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SG Weekly (17 June 2021 - 23 June 2021)

Market Moves

Even with Fed's assurance that inflation will be transitory, the US market is pricing in 2 hikes in 2023. This is a reversal of a positive environment of benign interest rates and higher inflation, which would otherwise have been good for equities. Potentially higher rates would weigh down on the STI, with its sizeable REIT weighting. The SG-listed REITs remain on the acquisition trail this year, funding through rights, preferential offerings and bonds. Higher interest rates and cap rate compressions could be potential headwinds.

China had its first REIT listings of 9 infrastructure REITs on the Shanghai and Shenzhen stock markets. The yields offered at IPO price were between 4 to 11%. This asset class could open up new avenue for funding for Chinese real estate and utilities sectors.

Brent crude prices have risen 46% YTD to US\$75/bbl, leading to renewed interests in the offshore and marine service providers. Most of these players have re-deployed their vessels to jobs in the installation and maintenance of offshore wind farms when the downturn hit in 2016. Charter rates have improved from the lowest point, but are still 50% below the normal level. Utilisation rates have improved to about 60%. SembMarine announced a 3:2 rights at S\$0.08 to raise S\$1.5bn, after the rights issue in 2020 which raised S\$2.1bn, of which only S\$0.6bn cash was received.

Analysts' Notes

US semiconductor manufacturer GlobalFoundries set to build new \$5.4 billion plant in Singapore, which is slated to be the most advanced semi-manufacturing facility here. With the high demand for semiconductor chips and the global shortage triggered by Covid, the industry is currently having a hard time catching up to orders. GF manufactures semiconductors designed by AMD, Qualcomm and Broadcom, and currently has around 7% of total foundry market share. The investment will add 250K square feet of clean-room space and new office spaces. It is expected to be operational by January 2023 and ramped up to full capacity by 2024. At full capacity, it will add capacity for 450K wafers per year, bringing total capacity from GF Singapore to about 1.5 million (300mm) wafers per year, which translates to a ~40% increase in capacity. This would bode well for consumer electronics and auto manufacturers, which are currently being hit with delays and higher production costs due to the chip shortage. *(Lim Li Jun Tracy)*

IREIT Global launched equity fund raising exercise to raise ~S\$127m in connection with its proposed acquisition in France. The fund-raising exercise includes a placement of ~11m new units to Bond Capital Partners at an issue price of S\$0.6155 and a 214-for-1000 preferential offering at an issue price of S\$0.595. The placement issue price and preferential offering issue price represent a discount of 6.0% and

players, Keppel and SembMarine entered into a non-binding MOU to combine their O&M operations into a listed combined entity, in return for shares in the combined entity. Keppel expects to also receive up to S\$500m cash. Keppel will sell its legacy completed and uncompleted rigs and associated receivables to a separate Asset Co, to be owned by external investors and Keppel keeps up to 20%. Both Keppel and SembMarine will distribute the shares of the combined entity in specie to their shareholders. The valuations and exchange ratios are not yet known. Keppel's net debt will fall, but net gearing will remain largely unchanged after the distribution. The deal is expected to complete only in 2022.

Macro Views

SG May CPI was 2.4% higher yoy (Apr: +2.1%) and +0.8% mom, led by continued higher cost for private transport (May +14.5%, Apr +12.9%), and ride-hiring (May +8.0%, Apr +5.7%). Health insurance has also gone up (May +6.3%, Apr +3.8%) and dental services were more expensive (May +2.5%, Apr +2.3%).

Unlike the 2020 lockdown, the partial lockdown from mid-May did not cause pantry loading, going by the muted increase of food prices. In fact, prices of food serving services were up 1.2%, with hawker centre food (+1.6% yoy) and food courts & coffee shops (+1.3%) leading the pack. Demand and prices for household appliances (+2.3%), furniture (+3.4%) and furnishings (+7.3%) continued to hold up, while apparel and footwear were still falling (May: -4.1%, Apr: -4.9%).

Accommodation cost were +0.9% yoy and +3.0% mom. The manufacturing and construction industries are turning to Malaysian workers to fill the void from foreign workers from the tradition source countries. This raises demand for rental

total number of issued units is expected to increase by ~212m units. At S\$0.66 per unit, IREIT Global is trading at a yield of 7.6%. Year-to-date, SREITs have raised ~S\$2.1b from various equity fund raising exercises, with MIT raising the highest amount at ~S\$823m through a combination of preferential offering and private placement. *(Lam Wang Kwan)*

Company News

Alset International Limited (BBG: ALST) announced that its US indirect subsidiary (effective stake: 99.99%) had partnered Tesla to deliver eco-friendly homes. Alset EHome entered into a strategic agreement with Tesla for an initial supply of photovoltaic solar panels, powerwalls and EV chargers to be installed in eco-friendly homes (Ehomes) in Texas, with a target to deliver a total of 100 Ehomes in 2021. In addition, Alset's future development plan includes a sustainable energy community with 650 Ehomes featuring Tesla products in Texas. Alset believes the model housing ecosystem of the future is one built on sustainable carbon footprint and is in close collaboration with Tesla to aim to achieve this. Furthering the rollout in US, Alset intends to expand this concept on a global scale.

MC Payment Limited (BBG: MCPP) had received an LOI from Indonesia-based payments provider, PT Dompot Harapan Bangsa (OY!) to take an equity stake. The LOI is not legally binding and negotiations are still ongoing. If successful, OY! will start off working with MC Payment's associate, MCP Indo Utama

headline inflation at 0.5 – 1.5%.

China's National Food and Strategic Reserves Administration began releasing copper, aluminium and zinc stocks to downstream processors. It will do so in batches to ensure supply and stabilize prices in the domestic markets. Prices of these commodities have eased 5 to 10% from the peak in early May. In addition to the above, other contributing factors are: 1) slower credit growth and tighter regulations in China weighing on property and infrastructure investment; 2) supply chain constraints (port congestions, parts shortage) resulting in lower production; 3) softer demand for Covid-related needs such as consumer electronics, PPEs and medical devices; 4) a stronger US\$.

China cracks down on cryptocurrency mining in Inner Mongolia, Xinjiang and Sichuan. This wiped out US\$300bn worth of value in cryptocurrency traded on the digital trading platforms. Coinbase market cap has halved to US\$47bn from US\$85bn at its Nasdaq debut on 14 Apr.

On the other hand, China People's Bank of China began trials of the digitized yuan since April 2020. If widely adopted and accepted, de-dollarization could become a possibility.

regionally. According to CEIC, Indonesia has the second-largest currency in circulation in Southeast Asia at an annualised US\$1.5 trillion in 2020. Some of OYI's key investors include Softbank Ventures, AC Ventures and Pavillion Capital, a subsidiary of Temasek Holdings.

Q & M Dental Group (S) Limited (BBG: QMDNF)'s artificial intelligence company EM2AI is preparing for clinical trials to get approval for its AI platform from HSA. The AI platform aims to reduce the chance of misdiagnoses and help to recommend proper dental treatment plans. Once approved, EM2AI's product will be rolled out at Q & M clinics before being monetised. Apart from its core dental business, Q&M is now also looking into investing in startups, especially in the fields of AI and medtech.



