

Singapore Market Statistics

	Close	Net Chg	% Chg
Straits Times Index	3,112.1	-1.4	0.0%
FTSE ST Financials	1,032.9	-2.8	-0.3%
FTSE ST REITs	846.5	-1.6	-0.2%
FTSE ST Real Estate	810.0	-0.1	0.0%
Vol (m)	1,627.0	-549.7	-25.3%
Turnover (m)	1,185.9	-239.9	-16.8%
52 week range	2,420.8	-	3,237.2
Gainers / losers	208 / 248		

World Indices

	Close	Chg	% Chg
S&P 500	4,350.7	-10.5	-0.2%
DJI	34,378.3	-117.7	-0.3%
Nasdaq Comp	14,465.9	-20.3	-0.1%
FTSE 100	7,130.2	-16.6	-0.2%
STOXX Europe 600	457.2	-0.3	-0.1%
Nikkei 225	28,230.6	-267.6	-0.9%
Hang Seng Index	24,962.6	-362.5	-1.4%
SHSE Comp Index	3,546.9	-44.8	-1.2%
SZSE Comp Index	2,363.8	-39.6	-1.6%
SHSE SZSE CSI 300	4,883.8	-52.4	-1.1%
KLCI	1,583.9	13.1	0.8%
JCI	6,486.3	26.6	0.4%
SET	1,643.6	10.2	0.6%
KOSPI	2,916.4	-39.9	-1.4%
TWSE	16,462.8	-177.6	-1.1%

FX & Commodities

		Close	% Chg
USDSGD		1.3572	-0.2%
USDJPY		113.61	-0.3%
USDCNY		6.449	0.0%
USDHKD		7.782	0.0%
WTI Crude	USD/bbl.	80.64	0.1%
Brent	USD/bbl.	83.42	-0.3%
Gold	USD/oz.	1,760.2	0.3%
Silver	USD/oz.	22.56	-0.1%

Source: Bloomberg

Market Commentary
US stocks end lower on worries over impact of inflation on earnings

- Worries over the impact of rising inflation on upcoming third-quarter earnings saw US stocks edge lower overnight. The Dow Jones Industrial Average shed 0.3%, to 34,378.3. The S&P 500 ticked down 0.2% to 4,350.7. The Nasdaq Composite fell 0.1% at 14,465.9.
- Short-dated Treasury yields, which reflect expectations of where interest rates will be in the future, reached their highest level since March 2020, as investors bet that inflationary pressures have pulled forward the date of the first US interest rate rise. The yield on the two-year US Treasury note on Tuesday touched 0.36%, a level not reached since days after the Federal Reserve cut borrowing costs to zero to battle the coronavirus crisis. The five-year note yield reached a high of 1.09%, its highest level since February last year. The yield on the three-year note also reached a 19-month high.
- The move came after the price of West Texas Intermediate crude oil hit a seven-year high of more than US\$82 a barrel on Monday before pulling back to settle at US\$80.64 on Tuesday. Brent crude, the international oil benchmark traded slightly off Monday's three-year high to settle at US\$83.42.
- The IMF urged central banks to be "very, very vigilant" about inflation ahead of data today that may show US year-over-year consumer price rises exceeded 5% in September for the fourth consecutive month. The Federal Open Market Committee is also set to release its minutes from the September meeting. Investors will digest the minutes for any potential clues regarding the central bank's plans to pull back easy monetary policy.
- Europe's Stoxx 600 benchmark was volatile on Tuesday, dropping 1.2% in early dealings to fall about 5% below its all-time high reached in mid-August, before closing the session 0.1% lower.
- In Asia, Singapore shares slipped lower amid the weaker global sentiment, following declines on Wall Street on Monday. The benchmark Straits Times Index fell 0.1% to close at 3,112.05. The losses tracked major regional markets in Asia, with Australia, Japan and Hong Kong falling between 0.3% and 1.4% on Tuesday.
- China's CSI 300 fell 1.1%, with the stocks of utilities dropping the most amid an electricity shortage driven by a lack of adequate coal supplies. Concerns are mounting about contagion among indebted developers, with Sinic Holdings Group Co becoming the latest real-estate firm to warn of imminent default.
- After a bumpy September, stocks had recovered somewhat in October, but the rebound appears to have stalled in recent days.
- Despite near-term risks, the medium-term outlook remains favourable for now. This is supported by the ongoing global recovery from the pandemic and still-dovish central banks which are tolerating above-target inflation rates and keeping monetary policy accommodative.
- Intermittent market pullbacks can offer buying opportunities for those with a good risk appetite, although investors need to tread carefully and buy selectively.

Research Ideas

Agricultural Bank of China (1288 HK / 601288 CH) - Mixed results

- Pressure on net interest margin
- Relatively high exposure to developers' loan
- Lower fair value estimate

Pressure on net interest margin

Recent quarterly result highlighted some key concerns about net interest margin, fee income growth and deposit growth. Net interest margin (NIM) contracted 7bps q/q in 2Q21 due to a combination of lower loan yield and higher deposit cost. Fee income growth was subdued and decelerated from +12.2% y/y in 1Q21 to +3.5% y/y in 2Q21. The sharp deceleration was likely due to weakness in custodian fees, which offset the strength in e-banking and investment banking advisory fee. Deposit growth was flat and only edged up +0.4% q/q in 2Q21.

Asset quality concerns remain with higher property developer loans exposure

ABC is well provisioned, and its non-performing loans (NPL) ratio dropped 3bps q/q to 1.5% in 2Q21. But, it has the highest exposure to property developers' loans (at around 5.2% of total loans) as of 1H21 among the Big-5 state-owned banks, making it could be more vulnerable to potential asset quality deterioration in case of a default. Common Equity Tier 1 (CET1) and total capital adequacy (CAR) ratios edged down 13bps and 14 bps q/q to 10.9% and 16.2% in 2Q21 respectively.

Lower fair value estimate

ABC's exposure to the property sector would be a risk to monitor, especially given the heightened liquidity issue at debt-ridden property developers. Having said that, ABC has the highest NPL coverage ratio among the Big-4 state-owned banks, offering an earnings buffer and to smooth

earnings growth if needed. While NIM showed signs of stabilization at the latest quarterly results, we believe NIM could be under pressure as economic growth softens and policymakers are likely to maintain a relatively lower loan pricing and could fine-tune policy to support growth. We lower our Fair Value estimate to HK\$3.3 (1288 HK) / CNY3.4 (601288 CH) by applying a lower valuation multiple of 0.45x (1288 HK) / 0.55x (601288 CH) forward Price-to-Book, which is at -1 s.d. to historical average owing to the concerns we highlighted. We view sector re-rating catalysts are limited and expect valuation to stay range bound. Within Chinese banks, we prefer those with strong retail franchise and network.

ESG updates

Leading financial inclusion products, but lagging product review and ethical compliance practices – ABC still outperform peers in providing access to finance to underserved markets: retail loans targeting poverty alleviation and 'Sannong' (agriculture, rural areas, and farmers) innovation amounted to USD355bn in FY 2020 (+17.6% y/y). The bank has also provided a series of thematic loans to SMEs during the pandemic to help them resume production. However, it appears to lag peers in China in strategies and programs to protect consumer interests and in governance practices.

ABC appears to lag peers in adopting compliance measures to mitigate corruption-related risks. It is noted the bank faced penalties of USD7.8mn in Aug 2020 over 24 alleged financial business malpractices; and an ongoing discipline inspection against a former branch vice president.

ABC has a large balance of green credit investment (around USD236bn by 2020) guided by a 4-year plan and China's carbon neutral targets. Yet, it appears to trail leading peers in adopting specified system to manage potential ESG risks in financing activities. **BUY. (Research Team)**

Latest OIR Reports

No.	Report Date	Mkt	Stock / Sector / Market	Report Title	Bloomberg Ticker	Rating	Fair Value
1	12 Oct 2021	HK CH	Agricultural Bank of China	Mixed results	1288 HK 601288 CH	BUY	HKD 3.30 CNY3.40
2	11 Oct 2021	HK	Meituan	More green light than red light	3690 HK	BUY	HKD 316.00
3	8 Oct 2021	SG	Singapore Press Holdings	Recovery in continuing operations	SPH SP	HOLD	SGD 1.92
4	8 Oct 2021	HK	HK Strategy	Policy Address unveiled long-term development strategies	-	-	-
5	6 Oct 2021	SG	CapitaLand Investment Ltd	Transformation augurs well for the future	CLI SP	BUY	SGD 3.83
6	6 Oct 2021	SG	SPH REIT	Still soft retail leasing sentiment	SPHREIT SG	HOLD	SGD 0.92
7	6 Oct 2021	HK	CNOOC Ltd	Fundamentals remain positive	883 HK	BUY	HKD 10.70
8	6 Oct 2021	HK CH	PetroChina Co Ltd	Buoyed by supportive macro	857 HK 601857 CH	BUY HOLD	HKD 4.50 CNY 6.40
9	5 Oct 2021	CH	China Strategy	Assessing the impact of power shortage	-	-	-
10	4 Oct 2021	SG	ST Engineering Ltd	Proposes largest acquisition to date	STE SP	BUY	SGD 4.30
11	4 Oct 2021	SG	Singtel	Focusing on growth; special dividend unlikely	ST SP	BUY	SGD 2.89
12	28 Sep 2021	HK US	Trip.com	Near-term domestic recovery challenges	9961 HK TCOM US	BUY	HKD 296.00 USD 38.00
13	28 Sep 2021	-	Global Thematic	Surging gas prices – Knock-on impact for sectors	-	-	-
14	24 Sep 2021	US	Adobe Inc.	Looking past seasonality	ADBE US	BUY	USD 711.00
15	23 Sep 2021	SG	Singapore Strategy	Almost as steady as a rock...	-	-	-
16	23 Sep 2021	CH	China Internet	Incremental positives	-	-	-
17	22 Sep 2021	-	Global Aviation	Looking forward to borders reopening	-	-	-
18	21 Sep 2021	CH	China Strategy	Assessing Evergrande impact on Chinese financials	-	-	-
19	20 Sep 2021	HK CH	Ping An Insurance	Spooked by real estate concerns	2318 HK 601318 CH	BUY	HKD 80.00 CNY 66.43
20	17 Sep 2021	CH	China Strategy	Expectations reset	-	-	-

STI Stocks Sorted by Market Capitalisation (US\$m)

Code	Company	Price on 12 Oct 2021	Mkt Cap US\$m	Eqy Beta (x)	Div Yield (%)		P/E Ratio (x)			Recommendation				
					Hist	F1	Hist	F1	F2	Buy	Hold	Sell	Total	
1	DBS SP	DBS Group Hldgs	SGD 30.13	57,583	1.2	2.9	3.8	13	12	11	14	7	0	21
2	JM SP	Jardine Matheson Hldgs	USD 54.41	39,735	0.7	3.1	3.2	79	14	10	2	4	1	7
3	OCBC SP	OCBC	SGD 11.60	38,719	1.0	3.5	4.4	11	11	10	17	5	0	22
4	UOB SP	United Overseas Bank	SGD 26.14	32,539	1.1	3.8	4.6	13	11	10	18	2	1	21
5	ST SP	Spore Telecoms	SGD 2.47	29,957	0.9	3.0	4.1	73	18	15	17	2	0	19
6	WIL SP	Wilmar Int'l	SGD 4.33	20,377	0.9	3.2	3.4	12	13	12	13	1	0	14
7	CLI SP	Capitaland Investment	SGD 3.38	13,042	-	-	2.5	-	19	17	9	1	0	10
8	THBEV SP	Thai Beverage	SGD 0.69	12,783	1.1	3.2	3.1	18	16	15	19	1	0	20
9	SIA SP	Spore Airlines	SGD 5.49	12,147	1.2	-	0.0	-	-	121	2	5	4	11
10	HKL SP	Hongkong Land	USD 4.92	11,506	1.0	4.5	4.5	-	11	10	11	2	1	14
11	CICT SP	CapitaLand Mall Trust	SGD 2.08	10,082	1.2	3.3	5.0	13	20	17	17	2	0	19
12	AREIT SP	Ascendas REIT	SGD 2.96	9,282	1.0	5.1	5.2	23	20	17	17	3	0	20
13	STE SP	ST Engrg	SGD 3.89	9,010	1.0	3.8	3.8	22	22	20	9	0	3	12
14	SGX SP	Spore Exchange	SGD 9.61	7,628	0.6	3.3	3.4	23	23	21	1	11	3	15
15	KEP SP	Keppel Corp	SGD 5.25	7,045	0.9	3.6	3.9	29	14	12	11	0	1	12
16	GENS SP	Genting Spore	SGD 0.76	6,851	1.2	1.3	1.9	34	39	20	10	9	1	20
17	JCNC SP	Jardine Cycle & Carriage	SGD 21.73	6,378	1.2	3.2	4.3	14	10	8	3	0	0	3
18	MLT SP	Mapletree Logistics Trust	SGD 1.95	6,306	0.9	4.1	4.4	18	23	23	8	7	2	17
19	MINT SP	Mapletree Industrial Trust	SGD 2.70	5,296	0.9	4.6	5.0	36	20	19	14	2	0	16
20	MCT SP	Mapletree Commercial Trust	SGD 2.07	5,168	1.2	5.0	4.5	102	24	22	8	5	1	14
21	CIT SP	City Developments	SGD 7.29	4,903	1.3	1.1	1.7	-	32	15	16	1	0	17
22	DFI SP	Dairy Farm Int'l Hldgs	USD 3.44	4,695	1.0	4.2	3.2	27	27	17	4	5	0	9
23	UOL SP	UOL Group	SGD 7.10	4,446	0.9	2.1	2.4	32	20	16	7	2	0	9
24	YZJSGD SP	Yangzijiang Shipbldg	SGD 1.40	4,048	0.9	3.2	3.5	9	9	7	7	1	1	9
25	FLT SP	Frasers Logistics & Comm Trust	SGD 1.48	4,013	1.2	5.1	5.3	10	18	20	10	1	0	11
26	VMS SP	Venture Corp	SGD 18.00	3,896	0.9	4.1	4.2	17	16	15	10	2	1	13
27	SATS SP	SATS	SGD 4.37	3,650	1.4	-	0.6	-	96	34	6	3	1	10
28	KDCREIT SP	Keppel DC REIT	SGD 2.33	2,972	0.5	4.2	4.3	22	22	20	10	4	0	14
29	CD SP	ComfortDelGro	SGD 1.56	2,526	1.1	2.2	3.4	22	18	15	11	0	0	11
30	SCI SP	Sembcorp Industries	SGD 1.91	2,515	0.9	3.1	2.4	7	14	9	9	2	0	11

Source: Bloomberg

ANALYST DECLARATION:

For analysts' shareholding disclosure on individual companies, please refer to the latest reports of these companies.

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