

Week of 21st June 2021

What's on our mind this week?

China passes the one billion doses mark

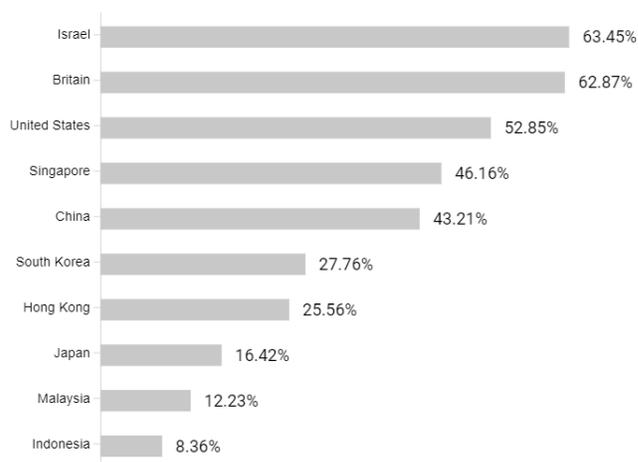
China administered its billionth dose of the Covid-19 vaccine on Saturday 19th June. The daily number of jabs was over 20 million per day on multiple days in recent weeks. The overall number doubled since 23rd May following some outbreaks in a few places, including in the major southern port city of Guangzhou and the surrounding Guangdong province, where over 100 cases have been identified since late May. The situation is nowhere close to being severe in these places. Still, it reminded everyone that even China couldn't stay COVID "free" with strict measures. Vaccination is the only way to keep safe over a sustained period of time, especially as the world reopens. As such, the public opinion swung seemingly overnight from resisting the RMB 500 supermarket coupon (vaccination incentives offered in some cities) to queuing up for hours to get a shot.

According to Bloomberg, the sheer volume of jabs done in China is unmatched globally, with China accounting for more than one in every three doses administered so far worldwide. Total global vaccinations topped 2.5 billion last week at a rate of 37 million a day as of Friday. Earlier this month, Chinese officials disclosed that 622 million people had received shots as of 10th June but did not specify how many had received a full course.

China has set a goal of vaccinating 40% of its 1.4 billion population before July and aims to reach at least 70% of the target population by year-end. Given the Chinese government's experience with mass mobilisation, we do not doubt that China will achieve these objectives. It should be good news for the country's economic trajectory as it will allow a gradual reopening of its borders that remain largely closed until now.

Covid-19 vaccinations worldwide

Share of population that has received at least one vaccine dose



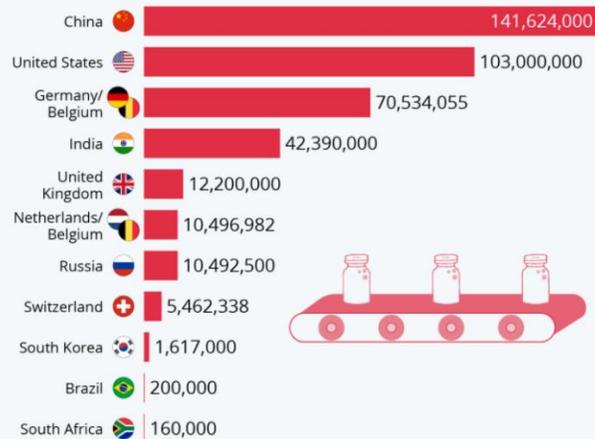
Source: Ourworldindata.org – 21st June 2021

China's vaccine makers should be able to produce at least 3 billion doses in 2021 and 5 billion doses in 2022, according to some estimates. So far, seven vaccines have been cleared for use in China. Four have been given market approval, including two inactivated vaccines by state-owned Sinopharm and one by Sinovac, as well as a viral-vectored jab by CanSino Biologics. Three vaccines – made by Anhui Zhifei Longcom, the Institute of Medical Biology of the Chinese Academy of Medical Sciences and Kangtai Biological Products – have been given emergency use authorisation.

Currently, there is a shortage of Covid-19 vaccines. According to Airfinity, a science information and analytics company, 1.73bn doses of vaccines were produced globally as at the end of May. A total of 10.82 billion doses are needed to inoculate 75% of the world's population aged five or over. By the end of 2021, total Covid-19 vaccine production is forecast to exceed levels needed to reach global herd immunity as the total global production of Covid-19 vaccines is planned to be over 11bn doses this year, with Sinovac among the top three with 1.35bn doses, ranking third behind the 2.47bn estimated doses for BioNTech/Pfizer's vaccine, and 1.96bn for AstraZeneca's vaccine.

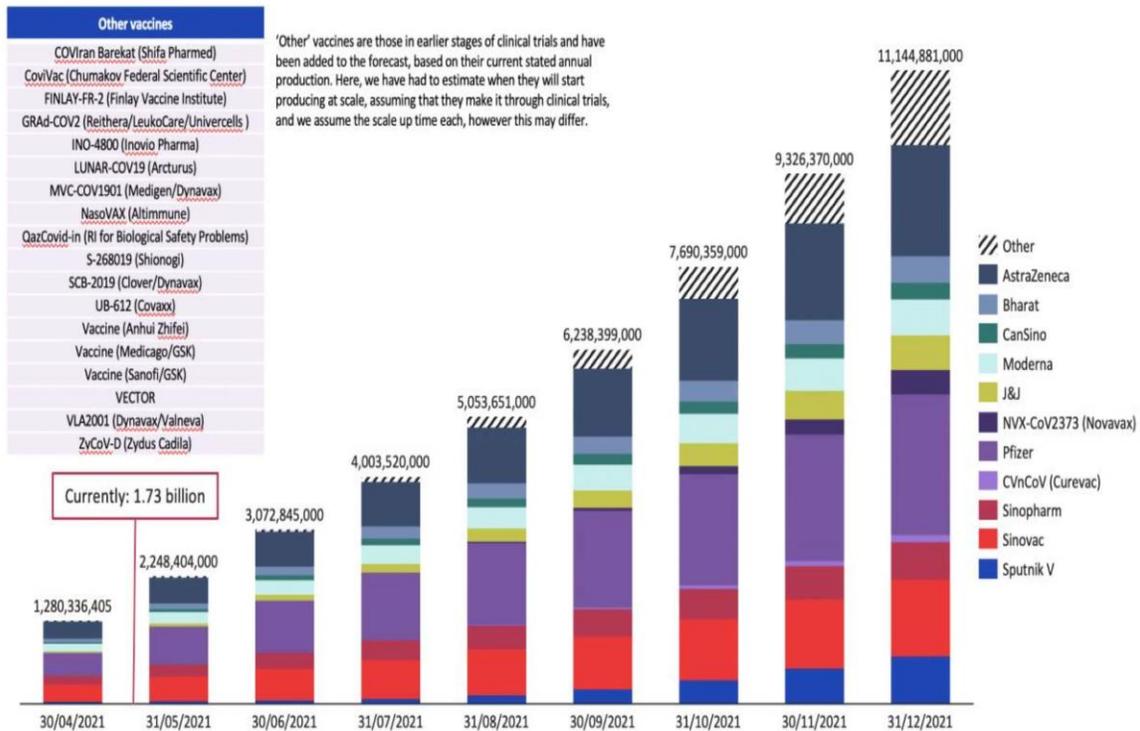
The Countries Dominating Covid-19 Vaccine Production

Total number of Covid-19 vaccine doses produced by country (as of March 03, 2021)



Source: *airfinity.com* – 3rd March 2021

Forecasted Vaccine production



Source: *airfinity.com* – May 2021

Of the three, Sinovac recorded the lowest efficacy rate as reported in World Health Organisation (WHO) documents, at 51 per cent or just above the WHO's minimum threshold. However, there have been increasing evidence that Sinovac vaccines are highly effective in real life. According to a new study by Indonesia's health ministry, Sinovac vaccines have proved highly effective among Indonesia's healthcare workers. The review which looked at nearly 130,000 medical staff found that two shots of the Sinovac vaccine were 94% effective in preventing Covid-19 symptoms, were 96% effective against hospitalisation, and 98% effective in preventing death, as quoted by lead researcher and health official Pandji Dhewantara. The effectiveness of a single shot was only 13%, the study showed. Separately, Sinovac showed impressive efficacy in preventing the SAR-CoV-2 variant discovered in Brazil. Data indicates that deaths and hospitalisations caused by the virus in the city of Serrana decreased by 95% and 86%, respectively from February to April, after close to 60% of its residents were vaccinated with the Sinovac vaccine.

Indonesia to stop building new coal-fired power plants by 2025

It was reported last week in local Indonesian newspaper Kontan (<https://insight.kontan.co.id/news/ruptl-2021-2030-bakal-prioritaskan-energi-bersih>) that the Indonesian government was planning to stop the construction of new coal-fired power plants by 2025 as part of the nation's commitment toward renewable energy. In addition, it was reported that all coal power plants that are still in the planning phase will be changed to baseload power plants fueled by multiple renewable energy sources and natural gas after 2025. Echoing this view is Zulkifi Zaini, CEO of state-owned electricity utility Perusahaan Listrik Negara (PLN), who said that there would be no more new thermal plants after an ongoing program to add 35,000 MW to the national grid by 2023. PLN's plan to stop building new coal plants would be the first step toward decarbonising the country's economy, which is still heavily reliant on coal.

According to Fabby Tumiwa, Executive Director of Indonesia's private policy think tank Institute for Essential Services Reform (IESR), "Indonesia could achieve net-zero emissions in 2050 if emissions from power plants are reduced as fast as possible." He added, "So the first key is to completely stop building new coal plants at least after 2025. But if possible, before 2025 is better."

Another policy which was drawn in Indonesia's 2021-2023 national electricity plan is to impose a carbon tax of IDR 75 (USD 0.005) per kilogram carbon dioxide equivalent. While this tax is still in discussion, it could tangibly impact the coal miners' profits.

While the coal sector historically formed a sizable part of the Indonesian high yield debt market, this weighting has been declining as ESG policies adopted by market participants have reduced demand for carbon intensive sectors. At JK Capital, the Fixed Income team was quick to identify this trend and has also been pro-actively reducing its exposure over the recent years with the commitment to completely exit direct investments in dedicated thermal coal mining companies by the end of 2023, as per our publicly stated firmwide [ESG Inclusion Policy](#) and [Exclusion Policy](#). In addition, JK Capital has endeavoured to engage more closely with non-profit organisations such as CDP and TCFD which aim to improve the environmental reporting standards of companies around the world.

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