

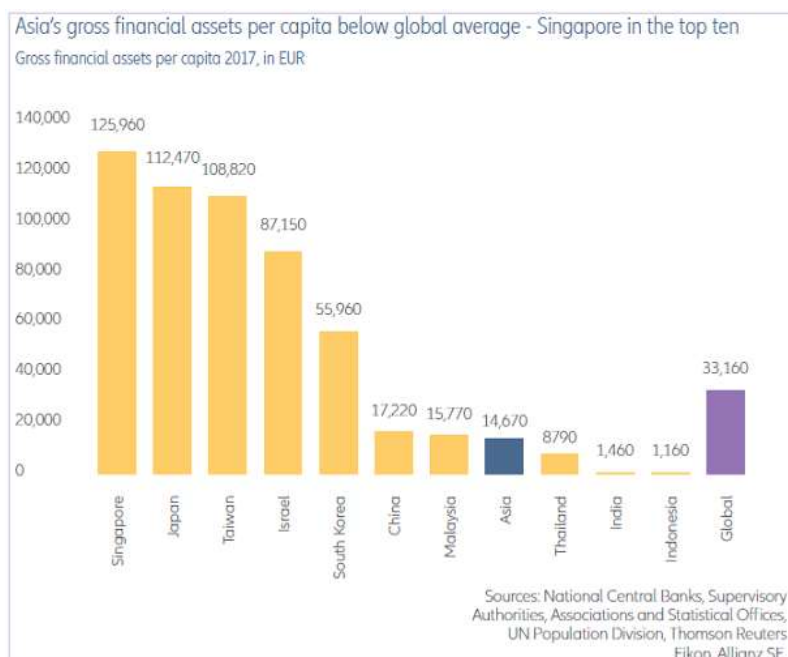
ASF 2018 – SINGAPORE MARKET REPORT

SINGAPORE ECONOMY

Introduction

Being a small city-state with no natural resources, Singapore relies heavily on its free-market economy. It is pro-business with low tax rates and is one of the least corrupt countries around.

In terms of gross financial assets per capita at EUR 125,960, Singapore is ranked one of the wealthiest countries in Asia in [Allianz Global Wealth Report 2018](#)*. Having an open economy has its vulnerabilities amidst a backdrop of political tensions, trade protectionism and possibly trade wars.



Source: Allianz Global Wealth Report 2018

Economic Performance

Singapore's economic growth is expected to remain steady in 2018 despite rising trade friction and trade protectionism wars between the US and China. The Monetary Authority of Singapore forecasted overall economic growth to be about 3.9% y-o-y in Q2 versus 4.5% gain in Q1 while the year-on-year growth is set to be slower in the quarters ahead.

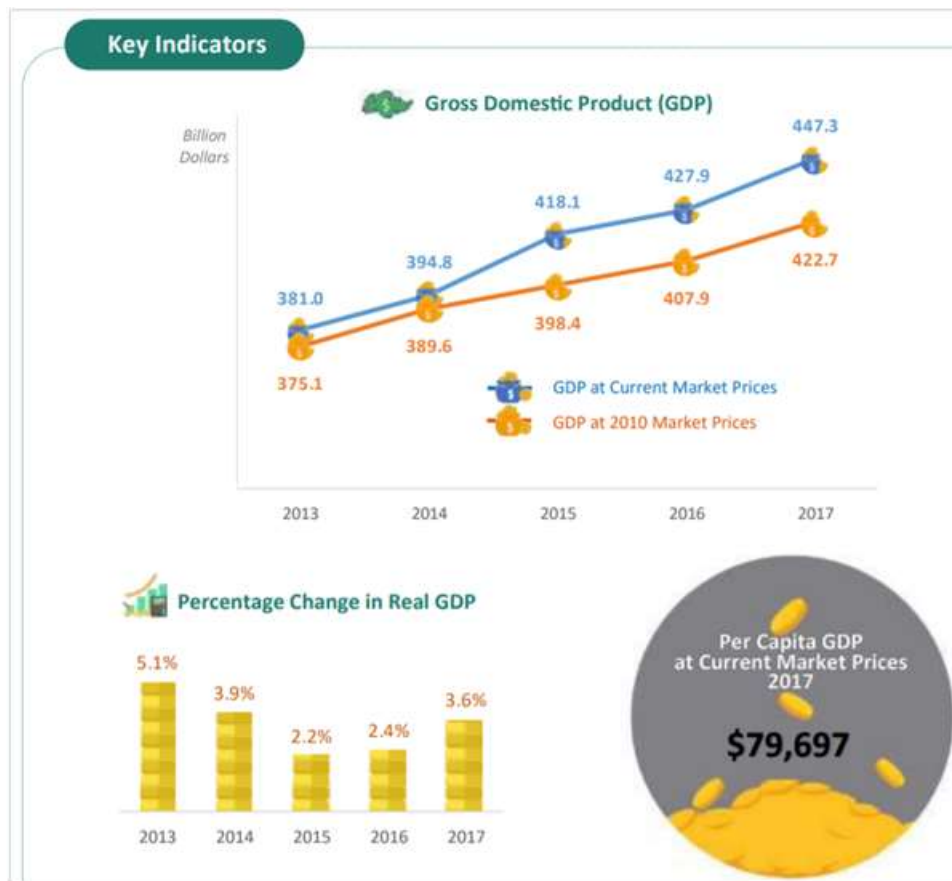
Downside risks stem mainly from increasing global trade tensions which has a sobering effect on Singapore's largely open economy. Household spending will be the main driver of growth for the rest of the year as exports are expected to slow slightly due to trade frictions. Outlook for the financial services sector is positive although growth momentum could moderate going forward.

Key Economic Indicators

Source: [MAS Recent Economic Developments in Singapore, 7 September 2018](#)

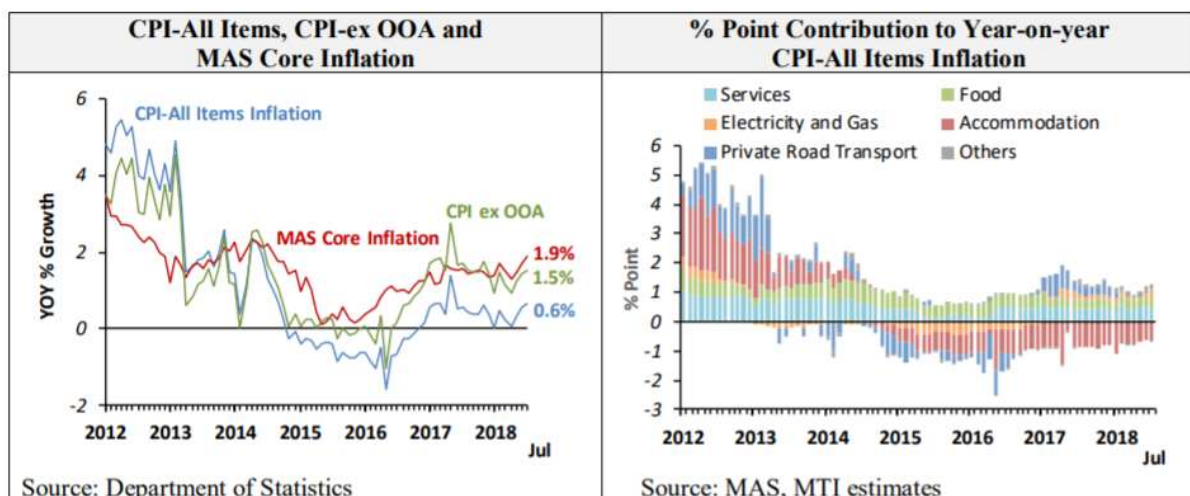
	2017			2018	
	Q3	Q4	Full Year	Q1	Q2
Real Sector					
Real GDP Growth, y-o-y %	5.5	3.6	3.6	4.5	3.9
Unemployment Rate, sa, %	2.1	2.1	2.2	2.0	2.1

Wage Growth, y-o-y %	3.2	4.0	3.0	4.0	3.6
CPI, All items inflation, y-o-y %	0.4	0.5	0.6	0.2	0.3
Overall Balance (% of GDP)	10.1	4.7	8.5	6.0	6.8
Official Foreign Reserves (US\$ mil)	275,410	279,900	279,900	287,149	288,044



Source: https://www.singstat.gov.sg/-/media/files/publications/reference/yearbook_2018/yos2018.pdf

Consumer Price Index



We foresee inflation risk to be on the downside as the trade war between United States and China will likely be deflationary for countries like Singapore. A weaker yuan will reduce prices of China-made products while the US-China trade war could divert excess supply to third countries.



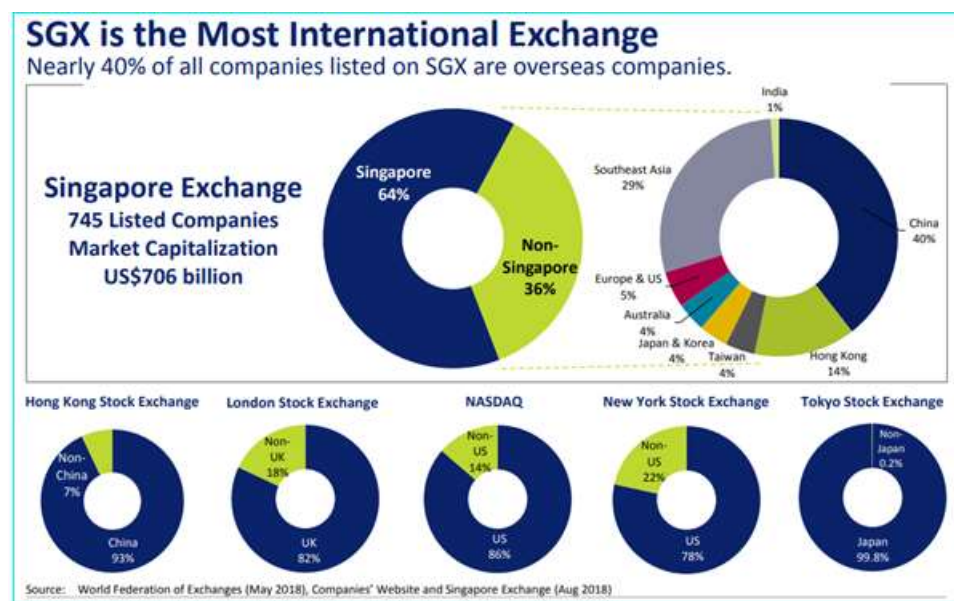
Source: https://www.singstat.gov.sg/-/media/files/publications/reference/yearbook_2018/yos2018.pdf

Economic Forecasts

Imported inflation is likely to rise mildly. Since beginning of 2018 global oil prices have rallied and are expected to average higher for the full year. Domestic inflation is expected to increase with a faster pace of wage growth and pickup in domestic demand. Consumer price increases will remain moderate. Core inflation is expected to average in upper half of the 1 per cent – 2 per cent forecast range for the full year.

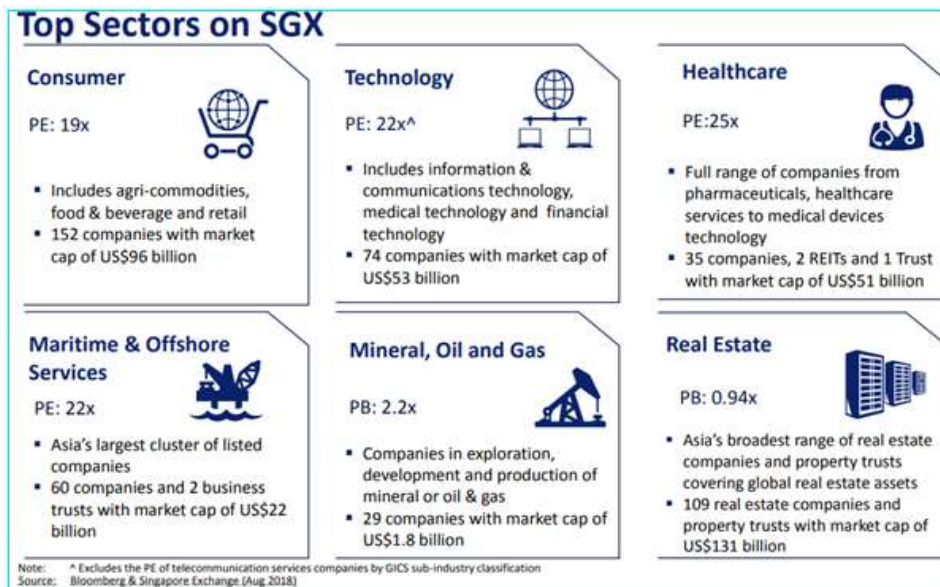
SECURITIES MARKET

Singapore Exchange (SGX)

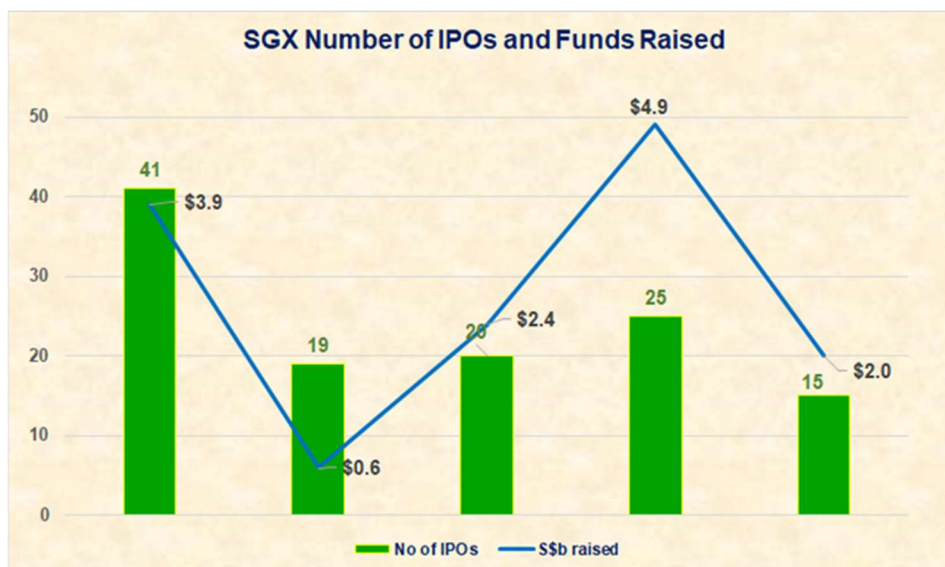


Market Performance in 2018

In July 2018, SGX full year net profit rose 6.9% to S\$363.2m, its biggest since 2008. This was supported by record derivatives trading volumes, bond listings, securities market and optimisation of resources. Escalating global trade tensions, geopolitical risks and moderating global growth could result in higher market volatility and cloud the horizon.



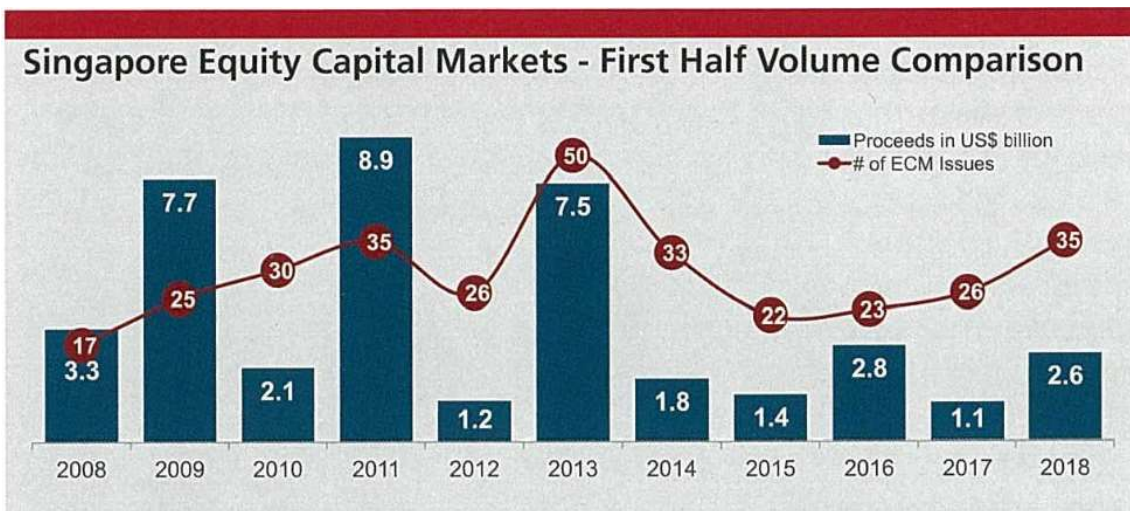
Singapore has a more robust and mature REIT market compared to Hong Kong, with over 40 REITs and Business Trusts listed on SGX, including those with assets in China. REITs' sponsors are of the view that investors in SGX-listed counters are more familiar with the REITs and BTs, with a more global perspective, and therefore more appreciative of the REIT offers, leading to more demand and liquidity.



Source: SGX

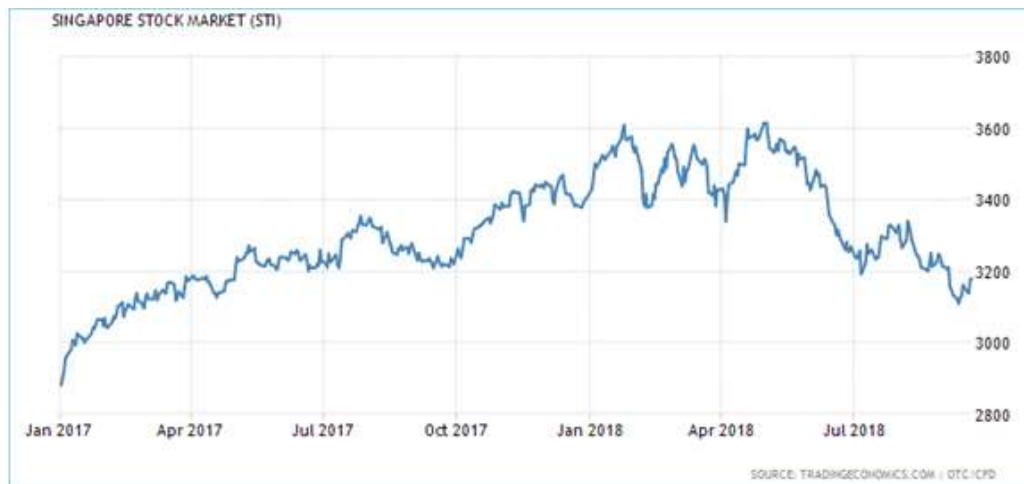
Singapore raised S\$2b through 15 IPOs in YTD 2018, a slight decrease from 25 listings in 2017. SGX's domestic IPO activity and performance remains stable and strong. Except for REITs, IPO activity in Singapore has been smaller cap listings in H1 2018.

This is no exception to other parts of the region in Malaysia, Philippines, Indonesia and Thailand. The trend is expected to continue into H2 2018 as geopolitical uncertainties, trade tensions and macroeconomic conditions continue to cast a pall on IPO activity.



Source: <http://dmi.thomsonreuters.com>

A growing number of Singapore companies have noticeably chosen to list abroad. The number of cross-border listings ballooned 300% in terms of volume and 166% in terms of value compared to the 64% increase in domestic capital raising. Many chose to list on Hong Kong GEM, attributing to its proximity to China's massive domestic market.



Source: <https://tradingeconomics.com/singapore/stock-market>

Tourism Sector

https://api2.sgx.com/sites/default/files/market-updates/migration/mu_18092018_1.pdf

SGX tourism-related stocks with a market capitalisation of more than S\$100m have benefited from increased tourism arrivals from top 3 countries – China, Indonesia and India. The 10 largest stocks by market capitalisation averaged 3-year annualised return of 7.6% and total market cap of S\$78.5b.

SGX Strategic Priorities

SGX has been rolling out programmes to boost its competitiveness and lure tech companies to list. Last year, it teamed up with Infocomm Media Development Authority (IMDA) to make it easier for high/fin-tech startups to list. Financial support will be given for IMDA-accredited companies in their IPO journey.

In 2017, SGX also signed an agreement with Nasdaq to enable companies to list on both venues and promote each other's market. It becomes a springboard for Asian companies to first list in SGX before listing on Nasdaq.



Source: SGX

To encourage more technology and healthcare companies to list on both exchanges, SGX also partnered Tel Aviv Stock Exchange in May 2018 by providing assistance and support to companies on pre and post listing.

MAJOR MARKET DEVELOPMENTS

“Trade at Close” (TAC) Session

The SGX is now seeking public views on its proposed “Trade at Close” session for the securities market. The introduction of TAC session will allow investors to trade at a fixed price, namely the closing price of the security, while preserving the integrity of the price discovery process.

SGX-Bursa Connect

Months after the SGX-Bursa linkup was announced to give investors on both sides a better trading experience, Malaysia’s new government has put this on hold while they need more time to study it.

Regulatory Oversight on Dual Class Shares

SGX has yet to list its first DCS hoping to broaden investment options for investors and add to the vibrancy of the capital market in Singapore. However, Robert Jackson Jr, Commissioner of the US Securities and Exchange Commission highlighted the importance of regulatory oversight and safeguards to mitigate risks on dual class shares in his recent visit to Singapore.

CONCLUSION

Amidst the challenges plaguing the equity markets, all bourse operators need to continuously stay competitive and attractive to draw new listings. With the introduction of dual-class share structures, SGX hopes to draw high growth companies from Singapore and around the world. It strives to be an attractive listing destination of choice.

Footnote:

We do not certify accuracy of data in this report. It is available from various sources and provided on best efforts basis.

From Luke Lim, Deputy Chairman, Securities Association of Singapore
19 Oct 2018