

STI PLUNGES — SHOULD I DEPLOY MY \$20,000?

A sharp correction, fresh dry powder, and one important question: act now or stay patient?



STI down >5%

In just 3 trading sessions



\$20,000 dry powder

But is this the right time to use it?

1 Why did the STI plunge?

Banks, yields, sentiment

2 Has the correction created enough value?

Valuations improved ... but enough?

3 What would make me deploy my capital?

Not just because prices fell

BUY NOW — OR WAIT?

Diversification. Discipline.

My key takeaways at the end of the video.

WHY DID THE STI PLUNGE?

A bank-led correction amplified by global macro concerns and valuation reset

STI: >5% decline

From Tuesday's 5,702 close to Friday's ~5,405 close

DBS + OCBC + UOB = ~58% of STI

Heavy index concentration magnified the sell-off

1) Bank earnings concerns

- Citi downgraded OCBC from Neutral to Sell
- Concerns: **3Q earnings could be flat YoY**
- Capital position and earnings growth may not justify valuation
- These were **analyst forecasts, not actual 3Q results**
- RHB maintained a more positive view of Singapore banks

OCBC fell **almost 6%** on Wednesday

2) Selling intensified across banks

- On Thursday, DBS, OCBC and UOB each **fell by more than 4%**
- Because the 3 banks dominate the STI, weakness had an **outsized index impact**
- **The correction was not limited to banks**
- **Declining stocks substantially outnumbered advancing stocks** on Thursday

3) Pressure from overseas

- Rising **global bond yields**
- Elevated **oil prices**
- Renewed **inflation concerns**
- Higher required returns can pressure equity valuations
- Particularly when valuations have already become demanding

Dividend Uncle's reading

This did not necessarily reflect a deterioration in Singapore's economy.

Rather, the plunge appears to reflect changing bank earnings expectations, global uncertainties, and investors reassessing valuations after a substantial rally.

After such a strong STI run-up, even relatively small events were enough to unsettle sentiment.

HAS THE CORRECTION CREATED ENOUGH VALUE?

Valuations have improved — but the STI is not automatically cheap

STI still >16% above end-2025

Even after Friday's decline to ~5,405

>50% rise from end-2024 to Sep peak

From ~3,788 to record intraday high ~5,829, excluding dividends

Recent STI run-up



The recent sell-off came after a remarkable multi-year rally.

Updated valuation snapshot

Metric	Late Sep	8 Oct	Change
Trailing P/E	17.4x	16.4x	Less demanding
Price / Book	1.81x	1.76x	Slightly lower
Distribution yield	3.06%	3.24%	Slightly higher

Source: SPDR STI ETF portfolio characteristics; ETF metrics, not official STI index multiples.

Why this still doesn't settle the question

1 Improved ≠ cheap

A lower market multiple does not, by itself, prove the STI is attractive.

2 Yield is historical

The 3.24% distribution yield reflects past distributions, not guaranteed future income.

3 Valuation depends on earnings

If growth expectations weaken, even a cheaper market can still re-rate lower.

Dividend Uncle's reading

The correction has made the STI less expensive, but not obviously cheap. Some structural re-rating may be justified by Singapore's stability and sustained investor interest. Even so, a lower market price does not remove the need to assess underlying value before deploying capital.

The broad market looks more interesting — but not yet compelling enough, on aggregate, to force immediate action.

WHAT WOULD MAKE ME DEPLOY MY CAPITAL?

Three conditions I want to see before putting my S\$20,000 dry powder back to work

Not just because prices fell 5%–10%

A lower share price only matters if the underlying value has not deteriorated by as much.

1) Valuation must be attractive enough

- Not simply below a recent high
- Prospective return must **compensate for the risks**
- Assess sustainable earnings and dividends
- **For banks:** think sustainable returns on equity
- **For REITs:** think recurring distributions, financing costs and balance-sheet strength

Lower price ≠ automatic value

2) The investment thesis must remain intact

- A stock may fall because **sentiment weakens**
- Or because the business faces **genuine problems**
- These are very different situations
- I am more comfortable when **fundamentals remain sound**
- Short-term weakness is acceptable; **structural deterioration is not**

Price weakness and business weakness are not the same

3) It must still fit the portfolio

- An attractive stock may still **worsen concentration**
- Consider existing exposure directly and through ETFs or funds
- This applies to banks, REITs and any other sector
- A stock can look attractive individually but not improve the whole portfolio
- **Portfolio fit matters** as much as standalone value

Good stock does not always mean good portfolio addition

Why I start with existing holdings

- I already understand these businesses reasonably well
- That gives me a better starting point than chasing the biggest losers
- But familiarity alone does not guarantee good value

Dividend Uncle's reading

Before I deploy fresh capital, I want more than a cheaper share price. I want attractive valuation, a sound investment thesis, and a position that still makes sense within the portfolio.

A correction creates possibilities — not automatic buy signals.

THE DIVIDEND UNCLE'S TAKE

3 lessons from this week's STI correction

1) Diversification matters

- Banks fell sharply
- But other areas held up better
- Singtel was relatively resilient
- Some larger REITs, like CICT and Keppel DC REIT, were steadier

Diversification reduces dependence on one sector.

2) Discipline still matters

- After a strong rally, some shares have delivered big gains
- When valuations get demanding, it can make sense to trim
- That is not the same as abandoning a good business
- My recent sales created extra flexibility

Selling discipline can create future flexibility.

3) My S\$20,000 stays on hold

- I've decided to remain patient for now
- The STI is still well above where it started the year
- Valuations improved, but not enough to force action
- Not predicting a further market decline
- If the right opportunity appears, I can deploy gradually

Dry powder provides flexibility — not an obligation to invest.

Dividend Uncle's reading

This correction reinforces three ideas: diversification helps manage risk, discipline protects gains, and patience preserves choice. Having cash available does not create an obligation to invest immediately.

Wait for the opportunity to be compelling — not merely cheaper than last week.