Regional Market Strategy

Outlook for 2H22

Refer to important disclosures at the end of this report

DBS Group Research . Equity

6 Jul 2022

Navigating Market Volatility

- Hong Kong/China better prepared to face uncertainties
- Positive on Hong Kong & Singapore, Neutral Indonesia & Philippines, Negative Thailand
- Common themes - Rate hike beneficiaries, reopening and earnings resilience

More mood swings ahead Expect more market volatility with investors affixed on high frequency inflation/growth data and corporate earnings uncertainty. Odds of a US recession could rise to 30% by year-end with Philippines and Thailand most affected by the slowdown. The good news is there are signs of inflation peaking although the pace of decline will be gradual. One silver lining from this inflation predicament is possible easing of US-China trade tensions.

HK/CN better prepared to face uncertainties Inflation remains benign for HK/CN while monetary and fiscal policies have turned supportive of growth. Equity market valuations are attractive after a year-long bear market. Any easing of US-China trade tensions is an added catalyst. The unknown is when will China step away from its zero-COVID policy. ASEAN-5 has to contend with elevated inflation and policy tightening at a time when external drivers are slowing. The challenge for ASEAN central banks is to find the right balance between tightening to fight inflation versus doing so too early or quickly that it stifles economic recovery. The upside for ASEAN is synchronized reopening of borders.

Positive on HK and SG The Hong Kong market's valuation is attractive with good risk reward. The market remains under-owned, and can be reversed with more supportive government policies. Forward PE is low at <10x despite double-digit EPS growth. Our year end HSI target is 23,800. Singapore is a haven in uncertain times. Broadening recovery in its services sector offsets the slowdown in manufacturing. Labour market is strong with unemployment at just 2.2%. Singapore market offers attractive yield of 4.1/4.5% for FY22F/FY23F. Index trades at 11.7x (-1.5SD) 12-mth fwd PE. Our STI end-2022 target is lowered to 3,430 (prev. 3,550).

STOCKS

	Price LCY	Mkt Cap US$m	12-mth Target LCY	Performance (%) 3 mth	12 mth	Rating
AIA Group	86.00	131,607	127	1.6	(11.0)	BUY
BOC Hong Kong	29.95	40,360	37.40	0.2	13.3	BUY
UOB	26.62	31,894	37.00	(16.0)	3.2	BUY
Bank Rakyat	4,090	41,342	5,250	(14.0)	1.3	BUY
BDO Unibank	119	9,423	148	(12.0)	0.1	BUY
KASIKORNBANK	148	9,786	211	(7.1)	26.2	BUY
Singapore Airlines	5.08	10,802	6.20	(7.1)	3.0	BUY
CDL Hospitality Trusts	1.25	1,103	1.55	(3.1)	1.6	BUY
Frasers Centrepoint Trust	2.21	2,694	2.90	(7.0)	(7.8)	BUY
CapitaLand Integrated Commercial Trust	2.07	9,822	2.70	(6.1)	1.4	BUY
Airports of Thailand	70.25	28,103	71.00	6.0	14.1	BUY
Minor International	32.50	4,749	37.50	(3.7)	10.9	BUY
Bangkok Expressway and Metro PCL	8.70	3,724	10.00	1.7	7.4	BUY
Pakuwon Jati	458	1,471	675	(8.2)	0.9	BUY
SM Prime Holdings	37.50	19,603	45.00	(5.5)	(2.6)	BUY
China Mengniu	38.90	19,607	53.40	(8.7)	(15.2)	BUY
Link REIT	63.65	17,119	81.80	(5.9)	(14.8)	BUY
Sheng Siong	1.57	1,692	1.76	1.3	(1.9)	BUY
ComfortDelGro	1.38	2,143	1.95	(6.0)	(14.6)	BUY
ST Engineering	4.04	9,010	4.70	(1.9)	5.2	BUY
PT Sarana Menara Nusantara	1,120	3,811	1,350	2.4	(13.7)	BUY
Jollibee Foods Corp.	201	4,035	240	(10.9)	(4.6)	BUY

Source: DBS Bank, DBS HK, DBSVT, DBSVI, Bloomberg Finance L.P.

Closing price as of 5 Jul 2022

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Neutral on ID and PH, Negative on TH **Indonesia**'s 2H22 outlook can be supported by higher commodity prices and broader re-opening. But **watch the widening interest rate differential** with the US. Other risks are a sharp correction in commodity prices and foreign funds outflow (after strong inflows in 1H22). Our end-2022 JCI index target is 7,500. **Philippines** may deliver strong 2022F GDP growth but **inflation is a concern**. BSP's inflation forecast is 5.0%/4.2% for 22F/23F. Sustained CPI readings above 5% is a risk. Our year-end target for **PSEi** is 7,300. **Thailand**'s economic recovery has lagged the region. While tourism recovery is a key growth driver, exports should continue to slow as the US economy cools. **Surging inflation** has led the Bank of Thailand to finally turn hawkish after the country's May CPI rose a worrying 7.1% y-o-y. Our end-2022 SET Index target is lowered to 1680.

Common themes across the region. (1) Rate hike beneficiaries – **AIA, Bank of China, UOB, Bank Rakyat BDO Unibank, KASIKORNBANK**. (2) Reopening – Singapore Airlines, CDL Hospitality Trusts, **Frasers Centrepoint Trust**, **CapitaLand Integrated Commercial Trust**, **Airports of Thailand, Minor International**, **Bangkok Expressway and Metro PCL**, **Pakuwon Jati, SM Prime Holding.** (3) Earnings resilience - **China Mengniu**, **Link REIT, Sheng Siong Group, ComfortDelgro, ST Engineering, PT Sarana Menara Nusantara, Jollibee Foods Corp.**

Taming inflation

Higher inflation and rates but lower growth expectations

Economic forecast: End-21 versus current

Country	GDP 22F (% y-o-y)		CPI 22F (% y-o-y)		Interest rate 22F (% y-o-y)		USD against local currency		
	end-21	Current	end-21	Current	end-21	Current	Currency	end-21	Current
Singapore	3.5%	3.5%	2.4%	4.6%↑	*0.67%	*2.1%↑	USDSGD	1.39	1.36↓
Thailand	3.5%	3.5%	1.3%	6.5%↑	0.50%	1%↑	USDTHB	34.4	35↑
Malaysia	5.0%	5.5%↑	2.0%	2.5%↑	2.00%	2.25%↑	USDMYR	4.32	4.32
Indonesia	4.8%	4.8%	3.0%	3.6%↑	3.75%	4.25%↑	USDIDR	14,45	14,50↑
Philippines	6.5%	7.5%↑	3.3%	4.2%↑	2.25%	3.00%↑	USDPHP	51.7	53.5↑
HK	3.0%	1.7%↓	2.2%	2.2%	NA		USDHKD	7.81	7.85↑
China	5.3%	4.8%↓	2.5%	2.5%	**4.05%	**3.50%↓	USDCNY	6.65	6.80↑
US	3.5%	2.5%↓	4.1%	7.5%↑	0.75%	3.50%↑	NA	NA	NA
Eurozone	4.0%	1.4%↓	2.3%	7.2%↑	0.00%	0.00%	USDEUR	0.91	0.92↑

*3mth SORA OIS
**1-yr loan prime rate
Source: DBS Bank, Bloomberg Finance L.P.

2022F inflation and interest rate forecasts by DBS Economics Research for most countries/region have jumped higher since the start of the year. The exceptions being China and Hong Kong where inflation stays in check amid slowing growth. China is also the only country that lowered interest rates to support its ailing housing market and economy.

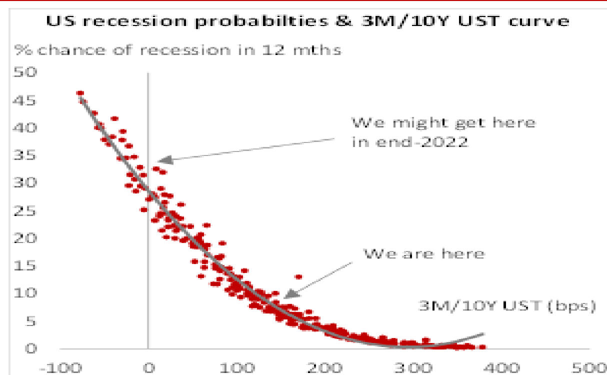
DM GDP forecasts for US and Eurozone have been revised down and that for China/HK were cut as well amid slowing growth concerns. US saw the biggest upward adjustment to rate hike expectations. Our interest rate strategist thinks the US rate cycle will run its course this year with 3 more 50bps and one 25bps hikes going forward that lifts the FED funds rate to 3.5% by year-end as the FED front loads policy adjustments to bring inflation under control.

The USD has strengthened against most other currencies with the FED leading the charge among global central banks to tighten monetary policy. Since the start of the year, our currency strategist has projected a stronger USD by end-2022 except for USDSGD as the Monetary Authority of Singapore (MAS) led the regional tightening cycle back in October last year, five months ahead of the FED's first move. The relatively more stable USDSGD trend should help stem funds outflow and reinforce Singapore as a regional haven. On the opposite end of the scale is the Thai Baht. The Central Bank of Thailand has held rates steady YTD. Thailand's widening interest rate differential with US has led to the weak Thai Baht (USDTHB @ 35.5) that will worsen imported inflationary pressure.

ASEAN vulnerable to rising US recession risk

DBS interest rate strategist notes that the spread between the 3M/10Y US Treasury curve provides a signal of an impending recession. Fortunately, the curve is currently steep (about 100bps) that translates to a recession probability of <10% over the coming 12 months. However, if the Fed continues with jumbo hikes, the curve could well be flattish / slightly inverted by the end of the year. This would put the odds of recession into the 30% area, elevated by any measure. So do monitor this space closely.

US recession probabilities

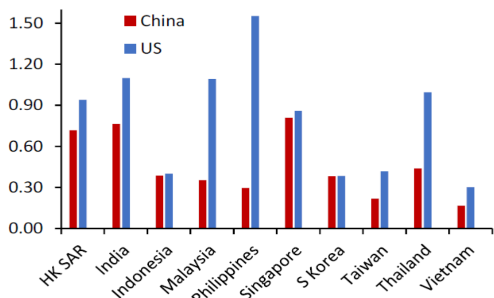


Source: Bloomberg Finance L.P., NY Fed. DBS Bank

Based on a recent report by DBS Economics Research, US growth matters more to ASEAN compared to China. Countries under our coverage most vulnerable to US recession risk are Philippines and Thailand.

While ASEAN's GDP growth forecast has been left unscathed riding on demand recovery as countries transit to 'Living with COVID', it remains to be seen if forecasts will be adjusted down under the current backdrop of high inflation, rising borrowing costs and recession risk in the US.

Regression coefficients of China and US growth



*Regressions run using annual data for 2005-2021. Country x growth = a +b*China growth + c*US growth + d*oil price growth + e*

Source: CEIC, DBS Bank

Which emerging markets are vulnerable as interest rates rise rapidly?

Rapidly rising US interest rates will negatively affect economic growth, create a more challenging fund-raising environment and increase debt servicing cost for countries with weakening currency rates against the USD. Sovereign risks are also rising. DBS Economics Research observes debt service difficulties are already visible in some EM economies (e.g. Sri Lanka, Pakistan and Lebanon) with economic and financial distress spreading in Turkey and several economies in central America and Africa.

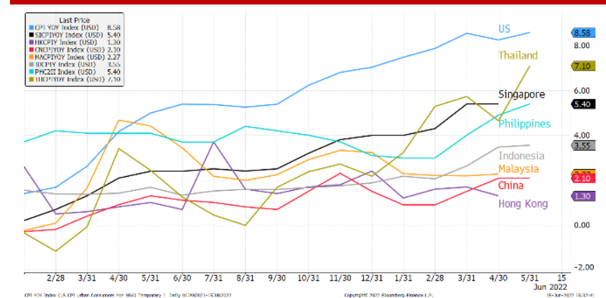
Most Asian EMs appeared relatively healthy. The reassuring news here is based on a study on EM macroeconomic vulnerability assessment conducted by DBS Economics Research back in January, none of the countries under our coverage falls under the high risk group. Our economist had ranked in increasing order of vulnerability – (less vulnerable) Philippines, Thailand, Indonesia and China (more vulnerable).

Macroeconomic vulnerability risks for Thailand and Philippines have worsen somewhat in recent years from their strong external positions while China and Indonesia sit in the middle of the EM vulnerability cohort.

Non-commodity producers bore the brunt of inflationary pressures

Tackling inflation remains the key focus for policy makers as the lethal combination of pent-up demand from the easing of COVID restrictions as well as supply chain disruptions from the ongoing Ukraine war and China's zero-COVID policy drive inflation up to multi-year highs for a rising number of countries.

CPI y-o-y (%)



Source: DBS Bank, Bloomberg Finance L.P.

Oil and food prices are the key inflation drivers while metal prices have fallen amid slower demand from China. Among the countries under our coverage, coverage, Singapore, being a non-commodity producing country, saw CPI rising to a decade high in April even as the Monetary Authority of Singapore (MAS) was the first to tighten monetary policy. Thailand, also a net oil importer, saw May CPI swell to 7.1% y-o-y as the cap on diesel price ended and the Thai Baht weakened because the Bank of Thailand stood pat not to raise rates. At the other end of the scale, the slowdown in China and Hong Kong economies have kept inflation well in check.

Oil, food and metal prices YTD change (normalized)

Source: DBS Bank

Oil and food producing countries such as Malaysia and Indonesia were able to better keep inflationary pressures in check with energy/fuel subsidies and specific food protectionism measures were taken. The concern going forward is that food inflation for countries that rely on food imports will worsen if more food-exporting countries introduce export restrictions to safeguard local supplies.

Recent food protectionism incidences

Country	Commodity	Comments
India	Wheat	Export ban announced on 13 May. India only accounts for less than 1% of global wheat trade despite being the second largest global producer. Top countries reliant on Indian wheat are Nepal (>90%), Sri Lanka (>50%) and UAE (>50%).
	Sugar	Export of sugar (raw, refined and white sugar) was restricted from 1 June with overseas sales of sugar restricted to a total of 10m tonnes for the October 2021 - September 2022 period. India is the top producer of sugar and second-largest exporter of sugar. US, Indonesia and China are the top importers of sugar globally.
Malaysia	Chicken	Chicken export ban imposed from 1 June, halting the overseas sale of 3.6m whole chickens every month. Price control of RM8.90 per kg of chicken that started on Feb 5 is tnow expected to end by July. 34% of Singapore's chicken requirements is imported from Malaysia.
Indonesia	Palm Oil	Palm oil export ban imposed on 28 April on crude and refined palm oil products. Export ban was lifted on 23 May, but a domestic sales quota was reimposed for cooking oil at 10m metric tons. Indonesia accounts for c.60% of global palm oil supply.
Kazakhstan, Hungary, Serbia	Grains	Serbia banned exports of wheat, wheat flour, rye, cornmeal from 18 March. Kazahkstan to limit wheat and flour exports to 1m tons and 300,000 tons respectively for 3 months from 15 April. Hungary announced on 6 March that it will impose a purchase priority for the government over wheat, rye, barley, oats, maize, soybeans and sunflowers.

Source: DBS Bank

Inflation faces a stubborn decline

The good news is that with global central banks and governments focused on reversing the rising inflation trend, it's not whether, but when price pressure will ease. DBS Economics Research sees 2022 US headline inflation rising 7.5% y-o-y before easing to 3.5% y-o-y next year.

Inflation forecasts going down in 2023

Country	CPI inflation, % YoY, ave	
	2022F	2023F
US	7.5	3.3
Eurozone	7.2	3
Singapore	4.6	3.8
Hong Kong	2.2	2
China	2.5	2.2
Indonesia	3.6	2.5
Philippines	4.2	3.3
Thailand	6.5	2.5

Source: DBS Bank

There are signs of inflation peaking although the pace of decline will be gradual. Demand side impulse for prices is weakening amid the slowdown in China and Euro area while the US growth cycle is maturing.

But supply chain disruptions are likely to persist for a while. First, China's zero-COVID policy is likely to continue for the most part of 2H22. We envisage the relaxation of current COVID restrictions to occur only in 1H23.

Next, sanctions on Russian exports remain so long as the Ukraine crisis is unresolved. This will likely keep oil price at elevated levels. Brent could average US$110-115/bbl for 3Q22 and US$102-107/bbl (prev. US$97-102/bbl) for 2022.

Current sanctions on Russia

Sanction	Details
Suspension of Russian banks from SWIFT	The largest Russian banks (Sberbank, VTN, Gazprombank, etc.) have been suspended from using SWIFT. Suspended institutions will face difficulties in making international transactions
Closure of airspace to Russian aircraft	Russian flights are banned from the US, UK, EU, and Canadian airspaces
Loss of "most favoured nation" status	G7 stripping Russia of the "most favoured nation status" exposes Russia's exports to tariffs, e.g., the UK has imposed a 35% tax on Russian imports such as vodka
Oil & gas	US to ban all Russian oil and gas imports UK to phase out Russian oil by end-2022 Germany has put the Nord Stream 2 gas pipeline on hold EU to be independent from Russian energy before 2030 Japanese oil refiners halting Russian oil imports
Suspension from Bank for International Settlements	The Russian Central Bank is unable to use the Bank for International Settlements, effectively preventing it from using its forex reserves
Oligarchs sanctioned	Countries including the US, UK, Australia, Japan, and the EU have frozen or seized various assets, such as companies, real estate, and yachts, owned by Russian oligarchs
Others	Export controls on strategic items have been implemented by the West and countries such as Singapore, Korea, and Taiwan

Source: DBS Bank

Easing of China tariffs a potential positive

One silver lining from the current inflation mess is the possible easing of trade tensions between US and China. The Biden administration is reviewing the current tariffs on China as one of the possible strategies to cool inflation.

The outcome of the 4-yr Section 201 tariffs review by the US Trade Representative won't be available till September at the earliest. There's no indication yet on what products may enjoy tariff removal or reduction.

Steel and aluminium tariffs will likely continue as US seeks to protect workers and its steel industry. Tariffs on US$50bil worth of strategic and industrially significant technologies such as aerospace, robotics, and machinery, amongst others, may also remain. But the tariffs for the remaining US$310bil Chinese imports that spans furniture, fabric, and food, amongst many others, could be removed or reduced. US tariffs removal/reduction on Chinese goods should see a reciprocal reaction from China.

US tariffs on Chinese goods

Product categories	Trade amount (US$bn)	Tarriffs (%)
Steel and aluminium	40	25% steel 10% aluminium
Aircraft parts, semiconductors, microscopes	34	25%
Motorcycles, steam turbines, railway cars	16	25%
Fabric, modems, chemicals, furniture, seafood	200	25%
Agricultural products, antiques, clothes, kitchenware, footwear	110	7.50%

Source: DBS Bank

China tariffs on US goods

Product categories	Trade amount ($)	Tarriffs (%)
Wine, pork, nuts, steel pipes, recycled aluminium	3	5 - 25%
Soybeans, wheat, electric vehicles, whiskey, seafood, cigars	34	25%
Beef, poultry, fiber-optic cables, motorcycles	16	25%
Cosmetics, vodka, reptiles, wigs, diamonds, video games	60	25%
Agricultural goods, crude oil	25	5 - 25%

Source: DBS Bank

Regional Valuation and Outlook

Indices 2022 YE target

Index	*Current	2022 YE target	Upside	Outlook	
				Prev.	Current
Straits Times Index	3,111	3,430	10.2%	Positive	Positive
Hang Seng Index	21,719	23,800	9.6%	Positive	Positive
SET Index	1,568	1,680	7.1%	Positive	Negative
Jakarta Index	7,043	7,500	6.5%	Neutral	Neutral
PSE Index	6,217	7,300	17.4%	-	Neutral

*EOD 24 Jun 2022

Source: DBS Bank

We were prepared for mood swings

Our earlier expectation for regional markets to undergo mood swings this year as sentiment gyrates between recovery optimism versus uncertainty over timing and pace of rate hikes is panning out. We had rightfully anticipated a broadening of the post-pandemic recovery to include customer-facing services and international travel while warning that investors will have to contend with uncertainties over inflation outlook, pace of rate hikes and China slowdown/policy risks.

Elevated inflation, rapidly rising interest rates and growing concerns of recessions in the US and Europe will weigh on investor sentiment heading into 2H22.

HK/CN and JCI were top performers in 2Q

2Q22 equity markets indices (normalized)

Source: DBS Bank, Bloomberg Finance L.P.

Most country equity indices succumbed to selling pressure in 2Q22 as inflation fears escalated. The clear outperformers were **Jakarta Composite Index** (JCI), **Hang Seng Index** and **China A50**. JCI's performance is unsurprising considering the rise in commodity prices and the index's higher relative exposure (33% of market cap combined) to consumer staples, materials and energy sectors. The strong relative performance for HK/CN equity indices suggests that their sell-off may have climaxed and the trough reached in March.

Mood swings will likely continue

We expect the mood swings in recent months to continue well into 2H. The uncertainty over the impact of inflation and rate hikes on corporate earnings is likely to continue through 3Q at least. May till October is a seasonally weaker period for Asian equity indices compared to December till April. We believe this year will be no exception with investors affixed on high-frequency inflation and growth data.

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HK/CN markets in a better position to face uncertainties

Regional markets valuation

	Earnings Gth (%)		PE (x)		Div Yield (%)	
	22F	23F	22F	23F	22F	23F
Singapore	12.9	14.5	13.9	12.1	4.1	4.5
HK HSI	15.6	10.3	9.5	8.6	3.6	3.9
HK HSCCI (Red)	7.3	-14.4	6.0	7.0	6.3	6.8
HK HSCEI (H)	14.2	10.1	7.9	7.2	3.7	4.1
CSI300	17.1	15.6	11.9	10.3	2.5	2.9
SH Comp	16.6	11.9	9.8	8.7	3.0	3.3
SZ Comp	28.2	19.4	15.6	13.1	1.5	1.8
Thailand	4.6	8.0	16.9	15.7	3.1	2.6
Indonesia	14.1	9.6	13.7	12.5	2.9	3.1
Philippines	17.8	21.6	15.4	12.7	2.0	2.1
Malaysia **	-0.7	11.4	14.0	12.6	4.2	5.1
USA**	2.7	10.3	15.6	14.1	2.3	+2.5

Source: DBS Bank, Bloomberg Finance L.P.

Among our regional coverage, we see indications that the North Asian markets of Hong Kong/China should be in a better position to weather uncertainties compared to ASEAN-5. For the former, inflation remains benign while monetary and fiscal policies have turned supportive of growth. Equity market valuations have also fallen to attractive levels following a year-long bear market. Any easing of US-China trade tensions will be an added catalyst. The unknown for HK/CN is when China will step away from its zero-COVID policy.

ASEAN-5 on the other hand has to content with elevated inflation and policy tightening at a time when external drivers are slowing down. Countries under our coverage most vulnerable to US recession risk are Philippines and Thailand. The upside for ASEAN though, is the synchronized reopening of their borders that have breathed a new lease of life to the services sector.

The challenge for ASEAN central banks is to find the right balance between monetary policy tightening to defend against inflation versus tightening too early or quickly that it stifles economic recovery.

Positive on Hong Kong – Attractive valuation with good risk reward

Government policies are supportive, and inflation (2022F CPI +2.2% y-o-y) currently remains benign. Policy support plus a series of proactive stimulus measures from China look to have finally turned the slowdown tide and tackle market concerns. Forward PE valuations for Hong Kong Equity Indices are the lowest in our coverage at <10x even as they look to deliver double digit EPS growth. The Hong Kong market remains under owned despite putting up a relatively strong performance in 2Q, which can be positively reversed if there are more supportive government policies. The end-2022 target for Hang Seng Index is 23,800.

HK themes are: (1) Riding interest rate upcycle – AIA, Bank of China, Ping An Insurance (2) Supportive polcies – BYD, China Longyuan Power (3) Regulatory tension easing for technology blue chips – JD.com, Meituan Dianping, Tencent (4) Visibility and resilience amid market uncertainties – China Mengniu, Link REIT

Positive on Singapore – Safe haven in times of macroeconomic uncertainties

While Singapore is subject to inflationary pressure, the MAS had initiated monetary policy tightening in October 2021, 5 months ahead of the FED, without derailing the country's recovery. Singapore's diversified exposure to the global economy helps it mitigate the impact of slowdowns in the US (14% of NODX) and Europe (10% of NODX). Singapore's shift to Living-with-COVID has given a new lease of life to the key services sector that would help to offset the slowdown in the manufacturing sector. The labour market is strong with unemployment rate at pre-COVID level of 2.2%.

Singapore equity market offers a relatively strong yield of 4.1% for FY22F and 4.5% for FY23F. The STI has a significant 40% weight on banks that are beneficiaries of a non-recessionary rising interest rates environment. Index valuation has retreated to 11.7x (-1.5SD) 12-mth fwd PE, which suggests that the downward earnings revision of up to 11% may have been priced in at the current level. Our STI year-end target is lowered to 3,430 (prev. 3,550), pegged at 12.2x (-1SD) FY23F PE.

Singapore themes are (1) Banks to ride on improving NIM – UOB, OCBC (2) Living with COVID beneficiaries – SIA, SIA Engineering, Ascott Residence Trust, CDL HT, Genting Singapore, Frasers Centrepoint Trust, Lendlease Global, Keppel REIT and CapitaLand Integrated Commercial Trust (3) Earnings resilience - Sheng Siong, ComfortDelgro, ST Engineering, Yangzijiang, SembCorp Industries and Frasers Logistics & Commercial Trust.

Neutral on Indonesia – Watchful of widening interest rate differentials

Indonesia's 2H22 growth outlook can be supported by commodity prices and broader re-opening. However, market volatility will likely continue into 2H22 on continued concerns about inflation, aggressive FED rate hikes and global growth slowdown. Until the gap narrows, we are watchful of the widening interest rate differentials between Indonesia and US that may put some pressure on the Indonesian currency and equity market. Other key risks for Indonesia market in 2H22 are a sharp correction in commodity prices and reversal on foreign funds flow (after strong inflows in 1H22). Our 2022 year-end JCI index target is 7,500, pegged to +1.5SD of its 10-yr mean blended forward PE or c.16.2x.

Themes for Indonesia are (1) Rate hike and inflation beneficiaries - Bank Rakyat Indonesia, Bank Mandiri and Adaro Energy (2) Dividend - Indo Tambangraya and Matahari Dep (3) Reopening - Pakuwon Jati and Japfa Comfeed (4) Defensive - Bank Central Asia, Mitra Keluarga and Sarana Menara.

Neutral on Philippines – Inflation risk offsets growth potential

Philippines' GDP (FY22F +6.5% y-o-y) can revert toward pre-pandemic levels this year. But inflation is a concern with CPI averaging above the Bangko Sentral ng Pilipinas' (BSP) 2-4% target band for 2 consecutive years. The latest BSP estimates pin average annual inflation forecast at 5.0%/4.2% in 2022F/23F. Sustained CPI reading above 5% can lead to demand destruction and loss of confidence while rapid rate hikes could lead to a shorter economic upcycle. Philippine's inflation has yet to peak, and the Peso has yet to stabilise. There is room for further downside risk to the Philippine stock market, so our country strategist prefers to be a buyer on dips. Year-end target for PSEi is 7,300 pegged to 14.5x forward PE.

Themes for Philippines are (1) Reopening and the resumption of operating/financial leverage story - Ayala Land Inc, Robinsons Land Corp, and SM Prime Holdings (2) Banks are in a sweet spot - BDO Unibank, Bank of the Philippine Islands, Metropolitan Bank & Trust and Security Bank (3) Beneficiaries of robust household incomes and balance sheets - Jollibee Foods Corp, Robinsons Retail Holdings Inc and SM Investments Corp.

Negative on Thailand – Lagging recovery, escalating inflation

The Thai economy grew 2.2% y-o-y in 1Q22, lagging behind regional peers. While Thailand's economy should continue on its recovery with tourism a key growth driver, the slowdown in exports that started April should continue into 2H22 as the US economy cools off. Surging inflation is an issue with the Bank of Thailand finally turning hawkish after the country's May CPI rose a worrying +7.1% y-o-y. The Thai Baht weakened 6% against the USD YTD as the central bank held back raising rates. But expectations are now for rates to rise 25-75bps by year end. Our 2022 year-end SET Index target is lowered to 1680, pegged to a PE multiple of 16.9x, the mean of the 15-year average of one year forward PE.

Themes for Thailand are (1) Beneficiaries of surging inflation and rising interest rates - Kasikornbank, PTT Exploration & Production and Thailand Future Fund (2) Reopening plays - Airports of Thailand, Bamrungrad Hospital, Bangkok Dusit Medical Services, Bangkok Expressway, Minor International, CP All, Central Pattana, and Berli Jucker (3) Weak Baht beneficiaries - Indorama Ventures, SVI and Thai Union Group.

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Singapore

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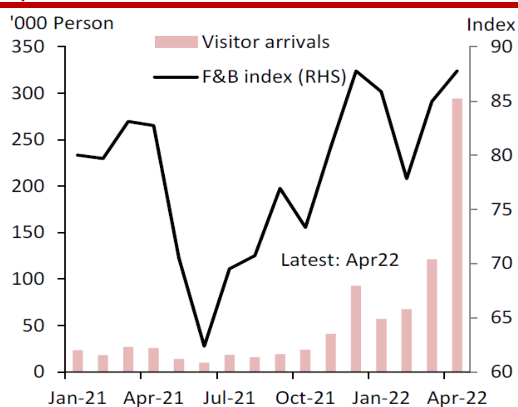
- Outlook Positive
- Straits Times Index end 2022 objective 3430 (+10.9%, prev. 3550)
- Themes: Rising interest rates beneficiaries, Reopening, Resilience

Services sector recovery offsets manufacturing slowdown

Singapore's resilient traits in times of economic uncertainty and the strong SGD against most ASEAN peers on the back of MAS policy tightening makes it a regional haven. Odds of a recession is low with our Singapore economist keeping the 3.5% GDP growth forecast for 2022 as the broadening recovery of the services sector offsets the slowdown in the manufacturing sector. The services sector should continue to benefit from the re-opening of borders and easing of domestic restrictions that prompts a speedier recovery in the hospitality, F&B, aviation, and tourism related services industries. But the manufacturing sector is affected by supply chain disruptions, high input prices, demand slowdown in China and rising recession risk in the US.

Improvement in F&B and tourist arrivals



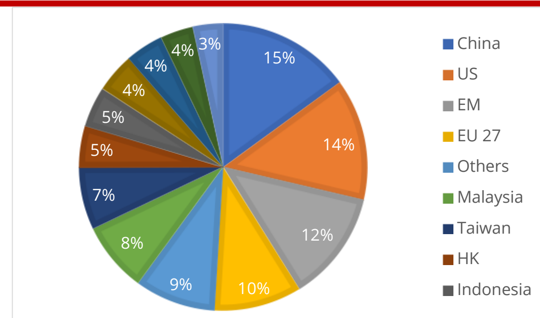
Source: STB, DOS

Can China pick up the slack?

Rising risk of a US recession will have a negative impact on NODX.

But it's not necessarily all doom and gloom. Both China and US have similar contributions to Singapore's NODX. China's May manufacturing PMI improved to 49.6 from 47.6 in the previous month. May industrial production also recovered to +0.7% y-o-y from -2.9% in the previous month. China's recent shift to policy easing and Xi Jinping's latest pledge to meet 2022 economic targets points to more supportive macro-policy moves ahead. The demand outlook for China can also swing a positive surprise if the US moves to remove or reduce its tariffs on Chinese products in the months ahead.

NODX contribution by country YTD



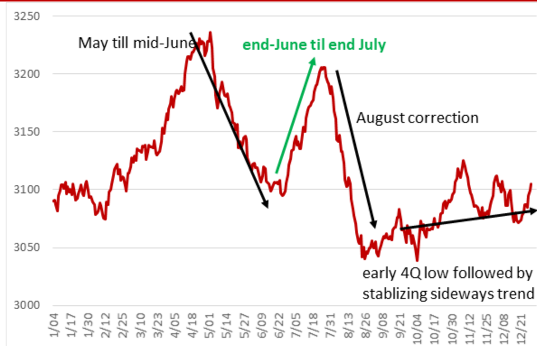
Emerging markets include Caribbean, Central Asia, CLMV, Eastern &
Southern Europe (non-EU), Latin America, the Middle East, South Asia and South Africa
Source: Enterprise Singapore, Bloomberg Finance L.P., DBS Bank

STI's year-end target lowered to 3,430 (from 3,550)

We think STI will follow its past seasonal gyrations in 2H with sentiment likely to sway with high-frequency inflation data and corporate earnings outlook in the current environment.

DBS
Live more, Bank less

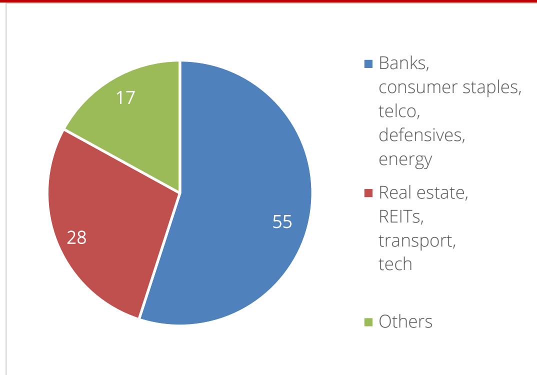
STI seasonal trend in non-crisis years (2010-2019)



Source: DBS Bank

STI has a higher index weight (55%) of component stocks that may outperform in a non-recessionary rising interest rates environment vs. those that may underperform (28%). Banks take up 40% of STI's weight.

STI components breakdown by sector weight (%)



Source: DBS Bank

STI trades near 11.7x (-1.5SD) 12-mth fwd PE, which suggests that up to 11% downward revision to earnings may have been priced in at current level. With the view that inflation pressure will likely ease heading towards year-end, we adjust our year-end target to 3,430 (prev. 3,550) pegged at 12.2x (-1SD) FY23F PE

Straits Times Index (Daily)

Source: DBS Bank

Banks

Singapore's labour market continues to stay tight with 1Q22 job vacancies hitting a record high of 128,100 while retrenchment rate fell to a record low of 0.6 per 1,000 employees. Banks should continue to benefit from a rising interest rates environment where recession risk is low and the labour market stays strong. Banks are actively repricing loans and NIM improvement is likely to come through in 2HFY22F. We stay positive due to the undemanding valuations, while remaining watchful on stagflation risks in the US and impact of Fed hikes on SGD rates. Unlike previous cycles, Singapore banks have larger provisions buffers this round. UOB and OCBC continue to trade at undemanding valuations of c.1x FY23F P/BV supported by FY22F dividend yields of 4.5% and 4.9% respectively

Living with COVID beneficiaries

Travel activities have roared with many countries dramatically easing or completely removing entry restrictions in 2Q22. Excluding the Greater China Market, we estimate that countries that accounted for about 75% of Singapore's total tourist arrivals in 2019 have lifted travel restrictions.

Changi Airport passenger numbers have recovered to 48% of pre-COVID and exceeded 50% on a few days in June. The numbers will continue to strengthen with at least 66 MICE events in 2H and the return of international sporting events such as the Singapore Grand Prix driving both business and leisure inbound travellers.

In anticipation of the year-end peak travel season, Terminal 4 will reopen in September while T2 operations will increase to 50% by October. This brings the airport's handling capacity back to its pre-COVID level of 70mil passengers per year. Our picks are SIA and SIA Engineering. Our expectations of rising RevPAR fuelling a c.25% CAGR in DPUs for hospitality REITs from FY22-24F has high chance of materialising as pent-up leisure and corporate travel demand return, starting from 2H22 to drive RevPAR higher. Picks are Ascott Residence Trust and CDL HT. Gaming stock Genting Singapore will also benefit from the rapidly improving tourist arrival numbers.

The border reopening and easing of domestic COVID measures lifted April retail sales by 12.1% y-o-y. This trend will continue with Singapore unlikely to reverse its strategy of 'Living with COVID'. Our picks for retail REITs are Frasers Centrepoint Trust and Lendlease Global.

We remain positive on the Singapore office sector as strong demand amid tight supply continue to drive office rents higher for longer. The impact of higher utilities is mitigated somewhat by the landlord's ability to pass-through the higher cost to tenants, thereby minimising exposure. We believe that office SREITs' leverage on "re-opening theme" is not fully appreciated by the market. Our picks are Keppel REIT and CapitaLand Integrated Commercial Trust.

Earnings Resilience

While the odds of a recession is low in 2H22, Singapore's manufacturing sector is still expected to face headwinds even as the services sector should enjoy a broader based recovery. Companies will also have to grapple with high material, energy and labour cost as well as rising rents. Against an environment of slowing growth and high inflation, we look for companies that are either capable of resilient earnings, able to past cost to customers or/and maintain strong cash flow.

Our picks are (1) Sheng Siong for its organic growth from the higher store count and possible shift in consumer behavior as the cost of eating out rises (2) ComfortDelgro is a major reopening beneficiary that's also evolving into a sustainability play (3) ST Engineering's growth momentum will continue as it stays well on top of crucial global needs of digitalisation, urbanisation, sustainability and security (4) Yangzijiang for its strong earnings visibility backed by a record-high order backlog of US$8.5bn and its ability to lock in bulk of USD exposure at 6.5-6.8 Rmb/USD (5) SembCorp Industries' exposure to energy and urban solutions enjoys relatively resilient demand (6) Frasers Logistics & Commercial Trust for its low gearing, high debt headroom and large cash balance of c.S$300mil that opens the door for acquisitions.

Stock Picks

Company	Price (S$)	12-mth Target Price	12-mth Target Return	Mkt Cap (S$m)	Rcmd	PER 22 (x)	PER 23 (x)	EPS Growth 22 (%)	Div Yield 22 (%)	Net Debt / Equity 22	P/BV 21 (x)
Banks											
UOB	26.40	37.00	40%	44,141	BUY	9.7	8.5	11.3	5.1	0.0	1.0
OCBC	11.33	15.00	32%	50,899	BUY	9.4	8.2	11.6	5.3	0.0	1.0
Living with COVID beneficiaries											
SIA	5.15	6.20	20%	15,283	BUY	23.3	14.0	nm	1.3	cash	1.5
SIA Eng	2.40	2.65	10%	2,694	HOLD	38.9	22.2	86.0	1.7	cash	1.7
CDL HT	1.29	1.55	20%	1,588	BUY	46.0	28.5	42.7	4.2	0.4	1.0
ART	1.11	1.40	26%	3,645	BUY	25.1	20.1	nm	5.1	0.3	0.9
Genting SP	0.725	1.00	38%	8,752	BUY	28.7	16.5	67.1	2.8	cash	1.1
FCT	2.29	2.90	27%	3,896	BUY	19.1	18.0	0.5	5.6	0.3	1.0
LREIT	0.79	1.06	34%	941	BUY	18.8	17.2	66.3	6.0	0.4	1.0
CICT	2.19	2.70	23%	14,501	BUY	21.6	19.8	-18.4	4.9	0.4	1.1
Keppel REIT	1.11	1.40	26%	4,122	BUY	25.8	24.0	6.1	5.4	0.4	0.8
Resilient Earnings											
Sheng Siong	1.55	1.76	13%	2,330	BUY	18.5	17.6	-5.3	3.8	cash	5.6
ComfortDelgro	1.38	1.95	41%	2,990	BUY	18.0	13.5	27.4	3.6	cash	1.1
FLT	1.35	1.75	29%	4,983	BUY	20.2	20.1	81.1	5.7	0.3	1.1
SCI	2.86	3.20	12%	5,092	BUY	12.1	10.4	-10.6	1.7	1.3	1.4
ST Eng	4.01	4.70	17%	12,480	BUY	21.8	18.4	0.7	4.0	1.8	5.2
Yangzijiang	0.95	2.15	127%	3,718	BUY	4.8	4.4	2.2	6.0	cash	0.5

Source: DBS Bank

Banks

UOB (UOB SP)	UOB presents for a recovery play and Fed hike beneficiary. Expect 1) recovery of business momentum as economies reopen; 2) NIM to improve on rising rates. For every 25bps rate hike, management expects a 4bps increase in NIM or S$150m increase in NII. Strong provisioning as well as balance sheet, e.g., NPA coverage of 94%; >S$1bn in general provisions, should limit downside risks and support share price. The release of some of this buffer on the back of a positive market outlook may provide ROE upside in FY22F.
OCBC (OCBC SP)	OCBC's NIM should be supported by economic recovery and a higher interest rate environment. For every 100bps rate hike, management has guided for a c.18bps increase in NIM or S$700m to NII. This is coupled with a new 3-year corporate strategy that is focused on driving growth and building on its strengths; expecting to grow income and profits by >10% CAGR as well as >10% loans growth. Higher dividends may be a potential share price catalyst, given that in the absence of M&A activities, its CET1 ratio of 15.5% is above optimal operating level.

Source: DBS Bank

Living-with-COVID beneficiaries

SIA (SIA SP)	Recovery in passenger volumes should outpace that of peers in the region, as supported by Singapore's new Vaccinated Travel Framework and the synchronized reopening of borders in the region. Favorable supply-demand dynamics to underpin healthy passenger and cargo yields, i.e., clearing of pent-up travel demand as well as prolonged widespread supply chain disruptions. SIA's valuation may be above its historical mean, but it is still cheaper than competitors in the region – and justifiably so on its relatively promising recovery trajectory.
SIA Engineering (SIE SP)	The gradual relaxation of border controls in Singapore has boosted sentiment for the stock in recent months and has been reflected in its share price performance. While core earnings turnaround may take several quarters to actualize, new facilities and capabilities for the medium term (e.g., acquisition and expansion in Malaysia) and the possibility of privatization are factors to watch.
CDL HT CDREIT SP)	One of the top beneficiaries of the synchronized reopening of borders across the region that should power the tourism sector. Room rates may improve come 2H22 with the return of corporate travellers, while staycation demand remains strong for selected hotels. Overseas hotels will also benefit from resilient, domestic-driven businesses coupled with an expected boost in international leisure travel demand. The pivot towards the built-to-rent (BTR) sector amongst other possible future lodging asset classes highlights management's strategic intent to seek resilience through diversity and earnings stability post the pandemic, which is seen as a positive.
Ascott Residence Trust (ART SP)	Trades on attractive valuations, with compelling growth in DPU supported by more resilient income from longer-stay lodging assets. First-mover advantage in the student accommodation and multi-family asset classes is paying off; RevPAR for its hotels and serviced residences assets is set to recover with the reopening of borders. Further catalysts, which have not been priced in at this point, include asset recycling and inorganic growth potential.
Genting Singapore (GENS SP)	Expect stronger earnings recovery going forward, with the easing of all travel restrictions in Singapore as well as the synchronized reopening for most parts of Asia Pacific. Valuation remains undemanding, and the trailing share price performance (versus other reopening plays) may lead to a re-rating when it delivers robust earnings growth.
Frasers Centrepoint Trust (FCT SP)	Tenant sales continue to surprise at above c.100% of normalised levels in 1H22, from a trough of c.80% of normalised levels during circuit breaker. While Singaporeans get used to the notion of potential periodic lock downs and plan their lives around minimal restriction measures, dominant suburban malls will continue to benefit from the work-from-home trend with prime slots 'changing hands quickly' and negative reversions on the brink of a reversal. FCT's pipeline remains robust; gearing is now reduced to 33.9% post divestment of three non-core malls, which leaves ample debt headroom for acquisitions; Central Plaza (linked to Tiong Bahru Plaza) is another possible asset where value can be crystalised.
Lendlease Global (IREIT SP)	High occupancy maintained at 313@Somerset at 99.4%; Expect stronger 2H22 results alongside tenant refresh initiatives and return of tourists which typically contribute c.20% - 25% of footfall and tenant sales. Its acquisition of JEM mall and the opportunity to acquire JEM mixed development within the coming year are seen as positives – with further accretion possible through an optimal capital structure. The bulk of leases expire in FY23 (c.42% of 313@Somerset by GRI) and could be the driving force for a sharper normalization in rents. We anticipate a full recovery back to above S$18 psf pm by end FY24 while maintaining current positive reversion rents at close to c.+10%.

Living-with-COVID beneficiaries (Cont'd)

Keppel REIT (KREIT SP)	KREIT's best-in-class office portfolio anchored by Singapore Grade A offices in prime CBD locations is well-positioned to benefit from a potential recovery in a very tight net supply market – more so with KREIT as the only pure office REIT. Key positives include i) vacancies are majority backfilled and occupancy to hit 97% including prospective leases under documentation, ii) strong 1Q22 reversions and more optimistic outlook, iii) utility cost locked in for 2022, iv) strong office market in Singapore while Australia is recovering.
CapitaLand Integrated Commercial Trust. (CICT SP)	A key beneficiary of a "reopening, recovery, and regrowth" narrative, and expected to deliver stronger growth relative to peers. Given the strong upward trajectory in the Singapore office market, we believe CICT, as the largest S-REIT with a Singapore-centric commercial portfolio, is well positioned to ride on the office upcycle. It is also one of the few S-REITs that has access/opportunity to acquire good-quality, prime Singapore commercial assets from its sponsor pipeline.

Source: DBS Bank

Resilient Earnings

Sheng Siong (SSG SP)	Organic growth from higher store count should mitigate decline from demand normalization due to Singapore's reopening. The company also benefits from higher food prices as some consumers will choose to cook at home as the cost of eating out rises. Margins may be protected from higher input costs in SSG's pursuit of fresh food and house brand sales growth.
ComfortDelgro (CD SP)	Major reopening beneficiary as mobility gradually trends towards normalization. Public listings of ride hailing companies could pave the way for less intense competition. In turn, CD's rental taxi fleet could reverse its declining trend. It's also evolving into a sustainability play through investments in green projects such as the provision of EV charging infrastructure and greening of its bus and taxi fleet, which could potentially pave the way for inclusion in ESG indices.
ST Engineering (STE SP)	Growth momentum will continue as it stays well on top of crucial global needs of digitalization, urbanization, sustainability and security. Key to this will be 1) strong ramp-up in Passenger to Freighter (P2F) conversions, 2) continued traction in the smart city space 3) expansion in digital businesses including cloud, AI analytics, and cybersecurity and 4) international defense contract wins, among others. Its record order backlog of S$21.3bn as at end-1Q22 underpins earnings visibility.
SembCorp Industries (SCI SP)	Derives 60% of income from Energy (conventional and renewable energy) and 40% from Urban Solutions (urban development, water and wastewater), where demand for both stays relatively resilient during a recession. Bulk of income is backed by long-term contracts with cost pass-through mechanism, except for Singapore and India conventional energy capacity. Singapore and India operations have benefited from the margin expansion since 2H21 and the trend will continue into 2022, on the back of higher than usual electricity demand driven by continued recovery of economies post Covid and warmer weather. We also favour SCI for its renewable energy transformation.
Yangzijiang (YZJSGD SP)	Strong earnings visibility for next 3 years, backed by a record-high order backlog of US$8.5bn (as of end-2021) that will keep the yard busy through 2024. We are hopeful of Yangzijiang delivering stronger-than-expected shipbuilding margins for its mainstream containership orders (~80% of orderbook). Yangzijiang has locked in bulk of USD exposure at 6.5-6.8 Rmb/USD and factored in higher steel cost of >Rmb6000/t in newbuild prices. Hence, the moderation in steel price to <Rmb5000/t will boost margins for contracts secured from end 2020.
Frasers Logistics & Commercial Trust (FLT SP)	Given its enlarged portfolio, FLCT is expected to sustain its growth trajectory over the next few years; low gearing of <30% as well as large cash balance can immediately be deployed for further acquisitions to drive further accretion to earnings. The growth story is also complemented by its development and AEI projects. Target yields of 4.1-4.3% for FY21F-FY22F (at our TP of S$1.85) are fair given its substantially freehold portfolio and there is room for further compression relative to its large-cap peers. FLCT also benefits from visibility on ROFR pipeline of >S$5.0bn from its Sponsor, which is one of the largest among its S-REITs peers.

Source: DBS Bank

Sector Outlook

Sector	Rating	View	Stock picks
Banks	Overweight	Singapore Banks are actively repricing loans and improved NIM is likely to come through in 2HFY22F. We stay positive due to the undemanding valuations, while remaining watchful on stagflation risks in the US and impact of Fed hikes on SGD rates. Unlike previous cycles, Singapore Banks have larger provision buffers this round.	UOB and OCBC continue to trade at undemanding valuations of c.1x FY23F P/BV supported by good dividend yields
Real Estate	Neutral	We keep a watchful eye on transaction velocity in 2022 amid macro uncertainties and higher interest rates. Recent project launches likely to remain robust for sites with positive attributes but 2022 will remain a quieter year for property sector given lack of launch pipeline. Developers have cleared most of the stock on the books and are actively looking to landbank. Expect higher earnings in 2022 on the back of their hospitality division (20%-35% of revenues) which will drive profitability higher.	CDL – attractive valuation at 0.7x P/NAV with expected uplift come 1H22 on the back of recent asset divestment gains.
Industrial REITs	Underweight	Spike in new supply of industrial properties expected in FY22 as c.0.8m sqm of new stock has been rolled-over from FY21. However, the bulk of the new supply will be in the Multi-user and Single-user factory segments, where it will likely put some pressure on occupancy and rental rates. Warehouses and Business Parks are expected to remain resilient as new supply in these two segments are still relatively limited and demand from the new economy tenants will likely drive take up rates. Rising interest rates will have limited impact on industrial REITs as most of them have a high percentage of debt hedged to fixed rates and limited debt expiring in the next two years.	FLT: Organic growth in earnings from higher market rents and development projects within its portfolio. MINT: Portfolio to benefit from higher market rents and ongoing AEIs and redevelopments of older assets.
Hospitality REITs	Overweight	Recovery trajectory ahead of our base case estimate of a c.70% recovery in RevPAR back to pre-COVID levels. Reopening catalyst to rotate back to Asia with ASEAN and SG reopening in 1H22, to be followed by Japan and subsequently China down the road. Recovery in Asia to reflect more strongly as it is the single largest revenue market for the S-REITs at a 42% - 100% exposure.	ART – greater stability in income from contribution of lodging assets, highest potential for capital top up amongst the S-REITs CDLHT – greater upside from hotel recovery with leisure-positioned hotels in Singapore and destination markets such as Maldives
Office REITs	Overweight	We remain positive on the Singapore office sector as strong demand on tight supply would continueto drive office rents higher for longer. Utilities impact is mitigated somewhat by ability to pass-through to tenants, thereby limiting exposure.	CICT – strongest growth profile among peers and a beneficiary of strong office sentiment and recovery in CBD malls with the return of workers to the office KREIT – only pure office SREITs to ride on strong office fundamentals.

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
Retail REITs	Neutral	Positive on SG retail REITs with downside risk shielded from the lack of rental rebates this year. Upside to stem from return of tourists more prominently in 2H22 which contributes to c.20% of historical receipts of central malls. Expect a sharper return of ancillary income (up to 10% of topline amongst the SG retail names) from carpark and atrium and more income from tenant gross turnover.	FCT – suburban tenant sales recovering ahead of central, with first mover advantage in positive reversions LREIT – accretion from JEM acquisition to reflect in coming FY22 earnings, upside from sales recovery at 313@Somerset which is currently at c.80% of pre-covid levels
Technology	Neutral	We expect the overall uptrend in the semiconductor industry to remain intact but growth going forward is projected to be slower after the robust pace last year. Despite the slower growth, semiconductor revenue is still expected to be way above the pre-COVID level. For the downstream segment, we prefer companies that have pricing power, unique technological capabilities, and exposure to trending segments, to offset the cyclical risks, and also impact from the supply chain disruptions and rising inflationary pressure.	AEM - strong growth from the ramp-up of next-generation handlers. Venture - steady demand outlook and pricing power
O&G	Overweight	We forecast Brent crude oil prices to average US$102-107/bbl this year and US$90-95/bbl next year, exacerbated by uncertainty over the situation in Russia/Ukraine. While oil price will likely moderate from current highs over the next 12-18 months, it will still be at elevated levels, much higher than pre-COVID forecasts. The sustained high oil price environment will filter through to O&G service providers including the asset owners and shipyards as O&G activities and capex continue to creep up.	Yangzijiang - unwarranted discount to peers; benefit from rising demand for cleaner newbuild vessels, LNG carriers and oil tankers
Transport-ation	Overweight	With the re-opening in Singapore in full swing, we expect transport operators like Singapore Airlines (SIA) and ComfortDelgro (CD) to benefit from higher demand and traffic, offsetting the impact of higher energy costs as capacity utilisation improves. Higher interest rates should benefit SATS, SIA, SIA Engineering and CD who are in a net cash position while more highly geared names like HPH Trust and ST Engineering will be impacted but should be mitigated by their strong cash flow generation ability.	SIA - firm turnaround to profitability this year with robust demand and pricing power. ComfortDelgro - earnings to recover as mobility normalises

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
Telecom Svcs	Neutral	We expect a gradual revenue recovery in FY22F, exhibiting a growth of 2.0% compared to 6.1% decline in FY21. The recovery is expected to be led by increasing 5G adoption and a gradual recovery in roaming revenue (15-20% of FY19 mobile revenue). However, this would be partially offset by rising adoption of cheaper SIM-only plans by consumers amid inflationary pressures	Singtel - Core business recovery coupled with increasing contribution from associates. We project core operating profits to recover by 21% in FY23F after a 33% recovery in FY22 (excluding one-offs). Singtel offers ~4% yield based on 75% payout ratio
Healthcare	Neutral	We believe Singapore Healthcare will likely benefit from the return of elective procedures and pent-up demand from medical tourism post relaxation of COVID-19 measures. We believe healthcare being an essential service will be able to pass through a large portion of the cost inflation. Gearing levels are low, and as such we do not expect major impact from a rise in interest rates.	IHH - beneficiary of pent-up demand from medical tourism; China lockdown impact could be small within the group; trading at close to -1.5 SD EV/EBITDA
Plantation	Underweight	We believe Indonesia domestic CPO price to recover amid strong soybean oil and crude oil price outlook, coupled with poorer than expected global CPO production expansion year to date. Recent CPO price correction was driven by Indonesia CPO volume that poured into the international market after the expiry of the 1-month export ban in May. We believe it should be temporary and current average price YTD is still within our FY22F CPO price projection of US$1,125 per MT (RM4,950 per MT) and Indonesia CPO price of US$850 per MT (Rp11,250 per kg) .	Wilmar - Undemanding valuation for one of the largest integrated food processors in the world First Resources - earnings recovery outlook ignored in recent share price correction
Consumer	Overweight	Torn between surging inflation and easing restrictions, consumers are likely be more discerning after the initial spurt in spending. With price inflation, we believe selected companies have more leeway in passing on higher costs and maintaining margins. Based on our survey conducted in May 2022, consumers seem likely to shift their spending behaviour towards essentials and cheaper alternatives, vis-a-vis more discretionary spend (shopping).	Sheng Siong - higher inflation and cost of food could shift consumers back to dine-at-home, spurring sales.

Source: DBS Bank

Hong Kong

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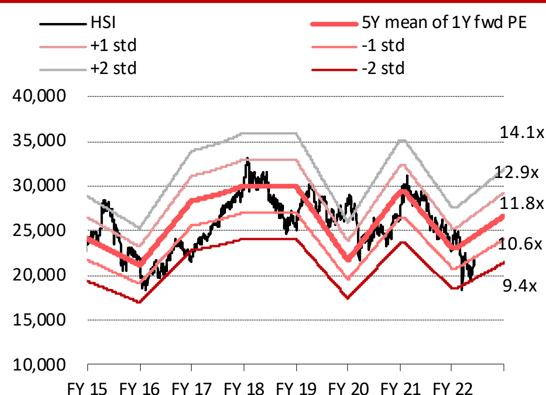
- Outlook Positive
- Hang Seng Index YE target 23,800 (+9.6%)
- Themes: Attractive valuations with good risk reward, Interest rate upcycle, proactive supportive policies, end of regulatory tightening with extended government support, earnings visibility, and resilience

Rebounding after hitting a recent bottom The inflationary environment, rising interest rates, geopolitical tensions, supply chain disruptions, and COVID resurgences have left the HK market stagnant YTD. Despite the attractive valuation of <10x FY22 PE, investors' confidence remains low as the "wait and see" approach is the overwhelming trend. While overhangs persist, they are nothing new, and the various policy supports introduced by the government looks to finally turn the tide. In the past couple of months, we have seen a series of proactive stimulus measures from Chinese officials to address market concerns.

Our core view is that the HK market's recovery has been delayed due to global inflation, rising interest rates, the pandemic, and tensions between China and the US. But as the market is under-owned, it is likely that the market will appreciate various government supportive measures in 2H.

HSI PE band – 5-year mean of 1 year forward PE



Source: DBS Bank, DBS HK, Bloomberg Finance L.P.

HK market offers attractive valuations with good risk reward Our year-end HSI target is set at 23,800, which is at 11.2X (-0.5SD) of the 5-year average of one year forward PE. While we cautiously navigate through 2022, even though uncertainties remain, the attractive valuation of the HK market, from both a historical and relative standpoint, is hard to ignore. While fundamentals are sound, the lack of confidence could be resolved by more supportive government policies.

Interest rate upcycle to support China insurers and HK banks The Fed kicked off the tightening cycle with a 25bps hike in March. This was followed up by a 50bps hike in May. More 50bps hikes are likely in the coming months. Our economists expect the Fed to lift the Fed funds rate upper band to 2.75% at end-2022 and 3.5% in 2023, moving into restricted territory. This should benefit HK banks' NIM and net interest income. We expect NIM to sequentially recover from 2022 and onward, helped by rising US interest rates. The negative spread between China and US 10-year bond yields should provide downside support to China's yield curve. This is positive for China insurers, given their business is highly correlated with the yield curve movement. We also see regional insurers with a high VIF (variance inflation factor) correlation with US bond yields to benefit from US interest rate hikes. Our top picks are **Ping An Insurance., AIA** and **BOCHK**

Supportive policies for renewable energy and auto sectors The Ukraine-Russia conflict continues to drive up energy policies worldwide. The European Commission presented a detailed REPowerEU plan in mid-May, with a dedicated EU Solar Strategy, with an aim to grow the EU's solar capacity to c.320GW by 2025 and c.600GW by 2030. Solar component manufacturers in China should stand to benefit from increased demand. Within China, the government continues its decarbonisation drive. NDRC officials said in May that 85GW out of 450GW of wind/solar projects in desert/arid regions have commenced construction.

The central government has announced measures to support the Chinese vehicle market, including vehicle purchase tax cuts worth some Rmb60bn, extension of capital and interest for six months for automobile manufacturers' loans worth Rmb90bn, promotion of NEV to lower tier cities, relaxation of auto sales restrictions, and subsidies. The various supportive measures should be positive for the vehicle market in 2H22. Our top picks are **China Longyuan Power** and **BYD**

Regulatory strengthening should end with the government extending its support Clear policy support for platform companies should finally remove the overhang in the new economy/tech sector. While it is hard to predict the outcome and timing of the Ukraine conflict as well as whether inflation or COVID has peaked, we think the

whether inflation or COVID has peaked, we think the uncertainties regarding the new economy sector has certainly been priced in. Comments from high-ranking officials and resumption of games approval are clear signs that the key overhangs are removed. The market should shift its focus back to the new economy to play the likely rebound, given its attractive valuation and signs of easing from further regulatory developments. The sector is also relatively shielded from rising inflation, supply chain disruption, and the China's property crisis. Our top picks are JD.com Inc, Meituan and Tencent

Visibility and resilience under a higher cost environment
Higher material costs are likely to spill-over into 2H22, and this is expected to continue to place margin pressure on various industries. Companies with cash flow visibility and earnings resiliency are expected to outperform given the low investor confidence. With the tough operating environment and repeated lockdowns, food staples should likely remain resilient. Our preference remains on market leaders with bargaining power on the upstream sector, which include China Mengniu. On the flip side, we favour Link REIT which should benefit from the gradual recovery in domestic consumption after easing of social distancing measures. Further yield-accretive acquisitions could drive Link REIT's distribution income growth, which enhances its investment appeal.

HK top picks

Company Name	Code	Closing price (HK$)	12-mth Tgt price (HK$)	Mkt Cap US$m	PE 22F (x)	EPS 22F (HK$)	ROE 21F (%)	PBV 21F (X)	yield 21F (%)	Net Gear (%)
Interest rate upcycle										
AIA	1299 HK	82.40	127.00	127,244	15.8	5.2	12.2	1.8	1.9	Cash
Bank of China HK	2388 HK	29.65	32.00	40,190	10.4	2.8	9.7	1.0	4.8	Cash
Ping An Insurance	2318 HK	55.90	105.0	131,008	5.2	10.8	17.1	1.0	4.6	Cash
Policy supportive										
BYD Company	1211 HK	300.00	330.00	111,967	95.4	3.1	7.5	6.9	0.1	Cash
China Longyuan Power	916 HK	15.74	22.00	16,914	14.7	1.1	11.2	1.5	1.4	125.4
Easing regulatory tensions on tech blue chips										
JD.com Inc (HK)	9618 HK	249.00	400.00	49,653	85.4	2.9	1.9	1.6	3.8	Cash
Meituan Dianping	3690 HK	201.80	226.00	159,985	-88.8	-2.3	-9.5	8.8	0.0	Cash
Tencent^^	700 HK	394.80	447.00	486,514	23.0	17.2	16.0	3.4	0.3	4.0
Visibility and resilient picks given market uncertainty										
China Mengniu	2319 HK	38.95	53.40	19,747	21.1	1.8	15.0	3.0	1.2	42.4
Link REIT	823 HK	69.75	81.80	18,870	n.a.	n.a.	4.3	0.9	4.4	18.4

Source: DBS Bank, DBS HK

Sector Outlook

Sector	Rating	View	Stock picks
China automobile	Overweight	The central government has announced measures to support the Chinese vehicle market, including vehicle purchase tax cuts worth some Rmb60bn, extension of capital and interest for six months for automobile manufacturers' loans worth Rmb90bn, promotion of NEVs to lower tier cities, relaxation of auto sales restrictions, and subsidies. Several local governments have introduced supportive measures, in line with the central government's initiatives. The latest is Shanghai, where the government announced an NEV subsidy of Rmb10,000 and the issuance of an additional 40,000 license plates to support vehicle sales. The various supportive measures should be positive for the vehicle market in 2H22.	BYD – to benefit from the vehicle growth initiatives in GBA, in addition to stimulus support
China banks	Overweight	To continue to support China's economic recovery to reach pre-COVID level, we expect further loosening of the monetary policy in 2022, funding injection into the banking system, offering liquidity to the sectors that are aligned with the policy direction. Our house view is there could be another 20bps cut in the one-yr LPR, to 3.5%, by end-2022. This should be able to support an c.11.6% y-o-y growth in loans, in our view. China banks will continue to face downward pressure on NIM and those with higher retail exposure and better asset/liability structure would be in a better position. We expect the negative impact on asset quality in 2Q22 to be rather short term and maintain an overall positive view for 2022.	PSBC
China insurers	Overweight	We expect growth in VNB to recover h-o-h as we move into 2H22F and are likely to see mildly positive VNB growth in FY23F, as the cut in life agent headcount should gradually stabilise. The negative spread between China and US 10-year bond yields, and acceleration of US interest rate hikes, should provide downside support to China's yield curve. This is positive for China insurers, given their business is highly correlated with yield curve movement. With the sector trading at 2x standard deviations (SD) below its five-year P/EV mean, we believe the current level offers a good opportunity for long-term investors to accumulate shares of China insurers.	Ping An – Attractive valuation, negative spread between China and US 10-year bond yields should provide downside support to China's yield curve AIA - high VIF correlation with US bond yields to benefit from US interest rate hikes.
Food and beverages	Overweight	Higher material costs are likely to spill-over into 2H22, and this is expected to continue to place margin pressure on food processors including instant noodles and RTD beverages. On the flip side, sales momentum has been largely decent for instant noodles and dairy products due to lockdowns, which have encouraged consumers to stock up on food supplies. With the tough operating environment and repeated lockdowns, demand for food staples should remain resilient.	China Mengniu, Yili - Our preference remains with market leaders with bargaining power in the upstream sector

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
HK Banks	Overweight	The US is entering an interest rate upcycle, which should benefit HK banks' NIM and net interest income, even though the HIBOR/LIBOR are likely to stay at a relatively low level until the Fed rate hike takes place. We expect NIM to rebound strongly in FY22F, helped by robust credit demand, better asset allocation, and improving investment yield. With improving investment demand, we expect loans to grow 6% y-o-y in FY22F. Fee income remains the bright spot, driven by brokerage fee and retail investment funds. Provisions are expected to be lower y-o-y due to easing pressure from adjustments in ECL assumptions.	BOCHK - On the back of a sufficient capital level and better earnings, we expect these to support re-rating of HK banks' from c.-1SD below its five-year mean PB multiple to its five-year mean.
Oil and gas	Overweight	We revise up our average Brent crude oil price forecast for 2022 to US$97-102/bbl (from U$95-100/bbl prev). For 2023, we revise up our average Brent crude oil price forecast to US$90-95/bbl (from US$85-90/bbl previously). We believe oil prices will likely stay rangebound above US$100/bbl in the interim, until the Russia-Ukraine conflict sees some hope of resolution, which we don't think is imminent. On the other hand, increasing demand side concerns will put a lid on the bullishness. EU sanctions on Russian oil do not seem imminent but remain an upside risk factor.	CNOOC, PetroChina – High correlation to high and sustained oil prices
Renewable energy	Overweight	The Ukraine-Russia conflict continues to drive energy policies worldwide. The European Commission presented a detailed REPowerEU plan, aiming to end the EU's dependence on Russian fossil fuels. The plan calls for scaling-up of renewable energy adoption. Within this plan, a dedicated EU Solar Strategy aims to grow the EU's solar capacity to c.320GW by 2025 and c.600GW by 2030. Solar component manufacturers in China should stand to benefit from increased demand. Within China, the government continues its decarbonisation drive. NDRC officials said in May that 85GW out of 450GW of wind/solar projects in desert/arid regions have commenced construction. Demand remains solid for China's solar value chain. China's new solar installations continued to stay strong in 4M22, reaching 16.88GW, or up 138% y-o-y. This is a positive development given installations have stayed strong despite elevated polysilicon prices. Major polysilicon producers in China have announced expansion plans, which could start to come online in 2H22. Easing of the polysilicon supply bottleneck could boost new solar installations .	China Longyuan Power - stands to benefit from capex savings and a resolution of the subsidy receivables issue

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
Internet	Overweight	China's e-commerce segment growth will be backend-loaded in 2022; we expect the strict lockdown measures in several regions since Mar to negatively impact 2Q growth due to disruptions to supplies and logistics. We believe e-commerce players with a focus on apparel/cosmetics are more impacted than those focused on groceries and 3C products. Fresh grocery sales is expected to grow at a CAGR of 38% over 2020-2023, given the lower penetration of 12%, vs. the overall online penetration rate of c.24% in 2021. Online game growth is expected to gradually pick up in 2Q, as game license approvals resumed in Apr after eight months of suspension. Chinese mobile games' revenue only increased by 2.7% y-o-y in 1Q22 due to lack of new games, according to CNG. Game developers will focus on overseas expansion. Online advertising is one of the key revenue contributors to internet companies. The segment's growth will remain challenging in 1H22, partly due to the economic slowdown and regulatory changes. The performance has been dragged by the weakness in certain verticals, such as education, online games, and insurance. The broad regulatory scrutiny over various industries, such as education and real estate, has weakened prospects for the online advertising business. We expect a resilient performance in 2Q, considering solid user growth and more time spent on short videos amid the COVID resurgence.	JD.com – has an advantage in its wide category mix and self-run fulfilment capability. Overall, smaller players will experience stronger growth through market share gain, after the new anti-trust rule
Aviation	Neutral	1HFY22F will be a challenging period for the three Chinese carriers. The Omicron outbreak in the country will translate into a higher frequency of domestic lockdowns and tighter travel restrictions, while elevated jet fuel prices induced by geopolitical tensions will weigh on profitability, given that the Chinees airlines are completely unhedged. The Chinese airlines may only turn profitable in 1HFY23F, assuming the pandemic is under control and international border restrictions are finally lifted from early 2023. Domestic passenger yields, which were close to pre-pandemic levels in 2H21, could soften in 1HFY22F, but should firm up from 2HFY22F as supply-demand dynamics turn more favourable. Chinese airlines are still growing their fleets, and this will enable them to garner market share from competitors in the region when China's borders finally reopen. Operating margins will be under pressure in the near term, but it should subsequently improve in FY23F as airlines achieve greater economies of scale. Aircraft lessors are our preferred pick at this juncture, because of their earnings resilience and attractive valuations. Lessors are not directly impacted by buoyant jet fuel prices and could see stronger demand for leased aircraft as airlines dial back on capital spending. Sanctions on Russia are manageable, given the lessors' limited exposure to the country and other buffers in place like insurance on affected aircraft. Outside of Russia, the risk of asset and bad debt impairments is declining, with aircraft values and airlines' financial performance stabilising.	BOC Aviation, Despite the threat of the new COVID-19 variant, earnings should continue to grow on the back of sustained portfolio expansion and healthier lease rates China Southern Airlines - given its dominant position in the domestic market, larger freight operations, stronger cost control, and reasonable valuation

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
China brokers	Neutral	The share prices in the China brokerage sector has on average corrected by 27% YTD, which is the worst performing sub-sector within China financials. The weak performance was mainly impacted by the 14% drop in the China A-share index YTD, which resulted in a slowdown in market ADT growth and margin finance demand from retail investors and weak investment income growth for brokers. While market liquidity, measured by TSF y-o-y (%)/GDP y-o-y (%), in 1Q22 landed at 2.2x, above the historical average, we believe the liquidity environment in the market remains favourable. The policy cycle should continue to be favourable, and we expect the long-awaited registration-based IPO reform to be implemented on all boards in 2H22F, which will serve as a strong driver for the sector. The growing institutionalisation also helps to enhance brokers' ROE in the long term.	CICC , GF - With the sector trading at 0.7x PB, which is the trough of the trading band in the past five years, the risk-reward is hereby considered attractive.
China materials	Neutral	Cement, crude steel, and aluminium output had dropped 15%, 10%, and 0.2% during the first four months of the year. On the inventory side, as of late May, the cement silo level has continuously inched upwards. Cement producers plan to introduce capacity controls in the next two weeks. The average operating rate of steel mills' blast furnace has picked up to hit 2021's high, and steel inventories held by the middlemen had dropped to May 21's level . Aluminium inventory has edged down, whereas smelters' capacity utilisation is heading towards 4Q21's high. On the production cost front, although local coal supply increased as a result of the relaxation of coal import restrictions, the domestic coal price has stood firm at the current level , and clouded cement and steel product GP. Among these materials, in anticipation of the upcoming benefits from the potential normalisation in downstream market activities after COVID and the stimulus measures revealed, the aluminium market should have better support moving into the second half.	Nil
China property	Neutral	While we believe more supportive policies will likely be on the way to cushion the impact of a hard landing, the sector's liquidity risks must not be ignored. Around 1/3 of the developers we track are likely to struggle to achieve their expected FY22 presales in the absence of the reopening of refinancing channels. The current COVID-19 lockdowns and sales delays will likely pose additional challenges for developers as we head into the next repayment peak in Jul-Aug as well. On the other side of things, while the potential impact from Rmb depreciation on fundamentals should be manageable, its impact on valuations should not be overlooked. Thus, we recommend investors stay with quality names that are largely unaffected from a liquidity standpoint and await the supportive policies that are to come.	COGO, COLI , Longfor, CR Land, Yuexiu - quality names that are largely unaffected on a liquidity standpoint and should benefit from supportive policies to come

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
China telecom carriers	Neutral	The strong revenue growth momentum in 2021 will continue in 2022, led by the steady traditional telecom business and robust growth of new businesses (e.g., cloud, IDC, IoT, etc.). Mobile ARPU will continue to recover, driven by higher 5G penetration of 64% in 2022, compared to 44% in 2021. The bandwidth upgrade will help to improve broadband ARPU.	China Telecom - for its strong earnings growth and attractive dividend yield of 8%.
Environ-mental services	Neutral	The asset-light strategy is starting to bear fruit with an improvement in financials; in particular, operating cash flow has improved substantially, even though it remains negative. However, with a further reduction in construction and increasing treatment volume, operating cash flow should turn positive with the declining debt ratio in 2022/23. In a recent State Council executive meeting, a batch of water conservancy projects, including the re-direction of water resources, flood prevention, construction of irrigation areas, etc., has been included in the country's construction plans. together with other water projects, the total investment is estimated to be Rmb800bn. .	China Everbright Water - Major beneficiary of water conservancy projects that has been included in the country's construction plans
Consumer – Retailing	Neutral	We expect a gradual improvement in China retail sales ahead and project positive mid-single digit growth for 2022F. Despite the HK retail market having started to improve slightly from mid-Apr 2022, given the improving COVID-19 situation and new round of consumption vouchers for eligible local residents, retail sales could remain fairly slow, as the reopening of borders between Mainland China and HK might only take place towards the end of 2022. All in all, we expect better operational improvement in 2H22F-2023F. Some renowned global brands could also benefit from the recovering macro conditions to capture more tourist-related sales ahead.	Prada (1913 HK) – to benefit from the recovering macro conditions to capture more tourist sales ahead.
Gas utilities	Neutral	The dollar margin is expected to recover q-o-q in 1Q22, thanks to lower gas cost, lower LNG prices, and a higher percentage of gas sales to industrial/commercial users. LNG prices peaked in early March. Although the Ukraine crisis remains an uncertainty, a decline in demand during summer will allow the current downtrend to continue. Recovery of the dollar margin is expected to continue in the coming few months. With the lockdown in Shanghai being gradually lifted and economic activities getting back to normal, we expect a gradual improvement in gas sales volume in the rest of the year. The bright spot is the development of integrated/smart energy, which can ride on the government's push in decarbonisation and installation of rooftop solar power.	CR Gas (1193 HK), China Gas (384 HK)

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
HK developers	Neutral	With the fifth wave of the pandemic gradually subsiding, developers have resumed new project launches since April. The market response has been satisfactory, thanks to the release of pent-up demand. Mortgage easing gave additional support to residential demand. The long-awaited reopening of the border with Mainland China, once materialised, could boost luxury demand with the return of affluent mainland buyers. On the other hand, mortgage rates should be facing upward pressure. The negative wealth effect from the financial market correction could dampen housing demand. All things considered, we forecast home prices to be broadly stable in 2022.	SHKP – major beneficiary of the Northern Metropolis development Cheung Kong Asset Holdings – well poised to make value-accretive acquisitions to bolster long-term growth with a strong balance sheet
HK telecom	Neutral	Further roaming revenue shrinkage is unlikely. Any roaming revenue recovery would be positive for mobile ARPU. However, the outbreak of a new round of COVID-19 cases in Hong Kong will prolong the travel restrictions, at least in 1H22. We expect local service revenue to be solid, driven by higher 5G penetration. For fixed-line businesses, we expect total residential broadband subscribers to grow 2% and 1.5% in 2022 and 2023, respectively, with the supply of new housing. HKBN could gain market share with the launch of Disney+, with a target of 1m total subscribers by FY8/22. We also expect 3% growth in the enterprise business in FY22. Despite the market's concern about the impact of COVID-19 on fixed-line operators due to SME exposure, we estimate the impact is only 1%-2% if 10% of SMEs close.	HKBN – prefer fixed-line operators to mobile operators, as the former are less impacted by COVID-19
Tech hardware	Neutral	Global foundry capacity expansion and investment in semiconductor manufacturing equipment accelerated in 1Q22, as some of the semiconductor equipment providers showed strong q-o-q growth in bookings. The upstream semiconductor industry will still benefit from the expected massive capex investment cycle of foundry players, but there is a potential that capex growth could peak in 2022. Shipment growth for devices is expected to revert to mid-single digits in 2022 after the resolution of the smartphone chip shortage. Sluggish growth in smartphones in China and global component shipments was maintained in 1Q22. We also expect suppliers of consumer electronics components to resume normal growth in 2H22. Apple and Chinese vendors have been gaining market share since 2021, and we expect this to continue in 2022. Moreover, Apple's share in the premium smartphone market is expected to increase in 2022. This favours component suppliers whose key customers are the beneficiaries of the share gain or those with an increasing share of premium model shipments.	Hua Hong SEMI – mainland foundries that specialise in mature nodes and are least impacted by the chip embargo are expected to continue enjoying the strong demand for auto chips in 2022 ASM Pacific – expect semiconductor manufacturing equipment and packaging providers to still enjoy relatively fast shipment and revenue growth in 2022

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
Gaming	Underweight	Macau's gross gaming revenue dropped by 68% y-o-y or 27% m-o-m to MOP2.7bn in Apr 2022, the worst since Sep 2020, as it was negatively impacted by reduced tourist arrivals due to COVID-19 outbreaks across certain parts of Mainland China, including Guangzhou and Shanghai. In 4M22, gross gaming revenue (GGR) declined by 36% y-o-y to MOP20.4bn. While the recent Labour Day Golden Week Holiday saw a strong rebound in Macau's daily visitor numbers to >40,000 on the first day of the holiday, the rest of the holiday period registered a lower daily volume of c.25,000 inbound visitors – less than the government's earlier forecast of a per day average of >30,000 visitors for the five-day holiday. As we expect the COVID-19 situation in both Mainland China and Hong Kong to continue to improve going ahead, we stay hopeful for GGR momentum in 2H22-2023, and project it to grow by a c.50% CAGR in 2021-2023 to reach >MOP200bn next year.	Galaxy, SJM, Sands China – benefit from the GGR momentum in 2H22-2023, and project GGR to grow by a c.50% CAGR in 2021-2023 to reach >MOP200bn next year
Pharma-ceutical and healthcare	Underweight	The sector will be continuously clouded by the following negative factors: a) Price cuts resulting from the deteriorating financial status of public medical insurance programmes and changes in the way of reimbursing medical expenses; b) cost surge for R&D due to the tightening of the clinical trial requirement; c) anti-monopoly by the government, e.g., active pharmaceutical ingredients; and d) the US's sanctions against Chinese companies. Despite a deep share price correction since last year, the risks mentioned above persist, and so does the potential downside.	MicroTech – trading at a deep discount relative to international players, yet with much better product quality CR Medical – very limited downside

Source DBS Bank, DBS HK

DBS
Live more, Bank less

Thailand

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- Outlook Negative
- SET Index end-2022 objective 1,680 (+7.1%)
- Themes: Reopening, rising inflation and interest rate upcycle, weak baht

Thai economy to continue recovery, with services becoming key driver

The Thai economy grew 2.2% y-o-y in 1Q22 but is still lagging regional peers. Looking forward, we expect the economy to continue its recovery, with tourism being a key growth driver. The Thai Government has fully reopened the country and will lift the Thailand Pass registration and travel insurance requirement for all international travellers from 1 July 2022. We thus expect tourist arrivals to accelerate in 2H22. On the other hand, exports have shown signs of cooling off in April, and this momentum should continue in 2H22 amidst concerns that the surging global inflation will undeniably hit expenditure and thus derail global economic recovery.

Key risks: Surging inflation, normalisation of rates, and global market volatility

The Bank of Thailand's stance has turned hawkish after Thailand's May 2022 inflation was announced at +7.1% y-o-y, and US inflation unexpectedly jumped 8.6% y-o-y to a 40-year high in May 2022. Most economists are now expecting the Bank of Thailand (BOT) to raise rates by 25bps (from 0.50% to 0.75%) at the upcoming meeting on 10 August 2022. In addition, some economists are expecting the BOT may raise rates by 25bps at each of the two remaining meetings of the year as well – on 28 Sep and 30 Nov 2022. These could bring the policy rates to 1.25% by end-2022.

SET Index target revised down to 1,680

Our 2022 year-end SET Index target is now 1,680, pegged to a PE multiple of 16.9x, the mean of the 15-year average of one-year forward PEs. We expect very high global market volatility during the year, which means investors could look to buy the dip stocks with solid fundamentals at a more decent valuation. We recommend three main themes for 2H22. They are i) beneficiaries of surging inflation and rising interest rates, ii) reopening plays, and iii) weak baht beneficiaries.

SET PE band

Source: DBS Bank, Bloomberg Finance LP.

Beneficiaries of surging inflation and rising interest rate trend

Headline inflation jumped 7.1% in May 2022 and 5.2% in 5M22. These breached the central bank's target range of 1%-3%, with energy and food prices being key drivers. Looking forward, we expect inflation to continue to rise and peak in 3Q22, before easing in 4Q22 and getting back to the BOT's target of a 1%-3% range next year. The BOT is also shifting its stance and has turned more hawkish. We scanned through our universe and found that the key beneficiaries of surging inflation and rising interest rate trends are big banks, upstream energy, and an infrastructure fund. Our picks are

KASIKORNBANK (KBANK), PTT Exploration & Production (PTTEP), and Thailand Future Fund (TFFIF). KBANK should benefit from the rising interest rates, as the majority of its loans are on floating rates. PTTEP is a direct beneficiary of the rising oil prices. In addition, its revenue is also likely to be supported by higher production volume from i) the full-year consolidation of the Sabah H and Oman Block 61 projects and ii) the startup of the Algeria Hassi Bir Rekaiz project (c.10-13kbd). TFFIF should be able to raise its toll rate if the Bangkok CPI stays elevated in March next year. Note that any successful toll rate hike next year could be an upside to our forecast and TP.

Live more, Bank less

Reopening plays
All schools have resumed on-site education since 17 May 2022. Most companies required employees to be back in office since 1 June 2022. These have led to a strong jump in road traffic and MRT ridership to around 90% of pre-COVID-19 levels. With more tourist arrivals expected after the government has lifted the Thailand Pass registration and travel insurance requirements for international travellers from 1 July 2022, we expect mobility to continue to pick up, which is a positive move for the economy. Our top picks based on this theme are Airports of Thailand (AOT), Bumrungrad Hospital (BH), Bangkok Dusit Medical Services (BDMS), Bangkok Expressway (BEM), Minor International (MINT), CP All (CPALL), Central Pattana (CPN), and Berli Jucker (BJC).

Weak baht

The Thai baht has weakened by 5.3% YTD against the greenback, to Bt35/US$. Sectors that should benefit are exporters, which should see revenue and margins improve because of the weak baht against the greenback. Our top picks are Indorama Ventures (IVL), SVI (SVI), and Thai Union Group (TU).

Top picks

Company name	Code	Closing price (Bt)	Tgt price (Bt)	Mkt cap US$m	PE 22F (x)	EPS 22F (Bt)	ROE 21F (%)	PBV 21F (X)	yield 21F (%)	Net gear (%)
Inflation beneficiaries										
KASIKORNBANK	KBANK TB	148.00	211.00	10,027	8.33	17.76	8.30	201.20	2.20	na
PTT Exploration & Production	PTTEP TB	166.00	194.00	18,845	10.27	16.16	10.10	104.62	3.01	0.48
Thailand Future Fund	TFFIF TB	7.80	9.40	1,019	21.98	0.355	2.12	11.64	4.06	cash
Reopening plays										
Airports of Thailand	AOT TB	67.50	71.00	27,575	nm	-0.798	-12.82	7.86	0.00	0.01
Bangkok Dusit Medical Services	BDMS TB	24.10	30.00	10,952	39.75	0.606	9.24	5.28	1.87	0.05
Bangkok Expressway and Metro	BEM TB	8.65	10.00	3,781	59.74	0.145	2.67	2.47	0.92	1.85
Bumrungrad Hospital	BH TB	172.00	190.00	3,910	52.45	3.28	6.79	21.75	1.86	cash
Berli Jucker Public Co. Ltd	BJC TB	33.00	38.00	3,782	26.90	1.227	3.26	29.10	1.42	1.30
CP ALL	CPALL TB	59.75	74.50	15,349	32.49	1.839	12.93	11.83	1.54	0.94
Central Pattana	CPN TB	58.75	71.00	7,511	29.09	2.019	10.08	18.29	1.02	0.91
Minor International	MINT TB	32.75	37.50	4,924	82.15	0.399	-22.65	10.43	0.00	1.70
Weak baht plays										
Indorama Ventures	IVL TB	50.25	65.00	8,068	9.76	5.146	18.42	28.27	1.99	1.40
SVI Pcl.	SVI TB	6.90	8.50	425	13.44	0.514	30.46	2.40	3.24	0.73
Thai Union Group	TU TB	17.40	20.40	2,316	12.49	1.393	14.37	12.43	5.46	0.97

Source: DBSVTH

Inflation beneficiaries

KASIKORNBANK	KBANK's competitive strength in digital banking, alongside continual investments in IT systems, should sustain its No.1 position in the digital banking space, as well as its leading position in the banking industry in the long run. We expect its earnings to increase 10.6% y-o-y in FY22F, driven by decent top-line growth. There is a potential upside from non-interest income and credit cost. KBANK is currently trading at a low valuation of 0.7x FY22F BV, i.e., close to 2SD below its long-term average P/BV.
PTT Exploration & Production	We like PTTEP because it is a direct beneficiary of rising crude prices. Despite expectations of normalising oil prices in 2H22F, we expect PTTEP's financial performance in 2022F to be supported by high oil prices – a result of the EU pursuing a ban on oil imports from Russia – along with oil demand recovery and supply tightness. Besides the higher oil prices in 2022F, PTTEP's business performance will also be supported by higher production volume from the i) full-year consolidation of the Sabah H and Oman Block 61 projects, and ii) startup of the Algeria Hassi Bir Rekaiz project (c.10-13kbd). Note that we conservatively estimate a production volume of c.440kboed for 2022F, +6% y-o-y.
Thailand Future Fund	TFFIF offers a good combination of growth, value, and yield at the current price. We expect DPU to grow at a 17% CAGR during 2021-24, in line with recovering traffic volume at both the Chalong Rat and Burapa Withi expressways. The stock has plunged 40% from pre-COVID-19 levels and is now trading at 0.7x P/NAV. While traffic has recovered to c.80% of the pre-COVID-19 level, the stock price is yet to follow. The stock also offers a growing yield of 4.6% in FY22F, 5.4% in FY23F, and 6.3% in FY24F, and decent IRR of 7.8% with low risks. TFFIF is debt-free. A successful toll-rate hike in Sep 2023, if any, depending on the Bangkok CPI in March 2023, could lead to an upside to our forecasts and DCF-based TP of Bt9.40.

Source: DBS Bank, DBSVTH

Reopening plays

Airports of Thailand	We believe the worst is over for AOT. Given its monopolistic nature, AOT should be a prime beneficiary of the government's plan to fully reopen the country. In the long term, we expect a steady growth of foreign tourist arrivals since Thailand is still one of the most popular global travel destinations. In addition, AOT has a strong balance sheet with solid expansion plans.
Bangkok Dusit Medical Services	We like BDMS for its expertise in healthcare operations, with 53 private hospitals under six brands in its portfolio, improving operating efficacy following mild expansion, and an improving EBITDA margin with the opening of the COE that focuses on tertiary care. We believe that BDMS's performance has bottomed out and expect its earnings to improve going forward on the back of pent-up demand from both domestic and international patients. Valuation wise, BDMS is trading at an FY22F PE of 41.6x, lower than its five-year average of 44.5x.

Reopening plays (Cont'd)

Bangkok Expressway and Metro	We like BEM for its i) strong earnings growth of 119% y-o-y to Bt2.2bn in FY22F and 58% to Bt3.5bn in FY23F on accelerating recovery in 2Q22F-3Q22F after COVID-19 becomes endemic; ii) new potential projects coming up for bidding, including the MRT orange line (western part), motorway projects, and double deck project; and iii) solid dividend income from TTW and CKP. In terms of valuation, BEM is trading at FY22F PE of 58.7x, which is still low compared to its five-year average of 72.6x.
Bumrungrad Hospital	We like BH for its pole position in the medical tourism arena. It was the first private operator to be accredited by the JCI and has a strong balance sheet with a net cash position. We expect a strong earnings rebound of 128% for BH in FY22F, to approximately 78% of its 2019 pre-COVID levels, premised on the recovery of growth in domestic and international patients. BH stands to gain the most from the return of international patients in FY22F due to the huge contribution from foreign patients towards its revenue. Valuation wise, BH is trading at a FY22F PE of 45.0x, lower than its five-year average of 54.1x.
Berli Jucker Public Co. Ltd.	We expect BJC to resume revenue growth across all segments in 2022, assuming no further lockdowns. We expected same-store sales growth to kick in from 1Q22 onwards due to the low base effect. Its rental income is also expected to increase sharply based on lower rental discounts to tenants. We also expect earnings to jump strongly during this year and next. BJC is set to be a prime beneficiary of economic activity resumption post lockdown. While the PE looks high, BJC is trading on a P/CF of only 8x, thanks to its strong cashflow-generating capacity of c.Bt16.6bn per annum.
CP All	CPALL remains one of our top picks in the commerce sector. We believe CPALL's performance will strongly recover with a two-year earnings CAGR (FY21-23F) of 40% – especially in the convenience segment – following the resumption of local activities post lockdown and a rebound of Lotus's businesses. In the long term, besides growing SSSG, CPALL plans to improve its margins with a better product mix and higher service revenue.
Central Pattana	We expect CPN's earnings to have bottomed out in 2021 and expect it to jump strongly in 2022-23F, with growth from all businesses amid the improving pandemic situation. Rental discounts dropped to about 16% in 1Q22 (vs. 29% in 4Q21) and should continue to fall, given improving customer foot traffic and recovering tenant sales. This will result in higher rental income and subsequently, higher net profit going forward.
Minor International	We believe MINT is the prime beneficiary of (1) the solid tourism recovery, given vaccination rollouts across the globe and easing international travel restrictions; (2) its large mix and hotel revenue contribution from international markets, esp. Europe and the Maldives, where we see strong recoveries to pre-COVID-19 levels; and (3) easing domestic restrictions in Thailand and China, which should improve food SSSG going forward. We expect these factors to support MINT's strong earnings growth in FY22-24F.

Source: DBS Bank

Weak baht plays

Indorama Ventures	We like IVL as we expect strong core earnings growth in 2022F, supported by i) the resumption of its US ethane cracker with a capacity of 440ktpa, ii) strong integrated PET demand recovery, ii) supply tightness from the dual-control policy in China, and iii) the consolidation of Oxiteno's performance. We also expect improving PET margins in Asia and the US, supported by i) seasonal demand during summer, ii) more economic activity as the severity of Omicron becomes less, and iii) supply disruptions.
SVI Pcl.	SVI PCL ranks in the top 50 EMS companies globally. The company provides electronics contract manufacturing services including Printed Circuit Board Assembly (PCBA), turnkey box build, and system build. SVI saw earnings jump 105% y-o-y in 2021, boosted by higher sales and wider margins. Revenue should continue to grow by c.30% this year, supported by still robust demand in 5G-related products, cloud computing, electronics shelf label, industrial security cameras, etc.
Thai Union Group	We like TU for its leading seafood processor position, while also having a diversified portfolio through its leading brands in key global markets. We believe that all the negatives from the potential impact of the rising raw material cost outlook and loss from Red Lobster have been priced in. The company is trading at only c.11-12x FY22F PE ratio, below its historical five-year PE average, with a potential catalyst from the IPO of its pet care business.

Source: DBS Bank

Sector Outlook

Sector	Rating	View	Stock picks
Banking	Overweight	One of the key beneficiaries of the country's reopening theme; still trading at a low valuation of 0.8x P/BV (-1SD of historical average)	KBANK – leading position in the digital banking space TISCO – highest ROE and dividend yield KKP – diversified earnings drivers and high ROE
Commerce	Overweight	SSSG recovery after lockdown alongside continued store expansion	CPALL – we expect CPALL to be the prime beneficiary of the domestic consumption recovery BJC – strong earnings outlook and attractive valuation
Energy	Overweight	Strong oil price, supported by demand recovery and the EU pursuing to ban Russian crude	PTTEP – direct beneficiary of oil price uptrend
Transportation	Overweight	Prime beneficiary of the reopening theme	AOT – strong recovery for both domestic and international tourist arrivals BEM – strong improvement in both toll roads and MRT operations TFFIF – a compelling combination of growth, value, and yield
Contractor	Neutral	The winner of the upcoming MRT orange line will be announced in 4Q22F	CK – Thailand's leading general contractor with strong expertise
Electronics	Neutral	Cautious on near-term earnings which may be hit by the Russia-Ukraine war, China slowdown, rising raw material prices, and lingering chip shortage	SVI – strong top-line growth from both existing and new customers
Finance	Neutral	Strong volume growth to continue, while yield pressure and regulatory risks remain	TIDLOR – data-driven technology-led consumer finance company with a scalable business platform MTC – the market leader for motorcycle and auto title loans in Thailand
Food	Neutral	Demand growth after lockdown, but rising raw material costs pose key risks	TU – negatives priced in and cheap valuation

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
Healthcare	Neutral	Recovery of non-COVID revenue going forward	BDMS – the largest private hospital in Thailand in terms of revenue and market cap BH – leading private hospital in Thailand and Southeast Asia
ICT	Neutral	Defensive earnings quality, decent yield	ADVANC
Petrochemicals	Neutral	Margin squeeze from rising energy cost. However, this is partly offset by resilient chemical demand for homecare and hygiene products	IVL – integrated PET/PTA margin improvement in the west
PFPOs/REITs	Neutral	The worst is over; recovery underway	ALLY – high-yield play; fast recovery LPF – time to accumulate DREIT – positive momentum for Maldives
Property	Neutral		
- Residential	Neutral	Earnings recovery and attractive valuation with decent dividend yield	AP – Decent presales momentum continues, and attractive valuation LH – strong housing portfolio and strong earnings recovery expected ORI – record-high earnings and attractive valuation
- Commercial	Neutral	Strong earnings recovery from 2022 amidst falling rental discounts	CPN – earnings to jump strongly amidst lower rental discounts
- Industrial	Neutral	Key beneficiary of US-China trade tensions and trade diversion	AMATA – expect land sales to improve after the reopening of the country
Tourism	Neutral	Key beneficiary of the reopening theme	MINT – positive momentum onward
Building materials	Underweight	Rising energy costs will put pressure on margins	SCC – share price factored in the negatives
Packaging	Underweight	Rising raw material and energy costs to pressure margins	-

Source: DBSVTH

Indonesia

Analyst: Maynard Arif +65 6878 8888; maynardpriajaya@dbs.com

- Outlook neutral
- JCI Index end-2022 target 7,500 (+6.5%)
- Themes: Inflation, dividend, broader reopening, and defensive

2H22 growth outlook supported by reopening and commodity prices

Indonesia's 2H22 growth outlook should be supported by favourable commodity prices and broader reopening. Our economist maintains the 2022 GDP forecast at 4.8% (vs. 3.7% in 2021), as better pandemic management and a better vaccination rate should result in a broader reopening vs. 2H21. The government's decision to manage the prices of certain household items and to increase energy subsidies should help to tame inflation. Moreover, the IDR has been relatively stable thus far on the back of tightening cycles across the globe, and this allows the central bank to be more accommodative in its monetary policies.

FY22F earnings growth still favourable

We raised our aggregate FY22F earnings forecast in our coverage to 14% post the 1Q22 results announcement in May, but we foresee upside risks, particularly in the commodity and discretionary sectors (from reopening). For the commodity-related sectors, we believe there is room to raise earnings if the current high commodity prices can last into 2H22 since our current forecast assumes some moderation in 2H22. Higher interest rates should benefit most Indonesian banks too, which represent nearly 30% of the JCI Index weighting. On the other hand, higher raw material costs may drag earnings from consumer-related sectors such as F&B due to margin pressures.

Volatility expected to continue

We believe that the market volatility will continue as we enter 2H22, given that the concerns on inflation, aggressive Fed rate hikes, and global growth have not subsided yet. Therefore, widening interest rate differentials between Indonesia and the US may put some pressure on the Indonesian market until the gap narrows. IDR stability is also important in this kind of environment to support sentiment. Other key risks for the Indonesia market in 2H22 are a sharp correction in commodity prices and reversal on foreign fund flow (after strong inflow in 1H22). Simply put, investors need to be prepared for some bumpy roads along the way.

JCI target – 7,500

Our 2022 year-end JCI Index target is 7,500, pegged to +1.5SD of its 10-yr mean blended forward PE, or c.16.2x. Our target represents a 9% upside from the current level, but we would like to remind investors that the JCI Index has outperformed most Asian markets and is up by 5% to date. As such, we believe JCI is still relatively attractive from a risk and reward perspective. In terms of valuation, JCI is trading at +0.5SD above its 10-yr mean blended forward PE, which is not too expensive but probably at premium to some Asian markets. The China market is trading at a big discount, and this is something to watch, should investors start to switch to China, as it will reduce one of the key drivers for the Indonesia market.

JCI PE band (10-year)

Source: DBS Bank, Bloomberg Finance L.P.

Theme 1: Inflationary pressures and rate hike

Bank Indonesia (BI) is one of the few central banks in the world that has not raised interest rates (up to early June) despite the Fed's aggressive rate hike, thanks to IDR stability and strong exports. However, the inflationary pressures from food prices and energy prices are inevitable and we expect BI to start hiking rates in 3Q22, by a total of 75bps in 2H22. Indonesian banks and commodities are the plays on

the inflation and rate hike themes. A higher interest rate is positive for the banks, given the liquidity position post the COVID-19 pandemic. Our picks are Bank Rakyat Indonesia and Bank Mandiri. For commodity stocks, we prefer coal with a potential upside on earnings too and we like Adaro Energy.

Theme 2: Dividend

The dividend theme is not usual for the Indonesia market but some stocks offer an attractive dividend yield that could offset inflation and be used for diversification in this volatile market. The attractive yield is due to a combination of earnings recovery in 2022 and de-rating during the pandemic. We recommend Indo Tambangraya (10%+ div yield potential) while Matahari Dep. Store offers 5%+ dividend yield for FY22F. For Indo Tambangraya, the share price has rallied by almost 50% YTD, but the dividend potential is still attractive, given the strong earnings potential, healthy balance sheet, and generous payout history.

Theme 3: Broader reopening

The reopening theme is old news but still relevant in the context of Indonesia in general because Indonesia was a bit behind in terms of reopening. In 2021, Indonesia was still implementing strict lockdowns and had a low vaccination rate, even until 2H. Its reopening did not really start until April 2022 and therefore, the domestic economy and the tourism and services sectors are still in the midst of recovery. Our picks are mall operator Pakuwon Jati and poultry company Japfa Comfeed.

Theme 4: Defensive

We believe investors can look at some big-cap names, which have relatively underperformed, with a stable outlook and healthy balance sheet. These stocks may not provide full protection in volatile market conditions, but we think they have less downside risks. Our picks are Bank Central Asia, Mitra Keluarga, and Sarana Menara.

Stock picks

Stocks	Code	Price 20-Jun	Target Price (Rp)	Mkt Cap (US$m)	PE(X) 22F	EPS (Rp) 22F	ROE (%) 21A	PBV (X) 22F	Div Yield (%) 22F	EPS CAGR 21-23F	Net gearing 21-23F
Inflation and rate hike											
Bank Mandiri	BMRI IJ	7,925	9,400	24,816	11.2	706	14.2	1.5	4.5	18.4	n.a.
Bank Rakyat Indo	BBRI IJ	4,150	5,250	42,204	15.4	270	12.4	2.0	3.2	24.1	n.a.
Adaro Energy	ADRO IJ	2,860	3,600	6,138	6.1	472	23.8	0.0	8.3	0.5	cash
Dividend											
Indo Tambangraya Megah	ITMG IJ	30,675	33,000	2,326	3.9	7,883	46.1	0.0	18.0	0.0	cash
Matahari Department	LPPF IJ	4,990	6,700	879	10.5	475	115.0	11.6	8.6	27.2	cash
Re-opening											
Japfa Comfeed Indo	JPFA IJ	1,540	2,060	1,212	8.8	175	17.7	1.3	2.7	9.2	50.9
Pakuwon Jati	PWON IJ	472	675	1,525	17.6	27	9.0	1.3	0.0	-12.3	cash
Defensive											
Bank Central Asia	BBCA IJ	7,250	8,800	59,971	25.0	290	16.2	3.8	1.8	13.1	n.a.
Sarana Menara Nusantara	TOWR IJ	1,100	1,350	3,765	13.2	83	30.9	3.7	2.6	14.5	236.2
Mitra Keluarga	MIKA IJ	2,750	2,900	2,629	36.5	75	24.1	6.7	1.3	-4.0	cash

Source: DBS Bank, DBSVI, Bloomberg Finance L,P,

Sector Outlook

Sector	Rating	View	Stock picks
Banks	Overweight	Beneficiary of interest rate hikes in 2H22 and economic recovery driven by reopening	Bank Rakyat Indonesia – supported by micro Bank Mandiri – valuation is attractive
Energy	Overweight	Prefer coal sector due to strong earnings potential, dividend yield, and less regulatory issues. However, the key risk is any change in China's energy policy or Ukraine-Russia war, in our view	Adaro Energy – profit maximisation mode Indo Tambangraya – dividend yield potential
Consumer Staple	Underweight	Risks on margin and earnings due to potential higher input costs in 2H22	Indofood CBP – strong market share will help to pass on rising costs
Healthcare	Neutral	Defensive sector, but the sector has done well YTD	Mitra Keluarga – best operator with strongest balance sheet and growth outlook
Plantation	Neutral	Regulatory risks in the domestic market will likely limit the earnings upside for Indonesian planters, despite higher global CPO prices compared to our assumptions	London Sumatera – cheap valuation
Property	Neutral	Cheap valuation, but the negative sentiment on rate hikes and inflation overshadows the decent marketing sales achievement in 1H	Pakuwoin Jati – largest exposure to commercial properties Bumi Serpong Damai – valuation and huge landbank
Retail	Overweight	Reopening beneficiary with good earnings recovery driven by cost efficiencies and new store additions	Matahari Dep Store – dividend
Telco	Neutral	We expect an uptick in mobile service revenue from March 2022 onwards. This can be due to the end of lockdowns towards the end of February, rise in commodity prices, and higher data pricing by all operators	XL Axiata – likely to benefit from integration issues between Indosat and Hutch Sarana Menara – may potentially raise new equity from private equity players to reduce leverage, but near 12-13x EV/EBITDA

Source: DBS Bank, DBSVI

Philippines

Analyst: Regional Research Team

- Outlook Neutral
- PSEi YE target 7,300 (+17.4%), 12-mth target 7,700 (+23.8%) *as of 24 June 2022 prices*
- Themes: Reopening and the resumption of operating/financial leverage story, Philippine banks are in a sweet spot, beneficiaries of robust household incomes and balance sheets

Fundamentals continue to be supportive of earnings and economic growth in the next 12 months

The country's key economic drivers are in a good position coming out of the crisis. We highlight that many high-frequency economic data were quick to rebound and/or surprised on the upside in recent quarters, giving us confidence that the Philippines' GDP can revert to pre-pandemic levels this year. Despite rising risks, we still subscribe to the view that the Philippine economy has built enough buffers in the last two years, in the form of healthy consumer balance sheets, supported by higher savings, lower household debt, labour market recovery, and resilient remittances. In addition, virus and vaccine dynamics have improved significantly. Finally, the outcome of the national elections hints at policy continuity and some level of certainty in our forecast period.

BSP back-to-back policy rate hikes are forthcoming to quell rising inflation expectations

For the second straight year, inflation is likely to average above the Bangko Sentral ng Pilipinas' (BSP) 2%-4% target band; latest BSP estimates pin the average annual inflation forecast at 5.0%/4.2% in 2022F/23F, while our DBS economist sees it hovering at 4.2%/3.3%. In our sensitivity analysis, we mark 5.0% as the critical inflation threshold – price trends above 5.0%, for a sustained period, would result in demand destruction and loss of confidence, which could see sentiment cooling down in the near term. On the policy-setting side, too high inflation could prompt the BSP to raise rates at a speedier pace versus our expectations, especially in the context of not-too-low growth and a prolonged negative real interest rate environment, leading to a shorter economic upcycle overall. Our DBS economist expects the BSP to hike policy rates by a cumulative 150bps in the next 12 months.

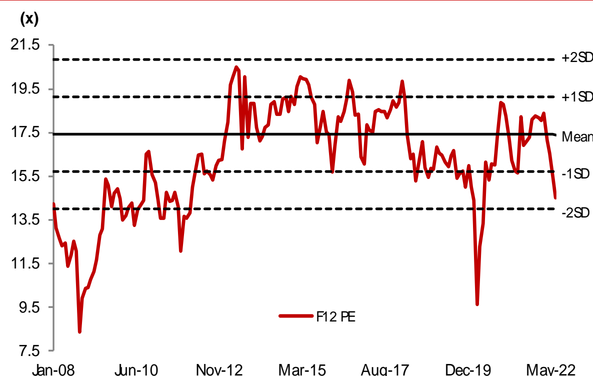
Valuations are now attractive, but be patient in buying the dips as the bear gets grizzly

The market has continued to price in painful valuation adjustments amid a very hawkish Fed, as the latter is committed to bring inflation under control, even if it comes at the expense of economic growth. As a result, the US 10-year bond yield has breached our initial year-end forecast of 2.5%, hovering at nearly 3.4% as of mid-June 2022. Our DBS economist has since raised estimates for the risk-free rate to 3.4%/2.9% for 2022F/23F. With the US 10-year bond yield being the pricing mechanism for all long-term risk assets, we have adjusted for the higher-than-expected US 10-year bond yield and raise the equity risk premium (ERP), as risks to growth have significantly increased since the start of the year. Our base case mid-2023 index target pegs the US 10-year bond yield at 3.0% and ERP at 380bps (or at fair value, i.e., 10-year historical mean), resulting in an implied 12-mth forward index P/E target at 14.7x – below -1SD of historical mean valuations.

There is room for further downside risk, but we are now a buyer on dips. The PSEi will likely fall into bear market territory. This is since the Fed is expected to remain extremely hawkish, Philippine inflation has yet to peak, and the peso has yet to stabilise. **However, we now prefer to patiently take advantage of any further weakness in the Philippine stock market,** as valuations have become attractive and we believe that some of the risks are already in the price. As of 24 June close, the PSEi was trading at 12.5x/11.4x our forward EPS target of P497.00/P546.70 for 2022F/23F – well below -2SD of the market's historical mean valuations.

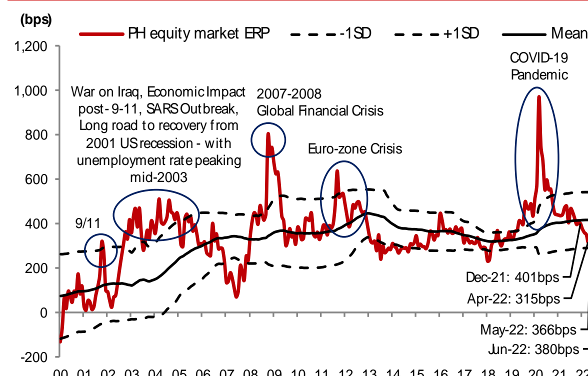
Live more, Bank less

Painful valuation adjustments amid a very hawkish Fed



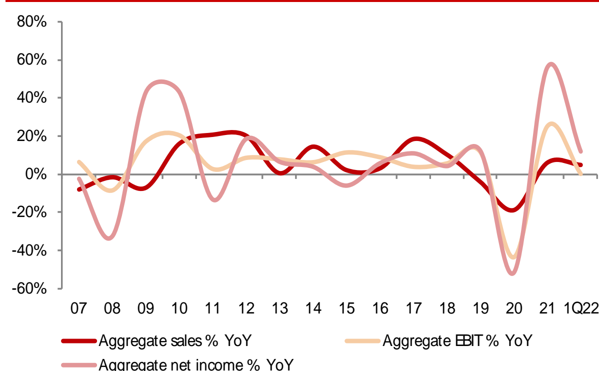
Source: Datastream, DBS Bank

ERP starting to price in risks in the market



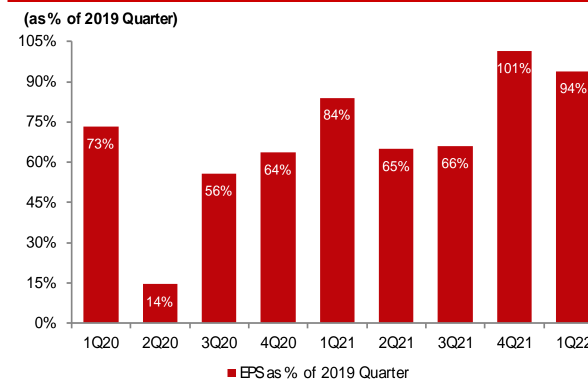
Source: Datastream, DBS Bank

Higher costs ate into positive operating/financial leverage



Source: Datastream, DBS Bank

EPS near or at pre-COVID levels, despite slack in reopening



Source: Datastream, DBS Bank

We continue to like reopening winners with visible earnings growth, and index glamour names

As the economy and the market moves on from the COVID-19 pandemic, we expect reopening winners to post earnings and share price outperformance in the next 6 to 12 months. Moreover, we expect index glamour names to lead the recovery of the Philippine equity market. The inclusion in major benchmark indices increases a counter's exposure to a wider range of investors, underpinned by constructive investability factors such as large market capitalisation and high stock trading liquidity. Our key themes are: (i) Reopening and the resumption of the operating/financial leverage story, (ii) Philippine banks are in a sweet spot; and (iii) beneficiaries of robust household incomes and balance sheets.

Reopening and the resumption of operating/financial leverage story

Early in the year, we argued that a re-accelerating economy will drive earnings growth faster in view of (i) the return of demand and (ii) positive operating and financial leverage – as material cost cuts, lower borrowing costs, and reduction in corporate income tax rates result in speedier expansion of margins and drive another year of outsized gains. We acknowledge rising cost pressures, although space to fully reopen the economy should offset margin pressures to some extent. All of our top picks are reopening winners, with property developers Ayala Land Inc (ALI), Robinsons Land Corp (RLC), and SM Prime Holdings (SMPH) to benefit most from our positive operating/financial leverage narrative. We expect the mall and residential segments to drive margin expansion for these names this year.

Philippine banks are in sweet spot

We see the sector as being in a sweet spot in the next 12 months, in view of: (i) NIM expansion – the rising interest rate environment will push asset yields higher, while building up CASA, excess domestic system liquidity, and the potential for RRR cuts will keep funding costs low for longer; (ii) return of double-digit loan growth – driven by improved lending and borrowing appetite as a result of sustained economic reopening; (iii) continued recovery in fee-based income – on higher business volumes; and (iv) lower credit costs – as asset quality continues to improve. Moreover, there is a case for higher dividends, given room for reserve releases and as Philippine banks have built better capitalisation coming out of the pandemic. We like BDO Unibank (BDO), Bank of the Philippine Islands (BPI), Metropolitan Bank & Trust (MBT), and Security Bank (SECB).

Beneficiaries of robust household incomes and balance sheets

We highlight household consumption in the Philippines has reverted to pre-COVID levels since 4Q21. Post lockdowns, we highlight that household balance sheets remained healthy – savings increased by nearly 25% and debt was pared down (aggregate consumer loans excl. residential real estate: -1.3% and credit card payables: -2.3%) as of Mar 22 versus pre-COVID levels. The improvement in the labour market was sticky – evidenced by the number of employed persons exceeding pre-pandemic levels, normalisation of work hours, and better job quality; additionally, remittances continued to grow substantially in peso terms (4M22: +9.8% y-o-y). We place emphasis on constructive household spending drivers, as a rebound in demand usually leads to the recovery out of a recession. Without the need for further deleveraging, healthy household balance sheets will be a foundation for the strength and pace of recovery. Our top consumer picks are Jollibee Foods Corp (JFC), Robinsons Retail Holdings Inc (RRHI), and SM Investments Corp (SM).

1H23 Index Target

	Index Target (1H23)	EPS Estimates (Δ)			Target ERP	US 10-Year Bond Yield	Implied F12 PE
		FY22F	FY23F	FY24F			
Bull case	8,500	P483.45 (+38.4%)	P531.79 (+10.0%)	P569.02 (+10.0%)	370 bps	2.90%	15.2x
Base case	**7,700**	**P451.82 (+29.4%)**	**P497.00 (+10.0%)**	**P546.70 (+10.0%)**	**380 bps**	**3.00%**	**14.7x**
Bear case	6,900	P420.19 (+20.3%)	P462.21 (+10.0%)	P494.56 (+10.0%)	390 bps	3.10%	14.3x
Consensus		P416.14 (+19.2%)	P490.31 (+17.8%)	P562.23 (+14.7%)			

Source: Bloomberg consensus, DBS Bank

Key Risk Factors

Bear Case	Base Case	Bull Case
PH inflation sustained above >5%. Fed policy rates >3.5% in the next 12 months. BSP policy rates >3.5% in the next 12 months. Pent-up demand is short-lived; high input cost and cost of funds create negative operating/financial leverage on corporate earnings. Foreign funds continue to reduce exposure to Philippine equities.	PH inflation within 4%-5%. Fed policy rates at 3.0%-3.5% in the next 12 months. BSP policy rates at 3.0%-3.5% in the next 12 months. Our pent-up demand and positive operating/financial leverage narrative is intact, but to a lesser degree. Foreign funds stay on the sidelines.	PH inflation within 2%-4% target range. Fed policy rates <3.0% in the next 12 months. BSP policy rates <3.00% in the next 12 months. Stronger-than-expected pent-up demand offsets cost pressures; results in speedier expansion of margins and powerful incremental flow through to drive positive operating/financial leverage. Foreign funds come back in a big way.

Source: DBS Bank

Revising our end-2022 index target

	Index Target (end-2022)		FMS/DBS F12 EPS		Target ERP		US 10-Year Bond Yield		Implied PE	
	New	Old	New	Old	New	Old	New	Old	New	Old
Bull case	8,100	9,300	P531.79	P532.50	350 bps	320 bps	3.10%	2.50%	14.9x	17.5x
Base case	**7,300**	**8,700**	**P497.00**	**P507.14**	**360 bps**	**330 bps**	**3.20%**	**2.50%**	**14.5x**	**17.2x**
Bear case	6,600	8,100	P462.21	P481.79	370 bps	340 bps	3.30%	2.50%	14.1x	16.9x

Source: DBS Bank

PH top picks as of 24 June 2022

Company name	Code	Closing price (PhP)	Tgt price (PhP)	Mkt cap US$m	PE 22F (x)	EPS 22F (PhP)	ROE 22F (%)	PBV 22F (X)	yield 22F (%)	Net gear (%)
Reopening and the resumption of operating/financial leverage story										
Ayala Land, Inc.	ALI PM	26.85	49.0	7,354	15.8	1.7	10.8	1.6	0.9	70
Robinsons Land Corporation	RLC PM	17.30	25.0	1,635	9.1	1.9	7.6	0.7	2.7	20
SM Investments Corporation	SM PM	801.50	1,025.0	17,879	19.7	40.7	10.8	2.2	1.5	60
SM Prime Holdings, Inc.	SMPH PM	36.35	45.0	19,440	28.4	1.3	10.6	2.9	0.3	70
Philippine banks in a sweet spot										
Bank of the Philippine Islands	BPI PM	88.00	111.0	7,355	11.8	7.5	11.1	1.3	2.9	Cash
BDO Unibank Inc.	BDO PM	117.80	170.0	9,568	10.7	11.0	11.0	1.1	1.5	11
Metropolitan Bank & Trust Company	MBT PM	49.95	68.0	4,160	8.0	6.2	8.6	0.7	6.0	24
Security Bank Corporation	SECB PM	89.90	150.0	1,255	7.1	12.7	7.5	0.5	4.4	22
Beneficiary of robust household incomes and balance sheets, but with less pressure on margins										
Jollibee Foods Corporation	JFC PM	200.00	289.0	4,118	30.5	6.6	10.9	2.7	0.6	40
Robinsons Retail Holdings, Inc.	RRHI PM	46.30	70.0	1,274	14.3	3.2	6.6	1.3	2.6	Cash

Source: Bloomberg Financial L.P., DBS Bank

Philippine banks are in a sweet spot

Bank of the Philippine Islands (BPI)	We see BPI as having the highest digital propensity among banks under our coverage. Apart from improved scale, owing to faster revenue generation, these developments will help drive BPI's cost-to-income ratio to the high 40s by FY23F – the lowest among those our coverage universe. On earnings, we expect BPI to deliver 41%/21% net earnings growth in 2022F/23F, driven by (i) high single-digit growth in loans (within management guidance of 8%-10%), (ii) NIM expansion amid the rising interest rate environment, and (iii) further improvement in asset quality. The stronger earnings should allow BPI to reach pre-COVID ROE as early as late 2022F or early 2023F.
BDO Unibank (BDO)	Management has tempered income expectations this year to only a 5%-10% growth, slower than our estimates, citing prevailing uncertainties owing to rising oil prices, inflation, and other geopolitical risks. Prudent provisioning (even as asset quality continues to improve) and back-ended rate hikes by the central bank were also cited among reasons for the tempered expectations. Our outlook for the counter remains positive, nonetheless, as the continued reopening of the economy and the rising interest rate environment should bode well for key sector metrics such as loan growth, asset quality, and NIMs. We forecast strong underlying performance for the bank, delivering 13%/20% growth in net earnings for 2022F/23F. Moreover, valuations remain attractive, as the bank is trading at 1.2x 2022F BV, which is at -1SD of its historical mean.
Metropolitan Bank & Trust (MBT)	We forecast MBT's earnings are set to grow by 27%/17% in 2022F/23F. This will be driven by: (i) Strongest potential for loan growth – given strong capitalisation, improved loan-to-deposit ratio, and benign NPL trends; (ii) NIM upside – in view of BSP rate hikes and cost of funding staying low for longer, with a 50bp rate hike within the year likely translating to a 25-30bp NIM expansion according to management; (iii) rebound of fees – on higher business volumes amid economic reopening; (iv) subdued costs – on efficiency gains from digitalisation efforts; and (v) steep decline in provisions – given its asset quality is better than its peers, there is scope for the bank to further reduce provisions, with credit costs likely to revert to pre-COVID levels sooner rather than later. We also expect higher dividends moving forward, as management has increased regular dividends to P1.6/share this year (from last year's P1/share).
SECB	Given SECB's size and niche market exposure, we view the bank as well positioned to capture lending opportunities as the economy further reopens. Upside will come from a rebound in retail banking (which yields higher margins while providing a larger avenue to cross-sell fee-generating products) and acceleration of niche infrastructure and other mid-sized corporates' working capital and capex upcycle activities. We expect SECB to deliver EPS growth of 35% p.a. in the next two years, driven by double-digit loan growth (at 10%/12.5% in FY22F/23F, versus a guidance of mid-teen growth), NIM expansion, and easing asset quality pressures. The stronger earnings should bring SECB's ROE to a multi-year high at 9.4% by FY23F .

Source: DBS Bank

Reopening and the resumption of operating/financial leverage story

Ayala Land Inc	The counter is well positioned to benefit from the recovery of malls and resumption of residential construction and selling activities. Moreover, the counter is trading at a very attractive valuation of 1.7x FY22F P/BV – below its historical mean. We see a more pronounced recovery for ALI in the next 12 months in view of: (i) ALI being the leader in the Philippine residential market – further acceleration of residential launches puts ALI in an advantageous position to capture the rise in momentum in presales growth. Moreover, having construction ownership means more operating leverage, especially as demand for housing appears robust. (ii) ALI being the country's second-largest mall developer – in terms of GFA (>2.1m sqm) and revenue base. Relative to its peers, we add that Ayala Malls have a strategic positioning towards the mid to high-end markets and has offerings for al fresco dining and after-office nightlife and get-togethers. A more sustainable reopening scenario will allow for these mall segments to post a sharp rebound on low base effects and flow through of pent-up demand.
Robinsons Land Corp	RLC focuses on residential and commercial segments and is playing catch-up on office leasing at present, whilst being the biggest landlord in the Ortigas Business District. Moreover, RLC has a high percentage of recurring revenue, at >70% of pre-COVID EBIT – of this, the mall segment contributes >45%. Barring future mobility curbs, hiccups in 2021 should be behind RLC. Operational conditions should continue to improve amid the sustained reopening and backed by robust macroeconomic fundamentals. Overall, we see the residential and mall segments to be driven by resilient demand and improving purchasing power, while office leasing remains supported by launches and high occupancy rates.
SM Investments (SM)	SM continues to be in an advantageous position to leverage on the reopening, given its large exposure across sectors where we expect recovery to be robust (e.g., retail, real estate, and banks). Moreover, in our view, potential catalysts for the counter remain intact: (i) SM is the best proxy for the Philippine economy – economic reopening will foster strong earnings recovery; (ii) stronger-than-expected SSSG and mall foot traffic – as we expect consumers to drive the recovery; (iii) improvement in lending appetite and asset quality; and (iv) return of foreign fund flows. In addition, at 19.4x P/E on FY22F earnings, the counter trades below -1SD of its mean, a steep discount to historical valuations amid geopolitical tensions in Europe, its recent removal from FTSE indices, and post-election jitters. Nonetheless, there is an opportunity to buy the counter at a discount, given SM's limited exposure to inflationary pressures coupled with economic fundamentals favourable to the company. Finally, as among the Philippine equity market's index glamour names, we expect SM's return to the FTSE indices to drive positive share price action sooner rather than later.
SM Prime Holdings	We believe SMPH is best positioned among the property names under our coverage to benefit from our expected sharp recovery of mall rental revenues, as malls historically account for 60%-70% of SMPH's operating income. We highlight SM Malls is the best in class in terms of mall exposure in the country and is the biggest beneficiary of the relaxation of mobility curbs. Its large GFA (>8.7m sqm) comprises 50% of total mall GFA in the Philippines. With Filipinos' mall-going culture far from being undone, SMPH, in recent quarters, has reported rental discounts now at only 10%-20% vs. pre-COVID levels, while tenant sales have reverted to 92% of normalised levels. Finally, given the mall segment's high fixed cost structure, a full reversion of mall rental revenues to pre-COVID levels will bode well for segment margins on account of positive operating leverage.

Source: DBS Bank

Beneficiary of robust household incomes and balance sheets, but with less pressure on margins

Robinsons Retail Holdings Inc (RRHI)	We argue that RRHI's weak recovery performance is transitory. We continue to like the counter as it benefits from a further reopening of the economy – most of its segments are exposed to malls. That said, we continue to like RRHI, given it can leverage the wallet share shift and the return of mobility, which is paramount for pent-up demand to flow through. Return to offices and schools, as well as lower barriers to places of social gatherings (such as malls), should allow RRHI's top line to recover strongly, especially with the vaccine rollout gaining traction. Potential upside to earnings forecasts comes from e-commerce and Rose Pharmacy. Moreover, RRHI has the resources to pull through this pandemic. Despite a weak performance in the past few quarters, RRHI is awash with cash. As of 1Q21, its net cash position is at P16.8bn (incl. debt and equity financial assets). In the last year, RRHI's sizeable war chest has allowed the company to (a) take on opportunistic M&As – with Rose Pharmacy, (b) increase its payout ratio to 88%, incl. special dividends, and (c) extend its share buyback programme (which began on 9 March 2020) – fostering swift ROE recovery. Finally, the stock currently trades at -2SD of its forward mean P/E and at nearly 1.3x F12 P/B – unwarranted, given the stock's strong balance sheet that remained unscathed despite its mall-based businesses having taken the brunt of the COVID-19 restrictions.
Jollibee Foods Corp	We expect better stock performance for JFC, as the cloud of COVID-19 starts to lift and business rationalisation efforts start to bear fruit. Our positive view is premised on: First, higher vaccination rates and the overall improvement in the COVID-19 situation to allow for a more sustainable and stronger top-line recovery for Philippine-based stores – which have historically been JFC's biggest profit contributor. Second, we see improving store economics for JFC. A rising number of stores abroad and a favourable split between company and franchisee-owned stores should improve margins. Third, gains from Smashburger and Coffee Bean & Tea Leaf restructuring as well as the business transformation programme embarked in 2020, lay out a clear path to profitability. Given these, we reiterate our view that stronger sales growth and material cost cuts should allow for a speedier expansion of margins and will lay down a clear path to JFC's recovery, in view of powerful incremental flow through that drives a positive operating leverage.

Source: DBS Bank

Sector Outlook

Sector	Rating	View	Stock picks
Banks	Overweight	We see the sector is in a sweet spot in the next 12 months, in view of: (i) NIM expansion – the rising interest rate environment will push asset yields higher, while building up CASA, excess domestic system liquidity, and the potential for RRR cuts will keep funding costs low for longer; (ii) Return of double-digit loan growth – driven by improved lending and borrowing appetite as a result of sustained economic reopening; (iii) Continued recovery in fee-based income – on higher business volumes, and (iv) Lower credit costs – as asset quality continues to improve Moreover, there is a case for higher dividends, given room for reserve releases and as Philippine banks have built better capitalisation coming out of the pandemic	Bank of the Philippine Islands (BPI) – highest digital propensity and lowest cost-to-income ratio among banks under our coverage; the stronger earnings should allow BPI to reach pre-COVID ROE as early as late 2022F or early 2023F BDO Unibank (BDO) – largest Philippine bank by asset size with strong exposure across key economic sectors; valuations are attractive and unwarranted by the bank's strong potential to deliver 13%/20% growth in net earnings for 2022F/23F Metropolitan Bank & Trust (MBT) – strongest bank in terms of capitalisation and asset quality metrics; expect higher dividends moving forward Security Bank (SECB) – Niche market exposure and well positioned to capture opportunities in retail banking and acceleration of niche infrastructure and other mid-sized corporates' loan demand

DBS
Live more, Bank less

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
Property developers	Overweight	With macroeconomic fundamentals intact, despite the Omicron impact in Jan 22 and the improving COVID-19 backdrop in the country, we see the sector benefitting from the full resumption of the economy in the next 12 months By segment: (i) Malls (positive) – foot traffic had a significant uptick in 4Q21 and has spilled over until 1Q22, albeit being slightly tempered in Jan 22 due to the Omicron surge. Meanwhile, tenant sales became more pronounced on the back of mobility easing and pent-up demand. Overall, these shall be supportive of rental reprieves normalising faster than expected and allow for full recovery of the segment in the next 12 months (ii) Residential (positive) – despite the rising interest rate environment, we see demand for residential housing to remain robust for the next 12 months, as household balance sheets are still healthy, remittances are resilient, and mortgage rates have yet to pick up significantly. Moreover, we see the unhampered mobility and increased selling activities continuing to drive the segment's earnings on account of catching up in terms of project completions this year Office (neutral) – we keep our neutral view on the segment, as the return-to-office mandate and uncertainty surrounding tax perks on BPOs should push office lessees to recalibrate cost-benefit analyses in the near to medium term, putting pressure on demand for office spaces and rents	Ayala Land Inc (ALI) – leader in the Philippine residential market and the country's second largest mall developer Robinsons Land Corp (RLC) – focuses on residential and mall segments (>45% of pre-COVID EBIT), and is playing catch-up on office leasing at present SM Prime Holdings (SMPH) – best in class mall exposure (>60%-70% of pre-COVID EBIT); recovery of the segment bodes well for margins on account of positive operating leverage
Consumers	Underweight – F&B manufacturer Neutral – discretionary retailers	The sector continues to benefit from the reopening of the economy. The upside is supported by favourable economic fundamentals with improving employment levels, increased discretionary spending, healthy household balance sheets, stable overseas remittances, rising mobility trends, and increased return-to-office/school mandates. However, increased risks include higher inflation and taxes. Margin contraction may result from commodity inflation, rising oil prices, and minimum wage hikes, as higher input and opex costs put pressure on margins Resulting price increases and higher interest rates can also induce lower volumes and dampen consumer sentiment. This is further exacerbated by looming fiscal widening initiatives that may entail new and higher excise taxes, adversely affecting consumer spending and income. With much uncertainty surrounding the demand and supply dynamics of the sector, we turn to discretionary retailers with mid to high-income target markets, as we see less pressure on margins as they can pass on costs. Much of our concern is on food and beverage manufacturers, given that they bear the brunt of rising input prices	Jollibee Foods Corp (JFC) – stronger top-line recovery, improving store economics, and business rationalisation efforts in the last two years lay down a clear path to JFC's recovery Robinsons Retail Holdings Inc (RRHI) – mall-based retailer that can leverage the wallet share shift and the return of mobility SM Investments (SM) – largest exposure across sectors where we expect recovery to be robust (e.g., retail, real estate, and banks); index glamour name trading at very attractive valuations

DBS Live more, Bank less

Sector Outlook (Cont'd)

Sector	Rating	View	Stock picks
Power	Neutral	Further easing of restrictions should allow the rebound in demand to be sustained, especially with the resumption of business activities from the industrial and commercial sectors. Moreover, we expect the resumption of face-to-face classes to provide tailwinds to electricity consumption from 3Q22 Listed power generation companies are expected to add capacity within the next 12 months, whether from new pipelines or concluded maintenance repairs. These include: (i) Aboitiz Power Corp.'s (AP) 668MW GN Power Dinginin Unit 2 by 3Q22 and GN Power Mariveles Energy Centre's 316MW Unit 1; and (ii) First Gen Corp.'s (FGEN) interim offshore LNG terminal facilities by 1Q23. As for renewable energy (RE) in the country, as of end-2021, indicative projects of power generation companies show that RE will contribute over 67% of the country's upcoming energy supply in the next five years While incoming capacity should alleviate power supply concerns, we expect a significant pick-up in demand as well as record-high coal prices to keep Wholesale Electricity Spot Market (WESM) prices elevated.	
Telco	Neutral	Opportunities for earnings growth abound. On one hand, fixed broadband revenues grew substantially over the course of the lockdowns, with telcos expanding and upgrading their respective networks in step with the outsized demand for fast and reliable connections for work, study, and play. We see gains will be sustainable in view of new hybrid work setups and continued growth in demand for online content across customer segments. Moreover, low fixed broadband penetration rates provide headroom for overall fixed broadband market expansion. On the other hand, enterprise data demand is providing tailwinds earnings amid a massive digital shift among corporates and SMEs. We see telcos with significant footing in the data centre market and corporate exposures to be beneficiaries of this novel sectoral trend Meanwhile, in the mobile space, new regulations on common tower policy, Mobile Network Portability (MNP), and anti-red tape initiatives, have eased barriers to entry for the third player, DITO CME Holdings (DITO). However, hurdle rates are high, as the overall easier regulations, likewise, enable incumbents Globe Telecom (GLO) and PLDT Inc (TEL) to further their lead in network expansion, esp. on 5G. The mobile segment is also yet to recover amid slower growth in top-ups in recent quarters Despite these, we are neutral on the sector, as competition dynamics are not favourable to ARPUs and market share growth	Converge ICT Solutions (CNVRG) – a pure fixed broadband play benefiting from rising demand for data and the low penetration rate for fibre broadband in the country. However, competition has begun to catch up PLDT Inc (TEL) – the leader in the fixed broadband space with a 53% share of the total fixed broadband subscriber base. Moreover, its recently closed tower sale and leaseback agreement generated cash flow for the company, likely resulting in higher dividends and/or reducing the need for network-related capex spend moving forward

Source: DBS Bank

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FULLY VALUED (negative total return, i.e., > -1 DBS Bank, DBS HK AllianceDBS, DBSVTH, DBSVI, DBS Bank, DBS HK AllianceDBS, DBSVTH, DBSVI,0% over the next 12 months)
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Share price appreciation + dividends

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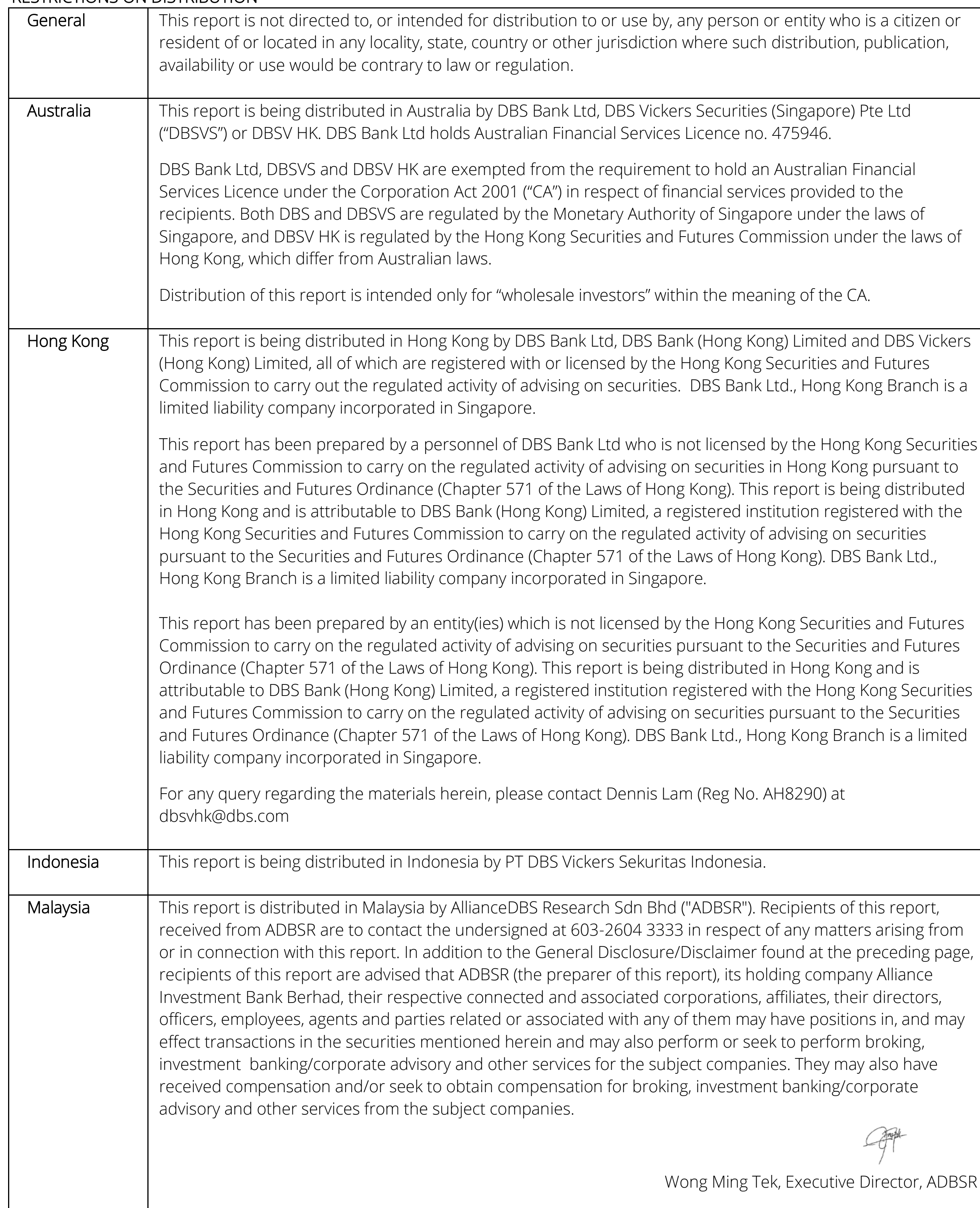

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