1 Oct 2018, 8.15am/11.15am Morning Call/Webinar

PhillipCapital
Your Partner In Finance

Company Update
United Overseas Bank
Sembcorp Industries

Sector Update
Land Transport

US Update
5 key points from September FOMC meeting

HK Update
HK IPO performance

Weekly Musings
Week 40

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United Overseas Bank Limited

Loans growth intact and least affected by trade war

Tin Min Ying

Phillip Securities Research Pte Ltd

1 October 2018

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United Overseas Bank Limited

(BUY (Maintained), TP: S$33.69, Last: S$34.50)

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Expect loans growth to be on target

Trade war impact:

- 10-15% of UOB's loans book is trade related & bulk is anchored out of South-East Asia.
- We do not expect the trade war to pose significant risks to trade loans growth unless it escalates into an overall global slowdown

Property cooling measures impact:

- UOB has the largest proportion of property-related loans (50% of total loans) as compared to DBS (42%) and OCBC (42%).
- Due to drawdowns of previously approved loans, weakness in the property-related loan market may only be felt next year.

Rising interest rates not expected to have near-term impact on NPL

- Housing loans made up 22% of total loans
- Unemployment being the driving factor on defaults on housing loans, not interest rates.
- Assessed using a 3.5% rate on loan repayment, higher than the current interest rate level.

Least exposed to China and trade war repercussion

- UOB has the largest percentage of Singapore loans (2Q18: 52% of total loans) as compared to DBS (47%) and OCBC (41%), and
- The least exposure to Greater China loans (2Q18: 15% of total loans) as compared to DBS (16%) and OCBC (26%).

O&G sector no longer a cause for asset quality concerns

- Although the O&G sector has stabilised, it is unlikely to see consistent recoveries every quarter.

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Expect lower credit costs

- Long-term credit cost averages around 28bps.
- Credit cost is currently at a low of 11bps for 1H18.
- Hence in the current benign environment coupled with the possibility of recoveries, management's credit cost guidance of 20-25 bps is reasonable, and we put in our credit cost assumption at 20bps.

Potential for higher dividends remain a catalyst

- Guidance for full-year dividend payout is at 50% payout ratio (special dividend is part of this payout ratio), subject to a minimum CET1 ratio of 13.5%.
- UOB's 2Q18 fully loaded CET1 was already higher than its peers at 14.5%, and
- By adhering to a 50% dividend pay-out guidance, **we increase our dividend forecast to S$1.20/share (previously S$1.05/share)** to give dividend yield of 4.5%.

Funding pressure as UOB bulks up on time deposits

- In anticipation of steeper interest rates, UOB has been strengthening its funding position.
- Total deposits rose S$13.7bn QoQ in 2Q18, of which S$10.8bn came from fixed deposits. In comparison, 1Q18 total deposits only rose S$1bn QoQ.
- The aggressive sourcing of funds even resulted in lower LDR ratio in 2Q18 of 85.7% (1Q18 LDR: 86.7%). As the bulk of the deposits raised were pricier fixed deposit, it resulted in a squeeze in interest margins, albeit in the near term.

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United Overseas Bank Limited

(BUY (Maintained), TP: S$33.69, Last: S$34.50)

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Investment Actions

- Maintain BUY with target price of S$33.70 (previous TP S$34.50) based on the Gordon Growth Model.

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Sembcorp Industries Ltd

Renewing portfolio and a spark in India

Chen Guangzhi
Phillip Securities Research Pte Ltd
1 October 2018

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Sembcorp Industries Ltd

(BUY (Maintained), TP: S$3.70)

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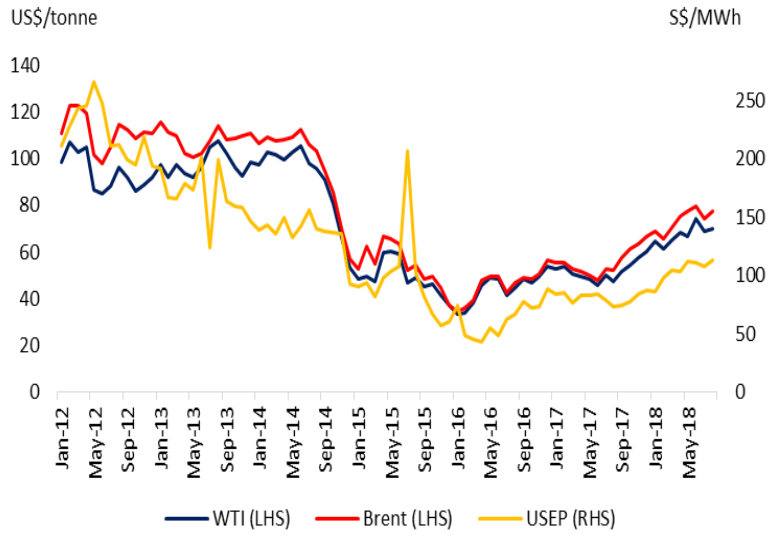
Utilities' Singapore integrated facilities offer stability away from weak power market

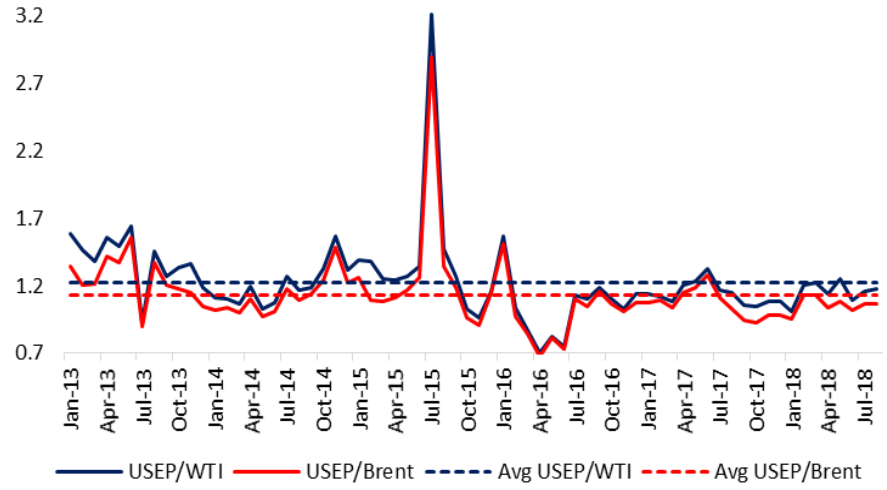
- Singapore power market remains competitive due to excess supply (reserve margin ~90%).
- Uniform Singapore Energy Price (USEP) has bottomed out since 2Q16.
- Intense competition is still squeezing margins.
- The current margin is still below the 5-year average level.
- SCI offers four integrated energy sources to customers, namely power, gas, industrial wastewater treatment and gas.

Figure 1: Improving USEP driven by rising oil prices



Source: Bloomberg, EMA, PSR

Figure 2: FX adjusted ratios (USEP/Oil price) remain low



Source: Bloomberg, EMA, PSR

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Sembcorp Industries Ltd

(BUY (Maintained), TP: S$3.70)

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Additional source of income from the sale of green certificates to Facebook

•Facebook will establish a 170,000 square meter data center in Singapore with US$1.4bn investment.

•SCI announced a 20-year deal of renewable energy credit to Facebook (capacity of supply: 50MWp).

•Estimate the annual revenue of the deal to be c.S$145k.

•At the moment, the majority of the solar power generated is supplied to the grid.

Utilities' China benefited from seasonality in 1H18

•The Chongqing Songzao plant is the primary revenue and profit contributor for power segment in China.

•Favorable seasonality resulted in the strong demand for power, translating into longer servicing hours.

•It is expected that the ongoing power demand and will grow at a stable pace.

Utilities' India is turning around due to improvement in power market

•Long-term PPAs provide more visibility for plants in profitability.

•The market situation has reversed recently.

•3Q18 should see some weakness in revenue at SGPL as power prices trend lower.

•More encouraging has been the recent sharp in power prices due to decline in hydro and renewables output.

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Sembcorp Industries Ltd

(BUY (Maintained), TP: S$3.70)

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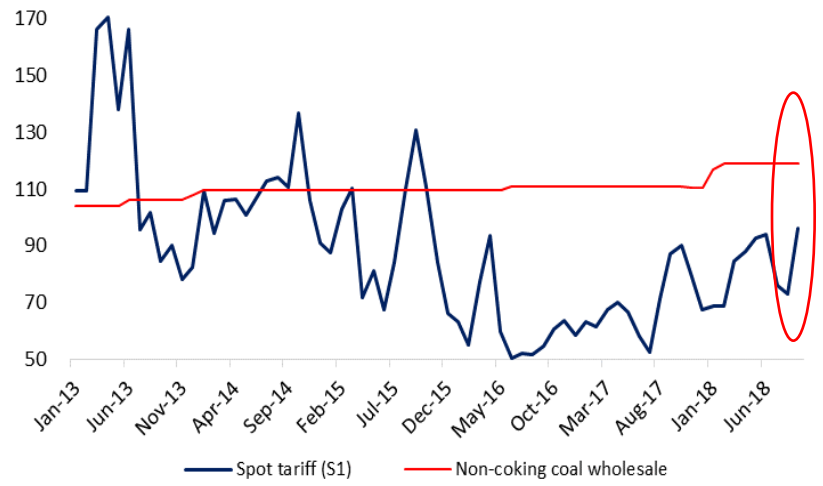
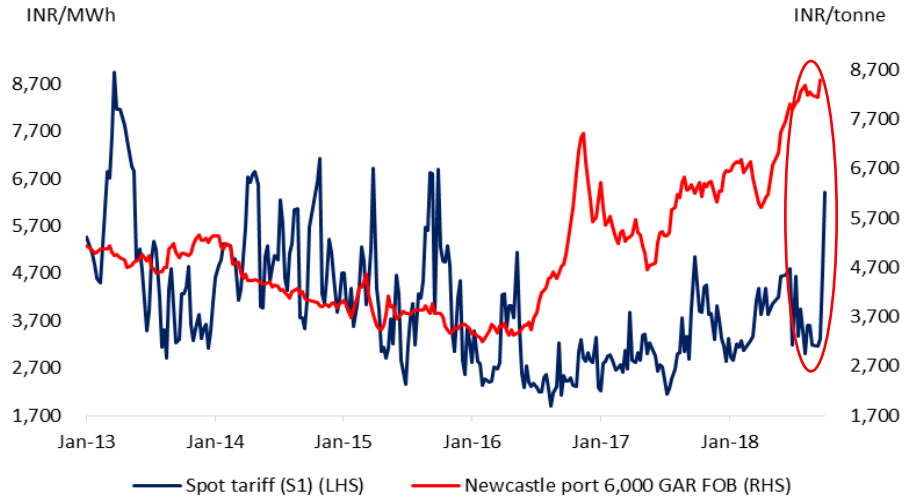
Figure 3: Narrowing gap between spot tariff and domestic thermal coal price



**Both spot tariff and non-coking coal are based on 2012 level (base = 100)*
Source: IEX, CEIC, PSR

Figure 4: Narrowing gap between spot tariff and imported coal price



**Newcastle port 6,000 GAR FOB is the benchmark for imported coal to India*
Source: IEX, Bloomberg, PSR

Fast ramping power plants, the future next to renewables

- UK Power Reserve is the largest flexible energy player in the UK.
- Supplement the decline in renewable energy with its gas fuelled rapid response (2 to 5 minutes) small-scale power plants.

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Land Transport Sector

Positives all round

Richard Leow

Phillip Securities Research Pte Ltd

1 October 2018

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Highlights

Maintain Overweight on Land Transport sector: Positive industry restructuring and worst is over for the Taxi industry

624 TDVLs issued in August 2018 exceeds the June 2013 historical high of 592

Average daily Rail ridership for SBS Transit has exceeded 1.2mn, up 24% YoY

Maintain Accumulate on ComfortDelGro Corp; unchanged target price of $2.78 (last close $2.43)

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What is the news?

LTA published motor vehicle population and Taxi Driver Vocational Licence (TDVL) data for August 2018

Figure 1: Taxi and Rental cars population, Taxi Driver Vocational Licence (TDVL) data

Y/E Dec	Aug-18	Aug-17	YoY	Dec-17	YTD		Jul-18	MoM
Taxi	21,366	24,863	-14.1%	23,140	-7.7%		21,176	+0.9%
Rental cars	66,998	65,603	+2.1%	68,083	-1.6%		67,892	-1.3%
Valid TDVL holders	97,769	97,467	+0.3%	96,085	+1.8%		97,002	+0.8%
	Aug-18	**Aug-17**	**YoY**			**8M18**	**8M17**	**YoY**
TDVL issued	624	152	+311%			2,944	1,212	+143%

Source: Bloomberg, LTA, PSR

Uber and Grab were fined $6.58mn and $6.42mn respectively by the Competition and Consumer Commission of Singapore (CCCS)

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How do we view this?

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The Positives

- Second consecutive month of Taxi population growth
- Rate of YoY decline in taxi population continues to show sign of bottoming
- Rental cars YoY growth continues to taper; third consecutive month of single-digit growth
- New record-high of TDVLs issued, surpassing the previous high from June 2013
- CCCS's direction is not in the drivers' best interest and could curtail the ride-hailing industry more than intended
- SBS Transit average daily Rail ridership has exceeded 1.2mn earlier than expected

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Investment Action

Maintain Overweight on Land Transport sector

- Positive industry restructuring: exit of Uber from ride-hailing
- Worst is over for Taxi industry: CDG is buying new taxis, MoM increase in taxi population

Maintain Accumulate on ComfortDelGro Corp; unchanged target price of $2.78

(last close $2.43)

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Appendix

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CCCS's findings

- Effective fares, net of rider promotions, have increased between 10% and 15% post-Transaction
- Grab currently holds around 80% market share, and the market share of the new entrants remain insignificant. New entrants have not been able to build up a network of drivers and riders

CCCS's directives

- Removal of exclusivity of ride-hailing platform and taxi fleet
- Maintaining of pre-merger algorithm and driver commission rates
- Uber may not sell Lion City Rentals to Grab without the CCCS's prior approval
- Financial penalty of S$6,582,055 on Uber and S$6,419,647 on Grab

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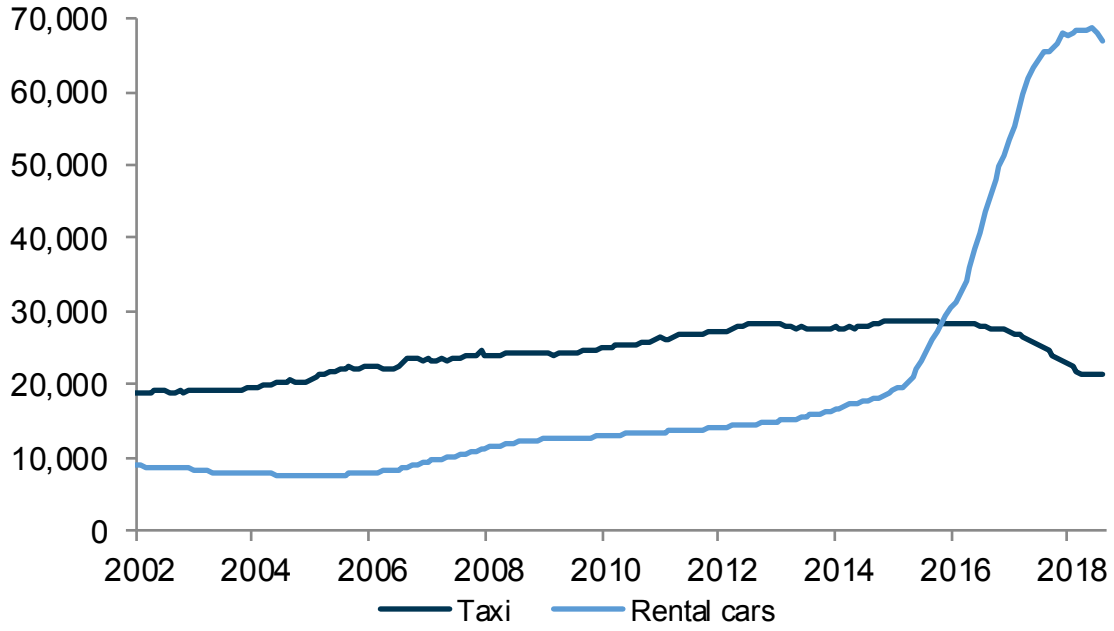
Appendix

Decline in Taxi population is stabilising; MoM growth aided by a new entrant operator

Rental cars population stagnating; MoM contraction

Figure 2: Monthly Taxi and Rental cars population

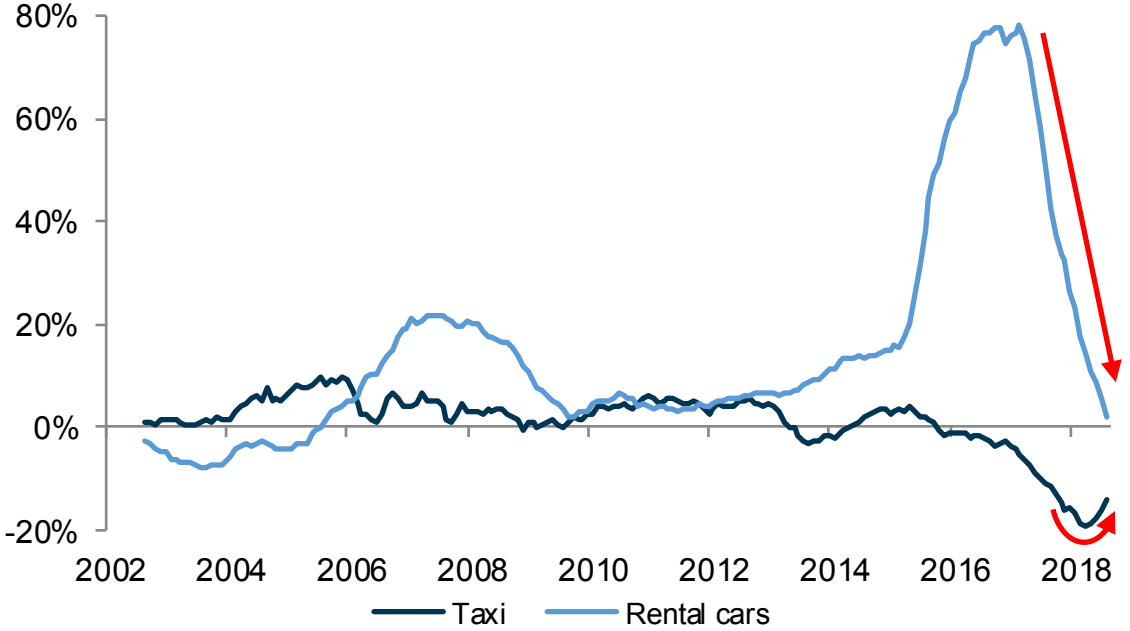


Source: Bloomberg, LTA, PSR

Taxi population YoY contraction has slowed, but do not expect YoY expansion within 2018

Rental cars YoY growth has tapered; population could contract YoY by end 2018

Figure 3: Taxi and Rental cars YoY growth



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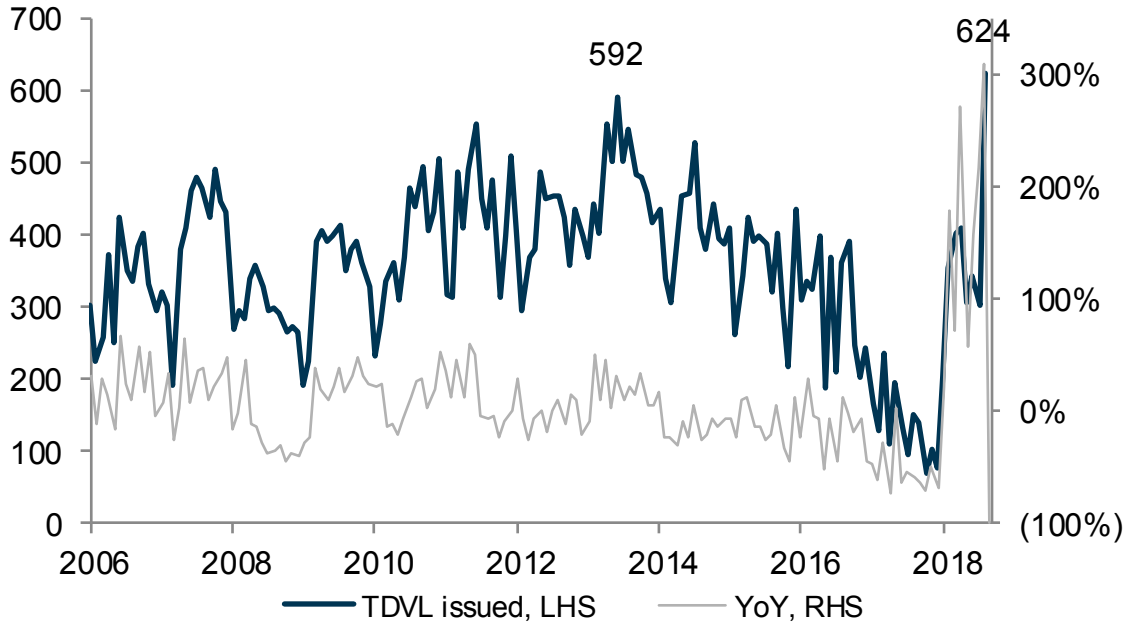
Number of TDVLs issued hits a new historical high of 624

Previous high was 592 in June 2013

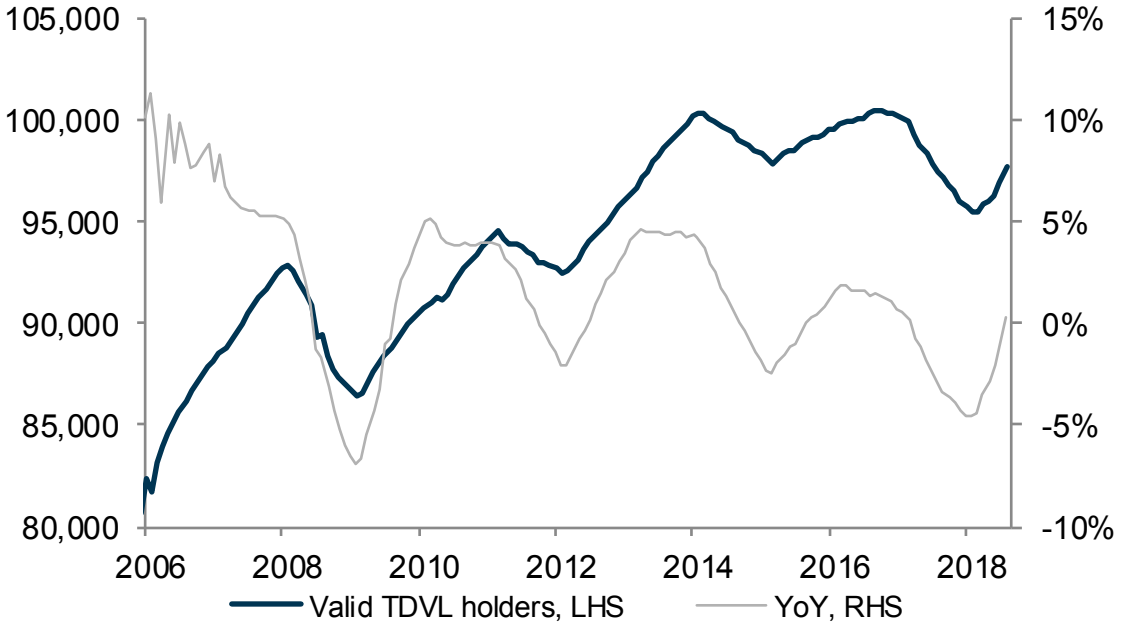
Figure 4: Monthly No. of TDVL issued



Source: LTA, PSR

Number of valid TDVL holders grew +1.8% YTD

Figure 5: Monthly total No. of valid TDVL holders



Source: LTA, PSR

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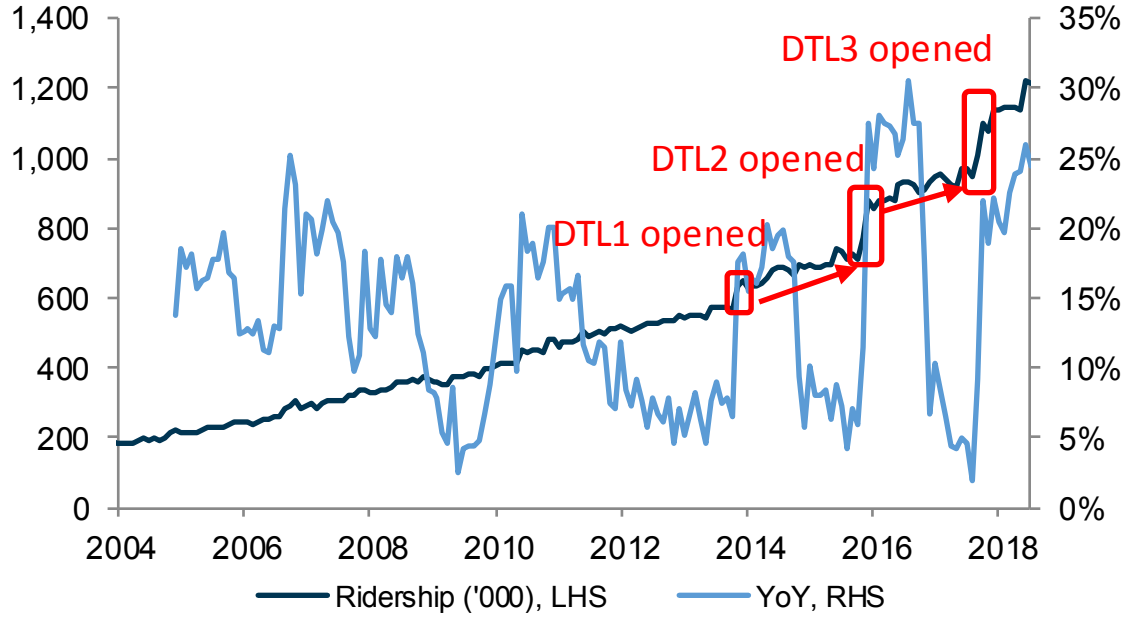
Average daily Rail ridership has exceeded 1.2mn earlier than we expected

We expected ridership to reach 1.2mn only in 4Q18

Figure 6: Monthly average daily ridership on NEL, DTL and SPLRT



Source: CEIC, SBS Transit, PSR

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Phillip Macro Observation

5 key points from September FOMC meeting

Jeremy Ng
Phillip Securities Research Pte Ltd
1 October 2018

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September FOMC meeting

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- **Interest rate**
  - **US Fed hiked the Fed Funds Rate by 0.25% to 2.25%**
  - Dot Plot projection suggests:
    - ✓ 1 more rate hike this year (December)
    - ✓ 3 more in 2019
    - ✓ 2 more in 2020

- **Change of tone in FOMC statement:**
  - **Removed the sentence of accommodative stance signaling a more hawkish tone**
  - However, during the press conference, Powell re-emphasized that dropping the accommodative language does not signal rate path change
    - ✓ This implies the Fed will continue to hike interest rates **GRADUALLY and not too abruptly**

Economic Growth & Inflation:

- Fed upgraded its GDP forecast for
  - 2018 to 3.1% vs 2.8%
  - 2019 to 2.5% vs 2.4%
- Fed remains upbeat on the economy, not expecting trade tensions to have any major adverse impact on the US economy in the near-term

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September FOMC meeting

- **Notable mentions during the press conference from Powell**
  - **Positives:**
    - Gradual return to normal interest rates helping to sustain US economy
    - Tightening cycle a reflection of strength of the economy
    - Hard to see much happening from the trade war at the national level at this point
  - **Negatives:**
    - By some valuation measures, stocks high historically
    - If inflation surprise to the upside, we could move faster

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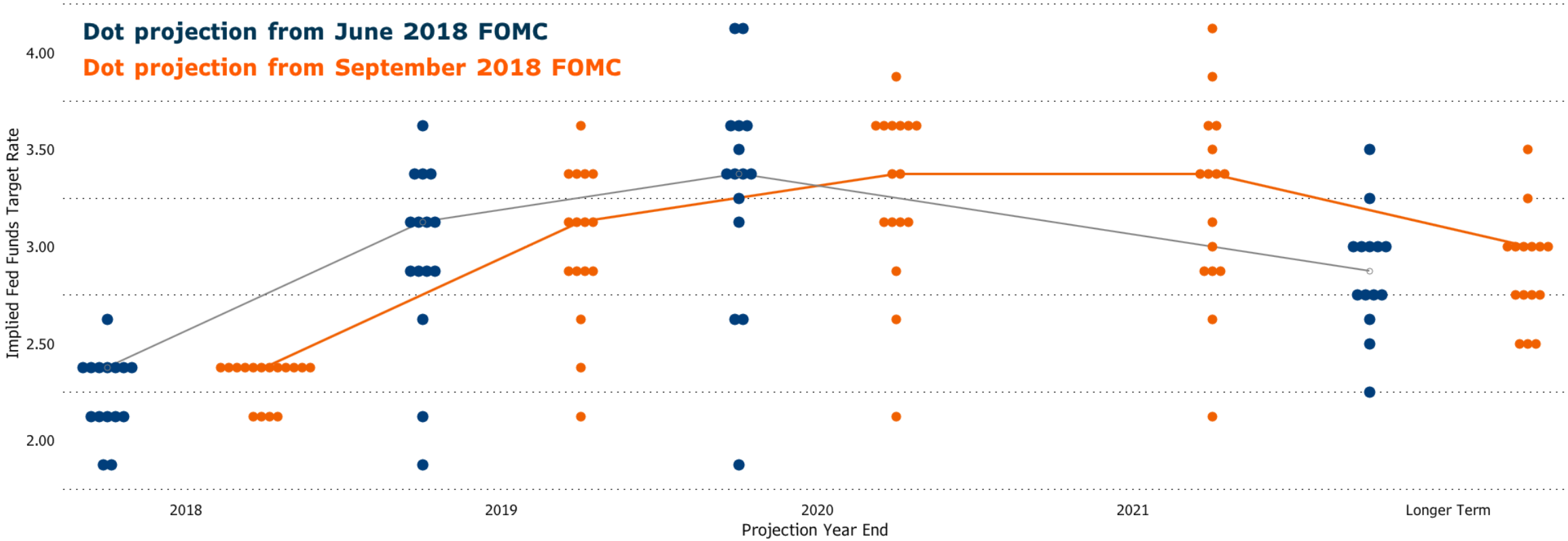
September Dot Plot Projection

- 1 more rate hike this year (December)
- 3 more in 2019
- 2 more in 2020



Source: Bloomberg, PSR

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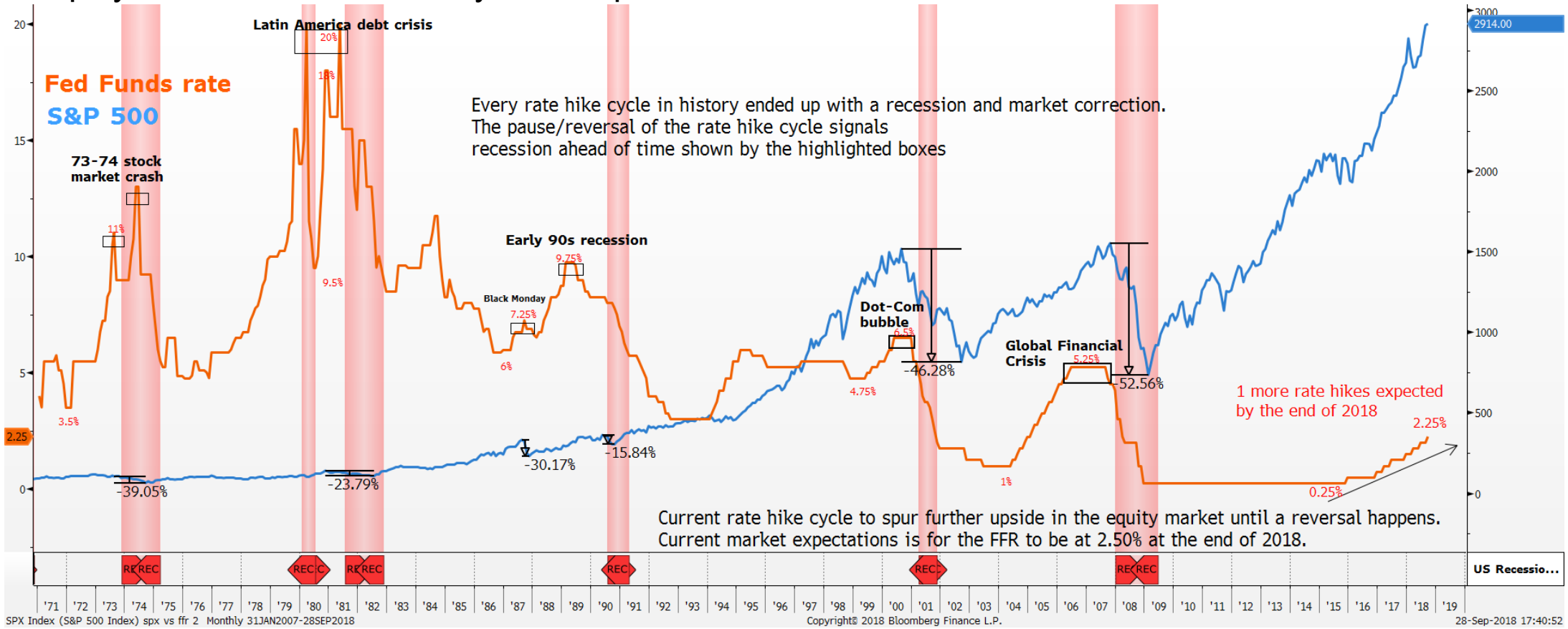
Rate hikes implication on the equity market

- Positive correlation between the Fed Funds Rate and the S&P 500 index
- With the rate hike cycle still in play as suggested by the Dot Plot Projection, the US general equity should continue to stay in the uptrend



Fed Funds Rate vs S&P 500 Index Monthly Chart

Source: Bloomberg, PSR

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HK IPO Performance

118 out of 154 stocks lower than its IPO price

Zheng Jieyuan

Phillip Securities Research Pte Ltd

1 October 2018

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HK IPO

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Issuer Name	Issuer Ticker	Market Cap at Offer (M)	Last Close	Industry Group	Industry Subgroup	Listing Date (INTL)	Performance since Offer - Realtime	Offer to First Day Performance
Basic Materials								
Jiangsu Innovative Ecological	2116 HK	600	0.415	Chemicals	Chemicals-Specialty	03/28/2018	-67.20%	-2.40%
Shineroad International Holdin	1587 HK	510	0.61	Chemicals	Chemicals-Specialty	06/27/2018	-20.00%	-22.67%
Bosa Technology Holdings Ltd	8140 HK	240	0.29	Iron/Steel	Steel-Producers	07/12/2018	-10.00%	63.33%
Communications								
Xiaomi Corp	1810 HK	380394	15.5	Telecommunications	Wireless Equipment	07/09/2018	-8.12%	-1.18%
Meituan Dianping	3690 HK	414207	68.75	Internet	E-Commerce/Products	09/20/2018	-0.87%	5.29%
Wise Talent Information Techno	6100 HK	16353.5	23.15	Internet	E-Commerce/Services	06/29/2018	-29.24%	-1.52%
Vobile Group Ltd	3738 HK	1096.17	3.4	Telecommunications	Wireless Equipment	01/04/2018	31.01%	20.16%
CTEH Inc	1620 HK	432	0.226	Internet	E-Commerce/Services	06/28/2018	-37.22%	-1.39%
Zioncom Holdings Ltd	8287 HK	283.8	0.22	Telecommunications	Telecommunication Equip	01/18/2018	-49.30%	-12.79%
Most Kwai Chung Ltd	1716 HK	324	1.25	Advertising	Advertising Services	03/28/2018	4.17%	431.67%
ISP Global Ltd	8487 HK	280	3.29	Telecommunications	Telecommunication Equip	01/16/2018	840.00%	122.86%
Stream Ideas Group Ltd	8401 HK	210	0.86	Advertising	Advertising Services	03/28/2018	-19.05%	-15.24%
Atlinks Group Ltd	8043 HK	200	0.205	Telecommunications	Telecommunication Equip	01/19/2018	-59.00%	140.00%
Consumer, Cyclical								
Haidilao International Holding	6862 HK	94340	17.8	Retail	Retail-Restaurants	09/26/2018	0.11%	0.11%
Intron Technology Holdings Ltd	1760 HK	3004.33	3.15	Auto Parts&Equipment	Auto/Trk Prts&Equip-Orig	07/12/2018	8.62%	0.00%
CSMall Group Ltd	1815 HK	2505.16	1.35	Retail	Retail-Jewelry	03/13/2018	-43.70%	0.42%
Ruifeng Power Group Co Ltd	2025 HK	1344	1.51	Auto Parts&Equipment	Auto/Trk Prts&Equip-Orig	01/05/2018	-10.12%	1.19%
Prosperous Industrial Holdings	1731 HK	996.8	1.4	Apparel	Apparel Manufacturers	07/13/2018	56.18%	25.84%
LH GROUP LTD	1978 HK	880	0.7	Retail	Retail-Restaurants	05/30/2018	-36.36%	40.00%
Hingtex Holdings Ltd	1968 HK	716.8	0.7	Textiles	Textile-Products	07/16/2018	-37.50%	156.25%
Wah Sun Handbags International	2683 HK	482.179	0.79	Apparel	Apparel Manufacturers	01/22/2018	-33.05%	2.54%
Shanshan Brand Management Co L	1749 HK	0	1.63	Apparel	Apparel Manufacturers	06/27/2018	-56.61%	-7.67%
Anchorstone Holdings Ltd	1592 HK	480	0.3	Retail	Retail-Building Products	07/04/2018	-25.00%	-30.00%
Miji International Holdings Lt	1715 HK	112.5	0.29	Home Furnishings	Appliances	07/16/2018	-3.33%	5.00%
Ulferts International Ltd	1711 HK	448	0.36	Retail	Retail-Home Furnishings	01/29/2018	-35.71%	185.71%
HK Asia Holdings Ltd	1723 HK	400	2	Retail	Retail-Misc/Diversified	09/27/2018	114.00%	112.00%
Taste Gourmet Group Ltd	8371 HK	368	0.82	Retail	Retail-Restaurants	01/17/2018	-10.87%	-8.70%
Amuse Group Holding Ltd	8545 HK	350	0.84	Toys/Games/Hobbies	Toys	05/31/2018	154.29%	14.29%
Hyfusin Group Holdings Ltd	8512 HK	324.5	0.185	Housewares	Home Decoration Products	07/19/2018	-38.31%	86.44%
Pacific Legend Group Ltd	8547 HK	300	0.189	Home Furnishings	Home Furnishings	07/18/2018	-44.67%	0.00%
K Group Holdings Ltd	8475 HK	288	0.45	Retail	Retail-Restaurants	08/13/2018	-37.50%	-31.25%
Top Standard Corp	8510 HK	280	0.168	Retail	Retail-Restaurants	02/13/2018	-60.00%	-5.71%
Mansion International Holdings	8456 HK	280	0.335	Retail	Retail-Apparel/Shoe	01/26/2018	-52.14%	17.14%
ST International Holdings Co L	8521 HK	278.4	0.219	Textiles	Textile-Products	05/16/2018	-63.79%	12.07%
i.century Holding Ltd	8507 HK	232	0.215	Apparel	Apparel Manufacturers	04/16/2018	-63.28%	-15.52%
MS Concept Ltd	8447 HK	270	0.192	Retail	Retail-Restaurants	04/16/2018	-28.52%	1.85%
Jia Group Holdings Ltd	8519 HK	258	0.122	Retail	Retail-Restaurants	02/08/2018	-59.33%	-15.00%
JLogo Holdings Ltd	8527 HK	250	2.68	Retail	Retail-Restaurants	05/09/2018	436.00%	100.00%
Hanvey Group Holdings Ltd	8219 HK	250	0.295	Retail	Retail-Jewelry	07/12/2018	14.00%	98.00%
Tree Holdings Ltd	8395 HK	247.104	0.072	Distribution/Wholesale	Distribution/Wholesale	01/25/2018	-55.77%	19.23%
Sling Group Holdings Ltd	8285 HK	240.8	0.22	Apparel	Apparel Manufacturers	01/16/2018	-48.84%	1.16%
Vision International Holdings	8107 HK	225	0.09	Distribution/Wholesale	Distribution/Wholesale	05/04/2018	-59.11%	77.78%
Simplicity Holding Ltd	8367 HK	220	0.115	Retail	Retail-Restaurants	02/26/2018	-58.18%	0.00%

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HK IPO

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Issuer Name	Issuer Ticker	Market Cap at Offer (M)	Last Close	Industry Group	Industry Subgroup	Listing Date (INTL)	Performance since Offer - Realtime	Offer to First Day Performance
Consumer, Non-cyclical								
BeiGene Ltd	6160 HK	82570.6	104.7	Biotechnology	Medical-Biomedical/Gene	08/08/2018	-3.80%	-0.93%
Hope Education Group Co Ltd	1765 HK	12800	1.27	Commercial Services	Schools	08/03/2018	-33.33%	-2.60%
Ascletis Pharma Inc	1672 HK	15689.7	7.74	Biotechnology	Medical-Biomedical/Gene	08/01/2018	-44.93%	0.00%
China Isotope & Radiation Corp	1763 HK	6909.3	16.86	Pharmaceuticals	Medical-Drugs	07/06/2018	-21.76%	-6.94%
Huifu Payment Ltd	1806 HK	9385.95	4.55	Commercial Services	Commercial Serv-Finance	06/15/2018	-39.47%	-11.73%
Tianli Education International	1773 HK	5519.5	1.73	Commercial Services	Schools	07/12/2018	-34.21%	19.92%
China Xinhua Education Group L	2779 HK	5243.98	2.44	Commercial Services	Schools	03/26/2018	-24.85%	0.00%
Hua Medicine	2552 HK	8709.81	8.27	Pharmaceuticals	Medical-Drugs	09/14/2018	0.36%	0.00%
C-Mer Eye Care Holdings Ltd	3309 HK	2985.7	4.33	Healthcare-Products	Optical Supplies	01/15/2018	49.31%	76.21%
China Chunlai Education Group	1969 HK	2496	1.73	Commercial Services	Schools	09/13/2018	-16.35%	-16.35%
Tsit Wing International Holdin	2119 HK	1433.48	1.17	Beverages	Tea	05/11/2018	-40.91%	19.70%
Bojun Education Co Ltd	1758 HK	1943.48	2.16	Commercial Services	Schools	07/31/2018	-8.47%	21.61%
Fusen Pharmaceutical Co Ltd	1652 HK	1664	2.28	Pharmaceuticals	Medical-Drugs	07/11/2018	9.62%	22.12%
Steve Leung Design Group Ltd	2262 HK	1003.2	1.04	Commercial Services	Interior Design/Architec	07/05/2018	18.18%	30.68%
Top Education Group Ltd	1752 HK	854.221	0.37	Commercial Services	Schools	05/11/2018	10.61%	19.70%
Bexcellent Group Holdings Ltd	1775 HK	540	0.55	Commercial Services	Schools	07/13/2018	-50.00%	22.22%
Tian Yuan Group Holdings Ltd	6119 HK	510	0.7	Commercial Services	Whsing&Harbor Trans Serv	06/01/2018	-17.65%	-11.76%
B & S International Holdings L	1705 HK	400	1.09	Food	Food-Wholesale/Distrib	03/14/2018	9.00%	298.00%
Wine's Link International Hold	8509 HK	300	0.64	Food	Food-Wholesale/Distrib	01/12/2018	-29.33%	6.67%
Tongda Hong Tai Holdings Ltd	2363 HK	434.967	1.44	Household Products/Wares	Consumer Products-Misc	03/16/2018	-37.39%	4.35%
Kingsley Edugroup Ltd	8105 HK	320	0.3	Commercial Services	Schools	05/16/2018	-25.00%	21.25%
Republic Healthcare Ltd	8357 HK	312	0.485	Healthcare-Services	Medical Labs&Testing Srv	06/15/2018	-19.17%	31.67%
Ocean Line Port Development Lt	8502 HK	304	0.335	Commercial Services	Whsing&Harbor Trans Serv	07/10/2018	-10.53%	9.21%
Mi Ming Mart Holdings Ltd	8473 HK	302.4	0.225	Cosmetics/Personal Care	Cosmetics&Toiletries	02/12/2018	-16.67%	3.70%
Dowway Holdings Ltd	8403 HK	290	0.057	Commercial Services	Commercial Services	06/12/2018	-60.69%	-4.83%
Grace Wine Holdings Ltd	8146 HK	0	0.375	Beverages	Beverages-Wine/Spirits	06/27/2018	5.71%	48.57%
Elegance Commercial & Financia	8391 HK	66	0.95	Commercial Services	Printing-Commercial	05/11/2018	60.00%	5.00%
Eggriculture Foods Ltd	8609 HK	250	0.445	Food	Food-Dairy Products	09/07/2018	-11.00%	-21.00%
Max Sight Group Holdings Ltd	8483 HK	248	0.154	Commercial Services	Commercial Services	02/28/2018	-51.61%	16.13%
Grand Brilliance Group Holding	8372 HK	268	0.122	Healthcare-Products	Medical Products	03/29/2018	-63.58%	19.40%
EDICO Holdings Ltd	8450 HK	220	0.098	Commercial Services	Printing-Commercial	02/02/2018	-55.00%	15.91%
Sunlight 1977 Holdings Ltd	8451 HK	220	0.13	Cosmetics/Personal Care	Cosmetics&Toiletries	04/16/2018	-52.73%	3.64%
Universe Printshop Holdings Lt	8448 HK	207	0.093	Commercial Services	Printing-Commercial	03/28/2018	-59.57%	-0.43%
Ying Kee Tea House Group Ltd	8241 HK	194.4	0.31	Beverages	Tea	04/16/2018	-42.59%	33.33%
Energy								
Vico International Holdings Lt	1621 HK	350	0.199	Oil&Gas	Oil Refining&Marketing	03/05/2018	-42.86%	10.00%
TL Natural Gas Holdings Ltd	8536 HK	240	0.305	Oil&Gas	Oil Comp-Explor&Prodtn	05/18/2018	-36.46%	2.08%
JTF International Holdings Ltd	8479 HK	210	0.36	Oil&Gas	Oil Refining&Marketing	01/17/2018	-28.00%	24.00%

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HK IPO

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Issuer Name	Issuer Ticker	Market Cap at Offer (M)	Last Close	Industry Group	Industry Subgroup	Listing Date (INTL)	Performance since Offer - Realtime	Offer to First Day Performance
Financial								
Jiangxi Bank Co Ltd	1916 HK	38495.1	6.18	Banks	Commer Banks Non-US	06/26/2018	-3.76%	0.31%
Bank of Gansu Co Ltd	2139 HK	27087.8	2.38	Banks	Commer Banks Non-US	01/18/2018	-12.27%	7.06%
E-House China Enterprise Holdi	2048 HK	21142.1	14.46	Real Estate	Real Estate Mgmnt/Servic	07/20/2018	0.70%	-1.39%
Zhenro Properties Group Ltd	6158 HK	16450.8	4.26	Real Estate	Real Estate Oper/Develop	01/16/2018	6.02%	0.25%
Bank of Jiujiang Co Ltd	6190 HK	25518.1	10.6	Banks	Commer Banks Non-US	07/10/2018	0.00%	0.00%
A-Living Services Co Ltd	3319 HK	17015	12.16	Real Estate	Real Estate Mgmnt/Servic	02/09/2018	-1.30%	-23.09%
China Renaissance Holdings Ltd	1911 HK	17440.4	22.5	Investment Companies	Investment Companies	09/27/2018	-29.25%	-22.33%
Redsun Properties Group Ltd	1996 HK	7569.6	2.57	Real Estate	Real Estate Oper/Develop	07/12/2018	14.91%	12.28%
VCredit Holdings Ltd	2003 HK	10022.3	10.08	Diversified Finan Serv	Finance-Consumer Loans	06/21/2018	-48.60%	2.25%
51 Credit Card Inc	2051 HK	10152.6	5.98	Diversified Finan Serv	Finance-Credit Card	07/13/2018	-29.41%	7.06%
Thing On Enterprise Ltd	2292 HK	892.8	1.39	Private Equity	Private Equity	01/16/2018	10.48%	5.65%
Innovax Holdings Ltd	2680 HK	720	0.82	Diversified Finan Serv	Invest Mgmnt/Advis Serv	09/14/2018	-54.44%	-45.56%
ZACD Group Ltd	8313 HK	664	0.265	Diversified Finan Serv	Invest Mgmnt/Advis Serv	01/16/2018	-17.19%	1.56%
Everbright Grand China Assets	3699 HK	622.374	0.82	Real Estate	Real Estate Mgmnt/Servic	01/16/2018	-42.55%	0.00%
Byleasing Holdings Ltd	8525 HK	345.6	0.73	Diversified Finan Serv	Finance-Leasing Compan	07/18/2018	-42.19%	7.81%
Excalibur Global Financial Hol	8350 HK	320	0.325	Diversified Finan Serv	Finance-Invest Bnkr/Brkr	01/12/2018	-20.00%	3.75%
TradeGo Fintech Ltd	8017 HK	320	0.465	Diversified Finan Serv	Finance-Invest Bnkr/Brkr	09/28/2018	-27.34%	0.00%
Ziyuanyuan Holdings Group Ltd	8223 HK	304	0.9	Diversified Finan Serv	Finance-Leasing Compan	07/09/2018	18.42%	106.58%
Dragon King Group Holdings Ltd	8493 HK	302.4	0.1	Investment Companies	Investment Companies	01/16/2018	-52.38%	1.90%
Victory Securities Holdings Co	8540 HK	250	1.26	Diversified Finan Serv	Finance-Invest Bnkr/Brkr	07/16/2018	0.80%	4.00%
Amasse Capital Holdings Ltd	8168 HK	240	0.107	Investment Companies	Investment Companies	03/22/2018	-54.58%	12.50%
DLC Asia Ltd	8210 HK	204	0.36	Diversified Finan Serv	Finance-Invest Bnkr/Brkr	08/27/2018	39.22%	0.00%
Government								
China 21st Century Education G	1598 HK	1396.68	1.06	Municipal	Municipal-Education	05/29/2018	-6.19%	51.33%
Industrial								
China Tower Corp Ltd	788 HK	221770	1.14	Engineering&Construction	Building-Heavy Construct	08/08/2018	-7.94%	0.00%
Qilu Expressway Co Ltd	1576 HK	5000	1.75	Engineering&Construction	Building-Heavy Construct	07/19/2018	-30.00%	-8.00%
Qeeka Home Cayman Inc	1739 HK	5869.81	3.86	Engineering&Construction	Building&Construct-Misc	07/12/2018	-21.65%	-6.39%
China Boqi Environmental Holdi	2377 HK	24225.82	1.58	Environmental Control	Pollution Control	03/16/2018	-34.17%	-0.83%
MECOM Power and Construction L	1183 HK	1500	1.1	Engineering&Construction	Building-Heavy Construct	02/13/2018	-12.00%	9.60%
Pentamaster International Ltd	1665 HK	1600	1.13	Machinery-Diversified	Industrial Automat/Robot	01/19/2018	12.00%	-2.00%
Kinergy Corp Ltd	3302 HK	1004.65	1.05	Electronics	Electronic Compo-Misc	07/18/2018	-16.24%	5.13%
Time Interconnect Technology L	1729 HK	920	0.37	Electronics	Electronic Compo-Misc	02/13/2018	-26.00%	-15.00%
Space Group Holdings Ltd	2448 HK	912	0.89	Engineering&Construction	Building&Construct-Misc	01/16/2018	-25.83%	-17.50%
HPC Holdings Ltd	1742 HK	720	0.238	Engineering&Construction	Building&Construct-Misc	05/11/2018	-46.67%	-10.00%
Xin Yuan Enterprises Group Ltd	1748 HK	600	1.5	Shipbuilding	Shipbuilding	09/26/2018	-5.33%	0.67%
REM Group Holdings Ltd	1750 HK	540	0.385	Electronics	Electronic Compo-Misc	05/11/2018	28.33%	3.33%
FSM Holdings Ltd	1721 HK	132.5	0.5	Metal Fabricate/Hardware	Metal Processors&Fabrica	07/16/2018	-5.66%	15.09%
Eternity Technology Holdings L	1725 HK	525	1.07	Electronics	Circuit Boards	08/16/2018	-37.14%	-17.14%
Twintek Investment Holdings Lt	6182 HK	520	0.3	Engineering&Construction	Building&Construct-Misc	01/17/2018	-54.62%	3.08%
Man Shun Group Holdings Ltd	1746 HK	520	0.255	Engineering&Construction	Engineering/R&D Services	07/11/2018	-50.00%	-30.77%
Dragon Rise Group Holdings Ltd	6829 HK	480	0.29	Engineering&Construction	Building&Construct-Misc	02/08/2018	-27.50%	3.75%
A & S Group Holdings Ltd	1737 HK	480	0.212	Transportation	Transport-Air Freight	03/14/2018	-58.75%	10.42%
Tian Chang Group Holdings Ltd	2182 HK	440.2	0.38	Miscellaneous Manufactur	Rubber/Plastic Products	03/08/2018	-45.77%	2.82%
HKE Holdings Ltd	1726 HK	440	0.425	Engineering&Construction	Building&Construct-Misc	04/18/2018	-22.73%	1.82%
Golden Ponder Holdings Ltd	1783 HK	440	0.305	Engineering&Construction	Building&Construct-Misc	08/22/2018	-44.55%	-10.91%
Affluent Foundation Holdings L	1757 HK	408	0.31	Engineering&Construction	Engineering/R&D Services	06/07/2018	-10.29%	5.88%
AB Builders Group Ltd	1615 HK	402	0.34	Engineering&Construction	Building&Construct-Misc	09/10/2018	-50.00%	-5.97%
Wang Yang Holdings Ltd	1735 HK	396	1.96	Engineering&Construction	Building&Construct-Misc	03/29/2018	34.00%	0.67%
Boltek Holdings Ltd	8601 HK	320	0.55	Engineering&Construction	Engineering/R&D Services	09/13/2018	37.50%	-7.50%
Sanbase Corp Ltd	8501 HK	312	1.356	Engineering&Construction	Engineering/R&D Services	01/04/2018	-13.08%	9.62%
Gain Plus Holdings Ltd	8522 HK	297.6	0.87	Engineering&Construction	Building&Construct-Misc	02/13/2018	12.50%	1.25%
Prime Intelligence Solutions G	8379 HK	280	0.125	Electronics	Identification Sys/Dev	02/14/2018	-64.29%	2.86%
Wan Leader International Ltd	8482 HK	231	0.249	Transportation	Transport-Services	09/05/2018	-12.00%	-9.45%
MS Group Holdings Ltd	1451 HK	268	0.72	Packaging&Containers	Containers-Paper/Plastic	06/01/2018	-46.27%	2.99%
China Futex Holdings Ltd	8506 HK	220	0.097	Machinery-Diversified	Machinery-General Indust	01/04/2018	-55.91%	-14.55%
IAG Holdings Ltd	8513 HK	260	0.42	Miscellaneous Manufactur	Rubber/Plastic Products	01/19/2018	-35.38%	4.62%
Zhicheng Technology Group Ltd	8511 HK	260	0.305	Electronics	Electronic Measur Instr	04/20/2018	-53.08%	-23.85%
IMS Group Holdings Ltd	8136 HK	250	0.39	Building Materials	Bldg Prod-Light Fixtures	01/25/2018	54.00%	100.00%
DCB Holdings Ltd	8040 HK	240	0.6	Engineering&Construction	Building&Construct-Misc	02/14/2018	-20.00%	2.67%
Tong Kee Holding Ltd	8305 HK	240	0.34	Engineering&Construction	Building&Construct-Misc	07/04/2018	5.00%	-18.67%
WAC Holdings Ltd	8619 HK	192	0.85	Engineering&Construction	Engineering/R&D Services	09/17/2018	310.00%	245.00%
Polyfair Holdings Ltd	8532 HK	224	0.109	Engineering&Construction	Engineering/R&D Services	02/23/2018	-62.14%	46.43%
Wing Fung Group Asia Ltd	8526 HK	218.12	0.59	Building Materials	Bldg Prod-Air&Heating	02/27/2018	55.26%	2.63%
Vistar Holdings Ltd	8535 HK	204	0.12	Electronics	Electronic Secur Devices	02/12/2018	-29.41%	-20.00%
Bao Shen Holdings Ltd	8151 HK	201.6	0.232	Electronics	Electronic Compo-Misc	04/23/2018	-51.67%	6.25%
Sheung Moon Holdings Ltd	8523 HK	200	0.315	Engineering&Construction	Engineering/R&D Services	02/12/2018	-37.00%	-20.00%
Technology								
Ping An Healthcare and Technol	1833 HK	58487.5	52.3	Software	Medical Information Sys	05/04/2018	-4.84%	0.00%
Inke Ltd	3700 HK	8109.14	2.69	Software	Applications Software	07/12/2018	-29.35%	10.65%
FingerTango Inc	6860 HK	4140	2.48	Software	Entertainment Software	07/12/2018	18.36%	5.31%
7Road Holdings Ltd	797 HK	4000.02	1.26	Software	Entertainment Software	07/18/2018	-18.00%	-2.00%
Apex Ace Holding Ltd	6036 HK	500	0.315	Computers	Computers-Memory Devices	03/16/2018	-37.00%	80.00%
Niche-Tech Group Ltd	8490 HK	0	0.3	Semiconductors	Electronic Compo-Semicon	05/30/2018	-48.28%	3.45%
OneForce Holdings Ltd	1933 HK	362.018	0.69	Computers	Computer Services	03/02/2018	-27.37%	61.05%
Kinetix Systems Holdings Ltd	8606 HK	240	0.18	Computers	Computer Services	07/16/2018	-38.00%	133.33%
Utilities								
Tianjin Tianbao Energy Co Ltd	1671 HK	292.868	0.96	Electric	Electric-Distribution	04/27/2018	-49.47%	-5.79%

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HK IPO Summary

- Till Sept. 28, there are 154 company listed on Hong kong Exchange (Compare to 159 stocked listed on 2017)

- Till last trading day, 118 stocks already lower its IPO price

- For the first trading day, 95 stocks (61.69%) closed at price higher than its IPO price; comapre to 71.07% in 2017 and 76.92% in 2016.

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Last week's headlines in China

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- China on Wednesday took a major backward step in its trade war with the USA, announcing that it will cut import tariffs on numerous non-US goods, in a move most likely designed to protect Chinese customers against the escalating conflict with the Trump administration.

- FTSE Russell will include China-listed equities in its global indices constitute 5.5 per cent of the company's key emerging markets index. On completion Chinese equities will represent initial net passive inflows of $10bn of assets under management and are projected to account for 0.57 per cent of the FTSE Global All Cap Index.

- MSCI has proposed an increase in the weighting of Chinese A-shares in its flagship Emerging Markets index. The latest proposal would involve quadrupling the free-float adjusted market value of A-shares in the index from 5 per cent to 20 per cent next year, in two phases. The proposal would almost double the number of A-shares in the EM index to 434 by May 2020, which MSCI estimates would attract about $66bn from passive and active funds.

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Week 40 - Phillip Weekly Musings

Paul Chew
Phillip Securities Research Pte Ltd
1 October 2018

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Week 40 – Short-term Views

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Macro Last Week

- **Macro:** FOMC meeting; Italy 2.4% budget deficit (EU expected 0.8%); downgrade + rise in rates;
- **ECB**: Draghi speech - relatively vigorous pickup in underlying inflation; confirmed end EUR2.5tr bond buying
- **SG macro:** Industrial production in 3Q18 trending at 5% YoY (2Q18: 10.4%); core inflation at 1.92% (highest in 4-years) and MAS likely tighten further
- **SG sector:** banks loans still healthy + Grade A office up 2.3% 3Q18 (18% rise in 6 quarters)

Corporate Last Week

- **M1:** cash bid S$2.06 is attractive; Mar17 Axiata (28.7%) had strategic review of M1 when price was S$2.05 then spike to $2.30; 5% dividend yield; KT&T 19.33% + SPH 13.45%; open to keep it listed; 8x EV/BITDA vs 7x l/term average;
- **Keppel Corp:** not sure the digital strategic imperative apart from build up larger recurring income from 22% in 1H18; 1H16 recurring income S$175mn vs 1H18 S$130mn

Tactical

- Cautious backdrop in October: mid-term elections + global growth slowing down + Italian noise
- Rising inflation globally places upward pressure on interest rates

Week(s) Ahead

- 1Oct: Global PMIs; US-Canada NAFTA talks / 5Oct: US Employment/Wage data
- 4Nov: Iran oil ban / 6Nov: US mid-term election

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