

**Singapore Market Statistics**

	Close	Net Chg	% Chg
<b>Straits Times Index</b>	<b>3,294.9</b>	<b>0.1</b>	<b>0.0%</b>
FTSE ST Financials	1,166.5	-5.1	-0.4%
FTSE ST REITs	833.6	1.9	0.2%
FTSE ST Real Estate	813.1	1.8	0.2%
<b>Vol (m)</b>	1,034.4	0.4	0.0%
<b>Turnover (m)</b>	1,102.4	0.0	0.0%
<b>52 week range</b>	2,869.3	-	3,299.6
<b>Gainers / losers</b>	225 / 228		

**World Indices**

	Close	Chg	% Chg
<b>S&amp;P 500</b>	<b>4,397.9</b>	<b>-84.8</b>	<b>-1.9%</b>
DJI	34,265.4	-450.0	-1.3%
Nasdaq Comp	13,768.9	-385.1	-2.7%
FTSE 100	7,494.1	-90.9	-1.2%
STOXX Europe 600	474.4	-8.9	-1.8%
<b>Nikkei 225</b>	<b>27,522.3</b>	<b>-250.7</b>	<b>-0.9%</b>
Hang Seng Index	24,965.6	13.2	0.1%
SHSE Comp Index	3,522.6	-32.5	-0.9%
SZSE Comp Index	2,387.6	-32.0	-1.3%
SHSE SZSE CSI 300	4,779.3	-44.2	-0.9%
KLCI	1,527.1	-0.7	0.0%
JCI	6,726.4	99.5	1.5%
SET	1,652.7	-4.2	-0.3%
KOSPI	2,834.3	-28.4	-1.0%
TWSE	17,899.3	-319.0	-1.8%

**FX & Commodities**

		Close	% Chg
USDSGD		1.3448	0.2%
USDJPY		113.68	0.4%
USDCNY		6.339	0.0%
USDHKD		7.787	0.0%
WTI Crude	USD/bbl.	85.14	-2.0%
Brent	USD/bbl.	87.89	-0.6%
Gold	USD/oz.	1,835.4	-0.2%
Silver	USD/oz.	24.30	-0.7%

Source: Bloomberg

**Market Commentary**
**Global stock markets record worst week in more than a year**

- Global equities suffered their biggest declines in more than a year. A weak start to the earnings season has affected investor confidence just as markets were showing signs of recovery after an earlier sell-off.
- Share declines have been particularly extreme in the US, where many of last year's high-flying tech companies are listed. On Friday, the Nasdaq Composite was hit the hardest, with selling sending the tech-heavy index to its worst week since 2020.
- The Nasdaq Composite declined 2.7% to 13,768.92 while the Dow Jones Industrial Average fell 1.3% to 34,265.37. The S&P 500 slid 1.9% to 4,397.94.
- The tech-heavy Nasdaq Composite index fell 7.6% last week, its biggest slide since the coronavirus pandemic rocked US financial markets in March 2020. Among the decliners was Netflix, which tumbled 22% on Friday after the streaming group warned subscriber growth would slow substantially. The decline shaved about US\$49 billion from its valuation, or roughly the market capitalisation of foods group Kraft Heinz.
- The losses affected sentiment and created a shift out of highly valued and fast-growing companies, at a time when investors are grappling with a US central bank that is dramatically shifting monetary policy.
- The blue-chip S&P 500 index, the closely followed barometer of the US\$50 trillion US stock market, shed 5.7% over the past week. More than two-thirds of the companies within the index are now in a technical correction — or down at least 10% from their record high — including 149 stocks that have declined 20% or more.
- Even as Treasury prices firmed on Friday, extending a rally that began in the previous session, the so-called 10-year real yield continued to rise, briefly hitting -0.54%, its highest level since February 2020.
- Stock markets across Europe also fell, with the regional Stoxx 600 equity gauge falling 1.9% for the day, marking its third consecutive weekly loss.
- Asian equities resumed their declines after a one-day reprieve, as global inflation concerns and the impact on borrowing costs weighed on technology stocks.
- Singapore's Straits Times Index ended flat for the day.
- Investors should be prepared for markets to remain volatile in the near term due to multiple competing drivers**, including global policy divergence, rising interest rates in the US and Europe, tensions over Ukraine, and near-term headwinds to global growth from Omicron and higher energy prices.
- While an overall moderately risk-on asset allocation strategy remains appropriate, the current market environment calls for a much more selective approach to individual investments and greater diversification across sectors.

## Research Ideas

### Country Garden Services (6098 HK) - Scale matters

- **Share price retreated 43% from peak**
- **M&A activities should reduce concentration risks with Country Garden Holdings**
- **Lower fair value estimate of HKD64.03**

#### **Seeking more independence from parent group –**

Country Garden Services Holdings' (CGS; stock code: 6098 HK) share price has corrected 43% from its peak in Jun 2021, although YTD its share price has recovered 4% (as at 21 Jan 2022 close). Besides the de-rating seen in the property management services sector due to a slowing physical real estate market, we believe the weakness in CGS' share price has also been driven by concerns over its parent company Country Garden Holdings Group's (CGH) liquidity position and whether CGS would be used as a financing tool for CGH. CGS recently published an announcement on the Hong Kong Stock Exchange on 14 Dec 2021, highlighting that it will not carry out any material asset disposals or acquisitions with consideration above RMB200m with CGH within six months of the announcement. However, any continuing connected transactions that have been approved by the board and/or at the general meeting of CGS will continue as usual. CGS also committed that it will not conduct any placement of new shares in the open market within six months of the announcement, and said that its operations and business decision making are fully independent from its parent-subsidiary relationship with the CGH, and it has sufficient internal resources to fund inorganic growth opportunities ahead.

#### **Active on the M&A front, which would reduce its concentration on Country Garden Holdings –**

CGS has been very active on the M&A front to boost its scale. This has been supported by its strong balance sheet and large size, although it did carry out two private placement exercises in May and Nov 2021 to raise combined gross proceeds of HKD18.5b. CGS completed the acquisition of

Justbon Services on 30 Jun 2021, and announced in Sep 2021 the proposed acquisitions of the property management service provider arm of R&F Property and core assets of Colour Life Services, a leading property management and community services operator in the PRC. With these acquisitions, CGS' exposure to CGH would be reduced and its income streams more diversified.

**Lower our fair value estimate to HKD64.03** – We switch our valuation methodology from a price-to-earnings-to-growth (PEG) multiple to a price-to-earnings (P/E) target multiple. We ascribe an initial P/E target peg of 29.8x, which is a quarter of a standard deviation below its historical average forward P/E since listing, and then apply a slight ESG valuation premium, such that our adjusted target P/E peg settles at 30.6x. Applying this to our FY22F fully diluted EPS, we derive a lower fair value estimate of HKD64.03 (previously HKD85.37).

### ESG Updates

CGS has done a number of large-scale acquisitions, the subsequent restructuring and integration may lead to exposure to management risks. CGS offers strong compensation schemes such as share options to mitigate these risks. CGS also appears to have a comprehensive occupational safety strategy and thus scores well in the 'Health & Safety' category. However, CGS' board lacks an independent director majority, and several family members of the controlling shareholder and company executives serve as board members. CGS also derives a substantial portion of its revenue from services provided to its parent Country Garden Holdings, thus making it highly dependent on Country Garden's expansion for its success. **BUY. (Research Team)**

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## Latest OIR Reports

No.	Report Date	Mkt	Stock / Sector / Market	Report Title	Bloomberg Ticker	Rating	Fair Value
1	21 Jan 2022	HK	Country Garden Services	Scale matters	6098 HK	BUY	HKD 64.03
2	19 Jan 2022	HK	CK Hutchison Holdings	Busy on the M&A front	1 HK	BUY	HKD 70.00
3	19 Jan 2022	-	Global Technology	Navigating through the storm	-	-	-
4	18 Jan 2022	HK	China Resources Land Ltd	Safe harbour amid macro uncertainties	1109 HK	BUY	HKD 42.68
5	17 Jan 2022	HK	Country Garden	Taking a cautious stance	2007 HK	HOLD	HKD 6.15
6	17 Jan 2022	-	China strategy	Common prosperity lends support to domestic consumption	-	-	-
7	14 Jan 2022	SG	United Overseas Bank Ltd	Acquiring Citi's consumer businesses	UOB SP	BUY	SGD 34.80
8	14 Jan 2022	HK	Bank of China (Hong Kong)	Riding on the rate hike cycle	2388 HK	BUY	HKD 33.60
9	14 Jan 2022	SG	Yanlord Land Group Ltd	Weaker contracted sales outlook but little liquidity concerns	YLLG SP	HOLD	SGD 1.16
10	14 Jan 2022	-	Aviation	Recovery delayed but not derailed	-	-	-
11	12 Jan 2022	SG	DBS Group Holdings Ltd	Poised for NIM expansion	DBS SP	BUY	SGD 40.00
12	12 Jan 2022	SG	United Overseas Bank Ltd	New Fed rate hike cycle in 2022	UOB SP	BUY	SGD 34.80
13	12 Jan 2022	HK	China State Construction Intl	Significant outperformer	3311 HK	BUY	HKD 11.00
14	11 Jan 2022	HK	Longfor Group Holdings Ltd	Proposed spin-off to unlock value	960 HK	BUY	HKD 48.76
15	10 Jan 2022	SG	SPH REIT	Suburban malls performed better	SPHREIT SP	HOLD	SGD 0.95
16	3 Jan 2022	SG	Mapletree Commercial Trust	Strategic benefits from merger but moving to riskier markets	MCT SP	BUY	SGD 2.14
17	3 Jan 2022	SG	Mapletree North Asia Commercial Trust	Proposed merger with MCT	MAGIC SP	HOLD	SGD 1.15
18	3 Jan 2022	-	Global Financials	Waiting for new rate hike cycle, outlook remains constructive	-	-	-
19	3 Jan 2022	-	Industrial Automation	Beneficiary of movement in supply chains	-	-	-
20	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

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

Code	Company	Price on 21 Jan 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 35.55	67,874	1.2	2.9	3.3	14	13	13	16	4	0	20
2	JM SP	Jardine Matheson Hldgs	USD 59.60	43,058	0.7	2.9	3.0	86	15	11	3	3	1	7
3	OCBC SP	OCBC	SGD 12.31	41,104	1.0	3.4	4.3	11	11	10	18	3	0	21
4	UOB SP	United Overseas Bank	SGD 30.37	37,748	1.1	3.3	4.0	14	13	11	18	1	0	19
5	ST SP	Spore Telecoms	SGD 2.48	30,437	0.9	2.8	4.0	39	18	15	17	1	0	18
6	WIL SP	Wilmar Int'l	SGD 4.35	20,358	0.9	3.2	3.4	12	12	12	13	0	0	13
7	CLI SP	Capitaland Investment	SGD 3.66	13,988	-	-	2.3	-	22	17	13	1	0	14
8	HKL SP	Hongkong Land	USD 5.47	12,767	1.0	4.0	4.0	-	13	11	10	3	1	14
9	THBEV SP	Thai Beverage	SGD 0.66	12,324	1.1	3.1	3.5	17	15	14	17	1	0	18
10	SIA SP	Spore Airlines	SGD 5.11	11,273	1.2	-	0.0	-	-	-	1	6	5	12
11	CICT SP	CapitaLand Mall Trust	SGD 2.01	9,875	1.2	3.5	5.3	12	19	17	18	2	0	20
12	AREIT SP	Ascendas REIT	SGD 2.89	9,019	1.0	5.4	5.4	22	19	18	15	4	0	19
13	STE SP	ST Engrg	SGD 3.74	8,654	1.0	4.0	4.0	21	20	20	10	0	2	12
14	SGX SP	Spore Exchange	SGD 9.56	7,595	0.6	3.4	3.4	23	23	21	5	7	4	16
15	KEP SP	Keppel Corp	SGD 5.38	7,277	0.9	3.5	3.9	30	15	12	11	0	1	12
16	GENS SP	Genting Spore	SGD 0.78	6,951	1.2	1.3	2.1	34	46	22	9	9	1	19
17	MLT SP	Mapletree Logistics Trust	SGD 1.78	6,393	0.9	4.6	4.9	16	22	21	10	6	1	17
18	JCNC SP	Jardine Cycle & Carriage	SGD 20.60	6,053	1.2	3.3	4.6	13	8	7	3	0	0	3
19	MINT SP	Mapletree Industrial Trust	SGD 2.65	5,241	0.9	4.7	5.2	33	19	19	15	1	0	16
20	CIT SP	City Developments	SGD 7.15	4,820	1.3	1.1	1.8	-	32	12	15	2	0	17
21	MCT SP	Mapletree Commercial Trust	SGD 1.86	4,594	1.2	4.7	5.0	18	22	20	8	6	0	14
22	UOL SP	UOL Group	SGD 7.27	4,563	0.9	2.1	2.4	33	20	16	8	2	0	10
23	FLT SP	Fraser's Logistics & Comm Trust	SGD 1.45	3,973	1.2	5.4	5.4	7	19	19	9	2	0	11
24	VMS SP	Venture Corp	SGD 18.23	3,938	0.9	4.2	4.2	17	17	16	9	3	1	13
25	DFI SP	Dairy Farm Int'l Hldgs	USD 2.88	3,897	1.0	5.0	3.0	23	32	15	4	5	0	9
26	YZJSGD SP	Yangzijiang Shipbldg	SGD 1.32	3,850	0.8	3.4	3.8	8	8	6	8	2	0	10
27	SATS SP	SATS	SGD 3.99	3,328	1.4	-	0.0	399	125	34	5	2	1	8
28	SCI SP	Sembcorp Industries	SGD 2.22	2,938	0.9	2.7	2.1	8	14	10	9	2	0	11
29	KDCREIT SP	Keppel DC REIT	SGD 2.26	2,882	0.5	4.3	4.4	21	21	20	7	7	0	14
30	CD SP	ComfortDelGro	SGD 1.38	2,223	1.1	2.6	3.6	19	17	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.

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