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Thursday, May 17, 2018

MASTER AGREEMENT

Keppel signs agreement to sell five existing rigs to Borr Drilling

COMPANIES & MARKETS / 7



PRESIDENT'S ADDRESS DEBATE

Moderate-growth forecast not cause for worry: PM Lee

PM Lee to meet Mahathir on Saturday TOP STORIES / 2



GUNNING FOR SCOPE

Frasers Property, GIC, JustCo invest US\$177m in co-working space

REAL ESTATE / 16

MARKETS

	Wednesday	Change
STI	3,533.05	-7.18
KL COMP	1,858.26	+10.06
NIKKEI 225	22,717.23	-100.79
HANG SENG	31,110.20	-41.83
SHENZHEN B	1,106.95	+0.36
DOW (11.45 EDT)	24,699.95	(-6.46)

DAILY DIGEST

Over 100 small and medium-sized enterprises (SMEs) have benefited from 22 group-based upgrading projects implemented by SME Centres since it started about a year ago, said Senior Minister of State for Trade and Industry Chee Hong Tat on Tuesday.

TOP STORIES / 6

Boustead's chairman and CEO, Wong Fong Fui, who emerged as a significant shareholder in Falcon Energy Group (FEG) on Wednesday, pointed to trust in FEG's managing director, PT Tan, as a major factor behind his S\$2 million investment.

COMPANIES & MARKETS / 12

The collective sale fever continues, as JLL launched five freehold residential sites with a total value of over S\$1.2 billion.

REAL ESTATE / 18

Starbucks Corp unveiled a bold plan to more than triple revenue in China over the next five years.

CONSUMER / 23

US data fuelling greenback, but outlook lacks consensus

Some forex strategists believe current USD rally offers good opportunity to pick up Aussie, sterling and euro

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Singapore

THE US dollar is currently having a good run but there appears to be no consensus on its outlook.

But on balance, more seem to agree that now may be a good time to buy battered currencies such as the Aussie, sterling and euro as they may begin to recover with improving economic data.

The US dollar index hit new 2018 highs on Tuesday in line with the rise in US Treasury yields. As yields rise, the USD looks more attractive. "Expectations for a near-term correction in the USD's recovery is not unreasonable," said Philip Wee, DBS Bank senior currency economist.

For most market participants, the USD's swift recovery in the past three-four weeks has been unexpected, especially against the euro (EUR), Aussie dollar (AUD) and pound (GBP), said Mr Wee.

The USD has also risen strongly against the Singapore dollar; it has gained a volatile 4 months for the SGD as it rose to a high of 1.3063 on January 26 before bouncing around 1.31

the next three months and is now at 1.34 to the US dollar.

Mr Wee is from the camp who thinks the USD's strength is still intact. "We are still looking at another 3 US Federal Fund Reserves hikes this year, followed by another 4 increases in 2019, he said.

He believes the US 10-year bond yield should rise above 3 per cent. On Tuesday, it rose to 3.09 per cent, its highest since July 2011. The next Fed hike will lift the Fed Funds Rate from 1.75 per cent to 2 per cent, the level it fell from to address the 2008 Global Financial Crisis, said Mr Wee. He expects the USD/SGD to end 2018 at 1.38 from the present 1.34.

But Tan Teck Leng, UBS Global Wealth Management Asian FX strategist, is among those who think the USD rally has run its course.

The forecast is for the USD to fall against the Singapore dollar to 1.28,

1.27, 1.26 over the next three, six and 12 months.

He said the primary reason for the stronger USD since the beginning of 2018 was due to US economic data surprising positively, versus other countries where economic data had been surprising negatively. "As a result of diverging economic data surprises, this led to divergence in inflation expectations, yields, and central bank signals; inflation is stronger in US versus other countries; US yields rose more than other countries; the US Federal Reserve sounded more confident than other central banks."

On the Singapore dollar, he said it "should benefit from further tightening by the Monetary Authority of Singapore, which has tightened last month and is still expected to tighten again in October." He expects the MAS to increase the speed of SGD NEER (nominal effective exchange rate) ap-

preciation in October from 0.5 per cent to 1 per cent.

Another who believes the USD strength may not last is Ken Peng, Citi Private Bank head of Asia investment strategy. "If you require USD over the next few years, for say your children's education, there's no need to buy USD now," he said. But for traders taking short-term bets, the USD could rise another 2-3 per cent in the coming months, said Mr Peng.

However this is a good time to pick up the Aussie, sterling and euro, taking advantage of the current correction, he said. "For the US, our expectations are that USD is likely to be cheaper in 2-3 years, hence there is little need for immediate purchases," said Mr Peng. "For AUD, GBP and EUR, we believe the current correction is presenting an opportunity to lock in favourable exchange rates in currencies that are likely to get stronger over the next 2-3 years."

UBS's Mr Tan also agrees that the EUR, AUD and GBP will recover from current levels.

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➔ Euro falls to lowest since late December on Italy debt worries, Page 11

"For the US, our expectations are that USD is likely to be cheaper in 2-3 years."

Ken Peng Citi Private Bank head of Asia investment strategy

Volatile



Source: Bloomberg

Old trades, new trends, in the Weekend magazine

OLD trades are made new again, thanks to second-generation business owners who are taking the sunset professions of *karang guni* collector, fishmonger and coffee powder seller into the future. Brilyn Teoh, for example, uses social media and modern technology to turn her family rag-and-bone business into a second-hand furniture business attracting a new breed of customers. In turn, Jeffrey Tan turned buying fish at a wet market into a hipster shopping experience, while sourcing and grading specialty coffee helped Jacob Tan modernise his father's coffee-roasting business.



We also talk to Colin Goh, one of the most successful arts producers in Singapore whose profitable RICE company proves that it's possible to build a sustainable business without government handouts.

If you thought sake only goes with Japanese food, find out how it can be paired with other fine-dining cuisines in our story about unconventional food and beverage pairings. Also, shop with a conscience at retailers which give back to charity and check out the National Art Gallery's latest mega-exhibition of works from its growing art collection.

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Far East bags coveted Holland site for S\$1.2b

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Singapore

A CONSORTIUM led by property giant Far East Organization, which has clinched a coveted commercial and residential site in Holland Road, is planning a development with apartments for sale, dual office/residential use units, offices, retail space and serviced residences on the site.

Far East Organization executive director of property services Augustine Tan, on behalf of the joint venture, disclosed the above to *The Business Times* on Wednesday evening.

The winning bid of S\$1.213 billion works out to nearly S\$1,888 per square foot per plot ratio (psf ppr).

The total development cost has yet to be worked out, but market watchers suggest it could be around S\$1.8 billion, he said.

Far East's fellow consortium members are Sekisui House and Sino Group; the lead architect for the consortium's concept proposal is

homegrown MKPL Architects. This is a sweet victory for property giant Far East Organization, which has fallen behind other Singapore developers in the ongoing residential land-buying spree.

The Far East-led consortium's winning bid was the highest of the five shortlisted tenderers' for the dual-envelope (concept and price) tender, the Urban Redevelopment Authority (URA) said. The tender, which closed on March 20, drew 15 bids from 10 consortiums. The Far East-led tie-up placed the most bids, three, each with a different concept proposal.

The Holland Road site, which sits near Holland Village's F&B outlets, can have a maximum gross floor area (GFA) of 59,715 sq m (642,766 sq ft). Up to 13,500 sq m of that can be used for retail. At least 60 per cent of the total GFA should be for residential use, and the remaining 40 per cent, for commercial use.

Although the winning consortium could have used the full 60 per cent for apartments for sale, it chose to split this GFA into 400-plus apart-



The Far East-led group plans apartments, serviced residences, offices, dual office/residential units, and retail space. PHOTOS: MKPL ARCHITECTS

ments for sale, and 100-plus serviced apartments. Mr Tan said: "We are in this for the long term. We have confidence there will be good demand for serviced residences in this location, so we did not maximise the apartments for sale in this project."

Far East's proposed scheme will

have two towers of 33 storeys and 25 storeys housing the 400-plus apartments for sale, a 10-storey serviced apartment tower and five levels of office space above the retail/F&B space. There will also be dual office/residential units as a component of the office space.

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