22 October 2021

Market Strategy

Getting Back Into the Groove

- **2022: The year of recovery.** With the immunisation programmes picking up the pace throughout ASEAN, this will allow the normalisation process to accelerate. Investors need to remain aware of the prevailing macro risks and any serious resurgence of COVID-19. Investors should also refocus on fundamentals with an emphasis on value without losing sight of defensives for tactical reasons.
- **Indonesia:** The risk-reward profile until the year's end does not look so upbeat due to some downside risks: Foreign outflows from the materialisation of the US' tightening monetary policy, overhang in the US debt ceiling rule, and domestic COVID-19 resurgence on a low vaccination rate of 48.1%. The strong JCI rally over the past month – driven by large-cap undervalued cyclicals (see our 31 Aug note for more details) – may have partially priced in the recovery, as COVID-19 infections decrease, while being buoyed by the commodity super-cycle. We maintain our end-2021 JCI target at 6,700 pts.
- **Malaysia:** Our base case expectation is for a recovery scenario to gradually evolve as the process of normalisation gathers pace. This transition into the new normal will bring with it a re-focus on fundamentals and the need for investor expectations to be backed up by earnings. The Malaysian Government's fiscal constraints imply a limited capacity to pump prime while we note the evolving external risks to equity markets. Stock-picking strategies, and trading to capitalise on momentum and high-beta names, will be needed to generate alpha. Investors should seize on opportunities to re-weight into recovery plays at lower levels – including looking out for "bombed-out" stocks. Prevailing risks will require tactical exposure to defensive and high-dividend yield names.
- **Singapore:** For 4Q21, the equity outlook will depend on how well stocks and sectors can contend with the current constrained COVID-19 growth, elevated inflation amidst supply chain disruption, expectations of an early interest rate hike, and corporate efforts to maximise operational efficiencies. Despite global risks, we think Singapore offers opportunities to accumulate stocks that leverage on an economic re-opening and counters that now offer better earnings visibility, either from business restructurings or structural and inorganic growth. We like exposure to the banking, consumer, healthcare, industrial, telecommunication and transport sectors, and continue to favour REITs exposure, with industrial REITs the preferred pick.
- **Thailand:** We raise the SET's FY21F earnings 38% to THB879bn from THB636bn – which points to a sharp 118% YoY recovery from 2020's THB412bn. For 2022, we expect earnings growth to tone down slightly to 12% YoY from 33% previously. Our new end-2021 SET target is 1,669 pts from 1,680 pts, derived by assigning an average P/E of 21.92x (7-year average) vs 39x previously. This spike in our earnings estimate is due to 2020's low base.

Company Name	Rating	Target	% Upside (Downside)	P/E (x) Dec-22F	P/B (x) Dec-22F	ROAE (%) Dec-22F	Yield (%) Dec-22F
Airports of Thailand	Buy	THB73.50	12.2	104.2	6.9	6.9	0.6
Aneka Tambang	Buy	IDR3,450	36.4	24.9	2.7	12.2	0.3
Astra International	Buy	IDR6,900	8.7	13.5	1.4	11.7	4.2
Bank Mandiri	Buy	IDR8,200	13.9	10.8	1.6	15.2	4.3
CIMB	Buy	MYR5.90	9.1	11.1	0.9	8.1	3.7
ComfortDelGro	Buy	SGD2.10	34.6	15.0	1.2	8.2	5.3
Genting	Buy	MYR6.47	23.2	16.2	0.6	3.9	3.8
Siam Commercial Bank	Buy	THB147.00	17.1	12.0	0.9	7.8	2.8
Siam Global House	Buy	THB24.00	11.1	28.5	4.7	17.1	1.8
SingTel	Buy	SGD3.37	32.7	16.7	1.4	8.8	3.9
TASCO	Buy	MYR1.79	35.2	16.6	1.9	12.2	1.8
United Overseas Bank	Buy	SGD30.20	12.5	10.5	1.0	9.6	4.8

Source: Company data, RHB

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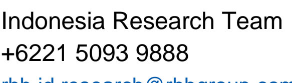

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Key Takeaways

The race to re-open

Figure 1: RHB real GDP growth forecasts

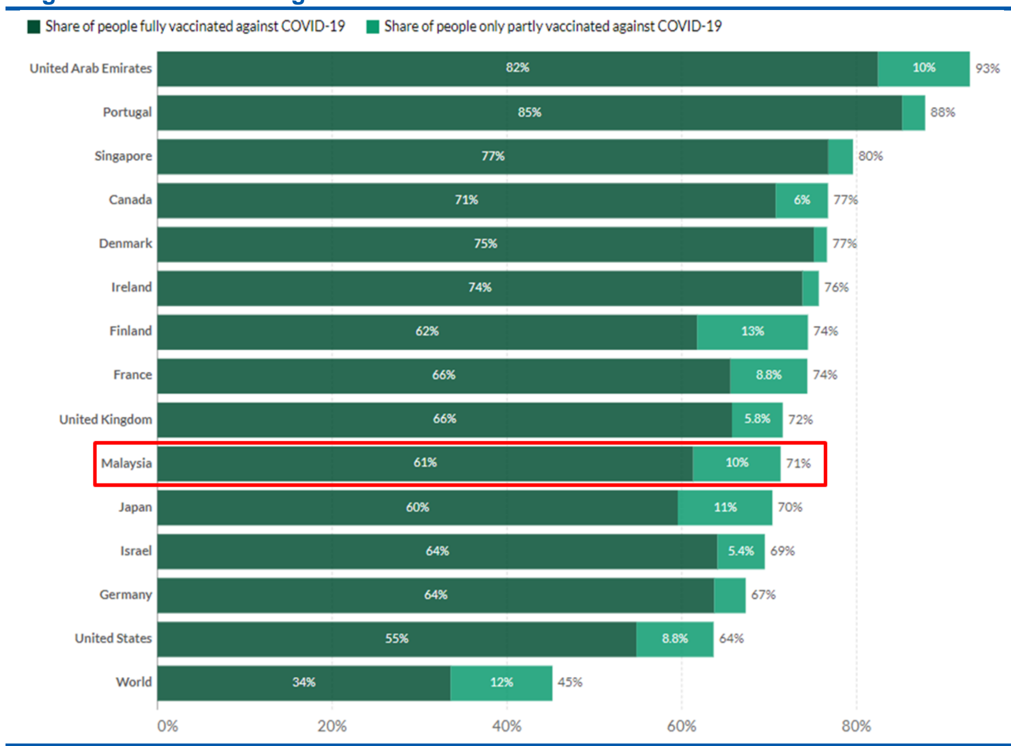
		RHB forecast		
% YoY	**2020**	**2021F**	**2022F**	**2023F**
ASEAN				
Indonesia	-2.0	4.0	5.5	5.0
Malaysia	-5.6	5.4	5.5	4.9
Singapore	-5.4	5.8	3.7	3.0
Thailand	-6.1	1.0	3.6	4.2
Vietnam	2.9	2.5	6.5	7.0

Source: Bloomberg, RHB Economics & Market Strategy

As vaccination rates rise across ASEAN and signs emerge that the pandemic is coming under control, the focus is moving firmly toward an economic re-opening. We expect 2022 to be the year of normalisation – made possible by the improved availability of vaccines and relatively efficient national immunisation programmes. Even as regional immunisation laggards Indonesia and Thailand play catch-up with leaders Singapore and Malaysia, investors need to remain vigilant on COVID-19 developments. The recent spike in cases in Singapore is a case in point.

Since the start of the pandemic in early 2020, investors have grossly underestimated the impact, duration, and resilience of COVID-19, especially in its ability to mutate into more contagious and deadly variants. Countries need to juggle the delicate balance between lives and livelihoods. However, the persistent spread of the virus and our inability to completely eradicate COVID-19 is already seeing policies adapt towards an endemic state.

Figure 2: Current leading nations in the vaccination race



Source: Our World in Data

Going forward, we believe there are several likely factors that would allow countries to begin endemicity:

i. Exposure to Delta-driven cases;

ii. Expansion of vaccine use to younger age groups;

iii. Authorisation of booster shots;

iv. Types of vaccines.

The exposure of Delta-driven cases determines the degree of natural immunity (Labuan being an example), and this will be complemented by further vaccination efforts. Booster shots and the expansion of vaccine use are all likely to increase immunity among the community, and the US Food & Drug Administration has begun looking into vaccinating children aged 5-12 years.

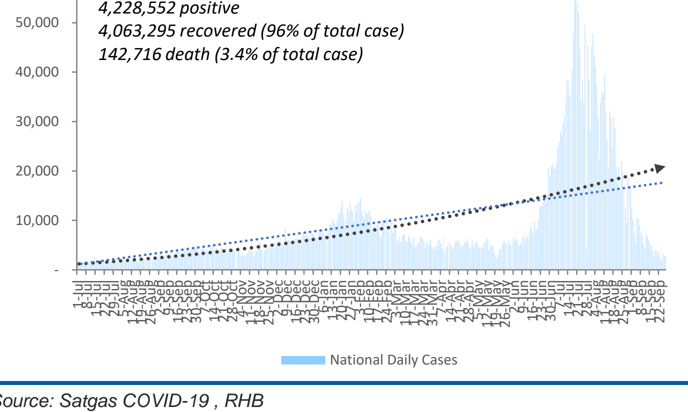
Additionally, we believe most countries are now more selective in their vaccine procurements, as they begin to look at vaccine effectiveness in relative terms. Countries such as Thailand, the Philippines, and South Korea are increasingly concentrating their orders on the more-effective mRNA-based vaccines.

While booster shots present a method to address the concerns over rising infections, this brings about a moral dilemma on a global scale. Ultimately, vaccination is one part of the solution. It will help in preventing the collapse of the public healthcare system but will not eliminate the pandemic completely. Testing and genomic sequencing would still be needed to monitor vaccine effectiveness and variant progression. Governments will be tasked to determine what burden of disease is low enough to warrant the lifting of public health restrictions, and how to manage the impact of an endemic COVID-19 on the public healthcare system.

Indonesia

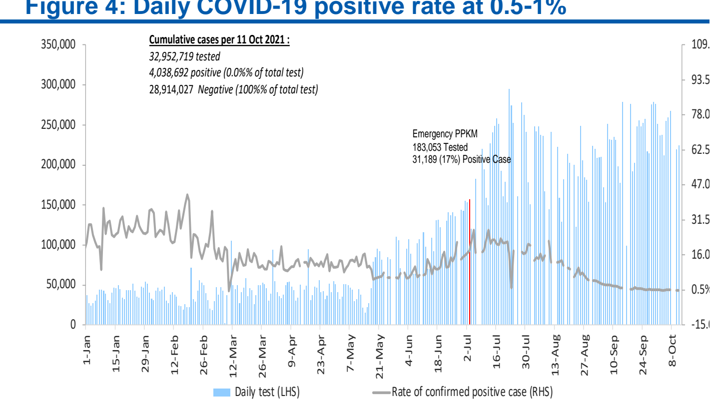
More manageable COVID-19 situation. MTD-October numbers show that daily cases stand at 1,000-2,000 (with a 0.5-1% positivity rate) – this is much lower than 3Q21 and 4Q20's levels of c.20,000 and 4,000-5,000 cases. We expect the number of cases to remain low in 4Q21, partly due to the accelerated vaccination programme. Indonesia's daily vaccination rates are currently at 1.4-1.5m jabs per day – much higher than in previous months. This translates to about 48% and 28% of the population receiving their first and second jabs.

Figure 3: Number of daily COVID-19 cases remains low



Source: Satgas COVID-19 , RHB

Figure 4: Daily COVID-19 positive rate at 0.5-1%



Source: Satgas COVID-19 , RHB

Highly populated big cities and tourism destinations – eg Jakarta, Bali, Yogyakarta, Surabaya, Tangerang, Semarang, and Bandung – have higher vaccination rates than small cities and areas outside Java. High vaccination rates in big cities and tourism destinations make the Indonesian Government more confident of reopening the economy. The Health Ministry has expanded its vaccination target to children above the age of 12 years and started to re-open physical schools in selected areas with low daily COVID-19 cases.

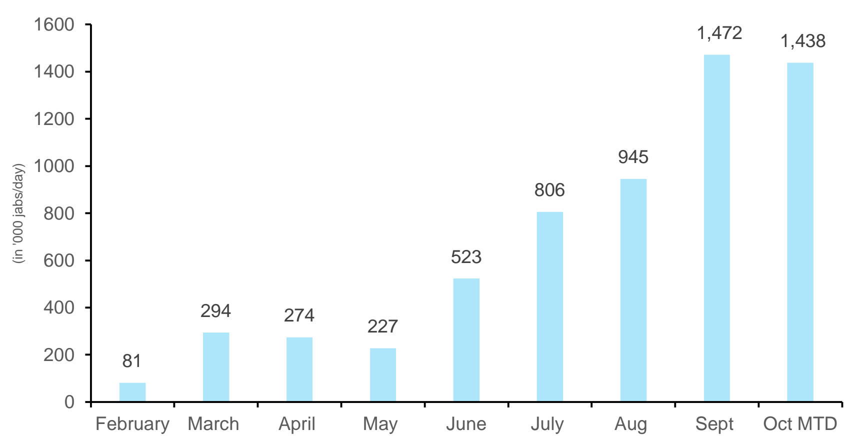
Assuming vaccination rates at a current pace of 1.5m jabs per day, according to our calculations, around 80% of Indonesians will have received their first jabs by Feb 2022. At the same time, 80% of the population will receive their second jabs be by Jun 2022. The Indonesian Government is in talks to allow non-subsidised/self-paid vaccines for third jabs for boosters in 2022.

Figure 5: Vaccination rate simulation

Daily Vaccination Pace (average MTD Oct daily jabs)	1,472,528
% Population received vaccine by year end 2021	
first shot	63%
second shot	40%
Timing - 80% of population receive:	
first shot	Feb-22
second shot	Jun-22

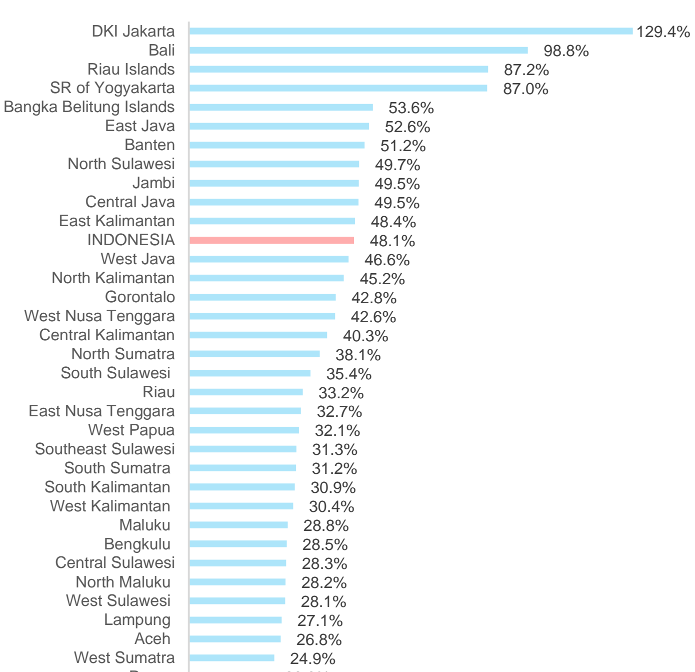
Source: Company data, RHB

Figure 6: Accelerated daily COVID-19 vaccination pace



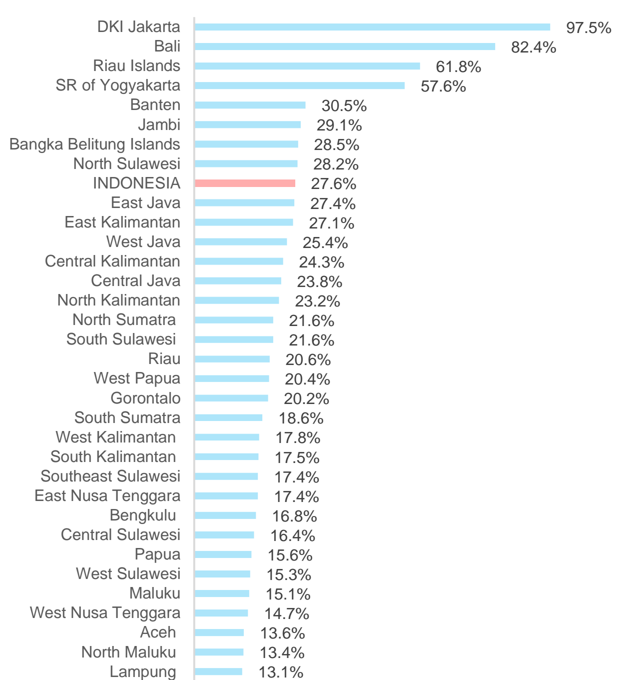
Source: Satgas COVID-19 , RHB

Figure 7: Jakarta and Bali have the highest first-dose vaccination rate, (% of population)



Source: Ministry of Health, RHB

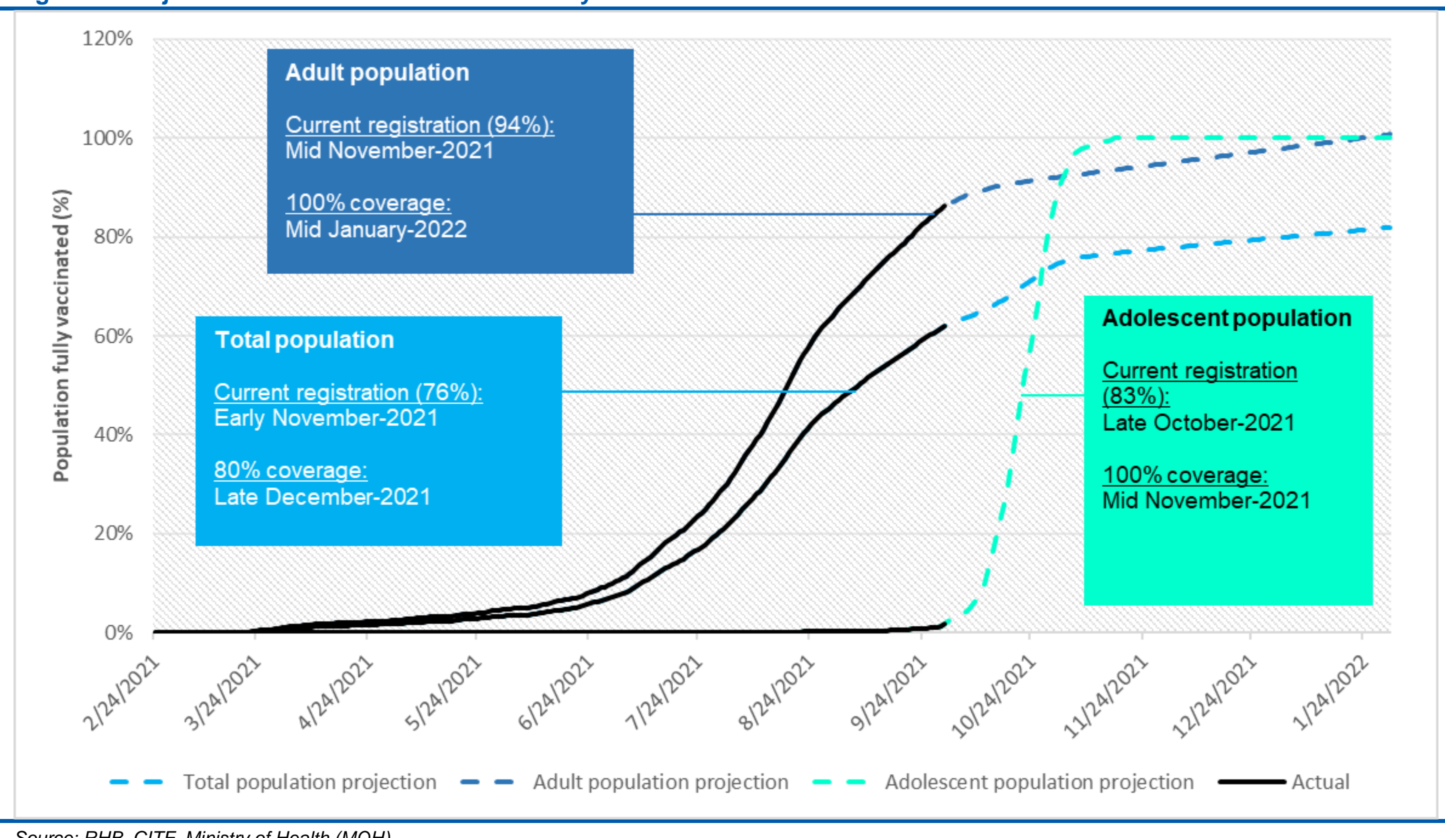
Figure 8: High vaccination rates in urban areas (% of population)



Source: Ministry of Health , RHB

Malaysia

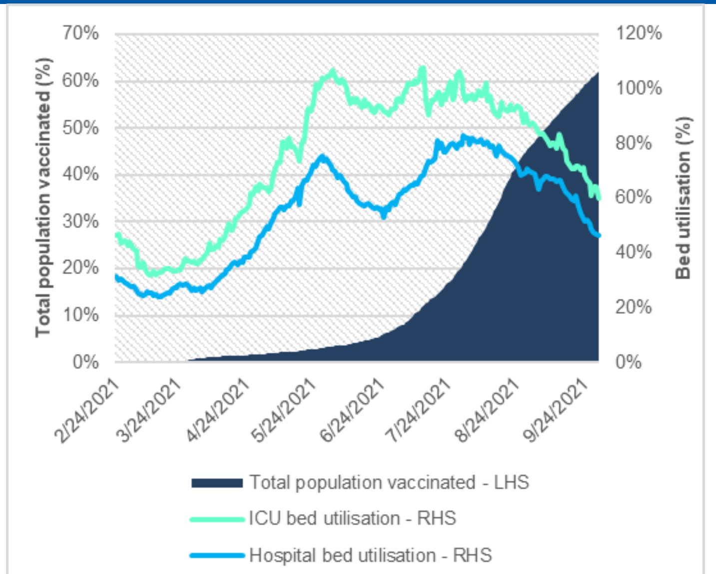
Figure 9: Projected vaccination timelines for Malaysia



Source: RHB, CITF, Ministry of Health (MOH)

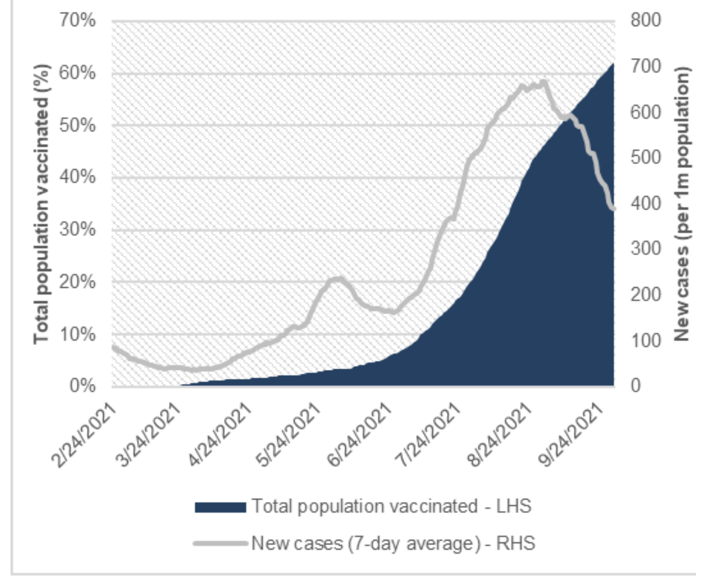
Vaccination rate to plateau soon. Malaysia has begun vaccinating adolescents aged 12-17 years. Overall, we expect the country to complete its adolescent vaccinations by November and hit an 80% vaccination coverage for its total population by the end of the year.

Figure 10: Vaccine coverage against bed utilisation rates



Source: CITF, MOH Malaysia, RHB

Figure 11: Vaccine coverage against new COVID-19 cases



Source: CITF, MOH Malaysia, RHB

Moving to endemic status. As countries try to juggle the delicate balance between lives and livelihoods, the persistent spread of the virus and our inability to completely eradicate COVID-19 is already seeing policies – Malaysia included – having to adapt. High immunisation rates will be a key strategy as we pass key milestones – at the time of writing, 62% of Malaysia's total population and 87.1% of the adult population have been fully vaccinated. Lockdown restrictions have been gradually eased over the past month as more states transition into the latter phases of the National Recovery Plan or NRP to accelerate the re-opening and normalisation process.

What next for the national immunisation programme? The National COVID-19 Immunisation Programme or NIP has not been without its share of criticism but, on balance, it has been a rare success in what has been a difficult 2021. As the vaccination programme for adolescents aged 12-18 years is picking up pace, the propensity for more families to gravitate back to a pre-pandemic lifestyle will increase, as there will be fewer unvaccinated dependents in households to give adults pause for thought.

Currently, 24.9m people have registered to take the vaccination – representing 76.1% of the total official population. Note: The percentage of the total population aged below 12 years stands at about 18%. So, the effective vaccination limit is 82% of the total population until a vaccine is approved for children aged below 12 years.

We can expect to see the Malaysian Government adopt more aggressive policies to increase the sign-up rate if the aim of inoculating 80% of the population is to be achieved by end 2021.

Singapore

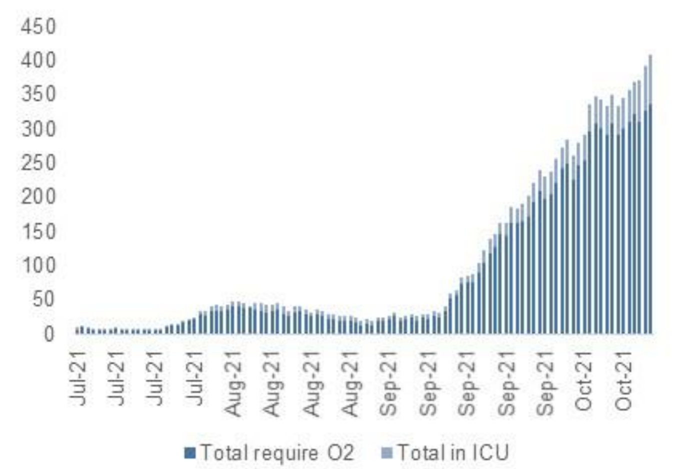
COVID-19 cases are elevated, but most cases have mild symptoms or are asymptomatic; the focus is on getting more people treated at home. The number of COVID-19 cases and hospitalisation for seriously ill patients in Singapore is on a rise. However, more than 98% of infection cases are mild in symptoms or asymptomatic. The Singaporean Government has made a home recovery programme the default for COVID-19-infected people – except for the following persons: i) Partially or unvaccinated individuals aged 50 years and older, ii) vaccinated persons 80 years and older, and iii) children aged less than a year old, as well as children aged 1-4 years who have been assessed to be clinically unsuitable for home recovery.

This is to ensure that there is a lower load on the healthcare system while hospitals can focus more on patients that definitely need close medical monitoring.

Figure 12: Number of daily COVID-19 cases

Note: Data as at 19 Oct 2021
Source: Bloomberg, RHB

Figure 13: Number of serious cases that are in the hospital



Note: Data as at 19 Oct 2021
Source: Bloomberg, RHB

Expansion of the vaccination booster programme. As of 18 Oct, 84% of Singapore's population is now fully vaccinated against COVID-19. The country commenced its booster programme for persons aged 50-59 on 3 Oct 2021, in addition to those aged 60 years and above. As of 17 Oct, almost 588,596 individuals have received their booster doses, which is 75% of the eligible population.

In order to maximise the protection against COVID-19 for a broader range of population, the Singaporean Government has planned to extend the booster programme for the following categories of population from 9 Oct: i) Healthcare and frontline workers, ii) persons and staff in institutionalised settings, and iii) persons aged 30 years and above.

Figure 14: Singapore's COVID-19 situation at a glance

As at 18 Oct 2021 (COVID-19 vaccines under National Vaccination Programme only)

Total
9,662,027
Doses administered

4,622,432 (85% of population)
Received at least one dose

4,562,307 (84% of population)
Completed full regimen

Booster Dose
850,000
Eligible

604,552
Received booster shot

96,000
Booked their appointment

As at 19 Oct 2021, 12:00pm

New Cases
3,994

3,480
Community

501
Dormitory

13
Imported

As at 19 Oct 2021, 12:00pm

Hospitalised
1,738

338
Require Oxygen Supplementation

71
In Intensive Care Unit

246
Deaths

Over the last 28 days, of the 74,641 infected individuals, 98.6% had no or mild symptoms, 1.0% required oxygen supplementation, 0.1% required ICU care, and 0.2% has died.

Source: Ministry of Health

Despite restrictions, the Singaporean Government is clear on moving towards a COVID-19-resilient nation. Amidst the rapid rise in COVID-19 cases, Singapore announced a fresh round of restrictions on 24 Sep that led to a scaling back of social interactions with the intention of minimising the strain on the country's overall healthcare capacity. These restrictions were announced for the period of 27 Sep to 24 Oct 2021 and were known as the "stabilisation phase".

On 20 Oct, the Ministry of Health (MOH) announced that it will extend its "stabilisation phase" for another month to 21 Nov as more time is needed to stabilise the COVID-19 situation. The ministry assessed that the country's medical personnel was stretched and fatigued. While the Singaporean Government is trying to reinforce the team, it will take time for these reinforcements to come in. Based on the current situation, there is a considerable risk of the country's healthcare system being overwhelmed. About 89% of the isolation and 67% of intensive care beds – including those for non-COVID-19 patients – in public hospitals have been filled. This is out of a total of 1,650 isolation and 200 ICU beds. On a positive note, the Singaporean Government announced that the measures will be reviewed at the 2-week mark and adjusted based on the COVID-19 community situation then.

The Singaporean Government and its senior leadership has consistently mentioned that the country is staying the course to transit towards a COVID-19 resilient nation and reiterated that it will progressively re-open the society and economy, and resume travel – the lifeblood of the country's economy. Prime Minister Lee Hsien Loong said, and we agree, that with each passing day, Singapore is getting stronger, more resilient, and more ready to live with the virus in its midst – and this "new normal" is anywhere from three to six months away.

Simplifying COVID-19 healthcare protocols will enable the reopening of the domestic economy. With the intention of better managing the current COVID-19 spread and eventually reopen the economy, the Singaporean Government recently announced plans to rationalise the testing and recovery protocols for the pandemic. A key move was to enforce RT-PCR testing mainly for individuals who feel unwell and have symptoms. Antigen rapid tests or ART will now be used for people who are well – eg for community testing and management of contacts of COVID-19 cases.

The new protocols mark a shift in the emphasis towards personal responsibility and self-management. The Singaporean Government has also expanded vaccination-differentiated safe management measures or VDS, which will now allow only groups of up to two fully vaccinated persons to dine-in at hawker centres and coffee shops – like all other regular F&B establishments. Similarly, under the expanded VDS coverage, only groups of up to two

fully vaccinated persons will be allowed to enter shopping malls and attractions. This, we believe, should help in pushing up vaccination rates higher, especially amongst the unvaccinated seniors.

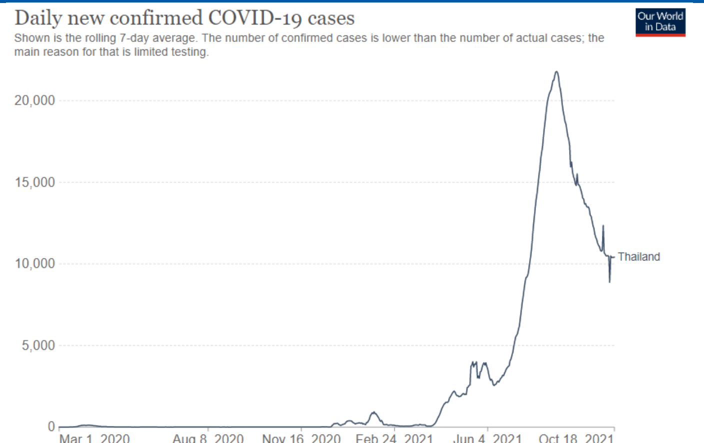
Plans are underway to continue opening international borders. Singapore now has quarantine-free travel under Vaccinated Travel Lanes (VTLs) with 11 countries/regions and has plans to progressively add more countries to the list. The Singaporean Government has also simplified the COVID-19 testing protocols for individuals entering Singapore through VTL. All travellers entering the country under the VTL from 19 Oct 2021 will only be required to present a valid negative COVID-19 PCR test result taken within 48 hours before departure to Singapore and undergo an on-arrival PCR test upon arriving on the island. They will not be required to undergo additional PCR tests on Days 3 and 7 of their stay in Singapore.

Thailand

Positive trends. The number of daily new COVID-19 cases and confirmed deaths in Thailand are on a downturn. At the same time, the number of recovered and discharged patients have picked up at stronger pace. This is the result of the speeding up of the vaccine administration programme – which has lessened the pressure on the public healthcare system (currently at around 3,324 serious cases) – as well as the increase in hospital beds, field hospitals, and hospitel capacities. There are currently over 700,000 jabs being given per day – sometimes the number even exceeds 1m jabs per day.

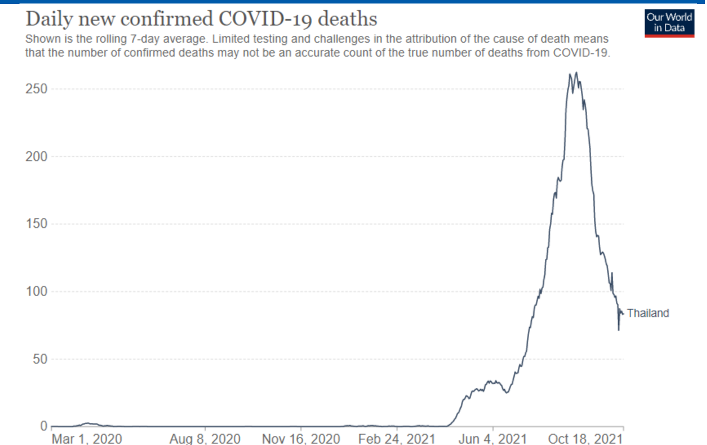
At the time of writing, there have been over 62m accumulated vaccine doses given. 36.2m people have received at least one dose (50.3% have received their first dose, 34% a second dose, and 2.6% a third booster dose) – so about 52% of Thailand's population has been vaccinated to some degree.

Figure 15: Daily confirmed COVID-19 cases



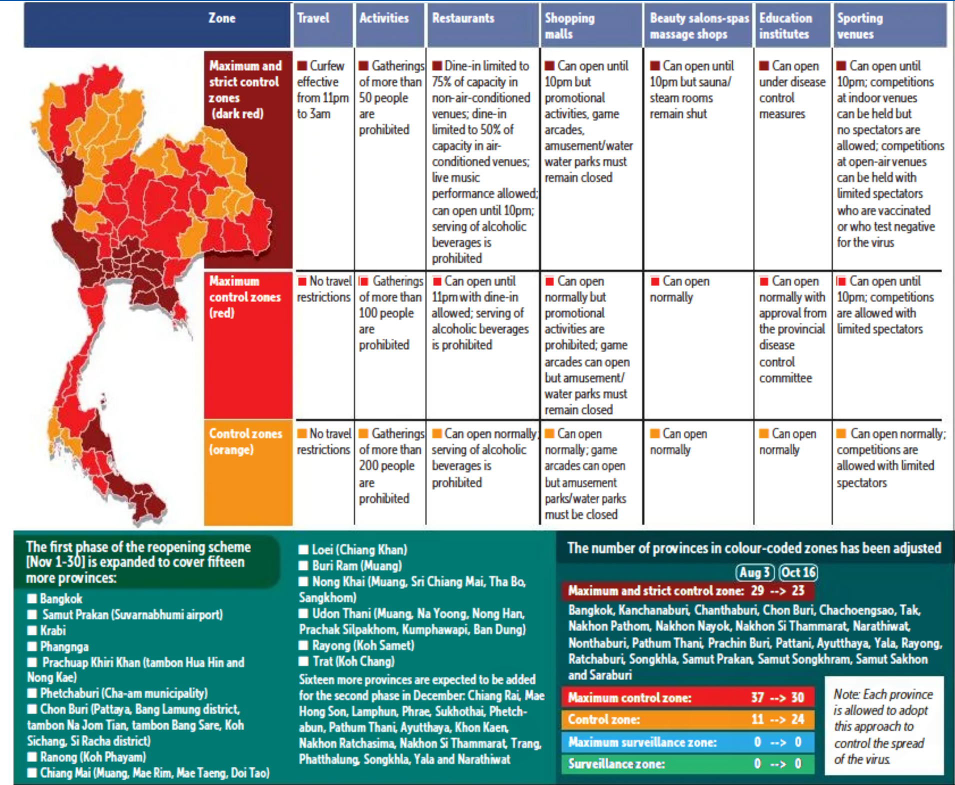
Source: Johns Hopkins University CSSE COVID-19 Data

Figure 16: Daily confirmed COVID-19 deaths



Source: Johns Hopkins University CSSE COVID-19 Data

Figure 17: Easing of the rules on COVID-19 restrictions by zone, effective from 16 Oct 2021



Zone	Travel	Activities	Restaurants	Shopping malls	Beauty salons-spas massage shops	Education institutes	Sporting venues
Maximum and strict control zones (dark red)	Curfew effective from 11pm to 3am	Gatherings of more than 50 people are prohibited	Dine-in limited to 75% of capacity in non-air-conditioned venues; dine-in limited to 50% of capacity in air-conditioned venues; live music performance allowed; can open until 10pm; serving of alcoholic beverages is prohibited	Can open until 10pm but promotional activities, game arcades, amusement/water water parks must remain closed	Can open until 10pm but sauna/ steam rooms remain shut	Can open under disease control measures	Can open until 10pm; competitions at indoor venues can be held but no spectators are allowed; competitions at open-air venues can be held with limited spectators who are vaccinated or who test negative for the virus
Maximum control zones (red)	No travel restrictions	Gatherings of more than 100 people are prohibited	Can open until 11pm with dine-in allowed; serving of alcoholic beverages is prohibited	Can open normally but promotional activities are prohibited; game arcades can open but amusement/ water parks must remain closed	Can open normally	Can open normally with approval from the provincial disease control committee	Can open until 10pm; competitions are allowed with limited spectators
Control zones (orange)	No travel restrictions	Gatherings of more than 200 people are prohibited	Can open normally; serving of alcoholic beverages is prohibited	Can open normally; game arcades can open but amusement parks/water parks must be closed	Can open normally	Can open normally	Can open normally; competitions are allowed with limited spectators

The first phase of the reopening scheme [Nov 1-30] is expanded to cover fifteen more provinces:

- Bangkok
- Samut Prakan (Suvarnabhumi airport)
- Krabi
- Phangnga
- Prachuap Khiri Khan (tambon Hua Hin and Nong Kae)
- Phetchaburi (Cha-am municipality)
- Chon Buri (Pattaya, Bang Lamung district, tambon Na Jom Tian, tambon Bang Sare, Koh Sichang, Si Racha district)
- Ranong (Koh Phayam)
- Chiang Mai (Muang, Mae Rim, Mae Taeng, Doi Tao)
- Loei (Chiang Khan)
- Buri Ram (Muang)
- Nong Khai (Muang, Sri Chiang Mai, Tha Bo, Sangkhom)
- Udon Thani (Muang, Na Yoong, Nong Han, Prachak Silpakhom, Kumphawapi, Ban Dung)
- Rayong (Koh Samet)
- Trat (Koh Chang)

Sixteen more provinces are expected to be added for the second phase in December: Chiang Rai, Mae Hong Son, Lamphun, Phrae, Sukhothai, Phetch-abun, Pathum Thani, Ayutthaya, Khon Kaen, Nakhon Ratchasima, Nakhon Si Thammarat, Trang, Phatthalung, Songkhla, Yala and Narathiwat

The number of provinces in colour-coded zones has been adjusted

	Aug 3	Oct 16
Maximum and strict control zone:	29 -->	23

Bangkok, Kanchanaburi, Chanthaburi, Chon Buri, Chachoengsao, Tak, Nakhon Pathom, Nakhon Nayok, Nakhon Si Thammarat, Narathiwat, Nonthaburi, Pathum Thani, Prachin Buri, Pattani, Ayutthaya, Yala, Rayong, Ratchaburi, Songkhla, Samut Prakan, Samut Songkhram, Samut Sakhon and Saraburi

	Aug 3	Oct 16
Maximum control zone:	37 -->	30
Control zone:	11 -->	24
Maximum surveillance zone:	0 -->	0
Surveillance zone:	0 -->	0

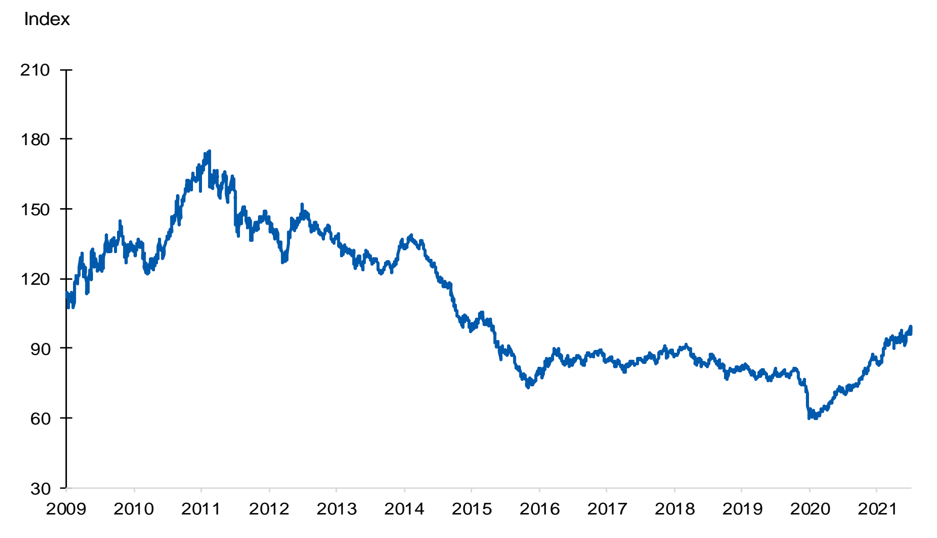
Note: Each province is allowed to adopt this approach to control the spread of the virus.

Source: The Centre for Covid-19 Situation Administration, Bangkok Post

Commodity super-cycle? What it means for ASEAN

The recent surge in commodity prices – fuelled by low interest rates, pandemic-related fiscal responses, and supply chain bottlenecks – and the gradual re-opening of economies have raised questions on whether we are at the kick-off point of a new super-cycle, or if it is merely a temporary upswing.

Figure 18: Commodities Index



Source: Bloomberg

A super-cycle is seen as a phenomenon driven by acute global structural changes that can last for decades. Four such super-cycles have been identified since the 1890s when the US began industrialising. The second such cycle was brought about by the start of World War Two, as the need for materials spiked and continued after 1945, led by reconstruction demand. The third cycle began in the 1970s and the fourth in 2000, as China joined the World Trade Organisation.

As economies emerge from the global COVID-19 pandemic, this has triggered a surge in prices from renewed demand while supply chain constraints continue to persist. In addition, the increasing emphasis on lowering the carbon footprint and meeting sustainability goals will require decades to work through – this may not have a uniform impact across different commodities. The emphasis on decarbonisation could be a factor in helping to drive up certain commodity prices. These trends include the shift towards renewable energy or RE sources – including commodities that are produced using green energy sources or sustainable farming methods – and includes the electric vehicle (EV) revolution.

Much has been said about copper being the common denominator in construction and a key component in batteries, EVs, solar photovoltaic panels, and telecommunications, which will drive demand for the commodity. While there are ample global deposits of the metal, extraction rates have been slow, with new mines seeing long gestation periods. These factors point to copper prices likely remaining elevated for some time to come. The greater the pressure to meet sustainability targets, the greater the price pressure on commodities in general, in our view.

Vegetable oils and CPO. For food-related commodities like vegetable oils (CPO, soybean oil, etc), we believe the super-cycle is more or less over. CPO prices have already shot up to historical highs, led by a supply crunch caused by: i) *La Nina*, which affected oilseed crops in the Northern Hemisphere; ii) a sharp rise in crude oil prices, and iii) labour shortages in Malaysia.

With a better year for crop productivity dawning in 2022, combined with COVID-19-affected demand stemming from the hotel, restaurant & café or HORECA sector, we believe the current high prices may not last that much longer – we also think a moderation of prices should be imminent. That said, there are always wildcards that could affect prices, keeping prices high. These include a re-emergence of *La Nina* in the upcoming Nov 2021-Jan 2022 season. A *La Nina* watch is currently in place, with a 67% probability of occurrence.

Metals/aluminium. Decarbonisation has far-reaching demand and supply implications for the industrial metals basket. This is given its pivotal role in facilitating the buildout of green technologies vs the pressing need to reduce direct carbon emissions from its production – namely the reliance on fossil fuels for power generation. In general, incremental demand on top of supply disruptions will be structurally constructive for metal prices, in our view. The net impact to individual metals differ, however, depending on their use case and carbon footprint in relation to enabling climate change mitigation.

In other words, metals with wider eco-friendly applications, and/or greater energy intensity are more likely to be exposed to the decarbonisation shift, with prices possibly kept elevated in a period of transition. Aluminium, in particular, is currently facing this quandary: Its prevalence across various low-carbon applications such as EVs and solar photovoltaic cells calls for more production of the metal – all this while being juxtaposed against mounting pressures on power-hungry aluminium smelters to shift away from fossil fuel reliance and towards RE sources, which have limited availability.

The subsequent rollout of green premiums and carbon prices are also expected to spur the aluminium industry's supply-side reforms in the years to come, with capacity expansions at risk of lagging behind demand growth over the period. In our view, it is still too early to tell whether a metals super-cycle will emerge, in light of other external dislocations posed by decarbonisation such as uneven ripple effects across value chains. Having said that, the odds are currently looking in favour of aluminium.

Are we likely to see oil back at USD100.00 per bbl? We re-examine some major factors – OPEC's position and its associated risk premium, US production, and the potential destruction of demand when oil prices are at high levels. We see an increased possibility of the price of oil hitting USD100.00 per bbl, but stronger catalysts are required to propel it. While it is almost impossible to predict the next geopolitical flashpoint, maintaining a higher level of global spare capacity and strategic petroleum reserves expansion will help to cushion the price impact caused by the fear of a supply disruption.

OPEC has played a very crucial role in rationalising the supply market in the past. Accounting for more than one-third of the crude supply market share, its spare capacity is an indicator towards assessing global oil market tightness. Over 2003-2008, its spare

capacity was below 2mbpd – which limited its ability to respond to any demand and price rally. On the flip side, OPEC's decision to flood the market will also dent oil prices, as evidenced by what happened in 2H14.

We believe the upside surprise to demand will be the key factor that could lift oil prices to another level. This will further compress OPEC's spare capacity, and the risk premium could heighten when its spare capacity is lowered to 2mbpd vs an estimated 3.3mbpd in 2022.

Furthermore, OPEC's current strategy, in our view, is still in its favour and price positive. The easing of the fiscal breakeven price will bring more OPEC members closer to their biggest ally, Russia, keeping them intact as long as the US is not deemed a competitive threat.

Limiting factors: US and Iran supplies, potential demand destruction. US production is expected to grow by 0.6mbpd, or 6%, to 11.7mbpd in 2022, and higher prices will trigger more funds to accelerate drilling, in our view. Iran remains a big swing factor, as it is still seeking to recover lost ground due to the imposition of international sanctions in recent years.

Lastly, in the past 20 years, the oil consumption of Organisation for Economic Co-operation and Development or OECD countries decreased over 2000-2001, 2006-2009, and 2011-2013, as well as in 2008 and 2020. Except for 2020, almost all of these periods were associated with higher oil prices.

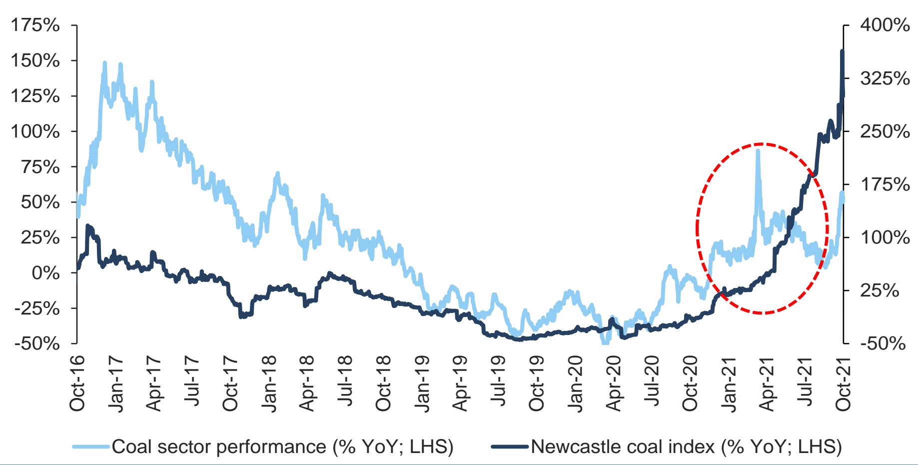
Oil consumption in both the transportation and industrial sectors noticeably slowed down in 2011 when prices first hit USD100.00 per bbl. This was also particularly obvious between 2011 and 2014 when oil prices averaged above USD100.00 per bbl. We also saw a turning point of OECD oil consumption in 2H14 following the sharp decline in oil prices.

Indonesia

Higher income from commodity super cycle. Coal contributed 80% of non-oil & gas revenue and accounted nearly 35% of that provincial GDP that produces coal. CPO has also played a major role in Indonesia's economy, especially at grass root levels. The country has also benefited from higher nickel, tin, copper, and bauxite prices. These, combined with strong other soft commodity prices, support exports and the IDR currency despite the large budget deficits due to the pandemic.

Coal miners are one of the key beneficiaries from the recent rise in coal prices. In some developed countries, there is a shift in energy sources to coal from natural gas to slower the pace of electricity tariff increases. This has caused an increase in coal demand – on the flip side, coal supply is limited, driven by low investments on capacity expansion, partly due to ESG issues.

Figure 19: Newcastle Coal Futures trends vs Indonesia's coal sector performance



Note: Coal performance is market weighted
Source: Bloomberg, RHB

- A brief correction happened earlier this year as the second pandemic wave and heightened awareness towards ESG dampened sentiment for rising coal prices
- Coal stocks remained in a lull in April-July, up until coal supply issues surfaced and caused the simultaneous electricity crunch in Europe and China– markets then reacted vigorously as coal prices hit record highs in September
- As a result, the volatility in coal prices drove recent share price performances

Malaysia

Higher commodity prices will generally be a positive event from a fiscal perspective for Malaysia, given its status as the only net oil & gas exporter in ASEAN and strength in the plantations sector. However, at the extreme, subsidy costs will become burdensome. Higher coal prices get passed down to consumers, which add to the cost of living / doing business. At the margins, higher commodity prices that threaten the sustainability of the global recovery will eventually be a counter-productive development, in our view.

Singapore

Given that the country has no natural resources, Singapore is a price-taker and reliant on imported food, energy, and raw materials. Global supply chain disruptions – being reflected in a shortage of key components and/or delayed production, as well as higher shipping costs – have contributed to rising input costs. Manufacturing input prices, which have expanded for 13 straight months, hit a 3-year high in August. Most manufacturers are coping with the higher cost pressures by adapting to lower margins for now, as there is some extra cushion from increasing orders – especially in the electronics industry.

The construction sector, which has seen a strong turnaround in growth during 3Q21, could be severely impacted as well. While labour costs are expected to remain elevated amid significant manpower shortages, the recent surge in prices for steel reinforcement, copper, and other commodity materials and oil will continue to escalate construction costs and push margins lower for ongoing projects.

The big question is whether manufacturers will be able to pass on the higher cost to the end-consumer. So far their ability to pass on these higher costs such consumers has been limited by the still-fragile economic recovery, especially with repeated spikes of COVID-19 cases and restrictions. However, this may start to change towards the end of the year and into 2022, as the affected firms, which are unable to sustain the margins squeeze, will look to pass on the higher costs to consumers. For Singapore corporates, we see some potential for margins compression in the upcoming earnings season.

To counter the concerns of rising cost pressures domestically and externally, the Monetary Authority of Singapore or MAS recently turned hawkish and raised slightly the slope of the Singapore dollar nominal effective exchange rate or S$NEER policy band – with the width and level, at which the policy band is centred, remaining unchanged.

Singapore's open electricity market is already becoming a causality of the rise in commodity prices. Nearly all of the country's electricity is produced from natural gas. Higher-than-usual electricity demand, outages in several generation units, gas curtailment from Indonesia's West Natuna, low landing pressure of the gas supplied from South Sumatra, and sharp spike in natural gas prices has translated into higher levels of volatility in Singapore's made electricity market since July. Unable to sustain these volatilities, three electricity retailers – iSwitch Energy, Ohm Energy, and Best Electricity Supply – have decided to exit the market.

Another electricity retailer, Union Power, said it will cease some 850 retail accounts as part of a business reorganisation. Meanwhile, news reports suggest one other retailer – Diamond Electric – has stopped renewing contracts for existing customers and is still mulling its options, which includes an exit.

Thailand

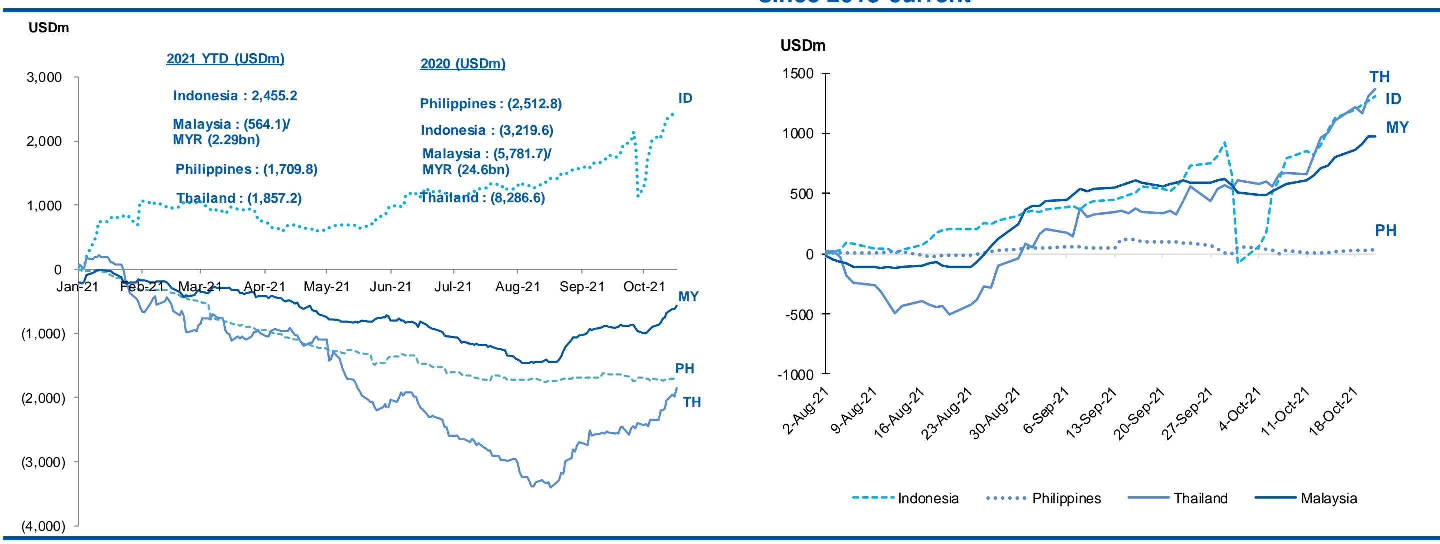
The final energy consumption can be broken down into petroleum (47%), electricity (42%), natural gas (5%), coal/lignite (2%), and RE (5%). The country is a net importer of crude oil, which represents 16% (THB1,017bn; c.7% of GDP), of the country's total imports pa from 2007-2020. Apart from concerns over the THB weakening by 7.1% since June, a rise in oil prices could become a threat to the economy – a cost-push inflation – as oil accounts for 15-20% of total costs for the manufacturing, c.10-15% for construction, and 30-40% for transportations (sea and air) sectors.

However, in the capital markets, oil & refinery stocks (more than 10% of the SET's total market cap) will benefit from higher oil prices. We calculate a 10% rise in these stocks could have a 1% positive impact on the SET Index. Our Top Picks: PTT Exploration & Production (PTTEP), Thai Oil (TOP), and PTT Global Chemical (PTTGC). In our view, as coal/lignite represents about 2% of final energy consumption, the recent spikes in coal prices should benefit to coal producers in the short term, ie The Lanna Resources (LANNA, NR), and Banpu (BANPU, NR).

Foreign portfolio flows make a comeback – is it sustainable?

Figure 20: Regional foreign equity flows

Figure 21: Cumulative foreign net equity flows ASEAN since 2018-current



Source: Bursa Malaysia, RHB

Source: Bursa Malaysia, RHB

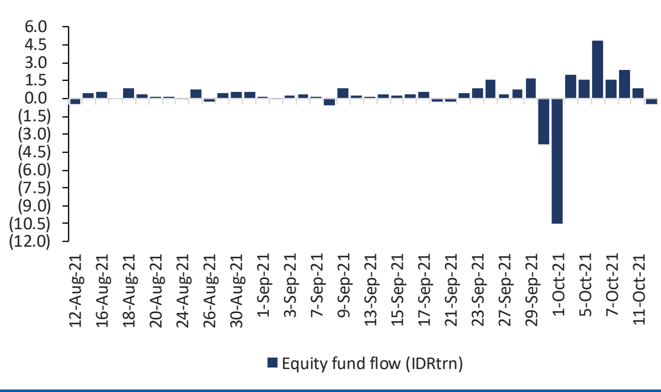
Interest in ASEAN equity markets from foreign portfolio investors spiked higher from the third week of August, as heightened risks in Chinese markets sparked an exodus. Most ASEAN markets benefited from the spillover into the region – although the momentum of flows has since stalled. With the exception of Indonesia, YTD foreign portfolio funds into other key markets remain in negative territory.

Indonesia

We have seen rising daily foreign net-inflows into Indonesia's equity market since early October when daily COVID-19 cases declined to low levels. Government policies that relaxed people movement restrictions should accelerate economic recovery. Given stable political conditions and the Omnibus Law – which eases the investment environment – we believe more foreign fund inflows will come into the country going forward.

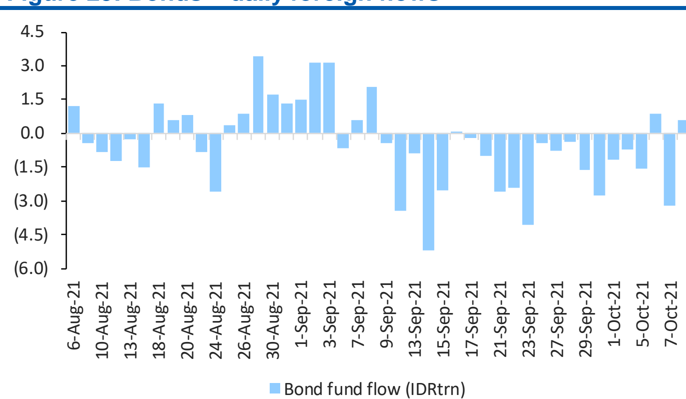
In our calculations there has been a recent jump in daily net-foreign fund inflows into the equity market, which has accumulated IDR11trn MTD. The JCI has recorded net-foreign fund inflows into the equity market of IDR29trn YTD.

Figure 22: Equity – daily foreign flows



Source: Bloomberg, RHB

Figure 23: Bonds – daily foreign flows



Source: Bloomberg, RHB

Malaysia

We expect that much of the interest in Bursa Malaysia counters is opportunistic, being centred on the easing of domestic political pressures and the market's laggard status. Accordingly, we remain relatively sceptical that foreign interest can be sustained beyond the short term, given multiple structural impediments that include:

i. Growing prospects of higher US bond yields going forward. This will reduce the relative attractiveness of EM equities compared to Developed Market equities;

ii. RHB economists expect the USD to continue strengthening through 1Q22;

iii. The pandemic has crimped government revenues, leading to a worsening fiscal position. Initiatives to raise revenues from new sources have raised the spectre of policy risk;

iv. Risk of sovereign rating downgrades by rating agencies;

v. Below mean market valuations, masked by the de-rating of the rubber glove sector;

vi. Low MSCI country weighting;

vii. Prevailing ESG-related concerns in large-cap sectors;

viii. Loss of economic competitiveness vs other ASEAN peers;

ix. Lack of market depth, limited compelling and liquid BUY ideas;

x. Prevalence of old-economy names on Bursa Malaysia, absence of large, technology companies;

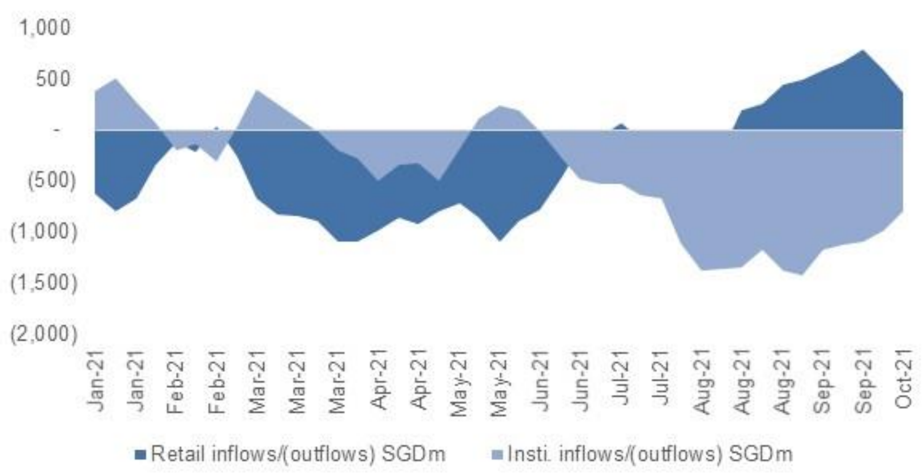
xi. Malaysia's low-beta market reputation, where it has historically underperformed in a rising market.

Singapore

Institutional investors were net sellers in the market in 3Q21. This is not surprising, as it coincided with the STI's forward P/E hitting 1SD above the historical average by end 1H21 – a level the index has struggled to sustain in the last 10 years – as well as the gradual addition of New York Stock Exchange-listed Sea Group into the MSCI Singapore Index. The addition of Sea into the index would have meant that passive/index investors had to rebalance their portfolios and banking stocks, which account for close to 40% of the STI, leading to a small reversal in the strong share price performance witnessed in 1H21.

The trend seems to have reversed since end 3Q21, as the market valuation has reverted to more attractive levels and macroeconomic indicators – like export growth and Purchasing Managers' Index (PMI) – have continued to register strong positive numbers. With expectations of economic reopening over next 3-6 months, we think institutional investors will remain positive on the Singapore market. Retail investors have been net buyers in the domestic equity market this year, and we expect the trend to sustain for rest of 2021.

Figure 24: SGX institutional and retail funds flow



Note: Data as at 11 Oct 2021
Source: SGX, RHB

Thailand

After a long haul of net outflows from the Thai equities market – 2017 (-THB26bn), 2018 (-THB288bn), 2019 (-THB45bn), 2020 (-THB267bn), and 2021 YTD (-THB62bn) – foreign investors have gradually resumed to net buying into the SET since August, mainly as the country's reopening has become feasible, and we expect the bottoming out of economic fundamentals in 3Q21.

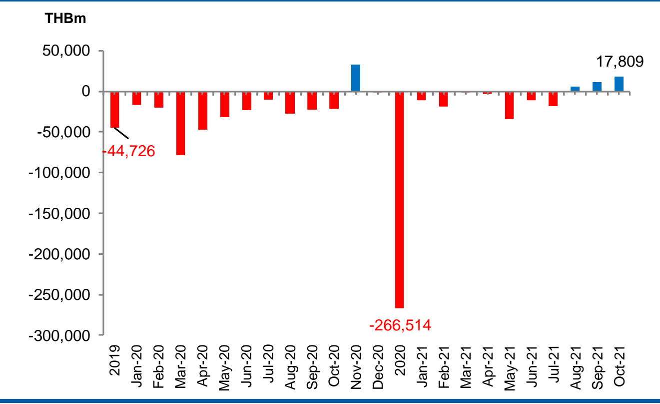
Nine out of 12 public and private enterprises have forecasted that the Thai GDP will be in positive territory of 0.3-2.1% in 2021, while the remaining three enterprises forecasted GDP would be in negative territory at -0.8-0.4%.

Figure 25: Local funds (net buy/sell)

THBm
250,000
200,000
150,000
100,000
50,000
0
-50,000
-100,000
217,916
-21,680
-12,833
2019 Jan-20 Feb-20 Mar-20 Apr-20 May-20 Jun-20 Jul-20 Aug-20 Sep-20 Oct-20 Nov-20 Dec-20 2020 Jan-21 Feb-21 Mar-21 Apr-21 May-21 Jun-21 Jul-21 Aug-21 Sep-21 Oct-21

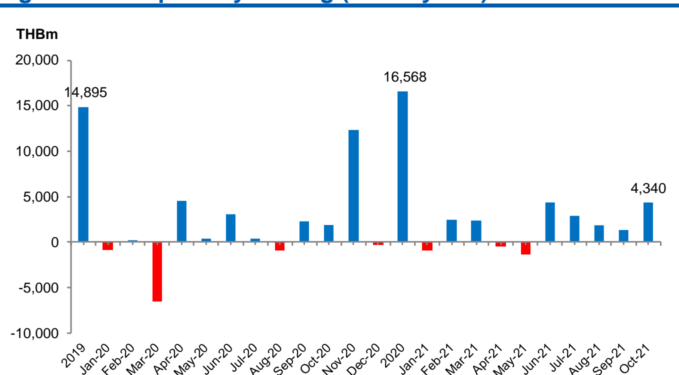
Source: SETSmart, RHB

Figure 26: Foreign investors (net buy/sell)



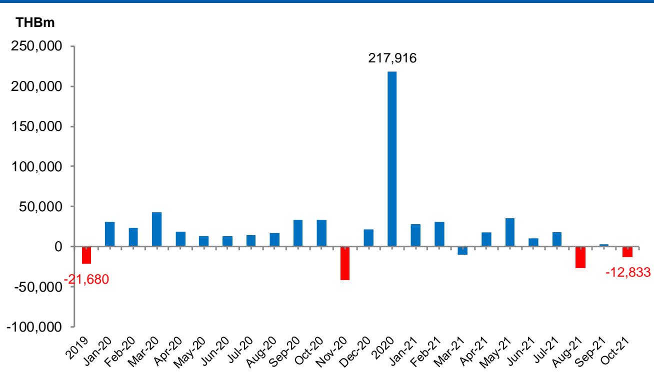
Source: SETSmart, RHB

Figure 27: Proprietary trading (net buy/sell)



Source: SETSmart,, RHB

Figure 28: Local investors (net buy/sell)



Source: SETSmart, RHB

What does the external environment look like?

Figure 29: RHB real GDP growth forecasts

		RHB forecast		
% YoY	**2020**	**2021F**	**2022F**	**2023F**
ASEAN				
Indonesia	-2.0	4.0	5.5	5.0
Malaysia	-5.6	5.4	5.5	4.9
Singapore	-5.4	5.8	3.7	3.0
Thailand	-6.1	1.0	3.6	4.2
Vietnam	2.9	2.5	6.5	7.0

Source: Bloomberg, RHB Economics & Market Strategy

RHB Global Economics and Market Strategy Team

RHB's Global Economics and Market Strategy Team's cautious stance for 4Q21 is to some extent playing out in global markets currently, and some of the bears are out in the global fixed income and equities markets, which ultimately is manifesting itself in the USD (DXY Index) strengthening by around 1.5% since end August 2021. Bouts of risk aversion in 4Q21 will present opportunities to add risk to portfolios, and late this year to early next year would be the opportune time. Our preferred geography to add or enter into risky asset exposure is developed markets (DM), particularly the US, and we advocate to continue to be light on EM assets.

The main catalysts to add DM risk to portfolios are that:

i. US economic data shows signs of sustained improvement on the back of the Biden administration passing an infrastructure bill of at least USD1-2trn in 4Q21 and real wages continue to accelerate;

ii. The raising of the US debt ceiling materialises in the near term;

iii. The RHB view that "the US Federal Reserve (US Fed) will announce the taper programme at the November US Federal Open Market Committee or FOMC meeting, with lift-off at end 2021 to early 2022. The taper programme could end by mid-2022. We expect the Federal Funds Rate or FFR to be hiked by 25bps at end 2022 and an additional hike of 50bps will materialise in 2023" gets largely priced into market expectations;

iv. China event risks will continue, but policymakers guide that they are ready to loosen monetary and/or fiscal conditions to avert systemic risks from proliferating in domestic markets and the economy.

On the global macroeconomic front, RHB's Global Economics and Market Strategy Team believes the momentum of global industrial production (IP) will rebound some time in 4Q21, and last well into 1H22. Much of the pickup in IP will be due to US consumer spending accelerating, US capital spending continuing to remain resilient, and much of Asia showing signs of sustained improvement in economic activity as more significant reopenings of these countries ensue at end 2021 to early 2022. The Biden administration is expected to pass

legislation for a large government spending programme, which includes expenditures on infrastructure in 4Q21, of at least USD1-2trn. This should help boost sentiment among businesses and consumers in the US. With regards to inflation, the US is likely to see sustained price pressures well into 1H22, with the recent drop in core personal consumption expenditure (PCE) inflation MoM prints being temporary. In South-East Asia, the balance of risks to our 2022 Consumer Price Index (CPI) inflation forecasts are tilted to the upside.

On global central bank policy, DM central banks will lead in reducing the pace of monetary accommodation. However, the approach will be gradualist in nature, as global risks from China regulatory and economic policy adjustments, geopolitical risks in the Middle East, and new COVID-19 variant concerns remain in the background until at least 1H22.

On risks related to the COVID-19 pandemic, much of the concentration will remain in EM even though adult vaccination rates are showing significant improvement, while in DM the situation will continue to improve over the next 6-9 months. In our base case, for Asia ex-Japan, we believe the virus will remain with us for the foreseeable future, and economic agents are already adjusting to this state of the world, ie sometimes lower new cases, then a pickup of new cases, and the cycle continuing. All is not lost, as policy makers around the world stand ready to provide a floor on economic activity and markets until such time the pandemic recedes to a more common flu type of environment. As a result, we believe the recovery in Asia ex-Japan is well underway. Towards end 2021 to early 2022, the pace of recovery in many parts of Asia (with the exception of China, where stabilisation is our base case assumption) will gather steam.

Figure 30: RHB CPI inflation forecasts

	RHB Forecast			
% YoY	**2020**	**2021F**	**2022F**	**2023F**
US	1.2	4.3	3.0	2.8
Western Europe	0.4	2.1	1.7	1.5
Japan	0.0	0.0	0.6	0.6
China	2.5	1.0	2.1	2.2
ASEAN				
Indonesia	2.0	1.5	2.2	3.0
Malaysia	-1.1	2.5	2.0	2.0
Singapore	-0.2	1.8	1.4	1.2
Thailand	-0.8	1.0	1.2	1.2
Vietnam	3.2	2.3	4.0	4.5

Source: Bloomberg, RHB Economics & Market Strategy

Figure 31: RHB policy interest rate forecasts

	New RHB Forecast			
% p.a.	**2020**	**2021F**	**2022F**	**2023F**
US	0.25	0.25	0.50	1.00
Western Europe	-0.01	-0.01	0.01	0.01
Japan	0.00	0.00	0.00	0.00
China	4.35	4.35	4.35	4.35
ASEAN				
Indonesia	3.75	3.50	3.75	4.25
Malaysia	1.75	1.75	2.00	2.25
Thailand	0.50	0.50	0.50	0.75
Vietnam	4.00	4.00	4.25	4.50

Source: Bloomberg, RHB Economics & Market Strategy

In summary, RHB Global Economics and Market Strategy Team's 4Q21 global macro assumptions are:

US GDP growth: There are no changes from our 3Q21 Outlook forecasts (2021: 6.0% YoY, 2022: 4.3%, and 2023: 3.0%). The mid-cycle slowdown in growth is underway, with recovery in 4Q21, pickup in momentum in 1H22, and stabilisation to trend in 2H22 being our baseline assumptions. Trend growth is around 3% YoY. In the next two quarters, the main drivers of

growth are consumer and investment spending. We also expect a re-acceleration in the inventory cycle in 4Q21.

US headline CPI inflation: Our core view remains unchanged that the MoM pickup in the momentum of headline and core PCE inflation is not temporary, and will on average surprise on the upside for the next few quarters. However, we have revised up our 2021 and 2022 inflation forecasts. Our 2021 CPI inflation forecast is revised up to 4.3% YoY from 4.0%, 2022 revised up to 3.0% from 2.8%, and 2023 maintained at 2.2%. The recent surge in energy and food prices induces supply-side pressures on headline inflation. In addition, tight labour market conditions are likely to catalyse further wage pressures and thus induce demand side pressures on inflation.

US Fed: Our baseline view remains unchanged that the US Fed is behind the inflation and employment curve. We maintain our view that the taper announcement will be made at the November FOMC meeting. Our FFR view is maintained at a 25bps hike at end 2022, followed by an additional 50bps hike in 2023.

China GDP growth: There are no changes from the 3Q21 Outlook forecasts (2021: 8.5% YoY, 2022: 5.5%, and 2023: 5.5%). We have been conservative relative to the consensus on growth for much of 2021, hence – although we acknowledge downside risks to our 2021 forecast, as significant domestic regulatory changes have taken place in 3Q21 – the risks to our forecast are a modest 0.2-0.4ppts.

China CPI inflation: We have revised down our 2021 forecast to 1% YoY from 1.8% as demand-side pressures have been much lower compared to our previous assessment in July, while 2022 is maintained at 2.1%. 2023 is maintained at 2.2%.

People's Bank of China policy interest rate: There are no changes from the 3Q21 outlook forecasts – on hold from 2021 to 2023 at 4.35%.

Europe GDP growth: There are no changes from our 3Q21 outlook forecasts (2021: 4.6% YoY, 2022: 4.3%, and 2023: 2.0%).

Europe CPI inflation: We revise up our 2021 CPI inflation forecast to 2.1% YoY from 1.7%, 2022 is revised to 1.7% from 1.4%, and 2023 maintained at 1.5%. The upward revisions to inflation are mainly due to higher-than-expected commodity prices.

European Central Bank (ECB) policy: There are no changes from our 3Q21 outlook forecasts – with policy interest rates rising to 0.01% in 2022 and 2023 from -0.01% in 2021.

Japan GDP growth: There are no changes from our 3Q21 outlook forecasts (2021: 2.8% YoY, 2022: 2.2%, and 2023: 1.5%).

Japan CPI inflation: There are no changes from our 3Q21 outlook forecasts (2021: 0% YoY, 2022: 0.6%, and 2023: 0.6%).

Bank of Japan policy: There are no changes from our 3Q21 outlook forecasts – with policy interest rates on hold at 0% in 2021, 2022, and 2023.

The global market views are:

Risk aversion: We expect a pick-up in 4Q21 due to continued China-related risks and the US Treasury 10-year (UST10YR) yield up move. In 1Q22, we expect a stabilisation of risk aversion on the back of the March China National People's Congress or NPC meeting, signalling significant easing of policy. In 2Q22, we expect a pickup in risk aversion as the US Fed gets closer to implementing its first FFR hike. In 2H22, we expect a stabilisation of risk sentiment as the US Fed's tightening of monetary conditions for end 2022 to 2023 is fully priced into market expectations.

Our three investment themes for 4Q21 and into early 1Q22 are:

i. DM will continue to outperform EM, with the US our top destination for looking for opportunities to add risk to portfolios;

ii. China risks will remain for some time and hence long South-East Asia and short North Asia;

iii. With the risks that commodity prices could remain robust for the next six months, watch for risks that front-end rates in South-East Asia start to move higher with local currency government bond curves abruptly flattening.

UST yields: We maintain our 4Q21 UST10YR average yield forecast of 1.35-1.70%, downgrade our 1Q22 forecast to 1.6-1.85% from 2.0-2.2%, downgrade our 2Q22 forecast to 1.8-2.0% from 2.1 to 2.2%, and expect 2H22 to average at 2%. In our view, the peak UST10YR yield will be around 2.0% to 2.2% in mid-2022. Although we are concerned about

elevated inflationary pressures in the US lasting longer than what the US Fed expects, and the central bank lagging the inflation and employment curve, we believe global risks from China's domestic policy changes related to its economy and financial markets, geopolitical risks in the Middle East, and COVID-19 new variant risks will restrain UST10YR yields from moving too quickly to 2.0%. These are the main factors behind our downward revisions to our UST10YR yield forecasts over the next few quarters.

Malaysian Government Securities 10-year (MGS10YR) yield: There are no changes to our forecasts, with an average of 3.40-3.45% pencilled in for 4Q21, 3.45-3.50% for 1Q22, and 3.45-3.50% for 2Q22. The main drivers of our higher MGS10YR yields view is expansionary fiscal policy-driven government bond supply concerns and higher UST10YR yields.

Domestic economic outlook

Indonesia

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Post 3Q21 lockdown disruptions, growth is expected to improve in 4Q21 on continued economic reopening, following the steady pace of vaccinations. We see 2021 growth at 4.0% YoY. In 2022, the economy should expand at 5.5% as decreasing COVID-19 risks allows the government to continue to reduce restrictive measures.

Private consumption should accelerate onwards. Consumer spending fell in June, following containment measures amidst surging COVID-19 cases. However, higher frequency data is pointing towards a recovery ahead. The mobility index, as of end September, indicates that consumers are returning to normal activity – although they remain fairly cautious with the index still below pre-pandemic levels. Several other indicators also point towards improvement – the PMI for September has risen to 52.2, representing a return to expansion for the industrial sector after two consecutive months of contraction. Retail sales for August also point towards some nascent rebound, aided by government measures to reopen retail malls. Further adding to recovery will be the continued support to auto sales, as the Indonesian Government has extended the tax discount on motor vehicles to Dec 2021. Next year, consumption will also be aided by higher income, as coal and palm oil prices are projected to remain elevated at least until the early part of 2022. Meanwhile, some support measures given during the pandemic, including various tax breaks, will continue – further helping the recovery of businesses.

Tax cuts and economic rebound will spur private investment. Several efforts have been made recently to improve the investment environment. The Indonesian Government has now opened the majority of business sectors that can apply for full foreign investor ownership as part of its latest Omnibus Law measures. This is on top of the expected reduction of the corporate income tax rate to 20% in 2022 from 22% this year. These, alongside several other measures to ease red tape, are expected to result in an improvement in the investment environment. Data-wise, capacity utilisation continued to trend higher, with 2Q21 at 75.3%. While a slight decline is expected due to the July lockdown measures, we expect recovery to be swift, and overall point higher in 3Q21. With elevated capacity utilisation, businesses are more likely to invest in new capacity.

Public investment spending expected to moderate. Budget 2022 indicates that infrastructure spending will fall by 7.8% to IDR385trn. This is after a record allocation of IDR417trn in 2021. The lower spending reflects the limited fiscal space, as well as the Indonesian Government pricing in possible health protocols in place, limiting its spending ability. To address this, the Indonesian Government will put more emphasis on creative financing schemes, especially to increase the role of the private sector. Much of the public spending will be targeted towards the acceleration of infrastructure development, including basic services, connectivity, food, energy, and information & communication technology.

High commodity prices will keep exports elevated in early 2022. The recent spike in coal prices, amidst sharply rising global demand, is a boon to exports. So far, coal prices have risen by 94% YTD and market players already expect prices to remain elevated until at least 1Q22. Similarly, palm oil prices remain persistently high, with 19% growth YTD amidst strong demand. This would mean that Indonesia's external sector will be performing relatively well going into early 2022, driven by higher prices as well as volume.

We expect inflation to average 2.2% YoY in 2022 vs 1.5% this year. The current demand-pull inflation remains weak given modest consumption, causing headline and core CPI to trend lower. However, recent improvements in consumer spending have shown some preliminary advances in price trends. In addition, cost-push pressures are rising with the increase in energy prices, as indicated by the rising Producer Price Index – which at some point may pass through from producers to consumers. Offsetting this, the Indonesian Government keeping subsidised domestic fuel prices stable somewhat limits the upside risks to higher inflation.

2022 fiscal deficit likely to improve to 4.7% of GDP, from 5.6% estimated this year. This compares to the Indonesian Government's guidance of 4.9% for 2022 and 5.7% for 2021. We believe revenue will be slightly on the higher side next year, as expectations of persistently high commodity prices will benefit revenue collection. As a partial offset, some of the gains will be channelled towards higher subsidies and more economic support. In terms of this year's fiscal performance, the budget realisation as of August remains ahead on the revenue side amidst higher-than-expected commodity prices, while expenditure remains on track. We project the Indonesian Government will still be able to meet its high capital spending allocation goals this year despite the lockdown interruptions.

Current account (CA) to weaken to -1.7% in 2022 from -0.8% this year. We suspect next year's CA deficit will be a balance of two opposing factors. On one side, the continued economic reopening next year is expected to spur higher consumption and investment growth, which will lead to rising imports. On the other hand, elevated commodity prices are likely to provide an offset. As we move towards the latter part of next year, imports are expected to normalise as "revenge spending" subsides while commodity prices will moderate as supply adjusts to demand. On a net basis, the CA balance is projected to gravitate towards a -2% deficit by end of 2022.

We see the policy rate remaining on hold until late 2022. Bank Indonesia has reiterated that it will maintain its 'pro-growth' policies in the wake of possible tapering by the US Fed, and its risks to the market and IDR volatility. Given such assurance, we see little reason for any monetary policy changes in the near term unless growth concerns arise. At the moment, we are pricing in at least one hike in late 2022, assuming that recovery would be entrenched enough to warrant a start to rate normalisation.

Malaysia

Figure 32: Key economic forecasts

	2020	2021E	2022F	3Q21E	4Q21F	1Q22F	2Q22F
Real GDP Growth (% YoY)	**-5.6**	**5.4**	**5.5**	**0.4**	**5.6**	**4.8**	**9.1**
Contribution to real GDP Growth (%)							
Private Consumption	-2.5	4.1	4.2	-3.4	4.2	4.2	11.7
Investment	-3.4	1.8	0.8	1.7	2.2	1.9	-0.2
#Private	-2.0	1.3	0.9	1.4	1.8	1.7	3.7
#Government	-1.3	0.5	-0.1	0.1	0.3	0.2	0.4
Government Consumption	0.5	0.3	0.3	0.6	1.6	0.2	0.3
Net Exports	-0.9	-0.5	0.3	1.5	-2.4	-1.5	-2.7
CPI	-1.2	2.5	2.0	2.1	2.6	1.3	1.4
Policy Interest Rate	1.75	1.75	2.00	1.75	1.75	1.75	1.75
Current Account Balance (% of GDP)	4.3	3.5	3.0	3.4	3.3	3.1	3.1
Fiscal Balance (% of GDP)	-6.2	-6.8	-6.0	-5.3	-6.8	-6.6	-6.0

Source: Bloomberg, RHB Economics & Market Strategy

Our 2021 GDP growth forecast is maintained at 5.4% YoY, while the forecast for 2022 remains unchanged at 5.5% as the economy is re-opening considerably. With respect to 3Q21 growth performance, high frequency data seems to indicate that the economic bottom was in July – with a rebound in August – and gaining pace in September.

Private consumption spending is already improving according to our proprietary machine learning-derived high frequency indicators, up to September.

Private investment GDP growth could be catalysed by private sector replacement capital spending and some business expansion. Meanwhile, the strong global demand momentum is expected to keep domestic capacity utilisation on the high side. Private investment should accelerate from this point onwards.

Public investment GDP could see some improvement as operating restrictions in the construction sector ease further. However, we believe it is too early to tell if the large development expenditures guidance given in the 12th Malaysia Plan are able to be implemented.

Export growth is likely to remain resilient in 2022, on the back of robust US growth and reasonable growth in Europe. Countries that reopened early in 2021 due to their advanced vaccination rates – particularly the US and Europe – are likely to grow at trend in 2022. Global demand will also emanate from some countries in Asia as the region re-opens – to some extent – its domestic economies and borders as well.

There is a risk of stronger inflationary pressure in the medium term, as rising consumer demand – following the reopening – could push up service-related prices. We have yet to see "revenge spending" at full blast, given the still-cautious consumer behaviour and mobility restrictions.

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We raise our 2021 current account surplus forecast to 3.5% of GDP from 3.0% earlier, amidst much stronger exports. Meanwhile, we also raise next year's projection to 3.0% from 2.3%. Despite the forecast revision, the goods account is likely to soften as exports normalise towards late 2022. On the import side, the reopening will likely improve domestic demand. On a net basis, this will gradually soften the high goods account balance that the country experienced over the past year.

The fiscal deficit is projected at 6.0% of GDP in 2022 vs 6.8% in 2021. The fiscal strategy will likely be focused on recovery efforts for the economy – especially segments that were severely affected by the pandemic – while, at the same time, maintaining a consolidated fiscal position in order to improve the budget deficit. Meanwhile, the increase of the debt-to-GDP ratio towards 65% of GDP this year allows some space for higher borrowing if downside risks emanate.

Bank Negara Malaysia will likely keep the Overnight Policy Rate unchanged till 1H22, with the first 25bps policy rate hike in 2H22.

Singapore

Figure 33: Singapore – key economic forecasts

	2020	2021E	2022F	4Q21F	1Q22F	2Q22F
Real GDP Growth (% YoY)	**(5.4)**	**5.8**	**3.7**	**2.2**	**4.7**	**3.7**
Contribution to real GDP Growth (%)						
Private Consumption	(5.3)	3.2	3.2	1.7	4.7	4.7
Government Consumption	1.3	0.7	(1.4)	0.4	(1.6)	(1.3)
Gross Fixed Capital Formation	(3.4)	2.1	1.6	0.5	1.6	2.6
Net Exports	3.1	0.2	1.0	0.3	0.7	0.7
CPI	**(0.2)**	**1.8**	**1.4**	**1.7**	**1.4**	**1.6**
Current Account Balance (% of GDP)	**17.6**	**17.4**	**17.2**	**3.6**	**4.0**	**4.1**
Fiscal Balance (% of GDP)	**(11.6)**	**(1.0)**	**0.4**	**(1.0)**	**(0.7)**	**(0.5)**

Source: Bloomberg, RHB Economics & Market Strategy

Economist

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We anticipate a slight moderation in 4Q21 GDP growth, as the low-base effects continue to dissipate. Additionally, restrictions under the Stabilisation Period (beginning 27 Sep) may impact recovery in certain segments of the economy – mainly the consumer-facing sectors such as the accommodation & food services sectors and wholesale & retail trade – as restrictions on social gatherings remain in place. Retail sales performance has remained muted with a surprise dip in readings in August. Consumer sentiment may be weighed down by the uncertainty surrounding pandemic-related measures domestically, and recent surge in cases. Momentum remains uncertain for retail sales, which may suggest a somewhat still-cautious view on consumer spending in the short term. Nonetheless, the holiday season and continuous ramp-up in booster shots may inject some confidence to spending in the last quarter of the year. Moreover, the extension of the VTL to nine new countries is expected to support recovery in the tourism-related sectors towards the year end, although the full impact is only expected to show its stripes in 1H22.

Still, the balance of risks to our GDP forecast of 5.8% YoY for 2021 is on the upside. We continue to expect the pick-up in external demand to provide support for trade performance in 4Q21. The 3-month moving average for overall NODX as of August has moderated slightly, given a global slowdown in activities, but momentum for semiconductor-related NODX remains upbeat, hence supporting trade performance. Other indicators such as the Industrial Production Index (IPI) have continued to be resilient as outputs for electronics and precision engineering benefit from the global electronics upcycle. The PMI has also been expansionary, registering readings above 50 since Jul 2020, with slight moderations in August and September. The electronics PMI has registered strong expansion in recent months, indicating strong demand for electronics output. As such, we expect growth momentum for the manufacturing- and external-related sectors to remain resilient in 4Q21.

We expect MAS to maintain the current appreciation path in the Apr 2022 monetary policy meeting. However, this is given that core inflation remains within the current target. Adjustments may be made in tandem with recovery performance in the coming quarters. Historically, MAS has adjusted the slope of the S$NEER after a period of neutral stance consecutively, cognisant with changes in the global and domestic outlook. Although the recovery path continues to be mired with uncertainties related to COVID-19, prospects for growth remain optimistic as the city state prepares to live with the virus.

Upward inflationary risks from supply chain disruptions in the short term are still in place, but should continue to be weighed down by the soft demand-pull pressures in 2021. However, inflationary pressures are expected to stem from improving domestic activities in 2022.

MAS has raised slightly the slope of the S$NEER policy band, with the width and level at which the policy band is centred, unchanged. The appreciation path, relative to the 0% neutral stance since Mar 2020, is deemed to be necessary "to ensure price stability over the medium term while recognising the risks to the economic recovery". The change to a hawkish from neutral stance in Apr 2021 comes on the back of concerns of rising cost pressures domestically and externally.

In terms of inflation, the central bank anticipates the "accumulation of external and domestic cost pressures, given normalising demand and tight supply conditions". Moreover, on the domestic front, "wage growth is likely to be firm as the labour market slack dissipates through next year". MAS anticipates core inflation to come near "the upper end of the 0-1% range for 2021" while in 2022, "the forecast is at 1-2%". As for CPI inflation, 2021 figures are expected to average "around 2%" and "1.5-2.5% in 2022".

Comparing today's monetary policy statement with that of Apr 2021, the central bank has alluded a more positive stance on the domestic and global outlook. MAS expects that with the "gradual domestic reopening, the Singapore economy should also continue on its recovery path, and aggregate output should return to potential in 2022". Economic growth is anticipated to be driven by "growth in the trade-related and modern services sectors" as well as "some improvement in conditions in the domestic-oriented and travel-related clusters" in the quarter ahead. The GDP growth forecast for 2021 is maintained at 6-7% while for 2022, the central bank has indicated that growth is expected to "register a slower but still-above trend pace".

Thailand

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We maintain our 2021 GDP forecast at 2.0% YoY for now vs Bloomberg consensus' 2.0% YoY. The Ministry of Finance has revised down the year's forecast to 1.8% YoY from 2.3% YoY while the Bank of Thailand has cut its forecast to 0.7% YoY from 1.8% YoY.

Risks. Significant downside risks cloud over our forecasts, as COVID-19 infections continue to climb, while the vaccination rate remains low. Cases have hovered at the 20,000 mark since 4 Aug and mortalities have risen to around 180 per day. As of 13 Aug, the country has fully inoculated around 7.2% of its population, while 25.4% of the population has received at least the first dose of vaccine. At this juncture, the country's COVID-19 task force projects that infections per day, from the contagious Alpha and Delta variants, could double by next month despite current containment measures. Measures to overcome the increase would be the acceleration of the rate of vaccinations to targeted groups, and stricter adherence to lockdown measures.

The tourism sector is expected to continue to be impacted in 2H21, as the prospects for the further re-opening of international borders to foreign visitors remain bleak. The model sandbox programme in place for Phuket has been deemed a success by the Tourism Authority of Thailand or TAT, attracting about 20,000 arrivals. However, the viability of the programme to extend to other tourist attractions remains a concern, as the number of infections have yet to subside nationwide.

Private consumption growth may dampen in 3Q21, as we expect sentiment to weaken considerably. The consumer confidence index has declined to 44.6 in 2Q21, lower than the same period last year. Monthly momentum, in terms of MoM 3-months moving average for the monthly private consumption index indicates a sharp decline in trend as of Jun 2021. As such, we expect this trend to persist, given the tighter restrictions in subsequent months.

Fiscal stimuli. The approval of the latest round of fiscal stimulus worth THB140bn, aimed at supporting the economy through the current headwinds, would shore up government consumption in 2H21. The package will be implemented from Jul 2021 to Dec 2021, and consist of cash handouts to welfare and card holders, cash rebates, and co-payments for consumer purchases. Hence, we expect the inclining trend for social transfers seen in 2Q21 under government consumption to continue in 2H21.

Consequently, we expect the external sectors to partially support growth in 2H21, given the pickup in external demand. The exports of manufacturing goods expanded significantly in 2Q21, with the focus being on products of vehicles and parts. Given that infections in the manufacturing sector remain manageable, and factory closures can be avoided, we expect the sector to support the economy for the year.

Other export components such as electronic products, electrical appliances, as well as machinery and equipment, would benefit from the increase in global demand.

2Q21 GDP printed 7.5% YoY vs the Bloomberg consensus of 6.6% and -2.6% in 1Q21. On a QoQ seasonally adjusted basis, 2Q21 GDP rose marginally by 0.4% from 0.2% in the prior quarter. Growth was supported by the low-base effect, as in 2Q20, the economy contracted by 12.1% YoY.

On the demand side, exports rebounded to 27.5% YoY from -10.5% YoY while imports expanded by 31.4% YoY from 1.7% YoY. Gross fixed capital formation or GFCF rose by 8.1% YoY from 7.3% YoY in 1Q21. Meanwhile, private consumption expenditure expanded by 4.6% YoY from -0.3% YoY. Government expenditure rose at a slower pace of 1.1% YoY from 2.1%.

On the supply side, YoY growth was driven by the non-agriculture sector, with an expansion of 8.1% from -3.0% in 1Q21. In particular, the manufacturing segment grew significantly relative to other segments under the industrial sector, with an expansion of 16.8% YoY. The services sector registered growth at 5.0% YoY from -4.3% YoY. All segments registered growth, given the low-base effect from the previous year. Agricultural production rose by 2.0% YoY from 1.3% YoY.

Indonesia: End-2021 Outlook Still Cautious As Risks Remain

We maintain our end-2021 JCI target at 6,700 pts, implying 3% upside. The risk-and-reward profile until the year-end does not look so upbeat, due to some downside risks: Foreign outflows from the materialisation of the US' tightening monetary policy, overhang from the US debt ceiling rule, and the resurgence of domestic COVID-19 infections due to the low vaccination rate of 48.1%. The strong JCI rally over the past month, driven by large-cap undervalued cyclical stocks (for more details, see our 31 Aug note), may have partially priced in the recovery, as COVID-19 infections decrease, while being buoyed by the commodity super-cycle.

We prefer the cyclical sectors, which should benefit from multiplier impact of strong commodity prices and the economic reopening. We have key OVERWEIGHT ratings on banks, auto, poultry, cement, construction, property, and metal. We recently downgraded our ratings on coal and healthcare to NEUTRAL, as sector share prices have rallied, driven by the jump in coal prices and the increase in the number of patients during the peak of pandemic. We also downgraded our rating for the consumer staples sector to UNDERWEIGHT, on further margin contraction as commodity prices remain high. Meanwhile, excise tax and Value-Added Tax (VAT) hikes will hinder consumer companies from passing on cost increases to customers.

Has the market priced in the reopening of the economy? The low number of new COVID-19 daily cases in recent weeks have helped to bring back IDR11trn in foreign fund inflows as at 15 Oct vs IDR29trn YTD, driving up large-cap names and undervalued counters in the bank, auto, telco, consumer and coal sectors. The JCI is trading at a 15x 12-month forward P/E. Sector selection is key in 4Q21. With lesser pandemic concerns, the Indonesian Government may direct more resources towards infrastructure spending. We are optimistic on high-ticket item sectors benefiting from the multiplier impact of high commodity prices, eg auto and property.

Higher income from the commodity super-cycle. Coal contributes 80% of non-oil & gas revenue, and accounts for almost 35% of the GDP of coal-producing provinces. CPO has also played a major role in Indonesia's economy, especially at the grassroots level. These, together with strong metal prices, support exports and the IDR – despite large pandemic-related budget deficits.

Easier social distancing measures should boost 4Q21 numbers, but risks still remain. Indonesia's daily new COVID-19 cases have declined to around 1,000 (from a peak of almost 60,000). The Indonesian Government has relaxed movement restrictions or PPKM, and is gradually reopening the economy. In August, auto sales rose 25% MoM (+123.5% YoY), while domestic cement demand grew 8.7% MoM (+2.5% YoY). Markit Indonesia Manufacturing PMI also jumped to 52.2 in September (August: 43.7). However, the vaccination rate is still low, so the risk of another wave of COVID-19 infections – which will slow down the economic recovery – remains.

Our Top 10 picks

We have added more cyclical names – Ciputra Development, Summarecon Agung, Pembangunan Perumahan, Japfa Comfeed Indonesia and Aneka Tambang – to our Top 10 picks. They replace United Tractors, Indo Tambangraya, Vale Indonesia, XL Axiata, and Indocement. We believe cyclical sectors will likely outperform during the economic reopening, as the Indonesian Government has relaxed movement restrictions in view of the decrease in new daily COVID-19 cases.

Figure 34: Our Top 10 Picks

No	Name	Ticker	Rating	Price (IDR)	TP (IDR)	Upside/ downside (%)	Market cap (USDbn)	2022F EPS growth (%)	P/E (x)	P/BV (x)	PEG (x)	ROE (%)	Yield (%)
1	Bank Rakyat Indonesia	BBRI IJ	BUY	4,400	4,790	8.9	33.8	76.3	12.7	1.9	0.2	15.8	2.5
2	Bank Mandiri	BMRI IJ	BUY	7,200	8,200	13.9	19.3	42.3	10.8	1.6	0.3	15.2	4.3
3	Astra International	ASII IJ	BUY	6,350	6,900	8.7	14.9	10.4	13.5	1.4	1.3	11.7	4.2
4	Aneka Tambang	ANTM IJ	BUY	2,530	3,450	36.4	3.9	5.8	24.1	2.6	4.2	12.2	0.4
5	Japfa Comfeed	JPFA IJ	BUY	1,915	2,750	43.6	1.6	(21.8)	11.2	1.5	N/A	14.4	2.9
6	Ciputra Development	CTRA IJ	BUY	1,095	1,500	37.0	1.4	5.7	12.5	1.3	2.2	10.6	0.9
7	Summarecon	SMRA IJ	BUY	930	1,300	39.8	1.1	(7.3)	20.0	1.6	N/A	8.2	1.1
8	Erajaya Swasembada	ERAA IJ	BUY	645	1,000	55.0	0.7	34.2	7.7	1.4	0.2	20.9	2.6
9	Pembangunan Perumahan	PTPP IJ	BUY	1,340	1,420	6.0	0.5	48.4	9.7	0.8	0.2	6.8	2.0
10	Matahari Putra Prima	MPPA IJ	BUY	555	1,750	215.3	0.4	(29.0)	N/A	8.3	N/A	N/A	N/A

Note: Based on the closing price of 19 Oct 2021
Source: Company data, RHB

Astra International (ASII IJ, BUY, TP: IDR6,900). Although auto manufacturing was temporarily impacted by the restrictions on public activities or emergency PPKM, auto demand remained robust. Management guided that manufacturing activity at its Karawang plants in August were back to levels recorded in June. It is also working closely with its principal to launch several Toyota battery electric vehicles or BEVs in 2025. United Tractors (UNTR IJ, BUY, TP: IDR29,400) reduced its discount on coal-mining heavy equipment sales by 65%, due to strong demand.

Aneka Tambang (ANTM IJ, BUY, TP: IDR3,450). ANTM's operations should remain on track, as sales should be boosted by the high demand for nickel in the domestic market, and stable export sales for its Fe-Ni product (nickel price supported at c.USD18,000 per tonne until end-FY21). Meanwhile, the stability of gold prices (prices will hover between USD1,700 and USD1,800 per oz in the medium term) is keeping ANTM's gold business in check. Apart from its healthy operational numbers, the ongoing improvement in its balance sheet (1H21 net gearing: 0.11x vs 1H20's 0.29x) is also a perk for our investment thesis. Its EV/EBITDA target is now at c.18x, close to +1SD from its 5- year forward EV/EBITDA band.

Bank Mandiri (BMRI IJ, BUY, TP: IDR8,200). BMRI's 1H21 earnings were within our and Street's expectations (51-52% of FY21F net profit). With its performance tracking at the upper end of FY21 guidance, management remains confident that targets are within reach – even with a softer 2H21 due to public activity restrictions. A strong ROE recovery to 15% in FY23F, we believe, will underpin a share price re-rating.

Bank Rakyat Indonesia (BBRI IJ, BUY, TP: IDR4,790). 2Q21 PPOP rose 4.9% QoQ (+143.7% YoY) – above expectations – driven by lower funding costs and higher interest income. Despite the slower economic growth, micro loans rose 17% YoY. Management guided that a majority of its micro loan borrowers were not significantly impacted by the pandemic. However, 2Q21 NPL rose slightly to 3.3% (1Q21: 3.1%). Management will be more prudent in managing loan risks amid current uncertainties.

Ciputra Development (CTRA IJ, BUY, TP: IDR1,365). CTRA's 1H21 performance was in line with our and Street forecasts, with the topline of IDR4.0trn representing 57% and 48% of full-year projections. The addition for 2Q21 improvements amounted to IDR2.1trn (+17.2% QoQ, +67.6 YoY) driven by low interest rates and a good mix of housing products largely targeted to the mid- to low-income segments. As of September, marketing sales have reached IDR5trn, which is about 85% of its full-year target. Positive catalysts: A low interest rate environment, diversified housing segments, and favourable incentives for the property market.

Japfa Comfeed Indonesia (JPFA IJ, BUY, TP: IDR2,750). The expected stronger sales volume in 2H21, given the economic reopening, should power up JPFA's performance. We expect 4Q21 volume to jump 30% QoQ, as Oct 2021F production could point to much stronger demand due to a lower culling rate and stable broiler prices. Higher day-old chick or DOC production should also drive up feed sales volumes, which is the backbone of the company's EBITDA. JPFA should be on track to book record-high earnings in 2021, supported by a demand recovery and better selling prices. It has an attractive market valuation of 8x 2022F P/E.

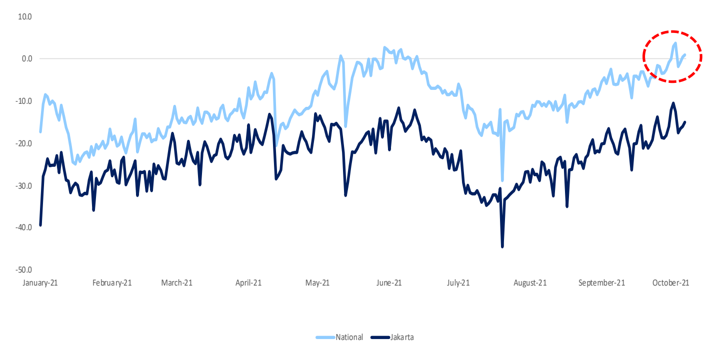
Mitra Adiperkasa (MAPI IJ, BUY, TP: IDR880). MAPI should enjoy sturdy growth in 4Q21, which is generally its strongest quarter of the year – for which we expect c.25% YoY growth. The low number of new COVID-19 cases should lead to a strong traffic recovery, mainly to the shopping malls. This should benefit the company, given its high outlet presence inside shopping malls. A significant exposure to key cities that have already reached high vaccination rates and a number of new brand openings and launches such as Subway, Index Living, and Footlocker should boost its 4Q21 performance.

Matahari Putra Prima (MPPA IJ, BUY, TP: IDR1,750). We believe that the continued low number of new COVID-19 cases and seasonal factors in 4Q21 will bode well for offline retailers in 4Q21, including MPPA. Its online initiatives should continue to gain traction, underpinned by further onboarding in a number of prominent platforms such as HappyFresh, Bukalapak, and Lazada. The planned opening of hybrid offline stores and acquisition of ex-Giant stores in 4Q21 should support its performance. Its share price also presents an attractive entry point, of about 0.7x 2021 P/S.

Pembangunan Perumahan (PTPP IJ, BUY, TP: IDR1,420). PTPP's 1H21 EBITDA was in line with our and Street's forecasts, at 34% and 39% of full-year projections, on its 2Q21 topline improvement to IDR3.6trn (+27.5% QoQ, +8.55 YoY). The *Lebaran* impact on revenue was minimal, as its largest projects involve toll roads, ports, and smelters. The impact from social restrictions should also be minimal, as PTPP is expanding its smelter projects, which rely more on heavy equipment than labour.

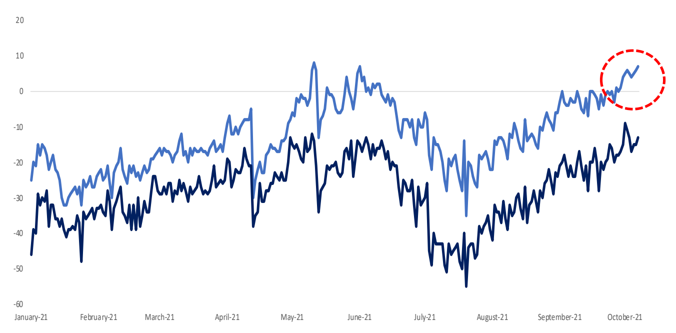
Summarecon Agung (SMRA IJ, BUY, TP: IDR1,300). SMRA's 9M21 marketing sales have reached 85% of its full-year target, largely driven by housing products in Serpong and Bogor (59% of YTD September marketing sales). SMRA's 1H21 was below our and Street's forecasted topline of IDR2.5trn – at about 45% of the full-year estimate – but we expect that will improve for FY21. 2Q21 revenue was at IDR1.4trn (+29.6% QoQ+21.5% YoY). Positive catalysts: The affordable housing segments, and the expansion of future projects in Bogor and Bandung.

Figure 35: Google Mobility Index data has improved, with national traffic having already exceeded pre-pandemic levels, and being even slightly higher than during pre-PPKM levels



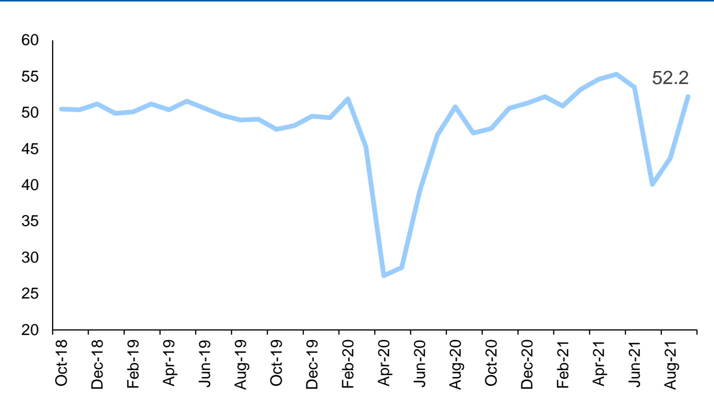
Source: Google, RHB

Figure 36: Similarly, traffic to retail facilities also has picked up, and national mobility has surpassed pre-pandemic levels. It was briefly stronger than levels recorded during the PPKM as well



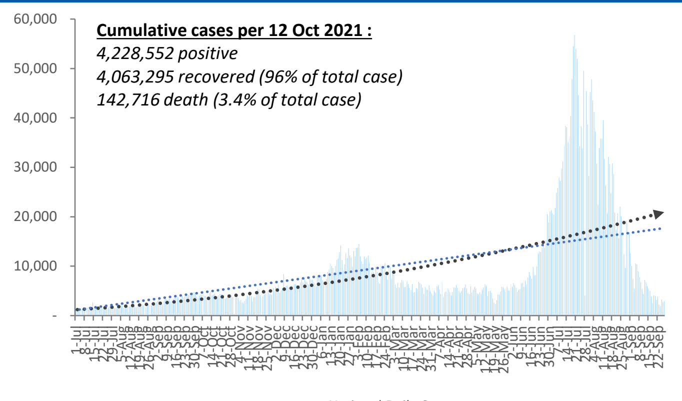
Source: Google , RHB

Figure 37: Markit Indonesia Manufacturing PMI



Source: Company data, RHB

Figure 38: Number of daily COVID-19 cases remained low



Source: Satgas COVID-19 , RHB

Sector outlook

Cyclical sectors likely to outperform during an economic re-opening. We have OVERWEIGHT ratings on banks, auto, retail, cement, construction, property, and metal mining. We downgraded our weighting on the coal and healthcare sectors to NEUTRAL, as share prices have undergone a rally – driven by the jump in coal prices and high number of patients during the peak of the pandemic. We also downgraded our ratings for the consumer staples and tobacco sectors to UNDERWEIGHT, as the hike in commodity prices may increase production costs. Meanwhile, the increase in excise tax and VAT rates may limit the ability of consumer companies to pass on the hike in production costs to customers.

Figure 39: Highlights of our sector views

Sector	Call	Highlight	Top Picks
Banks	OVERWEIGHT	We believe Indonesian banks are headed for a strong 4Q21, notwithstanding the expected weakness in the forthcoming 3Q21 results season. We expect toplines to be buoyed by the country's economic reopening, while lower credit costs should provide an added boost to earnings. The sector's valuation remains compelling, at FY22F 2.5x P/BV against ROE of 14.5%, despite the 23% rise in share prices since early Aug 2021.	BMRI, BBRI, BNGA, BTPS
Telco	OVERWEIGHT	Further foreign inflows should continue to support the sector's performance ahead, driven by the realisation of the Indosat-Hutchison 3 Indonesia merger, attractive EV/EBITDA valuations relative to regional peers, and better data monetisation. Although competition in the low-denomination packages remains intense, Telekomunikasi Indonesia and XL Axiata continue to raise prices of their more premium packages. We expect improving ARPU in 2H21, with the fair usage policy or FUP implementation, while fixed broadband continues to drive growth.	EXCL
Auto	OVERWEIGHT	The Finance Ministry has extended the 100% luxury tax or PPnBM tax incentive to December. This should further boost monthly 4-wheeler vehicle of 4W wholesales – which jumped to 83,319 units (+25% MoM, +123.5% YoY) in August. Meanwhile, the Ministry of Industry has estimated that the extension will boost national sales by another 35,553 units (5% of its FY21F sales).	ASII
Retail	OVERWEIGHT	Recovering economic activities seen through the higher Google Mobility Index over the past month, especially retail & recreation, as COVID-19 rates decline, provide stronger catalysts for cyclical higher-growth stocks.	MAPI, MPPA
Poultry	OVERWEIGHT	With COVID-19 cases on a decline, the reopening of the economy should support poultry consumption – potentially reducing the level of culling required by the Indonesian Government. This should lift day-old chick (DOC), broiler and feed sales volumes. Recent data suggests the DOC price cap should provide investors opportunities to buy on dips. Also, lower soybean prices should offset higher corn prices (now at IDR5,500/kg). 4Q21F results are expected to be strong, supported by a volume recovery and stable prices.	JPFA
Cement	OVERWEIGHT	We expect infrastructure spending to pick up, as the Indonesian Government has relaxed social restrictions, which should also boost cement demand. Property companies are also recording robust pre-marketing sales. However, rising coal prices may increase cement companies' COGS – but they are likely to pass on the hike to customers. The rising energy costs should be partially offset by higher operating leverage, as cement sales are set to grow.	INTP, SMGR
Construction	OVERWEIGHT	Expect higher infrastructure budget realisation until end-2021. The Ministry of Public Works and Ministry of Transportation have spent 49.8% and 50.3% of their full-year budgets as of YTD-August. The Indonesian Government is intent on ramping up infrastructure works, and we are optimistic that spending will reach 90% of their full-year budgets by year-end. We are upbeat on the sector, as activities have likely accelerated – as indicated by three straight months of cement sales growth.	PTPP, ADHI
Property	OVERWEIGHT	We expect sector metrics to improve over 4Q21-2Q22 at the least. Low interest rates, supportive industry measures, and the relaxation of lockdown restrictions should boost marketing sales in 4Q21. Of our Top Picks, SMRA has a more attractive market valuation, while a positive catalyst should be its Bogor project. Meanwhile, CTRA has a stronger balance sheet and greatly diversified landbank.	CTRA, SMRA
Metal mining	OVERWEIGHT	Our focus remains on the nickel industry, given large potential from the utilisation of low-nickel ore content (52% of total national proven nickel resources) once development of large scale of high pressure acid leach or HPAL smelters (targeted by 2024-2025) will unlock its value and provide a new supply channel for EV battery manufacturing in Indonesia – this would benefit ANTM in the long term. Meanwhile, the uptrend of nickel prices (FY21-22F: USD18-19.5k per tonne) will be maintained from the stable demand for stainless steel.	ANTM, INCO
Coal	NEUTRAL	The uptrend in coal prices throughout the year (Newcastle Coal Futures: +201% YTD, with highest-ever record price at USD269.50 per tonne) has brought back optimism for a recovery in the sector – we expect better overall 2H21F earnings from improved topline, coupled by a higher seasonal pattern on coal production. However, we see the upside factors thinning, given the potential drawback of coal prices from the peak that will dampen sentiment on share price trend going forward.	UNTR
Plantation	NEUTRAL	CPO prices remain buoyant at current levels, due mainly to the still-disappointing production numbers from Malaysia (down 9% YoY in YTD-August). We still maintain that prices are due for a correction in 4Q21, as supply and demand fundamentals are improving.	LSIP

Source: Company data, RHB

Figure 40: Highlights of our sector views (continued)

Sector	Call	Highlight	Top Picks
Healthcare	NEUTRAL	We see soft growth for hospital players and pharmaceutical companies in 4Q21, given the improving COVID-19 situation. Hospital players' QoQ and YoY margins should be under pressure, owing to the anticipated decrease in COVID-19 cases in 4Q21. Despite rising health awareness – translating to higher demand for health supplements – we expect the impact to be less than the previous quarters for pharmaceutical players. Hermina Medikaloka remains our Top Pick due to its solid growth profile, undemanding valuation, and nationwide presence.	HEAL
Consumer Staples	UNDERWEIGHT	Expect weaker margins in 2H21 with soft commodity prices remain high, averaging +3.2% QoQ, +14% YoY. 2Q21 is testament to higher commodity prices impacting margins, as the sector saw an average of 1.5 ppts YoY decline in gross margins. Although it was widely expected, prolonged high commodity prices at this level was a surprise, thereby providing a further downside risk to 2H21F earnings.	MYOR
Tobacco	UNDERWEIGHT	Expected to be announced in October, we estimate a 10-12% excise tariff for the Tier-1 cigarette segment. This in line, or lower-than-expected rates should provide support to the sector's share price performance, as Hanjaya Mandala Sampoerna and Gudang Garam have underperformed against the JCI by 27-36% YTD.	HMSP

Source: Company data, RHB

Malaysia: New Beginnings, Old Challenges In The New Normal

How should investors position for 2022?

While headwinds from the pandemic appear to be moderating as new transmissions ease and hospitalisation rates decline, markets will need to continue to keep a watchful eye on COVID-19 developments. Since the start of the outbreak in early 2020, investors have grossly underestimated the impact, duration and resilience of COVID-19, especially in its ability to mutate into more contagious and deadly variants.

Beyond the localised implications of COVID-19, investors need to consider the broader macroeconomic environment and what that might mean for equity markets. Also, while economic re-opening expectations are positive, we believe much of the good news is in the price – with some headwinds building up to justify some degree of caution.

Political status quo, for now...

The recent peaceful transition of leadership and adherence to constitutional procedures was a relief for markets. However, in acknowledging Prime Minister Dato' Sri Ismail Sabri Yaakob's precarious parliamentary position that made his government susceptible to undue pressure from factions within his coalition, this led to a memorandum of understanding with the Pakatan Harapan opposition bloc.

…but policy risks have ticked higher

However, the pandemic has exacerbated the revenue shortfall, and resulting fiscal injections have contributed to government debt levels creeping higher towards the present statutory debt ceiling of 60% of GDP. Media reports suggest that the Malaysian Government intends to raise the government debt ceiling to 65% of GDP when the Parliament reconvenes. This could raise the spending headroom by about MYR70bn.

With the Malaysian Government looking at opportunities to raise more revenue, the options being mooted include re-introducing the Goods & Services Tax or GST, unspecified windfall taxes, and capital gains taxes on "shares"

In mid-September, the Ministry of Finance (MOF) proposed for banks to waive interest on loans under moratorium for borrowers in the lowest 50% income bracket (B50) for a 3-month period over Oct-Dec 2021. We note the lack of consultation with the banking industry – and the sector was taken by surprise by this proposal. This comes on the heels of the first loan moratorium in 2020, and reflects the Malaysian Government's lack of resources to continue helping to keep the lower income segment afloat.

Macroeconomic headwinds for equities

The gradual re-opening of the global economy has brought about a multitude of macroeconomic headwinds for equities that could impede the progress of economic recovery, threaten growth, and pile on inflationary pressures. These include:

i. **Global supply chain bottlenecks.** We are already seeing pervasive shortages of materials, components (including the much-talked-about shortage of semiconductors) and labour. Congestion at key global ports have led to spiralling freight rates and extended shipping times. Food and energy costs have surged;

ii. **Inflation and the US Fed.** Concerns are rising that the US Fed's benign assessment of inflation may have been too optimistic. Higher UST10YR bond yields suggest that markets are bracing for it to taper asset purchases ahead of actual interest rate hikes, beginning in 2022. A disorderly transition to a tighter liquidity environment will have negative implications for EM equities that are still struggling with the pandemic. Persistent inflation and uneven economic growth could be a challenge for global central banks to manage;

iii. **China slowdown?** Acute energy shortages in China have affected regions that contribute two-thirds of GDP, leading to manufacturing PMI falling below 50 in September and signalling a decline in output. The China Evergrande debacle is also threatening a slowdown in the housing sector on top of the regulatory crackdown to engineer a more equitable distribution of wealth.

Nonetheless, we note that policymakers have guided that they are ready to loosen monetary and/or fiscal conditions to avert systemic risks. RHB economists acknowledge downside risks to 2021 China GDP growth;

iv. **Limited domestic fiscal headroom.** Closer to home, Malaysia's fiscal constraints suggest there is a limited ability to pump-prime the economy. Following MOF's inaugural pre-Budget 2022 statement, RHB economists expect the Malaysian Government to prioritise fiscal discipline.

What is already in the price?

We believe the major elements of economic re-opening expectations and the recovery scenario are largely priced in. These include the improving pandemic picture – in the context of rising immunisation rates and declining hospitalisation statistics – as well as the easing of political risks. This explains the willingness of domestic institutional funds to take profit in the face of the recent return of foreign investor interest.

While the continued de-rating of the glove stocks has been a drag on the benchmark index, the recent emergence of domestic policy risks – eg new taxes, banks interest waiver on the B50 segment, loan moratorium, and proposed changes in shareholding rules for freight forwarders – has deflated sentiment somewhat, even as the Malaysian Government's lack of fiscal options becomes increasingly apparent.

Coupled with evolving macroeconomic risks, we believe this suggests an overall lack of near -term re-rating catalysts for equity markets. In addition, the prospect of a tighter liquidity environment could prove to be unfortunate timing for EM that remain well behind the developed economies in the normalisation process. Nonetheless, RHB economists continue to maintain that US GDP growth is intact – with the ongoing mid-cycle slowdown in growth poised to show a recovery in 4Q21, picking up momentum in 1H22 and stabilisation to trend in 2H22. Investors' expectations on global growth should improve towards year's end to early 2022 driven by robust US consumer spending and a new inventory cycle helped by the Biden administration's infrastructure spending package. Accordingly, we expect that global growth prospects will remain intact through 2022.

Figure 41: Earnings outlook and valuations

	FBM KLCI				RHB BASKET				RHB BASKET (EX-FBM KLCI)			
COMPOSITE INDEX @ 1,591.62	**2020**	**2021F**	**2022F**	**2023F**	**2020**	**2021F**	**2022F**	**2023F**	**2020**	**2021F**	**2022F**	**2023F**
21 Oct 2021												
Revenue growth (%)	(10.3)	19.4	7.8	3.0	(7.9)	15.8	6.3	(0.6)	(4.5)	11.1	4.2	(6.0)
EBITDA growth (%)	(5.4)	27.0	4.3	3.2	(4.6)	27.1	1.8	0.4	(2.7)	27.3	(3.7)	(6.4)
Normalised earnings growth (%)	(24.4)	60.8	6.6	5.0	(21.7)	59.4	3.1	4.5	(15.2)	56.3	(4.7)	3.3
Normalised EPS (sen)	22.1	35.4	37.7	39.6	13.7	21.8	22.4	26.1	7.5	11.7	11.1	14.0
Normalised EPS growth (%)	**(24.6)**	**60.4**	**6.5**	**5.0**	**(22.4)**	**58.6**	**2.8**	**16.7**	**(16.2)**	**55.2**	**(5.2)**	**26.2**
Prospective P/E (x)	**26.6**	**16.6**	**15.6**	**14.8**	**25.2**	**15.8**	**15.4**	**14.5**	**22.1**	**14.2**	**15.0**	**13.7**
Normalised EPS (sen) ex-rubber glove	22.2	31.0	36.6	38.9	13.2	18.0	21.5	25.6	6.8	8.7	10.8	14.0
Normalised EPS growth (%) ex-rubber glove	(28.2)	39.8	18.0	6.2	(27.5)	36.0	19.6	19.1	(24.9)	27.7	24.2	29.7
Prospective P/E (x) ex-rubber glove	27.1	19.4	16.5	15.5	26.3	19.3	16.1	15.0	24.3	19.0	15.3	13.7
P/BV (x)	1.8	1.8	1.7	1.6	1.6	1.5	1.5	1.4	1.1	1.1	1.1	1.1
Dividend yield (%)	3.2	4.1	3.8	3.9	3.0	3.7	3.6	3.8	2.4	2.8	3.2	3.5
ROE (%)	6.9	10.7	10.9	11.0	6.3	9.6	9.5	9.9	5.2	7.7	7.0	7.9

Note: Excludes FBM KLCI stocks not under RHB Research's coverage, ie Hong Leong Finance Group, RHB Bank, PPB, and Hap Seng Consolidated
Source: Bloomberg, RHB

Figure 42: FBM KLCI – weightings & valuations

	Market Cap	Weight	EPS Growth (%)				P/E (x)			
	MYRbn	(%)	FY20	FY21F	FY22F	FY23F	FY20	FY21F	FY22F	FY23F
Sime Darby	15.6	1.61	9.5	20.0	(2.7)	4.7	15.0	12.5	12.8	12.2
Auto	**15.6**	**1.61**	**9.5**	**20.0**	**(2.7)**	**4.7**	**15.0**	**12.5**	**12.8**	**12.2**
CIMB	53.4	5.52	(72.6)	183.7	18.7	10.1	37.0	13.0	11.0	10.0
Hong Leong Bank	41.0	4.24	(6.4)	14.7	5.5	13.1	15.5	13.5	12.8	11.3
Malayan Banking	95.9	9.92	(21.5)	18.1	19.0	7.4	14.2	12.0	10.1	9.4
Public Bank	82.1	8.49	(14.2)	17.8	12.2	5.3	17.3	14.7	13.1	12.4
Banking	**272.3**	**28.18**	**(29.9)**	**33.0**	**15.1**	**8.1**	**17.5**	**13.2**	**11.4**	**10.6**
Press Metal	47.7	4.94	(0.1)	152.0	106.4	7.2	+>100	40.7	19.7	18.4
Basic Material	**47.7**	**4.94**	**(0.1)**	**152.0**	**106.4**	**7.2**	**102.5**	**40.7**	**19.7**	**18.4**
Nestle	31.5	3.26	(15.1)	9.4	12.1	5.3	57.0	52.1	46.5	44.1
Mr DIY	23.2	2.40	8.1	30.4	35.5	15.8	66.2	50.8	37.5	32.4
Consumer	**54.7**	**5.66**	**(7.4)**	**17.5**	**22.2**	**10.3**	**60.6**	**51.5**	**42.2**	**38.2**
Genting	20.1	2.08	(111.3)	(148.2)	309.0	43.6	n.m.	n.m.	16.0	11.2
Genting Malaysia	17.9	1.85	(196.8)	6.0	193.4	33.6	n.m.	n.m.	17.0	12.7
Gaming	**38.0**	**3.93**	**(143.7)**	**(18.9)**	**232.3**	**38.9**	**n.m.**	**n.m**	**16.5**	**11.9**
IHH Healthcare	58.0	6.00	(22.3)	111.6	8.1	4.6	81.0	38.3	35.4	33.9
Healthcare	**58.0**	**6.00**	**(22.3)**	**111.6**	**8.1**	**4.6**	**81.0**	**38.3**	**35.4**	**33.9**
Dialog	16.5	1.71	12.9	(16.2)	10.0	13.0	30.1	35.9	32.7	28.9
MISC	32.0	3.31	7.6	(14.7)	27.1	4.5	17.9	21.0	16.5	15.8
Petronas Chemicals	70.5	7.29	(31.2)	198.8	(17.6)	(2.1)	36.7	12.3	14.9	15.2
Petronas Dagangan	20.1	2.08	(61.3)	72.7	39.4	0.9	62.9	36.4	26.1	25.9
Oil & Gas	**139.1**	**14.39**	**(20.4)**	**79.7**	**(4.0)**	**0.9**	**30.4**	**16.9**	**17.6**	**17.5**
IOI Corp	25.2	2.61	11.7	39.1	14.0	(5.8)	32.1	23.1	20.2	21.5
Sime Darby Plantations	29.8	3.08	573.2	109.0	(23.1)	(7.3)	32.7	15.6	20.3	21.9
Plantation	**79.7**	**8.25**	**60.1**	**84.8**	**(11.8)**	**(5.9)**	**33.3**	**18.0**	**20.5**	**21.7**
Hartalega	21.0	2.17	19.4	(79.4)	(79.4)	12.2	48.3	7.3	4.8	4.8
Top Glove	21.9	2.26	409.0	311.4	(78.8)	(24.4)	11.5	2.8	13.2	17.5
Rubber Products	**42.8**	**4.43**	**181.4**	**358.3**	**(44.0)**	**(6.8)**	**18.4**	**4.0**	**7.2**	**7.7**
Axiata	36.3	3.76	(9.8)	9.4	15.0	8.7	41.4	37.9	32.9	30.3
DiGi.Com	33.8	3.50	(9.8)	(4.9)	1.0	(2.9)	28.2	29.7	29.4	30.2
Maxis	37.6	3.89	(7.3)	(1.5)	2.8	2.9	26.1	26.5	25.7	25.0
Telekom Malaysia	22.1	2.28	(1.7)	20.8	4.7	4.4	22.2	18.4	17.5	16.8
Telecommunication	**129.8**	**13.43**	**(7.3)**	**4.7**	**5.3**	**3.2**	**28.8**	**27.5**	**26.1**	**25.3**
Petronas Gas	33.0	3.41	5.5	(0.9)	0.8	(6.9)	16.6	16.7	16.6	17.8
Tenaga	55.8	5.78	(25.2)	24.3	5.6	7.1	15.4	12.4	11.7	11.0
Utilities	88.8	9.19	(16.5)	15.3	4.1	2.9	15.8	13.7	13.2	12.8
FBM KLCI	**966.6**	**100.00**	**(24.6)**	**60.4**	**6.5**	**5.0**	**26.6**	**16.6**	**15.6**	**14.8**

Source: Bloomberg, RHB

Figure 43: RHB Basket sector weightings & valuations

Sectors	Mkt Cap	Weight	EPS Growth (%)			P/E (x)			Recommendation
	MYRbn	%	FY21F	FY22F	FY23F	FY21F	FY22F	FY23F	
Banking	298.3	21.9	31.0	15.6	8.5	12.7	11.0	10.1	Overweight
Oil & gas	153.1	11.3	78.7	(4.7)	63.8	15.8	16.6	15.7	Overweight
Utilities	103.2	7.6	14.3	4.3	23.1	13.9	13.3	12.9	Overweight
Healthcare	64.4	4.7	93.9	9.5	7.3	37.4	34.2	31.8	Overweight
Basic materials	53.2	3.9	350.2	98.7	8.1	36.2	18.2	16.9	Overweight
Gaming	43.8	3.2	(23.7)	273.7	38.2	n.m.	16.4	11.8	Overweight
Technology	36.4	2.7	63.0	13.2	11.5	32.6	29.0	26.0	Overweight
Construction	27.5	2.0	22.7	25.5	13.4	18.0	14.3	12.7	Overweight
Non-bank financials	20.6	1.5	(4.5)	8.6	1.6	14.1	12.9	12.7	Overweight
Telecommunications	138.5	10.2	5.1	6.1	3.8	27.0	25.4	24.5	Neutral
Consumer	116.0	8.5	16.9	29.2	10.7	31.7	24.5	22.1	Neutral
Rubber products	55.6	4.1	309.8	(59.2)	(11.9)	3.1	7.6	8.6	Neutral
Transport	40.8	3.0	349.9	1001.4	149.7	272.4	24.7	21.4	Neutral
Property	39.8	2.9	62.7	22.1	(2.0)	16.8	13.8	13.5	Neutral
Property-REITs	32.7	2.4	(9.6)	22.0	9.6	24.3	19.8	18.1	Neutral
Auto	29.7	2.2	34.2	13.8	14.1	14.9	13.1	11.5	Neutral
Media	5.7	0.4	7.1	7.9	3.5	9.9	9.2	8.8	Neutral
Plantation	100.9	7.4	72.8	(12.8)	(5.0)	17.4	20.0	21.1	Underweight
RHB BASKET	**1360.3**	**100.0**	**58.6**	**2.8**	**16.7**	**15.8**	**15.4**	**14.5**	

Source: RHB

Figure 44: Top BUYs

	FYE	Price	TP	*Shariah*	Market Cap	EPS (sen)		EPS growth (%)		3-Yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
		(MYR/s)	(MYR/s)	Compliant	(MYRm)	FY22F	FY23F	FY22F	FY23F	FY20-FY23	FY22F	FY23F	FY22F	FY23F	FY23F
		21 Oct 21													
Petronas Chem	Dec	8.81	9.91	YES	70,480	59.1	57.9	(17.6)	(2.1)	34.1	14.9	15.2	1.9	11.0	3.3
Tenaga Nasional	Dec	9.75	12.49	YES	55,829	83.0	88.9	5.6	7.1	12.0	11.7	11.0	0.9	3.0	5.3
CIMB	Dec	5.33	5.90	NO	53,376	48.6	53.5	18.7	10.1	54.8	11.0	10.0	0.8	n.a.	4.1
Press Metal	Dec	5.91	8.50	YES	47,730	30.0	32.2	106.4	7.2	77.3	19.7	18.4	6.3	14.5	2.3
Mr DIY Group	Dec	3.69	4.59	YES	23,161	9.8	11.4	35.5	15.8	27.0	37.5	32.4	13.1	25.3	1.5
TM	Dec	5.85	7.90	YES	22,076	33.4	34.8	4.7	4.4	9.7	17.5	16.8	2.2	5.7	2.7
Genting Bhd	Dec	5.21	6.47	NO	20,062	32.5	46.6	309.0	43.6	(295.3)	16.0	11.2	0.6	2.3	3.8
Inari Amertron	Jun	3.89	4.35	YES	14,337	10.7	12.0	10.0	12.6	37.7	36.5	32.4	5.5	29.3	2.6
AMMB^	Mar	3.28	3.50	NO	10,866	47.8	52.5	23.5	9.7	17.9	6.9	6.3	0.5	n.a.	6.3
CTOS Digital	Dec	1.89	2.42	YES	4,158	3.5	4.7	51.9	32.7	38.1	53.4	40.2	9.9	41.6	1.5
Bumi Armada	Dec	0.52	0.57	NO	3,072	7.9	7.1	(22.9)	(9.2)	(4.1)	6.6	7.3	0.7	3.6	0.0
SKP Resources^	Mar	1.84	2.28	YES	2,875	12.5	13.4	21.8	7.4	17.4	14.7	13.7	3.1	12.4	4.4
Matrix^	Mar	2.06	2.36	YES	1,719	29.2	30.8	5.0	5.3	(0.7)	7.0	6.7	0.8	6.0	6.3
Tasco Bhd^	Mar	1.30	1.79	NO	1,040	8.2	8.8	11.9	8.1	19.7	15.9	14.7	1.7	8.7	2.0

Note: ^FY22-23 valuations refer to those of FY23-24
Source: RHB

Figure 45: Top SELLs

	FYE	Price (MYR/s) 21 Oct 21	TP (MYR/s)	*Shariah* Compliant	Market cap (MYRm)	EPS (sen) FY22F	EPS (sen) FY23F	EPS growth (%) FY22F	EPS growth (%) FY23F	3-yr EPS CAGR (%)	P/E (x) FY22F	P/E (x) FY23F	P/BV (x) FY23F	P/CF (x) FY23F	DY (%) FY23F
Genting Plant	Dec	7.30	6.25	YES	6,550	31.4	30.9	(12.2)	(1.6)	4.6	23.3	23.6	1.3	12.0	3.0
FGV Holdings	Dec	1.48	1.35	YES	5,399	4.5	4.5	(7.9)	0.2	16.8	32.9	32.9	1.2	2.8	2.0
Supermax	Jun	2.05	1.80	YES	5,366	32.0	13.4	(78.2)	(58.2)	(12.6)	6.4	15.3	0.9	11.6	1.6
Affin Bank	Dec	1.74	1.48	NO	3,696	19.1	20.7	27.8	8.7	21.2	9.1	8.4	0.3	n.a.	2.9
CLMT	Jan	0.64	0.52	NO	1,351	2.1	2.5	42.1	17.7	(8.7)	30.1	25.6	0.6	9.4	3.9
Comfort Gloves^	Jan	1.19	1.11	YES	691	11.2	11.0	(88.0)	(2.1)	(38.6)	10.6	10.8	0.6	8.7	1.2
Rubberex Corp	Dec	0.60	0.50	YES	521	3.9	4.2	(84.6)	7.0	(36.6)	15.3	14.3	0.8	14.9	0.0

Note: ^FY22-23 valuations refer to those of FY23-24
Source: RHB

Investment themes

Our base case expectation is for a recovery scenario to evolve as the economy re-opens and as normalisation gathers pace. The immunisation of adolescents will also help to accelerate this. However, the transition into the new normal will bring with it a re-focus on fundamentals, and the need for investor expectations to be backed up by earnings. Markets are unlikely to be forgiving to companies missing expectations. Stock-picking strategies and trading to capitalise on momentum and high-beta names will be needed to generate alpha. Prevailing risks will require tactical exposure to defensive and high dividend-yielding names.

Nibble on recovery plays

As RHB economists' bullish GDP growth forecasts are above consensus projections, a key investment theme is still to look for opportunities to build positions in stocks that can leverage on the economic recovery and re-opening theme. Banks will be the prime beneficiary of the re-opening theme and prospect of interest rates rising.

Figure 46: Recovery plays

	Price (MYR/s) 21 Oct 21	TP (MYR/s)	*Shariah* Compliant	Mkt Cap (MYRm)	EPS (sen) FY22F	EPS (sen) FY23F	EPS Growth (%) FY22F	EPS Growth (%) FY23F	3-yr EPS CAGR (%) FY20-FY23F	P/E (x) FY22F	P/E (x) FY23F	P/BV (x) FY23F	P/CF (x) FY23F	DY (%) FY23F	Rec
CIMB	5.33	5.90	NO	53,376	48.6	53.5	18.7	10.1	54.8	11.0	10.0	0.8	n.a.	4.1	Buy
Press Metal	5.91	8.50	YES	47,730	30.0	32.2	106.4	7.2	77.3	19.7	18.4	6.3	14.5	2.3	Buy
Axiata Group	3.96	4.75	YES	36,324	12.0	13.1	15.0	8.7	11.0	32.9	30.3	2.2	3.1	2.8	Buy
MISC	7.16	7.60	YES	31,960	43.4	45.3	27.1	4.5	4.2	16.5	15.8	1.0	6.1	4.6	Buy
Genting	5.21	6.47	NO	20,062	32.5	46.6	309.0	43.6	(295.3)	16.0	11.2	0.6	2.3	3.8	Buy
AMMB^	3.28	3.50	NO	10,866	47.8	52.5	23.5	9.7	17.9	6.9	6.3	0.5	n.a.	6.3	Buy
IGB REIT	1.68	1.99	NO	5,996	8.3	9.2	39.4	11.5	11.5	20.3	18.2	1.6	15.6	4.7	Buy
Astro M'sia^	0.99	1.45	NO	5,136	10.9	11.1	5.8	1.5	2.6	9.0	8.9	3.2	4.2	7.8	Buy
Sime Darby Property	0.74	0.75	YES	5,033	3.4	3.8	18.9	11.8	(186.2)	21.6	19.3	0.5	11.3	2.7	Buy
CTOS Digital	1.89	2.42	YES	4,158	3.5	4.7	51.9	32.7	38.1	53.4	40.2	9.9	41.6	1.5	Buy
UEM Edgenta	1.78	2.35	YES	1,480	18.9	20.5	90.6	8.5	52.0	9.4	8.7	0.9	5.2	8.6	Buy
Tasco^	1.30	1.79	NO	1,040	8.2	8.8	11.9	8.1	19.7	15.9	14.7	1.7	8.7	2.0	Buy

Note: ^FY22-23 valuations refer to those of FY23-24
Source: RHB

Look for bombed-out stocks

We believe there are still opportunities to profit from mispriced stocks. These include names that have recovery potential further down the road, but which may require some degree of investor patience in the meantime.

Figure 47: Best bombed-out stocks

	Price	TP	*Shariah*	Mkt Cap	EPS (sen)		EPS Growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)	Rec
	(MYR/s) 21 Oct 21	(MYR/s)	Compliant	(MYRm)	FY22F	FY23F	FY22F	FY23F	FY20-FY23F	FY22F	FY23F	FY23F	FY23F	FY23F	
TNB	9.75	12.49	YES	55,829	83.0	88.9	5.6	7.1	12.0	11.7	11.0	0.9	3.0	5.3	Buy
Genting	5.21	6.47	NO	20,062	32.5	46.6	309.0	43.6	(295.3)	16.0	11.2	0.6	2.3	3.8	Buy
IGB REIT	1.68	1.99	NO	5,996	8.3	9.2	39.4	11.5	11.5	20.3	18.2	1.6	15.6	4.7	Buy
Pavilion REIT	1.42	1.55	NO	4,331	6.7	8.1	106.7	21.1	28.0	21.4	17.6	1.1	11.9	5.7	Buy
Bumi Armada	0.52	0.57	NO	3,072	7.9	7.1	(22.9)	(9.2)	(4.1)	6.6	7.3	0.7	3.6	0.0	Buy
Magnum	2.13	2.61	NO	3,061	17.0	17.9	587.2	5.3	35.1	12.6	11.9	1.3	9.9	7.5	Buy
SOP	3.88	4.60	YES	2,218	42.0	41.5	(22.0)	(1.0)	2.8	9.2	9.3	0.7	5.4	2.3	Buy
Sunway Construction	1.70	1.81	YES	2,192	10.9	11.8	75.8	8.1	18.3	15.6	14.4	2.7	10.4	3.5	Buy
OCK Group	0.50	0.59	YES	527	2.9	3.0	4.2	3.2	10.4	17.2	16.7	1.3	1.3	0.0	Buy
Gabungan AQRS	0.56	0.86	YES	304	10.8	9.6	124.4	(11.6)	53.7	5.2	5.8	0.5	4.4	3.6	Buy

Note: ^FY22-23 valuations refer to those of FY23-24
Source: RHB

Cannot ignore defensive names

Domestic investors that have to remain invested locally need to maintain a defensive portfolio for tactical reasons, given the prevailing risks. These defensive names will demonstrate greater price stability and resilience in the face of volatility, while high-dividend yield stocks will remain on the radars of risk-averse investors. We also expect investors to hold on to higher-than-normal cash levels.

Figure 48: Defensive stocks

	Rec	Price	TP	Mkt cap	EPS (sen)		EPS growth (%)		3-yr EPS CAGR (%)	P/E (x)		P/BV (x)	P/CF (x)	DY (%)
		(MYR/s) 21 Oct 21	(MYR/s)	(MYRm)	22F	23F	22F	23F	FY20-FY23F	22F	23F	23F	23F	23F
IHH Healthcare	Buy	6.60	7.20	57,994	18.6	19.5	8.1	4.6	33.7	35.4	33.9	2.3	17.0	0.8
Tenaga Nasional	Buy	9.75	12.49	55,829	83.0	88.9	5.6	7.1	12.0	11.7	11.0	0.9	3.0	5.3
Magnum	Buy	2.13	2.61	3,061	17.0	17.9	587.2	5.3	35.1	12.6	11.9	1.3	9.9	7.5
Axis REIT	Buy	1.95	2.39	2,821	10.2	10.5	7.1	2.1	6.2	19.0	18.7	1.3	6.7	5.4
Allianz Malaysia	Buy	13.12	17.30	2,329	153.5	163.6	3.1	6.6	2.9	8.5	8.0	0.9	n.a	2.9
RCE Capital^	Buy	3.26	3.20	1,190	36.5	38.1	1.0	4.3	3.2	8.9	8.6	1.5	n.a.	4.3
Freight Management	Buy	0.99	1.05	553	5.9	6.3	10.4	8.0	40.5	16.9	15.7	1.5	11.8	3.0
Nestle	Neutral	134.50	138.00	31,540	289.5	304.9	12.1	5.3	8.9	46.5	44.1	51.4	32.0	2.2
Time DotCom	Neutral	4.50	4.68	8,215	24.1	26.6	15.4	10.5	11.5	18.7	16.9	2.2	12.6	3.0

Note: ^FY22-23 valuations refer to those of FY23-24
Source: RHB

Small-mid caps strategy

Figure 49: Small mid-caps Top Picks

	Price (MYR/s) 21 Oct 21	TP (MYR/s)	*Shariah* Compliant	Mkt Cap (MYRm)	EPS (sen) FY22F	EPS (sen) FY23F	EPS Growth (%) FY22F	EPS Growth (%) FY23F	P/E (x) FY22F	P/E (x) FY23F	P/BV (x) FY23F	P/CF (x) FY23F	DY (%) FY23F	Rec
VS Industry	1.60	2.01	YES	6,107	8.9	9.7	38.9	9.1	17.9	16.4	2.7	14.4	4.0	Buy
Astro M'sia^	0.99	1.45	NO	5,136	10.9	11.1	5.8	1.5	9.0	8.9	3.2	4.2	7.8	Buy
Guan Chong	3.04	4.00	YES	3,198	24.7	27.2	51.4	10.2	12.3	11.2	1.8	9.0	2.0	Buy
Bumi Armada	0.52	0.57	NO	3,072	7.9	7.1	(22.9)	(9.2)	6.6	7.3	0.7	3.6	0.0	Buy
Magnum	2.13	2.61	NO	3,061	17.0	17.9	587.2	5.3	12.6	11.9	1.3	9.9	7.5	Buy
Datasonic^	0.47	0.57	YES	1,336	2.2	2.2	(1.4)	(1.1)	20.8	21.0	3.3	18.9	3.3	Buy
Tasco^	1.30	1.79	NO	1,040	8.2	8.8	11.9	8.1	15.9	14.7	1.7	8.7	2.0	Buy
Mynews	0.98	1.22	NO	665	3.9	5.8	166.2	48.9	25.1	16.9	2.3	16.6	1.5	Buy
Hiap Teck	0.65	1.00*	YES	1,122	10.9	9.3	53.1	(15.1)	5.9	7.0	0.9	8.1	4.6	NR
Aemulus	1.08	1.48*	YES	655	3.7	5.4	136.0	45.2	28.8	19.9	4.2	36.1	0.0	NR

Note: ^FY22-23 valuations refer to those of FY23-24
Source: RHB

While we have seen trading volumes normalising considerably over the past few months, the downside looks supported by bottom-fishing activities. Technology counters are among the major YTD index movers for both the FBM 70 and FBM SC, as the majority of the players are benefiting from the robust demand for electrical & electronic products, as well as from chip shortages.

Are small-mid caps losing their shine? Trading activities have tapered off recently, as the market continues to trade sideways in the absence of major positive catalysts, with both the FBM KLCI and FBM 70 showing YoY contractions in traded value. However, investor interest in small-cap stocks continues to stay elevated, when compared to the pre-COVID-19 era, as evidenced by the strong 27% YoY growth in YTD traded value.

The retail participation rate remains healthy at around 39%, which more than offsets the foreign net outflows. Should the risk appetite among investors remain weak or worsen, any market run-up may be capped by persistent profit-taking activities.

Buying opportunity. Nonetheless, the FBM 70 and FBM SC's current forward P/Es have retraced to below their 5-year mean levels, which may serve as another good entry level for investors – given the prospects of an economic recovery, following the high vaccination rate and new-found stability in the political scene. In addition, with the suspension of intraday short-selling (IDSS) and proprietary day traders (PDT Short Sale) until end-2021, the downside could be well-supported by the long-only investment narrative.

Additionally, investors may continue to favour outperforming small-mid cap counters instead of lacklustre big-cap stocks. Notably, the RHB basket (ex-KLCI) is now trading at 2-3x P/E valuation discounts to that of the FBM KLCI, which suggests a better risk-reward ratio in landing the leading alpha ideas.

Rotational play continues to prevail. In the absence of clear catalysts, we believe the market is likely to stay range-bound, and possibly inch higher towards the end of the year on window-dressing activities and portfolio repositioning. As such, rotational plays across sectors and thematic trends will likely thrive in this environment.

We favour the consumer discretionary, technology, logistics, and oil & gas sectors, as well as commodity and political-linked thematic plays. The GDP recovery and a progressive full reopening of the economy, coupled with accommodative fiscal and monetary policies, should lend support to private consumption and support consumer discretionary industry.

In the technology space, with the elevated valuation and unfavourable steepening of the yield curve, it is paramount to remain selective on companies with a strong track record and a competitive edge to sustain growth and valuations. The oil & gas sector has been gaining traction of late, following the high crude oil price trend, higher capex allocations, and the recovery in oil demand.

Meanwhile, the logistics sector is still exhibiting strong traits, on improving trading activities and volume following the reopening and resumption of economic activities. This is on top of the secular e-commerce play, elevated freight rates, growing demand for third-party logistics, and favourable measures and tax incentives from policymakers.

Commodity-related stocks will continue to gain from the elevated prices of major hard commodities such as aluminium, steel, copper, crude oil and gold, thanks to the near-term imbalance of supply and demand for various industries.

Following the temporary ceasefire in the political scene between the opposition and Government, we believe political-related stocks will gain prominence, with improved sentiment and contract flows resuming – this is especially with elections being likely held sometime next year, starting with the state election in Sarawak, which is expected in 1H22.

Singapore: Betting On An Economic Recovery Despite Risks

For 4Q, Singapore's equity market outlook will continue to depend on how well stocks and sectors can contend with ongoing COVID-19-related constrained growth, elevated inflation amidst global supply chain disruptions, expectations of an early interest rate hike and corporate efforts to maximise operational efficiencies.

On the COVID-19 front, we see the current tightening measures in Singapore as a speed bump and maintain that the reopening of the economy will sustain over the next 12 months. While the global risks suggest that it could be challenging times ahead for equities, we believe the current share price weakness offers an opportunity to accumulate stocks that offer an operating leverage to the eventual economic re-opening, as well as counters that now offer better earnings visibility – either from business restructuring or structural and inorganic growth.

The plantation, manufacturing and technology, consumer and REIT sectors that are part of the STI have delivered negative YTD returns. Amid expectations of the economy reopening and the earlier-than-expected rise in interest rates, the transport and financial sectors have outperformed the STI.

Figure 50: YTD performance of the STI and its components by sector

Note: Data as at 20 Oct 2021
Source: Bloomberg, RHB

Betting on Singapore's continued strong export growth

Our economics team sees upside risks to our 5.8% 2021 GDP growth estimates, aided by external demand. The team continues to expect the pick-up in Singapore's external demand to provide support for trade performance in 4Q21. The 3-month moving average for overall NODX as of September has moderated slightly, given the global slowdown in activities but momentum for semiconductor-related NODX remains upbeat, thereby supporting trade performance. Other indicators such as the IPI have continued to be resilient as outputs for electronics and precision engineering benefit from the global electronics upcycle.

The PMI has also been expansionary, registering above-50 readings since Jul 2020, with a slight moderation in August and September. The electronics PMI has registered strong expansion in recent months, indicating strong demand for electronics output. The team anticipates growth momentum for the manufacturing and external sectors to remain resilient in 4Q21. To benefit from this continued growth in electronics exports, we recommend exposure to Frencken Group, Fu Yu Corp, and Venture Corp

Figure 51: Singapore – beneficiaries of strong export growth

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
Frencken Group	718	Buy	2.55	12.8	Dec-21	15.0	13.5	2.5	2.2	na	na	17.8	17.4	32.4	10.7
Fu Yu Corp	162	Buy	0.37	27.6	Dec-21	11.4	10.9	1.4	1.3	16.2	5.9	11.7	12.5	13.6	3.8
Venture Corp	4,212	Buy	23.00	18.0	Dec-21	16.9	16.3	2.1	2.0	3.8	3.8	12.7	12.6	11.8	3.7

Note: Prices are as at 20 Oct 2021
Source: Bloomberg, RHB

Playing the economic reopening or earnings growth themes

Banks should continue to benefit from the economic recovery and higher interest rates. Singapore's economic reopening would be positive for cyclical sectors, including banks, which are projected to see earnings grow by another 9% YoY in FY22 after a strong estimated 40% YoY rebound in FY21. Asset quality for Singapore banks under our coverage (SG Banks) is expected to remain solid despite the re-imposition of mobility restrictions in other countries in the region – which should improve the prospects of banks writing back pre-emptive COVID-19 provisions in FY22. This would be a key earnings driver, before rising interest rates start to lift NII from late 2022 or early 2023 onwards. Our FY22F sector earnings growth does not take into account the potential writeback of provisions. Furthermore, the resumption of cash dividend payouts in August signals SG Banks' confidence in asset quality and capital strength.

That said, the phased inclusion of Sea into the MSCI Singapore Index will be an overhang on SG Banks until 1Q22. We maintain our BUY calls for the three Singapore banking stocks. Our pecking order remains unchanged: United Overseas Bank>OCBC Bank>DBS.

We like exposure to selected consumer, healthcare, industrials, telecom and transport sector plays. We expect a gradual recovery in consumption in 2022 – with the better containment of COVID-19 and vaccination plans in progress leading to a wider reopening of the global economy. Additional countries could get added by year's end or early next year to the already-announced list of 11 countries that are now part of Singapore's VTL. This will bring back some of tourist inflows to the country, providing a further boost to business sentiment and consumer spending.

Thai Beverage, Genting Singapore, and Food Empire are the preferred consumer sector picks, while Raffles Medical is our preferred healthcare sector pick. The latter should benefit from higher tourist arrivals into Singapore once more countries get added to the VTL as it remains an exclusive provider of the RT-PCR test at Changi Airport.

China Aviation Oil should benefit from the gradual return of international air travel in China, while ComfortDelGro, which is already recording sequential earnings growth, should see a material improvement in its public transport and taxi businesses in Singapore once the country opens up.

Figure 52: Singapore – economic reopening / recovery plays

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
China Aviation Oil	659	Buy	1.08	5.0	Dec-21	13.4	9.0	0.7	0.7	1.9	1.7	5.5	7.8	-12.3	49.2
ComfortDelGro	2,515	Buy	2.10	34.6	Dec-21	18.8	15.0	1.2	1.2	2.7	5.3	6.8	8.2	191.5	24.9
Food Empire	325	Buy	1.23	50.9	Dec-21	14.2	10.0	1.3	1.2	1.4	1.9	9.7	12.7	-16.2	42.4
Genting Singapore	7,090	Buy	0.92	16.0	Dec-21	40.8	18.0	1.2	1.2	2.5	3.8	3.0	6.6	88.9	126.4
HRnetGroup	616	Buy	0.93	12.7	Dec-21	13.3	12.5	2.4	2.1	3.7	4.0	18.2	17.9	50.5	6.8
OCBC Bank	40,080	Buy	14.30	19.4	Dec-21	10.8	10.0	1.0	1.0	4.2	4.4	9.7	10.0	37.0	8.3
Raffles Medical	2,128	Buy	1.65	7.6	Dec-21	41.1	37.8	3.2	3.1	1.3	1.6	7.9	8.4	67.2	8.8
Singtel	31,196	Buy	3.37	32.7	Mar-22	19.4	16.0	1.5	1.4	3.6	4.0	7.7	9.1	20.3	21.6
ST Engineering	8,970	Buy	4.85	25.3	Dec-21	21.9	19.5	5.1	4.8	3.9	3.9	23.6	25.2	5.5	12.1
Thai Beverage	13,079	Buy	0.94	34.2	Sep-21	17.0	15.6	2.8	2.6	3.1	3.3	17.3	17.2	0.4	8.5
United Overseas Bank	33,431	Buy	30.20	12.5	Dec-21	11.5	10.5	1.0	1.0	4.5	4.8	9.3	9.6	33.4	9.3

Note: Prices are as at 20 Oct 2021
Source: Bloomberg, RHB

Our positive view on Singtel is premised on earnings rebound in FY22 following four consecutive years of declines and potential re-rating catalysts from its strategic business reset announced in May 2020. We are upbeat on the recent sale of the Optus towers (Australia Telecom Network), with the SGD900m in proceeds mainly utilised to defray the cost of 5G rollout in Australia and other business-to-business or B2B investments in the region.

We remain confident of ST Engineering's (STE) earning recovery over the next 12 months as rapid immunisation across the world will allow countries to gradually bring more businesses back to normal. A gradual but ongoing recovery in aviation maintenance, repair, and overhaul or MRO business and contributions from passenger-to-freighter conversions should continue to support earnings recovery during 2022-2023. We estimate STE's recent acquisition of TransCore could boost its 2023 profit by 9%, assuming the acquisition is entirely funded by debt.

Figure 53: Singapore – strong earnings growth

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
City Developments	5,012	Buy	8.50	14.4	Dec-21	48.6	17.7	0.8	0.8	1.3	2.4	1.6	4.5	na	174.5
Food Empire	325	Buy	1.23	50.9	Dec-21	14.2	10.0	1.3	1.2	1.4	1.9	9.7	12.7	-16.2	42.4
Genting Singapore	7,090	Buy	0.92	16.0	Dec-21	40.8	18.0	1.2	1.2	2.5	3.8	3.0	6.6	88.9	126.4
Marco Polo Marine	76	Buy	0.04	41.4	Sep-21	90.0	16.3	1.0	1.0	na	na	1.1	6.0	na	453.3

Note: Prices are as at 20 Oct 2021
Source: Bloomberg, RHB

We like City Developments' refocus on Singapore with its acquisition of two residential sites (50% stake) in Northumberland Road and Tengah EC Site in 1H21. We believe this is a right step, considering its strong track record, brand presence, strong residential property sales momentum, and falling supply levels in Singapore. The group recently announced that it has completely exited as an equity investor in Sincere Property Group while still remaining as a creditor – which removes a major overhang. A potential recovery in the hospitality sector could positively benefit its earnings. Its valuation is fairly cheap – the stock is trading at 25% and 55% discounts to book value and RNAV, at -1SD from its long-term average.

Amongst the small- and mid-cap companies, we note that Marco Polo Marine's 9MFY21 (Sep) revenue has already exceeded that of FY20's, driven by strong growth in its ship-chartering and repair business. As oil prices are rising, oil & gas activities and projects will likely ramp up, so we are upbeat on the company going back to the black by end FY21, with the expectation of strong earnings growth in 2022. It could also likely secure more contracts in RE, where it is pivoting towards.

Stay positive on REITs despite growing concerns on the rise in interest rates

Expected volatility in 4Q21 could be a buying opportunity. As the SG 10-year treasury yield is highly correlated to that of the US Treasury and is used as a risk-free benchmark for REITs, any sharp swings will have a corresponding impact on REITs' yield expectations and prices. As such, we expect the REITs sector to remain volatile in 4Q, with a downward bias on prices. That said, we believe any sharp dips (5-10%) as a result of tapering announcements will present buying opportunities, as the economic growth outlook remains firm and the resultant DPU growth for REITs more than offset rising rate concerns.

During the 2013 taper tantrum, REITs' share prices fell by about 19% in the second half of the year but, on a full-year basis, these counters still delivered returns of 11%. In 2014, the REITs delivered a 9% return. We will not be overly concerned if the current round of tapering in quantitative easing is accompanied by strong economic growth.

Singapore REITs (S-REITs) are currently trading at 1.1x P/BV and offer an average yield of 5.3% (350bps higher than the 10-year government bond). This is a premium to long-term mean levels but, with interest rates remaining low and given the projected strong economic recovery, we expect REITs to continue to trade at a premium to their long-term valuations. S-REITs also offer among the highest absolute yields and yield spreads globally.

Industrial REITs still our preferred segmental pick. While office and retail REITs should see a short-term outperformance on tactical rotation – premised on optimism over an economic recovery – we still prefer industrial REITs for earnings resilience. While there are some green shoots for hospitality REITs, we still believe that we are at least 6-12 months away from a meaningful increase in financial numbers – and current valuations are not very cheap. Overall, we recommend investors hold on to a balanced portfolio of industrial REITs for stable yields, and a mix of office and retail REITs to ride on near-term growth. Our Top Picks for the sector are Ascendas REIT, ESR REIT, Suntec REIT, and Prime US REIT.

Figure 54: Singapore – REIT picks

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/BV (x) 1FY	P/BV (x) 2FY	Yield (%) 1FY	Yield (%) 2FY	ROE (%) 1FY	ROE (%) 2FY	EPS Growth (%) 1FY	EPS Growth (%) 2FY
Ascendas REIT	9,486	Buy	3.60	18.6	Dec-21	22.2	22.6	1.3	1.4	5.2	5.4	5.9	5.9	-2.3	-2.0
ESR REIT	1,431	Buy	0.54	11.9	Dec-21	6.7	13.8	1.1	1.2	6.5	6.7	17.7	8.4	1092.9	-51.7
Prime US REIT	1,009	Buy	1.03	19.1	Dec-21	16.5	13.2	1.0	1.0	7.9	8.3	6.2	7.9	135.1	25.1
Suntec REIT	3,178	Buy	1.72	14.7	Dec-21	24.2	16.1	0.7	0.7	5.6	5.9	3.1	4.6	na	50.4

Note: Prices are as at 20 Oct 2021
Source: Bloomberg, RHB

Sector recommendations & stock picks

Figure 55: Our sector recommendations

Overweight	Neutral
Financials	Consumer
Industrials	Food products (plantations)
Real estate	Healthcare
REIT	Manufacturing & technology
Transport	Telecom & media

Source: RHB

Figure 56: Preferred stocks across sectors

Sector	Most preferred
Consumer	FEH, GENS, THBEV
Financials	OCBC, UOB
Food Products	WIL
Healthcare	RFMD
Industrials	HRNET, MPM, STE
Mfg. & Tech.	FRKN, FUYU, VMS
Real estate	CIT
REIT	AREIT, EREIT, PRIME, SUN
Telecom & Media	ST
Transport	CAO, CD

Source: RHB

Figure 57: Singapore – alpha picks (large cap)

	M Cap		Target	Upside/	1FY	P/E (x)		P/BV (x)		Yield (%)		ROE (%)		EPS Growth (%)	
Company name	(USDm)	Rating	price	down. (%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
Ascendas REIT	9,486	Buy	3.60	18.6	Dec-21	22.2	22.6	1.3	1.4	5.2	5.4	5.9	5.9	-2.3	-2.0
City Developments	5,012	Buy	8.50	14.4	Dec-21	48.6	17.7	0.8	0.8	1.3	2.4	1.6	4.5	na	174.5
ComfortDelGro	2,515	Buy	2.10	34.6	Dec-21	18.8	15.0	1.2	1.2	2.7	5.3	6.8	8.2	191.5	24.9
ESR REIT	1,431	Buy	0.54	11.9	Dec-21	6.7	13.8	1.1	1.2	6.5	6.7	17.7	8.4	1092.9	-51.7
Genting Singapore	7,090	Buy	0.92	16.0	Dec-21	40.8	18.0	1.2	1.2	2.5	3.8	3.0	6.6	88.9	126.4
OCBC	40,080	Buy	14.30	19.4	Dec-21	10.8	10.0	1.0	1.0	4.2	4.4	9.7	10.0	37.0	8.3
Raffles Medical	2,128	Buy	1.65	7.6	Dec-21	41.1	37.8	3.2	3.1	1.3	1.6	7.9	8.4	67.2	8.8
SingTel	31,196	Buy	3.37	32.7	Mar-22	19.4	16.0	1.5	1.4	3.6	4.0	7.7	9.1	20.3	21.6
ST Engineering	8,970	Buy	4.85	25.3	Dec-21	21.9	19.5	5.1	4.8	3.9	3.9	23.6	25.2	5.5	12.1
Suntec REIT	3,178	Buy	1.72	14.7	Dec-21	24.2	16.1	0.7	0.7	5.6	5.9	3.1	4.6	na	50.4
Thai Beverage	13,079	Buy	0.94	34.2	Sep-21	17.0	15.6	2.8	2.6	3.1	3.3	17.3	17.2	0.4	8.5
UOB	33,431	Buy	30.20	12.5	Dec-21	11.5	10.5	1.0	1.0	4.5	4.8	9.3	9.6	33.4	9.3
Venture Corp	4,212	Buy	23.00	18.0	Dec-21	16.9	16.3	2.1	2.0	3.8	3.8	12.7	12.6	11.8	3.7
Wilmar	20,457	Buy	5.45	25.1	Dec-21	12.3	12.5	1.0	1.0	2.2	2.3	8.6	8.0	12.2	-1.9

Note: Prices are as at 20 Oct 2021
Source: Bloomberg, RHB

Figure 58: Singapore – alpha picks (small cap)

	M Cap		Target	Upside/	1FY	P/E (x)		P/BV (x)		Yield (%)		ROE (%)		EPS Growth (%)	
Company name	(USDm)	Rating	price	down. (%)	year	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
China Aviation Oil	659	Buy	1.08	5.0	Dec-21	13.4	9.0	0.7	0.7	1.9	1.7	5.5	7.8	-12.3	49.2
Food Empire	325	Buy	1.23	50.9	Dec-21	14.2	10.0	1.3	1.2	1.4	1.9	9.7	12.7	-16.2	42.4
Frencken Group	718	Buy	2.55	12.8	Dec-21	15.0	13.5	2.5	2.2	na	na	17.8	17.4	32.4	10.7
Fu Yu Corp	162	Buy	0.37	27.6	Dec-21	11.4	10.9	1.4	1.3	16.2	5.9	11.7	12.5	13.6	3.8
HRnetGroup	616	Buy	0.93	12.7	Dec-21	13.3	12.5	2.4	2.1	3.7	4.0	18.2	17.9	50.5	6.8
Marco Polo Marine	76	Buy	0.04	41.4	Sep-21	90.0	16.3	1.0	1.0	na	na	1.1	6.0	na	453.3
Prime US REIT	1,009	Buy	1.03	19.1	Dec-21	16.5	13.2	1.0	1.0	7.9	8.3	6.2	7.9	135.1	25.1

Note: Prices are as at 20 Oct 2021
Source: Bloomberg, RHB

STI underperformed in 3Q21 but valuation still compelling

In our 3Q strategy, we mentioned that after generating strong returns for first half of this year, we expected the STI to consolidate before moving higher. This was mainly because of three key reasons:

i. Investors were awaiting greater clarity on the further normalisation of business activities in Singapore;

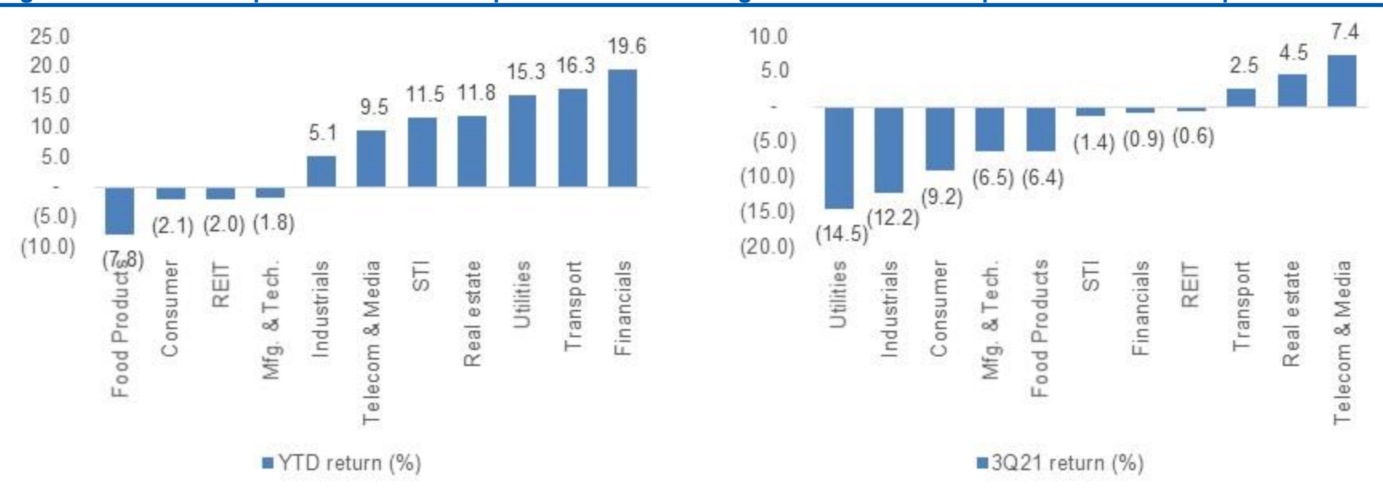
ii. The gradual addition of Sea into the MSCI Singapore Index would have meant that banking stocks, which account for close to 40% of the STI, would see a pause in their strong share price performance witnessed in first half of 2021;

iii. This is more of a technical viewpoint – the last 10 years of data suggests that the STI has struggled to sustain its forward P/E at +1SD above its historical average.

And by mid-May, STI's forward P/E was already at +1SD above its historical average P/E since Jan 2008.

Figure 59: YTD sector performance for components of STI

Figure 60: 3Q21 sector performance for components of STI



Note: As on 20 Oct 2021
Source: Bloomberg

Note: As on 20 Oct 2021
Source: Bloomberg

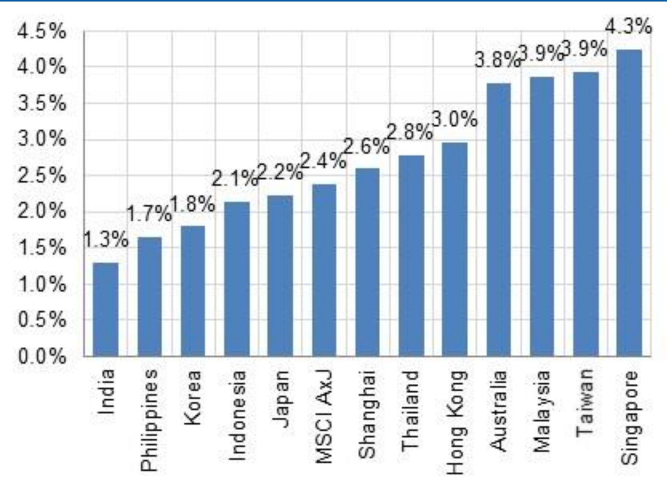
The latest round of restrictions in Singapore amidst the rise in COVID-19 cases, along with the rising global risks, has made investors question the market outlook. However, on the positive front, market valuations have become more compelling now – at 12.8x forward P/E – the STI is now trading below its historical average. It also remains amongst the cheapest equity indices in ASEAN, and is trading at a discount to the rest of Asia. STI's blended forward yield of 4.2% is the highest in Asia.

Figure 61: Valuation comparison for regional indices

	P/E		Dividend yield		P/BV		ROE	
	1FY	2FY	1FY	2FY	1FY	2FY	1FY	2FY
Developed Asia								
Australia	18.2	17.9	3.8	3.8	2.3	2.2	13.2	12.8
Hong Kong	13.1	11.7	2.7	3.0	1.3	1.2	11.2	11.0
Japan	15.0	13.8	2.1	2.2	1.3	1.3	8.7	8.6
Korea	11.0	10.8	1.7	1.8	1.2	1.1	10.1	13.2
Singapore	14.8	12.8	3.8	4.3	1.1	1.1	8.3	9.1
Taiwan	13.3	13.6	3.9	3.9	2.4	2.2	19.0	17.3
Emerging Asia								
India	24.8	21.1	1.2	1.4	3.6	3.2	14.0	15.1
Indonesia	19.0	16.0	1.7	2.1	2.3	2.1	13.2	14.9
Malaysia	16.6	15.1	3.7	3.9	1.6	1.5	9.9	10.3
Philippines	21.0	16.7	1.5	1.7	1.8	1.7	7.1	8.9
Shanghai	13.1	11.5	2.4	2.6	1.6	1.4	10.8	10.7
Thailand	18.9	16.6	2.5	2.8	1.8	1.7	5.0	9.0
MSCI APxJ	**15.8**	**14.6**	**2.5**	**2.6**	**1.9**	**1.8**	**11.6**	**11.5**

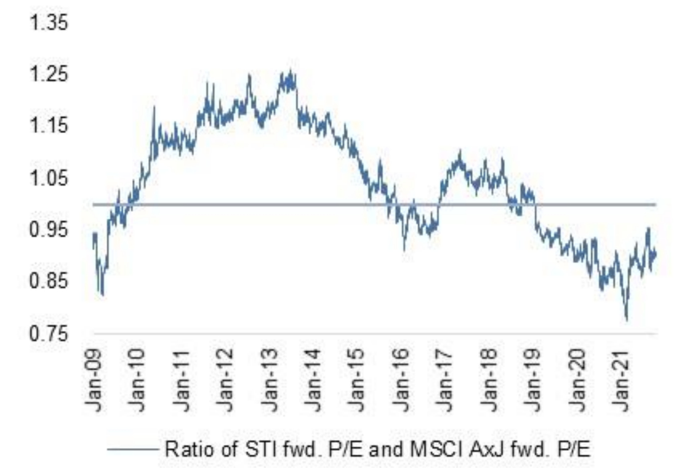
Note: As at 20 Oct 2021
Source: Bloomberg

Figure 62: STI offers the highest yield among Asian equity indices



Note: As on 20 Oct 2021
Source: Bloomberg

Figure 63: STI is trading cheaper than rest of Asia ex-Japan



Note: As on 20 Oct 2021
Source: Bloomberg

Figure 64: STI's forward consensus P/E

Note: As on 20 Oct 2021
Source: Bloomberg

Figure 65: STI's forward consensus P/BV

Note: As on 20 Oct 2021
Source: Bloomberg

Our end-2021 STI Index target of 3,420 pts offers a c.8% upside from 15 Oct's close of 3,174 pts. This is based on a 14.0x forward P/E, which lies between the average forward P/E since Jan 2008 and its +1SD. We expect EPS to grow by c.29% YoY and c.17% YoY in 2021 and 2022 after a c.35% YoY decline in 2020.

We believe our target P/E – above its historical average – seems justified. This is as we approach normalcy for earnings growth over the next two years – and life, in general, in the city state.

While we remain constructive on the STI's outlook, we believe an upward move for the index will be slow as investors await clarity on further normalisation of business activities – not only in Singapore, but also in the region – as well as due to the ongoing addition of Sea into MSCI Singapore Index, which will be completed in Feb 2022. This could possibly encumber Singapore banks' share price performances till early next year.

Thailand: Forging a Path Towards Normalcy

Living with COVID-19

The number of daily new COVID-19 cases in Thailand has stabilised to c.10,000 (with around 100 fatalities), while the number of recovered and discharged patients has picked up. This has lessened the pressure on the public health system (currently with around 3,324 serious cases). As such, Thailand will soon fully relax social distancing restrictions on all activities, from schools (from 1 Nov onwards) to nightlife venues (from 1 Dec onwards).

Thailand will also soon welcome fully vaccinated visitors – without necessitating quarantines – from at least 10 low-risk countries. Meanwhile, about 118m cumulative vaccine doses are expected to be administered by year's end (first dose: 85%, second dose: 74%, third dose: 10%). We believe almost the entire population will have had at least the second dose of COVID-19 vaccines by 2Q22. As such, reopening the economy would entail a trade-off with the risk of a resurgence of new infections – but we believe the situation ahead should be more manageable.

2022 year-end SET target at 1669 pts

We raise SET earnings for 2021F by 38% to THB879bn from THB636bn – which points to a sharp recovery of 118% YoY from THB412bn in 2020. For 2022, we expect earnings growth to tone down slightly to 12% YoY from 33% previously. Our new end-2021 SET target is at 1,669 pts from 1,680 pts – derived by assigning an average P/E of 21.92x (7-year average) vs 39x previously. This spike in our earnings estimate is due to the low base of 2020.

Key investment themes:

i. **Reopening the country's borders.** Our preferred sectors are banks and transportation. Top Picks: Airports of Thailand, Bangkok Expressway & Metro, and Minor International. Our 3Q21F bank sector earnings points to 18% YoY growth (or -24% QoQ) and 24% growth YoY for 9M21. Banking sector Top Picks: Siam Commercial Bank and Kasikornbank;

ii. **Domestic-driven spending.** As we approach the year-end holiday season, domestic travel and consumer spending should continue to be encouraging, supported by the Thai Government's stimulus measures. Top Picks: PTT Oil and Retail Business, Central Pattana, CP ALL, Central Retail Corp (CRC TB, NR), and Home Product Center;

iii. **3Q21 earnings should hit a bottom** for the retail, consumer, construction, and technology sectors. For this theme, we like Advanced Info Service. Electronics, the key export sector, should continue to record solid numbers due to the peak season, strong global demand, and the weakening of the THB. This will be a boon for companies like KCE Electronics (KCE TB, NR). Reconstruction activities after the floods in urban provinces should benefit Siam Global House and Tipco Asphalt (TASCO, NR);

iv. **Favourite picks** related to oil & gas: PTT Exploration & Production, PTT Global Chemical, and Thai Oil.

The move towards normalcy

Timeline. Thailand will gradually return to normalcy from 1 Nov when it opens its doors to fully vaccinated travellers from 10 low-risk countries, including China, the US, UK, Germany, and Singapore. These visitors will not have to undergo a quarantine period. Schools will also reopen for on- and off-site studies, while the consumption of alcoholic beverages in restaurants and operation of entertainment venues will be allowed to resume from 1 Dec onwards.

Preparation & measures to welcome tourists. The Ministry of Public Health has advised the public to follow four measures to create a safer environment once its international borders reopen:

i. Achieve the national vaccination goal;

ii. Maximise self-protection (ie promote universal prevention);

iii. Regularly test with an ATK;

iv. Follow guidelines to ensure a COVID-19-free setting.

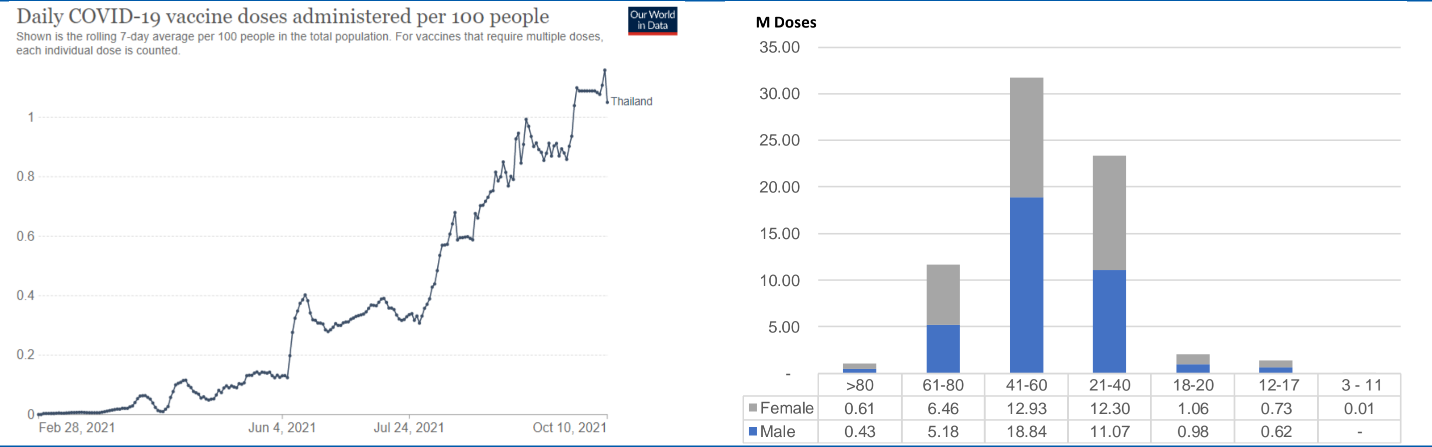
Vaccination rate. The country's daily vaccination numbers tripled in July from around 80,000 doses a day in May – and this went on increasing until Thailand became among the 10-fastest countries in the world for administering shots. Currently, there are over 700,000 jabs given a day – sometimes this number even exceeds 1m jabs a day.

At the time of writing, there have been over 62m accumulated vaccine doses given. Around 36.2m people have received at least one dose (50.3% have received their first dose, 34.0% a second dose, and 2.6% a third booster dose) – so about 52% of Thailand's population has been vaccinated to some degree.

Also, with the new Expatvac scheme, 1.34m doses of vaccines have been given to foreign nationals residing in Thailand (17.7% of total foreign nationals residing in the country) and 65% of them have received their first jabs.

Figure 66: Daily COVID-19 vaccine doses administered per 100 persons (accumulated doses = 62.58m)

Figure 67: Distribution of vaccines administered by gender and age groups (as of 13 Oct 2021)



	>80	61-80	41-60	21-40	18-20	12-17	3 - 11
Female	0.61	6.46	12.93	12.30	1.06	0.73	0.01
Male	0.43	5.18	18.84	11.07	0.98	0.62	-

Source: Our World in Data

Source: Ministry of Public Health

Vaccine procurement secured until 2022. Thailand sources its vaccines from five sources – AstraZeneca being the main supplier of the doses given in 2021-2022. It will roll out more vaccines from Pfizer and six local vaccine manufacturers in 2H22. The Thai Government's policy is to provide adequate COVID-19 vaccines for all Thais and foreigners residing in the kingdom. At least 70% of the population in each province must be vaccinated by year's end, but we think the number may reach as high as 85%.

Vaccine distribution will focus on epidemic areas first, to control the spread of infections. This year, the authorities have already secured 178.5m doses from five vaccine makers, and the National Vaccine Board has approved a policy with the additional target of procuring 150m more doses by 2022.

Mission is possible. By the end of the year, the Thai Government aims to have a vaccination rate of at least 50% for the whole country, more than 70% in each province (77 provinces), and more than 70% in COVID-19-free areas. We believe this mission is possible.

Based on the vaccine procurement timeline for 2021-2022 vs the projected timeframe of administration, we assume the average daily pace of vaccine administration to reach about 700,000 in October-December.

By this year's end, the vaccination rate in Thailand will hit at 85% for the first dose, 74% for the second dose, and 10% of the booster – usually – third dose.

Achieving a c.100% (70m population) vaccination rate for the first dose is expected to happen in 2Q22, (3Q22 for the second dose, ie fully vaccinated). The transition towards normalcy should occur in 2H22 at the earliest, when the population is expected to be fully vaccinated by 2Q22. Bank of Thailand estimates that 200,000 foreign tourists will visit the country this year, then 6m in 2022 – which is a mere 15% of 40m of tourists recorded in 2019.

No more private vaccine subscription. Moderna vaccines are supplied by private hospitals, which have 2m doses. From now on, however, we do not expect the private sector to supply vaccines – so the focus on giving the shots should fall more fully on the shoulders of the Thai Government. We switched our Top Pick for the healthcare sector to Bangkok Dusit Medical Services (BDMS TB, BUY, TP: THB26.50) from Bangkok Chain Hospital (BCH TB, BUY, TP: THB30.50). We are upbeat on BDMS' prospects for the long term.

Figure 68: Vaccine procurement and administration guidelines

Covid-19 Vaccines Procurement in 2021-2022

Unit: million doses	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021	1Q	2Q	3Q	4Q	2022
1) sinovac	0.2	0.8	1.5	4.0	1.5	5.0	6.5	6.0	6.0			31.50					
2) AstraZeneca	0.12				5.4	6.9	5.8	8.3	10.0	13.0	14.0	63.52	15	30	15		60
3) Pfizer BIONTECH							1.5	2.0	8.0	10.0	10.0	31.50	7.5	7.5	17.5	17.5	50
4) Alternative SINOPHARM					1.0	3.0	5.0	10.0	6.0	12.5	12.5	50.00					
5) Private subscription moderna											2.0	2.00					
6) Others & local makers																	40
Total producement	**0.3**	**0.8**	**1.5**	**4.0**	**7.9**	**14.9**	**18.8**	**26.3**	**30.0**	**35.5**	**38.5**	**178.52**	**22.5**	**37.5**	**32.5**	**17.5**	**150**

Projected time frame of vaccines administeration

Vaccines ddministration	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2021	1Q	2Q	3Q	4Q	2022
Accumulated dose	**0.2**	**1.4**	**3.6**	**9.7**	**17.5**	**32**	**50**	**74**	**95**	**118**	**118**	**147**	**172**	**189**	**210**	**210**
1st dose	0.2	1.1	2.5	6.9	13.6	23	32	41	50	60	**60**	67	**70**			
Of total population (70 m)	0.2%	2%	4%	10%	19%	45%	45%	58%	71%	85%	85%	95%	100%			
2nd dose	0.0	0.3	1.1	2.8	3.9	7.8	18	32	42	52	**52**	60	67	**70**		
Of total population (70 m)		0%	2%	4%	6%	19%	25%	45%	60%	74%	74%	85%	95%	100%		
3rd dose						0.59	0.62	2	3	7.0	**7.0**	21	35	49	**70**	**70**
Of total population (70 m)						0.8%	1%	3%	4%	10%	10%	30%	50%	70%	100%	100%
Assumption																
Avg daily vaccine administeration (m doses)		0.04	0.07	0.20	0.25	0.46	0.60	0.79	0.69	0.76	0.32	0.32	0.27	0.19	0.23	0.25

Source: Department of Disease Control (as of 29 Sep 2021), RHB

Is a travel boom imminent?

International tourist arrivals are expected to return to normal levels in 2024. This should impact the recovery of the Thai tourism industry and tourism operators' earnings, and levels should return to normal in the next 2-3 years (2023-2024). We expect high-spending tourists to lead to pent-up tourism spending in 2022.

Key source markets in 1H21 should be the EU, US, and some Asian countries like India, Japan, South Korea, and Singapore. We also believe that China may lift its ban on overseas travel in 2H22.

Our assumptions indicate that international visitor arrivals and receipts could be at 15m and THB859bn in 2022 (2021: 0.5m arrivals and THB35bn in receipts). Of these, 35%, or c.5m visitor arrivals, could be recorded in 1H22, while the remaining 65% or c.10m visitors may

boost tourism spending in 2H22. We anticipate tourist numbers could jump to 25m (+64%) arrivals with THB1.27bn in receipts (+48%) in 2023, or at c.60% of the pre-COVID-19 levels in 2019. This may support major hoteliers and airport operators' full-year performances, and enable them to turn profitable in 2023.

Domestic travel and consumption could be tailwinds. Domestic tourism should play a vital role in keeping the industry afloat in 2022, because international tourist arrivals may only start recovering gradually then. We do expect the Thai Government to implement further stimulus measures or extend the existing campaigns to encourage domestic travel throughout the year by offering incentives like hotel room rate and airfare subsidies. We expect the number of domestic travellers in 2022 to surge by 138% YoY to 143m trips, with total receipts of THB887bn (+177% YoY).

Domestic pent-up demand for outdoor activities may strongly support retailing and restaurant businesses. Recently, the Thai Government reduced curfew hours to 11pm-3am, in line with the planned resumption of entertainment venue operations and alcoholic beverage sales for dine-in consumption by 1 Dec. Longer store operating hours and rising customer traffic may recover same-store sales and rental income. Rental discounts given to tenants may be also decrease going forward.

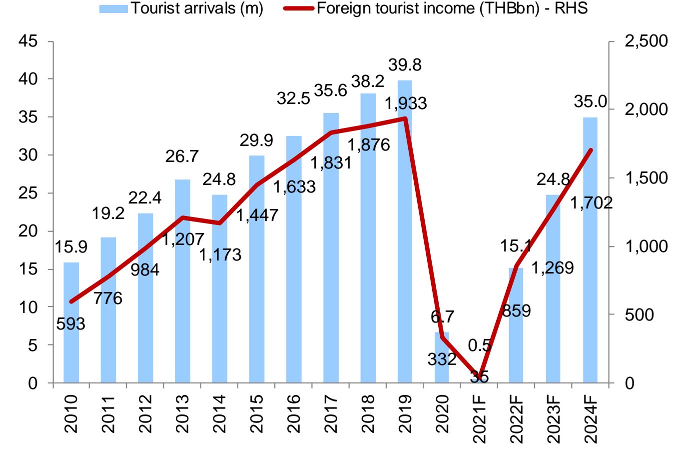
Our recent ground checks. We found that traffic to major locals-oriented retail malls in Greater Bangkok and some major cities intensifying, with store traffics seemingly rising to about 60-70% of normal levels vs 50-60% in 2Q21. Hotspot areas include supermarkets, restaurants, IT stores, and banks. The gradual recovery of international visitor arrivals will further improve traffic, SSSG, and product sales mixes among retail stores (ie staples groceries, malls, department stores, and home improvement outlets) in tourism destinations.

Expect a V-shaped recovery from 4Q21 onwards. The easing lockdown and re-opening of the economy may eventually lead to corporate earnings of hospitality and retail players bottoming out in 3Q21. We expect a V-shaped recovery from 4Q21 onwards.

We prefer Airports Of Thailand (AOT TB, BUY, TP: THB73.50), a first-tier tourism proxy and our Top Pick for the sector, follow by Minor International (MINT TB, TRADING BUY, TP: THB36.50), as its business and diversified locations may benefit from faster overseas vaccine rollouts.

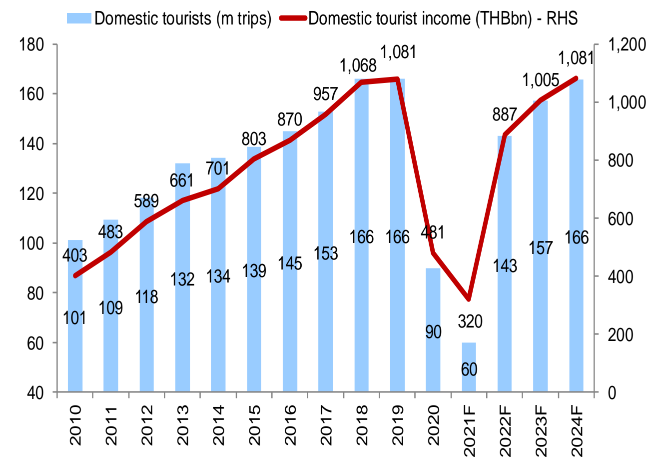
For the consumer sector, we like the retail and home improvement formats. Our first-tier top Picks: i) Central Pattana (CPN TB, BUY, TP: THB60.50) on stronger mall traffic, which may help recover recurring income, with long-term growth prospects from business diversification; and ii) Home Product Center (HMPRO TB, BUY, TP: THB18.00) on resilient 2021 profit growth, which may ramp up further in 2022 on improving consumption.

Figure 69: International tourist arrivals and receipts



Source: Ministry of Tourism and Sports, RHB

Figure 70: Domestic tourist numbers and receipts



Source: Ministry of Tourism and Sports, RHB

Year-end SET target is 1,669pts

We increase our 2021 forecast (Figures 71 and 72) for the SET's earnings by 38% to THB879bn from THB636bn – marking a sharp recovery of 118% YoY from THB412bn in 2020. We also pencil in a lower earnings growth outlook for 2022 to 12% YoY from 33% YoY. Our year-end SET target of 1,669pts marks a decrease from 1,680pts, as we now apply a 21.93x P/E mean (7-year average) for the index from 30x.

Our new earnings estimate is premised on:

i. A deep, low base in 2020 (-53.3% YoY);

ii. There were largely earnings rebounds in 1H21 – and we expect this trend to continue in 2H21 in the large-cap sectors. This would specifically apply to the oil & gas, petrochemical, construction materials, and transportation (turnaround from huge net losses) industries – which altogether account for 54% of the SET's total earnings;

iii. There should be more net profit contributions, from a total of 14 newly listed companies – although these are mainly mid- to large-cap stocks such as PTT Oil and Retail Business and Ngern Tid Lor (TIDLOR TB, NR).

Figure 71: The SET's P/E trend and SD levels

Source: SET Smart, RHB

Figure 72: SET index's year-end target is at 1669 pts

P/E (x)	EPS (THB)		P/BV (x)	BV (THB)	
	2021E	2022E		2021E	2022E
	76.16	84.96		840.58	883.07
growth	110%	12%	growth	0.8%	5.1%
19.94	1,518	1,694	1.83	1,538	1,616
21.92	1,669	1,862	1.94	1,634	1,717
22.47	1,711	1,909	1.97	1,655	1,738
25.45	1,938	2,162	2.00	1,682	1,767
15.00	1,142	1,274	1.80	1,513	1,590
16.00	1,219	1,359	1.85	1,555	1,634
17.00	1,295	1,444	1.90	1,597	1,678
18.00	1,371	1,529	1.95	1,639	1,722
SET Target	**1,669**	**1,862**	**Mean**	**P/E**	**P/BV**
Market return	1.6%	11.6%	3-year	25.45	1.83
Div.Yield	2.3%	2.8%	5-year	22.47	1.94
Total return	3.9%	14.4%	7-year	21.92	1.97
ROE	8.6%	9.0%	10-year	19.94	2.00

Source: SET Smart, RHB

RHB Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months
Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
Neutral: Share price may fall within the range of +/- 10% over the next 12 months
Take Profit: Target price has been attained. Look to accumulate at lower levels
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