

25 June 2018, 8.15am/11.15am Morning Call/Webinar

Sector Update

Land Transport

Singapore Monthly Strategy

June 2018

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Land Transport Sector

Surge in TDVL issued portends a Taxi revival

Richard Leow

Phillip Securities Research Pte Ltd

25 June 2018

Positive data point for TDVL issued

Maintain Overweight on Land Transport sector: Positive industry restructuring and worst is over for the Taxi industry

**Maintain Accumulate on ComfortDelGro Corp; unchanged target price of \$2.69
(last close \$2.23)**

What is the news?

LTA published Taxi Driver Vocational Licence (TDVL) data for April

Figure 1: Taxi Driver Vocational Licence (TDVL) data

Y/E Dec	Apr-18	Apr-17	YoY	Dec-17	YTD	4M18	4M17	YoY
TDVL issued	410	110	273%			1,368	638	114%
Valid TDVL holders	95,895	99,305	-3.4%	96,085	-0.2%			

Source: LTA, PSR

How do we view this?

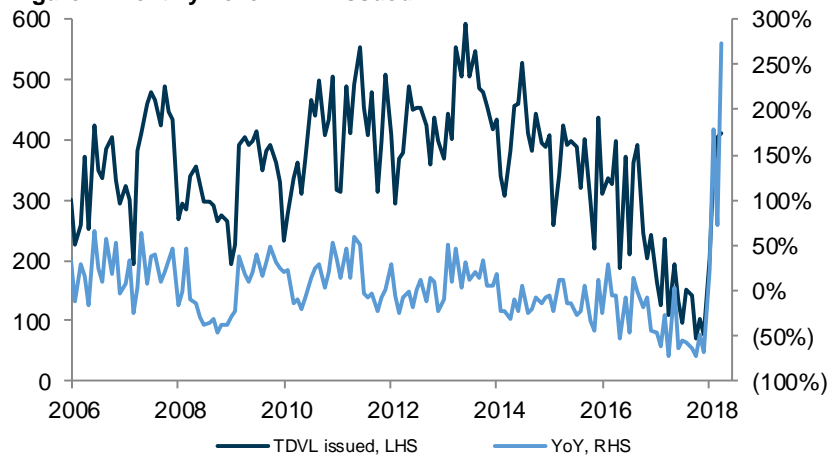
The Positives

- Surge in TDVL issued for the month of April and for the 4M18 period
- Existing private-hire drivers could be gravitating towards driving taxis instead

The Negatives

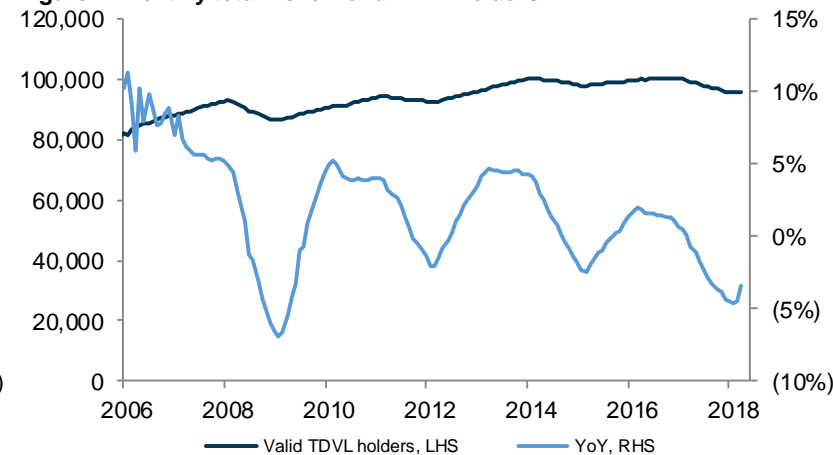
- Attrition has been higher than new issues, resulting in YTD net decrease in valid TDVL holders

Figure 1: Monthly No. of TDVL issued



Source: LTA, PSR

Figure 2: Monthly total No. of valid TDVL holders



Source: LTA, PSR

Maintain Overweight on Land Transport sector

- Positive industry restructuring: exit of Uber from ride-hailing
- Worst is over for Taxi industry

Maintain Accumulate on ComfortDelGro Corp; unchanged target price of \$2.69

(last close \$2.23)

Singapore Monthly – June18

A Short and Long fuse

Paul Chew

Phillip Securities Research Pte Ltd

25 June 2018

- Macro/Sector: *A Short and Long Fuse*
 - Long Fuse Italy: electorate did not vote Italexit but immigration/fiscal largeness; citizens own most of the debt; Masstricht fiscal rules
 - Short Fuse Trade war: all Chinese imports at risk; limited precedents and unclear how long; 2 scenarios - trade and economic slowdown cause rates to contract + import price driven inflation
 - Fed raises rates: Taylor rule and Phillips Curve view; inflation is rising
 - Unsettled emerging markets: another flash point is Turkey; capital controls after 24June elections
 - Property: sales still healthy; en-bloc is capping supply whilst stimulate new demand near term
 - Banking: improving margins + volume + wealth management
 - REIT: domestic momentum + relative SGD strength + interest rates priced in + bond proxy from inflation
 - Tactical bets: strong USD, domestic Singapore; rising interest rates, ASEAN electronic supply chain
- BUY sustainable yield, Overweight cyclicals (property, banks, consumer)
 - Yield: AsianPayTV, Ascendas REIT, CCT, Keppel DC Reit, CRCT, Cache
 - Property: CapitaLand, ChipEng Seng; en-bloc liquidity yet to surface
 - Banking: OCBC, UOB, DBS, SGX
 - Consumer: Laggard beneficiary – Sheng Siong, Dairy Farm, Thai Beverage, F&N
 - Transport: Comfort DelGro as non-taxi businesses pick up pace and competition subsides

Trade War: 'Good and Easy To Win', Trump (Mar18)

Round #1 :Oct17

Solar Panel & Washing Machine (~\$10bn)

- Jan18 Trump impose tariffs due to s.201 Imports cause injury to US industries
- Feb18 China retaliates with Sorghum tariffs

Round # 2: Apr17

Steel & Aluminium (~\$488bn)

- Feb18 Dept. Of Commerce release report under s.232 threaten National Security
- 23Mar18 tariff goes into effect; 2Apr18 China retaliates; 1June18 Allies affected

Round # 3: Aug17

Unfair Trade & IP (~\$50bn)

- 22Mar18 Report released of China unfair trade practice under s301
- 15Jun18 List of products release (intermediate/equipment) and effective 6July
- 15Jun18 China retaliates with tariffs on \$45bn imports soybeans, food, petroleum, etc

Round # 4: May18

Auto and auto parts (~\$200bn)

- s.232 investigation whether auto and auto parts impair US national security
- 19-20Jul18 Public hearings; 22Jun18 Trump threat on imported European autos

Round # 5: Jun18

All China Imports (\$400bn)

- 18Jun18 Trump direct USTR for additional 10% tariff on \$200bn Chinese imports with another \$200bn more if China retaliates again.

- Wild ride to be expected
- Economic impact guesstimate = $0.24^* \times \$700\text{bn} = \168bn or 0.8% of US GDP
- NAFTA negotiations after Mexican elections 1Jul18
- Disrupt electronic supply chains but positive for those based in SE Asia
- Authority to add or subtract
- S.201/s232/s301

** Average of 12 studies and \$700bn is based on \$480bn Chinese imports plus \$180bn exports to China plus \$40bn steel imports*

Phillip Absolute 10 model portfolio

Company	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Rating	Target Price	Share Price	% Upside	Mkt Cap (US\$ m)
Yield								
Asian PayTV	-12.2%	-24.6%	-27.1%	Buy	0.52	0.43	21%	464
Ascendas REIT	-0.7%	0.0%	-2.6%	Accumulate	2.91	2.65	10%	5,827
Growth								
Chip Eng Seng	-7.5%	-2.1%	-5.1%	Buy	1.21	0.93	31%	431
Dairy Farm - US\$	1.8%	1.4%	9.0%	Buy	9.83	8.57	15%	11,592
OCBC	-9.1%	-4.0%	1.2%	Accumulate	14.90	12.54	19%	39,411
Geo Energy	2.3%	-4.3%	-15.1%	Buy	0.41	0.23	82%	225
Micro-Mechanics	-2.2%	-17.6%	-15.6%	Buy	2.30	1.78	29%	186
Re-rating Plays								
Banyan Tree	-4.2%	-6.6%	0.0%	Accumulate	0.73	0.57	29%	357
CapitaLand	-8.0%	-4.7%	-2.0%	Accumulate	4.19	3.46	21%	10,872
Comfort DelGro	9.3%	21.2%	24.2%	Accumulate	2.48	2.46	1%	3,997
Average	-3.1%	-4.1%	-3.3%				26%	73,361

Historical Performance

	Absolute 10	STI
Jan18	4.9%	3.9%
Feb18	-3.1%	-0.5%
Mar18	-2.7%	-2.6%
Apr18	1.4%	5.4%
May18	-3.1%	-5.1%
YTD	-2.8%	0.7%

- Weathering the sell-down: Biggest YTD winner was DBS (removed in March), ComfortDelGro and Dairy Farm
- Hurt by price performance of
 - 1) AsianPayTV: 1Q18 results disappointed but there is valuation and yield support
 - 2) Micro-Mechanics: caught in downdraft with other electronic stocks, lower beta play on semiconductors

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