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Singapore Exchange (SGX)

SGX Market and Trading Overview

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SGX Market Outlook & Macro View

Geoff Howie

12 March 2024

Singapore Exchange

Commodities | Equity Derivatives | Fixed Income | FX | Indices | Securities

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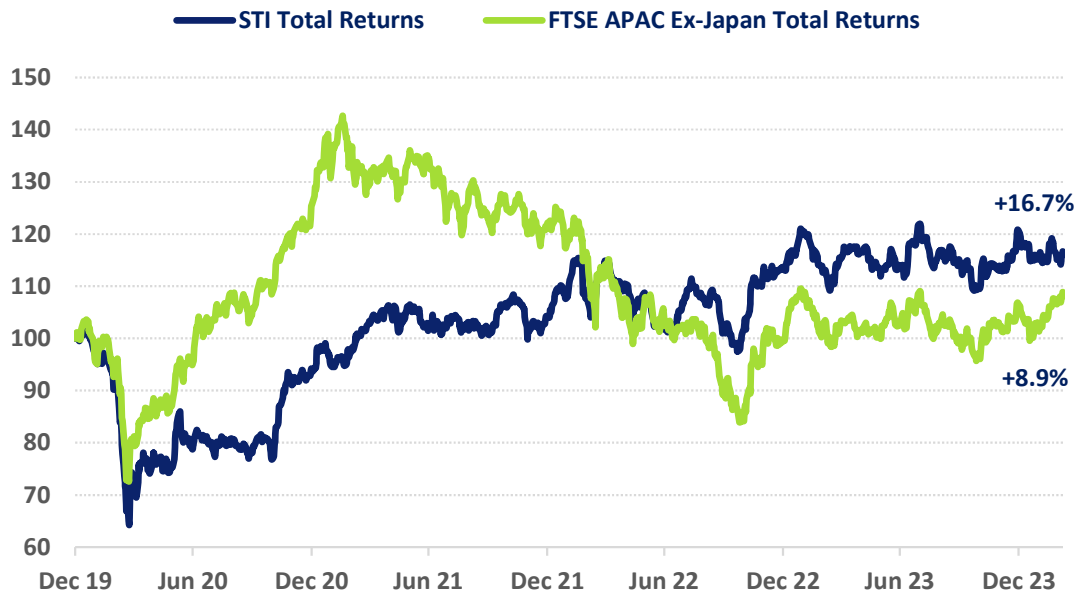
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STI Outpaced APAC Ex-JP Amid Recent Global Challenges

- An independent benchmark, the STI has close to doubled the returns of regional APAC Ex Japan benchmarks since 2019, on the back of the significant Bank weightage.

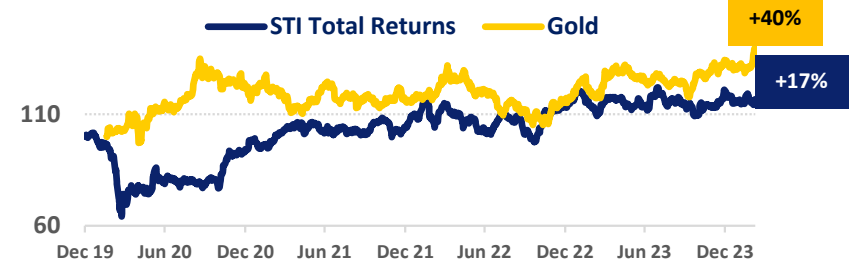
STI vs APAC Ex-Japan USD Total Returns Since 2019



Index	STI Daily Correlation (R-squared)		Switch to weekly!
	2013-2023	2019-2023	
FTSE ASEAN AS*	0.60	0.64	0.72
FTSE APAC*	0.43	0.44	0.57
APAC Banks*	0.36	0.44	0.56
FTSE Thailand	0.27	0.35	0.42
Hang Seng	0.35	0.29	0.35
Global Banks	0.28	0.29	0.58
APAC Industrials*	0.26	0.27	0.37
Global Industrials	0.26	0.26	0.54
ASX 200	0.25	0.27	
FTSE Malaysia	0.25	0.25	
FTSE All World*	0.19	0.19	
FTSE Indonesia	0.16	0.17	
CSI 300	0.12	0.15	
FTSE China A50	0.09	0.15	

Geopolitical concerns have been a constant, and Gold in turn has doubled the STI gains.

STI vs APAC Ex-Japan USD Total Returns Since 2019



S\$15.3B Net Retail Inflow to the Singapore Stock Market since 2019



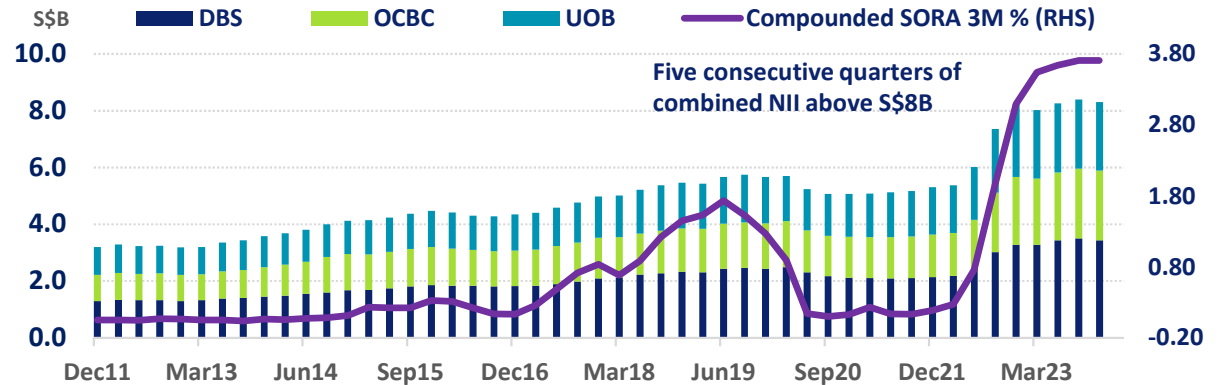
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STI Banks to pay S\$11.5B in Dividends for FY23

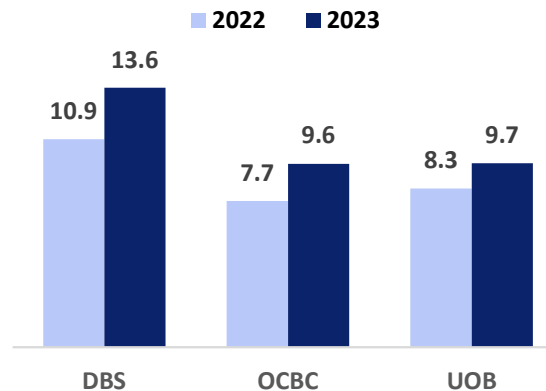
STI Banks	FY23 Total Divs. S\$	31 Dec 2023 Share Price S\$	Indicative Yield for FY23 based on 31 Dec Share Px.	Indicative Amount in Total Divs. for FY23 S\$B
DBS	1.92	33.41	5.7%	4.95
OCBC	0.82	13.00	6.3%	3.69
UOB	1.70	28.45	6.0%	2.84

- DBS, OCBC and UOB have averaged 45% total returns since the end of 2019, bringing their average 10-year annualised total returns to 9%.
- In addition to being STI heavyweights, the trio also maintain a combined 15% weightage in the FTSE ASEAN Index. This combined weightage notches up to 18% for the FTSE ASEAN Target Dividend Index, which is designed to achieve 100% dividend yield increase compared to the FTSE ASEAN Index.
- For FY23, the combined total income of the trio increased to S\$48 billion, with the trio averaging Return on Equity (ROE) of 15.3%.

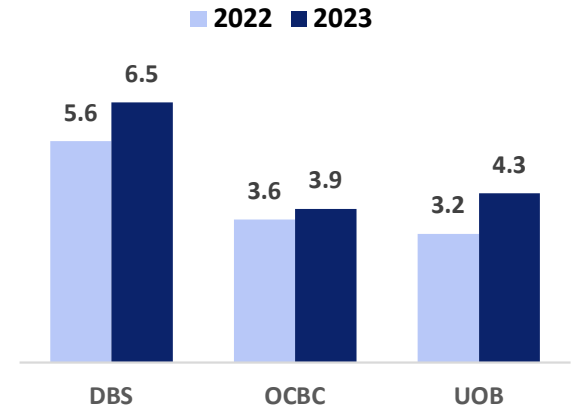
Combined Quarterly NII S\$B



S\$33.0B of Comibed NII in FY23



S\$14.7B of Comibed NOII in FY23



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There are Diverse Sector Performances every Quarter!

- Over the past three years, the combined strongest sectors of the quarter generated 81% total returns, while the laggard sectors of the month declined 50%.
- Telecommunications were the most defensive sector in 1Q20 and 2Q22.
- Travel & Hospitality underperformed in 1Q20 to 3Q20 and outperformed in 4Q22 to 2Q23 and 4Q23.

1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23
S-REITs 12.4	Telcos 11.3	S-REITs 2.6	Telcos 10.3	Telcos -11.7	Manu 31.4	Manu 18.5	Trav/Hos 22.9	Banks 15.4	Banks 3.1	Telcos 5.1	Banks 4.0	Banks 12.4	Telcos -1.3	Banks 7.3	Trav/Hos 8.4	Trav/Hos 5.6	Trav/Hos 4.0	Banks 6.9	Trav/Hos 9.7
Manu 11.8	S-REITs 8.3	Banks -1.6	Manu 9.5	S-REITs -21.0	S-REITs 14.8	S-REITs 4.2	Banks 21.6	Trav/Hos 13.4	S-REITs 1.7	Banks 1.1	Telcos 3.6	STI 9.6	Manu -3.2	Trav/Hos 2.5	Banks 7.7	S-REITs 4.0	Telcos 2.2	Telcos 2.5	S-REITs 8.8
Trav/Hos 9.6	Banks 6.0	Trav/Hos -3.3	STI 3.9	STI -22.6	Banks 10.4	STI -3.5	STI 15.9	STI 11.8	Manu 0.2	S-REITs -0.1	STI 1.8	Trav/Hos 7.3	S-REITs -5.3	STI 2.4	STI 4.4	STI 0.8	STI 0.4	STI 2.1	Telcos 2.5
STI 5.1	STI 5.2	STI -4.7	Banks 2.9	Manu -23.4	STI 6.2	Banks -4.1	Telcos 7.3	Manu 11.2	STI 0.1	STI -0.2	S-REITs 1.5	Manu 3.6	STI -7.5	Telcos -2.8	Manu 3.0	Telcos -0.2	Banks -0.5	Trav/Hos 0.0	STI 1.4
Banks 2.4	Manu 3.0	Telcos -7.6	S-REITs 1.3	Banks -25.3	Telcos 2.0	Telcos -5.7	Manu 6.1	S-REITs 2.0	Telcos -1.9	Trav/Hos -5.6	Trav/Hos -0.1	Telcos 2.0	Trav/Hos -7.5	S-REITs -7.6	S-REITs -1.3	Manu -0.5	Manu -1.1	Manu -0.5	Banks 0.7
Telcos -1.1	Trav/Hos -2.6	Manu -9.2	Trav/Hos 1.2	Trav/Hos -32.5	Trav/Hos 1.6	Trav/Hos -7.2	S-REITs 3.2	Telcos 0.4	Trav/Hos -8.0	Manu -6.2	Manu -2.2	S-REITs 1.1	Banks -12.5	Manu -9.7	Telcos -3.9	Banks -1.4	S-REITs -2.3	S-REITs -4.5	Manu -0.8

Note STI, S-REIT Index, iEdge SG Adv Manufacturing, Banks, Telcos, Travel & Hospitality are based on Total Returns

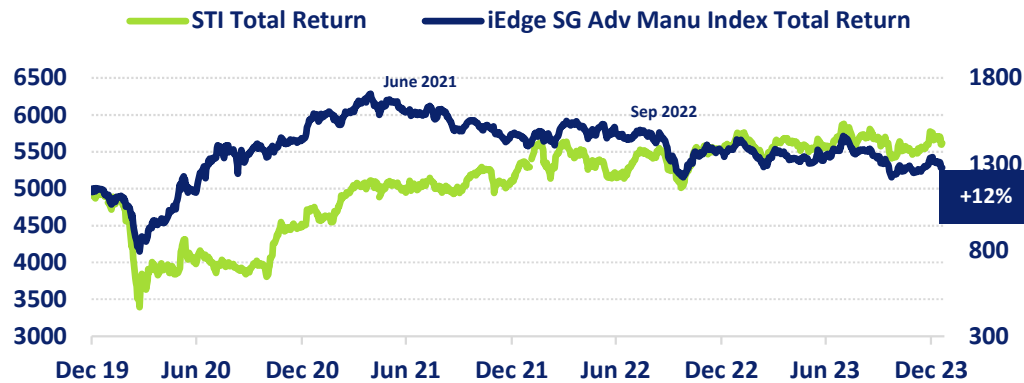
Banks represent averaged total returns of DBS, OCBC & UOB;

Telcos represent averaged total returns of Singtel, NetLink NBN Trust & StarHub.

Travel & Hospitality represent averaged total returns of Singapore Airlines, Genting Singapore and ComfortDelGro Corp

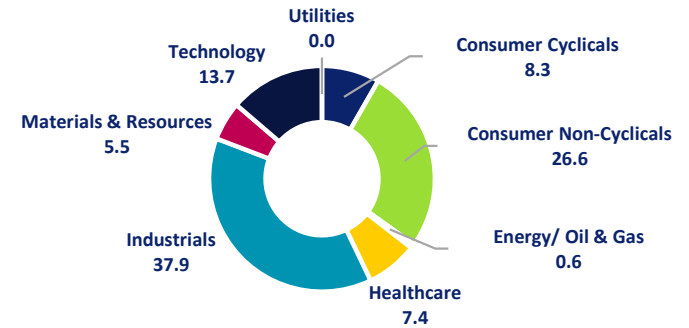
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The Manufacturing Sector is Diverse & Dynamic

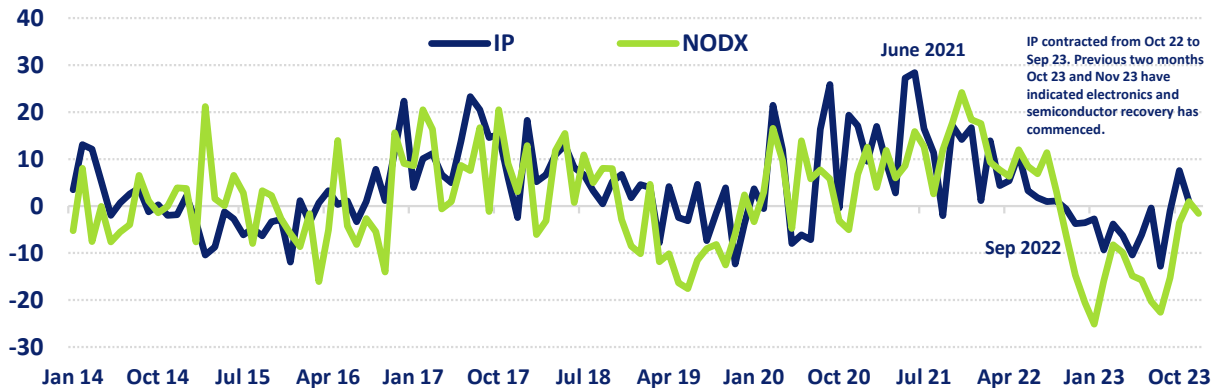


The iEdge SG ADV Manufacturing Index accounts for ~20% of ADT with comparable valuations

Index % Sector Weights



Singapore Industrial Production & NODX YoY % Expansions & Contractions



- The iEdge SG ADV Manufacturing Index accounts for ~20% of ADT.
- This shows the significant role that the sector plays in the stock market, paralleling economic impact
- The iEdge SG Advanced Manufacturing Index sectors parallel the six clusters of Singapore's Industrial Production.
- Of the ~110 stocks, 27 reported more than a third of revenue to China, and 24 report more than one-third revenue to ASEAN Ex-Singapore.

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Index Heavyweights & Manufacturing Macro Drivers

10 Biggest Index Weights of stocks relevant to Manufacturing	Code	Index Weight %	19-Jan Px	RCETP \$	P/B (x)	5-year P/B (x)
Singapore Technologies Eng	S63	11.1	3.83	4.25	4.88	5.17
Yangzijiang Shipbuilding	BS6	9.9	1.64	1.90	1.92	0.75
Wilmar International	F34	9.7	3.36	4.16	0.81	1.05
Seatrium	S51	8.3	0.112	0.176	0.94	0.82
Thai Beverage PCL	Y92	7.9	0.52	0.73	1.72	2.84
Venture Corp	V03	7.7	13.64	14.87	1.41	1.91
SATS	S58	6.1	2.85	3.19	1.82	2.64
NIO Inc USD	NIO	6.0	6.26	10.98	4.72	5.82
Keppel Infrastructure Trust	A7RU	4.7	0.51	0.57	1.65	1.55
Emperor Inc	EMI	3.2	0.50	0.47	3.59	2.96



Consumer Sectors subject to upstream/downstream drivers (pressure from El Nino normalised?), lifting of gov taxes (Thai Bev), consumer growth (Emperor, Wilmar), new consumer trends (NIO), in addition to strategic initiatives to improve productivity (SATS).

Key Drivers for 2024 for IP/NODX include:



- Low base for growth from 2023
- Semiconductor upcycle & AI trends
- WTO merchandise trade volume forecast of 3.3% in 2024



- Tight financial conditions through to 2H24
- China Property Sector dampening sentiment
- Geopolitical developments impacting supply chains.



Companies also have the means to address operational efficiencies, should the economic inflections like rate cuts come later rather than earlier, i.e., SATS 1HFY24 (ended 30 Sep) operating margin improving by 8.4% over 1HFY23.

Some of the most traded index stocks, such as Yangzijiang Shipbuilding, Dyna-Mac and Food Empire, have high P/B ratios compared to their historical averages, indicating strong market valuation.

Meanwhile others, such as Top Glove, Medtecs Int and AEM, currently have low P/B ratios relative to their performance over the past 5 years.

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Broker Research Continues to Impact Trading Activity

- **Frencken Group is global integrated technology solutions company providing complete and integrated one-stop solutions**
- **The Group serves customers in Europe, Asia, and the US through a global network of operating subsidiaries.**

Frencken (E28/FREN.SI) ▼ 1.660 -0.08 (-4.598%)

Industry: Industrial Goods, Industrial Machinery & Equipment

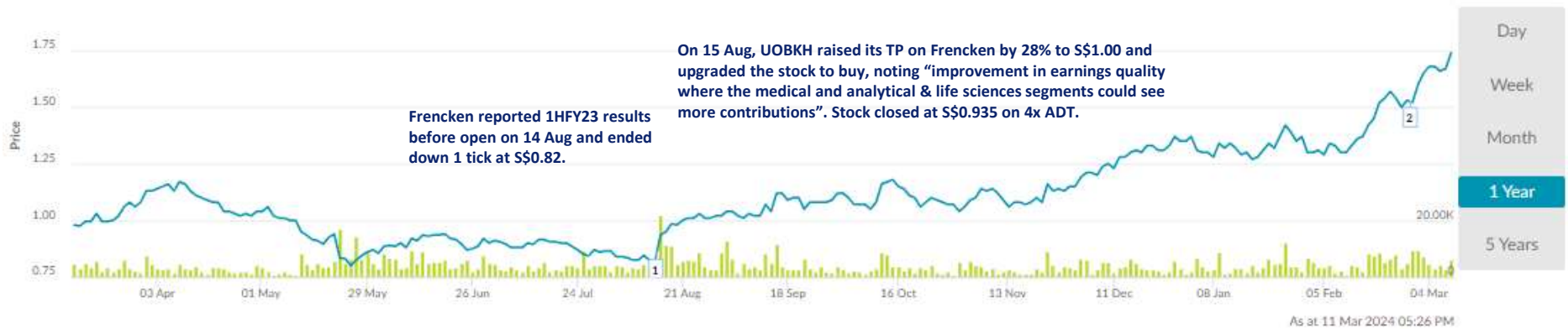
This company reports in this currency: SGD

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On 22 Nov, in its 3QFY23 business update Frencken noted it expected 2HFY23 revenue to be stable as compared to 1HFY23. Overall 3QFY23 revenue was down 5.6% YoY, with 3QFY23 medical revenue up 19.5% YoY & analytical & life sciences segment revenue up 22% YoY. UOBKH has since raised the TP to S\$1.23, with the share price is now ~S\$1.40.



Consensus ⓘ

Target Price
SGD 1.712



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Pivots to Renewable Energy & More Sustainable Solutions

IEA: The world’s capacity to generate renewable electricity is expanding faster than at any time in the last three decades, giving it a real chance of achieving the goal of tripling global capacity by 2030 that governments set at the COP28 climate change conference in Dec 2023.



Between 10% and 15% of 2023 ADT was directed to businesses pursuing pivots to sustainable solutions.

- Keppel’s infrastructure division makes up two-thirds of its revenue, and consists of an integrated power business, as well as a decarbonisation and a sustainability solutions business.
- Sembcorp’s global gross renewables capacity is 13GW, including 473MW of acquisitions pending completion. Its major markets are China, India, Southeast Asia, and the UK. By 2028, the company is targeting to triple its gross installed renewables capacity to 25GWs.



In other heavier industries such as ship building, companies may increase the clean energy options across their product range, to pivot their revenue base away from carbon intensive products.

10 Biggest Index Weights	Code	19 Jan Px	RCETP	P/B (x)	5-year P/B (x)
Seatrium	S51	0.11	0.18	0.94	0.82
Yangzijiang Shipbuilding	BS6	1.64	1.90	1.92	0.75
Keppel	BN4	6.87	7.71	1.08	0.68
Sembcorp Industries	U96	5.39	6.70	2.14	0.99
NIO Inc USD	NIO	6.26	10.98	4.72	5.82
Keppel Infrastructure Trust	A7RU	0.51	0.57	1.65	1.55



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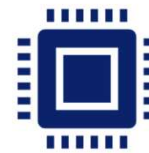
Status Quo vs Potential Turning Points

- Singapore's GDP growth rate is expected to double up in 2024.
- The outlook for less tight financial conditions have also seen the MAS Survey of professional forecasters revise expectations higher for Singapore corporate profitability.
- However, the global status quo remains an outlook of uneven & slowing global growth on the back of tight financial conditions, challenges in China real estate, and geopolitical concerns.



Potential turning points include:

- APAC Commercial Real Estate in mid-2024 (CBRE)
- US Commercial Real Estate (JLL) & US REITs (Evercore)
- Global merchandise trade tripling 2023 levels
- 2024 rebound in the global semiconductor cycle
- Structural reforms to China housing market (IMF 5-point roadmap)
- Global political tensions & elections



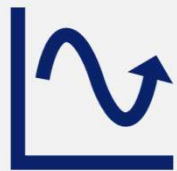
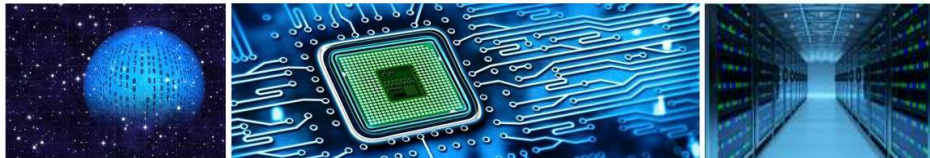


Appendix

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Digitalisation & AI

- ASEAN to become a US\$1 trillion internet economy by 2030, propelled by a fast-growing base of digital consumers and merchants, acceleration in e-commerce, and food delivery.
- According to the WTO Singapore ranks as the 8th largest exporter of digitally delivered services across the globe (US\$150M in 2022 vs \$106M in 2019)*
- According to company reports, Digitalisation has played a key role in service delivery of Singapore’s most traded stocks.
 - Majority of DBS, UOB & OCBC customers are digitally enabled.
 - Singtel growth engines - NCS, data centre and digital banking businesses growing in scale



SEMI maintain the 2024 rebound in the global semiconductor cycle is expected to continue through 2026, with wafer shipments setting new highs as silicon demand increases to support AI, high-performance computing, 5G, automotive and industrial applications.

iEdge AI US 40 Index



- There are ~30 revenue streams relevant to AI adoption have been across three industries:- Hardware solutions, Software/Algorithmic AI solutions and Industrial Applications of AI.
- Stocks have varied exposure. For instance, GVT reported 45% of revenue to Monitoring and Control Sensor/Instrument Products & StarHub report 13% revenue to network security software.
- Silverlake Axis maintains AI/ML is being widely used in the banking sector to automate routine tasks and improve customer experiences, which Silverlake Axis is addressing this with its new “CloudLink” solution.