

View this email in your browser



SG Weekly (23 September 2021 - 29 September 2021)

Market Moves

Bonds, equities and Asian currencies faced a volatile week, overwhelmed with concerns over spillover from Evergrande's debt debacle, and a standoff in US Congress to pass a bill to fund the government through end Dec and raise the level of debt it can bear. The lawmakers have to find a solution by Sep 30, or US will face a default by Oct 18. US 10Y yield gained 22bp to 1.55%, lifting banks but depressing REITs and real estate sectors. Growth sectors, such as tech, would find it more costly to raise funds.

The energy crunch that started in Europe has spread to UK and China, attributable to bad weather conditions, higher coal price, and a cut back in fossil energy to meet green targets. Since August, China has implemented power cuts and power rationing. Together with the regulatory and credit tightening, we see downside risk for China's Q3 and Q4 GDP growth. Lower output from China would also add to supply constraints, such as fertilizers, ramping up cost of production. Food and energy sectors are expected to outperform in current inflationary environment.

Singapore began a one-month movement restriction from 27 Sep as new infection cases edge nearer to 2,000. At the same time, the government rolled out S\$650m in aids to help F&B, recreation, arts and sports businesses tied over. The service sectors bear the brunt and footfalls at malls are conspicuously lower, but we do not see pantry stocking at supermarkets.

Analysts' Notes

International Cement Group is building a new US\$150m cement plant in Kazakhstan in an 87.5:12.5 JV partnership. The new plant is expected to grow the Group's current annual production capacity by 1.5 million tonnes. Construction is slated to commence by end 2021 and is expected to complete within 18 – 24 months. The new plant will be located in the southern part of Kazakhstan and will provide direct export routes to Kyrgyzstan. The new site is expected to complement the Group's existing operations in the south-eastern region. The total investment will be funded by internal sources and third-party financing. We believe that the new plant will allow the Group to further ride on the robust cement demand in Central Asia by strengthening its presence in Kazakhstan and expanding into new market in Kyrgyzstan. ICG is currently trading at 0.7x P/B and 3.3x EV/EBITDA. (**Latest Report**) (*Lam Wang Kwan*)

vaccinations.

Hopefully the on-off movement restrictions would not cause a permanent cut back in consumption spending. Singapore's population fell for the second consecutive year (Jun21 -4.1% yoy; Jun20: -0.3%) with declines for both residents (-0.3%) and non-residents (-10.7%). There were 3.1% less babies in 2020 for residents, and 1.8% less for total population. As median age rises to 41.8 years, we expect higher savings and lower propensity to spend.

Two residential sites at One-North received the highest bids of S\$1,250 psf ppr and S\$1,230 psf ppr. Breakeven price is expected to be at least S\$2,000 psf, a level that is likely to push the envelope for buyers' affordability.

Macro Views

SG core inflation inched up to 1.1% in August (from 1% in July), mainly driven by electricity and gas (+9.7%), food (+1.5%), services (+1.2%). Retail dropped slightly (-1.0%). Headline inflation eased slightly to 2.4%, from 2.5% in July, due to lower private transport inflation of 10.8% from 12.6%.

SG factory output rose 11.2% in August, marking its 10th straight increase, lifted by the linchpin electronics cluster. July's output grew 16.4% yoy. The decline was in line with the weak momentum with increased restrictions alongside higher number of cases regionally. Electronics production rose to 15.4%, precision engineering to 22.9%, but biomedical industry shrank 0.6%. All other manufacturing industries were in the black in August.

Japanese Finance Minister Taro Aso called on Tuesday for a combination of monetary and fiscal policies to help boost inflation towards the Bank of Japan's 2% inflation target, saying easy

Company News

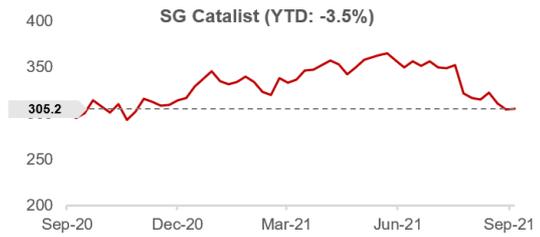
Atlantic Navigation Holdings (Singapore) Limited (BBG: ATL) sold two of its off-hire vessels, AOS Star and AOS Energy to Norden Gabon A/S for US\$1.95m. Total net book value for the vessels was US\$2.92m and the Group is expected to recognised loss on disposal of an approximate US\$1.12m. These are towing tugs approaching 15 years of age. The disposal will lower the average fleet age to 6.7 years, reduce operational cost and augment cash flow. Management continues to look for opportunities to sell its vessels and re-profile its fleet as it pivots more towards being a marine project manager providing higher value-added services.

Aedge Group Limited (BBG: ADGE) established a strategic partnership with Tagvance Pte Ltd to collaborate on future requests for quotation for Safety and Security projects in local construction industry. Tagvance provides real time tracking solutions which help to determine the location of people and assets in industrial spaces, hence, making operations safer and

around 0% for 10-year bond yields at its two-day rate review last week.

bidding for projects.

JP manufacturing activity growth slowed in September, according to flash estimates, with PMI declining to 51.2 from 52.7 in August. Headwinds included disruptions of parts supplies due to the delta variant, and also the global semiconductor chip shortage.



Copyright © 2021 SAC Capital Private Limited, All rights reserved.
www.saccapital.com.sg

Want to change how you receive these emails?
You can [update your preferences](#) or [unsubscribe from this list](#).