

Daily Market Commentary

Asset Management Unit | February 20, 2018 | Tuesday | Issue No. 2018-016



Philippine Equities Market

As of February 19, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	8,710.22	97.78	1.14	1.77
All Shares	5,123.20	47.60	0.94	2.67
Financials	2,266.86	56.57	2.56	1.65
Industrial	11,473.60	74.98	0.66	2.16
Holding Firms	8,830.61	33.56	0.38	2.48
Services	1,728.44	22.97	1.35	6.70
Mining and O	11,908.20	201.85	1.72	3.53
Property	3,938.61	53.44	1.38	(0.99)

Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
BDO	BDO Unibank Inc	566,770,900
SMPH	SM Prime Holdings Inc	549,287,100
BPI	Bank of the Phil Islands	484,942,100

TOP INDEX GAINER

BDO	BDO Unibank Inc	PRICE	%
		156.00	3.79

TOP INDEX LOSER

SECB	Security Bank Corp	PRICE	%
		255.00	-1.16

UITF/MUTUAL FUNDS

BDO - SDF	UP	NAV
		118.0512
BDO - Money Market Fund	UP	NAV
		1,536.3339

FOREX

USD/PHP	PREV	CURRENT	DIFF
		52.34	0.34

BITCOIN

BTC	PRICE	%
	577,671.20	UP

Market Data

Volume turnover	Value
	7,352,534,260
Value	Value
	9,689,101,824.59
Foreign Transaction (net)	Value
	44,928,280.73

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 11:06 AM				
	LAST	Change	%Change	
AC	1,067.00	(22.00)	-2.02	DOWN
ALI	45.15	(0.45)	-0.99	DOWN
BDO	152.40	(3.60)	-2.31	DOWN
BLOOM	14.14	(0.30)	-2.08	DOWN
EEI	11.04	(0.02)	-0.18	DOWN
GERI	1.32	0.01	0.76	UP
MRSGL	3.45	0.04	1.17	UP
PXP	14.30	(0.18)	-1.24	DOWN
SM	987.00	2.00	0.20	UP
SMPH	36.35	0.10	0.28	UP
SSI	2.82	(0.03)	-1.05	DOWN
WLCON	11.38	(0.02)	-0.18	DOWN

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 declined weighed down by losses of consumer stocks amid a relatively quiet trading day as US and Chinese markets were closed. Reckitt Benckiser Group and Daimler lost 7.51% and 2.54% respectively. The MSCI Europe index closed at 127.48 (-0.63% DoD).

- Asian stocks continued their upward trajectory as confidence in equities creeps back with investors seeing the recent dip as a buying opportunity. The MSCI APXJ index closed at 578.51 (+0.34% DoD).

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

Local Events/Market

- SMPH: FY17 earnings up 16% y/y, meets estimates

- CLC: PCC voids Udenna Corp's acquisition of indirect stake in 2GO

- AC, AEV, AGI, FLI, JGS, LTG, MPI: Super consortium's NAIA proposal to undergo two-month evaluation

- MWC: MWC acquires stake in East Water in Thailand

- According to a media release by the Bangko Sentral ng Pilipinas (BSP), the country's overall balance of payments (BOP) position in January 2018 posted a deficit of \$531 Mn, an increase from the \$9 Mn deficit in the same month last year. Furthermore, gross international reserves as of end-January 2018 is equivalent to 8.2 months worth of imports of goods and payment of services and primary income.

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 Monday, gaining 97.78 points or 1.14% to close at 8,710.22. Index gainers led decliners, 20 to 7, while 3 issues remained unchanged.

- All sectoral indices ended in green with Mining & Oil (+1.72%) leading the group. Significant index gainers were BDO (+3.79%), BPI (+3.67%), MPI (+3.42%), MBT (+3.20%), and AGI (+2.65%).

- Meanwhile, significant index decliners were SECB (-1.16%), RRHI (-0.73%), and AC (-0.55%). Value turnover decreased to Php9.7Bil from Php10.7Bil in the previous session. Meanwhile, foreigners turned net buyers, accumulating Php45Mil worth of shares.

- Local equities rallied on the back of the reserve requirement cut and a reversal in net foreign flows. Banks were strong performers (e.g. BDO +3.79% DoD, BPI +3.67% DoD, MBT +3.20% DoD). The PSEi ended at 8,710.22 (+1.14% DoD).

- Local fixed income yields were unchanged as the cut to the Reserve Requirement Ratio failed to move the fixed income market significantly post-announcement. The yield curve flattened marginally. On average, however, yields only rose 0.03 bps.

- The Philippine Peso depreciated once again, driven by expectations of much higher liquidity in the market following the Reserve Rate Requirement cut. The PHP/USD ended at 52.340 (+0.65% 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:

SMPH: FY17 earnings up 16% y/y, meets estimates

4Q17 income growth accelerated on strong residential segment. Net income of SMPH grew 18.9% y/y to Php7.55 Bil in 4Q17. Growth was faster than the 15% registered in 9M17. The faster growth was brought about by the 18.9% growth in revenues which was significantly higher than the 12% growth in 9M17. For the full year of 2017, net income of SMPH improved 15.9% y/y to Php27.6 Bil which is in line with both COL and consensus estimates.

Residential segment growth accelerated on strong demand. In 4Q17, the major driver of growth of SMPH was its residential segment and not the usual malls segment. Residential revenues during the fourth quarter surged 40.7% to Php9.5 Bil due to higher construction accomplishment on projects launched in previous years and the continued increase in sale of ready-for-occupancy units. The malls segment was the second biggest growth driver revenues growing 9.2% y/y during the quarter. Meanwhile, commercial properties grew 12% y/y while hotels and convention centers grew 49% mainly attributable to the contribution of Conrad Manila.

For the full year 2017, mall revenues grew 9.6% y/y on the back of a 7% same-mall-sales growth and rising contributions of rentals from mall opened in 2016 and 2017. Residential revenues last year were 18% higher than in 2016 and outlook remains bright as reservation sales for this year grew 21% to Php57.8 Bil, largely due to higher prices of projects as strong demand in the Bay City drove up condominium prices. In terms of unit sales, reservation sales was up 4% to 17,259 units. Reiterate BUY with fair value estimate of Php42.00. We are maintaining our BUY rating on SMPH with a fair value estimate of Php42. *We like SMPH for its strong earnings track record that is driven by growth in all its business segments.* We are also optimistic on the value-accretion potential of the Paranaque and Pasay reclamation projects. There are already factored into our fair value estimate of Php42. Downside risk to our fair value estimate would come from the delays in the reclamation projects. (SOURCE: COL FINANCIAL)

CLC: PCC voids Udenna Corp's acquisition of indirect stake in 2GO

The Philippine Competition Commission (PCC) has nullified Udenna Corporation's acquisition of an indirect stake in 2GO and also fined the company Php19.6Mil, equivalent to 1% of the value of the merger transaction. The ruling came following the PCC's findings that the Udenna Group failed to notify the commission of the transaction when it satisfied the Php1.0Bil transaction value threshold. In order to remedy the issue, the PCC adds that the related parties may file the proper notification and go through the merger-review process.

The acquisition of an indirect stake in 2GO was done through a share purchase agreement last August 2016 where Udenna Corporation acquired 100% of KGL Investment Cooperatief's share in KGLI-BV for US\$120Mil or Php6.0Bil. Furthermore, KGLI-BV at the time of the transaction had a 39.71% stake in KGLI-NM, which in turn was a key shareholder of Nenaco, the parent company of 2GO. Meanwhile, last March 2017, the indirect stake in 2GO was transferred by Udenna Corporation to CLC through a share swap agreement.

In a press release, CLC said that the PCC's decision to impose a fine and void penalty was unduly harsh and uncalled for as Udenna Corporation acted in good faith in consummating the transaction based on its interpretation of the rules. They added that the rules in their opinion were quite ambiguous and that at the time of the transaction these were new regulations that had no prior guidelines or precedents to follow. The company added that they believe they have sufficient basis to challenge the PCC decision by either filing a motion for reconsideration to the PCC or a petition to the court of appeals. Currently, Udenna is weighing its options on whether to file the appeal or just submit to the PCC decision and submit the required notification to the government agency. Lastly, Udenna remains confident that the acquisition of the shipping company remains assured given that they have paid the agreed consideration and that the counterparty is still committed to the consummation of the transaction. (source: Bloomberg, CLC) COL FINANCIAL

AC, AEV, AGI, FLI, JGS, LTG, MPI: Super consortium's NAIA proposal to undergo two-month evaluation

The Department of Transportation (DOTr) may finish evaluating the Php350Bil unsolicited proposal to upgrade the Ninoy Aquino International Airport (NAIA) submitted by the super consortium made up of seven conglomerates within two months. The super consortium consists of Aboitiz Infra Capital Inc., AC Infrastructure Holdings Corp., Alliance Global Group Inc., AEDC, Filinvest Development Corp., JG Summit Holdings Inc. and Metro Pacific Investments Corp. Under Phase 1 of the proposal, the consortium would spend Php100Bil within 48 months to improve and expand the terminals in the current NAIA land area.

This is expected to increase the capacity of NAIA to 65 million passengers per year, more than doubling its current 30 million capacity. Under Phase 2, the consortium will work on the development of additional runways, taxiways, passenger terminals, and other support infrastructure. The proposal also includes a plan to link NAIA's terminals with existing mass transport systems in Metro Manila. The construction of the additional runway would allow NAIA to handle up to 100 million passengers per year. (Source: PhilStar)

MWC: MWC acquires stake in East Water in Thailand

In a disclosure to the PSE, MWC said that it has signed a Share Purchase Agreement with Electricity Generating Public Company Limited (EGCO) to acquire EGCO's 18.72% equity in Eastern Water Resources Development and Management Public Company Limited (East Water). East Water is engaged in the provision of raw water and tap water in the provinces of Rayong, Chachoengsao, and Chonburi in Thailand. MWC intends to finance the transaction through internally generated funds and bank debt. (source: MWC)

Draft terms for 3rd telco player out

THE GOVERNMENT's bid to improve telecommunications services in the country has taken a step forward with the Department of Information and Communications Technology's (DICT) release on Monday of draft criteria for selecting the third major service provider.

The draft joint memorandum circular — to be issued by the Department of Finance (DoF), DICT, National Security Council and the National Telecommunications Commission (NTC) — that was posted on the DICT's Web site provided that the prospective third player:

- should have a net worth of at least P10 billion;
- should prove, in the case of a consortium, that it has the capacity to raise equity from potential consortium members to enable it to have a net worth of at least P10 billion;
- by itself, "or at least one of the members of the consortium," should have "proven technical capability" to provide telecommunications services;
- has a congressional franchise — or if a consortium, Filipinos must have at least 60% in the group with at least one of the members holding such a franchise;
- is not related to any telecom group with mobile and broadband wireless market share of at least 40% — in reference to PLDT, Inc. and Globe Telecom, Inc.; and
- should not have any "bidder's liabilities," defined as "uncontested obligations" to the NTC as of Jan. 31, including supervision and regulation fees, spectrum user fees, penalties, surcharges and interest.

Monetary policy 'too loose' after cut in bank reserves

A CUT in bank reserves introduced by the central bank last week needs to be followed by higher interest rates, an analyst said, as keeping an “ultra-loose” monetary policy would leave the peso too weak and the economy closer to overheating.

Peter Lundgreen, founding chief executive officer at Lundgreen’s Capital, said the decision of the Bangko Sentral ng Pilipinas (BSP) to cut reserve levels bolsters the case for a rate hike as soon as possible.

“The risk is that the central bank is running a too loose monetary policy — it’s the biggest threat to the economy,” Mr. Lundgreen said in an interview in Makati City yesterday.

“As bullish as I have been (towards the economy), there is an extreme risk for overheating and I view that the central bank is way behind the curve in hiking rates.”

The BSP on Thursday announced a one percentage point cut in the 20% reserve requirement ratio (RRR) imposed on universal and commercial banks, even as monetary authorities described the move as just an “operational” adjustment in support of a government agenda to deepen the local debt market.

The change allows the central bank to focus on “auction-based” instruments in influencing market rates rather than relying on bank reserve levels, as banks have abundant money supply.

By March 2, big banks need to hold on to 19% of total deposits as reserves from 20% previously.

The RRR cut is estimated to unlock about P90 billion of idle funds, which the central bank expects to shore up through its weekly term deposit auctions and via placements in its overnight deposit facility.

BSP Managing Director Francisco G. Dakila, Jr. noted that the central bank can now rely better on the weekly term deposit auctions to influence market rates and can deploy other macroprudential and risk management measures to contain the bank reserve requirement cut’s potential impact on inflation and credit growth.

Economy on verge of rapid expansion - DoF's Dominguez

By Melissa Luz T. Lopez, BUSINESSWORLD
Senior Reporter

THE ECONOMY is poised to sustain its momentum this year with tax reform and steady dollar inflows providing broad-based and resilient drivers of growth, Finance Secretary Carlos G. Dominguez III said.

He also invited American businesses to keep investing in the Philippines, with the promise of robust domestic economic activity to be sustained over the coming years.

“We are on the cusp of rapid expansion and ready to evolve our economy towards investments-led growth,” Mr. Dominguez said in a speech during the US-Philippines Society Business Forum yesterday.

“With increased investment flows, tax reform and massive investments in modernizing our infrastructure, we will definitely do better this year and the next.”

Mr. Dominguez remained confident that the Philippines will remain among the fastest-growing economies in Asia.

Gross domestic product (GDP) expanded by 6.7% in 2017, well within the government’s 6.5-7.5% target. The growth was driven by a 14.3% surge in public spending, largely on the back of infrastructure investments.

On the supply side, the industrial, services, and even farm sector posted increases year on year.

“All these numbers indicate the economy is gathering steam. We are confident the revenue reforms, sustained fiscal discipline, better spending efficiency and massive investments in infrastructure will enable us to escalate growth to between 7% and 8% in the near term,” Mr. Dominguez said.

“Infrastructure investments will likewise act as the stimulus for greater economic activity.”

The government will spend P1.1 trillion this year on priority infrastructure projects, representing one-fourth of the full-year national budget and equivalent to 6.3% of GDP. This forms part of the P8.44-trillion infrastructure spending plan until 2022.

