

# Singapore Daily Newsletter

## MARKET SHAPING NEWS

**RESULTS.** SIA posted record half-yearly net profit of SGD1.44b in 1HFY24 (up 55.4% YoY), with robust demand for air travel continuing into the Summer travel season, led by the rebound in passenger traffic to North Asia. For the period, group passenger load factor (PLF) improved by 5.8 ppt to 88.8%, the highest ever half-yearly PLF recorded by SIA. Passenger traffic and load factors improved across all markets, with the YoY traffic growth of 49% outpacing the capacity expansion. But demand for air freight remained soft due to inventory overhang and macro headwinds. The cargo load factor fell 8.4 ppt YoY to 52.7% as cargo loads dipped 6%, while capacity grew 8.9% given increased passenger aircraft bellyhold space. Increased competition and softer demand also contributed to the downward pressure on cargo yields, which fell by 46.2% YoY. SIA has declared an interim DPS of 10 cents, amounting to SGD297m. Looking ahead, while the demand for air travel is expected to remain healthy leading up to the end of FY24, significant capacity restoration across the industry, especially in the Asia-Pacific region, could put pressure on passenger yields. Demand for air freight is expected to remain soft in the traditional peak 3QFY24, dampened by excess inventories, geopolitical tensions and macroeconomic headwinds. Bellyhold cargo capacity will also increase with the resumption of more passenger flights, putting downward pressure on cargo yields.

**RESULTS.** Nanofilm recorded 3Q23 revenue of SGD55m (-19% YoY) versus revenue of SGD73m in 1H23, mainly driven by the seasonal peak period for the Computer, Communication and Consumer (3C) segment. GPM also improved to over 40% in 3Q (up from 32% in 1H23) through improved cost control efforts. However, given the macro uncertainties, customers continue to be cautious about their capex, and this impacted its equipment sales. The group was profitable in 3Q23 and continued to generate positive operational cash flows for 9M23 despite the challenging environment. Management expects continued market volatility in 4Q23 and will focus on materialising revenues through offering its nanotechnology coating solutions to key markets. Consequently, the group hopes to achieve high operating leverage and drive profitability to improve going forward.

**NEUTRAL.** Rex Intl's 91.65% subsidiary Lime Petroleum, has entered into sale and purchase agreements with DNO Norge (DNO) and OKEA, to acquire 10.7212% and 6.2788% interests respectively in PL740 in the Norwegian North Sea, in which the Brasse Field is expected to start commercial production in 2027. The operator, OKEA, reports recoverable resources in Brasse to be 21-29 mmbob, of which 25-30% is gas. The farm-in of a total 17% interest in PL740 will result in some 4 mmbob of contingent resources net to Lime. The farm-in is conditional on customary governmental approvals and Lime expects that completion will take place in end-2023, or early-2024. Production start-up is possible in early 2027.

## UPCOMING EVENTS

Date	Company	Event
08/11/2023	IREIT Global REIT	Earnings Result
08/11/2023	Seatrium	Earnings Result
08/11/2023	StarHub	Earnings Result
09/11/2023	Singtel	Earnings Result
09/11/2023	CLI	Earnings Result
09/11/2023	CSE Global	Earnings Result
09/11/2023	Valuetronics	Earnings Result

Source: Bloomberg

Equity Indices	Last Close	Δ (abs)	Δ (%)
Dow Jones	34,153	57	0.2%
S&P500	4,378	12	0.3%
Nasdaq	13,640	121	0.9%
Nikkei 225	32,272	-437	-1.3%
HSI	17,670	-296	-1.6%
SH Comp	3,057	-1	0.0%
Kospi	2,444	-58	-2.3%
TWSE	16,685	36	0.2%
STI	3,174	-7	-0.2%
KLCI	1,463	-1	-0.1%
JKSE	6,844	-35	-0.5%
SET	1,408	-9	-0.6%

FX Movers	Last Close	Δ (abs)	Δ (%)
USDSGD	1.3544	0.0038	0.3%
GBPSGD	1.6660	-0.0015	-0.1%
EURSGD	1.4493	0.0017	0.1%
CHFSGD	1.5047	0.0029	0.2%
AUDSGD	0.8717	-0.0049	-0.6%
NZDSGD	0.8040	-0.0015	-0.2%
JPYSGD	0.9008	0.0008	0.1%
SGDMYR	3.4464	0.0059	0.2%

Yields	Last Close	Δ (pts)	Δ (%)
US10Y	4.57	-0.08	-1.6%
SG10Y	3.17	0.03	0.9%
SIBOR3M	4.06	0.00	0.0%

Commodities	Last Close	Δ (pts)	Δ (%)
Brent Crude	81.6	-3.6	-4.2%
WTI	77.4	-3.4	-4.3%
Gold	1,969	-9	-0.4%

Crypto	Last Close	Δ (pts)	Δ (%)
Bitcoin/USD	35,502	471	1.3%
ETH/USD	1,893	1	0.0%

Source: Bloomberg

## TOP EQUITY IDEAS



### DBS Group - [Focus on yield](#)

DBS reported 9M23 core-earnings ahead of expectations. NII continues to be robust from supportive NIMs. While margins seem to have peaked, higher for longer rates should continue to support NII, while green-shoots in wealth management could boost Noll. A high base effect, slower China and global growth are likely to slow earnings momentum going forward. Nevertheless, dividends should remain well supported giving >5.6% yield in the medium term. Lower TP to SGD37.81 (c. SGD39.36). Maintain BUY.



### Venture - [Worst should be over; U/G BUY](#)

3Q23 was below expectations with NPAT at SGD66.4m compared to our SGD70.2m due to lower revenue. We cut our FY23/24 NPAT forecasts by 3.8% which lowers our TP to SGD14.0 from SGD14.3, based on 14.5x FY23E PE. However, outlook has improved and 3Q should have bottomed as certain NPIs will have started in 4Q23E and FY24a. Customer inventory levels are also down sharply. With a brighter outlook, we think that the worst is over and upgrade Venture to BUY from HOLD.

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