SINGLE COUNTRIES

SINGAPORE (4.0 STARS — VERY ATTRACTIVE)

- Purchasing Managers Index came in at 53.1 in Jan 18, up from 52.8 in Dec 17
- Electronics sector PMI fell to 52.9 in Jan 18 from 53.2 in Dec 17
- Retail sales rose 4.6% y-o-y in Dec 17, down from a downward-revised 5.00% y-o-y decrease in Nov 17
- Retail sales ex-autos rose 0.6% y-o-y in Dec 17, after a downward-revised 4.4% y-o-y in Nov 17
- Non-oil domestic exports rose 13.0% y-o-y in Jan 18, rising from a 3.1% y-o-y increase in Nov 17
- Electronic exports fell -3.9% y-o-y in Jan 18, after a -5.3% y-o-y decline in Dec 17
- CPI came in at 0.0% y-o-y in Jan 18, after a 0.4% y-o-y rise in Dec 17
- Core CPI came in at 1.4% y-o-y in Jan 18, up from 1.3% y-o-y in Dec 17
- Industrial production surged 17.9% y-o-y in Jan 18, after an upward-revised -3.4% decrease in Dec 17

MARKET OUTLOOK

Over the month of February, Singaporean corporations (represented by the constituents of the Straits Times Index) saw their earnings estimates being revised higher, with 2018's and 2019's earnings upgraded 1.2% and 1.8% respectively higher (as of 26 February 2018). Year-to-date, 2018's and 2019's earnings estimates have been raised 3.9% and 4.8% respectively. The financials sector saw a bump up in earnings estimates over the month, led by DBS and UOB, as sell-side analysts see a combination of structural and cyclical factors that would lead to stronger earnings growth in 2018. Wilmar also saw upward revisions to its EPS over the month, as the consensus become more optimistic over the company as it completes its internal restructuring of operations for the proposed listing of its China business.

In terms of economic data, non-oil domestic exports (NODX) rose 13.0% year-on-year in January, surging from a prior 3.1% and smashing the consensus forecast for an 8.9% year-on-year rise. The increase was due to non-electronic exports, as electronic exports actually declined -3.9% year-on-year (led by ICs), as compared to December 2017's -5.3% year-on-year decline. Non-electric engines and motors, food preparations and measuring instruments contributed the most to non-electronic NODX. Exports to major markets like the US, the EU and Japan rose in January. We believe that a continued upswing in global trade is likely to support the city's external demand moving forward.

Retail sales grew 4.6% year-on-year in December 2017, down from a prior 5.0% increase and missing market expectations of a 4.7% year-on-year increase. Excluding the volatile sales of motor vehicles, retail sales had risen for the tenth consecutive month on a year-on-year basis, suggesting overall improvement consumption appetite in 2017 compared to the year before. Over the coming quarters, economic momentum remains supported and we expect the domestic labour market to continue improving gradually. This is likely to support growth in retail sales over the coming quarters.

January's headline CPI registered a 0.0% year-on-year change, as compared to a prior 0.4% year-on-year rise. Core CPI rose 1.4% year-on-year in the month, up from a prior 1.3% year-on-year rise, as higher retail prices outweighed declines in food articles. The MTI mentioned in its latest statement that "MAS Core Inflation averaged 1.5% in 2017 and is expected to stay in the 1–2% range in 2018. Meanwhile, CPI-All Items inflation came in at 0.6% in 2017 and is projected to be 0–1% this year. Accommodation costs should continue to dampen CPI-All Items inflation in 2018, while private road transport costs are likely to rise at a more moderate pace as the inflationary impact from administrative measures dissipates." Core inflation is projected to be between 1.0% – 2.0% for the full year of 2018.

Over the month of February, global equity markets went through a correction, and the Straits Times Index fell -4.4% before recovering back to pre-correction levels, resulting in a year-to-date price gain of 4.3% (as of 26 February 2018). Consequently, the Singapore market trades at 14.3X and 13.3X 2018's and 2019's estimated earnings, a discount to its fair PE ratio of 16.0X. We remain positive on the market given the prospect of good earnings fundamentals over the coming quarters, especially from the banking and real estate sectors, which collectively account for more than half of the STI. **We maintain a 4.0 Stars "Very Attractive" rating on the Singapore equity market.**

RECOMMENDED FUND:
NIKKO AM SINGAPORE DIVIDEND EQUITY FUND - MYR CLASS