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Headline: STI Sheds Half Its Value In A Year

STI sheds half its value in a year

$250b wiped off the benchmark index amid continuing downturn

By Yang Huiwen

THE local benchmark Straits Times Index (STI) comprising 30 blue-chip component stocks has lost almost half its market value from a year ago, when the measure hit a high of 3,831.19 last Oct 11.

Since then, the STI has shed 49.15 per cent. This means that easily $250 billion has been wiped off the benchmark, whose market value now stands at $263.7 billion.

Out of the 30 blue-chip stocks, 18 have lost half or more of their value since the heady high of last October.

The two biggest decliners are the China plays listed in Singapore, the so-called S-chips – shipbuilder Cosco Corp and property developer Yanlord Land, which have lost over 84 per cent and 79 per cent in value, respectively.

This was partly because of the huge run-up in their share prices last year as investors poured money into S-shares.

Singapore Press Holdings (SPH) has seen the smallest decline – about 22 per cent.

"We believe global funds have to continue liquidating what they have over-owned to meet withdrawals," said Citigroup in a report.

"In this regard, we expect Asian stocks, particularly those in Hong Kong and Singapore where global funds are heavily overweight, shall face further selling pressure."

According to EPFR Global, which tracks funds flows, a total of US$121.1 million (S$179 million) was pulled out of the Singapore stock market in the past four weeks. Since the start of the year, a total of US$637.5 million has flowed out of the market, compared to a net inflow of $1.02 billion during the same period last year.

"Hedge funds will be holding quite a bit of cash at the moment, either in anticipation of redemptions or because there are fewer opportunities on the long side in the markets, at least for the short term," said Dr Melvyn Teo, director of BNP Paribas Hedge Fund Centre at Singapore Management University.

"It is hard to say who is selling at the moment. When you see beaten down index stocks, the selling may come from bank or brokerage proprietary traders or from unit trusts or hedge funds."

Analysts are favouring blue-chip companies which have strong cash flow and whose balance sheets are not weighed down by debts.

"Now more so than ever, we think the focus should be on quality blue chips," especially cash-rich and lowly geared companies which have a dividend yield of more than 6 per cent, said UBS Research. Its top picks include Singapore Technologies Engineering, Singapore Airlines and SPH.

However, the market is bracing itself for another wave of earnings downgrades. Sector-wise, banks and property stocks may face increasing downside risks due to increasing provisions.

UBS said it is looking at between 0 and 2 per cent growth in earnings per share for next year after analyst downgrades, and is currently in the midst of reviewing its numbers.

Merrill Lynch analyst Melvyn Boey sees a further 7 to 9 per cent downside for earnings growth for its top 20 stocks under coverage, with the financial, commodities and property sectors being most vulnerable to earnings downgrades.

The brokerage is less keen on stocks in these sectors, including CapitaLand, Keppel Land, DBS and OCBC, and favours the telecom sector for its defensive traits, with top picks being SingTel and StarHub.

"I think it will probably take three to five years for the stock market to regain everything that was lost," said Associate Professor Ho Yew Kee, vice-dean of NUS Business School, adding that "the stock overhang will deeply affect the real market in January 2009 onwards".

SIAS Research investment analyst Alan Lok said some local funds which have a long-term investment horizon have started buying into undervalued, mid-cap companies which have a net cash position. But as these funds are relatively small, the impact of their buying on the market is limited.

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Out of the 30 blue-chip stocks, 18 have lost half or more of their value since the heady high of last October. ST PHOTO: WANG HUI FEN

DROP IN VALUE

Performance of 30 components on the Straits Times Index (STI)

	Company name	% fall since Oct 11, 2007 (when STI hit a 3,831.19 high)
1	Cosco Corp	84.06
2	Yanlord Land	79.47
3	Keppel Land	79.07
4	NOL	70.84
5	CapitaLand	69.94
6	Golden Agri-Resources	67.59
7	SGX	66.87
8	Keppel Corp	63.87
9	Sembcorp Industries	63.16
10	Sembcorp Marine	62.62
11	City Developments	60.96
12	Olam International	57.54
13	CapitaMall Trust	56.85
14	SIA Engineering	56.30
15	Noble Group	55.13
16	Jardine Cycle & Carriage	50.54
17	Wilmar International	50.25
18	F&N	50.00
19	Hong Kong Land	48.43
20	Genting	45.77
21	SIA	40.59
22	DBS	37.78
23	Starhub	37.10
24	Singapore Technologies Engineering	36.55
25	UOB	34.80
26	OCBC	33.76
27	Jardine Strategic	33.33
28	SingTel	33.09
29	Jardine Matheson	26.12
30	SPH	22.22

Source: Bloomberg, compiled by Yang Huiwen

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