CIO Industry Guide

May 2025.

Tariff Reprieve

A de-escalation of Trump's tariff war, although temporary, is expected to bring about a relief rally to sectors such as auto, capital markets, hypermarts, oil & gas, and semiconductors, as tariff rates are reduced for the next 90 days

Earnings Beat

Tech, healthcare, and industrials reported the highest earnings beat in the recent reporting season; S&P 500 is poised for robust earnings growth of c.11% in 2025

Tech Leads the Way

Tech continues to dominate investor interest, drawing the largest inflows this quarter. The financial and industrial sectors follow close behind and continue to see strong momentum

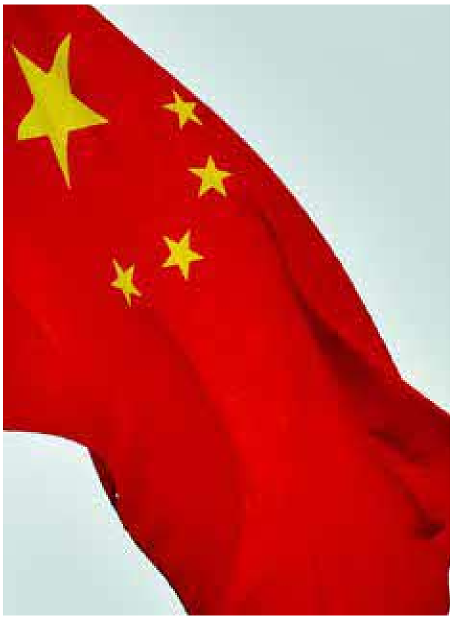
Consumption Watch

Consumer staple sectors like alcoholic beverages, home and personal care, and hypermarts should fare better than discretionary sectors such as airlines, hotels, luxury, and restaurants, as consumption wanes in the face of a global slowdown

DBS

Content

Foreword



Source: Unsplash

In contrast to the Federal Reserve's past decade of forward guidance, the Greenspan-era Fed was famous for perpetrating Fedspeak, a byzantine mix of obfuscating language and vague statements that was purposefully designed to prevent market overreaction to any Fed communications. For the Fed, ambiguity was to be wielded consciously as a tool to maintain market stability.

Yet, for the Trump administration, ambiguity has become a baseball bat, given to a child to be swung wildly in a glassware shop. Already, companies are hunkering down for policy uncertainty post-"Liberation Day", considering the Commander-in-Chief's propensity to say one thing, do another, and change his mind midway through. The most glaring example right now – while the administration initially expressed willingness to inflict "temporary" pain on the equity markets via tariffs, a simultaneous dive in the bond market caused a 180-degree turnaround, at least for now.

If anything, the US' 90-day trade truce with China is less of a reprieve for industries and more of a recess for policymakers to gather their wits.

That said, the show must go on – consumers will still consume, and industries will continue to run, albeit differently. While cross-border trade slows, domestic players, as well as companies with limited exposure to global supply chains, are stepping up their game. Meanwhile, watch out for the consumer staples sector, especially those that are poised for downtrading as tariff-led inflation emerges. Finally, tech continues to sit in an exalted position, thanks to highly structural tailwinds and a promise of AI-enabled greatness.

The tariff truce between US and China is set to end in early July, but to expect complete policy clarity then would be overly optimistic, given that things can (and probably will) change on a whim even before the 90 days are up.

Stay sharp, stay invested, and I hope this issue of the CIO Industry Guide proves to be a worthy guide.

Dylan Cheang

Senior Investment Strategist & Head, CIO Content Management

Industry Highlights

Auto Parts

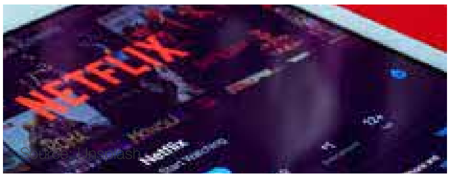
Tariff-led slowdown hits global auto production, but ADAS and China shine. Robosense and Denso remain top picks amid strong 1Q25 trends, while Minth, Nexteer, and Valeo face headwinds from exposure to North America and Europe.

Read article on pg. 13

Capital Markets

We expect GS and MS to be resilient amid tariff concerns, due to their (i) focus on institutional and HNW clients who have strong capital re-allocation needs and (ii) strong trading franchises which benefit from increased volatility.

Read article on pg. 16



Content Platforms

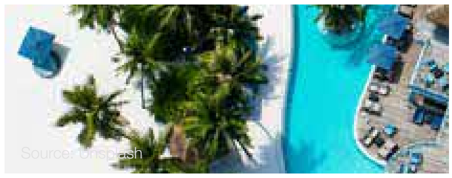
Netflix is poised to benefit the most from the rising focus on live sports content and growth in advertising revenue.

Read article on pg. 22

Financials

Even though global banks see strong 1Q25 results, be watchful on downside risks in loan demand, NIM, fee income, and asset quality amid heightened economic uncertainty post-Liberation Day. Attractive dividend yields in selected Asian banks of 5-10% remain a bright spot.

Read article on pg. 24



Hotels

1Q25 results sent a demand shock to US hotels with a knee-jerk impact on cross border travel and corporate bookings. Hilton and Marriott downward guidance revision baked in a 15-20% dip in share prices.

Read article on pg. 30

Online Travel

Amid softening US travel demand, Chinese players such as Trip.com stand to benefit from potential government subsidies that boost domestic travel.

Read article on pg. 42

Pharmaceuticals

Big Pharma sees earnings exceed expectations in 1Q25, but investor sentiment is declining due to patent cliffs and potential tariff hikes. M&A activity is rebounding as pharmaceutical companies strive to bolster their pipelines.

Read article on pg. 47

Restaurants

Global giants McDonald's and Starbucks fall short of expectations as economic pressure spreads from low to middle-income consumers. While Western chains struggle with transaction volumes, Yum China gains advantage through strategic value meal offerings and localised experiences.

Read article on pg. 51

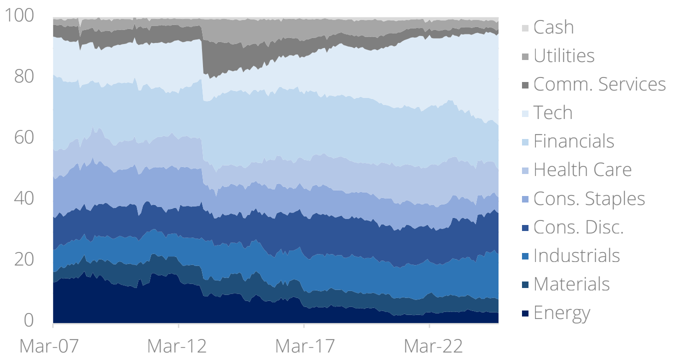
Semiconductors Equipment

Semiconductor equipment makers navigate structural growth tailwinds that benefit players like ASML, Lam Research, and Tokyo Electron while simultaneously managing rising geopolitical risks.

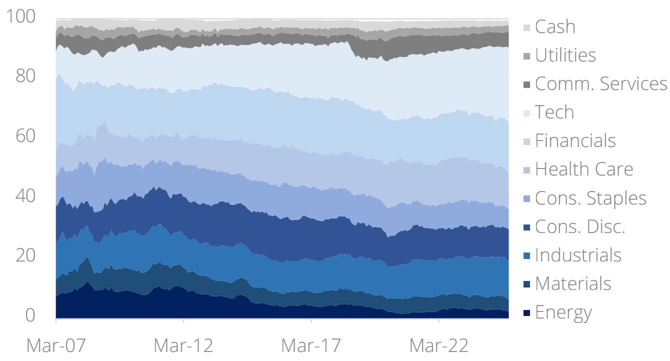
Read article on pg. 54

Sector Overview

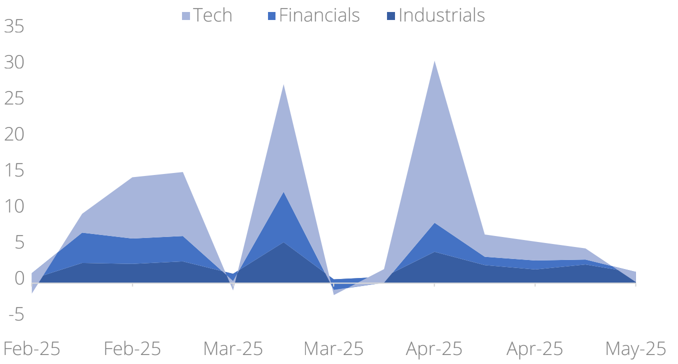
Benchmark's sector allocation



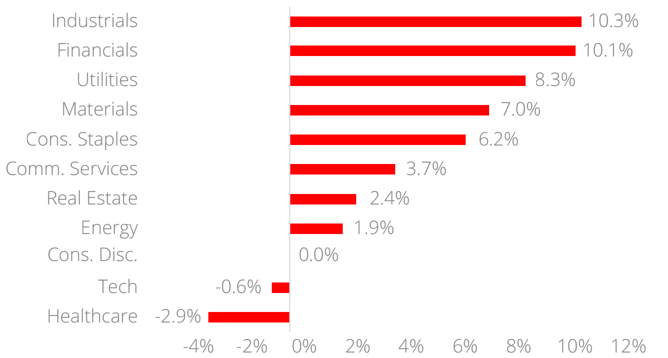
Market's sector allocation



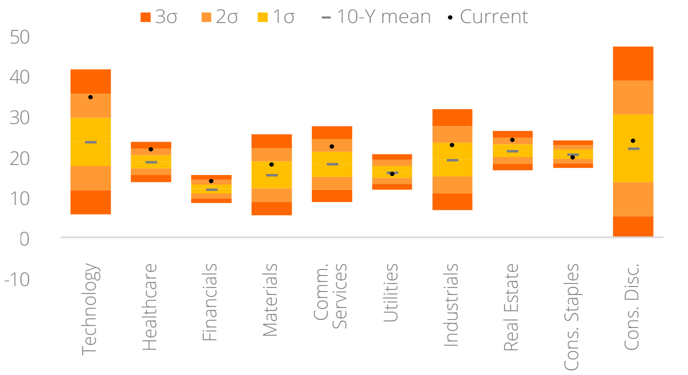
Top three sectors leading the charge in quarterly inflows (USDbn)



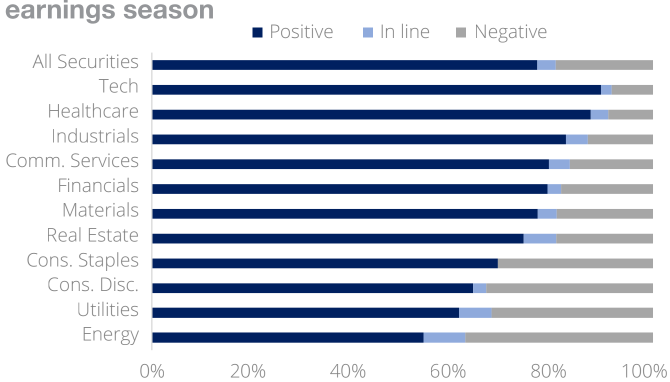
Sector performance (YTD)



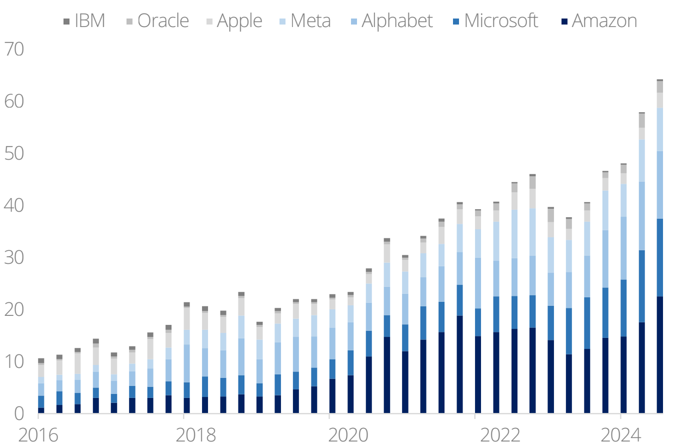
Utilities and staples forward P/E are below their 10Y mean



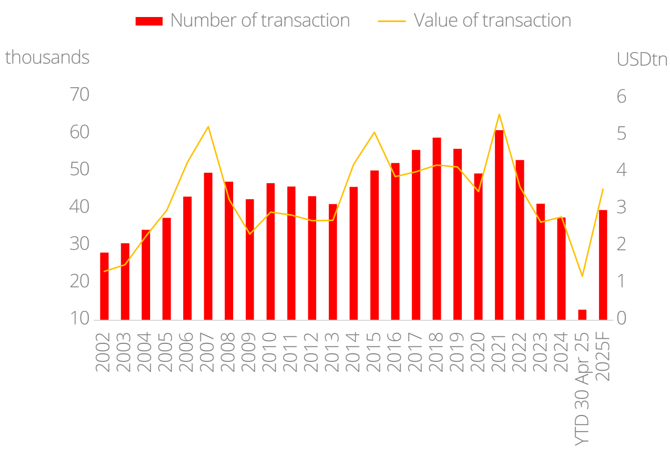
Tech, healthcare, and industrials leading the pack in earnings season



Hyperscaler capex (USDbn)



Global M&A activities



Source: Bloomberg, IMAA, EPFR Global, DBS
Data as at 13 May 2025

Sectoral metrics across various regions

	YTD Perf. (%)	P/E (x)	P/B (x)	P/Sales (x)	EV/ EBITDA (x)	ROE (%)	ROA (%)	OPM (%)	GPM (%)	EBITDA Margin (%)	Debt to Equity (%)	Div. Yield (%)
United States												
US Equities	0.6	22.6	4.6	3.0	15.2	18.6	8.1	14.1	37.9	20.7	112.4	1.4
Financials	5.9	17.3	2.3	3.4	18.4	12.8	1.2	19.6	-	33.3	179.7	1.8
Energy	1.3	16.3	1.9	1.3	7.2	11.6	6.5	10.7	31.9	18.5	44.9	3.4
Technology	-1.3	28.9	9.9	7.7	20.2	30.2	28.9	26.0	55.1	32.9	56.3	0.7
Materials	2.7	21.1	2.8	2.1	11.5	11.7	5.6	11.7	29.3	18.6	64.1	2.0
Industrials	7.3	25.2	6.3	2.8	16.2	23.7	7.1	13.2	28.4	17.5	118.2	1.5
Cons. Staples	4.1	22.3	6.3	1.5	15.2	26.3	9.5	7.2	27.6	10.0	125.6	2.5
Cons. Disc	-4.1	28.8	8.1	2.6	16.2	26.0	8.5	11.0	37.3	17.0	154.5	0.7
Comm. Services	-0.1	19.1	4.1	4.0	11.3	21.1	14.1	23.4	63.8	37.9	69.6	0.9
Utilities	6.0	18.4	2.1	2.7	12.2	11.4	3.0	21.6	67.8	38.0	156.2	3.0
Healthcare	-3.7	17.3	4.3	1.4	12.9	20.2	10.5	7.5	27.1	10.4	87.0	1.9
Real Estate	1.7	37.8	3.0	6.4	18.8	7.7	3.1	20.6	-	40.8	108.5	3.5
Europe												
Europe Equities	18.0	15.3	2.1	1.6	10.5	12.9	1.0	12.3	38.1	17.4	159.9	3.3
Financials	32.6	11.2	1.4	1.9	-	12.1	0.6	15.4	-	-	301.4	4.7
Energy	8.9	9.5	1.2	0.6	3.7	12.2	3.5	9.2	30.0	17.6	54.1	5.9
Technology	13.1	29.6	5.1	4.7	18.3	15.8	5.9	15.5	51.6	21.0	29.0	1.2
Materials	13.3	17.3	1.7	1.1	8.2	9.3	2.9	7.9	24.8	14.3	48.9	3.1
Industrials	24.2	21.7	3.7	1.7	11.7	16.2	6.2	10.6	32.5	15.5	88.5	2.1
Cons. Staples	15.7	16.6	3.1	1.4	10.6	17.5	6.0	10.8	36.2	15.0	96.1	3.5
Cons. Disc	8.7	16.7	2.0	1.1	7.4	11.1	4.4	8.6	31.5	14.9	89.8	2.5
Comm. Services	22.1	19.3	2.0	1.6	7.2	9.3	1.9	15.5	54.2	33.9	123.1	3.1
Utilities	22.6	13.3	1.6	1.1	8.0	11.7	3.4	15.4	34.3	24.3	128.5	4.8
Healthcare	4.0	15.3	3.2	3.0	10.7	17.5	9.8	16.6	67.4	26.1	62.8	2.7
Real Estate	1.1	14.0	0.8	6.6	20.1	7.4	3.0	36.0	-	38.3	103.5	4.4
Asia ex-Japan												
AxJ Equities	7.3	13.7	1.7	1.5	10.0	12.1	0.9	12.8	28.9	17.7	96.9	2.5
Financials	9.8	9.6	1.1	2.6	-	11.3	0.8	25.2	-	-	197.6	3.9
Energy	4.5	12.1	1.2	0.6	4.5	9.7	4.5	7.1	20.1	12.3	47.2	3.4
Technology	0.3	14.8	2.5	1.5	7.6	17.1	12.6	11.2	23.0	18.3	26.7	2.3
Materials	6.4	18.0	1.3	0.9	8.1	7.6	5.1	6.5	22.7	12.0	63.0	2.2
Industrials	7.4	14.2	1.4	1.0	8.1	9.8	1.7	9.4	22.1	15.5	76.9	2.4
Cons. Staples	5.8	21.6	3.1	1.4	11.5	14.2	6.4	9.3	28.9	13.2	55.8	2.8
Cons. Disc	13.7	14.1	2.1	1.2	8.9	13.7	4.8	8.9	29.3	12.4	43.7	1.3
Comm. Services	18.1	19.0	3.2	4.0	12.3	14.8	8.4	21.0	58.8	33.4	43.9	1.3
Utilities	0.8	12.2	1.4	1.2	8.3	11.3	3.7	14.3	26.6	24.6	122.1	3.9
Healthcare	0.9	29.4	3.2	2.3	16.8	10.7	6.6	8.5	33.4	11.3	28.2	1.0
Real Estate	3.9	14.5	0.7	1.8	12.8	4.6	1.8	15.0	30.2	17.7	42.0	3.9

Source: Bloomberg, DBS
Data as at 13 May 2025

Flight *to* Safety

Source: Unsplash

Amid a volatile political landscape, the sheer instinct to offload assets and seek safety is strong. Yet, reacting on impulse risks locking in losses and missing potential rebounds as markets recalibrate.

In fact, missing just ten of the market's best-performing days could cost 53.2% of portfolio value. Staying invested is key, given the difficulty of timing the market successfully.

Stick to the fundamentals and stay the course.

Joanne Goh
Strategist

Jason Sum, CFA
Analyst

Tabitha Foo
Analyst

Airlines

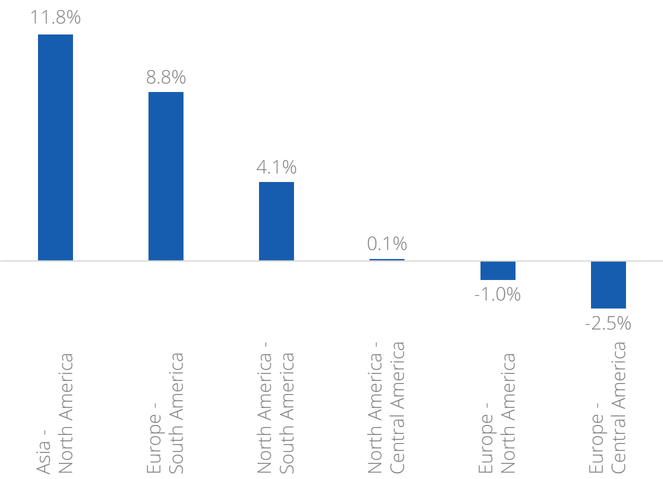
Source: Unsplash

Flying into headwinds

The global airlines industry transports passengers and cargo, with an estimated size of USD900bn in 2023. Growth is forecasted at 3.3% annually over the next two decades according to IATA. Key regions include Americas, Asia-Pacific, Europe, Middle East, and Africa.

Escalating geopolitical tensions pose downside risks to global airlines. As geopolitical and economic headwinds intensify, airlines face mounting pressure and US carriers have warned of a softening domestic market. Internationally, visitor arrivals to US fell by 11.6% y/y in Mar 2025, highlighting signs of a slowdown. Passenger traffic between Europe and North America fell by 1.0% y/y in Mar 2025, its first drop since early 2021 with several US and European airlines flagging weakening transatlantic demand. Meanwhile, US tariffs are expected to dampen air cargo demand with North America accounting for c.26% of cargo as the world's second-largest market after Asia Pacific.

Mar 2025 passenger traffic y/y change on selected Americas international routes



Source: IATA, DBS

1Q25 results were mixed with cracks in demand. Although United, Delta, and American surpassed expectations in 1Q25, signs of weakening US demand are emerging with airlines cutting passenger capacity in response to declining domestic yields and softer booking trends. Additionally, American joined Delta in withdrawing full-year guidance amid uncertainty, while United issued an additional earnings forecast to account for a potential recession. In Europe, IAG and Air France-KLM outperformed, while Lufthansa delivered results in line with expectations; all three reaffirmed their FY25 guidance but noted softness in the US travel outlook. In Asia Pacific, Singapore Airlines and Cathay experienced a 2.2 %pts and 1.2 %pts y/y decline in passenger load factor respectively in Mar 2025. In China, the three state-owned carriers (Air China, China Eastern, and China Southern) continued to underperform from persistent pricing pressures, but travel data from Labour Day (1 May) was encouraging.

We temper our optimism for the industry despite better-positioned selected airlines, taking a cautious stance given growing demand concerns and cargo headwinds. However, lower jet fuel prices are expected to provide tailwinds, easing margin pressures for airlines. US airlines with a larger international market share, expanding loyalty programmes, and limited cargo exposure, are expected to outperform while those with higher-end customer focus, relatively low cargo exposure, and compelling valuation should stand out. In APAC, we prefer those supported by a favourable yield environment and have a robust cost reduction plan.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
United (UAL US)	**BUY**	USD100.00	**Brighter margin prospects.** United boasts the most extensive international travel network with its primary hubs in bustling business centres. The airline has typically enjoyed higher margins on long-haul routes compared to other US network carriers. We anticipate UAL outperforming its US peers due to its strategic position in the premium leisure segment and long-haul routes. With FY25 capex now guided to be lower-than-expected on continued aircraft delivery delays, we could see UAL accelerate its deleveraging and strengthen its balance sheet.	Tabitha Foo
International Airlines Group (IAG LN)	**BUY**	GBP3.50	**Conviction pick in Europe.** We like IAG the most among the European legacy carriers for its superior margins and promising earnings outlook. This is underpinned by its dominant position in the premium segment and on the lucrative North and South Atlantic routes on the back of more acute capacity constraints in the region. IAG is also expected to benefit from GTF engine woes in Europe, given minimal impact to its capacity reinstatement plans compared to peers.	Tabitha Foo
Qantas (QAN AU)	**BUY**	AUD10.50	**On track to return to earnings growth.** We believe Qantas' dual-brand strategy, premium pricing power, and growing loyalty engagement offer structural earnings resilience. Earnings momentum is expected to sustain into 2HFY25, supported by 8-10% passenger capacity expansion as fleet renewal progresses and new international routes ramp up. Further, we anticipate cost control measures to help mitigate ongoing inflationary pressures from airport and labour costs.	Jason Sum

Source: DBS
Data as at 9 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
DAL US	Delta	HOLD	USD45.00	33.4	9.4	1.1	1.2	United States	Tabitha Foo
UAL US	United	BUY	USD100.00	25.8	7.6	-	7.3	United States	Tabitha Foo
AAL US	American	HOLD	USD10.00	7.7	11.6	-	-21.7	United States	Tabitha Foo
AF FP	Air France-Klm	HOLD	EUR9.00	2.5	2.4	-	184.6	France	Tabitha Foo
LHA GR	Lufthansa	HOLD	EUR7.00	8.7	6.4	4.6	-11.2	Germany	Tabitha Foo
IAG LN	International Airlines Group	BUY	GBP3.50	19.4	5.9	0.8	13.3	Spain	Tabitha Foo
RYA ID	Ryanair	BUY	EUR25.00	26.2	15.1	2.0	-13.0	Ireland	Tabitha Foo
SIA SP	Singapore Airlines	HOLD	SGD6.30	15.5	8.7	7.0	24.3	Singapore	Jason Sum
753 HK	Air China	HOLD	HKD4.20	16.4	19.3	-	1,739.5	Hong Kong	Jason Sum
1055 HK	China Southern	HOLD	HKD3.20	13.2	16.3	-	301.0	Hong Kong	Jason Sum
670 HK	China Eastern	HOLD	HKD2.40	10.8	28.3	-	145.3	Hong Kong	Jason Sum
QAN AU	Qantas	BUY	AUD10.50	9.8	9.3	2.6	42.7	Australia	Tabitha Foo
293 HK	Cathay Pacific	BUY	HKD12.20	8.1	6.8	10.0	-4.0	Hong Kong	Tabitha Foo

Source: Bloomberg, DBS
Data as at 13 May 2025

Dylan Cheang
Strategist

Chee Zheng Feng
Analyst

Andy Sim, CFA
Analyst

Alcoholic Beverages

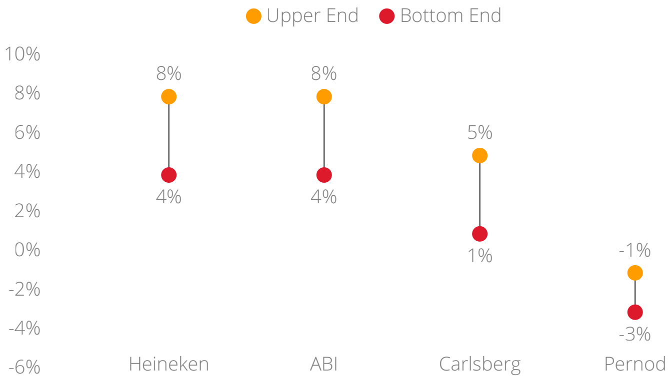
Source: Unsplash

Leave behind the cognac and grab the beer

The global alcoholic beverage industry has an estimated retail sales value of USD1.6tn in 2024 and is projected to grow at a 2% CAGR to USD2.0tn by 2032. The top three players, Anheuser-Busch Inbev, Heineken, and Moutai, account for c.38% of revenue by globally listed alco-beverage players.

Challenging environment more so for spirit companies than brewers. Major spirit companies experienced a soft 1Q25, particularly those reliant on exports from the EU to China, which now face tariffs of up to 39%. In contrast, brewers were largely insulated from the immediate impact of the ongoing trade war, given that production tends to be highly localised. Nonetheless, second-order effects are expected to emerge, including higher input costs — particularly aluminium for brewers with US production — due to the 25% universal tax on aluminium imports into the US, as well as softer demand amid heightened economic uncertainty from the escalating trade conflict.

Overview of FY25 operating profit guidance for major alcoholic beverage companies indicate brewers remain optimistic despite trade war headwinds



Source: Companies, DBS
(Pernod's FY25 guidance from Jul 2024 to Jun 2025)

Reiteration of outlook for brewers despite macroeconomic headwinds. Major brewers have reiterated their initial guidance for +1% to +8% organic profitability growth in 2025, with those boasting more geographically diversified exposure guiding towards the higher end of the range. They remain confident in navigating tariffs and macroeconomic challenges, largely due to the domestic nature of their businesses and highly diversified geographical structures. Conversely, Pernod Ricard, a leading premium spirit company has revised its guidance downward, now expecting a y/y profitability decline. Its higher sales concentration in the US and China — economies more vulnerable to the trade war — and the discretionary, premium nature of their portfolios, leave it more exposed to demand risks amid rising recession concerns.

Avoid premium spirit players and opt for brewers with a diversified geographical footprint. Within the global alcoholic beverage sector, we favour brewers with a diversified geographical exposure and lower dependence on the US and China markets. Although valuations for premium spirits players are close to all-time lows, we remain cautious given the ongoing risks of trade war escalations and a potential global recession.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Anheuser-Busch Inbev (ABI BB)	**BUY**	EUR70.00	**ABI has limited direct tariff impact and is on-track to meet the higher end of its EBITDA growth target.** 1Q25 EBITDA growth hit the top end of FY25 guidance at +8%, defying earlier soft quarter expectations. It is supported by sequential volume performance improvements and 98% of production is done locally, shielding it from tariffs, ABI is well-positioned to meet the upper end of its EBITDA target.	Chee Zheng Feng
Heineken (HEIN NA)	**BUY**	EUR96.00	**Heineken is well-prepared to navigate tariffs and macroeconomic uncertainties.** Management has retained its FY25 guidance despite current trade war headwinds. It stated that direct tariff impacts remain manageable while indirect impacts are more complex. Nonetheless, management has learnt from its experience in Africa in navigating future macroeconomic uncertainties.	Chee Zheng Feng
Pernod Ricard (RI FP)	**HOLD**	EUR86.00	**Potential double whammy from tariff and recessionary risks.** While no FY26 guidance has been issued yet, we believe the outlook remains challenging given the risks of prolonged tariff pressures and broader recessionary concerns, which may delay a return to growth until FY27 or later.	Chee Zheng Feng

Source: Bloomberg, DBS
Data as at 9 May 2025

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ABI BB	Anheuser-Busch Inbev	BUY	EUR70.00	133.7	17.9	1.7	26.7	Brussels	Chee Zheng Feng
HEIN NA	Heineken	BUY	EUR96.00	50.4	16.1	2.4	179.3	Netherlands	Chee Zheng Feng
2502 JP	Asahi	BUY	JPY2,300	20.4	15.3	2.5	2.3	Japan	Chee Zheng Feng
2503 JP	Kirin	HOLD	JPY2,100	13.3	12.0	3.3	149.4	Japan	Chee Zheng Feng
RE FP	Pernod Ricard	HOLD	EUR86.00	27.6	13.9	4.8	21.5	France	Chee Zheng Feng
1876 HK	Budweiser APAC	BUY	HKD10.20	15.0	18.8	4.7	8.9	Hong Kong	Clement Xu
291 HK	China Resources Beer	BUY	HKD35.60	11.2	14.9	4.1	14.2	Hong Kong	Clement Xu
168 HK	Tsingtao Brewery	BUY	HKD74.30	11.9	14.4	3.9	9.7	Hong Kong	Clement Xu
THBEV SP	Thai Beverage	BUY	SGD0.63	9.5	10.8	4.9	9.4	Singapore	Chee Zheng Feng

Source: Bloomberg, DBS
Data as at 13 May 2025

Benjamin Goh
Analyst

Rachel Miu
Analyst

Elizabelle Pang
Analyst

Auto Parts

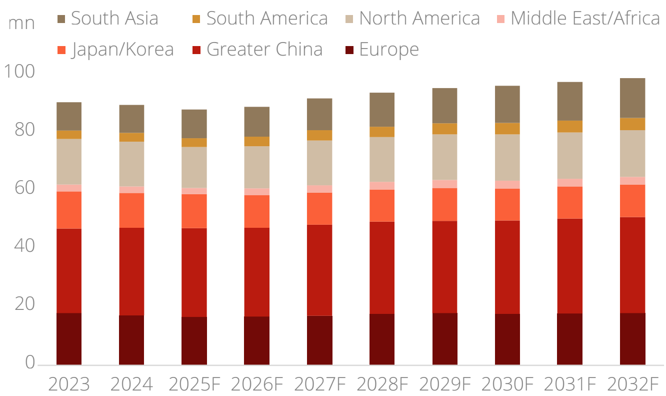
Source: Unsplash

ADAS and China in focus

Global light vehicle sales and production in 2024 reached 89.6mn (+1.7% y/y) and 89.5mn (-1.1% y/y) respectively, led by strong growth from China. By 2030F, global light vehicles production is forecasted to grow by a modest 0.9% CAGR, driven by China (+1.5% CAGR) and South Asia (+3.9% CAGR). The key production hubs remain China (30mn units at 35% global share), Europe (17mn units, 19%), and North America (15mn units, 17%).

Downgrade in 2025 light vehicles production outlook, but ADAS and China remain bright spots. The outlook for 2025 has been revised down with 2025F light vehicle production expected to decline by -1.7% y/y, below S&P Global Mobility's prior forecast of flattish growth, thereby reflecting the drag from Trump-era tariffs. North America is expected to be the most impacted with production set to drop sharply by -9% y/y, followed by Europe at -3%, and finally, Japan and Korea at -2%. China continues to defy the downtrend with 2025F production projected to rise by 1.5% y/y. Across product segments, ADAS and smart cockpit auto parts (e.g. cameras, lidar, and displays) continue to offer growth opportunities amid increasing OEM focus on smart vehicle development.

Global light vehicle production forecast by markets



Source: S&P Global Mobility, DBS

1Q25 earnings signal positive momentum in ADAS and China. Recent 1Q sales results from Valeo and Denso indicate continued strength in ADAS and smart cockpit segments, even against a backdrop of weaker global auto production. China stood out once again with auto production expanding by 11% y/y in 1Q25, while North America and Europe posted declines of -5% and -7% respectively. The outlook for Chinese automakers also remains constructive, signalling continued strength for local parts suppliers.

Focus on ADAS leaders and China-exposed names. We remain constructive on auto parts suppliers with (i) broad product portfolios, particularly in ADAS and smart cockpits, and (ii) strong exposure to the Asia/China market. Niche Chinese lidar companies such as Robosense stand out as key beneficiaries of ADAS-driven tailwinds. Our top picks are Robosense and Denso. Conversely, Minth, Nexteer, and Valeo may face headwinds in North America and Europe due to both markets' muted auto production trends, given their 60-70% exposure to North America and Europe.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Robosense (2498 HK)	**BUY**	HKD60.00	**Global lidar leader with 30% market share.** Robosense is well-positioned to benefit from ADAS industry trends, driven by its cost-effective automotive lidar offerings. We forecast a 50% revenue CAGR through FY24A-26F—outpacing peers—with gross margins improving to 25% (from 17% in FY24A) as manufacturing scales. The stock currently trades at a forward EV/sales multiple of 5.3x, in line with its historical average. As c.95% of Robosense's revenue is generated within China, we expect minimal impact from US tariffs and the auto production slowdown outside of China.	Elizabelle Pang
Denso (6902 JP)	**BUY**	JPY2,800	**Margin turnaround story on Toyota's recovery.** Denso's margin recovery is supported by Toyota's stable output and strong demand for electrification and ADAS with Toyota contributing c.60% of Denso's revenue. Earnings are forecasted to grow at a 13% CAGR from FY3/25A–FY3/27F with EBIT margins improving by +2 %pts by FY3/27F. Valuation remains attractive at 11x forward P/E (-0.7 SD below mean) and a 3.5% dividend yield. Tariff risks appear manageable as we estimate c.5% of Toyota's sales stem from Mexico/Canada production, limiting downstream impact on Denso.	Elizabelle Pang
Minth (425 HK)	**BUY**	HKD28.00	**Rich orderbook backdrop provides steady earnings growth.** Minth's FY24A–26F earnings are set to grow 20% annually, supported by a >RMB250bn (USD35bn) order backlog and rising electrification and intelligent vehicle adoption. Valuation remains attractive at 7.5x forward P/E (–0.8 SD below mean). However, with 20% and 40% revenue exposure to North America and Europe respectively, a softening US/EU production outlook may present near-term headwinds.	Elizabelle Pang
Nexteer (1316 HK)	**BUY**	HKD7.50	**Global leader in steering systems and autonomous driving beneficiary.** To date, the company has secured new orders worth USD6bn, thereby providing healthy earnings visibility at FY24A-FY26F earnings CAGR of 50%. Rapid expansion of its Chinese and Steer-by-Wire business are positive catalysts, though there could be some US tariff headwinds with Nexteer's >50% North America exposure. The stock is trading at a forward P/E of 14x (-0.7 SD below historical mean) with forward dividend yields of 2%.	Elizabelle Pang
Valeo (FR FP)	**HOLD**	EUR8.50	**Margins recovery story to see headwinds.** We downgrade our view on Valeo amid rising uncertainty around its margin recovery, driven by tariffs and weakening OEM guidance. With S&P forecasting -3%/-9% auto production declines in Europe/North America (Valeo's core markets at 70% exposure), we see downside risk to current consensus estimates of FY25F earnings growth at 9% and EBIT margin improvement of +0.5 %pts y/y. Valeo trades at 7.5x forward P/E (-0.5 SD below mean) with a 5% yield.	Elizabelle Pang

Source: Bloomberg, DBS
Data as at 6 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
425 HK	Minth	BUY	HKD28.00	2.9	7.9	-	15.6	Hong Kong	Elizabelle Pang
1316 HK	Nexteer	BUY	HKD7.50	1.8	15.5	0.4	84.0	Hong Kong	Elizabelle Pang
2498 HK	Robosense	BUY	HKD60.00	2.3	-	-	65.0	Hong Kong	Elizabelle Pang
HSAI US	Hesai	BUY	USD35.00	2.3	59.5	-	371.4	United States	Elizabelle Pang
FR FP	Valeo	HOLD	EUR8.50	2.6	7.7	4.2	85.2	France	Elizabelle Pang
6902 JP	Denso	BUY	JPY2,800	39.4	11.3	3.2	22.4	Japan	Elizabelle Pang

Source: Bloomberg, DBS
Data as at 13 May 2025

Joanne Goh
Strategist

Ken Shih
Analyst

Edmond Fok
Analyst

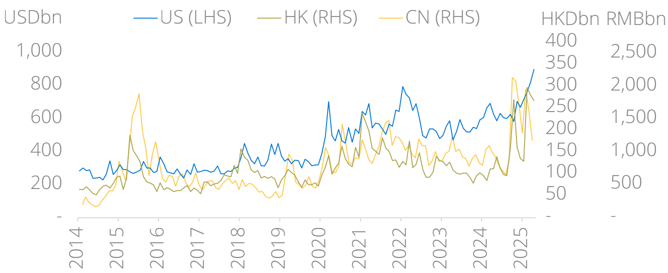
Capital Markets

Prefer resilience amid uncertainty

The global capital market comprises investment banking, brokerage, and asset management businesses. US and China form the largest markets, accounting for 49% and 13% of global market capitalisation respectively. Key global players include Goldman Sachs, Morgan Stanley (investment bank-focused), and BlackRock (asset manager), while CITIC Securities is the largest Chinese player by revenue.

1Q25 results generally exceeded expectations. Investment banks such as Goldman Sachs (+15% y/y) and Morgan Stanley (+26% y/y) posted strong earnings growth, largely driven by exceptional equity trading revenue as clients actively rebalanced portfolios and used derivatives in response to elevated market volatility. Wealth and trading platforms like Charles Schwab (+40% y/y) and Robinhood (+114% y/y from a low base) also reported significant earnings gains, supported by high US equity market turnover in 1Q25. Schwab further benefitted from net interest margin NIM expansion by replacing high-cost funding with increased client cash balances. In contrast, BlackRock reported a slight revenue shortfall, as lower market valuations reduced both performance fees and AUM-based fees.

Monthly stock market average daily turnover



Source: Bloomberg, Wind, DBS

Tariff uncertainty could dampen investor confidence, but it also presents opportunities. In brokerage and trading, performance is likely to diverge based on client composition. During periods of heightened volatility and uncertainty, retail or sentiment-driven investors tend to trade less and move to cash, whereas more sophisticated investors often stay active and use derivatives to take advantage of frequent news flows. This is reflected in the contrasting ADT in Apr 2025: +11% m/m in the institution-driven US stock market versus -19% in China's retail-driven A-share market. On the investment banking front, recovery is likely to be slower, as corporates await greater clarity to proceed with fundraising or M&A plans, though structural supply chain diversification could spur new deal flows. In wealth and asset management, while lower market valuations may pressure fee income, advisory demand is expected to rise as affluent and high-net-worth clients seek strategic guidance to rebalance their portfolios. Firms with strong client relationships and a broad product offering—particularly in alternative assets—are best positioned to capture market share.

We prefer global investment banks with an institutional and HNW client focus. We prefer banks with a global reach and comprehensive capabilities that position themselves well to serve the capital reallocation plans of corporates, institutions, and HNW clients. The anticipated surge in institutional equity trading revenue also add to their resilience. The stronger names are trading at 12-14x forward 12-month P/E, slightly higher than the 5-year average, given their recent pivot to more stable wealth and asset management businesses, with investment banking poised to gradually recover from a low base.

Table 1: **Company Commentary**

Name	DBS Rating	Target Price	Rationale	Analyst
Goldman Sachs (GS US)	**BUY**	USD600.00	**Refocusing on the core.** GS has consistently occupied the top spots in investment banking league tables and meaningfully expanded the wallet share of its top-trading clients, thanks to its excellent culture and ability to attract top talent via a performance-driven compensation system. As the company refocuses on its core banking and market businesses, while scaling back its consumer business, we believe it will outperform its peers and benefit more from the recovery of investment banking activity.	Ken Shih
Morgan Stanley (MS US)	**BUY**	USD135.00	**Benefit from client asset re-allocation.** Morgan Stanley has capitalised on the boom of global wealth during the last decade and doubled the profit contribution from wealth and investment management from 26% of total profit in 2010 to 50% in 2024, ranking first in industry by net segmental revenues (FY24: USD34bn). We also expect wealth asset inflows to remain solid while seeing structural opportunity in advisor-led services amidst heightened uncertainty.	Ken Shih
Charles Schwab (SCHW US)	**BUY**	USD95.00	**Back to profit growth on NIM expansion.** Charles Schwab is the largest retail broker by client assets and is well positioned to expand its 12% market share in the US, thanks to its low-cost and comprehensive offerings, as well as outstanding service culture. We expect further earnings improvement driven by (i) the continued strong client asset growth leveraging its strong client loyalty and diversified acquisition channels, (ii) net interest income growth amid deceleration of cash sorting and paydown of high-cost supplementary funding, and (iii) expected synergy from Ameritrade's deal post-integration.	Ken Shih
BlackRock (BLK US)	**BUY**	USD1,000.00	**Diversification brings resilience.** BlackRock is the largest asset manager by both AUM and revenue. Its global reach, expertise across asset classes, and proprietary technology platform are valuable assets for clients, especially when the demand for diversified investment is strong. Its unparalleled ETF scale has strengthened its brand and client penetration, and remained a key tool for investors to re-position their holdings. Its pivot to private markets and technology also enhance revenue stability ahead, as these are less tied to public market volatility.	Ken Shih

Source: Company, DBS

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
GS US	Goldman Sachs	BUY	USD600.00	188.3	13.2	2.0	9.0	United States	Ken Shih
MS US	Morgan Stanley	BUY	USD135.00	203.8	14.7	2.9	7.6	United States	Ken Shih
BLK US	BlackRock	BUY	USD1,000.00	148.4	21.1	2.1	7.2	United States	Ken Shih
SCHW US	Charles Schwab	BUY	USD95.00	159.5	20.0	1.2	42.0	United States	Ken Shih
HOOD US	Robinhood	BUY	USD65.00	50.7	43.2	-	-17.0	United States	Ken Shih
COIN US	Coinbase	HOLD	USD210.00	52.8	33.6	-	-40.7	United States	Ken Shih
BRK/B US	Berkshire Hathaway	HOLD	USD500.00	1,109.9	25.2	-	-	United States	Ken Shih
FUTU US	Futu	BUY	USD160.00	15.4	16.4	1.8	33.6	Hong Kong	Ken Shih
6030 HK	CITIC Securities	BUY	HKD28.00	51.0	11.5	3.8	14.2	Hong Kong	Ken Shih
2611 HK	Guotai Haitong Securites	BUY	HKD14.50	39.6	8.1	5.4	-9.9	Hong Kong	Ken Shih

Source: Bloomberg, DBS
Data as at 13 May 2025

Commodities

Goh Jun Yong
Strategist

Eunyoung Lee
Analyst

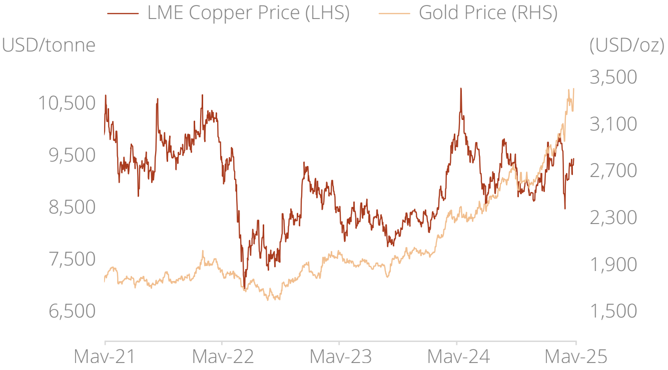

Source: Unsplash

Gold a winning metal in Trump 2.0

The global gold demand was 4,988 tonnes or USD383bn based on the average gold price of USD2,386/oz in 2024. Jewellery accounted for 40% of gold demand, followed by investment (24%), and central bank demand (22%). Global gold demand rose 1% y/y in 2024, despite a 9% y/y decline in jewellery demand. This was driven by a 25% y/y increase in investment demand and a 3% y/y growth in central bank demand.

Gold is expected to outperform as a safe asset; copper to stand out among industrial metals. Gold prices jumped 31% YTD (as at 6 May) supported by strong gold ETFs inflows and robust central bank's purchases. Gold ETFs inflow surged to 227 tonnes in 1Q25 from 19 tonnes in 4Q24, driven by Western ETFs, and has continued to grow in 2Q25 with higher Chinese demand. Meanwhile, Trump's policies, including reciprocal tariffs on China, pressured the demand outlook for industrial metals, leading to their price decline. Despite this, copper is expected to be resilient among them as it will be the only metal in deficit in 2025, driven by demand growth from the energy transition and tightly mined supply. Trump's potential tariff on US copper imports, announced on 25 Feb, led to a redirection of copper supplies to the US, tightening supply in other regions.

Gold and LME copper prices



Source: Bloomberg, DBS

Strong 1Q25 results were backed by gold price hikes and earnings growth is expected in 2Q25. Zijin and ANTM's 1Q25 earnings exceeded market expectations with 62.4% and 794.1% y/y growth respectively, fuelled by gold and LME copper price hikes (38.1% and 10.7% y/y). Meanwhile, FCX's 1Q25 earnings declined by 25.6% y/y, in line with expectations, due to a decline in sales volume from the late reception of concentrate export permits by the Indonesian government in mid-March. We expect their earnings to be robust in 2Q25 as the average gold price from 1 Apr to 6 May was 13% higher than the average price in 1Q25. FCX will see strong earnings recovery backed by sales volume growth in 2Q25.

We favour miners with gold in their portfolio. We favour miners that have exposure to gold as they will be key beneficiaries of higher average gold prices. These companies will likely register earnings CAGRs between the mid-teens and mid-twenties percent from 2024 to 2026, supported by sales volume growth backed by (i) ample reserves, (ii) project completions, and (iii) resolved issues regarding mining licenses and concentrate export permits in Indonesia.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Freeport McMoran (CX US)	**BUY**	USD51.00	**Earnings growth backed by higher metal prices and US copper price premiums despite a decline in sales volume.** FCX's earnings growth in 2025 will be backed by (i) higher copper and gold prices and (ii) US copper price premium vs LME despite the sales volume decline, especially from Indonesia. Its start-up of the Manyar smelter by May 2025 after repairs and the ramp-up of the PMR in Indonesia will support earnings growth in the mid-to-long term.	Eunyoung Lee
Zijin Mining (2899 HK)	**BUY**	HKD24.50	**Radiant portfolio of copper and gold.** Zijin Mining is likely to see a 38% y/y earnings growth backed by an (i) increase in sales volume of mined copper (+ 21% y/y) and mined gold (+ 22% y/y) and (ii) higher copper and gold prices. Mined copper sales volume growth, in particular, will be driven by production growth in the Kaoma Kakula copper mine after the ramp-up of the Phase 3 mine, along with the May 2024 increase in annual processing plant capacity by 150,000 tonnes.	Eunyoung Lee
Aneka Tambang (ANTM IJ)	**BUY**	IDR2,800.00	**Gold and nickel ore to deliver glittering earnings.** ANTM will register a 25% y/y earnings growth in 2025 backed by (i) higher gold prices and (ii) 56% y/y sales volume growth of nickel ore in 2025 without any delays in receiving mining permits, where significant sales disruption occurred in 2024. Despite weak nickel prices, nickel ore is trading at a premium to its benchmark prices as its market is facing a deficit, which will support earnings growth in 2025.	Eunyoung Lee

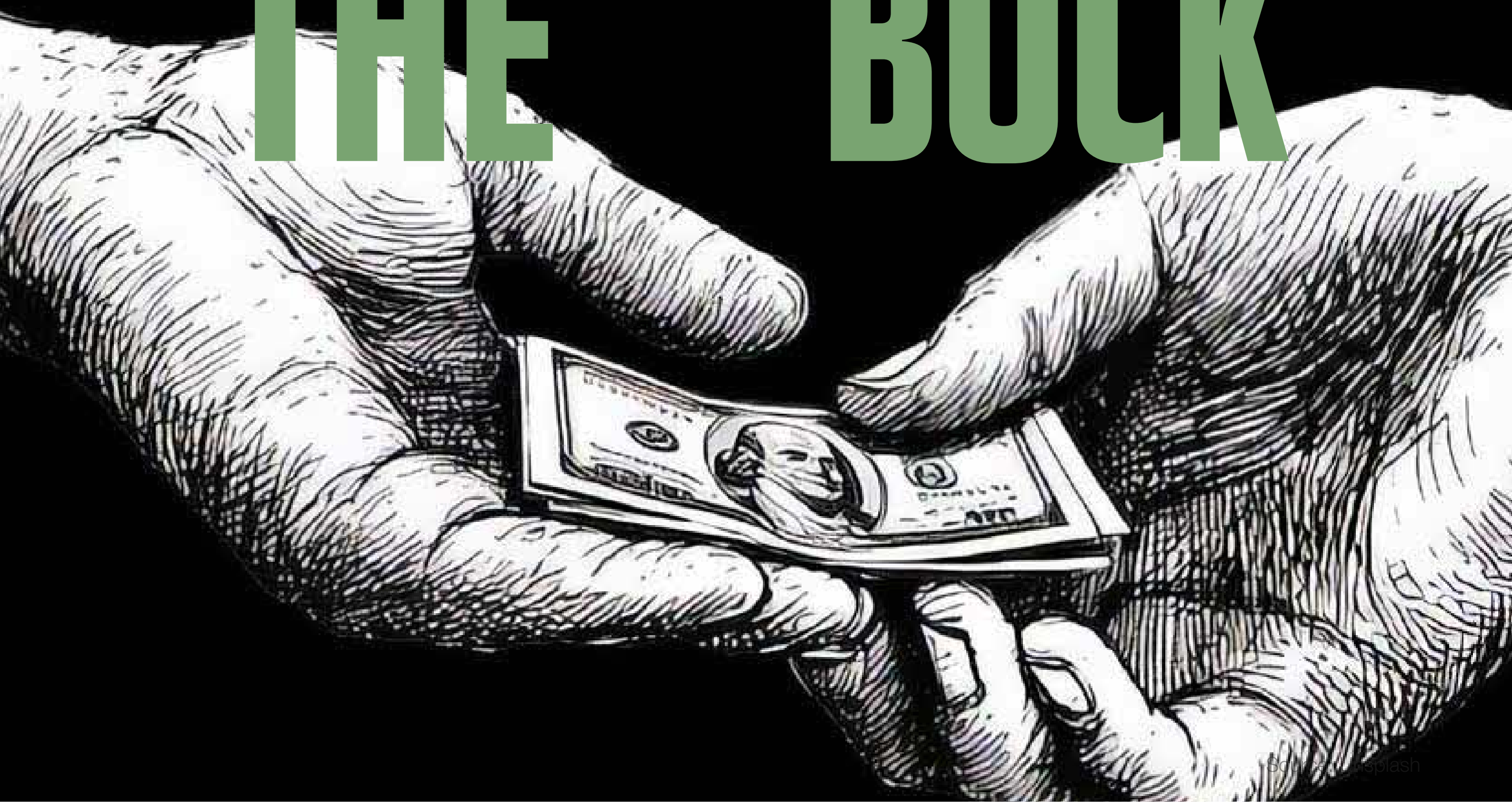
Source: Bloomberg, DBS
Data as at 6 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
FCX US	Freeport McMoRan	BUY	USD51.00	56.2	24.3	1.5	22.7	United States	Eunyoung Lee
2899 HK	Zijin Mining	BUY	HKD24.50	63.9	10.4	1.9	27.6	Hong Kong	Eunyoung Lee
601899 CH	Zijin Mining	BUY	CNY25.00	63.9	11.6	1.7	26.3	China	Eunyoung Lee
1208 HK	MMG	BUY	HKD2.80	4.0	8.8	-	141.8	Hong Kong	Eunyoung Lee
358 HK	Jiangxi Copper	HOLD	HKD15.00	8.7	7.0	4.8	-11.3	Hong Kong	Eunyoung Lee
600362 CH	Jiangxi Copper	HOLD	CNY23.00	8.7	13.4	2.7	-18.6	China	Eunyoung Lee
3993 HK	CMOC	BUY	HKD9.00	21.2	8.8	2.6	7.3	Hong Kong	Eunyoung Lee
603993 CH	CMOC	BUY	CNY11.00	21.2	10.8	2.1	8.1	China	Eunyoung Lee
ANTM IJ	Aneka Tambang	BUY	IDR2,800.00	3.9	12.5	4.8	41.5	Indonesia	Eunyoung Lee
NCKL IJ	Trimegah Bangun Persada	BUY	IDR970.00	2.5	5.9	4.0	13.3	Indonesia	Eunyoung Lee
INCO IJ	Vale Indonesia	BUY	IDR4,000.00	1.8	24.6	-	27.7	Indonesia	Eunyoung Lee
MDKA IJ	Merdeka Copper Gold	BUY	IDR2,000.00	2.7	-	-	100.0	Indonesia	Eunyoung Lee

Source: Bloomberg, DBS
Data as at 13 May 2025

PASSING THE BUCK



With markets straining under the weight of Trump's tariffs, even America's companies are feeling the burn. Some may choose to pass the buck fully to US consumers, others might spread the cost globally, while some may absorb the cost. Even though there are myriad ways to navigate this, someone will ultimately pay the tariff toll. Who will it be?

Content Platforms

Dylan Cheang
Strategist

Daryl Lim, CFA
Analyst

Sachin Mittal
Analyst

Amanda Tan
Analyst

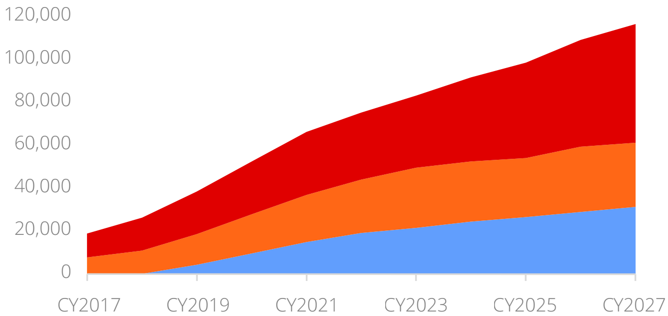
Source: Unsplash

Eyes on the bottom line

The SVOD industry offers access to entertainment content for a recurring subscription fee. The streaming market is poised to reach USD212bn in 2030 from USD128bn in 2025 (CAGR: 11%). Within the oligopolistic industry, key players Netflix, Amazon Prime Video, and Disney+ hold a total share of above 50%.

Live sports and advertising drive growth for streaming services. Netflix's streaming of NFL games on Christmas underscores this trend, particularly following their USD5bn deal to stream WWE's Raw for 10 years. Apple's potential USD1bn deal with FIFA for the Club World Cup and Amazon's investment of USD115mn in Diamond Sports Group are also significant moves. Overall, live sports reflects the importance of attracting, securing, and retaining subscribers in a competitive market, as well as increasing engagement and generating additional advertising revenue. Advertising also drives growth, with 55% of all NFLX sign-ups from advertising plans. Netflix is expected to see a 56% CAGR from FY24–28, lifting ad revenue from 3% to 11% of total revenue. Disney's ad revenue is forecast to grow at a 25% CAGR, rising from 5% to 8% of Disney+ revenue by 2028.

Netflix to keep its crown even as rivals prosper (streaming revenue in USDmn)



Source: Visible Alpha, DBS

Streaming businesses exceeded expectations in 1Q25, driven by improving profit margins. Industry bellwethers in streaming delivered better-than-expected operating income from subscriber growth, increase in retail pricing, and/or continued interest in ad-supported tiers. Netflix added c.3.9mn subscribers q/q, with a total of c.306mn. Disney+ and Hulu added 2.5mn subscribers q/q, reaching a combined 181mn. While still behind Netflix in operating profitability, Disney's DTC segment remained profitable in 2Q25, with operating income rising multifold off a low base. Nonetheless, consensus expects Disney's DTC operating margin to rise from 1% to 15%, and Netflix is projected to maintain higher margins of 27-36% from FY24 to FY28F.

We maintain our preference for streaming over legacy media companies given structural tailwinds, although Trump's proposed film tariffs pose some risk. Investor attention has shifted from subscriber growth to sustainable earnings, prompting an industry pivot toward profitability. Hybrid subscription and advertising models are rising, with ad-supported tiers improving affordability and revenue yield. These support margin expansion and broaden the addressable market through price segmentation. In contrast, traditional pay-TV face subscriber erosion, leaving them disadvantaged in a shifting media landscape. Although the impact of tariffs are unknown, content companies that rely heavily on overseas production could experience higher costs.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Netflix Inc (NFLX US)	**BUY**	USD1,195.00	**Netflix remains the global leader in streaming.** Netflix remains the global leader in streaming, with unmatched scale, strong pricing power, and operating leverage that support its industry-leading margins of 27–36% between FY24 and FY28. Subscriber net additions rose for the tenth consecutive quarter, with Netflix adding c.3.9mn subscribers, bringing the total to 306mn and underscoring continued strong engagement with its content. Netflix is trading at 33.4x 12m forward EV/EBITDA, above its 5-year historical average of 12.9x.	Sachin Mittal
Walt Disney (DIS US)	**HOLD**	USD100.00	**Cashflow generating experiences and growth from streaming.** Disney+ and Hulu subscribers have crossed 180mn as of 1Q25. DTC revenue growth of CAGR 9% between FY24-28F will outpace Sports/Experiences growth at 3%/6%. DTC operating margins are projected to increase from 1% in FY24 to 15% in FY28F. This is expected to be one of the key earnings drivers through FY28. While Disney's DTC business has been gaining momentum, we believe the share price is likely to remain rangebound as broader macro uncertainty may weigh on discretionary spending at Experiences beyond the summer peak. Disney trades at a forward P/E of 17.2x, -0.8 SD below the historical mean.	Amanda Tan
Amazon.com (AMZN US)	**BUY**	USD235.00	**Streaming monetisation continues.** Amazon's advertisement and subscription revenue, including those from its video streaming platform, grew +17% y/y and +18% y/y in 1Q25. While contribution from streaming is still small, Prime Video supports the core e-commerce business with the ad-supported basic subscription increasing click through rates to its e-commerce platform. Overall subscription and ads revenue is expected to grow at a CAGR of +19% vs. group revenue at +10% for FY25F-27F. We maintain BUY as the core e-commerce business is poised for market share growth and margin expansion. Amazon is trading at 11.4x 12m forward EV/EBITDA, below its 5-year historical average of 23.2x.	Nashrullah Putra Sulaeman

Source: Bloomberg Finance L.P., DBS Bank Ltd
Data as at 17 Apr 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
AMZN US	Amazon	BUY	USD235.00	2,215.0	30.2	-	22.1	United States	Nashrullah Putra Sulaeman
NFLX US	Netflix	BUY	USD1,195.00	472.4	43.8	-	24.9	United States	Sachin Mittal
DIS US	Walt Disney	HOLD	USD100.00	198.6	19.3	0.9	110.1	United States	Amanda Tan

Source: Bloomberg, DBS
Data as at 13 May 2025

Joanne Goh
Strategist

Lim Rui Wen
Analyst

Lu Manyi
Analyst

Financials

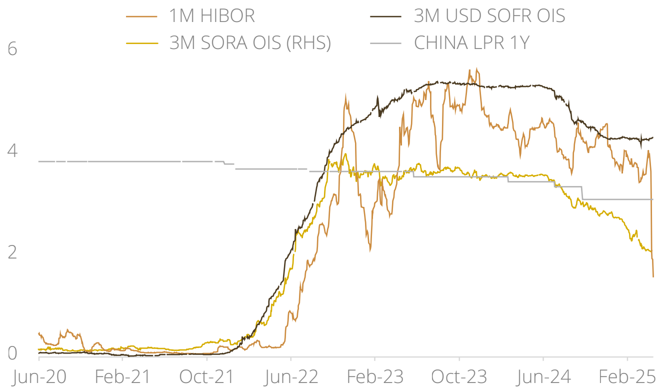
Source: Unsplash

More uncertain global outlook

Banks are important financial intermediaries in the global economy, safeguarding savings and providing credit to businesses and individuals. Global banks' NII reached a decade high at USD5.4tn in 2023 on the back of higher interest rates and is expected to grow at 4.9% CAGR from 2025 to 2028.

Global outlook has gotten considerably more uncertain, and rates' pathway is unclear. Market volatility poses considerable downside risks to growth even as upside risks to US CPI rises. We see 50 bps of cuts in 2H25 to 4% and the Fed holding steady through 2026 with risks tilted towards earlier and slightly more cuts. Banks across US, Singapore, and Hong Kong (HK) are expected to be broadly impacted by lower FY25F NII on lower benchmark interest rates even as banks manage the cost of funds to various degrees in a bid to manage NIMs. China banks continue to face downward NIM pressures due to China's loosening monetary policies.

Interest rates



Source: Bloomberg, DBS

1Q25 results mostly exceeded expectations across banks except in China. JPM, Citigroup, Wells Fargo, and BOA's 2Q24 net profit all surpassed street expectations, largely on strong trading income contributions arising from 1Q25 market volatility, while credit card net charge-offs continue to be high. Singapore banks results are largely in line with strong fee income contributions. HK banks saw strong fee income growth in 1Q25 which supported revenue and earnings growth despite downward pressure in NIMs and NII. On the other hand, China banks reported a weak 1Q25 with negative surprise mainly from NIM and retail asset quality.

Impact from "Liberation Day" remains to be seen. Heightened uncertainty around tariffs and trade policy is likely to weigh on global economic growth and domestic US economy. While the full impact remains to be seen, first order impact on Singapore and HK banks appears to be minimal for now. China banks generated most of their revenue from domestic operations. Hence, the first order impact is expected to be manageable. We will keep watch on downside risks to loan demand, fee income, and asset quality which may surface in sequential quarters, depending on tariff negotiation outcomes.

Dividend yield plays are even more attractive amid lower yielding environment. Dividend yields across Singapore, HK, and China banks continue to be in the spotlight amid a lower yielding environment, offering attractive dividend yields between 4-9%. Valuations continue to be undemanding for China, HK, and Singapore banks. Large cap HK and Singapore banks continue to push forth capital return plans to manage excessive capital which will benefit dividends. We like HSBC, CCB, and BOA for our global banks coverage.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
HSBC (5 HK)	**BUY**	HKD98.70	**Strong fee income growth.** HSBC saw strong fee income growth in 1Q25, as (i) FX-related revenue increased by USD0.3bn, or 22% y/y, with volatility driving higher volumes and demand for hedging solutions; and (ii) wealth income grew c.23% y/y to USD2.3bn. Looking ahead, we expect the strong growth momentum to continue, driven by HSBC's competitive advantage as a global bank with a wide product range. In 1Q25, HSBC added 301k new-to-bank customers and USD22bn in net new invested assets in HK, positioning it for future wealth fee income growth.	Lu Manyi
CCB (939 HK)	**BUY**	HKD7.90	**Focus more on quality of growth rather than just scale expansion.** CCB's management emphasised that the bank's strategy under the current challenging environment is not to just pursue aggressive balance sheet scale expansion, but to focus more on the quality of growth. Its loan volume growth was among the lowest compared to SOE banks in FY23 while its NIM level was the highest among the Big Four. ROE was the highest among Big Four in FY23 and 1Q24 at c.11.6%.	Lu Manyi
Bank of America (BAC US)	**BUY**	USD48.00	**Net interest income bottoms out.** 1Q25 revenue and profit beat on stronger-than-expected net interest income and trading revenue as management maintains confidence that net interest income has bottomed out, with 2H25 expected to be stronger than 1H25. We maintain a BUY rating with TP of USD48 and believe that BOA will see a more favourable growth trajectory ahead with better net interest margins ahead.	Lim Rui Wen

Source: Bloomberg, DBS
Data as at 13 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
939 HK	China Construction Bank	BUY	HKD7.90	220.9	4.8	6.5	-0.3	China	Manyi Lu
3988 HK	Bank of China	BUY	HKD5.00	215.8	5.6	11.1	1.1	China	Manyi Lu
1288 HK	Agricultural Bank of China	BUY	HKD4.60	269.0	5.9	7.5	3.7	China	Manyi Lu
3328 HK	Bank of Communications	BUY	HKD8.00	73.6	5.6	5.9	1.2	China	Manyi Lu
3968 HK	China Merchants Bank	BUY	HKD52.20	155.3	7.6	4.4	-0.4	China	Manyi Lu
998 HK	China Citic Bank 'H'	BUY	HKD6.80	55.5	4.9	8.4	1.1	China	Manyi Lu
1658 HK	PSBC	BUY	HKD5.20	71.0	5.7	5.0	-1.3	China	Manyi Lu
601939 CH	China Con.Bank 'A'	BUY	CNY10.00	220.6	7.0	4.5	1.0	China	Manyi Lu
601988 CH	Bank Of China 'A'	HOLD	CNY6.10	215.8	7.5	4.3	1.1	China	Manyi Lu
601288 CH	Agricultural Bank Of China 'A'	BUY	CNY5.60	269.0	7.2	6.2	3.6	China	Manyi Lu
601288 CH	Agricultural Bank Of China 'A'*	BUY	CNY8.30	73.6	6.5	5.2	0.9	China	Manyi Lu

Source: Bloomberg, DBS
Data as at 12 May 2025

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Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
601328 CH	Bank Of Comms.'A'	BUY	CNY8.30	73.6	6.5	5.2	0.9	China	Manyi Lu
600036 CH	China Merchants Bank 'A'	BUY	CNY51.20	155.3	7.6	4.5	-0.2	China	Manyi Lu
601998 CH	China Citic Bank 'A'	HOLD	CNY7.60	55.5	6.3	6.7	-0.5	China	Manyi Lu
601658 CH	Postal Savings Bank Of China 'A'	BUY	CNY6.10	71.0	6.4	4.3	2.5	China	Manyi Lu
000001 CH	Ping An Bank 'A'	BUY	CNY13.60	30.4	5.2	8.6	-7.4	China	Manyi Lu
601398 CH	Industrial & Coml.Bk.Of China 'A'	BUY	CNY8.10	333.6	7.2	6.2	2.1	China	Manyi Lu
11 HK	Hang Seng Bank	HOLD	HKD103.00	27.2	12.4	6.0	-6.6	Hong Kong	Manyi Lu
2388 HK	Bank of China Hong Kong	BUY	HKD34.50	44.7	8.9	5.2	2.8	Hong Kong	Manyi Lu
5 HK	HSBC	BUY	HKD98.70	202.7	8.7	5.7	5.9	Hong Kong	Manyi Lu
OCBC SP	OCBC Bank	HOLD	SGD14.40	56.5	10.1	6.2	-3.1	Singapore	Rui Wen Lim
UOB SP	UOB	HOLD	SGD32.70	45.4	9.9	5.8	1.2	Singapore	Rui Wen Lim
BMRI IJ	Bank Mandiri	BUY	IDR5,900.00	26.8	7.9	9.8	0.9	Indonesia	Rui Wen Lim
BBNI IJ	Bank Negara Indonesia	HOLD	IDR4,300.00	9.2	6.8	9.1	4.3	Indonesia	Rui Wen Lim
BBCA IJ	Bank Central Asia	BUY	IDR12,000.00	66.7	19.0	3.3	6.2	Indonesia	Rui Wen Lim
BBRI IJ	Bank Rakyat Indonesia	HOLD	IDR3,600.00	35.0	9.9	8.9	-2.7	Indonesia	Rui Wen Lim
ARTO IJ	Bank Jago Indonesia	BUY	IDR2,500.00	1.6	84.8	-	142.5	Indonesia	Rui Wen Lim
BBTN IJ	Bank Tabungan Negara	HOLD	IDR900.00	1.0	4.8	4.7	12.0	Indonesia	Rui Wen Lim
BBL TB	Bangkok Bank	BUY	THB193.00	8.1	6.1	5.4	-1.1	Thailand	Thaninee Satirareungchai
KBANK TB	Kasikorn Bank	BUY	THB191.00	11.6	7.9	5.2	1.0	Thailand	Thaninee Satirareungchai
KKP TB	Kiatnakin Phatra Bank	HOLD	THB57.00	1.1	8.0	7.8	-3.3	Thailand	Thaninee Satirareungchai
KTB TB	Krung Thai Bank	BUY	THB25.50	9.5	7.3	6.1	0.1	Thailand	Thaninee Satirareungchai
SCB TB	SCB X PCL	HOLD	THB124.00	12.1	9.2	7.8	0.4	Thailand	Thaninee Satirareungchai
TISCO TB	Tisco Financial	HOLD	THB108.00	2.3	12.0	7.1	-5.9	Thailand	Thaninee Satirareungchai
TTB TB	Tmbthanachart Bank	BUY	THB2.22	5.5	8.9	6.1	-2.7	Thailand	Thaninee Satirareungchai
WFC US	Wells Fargo & Co	HOLD	USD65.00	243.7	13.0	2.1	6.3	United States	Rui Wen Lim
C US	Citi	HOLD	USD70.00	139.9	10.2	3.0	21.4	United States	Rui Wen Lim
BAC US	Bank of America	BUY	USD48.00	326.6	11.9	2.4	12.0	United States	Rui Wen Lim
JPM US	JPMorgan Chase & Co	HOLD	USD235.00	722.7	14.2	1.9	-7.3	United States	Rui Wen Lim

Source: Bloomberg, DBS
Data as at 12 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
GS US	Goldman Sachs	BUY	USD600.00	188.3	13.2	2.0	9.0	United States	Ken Shih
MS US	Morgan Stanley	BUY	USD135.00	203.8	14.7	2.9	7.6	United States	Ken Shih
SCHW US	Charles Schwab	BUY	USD95.00	159.5	20.0	1.2	42.0	United States	Ken Shih
IBN US	ICICI Bank	BUY	USD37.50	119.7	19.1	0.6	-	India	Rui Wen Lim
HDB US	HDFC Bank	BUY	USD79.50	185.1	20.9	0.8	-	India	Rui Wen Lim
8411 JP	Mizuho Financial	BUY	JPY4,300	64,827.9	10.6	3.4	34.8	Japan	Rui Wen Lim
8316 JP	Sumitomo Mitsui Financial	BUY	JPY4,100	94,511.4	11.2	3.3	32.7	Japan	Rui Wen Lim
8306 JP	Mitsubishi UFJ Financial	BUY	JPY2,150	157,036.1	11.6	3.3	33.4	Japan	Rui Wen Lim
INGA NA	ING Groep NV	BUY	EUR21.40	65.3	9.6	6.5	-2.2	Netherlands	Thaninee Satirareungchai
BNP FP	BNP Paribas	BUY	EUR97.00	99.2	7.9	5.8	-2.7	France	Thaninee Satirareungchai

Source: Bloomberg, DBS
Data as at 13 May 2025

Home & Personal Care

Dylan Cheang
Strategist

Cheria Widjaja
Analyst

Andy Sim
Analyst

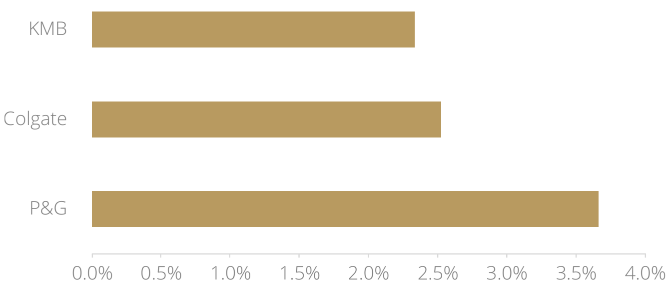
Source: Unsplash

Outlook clouded by tariff and macroeconomic headwinds

The HPC industry includes beauty and personal care as well as home and laundry care, with an estimated combined total revenue to reach over USD880bn in 2025. It is projected to grow at a CAGR of 3.6% to USD1,020bn by 2029F. US and China are the largest markets, with a market share of c.16% and c.11% respectively. A fragmented industry, the top three players - P&G, Unilever, and L'Oreal account for c.24% globally.

Slower growth and a cautious tone across US HPC names. US HPC companies reported softer performance for the quarter ending Mar 2025, with y/y net revenue declines largely driven by subdued consumer demand and foreign exchange headwinds. Organic sales growth for P&G, Colgate, and Kimberly Clark ranged from -1.6% to +1.4% y/y, supported mainly by pricing as volumes remained flat to slightly negative. Discretionary-focused players like Estee Lauder were more impacted with a 9% y/y drop in organic sales amid muted consumer sentiment. While most companies benefitted from pricing resilience, Kimberly Clark saw negative pricing growth due to its strategic shift toward value-tier products.

Potential tariff impact costs to COGS in prior period



Source: Companies, Bloomberg, DBS
Note: For P&G, estimated COGS increase (upper-end) in FY26F vs FY25F cons' COGS forecast.; for Kimberly Clark and Colgate, estimated FY25F COGS increase vs FY24.

Cautious 2025 outlook amid tariff and macroeconomic headwinds. US HPC companies have broadly revised down their 2025 guidance, citing persistent macro pressures, softer consumer demand, foreign exchange volatility, and increasing tariff-related costs. Organic sales growth targets were lowered across the board—reflecting a more cautious stance after a soft start to the year. Consequently, EPS growth was also seen undergoing downward revisions. Tariffs have become a cost burden, with estimated FY25F impacts of USD200mn for Colgate (c.2.5% of FY24 COGS) and USD300mn for Kimberly Clark (c.2.3%). The estimated impact for P&G is USD1-1.5bn before tax in its FY26F (c.2-4% of FY25F COGS), up from USD100–160mn in its 4Q25F (c.1–2% of 3Q25 COGS). The largest US tariff impacts stem from raw materials sourced from China, which companies aim to mitigate through pricing actions, alternative sourcing, and product reformulation. Despite limited topline visibility, companies are protecting margins and navigating volatility through cost savings, supply chain optimisation, and productivity efforts.

Sticking with staples amid macro and trade headwinds. We prefer companies with defensive product portfolios and diversified geographic exposure amid ongoing macroeconomic pressures. Firms focused on daily essentials tend to exhibit more stable demand than those in discretionary categories like prestige beauty. In addition, given the uncertainty from tariffs and weak US consumer sentiment, we favour firms with greater exposure to regions outside the US and China.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Procter & Gamble (PG US)	**HOLD**	USD173.00	**Near-term macro headwinds persist.** Soft consumer demand, retail volatility in key markets, and tariff-related cost pressures have led to a more cautious full-year outlook. Despite these challenges, P&G's strong brand equity and broad category exposure offer a stable foundation as conditions gradually improve.	Sachin Mittal
Colgate-Palmolive (CL US)	**HOLD**	USD95.00	**Stable fundamentals supported by core category strength.** Excluding a 4.4% FX headwind, Colgate's organic sales rose 1.4% in 1Q25, with solid growth in Europe and Latin America helping to offset softness in North America and Asia Pacific. Despite ongoing headwinds from FX, tariffs, and weaker consumer demand, the company maintains resilient fundamentals given its leadership in oral care segment. Management lowered full-year guidance for both sales and earnings, reflecting macro uncertainty and expectations of persisting slower category growth.	Cheria Widjaja
Kimberly-Clark (KMB US)	**HOLD**	USD137.00	**Margin pressure persists amid soft topline.** Organic sales declined 1.6% in 1Q25 due to strategic price adjustments and flat volume, while EPS guidance was revised lower amid tariff and geopolitical headwinds. Although productivity gains offer some offset, the combination of a lowered guidance and external headwinds is likely to keep the share price rangebound in the near term.	Cheria Widjaja
Estee Lauder (EL US)	**HOLD**	USD62.00	**Demand for prestige beauty remains tepid.** Sales are likely to be pressured by ongoing weakness in its global travel retail business and continued softness in the Asia/Pacific region. Nonetheless, the restructuring component of its Profit Recovery and Growth Plan (PRGP) is expected to restore operating margins and support sustainable sales growth.	Cheria Widjaja
Kao (4452_JP)	**BUY**	JPY7,100	**Maintaining guidance despite tariff headwinds.** Through its 4Q24 and 1Q25 results, Kao appears to have firmly turned around and is on the path to recovery. For FY25F, Kao reaffirmed its forecasts during its 1Q25 of a 2.6% y/y increase in net sales (+3.1% y/y on a like-for-like basis), reaching JPY1.67tn. All regions are expected to contribute to LFL net sales growth: Japan (+1.8% y/y), Asia (+4.5% y/y), Americas (+2.1% y/y), and Europe (+8.9% y/y).	Cheria Widjaja

Source: Bloomberg, DBS
Data as at 7 May 2025

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Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
PG US	Procter & Gamble	HOLD	USD173.00	377.2	23.8	2.5	9.4	United States	Cheria Widjaja
CL US	Colgate-Palmolive	HOLD	USD95.00	72.2	24.3	2.3	4.0	United States	Cheria Widjaja
KMB US	Kimberly-Clark	HOLD	USD137.00	45.3	19.3	3.6	-6.5	United States	Cheria Widjaja
EL US	Estee Lauder	HOLD	USD62.00	23.5	44.4	3.1	35.0	United States	Cheria Widjaja
4452 JP	Kao	BUY	JPY7,100	20,247.9	24.9	2.4	11.4	Japan	Cheria Widjaja
UNVR IJ	Unilever Indonesia	BUY	IDR2,000.00	4.1	19.8	6.6	2.4	Indonesia	Cheria Widjaja

Source: Bloomberg, DBS
Data as at 13 May 2025

Joanne Goh
Strategist

Geraldine Wong
Analyst

Derek Tan
Analyst

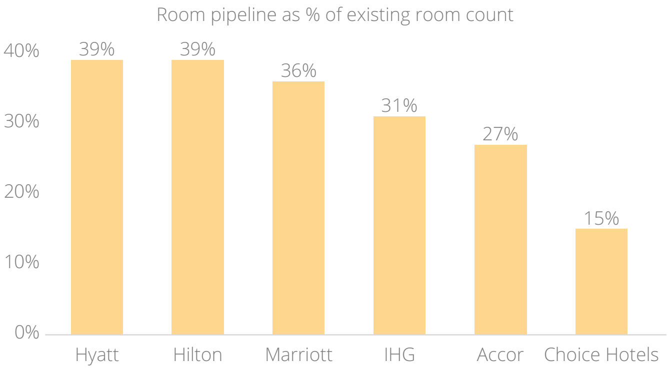
Hotels

Time to revisit fallen angels

The global hotel sector had an estimated size of USD447bn in 2024 and is projected to grow at a four-year CAGR of 3.3% p.a to reach USD510bn by 2028. A highly fragmented industry, the top four players include Marriott, Hilton, Intercontinental, and Hyatt which have a combined market capitalisation of USD150bn.

Flagging a slower month of March as macro uncertainties bite. Despite a slower March as macro uncertainties set in, both Marriott and Hilton delivered better-than-expected 1QFY25 results. Marriott reported adjusted EPS of USD2.32 (+9% y/y), while Hilton posted USD1.72 (+12% y/y), supported by resilient base- and franchise fee income. This was underpinned by solid net unit growth of 7.2% y/y for Hilton and 4.6% for Marriott.

Net unit growth to be key driver of US hoteliers' revenue



Source: Companies, DBS

RevPAR growth was front-loaded in the quarter, with both companies citing a notable slowdown in US performance in the month of March. International markets led growth in the quarter, with Marriott reporting c.10% RevPAR growth in APAC ex-China and Latin America, while Hilton saw +8.5% in Middle East & Africa hotels.

Stalling of cross border travel and corporate room demand strains full year guidance. Geopolitical tensions between the US and its neighbors are expected to dampen cross-border travel, particularly with Mexico and Canada. Tourism Economics now forecasts a 9.4% y/y decline in inbound US travel for the year, while OAG Aviation data shows a 70% y/y drop in flight bookings between Canada and the US through September. Macro uncertainties have also led to deferred corporate travel, an important demand segment, with Marriott reporting a 10% y/y drop in US government RevPAR in March. We expect softer US-Canada room demand to offset gains from international markets. Reflecting this, Hilton cut its FY25 RevPAR guidance to 0–2% (from 2–3%), and Marriott to 1.5–3.5% (from 2–4%).

Opportunity to re-enter undervalued US hotels. The recent sell-off in US stocks due to the trade war has opened a tactical window of opportunity to re-enter large US hotels chains at attractive price points. Among S-REITs, we like those with stable hotel master leases and APAC-centric exposure, which we believe will be more resilient as opposed to US hotels.

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Marriott (MAR US)	**BUY**	USD303.00	**On discount.** MAR is the largest global operator and franchisor of hotels with a total 1.6mn rooms within its system. Brand positioning is targeted within the luxury segment where MAR commands the largest market share, with a sizeable c.17% market share. Its strong membership program, Marriott Bonvoy, and competitive suite of brands have historically led to deep entrenchment among existing users, with c.61% of room bookings made through the membership program. Franchisee income is directly related to organic growth of its room portfolio, which is forecast at c.4% in 2024. Recent sell-off from trade war opens window of opportunity to re-enter at an attractive price, while guidance for full year remains sound 1.5-3.5% RevPAR growth for FY25, from 2.0% to 4.0% previously.	Geraldine Wong
Hilton (HLT US)	**BUY**	USD296.00	**Window of opportunity.** Hilton is the second largest global hotel chain, operating over 7,000 properties and 1.1mn rooms. Hilton is more geared towards corporate travel, where business travel makes up c.50% of its room demand. Hilton has c.2%/28%/33% exposure to the luxury/upper upscale/upscale segments as opposed to Marriot (10%/43%/33% respectively). These would appeal to budget conscious leisure travelers and returning corporate travel demand, in which the Global Business Travel Association is projecting a full recovery in 2024. Recent sell-off from trade war an opportunity to re-enter at an attractive price, while guidance for full year remains sound 1.5-3.5% RevPAR growth for FY25, from 2.0% to 4.0% previously.	Geraldine Wong
CapitaLand Ascott Trust (CLAS SP)	**BUY**	SGD1.15	**Room for growth.** CLAS is the largest lodging trust in APAC with a total portfolio AUM of SGD8.7bn. CLAS operates income-producing real estate across hotels, serviced apartments, and long-stay lodging assets. We see organic growth driven by occupancy normalisation primarily within APAC, which is underperforming other regions (APAC: 70% occupancy, US: 90%, Europe: 80%) and narrowing of the c.7 %pts occupancy gap of the portfolio against the pre-Covid average of 85%. Further, there is upside to master lease renewals of its assets in France due in FY24, forming c.8% of master lease gross revenue, supported by c.28% higher rates. CLAS current trades at a forward FY25F yield of 6.9%.	Geraldine Wong
CDL Hospitality Trusts (CDLHT SP)	**BUY**	SGD1.10	**Strong demand outlook.** CDLHT is one of the largest hospitality trusts listed in Asia, with an AUM of SGD3.3bn. CDLHT's portfolio is Singapore-centric, with a mixture of short stay to long stay lodging assets. CDLHT continues to be one of the best proxies to the Singapore hospitality sector, and a beneficiary to ride on record-high RevPARs in Singapore. A robust line-up of MICE and concert events means that the demand outlook remains robust. Overall, the organic growth outlook remains strong and underpins a c.10% two-year CAGR in DPU on the back of the resumption of travel demand. CDLHT trades at a forward dividend yield of 6.8%.	Geraldine Wong
Far East Hospitality Trust (FEHT SP)	**BUY**	SGD0.75	**Attractive dividends.** FEHT owns the only pure-play Singapore hospitality portfolio within the S-REITs sector, consisting of nine hotels and four serviced residences. DPU for FY23 exceeded pre-pandemic levels for the first time, with further upside primarily from FEHT's hotels segment. We see FEHT as a prime beneficiary with rooms attractively priced in the range of SGD200 per night to capture the mass market travelers, within the sweet spot for budget conscious travelers and corporate travelers. We estimate a 6.8% forward FY25F dividend yield for FEHT, which is attractive.	Geraldine Wong

Source: Bloomberg, DBS
Data as at 13 May 2025

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Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
MAR US	Marriott	BUY	USD303.00	74.5	27.0	0.9	20.6	United States	Geraldine Wong
HLT US	Hilton	BUY	USD296.00	60.0	31.8	0.2	27.9	United States	Geraldine Wong
CLAS SP	Capitaland Ascott Trust	BUY	SGD1.15	2.5	16.5	7.1	-13.2	Singapore	Geraldine Wong
CDREIT SP	CDL Hospitality Trusts	BUY	SGD1.10	0.8	23.9	3.6	187.0	Singapore	Geraldine Wong
FEHT SP	Far East Hospitality Trust	BUY	SGD0.75	0.9	16.8	7.3	42.2	Singapore	Geraldine Wong
ARAUS SP	Acrophyte Hospitality Trust	BUY	USD0.25	0.1	-	4.1	48.7	Singapore	Tabitha Foo

Source: Bloomberg, DBS
Data as at 13 May 2025

Hypermarts

Dylan Cheang
Strategist

Clement Xu
Analyst

Daryl Lim, CFA
Analyst

Mavis Hui
Analyst

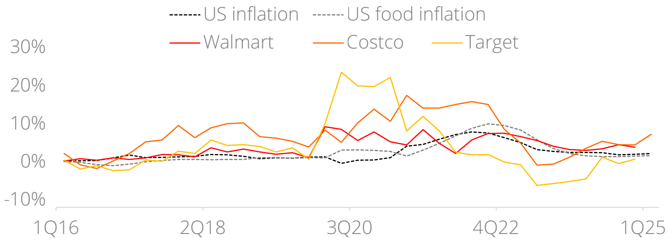
Source: Unsplash

Navigating tariffs and inflation

The grocery retail industry covers many store formats, including warehouse clubs, hypermarkets, supermarkets, and convenience stores. The industry's total revenue reached USD7.9tn globally in 2023 and is expected to grow at a CAGR of 5% to USD10.2tn by 2028.

Inflation concerns. US inflation eased to 2.4% y/y in March with food and beverage prices up 2.9% y/y. However, the impact of Trump's newly implemented 145% tariff on Chinese goods has yet to fully materialise with heightened inflationary pressure expected from May onwards. The market forecasts 2.4% y/y CPI in April and 3.2% for the full year with categories like apparel, toys, and home goods to be more significantly impacted. On the positive side, China and US have agreed to a 90-day tariff pause. Under this agreement, the US will reduce tariffs on Chinese goods to 30%, while China will cut tariffs on US goods to 10%. Nonetheless, the 30% tariff imposed on Chinese goods could continue to exert inflationary pressure throughout the year. As such, developments in China-US negotiations remain important to monitor.

Quarterly comparable sales growth of selected players vs US inflation



Source: Company data, DBS

Note: Numbers of Walmart and Costco are comparable sales growth in the US.

Grocery momentum underpins outperformance. Major players like Walmart, Costco, and Target beat market expectations in their latest quarter results. However, their managements have expressed concerns about the impact of higher tariffs and remain relatively cautious on the full year outlook. Walmart and Costco recorded strong SSSGs at 4.6% and 8% respectively. This was supported by continued traffic growth and market share gains from value-seeking middle-income households, driving 10% and 8.4% y/y growth in adjusted EPS respectively. Costco also saw a 6.8% increase in member numbers to 78.4mn. Target Corp has maintained comparable sales growth for a third consecutive quarter, underpinned by decent holiday season performance and its relative strength in discretionary items. Despite a decline, adjusted EPS also beat consensus expectation.

Prefer companies with strong grocery and private labels offerings. As inflation rises, consumers are expected to focus more on essentials and value-for-money products, thereby favouring Walmart and Costco. Their comparable sales historically correlate well with inflation (0.8 and 0.7), unlike Target's slightly negative correlation. Still, Target is strengthening private-label offerings with high penetration in categories like apparel. E-commerce also remains a growth driver. To mitigate tariff impacts, Walmart's exposure to Chinese suppliers has been reduced from 80% in 2018 to 60% in 2023 with further reductions planned. Additionally, two-thirds of its goods are made, grown, or assembled in the US. Similarly, Costco's non-food exposure to China is below 25%. Target also plans to lower its China exposure to below 25% by the end of next year.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Walmart (WMT US)	**BUY**	USD108.00	**Gaining shares from higher-income households.** Walmart's well-established supply chain continues to attract higher income households amid cautious consumer sentiment in the US, while international markets (e.g. India and China) offer strong growth potential. Rapid growth in e-commerce further supports Walmart's omni-channel expansion, providing additional revenue streams in advertising and marketplace operations.	Clement Xu
Costco (COST US)	**BUY**	USD1,195.00	**Strong membership and store expansion.** Benefits from Costco's Sep 2024 8.3% membership fee increase in US and Canada could gradually come in and support revenue growth over the next one to two years. In the meantime, global membership numbers are also expected to expand at a 5%+ CAGR over the next two years, supported by a high renewal rate exceeding 90% globally and the additional 25+ new stores each year over the medium term.	Clement Xu
Target (TGT US)	**BUY**	USD188.00	**Margin expansion ahead.** While discretionary items remain challenged, overall same-store sales could see a mild recovery as inflation eases and sales volume rebounds. Margins are also expected to improve, supported by fewer markdowns and lower freight costs. Target's beauty product line continues to stand out, supporting EBIT margin recovery towards 6%.	Clement Xu

Source: Bloomberg, DBS
As at 12 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
WMT US	Walmart	BUY	USD108.00	774.1	37.1	0.9	7.9	United States	Clement Xu
COST US	Costco	BUY	USD1,195.00	450.8	56.0	0.5	9.4	United States	Clement Xu
TGT US	Target	BUY	USD188.00	45.9	11.5	4.4	-1.3	United States	Clement Xu
DFI SP	DFI Retail	BUY	USD3.00	3.7	14.6	3.8	202.4	Singapore	Chee Zheng Feng
6808 HK	Sun Art Retail	HOLD	HKD2.10	2.4	43.1	9.7	124.7	China	Clement Xu
SSG SP	Sheng Siong	BUY	SGD2.00	2.2	18.9	3.4	8.2	China	Chee Zheng Feng

Source: Bloomberg, DBS
Data as at 13 May 2025

Critical Juncture

Mounting downside risks weigh on the economic outlook and scaling back on international cooperation undermines progress towards a resilient global economy.

At this critical juncture, working constructively towards a stable trade environment, while addressing domestic policy gaps and structural imbalances, would be prudent.

Benjamin Goh
Analyst

Mavis Hui
Analyst

Luxury

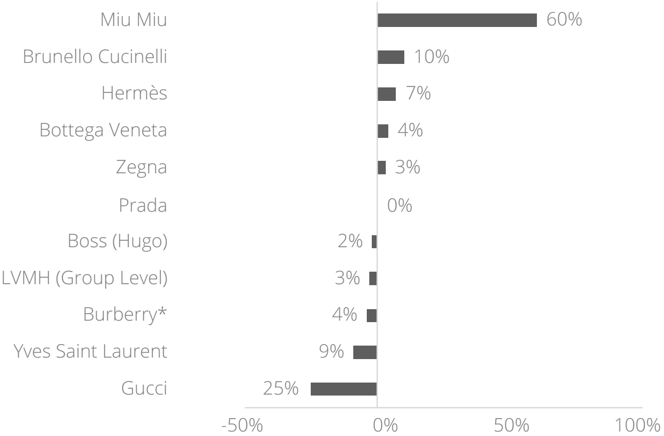
Source: Unsplash

A mixed outlook

The global luxury industry continues to serve as a symbol of status and taste. According to Bain & Company, the industry's market size reached EUR363bn in 2024 and is projected to grow at mid-single-digit CAGR over the next five years to attain nearly EUR500bn by 2030. LVMH remains the top player, accounting for c.20% of the industry.

Emerging headwinds: A manufacturing scandal. The global luxury industry is currently contending with a reputational challenge as some Chinese factories have leveraged TikTok to reach consumers directly, promoting "factory-direct prices" and "luxury dupes." Allegations have also surfaced against certain brands, suggesting that their luxury products—though marketed as handcrafted in Europe— are actually made in China. The scandal is prompting luxury groups to adopt greater transparency measures (including blockchain-based traceability) to restore consumer confidence and defend brand authenticity in an increasingly discerning marketplace.

Organic retail sales growth by brands in 1Q25 (% y/y)



Source: Companies, DBS
*Burberry sales data for Oct-Dec 2024, i.e. 3Q FY25

Mixed 1Q25 performance. 1Q25 results across major luxury groups have been mixed, reflecting macroeconomic volatility and uneven consumer demand. LVMH reported 3% y/y revenue decline (EUR20.3bn) on a constant currency basis with its core fashion & leather goods segment down by 5%, impacted by soft demand in US and China. Kering experienced a sharper 14% revenue contraction, dragged by a 25% plunge at Gucci and a 9% decline at Yves Saint Laurent, only partially offset by Bottega Veneta's modest 4% growth. Hugo Boss posted a 2% decline, in line with broader industry trends. In contrast, Hermès outperformed once again, recording 7% growth (+9% on reported basis), supported by broad-based regional strength. Prada saw retail revenues rise 13%, driven by standout performance from Miu Miu which surged 60% y/y.

Cautious optimism. Despite geopolitical tensions, tariff risks, and subdued consumer sentiment, the luxury sector remains cautiously optimistic for 2025. Resilient iconic brands are expected to support stable performance. Luxury groups have also enhanced direct retail efforts further to preserve pricing power and profitability.

While the recent manufacturing scandal has underscored the critical need for authenticity and ethical practices, the luxury market's long-term outlook remains intact, underpinned by strong brand heritage and adaptive customer engagement strategies. Bain & Company estimates a flattish to 4% growth in global personal luxury demand for 2025, given recent volatile macro conditions while a gradual improvement could be expected ahead, particularly for China's take-back of its momentum.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
LVMH (MC FP)	**HOLD**	EUR876.55	**Leader with the most diversified portfolio.** LVMH is known for its global presence, strong brand equity, robust supply chain, innovation, and distribution capabilities. Its vastly diversified portfolio helps mitigate regional risks while its commitment to sustainability enhances competitive advantage. LVMH's organic sales dropped 3% y/y to EUR20.3bn in 1Q25, posting a 5% decline in its core fashion & leather goods division due to weaker demand in key markets like the US and China and rising geopolitical uncertainties. While near-term challenges could soften impending performance of the company, we remain confident on LVMH's medium-term growth prospects.	Mavis Hui
Prada (1913 HK)	**BUY**	HKD79.29	**Confidence to sustain market outperformance.** Prada saw a strong 1Q25 with revenues up 12.5% y/y driven by 13% growth in retail sales that included flattish sales for the Prada brand, a remarkable 60% growth for Miu Miu, and 2% growth for Church's. Prada continues to outperform major peers YTD, benefitting from its diversified geographic footprint and minimal sourcing exposure in Asia. Management continues to target at above-market growth and expects a meaningful enhancement in operating leverage over the medium-term. Its recent acquisition of Versace for EUR1.25bn (completed by 2H25) could enrich its portfolio further by unlocking Versace's growth potential through Prada's operational expertise.	Mavis Hui
Hermès (RMS FP)	**BUY**	EUR2,950.00	**Sound resilience.** Hermès is known for its exceptional craftsmanship, premium materials, and timeless designs while its limited production creates exclusivity and desirability. Hermès has cultivated strong customer loyalty through consistent quality, diverse product offerings, and a focus on customer satisfaction. It reported 9% y/y increase in 1Q25 revenue (or +7% at constant exchange rates) with all of its geographical regions showing growth. Sales of core divisions, including leather goods & saddlery, ready-to-wear & accessories, and silk & textiles are up 10%, 7.2%, and 4.5% respectively. The company's commitment to quality and creativity has led to its continual investment into production and now sees a positive outlook.	Mavis Hui
Kering (KER FP)	**HOLD**	EUR164.00	**Strategic repositioning could see a gradual recovery.** Kering faced a difficult start to 2025 amid challenging macroeconomic conditions and a soft demand in key markets, leading to a 14% y/y fall in 1Q25 revenue to EUR3.9bn with most regions registering double-digit declines. Its closure of 25 stores during the quarter also reduced the total number of directly operated stores to 1,788. Gucci, its flagship brand, recorded a 25% sales drop that included a 33% fall in the wholesale division. Yves Saint Laurent revenue also declined 9%, while Bottega Veneta grew 4%. The group's efforts to rationalise its store network, enhance brand exclusivity, and optimise its cost structure could eventually bring Kering back to growth. While short-term challenges persist, there is hope for a gradual revival.	Mavis Hui

Source: Companies, DBS

Table 2: DBS Coverage at a Glance

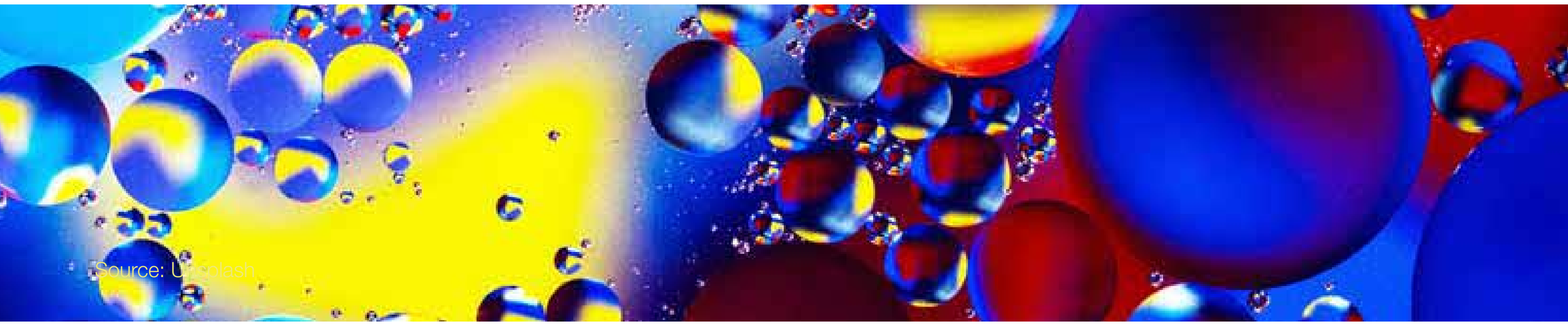
Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
RMS FP	Hermès	BUY	EUR2,950.00	297.6	56.1	1.0	3.1	France	Mavis Hui
KER FP	Kering	HOLD	EUR249.00	25.8	25.3	3.2	-19.4	France	Mavis Hui
MC FP	LVMH	BUY	EUR876.55	294.5	22.3	2.5	-5.2	France	Mavis Hui
1913.HK	Prada	BUY	HKD79.29	16.9	16.4	2.8	10.4	Hong Kong	Mavis Hui

Source: Bloomberg, DBS
Data as at 13 May 2025

Oil & Gas

Goh Jun Yong
Strategist

Suvro Sarkar
Analyst

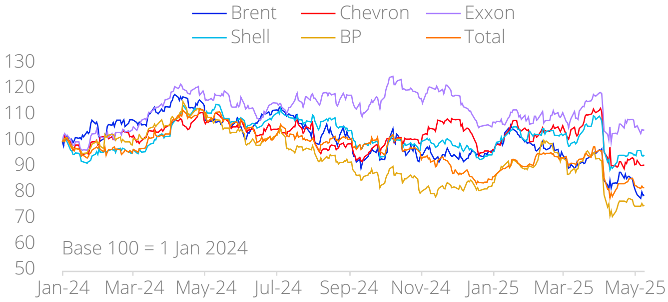


Banking on cash flow resilience

Global oil majors or "big oil" refers to the world's seven largest non-state owned integrated oil & gas producers, which are publicly traded on US and European exchanges. Together, they account for c.10% of global oil production of c.102mn barrels per day in a highly fragmented industry and exert considerable influence on the global oil & gas markets.

Oil price outlook has dimmed considerably, but 2H could be better. Brent crude oil prices have moderated to USD60-65/bbl levels since the start of Trump's tariff wars in Apr 2025. Given that US and China have an outsized influence on global oil demand, the ongoing trade wars will likely have some negative impact on demand outlook, as we saw back in 2018-2019. While the 90-day tariff pause has provided some relief to markets, volatility is expected to return if trade deals do not go through as expected. In addition, oil prices have been dragged down by uncharacteristic OPEC+ response of accelerating their output hike plans amid what is clearly not the best demand conditions, probably signalling a mini price war being waged by Saudi Arabia to penalise serial overproducers within OPEC+ (Iraq and Kazakhstan) to regain market share. Our estimates for Brent crude oil price are already conservative (USD61/bbl average in 2Q25), hence we are hesitant to lower our estimates. Our forecasts for 2H25 include some recovery to USD65-70/bbl levels in a base case scenario of tariff wars dying down and demand sentiment improving.

ExxonMobil, Shell, and Chevron have held up better than their peers



Source: Bloomberg, DBS

Oil majors' 1Q results were upbeat, while cash flow resilience is highlighted. Oil majors mostly reported steady results in 1Q25, with Shell demonstrating a significant beat, and BP missing expectations. Despite the uncertain macro environment, we did not see major cuts to share buyback policies as had been feared, with only Chevron and BP signalling some moderation. Capex estimates and production growth estimates for 2025 were also mostly maintained, signalling confidence in their integrated business models. Shareholder returns continue to be a priority for oil majors, and they will retain flexibility in their capex plans to prioritise distributions if the oil and gas price environment weakens further.

What's next for oil prices and share prices? If there is no rerun of "Liberation Day" as we expect in our base case scenario, we anticipate that demand-side sentiment could pick up, leading to some recovery in oil prices in 2H25 despite the front-loading of barrels by OPEC+. Share prices of oil majors have started to stabilise of late and we see a gradual bottoming of sentiment in the next couple of months. So, most of the oil major names under our coverage offer good long-term value at current levels, as long as we are prepared to ride out the intermittent volatility. The average dividend yield is between 4-7%, and combined with share buyback potential, total implied shareholder returns could exceed 10% at current levels, providing support to share prices.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
ExxonMobil (XOM US)	**BUY**	USD128.00	**No compromise on production growth.** XOM continued strong execution in recent 1Q25 results, with earnings supported by higher margin upstream volumes and structural cost savings. XOM remains committed to its USD20bn annual share buyback programme through 2026, despite prevailing market uncertainties. Given strong volume growth and a healthy returns profile, we believe the stock should remain resilient amid any potential market volatility in the near term.	Suvro Sarkar
Chevron (CVX US)	**BUY**	USD160.00	**More excitement anticipated in 2025.** Chevron expects a production growth of 6-8% and is looking to close the Hess acquisition by 3Q25. The Kazakhstan ramp-up will drive significant cash flow accretion over 2025/26. Chevron's share price has underperformed its peers in the recent past due to execution issues but given the organic and inorganic volume growth expected in 2025, sentiment for the stock is expected to improve and lead to a potential re-rating.	Suvro Sarkar
TotalEnergies (TTE FP)	**BUY**	EUR58.00	**Multi-energy strategy for sustainable growth.** Despite leading the pack in energy transition capex, we are still looking at hydrocarbon growth in the near term, of c.3% to 2030, backed by its position as the second-largest private player in the LNG market globally. Dividend yield is healthy at over 6% as management remains committed to shareholder returns of more than 40% of Operating Cash Flows. In 1Q25, TotalEnergies has decided to continue buybacks at an unchanged pace of USD2bn per quarter, which should support the share price.	Suvro Sarkar
Shell (SHEL LN)	**BUY**	GBP30.00	**New strategic direction sharpens focus on boosting returns with upstream and LNG.** In a bid to regain investor confidence amid a period of high energy prices, Shell has scrapped its earlier plans to cut oil output by 20% by 2030 and has pivoted to focus on growing its natural gas business given its status as the world's largest LNG player and trader. Capital allocation priorities remain focused on shareholder returns, while inorganic growth opportunities are also being considered, provided they meet the stringent financial criteria. Talks of a potential bid for smaller European rival BP are getting louder.	Suvro Sarkar
BP (BP LN)	**HOLD**	GBP3.70	**How will the strategy reset evolve?** A sharp pivot away from low-carbon growth and a focus on hydrocarbons is expected to eventually lead to a valuation rebound, but the devil lies in the details of the execution of this strategy. In the near term, current market uncertainties will make it more difficult for management to show results from the significant change in direction announced recently, limiting upside potential for the stock. Moreover, BP has a higher debt on its balance sheet compared to its peers, and hence, the pace of share buybacks has been reduced.	Suvro Sarkar

Source: Bloomberg, DBS
Data as at 8 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
XOM US	Exxonmobil	BUY	USD128.00	470.4	16.4	3.6	-15.1	United States	Suvro Sarkar
CVX US	Chevron	BUY	USD160.00	247.3	16.9	4.7	-14.1	United States	Suvro Sarkar
COP US	Conocophillips	BUY	USD118.00	116.5	13.8	3.4	-14.6	United States	Suvro Sarkar
SHEL LN	Shell	BUY	GBP30.00	196.0	10.3	4.4	25.6	United Kingdom	Suvro Sarkar
BP/ LN	BP	HOLD	GBP3.70	80.0	11.2	6.4	1,778.2	United Kingdom	Suvro Sarkar
TTE FP	TotalEnergies	BUY	EUR58.00	133.7	8.2	6.0	2.3	France	Suvro Sarkar
ENI IM	Eni	HOLD	EUR13.20	46.3	8.9	7.4	88.4	Italy	Suvro Sarkar

Source: Bloomberg, DBS
Data as at 13 May 2025

Yeang Cheng Ling
CIO, North Asia

Sachin Mittal
Analyst

Amanda Tan
Analyst

Online Travel

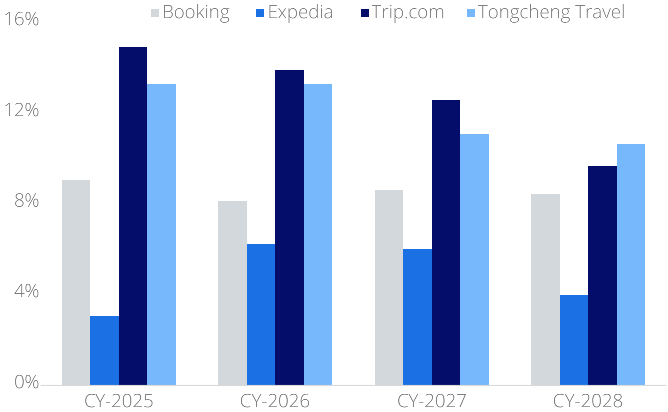
Source: Unsplash

Asia and Europe take the lead

The global online travel industry is experiencing a constant increase in travel bookings, such as accommodation and flights. In 2024, it reached a size of USD900bn. It is projected to grow at a CAGR of 6.2% and reach USD1,190bn by 2029[1]. Travel markets are currently led by the US, followed by China and Germany with the top three players, Booking.com, Expedia, and Airbnb, accounting for c.40% of market share.

Online travel agencies are poised to benefit from a confluence of structural tailwinds that continue to reshape the global travel ecosystem. The accelerating pace of digitalisation has empowered consumers to bypass traditional brick-and-mortar travel agencies in favour of app-based platforms which offer better convenience and personalisation. At the same time, rising disposable incomes, particularly in emerging Asia, are fuelling travel demand. As such, consumers increasingly favour customised, DIY itineraries over bundled tours—a shift that plays directly to the strengths of OTAs. Against this backdrop, the global online travel market is projected to expand at CAGR of 5.9% between 2023 and 2028, mainly led by Asia and Europe at 12.8% and 8.1% respectively.

OTAs with higher exposure to APAC/Europe set to outperform on topline growth



Source: Visible Alpha, DBS

1Q25 was generally resilient but uncertainties in the macro-outlook pose near-term risks. The withdrawal of forward guidance by several major airlines underscores growing macroeconomic uncertainty, driven by trade tensions and inflationary pressures. On the other hand, online travel companies are balancing optimism with caution by either reaffirming the high end of prior guidance (with widened ranges to reflect macro uncertainty) or revising revenue outlooks downward. While the second-order effects of tariffs remain uncertain, we believe the risks are skewed to the downside with implications for travel sentiment. The drawbacks could appear in the form of softer room night demand or increased pricing pressure.

OTAs with greater exposure to APAC and Europe are better positioned, benefitting from stronger regional travel demand relative to the softer US market. APAC continues to lead with stronger growth, driven by structural recovery trends and a surge in intra-regional travel, especially within large domestic markets. Europe is also showing resilience with steady demand and booking momentum outpacing that of the softening US market. This regional divergence will benefit OTAs with broad international reach and lower dependence on the US travel sector. For travel platforms with larger exposure to China's domestic travel, potential government subsidies could provide a significant boost to demand across transportation, lodging, and attractions in lower-tier cities where affordability plays a critical role in booking decisions.

[1] Research and Markets

Table 1:

Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Trip.com (9961HK)	**BUY**	HKD646.00	**Bright outlook of its overseas business, though expansion poses a short-term margin drag.** We expect Trip.com's margin to gradually improve to 32% in FY27F (from 31% in FY25F), supported by margin expansion in its domestic and outbound businesses due to AI-driven cost reductions at its call centres and stabilising hotel average daily rates. We also expect the contribution margin of its overseas platform to improve gradually with the Hong Kong market already achieving positive net margin and other key Southeast Asia markets like Singapore and Malaysia to follow suit. We now forecast FY25/26/27F non-GAAP net profit growth of 7%/15%/17% respectively. Trip.com is trading at c.17x 12M forward adjusted P/E, below its historical 5Y average of c.19x.	Andy Yu
Tongcheng Travel (780 HK)	**BUY**	HKD26.00	**Higher profit visibility.** Tongcheng Travel is the second largest online hotel and transportation booking platform in China with c.87% of its users from lower tier cities. We expect core OTA revenue to grow 19% y/y in FY25F (outpacing industry growth), driven by rising travel spending in lower tier cities where online travel penetration stands at c.25% vs c.45% in Tier 1 to 2 cities. We forecast FY25/26/27F adjusted earnings to grow by 20%/22%/14% y/y respectively, translating into margins of 17%/18%/18%. BUY on Tongcheng Travel's higher-than-peer's growth and improved earnings visibility. Tongcheng Travel is trading at c.13x 12M forward adjusted P/E, below its historical 5Y average of c.17x.	Andy Yu
Booking (BKNG US)	**HOLD**	USD4,800.00	**Market leader in a fast-growing online travel industry.** Booking has consistently booked in higher revenues and margins, above peers. We believe that the company's geographical exposure (i.e. >50% in Europe, 25% in Asia, and low double digits in US in terms of room nights) makes it relatively well-positioned to ride out the current travel dynamics (with Europe growth outpacing the US). However, the upside is capped as the travel recovery story has largely run its course. Macro uncertainty has also crept in, which led to wider full-year earnings guidance (low-to-mid teens growth) to reflect caution over macro and geopolitical risks. Booking is trading at a forward EV/EBITDA of 17.4x which is close to the historical mean.	Amanda Tan
Expedia (EXPE US)	**HOLD**	USD160.00	**One of the largest OTAs but still eclipsed by Booking.** Expedia mainly operates in the US, where large hotel chains are predominant, resulting in lower bargaining power to charge higher commission rates. Compared to Booking, Expedia has higher exposure to the US travel market, leaving it less well-positioned amid the current geographic shift in travel demand as the US is experiencing the slowest growth globally. Expedia is trading at a forward EV/EBITDA of 7.5x which is -0.6 SD of the historical mean.	Amanda Tan

Source: Companies, Bloomberg, Visible Alpha, DBS
Data as at May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
9961HK	Trip.com	BUY	HKD646.00	42.8	18.2	0.4	-0.7	Hong Kong	Andy Yu
780 HK	Tongcheng Travel	BUY	HKD26.00	6.3	14.4	0.7	54.8	Hong Kong	Andy Yu
BKNG US	Booking	HOLD	USD4,800.00	169.0	24.3	0.7	22.3	United States	Amanda Tan
EXPE US	Expedia	HOLD	USD160.00	21.3	11.9	0.2	49.6	United States	Amanda Tan

Source: Bloomberg, DBS
Data as at 13 May 2025

Payment Platforms

Yeang Cheng Ling
CIO, North Asia

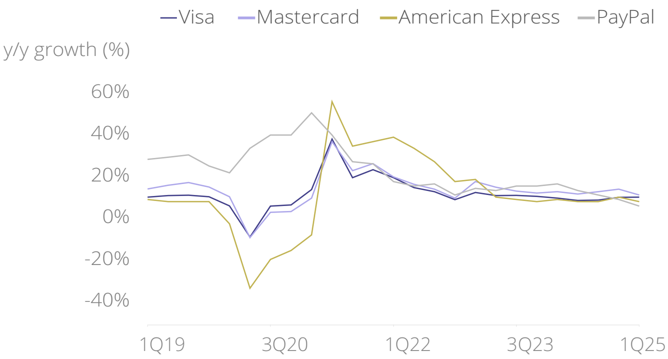
Iris Gao
Analyst

Managing risk through diversification

The global payment industry encompasses a variety of players, including payment networks, issuers, acquirers, processors, and service providers. Industry revenue is expected to reach USD1.9tn by 2025, growing at a robust CAGR of 6.2% to hit USD2.2tn by 2027. Within this landscape, the payment network segment remains highly concentrated, with Visa, UnionPay, and Mastercard commanding global market shares of 39%, 33%, and 20% respectively. At the same time, emerging segments such as BNPL are experiencing rapid expansion, reshaping the industry's dynamics.

The outlook for payment players remains positive. Despite ongoing economic uncertainty and tariff concerns, we remain optimistic on the 2025 outlook for payment players, supported by relatively resilient US domestic consumer spending, particularly among higher-income households. Revenue growth is expected to be driven by strong payment volumes and accelerating cross-border activity, buoyed by both international travel and non-travel categories. While some industry players expressed a more cautious tone in late April, we believe that companies with diversified product lines and customer bases – especially those with larger international exposure and value-added services – are better positioned to outperform their peers, driven by projected y/y revenue growth in the low teens, as compared with single-digit growth for those with a more concentrated business mix.

Global payment players payment volume y/y growth (foreign exchange neutral)



Source: Companies, DBS

1Q25 results were mixed, reflecting varied growth trends. Supported by strong transaction volumes and solid US consumer spending, global players like Visa, Mastercard, and American Express recorded 8-17% revenue growth in 1Q25. Operating leverage was largely stable in 1Q25, backed by cost-saving initiatives. As a result, all three recorded resilient adjusted EPS growth of 9-13% y/y. Meanwhile, PayPal, which is shifting its focus to more profitable segments and scaling back on low-ROE businesses, reported encouraging adjusted EPS growth, rising 23% y/y on improved operating margins.

Prefer global names with diversified revenue streams. Global leaders with diversified product portfolios are well-positioned thanks to robust US consumer spending, rising international transactions, growing travel activity, and expansions in value-added services.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Visa (V US)	**BUY**	USD400.00	**Payment network leader with the largest scale.** Visa is well-positioned to capture the secular growth in the global payment industry, holding the largest market share at 39% of the payment network market. Visa's revenue and EPS are expected to grow by 10%/13% CAGR during FY25-27F, respectively, driven by (i) accelerating growth in gross payment volume, (ii) double-digit y/y revenue growth in value-added services, and (iii) well-controlled SG&A expenses.	Iris Gao
Mastercard (MA US)	**BUY**	USD650.00	**Faster growth led by a higher mix from value-added services.** Mastercard ranks third in the payment network market, with a market share of 20%. We expect Mastercard's revenue and EPS to grow at 12%/17% CAGR during FY25-27F, outpacing Visa, due to (i) Mastercard's higher international payment volume mix and (ii) higher value-added service mix, justifying its valuation premium of 15% over Visa based on its price to earnings ratio.	Iris Gao
American Express (AXP US)	**HOLD**	USD280.00	**Leading player in the high-end credit card market.** AXP has cultivated a unique advantage by connecting with affluent consumers and SMEs, differentiating itself through brand strength, excellent service, and a lucrative membership reward system. With robust growth in billed business volume, number of cards in force, card member loan balance, AXP is expected to achieve its long-term target of 10%+ growth in revenue and mid-teens EPS growth. We remain cautious given macroeconomic uncertainties that may affect AXP's growth resilience.	Iris Gao
PayPal (PYPL US)	**HOLD**	USD75.00	**Dominant player in e-commerce payments but facing growing competition.** PYPL is well-positioned to benefit from secular trends towards digital payments and e-commerce. While new payment and credit rails such as digital wallets and BNPL offerings are challenging PYPL's dominance, PYPL's retains a competitive edge due to high barriers to scale. Its ongoing strategy to trim low-ROE businesses may weigh on short-term revenue and earnings growth.	Iris Gao

Source: DBS
Data as at 9 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
V US	Visa	BUY	USD400.00	708.1	31.5	0.6	-7.1	United States	Iris Gao
MA US	Mastercard	BUY	USD650.00	525.1	36.3	0.5	14.6	United States	Iris Gao
AXP US	American Express	HOLD	USD280.00	209.4	19.7	1.0	8.2	United States	Iris Gao
PYPL US	PayPal	HOLD	USD75.00	70.3	14.2	-	26.0	United States	Iris Gao

Source: Bloomberg, DBS
Data as at 13 May 2025

Pharmaceuticals

Goh Jun Yong
Strategist

Nico Chen
Analyst

Mark Kong
Analyst

Source: Unsplash

M&A activities rebounding

The pharmaceutical industry includes chemical drugs and biological drugs. It was valued at USD1.7tn globally in 2023, with industry sales projected to slow down from 5.3% growth in 2019-2023 to 2-5% in 2024-2028. The US and China comprise 27% and 10% of the global market respectively. Presently, the market is highly fragmented, with the top two players, Eli Lilly and Novo Nordisk, driven by their respective weight-loss drugs.

Global growth to decelerate despite M&A activities rebounding. Globally, over 20 blockbuster drugs with annual sales exceeding USD1bn each are estimated to see patent expiry by 2030, with the cumulative sales loss expected to exceed USD100bn. Generally, upon patent expiry, drugs often experience a rapid market share decline due to the rise of cheaper generics and an overall slowdown in industry growth. Of the 13 companies that make up 55% of the global pharmaceutical industry's market cap, eight of them face patent expiry by 2026 that threaten 30% of their US sales. In turn, companies have turned to M&As to bolster their pipelines. M&A deal values are expected to reach USD50bn in 2025, with large deals by Johnson & Johnson, Merck, and AstraZeneca.

1Q25 results were a mixed bag, with 2025 expectations managed downwards. Drug makers that displayed innovation – such as Eli Lilly and Novartis – saw their 1Q25 earnings exceed expectations. However, Eli Lilly lowered its FY25F guidance due to losses on investments and in-process R&D, leading to a decline in investor sentiment. In addition, the Trump administration has been hinting at a 25-50% tariff on imported pharmaceuticals to incentivise companies to relocate manufacturing operations to the US. Some drug companies such as Pfizer expressed concerns that tariffs may hinder their domestic investment plans, with many expecting over USD100mn in costs from Trump's existing tariffs.

We favour innovative drug makers and contract drug makers. Innovative drug makers are less likely to be affected by tariffs as their drugs are not easily replaceable and usually used in cancer treatments. Hence, price increases and delays in administration may be detrimental. Contract drug makers are winners, seeing strong tailwinds from (i) tariffs, leading to companies finding alternate manufacturing sites for their drugs to mitigate such additional costs and (ii) the Biosecure Act, which restricts US drug makers from dealing with certain Chinese contract drug makers, leading to US drug makers seeking alternative manufacturing sites.

Major pharmaceutical mergers and acquisitions in 2025

Acquirer	Target	Deal Value (USDbn)	Therapeutic Focus
Johnson & Johnson	Intra-Cellular Therapies	14.6	Neuroscience
Merck	SpringWorks Therapeutics	3.9	Rare cancers
AstraZeneca	EsoBiotec (Belgium)	1.0 (expected)	In-vivo CAR-T cell therapies
Novartis	Regulus Therapeutics	1.7 (expected)	Kidney disease treatments
GSK	IDRx	1.0 (expected)	Precision oncology

Source: Companies, DBS

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Eli Lilly (LLY US)	**BUY**	USD1,010.00	**Market leader with diverse pipeline.** Eli Lilly is the largest global pharmaceutical company by market capitalisation and has a diverse pipeline consisting of drugs for the treatment of diabetes, cancer, Alzheimer's, and other diseases. Diabetes drugs make up >50% of its revenue; 64% and 15% of its revenue comes from the US and Europe, respectively. Eli Lilly experienced robust growth from 2021 to 2024 with a revenue CAGR of 16.7%, and its net profit margins have been north of 15% over the past five years.	Nico Chen
Merck (MRK US)	**BUY**	USD100.00	**Cancer giant with accelerating earnings outlook.** Merck is the seventh largest global pharmaceutical company by market capitalisation. It is an oncology leader, driven by the success of its blockbuster drug Keytruda. Its pipeline consists of drugs for the treatment of cancer and cardiovascular diseases. 47% and 22% of its revenue comes from the US and EMEA, respectively. Merck experienced a strong revenue CAGR of 9.6% from 2021 to 2024.	Nico Chen
Pfizer (PFE US)	**BUY**	USD30.00	**Global vaccine leader ventures into weight-loss potential.** Pfizer is an American-based pharmaceutical company well-known for its vaccine franchise due to Covid-19. Its pipeline consists of vaccines and cancer drugs. The company operates in four segments by FY24 revenue: (i) Primary care (47%), (ii) specialty care (26%), (iii) oncology (24%), and (iv) CDMO (2%). The company generates 61% of sales from the US.	Nico Chen
Lonza (LONN SW)	**BUY**	CHF710.00	**Leading biologics company contracts drug service provider.** Lonza is a Switzerland-based holding company offering the development and manufacturing of biological drugs and active pharmaceutical ingredients. The company operates in four segments by FY24 revenue: (i) Biologics (c.56%), (ii) small molecules (c.15%), (iii) cell & gene (c.10%), and (iv) capsules & health Ingredients (c.16%).	Nico Chen
Johnson & Johnson (JNJ US)	**HOLD**	USD160.00	**At a crossroad: Pipeline promises and patent cliff pressure.** Johnson & Johnson is a diversified healthcare products company. The company is engaged in the research and development, manufacturing, and marketing of a range of products in the healthcare field. It has two segments: Pharmaceutical (c.64% of FY24 sales) and MedTech (c.36%). Johnson & Johnson's largest market is the US (c.57% of FY24 sales).	Nico Chen

Source: DBS
Data as at 8 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
LLY US	Eli Lilly	BUY	USD1,010.00	716.1	34.7	0.7	85.0	United States	Nico Chen
JNJ US	Johnson & Johnson	HOLD	USD160.00	370.9	14.5	3.2	81.7	United States	Nico Chen
ABBV US	AbbVie	HOLD	USD183.00	335.7	15.6	3.4	408.2	United States	Nico Chen
NOVOB DC	Novo Nordisk	SELL	DKK330.00	293.3	16.5	2.6	18.0	Denmark	Nico Chen
MRK US	Merck	BUY	USD100.00	202.0	9.0	3.9	32.0	United States	Nico Chen
AMGN US	Amgen	BUY	USD365.00	147.7	13.2	3.3	173.0	United States	Nico Chen
PFE US	Pfizer	BUY	USD30.00	131.3	7.7	7.4	111.5	United States	Nico Chen
SNY US	Sanofi	BUY	USD64.00	125.4	11.4	3.6	-	France	Nico Chen
VRTX US	Vertex Pharmaceuticals	BUY	USD600.00	112.8	24.7	-	956.4	United States	Nico Chen
GILD US	Gilead Sciences	BUY	USD125.00	129.1	13.0	3.0	1,998.9	United States	Nico Chen
REGN US	Regeneron	BUY	USD700.00	62.1	16.4	0.2	-14.2	United States	Nico Chen
MRNA US	Moderna	HOLD	USD25.00	9.9	-	-	-8.5	United States	Nico Chen
LONN SW	Lonza	BUY	CHF710.00	49.3	35.4	0.3	82.2	Switzerland	Nico Chen

Source: Bloomberg, DBS
Data as at 13 May 2025

Tech Reigns

Robust AI investments from Big Tech and Middle East underscore the strategic importance of AI infrastructure.

This reinforces the long runway of opportunities for semiconductor and tech supply chains worldwide.

Dylan Cheang
Strategist

Alison Fok
Analyst

Mavis Hui
Analyst

Restaurants

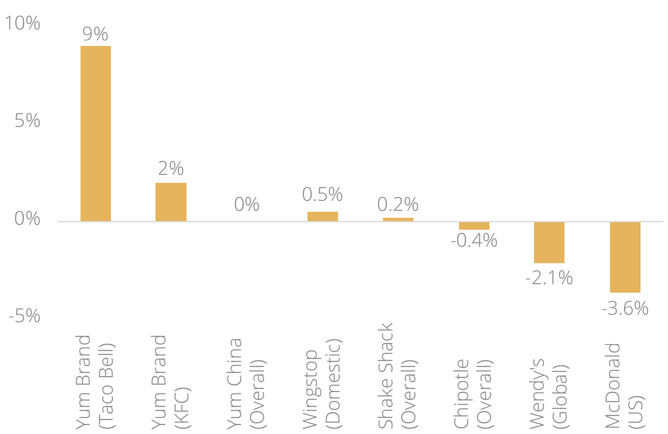
Source: Unsplash

AI and value meals – A recipe for success

The restaurant industry, including full-service restaurants, limited-service restaurants, QSRs, street stalls/kiosks, and cafes/bars, generated a revenue of USD3.5tn globally in 2024 with a CAGR of 6% to USD4.43tn projected by 2028F. In the US, QSRs comprise approximately 48% of foodservice outlets, followed by full-service at 32.9%, led by McDonald's, Starbucks, Subway, and Yum! Brands.

Restaurant spending slows. Amid economic uncertainty in the US, consumer spending is expected to soften in 2025 according to McKinsey's Consumer Survey. Food-related spending is expected to decrease (compared to 2024) with transaction volume declining further into 2025 as food prices rise. Consumers, having already allocated more of their budgets to food, have less room to splurge. Overall food prices are forecast to rise by 3.5% y/y with food-at-home prices increasing by 3.2% y/y and food-away-from-home prices increasing by 3.8% y/y.

Latest quarterly (1Q25) comparable sales change



Source: Companies, DBS

1Q25 reports slimmer comparable sales. Leaders within the category have noted the weaker-than-expected spending extending from low-income consumers to middle-income consumers, implying economic pressure is spreading across consumer groups. In 1Q25, McDonald's recorded a 3.6% decline in comparable sales, similar to Shake Shack, with same-store sales increasing only by 0.2% and Chipotle at -0.4%. Meanwhile, Yum! Brands recorded same-store sales growth in KFC (+2%) and Taco Bell (+9%). Menu refinement featuring chicken appears favourable with value meal deals remaining key in driving store traffic. In addition, net unit growth is offsetting slower US spending. Investments in digitalisation and AI are focused on streamlining drive-through and kiosk-ordering to mitigate rising labour costs. Despite misses in estimates, guidance remains unchanged for the time being. Similarly, Starbucks' withdrawal of guidance from last October remains unchanged.

Prefer diversified regional fast-food plays. Despite weaker-than-expected comparable sales, dragged by lower pricing, we favour Asian fast-food chains with diversified geographic exposure and store expansion to deliver growth across non-US regions, supported by attractive valuations at 17x forward P/E multiples. We expect US global restaurant chains to post net unit growth to offset lower comparable sales, which is already priced in, with valuation multiples of 23-25 forward P/E multiples.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
McDonald's (MCD US)	**BUY**	USD335.00	**Billion-dollar menu items.** McDonald's operates and franchises McDonald's restaurants which serve locally relevant menus of food and beverages. The company aims to increase its active loyalty user base by 66% to 250mn 90-day active members by 2027 and drive greater mobile orders to its top six markets by 2025. McDonald's also targets to have 30% of delivery orders originate from its mobile app by 2027. It hopes to improve the physical layouts and drive better speed and efficiency in each lot. Lastly, McDonald's targets to deliver a net unit growth of 4-5% p.a. between 2023-27 to attain a total of 50,000 stores worldwide by 2027 with a run rate of roughly 1,000 gross openings across US and International Operated Markets by 2027. Despite short term softness, we stay positive on the group's medium prospects.	Alison Fok
Yum! Brands (YUM US)	**HOLD**	USD152.00	**Stable growth with eyes on digitalisation.** Yum! Brands aims to deliver 5% global unit growth, 7% global system sales growth, and core operating profit growth of at least 8% in the long term. Digital sales have exceeded USD9bn, accounting for >50% of sales with an ambition to reach 100%. Despite growing headwinds in the market, Yum! Brands has strategically enabled growth in emerging brands (Taco Bell) and non-US markets, driving system sales growth y/y.	Alison Fok
Starbucks (SBUX US)	**HOLD**	USD78.00	**Uncertainty in core markets.** Starbucks is a coffee company that roasts, markets, and retails specialty coffee globally. The company operates in 86 markets and has over 40,000 stores worldwide. Against growing economic headwinds and keen competition from fast growing local coffee and tea chains that appear to undercut in pricing, Starbucks would likely face pressure in achieving sustainable profitability in the medium term.	Alison Fok
Yum China (9987.HK)	**BUY**	HKD496.00	**Transaction volume to drive growth.** Yum China is engaged in the operation and management of restaurants and fast-food chains and is a licensee of Yum! Brands (KFC, Pizza Hut, and Taco Bell) in Mainland China. It is the largest restaurant group in China with c.16,395 units across 1,900 cities. We expect net store growth of 10% to enable growth between 2025-26 with plans to reach 20,000 units by 2026. With intense price competition, Yum China has strategically delivered transaction volume growth to remain competitive in China's growing restaurant sector.	Alison Fok
Haidilao (6862.HK)	**BUY**	HKD19.60	**Strong reputation and introduction of franchising model.** Haidilao is a leading and fast-growing global hotpot restaurant chain with a strong reputation for offering quality food and customer service. Haidilao operates over 1,300 outlets in China and overseas. With intense price competition, the company seeks profitability and operational efficiency at its restaurants. To achieve this, Haidilao is (i) expanding its franchise model and diversifying its business strategy, (ii) enhancing its core and regional product offerings to deliver good customer value, and (iii) focusing on maintaining high table turnover (>4x).	Alison Fok

Source: Companies, DBS
Data as at 13 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
MCD US	McDonald's	BUY	USD355.00	223.0	25.3	2.2	7.7	United States	Alison Fok
SBUX US	Starbucks	HOLD	USD78.00	97.4	34.7	2.8	-25.7	United States	Alison Fok
YUM US	Yum! Brands	HOLD	USD152.00	40.8	24.3	1.9	14.4	United States	Alison Fok
9987 HK	Yum China	BUY	HKD496.00	17.1	18.1	1.6	8.4	Hong Kong	Alison Fok
6862 HK	Haidilao	BUY	HKD19.60	12.1	16.4	7.2	9.5	Hong Kong	Alison Fok

Source: Bloomberg, DBS
Data as at 13 May 2025

Semiconductors Equipment

Yeang Cheng Ling
CIO, North Asia

Ling Lee Keng
Analyst

Daryl Lim, CFA
Analyst

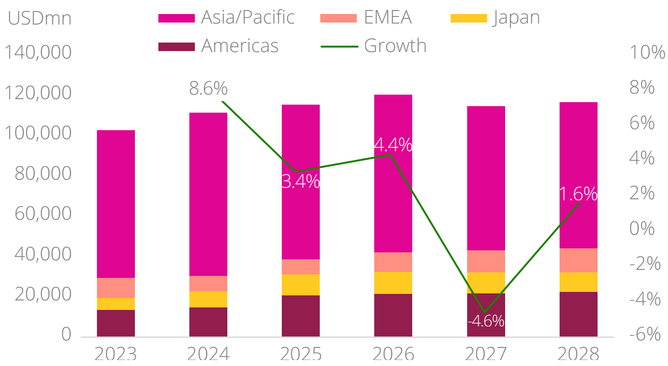
Amanda Tan
Analyst

Opportunities for growth amid geopolitical risks

Semiconductor equipment, comprising specialised tools used in wafer chip fabrication and testing, is set for continued growth. WFE sales are projected to reach USD115.4bn in 2025 (+3.4% y/y), and grow a further 4.4% in 2026, before declining by 4.6% in 2027 due to cyclical weakness in memory spending. The US is the largest market, followed by Japan and Europe. The top five players are ASML (21.1% share in 2024), Applied Materials (19.2%), Lam Research (11.4%), Tokyo Electron (11.3%), and KLA (7.6%).

Semiconductor equipment makers remain well-positioned for structural growth, despite facing geopolitical and cyclical crosscurrents. The global WFE market is projected to grow 3.4% in 2025 and a further 4.4% in 2026, supported by ongoing capacity expansion and the increasing complexity of chip designs. AI workloads, particularly those involving high-bandwidth memory and complex algorithms, are fuelling hyperscalers capex and boosting demand for leading-edge chips and lithography capacity. However, the recovery trajectory remains uneven, with robust momentum in leading-edge segments offset by sluggishness in mature-node equipment.

Semiconductor WFE sales forecasts



Source: Gartner, DBS

Uncertainties in 2H25 on geopolitical risks and China exposure; long-term outlook remains intact. Companies such as ASML, Lam Research, and Tokyo Electron may face a more cautious 2H25 as China, still a key revenue contributor, faces elevated trade and policy headwinds. While these firms are actively mitigating tariff risks through geographic diversification and selective cost pass-through, near-term risks persist. These include geopolitical tensions, potential capex volatility, and customer inventory adjustments. Nonetheless, structural drivers tied to AI, advanced nodes, and digital transformation continue to support a favourable long-term growth trajectory.

Tariff risks and tighter export controls remain key overhangs. We expect the tailwind from earlier stockpiling by Chinese foundries to fade, while restrictions on advanced chipmaking tools are adding downside risk for equipment suppliers with large China exposure. Although Trump's rollback of AI chip export rules appears tactical, it is not expected to reverse the broader US policy stance on curbing China's ambitions in technology capabilities and self-sufficiency. Core restrictions on AI chips are likely to stay, reinforcing structural decoupling risks. As such, while the sector's long-term growth remains compelling, rising geopolitical friction introduces near-term volatility.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
ASML (ASML NA)	**BUY**	EUR743.00	**Lithography leader with long-term upside.** ASML maintains a near-monopoly position in the lithography market, reinforcing its strategic role in advanced chipmaking. It commands a 100% share in EUV and a dominant position in DUV, giving it strong pricing power. Growth is underpinned by AI-driven demand, particularly from 2nm node ramps, and a growing base of installed systems generating recurring revenue. While proposed tariffs may introduce near-term uncertainty, the longer-term outlook remains intact, supported by ASML's tech leadership and its leading role in next-gen semiconductor production.	Ling Lee Keng
Lam Research (LRCX US)	**BUY**	USD82.60	**Well-positioned for growth.** LRCX is well-positioned for long-term growth, supported by leadership in GAA, backside power delivery, and advanced packaging—areas where investments are now paying off. Despite China accounting for 31% of revenue, the company is mitigating tariff risks through geographic diversification and selective cost pass-through. While near-term risks include geopolitical friction, memory spending swings, and inventory cycles, LRCX is poised to outgrow the overall WFE market by expanding its end market and gaining share in key segments like etch and deposition.	Ling Lee Keng
Tokyo Electron (8035.T)	**BUY**	JPY29,304	**Gearing up for the next growth wave.** TEL is well-positioned to capitalise on the long-term growth of the WFE market and the anticipated recovery in consumer electronics. Although the first half of FY2026 may experience a short-term slowdown due to front-loaded capital expenditures and spending normalisation in China, a robust rebound is expected in the second half, driven by surging demand for HBM and advanced packaging technologies. AI-on-device and the Windows 10 transition are key drivers of rising chip content. TEL aims to sustain ROE above 30% and improve operating margins toward 35% by shifting its product mix toward higher-value systems.	Ling Lee Keng

Source: Bloomberg, DBS
Data as at 13 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
ASML NA	ASML	BUY	EUR743.00	291.6	28.6	1.0	21.1	Europe	Ling Lee Keng
AMAT US	Applied Materials	HOLD	USD194.50	136.5	18.0	1.0	7.5	United States	Ling Lee Keng
KLAC US	KLA	HOLD	USD720.00	100.6	23.4	0.8	59.5	United States	Amanda Tan
LRCX US	Lam Research	BUY	USD82.60	105.2	20.5	1.1	37.7	United States	Ling Lee Keng
TER US	Teradyne	BUY	USD100.00	13.3	25.6	0.6	-4.7	United States	Amanda Tan
8035.T	Tokyo Electron	BUY	JPY29,304	75,911.4	19.8	2.5	1.5	Japan	Ling Lee Keng

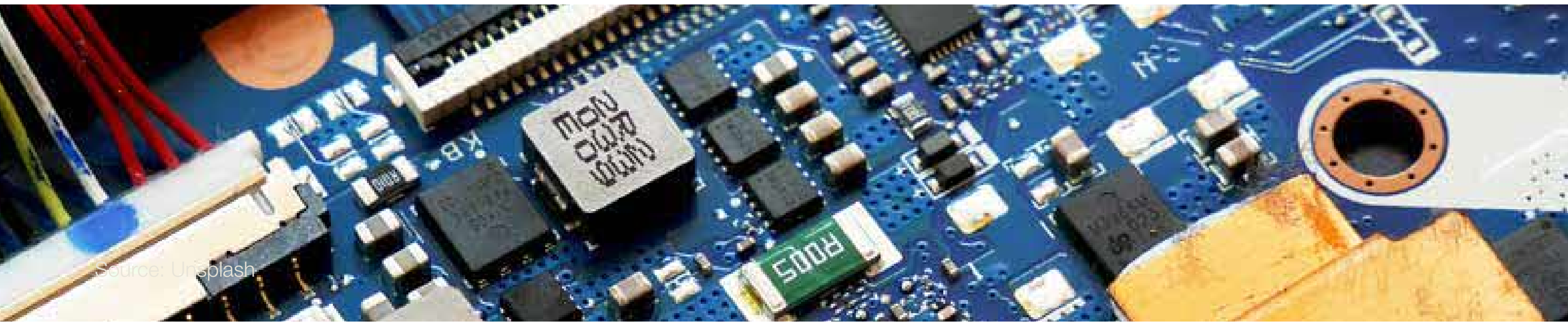
Source: Bloomberg, DBS
Data as at 13 May 2025

Semiconductors Memory

Yeang Cheng Ling
CIO, North Asia

Daryl Lim, CFA
Strategist

Ling Lee Keng
Analyst

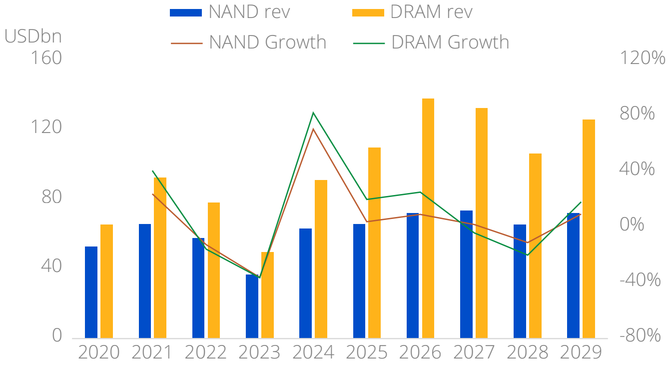

Source: Unsplash

Powering up AI

Memory is the largest component of the semiconductor industry with its 2025 revenue projected to reach USD181bn, accounting for c.25% of the industry's market size. Key memory chips comprise of DRAM and NAND. The memory sector's revenue is projected to grow at 14%/19% over 2025/26 after recording a phenomenal growth of 73.4% in 2024, outpacing the non-memory semiconductor growth of 11.2%/8.6%. The three key players are Samsung (2024 DRAM/ NAND market share: 39.3%/29.3%), SK Hynix (33.6%/11.8%), and Micron (21.6%/11.7%).

Behind every smart AI, there is a smarter memory chip. Memory chips have emerged as the backbone of the AI revolution, with HBM and next-generation DRAM playing critical roles in accelerating processing speeds, reducing latency, and supporting exponential growth in AI model complexity. The breathtaking surge in AI adoption has triggered a supply-demand imbalance, which resulted in an acute shortage of both memory chips throughout 2024 – a trend expected to persist beyond 2026. According to Gartner, the memory sector's revenue is projected to grow 13.5% in 2025 and 18.8% in 2026, outpacing the growth estimate of non-memory semiconductor segment of 11.2% and 8.6% respectively.

DRAM and NAND revenue and growth rate



Source: Gartner, DBS

Earnings strength persists amid tariff uncertainty. Micron management has guided for c.30% y/y growth in 3QFY25 quarterly revenue while consensus is projecting FY25F/26F revenue growth to be 41%/25%, positioning Micron among the fastest-growing chipmakers. The memory upcycle is hence driving a broad-based positive momentum across the value chain. Similarly, TSMC has recently reaffirmed its mid-20% revenue growth projection based on strong demand for advanced node processors, benefitting the outlook of key equipment suppliers like Lam Research. On the flipside, uncertainties arising from the flip-flop in trade tariff and geopolitical risks could cause demand volatility in the near term.

Remain positive on memory as multiple tailwinds may offset geopolitical headwinds. AI-driven demand continues to anchor strength in the memory market, with hyperscalers maintaining robust spending in AI development. The consumer electronics sector — particularly PCs and smartphones — is poised to benefit significantly from the launch of next-generation AI-enabled devices, acting as a catalyst for a broader market recovery. Memory demand remains robust, with HBM emerging as a pivotal growth engine, driven by surging memory density requirements. Simultaneously, demand for conventional memory is rebounding, propelled by AI-driven devices that require greater DRAM capacity. While new trade tariffs may introduce pockets of volatility, the industry continues to be underpinned by strong structural tailwinds.

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Micron (MU US)	**BUY**	USD149.00	**Strong FY25, driven by the AI boom.** Over 80% of Micron's DRAM production and over 90% of NAND production are from leading-edge nodes. The group is confident on achieving record-high revenue and significantly higher profitability in FY25, citing the secular surge in AI-driven memory needs. Notably, Micron's entire 2025 output of advanced HBM chips is already fully booked, underscoring robust orders from AI server customers and prompting capacity expansions.	Jim Au
TSMC (TSM US)	**BUY**	USD223.00	**Outlook positive despite tariff risks.** TSMC, which derives roughly 50% of its revenue from advanced nodes (3-5nm) critical for AI applications, reaffirmed its full-year guidance of a mid-20% revenue growth, supported by a robust 2Q25 outlook. Management expects AI-related chip demand to double in 2025, supported by large orders from key customers. While mindful of potential export controls and US semiconductor duties, TSMC's technological leadership and pricing power should buffer the impact, with the company in a strong position to pass on cost increases.	Jim Au
Lam Research (LRCX US)	**BUY**	USD82.60	**Benefitting from a buoyant memory market.** With a 43% revenue exposure to memory as of Mar 2025, the group is poised to benefit from the ongoing spending recovery in this segment, fuelled by technology upgrades. LRCX holds a strong position in key technological advancements such as GAA, backside power delivery, and advanced packaging, where its investments are beginning to yield returns. AI-driven investments in leading-edge logic nodes and advanced packaging, including HBM, further bolster LRCX's prospects.	Ling Lee Keng

Source: Bloomberg, DBS
Data as at 13 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
AVGO US	Broadcom	BUY	USD250.00	1,041.9	33.6	1.0	419.1	United States	Foo Fang Boon
INTC US	Intel	HOLD	USD20.00	96.7	68.5	1.1	107.4	United States	Amanda Tan
KLAC US	KLA	HOLD	USD720.00	100.6	23.4	0.8	59.5	United States	Amanda Tan
LRCX US	Lam Research	BUY	USD82.60	105.2	20.5	1.1	37.7	United States	Ling Lee Keng
MRVL US	Marvell Technology	BUY	USD70.00	55.7	22.8	0.4	377.2	United States	Foo Fang Boon
MU US	Micron Technology	BUY	USD149.00	103.1	13.3	0.5	888.7	United States	Jim Au
NVDA US	NVIDIA	BUY	USD160.00	2,999.7	28.0	0.0	47.9	United States	Foo Fang Boon
TSM US	Taiwan Semiconductor Manufacturing	BUY	USD223.00	969.8	19.1	1.0	-	Taiwan	Jim Au

Source: Bloomberg, DBS
Data as at 13 May 2025

Software

Yeang Cheng Ling
CIO, North Asia

Daryl Lim, CFA
Strategist

Sachin Mittal
Analyst

Andy Yu
Analyst

Source: Unsplash

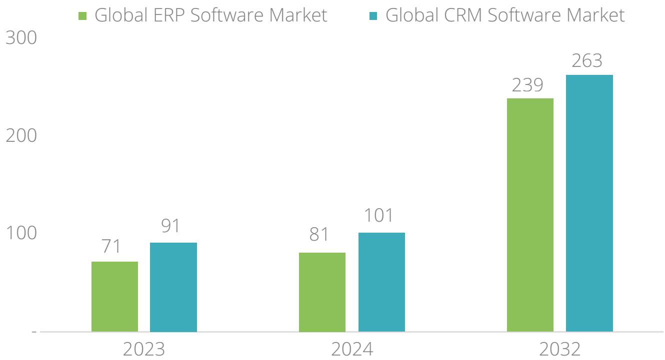
ERP and CRM benefitting from AI agents

The integration of AI agents in ERP and CRM systems is reshaping business operations. The ERP software market is expected to grow at a CAGR of 14%[1] over 2024-2032, while the market values of CRM and global software are projected to expand at a CAGR of 13% and 12%[2] respectively.

GenAI benefits consumers, while AI agents benefit businesses. Implementing Agentic AI function in ERP applications will improve efficiency in the form of cost savings and workflow automation, while the adoption into CRM will enhance customer experience and brand value. Firms prioritising automation favour ERP integration, while those emphasising customer engagement would opt for CRM solutions.

Deploying AI agents accrue approximately 50% savings in labour costs. Human agents cost c.USD15–25 per hour to handle four to six interactions, equating to USD4-6 per interaction. In comparison, Agentforce costs USD2 per interaction, effectively saving c.50%. The low per-interaction costs of c.65-75 cents are inclusive of compute power, AI model licensing, and API overhead, resulting in a compelling gross margin of 60-70%.

Global ERP and CRM software market size



Source: Fortune Business Insights, DBS

Hyperscalers play a key role in ERP and CRM. AWS, Azure, and Google Cloud have emerged as key players in the provision of compute power, storage, cloud network, and AI platforms by offering connectivity, development tools, and reliable support for a vast SaaS ecosystem. Their scale advantage allows end users to maintain high margins without incurring incremental costs.

Better revenue growth and profitability going forward. Major application providers like Salesforce, SAP, and Alibaba have reported better-than-expected earnings in calendar year 4Q24, boosted by strong growth in cloud business and AI deployment. Salesforce guided revenue to grow by 7-8% y/y for FY26F (January YE) on the back of strong 4Q25 (January YE) revenue trend in Agentforce and Data Cloud. Meanwhile, SAP expects cloud revenue to grow by 26-28% in FY25F (December YE), while the consensus expects Alibaba cloud revenue to achieve CAGR of 18% over FY25F-27F.

Prefer SaaS providers for more efficient AI monetisation. Industry leaders such as Salesforce, SAP, and Alibaba have a significantly higher share of revenue from CRM and ERP solutions, positioning them ahead of their peers in this sector. By leveraging the infrastructure, compute power, and storage provided by leading hyperscalers, these SaaS providers can accelerate AI monetisation by adopting AI agents to (i) enable proactive decision-making and (ii) automate system configurations, driving cost reductions.

[1] Fortune Business Insight
[2] Precedence Research

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Salesforce (CRM US)	**BUY**	USD377.00	**The world's largest CRM provider.** Salesforce provides CRM software and applications focused on sales, customer service, marketing, e-commerce, and analytics. Salesforce launched Agentforce in Oct 2024 (which enables advanced AI customer interactions) and secured 5,000 Agentforce deals. Its market-leading position allows it to monetise its Einstein GPT since its launch in Mar 2023. We like it for its leadership position in the CRM sector. Salesforce is trading at a 12M forward EV/Sales multiple of 5.8x vs the peer average of 6.5x. The stock offers an adjusted earnings CAGR of 14% over FY26F-FY28F (January YE) vs peer average of 18% CAGR. Our target EV/Sales multiple is 8.2x, +1 SD above its 5Y historical average of 6.7x.	Sachin Mittal
SAP (SAP GR)	**BUY**	EUR278.00	**Ongoing cloud migration from legacy licensing model.** The revenue contribution mix from software licenses/cloud subscriptions has changed from 16%/25% in FY19 to 4%/50% in FY24. The rapid decline and transition from legacy licensing towards more predictable recurring cloud revenue bodes well for SAP as it moves into a potentially tougher macro environment in the future. We believe its restructuring programme and partnership with Nvidia will enhance its AI capabilities. The stock offers an adjusted earnings CAGR of 17% over FYF25F-FY27F (December YE). Our EV/Sales multiple is 10x, higher than the 5Y historical average forward EV/sales of 5x as the company continues to deliver strong cloud revenue growth.	Sachin Mittal
Alibaba (BABA US)	**BUY**	USD171.00	**Attractive potential for additional returns.** The company has maintained its position as the leading e-commerce platform domestically, and it's set to benefit from strong momentum in international e-commerce volume (mostly non-US) and a pick-up in cloud growth. The cloud intelligence segment offers AI-powered features for its ERP and CRM solutions. The stock offers a decent 9% earnings CAGR from FY25F-27F (March YE) with cloud revenue and adjusted EBITA CAGR of 18% and 35% in the same period. The stock was recently included in the southbound Stock Connect programme, providing incremental funds from the China investor base.	Sachin Mittal

Source: Bloomberg, DBS
Data as at 6 May 2025

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	FY25F Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
CRM US	Salesforce	BUY	USD377.00	277.1	25.9	0.6	73.2	United States	Sachin Mittal
SAP GR	SAP	BUY	EUR278.00	359.7	42.8	0.8	130.1	Germany	Sachin Mittal
BABA US	Alibaba	BUY	USD171.00	316.2	14.9	1.2	102.4	China	Sachin Mittal
ADBE US	Adobe	BUY	USD660.00	168.7	19.4	-	64.1	United States	Sachin Mittal
INTU US	Intuit	BUY	USD740.00	185.2	34.2	0.6	82.9	United States	Sachin Mittal
ADP US	Automatic Data Processing	HOLD	USD306.00	125.6	31.0	1.9	9.3	United States	Sachin Mittal
ORCL US	Oracle	BUY	USD195.00	440.9	26.3	1.1	56.7	United States	Sachin Mittal
WDAY US	Workday	BUY	USD295.00	71.3	31.3	-	330.2	United States	Sachin Mittal
ZM US	Zoom	BUY	USD102.00	25.2	15.4	-	63.5	United States	Sachin Mittal

Source: Bloomberg, DBS
Data as at 13 May 2025

Joanne Goh
Strategist

Elizabelle Pang
Analyst

Ho Pei Hwa
Analyst

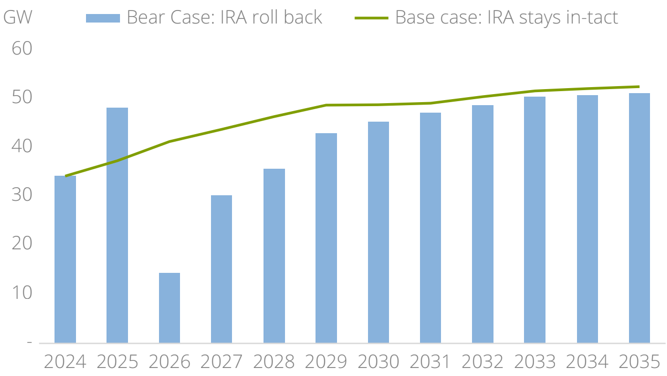
Utilities

US players' growth linked to IRA fortunes

Global renewable energy capacity must increase by 15% CAGR y/y (from the present 4,100GW), supported by annual clean energy investments of USD4.8tn (almost 3x of current levels), to achieve the world's 2030 net-zero goals. Despite policy challenges, IEA forecasts renewables (solar, wind, hydro) to be 46% of global electricity generation by 2030, up from 30% in 2023. Countries like China, US, and Germany house some of the largest renewables-focused utilities, who will continue to scale and benefit from this growth trend.

All eyes on IRA. Between Jan and Mar 2025, nearly USD8bn across 16 clean energy projects were cancelled or downsized in the US[1]– triple the total seen from 2022 to 2024 – as market uncertainty intensifies over the potential repeal of IRA tax credits. Most cancellations involved domestic manufacturing or newer technologies, such as Freyr Battery's USD2.6bn battery manufacturing plant, Prysmian's USD200mn offshore wind subsea cable manufacturing facility, and Bosch's USD200mn hydrogen project. Multiple industry reports now forecast slower US clean energy capacity growth should IRA incentives roll back, aligning with scaled-back capex plans by key players (e.g. Orsted, which cut its 2030 investment target by 25%). In contrast, grid investment remains well-supported, with President Trump recently issuing an executive order to bolster grid reliability amid rising electricity demand.

US solar capacity additions per annum, assuming IRA roll-back



Source: BNEF, DBS Bank

1Q25 earnings reflect healthy fundamentals despite policy headwinds. 1Q25 results from US utilities and clean energy players pointed to resilient operational performance. Duke Energy beat estimates, while BEP and NEE came in line and CEG missed. Most utilities reiterated a constructive outlook supported by data centre-driven demand and indicated minimal tariff exposure (<5% of capex) due to robust mitigation strategies such as domestic sourcing, inflation-linked PPAs, and cost pass-through mechanisms. In the event of IRA rollbacks or cost pressures, we believe tight power market fundamentals can help to support project returns.

A selective approach. Interest rate cuts in 2H25 could provide some relief to sector valuations, financing costs, and growth outlook. That said, policy uncertainty under the Trump administration may weigh on sentiment for US renewables. We advocate a selective stance: Favour integrated utilities with strong grid exposure and constructive rate frameworks (e.g. Duke Energy) and renewable developers with proven execution (e.g. BEP). While nuclear players like CEG offer long-term promise amid AI-linked load growth and bipartisan support, current valuations suggest better entry points may lie ahead.

[1] Source: Clean Economy Works March 2025, E2

Table 1: Company Commentary

Name	DBS Rating	Target Price	Rationale	Analyst
Duke Energy (DUK US)	**BUY**	USD135.00	**Long-term grid play.** By 2035, Duke aims to enhance grid reliability and incorporate 30GW of regulated renewable energy, via its USD83bn 5-year capex plan with 50% of capital focused on grid investments. We believe rising national focus on grid infrastructure under the Trump administration will boost positive investor sentiment towards the counter. Consensus is forecasting 2-year EPS CAGR of 7% (in line with peers), with Duke trading at forward EV/EBITDA ratio of 11x (historical mean) with forward dividend yield of around 4%.	Elizabelle Pang
Brookfield Renewable Partners (BEP US)	**BUY**	USD33.00	**Best-in-class renewable play.** BEP is one of the largest renewable players with a diversified renewable portfolio valued at USD69bn across the globe. Although BEP could see volatility from Trump policy headwinds, we believe BEP is well positioned to tide over US renewable headwinds given its global/diversified exposure, proven track record and strong execution capabilities. A potential share buyback programme can also help to support share price. BEP is trading at forward EV/EBITDA ratio of 24x (+1.3 SD), with forward dividend yield of 6.5%.	Elizabelle Pang
NextEra Energy (NEE US)	**HOLD**	USD75.00	**Crown jewel combo of best-in-class utility and renewables.** NEE is among the best-performing US utilities based on its regulated ROE and the world's largest renewable developer. Although we remain positive on the company's prospects with healthy 2-year EPS CAGR of 8% (in line with peers), we anticipate near-term share price volatility arising from Trump policy headwinds. NEE is trading at forward EV/EBITDA ratio of 13x (-1.4 SD of historical mean) with forward dividend yield of around 3%.	Elizabelle Pang
Constellation Energy (CEG US)	**HOLD**	USD265.00	**Nuclear energy a major beneficiary of data centre power demand.** Nuclear is a reliable source of clean energy with robust capacity factor of >90% (vs solar/wind at 20-30%), suitable for power-intensive industries such as data centres. Although we believe CEG is well positioned to tide through Trump policy headwinds given the bipartisan support for nuclear, we note that CEG is currently trading at rich valuations at forward PE of 28x (+1.3 SD) (above US peers of 20x). We propose that investors look for better entry points.	Elizabelle Pang

Source: Bloomberg, DBS

Table 2: DBS Coverage at a Glance

Bloomberg Ticker	Company	DBS Rating	DBS Target Price (LCY)	Market cap (USDbn)	Fwd. P/E (x)	Div. yield (%)	1Y Fwd EPS Growth (%)	Geography	Analyst
IBE SM	Iberdrola	BUY	EUR16.40	108.8	16.2	3.1	6.8	Spain	Ho Pei Hwa
ENEL IM	Enel	BUY	EUR8.50	86.8	11.3	5.6	1.5	Germany	Ho Pei Hwa
EOAN GR	E On	BUY	EUR17.00	43.7	13.1	3.6	-34.3	Germany	Ho Pei Hwa
RWE GR	RWE	HOLD	EUR33.00	26.8	14.8	3.4	-68.2	Germany	Elizabelle Pang
ORSTED DC	Orsted	FULLY VALUED	DKK220.00	16.3	12.2	-	1,068.5	Denmark	Elizabelle Pang
NEE US	Nextera Energy	HOLD	USD75.00	143.5	19.0	3.0	8.5	United States	Elizabelle Pang
DUK US	Duke Energy	BUY	USD135.00	90.0	18.3	3.6	10.7	United States	Elizabelle Pang
CEG US	Constellation Energy	HOLD	USD265.00	89.9	30.0	0.5	-20.1	United States	Elizabelle Pang
BEP US	Brookfield Renewable Partners	BUY	USD33.00	15.5	-	6.1	-	United States	Elizabelle Pang

Source: Bloomberg, DBS
Data as at 13 May 2025

Glossary

Acronym	Definition
AI	artificial intelligence
ADAS	Advanced Driver-Assistance System
ADT	average daily turnover
APAC	Asia Pacific
AUM	assets under management
AxJ	Asia ex-Japan
bbl	barrel
BNPL	Buy Now Pay Later
bps	basis points
CAGR	compound annual growth rate
CPI	consumer price index
CRM	Customer Relationship Management
DPU	distribution per unit
DRAM	dynamic random access memory
DTC	Direct-to-Consumer
DUV	Deep Ultraviolet
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, tax, depreciation, and amortisation
EMEA	Europe, the Middle East and Africa
EPFR	Emerging Portfolio Fund Research
EPS	earnings per share
ERP	Enterprise Resource Planning
ETF	exchange-traded fund
EU	European Union
EUV	Extreme Ultraviolet
FX	foreign exchange
GAA	Gate-All-Around
GPT	Generative Pre-trained Transformer
HBM	high bandwidth memory
HIBOR	Hong Kong Interbank Offered Rate
HNW	high net worth
HPC	Home and Personal Care
IEA	International Energy Agency
IATA	International Air Transport Association
IRA	individual retirement account
LME	London Metal Exchange
LNG	liquefied natural gas
LPR	loan prime rate
LVMH	Moët Hennessy Louis Vuitton
M&A	mergers and acquisitions
MICE	Meetings, Incentives, Conferences, and Exhibitions
NAND	NOT-AND
NII	net interest income
NIM	net interest margin
OEM	original equipment manufacturer
OIS	overnight indexed swap
OPEC+	Organisation of the Petroleum Exporting Countries
OPM	operating profit margin
OTA	online travel agent/agency
P/B	Price-to-Book
P/E	Price-to-Earnings
PC	personal computer
PE	Private Equity
PMR	Precious Metal Refinery
QSR	quick-service restaurant
R&D	Research and Development
REIT	Real Estate Investment Trust
RevPAR	revenue per available room
ROA	Return on Asset
ROE	Return on Equity
SaaS	Software as a Service
SD	Standard Deviation
SG&A	selling, general, and administrative expenses
SOE	state owned enterprise
SOFR	Secured Overnight Financing Rate
SORA	Singapore Overnight Rate Average
SSSG	same-store sales growth
SVOD	Subscription Video On Demand
TP	Target Price
WFE	water fabrication equipment
YTD	year-to-date

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STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 14 May 2025:22:10:00 (SGT)
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