Market Strategy

Staying Upbeat Despite Near-Term Risks

- **Regional.** Despite near-term risks stemming from monetary policy expectations being tweaked and spiking Middle East tensions, RHB continues to anticipate a resilient US economy, a gradual recovery in China's macroeconomic fundamentals, and easing interest rates amid peaking inflationary pressures – all these bode well for regional equity markets. The Indonesia and Singapore markets are noted for undemanding valuations – even though Indonesia has just undergone a change in government and the latter offers defensive qualities in a volatile environment. Malaysia is a laggard play benefitting from a new political model and the implementation of a reform agenda. Thailand remains in a state of flux pending policy clarity.
- **Indonesia.** The Prabowo-Gibran Golden Indonesia vision outlined 17 key programmes that impact consumer goods, housing development, MSME loans, and downstream mining. These should bring growth opportunities in banking, consumer, cement, construction and mining, ie stimulating demand and creating jobs. The tactical investment strategy focuses on the consumer sector, anticipating a 2H24 commodities rally – particularly in oil & gas (O&G), gold, copper, nickel and pulp & paper – while remaining upbeat on banks despite potential short-term corrections. We maintain our end-2024 JCI target at 7,900pts, or -0.5SD from the 5-year mean.
- **Malaysia.** The outlook for Malaysia risk assets remains positive on brighter macroeconomic prospects, with corporate earnings having turned the corner. Domestic reform initiatives are underway and will be an important catalyst to attract and develop new sources of FDI. News flow remains positive, with the MYR already bottomed out, setting the stage for stronger foreign portfolio flows. Focus on beneficiaries of the key growth hubs in Johor, Penang and Sarawak with a trading bias, as the market adapts to the positive paradigm. Key OVERWEIGHT calls are on sectors including property, construction, technology, healthcare, transport, O&G, utilities and rubber products. Our end-2024 FBM KLCI target of 1,600pts is unchanged.
- **Singapore.** Investors should focus on Singapore stocks that feature earnings sustainability and offer high yields amidst improved economic growth and elevated interest rates, with the SGD being an outperformer in ASEAN. In the nearer term, we like the banks as a proxy for higher-for-longer rates. Investors should buy stocks that offer robust yields and companies with visible earnings. REITs should outperform eventually, aided by interest rate cuts – we recommend that investors adopt a slightly more watchful approach and gradually add on to high-quality, large-cap S-REITs on weakness.
- **Thailand.** Since Oct 2023, the market has been dragged by investor concerns over the new government's economic policies, and uncertainties over external factors such as: i) Worsening geopolitical issues, ii) higher commodity prices and inflation, and iii) spiking interest rates. However, we see potential for improvement in fiscal and monetary policy actions. We expect the SET's fundamentals to improve in 2H24. Our end-2024 target for the SET is 1,549pts, based on 18.6x P/E.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
Airports of Thailand	Buy	THB80.00	22.1	38.1	6.6	18.9	1.6
Bank Mandiri	Buy	IDR8,240	24.4	10.5	2.2	21.5	5.7
CIMB	Buy	MYR7.60	16.4	9.2	1.0	10.9	6.0
ComfortDelGro	Buy	SGD1.65	13.8	14.5	1.2	8.3	5.2
DBS	Buy	SGD38.30	6.5	9.5	1.4	15.2	6.2
Gamuda	Buy	MYR6.30	22.1	14.5	1.2	8.5	2.3
Malaysian Pacific Industries	Buy	MYR35.90	16.5	31.4	3.0	9.8	1.4
Medco Energi Internasional	Buy	IDR1,830	16.9	7.0	1.2	18.9	4.0
Merdeka Copper Gold	Buy	IDR3,100	9.2	79.3	4.2	5.7	-
Minor International	Buy	THB42.50	33.9	22.4	3.8	18.4	1.8
SCBX	Buy	THB126.00	18.9	7.9	0.7	9.3	9.9
ST Engineering	Buy	SGD4.50	16.0	16.9	4.6	27.8	4.1

Source: Company data, RHB

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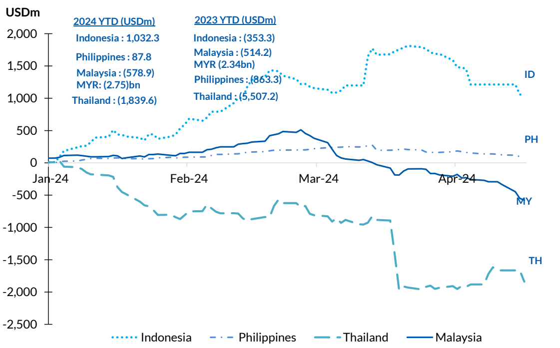
Foreign fund flows YTD in ASEAN equity markets



Source: Bloomberg

Indonesia: Time To Shift To Higher-Beta Stocks

Tactical strategy: Focus on consumer in 2Q24; banks and commodities in 2H24

We maintain our end-2024 JCI target at 7,900pts, which implies 12.2x and 11.2x FY24F and FY25F P/Es, which is at -0.5SD from the 5-year mean level. Our tactical investment strategy emphasises on the consumer sector for 2Q. This is followed by an anticipated commodities sector rally in 2H, especially in O&G, gold & copper, and nickel, while banks remain a positive long-term prospect despite potential short-term corrections. The outcome of the recent presidential election sees Prabowo Subianto and Gibran Rakabuming Raka (shortened to Prabowo and Gibran in mentions ahead) set to lead the country, with their Golden Indonesia vision's 17 key programmes expected to stimulate demand across sectors like banking, consumer goods, property and mining – bringing growth opportunities and economic sustainability initiatives, and signalling a comprehensive approach to Indonesia's development.

The 2024 election results were announced on 20 Mar with Prabowo and Gibran declared as president and vice-president by the Indonesia Election Commission (KPU), with 58.6% of votes won. Prabowo intends to continue the policies of President Joko Widodo (Jokowi) with some modifications and acceleration – the Prabowo-Gibran inauguration is scheduled for 20 Oct. Despite the group of parties supporting Prabowo receiving only 48.7% of the parliamentary vote, the inclusion of Partai Nasional Demokrat or NASDEM into the ruling coalition boosts the share of the votes to 59.6%, which will facilitate legislative approvals for the next government. We also hold the view that more major opposition parties are expected to join the ruling coalition, with the next Parliament's inauguration set for 1 Oct.

Prabowo-Gibran's 17 priority programmes encompass a range of sectors with a significant potential impact across the Indonesian economy. The vision is aimed at driving Indonesia towards self-sufficiency in food, energy, and water. While this would benefit industries like palm oil and renewable energy, it may pose challenges for the coal industry, given the aim of transitioning the nation towards cleaner energy sources. Programmes aimed at refining the national revenue collection system through tax efficiency and SME-friendly incentives could also spur economic growth, job creation, and increase purchasing power, thereby stimulating demand across various industries. Additionally, the poverty eradication initiative may benefit companies that target the low-income consumer segments, particularly those in the consumer staples and retail sectors.

The healthcare services intiative – fleshed out by enhancing Social Insurance Administration Organisation (BPJS) Health and improving access to healthcare services – is poised to boost demand. Similarly, improving gender equality and protection of women, children, and persons with disabilities (ie free meals programmes) could positively impact the consumer goods sector – with an emphasis on dairy, meat-based, and nutritional supplement products.

Meanwhile, the development of affordable, quality homes – driven by nationwide housing projects – with proper sanitation initiatives could fuel growth in the construction and cement sectors. Strengthening MSME loans may also benefit the banking sector, particularly those focused on microloans, allowing players to tap into Indonesia's sizeable unbanked population.

At the same time, the emphasis on downstream industrialisation based on natural resources offers significant opportunities for the mining and plantation sectors, particularly in refining and increasing value-added agriculture products locally. Collectively, these initiatives signal a comprehensive approach towards economic development and sustainability in the country.

Our tactical investment approach remains unchanged, as outlined in our *A Tactical Strategy In An Election Period* report that was published on 27 Dec 2023. Due to the increased likelihood of consumer spending this *Lebaran* vs that of 2023 – this year's yearly festive bonus (THR) was paid in full, while the salaries of civil servants and the Indonesian National Armed Forces (TNI)/Indonesian National Police (Polri) have increased significantly in 1Q24. Also, the 13th month salary allowances are disbursed in April – the consumer sector (Top Picks: Mayora Indah (MYOR) and Sumber Alfaria Trijaya (AMRT) may be more appealing, at this juncture.

The 4Q23 results of consumer companies were varied. Some like MYOR and Cisarua Mountain Dairy (CMRY IJ, BUY, TP: IDR5,000) achieved solid earnings growth YoY and QoQ due to effective cost controls. Meanwhile, Unilever Indonesia (UNVR IJ, NEUTRAL, TP: IDR3,200) booked lacklustre results amid consumer boycotts. Retailers, especially those targeting the mid- to low-income segments, encountered challenges from inflationary pressures.

However, consumer companies are expected to perform positively in 1Q24, in our view, as consumer spending during *Lebaran* this year is likely to be higher than what it was in 2023, boosted by social assistance distributed during the pre-election period and increased cash flow in March due to salary payments and festive allowances. Fast-moving consumer goods (FMCG) companies are already stocking up on products, aided by delays in the implementation of upcoming trade policies that benefit retailers with significant exposure to imported goods. There are concerns over post-festive season spending and minimal spending catalysts that may dampen consumer purchasing power post *Lebaran*.

We believe the commodities sector should turn more attractive in 2H24. The first stocks to undergo a rally would be from the following sectors: O&G (Top Picks: Medco Energi Internasional (MEDC) and AKR Corporindo (AKRA)), and gold and copper (Top Picks for commodity stocks: United Tractors (UNTR IJ, BUY, TP: IDR28,000)) and Merdeka Copper Gold (MDKA)). Following that, we expect the demand for nickel (Top Picks: Vale Indonesia (INCO IJ, BUY, TP: IDR4,810) and Aneka Tambang (ANTM IJ, BUY, TP: IDR1,900)) as well as pulp & paper (Top Pick: INKP) to continue growing.

The US Energy Information Administration (EIA) forecasts a global oil demand increase of 2.2mbpd to 104.4mbpd in 2024, largely driven by heightened demand from China – the world's largest oil importer. China imports between 11mbpd and 12mbpd. Meanwhile, OPEC+ is expected to maintain its production cut of 2.2mbpd until the end of 2024, resulting in a total global oil supply increase of only 1.4mbpd, creating a scenario of 1.1mbpd more demand vs supply. Capitalising on this environment of higher oil prices and increased output, MEDC is identified as a Top Pick, with an estimated 34% YoY growth in earnings while AKRA stands to benefit from an expanding economy that drives more diesel demand and land sales at Java Integrated Industrial and Port Estate (JIIPE), offering attractive upside potential. Additionally, the amendment of corridor block production sharing contracts (PSCs) from gross split back to cost recovery is crucial for both Perusahaan Gas Negara (PGAS IJ, BUY, TP: IDR1,440) and MEDC. PGAS stands to benefit from lower purchase costs when compared to LNG, while MEDC could boost gas output with cost recoveries. Furthermore, AKRA is expected to benefit from a 3% YoY increase in the national coal production target to 710m tonnes, with petroleum distributed to coal mines, alongside a promising 130ha land sales target, promising another high ROE this year.

Expectations of a positive shift in commodity prices in 2H24 remain optimistic, driven by anticipated improvements in global demand and the positive sentiment on commodity prices amidst a recovering global economy. China – the primary global hub for most base metals – is expected to see a further recovery, with a GDP target of 5% and various initiatives underway. This is despite the challenges in reviving manufacturing activities in the East Asian giant amidst a deflationary environment. Notably, UNTR may see lower heavy equipment sales this year, but its subsidiary Pamapersada Nusantara's generally steady business outlook and greater sales volume from its gold-mining arm (including additional volume from the new Sumbawa mine) should be able to support the company's earnings. MDKA stands to gain from various factors including increased smelter capacity utilisation, improved margins through internal ore supply, and a favourable outlook for base metal demand – with additional optimism stemming from significant gold output projections from the Pani Gold Project in the coming years. INCO aims to stabilise operations, maintain cash costs below approximately USD10,000 per tonne through strategic energy consumption management and a conservative nickel matte output level – this is in anticipation of a potential price uptick with signals of increased demand, particularly from China, and reduced supply from mine closures elsewhere. Meanwhile, ANTM is benefiting from a strong operational performance, particularly in the nickel ore segment, while positive factors – such as easing legal concerns – should boost investor confidence.

INKP anticipates an earnings recovery from 4Q23 onwards, with an estimated 58% QoQ growth, driven by pulp price recovery. The company's growth drivers include a price recovery in 1Q24 and higher shipped volumes in the second quarter. Despite net pulp capacity expansions from the Suzano, Empresas CMPC, and Nine Dragons Paper projects – which are expected to boost annual pulp production capacity levels – oversupply issues are not expected due to closures of inefficient mills and maintaining a balance with organic demand growth. Additionally, China's pulp industry growth remains constrained by the availability of raw materials, with the country's pulp cash costs higher when compared to that of Brazil and Indonesia.

After a big jump that increased the banking sector's share prices by 14% in 1Q24, we anticipate a slight correction, but retain a strongly positive long-term outlook for the sector – Top Picks: Bank Mandiri (BMRI), Bank Negara Indonesia (BBNI IJ, BUY, TP: IDR6,530), Bank CIMB Niaga (BNGA), and Bank Tabungan Negara (BBTN IJ, BUY, TP: IDR2,050) – which could improve share prices. Due to political instability in 1Q24, the majority of banks under our coverage (IND Banks) expect slower loan growth in 2024 vs 2023, although 2H24 should see greater loan growth and steady profitability. We see an upside risk of rapid loan growth as the election is likely to be done in a single round, and loan growth should accelerate following the election. Liquidity was tight in January and February, but banks expected it to ease after *Lebaran*. Bank Indonesia's (BI) lowering of the minimum obligatory giro (GWM) is expected to occur before it pares down the benchmark interest rate, which should improve liquidity.

Politics: Ensuring a smooth transition and potential coalition strength

After the presidential polls were held, on 20 Mar, the KPU announced that Prabowo and Gibran had been chosen as the country's next president and vice president after they won the majority of the votes. Prabowo has stated that his administration plans to maintain President Jokowi's programmes, albeit with some enhancements and acceleration. The inauguration for Prabowo as president is scheduled for 20 Oct.

In terms of Parliament, according to the election results announced by the commission, Prabowo's supported political parties – which include Partai Golongan Karya (GOLKAR), Partai Gerakan Indonesia Raya (GERINDRA), Partai Demokrat (Demokrat), and Partai Amanat Nasional (PAN) – received only 48.7% of votes. However, the NASDEM party has stated that it will likely join the ruling coalition. Hence, this takes the overall portion of votes for the next government coalition to 59.6%, thereby making it simpler for Prabowo's upcoming administration to obtain legislative approval for its programmes.

According to various media reports, there will be more major political parties – which are currently in the opposition – that will join the ruling coalition. The next Parliament's inauguration is slated for 1 Oct.

According to the real count, the Prabowo-Gibran partnership – received 58.6% of votes.

Figure 1: 2024 election - real count

Candidates	KPU real count
Prabowo-Gibran	58.6%
Ganjar Pranowo-Mahfud MD	16.5%
Anies Baswedan-Muhaimin Iskandar	24.9%

Source: KPU

Prabowo-Gibran are focusing on achieving the Golden Indonesia targets through 17 priority programmes. These programmes and initiatives in achieving self-sufficiency in food, energy, and water are set to positively impact sectors such as the CPO industry and renewable energy (RE) sectors. The shift towards clean and RE may, however, have a negative impact on the coal industry in the long term.

Initiatives to refine the national revenue collection system, eradicate poverty, improve healthcare services, and promote environmental conservation are expected to drive economic growth. This would benefit sectors like consumer staples, healthcare, construction, and cement. These initiatives can also stimulate demand across industries and create jobs, potentially increasing purchasing power.

Furthermore, specific programmes like those focused on consumer goods, particularly dairy and nutrition improvement products, could lead to increased demand for vitamins and supplements, benefiting both the consumer goods and healthcare sectors.

Initiatives on developing quality homes, strengthening MSME loans, and boosting the downstream mining segment and industrialisation also present significant opportunities for the construction, banking, and mining industries. The emphasis on supporting microloans for unbanked borrowers and infrastructure development outside Java further underscores the potential for growth and positive impacts across various sectors in Indonesia.

Details of Prabowo-Gibran's 17 priority programmes:

i. **Achieving self-sufficiency in food, energy, and water.** Through this programme, Prabowo-Gibran have pointed out several main strategies, including:

   a. A food estate programme, with a target of achieving a minimum additional cultivated area of 4m ha by 2029;

   b. A biodiesel and bio-aviation development programme;

   c. The utilisation of energy from water, wind, ocean waves, sunlight, and geothermal sources;

   d. Effective water management strategies to prevent drought during the dry season and floods during the rainy season.

   Note: These programmes will significantly impact the CPO industry, as palm oil will be a primary material in the production of biodiesel, specifically B30 and B50. Additionally, industries benefiting from this programme also include those in the renewable energy sector – promoting the use of environmentally friendly alternative energy across various business sectors. However, this programme might give long-term negative impact for the coal industry as the nation shifts towards more clean and renewable energy.

ii. **Improving the national revenue collection system.** Prabowo-Gibran aim to boost the state revenue-to-GDP ratio by 23% through various initiatives, including:

   a. Reforming tax policies and systems;

   b. Iimplementing tax incentives to support SMEs.

   Note: These initiatives, through tax system efficiency and SME-friendly tax incentives, can drive economic growth, create jobs, and potentially increase purchasing power, thereby stimulating demand across industries.

iii. **Political, legal, and bureaucratic reforms.** To achieve equality and ease of access in politics, Prabowo-Gibran emphasise several key points:

   a. Facilitating community participation in decision-making on public matters;

   b. Implementing digitalisation with integrated data to ensure an efficient, professional, and integrated bureaucracy.

iv. **Prevention and eradication of corruption.** Prabowo-Gibran aim to provide additional funding to accelerate national anti-corruption efforts, with a balanced focus on prevention and decision enforcement.

v. **Poverty eradication.** This programme will encompass improvements in education, healthcare, infrastructure, and more. It should also boost consumer demand across sectors. Prabowo-Gibran**'s** specific targets for this initiative:

   a. Eradication of extreme poverty to 0% within the first two years of the administration being in power;

   b. Reduction of relative poverty to 5% by the end of 2029.

   Note: This initiative, if successful, should assist companies that target a large, lumpy market, ie particularly the low-income segment. Consumer staples companies and retailers are likely the key beneficiaries of this initiative.

vi. **Prevention and eradication of narcotics.** Prabowo-Gibran will initiate comprehensive and targeted efforts to prevent drug smuggling, combat distribution, and address drug usage, starting with raising awareness within families.

vii. **Ensuring the availability of healthcare services for all Indonesians: Enhancing BPJS Health and providing medication for the people.** Prabowo-Gibran aims to enhance the Human Development Index by improving the BPJS Health programme and providing medication for the entire population of Indonesia.

   Note: This programme directly benefits the healthcare sector by enhancing BPJS Health, ensuring easy access to healthcare services and – subsequently – increasing demand for such products and services.

viii. **Strengthening education, science, technology, and digitalisation.** To enhance the quality of education and proficiency in science and technology, several initiatives will be undertaken:

a. Enhance teacher quality and development through improvements in educational facilities and accessibility;

b. Establish an endowment fund for education and Islamic boarding schools;

c. Allocate funds for cultural initiatives;

d. Provide an endowment fund for non-governmental organisations or NGOs;

e. Aims to allocate 1.5-2% of GDP for research and innovation within five years.

ix. **Enhancement of national defence and security, and maintenance of conducive international relations.**

x. **Empowerment, by boosting gender equality and the protection of the rights of women, children, and persons with disabilities.** One of the key initiatives, *Program Hasil Terbaik Cepat*, is designed to combat stunting in child development. The programme focuses on improving child nutrition by providing free lunch and milk in schools and Islamic boarding schools, as well as nutritional aid for toddlers and pregnant women. The set target aims to benefit over 80m recipients with 100% coverage by 2029.

Note: This programme is likely to have a positive impact on companies in the consumer goods sector, with dairy products becoming a key focus. Additionally, the emphasis on improving nutrition for toddlers and pregnant women may lead to increased demand for vitamins and supplements, which should benefit the healthcare sector.

xi. **Ensuring environmental conservation.** This programme is a commitment towards Indonesia's net zero goals – done by:

a. Reducing the carbon footprint and water footprint of various products;

b. Improving the sustainable management of soil, water, and forests.

Note: This programme has the potential to boost the RE sector, which serves as an alternative energy source to reduce emissions. It may also impact the forestry sector, which has the potential to include emissions-absorbing forests.

xii. **Ensuring the availability** of fertilisers, seeds, and pesticides directly to farmers.

xiii. **Ensuring the development of affordable, quality housing with proper sanitation for both rural and urban communities and those in need.** Prabowo-Gibran will focus on the overall target of ensuring the construction or renovation of 3m housing units nationwide. This is achieved through:

a. The annual construction/renovation of 25 houses per village/urban area (reaching 2m houses by the second year of the new administration);

b. Construction of 500k landed houses and 500k vertical houses and rental flats or *rusunawa*;

Note: This initiative may the construction and cement sectors. The rapid ramp-up in housing development across the country in the next five years should notably boost the construction sector, leading to higher demand for cement needed for various projects.

xiv. **Continuing economic redistribution and empowering SMEs through business credit programmes, the development of the new capital city (IKN) project, and the establishment of innovative, characteristic, and self-reliant cities.** Prabowo-Gibran's economic growth strategy focuses on:

a. Enhancing agricultural credit programmes like *Kredit Usaha Tani*, *Kredit Usaha Peternakan*, *Kredit Usaha Perikanan*, and *Kredit Usaha Industri Hilir UKMI*;

b. Promoting nationwide development (including the IKN's continuation and 10 innovative cities) to ensure balanced growth.

Note: Stronger MSME loans may benefit the banking sector, particularly in micro loans. Indonesia's unbanked borrowers amounted to 29m, providing potential for micro loan growth. The IKN and broader infrastructure development in ex-Java should benefit the construction sector, especially state-owned enterprise (SOE) construction firms working on IKN contracts. This would also boost the cement industry, as it is a basic material for property and infrastructure development.

xv. **Continuing downstream and industrialisation based on natural resources, including maritime resources, to create extensive employment opportunities and achieve economic justice.** This programme can be achieved through:

a. Increasing economic value, job creation, and creating various multiplier effects including social impacts;

b. Downstream initiatives that involve ensured technology transfers, developing local human resources, and environmental preservation;

c. Expanding downstream processing, from nickel to bauxite, copper, tin, agricultural products, and maritime goods

Note: This programme offers significant opportunities for the mining industry – particularly nickel, bauxite, copper, tin – by increasing the demand for mining products generated from upstream-downstream industries, particularly in the domestic market. The plantation sector should also be impacted – especially refineries – as local processed items are expected to increase the value-add of domestic agriculture products.

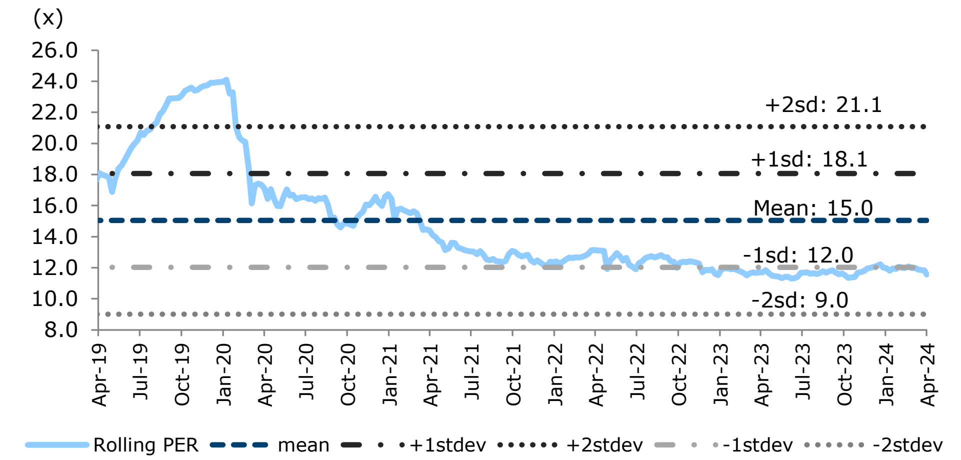
xvi. **Ensuring religious harmony, freedom of worship,** and the establishment, and maintenance of places of worship.

xvii. **Preservation of cultural arts,** enhancement of the creative economy, and improvement of sports achievements.

Further details of our market strategy and breakdown according sector are in the following pages.

Market strategy

Figure 2: The JCI's 12-month forward-rolling P/E band



Source: Bloomberg, RHB

- Our end-2024 JCI target is at -1SD from the 12-month forward-rolling P/E

Figure 3: The JCI's key statistics

Market data	FY22	FY23F	FY24F	FY25F
Revenue growth (%)	21.8	2.7	4.0	6.7
Operating profit growth (%)	43.6	1.5	6.2	8.1
Net profit growth (%)	45.4	6.6	4.4	8.9
Current P/E (x)	13.6	12.8	12.2	11.2
EPS (IDR)	539	575	600	654
PEG (x)	0.3	1.9	2.8	1.3
EV/EBITDA (x)	11.5	10.2	8.8	7.7
P/BV (x)	2.1	2.0	1.9	1.7
Dividend yield (%)	6.5	7.6	5.3	5.0
ROE (%)	15.6	15.9	15.2	15.4

Source: Company data, RHB

- The JCI is trading at 1.9-1.7x FY24-25F P/BV with attractive 15.2-15.4% ROEs in FY24F and FY25F. FY24-25F dividend yields are appealing, at 5.3-5%
- Following a 45.4% YoY surge in FY22 earnings, JCI earnings still grew 6.6% in FY23. It is expected to still grow at a slower rate of 4.4% YoY in FY24, before picking up to 8.9% YoY in FY25

Figure 4: Earnings growth summary of sectors in RHB's coverage universe (2024-2025F)

Sector	Mkt cap IDRtrn	Weight %	2024F Net profit growth (YoY %)		2024F P/E (x)		2025F Net profit growth (YoY %)		2025F P/E (x)	
			RHB	Cons.	RHB	Cons.	RHB	Cons.	RHB	Cons.
Financials services	2,901	54.4%	12.8	10.5	12.8	13.2	9.7	10.7	11.6	11.9
Consumer Non-Cyclical	725	13.6%	11.1	10.3	12.9	12.9	13.8	9.2	11.3	11.8
Infrastructure	490	9.2%	5.9	(0.6)	11.3	12.7	13.9	16.6	9.9	10.9
Industrials	308	5.8%	(12.0)	(11.8)	6.7	6.4	(2.9)	(1.7)	6.9	6.5
Basic materials	274	5.1%	7.4	7.3	10.8	14.1	19.2	19.7	9.1	11.8
Energy	270	5.1%	(28.1)	(19.7)	6.9	6.5	(6.9)	(9.0)	7.4	7.1
Healthcare	179	3.4%	18.6	16.9	23.4	23.0	13.3	13.2	20.7	20.3
Consumer Cyclical	106	2.0%	24.2	17.5	9.4	10.7	19.4	16.5	7.9	9.2
Property	80	1.5%	22.6	16.7	8.0	8.4	8.6	9.6	7.4	7.7
Total	**5,333**	**100%**	**4.4**	**3.5**	**11.5**	**11.9**	**8.9**	**8.5**	**10.6**	**10.9**

*Note: *Sector classification is based on the JCI's official grouping index – the table above excludes the tech and transport indices*
Source: Company data, RHB

Sector highlights and outlook

Figure 5: Sector highlights and outlook

Sector	Rating	Highlight/outlook	Top Picks
Banks	OVERWEIGHT	After a robust rally that lifted the banking sector's share prices by around 14% in 1Q24, we may see minor corrections in share price movements but still retain a favourable long-term view on the sector – this should boost share prices in the long run. IND Banks are set to see slower 2024 loan growth vs 2023 on 1Q24 political uncertainty, with optimism for 2H24 (higher loan growth and stable profit margins potential). Although liquidity remained tight in Jan and Feb 2024, the banks we cover expect it to ease following *Lebaran*. BI's regulatory reserve requirement or RRR policy eases prior to a central bank rate cut – this is anticipated to be a near-term catalyst. It is worth noting that despite 2023's tighter liquidity, IND Banks recorded strong earnings growth, led by lower credit costs and continued loan growth.	BMRI, BBNI, BNGA, BBTN
Cement	OVERWEIGHT	We expect domestic sales volumes to grow to 65.5m tonnes by FY24 (+2.5% YoY) with bulk cement as the growth driver. We are also more optimistic on the domestic demand for bag cement. Normalising cost benefits from the domestic market obligation or DMO scheme, stable ASPs, and profitability led us to choose the one with a volume growth story: Indocement (INTP IJ, BUY, TP: IDR10,300). Downside risks to our call include lower-than-expected sales volume, higher-than-expected raw material costs, and regulatory changes.	INTP
Consumer	Retail: OVERWEIGHT Staples: NEUTRAL	Our channel checks with several consumer companies, especially FMCG companies, indicate they remain upbeat and have started to see retailers stock up with their products. The delay in implementing the Trade Ministry's policy has been positive for retailers, especially those that have sizeable exposure to imported goods. However, we have concerns on consumer spending power post-*Lebaran* festivities.	AMRT, MYOR
Healthcare	OVERWEIGHT	Pharmaceutical companies had a strong 4Q23, with results in line and above expectations. Sido Muncul (SIDO IJ, BUY, TP: IDR690) recorded the strongest performance among the healthcare players, beating our and consensus estimates. Hospital companies saw a mixed performance, but were largely in line with Street estimates. Clinical laboratory player Prodia Widyahusada (PRDA IJ, NR) had the most disappointing results – significantly below our and Street forecasts. Our sub-sector preference: Pharmaceutical>hospitals>clinical labs.	MIKA
Metal mining	OVERWEIGHT	We remain optimistic on the positive change in commodity prices in 2H24, as expectations for better demand – partly supported by improvements in the global economy – could result in better sentiment for overall commodity prices. China, the largest hub for almost all of the world's base metals, is poised to see s further recovery (with a GDP target of 5%) from a number of initiatives that have been rolled out, despite mounting challenges to revive its manufacturing activities, owing to a deflationary situation – China's CPI in February clocked at +0.7% YoY, the first increase in the inflation rate since Apr 2023.	INCO, ANTM
O&G	OVERWEIGHT	Following our economics team's view, 2024 promises better global economy prospects with potential US Federal Reserve (US Fed)rate cuts in 2H24 and the China Government's economic growth target of 5% amidst the >50 PMI. The EIA estimates China and the US potentially consuming about 16.3mmbpd (+2.1% YoY) and 20.4mmbpd (+0.8% YoY) while OPEC+ commits to maintaining production, estimated at 31.9mmbpd (210kbpd lower) for 2024. As such, we see minimal downside risk on oil prices (RHB's Brent oil price estimate: USD85 per bbl).	MEDC, AKRA
Property – industrial estates	OVERWEIGHT	After the full reopening of the economy in 2023, inquiries increased and revenue recognition should improve this year. Industrial estates' long-term and strategic nature make them less susceptible to interest rate fluctuations, so demand should rise. Food, manufacturing, transportation, and automotive will drive industrial land demand. In addition to data centres and smelters, metals-related industries may affect demand. Due to strong e-commerce and logistics operations, demand for warehouses for the logistics sector has increased, boosting industrial estate development. 2024 is an election year, but foreign direct investments have not been affected.	SSIA, DMAS
Property – residential developers	OVERWEIGHT	We like the residential property sector, as we expect the strong performance to be recognised from FY24 following robust presales in 1H20-FY23. Another tax incentive is also expected to support FY24 pre-sales. We estimated SMRA currently has c.IDR800bn worth of inventory eligible for this tax incentive (c.16% of FY24F's presales target) while CTRA holds IDR1.8trn in inventory that is eligible for this incentive (c.21% of FY24F presales target). The sector's valuation, at -1SD from the RNAV mean, is attractive.	CTRA SMRA

Source: Company data, RHB

Figure 6: Sector highlights and outlook (continued)

Sector	Rating	Highlight/outlook	Top Picks
Pulp & paper	OVERWEIGHT	Pulp, paper, and packaging prices are set to rise in 2024 following China's economic recovery and lower global pulp inventory when compared to 2023. Despite the upcoming additional pulp capacity, the market should not face an oversupply situation, considering: i) The low utilisation rate at the beginning (new capacity utilisation rates are usually lower in the beginning, eg 20% in the first year – development of mills are also usually by stages), ii) limited supply of industrial roundwood due to feedstock for pulp production and capacity downtime (mills usually have maintenance/downtimes 1-2 months per year). Additionally, growing marginal cash cost production has pushed pulp producers to raise pulp prices. Meanwhile, the paper and packaging producers should be more willing to accept the current pulp prices of USD630-660 per tonne when compared to 2022 levels (which were at almost USD900 per tonne), as the global consumption recovery in 2024 would support the acceptance of a price hike on paper and packaging as a result of costs being passed on.	INKP
Telecommunications	OVERWEIGHT	The Government's plan to tender the 700Mhz spectrum in early 2024 should enable telco operators to increase ARPU. Much larger bandwidth availability is crucial for operators as data consumption grows aggressively. Additionally, the Government also plans to open another 300Mhz bandwidth for operators in 2-3 years in the 3.3-3.6 Ghz frequency range for 5G.	EXCL
Auto	NEUTRAL	We believe vehicle sales will likely be flat in 2024, with monthly car wholesales slowing down in 1Q but steadily increasing in 2Q. Sales are estimated to increase after the election. The Government is considering a new incentive for the 4-wheeler (4W) hybrid model, which, if granted, is estimated to boost hybrid sales in Indonesia by making prices more affordable to the mass market. National 4W car wholesales reached 1m units in 2023 (-4% YoY). ASII's 2023 market share climbed to 55.7% from 54.8% in 2022. In 2023, 2-wheeler or 2W wholesales experienced strong sales increase of 6.2m units (+19.4% YoY).	ASII, AUTO
Coal	NEUTRAL	Indonesian coal companies have been relatively defensive in facing normalising coal trends – while earnings were dragged down from the high base of 2021-2022, margins hovered at healthy ranges. However, profit numbers were still higher when compared to several uptrends in the past and possibilities remain open for coal prices to normalise even further. This was from factors such as stable supply of substitutes– eg natural gas – and higher penetration from RE, which might dampen demand for coal.	UNTR
Plantation	NEUTRAL	We maintain a neutral stance with a tactically positive trading strategy, favouring smaller-cap purer planters to capitalise on CPO price spikes. CPO prices have surged past MYR4,000 per tonne to MYR4,200-4,300 per tonne due to supply constraints from the low output season, *El Nino* impact, and higher crude oil prices. Forecasts indicate Malaysian palm oil (PO) inventory to stay below 2m tonnes until 3Q24, with *La Nina* potentially keeping prices high. Demand for PO has been tepid amidst abnormal pricing patterns, with the preference shifting towards domestic PO. Long-term demand remains steady, driven by biofuel mandates. Despite stable supply-demand dynamics, Oil World forecasts modest output growth.	LSIP
Poultry	NEUTRAL	The preview of 1Q24 results should be driven by increased chicken prices YTD. Expectations of lower corn prices, driven by a projected increase in local corn production, are anticipated to reduce costs going forward. Additionally, favourable trends in soybean meal prices are noted, which may further contribute to cost reduction. However, the outlook remains cautiously optimistic, as strong prices may be temporary and dependent on culling during low seasonality periods.	JPFA
Tobacco	NEUTRAL	General elections should be a key catalyst for tobacco sales volume growth, but with the absence of a 0% excise tax rate hike for the 2024 election (unlike the 2014 and 2019 elections), we expect 2024's potential strong sales volume growth to be halved. Additionally, lower minimum wage growth of less than 5% YoY on average – which is lower than the excise tax hike by c.9% YoY for machine-rolled *kretek* cigarettes (SKM) – further hampered the industry sales volume growth. We expect 2024 industry sales to remain flat, supported mainly by hand-rolled *kretek* cigarettes or SKT volume growth that offsets the decline in SKM volume sales.	HMSP

Source: Company data, RHB

Our Top 10 picks

Figure 7: Top 10 picks

	Name	Ticker	Rating	Price (IDR)	TP (IDR)	Upside/ downside (%)	Market cap (USDbn)	EPS growth (%)	2024F P/E (x)	P/BV (x)	PEG (x)	ROAE (%)	Yield (%)
1	Bank Mandiri	BMRI IJ	BUY	6,625	8,240	24.4	38.1	6.5	10.5	2.2	1.6	21.5	5.7
2	Astra International	ASII IJ	BUY	5,125	6,100	19.0	12.8	(6.9)	6.8	1.1	(2.4)	15.9	10.1
3	Sumber Alfaria Trijaya	AMRT IJ	BUY	2,790	3,500	25.4	7.1	21.2	28.9	6.7	1.4	25.1	1.2
4	Merdeka Copper Gold	MDKA IJ	BUY	2,840	3,100	9.2	4.3	Na	79.3	4.2	0.5	5.7	0.0
5	Indah Kiat Pulp & Paper	INKP IJ	BUY	9,500	15,250	60.5	3.2	24.9	7.1	0.5	0.2	8.1	0.6
6	Mayora Indah	MYOR IJ	BUY	2,310	3,000	29.9	3.2	5.2	19.7	3.4	3.8	17.8	2.6
7	Bank CIMB Niaga	BNGA IJ	BUY	2,040	2,500	22.5	3.1	14.5	6.9	1.0	0.5	14.5	7.3
8	Medco Energy	MEDC IJ	BUY	1,565	1,830	16.9	2.4	13.2	7.0	1.2	0.8	18.9	4.0
9	AKR Corporindo	AKRA IJ	BUY	1,795	2,000	11.4	2.2	17.7	12.1	3.0	0.7	25.8	5.6
10	Pakuwon Jati	PWON IJ	BUY	406	510	25.6	1.2	46.7	9.1	0.9	0.2	9.9	0.0

*Note: *As per closing prices on 17Apr 2024*
Source: Company data, RHB

AKRA. About 50% of AKRA's petroleum volume is distributed to coal-mining companies. As such, a higher Indonesia coal production target (up by 2.2% YoY) of 710m tonnes should support management's petroleum target of 8% YoY growth to 3mKL. AKRA targets 130ha in land sales for 2024 – with Sichuan Hebang's deal set to conclude in 1Q24 for 67ha, the company will only need around 63ha land sales for the remainder of 2024 to meet its target. As Freeport Copper Smelter is scheduled to be commissioned in 2H24, we believe this will attract supporting industries to invest in JIIPE. Management estimates revenue of around IDR3.8trn upon achieving its 130ha land sales target. In total, JIIPE can potentially generate IDR4.6trn for AKRA, representing 10% of our 2024F total revenue.

Astra International (ASII): We remain conservative on FY24F national 4-wheeler (4W) sales volumes. We expect ASII's 4W market share to contract, and mitigated partly by higher ASPs from a better market share in the mid- to high-end segments. Incentives for hybrid models will be a key catalyst that could bring hybrid vehicle prices down by 10% (through the VAT decreasing by 1% from 11%). Toyota will be a major beneficiary, as its Zenix Hybrid is a market leader in the new EV (NEV) segment (FY23: 48% market share), with 2,000-3,000 units sold monthly. We also believe the incentives will help ASII compete in the battery EV (BEV) segment, especially against newcomer BYD. We still like ASII as a dividend play.

BNGA. We believe that BNGA deserves a re-rating as we expect its ROE to grow to 15% this year, from 11% in 2022. Asset quality has also improved, evidenced by a lower LAR of 11.2% in 2023 (2022: 15.1%; 9M23: 12.7%). The upside risk to our call is a lower cost of credit (CoC) if asset quality continues to improve, while the LLC ratio had reached 292% by the end of 2023, which is sufficient to manage credit risks. The bank's FY23 results are robust and above expectations. Despite a 5.8% QoQ decline in 4Q23 earnings, FY23 net profit climbed 28.4% YoY to IDR6.47trn – reflecting one of the biggest earnings growth in the sector.

BMRI. Management aims for loan growth to surpass industry standards and a ROE exceeding 20%. Its growth strategy – centred on a value chain ecosystem and bolstered by digital initiatives – shows promise. Furthermore, BMRI's ESG score has been upgraded from 3.0 to 3.3, primarily due to its enhancements in the "E" pillar. This improvement reflects the bank's sustained efforts to reduce emissions from its operations, as well as the initiation of reporting on financed emissions from the wholesale segment, indicating a commitment to environmental responsibility.

INKP, as an integrated pulp and paper producer, should benefit from recovering paper and board demand in China, and margin expansion due to its internal pulp supply (unaffected by pulp price increments). Concurrently, part of its pulp production for market would also support its GPM due to higher pulp prices. Going forward, INKP's operational performance would not only be supported by pulp and paper price increments, but also volume growth from its expansion towards the industrial paper segment with its 3.9m tonne capacity. The expansion would allow the company to stabilise GPM during a pulp price dip due to its integrated production facility from upstream to downstream, and remain profitable during a price hike for pulp.

MYOR. We expect the company's robust performance to continue in 1H24, as it should benefit from the impact of the election and *Lebaran* festivities. We note that during the quarter before previous elections – eg 1Q14 and 1Q19 – MYOR booked strong earnings growth YoY. Additionally, increasing export sales to China and other countries should support revenue. Kantar estimates that the election impact should benefit out-of-home FMCG products, with MYOR's offerings possibly being the preferred choice, given its solid market share. The positive performance of newly launched products like Roma Lavita, Roma Marie Gold, and Dark Wonder should support its growth as well.

Medco Energi International (MEDC). Our in-house oil price forecast for 2024 is USD85 per bbl (+3% YoY), fuelling the global economy in a new interest rate era. The company's new oil asset in Oman (Block 60) and a higher production target from associate Amman Mineral (AMMN) should support earnings growth this year. With MEDC expecting its gas output to decrease by 28mboepd to 100mboepd, an additional 12-13kbpd from Block 60 – amidst an oil price appreciation situation – should play a major role in anchoring its topline. We estimate the company's oil revenue to increase by 65% YoY to USD1.2bn and contribute 44% of its O&G gross topline (FY23: 30%). We follow management's 2024 O&G production guidance of 145mboepd and estimate 2024 total revenue to grow 12% YoY to USD2.2bn (about 52% from cost recoveries in the local O&G revenue segment). Given higher revenue with stable cash costs at c.USD10 per boe, we expect EBITDA to grow 5% YoY in 2024 to USD1.3bn. With AMMN targeting 1m troy oz (toz) in gold (+122% YoY) and 456mlbs in copper (50% YoY) production – and Bloomberg estimating 2024 average gold and copper prices at USD2,292 per toz and USD4.11 per lb – we forecast USD145m in net income from associate AMMN (FY23: USD53m) for MEDC's bottomline. Hence, net income could potentially increase by 12% YoY to USD371.8m.

MDKA's Pani Gold Project, in which it holds a 70% stake, has seen significant development, contributing to a more optimistic outlook for the company. This optimism stems from the progress made in the gold mining venture and ongoing efforts to enhance margins in the nickel segment, encompassing nickel pig iron or NPI and nickel matte. The surge in gold prices – currently around USD2,200 per ounce and up by approximately 10% YoY – aligns with MDKA's recent announcement regarding advancements in the Pani Gold Project. The project anticipates commencing commercial operations in 2026 with an initial annual gold production estimate of around 80,000 ounces. This is projected to increase to approximately 300,000 ounces by 2029 and further to about 490,000 ounces by 2034.

Pakuwon Jati. PWON is among the beneficiaries of higher demand for leisure activities, with more than 70% of its revenue expected from recurring income businesses from FY24 – especially from malls and hotels under its portfolio. We expect PWON to be able to achieve a 3-year earnings CAGR of 14%, mainly supported by recurring income. Its strong balance sheet (it currently has a net cash pile of IDR1trn) provides enough room for the company to make strategic moves in the real estate sector as well as inorganic growth for its malls/hotels businesses.

AMRT should also benefit from the election impact, in our view. Given its full product range, the company should be able to monetise from any increase in products related to the election windfall. These range from digital and tobacco products to out-of-home FMCG goods like snacks, biscuits, and ready-to-eat meals. We note that during the quarter before the previous elections – eg 1Q14 and 1Q19 – AMRT has booked strong net profit growth on a YoY basis. The company has several initiatives in place to improve profitability. These are mainly focused on reviewing logistics costs and employee productivity levels. We remain positive on its plans to explore more opportunities in ex-Java areas. given the lower competition there.

Malaysia: So Far, So Good

So far so good

The benchmark FBM KLCI has tracked 5.6% higher YTD – in line with expectations – albeit from a relatively low base. This made Malaysia the second-best-performing market amongst key ASEAN bourses this year, behind the Philippines. This was helped by positive domestic political developments, net foreign portfolio inflows (adjusted for ANZ's sale of its AMMB stake), encouraging business news flow (including the MoU on the Johor-Singapore Special Economic Zone (JS-SEZ) and an uneventful Dec 2023 reporting quarter that left FY24 earnings estimates intact. This was offset by persistent MYR/USD weakness as markets pared back expectations on the pace of potential interest rate cuts by the US Fed, and the realisation that the pace of fiscal reform is likely to be more pedestrian than initially hoped.

Still optimistic for the remainder of 2024

We reiterate our optimistic outlook for equity markets going forward, as set out in our 2024 strategy report. Most of the bad news is already in the price and we believe corporate earnings have turned a corner. On the macroeconomic front, RHB Economics is positive on global growth prospects and remains bullish on China's macroeconomic recovery story. It also maintains the view that the US monetary policy cycle will start reversing in 2H24, with two rate cuts expected (FFR futures are pricing in three cuts, in line with US Fed guidance). Key news flow to monitor include US economic growth and inflation data, in addition to geopolitical flash points. Sticky inflation suggests a more persistent tighter-for-longer monetary policy environment and a delay in the pivot toward a softer USD. We note that the consensus base case is for the US economy to achieve a soft landing even as the monetary policy cycle crests. Any significant change in this core expectation would prompt a wholesale reassessment of our view of the equity market. Nonetheless, we remain wary of market volatility as political rhetoric escalates in the run-up to the US presidential election in Nov 2024.

Key considerations for equity markets in 2024

Equity markets will continue to take their cue from a combination of external and domestic factors that ultimately have a bearing on the prospects for corporate earnings and investor sentiment as investors refocus on fundamentals.

External factors:

i. **How the global macroeconomic situation evolves.** The US economy has proven to be more resilient, confounding expectations. However, this is a double-edged sword, keeping inflationary pressures up and forcing the US Fed to adopt a hawkish tone. The RHB house view is for a "no-landing" scenario for the US economy, helped by a robust jobs market. RHB Economics expects global growth to remain robust in 2024 with US and China GDP growth forecast at 2.5% and 5%.

ii. **China economic recovery.** Further positive China economic, FX or corporate news flow will lift local investor sentiment on the back of the improved outlook for trade and tourism. RHB Economics is already seeing early signs of China's economic recovery, with the Government in discussions to introduce measures including bank support for eligible firms while contemplating extending unsecured loans to the embattled property sector. Our 5% GDP growth forecast for 2024 remains above consensus.

iii. **US inflation data readings**. RHB Economics believes that risks surrounding the global inflation outlook remain skewed towards the upside, while the US inflation may stay sticky into early next year.

iv. **US monetary policy narrative.** In line with RHB Economics' expectations, the US Fed left the FFR unchanged at the March Federal Open Market Committee (FOMC) meeting. The latest Feb PCE Index rose 2.8% YoY that was within expectations. Recent comments from US Fed officials cements RHB Economics' view that the FOMC is in no rush to cut rates – we observe signs that US FOMC members are gradually shifting towards less than three rate cuts in 2024.

RHB Economics reiterates its call for two cuts in 2H24 in September and December. However, earlier-than-expected rate cuts could materialise if core PCE inflation declines quicker than expected and if the US labour markets weaken sharply.

v. **USD/DXY trends.** We note that the FBM KLCI is positively correlated to the MYR/USD rate. The stronger MYR/USD narrative will evolve in line with US rate cut expectations, progress on the reform agenda and other geopolitical developments.

vi. **Geopolitics.** The Middle East situation remains on a knife's edge and risks are elevated for an escalation of the conflict that could see a spike in oil prices, shipping congestion and higher freight rates. We also expect to see greater market volatility in the run-up to the US presidential election in November.

Domestic factors:

i. **Malaysia's growth momentum to gather pace into 2024.** Economic growth will be underpinned by the revival in the external sector, including manufacturing and exports. The rebound in the global technology cycle and improved regional economic landscape are expected to support the export-oriented segments. Domestic demand would be bolstered by robust consumer and investment spending.

ii. **Corporate Malaysia's earnings.** Corporate earnings have historically displayed a higher degree of fragility. Nonetheless, with much of the negatives already priced in, we think corporate earnings have turned the corner for the most part, which should enable it to be more resilient than in recent years.

iii. **Domestic political stability.** The stability of the ruling unity government is essential to provide a solid framework, within which effective policies can be implemented to facilitate long-term growth and competitiveness. Persistent efforts by the opposition to destabilise the Government will be negative for financial markets, and can impede economic growth if new investments are diverted elsewhere as a result.

iv. **The reform agenda.** Putting in place fiscal reforms to raise revenues and rationalise costs will have critical implications on the state of public finances. However, there is much scepticism on the quantum of political will available to take the hard (unpopular) decisions. The window of opportunity will likely be a narrow one before the spectre of the 16th general election re-emerges on the political horizon, as the reforms will also come at a price, with markets needing time to adapt. Initiatives to reduce subsidies will have implications for inflation and may crimp disposable incomes.

Earnings outlook: Earnings growth profile still intact

Figure 8: Earnings outlook and valuations

	FBM KLCI			RHB BASKET			RHB BASKET (EX-FBM KLCI)		
COMPOSITE INDEX @ 1,540.42	**2023**	**2024F**	**2025F**	**2023**	**2024F**	**2025F**	**2023**	**2024F**	**2025F**
17 Apr 2024									
Revenue Growth (%)	1.6	4.6	4.1	3.5	5.6	4.7	9.1	8.0	6.0
EBITDA Growth (%)	(6.7)	13.7	1.5	(6.5)	13.7	1.8	0.7	11.5	8.0
Normalised Earnings Growth (%)	1.4	11.2	5.5	1.2	11.5	5.7	(3.6)	17.5	10.2
Total PATAMI (MYRm)	56,807	64,285	68,131	75,333	87,652	94,075	18,526	23,367	25,944
Normalised EPS (sen)	57.6	62.9	66.2	48.1	52.7	55.9	23.6	26.6	29.5
Normalised EPS Growth (%)	**0.0**	**9.1**	**5.4**	**(0.7)**	**9.6**	**6.1**	**(4.6)**	**12.8**	**10.9**
Prospective P/E (x)	**17.2**	**15.2**	**14.3**	**18.0**	**15.5**	**14.4**	**20.6**	**16.3**	**14.7**
Normalised EPS (sen) ex-Plantation	57.5	63.0	66.7	47.9	52.9	56.2	24.1	27.6	30.2
Normalised EPS Growth (%) ex-Plantation	4.5	9.5	5.8	3.8	10.3	6.4	(0.2)	14.7	9.3
Prospective P/E (x) ex-Plantation	15.9	14.2	13.3	16.8	14.4	13.5	19.4	15.0	14.0
P/BV (x)	1.5	1.4	1.4	1.4	1.4	1.3	1.2	1.2	1.2
Dividend Yield (%)	3.9	3.9	4.0	3.8	3.7	3.9	3.7	3.2	3.4
ROE (%)	13.2	14.2	14.1	13.0	13.8	14.0	12.6	13.1	13.7

Note: Excludes FBM KLCI stocks not under RHB Research's coverage, ie HLFG, YTLC, RHB Bank, and PPB

Source: RHB

Changes to sector weightings

Figure 9: RHB Basket sector weightings & valuations

Sectors	Mkt Cap	Weight	EPS Growth (%)			P/E (x)			Recommendation
	MYRbn	%	FY23	FY24F	FY25F	FY23	FY24F	FY25F	
Utilities	141.6	10.4	(1.2)	18.4	5.9	20.9	15.0	14.4	Overweight
Oil & Gas	141.3	10.4	(35.4)	25.5	4.2	25.7	16.9	16.2	Overweight
Healthcare	64.5	4.7	(4.7)	21.6	6.7	36.9	30.8	28.6	Overweight
Property	62.5	4.6	24.4	1.1	4.6	18.6	18.0	17.1	Overweight
Construction	33.8	2.5	9.6	7.9	10.7	21.4	17.8	16.0	Overweight
Transport	31.1	2.3	81.9	20.4	11.2	21.4	18.6	17.0	Overweight
Technology	30.2	2.2	(66.7)	57.6	75.3	42.0	30.3	22.4	Overweight
Rubber Products	23.2	1.7	(91.7)	866.9	(58.5)	n.m.	91.5	38.3	Overweight
Banking	338.7	24.8	16.5	5.9	5.2	11.1	10.5	10.0	Neutral
Telecommunications	133.4	9.8	5.2	(1.0)	9.8	23.0	22.6	19.8	Neutral
Consumer	99.5	7.3	15.3	5.0	5.5	22.0	20.5	18.2	Neutral
Plantation	97.2	7.1	(41.6)	(2.1)	2.9	19.2	18.1	17.7	Neutral
Basic Materials	52.5	3.8	(10.1)	45.0	6.9	33.3	23.5	21.6	Neutral
Gaming	35.6	2.6	449.6	45.1	15.1	16.6	11.8	10.2	Neutral
Property-REITs	34.4	2.5	5.2	2.9	4.0	16.6	15.8	15.2	Neutral
Auto	23.9	1.8	4.5	12.3	5.3	13.9	11.6	10.7	Neutral
Non-Bank Financials	18.7	1.4	12.0	2.0	6.6	9.7	9.2	8.5	Neutral
Media	2.1	0.2	(8.1)	2.4	(1.3)	7.3	7.3	7.4	Neutral
RHB BASKET	**1364.1**	**100.0**	**(0.7)**	**9.6**	**6.1**	**17.9**	**15.4**	**14.4**	

Source: RHB

Our three most recent changes to sector weightings were:

Technology was upgraded to OVERWEIGHT (from Neutral):

i. We are in the early phase of a new semiconductor upcycle;

ii. Local test and OSAT players are poised for a recovery in 2H24 and further growth into FY25, while valuation metrics should improve with better growth visibility;

iii. We see opportunities in small-mid cap names;

iv. For non-chipmakers, the robust domestic economy, inbound tourist arrivals, and various digitalisation initiatives will continue to drive demand.

Non-bank financial institutions (NBFI) was downgraded to NEUTRAL (from Overweight).

Basic materials downgraded to NEUTRAL (from Overweight).

Investment themes

We reiterate our optimism on the outlook for equities that is based on the anticipated improvements in the global macroeconomic outlook, the peaking in the monetary tightening cycle and potential reversal, the expected USD easing, reversal of portfolio flows into emerging markets, the nascent China recovery story, ameliorating domestic political risks and anticipated gradual implementation of the fiscal reform agenda. The key investment themes to focus on in 2024 will include:

i. Accumulate on weakness – focus on fundamentally robust stocks with reasonable valuations;

ii. Johor – transitioning into a supercharged growth era;

iii. Penang – Silicon Hub of ASEAN;

iv. Sarawak – the next dynamo of development;

v. A trading market – trading opportunities still abound;

vi. Small-mid cap focus.

Accumulate on weakness – focus on fundamentally robust stocks with reasonable valuations

RHB's benign macroeconomic base case suggests the need to look for attractive entry points to build positions for the medium term. The current hesitant investor sentiment brings opportunities to accumulate stocks with robust fundamentals. If the market drifts lower, this should elicit a stronger bottom-fishing response from investors.

Figure 10: Top BUYs

	FYE	Price (MYR/s) 17 Apr 2024	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY24F	EPS (sen) FY25F	EPS Growth (%) FY24F	EPS Growth (%) FY25F	3 yrs EPS CAGR (%) FY22-FY25F	P/E (x) FY24F	P/E (x) FY25F	P/BV (x) FY25F	P/CF (x) FY25F	DY (%) FY25F
CIMB	Dec	6.53	7.60	NO	69,708	71.3	75.7	9.0	6.2	13.3	9.2	8.6	0.9	n.a.	6.4
YTL Power International	Jun	3.90	4.69	NO	31,635	38.1	34.0	51.7	(10.8)	94.1	10.2	11.5	1.5	8.2	2.6
Gamuda	Jul	5.16	6.30	YES	14,289	34.0	37.9	3.8	11.5	6.7	15.2	13.6	1.2	17.5	2.3
AMMB^	Mar	4.12	5.00	NO	13,624	53.8	56.9	3.2	5.8	2.8	7.7	7.2	0.6	n.a.	5.8
Dialog	Jun	2.36	2.79	YES	13,316	9.0	9.4	10.7	3.9	5.0	26.1	25.1	2.3	28.8	1.6
IOI Properties	Jun	2.15	2.75	NO	11,838	12.8	12.9	(15.4)	1.0	9.4	16.9	16.7	0.5	8.7	2.8
KPJ Healthcare	Dec	1.91	2.12	YES	8,336	6.9	7.7	4.5	11.1	27.6	27.6	24.8	3.1	11.0	2.1
Malayan Cement	Jun	4.81	5.65	YES	6,324	32.0	34.8	153.9	8.9	64.9	15.0	13.8	0.9	13.8	0.0
Malaysia Pacific Industries	Jun	30.82	35.90	YES	6,131	65.4	130.4	70.3	99.4	(4.9)	47.1	23.6	2.9	10.6	1.5
Unisem (M)	Dec	3.59	4.40	YES	5,791	12.0	14.4	140.3	19.8	(2.2)	30.0	25.0	2.3	12.8	2.0
UEM Sunrise	Dec	1.04	1.60	YES	5,261	1.7	1.8	23.1	4.6	7.3	60.1	57.5	0.7	35.2	0.0
Sunway Construction	Dec	2.80	3.34	YES	3,610	15.1	17.0	14.1	13.1	15.1	18.6	16.4	3.7	24.8	3.6
Dayang Enterprise	Dec	2.44	2.95	YES	2,825	19.6	21.4	21.0	9.0	30.3	12.4	11.4	1.4	8.3	1.8
Synergy House	Dec	1.10	1.08	YES	550	7.2	9.1	38.1	26.6	38.3	15.3	12.1	3.5	16.1	2.4
Samaiden Group	Jun	1.32	1.76	YES	549	4.7	7.9	88.3	68.3	37.9	28.2	16.7	3.3	11.2	0.0

Note: ^FY24-25F valuations refer to those of FY25-26F
Source: RHB

Figure 11: High-dividend yield stocks

	Price (MYR/s) 17 Apr 2024	DY (%)		EPS Growth (%)		P/E (x)		P/BV (x)	ROE (x)
		FY24F	FY25F	FY24F	FY25F	FY23F	FY24F	FY24F	FY24F
MBM Resources	4.86	9.9	7.8	(23.2)	(20.5)	5.7	7.4	0.9	11.9
Sentral REIT	0.79	9.1	9.2	2.2	0.6	10.9	10.6	0.7	6.5
Bermaz Auto^	2.42	9.1	9.5	(7.9)	10.1	8.2	8.9	4.6	51.8
Pavilion REIT	1.27	7.3	7.3	8.0	0.4	15.2	14.1	0.9	6.4
Sports Toto^	1.37	7.3	7.7	(21.2)	8.6	8.4	10.6	1.7	15.9
Taliworks Corporation	0.82	7.3	7.3	81.5	16.7	39.4	21.7	2.3	10.7
Ta Ann	4.18	7.2	6.7	38.6	(5.4)	10.7	7.7	1.0	12.8
Malakoff	0.64	7.0	9.0	168.2	29.2	n.m.	11.5	0.7	6.2
Maybank	9.60	6.6	6.9	5.5	4.8	12.4	11.7	1.2	10.3
Astro^	0.31	6.5	6.5	(4.3)	(3.8)	6.0	6.3	0.9	14.8
BIMB	2.49	6.4	6.8	9.0	6.1	10.2	9.4	0.7	8.1
IGB REIT	1.75	6.3	6.6	4.2	6.2	17.4	16.7	1.6	9.3
Alliance Bank^	3.75	6.2	6.7	7.8	8.3	8.7	8.1	0.8	9.9
DXN Holdings^	0.63	6.1	6.9	14.7	13.2	9.4	8.2	2.2	28.5
RCE Capital^	2.67	6.0	6.3	7.0	4.5	13.3	12.4	2.2	18.0

Note: ^FY24-25 valuations refer to those of FY25-26
Source: RHB

Figure 12: Top SELLs

	FYE	Price (MYR/s) 17 Apr 2024	TP (MYR/s)	*Shariah* compliant	Market cap (MYRm)	EPS (sen)		EPS growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
						FY24F	FY25F	FY24F	FY25F	FY22-FY25F	FY24F	FY25F	FY25F	FY25F	FY25F
Affin Bank	Dec	2.46	1.65	NO	5,772	19.8	22.0	13.6	11.5	3.9	12.4	11.2	0.5	n.a.	3.6
RCE Capital^	Mar	2.67	2.40	YES	1,957	21.5	22.4	7.0	4.5	5.8	12.4	11.9	2.1	n.a.	6.3
Sapura Energy^	Jan	0.05	0.02	YES	827	(2.2)	(1.8)	20.3	20.3	23.5	n.m.	n.m.	(0.2)	5.6	0.0
Coastal Contracts	Dec	1.50	1.25	NO	801	16.7	18.8	(72.9)	12.4	(7.6)	9.0	8.0	0.4	11.4	0.0
UEM Edgenta	Dec	0.93	0.84	YES	773	4.0	4.3	4.3	6.0	(14.5)	23.1	21.8	0.5	5.9	2.5
ELK-Desa^	Mar	1.26	1.05	NO	573	9.8	10.5	16.5	6.5	(0.0)	12.8	12.0	1.1	n.a.	5.2
Tan Chong Motor	Dec	0.86	0.74	YES	560	(9.6)	(7.1)	44.0	26.8	8.4	n.m.	n.m.	0.2	6.1	1.2
Chin Well	Jun	1.20	0.94	YES	344	7.3	13.7	(45.4)	89.0	(25.8)	16.5	8.7	0.5	16.3	4.6
Advancecon	Dec	0.28	0.21	NO	158	0.5	0.7	108.2	23.2	(150.2)	51.2	41.6	0.8	2.8	0.5

Note: ^FY24-25 valuations refer to those of FY25-26
Source: RHB

Johor – transitioning into a supercharged growth era

A variety of factors are set to propel Johor's economy into the next stage of growth. Developments regarding the JS-SEZ may continue spurring foreign and domestic direct investments in the areas of industrial parks such as the Sedenak Technology Park which houses large-scale data centre providers. Additionally, the anticipated KL-Singapore High Speed Rail and Johor Bahru Light Rail Transit (LRT) are upcoming projects that may not just catalyse Johor's property market but also keep contractors well-occupied with jobs. Key stock picks for Johor include UEM Sunrise, Sunway, and Sunway Construction.

Figure 13: Johor theme – top BUYs

	FYE	Price (MYR/s) 17 Apr 2024	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen)		EPS Growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
						FY24F	FY25F	FY24F	FY25F	FY22-FY25F	FY24F	FY25F	FY25F	FY25F	FY25F
YTL Power International	Jun	3.90	4.69	NO	31,635	38.1	34.0	51.7	(10.8)	94.1	10.2	11.5	1.5	8.2	2.6
Sunway	Dec	3.35	3.53	YES	18,567	13.9	14.3	1.1	3.2	7.5	24.1	23.4	1.4	26.9	1.8
IOI Properties	Jun	2.15	2.75	NO	11,838	12.8	12.9	(15.4)	1.0	9.4	16.9	16.7	0.5	8.7	2.8
IJM Corporation	Mar	2.40	2.76	YES	8,415	12.1	12.6	6.7	4.4	17.4	19.9	19.0	0.8	10.8	3.2
UEM Sunrise	Dec	1.04	1.60	YES	5,261	1.7	1.8	23.1	4.6	7.3	60.1	57.5	0.7	35.2	0.0
Sunway Construction	Dec	2.80	3.34	YES	3,610	15.1	17.0	14.1	13.1	15.1	18.6	16.4	3.7	24.8	3.6
Eco World	Oct	1.40	1.88*	YES	4,122	6.7	7.7	4.6	14.6	6.2	22.2	19.3	19.3	65.8	4.2
Kimlun Corp	Dec	1.02	1.05*	YES	360	10.5	12.2	231.7	17.1	8.8	9.4	8.0	8.0	8.3	2.7

Note: ^FY24F-25F valuations refer to those of FY25F-26F
*Note 2: *Based on fair value*
Source: RHB

Penang – silicon hub of ASEAN

Investment prospects in Penang are highly promising, driven by a thriving E&E industry, increasing disposable income, substantial infrastructure upgrades, and a growing demand for real estate. Renowned for its strategic location, skilled workforce, and business-friendly environment, Penang continues to attract investors. The recent approval of the LRT promises enhanced connectivity, stimulating further investment, job creation, and driving property and construction sectors. Additionally, Penang's established E&E and manufacturing industries stand to benefit from the US-China trade tensions and heightened investment in technology supply chains. Supported by government incentives, Penang offers ample opportunities for growth across diverse sectors. Notable stock considerations include Gamuda, Malaysian Resources Corp, Eastern & Oriental, Mah Sing, Tambun Indah, Nationgate (NATGATE MK, NR), Inari Amertron, Pentamaster (PENT MK, NR), and TT Vision (TTV MK, NR).

Figure 14: Penang theme – top BUYs

	FYE	Price (MYR/s) 17 Apr 2024	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY24F	EPS (sen) FY25F	EPS Growth (%) FY24F	EPS Growth (%) FY25F	3 yrs EPS CAGR (%) FY22-FY25F	P/E (x) FY24F	P/E (x) FY25F	P/BV (x) FY25F	P/CF (x) FY25F	DY (%) FY25F
Gamuda	Jul	5.16	6.30	YES	14,289	34.0	37.9	3.8	11.5	6.7	15.2	13.6	1.2	17.5	2.3
Inari Amertron	Jun	3.13	3.58	YES	11,764	9.5	13.1	10.5	38.4	8.1	33.0	23.8	4.2	22.9	3.6
IJM Corporation	Mar	2.40	2.76	YES	8,415	12.1	12.6	6.7	4.4	17.4	19.9	19.0	0.8	10.8	3.2
SunCon	Dec	2.80	3.34	YES	3,610	15.1	17.0	14.1	13.1	15.1	18.6	16.4	3.7	24.8	3.6
MRCB	Dec	0.66	0.80	YES	2,949	1.1	1.4	171.6	31.2	10.0	62.3	47.5	0.6	5.9	1.5
Eastern & Oriental	Mar	0.97	1.38	YES	1,939	6.3	8.2	23.2	30.4	(222.7)	15.3	11.8	0.6	8.3	1.9
AME Elite	Mar	1.78	2.05	YES	1,138	14.2	15.7	11.5	10.7	(1.0)	12.6	11.4	1.1	26.4	2.8
Econpile	Jun	0.47	0.71	YES	666	(1.1)	0.7	25.8	163.6	(161.4)	n.m.	67.3	1.8	50.8	0.0
Tambun Indah	Dec	1.05	0.91	YES	461	11.0	11.3	17.7	3.0	(6.8)	9.6	9.3	0.6	7.3	4.8
Nationgate	Dec	1.60	na	YES	3,318	5.9	6.8	100.0	16.2	18.4	27.1	23.5	na	na	0.8
Pentamaster	Dec	4.34	na	YES	3,087	15.5	18.1	22.9	16.1	15.6	28.0	24.0	na	na	0.6
TT Vision	Dec	1.12	na	YES	524	na	na	na	na	na	na	na	na	na	na

Note: ^FY24F-25F valuations refer to those of FY25F-26F
*Note 2: *Based on Fair Value*
Source: RHB

Sarawak – the next dynamo of development

Sarawak aims to reach a GDP of MYR282bn by 2030 vs MYR146bn for 2023, based on the projection by Sarawak's Economic Planning Unit. This is backed by the state's Post COVID-19 Development Strategy 2030. In order to achieve such aspirations, Sarawak is set to accelerate its infrastructure expansion wave in light of higher development expenditure, coupled with business-friendly policies and abundant RE sources that serve as a magnet for foreign investment. Investable ideas related to Sarawak infrastructure boom include KKB Engineering, Ibraco (IBRA MK, NR), Naim Holdings (NHB MK, NR) and IJM Corp.

Figure 15: Sarawak theme – top BUYs

	FYE	Price (MYR/s) 17 Apr 2024	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY24F	EPS (sen) FY25F	EPS Growth (%) FY24F	EPS Growth (%) FY25F	3-yr EPS CAGR (%) FY22-FY25F	P/E (x) FY24F	P/E (x) FY25F	P/BV (x) FY25F	P/CF (x) FY25F	DY (%) FY25F
Gamuda	Jul	5.16	6.30	YES	14,289	34.0	37.9	3.8	11.5	6.7	15.2	13.6	1.2	17.5	2.3
IJM Corporation	Mar	2.40	2.76	YES	8,415	12.1	12.6	6.7	4.4	17.4	19.9	19.0	0.8	10.8	3.2
KKB Engineering	Dec	1.76	2.02	YES	508	11.9	12.6	28.1	6.1	40.3	14.8	14.0	1.1	7.5	3.6
Kimlun Corp	Dec	1.02	1.05*	YES	360	10.5	12.2	231.7	17.1	57.2	31.1	9.4	9.4	8.0	8.3
Ibraco	Dec	0.99	na	YES	538	8.9	11.0	6.0	27.1	9.9	10.7	8.7	na	na	3.7

Note: ^FY24F-25F valuations refer to those of FY25F-26F
Source: RHB

A trading market – trading opportunities still abound

With the market gradually adapting to a more positive paradigm, we see more trading opportunities abound. Also not forgetting the laggards, as investors hunt for value and opportunity, rotational plays will seek out laggard stocks for upside.

Figure 16: Best trading ideas (Not Rated)

	FYE	Price (MYR/s) 17 Apr 2024	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY24F	EPS (sen) FY25F	EPS Growth (%) FY24F	EPS Growth (%) FY25F	3 yrs EPS CAGR (%) FY22-FY25F	P/E (x) FY24F	P/E (x) FY25F	P/BV (x) FY25F	P/CF (x) FY25F	DY (%) FY25F
Infoline Tec	Dec	0.79	1.12*	NO	287.0	7.0	9.0	33.7	29.5	20.1	11.7	9.0	9.0	13.9	2.6
SDS Group	Mar	0.78	1.01*	YES	317.5	7.8	8.6	10.7	9.6	6.7	9.9	9.0	9.0	6.5	3.0
Avaland	Dec	0.33	0.40*	YES	473.5	4.2	5.3	41.4	26.7	21.4	8.2	6.5	6.5	(12.2)	0.0
Eco World	Oct	1.41	1.88*	YES	4151.6	6.7	7.7	4.6	14.6	6.2	20.8	18.2	18.2	65.8	4.4
AWC	Jun	0.93	1.06*	YES	305.5	9.3	10.9	57.8	16.9	22.6	9.9	8.5	8.5	7.3	2.2
REDtone Digital	Jun	0.93	1.28*	YES	718.8	7.8	9.1	20.4	16.9	12.1	12.0	10.3	10.3	6.8	2.9
Kia Lim	Dec	0.71	1.05*	YES	44.0	10.5	11.6	86.5	10.0	27.1	7.3	6.6	6.6	5.0	0.0
Inta Bina	Dec	0.40	0.54*	YES	213.7	5.5	6.0	28.0	9.9	46.3	7.0	6.4	6.4	12.6	3.6

Note: ^FY24F-25F valuations refer to those of FY25F-26F
*Note 2: *Based on Fair Value*
Source: RHB

Small-mid cap outlook – poised for a higher high?

A turbo-charged 1Q24 saw the FBM 70 (+11.1%) maintain its robust momentum, surpassing the FBM KLCI (5.6%). This was fuelled by vigorous trading activities (value traded: +32%) and the impressive performance of property, construction, and technology-related stocks. Concurrently, the FBM SC (+5.8%) kept pace with the FBM KLCI, benefiting from strong interest returns in banks and power-related counters.

Overall, investor sentiment got a significant boost amidst slowing inflation and a resilient domestic economy, despite the weakening USD. Encouraging flows from local institutions and foreign funds further supported the market rally, while certain corporate exercises, value-unlocking strategies, and thematic plays also contributed to market movements.

Narrower valuation spread. Thanks and no thanks to the strong run-ups in the small-mid cap space over the past six months, small- to mid-cap stocks are presently trading on par with the FBM KLCI, albeit at higher growth expectations of 12.7% vs 9.1% for FBM KLCI – this is based on our stock coverage universe.

Hence, further upside to the small-mid caps will be more of a bottom-up stock-specific catalyst instead of a continued rally across the board. Nonetheless, the FBM SC is currently trading at a discount (-2x) to the FBM KLCI, falling below its 10-year historical median valuation spread, further emphasising the potential for alpha returns in this sector. Conversely, the FBM 70 trades at a premium (+4x) to the FBM KLCI, reflecting its strong performance over the past year and remaining above historical median levels.

Numerous selective opportunities persist. Building on a strong year and 1Q24, both the FBM 70 and FBM SC are poised to capitalise on the positive momentum as we enter into 2Q24 – bolstered by a promising outlook on economic and corporate earnings growth. However, volatility may ensue as we approach 2Q – which is typical of a less-robust global market season, compounded by the unveiling of 1Q24 results and "sell in May and go away" phenomenon.

Despite small-mid cap valuations no longer being considered cheap at 14-15x, they remain attractive for their growth potential, particularly in thematic trends. While the small-mid cap space is often preferred for its higher growth prospects and for stocks that are in the right thematic trend, balancing exposure between value and growth stocks is paramount in the current dynamic landscape.

Key risks:

i. Persistent high interest rate environment;
ii. Susceptible to higher input costs;
iii. Slump in consumer demand;
iv. Earnings disappointment;
v. Liquidity issues, which may compound fund outflows;
vi. Unfavourable FX movement;
vii. Higher ESG-related risks for smaller-cap companies.

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Figure 17: Small-mid cap Top Picks

	Price	TP	*Shariah* compliant	Mkt cap	EPS (sen)		EPS Growth (%)		P/E (x)		P/BV (x)	P/CF (x)	DY (%)	Rec
	(MYR/s) 17 Apr 2024	(MYR/s)		(MYRm)	FY24F	FY25F	FY24F	FY25F	FY24F	FY25F	FY25F	FY25F	FY25F	
MPI^	30.82	35.90	YES	6,131	65.4	130.4	70.3	99.4	47.1	23.6	2.9	10.6	1.5	Buy
Unisem^	3.59	4.40	YES	5,791	12.0	14.4	140.3	19.8	30.0	25.0	2.3	12.8	2.0	Buy
UEM Sunrise	1.04	1.60	YES	5,261	1.7	1.8	23.1	4.6	60.1	57.5	0.7	35.2	0.0	Buy
Guan Chong	2.49	2.70	YES	2,925	18.0	24.4	94.5	35.8	13.8	10.2	1.4	4.0	2.5	Buy
Dayang Enterprise	2.44	2.95	YES	2,825	19.6	21.4	21.0	9.0	12.4	11.4	1.4	8.3	1.8	Buy
Kerjaya Prospek Group	1.76	2.15	YES	2,219	12.9	14.0	24.6	8.6	13.7	12.6	1.8	16.5	4.6	Buy
Eastern & Oriental	0.97	1.38	YES	1,939	6.3	8.2	23.2	30.4	15.3	11.8	0.6	8.3	1.9	Buy
Kotra Industries	4.70	5.40	YES	697	41.7	43.5	(4.1)	4.2	11.3	10.8	2.1	9.2	4.6	Buy
TASCO^	0.82	1.19	YES	656	10.4	11.5	26.6	10.1	7.9	7.1	0.8	4.5	3.0	Buy
Focus Point	0.71	1.02	YES	328	7.7	8.7	17.4	14.1	9.3	8.1	2.1	3.7	6.2	Buy
AWC	0.94	1.06*	YES	309	9.3	10.9	57.8	16.9	9.9	8.5	8.5	6.9	2.2	NR
Inta Bina	0.39	0.54*	YES	208	5.5	6.0	28.0	9.9	7.0	6.4	6.4	11.4	3.9	NR

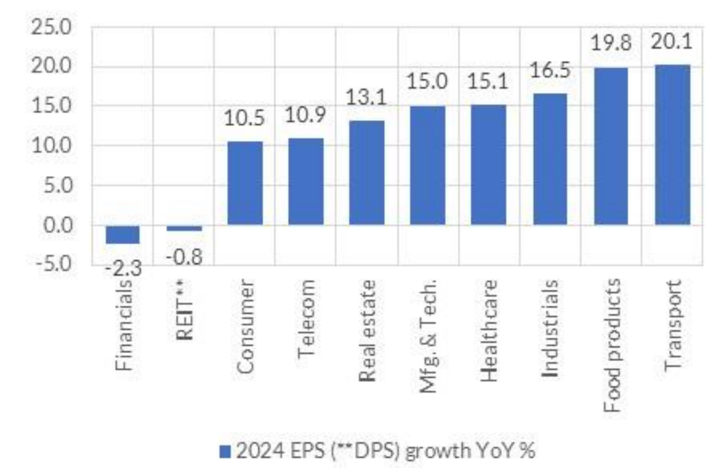
Note: ^FY24-25 valuations refer to those of FY25-26
*Note 2: *Based on fair value*
Source: RHB

Singapore: Focus On Yields And Stock-Picking

2024 is not the year of earnings growth; investors to remain focused on yields

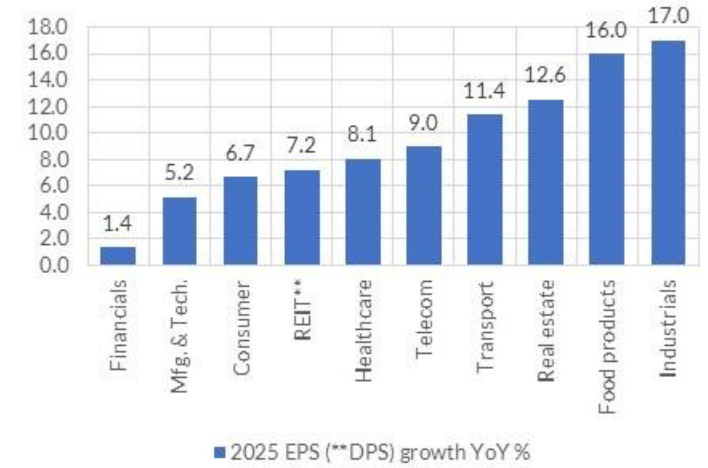
For our coverage universe, excluding the REIT sector, we forecast 3.2% YoY market cap-weighted YoY EPS growth in 2024, which has been dragged only by the banking sector (-2.8% YoY market cap-weighted YoY growth). Market cap-weighted YoY EPS growth for 2025, excluding the REIT sector, stands at 4.4%. With the exception of the banking sector, we expect all others to deliver EPS growth in 2024. We also anticipate the banking sector's EPS growth to turn positive in 2025.

Figure 18: 2024F market cap-weighted sector EPS growth for RHB's coverage universe



*Note: Data as of 17 Apr 2024. **The data for the REITs sector represents DPS growth.*
Source: RHB

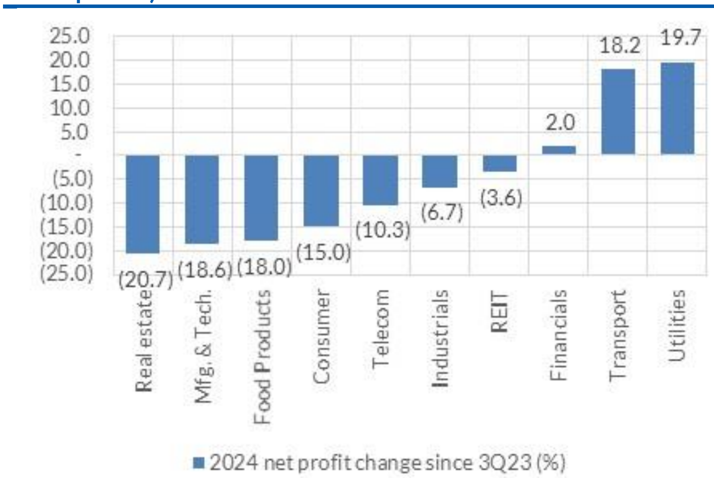
Figure 19: 2025F market cap-weighted sector EPS growth for RHB's coverage universe



*Note: Data as of 17 Apr 2024. **The data for the REITs sector represents DPS growth.*
Source: RHB

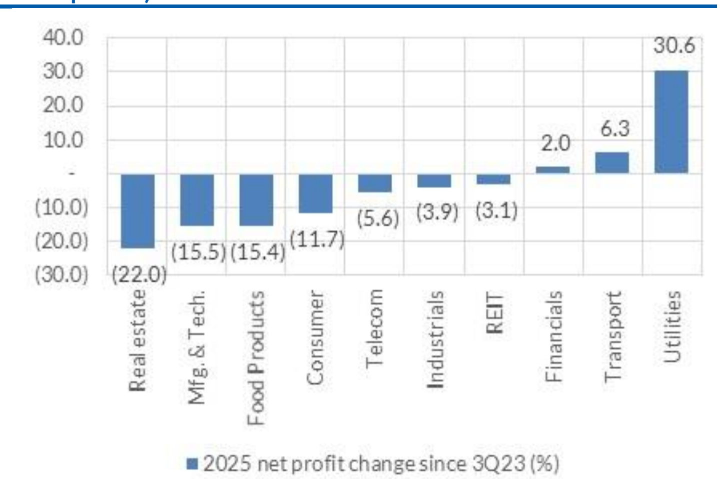
Impacted by the flattish-to-mildly negative earnings growth expectations for the three banks, the consensus has turned bearish on the Singapore equity market's 2024 earnings growth as compared to the metric for 2023. Nevertheless, despite the downgrade in EPS growth estimates, the Street has continued to upgrade 2024 net profit estimates for the following sectors: Utilities, transport, and financials. Upgrades to the 2025 net profit estimates are largely for the same sectors.

Figure 20: 2024 consensus YTD net profit estimate change (%) by sector, based on market constituents (difference measured from 30 Sep 2023)



Note: Data as of 11 Apr 2024
Source: Bloomberg, RHB

Figure 21: 2025 consensus YTD net profit estimate change (%) by sector, based on market constituents (difference measured from 30 Sep 2023)



Note: Data as of 11 Apr 2024
Source: Bloomberg, RHB

Singapore: Investment themes

Risks of higher inflation and (possible) delays in rate cuts will keep banks in play

Amidst ongoing global uncertainties, persistent inflationary pressures are expected to continue in 1H24. This will be driven by domestic factors, including a tight labour market leading to higher wages, and demand-driven price effects. Escalating commodity prices, particularly energy and food prices – due to *El Nino* conditions and geopolitical tensions – remain significant concerns.

For Singapore, the RHB EMS team expects core inflation to average at 3.4% in 1Q24 and potentially accelerate to 3.5% in 2Q24, given the uptick in import prices. The team's proprietary indicators show that global inflation signals are flashing red. Given Singapore's reliance on imports, the country is vulnerable to imported inflation pressures. Therefore, domestic inflation will be influenced by both external and internal factors, suggesting that sticky inflation will persist into 2Q24.

Movements in Singapore's interest rates tend to mirror those of the US' rates. Our house view is that the current FFR will peak at 5.25–5.50%, notwithstanding the likelihood of policymakers reducing FFR levels by 50bps (two cuts) by 2H24. However, the elevated inflation level has changed the consensus view around the timing and magnitude of FFR cuts this year. Compared to the start of the year, the Street is now expecting a lower number of FFR cuts and possibly only in 2H24. In its latest report, the RHB EMS team has downgraded its view for the FFR to see only one cut in 2H24, with the balance of risks observably magnified towards no cuts in 2024.

This has led investors to remain interested in banking sector stocks. We expect the investor interest in banking stocks to continue until we have clarity on: i) Moderation in inflation, and ii) the timing and magnitude of FFR cuts. All three banks in Singapore have delivered positive YTD returns.

For Singapore banks, while we expect the sector's bottomline growth to stall in 2024, we see upside risks to earnings from better-than-expected NIM if US rates stay higher for longer and credit costs are lower than estimated. DBS remains our preferred pick within the sector.

Figure 22: Singapore – valuation comparison (I) for banks

	M Cap			Upside/ downside	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
DBS Group	64,246	Buy	38.30	6.5	Dec-24	8.8	8.7	1.3	1.2	6.6	7.4	na	na	15.2	14.6
OCBC Bank	43,448	Neutral	13.90	2.4	Dec-24	8.4	8.3	1.0	1.0	6.3	6.3	na	na	12.4	11.8
United Overseas Bank	34,950	Neutral	29.00	-2.1	Dec-24	7.8	7.7	1.0	0.9	6.3	6.5	na	na	12.3	12.0

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Figure 23: Singapore – valuation comparison (II) and returns for banks

	M Cap			Upside/ downside	1FY	EPS growth (%)		DPS growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	1FY	1FY	2FY	1FY	2FY	1M	YTD
DBS Group	64,246	Buy	38.30	6.5	Dec-24	-5.0	1.5	15.7	10.8	na	na	na	na	3.7	7.7
OCBC Bank	43,448	Neutral	13.90	2.4	Dec-24	-1.5	1.1	0.0	0.0	na	na	na	na	1.9	4.4
United Overseas Bank	34,950	Neutral	29.00	-2.1	Dec-24	-0.1	0.7	3.3	2.9	na	na	na	na	2.4	4.1

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Non-REIT high dividend yield exposure

The Singapore market is expected to record moderate earnings growth in 2024, owing primarily to the three banks' flattish earnings projections. However, the market provides a strong dividend yield of 5.5% and a very stable currency. We believe the high yields, which are partially driven by banks, are sustainable. As the REIT sector yield is approximately 6%, based on the stocks we cover, we screened our coverage universe to hunt for high-yield options outside of the REIT world based on the following criteria:

i. The stock has a dividend yield of at least 5.5%;

ii. RHB's stock rating is a BUY or, at worst, NEUTRAL.

Among the large-cap counters, we see three banks and Singtel offering high yields. In the small and mid-cap space, we think htat APAC Realty, Bumitama Agri, Centurion Corp, HRnetGroup, Kimly and StarHub offer high dividend yields.

Figure 24: Singapore – valuation comparison (I) for non-REIT yield plays

	M Cap			Upside/ downside	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
APAC Realty	119	Neutral	0.44	-0.4	Dec-24	13.4	13.1	1.0	1.0	5.9	6.0	10.0	10.6	7.5	7.5
Bumitama Agri	844	Buy	0.70	-4.8	Dec-24	6.8	6.7	0.9	0.9	7.0	7.3	10.5	12.6	14.1	13.3
Centurion Corp	275	Buy	0.64	42.8	Dec-24	5.0	4.8	0.4	0.4	5.7	6.8	26.5	27.5	8.6	8.6
DBS Group	64,246	Buy	38.30	6.5	Dec-24	8.8	8.7	1.3	1.2	6.6	7.4	na	na	15.2	14.6
HRnetGroup	519	Buy	0.84	18.1	Dec-24	11.6	11.0	1.8	1.6	5.7	5.2	7.8	9.3	15.5	15.4
Kimly	286	Buy	0.38	22.2	Sep-24	9.9	9.2	1.9	1.8	6.1	6.5	11.9	13.0	20.7	20.1
OCBC Bank	43,448	Neutral	13.90	2.4	Dec-24	8.4	8.3	1.0	1.0	6.3	6.3	na	na	12.4	11.8
Singtel	28,689	Buy	3.15	35.8	Mar-24	17.0	15.2	1.4	1.4	6.7	6.6	11.7	12.6	8.4	9.1
StarHub	1,453	Neutral	1.18	0.0	Dec-24	12.4	10.2	3.2	3.1	6.2	7.9	37.8	40.0	27.1	31.0
United Overseas Bank	34,950	Neutral	29.00	-2.1	Dec-24	7.8	7.7	1.0	0.9	6.3	6.5	na	na	12.3	12.0

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Figure 25: Singapore – valuation comparison (II) and returns for non-REIT yield plays

	M Cap			Upside/ downside	1FY	EPS growth (%)		DPS growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Company name	(USDm)	Rating	TP	(%)	year	1FY	2FY	1FY	1FY	1FY	2FY	1FY	2FY	1M	YTD
APAC Realty	119	Neutral	0.44	-0.4	Dec-24	1.5	2.1	6.0	2.0	2.0	2.0	0.0	0.0	-1.1	-12.9
Bumitama Agri	844	Buy	0.70	-4.8	Dec-24	-19.2	1.0	-19.9	4.6	13.4	13.0	0.1	0.1	13.1	21.5
Centurion Corp	275	Buy	0.64	42.8	Dec-24	6.1	5.5	66.7	20.0	32.7	32.9	0.6	0.5	5.9	11.1
DBS Group	64,246	Buy	38.30	6.5	Dec-24	-5.0	1.5	15.7	10.8	na	na	na	na	3.7	7.7
HRnetGroup	519	Buy	0.84	18.1	Dec-24	8.0	5.4	7.0	-8.6	9.9	9.9	-0.7	-0.7	-0.7	-0.7
Kimly	286	Buy	0.38	22.2	Sep-24	13.2	7.6	12.1	7.4	11.7	11.8	-0.3	-0.4	0.0	-3.1
OCBC Bank	43,448	Neutral	13.90	2.4	Dec-24	-1.5	1.1	0.0	0.0	na	na	na	na	1.9	4.4
Singtel	28,689	Buy	3.15	35.8	Mar-24	6.8	11.8	2.0	-1.3	14.8	16.2	0.4	0.4	-6.5	-6.1
StarHub	1,453	Neutral	1.18	0.0	Dec-24	6.5	21.7	4.5	28.6	6.5	7.5	1.0	0.8	1.7	6.3
United Overseas Bank	34,950	Neutral	29.00	-2.1	Dec-24	-0.1	0.7	3.3	2.9	na	na	na	na	2.4	4.1

Note: Prices are as at 17 April 2024
Source: Bloomberg, RHB

Maintain our positive stance on exposure to REITs

S-REITs have lagged the overall market. We see the current share price downturn as an opportunity, as we expect S-REITs to outperform eventually – aided by stronger economic growth and an interest rate cut (base case assumption). Sector news flow is likely to improve gradually in 2024, both operationally and on the balance sheet.

In our opinion, the US Fed's rate cuts and messaging regarding quantum and timing will remain the key subjects and drivers of the sector's performance in 2024. While we still expect one FFR cut in 2H24, we believe Singapore's GDP growth will be significantly better, at 2.5%, which is more than double that of 2023. In such market conditions, we expect cyclical recovery plays – namely, office and hospitality – to be important benefactors and outperform.

Amid the ongoing high volatility in interest rates, we believe investors should take a slightly more watchful approach and gradually add on to high quality, large-cap S-REITs on weakness, in order to benefit from the upside as the interest rate stabilises in the medium term.

With the exception of the retail sub-sector, we are overweight on all REIT sub-sectors. Across all REIT sub-sectors, we hold CapitaLand Ascendas REIT, Keppel REIT, AIMS APAC REIT, and CDL Hospitality Trusts as our Top Picks.

Figure 26: Singapore – valuation comparison (I) for preferred REITs

	M Cap			Upside/ downside (%)	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	(USDm)	Rating	TP		year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
AIMS APAC REIT	765	Buy	1.48	19.1	Mar-24	10.4	9.6	0.9	1.0	7.6	7.7	7.0	6.8	9.3	9.9
CapitaLand Ascendas	9,009	Buy	3.20	23.1	Dec-24	26.7	19.3	1.2	1.2	5.5	5.7	8.4	7.7	4.2	5.9
CDL Hospitality	890	Buy	1.20	28.0	Dec-24	27.3	52.1	0.6	0.7	6.3	6.6	8.8	8.8	2.4	1.3
CICT	9,397	Buy	2.20	19.2	Dec-24	15.9	15.6	0.9	0.9	5.7	5.9	10.2	8.6	5.5	5.7
Cromwell REIT	876	Buy	2.10	46.9	Dec-24	9.2	8.5	0.7	0.7	10.9	11.1	8.6	9.8	7.4	8.0
ESR-LOGOS REIT	1,773	Buy	0.38	31.0	Dec-24	28.3	12.0	1.0	1.0	8.3	8.6	10.0	9.4	2.9	7.5
Keppel Pacific Oak	145	Buy	0.29	105.8	Dec-24	6.1	2.8	0.2	0.2	na	na	15.5	21.2	3.2	6.8
Keppel REIT	2,431	Buy	1.08	25.7	Dec-24	13.3	12.8	0.6	0.6	6.8	7.1	na	4.2	4.9	5.1
Starhill Global REIT	797	Buy	0.58	22.4	Jun-24	7.5	10.6	0.6	0.6	7.8	8.1	6.9	11.1	8.6	5.9

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Figure 27: Singapore – valuation comparison (II) and returns for preferred REITs

	M Cap			Upside/ downside (%)	1FY	EPS growth (%)		DPS growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Company name	(USDm)	Rating	TP		year	1FY	2FY	1FY	1FY	1FY	2FY	1FY	2FY	1M	YTD
AIMS APAC REIT	765	Buy	1.48	19.1	Mar-24	-23.3	8.5	-3.6	0.2	55.3	61.0	0.6	0.6	-0.8	-4.6
CapitaLand Ascendas	9,009	Buy	3.20	23.1	Dec-24	91.6	38.6	0.8	3.2	29.8	41.3	0.7	0.7	-2.3	-14.2
CDL Hospitality	890	Buy	1.20	28.0	Dec-24	-65.0	-47.5	7.3	3.8	16.0	8.3	0.7	0.7	-5.1	-15.3
CICT	9,397	Buy	2.20	19.2	Dec-24	-9.0	2.4	0.5	3.0	51.4	51.7	0.7	0.7	-3.6	-10.2
Cromwell REIT	876	Buy	2.10	46.9	Dec-24	na	9.0	-0.1	1.8	40.0	42.1	0.7	0.8	9.2	0.7
ESR-LOGOS REIT	1,773	Buy	0.38	31.0	Dec-24	2276.3	135.8	0.5	3.4	23.1	53.5	0.6	0.7	-1.7	-9.4
Keppel Pacific Oak	145	Buy	0.29	105.8	Dec-24	na	121.3	-100.0	na	16.3	34.9	0.7	0.7	10.3	-62.9
Keppel REIT	2,431	Buy	1.08	25.7	Dec-24	16.8	4.4	1.1	3.9	101.0	96.5	0.5	0.5	0.6	-7.5
Starhill Global REIT	797	Buy	0.58	22.4	Jun-24	325.1	-29.5	-1.9	3.0	75.0	52.4	0.6	0.6	-1.0	-9.5

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Stick with quality companies offering defensive earnings

While we are approaching initial FFR cuts and the market believes that the US Fed will be able to engineer a soft landing as it transitions from raising interest rates to gradually cutting interest rates, history shows that there is still a risk of sharp economic weakness whenever the US Fed pivots its interest rate policy. To better hedge against such an uncertain macroeconomic environment in terms of interest rates and economic growth, we believe investors should continue to balance their portfolios by holding companies with relatively resilient profitability. We place a high value on investing in companies with proven dividend or profit histories.

Figure 28: Singapore – valuation comparison (I) for resilient earnings

	M Cap			Upside/ downside (%)	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	(USDm)	Rating	TP		year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
Sheng Siong	1,742	Buy	1.96	29.5	Dec-24	16.3	15.8	4.3	4.0	4.3	4.4	6.4	7.1	27.7	26.4
ST Engineering	9,205	Buy	4.50	16.0	Dec-24	17.4	14.8	4.7	4.1	4.0	4.0	5.3	8.3	27.8	29.5

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Figure 29: Singapore – valuation comparison (II) and returns for resilient earnings

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1FY	Net debt/Equity (x) 2FY	Returns (%) 1M	Returns (%) YTD
Sheng Siong	1,742	Buy	1.96	29.5	Dec-24	7.0	3.6	7.2	3.0	10.2	10.3	-0.7	-0.8	0.0	-5.6
ST Engineering	9,205	Buy	4.50	16.0	Dec-24	16.5	17.7	-0.8	0.0	6.6	7.2	2.1	1.8	-1.5	-0.3

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Return of tourists remains a theme in Singapore and ASEAN

We think the strong rebound in tourist numbers that began in 2023 will continue, with both international visitor arrivals and tourism receipts increasing in 2024F. The Singapore Tourism Board (STB) expects visitor arrivals to reach 15-16m, generating roughly SGD26-27.5bn in tourism receipts in 2024. This is an increase from 2023 levels, when Singapore had 13.6m tourists and tourism receipts were anticipated to be between SGD24.5bn and SGD26bn. If the 2024 estimates are met, tourist expenditure will approach the pre-pandemic high of SGD27.7bn observed in 2019, although visitor numbers will still fall short of the 19.1m recorded that year. We forecast tourist arrivals to reach 85-95% of pre-COVID-19 levels in 2024 – this amounts to 16-18m, exceeding the STB's official estimate of 15-16m.

Singapore appears to have a robust event pipeline, with Taylor Swift and Coldplay concerts, as well as the Singapore Airshow already completed in 1Q24. The STB has announced planned hotel openings and unique experiences at the two integrated resorts. It also announced that leisure and meetings, incentives, conferences & exhibitions (MICE) events such as the Anime Festival Asia 2024, 2024 Formula 1 Grand Prix, Rotary International Convention, and Singapore Food Festival will take place throughout the remainder of 2024.

Singapore and China began their mutual 30-day visa-free arrangement on 9 Feb, and the former has already experienced a significant return of Chinese tourists. According to STB data, more than 327,000 persons landed in Singapore from China in February, accounting for c.96% of the total for 2019. The number is anticipated to increase in the coming months, with scheduled departure seats in the first quarter already at 101% of 2019 levels.

Chinese tourists are also likely to spend more, despite a slowing economy and low consumer mood at home. In addition to aviation-related sectors, this should benefit service industries such as retail, F&B, healthcare, land transportation, and telecommunications.

Figure 30: Singapore – valuation comparison (I) for travel and tourism-related plays

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Div Yield (%) 1FY	Div Yield (%) 2FY	FCF Yield (%) 1FY	FCF Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY
CDL Hospitality	890	Buy	1.20	28.0	Dec-24	27.3	52.1	0.6	0.7	6.3	6.6	8.8	8.8	2.4	1.3
ComfortDelGro	2,204	Buy	1.65	13.8	Dec-24	13.7	12.3	1.1	1.1	5.5	6.1	13.2	8.3	8.3	9.0
DFI Retail Group	2,450	Buy	2.80	54.9	Dec-24	11.3	9.8	2.2	2.0	5.0	6.1	28.0	31.4	20.9	21.6
Singtel	28,689	Buy	3.15	35.8	Mar-24	17.0	15.2	1.4	1.4	6.7	6.6	11.7	12.6	8.4	9.1
ST Engineering	9,205	Buy	4.50	16.0	Dec-24	17.4	14.8	4.7	4.1	4.0	4.0	5.3	8.3	27.8	29.5
Thai Beverage	9,520	Buy	0.76	59.7	Sep-24	12.1	11.5	1.6	1.5	4.3	4.5	8.4	8.9	13.7	13.4

Note: Prices are as at 17 April 2024
Source: Bloomberg, RHB

Figure 31: Singapore – valuation comparison (II) and returns for travel and tourism-related plays

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS growth (%) 1FY	EPS growth (%) 2FY	DPS growth (%) 1FY	DPS growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1FY	Net debt/Equity (x) 2FY	Returns (%) 1M	Returns (%) YTD
CDL Hospitality	890	Buy	1.20	28.0	Dec-24	-65.0	-47.5	7.3	3.8	16.0	8.3	0.7	0.7	-5.1	-15.3
ComfortDelGro	2,204	Buy	1.65	13.8	Dec-24	20.1	11.4	12.6	11.4	5.5	6.0	-0.3	-0.3	4.3	3.6
DFI Retail Group	2,450	Buy	2.80	54.9	Dec-24	39.4	15.5	12.5	22.2	2.3	2.6	0.6	0.5	-17.0	-24.6
Singtel	28,689	Buy	3.15	35.8	Mar-24	6.8	11.8	2.0	-1.3	14.8	16.2	0.4	0.4	-6.5	-6.1
ST Engineering	9,205	Buy	4.50	16.0	Dec-24	16.5	17.7	-0.8	0.0	6.6	7.2	2.1	1.8	-1.5	-0.3
Thai Beverage	9,520	Buy	0.76	59.7	Sep-24	3.7	4.7	-1.9	4.7	9.9	10.1	0.7	0.6	-5.0	-9.5

Note: Prices are as at 17 April 2024
Source: Bloomberg, RHB

Bottom-up opportunities in the small-cap space

Within our coverage universe, in the sub-USD1bn market-cap range, we prefer exposure to Centurion Corp, Food Empire, Marco Polo Marine, and Riverstone. All four stocks have strong earnings tailwinds and have delivered strong YTD returns.

Centurion Corp: A global owner and manager of worker and student accommodation. Investment thesis: i) Near-term bed rates are positive for the company, as Singapore's worker dormitory bed supply remains tight; ii) expecting growth ahead, driven by better capacity, occupancy, and rental rates; iii) expecting more dormitory project wins, with at least seven new purpose-built dormitories (totalling 47,000 beds) planned for completion over the next five years; and iv) it currently trades at -1.5SD from its historical P/E mean of 8x.

Food Empire: F&B manufacturing and distribution company with a strong presence in Russia and Commonwealth of Independent States (CIS) countries, and growing presence in ASEAN. Investment thesis: i) Growth driven by key markets in Russia, Ukraine, Kazakhstan, CIS countries, and ASEAN; ii) it does not see a significant decline in demand for food products in Russia despite the recent political developments, as food products continue to be well distributed; iii) it expects to ramp up marketing and brand investment in Russia and Ukraine, Kazakhstan, CIS countries, and Vietnamp; and iv) the stock is trading below its historical 9x P/E mean, at -0.5 SD.

Marco Polo Marine (MPM): A ship chartering, ship building, conversion, repair and maintenance service provider. It has built a commissioning service operation vessel (CSOV), which is used to build offshore windfarms. Investment thesis: i) Shortage of Tier-1 CSOVs, which are used to build offshore windfarms, in Asia (c.10 operating in Europe and another c.30 on order), which is positive for MPM; ii) MPM is in a sweet spot to deploy and operate its first CSOV in FY24F – we expect rates and utilisation to be attractive, once deployed - thereby driving earnings growth; iii) minimal risks to windfarm charter demand despite offshore wind projects with high development costs discontinuing, as other cost-effective projects remain ongoing; and iv) the stock is trading at c.9x FY24F P/E.

Riverstone (RSTON): A nitrile glove manufacturer specialising in the production of cleanroom and healthcare gloves, fingercots, face masks, and packaging bags. Investment thesis: i) Prime beneficiary of the recovery in global semiconductor sales, which in turn should drive its cleanroom glove sales in 2024; ii) a shift towards high-specialty healthcare gloves (which command higher margins) and inventory de-stocking approaching its tail-end should propel the healthcare glove division; ii) RSTON is the sole rubber glove manufacturer that is still posting double-digit core profit margins while continuing its consistent dividend payouts.

Figure 32: Singapore – valuation comparison (I) for preferred small and mid-cap exposure

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Div Yield (%) 1FY	Div Yield (%) 2FY	FCF Yield (%) 1FY	FCF Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY
Centurion Corp	275	Buy	0.64	42.8	Dec-24	5.0	4.8	0.4	0.4	5.7	6.8	26.5	27.5	8.6	8.6
Food Empire	561	Buy	1.75	32.3	Dec-24	9.1	8.6	1.8	1.6	3.1	3.3	9.8	10.4	20.0	19.2
Marco Polo Marine	153	Buy	0.08	13.4	Sep-24	8.8	7.6	1.1	1.0	1.8	1.8	3.1	14.1	13.3	13.6
Riverstone	798	Buy	0.93	16.1	Dec-24	14.0	13.0	2.1	1.9	3.6	3.9	4.1	6.3	15.5	15.5

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Figure 33: Singapore – valuation comparison (II) and returns for preferred small and mid-cap exposure

Company name	M Cap (USDm)	Rating	TP	Upside/ downside (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1FY	Net debt/Equity (x) 2FY	Returns (%) 1M	Returns (%) YTD
Centurion Corp	275	Buy	0.64	42.8	Dec-24	6.1	5.5	66.7	20.0	32.7	32.9	0.6	0.5	5.9	11.1
Food Empire	561	Buy	1.75	32.3	Dec-24	8.0	6.2	-40.2	6.2	13.6	13.6	-0.3	-0.4	-5.0	16.8
Marco Polo Marine	153	Buy	0.08	13.4	Sep-24	9.3	14.9	0.0	0.0	17.0	17.9	-0.3	-0.4	29.1	39.2
Riverstone	798	Buy	0.93	16.1	Dec-24	23.4	8.2	-67.3	8.2	23.3	24.0	-0.5	-0.5	19.3	14.2

Note: Prices are as at 17 Apr 2024
Source: Bloomberg, RHB

Thailand: Investors Should Still Accumulate

Continue to accumulate. Since Oct 2023, the SET index has been trading within a narrow range of +/-82pts, with significantly low liquidity and fund outflows. This can be attributed to investors' concerns over the new government's economic policies and uncertainties over external factors such as: i) Worsening geopolitical issues; ii) higher commodity prices and inflation; and iii) spiking interest rates. However, we see potential for improvement in fiscal and monetary policy actions. We expect the SET's P/E and fundamentals in 2H24 to be stronger than that of 1H24.

End-2024 SET target at 1,549pts. A comparison of the SET's historical P/E averages over five, seven, 10 and 15 years indicates that the Thai equity market's valuation – now at -1SD from the mean – could be at 16.5x P/E in 2024F and 15.5xF P/E in 2025F, ie the lowest on record. At end-2023, the SET closed at 18.56x P/E, despite chalking a 4% YoY decrease in EPS. We anticipate an EPS growth rate of 9.4% YoY for this year. With 18.56x P/E, we project an end-2024 target of 1,549pts for the SET.

Investment themes

Thai policy rate cuts are likely be extended. RHB economists expect the US Fed to cut the benchmark interest rate twice – by 25bps each time – in 2H24. This may happen in September, then December. This may also lead the FFR to close the year at 4.75-5.0% (currently 5.25-5.50%). We expect the Bank of Thailand (BoT) to follow suit by trimming interest rates in 4Q24.

Fiscal spending a key driver of economic growth. The fiscal budget, which typically accounts for about 18% of GDP, is disbursed at a rate of >95% each year, compared to the current disbursement rate of only 55%. As such, we expect the Government to urgently expedite the budgetary process. This is particularly important, as the pace of public spending and economic growth tends to pick up in certain periods of the year, eg we expect the economic growth momentum to be stronger in 2H24 vs 1H24.

Recovery in consumption. Consumers are more confident now, due to the stability of the new government and supportive public measures taken to: a) Boost tourism (eg waiving visas for tourists from China, India and other countries, while encouraging domestic tourism); and b) decrease the burden of higher living costs (eg subsidies for agricultural products). The recent economic stimulus related to property tax incentives and the digital wallet scheme should also boost consumer confidence further

What are the rising stars? Over the next 12 months, we are upbeat on tourism, healthcare, foreign direct investment, and EV ecosystem operators. The growth in demand experienced by these sectors is still increasing.

Our country Top Picks are listed below.

Company Name	Rating	Target (THB)	% Upside (Downside)	P/E (x) Dec-24F	P/B (x) Dec-24F	ROAE (%) Dec-24F	Yield (%) Dec-24F
Airports of Thailand	Buy	80.00	22.1	38.1	6.6	18.9	1.6
Bangkok Dusit Medical Services	Buy	37.00	33.3	27.3	4.8	18.5	2.2
Berli Jucker	Buy	37.50	52.4	17.7	0.8	4.6	3.4
CH Karnchang	Buy	24.50	7.0	21.7	1.6	7.4	2.1
Minor International	Buy	42.50	33.9	22.4	3.8	18.4	1.8
PTT	Buy	44.00	26.6	8.7	0.9	10.2	5.5
SCBX	Buy	126.00	18.9	7.9	0.7	9.3	9.9
Siam Global House	Buy	19.00	17.3	28.3	3.3	12.0	1.5
Supalai	Buy	24.70	18.8	5.2	0.7	14.7	7.6
Thai Union Group	Buy	17.50	21.5	12.4	1.0	8.3	4.0

Source: Company data, RHB

Key risks

i. **Geopolitical risk has yet to be toned down.** Gold and oil prices are on the rise, propelled by geopolitical tensions, central bank purchases, and concerns over inflation. The price of Brent crude oil surpassed the USD90 per barrel threshold due to the escalating conflict between Israel, Iran, and Hamas.

ii. **Inflationary pressures to come back?** Our economists' views on inflation will elevate due to food, oil, and metal prices. Our proprietary indicators for food inflation continue to suggest higher prices, at least for the next six months. We are already observing higher food prices in the US and ASEAN economies. Price hikes for staples such as rice and palm oil are accelerating, and higher prices are a real possibility due to the ongoing *El Nino* weather conditions.

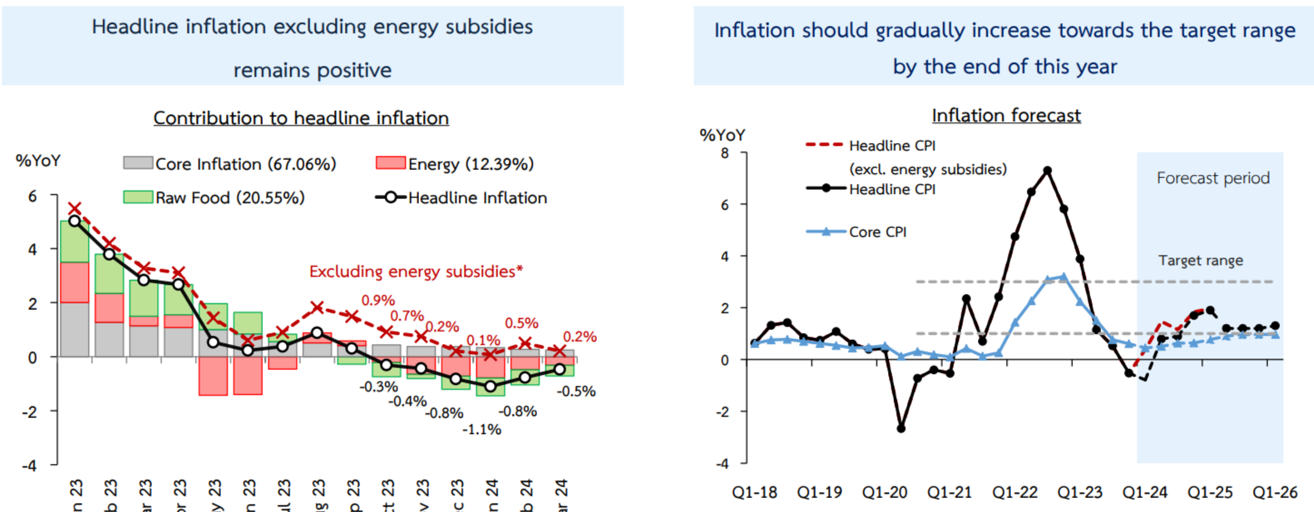
Separately, the OPEC-plus-led crude oil export ban will likely be extended into 2Q24, lifting Brent crude to USD85-90 per barrel in the same period. Lastly, we are seeing a solid uptick in base metal prices, a phenomenon likely explained by:

i. The ongoing recovery of China and its manufacturing sector

ii. The uptick in global economic performance on the back of trade.

We do not see any rapid reprieve to the current inflation momentum, and prices will likely stay elevated into 2Q24. We expect that ending the retail price of diesel fuel and utility subsidies concurrent with a new wage rate hike of an average of 2.37% could raise inflation in 2H24.

Figure 34: Local inflation remains subdued as a result of supply pressures and energy subsidies



%YoY	2023	2024F	2025F
Core CPI	1.3	0.6	0.9
Headline CPI	1.2	*0.6*	*1.3*
- Excluding energy subsidies		*1.2*	

Note: ( ) indicates weight in the CPI basket, base year = 2019. *Energy subsidies include diesel and benzene price subsidies by Oil Fuel Funds, excise tax reduction, and electricity subsidies, estimated by assuming that these subsidies were in place during the previous year
Source: Ministry of Commerce, BOT calculations.

Source: Ministry of Commerce, BoT (data as at 11 Apr 2024)

Corporate bond rollover risk? The likelihood of bond defaults in 2Q24 is relatively low, with the total default value projected at less than 1% of the total outstanding market value, according to the Thai Bond Market Association (ThaiBMA). The trend of postponing bond payments started following the pandemic, driven by higher interest rates over the past three years. However, systemic risk is not a big problem as most postponements are in the high-yield bond group, with only a few cases of fraud or window dressing. Roughly THB690bn (USD19.2bn) in bonds are due this year, including more than THB250bn (USD6.9bn) in 2Q24. Most companies are expected to roll over their debts in April, particularly large players with investment credit-rated bonds.

Corporate bond rollover risk is considered minimal, but it could affect a bank's NPL. The long-term corporate bonds are set to be redeemed in 10M24 with a total value of THB771bn (USD21.4bn).

Of this amount, 94%, or THB721bn (USD20bn), are investment-grade bonds with ratings above BBB, which have a low probability of default. However, 6% of the total redemption amount are on non-rated investment-grade bonds. Although this amount is insignificant, these bonds may fail to be redeemed or rolled over, dampening the banks' NPL and investment sentiment.

Figure 35: Monthly bonds redemption in 2024 – 6% of bonds are not of investment grade

Summary	Outstanding Value (THBm)	Credit rating	Non-rating	Rated	Non-rated
March	78,191	75,791	2,399	97%	3%
April	110,959	104,009	6,950	94%	6%
May	63,287	59,417	3,871	94%	6%
June	77,387	70,755	6,632	91%	9%
July	65,735	57,371	8,364	87%	13%
August	94,925	88,925	5,999	94%	6%
September	69,317	66,723	2,594	96%	4%
October	86,815	82,967	3,849	96%	4%
November	95,027	89,917	5,110	95%	5%
December	29,347	25,045	4,302	85%	15%
2024	**770,990**	**720,921**	**50,070**	94%	6%

Source: Thai BMA, RHB

Investment Themes

Theme 1: Policy rate cuts to be extended

Thai policy rate cuts will likely happen in 4Q24. RHB economists expect the US Fed to pare down the benchmark interest rate in 2H24, with the first cut to occur in September and the second in December, by 25bps each. This would bring the FFR to a year-end range of 4.75-5.0% from 5.25-5.50% currently. We think that the BoT will likely follow suit in 4Q24. Therefore, Thai banks' NIM for 1H24 should remain at favourable high levels, despite starting to drop QoQ (after peaking in 4Q23) due to the ongoing impact of deposit repricing. We expect NIM to contract after the first policy rate cut in 4Q24. Our sensitivity analysis indicates that a 25bps reduction in policy rates would decrease the bank's NIM by an average of 5bps, resulting in a 2-3% impact on its bottomline in 2024.

What does the Street say? At the time of writing, the consensus is expecting two policy rate cuts in mid-2024 to 2% by the end of 2024, from 2.50% currently. We prefer banks over the financial services sector in our investment outlook for 1H24.

Banks' asset quality remains intact. Given the recent debt rollover risk, we believe that Thai banks are well-positioned to manage asset quality challenges, including the debt troubles associated with Italian-Thai Development (ITD TB, NR). Among the large commercial banks, Bangkok Bank (BBL) has the highest reserve cushion (LLC ratio of 315% as of FY23).

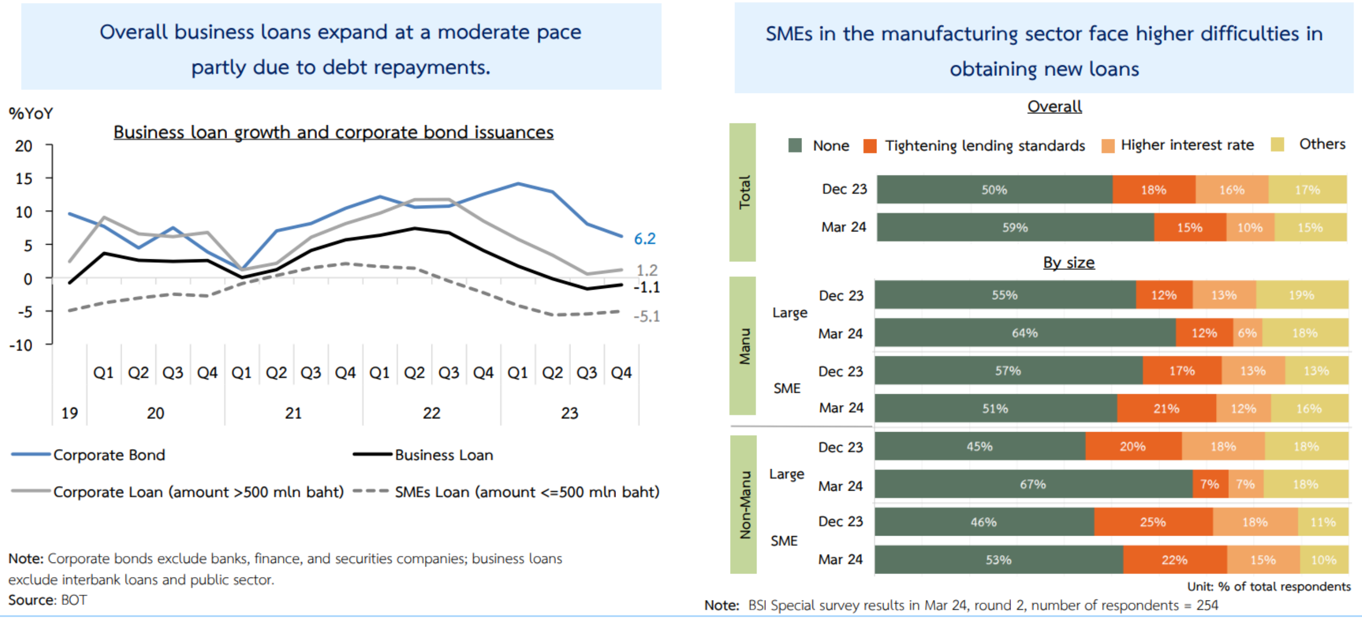
According to the local press, the leading creditors in the ITD case – Bangkok Bank (which loaned it THB8bn), SCBX (THB6bn), Kasikornbank (KBANK TB, NR; THB6bn), and Krung Thai Bank (KTB TB, NR; THB4bn) – have taken proactive steps to manage their asset quality and provisions.

Bangkok Bank has already allocated enough funds for the ITD case, if additional provisions are required, such as a possible new credit line. If this is realised, the bank has a considerable management overlay cushion (probably more than 30% of the total allowance) to handle such a scenario and other uncertainties.

Do note that these banks are currently providing new loans to support ITD's activities. Moreover, the Government's budget disbursement process will expedite new infrastructure project bidding from mid-April onwards, which should help improve ITD's financial position.

Top Picks: Bangkok Bank (BBL TB, BUY, TP: THB164) and SCBX (SCB TB, BUY, TP: THB126).

Figure 36: Moderate loan growth but tighter lending requirements ahead for SMEs



Source: BoT (data as at 11 Apr 2024)

Theme 2: Fiscal spending to be expedited from May onwards

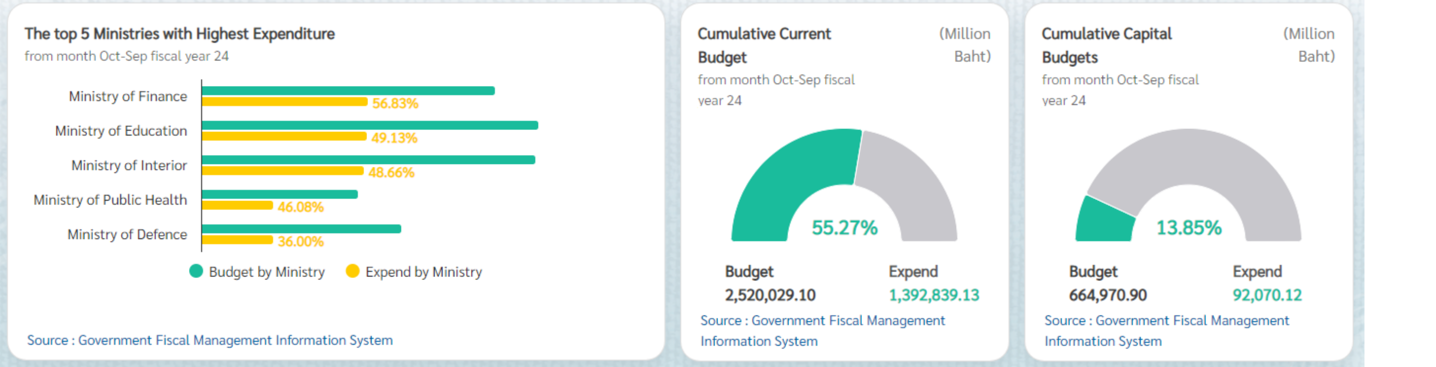
The Government is urgently trying to expedite the budgetary process. Fiscal spending for the year (the Government's FY24 ends in October) was delayed due to the transition to a new government last year. As such, public funds have only been disbursed at a rate of 55.27% (Oct 2023 to Apr 2024), out of the total budget of THB3.185trn (USD88.47bn). This sluggish disbursement rate has significantly hampered economic growth in the last nine months, as fiscal expenditure usually contributes to approximately 18% of GDP, and over 95% of the total funds are disbursed each year. Currently, there is still around THB1.7trn of fiscal expenditure that needs to be disbursed before the end of September, which is only five months away. Therefore, it is absolutely crucial for the Government to accelerate its disbursement process. It is expected that transportation infrastructure projects such as roads, rails, and expressways will be the most prepared for this acceleration.

The pace of economic growth is expected to be stronger than that of 1H24. After a 6-month delay, the Government's proposed FY25 budget amounting to THB3.48bn (USD97bn, c. 20% of GDP) was finally approved by the Parliament on 22 Mar, followed by the Senate on 25 Mar. The Government is expected to start disbursements in May. With limited time left for fiscal 2024 expenditure (deadline: 30 Sep), we expect the pace of disbursements to speed up. For every THB100bn invested in government projects, real GDP increases by 0.28% and the inflation rate expands by 0.11%, according to the Fiscal Policy Office. Government spending and consumption should pick up strongly from 2Q24 onwards, and the economic growth momentum will be stronger than that of 1H24.

To increase FY25 budget to THB3.752bn (USD104.2bn, c. 21% of GDP). The Government has increased the expenditure amount in the draft fiscal 2025 budget by THB865.7bn, resulting in a total expenditure budget of THB3.752bn for the next fiscal year. The Budget Bureau is scheduled to hold a public hearing on the new draft over 24-30 Apr, and will publish the final version for the Cabinet's consideration by 14 May. The first reading in Parliament is expected to occur in late May or early June.

Top Picks: CH Karnchang (CK TB, BUY, TP: THB24.50), Bangkok Expressway & Metro (BEM TB. BUY, TP: THB10.77), Siam Global House (GLOBAL TB, BUY, TP: THB19).

Figure 37: Government expenditure and budget appropriations (about only half of the budgeted amount has been spent)



Source: Ministry of Finance

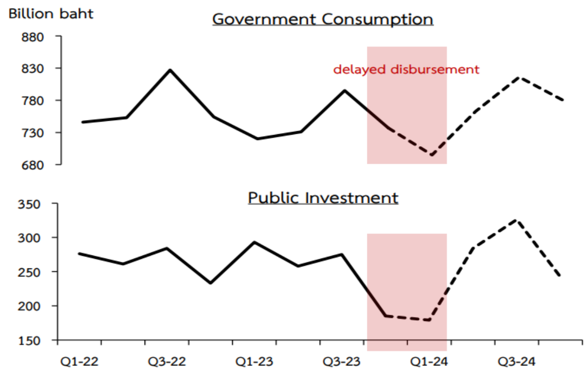
Figure 38: Budget appropriations classified by the Ministry of Finance for fiscal year 2022 to Apr 2024

Allocation	FY2024	Disburesement	Rate	FY2023	Disbursement	Rate	FY2022	Disbursement	Rate
Total (THB m)	**3,185,000**	**1,484,909**	**46.6%**	**3,185,000**	**3,088,425**	**97%**	**3,100,000**	**2,932,563**	**95%**
Current Budget	2,520,029	1,392,839	55.3%	2,520,329	2,610,236	104%	2,491,840	2,516,573	101%
Ministry of Defence	150,764	65,718	44%	150,764	143,978	95%	150,408	143,728	96%
Ministry of Finance	278,026	159,182	57%	278,026	278,304	100%	265,851	265,941	100%
Ministry of Foreign Affairs	7,199	3,753	52%	7,199	7,344	102%	7,102	6,762	95%
Ministry of Tourism and Sports	4,118	1,863	45%	4,118	3,994	97%	4,029	3,845	95%
Ministry of Social Development and Human Security	22,995	12,314	54%	22,995	22,974	100%	23,182	23,118	100%
Ministry of Higher Education, Science, Research and Innovation	94,234	55,119	58%	94,234	94,109	100%	93,096	92,282	99%
Ministry of Agriculture and Cooperatives	34,756	15,934	46%	34,756	36,048	104%	34,095	35,187	103%
Ministry of Transport and Communications	11,566	5,660	49%	11,566	12,491	108%	11,564	12,221	106%
Ministry of Digital Economy and Society	3,324	1,385	42%	3,324	3,132	94%	4,192	3,770	90%
Ministry of Natural Resources and Environment	16,412.00	7,815	48%	16,412	16,407	100%	15,708	15,783	100%
Ministry of Energy	1,988	647	33%	1,988	1,919	97%	2,016	1,859	92%
Ministry of Commerce	5,520	2,639	48%	5,520	5,392	98%	5,279	5,066	96%
Ministry of Interior	244,209	151,681	62%	244,209	246,041	101%	239,559	239,593	100%
Ministry of Justice	21,135	10,538	50%	21,135	21,570	102%	21,226	21,426	101%
Ministry of Labour	54,058	34,525	64%	54,058	54,162	100%	49,354	49,519	100%
Ministry of Culture	4,835	2,238	46%	4,835	4,877	101%	4,812	4,805	100%
Ministry of Education	311,519	160,503	52%	311,519	322,465	104%	315,598	319,413	101%
Ministry of Public Health	135,934	69,535	51%	135,936	142,374	105%	136,873	144,113	105%
Ministry of Industry	3,509	1,645	47%	3,509	3,466	99%	3,500	3,467	99%
Funds and Circulating Investments	183,132	130,997	72%	183,132	183,132	100%	188,277	188,277	100%
Central Fund	532,230	286,073	54%	532,530	611,690	115%	531,509	552,402	104%
Capital Budgets	**664,971**	**92,070**	**13.8%**	**664,671**	**478,189**	**72%**	**608,160**	**415,990**	**68%**
GDP	**18,291,366**			**17,827,842**			**17,378,015**		
Budget/GDP	**17%**			**18%**			**18%**		

Source: Royal Thai Government Fiscal Management Information System (data as at 7 Apr 2024)

Figure 39: Public spending will accelerate from 2Q24 onwards

Public consumption and investment forecast (Nominal level)



%YoY	Q3-23	Q4-23	Q1-24F	Q2-24F	Q3-24F	Q4-24F
Public Investment (Real term)	-3.4	-20.1	-39.6	9.3	17.7	29.3

Public spending forecast

Public spending (Real term) %YoY	2023	2024F	2025F
Government consumption	-4.6	1.8	3.3
Public investment	-4.6	1.0	5.0

Source: NESDC, BOT calculations.

Source: The Office of the National Economic and Social Development Council (NESDC), BoT

Theme 3: Recovery in consumption

Digital wallet incentive to proceed and be implemented in 4Q24

The Government has announced that it will implement the THB10K digital handout scheme in 4Q24, which is expected to cost around THB500bn (USD13.9bn). Eligible Thai citizens will receive THB10,000 in digital money, which they can spend at local businesses. To qualify for the scheme, recipients must be at least 16 years old and have a monthly income of less than THB70,000 and bank deposits under THB500,000.

The scheme's funding will come from three different sources:

i. The FY24 budget, with an amount of THB175bn;

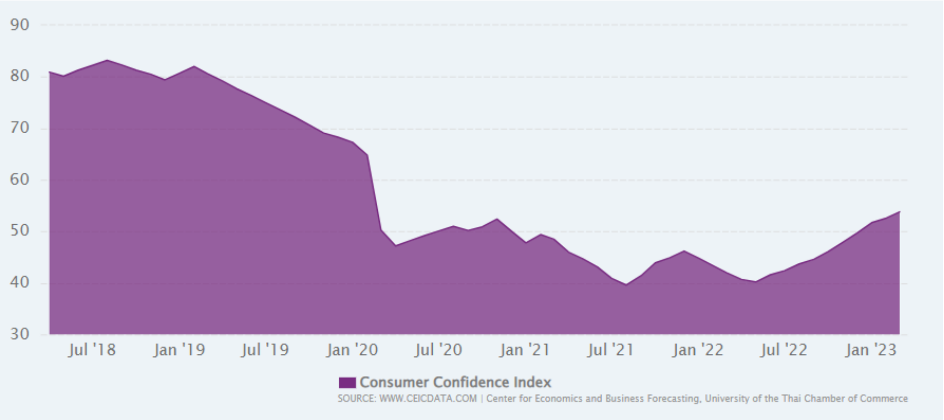
ii. The FY25 budget, with an amount of THB152.7bn;

iii. To acquire an advance budget allotted from the Bank for Agriculture and Agricultural Cooperatives, a state-owned agency. This advance budget would total THB172.3bn. Note that the Government will not provide direct lending.

Authorities expect the scheme to generate 1.2-1.8% of GDP. In our view, it will positively affect stable and discretionary retailers and F&B companies in the consumer sector, as the first ripple effect should be felt from 4Q24 onwards.

Consumer confidence is improving. The Consumer Confidence Index rose in February and hit a 48-month high (ie spanning a period that encompasses the COVID-19 pandemic). According to the University of the Thai Chamber of Commerce (UTCC), the Consumer Confidence Index has trended upwards for the 17th straight month, reaching 63.8 in February from 62.9 in January. The index reading is expected to improve significantly if the Government can implement its planned policies in 1H24. However, the pace of recovery is still lower than that of the pre-COVID period (ie in 2019), which means there are opportunities for robust growth, underpinned by the country's new economic stimulus policies. Consumer confidence has indeed strengthened, due to the smooth transition to a new government and specific support measures for tourism eg cutting living costs, agriculture price subsidies, and waiving visas for China, India and other foreign visitors to encourage inbound travel.

Figure 40: Thailand's Consumer Confidence Index has picked up, but remains below pre-pandemic levels



Source: CEIC, University of the Thai Chamber of Commerce (UTCC)

Top Picks (factoring the implementation of the digital wallet by the Government):

i. Thai Union (TU TB, BUY, TP: THB17.50). 1Q24 earnings should recover YoY and QoQ from the write-off and its share of net losses from Red Lobster in 4Q23;

ii. Minor International (MINT, BUY, TP: THB42.50). Set to turn around in 1Q24, as its numbers should improve due to the high season for travel in Europe. Hotels account for 55% of its topline, and FY24F earnings could grow by 16% YoY;

iii. Central Pattana (CPN TB, BUY, TP: THB85);

iv. Berli Jucker (BJC TB, BUY, TP: THB37.50);

v. Osotspa (OSP TB, BUY, TP: THB28.75).

Theme 4: Selective BUYs for the 6M-12M investment horizon

Tourism, healthcare, foreign direct investments (FDI) and EV remain the key areas.

Tourism. In 2Q24, we expect Thailand to welcome 8m international visitors (+24% YoY) due to the ongoing recovery in tourism. Note that this figure would also point to a seasonal decline of 15% QoQ. Our estimate of 35m total foreign visitors in 2024 (88% of the total recorded in 2019) may be achievable – generating THB1.9trn in receipts, with 6m Chinese tourists in 2024 accounting for 17% of total arrivals. Key supports are as follows:

i. The China-Thailand permanent visa-free policy which came into effect in Mar 2024;

ii. Recovery in tourist numbers to pre-COVID-19 outbreak levels – ie from the EU and the Middle East;

iii. The Thai Government is taking further measures to boost tourism.

Hotels' revenue per available room (RevPar) may stay above 2019 levels, driven by higher occupancy rates – despite a more negligible growth in the average daily rate or ADR. Suvarnabhumi Airport's new Satellite Terminal currently has 16 airlines operating flights with an average of 100 flights per day (its total capacity is 400 flights a day), and the terminal's utilisation would increase further.

Top Picks: Minor International as it is entering a high earnings season over 2Q24-3Q24F and Airports of Thailand (AOT TB, BUY, TP: THB84).

Figure 41: Monthly tourist arrivals (2019 vs 2022-2024)

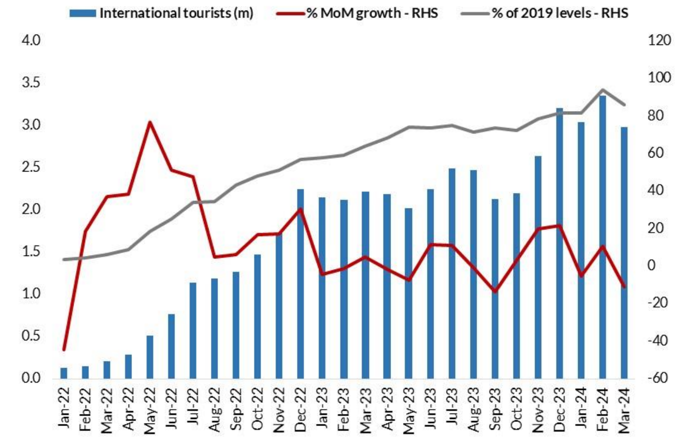
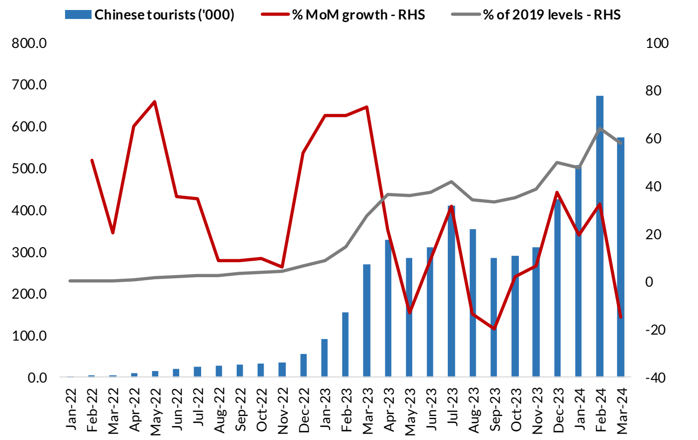


Figure 42: China tourist arrivals by month



Source: Tourism Authority of Thailand, RHB

Healthcare. The increasing need for treatments for complicated diseases and specialised, high-quality services may help keep the EBITDA margins of large hospitals high. However, the unique benefits of the Social Security Organisation or SSO programme, such as the 10.2% increase in fixed capitation payments to affiliated hospitals since May 2023 and the further healthcare privilege enhancement programme – a game-changer for medium-sized hospitals like Bangkok Chain Hospital – may lead to significant growth and profitability.

From 2Q24 onwards, patients flying in from China should benefit from the permanent visa-free arrangement between the two countries. Furthermore, patients from Muslim-majority countries, particularly from the Middle East, are expected to return after *Ramadan* in mid-April. As a result, the sector's 2Q24 earnings should grow YoY on higher revenues and wider GPMs. However, the numbers may be sluggish QoQ due to the low season and Songkran holidays. Nevertheless, we remain optimistic about the earnings growth momentum in 2H24 – particularly in 3Q.

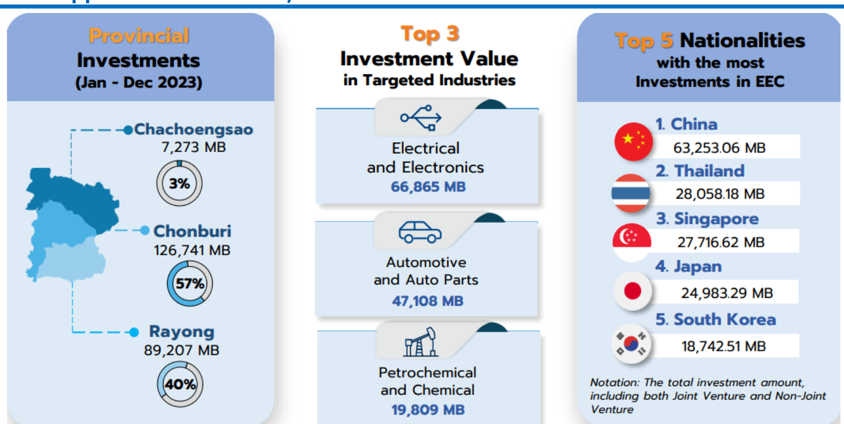
Top Pick: Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB37).

FDI in the Eastern Economic Corridor (EEC) to continue strengthening. In 2023, there were 812 investment projects that were promoted, marking a 38% YoY increase. These projects accounted for 35.2% of total projects nationwide, fetching THB378bn (or USD10.5bn, +25% YoY) in investment value. These projects also accounted for 45% of total investment value nationwide. China accounted for the biggest portion of investments in the EEC. The E&E sector was most popular industry for FDI, followed by automotive, auto parts, petrochemicals, and chemicals.

Under Review: WHA Corp (WHA TB) and Amata Corp (AMATA TB).

Figure 43: Investment promotions (cumulative value of applications received)

Targeted Area Q1/2024	Number of Projects		Investment Value (Million Baht)	
	Jan - Dec 2022	Jan - Dec 2023	Jan - Dec 2022	Jan - Dec 2023
Thailand	**1,981**	**2,307**	**591,549**	**848,318**
EEC	588	812	304,599	379,766
(%YoY)		38.10%		24.68%
Rayong	226	284	239,070	146,047
(%YoY)		25.66%		-38.91%
Chonburi	288	439	56,288	204,682
(%YoY)		52.43%		263.63%
Chachoengsao	74	89	239,070	146,047
(%YoY)		20.27%		-38.91%
% Share of EEC compared to the whole country	**29.68%**	**35.20%**	**51.49%**	**44.77%**

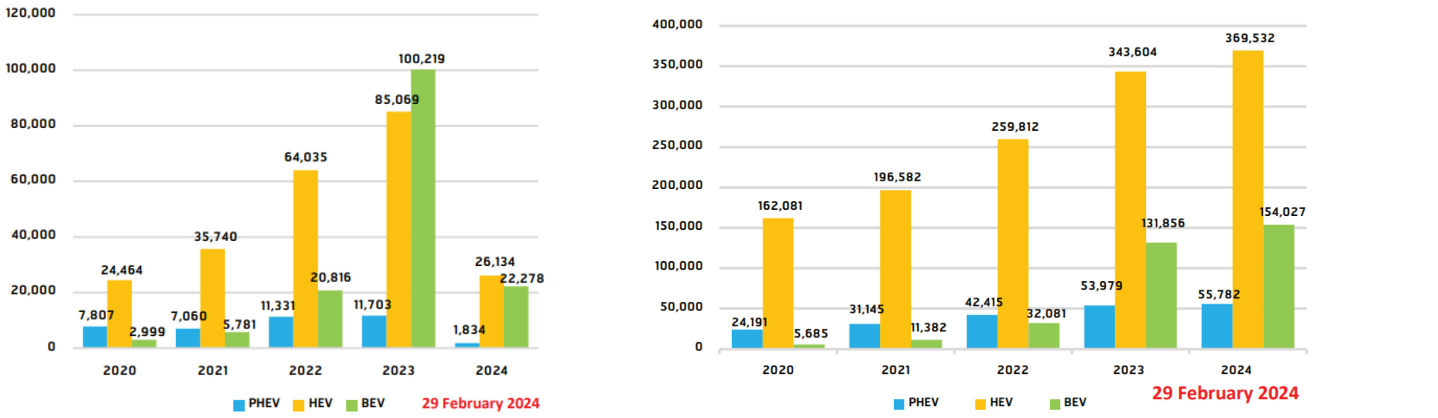


Source: EEC

Recent developments in the EV field. Commercial EV maker Nex Point (NEX) is taking clean fuel one step further by signing a memorandum of understanding with two Japanese firms – Toyota Group's trading arm Toyota Tsusho and automotive components manufacturer Denso – to develop hydrogen fuel cell EV (FCEV) trucks and analyse the feasibility of commercial utilisation in Thailand. If successful, the project will be expanded into a large fleet to enhance the potential of the hydrogen fuel supply chain infrastructure in the country and reduce the transport sector's impact on the environment. Using hydrogen for commercial vehicles can boost its longest distance of travel to 1,000km, vs 300km from EV batteries alone. There is currently only one hydrogen station operated by the state oil & gas company PTT, and it is in Chonburi.

Top pick: PTT (PTT TB, BUY, TP: THB44).

Figure 44: Number of new registrations of EV cars over 2020-2024 (LHS); total EV registrations over 2020-2024 (RHS)



Source: Department of land Transport, EV Association of Thailand (data as of Feb 2024)

Residential property measures. Recently, the Government introduced measures to boost national property sales to THB800bn this year, which would imply +1.58% YoY in GDP growth. One measure is to expand the criteria of the Government's incentive to reduce the property transfer fee from 2% to 1% and mortgage fee from 1% to 0.01% to cover property units priced up to THB7m apiece. The measure only applies to properties priced at not over THB3m a unit. The adjustment would help boost sales in the property sector and help developers unload units priced at THB3-7m in their inventory, which is equivalent to 86% of unsold properties in the market.

Top Picks:

i. Home Product Center (HMPRO TB, BUY, TP: THB16.90);

ii. Supalai (SPALI TB, BUY, TP: THB26.40; dividend yield: 6.6%).

RHB Guide to Investment Ratings

Buy:	Share price may exceed 10% over the next 12 months
Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
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