

Weekly Wrap of STI

The STI ended 0.31% or 9.61 points lower on Friday to end at 3,078.36 following a week of trading driven largely by market sentiments on trade issues and recession fears.

The STI opened the week lower amidst worries over reports that the Trump administration was eyeing ways to limit US investors' exposure to Chinese assets. However, the Singapore market saw a surge as soon as Washington pushed back on reports that it planned to implement capital controls on China, as well as encouraging Chinese manufacturing data. But the gains were erased by midweek after announcements of disappointing US manufacturing results and US tariffs on US\$7.5 billion of imports from the EU. Despite mounting expectations of an interest rate cut after US services sector activity reported a three-year low which boosted the US stock market, the STI closed lower as investor chose to remain cautious amid recession fears and uncertainty on the trade front.

Year to date, the STI index is up by 0.31%.

Week Ahead: 7 October – 11 October 2019

Economic Calendar: CN General Services PMI (7 Oct), JP Household Spending (8 Oct), US PPI (8 Oct), US Wholesale Trade (9 Oct), US JOLTs Job Openings (9 Oct), US Petroleum Status Report (9 Oct), UK Manufacturing Production (10 Oct), UK GDP (10 Oct), US Core CPI (10 Oct), US Jobless Claims (10 Oct), US FOMC Minutes (10 Oct), SG GDP (11 Oct), SG Retail Sales (11 Oct), US Consumer Sentiment (11 Oct)

Company Results: SPH REIT (10 Oct)

Companies News

1. United Global to partially dispose of wholly-owned subsidiary to Repsol

Catalist-listed lubricants blender and manufacturer United Global Limited (“United Global”) entered into a share purchase agreement with international energy company Repsol Downstream Internacional S.A. (“Repsol”), who will acquire 40% of United Global’s wholly-owned subsidiary, United Oil Company Pte Ltd (“UOC”). UOC, which blends, manufactures and distributes lubricants, aims to realise synergies and accelerate growth for both United Global and Repsol. The initial purchase consideration of US\$36.5 million was paid in cash, with an additional US\$10.0 million to be paid if UOC achieves a contribution margin near to or exceeding US\$34.2 million from 1 January 2023 to 31 December 2023.

2. Silkroad Nickel’s subsidiary to acquire shipping logistics company

Silkroad Nickel Ltd. (“Silkroad Nickel”), a Catalist-listed Indonesian nickel mining group, announced that its subsidiary PT Teknik Alum Service entered into an agreement to acquire 50.6% interest of PT Barru Bahari Lines (“PT BBL”) for the purchase consideration of IDR5 billion (approximately S\$488,000). Currently a major supplier of Silkroad Nickel, PT BBL is a shipping logistics company which provides tugs and barges transportation services to the mining industry. As part of the group’s long-term growth plan, this acquisition aims to provide a stable supply of transportation services for the group to increase its nickel ore production output.

3. Rex International’s subsidiary received regulatory approval for Norwegian project

Catalist-listed oil exploration and production company Rex International Holdings Limited (“Rex International”) announced that its 90% subsidiary Lime Petroleum AS (“LPA”) had received regulatory approval for the transfer of interests in two licences in relation to an oil drilling project in the Norwegian Sea. While the transfer is set to be completed on 31 October 2019, its effective date will be 1 January 2019 in accordance with the standard industry practice. This announcement follows an earlier announcement which reported that LPA signed an agreement with DEA Norge to acquire 30% interests in the two licences to the exploration well.

4. Lendlease Global Commercial REIT debuted on SGX Mainboard

Australian real estate giant Lendlease Group’s Lendlease Global Commercial REIT had successfully listed on the SGX Mainboard. The IPO attracted strong demand in both the placement and public tranches, which were 9.9x and 14.5x subscribed respectively. Including cornerstone investors, a total of 1,167.9 million units were issued at the issue price of S\$0.88 per unit to generate gross proceeds of S\$1,027.8 million. The REIT’s portfolio currently consists of 313@somerset, a leasehold retail property in Singapore, and Sky Complex, a three building freehold office complex in Milan, Italy. Trading opened at S\$0.935 per unit, 6.25% above the issue price, which marked the highest gain for a Singapore REIT IPO debut since SPH REIT’s IPO in 2013.

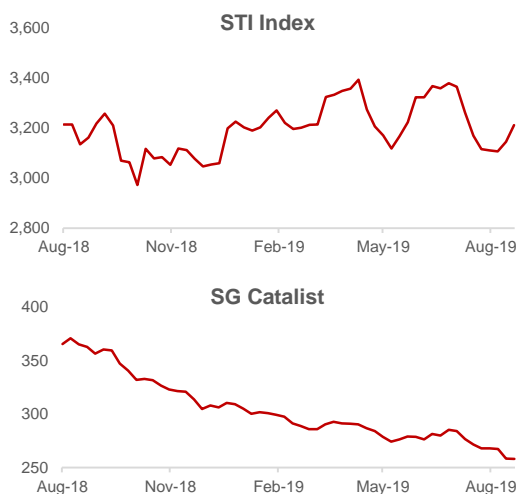
5. Capital World entered into S\$5.5m convertible loan agreement

Capital World Limited (“Capital World”), a Catalist-listed property developer, entered into a convertible loan agreement with Dato’ Seri Chong Thim Pheng and Ong King Sin for loans of S\$4.5 million and S\$1.0 million respectively, for the purpose of repaying an outstanding convertible bonds subscription agreement. The 1-year, 15% loan is convertible into a maximum of 365,538,561 new Capital World shares representing 16.52% of the enlarged share capital, at a conversion price of S\$0.0151708.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3078.4	▼ 9.6	▼ 0.3%	▼ 1.5%	▲ 0.3%
SG Mid Cap	732.3	▼ 0.5	▼ 0.1%	▼ 0.4%	▲ 7.0%
SG Catalist	253.2	▼ 0.6	▼ 0.3%	▼ 1.1%	▼ 18.2%
SG Small Cap	337.1	▲ 0.3	▲ 0.1%	▼ 0.1%	▲ 2.8%

Price Chart



Capital Market News

CapitaLand Mall Trust secured S\$200m green loan

CapitaLand Mall Trust (“CMT”) announced its inaugural green loan, having secured a S\$200 million, five-year loan from OCBC Bank. Proceeds from the loan will go towards financing or refinancing CMT’s properties which have the Building and Construction Authority (“BCA”) Green Mark certification. CMT will have great flexibility in deploying the proceeds, with 14 out of its 15 properties already certified BCA Green Mark Gold and above. This transaction followed the current trend for Singapore businesses to demonstrate their commitment towards sustainable practices while tapping into the fast-growing pool of green financing, as seen from the recent string of green loans such as those secured by City Developments Limited and Soilbuild Group Holdings in the last 2 months.

E-Conomy SEA 2019: internet economy in SEA to hit US\$300 billion in 2025

Jointly released by Google, Temasek and Bain & Company, the 2019 iteration of the e-Conomy SEA report revealed that the region’s internet economy had achieved a size of US\$100 billion in 2019, up from US\$32 billion in 2015. Citing growing internet adoption and changing consumer behaviour, the report put this figure at US\$300 billion by 2025. Out of US\$37 billion in funding over the last 4 years, US\$24 billion went to “Unicorns”, companies valued at US\$1 billion and above, while only US\$5 billion went to “Aspiring Unicorns”, companies valued at US\$100 million to US\$1 billion. This trend may be changing, as venture capitalists have been setting up large “growth funds” to double down on their star portfolio companies. Simultaneously, private equity firms and institutional investors are seen becoming more willing to enter earlier funding stages. With bolstered Series C and D funding, which typically ranges from US\$25 million to US\$100 million, more “Aspiring Unicorns” could be graduating from their bracket soon.