



# Singapore Banking Monthly

Singapore interest rates remain flattish

3 July 2023

## SINGAPORE | BANKING & FINANCE | UPDATE

- June's 3M-SORA was up 3bps MoM to 3.64% and 3M-HIBOR was up 43bps MoM to 4.84%.
- Singapore domestic loans dipped 4.88% YoY in May, below our estimates. The loan decline has slightly reversed from the previous month. CASA balance is flat at 18.8% (Apr23: 18.8%), the first in 14 months.
- Maintain OVERWEIGHT.** We remain positive on banks. Bank dividend yields are attractive at 5.7% with upside surprise in dividends due to excess capital ratios and push towards higher ROEs. SGX is another major beneficiary of higher interest rates (SGX SP, BUY, TP S\$11.71).

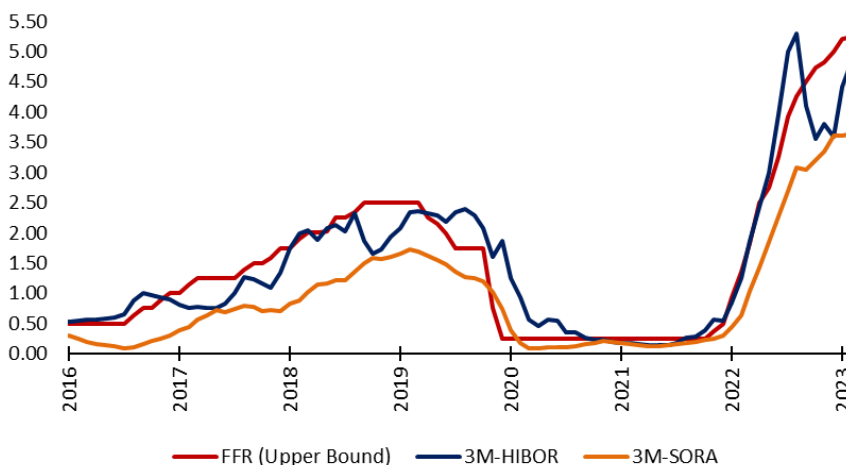
### 3M-SORA growth flattens; 3M-HIBOR continues recovery in June

Singapore interest rates flattened in June. The 3M-SORA was up 3bps MoM to 3.64%. June's 3M-SORA surged by 301bps YoY. 2Q23 3M-SORA average of 3.62% (1Q23: 3.20%).

Hong Kong interest rates continued to surge and reversed the decline from 1Q23. The 3M-HIBOR was up 43bps MoM to 4.84%, lower than May's MoM increase of 82bps but this is the highest the 3M-HIBOR has reached for 1H23. June's 3M-HIBOR improved by 359bps YoY and was 56bps higher than 2Q23 3M-HIBOR average of 4.28% (Figure 1).

Figure 1: SORA flattens while HIBOR recovers in June

Fed Fund Rates (FFR) vs. 3M-HIBOR vs. 3M-SORA



Source: Bloomberg, PSR

## Overweight (Maintained)

### DBS Group Holdings

#### BUY (Maintained)

BLOOMBERG CODE	DBS SP
LAST TRADED PRICE	SGD 31.51
FORECAST DIV	SGD 1.68
TARGET PRICE	SGD 41.60
DIVIDEND YIELD	5.33%
TOTAL RETURN	37.35%

### Overseas-Chinese Banking Corp

#### BUY (Maintained)

BLOOMBERG CODE	OCBC SP
LAST TRADED PRICE	SGD 12.28
FORECAST DIV	SGD 0.80
TARGET PRICE	SGD 14.96
DIVIDEND YIELD	6.51%
TOTAL RETURN	28.34%

### United Overseas Bank Limited

#### BUY (Maintained)

BLOOMBERG CODE	UOB SP
LAST TRADED PRICE	SGD 28.00
FORECAST DIV	SGD 1.65
TARGET PRICE	SGD 35.70
DIVIDEND YIELD	5.89%
TOTAL RETURN	33.39%

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List of Abbreviations:

- NIM – Net Interest Margin
- SIBOR – Singapore Interbank Offer Rate
- SOR – Swap Offer Rate
- HIBOR – Hong Kong Interbank Offer Rate
- DDAV – Derivatives Daily Average Volume
- SDAV – Securities Daily Average Value

### Singapore loans growth decline flattened in May

Overall loans to Singapore residents – which captured lending in all currencies to residents in Singapore – fell by 4.88% YoY in May to S\$799bn. This was below our estimate of low to mid-single digit growth for 2023 as the rise in interest rates started to be fully felt by consumers, nonetheless it is a 98bps improvement from April’s YoY decline of 5.86%.

Business loans fell by 6.82% YoY in May. Loans to the building and construction segment, the single largest business segment, fell 2.48% YoY to S\$170bn, while loans to the manufacturing segment fell 13.28% YoY in May to S\$24.5bn.

Consumer loans were down 1.63% YoY in May to S\$309bn, as dips in other segments were offset slightly by strong loan demand in the housing segment. Housing loans, which make up ~70% of consumer lending, grew 1.46% YoY in May to S\$222bn for the month.

Total deposits and balances – which captured deposits in all currencies to non-bank customers – grew by 5.25% YoY in May to S\$1,781bn. The Current Account and Savings Account, or CASA proportion was flat at 18.8% (Apr23: 18.8%) of total deposits, or S\$336bn, CASA ratio did not decline YoY for the first time in 14 months.

### Hong Kong loans growth continues to decline

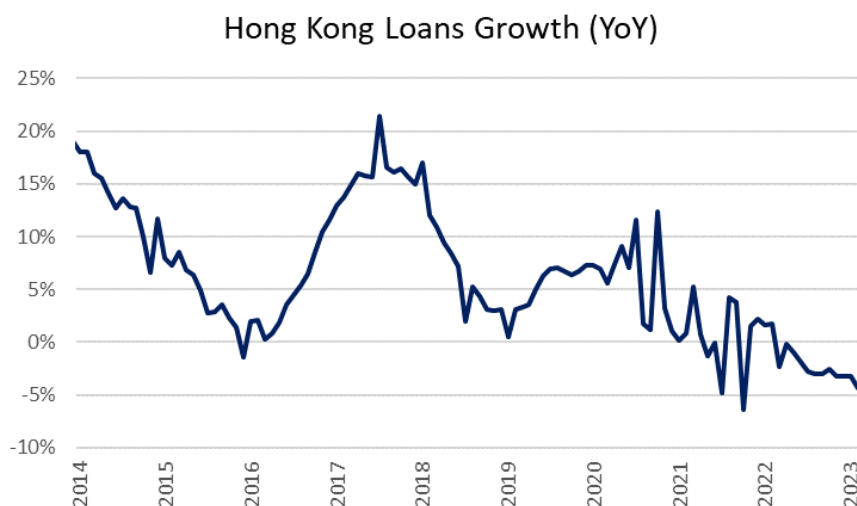
Hong Kong’s domestic loans growth declined 4.33% YoY and declined 0.63% MoM in May. The YoY decline in loans growth for May was higher than the decline of 3.28% in April 2023, while the MoM decline of 0.63% was lower than the decline of 0.69% in April 2023.

**Figure 2: YTD Singapore loans growth**

2022/2023	Loans growth (YoY)
May	-4.88%
April	-5.86%
March	-3.98%
February	-3.10%
January	-1.89%
December	-0.30%
November	0.67%
October	2.13%
September	4.38%

Source: CEIC, PSR

**Figure 3: Hong Kong loans growth dips further in May**



Source: CEIC, PSR

### Volatility fell as the market recovered from turmoil in May

Preliminary SDAV for May rose 1% YoY to \$1,174mn (Figure 4), the first YoY increase in 6 months as market sentiment started to improve. The VIX averaged 14.0 in June, down from 17.6 in the previous month, and the DDAV fell 13% YoY to 0.98mn in May, but up 2% MoM from 0.96mn in April.

The top five equity index futures turnover saw a dip of 21% YoY in June to 13.18mn contracts (Figure 5), due to the lower trading volumes of its Nifty 50 Index Futures and MSCI Singapore Index Futures. Notably, the Nikkei 225 Index Futures increased 61.9% MoM, with the Nifty 50 Index Futures showing the biggest decline MoM of 18.4%.

**Figure 4: YTD SDAV and DDAV**

	SDAV (\$mn)	YoY	DDAV (mn)	YoY
June	1,174	1%	-	-
May	1,032	-31%	0.98	-13%
April	969	-24%	0.96	-12%
March	1,216	-22%	1.04	-11%
February	1,105	-33%	1.01	-5%
January	1,159	-4%	1.08	+6%
December	935	10%	0.92	+8%
November	1,239	-8%	1.09	+27%
October	1,154	0%	1.22	+23%
September	1,171	-5%	1.05	+2%
August	1,105	-12%	0.92	+2%
July	901	-25%	0.99	+4%

Source: SGX, Bloomberg, PSR

**Figure 5: Turnover of top five equity index futures contracts down YoY**

No. of contracts	Jun-22	Jun-23	YoY
FTSE China A50 Index Futures	9,425,115	7,428,145	-21.2%
Nifty 50 Index Futures	2,700,104	1,642,180	-39.2%
Nikkei 225 Index Futures	1,749,208	1,610,393	-7.9%
MSCI Singapore Index Futures	1,258,580	1,032,957	-17.9%
FTSE Taiwan Index Futures	1,559,227	1,467,768	-5.9%
<b>Sub-total</b>	<b>16,692,234</b>	<b>13,181,443</b>	<b>-21.0%</b>

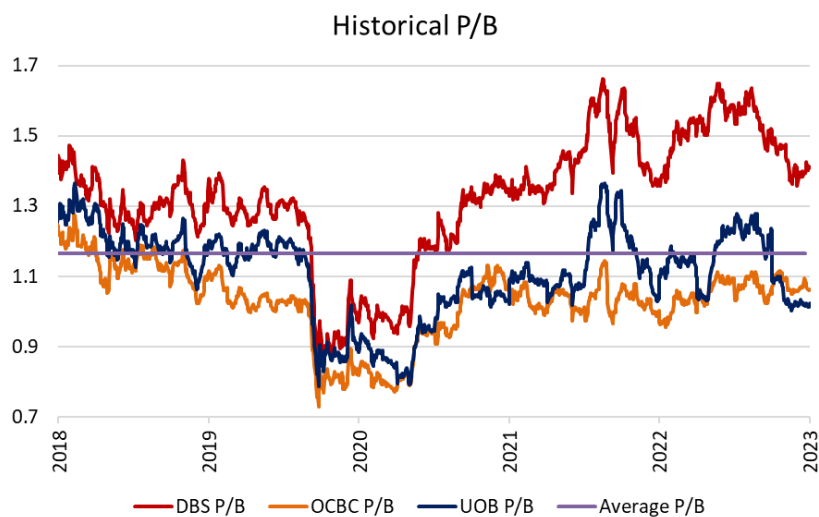
Source: SGX, Bloomberg, PSR

### Singapore Banking News

- On 27 June, MAS published a public consultation paper on the proposal to increase the insurance coverage per depositor from S\$75,000 to S\$100,000, and to improve the clarity and operational efficiency of the scheme.
- On 22 June, OCBC announced a service enabling individuals from Malaysia, Indonesia, mainland China and Hong Kong to open Singapore-dollar and multi-currency accounts on the OCBC Digital app remotely and within minutes, the first local bank to do so.
- On 21 June, MAS imposed fines collectively worth S\$3.8mn on Citibank, DBS, OCBC and insurer Swiss Life, for breaching requirements on anti-money laundering and countering terrorism financing linked to the alleged involvement of Singapore-based individuals in a fraud case centred on collapsed payments firm Wirecard.

**Investment Action**

**Maintain OVERWEIGHT.** We remain positive on banks. Bank dividend yields are attractive with upside surprises due to excess capital ratios and a push towards higher ROEs. Stable economic conditions and rising interest rates remain tailwinds for the banking sector. SGX is another beneficiary of higher interest rates.

**Figure 6: Banks' 5-year historical P/B**


Source: Bloomberg, PSR

**Figure 7: Banks' target P/B**

	DBS	OCBC	UOB
High	1.62	1.50	1.43
Low	0.81	0.73	0.79
5-year average	1.17	1.09	1.12
Current	1.34	1.02	0.97
Forward target	1.36	1.27	1.17
TP (S\$)	41.60	14.96	35.70

Source: Bloomberg, PSR

**Figure 8: Peer Comparison – Singapore banks offer the highest dividends**

Stock	PSR Recommendation	Market Cap (USDmn)	Forward P/E			Forward P/BV			Dividend Yield (%)		ROE (%)			Price (Local Currency)	Target Price (\$)	Upside
			Yr0	Yr1	Yr2	Yr0	Yr1	Yr2	Yr1	Yr2	Yr0	Yr1	Yr2			
<b>Singapore</b>																
DBS	Accumulate	60,118	10.7	8.4	8.5	1.5	1.3	1.3	5.8	6.4	14.3	16.8	15.8	31.5	41.60	32%
OCBC	Buy	40,832	9.6	8.0	8.0	1.0	1.0	0.9	6.4	6.5	10.9	12.8	12.1	12.3	14.22	16%
UOB	Accumulate	34,692	11.4	8.3	8.0	1.3	1.0	1.0	5.8	6.1	11.1	12.9	12.9	28.0	35.70	28%
<b>Market Cap Weighted Average:</b>			<b>10.5</b>	<b>8.3</b>	<b>8.2</b>	<b>1.3</b>	<b>1.2</b>	<b>1.1</b>	<b>6.0</b>	<b>6.3</b>	<b>12.5</b>	<b>14.6</b>	<b>13.9</b>			
<b>Indonesia</b>																
BANK CENTRAL ASI	Non-rated	75,033	25.9	23.8	21.8	4.8	4.6	4.1	2.3	2.7	19.2	20.1	19.7	9150	na	na
BANK MANDIRI	Non-rated	32,285	11.2	10.4	9.4	2.0	1.9	1.8	5.5	6.1	19.0	19.5	19.6	5200	na	na
BANK NEGARA INDO	Non-rated	11,351	9.4	7.9	7.1	1.3	1.1	1.0	3.9	5.0	14.1	14.9	15.0	9150	na	na
BANK RAKYAT INDO	Non-rated	54,694	14.6	13.9	12.4	2.5	2.5	2.3	5.3	6.1	17.4	18.8	19.5	5425	na	na
BANK TABUNGAN NE	Non-rated	1,232	4.7	5.4	4.8	0.6	0.6	0.6	3.4	3.3	12.9	12.1	12.4	1320	na	na
<b>Market Cap Weighted Average:</b>			<b>18.4</b>	<b>17.0</b>	<b>15.5</b>	<b>3.3</b>	<b>3.2</b>	<b>2.9</b>	<b>4.0</b>	<b>4.5</b>	<b>18.2</b>	<b>19.2</b>	<b>19.3</b>			
<b>Malaysia</b>																
AFFIN BANK BHD	Non-rated	916	82.9	7.7	6.8	0.4	0.4	0.4	6.3	6.9	11.5	4.8	5.1	1.9	na	na
ALLIANCE BANK	Non-rated	1,105	7.8	7.4	6.9	0.8	0.7	0.7	6.8	7.2	10.3	10.1	10.3	3.3	na	na
AMBANK HLDG BHD	Non-rated	2,566	6.9	6.9	6.5	0.7	0.6	0.6	5.4	5.7	9.9	9.3	9.2	3.6	na	na
BANK ISLAM MALAY	Non-rated	947	11.9	8.3	8.0	0.9	0.6	0.6	6.7	6.8	7.5	7.3	7.4	2.0	na	na
HONG LEONG BANK	Non-rated	8,810	12.7	10.2	9.6	1.4	1.2	1.1	3.4	3.8	10.9	12.1	12.0	19.0	na	na
MALAYAN BANKING	Non-rated	22,299	12.6	11.0	10.4	1.2	1.1	1.1	7.1	7.5	9.6	10.6	10.8	8.6	na	na
PUBLIC BANK BHD	Non-rated	16,020	13.7	11.0	10.6	1.7	1.4	1.3	4.7	4.8	12.4	13.1	12.7	3.9	na	na
RHB BANK BHD	Non-rated	4,989	8.9	7.5	7.1	0.9	0.8	0.7	7.7	8.1	9.5	10.2	10.3	5.4	na	na
<b>Market Cap Weighted Average:</b>			<b>13.4</b>	<b>10.2</b>	<b>9.7</b>	<b>1.3</b>	<b>1.1</b>	<b>1.1</b>	<b>5.8</b>	<b>6.2</b>	<b>10.6</b>	<b>11.3</b>	<b>11.2</b>			
<b>Thailand</b>																
BANGKOK BANK PUB	Non-rated	8,624	9.6	8.0	7.0	0.6	0.6	0.5	3.8	4.2	5.9	7.2	7.5	159.5	na	na
BANK AYUDHYA PCL	Non-rated	6,407	7.4	7.4	6.8	0.7	0.6	0.6	3.5	3.8	9.3	8.7	8.8	30.8	na	na
KASIKORNBANK PCL	Non-rated	8,692	9.8	7.5	6.7	0.7	0.6	0.5	3.6	4.1	7.3	7.8	8.4	129.5	na	na
KIATNAKIN PHATRA	Non-rated	1,433	8.2	6.4	5.9	1.1	0.8	0.7	6.9	7.5	14.0	13.1	13.3	59.8	na	na
KRUNG THAI BANK	Non-rated	7,680	7.3	7.3	7.0	0.7	0.7	0.6	4.3	4.6	9.2	9.4	9.4	19.4	na	na
KRUNGTHAI CARD P	Non-rated	3,615	21.5	16.6	15.3	4.9	3.5	3.1	2.5	2.6	24.3	22.8	21.7	49.5	na	na
SCB X PCL	Non-rated	10,158	9.6	8.2	7.6	0.8	0.7	0.7	5.6	6.0	8.3	9.2	9.7	106.5	na	na
SRISAWAD CORP PC	Non-rated	1,838	15.0	12.8	11.1	2.7	2.3	2.0	3.9	4.2	17.8	18.5	19.2	47.3	na	na
THANACHART CAPIT	Non-rated	1,478	8.5	9.3	8.7	0.7	0.8	0.8	6.4	6.5	7.9	8.5	8.6	49.8	na	na
TISCO FINANCIAL	Non-rated	2,200	11.0	10.5	10.1	1.9	1.8	1.7	8.2	8.5	17.2	17.1	17.6	97.0	na	na
<b>Market Cap Weighted Average:</b>			<b>10.0</b>	<b>8.7</b>	<b>7.9</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>4.4</b>	<b>4.8</b>	<b>10.0</b>	<b>10.3</b>	<b>10.5</b>			

Source: Bloomberg, PSR

Extracted as of 1-Jul-23

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