

ASEAN+ FORTNIGHTLY

Highlights (28 Aug - 8 Sept, 2023)

Malaysia: 2Q23 Results Roundup; OPR maintained; PBK MK raised to BUY; RHBBANK MK cut to HOLD; AAX MK TP boost

Core net profit of our research universe was down 3% YoY but flattish QoQ in 2Q23, regaining some composure after two sequential quarters of both YoY/QoQ earnings decline. Core earnings of 3 sectors prominently missed our forecasts - Gloves, Plantation, Petrochem. Among the big-caps, outliers in terms of earnings delivery included Tenaga, Malakoff and Axiata which disappointed, while notable positive surprises came from Telekom, Malaysia Airports and YTL Power. Post-earnings revisions, for 2023E, we now estimate a slower +5.1% core profit expansion for our universe and +2.8% for the KLCI (vs. +6.5% and +6.2% respectively in early-Jun 2023). As for 2024E, we estimate +16.5% core earnings growth for our universe and +12.3% for the KLCI (vs. +13.3% and +10.6% previously). We maintain our 2023E YE KLCI target at 1,520 which implies 13x 12M fwd. Bank Negara maintained the OPR at 3.0%, as widely-expected, removing remarks about "slightly accommodative monetary policy stance" as real OPR turns positive with inflation having trended below 3% since May. We upgrade banking giant Public Bank to BUY, with higher TP of MYR5.05 (from MYR4.30), 2Q23 highlights being reiteration of 12-13% ROE target, strong asset quality and loan loss coverage (LLC) of an ample 226%. Yield favourite (>6%) RHB Bank is cut to HOLD despite headline earnings beat on a large provisioning write-back - 1H23 operating profit in fact undershot due to a 40bps NIM compression while LLC fell to 82%, underscoring FY23-25E 6-7% earnings cut. Top aviation pick AAX is now be able to equity account earnings from 49%-owned TAAX following the latter's debt rehabilitation deal; we raise FY23E/FY24E/FY25E core net profit for AAX by 7%/47%/41% and rais3 our TP to MYR3.56 from MYR3.01.

Singapore: Improving macro prospects, 1H23 reporting resilience lower recession risk; GRAB SP, CVL SP TP's upped

Singapore's industrial production data for July showed some strength, expanding +4.1% in seasonally adjusted MoM terms. We think the prospects of a modest manufacturing recovery should reduce the risk of recession. Thus, we maintain 2023E GDP at +0.8% and +2.2% for 2024E. The recently-concluded 1H23 results season showed resilience amongst corporates with reasonable ability to pass on higher input and interest costs. 23% of the coverage universe beat expectations, and forecast upgrades led downgrades 5 to 4. For the overall market, we have higher weightings on growth, while keeping a sizable mix of defensives. Stocks that offer near-term earnings visibility and strong competitive positioning for superior pricing (defensives) - DBS, Genting Singapore, Frencken, CICT - and stocks offering growth acceleration due to medium-term themes such as EM consumption, policy support, ESG (growth) - CSE, ST Eng, Raffles Med, SCI, CDL Hosp. Trust, ComfortDelGro. We have also raised the TP's of GRAB and CVL following results and maintain BUY ratings. Reiterate BUY on FEH post-plant visits.

Indonesia: Inflation within BI's target; Maintain NEUTRAL view on consumer sector; BBRI TP raised to IDR6,450

In Aug 2023, Indonesia maintained its BI Rate at 5.75 % for the eighth consecutive month. Moreover, Indonesia's headline inflation was also sustained for the fourth month within BI target range at +3.3% (vs. +3.1% in July). However, food, beverage, and tobacco (25 percent of the CPI basket) climbed the most to a three-month high, primarily due to supply-impacting El Nino phenomenon. While NEUTRAL on the consumer sector, we believe weak 1H23 earnings are temporary due to fewer business days and short-term impact of ASP increases in 2022 ranging from +5-18% (vs. inflation's +4.2%) - top picks are ICBP, MYOR, and INDF. Per oil price rally, we recommend tactical buy on coal producers and industrial metal producers -ADRO and UNTR are proxies to thermal coal, with upside re subdued hydroelectric generation amidst low rainfall in South China. We also like MDKA and INCO on the back of nickel price recovery. We also see faster system loan growth, to 8.5% YOY (June: +7.5%). We recommend a tactical BUY on BBNI, while we raised our TP for BBRI to IDR6,450 due to robust 1H23 earnings results. Transition from lower yield subsidized microloans to higher-yield micro loans has so far met expectation.

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ASEAN+: Top BUY ideas

Stock	BB Ticker	Price	TP	Upside (%)
Malaysia				
Mr DIY	MRDIY MK	1.50	2.40	60.0
Bermaz Auto	BAUTO MK	2.24	3.53	57.6
AirAsia X	AAX MK	2.45	3.56	45.3
Singapore				
CSE Global	CSE SP	0.46	0.65	41.3
ComfortDel	CD SP	1.26	1.50	19.0
ST Eng	STE SP	3.87	4.20	8.5
Indonesia				
Vale Indonesia	INCO IJ	6,000	8,800	46.7
Mayora	MYOR IJ	2,430	2,900	19.3
United Tractor	UNTR IJ	27,150	28,000	3.1
Thailand				
Bangkok Bank	BBL TB	167.00	200.00	19.8
Advanced Info	ADVANC TB	216.00	250.00	15.7
Bangchak	BCP TB	38.00	55.00	44.7
Philippines				
SM Investment	SM PM	824	1,290	56.6
Jollibee	JFC PM	234	288	23.0
GT Capital	GTCAP PM	580	1,020	<i>7</i> 5.9
Vietnam				
Techcombank	TCB VN	35,750	48,700	36.2
Sacombank	STB VN	33,000	43,700	32.4
Mobile World	MWG VN	55,000	63,186	14.9

Source: Maybank IBG Research, Factset 7 Sep

Thailand: Energy sector focus amid potential subsidy burden, with downside risks for PTT TB, PTG TB, BGRIM TB, GPSC TB

SET Index rally fizzled out after just a week post appointment of Mr. Srettha Thavisin as the next PM. We think the market now will focus on the upcoming government policies which include a raft of measures aimed at stimulating local economy. Besides cash handouts (in the form of a digital wallet, to be implemented by February 2024), we think the first set of policies will focus on energy price reduction. This includes diesel price reduction which will likely be done through a combination of lower excise tax and increased subsidy from the Oil Fund. We think this will negatively impact retail marketing margin of oil retailers. We believe PTG (PTG TB, not rated) will be most negatively impacted as every THB 0.1/L squeeze in marketing margin will lower its profit by over 30% in 2024E (based on Bloomberg consensus estimate). Besides lowering diesel price, we also expect the government to cut electricity tariff by up to THB 0.38/kWh. This will negatively impact power companies with direct sales to industrial users. We believe Global Power Synergy (GPSC TB, not rated) and B.Grimm Power (BGRIM TB, not rated) will be most negatively impacted. On our estimate, their earnings could be lowered by over 40% in 2024E relative to current consensus forecasts. Lastly, we see risks that the government may introduce additional subsidy measures for LPG (liquefied petroleum gas, which is consumed as cooking gas in Thailand) and NGV (natural gas for vehicles, widely used by taxis in Bangkok). These post potential downside risks for PTT (PTT TB, not rated). We estimate that if subsidy burden on these fuels revert back to levels seen during the last Pheu Thai-led government (pre-2015), PTT may have to provide an additional THB 20bn p.a. in subsidy. This could negatively impact earnings by 20% in 2024E based on consensus estimate. For stock recommendations, we continue to prefer big banks (BBL, KTB) and selected energy names that have positive back drop and limited subsidy risks (BCP, PTTEP). We also remain positive on consumption-related names with CPALL our top pick among retailers and CPF our top pick among F&B names.

Philippines: Weathering macro and market headwinds; Aug inflation accelerates; Maharlika fund rules

The PSEi inched up by 0.20% in 22 Aug - 5 Sep despite (i) Fitch's unexpected downgrade of US' credit rating from AAA to AA+; (ii) China's slower-than-expected pace of economic recovery; (iii) the Fed's "hawkish pause"; (iv) the acceleration in domestic headline inflation rate to +5.3% YoY in Aug (resulting in upward revision to 2023 headline inflation forecast to +6.0%, from +5.5% previously); and (v) the deceleration in domestic loan growth to +7.8% YoY in Jun. Market sentiment was boosted by the release of the implementing rules and regulation for the country's first sovereign fund, the Maharlika fund, which is allowed to invest in fixed income and equity securities, as well as in joint ventures, infrastructure projects and sustainable development programs. We expect consumption- and mobility-driven stocks to continue to outperform. We like SM, BDO, GTCAP, BLOOM and JFC, while GLO is our preferred yield play.

Vietnam: Manufacturing PMI above 50 for first time since Feb; government raises efforts to upgrade market status

Vietnam manufacturing PMI recovered to above-50 threshold for the first time in 6 months, at 50.5 in August vs. 48.7 in July. Yet employment is still lagging behind (but at a narrowing pace of decline) as corporates are still reluctant to hire. The positive PMI is a rare positive indicator for the economy's health, amidst weak credit growth for 8M23 (4.8% YTD; less than 9% YoY which is below Covid time). On the policy front, low deposit rates continue to be a key measure, with 20bps decline on average over the past 2 weeks, normalizing to pre-Covid level. The government is putting significant effort behind their target to upgrade stock market from 'frontier' to 'emerging' status, with two tasks being pushed to accomplish by year-end or earlier: (i) technically commencing the KRX system, and (ii) implementing the 'central counterparty clearing (CCP)' mechanism in stock trading and resolving pre-funding bottlenecks. This, coupled with (i) the sustained low deposit rates environment, and (ii) upcoming visit of US president Joe Biden to Vietnam which is expected to open up possibilities to upgrade the current 'comprehensive partnership' between the two countries, is underpinning the wave of bullish stock market sentiment. The VN-Index strongly rebounded by +5.5% over the past 2 weeks, completely recovering from the big correction. Re tactical picks, we like FPT for solid fundamentals and brokerages (SSI, HCM, VCI) for potential boost from the rejuvenated stock market. Our long-term picks are unchanged.



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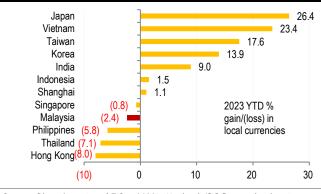
ASEAN+: regional dashboard

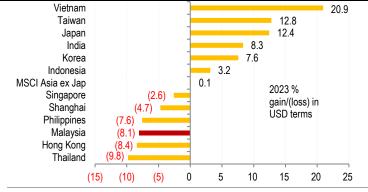
Fig 1: ASEAN: regional market valuations

	Index	PER	(x)	Grow	th (%)	ROE	E (%)	P/B	(x)	Yield (%)	
		2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Malaysia	1,460	14.9	13.4	3.6	11.0	9.0	9.6	1.4	1.3	4.1	4.3
Singapore	3,227	11.7	11.3	38.6	4.1	10.7	10.7	1.3	1.2	4.7	5.0
Indonesia	6,955	15.3	14.0	29.7	9.2	15.0	15.3	2.3	2.1	4.4	4.3
Thailand	1,550	17.0	14.8	5.8	15.4	8.3	8.5	2.3	2.2	2.2	2.4
Philippines	6,183	11.3	10.4	20.7	8.1	12.9	12.8	1.6	1.4	2.5	2.6
Vietnam	1,243	12.6	9.7	10.2	30.4	14.6	16.3	1.8	1.6	-	-

Source: Maybank IBG Research, MSCI, Bloomberg 7 Sep 2023

Fig 2: Asia: market performance (benchmark indices)





Source: Bloomberg (as of 7 Sep 2023), Maybank IBG Research (chart)

Source: Bloomberg (as of 7 Sep 2023), Maybank IBG Research (chart)

Fig 3: ASEAN: index targets, earnings and sector weightings

	Index	12m Target	Up/(Downside
	(pts)	(pts)	%
Malaysia (KLCI)	1,460	1,520	+4.1%
Singapore (STI)	3,227	3,629	+12.5%
Indonesia (JCI)	6,955	7,600	+9.3%
Thailand (SET)	1,550	1,650	+6.4%
Philippines (PSEi)	6,183	7,900	+27.8%
Vietnam (VNINDEX)	1,243	1,300	+4.6%

13x fwd PER, -1.5 std. deviation vs. historical mean (16x); MKE 2022E/2023E/2024E KLCI earnings growth at -5.9%/+2.8%/+12.3%, respectively, with 2022E including one-off *Cukai Makmur* impact, -91% YoY slump in Glove sector profit; OW: Financials, Tech / Software, EMS, Auto, Consumer (Staples), Gaming (Casino), Construction, Aviation UW: Media. Weighted bottom up fundamentals and target PE, PB top down valuation TP. OW: Gaming, Healthcare, Industrials, Internet, Services, Telecom, UW: Banks, REITS, Tech Manufacturing.

Basis / Earnings growth / Overweights (OW) / Underweights (UW)

Target 2023F PE at 16.2 x implying -0.5.std deviation vs average 10Y forward PER (17.3x). MIBG 2022A/2023E/2024E JCI blended earnings growth at +35.5%/+14.1%/+5.4% respectively. OW: Big banks and Telco.

16x fwd PER, 10Y average on THB105 2024E EPS; MST 2023E/2024E SET Index EPS growth at +6.0%/+15%, respectively OW: Banks, Energy, Telcos, Consumption plays (retail, food); UW: Finance, Tourism (hotels, hospitals, airport, airlines), utilities, and PTT.

15x fwd PER, a discount to the 10Y mean of 17.3x; MIBG FY23/24E market earnings growth at +20.7%/ +8.1%, respectively. OW: transport, property/REIT, conglos, banks (select) and consumer (select); UW: power/utilities, telco.

13.8x fwd PER, 0.5SD below 5-year mean; FY23E/24E market earnings growth at +4.6%/+25.6%; OW: Banks, Energy, Materials, Property, IPs; UW: Logistics.

Source: Bloomberg (as of 7 Sep 2023), Maybank IBG Research

Fig 4: ASEAN: foreign net buy / (sell) comp



Source: Bloomberg, Bursa Malaysia, Maybank IBG Research

Fig 5: Relative Performance

				Performance	Perfo	rmance (%)		
		Ticker	1M	3M	YTD	1YR	3YR	5YR
Benchmark	MSCI Asia ex-J	MXASJ Index	(4.4)	(2.7)	0.1	0.9	(13.7)	(3.7)
	MSCI EM	MXEF Index	(4.2)	(2.2)	1.8	1.8	(11.1)	(4.8)
Indices	MSCI ASEAN	MXSO Index	(4.1)	(1.5)	(4.6)	(1.2)	(1.5)	(19.0)
Malaysia	FBMKLCI	FBMKLCI Index	1.0	5.9	(2.4)	(2.1)	(3.7)	(18.8)
Singapore	FSSTI	FSSTI Index	(2.5)	1.5	(0.8)	0.5	28.5	2.9
Indonesia	JCI	JCI Index	1.0	5.1	1.5	(3.2)	33.0	18.9
Thailand	SET	SET Index	1.2	1.1	(7.1)	(5.5)	18.2	(8.2)
Philippines	PCOMP	PCOMP Index	(5.0)	(5.8)	(5.8)	(5.7)	4.2	(18.6)
Vietnam	VNINDEX	VNINDEX Index	0.1	12.0	23.4	(0.0)	40.0	28.3

Source: Bloomberg (as of 7 Sep 2023), Maybank IBG Research



MALAYSIA: strategy and macro highlights

Fig 1: Malaysia: market strategy and sector/stock positioning

Macro Highlights / Market Strategy:

- Re the 15th General Elections (GE15), the unexpectedly strong showing by Islamist party PAS now controlling >20% of Parliament and whose policy platform is focused on incorporating Islam into all aspects of society, including politics, law and administration equates to a significant structural step-up in the uncertainty / market risk premium surrounding Malaysia's future political and policy direction despite PAS not being a member of the current government coalition. "Sin" sectors like gaming and breweries are most obviously in the firing line related policy changes could have an impact on overall investment climate and market sentiment.
- Retabled Budget 2023 reiterated the government's commitment towards fiscal consolidation, with the budget deficit targeted to decline to 5.0% in 2023 (2022: 5.6%; 2020-2021 average: 6.3%) with 3.2% target by 2025. Income tax measures announced are essentially "progressive and redistributive" (i.e. individual income tax cut of 2 percentage point (ppts) for low-to-middle income taxpayers vs 0.5-2 ppts hikes for higher income taxpayers; capital gains tax for unlisted shares; global minimum effective tax), coupled with measures to broaden indirect tax base and revenue (e.g. luxury goods tax) as well as enhance tax compliance (i.e. third round of Special Voluntary Disclosure Programme (SVDP)). Strengthening the governance of public finance and Government spending is anchored by pending tabling of Fiscal Responsibility Act and Government Procurement Act. Given these measures to strengthen the country's fiscal dynamic, Goods and Services Tax (GST) is not high or urgent on the agenda. Fuel subsidy looks like staying for now amid savings from lower crude oil price outlook (2023: USD80/bbl; 2022: USD100/bbl; MIBG 2023E: USD100/bbl).
- OPR cuts in 2020 totalled 125bps, taking it to a record low of 1.75%. BNM first raised the OPR by +25bps on May 11th, well ahead of our/consensus' 4Q22 expectation, and hiked again in July, Sept and Nov, by +25bps each. The hiking "pause" in Jan 2023 (and March) was a surprise but BNM has subsequently hiked again in May, by +25bps, taking the OPR back to the pre-pandemic level of 3.0%. The pauses in July and Sept appear to indicate greater comfort with both inflation trends as well as Ringgit support domestic headline and core inflation are expected to moderate this year, to 3.0% (2022: +3.3%) however, inflation risk is to the upside, especially amid "fluid" policy on price subsidies and controls as per implementation of targeted electricity subsidy, Budget 2023 re-tabling indicating fuel subsidy stays for now and we also note recent U-turn on plans to float chicken/eggs prices in July.
- Re key market-impacting developments, we note i) government policy roll-out has picked up significantly, kicking-off with the MADANI Economy Framework and the National Energy Transition Roadmap (NETR, Part 1) in late-July, with NETR Part 2 and the New Industrial Masterplan (2030) subsequently launched end-Aug; to be followed by Budget 2024 in October 2024 energy/utilities, renewables, construction and property sectors are in focus; and ii) stamp duty for shares trading has been lowered to 0.1% from 0.15% effective Jul 2023, but stamp duty cap of MYR1,000 per contract note is maintained. Incremental boost to retail trading.

Sector/stock positioning:

- Given continuing uncertainties around GDP deceleration, policy/political risks, geopolitics and global interest rate adjustments, we are balanced in our positioning via a mix of value and growth picks + continuing yield focus. We like i) Mid-cap Financials (HLBK, HLFG. Public, ABMB, Allianz, RCE Capital); ii) Auto (BAuto, Sime, MBM, UMW Holdings); iii) Construction (Gamuda, IJM); iv) Externally-driven earnings / Exporters such as tech sector Greatech (EV, Solar) and ITMAX (smart city specialist); also Metals (Press Metal) and EMS (ATech); v) Aviation (AAX, CAPITALA and MAHB); and vi) Tech / Software (MYEG and CTOS). More selectively, TAH and SOP (Plantations), Telekom and Axiata (Telco), Genting (Gaming), Sime Prop., SP Setia and ECW (Property), Mr D.I.Y, Padini, Carlsberg, Heineken, DXN and AEON (Retail/Consumer), Optimax (Healthcare), Gas (M), YTLP and MFCB (Utilities), Magnum (NFOs) and YTL, Sentral and AXIS re REITs.
- SELLs: <u>Consumer/Retail</u> (Nestle), <u>Gloves</u> (TopGlove) and SMIDs <u>Globetronics</u>, <u>Lotte Chemical</u>, <u>Tan Chong</u>, <u>Astro</u>, <u>TH Plantations</u> and <u>TSH Resources</u>.

Source: Maybank IBG Research

Fig 2: Malaysia: Stock Recommendations

Stock	BBG	M.Cap	Rec	Price	TP	Upside	-	wth (%)		(x)		(%)		(x)		ld (%)
		MYRm		MYR	MYR	%	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
Large Caps																
Public Bank	PBK MK	82495	Buy	4.25	5.05	18.8	9.7	4.4	12.3	11.8	NA	NA	1.5	1.5	4.5	4.5
CIMB Group	CIMB MK	61218	Buy	5.74	6.50	13.2	16.5	7.8	9.4	8.8	NA	NA	0.9	0.9	5.7	6.1
HL Bank	HLBK MK	42921	Buy	19.80	23.00	16.2	16.0	(1.4)	10.2	10.8	NA	NA	1.2	1.2	3.1	3.2
Telekom MY	T MK	19721	Buy	5.16	6.50	25.9	42.7	2.0	11.0	10.8	19.9	18.1	2.2	1.9	3.6	3.7
Genting MY	GENM MK	15380	Buy	2.59	2.77	6.9	144.1	64.8	25.5	15.5	4.7	7.6	1.2	1.2	5.8	5.8
MR D.I.Y.	MRDIY MK	14139	Buy	1.50	2.40	60.0	20.1	19.1	24.5	20.6	33.2	32.8	8.2	6.8	1.9	2.3
Gamuda	GAM MK	11497	Buy	4.32	4.80	11.1	(4.4)	0.5	13.7	13.6	16.8	7.4	1.1	1.0	11.6	2.8
IJM Corp	IJM MK	6456	Buy	1.77	2.18	23.2	32.2	(.6)	16.7	18.5	1.6	3.4	0.6	0.6	5.0	3.4
My E.G. Serv.	MYEG MK	5954	Buy	0.80	1.16	45.7	16.8	5.5	14.4	13.7	19.0	17.6	2.7	2.4	2.0	2.1
UMW Hldgs	UMWH MK	5608	Buy	4.80	6.02	25.4	19.4	3.3	11.2	10.8	10.6	10.2	1.2	1.1	3.6	3.7
Mid-Small Caps		•••••	·-·····					•····		•••••	•••••	•••••		••••••	•••••	•••••
SP Setia	SPSB MK	3672	Buy	0.90	1.20	33.3	(3.5)	113.4	13.2	6.2	2.3	4.6	0.3	0.3	1.7	3.6
Mega First	MFCB MK	3311	Buy	3.35	4.30	28.5	3.8	6.9	8.2	7.7	12.6	12.2	1.0	0.9	2.5	2.8
CTOS Digital	CTOS MK	3303	Buy	1.43	2.00	39.9	57.6	11.4	28.3	25.4	20.6	20.9	5.8	5.3	1.8	2.2
Allianz MY	ALLZ MK	2848	Buy	16.00	19.20	20.0	21.6	13.6	7.8	6.8	NA	NA	1.2	1.1	5.3	5.3
S'wak Oil Palms	SOP MK	2306	Buy	2.59	2.81	8.5	(54.1)	6.5	10.1	9.5	6.6	6.7	0.7	0.6	3.0	3.1
MBM Resources	MBM MK	1561	Buy	3.80	4.57	20.2	10.4	2.6	6.3	6.1	11.7	11.4	0.7	0.7	12.2	8.9
AEON Co	AEON MK	1460	Buy	1.04	1.75	68.3	(5.1)	5.7	11.5	10.9	6.7	6.9	0.8	0.7	3.8	3.8
ITMAX System	ITMAX MK	1450	Buy	1.41	1.71	21.3	47.3	19.6	22.1	18.5	19.2	19.5	4.3	3.6	0.9	1.1
AirAsia X	AAX MK	1095	Buy	2.45	3.56	45.4	(111.4)	83.8	7.6	4.1	NA.	34.9	2.2	1.4	0.0	0.0
Optimax	OPTIMAX MK	375	Buy	0.70	0.86	23.7	10.0	0.1	23.2	23.2	24.4	23.0	6.1	5.8	3.4	3.4

Source: Maybank IBG Research, Factset, 7 Sep 2023

Fig 3: Malaysia: Key macroeconomic Indicators

	2019	2020	2021	2022	2023E	2024E
Real GDP (%)	4.4	(5.5)	3.1	8.7	4.0	4.4
Private Consumption (%)	7.7	(4.2)	1.9	11.3	4.7	4.8
Government Consumption (%)	1.8	5.0	5.3	3.9	3.2	6.0
Gross Fixed Capital Formation (%)	(2.1)	(14.4)	(0.9)	6.8	5.5	5.1
Exports of Goods & Services (%)	(1.0)	(8.6)	15.4	12.8	(3.2)	3.4
Imports of Goods & Services (%)	(2.4)	(7.9)	17.7	14.2	(4.0)	4.2
Current Account Balance (% of GDP)	2.3	4.2	3.8	2.6	2.4	2.3
Fiscal Balance (% of GDP)	(3.7)	(6.2)	(6.4)	(5.6)	(5.0)	(4.3)
Inflation Rate (%, period average)	1.0	(1.2)	2.5	3.3	3.0	2.5
Unemployment Rate (%, period average)	3.3	4.5	4.6	3.9	3.5	3.4
Exchange Rate (per USD, end-period)	4.09	4.02	4.17	4.40	4.55	4.20
10-Year Government Bond Yield (%, end-period)	3.31	2.65	3.59	4.00	3.50	3.30
Benchmark Interest Rate (% p.a., end-period)	3.00	1.75	1.75	2.75	3.00	3.00

Source: CEIC, Maybank IBG Research





Source: Bloomberg , Maybank IBG Research

Fig 5: KLCI's trailing P/B



 ${\it Source: Bloomberg\ ,\ Maybank\ IBG\ Research}$

SINGAPORE: strategy and macro highlights

Fig 1: Singapore: market strategy and sector/stock positioning

Market strategy:

- Industrial production (IP) in Jul rose +4.1% in seasonally adjusted MoM terms (vs. +3.3% in Jun), its second straight month of
 growth. Expansions were seen across electronics, chemicals and transport engineering.
- IP fell by -0.9% YoY, a much shallower decline than the -6.6% in Jun. The improving manufacturing data marks an encouraging start to 3Q23, and comes despite a big deterioration of Jul NODX (-13.2 % YoY).
- We maintain our GDP growth forecast at +0.8% in 2023E and +2.2% in 2024E. We expect a modest manufacturing recovery in 4Q23, reducing risk of recession and rising prospects of a growth uplift in 2024E.
- Singapore's presidential election concluded with a decisive win for Mr. Tharman Shanmugaratnam a former deputy prime minister with more than 70% of the vote. This may be seen as a barometer for general elections to be held before late 2025.
- Singapore's 1H23 results season concluded on a resilient note. 23% of earnings beat expectations, while only 2% missed. Forecast upgrades led downgrades by 5 to 4. However, ratings were largely unchanged. There was evidence that companies were able to pass on higher costs and interest rates as well as benefit from earlier economic re-opening.
- For market sector weightings, we are POSITIVE on Gaming, Healthcare, Industrials, Internet, Services, Telecom and NEUTRAL Banks, REITs and NEGATIVE on Tech Manufacturing.
- Our preferred picks follow a longer term Growth approach with some weighting towards defensiveness: stocks that offer near-term earnings visibility and strong competitive positioning for superior pricing (defensiveness) DBS, Genting Singapore, Frencken, CICT and stocks offering growth acceleration due to medium term themes such as EM consumption, policy support, ESG (growth) CSE, ST Eng, Raffles Med, SCI, CDL Hospitality Trust, ComfortDelGro.

Sector/stock positioning:

- Raise GRAB TP to USD4.20 (c. USD4.00) following better than expected 2Q23. Management is guiding better FY23E adjusted EBITDA and competition is easing in key markets and the Group is leveraging its dominant market position. Maintain BUY.
- Reiterate BUY on FEH with unchanged SGD1.36 TP following visits to operations in Vietnam. Sales are on track to grow 13%-15% in FY23, while new products and price escalations are set to support margins.
- Raise CVL TP to SGD1.05 (c. SGD1.00) following 2Q23 results .Pegged to higher PE multiple (10x FY24E) due to strong execution capabilities and strengthening balance sheet.

Source: Maybank IBG Research

Fig 2: Singapore: stock recommendations

Stock	BBG	M.Cap	Rec	Price	TP	Ret.	EPS	gr. (%)	P	P/E (x)	RO	DE (%)	P.	/B (x)	Div Y	d (%)
		USDm		SGD	SGD	%	22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
BUY (Large Caps	<u>s)</u>															
DBS	DBS SP	63,474	Buy	33.40	39.36	17.8	26.0	(0.3)	8.6	8.8	17.9	16.5	1.5	1.4	5.7	6.3
CICT	CICT SP	9,286	Buy	1.90	2.15	13.2	(0.5)	2.5	17.1	16.5	5.1	5.2	0.9	0.9	5.7	5.9
Genting SG	GENS SP	7,861	Buy	0.89	1.12	26.6	74.5	17.9	16.7	13.0	7.3	8.4	1.3	1.3	4.5	4.5
ST Engineering	STE SP	8,898	Buy	3.88	4.20	8.2	9.0	15.0	21.7	18.0	23.3	25.1	4.7	4.4	4.3	5.2
Sembcorp Ind.	SCI SP	6,643	Buy	5.08	6.30	24.0	32.7	(8.6)	11.8	11.7	21.1	16.5	1.9	1.7	1.6	1.6
BUY (SMID - M.C	ap <usd5b)< td=""><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></usd5b)<>															
Comfort Delgro	CD SP	2,022	Buy	1.27	1.50	18.1	2.2	14.5	16.1	15.3	6.8	7.7	1.0	1.0	4.6	4.9
Raffes M	RFMD SP	1,730	Buy	1.25	1.65	32.0	(12.0)	0.2	19.5	18.7	12.0	11.3	2.2	2.0	2.6	2.6
CDL Hosp Trust	CDREIT SP	960	Buy	1.05	1.25	19.0	(70.0)	20.6	17.2	15.2	3.5	4.2	0.7	0.7	5.8	6.5
Frencken	FRKN SP	317	Buy	1.01	0.97	(4.0)	(53.6)	44.6	17.1	9.4	6.0	8.2	1.1	1.0	1.8	3.2
CSE Global	CSE SP	210	Buy	0.47	0.65	39.8	354.0	21.9	13.7	10.6	9.7	10.7	1.2	1.1	6.0	6.0

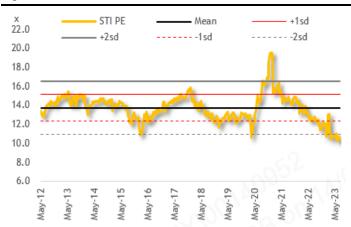
Source: Maybank IBG Research, FactSet

Fig 3: Singapore: Key macroeconomic Indicators

	2019	2020	2021	2022	2023E	2024E
Real GDP (%)	1.3	(3.9)	8.9	3.6	0.8	2.2
Private Consumption (%)	2.8	(13.1)	6.6	9.7	3.8	2.5
Government Consumption (%)	3.2	13.0	3.7	-2.3	2.3	2.0
Gross Fixed Capital Formation (%)	2.3	(14.8)	18.0	1.6	(1.2)	2.0
Exports of Goods & Services (%)	0.2	0.4	11.7	(1.3)	(0.5)	1.8
Imports of Goods & Services (%)	0.0	(1.1)	12.0	(1.9)	(0.6)	2.0
Current Account Balance (% of GDP)	16.2	16.4	18.0	19.3	18.6	18.0
Fiscal Balance (% of GDP)	0.2	(10.5)	0.3	(0.3)	(0.1)	0.5
Inflation Rate (%)	0.6	(0.2)	2.3	6.1	4.8	2.9
Unemployment Rate (%)	2.3	3.0	2.7	2.1	2.0	2.0
Exchange Rate (per USD, end-period)	1.35	1.3	1.35	1.34	1.34	1.28
10-Year Government Bond Yield (%, end-period)	1.73	0.83	1.64	3.09	2.75	2.50
3M SORA (% p.a., end-period)	1.27	0.13	0.19	3.10	3.80	3.00

Source: Maybank IBG Research

Fig 4: FSSTI 12M forward PER



Source: Maybank IBG Research

Fig 5: FSSTI 12M forward P/B



Source: Maybank IBG Research

ASEAN+ FORTNIGHTLY



INDONESIA: strategy and macro highlights

Fig 1: Indonesia: market strategy and sector/stock positioning

Macro Highlights / Market Strategy:

- In the last two weeks, JCI strengthened +1.9% ending at 6,997. JCI was supported by the giant coal miners BYAN (+5.6%), ADRO (+7.9%), ADMR (+14.8%), ITMG (+10.4%), PTBA (+4.7%), and BUMI (+5.8%), precious metal miners AMMN (+48.4%) and MDKA (+7.2%), and also big banks BMRI (+5.6%) and BBNI (+4.4%). However, JCI was also dragged down by poultry sector CPIN (-4.3%) and JPFA (-6.0%), digital banks ARTO (-14.3%) and BBYB (-15.1%), cigarette producers GGRM (-3.8%) and HMSP (-1.7%), and also consumer sector ICBP (-4.3%), KLBF (-3.3%), INDF (-2.1%), MYOR (-4.5%), SIDO (-5.4%) and ULTJ (-6.8%).
- IDR slightly strengthened against USD for the past two weeks ending at 15,240.
- Indonesia's sovereign bond front-end 3M to 1Y tenors' yields increase by 20.0bps to 24.1ps, 2Y to 4Y yields increase by 11.9bps to -2.3bps, and lastly 5Y to 15Y tenors' yields fell at -3.6bps to -15.1bps.

Sector/stock positioning:

- <u>Banking</u>: 7M23 banking loan growth sped up to 8.5% YoY (vs 7.8% in Jun'23). We maintain our preference for big banks especially <u>BMRI</u> and <u>BBCA</u> as they are gaining market share and continuous improving profitability. We think that 2H23 loan growth to remain robust from backloaded fiscal spending. However, we are still cautious on mid-smaller sized banks as margins are pressured from the high interest rate environment.
- Consumer: Our Top Picks (in order): 1) ICBP; 2) MYOR; and 3) INDF will deliver stronger earnings in 3Q/2H23E due to pent-up demand as a result of the upcoming election. These companies also have extensive business presence in the mass-market segment. The sector continues to move sideways because of a lack of monthly data disclosure for investors to assess 3Q23 performance. That said, we stick our calls to the companies with strong 1) market leadership; 2) pricing power; and 3) innovation to reduce competition risks; and grow their earnings sustainably. Meanwhile, we are selective in the retail sector with MAPI as our preferred pick. The company continues to deliver stronger sales in low-season July and August 2023. On the other hand, we still have a SELL rating on UNVR and RALS due to their lower EPS growth cycle.
- <u>Cigarette:</u> Our Top Pick for the sector is GGRM; due to its strong FY23-25E earnings turnaround. GGRM has brought a 10-26% YTD ASP increase. We expect higher cigarette sales in 2H23E driven by higher consumption approaching the election campaign. Thus, we believe GGRM will be able to achieve our earnings forecast of IDR6.6t for FY23E (FY22-25E EPS CAGR: 32%, vs. HMSP's: 18%). We are also expecting the government to remain dovish to the cigarette manufacturers. With weak excise tax revenue achievement August/8M 2023, we still see smokers 1) switching to tier-2 cigarette products (produced by WIIM and Nojorono); and 2) buying illegal cigarettes as these products are cheaper than tier-1 products (produced by GGRM, HMSP, and Djarum).
- <u>Coal:</u> Riding on the rally of oil price, we recommend tactical buy on coal producers and industrial metal producers. We like ADRO and UNTR as a proxy to thermal coal due to expectation on subdued of hydroelectric generation amidst low rainfall in South China.
- <u>Metal:</u> Global economic worries due to recent macro volatility has weigh on industrial metal prices including nickel. Nonetheless, we believe nickel price to be bottoming out, led by recovery in NPI (+7% QTD). Additionally, we expect LME nickel price will remain elevated as supply for class-1 remains limited while demand for EV remain robust. Meanwhile, high fuel prices will pressure margin for the 2H23E. Our top picks are MDKA and INCO.
- <u>Telco:</u> Starlink can cover Indonesia by 2024. Meanwhile, the Ministry of Health plans to utilize Starlink in its health centers (Puskesmas) in remote areas for internet access. We think that Starlink coverage will benefit Indotelco, especially <u>TLKM</u> and <u>MTEL</u>, mainly as Telkom Satelit Indonesia Satelit (Telkomsat, subsidiary of <u>TLKM</u>) has the exclusive landing rights for Starlink. Starlink network will be B2B and for a closed network (backhaul). Hence, tower companies can also use it to provide backhaul networks to provide cellular internet in remote areas. Therefore, we maintain our positive view of Indotelco.
- Property: Upbeat 2H23 performance with backloaded launches from SMRA and CTRA. We forecast consolidated pre-sales to reach IDR25t in FY23E and are optimistic our property universe will achieve this despite the underperformance in 1H23. We believe end-user demand for landed residential remain strong and investment properties to continue growing. We expect consolidated earnings to reach IDR7.0t, driven by revenue recognition from several projects in 2021 and strong recurring revenue performance, which is the main driver for PWON's revenue.
- <u>Media:</u> We have observed a transformative shift in the TV industry, where influencers have started to emerge as competitors. Influencers leverage their digital reach and audience engagement to create content and do promotions, emphasizing the growing impact of digital platforms and social media. It is imperative for media companies to find synergies between both traditional and digital broadcasting. As viewer preferences continue to diversify, the traditional TV model is faced with the challenge of remaining relevant and competitive, as we have seen in 1H23 performance of the industry. Through its ongoing media asset diversification, we believe MNCN can address this challenge. Currently, MNCN has RCTI+, online portals, and continued monetization of its social media platforms that we believe can help MNCN in dampening the effect of declining contribution from TV advertising.
- <u>Infrastructure:</u> JSMR's 1H23 earnings align with street expectations at IDR1.15t (+56% YoY). Management is optimistic and targets revenue and EBITDA growth of>10% in FY23E, expecting improving traffic in 2H23 and another round of tariff adjustments in 2H23. Meanwhile, the 2.2km Tol Cinere Jagorawi section 3B (Krukut-Cinere) has passed the inspection, and the operation is subject to operation worthiness inspection. The function of Cinere-Jagorawi can improve connectivity in Greater Jakarta.

Source: Maybank IBG Research

Fig 2: Indonesia: stock recommendations

BB Code	Mkt. cap	Rec.	CMP	TP	Upside	EPS gr	w. (%)	PER	(x)	ROE	(%)	P/B	(x)	Div. Yi	eld (%)
	(IDRb)		(IDR)	(IDR)	(%)	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E	FY22E	FY23E
<u>BUY</u>															
BBCA IJ	74,654	Buy	9,225	10,450	13.3	23.1	11.4	22.7	20.4	21.5	21.4	4.6	4.1	2.2	2.4
BBRI IJ	55,965	Buy	5,625	6,450	14.7	19.0	13.1	14.0	12.4	19.7	20.6	2.7	2.4	4.5	4.4
BMRI IJ	37,375	Buy	6,100	6,400	4.9	15.3	13.6	11.3	10.0	20.6	21.0	2.2	2.0	4.8	5.4
TLKM IJ	24,257	Buy	3,730	5,000	34.0	30.4	9.8	13.6	12.4	20.1	20.4	2.6	2.4	4.5	4.7
ICBP IJ	8,574	Buy	11,200	14,000	25.0	156.1	-9.6	11.1	12.3	28.5	21.7	2.8	2.5	3.5	3.8
UNTR IJ	6,569	Buy	26,825	28,000	4.4	-17.0	-22.1	5.7	7.4	20.9	16.6	1.3	1.2	21.6	6.8
GOTO IJ	6,449	Buy	93	153	64.5	62.9	36.3	na	na	-12.1	-8.0	0.8	0.9	0.0	0.0
KLBF IJ	5,493	Buy	1,785	2,800	56.9	27.9	15.0	19.3	16.8	19.2	19.0	3.4	3.0	1.8	2.0



MDKA IJ	5,397	Buy	3,410	5,300	55.4	48.2	56.7	62.3	39.8	7.9	10.7	4.5	4.0	0.0	0.0
ISAT IJ	4,883	Buy	9,275	9,000	-3.0	-53.2	41.5	33.6	23.8	17.4	20.1	5.8	4.8	1.0	0.6
MTEL IJ	4,084	Buy	745	950	27.5	8.7	17.0	32.1	27.4	5.6	6.4	1.8	1.7	1.9	2.2
INDF IJ	3,977	Buy	6,900	9,000	30.4	77.1	13.3	5.4	4.8	19.3	19.0	1.0	0.8	6.5	7.4
INCO IJ	3,897	Buy	5975	8800	47.3	36.3	-15.9	14.3	17.0	11.0	8.4	1.5	1.4	0.0	0.0
MYOR IJ	3,743	Buy	2,550	2,900	13.7	16.1	26.4	25.3	20.0	17.0	19.2	4.1	3.6	1.6	2.0
TOWR IJ	3,466	Buy	1,035	1,260	21.7	-8.5	1.1	16.8	16.6	20.4	18.2	3.2	2.9	2.1	2.1
ANTM IJ	3,076	Buy	1,950	2,400	23.1	-11.5	25.7	13.9	11.0	13.7	15.7	1.8	1.6	2.3	2.5
GGRM IJ	3,044	Buy	24,100	33,000	36.9	98.3	6.0	7.1	6.7	11.1	11.1	0.8	0.7	3.3	3.4
MAPI IJ	2,158	Buy	1,980	1,800	-9.1	1.5	16.5	15.3	13.2	24.3	23.7	3.4	2.9	1.4	1.6
EXCL IJ	2,102	Buy	2,450	3,200	30.6	55.2	3.0	18.6	18.1	6.6	6.5	1.2	1.1	1.9	1.9
JSMR IJ	2,082	Buy	4,370	5,000	14.4	-41.0	46.6	19.6	13.3	6.9	9.1	1.3	1.2	0.8	1.1
BSDE IJ	1,557	Buy	1,120	1,400	25.0	-3.6	2.0	10.1	9.9	6.7	6.4	0.7	0.6	0.0	0.0
PWON IJ	1,423	Buy	450	600	33.3	21.9	10.4	11.6	10.5	10.3	10.4	1.1	1.0	1.0	1.1
CTRA IJ	1,371	Buy	1,125	1,500	33.3	-0.9	10.5	11.3	10.2	9.6	9.7	1.0	1.0	0.9	0.9
SMRA IJ	704	Buy	650	800	23.1	27.2	8.0	13.5	12.5	8.3	8.3	1.1	1.0	0.9	1.0
MNCN IJ	524	Buy	530	850	60.4	6.7	12.9	3.6	3.2	10.5	10.8	0.4	0.3	0.0	0.0

Source: Maybank IBG Research, Bloomberg

Fig 3: Indonesia: Key macroeconomic Indicators

	2019	2020	2021	2022	2023E	2024E
Real GDP (%)	5.0	(2.1)	3.7	5.3	5.0	5.2
Private Consumption (%)	5.0	(2.6)	2.0	4.9	4.6	5.2
Government Consumption (%)	3.3	2.1	4.2	(4.5)	4.0	4.0
Gross Fixed Capital Formation (%)	4.5	(5.0)	3.8	3.9	4.0	6.0
Exports of Goods & Services (%)	(0.5)	(8.4)	18.0	16.3	4.5	8.5
Imports of Goods & Services (%)	(7.1)	(17.6)	24.9	14.7	2.0	8.9
Current Account Balance (% of GDP)	(2.7)	(0.4)	0.3	1.0	(0.4)	(1.2)
Fiscal Balance (% of GDP)	(2.2)	(6.1)	(4.6)	(2.4)	(2.5)	(2.5)
Inflation Rate (%, period average)	2.8	2.0	1.6	4.2	3.7	3.0
Unemployment Rate (%, period average)	5.2	7.1	6.5	5.9	5.3	5.1
Exchange Rate (per USD, end-period)	13,866	14,050	14,253	15,568	15,000	14,000
BI Policy Rate (% p.a., end-period)	5.00	3.75	3.50	5.50	5.75	5.00

Source: CEIC, Maybank IBG Research

Fig 4: JCI's 12M forward PER



Source: Bloomberg, Maybank IBG Research

Fig 5: JCI's trailing P/B



Source: Bloomberg, Maybank IBG Research



THAILAND: strategy and macro highlights

Fig 1: Thailand: market strategy and sector/stock positioning

Market strategy:

- Policy rates: BoT has hiked interest rate by another +25bps to 2.25% at its Aug meeting, the highest level in nine years. We thus expect one more +25bps rate hike this year before an extended pause.
- Inflation: Aug inflation slightly increased to 0.9% YoY pace compared to 0.4% in Jul. YTD, inflation average 2.0% YoY. We expect headline inflation to be 2.5% in 2023, down from 6.1% in 2022.
- THB: THB has weakened sharply against the USD after the election. This is due to flight of capital whereby foreigners were big
- net sellers of both Thai equities and bonds. Still, given rising current account surplus, we expect THB to strengthen to 33.0. **GDP growth:** NESDC revised its forecast to 2.5-3.0%, down from the previous forecast of 2.7-3.7%. (vs our forecast +3.2%) accelerating from 2.6% growth rate in 2022. 2Q23 GDP release undershooting with growth of 1.8% (from 2.6% in 1Q23). Strong consumption growth (+7.8%) and export of services (+54.6%, mostly due to tourist income) were strong drivers. Key drags were public spending (-4.3%, no COVID handout) and exports (-5.7%).
- Current Account: Improving tourism receipts and falling oil prices will help swing the current account into a surplus of 3.5% of
- Politics: Thailand finally has a new Prime Minister, Mr. Srettha Thavisin who received the royal approval on 23 August. We expect the new government to be formed by mid-September at the latest. We see this as a positive development as Pheu Thai-led government is likely to focus on the economy and we expect up to THB965b (equivalent to 5.5% of GDP) in short-term stimulus starting as early as 4Q23.
- Macro key events to watch: Inflation (released the 6th of each month), Exports (23rd of each month), BoT data (end of each month), Policy rate decisions (2023 remaining meetings are held on 27 Sept, 29 Nov).
- Strategy: We expect SET Index to remain volatile in the near term given political uncertainties. Still, we think downside risks look limited given already sharp EPS downgrade YTD and that valuation is already almost 1SD below its 10Y average. Tactically, we favour banks and energy and turn more cautious on consumption and tourism plays.
- Strategy key catalysts and events: government formation and and global financial markets.

Sector/stock positioning:

Below are details of our sector views, and top 12-month buys within each sector. The companies in **bold green** are our top buys.

- Banks: We expect sector NIM to benefit from interest rate uptrend. This will help drive earnings improvement and ROE expansion. Our top sector pick is Bangkok Bank (BBL TB) as we expect NII and NIM to improve after the bank has cut its deposit rate in mid-June despite on-going BOT rate hikes. We see trading opportunity for Kasikornbank (KBANK TB) and Kiatnakin Phatra (KKP TB) due to the new government formation and their weak.
- Finance: MTC share price rebound sharply post 2Q23 results announcement as the market expects earnings recovery and asset quality improvement. Consumer finance companies are likely to benefit from the government stimulus policies eg cash hand-outs and minimum wage hike. However, we expect the sector earnings are likely to hit from (i) the lower NIM from the higher funding cost and (ii) higher NPLs and credit cost.
- Energy: We are positive on Thai energy sectors particularly refinery stocks given bullish outlook and attractive valuation. Singapore GRM remains elevated which should support our top pick Bangchak (BCP TB). We have also re-initiated coverage of PTT Exploration & Production (PTTEP TB) with a BUY rating and TP THB 194. We see a strong outlook for oil price over the next six months, driven by OPEC+ production cut and resilient demand growth.
- Price wars have officially ended as ARPU began to recover. In 2Q23, ARPU in the mobile and FBB industries increased by 1% and 2% QoQ, respectively. Mobile competition eased further in early Aug, and we expect to see QoQ increase in the sector's 3Q23 core profit. On 19 Aug, we upgraded TRUE to BUY from HOLD due to expected earnings recovery in 3-4Q23 and attractive valuation (FY24E EV/EBITDA at 9% discount compared to pre-merger long-term mean). We reiterate BUY on Advanced Info (ADVANC TB) (THB250 TP) due to FY23E core profit growth of 13% YoY and FY23-24E yields of 4%.
- Construction materials and services: 2H23 trends indicate improved cement and building material demand within Thailand, slightly better than 2H22. This momentum is supported by on-going government projects, although new projects have not yet emerged. Coal cost and electricity tariff has decreased which will help lift gross margin. TOA Paint (TOA TB) and CH. Karnchang (CK TB) are our top pick as high growth potential.
- Automotive The Federation of Thai Industries has reduced 2023 car production target to 1.90m units, a slight growth of 1%YoY from the previous 1.95m units, growing 3.5%YoY, due to the effect from EV cars and credit limitation. However new orders will support stocks that we cover AH, SAT and STANLY to grow slightly higher than industry growth. Aapico Hitec (AH TB) is our top pick given strong sales growth and gross margin expansion. Valuation is also cheap.
- Commerce: We saw weaker SSSG QTD on seasonal impact but the 3Q23E earnings are likely to grow YoY. We expect the new government to launch stimulus measures to boost consumption. CPALL (CPALL TB) remains our Top Pick in the retail sector as Thailand's leading convenience store, wholesale and retail business operator.
- Agri, Food & Beverage: Agribusiness sector should post improving earnings in 3Q23 due to seasonal impact and declining raw material costs. We still like CPF (CPF TB) as we believe its valuation has already bottomed out with the share price down to trade at 0.7x P/BV, 1 SD lower than its average. We also believe CPF's operations have bottomed out in 2Q23 and expect a turnaround from 2H23E. Share prices of F&B saw profit taking and negative sentiment on increasing sugar prices. SNNP (SNNP TB) remains our top pick given its healthy growth prospect.
- Technology: We prefer Humanica (HUMAN TB) (BUY, THB14.0 TP) over BBIK (BBIK TB) (HOLD, THB119 TP) due to its lower FY24E P/E of 26x (vs BBIK's 30x). For HUMAN (provider of HR software and solutions), we forecast 3Q23E core profit of THB70m (+24% YoY, +9% QoQ) on the back of Workplaze project implementation. Core profit should then grow to THB90m (+15% YoY, +28% QoQ) thanks to more revenue from Workplaze and a high season for ERP project implementation.

Source: Maybank IBG Research

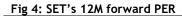
Fig 2: Thailand: Tactical Buys

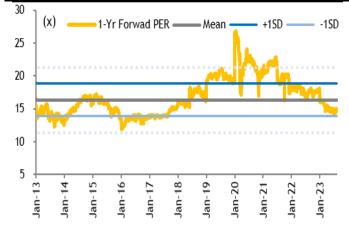
Stock	BBg Code	Mkt. cap	Rec.	Price	TP (THB)	Upside	EPS grv	v. (%)	PE	R (x)	ROE	(%)	P/B	(x)	Yield	d (%)
SLOCK	DDg Code	(USDm)	Rec.	(THB)	IF (IND)	(%)	23E	24E	23E	24E	23E	24E	23E	24E	23E	24E
Advanced info	ADVANC TB	17,925	BUY	214.00	250.00	16.8	13.3	4.0	21.9	21.1	33.0	32.6	7.1	6.7	3.8	4.0
CP All	CPALL TB	16,254	BUY	64.25	79.00	23.0	32.0	22.9	32.9	26.8	16.5	18.3	5.2	4.6	1.5	1.8
Bangkok Bank	BBL TB	9,031	BUY	168.00	200.00	19.0	32.9	7.6	8.2	7.6	7.5	7.6	0.6	0.6	3.9	4.2
Krung Thai Bk	КТВ ТВ	7,675	BUY	19.50	22.00	12.8	12.8	6.7	7.2	6.7	9.7	9.7	0.7	0.6	4.2	4.5
SCG Packaging	SCGP TB	4,685	BUY	38.75	47.00	21.3	8.4	20.3	26.6	22.1	6.3	7.1	1.6	1.5	1.6	1.9
COM 7	COM7 TB	2,183	BUY	32.50	37.00	13.8	13.3	18.2	22.7	19.2	42.6	40.1	8.8	6.8	2.0	2.3
Bangchak	BCP TB	1,543	BUY	38.00	49.00	28.9	-66.3	35.6	8.6	6.4	11.2	14.2	0.9	0.9	5.8	7.9
Thai Stanley	STANLY TB	409	BUY	189.50	240.00	26.6	16.3	4.1	8.3	8.0	8.5	8.5	0.7	0.7	10.6	9.5
Aapico Hitech	AH TB	357	BUY	35.75	44.00	23.1	11.0	6.1	6.5	6.1	18.6	17.7	1.2	1.0	5.3	5.7
Source: Maybank I	BG Research, F	actSet														

Fig 3: Thailand: Key macroeconomic indicators

	2019	2020	2021	2022	2023E	2024E
Real GDP (%)	2.1	(6.1)	1.5	2.6	3.2	3.6
Private Consumption (%)	4.0	(0.8)	0.6	6.3	4.5	4.2
Government Consumption (%)	1.6	1.4	3.7	0.2	(2.8)	1.8
Gross Fixed Capital Formation (%)	2.0	(4.8)	3.1	2.3	1.8	2.7
Exports of Goods & Services (%)	(3.0)	(19.7)	11.1	6.8	2.3	2.9
Imports of Goods & Services (%)	(5.2)	(13.9)	17.8	4.1	(0.6)	4.2
Current Account Balance (% of GDP)	7.0	4.2	(2.1)	(3.4)	2.0	3.5
Fiscal Balance (% of GDP)	(3.0)	(5.2)	(4.8)	(3.5)	(3.5)	(3.5)
Inflation Rate (%, period average)	0.7	(8.0)	1.2	6.1	2.5	2.0
Unemployment Rate (%, period average)	1.0	1.7	1.9	1.3	1.1	1.0
Exchange Rate (per USD, end-period)	30.0	30.0	33.4	34.6	34.75	32.5
Benchmark Interest Rate (% p.a., end-period)	1.25	0.50	0.50	1.25	2.25	2.00

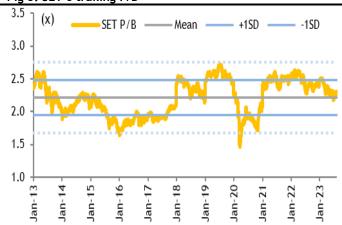
Source: CEIC, Maybank IBG Research





Source: Bloomberg, Maybank IBG Research

Fig 5: SET's trailing P/B



Source: Bloomberg, Maybank IBG Research



PHILIPPINES: strategy and macro highlights

Fig 1: Philippines: market updates and sector/stock positioning

Market updates:

- The PSEi inched up by 0.20% in 22 Aug 5 Sep despite (i) Fitch's unexpected downgrade of US' credit rating from AAA to AA+; (ii) China's slower-than-expected pace of economic recovery; (iii) the Fed's "hawkish pause"; (iv) the acceleration in domestic headline inflation rate to +5.3% YoY in Aug; and (v) the deceleration in domestic loan growth to +7.8% YoY in Jun. Market sentiment was boosted by the release of the implementing rules and regulation for the country's first sovereign fund, the Maharlika fund, which is allowed to invest in fixed income and equity securities, as well as in joint ventures, infrastructure projects and sustainable development programs.
- From 23 Aug 5 Sep, foreigners were net sellers of USD189.6m. This puts net YTD foreign outflows at USD382.4m. The PSEi currently trades at 10.7x 12-month forward PER, which is 2SD below the 10Y mean of 17.3x.
- Positive catalysts: Inflation and PHP stability, unveiling of new economic policies, including rationalization of fiscal regime in the
 mining sector, the re-launch of the public-private partnership program for infrastructure and launch of the sovereign wealth fund.
 Risks: Fluctuations in commodity prices, which can cause spikes in domestic inflation, credit ratings downgrade for the country,
 and implementation of additional tax measures.
- Near-term macro events that could impact our market/stock positioning include more proactive monetary policy, legislation on tax reforms (expansion of VAT base and possible rate reduction, imposition of VAT on digital service provides, reform of the Motor Vehicle User's Charge, repeal of excise tax exemptions of pickups and imposition of excise tax on motorcycles, the talked-about junkfood tax).

Sector/stock positioning:

- We continue to advocate a consumption-based exposure via SM, BDO, GTCAP, BLOOM and JFC. GLO remains to be our preferred yield stock as it has lower downside risks and a decent yield of 6.3%.
- We like <u>JFC</u>, which offers a direct play into domestic consumption and the recovering dine-in activities. This is evident in JFC's 2Q/1H23 earnings results, which came in in-line/ahead our/consensus estimates as a result of a 22% YoY, domestically-driven revenue growth and EBITm outperformance resulting from its cost rationalization programs.
- **GTCAP** owns the Toyota franchise in the Philippines, offering the best play to the country's auto industry. Toyota, which is the runaway market leader with a 47% share of total units sold in 7M23, has strong pricing power such that it is able to maintain margins, partially hedging it against FX-driven cost hikes. The inherent low auto ownership in the country, plus banks' more aggressive stance on auto loans, should support continued double-digit growth for GTCAP in FY23/24E.
- **BLOOM** is the leading casino operator in the Philippines. Its Solaire is well positioned to capture industry growth, which we expect to be led by locals and permanent foreign residents, consistent with pre-pandemic industry growth. More than its leadership in a domestic demand-driven market and near-term recovery, BLOOM also has a promising expansion pipeline, which could add up to PHP101b in GGR by YE26E.
- <u>SM</u> and <u>BDO</u> remain to be our preferred reopening plays. SM is the country's consumption catch-basin, evidenced by its strong 1H23 performance, where its retail and mall segments have shown to fully recover and exceed pre-pandemic operating levels. For very similar reasons, BDO is our top pick in the banking sector as its consumer-based ecosystem, parallel physical branch expansion strategy and aggressive lending appetite positions it to benefit most from the restarting economic activity.
- We expect <u>GLO</u> to be less vulnerable to the industry-wide deceleration in the fixed-line segment, particularly as GLO's other, non-telco investments have turned profitable in FY23. On top of the stable growth prospects of its non-telco segments, which should push the stock to re-rate, GLO also offers decent yields of 6%, offering downside protection.
- PNB is our top underweight given its lack of strategic direction as it has yet to elect a new President, and a higher-than-peers NPL ratio of 6.8%.

Source: Maybank IBG Research

Fig 2: Philippines: stock recommendations

	Bbg	Mkt. cap Rec.		Price	TP Upside		EPS grw. (%)		PER (x)		ROE (%)		P/B (x)		Div. Yield (%)	
	Code	(PHPm)		(PHP)	(PHP)	(%)	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
Top picks																
SM Investments	SM PM	18,072	BUY	840.0	1,290.00	54	25.6	14.0	13.1	11.5	13.7	13.6	1.8	1.6	0.7	0.7
BDO Unibank	BDO PM	12,854	BUY	138.6	167.00	20	17.4	7.4	11.2	10.5	12.6	12.2	1.4	1.3	2.1	2.1
Jollibee	JFC PM	4,656	BUY	236.2	288.00	22	14.4	18.2	30.8	26.1	17.1	18.0	4.0	3.6	1.1	1.3
Globe	GLO PM	4,560	BUY	1,796.0	2,452.00	37	2.0	(5.6)	11.8	12.5	18.0	11.4	1.4	1.3	6.3	6.3
Bloomberry	BLOOM PM	2,113	BUY	11.0	15.00	36	91.0	47.5	11.9	8.1	23.9	27.2	2.9	2.2	1.1	2.1
GT Capital	GTCAP PM	2,179	BUY	575.0	1,020.00	77	66.9	18.6	4.9	4.1	11.3	11.9	0.5	0.5	1.0	1.0
Least preferred	<u>d</u>															
PNB	PNB PM	494	BUY	18.4	23.00	25	(1.6)	1.3	2.5	2.4	6.4	6.1	0.2	0.1	0.0	0.0

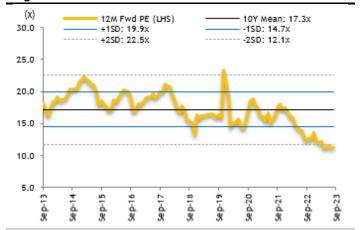
Source: Maybank IBG Research, Bloomberg

Fig 3: Philippines: Key macroeconomic indicators

	2019	2020	2021	2022	2023E	2024E
Real GDP (%)	6.1	(9.5)	5.7	7.6	5.2	6.5
Private Consumption (%)	5.9	(8.0)	4.2	8.3	5.6	7.0
Government Consumption (%)	9.1	10.5	7.2	4.9	4.1	6.1
Gross Fixed Capital Formation (%)	3.9	(27.3)	9.8	9.7	7.0	10.3
Exports of Goods & Services (%)	2.6	(16.1)	8.0	10.9	2.7	8.1
Imports of Goods & Services (%)	2.3	(21.6)	12.8	13.9	4.0	10.3
Current Account Balance (% of GDP)	(0.8)	3.3	(1.4)	(4.6)	(3.8)	(3.5)
Fiscal Balance (% of GDP)	(3.4)	(7.6)	(8.6)	(7.3)	(6.0)	(5.5)
Inflation Rate (%, period average)	2.4	2.4	3.9	5.8	6.0	3.0
Unemployment Rate (%, period average)	5.1	10.4	7.8	5.4	4.5	4.8
Exchange Rate (per USD, end-period)	50.7	48.0	51.0	55.7	56.0	52.5
Benchmark Interest Rate (% p.a., end-period)	4.00	2.00	2.00	5.50	6.25	4.25

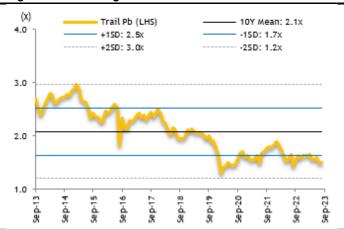
Source: CEIC, Maybank IBG Research

Fig 4: PSEi's 12M forward PER



Source: Bloomberg, Maybank IBG Research

Fig 5: PSEi's trailing P/B



Source: Bloomberg, Maybank IBG Research



VIETNAM: strategy and macro highlights

Fig 1: Vietnam: market strategy and sector/stock positioning

Market strategy:

- We cut our 2023 full-year GDP growth forecast to 4% from the previous 5.5%. Inflation, which was not a root cause for a moderate cyclical downturn for Vietnam's economy from 2H22, emerged as a top concern of policy makers in early 2023. Pressures for 2023 CPI includes: (i) low base effect of pork price no longer available, (ii) possible electricity hikes and (iii) VND depreciation in 2022. Nevertheless, we expect headline inflation to stay in check for 2023 at 3.4% (from 4.3% previously), lower than government's target of 4.5%.
- 1Q23 GDP growth of 3.32%, one of the lowest growth over the past 12 years, was highly disappointed. In response to the dismal picture of the economy, the SBV has implemented 4 rounds of policy rate cut, bringing down discount rate by 400bps to 3% and lowering 6M deposit cap rate to 4.75%. The government showed determination to pivot away from its tightening policy. Given (i) the expectation that Fed rate hike extension to reach an end in 2H23, (ii) relaxing FX pressure and (iii) manageable CPI, we expect SBV to further cut interest rate by another 25bps this year.
- FX pressure eased in 1H23 and we expect it to fully retreat in 2H23. A strengthening USD in expectation of Fed Funds rate hike mainly explained the FX pressure in 2022 while Vietnam economy's fundamental metrics (e.g. low inflation) should have had a reversed impact, i.e. stronger value for VND in terms of purchasing power. A relatively tamed CPI in most recent announcements helps ease concerns on further aggressive hike in 2023. The current (and longer term) easing of USD will give SBV more room to manoeuver policies into a more growth-oriented.
- The government's abrupt crackdown of the bond market, including Decree 65 issued last year, leaved a server liquidity crunch situation for property markets amidst weak demand. Refinancing of the c.USD8.4b/USD7.7b of bonds maturing in 2023/2024 will be an enormous challenge for the real estate market. However, recent policy developments, including Decree 08 issued in Mar-23, are showing great efforts of the Government to resolve these bottlenecks. It reduces payment pressure for developers as it allows (i) bond payment by assets and (ii) partial restructuring of bonds and the delaying of the implementation of stricter bond investor filters. We also see initiatives from the government to clear legal issues for specific real estate projects and renovate land laws.
- We roughly estimated non-bank earnings YoY growth to contract to 3% in FY23E (vs previous forecast of 19 %), while banks should still be able to generate 12% YoY earnings growth (vs previous forecast of 15% YoY growth). We expect FY23E EPS growth forecast for the broad market to slow to 7% YoY (from 20% YoY). As such, the VN-Index is trading at 10.1x FY23E P/E.

Sector/stock positioning:

- In our view, VN market had moved from event-driven downturn (i.e. the arrest of Tan Hoang Minh Chairman in April 2022) to a cyclical downturn (due to interest rates hike since Sep 2022). We believe market have bottomed out and is entering a recovery phase. Falling interest rates environment has been a key driver for the rally from May'23 and its supportive effect may sustain for the rest of the year.
- Corporate bond yield has also moderated to normalized level. We expect lending rates to cool down soon and support earnings
 recovery in 2H23 while allowing a higher valuation for the VN-Index, which we believe can re-rate to 6M forward PE of 14.5x from
 the current 12.7x.
- We maintain our preference in Financials (VCB, TCB, MBB, STB, HDB, VND/HCM), Consumers (MWG, PNJ, VEA, KDC), O&G (GAS, PVS, PVD, PLX), IT (FPT), Industrials (HPG, DGC), logistics (GMD and ACV) and selective properties names (VHM, NLG, KDH, BCM).

Source: Maybank IBG Research

Fig 2: Vietnam: stock recommendations

rig Z: Vietna	n: Stock	recomme	enuati	OHS												
	BBg	Mk. cap	Rec.	Price	TP	Up side	EPS gr	w. (%)	PER	(x)	ROE	: (%)	P/I	3 (x)	Div. Y	ield (%)
	Code	(VNDb)		(VND)	(VND)	(%)	CY21	CY22E	CY21	CY22E	CY21	CY22E	CY21	CY22E	CY21	CY22E
Vietcombank	VCB-VN	504,137	Buy	90,200	94,327	5	14.1	20.3	18.8	15.7	21.7	20.9	3.7	3.0	-	-
PetroViet Gas	GAS-VN	194,205	Buy	101,500	106,000	7	13.1	-16.6	13.1	15.7	26.7	19.5	3.2	2.9	3.0	3.0
Vinhomes	VHM-VN	243,409	Buy	55,900	100,000	79	3.9	24.5	3.9	3.1	36.0	33.0	1.1	0.8	-	-
Airport Corp	ACV-VN	163,288	Buy	75,000	134,000	80	43.1	97.5	38.2	19.3	15.2	18.0	3.7	3.3	-	-
Vinamilk	VNM-VN	167,196	Buy	80,000	90,700	19	18.7	10.2	19.6	17.8	27.1	30.9	5.6	5.4	5.1	5.0
Hoa Phat	HPG-VN	168,606	Hold	29,000	22,500	(22)	13.0	11.3	20.9	18.8	9.1	9.3	1.8	1.6	2.8	-
Viet. Prosp.Bnk	VPB-VN	132,391	Buy	21,800	25,000	15	6.6	-22.1	8.0	10.3	20.7	13.3	1.5	1.3	-	4.6
Techcombank	TCB-VN	123,807	Buy	35,200	48,700	38	4.5	-7.4	6.1	6.6	19.7	15.3	1.1	0.9	-	-
FPT	FPT-VN	125,720	Buy	99,000	93,000	(4)	20.1	19.9	25.9	21.6	27.2	27.8	5.2	5.0	2.2	2.0
Mobile world	MWG-VN	80,513	Buy	55,000	63,186	17	15.3	-65.7	19.6	57.2	18.5	5.6	3.4	3.0	1.2	1.8
Sacombank	STB-VN	62,306	Buy	33,050	43,700	32	8.4	53.1	12.4	8.1	12.6	18.2	1.6	1.3	-	-
VEAM	VEA-VN	50,096	Buy	37,700	53,300	51	7.5	-15.6	6.5	7.7	31.7	25.7	2.0	2.0	11.5	9.9
P. Nhuan J	PNJ-VN	27,124	Buy	81,100	98,000	21	15.8	0.6	14.3	14.2	25.0	21.2	3.1	2.8	2.2	2.5
Gemadept	GMD-VN	19,288	Buy	64,000	67,000	9	15.0	-26.4	21.1	28.7	15.0	21.2	2.4	2.1	4.0	2.3
Quang Ngai Su	QNS-VN	18,133	Buy	50,800	65,400	36	9.9	57.2	14.1	9.0	-	-	2.4	2.1	-	-
PetroViet Tech	PVS-VN	17,494	Buy	36,600	40,000	9	13.6	6.9	23.2	21.7	7.4	7.6	1.4	1.4	4.7	3.0
PetroViet Drill	PVD-VN	14,482	Buy	26,050	25,000	(4)	138.5	383.9	138.5	28.6	0.8	3.6	1.1	1.0	-	-

Source: Maybank IBG Research, Bloomberg

Fig 3: Vietnam: Key macroeconomic indicators

	2019	2020	2021	2022	2023E	2024E
Real GDP (%)	7.4	2.9	2.6	8.0	4.0	6.0
Private Consumption (%)	7.0	0.4	2.0	7.8	3.1	5.3
Government Consumption (%)	5.4	1.2	4.7	3.6	5.8	5.6
Gross Fixed Capital Formation (%)	7.7	4.1	3.7	6.0	5.0	7.2
Exports of Goods & Services (%)	6.2	4.1	14.0	4.9	(4.3)	5.8
Imports of Goods & Services (%)	4.9	3.3	16.2	2.2	(4.4)	5.7
*Current Account Balance (% of GDP)	3.6	4.3	(2.1)	(0.3)	1.6	1.9
*Fiscal Balance (% of GDP)	(2.1)	(2.7)	(2.5)	2.4^	(4.6)	(4.5)
Inflation Rate (%)	2.8	3.2	1.8	3.1	2.8	3.5
^Unemployment Rate (%)	2.2	2.5	3.0	2.3	2.4	2.4
Exchange Rate (per USD, end-period)	23,173	23,098	22,826	23,633	23,800	23,000
Benchmark Interest Rate (% p.a., end-period)	6.00	4.00	4.00	6.00	4.50	4.50

^{*}Vietnam started using new nominal GDP series in 2021. Source: CEIC, Maybank IBG Research

Fig 4: VN-Index 12M forward PER

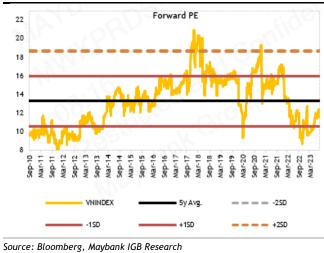
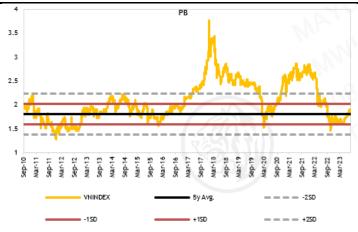


Fig 5: VN-Index trailing P/B



Source: Bloomberg, Maybank IBG Research

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