

# Singapore Market Focus

## 2026 Outlook and Strategy

Refer to important disclosures at the end of this report

DBS Group Research . Equity

11 Dec 2025

### Ride secular leaders, position for SMC alpha

- STI end-2026 target 4880 – FY26F earnings growth of 8.8% led by financials, industrials and TMT
- Large cap picks – Ride secular winners heading towards SG2040 themes
- SMCs – Stay with value unlocking, earnings growth and income as 'easy money' fades

**STI 2026 YE target at 4,880** We expect more moderate gains for the STI in 2026 following the strong re-rating in 2025. The outlook reflects a balance between MAS equity market support measures, Singapore's safe-haven status and attractive yields, versus uncertainties around slower GDP growth, tariff risks, US interest rate outlook and potential US equity market volatility. With FY26F EPS growth accelerating to 8.8%, the STI's FY26F PEG of c.1.5x now sits more in line with global DM peers. Its FY26F dividend yield of 4.5% should continue to attract investors. Our end-2026 target of 4880 (c.+8%) is pegged to 14.8x (+1SD) FY27F PE.

**Broad earnings growth momentum** STI FY26F earnings growth is supported by **banks, Singtel, SGX, UOL** and industrial heavyweights (e.g., **ST Eng, Seatrium, SATS**). We remain cautious on **SIA** and **Genting SG**. Within SMCs, robust earnings growth is mostly found in technology and industrial names.

**Our 10 STI picks for 2026** We see the STI on track towards 10,000 by 2040, assuming continued improvement in investor sentiment, reforms to revive the Singapore equity market, and a benign interest-rate environment. Our top 2026 picks are chosen for their near-term catalysts, and their ability to ride on Singapore's longer-term economic growth. The four key sectors and stocks are: 1) Trade & connectivity (**ST Eng, SATS, Seatrium, MLT**), 2) Financial services (**OCBC, SGX**), 3) Real estate (**UOL, CLAR, CICT**), and 4) Growth (**Singtel**).

**Stay the course on SMCs** We remain positive, even though the 'easy money' from the SGD5bn EQDP seed fund would have largely materialised by 2Q26. MAS' efforts to strengthen the Singapore equity market are not just a one-off boost to lift trading activity and stock prices. Having outperformed large caps in 2025, 2026 could present an opportunity for more SMCs to demonstrate resilience should the macro environment turn more uncertain. Our SMC picks are (1) **GuocoLand** for value unlocking, (2) **iFAST, Nam Cheong, UMS** and **SIA Eng** for earnings growth/recovery, and (3) **CAREIT, NTT DC REIT, LREIT** and **NetLink** for resilient income.

STI: 4,511.90

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#### Key Indices

	Current	% Chng
FS STI Index	4,511.90	0.0%
FS Small Cap Index	287.02	0.0%
SGD Curncy	1.30	0.0%
Daily Volume (m)	1,107	
Daily Turnover (SGDmn)	1,074	
Daily Turnover (USDmn)	1,396	

Source: Bloomberg

#### Market Key Data

(%)	EPS Gth	Div Yield
2025F	(2.6)	4.5
2026F	9.8	4.6
2027F	5.6	4.7
(x)	PER	EV/EBITDA
2025F	16.3	17.8
2026F	14.8	16.5
2027F	14.0	15.6

#### STOCKS

	Price LCY	Mkt Cap USDmn	12-mth Target LCY	Performance (%)		
				3 mth	12 mth	Rating
<a href="#">OCBC Bank</a>	18.95	65,696	19.80	12.5	14.4	BUY
<a href="#">Singapore</a>	16.7	13,806	18.20	0.9	33.5	BUY
<a href="#">Centurion</a>						
<a href="#">Accommodation</a>	1.09	1,490	1.30	na	na	BUY
<a href="#">SATS Ltd</a>	3.42	3,932	4.00	4.9	-8.3	BUY
<a href="#">NTT DC REIT</a>	0.975	776	1.20	2.6	na!	BUY
<a href="#">Mapletree Logistics Trust</a>	1.28	5,043	1.55	2.9	3.2	BUY
<a href="#">UOL Group</a>	8.34	5,447	11.00	12.7	57.1	BUY
<a href="#">Lend Lease Global Commercial REIT</a>	0.60	1,372	0.75	-4.0	7.1	BUY
<a href="#">CapitaLand</a>						
<a href="#">Integrated Commercial Trust</a>	2.31	13,576	2.50	0.4	20.5	BUY
<a href="#">NetLink NBN Trust</a>	0.96	2,889	1.08	2.7	12.9	BUY
<a href="#">Guocoland</a>	2.02	1,736	3.00	2.0	38.4	BUY
<a href="#">iFAST Corporation</a>	9.57	2,244	12.00	10.4	22.7	BUY
<a href="#">Nam Cheong Ltd</a>	0.835	257	1.25	15.1	102.4	BUY
<a href="#">UMS Integration Ltd</a>	1.36	746	1.85	3.0	34.7	BUY
<a href="#">SIA Engineering</a>	3.47	2,998	4.00	11.2	45.8	BUY

Source: DBS, Bloomberg. Closing price as of 10 Dec 2025

## Ride secular winners, seek SMCs opportunities

### 2026 Market Outlook

#### MAS support measures and Singapore's 'safe haven' status are positive offsets to macro uncertainties

We see three factors underpinning Singapore's resilience despite a slower growth and more uncertain macro backdrop. These include 1) robust policy support, 2) Singapore's safe haven status, and 3) still-attractive dividend yield and P/B valuations despite the strong run-up over the last 2 years.

MAS' recently concluded equity-market support measures should underpin the competitiveness and resilience of Singapore's equities market. The various targeted measures are supportive of fund flows across market segments, e.g., large caps stand to benefit from the ongoing >SGD50mn Singapore equity investment by new Single-Family Offices (SFOs) and the reduction in lot size from 100 to 10 units in 1Q26, while SMCs are the primary focus of the MAS SGD5bn EQDP programme and the new SGD30mn "Value Unlock" package.

### Policy developments in 2025

Date	Event	Details
21 Feb	Equities Market Review Group first measures	SGD5bn EQDP; GIP adjustments – new SFOs to invest >SGD50mn in SG equities
15 May	Prospectus consultation to streamline listing process	Listing timeline shortened to 6-8 weeks, with shift to disclosure regime
21 Jul	First EQDP managers and enhanced GEMS scheme	SGD1.1bn allocated to 3 managers; increased GEMS research funding
22 Sep	iEdge Singapore Next 50 Index Launch	Tracks 50 top mid-cap SGX stocks, improves liquidity, enhances visibility
1 Oct	Launch of Avanda Discovery Fund	EQDP fund available for accredited and institutional investors
6 Oct	Launch of Fullerton Value-Up Fund	First retail fund launched under the EQDP program
19 Nov	Second batch of EQDP managers announced	Additional SGD2.85bn allocated to 6 asset managers
	Enhancements to market structure	Reduction in board lot size, and better market making initiatives
	Dual listing bridge between SGX and Nasdaq	Firms with SGD2bn mkt cap can raise capital simultaneously in the US and Asia
	SGD30mn Value Unlock package	Build competencies in corporate strategy, capital optimisation, investor relations
25 Nov	Amova announces 2 EQDP funds/strategies	One all market cap strategy, while another to invest solely on SMC stocks
3 Dec	Manulife Invest Mgmt announces EQDP strategy	To launch a SG All-Cap Equity strategy, with c.30-40% allocation to SMCs
1Q26	Equity Market Implementation Committee to oversee implementation	
2Q26	Further EQDP appointments for the remaining SGD1.05bn	

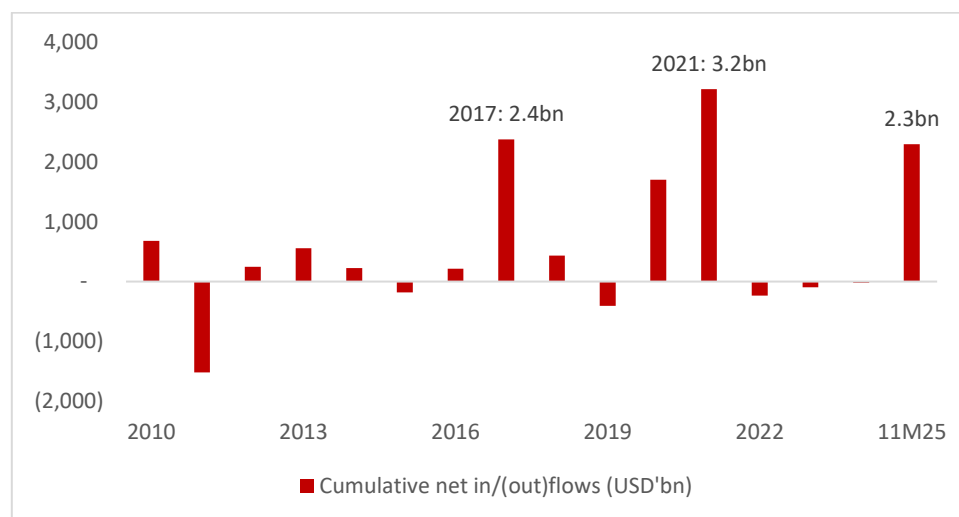
Source: DBS, MAS, SGX, news sources

## Ride secular winners, seek SMCs opportunities

The robust net inflows amid a volatile 2025 underpins Singapore's reputation as a 'safe haven'. With 1 month to go, cumulative net buying of USD2.3bn during 11M25 from passive and active funds into Singapore equities puts 2025 among the top three years of net inflows since 2010. The

strength of the net flows in 2026 hinges on how the support measures pan out in 2026 – most notably through 1) MAS SGD5bn EQDP deployment alongside additional third-party capital, and 2) continued inflows into Singapore equities with every new SFO set up in Singapore.

### Robust net inflows into SG equities in 2025 (USD'mn)



Source: DBS, EPFR

Even after the strong price performances in 2024/25, Singapore equities still screen attractively versus regional/global peers, supported by relatively high dividend yields and low price-to-book ratios. This valuation support is

complemented by the STI's resilience and its track record of experiencing smaller drawdowns during most risk-off periods – as seen in its relative outperformance during past market corrections.

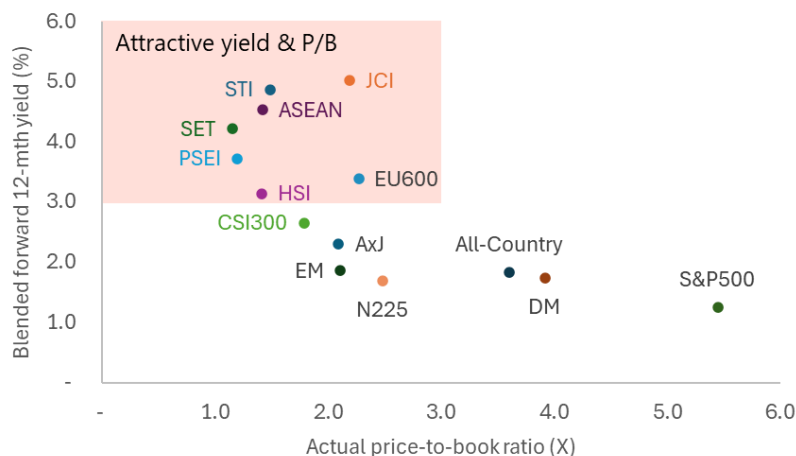
### STI's smaller peak-to-trough drawdowns vs World and S&P 500

Event	Drawdown period	World	S&P 500	STI
GFC	Oct-07 to Mar-09	-58.7%	-55.3%	-60.2%
Trade War 1.0	Jan-18 to Dec-18	-18.7%	-19.4%	-15.8%
COVID	Feb-20 to Mar-20	-33.4%	-33.8%	-30.6%
Russia-Ukraine war	Jan-22 to Mar-22	-13.4%	-12.8%	-8.5%
Fed rate hikes	Aug-22 to Oct-22	-16.1%	-16.7%	-9.7%
Israel-Hamas	Jul-23 to Oct-23	-10.5%	-9.9%	-8.0%
Liberation Day	Feb-25 to Apr-25	-15.9%	-18.7%	-14.5%

Source: DBS, Bloomberg. Computed on total return basis

## Ride secular winners, seek SMCs opportunities

### STI – Attractive dividend yield and deep value appeal



Source: DBS, Bloomberg

### Tariffs in 2026 – From noise to reality

Singapore enters 2026 facing payback risks after an impressive showing in 2025, driven by export front-loading ahead of tariff changes and the ongoing electronics upcycle. DBS economists expect Singapore GDP growth to moderate to about 1.8% in 2026 – slightly below the mid-point of MTI's official forecast in the 1-3% range – and down from 4.0% in

2025. Singapore will navigate two key risks in 2026 – the “2Ts”: tariffs and the tech cycle. The extent of downside pressure will depend on actual developments. A maturing electronics cycle, a waning AI boom, and/or the implementation of threatened US semiconductor tariffs are key risks for Singapore's electronics sector. These factors will weigh more on **AEM Holdings** (higher AI exposure) and **Venture** (more susceptible to a broad slowdown).

### 2026: Stable inflation, SGD and domestic rates amid slower GDP growth

	2024	2025F	2026F	2027F
Growth, yoy%	4.4	4.0	1.8	2.3
Inflation, yoy%, ave	2.4	0.9	1.2	1.5
Core inflation, yoy%, ave	2.8	0.6	1.0	1.3
10-year yield, %, eop	2.86	1.90	2.05	2.20
SGD per USD, eop	1.37	1.29	1.25	1.27

Source: DBS, Bloomberg, CEIC

Domestic-facing sectors, including the modern services cluster, should support growth resilience and offset trade-related headwinds. The ongoing push towards digitalisation should underpin key infrastructure plays like telco **Singtel**,

data center operator **Keppel DC REIT**, and cloud platform provider **AvePoint**. Singapore's continued appeal as a trusted financial hub, alongside positive equity market reform, is positive for **OCBC** and **SGX**. Buoyant construction

## Ride secular winners, seek SMCs opportunities

activities, on the back of transport infrastructure upgrades, hospitality expansion, and active housing projects, should

benefit **Soilbuild Construction** and **Centurion**

**Accommodation REIT** (higher demand for worker dorms).

### Uncertain interest rate outlook

The Fed's eventual course of action in 2026 remains uncertain. This is reflected in the wide dispersion of views among FOMC voting members regarding the target policy rate. Investors will be watching how the FED finds a path between tackling rising inflation, as tariffs effects filter through, against a weakening labour market. The Fed's independence will also be closely watched.

Our economist sees two more 25bps cuts, with the Fed funds rate settling at 3.5% by 1H26. Fed funds futures are

currently pricing in a more aggressive 3 to 4 cuts, with the Fed funds rate settling at 3% by end-2026.

Be it 2, 3 or 4 more cuts, one constant in 2026 will be swings in rate cut expectations as investors respond to inflation, jobs and other economic data as well as the perception of Fed independence. These swings could translate into similar volatility for Singapore equities, creating opportunities for both tactical (trade the swings) and strategic investors (buy the sell-downs) as flows rotate between rate cut beneficiaries (e.g. **REITs, property, technology**) and casualties (e.g. **banks**)

### FED's dot plot at the Sep25 FOMC meeting

Target rate (%)	Projection by number of FOMC members				
	2025	2026	2027	2028	Longer Term
4.38	•1				
4.25					
4.13	•••••6				
4					
3.88	••2	••2	••2	••2	•1
3.75					•1
3.63	•••••••9	•••••6	••2	••2	•1
3.5					•1
3.38		••2	••2	••2	••2
3.25					•1
3.13		••••4	••••••7	••••5	••2
3					••••4
2.88	•1	•••3	•••3	••••4	•1
2.75				•1	••2
2.63		••2	••2	•••3	•••3
2.5					
2.38			•1		

Median

Source: DBS

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### US mid-term election year could pause the bull market

US equity markets could experience a period of sideways volatility, or even a correction, for a good part of 2026. This may create negative spillover effects for regional markets, including Singapore. We identify 3 potential warning signs in

the S&P500 Index that raise the risk of an uneven stock market trend in the year ahead:

1. Rich Valuation – the 12mth fwd PE of 21.6x is near +2SD over the past 30 years (1995 to 2025). This makes US equities more vulnerable to negative news

### S&P500 12-mth fwd PE (X)



Source: Bloomberg

2. Weakening breadth – The 16% YTD rally has been driven mainly by AI-powered strength in infotech, communication services and utilities, while the broader market has lagged. The negative divergence between the percentage of S&P500 constituents trading above

their 50-day simple moving average (SMA) and the S&P500 Index since early July is a sign that market internals are weakening, a potential leading indicator of a market correction.

### S&P500: %age of members trading above their 50-day SMA



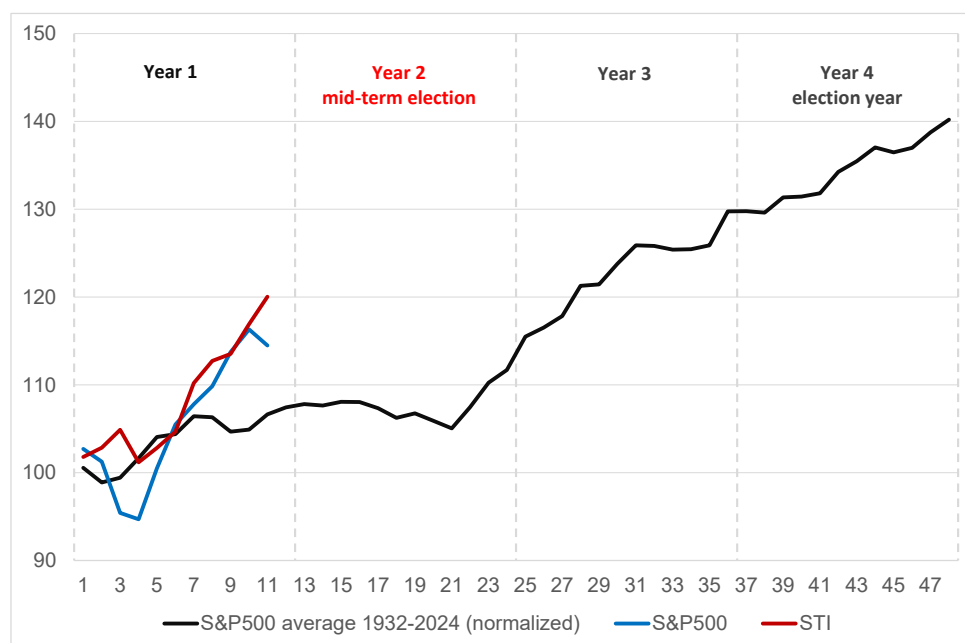
Source: DBS Bank

## Ride secular winners, seek SMCs opportunities

3. Seasonal weakness – 2026 is the US mid-term election year, which is typically the weakest year in the 4-year US presidential cycle. The combination of tough policies as the new president implements his agenda in the first

year, and uncertainty over political gridlock, are 2 key reasons why US equity markets tend to be weaker in mid-term election years.

### 4-year US presidential cycle: seasonal trend vs. S&P500 and STI in the current cycle



Source: DBS Bank

2026 is no exception, as the US economy absorbs the actual impact of US tariffs, resulting in a slower growth and a more uncertain inflation picture. 2026 will see one-third of Senate

seats and all House seats up for election. The build-up to the November 2026 mid-term elections could create policy uncertainties that unsettle equity markets.

### Senate and House seats – Current composition vs. seats up for election in 2026

	Republicans		Democrats	
	Current	Up for election in 2026	Current	Up for election in 2026
Senate	53	20	47	13
House	220	220	215	215

Source: various internet sources

## Ride secular winners, seek SMCs opportunities

### Sector outlook and valuations

#### Broad earnings growth momentum in FY26F

#### Sector valuations and growth

Sector	Earnings Growth		PE Ratio (X)		Dividend yield (%)	
	25F	26F	25F	26F	25F	26F
Banks	-7.0	5.4	12.6	12.0	4.9	4.7
Comm Svcs	9.8	10.3	27.8	25.2	4.2	4.5
Cons Disc	-9.7	9.7	13.6	12.4	5.4	5.4
Cons Stap	7.0	9.0	13.9	12.8	5.5	3.7
Energy	24.6	11.0	10.5	9.5	5.7	6.9
Financial	24.4	12.5	29.9	26.6	2.1	2.5
Health Care	-16.9	17.6	40.6	34.5	1.2	1.4
Industrials	-6.2	19.9	17.8	14.9	3.6	3.8
Info Tech	-12.2	18.6	20.3	17.1	4.7	4.8
Real Estate	55.4	45.5	31.3	21.5	3.4	5.2
REITs	0.8	4.2	17.2	16.5	5.6	5.8
<b>DBS Coverage</b>	<b>-2.6%</b>	<b>9.8%</b>	<b>16.4</b>	<b>15.0</b>	<b>4.5</b>	<b>4.7</b>
<b>STI DBS forecast</b>	<b>-1.2%</b>	<b>8.8%</b>	<b>15.3</b>	<b>15.5</b>	<b>4.5</b>	<b>4.5</b>

Source: DBS, Bloomberg. Computed based on weighted average market cap

STI earnings growth is set to accelerate to 8.8% in 2026F, as earnings of index heavyweight **banks** turn from a drag in FY25F to deliver a 5.4% y/y earnings growth in FY26F. Growth in non-interest income, driven largely by wealth management fees, should partially offset the drag from further moderation in net interest income.

Besides banks, double digit earnings growth of STI component stocks should also uplift benchmark earnings. This includes:

- 1) Comm Svcs – **Singtel** improving core earnings, driven by growth in Optus, NCS, data centre operations
- 2) Financial – **SGX** rising SDAV on equity market reform and SGD5bn EQDP capital injection
- 3) Real Estate – **UOL** (strong residential sell-through, and stable recurring income streams), **CLI** (higher contribution from fee-related income growth)
- 4) Industrials – **ST Engineering** (earnings visibility on robust orderbook), **Seatrium** (margin expansion in 2026), **SATS** (expanding customer base and rising wallet share position), **SIA** (FY27F earnings turnaround clouded by Air India's earnings drag and uncertain path to profitability)

- 5) Cons Disc – **Genting SG** with +15% EPS growth in FY26F off a low base, weighed by continued market share loss and uncertain contribution from the new Laurus luxury hotel

Many SMC stocks under our coverage (with BUY ratings) are poised to deliver double digit y/y earnings growth in FY26F. This is concentrated in info tech and industrials, with selective opportunities in other sectors.

- 1) Info tech – led by **AEM Holdings**, **AvePoint**, **UMS Holdings**
- 2) Industrials – **SIA Eng**, **HL Asia**, **ComfortDelGro**, **Nam Cheong**
- 3) Others – **IHH** (healthcare), **iFAST** (financial), **China Aviation Oil** (energy), **APAC Realty**, **PropNex** (real estate), **First Resources**, **Bumitama Agri** (staples)



## Ride secular winners, seek SMCs opportunities

### Straits Times Index end-2026 target 4,880

The benchmark STI re-rated strongly from a trough of about 11.5x (-1.5SD) 12-mth fwd PE during the April 2025 US 'Liberation Day' sell-off to about 14.1x (+0.5SD) 12-mth fwd PE currently. STI is up around 19% YTD despite a projected -1.2% FY25F earnings dip. The strong re-rating beyond 2 standard deviations was driven by MAS market reforms to strengthen the competitiveness of Singapore's equities market, Singapore's safe-haven status as well as attractive dividend yield and P/B valuations. There was also cumulative net buying inflow of about USD2.3bn from global passive and active funds YTD.

STI's FY26F PEG of c.1.5x now sits more in-line with global DM peers, and its FY26F dividend yield of 4.5% remains attractive for investors. With the strong re-rating this year, we expect the STI to rise at a gentler pace in 2026. The coming year could see the Singapore equity market balancing positive drivers - MAS reforms, safe-haven appeal, attractive yields - against macro uncertainties such as slower GDP growth, tariffs impacts, US interest rate outlook and potential US equity market volatility. Our end-2026 STI target is 4880, pegged to 14.8x (+1SD) 12-mth fwd PE.

### Straits Times Index (Daily)



Source: DBS, Bloomberg

## Ride secular winners, seek SMCs opportunities

### Strategy

#### Ride with secular winners towards SG2040

We see [STI heading towards 10,000 by 2040](#) under sustained conditions of improving investor sentiment, reforms to revive the Singapore equity market, and a benign interest-rate environment.

The STI has the potential to meet these assumptions under our 'accelerated pace' scenario – with close to 8% upside potential for the index by end-2026, projected FY26F earnings growth of +8.8%, and pegged to 14.8x (+1SD) FY27F PE.

#### 2026 forecast aligns with our STI 10,000 trajectory

	Accelerated Pace	2026F Assumptions
Annual EPS Growth (%)	5.0	8.8
12-mth fwd PE (X)	14.5	14.8
Annualised return 2025-2040 (%)	5.0	7.7*
Annualised return 2010-2025 (%)	2.7	Not applicable
Years to STI 5,000	1.75	
Years to STI 5,500	3.5	
STI @ end-2025	4,628	
STI @ end-2030	5,906	
STI @ end-2035	7,538	
STI @ end-2040	9,620	

Source: DBS

\*% upside from 4,531 (on 5-Dec) to 2026 YE target of 4,880

The market rally seen in 2025 provides a guide for how we expect the index to reach its 10,000 target by 2040. Unlike the bank-led rally in 2024 (when the 3 banks were among the top 5 best performing STI stocks), the 2025 rally broadened across different stocks and sectors, key to sustaining the longer-term uptrend. This broadening is

reflected in market's positive reception to a range of investment themes, such as focus on total shareholder return (**DFI Retail**), earnings visibility and growth (**ST Eng**), value unlocking (**UOL**), and rate cut beneficiaries (**CICT**, **MPACT**).

## Ride secular winners, seek SMCs opportunities

### YTD total return distribution of the 30 STI stocks

	FLT		
	CLAR		
	FCT	CIT	
	SCI	SGX	
	MLT	DBS	DFI
	CLI	CICT	STE
	SIA	MPACT	JM
KDCREIT	WIL	STI	UOL
MINT	STM	YZJSGD	HKL
SATS	GENS	VMS	KEP
THBEV	UOB	OCBC	ST
<0%	0-20%	20-50%	>50%

#### Legend

Indus	Banks	REITs
Cons	Others	Prop

Source: DBS, Bloomberg. Note: Based on factual YTD price performances, as of 5-Dec closing

Yet, it will not be a one-way street for the index in 2026. While the STI's longer-term uptrend remains intact, there will inevitably be bouts/periods of heightened market volatility along the way. Against a backdrop of a non-recessionary environment and benign financial conditions, these healthy pullbacks would be seen as opportunities to accumulate some of these quality names on weakness.

Our top picks for 2026 are likely winners over the longer-term horizon, driving gains towards our STI 2026 YE target of 4,880, and ultimately towards STI 10,000 by 2040. We like these stocks for their near-term catalysts, as well as their ability to participate in the economic growth and/or transformation expected over the next 15 years. The focus sectors that should underpin Singapore's long-term growth narrative include –

- 1) **Trade and connectivity** – Future-proofing Singapore's role as Asia's leading logistics, aerospace and maritime hub, anchored by key infrastructure expansion
- 2) **Financial services** – Cementing Singapore as Asia's leading financial centre, with banks' wealth businesses projected to grow 5-6% CAGR through 2040, alongside strengthening of capital markets
- 3) **Real estate** – Anchored by population growth, urban rejuvenation and decentralisation, with opportunities for redevelopment and value unlocking
- 4) **High growth sectors** – Scaling up and rapid growth in key segments such as data infrastructure and advanced manufacturing.

## Ride secular winners, seek SMCs opportunities

### Sectors/stocks in focus

Sectors	Stocks	Key drivers for 2026	Long-term potential
Trade and connectivity	ST Eng	Robust orderbook visibility and rising global defence spending	Riding on Singapore's aviation hub position as key MRO operator
	SATS	Expected to outperform the broader cycle, with negatives largely priced in at this point	Extensive global network underpins new contract wins, greater wallet share
	Seatrium	Expect uptick in in order momentum and margin expansion in 2026	Higher demand for shipyard activities, alongside green transition
	MLT	Trough is likely over for China with narrowing negative rental reversions	Leading Pan-Asian logistics-focused REIT with rising ASEAN footprint
Financial services	OCBC	Return of excess capital and dividend yield growth as potential rerating catalysts	Refreshed strategy to accelerate growth across Asia, alongside wealth management growth
	SGX	Key beneficiary of equity market volatility, market reforms, and safe haven inflows	Multi-asset growth tailwinds, with Singapore growing to be the third largest FX hub globally
Real estate	UOL	Dual growth engines of property development and investments support higher dividends ahead	Value unlocking through asset divestment and redevelopment (i.e., Marina Square)
	CLAR	Earnings visibility on positive rental reversions, interest cost savings, and completion of acquisitions	Underpinned by long-term demand for logistics, hi-spec, and business park properties
	CICT	Acquisition-led growth and strong portfolio reversions to drive 3% DPU CAGR in coming years	Potential uplift in traffic and sales in sub-urban malls from proposed decentralisation efforts
High growth sectors	Singtel	Improving visibility of core earnings growth, and potential SG sector consolidation	Ride on growth, high value digital infrastructure, e.g., data centres, Nxera, GPU-as-a-Service

Source: DBS

## Ride secular winners, seek SMCs opportunities

### Our top 10 STI picks for 2026

Company	Price 5 Dec 2025 LCY	12-mth Target price LCY	12-mth Target return	Mkt cap (SGD'mn)	Rcmd	EPS growth 25 (%)	EPS growth 26 (%)	PE ratio 25 (x)	PE ratio 26 (x)	Div yield 25 (%)	Net debt/equity 25	P/BV 25 (x)
Trade and connectivity												
ST Eng	8.170	9.40	15%	25,465	BUY	22.2	22.1	29.7	24.4	2.4	1.3	8.8
SATS	3.430	4.00	17%	5,108	BUY	7.7	12.8	17.8	15.8	2.3	1.0	1.7
Seatrium	2.120	2.96	40%	7,179	BUY	108.7	43.7	22.1	15.4	2.4	0.1	1.0
MLT	1.290	1.55	20%	6,582	BUY	-11.3	0.8	18.3	18.1	5.5	0.4	1.0
Financial services												
OCBC	18.920	19.80	5%	84,949	BUY	-2.9	0.4	11.5	11.5	5.4	0.0	1.3
SGX	16.780	18.20	8%	17,966	BUY	23.8	10.3	30.5	27.7	2.2	cash	7.6
Real estate												
UOL^	8.630	11.00	27%	7,300	BUY	40.9	9.5	18.9	17.3	2.1	0.2	0.6
CLAR	2.770	3.20	16%	12,766	BUY	-13.9	0.1	19.0	19.0	5.5	0.4	1.2
CICT	2.330	2.50	7%	17,734	BUY	-2.0	-1.7	21.5	21.9	4.9	0.3	1.1
High growth sectors												
Singtel	4.580	5.04	10%	75,511	BUY	12.8	10.7	27.2	24.6	4.5	0.2	3.0

Source: DBS, Bloomberg. Based on 5 December closing prices.

^UOL TP raised to SGD11 on 10 Dec

## Ride secular winners, seek SMCs opportunities

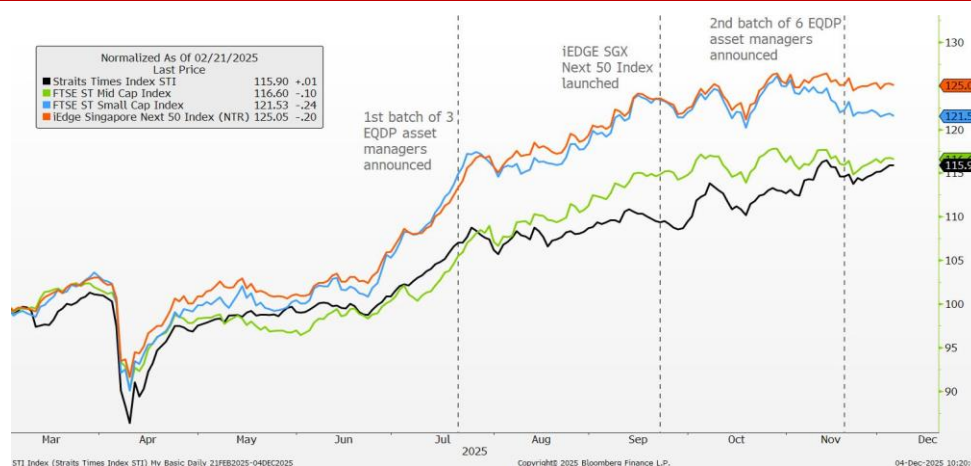
### Equity Market Review beneficiaries – Stay the course, be selective

The Monetary Authority of Singapore (MAS) [completed its review](#) aimed at strengthening the competitiveness of the Singapore equities market on 21 November. Over a nine-month period, a series of supportive measures were introduced, including: (1) a SGD5bn Equity Market Development Programme (EQDP), (2) an adjustment to the Global Investor Programme (GIP) to support capital inflows to Singapore-listed Equities, (3) SGD50mn to enhance the GEMS Scheme to strengthen the equity research ecosystem,

(4) a SGD30mn 'Value Unlock' package, (5) initiatives to improve attractiveness for quality listings, and (6) the launch of the iEdge Singapore Next 50 Indices to raise the visibility and broaden market participation beyond the STI component stocks.

Small-mid cap stocks (SMCs) have outperformed the large-cap STI since MAS announced its first set of measures on 21 February 2025. Around early October, when the estimated SGD1.1bn EQDP fund allocated to the first batch of asset managers began deployment, SMC Indices has risen by 16%-22% relative to 21 February.

### STI, iEDGE SG Next 50, FTSE ST Mid-Cap, FTSE ST Small Cap Indices (normalised: 100 at 21 Feb 2025)



Source: DBS Bank

These indices' market caps have also risen by SGD5.6bn to SGD25bn, significantly exceeding the SGD5bn EQDP. The upturn in sentiment and the "buy-in-anticipation" effect for SMCs have surpassed the SGD5bn seed fund.

### Indices' market capitalisation

	Market Capitalization (SGDbn)		
	21-Feb-25	01-Oct-25	Change
iEDGE SG Next 50 Index	* 36.2	44.2	8
FTSE ST Mid-Cap Index	111	136	25
FTSE ST Small-Cap Index	32.2	37.8	5.6

\*Estimate

Source: DBS Bank

We anticipate that the "easy money" derived from the SGD5bn EQDP seed fund will have been realised by end-2Q26, coinciding with the likely deployment of the combined SGD2.85bn allocated funds by the second batch of asset managers.

The relative strength chart of the iEDGE SG Next 50 Index vs. the STI demonstrates the "buy-in-anticipated" effect for SMCs after the MAS announced the EQDP in February. While this relative outperformance has paused over the past three months, we consider this 'pullback' to be temporary. We expect SMCs to resume outperforming in 1Q26, driven by the impending deployment of the SGD2.85bn EQDP fund from the second batch of six

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selected asset managers. Ceteris paribus, the impact of the remaining SGD1.05bn EQDP fund from the final batch of asset managers may be more muted.

### Relative strength of iEDGE SG Next 50 Index vs. STI



Source: DBS Bank

We stay positive regarding the MAS support measures aimed at reviving the Singapore equity market. We also acknowledge that these measures are not a “magic potion” and require time to integrate effectively into the equity market ecosystem. MAS’s efforts to strength the Singapore equity market extend beyond a mere one-off boost to trading activity and stock prices. These efforts should enhance the resilience of SMCs during uncertain times. Given the macro uncertainties highlighted earlier, 2026 could present an opportunity for more SMCs to exhibit that resilience.

For 2026, we are paying attention to SMCs that possess the potential for further re-rating through either value unlocking or earnings recovery. Our specific picks include **GuocoLand** and **Hotel Properties\*** for value unlocking; and **iFAST**, **Nam Cheong**, **UMS Integration**, and **SIA Engineering** for earnings growth/recovery.

We also identify opportunities in dividend stocks with sustainable income, which are likely to be integral to the strategies of EQDP asset managers. Our picks are **Centurion Accommodation REIT**, **NTT DC REIT**, and **Lendlease Global Commercial REIT** among REITs, and **NetLink** for non-REITs.

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### Our top 10 SMC picks for 2026

Company	Price 5 Dec 2025 (LCY)	12-mth Target price (LCY)	12-mth Target return	Mkt cap (SGD'm)	Rcmd	EPS growth 25 (%)	EPS growth 26 (%)	PE ratio 25 (x)	PE ratio 26 (x)	Div yield 25 (%)	Net debt/equity 25	P/BV 25 (x)
Value unlocking												
GuocoLand^	2.010	3.00	49%	2,237	BUY	-57.5	344.4	80.0	18.0	3.3	0.8	0.5
Earnings growth/recovery												
iFAST	9.180	12.00	31%	2,788	BUY	43.7	26.1	28.3	22.5	1.1	cash	5.7
Nam Cheong	0.825	1.25	52%	329	BUY	-18.9	11.0	5.8	5.2	-	0.1	1.1
UMS Integration	1.360	1.85	36%	966	BUY	16.6	20.6	20.4	16.9	3.7	cash	2.2
SIA Engineering	3.510	4.00	14%	3,928	BUY	15.7	26.0	22.3	20.0	2.8	cash	2.1
Resilient high yield												
CAREIT	1.100	1.30	18%	1,948	BUY	nm	-41.7	10.8	18.5	6.3	0.3	1.3
NTT DC REIT	0.965	1.20	24%	994	BUY	nm	nm	nm	nm	10.1	0.5	0.8
LREIT	0.620	0.75	21%	1,836	BUY	-68.6	223.4	63.7	19.7	6.0	0.4	0.8
NetLink	0.955	1.08	13%	3,722	BUY	3.3	-0.8	37.8	38.1	5.7	0.4	1.7

Source: DBS, Bloomberg. Based on 5 December closing prices.

^GuocoLand TP raised to SGD3 on 10 Dec

\*Non-rated coverage on Hotel Properties

### Stock Picks for Equity Market Review beneficiaries

Stock	Key Points
Earnings Growth/Recovery	
Nam Cheong	<ul style="list-style-type: none"> <li>• Prime beneficiary of potential revival of OSV newbuild orders</li> <li>• Long-term charters offer strong earnings visibility</li> <li>• Re-rating catalyst should Petroleum Sarawak Berhad (Petros) finalise a commercial agreement with Petronas by end-2025</li> <li>• Unwarranted 40%-60% discount to peers; yet to factor in potential accretion from idling workboats and OSV newbuilds</li> </ul>
UMS Integration	<ul style="list-style-type: none"> <li>• Second-order AI beneficiary</li> <li>• Major production ramp-up and new product introductions (NPIs) for a new customer are set to lift volumes meaningfully</li> <li>• Strong industry tailwinds with the global semiconductor market forecast to grow 17.8% and 9.3% in 2026 and 2027, respectively</li> </ul>
iFAST	<ul style="list-style-type: none"> <li>• Targets to achieve SGD100bn in assets under administration (AUA) by 2028-2030</li> <li>• Strong double-digit EPS growth driven by HK ePension business and easing of cost pressures after FY26F</li> <li>• Strong growth potential in iFAST Global Bank</li> </ul>



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### Stock Picks for Equity Market Review beneficiaries (cont.)

Stock	Key Points
SIA Eng	<ul style="list-style-type: none"> <li>Well positioned for long-term MRO demand growth given established partnerships with leading OEMs</li> <li>18% core net profit CAGR over the next 3 years, supported by new facilities and capabilities as well as associate expansion</li> <li>Strong net cash position and solid cash generation makes it well placed to pursue strategic M&amp;As or partnerships</li> </ul>
Value Unlocking	
GuocoLand	<ul style="list-style-type: none"> <li>Attractive valuation at a c.60% discount to SGD4.50 revalued net asset value (RNAV) and close to 4% yield</li> <li>Potential conversion into a “stapled security” from its growing portfolio of commercial assets is a significant share price catalyst</li> <li>Resilient property development business</li> </ul>
Hotel Properties	<ul style="list-style-type: none"> <li>Potential majority stakes sale in Forum mall and voco Orchard hotel, while retaining ownership of HPL House</li> <li>Assuming up to a 75% stake sale, we estimate SGD2.84~3.27 cash/share potential, pointing to a potential special dividend/capital reduction</li> <li>Leadership transition may position HPL as a potential takeover target</li> </ul>
Sustainable Income	
Centurion Accommodation REIT	<ul style="list-style-type: none"> <li>Essential lodging portfolio in strategic locations with robust demand-supply dynamics</li> <li>Unmatched growth with estimated 15% CAGR in DI from FY25-27, driven by 35% growth in beds – includes anticipated interest cost savings and Mandai Expanded Capacity (MEC)</li> <li>Delta to come from stronger-than-expected PBWA reversions, where +5% reversions will further lift DPUs by 5%</li> </ul>
NTT DC REIT	<ul style="list-style-type: none"> <li>Steady earnings momentum as hyperscale and AI-driven data demand accelerates globally</li> <li>Highest yielding data centre-focused S-REIT with an attractive forward yield of c.8%</li> <li>Organic income growth expected to drive a c.5% DPU CAGR over the next 2 years</li> </ul>
Lendlease Global Commercial REIT	<ul style="list-style-type: none"> <li>Emerging in the retail REIT space, offers compelling c.6.1% fwd yield</li> <li>Newly acquired PLQ mall is a low-hanging fruit to drive stronger portfolio reversions</li> <li>Remaining 30% sponsor-held stakes offer near-term pipeline potential</li> </ul>
NetLink NBN Trust	<ul style="list-style-type: none"> <li>Monopoly in Singapore fibre network with a resilient business model and predictable revenue streams</li> <li>Expected to benefit from a rise in connection numbers based on a fixed interconnect rate over the next 4 years</li> <li>Attractive 370bps yield spread with risk-free rate</li> </ul>

Source: DBS Bank

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### Sector outlook 2026

Sector	Outlook	View	Stock Picks
Non-bank financials	Positive	<p>SGX: All indicators suggest alignment with the acceleration of EQDP fund deployment into FY26F, which is expected to continue driving SDAVs. Volatility and SGD haven inflows are structural and persistent trends. Derivatives business continues to see robust growth.</p> <p>iFAST: We expect strong earnings momentum to persist into FY26, driven by a resilient recurring fee base and the scalability of iFAST's wealth management and pension platforms. The group also stands as a key beneficiary of favourable policy tailwinds, underpinning sustained growth.</p>	SGX, iFAST
Property / Developer	Positive	Investor sentiment towards property developers has markedly improved, and we expect this momentum to continue. Key catalysts include regulatory support for capital market reforms; developers' ability to unlock value through asset divestments and redevelopments; consistently strong pre-sales in residential projects, offering robust income visibility in the coming years; and a decline in interest rates. Recent and prospective dividend increases (CDL, UOL, GUOL) also underscore a growing emphasis on delivering higher shareholder returns. The recent divestment of MCL Land, a household name, at book value serves as another data point indicating that current sector discounts are unwarranted.	UOL, CityDev
Property/construction	Positive	The construction sector outlook for Singapore remains robust heading into 2026, supported by a strong pipeline of public sector projects. These include Changi Airport T5, new MRT lines (Cross Island Line Phase 3, Downtown Line Extension), large-scale healthcare and waste management facilities, alongside a steady pipeline of public housing developments. We view the sector as a key proxy to Singapore's construction supercycle, with sustained award momentum expected to drive earnings visibility over the medium term.	Soilbuild
Industrial REITs	Positive	Industrial REITs are projected to continue exhibiting robust organic growth prospects in 2026, estimated at 10%. Although this represents a slight y/y dip, the overall figures surpass those of other real estate submarkets. Possessing the most geographically diversified portfolio, industrial REITs have successfully diversified their earnings profiles and constantly recalibrated their portfolios to focus on markets and property types anticipated to outperform, while divesting lower-yielding properties. With declining interest rates, we expect increased acquisition activity within industrial S-REITs, especially when weighted average cost of capital (WACC) is lower than asset yields.	CLAR, MLT, NTTDC

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### Sector outlook 2026 (cont.)

Sector	Outlook	View	Stock Picks
Office REITs	Positive	Office sector continues to see strong fundamentals and has performed better than expected in 2025, aided by the lack of supply in Singapore, coupled with stable demand from firms (including real estate, insurance, and financial firms). Singapore's established position as a wealth management hub has also contributed to the rise of new family office formations, consequently driving more demand for space. The forward outlook remains robust; with no new supply within the CBD and an expected continued expansion in demand for space, rents are projected to increase. Furthermore, office REITs' overseas assets (specifically in AU and UK) are experiencing a gradual turnaround, which is expected to accelerate overall growth in 2026.	-
Transport	Positive	<p>We remain neutral on SIA given persistent yield compression (although it is easing) and the stubborn persistence of ex-fuel cost inflation. While cheaper jet fuel and sustained traffic growth will help cushion the impact, these factors are insufficient to alter our stance at this stage, particularly as Air India continues to weigh on the bottom line. Higher up the value chain, we are more positive and prefer MRO operators and OEMs, with easing supply chain bottlenecks and firm forward bookings indicating steady traffic growth and service demand.</p> <p>An imminent slowdown in global trade and air cargo volumes, attributed to the delayed impact of tariffs, will weigh on SATS. However, we still expect the group to outperform the broader cycle. A growing customer base and deeper wallet share should enable SATS to achieve cargo tonnage growth despite softer macroeconomic conditions. Its aviation catering and ground handling operations should also continue to grow, supported by robust APAC traffic growth, while US traffic growth should remain positive but slower given tighter capacity discipline. Meanwhile, the impending divestment of the loss-making satcom business will provide a meaningful uplift to STE's earnings. STE should also continue to benefit from the structural rise in global defence spending, with a vibrant contracting pipeline in Europe and the Middle East reinforcing its strong order backlog and supporting accelerated growth moving forward.</p> <p>Point-to-point (P2P) segment: In SG and AU, P2P competitive landscape remains intense. In UK, B2C volume remains soft due to macroeconomic challenges.</p>	ST Eng, SIA Eng, SATS
Technology	Positive	We maintain a positive outlook on the semiconductor sector and expect the uptrend to remain intact. Unlike previous cycles, we anticipate a longer-lasting upcycle, with AI serving as the dominant structural driver. The ongoing recovery in the backend segment and improving downstream consumer electronics demand provide additional breadth and support, signalling a healthier and more broad-based rebound. For direct AI beneficiaries, the easy gains have likely been realised; while the outlook remains positive, further upside is expected at a more moderated pace.	UMS, Frencken

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### Sector outlook 2026 (cont.)

Sector	Outlook	View	Stock Picks
Internet services	Positive	We foresee significant scope (~20%) for consensus to raise FY26F adj Group EBITDA for Grab, primarily driven by higher deliveries margins, as Grab capitalises on its new product launches in 2025, such as grocery delivery and dining out. We also think that consensus has appropriately reduced Sea Limited 's (SE's) FY26F group adj EBITDA by 12% over the last 45 days, owing to lower e-commerce margins amid an otherwise healthy gaming and fintech outlook. We prefer Grab for potential upward revisions in consensus estimates, followed by Sea Ltd, whose stock price has recently corrected by >25%.	GRAB, SE
Plantation	Positive	We are positive on the palm oil price trend due to limited supply expansion and growing demand from Indonesia's biodiesel programme. We project palm oil prices to remain elevated at around USD920 per MT in 2026. We favour upstream palm oil companies, such as First Resources (FR) and Bumitama Agri (BAL), given their exposure to higher selling prices. FR is also expected to benefit from the ANJT acquisition. For Wilmar, the narrow refining margin remains an issue, in addition to the ongoing cooking oil case in China.	FR, BAL
Consumer services	Positive	<p>We are positive on SG retailers, specifically Sheng Siong and DFI. For Sheng Siong, we believe FY26 could demonstrate double-digit earnings growth, supported by record 10 net new stores in FY25 and the impact of SG60 vouchers (representing 15% of industry sales in 2024). However, the stock price has rallied above our TP, rendering the risk-reward ratio less appealing at the current price of SGD2.70. For DFI, we believe valuation remains attractive at 18x fwd PE, with further upside potential from margin expansion, where we identify significant growth headroom.</p> <p>We are neutral on gaming services. VIP volume growth could remain strong, as these customers tend to be less sensitive to current macroeconomic headwinds, while mass gaming could remain subdued due to regional macroeconomic softness and a strong SGD.</p>	DFI
Banks	Neutral	A year of moderation lies ahead, with growth in non-interest income largely driven by wealth management fees, identified as a bright spot. Net interest margins (NIMs) will continue to weigh on net interest income (NII), albeit buffered by the deployment of excess liquidity – which is NII accretive but NIM dilutive. We expect asset quality to remain largely benign. We recommend focusing on stocks that offer certainty in growing dividend yields and possess the potential to return additional excess capital.	OCBC
Retail REITs	Neutral	We adopt a slightly cautious stance on the retail sector for the upcoming year, as it confronts the impending SG-JB RTS overhang. This caution is further supported by still-reserved domestic spending, as pent-up consumption stagnates, and tourists traffic normalises to near pre-COVID levels. We forecast 2% sector-wide growth in retail sales, primarily driven by flat to 1% growth in domestic basket spend and mid-single-digit growth in tourist receipts, which is expected to benefit central malls. We prefer retail footprints with lower northern-bound exposure and higher acquisition potential. Top picks: CICT, LREIT.	CICT, LREIT

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### Sector outlook 2026 (cont.)

Sector	Outlook	View	Stock Picks
Energy	Neutral	The overall oil price and capex environment is expected to remain benign in 2026, in anticipation of supply pressure leading to a slight moderation in oil prices (by ~USD5/bbl to USD62-67/bbl). Nevertheless, green shoots remain evident in certain sub-segments. We advocate selective BUY recommendations for operations and maintenance (O&M) stocks with earnings resiliency or turnaround potential. Seatrium (BUY; TP SGD2.96) underperformed in 2025 due to slow order flow and negative news related to contract cancellations and an arbitration lawsuit, among other factors. We believe order momentum will pick up, and margin expansion will propel its share price performance in 2026. We favour Nam Cheong (BUY; TP SGD1.25) for its earnings visibility, backed by 60% long-term charters and potential earnings upgrades from OSV newbuild orders.	Seatrium, Nam Cheong
Telecom Svcs	Neutral	In 2026, the telco sector is poised to begin reaping the benefits of sector consolidation in Singapore, marked by the stabilisation of mobile average revenue per user (ARPU), which has been declining for several years. Singtel's stock price has increase by >50% in 2025, primarily driven by growth at Optus and its associates, such as Bharti and AIS, consequently leaving <10% upside potential at the current share price.	-
Consumer Staples	Neutral	We are neutral on Thai Bev and Delfi. For Thai Bev, while valuation is attractive, overall business prospects remain challenging due to soft regional macroeconomic headwinds and intense competition. For Delfi, the outlook remains uncertain owing to volatile cocoa prices, pressure on Indonesian consumers, and a competitive environment.	-
Healthcare	Neutral	We remain constructive on Singapore healthcare heading into 2026. Raffles Medical is supported by share buybacks, an improved dividend policy, and an improving China trajectory that mitigates earnings drag. IHH Healthcare distinguishes itself as a multi-market expansion narrative, leveraging its scale as one of Asia's largest hospital operators to capture private healthcare demand across Malaysia, Singapore, India, China, and Türkiye/Europe.	-
Hospitality REITs	Negative	We remain cautious on the sector. We anticipate the sector will be operating from a high base in 2026, with the peak of supply now behind us and tourist arrivals still in recovery, which bears close monitoring. We foresee a stronger MICE calendar heading into 2026, featuring even-year MICE conferences such as the Air Show and Singapore International Water Week, alongside a further normalisation of the c.10% arrival gap compared to pre-COVID levels. The attractions scene is expected to rekindle demand, starting with the Disney Cruise in 1Q26. We estimate that room demand will outpace the introduction of new rooms, leading to c.2%-3% growth in RevPAR in 2026, from a lower y/y base.	CLAS, CAREIT

Source: DBS

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