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STI down, with commodity plays big losers

Jacqueline Woo

But DBS analyst says investor sentiment is still strong, and privatisation theme is back

Singapore shares fell yesterday for the second day in a row amid a lack of direction from global markets.
The benchmark Straits Times Index (STI) slipped 2.5 points or 0.08 per cent to 3,094.19, with about 2.9 billion shares worth $1.21 billion changing hands across the bourse. Markets around the region were mostly mixed. Shanghai shed 0.41 per cent, and Hong Kong dropped 0.76 per cent after banking giant HSBC's quarterly earnings missed estimates. Tokyo was one of the region's outliers, adding 0.68 per cent.

"People may be thinking whether the miss (in HSBC's results) implies that the global economic recovery isn't that satisfactory," Mr Ronald Wan, chief executive of Partners Capital International in Hong Kong, told Bloomberg. "It may also have a negative impact on investors' confidence about other companies' earnings in the region."

Wall Street was closed for a holiday on Monday. Traders worldwide continue to await more details of US President Donald Trump's economic policies which, if increasingly protectionist, could affect trade in Asia.

Commodity players were among the biggest losers on the STI yesterday. Golden Agri-Resources plunged 2.5 cents or 5.9 per cent to 40 cents, and Wilmar International sank 12 cents or 3.1 per cent to $3.78.

CIMB maintained a "hold" call on Wilmar, which posted a 69.9 per cent jump in fourth-quarter net profit to US$560.8 million (S$796.6 million) on Monday. "Wilmar's share price had improved 17 per cent over the past three months on the back of rising commodity prices and stable crush margin in China," it noted, adding that the better commodity price prospects will benefit the group. Other laggards included Keppel Corp, which slid seven cents or 1.1 per cent to $6.57, and Singapore Exchange, down six cents or 0.8 per cent to $7.54.
Elsewhere, Disa was the day's most heavily traded counter, slumping 0.3 cent or 10.3 per cent to 2.6 cents on 321.3 million shares done.

DBS analyst Paul Yong said in a report that markets have remained buoyant over the last four weeks, with the small caps leading growth.
"With investor sentiment still strong, we continue to favour companies with firm growth prospects," he said, citing Cityneon, Courts Asia, Japfa, mm2 and Best World.

Mr Yong added that the privatisation theme is also back in the spotlight, with three buyout offers having been made so far this year. He singled out Courts Asia, PACC Offshore, Mermaid Maritime, CSE Global and Sinostar PEC as potential candidates for privatisation. "Offering attractive premiums, privatisations help unlock value and offer exit for shareholders," he said. "Interest in this space could continue to heat up ahead as more than one-third of profitable small-/mid-cap companies are trading under book value."

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