

## SINGLE COUNTRIES

## SINGAPORE (4.0 STARS — VERY ATTRACTIVE)

- Purchasing Managers Index came in at 53.0 in Mar 18, up from 52.7 in Feb 18
- Electronics sector PMI at 52.4 in Mar 18, up from 52.1 in Feb 18
- Retail sales rose 8.6% y-o-y in Feb 18, up from an upward-revised -7.8% y-o-y fall in Jan 18
- Retail sales ex-autos rose 14.0% y-o-y in Feb 18, after an upward-revised -7.5% y-o-y fall in Jan 18
- Non-oil domestic exports fell -2.7% y-o-y in Mar 18, improving from a downward-revised -6.0% y-o-y decrease in Feb 18
- Electronic exports fell -7.1% y-o-y in Mar 18, after a downward-revised -12.7% y-o-y decline in Feb 18
- CPI came in at 0.2% y-o-y in Mar 18, slowing from a 0.5% y-o-y change in Feb 18
- Core CPI came in at 1.5% y-o-y in Mar 18, as compared to a 1.7% y-o-y rise in Feb 18
- Industrial production rose 5.9% y-o-y in Mar 18, after a downward-revised 6.7% rise in Feb 18

## MARKET OUTLOOK

Corporate earnings of Singaporean corporations on aggregate (represented by the Straits Times Index) saw their earnings estimates upgraded over the month, as 2018's and 2019's estimates were bumped up 0.3% and 0.7% higher respectively (as of 27 April 2018). Year-to-date, 2018's and 2019's earnings estimates have been raised 4.4% and 6.5% respectively. The index's constituents that saw the biggest upgrades to their earnings estimates include ComfortDelGro, Starhub, ST Engineering and Singapore Exchange (SGX). The latter saw EPS upgrades as sell-side analysts note improvements in operating margins and increase in derivatives revenue.

United Overseas Bank (UOB) also saw a slight EPS upgrade, while Keppel Corp also saw more upgrades from the sell-side as operating metrics and net-gearing profile improved. Sell-side analysts are also more optimistic on the company given an improvement in sentiment for the oil and gas sector as well as continued strength from property developments.

In terms of economic data, non-oil domestic exports (NODX) fell -2.7% year-on-year in March, missing the consensus forecast for a 1.2% year-on-year gain, but improving from a downward-revised -6.0% year-on-year fall in February. Electronic exports recorded a -7.1% year-on-year decrease in March, improving from February's downward-revised -12.7% year-on-year fall. The decrease was broad-based across both segments, and among the electronics component, disk media products as well as PCs were the most resilient over the past few months. Exports to China, Thailand and India fell, but exports to the US rose once again, albeit at a slower rate. Despite the soft patch in the data, we think that the external environment is still supportive, supporting the city's exports outlook moving forward.

March's headline CPI rose 0.2% year-on-year, cooling from February's 0.5% year-on-year increase and falling short of consensus estimates (0.5% year-on-year rise). On a month-on-month basis, CPI fell to 0.2% as compared to the consensus forecast for a 0.1% rise, and decreasing from a prior 0.5% increase. Core CPI, which excludes energy, private transport and accommodation costs, rose 1.5% year-on-year in March (consensus was for a 1.7% year-on-year gain), easing from a prior 1.7% year-on-year increase. Healthcare and food articles rose on a year-on-year basis, while the transport component saw a -0.5% year-on-year fall. For 2018, we believe that inflation will remain within policy-makers' targets of 1.0% - 2.0%.

Risk appetite improved slightly in April as trade tensions between the US and China dialed down a little, and as market participants refocus back to earnings results of companies worldwide. The STI rose 4.3% over the month of April (as of 27 April 2018), rebounding to above 3500 as banks and property developer stocks drove overall performance. Consequently, the Singapore equity market trades at 14.3X and 13.2X 2018's and 2019's estimated earnings, comparing favourably to its fair PE ratio of 16.0X. **We maintain a 4.0 Stars "Very Attractive" rating on the Singapore equity market.**