

MITA No. 014/06/2008

20 April 2009

# Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1896.6	4.8	0.3
Catalist	78.2	-1.9	-2.4
Finance	456.6	1.1	0.2
Property	392.5	1.5	0.4
Electronics	421.8	25.6	6.5
Vol (m)	2013.5	-1804.6	-47.3
Val (S\$m)	1149.6	-742.8	-39.3

World Indices			
	Close	Chg	% Chg
Dow Jones	8131.3	5.9	0.1
Nasdaq	1673.1	2.6	0.2
S&P500	869.6	4.3	0.5
FTSE	4092.8	39.8	1.0
KLCI	965.2	3.9	0.4
Hang Seng	15601.3	18.3	0.1
Nikkei	8907.6	152.3	1.7
SET	456.8	3.8	0.8
KOSPI	1329.0	-7.7	-0.6
TWSE	5755.4	-241.8	-4.0

Market Statistics (SG)			
STI 52-week range	1,455	3,270	
No. of gainers		247	
No. of losers		274	
No. of unchanged		237	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	99.2	0.0
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.1	0.0
Crude futures (US\$)	50.2	-0.2

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## Key Idea

### Telco Sector: 1QCY09 results likely steady

Based on the relatively steady results from MobileOne (M1) last week, we are also looking forward to similar showing from SingTel and StarHub when these companies report their quarterly results over the next few weeks. For SingTel, we expect 4Q09 revenue to show a modest QoQ decline (<5%) as we expect the economic slowdown to exert a slight toil on its business; we are looking for a slightly larger fall (<10% QoQ) in 4Q09 earnings, mainly due to lower contributions from its regional mobile associates. For StarHub, we are expecting a modest QoQ (<5%) drop in both 1Q09 revenue and earnings due to the impact of the economic slowdown; we also do not expect any changes to its stated S\$0.045/quarter dividend policy. Despite the recent rally in the overall market, where there has been a shift towards higher beta stocks in the belief that the worst of economic/financial crisis is behind us, we are not convinced that there will be a rapid recovery. We believe that investors should continue to hold on to some defensive stocks like telcos for their less vulnerable earnings and stable dividend payouts as a means of portfolio diversification. As such, we maintain our **OVERWEIGHT** rating on the sector

### More reports:

- **Willas-Array Electronics: Profit warning for FY09**

## News Headlines

- A unit of Cosco Corporation (Singapore) has recently completed its first new build ship, the largest ever bulk carrier in tonnage capacity built in southern China.
- GuocoLand reported a 21% YoY rise in revenue to S\$126m and a 91% rise in net attributable profit to S\$4.9m for 3Q09.
- After using cash at the rate of some S\$2m a month, Japanese life sciences company Transcu Ltd is beginning to see light at the end of the tunnel.
- New Wave Holdings expects to report a net loss for 2H09 and FY09 partly due to sharp falls in commodity prices and provisions for impairment losses.
- CPH Ltd expects to report a net loss for FY09, and allowances for impairment as well as inventory write downs will be made.
- Foshan Southern Packaging has received RMB99m (balance 90% payment) for the disposal of a land parcel in Guangdong, China.
- China Yongsheng expects to report a loss for 1Q09, mainly due to a decrease in revenue, led by lower demand for the group's ready mixed concrete.
- Sin Ghee Huat expects to incur a loss for 3Q09, mainly due to a fall in sales and lower gross profit margin.
- Armada Group expects to report a loss for 1Q09 in contrast to a profit for 1Q08, partly due to weak demand, among other factors.

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

**Telco Sector: 1QCY09 results likely steady**

**Likely steady results from SingTel and StarHub.** Based on the relatively steady results from MobileOne (M1) last week, we are also looking forward to similar showing from SingTel and StarHub when these companies report quarterly results over the next few weeks. As a recap, M1's 1Q09 results were mostly within expectations; topline slipped 8.6% YoY and 4.3% QoQ to S\$186.4m, but net profit jumped 10.4% YoY and 14.5% QoQ to S\$41.9m, albeit due to one-off accounting adjustment for the 1%-point corporate tax rate reduction; EBITDA service margin was steady at 44.6%, despite suffering a near-12k drop in subscribers.

**Associates - main concern for SingTel.** On 14 May 2009, SingTel will announce its 4Q09 results. We expect revenue to show a modest QoQ decline (<5%) as we expect the economic slowdown to exert a slight toil on its business; the weaker AUD is also expected to negatively impact its consolidated revenue. But the biggest concern will still be its regional mobile associates - SingTel had earlier guided for lower overall pre-tax contributions. As such, we are looking for a slightly larger fall (<10% QoQ) in 4Q09 earnings, buffered by the inclusion of contributions from recently-acquired Singapore Computer Systems (SCS).

**OpCo - medium-term positive for StarHub.** On 7 May 2009, StarHub will announce its 1Q09 results - we are pencilling in a modest QoQ (<5%) drop in both revenue and earnings due to the impact of the economic slowdown. And we do not expect any changes to its stated S\$0.045/quarter dividend policy, despite StarHub landing the OpCo bid for the NBN; based on our estimates, its strong operating cashflow should be sufficient to fund most of its higher capex requirements (likely to kick in from next year onwards). In any case, we see the OpCo win as a medium-term positive for StarHub and have adjusted our numbers recently.

**Keeping sector as Overweight.** Despite the recent rally in the overall market, where there has been a shift towards higher beta stocks in the belief that the worst of economic/financial crisis is behind us, we are not convinced that there will be a rapid recovery. We believe that investors should continue to hold on to some defensive stocks such as telcos for their less vulnerable earnings and stable dividend payouts as a means of portfolio diversification. As such, we maintain our **OVERWEIGHT** rating on the sector. *(Carey Wong)*

**Willas-Array Electronics: Profit warning for FY09**

Willas-Array Electronics (WAE) reported last Friday that the group expects to register a loss for FY09. Despite a 7.9% YoY (+14.1% HoH) revenue growth in 1HFY09, the group's performance had been adversely impacted by stiffer pricing and a significant slowdown in global consumer electronics sector in 2HFY09, hence leading the group to suggest that it may not be profitable for the full year. This is consistent with our view (and forecasts) after WAE warns of an exceptionally tough 2HFY09 two weeks ago. In addition, the group is also likely to be burdened by additional interest expenses resulting from higher debt. In spite of this, WAE highlighted that the group remains financially sound, with healthy cash flows, optimal inventory level and insignificant bad debts to date. As the recent developments are largely within our expectations, we are keeping our FY09 estimates and S\$0.06 fair value intact, until the group releases its full-year results in end May. We maintain our **HOLD** rating on WAE. *(Kevin Tan)*

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Monday	Tuesday	Wednesday	Thursday	Friday
20-Apr	21-Apr	22-Apr	23-Apr	24-Apr
Evergro Prop/Keppel T&T/SPC 1Q09 SPC 1Q09 US Mar Leading Indicators	K-REIT Asia 1Q09 FSLT 1Q09	Keppel Land 1Q09 Ascott Residence Trust 1Q09 PST 1Q09 (est)	Keppel Corp 1Q09 SG Mar CPI Aztech/MLT 1Q09 FCT 2Q09 (est)	CSM/CapitaLand 1Q09 SMRT FY09
27-Apr	28-Apr	29-Apr	30-Apr	01-May
China XLX 1Q09 Cambridge Ind Trust 1Q09	Suntec REIT 1Q09 (est) Ascendas India Trust 4Q09	Indofood 1Q09	Venture/CCT 1Q09 SG Mar Money Supply SG Mar Bank Loans & Advances SG 1Q Unemployment Rate	
04-May	05-May	06-May	07-May	08-May
	Noble 1Q09 GE 1Q09	OCBC 1Q09 UOB 1Q09	StarHub 1Q09	Koda 3Q09 (est) DBS 1Q09
11-May	12-May	13-May	14-May	15-May
CDL 1Q09 China Apr PPI/China Apr CPI	Food Empire/NOL 1Q09 China Apr Trade Bal	China Apr Retail Sales China Apr Ind Production	SIA FY09 Olam 3Q09	SG Mar Retail Sales
18-May	19-May	20-May	21-May	22-May
SG Apr NODX SG Apr Electronic Exports				

*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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Published by OCBC Investment Research Pte Ltd