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## SG Weekly (24 June 2021 - 30 June 2021)

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### Market Moves

Singapore goes into overdrive to achieve the target of 67% of the population fully vaccinated by Aug 9. The plan to roll out a physical event with spectators for the National Day Parade is definitely exhilarating, raising hope for a return to 'more normal' soon. However, resurgence and persistent high case counts and renewed lockdowns in our neighbours in Malaysia, Thailand and Indonesia could be a drag on SG corporate earnings recovery.

Malaysia extended the loan moratorium for SMEs and individuals, due to expire at end Jun, to end Dec. Unlike previous rounds, the borrowers have to opt in. While this could raise credit provisions, we think the impact is small for the 3 local banks, which have 5-10% of loans under moratorium, and these are backed by security.

The Thai government again asked BOT to review the ceiling for interest rates for credit cards and personal loans. The rates were reduced last year to 16% (from 18%) for credit cards and 24% (from 28%) for personal loans. Most of the larger listed banks, other than the specialized hire purchase companies, are already offering rates at below this level. Nonetheless, the move is negative for sentiment on the banking sector. UOB and OCBC have exposures in Malaysia and Thailand.

MAS' managing director Ravi Menon still believes SG GDP could exceed the 4-6% forecast range

### Analysts' Notes

**SG factory output posted a 30% yoy rise in May**, from the low activity with last year's circuit breaker shutdown. Month-on-month, output grew 2.3% from April, marking this its seventh month of increase. The growth in factory activity continues to be supported by the electronics and precision engineering production, exacerbated by the worsening chip shortage. The latest manufacturing performance also includes a boost from the biomedical cluster, which rose 35.6% in May (reversing a 22.7% decline in April), due to higher export demand for medical devices. Seeing that many businesses are still put in queue on their semiconductor orders as suppliers have backlog orders to fulfill, we expect SG's manufacturing sector will continue its growth trend in the next HY, supported largely by the demand for semiconductors. Chip shortage will continue to be a headwind to supply capacity for tech end-products, e.g. automobiles, PCs, smartphones, gaming consoles and other consumer electronics. South Korea and Japan had already reported slowdowns in factory output, partly due to disruptions in the auto sector due to chip shortages. *(Lim Li Jun Tracy)*

shot in the arm for property developers and agents, showing less likelihood of new cooling measures to deter demand and price increase. MAS also commented that it is conducting additional stress tests to assess whether it is necessary to extend the current dividend caps on local banks. Given that the banks' 1H results are due at end Jul/early Aug, we believe the announcement of the cap removal will come soon. However, we do not expect the FY20 dividends that were held back to be distributed, unlike the US banks. Going by this assumption, the banks are trading at yields of 3-4%, similar to pre-COVID levels.

Malaysia closed its tender for up to five digital banking licences on 30 June. Among the SG contenders are Singtel/GRAB, IFast-led consortium and Zico/Green Packet consortium. The minimum capital required is RM100m and the asset size is capped at RM3bn at the foundational phase. The licence will be issued in 1Q22. If it is successful, we believe this is a quantum leap for IFast, to capitalize on its existing platforms to reach out to a population size >5x that of Singapore.

### Macro Views

**CN June manufacturing PMI fell marginally to 50.9 (May: 51)**, in line with other Asian manufacturing bases such as Japan (Jun: 51.5, May: 53), Taiwan (Jun: 57.6, May:62), S Korea (May: 53.7, Apr: 54.6), Vietnam (May: 53.1, Apr: 54.7), and even Singapore (May: 50.7, Apr: 50.9). The slower momentum could reflect lower demand for COVID supplies such as PPE, gloves from US and EU and component supply bottleneck. This contrasts with US' (Jun: 62.6, May: 62.1) and EU's (Jun: 63.1 May: 63.1) PMI, where high rate of vaccination has enabled the economies to re-open and lift consumer confidence. On a positive note, CN input prices fell sharply to 61.2 (May: 72.8), as commodity

### Company News

**MS Holdings (BBG: MSHL) posted net profit of S\$3.2m for FYApr21, a turnaround from net loss of S\$1.3m**, as it booked S\$5.2m one-off gain from disposal of a property at 11 Gul Drive. MSHL rents out cranes to customers from industries such as construction, marine, logistics, and O&G. Revenue fell 29.7% to S\$9.8m as lockdowns impacted operations. Despite a gradual resumption of construction activities, manpower issues due to travel restrictions continue to limit job progress. Net gearing improved from 1.0x to 0.6x. It is trading at 0.4x P/B.

**Yinda Infocomm (BBG: YINDA) completed the**

**SG construction sector attracts investments from strategic investors.** Lum Chang received S\$40m injection from 2 loans from NEC Corporation's affiliates. One of the 2 loans has a conversion feature to convert into new Lum Chang shares at S\$0.44 each (current price S\$0.405), or a stake of 10.8%. Note that Lum Chang had a failed attempt to privatise at S\$0.38 in late 2020. Earlier in 2021, Koh Eco-Engineering also add a strategic investor Penta-Ocean Construction Co., Ltd who injected S\$38m via 810m new shares at S\$0.047 (current price S\$0.062), taking up a 28.8% stake.

SG construction sector is emerging from the trough in 2020. But a meaningful recovery hinges on the easing of shortage on manpower. Underlying demand remains strong with construction demand expected to reach S\$23-28bn, up from S\$21.3bn in 2020.

investment in new businesses, and the remaining 10-20% towards funding its working capital. At current price of S\$0.30, market cap has risen to S\$252.6m. SAC Capital was the placement agent.

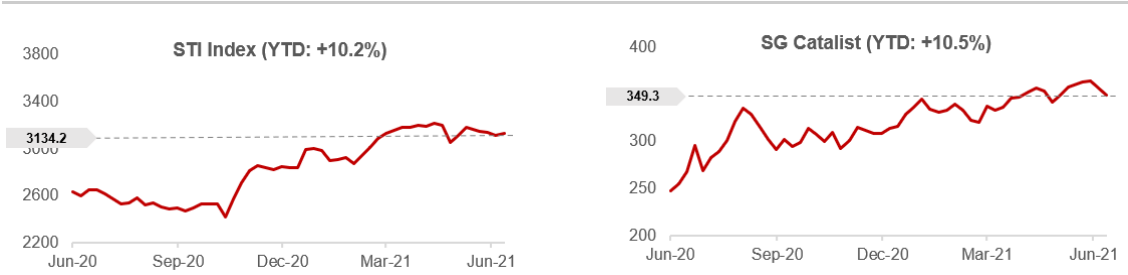
**Mary Chia Holdings (BBG: MCH) turned in net profit of S\$0.5m (FY20: net loss S\$9.3m) on 2.4% rise in revenue to S\$9.0m for FYMar21,** despite COVID restrictions in Singapore and Malaysia which impacted the beauty and wellness services industry. The acquisition of 80% Monsoon from Nov 20 added S\$3m to revenue, while the lockdowns shaved S\$3m from its existing business. It also enjoyed S\$1.9m in government grant and rental rebate.

**Rich Capital Holdings (BBG: RCH)'s subsidiary, Merco Pte Ltd received approval from BCA for the contractor registration status,** under category CR01 for "Minor Construction Works Single Grade". With this status, Merco can tender for government construction assignments under this category, allowing opportunities for them to pursue more projects in both the private and public sectors.

**REVEZ Corporation (BBG: REVEZ) announced that its subsidiary, REVEZ Motion had signed a distribution agreement with a Silicon Valley-based cybersecurity platform, Ridge Security to resell RidgeBot security solutions in Singapore, Philippines, Australia and New Zealand.** RidgeBot is an automated penetration testing system used to identify business risks and vulnerabilities with aims to prevent an attacker from hijacking a firm's network. This partnership will complement REVEZ Motion's existing portfolio of solutions to deliver next-gen cybersecurity against evolving threats.

**IX Biopharma Ltd (BBG: IXBIO), announced**

WaferiX sublingual delivery technology. The inclusion in the Australian Register of Therapeutic Goods list of drugs approved for exports will allow for the supply of Xativa to Brazil, to be distributed and marketed to doctors and patients. This will enable IXBio to grow beyond Australia and expand its footprint as a medicinal cannabis provider. Market value for medicinal cannabis is projected to surge from US\$41.5m in 2021 to US\$103.5m in 2024.



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