8 January 2021

Market Strategy – Regional

Opportunities Abound Amidst An Uneven Recovery

- **Recovery.** RHB economists expect ASEAN economies to witness a rebound in 2021 growth. Domestic consumption plays – a common theme across ASEAN – should lead the recovery. Continuing government support, a normalisation of business activities, improving consumer and business confidence and an enduring low interest rate environment should support an improvement in private consumption across ASEAN in 1H21. The availability of COVID-19 vaccine should cement the recovery in 2H21. Banks, infrastructure, land transport operators and selective F&B and retail names are preferred plays, while the aviation, real estate, tourism and hospitality sectors, will start witnessing earnings recovery toward end-2021.
- **More domestic stimulus.** We have seen various fiscal stimulus packages being implemented in 2020 to cushion the impact of the pandemic on the economy. Under the recent fiscal and lending schemes, the total stimulus packages that were introduced in South-East Asia saw Malaysia's reaching 20.2% of GDP, close to Singapore's 19.9%, followed by Thailand's 14.2% and 5.1% by Indonesia – less than the European countries, but higher than North Asian countries.
- **Portfolio flows – are foreigners coming back?** Foreign portfolio funds have predictably exited ASEAN equity markets in droves in 2020 as the pandemic hit, fleeing back to the relative safety of developed markets. US politics, coupled with the positive vaccine news could spur portfolio shifts back into ASEAN equities with Indonesia, Thailand and Singapore likely taking the lion's share of inflows. Malaysia's relative outperformance in 2020 means it may not be the first port of call for foreign portfolio funds.
- **A mixed work-from-home trend.** COVID-19 has resulted in work-from-home (WFH) practices given the enforced quarantines, lockdowns, social distancing and self-imposed isolation. From our survey, the potential for remote working is suitable for high-skilled, professional services, finance, management, IT and telcos, including education. On the other hand, more than half of the workforce has less opportunity for remote work as these jobs require collaborating with others, specialised machinery, where work needs to be done on site, including making deliveries. In summary, we believe the potential for WFH will vary across countries – a reflection of their sector, occupation, and activity mix. In ASEAN, Malaysia, Indonesia, Singapore and Thailand, we see that industries such as agriculture, retail services, accommodation, construction, and food services cannot be 100% done remotely.
- **Regional Comprehensive Economic Partnership (RCEP) would eliminate up to 90% import tariffs over the next 20 years,** and establish common rules for e-commerce, trade, and intellectual property, which should reduce export costs. Less-developed countries are likely to benefit from investments and the transfer of technology from more-developed countries. RCEP is world largest trading bloc, with members accounting for c.30% of the world's population and c.30% of global GDP.

Company Name	Rating	Target Price	% Upside (Downside)	P/E (x) Dec-21F	P/B (x) Dec-21F	Yield (%) Dec-21F
Advanced Info Service	BUY	THB220.00	25.0	19.4	6.2	3.6
Astra International	BUY	IDR6,900	10.8	13.9	1.5	4.4
Bangkok Chain Hospital	BUY	THB17.50	28.7	24.2	4.5	2.2
Bank Negara Indonesia	BUY	IDR8,400	31.8	11.6	1.0	1.0
Cahya Mata Sarawak	BUY	MYR2.40	11.6	11.6	0.8	3.4
CapitaLand	BUY	SGD3.75	14.3	13.5	0.7	3.7
DBS	BUY	SGD30.00	18.4	11.3	1.0	3.6
Malayan Banking	BUY	MYR10.00	19.8	13.4	1.1	5.6
NTPM	BUY	MYR1.03	42.0	12.8	1.6	4.1
Siam Cement	BUY	THB420.00	11.1	11.3	1.3	3.8
ST Engineering	BUY	SGD4.40	14.9	21.1	5.1	4.0
United Tractors	BUY	IDR35,000	31.3	9.4	1.6	4.4

Source: Company data, RHB

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Key Regional Takeaways

Playing the recovery story

Although uneven, ASEAN to see economic recovery in 2021. The real GDP in ASEAN-5 countries (Indonesia, Malaysia, the Philippines, Singapore and Thailand) should bounce back in 2021 after registering a decline in 2020. Recovery is likely to be lifted by a high public investment and YoY higher private consumption aided by local stimulus. We believe that economic recovery is likely to take place in two speeds. Countries where the COVID-19 spread has been well-contained should recover faster, similar to China. Moreover, recovery should gather pace in 2H21 as COVID-19 vaccines are more broadly deployed.

Figure 1: RHB Real GDP growth forecasts, are on average, below consensus forecasts

RHB real GDP growth forecasts					Bloomberg consensus forecast				
%YoY	2019	2020F	2021F	2022F	%YoY	2019	2020F	2021F	2022F
US	2.2	-3.5	2.5	2.9	US	2.2	-3.6	3.8	3.0
Western Europe	1.3	-7.6	4.7	3.5	Western Europe	1.3	-7.3	4.6	3.5
Japan	0.7	-5.3	1.8	2.2	Japan	0.7	-5.3	2.6	1.8
China	6.1	2.0	7.8	5.5	China	6.1	2.0	8.2	5.5
ASEAN					**ASEAN**				
Malaysia	4.3	-5.5	6.3	5.0	Malaysia	4.3	-5.7	6.8	4.8
Indonesia	5.0	-1.6	5.5	5.3	Indonesia	5.0	-2.0	5.1	5.1
Philippines	6.0	-9.0	7.0	5.0	Philippines	6.0	-9.0	7.5	6.3
Singapore	0.7	-6.0	5.5	2.6	Singapore	0.7	-6.0	5.6	3.5
Thailand	2.4	-6.8	3.4	4.4	Thailand	2.4	-6.6	3.9	4.2
Vietnam	7.0	2.7	6.8	7.0	Vietnam	7.0	2.8	8.0	6.7

Source: Bloomberg, RHB Economics and Market Strategy

Recovery in domestic consumption should be visible first. We note that domestic consumption recovery is a common theme across ASEAN. Continuing government support, in the form of social protection programmes, especially towards early 2021, the gradual return of normalised business activities as well as low interest rate should translate into improvement in private consumption across ASEAN. While consumption during 1H21 would likely remain below potential, a broad-based of COVID-19 vaccine could lift sentiment and normalise consumption patterns in the latter part of the year**.**

Risks to such a scenario would come from i) a renewed surge of the virus and stringent lockdown, and ii) failure to extend fiscal stimulus measures, if still needed, could diminish the slope of recovery – or in the extreme, turn it negative.

Indonesia

Banks. With loan growth expected to increase by around 3-4% this year after a flattish FY20, we believe banks could expand their NIM in FY21. New loan disbursements should improve their loan yields, while the low interest rates should further improve funding costs for some banks. In terms of asset quality, we still see a risk of NPL deterioration, as loan restructuring may be extended past 2021. If banks have sufficient NPL coverage, we may see credit costs normalise somewhat this year. In terms of valuation, the big-4 banks still offer value, as most of them are trading below levels recorded prior to the pandemic. We prefer Bank Negara Indonesia (BBNI IJ, BUY, TP: IDR8,400) for value play and its turnaround story, followed by Bank Mandiri (BMRI IJ, BUY, TP: IDR7,800) and BBCA – due to their solid fundamentals and expected foreign fund inflows. Last but not least, Bank Rakyat Indonesia (BBRI IJ, BUY, TP: IDR4,000) is set to see a recovery in its micro loans segment.

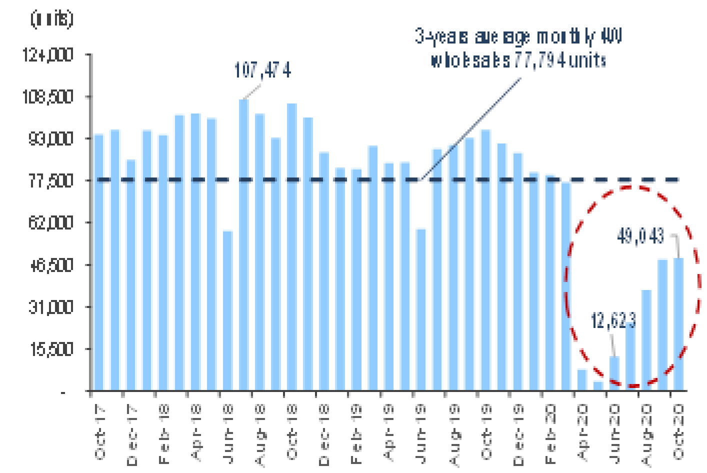
Automotive. Travel precautions during the pandemic should keep 4W vehicle demand buoyed. The relaxation of the large-scale social restrictions (PSBB) should also help boost demand for 4W vehicles. Adopting health and safety measures in the midst of the COVID-19 pandemic would also create new demand for private vehicles – since 62% of Jakarta's COVID-19 patients were found to have used public transportation. We also see positive commitment towards Indonesia's electric vehicle (EV) industry. Toyota Motor Corp plans to invest up to USD2bn (c.IDR28trn) for the next five years in Indonesia, and will prepare 10 types of EVs for Indonesian consumers. In addition, Hyundai Motor Company has started to build its EV factory located in Bekasi, West Java (USD1.5bn investment).

Cement. We see recovery signals stemming from the boost in bulk demand, as infrastructure projects are anticipated to pick up. Upward traction for domestic cement demand is likely start soon after the mass distribution of the COVID-19 vaccine. This should reduce the number of daily new COVID-19 cases – which, in turn, should trigger a relaxation of lockdown measures, boost economic activities, and increase cement demand. Higher cement demand should ease competition. Our channel checks suggest that there is no massive capacity increase in cement manufacturing this year. Our thesis remains for an initial recovery from infrastructure projects' normalisation progress. This will be beneficial for Indocement (INTP IJ, BUY, TP: IDR17,500) in our view, as its home bases in Jakarta-West Java are equipped with more established channels for heavy projects in the surrounding areas.

Construction. Infrastructure projects should pick up this year, as new contracts won have improved since Nov 2020. In the 2021 State Budget draft, the allocation for infrastructure projects has risen to IDR417trn (+48% YoY), partly to boost national economic growth. Meanwhile, the formation of Indonesia's sovereign wealth fund (SWF), Nusantara Investment Authority (NIA) should ease construction SOEs' asset divestments and strengthen their balance sheets. Also, NIA should ease the financing challenges of construction SOEs, especially when it comes to turnkey projects. Lower benchmark interest rates should ease financing costs and boost earnings.

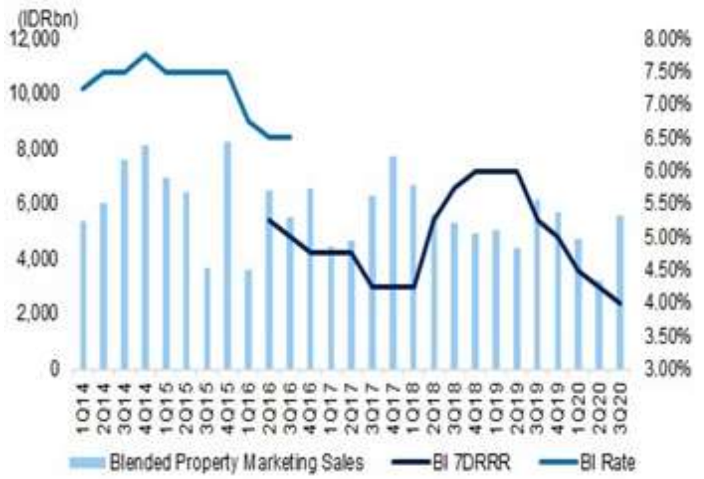
Property & industrial estates: We remain upbeat on potential foreign direct investment (FDI) inflows after the passing of the Omnibus Law. For property, we are optimistic on the recovery in rental rates as discounts for rental have been gradually lowered since the easing of PSBB in Sep 2020, in tandem with the rebound in footfall. Meanwhile, for the residential property sub-sector, marketing sales were decent in 3Q20 with several developers – Summerecon Agung (SMRA IJ, BUY, TP: IDR820) and Bumi Serpong Damai (BSDE IJ, BUY, TP: IDR1,390) – already becoming more aggressive in product launches, with take-up rates better than expected. We believe developers will launch more new products in 2021. Our Top Picks are: Puradelta Lestari (DMAS IJ, BUY, TP: IDR280) for industrial estates, and Pakuwon Jati (PWON IJ, BUY, TP: IDR630) and SMRA for residential property.

Figure 2: 4W vehicle monthly sales in Indonesia



Source: Company data, RHB

Figure 3: Property marketing sales vs BI rate



Source: Company data, RHB

Malaysia

Construction. We observe notable improvements in construction progress billings, as shown by the 98% QoQ growth in 3Q20 for overall sector coverage. Going ahead, we expect the progress achieved in 4Q20 to continue providing healthy billings to the division, which generally forms the largest chunk of income. On that note, we are optimistic to see 4Q20 earnings to further contribute to a stronger 2H, to potentially meet out full year estimates. Large-scale infrastructure projects, namely the Mass Rapid Transit 3 (MRT 3) and the Johor Bahru-Singapore Rapid Transit System (RTS), are officially back in the pipeline, which should set up the sector for more action. The KL-Singapore High Speed Rail (HSR) prospects should remain alive, in our view, on the possibility of it being a purely domestic project. As the Government remains committed to executing it promptly, this should bode well for the long-term recovery cycle among construction companies. Sector Top Picks are Gabungan AQRS (AQRS MK, BUY, TP: MYR1.04) and Kerjaya Prospek (KPG MK, BUY, TP: MYR1.31).

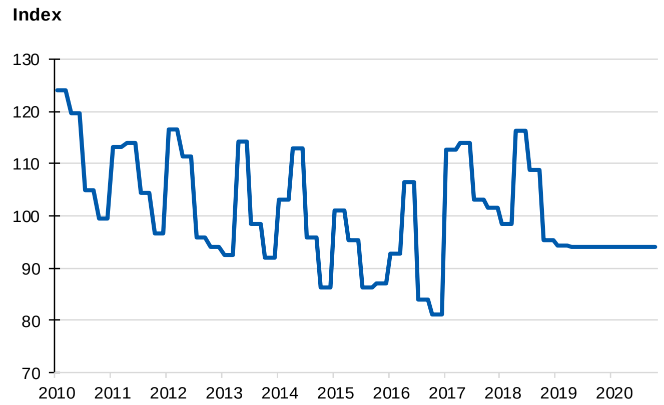
Banks. We expect 2021 to be a recovery year for the banking sector after a tumultuous 2020 – sector's profitability is projected to recover by 27% YoY after dipping 30% in 2020. The earnings uplift is largely driven by better NII (absence and unwinding of modification losses) and YoY lower (but still somewhat elevated) credit cost as most lenders would have brought forward the provisions to 2020. Asset quality and credit cost are still very much the focus; the true asset quality will start to show in mid-2021, upon the expiry of the 3-month extended non-repayment. We do not foresee any cliff effect in asset quality, based on the preliminary results seen in the months following the blanket moratorium and most troubled borrowers will receive various degrees of relief with the Targeted Repayment Assistance (TRA) programme in place. Our preferred picks are Malayan Banking (MAY MK, BUY, TP: MYR10,00), CIMB (CIMB MK, BUY, TP: MYR5.10) Hong Leong Bank (HLBK MK, BUY, TP: MYR21.90) and AMMB (AMM MK, BUY, TP: MYR4.20).

Gaming. The recent rise in COVID-19 cases will drag Genting's (GENT MK, BUY, TP: MYR5.86) and Genting Malaysia's (GENM MK, BUY, TP: MYR2.93) earnings recovery as travellers remain cautious of going to crowded places. Nevertheless, the companies' current lean operating cost structure and robust balance sheet should steer them through this difficult time. Once the COVID-19 cases reduce and when the vaccine is made widely available, earnings recovery trajectory will resume strongly, as evidenced by its 3Q20 numbers. On numbers forecast operators (NFO), ticket sales have improved tremendously since the re-opening and are now at c.85-90% of pre-pandemic levels. Given its inelastic demand, we expect normalisation to happen quickly, and business to resume to pre-pandemic levels by 1Q21. Top Picks are Genting and Magnum (MAG MK, BUY, TP: MYR2.73).

Figure 4: Consumer Sentiments Index

Source: MIER

Figure 5: Business Conditions Index



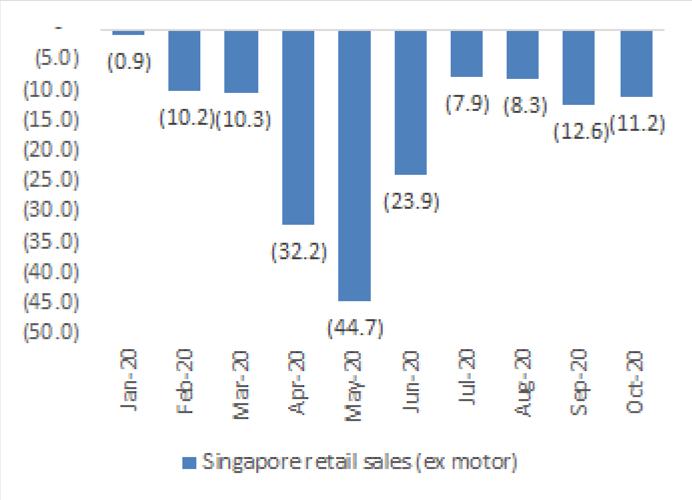
Source: MIER

Singapore

Consumer. Consumer companies with exposure to the reopening of domestic activities – such as those in retail and food & beverage (F&B) services – should see some earnings recovery in 2021F, from the low base in 2020. Local demand would also be supported by an increase in savings arising from travel restrictions, pent-up demand, and consumers becoming more accustomed to distancing themselves from COVID-19 risks. Furthermore, many firms that have restructured their opex to make it more variable – achieved through higher gross turnover (GTO) rentals and lower base rental rates, as well as using more casual labour. These initiatives would mitigate the sharp rise in expenses, when revenue increases. We expect broad-based earnings recovery in the consumer sector. This should be driven by: i) pent-up demand, ii) economic recovery, iii) rising consumer confidence, and iv) improvement in operational and cost efficiencies. Thai Beverage (THBEV SP, BUY, TP: SGD0.82) is our preferred consumer sector pick. We continue to like Sheng Siong (SSG SP, BUY, TP: SGD1.87) and believe that valuation for Dairy Farm (DFI SP, BUY, TP: USD4.47) is undemanding.

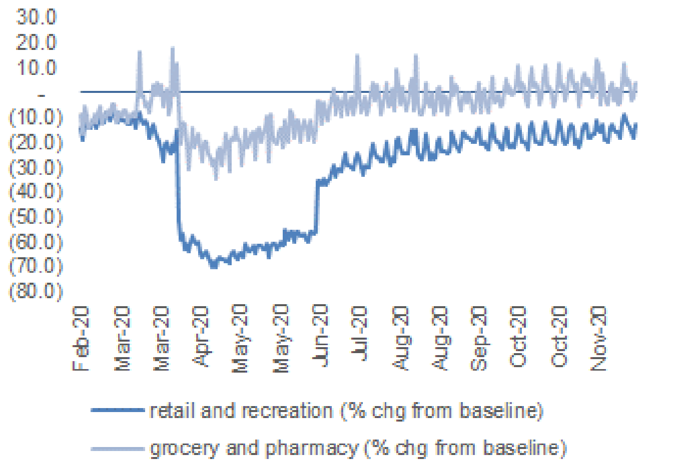
Land transport. With the implementation of Circuit Breaker (CB) measures due to the pandemic, losses for Singapore's rail business should have seen a sharp rise amid lower ridership and higher costs owing to efforts to ensure safe distancing. However, with the gradual removal of CB measures, rail ridership has improved. As Singapore enters Phase 3 of the reopening the economy, ridership should continue to witness MoM improvement over the next few quarters. This should help alleviate revenue stress faced by its rail business. We also expect its bus operating frequencies should gradually revert to pre COVID-19 levels in the coming quarters. The extension of government support to early 2021 should provide the much needed cost support for the public transport business in Singapore. ComfortDelGro (CD SP, BUY, TP: SGD1.90) is our preferred land transport sector pick.

Figure 6: Contraction in retail sales has eased since relaxation of circuit breaker measures



Source: Bloomberg, RHB

Figure 7: Google mobility data suggests that visit to retail establishments are only 13% below pre-COVID-19 level



Source: Google, RHB

Thailand

Banks. i) 2021 earnings are expected to rebound from loans demand following economic recovery and cost management, ii) high set of provision buffers and capital adequacy (BIS) ratio would be considerable to withstand uncertainties, iii) positive sentiment from vaccine progress and allowing to pay dividends with some conditions, iv) among the cheapest valuations since the global financial crisis has made banks attractive for tactical accumulation.

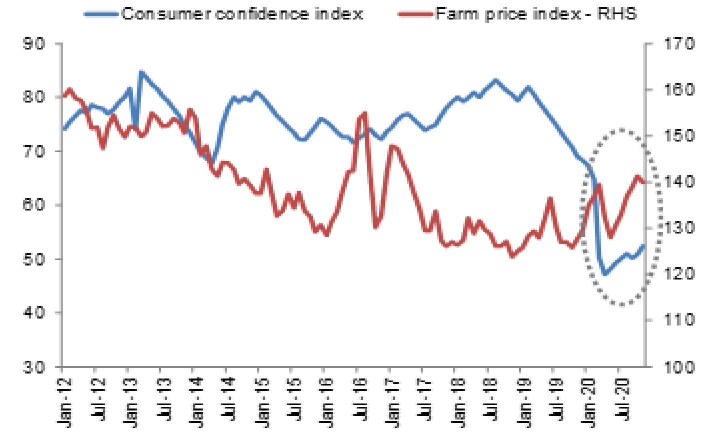
Construction materials. i) expectations of rising private sector demand for new construction activities in FY21 after the renovation market played a critical role in boosting furnishing materials demand in FY20, ii) demand for basic construction materials in Thailand will recover strongly in FY21 from a deep contraction in FY20 due to ongoing public infrastructure development, iii) strong THB/USD bodes well for the cost of imported raw materials, especially for manufacturers focusing on the domestic market.

Consumer. i) gradual rebound in consumption and consumer confidence, with a handful of government stimulus measures, ii) SSSG to turn positive with V-shaped earnings recovery from a low base, on full-year store operations and continued business expansion plans, iii) resilient online and omni-channel sales, and to capture more segments with new products and platforms.

Food & Beverage. i) high potential for M&A, ii) consolidation in the restaurant services industry, driven by big conglomerates as part of their vertical integration to enhance profitability, iii) prolonged margins tailwind from disruptions in the food supply chain due to the African Swine Fever and COVID-19.

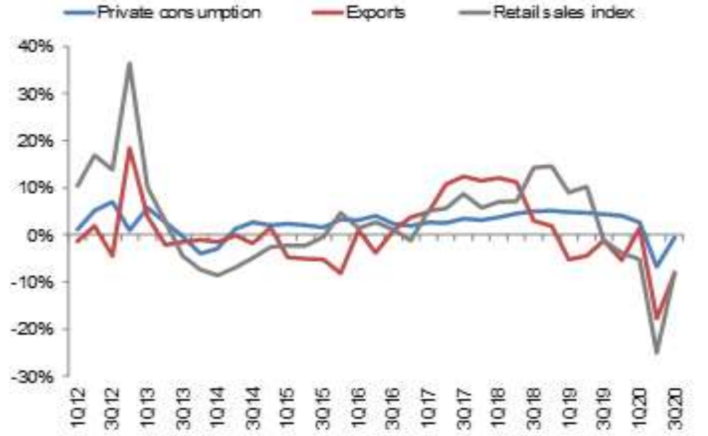
Healthcare. i) recovery play on resumption of medical tourism, ie volume and price intensity, ii) alternative source of revenue from COVID-19-related services post vaccination, iii) the ramping up of utilisation rates of pre-opening projects and resumption of cross-border expansions.

Figure 8: Thailand's Consumer Confidence Index is on a recovery, while the Farm Price Index was resilient



Source: Office of Agricultural Economics, Univ. of the Thai Chamber of Commerce

Figure 9: Thailand's private consumption, exports, retail sales: On a recovery mode with less negative growth magnitudes



Source: Bank of Thailand, Office of the Nat. Economic and Social Dev. Council

Recovery in global cyclicals that are vaccine dependent to take time. We believe that recovery in global cyclicals could take a prolonged period of a year or more as either all countries in the world have to get the virus under control, or an effective treatment or vaccine is developed and widely deployed. A timeline for the creation of a safe, effective vaccine that provides immunity for a significant time and can be rolled out quickly is full of uncertainty. While our house view is that a COVID-19 vaccine will be available in late 2H21, large scale immunisation is expected to take few years. Moreover, a lot can still go wrong, and fears of another economic collapse cannot be ruled out. In our case base, global cyclicals or sectors that are directly vaccine dependent, like aviation and related stocks, tourism related sectors like hospitality and entertainment, will only start witnessing earnings recovery towards the end of 2021.

Figure 10: Regional plays on domestic economic recovery theme

	M Cap		Target	Upside/	1FY	P/E (x)		P/BV (x)		Yield (%)		ROE (%)	
Company name	**(USDm)**	**Rating**	**price**	**down. (%)**	**year**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**
Bank Negara Indonesia	8,573	Buy	8,400.00	31.8	Dec-20	18.1	10.3	0.9	0.8	3.7	1.1	4.9	8.6
Astra International	18,173	Buy	6,900.00	10.8	Dec-20	23.1	14.6	1.5	1.4	4.9	4.6	10.4	11.1
Pakuwon Jati	1,806	Buy	630.00	21.2	Dec-20	13.2	7.2	1.4	1.2	4.2	1.3	8.9	15.3
NTPM	203	Buy	1.03	42.0	Apr-21	14.8	12.3	1.7	1.6	3.3	4.4	12.1	13.7
Malayan Banking	23,434	Buy	10.00	19.8	Dec-20	15.0	12.8	1.1	1.1	4.9	5.9	7.3	8.4
Genting	4,307	Buy	5.86	30.9	Dec-20	na	9.0	0.4	0.4	4.2	5.8	-0.6	4.7
ComfortDelGro	2,745	Buy	1.90	13.8	Dec-20	51.3	15.4	1.3	1.3	1.6	5.2	2.5	8.4
Suntec REIT	3,258	Buy	1.79	17.8	Dec-20	70.7	17.6	0.7	0.7	5.0	6.2	1.0	4.1
Thai Beverage	13,909	Buy	0.82	12.6	Sep-21	14.6	13.5	2.4	2.2	3.6	3.9	17.3	17.2
Home Product Center	6,121	Buy	17.00	22.3	Dec-20	40.3	32.8	8.9	8.3	2.0	2.4	22.6	26.1
CP ALL	17,445	Buy	77.00	32.8	Dec-20	31.0	25.4	6.4	5.6	1.6	2.0	21.9	23.5
Krungthai Bank	5,241	Buy	14.60	30.4	Dec-20	8.3	7.7	0.4	0.4	4.0	4.5	5.0	5.2

Source: Bloomberg, RHB. Note: Prices are as at 4 Jan 2021

Figure 11: Regional plays on economic recovery in cyclical sectors with reliance on external sector

	M Cap		Target	Upside/	1FY	P/E (x)		P/BV (x)		Yield (%)		ROE (%)	
Company name	**(USDm)**	**Rating**	**price**	**down. (%)**	**year**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**	**1FY**	**2FY**
Puradelta Lestari	855	Buy	280.00	13.8	Dec-20	11.5	11.4	1.6	1.6	10.9	9.4	16.1	14.9
United Tractors	7,171	Buy	35000.0	31.3	Dec-20	11.0	7.5	1.4	1.2	4.3	5.6	12.3	17.6
Malaysia Airports Holdings	2,374	Neutral	4.90	-14.5	Dec-20	na	305.9	1.1	1.1	0.0	0.1	-10.0	0.4
Kuala Lumpur Kepong	6,392	Buy	26.65	12.3	Sep-21	25.7	27.0	2.2	2.2	2.4	2.4	8.8	8.1
Sime Darby	3,906	Buy	2.80	21.7	Jun-21	14.9	14.1	1.1	1.0	3.3	3.7	7.3	7.4
CapitaLand	12,923	Buy	3.75	14.3	Dec-20	21.6	14.7	0.6	0.6	2.8	4.2	2.2	5.3
DBS	49,047	Buy	30.00	18.4	Dec-20	12.6	10.6	1.0	1.0	3.1	3.8	8.8	9.5
SingTel	28,620	Buy	3.10	34.2	Mar-21	19.2	17.3	1.4	1.3	4.6	5.0	7.1	7.8
Bangkok Chain Hospital	1,152	Buy	17.50	26.8	Dec-20	28.9	26.2	5.3	4.9	1.7	2.0	19.3	19.4
Siam Cement	15,145	Buy	420.00	11.4	Dec-20	12.2	10.8	1.3	1.2	3.6	4.0	11.0	11.6
Thai Union	2,135	Buy	17.50	27.7	Dec-20	11.5	11.0	1.3	1.2	4.2	4.5	11.3	11.5

Source: Bloomberg, RHB. Note: Prices are as at 4 Jan 2021

Stimulus everywhere

Economic stimulus package. The resurgence of COVID-19 infections seen in most parts of the world is likely to dampen both business and consumer sentiments. This would weigh on the economic recovery during most parts of 1H21 and governments would need to step up their support for the economy. We have seen various fiscal stimulus packages being implemented in 2020 to cushion the impact of pandemic on the economy. Here is a breakdown of the stimulus packages that were introduced by the different countries.

Indonesia: Several administrative and operational issues pose hurdles to faster stimulus spending. Disbursements have been slow due to red tape and verification processes. This, however, has been the primary focus of the Government in the last few months, which saw disbursements increase rapidly, yet hurdles remain. The second issue is on the quantum of the support given. So far, the stimulus only accounts for 5% of GDP, which is inadequate to support a population that is largely reliant on an informal sector.

Malaysia: While support was extensive in beginning of the COVID-19 outbreak, additional support subsequently has been selective. However, the recent expansionary 2021 budget proposal has focused on offering continued support for the low income segment, for businesses and initiating high multiplier projects to boost the economy. Additionally, support from the external sector has been positive with trade-oriented sectors such as gloves, electronics and palm oil doing well.

Singapore: Despite Singapore's extensive fiscal support to boost domestic demand, its recovery to pre-COVID-19 level GDP remains dependent on the global economic performance. The main risk would rest on the uncertain global demand, which would affect outward-oriented sectors such as tourism and aviation. Moreover, retail sales performance, which is still in decline (Sep 2020: -10.8% YoY), is largely dependent on international visitors, plunged by 99.4% YoY in Sep 2020 as a result of movement restrictions between countries.

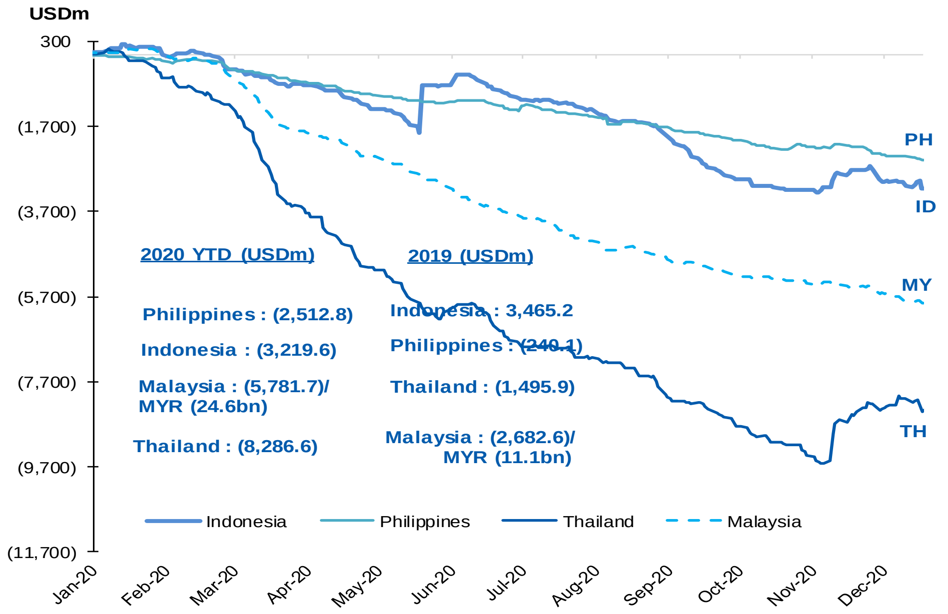
Most employment support measures are expected to taper off by Mar 2021, yet the trajectory for the virus and the possible deployment of a vaccine in 1H21 is still uncertain. Therefore, government efforts in providing reskilling and training opportunities for the unemployed may get outweighed by uncertain business sentiments, both domestically and globally. This would continue to hamper business hiring sentiments, which would contribute more to the already soft labour market. Overall unemployment rates persisted to be high for Sep 2020 at 3.6% despite the reopening of the economy. The Government may need to continue to provide support measures as the country enters 2021.

Thailand: We anticipate that one of the key risks going forward is the slow disbursement of its fiscal stimulus packages, as seen this year. While Thailand has launched a stimulus package worth THB2.4trn or about 14.2% of its GDP, the Government has been slowed in deploying its cash to support the economy. Less than a third of the THB1.9trn stimulus announced for spending has been spent, according to official figures as at Sep 2020. Some of the reasons for the delay was due to the difficulties in identifying the right projects, bureaucratic hurdles for its cash transfer programme as well as the reluctance of lenders to give new loans for small and medium enterprises (SMEs).

We, however, expect that the Government is likely to be more effective in deploying the stimulus packages as the void in the cabinet last year has been filled. Bureaucratic hurdles for its cash transfer programme have been overcome as seen by the improvement in its cash transfer programme to the low-income groups. We also expect to see more loan approvals by lenders for SMEs as encouraged by the central bank as well as the improved sentiment in 2H21.

Foreign portfolio flows: Are foreign funds headed back to ASEAN anytime soon?

Figure 12: ASEAN's 2020 YTD cumulative foreign net equity flows



Source: Bursa Malaysia, RHB

Foreign portfolio funds have predictably exited ASEAN equity markets in droves in 2020 as the pandemic hit. While the pandemic has left few countries and markets untouched, foreign portfolio funds likely retreated back to the perceived relative safety of developed markets. In addition, Malaysia, Thailand, and Indonesia have all seen some escalation of their respective political risks, which is usually a significant red flag for foreign investors.

In Malaysia, the unscheduled change in government in late Feb 2020 was the catalyst for persistent foreign selling that has reached MYR24.6bn for the year. In Thailand, the ongoing political upheaval, coupled with the pandemic dealt the economy a massive body blow considering the significance of the tourism and hospitality sector. Accordingly, YTD portfolio outflows from Thailand have dwarfed that of other ASEAN markets. As the Thai economy is one of the hardest hit from the virus, investors may expect the market to see the strongest recovery post-COVID-19.

Relative to regional peers, Singapore probably offers the most comfort to foreign investors in terms of political and economic policy continuity. Although lacking data on foreign flows, investors are likely to have stayed away from Singapore equities as there are few technology names listed while the cyclical banks, telecommunication and industrials form a large portion of the index which have not been favoured by investors. Outside of the S-REITs, there were limited defensive sectors available to investors.

The sell off by foreigners from Indonesia has been relatively more modest than Thailand and Malaysia. While we have seen some protests against the new omnibus regulations, they were relatively muted, while President Joko Widodo (Jokowi) is still viewed as enjoying a strong political position with a commanding parliamentary majority. However, within the ASEAN markets under our coverage, Indonesia has been hit the hardest by the pandemic given its geographical expanse and porous borders.

With political developments in the US likely bringing in a less abrasive Biden administration, the US-China trade relationship is likely to remain fraught although international relations should be less volatile and hence, a more conducive business environment. The recent better-than-expected vaccine news will also be a boon for emerging markets which have underperformed developed markets this year. This will be a catalyst for gradual portfolio shifts back to emerging markets in 2021, USD trends notwithstanding. We believe foreign portfolio investors remain under invested in ASEAN equity markets.

Given this macroeconomic scenario, we expect the immediate beneficiaries to be markets in Singapore and Indonesia. Singapore will be attractive given the prominence of large cyclical sectors like banks and property. Indonesia will attract foreign funds on its long-term growth potential from significant infrastructure needs, the recent Omnibus Law to help to attract foreign direct investments, its large domestic market and upside potential for the IDR.

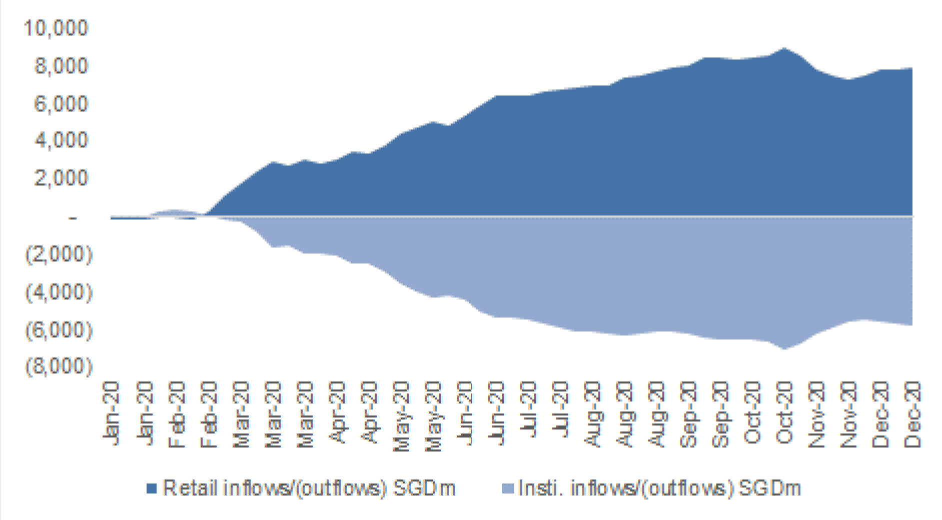
Malaysia's low beta status has meant that Bursa Malaysia has outperformed peers this year on a relative basis. The fragile political situation in Malaysia is unlikely to be resolved in the foreseeable future, short of a fresh general elections. Corporate Malaysia's poor earnings track record in recent years does not inspire confidence. The recent unexpected sovereign rating downgrade by Fitch has stoked concerns of the other rating agencies also following suit, although RHB economist believes this to be an unlikely scenario. Accordingly, Malaysia is not expected to be the first port of call for portfolio funds flowing back into the region.

The recent vaccine news and the shift in investor psychology to pivot towards value sectors, cyclical stocks and recovery plays will benefit ASEAN markets in general. Although the tourism and hospitality sectors are likely to be amongst the last to recover, foreign investor interest in Thailand is expected to be strong given the massive 12m equity sell-off coupled with the country's robust capital account, more room for further fiscal expansion, and the THB is relatively stable in an appreciation manner.

Improving investor participation in Singapore equities

Retail investors have accumulated nearly SGD7.8bn in Singapore-listed stocks in 2020 (Figure 13). While household balance sheets still appear far from stretched, we believe this retail participation could continue into 2021 as well, which could lend support to trading liquidity and valuations. Moreover, any reversal in the net outflows from institutional funds could further support market valuations.

Figure 13: Retail investors have accumulated close to SGD7.8bn worth of Singapore stocks in 2020. Outflows from institutional investors had reversed during Nov 2020



Source: SGX, RHB

Institutional investors could return to Singapore equities

During 2020, relative to regional peers, Singapore probably should have offered the most comfort to foreign investors, in terms of political and economic policy continuity. Although lacking data on foreign flows, investors are likely to have stayed away from Singaporean equities, as there are few technology and healthcare names in the STI Index. Meanwhile, the cyclical banks, telecommunications, and industrial stocks that form a large portion of the index have not been favoured by investors during the early part of 2020. Outside of S-REITs, there were limited defensive sectors available to investors. However, a resolution of the uncertainty around US politics, coupled with positive vaccine news, could spur portfolio shifts back into ASEAN equities, with Singapore likely see some inflows. Singapore should be attractive, given the prominence of large cyclical sectors like banks and property, which we believe could see earnings recovery.

Life after lockdown: The next wave of work from home (WFH)

COVID-19's impact has created a solution on WFH for many workforces of the each industry being enforced by quarantines, lockdowns, social distancing and self-imposed isolation. Based on our latest survey by phone interview in Nov 2020, we see the potential for remote work is highly involved on high-skilled, professional services, finance, management, IT and telecommunication, education, and geographies. On the other hand, more than half of the workforce has less opportunity for remote work as these jobs require collaborating with others, specialised machinery, work needed to be done on site, and making deliveries.

In summary, we consider the potential for WFH varies across countries – a reflection of the sector, occupation, and activity mix. In ASEAN, Malaysia, Indonesia, Singapore and Thailand, we see industries such as agriculture, retail services, accommodation, construction, and food services cannot be 100% done remotely. Also, we see an adaptation of a hybrid model that combines some remote work with working in an office is possible for sectors with high remote work potential such as technology and financial companies.

Indonesia: We believe there will be a potential increase of COVID-19 cases after the year-end holidays. National and Jakarta daily cases have continuously broken the daily positive case record. We believe prolonged social distancing and stay-at-home going on for more than six months have slowly reduced people's fear over COVID-19 contamination. This was seen from the higher mobility index despite daily positive cases higher than ever. Furthermore, several mass-gatherings in the past couple of weeks have worsened the situation, including the year-end holiday season. Nevertheless, most areas have started to open up their respective economies with life going on as the new normal. On our survey to market leaders, a majority of companies – especially those service sectors, such as telecommunication, financing, insurance are still implementing WFH policies that are below the stated regulation. Meanwhile, a majority employees in the plantation, automotive, and consumer staples sectors have mostly gone back to the office/manufacturing plants.

Malaysia: The resurgence of local COVID-19 transmissions have led to localised lockdowns in recent months. While schools have shuttered, inter-district movement restricted and white-collar workers encouraged to WFH, lessons have been learnt from the much more draconian original MCO enforced in Mar 2020 that crippled the economy causing a significant spike in unemployment. Juggling the lives vs livelihoods equation, the ongoing CMCO allows most businesses to operate as normal allowing the core functioning of the economy to continue. The enforced WFH arrangements for a large part of the workforce means a bigger focus on home improvement considering the extended period of time people are at home. Online shopping has surged during this period as has retail interest in the stock market. The demand for courier services is also growing exponentially.

Singapore: Baring those that were deemed essential services, during the CB period, most people were expected to WFH. For most sectors, a limit was placed on the number of employees who could work from office in order to adhere to safe distancing norms. However, with the gradual relaxation of measures and easing of restrictions, more people are being allowed to return to the work place. Based on Apple Maps Mobility Trends Reports and Google's COVID-19 Community Mobility Reports, visits to workplace and public transits (ie buses and trains) have gone up 3x from the lows registered during the CB period. Based on the latest data, visits to workplace is c.20-30% below pre-COVID-19 levels. While WFH remains the default option where possible and telecommuting will become a norm, most businesses are expected to see c.95-100% of the workforce returning to the work place under the new normal once we are have recovered from the COVID-19 pandemic. Nevertheless, the new normal is expected to make some structural changes to the industry, especially in real estate and consumption driven sectors. There is a likelihood of people looking to move into larger houses and purchasing more home improvement and technology products, which will make it relatively easier for people who continue to WFH.

Thailand: With the country in the midst of the second wave of COVID-19, WFH is an immediate action for the workforce in many industries. We anticipate the new normal of remote working to be a hybrid model that combines WFH and working in an office for at least the next six months. We believe there is will a focus on home improvement considering the extended period of time people are at home. Online shopping and credit card spending have surged in tandem with demand for courier services, which is also growing exponentially.

We see a positive impact on the stocks such as Kerry Express (Thailand) (KEX TB, NR), SCG Packaging (SCGP TB, NR), Krungthai Card (KTC TB, NR), Home Product Centre (HMPRO TB, BUY, TP: THB17.00), COM7 (COM7 TB, NR), CP ALL (CPALL TB, BUY, TP: THB77.00), Charoen Pokphand Foods (CPF TB, BUY, TP: THB38.00), and Thai Union Group (TU TB, BUY, TP: THB17.50).

If the full-scale of a lockdown is re-enforced of up to a 1-month duration, we may see negative impact on Tier-1 stocks on the leisure, F&B, and hoteliers sectors such as Central Plaza Hotel (CENTEL TB, SELL, TP: THB18.50), The Erawan Group (ERW TB, SELL, TP: THB2.50), Minor International (MINT TB, TRADING BUY, TP: THB27.00), Asset World Corporation (AWC TB, NR). Department stores and cinemas such as Major Cineplex Group (MAJOR TB, NR), The Platinum Group (PLAT TB, NR), Central Pattana (CPN TB, BUY, TP: THB58.00), Central Retail Corporation (CRC TB, NR). Also lower consumption of energy drinks – Carabao Group (CBG TB, NR) and Osotspa (OSP TB, BUY, TP: THB49.00), and public transportation – BTS Group Holdings (BTS TB, NR), Bangkok Expressway & Metro (BEM TB, BUY, TP: THB11.50), and Airports of Thailand (AOT TB, SELL, TP: THB41.00).

RCEP to boost exports and investments

The RCEP discussion that began in 2012, was finally signed on 15 Nov 2020, and expected to be effective in 2021. It consolidates and builds upon the existing ASEAN + 1 free-trade agreement (FTA) with five regional trading partners (China, Japan, South Korea, Australia, and New Zealand) totaling 15 countries, which aims to reduce trade barriers among the bloc, and should boost economic and trading activities with one another. The signing of the RCEP is expected to benefit local industries as this will lower barriers to entry for goods and services among the FTA members. This is also to increase investments from developed countries to the RCEP region with rules of origin streamlined.

RCEP would eliminate up to 90% import tariffs over the next 20 years, and establish common rules for e-commerce, trade, and intellectual property. The 15 member countries account for about 30% of the world's population (2.2bn people) and 30% of global GDP (USD25.8trn) as of 2020. The unified rules of origin will help facilitate international supply chains and reduce export costs throughout the block. RCEP could add USD209bn annually to world income, and USD500bn to world trade by 2030. Private sector would have 6-12 months to adjust to the pact, which will introduce a range of new issues from trade promotion and investment protection to intellectual property and e-commerce.

Indonesia's former Minister of Trade Agus Suparmanto estimated that the RCEP could increase the nation's exports by 8-11% and investment by 18-22% over the long term. Less-developed countries are likely to benefit from investments and the transfer of technology from more-developed countries. Malaysia sees the pact to boost its dominance on electrical and electronics (E&E) global supply chain and raise its competitiveness in the automotive sector, as stated by economists quoted by *The Edge Market*.

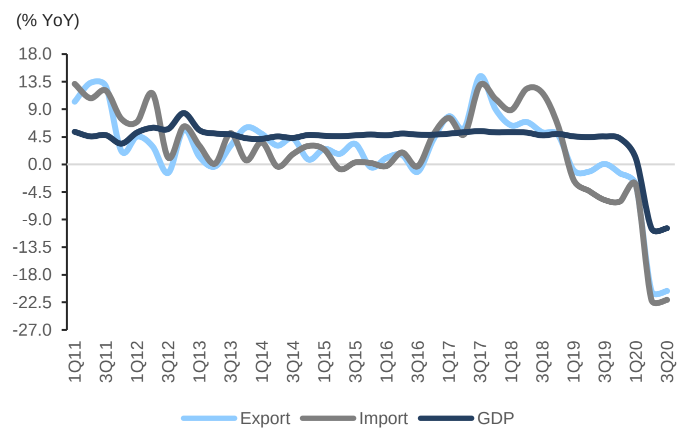
Further, Thailand's Commerce Minister Jurin Laksanawisit said that the RCEP should benefit staple industries in the country as well (11th in the world), in particular its tuna exports that would grow by more than 10% YoY, from an average of 3-5% YoY. Meanwhile, Philippines Star columnist Rey Gamboa believes that the country's services sector has an edge over that of its neighbours. This strength should continue to soften the impact of the Philippines being a net importer of goods and agriculture products.

Figure 14: RCEP is the world's largest trading bloc at present

Source: World Bank, RHB

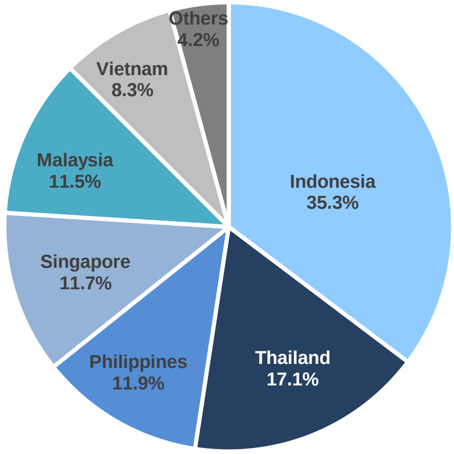
- 2019 GDP of RCEP member countries totalled USD25.8trn. The RCEP is the world largest trading bloc

Figure 15: ASEAN-4's export-import trend vs GDP



Note: Countries include Indonesia, Malaysia, Philippines, Thailand (country weighted)
Source: Bloomberg, RHB

Figure 16: ASEAN's nominal GDP proportion



Note: Others are Myanmar, Cambodia, Laos, Brunei
Source: Bloomberg, RHB

Key Risks

Prolonged COVID-19 pandemic

The uncontained spread of COVID-19 or the persistent prevalence of the virus in human population centres causing extended lockdowns in many countries has been a significant drag on business activity. The absence of a cure and the subsequent implementation of physical distancing guidelines in the new normal has led to a sharp decline in private consumption with major repercussions for corporate earnings and financial markets.

A resurgence of widespread infections before the availability of an effective and proven vaccine would cause further major economic disruption should it be serious enough to trigger further rounds of lockdowns, especially in the colder winter months in the northern hemisphere. This could delay the expected recovery in domestic consumption for most ASEAN countries.

An effective COVID-19 vaccine that is able to be mass-produced in sufficient quantities that comes to the market earlier than expected would be a rerating catalyst. A delay in the availability of a vaccine could stymie global macroeconomic recovery.

A potential US constitutional crisis could lead to elevated volatility

The incumbent US President Donald Trump has been unwilling to accept outcome of the recently concluded election and is pursuing multiple cases through the courts for recounts and alleging fraud. A scenario where the election results are subjected to a long drawn out legal battle in the courts or his refusal to vacate office could trigger an unprecedented constitutional crisis that would be a negative event for markets.

Domestic political and policy risks

Unresolved domestic political issues in Thailand and Malaysia will remain an underlying risk for those markets. In Malaysia, the Perikatan Nasional (PN) Government’s thin parliamentary majority means we cannot rule out a snap election that would be a significant negative for the country given the significant COVID-19 transmission risk and the distraction of such an exercise. In Thailand, street protests have eased while reform proposals are making its way through the House of Representative that will lower political tensions. Nonetheless, we believe political risks will remain an impediment for the market. Political conditions in Indonesia have been more stable after the passing of the controversial Omnibus law, helped by the current Government’s strong position in parliament with six ex-military ministers under President Jokowi's second-term cabinet, one of the highest number in Indonesia's history. The biggest foreseeable risk is an escalation of social unrest.

Oil price volatility

Lower crude oil prices should be a net negative for Malaysia being the only net oil & gas exporter in ASEAN, given the fiscal contributions from petroleum income taxes, royalties, and Petronas’ dividends. Reduced oil revenues should be negative for the country’s current account position and the MYR. A low oil price environment would result in Petronas undertaking a more cautious stance on the development of domestic oil & gas resources with a reduced capex budget that would dampen the local industry.

Higher oil prices, however, will lead to increased domestic fuel prices, which can affect consumption growth and inflation. In an extreme situation, this would also have negative implications for global growth.

Sovereign rating risks

A prolonged period of low oil prices and recent stimulus packages initiated by the Malaysian Government to alleviate the impact of the pandemic would affect its ability to contain the fiscal deficit and limit indebtedness. We cannot rule out the possibility of the other international rating agencies having to re-assess Malaysia's sovereign rating status going forward, should government finances worsen further – on the back of the recent downgrade by Fitch. Most of the rating agencies have recently maintained Thailand at BBB+ with Stable outlook due to a rise in FX reserves that has bolstered external buffers, offering further room to support fiscal and monetary measures. Rating agencies have maintained Indonesia's sovereign rating at BBB with Stable outlook, with the exception of S&P, which downgraded the outlook to Negative. High expectation of strong FDIs in the coming years – thanks to the new Omnibus Law – should provide strong support for the rating to be stable or even improved going forward.

A sovereign ratings downgrade could raise bond yields, lift funding costs, and accelerate the outflow of capital from the debt market, which could pressure the MYR.

Outflow of foreign capital

The increased weightage of China A-shares on international index benchmarks could limit the importance and attractiveness of ASEAN financial markets to international portfolio investors. ASEAN markets could remain vulnerable to further outflows of foreign capital on prevailing domestic risks and changes in the external environment. Reduced foreign demand could lead to higher yields and funding costs for ASEAN Governments.

US-China trade war

A further worsening of the US-China trade relationship could have profound consequences for global trade and growth. Until there is better clarity on global growth outlook, business sentiment could remain bearish, with businesses delaying their investment plans.

Devaluation of the CNY

A deliberate devaluation of the CNY, while unlikely, cannot be ruled out. This would be immediately negative for commodity prices, as well as emerging market (EM) currencies. China's reduced purchasing power could hurt ASEAN exports and trigger a competitive devaluation.

Indonesia Strategy

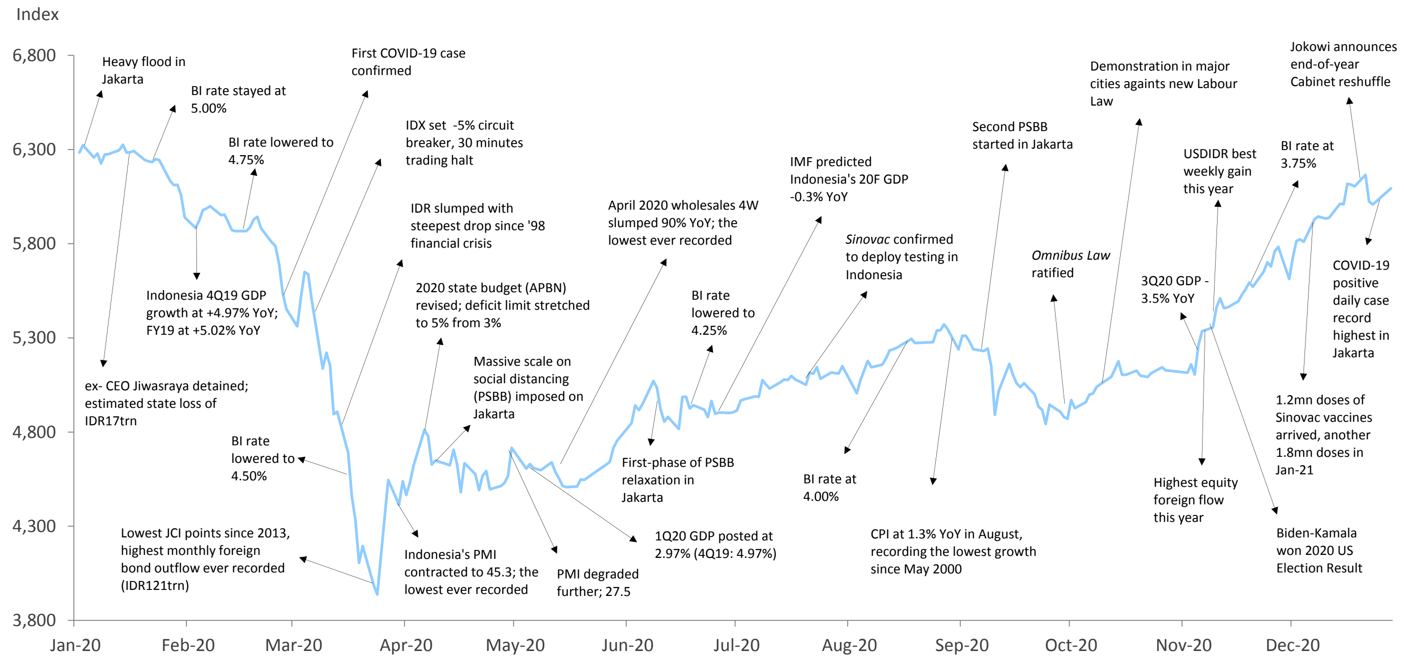
JCI end-2021F target of 7,000 pts

1H21 economic growth will depend on public investments, while private consumption should grow modestly in 2H21 – as the 2021 State Budget has put greater emphasis on more productive areas, like infrastructure projects. Attractive bond yield spreads should support foreign fund inflows. The JCI may undergo a short-term correction, having rallied by 13% since early Nov 2020. Our Top 10 Picks include Bank Negara Indonesia (BBNI), Astra International (ASII), United Tractors (UNTR), and Jasa Marga (JSMR). Telkom Indonesia (TLKM), Bank Central Asia (BBCA), and Merdeka Copper Gold (MDKA) are defensive names.

We remain cautiously optimistic in our outlook for the JCI, and expect an end-2021 target of 7,000 pts (16.4x P/E, at +1SD from its 10-year forward-rolling P/E to FY22F market EPS). This implies an upside of 18%. We prefer sectors like infrastructure & construction, automotive, retail, property, metal mining, and coal. Economic growth in 1H21 is likely to depend on public investments, while private consumption is anticipated to grow modestly in 2H21. The 2021 State Budget has placed more emphasis on productive initiatives like infrastructure projects. Meanwhile, attractive bond yield spreads should support the continued strong foreign fund inflows. However, the JCI may undergo a short-term correction, having rallied by 13% since Nov 2020. Note that our Top 10 Country Picks have rallied by 14% in the same timeframe.

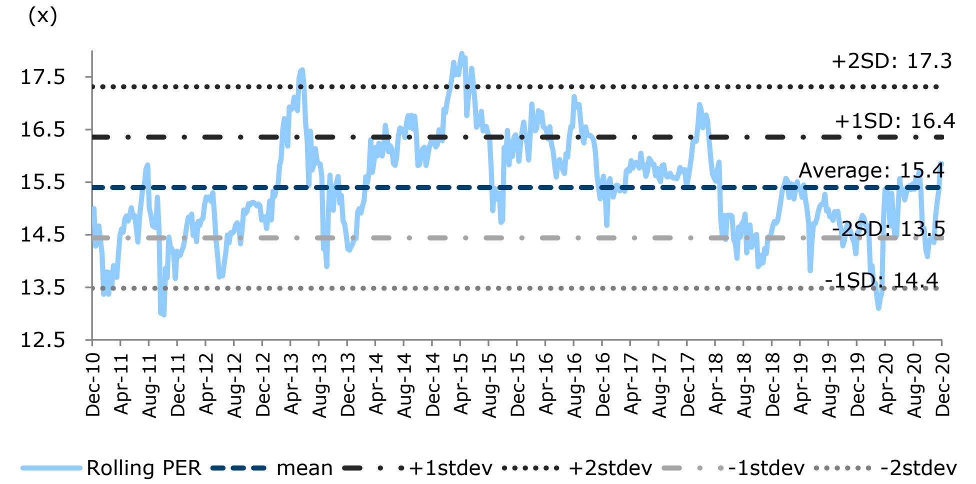
We have refocused our Top 10 Picks towards automotive (ASII), infrastructure (JSMR), metal mining (MDKA) and coal (UNTR, ADRO). We also are maintaining several defensive names (TLKM and BBCA) within the list of Top 10 stocks, in view of a possible short-term correction. We also are maintaining several defensive names (TLKM and BBCA) within the list of Top 10 stocks, in view of a possible short-term correction.

Figure 17: JCI's movement in 2020 (January to December)



Note: Share prices as at 30 Dec 2020
Source: Bloomberg, RHB

Figure 18: JCI's 12-month forward-rolling P/E band (Dec 2010-Dec 2020F)



Source: Company data, RHB

- The JCI is almost trading above its 10-year mean P/E. We expect it to move sideways in the short term, as the surge in new COVID-19 cases (from a number of public holidays in Nov-Dec 2020) may continue. Investors can consider taking profit, after the strong rally (the JCI has appreciated by about 23% since 23 Sep 2020)
- Mass distribution of the COVID-19 vaccine – estimated to kick off in mid- or end-2Q21 – should improve investor sentiment

Figure 19: FY21 earnings estimates I

Sector	Rating			Operating growth (YoY %)		Net profit growth (YoY %)		P/E (x)	
	U/W	N	O/W	RHB	Street	RHB	Street	RHB	Street
Banks			√	12.1	38.5	34.8	45.0	17.5	17.4
Telco			√	17.2	6.9	7.3	4.8	14.9	16.2
Automotive			√	43.6	38.6	15.6	22.5	12.7	12.8
Tobacco	√			13.7	11.4	(1.8)	9.7	14.6	14.6
Staples		√		15.3	16.6	15.6	10.7	22.1	22.6
Retail			√	217.2	180.0	175.2	245.4	18.6	20.6
Media			√	21.2	11.0	29.2	16.5	10.5	11.6
Poultry		√		26.6	41.7	32.0	45.5	23.7	24.3
Mining & Energy			√	27.6	32.6	35.5	34.9	16.5	14.6
Plantation		√		11.8	25.8	15.1	27.1	21.8	23.3
Cement			√	14.4	19.2	25.5	27.3	26.1	26.1
Infra & Construction			√	52.0	72.9	(804.1)	(253.4)	17.9	31.4
Industrial Estate			√	19.2	23.7	15.0	32.4	9.5	13.8
Property			√	9.1	25.2	24.1	60.1	13.2	15.5
Transport & Logistics			√	N/A	N/A	N/A	N/A	N/A	N/A
Healthcare		√		12.6	11.5	12.6	10.8	27.0	29.0
Market				**22.4**	**28.7**	**35.6**	**41.2**	**16.9**	**17.9**

Source: Bloomberg, RHB

Figure 20: FY20 earnings estimates II

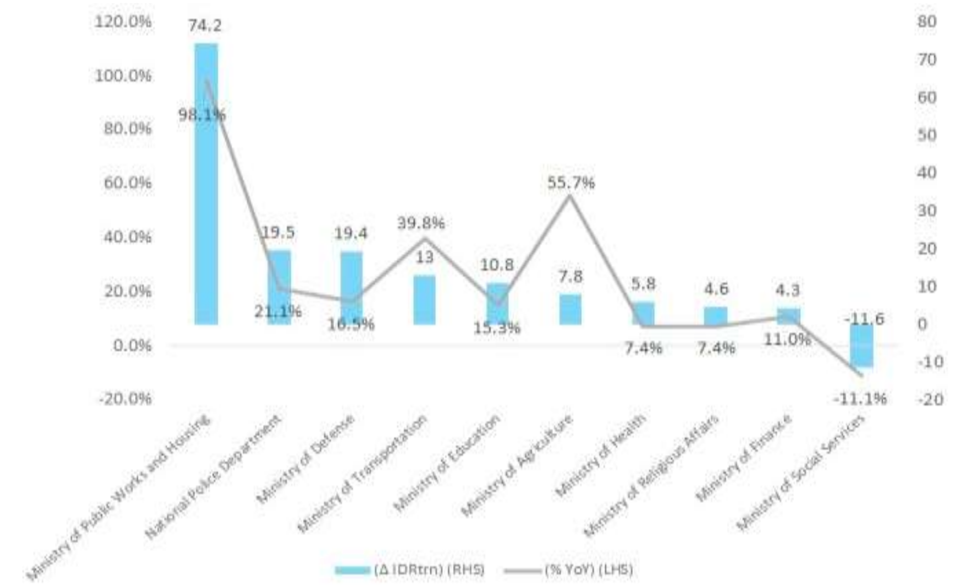
Sector	Operating growth (YoY %)		Net profit growth (YoY %)		P/E (x)	
	RHB	Street	RHB	Street	RHB	Street
Banks	(8.7)	(30.1)	(30.8)	(34.2)	23.6	25.3
Telco	10.9	4.1	22.0	16.7	15.1	17.0
Automotive	(34.4)	(37.8)	(28.1)	(32.3)	14.6	15.7
Tobacco	(18.4)	(22.6)	(14.8)	(23.8)	14.3	16.0
Staples	8.6	9.5	6.0	8.3	25.5	25.0
Retail	(74.5)	(72.3)	(68.0)	(76.7)	51.2	71.1
Media	(1.7)	(9.5)	(6.3)	(6.2)	13.6	13.5
Poultry	(26.1)	(26.5)	(28.0)	(36.5)	31.3	35.3
Mining & Energy	(30.3)	(39.2)	(23.3)	(33.3)	17.9	19.7
Plantation	63.4	44.4	169.2	222.1	25.1	29.6
Cement	(9.8)	(11.0)	(6.2)	(13.4)	32.8	33.3
Infra & Construction	(42.3)	(54.8)	(109.2)	(133.7)	N/A	N/A
Industrial Estate	(20.5)	(36.5)	(19.9)	(50.9)	10.9	18.2
Property	(6.4)	(29.4)	(41.3)	(60.1)	16.4	24.8
Transport & Logistics	(486.1)	N/A	(2,061.5)	N/A	(1.2)	(1.1)
Healthcare	9.2	3.8	9.1	6.6	30.4	32.1
Market	**(15.0)**	**(24.6)**	**(28.3)**	**(33.9)**	**22.9**	**25.3**

Source: Bloomberg, RHB

2021 State Budget: Healthier spending

In the 2021 State Budget draft (RAPBN), the Government has refocused spending back to more productive measures, mostly in infrastructure development. This should bode well for the infrastructure-related sectors (construction and cement), with the focus on state-owned enterprise (SOE) stocks. The Government has a conservative target, with state revenue and expenditure growth at 2.6% YoY and 0.4% YoY in 2021F. It also expects the deficit to improve to 5.7%.

Figure 21: Indonesia's state budget allocations for 2020 vs 2021



Source: Ministry of Finance, RHB

- The allocation for the Ministry of Public Works and Housing will increase by 98% YoY or IDR74trn in 2021F, while the Agriculture Ministry will receive an allocation that is 55% higher YoY, ie the second biggest increase. On the other hand, the Government has reduced the direct subsidy budget by IDR11trn for 2021

In 2021, there are three main pillars that the Government will focus on: Public health, the economy, and reformation. Vaccine distribution is one of the Government's key budget focus areas in 2021 (IDR30trn allocated). In addition, the SME direct cash transfer subsidy is also extended to 2021, while the SME loan subsidy is also extended to 2021 – we believe this could help accelerate loan growth, which is presently at just 1.5% YoY. We believe Bank Rakyat Indonesia (BBRI), Bank Tabungan Negara (BBTN) and regional banks (Bank Jatim (BJTM) and Bank Jabar (BJBR)) that receive a significant amount of government funding will be key beneficiaries. Moreover, Bank Indonesia's (BI) benchmark interest rate cut of 125bps could support NIMs ahead.

Low interest rates should support cyclical sectors

Strong foreign inflows to the bond market should provide a strong support for the IDR, exacerbated by many months of a trade surplus increasing net foreign assets. Meanwhile, BI cut the benchmark interest rate by a further 25bps to 3.75% in Nov 2020. We prefer cyclical and interest rate-sensitive sectors – with picks being BBNI, ASII, Pakuwon Jati (PWON), UNTR, WSKT, JSMR, and Mitra Adiperkasa (MAPI).

Narrowing spread: Indonesian Government Bond (IGB) vs US Treasury (UST) bonds yields

As vaccine shipments have begun, we should see investors becoming more interested in riskier options like emerging market equities, premised on the expectation of a global economic recovery. Relatively stable political conditions (after the passing of the Omnibus Law) and economic growth having reached a trough, has made the Indonesian equities market attractive. The attractive IGB yield spread over UST bond yields (c.530bps) may lead to a more stable IDR, lending more confidence to investors and encouraging further foreign fund inflows – especially since the JCI has been one of the worst regional performers in USD terms.

Figure 22: Regional comparison of government bond yield spreads over UST bond yields

Countries	S&P Rating	10-year yield (%)	YTD change (bps)	Currency change (%)	YoY Inflation (%)	Real return (%)	Spread over UST (%)
Vietnam	BB	2.58	-83.6	0.03	2.47	0.11	1.67
India	BBB-	5.88	-67.8	-4.53	6.90	-1.02	4.97
Indonesia	**BBB**	**6.24**	**-82.1**	**-1.76**	**1.44**	**4.8**	**5.33**
Hungary	BBB	2.11	10.0	-2.61	3.00	-0.89	1.2
Italy	BBB	0.65	-27.1	5.42	-0.23	0.88	-0.26
Portugal	BBB	0.08	-8.7	5.42	-0.07	0.15	-0.83
Mexico	BBB+	6.06	-84.7	-7.21	4.09	1.97	5.16
Philippines	BBB+	2.82	-153.0	4.8	2.47	0.35	1.91
Thailand	BBB+	1.33	-14.0	-0.9	-0.50	1.83	0.43
Malaysia	A-	2.65	-65.7	-0.59	-1.40	4.05	1.75
Japan	A+	0.02	3.8	3.66	0.00	0.02	-0.89
China	A+	3.27	12.8	5.43	0.50	2.77	2.36
Korea	AA	1.54	-13.6	4.09	0.10	1.44	0.64
The US	AA+	0.91	-101.0	-	1.23	-0.32	-
Singapore	AAA	0.94	-78.9	0.00	0.00	0.94	0.03

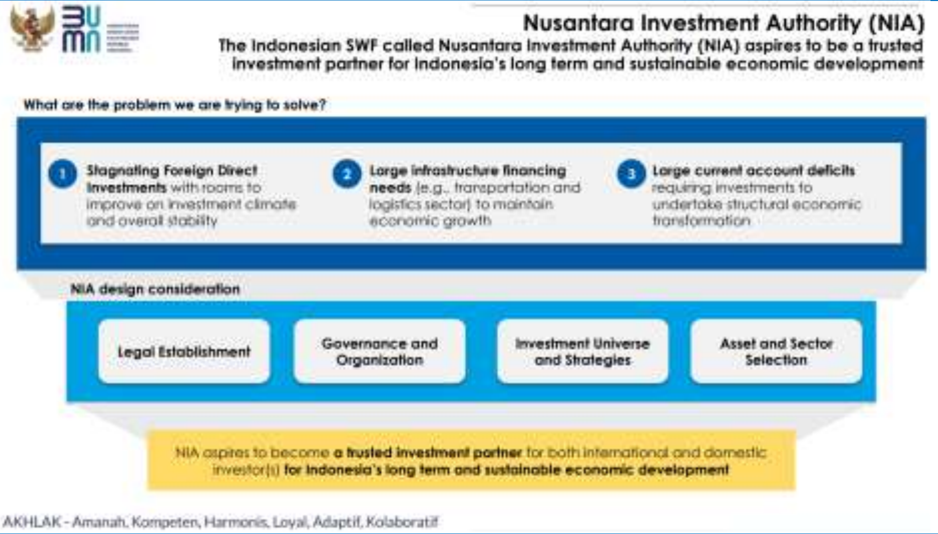
*Note: *Data as of 17 Nov 2020*

Source: Bloomberg, Asian Development Bank, RHB

SWF = faster investment growth

More money being committed to the SWF will catalyse infrastructure projects. About USD5bn has been allocated as initial capital for Indonesia's SWF, which includes the Government's USD1.1bn cash placement. The SWF has secured financial commitments of USD6bn from Japan Bank for International Cooperation (JBIC) and US International Development Finance Corporation (IDFC). Furthermore, Minister of Maritime and Investment stated that a Canadian investor has also pledged USD2bn. The SWF will be established in January, and funds are expected to stream in the month after. WSKT, Pembangunan Perumahan (PTPP) and JSMR are likely key beneficiaries of this fund inflow.

Figure 23: Summary of Nusantara Investment Authority (NIA) objectives



Source: SOE Ministry, RHB

- NIA is expected to attract non-sovereign entities and other strategic investors to inject funds into viable sectors – which should, in turn, boost economic growth

RCEP to boost exports and investments

RCEP will likely increase exports by 8-11%, and lift investments by 18-22%. An estimated tariff rate reduction of up to 90%, in line with RCEP initiatives, should support long-term growth. RCEP, the world's largest trading bloc, will provide opportunities for Indonesia to grow its export markets – especially for goods produced by micro industries and SMEs.

Key beneficiaries are large export-based companies – generally metal mining (Vale Indonesia (INCO IJ, BUY, TP: IDR5,900, 100% exported) and coal companies (Indo Tambangraya Megah (ITMG IJ, NEUTRAL, TP: IDR13,900, 81% exported), Adaro Energy (ADRO IJ, BUY, TP: IDR1,700, 71% exported), as well as Mayora Indah (MYOR IJ, BUY, TP: IDR2,700, c.40% exported).

Our Top 10 Picks

Figure 24: RHB Indonesia's Top 10 Picks

	Name	Ticker	Rating	Price (IDR)	TP (IDR)	Upside/ downside (%)	Market cap (USDbn)	EPS Growth (%)	2021F P/E (x)	P/BV (x)	PEG (x)	Yield (%)	ROE (%)
1	Bank Central Asia	BBCA IJ	Buy	34,175	38,000	11.2	60.6	10.7	27.9	4.1	2.6	1.1	15.3
2	Telkom Indonesia	TLKM IJ	Buy	3,490	4,000	14.6	24.8	15.9	14.4	3.0	0.9	4.5	21.8
3	Astra International	ASII IJ	Buy	6,225	6,900	10.8	18.1	15.3	13.9	1.5	0.9	4.4	11.1
4	Bank Negara Indonesia	BBNI IJ	Buy	6,375	8,400	31.8	8.5	75.8	11.6	1.0	0.2	1.0	8.2
5	United Tractors	UNTR IJ	Buy	26,650	35,000	31.3	7.1	47.4	9.4	1.5	0.2	4.3	15.6
6	Adaro Energy	ADRO IJ	Buy	1,455	1,700	16.8	3.3	32.1	10.5	0.8	0.3	5.3	8.5
7	Bumi Serpong Damai	BSDE IJ	Buy	1,265	1,390	9.9	1.9	32.0	18.3	0.8	0.6	0.0	3.9
8	Media Nusantara Citra	MNCN IJ	Buy	1,160	1,640	41.4	1.3	30.7	6.8	1.2	0.2	2.2	16.6
9	Jasa Marga	JSMR IJ	Buy	4,650	5,250	12.9	2.4	31.9	19.7	1.3	0.6	0.8	8.3
10	Merdeka Cooper Gold	MDKA IJ	Buy	2,590	3,000	15.8	4.1	25.9	33.0	6.0	1.3	0.0	17.1

Source: Company data, RHB

The sub-headers below have embedded clickable links to more detailed reports.

We have included ASII, WSKT, and JSMR, ADRO and MDKA in our Top 10 Country Picks.

Astra International (ASII IJ, BUY, TP IDR6,900). ASII expects automotive demand to continue recovering, premised on the sturdy MoM sales growth since Jun 2020, and the anticipated economic recovery this year. Its vehicle inventory days now number less than 30 – which is healthy. Its financial services arm should also pick up, boosted by higher 2-wheeler (2W) sales – c.70% of national 2W purchases are done via financing. ASII is trading at -1SD from its 10-year forward-rolling P/E mean.

United Tractors (UNTR IJ, BUY, TP: IDR35,000). We are optimistic on FY21F heavy equipment (HE) sales, due to improved coal demand stemming from the increase in mining activity, combined with the Government refocusing on infrastructure projects. These two businesses account for c.52% of total HE sales. Its gold ASP should also improve, as UNTR has decided to reduce its hedged portion (c.20% portion by 2021). These factors led us to increase FY21F-22F net profit by 7% and 4%. Our TP still reflects a reasonable 12x P/E on FY21F EPS, slightly below the mean from its 10-year forward-rolling P/E band. The stock is trading at an attractive 10x FY21F P/E, at -1SD from the mean.

Jasa Marga (JSMR IJ, BUY, TP: IDR5,250). Toll road traffic volume recovered to 90% of normal levels in Oct 2020. JSMR is scheduled to adjust tariff rates for nine toll road sections: Penjaringan-Kebon Jeruk, Ulujami-Pondok Pinang, Taman Mini-Cikunir, Cakung-Rorotan, Kebon Jeruk-Ulujami, Pondok Pinang-Taman Mini, Cikunir-Cakung, Tanjung Priok (Rorotan-Kebun Bawang), and Pondok Aren-Ulujami. In addition, the company plans to apply to have the integrated toll road rates set for the Jakarta-Cikampek and Japek Elevated II stretches. Revenue from above toll road sections should account for 20% of total revenue in 2020.

Adaro Energy (ADRO IJ, BUY, TP: IDR1,700): We see clarity on better coal demand ahead, signalled by a substantial benchmark coal price jump (latest Newcastle: USD63.75 per tonne, +32% since Sep 2020). Newcastle coal full-year average ASPs for FY20F-21F: USD60.00 and USD65.00 per tonne. ADRO's more diversified business should add support for future earnings.

Merdeka Copper Gold (MDKA IJ, BUY, TP: IDR3,000): We have a BUY call on the back of a double restart in 1Q21 in both its gold and copper segments after a slow end to 2020. The company's ASPs should also be supported from expectations of an economic recovery triggered by distributions of stimulus packages worldwide, especially in the US and EU. MDKA's gold prices will also benefit from the hedge against inflation during this distribution of stimulus period, in our view.

For BBCA, TLKM, BBNI, BSDE, and MNCN, these stocks remain in our Top 10 Country Picks.

Bank Central Asia (BBCA IJ, BUY, TP: IDR38,000) – the strongest bank on the ground, considering it has the best CASA franchise and most prudent asset quality. We see loan growth starting to recover by 1Q21, driven by the corporate, commercial, and SME segments. The bank should also benefit from lower CoF and maintain its CoC, as borrowers of restructured loans will start repaying debts by 1Q21. Additionally, this JCI component has the largest market cap – so it should benefit from the inflow of foreign funds up ahead.

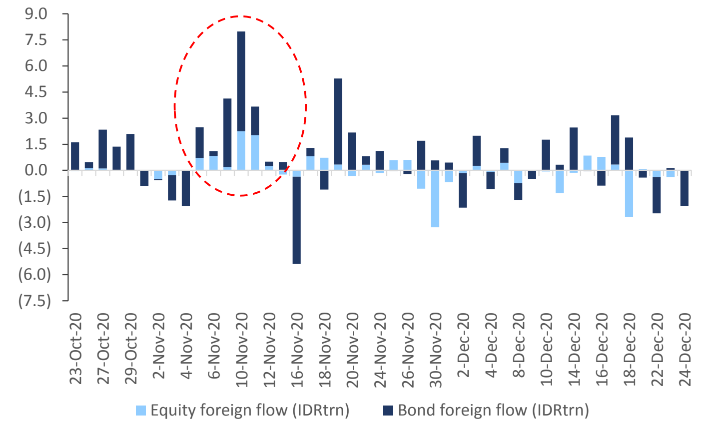
Telkom Indonesia (TLKM IJ, BUY, TP: IDR4,000). Its unexciting 4Q20 performance should provide a good entry point for the stock, if there is any profit-taking in the coming months. Medium- to long-term catalysts include IPO plans for Mitratel and Link Aja unlocking value for the group, large Indihome growth potential (underpenetrated fixed broadband market in Indonesia), Disney Hotstar and Netflix as new content partners to generate more customers, and more aggressive "Unlimited" promotions that should widen its customer base even more, for future monetisation.

Bank Negara Indonesia (BBNI IJ, BUY, TP: IDR8,400) – the cheapest of the Big 4 banks. BBNI is trading at 1x FY21F P/BV, which is much cheaper than its SOE peers. With its new management, we believe kitchen-sinking went underway in 2020, with provisions increased instead of lowering, unlike its peers. We see this as an upside for 2021F, with improved credit quality and more prudent coverage. A turnaround story in loan growth and lower CoF is also expected in 2021F.

Bumi Serpong Damai (BSDE IJ, BUY, TP IDR1,390): We believe BSDE might benefit from the lower interest environment. Additionally, a strong product mix by the company, especially in the landed residential and commercial segments, has been a bulletproof recipe for BSDE in terms of solid FY20 marketing sales despite the pandemic. Expect stronger marketing sales when the economy does recover.

Media Nusantara Citra (MNCN IJ, BUY, TP: IDR1,640). We have a BUY call on MNCN on the back of an earnings growth recovery in 2021, driven by recovering advertising spending from a 15-30% volume drop in FY20, with additional upside from its IDR1-1.5trn deleveraging programme (20-25% lower interest expense or c.5% upside to EPS) and decreased tax rate from tax incentives (c.5% upside to EPS). On top of that, its valuation is currently attractive at 5x FY21F P/E (below -1SD from its 5-year mean) and at a c.60% discount to its closest peer, SCMA.

Figure 25: Bond & equity daily foreign flows (2-month period)

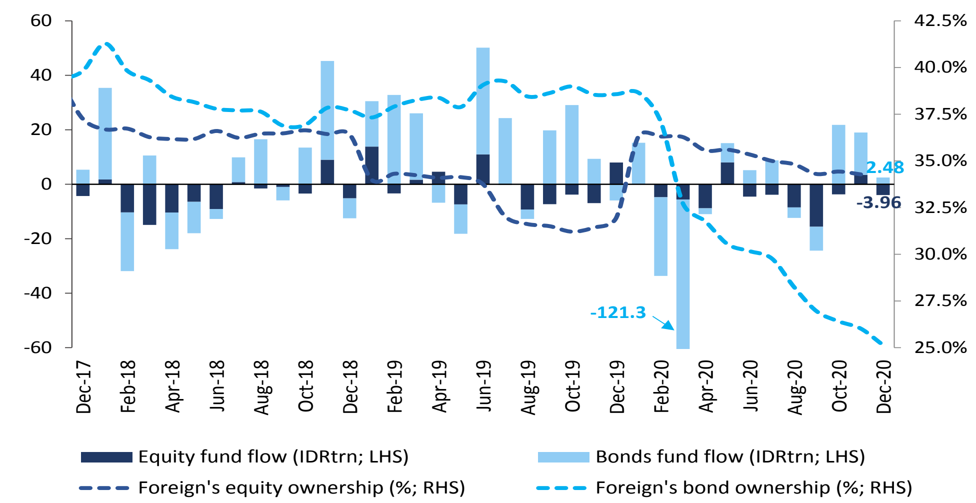


Source: Bloomberg, RHB

Figure 26: USD/IDR movement

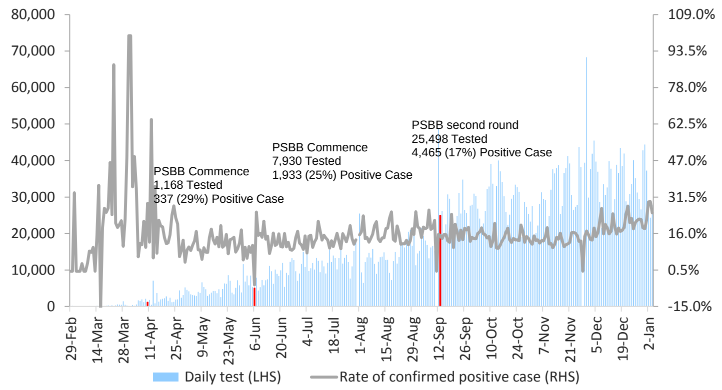
Source: Bloomberg, RHB

Figure 27: JCI's equity and bond foreign flows



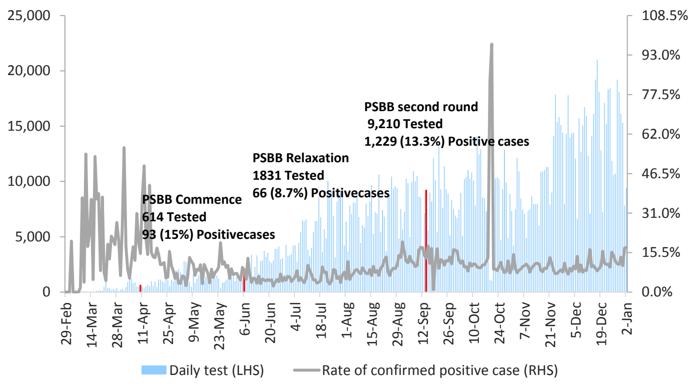
Source: Bloomberg, KSEI, RHB

Figure 28: Indonesia's national COVID-19 daily tests



Source: Satgas Nasional COVID-Nasional, RHB

Figure 29: Jakarta's COVID-19 daily tests



Source: Satgas Nasional COVID-Nasional, RHB

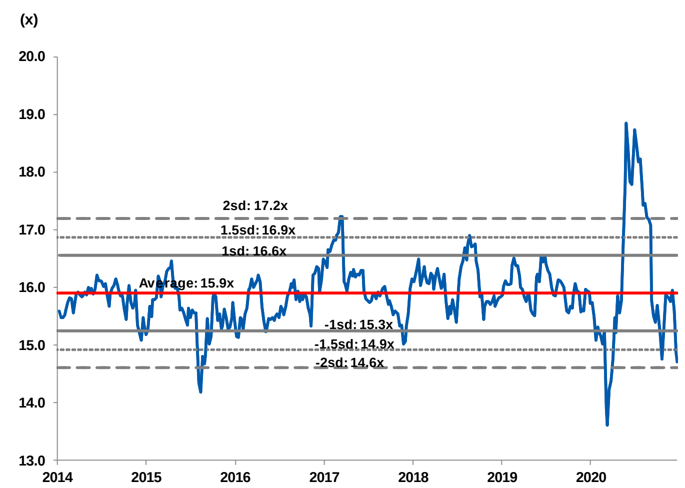
Malaysia Strategy

Crossing the Rubicon…

Market psychology has already started to pivot towards recognising the improving macroeconomic environment, which has been very much in line with our base case expectations. The positive trifecta of good news seen in recent weeks – which includes better-than-expected vaccine news, safe passage of the 2021 Budget, receding near-term political risks, and the incoming Biden Administration in the US – has given investors enough reasons to reassess their previously cautious stance. This stance was focused on short-term positions and defensive options in addition to maintaining high levels of liquidity.

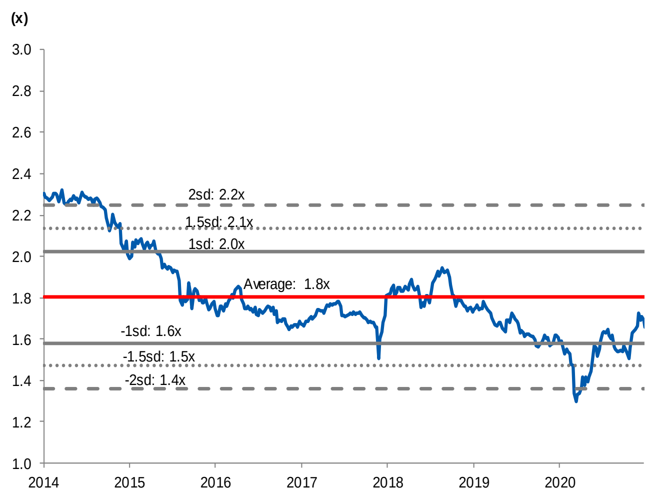
The Sep 2020 quarter results have also encouraged the market to be more confident that the recovery play is well and truly on for corporate earnings to stage sequentially improving profitability going into 2021 and beyond.

Figure 30: FBM KLCI's P/E band



Source: Bloomberg, RHB

Figure 31: FBM KLCI's P/BV band



Source: Bloomberg, RHB

…but not yet out of the woods

Although the markets have been pricing in the prospect of a vaccine-induced recovery and looking ahead toward a post-pandemic world, the likely reality is that the global economy's recovery from the pandemic will be a long slog.

During this transitional period ahead of the widespread availability of vaccines, we will continue to see sporadic resurgences of COVID-19 transmissions that will lead to rolling lockdown measures being imposed from time-to-time. Pandemic-fatigued societies are being stretched to adhere to physical distancing guidelines over the traditional festive periods – this increases transmission risks. Complacency could set in if people relax and let down their guard just because a vaccine is reportedly around the corner. This could bring about a scenario for the situation getting much worse before it gets better.

This situation is especially acute in the US, as large segments of the population have been unreceptive to basic health and safety protocols – eg wearing masks, avoiding crowds, and practicing physical distancing – what with the tentative US transitional leadership change and recalcitrance displayed by the outgoing administration. A surge in COVID-19 cases could worsen unemployment and slow the pace of recovery, as weak demand impacts corporate profitability.

The roll-out of the COVID-19 vaccine – when it becomes available to more than just frontliners – to inoculate the global population, could be the biggest logistical and public relations challenge of our time. Public trust will be a major obstacle to overcome, and the influential anti-vaccine movement or anti-vaxxers could mean a strong pushback from large swathes of the population against being vaccinated. Pfizer/BioNTech's vaccine requires sub-zero storage facilities that could limit the use of their vaccine in the developing world. A multi-dose vaccine regime would also be a significant hurdle – tracking who received which vaccine and when will be a major data undertaking – as would supply chain bottlenecks and potential mutation of the virus that would then require the development of an updated vaccine.

Reports suggest that 70% of the population needs to be inoculated for herd immunity to be achieved. Depending on how quickly this can be done, the economic benefits could take more time to manifest themselves. The latest reports suggest the cumulative vaccine production capacity in 2021 of 11.8bn doses will be sufficient to inoculate 75% of the global population, assuming a 2-dose regime and no inordinate delays in regulatory approvals.

Despite robust liquidity fuelling the prices of risk assets, fundamentals still matter and will come back to rule the roost. Markets are currently anticipating a strong rebound in corporate profitability in 2021 and 2022. While earnings recovery will be helped by a low base effect, investors worry about the historical poor track record of earnings delivery by Corporate Malaysia. In the five years to 2019, we only saw positive earnings growth generated in 2017. The absence of earnings growth will limit the headroom for equities to move higher, in our view.

The state of domestic politics also remains an underlying uncertainty for the market on top of other global geo-political factors.

Dawn of a new growth cycle

With a COVID-19 vaccine now a reality, a post-pandemic vision is now a near-certainty – notwithstanding the timing concerns detailed above. In the last two crises, the key lesson: The market can reward patient investors that remain invested, with equities still the preferred asset class in a high-liquidity, low-yield environment.

While we are unable to rule out more immediate, widespread instances of localised lockdowns going forward, our base case assumption is for the health authorities to continue maintaining appropriate vigilance – containing the transmission of the virus to allow the nascent economic re-start to continue gathering pace. We also expect positive developments on the vaccine front with mass availability beginning after mid-2021.

We remain constructive that 2021 will further cement the green shoots of recovery already emerging in 2H20, on the back of continued supportive monetary conditions, fiscal stimulus initiatives, and vaccine availability that will hasten the return to normality.

Given significant levels of side-lined cash, we reiterate our view that market corrections will likely be shallow as investors seek to reposition at lower levels. Conversely, the propensity for investors to take profit on sharp market rallies will remain elevated.

Figure 32: RHB basket sector weightings & valuations

Sectors	Mkt cap	Weight	EPS Growth (%)			P/E (x)			Recommendation
	MYRbn	%	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F	
Banking	282.4	21.0	(31.7)	25.6	18.0	16.5	13.1	11.1	Overweight
Rubber Products	107.3	8.0	379.9	230.7	(19.0)	17.5	5.3	6.5	Overweight
Gaming	38.6	2.9	(127.6)	370.3	28.2	n.m	12.5	9.8	Overweight
Property-REITs	28.3	2.1	(40.4)	69.8	13.7	22.0	13.0	12.0	Overweight
Construction	39.0	2.9	1.2	336.2	16.5	114.1	26.1	22.4	Overweight
Basic Materials	30.4	2.3	(32.6)	54.9	8.8	21.7	14.0	12.9	Overweight
Automotive	17.3	1.3	1.8	7.4	7.4	14.3	13.3	12.4	Overweight
Oil & Gas	34.3	2.6	(24.8)	19.4	(0.8)	23.1	19.2	19.3	Neutral
Telecommunications	145.9	10.9	(11.7)	35.8	23.6	27.8	20.5	16.6	Neutral
Utilities	134.9	10.0	(7.7)	4.4	7.7	27.6	26.4	24.6	Neutral
Plantation	108.7	8.1	(16.2)	11.7	7.0	16.9	15.1	14.1	Neutral
Consumer	109.1	8.1	61.7	31.5	3.1	37.9	28.9	28.0	Neutral
Transport	111.5	8.3	(18.6)	38.9	12.7	38.2	27.5	24.4	Neutral
Property	33.8	2.5	(104.1)	3,266.3	28.6	(856.4)	27.0	21.0	Neutral
Non-Bank Financials	36.9	2.7	(38.8)	49.0	17.4	19.2	12.9	11.0	Neutral
Technology	26.2	2.0	7.9	44.5	10.5	44.2	30.3	27.3	Neutral
Healthcare	55.0	4.1	(37.7)	56.6	17.9	73.4	46.9	39.7	Neutral
Media	5.0	0.4	(26.6)	(7.9)	15.2	9.6	10.4	9.1	Neutral
RHB BASKET	**1344.7**	**100.0**	**(21.7)**	**62.5**	**7.0**	**24.9**	**15.3**	**14.3**	

Source: RHB

Figure 33: Top BUYs

	FYE	Price (MYR/s) 4-Jan-21	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY21F	EPS (sen) FY22F	EPS Growth (%) FY21F	EPS Growth (%) FY22F	3-Yr EPS CAGR (%) FY19-FY22F	P/E (x) FY21F	P/E (x) FY22F	P/BV (x) FY22F	P/CF (x) FY22F	DY (%) FY22F
Maybank	Dec	8.35	10.00	NO	93,865	62.1	73.9	17.2	18.9	0.2	13.4	11.3	1.1	n.a.	6.6
Top Glove	Aug	5.50	9.50	YES	44,124	131.2	88.7	567.8	(32.4)	170.9	4.2	6.2	3.3	5.7	8.1
Hartalega^	Mar	10.48	23.50	YES	35,921	109.0	102.8	50.5	(5.7)	88.8	9.6	10.2	13.2	9.8	5.9
Hong Leong Bank	Jun	18.38	21.90	NO	39,843	134.1	150.2	10.0	12.0	4.9	13.7	12.2	1.2	n.a.	2.8
Press Metal	Dec	8.41	8.50	YES	33,961	28.7	32.3	162.1	12.6	40.9	29.4	26.1	6.3	14.3	1.6
Genting Malaysia	Dec	2.67	2.93	NO	15,094	17.4	26.3	184.5	50.9	6.1	15.3	10.2	0.9	9.4	6.8
Syarikat Takaful	Dec	4.80	5.60	YES	3,986	41.1	43.5	1.3	5.9	(0.3)	11.7	11.0	2.3	n.a.	4.3
DRB-HICOM	Dec	2.09	2.50	YES	4,040	11.8	13.5	470.7	14.0	(8.1)	17.7	15.5	0.5	2.4	0.5
Axis REIT	Dec	2.10	2.30	YES	3,029	9.3	9.5	6.8	2.2	2.8	22.7	22.2	1.5	8.5	4.5
Magnum	Dec	2.32	2.97	NO	3,334	18.3	18.9	105.6	3.3	3.4	12.7	12.3	1.3	10.0	6.9
SunCon	Dec	1.88	2.09	YES	2,424	11.6	11.6	116.4	(0.2)	8.9	16.2	16.2	3.0	12.0	3.1
Sarawak Oil Palms	Dec	4.00	4.85	YES	2,284	30.3	29.2	(18.0)	(3.6)	16.1	13.2	13.7	0.9	7.2	2.0
Mah Sing	Dec	0.84	1.09	YES	2,039	9.7	14.8	124.2	53.0	19.5	8.7	5.7	0.6	30.3	7.1
CMS	Dec	2.15	2.40	YES	2,286	18.5	20.0	67.6	7.9	14.1	11.6	10.8	0.8	6.4	3.7
Kerjaya Prospek	Dec	1.05	1.31	YES	1,299	11.3	15.3	50.7	35.5	10.6	9.3	6.9	1.0	10.3	4.6
Power Root^	Mar	1.96	2.58	YES	828	11.9	13.3	36.6	12.0	5.8	16.5	14.7	4.0	14.3	7.1
RCE Capital^	Mar	2.72	2.80	NO	972	34.0	35.7	7.9	4.9	3.9	8.0	7.6	1.0	n.a.	4.4

Note: ^FY21F-22F valuations refer to those of FY22F-23F
Source: RHB

Figure 34: Top SELLs

	FYE	Price (MYR/s) 4-Jan-21	TP (MYR/s)	*Shariah* compliant	Market Cap (MYRm)	EPS (sen) FY21F	EPS (sen) FY22F	EPS Growth (%) FY21F	EPS Growth (%) FY22F	3-Yr EPS CAGR (%)	P/E (x) FY21F	P/E (x) FY22F	P/BV (x) FY22F	P/CF (x) FY22F	DY (%) FY22F
Affin Bank	Dec	1.83	1.30	NO	3,806	13.1	17.3	(37.1)	31.8	(11.4)	14.0	10.6	0.4	n.a.	2.2
George Kent^	Jan	0.76	0.58	YES	400	9.5	7.6	41.3	(19.2)	(0.9)	8.0	9.9	0.7	11.8	3.0
Prestariang	Jun	0.98	0.32	YES	768	1.3	1.4	186.8	14.5	(169.2)	77.1	67.3	4.6	90.6	1.0

Note: ^FY21F-22F valuations refer to those of FY22F-23F
Source: RHB

Investment themes

The contributory factors to market uncertainty discussed above and return of short-selling in 2021 will contribute to market volatility, in our view. Nonetheless, we believe the market's pivot to value sectors will continue, especially as growth stocks already command significant valuation premiums.

The surge in market confidence has come almost entirely on positive vaccine news. We are of the view that any hiccups in relation to the roll-out of the vaccine will have an inordinate impact on market expectations.

A balanced portfolio is still appropriate

We continue to recognise the prevailing risks and continued potential for volatility as the markets adjust to shifting expectations. Accordingly, we believe that a balanced portfolio remains appropriate. Such a portfolio will comprise of a trading bucket to capitalise on momentum and situational names, coupled with an increasing focus on cyclical sectors to be adequately positioned for a structural recovery and back-stopped by core holdings in defensive and resilient yield stocks.

However, a rising weightage of the cyclical bucket is warranted, given the increasingly encouraging recovery scenario.

Trading and momentum plays

We expect to see robust retail participation on Bursa Malaysia, given the proliferation of WFH arrangements and continued low interest rate environment. Accordingly, interest in liquid, high-momentum stocks with elevated volatility will remain.

Outperformance will require astute stock picking. Investors need to maintain a high degree of discipline to take profit upon attaining price targets or conversely cut losses when trades do not work out.

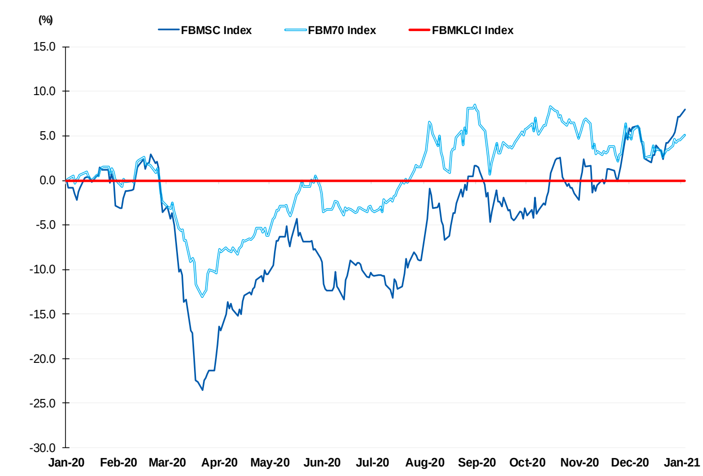
The extended WFH arrangements will likely extend well into 2021 for many sectors. This, and the prevailing low interest rate environment – in our view – will help to sustain retail interest and continue to give the market a trading flavour focused on small-mid caps and momentum stocks.

Small-mid caps strategy: Still in focus

A remarkable comeback. The FBM 70 (+4.4%) and FBMSC (+4%) indices' flattish YTD performance was aided by solid recovery from Mar 2020's trough – mainly led by a strong run-up in the technology, gloves, plastics, and furniture sectors, given the relatively strong growth outlook and profit growth prospects. There are also many companies that benefited by venturing into COVID-19-related sectors, such as masks, personal protection equipment or PPEs, ventilators, and pharmaceuticals.

In addition, robust retail participation has more than offset the foreign net outflows so far. At this rate, it is likely to defy historical trends, and outperform the FBM KLCI. The technology, gloves, plastics, and furniture sectors are among the index movers. Against such a dynamic backdrop of the pandemic and political instability, smaller and leaner companies were able to adapt and capitalise on opportunities – such as the COVID-19 beneficiaries.

Figure 35: Relative performances of the FBMSC and FBM70 indices to the FBM KLCI YTD



Source: Bloomberg, RHB

Figure 36: Relative performances of the FBMSC and FBM70 indices to the FBM KLCI since 19 Mar

Source: Bloomberg, RHB

Robust retail participation. Bursa Malaysia's YTD total traded value was up 117%, with retail participation growing to 37% from 24% last year. Even if retail participation were to tail off in 2021 – with the resumption of short-selling activities and normalisation of interest in gloves and penny counters – we think it will stay elevated. This should be supported by the low interest environment and young age profile of the new pool of retail investors, as evidenced by data on new CDS account openings.

V for volatility. The market is bracing for more volatility due to the absence of clear catalysts in an elevated valuation environment, especially with uncertainties related to COVID-19. This was despite positive vaccine news, as the world economy finds its feet in the new normal.

We note that robust gains by fundamentally weak penny stocks have raised concerns about the sustainability of the rally, not to mention the resumption of short-selling in Jan 2021. There is potential volatility spill-over from a sudden collapse of counters with weak fundamentals.

Elevated valuations a new normal? The FBM70 and FBMSC indices' current forward P/Es of +1.5SD and +2.5SD from their 5-year mean seem elevated, leaving the valuation gap between the big and small-mid caps narrowed to only 2x. This is based on our in-house prospective FY21F P/E for the RHB basket (ex-CI) of 13.8x vs the FBM KLCI's 15.8x.

In fact, similar strong appetites can be seen in other markets, such as South Korea, Hong Kong, Singapore, Indonesia, and Thailand, given the demand for scarce growth stocks. This is evidenced by the higher valuations for the MSCI Small Caps Index vs the benchmark index.

Narrowed valuation gap accentuates the art of stock picking. Cyclical recoveries will be the major theme going into 2021, as the economy is expected to rebound. While cyclical big-caps may be favoured for recovery plays, we believe certain small-mid caps will thrive on above-industry growth, unique exposure, or an intriguing turnaround story – which accentuates the bottom-up stock picking strategy, especially given the multi-year high valuations. A balanced portfolio strategy – to include defensive and resilient yield stocks into the mix – may be warranted, in view of the expected market volatility.

We favour the automotive, consumer discretionary, construction, and technology sectors. Construction is set to rebound amid favourable fiscal spending, and small-cap names could benefit from news flow related to the revival and acceleration of infrastructure projects in 2021.

The expansionary Budget 2021 – coupled with a cyclical recovery following the successful development of a vaccine – means that consumer sentiment is likely to improve, which favours sectors like automotive and consumer discretionary. These industries are the laggards, trading at below-mean valuations, which further sweetens the proposition. In the technology space, although valuations are currently at unprecedented highs, there are pockets of opportunities in various sub-sectors – this is as long-term technological advancements and megatrends should continue to propel growth in the coming years.

Smaller sectors, such as furniture and logistics, are also set to benefit from the ongoing WFH theme. The former has been experiencing robust orders over the past couple of months, and this should continue all the way into 1Q21, at least. With the accommodative exchange rates, this sector is set to continue enjoying the upcycle. The logistics sector, by comparison, has been in the doldrums over the last few years due to constant earnings disappointments. However, interest has returned lately with the revival of secular e-commerce play, elevated freight rates, its position as a vaccine beneficiary, growing demand for third-party logistics or 3PL, and potential favourable measures from the National Postal & Courier Industry and Laboratory (NPCIL).

Figure 37: Small-mid caps – Top Picks

	FYE	Price (MYR) 4-Jan-20	TP	*Shariah* Compliant	Mkt Cap (MYRm)	EPS (sen) FY21F	EPS (sen) FY22F	EPS Growth (%) FY21F	EPS Growth (%) FY22F	3-year EPS CAGR (%)	P/E (x) FY21F	P/E (x) FY22F	P/BV (x) FY22F	P/CF (x) FY22F	DY (%) FY22F	Recom
CMS	Mar	2.15	2.40	YES	2,286	18.5	20.0	67.6	7.9	14.1	11.6	10.8	0.8	6.4	3.7	BUY
DRB-HICOM	Jan	2.09	2.50	YES	4,040	11.8	13.5	470.7	14.0	(8.1)	17.7	15.5	0.5	2.4	0.5	BUY
Gabungan AQRS	Dec	0.66	1.04	YES	323	7.6	13.1	215.2	72.4	16.8	8.6	5.0	0.6	5.7	7.6	BUY
Guan Chong	Dec	2.670	4.15	YES	2,761	24.1	28.0	19.9	16.2	8.7	11.1	9.6	1.8	11.3	2.4	BUY
Kumpulan Powernet	Jun	7.36	6.46	YES	832	27.5	38.0	143.1	38.2	345.5	26.8	19.4	5.0	17.8	1.0	BUY
Magnum	Jan	2.32	2.97	NO	3,334	18.3	18.9	105.6	3.3	3.4	12.7	12.3	1.3	10.0	6.9	BUY
Mynews	Dec	0.62	1.05	NO	423	3.4	5.2	348.9	54.5	9.7	18.4	11.9	1.3	14.3	2.1	BUY
Pos Malaysia	Mar	1.160	1.40	YES	908	8.2	9.6	196.4	16.8	(191.6)	14.1	12.1	0.6	4.6	4.1	BUY
Padini	Jan	2.89	3.25	YES	1,901	21.5	25.6	88.3	18.9	1.7	13.4	11.3	2.0	9.2	4.2	BUY
Ta Ann	May	2.96	4.50	YES	1,304	29.4	30.1	17.2	2.3	19.2	10.1	9.8	0.8	5.1	3.4	BUY
KESM Industries	Jul	11.56	15.4(	YES	497	26.0	66.6	(43086.9)	155.5	60.6	44.4	17.4	1.3	6.7	0.8	NR
Poh Huat	Oct	1.74	2.37'	YES	484	19.6	22.0	16.8	12.2	(2.0)	8.9	7.9	1.0	7.6	3.7	NR

Note: ^FY21F-22F valuations refer to those of FY22F-23F

Source: Company data, RHB, Bloomberg

Game over for gloves?

The glove sector has enjoyed a spectacular run up last year, with the two FBM KLCI component stocks – Top Glove and Hartalega – contributing 135 pts to the index YTD. News of a higher-than-expected vaccine efficacy has triggered a sell-off in the gloves sector. The estimated efficacy rate could also change as more data is analysed.

The time required to scale up production and distribution challenges means the pandemic will likely continue to rage on despite best efforts to flatten the curve, in our view. Perversely, good news on a vaccine could lull the public into a false sense of security, as people conclude that since a solution is at hand, they no longer need to comply with the stringent containment measures.

As the news on the pandemic and vaccine developments continue to ebb and flow, we expect there will be trading opportunities on gloves stocks. We note that Street estimates on glove ASPs remain significantly below that of spot and, the longer this continues, means the coming gloves stocks' results will likely continue beating expectations – this implies a significant P/E de-rating.

Nonetheless, an acute nitrile butadiene raw material supply shortage over the next 12-18 months and gradual availability of the COVID-19 vaccine – which suggests we are unlikely to achieve global herd immunity until well into 2022 or even 2023 – points to ASPs and gloves demand staying higher for longer. With gloves stocks being sold down to -2SD in some instances, the gloves sell-off may be overdone and presents trading opportunities.

Defensive and high-yield names should not be overlooked

Prevailing market risks mean that domestic investors have to remain invested locally and need to retain a core defensive portfolio. We believe defensive names will demonstrate greater price stability and resilience in the face of volatility, and high-dividend yielding stocks will remain on the radar of risk-averse investors or those looking to generate decent returns.

The pivot toward value cyclicals in a recovery scenario suggests a reduced weightage for defensive names in a balanced portfolio. However, the prevailing underlying risks preclude us from going all in on cyclicals, and some defensive exposure should be maintained for tactical reasons.

Figure 38: Defensive stocks

	Rec	Price (MYR/s) 4-Jan-21	TP (MYR/s)	Mkt cap (MYRm)	EPS (sen) 21F	EPS (sen) 22F	EPS growth (%) 21F	EPS growth (%) 22F	3-yr EPS CAGR (%) FY19-FY22F	P/E (x) 21F	P/E (x) 22F	P/BV (x) 22F	P/CF (x) 22F	DY (%) 22F
Freight Management	Buy	0.95	0.92	264	7.9	8.4	82.7	6.2	19.8	12.0	11.3	0.8	7.6	4.2
Telekom Malaysia	Buy	5.42	5.60	20,453	28.6	29.4	(0.6)	2.9	3.1	19.0	18.4	2.3	5.8	2.8
QL Resources	Neutral	5.90	6.05	14,359	12.2	13.6	10.0	11.9	11.4	48.5	43.3	5.7	29.0	1.1
RCE Capital^	Buy	2.72	2.80	972	34.0	35.7	7.9	4.9	3.9	8.0	7.6	1.0	n.a.	4.4
Allianz Malaysia	Buy	14.70	17.70	2,600	137.3	143.8	7.6	4.8	5.7	10.7	10.2	1.1	n.a	4.1
Guan Chong	Buy	2.67	4.15	2,761	24.1	28.0	19.9	16.2	8.7	11.1	9.6	1.8	11.3	2.4
Axis REIT	Buy	2.10	2.30	3,029	9.3	9.5	6.8	2.2	2.8	22.7	22.2	1.5	8.5	4.5
Magnum	Buy	2.32	2.97	3,334	18.3	18.9	105.6	3.3	3.4	12.7	12.3	1.3	10.0	6.9
Power Root^	Buy	1.96	2.58	828	11.9	13.3	36.6	12.0	5.8	16.5	14.7	4.0	14.3	7.1
Tenaga Nasional	Neutral	10.46	11.52	59,671	75.7	82.9	17.7	9.6	(0.6)	13.8	12.6	0.9	3.3	4.6

Note: ^FY21F-22F valuations refer to those of FY22F-23F
Source: RHB

Figure 39: High-dividend yield stocks

	Price (MYR/s) 4-Jan-21	DY (%) FY21F	EPS Growth (%) FY21F	P/E (x) FY21F	P/BV (x) FY21F	ROE (x) FY21F
Top Glove	5.50	13.1	567.8	4.2	4.6	144.6
Rubberex	1.35	10.2	84.2	4.4	2.7	72.6
Kossan	3.94	8.3	82.0	4.8	3.1	72.6
Taliworks Corp	0.82	8.1	0.8	27.6	1.9	6.5
Supermax	5.51	7.7	505.5	4.5	3.8	121.3
MRCB-Quill REIT	0.88	7.6	(5.3)	13.0	0.7	5.5
Magnum	2.32	6.9	105.6	12.7	1.3	10.4
B-Toto^	2.21	6.8	82.8	13.0	3.9	30.5
Power Root	1.96	6.6	36.6	16.5	3.9	23.6
Al-Salam REIT	0.56	6.4	2.2	14.0	0.5	3.3
Hartalega^	10.48	6.3	50.5	9.6	13.8	146.3
Sunway REIT	1.51	6.3	20.4	13.9	1.0	7.4
Matrix Concepts^	1.80	6.1	0.0	6.4	0.8	12.8
Genting Malaysia	2.67	6.0	184.5	15.3	0.9	6.2
MBM Resources	3.42	6.0	10.2	7.5	0.7	9.4
BAT	14.20	6.0	(1.0)	16.6	10.2	61.8

Note: ^FY21F-22F valuations refer to those of FY22F-23F
Source: RHB

Focus on cyclical and value stocks

The third component of our balanced portfolio: Cyclical sectors and stocks that enable investors to position for the expected macroeconomic recovery. Cyclical stocks are those best positioned to leverage on the improving macroeconomic environment.

The laser focus on growth, during the earlier part of the year – when many economies were in lockdown, and stocks that still offered growth potential were few and far between – led to premium valuations being accorded to these sectors. Of these, the glove and technology industries were particularly prominent.

The positive vaccine news, and shift in investor psychology towards value sectors, cyclical stocks, and recovery plays, will bring added emphasis on banking, oil & gas, construction, plantation, gaming, consumer, technology, and basic materials, in our view.

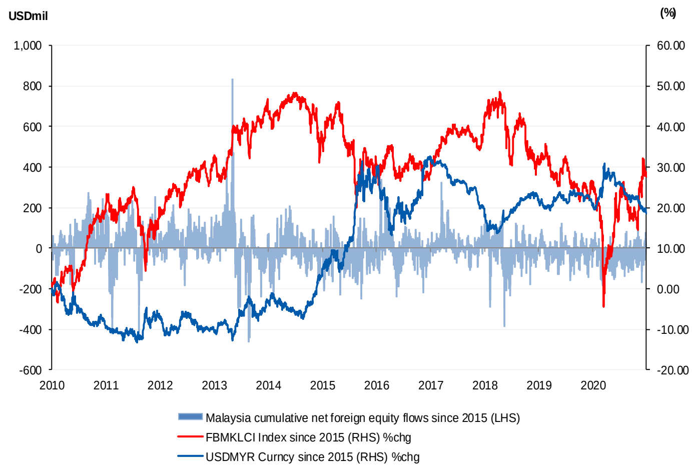
Figure 40: Longer-term cyclical stocks

	Rec	Price (MYR) 4 Jan 21	TP (MYR)	Mkt cap (MYRm)	EPS (sen) 21F	EPS (sen) 22F	EPS growth (%) 21F	EPS growth (%) 22F	3-yr EPS CAGR (%) FY19-FY22F	P/E (x) 21F	P/E (x) 22F	P/BV (x) 22F	P/CF (x) 22F	DY (%) 22F
Press Metal	Buy	8.41	8.50	33,961	28.7	32.3	162.1	12.6	40.9	29.4	26.1	6.3	14.3	1.6
Cahya Mata Sarawak	Buy	2.15	2.40	2,286	18.5	20.0	67.6	7.9	14.1	11.6	10.8	0.8	6.4	3.7
Malayan Cement	Buy	2.43	3.75	2,065	10.4	20.2	133.7	95.4	(182.2)	23.5	12.0	0.8	12.0	0.0
Inari Amertron	Buy	2.72	2.87	8,978	7.7	9.0	75.4	16.5	15.4	35.1	30.2	6.1	24.2	2.3
Sime Darby Property	Buy	0.67	0.88	4,523	3.3	3.6	157.9	7.4	(11.8)	20.0	18.7	0.5	(83.7)	3.0
Maybank	Buy	8.35	10.00	93,865	62.1	73.9	17.2	18.9	0.2	13.4	11.3	1.1	n.a.	6.6
AMMB	Buy	3.49	4.20	10,503	44.9	48.6	49.3	8.3	2.9	7.8	7.2	0.5	n.a.	5.3
Syarikat Takaful (STMB)^	Buy	4.80	5.60	3,986	41.1	43.5	1.3	5.9	(0.3)	11.7	11.0	2.3	n.a.	4.3
Media Prima	Buy	0.29	0.31	322	0.3	2.3	117.4	737.1	(22.2)	+>100	12.6	0.5	2.8	0.0
DRB-Hicom	Buy	2.09	2.50	4,040	11.8	13.5	470.7	14.0	(8.1)	17.7	15.5	0.5	2.4	0.5
KLK	Buy	23.74	26.65	25,603	90.0	86.0	40.6	(4.4)	12.1	26.4	27.6	2.2	19.8	2.3
Sarawak Oil Palms (SOP)	Buy	4.00	4.85	2,284	30.3	29.2	(18.0)	(3.6)	16.1	13.2	13.7	0.9	7.2	2.0
Sunway Construction	Buy	1.88	2.09	2,424	11.6	11.6	116.4	(0.2)	8.9	16.2	16.2	3.0	12.0	3.1
Genting Bhd	Buy	4.48	5.86	17,251	42.2	51.0	920.5	21.0	(5.8)	10.6	8.8	0.5	2.3	4.9
Genting Malaysia	Buy	2.67	2.93	15,094	17.4	26.3	184.5	50.9	6.1	15.3	10.2	0.9	9.4	6.8
Padini	Buy	2.89	3.25	1,901	21.5	25.6	88.3	18.9	1.7	13.4	11.3	2.0	9.2	4.2
Mynews Holdings	Buy	0.62	1.05	423	3.4	5.2	348.9	54.5	9.7	18.4	11.9	1.3	14.3	2.1
Heineken Malaysia	Buy	23.16	24.50	6,997	106.0	117.5	79.7	10.9	4.3	21.8	19.7	14.3	18.0	5.0

Note: ^FY21-22 valuations refer to those of FY22-23
Source: RHB

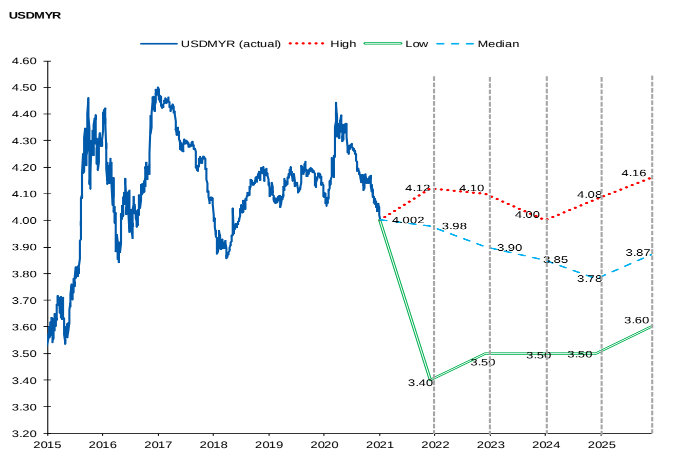
What does a stronger USD mean for equities?

Figure 41: The correlation between the FBM KLCI, foreign flows, and USD/MYR



Source: Bloomberg

Figure 42: USD/MYR consensus



Source: Bloomberg, RHB

Our currency strategist is now adopting a contrarian FX view, and expects the USD to remain more robust than consensus estimates. A stronger USD trend tends to benefit exporters that typically transact in the currency, and should report higher MYR profitability after converting to the local currency. We note that exporters typically have cost pass-through arrangements, so translation gains should be temporary. Sectors in this category include rubber products, technology, timber, and basic materials.

Conversely, the importers – such as consumer discretionary companies – stand to lose, as would companies with borrowings denominated in the USD. Importers, such as companies in the automotive and media sectors, are the obvious losers from a stronger USD. Consumer REITs should be indirectly negatively impacted – via consumers' lower disposable incomes.

Figure 43: Impact of a stronger USD

Sector	Impact	Comment
Auto	Negative	The weaker MYR should increase auto distributors' COGS and compress margins. Most imported vehicles or CKD kits are USD- or JPY-denominated. UMW and Tan Chong will be the most affected by a stronger USD. A weaker MYR against the JPY will affect MBM Resources, UMW, and – to some extent – Bermaz Auto.
Aviation	Positive	Positive for Malaysia Airports, as it will result in higher translation income from its Turkish operations. A strong USD should also boost the number of tourist arrivals to Malaysia.
Banks	Neutral	Malaysian banks' income is predominantly domestic-based, supplemented by contributions from regional operations. Hence, changes in MYR/USD have no direct impact on earnings. A stronger MYR would be positive for the FX business, in terms of both volumes and spreads. For banks with a net USD asset position, a stronger MYR could lead to unrealised translation losses, but this would depend on the size of the foreign currency position and extent to which the banks have hedged their positions.
Basic materials	Mixed	Positive for Press Metal due to its USD-denominated revenue base, but negative for Malayan Cement and Cahya Mata Sarawak, which have a large proportion of their production cost base in USD terms.
Construction	Slightly negative	Mildly negative for construction companies, as it translates to higher capex for imported equipment and machinery. It is, however, likely that any cost increase would be passed on and embedded in higher contract values. A stronger USD could also translate into higher building material costs for imported products.
Consumer	Mixed	The stronger USD would be negative for importers, including multi-level marketing companies like Amway and Hai-O, as their purchases are USD-denominated. It is also indirectly negative for retailers like Padini and Aeon Co M, as some of their purchases are indirectly imported. However, food manufacturers that export most of their products – including Kawan Food, Oriental Food Industries, and Power Root – will benefit from the stronger USD, which translates into higher receipts. However, the impact could be partially mitigated by higher imported raw material costs.
Gaming	Positive	Genting's overseas operations (the UK, US, Egypt, and Bahamas) should benefit from a stronger USD, as this would translate into slightly stronger earnings. We note that historically, c.25% of revenue comes from its overseas operations. As for number forecast operators, there should be no major impact on earnings.
Logistics	Neutral	No direct material impact for logistics stocks under our coverage.
Non-bank financials	Neutral	No direct material impact for NBFI stocks under our coverage.
Oil & gas	Positive	In terms of revenue and costs, we generally see positive impact on downstream and FPSO players, as they are net beneficiaries of a stronger USD. Neutral impact on other sectors, as they are naturally hedged. Negative for balance sheet translation movements, as capex and debt are typically in the USD.
Plantations	Negative	Generally, a stronger MYR would be negative for plantation companies. This is because they are net CPO exporters, while the bulk of costs are in the MYR or IDR - depending on the location of their estates. However, the impact should be partially muted by lower interest costs, as most planters have taken USD debts to finance their expansions and acquisitions.
Property	Neutral/slight negative	No direct impact on developers, but a weaker MYR would likely yield a negative impact on property buyers' sentiment.
REITs	Neutral/slight negative	The impact would be negative in the long run, as a weakening MYR would result in limited purchasing power and dampened consumer sentiment.
Rubber products	Overweight	Beneficiary of a stronger USD, as almost all of its sales are USD-denominated. About 50-65% of costs are USD-denominated.
Tech	Positive	Semiconductor players will be boosted by a stronger USD, as this would translate into better margins and earnings. Globetronics has the least exposure to a stronger USD against local currency: only 50-60% of its sales are denominated in USD vs the local peer average of c.90%. Unisem and Malaysian Pacific Industries (MPI) have the highest exposure, and are the biggest beneficiaries of an appreciating USD, given that all their sales are USD-denominated. We do not see a direct impact on non-semiconductor players under our coverage, other than JHM Consolidation, whereby 60-70% of its revenue is in USD, partially hedged by an 85% USD purchase.
Telecoms	Neutral	Higher repayment and interest costs for USD debt and payables, but the impact is mitigated by active refinancing to local debt and hedging.
Utilities	Slight negative	Capex tends to be in the USD, as its equipment are from global OEM manufacturers. A stronger USD would result in higher debt, interest borrowings, and decreased cash outflows for capex. Feedstock cost FX movements are passed through the imbalance cost pass-through mechanism.

Source: RHB

Figure 44: Beneficiaries of a stronger USD

Stocks	Rec	Price (MYR/s) 4 Jan 21	Target (MYR/s)	Mkt cap (MYRm)	Comments
Kossan Rubber	BUY	3.94	7.90	10,067.2	Kossan is a beneficiary of a stronger USD, as almost 100% of its sales are USD-denominated. As for costs, c.55-65% are USD-denominated.
Malaysian Pacific Industries	BUY	25.50	27.51	5,071.9	MPI will benefit from a weaker MYR, given that all its sales are denominated in the USD. The weaker MYR would then translate into higher sales receipts and margins. In terms of financing costs and borrowings, we see minimal impact, as MPI is in a net cash position.
Press Metal	BUY	8.41	8.50	33,960.5	Press Metal is a beneficiary, owing to its sales being predominantly USD-denominated relative to c.50% of its cost base.
Top Glove	BUY	5.50	9.50	44,124.3	Top Glove is a beneficiary of a stronger USD, as almost 100% of its sales are USD-denominated. As for costs, around 50-60% are USD-denominated.
Supermax	BUY	5.51	13.25	14,468.2	Supermax is a beneficiary, as almost 100% of its sales are USD-denominated, while around 50-60% of its costs are USD-denominated.
Unisem	BUY	6.34	5.50	4,937.1	Unisem will benefit from a weaker MYR, given that all its sales are denominated in USD. A weaker MYR would, therefore, translate into higher sales receipts and margins. In terms of financing costs and borrowings, we see minimal impact, as Unisem is in a net cash position.

Source: RHB

Figure 45 : Losers of a stronger USD

Stocks	Rec	Price (MYR/s) 4 Jan 21	Target (MYR/s)	Mkt cap (MYRm)	Comments
Berjaya Food	Buy	1.60	1.46	567.1	About half of the raw materials or ingredients for Starbucks are imported. Hence, a stronger USD will lead to a softer GPM and bottomline.
Bermaz Auto	Buy	1.48	1.70	1,718.9	Bermaz Auto's 30%-owned associate company Mazda Malaysia could face margin compression, given that its cost of sales is JPY-denominated.
Cahya Mata Sarawak	Buy	2.15	2.40	2,285.7	Cahya Mata Sarawak could face margin compression in its cement division, given that the unit's operations rely on clinker imports and coal prices, which are procured in USD terms. This should be partially mitigated by its 25%-owned OMS, whereby ferroalloy sales are pegged to USD.
IJM Corp	Buy	1.71	1.85	6,192.4	Should the USD strengthen by 5%, PAT is expected to decline by c.4%.
Padini	Buy	2.89	3.25	1,901.4	Padini indirectly imports goods from countries like China and Bangladesh. A stronger USD will indirectly translate into weaker gross margins and a lower bottomline.
UMW	Neutral	3.44	2.65	4,018.9	UMW's imported vehicles and CKD kits are USD-denominated. A stronger USD will translate into weaker gross margins and bottomline.

Source: RHB

Singapore Strategy

We recommend investors employ a balanced investment strategy that combines tactical positions in value stocks with long-term positions in secular high yielding growth stocks.

We see opportunities for underperformers of 2020 playing catch up in 2021 as businesses revert back to some sort of normalcy towards 2H21. Amidst expectations of sustained improvement in private consumption, we favour initiating positions in cyclical growth stories with greater exposure to domestic demand recovery, while remaining cautious on stocks that have direct exposure to the travel and tourism sectors. We believe opportunities to buy into the global cyclicals that are vaccine-dependent could arise in late 2H21. We continue to favour manufacturing and technology sectors where we believe the growth witnessed in 2020 could be sustained in 2021.

Nevertheless, we believe economic recovery in 2021 will be uneven and gradual. There will remain elevated amount of risks from the re-emergence of COVID-19 on the external front and risk related to tapering off domestic government support while economic recovery takes hold. To cover for such risks, we recommend investors to stay invested in high-yielding stocks that offer some visibility on growth.

Playing the economic recovery story: Selective rotation into value

Recovery in domestic consumption should be visible first

Our economics team believes that private consumption is set to accelerate in 2021 as restrictions are eased. Mobility data, a proxy for private consumption, has so far indicated rising foot traffic in the retail sector following the relaxation of CB measures since 1 Jun 2020. This tallies with the gradual rise in the Retail Sales Index, an indication of consumer demand. Singapore is currently in Phase 3 of the reopening of the economy whereby the majority of economic activities are to resume. This would set a precedent for the mobility and retail sales indices to continue on an upward trend for 1H21 and accelerate in 2H21, as Singapore further eases its restrictions.

In addition, ongoing government support – in the form of social protection programmes, especially towards the early part of this year – should see a gradual return of normalised business activities, as countries manage to better contain the pandemic. This is coupled with low interest rates, should support sustained improvement in private consumption. While consumption during 1H21 will likely remain below potential, a broad-based COVID-19 vaccine could lift sentiment and normalise consumption patterns in the latter part of the year**.**

We recommend that investors gradually build positions in domestic consumption recovery stories, where private consumption is expected to sustain its path of improvement into 2021. Our domestic consumption recovery picks are China Aviation Oil, ComfortDelGro, Dairy Farm, Suntec REIT and Thai Beverage.

Figure 46: Singapore – domestic recovery plays

	M Cap		Target	Upside/	1FY	P/E (x)			P/BV (x)			Yield (%)			ROE (%)		
Company name	(USDm)	Rating	price	down. (%)	year	1FY	2FY	3FY	1FY	2FY	3FY	1FY	2FY	3FY	1FY	2FY	3FY
China Aviation Oil Singapore	698	Buy	1.25	16.8	Dec-20	13.1	9.9	9.2	0.8	0.8	0.7	3.2	2.0	2.3	6.3	8.0	8.1
ComfortDelGro	2,746	Buy	1.90	13.8	Dec-20	55.7	16.7	14.7	1.4	1.4	1.3	1.4	4.8	5.5	2.5	8.4	9.3
Dairy Farm International	5,654	Buy	4.47	7.0	Dec-20	22.0	19.3	15.5	4.7	4.3	3.9	3.1	3.6	4.3	21.3	23.4	26.5
Suntec REIT	3,259	Buy	1.79	17.8	Dec-20	72.6	18.1	15.8	0.7	0.7	0.7	4.8	6.1	6.2	1.0	4.1	4.7
Thai Beverage	13,912	Buy	0.82	12.6	Sep-21	16.1	14.9	13.9	2.7	2.4	2.2	3.2	3.5	3.7	17.3	17.2	16.9

Note: Prices are as at 4 Jan 2021
Source: Bloomberg, RHB

Recovery in global cyclicals that are vaccine-dependent to take time

We believe a recovery in global cyclicals could take a prolonged period of a year or more – as either all countries in the world have to get the virus under control, or an effective treatment/vaccine is developed and widely deployed. A timeline for the creation of a safe, effective vaccine – one that provides immunity for a significant time and can be rolled out quickly – is full of uncertainty. While our house view is that a COVID-19 vaccine will be available by late 2H21, large-scale immunisation is expected to take few years. Moreover, a lot can still go wrong, and fears of another economic collapse cannot be ruled out.

In our base case, global cyclicals or sectors that are directly vaccine-dependent, like aviation and related stocks, real estate, tourism-related (eg hospitality), entertainment, and healthcare – as well as industrials and commodity-related industries, will only start seeing earnings recovery towards the end of 2021. We see CapitaLand, CDL Hospitality REIT, City Developments, DBS and Singtel as the long-term cyclical recovery plays.

Figure 47: Singapore's global cyclical recovery plays

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	2FY	3FY	P/BV (x) 1FY	2FY	3FY	Yield (%) 1FY	2FY	3FY	ROE (%) 1FY	2FY	3FY
CapitaLand	12,924	Buy	3.75	14.3	Dec-20	25.0	16.9	16.7	0.7	0.7	0.7	2.4	3.7	3.7	2.2	5.3	5.5
CDL Hospitality Trusts	1,214	Buy	1.25	-4.6	Dec-20	-23.9	24.1	15.9	0.9	0.9	0.9	3.0	5.4	6.3	-3.7	3.9	5.9
City Developments	5,368	Buy	9.50	21.8	Dec-20	43.1	15.1	13.3	0.7	0.7	0.7	0.6	2.3	2.6	1.6	4.6	5.0
DBS Group Holdings	49,051	Buy	30.00	18.4	Dec-20	13.4	11.3	9.3	1.1	1.0	1.0	2.9	3.6	4.5	8.8	9.5	10.9
SingTel	28,622	Buy	3.10	34.2	Mar-21	19.3	17.4	16.1	1.4	1.4	1.3	4.6	5.0	5.0	7.1	7.8	8.4

Note: Prices are as at 4 Jan 2021
Source: Bloomberg, RHB

Uneven and uncertain recovery necessitates selecting defensive stocks

We note that the global COVID-19 situation remains fluid, with a resurgence of cases in Europe and the US. Some European countries are already in lockdown and hospitalisation rates are rising in the US. An inability to control COVID-19 infections in countries that are Singapore's key trade partners, or countries that account for the highest number of tourist inflows, could derail expectations of an economic recovery that is currently in place. In addition, there are external risks from the continued deterioration of US-China ties.

Government support to domestic industries is expected to gradually taper off

In 2020, the Singapore Government announced c.SGD100bn worth of measures to support Singaporeans and businesses that are impacted by the COVID-19 pandemic. The largest support came from the Job Support Scheme (JSS), which has helped to subsidise wages, thus enabling companies to retain their workers despite challenging business conditions. Under this scheme, the Government will co-fund between 25% and 75% of the first SGD4,600 of an employee's gross monthly wages, with three main payouts in Apr 2020, Jul 2020 and Oct 2020.

This scheme that was scheduled to expire by end-Aug 2020 has now been extended by up to seven months, with targeted measures announced for most impacted sectors. However, during the announcement on the extension of JSS to next year, Deputy Prime Minister Heng Swee Keat stated, and we agree, that the Government may not be able to sustain the current level of support indefinitely. As more sectors re-open gradually, the Government will have to evolve and taper the support provided. There exists a risk that economic activity may still take longer than expected to recover as business and consumer confidence remain low for a prolonged period. The tapering of Government support in such a scenario could materially derail the expected earnings recovery for 2021.

To cover for such risks, we recommend that investors stay invested in REITs and high-yielding stocks that still offer earnings and dividend visibility. ARA Logos Logistics Trust, Fu Yu Corp, Prime US REIT, Riverstone, Sheng Siong and ST Engineering are our key defensive growth and/or high-yield picks.

Figure 48: Singapore – high-yield and defensive growth names

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	2FY	3FY	P/BV (x) 1FY	2FY	3FY	Yield (%) 1FY	2FY	3FY	ROE (%) 1FY	2FY	3FY
ARA Logos Logistics Trust	542	Buy	0.72	20.0	Dec-20	14.5	13.7	13.2	1.0	1.0	1.1	8.0	8.2	8.4	7.2	8.6	8.0
Fu Yu Corp	154	Buy	0.30	11.1	Dec-20	12.3	11.9	11.4	1.2	1.2	1.1	5.9	5.9	5.9	9.9	10.0	10.2
Prime US REIT	846	Buy	1.00	25.0	Dec-20	20.4	14.3	12.2	0.9	0.9	0.9	8.7	8.8	8.8	4.6	6.6	7.8
Riverstone	1,316	Buy	2.73	133.1	Dec-20	11.2	5.5	8.1	5.0	3.3	2.7	4.0	8.3	5.5	51.4	73.5	36.8
Sheng Siong	1,780	Buy	1.87	20.0	Dec-20	18.6	22.2	23.1	6.7	6.1	5.7	3.8	3.2	3.0	37.9	28.8	25.4
ST Engineering	9,054	Buy	4.40	14.9	Dec-20	23.7	21.1	18.4	5.3	5.1	4.8	3.9	4.0	4.0	22.6	24.7	26.8
Ascendas REIT	9,395	Neutral	3.00	0.7	Dec-20	18.7	17.3	16.9	1.4	1.4	1.4	5.5	5.7	5.8	7.4	8.0	8.2

Note: Prices are as at 4 Jan 2021
Source: Bloomberg, RHB

Sector recommendations and stock picks

Figure 49: Our sector recommendations

Overweight	Neutral	Not rated
Consumer	Commodities	Healthcare
Industrials	Financials	Offshore & marine
Land transport	Gaming	
Mfg. & technology	Telecom	
Real Estate		
REITs		
Rubber gloves		

Source: RHB

Figure 50: Preferred stocks across sectors

Sector	Most preferred
Consumer & gaming	THBEV, SSG, DFI
Industrials	STE
Land transport	CD
Mfg. & technology	FRKN, FUYU, VMS
Real Estate	CAPL
REITs	SUN, PRIME, ALLT
Rubber gloves	RSTON
Commodities	WIL
Financials	DBS
Telecom	ST

Source: RHB

Figure 51: Singapore – alpha picks (large cap)

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/E (x) 3FY	P/BV (x) 1FY	P/BV (x) 2FY	P/BV (x) 3FY	Yield (%) 1FY	Yield (%) 2FY	Yield (%) 3FY	ROE (%) 1FY	ROE (%) 2FY	ROE (%) 3FY
CapitaLand	12,924	Buy	3.75	14.3	Dec-20	25.0	16.9	16.7	0.7	0.7	0.7	2.4	3.7	3.7	2.2	5.3	5.5
ComfortDelGro	2,746	Buy	1.90	13.8	Dec-20	55.7	16.7	14.7	1.4	1.4	1.3	1.4	4.8	5.5	2.5	8.4	9.3
Dairy Farm International	5,654	Buy	4.47	7.0	Dec-20	22.0	19.3	15.5	4.7	4.3	3.9	3.1	3.6	4.3	21.3	23.4	26.5
DBS Group Holdings	49,051	Buy	30.00	18.4	Dec-20	13.4	11.3	9.3	1.1	1.0	1.0	2.9	3.6	4.5	8.8	9.5	10.9
Riverstone	1,316	Buy	2.73	133.1	Dec-20	11.2	5.5	8.1	5.0	3.3	2.7	4.0	8.3	5.5	51.4	73.5	36.8
Sheng Siong	1,780	Buy	1.87	20.0	Dec-20	18.6	22.2	23.1	6.7	6.1	5.7	3.8	3.2	3.0	37.9	28.8	25.4
SingTel	28,622	Buy	3.10	34.2	Mar-21	19.3	17.4	16.1	1.4	1.4	1.3	4.6	5.0	5.0	7.1	7.8	8.4
ST Engineering	9,054	Buy	4.40	14.9	Dec-20	23.7	21.1	18.4	5.3	5.1	4.8	3.9	4.0	4.0	22.6	24.7	26.8
Suntec REIT	3,259	Buy	1.79	17.8	Dec-20	72.6	18.1	15.8	0.7	0.7	0.7	4.8	6.1	6.2	1.0	4.1	4.7
Thai Beverage	13,912	Buy	0.82	12.6	Sep-21	16.1	14.9	13.9	2.7	2.4	2.2	3.2	3.5	3.7	17.3	17.2	16.9
Venture Corp	4,309	Buy	22.60	15.4	Dec-20	18.5	16.5	16.0	2.2	2.1	2.0	3.8	3.8	3.8	12.0	12.9	12.6
Wilmar International	23,005	Buy	5.85	21.8	Dec-20	15.2	16.7	16.7	1.2	1.2	1.1	3.1	2.1	2.1	8.4	7.0	6.7

Note: Prices are as at 4 Jan 2021
Source: Bloomberg, RHB

Figure 52: Singapore – alpha picks (small cap)

Company name	M Cap (USDm)	Rating	Target price	Upside/ down. (%)	1FY year	P/E (x) 1FY	P/E (x) 2FY	P/E (x) 3FY	P/BV (x) 1FY	P/BV (x) 2FY	P/BV (x) 3FY	Yield (%) 1FY	Yield (%) 2FY	Yield (%) 3FY	ROE (%) 1FY	ROE (%) 2FY	ROE (%) 3FY
ARA Logos Logistics Trust	542	Buy	0.72	20.0	Dec-20	14.5	13.7	13.2	1.0	1.0	1.1	8.0	8.2	8.4	7.2	8.6	8.0
China Aviation Oil Singapore	698	Buy	1.25	16.8	Dec-20	13.1	9.9	9.2	0.8	0.8	0.7	3.2	2.0	2.3	6.3	8.0	8.1
Frencken Group	434	Buy	1.22	-9.0	Dec-20	13.5	12.0	11.3	1.7	1.6	1.4	2.2	2.5	2.7	13.5	13.8	13.3
Fu Yu Corp	154	Buy	0.30	11.1	Dec-20	12.3	11.9	11.4	1.2	1.2	1.1	5.9	5.9	5.9	9.9	10.0	10.2
Prime US REIT	846	Buy	1.00	25.0	Dec-20	20.4	14.3	12.2	0.9	0.9	0.9	8.7	8.8	8.8	4.6	6.6	7.8

Note: Prices are as at 4 Jan 2021
Source: Bloomberg, RHB

Singapore's underperformance should reverse in 2021

Singapore has been the worst performing equity market in Asia in 2020. In 2021, we expect this under performance relative to rest of Asia to reverse. Basis for our expectations: i) increasing optimism around improvement in economic activity amidst strong control on spread of COVID-19 infections, ii) strong improvement in business confidence as vaccines become available around 2H21, and iii) greater institutional investor participation amidst a return of funds flow to Asia.

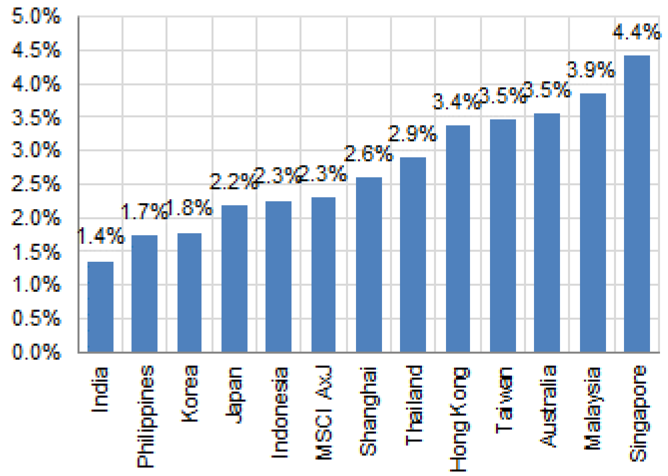
At current levels, STI's 13.7x 2021F P/E is almost in line with its historical average since Jan 2008. STI remains the cheapest market in ASEAN and is trading at discount to rest of Asia. STI's 2021F yield of 4.0% is the highest in Asia. Given that the current almost-zero interest rate environment is expected to persist beyond 2021, elevated global liquidity and reversal of funds flow to Asia should bring investors to high-yield markets like Singapore.

Figure 53: Valuation comparison for regional indices

	P/E		Dividend yield		P/BV		ROE	
	2FY	3FY	2FY	3FY	2FY	3FY	2FY	3FY
Developed Asia								
Australia	19.1	16.9	3.5	3.9	2.1	2.0	10.5	10.9
Hong Kong	10.9	10.6	3.4	2.7	1.1	1.1	9.9	11.5
Japan	16.0	13.9	2.2	2.3	1.2	1.2	6.6	7.1
South Korea	12.0	12.1	1.8	1.6	1.1	1.1	13.2	12.6
Singapore	**12.4**	**12.0**	**4.4**	**4.5**	**0.9**	**1.2**	**8.7**	**10.0**
Taiwan	15.9	15.9	3.5	3.5	2.2	2.2	15.5	15.5
Emerging Asia	21.2	17.5	1.4	1.6	3.0	2.6	13.9	14.8
India	12.4	12.4	2.3	2.3	1.9	1.9	15.7	17.1
Indonesia	14.3	15.1	3.9	3.7	1.5	1.5	9.8	9.4
Malaysia	15.4	15.4	1.7	1.7	1.5	1.5	10.0	10.0
Philippines	11.9	11.9	2.6	2.6	1.3	1.3	9.5	9.5
Shanghai	16.5	16.2	2.9	2.9	1.5	1.5	7.9	8.1
Thailand	14.8	14.9	2.5	2.1	1.7	1.8	10.4	12.2
	19.1	16.9	3.5	3.9	2.1	2.0	10.5	10.9
MSCI Asia Pacific ex-Japan	10.9	10.6	3.4	2.7	1.1	1.1	9.9	11.5

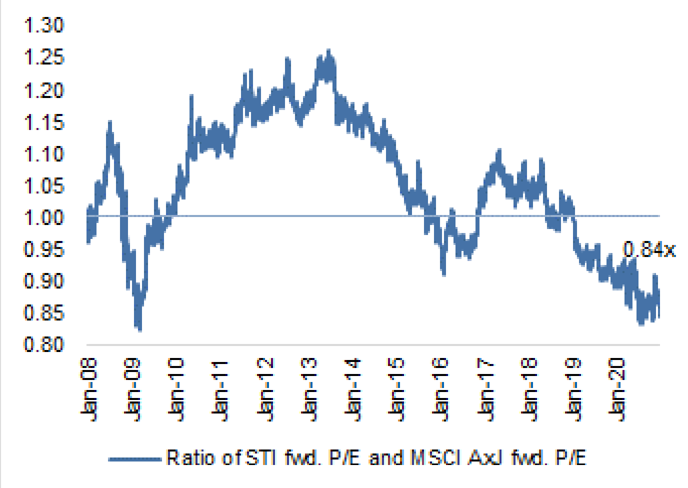
Note : As at 4 Jan 2021
Source: Bloomberg

Figure 54: STI offers the highest yield in Asia (2FY)



Note : As at 4 Jan 2020
Source: Bloomberg

Figure 55: STI is trading cheaper than rest of Asia ex Japan



Note : As at 4 Jan 2020
Source: Bloomberg

Thailand Strategy

No New Year Day to celebrate

Short-term risk of the Thai market is now derived from the "newly emerging" COVID-19 outbreak, which does not related to the previous transmission last May. This second wave, which started in mid-Dec 2020 from migrant workers in Samuth Sakhon to the casino fallout in Rayong, is rapidly spreading into 46 of the 76 provinces with an upward trend. The daily virus infection has surged strongly with over 200 cases leading to the cumulative number rising from 4,237 to 6,690 infected in two weeks. The Government has implement the lockdown in the highly inflected provincials, and it will use a full-scale lockdown as it did in last May, if the number of new cases rises exponentially. In the worst case scenario (no action taken ie "red level"), the Disease Control Department (DCD) estimates that new cases could rise to 18,000 per day in the next two weeks if the outbreak goes unchecked. The trend is estimated to start at 1,000-2,000 infections per day on 1 Jan then accelerate. If at the "yellow level" with measures imposed, new cases could rise to 10,000 per day by mid-January. If strict measures or "green level" are imposed and people maintain mask-wearing, hygiene and social distancing practices, cases could rise to less than 1,000 per day. The DCD stated that the country was currently in an 'orange level' scenario.

The resurgence of COVID-19 has disrupted the holiday season and consumer spending activities. This negative impact will dampen SET's short-term outlook as well as delay economic recovery in a mid-term and GDP growth in 2021. Domestic consumption, and services-related sectors should be the most impacted.

Trade with the flow

We maintain our view that Thailand's economy will return to normal when the vaccine is made widely available, or 3Q21, at the earliest. As such, we see the fiscal stimulus and government infrastructure spending spearheading growth in 2021. We focus on a bottom-up approach by applying selective buys on recovery and laggard stocks with earnings outlook justified with valuation. History suggests that the flow of foreign funds has significantly impacted SET. Based on the P/E band analysis, if foreign funds continue to pour into SET in 1Q21, we expect a 120-pt rise (2x of P/E of THB60.34 EPS) from 2020's closing level or 1,582 pts. On the contrary, if foreign investors are net sellers, SET would likely retreat by 120 pts from 2020's close or 1,342 pts. We believe that the Thai market has entered into a high-risk vs high-return position. Accordingly, we cautiously balance the portfolio on this basis. Our key investment themes: A vaccine in 2H21, expansion of the Government stimulus, rebound of private and public investments, consumption recovery, strong THB, laggard stocks, and the commodity upcycle trend.

Valuations are not normal

Over the past years, the market capitalisation and valuation of SET have seen sectors and stocks changed in different ways, prior to and during the COVID-19 crisis. The SET Index hit 2020's rock bottom of 969 pts in Mar 2020, and has since surged strongly to 1,482 points, marking a new record high in terms of P/E multiple, at 33.5x (2020's EPS: THB44.32, -45.7% YoY; 2021F P/E at 24.6x), and these changes have been far from uniform across industries.

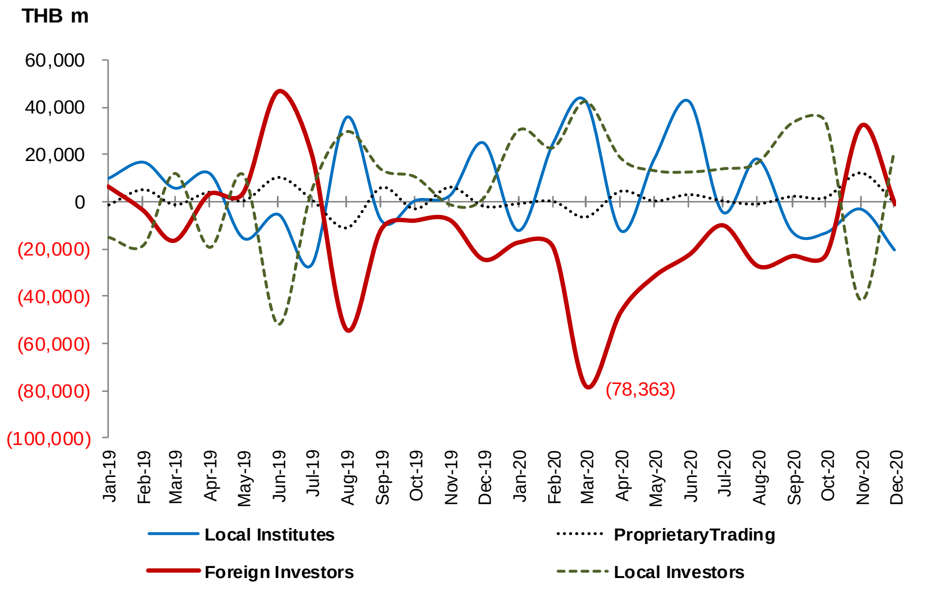
In this respect, fundamental valuations may not apply to the falling earnings, so we deem this as "abnormal". It has reflected on future value expectations to accommodate upsides, whereby we estimate the SET's EPS will take at least 2-3 years (2022-2023) to return to pre-COVID-19 levels. The market has pushed the values of some industries higher, while discounting others, leading to a new norm of valuations from 2021 onwards. We see a shift of SET valuations from its 3-year, 5-year, 7-year, and 10-year historical means of 18x P/E, to a new upper range of 18-32x. There are three reasons for this:

i. **IPO:** Historical IPO debuts were largely big-cap stocks, with high demanding P/E multiples, such as utilities and consumer counters;

ii. **Structural:** There were structural changes in sectors' market capitalisation and contribution to the SET, from banks, property development, ICT, and construction materials companies, to utilities, food, commerce, healthcare and REITs;

iii. **Flows**: Historical data suggests that foreign funds inflow (US's quantitative easing 1-3) had pushed SET significantly during 2009-2012. However, since 2013-2020, foreigners have continuously been in a selling mode in the Thai market, with domestic investors (institution and retails) solely having nominated and re-rated SET's valuations to its mean (18.4x). There could be higher P/E demand from the next wave of foreign inflows.

Figure 56: Foreign investors were net buyers only for the month of November in 2020



Source: RHB

Investment themes in 2021 – what to buy and sell?

A vaccine in 2H21. To outperform – Minor International, and Bangkok Chain Hospital. To underperform – The Erawan Group, Central Plaza Hotel, and Airports of Thailand. At the time of vaccine distribution, we expect a sell-on-fact of stocks that previously outperformed due to COVID-19, such as rubber-related stocks like Sri Trang Agro Industry (STA TB, NR) and Sri Trang Gloves Thailand (STGT TB, NR).

Government stimulus, consumption recovery, and low interest rate environment. To outperform, and the laggards among banks – Siam Commercial Bank, and Krungthai Bank. Laggard property developer with a decent dividend yield of 5% – Land and Houses. Also, consumer staples – CP All, Osotspa; food – Thai Union Group, and retail – Central Pattana.

Private investment, and strong THB. Government stimulus measures, offering further tax privileges to draw in foreign direct investment. Industrial estate – WHA Corp. To outperform on the back of an overseas investment upcycle – Home Product Center. To underperform – export-oriented businesses such as electronics, and auto parts.

Public investment. Government infrastructure spending on rail network projects such as the MRT, high-speed railway, and double tracks, should amount to THB300-400bn. In addition, the Transport Ministry will be implementing seven new mega-projects in 2021, including the "southern land bridge" linking the Gulf of Thailand and Andaman Sea. The Office of Transport and Traffic Policy and Planning has drawn up the terms of reference to hire a private firm to engage the feasibility study. To outperform – contractors & infrastructure players such as CH Karnchang, and Bangkok Expressway & Metro.

Laggard technology, utilities. Advanced Info Service, and Ratch Group.

Commodity upcycle. Expectations of global demand recovering to pre-COVID-19 levels. Top performers are upstream proxy – PTT Exploration & Production and a petrochemical proxy – Siam Cement.

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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
Sell:	Share price may fall by more than 10% over the next 12 months
Not Rated:	Stock is not within regular research coverage

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Thai Institute of Directors Association (IOD) – Corporate Governance Report Rating 2019

Companies with Excellent CG Scoring by alphabetical order

AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP	ARROW	BAFS	BANPU	BAY
BCP	BCPG	BOL	BRR	BTS	BTW	BWG	CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL
COMAN	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF	EGCO
GBX	GC	GCAP	GEL	GFPT	GGC	GOLD	GPSC	GRAMMY	GUNKUL	HANA	HARN	HMPRO	ICC	ICHI
III	ILINK	INTUCH	IRPC	IVL	JKN	JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS
LH	LHFG	LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO	MTC	NCH
NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PJW	PLANB	PLANET
PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH
QTC	RATCH	ROBINS	RS	S	S&J	SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCN
SDC	SEAFCO	SEAOIL	SE-ED	SELIC	SENA	SIS	SITHAI	SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA
STEC	SVI	SYNTEC	TASCO	TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH	TTA	TTCL	TTW	TU
TVD	TVO	U	UAC	UV	VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER		

Companies with Very Good CG Scoring by alphabetical order

25	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANAH	APCO	APCS	AQUA	ARIP
ASAP	ASIAN	ASIMAR	ASK	ASN	ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM
BFIT	BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENTEL	CGH	CHG	CHOTI
CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD	CSC	CSP	DCC	DCON	DDD	DOD	EASON
ECL	EE	EPG	ERW	ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW	GULF	HPT	HTC	HYDRO	ICN	IFS	INET	INSURE	IRC	IRPC
IT	ITD	ITEL	J	JAS	JCK	JCKH	JMART	JMT	JWD	KBS	KCAR	KGI	KIAT	KOOL
KWC	KWM	L&E	LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX	MEGA
METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY	NEX	NINE	NOBLE	NOK	NTV
NWR	OCC	OGC	ORI	OSP	PATO	PB	PDG	PDI	PL	PLAT	PM	PPP	PRECHA	PRIN
PRINC	PSTC	PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO	SAPPE	SAWAD
SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE	SKR	SKY	SMIT	SMK	SMPC	SMT
SNP	SONIC	SPA	SPC	SPCG	SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN
SUSCO	SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC	TEAM	TEAMG	TFG
TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS	TM	TMC	TMD	TMI	TMT	TNITY	TNL
TNP	TNR	TOG	TPA	TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT	WIK	XO	YUASA	ZEN
ZMICO														

Companies with Good CG Scoring by alphabetical order

A	ABICO	ACAP	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA	AU	B52	BCH	BEAUTY
BGT	BH	BIG	BLAND	BM	BR	BROCK	BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO
CITY	CMAN	CMC	CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC	EPCO
ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT	HITCH	HUMAN	IHL	INGRS	INOX
JTS	JUBILE	KASET	KCM	KKC	KWG	KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META
MGT	MJD	MM	MVP	NC	NDR	NEW	NNCL	NPK	NUSA	OCEAN	PAF	PF	PICO	PIMO
PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCL	RJH	ROJNA	RPC	RPH	SF	SGF	SGP
SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER
TNH	TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO	WIN	WORK	WP
WPH	ZIGA													

ช่วงคะแนน Score	สัญลักษณ์ Rang Number of Logo	ความหมาย	Description
90 - 100		ดีเลิศ	Excellent
80 - 89		ดีมาก	Very Good
70 - 79		ดี	Good
60 - 69		ดีพอใช้	Satisfactory
50 - 59		ผ่าน	Pass
ต่ำกว่า 50	No logo give	N/A	N/A

Website: www.thai-iod.com

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ข้อมูล Anti-Corruption Progress Indicator 2560

ประกาศเจตนารมณ์ CAC

A	ASK	CHG	FC	GREEN	JUTHA	MATCH	NINE	PIMO	RWI	SPPT	TFI	TU	VNT
AI	AU	CHOTI	FER	GSTEL	KASET	MATI	NMG	PK	SANKO	SPRC	THE	TVD	WAVE
AIE	BCH	CHOW	FPI	GUNKUL	KBS	MBAX	NNCL	PL	SAUCE	SR	TICON	TVO	WHA
AIRA	BJC	CIG	FSMART	HARN	KCAR	MC	NTV	PLANB	SC	SRICHA	TIP	TVT	WICE
AJ	BJCHI	COL	GEL	IFS	KTECH	MFEC	NUSA	POST	SCCC	SST	TKN	TWPC	WIIK
ALUCON	BLAND	COM7	GFPT	ILINK	KWC	MIDA	NWR	PRINC	SCN	STA	TLUXE	U	TRUE
AMATAV	BR	CPALL	GGC	INET	KYE	MILL	OGC	PRO	SEAOIL	SUPER	TMILL	UPA	
AOT	BROCK	CPF	GIFT	IRC	L&E	ML	PACE	PSTC	SE-ED	SUSCO	TMT	UREKA	
APCO	BRR	CPR	GJS	J	LEE	MTLS	PAF	PYLON	SENA	SWC	TNP	UWC	
AQUA	CEN	CSC	GLOBAL	JMART	LIT	NBC	PAP	QTC	SIRI	SYMC	TPA	VGI	
ARROW	CGH	EKH	GOLD	JMT	LVT	NCL	PATO	ROH	SMART	TAKUNI	TSE	VIBHA	
ASIA	CHEWA	EPCO	GPSC	JUBILE	MAKRO	NEP	PCSGH	ROJNA	SPACK	TBSP	TTI	VIH	

ได้รับการรับรอง CAC

ADVANC	BKI	CPN	FE	INTUCH	LANNA	MSC	PLAT	PTT	SAT	SNP	TCMC	TMD	UOBKH
AKP	BLA	CSL	FNS	IRPC	LHBANK	MTI	PM	PTTEP	SCB	SORKON	TFG	TNITY	WACOAL
AMANAH	BROOK	DCC	FSS	IVL	LHK	NKI	PPP	PTTGC	SCC	SPC	TGCI	TNL	
AP	BTS	DEMCO	GBX	K	LPN	NSI	PPS	Q-CON	SCG	SPI	THANI	TOG	
ASP	BWG	DIMET	GCAP	KBANK	MBK	OCC	PRANDA	QH	SGP	SSF	THCOM	TOP	
AYUD	CENTEL	DRT	GLOW	KCE	MBKET	OCEAN	PREB	QLT	SINGER	SSI	THRE	TPCORP	
BAFS	CFRESH	DTAC	HANA	KGI	MCOT	PB	PRG	RATCH	SIS	SSSC	THREL	TRU	
BANPU	CIMBT	DTC	HMPRO	KKP	MFC	PDI	PSH	RML	SITHAI	SVI	TIPCO	TSC	
BAY	CM	EASTW	HTC	KSL	MINT	PE	PSL	ROBINS	SMIT	SYNTEC	TISCO	TSTH	
BBL	CNS	ECL	ICC	KTB	MONO	PG	PT	S & J	SMPC	TAE	TKT	TTCL	
BCP	CPI	EGCO	IFEC	KTC	MOONG	PHOL	PTG	SABINA	SNC	TCAP	TMB	TVI	

N/A

2S	ARIP	BSM	CSS	FMT	INOX	LTX	NPK	RCL	SFP	SUC	TITLE	TSR	VPO
AAV	AS	BTC	CTW	FN	INSURE	M	NPP	RICH	SGF	SUN	TIW	TSTE	VTE
ABICO	ASAP	BTNC	CWT	FOCUS	IRCP	MACO	NVD	RICHY	SHANG	SUTHA	TK	TTA	WG
ACAP	ASEFA	BTW	D	FORTH	IT	MAJOR	NYT	RJH	SIAM	SVH	TKS	TTL	WHAUP
ACC	ASIAN	BUI	DCON	FTE	ITD	MALEE	OHTL	ROCK	SIMAT	SVOA	TM	TTTM	WIN
ADAM	ASIMAR	CBG	DCORP	FVC	ITEL	MANRIN	OISHI	RP	SKE	SYNEX	TMC	TTW	WINNER
ADB	ASN	CCET	DDD	GC	JAS	MAX	ORI	RPC	SKN	T	TMI	TUCC	WORK
AEC	ATP30	CCP	DELTA	GENCO	JCT	M-CHAI	OTO	RPH	SKR	TACC	TMW	TWP	WORLD
AEONTS	AUCT	CGD	DIGI	GL	JKN	MCS	PAE	RS	SKY	TAPAC	TNDT	TWZ	WP
AF	BA	CHARAN	DNA	GLAND	JSP	MDX	PDG	RSP	SLP	TASCO	TNH	TYCN	WPH
AFC	BAT-3K	CHO	DTCI	GPI	JTS	MEGA	PERM	S	SMK	TC	TNPC	UAC	WR
AGE	BCPG	CHUO	EA	GRAMMY	JWD	METCO	PF	S11	SMM	TCB	TNR	UBIS	XO
AH	BDMS	CI	EARTH	GRAND	KAMART	MGT	PICO	SAFARI	SMT	TCC	TOA	UEC	YCI
AHC	BEAUTY	CITY	EASON	GTB	KC	MJD	PJW	SALEE	SOLAR	TCCC	TOPP	UKEM	YNP
AIT	BEC	CK	ECF	GULF	KCM	MK	PLANET	SAM	SPA	TCJ	TPAC	UMI	YUASA
AJA	BEM	CKP	EE	GYT	KDH	MM	PLE	SAMART	SPALI	TCOAT	TPBI	UMS	ZIGA
AKR	BFIT	CMO	EFORL	HFT	KIAT	MODERN	PMTA	SAMCO	SPCG	TEAM	TPCH	UNIQ	ZMICO
ALLA	BGRIM	CMR	EIC	HOTPOT	KKC	MPG	POLAR	SAMTEL	SPG	TFD	TPIPL	UP	
ALT	BGT	CNT	EMC	HPT	KOOL	MPIC	POMPUI	SAPPE	SPORT	TFMAMA	TPIPP	UPF	
AMA	BH	COLOR	EPG	HTECH	KTIS	NC	PORT	SAWAD	SPVI	TGPRO	TPOLY	UPOIC	
AMARIN	BIG	COMAN	ERW	HUMAN	KWG	NCH	PPM	SAWANG	SQ	TH	TPP	UT	
AMATA	BIZ	CPH	ESSO	HYDRO	LALIN	NDR	PRAKIT	SCI	SSC	THAI	TR	UTP	
AMC	BKD	CPL	ESTAR	ICHI	LDC	NETBAY	PRECHA	SCP	SSP	THANA	TRC	UV	
ANAN	BLISS	CPT	ETE	ICN	LH	NEW	PRIN	SDC	STANLY	THG	TRITN	UVAN	
APCS	BM	CRANE	EVER	IEC	LOXLEY	NEWS	PRM	SE	STAR	THIP	TRT	VARO	
APEX	BOL	CRD	F&D	IHL	LPH	NFC	PTL	SEAFCO	STEC	THL	TRUBB	VCOM	
APURE	BPP	CSP	FANCY	III	LRH	NOBLE	RAM	SELIC	STHAI	THMUI	TSF	VI	
AQ	BSBM	CSR	FLOYD	INGRS	LST	NOK	RCI	SF	STPI	TIC	TSI	VNG	

Source: Thai Institute of Directors

ข้อมูลบริษัทที่เข้าร่วมโครงการแนวร่วมปฏิบัติของภาคเอกชนไทยในการต่อต้านทุจริต (Thai CAC) ของสมาคมส่งเสริมสถาบันกรรมการบริษัทไทย (ข้อมูล ณ วันที่ 17 ต.ค.)

- ได้ประกาศเจตนารมณ์เข้าร่วม CAC
- ได้รับการรับรอง CAC

การเปิดเผยการประเมินดัชนีชี้วัดความคืบหน้าการป้องกันการมีส่วนเกี่ยวข้องกับการทุจริตคอร์รัปชัน (Anti-Corruption Progress Indicators) ของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยที่จัดทำโดยสถาบันที่เกี่ยวข้องซึ่งมีการเปิดเผยโดยสำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์นี้เป็นการดำเนินการตามนโยบายและตามแผนพัฒนาความยั่งยืนสำหรับบริษัทจดทะเบียนโดยผลการประเมินดังกล่าว สถาบันที่เกี่ยวข้องอาศัยข้อมูลที่ได้รับจากบริษัทจดทะเบียนตามที่บริษัทจดทะเบียนได้ระบุในแบบแสดงข้อมูลเพื่อการประเมิน Anti-Corruption ซึ่งอ้างอิงข้อมูลมาจากแบบแสดงรายงานข้อมูลประจำปี แบบ (56-1) รายงานประจำปีแบบ (56-2) หรือในเอกสารหรือรายงานอื่นที่เกี่ยวข้องซึ่งเป็นบุคคลภายนอก โดยมิได้เป็นการประเมินการปฏิบัติของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยและมิได้ใช้ข้อมูลภายในเพื่อการประเมิน เนื่องจากผลการประเมินดังกล่าวเป็นเพียงผลการประเมิน ณ วันที่ ปรากฏในผลการประเมินเท่านั้น ดังนั้นผลการประเมินจึงอาจเปลี่ยนแปลงได้ภายหลังวันดังกล่าว หรือรับรองความถูกต้องครบถ้วนของผลประเมินดังกล่าวแต่อย่างใด