

# Daily Market Commentary

Asset Management Unit | January 31, 2018 | Wednesday | Issue No. 2018-007



Philippine Equities Market				
As of January 30, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	<b>8,910.48</b>	<b>(148.14)</b>	<b>(1.64)</b>	4.11
All Shares	<b>5,194.64</b>	<b>(78.36)</b>	<b>(1.49)</b>	4.10
Financials	<b>2,244.03</b>	<b>(14.12)</b>	<b>(0.63)</b>	0.62
Industrial	<b>11,849.03</b>	<b>(167.50)</b>	<b>(1.39)</b>	5.50
Holding Firms	<b>9,189.77</b>	<b>(173.18)</b>	<b>(1.85)</b>	6.65
Services	<b>1,706.68</b>	<b>(29.62)</b>	<b>(1.71)</b>	5.36
Mining and O	<b>12,011.52</b>	<b>(222.53)</b>	<b>(1.82)</b>	4.42
Property	<b>4,028.38</b>	<b>(76.09)</b>	<b>(1.85)</b>	1.26

Top 3 Most Active Stocks				
TICKER	COMPANY	TURNOVER		
SMPH	SM Prime Hldgs Inc	888,156,700		
ALI	Ayala Land Inc	855,167,400		
BDO	BDO Unibank Inc	578,049,400		
TOP INDEX GAINER		PRICE	%	
RLC	Robinsons Land Corp	21.00	1.94	
TOP INDEX LOSER		PRICE	%	
URC	Universal Robina Corp	163.40	-4.05	

UITF/MUTUAL FUNDS				NAV
BDO - SDF		DOWN		120.9323
BDO - Money Market Fund		UP		1,534.9255

FOREX	PREV	CURRENT	DIFF
USD/PHP		51.42	DOWN

  

BITCOIN			
BTC		507,063.90	DOWN

Market Data		Value
Volume turnover		2,389,901,411
Value		10,054,153,346.85
Foreign Transaction (net)		(2,020,999,121.39)

Regional Indices	Value	%Chg
Dow Jones	<b>26,076.89</b>	<b>DOWN -1.37</b>
NASDAQ	<b>7,402.48</b>	<b>DOWN -0.86</b>
S&P500	<b>2,822.43</b>	<b>DOWN -1.09</b>
H. Seng	<b>32,607.29</b>	<b>DOWN -1.09</b>
Nikkei225	<b>23,286.39</b>	<b>DOWN -0.02</b>

Stock Picks				
	LAST	Change	%Change	
AC	1,049.00	(1.00)	-0.10	DOWN
ALI	44.45	(1.15)	-2.52	DOWN
BDO	151.90	(3.60)	-2.32	DOWN
BLOOM	12.28	0.02	0.16	DOWN
EEI	12.22	(0.18)	-1.45	DOWN
GERI	1.34	(0.01)	-0.74	DOWN
MRSGL	3.64	0.01	0.28	DOWN
PXP	8.98	(0.27)	-2.92	DOWN
SM	1,023.00	(67.00)	-6.15	DOWN
SMPH	37.15	(0.70)	-1.85	DOWN
SSI	3.06	(0.08)	-2.55	DOWN
WLCON	9.30	(0.12)	-1.27	DOWN

Source: BDO Nomura Research

Commodities	Last	Chg	%Chg
Gold			
Brent			
WTI			

### Global Events/Market

- US equities declined, led by a drop in healthcare and energy shares, after Amazon, Berkshire Hathaway and JP Morgan Chase announced a partnership to cut costs and improve healthcare services for US employees. The DJIA ended at 26,076.89 (-1.37% DoD), while the S&P 500 went down to 2,822.43 (-1.09% DoD).
- US Treasury yields climbed on investors' concerns over rising borrowing costs ahead of the Fed meeting, which is expected to shed light on the Fed's economic and rate hike outlook. Yields rose 2.46 bps on average, with the 10-year rising 2.63 bps to 2.7199.
- The US Dollar reversed its gains despite better-than-expected US economic data (Consumer confidence for January registered at 125.4 vs. expected 123) as market players stayed on the sidelines ahead of Trump's State of the Union Address and two-day Federal Reserve policy meeting--the last to be headed by Janet Yellen. The DXY Index closed at 89.16 (-% DoD).
- Asian stocks ended on negative territory as it mirrored US equity selloff on the back of rising yields in US Treasuries and extremely high valuations in Asian markets. The MSCI APXJ ended at 604.92 (-1.43% DoD).

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

### Local Events/Market

- IMI: Stock rights offering to be priced at Feb. 7, offer period to commence on Feb. 19
- Telecom sector: Third player entry terms to force aggressive investment
- Banking Sector: BSP says not time to cut reserve requirement
- Economy: DOF expects inflation this month to remain unchanged from December
- Economy: DoF finetuning Package 2 plus
- Economy: Senate bill seeks to cut VAT rate to 10% and eventually 8%
- RLC: RLC opens office spaces in Ilocos Norte mall

*(Source: <https://ph9.colfinancial.com/ape/Final2/research/downloads/2018-01-31-PH-D.pdf>, BPI Research, BusinessWorld)*

### PSEi/Fixed Income/Forex Summary

- The PSEi declined last Tuesday, losing 148.14 points or 1.64% to close at 8,910.48. Index decliners led gainers 23 to 3, while 4 issues remained unchanged.
- All sectors ended in red with Property (-1.85%) leading the group. Significant index decliners were URC (-4.05%), SMPH (-3.20%), AC (-3.05%), SM (-2.94%), and MPI (-2.26%).
- Meanwhile, the only gainers for the day were RLC (+1.94%), FGEM (+0.63%), and SMC (+0.63%). Value turnover increased to Php10.1Bil from Php8.9Bil the previous session.
- Meanwhile, foreigners continue to be net sellers for the third consecutive day, liquidating Php2.0Bil worth of shares.
- Local equities retreated from an all-time high yesterday amid expensive valuations, led by URC and SMPH. The PSEi was down to 8,910.48 (-1.64% DoD).
- Local fixed income yields broadly fell, as foreigners started buying shorter-tenored securities following the strengthening of the US Dollar. On average, yields fell 6.45 bps, led by the long-end which tumbled 7.19 bps.
- The Philippine peso depreciated despite BSP Governor Espenilla's comments that the depreciation of the peso is overdone, as an advance in US Treasury yields propped up the US Dollar. The USD/PHP closed at 51.420 (-0.46% 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:

### **IMI: Stock rights offering to be priced at Feb 7, offer period to commence of Feb. 19**

The PSE disclosed that the stock rights offering of IMI will be priced on February 7, 2018. IMI plans to raise up to US\$100 Mil (Php5.0 Bil) in proceeds with common shares of up to 350 Mil with par value of Php1.0/sh. This implies a rights offer price of ~Php14.30/sh (assuming the maximum number of shares and proceeds). The offer period shall commence on February 19, 2018 and will end on February 23, 2018. **(source: PSE) Col Financial**

### **Telecom sector: Third player entry terms to force aggressive investment**

The DICT plans include a condition that states that the third player is to remit to the government any unused portion of its five-year investment commitment under its terms of reference for the new entrant in the telco industry. The government will require from the third player a commitment of Php60Bil annually or Php300Bil for five years to compete with PLDT, Inc. and Globe Telecom, Inc. The condition aims to encourage aggressive investment by the third player to ensure the quality of service delivered. The DICT also may move the selection of the third player to May instead of March, as interested participants have asked for more time to prepare. **(Source: Businessworld) Col Financial**

### **Banking Sector: BSP says not time to cut reserve requirement**

The BSP said that current financial conditions are not yet ideal for the planned cuts in bank reserves. According to BSP Governor Nestor A. Espenilla, Jr., the robust growth in money supply and bank lending puts off the plans to trim the 20% reserve requirement ratio. Note that M3 and credit both continue to expand at double digit growth rates. In addition, the BSP chief believes that overall pace of credit growth is in line with the requirements of the economy, suggesting that additional stimulus to the economy is not necessary at the moment. **(Source: Businessworld) Col Financial**

### **Economy: DOF expects inflation this month to remain unchanged from December**

The Department of Finance stated that inflation rate in January may have remained the same from that of December at 3.3%. This is faster than the inflation recorded in January 2017 of 2.7%. Transportation costs rose this month due to the increase in retail pump prices of diesel and gasoline. Meanwhile, inflation on food and non-food items were steady despite the rise in transportation costs. The PSA is scheduled to report the official January inflation data on February 6. **(source: BusinessWorld) Col Financial**

### **Economy: DoF finetuning Package 2 plus**

The Department of Finance (DoF) is now finetuning the Comprehensive Tax Reform Program's Package 2 plus, which will include additional taxes on tobacco, alcohol, mining, coal, and casinos. Some aspects of package 2 plus such as the removal of the VAT exemptions for casino and coal operations have already been included in Package 2, which centers on lowering corporate income taxes and the modernization of fiscal incentives. In terms of additional excise taxes on tobacco products, the DoF does not intend to submit a new proposal but would instead support the bill filed by Senator Manny Pacquiao. Currently, the corresponding hike in alcohol excise taxes is undergoing final review and consultation. **(Source: Philstar) Col Financial**

### **Economy: Senate billing seeks to cut VAT rate to 10% and eventually 8%**

Senator Risa Hontiveros had filed a bill last Tuesday, seeking to reduce the VAT rate from 12% to 10% in response to the TRAIN law. This bill shall be known as the Bawas Vat Act of 2018 (SB1671). It will amend sections 106-109 and 112 of the Tax Reform Act, which imposes value added tax on the sale of goods or properties, importation of goods, and sale of services, among others. If passed in its current form, the reduction in VAT would be implemented by January 1, 2019. In addition, by January 1, 2022 the bill seeks to reduce the VAT rate further to 8% if the previous year's revenue collections from VAT reaches or exceeds 4.5% of GDP. Senator Hontiveros said that this would provide more relief to lower economic deciles of the population and make the country's tax system aligned with the ASEAN norm of an 8% VAT. **(source: BusinessWorld) Col Financial**

### **RLC: RLC opens office spaces in Ilocos Norte mall**

RLC has opened new office spaces, spanning a gross leasable area (GLA) of 7,829.24 sq.m., in the newly expanded Robinsons Place Ilocos Norte. The offices cover three out of four floors in the said mall and are accredited by the Philippine Economic Zone Authority (PEZA). Note that the company completed the expansion of Robinsons Place in 2016, bringing its GLA to 53,600 sq.m. from the previous 20,500 sq.m. RLC Office Buildings Division and General Manager Faraday Go said that the site of the mall makes it ideal for BPO offices since it is within close proximity to several universities, near Laoag City and the airport, and is easily accessible from the national highway. **(source: Businessworld) Col Financial**