

Daily Market Commentary

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Philippine Equities Market

As of January 17, 2018				
	VALUE	Points	%Chg	YTD%
PSEi	8,848.99	(16.14)	(0.18)	3.40
All Shares	5,121.47	(5.78)	(0.11)	2.64
Financials	2,247.32	(43.16)	(1.88)	0.77
Industrial	11,809.72	41.73	0.35	5.15
Holding Firms	9,095.64	49.06	0.54	5.56
Services	1,638.75	10.08	0.62	1.17
Mining and O	12,135.17	(47.99)	(0.39)	5.50
Property	4,032.30	(21.96)	(0.54)	1.36

Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
MBT	Metrobank	1,559,405,000
BDO	BDO Unibank Inc	566,258,000
ALI	Ayala Land Inc	552,845,700

TOP INDEX GAINER

AEV	Aboitiz Equity Ventures	PRICE	%
		78.15	4.20

TOP INDEX LOSER

MBT	Metrobank	PRICE	%
		98.70	-7.76

UITF/MUTUAL FUNDS

BDO - SDF	DOWN	NAV
		120.5952
BDO - Money Market Fund	UP	NAV
		1534.0373

FOREX

USD/PHP	PREV	CURRENT	DIFF
		50.725	UP

BITCOIN

BTC	PREV	CURRENT	DIFF
		597,264.80	UP

Market Data

	Value
Volume turnover	942,719,114
Value	9,643,630,551.03
Foreign Transaction (net)	1,257,778,199.86

Regional Indices

	Value	%Chg
Dow Jones	26,115.65	UP 1.25
NASDAQ	7,298.28	UP 1.03
S&P500	2,802.56	UP 0.94
H. Seng	31,983.41	UP 0.25
Nikkei225	24,053.80	UP 0.78

Stock Picks

STOCK CODE	CP
AC	Ayala Corp
	DOWN 1,040.00
ALI	Ayala Land
	UP 44.80
BDO	BDO Unibank
	DOWN 159.50
BLOOM	Bloombery
	UP 11.18
EEL	EEL Corp
	UP 13.38
GERI	Global Resorts
	UP 1.37
MRSGL	Metro Retail
	DOJI 3.63
PXP	PXP Energy
	DOWN 8.75
SM	SM Investments
	DOWN 1,046.00
SMPH	SM Prime
	DOWN 39.40
SSI	SSI Group
	UP 3.11
WLCON	Wilcon Depot
	UP 8.86

Source: BDO Nomura Research

Commodities

	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- US equities surged as investors focus on upbeat corporate earnings releases. The rebound in technology shares also aided in the rally, pushing the DJIA to close at another record high above 26,000. The DJIA ended at 26,115.65 (+1.25% DoD) while the S&P 500 rose to 2,802.56 (+0.94% DoD).

- European stocks closed slightly lower as positive sentiment in global markets was dragged by disappointment in European corporate earnings. The MSCI Europe closed at 134.38 (-0.10% DoD).

- US Treasury yields increased on robust economic data. US industrial data and leading indicators reported by Fed's Beige Book point to modest-to-moderate growth in 4Q2017. Yields rose 3.68 bps on average, with the 10-yr up by 5.33 bps to close at 2.5904%.

- The US Dollar strengthened buoyed by upbeat data on Industrial Production for December (actual +0.9% MoM vs. expected +0.5%), supporting the broad perception of the steady expansion of the US economy. The DXY ended at 90.541 (+0.16% DoD).

- Asian stocks rose, mirroring positive sentiment over US corporate earnings, as tax cuts are expected to boost earnings of their US counterparts. The MSCI APXJ closed at 594.58 (+0.06% DoD).

Local Events/Market

- **PLDT to appeal DOLE's order to regularize workers**

- **Metropolitan Bank & Trust Company (PSE Ticker: MBT) and the Bank of the Philippine Islands (PSE Ticker: BPI) both announced a rights offering of common shares** in order to support the projected acceleration of loan growth across various segments of the economy.

- **Economic Planning Undersecretary Rolando Tungpalan stated that both the direct and indirect effects of projected infrastructure spending from 2018 until 2022 will contribute 1% to GDP annually.** The government intends to spend P891bn on infrastructure projects in 2018, which will be funded through the public and private sectors as well as development assistance loans.

(Source: COL Financial, BPI Research, BusinessWorld)

PSEi/Fixed Income/Forex Summary

- The PSEi declined on Wednesday, losing 16.14 points or 0.18% to close at 8,848.99. Index decliners led gainers 15 to 13, while 2 issues remained unchanged. Sectoral indices ended mixed with Financials (-1.88%) leading the three decliners and Services (+0.62%) leading the three gainers.

- Significant index decliners were MBT (-7.76%), GTCAP (-5.92%), MEG (-4.00%), RLC (-2.36%), and MER (-1.78%). Meanwhile, significant index gainers were AEV (+4.20%), LTG (+2.97%), and URC (+2.05%). Value turnover increased to Php9.6Bil from Php7.4Bil the previous session.

- Meanwhile, foreigners continue net buyers for the fourth consecutive day, accumulating Php1.3Bil worth of shares.

- Local equities advanced early in the session, driven by optimism amid the submission of the 2nd package of TRAIN to Congress. However, the index ended lower at close following MBT's SRO announcement, which prompted a sell-off in both the name and its parent GTCAP. The PSEi closed at 8,848.99 (-0.18% DoD).

- Local fixed income yields fell, led by the short end of the curve as the BSP may take a more careful approach towards raising interest rates, citing a further need to monitor an elevation in inflation expectations. On average, the curve fell by 5.24 bps, led by the short end which fell by 12.49 bps.

- The Philippine peso depreciated over comments by BSP Governor Espenilla regarding a more cautious approach towards future interest rate hikes. The USD/PHP pair ended at 50.705 (-0.42% DoD).

(Source: COL Financial, BPI Research)

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Other News:

MBT: To raise capital through stock rights offering

MBT disclosed on Wednesday that it has received the approval of its board of directors to conduct a stock rights offering (SRO) of up to a maximum of 819,827,214 common shares. The timing, size, and final price are still yet to be finalized and are still subject to regulatory approvals.

According to the bank, proceeds of the offering will be used to support the bank's strong loan growth. Note that over the last six quarters, Metrobank has consistently delivered over 20% loan growth, faster than the industry average. Additionally, a portion of the proceeds will be used for the acquisition of the remaining 20% equity stake in Metrobank Card Corporation for a consideration of Php7.4Bil in 3Q18.

GTCAP, which currently owns 36.09% of MBT, has already stated that it intends to fully subscribe in the bank's stock rights offer.

Capital ratios to go up; ROE to be diluted

The additional capital from the offering would further boost the bank's capital ratios. Note that as of September 30, 2017, the bank's CAR and CET1 stood at 16.0% and 13.3%, respectively. However, the bank's ROE would also be diluted with the larger capital base. Assuming the sale of the entire 819.9Mil shares at an offer price of ~Php85/sh (assuming a 20% discount to yesterday's closing price), CET1 and total CAR is estimated to increase to 17% and 20% respectively. Meanwhile, the bank's 2018 ROE could drop from 10.8% to ~8.5%.

Maintaining BUY rating

We currently have a BUY rating on MBT with an FV estimate of Php120/sh based on 1.60X 2018E P/BV. Nevertheless, we believe that the planned stock rights offering could put pressure on MBT's share price in the short term as the market anticipates the dilution from the additional shares. (Source: COL Financial)

BPI: Announces stock rights offering up to Php 50Bil

Announces stock rights offering of up to Php50Bil

BPI disclosed on Wednesday that it has received the approval of its board of directors to conduct a stock rights offering of up to Php50Bil by issuing 567Mil shares. The final issue size, entitlement ratio, and offer price have not yet been finalized. The bank is looking to launch the rights offer after receiving required regulatory approvals. Meanwhile, according to the bank, the proceeds of the offering will be used to support the bank's lending operations in consumer, SME, and micro-finance segments; invest in the bank's delivery infrastructure through digitalization, electronic channels, and branch expansion; and maintain the option of considering inorganic growth opportunities.

Rights offering expected to boost capital but drag ROE

The additional capital from the offering is expected to improve the bank's capital ratios. Note that as of September 30, 2017, the bank's CET1 and CAR stood at 12.5% and 13.4%, respectively. Assuming total proceeds of Php50Bil, CET1 and CAR are estimated to increase to ~16% and ~17%, respectively. This is well above the estimated minimum 2019 CET1 requirement of 11%. On the other hand, the bank's ROE is likely to be diluted with the larger capital base. Based on our estimates, BPI's 2018 ROE could drop from 13.9% to 10.9%.

Maintain HOLD rating

We currently have a HOLD rating on BPI with an FV estimate of Php114/sh based on 2.25X 2018E P/BV. While we think the capital raising would benefit BPI as it will allow the bank to take advantage of the favorable economic prospects of the Philippines, we believe this would put pressure on the share price in the short term as the market absorbs the additional shares. (Source: COL Financial)

TEL: PLDT to appeal DoLE's order to regularize workers

PLDT, Inc. said that it will appeal DoLE's order for it to regularize around 7,000 contractual workers. In a statement, PLDT said it has received its copy of a resolution that rejected the company's appeal order to regularize employees and settle their unpaid benefits. PLDT said it will file a motion for reconsideration within the 10-day prescribed period. The telco noted that the resolution failed to address the fundamental jurisdictional and due process issues raised by PLDT and 41 of its contractors in their Appeals to the Office of the Secretary. (Source: Businessworld)

Car sales growth slows, still double-digit

VEHICLE SALES growth in the country slowed last year from 2016, but 2017 still saw an increase of nearly a fifth, sustaining the annual double-digit pace the domestic auto industry has been clocking since 2012.

Data jointly released yesterday by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and Truck Manufacturers Association (TMA) showed the groups' member companies sold 425,673 vehicles last year, up 18.4% from 359,572 units in 2016.

Last year's increase was slower than the 24.6% expansion clocked for the entire 2016, as well as the 22.9% and 29.5% increases registered in 2015 and 2014, respectively.

Statistics from the ASEAN Automotive Federation, which are based on CAMPI and TMA reports, showed the Philippine auto industry grew 16% and 11% in 2013 and 2012, respectively. (Source: Businessworld)

Peso plunges to one-month low

THE PESO plunged against the dollar on Wednesday as wider trade deficit and slow remittance growth dragged the currency down.

The local currency ended yesterday's session at P50.705 against the greenback, 21.5 centavos down from its P50.49-per-dollar finish on Tuesday.

This is the peso's weakest closing in over a month or since Dec. 6, when it closed at P50.71 per dollar.

The peso traded weaker the whole day, opening the session at P50.50 versus the dollar, which was also its best showing during yesterday's session.

Yesterday's intraday low was at P50.78 against the greenback.

Dollars traded spiked to \$930.65 million yesterday, up from the \$875.37 million that changed hands in the previous session.

"The peso was very weak [yesterday]. A lot of factors, actually. We saw disappointing figures from the OFW (overseas Filipino worker) remittances," a trader said by phone.

Money sent home by overseas Filipinos stood at \$2.262 billion in November 2017, higher than the \$2.217 billion posted in a comparable year-ago period. However, the growth in remittances slowed to 2% from the 18.5% growth the same period in 2016.

"We saw disappointing figures... I think it was a reaction to the trade balance that we saw last week," the trader added.

Data from the Philippine Statistics Authority released last week showed the country's trade deficit hit a new record high in November at \$3.78 billion, higher than the \$2.81 billion booked in a comparable year-ago period.

Imports grew to \$8.74 billion by 18.5%, while outbound shipments grew at a slower pace to \$4.96 billion by 1.6%.

— Karl Angelo N. Vidal with Reuters (BusinessWorld)