

Singapore shares lower at midday after Wall Street's slump, weak Q2 GDP

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SINGAPORE (Thomson Financial) - Singapore shares were lower at midday on Thursday after Wall Street tumbled overnight and data showed the domestic economy grew at its slowest pace in five years.

The Singapore economy expanded at a 1.9 percent clip in the second quarter based on the government's advance estimate, much lower than the Thomson IFR estimate for a growth of 5.0 percent.

In seasonally-adjusted terms, GDP shrank 6.6 percent from the previous quarter after expanding by 15.6 percent in the first quarter.

The data prompted most economists to pare down their growth expectations for Singapore this year, closer to the lower end of the government's 4.0 percent to 6.0 percent forecast range.

CIMB-GK regional economist Song Seng Wun said the economy was effectively in stagflation as low growth was accompanied by soaring inflation. Economists expect inflation to exceed 8 percent in June from a 26-year high of 7.5 percent in May after oil prices continued to rise.

Standard Chartered (other-otc: SCBEF.PK - news - people) Bank economist Alvin Liew warned Singapore may enter its first technical recession since 2002 in the third quarter as other sectors of the economy had started to slow.

But Westcomb Securities research head Goh Mou Lih said he was not as worried.

'We maintain our view that the Singapore economy remains healthy, expected to grow at 4.8 percent in 2008. Thus, any sharp fall in the market should post a good buying opportunity,' Goh said.

At midday, the Straits Times Index was down 18.50 points or 0.6 percent at 2,899.12.

There were 747.1 million shares traded valued at S\$595.5 million.

Decliners outnumbered gainers 311 to 111 with 983 stocks unchanged.

Banking stocks were mixed with DBS Group down 0.4 percent at S\$18.76, Oversea-Chinese Banking Corp down 0.4 percent at S\$8.04, while **United Overseas Bank** (other-otc: UOVEY.PK - news - people) rose 0.3 percent to S\$18.60.

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Among other blue chips Singapore Telecom slipped 0.9 percent to S\$3.49 and Singapore Exchange fell 2.2 percent to S\$6.80. **Singapore Airlines** (other-otc: SGPJF.PK - news - people) rose 0.7 percent to S\$14.98 while **Keppel Corp** (other-otc: KPELY.PK - news - people) was steady at S\$10.64.

Property stocks were mixed with CapitaLand down 1.0 percent at S\$5.76, **City Developments** (other-otc: CDEVY.PK - news - people) down 0.9 percent at S\$11.18 and Keppel Land up 0.8 percent at S\$4.84.

Land transport operator ComfortDelGro fell 1.4 percent to S\$1.45. The company has announced its Australian unit ComfortDelGro Cabcharge Pty Ltd (CDC) will acquire bus builder Custom Coaches Pty Ltd, subject to due diligence.

The acquisition will give CDC an initial 35 percent share of the Australian bus building market.

'This acquisition is a natural extension of its core business and will be positive for the longer-term growth of its Australian operations,' said CIMB-GK Research analyst Lawrence Lye.

The brokerage has maintained its 'outperform' rating on ComforDelGro with a target price of S\$2.09.

(\$1=S\$1.36)

Source: Thomson Financial News



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