15 July 19, 8.15am/11.15am Morning Call/Webinar

US Weekly
China Weekly
Technical Analysis
Singapore 3Q19 Equity Strategy



Disclaimer

The information contained in this presentation has been obtained from public sources which Phillip Securities Research Pte Ltd ("PSR") has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively the "Research") contained in this presentation are based on such information and are expressions of belief only. PSR has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete or verified or should be relied upon as such. Any such information or Research contained in this presentation is subject to change, and PSR shall not have any responsibility to maintain the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will PSR be liable for any special, indirect, incidental or consequential damages which may be incurred from the use of the information or Research made available, even if it has been advised of the possibility of such damages.

This presentation is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person.

You should seek advice from a financial adviser regarding the suitability of the investment product, taking into account your specific investment objectives, financial situation or particular needs, before making a commitment to invest in such products.



US Weekly

Edmund Xue

Research Analyst

Phillip Securities Research Pte Ltd

15 July 2019



Sector Performance

Sectors	1 Wk Return	1 Mth Return	3 Mth Return	YTD Return
S&P500	0.4%	4.3%	3.7%	21.0%
Energy	1.8%	6.7%	-4.0%	14.1%
Materials	-1.8%	0.6%	0.2%	15.7%
Industrials	-0.5%	2.8%	0.2%	20.9%
Consumer Discretionary	1.1%	5.4%	4.5%	25.7%
Communication Services	0.6%	2.3%	6.6%	19.4%
Consumer Staples	-0.2%	2.7%	4.6%	9.2%
Health Care	-0.1%	4.4%	4.2%	19.5%
Financials	0.7%	5.6%	5.2%	30.9%
Information Technology	0.8%	7.2%	3.3%	23.4%
Utilities	0.5%	2.4%	5.7%	17.2%
Real Estate	0.2%	1.6%	3.8%	23.6%

Verizon

Two key drivers for Verizon's growth



5G Upside Optionality

- Network densification in major cities
- Debt headroom for further expansion



Wireless Market Momentum

- Customers upgrade to higher-priced plans
- Biggest factor for near-term growth (~90% of EBITDA)

RECOMMENDATION

We have a **TECHNICAL BUY** rating for VZ. VZ is the largest provider of wireless in the U.S. We think revenue is starting to stabilise and will grow slightly (as guided by the management). The 5G opportunity is starting to gain traction and will likely drive growth for VZ in the long run.

VZ is currently trading at 11.2x earnings, which is below its one standard deviation of 11.85x. We think the valuation is attractive given the wireless momentum and upside from 5G.

Verizon

Two key drivers for Verizon's growth



5G Upside Optionality

- Network densification in major cities
- Debt headroom for further expansion



Wireless Market Momentum

- Customers upgrade to higher-priced plans
- Biggest factor for near-term growth (~90% of EBITDA)

1. 5G Upside Optionality

➤VZ has launched 5G UltraWideband service in Chicago and Minneapolis, and is targeting to increase coverage to 30 cities by year-end. We expect new services in the major cities to roll out faster due to the availability of existing infrastructure.

As equipment and chipsets for 5G may only be available late this year, 5G is likely to be a revenue driver for VZ in the long term.

Verizon

Two key drivers for Verizon's growth



5G Upside Optionality

- Network densification in major cities
- Debt headroom for further expansion



Wireless Market Momentum

- Customers upgrade to higher-priced plans
- Biggest factor for near-term growth (~90% of EBITDA)

2. Wireless Market Momentum

>We think that service revenue will maintain its growth momentum and offset the lighter equipment upgrade trends.

➤ VZ noted that ~50% of its postpaid base is on unlimited plans today, with a majority of the customers on the lowest tier (GoUnlimited).

➤ This indicates a high runway for Wireless as customers switch to higher priced plans (Unlimited). In our view, Wireless business is the biggest factor for near-term growth (~90% of EBITDA).

Upcoming Earnings Release

				Phillip Se	curities Research - Eari	nings Estimates					
Name	Earnings Result Date	Expected EPS	Expected Revenue		Consensus Target Price (\$USD)	Prior Period Actual EPS	Prior Period Expected EPS	Surprise Amount	Prior Period Actual Revenu	Prior Period Expected Reven	Surprise Amount
Charles Schwab Corp/The	15-Jul-19	0.65	2674	15-Apr-19	46.00	0.69	0.66	4.8%	2723	2677	1.7%
Citigroup Inc	15-Jul-19	1.81	18518	15-Apr-19	79.00	1.87	1.80	4.0%	18576	18589	-0.1%
Goldman Sachs Group Inc/The	16-Jul-19	5.15	8898	15-Apr-19	225.50	5.71	4.97	14.9%	8807	8971	-1.8%
Johnson & Johnson	16-Jul-19	2.11	20287	16-Apr-19	150.00	2.10	2.04	3.2%	20021	19607	2.1%
JPMorgan Chase & Co	16-Jul-19	2.50	28879	12-Apr-19	120.00	2.59	2.35	9.9%	29851	28357	5.3%
Wells Fargo & Co	16-Jul-19	1.17	20917	12-Apr-19	50.00	1.01	1.09	-7.7%	21771	21029	3.5%
Prologis Inc	16-Jul-19	0.30	752	16-Apr-19	80.50	0.25	0.32	-23.1%	772	777	-0.6%
Progressive Corp/The	17-Jul-19	1.34	9178	16-Apr-19	89.50	1.83	1.36	34.4%	9300	9047	2.8%
Netflix Inc	17-Jul-19	0.56	4934	16-Apr-19	420.00	0.94	0.76	23.8%	4521	4505	0.4%
Bank of America Corp	17-Jul-19	0.72	23158	16-Apr-19	33.00	0.71	0.66	8.2%	23247	23165	0.4%
Crown Castle International Cor	17-Jul-19	0.41	1424	17-Apr-19	133.00	0.46	0.41	13.9%	1426	1389	2.7%
International Business Machine	17-Jul-19	2.74	19169	16-Apr-19	150.00	2.25	2.22	1.5%	18182	18439	-1.4%
Abbott Laboratories	17-Jul-19	0.46	7997	17-Apr-19	87.00	0.63	0.61	2.8%	7535	7476	0.8%
US Bancorp	17-Jul-19	1.06	5729	17-Apr-19	55.00	1.00	1.00	-0.1%	5577	5586	-0.2%
PNC Financial Services Group I	17-Jul-19	2.83	4415	12-Apr-19	142.00	2.69	2.61	3.3%	4313	4265	1.1%
Bank of New York Mellon Corp/T	17-Jul-19	0.97	3930	17-Apr-19	47.00	0.94	0.96	-1.9%	3903	3994	-2.3%
Morgan Stanley	18-Jul-19	1.16	10032	17-Apr-19	54.00	1.33	1.17	14.1%	10286	9909	3.8%
UnitedHealth Group Inc	18-Jul-19	3.28	60625	16-Apr-19	292.00	3.73	3.60	3.6%	60308	59764	0.9%
Nucor Corp	18-Jul-19	1.33	5972	23-Apr-19	60.00	1.63	1.50	8.6%	6097	6104	-0.1%
Microsoft Corp	18-Jul-19	1.20	32750	24-Apr-19	146.00	1.14	1.00	13.9%	30571	29855	2.4%
Union Pacific Corp	18-Jul-19	2.13	5614	18-Apr-19	189.00	1.93	1.88	2.8%	5384	5489	-1.9%
Honeywell International Inc	18-Jul-19	2.08	9353	18-Apr-19	185.00	1.92	1.83	4.7%	8884	8634	2.9%
BlackRock Inc	19-Jul-19	6.67	3514	16-Apr-19	526.00	6.61	6.13	7.8%	3346	3341	0.1%
American Express Co	19-Jul-19	2.04	10817	18-Apr-19	130.00	2.01	1.99	1.2%	10364	10499	-1.3%
Schlumberger Ltd	19-Jul-19	0.35	8112	18-Apr-19	50.00	0.30	0.30	-0.3%	7879	7800	1.0%

Source: Bloomberg, PSR



Week 29 – China Weekly Musings

Jieyuan Zheng
Research Analyst
Phillip Securities Research Pte Ltd
15 July 2019



1 Competitive Revenue growth

 Robust growth in revenue and PPoP. Revenue grew 12% YoY, key revenue drivers were fees growth (+7% YoY) and trading gains (+422% YoY)

Price Advantage

 BOC Group trades at a wide discount (~10%) to ICBC and CCB.

3 Dividend Yield

 BOC's dividend yield is one of the highest among national banks.

RECOMMENDATION

We are **positive** on BOC. Because of BOC's P/E ratio is 4.7 P/B ratio is 0.54, and dividend yield is 4.88% which is one of the highest among banks in CSI 300.



1 Competitive Revenue growth

 Robust growth in revenue and PPoP. Revenue grew 12% YoY, key revenue drivers were fees growth (+7% YoY) and trading gains (+422% YoY)

Price Advantage

 BOC Group trades at a wide discount (~10%) to ICBC and CCB.

3 Dividend Yield

 BOC's dividend yield is one of the highest among national banks.

RECOMMENDATION

Robust growth in revenue and PPoP. Revenue grew 12% YoY,

key revenue drivers were fees growth (+7% YoY) and trading gains (+422% YoY) due to FX transactions.

Cost management improved, with the cost-income ratio declining 62bps YoY and 564bps QoQ, supporting PPoP grew13% YoY,

In line with Industrial and Commercial Bank of China (+13% YoY), higher than Agricultural Bank of China (+11% YoY) and China Construction Bank (+8% YoY).

1 Competitive Revenue growth

 Robust growth in revenue and PPoP. Revenue grew 12% YoY, key revenue drivers were fees growth (+7% YoY) and trading gains (+422% YoY)

Price Advantage

 BOC Group trades at a wide discount (~10%) to ICBC and CCB.

3 Dividend Yield

 BOC's dividend yield is one of the highest among national banks.

RECOMMENDATION

BBG	Company		PE		P/BV	Dividend
Code		FY18	FY19E	FY20E	FY18	Yield
601398 CH Equity	IND & COMM BK-A	6.73	6.44	6.1	0.83	4.46%
601939 CH Equity	CHINA CONST BA-A	7.04	6.75	6.39	0.91	4.27%
601288 CH Equity	AGRICULTURAL-A	6.21	6.00	5.57	0.76	4.83%
601988 CH Equity	BANK OF CHINA-A	6.08	6.07	5.79	0.70	4.95%

1 Competitive Revenue growth

 Robust growth in revenue and PPoP. Revenue grew 12% YoY, key revenue drivers were fees growth (+7% YoY) and trading gains (+422% YoY)

Price Advantage

 BOC Group trades at a wide discount (~10%) to ICBC and CCB.

3 Dividend Yield

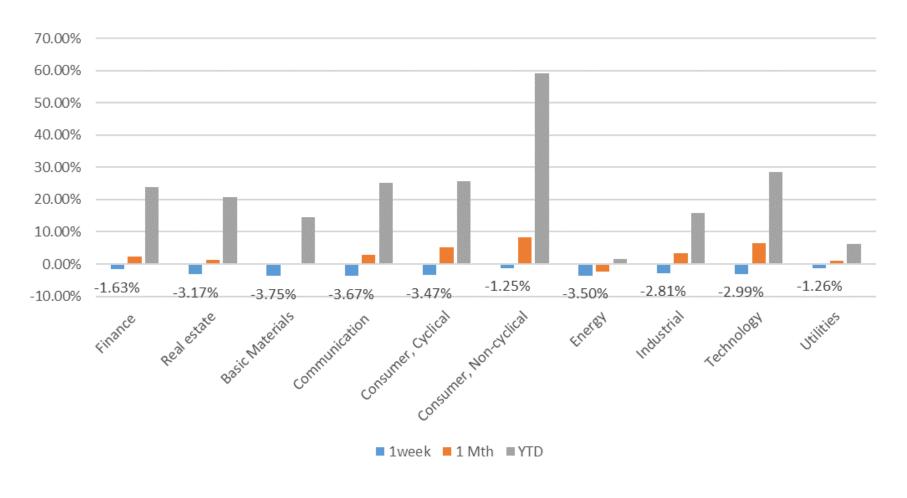
 BOC's dividend yield is one of the highest among national banks.

RECOMMENDATION

E	BBG	Company		PE		P/BV	Dividend
C	Code		FY18	FY19E	FY20E	FY18	Yield
6	601398 CH Equity	IND & COMM BK-A	6.73	6.44	6.1	0.83	4.46%
ϵ	601939 CH Equity	CHINA CONST BA-A	7.04	6.75	6.39	0.91	4.27%
6	601288 CH Equity	AGRICULTURAL-A	6.21	6.00	5.57	0.76	4.83%
ϵ	01988 CH Equity	BANK OF CHINA-A	6.08	6.07	5.79	0.70	4.95%

Stock Performance:

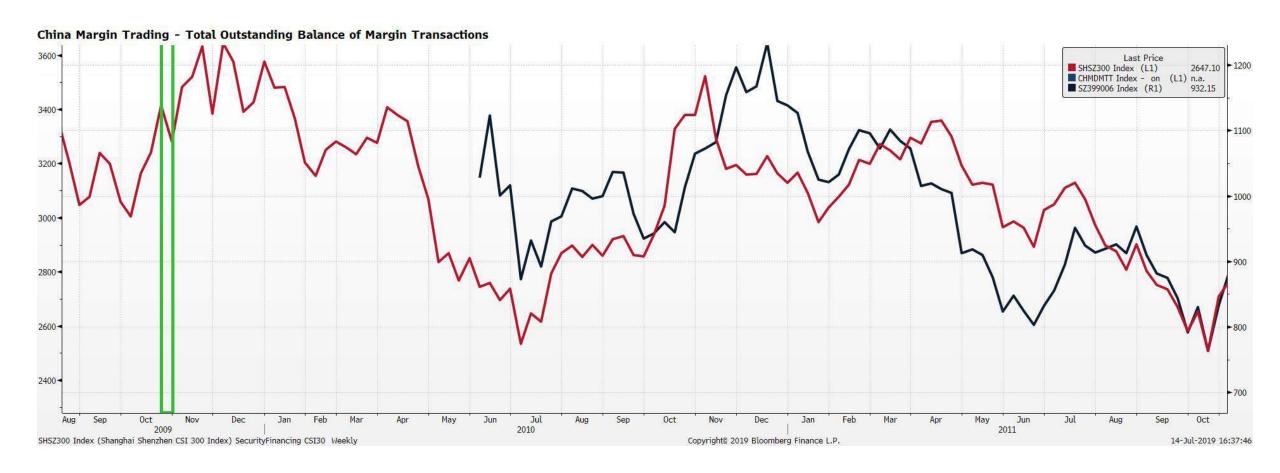
CSI 300 down 2.16% last week; ShangHai Composite down 2.67%; ShenZhen Component down 2.43%



- Ke Chuang Board will be established on 7/22
- 2. The uncertain of US interest rate cut



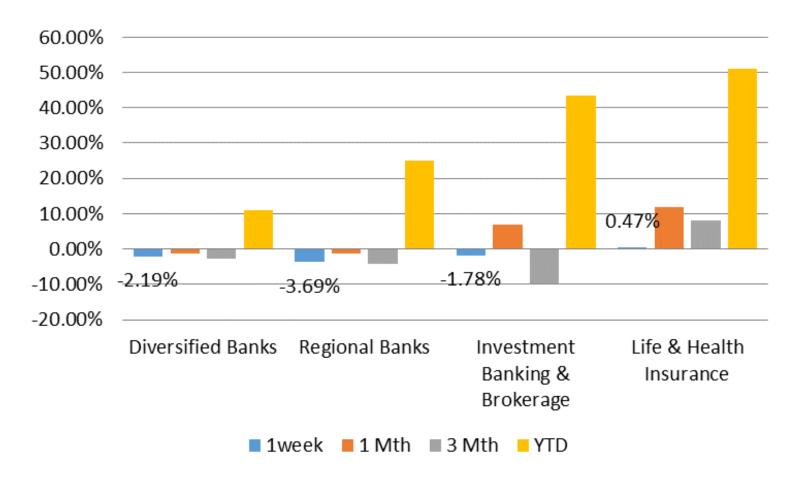
1. Ke Chuang Board will be established on 7/22





Two investment opportunities:

Long term look at revenue guarantee and local demand – Financial sector





JULY 2019

SUN	MON	TUE	WED	THU	FRI	SAT
30 China Manufactur ing PMI SA JUN (49.4%)[49. 5%]{-%} China Non-		02	03 Caixin China Services PMI Busi JUN (52.7%)[52.599999%]{-%}	04	05	06
Manufactur 07	08	09	10 China PPI YOYJUN (0.6%)[-%]{-%} China CPI YOYJUN (2.7%)[-%]{-%}	11	12 China Import Trade USD YOY JUN (- 8.5%)[-%]{-%} China Export Trade USD YOY JUN (1.1%)[-%]{-%} China Imports & Exports Trade JUN (41.658%)[-%]{-%}	13
14	15 China Fixed Assets Investment JUN (5.6%)[-%]{-%} China Retail Sales Cumulative JUN (8.1%)[-%]{-%} China Value Added of Industry JUN (6%)[-%]{-%} China GDP Constant Price YoY 2Q (6.4%)[-%]{-%}	16	17	18	19	20





Upcoming Earnings Release

				Phillip Se	curities Research - Ear	nings Estimates					
Na me	Earnings Result Date	Expected EPS	Expected Revenue	Current Earnings Result Date	Consensus Target Price (\$USD)	Prior Period Actual EPS	Prior Period Expected EPS	Surprise Amount	Prior Period Actual Revenu	Prior Period Expected Reven	Surprise Amount
Kweichow Moutai Co Ltd	17-Jul-19	7.12	20104	24-Apr-19	1065.00	8.93	8.77	1.9%	21644	21686	-0.2%
Hangzhou Hikvision Digital Tec	19-Jul-19	0.28	13517	19-Apr-19	38.00	0.17	0.24	-28.8%	9942	10862	-8.5%
New Oriental Education & Techn	23-Jul-19	0.51	832	23-Apr-19	108.00	0.69	0.69	-0.1%	797	785	1.5%
TAL Education Group	25-Jul-19	0.11	719	25-Apr-19	41.00	0.20	0.15	37.9%	727	682	6.5%
East Money Information Co Ltd	26-Jul-19	0.07	1019	26-Apr-19	17.10	0.06	0.07	-5.1%	321	987	-67.5%
Guangdong Haid Group Co Ltd	29-Jul-19	0.35	15180	23-Apr-19	33.50	0.08	0.17	-52.9%	8875	7574	17.2%
Baidu Inc	30-Jul-19	3.03	26001	16-May-19	150.00	2.77	2.94	-5.8%	24123	24274	-0.6%
iQIYI Inc	30-Jul-19	-3.07	7129	16-May-19	25.00	-2.52	-3.23	-21.9%	6990	6890	1.4%
Huaneng Power International In	30-Jul-19	0.06	41107	25-Apr-19	6.33	0.16	0.08	102.5%	45652	44121	3.5%
OFILM Group Co Ltd	30-Jul-19	0.09	11846	26-Apr-19	8.25	-0.10	0.14	-167.9%	10656	9516	12.0%
Yum China Holdings Inc	31-Jul-19	0.40	2169	29-Apr-19	52.50	0.59	0.55	7.7%	2304	2264	1.8%
Shanghai International Port Gr	31-Jul-19	0.10	9551	29-Apr-19	7.50	0.08	0.10	-15.3%	8159	9133	-10.7%



Verizon (VZ) Technical Outlook

Potential Upside.

Chua Wei Ren
Research Analyst
Phillip Securities Research Pte Ltd
15th July 2019



Verizon Communication INC (VZ).

Upside symmetrical triangle formed, breakout expected.

- Base on the wave count in the symmetrical triangle, price may retrace lower to complete wave D.
- However, should price breakout the wave D top, then we might see a stronger rally thereafter.







Straits Time Index.

Further downside expected.

Chua Wei Ren
Research Analyst
Phillip Securities Research Pte Ltd
15th July 2019



Straits Times Index.

Our view is still the same as the sharing session on 1st of July. Further downside expected.

- 3329.23 is a tough zone to break. STI has a tough time breaking the upper bound of the gap. As such, 3326.05-3329.23-Pro Gap zone remains a tough resistance zone.
- Further downside expected.



Straits Times Index.

Complex corrective flat may be the upcoming price movement.

- Base on the chart shown, STI may be ranging for a period of time between 3600 and 2900.
- Series of prolong waves of running flats.
- The ultimate rally should be at 2800 in the longer period.



DBS Group.

Corrective wave in action.

Chua Wei Ren
Research Analyst
Phillip Securities Research Pte Ltd
15th July 2019

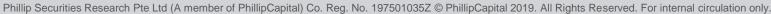


DBS Group.

Correction in place for a greater rally beyond 40.00. 40.00 is just the beginning of the rally target

- Based on the Elliott wave count, DBS have completed the intermediate 5 cycle wave.
- ABC corrective wave suggest that price may have potential downside towards 20.6- 21.22 zone.







Ask questions!





StocksBnB.com

Have an opinion or questions on our reports?

Post them in the comment section of the report!

Analysts

Phillip Securities Research Pte Ltd

Paul Chew, Head of Research

Siti Nursyazwina, Research Admin

Tara Wong, REITs (Commercial, Retail) | Property

Natalie Ong, REITs

Chen Guangzhi, Oil and Gas | Energy

Tin Min Ying, Banking & Finance

Alvin Chia, Telco | Technology

Mike Zheng Jieyuan, China/HK Markets

Edmund Xue, US Equity

Chua Wei Ren, Technical Analyst



Singapore 3Q19 Equity Strategy



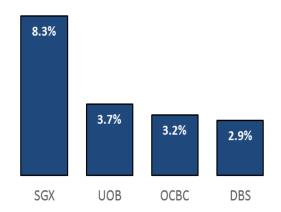
Too yield hungry

Paul Chew Head Of Research Phillip Securities Research

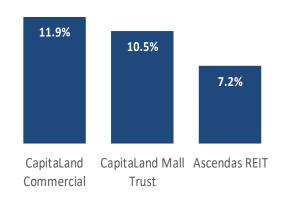


REITs and company specific names the STI winners in 2Q19

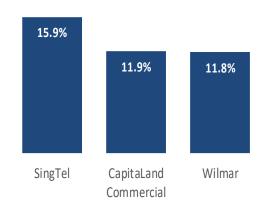
Banks still sulking



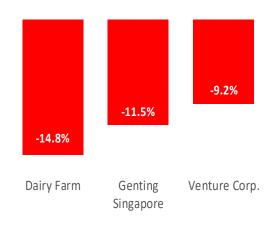
Another strong quarter for REITs



Largest gainers in STI



Biggest Losers in STI

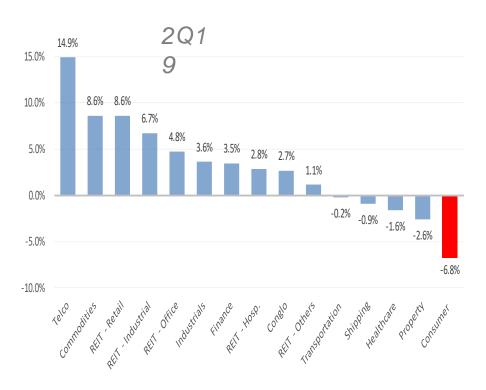


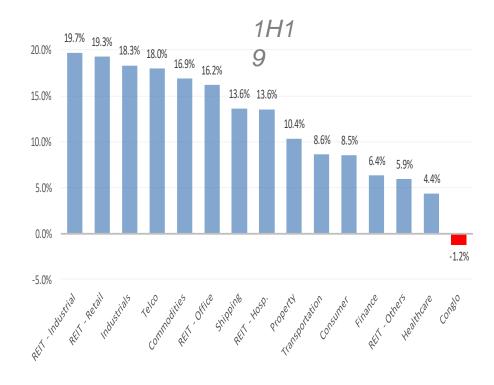
Source: Bloomberg, PSR



Yield and deep cyclicals outperformed in 2Q19

Phillip Research Sector Performance





Source: Bloomberg, PSR



Summary

Outlook

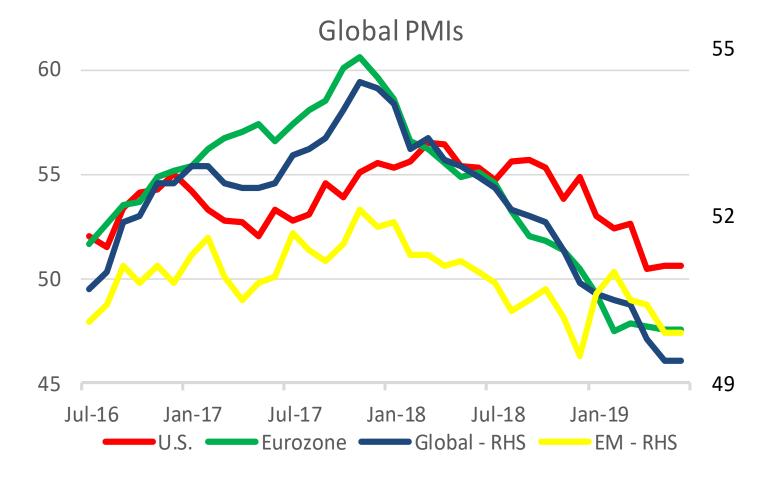
- Macro backdrop: Extended slow growth in the longer-term but not recessionary, so equities can rally + muted inflation
- > Range-bound market in 3Q19:
 - 1) Global economy still drifting lower; 2) Expectations of lower interest rates are too aggressive;
- > Trade war to taper down: Heading into 2020 presidential election + Corporate America is pushing back + US Corporates exposed with US\$400mn
- ➤ 3600 STI Target: The catalyst stability in global growth + attractive valuations + valuation upside from weaker SGD bond yields
- ➤ Finance Sector: Expect strong results in 2Q19 1) SGX Derivative volumes offset equity weakness; 2) SIBOR actually rose 6bps in 2Q19; 3) Global bond rally will boost trading income

Phillip Absolute 10

- Performance: 2Q19: +6.6% (1H19+ 14.2%);
- Changes: Removal Keppel DC REIT, China Sunsine; ; Additions: DBS Group, APAC Realty



Global: Still drifting lower



Source: CEIC, Markitt, PSR



31

SG: Not immune to slowdown

SG: Industrial production (3MMA YoY)

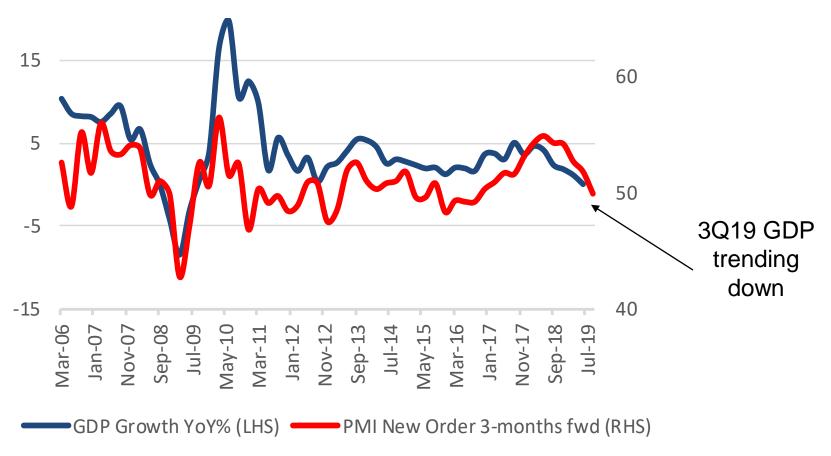


Source: CEIC, PSR



SG: GDP still weak even in 3Q19



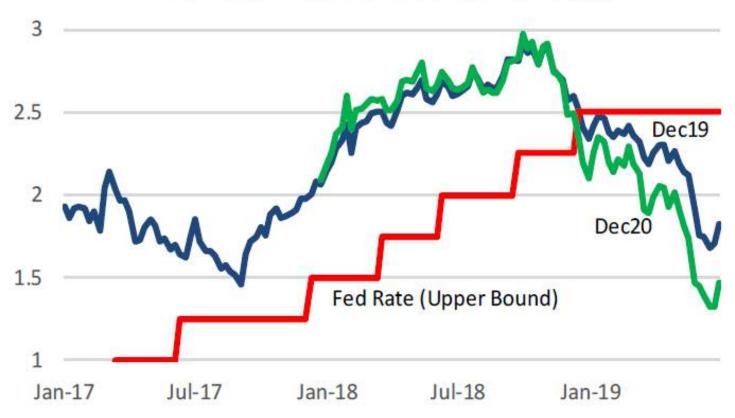


PhillipCapital

Your Partner In Finance

SG: Too aggressive the rate cut





Source: CEIC, PSR



PHILLIP ABSOLUTE 10

Our absolute return portfolio for 3Q2019

					The Philli	p Absolute 10						
Company	1M	3M	YTD	Rating	Target Px (S\$)	Share Px (S\$)	Upside	Mkt Cap (US\$m)	PE	P/BV	Dvd. Yield	ROE
<u>Yield</u>												
As cott REIT	4.8%	10.2%	20.4%	Accumulate	1.36	1.30	5%	2,085	20.0	1.0	5.5%	5.9%
NetLink	7.2%	7.2%	16.3%	Accumulate	0.93	0.89	4%	2,558	41.6	1.1	5.3%	2.5%
<u>Dividend Growth</u>												
DBS (new)	6.9%	2.9%	9.6%	Accumulate	29.00	25.96	12%	48,918	10.9	1.3	4.6%	11.5%
SGX	7.3%	8.3%	10.8%	Accumulate	8.09	7.92	2%	6,248	22.2	8.7	3.8%	37.2%
UOB	11.2%	3.7%	6.3%	Accumulate	30.9	26.13	18%	32,146	10.4	1.2	3.8%	11.4%
<u>Growth</u>												
Sheng Siong	0.9%	5.8%	3.8%	Buy	1.30	1.10	18%	1,220	21.6	5.3	3.1%	24.0%
Re-rating Plays												
APAC Realty (new)	6.0%	-14.5%	19.1%	Buy	0.65	0.53	23%	139	8.3	1.3	3.8%	17.6%
CapitaLand	9.6%	-3.3%	13.5%	Accumulate	4.00	3.53	13%	13,114	15.5	0.7	3.4%	9.0%
ComfortDelGro	8.1%	3.5%	23.7%	Accumulate	2.99	2.66	12%	4,248	18.0	2.2	3.9%	11.5%
Singtel	9.4%	15.9%	19.5%	Accumulate	3.66	3.50	5%	42,148	18.5	1.9	5.0%	10.4%
Average	7.2%	4.0%	14.3%				11%	152,823	18.7	2.5	4.2%	14.1%

9	Absolute 10	STI
Jan19	7.2%	4.0%
Feb19	0.6%	0.7%
Mar19	-0.7%	0.0%
Apr19	2.2%	5.8%
May19	-2.0%	-8.3%
Jun19 Jul19	6.5%	6.5%
Aug19		
Sep19		
Oct19		
Nov19		
Dec19		
YTD	14.2%	8.2%
Out/(Ur	nder)perf.	5.9%

Source: Bloomberg, PSR; * Share prices as at 30 June 2019



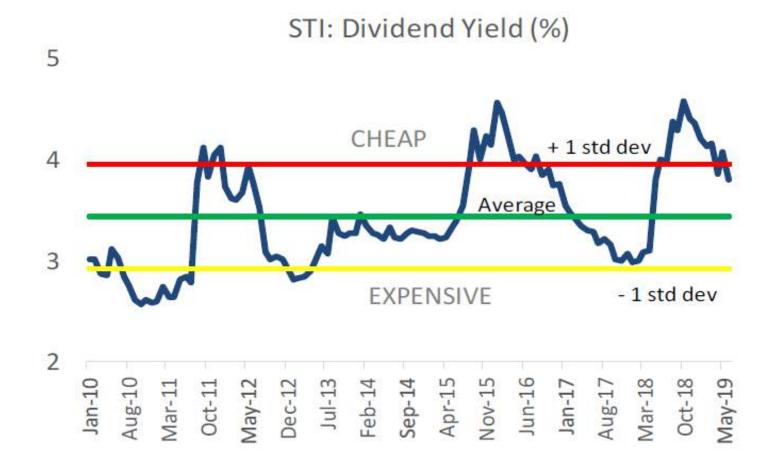
Theme 1: STI valuations still cheap





PhillipCapital
Your Partner In Finance

Dividend yield still attractive

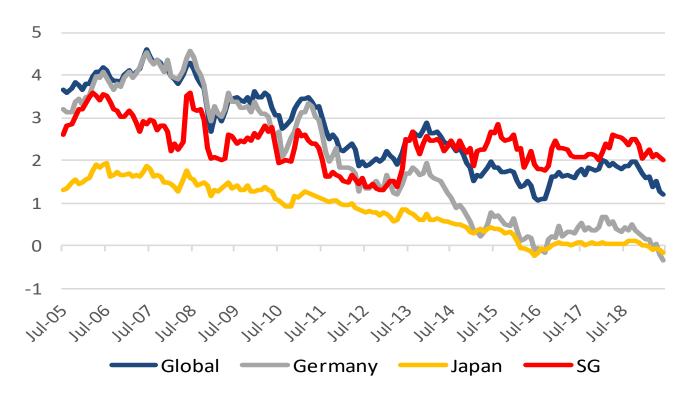


PhillipCapital
Your Partner In Finance

37

Theme 2: Valuation re-rating of lower yields

Global 10Y Bonds



Source: Bloomberg, PSR



Theme 3: Trade war to taper down

- ✓ **US Presidential elections 2020:** need strong economy and stock market
- ✓ US Corporates pushing back: Apple moving to China; Google concerned about Android loss of market share (2/3 are Chinese phone brands)
- ✓ China build own technology: Ark OS for Android and MSFT Windows; Semiconductor chips
- ✓ **US corporate \$400mn sales in China:** Apple, Boeing, GM, Starbucks, McDonalds, Hilton, etc
- **Impact on consumer prices:** Heavy reliance on Chinese imports >70% appliances/toys/shoes; 90% of smartphones/computers/electronics + >80% rare earth + 50% durgs

Negative

Use China election tool









Ask questions!





StocksBnB.com

Have an opinion or questions on our reports?

Post them in the comment section of the report!

Analysts

Phillip Securities Research Pte Ltd

Paul Chew, Head of Research

Siti Nursyazwina, Research Admin

Tara Wong, REITs (Commercial, Retail) | Property

Natalie Ong, REITs

Chen Guangzhi, Oil and Gas | Energy

Tin Min Ying, Banking & Finance

Alvin Chia, Telco | Technology

Mike Zheng Jieyuan, China/HK Markets

Edmund Xue, US Equity

Chua Wei Ren, Technical Analyst







