



M3 STAR RATINGS REVIEW

MONTHLY MORNING MEETING JUL 2010. PRESENTED BY iFAST FINANCIAL PTE LTD ©

SINGAPORE (4.0 STARS – VERY ATTRACTIVE)

1. As at 30 June 2010, the Singapore market (as represented by the FTSE STI) trades at an estimated PE ratio of 14.0X and 12.4X based on 2010 and 2011 earnings respectively.
2. We expect earnings to rise 20% in 2010 and 13.1% in 2011, boosted by key sectors like Banking and Travel & Leisure.
3. Singapore's economy posted growth of 38.6% on an annualised q-o-q basis in 1Q 10, after a 1% contraction in 4Q 09. On a y-o-y basis, growth in 1Q 10 was 15.5%, reflecting a strong recovery since the recessionary depths in 1Q 09.
4. Growth was driven by the cyclical manufacturing sector, which expanded by 32.9% y-o-y, helped by a strong demand for semiconductors and electronics. Services expanded 10.9% y-o-y, while financial services grew 18.1%, suggesting that business sentiment has improved dramatically.
5. The Government's official estimate for 2010 GDP growth is between 7% and 9%, an upward revision from the 4.5% to 6.5% range forecasted earlier. The median forecasters' estimate in a Jun 10 survey conducted by the Monetary Authority of Singapore for 9% growth this year, the high end of the Government's estimate.
6. After a weak 4Q 09 (which ultimately resulted in a quarterly contraction), industrial production has regained strength in 1Q 10. Also, May's 58.6% y-o-y gain has surpassed consensus estimates of a 37.2% increase, after a revised 49.7% surge in April. Strength in industrial production figures suggests that 2Q 10 will likely be another strong quarter for GDP growth, which increases the possibility that 2010 full year growth could be in double digit territory for the first time since 2000 (+10.03%).
7. Non-oil Domestic Exports (NODX) continues to rebound strongly, registering 24.4% y-o-y growth in May 10. Exports to other Asian economies are holding up well, despite the concerns that debt problems will affect global trade. However, we understand that much of intra-Asian trade is ultimately bound for the developed economies, and 2H 10 trade data will shed more light on the impact of European austerity measures on Singapore's exports.
8. Visitor arrivals surged 30.3% y-o-y in May 10, lifting the average hotel occupancy rate to 85%, up from 68% in May 09. Visitor arrivals have seen double digit gains in 2010 (from a year ago), which suggests that the opening of the two integrated resorts has had a positive impact.
9. Consensus estimates for the STI marginally trail our 2011 estimates, while the 2010 consensus earnings estimate has already surpassed our own. We think 2010's numbers are fairly accurate and achievable, but 2011's earnings are predicated on stability in the global economy. Nevertheless, valuations remain attractive even when looking at current year earnings, and we maintain a 4.0 star "very attractive" rating on the Singapore equity market.