26 July 2022

Market Outlook | Market Strategy

Equity Strategy

Positive 2H22 Outlook

Stocks Covered	50
Rating (Buy/Neutral/Sell):	33 / 17 / 0
Last 12m Earnings Revision Trend:	Positive

- **Singapore to relatively outperform in uncertain times.** Benefits from economic reopening, safe haven status of Singapore as a country and its currency should help the STI outperform most regional markets. We estimate 2022 EPS growth for our coverage universe at 13%, as we expect inflation to moderate by year-end and assess that debt level for stocks under our coverage remains manageable. STI's forward P/E is below its historical average and its forward yield of 4.3% is still amongst the highest in Asia. We recommend investors to buy banks, build exposure to economic reopening plays, hold stock of companies with resilient earnings, and rotate into defensive REITs.
- **Basis for our positive view on the Singapore market.** RHB Economics & Market Strategy team estimates Singapore's 2022 GDP growth at 3.5%, despite a relatively strong base of 2021. We are optimistic of 2022 non-oil domestic exports (NODX) growth to come in ahead of official forecasts and remain positive about a strong boost to the country's service sectors, thanks to the easing of domestic and border restrictions. While supply constraints and a tight labour market are helping to nudge inflation higher, we expect inflation to moderate by year end. We assess that the debt levels for stocks under our coverage are manageable as corporates have built up sufficient liquidity holdings during post-COVID recovery. The Monetary Authority of Singapore (MAS) has been proactive in managing imported inflation by letting the trade-weighted SGD to appreciate. While we expect MAS to further tighten policy in the upcoming October meeting, if policy tightening is faster or higher than expected, then SGD could outperform the rest of the regional currencies.
- **Our themes for 2H22 include**: i) Buying banks as a proxy to rising interest rates and for their undemanding valuation; ii) continuing exposure to economic reopening and living with COVID plays; iii) buying stocks of companies that offer defensive earnings outlook; and v) buying REITs that are defensive, and those that will benefit from the economic reopening.
- **STI's valuation is inexpensive.** In Asia, the STI was the most defensive developed economy benchmark for 1H22, thanks to the regional economic reopening and the country's safe haven status. We remain constructive on the STI delivering positive returns in 2022, but believe an upward move for the index will be a slow grind. Our end-2022 STI target of 3,380pts (from 3,460pts) is based on a 12.5x 2022F P/E. This lies between the average forward P/E since Jan 2008 and its -1SD.
- **Potential downside risk could arise from:** i) Higher-than-expected commodity prices, especially oil, ii) rapid rise in inflation and higher-than-expected rise in interest rates leading to a marked slowdown in global economic growth, and iii) rising global geopolitical risks.

Singapore sector ratings

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

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Sector Top Picks

Sector	Most preferred
Consumer	GENS, THBEV, SSG
Financials	DBS, OCBC
Food Products	WIL
Healthcare	RFMD
Industrials	HRNET, STE
Mfg. & Tech.	VMS, FRKN
Real estate	CIT
S-REITs	AAREIT, AREIT, EREIT, SUN
Telecom & Media	ST
Transport	CD

Source: RHB

Company Name	Rating	Target (SGD)	% Upside (Downside)	P/E (x) Dec-22F	P/B (x) Dec-22F	ROAE (%) Dec-22F	Yield (%) Dec-22F
Ascendas REIT	Buy	3.60	23.8	16.4	1.2	7.5	5.5
City Developments	Buy	9.75	25.8	17.9	0.8	4.6	2.3
ComfortDelGro	Buy	1.77	22.9	15.7	1.1	7.2	3.2
DBS	Buy	38.10	21.9	10.5	1.3	12.9	4.7
Genting Singapore	Buy	0.95	16.9	32.2	1.2	3.8	2.5
Raffles Medical	Buy	1.50	33.9	30.8	2.2	7.2	2.4
Singtel	Buy	3.55	34.0	17.6	1.5	8.5	4.4
ST Engineering	Buy	4.80	17.1	20.8	5.0	24.6	3.6
Suntec REIT	Buy	1.95	24.1	14.9	0.7	5.0	5.7

Source: Company data, RHB

Global Macroeconomic Outlook & Themes

(RHB Economics & Market Strategy)

Wall of worry on the horizon, but no crisis

For 3Q22, our global asset allocation view is overweight fixed income, market weight equities, and underweight cash. The balance of risks to our earlier 2022 asset allocation view of overweight equities, market weight fixed income, and underweight cash is tilted towards not materialising and pushed out further in the future as US recession risks in the next 6-12 months are being priced in by markets, and the potential spill-over to the rest of the world. For us, it seems that some markets (with the exception of credit, on average) are pricing in a crisis of sorts in the future and not just a plain vanilla US recession accompanied by a slowdown in global growth in the future. For the time being, we are in the camp that the balance of risks is skewed towards a plain vanilla US recession, accompanied by a slowdown in global growth in 2023, but limited risks of an economic or financial crisis environment arising in 2022 and 2023. Note that a plain vanilla US recession does not necessarily imply a prolonged bear market in equities and sustained strength of the USD. It does, however, imply that bonds are relatively better supported, particularly long-duration government bonds selectively and some credit exposure selectively.

In terms of commodity prices, we maintain our view that in 2H22, Brent crude oil will trade in the USD100-130 per bbl range. The balance of risks is skewed towards a sustained consolidation of oil and food prices towards 4Q22 as it becomes more evident a phase of a significant slowdown in global growth is on the horizon in 2023. This should imply that global inflationary pressures will start abating in late 2022 to early 2023, with plenty of heterogeneity across the world. The risk, though, is that supply chain congestions may remain elevated even in late 2022 to early 2023. Hence, to pin down an exact date of the peak of inflationary pressures is a difficult proposition. In South-East Asia, we believe 3Q22 could be the peak of the momentum of headline inflation on a seasonally adjusted MoM 3-month moving average basis.

The three investment-related themes to focus on in 3Q22 are:

i. Risks of some sort of global crisis in the future being priced in by global markets is a theme that could emerge in 3Q22 as further signs of a slowdown in developed economies emerge and risk sentiment remains weak;

ii. Further uncertainty on the US Federal Reserve's (US Fed) guidance on the Federal Funds Rate (FFR) remains, with the billion-dollar question being, will markets push the central bank to an even higher terminal rate well above 4% (which is the US Fed's and our view currently).

iii. The momentum of oil prices will be important since it is a critical input to global central banks' monetary policy framework.

Revisions to global macroeconomic estimates

With an increasingly very hawkish US Fed and other developed market central banks, global monetary conditions are likely to tighten further, and thus generate slower growth towards year end and in 2023 in most parts of the world. As a result, we downgrade our 2022-2024 GDP growth forecasts across countries we cover or monitor in the developed world, and in Asia (**Figure 1**).

Figure 1: RHB's Real GDP growth forecasts revised down

			New RHB Forecasts		Old RHB Forecasts	
% YoY	**2020**	**2021**	**2022F**	**2023F**	**2022F**	**2023F**
US	-3.4	5.7	2.5	2.0	3.9	2.5
Western Europe	-6.3	5.3	2.7	1.8	3.5	2.0
Japan	-4.6	1.8	1.8	1.3	2.6	1.5
China	2.2	8.1	4.0	4.0	5.0	5.0
ASEAN						
Indonesia	-2.1	3.7	4.8	4.1	5.5	5.0
Malaysia	-5.5	3.1	5.3	4.5	5.5	4.9
Singapore	-4.1	7.6	3.5	3.0	4.0	3.2
Thailand	-6.2	1.5	3.5	3.0	4.1	4.2
Vietnam	2.9	2.6	6.5	6.0	6.5	6.8

Source: Bloomberg, RHB Economics & Market Strategy

A significant tightening of monetary conditions in the US is usually related with a recession in this geography when we examine the empirical evidence since 1961. Note that high or rising oil prices do not necessarily imply a US recession is on the horizon when we examine the empirical evidence since 1970. The balance of risks is skewed towards a US recession in 2023 with spill over effects to global growth. In China, the volatility of lockdowns is high, the property sector's deterioration is significant, and uncertainty on future domestic and external regulatory changes remains high. South-East Asian economies will start showing signs of a slowdown in towards end-2022, with some countries exhibiting below-trend growth in 2023 and 2024.

We have revised up our CPI inflation forecast for 2022, and in some cases 2023, in the countries we cover or monitor (**Figure 2**) on the back of elevated commodity prices, elevated supply chain bottlenecks, and in some countries (like the US and parts of South-East Asia), robust demand side pressures. The balance of risks to our inflation forecasts in South-East Asia for 2022 and 2023 are tilted towards the upside. Global headline inflationary pressures will remain elevated in 2H22 and start moderating in 2023. In Europe, given the around 6-month lag between the EU and US business cycles, headline inflation will peak in 1H23. In South-East Asia, core inflation will peak by 3Q22 in most economies.

Figure 2: RHB CPI inflation forecasts revised up

			New RHB Forecasts		Old RHB Forecasts	
% YoY	**2020**	**2021**	**2022F**	**2023F**	**2022F**	**2023F**
US	1.2	4.7	7.5	3.3	5.8	2.8
Western Europe	0.4	2.5	6.6	2.2	4.8	2.0
Japan	0.0	-0.3	1.8	1.1	1.3	0.6
China	2.5	0.9	2.1	2.2	2.1	2.2
ASEAN						
Indonesia	2.0	1.6	3.5	2.4	3.0	3.0
Malaysia	-1.2	2.5	2.9	2.0	2.6	2.0
Singapore	-0.2	2.3	5.8	3.0	4.8	3.0
Thailand	-0.8	1.2	6.2	3.0	2.4	1.2
Vietnam	3.2	1.8	3.8	4.0	3.8	4.0

Source: Bloomberg, RHB Economics & Market Strategy

Downside risks to our global macroeconomic call. The key downside risks to our global macroeconomic and market strategy call are:

i. UST10YR bond yields accelerate to 4% or above quite rapidly on back of markets starting to price in a US Fed terminal FFR rate of closer to 5% or above due to prolonged high prints on the US headline and core personal consumption expenditure inflation. Under this scenario, our global asset allocation view of overweight fixed income, market weight equities, and underweight cash will be challenged. Cash could be king in this scenario. The USD would continue to strengthen;

ii. A global financial crisis ensues. Under this scenario, cash will be king, our global asset allocation view of overweight fixed income, market weight equities, and underweight cash will be challenged. The USD would continue to strengthen;

iii. Stagflation materialises in the US and many parts of the world. Under this scenario, cash will be king, and our global asset allocation view of overweight fixed income, market weight equities, and underweight cash will be challenged. The USD would continue to strengthen.

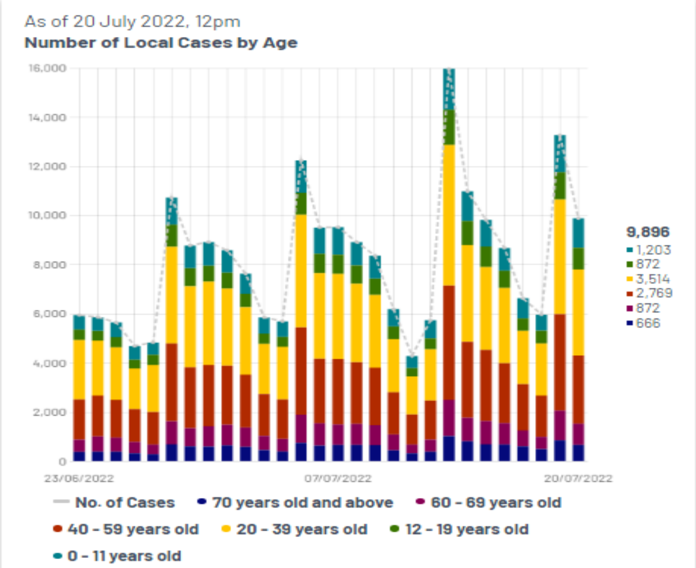
Singapore: Safe Haven In Uncertain Times

Singapore remains open for business and tourism despite COVID-19

Singapore has seen a significant surge in COVID-19 cases (**Figure 3**) and rapid rise in the number of hospitalised patients (**Figure 4**). However, it is worth noting that c.93% of Singapore's population is double-vaccinated, while more than three in four have also had a booster. In addition, the current wave of infections is assessed to be not be as severe as the omicron wave earlier this year.

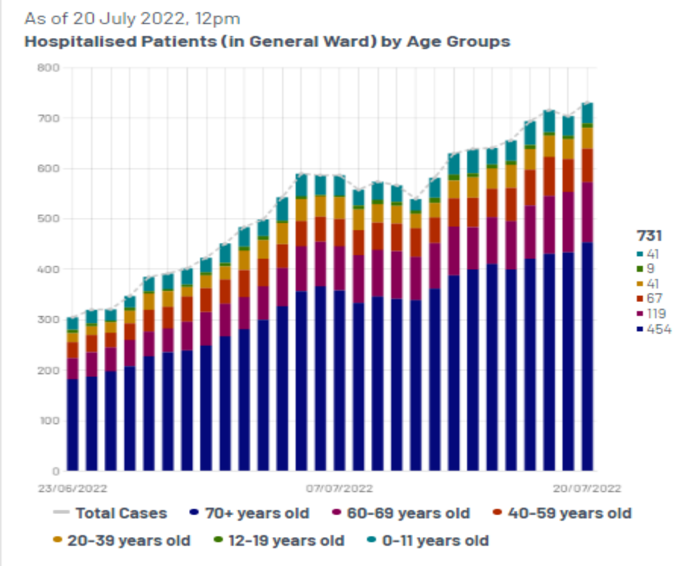
The island city has learned from its past experiences of dealing with COVID-19 variants. When the Omicron variant hit, Singapore did not backtrack on its reopening plans but rather decided to wait and see how things panned out, noting that response was different vs the Delta variant outbreak. Even in the current wave of rising number of COVID-19 cases, Singapore has avoided imposing any domestic tightening measures. The Government strives to keep its borders open and stay connected to the rest of world even if a new variant of COVID-19 emerges.

Figure 3: Singapore has seen higher number of COVID cases recently



Source: Ministry of Health

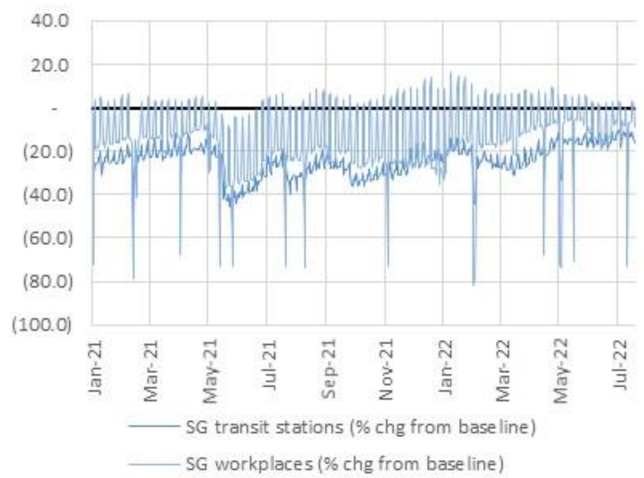
Figure 4: Correspondingly the number of patients in the hospital has also increased



Source: Ministry of Health

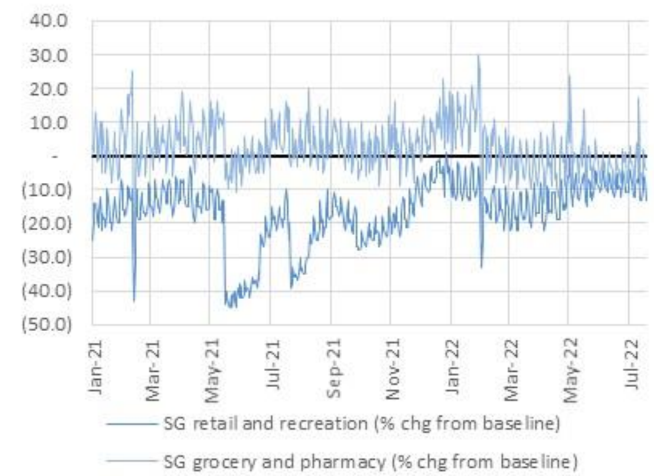
Despite the rise in number of COVID-19 cases, activity levels at workplaces (**Figure 5**) as well as at retail and recreation places (**Figure 6**) has stayed close to pre-pandemic levels as per data from Google Mobility.

Figure 5: Google data suggests that mobility at workplaces is returning to pre-pandemic levels



Source: Google, RHB

Figure 6: Google data suggests that mobility at retail and recreation has returned to pre-pandemic levels



Source: Google, RHB

Despite the impact of the COVID-19 pandemic, we believe Singapore's medium-term growth outlook remains favourable, supported by its role as a leading international financial services hub as well as an Asia-Pacific hub for shipping, commercial aviation and logistics. These competitive advantages have also continued to support Singapore's attractiveness as a regional headquartering hub for global multinationals.

Easing of domestic and border restrictions has boosted the services sector

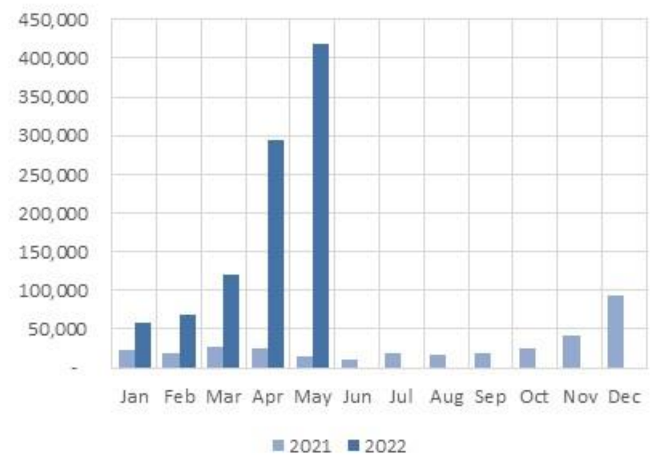
Singapore has made significant progress towards normalisation of its economy during 1H22, notably through the reopening of international borders. Singapore was among the first countries in Asia to reopen its borders, initially allowing entry to fully-vaccinated people from selected countries late last year without quarantine in a bid to help revive the country's aviation and tourism sectors. This is helping to boost international tourism flows as well as supporting the gradual recovery of the Meetings, Incentives, Conferences and Exhibitions (MICE) industry. Substantial lifting of COVID-19 related restrictions has also boosted the food services industry, with restaurants and cafes showing a strong rebound in activity levels.

Passenger traffic at Changi Airport is now averaging above 40% of pre-pandemic levels, and Singapore is nearing its target of 50% – a goal it had set out to reach by end-2022. Changi Airport plans to reopen two of its terminals that were shuttered due to COVID-19 as travel springs back faster than expected. Terminal 4 will reopen in September and departure operations in the southern wing of Terminal 2 will restart from October. The added capacity will allow the airport to better cope with an influx of passengers in the northern hemisphere winter. Singapore expects to receive 4m-6m visitors this year. In 1H22, there were 1.5m visitor arrivals, nearly 12x more, compared with the same period last year.

Figure 7: Singapore's tourist arrivals is rebounding from record lows

Source: Bloomberg, RHB

Figure 8: Tourist arrivals are already significantly higher from last year



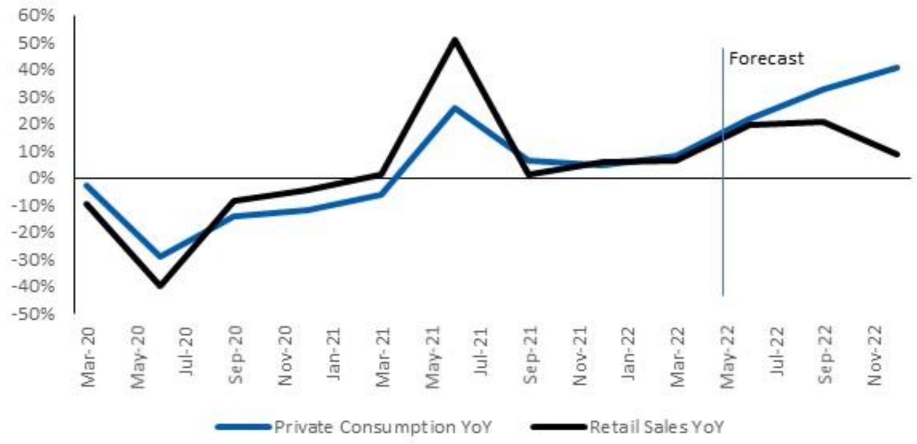
Source: Bloomberg, RHB

Singapore's service sectors have seen significant benefit from this easing of domestic and border restrictions. Among the services sectors, the wholesale and retail trade as well as transportation and storage sectors collectively grew by 2.8% YoY in 2Q22. All sectors within the group expanded during the quarter. Growth in the retail trade as well as transportation and storage sectors were supported in part by a low base last year as COVID-19 restrictions impacted activity. The group of sectors comprising the information and communications, finance and insurance, together with the professional services sectors expanded by 4.1% YoY in 2Q22.

The remaining group of services sectors – accommodation and food services, real estate, administrative and support services and other services sectors – expanded by 8.2% YoY in 2Q22, accelerating from the 3.5% YoY growth in the previous quarter. Most sectors within the group expanded, with activities supported by the easing of COVID-19 measures, including border restrictions. Growth in the food services sector was bolstered by the removal of dine-in size limits at the end of April.

We believe the services sector should continue to benefit from the re-opening of borders and easing of domestic restrictions that prompts a speedier recovery in the hospitality, F&B, aviation, and tourism related services industries.

Figure 9: Singapore's private consumption and retail sales



Source: CEIC, RHB Economics & Market Strategy

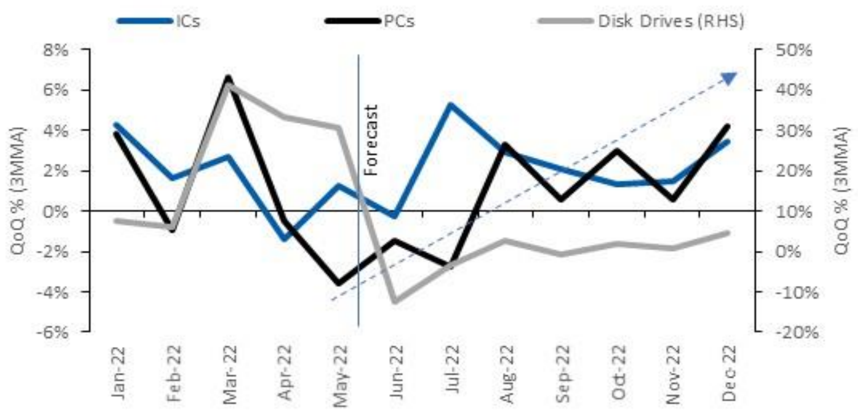
RHB Economics & Market Strategy team expects Singapore's retail sales to grow 10% in 2022, from 2021's 11.1% expansion. Key drivers for Singapore retail sales include the tight labour market seen YTD, whilst the gradual reopening of Asia's borders should support tourism-led spending. On the back of domestic demand and tourism-led spending, the team thinks retail sales from an index perspective will likely return to pre-COVID-19 levels by the end of this year.

Robust outlook for exports and manufacturing

Due to the importance of the electronics industry as a key sector for Singapore's manufacturing output and exports, the continued strength of global electronics demand is expected to continue to underpin expansion in Singapore's electronics sector in the second half of 2022.

RHB Economics & Market Strategy team expects Singapore's 2022 NODX full-year growth outlook at 7.0%, with the balance of risks tilted towards the upside. However, the three-pronged risks of China economic slowdown, Russia-Ukraine tensions and tighter monetary policies across developed economies may continue to weigh on NODX growth. As a result, the team expects NODX growth to slow to 4.0% YoY in 2H22, from 10.2% YoY in 1H22.

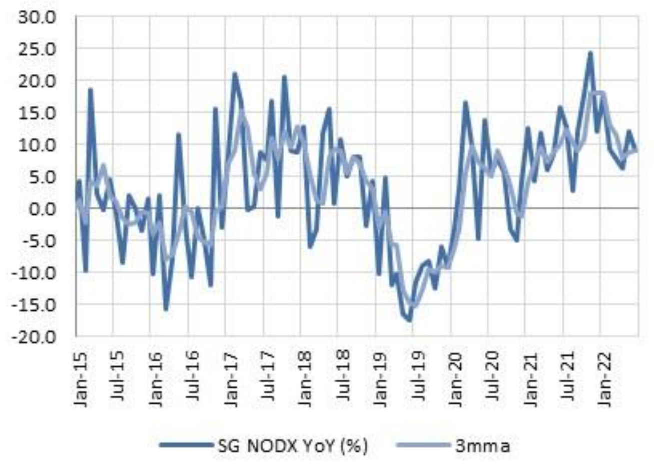
Figure 10: Electronic-related NODX could rise into end-year



Source: CEIC, RHB Economics & Market Strategy

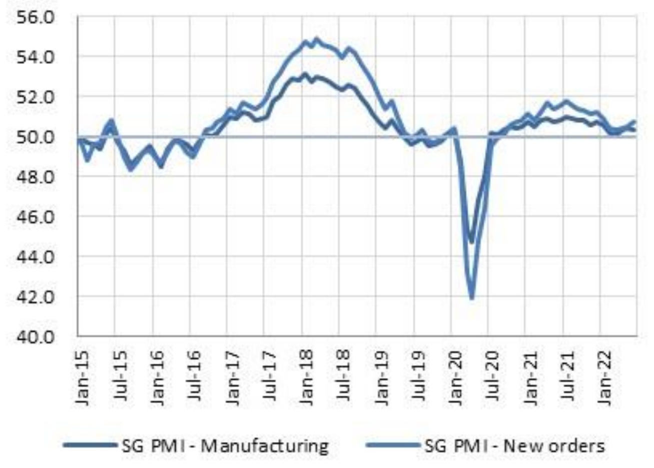
Singapore's NODX grew by 9.0% YoY (+3.7% MoM SA) in June 2022, slowing from a downwardly revised 12.0% surge in May. This compares to Bloomberg's median growth outlook of 6.1% YoY (+2.6% MoM SA). Electronics exports expanded at their slowest clip in 19 months, while non-electronics export growth decelerated to 10.6% YoY (May 2022: +11.7%). Across key trading partners, NODX rose the most in Malaysia (+43.0% YoY), followed by Indonesia (+21.6%) and Japan (+18.6%), but fell the most in Hong Kong (-17.9%), the EU (-16.4%) and South Korea (-8.1%).

Figure 11: Singapore's NODX grew by 9.0% YoY in Jun 2022



Source: Bloomberg, RHB

Figure 12: Singapore's manufacturing and new orders PMI continue to indicate expansion in the upcoming months



Source: Bloomberg, RHB

Additionally, the manufacturing industry is still experiencing steady growth, supported by robust electronics exports. Significant new foreign direct investment (FDI) has also entered the industrial sector in Singapore. Singapore continues to be a major Asian manufacturing base for sectors including electronics and pharmaceuticals.

Electronics companies are increasingly diversifying their supply chains as a result of supply chain interruptions and significant delays in the supply of crucial components during the COVID-19 epidemic. South-East Asia plays a significant role in the global manufacturing supply chain, particularly in the electronics and automotive sectors, which supports Singapore's position as an electronics exporter to other ASEAN countries. Since 2020, large new FDIs have been announced by multinationals in the electronics industry in countries throughout South-East Asia, including Singapore, Vietnam, and Malaysia. Multi-national corporations involved in the electronics industry continue to invest new foreign direct money in Singapore. In 2023, GlobalFoundries will establish a new semiconductor facility in Singapore, adding an estimated 1,000 jobs.

Singapore will continue to be a major Asia-Pacific (APAC) hub for the production of biomedical products, particularly pharmaceuticals. As the need for vaccinations in the APAC region is anticipated to increase significantly, the COVID-19 pandemic has prompted a number of significant new investments into vaccine manufacturing in Singapore. Sanofi is constructing a new vaccine facility in Singapore that will open in 2025, with Hilleman Laboratories, BioNTech, and other companies following suit by also setting up vaccine production facilities in the country.

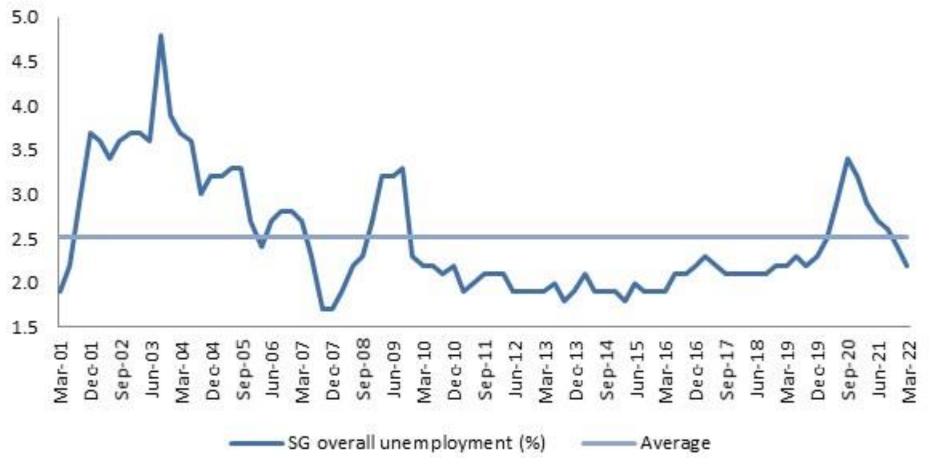
Strong labour market with unemployment rates at pre-COVID-19 levels

As Singapore recovers from the pandemic, job openings in the country reached a record high in 1Q22, while layoffs were at a low. As foreign labour has yet to fully return, resident employment in Singapore in 1Q22 was higher than pre-pandemic levels, but overall employment remained below pre-COVID-19 levels. Resident employment was 3.9%, higher than in Dec 2019, before the COVID-19 pandemic struck. However, non-resident employment in March of this year remained 15% lower than in December of last year. From a peak of 3.6% to a current level of 2.2%, unemployment rates have been trending downward towards pre-pandemic levels. The current resident unemployment rate, which includes Singaporeans and long-term residents, is 3%, compared to 3.1% for citizens.

Total employment, excluding migrant domestic workers, continued to expand by 42,000 in 1Q22, with most of the increase coming from non-residents (36,000), as border restrictions were progressively lifted and employers back-filled vacancies for jobs that are more reliant on migrant workers. Resident employment trends were mixed across sectors, continuing to rise in growth sectors such as financial services, information and communications, professional services, and health and social services.

Between Dec 2021 and Mar 2022, the resident long-term unemployment rate improved from 1% to 0.8%, but remained slightly above the pre-COVID-19 quarterly average of 0.7% in 2018-2019. The number of job vacancies continued to rise, reaching a new high of 128,100 in March. The ratio of job vacancies to unemployed people is 2.42, which is higher than the previous quarter's 2.11, and at its highest since 1998, due to a decline in unemployed persons and increase in vacancies. The bulk of the job vacancies were in construction and manufacturing, mainly for non-professional, manager, executive and technician (PMET) job roles typically held by migrant workers.

Figure 13: Singapore's unemployment number is back to pre-COVID levels

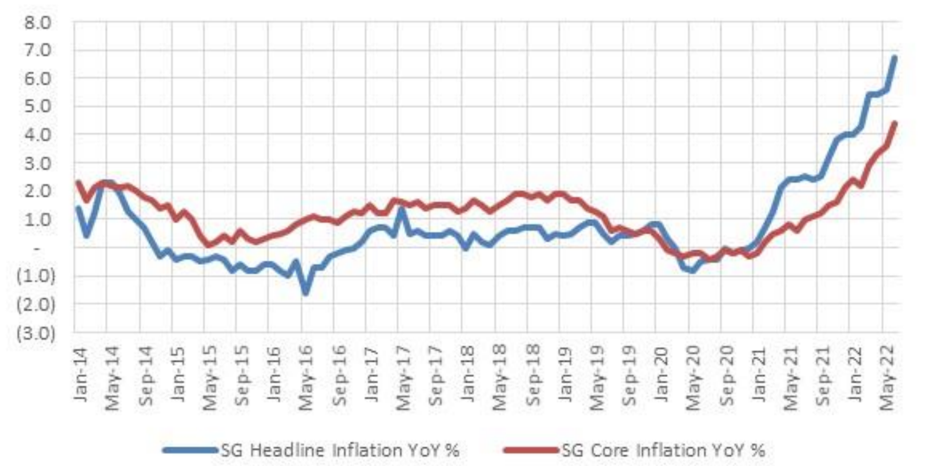


Source: Bloomberg, RHB

Inflation remains elevated, but should moderate by year end

Inflation in Singapore began to increase around the close of last year, following a robust recovery in demand, much like the other economies. Core inflation increased gradually throughout the course of the previous year, rising from 0.2% in 1Q21 to 1.7% in 4Q21. Price pressures have been greatly increased by imported inflation, which reflects supply interruptions brought on by the Russia-Ukraine war. According to a MAS statement, the cost of imports into Singapore increased by 27% in May of this year compared to the same month last year. Higher prices for food and oil accounted for almost 80% of this. Electricity and non-cooked food inflation has increased due to this increase in energy and food prices, which is also contributing to inflation in the transportation and food services industries. The combination of domestic and external factors has led to a significant rise in inflation in Singapore. Core inflation picked up to 4.4% YoY in June, from 3.6% in May, and 2.5% in 1Q22. CPI-All Items inflation, which includes private transport and accommodation costs, rose to 6.7% YoY in June.

Figure 14: Core CPI and headline CPI have continued to move higher but should taper off by year end



Source: Bloomberg, RHB

According to MAS, inflation is anticipated to worsen before improving. This is consistent with RHB Economics & Market Strategy team's prediction that inflation would start to decline in 4Q22. The core inflation rate is predicted by MAS to reach a peak of 4.0-4.5% percent in 3Q22, then level off and slightly soften near the end of this year. For the whole of 2022, core inflation is forecast to come in at 3-4%. As car and accommodation cost increases are likely to remain firm, CPI-All Items inflation is expected to come in at 5–6%%. Inflation is expected to ease further in 2023, but will remain well above the 1.5% rate averaged since 2000.

RHB Economics & Market Strategy team recently revised 2022 headline and core inflation forecasts to 5.8% from 4.8% and 3.8% from 3.1%. From a supply-push perspective, lower commodity prices are a credible signal for CPI to peak in 3Q22. Food prices may see some correction as Ukraine and Russia have signed an agreement to allow the resumption of grain exports. Brent crude has also declined to USD102.30 per bbl as of 25 Jul 2022, from USD123.60 per bbl seen almost two months ago. Separately, demand-pull drivers may continue to support inflation – Singapore's labour market remains very tight, with unemployment at merely 2.2% in May 2022. The rosy economic backdrop should encourage large-ticket purchases and underpin COE premiums for the rest of this year. Moreover, as the city-state gradually opens its borders, accommodation costs may be underpinned by the increased inbound labour supply and tourism-led demand in the coming months. Any unexpected exacerbation of geopolitical tensions and/or worsening supply chain disruptions would add further upside risks to our full-year CPI inflation forecasts.

Figure 15: RHB CPI inflation forecasts revised up

			New RHB Forecasts		Old RHB Forecasts	
% YoY	**2020**	**2021**	**2022F**	**2023F**	**2022F**	**2023F**
US	1.2	4.7	7.5	3.3	5.8	2.8
Western Europe	0.4	2.5	6.6	2.2	4.8	2.0
Japan	0.0	-0.3	1.8	1.1	1.3	0.6
China	2.5	0.9	2.1	2.2	2.1	2.2
ASEAN						
Indonesia	2.0	1.6	3.5	2.4	3.0	3.0
Malaysia	-1.2	2.5	2.9	2.0	2.6	2.0
Singapore	-0.2	2.3	5.8	3.0	4.8	3.0
Thailand	-0.8	1.2	6.2	3.0	2.4	1.2
Vietnam	3.2	1.8	3.8	4.0	3.8	4.0

Source: Bloomberg, RHB Economics & Market Strategy

Corporate earnings should be relatively resilient to higher interest rates

RHB Economics & Market Strategy team has revised the end-2022 FFR forecast to around 3.5% from 1.75-2.00% and the end-2023 forecast to around 4.0% from 2.25-2.50%. The US Fed is projecting a FFR of 3.4% at end-2022, 3.8% at end-2023, and 3.4% at end-2024. Singapore's interest rates are highly correlated to movements in the US' FFR. Since end-Feb 2022, Singapore Swap Offer Rate (SOR) has risen 210bps, while the Singapore Interbank Offered Rate (SIBOR) is up by 157bps.

Figure 16: High correlation between SIBOR and the FFR

Note: Data as at 14 Apr 2022
Source: Bloomberg, RHB

While the rise in interest rates will add to the debt servicing burdens of corporates, in general, we assess that the debt levels for the stocks under our coverage are manageable with net debt/equity ratio above 1x for only four companies in 2022, and only three companies in 2023. We note that corporates are managing their debt-related risks with sufficient liquidity holdings built up on post-COVID-19 earnings recovery. MAS' latest stress tests on the balance sheets of SGX-listed firms also show that most corporates would be resilient to interest rate and earnings shocks.

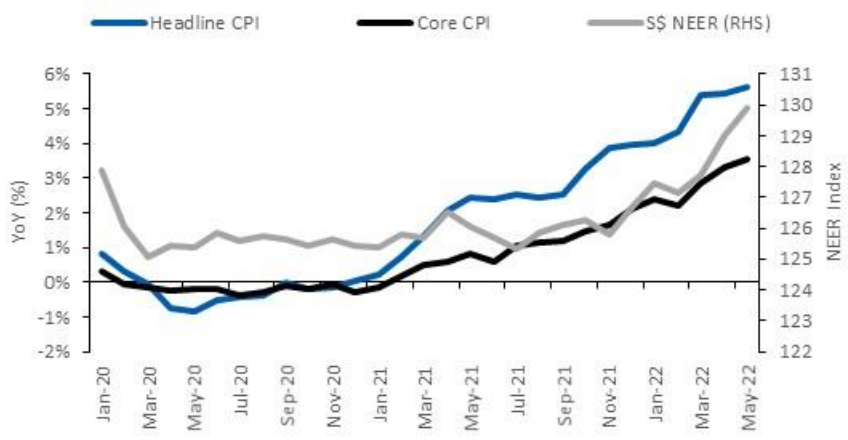
Proactive MAS could mean SGD could outperform regional currencies

Singapore's monetary policy is centred on managing the exchange rate of the SGD. When inflationary pressures build up, MAS allows the trade-weighted exchange rate to appreciate faster. A stronger exchange rate helps to directly reduce imported inflation as well as restrain export demand, providing relief to labour market pressures.

MAS has been proactive in tightening monetary policy in response to rising inflationary pressures, tightening policy four times in the last nine months. In Oct 2021, MAS slightly increased the rate of appreciation of the trade-weighted exchange rate policy band as a pre-emptive move when core inflation picked up from 0.7% in 2Q21 to 1.1% in Jul-Aug 2021. MAS was among the earlier central banks in the world to begin normalising monetary policy.

In Jan 2022, MAS added slightly to the rate of appreciation of the policy band in an off-cycle move to lean against gathering inflation momentum. This was before the outbreak of war between Russia and Ukraine. In Apr 2022, MAS re-centred upwards the exchange rate policy band and further increased its rate of appreciation. This was in view of a fresh impulse to inflation arising from shocks to global commodity prices and supply chains in the wake of the Russia-Ukraine war. And in Jul 2022, in another off-cycle move, MAS again re-centred upwards the exchange rate policy band to lean against price pressures becoming more persistent.

Figure 17: Inflation may lead MAS to tighten policy in October



Note: $SNEER is the SGD effective exchange rate
Source: CEIC, RHB Economics & Market Strategy

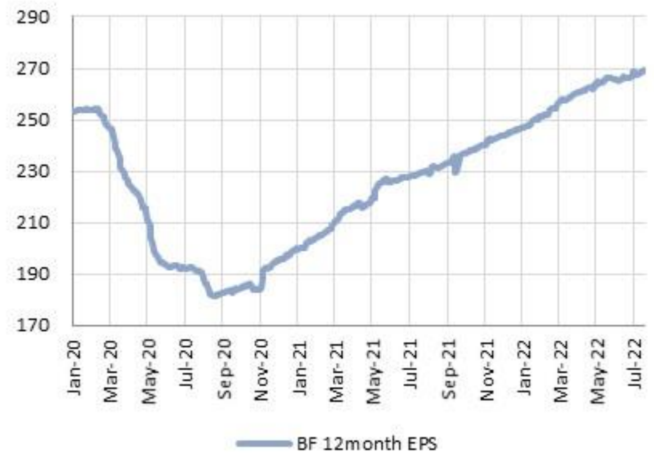
Following MAS' proactive moves to tame imported inflation, and with the expectation of a further tightening in the upcoming Oct 2022 policy review, RHB Economics & Market Strategy team expects the USD/SGD to trade at 1.3750 by end 2022. The balance of risk is how aggressive MAS would be in the upcoming monetary policy meeting. If it increases the pace of appreciation, the SGD could outperform the rest of the regional currencies.

Earnings growth in 2022 despite moderation in outlook

While there is increasing risks of a further slowdown in economic growth in 2H22 and further moderation in 2023 GDP growth, we see consensus remaining optimistic of strong earnings growth in 2022. Street has upgraded the 12-month forward EPS estimate for the STI consistently since end-Sep 2020 (**Figure 18**). However, the upgrade to 2022 EPS estimates seems to have taken a pause (**Figure 19**).

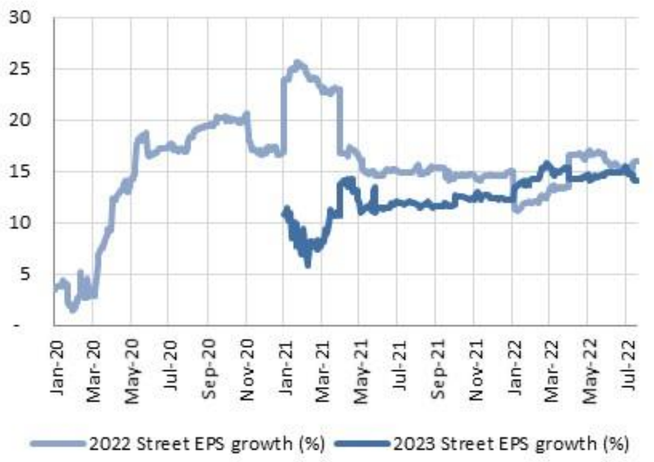
Historically, the STI's forward EPS growth has had a positive correlation with Singapore's GDP growth expectation. Given the expectations of moderation in economic growth ie slower GDP growth in 2H22 over 1H22 as well as slower economic growth in 2023 vs 2022, it will be safe to assume that earnings growth will continue to moderate. Compared with six months ago, we have lowered our 2022 growth forecast for stocks under our coverage from 16% YoY to 13% YoY.

Figure 18: 12-month forward EPS for STI has only seen upgrades post 3Q20 results/business updates



Source: Bloomberg, RHB

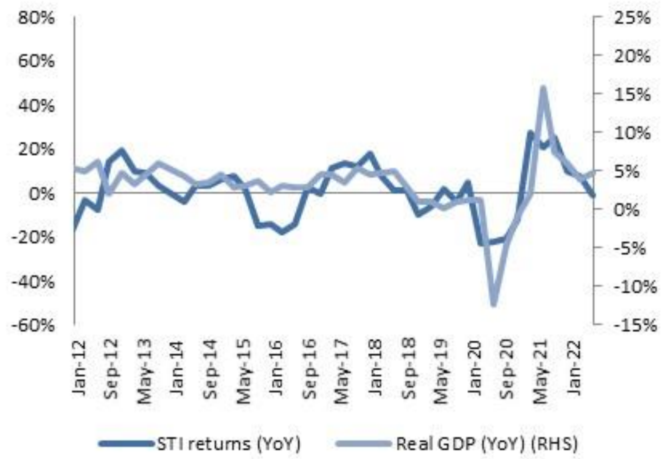
Figure 19: Street remains optimistic on earnings growth being sustained in 2022F and 2023F



Source: Bloomberg, RHB

We note that, historically, the STI returns have had a positive correlation with Singapore's GDP growth expectations. With Singapore's 2Q22 GDP advance estimates coming in below Street estimates, and the elevated risk of a further slowdown in economic growth from external factors, it is a likelihood that STI returns for the rest of 2022 could stagnate at single digits.

Figure 20: There is a positive correlation between STI returns and GDP growth expectations



Source: Bloomberg, RHB

Figure 21: STI forward EPS growth and expected GDP growth are also positively correlated

Source: Bloomberg, RHB

Singapore Economic Outlook

(RHB Economics & Market Strategy team)

Steady growth despite high inflation

We recently downgraded our 2022 GDP growth forecast to 3.5% YoY from 4.0% YoY. This compares to the Government's 2022 GDP forecast of at the lower half of 3-5%. Since February, the external environment has worsened, led by: i) The onset of the Russia-Ukraine conflict; ii) China's economic slowdown; and iii) risks surrounding a potentially faster-than-expected monetary tightening cycle, especially in the developed economies. At this juncture, we do not see stagflation risks, although the situation remains fluid given the rapid rise in global commodity prices YTD. On the whole, we are of the view that the overall economic prognosis remains optimistic on the back of trade and manufacturing momentum.

The outlook into 3Q22 is shrouded with uncertainties but optimism can still be found. While we observe some decline in NODX momentum in 2Q22, it is expected to pick up into 3Q22 on hopes for further relaxation of social restriction measures across Singapore's key trading partners and amidst ongoing robust demand for semiconductors and its related products. Particularly, we see improving export momentum for key electronic products such as disk drives, integrated circuits and personal computers. Moreover, we are not particularly concerned over the first-order trade impact of the Russia-Ukraine conflict – Singapore's trade in goods with Russia is small, amounting to SGD5bn in 2021 (or 0.4% of Singapore's total trade). Some caution, however, may stem from the second-order impact from China, Japan and the US, should tensions intensify.

In the same vein, Singapore's manufacturing industry should remain one of the key pillars of growth in 2022. As a small, but open economy with total trade amounting to 338% of GDP in 2021 (from 303% in 2016), Singapore's industrial production is very dependent on global trade demand. For the remaining year, we expect demand for semiconductors and its related products to underpin Singapore's manufacturing space. In addition, the gradual relaxation of global travel restrictions should also give strength to the city-state's transport engineering sector. Similar to NODX, some decline in manufacturing momentum has been observed in 2Q22, although we expect it to improve in 3Q22 on the back of global chip shortages and strong demand from 5G markets.

Domestically, Singapore is well-positioned to transit into an endemic COVID-19 normalcy. Since April, authorities introduced further easing measures, including removing group size limits and requirements for safe distancing, allowing all workers to return to the workplace and eliminating the need for any pre-departure COVID-19 test on entry for inbound sea and air travellers. The labour market has recovered strongly, with the unemployment rate declining rapidly to 2.2% as of Apr 2022, from Oct 2020's 3.6% when COVID-19 risks were magnified. Barring an unanticipated exacerbation of global economic risks, we expect the unemployment rate to fall to 2.1% at the end of this year.

Figure 22: Singapore – key economic forecasts

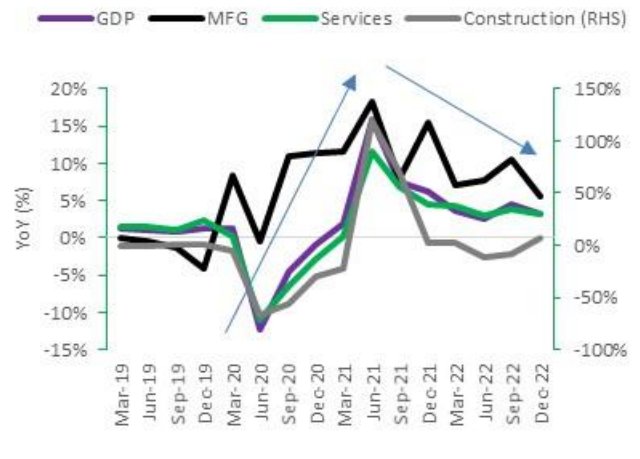
	2020	2021	2022F	2023F
Real GDP Growth (% YoY)	**(4.1)**	**7.6**	**3.5**	**3.0**
Contribution to real GDP Growth (%)				
Private Consumption	(4.8)	1.7	1.8	0.6
Government Consumption	1.4	0.5	(0.4)	0.6
Gross Fixed Capital Formation	(3.5)	4.4	0.1	0.4
Net Exports	3.1	1.0	1.8	2.3
CPI	**(0.2)**	**2.3**	**5.8**	**3.0**
Current Account Balance (% of GDP)	**16.8**	**18.1**	**19.6**	**15.7**
Fiscal Balance (% of GDP)	**(10.8)**	**(1.0)**	**(0.5)**	**1.0**

Source: Bloomberg, RHB Economics & Market Strategy

We expect the 2022 fiscal balance to print a deficit of 0.5% of GDP vs -1.0% of GDP in 2021, as the Government kept its expansionary stance in the Budget 2022. The deficit is unlikely to balloon despite the recent announcement of the SGD1.5bn Support Package in Jun 2022. The budget balance is expected to improve into surplus territory in 2023-2024, in part due to the planned increase in the Goods & Services Tax to 8.0% in 2023 and 9.0% in 2024, while the introduction of a carbon tax of SGD25 per tonne may help, albeit, in a small way.

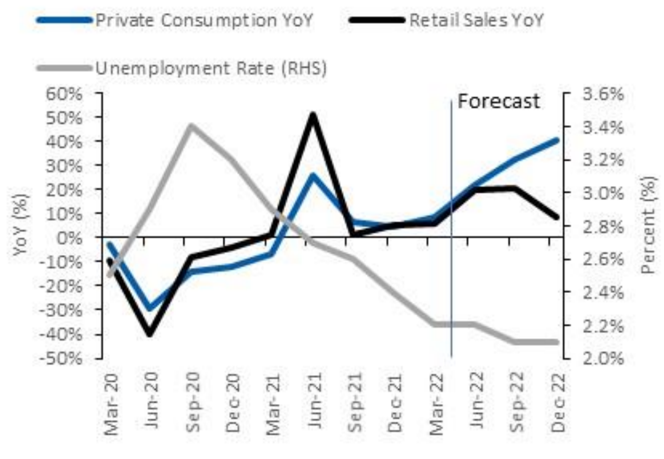
We expect Singapore's current account balance to post a surplus of 19.6% of GDP in 2022 vs 18.1% of GDP in 2021. The current account surplus will likely be supported by a healthy term of trade in 2022. We forecast trade surplus to come in at SGD50.2bn in 2022, down from SGD68.2bn in 2021. The main downside risk remains worsening supply chain congestion, which may inject headwinds against Asia's trade.

Figure 23: GDP may moderate into end-2022



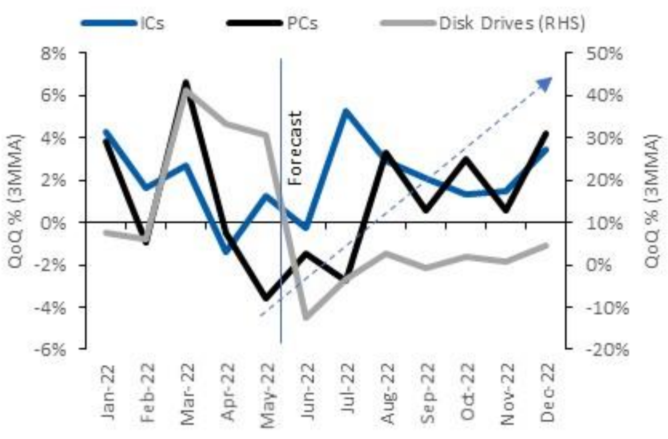
Source: CEIC, RHB Economics & Market Strategy

Figure 24: Private consumption expected to remain resilient



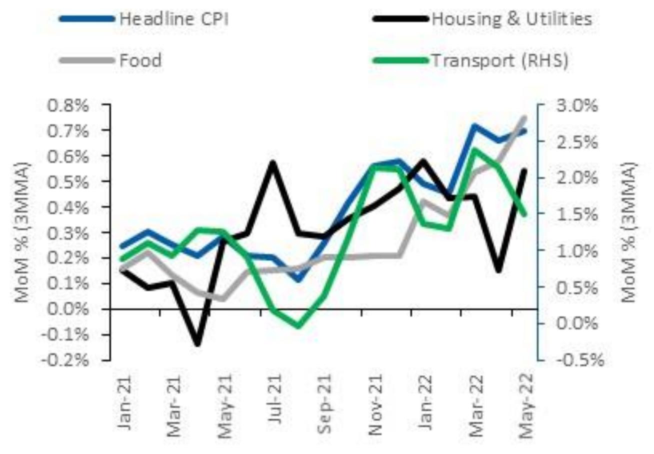
Source: CEIC, RHB Economics & Market Strategy

Figure 25: Electronic-related NODX could rise into end-year



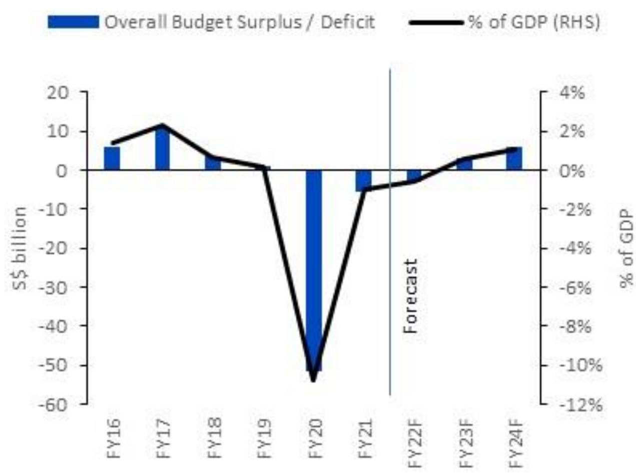
Source: CEIC, RHB Economics & Market Strategy

Figure 26: Inflation momentum rose on higher input prices



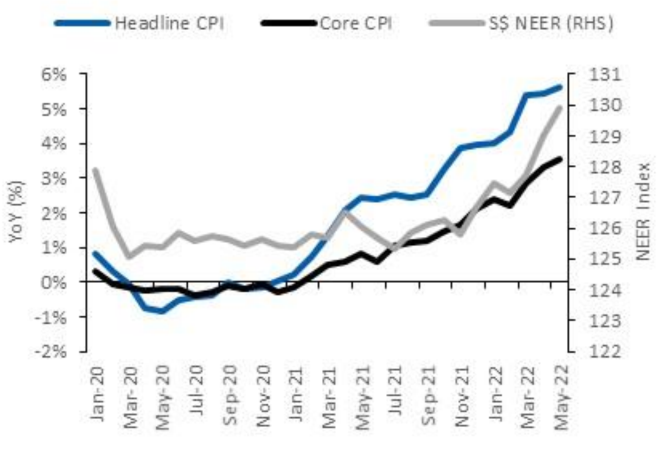
CEIC, Bloomberg, RHB Economics & Market Strategy

Figure 27: A smaller budget deficit is expected in 2022



Source: CEIC, RHB Economics & Market Strategy

Figure 28: MAS to further tighten policy in October



Source: CEIC, RHB Economics & Market Strategy

Equity Strategy

Riding the rising interest rate cycle

Rising interest rates in an environment with low recession risk and a robust labour market should continue to be advantageous for banks. The main area of optimism for Singapore banks (SG Banks), in our opinion, will be the growth of NIM as a result of the US Fed's aggressive rate hikes. Banks are actively repricing loans and are likely to see an improvement in NIM. Even while waning investor confidence is starting to reduce credit demand, this should offer some relief.

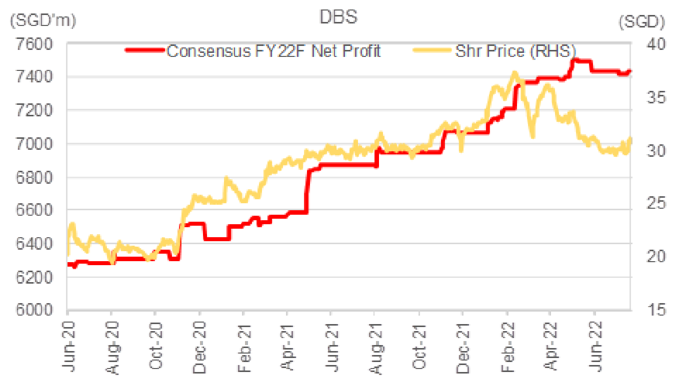
Based on guidance provided by banks, every 25bps rise in interest rates would lift FY22F NIM by 7-8bps for DBS, 4-5bps for OCBC Bank (OCBC) and 3-4bps for United Overseas Bank (UOB). This would translate to an earnings uplift of 5% for DBS, and 3% for OCBC and UOB.

Non-II is expected to remain soft in 2H22, with fees from loans and trade flows reflecting the moderation in credit growth, while volatile capital markets would impact wealth management income. We expect asset quality to hold up as we believe most borrowers are having better balance sheets compared to two years ago.

While we are keeping an eye on the prospects of a recession, we remain optimistic on SG Banks due to the undemanding valuations after a disappointing share price performance in 1H22. SG Banks have greater provisioning for this round than in past cycles. DBS and OCBC continue to trade at modest prices, which are supported by respective dividend yields of 4.9% and 4.7% for FY22F.

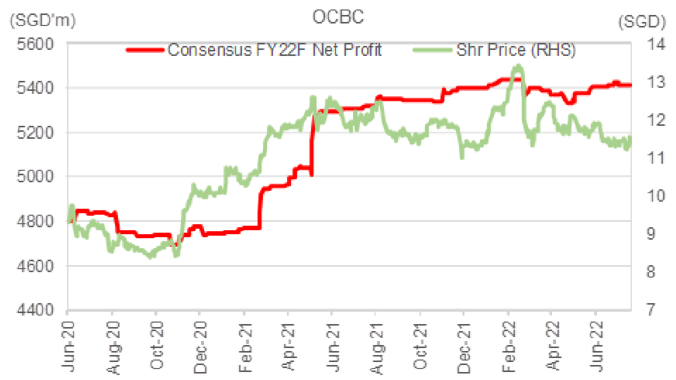
We have an OVERWEIGHT rating on SG Banks, with DBS and OCBC as Top Picks.

Figure 29: DBS – revisions in consensus FY22F earnings



Source: Bloomberg, RHB

Figure 30: OCBC – revisions in consensus FY22F earnings



Source: Bloomberg, RHB

Figure 31: Singapore – riding the rising interest rate cycle

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
DBS Group	57,956	Buy	38.10	21.9	Dec-22	10.5	9.5	1.3	1.2	4.7	5.2	12.9	13.3	12.5	10.4
OCBC	37,171	Buy	13.90	21.1	Dec-22	9.5	8.1	0.9	0.9	4.6	5.2	10.0	11.1	10.8	17.7

Note: Prices are as at 22 Jul 2022
Source: Bloomberg, RHB

Continued exposure to reopening plays

Singapore has started living with treating COVID-19 as an endemic. The country has taken a significant step to reduce domestic and international COVID-19 related restrictions, which has coincided with the wider regional reopening of ASEAN. We see this as an opportunity to build optimism on sectors that have been the hardest hit by the pandemic (ie aviation and tourism-related services). Passenger traffic at Changi airport is on a rise, segments of service sector are registering YoY growth and retail sales momentum has accelerated.

Within our coverage, ComfortDelGro, Genting Singapore, Kimly Ltd and SingTel should be the key beneficiaries of this theme. HRnetgroup should be able to ride on growth in hiring volumes and salaries. Raffles Medical should benefit from the return of elective procedures and pent-up demand from medical tourism. Thai Beverage is a proxy to the economic reopening in Thailand.

Figure 32: Singapore – economic reopening/recovery plays

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
ComfortDelGro	2,248	Buy	1.77	22.9	Dec-22	15.7	14.0	1.1	1.1	3.2	3.6	7.2	7.8	27.9	12.9
Genting Singapore	7,044	Buy	0.95	16.9	Dec-22	32.2	17.8	1.2	1.2	2.5	3.7	3.8	6.8	102.6	81.5
HRnetgroup	556	Buy	1.01	31.2	Dec-22	10.6	10.2	1.9	1.8	5.6	5.9	18.8	18.1	10.6	4.4
Kimly Ltd	331	Buy	0.46	24.3	Sep-22	10.1	8.5	2.9	2.5	6.0	7.1	30.3	31.8	9.8	18.7
Raffles Medical	1,495	Buy	1.50	33.9	Dec-22	30.8	26.7	2.2	2.1	2.4	1.6	7.2	8.2	-4.9	15.3
SingTel	31,528	Buy	3.55	34.0	Mar-23	16.6	14.7	1.5	1.4	4.6	4.6	8.9	9.7	32.6	12.9
Thai Beverage	11,401	Buy	0.97	53.5	Sep-22	14.0	13.3	2.4	2.2	3.7	3.9	18.2	17.4	20.8	5.8

Note: Prices are as at 22 Jul 2022
Source: Bloomberg, RHB

Resilient earnings

Companies have been working to increase operational efficiencies due to the dangers associated with rising inflation and forecasts of aggressive interest rate hikes. Although the likelihood of a recession in 2H22 is low, high material, energy, and labour costs as well as rising rents are anticipated to be challenges for Singapore's businesses. We have searched for companies that can offer stable profitability in the face of decreasing growth and increasing inflation. City Developments, Sheng Siong and ST Engineering are our stock picks under this theme.

Figure 33: Singapore – resilient earnings growth

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	Net margin (%) 1FY	Net margin (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
City Developments	5,063	Buy	9.75	25.8	Dec-22	17.9	15.3	0.8	0.8	2.3	2.6	4.6	5.3	302.3	17.2
Sheng Siong	1,744	Buy	1.78	10.6	Dec-22	17.2	16.7	5.4	4.9	4.1	4.2	33.1	31.1	5.8	3.4
ST Engineering	9,205	Buy	4.80	17.1	Dec-22	20.8	19.2	5.0	4.7	3.6	3.8	24.6	25.1	7.4	8.3

Note: Prices are as at 22 Jul 2022
Source: Bloomberg, RHB

Selectively positive on REITs despite growing macroeconomic concerns

Stay selective amid challenging outlook. Despite rising macroeconomic risks and inflationary pressures, we expect S-REITs to register positive DPU growth in 2022. While volatility is expected to increase, we believe selective REITs are currently trading at attractive valuation, offering good long-term entry levels. For 2H, we anticipate investors to shift back into defensive industrial REITs vs reopening play sectors REITs such as hospitality and retail, which outperformed in 1H22.

Key catalysts. i) We expect DPU growth (for stocks under coverage) of 6% and 3% for 2022-2023 on the back of economic reopening, ii) valuations are looking attractive, with nearly two-thirds of REITs trading below book value and offering over 6% yield, and iii) Singapore's growing status as an Asian financial hub with a good number of sovereign and pension funds as well as family offices of high net worth individuals (HNI) setting up regional offices.

Key risk remains the economy tipping into a deep recession and persistent inflationary pressures (our base case assumption remains that there is no recession in 2022-2023 for Singapore). While we believe S-REITs have largely priced in the impending rate hikes (assuming no 100bps hike), we see more downside for the sector if economic growth starts weaning off sharply.

Prefer industrial and office REITs; Top Picks – AREIT, SUN and EREIT. For 2H22, We expect the market to look at more defensive REIT plays with income resilience amid a more challenging and uncertain global economic outlook. Industrial REITs being the most resilient remains our most preferred sector followed by office REITs, which are seeing continued rent growth amid a slow, but steady, return to office trend.

Figure 34: Singapore – REIT picks

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	DPS Growth (%) 1FY	DPS Growth (%) 2FY
AIMS APAC REIT	712	Buy	1.66	20.6	Mar-23	10.6	10.8	1.0	0.9	7.0	7.3	9.2	8.8	2.8	3.7
Ascendas REIT	8,807	Buy	3.60	23.8	Dec-22	16.4	21.2	1.2	1.2	5.5	5.6	7.5	5.8	4.8	2.4
ESR-LOGOS REIT	1,947	Buy	0.53	31.0	Dec-22	12.3	12.4	1.0	1.0	7.4	7.5	8.3	8.3	0.9	0.8
Suntec REIT	3,246	Buy	1.95	24.1	Dec-22	14.9	16.6	0.7	0.7	5.7	5.8	5.0	4.5	3.2	1.9

Note: Prices are as at 23 Jul 2022
Source: Bloomberg, RHB

Sector Outlook, Rating & Preferred Picks

Figure 35: Sector outlook, rating and preferred picks

Sector	Rating	2H22 sector outlook	Preferred picks
Consumer	OW	Singapore's shift to living with COVID-19 should sustain the economy and consumer spending recovery notwithstanding the threat of new COVID-19 variants. Inflation remains a relevant concern and risk to consumer spending but MAS' proactive stance in managing inflation alongside the economic recovery should mitigate some of the impact. That said, consumers tend to reduce their discretionary spending under the inflation environment but the demand for consumer staples and necessities should be relatively stable.	Genting Singapore, Thai Beverage, Sheng Siong
Financials	OW	NIM expansion on the back of aggressive rate hikes by the US Fed, will be the key bright spot for Singapore banks. This should provide some reprieve even as weakening investor sentiment is beginning to dampen loan demand. Non-II is expected to remain soft in 2H22, with fees from loans and trade flows reflecting the moderation in credit growth, while volatile capital markets would impact wealth management income. We expect asset quality to hold up as we believe most borrowers are having better balance sheets compared to two years ago.	DBS, OCBC
Food Products (Plantations)	N	CPO prices have fallen drastically as Indonesia tries to reverse the impact of its export ban on CPO. This could have a negative impact on prices for a few months, as Indonesia needs time to clear its high inventory level. However, with the decline in prices, demand could start coming back from price sensitive countries as CPO is now trading at a significant discount to SBO, while discretionary and non-discretionary biodiesel demand could also come back due to CPO's discount to gasoil. As such, CPO prices could remain supported above RM3,500/tonne for 2H22.	Wilmar
Healthcare	N	As the COVID-19 provisions are now relaxed, 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.	Raffles Medical
Mfg. & Tech.	OW	Amidst expectations that manufacturers with a diversified customer base will continue to perform well, we remain bullish on Venture Corp and Frencken, which are our Top Picks for the sector. However, with rising costs, margins might slowly erode for the technology sector going forward. We are starting to be wary of a slowdown in the semiconductor sector, which has enjoyed a positive growth period over the last few years.	Frencken, Venture Corp
Real estate	N	We expect Singapore property prices to remain resilient but flattish in 2H22 despite increasing headwinds. Private residential property prices rose at a faster-than-expected pace of +3.2% QoQ in 2Q22 vs +0.7% QoQ growth in 1Q22. Key factors underpinning resilient property market are: i) Stable job market and wage growth, ii) limited inventory levels and supply, and iii) Singapore's growing stature as regional and global financial hub. Key risks include recessionary risks, continued sharp spike in interest rates, and further cooling measures.	City Developments
Hospitality REITs	N	Hospitality sector REITs are trading at below 1x P/BV, and are closer to their long-term (5-year) average P/E – which indicates that optimism from post pandemic surge is already priced in. With increasing inflationary pressures and recessionary risk, we believe there is a possibility of some of the hospitality demand slowing down post the initial surge from the lockdown. As such, hospitality stocks are likely to trade more range bound in the near term, with risks tilted towards the downside.	CDL Hospitality Trusts
Industrial REITs	OW	Industrial demand remains strong mitigating supply concerns. We expect industrial rents to continue to rise while occupancy is expected to remain relatively flattish. Among sub-sectors, we like logistics, high 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.	Ascendas REIT, ESR-LOGOS REIT

Source: Company data, RHB

Figure 36: Sector outlook, rating and preferred picks (continued)

Sector	Rating	2H22 sector outlook	Preferred picks
Office REITs	OW	We expect overall office rents to rise up to 8% in 2022 and occupancy levels to remain stable. Despite the positive rental outlook and external factors supporting Singapore's office market, office S-REITs 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 on the impact arising from interest rates and uncertainty over long-term office demand outlook from work-from-home (WFH) trends. We remain relatively more bullish compared to the market on long-term office demand outlook.	Suntec REIT, Keppel REIT
Overseas REITs	OW	The sharp correction in US office REITs in 1H22 has resulted in these REITs trading at attractive valuation of 10-20% discount to book value and forward dividend yields of c.10%. This, in our view, has priced in most of the current market uncertainty. 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 office REITs are nearing the bottom of the current market cycle.	Prime US REIT, Keppel Pacific Oak US REIT
Retail REITs	N	For 2022, we expect landlords to remain focused on maintaining high occupancy in the malls, while remaining flexible on rental structures. Overall, we expect the island-wide vacancy to remain stable at 8-9% in 2022. In terms of retail rents, we expect overall rents to be relatively flattish at -2% to +2%. We continue to maintain our neutral view on the sector as recovery remains clouded by risks from rising inflation, manpower constrains, and e-commerce. We expect retail REITs' share price to see more of a sideways movement.	Frasers Centrepoint Trust, Starhill Global REIT
Telecom	N	We see the recovery in roaming and prepaid revenues fuelling a stronger rebound in industry mobile service revenue in 2H22. Higher adoption of 5G services with coverage on track to reach island-wide by year-end (3 years ahead the mandated requirement of the regulator) should also buffer the impact on ARPU from competition within the SIM-only market. Higher enterprise digitalisation projects from both the private and public sector will catalyse stronger enterprise revenue growth with the telcos capitalising on the string of M&As executed across the Asia-Pacific region over the past 12-18 months.	Singtel
Transport & Industrials	OW	With the re-opening in Singapore in full swing, we expect land transport operators like ComfortDelGro to benefit from 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 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 strong cash flow generation ability.	ComfortDelGro, ST Engineering

Source: Company data, RHB

Figure 37: Our sector recommendations summary

Overweight	Neutral
Consumer	Food products (plantations)
Financials	Healthcare
Industrials	Real estate
Manufacturing & technology	Telecom & Media
REITs	
Transport	

Source: RHB

Figure 38: Summary of preferred stocks across sectors

Sector	Most preferred
Consumer	GENS, THBEV, SSG
Financials	DBS, OCBC
Food products	WIL
Healthcare	RFMD
Industrials	HRNET, STE
Manufacturing & technology	VMS, FRKN
Real estate	CIT
REITs	AAREIT, AREIT, EREIT, SUN
Telecom & media	ST
Transport	CD

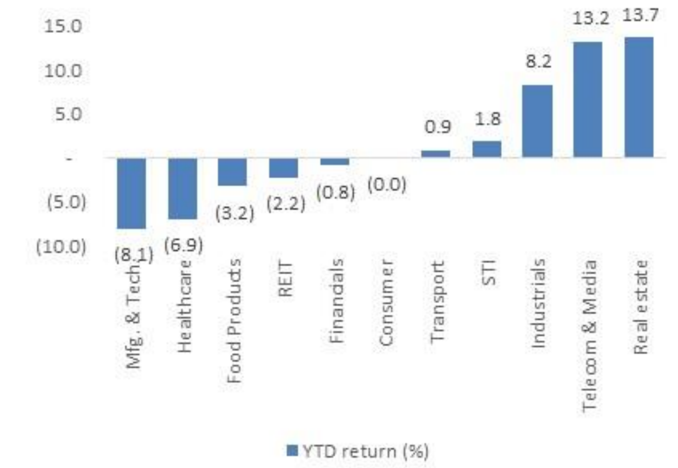
Source: RHB

Figure 39: Sector valuation comparison

Sector name	Rating	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS growth (%) 1FY	EPS growth (%) 2FY
Consumer	OW	20.3	14.8	2.4	2.2	3.6	4.3	15.0	16.1	58.3	31.9
Financials	OW	11.0	9.7	1.4	1.3	4.6	5.2	12.4	13.1	9.3	14.7
Food Products	N	8.3	8.0	0.8	0.8	3.4	3.2	12.9	11.9	19.3	1.3
Healthcare	N	23.8	22.9	1.9	1.8	2.8	2.0	9.1	8.3	-34.0	-0.9
Industrials	OW	20.3	18.7	4.8	4.5	3.8	3.9	24.1	24.5	8.1	8.6
Mfg. & Tech.	OW	13.8	12.3	1.7	1.6	4.4	4.4	12.3	13.0	9.0	11.9
Real estate	N	16.1	14.3	0.8	0.8	3.1	3.2	5.8	5.7	261.1	10.2
REITs	OW	14.9	15.9	1.0	1.0	6.0	6.2	6.7	6.4	5.9	2.8
Telecom & Media	N	16.6	14.7	1.5	1.5	4.6	4.6	9.5	10.3	30.6	12.7
Transport	OW	14.9	13.0	1.0	1.0	2.9	3.3	6.8	7.5	25.5	16.5

Note: Prices are as at 23 Jul 2022. Market cap weighted-averages for stocks under RHB's coverage
*Note 2: ** for S-REITs, EPS growth refers to DPS growth instead*
Source: Bloomberg, RHB

Figure 40: YTD sector performance for RHB's coverage

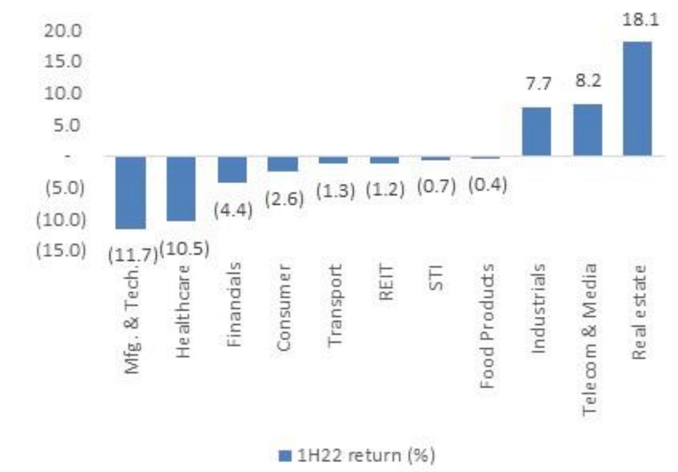


Note: As at 23 Jul 2022
Source: Bloomberg

Figure 41: YTD sector performance for components of STI

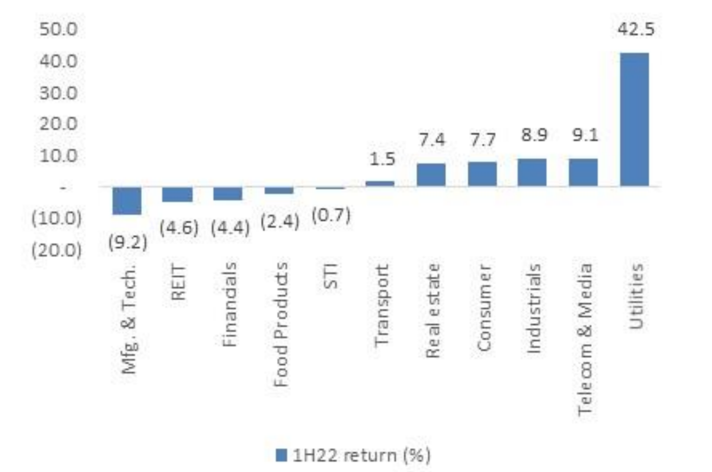
Note: As at 23 Jul 2022
Source: Bloomberg

Figure 42: 1H22 sector performance for RHB's coverage



Note: As at 30 June 2022
Source: Bloomberg

Figure 43: 1H22 sector performance for components of STI



Note: As at 30 June 2022
Source: Bloomberg

Stock Picks

Figure 44: Singapore – large-cap picks

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	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
Ascendas REIT**	8,807	Buy	3.60	23.8	Dec-22	16.4	21.2	1.2	1.2	5.5	5.6	7.5	5.8	4.8	2.4
City Developments	5,063	Buy	9.75	25.8	Dec-22	17.9	15.3	0.8	0.8	2.3	2.6	4.6	5.3	302.3	17.2
DBS Group	57,956	Buy	38.10	21.9	Dec-22	10.5	9.5	1.3	1.2	4.7	5.2	12.9	13.3	12.5	10.4
Genting Singapore	7,044	Buy	0.95	16.9	Dec-22	32.2	17.8	1.2	1.2	2.5	3.7	3.8	6.8	102.6	81.5
OCBC	37,171	Buy	13.90	21.1	Dec-22	9.5	8.1	0.9	0.9	4.6	5.2	10.0	11.1	10.8	17.7
SingTel	31,528	Buy	3.55	34.0	Mar-23	16.6	14.7	1.5	1.4	4.6	4.6	8.9	9.7	32.6	12.9
ST Engineering	9,205	Buy	4.80	17.1	Dec-22	20.8	19.2	5.0	4.7	3.6	3.8	24.6	25.1	7.4	8.3
Suntec REIT**	3,246	Buy	1.95	24.1	Dec-22	14.9	16.6	0.7	0.7	5.7	5.8	5.0	4.5	3.2	1.9
Thai Beverage	11,401	Buy	0.97	53.5	Sep-22	14.0	13.3	2.4	2.2	3.7	3.9	18.2	17.4	20.8	5.8

Note: Prices are as at 23 Jul 2022.
*Note 2: ** for REIT, EPS growth refers to DPS growth instead*
Source: Bloomberg, RHB

Figure 45: Singapore – mid- to small-cap picks

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	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
AIMS APAC REIT**	712	Buy	1.66	20.6	Mar-23	10.6	10.8	1.0	0.9	7.0	7.3	9.2	8.8	2.8	3.7
ComfortDelGro	2,248	Buy	1.77	22.9	Dec-22	15.7	14.0	1.1	1.1	3.2	3.6	7.2	7.8	27.9	12.9
ESR-LOGOS REIT**	1,947	Buy	0.53	31.0	Dec-22	12.3	12.4	1.0	1.0	7.4	7.5	8.3	8.3	0.9	0.8
HRnet Group	556	Buy	1.01	31.2	Dec-22	10.6	10.2	1.9	1.8	5.6	5.9	18.8	18.1	10.6	4.4
Kimly Ltd	331	Buy	0.46	24.3	Sep-22	10.1	8.5	2.9	2.5	6.0	7.1	30.3	31.8	9.8	18.7
Raffles Medical	1,495	Buy	1.50	33.9	Dec-22	30.8	26.7	2.2	2.1	2.4	1.6	7.2	8.2	-4.9	15.3
Sheng Siong	1,744	Buy	1.78	10.6	Dec-22	17.2	16.7	5.4	4.9	4.1	4.2	33.1	31.1	5.8	3.4

Note: Prices are as at 23 Jul 2022.
*Note 2: ** for REIT, EPS growth refers to DPS growth instead*
Source: Bloomberg, RHB

Figure 46: Investment thesis for our stock picks

Stock	Investment thesis
AIMS APAC REIT (AAREIT SP	• High quality industrial REIT portfolio, with a focus on logistic assets, which has been in demand amongst investors post COVID-19 • Earnings recovery will be driven by acquisition, improved occupancy and rent increase • Untapped potential to enhance portfolio value from asset enhancements • Could be a medium-term M&A candidate
Ascendas REIT (AREIT SP)	• Largest industrial REIT with diversified exposure to business parks, logistics and hi-tech industrial space • Organic growth from asset redevelopment, higher occupancy, and rental improvement • Backed by a strong and experienced sponsor
City Developments (CIT SP)	• Earnings recovery in 2022 from rebound in hospitality segment and strong sales momentum for its residential projects • Potential to recycle investment assets and unlock value through REIT or private funds • Trading at 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 • Improvement in earnings contributions from the UK and Australian businesses • Valuation is compelling amid strong YoY earnings growth and strong improvement in ROE • Risk of slower-than-estimated earnings from the UK if Europe and/or the UK enters into a recession
DBS Group (DBS SP)	• DBS has highest sensitivity to interest rate movements, a 25bps hike boosting annual earnings by 5% • Some macroeconomic headwinds for topline growth, but lower provisions would provide uplift to bottomline • Its digital capabilities and new regional growth platforms support richer valuation

Source: Company data, RHB

Figure 47: Investment thesis for our stock picks (continued)

Stock	Investment thesis
ESR-LOGOS Reit (EREIT SP)	• Good proxy to Singapore's industrial sector with diverse presence across island • Balanced exposure to business parks/high tech/logistics segments, which continue to do well • Strong and capable sponsor backing (ESR) and attractive valuation
Genting Singapore (GENS SP)	• Beneficiary of the recovery in tourism activities, given Singapore's popularity as a regional tourist destination. Pre-COVID, 70-80% of visitors to GENS were from overseas • Footfall recovery should translate into higher earnings, with a 4% yield offering downside protection • Trading at an attractive 7.2x FY23F EV/EBITDA vs regional peers' 12x.
HRnetgroup (HRNET SP)	• Enjoyed continued rebound in hiring space due to continued economic recovery and growth • Attractive dividend yields of +5% • The stock is trading at valuations lower than its global peers average
Kimly (KMLY SP)	• Operates coffee shops, which will become the preferred cheaper alternative for meals as high inflation will lead to lower disposable income • Has the ability to pass on the rise in costs by increasing rentals • Singapore's economic reopening should be positive for its recently acquired *Tenderfresh* business
OCBC (OCBC SP)	• CET-1 ratio of 15.2% is strongest among peers and above optimal levels of 12.5%-13.5%, providing headroom for better dividend payout in the future • Resilient asset quality with GIL ratio at 1.4% in Mar 2022 and coverage at a comfortable 91%. Credit cost a low 6bps, but management is sticking with conservative credit cost of 20-25bps • Leadership in wealth management, a good source of recurring fee income
Raffles Medical (RFMD SP)	• Singapore hospital and healthcare operations gradually reverting to normal will help offset some decline in COVID-19 related revenue and eventually drive growth in 2023 and beyond • China, which accounts for c.7% of RFMD's revenue, should also see higher revenue beyond 2023 • A net cash positon should enable Raffles Medical 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 ability to retain margins by passing on higher costs to consumers • Growth will 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 a 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 over 2022, driven by gradual improvement in Commercial Aerospace • STE could sustain our forecasted profit CAGR of c.7% beyond 2023 if it delivers on its new 2026 targets • Defensive business model that will allow STE to sustain YoY higher dividends amid resilient earnings, robust balance sheet, and positive FCF generation
Suntec REIT (SUN SP)	• Sustained rebound in earnings from relaxation of COVID-19 restrictions and acquisition contributions • Office portfolio valuation has remained resilient; Suntec City Mall should benefit from the return to office crowds • Attractive valuation at 15% discount to book and offering 5% yield
Thai Beverage (THBEV SP)	• Spirit segment as a stable cash cow • Recovery in beer and non-alcohol beverages businesses • Potential upside from the listing of the beer business

Source: Company data, RHB

Key Risks

Higher-than-expected commodity prices, especially oil

We believe that higher-than-expected commodity prices, especially oil, could derail the nascent economic recovery. RHB Economics & Market Strategy team maintains its view – a thesis it has held since Mar 2022 when Brent oil prices hit around USD140 per bbl – that in the remainder of 2022 Brent oil prices will consolidate, if not, fall. The team maintains its view that the peak of Brent oil prices for the remainder of 2022 is around USD100-130 per bbl. One of the biggest factors, though not the only catalyst, driving the pricing of oil is geopolitical developments. The situation could be worse than the team's assumptions if: i) Russia announces that conscription to the army is required in order to increase its ground forces in Ukraine (which so far it has not done since officially – the policy announcement has been that the foray into Ukraine is not a war but a special military operation); ii) oil inventories across the world collapse due to excess demand conditions rather than a severe slowdown in global growth; iii) economic activity in China rebounds strongly and generates excess demand for oil at a global level; iv) Europe materially enforces the Russian oil import ban across many countries; and v) India and China suddenly stop buying Russian oil.

Rapid rise in inflation and higher-than-expected rise in interest rates

Given an inflationary environment, companies will have to grapple with high material, energy and labour cost as well as rising rents. Any unexpected exacerbation of geopolitical tensions and/or worsening supply chain disruptions would certainly add upside risks to our full year CPI inflation expectations. From RHB Economics & Market Strategy team's perspective, the risk of over-tightening of monetary conditions by the US Fed is up, and thus, room for accidents as it relates to the US economy (and potentially the global economy) is rising if the central bank remains on course for what was presented in the latest summary of economic projections and dot plot charts over the course of 2022 and 2023. The balance of risks is skewed towards below-trend economic growth in the US in 2023 with spill over effects to the global economy.

Risk of further slowdown in China's economic growth

China's mainland economy slowed sharply in the second quarter of 2022 due to the impact of pandemic-related restrictive measures in a number of major cities. The risk of new COVID-19 outbreaks in China also remains a key uncertainty for the near-term outlook, after China's economy slowed sharply in the second quarter of 2022 due to the impact of restrictive measures in several large cities to contain COVID-19 outbreaks.

RHB Economics & Market Strategy team has revised down China's 2022 GDP growth forecast to 4.0% from 5.0% YoY, and for 2023 to 4.0% from 5.0%. The on-again off-again lockdowns in China are a disruption to economic activity and impacting domestic and external supply chains as well. Recent official data suggests that the property sector continues to slow. The manufacturing sector, from what the team can observe from its proprietary database (as of 8 Jun), suggests that activity in the sector remains soft.

Global geopolitical risks

We are not particularly concerned over the first order trade impact of the Russia-Ukraine conflict as Singapore's trade in goods with Russia is small, amounting to SGD5bn in 2021 (or 0.4% of Singapore's total trade). Some caution, however, may stem from the second order impact from China, Japan and the US, should tensions intensify

STI Target Of 3,380pts For End-2022

Remain constructive on STI delivering a positive performance in 2022

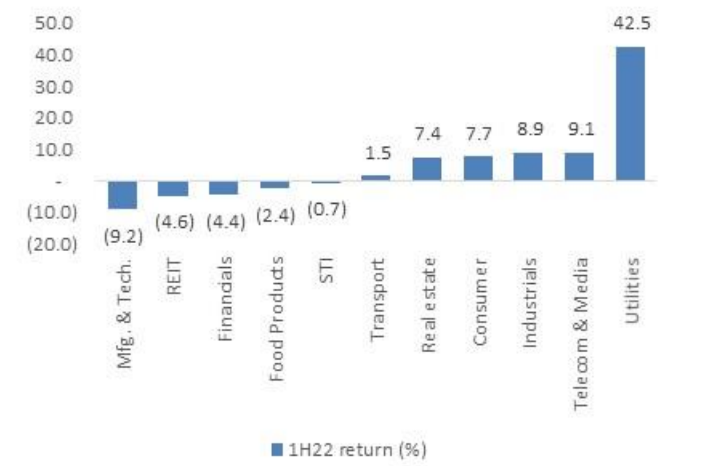
Our end-2022 STI target of 3,380pts (from 3,460pts) offers a 6.6% upside from 20 Jul's close of 3,170 pts. This is based on a 12.5x 2022F P/E, which lies between the average forward P/E since Jan 2008 and its -1SD. We expect EPS for stocks under our coverage to grow 13% YoY in 2022. We believe our target P/E, below its historical average, seems justified as we approach normalcy for earnings growth over the next two years.

While we still remain constructive on STI delivering positive returns in 2022, we believe an upward move for the index will be a slow grind as investors assess the impact of rising inflation, rising interest rates, and slowing economic growth.

Figure 48: YTD sector performance for components of STI

Note: As at 23 July 2022
Source: Bloomberg

Figure 49: 1H22 sector performance for components of STI



Note: As at 30 June 2022
Source: Bloomberg

The reopening of Singapore and the regional (ASEAN) economies along with the safe haven status of Singapore as a country and its currency has led to the STI becoming the most defensive developed economy benchmark for first six months of 2022. The FTSE All World Index and FTSE Developed Index logged declines in total return of -17.2% and -17.9%, while the STI was generated a total return of 1.4 %.

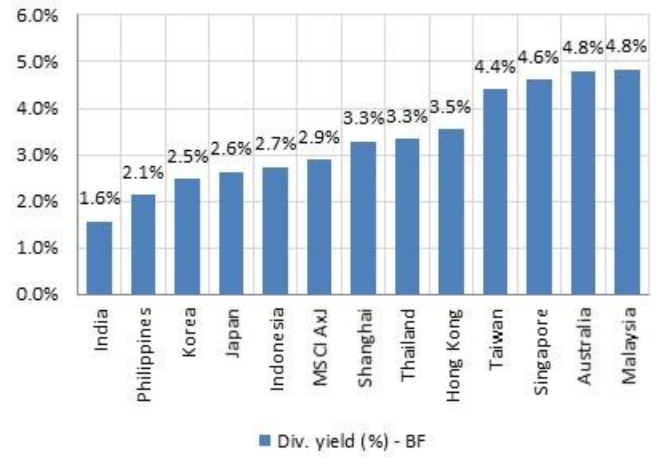
While STI's 11.1x 2FY P/E is below its historical average (**Figure 53**), and is the lowest amongst the ASEAN equity indices (**Figure 50**), its P/E valuation has finally caught up with the rest of Asia. STI's forward P/E is now trading at close to parity with the rest of Asia (**Figure 52**). STI's blended forward yield of 4.6% is still amongst the highest in Asia (**Figure 51**).

Figure 50: Valuation comparison for regional indices

	P/E		Dividend yield		P/BV		ROE	
	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
Developed Asia								
Australia	13.4	13.2	4.7	4.7	1.9	1.8	15.3	15.6
Hong Kong	10.7	9.3	3.4	3.7	1.1	1.0	11.3	11.2
Japan	12.5	11.8	2.5	2.7	1.2	1.1	8.9	9.0
Korea	9.9	8.8	2.2	2.3	0.9	0.9	7.1	11.9
Singapore	**12.7**	**11.1**	**4.3**	**4.9**	**1.1**	**1.0**	**8.8**	**9.7**
Taiwan	10.3	10.7	4.9	4.7	1.9	1.8	21.5	18.3
Emerging Asia								
India	19.1	16.9	1.6	1.8	2.9	2.6	15.7	15.8
Indonesia	16.2	16.5	2.5	2.9	2.0	1.9	-7.3	-7.1
Malaysia	14.1	12.8	4.7	4.5	1.4	1.4	10.2	11.0
Philippines	15.3	12.6	2.1	2.1	1.4	1.3	8.3	9.5
Shanghai	11.1	9.8	2.8	3.0	1.3	1.2	11.1	11.0
Thailand	15.9	14.5	2.9	3.2	1.6	1.5	8.3	8.9
MSCI APxJ	**12.8**	**11.8**	**3.1**	**3.2**	**1.5**	**1.4**	**11.8**	**11.6**

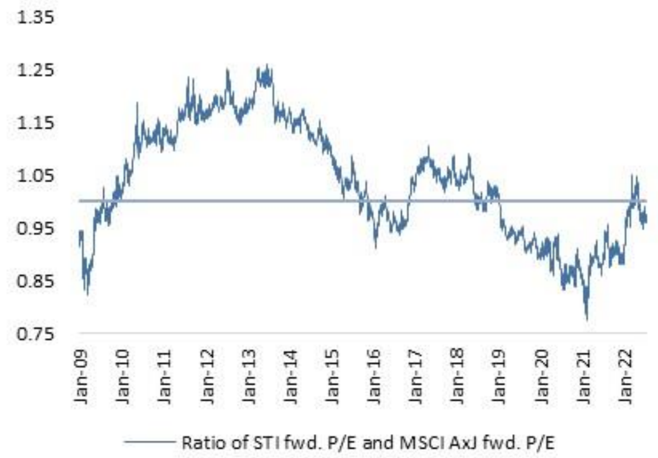
Note: As at 25 Jul 2022
Source: Bloomberg

Figure 51: STI is amongst the Top 3 yielding markets in Asia



Note: As at 25 Jul 2022
Source: Bloomberg

Figure 52: After a strong outperformance in 2022, STI's P/E valuation is now at a premium to Asia ex-Japan



Note: As at 25 Jul 2022
Source: Bloomberg

Figure 53: STI's forward consensus P/E

Note: As at 25 Jul 2022
Source: Bloomberg

Figure 54: STI's forward consensus P/BV

Note: As at 25 Jul 2022
Source: Bloomberg

Valuations Of Stocks Under RHB's Coverage

Figure 55: RHB's coverage universe (by sector)

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS growth (%) 1FY	EPS growth (%) 2FY
Dairy Farm	3,979	Neutral	2.88	-1.9	Dec-22	18.0	13.8	3.0	2.9	5.1	6.1	17.2	21.4	115.1	30.1
Food Empire	188	Buy	0.95	95.9	Dec-22	6.8	6.7	0.8	0.7	3.2	3.2	11.8	10.9	47.1	0.7
Genting Singapore	7,044	Buy	0.95	16.9	Dec-22	32.2	17.8	1.2	1.2	2.5	3.7	3.8	6.8	102.6	81.5
Japan Foods	55	Buy	0.55	24.4	Mar-23	21.6	17.3	2.4	2.3	5.3	4.6	11.0	13.6	na	24.9
Kimly Ltd	331	Buy	0.46	24.3	Sep-22	10.1	8.5	2.9	2.5	6.0	7.1	30.3	31.8	9.8	18.7
Sheng Siong	1,744	Buy	1.78	10.6	Dec-22	17.2	16.7	5.4	4.9	4.1	4.2	33.1	31.1	5.8	3.4
Thai Beverage	11,401	Buy	0.97	53.5	Sep-22	14.0	13.3	2.4	2.2	3.7	3.9	18.2	17.4	20.8	5.8
UnUsUaL	96	Neutral	0.14	8.5	Mar-23	104.0	34.1	2.8	2.6	na	na	2.7	7.9	na	205.0
Consumer	**24,838**					**20.3**	**14.8**	**2.4**	**2.2**	**3.6**	**4.3**	**15.0**	**16.1**	**58.3**	**31.9**
DBS Group	57,956	Buy	38.10	21.9	Dec-22	10.5	9.5	1.3	1.2	4.7	5.2	12.9	13.3	12.5	10.4
OCBC	37,171	Buy	13.90	21.1	Dec-22	9.5	8.1	0.9	0.9	4.6	5.2	10.0	11.1	10.8	17.7
Singapore Exchange	7,517	Neutral	10.70	9.5	Jun-22	22.8	21.5	6.9	6.3	3.3	3.3	31.8	30.7	3.2	5.9
UOB	33,128	Neutral	32.70	19.1	Dec-22	10.9	9.0	1.0	1.0	4.8	5.8	9.6	11.1	3.4	20.9
Financials	**135,771**					**11.0**	**9.7**	**1.4**	**1.3**	**4.6**	**5.2**	**12.4**	**13.1**	**9.3**	**14.7**
Bumitama Agri	700	Buy	0.95	68.9	Dec-22	3.4	4.4	0.9	0.8	12.2	9.5	27.7	18.8	85.1	-22.5
First Resources	1,500	Neutral	2.20	67.0	Dec-22	4.9	5.3	1.1	1.0	7.4	6.8	24.3	19.9	123.2	-8.7
Golden Agri	2,330	Neutral	0.30	19.1	Dec-22	4.3	5.2	0.5	0.4	5.1	4.1	27.3	23.4	33.8	-18.0
Wilmar	18,025	Buy	5.10	27.8	Dec-22	9.3	8.8	0.9	0.8	2.5	2.5	9.6	9.5	6.3	5.6
Food Products	**22,554**					**8.3**	**8.0**	**0.8**	**0.8**	**3.4**	**3.2**	**12.9**	**11.9**	**19.3**	**1.3**
Raffles Medical	1,495	Buy	1.50	33.9	Dec-22	30.8	26.7	2.2	2.1	2.4	1.6	7.2	8.2	-4.9	15.3
Riverstone	865	Neutral	0.74	-8.6	Dec-22	13.6	17.9	1.6	1.5	3.7	2.8	11.8	8.5	-80.1	-23.9
UG Healthcare	92	Neutral	0.29	42.0	Jun-22	3.9	7.4	0.6	0.5	1.3	0.7	15.6	7.5	-73.2	-46.8
Healthcare	**2,452**					**23.8**	**22.9**	**1.9**	**1.8**	**2.8**	**2.0**	**9.1**	**8.3**	**-34.0**	**-0.9**
HRnet Group	556	Buy	1.01	31.2	Dec-22	10.6	10.2	1.9	1.8	5.6	5.9	18.8	18.1	10.6	4.4
ISOTeam	23	Neutral	0.12	29.0	Jun-22	12.2	6.7	0.9	0.9	na	na	7.8	13.4	na	81.9
Marco Polo Marine	76	Buy	0.04	36.7	Sep-22	24.8	15.4	0.9	0.8	na	na	3.6	5.6	70.7	60.4
ST Engineering	9,205	Buy	4.80	17.1	Dec-22	20.8	19.2	5.0	4.7	3.6	3.8	24.6	25.1	7.4	8.3
Industrials	**9,860**					**20.3**	**18.7**	**4.8**	**4.5**	**3.8**	**3.9**	**24.1**	**24.5**	**8.1**	**8.6**
Frencken Group	369	Buy	1.24	3.3	Dec-22	9.7	9.3	1.2	1.1	3.1	3.2	13.2	12.6	-11.2	4.1
Avi-Tech Holdings	36	Buy	0.42	44.8	Jun-22	9.3	8.8	0.9	0.9	6.9	8.6	10.3	10.5	53.9	5.5
Fu Yu Corp	144	Neutral	0.28	5.7	Dec-22	10.8	10.5	1.3	1.2	6.4	6.4	11.8	11.7	5.4	2.6
Valuetronics	168	Neutral	0.53	-2.8	Mar-23	11.3	11.2	0.9	0.9	5.3	5.4	8.5	8.3	4.7	0.9
Venture Corp	3,633	Buy	22.75	31.3	Dec-22	14.5	12.7	1.8	1.7	4.3	4.3	12.4	13.4	10.8	13.7
Mfg. & Tech.	**4,350**					**13.8**	**12.3**	**1.7**	**1.6**	**4.4**	**4.4**	**12.3**	**13.0**	**8.9**	**11.9**
APAC Realty	155	Buy	0.75	23.5	Dec-22	9.0	8.7	1.3	1.2	8.4	8.6	14.5	14.1	-33.0	2.6
Centurion Corp	218	Buy	0.43	19.4	Dec-22	4.3	4.1	0.4	0.4	7.0	5.6	10.3	9.9	28.1	3.3
City Developments	5,063	Buy	9.75	25.8	Dec-22	17.9	15.3	0.8	0.8	2.3	2.6	4.6	5.3	302.3	17.2
Oxley Holdings	546	Buy	0.27	50.8	Jun-22	5.5	10.8	0.6	0.6	7.0	7.0	12.3	6.0	54.7	-49.2
Real estate	**5,982**					**16.1**	**14.3**	**0.8**	**0.8**	**3.1**	**3.2**	**5.8**	**5.7**	**261.1**	**10.2**

Note: Prices are as at 23 July 2022
Source: Bloomberg, RHB

Figure 56: RHB's coverage universe (by sector) (continued)

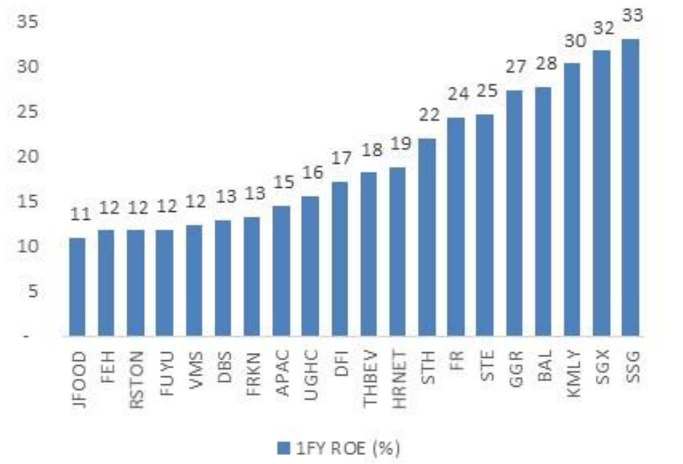
Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS growth (%) 1FY	EPS growth (%) 2FY
AIMS APAC REIT	712	Buy	1.66	20.6	Mar-23	10.6	10.8	1.0	0.9	7.0	7.3	9.2	8.8	2.8	3.7
Ascendas REIT	8,807	Buy	3.60	23.8	Dec-22	16.4	21.2	1.2	1.2	5.5	5.6	7.5	5.8	4.8	2.4
CDL Hospitality	1,156	Neutral	1.30	0.0	Dec-22	19.7	19.2	1.0	1.0	4.6	5.6	4.9	5.0	40.7	20.4
CICT	9,982	Neutral	2.35	12.6	Dec-22	15.5	14.8	1.0	1.0	5.5	5.6	6.5	6.7	8.0	2.6
EC World REIT	306	Neutral	0.55	5.6	Dec-22	17.7	12.8	0.6	0.6	10.5	10.5	3.2	4.5	-11.9	0.1
ESR-LOGOS Reit	1,947	Buy	0.53	31.0	Dec-22	12.3	12.4	1.0	1.0	7.4	7.5	8.3	8.3	0.9	0.8
Frasers Centrepoint	2,783	Neutral	2.45	8.1	Sep-22	16.6	16.6	1.0	1.0	5.6	5.6	5.9	5.9	5.8	0.3
IREIT Global	495	Buy	0.74	24.4	Dec-22	11.7	9.4	0.8	0.8	7.2	7.3	6.6	8.1	4.6	1.0
Keppel Pacific Oak	726	Buy	0.92	32.4	Dec-22	10.7	10.6	0.8	0.8	9.4	9.5	7.9	7.9	2.4	1.4
Keppel REIT	2,869	Buy	1.31	22.5	Dec-22	12.7	11.6	0.8	0.8	5.6	5.8	6.4	7.0	4.7	3.0
Manulife US REIT	1,006	Buy	0.83	45.1	Dec-22	9.4	10.6	0.8	0.8	9.4	9.8	8.6	7.9	0.7	4.0
Prime US REIT	794	Buy	1.02	51.1	Dec-22	11.4	8.4	0.8	0.8	10.4	10.6	7.1	9.6	3.2	1.8
Starhill Global REIT	936	Buy	0.68	17.2	Jun-22	11.5	14.4	0.7	0.7	6.5	6.7	6.2	4.9	-5.3	2.4
Suntec REIT	3,246	Buy	1.95	24.1	Dec-22	14.9	16.6	0.7	0.7	5.7	5.8	5.0	4.5	3.2	1.9
S-REITs**	**35,765**					**14.9**	**15.9**	**1.0**	**1.0**	**6.0**	**6.2**	**6.7**	**6.4**	**5.9**	**2.8**
SingTel	31,528	Buy	3.55	34.0	Mar-23	16.6	14.7	1.5	1.4	4.6	4.6	8.9	9.7	32.6	12.9
StarHub	1,584	Neutral	1.29	1.6	Dec-22	16.2	14.9	3.4	3.1	3.9	3.9	22.0	22.0	-9.4	8.8
Telecom & Media	**33,112**					**16.6**	**14.7**	**1.5**	**1.5**	**4.6**	**4.6**	**9.5**	**10.3**	**30.6**	**12.7**
China Aviation Oil	539	Neutral	0.91	4.8	Dec-22	11.6	8.8	0.6	0.6	1.6	1.9	5.1	6.4	15.2	31.4
ComfortDelGro	2,248	Buy	1.77	22.9	Dec-22	15.7	14.0	1.1	1.1	3.2	3.6	7.2	7.8	27.9	12.9
Transport	**2,787**					**14.9**	**13.0**	**1.0**	**1.0**	**2.9**	**3.3**	**6.8**	**7.5**	**25.5**	**16.5**

Note: Prices are as at 23 July 2022,
*Note 2: ** for S-REITs, EPS growth refers to DPS growth instead*
Source: Bloomberg, RHB

Figure 57: Top 20 high-yield stocks under RHB's coverage

Note: Prices are as at 23 July 2022
Source: Bloomberg, RHB

Figure 58: Top 20 ROE for stocks under RHB's coverage



Source: RHB

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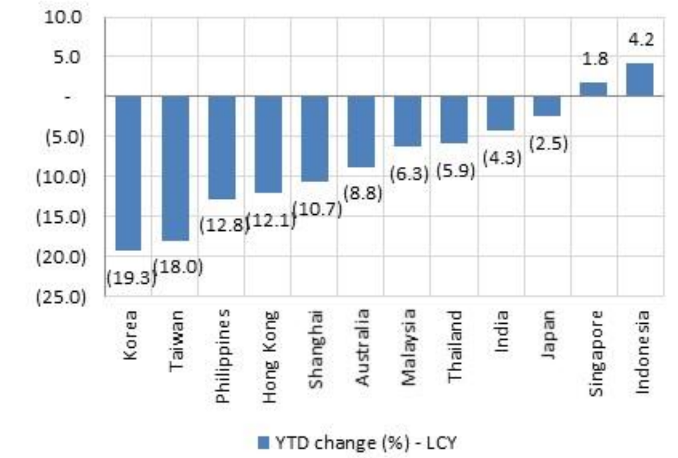
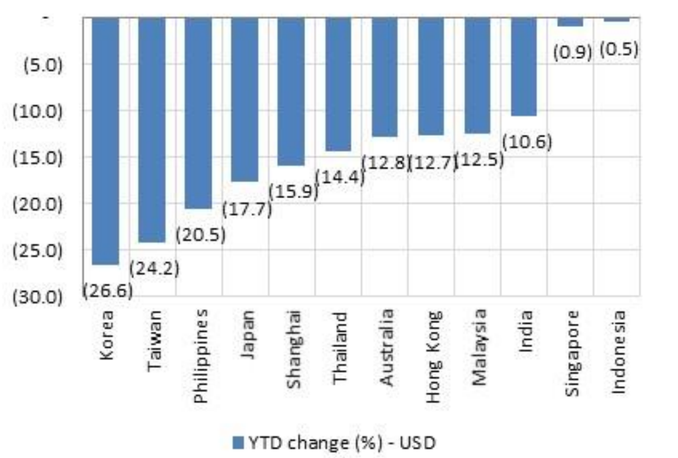
Figure 59: The STI underperformed Indonesia in local currency terms



Note: Prices as at 25 July 2022
Source: Bloomberg, RHB.

Figure 60: The STI's returns are trailing behind Indonesia in USD terms

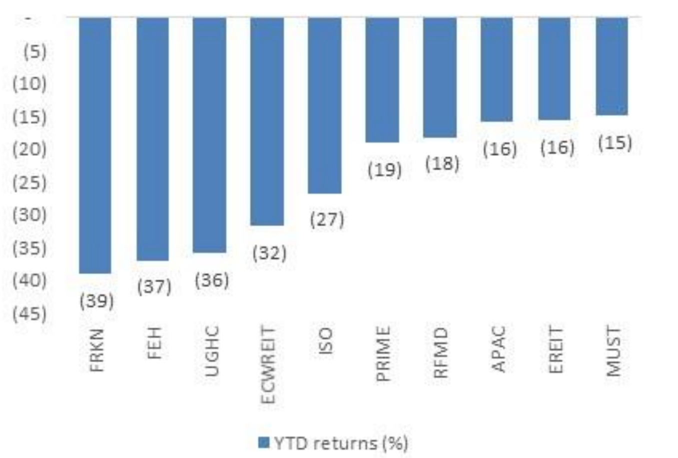


Note: Prices as at 25 July 2022
Source: Bloomberg, RHB

Figure 61: Best performing stocks under RHB's coverage

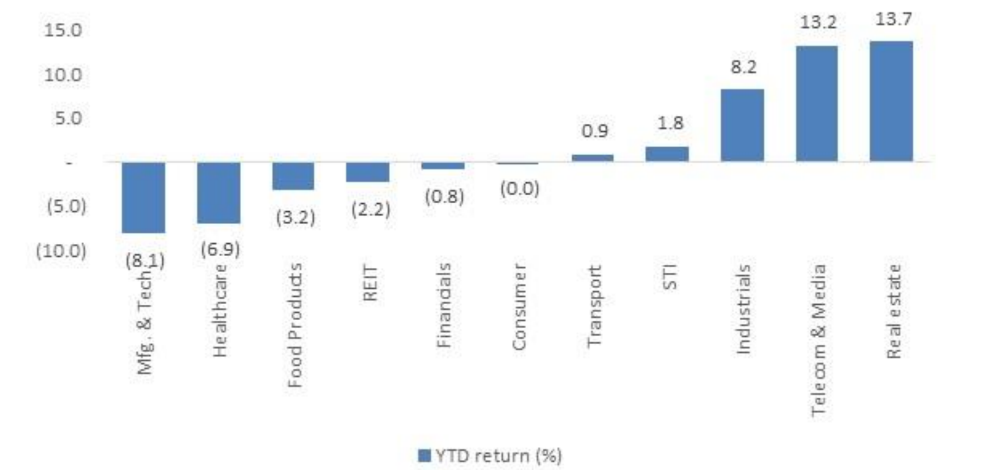
Note: Prices as at 23 July 2022
Source: Bloomberg, RHB

Figure 62: Worst performing stocks under RHB's coverage



Note: Prices as at 23 July 2022
Source: Bloomberg, RHB

Figure 63: Market cap-weighted YTD sector returns (under RHB's coverage)



Note: Prices as at 23 July 2022
Source: Bloomberg, RHB

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