

# Singapore Morning Cuppa

## Top Story

### Singapore 2022 Budget

Preparing For a Post-COVID-19 Future

Singapore Equity Strategy

An expansionary budget. For 2022, Singapore's budget remains expansionary (overall deficit of SGD3bn or 0.5% of GDP) to support the economy, as it is yet to fully recover from the negative effects of the COVID-19 pandemic. Singapore will see a 4% rise in spending as the Government boosts healthcare spending, expands the social safety net, and continues to transition towards a green economy. The Government has set aside SGD6bn to maintain a multi-layered public health defence system, funding for which will be sourced from past reserves.

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*Today's Report:* [Singapore 2022 Budget: Preparing For a Post-COVID-19 Future \(21 Feb 2022\)](#)

*Previous Report:* [Singapore Equity Strategy : Banking On a Sustained Recovery In 2022 \(3 Jan 2022\)](#)

## Other Story

### Genting Singapore (GENS SP, BUY, TP: SGD0.90)

The Worst Is Over; Maintain BUY

Results Review

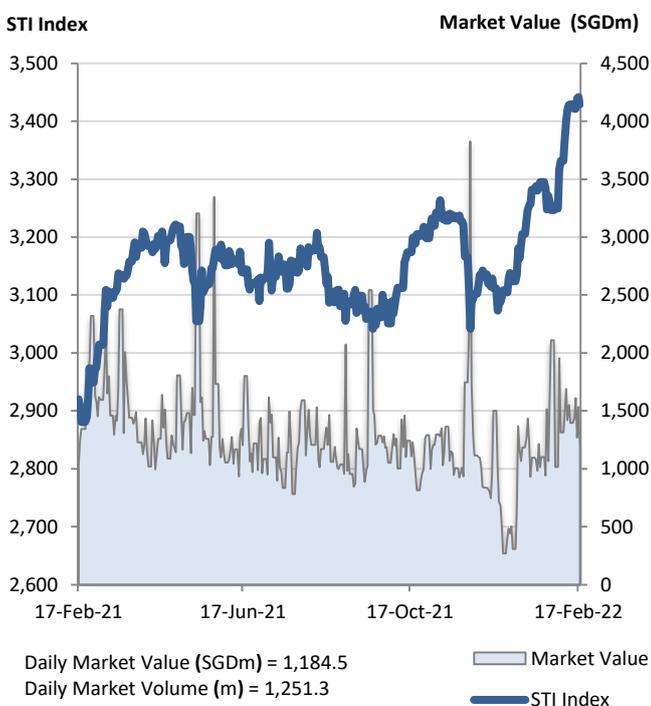
Keep BUY and SGD0.90 TP, 14% upside, c.3% FY22F yield. Despite 2H21 results coming in below expectations, we believe the worst is likely over, as Singapore's gradual transition towards living with COVID-19 should eventually benefit Genting Singapore, via increased footfall to its premises. As restrictions continue to be eased, and more borders reopen, we expect the return of foreign visitors to drive GENS' strong earnings growth.

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*Today's Report:* [Genting Singapore: The Worst Is Over; Maintain BUY \(18 Feb 2022\)](#)

*Previous Report:* [Genting Singapore : A Better Year Ahead; Stay BUY \(23 Dec 2021\)](#)

**Chart 1: Singapore market summary**



Note: \*As 18 Feb 2022 closing  
Source: Bloomberg

**Table 1: Singapore indices & economic data (18 Feb 2022)**

Indicators	Last Close	3M chg	YTD chg
STI	3,428.9	6.1%	9.8%
STI (USD)	2,552.4	7.1%	10.1%
ST Mid Cap Index	733.7	-1.1%	0.6%
ST Small Cap Index	322.8	-6.6%	-5.0%
SG ESG Leaders Index	1,044.7	4.1%	7.6%
MAS 10Y Yield	1.98%	17.39bps	31.11bps
3M SIBOR	0.44%	0.11bps	0.00bps
3M Deposit Rate	0.38%	0.00bps	0.00bps
USDSGD Rate	1.3434	-0.9%	-0.4%
GDP YoY (Dec-21)	6.10%	0.0%	0.0%
Reserves (SGDbn) (Jan-22)	565.8	0.1%	0.4%
CPI (YoY, 2014=100) (Dec-21)	4.00%	150.0bps	400.0bps
PMI (Manufacturing) (Jan-22)	50.60	-0.20pt	-0.10pt
NODX (YoY) (Jan-22)	17.60%		
Retail Sales ex Auto (YoY) (Dec-21)	8.64%		
Unemployment rate (sa) (Dec-21)	2.40%		
Visitor Arrivals (Dec-21)	92,785	287.0%	
COE (Cat. A) (SGD) (09 Feb 22)	60,761	10.5%	3.3%
COE (Cat. B) (SGD) (09 Feb 22)	86,102	8.2%	6.3%

Source: Bloomberg

**Top BUYs**

	Mkt cap (USDm)	TP (SGD)	Upside (%)	Div. yield (%)	Investment thesis
<b>Large &amp; Mid cap</b>					
<b>ComfortDelGro (CD SP)</b>	2,403	1.90	27.5	2.7	<ul style="list-style-type: none"> <li>Sustained earnings recovery amid normalisation of Singapore public transport and taxi businesses operations in the next 12 months</li> <li>Improvement in earnings contributions from UK and Australian businesses</li> <li>P/E and P/BV valuations are compelling amid strong YoY earnings growth and strong improvement in ROE</li> </ul>
<b>DBS (DBS SP)</b>	69,865	42.70	17.1	3.3	<ul style="list-style-type: none"> <li>DBS has highest sensitivity to interest rate movements, with a 25bps hike boosting annual earnings by 6%</li> <li>Underlying operations supported by healthy business while resilient asset quality points to benign credit costs</li> <li>Its digital capabilities and new regional growth platforms support richer valuations</li> </ul>
<b>Singtel (ST SP)</b>	31,450	3.37	32.2	3.6	<ul style="list-style-type: none"> <li>Earnings set to rebound in FY22F from easing travel restrictions, recovery in roaming revenue and stronger associate contributions</li> <li>Stronger ARPU uplift from higher adoption of 5G</li> <li>Strategic business reset portends further value unlocking of strategic infrastructure assets in the medium-term</li> </ul>
<b>ST Engineering (STE SP)</b>	8,941	4.85	25.6	3.9	<ul style="list-style-type: none"> <li>Sustained recovery in earnings over 2022, driven by gradual improvement in Aerospace</li> <li>STE could sustain our forecasted profit CAGR of c.8% beyond 2023 if it delivers on its new 2026 targets</li> <li>Defensive business: Can sustain dividends amid resilient earnings, robust balance sheet, and positive FCF generation</li> </ul>
<b>Suntec REIT (SUN SP)</b>	3,478	1.77	8.6	5.3	<ul style="list-style-type: none"> <li>Sustained rebound in earnings from further relaxation of COVID-19 restrictions and acquisition contributions</li> <li>Office portfolio valuation has remained resilient as Suntec City Mall should benefit from the return to office crowds</li> <li>Attractive valuation at 30% discount to book and offering 6% yield</li> </ul>
<b>Thai Beverage (THBEV SP)</b>	12,899	0.97	36.6	3.5	<ul style="list-style-type: none"> <li>Spirit segment as a stable cash cow</li> <li>Recovery in beer and non-alcohol beverages businesses</li> <li>Potential upside from the listing of the beer business</li> </ul>
<b>United Overseas Bank (UOB SP)</b>	40,885	38.10	17.0	4.0	<ul style="list-style-type: none"> <li>ROE forecast to recover to 9.6% in FY2F (FY20: 7.2%) on broad-based improvement in operations and lower credit costs</li> <li>Acquisition of Citigroup's ASEAN-4 assets will strengthen UOB's regional presence and accelerate growth</li> <li>Management expects CET-1 of &gt;13% by end-2026, remain comfortable 50% dividend payout</li> </ul>
<b>Small cap</b>					
<b>ESR-REIT (EREIT SP)</b>	1,335	0.54	21.3	7.0	<ul style="list-style-type: none"> <li>Good proxy to Singapore's industrial sector with diverse presence across island</li> <li>Balanced exposure to business parks/high tech/logistics segments, which continues to do well</li> <li>Strong and capable sponsor backing (ESR) and attractive valuations</li> </ul>
<b>Frencken Group (FRKN SP)</b>	547	2.64	60.0	2.5	<ul style="list-style-type: none"> <li>Strong continued growth expected in its semi-conductor segments</li> <li>Twin growth drivers to drive growth in FY22</li> <li>Trading below peers multiple of 13x</li> </ul>
<b>HRnetGroup (HRNET SP)</b>	590	0.93	19.2	4.7	<ul style="list-style-type: none"> <li>Enjoyed continued rebound in hiring space due to continued economic recovery and growth</li> <li>Attractive dividend yields of 4.8%</li> <li>This counter is also trading at 13.3x FY21F P/E, which is lower than its global peers average</li> </ul>
Note: Market Cap = Small Cap is <SGD1bn, Mid Cap is <SGD3bn Source: Bloomberg, RHB					

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<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	Stock is not within regular research coverage

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