX.

Table 7: FBM KLCI - Valuations against international markets (as of 31 September)

	FBM KLCI	DJIA	S&P500	Euro Stoxx	DAX
SD	0.05	0.27	0.65	0.35	-0.27
PER	15.4	15.0	16.2	12.7	11.9
PER (+1SD)	16.9	16.4	16.8	14.0	14.0
PER (Mean)	15.3	14.5	15.1	12.0	12.4
PER (-1SD)	13.8	12.6	13.3	10.0	10.7

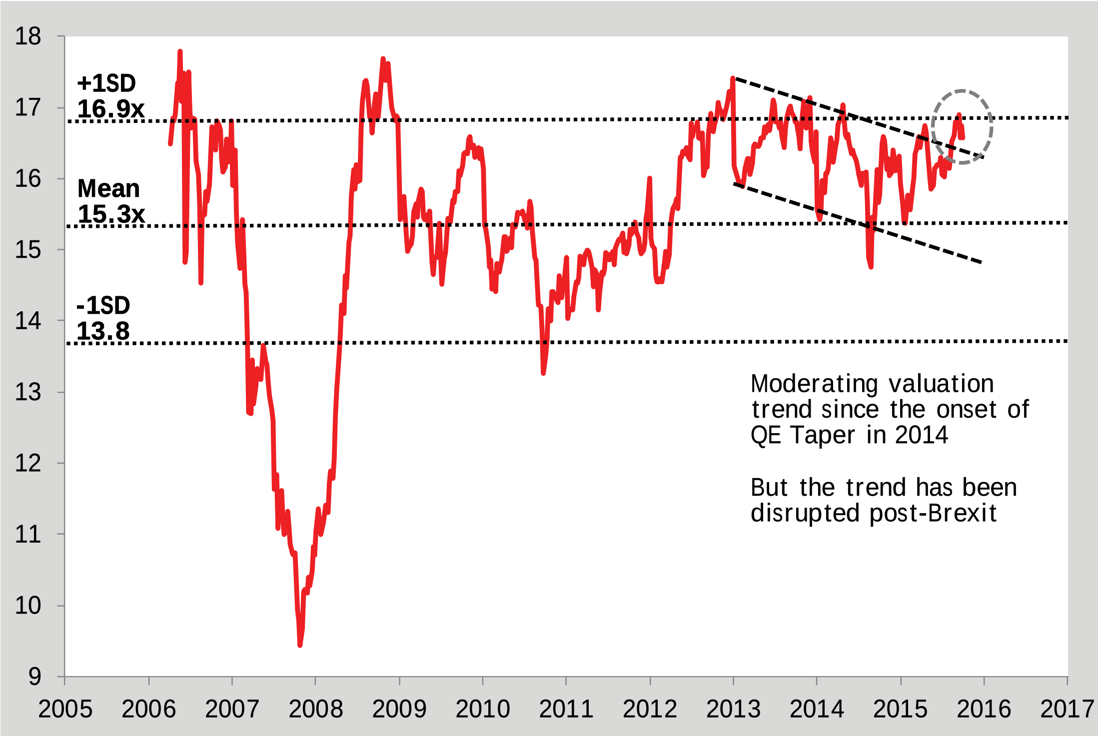
Source: Bloomberg, MIDFR

Note: Data for the purpose of Mean and SD calculations are from Jan 2006 to present

- **Descending valuation trend since QE3 taper has been broken.** Since end-2013, the PER of FBM KLCI has exhibited a descending valuation trend which corresponded with the onset of QE3 taper in 2014 and followed by US rate liftoff in 2015. However, the descending valuation trend has been broken post-Brexit.

- **Expect mildly expanding valuation post-Brexit to persist.** The ensuing mildly expanding valuation may likely to persist in view of the apparent readiness among world's central banks to provide ever more

Chart 6: PE Ratio of FBM KLCI (with Mean and +/- 1-Std dev lines)



Source: Bloomberg, MIDFR

monetary stimulus to cushion any incoming shock. On this score, the US Fed is seemingly tightening at the loosest possible pace. Meanwhile, we reckon the other major monetary authorities, i.e. Europe and Japan, are standing ready to bring their rates deeper into the negative territory. Locally, we do not discount a further rate cut by BNM in the near future.

EARNINGS

- **Resumption of positive earnings growth may continue into next year…** The FBM KLCI is eatimated to show a resumption of positive earnings growth in 2016. But more importantly, the positive earnings growth is forecasted to continue into next year. At this juncture, the consensus forward earnings growth for this year and next are estimated at 5.86% and 7.95% respectively.

Table 8: FBM KLCI historical and forward consensus earnings growth

	EPS	YoY (%change)
CY2017(F)	107.84	7.95
CY2016(E)	99.90	5.86
CY2015	94.37	-12.77
CY2014	108.19	1.93
CY2013	106.14	-5.05

Source: Bloomberg, MIDFR

- **…to be led by the Banks.** Based on MIDFR estimates, the forward aggregate earnings growth of FBM KLCI is likely to be driven mainly by its banking constituents. The other sectoral constituents that are expected to show double-digit earnings growth are transportation, healthcare and tobacco.

Table 9: FBM KLCI forward earnings

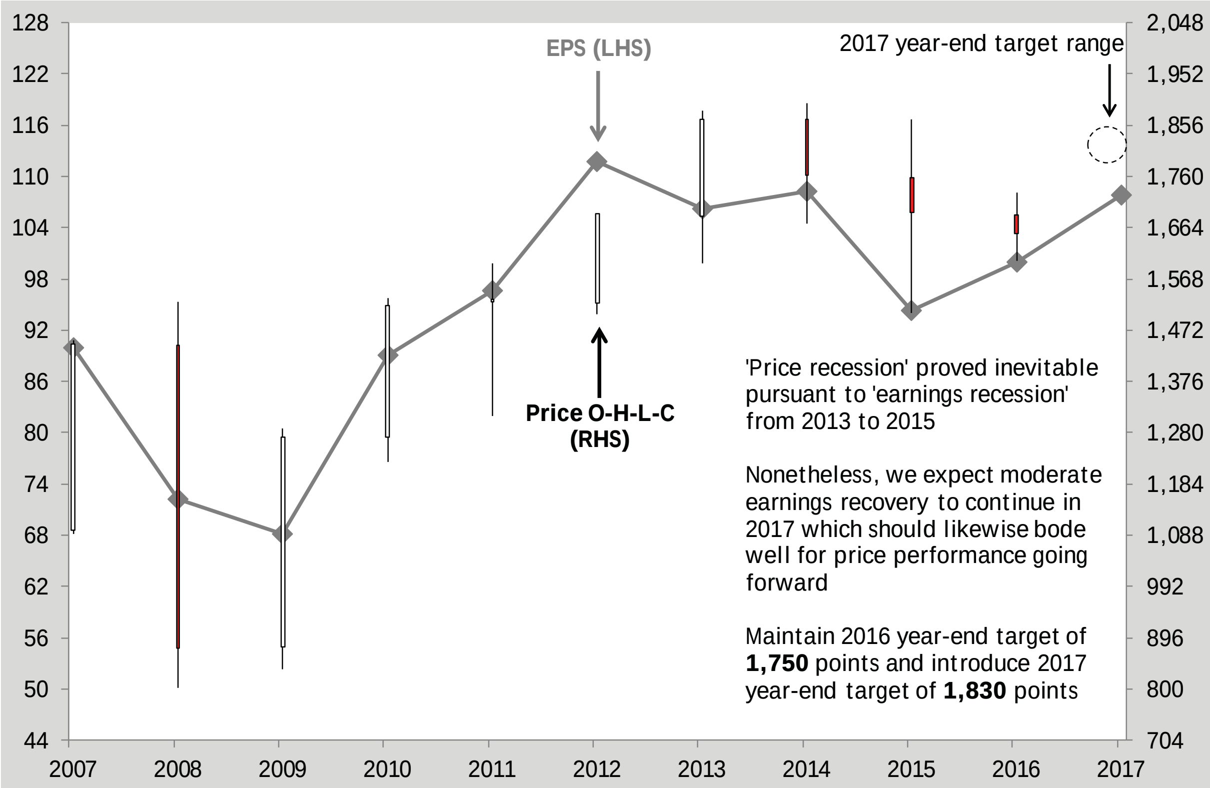
Sector	Current FY	Forward FY	% Change	No. of constituents
Banking	22,630.60	24,950.10	10.25	7
Healthcare	923.00	1,339.00	45.07	1
Media	671.70	701.80	4.48	1
Oil & Gas	5,546.70	5,809.40	4.74	4
Plantation	5,186.00	5,403.00	4.18	4
REIT	719.00	724.00	0.70	1
Telecommunication	6,366.30	6,600.40	3.68	4
Tobacco	525.70	622.40	18.39	1
Transportation	2,996.10	3,439.10	14.79	2
Utility	8,163.20	8,378.70	2.64	2
TOTAL	53,728.30	57,967.90	7.89	27

Source: Bloomberg, MIDFR

YEAR-END TARGETS

- **Introduce 2017 FBM KLCI year-end target at 1,830 points.** We reiterate our assertion that empirical observations between earnings and price are conclusive with regard to the nature of their secular direct relationship. This is despite the ever present 'noises' from short-term price volatility which is influenced by market sentiment and other situational issues. Basing on this framework, we introduce our 2017 FBM KLCI year-end target at 1,830 points which equates to PER17 of 17.0x or SD of 1.05.

Chart 7: FBM KLCI - Earnings versus Price



Source: Bloomberg, MIDFR

- **Reiterate 2016 FBM KLCI year-end target of 1,750 points.** Also, we reiterate our 2016 FBM KLCI year-end target of 1,750 points which equates to PER16 of 17.5x or SD of 1.40.

STOCK SELECTION

- **Portfolio & stocks selection criteria.** The combination of (i) a lukewarm economic landscape with increasingly dovish monetary policies worldwide, and supported by (ii) the resumption of corporate earnings growth beginning this year pursuant to 3 years of earnings recession, has created a goldilocks environment for equity buying. Nonetheless, we are also mindful that the risks associated with these return expectations are also elevated due to the fragility of the underlying macro dynamics both external and domestic. Hence we remain an advocate of a bias towards risk-conservative equity portfolio.

- **Accordingly, we continue to recommend portfolio exposures** with a combination of stocks in the following order of preference (high to low): (i) inherent earnings quality, (ii) attractive valuation, (iii) superior earnings growth potential, and (iv) situational consideration.

- **Change to Top 10 list.** We made three changes to our current list of Top 10 stock picks (refer to our 3Q16 Outlook: Coming to terms with Brexit dated 11 July 2016) due to the following reasons:
  - Gas Malaysia is removed due to its price appreciation of more than +15%, limiting further potential upside, since it was included in our previous list of top picks.
  - Meanwhile, Media Prima is relegated as we do not foresee much earnings recovery from the print and TV network segments in the immediate future. Both segments are expected to experience further drawbacks due to weaker advertising expenditure and thinning profit margin. In addition, the home shopping business, CJ Wow Shop, is still in gestation period.
  - UOA Development is taken off the list due to strong share price surge in the past three months hence limiting further near-term upside potential.
  - In place of the above stocks, we introduce Deleum Berhad, CIMB Group Holdings Berhad and IOI Corporation Berhad to our Top 10 list.

- **Below is a list of 10 stocks** that fit the investment criteria and which we reckon are in good stead to outperform the broader market:
  - **Malaysian Resources Corporation Berhad (BUY; TP: RM2.08).** MRCB's forward performance will be buoyed by inflows of iconic transport-oriented developments such as KL Sports City (RM1.6b), Penang Sentral (RM2.3b) and Kwasa Damansara MX-1 (RM8.0b) as well as infrastructure project role such as PDP for LRT3 (RM540m: RM9.0b@6%). Furthermore, we assess that (i) the completion of the private placement (RM494m), (ii) its total outstanding construction orderbook (c.RM1.58b), and (iii) the proposed sale of Eastern Dispersal Link (EDL) in Johor (c.RM1.4b), could soften the overhang on its total debt level of around RM4.7b.
  - **MMC Corporation Berhad (BUY, TP: RM3.11).** In 6MFY16, MMC has performed within our expectations with core PATAMI of RM163m representing 51% of our estimates. Hence, our BUY recommendation with target price of RM3.11 based on SOP valuation remains intact. We expect the ports segment to continue its growth trajectory with PTP, JPort and NCB throughput growth estimated at +7%, +5% and +5% respectively. Recently, MMC announced the acquisition of a 49% stake in Penang Port (predominantly a gateway port) subject to its loss-making ferry business being divested. This increases MMC Ports' position as the largest port operator in Malaysia by throughput volume. MMC's current construction order book stands at >RM9b translating into 10x FY15 construction revenue (RM964m) keeping its construction arm busy until 2021. After a lull in earnings contribution from the engineering segment due to the MRT1 tunnelling works reaching its tail end, MMC is beginning

to recognise meaningful contributions from its Rapid Cogen and Langat 2 projects which are kicking into higher gear. Meanwhile, MMC's 37.6% associate Malakoff had in March 2016 achieved commercial operation for its 1,000MW coal-fired power plant (T4, Tanjung Bin Energy) raising its effective capacity by 19% from 5,346MW to 6,346MW. We believe MMC is a deep value play with assets ripe for monetisation. Based on our estimates, MMC's current market cap of RM6.9b prices in only its 3 port assets which we value at RM6.9b while ignoring the remaining assets worth a combined RM8.5b (after deducting debt). We believe that MMC could pursue the listing of its port assets, consisting of the PTP, Johor Port, Northport and Penang Port to create the largest Bursa-listed port entity in terms of capacity at 20m TEU.

- **Deleum Berhad (BUY, TP: RM1.36).** Deleum Berhad is involved in a niche playing field in the upstream oil and gas services sector. The company has primarily three core business units which are Power & Machinery, Integrated Corrosion Solution and Oilfield Services. The Power & Machinery services division dealing in gas turbines contributes more than 70% of the group's revenue while the Oilfield Services division dealing in slicklines contributes approximately 20% of group revenue. The Power & Machinery division provides a substantial portion of recurring income from the after sales maintenance and services of the gas turbines. The company's current orderbook stands at approximately RM2.9b, translating into a burn rate of approximately four years providing good visibility. The orderbook is also of substantial quality as most of the contracts are long term contracts by Petronas Carigali and its production sharing contract partners. Our TP of RM1.36 is premised on EPF17 of 13.6sen pegged to PER17 of 10x. The target PER is derived from its five year historical average rolling PER. At peak valuation, the stock was trading at PER of 18x.
- **Malaysian Bulk Carriers Berhad (BUY, TP: RM1.04).** The Baltic Dry Index (BDI) which measures charter rates across dry bulk ship sizes and routes has surged to over the 900 level after averaging at around 500 for the majority of 6MFY16. The recent surge in the BDI can be attributed to a recent increase in coal imports from China arising from caps in output for locally produced coal. In addition, the dry bulk industry sought reprieve from Hanjin Shipping going into receivership. Recall that Hanjin Shipping has a fleet of 56 bulk carriers and disruptions in dry bulk shipping capacity caused by temporary suspension of services by Hanjin could be short-term positive on dry bulk vessel charter rates thus benefitting Maybulk. While the Handysize, Supramax and Panamax vessel charter rates remain below our estimated average fleet breakeven cost of ~US$7.5k/day for Maybulk, we believe losses could have bottomed for the dry bulk segment in 1QFY16 while associate PACC Offshore Services Ltd (POSH) could spring some positive surprises with Brent crude prices remaining over US$50/bbl. Our BUY call on Maybulk with target price of RM1.04 based on 5-year average price-to-book (PB) ratio of 0.88x is premised on: 1) China's average monthly iron ore and coal import volume has grown at +4%yoy and +1.4%yoy respectively in 2016 (2015: +2%yoy and -30%yoy); 2) Dry bulk overcapacity concerns could subside as we estimate that 5MFY16 net capacity addition of only 2.9m DWT is negligible; and 3) SGX listed POSH has gained 24% year-to-date, riding on a recovery in crude oil prices and having secured 5 contracts for its T&I, OSV and SSAV vessels.
- **Muhibbah Engineering (M) Berhad (BUY, TP: RM3.05).** Muhibbah stands to reap the benefit of government's policy implementation from Pengerang Integrated Petroleum Complex (PIPC) which is slated to be operational by 2019. Moreover, its foray into the Eastern Corridor Economic Region (ECER) to operate Kuantan Maritime Hub and earnings contribution by its airport concessions in Cambodia would be potent to lift Muhibbah's forward earnings.
- **IJM Corporation Berhad (BUY, TP: RM4.00).** We reckon IJM's core competency of infrastructure engineering and the expansion of industrialised building content would propel its bottomline higher by ~10.0% via profit margin improvements in FYE17. The growth in earnings from its strong orderbook of RM8.5bn coupled with sturdy recurring income from its tollway assets would provide comfort to IJM. Its financials illustrate strength with (i) net working capital growing at 15.25%, and (ii) positive cash flow from operations rising steadily amid the inflows of projects.

- **Tenaga Nasional Berhad (BUY, TP: RM16.80).** We like Tenaga for: (1) Strong earnings visibility post-ICPT implementation, (2) Dividend catalyst on the back of estimated FCF yield of ~7% in FY17F, a relatively under-geared balance sheet at 0.35x and the upcoming capital optimisation exercise, (3) Overseas expansion provides scope for stronger growth in the mid-term, and (4) The heatwave in 1HCY16 provided a temporary boost to demand in an otherwise, weak economic growth environment. Capital management and the resolution of its RM2b tax issue with the Inland Revenue Board are key catalysts over the next 12 months. 4% dividend yield looks attractive.
- **CIMB Group Holdings Berhad (BUY, TP: RM5.50).** We believe the key catalyst for CIMB going forward will be: (1) Rebound in commodity prices which will boost sentiment (hence, spending and investments), (2) Cost rationalisation measures bearing fruit, and (3) Good position to capitalise on gradual Indonesian economic recovery. In addition, we believe that its valuation also appear undemanding, where it is trading at 39.5% discount to 5 year historical PBV. We value CIMB at 1.0x FY17 PBV.
- **Kuala Lumpur Kepong Berhad (BUY, TP: RM27.38).** We like KLK for its high exposure to palm oil business and good earnings growth of +18%yoy to RM747m in 9MFY16. Our TP of RM27.38 is based on Forward PER of 26.8x on FY16 EPS of RM1.02. The Forward PER of 26.8x reflects a +1.0 Standard Deviation valuation.
- **IOI Corporation Berhad (BUY, TP: RM5.05).** We like IOICORP for its pure exposure to palm oil business (both in the upstream and downstream divisions) and expected earnings recovery in FY17 after the uplift of RSPO suspension. We value IOICORP based on Forward PER of 24.7x reflecting +0.5SD valuation.

Table 10: TOP 10 STOCK PICKS

STOCK	BETA	PRICE 30-Sep (RM)	TARGET PRICE (RM)	PRICE RETURN (%)	DIVIDEND YIELD (%)	TOTAL RETURN (%)	YTD RETURN (%)
MRCB	1.08	1.30	2.08	60.0%	2.8%	62.8%	1.6%
MMC Corp	1.14	2.28	3.11	36.4%	1.8%	38.2%	16.3%
Muhibbah	1.37	2.30	3.05	32.6%	2.2%	34.8%	4.1%
Deleum	1.86	1.06	1.36	28.3%	5.2%	33.5%	-3.6%
Maybulk	1.40	0.78	1.04	33.3%	0.0%	33.3%	-3.1%
IJM Corp	0.98	3.21	4.00	24.6%	5.6%	30.2%	-5.0%
TNB	1.08	14.30	16.80	17.5%	3.9%	21.4%	7.4%
CIMB	1.16	4.71	5.50	16.8%	4.0%	20.8%	4.9%
KL Kepong	1.06	23.98	27.38	14.2%	2.5%	16.7%	4.8%
IOI Corp	1.08	4.45	5.05	13.5%	2.1%	15.6%	-0.2%

Source: Bloomberg, MIDFR

B. SECTORS WE LIKE

I. AVIATION

Still optimistic despite healthy gains in 2016................................ Maintain POSITIVE

- **AAC divestment could provide immediate rerate Airasia.** We believe that Asia Aviation Capital (AAC) which is Airasia's leasing unit could secure a buyer within the near term with a new CEO and investment banks being appointed to facilitate the sale. AAC could be valued at US$1b (RM4.1b) which falls largely in the middle of our RM3.3b-RM5.5b valuation range derived from extrapolating fleet sizes and market caps of listed peers. A divestment of a 70-80% stake in AAC could translate into proceeds of RM2.9b-RM3.3b (RM1.04-RM1.19 per share) which could be used to pare debts, fund future expansion and be paid out as special dividends.

- **Key indicators still positive** for AirAsia and AAX: 1) A major cost component, i.e. jet fuel has averaged at US$51/bbl in 2016 versus FY15's average of US$65/bbl representing a -22%yoy decline; 2) Less competition from Malaysia Airlines Berhad (MAB) and Malindo is positive for yields which have increased by double digits in FY16; and 3) A return of Chinese tourists in FY16 growing by +50%yoy in 6MFY16 led to encouraging load factors of >80%.

- **PSC hike could be positive for MAHB but Neutral for airlines.** There is an increasing possibility of forthcoming announcement by MAVCOM on the revision of passenger service charges (PSC). Most notably, charges for international travel outside Asean for klia2 could be raised. This would be positive for MAHB as in FY15, international traffic in klia2 totalled 17m and an increase in PSC would improve klia2's bottomline.

- **Cumulative passenger traffic growth of +3.3%yoy** for Malaysian airports in 8MFY16 is a marked improvement over FY15's tepid +0.5% growth. Growth is slightly above management's and our forecast of +2.5% and +3% respectively. MAHB has benefited from a return of Chinese visitors (+50%yoy) and a rebound in passenger numbers after capacity cuts by MAB following its restructuring efforts in 4QFY15.

- **We maintain our POSITIVE stance on the aviation sector.** We maintain our BUY call on AirAsia with TP of RM3.34 and NEUTRAL call on AAX (TP: RM0.40). Meanwhile, we have placed MAHB (Neutral, TP: RM6.00) under review with possible upgrade due to better than expected passenger traffic growth in Malaysia. We like AirAsia for possible special dividends from the sale of AAC and turnaround potential of associates Indonesia and Philippines. Meanwhile, potential rerating catalysts for AAX include strong performance of its newly launched routes. MAHB on the other hand, could see its Turkish airport, Istanbul Sabiha Gokcen Airport, recover after an attempted coup by a faction of the country's military and several terrorist incidences.

II. CONSTRUCTION

Expanding orderbook .... Maintain POSITIVE

- **Orderbook expected to expand to RM31bn for FYE17.** We retain our view that the inflow of projects for the implementation of ETP3.0 and GTP3.0 projects from 2016-2020 may amount to RM48bn for FYE17. We derive our view from the policy of the government and the rolling out of various projects such as the LRT3, MRT2 and various expressway implementations. We reckon that the orderbook level for companies under our coverage will increase 15% to RM31.46 for FYE17 mainly from government related projects.

- **More railway projects coming.** We are upbeat on the rolling out of future intra-urban and interstate railway related projects such as the East Coast Railway (Port Klang to Sultan Ismail Petra Airport) as well as Serendah-Port Klang rail loop line. We surmise that these projects may see daylight in FYE18 hence providing earnings visibility to our coverage.

- **Stable margin.** We reiterate our stable outlook for the sector's margin profile. The average 8-year margin for KLCON Index is 6.6%. We maintain our view on the sector's marginal profile as result of two factors, namely i) stable construction material prices despite intermittent rally in steel price, and ii) entrance of alternative pre-cast concrete materials to bring lower construction cost. Our view is comforted with the support of the government encouraging the usage of industrial building system (IBS). Our marginal assumptions is relatively modest to reflect i) the competitive cost of winning the bids, and ii) prudency in procurement procedures for public projects by imputing the concept of value-for-money (VFM) for public private partnership (PPP) model.

- **Compelling risk/reward.** We reckon there are still opportunities in KLCON Index as it is trading at a discount relative to its historical 5-year rolling 4-quarter PER of 15.1x whilst our coverage's forward PER is trading at 12.2x.

- **Maintain POSITIVE.** We maintain our POSITIVE stance on construction sector. Our top picks for the sector are: (i) Gamuda (TP: RM5.50), (ii) Muhibbah (TP: RM3.05), and (iii) Vivocom (TP: RM0.63).

III. GLOVE

It's a volume game now.. Maintain POSITIVE

- **Currency gain aside,** it's a volume game now. After strong revenue and earnings recorded last year through earlier this year due to the strengthening of USD against the Ringgit, the glove players' earnings are seen to be on the declining trend due to the strengthening of Ringgit. We think the currency effect on the revenue of the players has finally waned off and it will be a volume game for the players from now onwards. As we expect average selling price (ASP) to continue being pressured by intensifying competition, we believe that the players will be competing via sales volume now given that all of the players under our coverage have at least 20bn of annual glove production capacity each at their disposal.

- **Low raw material prices to persist.** We are expecting the low raw material prices condition to remain throughout the year due to the global rubber supply glut. Although this might translate to lower ASPs, we think that the expected increase in sales volume of rubber gloves will offset the impact on revenue.

- **Innovation is the way forward.** Given the challenging pricing environment as well as the increase in capacity coming from all the major glove producers, we note that aside from pushing for volume, the players are also concentrating on innovating new glove products. We see this as the way forward for the players in order to stay as the preferred choice of their customers. Exploring a new market or securing more customers which in return will diversify their earnings base are also some of the ways we think the players will be undertaking in the coming quarters.

- **Maintain POSITIVE.** We remain POSITIVE on the glove sector as we expect the earnings of the glove players will be underpinned by strong demand as well as increasing adoption of nitrile gloves by the developed countries which commands higher margin when compared against natural rubber gloves.

IV. HEALTHCARE

Resilient despite the temporary softness in demand........................... Maintain POSITIVE

- **Favourable demographics still the main driver.** We reiterate our view that the demographics shifts and developments in the markets that the operators are in will continue to bode well for the sector in 2016-17. The demographic factors that encourage the adoption of private healthcare services are: (i) increase in ageing population, (ii) increase in lifestyle diseases, (iii) increasing awareness on health diseases, (iv) improvements in standard of living and, (v) urbanisation. We also think, with Ringgit at its current level, it will be more attractive for the so-called medical tourists to seek medical treatment in Malaysia as oppose to neighbouring countries. Furthermore, the increasing adoptions of medical insurance policy and employer tie-up with private hospital operators are also expected to encourage the usage of private medical services.

- **Soft consumer sentiment to persist.** We are expecting the soft consumer sentiment to continue putting pressure on consumers' spending habit including on health-related expenses. This is especially true for consumers who are in the cost-sensitive segment and those who are paying for the medical services via their own pockets, i.e. out-of-pocket (OOP) spending. This has resulted in the marginally lower inpatients admissions recorded in FY15 by both private healthcare operators under our coverage. We opine that these segments which accounts for 30% of private healthcare spending are affected by the rising cost of living due to the implementation of GST and also weakening of Ringgit last year. Having said that, we are expecting the soft consumer sentiment will improve in FY17 along with the improvement in Ringgit.

- **Increasing medical consumables cost, a going concern.** The current condition with the currency market has left the healthcare operators with higher cost for medical consumables. This partly contributes to the rising cost of healthcare which is affecting the patients who are more cost-sensitive. As the operators are not able to absorb the costs entirely, the remaining costs will usually be passed on to the patients. However, increasing the price of healthcare services will cause the patients to either postpone their procedures or switch to another hospital. That said, we think this situation will be temporary as we expect Ringgit to trade with less volatility compared to the current year.

- **Maintain POSITIVE.** All in, we maintain POSITIVE on the sector with IHH Healthcare as our Top Pick for the sector. Despite the fact that consumer sentiment remains low which affects inpatient admissions coupled with the increase in medical consumables costs, we expect the current situation to be temporary as we are anticipating the sector's earnings growth to remain robust going forward. This is on the back of strong demand for quality private healthcare due to the favourable change in demographic landscape.

V. INSURANCE

Gearing into better growth .... Maintain POSITIVE

- **Positive contribution on the first phase of liberalisation.** We expect the current phase detariffication of motor insurance will help to improve underwriting result of the industry in the coming quarters given motor class has a market share of more than 40%. This is due to the potential increase in premium income and lower claims ratio from new motor insurance products. Although the contribution will not be significant to bottom line, it could at least make a subtle positive impact to insurance companies' overall operational risk and to gain market share.

- **Favourable life insurance market.** We are of the opinion that life insurance market will continue to gain traction on the back of specific initiatives under the LIFE Framework which came into force on

23 November 2015. This will enhance consumer awareness and satisfaction for life insurance that may translate into more premium income from this market segment. It is noteworthy that demand for life insurance products may come from those seeking higher yield from investment-linked product instead of the unattractive return on bank's deposit. On another positive note, we expect increase in the need for medical and health insurance products in the event of unforeseen circumstances given that healthcare cost is projected to rise from year to year.

- **Strong fundamentals of Takaful.** We believe that Takaful sector is on an upcycle growth trajectory that may mitigate the unprecedented downside risk to the overall insurance industry. We expect potential expansion of Takaful sector will continue to benefit from: (1) the continued growth of Islamic financials products and services, (2) migration of corporate clients' insurance needs to Takaful products, and (3) untapped participation of non-Muslim market.

- **Recommendation.** In sum, we still see a lot of excitement in the sector that leaves us to maintain our POSITIVE recommendation. We reiterate our BUY calls for all insurance/takaful companies under our coverage universe, namely Syarikat Takaful Malaysia (TP: RM4.65), LPI Capital (TP: RM17.84), and Tune Protect (TP: RM2.28).

- **Risks.** Downside risks to the sector as follow: (1) unfavorable changes to regulatory framework, (2) higher-than-expected claims, (3) interest rate movements that could impact investment income and discount rate on future contract liabilities, and (4) compression of profit margin due to intense competition.

VI. OIL & GAS

Upstream still gloomy but downstream holding ground .... Maintain POSITIVE (Downstream positive, Upstream negative)

- **Crude oil price to hold ground.** The average year-to-date Brent crude oil price is USD44pb. With China increasing spending on infrastructure to support economic growth and with major oil producers such as Saudi Arabia, the OPEC countries and Russia still interested in controlling supply to lift crude oil prices, we are expecting Brent crude oil price to end the year at approximately USD50pb, bringing the year average to USD45pb. Moving into 2017, we are expecting Brent crude oil price to average USD50pb, holding ground possibly trading in the range of USD45-55pb.

- **South East Asia Jackup rig market.** The upstream oil and gas services industry is still expected remain lacklustre into 2017 as charter rates remain low due to a glut and low demand for large offshore assets. Up to August 2016, there were only 17 jackup rigs operating in South East Asia (SEA) compared with 23 in January 2016. In addition, the utilisation rates for competitive rigs in SEA are also hovering at 53% currently compared with 68% in January 2016. Day charter rates for IC300 rigs still remain depressed at USD84k per day compared with USD104k per day in January 2016. Moving forward into 2017, we are not expecting a significant recovery in upstream offshore services industry, especially those involving heavy asset owners such as jackup rigs and offshore support vessels. We are however positive on asset light companies offering very niche and recurring income service such as slickline services and gas turbine servicing - Deleum Berhad (BUY; TP:RM1.36)

- **Positive on downstream related companies.** At this juncture, we still maintain our positive bias on downstream companies, especially Petronas Dagangan Berhad (NEUTRAL; TP:RM23.57) , Petronas Gas Berhad (NEUTRAL; TP:19.63) RM, Petronas Chemicals Group Berhad (NEUTRAL; TP: RM6.46) and Gas Malaysia Berhad (BUY; TP:RM2.92). Although we are not recommending fresh buys into the stock, we are encouraging investors to stay invested in these companies. Increase in shareholding levels can be considered should prices of these shares dip due to market volatility to benefit from price appreciation and commendable dividends (approximately 3% yield). Besides that, we are promoting SapuraKencana Petroleum Berhad (TP:RM1.71) as a trading stock as we believe that this stock is highly correlated (>90%) with crude oil price movements and as such, investors could benefit from its volatile price movements – up to +7% price fluctuation within a week in the past two trading months.

VII. PLANTATION

CPO price is still competitive against soybean oil .... Maintain POSITIVE

- **CPO price discount against soybean oil is near 1-year average** despite inventory level at more than 5 years low. The latest discount of benchmark CPO futures price against soybean oil futures (CBOT) of USD93/MT is close to the 1-year average of USD92/MT. It is also much higher than the 1-year low of USD54/MT. Considering that inventory level is at more than 5 years low, we believe that there is still room for CPO price to appreciate due to tight supply in the market. On the demand side, we expect India demand to remain strong due to pre stocking activity ahead of Deepavali. As for supply, the seasonal growth is expected to remain weak due to lagged impact from El Nino.

- **Dryness and shift to other crops in South America to curb soybean production.** According to Oil World, Brazil farmers are switching their planting from soybean to corn, black bean and pulses due to better price. Dryness has also been reported in many parts of major soybean planting states in Brazil such as Mato Grosso, Goias, Minas Gerais and Sao Paulo. In Argentina, Oil World mentioned that the farmers are shifting their planting to corn and sunflowers. The news is positive to CPO price as this should lead to higher price of soybean oil (due to lower supply of soybean).

- **Stockpile is expected to stay low at 1.55m MT.** Key assumptions are: i) export decline of 15%, and ii) production growth of 7%. Cargo surveyors' data shows export declined by 16% mom in the first 25 days of September. Despite the expected 6% mom increase in inventory, the ending stocks level is still much below the psychological threshold of 2.0m MT and hence be supportive to CPO price.

- **Palm oil demand from India should increase due to recent reduction on import duties.** India has cut the import duty on crude palm oil to 7.5% (from 12.5%). As for refined palm oil, it has been reduced to 15.0% (from 20.0%). We are positive on the news as the reduction in import duty should make palm oil more competitive against other edible oils in India. All in, we expect export of palm oil to India to stay strong both in the near term (pre-stocking activity ahead of Deepavali) and long term (due to structural advantage against rival edible oils).

- **Maintain POSITIVE view on the sector.** CPO price is expected to stay strong at the range of RM2500/MT to RM3000/MT in the next three months. Our top pick is KLK (BUY; TP RM27.38) due to its high exposure to palm oil business and good earnings growth of +18%yoy to RM747m in 9MFY16. We also like IOICORP (BUY; TP RM5.05) due to its pure exposure to palm oil business both in the upstream and downstream divisions. The Company's profit is also expected to recover in FY17 after the uplift of RSPO suspension.

VIII. PORT & SHIPPING

Positive for ports and dry bulk shippers .... Maintain POSITIVE

- **Port Klang throughput growth remains in double-digits.** In the first half of 2016, Westport's throughput volume grew +11%yoy which was above both management and analysts' forecast of 0-8%yoy and 3-6%yoy respectively. Meanwhile, NCB which is now owned by MMC Corp posted throughput volume growth of +16%yoy. We believe that both Westports and NCB could have benefitted from lower tariffs compared to neighbouring ports such as PSA which saw its throughput volume decline -5%yoy. Recall that tariffs in Port Klang are 50% cheaper compared to PSA hence giving shipping lines an incentive to berth at Port Klang.

- **Growth likely to continue in 2HFY16** and beyond as updates from management indicate that 3QFY16 container throughput volume is likely to maintain 1H16's growth. Meanwhile, for Westports, phase 1 of CT8 expansion is completed raising total handling capacity to 12.25m TEU with phase 2 (13.5m TEU) underway. Management noted some congestion in the port and hence could bring forward the commencement of CT9 expansion which we believe would be positive for Westports as it would suggest the growth in demand is outpacing initial estimates. In any case, the scheduled completion of CT8 phase 2 by mid-FY17 would coincide with the formation of the Ocean Alliance which would see a new and enlarged shipping alliance led by CMA CGM utilising Wetports as one of its dual hubs in Asean.

- **Hanjin shipping bankruptcy impact on Malaysian ports muted.** Hanjin shipping, the world's 7th largest shipping line in terms of container capacity filed for receivership putting its massive fleet of 95 containerships and 56 bulk carriers in temporary suspension. However, we believe the impact on Westports and PTP would be muted as Hanjin only makes up a small percentage of container volume which we understand have been filled up by other shipping lines. Within the sector, we have BUY calls on Westport (TP: RM5.00) and MMC (TP: RM3.11).

- **Challenging outlook for petroleum and LNG shipping.** For LNG, overcapacity issues persists with 23 unemployed vessels and 30 newbuilds set to be delivered in 2HFY16 causing a -23%yoy decline in spot LNG rates in 8MFY16. Meanwhile, spot petroleum charter rates have fallen between 21-40% across vessel sizes as seasonal refinery maintenance and high inventory of petroleum by-products reduced the demand for feedstock. Looking ahead, we expect some reprieve in charter rates due to the seasonally better 4Q winter and peak refining period. We have a NEUTRAL recommendation on MISC (TP: RM9.53).

- **Maintain positive on the dry bulk shipping sector.** The Baltic Dry Index (BDI) which measures charter rates across dry bulk ship sizes and routes has surged over the 900 level after averaging at around 500 for the majority of 6MFY16. The recent surge in the BDI can be attributed to a recent increase in coal imports from China arising from caps in output for locally produced coal. We have BUY call on Maybulk with target price of RM1.04 based on 5-year average price-to-book (PB) ratio of 0.88x.

IX. UTILITY (POWER)

A matter of unlocking balance sheet potential .... Maintain POSITIVE

- **Last quarter's performance was solid.** The last round of results were solid (for Tenaga), to say the least, triggering another round of earnings upgrades by analysts given stronger than expected demand and margin growth. This came after an earlier round of upgrade post 2QFY16 (FYE August) earnings. The strong numbers were mainly driven by a 6%yoy growth in electricity sales in 3QFY16 (9MFY16: +4.5%)

driven by the heatwave earlier this year coupled with a EBITDA margin expansion given a gap-up in coal share of power contribution (to 56% from 50% last quarter given the commissioning of the new 1000MW Tg. Bin plant in Mar 2016), lower LNG price and benefits from the higher volumes.

- **We conservatively stick to our numbers.** We have already built-in a 3.5%yoy electricity sales growth for FY16F (vs. +4.5%ytd) and ahead of a normalisation in demand strength, we conservatively leave our numbers unchanged. Given the upgrades post-results, consensus' mean FY16F net profit for Tenaga has now moved closer to ours, which implies a solid 18%yoy core earnings growth.

- **Sales demand growth normalizes.** System wide generation data in June has shown a 1.8%yoy growth (down from 5%-8%yoy growth seen in the Mar-May 2016 period), while July 2016 generation data points to a growth of just 1%. While the actual electricity sales numbers for June is likely to be inflated by spill over invoicing from the strong May, we think demand growth beyond that could moderate to 2%-3% levels.

- **Sitting pretty.** Nonetheless, all the local power players are sitting on strong balance sheets, i.e. low net gearing of 0.35x - 1.20x relative to regional average of 1.5x. Tenaga in fact, is one of the most underleveraged among regional peers at just 0.35x net debt-to-equity. This positions the local power sector strategically to capitalize on acquisition or expansion opportunities that may arise in the current downcycle, particularly overseas. We also see scope for dividend upside - besides an underleveraged balance sheet, Tenaga entails strong FCF yields of 6%-7% (FY16F) while YTL Power entails FCF yields of up to 13% (FY17F).

- **We maintain POSITIVE on the power sector.** Tenaga (BUY, TP: RM16.80/share) is our top sector pick. Key catalysts over the next 12 months: (1) Dividend catalyst on the back of FCF yield of ~7% (FY16F/17F), an under-geared balance sheet and a capital optimization exercise to be finalized by end CY16, (2) Overseas expansion provides scope for stronger growth and better returns in the mid-term, (3) Strong earnings visibility post-ICPT implementation, (4) Resolution of Tenaga's RM2b tax dispute with the Inland Revenue Board.

- **We are not as bullish on YTL Power (NEUTRAL, TP: RM1.40/share)** given: (1) Continuous delays in the PPA extension for its 585MW Paka plant, (2) Overcapacity in the Singapore market impacting Power Seraya negatively, (3) Potential drag from YES 4G's initial losses. However, dividend yields are very attractive at 6%-7% (FY17F-18F, FYE June).

C. OUR NEUTRAL-VIEW SECTORS

I. BANKING

Challenging but manageable and undemanding .... Maintain NEUTRAL (positive bias)

- **Loans growth has remained subdued** thus far due to weaker household spending and cautious business sentiment on heightened macroeconomic risks. In addition, banks have been somewhat restrained in its lending activities, shifting its portfolio to less risky projects and clients. With competition in deposits, these have resulted in compression in net interest margins.

- **However, loans growth may pick up pace from the low levels seen in 1QCY16 and 2QCY16.** We believe that this will be supported by gradual improvement in consumption coming from government's measures to improve disposable income, including higher wages for civil servant, and implementation of infrastructure projects.

- **We are also seeing more contained operating expenses** as cost initiatives starts to bear fruit and we believe that this will continue to flow through earnings.

- **Growth in total income of banks remains challenging yet manageable.** The banking system as a whole remains profitable, liquid and well capitalised. Key risk will be a potential OPR cut by 25bp to 2.50% in 4QCY16 that would negatively impact on banks' interest income. Nevertheless, we have already imputed this into our earnings model.

- **We maintain NEUTRAL on the sector for now.** The valuation for banks are currently undemanding as all the banks under our coverage are trading below its historical 5-year PBV. Hence our positive bias for the sector. Our BUY calls are CIMB (TP: RM5.50) and AMMB (TP: RM5.10). We are NEUTRAL on Hong Leong Bank (TP: RM14.10), RHB Bank (TP: RM5.15), Public Bank (TP: RM20.40), Maybank (TP: RM8.10), AFG (TP: RM4.00), BIMB (TP: RM4.35) and Affin (TP: RM2.30).

II. REIT

Falling bonds yield is a positive thing .... Maintain NEUTRAL (positive bias)

- **Outlook for retail REITs is turning brighter due to better consumer sentiment.** The Malaysian retail industry recorded retail sales growth of 7.5%yoy in 2Q2016, rebounding from retail sales contraction of 4.4%yoy in 1Q2016. Retail sales recovered in 2Q2016 as consumer sentiment improved in 2Q2016. Note that Consumer Sentiment Index climbed to 78.5 in 2Q2016 from 72.9 in 1Q2016. Meanwhile, Retail Group Malaysia (RGM) is projecting retail sales growth of 6%yoy for 2016. We reckon that worst is over for the retail sales and thus outlook for retail REITs should be turning brighter.

- **MGS yield at multiple year low is positive to REITs.** The 10-year Malaysia Government Securities (MGS) yield fell to multiple year low level of 3.5% in August and hovered at that level since then. This was following the surprise Overnight Policy Rate (OPR) cut by Bank Negara Malaysia which boosted demand for yield assets. Low MGS yield is positive to REITs as it increased the attractiveness of REITs due to widened spread between dividend yield of REITs and MGS yield. Meanwhile, we are keeping our view that short-term demand for MGS will remain strong underpinned by flight to safety amid market uncertainties, hence we do not expect MGS yield to bounce back sharply in the short term. In a nutshell, we are maintaining our MGS yield assumption of 3.75%.

- **Maintain Neutral with positive bias on the sector.** We are keeping our Neutral rating but with positive bias on REITs sector. The positive bias ascribed is due to the positive sentiment on REITs with the current yield seeking environment and expected gradual recovery in consumer spending. Nevertheless, REITs share price run-up recently had compressed the yield of REITs with average yield of REITs under my coverage falls to 4.7% from 5% in 1Q16, hence translating into less attractive yield of REITs. Meanwhile, we reckon that outlook for retail segment is improving due to improved consumer sentiment which should keep rental reversion in positive territory. However, we think that outlook for office segment of Malaysian property market would remain challenging due to oversupply issue which would cause a compression in rental rates.

- **We maintain our BUY call for Sunway REIT (TP: RM1.86)** as we see better earnings outlook for its retail and office division ahead. Earnings of retail division are expected to be supported by solid performance of its flagship Sunway Pyramid while earnings of office division should see recovery in FY17 from the low base in FY16.

- **We also maintain our BUY call for CMMT (TP: RM1.72)** as earnings outlook for CMMT remains positive despite the weakness in Sungei Wang Plaza. Full year contributions from Tropicana City Mall and Tropicana City Office Tower in addition to improving earnings from Gurney Plaza and East Coast mall are expected to be more than enough to compensate the shortfall from Sungei Wang Plaza. Meanwhile, we maintain our Neutral call for Axis REIT (TP: RM1.72), KLCCP Stapled Group (TP: RM7.30), Pavilion REIT (TP: RM1.79), and IGB REIT (TP: RM1.67).

III. AUTOMOTIVE

New launches to drive sales momentum?... Maintain NEUTRAL

- **Dominated by new launches.** Sector newsflow and volumes in 4Q16 will likely be dominated by new launches, particularly by the national make and we think 4Q TIV should drive peak volumes for the year. Perodua's Bezza and Proton's Persona were launched in July and August respectively with target volumes of 6,000-7,000 and 4,000-5,000 units a month. Coming up is the Proton Saga replacement which will be priced slightly cheaper than the Bezza and is also the biggest volume contributor to Proton (42% of TIV in 2015), while a rebadged version of the Suzuki Ertiga (Proton's foray into the sub-compact MPV segment) is also scheduled for launch by year end.

- **In the non-national segment,** Toyota is scheduled to launch two new models i.e. the Vios entailing a major facelift i.e. powertrain/drivetrain change, as well as the new Innova. The Vios is now Energy Efficient Vehicle (EEV) certified (hence qualifying for EEV incentives) and is Toyota's largest volume contributor accounting for 37% of TIV while the Innova is a smaller volume churner accounting for 4% of TIV.

- **Boost in 4Q in line with expectations.** Despite the expected pick up in sales momentum in 4Q16, our forecast remains as the boost in 4Q from new launches was well expected. As a recap, we trimmed our 2016 TIV forecast to 593,302 units back in August, implying an 11%yoy contraction. Year-to-date volume of 370,252 units (-15%ytd), if annualized is still short, accounting for 94% of our 2016 forecast. More importantly, underlying demand is still weak and sales are currently heavily incentivized and partly, driven by run-out of ageing models.

- **Currency remains weak.** The Ringgit remains weak at RM4.41 for the USD and RM4.09 for the JPY(x100) and has been one of the key factors driving downgrades to our forecasts in the past nine months. The key listed players, i.e. UMW and Tan Chong, hedges on a 3-month rolling basis, which merely delays the impact of currency volatility by a 3-month period, while BAuto had since end-Apr 2016, stopped hedging its JPY exposure given excessive JPY levels now. While there was strength in the Ringgit back in April-May 2016, this had since reversed, especially post-Brexit. The Ringgit is now back above USD1:RM4.00 while the JPY has also skyrocketed to above RM4.00 now. Currency trends will have a significant bearing on sector earnings in the near-term.

- **We remain NEUTRAL on the auto sector given a muted demand outlook and volatile currency trends.** However, there are pockets of opportunities, especially in Berjaya Auto (BAuto) which entails solid dividend yields, value unlocking potential and regional growth prospects. BAuto remains our top sector pick (BUY, TP: RM2.50/share). Key share price catalysts over the next 12 months: (1) Attractive dividend yield of 7% underpinned by solid net cash which accounts for 14% of market cap and strong FCFE yield of 10% (FY17F), (2) Further market share wins driven by new launches, i.e. the CKD Mazda 6 and diesel variants of the CX5, Mazda 2 and Mazda 6, (3) Recovery in manufacturing earnings (via 30%-owned Mazda Malaysia SB and 29%-owned Inokom) after the launch of the facelift CX5, and (4) Value unlocking from the potential listing of BAuto Philippines. Ex-cash, BAuto trades at just 10x CY17F earnings.

IV. CONSUMER

Consumer sentiment still below optimum level .... Maintain NEUTRAL

- **Consumer sentiment improves yet still below optimum level.** The consumer sentiment index (CSI) for 2Q16 has improved slightly by +5.6 points and to 78.5 points compared to 1Q16. This is in-line with Nielsen's Global Survey of Consumer Confidence and Spending Intentions which improved in 2Q16 by +8 points to 87. This improvement in consumer confidence has placed Malaysia as the 28th most confident country, climbing eight spots compared to last quarter. The increase in the consumer confidence was attributable to the improved view of consumers towards the current environment. Among the top ten major concerns of Malaysian consumers that have improved in Q2 compared to Q1 was job security from 22% to 25%, work/life balance from 14% to 16%, debt from 13% to 16%, health from 9% to 10% and crime from 5% to 7%. For 4Q16, we have a conservative view on the CSI and do not expect much improvement.

- **Expect higher household liquidity in 4Q16.** As the expectations on job security and work/life balance have improved, we believe that this will subsequently increase the household liquidity for consumers. The higher household liquidity would encourage consumers to spend more on discretionary items such as clothing. However, despite the upcoming Christmas and Deepavali celebrations in 4Q16, we still expect manufacturers to depend on heavy price discounts to attract Malaysian consumers. This trend was apparent during 2Q16 as the +7.5%yoy retail sales growth was lower than expectations by the Malaysian Retailers Association by -2.4ppts. On this score, the Retail Group Malaysia (RGM) expects the retail industry sales to grow by +3.5% in 2016.

- **Main catalysts.** Going forward, we expect the main catalysts for the consumer sector to be: (i) expected increase in tourists from China and; (ii) boost of sales volume by promotional strategies during the festive season (i.e. Christmas and Deepavali). We believe that the increase in tourists from China is expected to be boosted by the removal of visa requirements for Chinese tourists. On the other hand, the main threats going forward would be the high household debt and the cautious spending behaviour of consumers.

- **Maintain NEUTRAL.** We are NEUTRAL on the sector as we expect the retail and the food & beverage sector to remain challenging in 2016. We are agreeable to the view of RGM which expects a +3.5% retail growth in 2016. Although margins could be impacted due to the increase in promotion and discounting measures, we expect the consumer sentiment index to have marginal growth this year.

V. MEDIA

Turning to outdoor advertisement .... Maintain NEUTRAL

- **Outdoor advertisement.** Mass Rapid Transit Corp Sdn Bhd (MRT Corp) has awarded a 10-year advertising concession packages on the MRT Sungai Buloh-Kajang (SBK) line to four listed companies namely Ancom Bhd, Media Prima Bhd, Seni Jaya Corp Bhd and Utusan Melayu (M) Bhd. The SBK line will commence operations towards the end of 2016. As such, earnings could come in as early as 4Q16. However, we should see more meaningful contribution from FY17 onwards.

- **Uplift in 2Q16 consumer sentiment.** For 2Q16, the Consumer Sentiment Index (CSI) continues to improve on a quarter-over-quarter to 78.5 points after dropping to a low of 63.8 points in 4Q15. This, however, is still below the threshold level of confidence of 100 points. Note that traditionally, CSI serves as a yardstick to gauge expectations and probable future consumer spending behaviour. Moving forward, we expect the CSI to trend at similar level as consumer sentiment remains subdued.

- **Higher revenue from non-adex streams.** As outlook for traditional advertising-based revenue is expected to be lacklustre, media companies are seen to be tapping into the consumer market by venturing into the home shopping business. This can be seen in Astro Malaysia Holdings' Bhd and Media Prima Bhd's active participation in home shopping businesses with their respective joint venture partners. We are positive on this news as it could potentially make up for the ailing print and TV segments. Meanwhile, the Star Media Group has also place heavy reliance on its subsidiary, Cityneon Holdings Ltd to contribute significantly to the group's performance in the future.

- **Maintain NEUTRAL.** Given the lackluster media landscape, we foresee limited earnings growth prospect for media counters under our coverage, with the exception of Astro Malaysia Holdings Bhd. This is mainly due to Astro's resilient Pay-TV business model which has less reliance on advertising income. In spite of this, both Media Prima Bhd and Star Media Group Bhd have sizeable cash holdings. This would reinforce their commitments of rewarding shareholders with attractive dividend payment. All in, we reiterate our NEUTRAL stance on the sector. Astro Malaysia Holdings Bhd (Buy; TP:RM3.78) is our top pick for the media sector.

VI. PROPERTY

2Q16 property transaction value improved slightly .... Maintain NEUTRAL

- **Property developers' result in 2Q2016 was unexciting.** Out of the nine property developers under our coverage, only 22% or two of the stocks (IOIPG and UOADEV) reported earnings which were above expectations. The outperformance is mainly due to faster than expected progress billing and margin. UOADEV achieved good margin due to lumpy contribution from Desa Green Serviced Apartments which were completed during the quarter. 44% or four stocks underperformed (SPSETIA, SUNWAY, UEMS and GLOMAC) mainly due to lower than expected margin. 33% or three stocks (ECOWLD, MAHSING and E&O) reported earnings which matched expectation.

- **Slight recovery of property transaction value in 2Q2016.** According to the latest Property Market Report released by National Property Information Centre (NAPIC), Malaysia property market transaction value has improved by 3.6%qoq to RM32.0b in the 2Q2016. The increase in transaction value is consistent with the rise in transaction volume by 4.4%qoq to 83,517 units. For residential market, house price range from RM500k to RM1.0m registered the highest growth of 13.6% followed by RM400k to RM500k (10.0%) and above RM1.0m (9.6%). We are positive on the quarterly increase as buyers may have returned to purchase property. Having said that, the 1H16 property market transaction value is still lower than 1H15 by 15.6%.

- **But Approved Loan for Purchase of Property is still lower on-year.** The latest Bank Negara statistics show that "Approved Loan for Purchase of Property" in July 2016 decreased 13%yoy to RM10.5b, a continuous decline for eighteen straight months since Feb 2015. On a monthly basis, approved loan in July was 6% lower. The decline in approved loan was mainly due to lower applied loan amount. On a cumulative basis, total approved loan for 7M2016 is at RM67.5b (-22%yoy).

- **Consumer Sentiment Index has improved slightly.** The latest publication from Malaysian Institute of Economic Research (MIER) shows that 2Q2016 Consumer Sentiment Index (CSI) has recovered to 78.5 from 1Q2016's 72.9 and all-time low of 63.8 in 4Q2015. Having said that, MIER mentioned that CSI is still below the threshold level of optimism. We gather that while household incomes are fairly stable, worries over higher prices are growing. We believe that the data suggest some return of interest among property buyers but buyers are likely to remain price sensitive.

- **Maintain NEUTRAL with UOADEV (BUY; TP: RM2.68) as our top pick.** We like UOADEV due to three reasons: i) its FY16 sales should make a strong comeback in FY16 due to low base in FY15, ii) its superior dividend yield of 5.8% (highest among property developers) and iii) its sturdy balance sheet with net cash position of RM670m or 44sen/share.

VII. TECHNOLOGY

Sales growth continues to fade .... Maintain NEUTRAL

- **Tepid smartphone sales.** Smartphone shipment volumes in 2Q16 grew marginally by +0.3% to 343.3m phones. We view that the growth in volume is mainly from the more affordable segment rather than the premium segment. The global economic slowdown may also encourage mobile users to lengthen their smartphone replacement cycle. In addition, we believe that new smartphones are lacking in innovation which further inhibit prospective users from upgrading their existing handset. Moving forward, we are of the opinion that this scenario will continue to prolong until there is improvement in the global economy.

- **Quality issue arises.** Samsung recently recalled its new flagship smartphone – Galaxy Note 7 – due to faulty batteries which would overheat and explode. This has put a dent on the demand of the smartphone. Meanwhile, users of iPhone 7 have noticed an odd hissing sound coming from the device while under heavy load. With on-going issues on flagship smartphones, mobile users may adopt a wait and see approach until such issues have been resolved.

- **Equipment purchasing remains active.** Since the beginning of the year, BTB ratio has been at or above parity. This shows that there are strong investments made by device manufacturers to either add new production line or improve existing production line. China has been one the main investor in this domain. We remain sanguine that the strong purchasing activity in China will continue as it is stepping up efforts to become a major player in semiconductor design and manufacturing.

- **Maintain NEUTRAL.** We expect sales of smartphone to remain lackluster in the immediate term owing to slowdown in global economic and lack of innovation in new smartphone launches. On another note, we take comfort in knowing that semiconductor players remain committed in its capital spending as seen in the positive BTB ratio. This would ensure that the industry will continue to grow, albeit slower pace. All in, anticipating 2016 to be a lackluster year, we maintain our NEUTRAL stance on the sector.

VIII. TELECOMMUNICATION

Spectrum refarming for service optimisation .... Maintain NEUTRAL

- **First round of spectrum fee due in November 2016.** To recap, the Malaysian Communications and Multimedia Commission (MCMC) had extended letter of offers to the three listed telecom operators i.e. Celcom Axiata Bhd, Digi.Com Bhd and Maxis Bhd with regards to the spectrum fee for the 900MHz and 1800MHz. Given the scarcity of spectrums, we are of the view that the three telecom operators will accept the offers. However, such a move would negatively impacted their balance sheet position in the immediate term.

- **More spectrums in the offing.** The existing licenses for 2300MHz and 2600MHz are set to expire in 2017. In addition, the 700MHz spectrum will also be free up in 2017 following the TV analogue switch off. As such, there could be possibilities that the new allocation for the three band of spectrums could be announced as early as 4Q16. We view that the new allocation would mimick the reallocation of 900MHz and 1800MHz bands.

- **Webe's full impact.** Webe has opened its service to the public since the end of September 2016. Prior to this, Webe's services was only limited to TM's broadband customers. To recap, Webe's no-contract, unlimited data plan costs as low as RM83.74 (including GST) depending on the rebates that are applicable to prospective customers. The addition of another telecom operator would further intensify the competition in the saturated mobile market.

- **Shareholders relook at stake in mobile giants.** According to newswires, Saudi Telecom is exploring the option of selling its stake in Binariang GSM Sdn Bhd which owns Maxis Bhd. On a separate note, Telenor ASA is also said to be reviewing options for its 49% stake in Digi.Com Bhd. These may due the intense competition faced by local telecom operators which could limit the potential return on equity.

- **Maintain NEUTRAL.** Competition remains intense as new players seek to expand their respective market share in the already-saturated market. On another note, the hefty cost of acquiring and maintaining new spectrum allocation serves as a challenge to local mobile players. The impending reallocation of the 700Mhz, 2300Mhz and 2600Mhz would put more pressure on local telecommunication players. Given the lack of rerating catalysts, we reiterate our NEUTRAL stance on the sector. Telekom Malaysia Bhd (Buy; TP:RM8.18) is our top pick for the telecommunication sector.

IX. BUILDING MATERIAL (CEMENT)

Times of sluggish growth .... Maintain NEUTRAL (negative bias)

- **Stagnant growth.** We reiterate our stance on stagnant growth for the supply of pre-mix cement and ordinary Portland Cement (OPC). This is premised from declining average utilisation capacity of cement manufacturers from 25.5mt/yr in FY15 to 23.5mt/yr in FY16 from a total integrated capacity of 29.8mt/yr. The unappealing scenario stems from the slowdown in the property market despite the still healthy demand from infra-related projects. We are estimating that the average utilisation rate of the 11 integrated cement manufacturers in Malaysia (inclusive of Aalborg cement plant in Ipoh) to be within the average of range 85% throughout FYE16 and could decrease more to 80% by FYE17. However, we reckon that the utilization capacity will stabilize between the ranges of 75% to 80%.

- **Stable ASP.** We maintain our assumption of average selling price (ASP) of cement to be within a modest range of between RM241/mt and RM250/mt (from RM270/mt in FY15) due to declining price of raw materials. Having said that, we surmise the selling price range of our assumption will not deteriorate further as the ASP will hit its low base, consequently hitting a sector wide oversupply of cement in Peninsular Malaysia.
- **Maintain NEUTRAL.** Altogether, we reckon earnings trend to remain insipid for FYE16 and FYE17. Hence, we reaffirm our NEUTRAL stance on both the sector and Lafarge Malaysia with a TP of RM5.50 per share.

X. TOBACCO

Illicits continue to rise .... Maintain NEUTRAL (negative bias)

- **Flat TIV growth.** The total industry volume (TIV) of cigarettes has been between 600-700 million sticks per month since January to June 2016. The stagnation in sales growth is attributable to (i) the unprecedented price hike announced in November 2015 which subsequently increased the purchase of illegal cigarettes among consumers as illegal cigarettes were cheaper; and (ii) competition from e-cigarettes. For January to June 2016, the TIV still remains low compared to 2015, declining by -26.3%yoy.
- **Growing concerns of tobacco companies in Malaysia.** In Malaysia, we believe that there are three main concerns of tobacco companies, namely (i) the rise in demand for illicit cigarettes; (ii) the resiliency of e-cigarettes in spite recent drop in popularity; and (iii) the talks on implementation of plain packaging for cigarette packs. The illicit cigarettes level increased by +8.7ppts to 45.6% in December 2015 compared to October 2015 (before price hike). Although the Royal Malaysian Customs (RMC) has been battling the distribution and usage of illicit cigarettes, the illicit cigarette level still continues to rise. We believe this is due to the pressure from the higher cost of living coupled with the high price of cigarettes which increases the tendency of consumers to purchase illicit cigarettes.
- **Maintain NEUTRAL with a negative bias.** In 4Q16, we believe that the industry will be more challenging for cigarette players due to: (i) the higher cost of living which causes a decline in purchasing power, thus, encouraging consumers to purchase illicit cigarettes that are sold for less than RM7 per pack and; (ii) the usage of vaping devices (e-cigarettes) where most users were previously regular smokers. The uncertainty among consumers of any future price hike with the upcoming budget 2017 has also contributed towards the higher purchase of illicit cigarettes. Nevertheless, we support the strict enforcement carried out by the RMC to battle illicit cigarettes.

D. SECTORS TO BE CAUTIOUS OF

I. STEEL

Steel prices to remain volatile .... Maintain NEGATIVE

- **Anaemic sectoral earnings performance...** Recall that in FY14, the total sectoral earnings (10 listed steel and related companies) dropped slightly to RM111.8m (-2% YoY) and subsequently slumped to -RM222m (-299% YoY) as it bore the growing brunt of pressure from China's competitive products and prices.

- **...due to relentless price pressure from China's excess supply.** We opine the steel sector in Malaysia will continue to be rather unappealing as a result of highly competitive environment from China's excess supply. This is despite the latest "provisional" safeguard measures via the imposition of (i) ~13% duties, plus (ii) 5% MFN (most-favoured-nation) steel tariff rate.

- **Subdued earnings setting may continue.** We reckon that the sectoral earnings will continue to be subdued impacted by the continued excess supply of China's steel mills. The average return of equity (ROE) for the sector is -1.1% indicating a widespread lethargy amongst the local steel mill's average sales in relations to its total cost. The average cost to income remained high at 90.0% (-7% YoY) whilst the average sectoral revenue slid from FY14 in RM9.1bn to RM8.2bn in FY15 (-11% YoY) despite the short-lived iron ore price surge of +7.18% in Dalian Stock Exchange. We surmise that the sectoral earnings and cost to income ratio will negatively persist in FYE16 and FYE17.

- **Remain NEGATIVE on the sector.** We remain negative on the sector based on the excess supply of steel from China. Nonetheless, we may reassess our sectoral outlook if the government were to introduce a sustainable long-term plan to elevate the relative competitiveness of the local steel mills.

MIDF RESEARCH STOCK UNIVERSE as at 30 Sept 2016

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares (m)	Market cap (RM m)	52-week Price	
					FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15							High (RM)	Low (RM)
CONSTRUCTION																															
Gamuda	Jul	BUY	4.90	5.50	682.1	626.1	817.8	28.9	26.0	33.8	-7.5	-10.2	30.0	16.9	18.9	14.5	12.0	12.0	14.0	2.4	2.4	2.9	1.72	2.84	29.51	4.42	8.68	2,421.3	11,864.2	5.00	4.30
WCT	Dec	NEUTRAL	1.61	1.61	209.4	128.6	163.4	18.4	10.3	13.1	70.4	-44.0	27.1	8.8	15.6	12.3	3.0	1.8	1.8	1.9	1.1	1.1	0.75	2.14	7.74	1.90	4.86	1,249.3	2,011.4	1.76	1.31
Hock Seng Lee	Dec	BUY	1.75	2.19	76.2	137.3	143.8	13.9	25.0	26.2	-0.9	80.1	4.7	12.6	7.0	6.7	1.4	5.5	5.7	0.8	3.1	3.3	1.42	1.23	20.97	16.85	20.87	549.5	961.7	2.14	1.61
IJM Corp	Mar	BUY	3.21	4.00	480.9	793.6	698.0	16.3	22.2	19.4	-44.7	36.2	-12.8	19.7	14.4	16.6	7.5	7.0	18.0	2.3	2.2	5.6	1.30	2.47	15.48	4.00	7.75	3,601.5	11,560.7	3.61	3.10
Muhibbah	Dec	BUY	2.30	3.05	85.6	109.4	136.3	18.7	22.8	28.4	-2.8	21.8	24.6	12.3	10.1	8.1	5.0	5.0	5.0	2.2	2.2	2.2	1.29	1.79	6.82	3.09	10.09	480.3	1,104.8	2.52	2.08
Sunway Cons.	Dec	BUY	1.63	1.74	127.2	128.6	n.a.	9.8	9.9	n.a.	-22.0	1.1	n.a.	16.6	16.4	n.a.	4.0	1.8	n.a.	2.5	1.1	n.a.	4.67	0.35	6.71	9.20	28.47	1,292.9	2,107.4	1.73	1.19
Vivocom	Dec	BUY	0.20	0.63	8.8	81.5	n.a.	0.5	2.5	n.a.	80.0	366.5	n.a.	37.0	7.9	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.	1.52	0.13	83.18	19.73	24.73	3,234.2	646.8	0.30	0.12
CONGLOMERATE																															
MMC Corp	Dec	BUY	2.28	3.11	1,664.4	319.2	408.6	54.6	10.5	13.4	237.0	-80.8	28.0	4.2	21.8	17.0	3.8	4.0	4.5	1.7	1.8	2.0	0.76	3.01	10.61	1.47	3.20	3,045.1	6,942.7	2.42	1.61
YTL Corp	Jun	NEUTRAL	1.79	1.50	1,017.6	927.9	1,140.7	9.8	8.9	10.8	-34.7	-9.1	21.7	18.3	20.1	16.5	9.5	9.5	11.0	5.3	5.3	6.1	1.27	1.40	6.04	1.38	4.22	10,520.4	18,831.4	1.82	1.45
TELECOMMUNICATIONS																															
DiGi	Dec	NEUTRAL	4.98	5.02	1,722.6	1,721.5	1,750.2	22.2	22.1	22.5	-14.9	-0.3	1.7	22.4	22.5	22.1	22.0	21.9	22.3	4.4	4.4	4.5	68.96	0.07	24.90	36.92	331.46	7,775.0	38,719.5	5.81	4.31
Axiata	Dec	NEUTRAL	5.22	5.13	2,554.2	1,802.2	1,929.2	29.5	20.2	21.6	6.9	-31.6	7.0	17.7	25.9	24.2	20.0	17.0	18.0	3.8	3.3	3.4	2.04	2.56	9.06	3.21	7.01	8,926.2	46,594.8	6.50	5.18
Maxis	Dec	NEUTRAL	6.16	6.55	1,739.0	1,939.0	1,968.0	23.2	25.8	26.2	1.2	11.5	1.5	26.6	23.9	23.5	20.0	21.0	21.0	3.2	3.4	3.4	10.49	0.59	22.55	10.21	45.94	7,510.3	46,263.3	6.90	5.36
Telekom	Dec	BUY	6.78	8.18	700.3	903.6	953.0	18.7	24.0	25.4	-18.3	28.6	5.5	36.3	28.2	26.7	21.4	21.2	22.3	3.2	3.1	3.3	3.31	2.05	7.71	3.70	11.24	3,757.9	25,478.8	6.99	6.31
MEDIA																															
Astro	Jan	BUY	2.73	3.78	519.4	615.3	671.7	10.0	11.8	12.9	16.3	18.0	9.4	27.3	23.1	21.2	11.0	12.0	13.0	4.0	4.4	4.8	25.95	0.11	11.24	8.92	100.25	5,205.0	14,209.7	3.03	2.41
Media Prima	Dec	NEUTRAL	1.32	1.17	138.7	95.2	105.1	12.5	8.6	9.5	83.2	-31.4	10.4	10.6	15.4	13.9	10.0	6.0	7.0	7.6	4.5	5.3	0.91	1.45	6.67	4.09	5.82	1,109.2	1,464.1	1.54	1.20
Star	Dec	NEUTRAL	2.51	2.46	133.0	90.8	102.7	18.0	12.3	13.9	19.3	-31.7	13.1	13.9	20.4	18.0	18.0	14.0	15.0	7.2	5.6	6.0	1.63	1.54	8.91	5.27	7.53	738.0	1,852.3	2.70	2.27
SEMICONDUCTOR																															
Unisem	Dec	BUY	2.52	3.28	155.5	159.4	166.1	22.0	21.7	22.6	117.1	-1.4	4.2	11.4	11.6	11.1	10.0	11.0	12.0	4.0	4.4	4.8	1.39	1.81	12.65	9.43	11.75	733.8	1,849.3	2.77	1.94
Globetronics	Dec	NEUTRAL	3.65	3.07	71.3	31.2	40.9	25.3	11.1	14.5	10.5	-56.3	31.1	14.4	33.0	25.2	20.0	10.0	13.0	5.5	2.7	3.6	3.62	1.01	9.12	8.73	10.41	281.9	1,028.9	6.76	2.75
My E.G.	Jun	NEUTRAL	2.28	2.16	68.1	143.0	198.3	2.9	6.0	8.3	33.8	110.5	37.7	80.0	38.0	27.6	1.0	1.8	2.7	0.4	0.8	1.2	13.69	0.17	50.77	19.74	35.73	2,400.3	5,472.7	2.41	1.37
PLANTATION																															
Sime Darby	Jun	NEUTRAL	7.65	7.85	2,312.8	2,408.8	1,899.0	37.7	38.4	30.0	-32.2	2.0	-21.9	20.3	19.9	25.5	25.0	27.0	20.2	3.3	3.5	2.6	1.49	5.13	5.48	3.75	6.76	6,327.1	48,402.1	8.98	7.00
Felda Global	Dec	NEUTRAL	2.34	1.77	107.0	74.0	105.0	2.9	2.0	2.9	-67.4	-30.1	41.9	80.7	115.4	81.3	4.0	2.0	2.9	1.7	0.9	1.2	1.35	1.73	0.48	0.35	0.82	3,648.2	8,536.7	2.52	1.31
Genting Plant	Dec	NEUTRAL	11.00	9.72	189.7	203.0	263.0	24.5	25.6	33.2	-50.4	4.6	29.6	44.9	42.9	33.1	5.5	6.6	8.6	0.5	0.6	0.8	2.03	5.43	14.76	2.80	4.51	792.1	8,713.5	11.56	9.80
IJM Plant	Mar	NEUTRAL	3.57	3.13	90.4	24.2	142.0	10.7	2.8	16.1	-2.8	-74.4	486.4	33.2	129.8	22.1	6.0	5.0	7.6	1.7	1.4	2.1	1.93	1.85	4.34	0.93	1.51	880.6	3,143.7	3.80	3.22
IOI Corp	Jun	BUY	4.45	5.05	51.9	629.7	1,289.0	0.8	10.0	20.5	-98.5	1,118.3	105.2	542.7	44.5	21.7	9.0	8.0	9.2	2.0	1.8	2.1	3.92	1.14	5.37	3.59	8.49	6,288.2	27,982.5	5.04	4.06
TSH Resources	Dec	NEUTRAL	1.91	2.10	-105.5	99.0	127.0	-7.9	7.3	9.4	-176.1	-193.0	28.3	n.a.	26.2	20.4	2.0	1.8	2.4	1.0	1.0	1.2	1.89	1.01	12.38	3.12	6.59	1,355.7	2,589.5	2.20	1.80
KL Kepong	Sep	BUY	23.98	27.38	869.9	1,087.0	1,145.0	81.7	102.1	107.5	-12.2	24.9	5.3	29.4	23.5	22.3	45.0	60.3	63.5	1.9	2.5	2.6	2.60	9.21	8.04	6.30	10.73	1,065.0	25,537.9	25.00	21.72
PPB Group	Dec	NEUTRAL	16.18	15.00	1,051.3	911.0	1,022.0	88.7	76.8	86.2	14.7	-13.4	12.2	18.2	21.1	18.8	25.0	23.1	25.9	1.5	1.4	1.6	1.03	15.78	22.54	4.15	4.43	1,185.5	19,181.4	16.98	15.24
TOBACCO																															
BAT	Dec	SELL	49.14	41.27	910.1	525.7	622.4	318.7	184.1	218.0	0.9	-42.2	18.4	15.4	26.7	22.5	312.0	180.0	214.0	6.3	3.7	4.4	36.24	1.36	11.47	43.55	96.17	285.5	14,030.9	64.64	40.70
GLOVE																															
Kossan	Dec	BUY	6.88	8.60	202.5	220.3	249.8	31.7	34.5	39.1	39.1	8.8	13.4	21.7	20.0	17.6	12.0	9.5	11.2	1.7	1.4	1.6	4.39	1.57	13.44	14.92	22.56	639.5	4,399.5	9.50	5.90
Hartalega	Mar	NEUTRAL	4.64	4.48	209.7	257.4	262.0	13.5	15.7	16.0	-13.9	16.2	1.7	34.3	29.6	29.1	6.5	8.0	6.5	1.4	1.7	1.4	4.98	0.93	17.18	13.13	17.12	1,641.1	7,614.9	6.15	3.81
Supermax	Jun	BUY	2.18	3.02	95.6	103.7	146.6	14.1	15.3	21.8	0.0	8.2	43.2	15.5	14.3	10.0	5.0	5.5	6.0	2.3	2.5	2.8	1.41	1.54	9.49	5.87	10.01	671.3	1,463.4	3.56	2.01
Top Glove	Aug	BUY	5.10	6.28	279.8	402.9	424.5	22.6	32.2	33.9	55.4	42.2	5.4	22.6	15.9	15.1	10.0	17.0	17.0	2.0	3.3	3.3	3.64	1.40	16.05	14.99	24.96	1,252.7	6,388.8	7.03	3.99
HEALTHCARE																															
KPJ	Dec	NEUTRAL	4.23	4.05	135.3	141.1	169.7	13.0	13.5	16.2	-7.3	3.4	20.3	32.4	31.4	26.1	7.0	6.8	8.2	1.7	1.6	1.9	2.89	1.46	4.96	3.60	9.04	1,046.8	4,427.9	4.40	4.12
IHH Healthcare	Dec	NEUTRAL	6.33	6.95	933.9	923.0	1,339.0	11.4	11.2	16.3	23.2	-1.5	45.1	55.6	56.5	38.9	3.0	5.0	6.0	0.5	0.8	0.9	2.40	2.64	10.93	2.60	3.81	8,231.6	52,106.2	6.79	6.17
UEM Edgenta	Dec	NEUTRAL	3.33	3.41	191.2	118.9	222.6	23.5	14.3	26.8	-5.6	-39.2	87.2	14.2	23.3	12.4	15.0	10.0	18.7	4.5	3.0	5.6	2.15	1.55	3.81	4.54	7.78	831.6	2,769.3	3.98	3.04
CONSUMER (F&B, Retail)																															
Padini	Jun	NEUTRAL	2.85	2.75	80.2	137.4	164.6	12.2	20.9	25.0	-11.8	71.3	19.8	23.4	13.6	11.4	10.0	10.0	11.5	3.5	3.5	4.0	4.00	0.71	10.56	17.18	29.30	657.9	1,875.0	3.08	1.40
Daibochi	Dec	NEUTRAL	2.22	2.14	26.7	26.7	27.1	4.1	9.8	10.0	12.4	140.4	1.5	54.4	22.6	22.3	5.1	6.3	6.6	2.3	2.8	3.0	1.65	1.35	7.74	9.05	14.71	272.3	604.4	2.44	1.76
Panasonic	Mar	NEUTRAL	36.00	36.18	99.5	146.9	164.8	164.0	242.0	271.3	23.3	47.6	12.1	22.0	14.9	13.3	50.0	50.0	162.7	1.4	1.4	4.5	2.68	13.46	13.52	14.90	18.86	60.7	2,186.8	39.92	20.78
Nestle	Dec	NEUTRAL	78.86	82.82	590.7	680.1	743.0	252.0	290.0	316.8	7.2	15.1	9.2	31.3	27.2	24.9	240.0	265.0	285.0	3.0	3.4	3.6	25.58	3.08	14.06	27.33	95.98	234.5	18,492.7	81.80	70.81
MSM	Dec	NEUTRAL	4.89	5.20	275.3	265.6	281.0	39.2	37.8	40.0	7.1	-3.5	5.8	12.5	12.9	12.2	26.0	24.8	26.3	5.3	5.1	5.4	1.70	2.87	11.51	9.76	13.04	703.0	3,437.6	5.12	4.55
Parkson	Jun	NEUTRAL	0.78	1.54	46.6	-89.5	158.2	4.2	-7.9	14.6	-59.9	-287.6	-285.4	18.5	n.a.	5.3	0.0	0.0	5.5	0.0	0.0	7.1	0.34	2.27	-2.30	-0.94	-2.27	1,080.1	842.5	1.09	0.72
F&N	Sep	NEUTRAL	24.06	28.35	280.1	428.7	495.9	76.5	117.0	135.3	7.7	52.9	15.7	31.5	20.6	17.8	57.5	87.7	101.4	2.4	3.6	4.2	4.60	5.23	10.56	14.19	22.84	366.5	8,819.0	27.00	17.90
AEON Co.	Dec	NEUTRAL	2.89	2.58	133.4	98.0	172.7	9.5	7.0	12.3	-37.3	-26.5	76.2	30.4	41.4	23.5	4.0	4.0	4.0	1.4	1.4	1.4	2.15	1.34	2.56	2.42	5.31	1,404.0	4,057.6	3.00	2.47
BANKING																															
Hong Leong Bk	Jun	NEUTRAL	13.12	14.10	2,233.2	1,903.4	2,298.0	122.2	99.8	112.0	5.9	-18.3	12.2	10.7	13.1	11.7	39.6	41.0	35.0	3.0	3.1	2.7	1.27	10.32	24.34	1.00	9.01	2,052.2	26,924.4	13.86	12.62
HLFG	Jun	BUY	15.42	17.20	1,620.7	1,358.9	1,640.0	151.6	123.2	143.2	-5.3	-18.7	16.2	10.2	12.5	10.8	37.3	38.0	40.8	2.4	2.5	2.6	1.15	13.39	16.45	0.65	5.86	1,145.2	17,659.7	16.30	12.72
RHB Bank	Dec	NEUTRAL	4.65	5.15	1,511.4	1,924.0	2,177.0	44.7	48.0	54.3	-24.4	7.4	13.1	10.4	9.7	8.6	9.2	14.0	16.0	2.0	3.0	3.4	0.88	5.28	17.79	0.83	8.33	4,010.0	18,646.7	5.18	3.85
Affin Holdings	Dec	NEUTRAL	2.19	2.30	369.3	437.0	486.0	19.0	22.5	25.0	-46.1	18.3	11.2	11.5	9.7	8.8	8.0	11.0	12.0	3.6	5.0	5.5	0.50	4.42	12.94	0.65	5.25	1,942.9	4,255.1	2.50	2.08
MayBank	Dec	NEUTRAL	7.50	8.10	6,835.9	6,403.0	7,379.0	72.0	64.0	73.7	-3.0	-11.1	15.2	10.4	11.7	10.2	54.0	49.0	57.0	7.2	6.5	7.6	1.18	6.33	21.66	0.90	10.08	10,008.8	75,066.2	9.20	7.50
Alliance F'cial	Mar	NEUTRAL	3.72	4.00	530.8	522.0	553.0	34.8	34.2	36.3	-6.5	-1.7	6.0	10.7	10.9	10.3	15.4	14.5	16.0	4.1	3.9	4.3	1.16	3.21	20.05	0.94	10.78	1,524.9	5,672.5	4.37	3.07
CIMB	Dec	BUY	4.71	5.50	2,849.5	3,899.0	4,536.0	33.6	44.7	52.0	-10.4	32.9	16.3	14.0	10.5	9.1	14.0	19.0	21.0	3.0	4.0	4.5	0.97	4.85	16.31	0.84	9.23	8,728.9	41,112.9	5.03	3.89
AMMB	Mar	BUY	4.09	5.10	1,918.6	1,302.2	1,350.0	63.8	43.3	44.8	7.7	-32.1	3.4	6.4	9.4	9.1	27.3	15.5	16.0	6.7	3.8	3.9	0.80	5.14	21.14	0.97	8.08	3,014.2	12,328.0	5.05	3.95
Public Bank	Dec	NEUTRAL	19.82	20.40	5,062.2	5,116.6	5,407.8	131.1	132.5	140.0	6.0	1.1	5.7	15.1	15.0	14.2	56.0	56.0	59.0	2.8	2.8	3.0	2.36	8.40	29.61	1.41	15.84	3,861.5	76,534.8	20.10	17.74
BIMB	Dec	NEUTRAL	4.14	4.35	547.3	594.1	617.6	35.5	37.4	38.9	-0.3	5.3	4.0	11.7	11.1	10.6	12.2	13.1	14.4	2.9	3.2	3.5	1.67	2.48	17.95	1.04	16.08	1,588.7	6,577.1	4.29	3.17

Source: Company, MIDF Research

MIDF RESEARCH STOCK UNIVERSE as at 30 Sept 2016 (cont'd)

	FYE	Rec.	Price (RM)	Target Price	Net Profit (RM m)			EPS (sen)			EPS (% chg)			PER			DPS			Yield (%)			PBV	BV / share (RM)	Net margin (%)	ROA (%)	ROE (%)	No of shares(m)	Market cap (RM m)	52-week Price	
					FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15	FY16F	FY17F	FY15							High (RM)	Low (RM)
FINANCE																															
MBSB	Dec	BUY	0.94	1.14	257.6	260.4	327.0	8.9	4.5	5.6	-76.4	-49.8	25.6	10.5	20.8	16.6	2.9	2.9	3.7	3.1	3.1	4.0	0.55	1.71	15.89	0.63	5.36	5,798.8	5,421.9	1.73	0.69
Bursa Malaysia	Dec	NEUTRAL	8.82	8.95	198.6	195.8	208.8	37.2	36.5	38.9	0.0	-1.9	6.6	23.7	24.2	22.7	34.5	33.0	35.2	3.9	3.7	4.0	5.81	1.52	40.15	9.38	23.89	536.3	4,729.9	9.43	8.06
INSURANCE																															
LPI Capital	Dec	BUY	16.58	17.84	321.0	259.4	289.0	96.7	78.1	87.1	13.0	-19.2	11.4	17.1	21.2	19.0	70.0	70.0	70.0	4.2	4.2	4.2	3.14	5.29	26.76	7.16	14.92	332.0	5,504.3	17.00	14.30
Sykt Takaful	Dec	BUY	4.17	4.65	156.0	174.6	194.7	19.1	21.3	23.7	10.9	11.2	11.5	21.8	19.6	17.6	7.4	9.0	12.0	1.8	2.2	2.9	4.71	0.89	10.94	2.32	24.63	820.9	3,423.3	4.44	3.69
Tune Protect	Dec	BUY	1.64	2.28	69.0	98.1	110.5	9.2	13.0	14.7	-4.7	42.3	12.6	17.9	12.6	11.2	5.0	4.2	4.4	3.0	2.6	2.7	2.67	0.61	26.92	8.10	19.95	751.8	1,232.9	1.72	1.10
OIL & GAS																															
SapuraKencana	Jan	NEUTRAL	1.57	1.71	1,432.8	-791.6	195.5	23.9	-13.3	3.3	26.5	-155.4	-124.6	6.6	n.a.	48.1	3.4	1.4	1.4	2.1	0.9	0.9	0.77	2.03	-7.77	-2.17	-6.48	5,992.2	9,407.7	2.29	1.29
PetChem	Dec	NEUTRAL	6.65	6.46	2,782.0	2,771.0	2,948.0	35.0	34.6	36.9	12.9	-1.0	6.4	19.0	19.2	18.0	18.0	18.0	18.0	2.7	2.7	2.7	2.15	3.09	20.47	8.99	10.42	8,000.0	53,200.0	7.62	5.95
Wah Seong	Dec	TRADING SELL	0.88	0.68	9.5	14.4	65.8	1.2	1.9	8.5	-92.5	52.7	356.9	71.7	47.0	10.3	3.0	1.0	2.0	3.4	1.1	2.3	0.62	1.41	0.78	0.48	1.18	772.8	676.2	1.26	0.64
Bumi Armada	Dec	NEUTRAL	0.70	0.71	-234.6	-354.1	275.1	-4.0	-6.0	4.7	-192.6	50.9	-177.7	n.a.	n.a.	14.9	0.8	0.8	0.8	1.2	1.1	1.1	0.66	1.06	-16.25	-1.96	-4.85	5,866.3	4,106.4	1.16	0.65
KNM Group	Dec	NEUTRAL	0.41	0.43	49.5	41.7	61.7	2.7	2.0	2.9	0.8	-26.2	48.0	15.3	20.7	14.0	0.0	0.2	0.3	0.0	0.5	0.7	0.33	1.21	2.54	0.97	1.54	2,132.8	863.8	0.58	0.40
Petronas Gas	Dec	NEUTRAL	21.84	19.63	1,987.5	1,798.1	1,832.0	100.4	90.9	92.6	7.8	-9.5	1.9	21.8	24.0	23.6	60.0	55.0	55.0	2.7	2.5	2.5	3.69	5.92	40.35	12.50	15.51	1,978.7	43,215.5	23.64	20.54
Dialog Group	Jun	NEUTRAL	1.46	1.68	275.1	294.9	270.3	5.5	5.7	5.1	153.0	2.9	-10.5	26.4	25.6	28.6	2.2	2.2	2.4	1.5	1.5	1.6	3.18	0.46	11.64	7.13	11.88	5,300.9	7,739.3	1.70	1.46
Gas Malaysia	Dec	BUY	2.57	2.92	106.2	131.1	148.3	8.0	10.2	11.5	-38.5	27.6	13.1	32.1	25.2	22.3	8.3	10.2	10.4	3.2	4.0	4.0	3.39	0.76	3.62	6.27	13.49	1,284.0	3,299.9	2.80	2.16
Dayang Ent	Dec	NEUTRAL	1.00	0.95	172.2	16.4	69.0	19.6	1.9	7.9	-8.7	-90.5	320.7	5.1	53.2	12.6	3.5	0.0	0.0	3.5	0.0	0.0	0.78	1.27	2.11	0.50	1.37	876.8	872.4	1.95	0.96
MMHE	Dec	SELL	1.01	0.81	43.9	91.1	93.2	2.7	5.7	5.8	-66.3	107.8	2.3	36.9	17.7	17.3	0.0	0.0	0.0	0.0	0.0	0.0	0.61	1.67	3.70	2.11	3.40	1,600.0	1,616.0	1.34	0.88
PetDag	Dec	NEUTRAL	23.50	23.57	790.0	782.1	836.8	79.5	78.7	84.2	57.4	-1.0	7.0	29.6	29.9	27.9	60.0	65.0	65.0	2.6	2.8	2.8	4.62	5.09	3.11	9.69	15.69	993.5	23,346.2	26.30	22.00
Deleum	Dec	BUY	1.06	1.36	45.4	46.0	54.5	11.4	11.5	13.6	-23.5	1.3	18.5	9.3	9.2	7.8	5.5	5.5	6.5	5.2	5.2	6.1	1.45	0.73	7.08	6.84	14.42	400.0	424.0	1.40	0.90
PROPERTY & REITS																															
MRCB	Dec	BUY	1.30	2.08	330.4	116.1	137.5	18.5	5.6	6.6	107.2	-69.8	18.4	7.0	23.3	19.7	2.5	3.7	4.3	1.9	2.8	3.3	1.01	1.28	6.84	1.64	5.02	2,080.2	2,704.3	1.52	1.02
SP Setia	Dec	NEUTRAL	3.49	3.38	710.0	658.0	712.0	27.7	23.3	25.3	69.7	-15.6	8.2	12.6	14.9	13.8	4.0	16.9	18.3	1.1	4.8	5.2	1.25	2.79	11.74	4.25	8.27	2,818.0	9,834.8	3.59	2.80
UEM Sunrise	Dec	NEUTRAL	1.18	1.03	257.2	120.0	170.0	5.7	2.6	3.7	-46.2	-53.6	41.7	20.7	44.6	31.5	1.6	0.7	1.1	1.4	0.6	0.9	0.79	1.49	6.86	1.01	1.67	4,537.4	5,354.2	1.37	0.93
Sunway	Dec	NEUTRAL	3.10	3.07	732.4	519.0	564.0	41.8	25.5	27.7	-1.8	-38.9	8.7	7.4	12.1	11.2	11.0	11.0	11.0	3.5	3.5	3.5	0.87	3.57	11.67	3.24	7.20	2,033.7	6,304.5	3.24	2.87
UOA Dev't	Dec	BUY	2.50	2.68	417.0	406.8	430.2	28.0	24.9	26.4	21.7	-10.9	5.8	8.9	10.0	9.5	15.0	15.0	15.0	6.0	6.0	6.0	1.21	2.07	24.76	9.28	12.35	1,631.3	4,078.4	2.74	1.94
E&O	Mar	NEUTRAL	1.68	1.60	152.1	37.2	96.0	12.2	3.0	7.6	47.3	-75.4	154.5	13.8	56.0	22.0	0.0	2.0	3.1	0.0	1.2	1.8	1.28	1.31	8.81	0.99	2.20	1,257.2	2,112.1	1.86	1.38
Mah Sing	Dec	NEUTRAL	1.62	1.68	386.7	391.0	415.0	15.7	16.2	17.2	17.1	3.2	6.1	10.3	10.0	9.4	6.5	6.0	6.4	4.0	3.7	4.0	1.25	1.30	12.69	5.91	10.61	2,409.4	3,903.3	1.70	1.24
Axis REIT	Dec	NEUTRAL	1.75	1.72	96.6	93.0	97.0	8.8	8.4	8.8	-12.7	-4.5	4.3	19.9	20.8	19.9	12.6	7.6	7.8	7.2	4.3	4.4	1.40	1.25	55.88	4.34	6.88	1,105.2	1,934.1	1.85	1.49
IGB REIT	Dec	NEUTRAL	1.64	1.67	254.0	268.0	288.0	7.3	7.7	8.3	-20.6	4.8	7.5	22.4	21.3	19.9	8.2	8.0	8.5	5.0	4.9	5.2	1.56	1.05	54.78	5.18	7.31	3,488.3	5,720.8	1.74	1.26
Sunreit	Jun	BUY	1.73	1.86	541.4	323.7	264.0	18.5	11.0	9.0	31.3	-40.4	-18.5	9.4	15.7	19.3	8.7	9.2	8.1	5.0	5.3	4.7	1.26	1.38	62.60	4.95	7.99	2,945.1	5,095.0	1.79	1.43
Pavilion	Dec	NEUTRAL	1.77	1.79	282.3	264.0	295.0	9.4	8.7	9.8	-44.7	-6.7	11.7	18.9	20.3	18.1	8.2	8.1	9.0	4.6	4.6	5.1	1.39	1.28	63.78	5.56	6.85	3,022.5	5,349.9	1.90	1.46
Capitaland	Dec	BUY	1.55	1.72	226.0	175.2	179.2	11.9	8.6	8.8	-10.4	-27.6	2.3	13.0	18.0	17.6	8.6	8.3	8.4	5.5	5.3	5.4	1.17	1.32	50.81	4.28	6.55	2,031.5	3,148.8	1.61	1.34
Glomac	Apr	NEUTRAL	0.78	0.77	87.0	80.9	76.0	12.0	11.3	10.5	-19.8	-6.2	-6.8	6.5	6.9	7.4	4.3	4.0	3.6	5.5	5.2	4.6	0.52	1.49	13.12	4.11	7.70	723.4	560.6	0.94	0.70
KLCC Stapled	Dec	NEUTRAL	7.72	7.30	542.8	719.0	724.0	30.1	39.8	40.1	18.5	32.3	0.7	25.6	19.4	19.3	34.7	34.9	35.9	4.5	4.5	4.6	1.11	6.97	53.65	4.10	4.95	1,805.3	13,937.2	7.92	6.80
Eco World	Oct	BUY	1.30	1.68	44.0	125.0	n.a.	2.6	5.3	n.a.	180.9	100.3	n.a.	49.2	24.6	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.	0.94	1.38	7.30	1.80	3.96	2,364.3	3,073.5	1.51	1.20
TRANSPORT																															
- Aviation																															
AirAsia	Dec	BUY	2.79	3.34	541.2	1,319.4	1,336.7	19.4	47.4	48.0	546.7	144.4	1.3	14.4	5.9	5.8	4.0	10.0	10.0	1.4	3.6	3.6	1.39	2.01	20.95	6.19	29.64	2,782.9	7,764.2	3.30	1.26
AirAsia X	Dec	NEUTRAL	0.39	0.40	-349.6	165.8	326.7	-10.4	4.0	7.9	-40.9	-138.4	97.0	n.a.	9.8	5.0	0.0	0.0	0.0	0.0	0.0	0.0	1.72	0.23	5.41	3.96	26.24	4,148.1	1,617.8	0.50	0.18
MAHB	Dec	NEUTRAL	6.54	6.00	-16.6	155.4	289.8	-1.1	9.4	17.5	-102.3	-959.3	86.5	n.a.	69.8	37.4	8.5	13.0	14.0	1.3	2.0	2.1	1.43	4.59	4.02	0.71	1.76	1,659.2	10,851.1	7.30	5.05
-Logistics																															
Tiong Nam	Mar	BUY	1.70	2.16	72.9	79.6	89.7	17.3	19.1	21.5	-2.4	10.3	12.6	9.8	8.9	7.9	4.0	5.0	6.4	2.4	2.9	3.8	1.16	1.47	13.90	5.45	12.88	416.7	708.4	1.74	1.10
- Ports																															
Westports	Dec	BUY	4.39	5.00	504.9	603.2	639.0	14.8	17.7	18.7	-1.4	19.4	5.9	29.6	24.8	23.4	11.1	15.0	15.5	2.5	3.4	3.5	7.44	0.59	35.88	14.97	31.78	3,410.0	14,969.9	4.59	3.62
- Shipping																															
Maybulk	Dec	BUY	0.78	1.04	-1,177.2	-74.3	19.6	-117.7	-7.4	2.0		-93.7	-126.4	n.a.	n.a.	39.8	0.0	0.0	0.0	0.0	0.0	0.0	0.75	1.04	-30.77	-3.54	-6.04	1,000.0	780.0	1.00	0.51
MISC	Dec	NEUTRAL	7.55	8.05	2,467.8	2,392.9	2,800.1	55.3	53.6	62.7	11.9	-3.1	17.0	13.7	14.1	12.0	30.0	20.0	20.0	4.0	2.6	2.6	0.99	7.66	21.94	5.03	6.56	4,463.8	33,701.6	9.41	6.88
TOLL																															
LITRAK	Mar	BUY	5.80	6.50	137.9	174.1	249.3	26.8	33.5	47.4	2.6	25.0	41.8	21.7	17.3	12.2	20.0	25.0	35.0	3.4	4.3	6.0	4.49	1.29	41.83	7.78	28.67	525.4	3,047.3	5.97	4.90
UTILITIES																															
Tenaga	Aug	BUY	14.30	16.80	6,118.4	7,022.5	7,152.5	108.4	124.4	126.7	-5.4	14.8	1.9	13.2	11.5	11.3	29.0	56.0	57.0	2.0	3.9	4.0	1.58	9.05	16.22	6.00	14.79	5,643.6	80,703.6	14.90	12.40
YTL Power	Jun	NEUTRAL	1.60	1.40	918.8	1,044.7	674.7	13.2	13.8	8.7	-27.9	4.8	-36.9	12.1	11.6	18.3	10.0	10.0	8.7	6.3	6.3	5.4	0.99	1.62	10.42	2.42	8.22	7,730.9	12,369.4	1.62	1.38
AUTO																															
Berjaya Auto	Apr	BUY	2.28	2.50	212.4	198.0	199.3	18.7	17.4	17.4	52.5	-7.4	0.3	12.2	13.1	13.1	8.6	9.4	14.6	3.8	4.1	6.4	5.71	0.40	9.37	20.80	35.15	1,145.5	2,611.7	2.44	1.79
UMW Holdings	Dec	NEUTRAL	5.83	5.30	-37.2	-123.0	-12.6	-3.2	-10.5	-1.1	-105.7	229.0	-89.8	n.a.	n.a.	n.a.	20.0	3.0	3.0	3.4	0.5	0.5	1.07	5.46	-0.85	-0.67	-1.31	1,168.3	6,811.2	8.75	4.88
Tan Chong	Dec	NEUTRAL	1.93	1.95	74.9	-82.0	-81.0	11.5	-12.6	-12.4	-29.3	-209.5	-1.2	16.8	n.a.	n.a.	3.0	0.0	0.0	1.6	0.0	0.0	0.46	4.16	-1.43	-1.59	-2.94	652.7	1,259.6	2.98	1.83
MBM Res.	Dec	UNDER REVIEW	2.50	2.90	84.0	118.1	128.8	21.5	30.2	33.0	-25.1	40.6	9.1	11.6	8.3	7.6	7.0	9.5	10.3	2.8	3.8	4.1	0.62	4.06	6.51	5.05	6.46	390.7	976.8	2.90	1.94
BUILDING MATERIAL																															
- Steel																															
Ann Joo Res.	Dec	SELL	2.07	0.85	-135.5	-135.5	14.1	-27.1	-27.1	2.8	-679.4	0.0	-110.4	n.a.	n.a.	73.5	0.0	0.0	0.0	0.0	0.0	0.0	1.01	2.04	-7.69	-5.54	-14.62	500.6	1,036.2	2.12	0.60
Lion Ind.	Jun	SELL	0.50	0.23	-254.8	-788.6	n.a.	-35.6	-112.4	n.a.	-49.5	215.6	n.a.	n.a.	n.a.	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.	0.21	2.30	-31.37	-26.24	-44.91	689.8	341.5	0.53	0.22
- Cement																															
Lafarge M'sia	Dec	SELL	7.92	5.50	251.0	180.0	178.0	29.5	21.2	20.9	-2.0	-28.3	-1.1	26.8	37.4	37.8	32.0	20.0	19.0	4.0	2.5	2.4	2.21	3.58	6.54	4.13	5.82	849.7	6,729.6	9.80	7.35
- Timber																															
Ta Ann	Dec	NEUTRAL	3.58	3.50	188.2	94.0	109.0	41.8	21.1	24.5	50.4	-49.4	16.0	8.6	16.9	14.6	16.7	10.8	12.6	4.7	3.0	3.5	1.11	3.24	8.97	4.77	7.72	444.6	1,591.8	4.79	3.10

Source: Company, MIDF Research

APPENDIX

Table i: Performance of various markets in Local Currency (% change)

In Local Currency	Index point	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16
Hang Seng	23,297.15	1.3%	5.5%	5.4%	-20.6%	5.1%	-7.2%	-5.2%	0.1%	12.0%
Jakarta Composite	5,364.80	22.3%	5.6%	-11.0%	-14.0%	8.7%	-12.1%	5.5%	3.5%	6.9%
Taiwan Weighted	9,166.85	8.1%	3.0%	-2.7%	-12.2%	1.9%	-10.4%	4.9%	-0.9%	5.8%
Nikkei 225	16,449.84	7.1%	10.1%	5.4%	-14.1%	9.5%	9.1%	-12.0%	-7.1%	5.6%
KOSPI	2,043.63	-4.8%	6.5%	1.6%	-5.4%	-0.1%	2.4%	1.8%	-1.3%	3.7%
Mumbai Sensex 30	27,865.96	29.9%	1.7%	-0.6%	-5.9%	-0.1%	-5.0%	-3.0%	6.5%	3.2%
SET Index	1,483.21	15.3%	0.6%	-0.1%	-10.3%	-4.5%	-14.0%	9.3%	2.6%	2.6%
Shanghai Composite	3,004.70	52.9%	15.9%	14.1%	-28.6%	15.9%	9.4%	-15.1%	-2.5%	2.6%
Dow Jones	18,308.15	7.5%	-0.3%	-0.9%	-7.6%	7.0%	-2.2%	1.5%	1.4%	2.1%
Straits Times	2,869.47	6.2%	2.4%	-3.8%	-15.9%	3.3%	-14.3%	-1.5%	0.0%	1.0%
FBM KLCI	1,652.55	-5.7%	3.9%	-6.8%	-5.0%	4.4%	-3.9%	1.5%	-3.7%	-0.1%
Philippines Composite	7,629.73	22.8%	9.8%	-4.7%	-8.9%	0.8%	-3.9%	4.5%	7.4%	-2.1%

Source: Bloomberg

Table ii: Performance of various markets in US dollar (% change)

In US Dollar	Index point	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16
Hang Seng	23,297.15	1.3%	5.5%	5.4%	-20.6%	5.1%	-7.1%	-5.3%	0.0%	12.1%
Taiwan Weighted	9,166.85	1.9%	4.2%	-1.6%	-17.9%	2.2%	-13.9%	7.2%	-0.9%	8.9%
KOSPI	2,043.63	-8.4%	5.4%	0.8%	-10.8%	0.5%	-4.7%	5.0%	-2.1%	8.7%
Jakarta Composite	5,364.80	20.5%	0.2%	-12.9%	-21.5%	14.8%	-21.3%	11.5%	3.1%	8.2%
Nikkei 225	16,449.84	-5.8%	9.6%	3.5%	-12.3%	8.6%	8.0%	-5.6%	1.3%	7.4%
Mumbai Sensex 30	27,865.96	27.1%	3.2%	-2.7%	-8.6%	-1.2%	-9.3%	-2.8%	4.4%	4.6%
SET Index	1,483.21	15.3%	1.5%	-3.7%	-16.7%	-3.7%	-21.6%	12.3%	2.6%	4.2%
Shanghai Composite	3,004.70	49.1%	16.0%	14.2%	-30.4%	13.6%	4.7%	-14.7%	-5.4%	2.4%
Dow Jones	18,308.15	7.5%	-0.3%	-0.9%	-7.6%	7.0%	-2.2%	1.5%	1.4%	2.1%
Straits Times	2,869.47	1.2%	-1.2%	-1.9%	-20.4%	3.8%	-19.9%	3.7%	-0.2%	-0.1%
FBM KLCI	1,652.55	-11.6%	-1.8%	-7.8%	-18.9%	6.4%	-21.8%	12.8%	-6.6%	-3.4%
Philippines Composite	7,629.73	21.8%	9.9%	-5.6%	-12.1%	0.4%	-8.4%	6.7%	4.7%	-4.5%

Source: Bloomberg

Table iii: Performance by sectors (% change)

	Index point	2014	1Q15	2Q15	3Q15	4Q15	2015	1Q16	2Q16	3Q16
Technology	22.55	10.4%	27.7%	2.4%	-2.6%	19.7%	52.4%	-10.9%	-6.5%	6.4%
Property	1,204.20	-0.6%	2.3%	-7.8%	-4.7%	2.7%	-7.6%	-0.1%	-4.5%	6.3%
Plantation	7,920.10	-11.8%	-1.1%	-6.8%	-1.5%	6.5%	-3.4%	3.3%	-3.9%	4.7%
Consumer	603.70	-5.8%	7.5%	-3.1%	-2.7%	4.5%	5.8%	1.1%	0.0%	1.3%
Services & Trading	225.15	-4.8%	5.2%	-6.8%	-3.6%	5.5%	-0.1%	1.2%	-3.9%	0.9%
Construction	284.63	0.4%	6.6%	-6.4%	-5.9%	5.7%	-0.8%	4.8%	-2.6%	0.9%
Industrial	3,110.02	-0.3%	5.5%	-6.6%	1.1%	3.3%	2.9%	0.2%	-5.2%	0.1%
Finance	14,158.29	-7.4%	3.4%	-4.9%	-9.8%	1.8%	-9.8%	4.3%	-3.8%	-0.3%
FBM Small Cap	15,394.33	-4.2%	8.3%	-3.3%	-6.9%	8.6%	6.0%	-2.1%	-3.3%	2.0%
FBM Emas	11,687.58	-6.1%	4.1%	-6.3%	-4.8%	5.3%	-2.3%	1.1%	-3.3%	1.4%
FBM 100	11,387.09	-6.2%	3.8%	-6.5%	-4.7%	5.0%	-2.9%	1.3%	-3.3%	1.3%
FBM KLCI	1,652.55	-5.7%	3.9%	-6.8%	-5.0%	4.4%	-3.9%	1.5%	-3.7%	-0.1%

Source: Bloomberg

Table iv: Regional earnings and valuations

	EPS Growth (% change)					PER				
	2015	2016 (est as of)		2017 (f'cast as of)		2015	2016 (est as of)		2017 (f'cast as of)	
		Jun-16	Sep-16	Jun-16	Sep-16		Jun-16	Sep-16	Jun-16	Sep-16
Nikkei 225	3.9%	13.1%	12.6%	8.1%	6.4%	18.3	15.4	16.3	14.2	15.3
Taiwan Weighted	-7.6%	3.5%	2.7%	9.5%	10.0%	15.2	13.9	14.8	12.7	13.4
Hang Seng	-18.1%	-11.9%	-10.5%	10.8%	9.7%	11.4	11.6	12.8	10.4	11.6
FBM KLCI	-12.9%	6.7%	5.8%	8.5%	7.9%	17.5	16.4	16.6	15.2	15.4
Jakarta Comp.	-29.6%	85.2%	81.8%	15.7%	17.9%	32.2	16.2	17.7	14.0	15.0
SET Index	-2.7%	24.7%	29.1%	14.7%	12.0%	20.1	15.7	15.6	13.7	13.9
Philippines Comp.	-4.3%	15.2%	15.9%	10.7%	9.6%	22.6	20.0	19.5	18.1	17.8
Shanghai Comp.	-8.7%	16.1%	12.4%	13.2%	13.0%	15.9	13.3	14.1	11.8	12.5
Straits Times	-3.4%	1.0%	-4.0%	4.3%	4.5%	13.2	12.9	13.7	12.4	13.1
Mumbai Sensex 30	-8.0%	23.6%	23.0%	18.6%	18.0%	21.4	16.7	17.4	14.1	14.7
DJIA	-1.0%	-1.1%	-2.0%	12.4%	13.6%	16.9	16.7	17.2	14.9	15.1

Source: Bloomberg

Table v: Performance of MIDFR's stocks under coverage

OUT-PERFORMERS	Share price (RM)		% change	TP	UNDER-PERFORMERS	Share price (RM)		% change	TP
	30/09/16	30/06/16				30/09/16	30/06/16		
Ann Joo Res.	2.07	1.14	81.6%	0.85	MMHE	1.01	1.13	-10.6%	0.81
Felda Global	2.34	1.51	55.0%	1.77	Maybulk	0.78	0.86	-9.3%	1.04
Lion Ind.	0.50	0.32	54.7%	0.23	RHB Bank	4.65	5.12	-9.2%	5.15
MBSB	0.94	0.72	29.9%	1.14	IJM Corp	3.21	3.49	-8.0%	4.00
MBM Res.	2.50	2.01	24.4%	2.90	AMMB	4.09	4.44	-7.9%	5.10
Wah Seong	0.88	0.71	23.2%	0.68	Dayang Ent	1.00	1.08	-7.9%	0.95
MRCB	1.30	1.06	22.6%	2.08	Maybank	7.50	8.14	-7.9%	8.10
Panasonic	36.00	29.78	20.9%	36.18	Alliance F'cial	3.72	4.03	-7.7%	4.00
SP Setia	3.49	2.90	20.3%	3.38	UEM Edgenta	3.33	3.60	-7.5%	3.41
Padini	2.85	2.37	20.3%	2.75	Axiata	5.22	5.63	-7.3%	5.13
My E.G.	2.28	1.97	15.7%	2.16	Astro	2.73	2.93	-6.8%	3.78
UEM Sunrise	1.18	1.03	14.6%	1.03	BAT	49.14	52.70	-6.8%	41.27
UOA Dev't	2.50	2.19	14.2%	2.68	Dialog Group	1.46	1.54	-5.2%	1.68
YTL Power	1.60	1.41	13.5%	1.40	Media Prima	1.32	1.38	-4.3%	1.17
MMC Corp	2.28	2.01	13.4%	3.11	F&N	24.06	25.12	-4.2%	28.35
Tiong Nam	1.70	1.50	13.3%	2.16	IHH Healthcare	6.33	6.60	-4.1%	6.95
Tune Protect	1.64	1.47	11.6%	2.28	Star	2.51	2.61	-3.8%	2.46
Top Glove	5.10	4.60	10.9%	6.28	Deleum	1.06	1.10	-3.6%	1.36
AEON Co.	2.89	2.61	10.7%	2.58	Bumi Armada	0.70	0.73	-3.4%	0.71
Mah Sing	1.62	1.47	10.2%	1.68	MSM	4.89	5.00	-2.2%	5.20
Globetronics	3.65	3.33	9.6%	3.07	PPB Group	16.18	16.50	-1.9%	15.00
CIMB	4.71	4.32	9.0%	5.50	Berjaya Auto	2.28	2.32	-1.7%	2.50
Ta Ann	3.58	3.30	8.5%	3.50	KNM Group	0.41	0.41	-1.2%	0.43
Gas Malaysia	2.57	2.38	8.0%	2.92	Petronas Gas	21.84	22.00	-0.7%	19.63
WCT	1.61	1.50	7.3%	1.61	Hong Leong Bk	13.12	13.18	-0.5%	14.10
AirAsia	2.79	2.60	7.3%	3.34					
YTL Corp	1.79	1.67	7.2%	1.50					
Hartalega	4.64	4.33	7.2%	4.48					
MAHB	6.54	6.12	6.9%	6.00					
SapuraKencana	1.57	1.47	6.8%	1.71					
Vivocom	0.20	0.19	6.4%	0.63					
BIMB	4.14	3.90	6.2%	4.35					
IOI Prop	2.49	2.35	6.0%	2.65					
AirAsia X	0.39	0.37	5.4%	0.40					
Daibochi	2.22	2.11	5.2%	2.14					
Hong Leong F'cial	15.42	14.68	5.0%	17.20					
IJM Plant	3.57	3.40	5.0%	3.13					
Unisem	2.52	2.40	5.0%	3.28					
Maxis	6.16	5.89	4.6%	6.55					
Muhibbah	2.30	2.20	4.5%	3.05					
LPI Capital	16.58	15.86	4.5%	17.84					
Westports	4.39	4.20	4.5%	5.00					
Sunreit	1.73	1.66	4.2%	1.86					
DiGi	4.98	4.78	4.2%	5.02					
Genting Plant	11.00	10.62	3.6%	9.72					
Sunway	3.10	3.00	3.3%	3.07					
Affin Holdings	2.19	2.12	3.3%	2.30					
TSH Resources	1.91	1.85	3.2%	2.10					
KLCC Stapled	7.72	7.48	3.2%	7.30					
KL Kepong	23.98	23.26	3.1%	27.38					
Nestle	78.86	76.52	3.1%	82.82					
Bursa Malaysia	8.82	8.56	3.0%	8.95					
Syarikat Takaful	4.17	4.05	3.0%	4.65					
Axis REIT	1.75	1.70	2.9%	1.72					
Hock Seng Lee	1.75	1.70	2.9%	2.19					
IOI Corp	4.45	4.34	2.5%	5.05					
Eco World	1.30	1.27	2.4%	1.68					
Pavilion	1.77	1.73	2.3%	1.79					
Public Bank	19.82	19.40	2.2%	20.40					
Glomac	0.78	0.76	2.0%	0.77					
LITRAK	5.80	5.69	1.9%	6.50					
Sunway Cons.	1.63	1.60	1.9%	1.74					
IGB REIT	1.64	1.61	1.9%	1.67					
UMW Holdings	5.83	5.73	1.7%	5.30					
Tenaga	14.30	14.10	1.4%	16.80					
Supermax	2.18	2.15	1.4%	3.02					
MISC	7.55	7.46	1.2%	8.05					
E&O	1.68	1.66	1.2%	1.60					
Parkson	0.78	0.77	1.2%	1.54					
Lafarge M'sia	7.92	7.83	1.1%	5.50					
Gamuda	4.90	4.86	0.8%	5.50					
Sime Darby	7.65	7.59	0.8%	7.85					
PetChem	6.65	6.61	0.6%	6.46					
Tan Chong	1.93	1.92	0.5%	1.95					
Kossan	6.88	6.85	0.4%	8.60					
PetDag	23.50	23.40	0.4%	23.57					
Telekom Malaysia	6.78	6.77	0.1%	8.18					
Capitaland	1.55	1.55	0.0%	1.72					
KPJ	4.23	4.23	0.0%	4.05	**FBM KLCI**	**1,652.55**	**1,654.08**	**-0.1%**	**1,750.00**

: MIDFR, Bloomberg

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STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >15% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -15% and +15% over the next 12 months.
SELL	*Negative* total return is expected to be -15% over the next 12 months.
TRADING SELL	Stock price is expected to *fall* by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
SECTOR RECOMMENDATIONS	
POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

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(Bank Pelaburan)
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Business Address:
11 & 12th Floor, Menara MIDF,
82, Jalan Raja Chulan, 50200
Kuala Lumpur.
Tel: 2173 8888
Fax: 2173 8380