

Regional Morning Cuppa

Top Stories

Malaysia

[Auto & Autoparts : Revving Towards a Positive Outlook; OVERWEIGHT](#)

Consumer Cyclical | Auto & Autoparts

Sector recommendation – OVERWEIGHT

Upgrade sector to OVERWEIGHT; Top Pick: DRB-HICOM. Now is the right time for investors to re-look at the sector, with the view that the replacement cycle and economic recovery will help lift industry sales in 2021. Interest on the sector is likely to continue improving, in tandem with the macroeconomic picture and any positive news on vaccine development should further boost sentiment. For the shorter term, sector 3Q20 earnings are expected to grow YoY and QoQ, driven by the pick-up in sales volume. Analyst: Muhammad Afif Bin Zulkaply (muhammad.afif.zulkaply@rhbgroup.com)

Indonesia

[Bank Mandiri : Keeping The Momentum; Maintain BUY](#)

Financial Services | Banks

BUY, IDR5,775, TP: IDR7,100 (+23%)

Market Cap: USD18,396m

Avg Daily Turnover (IDR/USD): 273,435m/18.6m

Bloomberg Ticker: BMRI IJ

Maintain BUY, with new TP of IDR7,100 from IDR7,000, 23% upside and c.5% yield. 3Q20 net profit was IDR3.7trn (+57.1% QoQ, -44% YoY), bringing 9M20 earnings to IDR14trn (-30% YoY) – above our and consensus FY20F at 84% and 82%. PPOP rose to IDR12trn (+16.4% QoQ, +1.2% YoY). Provisions were the main driver of Bank Mandiri's earnings surprise this quarter and are likely to improve in the coming quarters.

Analysts: Andre Benas (christopher.benas@rhbgroup.com), Ghibran Al Imran (ghibran.imran@rhbgroup.com)

Other Stories

Indonesia

Bank Central Asia (BUY) - BBKA IJ

[Bank Central Asia : Stellar 3Q20 Performance; Keep BUY](#)

Astra International (BUY) - ASII IJ

[Astra International : Auto Earnings = Positive, Above Expectations; BUY](#)

United Tractors (BUY) - UNTR IJ

[United Tractors : 3Q20 Below Forecasts, Operations Remain Sound](#)

Malaysia

IGB REIT (BUY) - IGBREIT MK

[IGB REIT : Brief Rebound? Maintain BUY](#)

Singapore

ARA Logos Logistics Trust (BUY) - ALLT SP

[ARA Logos Logistics Trust: Growing Its Australian Presence; Keep BUY](#)

Economic Research

Singapore

Pharmaceuticals Lead Record IPI Growth

Economics View

- Singapore's manufacturing output growth accelerated to +24.2% YoY in September from +15.4% YoY. Excluding biomedical manufacturing, output grew at a slower pace of +8.5% YoY (August: +16.4% YoY).
- Growth was mainly driven by a rise in output production from the biomedical and electronics clusters. The Purchasing Manager's Index for manufacturing and new orders expanded, indicating improvements in manufacturer sentiment.
- For now, we maintain our -10% YoY manufacturing forecast for 2020 as risks of resurgence in infections and new lockdowns remain imminent.

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Today's Report: [Pharmaceuticals Lead Record IPI Growth \(26 Oct 2020\)](#)

Previous Report: [Headline Inflation Ticks Upwards \(26 Oct 2020\)](#)

Top BUYs

Stocks	TP	Upside	Catalysts
		(%)	
Telkom Indonesia (TLKM IJ)	IDR4,000	50.94	<ul style="list-style-type: none"> Strong data traffic growth on low internet subscribers' penetration TLKM is focusing on high-quality customers on lower churn rates (6-7%) with effective marketing campaigns Market leader, with defensive data demand
Top Glove (TOPG MK)	MYR9.50	9.20	<ul style="list-style-type: none"> Top Glove is a beneficiary of the COVID-19 pandemic due to the exceptionally high demand for gloves. Tight demand-supply dynamics have driven up ASPs Due to the unusually high demand, lead time has surged to almost one year, which is much higher than the normal range of 1-1.5 months We expect superb 3QFY20 (Aug) results to almost double QoQ. Beyond COVID-19, Top Glove's earnings should still grow in the long run, in line with consistent global gloves demand, which is growing at 8-10% pa
ST Engineering (STE SP)	SGD3.90	6.27	<ul style="list-style-type: none"> Diversified business will enable it to better withstand economic weakness vs other large-cap stocks in Singapore Strong revival in growth for 2021, driven by Electronics and gradual improvement in Aerospace Trading below its 10-year average forward P/E
Wilmar International (WIL SP)	SGD5.45	30.38	<ul style="list-style-type: none"> Diversified business with exposure to consumer-pack products helps to offset weakness in other businesses Potential IPO in China by end 2020 is a key catalyst
Sheng Siong (SSG SP)	SGD1.87	13.33	<ul style="list-style-type: none"> Revenue growth to benefit from stay-home measures Five new stores secured for 2020 Dividend yield of 3-4% and recovery of earnings growth support our positive view
Advance Info Service (ADVANC TB)	THB220.00	27.54	<ul style="list-style-type: none"> Better profitability due to the TOT litigation settlement (for towers and 2G equipment) that could decrease its network opex by THB3.2bn pa Strong convergence services portfolio, with a low base of fixed broadband customers who should benefit from the shift in the industry's acquisition trends The scaling up of fixed broadband units that expect to turn profit on EBITDA level this year
Charoen Pokphand Foods (CPF TB)	THB38.00	46.15	<ul style="list-style-type: none"> The uptrend of its core business should be prolonged, given the tighter supply conditions due to the African Swine Fever outbreak in Asia with relatively low feed costs that remain in place. Although Charoen Pokphand Foods should benefit from lower policy rates and a weakening THB Upside from the acquisition of Tesco Thailand and Tesco Malaysia. While we expect the company to enhance its fresh products distribution channel by tapping into the hypermarket network, we think CPF could also ramp up its food services in Tesco's retail space in the future Other positive synergies include cost savings on logistics network sharing, inventory turnover, and cross selling between retail trading formats

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