

# Daily Market Commentary

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## Philippine Equities Market

As of February 5, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	<b>8,616.00</b>	<b>(194.75)</b>	<b>(2.21)</b>	0.67
All Shares	<b>5,070.42</b>	<b>(111.40)</b>	<b>(2.15)</b>	1.61
Financials	<b>2,204.08</b>	<b>(19.47)</b>	<b>(0.88)</b>	(1.17)
Industrial	<b>11,572.00</b>	<b>(319.59)</b>	<b>(2.69)</b>	3.03
Holding Firms	<b>8,787.27</b>	<b>(220.49)</b>	<b>(2.45)</b>	1.98
Services	<b>1,697.27</b>	<b>(20.84)</b>	<b>(1.21)</b>	4.78
Mining and O	<b>11,766.09</b>	<b>(316.96)</b>	<b>(2.62)</b>	2.29
Property	<b>3,868.68</b>	<b>(125.21)</b>	<b>(3.14)</b>	(2.75)

## Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
BDO	BDO Unibank Inc	760,348,200
ALI	Ayala Land Inc	607,511,700
SMPH	SM Prime Holdgs Inc	605,573,400

## TOP INDEX GAINER

BPI	Bank of the Phil Islands	PRICE	%
		121.80	1.50

## TOP INDEX LOSER

MPI	Metro Pacific Inv Corp	PRICE	%
		6.13	-5.11

## UITF/MUTUAL FUNDS

BDO - SDF	DOWN	NAV
		117.1075
BDO - Money Market Fund	UP	NAV
		1,535.3387

## FOREX

USD/PHP	PREV	CURRENT	DIFF
		51.51	DOWN

## BITCOIN

BTC	PREV	CURRENT	DIFF
		327,545.50	DOWN

## Market Data

	Value
Volume turnover	1,168,314,413
Value	8,505,871,908.08
Foreign Transaction (net)	(1,954,489,399.03)

## Regional Indices

	Value	%Chg
Dow Jones	<b>24,345.75</b>	<b>DOWN -4.60</b>
NASDAQ	<b>6,967.53</b>	<b>DOWN -3.78</b>
S&P500	<b>2,648.94</b>	<b>DOWN -4.10</b>
H. Seng	<b>32,245.22</b>	<b>DOWN -1.09</b>
Nikkei225	<b>21,661.20</b>	<b>DOWN -4.50</b>

## Stock Picks

	LAST	Change	%Change
AC	1,000.00	(30.00)	-2.91 DOWN
ALI	43.85	(0.95)	-2.12 DOWN
BDO	146.60	(3.90)	-2.59 DOWN
BLOOM	12.12	0.14	1.17 UP
EEI	11.32	(0.38)	-3.25 DOWN
GERI	1.34	(0.02)	-1.47 DOWN
MRSGL	3.55	(0.05)	-1.39 DOWN
PXP	8.4	(0.13)	-1.52 DOWN
SM	993.50	(11.50)	-1.14 DOWN
SMPH	34.65	(0.60)	-1.70 DOWN
SSI	2.96	(0.04)	-1.33 DOWN
WLCON	9.82	(0.13)	-1.31 DOWN

## Commodities

	Last	Chg	%Chg
Gold			
Brent			
WTI			

## Global Events/Market

- US equities continued to be under fire amid a global selloff in equities. The Financial sector was hit the hardest, down 4.24%. The DJIA closed at 24,345.75 (-4.6% DoD) while the SPX was at 2,648.94 (-4.1% DoD).

- European equities finished lower as markets continued to track the global equities selloff brought about by rising inflation expectations and higher interest rates. The MSCI Europe index closed at 128.88 (-1.55% DoD).

- US Treasury yields fell as investors flocked to haven assets amid the panic in global stock markets. The 10-year Treasury yield retreated from a 4-year high to close at 2.7056% (-13.55 bps). On average, yields fell 8.17 bps.

- The US dollar strengthened as the sharp rise in US Treasury yields halted. Moreover, the Institute of Supply Management's measure of non-manufacturing firms was at 59.9 in January, better than consensus expectations of 56.7. The DXY closed at 89.554, +0.40% DoD.

- Asian stocks continued to decline amid the global equities selloff despite the fastest expansion in six years of China's services sector. The MSCI APXJ index closed at 588.77 (-1.59% DoD).

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

## Local Events/Market

- **Economy: January inflation highest in three years**

- House panel targets 'early March' approval of tax amnesty measure

- BPI: 4Q17 earnings rise 15%; slightly below COL estimates

- SECB: 2017 earnings grow 20%; in line with COL estimates

- CIC: 2017 profits up 8%, in line with COL but below consensus forecast

- MEG: MEG to launch Php2.2Bil Festive Walk Mall in Iloilo City

- AIR ASIA: Philippines Air Asia plans bigger IPO

(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 Monday, tracking the global market sell-off. The benchmark index lost 194.75 points or 2.21% to close at 8,616.00. Index decliners led gainers 28 to 1, while 1 issue remained unchanged. All sectors ended in red with Property (-3.14%) leading the group.

- Significant index decliners were MPI (-5.11%), DMC (-4.95%), SMPH (-4.60%), JFC (-4.08%), and JGS (-3.75%). Meanwhile, the only index gainer was BPI (+1.50%). Value turnover increased to Php8.5Bil from Php7.9Bil in the previous session.

- Meanwhile, foreigners continue to be net sellers for the seventh consecutive day, liquidating Php2.0Bil worth of shares.

- Philippine stocks recorded their largest single-day drop in two years, tracking global markets, which fell on fears of inflation after the Fed revised its inflation outlook upward and US wage growth data came in higher than expected. The PSEi lost 2.21% DoD, closing at 8,616.0 pts.

- Local fixed income reversed their recent trend, with the long-end falling (-14.24 bps) as investors bought up bargains, and the belly rising (+14.49 bps) as they took profits. On average, yields rose 3.66 bps, in contrast to US fixed income.

- The Philippine peso depreciated on continued net foreign selling in the equity market. USD strength based on economic data continues to suppress the PHP. The PHP/USD closed at 51.510 (+0.12% 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:

### **BPI: 4Q17 earnings rise 15%; slightly below COL estimates**

Earnings slightly below COL estimates on higher-than-expected tax expense

BPI's 4Q17 net income rose 15% to Php5.4Bil from Php4.7Bil in the previous year. The growth was driven by the expansion in net interest income (+13% y/y) and the decline in provisions (-78% y/y). For 2017, income was up only by 2% to Php22.4Bil mainly because of the absence of one-off trading gains booked in the previous year. Excluding the said gains, core earnings would have grown by 31% y/y. The 2017 figure ended slightly below COL forecast at 96.5% and in line with consensus estimates at 98%. However, note that income before tax ended in line with our forecast at 100% of our estimates, implying higher-than-expected tax expense. Meanwhile, net interest income for the full year expanded 13% y/y. The 2017 earnings translate to an ROE of 12.9%. **Source: Col Financial**

### **SECB: 2017 earnings grow 20%; in line with COL estimates**

Earnings meet COL estimates

SECB's 4Q17 earnings increased 50% y/y to Php2.9Bil amidst the jump in trading gains and strong growth in net interest income (+16% y/y). This brought earnings in 2017 to Php10.3Bil, up 20% y/y. This ended in line with COL and slightly above consensus at 102% and 104%, respectively. Earnings met our estimates as the strong trading gains in fourth quarter offset the weak fees. While no details regarding the trading gains have been provided, we believe there might have been a large asset sale during the quarter. Meanwhile, net interest income for the full-year expanded 22% y/y. The 2017 results translate to an ROE of 10.2% **Source: Col Financial**

### **CIC: 2017 profits up 8%, in line with COL but below consensus forecast**

CIC disclosed that 2017 profits after tax and minority interest increased by 8% to Php980 Mil. Results were in line with COL but slightly below consensus expectations (97% of full year forecast) largely due to lower than expected margins. Revenues grew by 12% to Php13.9 Bil in 2017 due to strong demand for CIC's products. However, the significant increase in commodity prices and the negative impact of the weaker peso pulled down margins and were responsible for the slower increase in profits after tax and minority interest relative to revenues.

We will come out with a more thorough analysis of CIC's results once details become available.

We currently have a SELL rating on CIC with a FV estimate of Php52.40/sh. Although we like CIC given the favorable growth outlook of demand for refrigerators and air conditioners in the country and its market leadership position, we believe that its current valuations are unattractive. At Php62.50/sh, CIC is trading at 22.1X 18E P/E, a premium relative to the 16.0X median P/E of its peers. Moreover, margins will continue to be hurt by the weak peso and rising commodity prices. **Source: Col Financial**

### **MEG: MEG to launch Php2.2Bil Festive Walk**

MEG is set to launch its Php2.2Bil lifestyle mall, Festive Walk Mall, in Iloilo City this April 2018.

Festive Walk Mall will offer around 40,000 sqm. of net leasable space, with around 75% of the space taken up by tenants upon opening. Management targets to bring the occupancy rate to 90% within three months of opening. MEG is also currently in talks with both SM and MRSGI to open two supermarkets within the development. Mr. Kevin Tan, SVP and Head of Lifestyle Malls, said that they are redefining the shopping malls to fit the lifestyle of the younger demographic.

As such, they are also bringing in more food and beverage tenants. This is pegged at around 30% of the total tenants. Festive Walk Mall is the first lifestyle mall MEG is opening this year, and it brings total malls to 15 with a GFA of 690,000 sqm. **(source: BusinessWorld) Source: Col Financial**

### **AIR ASIA: Philippines Air Asia plans bigger IPO**

Air Asia Group Chief Executive Officer Tony Fernandes said that the company could raise more than the US\$200Mil to US\$250Mil it had earlier projected for its initial public offering (IPO) this

year. Note that the IPO was pushed back from its original target listing of 4Q17 to mid-2018. No specific details were provided as to the exact amount of the IPO. **(source: Inquirer) Source: Col Financial**

### **January inflation highest in three years**

Inflation rose in January, the government reported Tuesday morning.

The Philippine Statistics Authority said that the headline inflation jumped by 4% last month from 3.3% logged in December and 2.7% recorded in January 2017.

The preliminary result is higher than the 3.5% median estimate in a BusinessWorld poll of 14 economists and analysts conducted late last week and matching the top end of the Bangko Sentral ng Pilipinas' (BSP) 3.5%-4% range seen for January as well as higher than the Department of Finance's 3.3% forecast.

The January print was also the fastest reading since October 2014's 4.3% clip.

BSP expects full-year inflation to average 3.4% this year, higher than the 3.2% finish in 2017 but still within the 2%-4% target range. **Source: BusinessWorld**

### **House panel targets 'early March' approval of tax amnesty measure**

By Elijah Joseph C. Tubayan  
Reporter

THE HOUSE of Representatives' Ways and Means committee hopes to approve a tax amnesty measure by "early March," its chairman said on Monday, as it irons out details to make sure it brings more tax evaders into the fold.

"Early March possibly," Quirino Rep. Dakila Carlo E. Cua told reporters after a public hearing yesterday when asked when he expected the bill to be approved at his committee's level.

House Bill No. 7105, filed by Speaker Pantaleon D. Alvarez, Majority Leader Rodolfo C. Fariñas and Mr. Cua, seeks to "enhance revenue administration and tax collection by granting an amnesty on all unpaid internal revenue taxes imposed by the national government."

The measure offers a flat eight percent tax on the net worth of those who will avail of amnesty covering taxable year 2017, or P10,000 to P10 million, depending on taxpayer bracket "whichever is higher," in exchange for immunity from civil, criminal and administrative penalties.

The bill also relaxes bank secrecy restrictions, allowing the BIR to inspect the bank accounts of those who will avail of tax amnesty in order to ensure the accuracy of their declarations.

The amnesty forms part of a follow-up to Republic Act No. 10963 — or the Tax Reform for Acceleration and Inclusion Act — as that law, enacted in December and which took effect last month, saw projected revenues whittled down to over P90 billion from P133.8-157.2 billion originally after both chambers of Congress watered down some provisions.

The follow-up package, which also includes a proposed increase to the motor vehicle users tax that is pending in the committee, is designed to bring projected revenues closer to the original intent.

There will be up to five tax reform packages that are meant to cover a fourth of the P8-trillion planned state infrastructure investments until 2022, when President Rodrigo R. Duterte will end his six-year term. **Source: BusinessWorld**

The second package, submitted to the House last Jan. 16, consists of a proposed cut in corporate income tax to 25% from 30% currently in order to put the Philippines at par with its Southeast Asian competitors, as well as removal of redundant fiscal incentives that have been