

Singapore Market Statistics

	Close	Net Chg	% Chg
Straits Times Index	3,287.9	5.9	0.2%
FTSE ST Financials	1,171.0	2.9	0.2%
FTSE ST REITs	827.8	-2.7	-0.3%
FTSE ST Real Estate	806.9	-1.5	-0.2%
Vol (m)	1,130.2	175.3	18.4%
Turnover (m)	1,080.8	-16.3	-1.5%
52 week range	2,869.3	-	3,297.8
Gainers / losers	190 / 264		

World Indices

	Close	Chg	% Chg
S&P 500	4,662.9	3.8	0.1%
DJI	35,911.8	-201.8	-0.6%
Nasdaq Comp	14,893.8	86.9	0.6%
FTSE 100	7,611.2	68.3	0.9%
STOXX Europe 600	484.5	3.3	0.7%
Nikkei 225	28,333.5	209.2	0.7%
Hang Seng Index	24,218.0	-165.3	-0.7%
SHSE Comp Index	3,541.7	20.4	0.6%
SZSE Comp Index	2,473.0	37.6	1.5%
SHSE SZSE CSI 300	4,767.3	40.5	0.9%
KLCI	1,542.9	-12.4	-0.8%
JCI	6,645.0	-48.4	-0.7%
SET	1,676.9	4.2	0.3%
KOSPI	2,890.1	-31.8	-1.1%
TWSE	18,525.4	122.1	0.7%

FX & Commodities

		Close	% Chg
USDSGD		1.3484	-0.1%
USDJPY		114.63	-0.4%
USDCNY		6.348	0.1%
USDHKD		7.791	-0.1%
WTI Crude	USD/bbl.	83.82	2.1%
Brent	USD/bbl.	86.48	0.5%
Gold	USD/oz.	1,819.2	0.1%
Silver	USD/oz.	23.02	0.2%

Source: Bloomberg

Market Commentary
Global stocks rise; US markets on a break for Martin Luther King Jr holiday

- Global stocks moved higher Monday in what was a quiet trading session, with US markets closed in observance of the Martin Luther King Jr Day holiday. Indices in Europe and Asia were broadly in the green.
- European equities are rebounding from last week's declines spurred by concerns over a more hawkish Federal Reserve policy, which has particularly weighed on higher-valued areas of the market like technology.
- The pan-European Stoxx 600 rose 0.7%, as investors looked ahead to corporate earnings due this week; reports will be scanned for clues whether companies can sustain profit growth despite rising risks. Media, luxury and technology were among the best-performing sectors.
- Europe's lower technology exposure and an uptake in Covid-19 vaccination rate could help the region's shares outperform. Analysts remain positive on earnings outlook for 2022, expecting another year of significant beats.
- In Asian equity markets, Hong Kong's Hang Seng traded 0.7% lower, while China's CSI 300 rose 0.9%. China's National Bureau of Statistics said on Monday that the economy expanded 4% year on year in the fourth quarter, exceeding economists' expectations, but marking its slowest pace in 18 months.
- The People's Bank of China also lowered its one-year policy loans rate on Monday by 10 basis points to 2.85% and the rate on seven-day reverse repurchase agreements to 2.1%.
- Tokyo's Nikkei 225 gauge added 0.7%. The Bank of Japan's two-day monetary policy meeting started on Monday, with a decision due today.
- Singapore shares edged up for the eighth consecutive session on Monday, with the Straits Times Index rising by 0.2% to close at 3,287.95.
- With higher interest rates and quantitative tightening in store for 2022 as re-opening trends continue, we see a compelling case for real economy sectors in the cyclical and value space, as investors look for earnings and cash flow fundamentals and resilience against inflation pressures. With this in mind, **we see room for outperformance in value and cyclical sectors**, such as financials, industrials, real estate and energy, as the economy continues to re-open and interest rates rise gradually.

Research Ideas

Country Garden (2007 HK) - Taking a cautious stance

- **Contracted sales fell 2.2% in 2022**
- **Not ruling out dilution risks from potential equity fund raising**
- **Lower fair value to HKD6.15**

2021 contracted sales fell 2.2% to RMB558b – Country Garden's (Stock code: 2007 HK) attributable contracted sales jumped 76.1% YoY to RMB22.6b in Dec 2021. This was driven by an increase in GFA sold by 96.6% to 2.9m sqm, but partially offset by a 10.4% dip in ASP to RMB7,813 per sqm. However, for the full-year 2021, Country Garden's attributable contracted sales reached RMB558.0b, which was a decline of 2.2% and fell short of our RMB616.3b forecast. The negative growth was attributed to both volume (GFA sold -1.4%) and ASP (-0.9%).

Equity fund raising remains a possibility – Country Garden was able to repurchase/redeem some of its notes/bonds over the past month. This includes repurchasing USD14.1m of its 7.125% senior notes due 2022 on 30 Dec 2021, repurchasing a principal amount of USD26.3m of its 5.625% senior notes due 2026 on 15 Dec 2021 and redeeming HKD4.5b of its 4.5% secured guaranteed convertible bonds due 2023 on 6 Dec 2021. However, we believe there remains market concerns over the liquidity position of Country Garden. For example, media reports said that Country Garden was not able to garner sufficient investor interest for a potential USD300m convertible bond, though the company has come out to refute the report. We believe overall credit conditions remain tight within China's property sector. As such, we do not rule out the possibility of an equity fund raising exercise by Country Garden.

Cut fair value on lower earnings forecasts and P/E target multiple – We cut our FY21F and FY22F core PATMI forecasts by 17.8% and 19.0%, respectively, to take into account a weaker contracted sales and margins outlook. We also assume a lower dividend payout ratio of 25% (previously 30%). Given our concerns over Chinese developers which have larger lower-tier city exposure and continued weak investor sentiment on non-SOE developers, we lower our target price-to-earnings (P/E) ratio peg from 4.1x to 3.6x, which represents one standard deviation below Country Garden's 10-year average and subsequently applying an ESG valuation discount. Consequently, our fair value estimate dips from HKD8.72 to HKD6.15.

ESG Updates

Country Garden's ESG rating was upgraded in May 2021. This upgrade was driven by methodology enhancements to Corporate Behaviour theme which resulted in greater emphasis on business ethics practices and exposure to risks of corruption, of which Country Garden's approach to address these risks appear to be on par with industry average practices. Furthermore, 35% of Country Garden's portfolio are green certified, and this was higher than the industry average of 23%. However, Country Garden lags its peers in board and ownership structures, with its board lacking an independent majority. It also lags peers in adopting safety measures for its contractors and employees and its quality control system can be further improved. **HOLD. (Research Team)**

China Strategy - Common prosperity lends support to domestic consumption

The policymakers place "Common Prosperity" as a key policy motivation for the shifts in regulation and governance framework, which we believe would guide economic growth and investment themes. In this note, we will address domestic consumption which would be a key beneficiary in light of the government's policy priority to raise the income of low-income group and to groom a sizeable middle-income class. This would provide support for both **consumer staples**, such as household durables, food products, and apparel, and **overall consumption demand over the medium term** in light of a more efficient wealth and income distribution, especially in autos, consumer durables, and services. It should be structurally positive for sustainable consumption upgrade, especially making the premiumization of fast-moving consumer goods categories accessible to massive consumers at low-tier cities.

We have identified four key trends will drive Chinese consumption this year and they are i) regulatory headwinds and tailwinds, ii) cost inflation and pricing power, iii) adjusting to Covid-zero policy, and iv) demand recovery towards 2H22. We believe the consumer sector will be in a tug of war between the current soft fundamentals and the expectation of recovery towards 2H this year. We expect softness in fundamentals will persist in the near-term and the upcoming announcement results season is likely to see further consensus earnings downgrade. Despite that fundamentals are in or below the mid-cycle for many consumer stocks currently, most leading consumer companies are trading around or above the mid-cycle level.

We will focus on companies that are relatively better in managing cost and margin. Towards 2H22, we expect demand recovery to pan out, thanks to potential policy easing impact to filter through and a more favourable base effect. We prefer companies that i) can deliver earnings growth despite softness in macro environment, and ii) would be core holdings with long-term structural outlook. We like **dairy, home appliance, sportswear and selected auto and food players. Our preferred picks are Geely, Great Wall Motor, Haier Smart, Li**

Ning, Mengniu, Midea, Minth & Tingyi. We have a cautious stance on education and Macau gaming given ongoing sector uncertainties and advise clients to switch out in view of a prolonged period of overhang expected. (Research Team)

Latest OIR Reports

No.	Report Date	Mkt	Stock / Sector / Market	Report Title	Bloomberg Ticker	Rating	Fair Value
1	17 Jan 2022	HK	Country Garden	Taking a cautious stance	2007 HK	HOLD	HKD 6.15
2	17 Jan 2022	-	China Strategy	Common prosperity lends support to domestic consumption	-	-	-
3	14 Jan 2022	SG	United Overseas Bank Ltd	Acquiring Citi's consumer businesses	UOB SP	BUY	SGD 34.80
4	14 Jan 2022	HK	Bank of China (Hong Kong)	Riding on the rate hike cycle	2388 HK	BUY	HKD 33.60
5	14 Jan 2022	SG	Yanlord Land Group Ltd	Weaker contracted sales outlook but little liquidity concerns	YLLG SP	HOLD	SGD 1.16
6	14 Jan 2022	-	Aviation	Recovery delayed but not derailed	-	-	-
7	12 Jan 2022	SG	DBS Group Holdings Ltd	Poised for NIM expansion	DBS SP	BUY	SGD 40.00
8	12 Jan 2022	SG	United Overseas Bank Ltd	New Fed rate hike cycle in 2022	UOB SP	BUY	SGD 34.80
9	12 Jan 2022	HK	China State Construction Intl	Significant outperformer	3311 HK	BUY	HKD 11.00
10	11 Jan 2022	HK	Longfor Group Holdings Ltd	Proposed spin-off to unlock value	960 HK	BUY	HKD 48.76
11	10 Jan 2022	SG	SPH REIT	Suburban malls performed better	SPHREIT SP	HOLD	SGD 0.95
12	3 Jan 2022	SG	Mapletree Commercial Trust	Strategic benefits from merger but moving to riskier markets	MCT SP	BUY	SGD 2.14
13	3 Jan 2022	SG	Mapletree North Asia Commercial Trust	Proposed merger with MCT	MAGIC SP	HOLD	SGD 1.15
14	3 Jan 2022	-	Global Financials	Waiting for new rate hike cycle, outlook remains constructive	-	-	-
15	3 Jan 2022	-	Industrial Automation	Beneficiary of movement in supply chains	-	-	-
16	24 Dec 2021	US HK	JD.com	Limited fundamental impact from Tencent's distribution in specie	JD US 9618 HK	BUY	USD 111.00 HKD 432.00
17	24 Dec 2021	HK	Tencent Holdings	Unlocking value for shareholders	700 HK	BUY	HKD 605.00
18	21 Dec 2021	US	Adobe Inc	Concerns over outlook but longer-term story intact	ADBE US	BUY	USD 629.00
19	20 Dec 2021	US	Trip.com	Local focus, global vision	TCOM US	BUY	USD 31.00
20	20 Dec 2021	HK	Trip.com	Local focus, global vision	9961 HK	BUY	HKD 242.00

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

Code	Company	Price on 17/01/2022	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 36.00	68,637	1.2	2.8	3.2	14	13	13	16	4	0	20
2	JM SP	Jardine Matheson Hldgs	USD 59.00	42,625	0.7	2.9	3.0	85	15	11	2	4	1	7
3	OCBC SP	OCBC	SGD 12.30	41,014	1.0	3.3	4.2	11	11	10	19	2	0	21
4	UOB SP	United Overseas Bank	SGD 30.18	37,459	1.1	3.3	4.0	14	13	11	17	2	0	19
5	ST SP	Spore Telecoms	SGD 2.49	30,517	0.9	2.8	3.9	39	18	15	17	1	0	18
6	WIL SP	Wilmar Int'l	SGD 4.23	19,768	0.9	3.3	3.5	12	12	11	13	0	0	13
7	CLI SP	Capitaland Investment	SGD 3.61	13,778	-	-	2.4	-	22	17	13	1	0	14
8	HKL SP	Hongkong Land	USD 5.42	12,650	1.0	4.1	4.1	-	12	11	10	3	1	14
9	THBEV SP	Thai Beverage	SGD 0.64	11,934	1.1	3.2	3.6	16	14	13	17	1	0	18
10	SIA SP	Spore Airlines	SGD 5.11	11,257	1.2	-	0.0	-	-	-	1	6	5	12
11	CICT SP	CapitaLand Mall Trust	SGD 1.99	9,763	1.2	3.5	5.3	12	19	17	18	2	0	20
12	AREIT SP	Ascendas REIT	SGD 2.87	8,944	1.0	5.4	5.4	22	19	17	16	4	0	20
13	STE SP	ST Engrg	SGD 3.71	8,574	1.0	4.0	4.0	21	20	19	10	0	2	12
14	SGX SP	Spore Exchange	SGD 9.63	7,640	0.6	3.3	3.4	23	23	21	5	7	4	16
15	KEP SP	Keppel Corp	SGD 5.26	7,105	0.9	3.6	3.9	29	14	12	11	0	1	12
16	GENS SP	Genting Spore	SGD 0.78	6,986	1.2	1.3	2.1	34	46	22	9	9	1	19
17	MLT SP	Mapletree Logistics Trust	SGD 1.77	6,348	0.9	4.6	4.9	16	22	21	10	6	1	17
18	JCNC SP	Jardine Cycle & Carriage	SGD 20.94	6,144	1.2	3.3	4.5	13	9	7	3	0	0	3
19	MINT SP	Mapletree Industrial Trust	SGD 2.63	5,194	0.9	4.7	5.2	33	19	19	15	1	0	16
20	CIT SP	City Developments	SGD 7.10	4,780	1.3	1.1	1.8	-	32	12	15	2	0	17
21	MCT SP	Mapletree Commercial Trust	SGD 1.83	4,513	1.2	4.8	5.1	18	22	19	8	6	0	14
22	UOL SP	UOL Group	SGD 7.11	4,456	0.9	2.1	2.4	32	20	16	8	2	0	10
23	FLT SP	Fraser's Logistics & Comm Trust	SGD 1.45	3,968	1.2	5.4	5.4	7	19	19	9	2	0	11
24	YZJSGD SP	Yangzijiang Shipbldg	SGD 1.34	3,903	0.8	3.4	3.7	8	8	7	8	2	0	10
25	VMS SP	Venture Corp	SGD 18.09	3,902	0.9	4.1	4.2	17	17	16	9	3	1	13
26	DFI SP	Dairy Farm Int'l Hldgs	USD 2.82	3,816	1.0	5.1	3.0	22	31	15	4	5	0	9
27	SATS SP	SATS	SGD 4.05	3,374	1.4	-	0.0	405	127	35	5	2	1	8
28	KDCREIT SP	Keppel DC REIT	SGD 2.29	2,916	0.5	4.3	4.4	22	21	20	7	7	0	14
29	SCI SP	Sembcorp Industries	SGD 2.15	2,841	0.9	2.8	2.1	8	14	10	9	2	0	11
30	CD SP	ComfortDelGro	SGD 1.39	2,236	1.1	2.5	3.6	19	18	14	9	2	0	11

Source: Bloomberg

ANALYST DECLARATION:

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

DISCLAIMER FOR RESEARCH REPORT

This report is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without the written consent of OCBC Investment Research Private Limited ("OIR" or "we"). This report should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities mentioned herein or to participate in any particular trading or investment strategy. Whilst we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee its accuracy or completeness, and you should not act on it without first independently verifying its contents. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. You may wish to seek advice from a financial adviser regarding the suitability of the securities mentioned herein, taking into consideration your investment objectives, financial situation or particular needs, before making a commitment to invest in the securities. In the event that you choose not to seek advice from a financial adviser, you should consider whether investment in securities and the securities mentioned herein is suitable for you. Oversea-Chinese Banking Corporation Limited ("OCBC Bank"), Bank of Singapore Limited ("BOS"), OIR, OCBC Securities Private Limited ("OSPL") and their respective connected and associated corporations together with their respective directors and officers may have or take positions in the securities mentioned in this report and may also perform or seek to perform broking and other investment or securities related services for the corporations whose securities are mentioned in this report as well as other parties generally. There may be conflicts of interest between OCBC Bank, BOS, OIR, OSPL or other members of the OCBC Group and any of the persons or entities mentioned in this report of which OIR and its analyst(s) are not aware due to OCBC Bank's Chinese Wall arrangement.

The information provided herein may contain projections or other forward looking statements regarding future events or future performance of countries, assets, markets or companies. Actual events or results may differ materially. Past performance figures are not necessarily indicative of future or likely performance.

Privileged / confidential information may be contained in this report. If you are not the addressee indicated in the message enclosing the report (or responsible for delivery of the message to such person), you may not copy or deliver the message and/or report to anyone. Opinions, conclusions and other information in this document that do not relate to the official business of OCBC Bank, BOS, OIR, OSPL and their respective connected and associated corporations shall be understood as neither given nor endorsed.

RATINGS AND RECOMMENDATIONS:

- OIR's technical comments and recommendations are short-term and trading oriented.
- OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon.
- As a guide, OIR's BUY rating indicates total expected returns (excluding dividends) in excess of 10% based on the current price; a HOLD rating indicates total expected returns (excluding dividends) within +10% and -5%; a SELL rating indicates total expected returns (excluding dividends) less than -5%. For REITs and Business Trusts, total expected returns including dividends apply.
- For companies with market capitalisation of S\$150m and below, OIR's BUY rating indicates total expected returns (excluding dividends) in excess of 30%; a HOLD rating indicates total expected returns (excluding dividends) within a +/-30% range; a SELL rating indicates total expected returns (excluding dividends) less than -30%. For REITs and Business Trusts, total expected returns including dividends apply.