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17 March 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1586.3	8.8	0.6
Catalist	63.8	0.7	1.1
Finance	364.9	6.1	1.7
Property	310.1	-1.5	-0.5
Electronics	296.0	14.8	5.2
Vol (m)	997.2	-395.9	-28.4
Val (S\$m)	857.6	-248.0	-22.4

World Indices			
	Close	Chg	% Chg
Dow Jones	7217.0	-7.0	-0.1
Nasdaq	1404.0	-27.5	-1.9
S&P500	753.9	-2.7	-0.4
FTSE	3864.0	110.3	2.9
KLCI	840.9	-2.6	-0.3
Hang Seng	12976.7	450.9	3.6
Nikkei	7704.2	134.9	1.8
SET	424.6	-0.2	0.0
KOSPI	1125.5	-0.6	-0.1
TWSE	4971.3	73.9	1.5

Market Statistics (SG)		
STI 52-week range	1,455	3,270
No. of gainers		229
No. of losers		167
No. of unchanged		176

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.3	0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.3	0.0
Crude futures (US\$)	47.0	-0.3

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Key Idea

Singapore Property: Best month of sales since August 07

February sales of non-landed property reached its highest level since August 2007, with a total of 1,059 units launched and 1,305 units sold in the month. Sales were largely from mass market projects and bulk of the sales came from Caspian, Alexis and The Quartz, which sold a total of 978 units in February. Developers took the opportunity to cut prices of older projects to clear inventories. Demand for mid-market properties had also improved and prices between S\$1,000 psf and S\$1,200 psf seem to be the range that is attracting buyers to mid-market properties. Narrowing of price gap between private properties and HDB flats is the likely reason for HDB owners to upgrade to private properties. Pent-up demand from HDB upgraders has provided developers with opportunities in the mass market segment but we are also concerned that this limited demand pool could dry up rapidly. We maintain **NEUTRAL** on the property sector

More reports:

- **Venture: Still Fundamentally Sound**
- **Singapore Economy: MAS survey shows economy may contract by 4.9% in 2009**

News Headlines

- A large number of white-collar workers in Singapore have lost their jobs in 4Q08 and 14,800 of the unemployed are degree-holders.
- More petrochemical and chemical producers are setting up their operational headquarters here to better serve Asian markets.
- The proportion of aircraft seats filled by SIA last month fell to 69.7% from 76.8% a year earlier.
- Mapletree Logistics Trust said it currently has no plans for any equity fund raising exercise.
- IE Singapore is leading a delegation to Doha, Qatar, to explore opportunities in the healthcare sector there.
- Keppel T & T said its subsidiary, Apsilon Ventures, has terminated the joint venture with Horizon Terminals Management due to the current economic climate.
- A unit of Sim Lian Group made a bonus issue of 400k ordinary shares by capitalizing reserves/retained earnings.
- The CFO of Asia Enterprises, Teo Kok Meng, has resigned to pursue other career opportunities.
- Addvalue Technologies said the value of an MOU for the design and supply of the Immarsat FB250 Maritime Terminal has increased from the earlier estimated amount of S\$4.8m to about S\$8.5m.
- A subsidiary of Adventus Holdings, Gennex Solutions Pte Ltd, has changed its name to Adventus Alliances & Solutions Pte Ltd.

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

Singapore Property: Best month of sales since August 07

Strong recovery in February property sales. February sales of non-landed property (NLP) reached its highest level since August 2007, with a total of 1,059 NLP units launched and 1,305 NLP units sold in the month. Sales were largely from mass market projects and bulk of the sales came from just three projects - Caspian, Alexis and The Quartz, which sold a total of 978 units (74.9% of the total units sold) in February. Leveraging on the recent improvement in property buying sentiments that was contributed by the frenzy buying at Caspian and Alexis, developers took the opportunity to cut prices of some older projects to clear inventories and this had yielded encouraging results. The Quartz, which was still selling at median price of S\$795 psf in December, saw its median price cut to S\$591 psf in February and 168 units were sold, pushing the project take-up rate to 97.8%.

Signs of life in the mid-market segment. Demand for mid-market properties (S\$1,000-1,500 psf) had also improved in February. Mid-market projects in the Core Central Region (CCR), such as Newton Edge, Parc Sophia, RV Suites and D'Chateau turned in healthy sales of 17-21 units in February, at median prices of between S\$1,000 psf and S\$1,200 psf and this seems to be the price range that is attracting buyers to mid-market properties.

What could be driving this mass market frenzy? We observe that the recent strong take-up in some of the mass market projects had been driven by two factors - 1) Low psf pricing and 2) Low absolute pricing. So far, HDB prices have stayed resilient and with private property prices trending downwards over the past year, price gap between private properties and HDB flats has narrowed and we believe that this is the key reason that is driving HDB owners, especially those who had fully paid up their flats, to upgrade to private properties.

Short term opportunity for developers. Pent-up demand from HDB upgraders has provided developers with opportunities in the mass market segment which can potentially extend their earnings visibility. However, current economic outlook remains uncertain and we believe that frenzy buying of mass market properties is unlikely to sustain, especially with overhanging concerns over wages and job security. As developers are now rushing in to capture the market of HDB upgraders, we are also concerned that this limited demand pool could dry up rapidly. Despite the strong data, we expect sentiments on property developers to remain fragile until sustainable demand returns. We remain **NEUTRAL** on the property sector. *(Foo Sze Ming)*

Venture: Still Fundamentally Sound

1Q09 will be a very tough quarter. We recently caught up with Venture Corp (VMS) for a quick update. As with most, if not all, manufacturing companies, 1Q09 is turning out to be a very tough quarter for VMS, given the drastic slowdown in global economy. As a recap, Singapore's NODX (non-oil domestic exports) fell 34.8% YoY in Jan - the most in 22 years - weighed by a sharp 38.4% plunge in electronic exports. And the picture for Feb is not much better - Bloomberg's survey expects NODX to slide 27.5% and electronic exports by 32.0%. Things are also unlikely to improve much in March either, says management, as the end market continues to be very weak.

Uncertainty about HP orders. In any case, we are not too surprised, given that one of its biggest customers - HP - has recently guided for current quarter earnings to come in below estimates. Venture derives as much as 28% of its revenue from Printing and Imaging. And speaking of HP, market has also been swirling with talks that it is looking to revamp its printer supply chain; this follows the PC giant's recent venture with Hon Hai (Foxconn) to set up a PC factory in Turkey. Those said to be affected by the shake up include Cal-Comp, Jabil and VMS. But we understand that the reallocation change likely involves HP's consumer products like inkjet printers - while this would affect VMS' OEM business, its ODM business (mainly industrial printers) should remain largely intact.

Working to contain costs. In light of greater uncertainty and the slower orders, VMS has put several measures to contain costs and improve efficiency. Key among them include reducing non-essential staff by letting contract workers go; stopping over-time and reducing shift schedules; negotiating all contracts like utilities to bring cost down. VMS will also manage its inventory more actively and reduce holding cost. And we believe that its experienced and proven management team will be the differentiating factor in making everything work.

Paring our estimates further. Following the recent developments, we have pared our FY09 estimates for revenue by 1.4% and earnings by 7.0% (assuming a further S\$12m MTM loss); FY10 revenue estimate pared by 5.8% and earnings by 6.6%. Based on an unchanged valuation of 8x FY09F PER, our fair value eases from S\$6.06 to S\$5.64. As we also expect VMS to maintain its generous dividend payout (S\$0.50/share this year - >11% yield), we retain our **BUY** rating. (*Carey Wong*)

Singapore Economy: MAS survey shows economy may contract by 4.9% in 2009

MAS has released the findings for its Mar 09 survey which obtained views from 20 economists. According to the survey, they expect Singapore's economy to contract by 4.9% this year, compared to the median forecast of a 1.0% contraction in the Dec 08 survey. They also expect all key sectors of the economy, with the exception of construction, to register negative growth. Construction was also the only sector that did not suffer a downgrade in growth in the latest survey. For 1Q09, the respondents expect GDP to contract by 8.5% YoY, worse than the 3.4% contraction in the previous survey. As for 2009's CPI inflation, the median forecast dipped to 0.2%, lower than the 1.7% reported in the Dec 08 survey. The unemployment rate is also expected to rise to 4.4% by year-end. For 2010, the preliminary expectation for GDP growth is around 3.3%. (*Low Pei Han*)

Exhibit 1: Downgrades in all sectors of the economy except construction

Median Forecasts of Macroeconomic Indicators for 2009

Key Macroeconomic Indicators Year-on-Year % Change	Dec Survey	Current Survey
GDP	-1.0	-4.9
Manufacturing	-4.5	-10.3
Financial Services	1.2	-7.7
Construction	7.5	8.2
Wholesale & Retail Trade	0.3	-5.6
Hotels & Restaurants	-0.1	-1.6
Private Consumption	1.7	-1.3
Non-oil Domestic Exports	-9.0	-17.5

Source: MAS

Monday	Tuesday	Wednesday	Thursday	Friday
16-Mar	17-Mar	18-Mar	19-Mar	20-Mar
US Feb Industrial Production	SG Feb NODX US Feb PPI US Feb Housing Starts	US CPI US 4Q Current Account Balance	US Mar FOMC Rate Decision US Feb Leading Indicators	
23-Mar	24-Mar	25-Mar	26-Mar	27-Mar
SG Feb CPI	US Jan House Price Index	US Feb Durable Goods Orders	SG Feb Indust Production US 4Q GDP QoQ	US Mar U of Michigan Confidence China Feb Indust Profits YoY
30-Mar	31-Mar	01-Apr	02-Apr	03-Apr
	SG Feb Money Supply SG Feb Bank Loans & Advances US Mar Consumer Confidence	US Mar ISM Manufacturing	US Feb Factory Orders	US Mar Unemployment Rate US Mar ISM Non-Manf Composite
06-Apr	07-Apr	08-Apr	09-Apr	10-Apr
		US Feb Wholesale Inventories	US Feb Trade Balance	China Mar Trade Bal(11 Apr)
13-Apr	14-Apr	15-Apr	16-Apr	17-Apr
SPH 2Q09	US Mar PPI US Mar Advance Retail Sales	SG Feb Retail Sales US Mar CPI US Mar Indust Production	China 1Q Real GDP US Mar Housing Starts	SG Mar NODX/SG Mar Electronic Exports China Mar PPI/China Mar CPI China Mar Retail Sales/China Mar Ind Prod China Mar Fixed Assets Inv US Apr U of Michigan Confidence

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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