

Straits Times Index - 5 must know facts

Singapore's major stock market index, the Straits Times Index has a long and rich history dating back to 1966, and is commemorating its 50th anniversary this year.



Photo: Shutterstock

THE Straits Times Index (STI) tracks the performance of top 30 stocks listed on Singapore Exchange, and is regarded as the benchmark index for the local stock market. Constructed by Singapore Press Holdings, Singapore Exchange and FTSE, it consists of some of the largest and most liquid stocks listed in SGX. Here are five interesting facts of this index:

Fact 1: 2017 officially marks the jubilee anniversary of the STI

In its initial form, the STI was known as the Straits Times Industrials Ordinary Share Index and was used to measure the price movement of industrial stocks. The Index was regularly illustrated in The Business Times which was then a Commercial and Financial Section within The Straits Times. Five years on from the base price of 100 on 30 December 1966, Singapore was well into its export promotion phase and the Straits Times Industrials Ordinary Share Index had reached 200. The foundations of the current 30 STI stocks span across as many as three centuries – from Jardine Matheson Group in the 1880s to Hutchison Port Holdings Trust in the 2010s. The STI also encompasses well-established local businesses like City Developments which was listed in 1963, to key regional plays like Golden-Agri Resources, which was founded 33 years later.

ison Port Holdings Trust in the 2010s. The STI also encompasses well-established local businesses like City Developments which was listed in 1963, to key regional plays like Golden-Agri Resources, which was founded 33 years later.

Fact 2: Singapore's Financial Foundations – DBS Group Holdings, United Overseas Bank and Oversea-Chinese Banking Corporation – make up 30% of the STI

In addition to being amongst Singapore's biggest 10, these three stocks are amongst South East Asia's 10 biggest stocks by market capitalization and Bloomberg's 10 Strongest Banks rankings. This is on account of their comparative tier 1 capital, non-performing assets to total assets and their reserves for loan losses to non-performing assets. These three banks are also ranked #12, #14 and #16 in 2016 Global Finance's World's 50 Safest Banks and have also been amongst Singapore's strongest stocks of the past five years – averaging 11% annualized total returns through to June 2017. Latest earnings results show that wealth management income has grown in recent years for all three banks.

Fact 3: With the strategic international location of Singapore, the STI is one of the world's most diversified benchmark indices

Not only is there a balance of different sectors within the Index, there is a mix of stocks that are both domestic and regionally focused. In recent financial years, as much as 46% of the revenue associated with the STI was reported to the Asia Pacific region outside of Singapore. This is not just international names such as Wilmar International, Yangzijiang Shipbuilding Holdings and Thai Beverage, but also Singapore companies that have also been increasing their international business. For example, in FY16, CapitaLand, the eighth biggest STI constituent, segmented 51% of its revenue to China and Hong Kong, up from 49% in FY15 and 22% in FY11. Within the STI, investors have choices to follow Singapore-focused names, Greater China focused names or broader Southeast Asia focused names.

Fact 4: The STI has a yield of 3.4%, – as of June 2017

Compared to an average of 2.5% for the FTSE Indices of China, Japan, India,

Hong Kong, Indonesia, Malaysia and Thailand, the STI has one of the highest dividend yields across Asia. One driver of this high dividend yield is the growing impact of REIT sector in the Singapore market. REITs, with average dividend yields of 7%, now make up 7% of Singapore's total market capitalization and 10% of its day-to-day turnover. There are currently three REITs included in the STI – CapitaLand Mall Trust, Ascendas REIT and CapitaLand Commercial REIT. Among the five stocks that make up the STI Reserve List, three of them are REITs – Suntec REIT, Mapletree Commercial Trust and Keppel REIT.

Fact 5: The STI is investable

The first STI ETF – the SPDR® Straits Times Index ETF listed in April 2002 and the second Nikko AM Singapore STI ETF listed in February 2009, the STI was one of Asia's strongest benchmark from April 2002 through to June 2017. With dividend inclusive returns nearing 200%, STI ETFs that follow the performance of the STI benchmark have provided access to these returns, while also mirroring the changes to STI constituents over the years. Hence by including STI ETFs in your portfolios, investors will automatically gain exposure to the 30 biggest active Singapore stocks, which can change over time. Investors can also choose to dollar cost average the ETFs that track the STI via Maybank Kim Eng, OCBC Bank, Phillip Capital and POSB Regular Shares Savings (RSS) Plans. RSS plans utilize dollar cost averaging – over the past three years, dollar cost averaging on the STI ETF meant that one third more units were bought at market lows in January 2016, compared to market highs in April 2015.

With its emergence as one of the best performing index in Asia since beginning of 2017, it could not be more apt that this benchmark is celebrating its 50th anniversary this year with a great start.

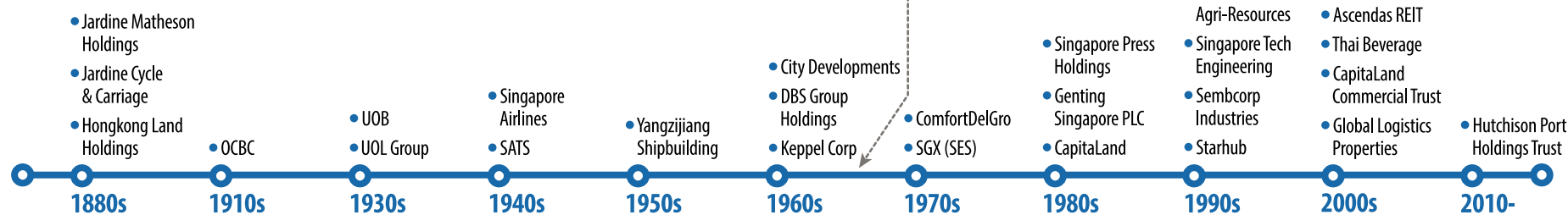
With sustainable and healthy returns, STI remains attractive especially for long-term investors looking for sustainable dividend payout.

To find out more about the Straits Times Index and local listed companies, please visit the Singapore Exchange Pavilion at INVEST Fair 2017.

This article is written by Geoff Howie, Singapore Exchange's Market Strategist.

STI Foundations Span Three Centuries

The STI has been providing a performance since the beginning of 1967. Five years on from the base price of 100 on 30 December 1966, Singapore was well into its export promotion phase and the Straits Times Industrials Ordinary Share Index had reached 200.



Source: SGX

This publication is not intended for distribution to, or for use by or to be acted on by any person or entity located in any jurisdiction where such distribution, use or action would be contrary to applicable laws or regulations or would subject Singapore Exchange Limited and/or its affiliates (collectively, "SGX") to any registration or licensing requirement. This publication is not and does not constitute or form part of any offer, invitation, solicitation, advertisement or representation to buy, sell, to subscribe to or enter into any transaction, nor financial advice or recommendation for any investment product described in this publication. This publication is for general circulation only and has not given any consideration to the specific investment objectives, financial situation or particular needs of any person. Advice should be sought from a financial adviser regarding the suitability of any investment product before investing or adopting any investment strategies. Investment products are subject to significant investment risks, including the possible loss of the principal amount invested. Any past performance is not indicative of the future or likely performance of any investment product. SGX disclaims any and all guarantees, representations and warranties, expressed or implied, in relation to this publication. While SGX has taken reasonable care to ensure the accuracy, correctness and completeness of the information provided, it will not be responsible or liable (whether under contract, tort (including negligence) or otherwise) for any loss or damage (whether direct, indirect or consequential losses or other economic loss of any kind, including without limitation loss of profit, loss of reputation and loss of opportunity) suffered or incurred by any person due to any omission, error, misstatement, inaccuracy, incompleteness, negligent or otherwise, any reliance and/or use of the information published. SGX may deal in investment products in the usual course of business, and may be on the opposite side of any trades. SGX is an exempt financial adviser under the Financial Advisers Act (Cap. 110 of Singapore). The information in this publication is subject to change without notice.