Straits Times Index: Top Blue-Chip Companies (And What They Do)

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The Straits Times Index tracks the performance of the top 30 companies on the Singapore Exchange. Find out who these movers and shakers are and what their business is. Literally.

For Singaporean investors, the Straits Times Index (STI) needs little introduction. Developed by British stock market indices provider FTSE Russell alongside Singapore Press Holdings and the Singapore Exchange in 1966, the STI tracks the performance of the top 30 publicly traded businesses in Singapore's stock market. Think of it as the Lion City's version of the S&P500, NASDAQ, and Dow Jones.

These top 30 companies on the STI are the largest and most liquid in Singapore to ensure the index's investability. To maintain this, FTSE Russell reviews the STI every quarter and determines whether stocks need to be removed if they are performing poorly, or added if lower-ranked ones are punching above their weight. There are also occasions where businesses are humming along fine, allowing the status quo to be maintained.

For Singaporeans, the STI is a great way to cut their teeth on investing in stocks because a large number of household names are contained within the index. These include blue chip stocks like DBS Bank, Singapore Airlines, and Sheng Siong.

However, not all stocks are made equal. Largely determining how the STI performs are the top five companies on the index by weight. Here's who they are and one of them might be a bit more familiar than you think.

- DBS Group Holdings Limited (D05.SI)
- Overseas Chinese Banking Corporation (O39.SI)
- United Overseas Bank Limited (U11.SI)
- Singtel (Z74.SI)
- Jardine Matheson Holdings Limited (J36.SI)

1. DBS Group Holdings Limited (D05.SI)

Name + Ticker Symbol	Weight in STI	Share Price Historical Low (2000 onwards)	Share Price Historical High (2000 onwards)	Current Share Price	Total value of securities traded
DBS Group Holdings Limited (D05.SI)	Approx. 16.5%	$6.87 (1 March 2009)	$30 (22 April 2018)	Approx. $25	Approx. $93.51 million

Like most of the other companies in this list, DBS Group Holdings Limited is instantly recognisable. Founded in 1968 and based in Singapore, the firm is actually a non-operating entity, issuing senior benchmarks and capital instruments for the most part.

It's the holding company of DBS Bank Limited, which provides financial services and products for individuals and organisations primarily in Asia. These include credit cards, loans, and savings & current accounts, amongst other products and services.

DBS Group Holdings Ltd also owns several other subsidiaries, including DBS Bank (Hong Kong) Limited and DBS Bank (Taiwan) Limited.

2. Overseas Chinese Banking Corporation (O39.SI)

Name + Ticker Symbol	Weight in STI	Share Price Historical Low (2000 onwards)	Share Price Historical High (2000 onwards)	Current Share Price	Total value of securities traded
Overseas Chinese Banking Corporation (O39.SI)	Approx. 10.5%	$3.94 (1 March 2009)	$13.89 (22 April 2018)	Approx. $10	Approx. $49.36 million

Overseas Chinese Banking Corporation (OCBC) is another familiar name on this list. Like DBS, OCBC Bank provides financial services and products to individuals and organisations.

However, unlike DBS, OCBC has an insurance subsidiary in the form of Great Eastern Holdings, acquiring it back in 2004 to the tune of $2.8 billion.

The bank was founded in 1932 after Chinese Commercial Bank Limited, Ho Hong Bank Limited, and Overseas-Chinese Bank Limited merged. OCBC Bank has the distinction of being Singapore's oldest bank and now counts Malaysia, Indonesia, and China among its key markets too.

3. United Overseas Bank Limited (U11.SI)

Name + Ticker Symbol	Weight in STI	Share Price Historical Low (2000 onwards)	Share Price Historical High (2000 onwards)	Current Share Price	Total value of securities traded
United Overseas Bank Limited (U11.SI)	Approx. 9.5%	$8.80 (1 March 2009)	$29.90 (15 April 2018)	Approx. $22.70	Approx. $62.97 million

Rounding out the trio of banks would be United Overseas Bank Limited (UOB). Akin to OCBC and DBS, UOB provides financial services and products to both individuals and organisations. And like the other two banks, UOB is headquartered in Singapore.

The company was founded in 1935 by Malaysian businessman Wee Kheng Chiang and today, his grandson Wee Ee Cheong heads the company as its CEO and deputy chairman.

UOB has an insurance arm as well, having established United Overseas Insurance in 1971. The business provides both commercial and personal insurance products to consumers.

4. Singtel (Z74.SI)

Name + Ticker Symbol	Weight in STI	Share Price Historical Low (2000 onwards)	Share Price Historical High (2000 onwards)	Current Share Price	Total value of securities traded
Singtel (Z74.SI)	Approx. 6.5%	$2 (25 October 2020)	$4.57 (12 April 2015)	Approx. $2.30	Approx. $63.95 million

Singapore Telecommunications Limited, better known as Singtel, is a household name for Singaporeans and one of the two companies on this list that are not banks.

Although the company in its current iteration was founded in 1992, it has actually been plying its trade since 1882 under the moniker of Oriental Telephone and Electric Company.

Today, Singtel provides broadband internet, fixed telephone line, mobile phone network, and IPTV services and counts itself as one of the three major telcos in Singapore.

However, the company doesn't operate solely in Singapore, having invested in a number of telecommunications firms in the Asia Pacific region. These include Optus in Australia, Bharti Telecom in India, and Intouch Holdings in Thailand.

5. Jardine Matheson Holdings Limited (J36.SI)

Name + Ticker Symbol	Weight in STI	Share Price Historical Low (2000 onwards)	Share Price Historical High (2000 onwards)	Current Share Price	Total value of securities traded
Jardine Matheson Holdings Limited (J36.SI)	Approx. 5.5%	US$2.95 (S$3.94) (6 February 2000)	US$72.05 (S$96.22) (17 February 2019)	Approx. US$55.45 (S$74.05)	Approx. $20.93 million

This organisation might be the most foreign name among the top five companies by weight on the STI. However, the holding company of the entire Jardines group has actually been around the longest by a mile.

It was founded in 1832 by William Jardine and James Matheson and is now headquartered in Hong Kong, with group and regional offices across Europe and Asia.

The group primarily operates in China and Southeast Asia and has its shares listed on the London and Bermuda stock exchanges, alongside Singapore's.

Although Jardine Matheson Holdings Ltd might not ring a bell, it owns household names such as the Mandarin Oriental Group, Dairy Farm Group, and Hongkong Land.

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In conclusion

The top 5 companies on the STI may just be a fraction of the 30 listed, but their combined weight makes up close to half of the entire index's weightage.

As you might have noticed by now, more than half of these businesses are banks, with Singtel and Jardine Matheson Holdings Ltd having a much lower weightage than the trio of financial institutions.

On one hand, investors would argue that this is a red flag because these companies are doing business in mature or even declining industries. This translates into a lack of growth and thus, a resulting lack of returns.

Furthermore, since close to 50% of the STI's weightage belongs to financial institutions, it will almost certainly crash during a global financial crisis. This occurred earlier this year when COVID-19 reared its ugly head and during the 2009 Blue Monday Crash.

However, the STI was only created 54 years ago and its relative youth means that it might be undervalued at the moment. According to Swiss bank UBS, Singapore's stock market is set to rebound by an average of 15 per cent in 2021.

And as mentioned earlier, the STI contains a large number of companies that Singaporeans recognise. This makes research and investing less intimidating for the budding investor.

2020 – and even 2021 – are arguably the best years to make your first investment moves, what with the interest rates of savings accounts being slashed and all. These five companies, and the STI as a whole, might just be the place where you'd want to begin.

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By Ebel Tang
A geek culture enthusiast who's also a little too invested in the wide world of whisky and watches. And no, he was not named after the Swiss timepiece brand.

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