

Weekly Wrap of STI

The STI closed Friday lower at 2,579.51, down 1.49% or 38.97 points in a week which was filled with numerous conflicting catalysts, reflecting the uncertain state of a Covid-19 stricken global economy.

The STI opened the week on a muted front before renewed hopes of a virus vaccine and EU stimulus deal reversed the lacklustre performance. However, the optimism failed to sustain for the rest of the week as the surge in Covid-19 cases continued to weigh on the global markets. Despite the STI experiencing a short rebound from strong REIT and business trust results, the decline resumed into the close on Friday for the Singapore bourse due to disappointing local industrial production figures and escalating US-China tension. The US had directed the closure of Chinas Houston consulate and China retaliated by ordering US to close its consulate in Chengdu. In the week ahead, traders are likely to continue to focus on Covid-19 and US-China developments while paying close attention to the forward guidance provided by the US Fed.

Year-to-date, the STI index is down 20.0%.

Week Ahead: 27 July – 31 July 2020

Economic Calendar: JP Leading Economic Index (27 Jul), US Durable Goods Orders (27 Jul), US Consumer Confidence (28 Jul), AU CPI (29 Jul), US Crude Inventories (29 Jul), US Fed Interest Rate Decision (30 Jul), SG Unemployment Rate (30 Jul), US Continuing Jobless Claims (30 Jul), US GDP (30 Jul), JP Unemployment Rate (31 Jul), JP Industrial Production (31 Jul), CN Manufacturing PMI (31 Jul), EU CPI (31 Jul), EU GDP (31 Jul)

Company Results: Maxi-Cash (27 Jul), Raffles Medical (27 Jul), HPH Trust (27 Jul), ARA Logos Log Trust (28 Jul), Ascott Trust (28 Jul), Great Eastern (28 Jul), Parkway Life Reit (28 Jul), SIA (29 Jul), Stamford Tyres (29 Jul), Far East HTrust (30 Jul), China Aviation (30 Jul), Hi-P International (30 Jul), Tuan Sing (30 Jul), KSH Holdings (30 Jul), Pollux (30 Jul)

Companies News

1. Kim Heng expanded its fleet by acquiring 2 units of anchor handling tug

Catalist-listed integrated offshore and marine value chain services provider Kim Heng Offshore & Marine Holdings Ltd. (“**Kim Heng**”) announced that its 51% owned subsidiary Bridgewater Offshore has acquired 2 units of 12,500 horsepower anchor handling tug from the Posh Terasea liquidation for a consideration of US\$4.8 million. The purchase was funded through internal resources and bank loans. Kim Heng aims to invest for the future in cycle positioning to take advantage of buying distressed assets at significant bargains with the right value. The expanded fleet puts the Company in a stronger position to take advantage of the eventual upturn and helps to achieve better economies of scale.

2. Kitchen Culture to raise S\$9.5m through new share placement

Catalist-listed Kitchen Culture Holdings Ltd. (“**Kitchen Culture**”) announced a proposed placement of 40.6 million new ordinary shares at S\$0.235 per share, a discount of 9.62% to the volume-weighted average price of S\$0.26 for shares traded on July 17 prior to the proposal. 21 investors have agreed to subscribe for the shares, of which 15 are existing shareholders and the rest came through the group’s contacts. As The Group is pursuing a new medical supplies business, the proposed placement will strengthen its financial position and improve cash flow to meet anticipated general working-capital requirements and debt repayments. It will also increase working capital available to pursue new business opportunities. If the proposed placement is fully subscribed, Kitchen Culture will get net proceeds of S\$9.5 million after expenses.

3. Medinex FY2020 net profit soared 345.0% to S\$3.6m on longer financial year

Catalist-listed medical clinic support services provider Medinex Limited (“**Medinex**”) posted a 345.0% jump in net profit to S\$3.6 million for FY2020, from S\$0.8 million in FY2018, in part due to a longer financial year for FY2020. Medinex recorded a revenue of S\$16.7 million for FY2020, which represented a 85.9% increase from FY2018. The increase was due to the full revenue contribution from the various subsidiaries acquired in FY2018 and FY2020. According to the management, Medinex suffered no significant impact from the Covid-19 pandemic in the short term. Recently, the company had also set up an operation unit in Malaysia to capitalise on lower manpower cost and had also invested in an online marketing platform as well as technology to help its clients accelerate their online presence.

4. Neo Group achieved 21.2% increase in net profit to S\$6.3 million for FY2020

Catalist-listed integrated food solutions provider Neo Group Limited (“**Neo Group**”) reported a 2.7% increase in revenue to S\$185.9 million in FY2020 despite industry headwinds. The Group’s core Food Catering business, which contributes close to 50% of the Group’s top-line, achieved a strong 13.1% increase in revenue to S\$92.5 million in FY2020 while the Group’s second-largest revenue driver, Food Manufacturing business, performed well due to higher production efficiencies and automation enhancement. On the other hand, revenue from the Supplies and Trading business declined slightly due to a reduction in low margin trading transactions while the Food Retail business was impacted by the ongoing safe distancing measures. Overall, the Group’s net profit for FY2020 increased by 21.2% to S\$6.3 million from S\$5.2 million recorded in FY2019.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	2579.5	▼32.8	▼1.3%	▼1.5%	▼20.0%
SG Mid Cap	643.5	▼3.5	▼0.5%	▲1.0%	▼15.1%
SG Catalist	282.6	▼2.6	▼0.9%	▲4.9%	▲3.7%
SG Small Cap	290.0	▼5.8	▼1.9%	▲0.7%	▼18.4%

Price Chart



Capital Market News

SGX RegCo and Nasdaq to streamline exchange of regulatory information for dual listings

A new agreement between Singapore Exchange Regulation (“**SGX RegCo**”) and Nasdaq will facilitate the regulatory exchange of information on issuers that are dual-listed on both exchanges. This includes a streamlined framework for issuers seeking a secondary listing on SGX. The agreement builds on an existing partnership between the two parties to help companies access capital markets funding in both jurisdictions. The streamlined framework allows secondary listing documents required for an SGX listing to be based on information contained in the US listing and subsequent filing documents to the US Securities and Exchange Commission and/or Nasdaq, together with additional disclosure in compliance with Singapore prospectus disclosure requirements.

SGX FTSE Taiwan Index Futures started trading on Monday

The opening bell for the SGX FTSE Taiwan Index Futures (TWN) rang for the first time on Monday morning. The July TWN contracts will trade through until July 30. The TWN contracts provide exposure to the movements of the underlying FTSE Taiwan RIC Capped Index. Present initial margins require US\$2,310 for one Long or Short position in the TWN. With 95 constituents, the FTSE Taiwan RIC Capped Index is part of the group of FTSE Global RIC Capped Indexes that maintain a quarterly implemented capping methodology. The quarterly capping reduces the concentration of the index to its largest constituents and aims to adhere to the Regulated Investment Company concentration requirements for US registered funds. At each quarterly rebalance, no more than 20 per cent of the index’s weight may be allocated to a single constituent, and the sum of the weights of all constituents representing more than 4.5 per cent of the index should not exceed 48 per cent of the total index weight.