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SG Weekly (30 September 2021 - 6 October 2021)

Market Moves

Two key events have sparked joy in the markets: 1) Molnupiravir, the first potential oral therapy for COVID developed by Merck and Ridgeback, which if approved for use, could hopefully return us to a 'more normal' life sans swabs and quarantine; and 2) US Security Advisor Jake Sullivan will hold talks with China's top diplomat Yang Jiechi in Zurich that might path the way for more communication and reduce tensions between the two countries.

Oil prices are up 24% from August, and approaching the last peak in Oct 2018. Despite calls to raise output, OPEC+ sticks to its plan to add 400,000 bpd in November. Supply is constrained by under-investment by oil majors in the last 2 years, cutback on funding for fossil fuel projects, unfavourable climate conditions for renewable energy, and insufficient investments in energy storage. However, given the backdrop of slowing growth in China, the supply/demand imbalance might be less skewed in the coming quarters.

Stronger oil prices benefit Malaysia and Indonesia's coal and CPO (as biodiesel) exports, but hurt other Asian oil importing countries. However, Indonesia coal sector faces headwinds from dwindling investor appetite for coal projects and a carbon tax from April 2022 at a floor rate of 30 Rp/kg of CO2 equivalent on goods and activities that emit greenhouse gas. On the other hand, CPO players will be able to add new

Analysts' Notes

Keppel Corp's proposed privatization offer of SPH comprises S\$0.668 in cash, 0.596 units in Keppel REIT and 0.782 units in SPH REIT. At current prices, this equates to S\$2.06/sh, a 5.5% discount to SPH's proforma NAV of S\$2.18 (after the restructuring of the media business) disclosed at FYAug21 earnings release. Assuming no change in the terms of the offer, the deal is attractive for Keppel, in our opinion. We see value enhancement with the potential listing of SPH's student accommodation assets and aged homes, revaluation of data centre, digital assets such as SG CarMart, and lower gearing reduced stake in SPH REIT. Post the offer, Keppel's stake in Keppel REIT and SPH REIT drops to 20%. *(Peggy Mak)*

permit.

PepsiCo announced its plan to raise prices in Q1 next year, to offset supply chain issues and rising raw material prices. We expect more companies with pricing power to adjust prices to cover higher input costs and wages. In Singapore, these include the upstream food producers, healthcare, utilities, energy and tech OEMs. The sectors with weaker pricing power are office and retail landlords, hospitality and entertainment. Rental reversions were -8.2% and -10.8% at SPH REIT's retail malls in Singapore and Australia, respectively.

Macro Views

SG August retail sales fell 2.8% yoy (July: +0.2%), on lower vehicle sales (-17.5%) due to a reduction in COEs. Excluding motor vehicles, the RSI was flat yoy and over July. While there was increased shopping at department stores (+8.6% mom) and food and alcohol (+6.4% mom) with more people readied to return to office, this is likely to taper off in September and October as COVID measures are again tightened. Still, Aug sales were 8.3% below Aug 2019's level, as tourist arrivals remained low. At 15,879 for Aug 2021, this is up 78.2% yoy, but 99% below 1.7m visitors in Aug 2019.

According to SIPMM, SG September PMI fell 0.1 pt mom to 50.8, but electronics PMI gained 0.2pt to 51.2. This contrasts with IHS Markit Singapore PMI, which reported 53.8 (Aug: 52.1) indicating a faster expansion of the private sector. IHS Markit PMI for other Asian countries also improved. The only exception is Taiwan at 54.7 (Aug: 58.5). Though still in contraction, Malaysia's PMI gained 4.7pt to 48.1, and Thailand added 0.6pt to 48.9. Vietnam's strict lockdown kept PMI flat at 40.2. Ongoing commodities' price surge could lead to production cuts in China and is negative for global trades.

Company News

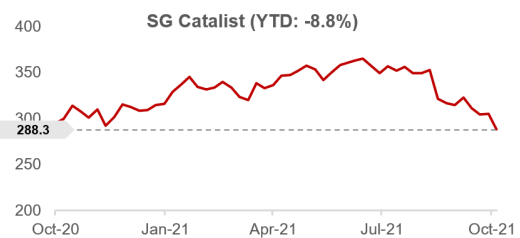
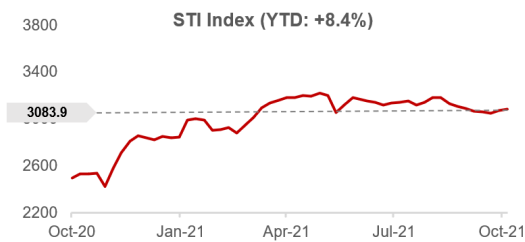
Aoxin Q&M Dental Group Ltd (BBG: AOXIN) entered into a conditional SPA with the shareholders of Acumen Diagnostics Pte Ltd (Acumen) for 49% stake in the company. The consideration of S\$29.4m is to be paid in new AOXIN shares at S\$0.231 per share. Upon acquisition, Q&M Dental Group's effective stake in Acumen will increase to 67.15%.

iXBioPharma Ltd (BBG: IXBIO) entered into a 10-year license agreement with China Resources Pharmaceutical Commercial Group Co Ltd (CRPCG) to license, supply and distribute Wafesil used in the treatment of erectile dysfunction in China. CRPCG is the 3rd largest pharmaceutical distributor in China by revenue and has an extensive distribution network of more than 7000 hospitals, 47,000 community medical institutions and 97,000 retail pharmacies in the country. Under the agreement, IXBIO will supply Wafesil to CRPCG at a mutually agreed price and receive upfront licensing fee prior to commercialisation of Wafesil.

OxPay Financial Limited (BBG: OPFL) had partnered NULS and veriTAG to be the exclusive payment service provider for BULS-veriTAG

Q3 HDB resale prices rose 12.3% yoy and 2.7% qoq (Q2: 3.0% qoq), the 6th consecutive quarterly increase. This is a supply-led shortage that has narrowed the price gap between HDB and mass market private residential properties. Prices of private residential are also held up by strong foreigners' interests in the luxury units. We think any measures to curb property price increase will need to first address the HDB supply bottleneck.

be used to pay for purchases priced in SGD. Stable tokens are a form of cryptocurrency that is pegged to underlying real-world assets.



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