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SECTOR REVIEW

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

SOUTH EAST ASIA

SINGAPORE – 4.0 STARS (VERY ATTRACTIVE)

- Purchasing Managers Index fell to 51.4 in Jan 10 from 53.3 in Dec 09
- Non-oil Domestic Exports rose 20.8% y-o-y in Jan 10, after a 26.1% gain in Dec 09
- CPI for 2009 rose 0.2% y-o-y, following 2008's 6.5% increase
- Retail sales fell 0.9% m-o-m in Dec 09, after a revised 0.8% m-o-m increase in Nov 09
- Industrial production gained 18.1% m-o-m in Dec 09, after a revised 4.6% decline in Nov 09
- Bank loans rose 3.4% y-o-y in Dec 09, after a 1.8% increase in Nov 09
- 4Q 09 GDP growth revised up to -2.8% q-o-q annualised, after a 11.5% expansion in 3Q 09

MARKET OUTLOOK

Singapore's economy contracted by a less-than-expected 2% in 2009, after 4Q 09 GDP growth saw an upward revision. In comparison, 2008 saw a 1.25% expansion. A swift but volatile rebound in various segments of manufacturing has helped Singapore's economy recover quickly, and a continued rebound in exports should see Singapore posting strong growth in 2010. The Ministry of Trade and Industry (MTI) now forecasts GDP growth of 4.5% to 6.5%, up from the prior estimate of 3% to 5%.

Once every five years, the CPI basket is rebased to better reflect the actual spending of households. The 2009-based CPI basket differs slightly from the 2004-based basket: Housing now makes up the largest component (25%, up from the 23% previously), with food moving into second place (22%, down from 23% previously). Home prices are now based on monthly rental data from IRAS, compared to the previous annual value methodology which only reflected changes in home prices once a year (which resulted in a one-off increase each January). With the rebasing exercise, 2009's CPI rose 0.6% year-on-year, up from the 0.2% gain based on the 2004 CPI basket.

As of 19 February 2010, two of the three local banks have reported their full year earnings for 2009. DBS' 4Q 09 profit spiked 67% year-on-year, bringing full year profit to \$2.04 billion, 6% higher than in 2008. OCBC, Singapore's third-largest bank reported 2009 full-year net profit of \$1.96 billion, higher than the \$1.89 billion expected by the consensus. Loans growth still remains sluggish and we expect that a pick-up in lending in 2010 should drive bank profits higher.

The recent announcement of a seller's stamp duty and a lowered loan-to-valuation limit of 80% (down from 90%) has impacted property sentiment somewhat. They are however less adverse measures than a direct capital gains tax. We believe that quelling speculative sales in the short run is a positive move for sustainable long term growth, and we do not see Singapore property fundamentals being impaired significantly by the recent ruling. As at 25 February 2010, the Singapore market trades at an estimated PE ratio of just 12X based on forecast 2011 earnings. We maintain a 4.0 star "very attractive" rating on the Singapore market.

**OUR RECOMMENDED FUND:
SGAM SINGAPORE DIVIDEND GROWTH (CPFIS REGISTERED)**