

Phillip Securities Research Morning Call

5th October 2020

Stock Counter Updates

- Netflix Inc

Macro/Sector Outlook

- Singapore Banking Monthly
- Singapore Technical Outlook
- Singapore Weekly – Week 42

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Singapore Banking Monthly

Additional relief measures to ease moratorium woes

Tay Wee Kuang

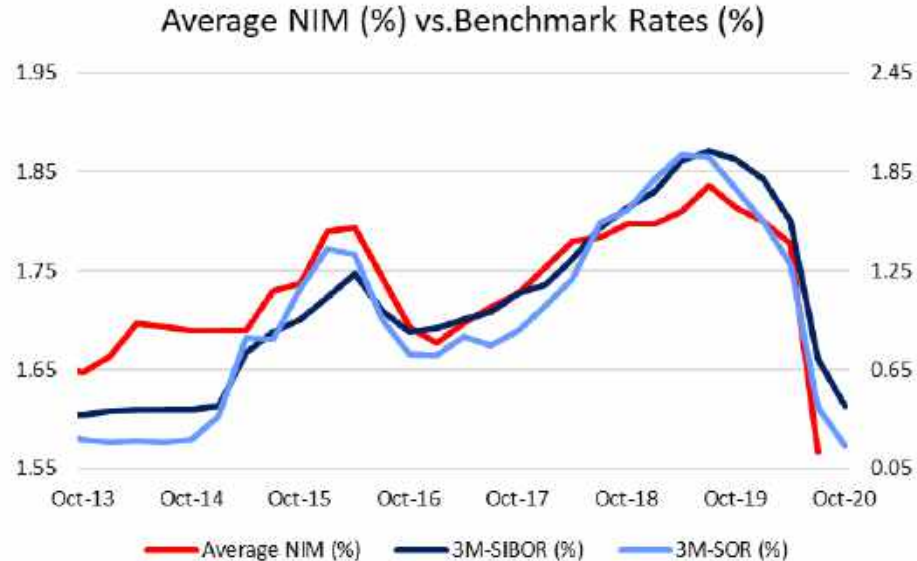
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12th October 2020

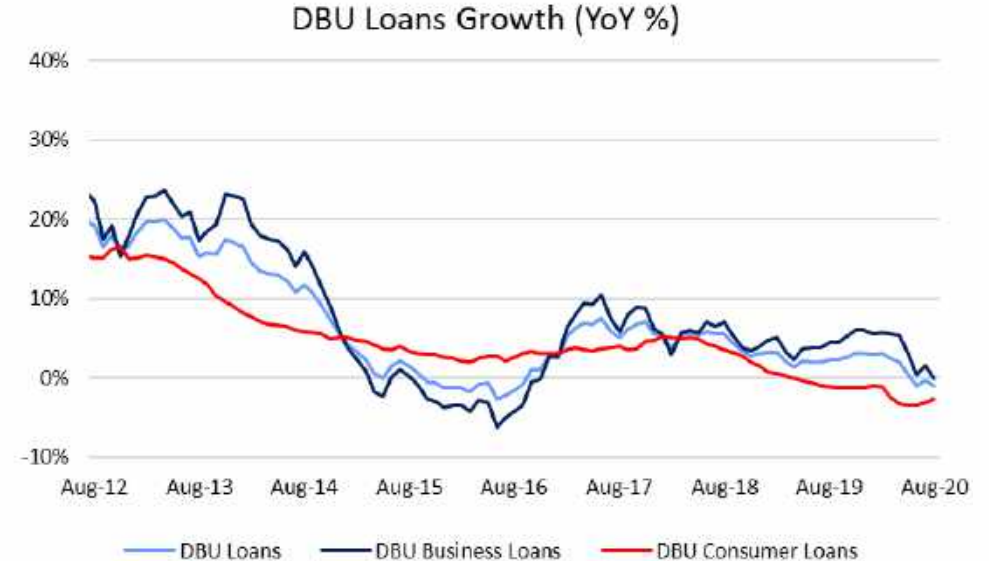
Banking Industry – Maintain Neutral

Weak macroeconomic conditions continue to affect industry



Source: MAS, PSR

Average	3M-SIBOR	3M-SOR	NIM
3Q20	0.43%	0.19%	-
1H20	1.13%	0.87%	1.67%
Remarks	Banks expected to experience NIM contraction in 3Q20 compared to 1H20.		



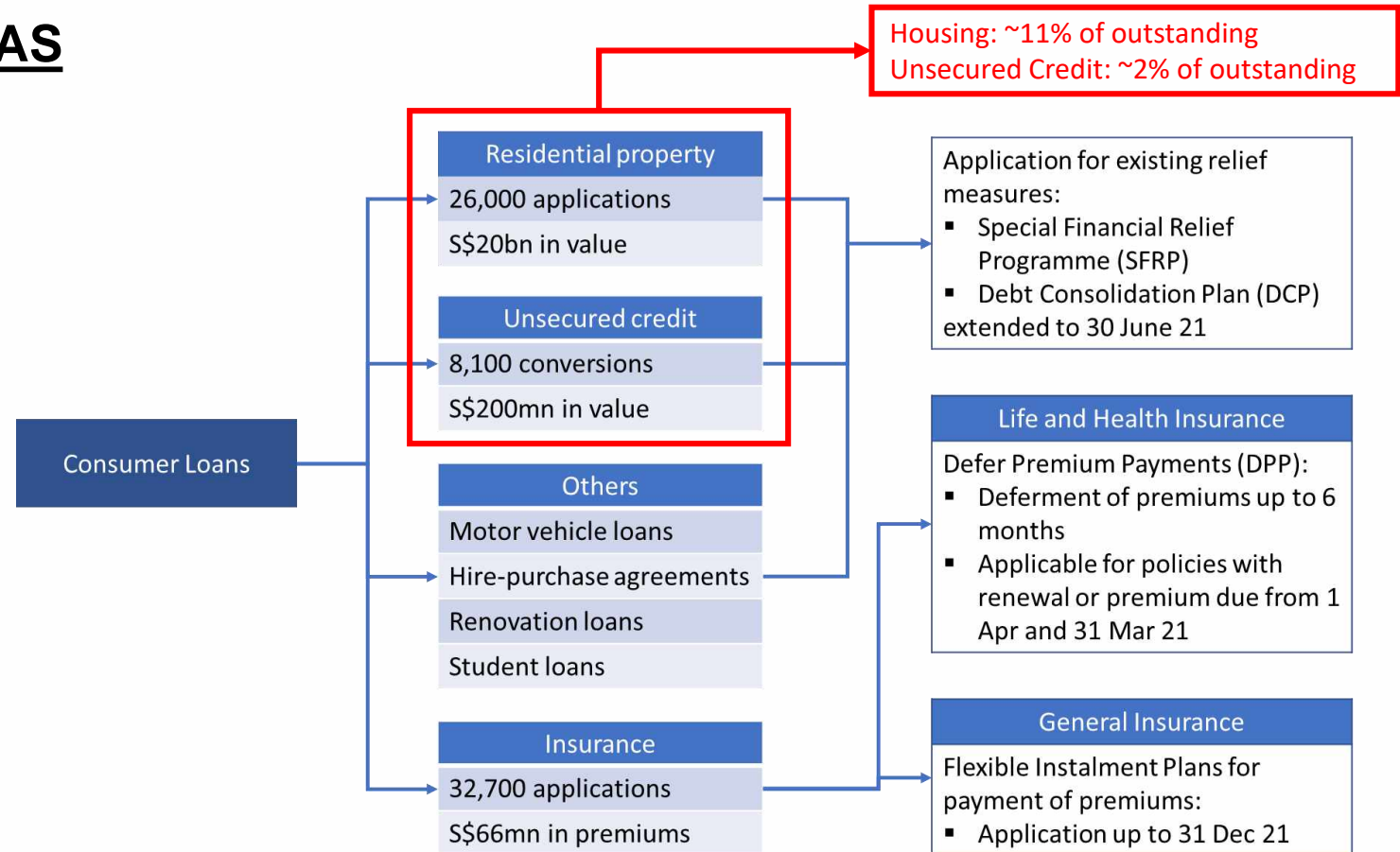
Source: MAS, PSR

Aug-20	YoY	MoM	Remarks
Business	-0.04%	-0.39%	Building and construction, business services, transport and communications up YoY
Consumer	-2.61%	+0.33%	Housing down, but rest recovered MoM
Total	-1.03%	-0.12%	

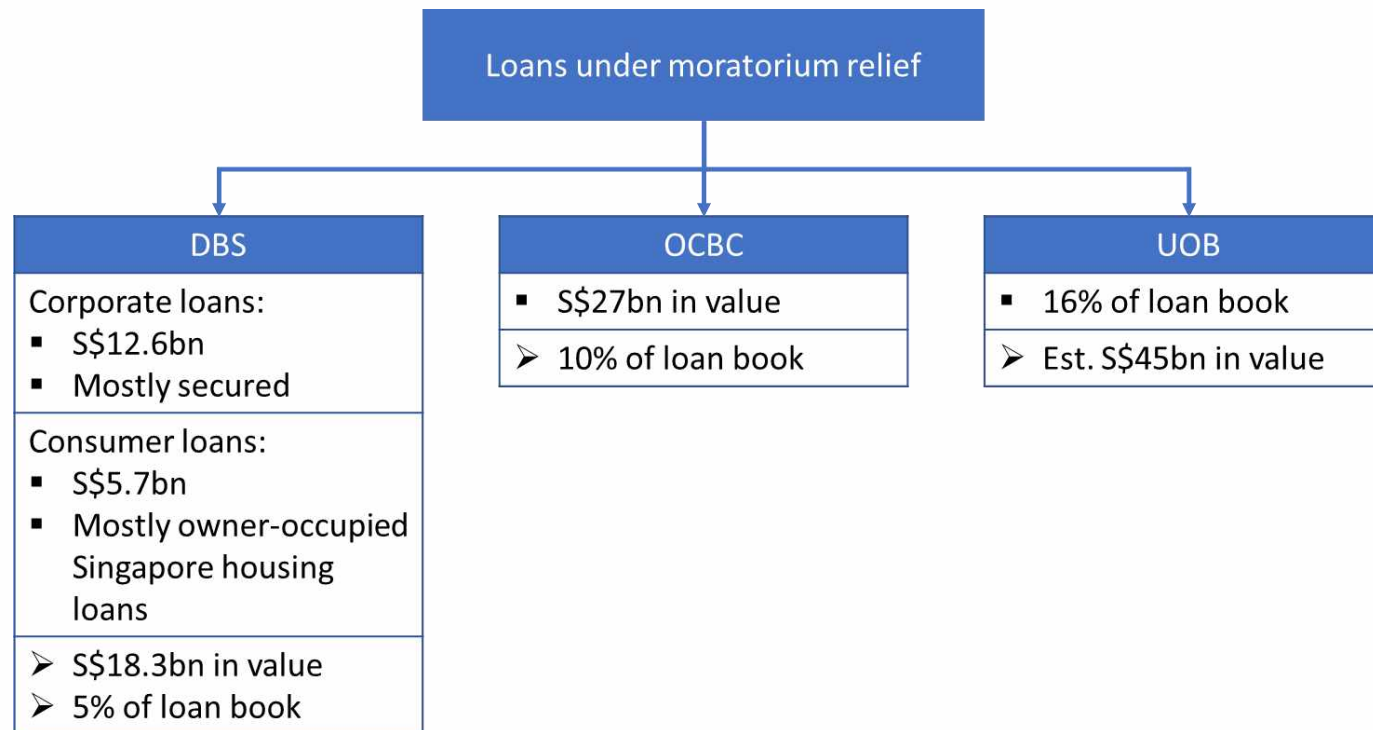
Banking Industry – Maintain Neutral

Additional moratorium support by MAS

- Applicable to individuals and SMEs
- Aimed at reducing cashflow impact
- Gradually resume loan repayment
- Subject to eligibility



Banking Industry – Maintain Neutral



Banks' exposure to moratorium relief

- Loans under moratorium between 5 – 16% of outstanding loan books
- OCBC/UOB higher exposure due to loans from Malaysia
- Expected to taper off in 3Q20

Banking Industry – Maintain Neutral

	SDAV (\$mn)	YoY (+/-)	DDAV (mn)	YoY (+/-)
Jul-20	1,213	+15%	1.05	+27%
Aug-20	1,407	+18%	0.95	-15%
Sep-20	1,088	+16%	-	-
1Q21	1,236	+16%	1.28	+23%

Source: SGX, Bloomberg, PSR

No. of contracts	Sep-19	Sep-20*	YoY (+/-)
FTSE China A50 Index Futures	6,555,959	7,754,014	+18.3%
Nifty 50 Index Futures	1,967,035	2,274,160	+15.6%
MSCI Taiwan Index Futures	1,751,102	1,564,623	-10.6%
Nikkei 225 Index Futures	2,049,534	1,725,198	-15.8%
MSCI Singapore Index Futures	777,050	1,007,100	+29.6%
Sub-total	13,100,680	14,325,095	+9%

Source: SGX, Bloomberg, PSR

SGX observes sustained growth

- SDAV up ~16% YoY in 1Q21
 - Derivatives should have positive results
 - Contribution from acquisitions (Scientific Beta and BidFX) to improve revenues
- Expected to see 10% increase in earnings for 1Q21

Banking Industry – Maintain Neutral

Investment Action

- Low interest rates and low loans growth
- Gradual recovery in non-interest income
- Heightened allowances to combat economic fallout from COVID-19
- Income unlikely to return to pre-COVID-19 levels; less attractive dividend yields

Re-rating Catalyst

- Better-than-expected credit profile of borrowers post-moratorium in Singapore
- End heightened credit costs earlier than end of FY21

Netflix Inc

Standing firm against competition

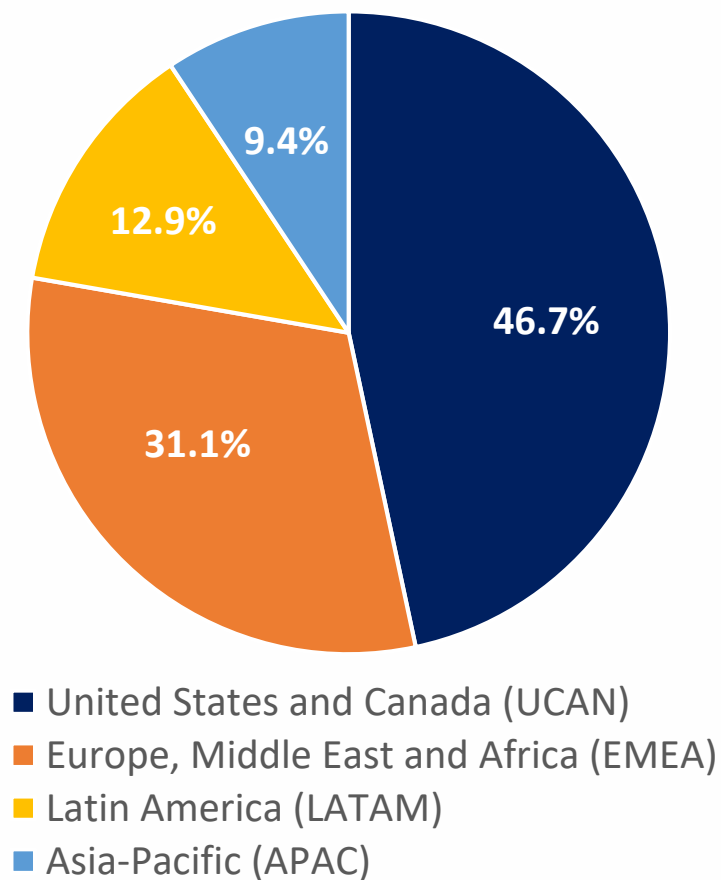
Yeap Jun Rong

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12th October 2020

Introduction



- Offers monthly streaming subscriptions (99%), ranging from US\$8.99 basic plan to US\$15.99 premium
- Derived majority 46.7% of streaming revenue from U.S. and Canada (UCAN)
- UCAN contains largest subscriber base and delivers highest average revenue per user (ARPU)

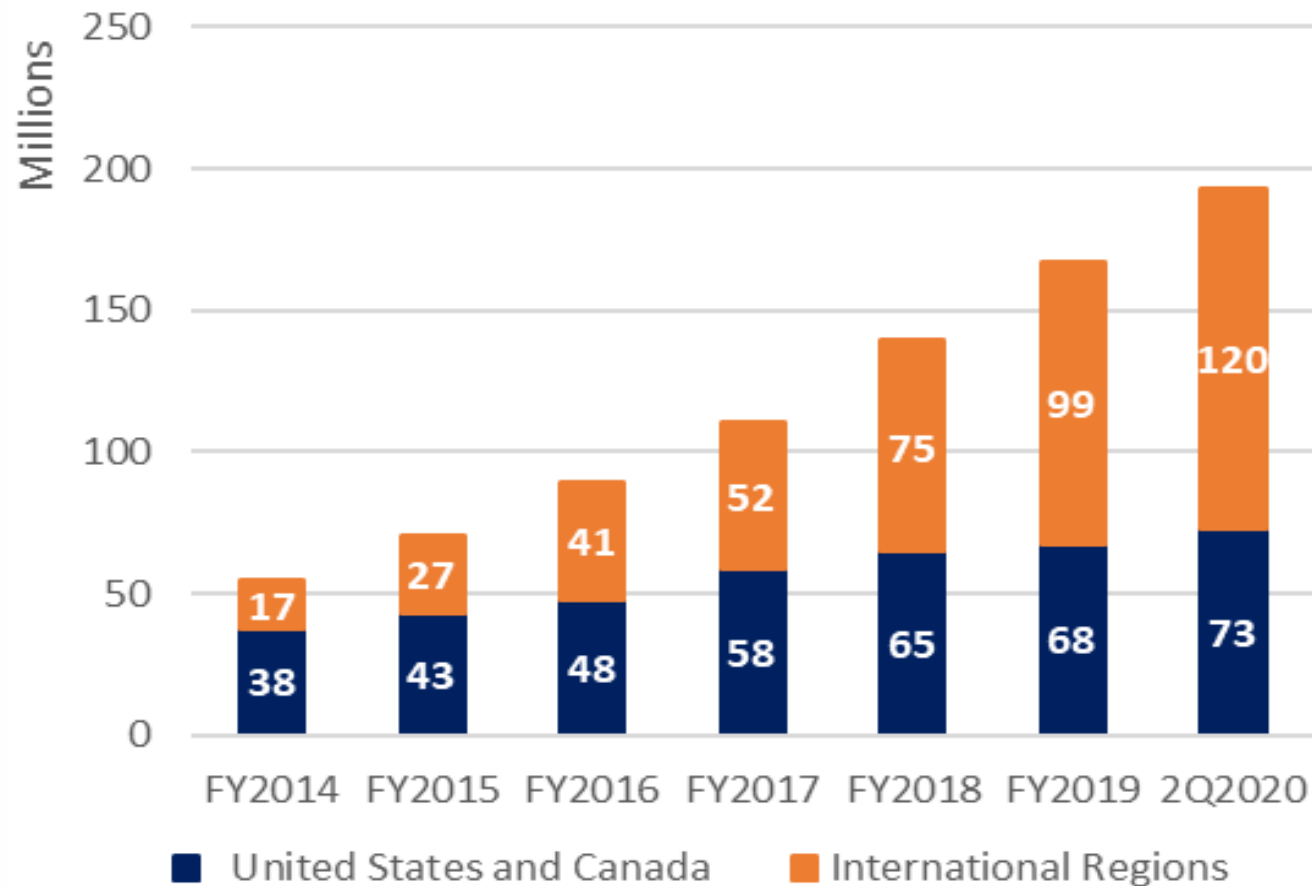
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Risks

Technical Outlook

International expansion to boost subscriber base



Paid subscribers in international regions have grown by 5-year CAGR of 42.7% vs. UCAN's 12.4%

- Strong growth more than offset lower ARPUs of 30-70%
- 4Q2019 revenue from international regions overtook that of UCAN

Source: Company, PSR

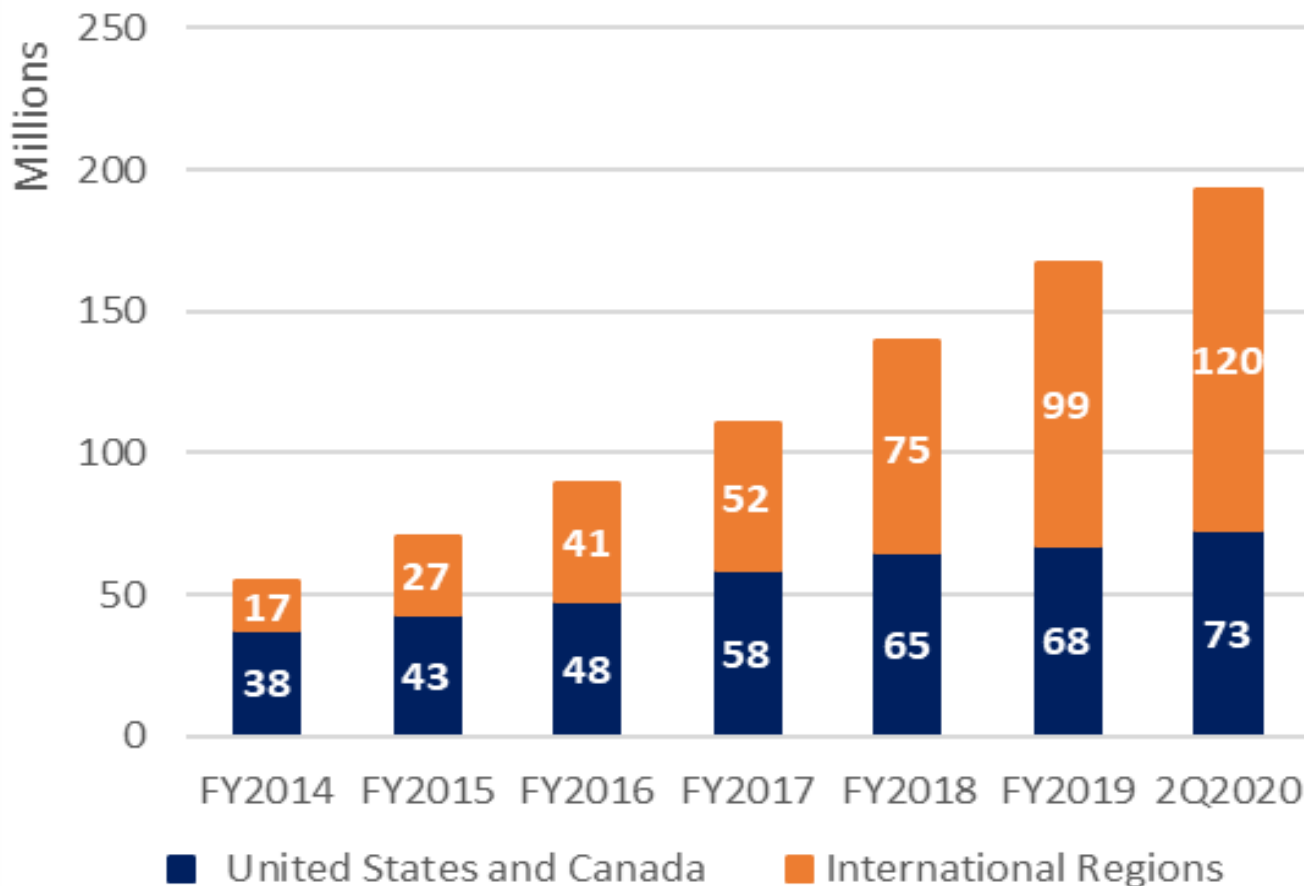
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International expansion to boost subscriber base



Success of targeted strategy of streaming regional content and partnering regional channel providers

- Strategy of lower-priced mobile-only subscriptions will continue to attract subscribers in APAC
- We foresee similar success in replication to other APAC countries with similar characteristics

Source: Company, PSR

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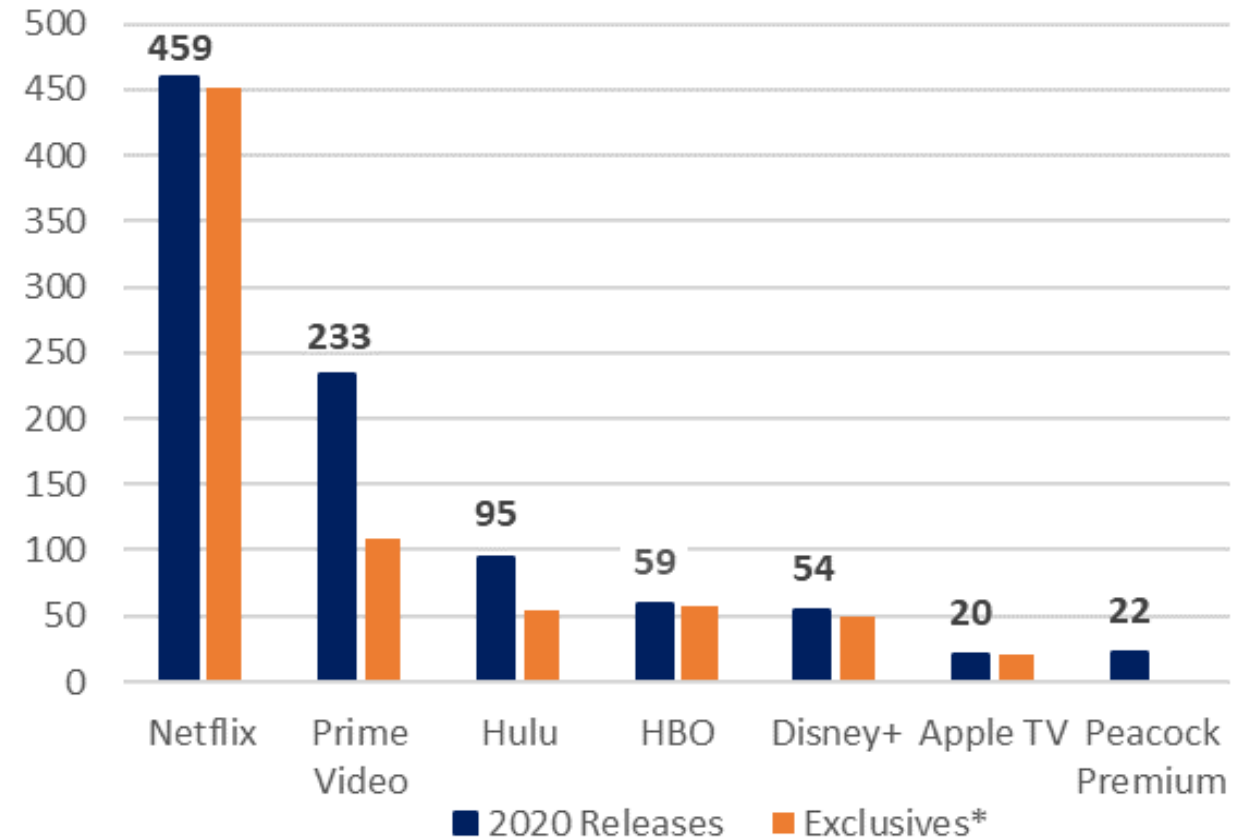
Risks

Technical Outlook

Large pipeline of content to retain and drive subscriptions

Large pipeline of content to retain and drive subscriptions

- Content library: 459 brand-new 2020 releases, dwarfing its competitors
- Almost all of these content (98%) is exclusive
- Delays in content production are short-lived, minimal impact on its churn rate



Source: Reelgood (online content tracker), PSR

*Exclusives: Content can only be accessed from the specific platforms.

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Huge lead over subscription video on demand (SVoD)

- SVoD market is not a zero-sum game
- Strong lead over its global competitors
 - 62% more subscribers than the second-largest streaming player – China's iQiyi

Region	Streaming Services	No. of Subscribers (mn)	Reported	Cost	SGD Equivalent
Global	Netflix	193	2Q2020	USD 5.99/month	SGD 8.16/month
China	iQiyi	119	2Q2020	RMB 19/month	SGD 3.81/month
China	Tencent Video	112	2Q2020	RMB 15/month	SGD 3.01/month
China	Youku	90	2Q2020	RMB 19/month	SGD 3.81/month
Global	Amazon Prime Video**	90	2Q2020	USD 8.99/month	SGD 12.24/month
U.S.	Disney+	60.5	3Q2020	USD 6.99/month	SGD 9.52/month
S.E Asia	Viu	41.4	1Q2020	SGD 4.90/month	SGD 4.90/month
India	Alt Balaji	40	4Q2020	INR 300/year	SGD 5.56/year
U.S.	Hulu	35.5	3Q2020	USD 5.99/month	SGD 8.16/month

** Subscriber number for Amazon Prime Video is projected based on a 60% take-up rate of the total subscribers of the Amazon Prime service. The figure shown does not reflect actively purchased subscriptions.

Source: FIPP: Global Digital Subscription Snapshot, PSR

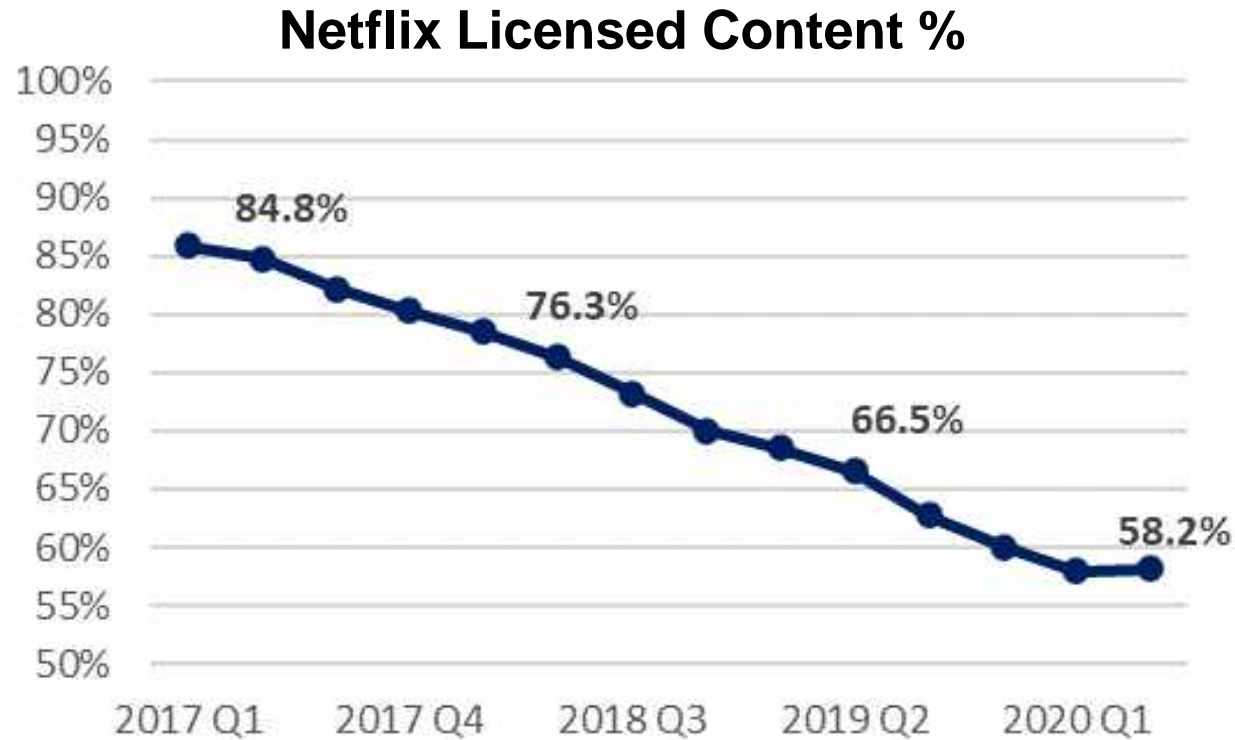
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Source: Bloomberg, PSR

Dependence on external providers for content

- Loss of licensing agreements with key content providers such as Disney may limit content library
- Despite shift away from licensed content, % of licensed content remains high at 58.2%

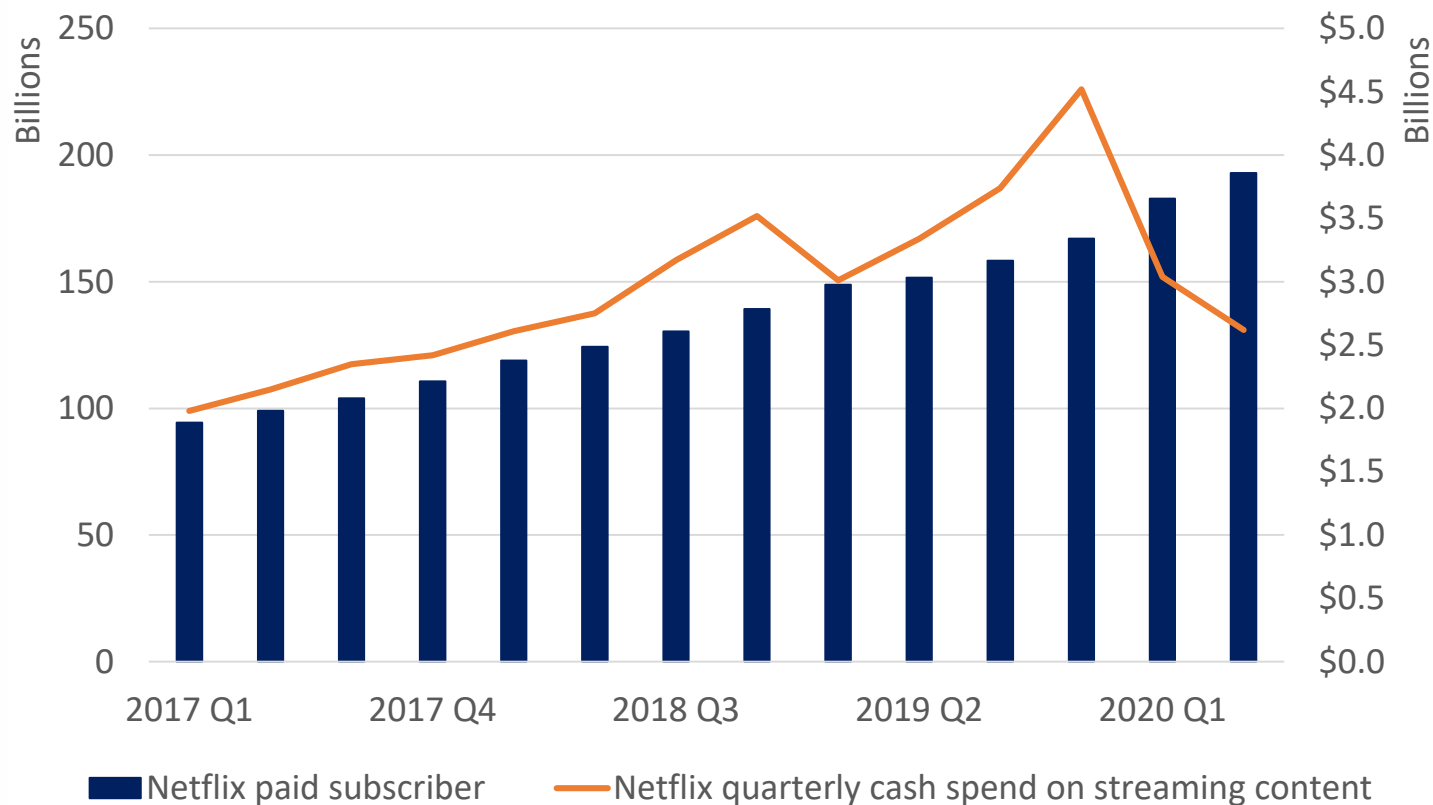
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Constant need for differentiated content to attract subscribers

- Investments in production of differentiated content will likely weigh on FCF in the next few years
- Less of a concern if paid subscribers grow faster than content spending but risks may surface if the reverse occurs

Source: Bloomberg, PSR

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Technical Outlook

Buy Limit: US\$458.40 | Stop Loss: US\$390.37 | Take Profit: US\$585.00

- Wave analysis: Completed wave III of motive wave and wave IV of the corrective wave in cycle phase. Current upside from a forming wave 1 and ongoing wave 2 for the sub-wave. We are targeting a higher price level for sub-wave 3.
- Prices trending above major support level at US\$422.67
- Potential bullish flag formation indicates continued upside
- Prices trending above 200- and 50-day moving averages



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Straits Time Index Technical Snapshot

Key Resistance broken or rejected? That's the key

Chua Wei Ren

Technical Analyst

Phillip Securities Research Pte Ltd

12th October 2020

Straits Time Index– Daily chart

Resistance zone/Invalidation zone for wave iii is the key zone to decide STI make or break

- Prices rebounded nicely at the upper bound of the support zone 1 and after it breaks the downward sloping trend line.
- Should prices reject, then prices will likely head lower to lower bound of the support zone 1.



Straits Time Index– Daily chart

Will we see a corrective flat or double zig-zag?

- The fractal nature of the falling wedge is nicely display on each phase. Hence, the possibility of a corrective flat has increase.
- Should the resistance zone rejects, then we will see prices heading for the support zone.
- Otherwise, if prices break up strongly higher, then the resistance zone at 2,900-3,000 will be the new target.



Hang Seng Index

Triple zig-zag?

Chua Wei Ren

Technical Analyst

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12th October 2020

Hang Seng Index – Weekly chart

Potential triple zig-zag

- Since the completion of the extended wave ((5)) in 2017, the corrective downside on Hang Seng has been quite evidently locked in.
- Usually when a rare extended 5th wave occurs, the next corrective wave will be a deep correction.



Hang Seng Index – Daily chart

Will Support zone 1 holds?

- The daily chart indicates a strong bearish downside on last Friday at the immediate resistance zone. However, there are two potential rebound zone at support zone 1 and 2 respectively and as long as prices stays above 21,000, the expectation of a triple zig-zag wave will still stays
- Another point to note is that should 26,000 region breaks, then resistance wave XX will be shifted to either resistance zone 1 or 2 in the longer period time frame.



Hang Seng Tech Index

Flat momentum after its debut in August 2020

Chua Wei Ren

Technical Analyst

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12th October 2020

Hang Seng Tech Index – 4 hour chart

Potential triple zig-zag

- Price remain flat after the 3-wave up move in August, hinting a corrective move instead of an impulse.
- May be an correction first before a 1st wave impulse.



Week 42 - Phillip Singapore Weekly

Paul Chew

Head Of Research

Phillip Securities Research Pte Ltd

12 October 2020

Week 42 – Tactical Views

Macro Last Week

- **SG:**
 - Retail excluding MV: Aug20 -8.4% YoY (Jul20: -7.7%); Supermarket +21.9% (Jul20: +28.5%)
 - Taxi: Aug20 average taxi km travelled +10% MoM / -21% YoY; taxi fleet down 9% YoY; market share 62%
 - Rail (SBS Transit): Sep20 735k ridership (-41% YoY); 3Q20 -45% YoY
 - MAS MPS: Mar20 was zero appreciation and no change in width of NEER; Core CPI -1 to 0% (Aug: -0.4%)
- **SG property:** Propnex property show – upcycle is gradual but more sustainable; no surge similar to previous cycle due to TDSR and now less sub-sale; developer inventory is coming off and demand support from HDB upgraders
 - ABSD and Qualifying Cert, extended another 6 months to 12 months
- **US:** Battleground states polls still favour Biden

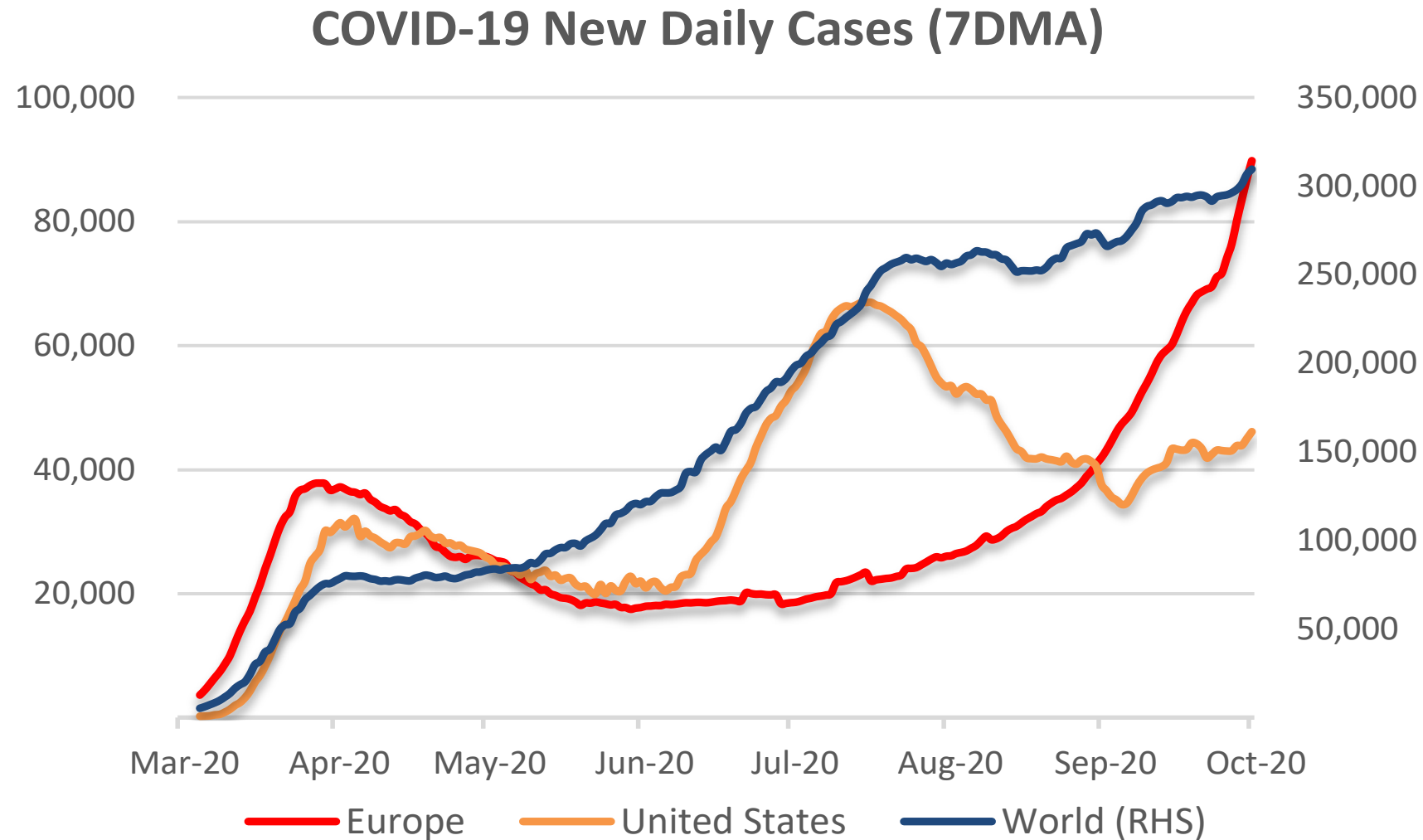
Tactical

- Cautious: Reopening is accelerating in Singapore only 4Q20 more meaningful improvement in earnings; expect a “damp squib” 3Q20 results; Pandemic still at record levels, even higher demand for rubber gloves
- US Stimulus: New proposal \$1.8tr ; Senate focused on Supreme Court nominee;

Week(s) Ahead

- 13Oct: US CPI; 14/15 Oct: MAS MPS, SG Advance 3Q20 GDP/Fed talks; 16Oct: SG Exports/US Retail sales
- Poems Webinars: Starburst Holdings (15Sep 2pm); Fortress Minerals (21Oct 1pm), iX Biopharma (27Oct 1pm)
<https://www.poems.com.sg/education/events-seminars/> TR only webinar: Lippo-Mall Trust (22oct 2pm)

Still struggling to contain the pandemic

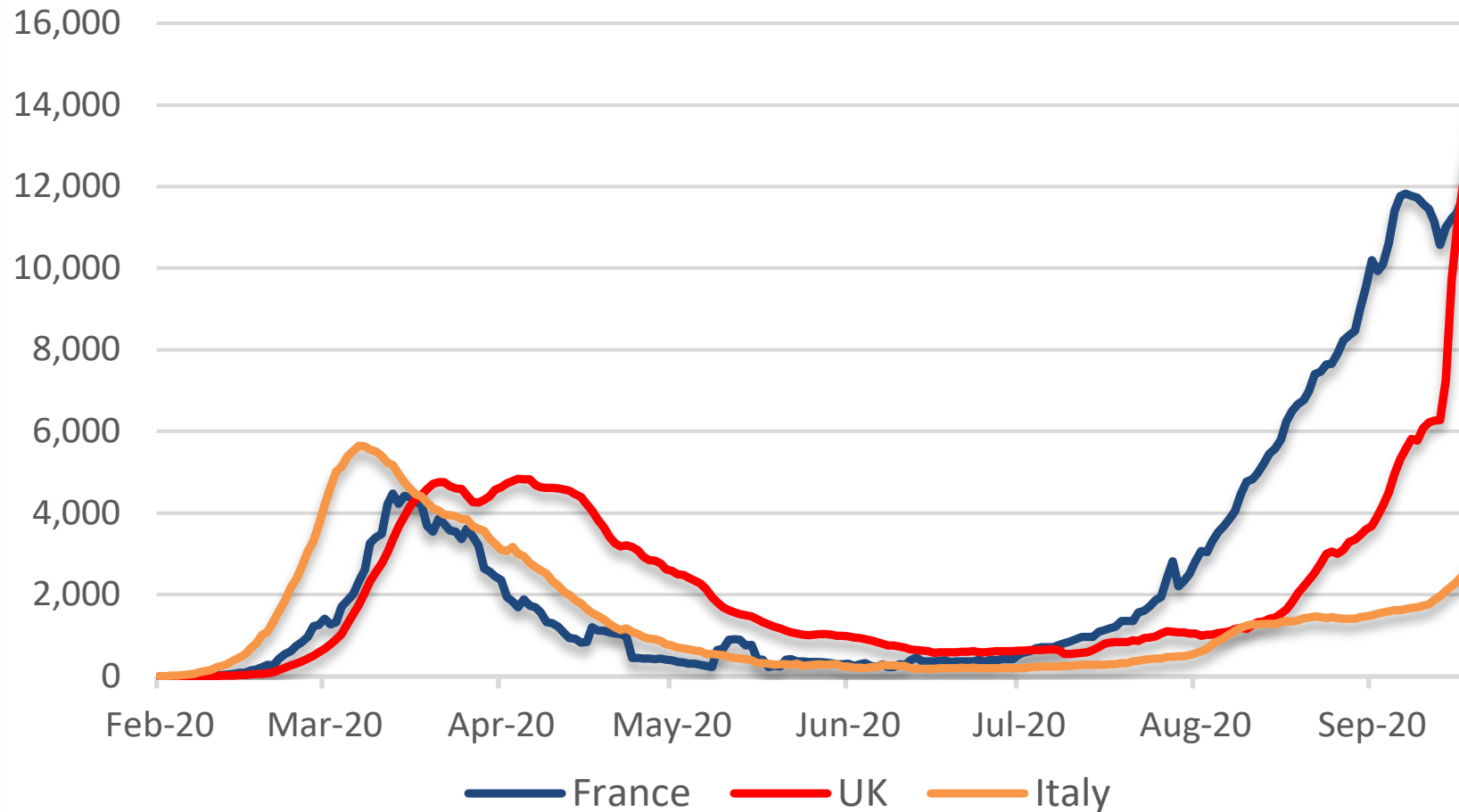


Risk of higher lockdown and slowing of global economic momentum

Source: CEIC, PSR, WHO

Not just a 2nd wave but tsunami

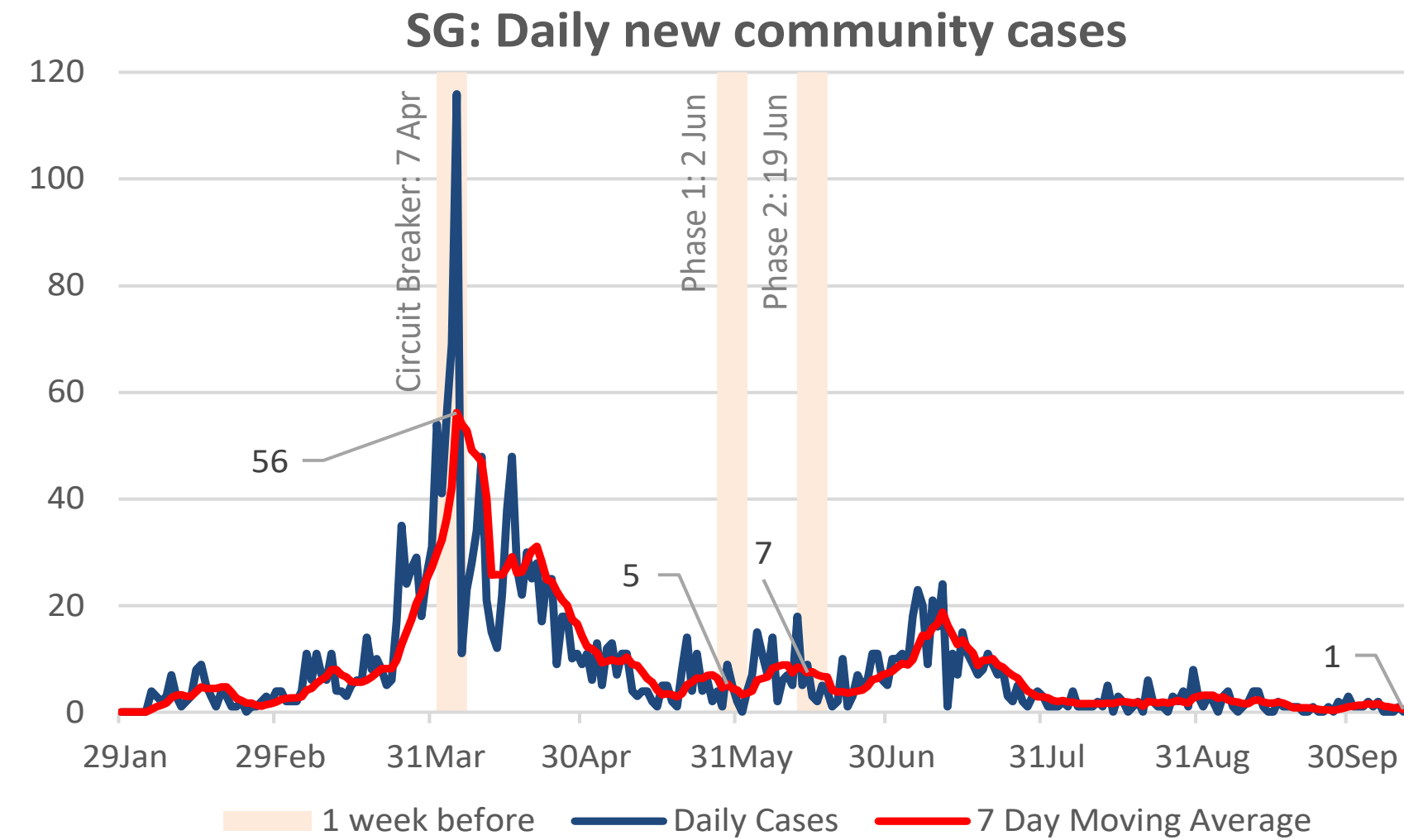
COVID-19 New daily cases: FR, UK, Italy (7DMA)



**An even larger
2nd tsunami
underway in
Europe**

Source: CEIC, PSR, WHO

COVID-19 Watch: SG community cases at 1



Source: PSR, MOH

SG: Re-opening picking up pace in 4Q20

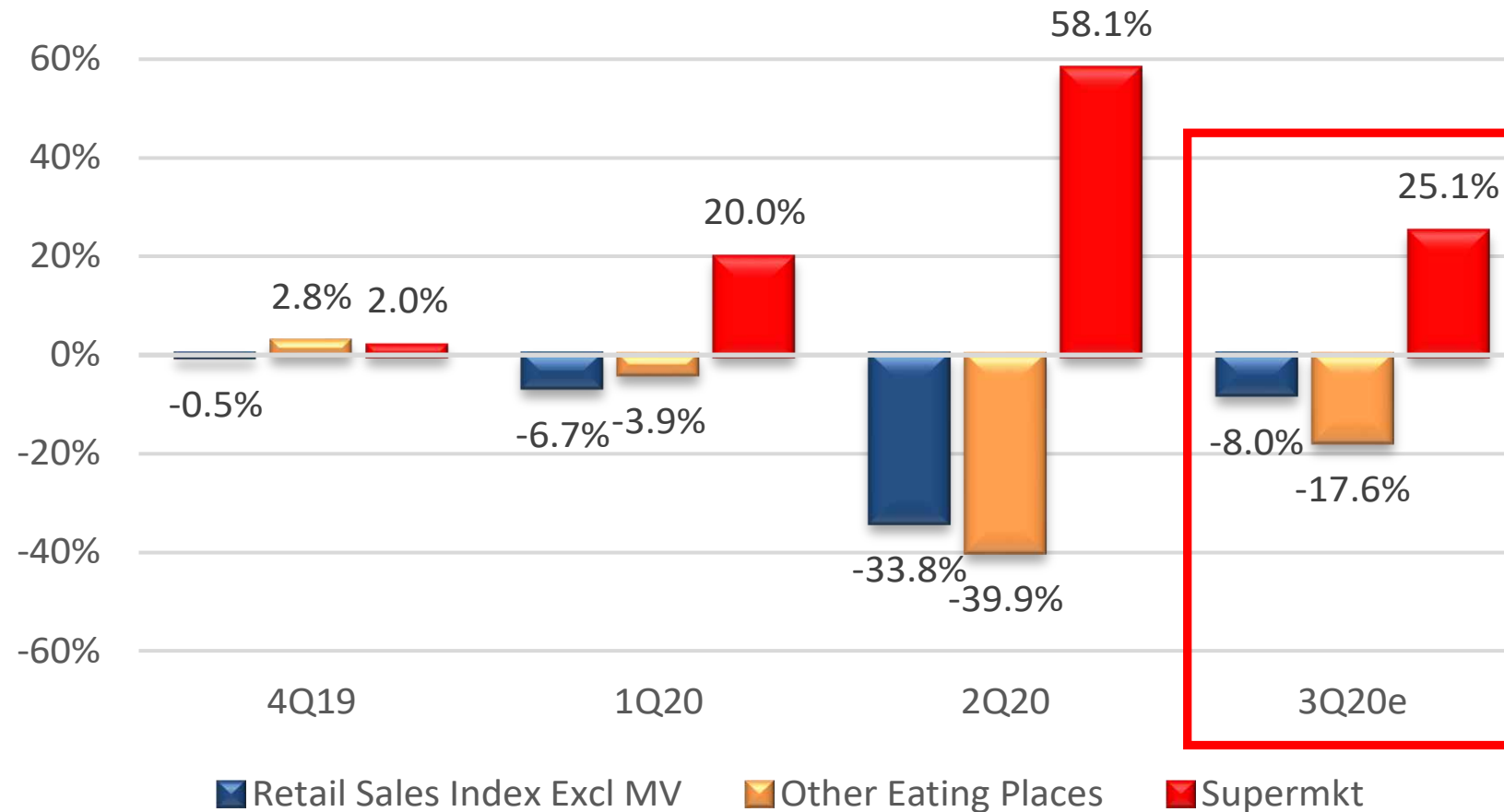
Date	Measures
2-Jun	Phase 1
8-Jun	Green lane with China
19-Jun	Phase 2: dining-in permitted / households up to 5 visitors
13-Jul	Cinemas open with the 50-patron limit and a 1m social distancing seating
4-Aug	Marriage solemnisation from 20 to 50 people
17-Aug	Singapore and Malaysia Green Lane for business
19-Aug	All dormitories cleared of Covid-19
29-Aug	Covid-19 testing on taxi and private-hire car drivers
1-Sep	General travel to Brunei and N Zealand and travel overseas of students
	Public spaces - Sport Singapore facilities, parks, HDB common areas are opened up
4-Sep	Fast-lane arrangements for business and official travel between SG and S Korea
9-Sep	More senior-centric activities resume
11-Sep	Small-scale live performances at selected arts venues being piloted.
12-Sep	Entry restrictions at four popular markets fully eased
14-Sep	Nationwide distribution of TraceTogether tokens
17-Sep	All travellers from India not Singaporeans or PR have to take a Covid-19 test before flight
18-Sep	Singapore and Japan agree to launch a green lane
23-Sep	A new business travel pass is being piloted for senior executives in Singapore
28-Sep	Children under the age of six (from 2 previously) are no longer required by law to wear masks
	More employees can opt to return to the workplace if certain conditions are fulfilled.
	Work-related events (conference, seminar, AGM) within office space up to 50 pax.

Date	Measures
1-Oct	STB starts accepting applications to pilot MICE up to 250 attendees
	Cinema halls with more than 300 seats will be allowed to admit up to 150 pax.
	Smaller cinema halls will be allowed to fill up to 50%
3-Oct	Up to 100 people , including the wedding couple, are allowed at wedding receptions
	All religious organisations can conduct services for up to 100 people
	Religious organisations can participate in the pilot to increase crowd limits to 250 can apply
4-Oct	Applications for the residence track (work pass holders) between SG and Japan will begin
8-Oct	SG unilaterally lift border restrictions to visitors from Australia (excl. Victoria state) and VN.
17-Oct	Visit Sentosa during peak periods will require reservations.
6-Nov	Cruises to nowhere can resume at 50% capacity
NEXT	Increase the group gathering limit from 5
	Phase 3 roadmap to be released in coming weeks.
	Target 40,000 lab test a day

Source: PSR, Straits Times

Retail: Supermarket sales still robust

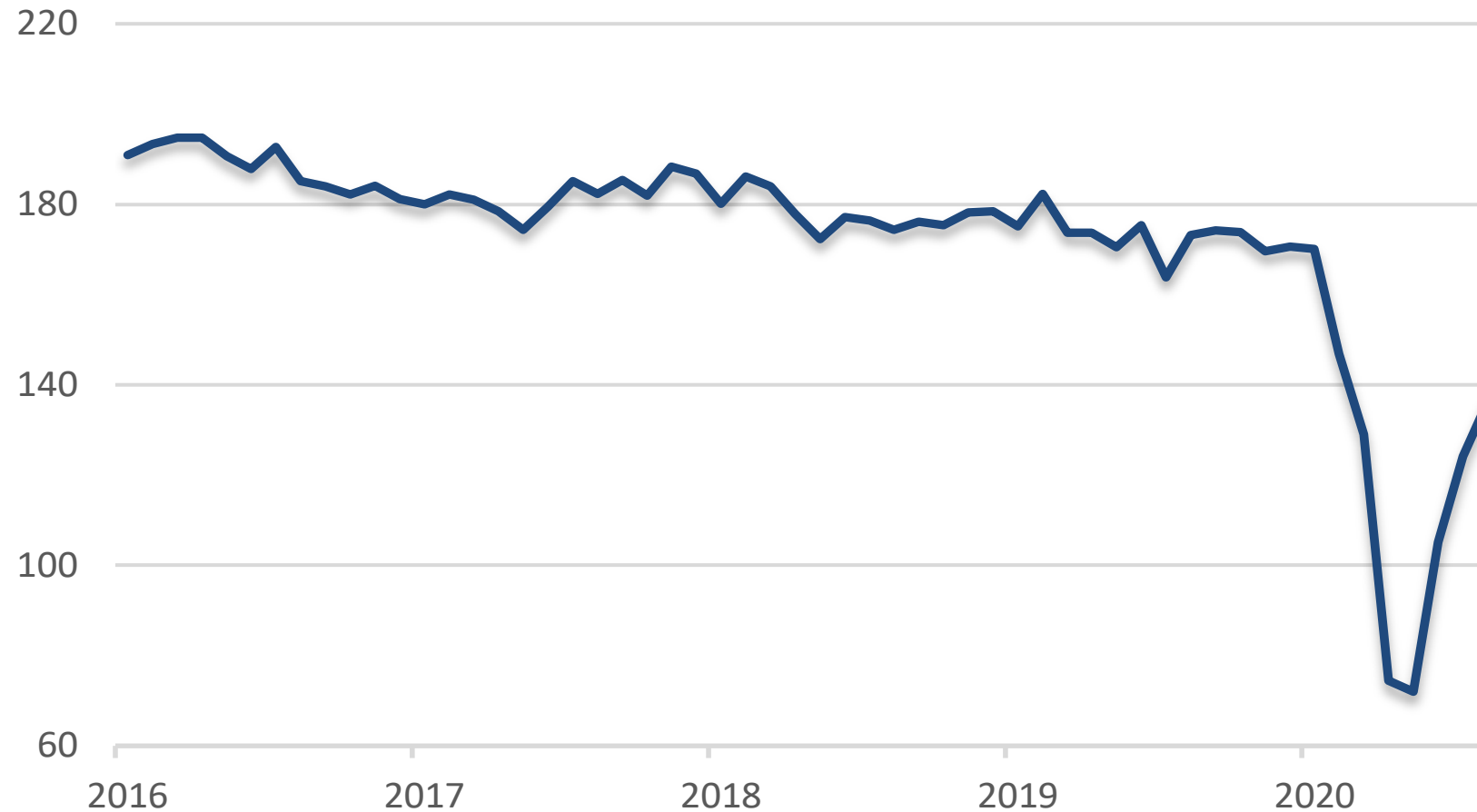
SG: Quarterly Retail Sales



Source: PSR, CEIC,

Taxi: Recovering but still down 21% YoY in August

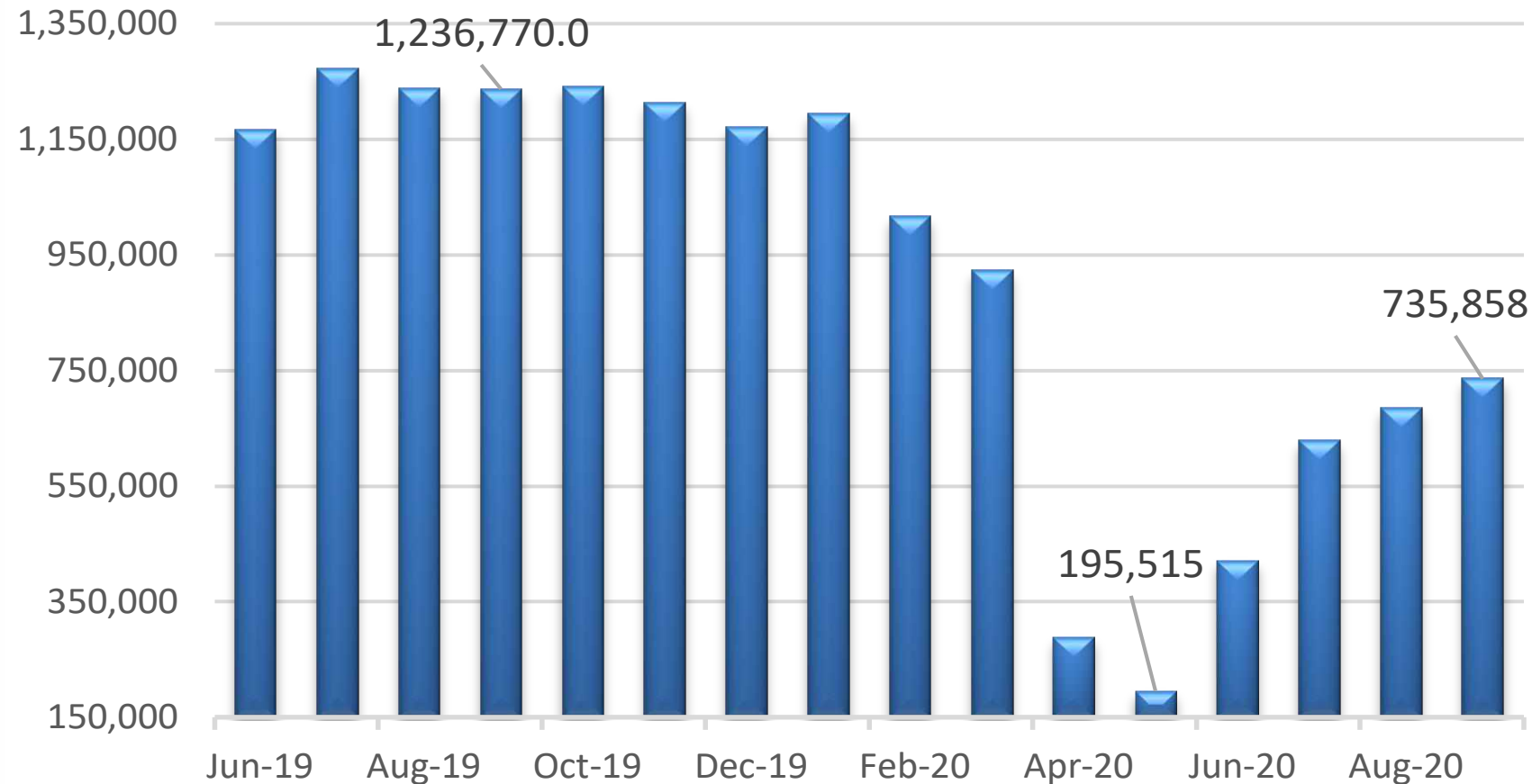
SG: Taxi average monthly travel (km)



Source: PSR, LTA

Rail: Recovering but still down 41% YoY in Sep20

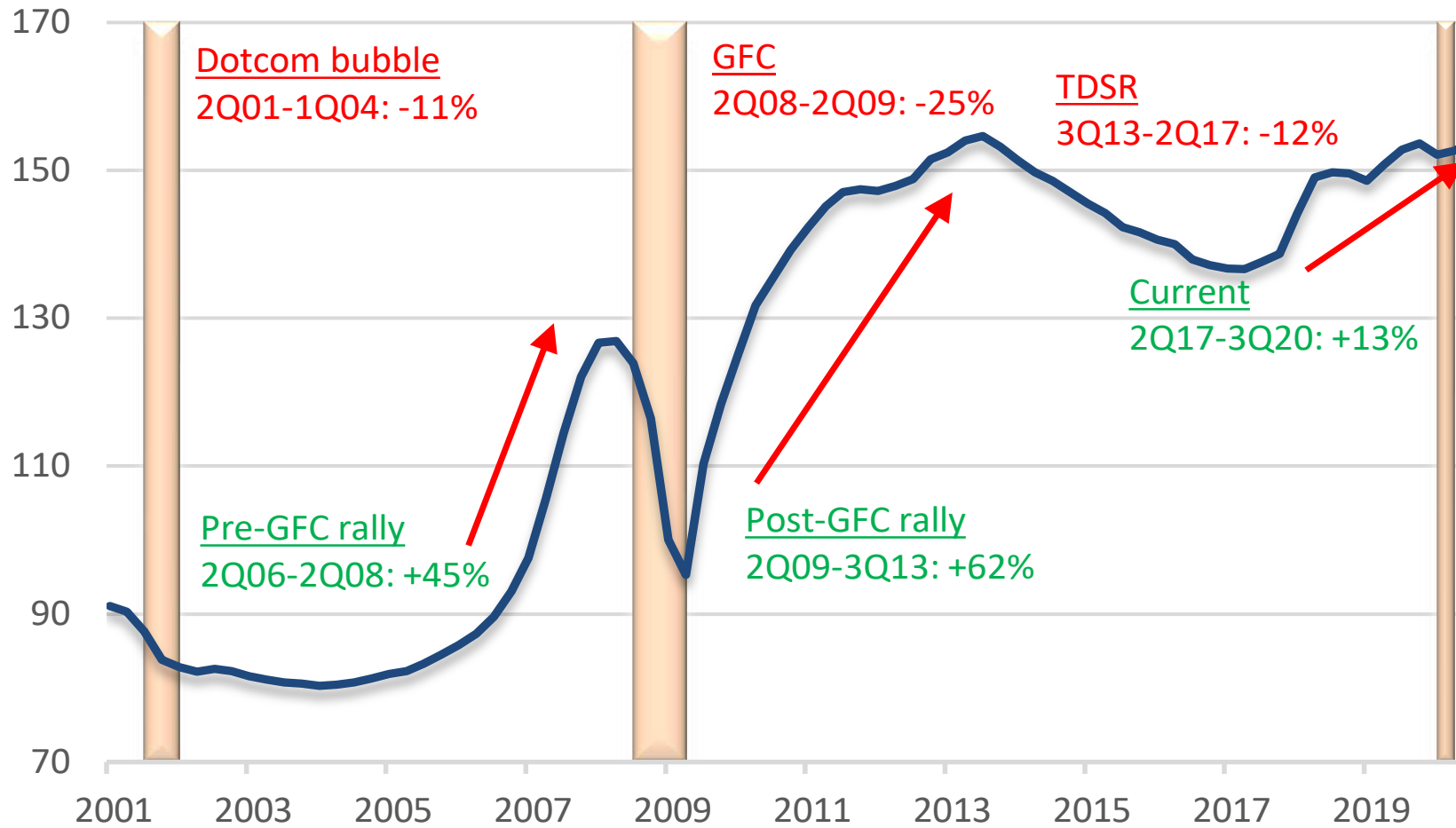
SBS Transit: Monthly rail passengers



Source: PSR, LTA

SG Property: Gradual and sustainable rise in prices

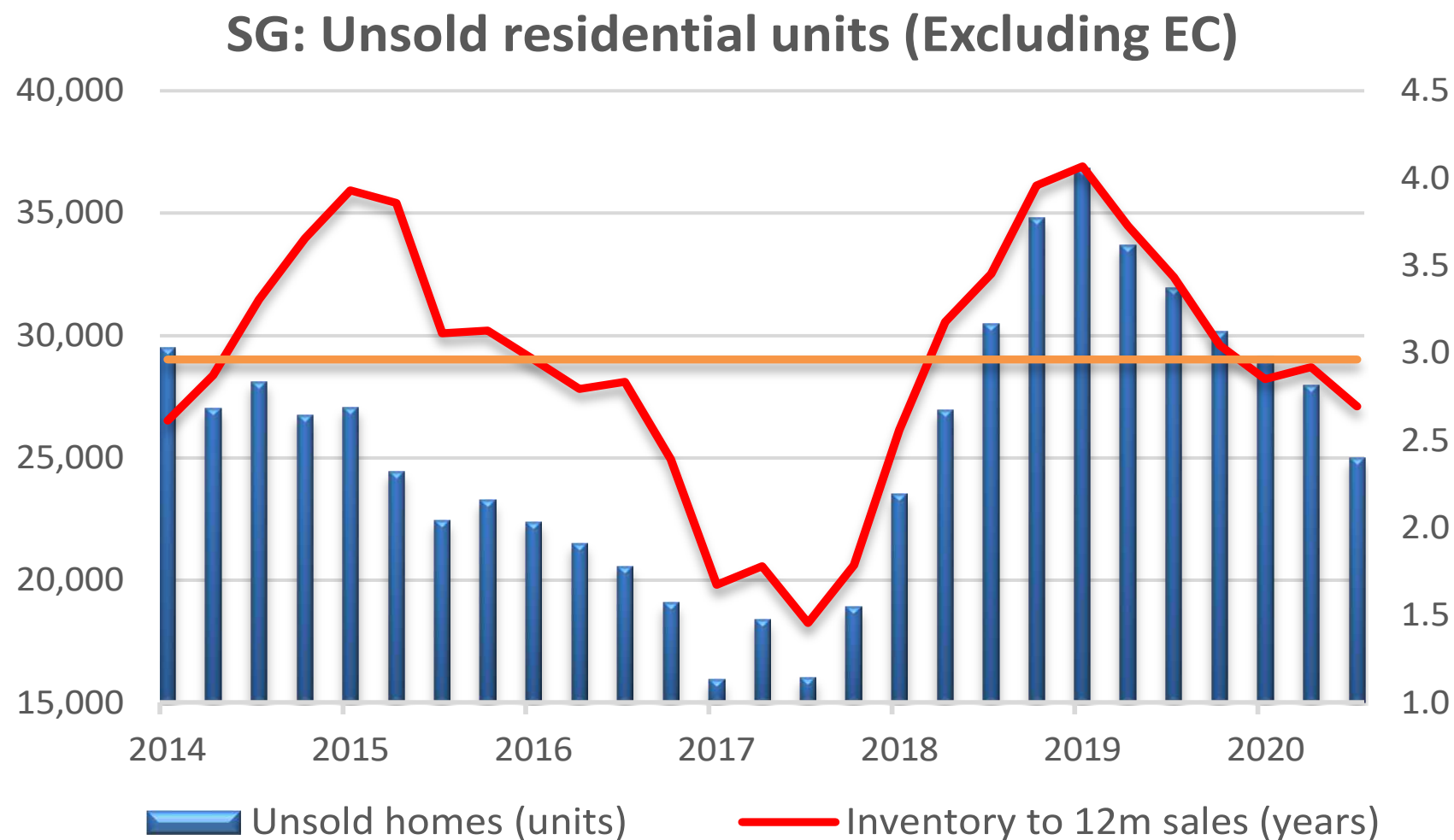
SG: Residential price cycle



- ✓ Implementation of TDSR in Jun2013
- ✓ Sub-sales down from 10%-13% in 2008-10 to 1% in 2020
- ✓ No boom to bust

Source: PSR, CEIC, URA

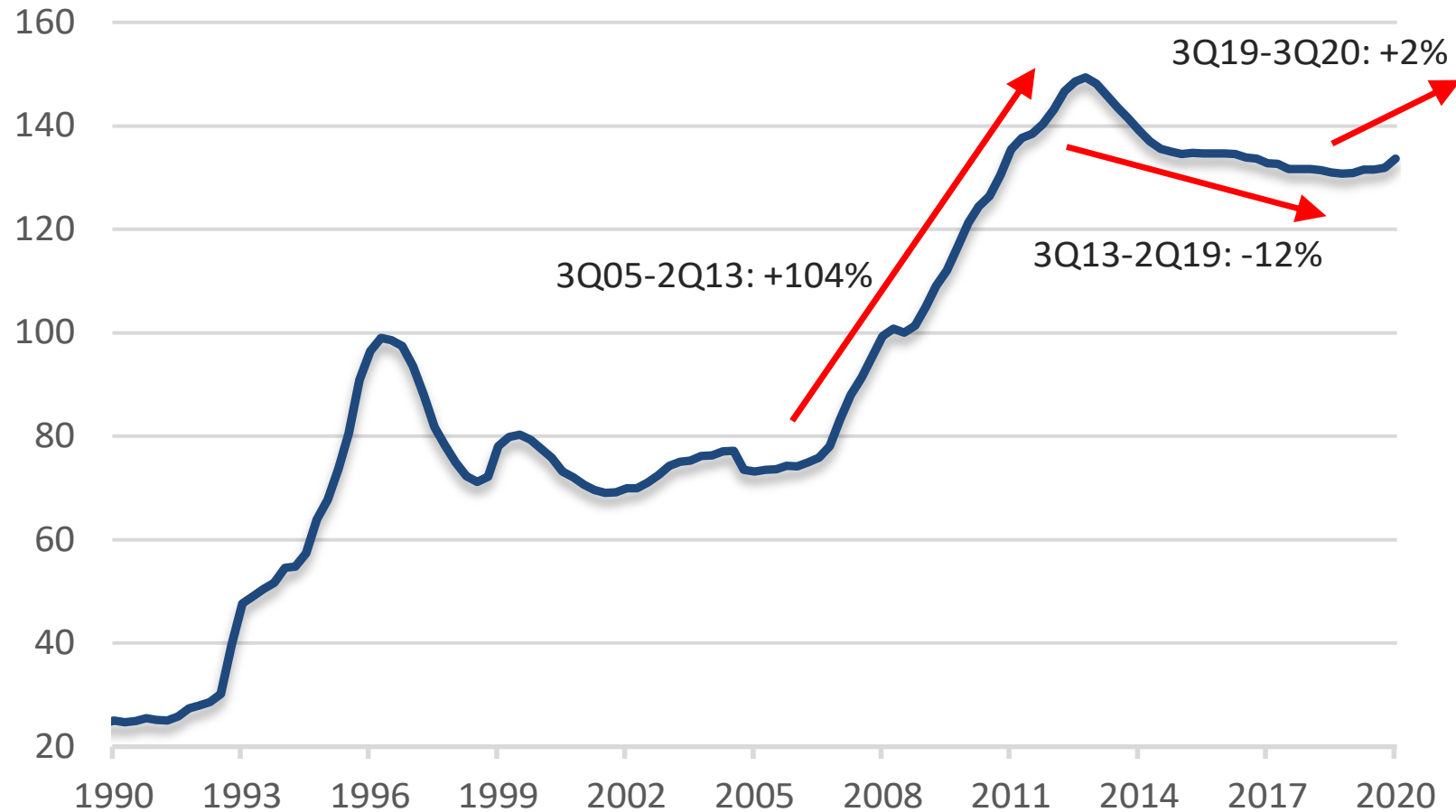
SG Property: Supply back to average levels



Source: PSR, CEIC, URA

SG Property: Mass market support from upgraders

HDB Resale Price index



- ✓ HDB resale price start to creep up
- ✓ Housing grant up to \$160k for first time buyers in Sep19
- ✓ Delay in new BTO by 6 to 9 months
- ✓ MOP eligible for 80k upgraders (2020-22)

Source: PSR, CEIC, Propnex, URA

US Presidential Elections: State not national matters

	2016 Elections - Trump Wins				2020 Elections		
	Seats	Trump Win	Trump Polls	Difference Win-Polls	Poll Biden	Poll Trump	Difference
Florida	29	1.2%	0.2%	1.0%	48.0%	44.3%	3.7%
Pennsylvania	20	0.7%	-1.9%	2.6%	51.0%	43.9%	7.1%
Michigan	16	0.3%	3.4%	-3.1%	49.4%	42.7%	6.7%
North Carolina	15	3.7%	1.0%	2.7%	48.3%	46.9%	1.4%
Arizona	11	3.5%	4.0%	-0.5%	48.2%	45.5%	2.7%
Wisconsin	10	0.8%	0.2%	0.6%	49.5%	44.0%	5.5%
	101						
Hillary	39	seat to win					

Source: PSR, https://www.realclearpolitics.com/epolls/2020/president/fl/florida_trump_vs_biden-6841.html

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