

## Hear what the research team says By Carmen Lee, Head of OCBC Investment Research

### Murky outlook, but value is emerging

Volatility and fear appear to be dominating the market presently, resulting in wide swings in stock price movements. This was caused by the series of unprecedented events in 2008 which saw the US housing slump spilling over to hurt almost all segments of the market – even China, the former growth engine for the region, is now seeing more signs of slowdown in economic activities.

Global write-downs for the financial institutions hit close to US\$1 trillion so far. Oil and commodity prices have fallen off the cliff, and most global equity indices are down by 33 – 64%.

Fearing the growing repercussion, confidence in the market has plunged as weakness transformed into recessionary fears. This led to several rounds of cuts in economic growth prospects from agencies such as IMF and World Bank as well as several central banks.

The pace and magnitude of economic contraction seen in the past couple of months was very rapid. Besides economic downgrades, there were a slew of corporate earnings and valuations downgrades. US economic growth has been cut to around 1.4% for 2008 and - 0.1% for 2009 (based on Bloomberg estimate) and China's growth for next year has been slashed recently to 7.5% by the World Bank.

Listed corporates have also become victims of an increasingly cautious and challenging operating environment. Earnings visibility is low and forward guidance is limited. Most corporates have expressed difficulty in refinancing or securing new loans. This has hampered the task of earnings projection for 2009 in this highly volatile and rapidly changing environment.

This makes forecasting very challenging under generally shifting market conditions. Nevertheless, the general trend does point to an earnings decline in 2009. At OCBC Investment Research (OIR), we are expecting earnings for stocks within our coverage to drop 22% in 2008 and a further 5% in 2009. This is broadly in line with market estimate of a 4% decline in earnings for the STI. The highest YoY decline in 2008 is likely

to come from property, tech and selective commodity sectors. Telcos will remain fairly well supported with a more modest earnings decline of 8 – 19%. Based on our computations, we derive PERs of 9x for 2008 earnings and 10x for 2009 earnings.

Outlook of the global economy remains murky as governments try to resuscitate growth and keep down unemployment, but the over-riding indicator is still pointing to a global recessionary environment in 2009. In this environment, no sector will be spared as we have already witnessed job cuts across almost all industries, which will affect of consumer demand and property prices. One positive note is that on average, recessions lasted for a bit more than a year, and expansions averaged about four years, according to the US National Bureau of Economic Research (NBER). This means that recessions have been getting shorter and expansions longer. If this is the case, the present recession should terminate before the end of 2009.

Overall, the Singapore market could get worse before it gets better as we expect more job cuts in the first quarter of 2009. However, this could be mitigated by the upcoming Singapore Budget in January 2009, one month ahead of the traditional February announcement. This is to bring forward some of the pro-business measures to assist Singapore corporations to stay competitive and to ride out this storm.

We are advocating a strategy of diversified stock holdings favouring the defensive blue chips in view of current volatile market conditions. While a full market recovery will take a while, we believe that equities still offer a good long-term bet, especially blue chips. Following the sharp correction for equities, and based purely on valuations, value is starting to emerge. Our stock picks for 2009 are CapitaLand, Ezra, Midas, MobileOne, Noble Group, Pacific Andes Holdings, Sembcorp Marine, Sino-Environment, Singapore Press Holdings, Singtel, StarHub, Straits Asia Resources, Tat Hong and UOL.

For more information, please visit [www.ocbcresearch.com](http://www.ocbcresearch.com)

### Be Rewarded

Win a pair of movie tickets by answering the questions below:

1. OCBC Securities is the first local securities firm in Singapore to offer direct custody services in an extensive network spanning 14 foreign markets. (True/False)
2. OCBC Securities has been the key sponsor of the Online Stock Challenge since its launch in 2006. (True/False)

Be the first 50 customers to email the correct answers with your full name, NRIC No, contact number and your OCBC Securities trading account number to [marketing@ocbcscc.com](mailto:marketing@ocbcscc.com) and you'll receive a pair of movie tickets for FREE\*!

\* Terms and conditions apply. Please refer to [www.iocbc.com](http://www.iocbc.com) to review these terms and conditions.

### ACT NOW

Call us at **1800 338 8688** to find out more or visit us at [www.iocbc.com](http://www.iocbc.com)

OCBC Securities Private Limited  
18 Church Street, OCBC Centre South #01-00 Singapore 049479  
**OCBC Securities Hotline: 1800 338 8688 [www.iocbc.com](http://www.iocbc.com)**

#### Important Notes:

The information provided in this publication is solely for information and general circulation only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our written consent. It should not be construed as an offer or solicitation for the subscription, purchase or sale of the products mentioned herein. It may contain past performance as well as any projections or forecast made which are not necessarily indicative of future performance of any investment in any OCBC Securities product. There can be no assurance that countries, markets or sectors will perform as expected. Investments involve certain risks, including political and currency risks. Investment returns and principal value may go down as well as up and could result in the loss of all capital invested. You must make your own assessment of the relevance, accuracy and adequacy of the information provided in this publication and make such independent investigations as you may consider necessary or appropriate for purposes of such assessment. Any opinion or view presented in this publication may change without notice. OCBC Securities does not warrant the adequacy or completeness of such information. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation and particular needs of the recipient or any class of persons and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of your acting on any information, opinion or estimate provided in this publication. You may wish to seek the advice of a financial adviser before making a commitment to invest in any products set out in this publication. In the event that you choose not to seek the advice of a financial adviser, you should consider whether the product in question is suitable for you. Investors should note that there are necessarily limitations and difficulties in using any graph, chart, formula or other devices to determine whether or not, or if so, when to, make an investment in any OCBC Securities product.



OCBC Securities

## OCBC Securities appointed Citi as Direct Custody Service Provider across 14 markets

As part of our continuing efforts to provide a greater level of service for our clients, OCBC Securities has appointed Citi to provide custody services across 14 equity markets – Australia, Canada, China B (Shanghai and Shenzhen), Europe, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Taiwan, Thailand and United Kingdom. With this appointment, we are proud to be the first local securities firm in Singapore to offer these services in such an extensive network.

“Our appointment of Citi to provide direct custody services for 14 markets marks an important milestone in OCBC Securities’ aim to better meet the evolving needs of our clients who are increasingly trading in the global markets. With Citi’s experience in the custody business and established track record, our clients can now enjoy greater peace of mind when they trade in the 14 foreign markets through OCBC Securities...”  
- Mr Hui Yew Ping, Managing Director, OCBC Securities



Ask OCBC  
[www.iocbc.com](http://www.iocbc.com)

 OCBC Securities

Continuing from Cover Story ...

### Direct custody services

OCBC Securities' clients are currently enjoying the direct custody services in Hong Kong, Malaysia, Thailand and Indonesia; we are in the process of extending the services to rest of the markets in stages.

Our clients can now enjoy a consistent service level of global standards across the 14 key markets. These include the timely notification of corporate actions and updates of regulatory changes as well as fast turnaround on dividend payments.

### Quick Facts

1. On the new and improved iOCBC trading platform, customers can add stock listed on 6 Exchanges (SGX, Bursa Malaysia, Hong Kong, Jakarta, Philippines, and Thailand) onto their watch-lists.
2. With OCBC ShareInvest, standby cash can be transferred seamlessly from customers' Easicredit account to their Share Financing account for additional purchases or to increase their share trading power by up to seven times their monthly salary.

## Reminisce Past Activities

### Preferred seminar @ The Legends

Preferred Customers were invited to an exclusive investment seminar – *Market Insight: Resources and Infrastructure*, held on 20 September 2008 at The Legends, Fort Canning Park. Besides our award-winning team of OCBC Investment



Research analysts, the seminar also featured guest speakers from Noble Group, Straits Asia Resources, Golden Agri-Resources, Gallant Venture, City Spring Infrastructure Trust and FerroChina who shared their perspectives on the 2 sectors. Organised by OCBC Securities, this seminar was a good opportunity for customers to find out more about the opportunities in Singapore's Resources and Infrastructure sectors.

### INVEST Fair '08

OCBC Securities participated in the inaugural INVEST Fair 2008 held on 16 and 17 August 2008 at the Suntec Singapore International Convention and Exhibition Centre. The event was organised by Share Investor and supported by Singapore Exchange.

Our Product Specialist, Mr Aaron Ong from the Alternative Investments Desk conducted seminars over the two days on Alternative Investment Strategies using Structured Products. With a huge turnout of 20,000 visitors, this event proved to be the ideal platform for OCBC Securities to share information about our products and services and to engage local investors.

### Stay Tuned

## IT Show

Date: 12 – 15 March 2009

Venue: Suntec Singapore International Convention and Exhibition Centre, Level 6

### OCBC Securities Online Stock Challenge



A strong proponent of investing in enhancing financial education of young investors, OCBC Securities has been the key sponsor of the Online Stock Challenge since its launch in 2006. It is one of the largest annual online stock challenge games that is organised by students, for students. The second Online Stock Challenge game which took place from 6 - 26 September 2008 was launched by Guest-of-Honour, Mr David Gerald, President of the Securities Investors Association of Singapore. It is one of the most anticipated online stock challenge games that allows student participants from the various secondary schools, junior colleges, polytechnics and universities in Singapore to pit their trading skills against one another via the iOCBC virtual online trading system based on real-time stock prices obtained direct from the Singapore Exchange.

This year, a record number of close to 2,700 participants with the youngest being 13 years old, signed up for the game. Participants competed individually or in teams of up to four people to accumulate the most net profit through stock trading, for cash prizes totaling more than \$9,000. The individual winner was Mr Ong Min Guan from Nanyang Technological University (NTU) and the winning team was from Singapore Polytechnic with members Ong Hai Bin (Team Leader), Oh Kok Leong, Xavier Tan and Chat Hong Ming.

On why it is important for our youths to learn about our economy and how the equity market works, Mr Hui Yew Ping, Managing Director, OCBC Securities said, "We believe financial aptitude is a crucial part of education, therefore, we see the value in supporting such initiatives. Such games allow our youths to learn the importance of long-term and prudent investing, and I believe such lessons will help them get an early start on the road to wealth creation and financial independence."

## Products / Services

### Direct Market Access to Hong Kong and US markets via iOCBC

Take advantage of the speed trading electronically any time of the day, closest possible to real time prices during market hours, especially for US markets which open at night.

Trading directly in Hong Kong and US\* Markets via iOCBC Online Trading Portal has been made possible since 13 November 2008 and 19 December 2008 respectively.

Customers can now experience faster, secured and direct access (straight-through processing) for trading in Hong Kong Exchange, AMEX, NYSE and NASDAQ via the iOCBC online trading portal.

\*Trading in US Markets via iOCBC is only available for non-US citizen/non-US resident. The W-8Ben Form must be signed and submitted to OCBC Securities Pte Ltd before commencement of trading.

### iOCBC migration

OCBC Securities has upgraded the iOCBC online trading platform to a more robust system with an improved user interface with effect from late April 2008.

Users have since been able to enjoy multi-market access with a single login (Clients only need to remember 1 set of User ID and Password) to this upgraded platform with better interactivity and enhanced reliability. Enhancements include the following:

- Improved stock search and access functions for faster trade execution
- Display of Warrant Strike Price

## Malaysia Day

The Malaysia Day Seminar took place at the Conference Room on the 50th floor of OCBC Centre on the Saturday morning of 23 August 2008. This series of seminars was introduced to help our customers understand investment opportunities in markets such as Malaysia, Indonesia, Thailand and Hong Kong. It is the first of a string of activities to introduce OCBC Securities' direct trading access to multiple Pan Asian markets.

The event started with a speech by Mr Yeow Chin Wee, Executive Director and General Manager of OCBC Securities, followed by



### Extended Settlement Contracts

Singapore Exchange Limited (SGX) has announced that it will launch Extended Settlement (ES) contracts on 23 January 2009. The launch is aimed at expanding the current suite of equity products available to investors.

Previously referred to as Single Stock Derivatives (SSDs), ES contracts will be a new product class on the SGX Securities Trading (SGX-ST) market. The new product allows investors to buy into an underlying stock listed on SGX at the transacted price on the day of the trade, for settlement at a specified future date.

ES contracts will offer the following benefits:

- Exchange-traded and cleared ES contracts facilitate orderly and transparent trading of forwards/futures needs and reflect the views of investors. Specifically, all short positions in ES contracts will be matched against equivalent long positions and open interest will be transparent and published. Both long and short positions are margined and marked-to-market for system integrity.
- ES contracts enable more efficient margin-based trading. This provides better risk management for the industry and increased capital efficiency for long investors, which are especially relevant in volatile markets.

OCBC Securities will be supporting the development and launch of Extended Settlement contracts. For more information, investors can visit [www.sgx.com](http://www.sgx.com)

presentations and talks by speakers from Aseambankers Malaysia Berhad including Mr Vincent Khoo, Head of Equity Research; Mr Lee Cheng Hooi, Head of Retail Research and Suhaimi Ilias, Head of Economics. Our customers also had the opportunity to rub shoulders with the top management from two Malaysian-listed companies, QL Resources Berhad and Kinsteel Berhad.

"We are certainly encouraged by the good turnout for the event. It has achieved the desired outcome. This is one of the many ways we try to anticipate and meet our customers' needs."

- Mr Gary Tan, Head of Market Development, OCBC Securities  
For customers who are considering trading in foreign markets but lack trading ideas and knowledge, this seminar is the first of many opportunities to come for them to learn to make better informed investment decisions.

## Bull Charge 2008

OCBC Securities was a title sponsor for The Gateway Challenge in The Bull Charge 2008, organised by Singapore Exchange Limited (SGX) on 24 October 2008 at the Padang. The charity run raised more than \$2.1 million for a record of 19 beneficiaries.



Congratulations to OCBC Securities Team for winning the Bull Charge 2008 Gateway Challenge.