OCBC Investment Research

MITA No. 014/06/2008

13 March 2009

Market Pulse

Key Singapore Indices	Close	Chg	% Chg
STI	1493.5	-12.0	-0.8
Catalist	62.8	-1.0	-1.6
Finance	334.9	-3.7	-1.1
Property	290.7	-4.3	-1.5
Electronics	271.6	-3.6	-1.3
Vol (m)	1066.6	23.5	2.3
Val (S$m)	623.5	-327.0	-34.4

World Indices	Close	Chg	% Chg
Dow Jones	7170.1	239.7	3.5
Nasdaq	1426.1	54.5	4.0
S&P500	750.7	29.4	4.1
FTSE	3712.1	18.3	0.5
KLCI	838.4	-12.0	-1.4
Hang Seng	12001.5	70.9	0.6
Nikkei	7198.3	-177.9	-2.4
SET	415.0	0.6	0.2
KOSPI	1128.4	0.9	0.1
TWSE	4754.7	-5.3	-0.1

Market Statistics (SG)		
STI 52-week range	1,455	3,270
No. of gainers		126
No. of losers		284
No. of unchanged		168

Economic Statistics	Close	Chg
S$/US$	1.5	0.0
Yen/US$	97.7	0.0
3-mth S$ SIBOR	0.7	0.0
3-mth US$ SIBOR	1.3	0.0
Crude futures (US$)	46.7	-0.3

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Key Idea

Singapore Press Holdings: Attractive valuation; upgrade to BUY. We are expecting Singapore Press Holdings (SPH) to present lower operating revenue on the basis of falling advertising and classified revenue coupled with rising raw material costs. However, the aggressive wage cuts announced yesterday have boosted our estimates by 6% for FY09F. We do not expect SPH to have changed its equity and bond portfolio with its external managers since last quarter. With equity and bond markets remaining volatile, MTM losses will likely overwhelm the any dividend income it receives. The silver lining for SPH lies in Paragon and Sky@Eleven where rental incomes and progressive revenue recognition will buffer weakness from its core operations. SPH fell 23% since the downgrade in our last report. While we have lowered our SOTP fair value to S$2.84 (prev: S$3.13) as we align its valuation peg with its peers, we are upgrading SPH to **BUY** based on attractive valuations with dividend yield at ~9%. We are also impressed by the swift action taken to contain staffing cost, its highest expense component.

News Headlines

- MAS is proposing additional powers including the introduction of the civil penalty regime and for it to apply to court for injunctions under a review to tighten up selling of investment products.
- ComfortDelgro and SMRT will replace Keppel Land and Yanlord Land in the STI from Mar 23, 09 following the half-yearly review of the index component stocks.
- Senior Minister of State for Trade and Industry S Iswaran said the government is committed to the Jurong Rock Cavern oil and petrochemical project and is looking at other solutions such as floating oil storage.
- Malaysia's industrial output fell 20% YoY in January after dropping 16% in December. This was led by steep falls in the manufacturing index.
- Local authorities will expand their war chest for funding media initiatives to S$250m this year and aim to create 2000 new jobs from new projects.
- Raffles Education said it is not materially affected by the developments regarding Oriental Century in which it holds a 29.9% interest and has invested S$30.2m since Dec 06.
- Kencana Agri said it has increased its land bank by about 80,000ha or 82%, from 109,000ha previously, by acquiring land in Sulawesi.
- Beauty China has received a statutory demand from its syndicated lenders to repay the entire principal and interest outstanding on a loan of HK$134m.
- Keppel Land said it was not involved in 10 real estate projects in Tianjin's city Nankai District as reported by China Knowledge Press.

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

Singapore Press Holdings: Attractive valuation; upgrade to BUY.

Falling revenue… Our checks in the industry have indicated that Singapore Press Holding's (SPH) print advertising took a heavy hit in Nov/ Dec period despite the last ditch advertising efforts by retailers to bring the year end to a less dismal sales closing. The lack of major events in Singapore in the first two months along with the dismal job market in the private sector did not help. As such, we expect adex and classified revenues to be negatively impacted. We initially expected print revenue to register a 3.6% YoY fall for FY09F but now knock it down to a 6.7% YoY drop to factor in the cratering economy. Circulation numbers should remain flattish for FY09 as we do not expect heavy subscription cancellations.

…But controlling costs. As shown from its historical operating data, SPH has three consecutive quarters of falling newsprint consumption while charge out prices (Exhibit 2 & 3) have been going up. With the volumous usage for the US presidential elections over, charge prices have thankfully started to tail off since the start of the year. Unfortunately, as SPH historically buys its raw materials on a 6 months forward basis, we are expecting high newsprint costs from Jan - Jun 2009. On the staffing front, SPH's forge into new media businesses have been moderated by aggressive wage cuts announced yesterday.

Mark-To-Market losses might continue. We believe that SPH has not changed its equity and bond portfolios with its external fund managers since the last quarter. With the volatile equity and bond market, our initial assumptions of a return to a positive accretion from its investments are likely invalid in view of potential MTM losses overwhelming dividend income that it will receive from its investments.

Silver lining: Paragon and Sky@Eleven. Thankfully, SPH's two property plays keep its head above water against a drowning property market. Paragon continues to sustain almost full occupancy even after its S$45m upgrade to add 29,000 sqft of space and Sky@Eleven's progressive contribution will buffer its earnings.

Attractive valuation. SPH fell 23% since the downgrade in our last report. While we have lowered our SOTP fair value to S$2.84 (prev: S$3.13) as we align its valuation peg with its peers, we are upgrading SPH to **BUY** based on attractive valuations with dividend yield at ~9%. We are also impressed by the swift action taken to contain staffing cost, its highest expense component.***(Kelly Chia)***

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

RATINGS AND RECOMMENDATIONS:
OCBC Investment Research's (OIR) technical comments and recommendations are short-term and trading oriented.
- However, OIR's fundamental views and ratings (Buy, Hold, Sell) are medium-term calls within a 12-month investment horizon. OIR's Buy = More than 10% upside from the current price; Hold = Trade within +/-10% from the current price; Sell = More than 10% downside from the current price.
- For companies with less than S$150m market capitalization, OIR's Buy = More than 30% upside from the current price; Hold = Trade within +/- 30% from the current price; Sell = More than 30% downside from the current price.

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