Phillip Singapore Monthly – Aug25

Singapore's Everything Rally

SINGAPORE | STRATEGY

6 August 2025

- Singapore equities rose 5.3% in August, the largest in 19 months. Consumer and property led the gainers, whilst REIT underperformed. Bank performance was mixed.
- Singapore small-cap stocks surged 9.9% in July. The award of S$1.1bn from MAS's planned S$5bn EQDP fund to be invested in Singapore equities buoyed investor enthusiasm. Several mid-cap companies under our coverage enjoyed massive rallies - Oiltek (+61%), Wee Hur (+36%), and Frencken (+34%).
- Singapore equities are enjoying their "everything rally" moment. The re-rating comes from several factors: (i) influx of S$5bn into equities by MAS primarily for small-mid caps; (ii) multiple domestic sectors enjoying healthy earning growth and not impacted by the tariffs – construction, property, defence, power and commodities; (iii) 50% drop in Singapore interest rates; (iv) steadfast strength of the Singapore currency and the country's balance sheet; (v) aggressive capital return policies especially by the GLCs. Is the rally sustainable? After 17 years, the market is only up 6% (from its 2007 high).

Review: Singapore equities rose 5.3% in August, most significant increase in 19 months. Consumer and property led the gainers, whilst REITs underperformed. DFI rallied on news of a special dividend. The sale of loss-making Yonghui spiked earnings (Figure 2). Bank performance was mixed. DBS's fixed dividend policy and attractive yield drove its outperformance (Figure 1). REITs underperformed, with gainers primarily in industrial REITs. A relief rebound is expected as the impact of tariffs may be less severe than anticipated (Figure 4). In July, multiple sectors enjoyed a strong rally led by small-mid caps in the property and construction sectors (Figure 7).

Outlook: Economic data from the US has been poor. Whilst US 2Q25 real GDP grew a headline 3% YoY, 5% points came from lower imports. Both corporate (-3%) and consumer spending (+1%) slowed. Meanwhile, July payrolls only rose 73k against the estimate of 100k. Job losses were seen in manufacturing, government, professionals, and IT. More shocking was the massive 88% downward revision of the May and June payrolls (or combined 258k). May and June payroll adds now average 16.5k per month (Figure 8). A slowing labour market is positive for Singapore REITs as it raises the likelihood of interest rate cuts. We believe any sharp sell-off in the equity market due to a softening labour market will be backstopped by Fed rate cuts and quantitative easing. The Fed can always rationalise that the impact of tariffs on inflation is temporary. A Fed study shows that tariffs impact core PCE inflation 6% directly and 4% indirectly. Direct imports from China contribute 1% of core PCE and 0.3% indirectly. Assuming a 55% tariff on China and a 20% tariff on the rest of the world, our guesstimate of the impact of tariffs is around 2.5%.

Recommendation: We remain positive on Singapore equities. Firstly, the S$5bn EQDP into Singapore equities has a meaningful impact on the market. On a free float and volume-adjusted market cap, the S$5bn is equivalent to 18% of the S$27.5bn universe of stocks (excluding REITs) – Figure 9. Secondly, multiple sectors are enjoying strong earnings growth led by construction awards jumping 50% YTD5/25 (Figure 10) and new home sales surging 143% 1H25 (Figure 11). Thirdly, interest rates in Singapore or 3-month SORA have halved over the past 12 months to 1.85% (Figure 12). Singapore's dividend yield has turned more attractive than the historical average (Figure 13). Furthermore, the lower interest rates have supported DPU growth for multiple REITs. Fourth, despite lower interest rates, the Singapore dollar continues to appreciate, supported by its rising foreign reserves (Figure 14) and triple-A credit rating. Finally, it is not just S$5bn injecting liquidity into the market but companies, led by government-linked companies, returning capital to investors (Figure 15). Sectors experiencing sluggish growth include food and beverage, hospitality, transportation, and healthcare. Despite the rebound, the market is only up 6% from the 2007 high of 3906.

July 2025 performance

Figure 1: Mixed performance by banks

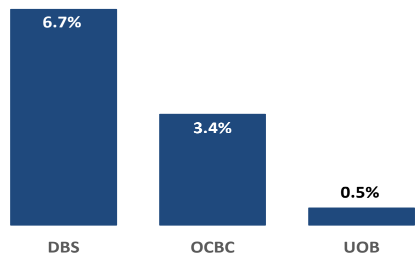


Figure 2: Disposals will be rewarded

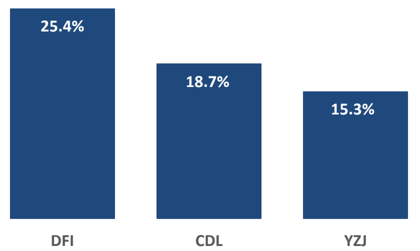


Figure 3: REITs underperformed …

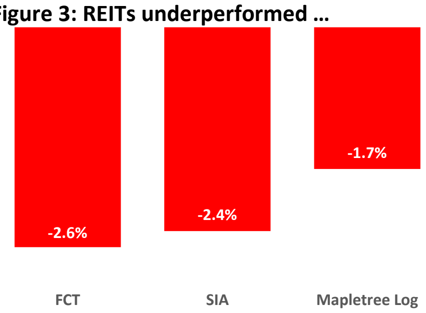
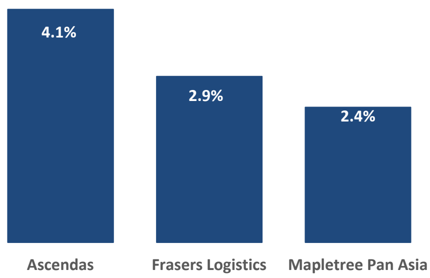


Figure 4: … but there were gainers



Source (Fig 1-4): PSR, Bloomberg, 31Jul25

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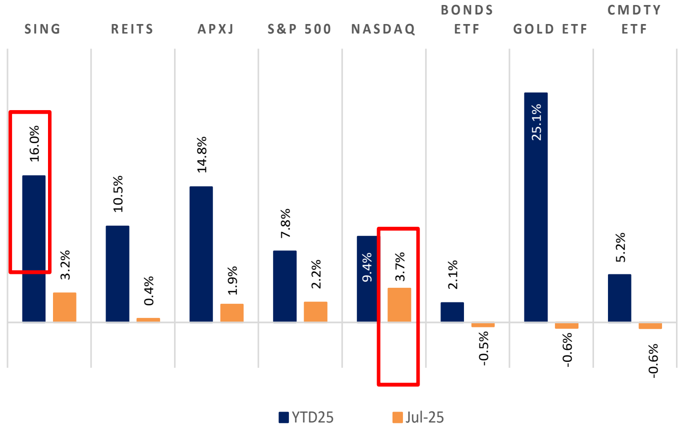
Corporate Insight Webinars (12 pm): BHG Retail (12Aug), Prime US REIT (13Aug), Thakral Corp (20Aug), SY Holdings (21Aug), Manulife US (19Aug), Daiwa House (26Aug), Micro-Mechanics (28Aug), Lum Chang Creations (5Sep), Keppel REIT (23Sep)
https://www.poems.com.sg/education/events-seminars/

Figure 5: Tech rebounded, but Singapore outperforms YTD



Source: PSR, Bloomberg # Performance in US dollar terms.

Figure 6: SE Asia takes the lead especially Singapore small caps

	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Market Cap (US$ bn)
Thailand	14.0%	3.8%	-11.3%	460
SG Small Cap	9.9%	15.9%	15.8%	29
Vietnam	9.2%	22.5%	18.6%	249
Indonesia	8.0%	10.6%	5.7%	809
ASEAN 6	7.9%	6.4%	0.8%	2,179
SG Mid Cap	6.7%	8.9%	4.1%	105
Taiwan	5.8%	16.3%	2.2%	2,517
S Korea	5.7%	26.9%	35.3%	1,836
Singapore	5.3%	8.9%	10.2%	494
SG Financials	4.9%	9.2%	7.1%	231
Shanghai	3.7%	9.0%	6.6%	7,872
Hong Kong	2.9%	12.0%	23.5%	3,702
SG REIT	2.4%	4.6%	5.0%	73
Japan	1.4%	13.9%	2.9%	24,259
Malaysia	-1.3%	-1.8%	-7.9%	257
Philippines	-1.8%	-1.6%	-4.2%	159
India	-2.9%	1.8%	4.8%	2,288

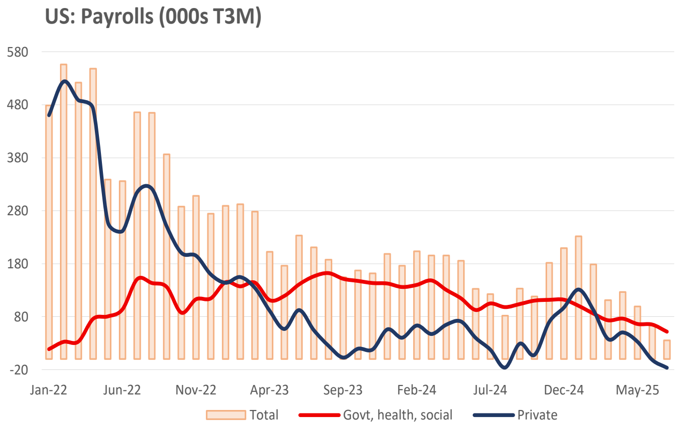
Source: PSR, Bloomberg

Figure 7: Multiple sectors rallied except REITs, healthcare, transport

PSR (144 companies)	1 Mth Perf.	3 Mth Perf.	YTD Perf.
Commodities	**5.2%**	2.4%	-0.9%
Conglomerate	**12.5%**	19.1%	44.7%
Consumer	**8.5%**	10.9%	8.5%
Finance	**5.2%**	9.5%	8.0%
Healthcare	**0.2%**	-0.9%	-5.1%
Electronics/Services	**10.2%**	19.1%	11.4%
Property/Const.	**8.8%**	18.9%	24.9%
REIT - Hospitality	**2.1%**	6.6%	5.1%
REIT - Industrial	**2.4%**	5.5%	2.1%
REIT - Office	**3.8%**	6.0%	4.2%
REIT - Retail	**1.7%**	3.3%	9.9%
REIT - Others	**6.4%**	13.7%	9.7%
Shipping	**14.7%**	17.0%	-2.8%
Telecomm.	**1.7%**	2.5%	24.1%
Transportation	**0.8%**	7.6%	6.7%
	5.8%	9.9%	13.7%
Singapore	5.28%	8.9%	10.2%

Source: PSR, Bloomberg

Figure 8: Collapse in the number of jobs esp. the private sector



Source: PSR, CEIC

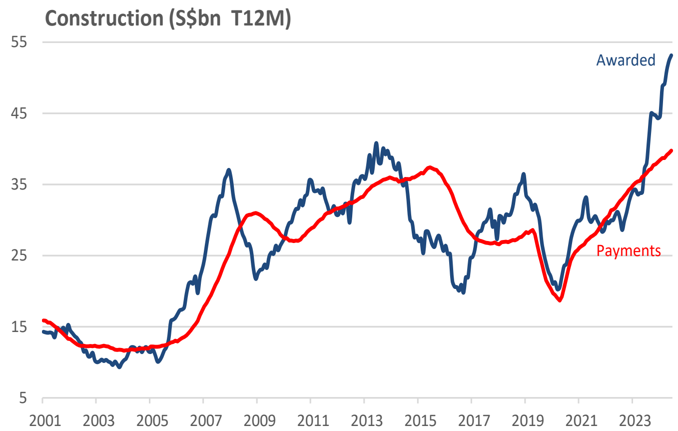
Figure 9: S$5bn can be a massive 18% of non-index stocks

	Stock universe >= S$1bn	Stock universe < S$bn	Total	5% EQDP of total
Total market cap	74,262	52,356	126,617	4%
- Free float adjusted	30,659	19,042	49,701	10%
- Volume adjusted	21,962	5,556	27,518	18%
- No. of companies	35	424	459	n.a.

Source: PSR, Bloomberg

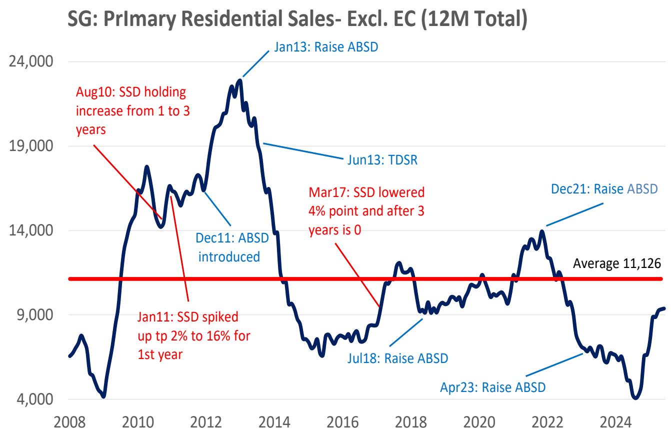
Note# Stock universe excludes REITs and index stocks. Volume adjusted is 30-day average volume less than S$1mn (market cap >= S$1bn) and 30-day average volume less than S$0.5mn (market cap < S$1bn).

Figure 10: Construction awards surging 43% YoY to record S$53bn



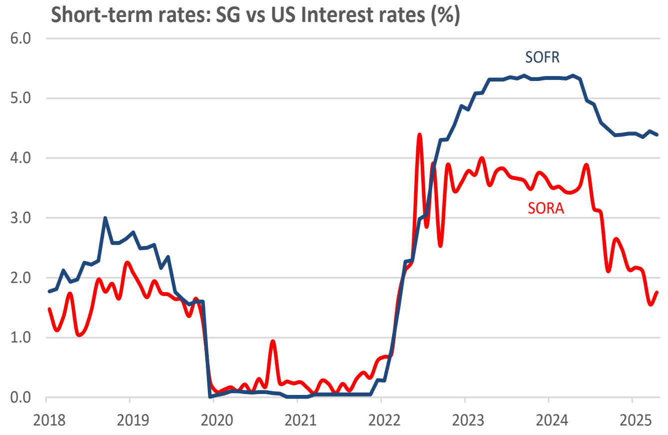
Source: PSR, CEIC

Figure 11: New home sales units surged 143% in 1H25



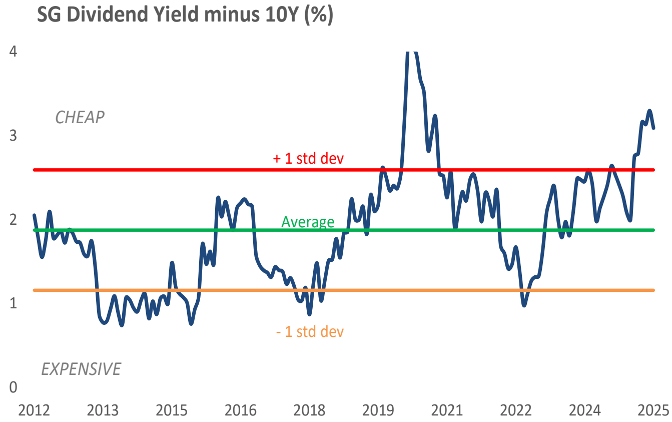
Source: PSR, CEIC

Figure 12: US rates flat-lined, but Singapore rates have collapsed



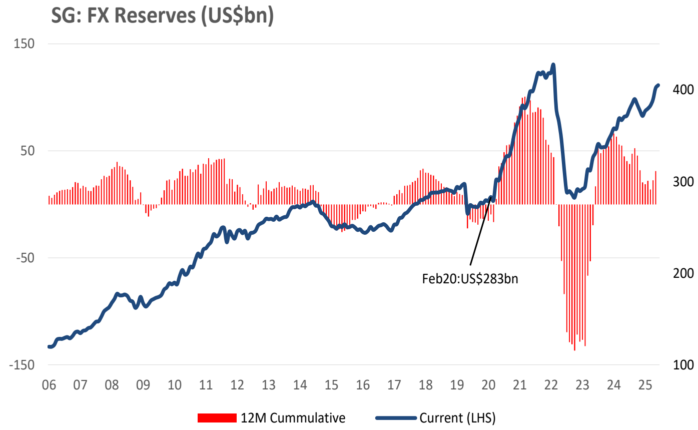
Source: PSR, CEIC

Figure 13: Excluding pandemic dividend yield spread decade highs



Source: PSR, Bloomberg

Figure 14: Reserves of US$405bn exclude ~US$210bn transferred out



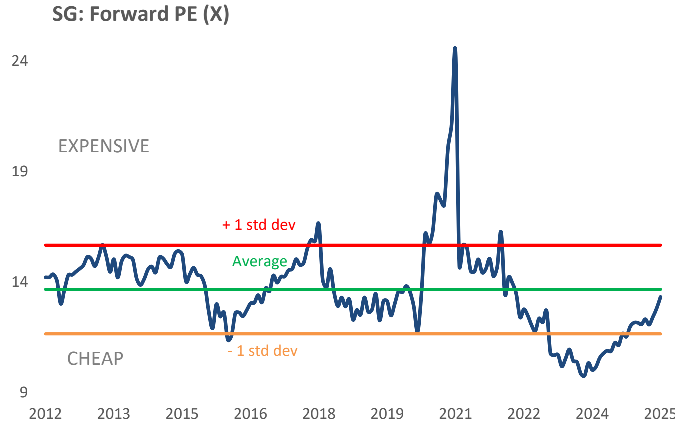
Source: PSR, CEIC

Figure 15: Not just S$5bn injected into the equity market

	S$mn	
DBS	6,500	Capital return dividend and S$3bn sharebuyback
Singtel	4,000	VRD and S$2bn sharebuyback
UOB	3,000	S$1bn special dividend, S$2bn share buyback
OCBC	2,500	S$1.5bn special dividend, S$1bn share buyback
Keppel Ltd	500	Share buyback
Raffles Medical	100	Share buyback
Venture Ltd	100	Share buyback of 10mn shares
	16,700	

Source: PSR, Companies

Figure 16: After the rally, still trading at a historical PE ratio of 13x



Source: PSR, Bloomberg

Phillip Absolute 10

Our model portfolio rallied in July with a gain of 12.8%. Property and construction-related stocks rallied on strong take-up rates of recent property launches in July and August – River Green (88%), Orchard Boulevard (60%), and Robertson Opus (43%). REITs and China-related names underperformed. Other gainers were our two conglomerate holdings over optimism of strong earnings, and more aggressive capital return policies.

4Q24 - Add: UOB, SATS; Remove: DBS, Singtel
1Q25 - Add: CapitaLand Ascott, OCBC, Wee Hur; Remove: ComfortDelGro, Valuetronics, OUE REIT
2Q25 - Add: Geo Energy, PropNex; Remove: China Aviation Oil, ST Engineering
3Q25 - Add: City Developments, DBS, Sembcorp Ind; Remove: OCBC, UOB, SATS

Strategy commentary: Multiple stocks under our coverage have blown through our target prices. The entire market valuation is being re-rated upwards, particularly small-mid cap names. We believe growth stocks will enjoy a much larger premium valuation, especially after 1H25 results. With just S$1.1bn deployed and the remaining S$5bn in 2H25, we expect another strong rally for small-mid cap names in the coming 12 months. We also believe a re-rating of REITs will become more pronounced as lower interest rates by a "new" Fed get priced in by the market.

Figure 17: Monthly movements

	Absolute 10	SING
Jan25	1.4%	1.8%
Feb25	-0.7%	1.0%
Mar25	4.4%	2.0%
Apr25	-3.1%	-3.5%
May25	0.9%	1.6%
Jun25	2.6%	1.8%
Jul25	12.8%	5.3%
Aug25		
Sep25		
Oct25		
Nov25		
Dec25		
YTD	18.9%	10.2%
Out/(Under)perf.		8.7%

Source: Bloomberg, PSR, Performance is for illustration only and excludes brokerage fees, dividends, and monthly rebalancing costs.

Figure 18: Phillip Absolute 10 performance July 2025

Company	1M	3M	YTD	Rating	Target Px (S$)	Share Px (S$)	Upside	Mkt Cap (US$m)	Dvd. Yield
Yield									
CapitaLand Ascott	1.1%	4.7%	2.9%	**Buy**	**1.05**	0.895	17%	2,674	6.7%
DBS Group	6.7%	12.9%	9.6%	**Accumulate**	**46.90**	47.91	-2%	106,339	6.3%
Stoneweg REIT - EUR	3.9%	5.3%	0.0%	**Buy**	**1.86**	1.58	18%	1,040	8.4%
Dividend / Earnings Growth									
Geo Energy	1.5%	-4.2%	15.3%	**Buy**	**0.47**	0.34	38%	376	3.2%
PropNex	27.8%	31.4%	46.0%	**Buy**	**1.33**	1.38	-4%	799	4.9%
Sembcorp Ind.	13.3%	17.6%	40.6%	**Buy**	**8.10**	7.76	4%	10,800	3.4%
Re-rating Plays									
CapitaLand Investment	4.9%	3.7%	8.9%	**Buy**	**3.65**	2.78	31%	10,846	4.4%
City Developments	18.7%	23.9%	20.5%	**Buy**	**6.02**	6.16	-2%	4,305	2.1%
Keppel Ltd	14.2%	29.1%	23.8%	**Buy**	**10.50**	8.47	24%	12,024	4.2%
Wee Hur Holdings	35.8%	36.2%	70.2%	**Buy**	**0.55**	0.645	-15%	464	0.9%
Average	12.78%	16.1%	23.8%				11.0%		4.4%

Source: Bloomberg, PSR ^ Dividend yields are historical for all stocks

Figure 19: Snapshot of Top 10 gainers and losers in July 2025

Top 10 Gainers		Top 10 Losers	
Oiltek International	60.9%	SingPost	-19.7%
Banyan Tree	50.6%	mm2 Asia	-14.3%
Clearbridge	50.0%	Q&M Dental	-11.2%
Del Monte	45.9%	Southern Alliance	-10.4%
iFast	37.3%	Unusual	-6.5%
Wee Hur Holdings	35.8%	Keppel Pacific Oak	-4.5%
Frencken Group	33.9%	Uni-Asia Group	-4.1%
YZJ Fin.	30.4%	Zixin	-3.2%
China Sunsine	28.4%	Grand Venture	-3.1%
PropNex	27.8%	Manulife US-REIT	-2.9%

Top 10 SPDR Gainers		Top 10 SPDR Losers	
DFI	25.4%	FCT	-2.6%
CDL	18.7%	SIA	-2.4%
YZJ	15.3%	Mapletree Log	-1.7%
Keppel	14.2%	Mapletree Ind.	-0.5%
Jardine C&C	13.5%	UOB	0.5%
Sembcorp Ind.	13.3%	Thai Bev.	1.1%
Venture Corp.	13.2%	CICT	1.4%
Seatrium	12.9%	Singtel	1.6%
ST Eng.	12.6%	Keppel DC	1.7%
UOL	11.3%	Mapletree Pan Asia	2.4%

Source: Bloomberg, PSR

Weekly Equity Strategy Commentary

Week 28	We believe the impact from the additional 4% in seller stamp duty (SSD) for sales of residential property within 4 years (i.e. sub-sales) will be marginal. Sub-sales account for 4-5% of total private residential transactions (resale and new). Assuming a 50% impact, it would be 2-3% of total sales. The past three times SSD were introduced (2010) or tighten (2010, 2017), there was immaterial impact to volumes. For new launches sold within four years, sub-sales are around 13%. It is changes to additional buyer stamp duty (ABSD) that materially impacts transactions. We were surprised with this cooling measure. 2Q25 flash only saw a 0.5% rise in property prices. Even on a 12-month basis it is only up 3%, the weakest in 4.5 years. Over 3 years, property prices are up 17%. It is sufficient profit to cover the 4% SSD (now 8%) for properties held between 2 to 3 years. This tweak is to avoid unnecessary speculation, especially ahead of the expected six new launches (2611 units) expected in July. The real gauge of demand will be the new upcoming launched W Residences and Lyndenwoods. We do not expect this tightening to be a start of more cooling measures. Firstly, as mentioned, prices have not reached double-digit levels where the authorities typically will react. Secondly, we believe property measures cannot be too restrictive and risk hurting developer demand for land sales. Confirmed land sales over the past three years is around 9,800 units. This is double the pre-pandemic average of 4,600 units per year. In 2H25, there are 4,725 units on confirmed GLS. Third, housing demand is driven by a resident population increasing by about 30,000 annually. There is no change in our BUY recommendations for PropNex and City Developments. Rising HDB prices, falling interest rates and increased population are the foundation for private residential demand. We think City Developments will benefit from loosening of ABSD on foreigners. Lowering foreign ABSD on high-end properties that is outside the usual reach of Singaporean e.g. S$5mn and above looks sensible. We also believe City Developments will undertake more aggressive asset monetisation and narrow its discount to asset value, as reflected by its recent S$834 million sale of South Beach.
Week 29	The market has been nonchalant over Trump's reciprocal tariffs - Part 2. The constant extension and softening of tariffs give merit to the TACO rally. Stock markets are at a record high, and betting against TACO has been a losing trade. However, the rally in financial markets could backfire and embolden Trump to become more aggressive in his tariffs. We believe reciprocal tariffs will be larger than the current 10% baseline. To the administration, manufacturing is an important source of jobs and wealth. The US cannot reindustrialise if China and Asia dominate manufacturing. But import substitution usually leads to inefficiency, limited market size, and lack of competitiveness. Based on numerous scenarios, the negative impact on US and global GDP from higher tariffs is around 2.4% and 1%, respectively. Higher prices of imported goods essentially less to less consumer spending. We think REITs are attractive as trade war risk reignite and Singapore interest rates are declining. This is despite a Fed unlikely to cut rates till year-end because inflation will flare up. A Fed study shows that tariffs impact core PCE inflation 6% directly and 4% indirectly. Direct imports from China contribute 1% of core PCE and 0.3% indirectly. Assuming a 55% tariff on China and a 20% tariff on the rest of the world, our guesstimate of the impact of tariffs is around 2.5%. Unclear is the behaviour of consumers and businesses. With higher import prices, businesses may maintain percentage or absolute margins. Meanwhile, consumers may look for substitutes. But a plot is brewing over the Fed. A Fed governor can only be fired for a "cause", which usually means serious misconduct or malfeasance. That cause may have surfaced, according to US officials. The Office of Management and Budget is claiming the US$2.5bn Fed building renovation is over budget by US$700mn, and Powell has given misleading testimony before the Senate about the renovation's scope and features. US senior counsel for Trade, Peter Navarro, is vocalising that interest rates are 50 bps too high, causing 500-700k fewer jobs and costing a 0.25-0.5% point of GDP. We initiated Frencken with a BUY recommendation and target price of S$1.76. Valuations are 13x PE compared to the industry 20x PE. This is compared with the recent privatisation offer of GVT at 29x PE. We think Frencken is unique due to its major customer, and we believe it is ASML, considered a monopoly in high-end lithography. Frencken will, at a minimum, ride on ASML's organic growth in equipment sales. It will also enjoy two other growth drivers. Firstly, it is manufacturing components for ASML's most advanced products, and that will begin to ramp up. Secondly, it will lead a gradual shift in ASML outsourcing more production of its components from Asia.
Week 30	As for the huge rally underway for small mid-cap stocks in Singapore, we think this is just the first wave of re-rating undervalued stocks. Frankenstein is awake as per our 2Q25 strategy report. The second wave could be news of the MAS $5bn EQDP being deployed in phases. The actual deployment of the funds will carry the market another leg. Then come corporates with strong results. Our view is that commodities, construction, building materials and property will take the lead in earnings growth and even upgrades. Other sectors primed for re-rating are services and infrastructure, which we will share later. As investors grow exuberant with their windfall gains, the typical indicator of a near-term top emerges when penny stocks with shaky fundamentals, but an enthralling narrative, begin to capture attention. We are not there yet.

	Privatisation offers have started to reflect the re-rating. April and May takeovers were at an astounding 40% to 60% premium to the 1-month average traded price. Even with such premiums, some offers were deemed not fair due to a huge (30-40%) discount to book. Nevertheless, the offers were deemed reasonable because of the poor liquidity of the shares. If liquidity improves, that reasonableness test goes away. The recent two privatisation offers were at 8% to 17% premium to the last 1-month traded price. On interest rates, some Fed officials have started to voice the need to cut interest rates. FOMC member Waller said the labour market is "on the edge and the impact of tariffs on inflation will be temporary. In addition, underlying inflation is close to the 2% goal. Another Fed President, but non-FOMC member, Daly believes it is reasonable to have two interest-rate cuts this year. Waiting for 2% inflation may be too late. However, more "important" members, Vice Chair of FOMC Williams, view the current restrictive stance as entirely appropriate, as the effects of tariffs will increase in the coming months. Markets are still pricing two rate cuts this year and three next year. Our view is that any downside to the US economy will be backstopped by the Fed. Equity markets have both a Fed and Trump put on the downside.
Week 31	Singapore equities are enjoying its "everything rally" moment. Construction and property sectors are taking the lead in this rally with huge gains this month -Wee Hur (47%), Propnex (33%), LHN (27%) and CDL (22%). We get questioned on the sustainability of the rally. But after 17 years, the Singapore market is only up 8.6% (from an all-time high of 3921 Feb07). And we do not think it is a liquidity trap as labelled by some. We expect a few more phases in this rally. Momentum will be carried by companies with healthier 1H25 results. Next comes the actual deployment of EQDP over the next 12 months. Less certain is the ability for EQDP to attract or crowd in third-party funding alongside MAS. But the stellar share price performance and captive liquidity sure helps. Other drivers for the Singapore market could be REITs and tariffs. Due to its underperformance, the new four-letter word for Singapore investors is REIT. REITs are up 2.4% this month compared to the market's rise of 7.5%. We are more constructive and see green shoots for REITs. Rental growth in Singapore has been resilient. The 50% collapse in interest rates (3M SORA) in Singapore to 1.86% is helping REITs grow their DPU. OUE REIT and Suntec REIT increased DPU by 5% YoY as interest cost fell 20-50bps. Our base case is a stronger re-rating for REITs by year-end as the market price in a new and more dovish Fed chair. On tariffs, markets are responding well. A 15% tariff on Japan has seen its market rally. Tariffs on ASEAN countries are now hovering around 20% - Philippines (19%), Indonesia (19%), Vietnam (20%), Malaysia (25%), and Thailand (36%). If Singapore keeps its tariffs at 10%, it will instantly gain a competitive edge over other Asian countries with higher tariffs effective 1 August. Listening to the Hutchison Port analyst briefing, China is faring better than expected. While volumes to the US are down 5%, e-commerce goods with their low price points are still shipping to the US but using express sea freight rather than air. Chinese exporters are also marketing and shipping more to new markets such as Europe. Northern China exports are more impacted due to the large ticket-sized items sold.

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