Singapore Morning Cuppa

Top Story

Banks (NEUTRAL)
A Mixed Bag Likely In Store For 2026
Sector Update
Top Pick: DBS. We see a mixed bag for Singapore banks (SG Banks) ahead. Positives include a sanguine macroeconomic backdrop, wealth management business that should benefit amid a low interest rate environment, positive investor sentiment, continued inflows, and stable asset quality, offset by lingering NIM pressure and elevated sector valuations. In the absence of a meaningful rise in ROEs, headroom for further valuation expansion may be limited, resulting in more modest returns for the sector ahead. We like DBS for its "in-the-bag" and attractive dividend yield. Maintain NEUTRAL.
Analyst: Singapore Research (research.sg.equity@rhbgroup.com)
Today's Report: Banks : A Mixed Bag Likely In Store For 2026 (7 Jan 2026)
Previous Report: Banks : A Mixed Set Of 3Q25 Results From SG Banks (20 Nov 2025)

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Singapore's Energy Transition: Four Switches, One Market

Top BUYs

	M. Cap (USDm)	TP (SGD)	Upside (%)	2026 Div. yield (%)	Investment thesis
Large & Mid cap					
CapitaLand Ascendas REIT (CLAR SP)	10,236	3.20	12.7	5.6	• The largest industrial REIT with diversified exposure to business parks, logistics, and hi-tech industrial spaces • Growing exposure to in-demand data centre and logistics segment • Organic growth from asset redevelopment, higher occupancy rates, and rental improvement • Backed by a strong and experienced sponsor
CapitaLand Integrated Commercial Trust (CICT SP)	14,216	2.69	12.6	5.0	• The largest listed S-REIT proxy to the domestic market with a high-quality portfolio of mostly Singapore office and retail assets • Beneficiary of improving domestic fund flows and falling SORA interest rates • Healthy positive rent reversions are expected for its Singapore office and retail assets • A strong and capable sponsor with good quality pipeline assets
DBS (DBS SP)	128,463	59.00	1.8	5.6	• YTD earnings have held up relatively more resilient than peers, thanks to balance sheet growth and hedges put in place. • Management thinks it can sustain the SGD0.24 step-up in annual DPS for 2026, • which provides investors with strong dividend visibility. • We await updates on its earlier announced SGD5bn capital return dividend over three years (or SGD1.7bn (SGD0.15/share) pa). • Stock currently offers a 5% FY26F dividend yield, which does not factor in capital • return dividends for next year – pending confirmation from management.
DFI Retail Group (DFI SP)	5,320	4.25	8.1	3.7	• Remain positive on DFI Retail Group as earnings recovery expectations are on track • Recent divestment of its Singapore food business will reduce the long-term earnings drag • Dividend yield is decent due to parent company Jardine Matheson Holdings' (JM SP, NR) practice of uplifting dividends back to the group level • Attractive valuation with a yield of close to c.4%
Singtel (ST SP)	58,496	5.20	14.5	4.4	• Strong EBIT growth at Optus and NCS should drive double-digit FY26-27F earnings growth • Market re-pricing in Australia remains a strong tailwind alongside strong ARPU uplift in India • Cost-out programme is tracking in line with another SGD200m in indirect cost savings targeted for FY26F, primarily at Optus • Digital Infraco EBITDA set to double by 2008 from the expanded Nxera data centre capacity across the region • Upgraded mid-term capital recycling target of SGD9bn offers further dividend upside. SGD2bn share buyback programme is EPS and DPS accretive • Strong balance sheet with SGD2bn cash recycled in FY25 and net debt/EBITDA of 1.5x
ST Engineering (STE SP)	21,133	9.40	8.3	2.6	• Our 2029 forecasts are more conservative than STE's guidance of an 8.6% revenue CAGR and up to a 13.6% profit CAGR for 2024-2029F • Record-high orderbook that provides close to three years of revenue visibility • Expect quarterly dividends to continue rising during the forecast period • Growth in earnings driven by strong aviation MRO work, which will benefit the CA segment. Contributions from TransCore and the restructuring of the USS segment should boost growth • Upside risks to our estimates include stronger international defence performance amid rising global budgets, and successful aviation asset management transition to a fund model. Additional upside may come from potential M&A

Small & Mid cap

AIMS APAC REIT (AAREIT SP)	971	1.52	1.3	6.7	• High-quality industrial REIT portfolio with predominantly Singapore logistics assets and Australian assets on long leases • Earnings recovery will be driven by strong double-digit rent growth (more than c.20%) for the logistics portfolio, coupled with steady occupancy increases • There is good potential to enhance portfolio value from asset enhancements • Attractive c.7% yield
Centurion Corp (CENT SP)	894	1.86	36.8	2.9	• Successful listing of Centurion Accommodation REIT (CAREIT SP, NR) has unlocked further value for CENT's shareholders. Stock price now includes CAREIT priced at market value. • CENT to focus more on higher-return property development projects and acquisitions with the cash received from CAREIT's spin-off. • We believe CENT could venture its acquisitions and property development projects into new markets including the Middle East. • Growth also rests on its remaining properties' performance, driven by capacity expansion, and better bed and occupancy rates.
ComfortDelGro (CD SP)	2,472	1.75	19.9	6.4	• Mid-teen earnings CAGR during 2024-2027 • Above-market yield of over 6% • Continued improvement in UK public transport margins • Contributions from Australian bus tender wins • Contributions from the acquisition of A2B as well as Addison Lee • Expect to see contributions from an improving China taxi business
CSE Global (CSE SP)	566	1.22	22.0	2.8	• Growth to be driven by the electrification and communications segments, as well as by M&A • Robust orderbook of SGD573m, comprising 51% from the electrification segment, followed by automation and communications • Growth is expected to be driven by both acquisitions and growing the orderbook organically with higher-return projects. • Expect acquisitions to continue especially in the communications business in the US
ESR REIT (EREIT SP)	1,718	3.20	17.2	8.3	• A growing mid-cap industrial REIT with a focus on logistics assets in Singapore, Australia, and Japan. • Active divestments over the last few years and redeploying capital into longer-lease assets and asset enhancements • Trading at discount to book value and offering attractive yields.
Sheng Siong (SSG SP)	3,126	2.72	2.3	3.2	• Defensive play for stable earnings and dividend yield • Growth supported by improving consumption and government support measures for Singaporeans to counter inflation • Positive store expansion outlook with FY25's new stores secured exceeding our initial assumptions • Generates strong cash flow, has a net cash balance sheet with a yield of c.3-4%
Stoneweg European Stapled Trust (SERT SP)	1,094	1.90 (EUR)	15.2	8.2	• A pan-European REIT with a good mix of logistics and prime office assets • A strong and capable management team with proven leasing capabilities and an under-rented portfolio of assets • Value-added strategies include data centre development fund, asset redevelopment and recycling assets to produce higher yields • Beneficiary of expected sharp interest rate cuts by the European Central Bank

Source: Bloomberg, RHB

Note: Market Cap = Small Cap is < SGD1bn, Mid Cap is < SGD3bn

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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