

Singapore Market Focus

Flash Note

Refer to important disclosures at the end of this report

DBS Group Research . Equity

7 Apr 2020

Standing in solidarity

- S\$5.1bn Solidarity Budget to help businesses and households tide through Circuit Breaker month
- Wage support - Relief for UOB, OCBC, SingTel, StarHub, ComfortDelgro, SPH, SingPost
- Foreign worker waiver/rebate - Relief for SMM, Keppel Corp, Raffles Medical
- Additional S\$300 cash handout positive for Sheng Siong, Dairy Farm, SingTel, StarHub

Offering a lifeline. The Singapore government has introduced a third Solidarity Budget worth S\$5.1bn aimed at saving jobs and protecting livelihoods during the month-long 'circuit breaker'. The 'circuit breaker' involves only the opening of essential services such as food establishments, wet markets and supermarkets, clinics, hospitals, utilities, transport and key banking services. Singaporeans are encouraged to stay at home as much as possible, and to avoid socialising beyond immediate family members during this period. S\$4bn goes towards additional support for businesses and workers while S\$1.1bn is for Solidarity payment to Singaporeans. Singapore stands ready to save jobs and ensure that businesses survive during this uncertain period. The latest budget will draw S\$4bn from past reserves. The three COVID-19 support budgets over the past two months cost a total of S\$59.9bn (12% of GDP). The overall budget deficit for FY20 will rise to S\$44.3bn (8.9% of GDP).

Cost savings for businesses Companies in sectors other than travel/tourism with a relatively high employee count such as banks (UOB, OCBC), telcos (SingTel, StarHub), transportation (ComfortDelgro), SPH and SingPost will find relief in the 75% (from 25%) wage support for local employees for April. The waiver of foreign worker levy due in April and S\$750 foreign worker levy rebate for each work permit or S pass holder provide relief for sectors such as yards (SembCorp Marine, Keppel Corp), healthcare (Raffles Medical) and construction. However, a bill to ensure landlords pass on the property tax rebate "in full" to tenants is neutral at best for retail (CMT, FCT) and industrial REITs.

Lower risk for banks. The government's decision to raise its risk share of Temporary Bridging Loan Programme, SME Working Capital Loan and Trade Loan Businesses to 90% (from 80%) lowers the risk for banks (UOB, OCBC).

Support for households. Supermarkets Sheng Siong and Dairy Farm stand to gain further from an additional S\$300, for a total of S\$600, to all Singaporeans above the age of 21. The additional cash will come in handy to meet the need for higher data capacity in the home environment that benefits SingTel and StarHub.

STI : 2,470.59

Analyst

Kee Yan YEO, CMT +65 6682 3706
keeyan@dbs.com

Key Indices

	Current	% Chng
STI Index	2,470.59	3.4%
FS Small Cap Index	227.15	2.3%
USD/SGD Currency	1.35	-5.9%
Daily Volume (m)	1,511	
Daily Turnover (S\$m)	1,404	
Daily Turnover (US\$m)	1,042	

Source: Bloomberg Finance L.P.

Market Key Data

(%)	EPS Gth	Div Yield
2019	(0.4)	5.4
2020F	(8.1)	5.2
2021F	13.8	5.5
(x)	PER	EV/EBITDA
2019	11.3	11.7
2020F	12.3	12.4
2021F	10.8	10.6

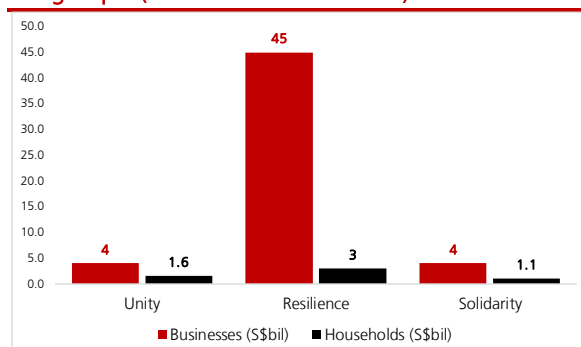
STOCKS

	Price US\$	Mkt Cap US\$m	12-mth Target US\$	Performance (%)		Rating
				3 mth	12 mth	
Dairy Farm	4.48	6,060	4.70	(22.2)	(44.6)	BUY
Sheng Siong	1.25	1,312	1.45	(2.3)	20.2	BUY
Group Ltd	1.37	1,655	1.40	(5.5)	(9.9)	BUY
Singtel	2.61	29,751	2.85	(22.1)	(15.5)	BUY

Source: DBS Bank, Bloomberg Finance L.P.

Closing price as of 6 Apr 2020

Budget split (Businesses vs households)



Source: DBS Bank



Live more, Bank less

Solidarity Budget

Measure	Details	Beneficiaries
Solidarity Payment	- Additional S\$300 payout for Singaporeans aged 21 and above in 2020	- Telcos (SingTel , StarHub) - Supermarket chains (Sheng Siong , Dairy Farm)
Job Support Scheme	- Government to pay 75% of first S\$4,600 of monthly wages for Apr 2020 - Wage support after Apr 2020 will be back to those under the Resilience budget package (75% for aviation, tourism; 50% for F&B; 25% for others)	- Companies with high local employee count such as banks (UOB , OCBC), telcos (SingTel , StarHub) ComfortDelgro , SPH and SingPost - No benefit to travel and tourism sectors as these were already receiving support for 75% of wages
Foreign Worker Levy Waiver	- Waiver of Apr 2020 foreign worker levy - Foreign worker levy rebate of S\$750 per worker for levies paid this year	- Sectors employing a sizeable number of foreign workers such as construction, shipyards (Sembcorp Marine , Keppel Corp) and healthcare (Raffles Medical)
Enhanced Loan Support	- Raise government's risk share of loans to 90% from 80% for loans from 8 Apr 2020 to 31 Mar 2021 for loans under the Temporary Bridging Loan Programme and Enterprise Financing Schemes	- Banks (UOB , OCBC)
Tax Rebate Pass-through	- Bill to ensure pass-through of tax rebates to tenants	- Companies with significant tenancies such as F&B operators (Jumbo)

Source: DBS Bank

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:

STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

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DBS Regional Research Offices

HONG KONG

DBS (Hong Kong) Ltd

Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

MALAYSIA

AllianceDBS Research Sdn Bhd

Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

SINGAPORE

DBS Bank Ltd

Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

THAILAND

DBS Vickers Securities (Thailand) Co Ltd

Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

INDONESIA

PT DBS Vickers Sekuritas (Indonesia)

Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesia@research@dbs.com