

NEWS HIGHLIGHTS

DOMESTIC

- **7-Eleven Malaysia** scraps rights issue
- **AMMB-RHB** merger to be an all shares deal
- **Bumi Armada's** Q1 net profit more than doubled
- **Hap Seng** expects revenue boost from Malaysian Mosaics
- **Nationwide Express** Q4 net loss widens to RM6.3mil
- **NHF** eyes 70% export revenue by 2021
- **Perisai** further defers delivery of jack-up rigs
- **Priceworth**, Maha Gayabina emerges as top shareholder with 15% stake
- **WCT** to list REIT by year-end
- **Westports** cuts FY17 container volume forecast for 2nd time
- **XingQuan** risks suspension over delay in 3Q results submission

FOREIGN

- **HSBC** partners with AI startup to combat money laundering

ECONOMY / CURRENCY / COMMODITY

- **U.S.** factory activity edges up; private payrolls surge
- **Ringgit** dips early Thursday versus US dollar
- **PMI** contracts again after marginal improvement in Apr
- **Oil** mixed; global crude glut drags despite big U.S. inventory draw

INITIAL PUBLIC OFFERING (IPO)

Company	Listing date	IPO Price	Market
-	-	-	-

LOCAL	Close	Day Chg
FBMKLCI	1,763.1	(2.76)
Volume (mil)	2,217.2	(522.8)
Value (RM'mil)	2,236.5	(2,934.2)
Up	414	
Down	505	
Unchanged	336	

FOREIGN		
Dow Jones	21,144.2	135.5
Nasdaq CI	6,246.8	48.3
S&P 500	2,430.1	18.3
FTSE 100	7,543.8	23.8
Nikkei 225	19,860.0	209.5
Shanghai CI	3,102.6	(14.6)
HSI	25,809.2	148.6
STI	3,236.0	25.1

Other Stats		
USD/MYR	4.29	0.01
WTI (USD/barrel)	47.90	(0.46)
Gold (USD/troy oz)	1,265.27	(0.69)

Most Active	RM	Chg
IRIS	0.150	(0.015)
BORNOIL	0.125	(0.005)
NETX	0.055	(0.005)
AEM	0.205	0.045
FRONTKN	0.290	0.020

Top Gainer	RM	Chg
HENGYUAN	5.790	0.340
NESTLE	82.300	0.300
PETRONM	8.300	0.300
HARTA	6.300	0.230
GENP-WA	3.500	0.190

Top Loser	RM	Chg
PETDAG	24.220	(0.380)
HLIND	9.980	(0.320)
AXIATA	4.850	(0.230)
WPRTS	3.850	(0.210)
AJI	21.600	(0.200)

CONSENSUS TARGET PRICE

Userguide: To complement the top down approach, Mercury Securities will be compiling the **top three underpriced equities** of the respective sectors based on the consensus target price premium over the current price on a weekly basis.

Methodology: These consensus target prices are sourced from Bloomberg and the equities are covered by at least 3 research houses, excluding Mercury Securities. The purpose is to ensure the credibility, conformity and objectivity of the consensus target prices are maintained for the reader.

Sector	Company	Closing Price	Target Price	Premium
Finance	Syarikat Takaful Malaysia Bhd	4.05	4.60	13.6%
	BIMB Holdings Bhd	4.49	4.95	10.2%
	Public Bank Bhd	20.08	22.00	9.6%
Property	Eco World Development Group Bh	1.57	1.72	9.6%
	Eastern & Oriental Bhd	1.84	2.00	8.7%
	Mah Sing Group Bhd	1.52	1.65	8.6%
Plantation	United Malacca Bhd	6.20	7.38	19.0%
	TSH Resources Bhd	1.79	1.95	9.1%
	Hap Seng Plantations Holdings	2.61	2.78	6.6%
Consumer	Carlsberg Brewery Malaysia Bhd	14.74	15.12	2.6%
	British American Tobacco Malay	45.04	45.75	1.6%
	Padini Holdings Bhd	3.42	3.38	-1.2%
Ind Prod	VS Industry Bhd	1.90	2.28	19.7%
	Ann Joo Resources Bhd	3.20	3.78	18.1%
	Wah Seong Corp Bhd	0.90	1.00	11.7%
Construction	Malaysian Resources Corp Bhd	1.40	1.81	28.9%
	Hock Seng LEE BHD	1.65	2.00	21.2%
	IJM Corp Bhd	3.50	3.87	10.6%
Trad&Serv	Prestariang Bhd	2.20	2.73	24.3%
	Tenaga Nasional Bhd	13.80	16.80	21.7%
	AirAsia Bhd	3.05	3.62	18.7%

Source: Bloomberg as of 29th May 2017

NEWS HEADLINES

Economic News, Currency & Commodity

U.S. factory activity ticked up in May after slowing for two straight months and private employers stepped up hiring, suggesting the economy is regaining speed after struggling at the start of the year. The signs of renewed vigor in the economy and labor market tightness could encourage the Federal Reserve to raise interest rates later this month. (Reuters)

Ringgit erased Wednesday's gains to open lower in early Thursday trade against the US dollar, weighed down by soft market sentiment. The local unit was quoted at 4.2880/2920 against the greenback from Wednesday's close of 4.2790/2830. Despite news that Malaysia's labour productivity grew 3.5 per cent in 2016, the local unit was pressured by global economic updates which included a combination of political and economic factors coupled with lower crude oil prices. (Bernama)

The manufacturing sector output has contracted again in May after the marginal improvement in the previous month. The headline Nikkei Malaysia Manufacturing Purchasing Managers' Index (PMI) – a composite single-figure indicator of manufacturing performance – dipped below the 50.0 mark to 48.7 in May. Lower new export work was a factor behind the decline in total new business while there were lower new orders in nearby Asian economies such as Singapore, Thailand and Indonesia. Purchasing activity showed an identical trend to new orders in May. Both pre and post-production inventories were depleted, with firms highlighting efforts to streamline stocks amid subdued client demand. (NST)

Oil prices were mixed on Thursday, with Brent crude down on concerns that key producers were still adding to the global crude glut but U.S. crude up slightly after a larger-than-expected domestic inventory drawdown. U.S. crude futures CLc1 settled up 4 cents at \$48.36 a barrel, while Brent LCOc1 ended down 13 cents at \$50.63. After settlement, both benchmarks fell, failing to sustain the lift from the morning news of declining U.S. crude and gasoline stocks. Weekly data from the U.S. Energy Information Administration (EIA) showed crude inventories dropped 6.4 million barrels, exceeding the 4.4 million-barrel drop forecast. Gasoline inventories also dropped sharply ahead of the start of the summer driving season. On Wednesday, a Reuters survey found output from the Organization of the Petroleum Exporting Countries (OPEC) rose in May, the first monthly increase this year, as higher supply from two states exempt from a production-cutting deal, Nigeria and Libya, offset improved compliance with the accord by others. U.S. production increased, and the expectation is that ongoing activity in U.S. shale will continue to boost output, offsetting OPEC efforts. OPEC and other producers, including Russia, have agreed to restrict output by 1.8 million bpd to drain stockpiles that are close to record highs in many parts of the world. U.S. production is closing in on levels from top producers Russia and Saudi Arabia. It hit 9.34 million bpd last week, highest since August 2015. (Reuters)

Global and Local Headlines

7-Eleven Malaysia Holdings Bhd has scrapped its proposed renounceable rights issue of up to 616.69 million new warrants which would have enabled it to raise a minimum of RM25.34mil. It said on Thursday it had decided not to proceed "after taking into consideration general feedback as well as market reaction to the proposed rights issue". 7-Eleven said the aborting of the corporate exercise would not have any material effect on the group's earnings and net assets. (Star)

AMMB Holdings Bhd and **RHB Bank Bhd**, which have obtained approval from Bank Negara Malaysia (BNM) to start talks for a proposed merger, said it will be an all shares deal. In a joint statement, AMMB and RHB said on Thursday both parties had entered into an exclusivity agreement to negotiate and finalise terms and conditions of the proposed merger for submission to the relevant regulatory authorities. The exclusivity agreement will expire on Aug 30, 2017. (Star)

Bumi Armada Bhd got off to a good start with its net profit in the first quarter ended March 31 improving to RM48.1mil, from RM23.4mil achieved in the same corresponding period last year. Revenue for the international offshore energy facilities and services provider, however, came in 6.2% lower year-on-year (y-o-y) to RM404.2mil in the quarter. At the floating production and operation (FPO) business segment level, revenues increased by 10.7% y-o-y, mainly from initial revenue streams relating to first oil and first gas on Armada Olombendo and Armada LNG Mediterrana respectively. However, the offshore marine services (OMS) segment saw a decline in revenue of 23.2%, due to a lower utilisation of the offshore support vessel fleet. (Star)

Hap Seng Consolidated Bhd expects its tile manufacturing unit to significantly boost revenue of the company's building materials division this year. "Given the full-year contribution from Malaysian Mosaics, we can expect to see the revenue of the division to grow further," group managing director Datuk Edward Lee Ming Foo said. The division had contributed about a quarter of the group's total sales. Last year, Hap Seng's building materials division registered a total revenue of RM1.3bil. The company completed the acquisition of Malaysian Mosaics Sdn Bhd in the middle of last year. (Star)

Nationwide Express Holdings Bhd fell further into the red in its fourth quarter ended March 31, as its net loss widened to RM6.3mil compared with RM3.92mil in the previous corresponding quarter. The courier and logistics company said its earnings were impacted due to the lower business volume of the courier segment. Revenue during the quarter, however, increased to RM23.58mil from RM21.06mil a year earlier. For the financial year ended March 31, 2017, the company's net loss ballooned to RM15.78mil from RM6.16mil in the previous corresponding period, while revenue declined to RM86.91mil from RM91.92mil a year ago. (Star)

New Hoong Fatt Holdings Bhd (NHF) aims to increase its export revenue contribution to 70% by 2021. Managing director Chin Jit Sin said group sales from overseas market currently stood at 52%. "Asean remains a key focus for the group, with a 30% contribution to total exports. We are making continuous efforts to expand our product range and distribution coverage in the region, along with our ongoing investment in human capital. (Star)

Priceworth International Bhd (Priceworth), Maha Gayabina Sdn Bhd, whose director and shareholder includes Tengku Badrul Hisham Tengku Mohd Salim, has become timber group Priceworth's largest shareholder with a 15% stake. This followed Thursday's listing of new shares issued to the company under a special issue, Priceworth said in a press statement. Maha Gayabina now holds 141 million shares in Priceworth's enlarged share capital. (Star)

WCT Holdings Bhd expects to list its real estate investment trust (REIT) by the end of this year, according to group managing director Datuk Lee Tuck Fook. He said the REIT could have an asset size of more than RM1bil and would include WCT's own assets. The launch of the REIT will unlock the value of WCT's assets and pare down debts. WCT expects to raise up to RM400mil in net proceeds from the REIT, which will comprise Paradigm Mall in Petaling Jaya, AEON BBT Mall and the Premiere Hotel in Klang. (Star)

Westports Holdings Bhd has revised downward its container volume target for the second time, following a decline in throughput in the first five months of this year amid intense competition and due to last year's high base effect. Westports recorded a drop of 3% in throughput volume at 3.95 million TEUs (twenty-foot equivalent units) for the five-month period ending May 31, 2017, compared with the corresponding period last year, after it recorded lower-than-expected volume for the April-to-May period, it said in a statement filed with Bursa Malaysia today. In announcing the 1QFY17 results then, it had also revised its container volume target for FY17 from a slight growth to flat, that is, similar to the 9.95 million TEUs it achieved in FY16. (Edge)

XingQuan International Sports Holdings Ltd risks having the trading of its shares suspended on June 8 after not submitting its 3rd quarterly report for the financial period ended 31 March 2017 within the stipulated time frame. XingQuan said it was unable to submit its results by 31 May as required by Bursa Malaysia's Main Market Listing requirements but did not state why. It now has up to 7 June (the suspension deadline) to submit its delayed 3QFY17 report. (Edge)

HSBC Holdings Plc has partnered with Silicon Valley-based artificial intelligence startup Ayasdi Inc to automate some of its compliance processes in a bid to become more efficient. The banking group is implementing the company's AI technology to automate anti money-laundering investigations that have traditionally been conducted by thousands of humans, the bank's chief operating officer Andy Maguire said in an interview last week. (Reuters)

ECONOMIC CALENDER

Date & Time	Event	Period	Survey	Actual	Prior
MALAYSIA					
05/31/2017 15:00	Money Supply M3 YoY	Apr	--	4.4%	4.5%
06/01/2017 08:30	Nikkei Malaysia PMI	May	--	48.7	50.7
06/05/2017 12:00	Exports YoY	Apr	--	--	24.1%
06/05/2017 12:00	Imports YoY	Apr	--	--	39.4%
06/05/2017 12:00	Trade Balance MYR	Apr	--	--	5.41b
06/07/2017 15:00	Foreign Reserves	May-17	--	--	\$97.3b
06/09/2017 12:00	Industrial Production YoY	Apr	--	--	4.6%
06/09/2017 12:00	Manufacturing Sales Value YoY	Apr	--	--	13.6%
UNITED STATES					
05/30/2017 22:00	Conf. Board Consumer Confidence	May	119.8	117.9	120.3
05/31/2017 19:00	MBA Mortgage Applications	26-May	--	-3.4%	4.4%
06/01/2017 21:45	Markit US Manufacturing PMI	May F	52.5	52.7	52.5
06/01/2017 22:00	ISM Manufacturing	May	54.6	54.9	54.8
06/02/2017 20:30	Change in Nonfarm Payrolls	May	185k	--	211k
EUROZONE					
05/31/2017 17:00	Unemployment Rate	Apr	9.4%	9.3%	9.5%
06/01/2017 16:00	Markit Eurozone Manufacturing PMI	May F	57.0	57.0	57.0
06/02/2017 17:00	PPI MoM	Apr	0.0	--	0.0
06/02/2017 17:00	PPI YoY	Apr	0.0	--	0.0
CHINA					
06/01/2017 09:45	Caixin China PMI Mfg	May	50.1	49.6	50.3
JAPAN					
05/30/2017 07:30	Jobless Rate	Apr	2.8%	2.8%	2.8%
05/31/2017 07:50	Industrial Production MoM	Apr P	4.2%	4.0%	-1.9%

DIVIDEND STOCKS

Userguide: Mercury Securities compile a list of **dividend stocks** for conservative long term passive investors looking for regular income while keeping the investment intact.

Methodology: The list below is made up of stocks that pay high dividend (Estimate dividend yield >4%) and paying dividend consistently (Paid dividend for the last 3 years)

Sector	Company	Last Price (RM)	Dividend Per Share FYE 2017 (Estimate)	Dividend Yield (%) FYE 2017 (Estimate)
FINANCE	Malayan Banking Bhd	9.400	0.52	5.54
	AEON Credit Service M Bhd	19.180	0.63	3.29
Utilities	YTL Power International Bhd	1.520	0.09	5.66
	YTL Corp Bhd	1.630	0.10	6.29
PLANTATION	Kim Loong Resources Bhd	3.790	0.15	3.96
Telco	Star Media Group Bhd	2.310	0.17	7.32
	Media Prima Bhd	1.110	0.06	5.41
Ind Prod	Hong Leong Industries Bhd	9.990	0.44	4.45
	Uchi Technologies Bhd	1.850	0.13	6.92
Technology	Globetronics Technology BHD	5.750	0.20	3.50
	Unisem M Bhd	3.500	0.13	3.57
PROPERTY	Matrix Concepts Holdings Bhd	2.800	0.15	5.21
	KLCCP Stapled Group	7.880	0.37	4.71
	UOA Development Bhd	2.690	0.15	5.58
	LBS Bina Group Bhd	2.040	0.10	4.66
	Paramount Corp Bhd	1.880	0.09	4.79
	Tambun Indah Land Bhd	1.470	0.09	5.99

Sector	Company	Last Price (RM)	Dividend Per Share FYE 2017 (Estimate)	Dividend Yield (%) FYE 2017 (Estimate)
CONSUMER	British American Tobacco Malay	45.040	2.26	5.01
	Carlsberg Brewery Malaysia Bhd	14.740	0.75	5.09
	Heineken Malaysia Bhd	18.740	0.89	4.82
	Berjaya Sports Toto Bhd	2.620	0.16	6.18
	MSM Malaysia Holdings Bhd	4.420	0.18	3.98
	Magnum Bhd	1.750	0.12	6.57
	Pharmaniaga Bhd	4.750	0.17	3.58
	Padini Holdings Bhd	3.420	0.12	3.48
	Parkson Holdings Bhd	0.605	0.03	4.46
REITs	IGB REIT	1.700	0.09	5.29
	Pavilion REIT	1.770	0.09	4.86
	Sunway REIT	1.710	0.09	5.20
	Capitaland Malaysia Mall Trust	1.500	0.08	5.53
	Axis REIT	1.670	0.09	5.15
	YTL Hospitality REIT	1.180	0.08	6.53
	Al-'Aqar Healthcare REIT	1.510	0.08	5.63
	MRCB-QUILL REIT	1.280	0.08	6.33
	Al-Salam REIT	1.020	0.06	5.88

Source: Bloomberg as at 29th May 2017

SECTORIAL RETURN

The chart below depicts the performance of the respective KLCI sectors over a five year period including the current and forward P/E. The sector's performance is ranked against each other based on absolute returns for that particular year. The user can track the historical performance of respective sectors and notice that the finance sector is the best performing sector over a five year period between 2011 and 2015 with a compound annual growth rate of 0.4%. The user will also be able to identify sector value based on the current P/E and the corresponding 5 year high, low and average P/E. For example, finance sector PE is currently at 13.7 times against 5 year average P/E of 12.90 times, suggesting financials valuation is trading above historical average P/E. For a significant impact to reduce market noise, overview of sectorial performance will be updated on a weekly basis.

Index	Return (%)							Valuation P/E				
	2013	2014	2015	2016	2017	5-Yrs (CAGR)	YTD	5 - Years			Current	1 Yr - Fwd
								High	Low	Avg		
KLCI	10.5	(5.7)	(3.9)	(3.0)	8.0	1.0	8.0	18.0	16.3	17.1	17.1	16.7
Trade / Services	16.5	(4.8)	(0.1)	(4.3)	8.5	2.8	8.5	25.3	19.3	22.9	24.4	19.8
Finance	10.4	(7.4)	(9.8)	1.6	16.9	1.8	16.9	13.7	12.4	12.9	13.7	13.4
Ind Prod	15.9	(9.2)	21.6	(7.3)	9.3	5.3	9.3	38.6	22.5	29.6	26.5	18.3
Consumer	11.0	(5.8)	5.8	(2.1)	10.5	3.6	10.5	32.3	19.2	23.3	32.3	20.2
Plantation	7.6	(11.8)	(3.4)	1.7	5.4	(0.4)	5.4	32.1	16.7	24.1	25.1	20.3
Property	22.7	(0.6)	(7.6)	(5.0)	17.0	4.6	17.0	12.0	4.5	9.3	12.0	13.1
Construction	17.4	0.4	(0.8)	3.0	20.6	7.7	20.6	23.7	14.9	18.0	23.7	16.2
Technology	1.9	(22.5)	52.4	(13.3)	56.0	10.2	56.0	24.4	14.6	19.5	24.4	17.7

Source: Bloomberg as at 29nd May 17



MERCURY SECURITIES

SDN BHD (113193-W)

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