

# Daily Market Commentary

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## Philippine Equities Market

As of January 12, 2018				
	VALUE	Points	%Chg	YTD%
PSEi	8,814.62	44.62	0.51	28.86
All Shares	5,098.75	22.43	0.44	22.68
Financials	2,325.65	72.17	3.10	40.48
Industrial	11,471.49	(28.64)	(0.25)	7.71
Holding Firms	8,995.48	54.80	0.61	28.65
Services	1,619.58	12.93	0.80	24.31
Mining and O	11,752.81	153.32	1.30	-0.89
Property	4,020.67	(75.55)	(1.88)	31.12

## Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
SECB	Security Bank Corp	809,447,100
ALI	Ayala Land Inc	542,080,600
BDO	BDO Unibank Inc	521,067,700

## TOP INDEX GAINER

MER	Manila Electric Company	PRICE	%
		331.00	1.85

## TOP INDEX LOSER

AP	Aboitiz Power Corp	PRICE	%
		40.00	-4.08

## UITF/MUTUAL FUNDS

	NAV
Philam - SGF (MSE)	UP 604.1
BDO - SDF	DOWN 120.6781
BDO - Money Market Fund	UP 1,533.6957

## FOREX

USD/PHP	PREV	CURRENT	DIFF
		50.609	

## BITCOIN

BTC	Value	Chg
	852,783.90	UP

## Market Data

	Value
Volume turnover	877,690,013
Value	5,946,236,407.58
Foreign Transaction (net)	(340,553,950.99)

## Regional Indices

	Value	%Chg
Dow Jones	25,803.19	UP 0.89
NASDAQ	7,261.06	UP 0.68
S&P500	2,786.24	UP 0.67
H. Seng	31,412.54	UP 0.94
Nikkei225	23,775.73	UP 0.52

## Stock Picks

STOCK CODE	CP	TP	% ROI
AC	UP 1,083.00	920.00	
ALI	UP 45.00	43.72	-3%
CHP	UP 5.31	13.40	152%
DMC	UP 14.70	15.10	
GTCAP	UP 1,444.00	1,300.00	-10%
JFC	UP 258.00	240.00	
MBT	DOWN 107.20	95.00	-11%
MEG	DOWN 4.96	4.61	
MPI	UP 6.67	8.10	21%
RLC	UP 21.30	35.93	69%
SMPH	UP 39.50	30.57	
VLL	NO CHANGE 5.95	5.98	1%

## Commodities

	Last	Chg	%Chg
Gold			
Brent			
WTI			

## Global Events/Market

- **US equities closed at another record high** as investors bet on a strong corporate earnings season. The S&P 500 closed at 2,786.24 (+0.67% DoD) while the DJIA ended at 25,803.19 (+0.89% DoD).
- **European stocks marginally rose** on progress over talks in forming a coalition between German Chancellor Merkel's conservative CDU party and Schulz's center-left SPD party. The MSCI Europe closed at 134.58 (+0.28% DoD).
- **US Treasuries fell as the December CPI print (+2.1% YoY)** hit the Fed's 2% target, reinforcing the probability of a March rate hike. On average, yields went up by 0.85 bps with the 10-yr rising 0.95 bps to 2.5462%.
- **The US dollar weakened to a 3-year low** as investors priced-in risks of tighter monetary policies globally (namely from the BOJ and ECB). The DXY closed at 90.974 (-0.96% DoD).
- **Asian stocks midly rose as stronger-than-expected US economic data** resulted in broad positive sentiment in the global equities space. The MSCI APXJ closed at 590.16 (+0.76% DoD).

(Source: BPI Research)

## Local Events/Market

- **SMPH: SMPH on track to meet 5-year vision**
- **RLC: RLC obtains approval for stock rights offering**
- **Telco sector: LG to partner with PT&T to be the third telco player**
- **Telco sector: DICT issues guideline for new telco**
- **MWIDE: MWIDE and SSS team up to bid for NAlA rehabilitation**
- **Economy: Package 1B of the comprehensive tax reform program seen passed in Q1**

(Source: COL Financial, BPI Research, BusinessWorld)

## PSEi/Fixed Income/Forex Summary

- **The PSEi ended flat on Friday, gaining only 1.37 points** or 0.02% to close at 8,814.62. Index decliners led gainers 17 to 10, while 3 issues remained unchanged. Most sectors advanced with Property (+0.39%) leading the gainers and Mining & Oil (-1.22%) leading the decliners.
- **Significant index gainers were MER (+1.85%), MBT (+1.57%), RRHI (+1.52%), AC (+1.43%), and JGS (+1.37%)**. Meanwhile, significant index decliners were AP (-4.08%), URC (-2.69%), and SMC (-2.27%). Value turnover increased to Php7.9Bil from Php7.7Bil the previous session.
- **Meanwhile, foreigners turned net buyers throughout the day**, accumulating Php142Mil worth of shares.
- **Local equities were on a downtrend as investors continued to lock in gains** following sessions of record highs, but buy market-on-close orders were able to lift the index to close in the green. The PSEi marginally rose to 8,868.56 (+0.02%).
- **Local fixed income yields slightly increased as traders pulled out** of the short end to position in longer-tenored securities ahead of the release of US inflation print later today (Friday GMT +8, 21:30). On average, yields rose by 3.71 bps, led by the short-end which jumped 14.33 bps.
- **The Philippine peso slightly weakened as inflows from end-2017 remittances wane** and mounting worries over the Philippines' trade deficit surface. The USDPHP pair fell to 50.40 (-0.08% DoD).

(Source: COL Financial, BPI Research)

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## Other News:

### **SMPH: SMPH on track to meet 5-year vision**

SMPH discussed that it is on track to meet its five-year goal that targets to double revenues and profits by 2018. The growth is supported by the aggressive mall and residential expansion, complemented by offices, hotels, and convention centers. For the following years, SMPH disclosed that it has eight malls lined up that are primarily outside Metro Manila. It would have to launch 11 more projects this 2018 to hit its target of 65 projects by end-2018. (source: BusinessWorld)

### **RLC: RLC obtains approval for stock rights offering**

The PSE gave RLC the approval to proceed with a stock rights offering worth up to Php20Bil. This will allow the company to offer shares priced with the range of Php18/sh to Php21/sh and an entitlement ratio of one share for every 3.7 to 4.3 common shares. The pricing date will be on January 24, while the ex-rights date will be on January 26. In addition, the offer period will run from February 2 to 8. Meanwhile, proceeds from the offer will be used to finance the acquisition of land. (Source: Businessworld, RLC)

### **Telco sector: LG to partner with PT&T to be the third telco player**

South Korea's LG Corp. is interested to form a joint venture with Philippine Telegraph and Telephone Corp. (PT&T) to become the third telco player in the country. China Telecom has also expressed their intention to enter the Philippine telco space, but has not found a local partner with an existing franchise to comply with the country's constitutional provision limiting foreign ownership to 40%. As far as the administration is concerned, they noted that they are open to other countries which want to compete with the current telcos (Source: Philstar)

### **Telco sector: DICT issues guideline for new telco**

The DICT has released the guidelines on the qualifications for the selection of a new telco player in the country. Under memorandum order 001, the interested party should have a valid congressional telecommunications franchise; not be a subsidiary or affiliate of or have corporate or financial interest in telco players PLDT Inc. or Globe Telecom Inc. as of Dec. 31, 2017; and must have a written and binding commitment from a foreign joint venture company, if applicable, as minimum qualifications. It also noted that the applicant with the highest committed investment for the first five years shall be selected as the third player.

allocation of spectrum is already available and identified by the NTC. The spectrum will be allocated to the winning bid, but non-compliance with the committed investment would mean an automatic recall. The NTC will also issue a memorandum before Feb. 19 containing the terms of reference for the selection and assignment of radio frequencies for the new major telco player in the country.

Both TEL and GLO noted that they are ready for the third telco player to come in the country and has allocated sufficient capex next year to improve their current network. (Source: Philstar, Businessworld)

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**MWIDE: MWIDE and SSS team pu to bid for NAIA rehabilitation**

MWIDE and the SSS are planning to submit an unsolicited proposal for the rehabilitation of NAIA within the first quarter of 2018. The bid for the NAIA rehabilitation puts MWIDE and SSS up against the “super-consortium” composed of AC, LTG, AEV, AGI, JGS, FDC, and MPI. Nevertheless, SSS officials noted that MWIDE has an advantage in bidding for the NAIA project against this “super-consortium”, citing the critical importance of the interoperability of airports. They noted that MWIDE and its joint venture partner, GMR Infrastructure Ltd, have secured the contract to build and operate Mactan-Cebu International Airport. Additionally, MWIDE also won the bid to construct the new passenger terminal of Clark International Airport. (source: BusinessWorld)

**Economy: Package 1B of the comprehensive tax reform program seen passed in Q1**

The Department of Finance (DoF) is confident that package 1B of the comprehensive tax reform program, which includes the planned general tax amnesty, could be fast-tracked by Congress and receive approval within the first quarter. When the senate resumes, they will focus on the committee report which includes estate tax amnesty, general amnesty, bank secrecy relaxation, and the automatic exchange of information. Package 1B is a result of the Senate’s removal of tax administration measures from the original tax reform package passed by the Lower house under House Bill No. 5636. Once package 1B is signed into law, it will generate another Php38.9Bil in revenues this year, bringing the total net revenue of the first tax reform package to just under Php130Bil.

Taking into account the five items vetoed by the President, package 1A is expected to raise Php89.9Bil in net revenues in the first year of implementation, Php63.3Bil from tax policy measures in addition to the Php26.6Bil from legislated tax administration measures. In 2019, package 1A and 1B will generate Php175.1Bil, Php221.7Bil in 2020, Php224.3Bil in 2021, and Php219.2Bil in 2022. The DoF is also planning to submit to Congress the draft of the second tax reform bill, which focuses on income taxes and incentives of corporations. Under the second tax reform bill, the DoF is proposing the reduction of corporate income taxes from 30% currently to 25% and rationalization of fiscal incentives given to certain business sectors.

However, the second tax reform is not as revenue-neutral as originally thought, which may result in the addition of other revenue-generating provisions, similar to package 1A. (Source: Inquirer, PhilStar)