

# Newz Bits

## TALKING POINT

### Subsidy rollbacks unlikely to dent adex sentiment

The recent fuel price hike was the mildest in almost six years, since 1 Oct 2004. Over the last twelve years, we noted that only the 28 Feb 2006 30 sen fuel price hike and the 5 Jun 2008 78 sen fuel price hike ever really damaged adex sentiment. We expect future fuel price hikes should be similar to the recent one in keeping with the spirit of PEMANDU's subsidy rationalisation programme where it proposed to reduce subsidies gradually every six months. Therefore, we do not believe that the recent fuel price hike will overtly threaten adex growth this year. In fact, the strong 5MCY10 total adex growth of 21% y-o-y raises the probability of earnings upgrades for Media Prima and Star. As such, we maintain our OVERWEIGHT call on the media sector as well as BUY calls on Media Prima and Star. *(please refer to report for details)*

## HIGHLIGHTS

### On Malaysia

- MAS:** In RM2bn engine deal
- IOI:** La Nina to have impact on palm oil output
- PLUS:** Bakrie intends to takeover 60% stake in Cimanggis-Cibitung Tollways
- RHB Cap:** Extends acquisition date for Indonesian bank
- Faber:** UEM not selling stakes
- HELP:** Proposes bonus issue, up share capital to RM250m

### On The Global Front

- Global:** IMF to seek US\$250bn boost to lending capacity
- US:** Homebuilder confidence falls to one-year low
- China:** Export growth may slow in second half of 2010
- Ireland:** Moody's cuts rating on debt outlook, bank costs

## REPORTS

- Media:** Subsidy rationalisation – Easy does it (Maintain OVERWEIGHT)
- AXIATA (Quick Bits):** Divests Multinet to focus on core business (Maintain BUY, TP: RM4.52)

	Last	D-o-D chg %	YTD chg %
FTSE BM KLCI	1,333.4	(0.2)	4.8
FTSE BM ACE	3,743.4	(0.6)	(12.9)
Dow Jones	10,154.4	0.6	(2.6)
S&P 500	1,071.3	0.6	(3.9)
Nasdaq	2,179.1	0.9	(3.1)
FTSE	5,158.9	(0.2)	(4.9)
Nikkei	9,408.4	(2.9)	(10.8)
Hang Seng	20,091.0	(0.8)	(8.1)

Currency	19 July	16 July	% chg
USD/RM	3.2265	3.2065	0.62
Yen100/RM	3.7230	3.6844	1.05
EURO/RM	4.1632	4.1407	0.54
SGD/RM	2.3370	2.3312	0.25

### Market Turnover

	19 July	16 July	% chg
Vol (m shrs)	848.6	793.6	6.9
Value (RMm)	1,280.9	1,050.3	22.0

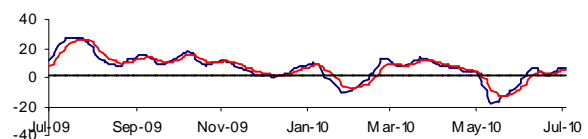
### Futures

	19 July	16 July	% chg
KLCI (1 <sup>st</sup> month)	1,340.0	1,340.5	(0.04)
CPO (3 <sup>rd</sup> month)	2,454.0	2,449.0	0.20
WTI (1 <sup>st</sup> month)	76.54	76.01	0.70

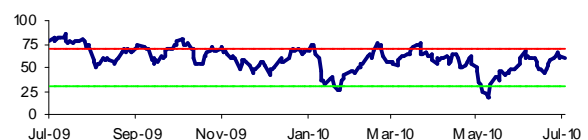
FBMKLCI



MACD



RSI



## Malaysia

### **MAS: In RM2bn engine deal**

Malaysia Airline (MAS MK, Hold, TP: RM2.22) has picked Pratt & Whitney to supply 34 engines to power 17 of its new aircraft in a deal worth US\$680m (RM2.2bn). The national carrier has yet to ink the agreement with Pratt & Whitney as both parties are still hammering out the finer details of the agreement. The signing is expected to be soon. The US\$680m was part of the list price of US\$4.5bn that MAS would pay to buy 25 A330-300s and four A330-200Fs, the airline said in a statement. The order was placed in Dec last year. However, US\$4.5bn may not be the final amount that MAS will pay for the orders; it is likely to be a negotiated price which MAS is not willing to reveal at this juncture. (StarBiz)

### **IOI: La Nina to have impact on palm oil output**

IOI Corp (IOI MK, Hold, TP: RM5.57) expects the brewing La Nina weather event to have a major impact on palm oil production in Southeast Asia as heavier rainfall may hamper harvesting. "The whole world weather is changing very rapidly. If La Nina sets in during the second half, it will coincide with seasonally high production months," IOI Chairman Tan Sri Lee Shin Cheng said. "If this happens, palm oil prices, for sure will surge." Lee did not give a price forecast. Lee said Malaysian palm oil production in 2010 will not see any significant increase and may remain flat at 17.6m tonnes, in line with government and industry forecasts. (BT)

### **PLUS: Bakrie intends to takeover 60% stake in Cimanggis-Cibitung Tollways**

PT Bakrie & Brothers Tbk (BNBR) intends to increase ownership in Cimanggis-Cibitung Tollways to 75% from the current 15%. The Bakrie management had submitted the request for the acquisition of the 60% stake from PLUS Expressways Bhd (PLUS MK, Buy, TP: RM3.98) to the Toll Road Regulatory Agency (BPJT). Cimanggis-Cibitung Tollways is 60% owned by PLUS Expressways Bhd), while PT Capitalinc Investment Tbk owns the remaining 25% stake. (Investor Daily)

### **RHB Cap: Extends acquisition date for Indonesian bank**

RHB Capital Bhd together with PT Mestika Benua Mas, the vendor of PT Bank Mestika Dharma, have mutually agreed to extend the long-stop date for the acquisition of the Indonesian bank. RHB Investment Bank Bhd told Bursa Malaysia the period to satisfy or waive conditions precedent to the sale and purchase agreement expired on 16 Jul and was now extended to 19 Apr 2011. In a separate announcement, RHB Investment Bank said RHB Cap and Nissay Dowa have submitted a joint application to Bank Negara, seeking Government approval for the transfer of Nissay Dowa's 15.2% stake in RHB Insurance to RHB Cap. (StarBiz)

### **Faber: UEM not selling stakes**

Faber Group Bhd is not for sale and UEM Group Bhd has yet to strike a deal to hive off its stake in Time Engineering Bhd. "Why sell one (Faber) of our core businesses?" UEM Group MD / CEO Datuk Izzaddin Idris said. As for Time Engineering, he said "There is no sale, not today, not in three months." In a statement, Izzaddin said: "At the moment, we have not commenced on any process to divest our 45.2% stake in Time Engineering. As a responsible shareholder, any divestment to be made must be structurally sound whereby it is our role to ensure that the potential buyer(s) meet a minimum set of criteria such as financial standing, track record in business expansion and management excellence as well as proposed business and value creation plan." (StarBiz)

### **HELP: Proposes bonus issue, up share capital to RM250m**

HELP International Corp Bhd has proposed a 3-for-5 bonus issue of up to 53.26m new shares in the company to reward its shareholders. The bonus shares will be issued in a single tranche. The company has also proposed to increase its share capital from RM50m comprising 100m shares to RM250m comprising 500m shares to facilitate the issuance of new share pursuant to the proposed bonus issue as well as to cater for any future increases in the share capital of the company. The proposals are expected to be completed by the third quarter of this year. (Malaysian Reserve)

### **Dunham-Bush: Plans comeback**

Dunham-Bush Holding Bhd, which was taken private in 2007 at an estimated cost of RM318m, is planning a relisting with a valuation of about US\$600m (RM1.94bn). This will mean an appreciation of about six times in the valuation of the Malaysian based air conditioner manufacturer that plans its relisting in 2012. Chief executive officer Jeffrey Albright said that the rationale for relisting was that the company anticipated funding issues when total sales reached US\$300m and above. In the proposed listing, the company plans to issue new shares that will form some 30%-40% of its paid up capital. (Financial Daily)

## Malaysia

### **Masterskill: To expand Kota Bharu campus**

Masterskill Education Group Bhd will be acquiring three blocks of three storey shop lots in Kota Bharu for RM31m to enhance its Kota Bharu's campus capacity to cater to the increasing number of students. Masterskill said the shoplots would be built on a 5,152 sq m piece of leasehold land currently held by Liziz Standaco Sdn Bhd. The proposed acquisition would be funded by internal funds and bank borrowings. Masterskill said it intended to move the existing Kota Bharu campus to the new site and to dispose off the existing Kota Bharu campus. (*Financial Daily*)

### **Tanjung Offshore: Units get order worth RM8m**

Tanjung Offshore Bhd's subsidiaries, Tanjung Offshore Services Sdn Bhd and Gas Generators (M) Sdn Bhd have received orders from Punj Lloyd Oil and Gas (M) Sdn Bhd and Farab Internation FZE for air compressor packages worth RM8m. The delivery of the air compressor packages is expected to be completed by the fourth quarter of this year. "The purchase orders valued at about RM8m are expected to contribute positively to the earnings and net assets of Tanjung for the financial year ending 31 Dec 2010," the company said. (*BT*)

## Global

### **Global: IMF to seek US\$250bn boost to lending capacity**

The International Monetary Fund is seeking a boost in its lending capacity to US\$1trn, from the current US\$750bn, at a Group of 20 summit in South Korea in Nov, according to a Korean government official. The increase would help strengthen a global financial safety net to counter crises, the official said on condition of anonymity because the talks are private. South Korea is chair of the G-20 this year. IMF Managing Director Dominique Strauss-Kahn told the Financial Times that a boost to US\$1trn in IMF lending firepower was a "correct forecast." Strauss-Kahn has sought to enhance the IMF's role in serving as a buttress against financial crises, already overseeing a trebling in the fund's war-chest to US\$750bn since early 2009. While the IMF doesn't foresee the global economy sinking back into a recession, the European debt crisis and elevated U.S. unemployment threaten to curtail the recovery. (*Bloomberg*)

### **US: Stocks close higher**

Stocks closed higher Monday, recovering from earlier weakness, as optimism about corporate results due this week outweighed ongoing concerns about the economy. Stocks opened higher but struggled to gain momentum for most of the day as investors responded to a report that showed homebuilder confidence fell to a 15-year low in Jul, raising concerns about other housing reports due later this week. The Dow Jones industrial average gained 0.6% (+56.5 pts, close 10,154.4). The Nasdaq gained 0.9% (+19.2 pts, close 2,198.2) and the S&P 500 gained 0.6% (+6.4 pts, close 1,071.3). U.S. light crude oil for Aug delivery rose 50 cents to US\$76.51 a barrel on the New York Mercantile Exchange. (*CNNmoney*)

### **US: Homebuilder confidence falls to one-year low**

Builders in the U.S. turned more pessimistic in Jul than forecast, a sign the expiration of a government tax credit will depress home construction. The National Association of Home Builders/Wells Fargo confidence index dropped to 14 this month, the lowest level since April 2009, from 16 in Jun, data from the Washington-based group showed. Readings lower than 50 mean more respondents said conditions were poor. The retreat in sales following the Apr 30 expiration of a deadline to sign purchase agreements and qualify for a tax credit worth as much as US\$8,000 is lasting longer than projected, the report said. With mounting foreclosures adding to housing inventory and unemployment forecast to end the year at 9.5% according to economists surveyed by Bloomberg News, a housing recovery will take time to develop. The index was forecast to fall to 16 from a previously reported 17 in Jun, according to the median of 48 projections in the survey. (*Bloomberg*)

### **China: Export growth may slow in second half of 2010**

China's export growth may slow over the rest of the year to less than half the pace of the first six months, a government agency forecast. The gain for July-through-December may be 16.3% y-o-y, the China Securities Journal said, citing a report by the State Information Center. That would be down from 35 % in the first half, customs bureau data show. Weaker export growth may exacerbate a second-half slowdown in the expansion of the world's third-biggest economy, encouraging the government to limit gains by the yuan against the dollar. China last month indicated that it was ending a two-year peg to the U.S. currency. The State Information Center, a research body under the National Development and Reform Commission, said export growth may slow each quarter. It cited the removal of tax rebates, weaker demand because of Europe's debt crisis, and comparisons with higher base levels. (*Bloomberg*)

### **Ireland: Moody's cuts rating on debt outlook, bank costs**

Ireland had its credit rating cut one level at Moody's Investors Service, which cited a "significant loss of financial strength" and the cost of bank bailouts. The company lowered Ireland to Aa2 from Aa1 and moved the country to a "stable" from a "negative" outlook, it said in a statement. Ireland lost its top rating at Moody's in Apr 2009. Irish bonds fell after the downgrade. The euro has fallen 10% versus the dollar this year on concern that widening budget deficits in countries including Ireland, Spain and Greece could lead to a default. While Irish Finance Minister Brian Lenihan said last week that the country's fiscal position is "stabilizing", the cost of aiding the banking industry is adding to the country's debt even as the economy emerges from recession. The premium investors charge to hold Irish 10-year debt over the German bund, Europe's benchmark, widened to 286 basis points. (*Bloomberg*)

## Dates to note

### July 2010

Monday	Tuesday	Wednesday	Thursday	Friday
			1 US - Jobless Claims US - ISM Manufacturing US - Pending Home Sales Index	2 MY - Exports & Imports MY - Trade Balance US - Employment Situation US - Factory Orders
5	6 ISM Non-Mfg Index	7 MY - Foreign Reserves MY - BNM Statement of Acc	8 MY - Ind Production MY - Mfg Sales Value MY - Monetary Policy US - Jobless Claims	9
12	13 US - Int Trade US - Treasury Budget JAPAN - Ind Production	14 MY - Import Price Index US - Retail Sales US - Bank Reserve Settlm US - Import and Export	15 US - PPI US - Jobless Claims US - Ind Production US - Philadelphia Fed Survey US - Money Supply CHINA - Producer Price Index CHINA - CPI CHINA - Ind Production	16 US - CPI US - Consumer Sentiment US - Treasury Int Capital
19 US - Housing Market Index	20 US - Housing Starts JAPAN - Leading Index CI	21 MY - CPI	22 MY - Foreign Reserves MY - BNM Statement of Acc US - Leading Indicators US - Jobless Claims US - Existing Home Sales	23
26 US - New Home Sales	27 US - S&P Case-Shiller HPI US - Consumer Confidence	28 US - Bank Reserve Settlm US - Durable Goods Orders	29 US - Jobless Claims	30 MY - M3 Money Supply MY - Int Reserves MY - PPI US - GDP US - Consumer Sentiment JAPAN - Tokyo CPI JAPAN - Jobless Rate JAPAN - Ind production JAPAN - Housing Starts

### August 2010

Monday	Tuesday	Wednesday	Thursday	Friday
2 US - ISM Mfg Index	3 MY - Imports & Exports MY - Trade Balance MY - External Trade* US - Factory Orders US - Pending Home Sales Index US - Motor Vehicle Sales JAPAN - Monetary Base	4 US - ADP Employment Report US - ISM Non-Mfg Index	5 US - Jobless Claims	6 MY - Foreign Reserves MY - Unemployment Rate MY - Statement of Acc US - Employment Situation US - Consumer Credit
9 JAPAN - Trade Balance	10 MY - Manufac Sales Value MY - Ind Production US - FOMC Meeting Ann US - Productivity and Costs US - Wholesale Trade JAPAN - BOJ Target Rate	11 US - Bank Reserve Settlm US - International Trade US - Treasury Budget CHINA - Ind Production CHINA - CPI CHINA - PPI	12 US - Jobless Claims US - Import and Export JAPAN - Ind Production	13 US - CPI US - Retail Sales US - Consumer Sentiment
16 US - Housing Market Index JAPAN - GDP Annualized	17 US - Housing Starts US - PPI US - Industrial Production	18 MY - CPI MY - GDP	19 US - Jobless Claims US - Leading Indicators US - Philadelphia Fed Survey	20 MY - Foreign Reserves MY - BNM Statement of Acc MY - GDP
23	24 US - Existing Home Sales	25 US - Bank Reserve Settlm US - Durable Goods Orders US - New Home Sales	26 US - Jobless Claims	27 MY - M3 Money Supply MY - Monthly Statistic US - GDP US - Consumer Sentiment JAPAN - Tokyo CPI JAPAN - Jobless Rate

Source: Bloomberg, BNM, DOS & ECM Libra Capital

## What's happening

### VISIT/BRIEFING

Company	Time	Date
Public Bank (Briefing)	1.30pm	20 July

### RESULTS

Company	Quarter	Date
Public Bank	2QFY10	20 July
DiGi.Com	2QFY10	20 July
BAT	2QFY10	22 July
MAS	2QFY10	16 August
Maybank	4QFY10	20 August
Maxis	2QFY10	30 August

### NEW LISTING

Companies	Prospectus Date	Listing Date
EA Holdings	28 June	20 July
Tatt Giap Group	28 June	22 July
Focus Point Holdings	30 June	27 July
Ivory Properties Group Bhd	12 July	28 July
SCC Holdings	30 June	3 August
Berjaya Retail Bhd	30 June	16 August

## Reports published

Company	Title	Target Price	Call	Date
Banking	April banking statistics	-	Overweight	1 June
Market Strategy	Short term pain for long term gain	-	-	1 June
Maxis	1QFY10 Results	RM5.90	Buy	1 June
Wah Seong Corporation	1QFY10 Results	RM3.40	Buy	1 June
AirAsia	1QFY10 Results	RM1.67	Buy	1 June
Boustead Holdings	1QFY10 Results	RM3.56	Hold	1 June
Lingkar Trans Kota Holdings	4QFY10 Results	RM3.02	Hold	1 June
Sunway Holdings	Construction order book boost	RM2.00	Buy	1 June
Strategy	1QCY10 results round up	-	-	2 June
Berjaya Sports Toto	A tale of 2 World Cups	RM4.91	Buy	3 June
Shin Yang	On solid footing	-	Non-rated	7 June
Oil & Gas	Sector Weekly Review	-	Overweight	7 June
Plantation	Sector Weekly Review	-	Neutral	7 June
Property	Sector Weekly Review	-	Overweight	7 June
Tenaga	Second look at subsidy rationalisation programme	RM9.90	Buy	9 June
Boustead Holdings	Pockets of potential	RM4.14	Buy	10 June
Strategy	Jigsaw not yet completed	-	-	11 June
Plantation	May MPOB statistics – Ho Hum...	-	Neutral	11 June
Telecommunication	Active sharing to benefit Axiata and DiGi	-	Neutral	11 June
Boustead Holdings	What's cooking?	RM4.14	Buy	11 June
Boustead Holdings	Seventh Heaven	RM4.48	Buy	14 June
Oil & Gas	Sector Weekly Review	-	Overweight	14 June
Plantation	Sector Weekly Review	-	Neutral	14 June
Telco	Sector Weekly Review	-	Neutral	14 June
Boustead Holdings	Secures RM130.7m job from Government	RM4.48	Buy	15 June
IJM Corporation	Second job for the year in the bag	RM4.77	Hold	16 June
SP Setia	2QFY10 Results	RM4.46	Buy	18 June
Sunway Holdings	Sri Lankan venture	RM2.00	Buy	18 June
Notion VTEC	Bursting with growth	RM3.63	Buy	21 June
REIT	Quantum leap from new listings	-	-	21 June
Berjaya Sports Toto	Delightful dividends	RM4.91	Buy	21 June
Oil & Gas	Sector Weekly Review	-	Overweight	21 June
Property	Sector Weekly Review	-	Overweight	21 June
Plantation	Sector Weekly Review	-	Neutral	21 June
Telecommunication	Sector Weekly Review	-	Neutral	21 June
Plus Expressways	Second Link toll reduction	RM3.98	Buy	23 June
YTL Power	Charging up for growth	RM2.36	Buy	24 June
SapuraCrest Petroleum	1QFY11 Results	RM2.64	Buy	25 June
Gamuda	3QFY10 Results	RM3.50	Hold	25 June
Oil & Gas	Sector Weekly Review	-	Overweight	28 June
Property	Sector Weekly Review	-	Overweight	28 June
Plantation	Sector Weekly Review	-	Neutral	28 June
Telecommunication	Sector Weekly Review	-	Neutral	28 June
Sunway Holdings	Another local contract	RM2.00	Buy	29 June
Glomac	4QFY10 Results	RM1.87	Buy	30 June
Banking	May banking statistics	-	Overweight	1 July
Tanjong	Safe harbour in this bay	RM18.66	Buy	1 July
Gaming	Another step backwards	-	Underweight	2 July
Genting	Not just from left hand to right hand	RM5.90	Sell	2 July
Genting Malaysia	Once bitten, twice shy? No	RM2.48	Sell	2 July
Oil & Gas	Sector Monthly Review	-	Overweight	5 July
Property	Sector Monthly Review	-	Overweight	5 July
Plantation	Sector Monthly Review	-	Neutral	5 July
Telecommunication	Sector Monthly Review	-	Neutral	5 July
Gaming	4D first prize payout to be reduced by RM200?	-	Underweight	6 July
Plus	Fourth lane widening works	RM3.98	Buy	7 July
Genting Malaysia	Aqueduct bid – not bolting out the gates yet	RM2.48	Hold	8 July
KNM Group	Secures RM289m of jobs	RM0.55	Hold	9 July
Oil & Gas	Sector Weekly Review	-	Overweight	12 July
Property	Sector Weekly Review	-	Overweight	12 July
Telecommunication	Sector Weekly Review	-	Neutral	12 July
Plantation	June MPOB statistics	-	Neutral	13 July
Strategy	Heading no where	-	-	14 July
Tenaga	3QFY10 Results	RM9.90	Buy	15 July
Oil & Gas	Sector Weekly Review	-	Overweight	19 July
Property	Sector Weekly Review	-	Overweight	19 July
Telecommunication	Sector Weekly Review	-	Neutral	19 July
Plantation	Sector Weekly Review	-	Neutral	19 July
Construction	Sector Weekly Review	-	Neutral	19 July
Gamuda	Expanding Malaysian landbank	RM3.50	Hold	19 July
Dayang Enterprises	More jobs from Petronas Carigali	RM2.50	Buy	19 July

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**Key to stock recommendations:**

**Buy** = Share price is expected to appreciate by >10% over the next 12 months

**Hold** = Share price is expected to move by less than +/-10% over the next 12 months

**Sell** = Share price is expected to decline by >10% over the next 12 months

**Key to sector recommendations:**

**Overweight** = Industry expected to outperform the market over the next 12 months

**Neutral** = Industry expected to perform in-line with the market over the next 12 months

**Underweight** = Industry expected to underperform the market over the next 12 months

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