

Sector Update

Land Transport

Banking

Central Banks' Meetings

Update on Policies

Company Results

Ascendas REIT

Cache Logistics Trust

DBS Group Holdings

China Aviation Oil

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Land Transport Sector

Taxi turnaround in sight

Richard Leow
Phillip Securities Research Pte Ltd
6 August 2018

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 \$2.27)**

LTA published motor vehicle population and Taxi Driver Vocational Licence (TDVL) data for June 2018

Figure 1: Taxi and Rental cars population, Taxi Driver Vocational Licence (TDVL) data

Y/E Dec	Jun-18	Jun-17	YoY	Dec-17	YTD	May-18	MoM
Taxi	21,164	25,699	-17.6%	23,140	-8.5%	21,237	-0.3%
Rental cars	68,817	63,259	+8.8%	68,083	+1.1%	68,341	+0.7%
Valid TDVL holders	96,336	98,369	-2.1%	96,085	+0.3%	96,090	+0.3%
	Jun-18	Jun-17	YoY		6M18	6M17	YoY
TDVL issued	344	133	+159%		2,019	965	+109%

Source: Bloomberg, LTA, PSR

New entrant Tada has launched its ride-hailing app that uses blockchain to keep a record of rides

ComfortDelGro Corp will be buying up to 1,200 petrol-electric Hyundai Ioniq hybrid taxis

How do we view this?

The Positives

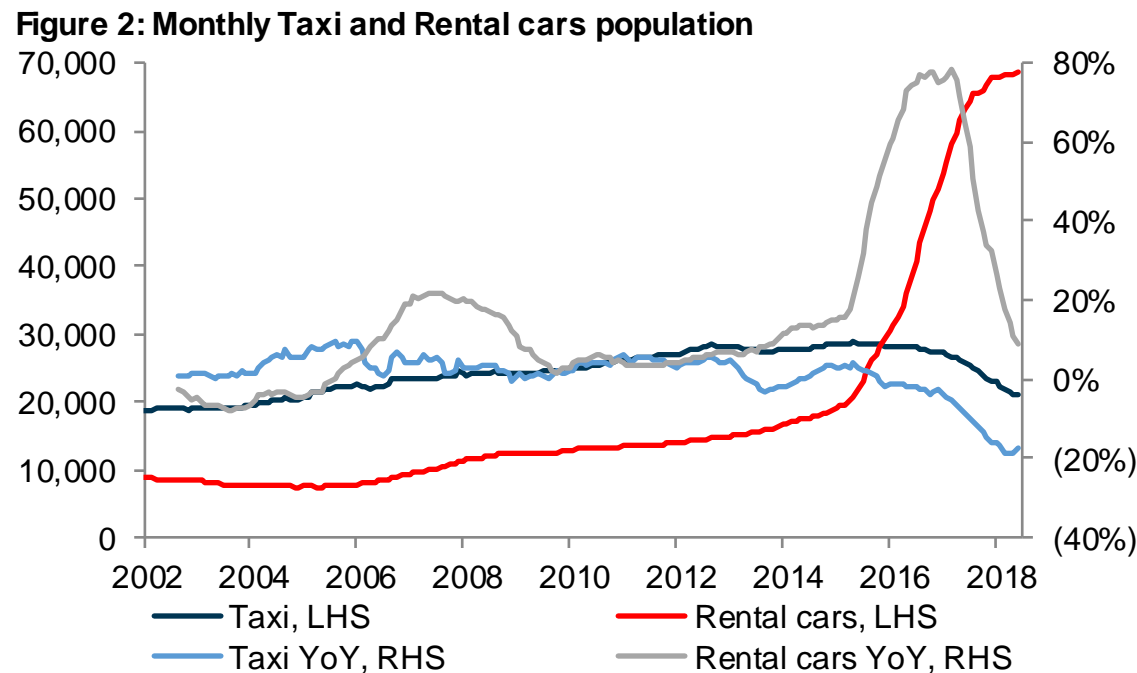
- Rate of decline in Taxi population shows sign of bottoming
- Rental cars YoY growth continues to taper down, reaching single-digit growth rate for the first-time in four years and seven months
- Momentum for TDVL issued has been maintained

The Negatives

- +0.7% MoM growth in Rental cars population: was expecting a MoM decline

Taxi population continues to contract, but YoY contraction shows sign of bottoming

Rental cars YoY growth continues to taper down, reaching single-digit growth rate

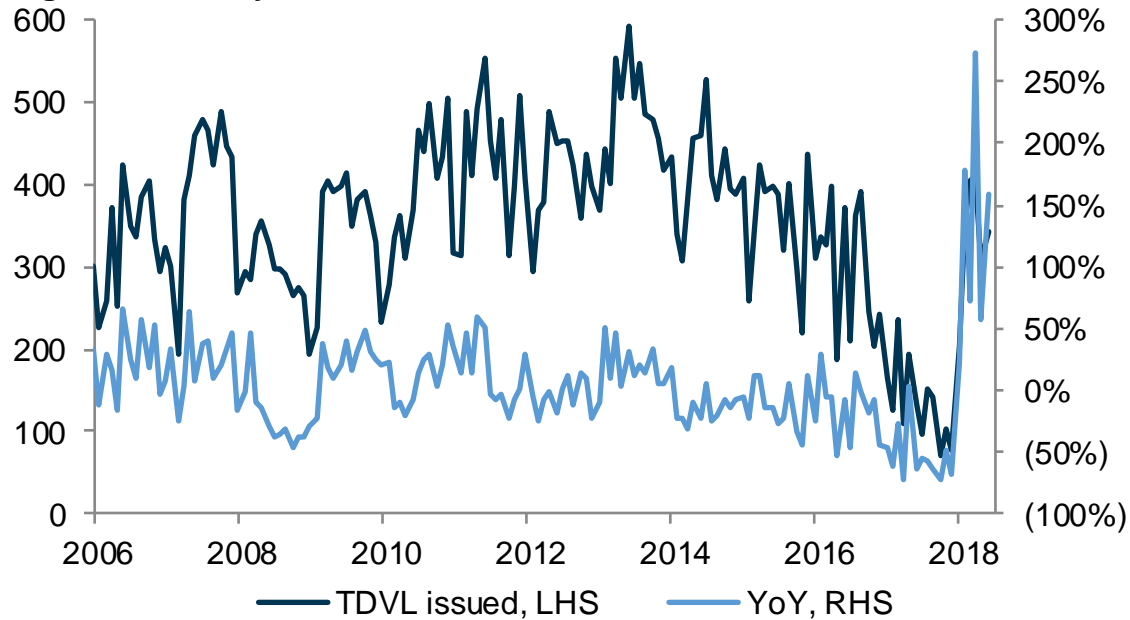


Source: Bloomberg, LTA, PSR

Sustained spike in TDVL issued

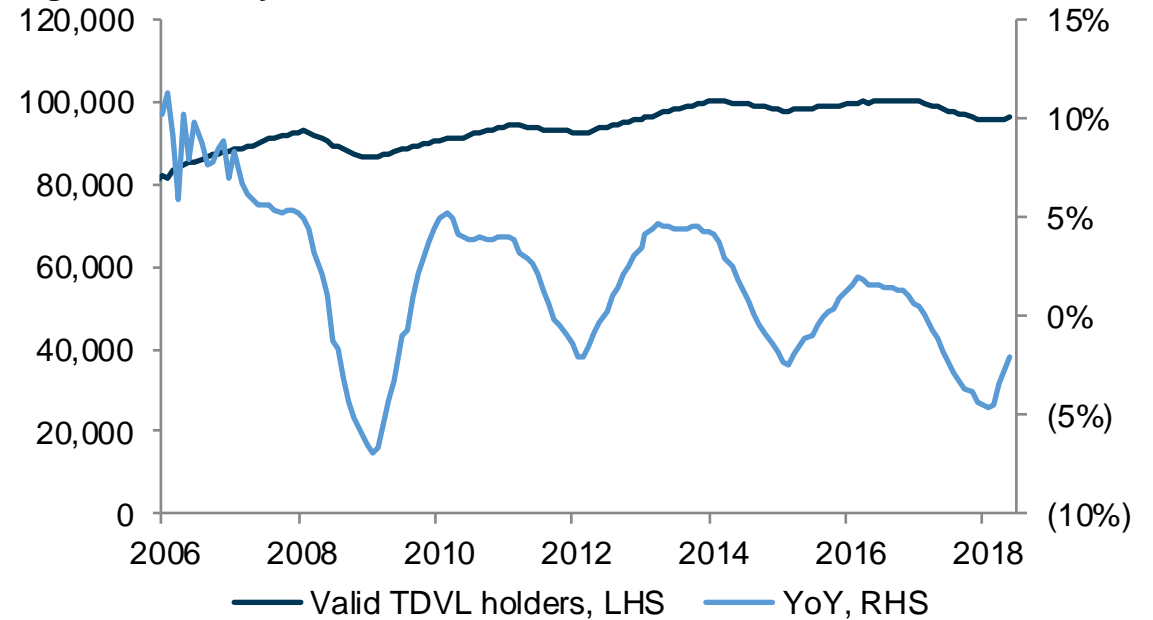
Number of valid TDVL holders remain flat YTD

Figure 3: Monthly No. of TDVL issued



Source: LTA, PSR

Figure 4: Monthly total No. of valid TDVL holders



Source: LTA, PSR

Ascendas REIT

Operationally stable

Richard Leow

Phillip Securities Research Pte Ltd

6 August 2018

Ascendas REIT

(Accumulate, TP: \$2.96, DPU: 16.13 cents (6.0%), Last: \$2.70)

Results at a glance

(SGD mn)	1Q19	1Q18	YoY	Comments
Gross revenue	217	213	+1.5%	Contribution from Australia acquisitions and redeveloped properties in Singapore, partially offset by divestments of 10 Woodlands Link (July 2017) and 13 International Business Park (August 2017) and 84 Genting Lane (January 2018)
Net property income	159	153	+3.8%	4.2% lower property operating expenses
Distributable income	117	118	-1.0%	One-off distribution of S\$5.9 mn in 1Q18 from a tax ruling by IRAS
DPU (cents)	4.002	4.049	-1.2%	0.13% larger unit base; DPU would have been 4.0% higher YoY if excluding 0.20 cent one-off distribution in 1Q18

Source: Company, PSR

The Positives

- Positive rental reversion of +10.5% for the portfolio
- Healthy WALE of 4.1 years that is above sector average of 3.7 years
- Higher proportion of borrowings are on fixed rate, thus mitigating interest rate risk

The Negatives

- Lower portfolio occupancy, led by lower Singapore occupancy
- QoQ higher leverage of 35.7% from 34.4%

Outlook: stable

- Portfolio is sufficiently diversified to cushion short-term localised impact

Cache Logistics Trust

Portfolio rebalancing: work in progress

Richard Leow

Phillip Securities Research Pte Ltd

6 August 2018

Cache Logistics Trust

(Neutral, TP: \$0.82, DPU: 5.65 cents (7.5%), Last: \$0.75)

Results at a glance

(SGD mn)	2Q18	2Q17	YoY	Comments
Gross revenue	30.0	27.9	7.7%	Nine Australia warehouses acquired on Feb. 15, 51 Alps Ave rental top-up and higher revenue from DSC ARC; offset by lower contribution from DC2, Pandan Logistics Hub and divestment of 40 Alps Ave (May 18)
Net property income	21.6	21.7	-0.1%	34.6% higher property expenses
Distributable income	15.2	16.3	-6.3%	2Q18 includes capital distribution of \$0.408mn, 2Q17 includes capital distribution of \$0.118mn; underlying DI from operations is 8.1% lower
DPU (cents)	1.419	1.800	-21.2%	Effect of 19% larger unit base following Rights Issue in October 2017; 2Q18 includes capital distribution of 0.038 cents, 2Q17 includes capital distribution of 0.013 cents

Source: Company, PSR

The Positives

- QoQ lower gearing from 38.5% to 35.3%
- Higher than expected occupancy at CWT Commodity Hub
- Limited vacancy risk remains for 2H 2018

Outlook: Negative

- Negative reversions, 28% of GRI for renewal in 2019, three master leases expiring in 2019

The Negatives

- YoY lower NPI despite YoY higher gross revenue
- YoY lower DI underpinned by lower underlying DI from operations
- Portfolio rental reversion of -4.0% for the quarter

Singapore Banking Monthly Update

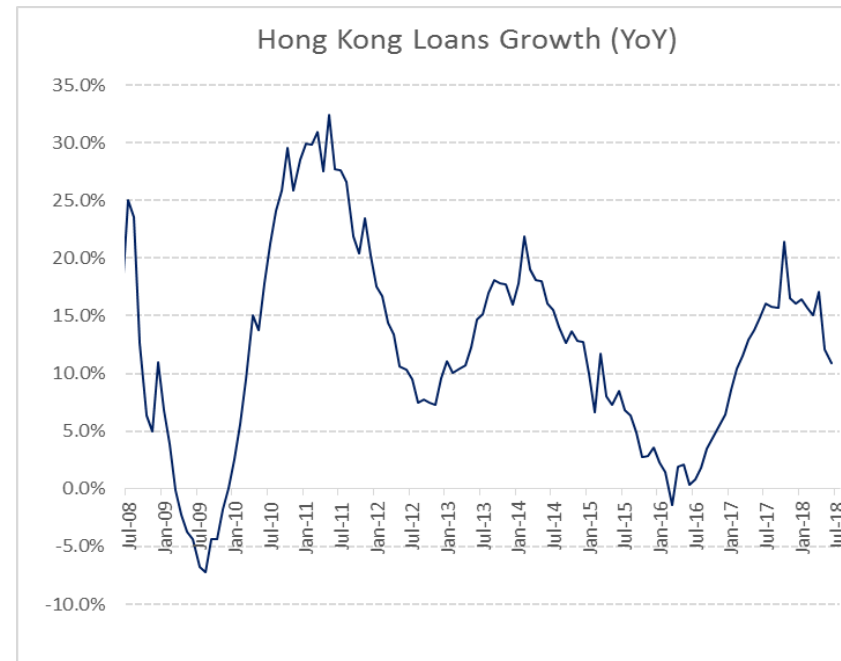
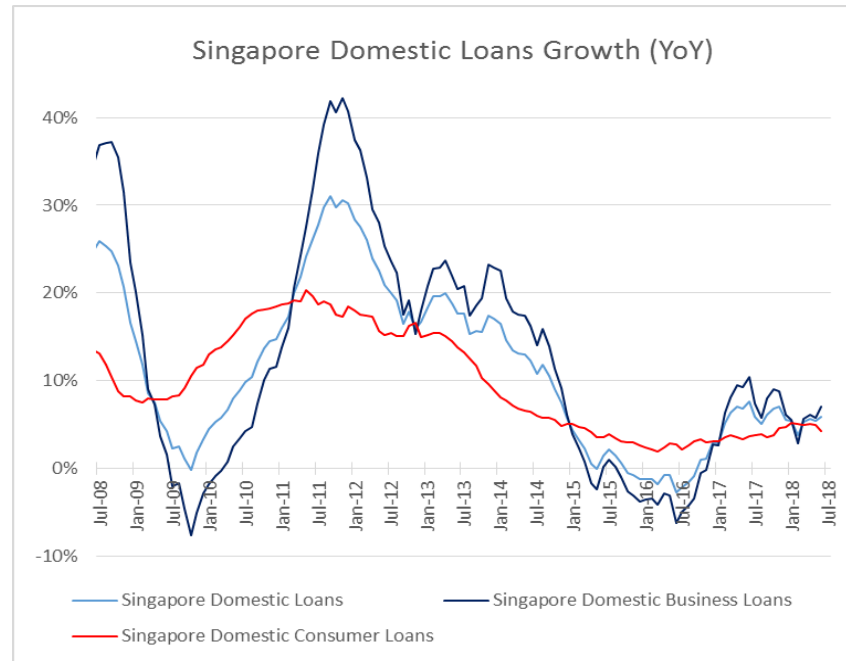
June loans growth the fastest in 2018

Tin Min Ying

Phillip Securities Research Pte Ltd

6 August 2018

Outlook – Loans



Source: CEIC, Bloomberg, PSR

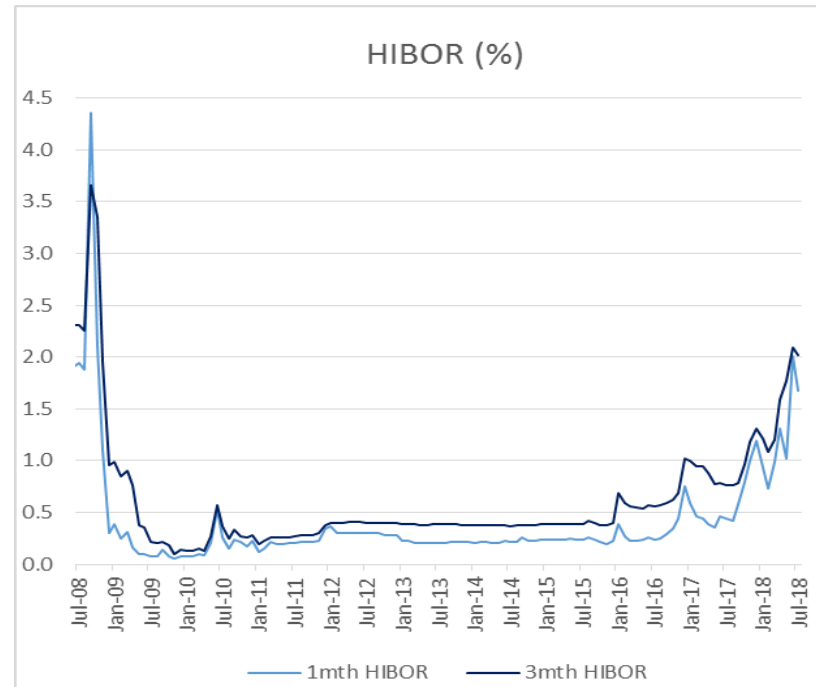
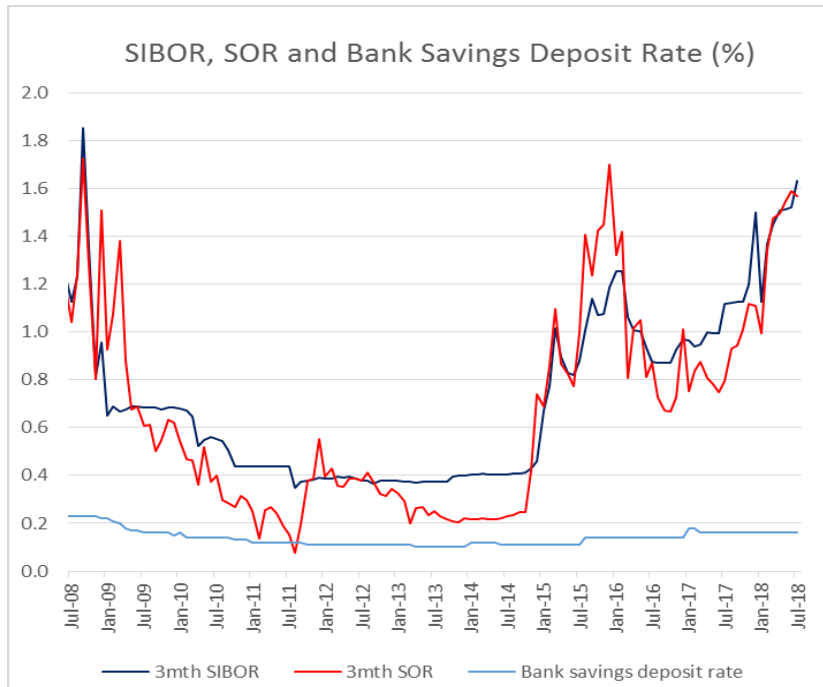
Singapore:

- SG domestic loans growth rose 5.9% YoY.
- Driven by business loans that rose 7.0% YoY.
- Consumer loans rose 4.8% YoY.
 - Car loans growth reached 5-year high at 8.6%.
 - Mortgage loans expanded 4.2% YoY.
- Recent property cooling measures a slight negative to loans growth in upcoming quarters.

Hong Kong:

- 2Q18 loans growth increase 13.3% YoY.
- June residential sales:
 - Volume up 21.6% MoM.
 - Value up 30.4% MoM.

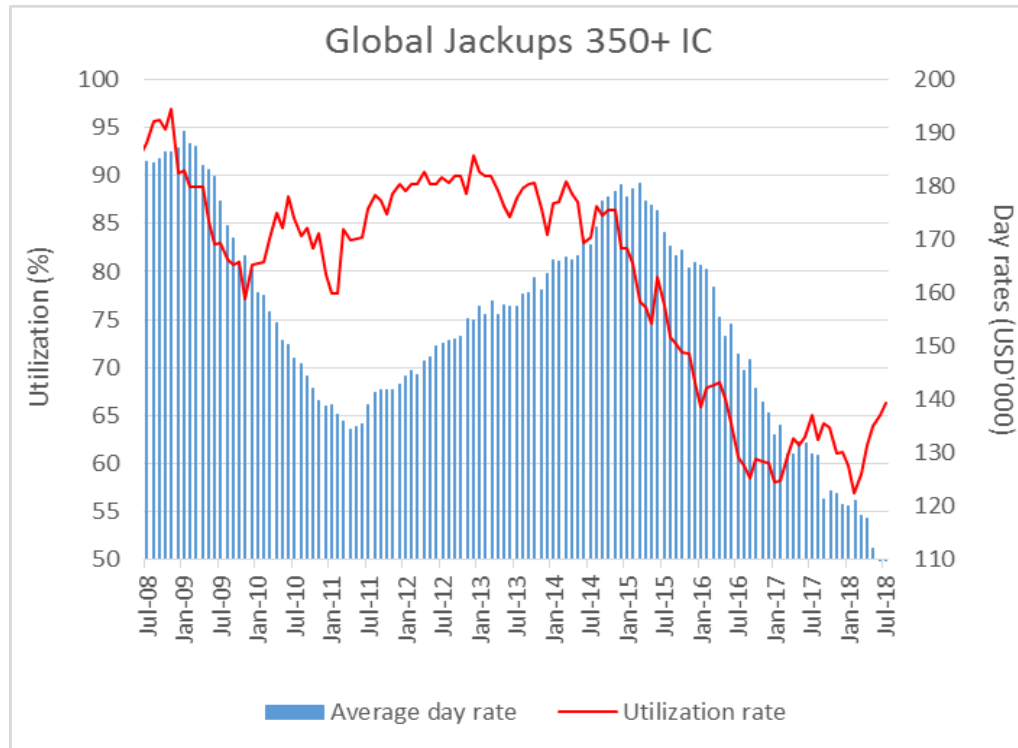
Outlook: Margins



Source: CEIC, Bloomberg, PSR

- 3-month SIBOR rose in July to near 10-year highs.
- With the expectation of 2 more Fed rate hikes in 2018, NIM expansion continues to be a catalyst.
- 3-month SOR maintained its strong ascent this year.
- As HIBOR increases, marginal increases in NIM will more than offset the increase in funding costs.

Outlook – Oil & Gas Sector



Source: Bloomberg, PSR

- Global jack up utilisation rate has bottomed out in February and July's rate spiked to the highest in 2 years.
- However, recovery in utilization rate was insufficient to emulate a similar recovery in day rates; which fell to the lowest in 12 years.
- O&G NPLs has stabilised and is unlikely to worsen this year.

DBS Group Holdings Ltd

NIM at 2-year high and guided higher

Tin Min Ying
Phillip Securities Research Pte Ltd
6 August 2018

DBS Group Holdings Ltd

(BUY (Upgraded), TP: S\$33.32, Last: S\$32.70)



Results at a glance

(SGD mn)	2Q18	2Q17	YoY (%)	1Q18	QoQ (%)	Comments
NII	2,224	1,888	17.8%	2,128	4.5%	NIMs +11bps YoY, loans +11.5% YoY.
Net Fees & Comm	706	636	11.0%	744	-5.1%	WM Fees +22.5% YoY.
Other Non-II	273	400	-31.8%	488	-44.1%	Lower Net Trading Income YoY and QoQ.
Total Income	3,203	2,924	9.5%	3,360	-4.7%	
Expenses	1,410	1,258	12.1%	1,387	1.7%	1H18 CIR at 43%, in line with guidance of 43%.
Allowance	164	200	-18.0%	225	-27.1%	Credit cost declines to 12 bps
Adj.Net Profit	1,521	1,210	25.7%	1,218	24.9%	

Outlook

- Expect slowdown in housing loans and property related business loans growth.
- Trade war tensions anticipated to have an impact on trade loans as well.
- Thus, guidance for full year loans growth target has been lowered to 6-7% from 8%.
- NIM will still be on a positive trajectory as trade issues will impact trade volumes more significantly than overall margins.
- Multiple drivers to 2018 growth:
 1. NIM expansion from rising SIBOR, SOR and HIBOR.
 2. Volume growth as overall domestic economy improves.
 3. Asset quality benign and the high new NPA we saw this quarter is mainly from one corporation.
 4. Wealth management is enjoying structural growth as DBS builds a stronger franchise globally and digitalise platforms.

Investment Actions

We raised our target price to S\$33.32 (previously S\$32.70). Our rating has been upgraded at BUY due to higher book value assumption.

The Positives

- NIM at two-year highs
- NII driven by broad-based loans growth.
- Hong Kong earnings surged 33% YoY in 2Q18.

The Negatives

- Treasury market income missed the mark.
- Lacklustre performance from other non-interest income.

China Aviation (Singapore) Oil

Margin improvement from underlying business

Chen Guangzhi

Phillip Securities Research Pte Ltd

6 August 2018

China Aviation (Singapore) Oil

(BUY (Maintained), TP: S\$2.00)

Results at a glance

(US\$ mn)	2Q18	2Q17 (Restated)	YoY (%)	Comments
Revenue	5,799.9	3,672.7	57.9	Higher oil prices (Brent: 2Q18: US\$77.4/bbl vs 2Q17: US\$69.9/bbl) and a moderate increase in total supply and trading volume of middle distillates and other oil products (2Q18: 10.0mn tonnes vs 2Q17: 8.4mn tonnes)
Gross profit	16.4	10.6	55.1	Higher jet fuel volume supplied to China and higher profits from trading and optimisation activities
Operating profit	11.7	8.4	39.9	Higher interest income partially offset by foreign exchange loss
Associates and JVs	18.6	18.3	1.6	Foreign exchange losses and higher operating expenses offsetting higher operating profit from increased refuelling volume
Net profit	29.3	25.6	14.4	In line with the above

Source: Company, PSR

Outlook

- Trading activities are expected to be slower
- Expecting NAL to contribute profits to the group
- Other synergies will come from flexibility in managing and coordinating jet fuel supply globally
- The 5th runway at Pudong airport is partially utilized: ample room to grow air traffic volume

Positives

Total volumes grow amid margin improvement

(mn tonnes)	2Q18	2Q17	YoY (%)
Middle distillates	4.6	5.0	(8.6)
Jet fuel	3.4	4.0	(14.8)
Other oil products	5.4	3.4	58.9
Total	10.0	8.4	18.8

Source: Company, PSR

- Supply and trading margins: US\$1.64/tonne (+30.5% YoY) in 2Q18

Negatives

A slight drop in profits from associates

- Profit from Pudong: US\$15.7mn (-2.6% YoY)
- Profit from OKYC: US\$2.0mn (+40.2% YoY)

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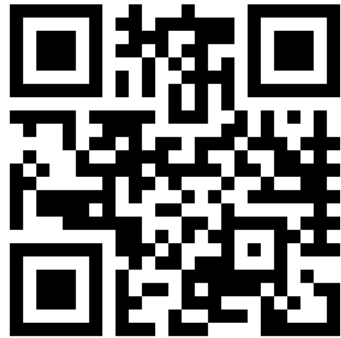
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Central Banks' Meetings

Update on Policies

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06 Aug 2018

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Series of Central bank Announcements Last Week



31st Jul 2018
Tuesday
Bank of Japan
(BOJ)



1st Aug 2018
Wednesday
Federal Reserve
(Fed)



2nd Jul 2018
Thursday
Bank of England
(BOE)

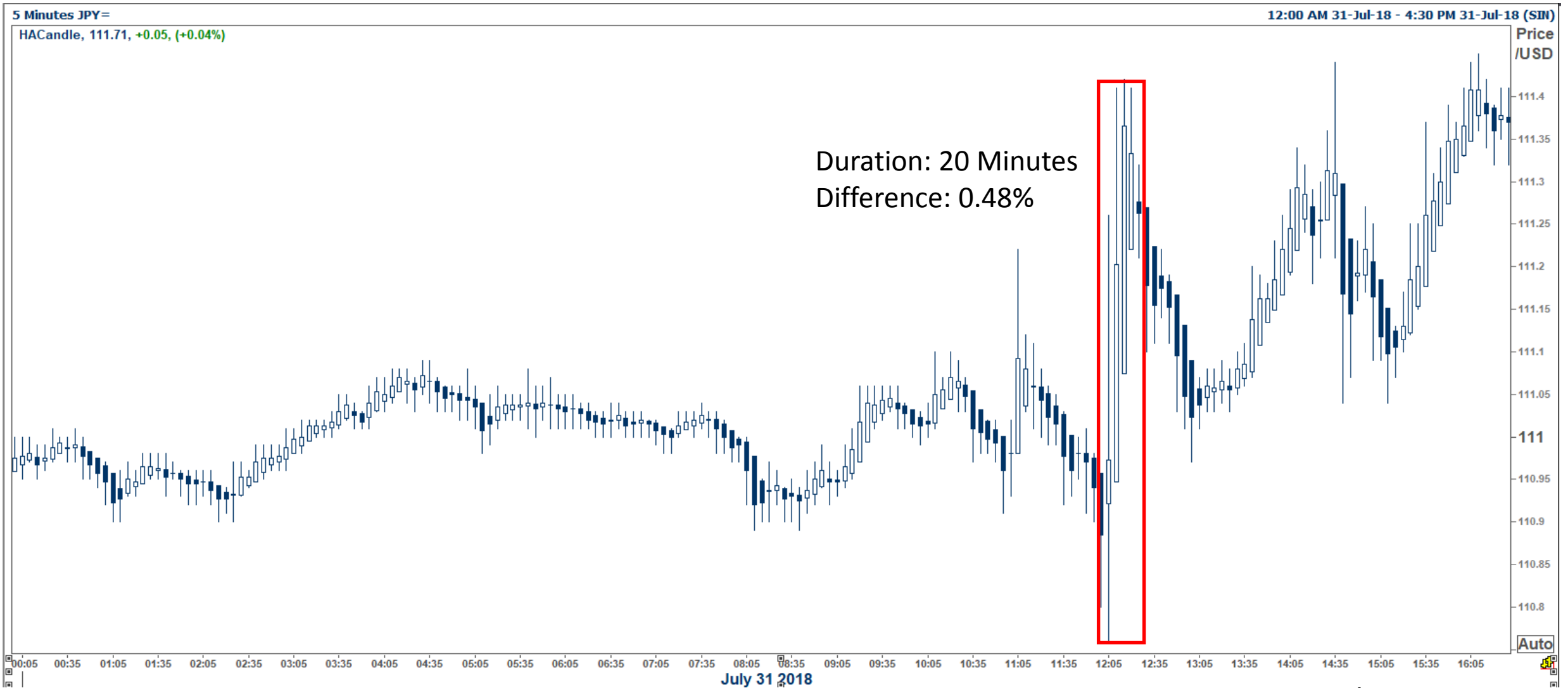
BOJ Statement



Expectations	Reality
Revise monetary policy	<p>Little change in Forward Guidance:</p> <ul style="list-style-type: none">• The BOJ adopted “forward guidance” on policy, committing to keep interest rates “very low” for an “extended period of time.”• The central bank said it will guide rates low with an eye on uncertainties over the economic outlook, such as the impact of next year’s scheduled sales tax hike.
No change in interest rate	<p>No change in interest rate, but:</p> <ul style="list-style-type: none">• It added guidance saying the BOJ will allow long-term yields to fluctuate more reflecting economic and price developments. This means the BOJ may allow 10-year yields to move above 0.11 percent, which markets consider as the bank’s line in the sand as it repeatedly stepped in to cap yields at this level.• The BOJ also added a phrase in its statement that it will conduct its bond-buying operations in a “flexible manner,” suggesting it will continue to steadily slow the pace of buying.
Change methodology on how the BOJ buys shares through its exchanged-traded fund program	<ul style="list-style-type: none">• The BOJ maintained the pace of buying for exchange-traded funds (ETF) and trust funds investing in real estate (REIT).• But it said the amount of purchases for these assets could fluctuate depending on market conditions, signaling that the purchases could slow from time to time if asset prices are rising and do not need central bank support.• The BOJ said it will change the composition of its ETF buying to expand purchases of Topix-linked ETFs. From Aug. 6, it will increase buying of Topix-linked ETFs to 4.2 trillion yen per year from 2.7 trillion yen. It will instead reduce by half to 1.5 trillion yen buying of ETFs linked to three indices - the Topix, Nikkei 225 and JPX Nikkei 400.• The composition change is aimed at fixing distortions in markets, which made the BOJ a top shareholder for some big Japanese companies.

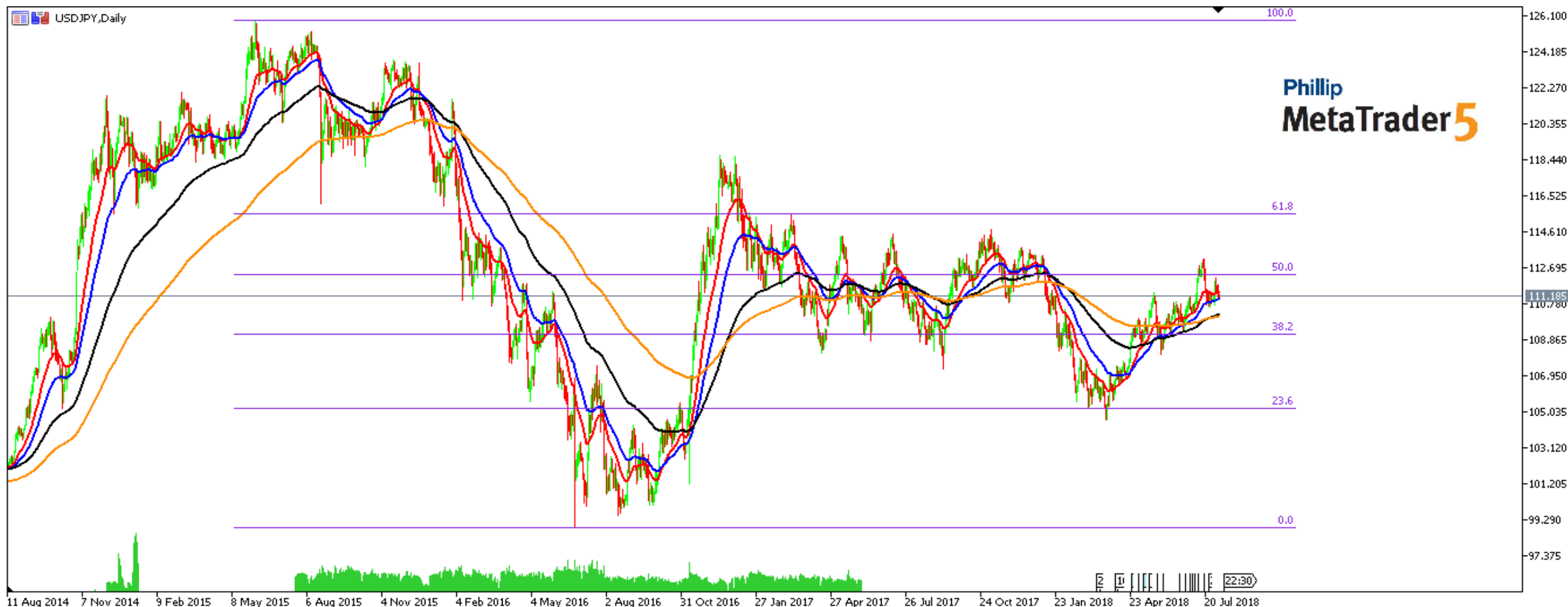
Conclusion: BOJ keeps rates low but take measures to make policy flexible; Maintains inflation target

Market Reaction after Announcement



Source: Reuters/ Phillip Futures

USD/ JPY Pair



Phillip
MetaTrader 5

50.0%: 112.337

38.2%: 109.225

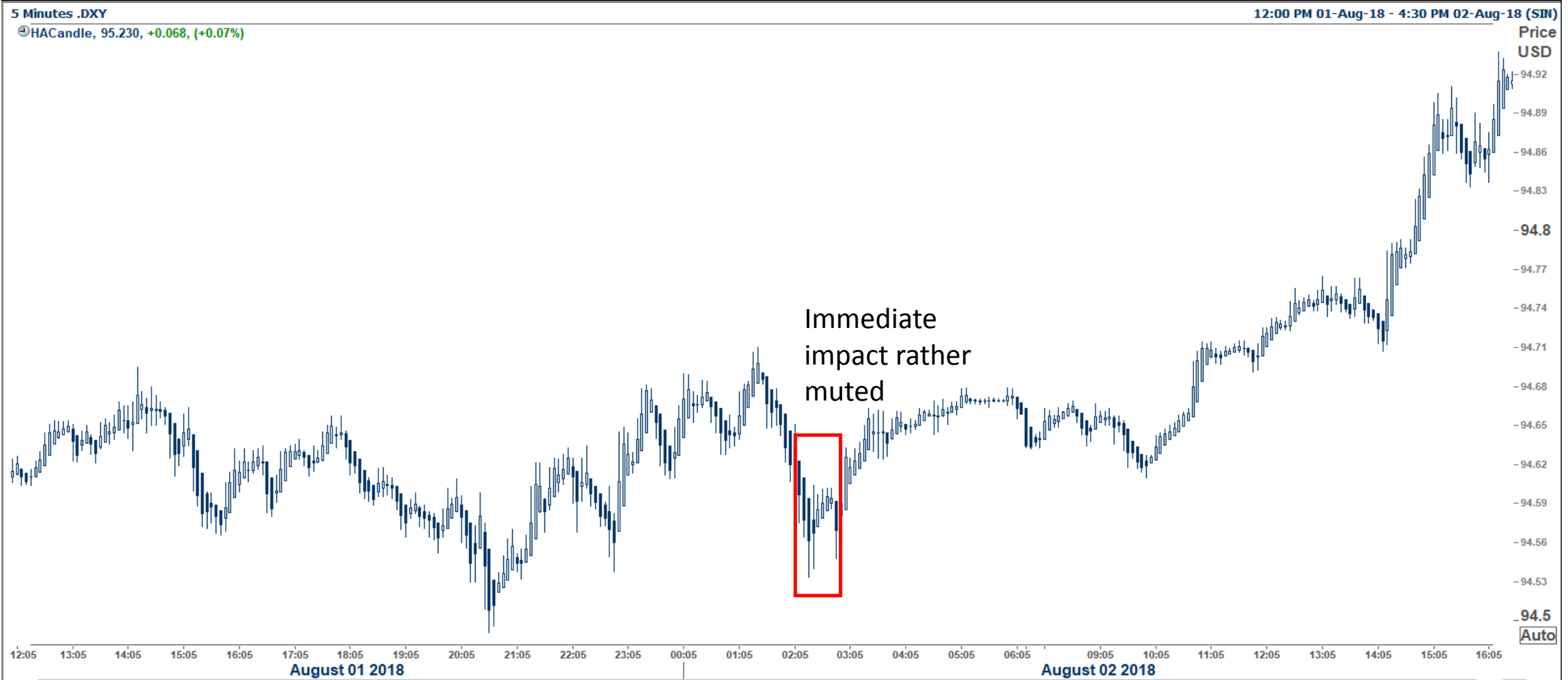
23.6%: 105.275

Source: MT5/ Phillip Futures
Obtained 6th Aug 2018

Expectations	Reality
No change in interest rate this month	No change in interest rate this month
Hawkish in terms of monetary policy	Stated that "economic activity has been rising at a strong rate", taking a more bullish view than before
State that economy is improving	Upgraded its assessment of the U.S. economy, and noted that the labor market has "continued to strengthen", and that household spending has "grown strongly."
President Trump's recent criticism may impact Fed statement	No mention.
Mention on the impact of rising trade tensions	No mention about the rising US-China trade tension

Conclusion: Sentiments are in line with its previous hawkish statements, pointing to a higher probability of the Fed raising rates two more times before the year ends

Market Reaction after Announcement



Source: Reuters/ Phillip Futures

USD/ SGD Pair



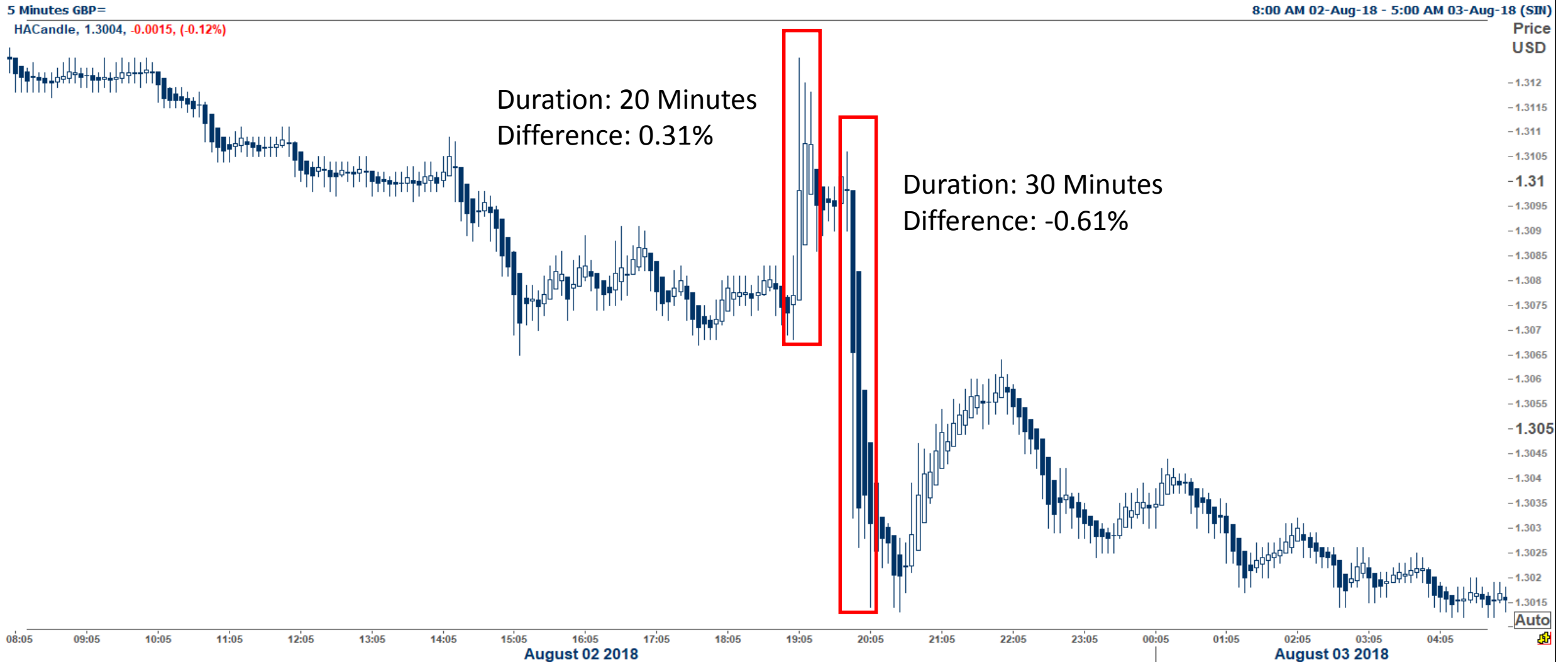
Fibro Levels:
61.8%: 1.378
100%: 1.330
127%: 1.296

Source: MT5/ Phillip Futures
Obtained 6th Aug 2018

Expectations	Reality
Raise rates by 25 Basis points	Raise rates by 25 Basis points
More hawkish on economy as 1 st quarter weakness deemed “temporary”	BOE governor Carney also signaled that there was no hurry for the next rate hike, and said that a rate hike a year will be a good rule of thumb
Concerns on “Brexit” as deadline draws closer	BoE Governor Mark Carney himself noted that the negotiations are entering a “critical period” and that the BoE is prepared for all scenarios. He also gave no indication that policy makers see a need to accelerate the path of rate hikes.

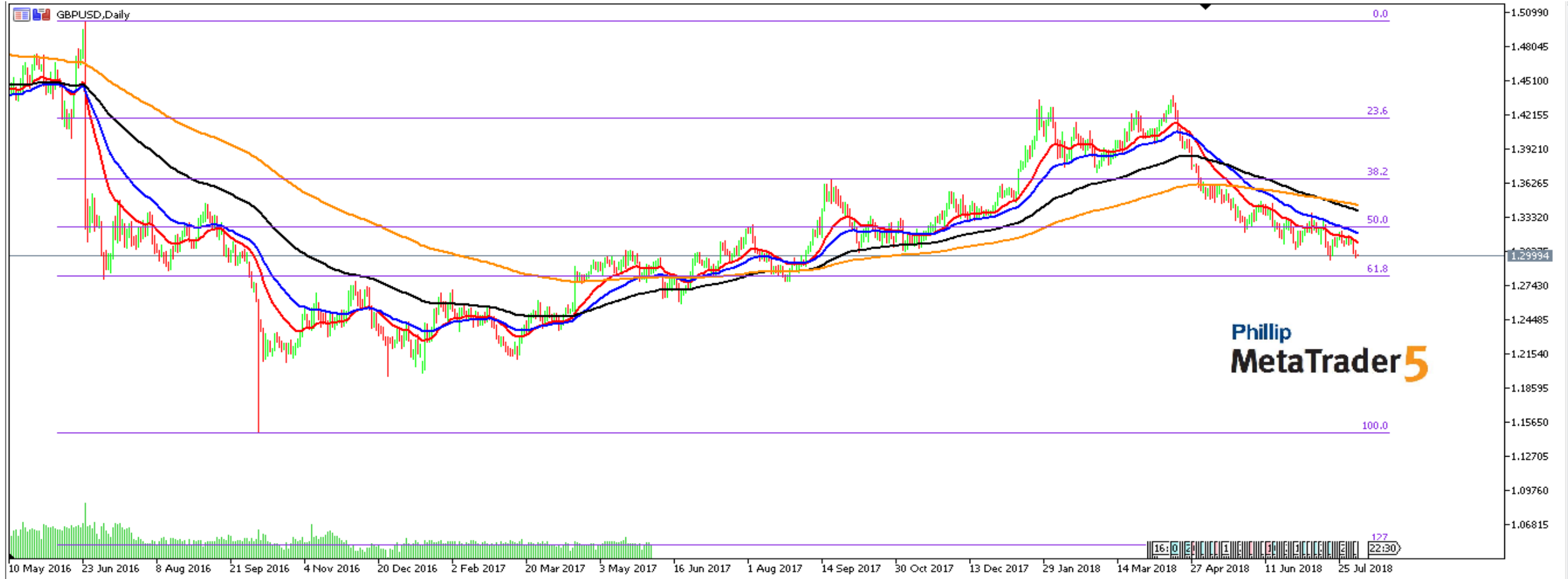
Conclusion: Brexit fears still dominated sentiments. As such, we are of the view that the BoE should now refrain from raising rates until the Brexit picture becomes clearer as we move towards the formal leaving date of 29 March 2019.

Market Reaction after Announcement



Source: Reuters/ Phillip Futures

GBP/ USD Pair



Phillip
MetaTrader 5

Fibro Levels:
38.2%: 1.367
50.0%: 1.325
61.8%: 1.282

Source: MT5/ Phillip Futures
Obtained 6th Aug 2018

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