

# ASEAN+ FORTNIGHTLY

## Highlights (25 Sept - 06 Oct, 2023)

### Malaysia: Budget 2024 to boost revenues, unveil targeted subsidies; BAB MK, CYP MK raised to BUY; GAM MK on a roll

We expect a Budget 2024 (13 Oct) to forecast the 2024 budget deficit/GDP ratio at 4.0%-4.3% (2023E: 5.0%; 2020-22 avg.: 6.1%), in line with the fiscal consolidation targets of 12MP MTR (2025E: 3.1%) and MADANI Economy (c.3% within 10 years). Reintroduction of GST does not appear imminent - instead, tax measures will lean towards taxing "income, profits and wealth" e.g. capital gains tax (CGT) on unlisted shares, luxury goods tax and adoption of the 15% Minimum Global Corporate Income Tax Rate on MNCs. Other potential tax issues include review of plantation sector's windfall profit levy and (more unlikely) carbon tax. We also expect confirmation of a transition to targeted (vs. current blanket) fuel subsidies, to be linked with the launch of a Central Database Hub (PADU) on Malaysians' socio-economic information that will be used to target other subsidies/cash handouts. Re stocks, we upgrade **Bumi Armada** to BUY (from SELL) as the negative fallout from the unplanned shutdown of the Kraken FPSO in May is now behind it; sharp decline in net gearing (to 0.7x) coupled with Nov start of bareboat charter recognition for 30%-JV Sterling V FPSO and a further decline in finance costs mean we are forecasting a record-high core net profit of MYR847m in FY24E. Renewables play **Cypark** is also upgraded to BUY (from HOLD), with its three ongoing LSS projects on track for end-2023 completion, with its WTE plant to achieve optimal operations around the same time. Top construction sector pick **Gamuda** reported record FY23 earnings, boosted by overseas E&C jobs - with outstanding order book at an all-time high of MYR20.6b, earnings are expected to hit MYR1bn in FY25E.

### Singapore: MAS may ease slightly; Upgrade UMSH SP to BUY

There is a 20% chance of MAS taking a slight "easing" path in its mid-Oct meeting given stagnating growth and falling inflation. With ample fiscal space, the government has the capacity to do the heavy lifting if the economy contracts. From a regulatory perspective, expect further tightening of AML policies following the creation of an inter-ministerial panel to review Singapore's money laundering regime. 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**. Raise **UMSH** to BUY with higher SGD1.44 TP, following strong upgrades to key customer profit guidance. Maintain **RFMD** BUY following accretive hospital purchase in Vietnam. Maintain **LHN** BUY following robust 3Q23 results. Maintain **DMHL** BUY given strong order book growth and maintain **ST** BUY post-unlocking value via data centre sale.

### Indonesia: Rupiah weakens; Maintain SELL for UNVR IJ

In unison with other emerging market peer currencies, the Rupiah weakened vs. the USD, plunging through the key 15,500 level as US 10Y yield broke above 4.5%. Favourable September domestic headline inflation, which at 2.3% fell to its lowest since Feb 2022 (Aug: +3.3%) did not alleviate pressure on the Rupiah. Of note, our economics team maintains FY23/24 headline inflation forecast at a relatively benign +3.7%/+3.0%. We believe US leading indicators will continue to show weaknesses due to US retail gasoline prices breaching USD6 per gallon, uncertainty with the budget renegotiation, and resumption of US student loan repayments. We advise risk off until we see DXY to peak out and USDYEN to capitulate by falling below 144 after rising to 150, a level not seen in more than 20 years. Consequently, we recommend clients to avoid commodity names and to remain defensive but be prepared to buy on weakness big banks with strong earning visibility (**BMRI** and **BBCA**). We also reiterate our positive call on the cement sector with **SMGR** as our top pick as cement demand will likely bottom out in 2H of this year. We maintain SELL on and lower our TP for **UNVR** to IDR3,050 as its parent company **ULVR**'s decision to sell Elida Beauty, which houses 22 beauty and personal care brands, may affect UNVR's FY24 sales/core profit significantly, by -5%/-10%, respectively.

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#### ASEAN+: Top BUY ideas

Stock	BB Ticker	Price	TP	Upside (%)
<b>Malaysia</b>				
Mr DIY	MRDIY MK	1.54	2.40	55.8
Bermaz Auto	BAUTO MK	2.48	4.14	66.9
AirAsia X	AAX MK	2.38	3.56	49.6
<b>Singapore</b>				
CSE Global	CSE SP	0.44	0.65	49.4
ComfortDel	CD SP	1.30	1.50	15.4
ST Eng	STE SP	3.83	4.20	9.7
<b>Indonesia</b>				
Bank BCA	BBCA IJ	9,200	10,450	13.6
Bank Mandiri	BMRI IJ	6,125	6,400	4.5
Semen Indo	SMGR IJ	6,300	8,600	36.5
<b>Thailand</b>				
Bangkok Bank	BBL TB	167.50	200.00	19.4
Advanced Info	ADVANC TB	226.00	251.00	11.1
Bangchak	BCP TB	39.75	55.00	38.4
<b>Philippines</b>				
SM Investment	SM PM	814	1,290	58.5
Jollibee	JFC PM	220	288	30.9
GT Capital	GTCAP PM	570	1,020	78.9
<b>Vietnam</b>				
Techcombank	TCB VN	32,250	48,700	51.0
Sacombank	STB VN	30,200	43,700	44.7
Mobile World	MWG VN	49,200	58,155	18.2

Source: Maybank IBG Research, Factset 5 Oct

## Thailand: Three thematic drivers - policy, turnaround and value - underpin positive 4Q23E outlook

SET Index had a major correction in September, having fallen by 6.0% MoM to 1471.43 points. The sell-off was unexpected given optimism relating to potential stimulus measures from the government. However, we believe the market was cautious on implementation and factored in the negative impacts first (for example, to utilities and some energy companies on energy price reductions). A surprise rate hike by the BOT to pre-empt potential inflationary pressure from the government stimulus was also a headwind for the market. On top of that, **DELTA** had a major correction as its parent company made a sizeable private placement at a steep discount to market price. Telecom ended up being the only sector that closed the month in positive territory while electronics was by far the worst underperformer with -21% return for the month. Despite the sharp and unexpected correction, we think the outlook for Thailand remains positive in 4Q23E. Our view is based on improving farm income, potential growth in tourism revenue during the high season, and uplift from government economic policies. For our top pick selection, we identify three plays to outperform the SET Index: policy plays, turnaround plays, and value plays. First, we think **CPALL** and **COM7** will benefit the most from cash handouts and lower electricity costs. Specifically, CPALL is the only player with enough reach nationwide to benefit whereas COM7 is the discretionary name with the greatest coverage. CPALL is also one of the largest buyers of electricity in Thailand and will benefit from lower power price. Secondly, we see opportunities for turnaround plays in **CPF** (rising swine prices, lower feed costs) and **TRUE** (easing competition driving higher ARPU, cost synergy, lower electricity bills). Lastly, banks and energy remain the core value plays in the SET Index. Our bank top picks are **BBL** and **KTB** while **BCP** and **PTTEP** remain our energy top picks.

## Philippines: BSP holds rates steady; AP PM, MPI PM and UBP PM removed from PSEi; Initiating coverage on CEB PM

The PSEi rose by 4.3% over 19 Sep - 3 Oct, following the decision of the Bangko Sentral ng Pilipinas (BSP) to keep policy rates steady, at 6.25%. Nevertheless, the BSP signaled a potential off-cycle rate hike before its Nov meeting, as Sep inflation is expected to settle within 5.3-6.1% due to price uptrends for fuel, electricity and key agricultural commodities, and the PHP depreciation. It raised its FY23/24E inflation forecast to 5.8%/3.5% (from 5.6%/3.3%). On corporate news, AP, MPI and UBP were removed from the PSEi and will be replaced by BLOOM, CNPF and NIKL. We have also initiated coverage of low cost carrier **Cebu Air (CEB PM)** with a BUY rating and a DCF-based TP of PHP55.00 (WACC: 7.6%, G: 3%). Given the oil-driven pressures on domestic inflation, we reiterate our preference for defensive consumption- and mobility-driven stocks **SM**, **BDO**, **GTCAP**, **BLOOM** and **JFC**, with portfolio returns to be boosted by the high and sustainable dividend yields of **GLO**.

## Vietnam: VN-Index corrects 8% to a now-attractive level; 2023 GDP forecast raised to +4.8% (from +4.0%)

The VN-Index had a large drop of 8% over the past two weeks, initially driven by FX concern (VND losing 2.2% YTD) and fear of further investigation/ disruption following the disciplining of some members of the Communist party's central committee at its eighth plenum. Profit-taking and margin deleveraging on the stock market triggered by the sharp drop exacerbated the situation. In response to FX pressure, the SBV has issued T-bills totaling VND120t to raise interbank rates, which aims to narrowing interest rate differential while ensuring least impact on interest rates in the money market to maintain accommodative policies. SBV has yet to sell USD, while rebuilding FX reserves is a plus to SBV's positioning to manage the VND depreciation at a 2%-3% target this year. 3Q23 GDP growth came out at 5.3%, below government's expectation, implying more stimulation is needed to reach the full year target of 6.5%. Nonetheless, we raise 2023 GDP growth forecast to 4.8% (vs. previous 4.0%) on expectation that growth will accelerate in 4Q23 thanks to export recovery, public infrastructure spending, FDI upswing and tourism rebound. Recent inflation pick up should not be a concern as underlying pressures are contained and CPI should come in well below SBV's full year target of 4.5%, per our estimate of 3.4%. Despite a much better situation compared to a year ago when macro setup was at extreme conditions (peak FX pressure + black-swan Van Thinh Phat), the VN-Index is only c.10% above the level a year ago. We believe market has over-reacted and overlooked the low deposit rate environment which is near record low levels, hence offering attractive entry points for long-term investors. That said, volatility is expected to sustain following the steep decline of the VN-Index. For Oct, our picks are **STB** (solid turnaround story), **SSI** and **HCM** (removal of pre-funding for foreign investors), **FPT** (best positioned for IT and semiconductor industry) and **PC1** (key beneficiary for public spending).

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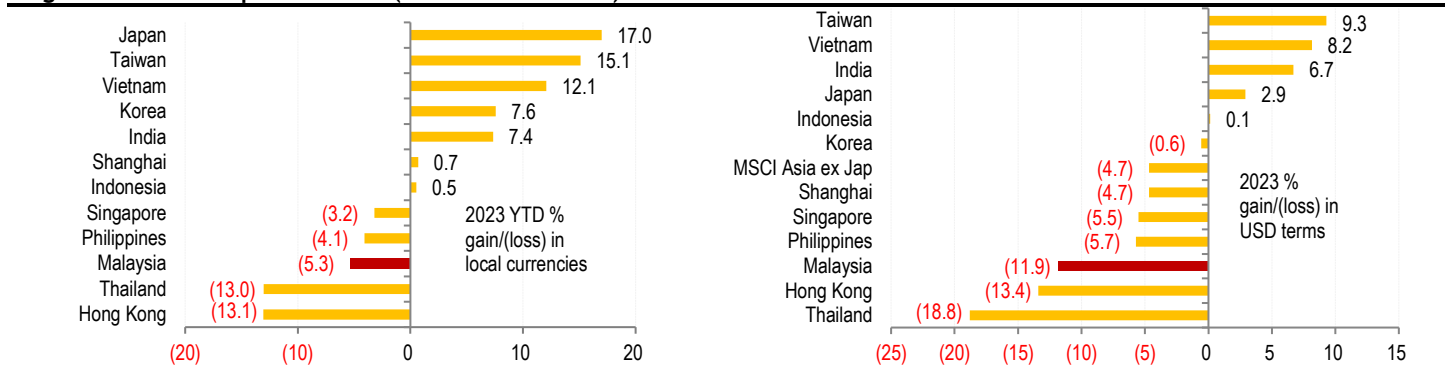
# ASEAN+: regional dashboard

**Fig 1: ASEAN: regional market valuations**

	Index	PER (x)		Growth (%)		ROE (%)		P/B (x)		Yield (%)	
		2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Malaysia	1,416	14.5	13.1	3.4	10.7	9.0	9.6	1.3	1.3	4.3	4.4
Singapore	3,155	11.5	11.1	39.2	3.5	10.8	10.6	1.2	1.2	4.8	5.1
Indonesia	6,875	14.7	13.5	30.6	8.7	15.1	15.3	2.2	2.1	4.5	4.3
Thailand	1,453	15.9	13.8	5.8	15.4	8.3	8.5	2.2	2.1	2.4	2.5
Philippines	6,179	11.4	10.6	21.7	7.5	12.8	12.7	1.6	1.5	2.6	2.6
Vietnam	1,114	12.6	9.7	10.2	30.4	14.6	16.3	1.8	1.6	-	-

Source: Maybank IBG Research, MSCI, Bloomberg 5 Oct 2023

**Fig 2: Asia: market performance (benchmark indices)**



Source: Bloomberg (as of 5 Oct 2023), Maybank IBG Research (chart)

Source: Bloomberg (as of 5 Oct 2023), Maybank IBG Research (chart)

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

Index	12m Target	Up/(Downside)	Basis / Earnings growth / Overweights (OW) / Underweights (UW)
(pts)	(pts)	%	
Malaysia (KLCI)	1,416	1,520	+7.4%
Singapore (STI)	3,155	3,629	+15.0%
Indonesia (JCI)	6,875	7,600	+10.5%
Thailand (SET)	1,453	1,650	+13.6%
Philippines (PSEi)	6,179	7,900	+27.9%
Vietnam (VNINDEX)	1,114	1,300	+16.7%

**Malaysia (KLCI):** 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.

**Singapore (STI):** Weighted bottom up fundamentals and target PE, PB top down valuation TP. **OW:** Gaming, Healthcare, Industrials, Internet, Services, Telecom, **UW:** Banks, REITs, Tech Manufacturing.

**Indonesia (JCI):** 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.

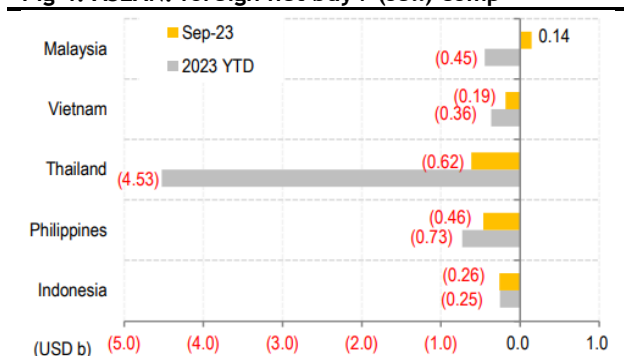
**Thailand (SET):** 16x fwd PER, 10Y average on THB105 2024E EPS; MST 2023E/2024E SET Index EPS growth at +6.0%/+15%, respectively **OW:** Banks, Energy, Telcos, Consumption plays (retail, food); **UW:** Finance, Tourism (hotels, hospitals, airport, airlines), utilities, and PTT.

**Philippines (PSEi):** 15x fwd PER, a discount to the 10Y mean of 17.2x; MIBG FY23/24E market earnings growth at +21.7%/+7.5%, respectively. **OW:** transport, property/REIT, conglos, banks (select) and consumer (select); **UW:** power/utilities, telco.

**Vietnam (VNINDEX):** 13.8x fwd PER, 0.55D 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 5 Oct 2023), Maybank IBG Research

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



Source: Bloomberg, Bursa Malaysia, Maybank IBG Research

**Fig 5: Relative Performance**

	Ticker	Performance (%)			Performance (%)		
		1M	3M	YTD	1YR	3YR	5YR
Benchmark Indices	MSCI Asia ex-J	(6.9)	(8.2)	(4.7)	4.9	(17.2)	(5.9)
	MSCI EM	(6.8)	(8.0)	(3.0)	3.8	(14.2)	(8.2)
	MSCI ASEAN	(5.2)	(5.4)	(8.5)	(0.8)	(1.7)	(22.2)
Malaysia	FBM KLCI	(3.2)	1.7	(5.3)	0.5	(5.6)	(20.9)
Singapore	FSSTI	(2.8)	(1.8)	(3.2)	0.3	26.1	(2.6)
Indonesia	JCI	(1.6)	3.1	0.5	(2.6)	39.8	19.6
Thailand	SET	(6.3)	(4.2)	(13.0)	(8.0)	17.3	(16.1)
Philippines	PCOMP	1.3	(3.3)	(4.1)	5.2	5.0	(11.2)
Vietnam	VNINDEX	(7.8)	(0.3)	12.1	4.7	24.0	10.3

Source: Bloomberg (as of 5 Oct 2023), Maybank IBG Research

# MALAYSIA: strategy and macro highlights

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

**Macro Highlights / Market Strategy:**

- Re the 15<sup>th</sup> 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 give uptrend in energy and food prices even as the government is signalling Budget 2024 to be announced Oct 13 will see changes to the current blanket subsidies for petrol and diesel i.e. to become more targeted which will invariably have an inflationary impact.
- 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) Oil & Gas (Yinson, Bumi Armada); vi) Aviation (AAX, CAPITALA and MAHB); and vii) Tech / Software (MYEG and CTOS). More selectively, **GENP, 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), **Cypark and Solarvest** (Renewables), **Gas (M), YTLP and MFCB** (Utilities), **Magnum** (NFOs) and **YTL REIT, Sentral REIT and AXIS REIT** re REITs.
- SELLs: **Consumer/Retail (Nestle), Gloves (TopGlove)** and SMIDs **Globetronics, Lotte Chemical, Tan Chong, Astro, TH Plantations** and **TSH Resources**.

Source: Maybank IBG Research

**Fig 2: Malaysia: Stock Recommendations**

Stock	BBG	M.Cap MYRm	Rec	Price MYR	TP MYR	Upside %	EPS growth (%)		P/E (x)		ROE (%)		P/B (x)		Div Yld (%)	
							2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
<b>Large Caps</b>																
Public Bank	PBK MK	78419	Buy	4.04	5.05	25.0	9.7	4.4	11.7	11.2	NA	NA	1.5	1.4	4.7	4.7
CIMB Group	CIMB MK	57698	Buy	5.41	6.50	20.1	16.5	7.8	8.9	8.3	NA	NA	0.9	0.8	6.1	6.5
HL Bank	HLBK MK	42097	Buy	19.42	23.00	18.4	16.0	(1.4)	10.2	10.6	NA	NA	1.2	1.2	3.1	3.3
Telekom MY	T MK	18766	Buy	4.91	6.50	32.4	42.7	2.0	10.5	10.2	19.9	18.1	2.1	1.9	3.8	3.9
Genting MY	GENM MK	14548	Buy	2.45	2.77	13.1	144.1	64.8	24.1	14.6	4.7	7.6	1.1	1.1	6.1	6.1
MR D.I.Y.	MRDIY MK	14516	Buy	1.54	2.40	55.8	20.1	19.1	25.2	21.2	33.2	32.8	8.4	7.0	1.9	2.3
Gamuda	GAM MK	12053	Buy	4.47	4.80	7.4	5.4	(3.8)	12.8	13.8	17.0	7.6	1.0	1.0	11.6	2.7
IJM Corp	IJM MK	6675	Buy	1.83	2.18	19.1	32.2	(.6)	16.7	19.2	1.6	3.4	0.6	0.6	5.0	3.3
My E.G. Services	MYEG MK	5870	Buy	0.79	1.16	47.8	16.8	5.5	14.2	13.5	19.0	17.6	2.7	2.4	2.0	2.2
UMW Hldgs	UMWH MK	5538	Buy	4.74	6.02	27.0	19.4	3.3	11.0	10.7	10.6	10.2	1.2	1.1	3.6	3.7
<b>Mid-Small Caps</b>																
SP Setia	SPSB MK	3937	Buy	0.97	1.20	24.4	(3.5)	113.4	14.2	6.7	2.3	4.6	0.3	0.3	1.6	3.4
Mega First	MFCB MK	3331	Buy	3.37	4.30	27.7	3.8	6.9	8.2	7.7	12.6	12.2	1.0	0.9	2.5	2.8
CTOS Digital	CTOS MK	3257	Buy	1.41	2.00	41.8	57.6	11.4	27.9	25.1	20.6	20.9	5.8	5.2	1.8	2.3
Allianz MY	ALLZ MK	2844	Buy	15.98	19.20	20.2	21.6	13.6	7.8	6.8	NA	NA	1.2	1.1	5.3	5.3
S'wak Oil Palms	SOP MK	2279	Buy	2.56	2.81	9.8	(54.1)	6.5	10.0	9.4	6.6	6.7	0.7	0.6	3.0	3.2
ITMAX System	ITMAX MK	1820	Buy	1.77	2.10	18.6	47.3	44.3	27.8	19.2	19.2	23.1	5.4	4.4	0.7	1.0
AEON Co	AEON MK	1572	Buy	1.12	1.75	56.3	(5.1)	5.7	12.4	11.7	6.7	6.9	0.8	0.8	3.6	3.6
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
AirAsia X	AAX MK	1064	Buy	2.38	3.56	49.7	(111.4)	83.8	7.4	4.0	NA	34.9	2.2	1.4	0.0	0.0
Optimax	OPTIMAX MK	373	Buy	0.69	0.86	24.6	10.0	0.1	23.1	23.0	24.4	23.0	6.1	5.8	3.5	3.5

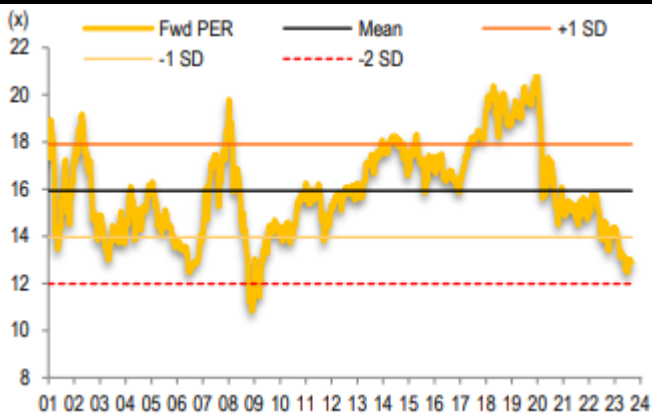
Source: Maybank IBG Research, Factset, 5 Oct 2023

**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

**Fig 4: KLCI's 12M forward PER**



Source: Bloomberg , Maybank IBG Research

**Fig 5: KLCI's trailing P/B**



Source: Bloomberg , Maybank IBG Research

## SINGAPORE: strategy and macro highlights

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

### Market strategy:

- We expect MAS to remain focused on inflation and maintain the prevailing rate of S\$NEER appreciation at the mid-Oct meeting. But with growth stagnating, inflation easing from their highs and 3Q GDP set to be weak, we ascribe a 20% probability of MAS surprising with a “slight” easing and reducing the slope of the appreciation bias.
- We expect the government to do the heavy lifting to support growth, if the economy stagnates or contracts. There is ample fiscal space to deploy additional support, given strong revenue growth that could exceed MOF’s projections in FY23/24.
- Aug manufacturing slumped the most since Nov 19, as industrial production fell -10.5% in seasonally adjusted MoM terms (vs. +3.7%. Electronics and chemicals reversed back in to slump. We maintain our GDP forecast at +0.8%, which stands at the lower range of MTI’s +0.5% to +1.5% range for 2023E.
- Singapore is set to create an inter-ministerial panel to review its anti-money laundering regime. This follows the raids by its authorities that arrested 10 foreign nationals on money laundering charges, with the value of the asserts seized at USD2bn.
- 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:

- Upgrade **UMSH** to BUY and new TP SGD1.44 (c. SGD1.16) following key customer AMT raised 4Q23 profit guidance. AMT inventories are low, increasing chances for a rebound in component orders for UMSH
- Maintain **RFMD** at BUY and TP of SGD1.65 following acquiring a majority stake in American International Hospital in Vietnam. This should provide gearing for rapidly growing demand for private healthcare services there
- Maintain **LHN** at BUY and TP of SGD0.54 following strong 3Q23 results. Operating metrics remain solid and there is potential for further value-unlocking divestments, special dividends. A successful upgrade to SGX Mainboard is also a positive catalyst
- Maintain **DMHL** as BUY and TP of SGD0.51. The Group’s order book has increased to SGD631m and is a strong proxy to growing FPSO demand. Potential M&A to diversify recurring revenues is another positive catalyst
- Maintain **ST** at BUY and TP SGD3.10. The Group has entered in to a strategic partnership with KKR to divest up to 20% of its regional data centre business for SGD1.2bn. Valuations are good and it unlocks SGD2bn of latest value for the Group. This increases risks for special dividends going forward.

Source: Maybank IBG Research

**Fig 2: Singapore: stock recommendations**

Stock	BBG	M.Cap USDm	Rec	Price SGD	TP SGD	Ret. %	EPS gr. (%)		P/E (x)		ROE (%)		P/B (x)		Div Yld (%)	
							22E	23E	22E	23E	22E	23E	22E	23E	22E	23E
<b>BUY (Large Caps)</b>																
DBS	DBS SP	62,581	Buy	33.22	39.36	18.5	26.0	(0.3)	8.5	8.7	17.9	16.5	1.4	1.3	5.7	6.3
CICT	CICT SP	8,623	Buy	1.78	2.15	20.8	(0.5)	2.5	16.0	15.5	5.1	5.2	0.8	0.8	6.1	6.3
Genting SG	GENS SP	7,308	Buy	0.83	1.12	34.9	74.5	17.9	15.7	12.2	7.3	8.4	1.2	1.2	4.8	4.8
ST Engineering	STE SP	8,752	Buy	3.85	4.20	9.1	8.4	16.0	21.5	17.9	23.2	25.2	4.6	4.4	4.3	5.2
Sembcorp Ind.	SCI SP	6,287	Buy	4.85	6.30	29.9	32.7	(8.6)	11.3	11.2	21.1	16.5	1.8	1.6	1.6	1.6
<b>BUY (SMID - M.Cap &lt;USD5b)</b>																
Comfort Delgro	CD SP	2,036	Buy	1.29	1.50	16.3	2.3	14.8	16.3	15.5	6.8	7.7	1.1	1.1	4.6	4.8
Raffles M	RFMD SP	1,687	Buy	1.23	1.65	34.1	(12.0)	0.2	19.2	18.4	12.0	11.3	2.1	2.0	2.6	2.7
CDL Hosp Trust	CDREIT SP	924	Buy	1.02	1.25	22.5	(71.0)	23.4	16.7	14.8	3.4	4.1	0.7	0.7	6.0	6.7
Frencken	FRKN SP	333	Buy	1.07	1.27	18.7	(51.7)	45.1	17.8	8.9	6.3	8.5	1.1	1.0	1.7	3.3
CSE Global	CSE SP	195	Buy	0.44	0.65	49.4	354.0	21.9	12.8	9.9	9.7	10.7	1.1	1.0	6.4	6.4

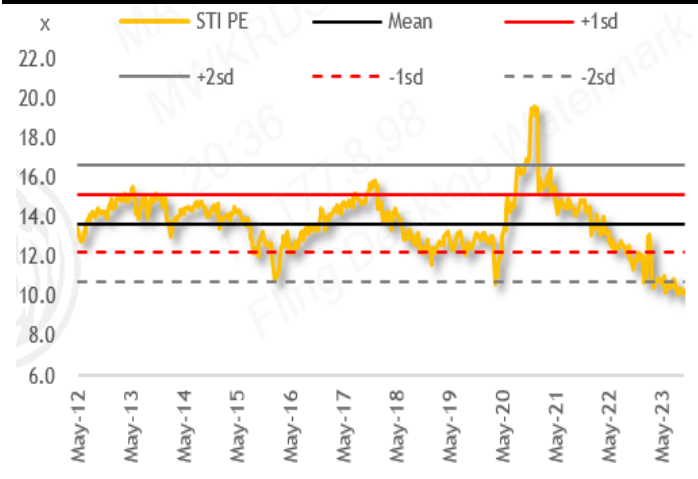
Source: Maybank IBG Research, FactSet

**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

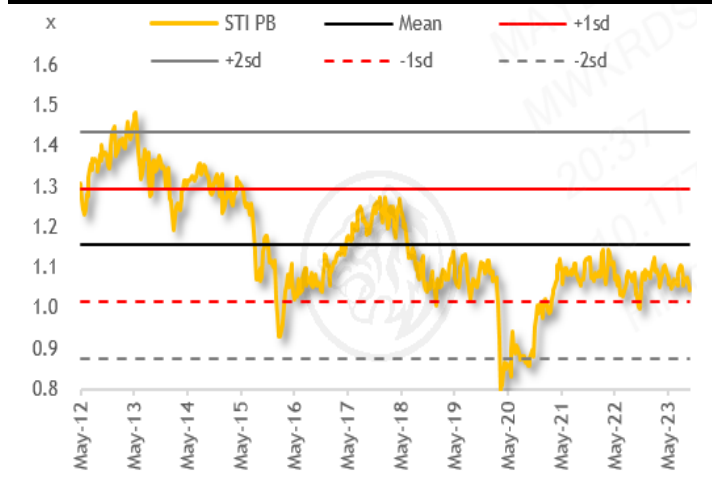
Source: Maybank IBG Research

**Fig 4: FSSTI 12M forward PER**



Source: Maybank IBG Research

**Fig 5: FSSTI 12M forward P/B**



Source: Maybank IBG Research



## INDONESIA: strategy and macro highlights

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

### Macro Highlights / Market Strategy:

- In the last two weeks, JCI slightly weakened -0.53% ending at 6,961. JCI was supported by the poultry sector **CPIN** (+9.2%) and **JPFA** (+6.6%), retail sector **MAPA** (+6.5%) and **LPPF** (+6.3%), and also dairy producers **CMRY** (+1.0%) and **ULTJ** (+2.5%). However, JCI was also dragged down by metal miners **MDKA** (-17.6%), **BRMS** (-3.7%), **NCKL** (-7.0%), **ANTM** (-2.4%), and **INCO** (-2.2%), coal giants **BYAN** (-1.7%), **ADRO** (-4.8%), **ADMR** (-11.2%), and **PTBA** (-2.1%), chemical companies **TPIA** (-1.9%) and **BRPT** (-10.4%), and paper and pulp industry **TKIM** (-5.3%) and **INKP** (-5.4%).
- IDR weakened against USD for the past two weeks ending at 15,530.
- Indonesia's sovereign bond front-end 3M to 1Y tenors' yields decrease by -1.7bps to -6.2bps, 2Y to 5Y yields increase by 4.6bps to 13.9bps, and lastly 6Y to 10Y tenors' yields remain stable at 14.8bps to 16.3bps.

### Sector/stock positioning:

- **Banking:** 8M23 industry loan growth booked at 9.06% YoY (vs 8.54% in July'23), slowly picking up. Most of the big banks have beaten sector growth as they booked double digit growth aside from **BBNI**. As a result, we continue to favor big banks as we believe they are capable of capturing more loan market share and stabilize its net interest margin. Our top picks are **BBNI** and **BMRI**, as we believe they have room to grow its ROE and allow the stock to rerate in the future.
- **Consumer:** We maintain **NEUTRAL** with our Top Picks in the sector in the order of: 1) **ICBP**; 2) **MYOR**; and 3) **MAPI**. We argue earnings growth and recovery among names we cover will depend on its ability to expand business presence, address competition risks, and capacity to weather the cost pressures. In the next two weeks, we think investors will buckle up for the upcoming 3Q23E earnings results. **ICBP** and **MYOR** are main beneficiaries to capture stronger sales as a result of the inventory build-up at distributor level in anticipation for the upcoming election, due to high mass-market sales contribution (80% of sales). Meanwhile, **MAPI** will perform robustly as it captures stronger sales from back-to-school and clearance season sale; and overseas expansion which will bode well for its specialty store outlook (c.80% of sales). On the other hand, we remain bearish on our SELL-rated **UNVR** (see our latest update: Elida Beauty Sale risks loss of growth engine) and **RALS** as they have struggled to maintain their business competitiveness.
- **Cigarette:** Our Top Pick for the sector is still **GGRM** due to its visible earnings trajectory in FY23, mainly contributed by its aggressive ASP hike of 10-26% YTD across its products. Despite industry's falling sales volume in August, we believe **GGRM** will still be able to achieve our FY23E earnings of IDR6.6t as our sensitivity analysis proves a -1% decline in **GGRM**'s sales volume will only drag -2% of its earnings. On the other hand, a +1% ASP increase will lead to +17% hike in **GGRM**'s earnings. August tobacco excise tax print is still weak as it only forms 55% of government's FY23 target of IDR232.6t (vs. 3-year mean of 59%). We believe consumers are down trading to cheaper cigarette alternatives produced by Tier-II and III cigarette manufacturers. Moreover, more are purchasing illegal cigarettes to avoid c.10% increase in FY23's excise tax. Thus, we expect **GGRM** and **HMSP**'s sales in 2H23E will remain soft. According to a news publication, illegal cigarette market share has reached 30% in 1H23.
- **Coal:** Coal price has seen to be relatively stable for the month following the recent rally. We recommend tactical buy on coal producers as we think this coal price rally along with strengthening USD will support ASP resilience in 3Q23E. We favor **UNTR** and **ADRO** for its proxy to thermal coal and cost effective operations.
- **Metal:** Global economic worries, especially on China's recovery has weigh on industrial metal prices including nickel. Nonetheless, we believe nickel price to be bottoming out, led by recovery in NPI (+8.4% QTD). Additionally, we expect LME nickel price to have room to improve as supply for Class-1 LME remains limited. Meanwhile, higher oil prices will pressure margin for the 2H23E. Nevertheless, our top picks are **MDKA** and **INCO** for its proxy to Class-1 LME.
- **Telco:** Smartfren (**FREN**) plans to do a partnership with Telkomsat, subsidiary of **TLKM** to utilize Starlink network and provide internet access to remote areas. Currently, **FREN** has 45,000 BTS across 288 cities/municipalities in Indonesia. We think this can benefit both Telkomsat and **MTEL**, as we believe **MTEL** is the leading tower provider in ex-Java, especially on second/third tier cities.
- **Property:** 3Q23 saw residential launches from **SMRA**, **BSDE**, and **CTRA**. Launches sported good take-up rates due to strong end-user demand and liquidity of mortgages and we believe FY23E pre-sale achievement will reach our forecast of IDR25t. We recommend a tactical buy for the three developers ahead of the 3Q pre-sale result.
- **Media:** We still maintain our believe that **MNCN**'s performance will slightly increase in 2H23, driven by its diversified business. **MNCN** recently held its first music festival that is expected to become one of the company's revenue generators, due to the rising interest in festivals and concerts in the country. As of August 2023, **MNCN** still dominates the FTA TV industry, with a primetime audience share of 41.7% and ad-spend share of 46.1%. Furthermore, its advertising video on demand (AVOD) called RCTI+ reached 69m MAU (vs. 68.5m in 2Q23) due to its content offerings.
- **Infrastructure:** The Ministry of Public Works is targeting the Jakarta Outer Ring Road 2 (JORR 2) to commence its operation by the end of 2023. The JORR 2 will connect Greater Jakarta, especially Soekarno-Hatta Airport to Jagorawi. Currently, both Serpong-Cinere (section 2, 3.64km) and Cinere-Jagorawi (section 3B, 2.19km Krukut-Cinere) toll roads are on an operational worthiness test. We believe traffic will increase once it is connected to the Jagorawi toll road. Hence, we believe that the operational of JORR 2 will benefit **JSMR**'s plans.
- **Cement:** August '23 recorded cement sales of 6.0m tonnes (+2.6% MoM, +1.9% YoY), continuing its recovery momentum in the early months of 2H23. Market share for both **SMGR** and **INTP** grew YoY to 51.7% (+342 bps) and 27.6% (+300 bps) respectively. We recommend a tactical buy on **SMGR** and **INTP** ahead of 2H domestic demand recovery.

Source: Maybank IBG Research

Fig 2: Indonesia: stock recommendations

BB Code	Mkt. cap (IDRb)	Rec.	CMP (IDR)	TP (IDR)	Upside (%)	EPS grw. (%)		PER (x)		ROE (%)		P/B (x)		Div. Yield (%)	
						FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
<b>BUY</b>															
BBCA IJ	72,064	Buy	9,075	10,450	15.2	23.1	11.4	22.3	20.0	21.5	21.4	4.5	4.0	2.2	2.5
BBRI IJ	51,255	Buy	5,250	6,450	22.9	19.0	13.1	13.1	11.5	19.7	20.6	2.5	2.3	4.8	4.7
BMRI IJ	36,374	Buy	6,050	6,400	5.8	15.3	13.6	11.2	9.9	20.6	21.0	2.2	2.0	4.8	5.5
TLKM IJ	23,930	Buy	3,750	5,000	33.3	30.4	9.8	13.7	12.5	20.1	20.4	2.7	2.4	4.5	4.7
BBNI IJ	12,373	Buy	10,300	11,000	6.8	15.1	12.5	9.1	8.1	15.0	15.3	1.3	1.2	4.0	4.5
ICBP IJ	8,339	Buy	11,100	14,000	26.1	156.1	-9.6	11.0	12.2	28.5	21.7	2.8	2.5	3.6	3.8
UNTR IJ	6,710	Buy	27,925	28,000	0.3	-17.0	-22.1	6.0	7.7	20.9	16.6	1.3	1.2	20.8	6.5
GOTO IJ	5,784	Buy	85	153	80.0	62.9	36.3	na	na	-12.1	-8.0	0.8	0.8	0.0	0.0
KLBF IJ	5,390	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
ISAT IJ	5,321	Buy	10,300	9,000	-12.6	-53.2	41.5	37.3	26.4	17.4	20.1	6.5	5.3	0.9	0.5
MDKA IJ	4,147	Buy	2,670	5,300	98.5	48.2	56.7	47.9	30.6	7.9	10.7	3.5	3.1	0.0	0.0
INDF IJ	3,818	Buy	6,750	9,000	33.3	77.1	13.3	5.3	4.6	19.3	19.0	0.9	0.8	6.6	7.5
MYOR IJ	3,644	Buy	2,530	2,900	14.6	16.1	26.4	25.1	19.9	17.0	19.2	4.1	3.6	1.6	2.0
MTEL IJ	3,631	Buy	675	950	40.7	8.7	17.0	29.0	24.8	5.6	6.4	1.6	1.6	2.1	2.4
INCO IJ	3,568	Buy	5,575	8,800	57.8	36.3	-15.9	13.1	15.5	11.0	8.4	1.4	1.2	0.0	0.0
TOWR IJ	3,155	Buy	960	1,260	31.3	-8.5	1.1	15.6	15.4	20.4	18.2	3.0	2.6	2.3	2.3
GGRM IJ	3,080	Buy	24,850	33,000	32.8	98.3	6.0	7.3	6.9	11.1	11.1	0.8	0.7	3.2	3.3
ANTM IJ	2,794	Buy	1,805	2,400	33.0	-11.5	25.7	12.8	10.2	13.7	15.7	1.7	1.5	2.4	2.7
SMGR IJ	2,487	Buy	6,475	8,600	32.8	25.7	19.4	13.0	10.9	6.8	7.7	0.9	0.8	3.9	4.6
INTP IJ	2,232	Buy	10,100	12,800	26.7	10.3	15.0	17.1	14.8	10.0	10.9	1.6	1.6	4.7	5.3
EXCL IJ	2,029	Buy	2,410	3,200	32.8	55.2	3.0	18.3	17.8	6.6	6.5	1.2	1.1	1.9	2.0
JSMR IJ	2,001	Buy	4,280	5,000	16.8	-41.0	46.6	19.2	13.1	6.9	9.1	1.2	1.1	0.8	1.1
MAPI IJ	2,000	Buy	1,870	2,600	39.0	3.5	5.1	14.2	13.5	23.9	20.8	3.1	2.6	1.5	1.6
BSDE IJ	1,439	Buy	1,055	1,400	32.7	-3.6	2.0	9.5	9.3	6.7	6.4	0.6	0.6	0.0	0.0
PWON IJ	1,359	Buy	438	600	37.0	21.9	10.4	11.2	10.2	10.3	10.4	1.1	1.0	1.1	1.2
CTRA IJ	1,249	Buy	1,045	1,500	43.5	-0.9	10.5	10.5	9.5	9.6	9.7	1.0	0.9	1.0	1.0
SMRA IJ	622	Buy	585	800	36.8	27.2	8.0	12.1	11.2	8.3	8.3	1.0	0.9	1.0	1.1
MNCN IJ	475	Buy	490	850	73.5	6.7	12.9	3.4	3.0	10.5	10.8	0.3	0.3	0.0	0.0

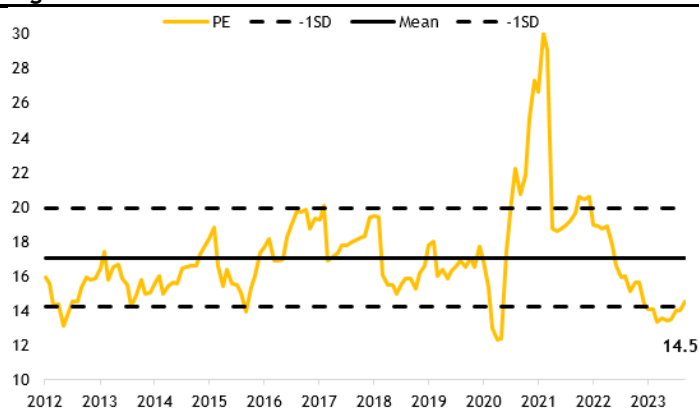
Source: Maybank IBG Research, Bloomberg

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

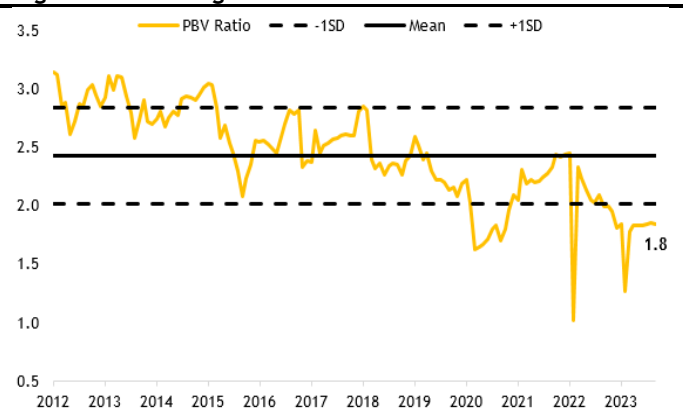
Source: CEIC, Maybank IBG Research

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 2.50% at its Sept meeting, the highest level in nine years. We are expecting the BoT to remain on hold for the rest of the year, but cannot rule out another hike if fiscal stimulus turns out to be excessively expansionary, which fuels added inflationary pressures.
- **Inflation:** Sept inflation declined to 0.3% YoY pace compared to 0.9% in Aug. YTD, inflation average 1.82% 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 GDP in 2023.
- **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 also like Krung Thai Bank (KTB TB) as we expect the higher loan yield and NIM to support earnings growth in 2H23.
- **Finance:** Consumer finance companies are likely to benefit from the government stimulus policies eg cash hand-outs and minimum wage hike in 2024. 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 in near term. Our top BUY is Ngern Tid Lor PCL (TIDLOR TB) for its strong fee income growth, above-sector-average NPL coverage and lower cost of funds. Our top SELL is Srisawad Corporation (SAWAD TB) as the company is taking on more risk by increasing HP motorcycle loans, but we see its loan-loss reserve is too low.
- **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.
- **Telcos:** 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. We have a BUY rating on Advanced Info (**ADVANC TB**) (THB251 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 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. However, the sector roof tiles and floor tiles were affected by weak purchasing power in the provinces. TOA Paint (**TOA TB**) and CH. Karnchang (**CK TB**) are our top pick as high growth potential.
- **Automotive** Thai automobile production in 3Q23 is expected to improve QoQ but will decline YoY, due to the effect from EV cars and credit limitation. We expect the earnings of AH, SAT, and STANLY to improve QoQ but decline slightly YoY in line with automobile production. We maintain our Neutral view on the sector. 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. Consumer staples' SSG outperformed home-improvement operators. The shooting incident at Siam Paragon on 3 Oct will be negative for tourism. However, tourist sales represent just 3-9% of retail sales while we believe the festive season, more promotions, and government policies (lower energy prices) will spur domestic consumption in 4Q23. CP All (**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 Charoen Pokphand Foods (**CPF TB**) as we believe its valuation has already bottomed out. We also believe CPF's operations have bottomed out in 2Q23 and expect a turnaround from 2H23E. Srinanaporn Marketing (**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 27x (vs BBIK's 31x). 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 (USDm)	Rec.	Price (THB)	TP (THB)	Upside (%)	EPS grw. (%)		PER (x)		ROE (%)		P/B (x)		Yield (%)	
							23E	24E	23E	24E	23E	24E	23E	24E	23E	24E
Advanced info	ADVANC TB	18,136	BUY	226.00	251.00	11.1	13.3	4.9	23.2	22.1	33.0	32.9	7.4	7.1	3.6	3.8
CP All	CPALL TB	14,725	BUY	60.75	79.00	30.0	32.0	22.9	31.1	25.3	16.5	18.3	4.9	4.4	1.6	1.9
Bangkok Bank	BBL TB	8,627	BUY	167.50	200.00	19.4	32.9	7.6	8.2	7.6	7.5	7.6	0.6	0.6	3.9	4.2
Krung Thai Bk	KTB TB	7,203	BUY	19.10	22.00	15.2	12.8	6.7	7.0	6.6	9.7	9.7	0.7	0.6	4.2	4.6
SCG Packaging	SCGP TB	4,228	BUY	36.50	47.00	28.8	8.4	20.3	25.1	20.8	6.3	7.1	1.5	1.4	1.7	2.0
COM 7	COM7 TB	2,011	BUY	31.25	37.00	18.4	13.3	18.2	21.9	18.5	42.6	40.1	8.5	6.6	2.0	2.4
Bangchak	BCP TB	1,546	BUY	39.75	49.00	23.3	-66.3	35.6	9.0	6.7	11.2	14.2	1.0	0.9	5.5	7.5
Thai Stanley	STANLY TB	371	BUY	179.50	240.00	33.7	16.3	4.1	7.9	7.6	8.5	8.5	0.6	0.6	11.1	10.0
Aapico Hitech	AH TB	318	BUY	33.25	44.00	32.3	11.0	6.1	6.0	5.7	18.6	17.7	1.1	1.0	5.7	6.2

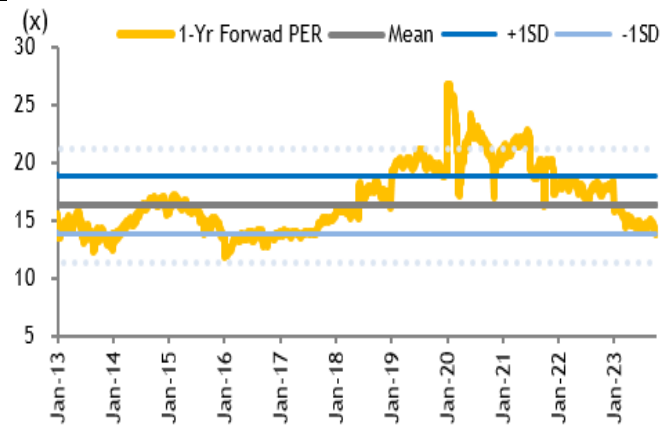
Source: Maybank IBG Research, FactSet

**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	(0.8)	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	2.50	2.25

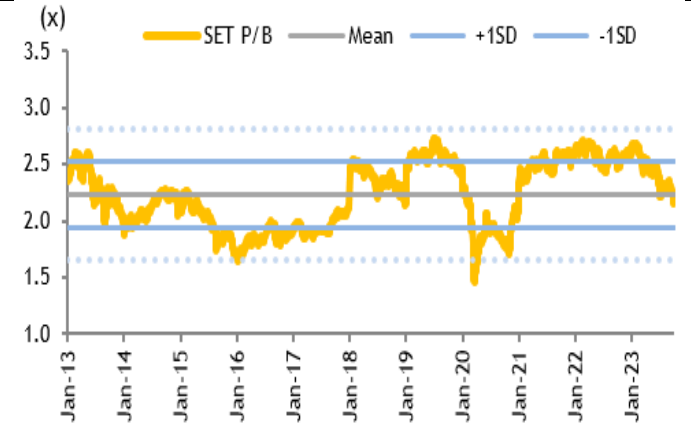
Source: CEIC, Maybank IBG Research

**Fig 4: SET's 12M forward PER**



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 rose by 4.27% in 19 Sep - 3 Oct, following the decision of the Bangko Sentral ng Pilipinas (BSP) to keep policy rates steady at 6.25% in its Monetary Board meeting last 21 Sep. Nevertheless, the BSP signaled a potential off-cycle rate hike before its Nov meeting, as Sep inflation is expected to settle within 5.3-5.6% due to the uptrend in the prices of fuel, electricity and key agricultural commodities, and the PHP depreciation. As such, we adjust our FY23 headline inflation forecast to +6.0%, from +5.5% previously, and trim our FY24 policy rate cut expectation 100bps, from 200bps previously, which mirrors our revised US Fed rate cut of 100bps (from 200bps) in FY24E.
- The regional wage board has approved to raise the minimum daily wage of workers in three Philippine regions: +PHP30 in Cagayan Valley; +PHP35.00 in SOCCSKSARGEN region; and +PHP40.00 in Central Luzon. These will take effect on 16 Oct.
- The balance of payments (BoP) position remained in a deficit for a fifth consecutive month at USD57m in Aug, though this is a stark 90% improvement from the USD572m gap recorded in Aug 2022. Domestic liquidity (M3) marked the slowest growth in six months at 5.7% Jul to PHP16.2t, amid restrictive monetary stance in recent months.
- As a result of the FTSE and PSEi rebalancing, foreign net outflow reached USD223.1m in 19 Sep - 3 Oct, translating to YTD outflows of USD732.5m. AP, MPI and UBK were removed from the PSEi and are replaced by BLOOM, CNPF and NIKL. The PSEi currently trades at 10.8x 12-month forward PER, which is 2SD below the 10Y mean of 17.2x.
- Positive catalysts:** Passing 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:** food supply shortages and fluctuations in fuel 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 legislation on tax reforms (expansion of VAT base and possible rate reduction, imposition of VAT on digital service providers, 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 for 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%.
- We like **JFC**, 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 our 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.
- SM** remains to be our preferred consumer play. 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.
- Despite our less positive view on the banking sector, we continue to like **BDO** as its more aggressive growth strategy in the consumer lending space, along with its high CA/SA base, could partially offset the drag from the prospective policy rate cuts on its NIMs. Finally, its scale enables it to get high flow-driven FX income that also contributes to its income stream.
- We expect **GLO** 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 Code	Mkt. cap (PHPm)	Rec.	Price (PHP)	TP (PHP)	Upside (%)	EPS grw. (%)		PER (x)		ROE (%)		P/B (x)		Div. Yield (%)	
							FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E	FY21E	FY22E
<b>Top picks</b>																
SM Investments	SM PM	17,809	BUY	827.0	1,290.0	56	25.6	14.0	13.1	11.5	13.7	13.6	1.8	1.6	0.7	0.7
BDO Unibank	BDO PM	13,089	BUY	141.0	167.0	18	17.4	7.4	11.2	10.5	12.6	12.2	1.4	1.3	2.1	2.1
Jollibee	JFC PM	4,479	BUY	227.0	288.0	27	14.4	18.2	30.8	26.1	17.1	18.0	4.0	3.6	1.1	1.3
Globe	GLO PM	4,593	BUY	1,807.0	2,452.0	36	2.0	(5.6)	11.8	12.5	18.0	11.4	1.4	1.3	6.3	6.3
Bloomerry	BLOOM PM	1,916	BUY	10.0	17.5	75	134.0	38.3	9.7	7.0	27.9	29.3	2.7	2.1	1.1	2.6
GT Capital	GTCAP PM	2,227	BUY	587.0	1,020.0	74	66.9	18.6	4.9	4.1	11.3	11.9	0.5	0.5	1.0	1.0
<b>Least preferred</b>																
PNB	PNB PM	495	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

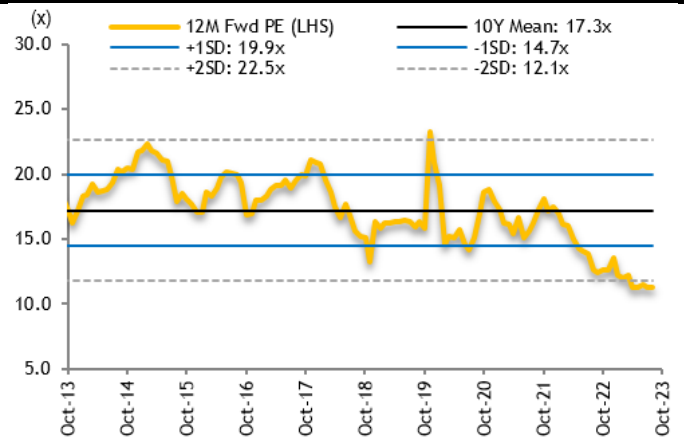
Source: Maybank IBG Research, Bloomberg

**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	6.3	3.5
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	5.25

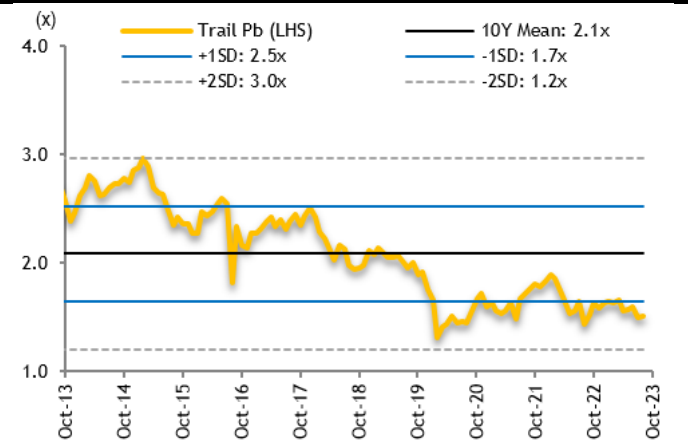
Source: CEIC, Maybank IBG Research

**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 raise our 2023 full-year GDP growth forecast to 4.8% from the previous 4.0%. 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. However, it was in check in most of 2023. We expect headline inflation to stay at 3.4% for 2023, lower than government's target of 4.5%.
- 3Q23 GDP grew 5.3%, accelerating from 4.1% in 2Q23 and 3.3% in 1Q23. This is still far lagging behind the government's full year target of 6.5%. To stimulate 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 pursue easing policy. Given (i) the expectation that Fed is nearing the end of its tightening cycle, (ii) no Black Swan event like Van Thinh Phat in 2023 and (iii) manageable CPI, we expect SBV to maintain accommodative monetary policies in 4Q23 and 2024.
- FX pressure eased in 1H23 before mounting in 4Q23, however we believe the SBV is well positioned this year to limit VND depreciation to 2%-3%. We expect FX to retreat in 2024-2025 given Vietnam's consistently positive current account and the DXY appears to be peaking.
- 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.
- Fears and over-reacting of the market in response to FX pressure is sending the VN-Index to near the black-swan event level in 2022, which is offering attractive entry points for long term investors.
- 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 Property names (VHM, NLG, KDH, BCM).

Source: Maybank IBG Research

**Fig 2: Vietnam: stock recommendations**

	BBg	Mk. cap	Rec.	Price	TP	Up side	EPS grw. (%)		PER (x)		ROE (%)		P/B (x)		Div. Yield (%)	
	Code	(VNDb)		(VND)	(VND)	(%)	CY21	CY22E	CY21	CY22E	CY21	CY22E	CY21	CY22E	CY21	CY22E
Vietcombank	VCB-VN	482,340	Buy	86,300	94,327	9	14.1	20.3	18.0	15.0	21.7	20.9	3.5	2.8	-	-
PetroViet Gas	GAS-VN	196,998	Buy	85,800	88,333	6	13.1	-16.6	13.3	16.0	26.7	19.5	3.3	3.0	3.0	2.9
Vinhomes	VHM-VN	194,205	Buy	44,600	100,000	124	3.1	24.5	3.1	2.5	36.0	33.0	0.9	0.7	-	-
Airport Corp	ACV-VN	162,199	Buy	74,500	134,000	81	43.1	97.5	37.9	19.2	15.2	18.0	3.7	3.2	-	-
Vinamilk	VNM-VN	155,493	Buy	74,400	90,700	27	18.7	10.2	18.3	16.6	27.1	30.9	5.2	5.0	5.1	5.4
Hoa Phat	HPG-VN	146,804	Hold	25,250	22,500	(11)	13.0	11.3	18.2	16.4	9.1	9.3	1.5	1.4	2.8	-
Viet. Prosp.Bnk	VPB-VN	127,532	Buy	21,000	25,000	19	6.6	-22.1	7.7	9.9	20.7	13.3	1.5	1.2	-	4.8
Techcombank	TCB-VN	113,431	Buy	32,250	48,700	51	4.5	-7.4	5.6	6.1	19.7	15.3	1.0	0.9	-	-
FPT	FPT-VN	117,466	Buy	92,500	115,000	27	20.1	19.9	24.2	20.2	27.2	27.8	4.8	4.7	2.2	2.2
Mobile world	MWG-VN	72,023	Buy	49,200	58,155	20	15.3	-77.2	17.6	77.0	18.5	3.7	3.0	2.7	1.2	2.0
Sacombank	STB-VN	56,934	Buy	30,200	43,700	45	8.4	53.1	11.3	7.4	12.6	18.2	1.5	1.2	-	-
VEAM	VEA-VN	49,033	Buy	36,900	53,300	54	7.5	-15.6	6.4	7.6	31.7	25.7	2.0	1.9	11.5	10.1
P. Nhuan J	PNJ-VN	25,954	Buy	77,600	98,000	26	15.8	0.6	13.7	13.6	25.0	21.2	2.9	2.7	2.2	2.6
Gemadep	GMD-VN	19,318	Buy	64,100	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	17,312	Buy	48,500	65,400	42	9.9	57.2	13.5	8.6	-	-	2.3	2.0	-	-
PetroViet Tech	PVS-VN	17,780	Buy	37,200	40,000	8	13.6	6.9	23.6	22.1	7.4	7.6	1.5	1.4	4.7	3.0
PetroViet Drill	PVD-VN	14,148	Buy	25,450	25,000	(2)	135.3	383.9	135.3	28.0	0.8	3.6	1.0	1.0	-	-
Nam Long	NLG-VN	12,733	Buy	33,250	46,100	39	10.1	10.0	10.9	9.9	13.1	13.8	1.4	1.3	2.7	0.6

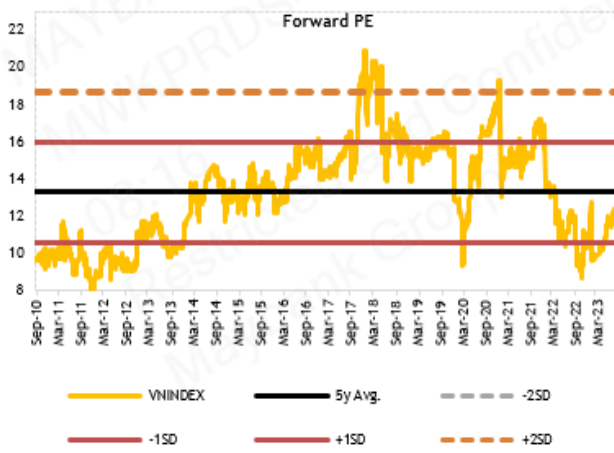
Source: Maybank IBG Research, Bloomberg

**Fig 3: Vietnam: Key macroeconomic indicators**

	2019	2020	2021	2022	2023E	2024E
Real GDP (%)	7.4	2.9	2.6	8.0	4.8	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	5.3	7.2
Exports of Goods & Services (%)	6.2	4.1	14.0	4.9	(2.6)	5.8
Imports of Goods & Services (%)	4.9	3.3	16.2	2.2	(3.3)	5.7
*Current Account Balance (% of GDP)	3.6	4.3	(2.1)	(0.3)	3.5	3.5
*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	3.4	3.5
^Unemployment Rate (%)	2.2	2.5	3.0	2.3	2.3	2.2
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

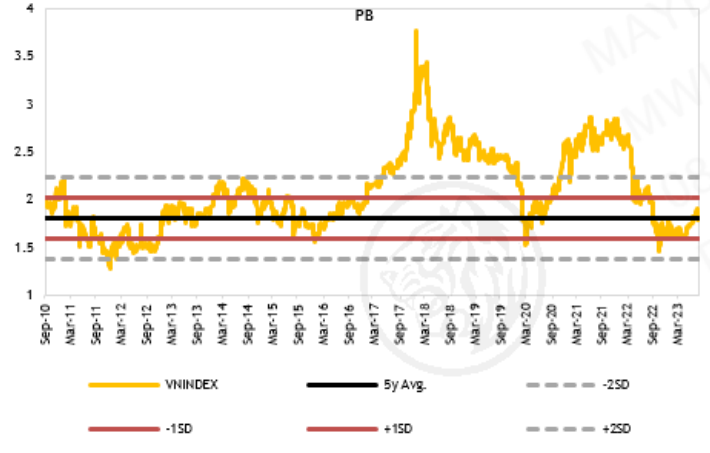
\*Vietnam started using new nominal GDP series in 2021. Source: CEIC, Maybank IGB Research

**Fig 4: VN-Index 12M forward PER**



Source: Bloomberg, Maybank IGB Research

**Fig 5: VN-Index trailing P/B**



Source: Bloomberg, Maybank IGB Research



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