



# Singapore Update

## Market Overview

- Domestic equities tracked regional indices lower in May, amid ongoing fears over the European debt crisis, policy tightening in China and heightened political tensions on the Korean peninsula.
- Singapore's first-quarter GDP expanded faster than previously estimated, rising 38.6% on an annualised basis, driven by its manufacturing sector.
- Exports jumped 29% year-on-year in April, fuelled by increased demand for integrated circuits and petrochemicals. Both industrial production and visitor arrivals also rose sharply. But retail sales continued to decline in March because of lower demand for motor vehicles.
- Inflation quickened in April because of higher transport and housing costs.
- The government will release a record supply of land for private homes in the second half of the year to dampen rising prices. In a move to strengthen bilateral ties with Malaysia, the KTM Malaysian Railways station near the city-state's central business district will be relocated to the border after a 20-year impasse.

## Model Portfolio News

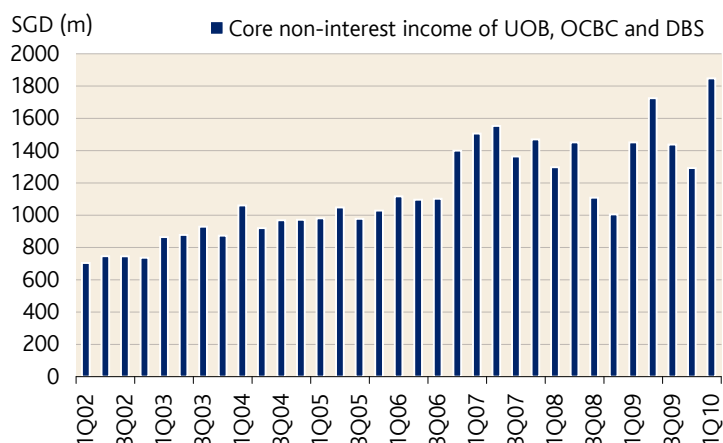
There were no major portfolio changes during the month.

## Corporate News

First-quarter results were generally favourable: **ST Engineering** was helped by good performances across most divisions. Lower provisions boosted both **UOB**, which also benefited from the sale of its life assurance business, as well as **OCBC**, which posted the best loan growth among domestic banks. Enhanced operating margins drove **Venture Corp's** net profits. **City Developments** was driven by property sales and its hotel subsidiary. For the full year, **SingTel's** earnings were buoyed by stronger contributions from its regional associates, while **Singapore Airlines** remained profitable as second-half earnings offset first-half losses.

We hold the companies highlighted above.

## Focus – Banking on banks



Source: DBS Group; UOB; OCBC; BNP Paribas, 13 May 10

Our three bank holdings – UOB, DBS and OCBC – started 2010 on a positive note. Strong trading and investment gains in the first quarter helped drive their core non-interest income to a record high of S\$1.8 billion. Further, net asset quality has improved, with a decline in non-performing loans.

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