StocksBnB.com

PhillipCapital

# Phillip Singapore Monthly

## March 2018: *New uncertainty emerges*

14 March 2018

**Market:** STI was down only 0.5% in March. But this masked broader weakness in the market. Of its 30 component stocks, only eight posted positive returns. Half were banks and electronics. The market had a whiff of President Trump's stance on international trade when he withdrew the US from the TPP shortly after his nomination. Since then, he has played down his trade rhetoric. It is now back on. He has declared trade wars as good and that they can be won. He has also exercised the US' so-called nuclear option in trade by invoking national security as the reason for import tariffs. This is supposed to be used in times of emergency or war. While steel and aluminium only comprise 2% of the US' imports and nothing concrete has been rolled out, his rhetoric has fanned new uncertainties. The fear is retaliation and an escalation of trade protectionism. Of concern will be the current US investigation into China's violation of intellectual-property rights. It may result in the US restricting Chinese investments in US companies, tariff penalties on imports, and visa controls. What could hold back the President would be his own Republican Party members who have no interest in dialling back the current economic momentum as they head out to the 2018 mid-term elections.

A Peterson Institute for International Economics policy brief laid out the advantages of cross-border trade. Trade allows industries to exploit economies of scale and generate technological spillovers (spread of innovation), import competitiveness (curtailment of monopolies) and comparative advantages (through specialisation). Studies suggest a $0.24 gain for GDP for every $1 rise in two-way trade. Admittedly, there are adjustment costs from jobs lost. However, the ratio of economic gains from trade to the cost of displaced workers is 5 to 1. Any gains for the domestic steel sector in the US will be at the expense of steel-consumption sectors such as auto, construction and machinery.

In Singapore, the headline news was the FY18 budget and completion of the reporting season. Most impactful was an incremental rise in buyers' stamp duties for property and an extension of tax transparency to REIT ETFs. Increases in GST have been deferred. Banks surprised the market with a large jump in ordinary dividends. The three raised their aggregate ordinary dividends by 25% or S$1bn, 90% alone from DBS. Electronic companies beat expectations with sales and earnings growth of 30% and 100% respectively in 2017.

**Recommendation:** We remain Overweight on banks, property, electronics and the consumer sector. DBS' strong performance has tilted our preference to OCBC. The latter's insurance business is another beneficiary of rising interest rates. Its Hong Kong loan growth remains above trend. The property sector succumbed to some weakness after the recent rise in stamp duties. Still, we are positive, as en-bloc liquidity has yet to surface. Electronics continues to enjoy a positive outlook, though USD weakness may take a bite off their earnings. The consumer sector still reels from sluggish consumption in the region. A stock we upgraded was SGX. It will be a beneficiary of the recent spike in volume and volatility. In addition, it pays a 4% dividend yield. Our STI target of 3900 has been maintained.

### Global Market Watch

| Asia-Pacific | Level | 1M (%) | YTD (%) |
|---|---|---|---|
| Nikkei 225 | 22,068 | (4.5) | (3.1) |
| KOSPI | 2,427 | (5.4) | (1.6) |
| CSI 300 | 4,024 | (5.9) | (0.2) |
| HSCEI | 12,382 | (8.7) | 5.7 |
| Taiex | 11,095 | (2.6) | 1.6 |
| Hang Seng | 30,845 | (6.2) | 3.1 |
| Sensex | 34,184 | (5.0) | 1.1 |
| Nifty | 10,493 | (4.9) | 0.5 |
| SET | 1,830 | 0.2 | 4.4 |
| KLCI | 1,772 | (0.7) | 3.3 |
| STI | 3,518 | (0.5) | 3.4 |
| JCI | 6,597 | (0.1) | 3.8 |
| Phil Comp | 8,475 | (3.3) | (1.0) |
| S&P/ASX 200 | 6,016 | (0.4) | (0.8) |

| US/Europe | Level | 1M (%) | YTD (%) |
|---|---|---|---|
| DJIA | 25,029 | (4.3) | 1.3 |
| NASDAQ Comp | 7,273 | (1.9) | 5.4 |
| S&P 500 | 2,714 | (3.9) | 1.5 |
| FTSE 100 | 7,232 | (4.0) | (5.9) |
| DAX | 12,347 | (5.7) | (3.7) |
| CAC 40 | 5,320 | (2.9) | 0.1 |
| Euro STOXX 50 | 3,439 | (4.7) | (1.9) |
| VIX | 20 | 46.6 | 79.8 |

**Prices as at 28 February 2018*

***Paul Chew*** *(DID: 6212 1851)*
*Head of Research*
*paulchewkl@phillip.com.sg*

### FSSTI Top Performers (1 Month)

| FSSTI Top Gainers | S$ | 1M (Δ) | 1M (%) | YTD (%) |
|---|---|---|---|---|
| Venture Corp | 27.290 | 6.050 | 27.6 | 36.6 |
| OCBC | 13.250 | 1.160 | 9.5 | 8.3 |
| CityDev | 13.360 | 1.160 | 9.4 | 7.8 |
| UOB | 28.040 | 2.320 | 8.8 | 8.4 |
| UOL | 8.750 | 0.560 | 6.8 | (0.8) |
| Wilmar | 3.220 | 0.200 | 6.6 | 4.5 |
| **FSSTI Top Losers** | **S$** | **1M (Δ)** | **1M (%)** | **YTD (%)** |
| StarHub | 2.470 | (0.290) | (10.5) | (13.7) |
| ThaiBev | 0.815 | (0.075) | (8.4) | (10.9) |
| Genting (S) | 1.120 | (0.070) | (5.7) | (12.2) |
| Sembcorp Industries | 3.060 | (0.100) | (3.1) | 2.6 |
| SIA Engineering | 3.250 | (0.090) | (2.7) | 3.8 |
| Jardine C&C | 35.960 | (0.910) | (2.4) | (10.4) |

### Singapore Indices Market Watch

| Singapore Indices | Level | 1M (%) | YTD (%) |
|---|---|---|---|
| FTSE ST Straits Times | 3,518 | (0.5) | 3.4 |
| FTSE ST Financial | 1,052 | (0.1) | 3.7 |
| FTSE ST Real Estate | 835 | (5.3) | (3.2) |
| FTSE ST Industrials | 823 | 2.2 | 5.8 |
| FTSE ST Consumer Service | 730 | (5.5) | (2.6) |
| FTSE ST Telecommunicate | 861 | (5.1) | (5.6) |
| FTSE ST Oil & Gas | 423 | (7.8) | 8.5 |
| FTSE ST Consumer Good | 486 | (4.7) | (2.7) |
| FTSE ST Utilities | 355 | (4.2) | (2.8) |
| FTSE ST Healthcare | 1,236 | (0.2) | 0.5 |
| FTSE ST Technology | 241 | (1.0) | (1.8) |
| FTSE ST Basic Material | 89 | 0.9 | 29.2 |
| FTSE ST Mid-Cap | 772 | (3.7) | 0.6 |
| FTSE ST Catalist | 460 | (4.9) | (2.1) |


MCI (P) 74/10/2017
Ref. No.: SG2018_0067

PhillipCapital

## PHILLIP ABSOLUTE 10 – Our top 10 picks for absolute returns

| Company | 1 Mth Perf. | 3 Mth Perf. | YTD Perf. | Target Price | Share Price | Mkt Cap (US$ m) | PE FY17 | PE FY18E | PE FY19E | P/BV FY17 | Dividend Yield | ROE FY17 | Rating |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Yield** | | | | | | | | | | | | | |
| Asian PayTV | -1.7% | -4.2% | -3.4% | 0.62 | 0.6 | 623 | 22.1 | 18.6 | 19.0 | 0.6 | 11.4% | 3.0% | ACCUMULATE |
| Ascendas REIT | -4.0% | 0.4% | -2.6% | 2.9 | 2.7 | 5,821 | 17.9 | 16.2 | 16.2 | 1.3 | 5.9% | 7.2% | ACCUMULATE |
| **Growth** | | | | | | | | | | | | | |
| Chip Eng Seng | -6.4% | 3.3% | -3.1% | 1.2 | 0.9 | 446 | 15.0 | 12.2 | 14.3 | 0.8 | 4.2% | 4.6% | BUY |
| Dairy Farm - US$ | -0.6% | 5.6% | 7.5% | 9.9 | 8.5 | 11,429 | 28.3 | 21.1 | 19.2 | 6.8 | 3.3% | 25.3% | BUY |
| DBS Group | 8.7% | 17.5% | 15.5% | 29.3 | 28.7 | 55,969 | 16.8 | 12.8 | 11.4 | 1.5 | 3.2% | 9.5% | BUY |
| Geo Energy | -9.6% | -9.6% | -11.3% | 0.4 | 0.2 | 238 | 6.5 | 3.8 | 3.8 | 2.7 | 0.0% | 26.4% | BUY |
| Micro-Mechanics | -5.7% | 4.9% | 2.4% | 2.5 | 2.2 | 228 | 20.3 | 14.8 | 12.5 | 5.3 | 4.2% | 31.5% | ACCUMULATE |
| **Re-rating Plays** | | | | | | | | | | | | | |
| Banyan Tree | -2.4% | 7.1% | 7.1% | 0.7 | 0.6 | 387 | (18.8) | 56.5 | 42.4 | 0.8 | 1.7% | 2.2% | ACCUMULATE |
| CapitaLand | -5.5% | 2.8% | 2.8% | 4.2 | 3.6 | 11,701 | 9.9 | 14.9 | 14.3 | 0.8 | 3.3% | 8.6% | ACCUMULATE |
| Comfort DelGro | -3.3% | 1.5% | 2.5% | 2.5 | 2.0 | 3,341 | 15.1 | 14.0 | 13.9 | 1.7 | 5.1% | 11.8% | BUY |
| Average | -3.1% | 2.9% | 1.7% | | | 90,184 | 13.3 | 18.5 | 16.7 | 2.2 | 4.2% | 13.0% | |

*Source: Bloomberg, PSR. Phillip Absolute 10 performance assumes equal weightage to every stock in the portfolio. Any changes to Phillip portfolio is only conducted month end.*

*In our inaugural Phillip Absolute 10 Model portfolio, it was up 4.9% in January. It outperformed the STI by 1% point. Our portfolio underperformed this month, hurt by the performance of Geo Energy, Chip Eng Seng and Micro-Mechanics. Only DBS managed to generate positive gains for us in February. Our portfolio for March will exit DBS and replace it with OCBC.*

Below are some quick updates on some of the Absolute 10 portfolio:

**OCBC:** We will be removing DBS and replacing with OCBC. Due to the outperformance in DBS, we believe OCBC will be a better proxy to banking sector. OCBC will enjoy the upside in interest rates through the insurance arm and leveraged on the rebound in credit cycle in both Singapore and Hong Kong.

**Geo Energy:** Share price has suffered due to weak production in 4Q17 and regulatory noise out of Indonesia. We still like the stock for the attractive valuations, growth in production and healthy coal prices.

**Chip Eng Seng:** We maintain our Accumulate call on CES with unchanged target price as we see strong revenue visibility for FY18/19 with an estimated $210mn of unbooked development profits from High Park and Grandeur Park Residences. The improving hospitality and construction segments will continue to support recurring income. The Group's recent announcement to diversify into the Education sector remains a mid-long term goal. We will update accordingly, when there is more clarity. Dividend yield, which we expect to be maintained, is at an attractive >4% level, and target price is at a steep 40% discount to RNAV.

**Micro-Mechanics:** Whilst the results reflected some weakening in momentum, we still are upbeat on the company. The attractive investment merits of Micro-Mechanics have not changed: ROE of >30%, ~60% GP margins, net cash $22mn balance sheet and 3% dividend yield.

**Dairy Farm:** Most of its segments and its two key associates returned strong performances, while we saw persistent weakness in SE Asia. We like Dairy Farm on its well-established regional presence and solid financial positions. Near-term catalysts include recovery in SE Asia consumer sentiment as well as higher Chinese tourist arrivals to Hong Kong and Macau; increasing online and offline network; and margin gains via better sales mix and economies of scale.

**Banyan Tree:** We maintain our Accumulate call on BTH with unchanged target price as FY17 results continue to show improved operating performance across its key markets, with the exception of Maldives. RevPAR for Thailand, which accounts for close to 60% of Group revenue by our estimates, jumped c.13% on average for FY17. We expect this strength to continue, especially with the low base in 1H17, after the King is passing. Forward indicators also reflect a more favourable outlook across all business segments as hotel forward bookings jump 15% YoY for 1Q18. The Group's general offer for Laguna Resorts & Hotel reflects a potential greater sense of urgency to monetize/ develop the existing land bank, which could be further catalysts to share price.

## Technical Analysis : Straits Times Index – uptrend held up by the 3340 support area

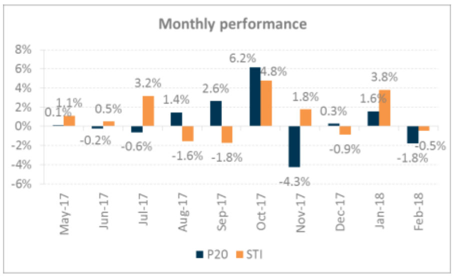
**STI Daily Chart** **Current Sentiment: Bullish**


*Source: Bloomberg, Phillip Securities Research Pte Ltd*

*Red line = 20-period moving average, Blue line = 60-period moving average, Green line = 200 period moving average*

February was met with volatility storm as the VIX index spiked up more than 100% on 5 February while the S&P 500 index only fell by -4.9%. At one point, the VIX index spiked to a high of 50 on 6 February causing the market to go into a tailspin. The general equity market headed into a risk-off mode where we saw most equity indices from Asia, Emerging markets and European markets sold-off significantly in February including the Straits Times Index (STI).

From a price action perspective on STI, after falling -7.5% off the 3611 high on 24 January to a low of 3340 points on 9 February, the subsequent strong bullish recovery has also shown some sign of strength. The STI rebounded off a critical support area at the 200-day moving average and 3341 support area, keeping the uptrend intact. The intraday low of 3340 points on 9 February should be the next higher low (HL) point for this uptrend. Moreover, the bullish recovery since 9 February has also lifted price back above the 20 and 60 day moving average signals the bullish momentum has returned. Moving forward, expect the uptrend to spur the STI higher to retest the 3600 psychological round number followed by 3650. We should continue to see the 20 and 60-day moving average propelling price higher as the market volatility stabilises.





| The Phillip 20 Portfolio - Our top technical picks as of 28 February 2018 | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Company Name** | **Ticker** | **L** | **Entry Date** | **Entry price** | **Stop Loss** | **Last price** | **Current gain/loss (%)** |
| 800 SUPER | 5TG | Long | 13-Feb-18 | 1.110 | 0.990 | 1.090 | -1.80% |
| BREADTALK | 5DA | Long | 2-Nov-17 | 1.645 | 1.470 | 1.790 | 8.81% |
| CHIP ENG SENG | C29 | Long | 12-Dec-17 | 0.945 | 0.880 | 0.945 | 0.00% |
| ELLIPSIZ | BIX | Long | 3-Aug-17 | 0.645 | 0.575 | 0.670 | 3.88% |
| FRENCKEN | E28 | Long | 20-Jul-17 | 0.525 | 0.445 | 0.625 | 19.05% |
| F & N | F99 | Long | 24-Mar-17 | 2.220 | 2.220 | 2.360 | 6.31% |
| GOLDEN ENERGY | AUE | Long | 2-Aug-17 | 0.425 | 0.360 | 0.410 | -3.53% |
| JUMBO | 42R | Long | 22-Sep-17 | 0.575 | 0.525 | 0.570 | -0.87% |
| MICRO-MECHANICS | 5DD | Long | 21-Feb-18 | 2.220 | 1.890 | 2.160 | -2.70% |
| MIYOSHI | M03 | Long | 23-Aug-17 | 0.074 | 0.062 | 0.072 | -2.70% |
| OCBC | O39 | Long | 9-Feb-18 | 12.360 | 11.430 | 13.060 | 5.66% |
| RIVERSTONE | AP4 | Long | 12-Jul-17 | 1.065 | 0.995 | 1.040 | -2.35% |
| SUNRIGHT | S71 | Long | 20-Feb-18 | 0.905 | 0.755 | 0.875 | -3.31% |
| SINOSTAR PEC | C9Q | Long | 28-Nov-17 | 0.194 | 0.149 | 0.181 | -6.70% |
| WING TAI | W05 | Long | 11-Dec-17 | 2.270 | 2.060 | 2.200 | -3.08% |

## PHILLIP SINGAPORE SECTOR UNIVERSE

| Phillip Singapore Sectors (103 companies) | 1 Mth Perf. | 3 Mth Perf. | YTD Perf. | PSR Recomm | Target % change | Mkt Cap (US$ m) | PE FY16 | PE FY17e | PE FY18e | P/BV FY17 | Dividend Yield | ROE FY17 | EPS Growth FY18e | EPS Growth FY19e |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Commodities - Plant./Others | **-1.5%** | 0.9% | 1.7% | **Overweight** | 11.7% | 24,608 | 14.2 | 12.6 | 11.4 | 1.9 | 2.7% | 8.7% | 13% | 11% |
| Conglomerate/Utilities | **-0.6%** | 0.1% | 3.3% | **Neutral** | 7.8% | 119,539 | 27.2 | 21.7 | 19.9 | 1.4 | 2.2% | 13.3% | 26% | 9% |
| Consumer - F&B/Gaming/Media | **-7.1%** | -6.7% | -4.4% | **Overweight** | 21.3% | 45,843 | 13.6 | 19.2 | 17.9 | 3.8 | 2.9% | 21.1% | -30% | 7% |
| Finance | **3.9%** | 10.1% | 9.3% | **Overweight** | 4.7% | 139,459 | 14.9 | 12.4 | 11.2 | 1.8 | 3.0% | 11.4% | 20% | 12% |
| Healthcare | **0.6%** | 7.2% | 3.1% | **Neutral** | 13.4% | 15,084 | 45.4 | 45.7 | 37.8 | 2.5 | 0.7% | 5.8% | -1% | 21% |
| Industrial - Electronics/Others | **10.3%** | 20.8% | 20.5% | **Overweight** | 14.4% | 17,926 | 19.3 | 17.0 | 15.3 | 4.3 | 4.1% | 21.9% | 14% | 11% |
| Property | **-5.4%** | -0.8% | -0.6% | **Overweight** | 13.8% | 52,397 | 12.4 | 14.8 | 14.7 | 0.8 | 2.9% | 10.6% | -16% | 1% |
| REIT - Hospitality | **-6.5%** | 0.4% | -1.9% | **N/A** | 5.6% | 7,450 | 15.3 | 18.4 | 17.4 | 1.0 | 6.2% | 5.9% | -17% | 6% |
| REIT - Industrial | **-5.9%** | -1.1% | -4.0% | **Neutral** | 9.3% | 16,502 | 19.9 | 15.9 | 15.1 | 1.2 | 6.2% | 7.2% | 26% | 5% |
| REIT - Office | **-6.4%** | -5.4% | -7.8% | **Neutral** | 3.1% | 13,597 | 14.6 | 23.1 | 21.6 | 0.9 | 5.2% | 6.7% | -37% | 7% |
| REIT - Retail | **-4.8%** | -1.6% | -3.8% | **Neutral** | 5.5% | 17,733 | 11.7 | 17.5 | 16.7 | 1.0 | 5.8% | 9.1% | -33% | 5% |
| REIT - Others/Foreign/Biz Trust | **-8.3%** | -7.4% | -7.1% | **Overweight** | 6.3% | 7,396 | 19.6 | 19.3 | 19.2 | 0.9 | 8.3% | 5.3% | 2% | 1% |
| Shipping - Yards/Vessel owners | **-10.0%** | 4.4% | 8.1% | **Neutral** | -2.8% | 8,452 | 34.7 | 21.1 | 20.1 | 3.7 | 2.0% | 4.3% | 64% | 5% |
| Telecommunications | **-5.2%** | -8.7% | -5.7% | **N/A** | 19.5% | 46,550 | 14.4 | 14.5 | 14.3 | 4.0 | 5.3% | 29.4% | -1% | 2% |
| Transportation | **-3.0%** | 1.9% | 3.0% | **Accumulate** | 9.2% | 20,551 | 21.8 | 19.3 | 19.0 | 1.9 | 3.0% | 9.1% | 13% | 2% |
| | **-1.4%** | 2.0% | 2.6% | | 9.9% | 553,086 | 16.8 | 16.2 | 15.0 | 2.0 | 3.3% | 13.5% | 4% | 8% |

**Best performing sectors in Feb18 were** Industrial, Banks and Healthcare. The gains in industrials came from electronics names such as Hi-P (+29.3%), AEM (+28%) and Venture (19.5%). Positive returns on financials was predominantly due to DBS (+8.7%). The other two banks were up less than 2%. SGX dropped 7.9%. Healthcare was virtually flat due to rise in Raffles Medical (+3.6%).

**Worst performing sectors in Feb18 were** Shipping, REIT- Others and Consumer. Shipping faced weakness from SembCorp Marine (-15.2%) and PACC Offshore (-14.8%). REIT-Others tumbled on the back of selling in Hutchinson Port (-12%), and Accordia (7.2%). Leading the losses in consumer were Genting Singapore (-14.1%) and Thai Beverage (-9.2%).

## SUMMARY OF SECTOR AND COMPANY VIEWS

| | |
|---|---|
| **1. Commodities** | Overweight with BUY calls on China Aviation Oil (aviation growth in China), Geo Energy (increased production volume) and Golden Energy (volume growth and improved balance sheet liquidity). |
| **2. Conglomerate / Utilities** | Neutral. We have an ACCUMULATE on SembCorp Industries. The strategic review was a disappointment. It was essentially business as usual with an IPO of subsidiary as the topping. China Everbright Water is a BUY for their stable pipeline of projects. |
| **3. Consumer** | Overweight. We have BUY recommendations across all consumer names as the pick-up in economy will lead to higher wages, sentiment and consumer spending. Our BUY recommendations are Dairy Farm, Sheng Siong, Old Chang Kee and Thai Beverage. F&N is an Accumulate. |
| **4. Finance** | Overweight. We have BUY recommendation for DBS, OCBC and UOB. Banks are enjoying a perfect scenario in 2018, with higher volumes, margin expansion, reversal in provisions and strong revenue stream from wealth management. We upgraded SGX due to recovery in volume and volatility. |
| **5. Healthcare** | Neutral. Our BUY call is only HMI. SOG and Raffles Medical are an ACCUMULATE. Volumes in healthcare are soft as Singapore public hospitals and Malaysian hospitals take market share. |
| **6. Industrial** | Overweight. We have BUY calls on 800 Super, Nam Lee and China Sunsine. Micro-Mechanics is an ACCUMULATE. We downgraded Y Ventures to NEUTRAL after the recent price performance. |
| **7. Property** | Overweight. Our BUY recommendations are CapitaLand and Chip Eng Seng. Banyan Tree is an ACCUMULATE. |
| **8. REIT – Hosp.** | No coverage at present but the outlook is turning positive, as hotel supply will tail off in 2018. |
| **9. REIT – Ind.** | Neutral. We have ACCUMULATE recommendation on Ascendas REIT. |
| **10. REIT – Office** | Neutral. Only coverage is CapitaLand Commercial Trust with a NEUTRAL due to valuation reasons. |
| **11. REIT – Retail** | Neutral. Retail spending and rental reversions remain problematic for this sector. |
| **12. REIT - Others** | Overweight. Our rating on Asian PayTV is an ACCUMULATE. We find the 11% dividend yield and monopolistic conditions extremely attractive. |
| **13. Shipping** | Neutral. We have a NEUTRAL on SembCorp Marine. |
| **14. Telecomm.** | No coverage at present. |
| **15. Transport.** | Neutral. We have a BUY on ComfortDelGro. Whilst, taxi business is under pressure, the operating environment for buses and rail is improving. |

## SECTOR COMMENTARY

## PROPERTY

**Real Estate Developers' Association of Singapore : BSD tweak unlikely to derail housing recovery**

*Dehong Tan*
*Investment Analyst (Property / REIT (Commercial, Retail, Healthcare))*
*tandh@phillip.com.sg*
*DID: 6212 1849*

As part of Budget 2018, the government has raised the Buyer Stamp Duty (BSD) rate on the portion of residential property value in excess of S$1 million. The existing 1 to 3 per cent BSD rates still apply to the portion of residential property valued at S$1 million and below.

**Comment:** *Bigger ticket purchases and en bloc purchases will be impacted more as the incremental 1% tax is only on the portion of home values above S$1mn. Over the last 2 years, the average transaction value was slightly below S$1.5mn, with average size condominium units sold at c.100sqm. For the average transaction, impact will be smaller – 0.3% or S$5,000 extra for a $1.5mn house. As the quantum goes higher, the closer the impact to the full 1% of purchase price. We do not expect a material negative impact on demand given the relatively small full impact vs purchase price for the average transaction. En bloc sales momentum, which has slowed lately with lower premiums paid vs reserve prices, could see further slowdown as the additional BSD eat into redevelopment margins.*

## TRANSPORT

**SBS Transit lands Bukit Merah bus contract with S$472 million bid**

*Richard Leow*
*Investment Analyst (Transport/ REITs (Industrial))*
*richardleowwt@phillip.com.sg*
*DID: 6212 1848*

SBS Transit, Singapore's largest bus operator, has clinched an S$472 million deal to run 18 services in the Bukit Merah area, with three being cross-border routes into Johor Baru. It beat five other bidders in a competitive tender called by the Land Transport Authority last April. They were Singapore rail operator SMRT, the UK's Go-Ahead and Australia's Tower Transit - which operate existing bus routes here - as well as Chinese operator Shenzhen Bus Group and a consortium between Jiaoyun Group and Travel GSH.

**Comment:** *SBS Transit is the incumbent for the Bukit Merah package, which started as one of the 11 negotiated packages since September 2016. The first three packages tendered through competitive bidding were the Bulim, Loyang and Seletar packages. The Bukit Merah package is now the fourth to be tendered through competitive bidding. With the award of the contract, there is continuity in the revenue stream for SBS Transit.*

*The next SBS Transit negotiated package to be up for tender is the Sengkang - Hougang package in 2021. The Bulim (Tower Transit Singapore) and Loyang (Go-ahead Singapore) packages will also be up for tender in 2021 if they are not extended. The next SMRT Buses package that will be up for tender is the Sembawang - Yishun package in 2020.*

PhillipCapital

# RESULTS COMMENTARY

## COMMODITY

**CNMC Goldmine Holding (Target Px: 0.30 / Upgrade to ACCUMULATE)**

*Chen Guangzhi*
*Investment Analyst (Oil & Gas / Energy)*
*chengz@phillip.com.sg*
*DID: 6212 1859*

- Revenue was in line with our expectation. Net profit outperformed our expectation due mainly to the unexpected downward adjustment of compensation for employees and key management.
- The trial run of CIL plant showed a satisfactory result.
- We revise down FY18e EPS to 1.5 US cents (previous 2 US cents) as the full production from CIL plant may only start in 2Q18. Meanwhile, it is expected a further improvement of output in FY19. Accordingly, we upgrade our recommendation to ACCUMULATE with an unchanged target price of S$0.3 due to the recent price correction.

## CONSUMER

**Fraser and Neave (Target px: S$2.83 / ACCUMULATE)**

*Soh Lin Sin*
*Investment Analyst (Healthcare / Consumer)*
*sohls@phillip.com.sg*
*DID: 6212 1847*

- Beverages remain a drag with persistent headwinds in Malaysia. However, New Markets, namely Myanmar, Vietnam and Indonesia, should further diversify country-specific risk and provide new avenues for growth.
- It is a proxy to Vinamilk. The Group continues to accumulate its interest in Vinamilk. The stake interest increased to 19.50% from 18.74% in end-FY17. It has recently registered its interest to acquire an additional 1.0% from the open market. Vinamilk contributed approximately S$17mn or 33% to 1Q18 EBIT. We expect Vinamilk to continue to drive over 40% of the Group's EBIT moving forward.
- Publishing and Printing continues to recover on improved operating efficiencies and cost rationalisation measures.

**Old Chang Kee (Target px: S$0.98 / BUY)**

- Investment thesis remains intact. Expanded factory space and factory equipment to provide new capacity to boost product innovations and enhance margins from 3Q18 (ended Dec-17) onwards.
- Near term headwinds rising from (a) higher input prices, (b) change of sales mix, (c) one-off write off costs, as well as (d) start-up costs from its UK flagship, eroded margins.

**Sheng Siong (Target px: S$1.13 / BUY)**

- 11 new stores growth and improving macro backdrop to mitigate absence of contribution from the Verge and Woodlands Blk 6A. Strong financial position with zero debt and cash position of S$73.4mn as at end-FY17 to support new store openings.
- Margin drivers remain intact, expect gross margin to be sustainable at c.26% in FY18e.
- Declared final dividend of 1.75 cents per share (Full year dividend of 3.30 cents, or 71.1% payout ratio in FY17).

**Thai Beverage (Target px: S$1.05 / BUY)**

- Private consumption in the domestic alcoholic beverage recovered at a slower-than expected pace post-mourning period, as it coincides with the new Excise Tax Act (in effective since 16 Sep-17). Sales agents' destocking dragged local alcoholic sales in 1Q18. Maintained market share in Beer business.
- New acquisitions to boost FY18e growth in Spirits, Beer and Food segments. Contribution from Sabeco's results (as consolidated subsidiary basis) starting from 2Q18 onwards.

- We remain upbeat that on-trade consumption should turnaround in FY18 after the effect of mourning period and excise tax hike in Thailand subside. A broader economic recovery in Thailand would help to support consumer sentiment and purchasing power; while the FIFA World Cup is likely to boost beer sales.

**Dairy Farm International (Target px: US$9.83 / BUY)**

- FY17 Revenue was in line with our expectation; FY17 Adjusted PATMI missed our estimation by 6.6% on higher than expected operating expenses and tax rate.
- Strong trading performances from Convenience Stores, Health and Beauty, IKEA, Maxim's and Yonghui but weighed by poor operating results from Southeast Asia Food and US$64.5mn of business change costs.
- Near-term catalysts: Recovery in SE Asia consumer sentiment as well as higher Chinese tourist arrivals to Hong Kong and Macau; increasing online and offline network; and improving profitability via better sales mix and efficiency gains.

## CONGLOMERATE

**Sembcorp Industries (Target px: S$3.86 / ACCUMULATE)**

- FY17 revenue and net profit substantially missed our expectation, due mainly to unexpected weak performance from marine segment in 4Q17.
- Utilities' Singapore generated moderate growth but the group's performance was dragged by weak India and marine operations.
- A new strategy for the group: reposition utilities, support marine segment and move up value chain of urban development segment.
- We maintain our ACCUMULATE recommendation with a higher TP of S$3.86 (previous S$3.7) as earnings was raised.

*Chen Guangzhi*
*Investment Analyst (Oil & Gas / Energy)*
*chengz@phillip.com.sg*
*DID: 6212 1859*

## HEALTHCARE

**Health Management International (Target px: S$0.83 / BUY)**

- Expecting a strong FY18e. 1H18 NPAT grew 9.6% YoY and 2H is typically seasonally stronger.
- Margins expansion on patient volume and bill size growth, as well as realizing gain from its cost-saving measures.
- Adopting a dividend policy to payout not less 20% of the Group's core earnings.
- The upgrading and expansion plans for Mahkota Medical Centre and Regency Specialist Hospital are on track to meet the increasing medical demand in the region.

*Soh Lin Sin*
*Investment Analyst (Healthcare / Consumer)*
*sohls@phillip.com.sg*
*DID: 6212 1847*

**Q&M Dental Group (Target px: S$0.63 / NEUTRAL)**

- Both Aidite and Aoxin have been reclassified from subsidiaries to associates, contributing $$3.95mn or 27.2% to the Group's FY17 adjusted PBT. This will also revert gross profit margin to pre-acquisition levels, i.e. in the high-80s or low 90s.
- Post-deconsolidation of its major revenue drivers in China, the Group is stepping up its regional expansion in Singapore and Malaysia to plug the gap (targeting 10 new clinics in each Singapore and Malaysia).
- Declared final dividend of 0.42 cents and a special dividend of 0.5 cents

**Raffles Medical Group (Target px: S$1.32 / ACCUMULATE)**

- Expanded capacity and two new China hospitals to drive growth in next 5 years. RafflesSpecialistCentre has commenced operation in Jan-18, providing scope for refurbishment in RafflesHospital. The two China hospital projects are on track to commence operations: RafflesHospital Chongqing (4Q18) and RafflesHospital Shanghai (4Q19).
- Near term headwinds rising from (a) higher staff costs as the Group ramps up recruitment drive, (b) higher finance costs, and (c) start-up costs from the gestation of its new China hospitals.
- Declared higher final dividend of 1.75 cents (Full year dividend of 2.25 cents, +12.5% YoY).

**Singapore O&G (Target px: S$0.42 / ACCUMULATE)**

- Weakness in Dermatology business due to slowdown in foreign patient load; Mitigated by solid performance from O&G segment and improved profitability in Cancer-related segment.
- New business segment from Paediatrics to contribute more significantly to bottom line in FY18e, as the two new Paediatricians break eve.
- Long-term fundamentals remain intact, but we have revised to a lower PER to 23.2x (previously 29x), in-line with the lower peers average PER, as well as due to the recent corporate movements. The Group is still in search for a new CEO. We will review the PER once the new CEO comes on board, to see if the Group's strategy moving forward remains the same. Attractive valuation at c.21x PER currently.

## PROPERTY

**Banyan Tree Holdings (Target px: S$0.71 / ACCUMULATE)**

- Broad based increase in RevPAR across key geographies.
- Weakness in Maldives was a drag in FY17, likely to extend into 1Q18 because of the ongoing state of emergency in the country.
- 15% YoY improvements in hotel forward bookings for 1Q18.

*Dehong Tan*
*Investment Analyst (Property / REIT (Commercial, Retail, Healthcare))*
*tandh@phillip.com.sg*
*DID: 6212 1849*

**CapitaLand Limited (Target px: S$4.19 / ACCUMULATE)**

- Lower residential sales value in China partially offset by higher sales in Vietnam.
- Replenishing of land bank in Singapore with en bloc purchase of Pearl Bank.
- Active portfolio reconstitution with realised divestment gains tripled YoY at S$318mn.

**Chip Eng Seng Corporation Ltd. (Target px: S$1.21 / BUY)**

- Improved occupancies at Singapore and Maldives hotels.
- Timely replenishing of construction order book with S$168mn design and build contract from HDB.
- Strong revenue visibility in FY18 with unrecognised profits of c.S$210mn.

**City Developments Ltd. (Target px: S$13.40 / ACCUMULATE)**

- 4 successful site acquisitions since 2017 to capitalise on the Singapore residential market upcycle.
- Recovery in hotel operations with 3.2% YoY global RevPAR growth for FY17, in constant currency.
- Strong cash reserves to capitalise on opportunities locally and abroad.

**Ho Bee Land Ltd. (Target px: S$2.98 / ACCUMULATE)**

- Stable recurring income portfolio continues to buffer earnings in absence of development income.
- Recovering sentiment in high-end properties presents monetisation possibility for Sentosa properties.
- Impairment loss of S$16.8mn for JV project, Cape Royale in Sentosa.

## INDUSTRIALS

*Richard Leow*
*Investment Analyst (Transport/ REITs (Industrial))*
*richardleowwt@phillip.com.sg*
*DID: 6212 1848*

**800 Super Holdings (Target px: S$1.35 / ACCUMULATE)**

- Weakness seen in the contract cleaning business segment, with renewals done at more competitive prices
- 2Q FY18 PATMI was significantly lower YoY, but within our expectation
- Current FY18 expected to be weak during ramp-up phase of new projects; earnings growth expected only in FY19

**Nam Lee Pressed Metal (Target px: S$0.56 / BUY)**

- Management commentary is noticeably more upbeat since two quarters ago, on the basis of recovery in US economy driving demand for the aluminium industrial product
- Strong set of results for this 1Q FY18 have reflected the positive demand for the aluminium frames product
- Positive business outlook, strong balance sheet and high-yield of 6.6%

## TRANSPORT

**ComfortDelGro Corp (Target px: S$2.50 / BUY)**

- Negatively impacted by competitive environment for Taxi business segment
- Rail losses to narrow, following the commencement of full service for Downtown Line in October 2017
- Takeover of Seletar package from 1Q 2018 and award of Bukit Merah package from 4Q 2018, under the government Bus Contracting Model are positives for the stock

**SATS Ltd (Target px: S$5.33 / NEUTRAL)**

- Negative impact on Food Solutions from TFK Corp, as Delta Air Lines diverted some flights to Shanghai as a hub instead of Tokyo
- Long-term earnings growth coming from pipeline of new JVs: such as Food Solutions JV with Turkish Airlines and Gateway Services JV with AirAsia
- Downgraded from Accumulate to Neutral on the belief that growth prospects had already been priced in

**SIA Engineering Company (Target px: S$3.51 / ACCUMULATE)**

- Core-business remains weak, on structural issue of aircraft requiring less frequent overhaul and lower work content
- Worst could be over for Associates/JVs, with an L-shaped recovery
- Upgraded from Neutral to Accumulate, after adjusting upwards our assumptions for Associates/JVs

## Phillip On The Ground – excerpts from our various conversations

*Paul Chew*
*Head of Research*
*paulchewkl@phillip.com.sg*
*DID: 6212 1851*

Telecommunications

1. MVNOs (Circles Life, Zero Mobile, MyRepublic) in Singapore are already slashing prices before the fourth entrant TPG enters the market. MVNOs should target a particular niche but just competing onprice with limited differentiation.
2. Challenge for fourth operator will be indoor and outdoor site acquisition to install equipment. This will affect the efficiency in rolling out the network.
3. An interesting development is the eSIM in Apple Watch. eSIM allows the watch to act as a phone standalone without the need to bring the mobile phone. In effect, Apple could become the mobile operator. [Opportunity for manufacturers to become MVNOs. Customers can chose their operators dynamically, increase churn and reduces operator relationship and branding with customer. Also opens up the IOT market to connectivity without a physical SIM card.]

Utilities

1. Whole power industry losing S$1bn is not sustainable. Need to address the excess gas through the take-or-pay arrangement with LNG providers.
2. An industry letter to the authorities has been sent, signed by all 7 gencos.The whole industry is vulnerable to the present weak environment.
3. The situation in Middle East is challenging. Because of the low oil prices there are delays in announcing winners and making payments.

Consumer products

1. By 2019, Indonesia plans to implement a rule to mark all cosmetic products with halal certification. There is opportunity if able to get MUI of Indonesia to certify that the factory producing the product is halal. It also takes 1- 1.5 years to register a product.
2. Challenge of selling in Indonesia is the weak rupiah and can drastically change policy by banning products.
3. The relatively weaker purchasing power also means need to build affordable range of products for consumers. Skincare customers can also less loyal than nutritional. However, take-up rate of skin care is faster because so-called more "urgency" to look beautiful.

Coal

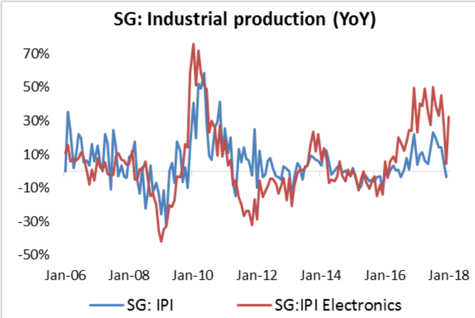
1. Indonesia government ruling requiring coal exporter to use Indonesia flagged vessels cannot be enforced. There just are not enough Indonesian flagged ships to move cargo.
2. If coal mine is near river, during the dry season the river is watered down and barge movement gets affected. Meanwhile, during wet season the river can get silted and need to be dredged and this will also slow down movement along the river.
3. On the rule to selling price on coal used for domestic power plants in Indonesia, coal companies are waiting to see how the policy take shape. Regulations appear to have been signed by the President but industry has yet to see it. Coal is technically a state asset and mining companies are merely contractors. However, regulations have stated in the past that coal has to be sold at market prices.

# 1. SINGAPORE ECONOMICS

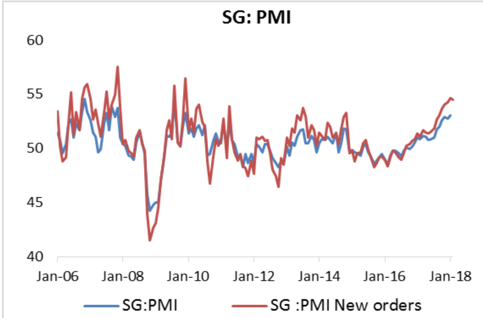
## Business Activity

Industrial production rebounded strongly in January, up 18%. This is the best read in 4 months. Driving the IPI is a 32% spike in electronics IPI. Due to different festive period a year ago (CNY late Jan17), it is difficult to consider this as trend growth yet.

PMI was resilient in February. This was after clocking 8-year highs in January. Weakness is still at the electronics PMI, which declined mom to the lowest level in seven months.




| | Month | IPI | IPI-Elec |
|---|---|---|---|
| Previous | Dec-17 | -3.4% | 4.4% |
| Latest | Jan-18 | 17.9% | 32.4% |

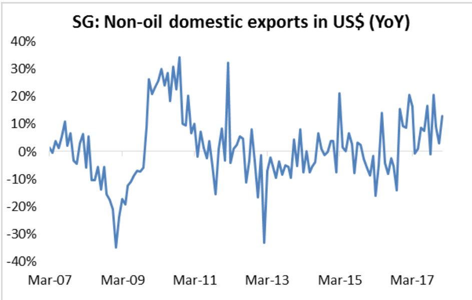



| | Month | PMI | N.Order |
|---|---|---|---|
| Previous | Jan-18 | 53.1 | 54.7 |
| Latest | Feb-18 | 52.7 | 54.5 |

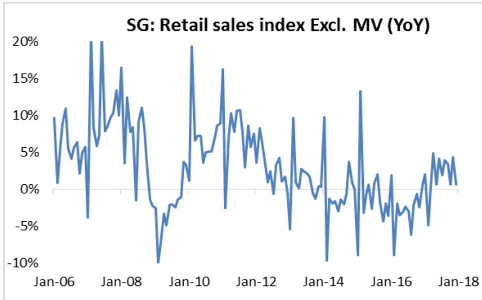
## Trade/Consumer

NODX enjoyed a spike in January. Hard to gather if this is resumption of a trend because NODX tends to be volatile and affected by the festive period.

Singapore retail sales soften back in December. Retail sales in 2017 is still an improvement over the contraction experienced in the 2014-16 period. Amongst the various categories, the biggest growth came from supermarket spending (+8% YoY). Separately, motor vehicle sales saw a spike of 26% YoY growth in December.




| | Month | SG:NODX |
|---|---|---|
| Previous | Dec-17 | 3.1% |
| Latest | Jan-18 | 13.0% |

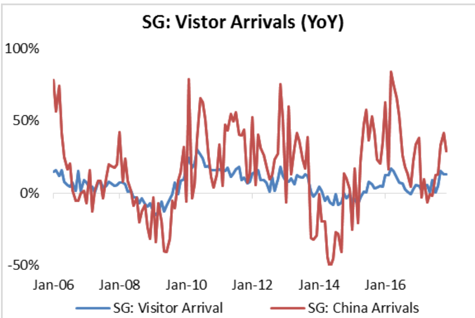



| | Month | Retail |
|---|---|---|
| Previous | Nov-17 | 4.3% |
| Latest | Dec-17 | 0.6% |

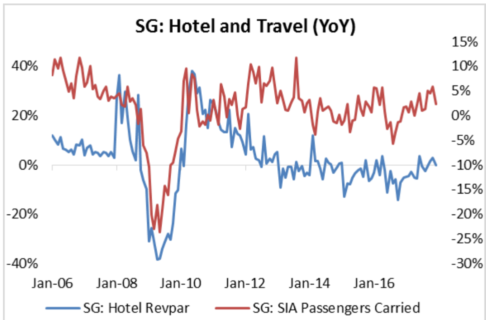
## Tourism

Tourist arrivals softened in December. The slowest growth in past 5 months. For 2017, tourist arrivals are up 6%, slower than 2016 7.7%. Arrivals from China also weakened in 2017. It rose 12.7%, significantly off 2016 36% jump.

RevPar has been stable since trending in the negative for the past 4 years. SIA passengers carried slowed dramatically in January, it is the slowest in 9 months. 2017 growth was 6%.




| | Month | Visitors | China |
|---|---|---|---|
| Previous | Nov-17 | 13.0% | 29.0% |
| Latest | Dec-17 | 4.2% | 8.1% |



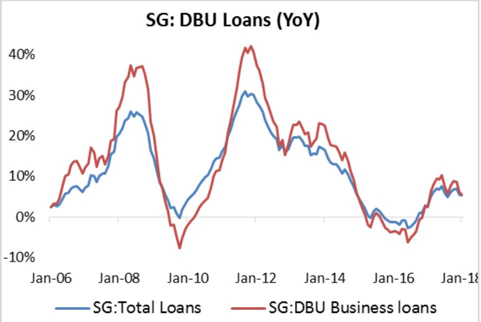

| | Month | RevPAR | SIA |
|---|---|---|---|
| Previous | Nov-17 | 3.0% | 6.0% |
| Latest | Dec-17 | -0.2% | 2.4% |
| | Jan-18 | n.a. | 0.1% |

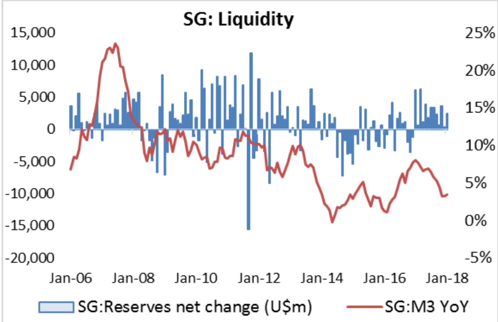
*Source: CEIC, PSR*

## Monetary

Singapore loans growth decelerated for the second consecutive month. It rose 5.4% YoY in January 2018. This is the weakest pace of growth in 5 months. Pulling down overall loans growth has been tapering business loan. It grew 5.6% in January, slowest rate in 12 months. Housing loans maintained the growth rate of around 4% plus in January.

Liquidity improved marginally in January. Money supply nudged up, reversing 6th consecutive months of slower growth. Foreign reserves was up $2.5bn, recovering from movement the prior month.



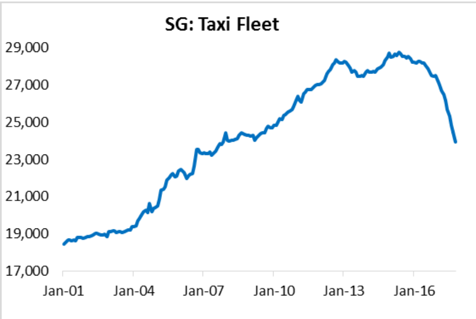

| | Month | Total | Business |
|---|---|---|---|
| Previous | Dec-17 | 5.6% | 6.2% |
| Latest | Jan-18 | 5.4% | 5.6% |

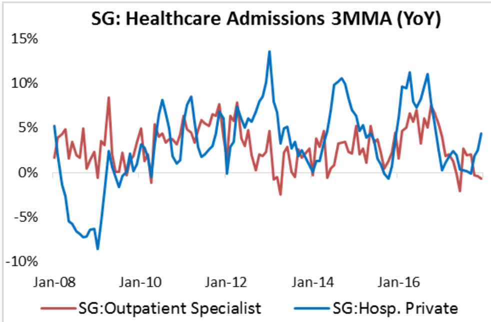
| | Month | FX | M3 |
|---|---|---|---|
| Previous | Dec-17 | 0.3 | 3.2% |
| Latest | Jan-18 | 2.5 | 3.4% |

## Transport/Healthcare

The unit pace of decline for the taxi fleet is slowing down. January 249 units decline is the slowest in 11 months. Attrition of taxis has fallen from around 500 per month in October/November.

Private hospital admissions in Singapore reported a nice boost in January with a rise of 10% YoY. Due to the different festive period, it is hard to trend line this single data point. Nevertheless past four months has seen hospital admission starting to recover after a dismal 2017 when admission only crept up by 1.6%. The worst performance in 8 years.



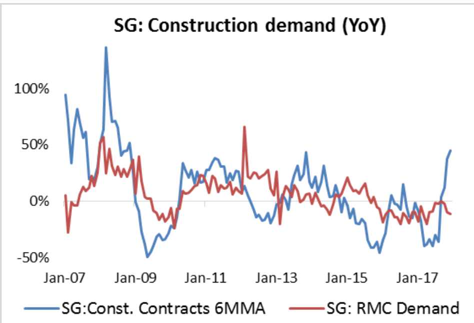

| | Month | % YoY | Units |
|---|---|---|---|
| Previous | Dec-17 | -16.0% | -299 |
| Latest | Jan-18 | -15.8% | -249 |

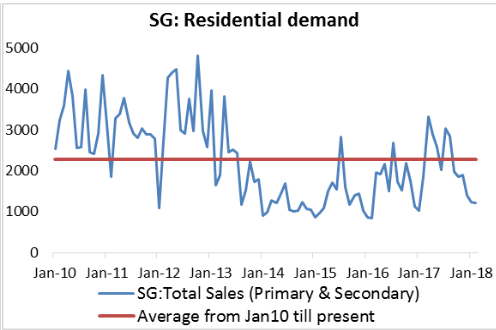
| | Month | Pv Hosp | Specialist |
|---|---|---|---|
| Previous | Dec-17 | 3.4% | -4.1% |
| Latest | Jan-18 | 10.0% | 18.6% |

## Construction/Property

Ready-mixed concrete (RMC) demand in Singapore was down 9.5% YoY in November. RMC has been on a downturn for the past two years. YTD17, RMC demand drop 8%, this is on the back of 13% fall in 2016.

December property transactions were down 24%, the fastest growth in 3 months. Primary sales were flat YoY but secondary sales experienced a spike of 44% YoY. We view this as not an overall slowdown in market demand bottoming of new launches. 2017 total unit sales are up 32% YoY. Average monthly sales of 2,225 units is the best performance in 3 years.




| | Month | Const | RMC |
|---|---|---|---|
| Previous | Nov-17 | 202.4% | -9.5% |
| Latest | Dec-17 | 9.3% | -10.7% |
| | Jan-18 | 10.6% | n.a. |

| | Month | Total | Primary | Secondary |
|---|---|---|---|---|
| Previous | Jan-18 | 1243 | 512 | 731 |
| Latest | Feb-18 | 1217 | 398 | 819 |

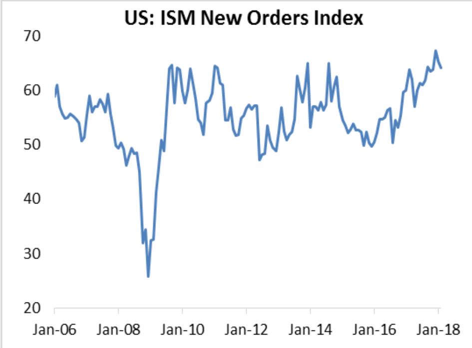
*Source: CEIC, Realis, Bloomberg, PSR*

## 2. US ECONOMICS

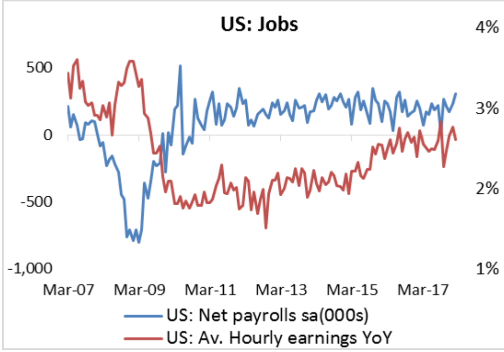
### Business Activity / Jobs

US ISM new orders moderated for the second consecutive month in February, after it touched 14 year highs in December. New orders read of 64 is still very healthy considering the average in 2017 is 62 (2016: 54).

US average hourly earnings moderated back to trend. It rose 2.6% in February, after touching 8 year highs in growth the prior month. Expectations were for 2.8% rise. Another headline was the spike in payrolls to 313k in February (Jan: +239k). This is the largest increase in 19 months and much higher than 2017 monthly average of 181k net adds.




| | Month | New |
|---|---|---|
| Previous | Dec-17 | 67.4 |
| Latest | Jan-18 | 65.4 |

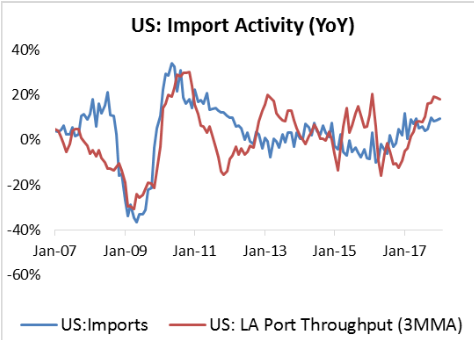



| | Month | Payrolls | Hourly |
|---|---|---|---|
| Previous | Dec-17 | 160 | 2.70% |
| Latest | Jan-18 | 200 | 2.89% |

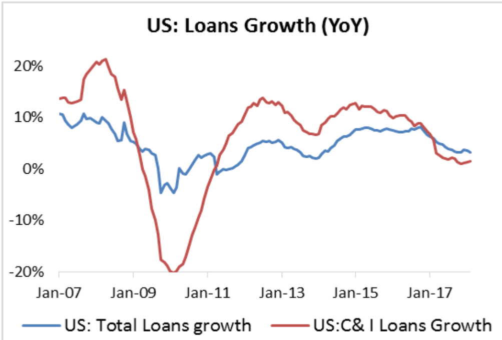
### Trade / Banking

Import and port activity remain healthy. Imports are picking up in January following a robust 2017. 2017 import growth was the best in 6 years. Port activity is similarly enjoying consistent with imports.

Despite improving macro data, loans growth has been trending sideway along the 3% level. C&I (or business) loans growth is beginning to pick up pace, albeit moderately. February is the 4th month of loans acceleration.




| | Month | Imports | Port |
|---|---|---|---|
| Previous | Oct-17 | 9.9% | 15.0% |
| Latest | Nov-17 | 8.4% | 14.7% |
| | Dec-17 | n.a. | 27.0% |

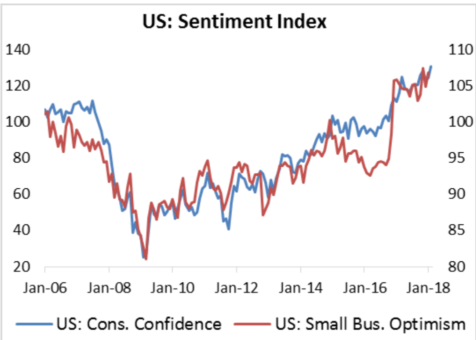



| | Month | Total | C&I |
|---|---|---|---|
| Previous | Nov-17 | 3.3% | 1.0% |
| Latest | Dec-17 | 3.6% | 1.2% |

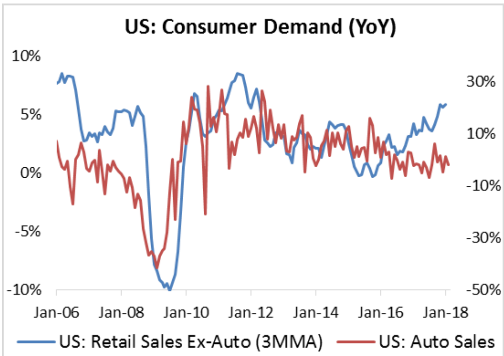
### Sentiment / Consumer

US Consumer confidence index in February touched 130.8 against estimate of 126.5. This is the highest in 17 years (since Nov2000). The expectations measure of the index rose to 3-month high of 109.7.

Retail sales in US continue to report healthy growth. US retail sales (ex-auto) in January 6% YoY. In 2017, retail sales were up 4.5%. Auto sales remain sluggish despite the pick-up in January.




| | Month | Consumer | Small Biz. |
|---|---|---|---|
| Previous | Dec-17 | 123.1 | 104.9 |
| Latest | Jan-18 | 124.3 | 106.9 |
| | Feb-18 | 130.8 | n.a. |




| | Month | Retail | Auto |
|---|---|---|---|
| Previous | Dec-17 | 4.4% | -4.6% |
| Latest | Jan-18 | 6.0% | 1.4% |

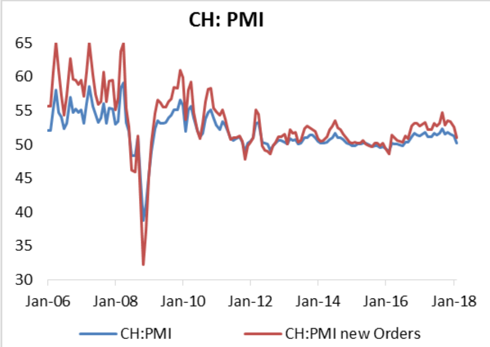
*Source: CEIC, PSR*

## 3. CHINA ECONOMICS

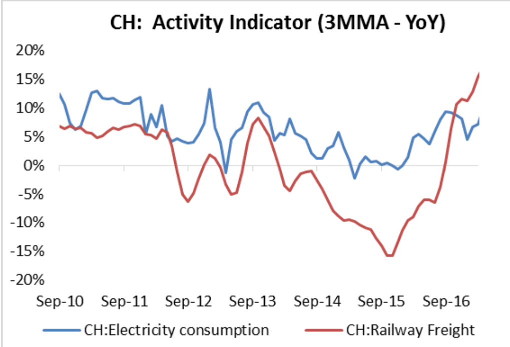
**Business Activity**

China PMI decelerated for the 2nd consecutive month in January to 51.3. This is below the forecasted 51.6 and represents an 8th month low reading. <No new data point>

Power consumption in China rebounded strongly in December with a jump of 7.4% YoY. The recent cold spell in China may have been a contributor. YTD electricity consumption of 6.7% is the similar rate of growth as 2016 6.7%. <No new data point>




| | Month | PMI | NewOrd. |
|---|---|---|---|
| Previous | Dec-17 | 51.6 | 53.4 |
| Latest | Jan-18 | 51.3 | 52.6 |

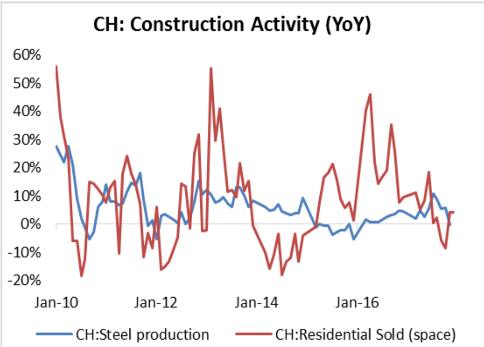



| | Month | Elect. | Railway |
|---|---|---|---|
| Previous | Nov-17 | 4.7% | 0.9% |
| Latest | Dec-17 | 7.4% | -3.8% |

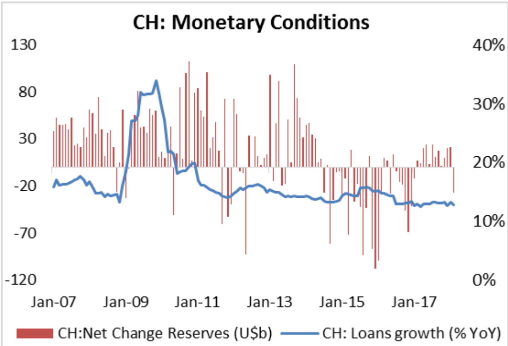
**Construction/Property/Monetary**

Residential space sold in China is beginning to recover. Past two months has registered positive growth, after severe slowdown in 3Q17. 2017 residential space sold is up 5.3%, this is massively off the 2016 spike of almost 27%. <Not new data point>

China's foreign reserves declined by US$27bn to US$3.13t. The largest decline in 14 months. Bulk of the decline could be due to revaluation of the reserves. For 2017, China's foreign reserves rose by US$129bn. Loans growth in China is stable and hovering around 13% level.




| | Month | Steel | Resi. |
|---|---|---|---|
| Previous | Oct-17 | 5.6% | -8.6% |
| Latest | Nov-17 | -0.2% | 4.1% |




| | Month | Reserves | Loans |
|---|---|---|---|
| Previous | Jan-18 | 21.5 | 13.2% |
| Latest | Feb-18 | -27.0 | 12.8% |

**Inflation/Retail**

China PPI moderated for the 5th consecutive month. CPI saw a surge of 2.9% in February. The largest rise in more than 4 years. Food saw the largest jump with a rise of 4.4%.

China retail sales growth moderated in December to 9.4%. It has been at 10 to 11% growth range for the past 20 months. Online sales have been clocking up 30%+ for past 2 years. <No new data point>


| | Month | CPI | PPI |
|---|---|---|---|
| Previous | Jan-18 | 1.5% | -0.9% |
| Latest | Feb-18 | 2.9% | -2.3% |


| | Month | Retail | Online |
|---|---|---|---|
| Previous | Nov-17 | 10.2% | 39.8% |
| Latest | Dec-17 | 9.4% | 39.2% |

*Source: CEIC, PSR*

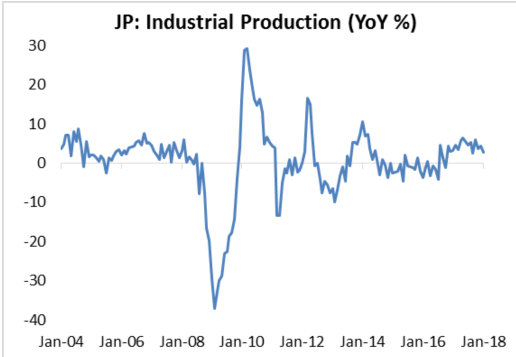
## 4. GLOBAL ECONOMICS

### Germany and Japan

German IFO business expectations decelerated for the fourth consecutive month. Despite the softness, these are elevated 6-7 year high readings. It appears growth momentum is tapering but still growing at a healthy pace in Germany.

Japan industrial production was weaker in January. Slowest in 4 months but still represent the 15th consecutive month of expansion.


| | Month | IFO |
|---|---|---|
| Previous | Dec-17 | 109.4 |
| Latest | Jan-18 | 108.4 |




| | Month | IPI |
|---|---|---|
| Previous | Nov-17 | 3.6% |
| Latest | Dec-17 | 4.2% |

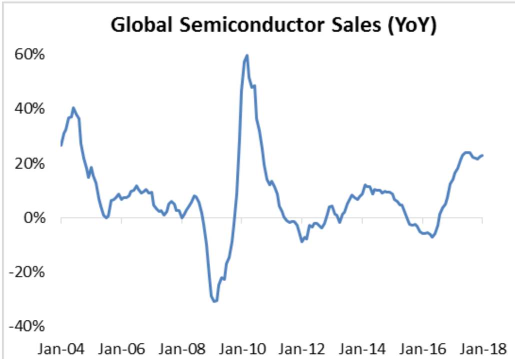
### Electronics

After slowing to single-digit growth the past 3 months, Asian electronics exports* recovered strongly in January (in USD terms) with a 20% increase. Bulk of the rise is on the back of surge in Korean exports in January, up 22% YoY.

In our first glimpse of semiconductor sales for 1Q18, it is on a healthy trajectory. Semiconductor sales rose 22.7% YoY in January. Growth rates are at 7 year highs and represent the 18th consecutive month of growth. January reading of US$37.6bn was the 2nd highest monthly sales on record. The high was last month's US$38bn.

* Korea, Taiwan, Singapore exports


| | Month | Exports |
|---|---|---|
| Previous | Nov-17 | 11.8% |
| Latest | Dec-17 | 11.0% |

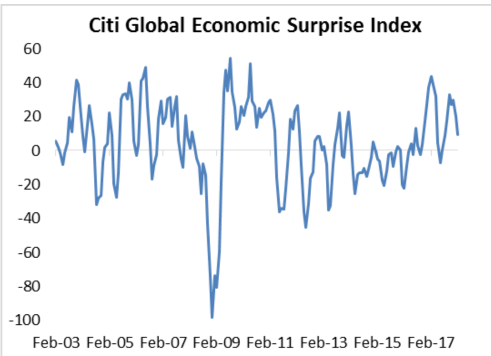



| | Month | Sales |
|---|---|---|
| Previous | Nov-17 | 21.5% |
| Latest | Dec-17 | 22.5% |

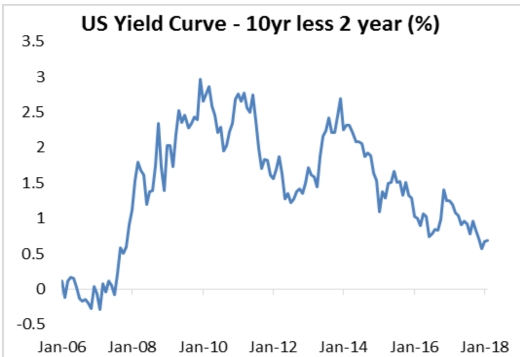
### Global growth

The global surprise index peaked in Feb17. It has been losing some ground and current level of 9 is weakest in 6 months. Nevertheless, it is still above its long-term average of 4.

Yield curve spread has started to widen margins after declining the past three months. Interestingly, the last time the yield curve inverted was in 2006-2007 before the GFC.




| | Month | Index |
|---|---|---|
| Previous | Dec-17 | 29.6 |
| Latest | Jan-18 | 20.0 |




| | Month | Yield |
|---|---|---|
| Previous | Dec-17 | 0.57 |
| Latest | Jan-18 | 0.68 |

*Source: CEIC, Bloomberg, PSR*

PhillipCapital


**Contact Information (Singapore Research Team)**

**Head of Research**
Paul Chew – paulchewkl@phillip.com.sg

**Research Associate**
Alvin Chia - alvinchiawy@phillip.com.sg

**Research Operations Officer**
Mohamed Amiruddin - amiruddin@phillip.com.sg

**Consumer | Healthcare**
Soh Lin Sin - sohls@phillip.com.sg

**Oil & Gas | Energy**
Chen Guangzhi - chengz@phillip.com.sg

**Macro**
Pei Sai Teng - peist@phillip.com.sg

**Transport | REITs (Industrial)**
Richard Leow - richardleowwt@phillip.com.sg

**REITs (Commercial, Retail, Healthcare) | Property**
Dehong Tan - tandh@phillip.com.sg

**Technical Analysis**
Jeremy Ng - jeremyngch@phillip.com.sg

**REITs (Commercial, Retail, Healthcare) | Property**
Tara Wong - tarawongsj@phillip.com.sg

**US Equity**
Ho Kang Wei - hokw@phillip.com.sg

**Contact Information (Regional Member Companies)**

**SINGAPORE**
**Phillip Securities Pte Ltd**
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

**MALAYSIA**
**Phillip Capital Management Sdn Bhd**
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

**HONG KONG**
**Phillip Securities (HK) Ltd**
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

**JAPAN**
**Phillip Securities Japan, Ltd.**
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

**INDONESIA**
**PT Phillip Securities Indonesia**
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

**CHINA**
**Phillip Financial Advisory (Shanghai) Co Ltd**
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

**THAILAND**
**Phillip Securities (Thailand) Public Co. Ltd**
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

**FRANCE**
**King & Shaxson Capital Limited**
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

**UNITED KINGDOM**
**King & Shaxson Capital Limited**
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

**UNITED STATES**
**Phillip Capital Inc**
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

**AUSTRALIA**
**Phillip Capital Limited**
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

**SRI LANKA**
**Asha Phillip Securities Limited**
2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

**INDIA**
**PhillipCapital (India) Private Limited**
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

**TURKEY**
**PhillipCapital Menkul Degerler**
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

**DUBAI**
**Phillip Futures DMCC**
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

**CAMBODIA**
**Phillip Bank Plc**
Ground Floor of B-Office Centre,#61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

**Important Information**

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's license under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report are as of the date indicated and are subject to change at any time without prior notice. Past performance of any product referred to in this report is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This report should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this report should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this report.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this report. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, which is not reflected in this report, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

This report is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this report may not be suitable for all investors and a person receiving or reading this report should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

**IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES**

Where the report contains research analyses or reports from a foreign research house, please note:

(i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and

(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.