MARKET OUTLOOK FOR THE WEEK (11th FEBRUARY – 15th FEBRUARY 2013)

Key Events Last Week

- EUR Spain Unemployment change actual 132.1K lower than forecast of 150K
- GBP Construction PMI actual 48.7 lower than forecast of 49.7
- AUD Trade Balance actual -0.43B higher than forecast of -0.81B
- AUD RBA Rate Statement released, Cash Rate actual same as forecasted 3%
- GBP Services PMI actual 51.5 higher than forecast of 49.8
- USD ISM Non-manufacturing PMI actual same as forecasted 55.2
- AUD Retail Sales m/m actual lower -0.2% than forecast 0.3%
- CAD Ivey PMI actual 58.9 higher than forecast 53.7
- NZD Employment change q/q -1.0% lower than forecast 0.4%
- NZD Unemployment rate 6.9% lower than forecast 7.1%
- AUD Employment Change 10.4K higher than forecast 5.8K
- AUD Unemployment Rate 5.4% lower than forecast 5.5%
- EU Economic Summit
- GBP Manufacturing Production m/m 1.6% higher than forecast 0.7%
- CAD Building permits m/m -11.2% much lower than forecast 4.3%
- USD Unemployment claims 366K higher than forecast 361K
- JPY Current Account 0.1trillion lower than forecast of
- CNY Trade Balance 29.2B higher than forecast of 24.3B
- CNY CPI y/y 2% lower than forecast 2.1%
- CAD Employment Change -29.1K much lower than forecast 4.5K
- USD Trade Balance -38.5B higher than forecast -45.7B

Key Events to Focus on This Week

- EUR Eurogroup Meetings – Mon Feb 11 (All day)
- CHF CPI m/m – Tue Feb 12 (3.15am)
- GBP CPI y/y – Tue Feb 12 (4.30am)
- BOE Inflation Letter – Tue Feb 12 (Tentative)
- BOC Gov Carney Speaks – Tue Feb 12 (8.45am)
- ECB President Draghi Speaks – Tue Feb 12 (10.30am)
- BOE Gov King speaks, Inflation report – Wed Feb 13 (5.30am)
- USD Core Retail Sales m/m – Wed Feb 13 (8.30am)
- JPY Monetary Policy Statement, Overnight Call Rate – Wed Feb 13 (Tentative)
- BOJ Press Conference – Thu Feb 14 (Tentative)
- USD Unemployment Claims – Thu Feb 14 (8.30am)
- NZD Retail Sales q/q – Thu Feb 14 (4.45pm)
- GBP Retail Sales m/m – Fri Feb 15 (4.30am)
- USD Prelim UoM consumer sentiment - Fri Feb 15 (9.55am)
- G20 Meeting - Fri Feb 15 (All Day)

Time indicated is in SG Timing

Global Market Summary

Indices Extend Gains with Nasdaq Near 12-Year High; Trade Gap Narrows

The major indices in the US ended near highs by the end of the week. Nasdaq closed near a twelve-year high and the Dow Jones finished just under 14,000. Gold dropped on Friday but only ended the week modestly lower at just under $1,670 an ounce. The dollar gained about 1.4% on the week while the euro declined on recent pessimism in the euro zone. Also this week jobless claims in the US fell close to a five-year low, and the trade deficit made the largest drop in several years in December.

Earlier on Tuesday Dell Inc. (DELL: Charts, News) finally agreed to their buyout deal of $24.4 billion to take the company private. Time Warner (TWX: Charts, News) posted positive earnings results and surprised many investors. Apple (AAPL: Charts, News) created buzz towards the end of the week after David Einhorn pushed the company to consider using preferred stock to return money to shareholders.

European stock market, economy and companies update

European equity markets are mostly higher amid the declines being seen in peripheral bond yields, as traders assess Jan data points out of China (CPI, trade balance, bank lending), declines on the Nikkei and yesterday's commentary out of ECB head Draghi. Mixed trading has been seen in the banking sector, as German financials have lagged. Big movers on today's session include Peugeot [UG.FR, capital raise speculation], Renewable Energy [REC.NO, earnings] and Telecom Italia [TIT.IT, earnings)

Yen news

The JPY currency was firmer during the initial part of the European session and seemed to be aided by position squaring ahead of some Far East holiday nest week with several Asian centers out for most of the week for the Chinese New Year. Dealers noted that earlier in the week the USD/JPY at 94 found Japanese exports buying yen. Reports noted that Japan Fin Min Aso stated that the JPY weakened more than intended in move from 78 to 90 in pair but was later translated as the sudden move from 78 to 90 was not anticipate such a rapid move.

EUR/USD

The EUR/USD moved off its worst levels for the session to regain a foothold above the 1.34 handle but dealers noted that fallout from Draghi Thursday's press conference should cap the pair around 1.3450 area

Singapore stock market and companies (StarHub, Olam International, CapitaMalls Asia)

StarHub (CC3.SI) Rises On Stronger FY12 Performance

Shares of StarHub opened $0.02 higher at $4.03 in today's session after the company reported its eighth straight year of consistent revenue growth in 2012. The fully-integrated info-communications firm saw its revenue and earnings rise 4.7 percent to $2.4 billion and 13.9 percent to $359.3 million respectively. The increases were driven by broad-based growth across all service segments as well as increased sale of equipment. Revenue from StarHub's Mobile segment continues to account for the bulk of total revenue, making up 50.6 percent in FY12. Lending a helping hand to further boost performance was a 1.2 percentage points improvement in EBITDA (earnings before interest, tax, depreciation and amortisation) margin as a percentage of service revenue. Moving forward, Co expects operating revenue for 2013 to grow in the single-digit. The company has declared a final dividend of $0.05 per share, bringing the total amount dished out in FY12 to $0.20. In a separate filing with the Singapore Exchange, StarHub has announced the retirement of its current chief executive officer (CEO), Neil Montefiore, and the appointment of Tan Tong Hai, the company's current chief operating officer, as StarHub's third CEO with effect from March 2013.

Significance*: It is not all good news. StarHub's Pay TV segment is coming under pressure as its subscriber base for 2012 shrank by 9,000 customers. While SingTel's mio TV's aggressiveness had partially driven the quarter-on-quarter drop in StarHub's average revenue per user in the fourth quarter, Tan said that the company is not losing its valuable, probably more high-end customers.*

Olam (O32.SI) Records Second Highest Quarterly Earnings Since Listing

In a sign that "business is as usual", Olam International registered a 19.9 percent jump in net profit to $154.1 million for the second quarter ended 31 December 2012. The improved performance came on the back of growth in trading volumes and a one-time transaction gain. Excluding the $18.1 million that Olam gained after tax from a sale and leaseback transaction of an almond orchard in California, profit growth was smaller at 5.9 percent. Revenue was up 9.2 percent at $4.9 billion. For the first six months of fiscal year 2013, revenue and net profit increased 24.3 percent to $9.6 billion and 21.3 percent to $197.3 million respectively. The firm said that it remained focused on backing the initiatives it believes is important to meet its economic and financial goals.

Significance*: The second quarter was a tough period for Olam as the commodity trader fended off criticism and attempts to plug a lack of confidence in the company. Following the accusations, the company has begun a review of its business priorities and free cash flow targets.*

Lower Revaluation Gains Weigh On CMA's Results (JS8.SI)

For the fourth quarter, CapitaMalls Asia (CMA) posted earnings of $184.8 million, a 10 percent fall from $205.4 million a year ago. Lower fair value gains from its investment properties in China amounting to $24.3 million offset the 71.4 percent rise in revenue which totaled $113.6 million. The company attributed the rise in its top line to the acquisition of Olinas Mall in July 2012, additional stakes in three malls in Japan in February 2012, new contribution from The Star Vista which began operations in September 2012, and improved project and property management fees. Meanwhile, revenue and earnings for the full year went up 46.7 percent to $361.2 million and 19.7 percent to $546 million respectively. CMA s proposing a final dividend per share of $0.01625. Including the interim dividend, the proposed total dividend for 2012 is $0.0325 a share.

Significance*: Barclays Research noted that full-year core profit was below exp7ectations mainly due to new mall openings and finance cost. The research house believes its 1.3x price-to-book ratio and 50x core price-to-earnings ratio looks fully valued. With inflexion played out in 2012, it sees fewer catalysts in 2013.*

Trading Ideas for This Week

TA Trade Idea 1

Short SGX (S68.SI) –
Current Price: $7.77,
Target Price: $7.03,
Stop Loss: $8.00

Looking forward, SGX is losing steam as it heads downtrend with S$7.027 forming both as a strong support level and targeted price level for short sale. SGX has been trading above its 30 day and 90 day moving averages and is poised to touch its 20 day moving average as it reverses trend from its upper bound Bollinger Band.

For further signal to confirm the bearish move, traders might want to look at oscillators such as the Stochastic and MACD, which are particularly effective during a non-trending period and SGX is currently trading horizontally. As SGX is in an overbought situation, the true value of the oscillators is exposed. However, conservative traders might want to wait for a MACD cross over that indicates the start of a new downward trend before entering.

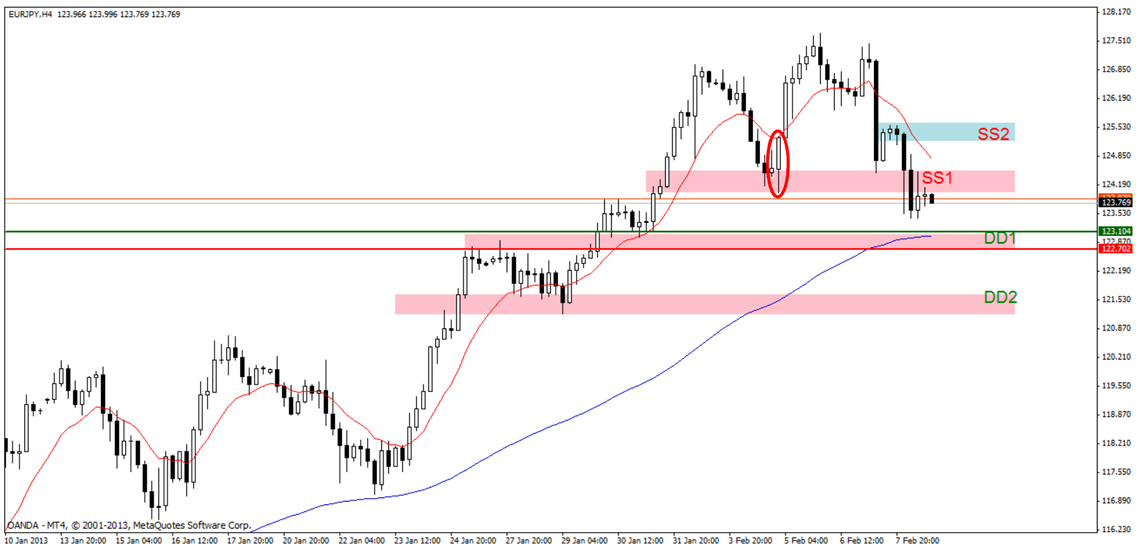
A potential risk for this trade idea is that the current price is only slightly below the resistance level at S$7.863, which is a new high in recent months. SGX could continue to trend upwards to form new high once the current resistance level turns a new support level. Therefore, a potential stop loss target is S$8.00, which is at the upper bound Bollinger Band.

Fundamentally, SGX has a moderate dividend yield of 3.45% using the recent high of S$7.832 as the denominator. Moreover, the January effect is wearing off as witnessed by the trend reversal in February. Growth prospects are also capped given relatively less attractive P/E valuations in SGX listings compared to regional bourses. This is compounded by the hasty move to bump up SGX listing standards too much which could defeat the original purpose of enhancing its competitiveness.

Apart from the requirement of a market capitalisation at the time of initial public offering of at least S$150m (previously S$80m), companies must also have a minimum consolidated pre-tax profit of at least S$30m for the latest financial year that is almost 10 times more than the Hong Kong exchange requires for the equivalent period. The short term growth is therefore limited.

TA Trade Idea 2

EUR/JPY H4 Chart (Long/Short)



Scenario 1 (Pending Long Orders)

Support /Resistance analysis: Supply/demand levels are often interchanging, with a former supply level becoming a demand level once broken, and vice versa. Based on the above EUR/JPY H4, prices have broken a former strong demand level (based on strong rising candle circled red) at SS1, and can be now deemed as a new supply level based on price action. Prices have been capped on the underside at SS1 and are poised to head down to the next demand level at DD1. SS2 is the next immediate supply level if prices break through SS1.

Moving Averages: Moving averages in blue is the 100EMA, and prices are still currently above the 100EMA. In addition, confluence of indicators can be seen as the EMA is nicely inside the DD1 level, providing a higher probability chance of price rejecting DD1 and returning up back to SS1.

Market entry / Price target:

Place pending buy orders on 123.10 marked in green, and potential stop loss at 122.70 marked in red just below the DD1 box. If prices have successfully rejected DD1 level to reach SS1 (124.00), close out half the position, and set to breakeven and setting the target price for the remaining half position at SS2 levels where price turned down, indicating a possible outstanding pool of sellers there.

Scenario 2 (Pending Short Orders)

However, if prices manage to clear DD1 and price successfully moves beyond the DD1 level, it would signify that the DD1 level is now nullified, as existing buy orders at that level have been filled. Initiate short positions when price close below the DD1 box, with target prices at DD2 at 121.70, and stop loss at nearby swing highs when one is formed.

FA Trade Idea 1

Mapletree Logistics Trust (MLT:SP) US$2.3b
Current Price $1.175, Target Price $1.23, Return 4.68%, Div yield 6.0%
In-house Recommendation: BUY

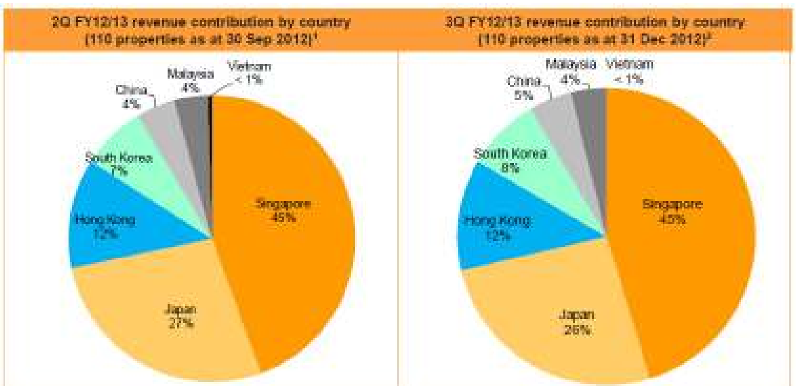
Introduction

Mapletree Logistics Trust is an Asia-focused logistics real estate investment trust. The Company invests in a diversified portfolio of income-producing real estate which is used for logistics purposes.

Reasons for BUY

- Strength from diversification

MLT has one of the most diversified portfolios in the industrial REIT space, with 110 logistics assets located across seven countries in Asia. Allowing it to capture the robust demand for warehouse space from retailers and third-party logistics companies as a result of the region's strong underlying fundamentals and robust domestic consumption.



- Likely limited impact from depreciating yen

The recent weakness in JPY against SGD (depreciated ~11.6% since start of Oct 2012 and 6.3% a month ago) may have an impact on its distributable income given that ~27% of its revenue was contributed by Japan historically, also note that ~90% of amount distributable in FY13 is hedged/derived in SGD. Hence, any impact from a depreciating yen is likely to be limited.

- Multiple avenues for growth

We like MLT's growth potential. MLT has been able to pursue inorganic growth at a time when the cap rates in Singapore have become relatively competitive, thanks to its strong pipeline of overseas assets from its sponsor. MLT has the right of first refusal to over S$400m worth of pipeline assets that are nearing completion/ completed. Such assets usually have comparatively higher yields than those in its existing portfolio, which would enhance its DPU. On top of this, MLT will also focus on capital recycling and asset enhancement/redevelopment. These initiatives are likely to boost MLT's income and yield going forward. At current price level, its current DPU yield of 6.0% is also higher than the S-REIT average yield of 5.9%.

- Stability is still the key theme

Portfolio occupancy as at 31 Dec 2012 was maintained at 99.2%, unchanged from 2Q as a result of active asset management efforts. During the quarter, we note that MLT had renewed/replaced ~124,000 sqm of space, making up 97% of total NLA due for renewal in 3Q. As such, only 1.9% of its leases are left for renewal for the rest of FY13. Weighted average lease to expiry also remained strong at 5.5 years, giving MLT good earnings predictability. Moreover, average rentals achieved in 3Q were 17% higher than preceding rents (2Q: 8%). This reflects continued healthy demand in logistics space in our view.

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