

SGX is a hold: a superb exchange business, priced as if the trading boom never slows

Description

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The call

Singapore Exchange (SGX: S68) is our pick today, and the call is hold. The shares closed at S$20.49 on Friday, 6 November 2026, down S$0.52, or 2.5%, from S$21.01, according to delayed S&P Global data on StockAnalysis. The Singapore market is closed today, Monday 9 November, for the Deepavali public holiday, so Fridayâ??s close remains the latest price until trading resumes on Tuesday.

The 52-week range is S$16.23 to S$25.69, which leaves the stock about 20% below its high. Market value is about S$21.9 billion.

This is not a results-day note. SGX has not yet announced the date of its first-half FY2027 results.

A record year, and a genuinely good business

SGX reported all-time highs in both revenue and net profit for FY2026, the year to 30 June 2026. Net revenue rose 13.9% to S$1,478.3 million. Adjusted net profit rose 24.6% to S$759.5 million, and reported net profit rose 7.8% to S$698.4 million. Adjusted EBITDA grew 17.9% to S$980.6 million. Adjusted earnings per share were 71.0 cents, against 65.3 cents reported (SGX FY2026 results release, 6 August 2026).

The quality shows in the margins. Adjusted expenses rose 5.5% to S$572.6 million while net revenue rose 13.9%. On those figures, net revenue less adjusted expenses came to about 61.3% of net revenue, up from about 58.2% a year earlier. Cash equities net revenue rose 28.1%. SGX FX net revenue rose 12.0% as its average daily volume climbed 33.1% to US$190.2 billion, and currency and commodity derivatives volumes rose 30.8% and 20.6% respectively.

Return on equity was 30.6% in FY2026, and SGX ended the year with net cash of about S$1.18 billion, according to DBS Group Research.

Management has also put numbers on the future. It guides to Group revenue growth of 6% to 8% over the medium term, excluding treasury income. For FY2027 it expects expenses to rise 6% to 8%, with capital spending of about S$100 million. And it says it remains â??confident in delivering the planned quarterly dividend increases of 0.25 Singapore cents through FY2028â?•.

Why we are not buying

The trouble is that the trading boom which drove FY2026 is losing pace.

Securities daily average value, the turnover measure that moves SGXâ??s earnings and its share price, was about S$2.0 billion in the July to September quarter, the first quarter of FY2027. That was up 33% on a year earlier but down 8% on the previous quarter. DBS notes that monthly turnover has moved sideways in a S$1.9 billion to S$2.2 billion band for four months. September came in at S$1.92 billion, up 27% on the year but down 11% from Augustâ??s S$2.16 billion, according to SGX data compiled by DBS (DBS Group Research, 13 October 2026).

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Derivatives are slowing too. DBS puts derivatives daily average volume growth at 5% in the first quarter of FY2027, against 14% for FY2026. In September, total derivatives volume was 29.81 million contracts, down 2% on the year. Equity-index futures fell 15% and metals and dry-bulk contracts fell 25%, while FX futures rose 53%.

The rally has also been narrow. DBS says the STI gained 32% in the year to September while the FTSE ST Mid Cap index fell 4%, and the banking index rose 58%. The three local banks made up about 33% of market turnover in September, against 26% a year earlier. A market that leans this heavily on a few large counters is more exposed if bank enthusiasm cools.

Two more points temper the headline numbers. First, the FY2026 dividend of 57.0 cents includes a one-off 12.5-cent additional payout from capital-recycling gains. The recurring dividend is 44.5 cents. Second, reported profit trailed adjusted profit by about S$61 million because of one-off items, which UOB Kay Hian said included impairment losses and investment gains in its results note of 7 August 2026.

The numbers behind the call

These measures are worked out from Fridayâ??s close of S$20.49. Forward figures use DBS estimates, not company guidance.

Measure	Value	Basis
Price to earnings, FY2026 adjusted	about 28.9 times	Adjusted EPS of 71.0 cents (SGX)
Price to earnings, FY2026 reported	about 31.4 times	Reported EPS of 65.3 cents (SGX)
Forward P/E, FY2027 / FY2028	about 27.5 / 25.6 times	DBS EPS forecasts of 74.4 and 79.9 cents

Measure	Value	Basis
Price to book	about 9.3 times	DBS FY2026 book value of 219.7 cents a share
Recurring dividend yield	about 2.2%	44.5 cents
Yield including the one-off	about 2.8%	57.0 cents, not repeatable
Return on equity	30.6%	DBS, FY2026

DBSâ??s S$20 target equals about 25 times its FY2028 earnings forecast, which it describes as one standard deviation above SGXâ??s historical forward P/E. The stock is trading almost exactly there. DBS also expects earnings growth to slow sharply, from 16.3% in FY2027 to 7.4% in FY2028.

What the brokers say

Most of the street sits on the fence. DBS and UOB Kay Hian figures are from their own reports. The J.P. Morgan, Phillip Securities, OCBC Investment Research and Lim & Tan figures are TipRanks data shown on StockAnalysis, last updated 13 October 2026, not the brokersâ?? own reports.

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Broker	Rating	Target price	Report date	Change from S$20.49
DBS Group Research	Hold (downgraded from buy)	S$20.00 (from S$26.40)	13 October 2026	about -2%
Lim & Tan Securities	Hold	S$24.33	2 October 2026	about +19%
J.P. Morgan	Neutral (downgraded)	S$23.00 (from S$27.50)	1 October 2026	about +12%
Phillip Securities	Hold	S$25.00	17 August 2026	about +22%
OCBC Investment Research	Hold	S$24.62	11 August 2026	about +20%
UOB Kay Hian	Hold	S$23.40	7 August 2026	about +14%

Across 17 analysts tracked by S&P Global, the consensus is hold, with an average target of S$23.72 and a range of S$17.70 to S$28.33, as shown on StockAnalysis on 6 November 2026. That average implies about 16% upside. But most of the individual targets above were set in August and early October, and the most recent, from DBS, is the one closest to the share price.

What to watch

Octoberâ??s monthly market statistics are the next real test. A reading back above S$2.2 billion in daily turnover would suggest the summer slowdown was a pause. Another month near S$1.9 billion would support DBSâ??s caution.

Shareholders approved the final dividend of 11.5 cents and the one-off 12.5 cents at the 23 October AGM, with 99.97% of votes cast in favour (SGX announcement, 23 October 2026). The record date was 2 November, and SGX said payment would be made on Tuesday, 10 November. After that, the next quarterly step-up and the first-half results, once SGX confirms the date, will show whether revenue growth is keeping pace with the 6% to 8% rise in expenses SGX has guided for FY2027.

Further out, DBS points to further capital management and details of the CPF investment scheme due in 2028 as potential catalysts. UOB Kay Hian cites the Equity Market Development Programme, an IPO pipeline of about 50 deals in various stages, and new gold-related products.

The verdict

SGX is one of the best businesses on its own exchange. It runs Singaporeâ??s stock exchange, with margins above 60%, a return on equity above 30%, a net cash balance sheet and a dividend that management plans to raise every quarter. None of that is in doubt.

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The price is the issue. At about 29 times FY2026 adjusted earnings and 27.5 times DBSâ??s FY2027 forecast, the shares look priced for growth to stay strong, while turnover has stopped climbing and DBS sees earnings growth slowing to 7.4% in FY2028. A recurring yield of about 2.2% does not pay much to wait, and the most recent broker work has been moving targets down, not up.

On our reading, the case would turn more positive on a pullback towards the mid-S$18s without a further fall in volumes, on clear signs that daily turnover is climbing back above S$2.2 billion, or on a buyback. It would turn negative if monthly turnover drops below about S$1.8 billion or management trims its guidance. Until then, we see SGX as a hold.

Research by Warren.

This is general information, not financial advice, and does not take into account your objectives or financial situation.

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