20 December 2022

Market Outlook | Market Strategy

Singapore Equity Strategy

Staying Positive On Singapore Equities In 2023

Stocks Covered	37
Rating (Buy/Neutral/Sell):	29 / 8 / 0
Last 12m Earnings Revision Trend:	Positive

- **We are positive on Singapore, which continues to be a safe haven despite the slower GDP growth and high inflation in 2023.** A continued recovery in the services sector on the back of sustained travel demand and resilient domestic demand should offset the manufacturing slowdown. Manufacturing and exports will likely see a recovery in 2H23. Singapore should deliver double-digit EPS growth, thanks to strong growth from banks. The Straits Times Index's (STI) low P/E is reflecting investor concerns about the sustainability of the strong EPS growth forecast and potentially, a recession, which is not the base case.
- **We are bullish on growth in 2023.** The 2023 global asset allocation of our Global Economics & Market Strategy team is overweight equities, market weight fixed income, and underweight cash. The team forecasts Singapore's GDP growth at 3.7% in 2022 and 3.0% in 2023. Although it is not our base case, the balance of risks is tilted towards a technical recession in 2023, which will likely be short, shallow, and orderly. We are more bullish than consensus (1.8% growth in 2023) and the Government's forecasts of 0.5-2.5% GDP growth in 2023.
- **In 2023, corporate earnings growth will remain strong, supported by banks.** The lifting of COVID-19 restrictions will help broaden the earnings recovery to sectors more affected by the pandemic, and the STI has a heavier composition of banks, which are able to sustain earnings growth in an environment where higher inflation and interest rates would otherwise cut into corporate profit margins. Our top-down EPS growth estimates for 2023 and 2024 are 12% and 8%. The 2023 EPS growth for stocks under our coverage is 19% (excluding the manufacturing and technology sectors). We believe investors will continue to be attracted to Singapore given its strong and defensive index earnings growth compared to its regional peers.
- **Investment themes for 2023 include:** i) buying banking stocks as a proxy to elevated interest rates and defensive earnings growth characteristics; ii) buying shares of firms with resilient and defensive earnings and dividends; iii) selective exposure to China's economic reopening; and v) buying industrial REITs.
- **STI's valuation is inexpensive, but investors could be concerned about the sustainability of the EPS growth forecast for 2023.** The STI now trades at 10.9x (-2SD) 12-month forward P/E. At this moment, we believe earnings growth, rather than an improvement in valuation multiple, will drive the rise in the STI next year. While we are still constructive about the STI delivering positive returns for 2023, we maintain that the upward move for the index will be slow. Our end-2023F STI target of 3,440pts is based on 11.5x 2023F P/E.

Singapore sector ratings

OVERWEIGHT	Consumer, Financials, Healthcare, Industrials, S-REITs (Industrials), Transport
NEUTRAL	Food Products (Plantations), Real Estate, S-REITs (Other sub sectors), Telecom & Media

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Sector Top Picks

Sector	Most preferred
Consumer	SSG, THBEV
Financials	DBS, OCBC
Food products	WIL, GGR
Healthcare	RFMD
Industrials	STE
Real estate	CIT
REIT	AAREIT, CLAR, EREIT
Telecom & media	ST
Transport	CD

Source: RHB

Company Name	Rating	Target (SGD)	% Upside (Downside)	P/E (x) Dec-23F	P/B (x) Dec-23F	ROAE (%) Dec-23F	Yield (%) Dec-23F
CapLand Ascendas REIT	Buy	3.15	14.9	19.5	1.1	5.9	6.0
DBS	Buy	41.10	20.6	8.7	1.4	16.3	4.8
ESR-LOGOS REIT	Buy	0.46	22.4	11.8	1.0	8.8	7.5
OCBC Bank	Buy	15.00	20.9	7.7	0.9	12.6	5.3
Raffles Medical	Buy	1.65	19.6	27.0	2.5	9.6	2.2
Sheng Siong	Buy	1.78	9.2	16.9	5.0	31.1	4.2
Singtel	Buy	3.30	24.5	16.2	1.4	9.0	4.6
ST Engineering	Buy	4.15	24.3	16.8	3.9	24.2	3.7
Thai Beverage	Buy	0.91	34.1	13.4	1.9	14.9	3.9

Source: Company data, RHB

Singapore: Market Outlook

We have turned overweight on global equities

Our Global Economics & Market Strategy team's 2023 global asset allocation is overweight equities, market weight fixed income, and underweight cash vs our 4Q22 global asset allocation of overweight fixed income, market weight equities, and underweight cash. We believe that some US equities markets are at the early stages of a bull market. We have been USD bulls since Dec 2020. Peak USD strength is behind us and we believe the greenback will depreciate against Asian currencies from 2Q-4Q23F.

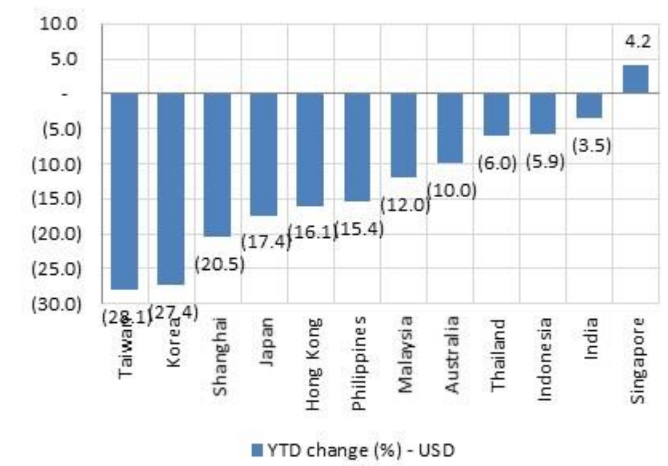
In global markets, in 2023, the three main themes investors will focus on are the following: i) The outlook for US growth: we believe investors' and Bloomberg consensus forecasts are too bearish, ii) path of the USD: Peak USD strength could be behind us with some temporary pick-up in the greenback in 1Q23, and iii) China re-opening: Fraught with uncertainty, sell on rallies.

Our Global Economics & Market Strategy team's top pick in global equity markets is the US and specifically, the Dow Jones Industrial Average (DJIA) Index. We expect the DJIA Index to print a total return of around 10-15% in 2023. We continue to advocate buying India on dips and selling China on rallies. We believe South-East Asia will remain resilient in 2023.

2022 was the year of resilience and outperformance for Singapore

As Asian equities fell in 2022, Singapore has provided relatively defensive returns. The STI was one of the region's best performers in 2022, rising 4.2% YoY in USD terms (**Figure 1**) as the city-state's economy recovered from the effects of the pandemic and borders reopened, welcoming businesses and tourists alike. Outperformance within the STI came from the utilities and industrials sectors (due to a sharp rise in commodity prices), the financials (due to a rise in interest rates), as well as the telecommunications, consumer, and transport sectors (due to a revenue boost from the reopening of regional borders). Rising interest rates hurt REITs, while the Russian-Ukraine conflict, US-China geopolitical tensions, and a deteriorating macroeconomic environment hurt the manufacturing and technology sectors (**Figure 2**).

Figure 1: Asian equity index returns in USD terms



Note: As at 13 Dec 2022
Source: Bloomberg

Figure 2: YTD sector performance for components of the STI

Note: As at 13 Dec 2022
Source: Bloomberg

2023 economic growth will moderate but stay positive

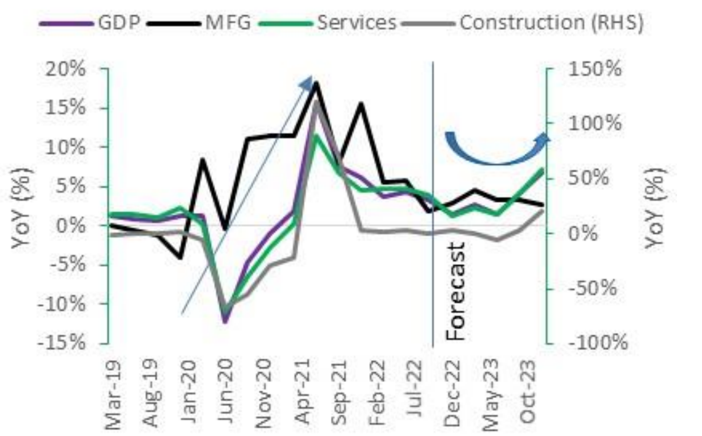
Our Global Economics & Market Strategy team forecasts Singapore's GDP to expand by 3.7% and 3.0% in 2022 and 2023. We expect growth momentum to slow in 4Q22-1H23 before stabilising in 2H23. Since the end of 1H22, the external demand outlook for Singapore has softened markedly, with a deterioration of risk appetite following China's periodic COVID-19 outbreaks and lacklustre economic indicators. Recent Eurozone-centric economic indicators are also exhibiting weakness, with several economies in the bloc registering GDP contractions on a QoQ basis, dragged by the energy crisis in the region.

Although not our base case, the balance of risks is tilted towards a technical recession in 2023. Our proprietary leading GDP index, which leads GDP by two quarters, suggests a slowdown to trend (not recession) in 1Q23. This is in line with our rhetoric that Singapore's output gap is expected to turn negative in 2023. Even if a technical recession (defined as two consecutive quarters of negative QoQ growth) is seen in 1H23, we think it will likely be short, shallow, and orderly.

We are more bullish than Street's expectations, and our economic growth expectations are above the Government's official forecasts. Singapore's Ministry of Trade and Industry (MTI) had said in November that the country's economic growth is expected to grow at 0.5-2.5% in 2023. In the latest survey of professional forecasters released by the Money Authority of Singapore (MAS) on 14 Dec 2022, private-sector economists lowered their growth forecast for Singapore to 1.8% in 2023 from an earlier projection of 2.8% growth, amid concerns about a global economic slowdown.

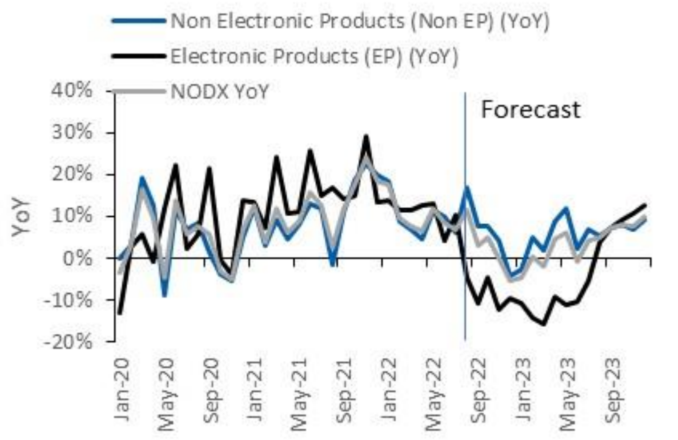
We are not overly worried about the impact of higher interest rates and slowing economic growth on corporate earnings, as according to MAS' latest financial stability review, stress tests suggest that the corporate and household sectors are resilient to macroeconomic financial shocks.

Figure 3: GDP to slow in 2H22 and stabilise at 3% in 2023



Source: CEIC, RHB Economics & Market Strategy

Figure 4: NODX to slow in 1H23 before recovering in 2H23

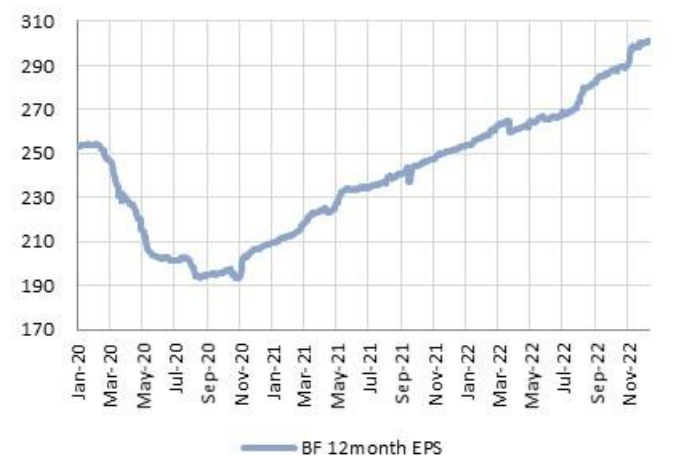


Source: CEIC, RHB Economics & Market Strategy

2023 corporate earnings growth will remain strong, supported by banks

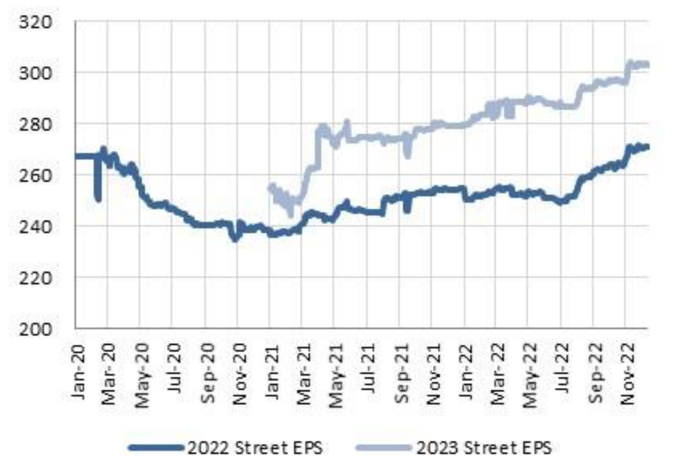
The forward EPS for the STI has only seen upgrades post 3Q20 results/business updates (**Figure 5**). Historically, the STI's forward EPS growth has had a positive correlation with Singapore's GDP growth expectations. Given the expectations of a moderation in economic growth in 2023, it will be safe to assume that earnings growth could moderate.

Figure 5: 12-month forward EPS for the STI has only seen upgrades post 3Q20 results/business updates



Source: Bloomberg, RHB

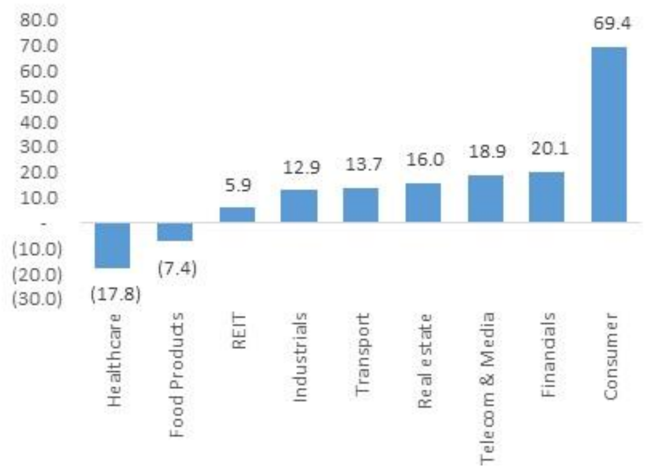
Figure 6: Street remains optimistic on earnings growth being sustained in 2023F



Source: Bloomberg, RHB

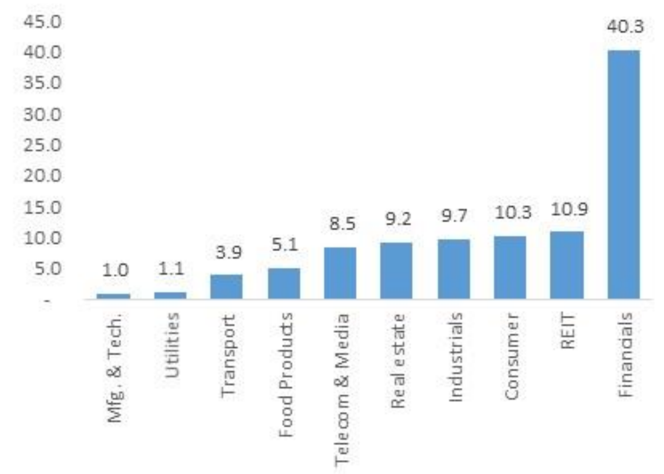
We believe the STI's current forward P/E valuation, which lies closer to -2SD from its average since Jan 2008, is probably reflecting investor concerns about the sustainability of the strong EPS growth forecast of 12% for 2023 amidst a weakening macroeconomic environment, especially on the external front. Our top down EPS growth estimates for 2023 and 2024 are 12% and 8%. The 2023 EPS growth for stocks under our coverage is 19% (excludes the manufacturing and technology sectors). However, it is worth noting that should our more optimistic view on Singapore's economic growth for 2023 outlook hold true, it increases the likelihood of positive earnings surprises in the quarters ahead.

Figure 7: 2023 sector EPS growth for RHB's coverage



Source: RHB

Figure 8: Sector weights in the STI based on sectors



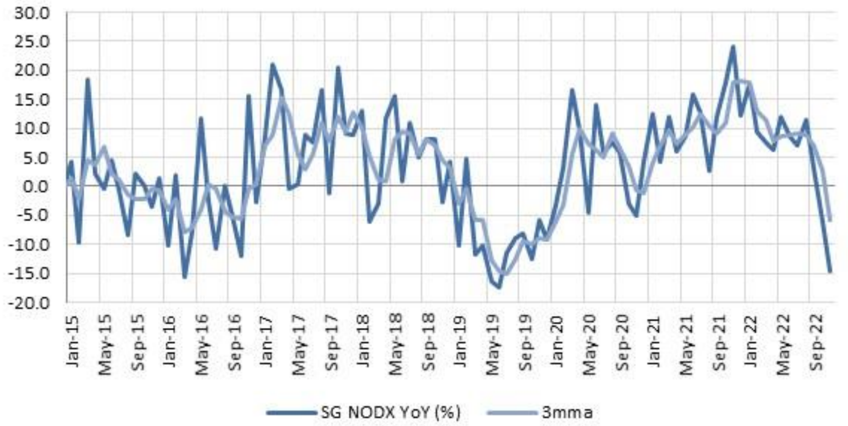
Source: Bloomberg, RHB

The lifting of COVID-19 restrictions will help broaden the earnings recovery to sectors more affected by the pandemic; and the STI has a heavier composition of banks, which are able to sustain earnings growth in an environment where higher inflation and interest rates would otherwise cut into corporate profit margins. Earnings growth for Singapore banks has seen upward earnings revisions in 2022 due to their positive leverage to rising market interest rates. Banks make up a hefty 40% of the index weight for the STI as measured by market cap (**Figure 8**). We believe investors will continue to be attracted to Singapore given its strong and defensive index earnings growth vs the regional peers.

NODX and manufacturing to remain soft in 1H23; before recovering in 2H23

Non-domestic oil exports (NODX) growth deteriorated in the last two months, and the softness may persist in 1H23. Some factors that may hamper exports and manufacturing activities will likely be seen from the relatively expensive SGD-Asia dynamic and higher domestic interest rates that may cap net export momentum and dissuade investor and business appetite. Due to Singapore's trade-dependent structure, the decrease in the NODX momentum may also drag the overall manufacturing outlook in the early part of 2023.

Figure 9: Singapore's NODX growth



Source: Bloomberg, RHB

However, we expect a sizeable NODX recovery in 2H23, led by rosier global economic fundamentals and a low-base effect from 2H22. We should also see more clarity in global economic fundamentals, which may paint a positive backdrop for Singapore's external-facing industries. Overall, we are relatively more optimistic compared to official forecasts. We pencil in NODX growth at 1.0% in 2023 against the official estimates of between -2.0% and 0.0%.

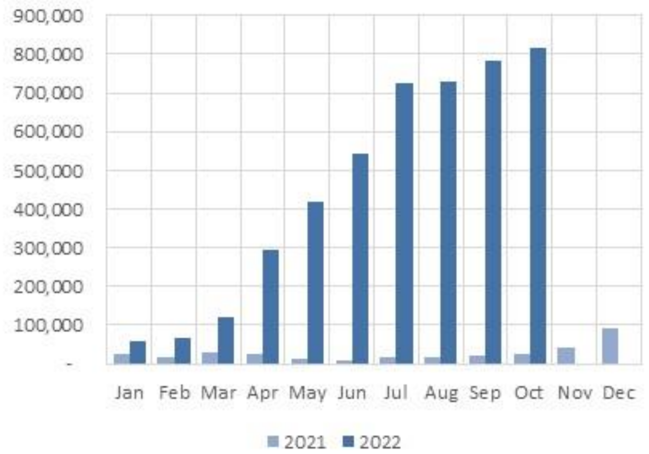
Domestic consumption should remain resilient at least in 1H23

We expect the services sector to underpin overall GDP growth in 2023, led by the recovery in air travel and international visitor arrivals. This should uplift the transport and tourism-related sectors such as aviation, retail and F&B. The consumer-facing and travel-related sectors should continue to recover in the near term. China's eventual removal of the zero-COVID policy could aid the resurgence of Singapore's tourism industry, which will have favourable, short-term spill-over effects on the retail and F&B industries.

Figure 10: Singapore's tourist arrivals are rebounding from record lows

Source: Bloomberg, RHB

Figure 11: Tourist arrivals are already significantly higher from last year



Source: Bloomberg, RHB

We expect retail sales momentum to stay positive in 4Q22. We forecast retail sales growth at 10% YoY in 2022, with the balance of risk tilted towards the upside. We think that significant sales events such as Single's Day (11 Nov), Black Friday (25 Nov) and pre-Christmas (before 25 Dec) will encourage retail sales expenditure in the last two months of the year. Moreover, some front-loading expenditure behaviour before the GST rate hike to 8.0% effective 1 Jan 2023 should also help the retail sales environment before year-end. Macroeconomics-wise, Singapore's retail climate will continue to benefit from the relatively tighter labour market and the gradual reopening of Asia's borders. We pencil in retail sales growth at 4-6% in 2023.

Equity Strategy

Banks for their earnings growth and defensive characteristics

We estimate the banking sector's ROE to improve to 13.6% in FY23F from 12.0% in FY22F, on a healthy 20% YoY growth in net profit. Although deposit competition has intensified and loan growth is expected to moderate, tailwinds from hikes in the Federal Funds Rate (FFR) in 2H22 and 1H23 should lift the NII higher in the coming year. Loan portfolios are well seasoned over the past two years, but still, we have conservatively pencilled in a higher credit cost of 19bps for FY23F (FY22F: 14bps) given the rapid rise in interest rates. Non-II is expected to rise by a healthy 8%, led mainly by higher core fee income from loans and trade flows as well as a recovery in demand for wealth products. With CET-1 ratios at 13-14%, banks are well positioned to weather the external headwinds. We expect a YoY rise in dividends. DBS and OCBC are our Top Picks, while our recommendation for SG Banks is OVERWEIGHT. DBS and OCBC are still trading at modest valuation levels, and are well supported by their respective 2023F dividend yields of 4.8% and 5.3%.

Figure 12: Singapore – riding the rising interest rate cycle (1)

Company name	M Cap (USDm)	Rating	TP	Upside/ down. (%)	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
DBS Group	64,745	Buy	41.10	20.6	Dec-22	10.8	8.7	1.5	1.4	4.3	4.8	na	na	14.0	16.3
OCBC	41,161	Buy	15.00	20.9	Dec-22	9.3	7.7	1.0	0.9	4.7	5.3	na	na	11.1	12.6

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 13: Singapore – riding the rising interest rate cycle (2)

Company name	M Cap (USDm)	Rating	TP	Upside/ down. (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1M	Net debt/Equity (x) 3M	Returns (%) 1M	Returns (%) YTD
DBS Group	64,745	Buy	41.10	20.6	Dec-22	18.6	24.1	22.5	10.2	na	na	na	na	-2.0	4.4
OCBC	41,161	Buy	15.00	20.9	Dec-22	23.3	19.7	9.2	13.8	na	na	na	na	1.1	8.9

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Exposure to resilient and defensive sectors

In the near-to-medium term, greater global macroeconomic uncertainty promotes local idiosyncratic factors. Market, sector and company performances diverge as returns are driven by local financing costs and the relative resilience of profits. We believe investors should prioritise surviving through these uncertain times. Companies with strong financial sheets, pricing power, captive customer bases, recurrent demand, and the capacity to pass through increasing costs should be key considerations when choosing stocks. We support a fundamentally defensive stance that emphasises investing in companies that have sturdy earnings or dividend profiles. We believe the relative outperformance of defensive styles (quality and momentum) and sectors (staples, health care and utilities) will persist in early of 2023. Our stock picks for this subject are City Developments, Sheng Siong, ST Engineering and Wilmar International.

Figure 14: Singapore – resilient earnings growth (1)

Company name	M Cap (USDm)	Rating	TP	Upside/ down. (%)	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
City Developments	5,434	Buy	9.75	20.1	Dec-22	18.8	16.0	0.9	0.8	2.2	2.5	na	10.5	4.6	5.3
Sheng Siong	1,809	Buy	1.78	9.2	Dec-22	17.4	16.9	5.5	5.0	4.0	4.2	6.6	6.5	33.1	31.1
ST Engineering	7,672	Buy	4.15	24.3	Dec-22	19.1	16.8	4.3	3.9	5.4	3.7	0.2	1.4	24.7	24.2
Wilmar	18,930	Buy	5.40	31.4	Dec-22	8.8	8.7	0.9	0.9	3.0	3.1	na	14.0	10.6	10.0

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 15: Singapore – resilient earnings growth (2)

Company name	M Cap (USDm)	Rating	TP	Upside/ down. (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1M	Net debt/Equity (x) 3M	Returns (%) 1M	Returns (%) YTD
City Developments	5,434	Buy	9.75	20.1	Dec-22	302.3	17.2	50.0	11.1	12.1	12.8	1.1	1.1	1.0	22.3
Sheng Siong	1,809	Buy	1.78	9.2	Dec-22	5.8	3.4	5.8	3.4	9.7	9.6	-0.5	-0.6	1.9	11.6
ST Engineering	7,672	Buy	4.15	24.3	Dec-22	-4.5	13.5	19.1	-30.1	6.2	6.7	2.3	2.3	-1.2	-11.2
Wilmar	18,930	Buy	5.40	31.4	Dec-22	18.3	0.3	7.9	1.1	2.9	3.2	1.1	1.0	2.5	-0.7

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Exposure to economic reopening of China

With China announcing a relaxation of its zero-COVID policy, the only uncertainty would be about the pace of its re-opening. With Chinese tourists accounting for approximately 19% of all tourist arrivals in Singapore before the pandemic (ie in 2019), the positive effects of increased tourist flows into the tourism, services, and retail sectors are likely to offset some of the effects of the global slowdown on Singapore's economy. Furthermore, the impact of a full reopening in China, possibly in 2H23F, could potentially propel Singapore's economy even further towards the end of next year.

The potential beneficiaries of the China reopening will come to those companies which are either beneficiaries of China's domestic reopening as well as companies that will gain from the return of business once China relaxes border restrictions. Within our coverage universe, we see Dairy Farm as one of the key beneficiaries of China's domestic reopening, while CDL Hospitality, ComfortDelGro, Raffles Medical, Singtel and Thai Beverage should benefit from the return of Chinese tourists.

Figure 16: Singapore – China/regional economic reopening/recovery plays (1)

Company name	M Cap (USDm)	Rating	TP	Upside/ down. (%)	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	1,132	Neutral	1.15	-7.1	Dec-22	18.9	19.3	0.9	0.9	4.8	5.5	6.3	7.2	4.9	4.7
ComfortDelGro	1,998	Buy	1.80	44.0	Dec-22	13.9	12.7	1.0	0.9	4.1	3.9	17.3	9.4	7.1	7.6
Dairy Farm	3,884	Neutral	2.71	-5.7	Dec-22	78.5	19.0	3.2	2.9	1.0	4.2	0.9	6.8	4.0	16.3
Raffles Medical	1,888	Buy	1.65	19.6	Dec-22	22.2	27.0	2.6	2.5	1.9	2.2	3.4	5.9	12.0	9.6
Singtel	32,275	Buy	3.30	24.5	Mar-23	18.5	15.5	1.5	1.4	4.6	4.6	9.6	11.8	8.0	9.3
Thai Beverage	12,513	Buy	0.91	34.1	Sep-23	13.6	12.8	2.0	1.8	3.8	4.1	7.3	8.0	14.9	14.7

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 17: Singapore – China/regional economic reopening/recovery plays (2)

Company name	M Cap (USDm)	Rating	TP	Upside/ down. (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 1FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1M	Net debt/Equity (x) 3M	Returns (%) 1M	Returns (%) YTD
CDL Hospitality	1,132	Neutral	1.15	-7.1	Dec-22	17.4	-2.4	39.8	15.3	40.2	33.8	0.7	0.7	0.0	6.0
ComfortDelGro	1,998	Buy	1.80	44.0	Dec-22	25.9	9.2	21.4	-3.7	5.1	5.4	-0.3	-0.4	-8.8	-10.7
Dairy Farm	3,884	Neutral	2.71	-5.7	Dec-22	-51.9	312.9	-72.7	300.0	0.5	2.2	0.8	0.7	15.3	0.3
Raffles Medical	1,888	Buy	1.65	19.6	Dec-22	63.0	-17.8	34.5	14.3	15.1	12.4	-0.1	-0.2	0.0	0.7
Singtel	32,275	Buy	3.30	24.5	Mar-23	18.6	19.2	29.0	0.0	14.2	16.4	0.4	0.4	-1.5	14.2
Thai Beverage	12,513	Buy	0.91	34.1	Sep-23	6.1	6.2	6.1	6.2	10.6	10.9	0.6	0.5	11.6	2.3

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

REITs could benefit from the pausing of the rising interest rate cycle

We believe the coming to an end of the interest rate upcycle, our bullish expectations of GDP growth in 2023, and the belief in a strong rebound in economic activity, especially in 2H23, should make investors revisit the Singapore REITs (S-REITs) sector, which delivered a dismal performance in 2022. The clarity of our views on above-consensus economic growth in 2023 will be determined by how economic events unfold in the first half of the year. We estimate and aggregate DPS growth of 0.9% YoY for all REITs covered by us. However, we note that this growth will be uneven throughout the year and also uneven across the sectors. This should be reflected in the performance of the stock price. We believe defensive REITs, ie those that offer resilient DPS growth and have a strong balance sheet, will deliver outperformance in 1H23. While REITs that will benefit from strong economic growth and the relaxation of China's zero-COVID policy will deliver outperformance in 2H23.

Industrial demand remains strong, mitigating supply concerns. We expect industrial rental rates to continue rising, while occupancy rates are expected to remain relatively flattish. Among the sub-sectors, we like logistics, hi-tech, and good-quality business parks, as they continue to benefit from changing market dynamics brought about by COVID-19 and the Government's longer-term push to transform. Our preferred exposure in the S-REITs sector is AIMS APAC REIT, CapitaLand Ascendas REIT and ESR-LOGOS REIT. If our macroeconomic forecast pans out as expected, we believe there could be opportunities to rotate into hospitality and retail REITs in 2H23.

Figure 18: Singapore – REIT picks (1)

	M Cap			Upside/	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	(USDm)	Rating	TP	down. (%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
AIMS APAC REIT	636	Buy	1.48	23.1	Mar-23	9.4	9.6	0.8	0.8	7.8	7.9	11.9	12.3	9.0	8.6
CapitaLand Ascendas	8,494	Buy	3.15	14.9	Dec-22	15.0	19.5	1.1	1.1	5.9	6.0	9.8	10.0	7.7	5.9
ESR-LOGOS REIT	1,859	Buy	0.46	22.4	Dec-22	na	11.8	0.8	1.0	8.0	7.5	13.6	11.8	-14.1	8.8

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 19: Singapore – REIT picks (2)

	M Cap			Upside/	1FY	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Company name	(USDm)	Rating	TP	down. (%)	year	1FY	2FY	1FY	1FY	1FY	2FY	1M	3M	1M	YTD
AIMS APAC REIT	636	Buy	1.48	23.1	Mar-23	-12.7	-2.5	-0.1	1.4	55.1	52.4	0.8	0.8	-4.8	-17.2
CapitaLand Ascendas	8,494	Buy	3.15	14.9	Dec-22	-21.1	-23.1	5.4	2.7	57.2	43.3	0.6	0.6	-0.7	-7.1
ESR-LOGOS REIT	1,859	Buy	0.46	22.4	Dec-22	-308.9	na	0.6	-6.6	-85.3	51.9	0.9	0.9	5.6	-21.9

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Key Risks

Global recession could drag corporate earnings growth lower

Our base case assumption is a slowdown in global growth. For the US, we expect a modest deceleration in growth in 1H23, followed by a recovery in 2H23. We expect Europe (the EU) to avoid a recession in 2023, and believe GDP growth will slow to trend in 1H23, for South-East Asian economies, followed by a recovery in 2H23. However, a global recession could be triggered if the US Federal Reserve's (US Fed) monetary policy tightening overshoots and/or economic shocks in China and Europe worsen. Singapore's externally dependent economy is unlikely to be spared in a global recession, and the resulting impact on market confidence may result in negative equity returns alongside global markets. Loan defaults could exceed market expectations, causing downward earnings revisions for banks, which account for roughly 40% of the STI.

Negative surprises on inflation and the interest rate outlook

Companies have had to deal with high material, energy, and labour costs as well as rising rental rates in an inflationary environment. While we currently expect inflation to moderate in 2023 we maintain that the balance of risks is skewed towards global inflation remaining sticky and unlikely to "fall like a rock" in 2023. A persistently high rate of inflation will persuade the US Fed to keep its aggressive approach on monetary policy. If consumer prices continue to rise instead of peaking soon, and MAS' efforts to combat inflation fall short, the growth outlook for Singapore's economy and corporate earnings may suffer.

Difficult US China relations

A worsening of the US-China relationship beyond trade and technology issues could have far-reaching implications for global trade and geopolitical stability. Taiwan, Hong Kong, Xinjiang, Tibet, the South China Sea, trade, and technology are all sources of contention between the two sides. The US-China relationship is changing, and investor sentiment may become more cautious. Should ties worsen, businesses may decide to postpone their investment plans.

Macroeconomic Outlook: Global

(RHB Economics & Market Strategy)

Recession fears over-done: we are bullish

Our 2023 global asset allocation is overweight equities, market weight fixed income, and underweight cash vs our 4Q22 global asset allocation of overweight fixed income, market weight equities, and underweight cash. We believe that some US equities markets are at the early stages of a bull market.

Figure 20: RHB – global growth forecasts vs consensus

	RHB forecasts				Bloomberg consensus			
	2021	2022E	2023F	2024F	2021	2022E	2023F	2024F
US	5.9	2.2	2.0	2.2	5.9	1.8	0.4	1.4
Western Europe	5.8	2.5	1.5	1.7	5.8	3.3	(0.1)	1.3
Japan	1.8	1.8	1.3	1.5	2.3	1.4	1.3	1.0
China	8.1	3.0	4.0	4.5	8.1	3.2	4.8	4.8
ASEAN								
Indonesia	3.7	5.0	4.1	4.5	3.7	5.3	4.9	5.0
Malaysia	3.1	7.5-8.0	4.5	4.6	3.1	8.4	4.0	4.5
Singapore	7.6	3.7	3.0	3.0	7.9	3.6	1.8	2.8
Thailand	1.5	3.0	3.0	4.0	1.5	3.2	3.8	3.7
Vietnam	2.6	7.5	6.5	6.7	2.6	7.4	6.2	6.7

Source: Bloomberg, RHB Economics & Market Strategy

US: Expect a modest deceleration followed by a recovery in 2H23

Since the summer of 2022, we have been forecasting that the US is unlikely to head into a recession in 2022 and 2023, a view we continue to maintain. The path of US GDP growth is a print of around 1.4-1.9% YoY in 4Q22 vs Bloomberg consensus estimate of 0.2% YoY (which we think will not materialise). In 1H23, we expect a modest deceleration followed by a recovery in 2H23. Meanwhile, the analyst community has been pushing out further into the future to 2023 and 2024 its recession view compared to its earlier view of an imminent recession in 2022. We term this as “herding behaviour” and we would fade these pessimistic forecasts for 2023. Our 2022 and 2023 US GDP growth forecasts remain unchanged at 2.2% YoY and 2.0%. Bloomberg consensus estimates for 2022 and 2023 US GDP growth are 1.8% YoY and 0.4%. For details, please refer to our 5 Oct 2022 report "*US Growth Made in Asia: Limited Signs of Recession*"

Europe to avoid a recession in 2023

In other developed markets, we expect the EU to avoid a recession in 2023. We maintain our 2023 GDP growth forecast of 1.5% YoY vs Bloomberg consensus estimate of -0.1%. The price cap on Russia’s LNG is unlikely to be effective as implementation is difficult. In addition, we expect US LNG supply to the UK to increase, of which some portion will end up in the EU. Hence, in our view, supply-side shocks via the LNG channel to the EU’s growth are likely to be limited in 2023. On the demand side, we continue to believe that if a recession becomes imminent in the EU, a counter-cyclical fiscal policy will be implemented to avert a significant deceleration in GDP growth.

We are more cautious on China’s outlook compared to the consensus

On China, we have been bearish for two years and remains a concern for us. We believe 2023 GDP growth will print 4.0% YoY vs Bloomberg consensus estimate of 4.8%. China is on a structural and cyclical downtrend, with no end to downside risks in sight. These downside risks include a very volatile zero-COVID policy regime, ie an on-again and off-again environment, which is likely to continue in 2023. The recent softening of geopolitical and geo-economic tensions between the US and China is temporary and is likely to re-accelerate in 2023. The domestic policy agenda to reign in the private sector and associated wealth created for ultra-high net worth individuals will continue in 2023. Social instability risks will rise in 2023 since in our calculation, the “true” pace of GDP growth – not official prints – will be around 2.5% in 2023. Just to feed the population and keep social unrest at bay, our calculations suggesting 3.0% GDP growth is needed.

GDP growth will slow for ASEAN economies

In South-East Asia, we believe GDP growth will slow to trend in 1H23, followed by a recovery in 2H23. Resilient labour market conditions, tail winds from past loose fiscal and monetary policies, and resilient US growth are likely to keep the region well supported in terms of economic activity in 2023. The main area of weakness in 1H23 will be real exports, where we expect further weakening before recovering in 2H23. Real exports in South-East Asia will mirror the deceleration we are expecting in US private consumption growth in 1H23, followed by a recovery in 2H23.

Balance of risks is skewed towards global inflation remaining sticky

We maintain our long-held view that oil and food prices will further drop as global growth slows and the sanctions against Russia as it relates to its shipments of oil and agricultural commodities will remain ineffective. As such, our 2023 Brent oil price forecast is around USD80-90 per barrel vs around USD90 per barrel in 2022.

We expect supply chain congestions in the US to further dissipate in 2023. Our proprietary indicators for US supply chain congestions signalled a return to relatively normal levels in November and we expect the normalisation process to continue in 2023. We maintain our view that China is the big "genie in the box" in terms of risks that supply chain congestions will re-emerge at the global level. Our proprietary indicators for China's supply chain congestions signal more stress ahead and serve as a sign for us that we are not completely out of the woods in terms of progression to a smooth downward path for global inflation. We do however acknowledge that US inflation has most likely peaked and the path is for a deceleration in 2023.

On the core CPI inflation front, in the US, momentum is starting to dissipate, with the core personal consumption expenditure (PCE) inflation target of 2.0% only likely to be achieved in Aug 2023 if mean reversion ensues. In the EU, we expect core CPI inflation to moderate on a sustained basis in 2Q23, since the continent lags the US business cycle by around 3-6 months. In most South-East Asian countries, the momentum of core CPI inflation could decelerate on a sustained basis in 1Q23, with the exception of Malaysia where the uncertainty on the timing of the reduction of fuel subsidies and impact on inflation will remain in 1H23.

Figure 21: RHB – global CPI forecasts vs consensus

	RHB forecasts				Bloomberg consensus			
	2021	2022E	2023F	2024F	2021	2022E	2023F	2024F
US	4.7	8.2	4.6	2.8	4.7	8.1	4.3	2.6
Western Europe	2.5	8.2	5.9	2.5	2.5	8.2	5.8	2.3
Japan	(0.3)	2.4	1.6	1.0	(0.3)	2.4	1.8	1.0
China	0.9	2.1	2.2	2.2	0.9	2.1	2.3	2.2
ASEAN								
Indonesia	1.6	4.3	4.5	3.0	1.6	4.4	4.3	3.0
Malaysia	2.5	3.4	3.0	2.7	2.5	3.4	2.9	2.2
Singapore	2.3	5.8	3.0	3.0	2.3	6.0	4.3	2.5
Thailand	1.2	6.2	3.0	2.8	1.2	6.2	2.7	1.6
Vietnam	1.8	3.3	4.0	3.8	2.0	3.4	4.1	3.9

Source: Bloomberg, RHB Economics & Market Strategy

US Fed to continue hiking interest rate in 1Q23

In terms of global industrial production, activity is likely to be resilient in early 1Q23, followed by a slowdown for the remainder of 1H23 to trend-like growth rates. The easing of financial conditions in 4Q22 as exemplified by an acceleration in global money supply suggests that global economic activity – which includes the US – could remain resilient in 1Q23, to which the US Fed's policy response will be to continue to hike the FFR in 1Q23 to 5.00-5.25%.

Our US Fed peak FFR forecast remains unchanged at 5.00-5.25% in 2023 and no cuts in 2023 vs current market expectations of a peak of around 4.9% in 1H23, followed by around a 40bps cut in 2H23. In 1Q23, the tone of the US Fed is likely to indicate that FFR cuts are not in the cards for 2023 as the momentum of core PCE inflation, labour market conditions, and growth will remain uncertain heading into early 2023. Any US Fed guidance of FFR cuts could only materialise in 2H23 with implementation in 2024. In most South-East Asian countries, we expect policy interest rates to peak in 1H23 as the US Fed pauses FFR hikes from 2Q23 onwards, currency depreciation pressure in the region shows signs of falling on a sustained basis, and demand-side pressures on core inflation fade.

At an instrument level, our UST10YR yield forecast for 1H23 is an average of 3.00-3.50% and in 2H23, we expect an average of 3.00-3.50% as well.

Figure 22: RHB – global policy interest rate forecasts vs consensus

	RHB forecasts				Bloomberg consensus			
	2021	**2022E**	**2023F**	**2024F**	**2021**	**2022E**	**2023F**	**2024F**
US	0.25	4.25-4.50	5.00-5.25	3.50-3.75	0.25	4.50	4.70	3.10
Western Europe	0.02	2.60	3.10	2.80	0.02	2.59	3.10	2.55
Japan	-	-	-	-	-	(0.10)	-	-
China	4.35	4.30	4.30	4.30	3.80	4.30	4.30	na
ASEAN								
Indonesia	3.50	5.50	6.00	5.25	3.50	5.45	5.70	5.05
Malaysia	1.75	2.75	3.00-3.50	3.00-3.50	1.75	2.75	3.25	3.15
Thailand	0.50	1.25	1.75	1.75	0.50	1.30	1.85	1.75
Vietnam	4.00	6.00	7.00	6.00	4.00	6.45	5.95	4.75

Source: Bloomberg, RHB Economics & Market Strategy

In foreign exchange, our USD (DXY Index) forecasts are:

1Q23: 105-110. The main catalysts are a weakening DJIA Index, which is USD positive, and rising interest rate differential in favour of the USD. **2Q23:** 102-107. The main catalysts are i) a rise in the DJIA, which is USD negative; ii) a fall in nominal interest rate differentials, which is USD negative; and iii) rising inflation differential between the US and developing markets (DM), which is USD negative. **In 2H23,** the main drivers of the DXY Index will be i) a significant sustained rise in the DJIA; ii) a fall in nominal interest rate differentials as the FED guides towards FFR cuts in 2024, and iii) much of the elevated volatility in financial markets which transpired in 1H23 being priced in already by markets and is USD negative for 2H23. **3Q23:** 100-105. **4Q23:** 98-103. **2024:** 98-100. The USD reverts to long-term trends where it trades in the 90-103 range from what we have observed since 2015.

Macroeconomic Outlook: Singapore

(RHB Economics & Market Strategy team)

Slowdown in 2023 GDP growth; our estimates are above government forecasts and consensus. We forecast GDP to expand by 3.7% and 3.0% in 2022 and 2023. We expect growth momentum to slow in 4Q22-1H23 before stabilising in 2H23. Since the end of 1H22, the external demand outlook for Singapore has softened markedly – with a deterioration of risk appetite following China's periodic COVID-19 outbreaks and lacklustre economic indicators. Recent Eurozone-centric economic indicators are also exhibiting weakness, with several economies in the bloc registering GDP contractions on a QoQ basis, dragged by the energy crisis in the region.

Singapore's MTI said in November that the country's economic growth is expected to grow at 0.5-2.5% in 2023. In the latest survey of professional forecasters released by MAS on 14 Dec 2022, private-sector economists lowered their growth forecast for Singapore to 1.8% in 2023 from an earlier projection of 2.8% growth, amid concerns about a global economic slowdown.

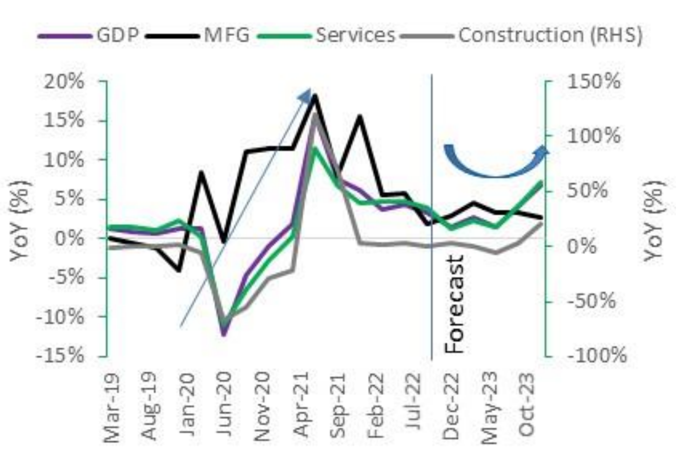
Although not our base case, the balance of risks is tilted towards a technical recession in 2023. Our proprietary leading GDP index, which leads GDP by two quarters, suggests a slowdown to trend (not recession) in 1Q23. This is in line with our rhetoric that Singapore's output gap is expected to turn negative in 2023. For more details on our leading index, please see our report dated 23 Aug. Even if a technical recession (defined as two consecutive quarters of negative QoQ growth) is seen in 1H23, we think it will likely be short, shallow, and orderly.

Figure 23: Singapore – Key economic forecasts

	2020	2021	2022E	2023F	2024F	1H23F	2H23F
Real GDP Growth (% YoY)	**-4.1**	**7.6**	**3.7**	**3.0**	**3.0**	**2.1**	**3.9**
Contribution to real GDP Growth (%)							
Private Consumption	-4.8	1.7	3.5	1.2	0.7	1.3	1.0
Government Consumption	1.4	0.5	-0.3	0.5	0.2	0.5	0.5
Gross Fixed Capital Formation	-3.5	4.4	1.2	1.1	0.9	1.5	0.7
Net Exports	3.1	1.0	-0.3	1.0	0.7	0.6	1.3
CPI	**-0.2**	**2.3**	**5.8**	**3.0**	**3.0**	**4.0**	**2.0**
Current Account Balance (% of GDP)	**17.0**	**18.1**	**16.8**	**17.5**	**18.5**	**19.0**	**17.8**
Fiscal Balance (% of GDP)	**-10.8**	**-1.0**	**-1.0**	**1.0**	**1.0**	**-1.0**	**2.0**

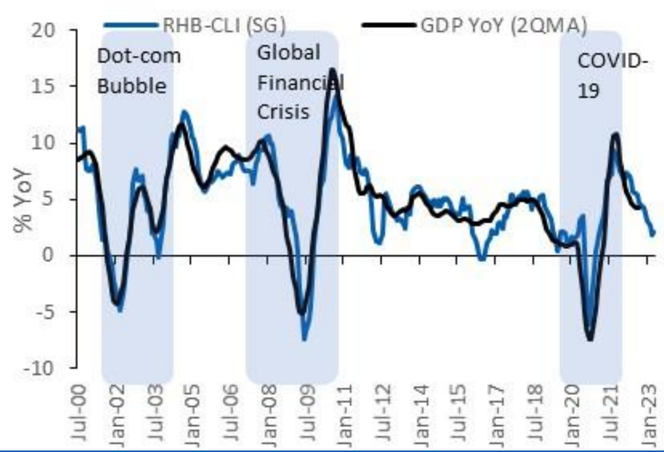
Source: Bloomberg, RHB Economics & Market Strategy

Figure 24: GDP to slow in 2H22 and stabilise at 3% in 2023



Source: CEIC, RHB Economics & Market Strategy

Figure 25: Leading index show GDP to slow into 1Q23



Source: CEIC, RHB Economics & Market Strategy

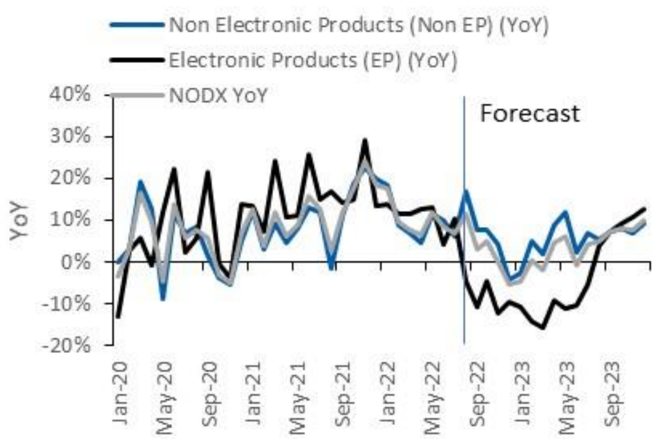
Our view for Singapore to avoid a technical recession is based on three key factors:

i. First, we expect the services sector to underpin overall GDP growth in 2023, led by the recovery in air travel and international visitor arrivals. This should uplift the transport and tourism-related sectors such as aviation, retail and F&B. However, sectoral growth will likely stay uneven into 2023 – external-facing sectors such as trade and manufacturing may remain lacklustre amidst global growth headwinds, especially in 1H23. Other factors that may hamper exports and manufacturing activities will likely be seen from the relatively expensive SGD-Asia dynamic and higher domestic interest rates that may cap net export momentum and dissuade investor and business appetite;

ii. Second, the mix of low-base effects and improving global economic fundamentals should help exports in 2H23. NODX growth deteriorated in October (October: -5.6% YoY, Bloomberg: -1.7% YoY), and the softness may persist in 1H23. However, we expect a sizeable NODX recovery in 2H23, led by rosier global economic fundamentals and a low-base effect from 2H22. We should also see more clarity in global economic fundamentals, which may paint a positive backdrop for Singapore's external-facing industries. Overall, we are relatively more optimistic compared to official forecasts. We pencil in NODX growth at 1.0% in 2023 against the official estimates of between -2.0% and 0.0%. We have pencilled in Singapore's manufacturing growth at 0-2% in 2023;

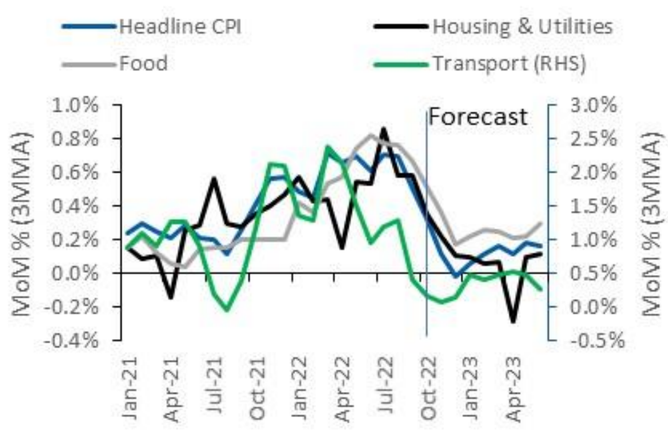
iii. Third and lastly, inflation rates have peaked year-to-date. We expect headline and core inflation to average 3.0% and 2.8% in 2023, respectively. This is against an expected headline and core inflation of 5.8% and 3.8% in 2022. MAS has projected 2023 headline inflation to average 5.5-6.5% and core inflation to average 3.5-4.5%. Inflation momentum has eased considerably since Jul 2022 and declined from the 0.71% MoM (3-month moving average or 3MMA) peak to 0.32% in Oct 2022. Decelerating inflation rates are expected to be led by moderating commodity prices and easing supply chain congestions. Perhaps the caveat to this view is centred on the uncertainties surrounding global geopolitical tensions and pandemic-related risks, which may re-elevate supply chain congestions should these exacerbate further.

Figure 26: NODX to slow in 1H23 before recovering in 2H23



Source: CEIC, RHB Economics & Market Strategy

Figure 27: Inflation to peak in 3Q22 and moderate in 2023



Source: CEIC, RHB Economics & Market Strategy

Positive manufacturing growth in 2023. We expect the slowdown in manufacturing momentum to persist into 1H23 amid global economic headwinds. Especially for Singapore's manufacturing landscape, we are most concerned over an economic downturn and the adverse spill-over effects it may have on global external demand. We are pessimistic on Singapore's outward-oriented sectors into the next 6-8 months, including the electronic and chemicals clusters. Notwithstanding the negative tone, we continue to see bright spots in Singapore's manufacturing arena. These include transport engineering, general manufacturing, and the biomedical manufacturing industries. Specifically, the gradual reopening of borders and the pickup of travel demand should support Singapore's aerospace segment on the back of aircraft parts and maintenance, repair & overhaul (MRO) activities demand. Likewise, higher tourism activity across Asia should also lend a hand to the hospitality-related sectors, thus aiding Singapore's F&B manufacturing cluster. Last, biomedical manufacturing, which had been relatively volatile and soft in 2022, may pick up on the back of low base effects into 2023. Overall, we pencil in Singapore's manufacturing growth at 0-2% in 2023.

Retail sales to benefit from the relatively tighter labour market and the gradual reopening of Asia's (especially China's) borders. However, due to some front-loading expenditure before the end of 2022 amidst the GST rate hike to 8.0% effective 1 Jan 2023 suggests that retail sales may slow at least into 1H23. Moreover, we expect Singapore's economy to slow into 1H23 given the global economic headwinds. As such, we will not be surprised if retail sales see several months of contraction on a YoY basis in 1H23. We still expect positive growth in retail sales for 2023 and have pencilled in YoY retail sales growth at 4-6% in 2023 as compared to our estimate of 10% YoY growth in 2022.

We expect MAS to tighten monetary policy by increasing the Singapore dollar nominal effective exchange rate (S$NEER) gradient in Apr 2023. Even with easing inflation risks in 2023, core inflation rates on a YoY basis are expected to stay above the symbolic 2.0% handle in 1H23. Given the elevated core inflation, we expect MAS to tighten its monetary policy via a "slight" increase of 0.5% in the slope gradient. MAS has preserved some policy space by leaving the slope and the width unchanged in its Oct 2022 policy meeting. At the time of writing, the S$NEER has softened to 0.82% above the midpoint from over 1.0% in the previous month. This suggests that more headroom is available for the S$NEER to strengthen to combat inflation pressures.

Regarding the fiscal balance, we keep our 2022 budget deficit outlook at 1.0% of GDP and pencil in a surplus of 1.0% of GDP in 2023. The budget is expected to turn to surplus territory in 2023 and 2024 on higher GST rates (8% in 2023, 9% in 2024), while a carbon tax of SGD25 per tonne may help, albeit, in a small way. Elsewhere, the Net Investment Returns Contribution portion of the budget should allow for more surplus room, given MAS' decision to transfer excess foreign reserves to the Government for longer-term Government of Singapore Investment Corp investment since the start of 2022.

We keep our outlook for Singapore's current account to see a surplus of 16.8% of GDP in 2022 and a surplus of 17.5% of GDP in 2023. Despite the slowdown in trade flows, Singapore's trade surplus will likely stay resilient in 2023. The contribution from the services trade should also gain in 2023, given the recovery in Singapore's tourism-related industries. Overall, we forecast net exports at SGD154.9bn in 2023, up from an expected SGD149.8bn in 2022. The risk to our outlook may stem from a further slowdown in global trade flows, which would inject a more profound and sustained downturn in Singapore's trade dynamics in 2023.

USD/SGD: Expect currency to continue outperforming in 2023. From an econometric model perspective, on a quarterly average basis, USD/SGD is mainly determined by the inflation differential between Singapore and DM (negative relationship), one month lagged DXY Index (positive relationship), and USD/CNH (negative relationship). The positive sign on the two lagged S$NEER variable is odd and could be reflecting that MAS tightens policy well in advance to limit the pace of SGD depreciation in the future.

The following are our quarterly forecasts for USD/SGD and the main catalysts behind these views: a) **1Q23: 1.35-1.40.** Stronger USD and falling inflation differential between Singapore and DM; b) **2Q23: 1.30-1.35.** Investors sentiment will likely shift away from growth risks to a potential monetary policy tightening by MAS in Apr 2023. We believe MAS will steepen the slope slightly in Apr 2023 due to the elevated core inflation rates. The expectations for MAS to tighten policy further will likely give rise to a stronger SGD in 2Q23. In addition, the DXY Index will fall; c) **3Q-4Q23: 1.30-1.35.** In 2H23, the DXY will fall further and inflation differentials between Singapore and DM will rise as US and Europe price pressures fall at a faster pace compared to Singapore; d) **2024: 1.25-1.30.** We expect USD/SGD to return to long-term trading ranges. Overall, Singapore's economic and financial market fundamentals will return to long-term trends amid a significant dissipation of geopolitical and pandemic-related risks.

Sector Outlook, Rating & Preferred Picks

Figure 28: Sector outlook, rating and preferred picks

Sector	Rating	2H22 sector outlook	Preferred picks
Consumer	O/W	Despite the deteriorating global economic backdrop, which may weigh on Singapore's externally facing sectors, we believe that further increases in air travel and international visitor arrivals in 2023 will benefit the aviation and tourism-related sectors such as retail and F&B. We expect consumer spending to remain resilient, as the sector's fundamentals are supported by positive economic growth (2023F GDP growth: 3.0%) and a stable employment market.	Thai Beverage, Sheng Siong
Financials	O/W	Sector ROE is projected to improve to 13.6% in FY23F from 12.0% in FY22F, on a healthy 20% YoY growth in net profit. Although deposit competition has intensified and loan growth is expected to moderate, tailwinds from hikes in the FFR in 2H22 and 1H23 should lift the NII higher in the coming year. Loan portfolios are well seasoned over the past two years, but still, we have conservatively pencilled in a higher credit cost of 19bps for FY23F (FY22F: 14bps) given the rapid rise in interest rates. Non-II is expected to rise by a healthy 8%, led mainly by higher core fee income from loans and trade flows as well as a recovery in demand for wealth products. With CET-1 ratios at 13-14%, banks are well positioned to weather the external headwinds. We expect a YoY rise in dividends.	DBS, OCBC
Food Products (Plantations)	N	CPO prices seem to be rangebound now, within the MYR3,500-4,500 per tonne range. With YTD prices at MYR5,218 per tonne, we expect average prices for 2022 to come in close to our MYR5,100 per tonne assumption. CPO prices are expected to remain in a similar price range in 2023. While upside risks for CPO prices have moderated in the last few weeks, there are still supportive factors for the commodity that should keep prices relatively stable. These include weather uncertainties, especially with the ongoing La Nina, availability of fertiliser from Russia, which could impact oilseed crop supply, growing demand due to discounted CPO prices compared to those of soybean oil (SBO), and potential increases in Indonesia's biodiesel mandate. We prefer the integrated players, which would be able to withstand a lower CPO price environment better than the purer planters.	Wilmar, Golden Agri
Healthcare	OW	We anticipate that Singapore's healthcare service providers will profit from the resurgence of elective treatments and pent-up demand from medical tourism. We think that because healthcare is a necessary service, it will be able to absorb most of the cost inflation. Given the modest gearing levels, we do not anticipate a significant impact from an increase in interest rates. Healthcare service providers like Raffles Medical that have a presence with the South-East Asian region and in China, will benefit from the economic reopening of China.	Raffles Medical
Real estate	N	Singapore's residential sector is expected to remain relatively resilient in 2023, despite sharply rising interest rates and the slowing of economic growth, as limited unsold inventory, low developer margins, and resilient rental market conditions remain supportive. Overall, we expect transaction volumes to ease on the back of a growing mismatch in pricing expectations between buyers and sellers. Primary private transaction volumes are expected to decline by c.10% while secondary market transaction volumes (private resale and HDB resale) are expected to decline by c.20%. We expect overall property prices to remain relatively flat at -2% to +2%. Key factors underpinning a resilient property market are: i) A resilient rental market, ii) limited inventory levels and supply, and iii) Singapore's stature as a regional and global financial hub. Key risks include prolonged recessionary risks resulting in sharp job losses, a continued sharp spike in interest rates, and further cooling measures.	City Developments
Hospitality REITs	N	The hospitality REITs near-term outlook remains positive, but concerns are mounting over the medium term due to a sharp economic slowdown and the sustainability of pent-up demand. However, valuations, in our view, have priced in most of the positives (trading close to book value), and with a dim macroeconomic outlook, we see limited upside. With increasing inflationary pressures and recessionary risk, we believe there is a possibility of some of the hospitality demand slowing down after the initial surge from the lockdown. As such, hospitality stocks are likely to be more rangebound in the near term, with risks tilted towards the downside.	CDL Hospitality Trusts
Industrial REITs	O/W	Industrial demand remains strong, mitigating supply concerns. We expect industrial rents to continue to rise, while occupancy is expected to remain relatively flat. Among the sub-sectors, we like logistics, hi-tech, and good-quality business parks, as these sectors continue to benefit from changing market dynamics brought about by COVID-19 and the Government's longer-term push to transform Singapore into a Smart Nation.	CapitaLand Ascendas REIT, ESR-LOGOS REIT

Source: Company data, RHB

Figure 29: Sector outlook, rating and preferred picks (continued)

Sector	Rating	2H22 sector outlook	Preferred picks
Office REITs	O/W	We expect overall office rental rates to continue to rise, albeit, at a much slower pace of up to 2% in 2023, with some volatility expected in market occupancy amid ongoing tech sector layoffs. Limited supply in the office sector remains supportive despite mounting recession concerns. Despite a relatively favourable outlook and external factors supporting Singapore's office market, office S-REIT stocks have been trading at a discount to book value – a sharp contrast to transactions in the market. We believe this is mainly due to investor concerns about the impact arising from interest rates and uncertainty over the long-term office demand outlook from work-from-home (WFH) trends. We remain relatively positive on the long-term outlook for office demand.	Suntec REIT, Keppel REIT
Overseas REITs	O/W	Following a sharp correction in US office REIT share prices, these REITs now trade at attractive valuations of more than 30% below book value, with forward dividend yields averaging 12%. This, in our view, has priced in most of the current market uncertainty. More employees are also expected to return to their offices amid looming layoff concerns and easing COVID fears. Our base case at this juncture is that the US economy is unlikely to tip into a severe recession, and interest rate hikes are nearing the peak of the cycle. Based on the above view, we believe US REITs listed on the SGX are nearing the bottom of the current market cycle.	Prime US REIT, Keppel Pacific Oak US REIT
Retail REITs	N	For 2023, we expect landlords to remain focused on maintaining high occupancy rates in the shopping malls while remaining flexible on rental structures. The sector continues to be weighed down by rising inflation pressures, manpower constraints, and higher GST charges, which will kick in starting next year. However, the return of tourists and limited supply are expected to mitigate some of these demand pressures. Overall, we expect the island-wide vacancy to slightly widen by 1 ppt to c.10% in 2023. In terms of retail rental, we expect overall rates to be relatively flat at -3% to +1%. We continue to maintain our neutral view and expect retail REITs to be largely rangebound.	Frasers Centrepoint Trust, Starhill Global REIT
Telecom	N	The telecom industry's mobile revenue is poised for a further recovery in 2023, with roaming revenue fast approaching pre-pandemic levels. We expect the tight competition within SIM-only plans to continue, with telcos attempting to better monetise 5G on standalone (SA) networks where coverage has surpassed 90% of the population (the Big-3 mobile network operators). Both Singtel and StarHub are aggressively expanding their respective enterprise businesses, capitalising on the slew of M&As executed. There could be medium-term earnings weakness from adding more headcount to shore up capabilities and expertise. We do not rule out additional asset monetisation and/or capital recycling by telcos, with industry consolidation being a prominent theme.	Singtel
Transport & Industrials	O/W	With the re-opening in Singapore in full swing, we expect land transport operators like ComfortDelGro to benefit from the higher demand for its taxi services and higher traffic for its rail business. This should offset some impact of higher energy costs for its rail business. Net cash position for transport players is also a positive in the rising interest rate environment. ST Engineering's defensive growth should continue to attract investor interest. While its high gearing will be impacted by rising interest rates, we believe some of the impact should be mitigated by its strong cash flow generation ability.	ComfortDelGro, ST Engineering

Source: Company data, RHB

Figure 30: Summary of our sector weightings

Overweight	Neutral
Consumer	Food products (plantations)
Financials	Real estate
Healthcare	S-REITs (Other sub sectors)
Industrials	Telecom & Media
S-REITs (Industrials)	
Transport	

Source: RHB

Figure 31: Summary of preferred stocks across sectors

Sector	Most preferred
Consumer	SSG, THBEV
Financials	DBS, OCBC
Food products	WIL, GGR
Healthcare	RFMD
Industrials	STE
Real estate	CIT
REIT	AAREIT, CLAR, EREIT
Telecom & media	ST
Transport	CD

Source: RHB

Figure 32: Sector valuation comparison (1)

		P/E (x)		P/BV (x)		Dividend Yield (%)		FCF Yield (%)		ROE (%)	
Sector name	Rating	2022	2023	2022	2022	2023	2022	2023	2023	2022	2023
Consumer	OW	31.7	17.6	2.3	2.1	2.9	3.8	5.4	7.3	11.7	13.6
Financials	OW	11.0	9.3	1.5	1.4	4.3	4.8	4.3	4.0	13.1	14.8
Food Products	N	7.7	8.1	0.9	0.8	4.1	3.5	35.0	15.5	14.7	12.1
Healthcare	OW	22.2	27.0	2.6	2.5	1.9	2.2	3.4	5.9	12.0	9.6
Industrials	OW	18.5	16.4	4.1	3.8	5.4	3.9	0.8	2.0	24.3	23.8
Real estate	N	18.0	15.5	0.9	0.8	2.5	2.7	12.1	10.7	5.1	5.6
REIT	OW	15.1	15.2	0.9	0.9	6.5	6.5	8.6	8.9	5.2	6.2
Telecom & Media	N	19.1	16.1	1.5	1.5	4.4	4.6	10.7	12.4	8.2	9.5
Transport	OW	13.3	11.8	0.9	0.9	3.6	3.5	18.0	8.9	6.7	7.3

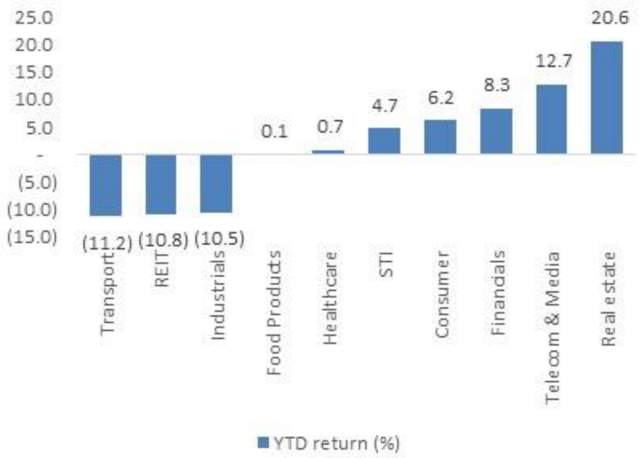
Note: Prices are as at 13 Dec 2022. Market cap weighted-averages for stocks under RHB's coverage
Source: Bloomberg, RHB

Figure 33: Sector valuation comparison (2) and returns

		EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Sector name	Rating	2022	2023	2022	2023	2022	2023	1M	3M	1M	YTD
Consumer	OW	24.3	69.3	29.3	61.6	11.3	12.5	0.3	0.2	10.2	6.2
Financials	OW	18.2	20.1	13.0	12.2	39.7	38.4	-0.7	-0.7	1.0	8.3
Food Products	N	39.9	-7.4	26.3	-6.7	6.3	5.5	0.9	0.8	1.1	0.1
Healthcare	OW	63.0	-17.8	34.5	14.3	15.1	12.4	-0.1	-0.2	0.0	0.7
Industrials	OW	-3.4	12.9	23.0	-27.7	6.5	7.0	2.1	2.1	-1.2	-10.5
Real estate	N	283.6	16.0	49.1	10.1	12.6	13.3	1.0	1.0	1.0	20.5
REIT	OW	-34.9	5.9	4.8	0.9	55.5	60.1	0.6	0.6	-0.8	-10.0
Telecom & Media	N	15.3	18.9	26.0	5.4	13.4	15.4	0.4	0.4	-1.4	12.7
Transport	OW	23.7	13.7	11.2	0.6	4.1	4.3	-0.4	-0.4	-5.3	-11.2

Note: Prices are as at 13 Dec 2022. Market cap weighted-averages for stocks under RHB's coverage
Source: Bloomberg, RHB

Figure 34: YTD sector performance – stocks under RHB's coverage



Note: As at 13 Dec 2022
Source: Bloomberg

Figure 35: YTD sector performance for components of the STI

Note: As at 13 Dec 2022
Source: Bloomberg

Stock Picks

Figure 36: Singapore – valuation comparison (1) for large-cap picks

	M Cap			Upside/	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	**(USDm)**	**Rating**	**TP**	**down. (%)**	**year**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**
CapitaLand Ascendas	8,494	Buy	3.15	14.9	Dec-22	15.0	19.5	1.1	1.1	5.9	6.0	9.8	10.0	7.7	5.9
DBS Group	64,745	Buy	41.10	20.6	Dec-22	10.8	8.7	1.5	1.4	4.3	4.8	na	na	14.0	16.3
OCBC	41,161	Buy	15.00	20.9	Dec-22	9.3	7.7	1.0	0.9	4.7	5.3	na	na	11.1	12.6
SingTel	32,275	Buy	3.30	24.5	Mar-23	18.5	15.5	1.5	1.4	4.6	4.6	9.6	11.8	8.0	9.3
ST Engineering	7,672	Buy	4.15	24.3	Dec-22	19.1	16.8	4.3	3.9	5.4	3.7	0.2	1.4	24.7	24.2
Thai Beverage	12,513	Buy	0.91	34.1	Sep-23	13.6	12.8	2.0	1.8	3.8	4.1	7.3	8.0	14.9	14.7

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 37: Singapore – valuation comparison (2) and returns for large-cap picks

	M Cap			Upside/	1FY	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Company name	**(USDm)**	**Rating**	**TP**	**down. (%)**	**year**	**1FY**	**2FY**	**1FY**	**1FY**	**1FY**	**2FY**	**1M**	**3M**	**1M**	**YTD**
CapitaLand Ascendas	8,494	Buy	3.15	14.9	Dec-22	-21.1	-23.1	5.4	2.7	57.2	43.3	0.6	0.6	-0.7	-7.1
DBS Group	64,745	Buy	41.10	20.6	Dec-22	18.6	24.1	22.5	10.2	na	na	na	na	-2.0	4.4
OCBC	41,161	Buy	15.00	20.9	Dec-22	23.3	19.7	9.2	13.8	na	na	na	na	1.1	8.9
SingTel	32,275	Buy	3.30	24.5	Mar-23	18.6	19.2	29.0	0.0	14.2	16.4	0.4	0.4	-1.5	14.2
ST Engineering	7,672	Buy	4.15	24.3	Dec-22	-4.5	13.5	19.1	-30.1	6.2	6.7	2.3	2.3	-1.2	-11.2
Thai Beverage	12,513	Buy	0.91	34.1	Sep-23	6.1	6.2	6.1	6.2	10.6	10.9	0.6	0.5	11.6	2.3

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 38: Singapore – valuation comps (1) for mid- to small-cap picks

	M Cap			Upside/	1FY	P/E (x)		P/BV (x)		Div Yield (%)		FCF Yield (%)		ROE (%)	
Company name	**(USDm)**	**Rating**	**TP**	**down. (%)**	**year**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**
ESR-LOGOS REIT	1,859	Buy	0.46	22.4	Dec-22	na	11.8	0.8	1.0	8.0	7.5	13.6	11.8	-14.1	8.8
Raffles Medical	1,888	Buy	1.65	19.6	Dec-22	22.2	27.0	2.6	2.5	1.9	2.2	3.4	5.9	12.0	9.6
Sheng Siong	1,809	Buy	1.78	9.2	Dec-22	17.4	16.9	5.5	5.0	4.0	4.2	6.6	6.5	33.1	31.1

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 39: Singapore – valuation comps (2) and returns for mid- to small-cap picks

	M Cap			Upside/	1FY	EPS Growth (%)		DPS Growth (%)		Net margin (%)		Net debt/Equity (x)		Returns (%)	
Company name	**(USDm)**	**Rating**	**TP**	**down. (%)**	**year**	**1FY**	**2FY**	**1FY**	**1FY**	**1FY**	**2FY**	**1M**	**3M**	**1M**	**YTD**
ESR-LOGOS REIT	1,859	Buy	0.46	22.4	Dec-22	-308.9	na	0.6	-6.6	-85.3	51.9	0.9	0.9	5.6	-21.9
Raffles Medical	1,888	Buy	1.65	19.6	Dec-22	63.0	-17.8	34.5	14.3	15.1	12.4	-0.1	-0.2	0.0	0.7
Sheng Siong	1,809	Buy	1.78	9.2	Dec-22	5.8	3.4	5.8	3.4	9.7	9.6	-0.5	-0.6	1.9	11.6

Note: Prices are as at 13 Dec 2022.
Source: Bloomberg, RHB

Figure 40: Investment theses for our stock picks

Stock	Investment thesis
AIMS APAC REIT (AAREIT SP)	• High-quality industrial portfolio, with a focus on logistic assets, which has been in demand amongst investors post COVID-19 • Earnings recovery will be driven by acquisitions, improved occupancy rates and rental increases • Untapped potential to enhance portfolio value from asset enhancements • Potential medium-term M&A candidate
CapitaLand Ascendas (CLAR SP)	• Largest industrial REIT with diversified exposure to business parks, logistics and hi-tech industrial spaces • Organic growth from asset redevelopments, higher occupancy rates, and rental improvement • Backed by a strong and experienced sponsor
City Developments (CIT SP)	• Continued earnings recovery from the hospitality segment and healthy locked-in sales of its residential projects • Potential to recycle investment assets and unlock value through divestments, private funds or REITs • Trading at an attractive valuation of more than 50% discount to its RNAV
ComfortDelGro (CD SP)	• Sustained earnings recovery amid normalisation of Singapore rail and taxi businesses' operations • Return of Chinese tourists could further boost Singapore's taxi and public transport ridership • Valuation is compelling amid ongoing YoY earnings growth and strong improvements in ROE • Risk of slower-than-estimated earnings from the UK if Europe and/or the UK enter into a recession
DBS Group (DBS SP)	• Highest sensitivity to interest rate movements, with a 25bps hike boosting annual earnings by 5% • Some macroeconomic headwinds for topline growth, but lower provisions would provide uplift to bottomline • Earnings to grow a robust 24% in FY23F supported by loan growth of 5%, stronger NIM, and a recovery in fee income • Management guides for credit cost to normalise to 20bps, from 10-11bps in FY22F • Its digital capabilities and new regional growth platforms support a richer valuation
ESR-LOGOS REIT (EREIT SP)	• Asset recycling, redevelopments and acquisitions in new markets to generate value and investor interest • High exposure to favourable industrial segments such as logistics and hi-tech industrial segment • Strong and capable sponsor backing (ESR) and attractive valuation
Golden Agri (GGR SP)	• Integrated plantation player which would be better off in a lower CPO price environment than pure planters • Valuation looks attractive, trading at 5x 2023F P/E, at the low-end of its peer average of 5-9x • Dividend yield of over 10% for 2022F and 6% for 2023F is an added attraction
OCBC (OCBC SP)	• FY23F net profit to grow by a healthy topline growth, improved operating leverage and moderate decline in credit cost • NIM, which jumped 23bps YoY for 9M22, would be a key earnings driver in 2023 • Management guided for mid-teens credit cost in FY22F (FY21: 32bps) • CET-1 ratio of 14.4% is above optimal levels of 12.5-13.5%, providing headroom for better dividend payouts in the future
Raffles Medical (RFMD SP)	• Singapore hospital and healthcare operations reverting to normal will help offset decline in COVID-19 related revenue • China, which accounts for c.7% of RFMD's revenue, should also see higher revenue beyond 2023 • A net cash position should enable RFMD to look at inorganic growth opportunities • RFMD's 2023F P/E and EV/EBITDA are below its peer average
Sheng Siong (SSG SP)	• Defensive business model with the ability to preserve margins by passing on higher costs to consumers • Growth to come from consumers seeking cheaper options amidst rising inflation and from normalisation of revenge spending • Generates strong cash flow and has a net cash balance sheet
Singtel (ST SP)	• The resumption of international travel should drive recovery in roaming revenue and sale of starter packs • ARPU uplift to come from stronger 5G adoption • Positive execution of strategic business reset (ie regionalisation of enterprise/B2B businesses & value unlocking of strategic infrastructure assets)
ST Engineering (STE SP)	• Sustained recovery in earnings beyond 2022, driven by gradual improvement in commercial aerospace • c.SGD23bn of orderbook provides over two years of revenue visibility • Recent acquisition of Transcore, although has worsened its debt profile, expanded the earnings profile • Defensive business model that will allow it to sustain DPS of at least 16 SG cents
Thai Beverage (THBEV SP)	• Proxy to capture the robust consumption in Thailand and Vietnam • Potential reopening of China and the ensuing resurgence in tourism should catalyse earnings prospects • Margin recovery on price adjustment amidst cost pressure
Wilmar (WIL SP)	• Integrated commodities player which would be better off in a lower commodity price environment than pure farmers • Undervalued at 8x 2023F P/E. Its combined stake in Yihai-Kerry and Adani Wilmar is c.2x its own market capitalisation. • ESG play, having the best ESG qualifications in the sector

Source: Company data, RHB

STI Target: 3,440pts For End-2023

Positive returns, but a slow upward move amidst subdued risk sentiment

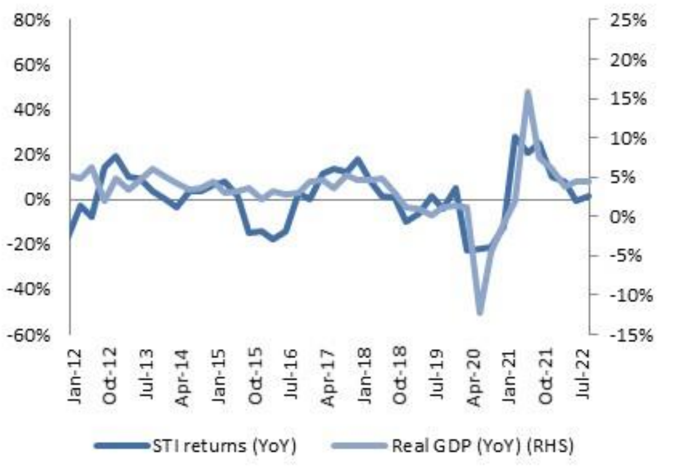
Based on 12-month forward consensus EPS estimates, the STI is trading at 10.9x P/E, which is in line with -2SD from its historical average since Jan 2008. We believe investors are concerned about the sustainability of the strong EPS growth forecast of 12% for 2023 amidst a weakening macroeconomic environment, especially on the external front. Although not our base case, our economists believe that the balance of risks is tilted towards a technical recession in 2023. Even if a technical recession (defined as two consecutive quarters of negative QoQ growth) is seen in 1H23, it will likely be a short, shallow, and orderly one. Nevertheless, we are still expecting the economic growth rate to drop to 3.0% in 2023 from the 3.7% growth forecasted in 2022. This should imply a slower corporate earnings growth rate as well.

Our end-2023 STI target of 3,440 pts represents a 5.2% upside from the 13 Dec 2022 close of 3,271 pts. This is based on 11.5x 2023F P/E, which lies between the -1SD and -2SD of its forward P/E mean since Jan 2008. Our top down EPS growth estimates for 2023 and 2024 are 12% and 8%. We believe our target P/E, which is well below its historical average, reflects the risks of an unfavourable macroeconomic environment ahead.

We note that, historically, the STI's returns have had a positive correlation with Singapore's GDP growth expectations (**Figure 41**). With expectations of a slowdown in GDP growth in 2023 and the downside risk of a further slowdown from external factors, it will be difficult to build a case for strong positive STI returns in 2023. However, it is also worth noting that our more optimistic view on Singapore's economic growth for 2023 outlook increases the likelihood of positive earnings surprises in the quarters ahead.

A relatively benign economic backdrop in Singapore, which is characterised by more moderate GDP growth – as opposed to a recession in 2023 – as well as gradually easing inflation levels, interest rates aided by China reopening tailwinds, will underpin sustained growth in corporate earnings. We believe that earnings growth, rather than an improvement in valuation multiple, will drive the rise in the STI next year. While we still remain constructive about the STI delivering positive returns for 2023, we maintain that the upward move for the index will be a slow grind as investors assess the risk of slowing economic growth dragging corporate earnings lower.

Figure 41: There is a positive correlation between STI's returns and GDP growth expectations



Source: Bloomberg, RHB

Figure 42: STI's forward EPS growth and expected GDP growth are also positively correlated

Source: Bloomberg, RHB

The reopening of Singapore and the regional (ASEAN) economies, along with the safe haven status of Singapore as a country and its currency, had led to the STI becoming the most defensive developed economy benchmark in Asia during 2022. Among the emerging Asia economies, India, Singapore and Indonesia have delivered positive returns in local currency terms, amongst which India has outperformed the STI (**Figure 52**). Singapore has delivered positive returns in USD terms as well and outperformed the rest of Asia (**Figure 53**).

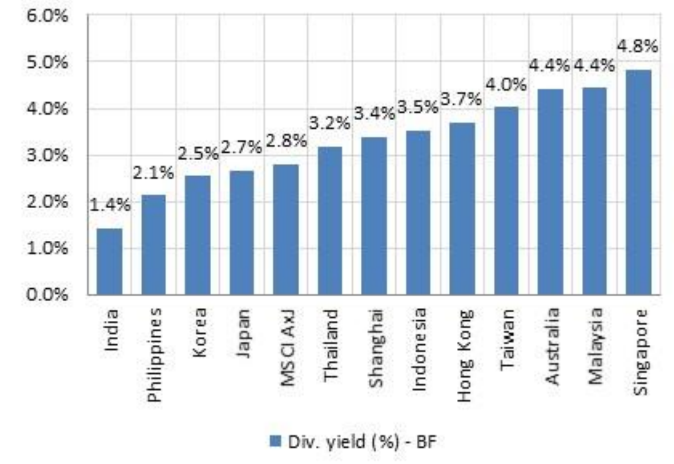
The STI's 10.9x 2FY P/E is in line with -2SD from its historical 1-year forward average P/E, and is the lowest amongst the ASEAN equity indices (**Figure 43**). Its blended forward yield of 4.8% is still amongst the highest in Asia (**Figure 44**).

Figure 43: Valuation comparison for regional indices

	P/E		Dividend yield		P/BV		ROE	
	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
Developed Asia								
Australia	14.2	14.1	4.4	4.5	2.0	1.9	15.1	14.1
Hong Kong	10.8	9.5	3.4	3.7	1.1	1.1	11.4	11.2
Japan	12.5	12.1	2.5	2.6	1.2	1.1	8.9	8.8
Korea	11.1	11.4	2.2	2.3	0.9	0.9	6.5	7.5
Singapore	**12.1**	**10.8**	**4.4**	**4.9**	**1.1**	**1.0**	**9.3**	**9.9**
Taiwan	10.7	12.7	4.7	4.1	1.9	1.8	22.6	17.9
Emerging Asia								
India	22.0	18.6	1.4	1.5	3.3	2.9	15.4	15.6
Indonesia	14.3	14.1	2.6	3.3	1.8	1.7	-9.0	-7.1
Malaysia	14.5	13.0	4.1	4.5	1.4	1.4	10.3	11.1
Philippines	15.5	13.5	2.1	2.1	1.6	1.5	8.7	9.5
Shanghai	11.7	10.2	2.8	3.0	1.3	1.2	11.0	10.7
Thailand	15.6	14.9	2.8	3.0	1.6	1.5	8.8	9.1
MSCI APxJ	**13.4**	**12.8**	**3.0**	**3.1**	**1.6**	**1.5**	**11.8**	**11.4**

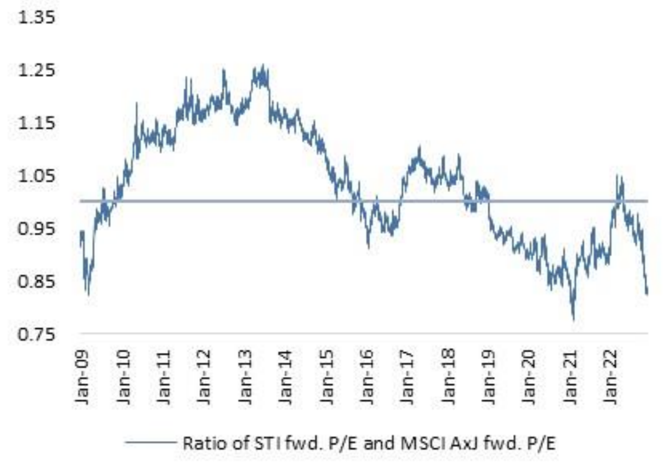
Note: As at 13 Dec 2022
Source: Bloomberg

Figure 44: The STI is the top-yielding market in Asia



Note: As at 13 Dec 2022
Source: Bloomberg

Figure 45: The STI's forward P/E has now dropped to a significant discount vs Asia ex-Japan's forward P/E



Note: As at 13 Dec 2022
Source: Bloomberg

Figure 46: STI's forward consensus P/E

Note: As at 13 Dec 2022
Source: Bloomberg

Figure 47: STI's forward consensus P/BV

Note: As at 13 Dec 2022
Source: Bloomberg

Valuations Of Stocks Under RHB's Coverage Universe

Figure 48: RHB's coverage universe (by sector)

	M Cap		Target	Upside/	1FY	P/E (x)		P/BV (x)		Div. Yield (%)		FCF Yield (%)		ROE (%)	
Company name	**(USDm)**	**Rating**	**price**	**down. (%)**	**year**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**
Dairy Farm	3,884	Neutral	2.71	-5.7	Dec-22	78.5	19.0	3.2	2.9	1.0	4.2	0.9	6.8	4.0	16.3
Food Empire	252	Buy	0.95	48.4	Dec-22	7.0	6.6	1.0	0.9	3.2	3.4	5.3	11.0	15.1	14.4
Japan Foods	54	Buy	0.60	42.9	Mar-23	18.9	15.3	2.3	2.2	5.6	5.3	2.1	5.1	11.9	14.5
Kimly Ltd	316	Buy	0.46	33.3	Sep-22	9.4	7.9	2.7	2.4	6.4	7.6	7.5	10.7	30.3	31.8
Sheng Siong	1,809	Buy	1.78	9.2	Dec-22	17.4	16.9	5.5	5.0	4.0	4.2	6.6	6.5	33.1	31.1
Thai Beverage	12,513	Buy	0.91	34.1	Sep-23	13.6	12.8	2.0	1.8	3.8	4.1	7.3	8.0	14.9	14.7
Consumer	**18,828**					**27.2**	**14.3**	**2.6**	**2.4**	**3.3**	**4.1**	**5.9**	**7.7**	**14.7**	**16.9**
DBS Group	64,745	Buy	41.10	20.6	Dec-22	10.8	8.7	1.5	1.4	4.3	4.8	na	na	14.0	16.3
OCBC	41,161	Buy	15.00	20.9	Dec-22	9.3	7.7	1.0	0.9	4.7	5.3	na	na	11.1	12.6
Singapore Exchange	7,202	Neutral	9.30	1.9	Jun-23	22.7	21.4	5.9	5.5	3.5	3.5	3.0	4.9	27.0	26.8
UOB	38,618	Buy	34.90	11.7	Dec-22	11.1	9.4	1.2	1.1	4.0	4.6	na	na	10.9	12.3
Financials	**151,726**					**11.0**	**9.2**	**1.5**	**1.4**	**4.3**	**4.8**	**3.0**	**4.9**	**13.0**	**14.8**
Bumitama Agri	774	Buy	0.80	32.1	Dec-22	3.2	5.4	1.0	0.9	12.9	7.8	29.4	14.5	33.6	16.9
First Resources	1,725	Neutral	1.75	17.6	Dec-22	5.1	6.7	1.3	1.2	7.2	5.5	22.0	15.3	26.6	18.0
Golden Agri	2,386	Buy	0.33	29.7	Dec-22	2.9	5.2	0.5	0.4	7.8	4.3	46.2	27.4	32.6	22.7
Wilmar	18,930	Buy	5.40	31.4	Dec-22	8.8	8.7	0.9	0.9	3.0	3.1	na	14.0	10.6	10.0
Food Products	**23,817**					**7.7**	**8.1**	**0.9**	**0.8**	**4.1**	**3.5**	**35.0**	**15.5**	**14.7**	**12.1**
Raffles Medical	1,888	Buy	1.65	19.6	Dec-22	22.2	27.0	2.6	2.5	1.9	2.2	3.4	5.9	12.0	9.6
Healthcare	**1,888**					**22.2**	**27.0**	**2.6**	**2.5**	**1.9**	**2.2**	**3.4**	**5.9**	**12.0**	**9.6**
HRnet Group	579	Buy	1.01	27.8	Dec-22	10.9	10.4	2.0	1.8	5.5	5.7	9.1	10.2	18.8	18.1
ST Engineering	7,672	Buy	4.15	24.3	Dec-22	19.1	16.8	4.3	3.9	5.4	3.7	0.2	1.4	24.7	24.2
Industrials	**8,251**					**18.5**	**16.4**	**4.1**	**3.8**	**5.4**	**3.9**	**0.8**	**2.0**	**24.3**	**23.8**
APAC Realty	155	Neutral	0.60	1.5	Dec-22	8.9	10.1	1.3	1.2	8.4	7.4	12.7	13.0	14.2	12.0
Centurion Corp	211	Buy	0.51	50.0	Dec-22	5.0	4.8	0.4	0.4	5.9	5.9	11.6	16.4	10.2	8.8
City Developments	5,434	Buy	9.75	20.1	Dec-22	18.8	16.0	0.9	0.8	2.2	2.5	na	10.5	4.6	5.3
Real estate	**5,800**					**18.0**	**15.5**	**0.9**	**0.8**	**2.5**	**2.7**	**12.1**	**10.7**	**5.1**	**5.6**
AIMS APAC REIT	636	Buy	1.48	23.1	Mar-23	9.4	9.6	0.8	0.8	7.8	7.9	11.9	12.3	9.0	8.6
CapitaLand Ascendas REIT	8,494	Buy	3.15	14.9	Dec-22	15.0	19.5	1.1	1.1	5.9	6.0	9.8	10.0	7.7	5.9
CDL Hospitality	1,132	Neutral	1.15	-7.1	Dec-22	18.9	19.3	0.9	0.9	4.8	5.5	6.3	7.2	4.9	4.7
CICT	9,744	Buy	2.00	0.7	Dec-22	15.2	14.8	1.0	0.9	5.5	5.5	6.9	8.3	6.3	6.4
ESR-LOGOS REIT	1,859	Buy	0.46	22.4	Dec-22	na	11.8	0.8	1.0	8.0	7.5	13.6	11.8	-14.1	8.8
Frasers Centrepoint	2,590	Neutral	2.09	1.5	Sep-23	17.0	15.4	0.9	0.9	6.0	6.0	7.3	6.6	5.2	5.7
IREIT Global	444	Buy	0.63	21.2	Dec-22	10.2	8.4	0.7	0.7	7.9	7.7	9.9	9.2	6.6	7.9
Keppel Pacific Oak	533	Buy	0.74	45.2	Dec-22	7.9	7.9	0.6	0.6	11.8	11.4	18.4	16.1	7.8	7.8
Keppel REIT	2,458	Buy	1.15	29.7	Dec-22	10.6	9.7	0.7	0.7	7.0	7.3	1.9	3.9	6.4	7.0
Manulife US REIT	586	Buy	0.64	92.7	Dec-22	43.3	6.8	0.5	0.5	15.9	15.3	20.3	18.9	1.1	7.6
Prime US REIT	549	Buy	0.77	64.5	Dec-22	8.4	7.3	0.6	0.6	14.8	14.5	16.8	15.9	6.6	7.7
Starhill Global REIT	888	Buy	0.60	12.5	Jun-23	13.4	10.5	0.7	0.7	7.0	7.0	10.8	8.6	5.1	6.5
Suntec REIT	2,971	Buy	1.70	21.7	Dec-22	13.5	15.9	0.7	0.7	6.3	6.2	6.0	6.3	4.9	4.2
REIT	**32,883**					**15.0**	**15.1**	**0.9**	**0.9**	**6.5**	**6.5**	**8.4**	**8.8**	**5.2**	**6.3**
SingTel	32,275	Buy	3.30	24.5	Mar-23	18.5	15.5	1.5	1.4	4.6	4.6	9.6	11.8	8.0	9.3
StarHub	1,326	Neutral	1.07	2.9	Dec-22	15.4	13.0	2.9	2.7	4.8	4.8	23.8	42.5	19.3	21.5
Telecom & Media	**33,600**					**18.4**	**15.4**	**1.5**	**1.5**	**4.6**	**4.6**	**10.1**	**13.0**	**8.4**	**9.8**
China Aviation Oil	517	Neutral	0.91	11.9	Dec-22	11.1	8.5	0.6	0.5	1.7	2.0	20.9	7.2	5.1	6.4
ComfortDelGro	1,998	Buy	1.80	44.0	Dec-22	13.9	12.7	1.0	0.9	4.1	3.9	17.3	9.4	7.1	7.6
Transport	**2,515**					**13.3**	**11.8**	**0.9**	**0.9**	**3.6**	**3.5**	**18.0**	**8.9**	**6.7**	**7.3**

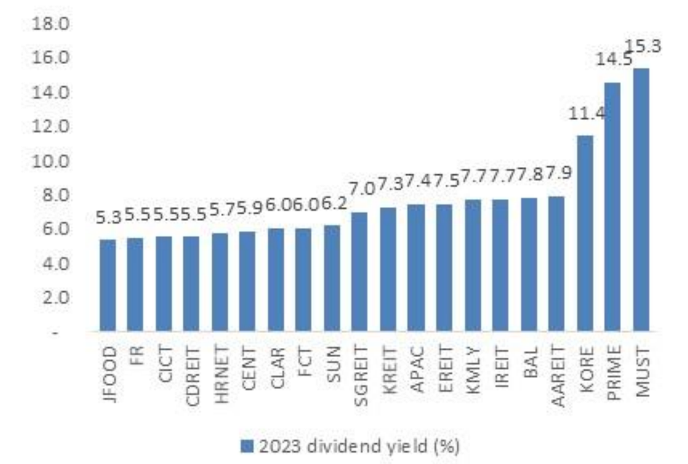
Note: Prices are as at 13 Dec 2022
Source: Bloomberg, RHB

Figure 49: RHB's coverage universe (by sector) (continued)

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	EPS Growth (%) 1FY	EPS Growth (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 2FY	Net margin (%) 1FY	Net margin (%) 2FY	Net debt/Equity (x) 1FY	Net debt/Equity (x) 2FY	Returns (%) 1M	Returns (%) YTD
Dairy Farm	3,884	Neutral	2.71	-5.7	Dec-22	-51.9	312.9	-72.7	300.0	0.5	2.2	0.8	0.7	15.3	0.3
Food Empire	252	Buy	0.95	48.4	Dec-22	92.8	6.0	22.6	6.0	10.0	10.1	0.0	-0.1	18.5	-16.9
Japan Foods	54	Buy	0.60	42.9	Mar-23	na	23.4	4.4	-5.6	5.6	6.5	-0.6	-0.6	0.0	3.7
Kimly Ltd	316	Buy	0.46	33.3	Sep-22	9.8	18.7	57.6	18.7	17.2	17.2	0.3	0.2	-1.4	-16.9
Sheng Siong	1,809	Buy	1.78	9.2	Dec-22	5.8	3.4	5.8	3.4	9.7	9.6	-0.5	-0.6	1.9	11.6
Thai Beverage	12,513	Buy	0.91	34.1	Sep-23	6.1	6.2	6.1	6.2	10.6	10.9	0.6	0.5	11.6	2.3
Consumer	**18,828**					**-4.7**	**69.5**	**-9.1**	**66.7**	**8.6**	**9.1**	**0.5**	**0.4**	**11.2**	**2.2**
DBS Group	64,745	Buy	41.10	20.6	Dec-22	18.6	24.1	22.5	10.2	na	na	na	na	-2.0	4.4
OCBC	41,161	Buy	15.00	20.9	Dec-22	23.3	19.7	9.2	13.8	na	na	na	na	1.1	8.9
Singapore Exchange	7,202	Neutral	9.30	1.9	Jun-23	-4.7	5.9	0.0	0.0	38.3	38.6	-0.6	-0.7	0.4	-1.8
UOB	38,618	Buy	34.90	11.7	Dec-22	15.8	17.6	3.7	16.0	na	na	na	na	5.9	16.2
Financials	**151,726**					**18.1**	**20.4**	**13.0**	**12.2**	**38.3**	**38.6**	**-0.6**	**-0.7**	**1.0**	**8.3**
Bumitama Agri	774	Buy	0.80	32.1	Dec-22	129.5	-41.8	125.7	-39.5	21.6	15.1	0.1	0.0	0.8	12.0
First Resources	1,725	Neutral	1.75	17.6	Dec-22	145.8	-24.3	128.7	-24.3	34.5	28.2	-0.1	-0.2	-2.0	-1.3
Golden Agri	2,386	Buy	0.33	29.7	Dec-22	105.3	-45.0	66.0	-45.0	7.5	4.5	0.2	0.1	-7.3	4.1
Wilmar	18,930	Buy	5.40	31.4	Dec-22	18.3	0.3	7.9	1.1	2.9	3.2	1.1	1.0	2.5	-0.7
Food Products	**23,817**					**39.9**	**-7.4**	**26.3**	**-6.7**	**6.3**	**5.5**	**0.9**	**0.8**	**1.1**	**0.1**
Raffles Medical	1,888	Buy	1.65	19.6	Dec-22	63.0	-17.8	34.5	14.3	15.1	12.4	-0.1	-0.2	0.0	0.7
Healthcare	**1,888**					**63.0**	**-17.8**	**34.5**	**14.3**	**15.1**	**12.4**	**-0.1**	**-0.2**	**0.0**	**0.7**
HRnet Group	579	Buy	1.01	27.8	Dec-22	10.6	4.4	74.6	4.4	11.2	11.2	-0.9	-0.9	-1.3	-1.9
ST Engineering	7,672	Buy	4.15	24.3	Dec-22	-4.5	13.5	19.1	-30.1	6.2	6.7	2.3	2.3	-1.2	-11.2
Industrials	**8,251**					**-3.4**	**12.9**	**23.0**	**-27.7**	**6.5**	**7.0**	**2.1**	**2.1**	**-1.2**	**-10.5**
APAC Realty	155	Neutral	0.60	1.5	Dec-22	-34.5	-11.3	-40.0	-11.3	4.2	4.0	0.0	-0.1	4.4	-18.1
Centurion Corp	211	Buy	0.51	50.0	Dec-22	32.8	4.8	91.7	0.0	32.6	33.1	0.9	0.8	-1.4	3.0
City Developments	5,434	Buy	9.75	20.1	Dec-22	302.3	17.2	50.0	11.1	12.1	12.8	1.1	1.1	1.0	22.3
Real estate	**5,800**					**283.6**	**16.0**	**49.1**	**10.1**	**12.6**	**13.3**	**1.0**	**1.0**	**1.0**	**20.5**
AIMS APAC REIT	636	Buy	1.48	23.1	Mar-23	-12.7	-2.5	-0.1	1.4	55.1	52.4	0.8	0.8	-4.8	-17.2
CapitaLand Ascendas REIT	8,494	Buy	3.15	14.9	Dec-22	-21.1	-23.1	5.4	2.7	57.2	43.3	0.6	0.6	-0.7	-7.1
CDL Hospitality	1,132	Neutral	1.15	-7.1	Dec-22	17.4	-2.4	39.8	15.3	40.2	33.8	0.7	0.7	0.0	6.0
CICT	9,744	Buy	2.00	0.7	Dec-22	-21.9	2.9	3.7	0.2	60.6	60.4	0.7	0.7	-2.5	-2.5
ESR-LOGOS REIT	1,859	Buy	0.46	22.4	Dec-22	-308.9	na	0.6	-6.6	-85.3	51.9	0.9	0.9	5.6	-21.9
Frasers Centrepoint	2,590	Neutral	2.09	1.5	Sep-23	2.2	10.2	0.9	-0.1	56.3	61.8	0.5	0.5	3.0	-10.8
IREIT Global	444	Buy	0.63	21.2	Dec-22	-70.2	21.6	-0.4	-2.1	66.3	81.1	0.4	0.4	2.0	-20.0
Keppel Pacific Oak	533	Buy	0.74	45.2	Dec-22	-18.1	-0.4	-5.4	-3.2	44.4	43.4	0.6	0.6	-10.5	-36.3
Keppel REIT	2,458	Buy	1.15	29.7	Dec-22	-16.7	8.7	8.0	4.2	140.7	150.5	0.6	0.6	-1.7	-21.2
Manulife US REIT	586	Buy	0.64	92.7	Dec-22	-69.3	532.6	-1.9	-3.5	6.6	42.9	0.8	0.8	-12.0	-50.7
Prime US REIT	549	Buy	0.77	64.5	Dec-22	-10.1	14.8	1.3	-1.9	39.5	44.9	0.6	0.7	-9.7	-44.3
Starhill Global REIT	888	Buy	0.60	12.5	Jun-23	75.0	28.2	-2.8	0.6	45.1	57.8	0.6	0.6	2.9	-18.3
Suntec REIT	2,971	Buy	1.70	21.7	Dec-22	-39.8	-15.1	2.9	-2.4	74.6	59.5	0.8	0.7	2.9	-7.3
REIT	**32,883**					**-34.3**	**6.0**	**4.7**	**0.9**	**55.6**	**60.5**	**0.6**	**0.6**	**-0.8**	**-10.0**
SingTel	32,275	Buy	3.30	24.5	Mar-23	18.6	19.2	29.0	0.0	14.2	16.4	0.4	0.4	-1.5	14.2
StarHub	1,326	Neutral	1.07	2.9	Dec-22	-22.0	19.0	-21.9	0.0	5.1	5.7	1.2	1.0	1.0	-23.5
Telecom & Media	**33,600**					**17.0**	**19.2**	**27.0**	**0.0**	**13.8**	**16.0**	**0.4**	**0.4**	**-1.4**	**12.7**
China Aviation Oil	517	Neutral	0.91	11.9	Dec-22	15.2	31.4	-28.1	17.0	0.2	0.2	-0.6	-0.6	7.9	-13.3
ComfortDelGro	1,998	Buy	1.80	44.0	Dec-22	25.9	9.2	21.4	-3.7	5.1	5.4	-0.3	-0.4	-8.8	-10.7
Transport	**2,515**					**23.7**	**13.7**	**11.2**	**0.6**	**4.1**	**4.3**	**-0.4**	**-0.4**	**-5.3**	**-11.2**

Note: Prices are as at 13 Dec 2022
Source: Bloomberg, RHB

Figure 50: Top 20 high-yield stocks under RHB's coverage



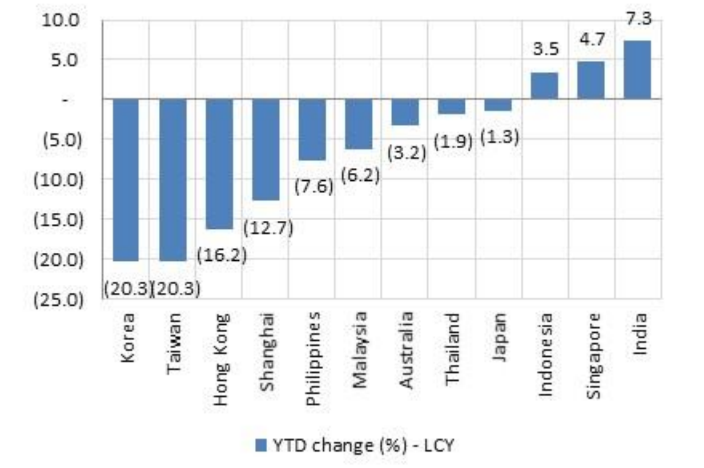
Note: Prices are as at 13 Dec 2022
Source: Bloomberg, RHB

Figure 51: Top 20 ROE for stocks under RHB's coverage

Source: RHB

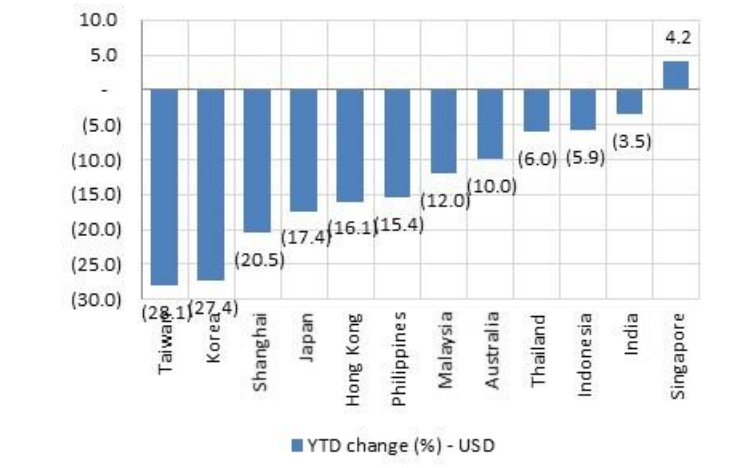
2022 – The Year That Was

Figure 52: Asian equity index returns in local currencies



Note: Prices as at 13 Dec 2022
Source: Bloomberg, RHB.

Figure 53: Asian equity index returns in USD terms

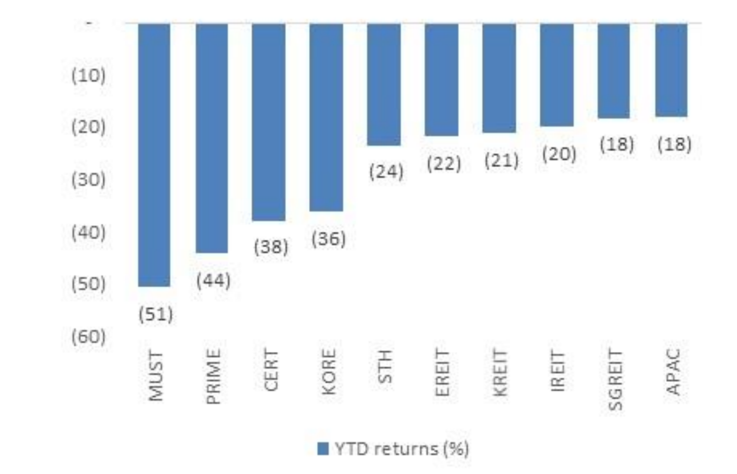


Note: Prices as at 13 Dec 2022
Source: Bloomberg, RHB

Figure 54: Best performing stocks under RHB's coverage

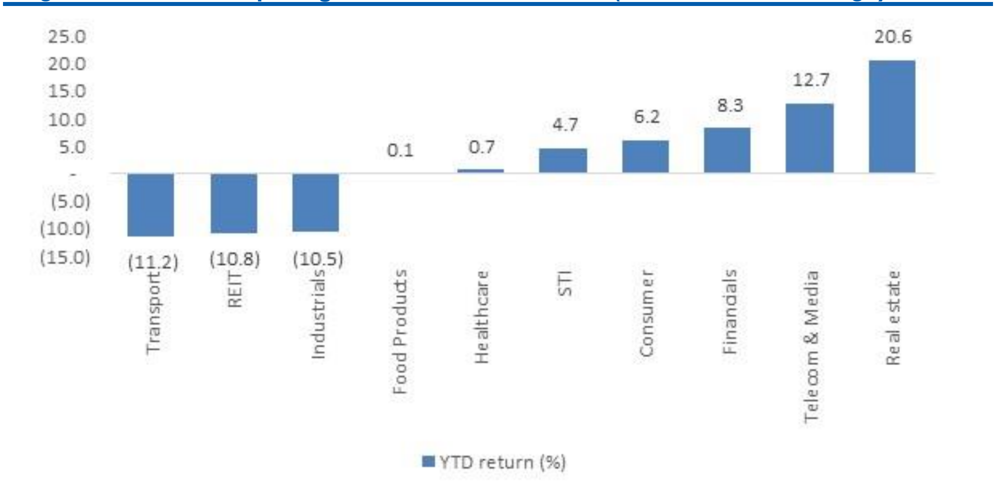
Note: Prices as at 13 Dec 2022
Source: Bloomberg, RHB

Figure 55: Worst performing stocks under RHB's coverage



Note: Prices as at 13 Dec 2022
Source: Bloomberg, RHB

Figure 56: Market cap-weighted YTD sector returns (under RHB's coverage)



Note: Prices as at 13 Dec 2022
Source: Bloomberg, RHB

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Trading Buy:	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral:	Share price may fall within the range of +/- 10% over the next 12 months
Take Profit:	Target price has been attained. Look to accumulate at lower levels
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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