

Daily Market Commentary

Asset Management Unit | February 13, 2018 | Tuesday | Issue No. 2018-012



Philippine Equities Market				
As of February 12, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	8,487.91	(15.78)	(0.19)	(0.82)
All Shares	5,025.90	(2.48)	(0.05)	0.72
Financials	2,198.89	14.35	0.66	(1.40)
Industrial	11,470.62	(95.53)	(0.83)	2.13
Holding Firms	8,607.61	(7.67)	(0.09)	(0.10)
Services	1,692.21	(4.18)	(0.25)	4.47
Mining and O	11,284.45	(139.76)	(1.22)	-1.90
Property	3,812.85	(11.26)	(0.29)	(4.16)

Top 3 Most Active Stocks		
TICKER	COMPANY	TURNOVER
ALI	Ayala Land Inc	360,480,200
SM	SM Investments Corp	243,171,900
JFC	Jollibee Foods Corp	210,277,900

TOP INDEX GAINER		PRICE	%
MBT	Metrobank	98.10	2.72

TOP INDEX LOSER		PRICE	%
JFC	Jollibee Foods Corp	283.00	-3.08

UITF/MUTUAL FUNDS		NAV	
BDO - SDF	DOWN	115.3706	
BDO - Money Market Fund	UP	1,535.8324	

FOREX	PREV	CURRENT	DIFF
USD/PHP		51.77	0.29 UP

BITCOIN		Value	%Chg
BTC		465,761.40	DOWN

Market Data		Value	
Volume turnover		2,390,379,849	
Value		5,863,278,419.63	
Foreign Transaction (net)		(1,268,628,998.07)	

Regional Indices				
	Value	%Chg		
Dow Jones	24,601.27	UP	1.70	
NASDAQ	6,981.97	UP	1.56	
S&P500	2,656.00	UP	1.39	
H. Seng	29,459.63	DOWN	-0.16	
Nikkei225	21,540.40	UP	0.74	

Stock Picks				
As of 10:22 am				
	LAST	Change	%Change	
AC	1,016.00	16.00	1.60	UP
ALI	44.00	0.45	1.03	UP
BDO	150.70	0.70	0.47	UP
BLOOM	13.66	0.36	2.71	UP
EEI	11.42	0.02	0.18	UP
GERI	1.33	-	0.00	
MRSGL	3.45	-	0.00	
PXP	9.09	0.86	10.45	UP
SM	981.00	1.00	0.10	UP
SMPH	35.45	0.45	1.29	UP
SSI	2.89	0.04	1.40	UP
WLCON	11.24	0.16	1.44	UP

Commodities			
	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- US equities rallied amid bargain hunting from investors following a week of volatile trading. Moreover, investors also digested the infrastructure plan released by the White House. The DJIA closed at 24,601.27 (+1.70% DoD) while the SPX was at 2,656.00 (+1.39% DoD).
- European equities finished higher erasing sizeable monthly losses as the market followed upbeat action on Friday and Monday for US equities. The MSCI Europe index closed at 125.78 (+1.20% DoD).
- US Treasury yields rose ahead of the inflation report. The report is expected to set the tone this week as concerns over higher inflation continue to have an impact on markets. On average, yields rose 1.09 bps with the 10-year rising to 2.856%, up 0.73 bps DoD.
- The US dollar weakened as the spotlight moved back to risky assets amid a two-day recovery in the stocks. The DXY closed at 90.136 (-0.34% DoD).
- Asian stocks rebounded after booking huge losses in last week's selloff amid concerns on rising inflation expectations. The CSI300 and Hang Seng indices gained 0.3% and 0.5% respectively. The MSCI APX index closed at 558.10 (+0.64% DoD).

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

Local Events/Market

- IMI: Full year recurring income end in line with estimates, contract win for 2017 disappoints
- UBP, AEV: UBP to acquire majority stake in PETNET
- RFM: 4Q17 profits up 8.7% y/y to Php345 Mil
- Economy: Automobiles experience slower growth in January as higher tax rates take effect
- Economy: FDI net inflows hit US\$869Mil in November 2017, up 16.9% y/y
- Economy: PSE maintains main index composition; sectors undergo revamp

(Source: <https://ph9.colfinancial.com/ape/Final2/research/downloads/2018-02-08-PH-D.pdf>) BPI Research, BusinessWorld)

PSEi/Fixed Income/Forex Summary

- The PSEi declined on Monday, losing 15.78 points or 0.19% to close at 8,487.91. Index decliners led gainers 16 to 7, while 7 issues remained unchanged. Likewise, all sectors except for Financials (+0.55%) ended in red with Mining and Oil (-1.22%) leading the group. Significant index decliners were JFC (-3.08%), DMC (-2.90%), SCC (-1.40%), URC (-1.33%), and RLC (-1.21%). Meanwhile, the significant index gainers were MBT (+2.72%), GTCAP (+2.32%), and LTG (+1.78%). Value turnover decreased to Php5.9Bil from Php8.6Bil in the previous session. Meanwhile, foreigners continued to be net sellers for the twelfth consecutive day, liquidating Php1.3Bil worth of shares.
- Local equities were flat with a slight downward bias as investors remained bearish. All sectors except for Financials were down for the day. Non-index stocks (e.g. WILCON, NOW, POPI, etc.) were among the most active names. The PSEi ended at 8,487.9 (-0.19% DoD).
- Local fixed income yields climbed across all tenors as the Bureau of Treasury partially awarded yesterday's 91-day, 182-day, and 364-day treasury bill auction (PHP14.2 bn out of the total PHP20.0 bn) after a streak of no awards. The accepted bids all had higher yields than previous auctions but were below the secondary market. On average, yields rose 29.25 bps.
- The Philippine peso continued to decline against the dollar, as net foreign outflows in the stock market picked up again. Negative sentiment continues to drive the currency down. The PHP/USD ended at 51.770 (+0.56% DoD).

(Source: <https://ph9.colfinancial.com/ape/Final2/research/downloads/2018-02-08-PH-D.pdf>), BPI Research (<https://www.bpiassetmanagement.com/pages/the-morning-view/>)

DISCLAIMER: This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness or correctness. Opinion expressed are subject to change without prior notice. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addressee. This document is for the information of the addressees only and is not to be taken on substitution for the exercise of judgment by the addressees.

Other News:

IMI: Full year recurring income end in line with estimates, contract win for 2017 disappoints

Full-year core income up 17.3% to US\$36.0 Mil. IMI's full-year net profits reached US\$34.0 Mil, up by 20.9% y/y. Although net profits missed both COL and consensus estimates as this account for only 94.0% and 96.1% of COL and consensus forecasts, respectively, this was only due to one-time costs incurred during the fourth quarter of 2017. Excluding one-time gains of US\$4.6 Mil from gain on sale of properties, forex gains, and mark-to-market gains from put options, as well as the acquisition related costs of US\$1.3 Mil and transaction costs to sell its land in China of around US\$7.7 Mil, we estimate core income reached US\$36.0 Mil for the full year of 2017, up by 17.3% y/y. The figure is in line with our full year forecast as it accounts for 99.6% of said figure. Recall that we initially reported that IMI missed our forecasts since the one-time transaction costs for its China land sale was not yet disclosed.

Revenues likewise remained healthy and buoyant for the last quarter of 2017 as it rose by 30.0% y/y to US\$295.4 Mil. This brought revenues for the year to US\$1.09 Bil, up by 29.4% y/y and in line with COL forecast as it accounts for 101.5% of our full-year estimate. IMI's gross profit for the year also remained within COL forecast (accounts for 99.2% of full-year forecast) due to the 60 bps jump in its gross profit margin in 4Q17 to 13.7%. However, IMI's full-year gross profits missed consensus estimates as it only accounts for 87.2% of full-year estimate. (Source: Col Financial)

UBP, AEV: UBP to acquire majority stake in PETNET

City Savings Bank, Inc. and Union Properties, Inc., both subsidiaries of UBP, have signed a share purchase agreement with AEV to acquire 51% of the common shares of PETNET, Inc. The subsidiaries acquired 2.46Mil shares at Php487.54/sh, translating to a total price of Php1.2Bil. The transaction is subject to closing conditions and regulatory approval, which is targeted by 2Q18. PETNET, more widely-known by its retail brand name PERA HUB, has the largest network of Western Union outlets in the Philippines which has over 2,800 outlets nationwide. In addition, the company offers a variety of cash-based services including remittance, currency exchange, and bills payment. (Source: UBP, Businessworld)

The consolidation of AEV's interests in the financial industries should allow synergies to form between CitySavings and PETNET. Nevertheless, we believe this should have minimal earnings impact as the total transaction price represents only ~0.2% of UBP's total assets in 2017. We have a HOLD rating on AEV with a FV estimate of Php67.1/sh. We like AEV given the expansion plans of its power subsidiary AP and food subsidiary Pilmico Foods. AEV's is also well positioned to participate in the government's infrastructure projects owing to its recent acquisition of republic cement as well as its strong balance sheet and excellent track record in acquiring businesses. However, AEV is currently priced at a premium to both the market value and the fair value of its subsidiaries. Based on our FV estimate of Php75/sh, the stock is already fully valued.

We have a BUY rating on UBP with an FV estimate of Php107/sh based on 1.60X 2018E P/BV (adjusted for goodwill). While UBP has historically been heavily reliant on its trading operations, we like the bank given its aggressive expansion into the retail segment through City Savings. This should continue to build on its recurring revenue base going forward. (Source: Col Financial)

RFM: 4Q17 profits up 8.7% y/y to Php345 Mil

4Q17 profits up 8.7% y/y to Php345 Mil. RFM disclosed that its profits grew by 8.7% to Php345 Mil in the fourth quarter of 2017 despite the 1.9% y/y lower revenues. Revenues for the quarter were dragged by softer institutional sales as a result of lower flour prices. Nevertheless, RFM's branded business, particularly its ice cream segment continued to grow. RFM did not disclose the reason for the significant net profit margin improvement.

RFM's fourth quarter performance brought its profits for the full year to Php1.06 Bil, higher by 6.4% y/y. Growth was driven by its branded business as well as its institutional segment. In fact, revenues from its ice cream segment grew by 13% y/y but were still offset by flattish revenue growth from its Royal, Fiesta, Selecta Milk, Sunkist Juices, as well as institutional sales. (Source: Col Financial)

Economy: Automobiles experience slower growth in January as higher tax rates effect

Automobile sales grew at a slower pace in January, the month higher tax rates were imposed as less passenger cars were sold compared to a year ago. The report by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and by the Truck Manufacturers Association (TMA) showed that automobile sales, which includes passenger cars and commercial vehicles increased by just four percent to 31,645 units from 30,425 in January 2017. Moreover, January 2018 sales were also a third less than the 45,494 units recorded in December last year. Passenger car sales dropped by 10.9% to 9,790 in January, accounting for 30.94% of total sales for that month. However, commercial vehicles partly made up for the drop in passenger cars, increasing by 12.4% to 21,855 last month. (Source:BusinessWorld) (Source: Col Financial)

Economy: FDI net inflows hit US\$869Milin November 2017, up 16.9% y/y

Foreign direct investments (FDI) reached US\$869Mil in net inflows for November 2017, up 16.9% y/y. The increase was largely driven by the growth in non-residents' net placements for debt instruments amounting to US\$604Mil, 13.1% higher y/y. In addition, net equity capital investments reached US\$210Mil, up 38.7% y/y as equity capital placements worth US\$229Mil had more than offset the US\$18Mil withdrawals. Meanwhile, reinvestment of earnings also increased by 16.1% y/y to US\$56Mil. These brought FDI net inflows from January to November 2017 to US\$8.7Bil, up by 20.1% y/y and exceeding the US\$8Bil projection for full year 2017. According to the BSP, the sustained FDI net inflows continued to reflect the strong investor confidence in the Philippines on the back of sustained growth prospects and strong macroeconomic fundamentals. (source: BSP) (Source: Col Financial)

Economy: PSE maintains main index composition; sectors undergo revamp

The Philippine Stock Exchange (PSE) announced that there will be no changes to the main index' composition, and that the minimum free float level requirement will be increased to 15% from 12% previously. PSE President and Chief Executive Officer Ramon Monzon said that the adjustment in minimum free float was made in anticipation of the Securities and Exchange Commission's (SEC) plan to increase the minimum public float for publicly listed companies. Moreover, the PSE also noted that the six sectoral indices will be revamped. Specifically, the sub-index for holding firms will lose LIHC, PA, and TFHI, while MED will be excluded from the financial index. The services index will add MAC, WEB, and WPI, while removing ZGO, APL, IS, PHA, RWM, and SBS. The industrial index will add PIZZA, SSP, while removing CROWN, EDC, HLCM, PIP, PPC, and RFM. AT, and CPM, will be added to the mining sector while MARC will be removed from the sub index. All changes will be implemented on February 19. (source: Businessworld) (Source: Col Financial)

P350B NAIA airport upgrade proposed

A P350-billion unsolicited proposal to upgrade the Ninoy Aquino International Airport (NAIA) and transform it into a "world-class" regional aviation hub has been submitted to the government by a consortium comprising seven of the country's largest conglomerates.

In partnership with Changi Airport Consultants Pte. Ltd., a wholly-owned subsidiary of Changi Airports International Pte. Ltd., the proposal has been submitted to the Department of Transportation on Feb. 12.

Aboitiz InfraCapital Inc., the Ayalas' AC Infrastructure Holdings Corp., Andrew Tan-led Alliance Global Group Inc., Lucio Tan-led Asia's Emerging Dragon Corp., Gotianun-led Filinvest Development Corp., Gokongwei-led JG Summit Holdings Inc. and Metro Pacific Investments Corp. formed what has been tagged as the NAIA "super-consortium."

Changi has been tapped to provide technical support in the areas of master-planning, operations optimization and commercial development at NAIA.

The consortium's proposal is seen to support the government's 'build, build, build' program with its plan to develop NAIA into a world-class facility and a regional air transport hub by upgrading its airside, landside, and air navigation support. This builds on the gains already achieved by the DOTR in terms of improving the traffic of aircraft movements on its runways.

Housing developer 8990 holdings is biggest Pag-IBIG user

Mass housing champion 8990 Holdings is the country's top property developer in terms of takeout value from the state-run Home Development Mutual Fund or Pag-IBIG.

8990 Holdings' total Pag-IBIG loan takeout, referring to individual members' home financing taken over by the housing agency, amounted to P5.52 billion last year, translating to a 116-percent growth.

Pag-IBIG recently awarded the country's top housing developers in formal ceremonies at the Philippine International Convention Center.

8990 Holdings bagged two special awards from Pag-IBIG for 2017: the real estate company with the highest growth rate in terms of takeout value; and, the company that served the most number of Pag-IBIG members.

In a recent disclosure, 8990 president and chief executive Willie Uy said: "I am very grateful to all our buyers for the trust they have shown us over the years. The recognition we received would not have been possible had it not been for them and the support of the HDMF."

"The affordable housing industry is very fortunate to be partnered with HDMF. It is with this partnership that makes it possible to bridge the housing gap by making home financing very accessible to every working Filipino," Uy said.

The company's Pag-IBIG loan takeout last year represented about half of its business. 8990 Holdings' revenues last year amounted to P10.09 billion, in line with its full-year target. Source: INQUIRER.NET

Hungary allots 1B euro for investors inPH

Hungary has allotted 1 billion euros (or more than P63.48 billion) for companies that plan to do business with the Philippines, following a recently concluded trade and investment mission in the European country, top officials said.

Trade Undersecretary Ceferino Rodolfo told reporters that a Hungarian Export-Import Bank Plc. has earmarked that value for Hungarian traders and investors.

The Department of Trade and Industry (DTI) led a trade and investment mission in Turkey and Hungary with some members of the Philippine business community from Feb. 5 to 9 this year.

"That's the ceiling [amount] that the bank put for Hungarian companies that would like to do business with Filipino companies, either through trade or co-investing," he told reporters on the sidelines of a press briefing on Monday. (Source: INQUIRER.NET)

4% inflation in January blamed on profiteering

The Department of Finance on Monday blamed the over three-year high inflation of 4 percent in January on alleged profiteering by

unscrupulous traders who took advantage of the higher excise tax rates slapped on a number of products under the Tax Reform for Acceleration and Inclusion (TRAIN) Act.

“The temporary inflation spike could also be attributed to the apparent profiteering by some traders, contrary to claims that this was caused by the implementation of the new tax reform law,” Finance Undersecretary Karl Kendrick T. Chua said in a statement.

“Certain retailers selling old stocks they procured before the Jan. 1 effectivity of the TRAIN seemingly took advantage of this new law and imposed excessive price adjustments, which led to last month’s higher-than-expected inflation rate,” Chua explained.

“Prices are expected to normalize once the markets adjust and the government intensifies its monitoring campaign to check any unwarranted price movements of basic goods,” according to Chua.

When the government announced the higher-than-expected January headline inflation rate last week, Finance Secretary Carlos G. Dominguez III suspected unscrupulous businessmen could have raised prices unreasonably.

“I have to look at the figures closely but I find it hard to believe that the implementation of the TRAIN Law, which went into effect on Jan. 1, 2018, had any significant effect on prices, unless, of course, merchants took advantage of the law and raised prices on old inventories,” Dominguez had said.

Signed by President Duterte in December, the TRAIN Law starting Jan. 1 this year jacked up or slapped new excise taxes on oil, cigarettes, sugary drinks and vehicles, among other goods, to compensate for the restructured personal income tax regime that raised the tax-exempt cap to an annual salary of P250,000. SOURCE: INQUIRER.NET

MacroAsia nets \$14.7M from Lufthansa Technik operations

Aviation service firm MacroAsia Corp. earned last year \$14.7 million from the operations of aircraft maintenance provider Lufthansa Technik Philippines (LTP), doubling its share recognized in 2016.

LTP, a joint venture between MacroAsia and Germany’s Lufthansa Technik AG, declared \$30 million in cash dividends last Feb. 9, twice as large as the cash dividends declared the previous year.

Based on a disclosure to the Philippine Stock Exchange, MacroAsia’s share in this dividend declaration is \$14.7 million corresponding to its 49-percent stake. The German partner owns the remaining 51 percent of LTP.

Last year, the cash dividend declared by LTP amounted to \$15 million, up from \$2 million in 2016. MacroAsia’s share in dividends in the comparative year thus amounted to \$7.5 million compared to \$980,000 in the previous year.

LTP was incorporated in December 1999 to undertake aircraft maintenance, repair and overhaul (MRO) for local and foreign carriers. It operates out of Ninoy Aquino International Airport, Diosdado Macapagal International Airport (Clark), Mactan Cebu International Airport and Davao International Airport.