SINGLE COUNTRIES

SINGAPORE (4.0 STARS — VERY ATTRACTIVE)

- Singapore's GDP grew 2.9% y-o-y in 2Q 17 (final estimates), up from 2.5% y-o-y in 1Q 17
- Purchasing Managers Index came in at 51.0 in Jul 17, up from 50.9 in Jun 17
- Electronics sector PMI rose slightly to 52.2 in Jul 17 from 52.1 in Jun 17
- Retail sales rose 1.9% y-o-y in Jun 17, up from a downward-revised 0.8% y-o-y increase in May 17
- Retail sales ex-autos rose 4.0% y-o-y in Jun 17, down from a 0.5% y-o-y increase in May 17
- Non-oil domestic exports rose 8.5% y-o-y in Jul 17, after rising 8.8% y-o-y in Jun 17
- Electronic exports rose 16.3% y-o-y in Jul 17, up from a 5.4% y-o-y increase in Jun 17
- CPI rose 0.6% y-o-y in Jul 17, up from a 0.5% y-o-y increase in Jun 17
- Core CPI rose 1.6% y-o-y in Jul 17, slightly higher than the 1.5% y-o-y increase in Jun 17
- Industrial production rose 21.0% y-o-y in Jul 17, up from a 12.7% y-o-y increase in Jun 17

MARKET OUTLOOK

Over the course of August as of 28 August 2017, the 2017 and 2018 earnings estimates of Singapore companies were revised upwards by a slight 0.1% and 0.7% respectively. For the whole of 2017 and 2018, as of 28 August 2017, the earnings of Singapore companies are expected to grow 6.6% and 8.0% respectively. In the heavy-weight banking sector, OCBC and UOB saw their 2017 estimated earnings revised upwards by 1.8% and 0.6% respectively while DBS lagged the sector with a -2.4% downward revision in their 2017 earnings estimates. Mixed news over the month had impacted investor sentiments, including higher 2Q 17 GDP than that in 1Q 17 but also the risk of the banks' increased oil & gas provisions ahead amid uncertainties in the oil industry. Several real estate companies released their earnings for the 3 months ending 30 June 2017, contributing to earnings revisions over the month. On average, companies in the real estate sector an average downward revision of -1.2% of their 2017 earnings estimates, with the UOL Group Ltd and Hongkong Land Holdings Ltd seeing the largest earnings upgrades amid notable year-on-year increases in their earnings, while Global Logistic Properties Ltd saw the largest earnings downgrades over the month upon the release of their earnings in the 3 months ending 30 June 2017 which had fallen from the same period last year.

On 11 August 2017, the Ministry of Trade and Industry (MTI) released its final estimates of the city's 2Q 2017 GDP growth, which came in at 2.9% year-on-year, higher than advance estimates of a 2.5% year-on-year growth. In 2Q 2017, the primary driver of growth, the manufacturing sector, grew 8.1% year-on-year on the back on continued robust semiconductor demand while other externally-oriented sectors such as the transportation & storage (grew 3.5% year-on-year) and wholesale & retail trade (grew 1.5% year-on-year) sectors had benefitted from supported global trade activity. In contrast, the construction (contracted -5.7% year-on-year) and accommodation & food services (contracted -2.2% year-on-year) sectors remained laggards in the economy on the back of a continued weak property sector and sluggish sales volume at restaurants respectively. Apart from releasing its final estimates of 2Q 17 GDP growth, the MTI also narrowed its growth forecast for the whole of 2017 from 1.0-3.0% to 2.0-3.0% whilst expressing its view that the full year's GDP growth is likely to come in around 2.5%.

In the month of July, Singapore's industrial production surged 21.0% year-on-year, exceeding expectations of a 12.9% growth and was up from prior month's 12.7% growth. All manufacturing clusters had expanded in the month, with the electronics and precision engineering manufacturing clusters leading with a 49.1% and 21.8% year-on-year increase in production amid robust electronics demand. Retail sales rose 1.9% year-on-year for the month of June, after having risen by 0.8% year-on-year in May while headline inflation rose 0.6% year-on-year in July, up slightly from a prior 0.5% year-on-year increase in June. Core inflation came in at 1.6% year-on-year, on par with expectations and was up from prior month's 1.5% year-on-year growth. While oil prices are likely to be higher this year as compared to last year's average levels, domestic sources of inflation as well as the Singapore labour market remains relatively soft, it remains likely that consumer prices would be slightly higher this year than that in 2016. As at 23 August 2017, the MTI and MAS maintained their headline CPI forecast for 2017 at 0.5-1.5% and their core CPI forecast for 2017 at 1.0-2.0%.

Over the course of August, as of 28 August 2017, the Straits Times Index has dipped -1.9% and currently trades at estimated PE ratios of 14.8X and 13.7X for 2017 and 2018 respectively, comparing favourably to its fair PE ratio of 16.0X. The earnings growth of Singaporean corporations are likely to improve from last year in view of ameliorating global and domestic economic conditions as well as a possible bottoming out of the private residential real estate sector. **We think a 4.0 Stars "Very Attractive" rating on the Singapore equity market continues to be warranted at this juncture**.

RECOMMENDED FUND:
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