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SG Weekly (21 October 2021 - 27 October 2021)

Market Moves

REITs kicked off the Q3 results season. Thus far, average reported Q3 DPU grew 8.9% yoy and 1.9% qoq. Going by URA's data, office and retail rents fell -3.5% qoq -2.7% in Q3, and value declined -2.4% and 0% qoq. With tenants' intention to downsize space, we think landlords will prioritize occupancy over rents to preserve cashflow, pointing to weaker rents ahead. The climb in SG 10Y bond yield to 1.77% (+178 bps in Oct) is a headwind for REITs. Industrial REITs could perform better, underpinned by rising industrial output and PMI expansion in the major economies. Our preferred REIT is Mapletree Industrial Trust.

Singapore's Sep manufacturing output fell 3.4% yoy (Aug: +11.2%), but rose 9.4% if the volatile biomedical manufacturing is excluded. Precision engineering (+30.2%) and electronics (+4.9%)

Analysts' Notes

Property | In light of the rise in HDB prices thus far since Covid-19 began (9M21 saw a record increase by 9.1%, highest in 10 years), new measures finally came in on 27 Oct, under the new prime location public housing (PLH) model. Aimed at keeping prime HDB flats affordable and inclusive, new BTO flats (from Nov 2021's launch onwards) will be subjected to a 10-year MOP (from the current 5 years). Additional subsidies will be given, although, at the point of resale, flat owners would have to pay a percentage of the resale price to HDB, with the exact percent figure to be announced in Nov.

China's Modern Land became the latest to default among Chinese property developers after it reneged on a US\$250 million, 12.85% bond on Monday. Evergrande's 30-day grace period for an interest payment on a US\$1 billion ends on Oct

semiconductor equipment to grow in line with Intel's 2022 capex budget of US\$25-28bn, which is significantly above 2021's US\$18-19bn., benefiting companies such as AEM and UMS. Transport engineering rose 12.9%, driven by aerospace (+21.7%) and marine and offshore (+9.9%). Both sub-sectors, however, are still >30% below 2019's levels. But we think aerospace activities will pick up faster with airlines keen to restore flights amid pent-up demand for air travel.

Singapore banks, due to report Q3 earnings next week, are expected to post a stellar set of performance, lifted by recovery in business activities and higher wealth management income. There is still ample liquidity in the system, going by IFast's strong AUA growth of 27.2% for the 9 months to S\$18.4bn, that supports higher fee income. Higher yields are tailwinds for banks, though we believe banks are fairly-valued at current prices. We think the market is pricing in a write back of credit provisions, just like the US banks, which we think is premature.

US FCC issued a ban to China Telecom's US unit to operate in the US. Potentially more Chinese companies might be named. This is a step change in the progress taken by the Biden

companies' debt default risks to the financial industry is "generally controllable". Home prices will likely drop we feel, with lower demand and tighter government policies such as the pilot property tax levy that will begin in some cities. With the string of defaults, funding will likely be more difficult for developers. *(Lim Li Jun Tracy)*

iX Biopharma | Has plans for a spin-off of the specialty pharmaceutical company with its WaferiX drug delivery technology on the HKEx via Chapter 18A of the Listing Rules. The rule facilitates the listing of pre-revenue biotech companies with a market cap of at least HK\$1.5bn (S\$250m). The spinoff will raise iX's market cap from S\$182m currently.

iX has entered into an out-licensing agreement with China Resources Pharmaceutical Commercial Group Co., Ltd whereby CRPCG will register, manufacture, distribute and promote iX's pipeline of products in China. The first product, Wafesil for treatment of male erectile dysfunction, is already approved for use in Australia. Wafermine for treatment of acute pain has completed Phase 2 trial and ready for out-licensing arrangement. The potential market size for Wafermine is US\$29bn. *(Peggy Mak)*

suppliers to Huawei and SMIC were granted ~US\$100bn worth of licences to supply goods and technology from Nov to April 2022 despite their being on a US trade blacklist. The news is negative for HK/China and the tech sector.

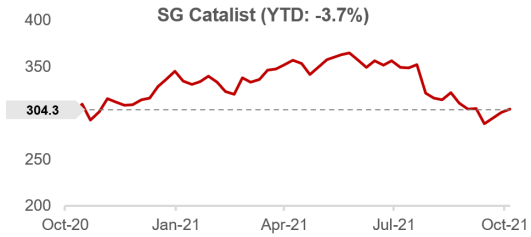
Macro Views

Company News

Vallianz Holdings Limited (BBG: VALZ) had secured a contract to design and construct 3 research vessels (two 27m and one 60m) for Fisheries Research Institute of Taiwan (FRI). The vessels will be deployed for the study of fisheries in Taiwan waters. Fabrication works are to be carried out by its wholly owned subsidiary PT United Sindo Perkasa at its Batam Shipyard. Delivery of the 27m vessels is expected to take place in 2023 while the 60m vessel will be delivered in 2024. With an oversupply of OSVs in the market, shipbuilding activities from the offshore sector are hard to come. Taking on this contract helps to widen the breath of the Group's shipbuilding capabilities. Pivoting to new and rising markets such as LNG and renewables could also see more applications of their expertise.

UG Healthcare Corporation Limited (BBG: UGHC) had launched Nitrex and Sibille Safe, a

provides physical protection from cuts, thermal protection puncture and abrasion resistance, chemical resistance and better grip for dry, wet and oil conditions. The Sibile safe range provides dielectric and arc flash protection.



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