

Morning Coffee News (Asia)

15 January 2019

Top News* Sinopec Is Said to Win Cabinet Approval for IPO of Retail Unit

Sinopec, China's top oil refiner, won approval from the country's cabinet for a long-awaited initial public offering of the retail unit that runs its vast chain of gas stations and convenience stores, people with knowledge of the matter said.

The green light from the State Council clears the final Chinese regulatory hurdle for the deal and means the IPO arrangers can move forward with detailed work on the listing, according to the people.

The unit, known as Sinopec Marketing Co., may seek to raise about \$5 billion to \$6 billion in the offering, the people said. The target has been reduced, from the \$10 billion originally mooted in 2016, due to the company's weakening growth prospects and concerns about market appetite for such a large issuance, according to the people. The company would still need to seek listing approval from the Hong Kong stock exchange before the transaction goes ahead.

Sinopec has seen growth in its fuel sales slow in recent years, even as it boosted contributions from non-fuel items like bottled drinks, snacks and cigarettes. Domestic retail sales of refined oil products increased 0.2 percent in the nine months through September to 90.82 million metric tons. Operating revenues of the division's non-fuel business rose 13 percent to 24.25 billion yuan, according to Sinopec's third-quarter report.

Plans to list Sinopec Marketing have been seen moving in sync with Beijing's efforts to merge the pipeline networks of its three major state-owned oil and gas companies into a single national infrastructure operator.

Market News APAC

- CapitaLand Ltd.'s Lee Chee Koon, who took the top job in September, has wasted no time putting his mark on the Singapore developer, on Monday unveiling a S\$6 billion (\$4.4 billion) deal with Temasek Holdings Pte to create Asia's largest real estate investment management company.
- The worst isn't over yet for Taiwan Semiconductor Manufacturing Co. after the stock suffered its most painful quarter in a decade, analysts warn. When the company releases its financial results on Thursday, shareholders will be looking for clues on whether the world's biggest supplier of made-to-order chips expects demand to continue to weaken. While a downturn is widely expected after Apple, its largest customer, cut its revenue outlook this month, another ugly quarter in 2019 could trigger more declines for the MSCI Emerging Market Index's second-biggest stock.

Indices Asia	Last	Change	YTD
Nikkei225	20489.84	0.64%	2.37%
KOSPI Comp	2089.96	1.23%	2.40%
S&P/ASX200	5797.90	0.42%	2.68%
Hang Seng	26554.12	0.97%	2.76%
Shanghai Comp.	2543.61	0.31%	2.02%
TWSE Taiwan	9746.71	0.40%	0.14%
STI Singapore	3214.73	1.30%	4.79%
KLCI Malaysia	1674.63	-0.09%	-0.95%
JCI Indonesia*	6336.12	-0.40%	2.29%
SET Thailand*	1582.57	-0.91%	1.20%
PCOMP Philippines*	7997.51	-0.33%	7.12%
VN-Index*	901.80	-0.10%	1.04%
Sensex India*	35853.56	-0.43%	-0.60%

*as of yesterday

Indices USA	Yesterday	Change	YTD
DJIA	23909.84	-0.36%	2.50%
S&P500	2582.61	-0.53%	3.02%
Nasdaq100	6541.04	-0.91%	3.33%
VIX	19.07	4.84%	-24.98%

Indices Europe	Yesterday	Change	YTD
EuroStoxx50	3055.18	-0.48%	1.79%
SMI	8760.32	-0.77%	3.93%
DAX	10855.91	-0.29%	2.81%
FTSE100	6855.02	-0.91%	1.89%
CAC40	4762.75	-0.39%	0.68%

Currencies	Last	Change	YTD
USD/CHF	0.9803	-0.07%	0.18%
EUR/USD	1.1488	0.17%	0.18%
GBP/USD	1.2909	0.35%	1.22%
USD/JPY	108.4500	0.27%	1.15%
AUD/USD	0.7219	0.31%	2.40%
NZD/USD	0.6841	0.28%	1.82%
USD/KRW	1118.6900	-0.41%	-0.69%
USD/HKD	7.8422	0.00%	-0.13%
USD/SGD	1.3516	-0.14%	0.84%
USD/THB	31.8590	-0.22%	1.47%
USD/IDR	14075.0000	-0.35%	2.24%
USD/INR	70.9300	0.62%	-1.64%
USD/PHP	52.1380	-0.11%	0.80%
USD/TWD	30.8240	-0.09%	-0.90%
USD/CNH	6.7467	-0.24%	1.85%

Treasury	Yield	Change	YTD
US10Y	2.71	0.01%	2.70%
EUR10Y	0.23	-0.01%	-1.02%
JGB10Y	0.02	0.00%	2.10%
AUD10Y	2.29	0.02%	-2.43%
NZD10Y	2.29	0.00%	-0.18%
CNY10Y	3.11	-0.02%	-

Commodities	Last	Change	YTD
Gold	1292.68	0.08%	0.80%
Silver	15.67	0.12%	1.15%
Brent Crude Oil	59.62	1.07%	10.84%

Singapore Time:

09:43:47

What to Watch*

- China's Slumping Trade Adds Pressure for Settlement With Trump
- Asia's Surprise Turnaround Story This Year Could Be Philippines
- Nissan CEO Says He Hopes Renault Will Also Decide to Oust Ghosn
- Guinea Considering 'All Options' for Simandou Iron-Ore Project
- Aussie's Rebound May Be Short-Lived as China Buys Less: Chart

Market News EU & US

- The cost to create the world's largest gold company: A 17 percent premium for a \$10 billion all-shares acquisition that faces some big-time challenges down the line. Newmont Mining Corp.'s deal for Goldcorp Inc. stands in stark contrast to the recent zero-premium merger between Barrick Gold Corp. and Randgold Resources. The key question: Why? In October, Goldcorp shares fell to their lowest since 2002 after the miner reported lower output and higher costs than expected. Since then the stock improved only marginally before today. The merged company will have the world's largest production and reserve base, and the kind of liquidity and diversified assets required to attract institutional investors, Stephen D. Walker, an analyst with RBC Capital markets, wrote in a research note. But at the same time, "Newmont has some difficult times ahead with drastic surgery needed at Goldcorp," according to John Ing, an analyst at Maison Placements Canada. "In the short term and medium term, the deal is not good for Newmont," Ing said in an interview with Bloomberg News on Monday. Colorado-based Newmont fell 8.3 percent to \$31.97 at 2:12 p.m. in New York trading, while Vancouver-based Goldcorp gained as much as 12 percent to C\$14.45.
- Volkswagen AG, set to announce an expanded alliance with Ford Motor Co. on Tuesday, hasn't decided yet to work with the American automaker in developing self-driving cars, according to the chief executive officer of the German company. "There's still a lot of hype" about autonomous vehicles and "a lot of money flowing in, but I think it's still a long way to go until we really get the first paybacks," Herbert Diess, VW's chairman and CEO, told reporters Monday in a roundtable at the North American International Auto Show. "There's one alternative, which could be joining forces with Ford. It's not yet decided. But it's still a long way to go, many millions to be poured in and probably some setbacks to expect." VW and Ford, which already decided to work together on

commercial vans and pickups, have been in talks to share the investment in self-driving cars and electric vehicles. The two companies have scheduled a teleconference for Tuesday morning to reveal the results of those talks. But Diess indicated there is no deal yet on teaming up on driverless vehicles. "America will play a major role," he said. But VW is "committed to owning the software stack" that controls the self-driving car. The tie-up between the two companies in commercial models is key to their alliance, Diess said. The two have complementary van and pickup product lines, and "combining those light-commercial-vehicle businesses, sharing the platforms, combining the plans should give us a competitive advantage and the right economies of scale," Diess said. "We are also open to share electric platforms."

Overnight News

- Clarida Hints Fed May Not Raise Rates as Much as Projected
- Trump Took Responsibility for Shutdown and Voters Give It to Him
- May Pleads for Support as Humiliating Defeat Over Brexit Looms
- Deutsche Bank's Future Lies in the Hands of These Six Players
- Telecom Italia Is Said to Bid for BT's Scandal-Plagued Unit

Earnings Releases (Singapore Time)

- Nanya Tech (2408 TT) 3pm
- Toho/Tokyo (9602 JP) 2pm

Analyst Rating Changes (Source: Bloomberg)

- China Oilfield H Shares (2883 HK) raised to buy at CICC; Price Target HK\$8
- China Steel (2002 TT) cut to neutral at Mega Securities; PT NT\$27.80
- FEHT SP (FEHT SP) upgraded to neutral at JPMorgan; PT Set to S\$0.62
- Frasers Centrepoint Trust (FCT SP) raised to overweight at JPMorgan
- Mapletree Commercial Trust (MCT SP) raised to overweight at JPMorgan
- Mapletree Logistics (MLT SP) raised to overweight at JPMorgan; PT S\$1.45
- CapitaLand Mall (CT SP) downgraded to neutral at JPMorgan; PT S\$2.45
- Mapletree Industrial (MINT SP) cut to underweight at JPMorgan; PT S\$1.75

Key Economic Event for this Asia-Pacific Week (Last Update on 14 January 2019)

Time	SG/Country	Event	For	Survey	Prior
Monday, 14 January 2019					
(Exchange Holiday: Japan)					
08:00	AU	Melbourne Institute Inflation MoM	Dec	--	0.00%
08:00	AU	Melbourne Institute Inflation YoY	Dec	--	1.60%
Tuesday, 15 January 2019					
05:45	NZ	Food Prices MoM	Dec	--	-0.60%
07:50	JN	Money Stock M2 YoY	Dec	2.40%	2.30%
07:50	JN	Money Stock M3 YoY	Dec	2.10%	2.10%
12:00	ID	Exports YoY	Dec	--	-3.28%
12:00	ID	Imports YoY	Dec	--	11.68%
12:00	ID	Trade Balance	Dec	--	-\$2050m
14:00	JN	Machine Tool Orders YoY	Dec P	--	-17.00%
Wednesday, 16 January 2019					
00:00	NZ	QV House Prices YoY	Dec	--	3.50%
07:30	AU	Westpac Consumer Conf SA MoM	Jan	--	0.10%
07:50	JN	Core Machine Orders MoM	Nov	3.00%	7.60%
07:50	JN	Core Machine Orders YoY	Nov	0.10%	4.50%
07:50	JN	PPI YoY	Dec	1.80%	2.30%
12:30	JN	Tertiary Industry Index MoM	Nov	-0.50%	1.90%
Thursday, 17 January 2019					
04:00	NZ	REINZ House Sales YoY	Dec	--	2.60%
08:30	AU	Home Loans MoM	Nov	-1.50%	2.20%
08:30	SI	Non-oil Domestic Exports YoY	Dec	2.00%	-2.60%
16:30	HK	Unemployment Rate SA	Dec	2.80%	2.80%
Friday, 18 January 2019					
05:30	NZ	BusinessNZ Manufacturing PMI	Dec	--	53.5
07:30	JN	Natl CPI YoY	Dec	0.30%	0.80%
07:30	JN	Natl CPI Ex Fresh Food YoY	Dec	0.80%	0.90%
12:30	JN	Capacity Utilization MoM	Nov	--	4.00%
12:30	JN	Industrial Production MoM	Nov F	--	-1.10%
12:30	JN	Industrial Production YoY	Nov F	--	1.40%
15:30	TH	Foreign Reserves	Jan-11	--	\$205.7b

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Source: Bloomberg, unless otherwise stated.

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