UOBKayHian

Country Daily | Singapore

Thursday, 24 September 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	51511.6	(0.7)	0.1	(3.3)	7.2
S&P 500	7706.0	(0.8)	2.0	0.4	12.6
FTSE 100	10705.3	(0.0)	0.2	(1.0)	7.8
AS30	8956.2	0.1	0.9	(3.9)	(0.7)
CSI 300	4517.3	(0.6)	0.8	(1.0)	(2.4)
FSSTI	5709.9	(0.2)	1.3	0.5	22.9
HSCEI	8273.8	(1.1)	0.8	(2.3)	(7.2)
HSI	24834.1	(1.0)	0.5	(4.5)	(3.1)
JCI	6374.9	1.6	(1.0)	(1.9)	(26.3)
KLCI	1676.4	(0.4)	(0.2)	(3.4)	(0.2)
KOSPI	7080.9	0.9	5.4	4.3	68.0
Nikkei 225	65019.0	1.4	1.6	(0.8)	29.2
SET	1610.7	0.4	3.1	0.6	27.9
TWSE	48157.3	0.7	5.0	7.6	66.3
BDI	3430	(0.1)	3.1	20.7	82.7
CPO (RM/mt)	4614	0.1	(0.6)	(1.6)	17.3
Brent Crude (US$/bbl)	103	3.9	(2.6)	9.2	69.4

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
New Economy Conference at The Ritz Carlton Hotel	Malaysia	07 Oct	07 Oct
NDR with Food Empire Holdings Ltd (FEH SP)	Malaysia	08 Oct	08 Oct

Corporate and Macro Calendar

Economic Indicator/Event	Date
6-Month T-Bill Auction	24 Sep
Industrial Production MoM AUG	25 Sep
Industrial Production YoY AUG	25 Sep
15-Year Bond Auction	28 Sep

Top Stories

Sector Update | Banking

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- MAS expects core inflation to remain elevated till 1H27 and has increased the rate of appreciation of the S$NEER policy band. Money supply M2 has slowed to a growth of 2.7% yoy in Jul 26, reflecting MAS' tightening bias. Assuming that the current pace of rise at 5bp/month is maintained, we estimate three-month compounded SORA would reach 1.4% by end-26. Upgrade to MARKET WEIGHT.

Asian Gems Corporate Highlights | Yangzijiang Shipbuilding (YZJSGD SP/**BUY**/S$5.18/Target: S$5.90)

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- During the investor meeting, management sounded incrementally more confident in achieving or exceeding its US$4.5b 2026 contract-win target. Large-vessel delivery slots are guided to have been fully booked through 1H30, and disciplined bidding should preserve margins. 2H26 gross profit margin is expected to remain largely stable despite renminbi appreciation. With Hongyuan yard officially commencing operations in early-27 and an orderbook extending to 2030, earnings visibility remains strong. Maintain BUY and raise our target price to S$5.90, based on 10.1x 2028F PE.

Market Spotlight

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- US stocks were lower on Wednesday. All indices fell as the communication services, utilities and consumer discretionary sectors slid. There were more decliners than advancers on both the NYSE and Nasdaq.
- The FSSTI fell 13.85pt to 5,709.91, on the back of weakness in OCBC, DBS and Singtel, with mid-cap indices rising while small-cap indices fell with a broad market decline on S$2.03b turnover.

Technical Analysis

Jardine Cycle & Carriage (JCNC SP)

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- Trading Sell Range: S$26.83-26.84

SATS (SATS SP)

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- Trading Sell Range: S$3.83-3.84

Banking

Benefitting From Higher For Longer Bond Yields And Interest Rates

Highlights

- MAS expects core inflation to remain elevated till 1H27 and has increased the rate of appreciation of the S$NEER policy band. Money supply M2 has slowed to a growth of 2.7% yoy in Jul 26, reflecting MAS' tightening bias. Assuming the current pace of rise at 5bp/month is maintained, we estimate three-month compounded SORA would reach 1.4% by end-26.
- OCBC was more sensitive to rate hikes with NIM improving 20bp for every 100bp increase in 3M SORA during the last interest rate cycle (up-cycle: 2022-23 and down-cycle: 2024-25), compared with a smaller 15bp for DBS. We raise 2027 earnings forecasts for DBS by 5.7% and OCBC by 4.7% due to NIM expansion of 11bp and 12bp respectively.
- **Upgrade to MARKET WEIGHT.** We upgrade OCBC to BUY (Target: S$35.70) for its diversified growth from wealth management (63% of its fee income), trading income and insurance. We also upgrade DBS to HOLD (Target: S$83.60) but its valuation is stretched with 2027F P/B at 3.0x.

Analysis

- **MAS switches focus to fighting elevated inflation.** The Monetary Authority of Singapore (MAS) increased the rate of appreciation of the SGD Nominal Effective Exchange Rate (S$NEER) policy band slightly in Jul 26, despite having already done so in Apr 26. It expects imported costs to rise in the upcoming quarters. Higher fuel and electronic input costs will lift prices for upstream and intermediate items, such as construction materials, capital equipment and food commodities. Adverse weather conditions are expected to drive up food prices. MAS core Inflation is forecast to step up and remain elevated into 1H27.
- **The Fed has finally acted.** Fed chairman Kevin Warsh sees the US economy firing on all cylinders with robust hiring, business capital investment and private sector earnings. The labour market is literally at full employment, but inflation has been above the target of 2% for more than five years. Thus, the FOMC hiked the Fed Funds Rate by 25bp to 3.75% on 16 Sep 26 to ensure inflationary pressures do not broaden and to facilitate a timely return to price stability. This is the first hike under the helm of the new chairman after a pause for two consecutive FOMC meetings. Based on the dot plot as of Sep 26, the median projected path for the Fed Funds Rate is 4.1% by end-26, indicating one more hike of 25bp, either during October or December.
- **Situation in the Middle East remains dicey.** The Houthi rebels have seized Mokha, Dhubab, Perim Island and Hanish islands, which strengthened their grip on the Bab el-Mandeb Strait, a critical chokepoint for maritime traffic traversing through Suez Canal and the Red Sea. These gains could expose tankers to greater risk of attack, raise freight and insurance costs, and disrupt deliveries to Asian customers, particularly as restrictions at Hormuz have increased Saudi Arabia's dependence on its Red Sea export route. The potential disruption could constrain Saudi's export volume, delay deliveries and put upward pressure on global crude oil prices.

Analyst(s)

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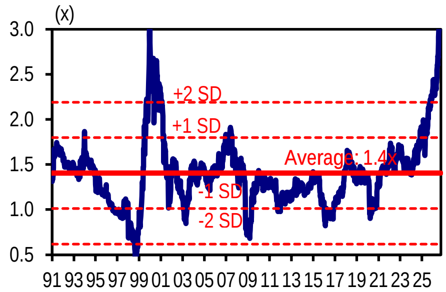
MARKET WEIGHT (Upgraded)

Sector Picks

Company	Ticker	Rec	Share Price (S$)	Target Price (S$)
DBS	DBS SP	HOLD	77.69	83.60
OCBC	OCBC SP	BUY	31.65	35.70

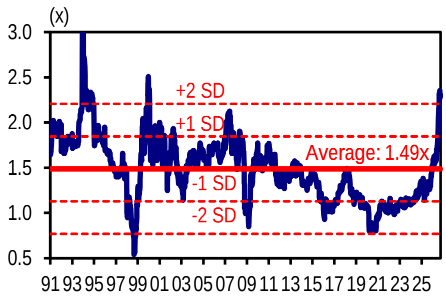
Source: Bloomberg, UOB Kay Hian

P/B – DBS



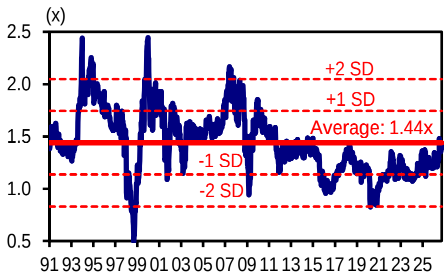
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 23 Sep 26 (S$)	Target Price (S$)	Market Cap (US$m)	PE 2026F (x)	PE 2027F (x)	P/B 2026F (x)	P/B 2027F (x)	P/PPOP 2026F (x)	P/PPOP 2027F (x)	Yield 2026F (%)	Yield 2027F (%)	ROE 2026F (%)	ROE 2027F (%)
DBS	DBS SP	HOLD	77.69	83.60	172,938	19.1	17.8	3.10	3.00	15.4	14.3	4.2	4.5	16.5	17.4
OCBC	OCBC SP	BUY	31.65	35.70	111,364	17.6	16.3	2.24	2.09	15.1	14.1	3.0	3.1	12.7	13.2
UOB	UOB SP	NR	42.84	n.a.	55,267	12.8	11.9	1.35	1.29	9.1	8.8	4.1	4.3	10.8	11.1
Average						16.5	15.3	2.23	2.13	13.2	12.4	3.8	4.0	13.3	13.9

Source: Bloomberg, UOB Kay Hian

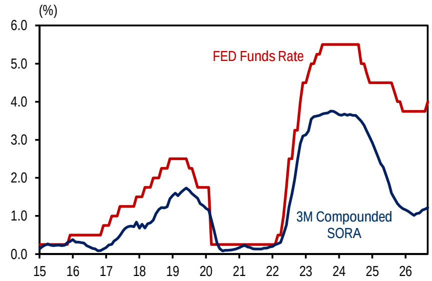
Valuation/Recommendation

- **Weighing the pros and cons.** We postulate that Singapore banks are a hedge against potential sovereign debt crises in developed countries. Conventional wisdom also dictates that higher government bond yields are positive for banks. However, we want to adopt a defensive posture due to near-term headwinds from a prolonged conflict in the Middle East, which will give rise to elevated inflation. The economy and loan growth could potentially slow down due to weakness in business sentiment.
- **SORA has bottomed and is expected to increase gradually.** We observed that money supply M2 has slowed to a growth of 2.7% yoy in Jul 26, compared to the recent peak of 9.5% yoy in Aug 25, reflecting MAS' tightening bias. Three-month compounded SORA troughed at 1.02% in Apr 26. Since then, it has risen smoothly and gradually by 14bp to 1.22% in 3Q26. Assuming that the pace of rise remains at the current 5bp/month, we estimate that three-month compounded SORA would reach 1.4% by end-26.
- **NIM sensitivity to 3M SORA.** We measured the NIM sensitivity against movements in 3M compounded SORA during the last interest rate cycle (up-cycle: 2022-23 and down-cycle: 2024-25). OCBC was more sensitive to rate hikes with NIM improving 20bp for every 100bp increase in 3M SORA, compared with a smaller 15bp for DBS.
- **Upgrade to MARKET WEIGHT.** Singapore banks deserve to trade at a premium for their structural resilience. On a ytd basis, DBS' and OCBC's share prices have rallied by 38% and 60% respectively. United Overseas Bank's (UOB) share price has also caught up, with a gain of 22% ytd.
- Our preferred pick is OCBC (BUY/Target: S$35.70) for its strategic shift to accelerate growth. OCBC is more sensitive to growth in wealth management fees, which accounted for 63% of its fee income. It has delivered the strongest and most diversified 2Q26 results with earnings growth at 22% yoy, driven by wealth, trading income and insurance. We like DBS (HOLD/Target: S$83.60) but its valuation is stretched with 2027F P/B at 3.0x, although it remains the leader in wealth management and scale of earnings.

DBS Group Holdings (HOLD/Target: S$83.60)

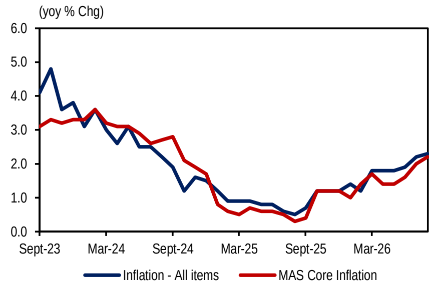
- **DBS is recognised as the world's best private bank** by Euromoney Private Banking Awards 2026. According to Asian Private Banker, DBS is ranked the 4th largest private bank in Asia with AUM having increased 22% to S$335b in 2025 (DBS is behind UBS and HSBC but neck and neck with JPMorgan). DBS has doubled its wealth management AUM since 2019, representing six-year CAGR of 12.2%. The proportion of AUM invested is also high at 58%. Wealth management fees grew 29% in 2025 and 25% yoy in 1Q26. DBS' cost-to-income ratio of 46% for wealth management stood out as one of the most efficient among top global private banks.
- **Drawing closer to HNW clients through new wealth centres.** DBS plans to open 18 new and 36 upgraded wealth centres across the Asia Pacific region, such as Singapore, Hong Kong, China, India, Indonesia and Taiwan in 2H26. It aims to be closer to its high-net-worth (HNW) clients, serving them where they live and work. The presence of its wealth centres in Singapore would be expanded by 50%. In-person face-to-face meetings remain important for HNW clients, despite actively engaging them through digital wealth platforms.
- Asset quality is pristine, with NPL formation muted at S$126m in 1Q26 and S$155m in 2Q26. NPL ratio is low at 1.0%, while loan-loss coverage is healthy at 130%. DBS has ample management overlay for general provisions of S$2,400m.
- We raised our 2026 and 2027 net profit forecasts by 1.5% and 5.7% respectively due to higher NIM of 1.90% in 2026 (previous: 1.87%) and 2.01% in 2027 (previous: 1.86%).

US Fed Funds Rate Vs 3M SORA



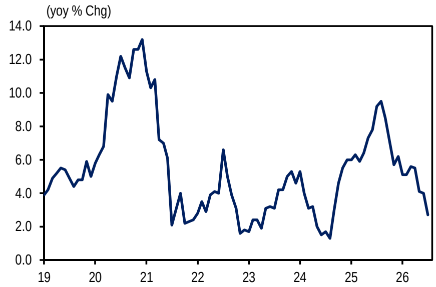
Source: Bloomberg

SG Core Inflation, yoy % Chg



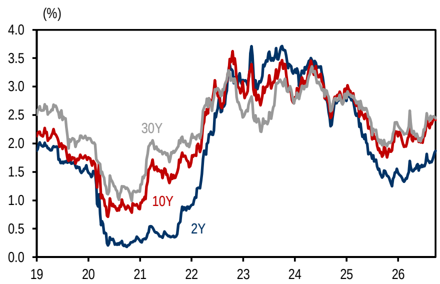
Source: CEIC

SG Money Supply M2, yoy % Chg



Source: CEIC

SG 2Y, 10Y and 30Y Government Bond Yields



Source: Bloomberg

- DBS provides a dividend yield of 4.5% for 2027 with latent potential for more capital management exercises. We expect DBS to raise its quarterly DPS by 6 S cents to 72 S cents starting 4Q26.
- **Upgrade to HOLD.** Our target price of S$83.60 is based on 3.23x 2027F P/B, derived from the Gordon Growth Model (ROE: 17.0%, COE: 7.0%, growth: 2.5% [previous: 2.2%]).

Key Assumptions – DBS

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	14,424	14,500	14,733	16,580	17,396
Non-Interest Income	7,873	8,400	9,497	9,869	10,395
Total Income	22,297	22,900	24,231	26,450	27,790
Pre-Provision Operating Profit	13,259	13,528	14,307	15,499	16,179
Net Profit	11,289	10,933	11,525	12,395	12,940
% Chg	12.2	(3.2)	5.4	7.6	4.4
Loan Growth (%)	3.4	3.3	7.5	4.5	4.5
NIM (%)	2.14	2.02	1.90	2.01	2.01
Fees, % Chg	23.2	17.5	16.6	8.9	8.4
NPL Ratio (%)	1.09	1.03	0.98	0.98	0.97
Credit Costs (bp)	14.0	17.8	15.2	17.1	17.1

Source: UOB Kay Hian

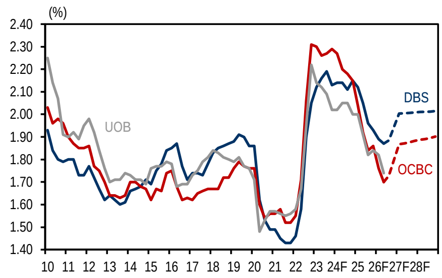
Oversea-Chinese Banking Corp (BUY/Target: S$35.70)

- OCBC's **New Frontier strategy** targets to deepen its domestic presence within the ASEAN region in Malaysia and Indonesia. It has embarked on a strategic shift to capture growth at its twin wealth hubs of Singapore and Hong Kong. Management targets to deliver Whole-of-Wealth (WoW) value proposition across the banking, wealth management and insurance businesses. Management targets double-digit growth in wealth management fees and AUM.
- OCBC's private banking arm, Bank of Singapore (BOS), is **sharpening its focus on ultra HNW** clients in Southeast Asia and North Asia, in line with the expansion of OCBC's WoW eco-system. BOS has achieved its target of 500 RMs for private banking by end-25. It aims to grow AUM contributed by ultra HNW clients by 30% by 2028. OCBC has set a new target of hiring 600 RMs for consumer financial services over the next three years.
- **OCBC entered into a new 10-year strategic cooperation agreement with Bank of Ningbo** (BON) in Sep 26, extending a partnership established since 2006 to capture trade, investment and wealth opportunities between ASEAN and Greater China. The collaboration combines BON's domestic customer franchise with OCBC's regional network to support Chinese businesses expanding overseas and deepen cooperation in wholesale banking and wealth management. OCBC, which holds a 20% stake in BON, registered a 50% increase in new-to-bank Chinese companies expanding into ASEAN in 2025. The agreement includes a US$5m training grant to support staff development and knowledge sharing between the two banks.
- OCBC's NPL formation was manageable at S$123m in 1Q26 and S$300m in 2Q26. It has the lowest NPL ratio of 0.9%, but the highest loan-loss coverage at 163%.
- We raised our 2026 and 2027 net profit forecasts by 0.6% and 4.7% respectively due to an expected higher NIM of 1.75% in 2026 (previous: 1.71%) and 1.87% in 2027 (previous: 1.71%).
- **Maintain BUY.** Our target price of S$35.70 is based on 2.36x 2027F P/B, derived from the Gordon Growth Model (ROE: 13.3%, COE: 7.25%, growth: 2.8% [previous: 2.5%]).

Key Assumptions – OCBC

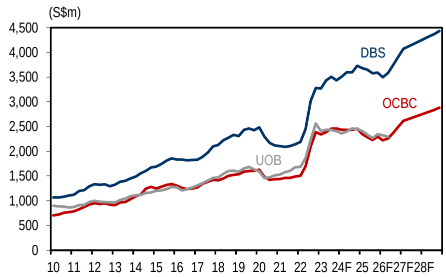
(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	9,755	9,150	9,352	10,680	11,279
Non-Interest Income	4,718	5,464	6,506	6,519	6,868
Total Income	14,473	14,614	15,858	17,199	18,147
Pre-Provision Operating Profit	8,672	8,710	9,440	10,110	10,668
Net Profit	7,587	7,422	8,100	8,767	9,261

Net Interest Margin (NIM)



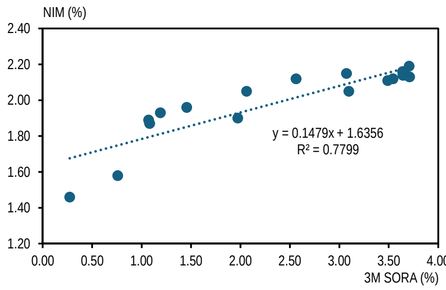
Source: Respective banks

Net Interest Income (NII)



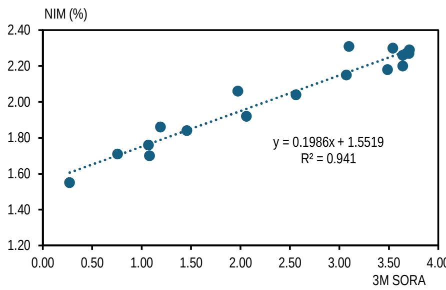
Source: Respective banks

NIM versus 3M SORA – DBS



Source: Respective banks

NIM versus 3M SORA – OCBC



Source: Respective banks

% Chg	8.1	(2.2)	9.1	8.2	5.6
Loan Growth (%)	7.6	6.9	9.0	4.4	4.4
NIM (%)	2.20	1.92	1.75	1.87	1.89
Fees, % Chg	9.2	22.4	15.6	9.7	8.8
NPL Ratio (%)	0.89	0.95	0.87	0.88	0.89
Credit Costs (bp)	22.4	20.1	20.8	20.1	20.1

Source: UOB Kay Hian

Sector Catalyst/Risk

- **Catalysts:** Singapore's strong fiscal standing, which attracts constant influx of safe haven liquidity, thus boosting Singapore banks' AUM, wealth management fees and trading income.
- **Risks:** Economic slowdown caused by uncertainties from a prolonged Middle East conflict and elevated energy prices.

Projected DPS And Dividend Payout Ratios

	-------- DBS (HOLD/S$77.69/Target: S$83.60) --------			-------- OCBC (BUY/S$31.65/Target: S$35.70) --------			------ UOB (NOT RATED / S$42.84) ------		
Year to 31 Dec	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F
EPS (S ¢)	384	406	437	163	179	195	276	334	359
DPS (S ¢)	306	330	348	99	94	98	181	172	184
Payout Ratio (%)	79.7	81.3	79.7	60.7	52.4	50.3	65.6	51.4	51.1
Dividend Yield (%)	3.9	4.2	4.5	3.1	3.0	3.1	4.2	4.0	4.3

Source: Bloomberg, UOB Kay Hian

Comparison Of Profit & Loss

2Q26	DBS	OCBC	UOB
Net Interest Income	S$3,581m	S$2,264m	S$2,297m
	-1.8% yoy	-0.8% yoy	-1.7% yoy
	+2.5% qoq	+1.9% qoq	-1.2% qoq
Fee Income	S$1,460m	S$739m	S$665m
	+25.1% yoy	+27.4% yoy	+4.6% yoy
	-1.5% qoq	+9.5% qoq	+4.4% qoq
Insurance	n.a.	S$382m	n.a.
	n.a.	+69.0% yoy	n.a.
	n.a.	-6.6% qoq	n.a.
Other Non-Interest Income	S$1,052m	S$785m	S$632m
	+14.7% yoy	+71.4% yoy	+28.2% yoy
	+69.4% qoq	+50.4% qoq	+36.8% qoq
Provisions	S$113m	S$156m	S$211m
	10bp	14bp	28bp
Net Profit	S$3,079m	S$2,221m	S$1,476m
	+9.0% yoy	+22.3% yoy	+10.2% yoy
	+5.1% qoq	+12.5% qoq	+2.6% qoq

Source: Respective banks, UOB Kay Hian

Comparison Of Key Ratios

2Q26	DBS	OCBC	UOB
Net Interest Margin (NIM)	1.87	1.70	1.74
	-2bp qoq	-6bp qoq	-8bp qoq
Loan Growth	+8.2% yoy	+12.3% yoy	+5.4% yoy
	+3.5% qoq	+4.9% qoq	+2.1% qoq
Deposit Growth	+11.2% yoy	+12.8% yoy	+5.2% yoy
	+1.3% qoq	+3.4% qoq	-0.2% qoq
NPL Ratio	1.0	0.9	1.6
	Unchanged	Unchanged	+0.1ppt qoq
Loan Loss Coverage	130	163	88
	-1ppt qoq	Unchanged	-12ppt qoq
Core Equity Tier-1 CAR	14.6	14.0	15.4
	-0.2ppt qoq	-1.2ppt qoq	+0.1ppt qoq
Book Value Per Share (BVPS)	S$24.69	S$13.73	S$29.99
	+3.7% yoy	+6.3% yoy	+4.8% yoy
	+1.3% qoq	-0.7% qoq	+0.7% qoq

Source: Respective banks, UOB Kay Hian

Yangzijiang Shipbuilding (YZJSGD SP)

Expect Strong 2H26 Order Win Momentum Underpinned By Active Enquiry Pipeline; Earnings Visibility Extending Into 2030

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Highlights

- An investor meeting with YZJ was held during our Asian Gems Conference; the meeting was very well attended.
- Management sounded incrementally more positive, indicating confidence in meeting or even exceeding its US$4.5b contract win target for 2026. YZJ's delivery slots for large vessels have been fully booked through 1H30.
- YZJ remains disciplined in the competitions for newbuild orders, guiding that margin levels of its new contract wins are expected to be similar to that of its existing orderbook.
- 2H26 margins are expected to be steady vs 1H26, underpinned by a similar project mix, with limited impacts from the recently strengthening renminbi.
- YZJ offers strong medium-term earnings growth visibility, underpinned by capacity expansion (the Hongyuan yard to officially commence operations in early-27) and strong orderbook that extends into 2030.
- Maintain BUY on YZJ with our target price raised to S$5.90, now based on 10.1x 2028F PE (+2SD above historical mean). YZJ offers 4.9-5.8% dividend yields in 2026-28.

Analysis

- **Management confident in meeting or even exceeding 2026 order win target.** During the meeting, management expressed confidence in meeting or even exceeding the 2026 new order win target of US$4.5b. We note that the tone is incrementally more positive than one and a half months ago during the 1H26 results briefing (with US$1.96b contract wins in 7M26), when management expressed confidence in meeting its full-year target.
- **Delivery slots for large vessels fully booked in 1H30, signalling good progress in new order wins.** While Yangzijiang Shipbuilding (YZJ) does not routinely disclose new order wins in between quarterly briefings, management shared that YZJ's delivery slots have been fully booked for 1H30. We note that this signals that YZJ is likely to have made some good progress in securing new contracts over the past one and a half months. According to shipbuilding industry news (unconfirmed by YZJ), YZJ is reported to have recently secured US$3.9b newbuild orders from CMA CGM (12 ultra-large containerships for about US$3b) and HMM (eight tri-fuel bulk carriers for US$0.8b-0.9b).

Key Financials

Year to 31 Dec (Rmbm)	2024	2025	2026F	2027F	2028F
Net turnover	26,542	28,505	35,213	40,688	40,879
EBITDA	7,469	9,611	12,067	14,210	13,976
Operating profit	7,008	9,081	11,462	13,446	13,172
Net profit (rep./act.)	6,634	8,637	10,532	12,235	12,095
Net profit (adj.)	6,543	8,425	10,338	12,044	11,905
EPS (Fen)	165.6	213.8	262.7	306.0	302.5
PE (x)	16.4	12.7	10.4	8.9	9.0
P/B (x)	4.1	3.3	2.8	2.4	2.1
EV/EBITDA (x)	12.1	9.4	7.5	6.4	6.5
Dividend yield (%)	2.3	3.9	4.9	5.7	5.6
Net margin (%)	25.0	30.3	29.9	30.1	29.6
Net debt/(cash) to equity (%)	(81.2)	(64.2)	(43.8)	(49.6)	(53.6)
ROE (%)	28.1	29.6	29.8	29.1	24.9
Consensus net profit	-	-	11,020	12,241	12,958
UOBKH/Consensus (x)	-	-	0.94	0.98	0.92

Source: YZJ, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	S$5.18
Target Price	S$5.90
Upside	13.9%
Previous TP	S$5.30

Stock Data

Sector	Industrials
Bloomberg ticker	YZJSGD SP
Shares issued (m)	3,935.6
Market cap (S$m)	20,386.4
Market cap (US$m)	15,956.8
3-mth avg daily t'over (US$m)	58.7

Price Performance (%)

52-week high/low S$5.41/S$3.06

1mth	3mth	6mth	1yr	YTD
8.8	45.9	32.8	56.5	48.9

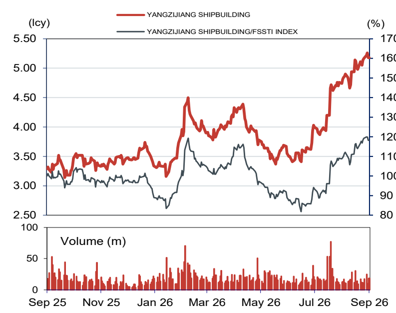
Major Shareholders (%)

Yangzi Int'l Hldgs	21.7
Lido Point Invt	9.6

Balance Sheet Metrics

FY26 NAV/Share (Rmb)	9.79
FY26 Net Debt/Share (Rmb)	(4.29)

Price Chart



Source: Bloomberg

Company Description

Established in 1956, the company has four shipyards in Jiangsu, China, and is the country's largest private shipyard. Its products include containerships, oil/chemical tankers and bulk carriers with a client network across North America, Europe and Asia.

- **Sanguine tone about 2027 order win outlook.** When asked about the contract win outlook in 2027, management also sounded positive, believing that the current contract win momentum is likely to extend into 2027. Management shared that YZJ is seeing healthy enquiry pipelines across multiple types of vessels, including containerships, oil tankers and bulk carriers. Only the enquiries about LNG carriers are relatively quiet, but this is because the industry has seen a big chunk of LNG carrier orders in the past few years. On the other hand, management noted that YZJ would prioritise larger containership orders over LNG carrier orders when given the choices of both, due to the former's more favourable margin economies.
- **Expect stable 2H26 profit margins.** Following YZJ's spectacular margin performance in 1H26, investors are more focused on the sustainability of the company's margins during the meeting. Management shared that the project mix and revenue profile in 2H26 are largely similar vs 1H26, underpinned by some good-margin large containership contracts. While YZJ does not hedge steel prices and foreign exchange, steel prices in China remained at a low level today, and the current gradual pace of renminbi strengthening against the US dollar has only limited impacts on YZJ's margins.
- **Not engaging in aggressive price competition and expecting steady margins for new orders.** Management noted that YZJ is not engaging in aggressive price competitions for new orders, and expects margins for new contracts to be largely comparable with the margins of its existing orderbook (most of which are secured in the good years). Management shared that the industry's competition is now more centred on the earliest shipbuilding slot available, instead of just prices, given that most Chinese shipyards have secured a high level of orderbook that extends into 2029/30.
- **No major order cancellation risks.** Management noted that at the trough (2016-19) of the previous shipbuilding cycle, shipyards did face risks of customers (mainly shipping companies) not being able to take deliveries of their ordered vessels due to financial difficulties. Having said that, we note that shipping companies' financial positions are vastly different today, with many of them holding significant piles of net cash that were earned in the recent super shipping upcycle during the pandemic years. As such, there should be no major order cancellation risks for YZJ.
- **Hongyuan yard completion remains on track.** Management shared that the development of the Yangzi Hongyuan Shipbuilding (Hongyuan) yard remains on track. The yard is expected to commence full operations in early-27, contributing to about 20% of YZJ's 2027 revenue.

Valuation/Recommendation

- **Maintain BUY with a higher target price of S$5.90.** Our target price is now based on 10.1x 2028F PE (previously 9.1x), pegged to 2SD (previously 1.5SD) above YZJ's historical mean PE of 6.2x. The higher PE peg reflects further extension of YZJ's earnings visibility into 1H30 (four years ahead from today). Our new PE peg is still conservative, representing a 10% discount to regional peers' average 2028F PE of 11.1x.

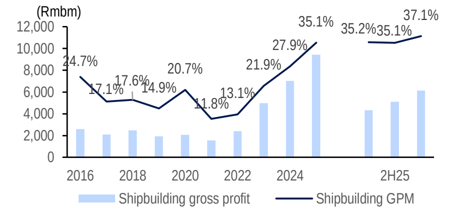
Earnings Revision/Risk

- **Trim our 2026 earnings forecast by 2%** to provide for higher cost of employee incentives (through phantom shares) that are linked to YZJ's share price performance (which has surged over 50% since 30 Jun 26). We note that this share price performance-linked employee compensation is non-recurring in nature.
- **Key risks:** a) possible re-escalation of the US-China trade tensions that led to discriminations over Chinese shipyards, and b) a sharp depreciation of the US dollar vs the renminbi.

Share Price Catalyst

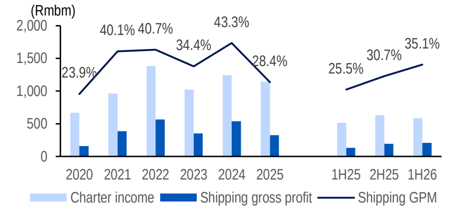
- Organic medium-term earnings growth underpinned by strong orderbook and capacity expansion.
- Potential new contract wins further extending YZJ's financial performance visibility beyond 1H30.

Shipbuilding Gross Profit Margins



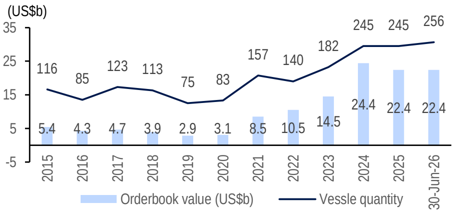
Source: YZJ

Shipping Revenue And Margins



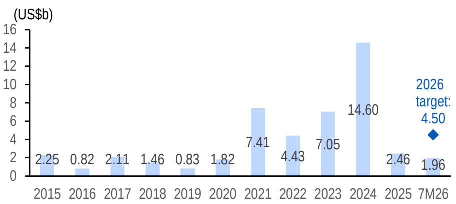
Source: YZJ

Orderbook Trend



Source: YZJ

Order Win Trend



Source: YZJ

PE-based Valuation

		2026F	2027F	2028F
EPS		Rmb2.73	Rmb3.11	Rmb3.07
		S$0.52	S$0.59	S$0.58
PE peg		-------------Target price ----------		
+2.0SD	10.1x	S$5.14	S$5.97	S$5.90
+1.5SD	9.1x	S$4.64	S$5.39	S$5.33
+1.0SD	8.1x	S$4.14	S$4.81	S$4.76
+0.5SD	7.1x	S$3.65	S$4.23	S$4.19
Mean	6.2x	S$3.15	S$3.66	S$3.61

Source: UOB Kay Hian

Profit & loss

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Net turnover	28,505	35,213	40,688	40,879
EBITDA	9,611	12,067	14,210	13,976
Deprec. & amort.	530	605	765	805
EBIT	9,081	11,462	13,446	13,172
Total other non-op. income	0	0	0	(0)
Associate contributions	861	1,133	1,290	1,287
Net interest income/(expense)	735	361	399	500
Pre-tax profit	10,677	12,956	15,135	14,959
Tax	(2,045)	(2,431)	(2,907)	(2,871)
Minorities	5	7	7	7
Net profit	8,637	10,532	12,235	12,095
Net profit (adj.)	8,425	10,338	12,044	11,905

Balance Sheet

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Fixed assets	11,334	13,058	13,248	13,448
Other LT assets	3,724	9,723	10,497	11,269
Cash/ST investment	26,144	19,366	22,580	27,595
Other current assets	17,131	19,120	22,082	22,185
Total assets	58,334	61,267	68,407	74,498
ST debt	5,500	2,500	0	0
Other current liabilities	19,040	18,578	21,255	21,348
LT debt	0	0	0	0
Other LT liabilities	1,536	1,536	1,536	1,536
Shareholders' equity	32,142	38,545	45,515	51,519
Minority interest	116	109	102	95
Total liabilities & equity	58,334	61,267	68,407	74,498

Cash flow

Year to 31 Dec (Rmbm)	2025	2026F	2027F	2028F
Operating	4,465	12,863	11,417	11,595
Pre-tax profit	10,677	12,956	15,135	14,959
Tax	(1,368)	(2,431)	(2,907)	(2,871)
Deprec. & amort.	530	605	765	805
Associates	(861)	(1,133)	(1,290)	(1,287)
Working capital changes	(4,422)	2,867	(285)	(10)
Non-cash items	0	0	0	0
Other operating cashflows	(91)	0	0	0
Investing	(8,482)	(7,194)	(438)	(490)
Capex	(2,138)	(2,329)	(955)	(1,005)
Investment	(833)	(5,318)	0	0
Proceeds from sale of assets	0	0	0	0
Others	(5,511)	453	516	515
Financing	(4,027)	(7,129)	(7,765)	(6,090)
Dividend payments	(2,608)	(4,129)	(5,265)	(6,090)
Proceeds from borrowings	0	0	0	0
Loan repayment	(1,300)	(3,000)	(2,500)	0
Others/interest paid	(119)	0	0	0
Net cash inflow (outflow)	(8,044)	(1,460)	3,214	5,015
Beginning cash & cash equiv.	28,120	20,076	18,616	21,830
Changes due to forex impact	0	0	0	0
Ending cash & cash equiv.	20,076	18,616	21,830	26,845

Key Metric

Year to 31 Dec	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	33.7	34.3	34.9	34.2
Pre-tax margin	37.5	36.8	37.2	36.6
Net margin	30.3	29.9	30.1	29.6
ROA	15.3	17.6	18.9	16.9
ROE	29.6	29.8	29.1	24.9
Growth (% yoy)				
Turnover	7.4	23.5	15.5	0.5
EBITDA	28.7	25.6	17.8	(1.6)
Pre-tax profit	30.5	21.4	16.8	(1.2)
Net profit	30.2	21.9	16.2	(1.1)
Net profit (adj.)	28.8	22.7	16.5	(1.2)
EPS	29.1	22.8	16.5	(1.2)
Leverage				
Debt to total capital	14.6	6.1	0.0	0.0
Debt to equity	17.1	6.5	0.0	0.0
Net debt/(cash) to equity	(64.2)	(43.8)	(49.6)	(53.6)

Market News

US stocks were lower on Wednesday, as the communication services, utilities and consumer discretionary sectors led shares lower. At the close of the NYSE, the Dow Jones fell 0.68% while the S&P 500 index declined 0.75% and the NASDAQ Composite index slid 1.13%. Falling stocks outnumbered advancing ones on the NYSE by 2,192 to 577 and 56 ended unchanged; on the Nasdaq Stock Exchange, 3,737 declined and 1,199 advanced, while 181 ended unchanged.

During the last trading session, the FSSTI fell 13.85pt to 5,709.91. Among the top active stocks were Singtel (-0.9%), DBS (-0.1%), OCBC Bank (-1.5%), UMS (-1.5%) and SIA (+0.8%). The FTSE ST Mid Cap Index rose 0.2%, while the FTSE ST Small Cap Index fell 0.4%. The broader market had 279 gainers and 249 losers with a total trading value of S$2.03b.

Technical Analysis

Analyst(s)

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Jardine Cycle & Carriage (JCNC SP)

Trading Sell Range:	S$26.83-26.84
Last Price:	S$26.68
Target Price:	S$24.33
Protective Stop:	S$27.47

Price continues its downward sequence after encountering strong supply rejection at its overhead resistance zone. The RSI has crossed and is expanding downward below its neutral 50-midline. As long as price remains strictly capped below this resistance, we could see a continued downward expansion towards lower support targets.

The potential downside target is S$24.33. Stop-loss could be placed at S$27.47.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

SATS (SATS SP)

Trading Sell Range:	S$3.83-3.84
Last Price:	S$3.82
Target Price:	S$3.41
Protective Stop:	S$3.95

Price executed a precise retest and rejection at its support-turned-resistance zone, converting the former demand floor into an active overhead supply ceiling. The RSI reflects strong bearish momentum and is trading near oversold territory. As long as counter-trend rallies remain strictly capped below this resistance, we favour continued downward expansion towards lower support targets.

The potential downside target is S$3.41. Stop-loss could be placed at S$3.95.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S$5.00.