



Singapore Banking Monthly

Interest rates continue to rise in March

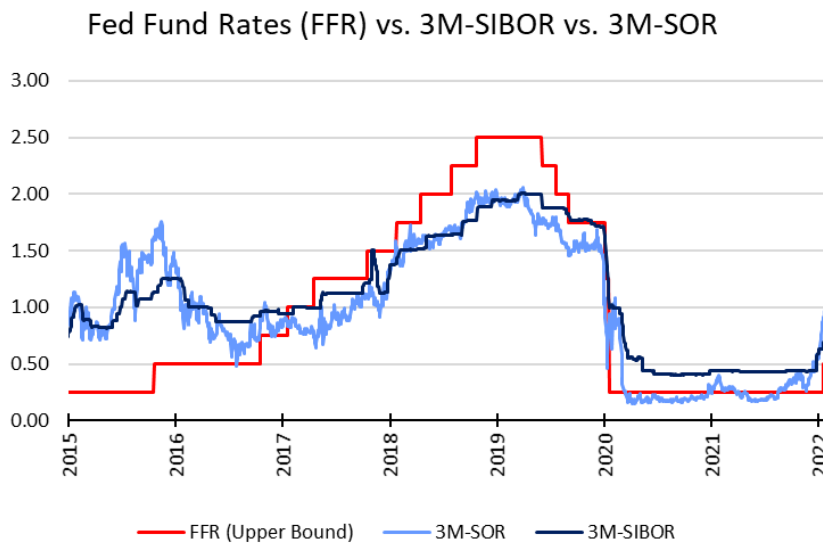
SINGAPORE | BANKING & FINANCE | UPDATE

- March 3M-SIBOR up by 20bps MoM, highest in 22 months.
- Hong Kong's domestic loans grew by 1.55% YoY and 0.13% MoM in February. Malaysia's domestic loans growth increased 4.72% YoY and rose 0.16% MoM in February.
- Maintain OVERWEIGHT.** We remain positive on banks. Bank dividend yields are attractive with upside surprise due to excess capital ratios. Improving economic conditions and rising interest rates remain tailwinds for the banking sector. SGX is another beneficiary of higher interest rates.

3M-SOR and 3M-SIBOR up in March

Interest rates continued to increase in March. The 3M-SOR was up 31bps MoM to 0.79% while the 3M-SIBOR was up 20bps MoM to 0.67%. The 3M-SOR is 25bps higher than its 1Q22 average of 0.54% and has improved by 47bps YoY. The 3M-SIBOR is 14bps higher than its 1Q22 average of 0.53% and has improved by 23bps YoY (Figure 1).

Figure 1: Interest rates up in March



Source: Bloomberg, PSR

7 April 2022

Overweight (Maintained)

DBS Group Holdings

ACCUMULATE (Maintained)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 35.75
FORECAST DIV	SGD 1.44
TARGET PRICE	SGD 41.60
DIVIDEND YIELD	4.03%
TOTAL RETURN	20.39%

Oversea-Chinese Banking Corp

BUY (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 12.33
FORECAST DIV	SGD 0.66
TARGET PRICE	SGD 14.22
DIVIDEND YIELD	5.35%
TOTAL RETURN	20.68%

United Overseas Bank Limited

ACCUMULATE (Maintained)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 31.75
FORECAST DIV	SGD 1.37
TARGET PRICE	SGD 35.70
DIVIDEND YIELD	4.31%
TOTAL RETURN	16.76%

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List of Abbreviations:

NIM – Net Interest Margin

SIBOR – Singapore Interbank Offer Rate

SOR – Swap Offer Rate

HIBOR – Hong Kong Interbank Offer Rate

DDAV – Derivatives Daily Average Volume

SDAV – Securities Daily Average Value

Hong Kong loans growth rebounded while Malaysia loans growth continued in February

Hong Kong's domestic loans grew by 1.55% YoY and 0.13% MoM in February. The YoY loans growth for February was a significant improvement from January's negative loans growth of 6.42%, however the MoM loans growth for February moderated down from January's MoM loans growth of 0.81%.

Malaysia's domestic loans growth was 4.72% YoY in February and 0.16% MoM in February. The increase YoY in February was the highest recorded since March 2019.

Figure 2: Hong Kong loans growth rebounded in February



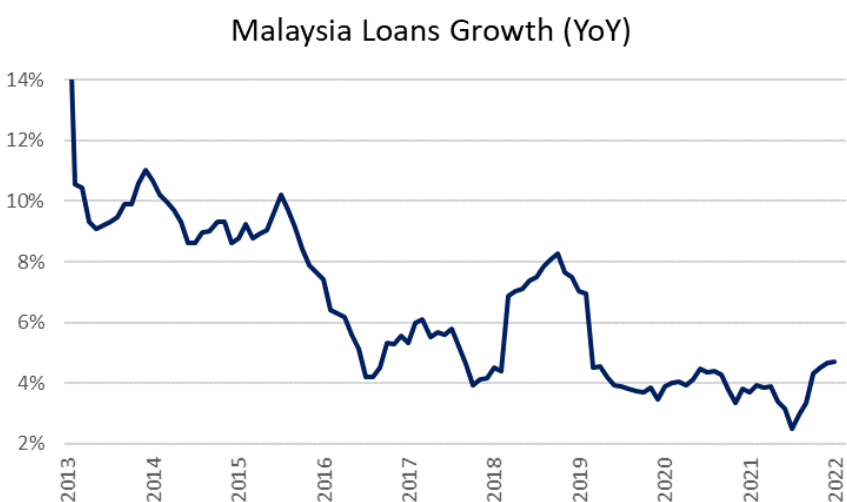
Source: CEIC, PSR

Figure 3: Hong Kong loans growth

2021/2022	Loans growth (YoY)
February	1.55%
January	-6.42%
December	3.79%
November	4.23%
October	-4.80%
September	-0.05%
August	-1.27%
July	0.68%
June	5.21%
May	0.88%
April	0.18%
March	1.11%

Source: CEIC, PSR

Figure 4: Malaysia loans growth continue to rise



Source: CEIC, PSR

Figure 5: Malaysia loans growth

2022/2021	Loans growth (YoY)
February	4.72%
January	4.66%
December	4.51%
November	4.30%
October	3.34%
September	2.94%
August	2.49%
July	3.14%
June	3.37%
May	3.89%
April	3.86%
March	3.93%

Source: CEIC, PSR

Volatility rose as community cases increased

Preliminary SDAV for March dipped 6% YoY to \$1,536mn (Figure 6), as community COVID-19 cases began to fall gradually. The VIX averaged 27.0 in March, up from 25.8 in the previous month. SDAV in 1Q22 is down 2.7% YoY.

The top five equity index futures turnover saw an increase of 10.7% YoY in March to 18.26mn contracts (Figure 7) mainly due to the higher trading volumes of its FTSE China A50 Index Futures and Nifty 50 Index Futures. Notably, the FTSE China A50 Index Futures increased 56.5% MoM to 11.1mn and the Nikkei 225 Index Futures increased 36.6% MoM to 1.54mn.

Figure 6: YTD SDAV and DDAV

	SDAV (\$mn)	YoY (+/-)	DDAV (mn)	YoY (+/-)
March	1,536	-6%	-	-
February	1,625	+20%	1.06	0%
January	1,194	-20%	1.02	+2%
December	834	-25%	0.85	+4%
November	1,318	-24%	0.86	-7%
October	1,158	+10%	0.99	+14%
September	1,229	+11%	1.03	+10%
August	1,236	-12%	0.90	-4%

Source: SGX, Bloomberg, PSR

Figure 7: Turnover of top five equity index futures contracts up YoY

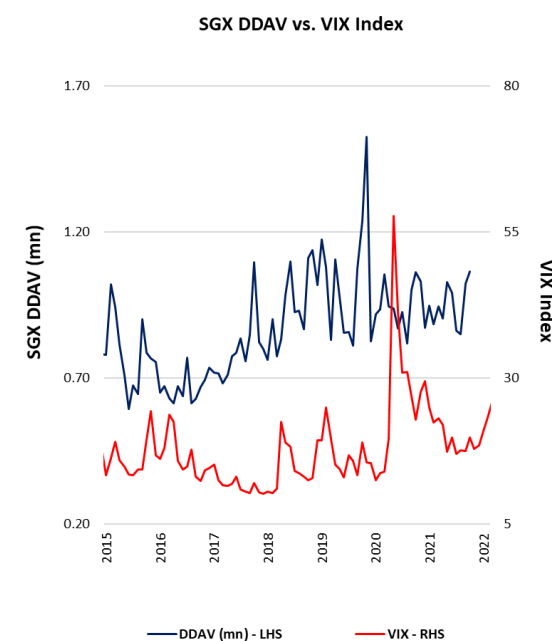
No. of contracts	Mar-21	Mar-22	YoY (+/-)
FTSE China A50 Index Futures	9,502,367	11,140,935	+17.2%
Nifty 50 Index Futures	2,456,731	2,652,959	+8.0%
Nikkei 225 Index Futures	1,709,504	1,542,739	-9.8%
FTSE Taiwan Index Futures	1,679,684	1,717,688	+2.3%
MSCI Singapore Index Futures	1,146,913	1,200,744	+4.7%
Sub-total	16,495,199	18,255,065	+10.7%

Source: SGX, Bloomberg, PSR

Investment Action

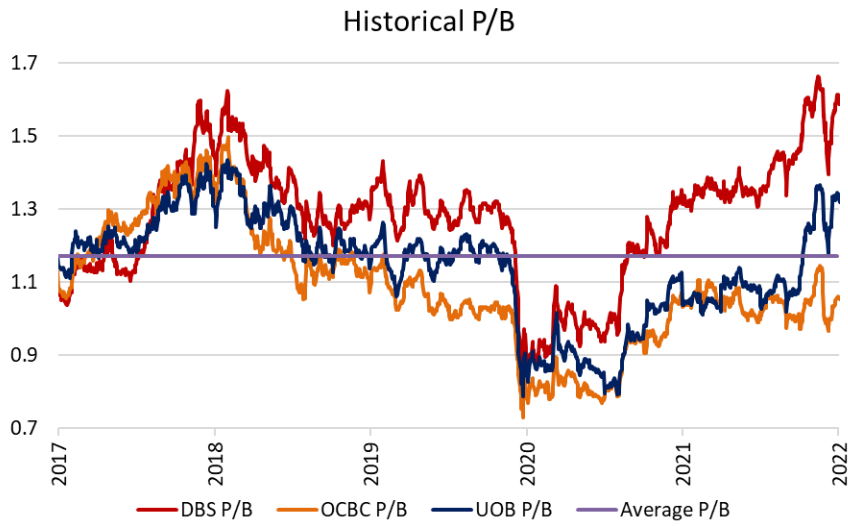
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Figure 8: Correlation of DDAV and VIX Index



Source: SGX, Bloomberg, PSR

Figure 9: Banks' 5-year historical P/B



Source: Bloomberg, PSR

Figure 10: Banks' target P/B

	DBS	OCBC	UOB
High	1.62	1.50	1.43
Low	0.81	0.73	0.79
5-year average	1.17	1.09	1.12
Current	1.34	1.02	0.97
Forward target	1.36	1.27	1.17
TP (S\$)	41.60	14.22	35.70

Source: Bloomberg, PSR

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