

Singapore banks: Trading the short-term bounce ahead of dividend payouts

- Singapore banks have declined 13-15% over the last two weeks as they face the twin challenges of a slowing economy and a lower interest rate environment in 2020.

- The banks have historically rallied ahead of their full-year dividend ex-dates.

- As a short-term trading opportunity, we expect UOB (6.0% dividend yield) and OCBC's (5.6% dividend yield) share prices to trade higher ahead of their dividend ex-dates on 11 and 22 May, respectively. UOB will be giving out 75 Sing cents while OCBC will be paying out 28 Sing cents dividend.

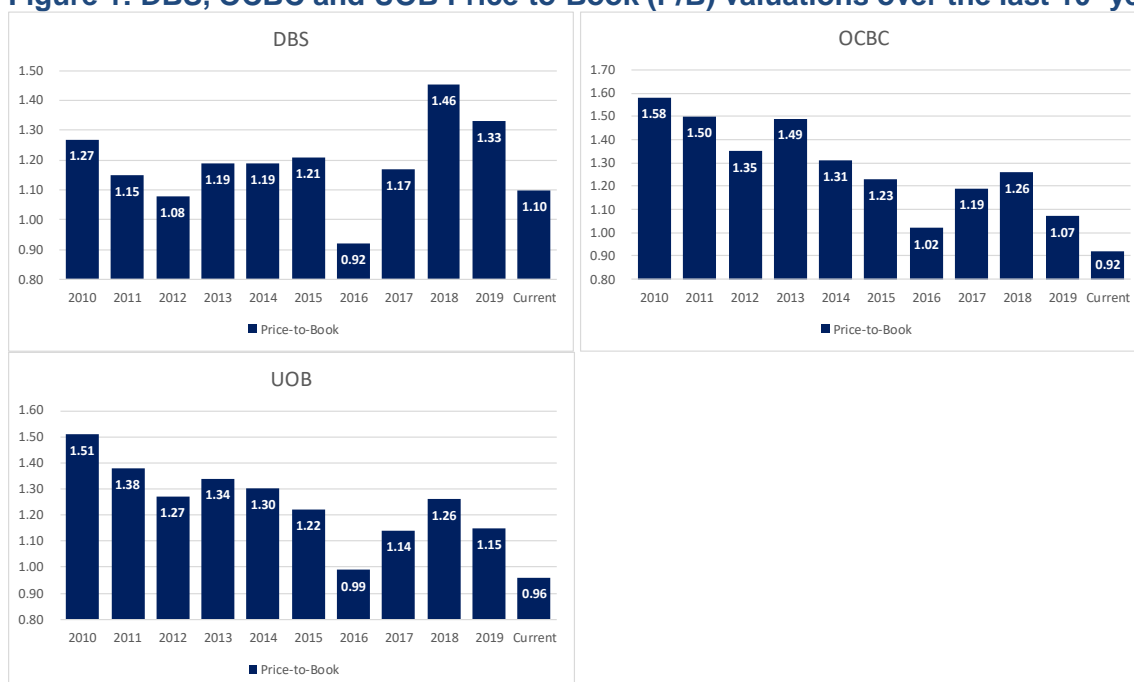
Pay day. As the banks approach their ex-dividend dates in April and May, we expect to see their share prices trade higher. As a short-term trading play, UOB's share price should see higher price gains given that it will be paying out a relatively larger final + special dividend.

- DBS quarterly dividend: 33 Sing cents, ex-date on 7 April
- UOB 55 Sing cents final + 20 cents special (Total 75 cents), ex-date on 11 May
- OCBC final 28 Sing cents, ex-date on 22 May

Bank	Payout	2020 Forecasted DPS	Share Price 9 Mar	2020 Forecasted Div Yield
DBS	Quarterly	\$1.32	\$21.15	6.2%
OCBC	Semi	\$0.53	\$9.52	5.6%
UOB	Semi	\$1.30	\$21.50	6.0%

Down to earth but nothing to get excited about. Valuations of the three banks are now at reasonable levels when compared to the last 10 years, but that isn't anything to get excited about; investors who wish to hold will need at least a one-year investment horizon given headwinds the banks will face in 2020.

Figure 1: DBS, OCBC and UOB Price-to-Book (P/B) valuations over the last 10- years



Source: Company data, KGI Research

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