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This is SAC weekly newsletter for 20 Apr 2022. Thank you for reading.

### Market Moves

All three local banks are scheduled to release 1Q earnings report on 29 April. We expect lower fee and wealth management income with lower trading volume, but expect improvement in net interest margins. Recent rout in bond prices could impact NAVs, but would also lift ROE. Rising mortgage rates continue to be the tailwind for growth in FY22. Launch of digital banks in 3Q22 is not expected to dent earnings for the three incumbents.

The Singapore market is also buoyed by strong March NODX, which rose 7.7% yoy (Feb: +9.4%), but fell 2.3% mom sa (Feb: -2.9%). Semiconductors continue to lead the growth (Mar: +21.3% yoy). However, growth could soften in 2Q given the weakness in Europe and China as the Ukraine war and COVID restrictions drag on.

China's 1Q22 GDP grew 4.8% yoy (4Q21: +4.0%), and 5.3% qoq (4Q21: +6.1%). The strength in Jan-Feb masked severe weakness in March, weighed down by COVID restrictions. March retail sales fell 3.5% yoy (Jan-Feb: +6.7%), with contractions in catering (-16.4%), auto sales (-7.5%), home appliance (-4.3%), pointing to erosion in consumer confidence and cut back in spending on big-ticket items. Growth of communication appliance sales fell from +6.2% in Jan-Feb to a mere +0.4% in March. The lockdown in Shanghai have disrupted manufacturing operations and raised running costs. 2Q22 GDP is expected to decline over 1Q, as the slump in March imports (-0.1% yoy vs +15% in Jan-Feb) despite higher commodity prices will translate into lower output in the next few months. We expect more policy easing to cushion the decline, which would weaken RMB. YTD, RMB has weakened 1.4% against US\$.

Nanofilm reported 27% rise in 1Q22 revenue, as it delivered on orders delayed from 4Q21 caused by component shortage. Though the management sounded confident of growth in FY22 (FY21: net profit +8.0%), we remain cautious. 1Q is typically a slow quarter that accounts for <20% of full year's revenue. The lockdowns in Shanghai could impact 2Q operations and downstream demand, in our view.

That said, a slowdown in China might alleviate the supply chain constraints and cap the rise in commodity prices. Copper price have eased 6.1% to US\$4.6/lb from the peak in early March when the Ukraine war erupted. Food prices, however, are likely to stay high due to the cut in supply of staples such as wheat

and corn from Russia and Ukraine. Reduced fertilizer exports from these countries will affect crop yields for subsequent harvesting seasons globally.

### Analysts' Notes

**China Sunsine Chemical <Management meeting>** | China Sunsine is a Chinese leading producer of rubber additives (Rubber accelerators, insoluble sulphur, antioxidant) required in the production of rubber tyres. Domestic sales in China make up 61.4% of its total revenue. Strict restrictions in China to arrest Omicron cases have disrupted production along the automotive supply chain. Major automakers and auto part suppliers including Tesla, SAIC Motors and Bosch have temporarily closed their manufacturing facilities. Tyre makers in Shan Dong were likewise affected. Tyre makers recorded utilisation rates of 56.55% (-21.48 ppt yoy) end March and have yet to see any improvement as utilisation rate stayed low at 56.38% as of mid-April. Even as authorities allow automakers to gradually reopen their production lines, mobility restrictions limit the transportation of auto part supplies and limit production volume. Weakened downstream demand is expected to take a toll on China Sunsine's 1H22 sales. Speed of the sector's recovery is key to rebound in sales for the Group. *(Lim Shu Rong)*

**Yangzijiang Shipbuilding** | Yangzijiang Financial Holding (YZJFH) is expected to commence trading on 28 April 1 pm. This is a spin-off from Yangzijiang Shipbuilding Holdings (YZJS). The last trade date to be entitled for the 1-for-1 distribution-in-specie is 21 April. Book value of YZJFH is about S\$4.2bn, or S\$1.08/share. It has a loans book of about S\$3.9bn, with the bulk maturing at end 2023, and credit provisions of 10.3% as at end 2021. The share of loan portfolio will fall from 70% currently to 30% by 2024 as it will raise external funds to grow fund management operations. YZJFH will be included in the STI. The book value of YZJS' shipbuilding and shipping business is S\$3.4bn or S\$0.88/share. *(Peggy Mak)*

### Company News

**Enviro-Hub Holdings Ltd** | Enviro-hub is growing its healthcare product portfolio by venturing into retail pharmacy business. The Group has opened its first pharmacy, R Pharmacy in Klang Valley, Malaysia. Enviro-hub plans to expand its retail network to 25 outlets by end 2022.



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