

ASEAN+ FORTNIGHTLY

Highlights (9 - 20 Oct, 2023)

Malaysia: Budget 2024 and 1H23 Financial Stability Report highlights; Oil & Gas sector refresh; TOPG raised to HOLD

Budget 2024 confirmed sustained fiscal consolidation with a lower 4.3% budget deficit to GDP ratio (2023E: 5%), while key tax and non-tax measures were Capital Gains Tax (unlisted shares), Luxury Goods Tax, Global Minimum Tax, targeted subsidy rationalisation, e-invoicing as well as hikes in Service and Sugar Taxes. Re equities, key beneficiaries are Construction (higher development allocation - picks are **Gamuda, IJM, CMS**) and Aviation/Tourism (Visit Malaysia Year 2026 and higher allocations; picks are **MAHB, AAX, GENM**) while selected players in Consumer and Software also see incremental benefit (**QLG, LHIB, CAB, HEIM, ITMAX, Ramssol, GHL, CTOS**). Gaming (**MAG, STOTO**) is a modest loser due to higher service tax rate which the operators absorb. Bank Negara's 1H23 Financial Stability Report highlights resilient household sector (HH debt-to-GDP flat at 81.9%) while business credit quality remains sound (impairment ratio unchanged at 2.8%). Banks' fundamentals remain strong with comfortable provision levels (115.8% loan loss coverage; 1.8% NPL ratio; MYR139b excess capital) - sector Buys are **PBK, CIMB, HLBK, HLFG** and **ABMB**. In refreshing our O&G sector positioning, we expect the current elevated oil price environment to continue for the medium term, with in-house Brent ASP assumptions of USD85/ 80/bbl for 2023/2024E - top picks are **Yinson, BArmada** and **Wasco**. We upgrade gloves manufacturing behemoth **TOPG** to HOLD (from SELL) following better-than-expected 4QFY23 reporting albeit still losses, with risk-reward now more balanced following kitchen sinking exercises.

Singapore: MAS keeps policy unchanged as outlook improves; NEUTRAL on Banks & REITs; GENS remains a BUY

The MAS maintained the prevailing rate of appreciation of the S\$NEER, and kept the width and level of the band intact. This was the second hold after five consecutive tightening moves since Oct 2021 amid an improving growth outlook. Meanwhile, NODX fell by -13.2% in Sep (vs. -22.5% in Aug), its smallest decline since Apr. In seasonally-adjusted MoM terms, NODX jumped +11.1% (vs. -6.7% in Aug), reversing two consecutive months of declines. In fact, non-oil retained imports of intermediate goods (NORI) has been rising strongly for three straight months, indicating that manufacturers are turning more optimistic on demand prospects. For the equities 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**. For the upcoming 3Q23 results, we expect SG Banks to report sequential slowdown in earnings momentum although YoY growth will still be positive. Maintain BUY on **DBS** due to its supportive NIM although **UOB** could potentially surprise on the upside. Distribution by S-REITs are likely to decelerate as higher costs more than offset resilient operations. Prefer liquid, large cap names such as **CICT** and **MLT**. BUY **GENS** as the VIP market and the mass market continue to grow unabated.

Indonesia: Risk-off to continue; BI surprises with rate hike; POSITIVE on Banks sector; MYOR in focus, TP raised

Bank Indonesia has been vigorously defending the Rupiah in the 15,600-15,700 range through direct interventions in the FX market as well as by absorbing IDR liquidity using a new instrument (Sekuritas Rupiah Bank Indonesia) - this has been followed with a surprise +25bps rate hike, with another hike expected in Nov/Dec as the Rupiah struggles with a weakening external balance and surging US yields, the latter to remain pressured by wide US budget deficits. Overall, we continue to recommend a risk-off approach for now. Maintain buy on weakness for banks such as **BMRI** and **BBCA** given visible, sustainable earnings growth, improvement in loan quality and dominance in both funding and lending market shares. The consumer sector is a relative safe haven - we have upgraded TP for **MYOR** as it is a key beneficiary of IDR depreciation, with c.46% of its FY24E sales being exports.

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ASEAN+: Top BUY ideas

Stock	BB Ticker	Price	TP	Upside (%)
Malaysia				
Mr DIY	MRDIY MK	1.53	2.40	56.9
Bermaz Auto	BAUTO MK	2.45	4.14	69.0
AirAsia X	AAX MK	2.09	3.56	70.3
Singapore				
CSE Global	CSE SP	0.41	0.65	58.5
ComfortDel	CD SP	1.28	1.50	17.2
ST Eng	STE SP	3.79	4.20	10.8
Indonesia				
Bank BCA	BBCA IJ	8,750	10,450	19.4
Bank Mandiri	BMRI IJ	5,725	6,400	11.8
Mayora Indah	MYOR IJ	2,630	3,700	40.7
Thailand				
CP All	CPALL TB	56.25	79.00	40.4
True	TRUE TB	6.80	8.60	26.5
Bangchak	BCP TB	40.75	49.00	20.2
Philippines				
SM Investment	SM PM	820	1,290	57.3
Jollibee	JFC PM	221	288	30.4
GT Capital	GTCAP PM	558	1,020	82.8
Vietnam				
Techcombank	TCB VN	30,650	48,700	58.9
Sacombank	STB VN	29,000	43,700	50.7
Mobile World	MWG VN	43,000	58,155	35.2

Source: Maybank IBG Research, Factset 19 Oct

Thailand: All eyes on digital wallet policy; Initiating coverage on the Power sector with a NEUTRAL rating

SET Index has seen further selling pressure in October to date although the pace of correction has slowed. The conflict in Israel and Gaza has led to sell-offs in tourism-related sectors but pushed up energy stocks as the market starts to factor in risk premium for oil prices. Domestically, the new government has enacted a raft of measures designed to boost consumption and reduce cost-of-living burden. The latest measure is debt moratorium for farmers to the tune of THB 280b. Still, the market remains jittery over the digital wallet policy whereby the government promised to hand out THB10,000 to every Thai aged 16 and above. This could encompass 56m people with the size of total handout reaching THB560b. However, uncertainties remain over funding, implementation, and limitation on the spending of this handout. We expect clarity of this policy by end-Oct, which will likely help lift sentiment for the Thai market. In terms of stock recommendation, we maintain our core portfolio of banks, energy, telecom, and consumer-related stocks (food and retail). We think the latest round of sell-off has created buying opportunities especially for consumer names **SNNP** and **CPALL**. Both are likely to deliver strong earnings growths and could also benefit from the digital wallet policy as well. We are cautious on petrochemical, finance, utilities, and tourism-related stocks (hotels, airport, airlines). We have initiated coverage on the Thai Power sector with a NEUTRAL rating - while we expect the spark spread / margin to widen and see sizeable renewable energy tenders of 17-29GW in 2023-37, uncertainty with regards government policy and rising Thai bond yields could squeeze valuations. **GULF** (Gulf Energy) is our top pick for its earnings resilience to external factors, upside risk from RE tenders, and the highest ROE among peers; we also have a BUY rating for **GPSC** (Global Power) while rating **BGRIM** (B.Grimm Power) as HOLD.

Philippines: BSP is open for 25bps rate hike; investors await PSEi's short selling program, 3Q23 reporting to kick off

The PSEi dropped by 0.40% in 3 - 17 Oct, as the Bangko Sentral ng Pilipinas (BSP) stated that it is open to raise its key policy rate by 25bps on its Nov meeting given the uncertainty around headline inflation falling to within 2-4% target this year. Market sentiment was further dragged by the escalating tensions in the Middle East, transport fare rate hikes, and higher electricity prices. Moreover, President Marcos lifted the price caps on rice on 5 Oct, which could cause more inflationary pressures in the coming months. On a positive note, improving economic indicators were noted on the macro front: (i) exports rebounded to +4.2% YoY while imports dropped to -13.1% YoY, causing the trade deficit to decline by 31.5% YoY to USD4.1b in Aug, and (ii) OFWR increased to +2.8% YoY in Aug, driven by the increased remittances from land- and sea-based workers. Key events investors are watching out for include (i) launch of Philippine Stock Exchange, Inc.'s (PSE) short-selling program, and (ii) release of corporates 3Q23 earnings results. Given the still-elevated inflation outlook, we reiterate our preference for defensive consumption- and mobility-driven stocks **SM**, **BDO**, **GTCAP**, **BLOOM** and **JFC**. We also choose **GLO** as our preferred dividend yield play.

Vietnam: Sentiment turns defensive over 3Q23 earnings season; National Assembly discuss Real Estate-related laws

The VN-Index had a large swing over the past two weeks, with a sharp drop of 6% in the last 4 trading days. While pressure from elevated DXY persists, the SBV continues to issue T-bills as a measure to control FX, with accumulative value of VND256t since 21st Sep. Market sentiment is worsening due to fear of spillover effects from the conflict in Gaza that may potentially drive up inflation as a result of rising energy price, which may then eventually change the course of SBV's current easing of monetary policy. The strong sell-off is also said to be a result of reducing margin lending. There are also concerns around weaker-than-expected 3Q23 reporting in the upcoming earnings season for many proxy-listing companies. Meanwhile, credit growth is still sluggish, with 9MYTD at 6.9%, which is far below the target 14%. The national assembly is voting for adoption of the new land law, real estate law and housing law on 26th Oct, which will be critical for the property sector. For now, we are less confident on the possibility of new land law adoption, given the debatable policy orientation implied in the law. If this is the case, it will reduce the bottleneck re troubleshooting legal issues for real estate projects. For stock picks, we prefer **STB** (solid turnaround story), **FPT** (best positioned for IT and semiconductor industry), **PC1** (key beneficiary for public spending), and **PVS**; **PVD** (beneficiaries of elevated oil prices).

Table of Contents

ASEAN+: regional dashboard	4
<u>Strategy and macro highlights</u>	
MALAYSIA.....	5
SINGAPORE	7
INDONESIA	9
THAILAND	11
PHILIPPINES	13
VIETNAM	15

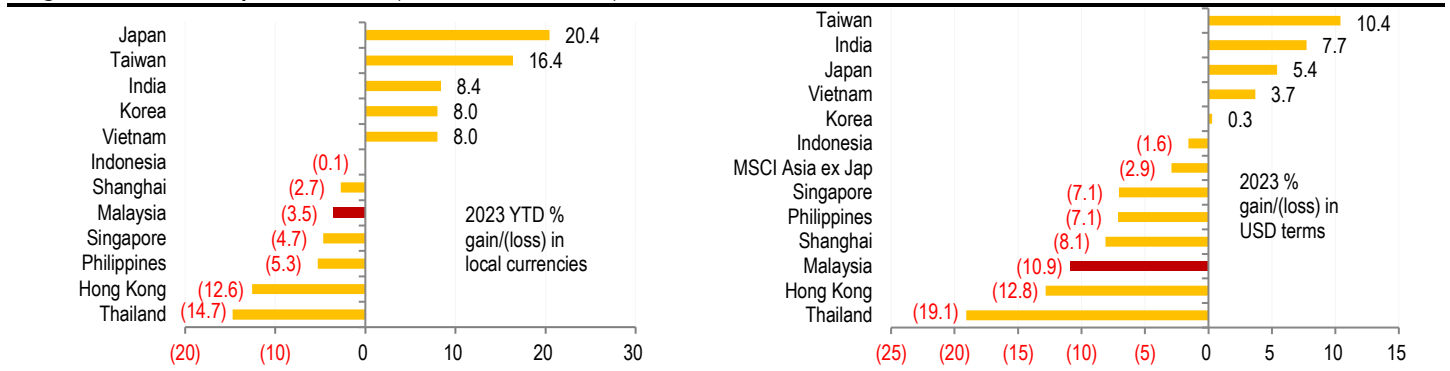
ASEAN+: regional dashboard

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	1,443	14.8	13.4	3.4	10.8	9.0	9.6	1.3	1.3	4.2	4.3
Singapore	3,100	11.8	11.4	38.0	4.0	10.7	10.6	1.3	1.2	4.7	5.0
Indonesia	6,846	14.4	13.2	30.5	8.6	15.0	15.3	2.2	2.0	4.7	4.4
Thailand	1,423	15.8	13.7	5.8	15.4	8.3	8.5	2.1	2.1	2.4	2.5
Philippines	6,219	11.7	10.7	21.5	9.0	12.8	12.7	1.6	1.5	2.6	2.7
Vietnam	1,088	11.3	8.6	8.6	31.8	14.1	16.1	1.6	1.4	3.0	3.1

Source: Maybank IBG Research, MSCI, Bloomberg 19 Oct 2023

Fig 2: Asia: market performance (benchmark indices)



Source: Bloomberg (as of 19 Oct 2023), Maybank IBG Research (chart)

Source: Bloomberg (as of 19 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)	1,443	1,520	+5.4%
Singapore (STI)	3,100	3,629	+17.1%
Indonesia (JCI)	6,846	7,600	+11.0%
Thailand (SET)	1,423	1,650	+15.9%
Philippines (PSEi)	6,219	7,900	+27.0%
Vietnam (VNINDEX)	1,088	1,300	+19.5%

13x fwd PER, -1.5 std. deviation vs. historical mean (16x); MKE 2022E/2023E/2024E KLCI earnings growth at -6.0%/+2.8%/+12.0%, respectively (2022E includes *Cukai Makmur* impact, -91% YoY slump in Glove sector profit; **OW:** Financials, Renewables, 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.

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.

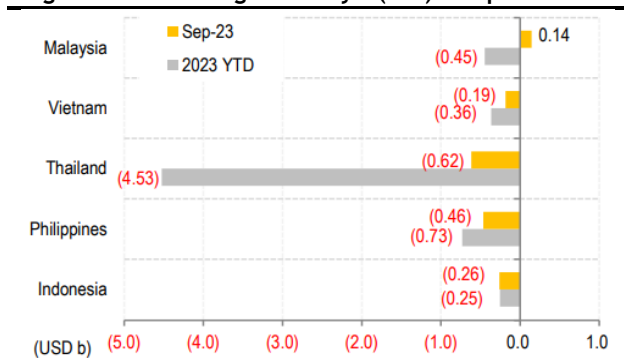
16x fwd PER, 10Y average on THB105 2024E EPS; MST 2023E/2024E SET Index EPS growth at +6.0%/+15%, respectively **OW:** Banks, Energy, Telcos, Consumption plays (retail, food); **UW:** Finance, Tourism (hotels, hospitals, airport, airlines), utilities, and PTT.

15x fwd PER, a discount to the 10Y mean of 17.1x; MIBG FY23/24E market earnings growth at +21.5%/+9.0%, respectively. **OW:** transport, property/REIT, conglos, banks (select) and consumer (select); **UW:** power/utilities, telco.

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 19 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	MSCI Asia ex-J	(2.7)	(7.2)	(2.9)	10.8	(19.2)	1.0
	MSCI EM	(3.2)	(7.5)	(1.4)	8.9	(16.3)	(2.9)
	MSCI ASEAN	(3.0)	(8.3)	(8.2)	2.7	(3.3)	(19.7)
Malaysia	FBM KLCI	(1.0)	2.8	(3.5)	1.9	(5.0)	(16.7)
Singapore	FSSTI	(4.4)	(5.4)	(4.7)	2.5	21.9	1.2
Indonesia	JCI	(1.9)	0.2	(0.1)	(0.2)	33.6	17.3
Thailand	SET	(6.6)	(7.4)	(14.7)	(10.4)	17.7	(14.7)
Philippines	PCOMP	2.8	(4.9)	(5.3)	1.2	3.3	(13.0)
Vietnam	VNINDEX	(10.2)	(7.3)	8.0	2.6	15.3	13.5

Source: Bloomberg (as of 19 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 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.
- Budget 2024's key takeaways are: **i)** sustaining fiscal consolidation with a lower 4.3% budget deficit to GDP ratio (2023E: 5%); **ii)** tax and non-tax measures to support fiscal consolidation that are both expected (Capital Gains Tax, High-Value/ Luxury Goods Tax, Global Minimum Tax, targeted subsidy rationalisation, e-invoicing) and unexpected (hikes in Service and Sugar Taxes); **and iii)** aligning allocations and incentives with recently-announced policy frameworks i.e. MADANI, NETR, NIMP, 12MP, to the benefit of areas/sectors such as construction/infra, MSMEs, E&E, chemical/petrochemicals, RE & EVs, startups, tourism, Islamic finance & halal, food security and global services hub. With a sub-3% deficit ratio required to meaningfully reduce government debt/GDP ratio (which is forecast to continue to increase, to 64% by end-2024), the Budget's silence on petrol subsidies appears to be merely a stay of execution (likely pending full rollout of the PADU database), especially as 2024E oil price is forecast at a higher USD85/bbl (2023E: USD80/bbl) - while progressive roll-back of diesel, electricity subsidies and ending of chicken/egg subsidies are positive steps, "subsidies and social assistance" opex is to remain elevated at MYR52.8b in 2024E (2023E: MYR64.2b; -18% YoY).
- 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, HLFM, 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)**, **YTL** and **MFCB** (Utilities), **Magnum** (NFOs) and **YTL REIT, Sentral REIT** and **AXIS REIT** re REITs.
- S&LLs: **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 (%) 2023E	2024E	P/E (x) 2023E	2024E	ROE (%) 2023E	2024E	P/B (x) 2023E	2024E	Div Yld (%) 2023E	2024E
Large Caps																
Public Bank	PBK MK	79972	Buy	4.12	5.05	22.6	9.7	4.4	11.9	11.4	NA	NA	1.5	1.4	4.6	4.6
CIMB Group	CIMB MK	59511	Buy	5.58	6.50	16.5	16.5	7.8	9.2	8.5	NA	NA	0.9	0.8	5.9	6.3
HL Bank	HLBK MK	42184	Buy	19.46	23.00	18.2	16.0	(1.4)	10.2	10.6	NA	NA	1.2	1.2	3.1	3.3
Telekom M'sia	T MK	19377	Buy	5.07	6.50	28.2	42.7	2.0	10.8	10.6	19.9	18.1	2.1	1.9	3.7	3.8
Genting M'sia	GENM MK	14489	Buy	2.44	2.70	10.7	144.1	58.5	24.0	15.1	4.7	7.3	1.1	1.1	6.1	6.1
MR D.I.Y.	MRDIY MK	14422	Buy	1.53	2.40	56.9	20.1	19.1	25.0	21.0	33.2	32.8	8.4	6.9	1.9	2.3
Gamuda	GAM MK	12323	Buy	4.57	4.80	5.0	5.4	(3.8)	12.8	14.1	17.0	7.6	1.0	1.1	11.6	2.6
Yinson	YNS MK	7415	Buy	2.42	5.05	108.7	(5.3)	77.2	16.4	8.3	14.4	18.1	1.8	1.5	0.8	0.7
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.	MYEG MK	5908	Buy	0.79	1.16	46.8	16.8	5.5	14.3	13.6	19.0	17.6	2.7	2.4	2.0	2.2
UMW Hldgs	UMWH MK	5619	Buy	4.81	6.02	25.2	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	3529	Buy	0.87	1.20	38.7	(3.5)	113.4	12.7	6.0	2.3	4.6	0.3	0.3	1.7	3.8
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
Bumi Armada	BAB MK	3257	Buy	0.55	0.70	27.3	(35.4)	58.3	6.1	3.8	9.4	13.0	0.6	0.5	0.0	0.0
Allianz MY	ALLZ MK	2826	Buy	15.88	19.20	20.9	21.6	13.6	7.7	6.8	NA	NA	1.2	1.1	5.4	5.4
Srww Oil Palms	SOP MK	2288	Buy	2.57	2.81	9.3	(54.1)	6.5	10.1	9.5	6.6	6.7	0.7	0.6	3.0	3.2
Itmax	ITMAX MK	1861	Buy	1.81	2.10	16.0	47.3	44.3	28.4	19.7	19.2	23.1	5.5	4.5	0.7	0.9
MBM Resources	MBM MK	1557	Buy	3.79	4.57	20.5	10.4	2.6	6.3	6.1	11.7	11.4	0.7	0.7	12.2	9.0
AEON Co	AEON MK	1530	Buy	1.09	1.75	60.6	(5.1)	5.7	12.1	11.4	6.7	6.9	0.8	0.8	3.7	3.7
AirAsia X	AAX MK	934	Buy	2.09	3.56	70.5	(111.4)	83.8	6.5	3.5	NA	34.9	1.9	1.2	0.0	0.0
Optimax	OPTIMAX MK	362	Buy	0.67	0.86	28.4	10.0	0.1	22.4	22.4	24.4	23.0	5.9	5.6	3.6	3.6

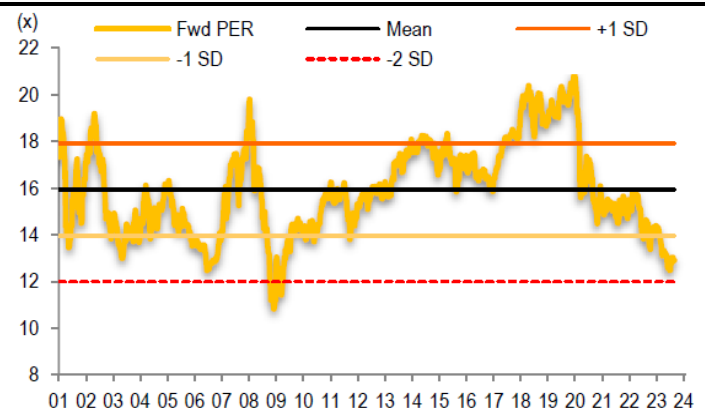
Source: Maybank IBG Research, Factset, 19 Oct 2023

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	11.2	4.7	4.8
Government Consumption (%)	1.8	5.0	5.3	4.5	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	14.5	(3.2)	3.4
Imports of Goods & Services (%)	(2.4)	(7.9)	17.7	15.9	(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	3.0
Unemployment Rate (% , period average)	3.3	4.5	4.6	3.8	3.5	3.4
Exchange Rate (per USD, end-period)	4.09	4.02	4.17	4.40	4.65	4.35
10-Year Government Bond Yield (% , end-period)	3.31	2.65	3.59	4.00	3.80	3.30
Benchmark Interest Rate (% p.a. , end-period)	3.00	1.75	1.75	2.75	3.00	3.00

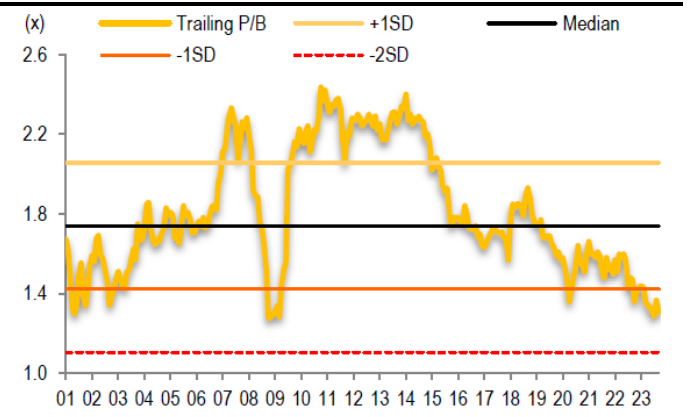
Source: CEIC, Maybank IBG Research

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:

- As expected, the MAS kept the prevailing rate of appreciation of the S\$NEER, and left the width and level of the band unchanged. This was the second hold following five consecutive tightening moves since Oct 2021 amid an improving growth outlook. We retain our GDP growth forecasts at +0.8% in 2023 and +2.2% in 2024.
- The MAS expects core CPI at around +4% in 2023 (Maybank forecast: +4.2%), and headline CPI at around +5% (Maybank forecast: +4.8%). No change to our core inflation forecast at +2.8% in 2024.
- MAS will be shifting to a quarterly monetary policy statement schedule from 2024, with the next decision released in late Jan. The more frequent policy meetings will help improve the communication and transparency of MAS views on policy stance.
- NODX fell by -13.2% in Sep (vs. -22.5% in Aug), its smallest decline since Apr. Notably, NORI has been rising strongly for three straight months, suggesting that manufacturers could be turning more optimistic on demand prospects.
- 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:

- Expects SG Banks to report sequential slowdown in 3Q23 earnings momentum even though growth will be positive versus last year. Asset quality is likely to remain benign accompanied by increasingly cautious guidance. Bright spot remains dividend with further upside from capital releases.
- Maintain BUY on **DBS** with TP of SGD39.36 from supportive NIMs. **UOB** (HOLD, TP: SGD30.86) could marginally surprise on the upside from stronger ASEAN consumer growth, but need to watch FX translation.
- Distribution by S-REITs are likely to decelerate as higher costs more than offsets resilient operations. Focus will still remain on debt metrics and asset values, especially for offshore assets and capital recycling opportunities.
- We prefer to go for liquid, large cap names such as **CICT** (BUY, TP: SGD2.15 and **MLT** (BUY, TP: SGD1.80) given the volatile yield curve and uneven growth patterns.
- Reiterate **GENS** at BUY and TP SGD1.12. Our recent conversation with management suggest that this it is business as usual for the VIP market, while the mass market should continue to grow as more Chinese tourists return to Singapore.

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
BUY (Large Caps)																
DBS	DBS SP	63,249	Buy	33.45	39.36	17.7	26.2	(1.5)	8.6	8.8	17.9	16.3	1.5	1.4	5.7	6.3
CICT	CICT SP	8,850	Buy	1.82	2.15	18.1	(0.5)	2.5	16.4	15.8	5.1	5.2	0.9	0.8	6.0	6.2
Genting SG	GENS SP	7,423	Buy	0.84	1.12	33.3	76.5	18.9	15.8	12.4	7.4	8.6	1.2	1.2	4.8	4.8
ST Engineering	STE SP	8,967	Buy	3.93	4.20	6.9	8.7	16.0	22.0	18.3	23.3	25.2	4.7	4.5	4.2	5.1
Sembcorp Ind.	SCI SP	6,154	Buy	4.73	6.30	33.2	32.7	(8.6)	11.0	10.9	21.1	16.5	1.7	1.5	1.7	1.7
BUY (SMID - M.Cap <USD5b)																
Comfort Delgro	CD SP	2,091	Buy	1.32	1.50	13.6	3.8	14.2	16.7	15.9	6.9	7.8	1.1	1.1	4.5	4.7
Raffles M	RFMD SP	1,680	Buy	1.22	1.65	35.2	(12.0)	0.2	19.1	18.2	12.0	11.3	2.1	2.0	2.6	2.7
CDL Hosp Trust	CDREIT SP	918	Buy	1.01	1.25	23.8	(71.7)	21.1	16.6	14.6	3.3	3.9	0.7	0.7	6.0	6.7
Frencken	FRKN SP	356	Buy	1.14	1.27	11.4	(51.7)	51.1	19.0	9.5	6.3	8.9	1.2	1.1	1.6	3.1
CSE Global	CSE SP	186	Buy	0.42	0.65	56.6	354.0	21.9	12.2	9.4	9.7	10.7	1.1	1.0	6.7	6.7

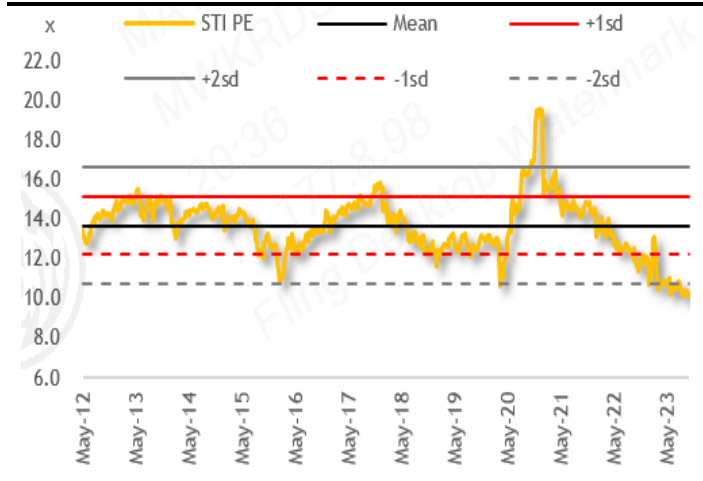
Source: Maybank IBG Research, FactSet

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	3.3
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	1.365	2.34
10-Year Government Bond Yield (% end-period)	1.73	0.83	1.64	3.09	3.10	2.75
3M SORA (% p.a., end-period)	1.27	0.13	0.19	3.10	3.80	3.20

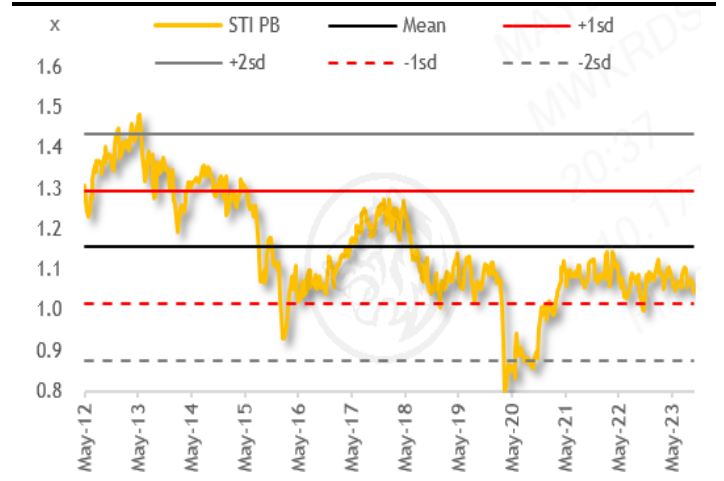
Source: Maybank IBG Research

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 -0.02% ending at 6,940. JCI was supported by the consumer staples sector **UNVR** (+3.5%), **CMRY** (+7.7%), **INDF** (+1.5%), and **MYOR** (+4.7%), cement sector **INTP** (+2.0%) and **SMGR** (+1.5%), healthcare sector **SILU** (+7.0%), **HEAL** (+1.9%), and **KLBF** (+2.2%), and also cigarette producers **GGRM** (+7.2%) and **HMSP** (+1.2%). However, JCI was also dragged down by Indonesia's big banks **BBRI** (-1.9%), **BBCA** (-1.4%), **BRIS** (-4.6%), and **BMRI** (-0.8%), digital banks **BBHI** (-16.3%) and **ARTO** (-9.8%), and giant coal miners **BUMI** (-7.4%), **MDKA** (-3.4%), **ADRO** (-1.4%), **ADMR** (-6.1%), **HRUM** (-6.6%), and **PTBA** (-2.9%).
- IDR weakened against USD for the past two weeks ending at 15,715.
- Indonesia's sovereign bond front-end 3M to 1Y tenors' yields increase by 0bps to 5.6bps, 2Y to 5Y yields increase by 6.2bps to 11.5bps, and 10Y tenors' yield was flat.

Sector/stock positioning:

- Banking:** We maintain Positive on the Banking sector favoring the big four banks, especially **BBCA** and **BMRI**. We expect big banks to pull ahead in loan growth as they are capable of offering competitive rates and have enough liquidity to disburse more loans. Moreover, in the current high interest rate environment, mid-smaller bank's funding will be challenged as depositors will shift to higher yielding bonds rather than their deposits. **BBCA** and **BMRI**, are both positioned to benefit as they have a high CASA ratio and superior asset quality will propel their ROE to grow in the future.
- Consumer:** We maintain our NEUTRAL view on the sector with our Top BUY picks (in order): 1) **ICBP**; 2) **MYOR** (link to our recently published **MYOR** report for its FY24E outlook) and 3) **MAPI**. These names have 1) the ability to address competition risks; 2) brought in active growth-led initiatives for their businesses; and 3) market-leading positions in their respective markets. The consumer sector performance has been shadowed by investors' concern about the potential rise in input costs in 3Q-4Q23, due to 1) IDR depreciation (+5% QTD); and 2) oil prices from geopolitical risks in the Middle Eastern countries, which causes our Top BUYs to rerate slowly despite their robust EPS records. To mitigate this concern, we also recommend non-rated **AMRT** as its cost-plus-margin business makes it less susceptible to any earnings downside risks due to weakening IDR/USD and soft commodity price upsides. Meanwhile, we still avoid our SELL-rated **UNVR** and **RALS**, ahead of their weaker EPS outlook.
- Cigarette:** Our Top Pick in **GGRM** will be the prime proxy for Indonesia cigarette business exposure with high earnings growth visibility and trajectory due to its aggressive price hike cycle. In 1H23, **GGRM** has brought in 10-26% ASP increases across its winning brands. Meanwhile, we still expect 3Q/9M23 1) industry's sales volume to contract; and 2) the illegal cigarette business to rise as smokers prefer to down trade to cheaper illegal cigarette alternatives, due to weaker-than-expected 8M23 excise tax print of IDR126.8t (-6% YoY; 55% of FY23E target vs. 3-year mean: 59%). The former will be the case for our HOLD-rated **HMSP**. However, in light of IDR/USD depreciation, cigarette names may gain traction as their business has little exposure to USD movement.
- Coal:** With the recent condition of gas pipe leak and the Israel-Hamas issue, EU gas prices has seen recent rally of over 41% MtD, supporting slight bounce to Newcastle price. Meanwhile Indonesian coal price saw meaningful boost of 16% MtD on the back of growing demand from China and India. We recommend tactical buy on coal producers as we think the 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 (+XX% MTD). 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:** The Government plans to auction the 700MHz spectrum (2x45 MHz), likely divided into nine blocks. Looking at the previous scheme, the winner must pay two-times upfront fee and annual fee. Previously, price of the 5MHz bandwidth in the 2.1GHz was IDR605b, and the winner must pay IDR1.8t. We will be more positive if the frequency is shareable for 5G, as the ideal bandwidth for 5G is 100MHz. Looking at the current spectrum ownership, we think Smartfren and XL Axiata will need more, likely bidding at 5-10MHz, while we think Telkomsel will continue to get the largest portion, plausibly at 15-20MHz (vs. 45 MHz available slots). In Indo telco, we maintain **TLKM** as our top pick with BUY rating and TP of IDR5,000.
- 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:** 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, especially in NPI. 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.
- Infrastructure:** **JSMR** plans to sell its 35% stake in Jalantol TransJava (JTT), targeting to be completed by end FY23E. Media is speculating that the valuation is roughly at USD750m for 35% stake (IDR11.6t at IDR15,500/USD). This translating into IDR33.2t valuation, equivalent to roughly 2.0x P/BV (we assume JTT's Book Value of IDR17t). Previously, **JSMR** targeting to sell JTT up to 3x P/BV, but we believe the 2.0x P/BV is still decent considering the Jalanlayang Cikampek at 2.1x P/BV. We think that the IDR11.6t proceed from this transaction would be for debt payment. We think this can reduce interest bearing liabilities by 20% and reduce interest expense of by IDR800b (assuming finance cost of 7%). On positive note, the IDR800b interest saving can boost our FY24E net income forecast by 35% from IDR2.4t to IDR3.2t. We maintain our BUY Call on **JSMR** with TP of IDR5,000.
- Cement:** Sept '23 recorded cement sales of 6.1m tonnes (+4.4% 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% (+210 bps) respectively. We recommend a tactical buy on **SMGR** and **INTP** ahead of 2H domestic demand recovery.
- New Economy:** **GOTO** will release its financial results on 30th October 2023, which we expect remains on the trajectory to achieve its target of Adjusted EBITDA positive by 4Q23. Meanwhile, post adding 17.04b non-preemptive new series A shares at IDR90/share (proceed of USD100m, IDR1.54t), **GOTO** shares has been on downward pressure. We think this is driven by three key sentiments: 1) macro backdrop of rising oil price and less likely the Fed to pivot this year; 2) Tiktok shop may return to the market, sooner or later (we believe); 3) the cofounder, William Tanuwijaya is selling 332m at IDR78.9/share (IDR26.2b proceed) for urgent personal needs (later, Mr Patrick Walujo bought 148.5m shares at IDR67.5/share, IDR10b). We think this is more sentiments and believe that market will be more positive if the 9M23 results is satisfying. We maintain our BUY Call in **GOTO** with TP of IDR153.

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
BUY															
BBCA IJ	70,203	Buy	8,950	10,450	16.8	23.1	11.4	22.0	19.8	21.5	21.4	4.5	4.0	2.2	2.5
BBRI IJ	49,665	Buy	5,150	6,450	25.2	19.0	13.1	12.8	11.3	19.7	20.6	2.4	2.2	4.9	4.8
BMRI IJ	35,632	Buy	6,000	6,400	6.7	15.3	13.6	11.1	9.8	20.6	21.0	2.2	2.0	4.9	5.5
TLKM IJ	23,889	Buy	3,790	5,000	31.9	30.4	9.8	13.9	12.6	20.1	20.4	2.7	2.5	4.5	4.6
BBNI IJ	12,340	Buy	5,200	5,500	5.8	15.1	12.5	9.2	8.2	15.0	15.3	1.3	1.2	7.8	8.8
ICBP IJ	8,088	Buy	10,900	14,000	28.4	156.1	-9.6	10.8	12.0	28.5	21.7	2.8	2.4	3.6	3.9
UNTR IJ	6,260	Buy	26,375	28,000	6.2	-17.0	-22.1	5.6	7.2	20.9	16.6	1.2	1.2	22.0	6.9
KLBF IJ	5,443	Buy	1,825	2,800	53.4	27.9	15.0	19.8	17.2	19.2	19.0	3.5	3.1	1.7	2.0
ISAT IJ	5,179	Buy	10,150	9,000	-11.3	-53.2	41.5	36.8	26.0	17.4	20.1	6.4	5.2	0.9	0.5
GOTO IJ	4,369	Buy	65	153	135.4	62.9	36.3	na	na	-12.1	-8.0	0.6	0.6	0.0	0.0
MDKA IJ	3,958	Buy	2,580	5,300	105.4	48.2	56.7	45.7	29.2	7.9	10.7	3.3	3.0	0.0	0.0
INDF IJ	3,827	Buy	6,850	9,000	31.4	77.1	13.3	5.3	4.7	19.3	19.0	1.0	0.8	6.6	7.4
MYOR IJ	3,770	Buy	2,650	3,700	39.6	18.6	35.4	25.7	19.0	17.0	20.1	4.1	3.6	1.6	2.1
INCO IJ	3,572	Buy	5,650	8,800	55.8	36.3	-15.9	13.1	15.5	11.0	8.4	1.4	1.3	0.0	0.0
MTEL IJ	3,534	Buy	665	950	42.9	8.7	17.0	28.6	24.5	5.6	6.4	1.6	1.5	2.1	2.5
GGRM IJ	3,263	Buy	26,650	33,000	23.8	98.3	6.0	7.8	7.4	11.1	11.1	0.9	0.8	3.0	3.0
TOWR IJ	3,051	Buy	940	1,260	34.0	-8.5	1.1	15.2	15.1	20.4	18.2	2.9	2.6	2.3	2.3
ANTM IJ	2,768	Buy	1,810	2,400	32.6	-11.5	25.7	12.9	10.2	13.7	15.7	1.7	1.5	2.4	2.7
SMGR IJ	2,494	Buy	6,575	8,600	30.8	25.7	19.4	13.2	11.0	6.8	7.7	0.9	0.8	3.8	4.5
INTP IJ	2,249	Buy	10,300	12,800	24.3	10.3	15.0	17.4	15.1	10.0	10.9	1.7	1.6	4.6	5.2
JSMR IJ	2,184	Buy	4,730	5,000	5.7	-41.0	46.6	21.2	14.4	6.9	9.1	1.4	1.3	0.7	1.0
EXCL IJ	1,979	Buy	2,380	3,200	34.5	55.2	3.0	18.1	17.5	6.6	6.5	1.2	1.1	1.9	2.0
MAPI IJ	1,959	Buy	1,855	2,600	40.2	3.5	5.1	14.1	13.4	23.9	20.8	3.0	2.6	1.5	1.6
BSDE IJ	1,441	Buy	1,070	1,400	30.8	-3.6	2.0	9.7	9.5	6.7	6.4	0.6	0.6	0.0	0.0
PWON IJ	1,281	Buy	418	600	43.5	21.9	10.4	10.7	9.7	10.3	10.4	1.1	1.0	1.1	1.2
CTRA IJ	1,222	Buy	1,035	1,500	44.9	-0.9	10.5	10.4	9.4	9.6	9.7	1.0	0.9	1.0	1.0
SMRA IJ	599	Buy	570	800	40.4	27.2	8.0	11.8	11.0	8.3	8.3	0.9	0.9	1.0	1.1
MNCN IJ	477	Buy	498	850	70.7	6.7	12.9	3.4	3.0	10.5	10.8	0.3	0.3	0.0	0.0

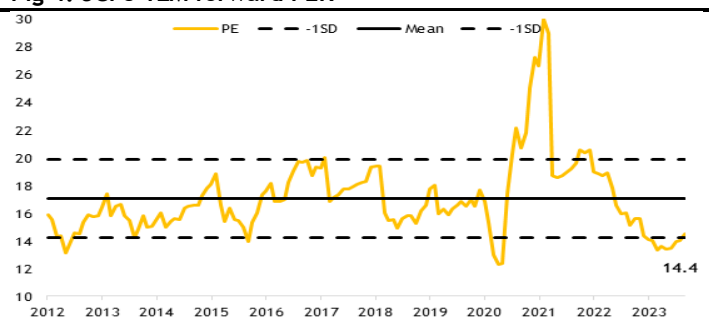
Source: Maybank IBG Research, Bloomberg

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	15,500	14,600
BI Policy Rate (% p.a., end-period)	5.00	3.75	3.50	5.50	6.25	5.50

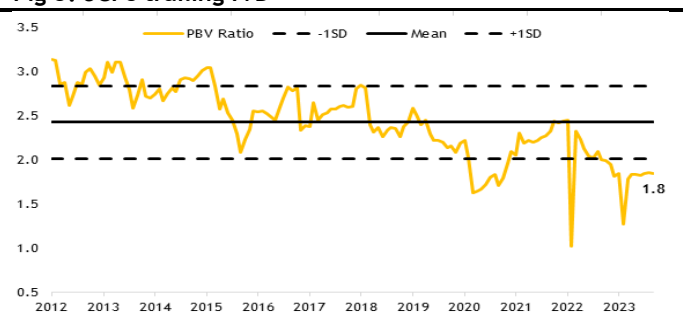
Source: CEIC, Maybank IBG Research

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 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 picks are Bangkok Bank (**BBL TB**) and 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 and above-sector-average NPL coverage. Our top SELL is Srisawad (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 also think PTT Exploration & Production (**PTTEP TB**) (BUY rating and TP THB 194) will benefit from the risk premium on oil price due to conflicts in the Middle East.
- **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 prefer True Corp (TRUB TB) (BUY, THB8.6 TP) over Advanced Info (ADVANC TB) (BUY, THB251 TP) due to expected stronger earnings improvement in FY24-26E.
- **Construction materials and services:** Building materials sector: cement and ceramic tiles, weak demand will put pressure on 3Q23E earnings to weaken both QoQ and YoY. For the contractor group, CK TB 3Q23E profits will be the highest in 4 years, but STEC TB expects 3Q23E profits to be disappointing due to additional costs. CH. Karnchang (**CK TB**) is 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. We believe the festive season, more promotions, and government policies (lower energy prices) will spur domestic consumption in 4Q23 while the upcoming stimulus should enhance consumer spending in FY24. 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's 3Q23 earnings are likely to lower than our expected due to weaker demand and oversupply of domestic livestock. We expect to see improving operations in 4Q23 on declining raw material costs. As for F&B sector, the 3Q23 earnings tend to remain solid on domestic and overseas sales growth. 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) and NETBAY (**NETBAY TB**) (BUY, THB26.2 TP) due strong 2H23E earnings outlook. For HUMAN (provider of HR software and solutions), we forecast 3Q23E core profit of THB70m (+24% YoY, +9% QoQ) on the back of Workplace project implementation. Core profit should then grow to THB90m (+15% YoY, +28% QoQ) thanks to more revenue from Workplace and a high season for ERP project implementation.
- **Utilities:** We initiated coverage of Thailand Power Sector with Neutral rating. We see potential margin improvement from lower gas prices while the new Power Development Plan could offer upside risks to long-term capacity growth. Still, uncertainties remain over government policies (especially with regards to electricity price subsidy) while valuation is not attractive for selected stocks. Our top pick in the sector is Gulf Energy Development (**GULF TB**, BUY, THB56.25 TP) given it has the strongest growth outlook and least exposure to subsidy risks in the sector.

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
PTT E&P	PTTEP TB	19,135	BUY	175.00	194.00	10.9	-14.4	-2.5	8.9	9.2	16.1	14.8	1.4	1.3	5.8	5.6
CP All	CPALL TB	14,165	BUY	57.25	79.00	38.0	32.0	22.9	29.3	23.9	16.5	18.3	4.6	4.1	1.7	2.0
Bangkok Bank	BBL TB	8,806	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	7,506	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
True	TRUE TB	6,519	BUY	6.85	8.60	25.5	n.m.	72.1	n.m.	n.m.	-7.3	-2.6	2.6	2.8	0.0	0.0
COM 7	COM7 TB	1,856	BUY	28.25	37.00	31.0	13.3	18.2	19.8	16.7	42.6	40.1	7.7	5.9	2.3	2.7
Bangchak	BCP TB	1,628	BUY	41.00	49.00	19.5	-66.3	35.6	9.3	6.9	11.2	14.2	1.0	0.9	5.4	7.3
Srinanaporn	SNNP TB	452	BUY	17.10	27.50	60.8	30.2	21.1	24.5	20.2	21.2	23.5	5.0	4.5	2.7	3.2

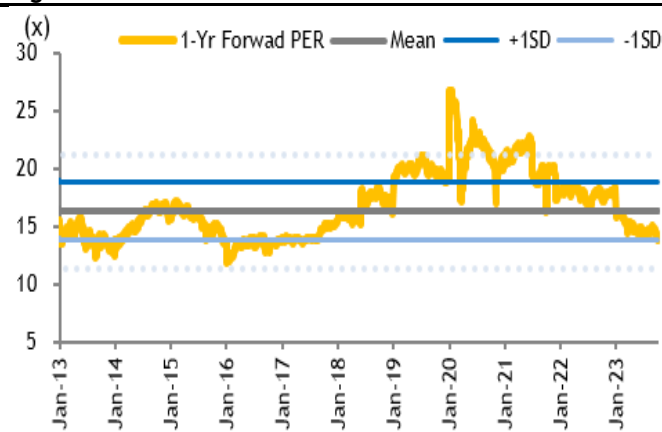
Source: Maybank IBG Research, FactSet

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	34.5	33.5
Benchmark Interest Rate (% p.a., end-period)	1.25	0.50	0.50	1.25	2.50	2.25

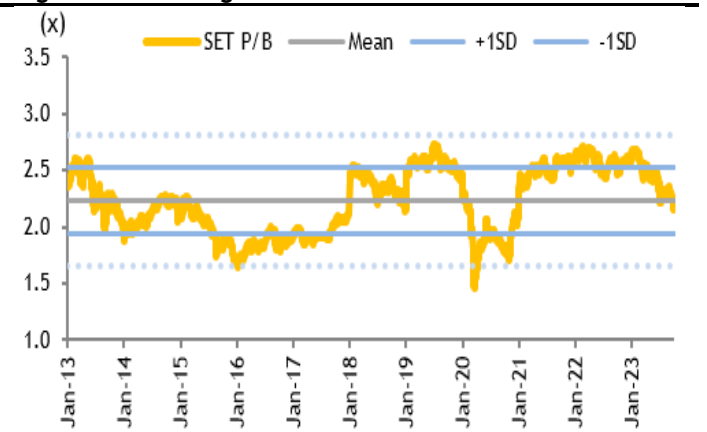
Source: CEIC, Maybank IBG Research

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 dropped by 0.40% in 3 - 17 Oct, as the Bangko Sentral ng Pilipinas (BSP) stated that it is open to raise its key policy rate by 25bps on its Nov meeting given the uncertainty of headline inflation falling within 2-4% target this year. Market sentiment was further dragged by the escalating tensions in the Middle East, transport fare rate hikes, and higher electricity prices. Moreover, President Marcos lifted the price caps on rice on 5 Oct, which could cause more inflationary pressures in the coming months. On a positive note, improving economic indicators were noted on the macro front: (i) exports rebounded to +4.2% YoY (MIBG FY23 forecasts: -5% YoY) while imports dropped to -13.1% YoY (MIBG FY23 forecasts: -6% YoY), causing trade deficit to decline by 31.5% to USD4.1b in Aug (MIBG FY23 forecasts: -USD54b) and (ii) OFWR increased to +2.8% YoY in Aug (MIBG FY23 forecasts: +3% YoY), driven by the increased remittances from land- and sea-based workers. Key events investors are watching out for include (i) the launch of Philippine Stock Exchange, Inc.'s (PSE) short-selling program, and (ii) the release of the corporates' 3Q23 earnings results.
- The Land Transportation Franchising and Regulatory Board (LTFRB) approved a PHP1.00 provisional jeepney fare increase nationwide, raising the minimum fare for traditional/modern jeepneys from PHP12.00/14.00 to PHP13.00/15.00, respectively, which took effect on 8 Oct.
- Foreign net outflow hit USD98.6m in 3 - 17 Oct, translating to YTD outflows of USD830.8m. The PSEi currently trades at 11.0x 12-month forward PER, which is 2SD below the 10Y mean of 17.1x.
- **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 8M23, 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
Top picks																
SM Investments	SM PM	17,604	BUY	817.0	1,290.00	58	25.6	14.0	13.0	11.4	13.7	13.6	1.8	1.6	0.8	0.8
BDO Unibank	BDO PM	12,568	BUY	135.3	167.00	23	17.4	7.4	11.2	10.5	12.6	12.2	1.4	1.3	2.1	2.1
Jollibee	JFC PM	4,324	BUY	219.0	288.00	32	14.4	18.2	30.8	26.1	17.1	18.0	4.0	3.6	1.1	1.3
Globe	GLO PM	4,557	BUY	1,792.0	2,452.00	37	2.0	(5.6)	11.8	12.5	18.0	11.4	1.4	1.3	6.3	6.3
Bloomerry	BLOOM PM	2,068	BUY	10.3	17.50	71	134.0	38.3	9.7	7.0	27.9	29.3	2.7	2.1	1.1	2.6
GT Capital	GTCAP PM	2,141	BUY	564.0	1,020.00	81	66.9	18.6	5.0	4.2	11.3	11.9	0.5	0.5	1.0	1.0
Least preferred																
PNB	PNB PM	503	BUY	18.7	23.00	23	(1.6)	1.3	2.5	2.4	6.4	6.1	0.2	0.1	0.0	0.0

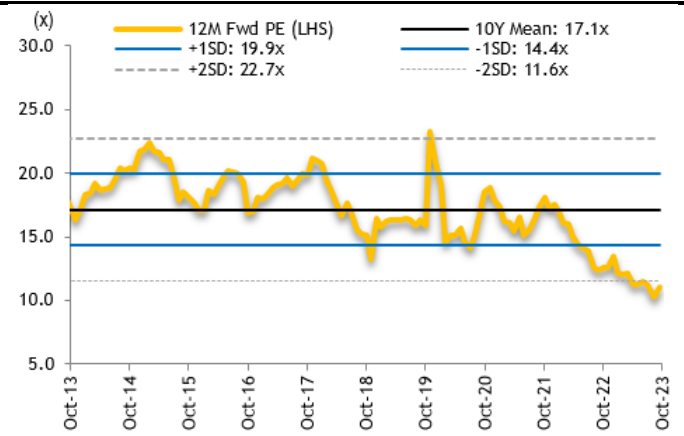
Source: Maybank IBG Research, Bloomberg

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	3.5
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	57.0	54.5
Benchmark Interest Rate (% p.a., end-period)	4.00	2.00	2.00	5.50	6.25	5.25

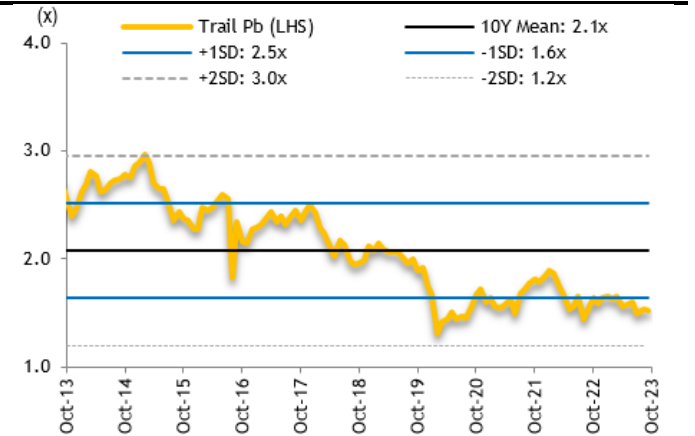
Source: CEIC, Maybank IBG Research

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	480,104	Buy	85,900	94,327	10	14.1	20.3	17.9	14.9	21.7	20.9	3.5	2.8	-	-
PetroViet Gas	GAS-VN	190,570	Buy	83,000	88,333	10	13.1	-16.6	12.9	15.5	26.7	19.5	3.2	2.9	3.0	3.0
Vinhomes	VHM-VN	188,544	Buy	43,300	63,500	47	7.3	4.6	6.6	6.3	21.3	18.8	1.3	1.1	4.5	0.0
Airport Corp	ACV-VN	160,458	Buy	73,700	134,000	83	43.1	97.5	37.5	19.0	15.2	18.0	3.7	3.2	-	-
Vinamilk	VNM-VN	154,448	Buy	73,900	90,700	28	18.7	10.2	18.1	16.5	27.1	30.9	5.2	5.0	5.1	5.4
Hoa Phat	HPG-VN	139,536	Hold	24,000	22,500	(6)	13.0	11.3	17.3	15.6	9.1	9.3	1.5	1.3	2.8	-
Viet. Prosp.Bnk	VPB-VN	136,642	Buy	22,500	25,000	11	6.6	-22.1	8.3	10.6	20.7	13.3	1.6	1.3	-	4.4
Techcombank	TCB-VN	109,914	Buy	31,250	48,700	56	4.5	-7.4	5.5	5.9	19.7	15.3	1.0	0.8	-	-
FPT	FPT-VN	118,101	Buy	93,000	115,000	26	20.1	19.9	24.4	20.3	27.2	27.8	4.8	4.7	2.2	2.2
Mobile world	MWG-VN	65,435	Buy	44,700	58,155	32	15.3	-77.2	16.0	69.9	18.5	3.7	2.7	2.5	1.2	2.2
Sacombank	STB-VN	55,991	Buy	29,700	43,700	47	8.4	53.1	11.1	7.3	12.6	18.2	1.4	1.2	-	-
VEAM	VEA-VN	48,767	Buy	36,700	53,300	55	7.5	-15.6	6.3	7.5	31.7	25.7	2.0	1.9	11.5	10.2
P. Nhuan J	PNJ-VN	25,753	Buy	77,000	98,000	27	15.8	0.6	13.6	13.5	25.0	21.2	2.9	2.7	2.2	2.6
Gemadep	GMD-VN	19,529	Buy	64,800	80,000	27	15.0	-32.4	21.4	31.6	15.0	29.1	2.5	2.0	4.0	2.6
Quang Ngai Su	QNS-VN	17,026	Buy	47,700	65,400	45	9.9	57.2	13.3	8.4	-	-	2.3	2.0	-	-
PetroViet Tech	PVS-VN	18,402	Buy	38,500	40,000	4	13.6	6.9	24.4	22.9	7.4	7.6	1.5	1.5	4.7	2.9
PetroViet Drill	PVD-VN	15,455	Buy	27,800	25,000	(10)	147.8	383.9	147.8	30.5	0.8	3.6	1.1	1.1	-	-
Nam Long	NLG-VN	12,254	Buy	32,000	46,100	44	10.1	10.0	10.5	9.5	13.1	13.8	1.4	1.3	2.7	0.6

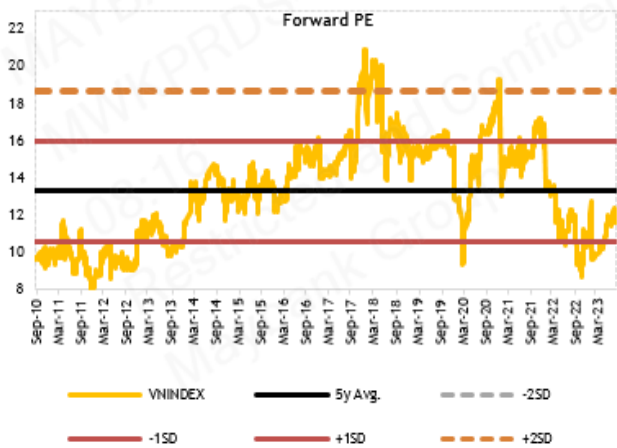
Source: Maybank IBG Research, Bloomberg

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	24,500	23,000
Benchmark Interest Rate (% p.a., end-period)	6.00	4.00	4.00	6.00	4.50	4.50

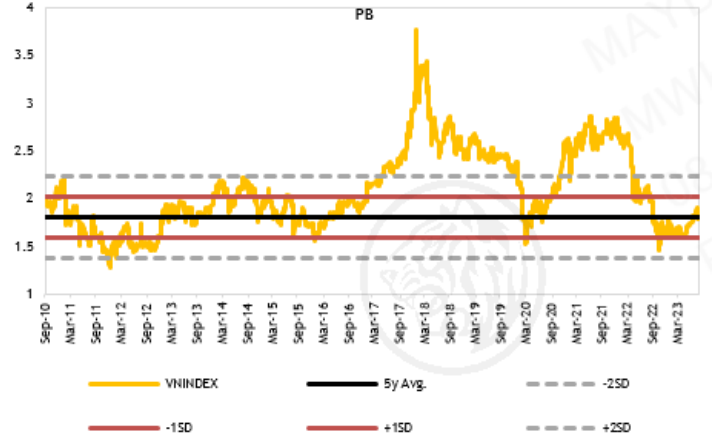
*Vietnam started using new nominal GDP series in 2021. Source: CEIC, Maybank IGB Research

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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