Daily Market Commentary

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MASS-SPECC COOPERATIVE DEVELOPMENT CENTER

Philippine Equities Market

As of February 15, 2018

INDICES	VALUE	Points	%Chg	YTD%
PSEi	8,612.44	14.33	0.16	0.14
All Shares	5,075.60	2.80	0.05	1.27
Financials	2,210.29	(0.84)	(0.03)	(1.08)
Industrial	11,396.62	1.75	0.01	1.48
Holding Firms	8,797.05	87.88	1.00	1.07
Services	1,705.47	(13.74)	(0.79)	5.38
Mining and O	11,706.35	206.31	1.81	-0.92
Property	3,885.17	(31.03)	(0.79)	(2.75)

Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
SMPH	SM Prime Holdings Inc	
BPI	Bank of the Phil Islands	
SM	SM Investments Corp	

TOP INDEX GAINER		PRICE	%
SMPH	SM Prime Holdings Inc		

TOP INDEX LOSER		PRICE	%
JFC	Jollibee Foods Corp		

UITF/MUTUAL FUNDS		NAV
BDO - SDF	UP	116.8186
BDO - Money Market Fund	UP	1,536.0466

FOREX	PREV	CURRENT	DIFF	
USD/PHP		52.00	-0.12	DOWN
BITCOIN				
BTC		367,335.80		DOWN

Market Data	Value
Volume turnover	1,817,331,830
Value	7,664,865,070.74
Foreign Transaction (net)	(841,649,999.75)

Regional Indices	Value		%Chg
Dow Jones	25,219.38	UP	0.08
NASDAQ	7,239.47	DOWN	-0.23
S&P500	2,732.22	UP	0.04
H. Seng	31,115.43	UP	1.97
Nikkei225	21,972.34	UP	1.16

Stock Picks — As of 2:51 PM

	LAST	Change	%Change	
AC	1,081.00	(14.00)	-1.28	DOWN
ALI	45.45	0.85	1.91	UP
BDO	157.30	7.00	4.66	UP
BLOOM	14.44	0.44	3.14	UP
EEI	11.10	0.08	0.73	UP
GERI	1.31	-	0.00	
MRSGI	3.40	0.02	0.59	UP
PXP	14.84	2.52	20.45	UP
SM	998.00	9.00	0.91	UP
SMPH	36.80	0.70	1.94	UP
SSI	2.83	(0.04)	-1.39	DOWN
WLCON	11.50	0.66	6.09	UP

Commodities	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- US equities ended flat, as morning gains were pared in an afternoon selloff after Special Counsel Robert Mueller revealed details of a years-long, multimillion-dollar Russian campaign to influence the 2016 US presidential election. The S&P 500 closed at 2,732.22 (+0.04% DoD), while the DJIA ended at 25,219.38 (+0.08% DoD).
- European equities rallied even amid high US inflation as the market focused on strong earnings and company outlook. Analysts cited that the ongoing recovery signals that investors quickly adjusted higher inflation expectations. The MSCI Europe index closed at 128.29 (+1.09% DoD).
- The US Treasury yield curve flattened, with average yields slightly lower, as investors hunted for bargains after the recent bout of selling, with the 10-year yield retreating from a 4-year high on Thursday. Yields fell 1.27 bps on average, with 10-year yield at 2.8749%.
- The US dollar strengthened amid rising US inflation expectations, as investors took profits on its currency counterparts after five days of dollar selling. The DXY gained 0.57% DoD to 89.1.
- Asian stocks slightly retreated from their gains Thursday amid thin trading volumes as most markets were closed in observation of the Lunar New Year holiday. The MSCI APxJ index closed at 576.57 (-0.15% DoD).

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

Local Events/Market

- Banking Sector: BSP cuts reserve requirement ratio to 19%
- Telecom Sector: Third player may wait for bill liberalizing public services
- CEB: CEB given 45 days to move out of Terminal 3
- TEL: PLDT ramps up broadband coverage in 2017
- PF: San Miguel Pure Foods to complete new manufacturing facility by 1Q19
- RLC: RLC looks to develop two IT parks
- Economy: Cash remittances rise 7.1% in December, above consensus estimate
- Economy: January foreign portfolio investments yield net inflows
- San Miguel Pure Foods Company, Inc. (PSE ticker: PF) announced that it was on track to complete its Sta. Rosa, Laguna facility by the first quarter of 2019. The facility will produce products that will service both the local food industries and exports.

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 advanced on Thursday, gaining 14.33 points or 0.17% to close at 8,612.44. Index decliners led gainers, 15 to 11, while 4 issues remained unchanged. Sectoral indices ended mixed with Mining & Oil (+1.81%) leading the three gainers and Services (-0.80%) leading the three decliners.
- Significant index gainers were AC (+5.29%), MPI (+4.46%), SECB (+4.37%), SMC (+2.76%), and JFC (+2.52%). Meanwhile, significant index decliners were AGI (-5.41%), SCC (-3.43%), and RLC (-3.15%). Value turnover increased to Php10.7Bil from Php8.9Bil in the previous session. Meanwhile, foreigners continued to be net sellers, liquidating Php373Mil worth of shares.
- Local equities rose marginally as net foreign selling eased somewhat and the PHP recovered slightly. The recovery from the recent fall in prices continues to be slow, with investors waiting for an ideal inflection point. The PSEi ended at 8,612.4 (+0.17% DoD).
- Local fixed income yields continued to be steady on average, though the yield curve showed some flattening throughout the day. This reflected market anticipation of a possible cut to the Reserve Rate Requirement, which the BSP had signaled previously and made official after markets closed. On average, yields rose 2.83 bps.
- The Philippine peso reversed its downward trend, though it failed to fall below PHP52.000 per USD, which remains a key sentiment-driven support/resistance point. The PHP/USD ended at 52.000 (-0.23% 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/)

Other News:

Banking Sector: BSP cuts reserve requirement ratio to 19%

The BSP announced a reduction in the reserve requirement ratio by one percentage point to 19%, unlocking about Php90Bil in idle funds. In reducing the reserve requirement ratios, the BSP said that it reaffirms its commitment to gradually lessen its reliance on reserve requirements for managing liquidity in the financial system. In addition, the reduction in reserves will help mobilize liquidity in order to support of economic activity and capital market development over the medium term. The cut in the reserve requirement ratios will take effect beginning March 2, 2018. (Source: BSP, Businessworld) COL Financial

Telecom Sector:Third player may wait for bill liberalizing public services

According to Senator Gatchalian, the telecommunications industry's so called third player might as well wait for the passage of a bill that would liberalize industries that provide public service. Senator Gatchalian believes that the third player, which is probably conducting their due diligence, would rather wait for the amendment of the public services act so the company would now be able to enter the market quickly and own the majority of the company. Senator Gatchalian expects the proposed measure to become law before Congress goes on its scheduled break by March, having already been included in the Legislative-Executive Development Authority Council's priority bills. The proposed measure will look to provide a definition for public utilities and public services, and clarify which sectors need to be subjected to foreign equity restrictions. Should the law be passed, public service providers such as airlines and telecommunications will be open to restriction-free foreign investment, while only electric power distribution and transmission, water pipeline distribution, and sewerage pipeline system will be restricted. Moreover, application for franchises will be easier given that companies no longer need approval from Congress. (Source: BusinessWorld)

CEB: CEB given 45 days to move out of Terminal 3

House Speaker Pantaleon Alvarez has said that 45 days should be more than enough for Cebu Pacific to move out of Terminal 3 of NAIA. Gokongwei, however explained that the airline would need at least a year to comply given that Cebu Pacific has sold tickets one year in advance. The move is intended to improve the welfare of the riding public by decongesting the airport given that the volume has already doubled the 10 million capacity. Moreover, during the House transportation committee hearing last Wednesday, Alvarez threated to cancel the franchise of Cebu Pacific should management fail to address the issue on its operations. (Source: Inquirer) COL Financial

TEL: PLDT ramps up broadband coverage in 2017

PLDT, Inc continues to grow its fixed broadband connection, with four million homes covered as of end-2017, which is 43% higher than the figure recorded as of end-2016. PLDT also doubled the capacity of its fixed broadband network to over one million ports by the end of 2017. The company has also been installing fiber-to-the-home (FTTH) facilities in addition to the 'fibritization' of current copper-based networks using technologies developed from Germany and South Korea. By 2019, the company expects virtually all of PLDT's 1.2 million copper-based DSL subscribers will enjoy fiber-fast internet. PLDT expects to grow its ultrafast broadband coverage from four million to six million by 2020. (Source: BusinessWorld) COL Financial

PF: San Miguel Pure Foods to complete new manufacturing facility by 1Q19

San Miguel Pure Foods Company, Inc. said that its Sta. Rosa facility is on track to be completed by the first quarter of 2019. The facility will produce ready-to-eat products (fully cooked viands and heat-and-serve meals) that address the demand for convenience as well as to capture a larger chunk of the consumer market. This facility also looks to serve the operational needs of food service clients and export of products that will be ready for consumption. (source: BusinessWorld) COL Financial

RLC: RLC looks to develop two IT parks

RLC is looking to develop around two information technology (IT) parks within the next two to three years. Management said they continue to eye these type of developments as it helps speed up the accreditation for Philippine Economic Zone Authority (PEZA), which grants tax perks to the locators. This also provides other fiscal incentives such as an income tax holiday, tax and duty-free importation of raw materials, equipment, and machineries, among others. Currently, RLC has three of these IT parks, namely, Bridgetown in Quezon City, Robinsons CyberGate in Mandaluyong and in Davao. (source: BusinessWorld)

Economy: Cash remittances rise 7.1% in December, above consensus estimate

Cash remittances in December rose 7.1% to US$2.7Bil, above consensus estimate which expects remittances to grow 3.6% y/y. This brought the full-year remittances higher by 4.3% to US$28.1Bil. The higher cash remittances in 2017 was driven by the increase in transfers from both land-based and sea-based workers, which rose 4.0% and 5.4%, respectively. Remittances from the Middle East increased 3.4%, driven by growth from the UAE, Qatar, and Bahrain. Remittances from Asia rose by 7.3% from transfers Singapore, Japan, and Taiwan. For the Americas, remittances increased 5.8%, while remittances from Europe went up by 1.5%. By country source, the bulk of cash remittances came from the US, UAE, Saudi Arabia, Singapore, Japan, United Kingdom, Qatar, Kuwait, Germany, and Hong Kong, accounting for 80.1% of the total cash remittances. (Source: BSP, Bloomberg)

Economy: January foreign portfolio investments yield net inflows

Overall foreign portfolio investments yielded net inflows of US$162Mil in January 2018. This is lower than the net inflows recorded in January 2017 of US$301Mil. According to the BSP, the net inflows for the period was driven by investor optimism with the passage of the first package of the tax reform, positive corporate earnings results, and higher expected government spending on infrastructure projects. Broken down, foreign portfolio investments for the period reached US$1.6Bil, much higher than the US$1.1Bil recorded in the same month last year. Around 69.2% of the registered investments during the period were PSE-listed securities, while the balance of 30.8% went to Peso government securities. Meanwhile, outflows for the month stood at US$1.5Bil, also recording an increase compared to the US$846Mil outflow in January last year. The US continued to be the main destination of outflows receiving an 80.2% share of total remittances. (source: BSP) COL Financial

Growth push driving trade gap - BSP

A WIDENING trade deficit should not be taken as a sign of a weakening Philippine economy but that growth will be fueled further, a central bank official said.

The Bangko Sentral ng Pilipinas (BSP) downplayed concerns about a wider trade deficit incurred by the Philippines in recent months, saying the country's external position remains stable.

The country's external trade deficit logged a new all-time-high $4.017 billion in December, taking the full-year gap to $29.786 billion, also the biggest on record.

Imports increased by 10.2% while exports surged by 9.5% to beat the government's forecasts of nine percent and eight percent respectively, according to the National Economic and Development Authority.

As of December, the BSP expected the current account — which measures fund flows from goods and services trading — to settle at a $100-million deficit in 2017, a reversal from the $28-million surplus logged as of end-September.

"For some, the narrowing of the current account is taken as a sign that the economy is overheating. But in this case, my take is that if the narrowing of the current account comes from better investments — this is actually what is needed to prevent the economy from overheating," BSP Managing Director Francisco G. Dakila, Jr. said in a press chat late last week. "Otherwise, if there's no improvement in investments, you will not be able to accelerate your economic growth."

Mr. Dakila said the trade-in-goods deficit has started to widen in 2015 as import growth outpaced an increase in exports, reflecting the bigger need for raw materials and intermediate goods to respond to stronger domestic demand.

The administration plans to spend as much as P8.13 trillion on big-ticket infrastructure projects until 2022, when President Rodrigo R. Duterte ends his six-year term, as it hopes to propel gross domestic product (GDP) growth to 7-8% annually from 6.7% last year, 6.9% in 2016 and an average of 6.2% in 2010-2015.

"You can see that investment in proportion to GDP has accelerated," Mr. Dakila noted. SOURCE: BusinessWorld