

MITA No. 014/06/2008

10 March 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1457.0	-56.2	-3.7
Catalist	64.5	-1.5	-2.2
Finance	324.1	-16.6	-4.9
Property	284.5	-9.7	-3.3
Electronics	306.1	-22.5	-6.8
Vol (m)	829.4	45.1	5.7
Val (S\$m)	687.0	8.9	1.3

World Indices			
	Close	Chg	% Chg
Dow Jones	6547.1	-79.9	-1.2
Nasdaq	1268.6	-25.2	-1.9
S&P500	676.5	-6.9	-1.0
FTSE	3542.4	11.7	0.3
KLCI	858.2	-11.0	-1.3
Hang Seng	11344.6	-576.9	-4.8
Nikkei	7086.0	-87.1	-1.2
SET	411.3	-8.3	-2.0
KOSPI	1071.7	16.7	1.6
TWSE	4628.2	-25.4	-0.5

Market Statistics (SG)			
STI 52-week range	1,457	3,270	
No. of gainers		123	
No. of losers		335	
No. of unchanged		147	

Economic Statistics		
	Close	Chg
S\$/US\$	1.6	0.0
Yen/US\$	98.9	0.0
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.3	0.0
Crude futures (US\$)	47.3	0.2

Key Idea

Telco Sector: Stable 2009 outlook

All the three telcos - MobileOne, SingTel and StarHub - reported a pretty resilient set of results recently. But more importantly, all three telcos expect their operations to remain stable in 2009. And due to the rapidly slowing economy, we also expect less aggressive sales & promotion (S&P) expenses as the telcos will just strive to maintain their status quo positions. Even though we are penciling in modest declines in both revenue and earnings for all three telcos this year, these declines pale in comparison to expected tumble in earnings of companies reliant on discretionary spending. Hence we still expect telcos to show relative outperformance this year, backed by their attractive dividends (M1 and StarHub). As such, we maintain **Overweight** on the sector.

More reports:

- **Singapore Post & UOB: Tie-up to distribute HDB home loans**
- **Chartered Semiconductor: Guides narrower loss, plans rights offering**

News Headlines

- Asian Development Bank said the global financial crisis has so far cost emerging Asian economies US\$9.6 trillion in terms of collapsing asset values.
- According to the latest Manpower Employment Outlook Survey, Singapore's job market could worsen in the next 3 months due to job cuts.
- SATS will be acquiring the remaining SFI shares at 93 cents per SFI share, after exercising its right of compulsory acquisition.
- ASJ Holdings cancelled its proposed four-for-five rights issue at 5 cents per share due to adverse market and economic conditions.
- Tee International said it has secured 3 projects worth a total of S\$55.44m.
- Asia Tiger Group said it has terminated its agreement to buy all of Virgo Pulse for S\$16.09m and no damages or penalties will be paid.
- According to a Reuters report, at least 6 banks are keen in joining a treasury arm of SingTel in a self-arranged S\$650m 3-year bullet loan.
- Harry's Holdings said its 2008 profits will fall and it is looking to buy a small hotel in Singapore.
- HSBC shares fell 24% yesterday to close at HK\$33, driven by last-minute trades and concern about deepening loan losses at its US business.

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Source: MasNet, Bloomberg, Business Times, Straits Times and others

Telco Sector: Stable 2009 outlook

Resilient 4Q CY08 earnings as expected. All the three telcos - MobileOne, SingTel and StarHub - reported a pretty resilient set of results recently (Exhibit 1). M1's 4Q08 results, though slightly weaker YoY and QoQ, were slightly better than expected, aided by an improvement in EBITDA as it had been less aggressive during the traditionally competitive holiday period. SingTel's 3Q09 results were broadly in line with our forecasts, although there was some disappointment with its regional associates' performances. Likewise for StarHub, its 4Q08 results were also within our expectations, while its FY08 earnings were slightly better than our estimate.

Operationally still going strong. But more importantly, all three telcos expect their operations to remain stable in 2009 (Exhibit 2). For M1, it is also looking to keep its service EBITDA margin of 43-44% and maintain its 80% dividend payout ratio. For SingTel, it expects operating revenues for both Singapore (excluding SCS) and Australia to grow at mid single-digit levels, with Singapore's EBITDA margin staying at 40%; but warns of lower associate contributions and adverse forex movements. Lastly, StarHub expects FY09 operating revenue to grow by low single-digit, while keeping service EBITDA margin at 31%; more importantly, it aims to continue to pay S\$0.045/share dividend quarterly, making for S\$0.18 total for the full year.

More rational competition amid slowing economy. But the rapidly slowing economy will continue to impact consumer spending, and while we do not expect the telcos to be spared (see Exhibit 3 for their ARPU trends), we believe that the impact should be relatively limited as we see telecom services as being a need rather than as a luxury. We also expect less aggressive sales & promotion (S&P) expenses. We have already been seeing an easing in the telcos' acquisition costs over the past two quarters (Exhibit 4) and we see this trend continuing although M1 may have to maintain a relatively higher S&P ratio versus the other two telcos to make up for its lack of bundling abilities. Otherwise, we expect the telcos to maintain status quo (Exhibit 5).

Maintain Overweight on telcos. Even though we are penciling in modest declines in both revenue and earnings for all three telcos this year, these declines pale in comparison to expected tumble in earnings of companies reliant on discretionary spending. Hence we still expect telcos to show relative outperformance this year, backed by their attractive dividends (M1 and StarHub). As such, we maintain **Overweight** on the sector. *(Carey Wong)*

Singapore Post & UOB: Tie-up to distribute HDB home loans

Singapore Post (SingPost) has tied-up with United Overseas Bank (UOB) to distribute UOB HDB Home Loans, and has set up limited purpose branches at four SingPost post offices. The plan is to have up to 24 such post office branches by end 2009, and adds on to the variety of services that SingPost currently offers to customers. Known for its proactive measures in launching initiatives to sustain profits, we view this latest development positively as it is further testament of the group's desire to be a one-stop-shop service provider for customers. We maintain our BUY rating for SingPost with fair value estimate of S\$0.93, though we do note that the flagging economy may weigh on the stock price at least for the short term.

For UOB, this is another interesting avenue to branch into the HDB home loans market and we note that HDB prices have remained fairly resilient despite the recent collapse in most sectors of the economy. We are maintaining our estimates and **HOLD** rating for now and fair value estimate of S\$9.30. *(Carmen Lee and Low Pei Han)*

Chartered Semiconductor: Guides narrower loss, plans rights offering

In its 1QFY09 mid-quarter update yesterday, Chartered Semiconductor maintained its revenue guidance of US\$232-244m but projected a narrower net loss of US\$122-132m (vs previous guidance of US\$142-152m) due to an improvement in customer orders and subsequent positive impact on the per unit cost of wafer. This compares to our sales forecast of US\$230.4m and net loss of US\$155.9m. As the group stares into the deteriorating global economy and uncertain credit availability, it is also planning to raise approximately US\$300m via a 27-for-10 rights offering to boost its financial position and fund its operations. The rights share price of S\$0.07 represents a 65.9% discount to its last traded share price of S\$0.205 (theoretical ex-rights price is S\$0.1065). This fund raising exercise, in our view, is completely credible and expected, given the limited financing options it has and the deepening losses it is expected to sustain in 1QFY09 and possibly the upcoming quarters. In fact, we have already communicated in our last report that a capital injection may be necessary as the equity base is expected to be severely depleted by mounting losses. Chartered's major shareholder, Temasek Holdings, has through its subsidiary undertaken to subscribe for its pro-rata entitlement of 59.4% and committed to purchase up to 90% of the offering. Subsequent to the completion of the rights offering, Chartered intends to consolidate the number of its shares in issue, for every ten existing shares into one. However, this share consolidation is subject to approval by shareholders. We will be revising our estimates and fair value. For now, we maintain our **SELL** rating. *(Kevin Tan)*

Monday	Tuesday	Wednesday	Thursday	Friday
09-Mar	10-Mar	11-Mar	12-Mar	13-Mar
	SG 2Q Manpower Survey China 2Q Manpower Survey/China Feb PPI China Feb CPI US Jan Wholesale Inventories	China Feb Trade Balance	China Feb Retail Sales China Feb Ind Production US Feb Advance Retail Sales	SG Jan Retail Sales US Jan Trade Balance US Mar U. of Michigan Confidence
16-Mar	17-Mar	18-Mar	19-Mar	20-Mar
US Feb Industrial Production	SG Feb NODX US Feb PPI US Feb Housing Starts			
23-Mar	24-Mar	25-Mar	26-Mar	27-Mar
SG Feb CPI				
30-Mar	31-Mar	01-Apr	02-Apr	03-Apr
	SG Feb Money Supply SG Feb Bk Loans			
06-Apr	07-Apr	08-Apr	09-Apr	10-Apr
				China Mar Trade Bal(11 Apr)

**Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday*
 All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

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