

MITA No. 014/06/2008

14 April 2009

# Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1876.8	48.3	2.6
Catalist	71.0	0.1	0.1
Finance	448.2	15.8	3.7
Property	384.1	12.8	3.4
Electronics	364.4	6.2	1.7
Vol (m)	1387.9	-265.7	-16.1
Val (S\$m)	962.0	-232.9	-19.5

World Indices			
	Close	Chg	% Chg
Dow Jones	8057.8	-25.6	-0.3
Nasdaq	1653.3	0.8	0.0
S&P500	858.7	2.2	0.3
FTSE	3983.7	58.2	1.5
KLCI	941.4	0.0	0.0
Hang Seng	14901.4	426.6	2.9
Nikkei	8924.4	-39.7	-0.4
SET	453.9	9.8	2.2
KOSPI	1338.3	2.2	0.2
TWSE	5857.6	75.7	1.3

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		372	
No. of losers		141	
No. of unchanged		191	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	100.1	-0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.1	0.0
Crude futures (US\$)	49.8	-2.2

## Research Team

(65) 6531 9800

e-mail: info@ocbc-research.com

## Key Idea

### Singapore Press Holdings: Uncertainty for core business; downgrade to HOLD

Singapore Press Holdings (SPH) delivered a sluggish 2Q09 topline of S\$289.5m (-4.1% YoY, -18.6% QoQ) while PATMI declined to S\$87m (-12.6% YoY, +19.2 QoQ). PATMI would have fallen by a greater magnitude had SPH not written back S\$4m in taxes this quarter. SPH's core operations declined at a faster pace than we expected with Classifieds and Display advertisement revenues falling 26% and 16% YoY, respectively. SPH's Paragon and Sky@Eleven shone as bright spots amidst the cloudy outlook while its Investments delivered a breakeven performance (vs. 1Q09 S\$33m loss). While our estimates have been lowered, we have rolled forward our core operations to a blended FY09/10 valuation. As such, our SOTP fair value rises to S\$3.18 (prev: S\$2.84). Riding the recent market rally, SPH rose 23% since the upgrade in our last report, but the bleak outlook for its earnings may take the legs from its current run. We are downgrading its rating to a **HOLD**. Interim dividends of 7 S cents were declared

### More reports:

- **Singapore Economy: 2009 growth revised to -9.0 to -6.0%**

## News Headlines

- The EDB still expects to meet its target of bringing in S\$10-12b of fixed asset investment commitments this year, though keeping these figures up in 2010 will be challenging.
- National Development Minister Mah Bow Tan said there is no need for the government to step in as a loan guarantor for property developers, though banks have generally become more cautious about lending.
- Keppel's Tianjin Eco-City is set to get an international school to boost its efforts to attract foreign talent.
- Miyoshi Precision reported a 44.8% YoY fall in 1H09 net profit to S\$2.9m as sales slid 30.2% to S\$51.1m.
- Airport charges at Changi Airport will stay unchanged for two years after its corporatisation, and a price-cap regulation will be put in place.
- Food caterer Select Group said it intends to rent a building for at least S\$1.65m and convert it into a boutique hotel.
- Hit by slower collections of trade receivables and more rapid closures of point-of-sales (POS), Beauty China has decided to halt its expansion plans.
- Healthway Medical Corporation has announced a scrip dividend scheme under which shareholders can elect to receive cash or ordinary shares as dividends.
- China Milk said it has repurchased bonds having an aggregate principal amount of US\$3m.

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

**Singapore Press Holdings: Uncertainty for core business; downgrade to HOLD**

**Worrying trends.** Singapore Press Holdings (SPH) delivered a sluggish 2Q09 topline of S\$289.5m (-4.1% YoY, -18.6% QoQ) while PATMI declined to S\$87m (-12.6% YoY, +19.2 QoQ). PATMI would have fallen by a greater magnitude had SPH not written back S\$4m in taxes this quarter. SPH's core operations declined at a faster pace than we expected with Classifieds and Display advertisement revenues falling 26% and 16% YoY, respectively. Interim dividends of 7 S cents were declared.

**Display adverts suffer.** In tandem with the poor economic outlook and business confidence, management has indicated that visibility for its advertisements is now reduced to about 1 week (meaning SPH generally knows what adverts to print only 1 week in advance). Of its twelve industry segments, only the Transport segment (new car model launches) registered an uptick in revenue while the Fashion, Telco and Finance segments suffered marked declines. Advertisers are also opting for smaller advert spaces to save costs. Our FY09F overall print advertising now assumes 8.3% contraction (prev. -6.2%).

**Classi-fried.** In a keen reflection of the times, SPH's Recruit section only had 20 pages on the weekend of 11 April. With expectations of economic recovery still afar off and hiring largely frozen like the credit situation; we have now factored a greater shrinkage of 18.8% (prev. -9.7%) for its Classified section. Our only bright spot is SPH's magazine segment where increases in this first half will give this segment a positive or at worst, flat showing for the year.

**Bright spots: Paragon, Sky@Eleven & Investments.** Mimicking the previous quarter, SPH's two property plays continue the counter intuitive move against a declining property market. Paragon sustains almost full occupancy with a modest increase in rentals while Sky@Eleven put forth about S\$41m in revenue this quarter. Subsequent to its S\$33m write down in 1Q09, SPH also managed to breakeven for its Investments in 2Q09 as it exited out of externally managed funds and channeled funds for in-house management.

**Downgrade to HOLD.** While our estimates have been lowered, we have rolled forward our core operations to a blended FY09/10 valuation. As such, our SOTP fair value rises to S\$3.18 (prev: S\$2.84). Riding the recent market rally, SPH rose 23% since the upgrade in our last report, but the bleak outlook for its earnings may take the legs from its current run. Downgrade to **HOLD**. (*Kelly Chia*)

**Singapore Economy: 2009 growth revised to -9.0 to -6.0%**

Singapore's 1Q09 advance GDP estimates, the MAS semi-annual monetary policy statement, and non-oil domestic exports (NODX) figures were released this morning. The Ministry of Trade and Industry (MTI) said Singapore's economy is estimated to have contracted by 11.5% YoY in real terms in 1Q09 and has revised its 2009 growth forecast to -9.0 to -6.0%, lower than the earlier forecast of -5.0 to -2.0%. The 11.5% contraction is worse than the street's estimate of a 9.1% contraction and the 4.2% fall in 4Q08. On a seasonally adjusted annualized QoQ basis, real GDP is likely to have fallen by 19.7%, following a 16.4% QoQ decline in 4Q08. The Manufacturing sector is estimated to have fallen by 29% YoY in 1Q09, compared to the 10.7% contraction in 4Q08 as electronics and precision engineering led the decline. Services likely contracted by 5.9% YoY compared to -1.3% in 4Q08. Construction was the only sector that showed signs of robust growth, expanding 25.6% YoY compared to 18.5% in the previous quarter.

On Singapore's monetary policy front, the MAS will re-centre the exchange rate policy band to the prevailing level of the S\$NEER while keeping the zero appreciation path. IE Singapore also revealed that Singapore's NODX figures fell by 17% YoY in Mar 09 compared to a 23.7% fall in Feb 09. (**Low Pei Han**)

Monday	Tuesday	Wednesday	Thursday	Friday
13-Apr	14-Apr	15-Apr	16-Apr	17-Apr
SPH 2Q09 Miyoshi 1H09	US Mar PPI US Mar Advance Retail Sales	SGX 3Q09 SG Feb Retail Sales US Mar CPI US Mar Indust Production	M1 1Q09 China 1Q Real GDP US Mar Housing Starts	CMT 1Q09/A-REIT 4Q08/09 SG Mar NODX/SG Mar Electronic Exports China Mar PPI & CPI/China Mar Ret Sales China Mar Fixed Assets Inv/China Mar Ind Prod US Apr U of Michigan Confidence
20-Apr	21-Apr	22-Apr	23-Apr	24-Apr
Evergro Prop/Keppel T&T/SPC 1Q09 US Mar Leading Indicators	K-REIT Asia 1Q09	Keppel Land 1Q09	Keppel Corp 1Q09 SG Mar CPI Aztech 1Q09	CSM/CapitaLand 1Q09 SMRT FY09
27-Apr	28-Apr	29-Apr	30-Apr	01-May
China XLX 1Q09		Indofood 1Q09	Venture/CCT 1Q09 SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Employment Rate	
04-May	05-May	06-May	07-May	08-May
	Noble 1Q09	OCBC 1Q09	StarHub 1Q09	
11-May	12-May	13-May	14-May	15-May
China Apr PPI/China Apr CPI	China Apr Trade Bal	China Apr Retail Sales China Apr Ind Production		SG Mar Retail Sales

*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

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

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Carmen Lee  
Head of Research

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