

Daily Market Commentary

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Philippine Equities Market				
As of February 6, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	8,550.42	(65.58)	(0.76)	(0.09)
All Shares	5,027.91	(42.51)	(0.84)	0.76
Financials	2,179.92	(24.16)	(1.10)	(2.25)
Industrial	11,513.58	(58.42)	(0.50)	2.51
Holding Firms	8,689.61	(97.66)	(1.11)	0.85
Services	1,685.76	(11.51)	(0.68)	4.07
Mining and O	11,509.38	(256.71)	(2.18)	0.06
Property	3,859.60	(9.08)	(0.23)	(2.98)

Top 3 Most Active Stocks				
TICKER	COMPANY	TURNOVER		
ALI	Ayala Land Inc	992,219,400		
SM	SM Investments Corp	719,336,800		
BDO	BDO Unibank Inc	650,514,600		
TOP INDEX GAINER		PRICE	%	
MPI	Metro Pacific Inv Corp	6.30	2.77	

TOP INDEX LOSER				
		PRICE	%	
AEV	Aboitiz Equity Ventures	71.95	-4.07	
UITF/MUTUAL FUNDS		NAV		
BDO - SDF		DOWN	116.2901	
BDO - Money Market Fund		UP	1,535.4082	

FOREX	PREV	CURRENT	DIFF
USD/PHP		51.46	UP
BITCOIN			
BTC		391,884.90	UP

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	24,912.77	UP 2.33
NASDAQ	7,115.88	UP 2.13
S&P500	2,695.14	UP 1.74
H. Seng	30,595.42	DOWN -5.12
Nikkei225	22,255.27	UP 2.98

Stock Picks				
As of 11:16 am				
	LAST	Change	%Change	
AC	1,019.00	14.00	1.39	UP
ALI	44.30	0.30	0.68	UP
BDO	151.20	1.20	0.80	UP
BLOOM	12.7	0.60	4.96	UP
EEI	11.72	0.32	2.81	UP
GERI	1.34	-	0.00	
MRSGL	3.57	0.04	1.13	UP
PXP	8.57	0.27	3.25	UP
SM	998.00	(2.00)	0.20	DOWN
SMPH	36.25	0.45	1.26	UP
SSI	2.97	(0.03)	-1.00	DOWN
WLCON	9.95	0.23	2.37	UP

Commodities			
	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- US equities ended higher, recovering after sessions of losses. VIX, a measure of market volatility, broke the 50-point mark during the volatile trading period. The DJIA closed at 24,912.77 (+2.33% DoD) while the SPX was at 2,695.14 (+1.74% DoD).

- European equities continued to decline even amid slight upswings intraday as the market failed to recover from the global market rout the previous day. The MSCI Europe index closed at 125.73 (-2.44% DoD).

- US Treasury yields rose as bond buying ended, with investors moving back to risk assets. On average, yields rose 7.43 bps with the 10-year rising to 2.8016%, up 9.6 bps day-on-day.

- The US dollar was flat amid a recovery in the US stock market, and as Treasury yields started to rise once again. The DXY closed at 89.585, up 0.03% day-on-day.

- Asian stocks ended lower as Hong Kong stocks joined the the global plunged amid worries of rising inflation. The Hang Seng index was down 5.1% for the day. The MSCI APXJ index closed at 568.41 (-3.46% DoD).

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

Local Events/Market

- GLO: Profits down 5%, below COL but in line with consensus forecast

- SCC: Still unsure on stance against coal excise tax, but higher coal price to lift revenues

- Economy: January inflation reaches 4.0%; above consensus forecast

- Other News: DMPL: Del Monte Philippines, Inc. unit to raise up to Php16.7 Bil in IPO

- Telecom Sector: President Duterte rejects 3rd Telco entry extension

(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 65.58 points or 0.76% to close at 8,550.42. Index decliners led gainers 20 to 6, while 4 issues remained unchanged. All sectors ended in red with Mining and Oil (-2.18%) leading the group. Significant index decliners were AEV (-4.07%), BPI (-3.12%), MER (-2.75%), SMC (-2.71%), and SCC (-2.57%).

- Meanwhile, the significant index gainers were MPI (+2.77%), JFC (+2.48%), and MEG (+2.06%). Value turnover increased to Php10.4Bil from Php8.5Bil in the previous session.

- Meanwhile, foreigners continue to be net sellers for the eighth consecutive day, liquidating Php1.4Bil worth of shares.

- Philippine stocks continued to track overnight global markets, reflecting negative sentiment on the back of higher interest rates. Strong inflation data locally aggravated the fears. The PSEi lost 0.76% DoD, closing at 8,550.4 pts.

- Local fixed income continued its decline as Philippine Headline CPI data came in at 4.0%, exceeding Bloomberg median estimate of 3.5%. The Bureau of Treasury's rejection of bids for the FXTN 7-60 may have buttressed the fall of security prices. On average, yields rose 8.68 bps, led by the long-end which rose 16.04 bps.

- The Philippine peso gained as surprisingly strong inflation data may lead to expectations of an earlier BSP rate hike. The PHP/USD closed at 51.460 (-0.10% 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:

GLO: Profits down 5%, below COL but in line with consensus forecast

2017 profits down 5% on significant increase of depreciation and finance cost. GLO 2017 net income reached Php15.1Bil, down 5% y/y. Profits were below COL forecast (93.4% of our full year forecast), but in line with consensus expectations. Excluding non-recurring items, one time gain, forex and mark-to-market gains and losses, core profits fell by 15% to Php13.5Bil. GLO's profits fell largely because of the significant increase in depreciation and finance cost. However, both revenues and EBITDA remained healthy, up by 6% and 7% respectively.

Depreciation and finance costs up due to higher capex. Depreciation in 2017 increased by 15% to Php27.5 Bil. Depreciation increased due to the significant growth in GLO's capital expenditures the past few years. Note that from only Php21.2 Bil in 2014 capex jumped to Php32.1 Bil in 2015, Php36.7 Bil in 2016 and Php42.5 Bil in 2017.

Depreciation expense is expected to continue rising going forward as GLO disclosed that capex would remain elevated at US\$850 Bil or around Php43 Bil in 2018, in line with efforts to boost the quality of service.

Also pulling down profits was the significant increase in finance cost. Finance cost jumped by 31% to Php5.4 Bil as GLO had to increase its borrowings to finance its higher capex and the acquisition of a 50% stake in SMC's telecom business (~Php35 Bil) in 2016. As of end 2017, GLO's gross debt level reached Php131.5Bil, up from Php105.7 Bil as of end 2016. [Source: COL Financial](#)

SCC: Still unsure on stance against coal excise tax, but higher coal price to lift revenues Field notes

SCC has yet to decide its stance on the excise tax on coal. Management of SCC has yet to decide its stance on the excise tax on coal following the passage of the TRAIN law in December 2017. The new law removed SCC's exemption from the payment of excise taxes, and increased excise tax on coal from Php10/MT previously to Php50/MT in 2018, Php100/MT in 2019 and Php150/MT in 2020. However, SCC holds a non-impairment clause under its coal mining contract with the government. Under the non-impairment clause, the government is obliged to indemnify SCC for lost income that resulted from the passage of new tax laws. SCC believes that its legal standing is strong in challenging the TRAIN law, but it is also considering the political impact of such challenge. Management said that in the event that it decides not to challenge the government on the TRAIN law, it will pass through the cost of the excise tax to local customers. In our forecasts, we assumed that SCC will be able to pass through the excise tax to local customers, although excise tax on coal export will be absorbed by the company. Coal mining business will continue to benefit from rising coal prices. Management said the coal mining business will continue to benefit from rising coal prices. The Newcastle coal index has risen from US\$97/MT in end-September to US\$104/MT in end January. Management said that this benefited SCC's average coal selling price during 4Q17 and January 2018. Recall that one of main reason why SCC's earnings disappointed during 3Q17 was due to SCC's lower than expected average selling price for coal during the period despite the rise in the Newcastle index during the said period. SCC explained that this was due to lower than expected grade for the coal produced. However, management said that coal grade improved during SCC coal production in 4Q17. Coupled with the increase in the Newcastle Index, this led to higher revenues from coal during 4Q17.

Maintain BUY rating. We reiterate our BUY recommendation on SCC with a FV estimate of Php47.25/sh. Fundamentally, we like SCC since we expect it to be a major beneficiary of the country's rising power demand given its vertically integrated operations and plans to boost power generation capacity from 850MW currently to 1,200MW in 2021E. [Source: COL Financial](#)

Economy: January inflation reaches 4.0%; above consensus forecast

Headline inflation increased to 4.0 percent in January from 3.3 percent in December. This was ahead of consensus forecast at 3.5% and at the high end of the government's target range of 3.0% ± 1.0 percentage point for 2018. Similarly, core inflation rose to 3.9% from 3.0% in the previous month. The faster inflation was brought about by higher prices of food and non-alcoholic beverages, alcoholic beverages and tobacco items, and domestic petroleum products. Food inflation increased as most food commodities posted higher prices during the month. Meanwhile, weather-related production disruptions drove prices of rice, fish, and vegetables higher in many regions. On the other hand, prices of non-alcoholic beverages and alcoholic beverages and tobacco rose due to the implementation of the TRAIN Law. At the same time, transport inflation increased due to adjustments in gasoline and diesel prices on higher international prices of crude oil and the TRAIN's excise tax on petroleum. (Source: BSP, Bloomberg) Col Financial

DMPL: Del Monte Philippines, Inc. unit to raise up to Php 16.7 Bil in IPO

DMPL disclosed that its Philippines unit, Del Monte Philippines, Inc., will be offering a total of 559.6 Mil shares or around 20% of its outstanding shares for its IPO. Shares of Del Monte Philippines, Inc. will be sold for up to Php29.88/sh. According to DMPL, net proceeds of the offer will be used to partially prepay/repay debt, as well as for general corporate purposes. BDO Capital and Investment Corp. is the issue manager, sole global coordinator, and sole book runner. (source: BusinessWorld) Col Financial

Telecom Sector: President Duterte rejects 3rd Telco entry extension

President Duterte has warned groups against hindering the entry of a third telecommunication player in the country and insisted that the new player should be operational by March. According to Presidential spokesman Harry Roque, the Department of Information and Communications Technology (DICT) initially asked for two more months before awarding the third telco player. According to Roque, the President was irked that the government needs to find frequencies to allot for the third player given that the frequencies was apparently given for free. Furthermore, the President rejected the proposal for the government to buy back the frequencies to give to the potential third player. According to Roque, should the government and China Telecom fail to reach an agreement, the invitation to be the third telecom player would be open to other countries. (Source: BusinessWorld) Col Financial

