

Daily Market Commentary

Asset Management Unit | January 30, 2018 | Tuesday | Issue No. 2018-006



Philippine Equities Market

As of January 29, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	9,058.62	17.42	0.19	5.84
All Shares	5,273.00	3.68	0.07	5.67
Financials	2,258.15	1.42	0.06	1.25
Industrial	12,016.53	(73.43)	(0.61)	6.99
Holding Firms	9,362.95	4.95	0.05	8.66
Services	1,736.30	39.49	2.33	7.19
Mining and O	12,234.05	44.43	0.36	6.36
Property	4,104.47	(22.49)	(0.54)	3.17

Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
TEL	PLDT Inc	775,370,200
BDO	BDO Unibank Inc	685,559,100
ALI	Ayala Land Inc	600,856,300

TOP INDEX GAINER

GLO	Price	%
Globe Telecom Inc	1,899.00	8.76

TOP INDEX LOSER

RLC	Price	%
Robinsons Land Corp	20.60	-2.60

UITF/MUTUAL FUNDS

FUND	NAV
BDO - SDF	DOWN 123.0209
BDO - Money Market Fund	UP 1,534.8573

FOREX

USD/PHP	PREV	CURRENT	DIFF
		51.04	DOWN

BITCOIN

BTC	Value	%Chg
	565,540.50	DOWN

Market Data

Metric	Value
Volume turnover	1,021,926,517
Value	7,831,756,625.85
Foreign Transaction (net)	(242,248,104.08)

Regional Indices

Index	Value	%Chg
Dow Jones	26,439.48	DOWN -0.67
NASDAQ	7,466.50	DOWN -0.52
S&P500	2,853.53	DOWN -0.67
H. Seng	32,966.89	DOWN -0.58
Nikkei225	23,514.42	DOWN -0.49

Stock Picks

Symbol	LAST	Change	%Change	Direction
AC	1,050.00	(33.00)	-3.05	DOWN
ALI	45.60	(0.90)	-1.94	DOWN
BDO	155.50	(1.00)	-0.64	DOWN
BLOOM	12.32	(0.46)	-4.07	DOWN
EEI	12.48	(0.42)	-3.26	DOWN
GERI	1.35	(0.01)	-0.74	DOWN
MRSGL	3.63	(0.02)	-0.55	DOWN
PXP	9.35	(0.53)	-5.36	DOWN
SM	1,086.00	(37.00)	-3.29	DOWN
SMPH	37.90	(1.20)	-3.07	DOWN
SSI	3.14	0.05	1.62	UP
WLCON	9.45	(0.40)	-4.06	DOWN

Source: BDO Nomura Research

Commodities

Commodity	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- US equities dropped amid jitters ahead of President Trump's State of the Nation Address (SONA) on Tuesday. The DJIA closed at 26,439.48 (-0.67% DoD), while the S&P 500 rose to 2,234.22 (-0.67% DoD).
- Europe stocks fell as import prices rose 3.8% YoY in Germany for 2017, its highest increase since 2011. The MSCI Europe closed at 134.96 (-0.17% DoD).
- US Treasury yields continued to rise with the 10-year advancing above the 2.7% level intraday as investors anticipate slightly more hawkish stances from the Federal Reserve meeting this week. Yields were up 1.24 bps on average, with the 10-yr rising by 3.37 bps to end at 2.694%.
- The US Dollar rebounded, aided by the increase in US Treasury yields as investors took the opportunity to bargain hunt after its sell off last week. The DXY closed at 89.308 (+0.27% DoD).
- Asian stocks ended flat with a slight downward bias following a decline in oil prices. The US oil rig count rose to 759, its highest level since August. The MSCI Asia ex-Japan ended at 613.67 (-0.01 DoD).

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

Local Events/Market

- RCB: RCB to conduct stock rights offering
- Economy: DoF to remain cautious on firm's income tax cut
- Economy: BSP expects remittances to remain steady
- Banking Sector: BSP readies new risk buffer
- MWC: MWC bags Isabela project
- Megaworld Corp. (PSE Ticker: MEG) will be implementing a company-wide program to "future-proof" its developments through the creation of "iTownships", which will involve incorporating digital technology, design innovations and connectivity into its townships.

(Source: COL Financial <https://ph9.colfinancial.com/ape/Final2/research/downloads/2018-01-29-PH-D.pdf>, BPI Research, BusinessWorld)

PSEi/Fixed Income/Forex Summary

- The PSEi advanced last Monday, gaining 17.42 points or 0.19% to close at 9,058.62. Index decliners led gainers 16 to 11, while 3 issues remained unchanged.
- Most sectors ended in green with Services (+2.33%) leading the gainers and Industrial (-0.61%) leading the decliners. Significant index gainers were GLO (+8.76%), TEL (+6.52%), PCOR (+5.10%), AC (+4.13%), and GTCAP (+2.22%). Meanwhile, significant index decliners were RLC (-2.60%), JFC (-2.33%), and AGI (-2.15%).
- Value turnover increased to Php8.9Bil from Php7.8Bil the previous session. Meanwhile, foreigners continue to be net sellers throughout the day, liquidating Php86Mil worth of shares.
- Local equities rose buoyed by a spike in foreign buying of the telco names, TEL and GLO, on favorable recommendations from equity analysts on the unlikelihood of a third player threat. The PSEi closed at 9,058.62 (+0.19% DoD).
- Local fixed income yields marginally fell on partial awarding for the three month, six month and one-year T-bill auction despite strong demand. Bids totaled Php 31.5 billion with all tenors oversubscribed. On average, yields fell 3.81 bps, led by the short-end which tumbled 16.48 bps.
- The Philippine peso continued to weaken against the greenback, owing to the minor rebound of the US Dollar against major currencies as markets look ahead to the release of US non-farm payrolls this week. The USD/PHP closed at 51.185 (-0.67% DoD).

(Source: COL Financial (<https://ph9.colfinancial.com/ape/Final2/research/downloads/2018-01-29-PH-D.pdf>), BPI Research (<https://www.bpiassetmanagement.com/pages/the-morning-view/>))

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Other News:

RLC: Adjusting estimates for rights offering, reiterate BUY rating

Raising Php20 Bil for landbank. RLC has finalized the terms of its stock rights offering. RLC will be offering 1 rights share for every 3.7217 share at an offer price of Php18.20 per rights share (lower end of the indicative range) to existing common shareholders as of record date 31 January, 2018. With a total of 1.1 Mil shares to be offered, RLC will be raising Php20 Bil from the rights offering. The proceeds will be used for landbanking activities as RLC sees more upside on land values.

Bridgetown project to be expanded. Around Php11 Bil of the Php20 Bil proceeds of the rights offering will be used to purchase the 22-hectare lot behind its Bridgetown project. Successfully acquiring the lot will allow RLC to expand its Bridgetown project from 8 hectares to 30 hectares. The expansion will be favorable for RLC as this will make Bridgetown its biggest mixed-use project in Metro Manila. The first phase of the Bridgetown project is doing really well as demand for PEZA-accredited BPO space (which Bridgetown has) is very strong. In fact, Bridgetown is already in its fourth office building.

Reducing FV estimate to Php28.00 but maintain BUY. We are reducing our fair value estimate from Php31.05 to Php28.00 after factoring in 1.) the 27% increase in the number of shares outstanding; 2.) the acquisition of the 22-hectare lot next to Bridgetown; and 3.) the additional Php9 Bil in cash, as a result of the rights offering. We valued the 22-hectare lot at a premium to its purchase price given that the first phase of the Bridgetown project is already successful, minimizing execution risk and improves the value of the whole project. We also reiterate our BUY rating on RLC. At Php21.15, capital appreciation potential to our revised fair value estimate of Php28.00 is significant at 32.39%. **(Source: COL Financial)**

Economy: DoF to remain cautious on firm's income tax cut

The Department of Finance (DoF) will ensure that the state will not suffer unnecessarily as it aims to give the Philippines a better chance to win foreign investments by reducing the corporate income tax rate to the level of the competitors. Reducing the corporate income tax from 30% currently to 25% can be done by either cutting it immediately or by a percentage point annually over the next five years. The second tax reform package was submitted to the House of Representatives on Jan. 15, which focuses on reducing the corporate income tax rate while streamlining fiscal incentives. The DoF believes that the government has lost Php300Bil annually from unnecessary tax incentives

The DoF wants to ensure that Package 2 of the Comprehensive Tax Reform Program will be revenue neutral. As it stands, every one percent reduction will require Php26Bil in counterpart revenues to keep revenue neutrality. According to Finance Secretary Carlos Dominguez III, the plan is to lower corporate tax rates from 30% to 25%, only if there is a reduction in the amount provided for incentives. The DoF's proposed bill also includes the repeal of 150 laws granting fiscal incentives and replacing them with all-inclusive law covering all 14 investment promotion agencies. **(Source: Businessworld) (Source: COL Financial)**

Economy: BSP expects remittances to remain steady

The BSP expects remittances to continue growing notwithstanding the setbacks coming from the deployment ban to Kuwait as well as the imposition of higher fees on remittances. According to BSP Deputy Governor Guinigundo, remittances from OFWs are seen to grow by 4% this 2018. Furthermore, he explained that the decision to ban deployment to Kuwait would only have a small impact to cash remittances given that this only accounts for 3% of the total remittances. These prospective workers can still be deployed to other countries which have strong demand for OFWs. Note that the decision to stop processing employment certificates for Kuwait was made last January 19 after the president cited cases of sexual abuse of OFWs in the area. **(source: Philstar) (Source: COL Financial)**

Banking Sector: BSP readies new risk buffer

The BSP plans to introduce a new risk management measure that would require banks to allocate additional capital as reserves. Specifically, the central bank is looking to implement the countercyclical capital buffer which will require banks to maintain sufficient capital base in times of rapid credit growth. This tool is included in the international Basel 3 framework but the central bank initially opted not to implement the standard. [\(Source: Businessworld\)](#) [\(Source: COL Financial\)](#)

MWC: MWC bags Isabela project

MWC disclosed that it received the Notice of Award from the City of Ilagan Water District (CIWD) for the implementation of the joint venture project for the management of a raw water source, provision of bulk water supply, and the development of septage management in Ilagan, Isabela. MWC and the CIWD shall form a joint venture company, which will implement the project, and thereafter enter into a bulk water sales and purchase agreement and septage management agreement with CIWD. The bulk water component has an estimated capex of over Php600Mil and is expected to be completed by 2020. Meanwhile, the septage management component has an estimated capex of Php200Mil and is expected to be operational by 2021. [\(source: MWC\)](#) [\(Source: COL Financial\)](#)

Economists say hawkish-tilting Fed could move rates quicker

WASHINGTON — The Federal Reserve likely will leave the benchmark US interest rate untouched this week, but economists say the changing composition of the policy committee could point to faster rate hikes in 2018.

Markets are betting the first of the three interest rate moves expected this year will come at the Fed's next meeting in March.

That will allow the Fed's interest-rate setting body, the Federal Open Market Committee (FOMC), to wait for firmer signs of inflation, which has long run below the Fed's two percent target.

But changing economic conditions — the massive tax cuts approved last month, recovering energy prices, a weaker US dollar, new trade tariffs and stronger global growth — could combine with a widespread US labor shortage to spur wage gains and cause a demand-driven rise in inflation, analysts say.

At the same time the changing makeup of the FOMC appears to be leaning in a more hawkish, inflation-averse direction, which raises the chances the committee will raise rates four times rather than three. [\(source: BusinessWorld\)](#) [\(Source: COL Financial\)](#)

LandBank starts 'due diligence' to acquire majority stake in fixed-income bourse

MANILA, Philippines — State-run LandBank of the Philippines on Tuesday said it has started conducting its "due diligence" in its plan to acquire a majority stake of the Philippine Dealing System Holdings Corp., operator of the country's bond and currency markets.

In a letter dated January 16, LandBank President and CEO Alex Buenaventura sought the board's approval for the acquisition of at least 66.67 percent of the PDS.

The Landbank board of directors later gave a green light to the move during a meeting last January 23, putting the state bank in competition with the Philippine Stock Exchange in this regard.

READ: LandBank eyes majority stake at Philippine Dealing System Holdings Corp.

In a statement, LandBank disclosed that Buenaventura had a “very fruitful meeting” with the Securities and Exchange Commission last January 29.

The state-run lender said the meeting zeroed in on the procedure for applying for a petition for exemptive relief from industry ownership limit for Exchanges and Exchange Controllers under the Securities Regulation Code.

“With the Board approval, the only thing left to do is to finish our due diligence and report to the Board,” Buenaventura said.

“We thank the SEC for accommodating our request, even on short notice. Rest assured that we will comply with all applicable laws in acquiring PDS,” he added.

In his letter to the board, Buenaventura said the LandBank, the country’s fourth-largest lender in terms of assets as of September 2017, will benefit from “stable recurring cash flow” from fees that PDS charges to market players. **Source: Philstar**