

Singapore Morning Cuppa

Economic View

July Bank Lending Rose Higher

Economic View

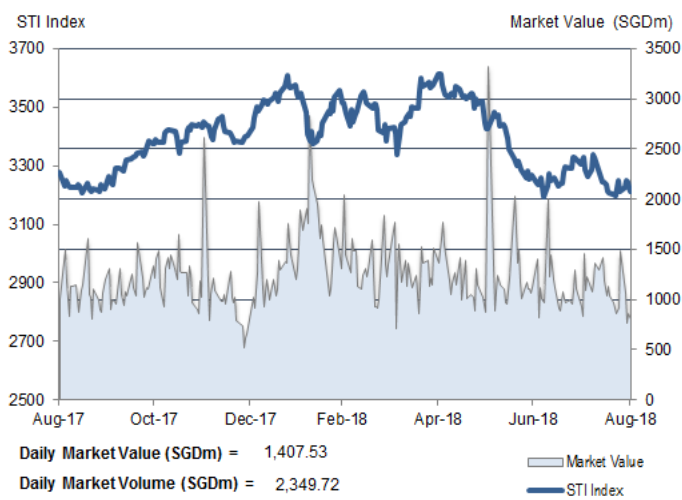
- ◆ Singapore's M3 growth, including Asian currency units, inched lower to 3.1% YoY in July (June: +5.8%) on slower growth in net foreign position.
- ◆ Bank lending growth accelerated further to 10% YoY in July (June: 9.9%), extending its strongest pace in almost four years.
- ◆ Going forward, we expect M3 and loans to grow moderately at 5% (2017: 7.3%). However, loan growth is expected to buck the trend and continue its trajectory to record growth of 8.5% in 2018 (2017: 6.1%).

Analyst: Singapore Research +65 6533 0781

Today's report: [July Bank Lending Rose Higher \(3 Sep 2018\)](#)

Previous report: [Faster Money And Credit Growth In June \(3 Jul 2018\)](#)

Chart 1 : Singapore Market Summary



Source: Bloomberg

Note: *As at 31 Aug 2018 closing

Table 1: Market indices & economic data (31 Aug 2018)

Indicators	Last Close	Last 3M % chg	YTD % chg
STI Index	3,213.48	(6.7)	(3.2)
MSCI Singapore Index	363.82	(6.9)	(2.1)
USDSGD Exchange Rate	1.37	2.5	0.8
Singapore 10YR Bond Yield %	2.38	(7.7)	(3.3)
Singapore 3M SIBOR %	1.50	33.3	(4.0)
FTSE ST Real Estate Index	803.10	(2.0)	(0.8)
FTSE ST Mid Cap Index	721.29	(3.1)	(1.5)
FTSE ST Small Cap Index	362.09	(3.8)	(2.7)
MSCI Singapore Financials Index	348.81	(8.6)	(3.2)
Singapore Retail Sales Index (YoY)	2.00	2.9	(4.3)
Singapore Manufacturing Index	52.30	(1.1)	0.0
Gold	1,206.70	(8.5)	(2.2)
Brent Crude Oil (USD/bbl)	74.25	(1.2)	(6.5)
WTI (USD/bbl)	70	2.3	1.5
COE (A < 1600cc and Taxis)	31,997	(15.8)	(2.1)
COE (B > 1600cc)	32,429.00	(14.6)	(0.4)
Quarterly GDP (YoY) %	3.90	(0.6)	0.3
Inflation Rate (YoY) %	0.60	0.5	0.2
Unemployment Rate %	2.10	5.0	0.0

Source: Bloomberg

Today's News**Imperium Crown unit to build theme park with Sim Leisure**

Imperium Crown on Sunday said its subsidiary, Fei County Wonder Stone Characteristic Town Development, has signed a non-binding memorandum of understanding (MOU) with Sim Leisure Group (SLG) to collaborate to build Escape Theme Park at its Wonder Stone Park in Shandong, China. SLG is a theme park designer, developer and operator with experience in the Middle East, Asia, Africa and Europe. Under the terms of the MOU, SLG will design and build the theme park at its costs and thereafter manage and operate the theme park for 40 years. The development of the theme park is estimated to be done over three phases, with the first phase to be completed in 16 months. As part of the terms of the MOU, Fei County Wonder Stone will provide the land area and other basic infrastructure for the smooth operation of the theme park. In addition, Fei County Wonder Stone will help to procure the business licence for the operations of the theme park and other planning and government approvals. (*The Business Times*, 3 September 2018)

AsiaMedic's LuyeElium purchase deal lapses

AsiaMedic said on Sunday that its sales and purchase agreement (SPA) to acquire LuyeElium Healthcare Co has lapsed. AsiaMedic and the vendors - Luye Medicals Group and three individuals, two of whom are doctors - will not be proceeding with the proposed acquisition. The first announcement of the SGD42.2m proposed acquisition was made in April 2017. LuyeElium provides management services to hospitals in South Korea and China. The consideration was to be fulfilled via a new share issuance, and represented a good opportunity for the group to broaden the range of healthcare services it offers, the company said at the time. (*The Business Times*, 3 September 2018)

BM Mobility to gain 60m yuan from sale of legacy business

BM Mobility on Saturday said that it expects to recognise a gain of 60 million yuan (SGD12m) from the planned disposal of two wholly-owned subsidiaries in China involved in its legacy business of producing and trading synthetic yarns and foamed materials. The sale of Zhihe (Fujian) Technology and Ziwo (Fujian) Import & Export Trading will significantly bolster its balance sheet and expedite its return to profitability, which it expects to achieve with its green energy business in Malaysia and China, it said. Zhihe (Fujian) Technology produces synthetic yarns and fabrics used for making consumer lifestyle products, furniture upholstery and car interior linings. Ziwo (Fujian) Import & Export Trading is a trader of foamed materials, textiles, sports accessories, garments and footwear. Both have been in the red for three consecutive years due to waning demand and stiff competition in China. (*The Business Times*, 3 September 2018)

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Singapore Top Picks

Stock	Bloomberg Ticker	TP	Catalysts
China Aviation Oil	CAO SP	SGD1.75	Return to 12.5% earnings growth in 2018 after witnessing a 3.4% decline in 2017. This growth will be aided by higher jet fuel supply volume to Chinese aviation market, higher jet fuel and gasoil trading profits and increase in profit contribution from associates. Stock is trading at less than 1.0x 2018F PEG.
DBS	DBS SP	SGD30.30	A rising Fed Fund rate will widen DBS' NIM more than its peers. DBS' efforts at digitization will also help to improve revenue and enhance efficiency (hence containing expenses) over the next few years. Newsflow of further hikes in the Fed Fund rate should catalyse DBS share price higher.
Fu Yu Corp	FUYU SP	SGD0.22	We expect Fu Yu to increase its dividend for FY18 to SGD 0.016 from SGD0.015, representing an attractive yield of 9.2%. With high-margin new projects secured and the ramp up of projects to accelerate, we expect its profitability to continue trending up in subsequent quarters. As such, we forecast PATMI to grow 72% respectively in FY18.
HRnet Group	HRNET SP	SGD1.18	HRnet Group could deliver 24% growth in FY18 amidst strong growth in North Asia and Singapore across all segments, and the effect of the 88GLOW plan. The group is likely to undertake more acquisitions in the near future and focus on new markets. The management is also likely to continue its share buyback scheme which should support the share price.
Moya Asia	MHAL SP	SGD0.13	We believe Moya could undertake an earnings accretive acquisition in 4Q18. The group is also in talk with the Government to extend its Aquatico concession and an agreement could get finalised soon. With and uptrend in organic water sales and lower financing cost, we expect Moya to deliver 18.4% profit growth in FY19F.
Sheng Siong	SSG SP	SGD1.30	Sheng Siong has opened 8 new stores in 2018. These stores would ramp up over next two years and contribute towards FY18-20F growth. The group is also expanding its distribution centre capacity by 20% in 2019, which would help the group to improve cost efficiencies. We expect Sheng Siong's earnings to grow 10% CAGR over the next 3 years.
Singapore Medical	SMG SP	SGD0.56	SMG trades at 15.7x FY19F P/E, which is lowest amongst its healthcare peers in Singapore. While addition of 6 to 8 specialists to its panel of doctors and opening of new clinics should further boost organic growth, its focus on expanding the SW1 brand overseas, should support 40% profit growth in FY18. We believe SMG is likely to soon open the SW1 branch in Vietnam as it has already hired two aestheticians.
SingTel	ST SP	SGD3.70	SingTel trades at 12.4x FY20F EV/EBIDA, or at a discount to its historical mean of 13.5x, backed by prospective dividend yields of over 5%. SingTel remains our preferred exposure to Singapore telcos, given its diversified exposure and sustainable dividends.
ST Engineering	STE SP	SGD3.97	Passenger-to-freighter (P2F) conversions, increase in MRO capacity, smart city-related contracts in and outside Singapore, and higher defence exports should drive near-term profit growth. Strong orderbook with 2-year revenue visibility and +4% yield support our positive view on this stock.

Singapore Top Picks (cont'd)

Stock	Bloomberg Ticker	TP	Catalysts
UOB	UOB SP	SGD33.30	The Fed Fund rate is expected to rise over the next few quarters and this would drive up SIBOR, which would in turn widen the NIM of Singapore banks. UOB is one of the Singapore banks to record stronger net interest income going forward. In addition, UOB's high CET1 CAR provides scope for more dividends going forward, which could catalyse share price upside.
Wilmar	WIL SP	SGD3.69	Being the largest downstream player in the palm oil processing space, we expect Wilmar to be a key beneficiary of improving biodiesel and oleochemicals demand. Moving into FY19F, we believe the IPO of its china operations in unlock the value of its China consumer business.

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