VPBANK

Morning Coffee News (Asia)

20 September 2021

Top News* China Defends Tech Crackdown in Meeting With Wall Street Chiefs

China's top regulators defended their market-roiling crackdown on various industries in a meeting with Wall Street executives, while reassuring them the stricter rules aren't aimed at stifling technology companies or the private sector.

China Securities Regulatory Commission Vice Chairman Fang Xinghai said recent actions were to strengthen regulations for companies with consumer-facing platforms, and improve data privacy and national security, according to a person familiar with the talks, who asked to not be identified because the meeting was private. Fang defended the moves such as those aimed at the education and gaming industries as meant to reduce social anxiety.

Global investors have been unnerved by the regulatory onslaught from Beijing targeting its biggest technology companies and other industries as well as a push by President Xi Jinping to create "common prosperity." Billions of dollars in potential profits are at stake for Wall Street, which has been expanding in China as the nation opens its financial markets to investment banks, wealth and money managers.

The three-hour meeting of the China-U.S. Financial Roundtable on Thursday included the head of the People's Bank of China, and executives from Goldman Sachs Group Inc., Citadel and other Wall Street powerhouses, according to people familiar with the talks. The meeting marked the resumption of the roundtable that was first convened in September 2018.

The increased scrutiny on Chinese companies should not be interpreted as a decoupling from the U.S. or international financial markets, Fang told the participants. Beijing remains committed to technology, he said.

Market News APAC

- A make-or-break moment is approaching for Chinese stocks trading in Hong Kong. At 17%, the decline in the Hang Seng China Enterprises Index this year is the worst among 20 worldwide primary stock indexes tracked by Bloomberg. The gauge is trading near the lower end of a 10-year range, which historically presented buying opportunities. The final quarter is seasonally strong for the index, while the DeMark Sequential Indicator is calling for a bullish reversal.
- Tencent's online game sales may keep growing by double digits despite China's crackdown, fueled by evergreen titles, new games, overseas expansion and synergies from its broader mobile app ecosystem. Recent regulations on China's online games sector will have a small, but manageable impact of about 4% of segment revenue.

Indices Asia	Last	Change	YTD
Nikkei225	30500.05	0.58%	11.13%
KOSPI Comp	3140.51	0.33%	9.29%
S&P/ASX200	7291.10	-1.52%	11.02%
Hang Seng	24209.52	-2.85%	-10.77%
Shanghai Comp.	3613.97	0.19%	4.06%
TWSE Taiwan	17276.79	-0.01%	17.27%
MSCI Singapore	1661.82	0.32%	9.64%
MSCI Malaysia	498.98	-0.24%	-7.08%
JCI Indonesia*	6120.34	0.17%	2.58%
SET Thailand*	1625.65	-0.37%	12.16%
PCOMP Philippines*	6915.84	0.04%	-3.19%
VN-Index*	1352.64	0.50%	22.54%
Sensex India*	59015.89	-0.21%	23.59%

*as of yesterday

Indices USA	Yesterday	Change	YTD
DJIA	34584.88	-0.48%	13.00%
S&P500	4432.99	-0.91%	18.02%
Nasdaq100	15333.47	-1.18%	18.97%
VIX	20.81	11.34%	-8.53%

Indices Europe	Yesterday	Change	YTD
EuroStoxx50	4130.84	-0.94%	16.28%
SMI	11935.53	-0.77%	11.51%
DAX	15490.17	-1.03%	12.91%
MSCI UK	6883.45	-1.08%	11.98%
CAC40	6570.19	-0.79%	18.35%

Currencies	Last	Change	YTD
USD/CHF	0.9325	0.02%	-5.05%
EUR/USD	1.1718	-0.06%	-4.06%
GBP/USD	1.3713	-0.20%	0.34%
USD/JPY	109.9200	-0.01%	-6.11%
AUD/USD	0.7242	-0.32%	-5.85%
NZD/USD	0.7029	-0.16%	-2.17%
USD/KRW	1187.5800	1.03%	-8.55%
USD/HKD	7.7864	0.05%	-0.41%
USD/SGD	1.3510	0.19%	-2.13%
USD/THB	33.3850	0.27%	-10.24%
USD/IDR	14261.5000	0.27%	-1.22%
USD/INR	73.4837	-0.04%	-0.56%
USD/PHP	50.1500	0.39%	-4.17%
USD/TWD	27.7200	0.04%	1.35%
USD/CNH	6.4805	0.14%	0.36%

Treasury	Yield	Change	YTD
US10Y	1.36	0.00%	44.86%
EUR10Y	-0.28	0.02%	N.A.
JGB10Y	0.05	0.00%	3.05%
AUD10Y	1.33	0.02%	35.50%
NZD10Y	1.95	0.02%	2.35%
CNY10Y	2.87	-0.02%	N.A.

Commodities	Last	Change	YTD
Gold	1750.33	-0.23%	-7.72%
Silver	22.26	-0.56%	-15.53%
Brent Crude Oil	74.91	-0.57%	47.27%

Singapore Time: 10:01:48 am

* Numbers shown in the content can vary from the table on page 1 due to the time the information was collected.

What to Watch*

- Evergrande's Fateful Week, China Holidays Put Spotlight on Yuan
- Honda Says Japan Output 60% Below Plan on Parts Shortage
- Evergrande Moment of Truth Arrives With Bond Payment Deadlines
- Singapore's New Long Bonds Set to Gain From Global Fear Factor
- Transurban Takes Control of Sydney Tolls For $8.1 Billion
- Galaxy's Edge Can Stay Sharp as Regulator Tremors Shake Casinos
- Japan-Focused ESG Funds Return 14% This Year, Underperforming
- Singapore REITs Could Lift Dividends on Rent Recovery, Low Rates

Market News EU & US

- An alarming number of companies have warned that profits won't meet expectations when they report in a month. The group, including PP Industries Inc. and Sherwin-Williams Co., are primarily materials producers that have struggled amid supply-chain disruptions. While just a small part of the S&P 500, their earnings have historically been the most correlated to the index's of all sectors, a study by Bank of America Corp. found. The profit warnings come as economic growth is slowing, price increases for final products and services are missing forecasts and wage pressure is building. Taken together, the result is a deterioration in what BofA calls the "corporate misery indicator," another signal that worsening earnings momentum could spread into the broader market. That would rob bulls of a key reason stocks have weathered everything thrown at the market in the past 18 months -- corporate America's ability to deliver blockbuster results. How much profit is priced in the current market? Assuming the S&P 500's price-earnings ratio slips back to its five-year average of 19.6, that implies index-wide profits of $228 a share. Analysts are skeptical. They cut their estimates for the first time since March, expecting 2021 profit to stall near $200 a share, data compiled by Bloomberg Intelligence show. While American companies just rode the wave of inflation to record profits, BofA's corporate misery indicator now points to "a bad inflation environment" that could hurt profit margins. The indicator, which compares the growth rates of the real economy and consumer prices against wage growth, has shown a close relationship with the profit cycle.
- Deutsche Lufthansa AG plans to raise 2.14 billion euros ($2.5 billion) to repay part of a German government bailout that helped the national carrier through the coronavirus pandemic. The company will issue new shares at 3.58 euros each, according to a statement on Sunday, or less than half Friday's closing price of 8.21 euros. The deal will be underwritten by a syndicate of 14 banks with support from funds controlled by Blackrock Inc., the carrier said. The move will help Lufthansa remove the state from its shareholder list about 18 months after it took a stake, something Chief Executive Officer Carsten Spohr has been striving to do ahead of German elections next week. The carrier will just miss the target, with stock being offered from Sept. 22 to Oct. 5. Germany agreed to provide a 9-billion euro bailout to Lufthansa at the start of the pandemic, when the carrier was forced to ground its fleet and made a record loss. Repaying the aid would free the company from restrictive conditions the European Commission attached to its approval of the deal, such as a ban on dividends, management bonuses and any purchase of a stake of more than 10% in a rival airline. Lufthansa expects passenger numbers to reach about half of 2019 levels over the coming months, the carrier said, supported by a recovery in business travel. The boost in cargo traffic that came as a rare blessing for airlines during the pandemic is persisting.

Overnight News

- Yellen Renews Call to Raise Debt Limit to Avoid 'Catastrophe'
- House Democrats May Slow Infrastructure Plan's Path to Biden
- Biden's Vaccine Booster and Export Plans Collide at Summit
- Macron's Not Ready to Calm Down Yet After Submarine Humiliation
- U.K. Energy Firms Seek Bailout as Government Talks Run On

Earnings Releases (Singapore Time)

- No major earnings releases scheduled

Rating Changes (Source: Bloomberg)

- Incitec (IPL AU) cut to neutral at Credit Suisse; PT A$2.98
- Prada (1913 HK) raised to hold at SocGen; PT HK$45
- China Youran Dairy (9858 HK) rated new buy at Daiwa; PT HK$7.30
- Kikkoman (2801 JP) raised to buy at Citi

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Key Economic Event for this Asia-Pacific week (Last Update on 20 September 2021)					
Time SG/Country		Event	For	Survey	Prior
Monday, 20 September 2021 (Exchange Holiday: Japan, Taiwan, Shanghai, Shenzhen)					
16:30	HK	CPI Composite YoY	Aug	1.60%	3.70%
Tuesday, 21 September 2021 (Exchange Holiday: Taiwan, Shanghai, Shenzhen)					
11:00	NZ	Credit Card Spending YoY	Aug	--	6.90%
14:00	JN	Machine Tool Orders YoY	Aug F	--	86.20%
15:20	ID	Bank Indonesia 7D Reverse Repo	Sep-21	3.50%	3.50%
Wednesday, 22 September 2021 (Exchange Holiday: Hong Kong)					
8:30	AU	Westpac Leading Index MoM	Aug	--	-0.11%
9:30	CH	1-Year Loan Prime Rate	Sep-22	3.85%	3.85%
9:30	CH	5-Year Loan Prime Rate	Sep-22	4.65%	4.65%
16:00	TA	Unemployment Rate	Aug	4.20%	4.36%
Thursday, 23 September 2021 (Exchange Holiday: Japan)					
11:30	TH	Customs Exports YoY	Aug	17.00%	20.27%
11:30	TH	Customs Imports YoY	Aug	40.30%	45.94%
11:30	TH	Customs Trade Balance	Aug	$1250m	$183m
13:00	SI	CPI NSA MoM	Aug	0.50%	-0.20%
13:00	SI	CPI YoY	Aug	2.40%	2.50%
13:00	SI	CPI Core YoY	Aug	1.00%	1.00%
15:00	MA	Foreign Reserves	Sep-15	--	$116.3b
16:00	PH	BSP Overnight Borrowing Rate	Sep-23	2.00%	2.00%
--	TA	CBC Benchmark Interest Rate	Sep-23	1.13%	1.13%
Friday, 24 September 2021 (Exchange Holiday: Thailand)					
6:45	NZ	Trade Balance NZD	Aug	--	-402m
6:45	NZ	Exports NZD	Aug	--	5.75b
6:45	NZ	Imports NZD	Aug	--	6.16b
7:30	JN	Natl CPI YoY	Aug	-0.30%	-0.30%
7:30	JN	Natl CPI Ex Fresh Food YoY	Aug	0.00%	-0.20%
8:30	JN	Jibun Bank Japan PMI Mfg	Sep P	--	52.7
8:30	JN	Jibun Bank Japan PMI Services	Sep P	--	42.9
8:30	JN	Jibun Bank Japan PMI Composite	Sep P	--	45.5
12:00	MA	CPI YoY	Aug	2.20%	2.20%
13:00	SI	Industrial Production SA MoM	Aug	3.10%	-2.60%
13:00	SI	Industrial Production YoY	Aug	7.10%	16.30%
16:00	TA	Export Orders YoY	Aug	22.20%	21.40%

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Source: Bloomberg, unless otherwise stated.

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