

Daily Market Commentary

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Philippine Equities Market

As of January 22, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	8,950.62	34.70	0.39	4.58
All Shares	5,173.01	21.94	0.43	3.67
Financials	2,286.87	(1.36)	(0.06)	2.54
Industrial	11,882.86	16.33	0.14	5.80
Holding Firms	9,181.20	37.30	0.41	6.55
Services	1,656.75	17.98	1.10	2.28
Mining and O	11,891.11	(136.71)	(1.14)	3.38
Property	4,056.13	20.69	0.51	1.96

Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
LTG	LT Group Inc	552,812,200
BPI	Bank of the Phil Islands	545,215,900
SM	SM Investments Corp	460,075,600

TOP INDEX GAINER	PRICE	%
LTG	LT Group Inc	24.50 6.52

TOP INDEX LOSER	PRICE	%
AEV	Aboitiz Equity Ventures	75.00 -3.85

UITF/MUTUAL FUNDS	NAV
BDO - SDF	UP 121.2152
BDO - Money Market Fund	UP 1,534.3809

FOREX	PREV	CURRENT	DIFF
USD/PHP		51.05	DOWN

BITCOIN	PRICE	%
BTC	562,210.10	DOWN

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	26,214.60	UP 0.55
NASDAQ	7,408.03	UP 0.98
S&P500	2,832.97	UP 0.81
H. Seng	32,393.41	UP 0.43
Nikkei225	23,967.71	UP 0.64

Stock Picks				
STOCK CODE	CP	%		
AC	Ayala Corp	UP 1,051.00 0.10		
ALI	Ayala Land	UP 45.60 0.88		
BDO	BDO Unibank	DOWN 158.70 -0.19		
BLOOM	Bloombery	UP 11.40 1.97		
EEI	EEI Corp	UP 12.88 0.94		
GERI	Global Resorts	DOWN 1.34 -0.74		
MRSGL	Metro Retail	UP 3.64 0.28		
PXP	PXP Energy	UP 9.18 0.58		
SM	SM Investments	DOWN 1,064.00 -0.56		
SMPH	SM Prime	DOWN 39.45 -0.13		
SSI	SSI Group	DOWN 3.08 -0.65		
WLCON	Wilcon Depot	UP 9.12 1.33		

Commodities	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- US equities climbed as the Senate broke its deadlock on the short-term government funding bill and as investors turned their attention toward better-than-expected corporate earnings releases. The DJIA closed at 26,214.60 (+0.55% DoD) while the S&P 500 ended at 2,832.97 (+0.81% DoD).
- European stocks rose as Chancellor Angela Merkel is another step closer to forming a coalition, after the Social Democrats voted in favor of entering formal talks with the latter's camp last Sunday. The MSCI Europe closed at 135.35 (+0.53% DoD).
- US Treasury yields marginally fell as another auction cycle for the 2Y, 5Y and 7Y starts this week and as investors positioned ahead of the BoJ and ECB decisions this week. Yields declined 0.71 bps on average, with the 10-yr down 0.92 bps to end at 2.65%.
- The US dollar fell, with the euro flirting at 3 year highs as investors anticipate affirmation of the economy's strength from ECB officials on their meeting on Thursday. The DXY ended at 90.401 (-0.19% DoD).
- Asian stocks continued to advance on spilled over optimism from the US as lawmakers struck a deal on a stopgap funding deal that ended the three-day government shutdown. The MSCI Asia ex Japan ended at 600.43 (+0.28% DoD).

(Source: <https://www.bpiassetmanagement.com/pages/the-morning-view/>) BPI Research

Local Events/Market

- UBP: UBP and Visa launches blockchain payment system
- CLC: CLC taps Japanese firm for the construction of Ro-Ro passenger ship
- Economy: Balance of Payments position posts US\$917 Mil surplus in December 2017
- Megaworld Corp. (PSE Ticker: MEG) has sold over 250 commercial prime lots (80% of titled lots) in the Maple Grove Commercial District located in General Trias, Cavite, just 45 days since its launch. The area form part of the proposed "Makati-inspired" Central Business District (CBD) of Cavite.
- Economic Planning Secretary Ernesto Pernia announced that the Philippines does not necessarily have to adopt federalism in order to help remote areas grow economically. Instead, he suggested that the government must disperse the economic activities by developing plans for regional growth.

(Source: COL Financial, BPI Research, BusinessWorld)

PSEi/Fixed Income/Forex Summary

- The PSEi advanced on Monday, gaining 34.70 points or 0.39% to close at 8,950.62. Index gainers led decliners 17 to 12, while 1 issue remained unchanged.
- Likewise, most sectors ended in green with Services (+1.10%) leading the gainers and Mining & Oil (-1.14%) leading the decliners. Significant index gainers were LTG (+6.52%), SMC (+2.86%), AC (+1.84%), DMC (+1.78%), and PGOLD (+1.69%).
- Meanwhile, significant index decliners were AEV (-3.85%), MEG (-2.53%), and AGI (-1.85%). Value turnover decreased to Php8.1bil from Php10.0bil the previous session. Meanwhile, foreigners continue to be net buyers for the seventh consecutive day, accumulating Php448Mil worth of shares.
- Local equities advanced as investors positioned ahead of the GDP print release tomorrow. Ernesto Pernia confidently stated that the country will meet the 6.5%-7.5% 2017 growth target which was largely driven by household consumption, government spending, manufacturing and service sectors. The PSEi closed at 8,950.62 (+0.39% DoD).
- Local fixed income yields broadly fell, led by the long-end of the curve, as the markets look ahead to the new issuance of the 3-year FXTN this week. On average, yields went down by 7.27 bps, with the 10-year down 7.6 bps to 5.8686.
- The Philippine peso weakened against the greenback despite growth acceleration estimate at 7.4% QoQ from 5.2% last quarter on the back of strong net exports and public spending. The USD/PHP pair closed at 50.835 (-0.23% DoD). (Source: COL Financial, BPI Research)

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Other News:

UBP: UBP and Visa launches blockchain payment system

UBP and Visa plans to offer Visa B2B Connect, a direct blockchain payment system for businesses. Visa B2B Connect will enable fund transfers to be completed in real time or within 24 hours instead of 3 to 5 days using conventional channels. In addition, transaction fees will also decrease once the platform becomes fully operational. The new service is expected to be operational by 4Q18. (Source: ABS-CBN)

CLC: CLC taps Japanese firm for the construction Ro-Ro passenger ship

Chelsea Logistics Holdings Corp. (CLC) has tapped Japanese firm Kegoya Dock., Ltd for the construction of a roll-on/roll-off (Ro-Ro) passenger ship. The contract with the Japanese firm includes an option for three additional units to be delivered between 2019 and 2020. At present, CLC has 21 Ro-Ro and passenger vehicles in addition to owning 15 tankers, eight tugboats and four cargo ships. Through the 2GO group, CLC has another 16 Ro-Ro and passenger vessels. (Source: CLC, BusinessWorld)

Economy: Balance of Payments position posts US\$917 Mil surplus in December 2017

The country's overall balance of payments position posted a surplus of US\$917 Mil in December 2017, a reversal from the US\$214 Mil BOP deficit in December 2016. Inflows mainly came from forex operations of the BSP, net foreign currency deposits of the National Government, and income from the BSP's investments abroad. These were partly offset by the payments made by the National Government for its maturing forex obligations during the month.

However, full-year 2017 BOP still posted a higher deficit of US\$863 Mil compared to the US\$420 Mil deficit in 2016. The higher deficit posted in 2017 was largely due to the widening merchandise trade deficit for the first 11 months of the year, alongside the reversal of foreign portfolio investments to net outflows. According to BSP, higher prepayments made by both public and private sectors to non-resident creditors on their respective medium and long term loans also contributed to the larger BOP deficit. (source: BSP)

S&P watching if tax reform will deliver

By Elijah Joseph C. Tubayan

Reporter

TAX REFORM's ability to deliver additional revenues that will fuel the government's P8-trillion infrastructure development program until 2022 remains a key factor in assessing Philippine economic prospects, an analyst of S&P Global Ratings said yesterday, even in the face of mid-term elections next year that could make lawmakers wary of legislation that could prove unpopular.

"So we're looking at how much new revenue will be generated by the TRAIN and whether or not execution and implementation is there," Andrew Wood, associate director at S&P for sovereign and international public finance ratings, said in a webcast yesterday, referring to Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion Act (TRAIN), enacted on Dec. 19 last year.

The first of up to five planned tax reform packages, TRAIN cuts personal income tax rates and plugs the expected foregone revenues by either increasing or adding taxes on fuel, cars, coal, tobacco products, mining, sugar-sweetened drinks and some investment products, besides simplifying donor's and estate taxation, among others.

The Finance department submitted another package to the House of Representatives two weeks ago that seeks to cut corporate income tax rates gradually to 25% from 30% currently in order to put this levy at par with those of Southeast Asian competitors, as well as to remove tax incentives from sectors that do not need them.

The government hopes to submit to Congress the remaining two to three other packages within the year, ahead of the 2019 senatorial and local mid-term elections.

"To keep this expansionary fiscal policy and if infrastructure investments strategy is on track, that's the kind of most important thing that we're looking at in the fiscal side into the next year and a half," Mr. Wood said.

S&P — which like the other two key debt watchers Fitch Ratings and Moody's Investors Service has rated the Philippines a notch above minimum investment grade — estimated 2017 Philippine gross domestic product (GDP) growth at 6.6% in a report on Nov. 28 last year.

Expectations of strong Q4 2017 growth mount

THE PHILIPPINES is expected to have clocked gross domestic product (GDP) growth in the fourth quarter of 2017 that put the full-year pace well within target, according to an assessment released yesterday.

"[The year] 2017 ended with a bang!" First Metro Investment Corp. (FMIC) and the University of Asia and the Pacific (UA&P) said in the December issue of their joint monthly report.

"With infrastructure spending soaring by 45% in November and exports still on the rise, our GDP growth forecast of 6.5-7% for the full-year 2017 appears a no-brainer," The Market Call Capital Markets Research read.

"Accelerating infrastructure and capital outlays should catalyze faster GDP growth in Q4 and 2018."

BusinessWorld's poll late last week of 12 economists yielded a 6.7% estimate median for the fourth quarter that was shared by Moody's Analytics, while Socioeconomic Planning Secretary Ernesto M. Pernia said in a mid-December yearend news briefing that he expected 2017's last three months to have seen a pace faster than the 6.7% average of the first three quarters.

Mr. Pernia told reporters yesterday that he was "happy enough" with fourth-quarter and full-year 2017 GDP data scheduled to be released today.

The government has targeted a 6.5-7.5% GDP growth in 2017 and 7-8% annually starting this year, coming from 2016's actual 6.9%.

FMIC and UA&P said a continued rebound in exports, higher remittances from Filipinos overseas, a low budget deficit and inflation that stayed within the central bank's 2-4% target range provided "upward growth momentum into the fourth quarter."

Looking ahead, Mr. Pernia told reporters that "2018... will be a bullish year because there will be a lot of projects breaking ground, so a lot of spending on projects."

And "[w]ith the higher income for those earning below P250,000" as a result of the first of up to five planned tax reform packages — Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) — that kicked in as the year began, "there will be a lot of welfare enhancement on their part."

