

SINGLE COUNTRIES

SINGAPORE (4.0 STARS — VERY ATTRACTIVE)

- Advance GDP readings recorded a 2.2% y-o-y growth in 4Q 18, declining from a 2.3% y-o-y growth in 3Q 18
- Purchasing Managers Index came in at 51.1 in Dec 18, down from 51.5 in Nov 18
- Electronics sector PMI came in at 49.8 in Dec 18, down from 49.9 in Nov 18
- Retail sales fell -3.0% y-o-y in Nov 18, decreasing from a 0.1% y-o-y growth in Oct 18
- Retail sales ex-autos fell -0.2% y-o-y in Nov 18, after a 0.5% y-o-y gain in Oct 18
- Non-oil domestic exports fell -8.5% y-o-y in Dec 18, after a downward-revised -2.8% y-o-y decline in Nov 18
- Electronic exports fell -11.2% y-o-y in Dec 18, after a downward-revised 4.3% y-o-y growth in Nov 18
- CPI came in at 0.5% y-o-y in Dec 18, down from a 0.3% y-o-y rise in Nov 18
- Core CPI came in at 1.9% y-o-y in Dec 18, down from a 1.7% y-o-y rise in Nov 18
- Industrial production rose 2.7% y-o-y in Dec 18, after a 7.6% y-o-y growth in Nov 18

MARKET OUTLOOK

Corporate earnings growth estimates for 2019 are projected to be at 5.82%, down from an estimated 7.25% growth in 2018. For 2020, corporate earnings growth is projected to be at 7.34%. For 2019 corporate earnings estimates, Jardine Cycle & Carriage and Singapore Airlines have seen upward revisions of 5.35% and 1.84% respectively, while Keppel Corp, SingTel and Wilmar International saw downward revisions of -3.00%, -1.42% and -1.47% respectively.

GDP growth in 4Q 18 was disappointing, coming in at 2.2% year-on-year, lower than the consensus forecast of 2.5%. On an annualised quarter-on-quarter basis, 4Q 18 recorded 1.6% growth, declining from the prior of 3.5%. Manufacturing sector contracted heavily (-8.7%), while construction sector and services sector grew at 1.1% and 3.7%. For the whole of 2018, Singapore's economy grew by 3.3%.

Non-oil domestic exports (NODX) fell -8.5% year-on-year in December, falling from a downward-revised prior of -2.8% year-on-year decline and vastly disappointing the forecast of a 2.0% year-on-year rise. Exports across all products declined except for integrated circuits (0.9%). Electronics exports fell by -11.2% year-on-year while non-electronic products fell by -7.4% with pharmaceuticals recording a -26.8% year-on-year decline. Interestingly, only exports to the US (31.1%) and China (15.4%) recorded year-on-year growth with every other country recording negative year-on-year growth.

December's headline CPI rose 0.5% year-on-year, increasing from the prior of 0.3% year-on-year growth and surpassing consensus forecast of 0.3%. Private road transport costs and communication costs continued to decline, falling by -2.6% and -2.7% year-on-year. Core CPI, which excludes energy, private transport and accommodation costs, rose 1.9% year-on-year in December, surpassing the forecast of 1.8%. For the whole of 2018, headline CPI grew by 0.4% while Core CPI grew by 1.5%. For 2019, MAS forecasts 1.5 – 2.5% growth for Core CPI and 1 – 2% growth for headline CPI.

Industrial production disappointed in December, growing by 2.7% year-on-year but contracting -5.6% month-on-month after a year-on-year growth of 7.6% in November. Biomedical manufacturing and transport engineering recorded positive year-on-year growth of 29.9% and 23.7% while the electronics sector and precision engineering recorded -6.8% and -8.7% year-on-year contraction respectively. For the whole of 2018, industrial production rose by 7.2%.

January heralded the new year with good cheer as global equities saw a rise with the Straits Times Index returning 4.35% as of 25 January 2019. Only one stock returned negative returns – Jardine Matheson Holdings (-5.13%) while ThaiBev heads the largest-gainers with 21.31%, followed by Venture Corp at 13.33% (prices as of 25 January 2019). Consequently, the Singapore equity market trades at 12.5X and 11.6X 2019's and 2020's estimated earnings, comparing favourably to its fair PE ratio of 15.0X. **We maintain a 4.0 Stars "Very Attractive" rating on the Singapore equity market.**