

Daily Market Commentary

Asset Management Unit | February 22, 2018 | Thursday | Issue No. 2018-018



Philippine Equities Market

As of February 21, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	8,613.65	(109.05)	(1.25)	0.65
All Shares	5,122.17	(7.62)	(0.15)	2.65
Financials	2,218.96	(23.24)	(1.04)	(0.50)
Industrial	11,322.02	(148.44)	(1.30)	0.81
Holding Firms	8,766.68	(96.12)	(1.08)	1.74
Services	1,745.44	7.04	0.40	7.75
Mining and O	12,330.06	316.51	2.63	7.19
Property	3,903.49	(54.67)	(1.38)	(1.88)

Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
ALI	Ayala Land Inc	513,677,300
URC	Universal Robina Corp	480,461,000
SM	SM Investments Corp	407,433,700

TOP INDEX GAINER

SCC	PRICE	%
Semirara Mining	36.95	1.79

TOP INDEX LOSER

URC	PRICE	%
Universal Robina Corp	146.20	-3.82

UITF/MUTUAL FUNDS

BDO - SDF	NAV
DOWN	116.9279
BDO - Money Market Fund	NAV
UP	1,536.4793

FOREX

USD/PHP	PREV	CURRENT	DIFF
		52.10	-0.14 DOWN

BITCOIN

BTC	PRICE	%
	572,204.60	DOWN

Market Data

Volume turnover	Value
	1,919,591,145
Value	Value
	9,526,024,044.39
Foreign Transaction (net)	Value
	(516,377,702.33)

Regional Indices

	Value	%Chg
Dow Jones	24,797.78	DOWN -0.67
NASDAQ	7,218.23	DOWN -0.22
S&P500	2,701.33	DOWN -0.55
H. Seng	31,431.89	UP 1.81
Nikkei225	21,786.17	DOWN -0.84

Stock Picks

As of 10:29 AM				
	LAST	Change	%Change	
AC	1,065.00	(15.00)	-1.39	DOWN
ALI	44.35	(0.65)	-1.44	DOWN
BDO	148.90	(1.10)	-0.73	DOWN
BLOOM	13.88	(0.22)	-1.56	DOWN
EEI	11.06	0.06	0.55	UP
GERI	1.33	0.02	1.53	UP
MRSGL	3.42	(0.02)	-0.58	DOWN
PXP	19.30	1.30	7.22	DOWN
SM	963.50	(21.50)	-2.18	DOWN
SMPH	35.30	(0.90)	-2.49	DOWN
SSI	2.81	(0.02)	-0.71	DOWN
WLCON	10.88	(0.12)	-1.09	DOWN

Commodities

	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- US equities declined after renewed volatility after the release of the minutes of the Federal Reserve's most recent policy meeting. The minutes pointed to a strong economy, but also suggested increased likelihood of rate hikes. The DJIA closed at 24,797.78 (-0.67% DoD) while the SPX was at 2,701.33 (-0.55% DoD).
- European equities inched up even amid heightened inflation expectations brought about by the Fed meeting minutes. The MSCI Europe index closed at 128.48 (+0.17% DoD).
- US Treasury yields rose mainly due to higher inflation expectations after the release of the minutes of the Fed meeting. On average yields rose 4.78 bps with the 10-year rising to 2.9500%, up 6.04 bps DoD.
- The US dollar strengthened as Treasury yields climbed amid expectations of higher inflation and more rate hikes. The DXY closed at 90.139, up 0.47% DoD.
- Asian stocks ended higher after a choppy day of trading as the Chinese market returns after the Lunar New Year holiday. The Hang Seng index gained 1.81%. The MSCI APXJ index closed at 581.19 (+0.88% DoD).

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

Local Events/Market

- Power industry: ERC lowers system loss cap to 6.5% for 2018
- CIC: CIC looks to boost air-conditioning sales through new product launches
- Economy: Overall BOP position posts US\$531Mil deficit in January
- Economy: Restrictions on foreign investors to ease soon
- Bangko Sentral ng Pilipinas (BSP) yields on term deposits inched higher ahead of the additional money supply release due to lower bank reserves. This was despite an oversubscription in the term deposit facility (TDF) offering yesterday (PHP 130.49 bn versus the offering of PHP 110 bn), as banks sought higher yields during the auction. 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 Wednesday, losing -109.05 points or 1.25% to close at 8,613.65. Index decliners led gainers, 19 to 5, while 6 issues remained unchanged.
- Likewise, most sectoral indices ended in red with Property (-1.38%) leading the decliners and Mining & Oil (+2.63%) leading the gainers. Significant index decliners were URC (-3.82%), MEG (-3.28%), GLO (-3.24%), AEV (-2.22%), and ALI (-2.17%).
- Meanwhile, significant index gainers were SCC (+1.79%), SECB (+1.18%), and DMC (+0.58%). Value turnover increased to Php9.5Bil from Php7.8Bil in the previous session. Meanwhile, foreigners continued to be net sellers, liquidating Php516Mil worth of shares.
- Local fixed income yields were flat on average, with a rise in the belly offsetting a large drop in the 20-year. Overall fixed income investors have not significantly reacted to the cut in the Reserve Requirement Ratio, as the BSP signalled that the new liquidity would be absorbed by BSP auctions. On average, yields rose only 2.11 bps.
- The Philippine peso continued to trade a range just above the Php 52.000 level. Investors awaited the US Federal Open Market Committee minutes to determine how the USD would behave, resulting in a flat movement for the PHP. The PHP/USD ended at 52.100 (-0.27% 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/>)

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Other News:

URC: Full year results in line with estimates, positives begin to sprout but concerns remain

4Q17 net income up 5.6% y/y to Php2.5 Bil. URC's net income for the fourth quarter of the year finally increased by 5.6% y/y to Php2.5 Bil. After removing non-recurring items, core earnings rose by a faster pace of 7.6% y/y to Php3.9 Bil. This was driven by a 5.3% growth in revenues to Php32.6 Bil, brought about by the positive revenue growth across its domestic and international branded business. Still, EBIT grew by a slower 2.5% y/y due to the 16.6% decline in its domestic branded EBIT to Php2.1 Bil but was offset by the 38.9% increase in its international branded EBIT to Php1.2 Bil. The buoyant international branded EBIT growth is largely due to the recovery in its profitability in Vietnam and the positive results from synergies in its Oceania businesses.

For the full-year, net profits reached Php10.7 Bil (down 16.5% y/y). This is in line with both COL (99.6% of full-year forecast) and consensus (99.0% of full-year forecast) estimates. After removing non-recurring items, URC's core earnings declined by 9.3% y/y to Php13.7 Bil. This is likewise in line with our forecast as it represents 99.5% of our full-year estimate. On the flipside, revenues grew by 11.0% to Php125.0 Bil largely due to the consolidation of its Snack Brands Australia (SBA) acquisition which led to a 30% growth in international branded revenues. Domestic branded revenues remained flat y/y at Php60.3 Bil since the intense competition in its coffee segment offset the positive growth in its core snacking category.

Domestic branded business continues to drag. URC's domestic branded consumer food (DBCF) business showed signs of a slight recovery in 4Q17 as it grew by 2.5% y/y to Php15.3 Bil, bringing full-year DBCF revenues to Php59.0 Bil (flat y/y). In contrast, DBCF revenues in 9M17 were still down by 1% y/y. The flat growth is due to URC's coffee segment (accounts for around 40% of DBCF revenues) which experienced lower sales volume due to aggressive competition from the two other dominant players (Nescafe and Kopiko). In fact, URC's market share of the total coffee segment continued its fall to 26.4% as of end-December, down from 27.7% last quarter. These offset the rather upbeat growth of URC's core snacking category (+8% y/y). Source: COL FINANCIAL

Power industry: ERC lowers system loss cap to 6.5% for 2018

ERC lowers system loss cap to 6.5% for 2018. The Energy Regulatory Commission (ERC) announced yesterday that it has lowered the allowed system loss cap for private power distribution utilities from 8.5% to 6.5% beginning May 2018. The cap will be further lowered gradually until it reaches 5.5% in 2021.

Meralco, the country's largest power distribution firm, should be unaffected by the lower system loss cap as its system loss performance is currently at 6.05%. For Aboitiz Power, only 2 of its 8 power distribution utilities have system loss that is higher than 6.5%. Cotobato Light has a system loss of 8.34%, while Davao Light has a system loss of 7.18% as of 9M17. Assuming that the two distribution firms will not be able to lower its system loss to the government's new cap, we estimate the impact is ~Php130Mil annually, accounting for only 0.5% of AP's 2018E profits.

CIC: CIC looks to boost air-conditioning sales through new product launches

CIC is aiming to grab a larger market share for air-conditioners through its new product launches, which leverage on the Internet of Things. The company's first new product is called the Carrier Smart + Cool System, which is an air-conditioner that allows the user to control and track the usage of unit. Management says that this is a key feature because the ability to provide realtime information related to consumption would allow customers to realize that owning an airconditioner might not be too expensive if one can manage their budget. Management hopes for these kinds of products to help improve the penetration of air-conditioners to 15-20% from the current 12% rate. CIC's new product is expected to launch in 2Q18. (source: BusinessWorld)

Economy: Overall BOP position posts US\$531 Mil deficit in January

The Philippines booked a balance of payments deficit of US\$531Mil in January 2018, higher

than the US\$9Mil deficit recorded in the same month last year. Outflows during the month stemmed mainly from BSP's foreign exchange operations as well as the government's payments for its maturing foreign exchange obligations. These were partially offset by net foreign currency deposits of the government and income from the BSP's investments abroad. (Source: BSP)

Restrictions on foreign investors to ease soon

By Melissa Luz T. Lopez
Senior Reporter

THE NEW Foreign Investment Negative List (FINL) that, among others, will allow foreign contractors to take on local projects may be approved by President Rodrigo R. Duterte early next month, a Cabinet official said on Wednesday.

Socioeconomic Secretary Ernesto M. Pernia, who heads the National Economic and Development Authority (NEDA) as director general, said the Cabinet has finalized changes to the existing FINL to allow increased foreign participation in several sectors.

"I just signed the one that is going to be submitted to the NEDA Board for approval," Mr. Pernia told reporters on the sidelines of an event hosted by the Makati Business Club yesterday.

The negative list identifies sectors where foreign investments are limited or are prohibited. The latest version of the FINL issued on May 29, 2015 by then-president Benigno S.C. Aquino III was supposed to have been replaced by a new one last year.

Foreigners can hold up to a 40% stake in companies that operate public utilities; supply materials and goods to state-run firms, government agencies, and municipal corporations; or those that operate infrastructure or development facilities which need a public utility franchise.

To get around these restrictions, foreign firms pair up with Filipino-owned companies through joint venture agreements in order to take on a local project.

Mr. Pernia said the FINL is included in the agenda of the meeting tentatively set on March 6 of the NEDA Board, led by President Rodrigo R. Duterte. Once signed, it would be the first FINL amendment under the Duterte administration. Other projects approved by NEDA's Investment Coordination Committee are also up for Mr. Duterte's approval.

Mr. Pernia previously said that the government will allow contractors overseas to take on foreign-funded projects, but will keep the limit in place for those financed from local sources. Source: BusinessWorld

Golden Haven enters mass housing

GOLDEN HAVEN, Inc. is formalizing its entry into the mass housing sector after issuing P3.01 billion worth of shares out of its unissued authorized capital stock to Cambridge Group, Inc. (CGI).

In a disclosure to the stock exchange on Wednesday, the Villar-led firm said it has issued 150 million common shares at P20.0935 apiece to CGI by way of private placement. Golden Haven initially secured shareholder approval to increase its issued and outstanding shares last October

2017 to make the transaction possible.

The funds raised from the private placement will then be used to acquire housing developer Bria Homes, Inc., comprising 9.99 million shares at P301.42 apiece. CGI is a firm controlled by the Villar's Fine Properties, Inc., and is the principal shareholder of Bria Homes.

Also led by the Villar group, Bria Homes develops mass housing projects across the country, with 27 projects in Bataan, Pampanga, Bulacan, Cavite, Laguna, Camarines Sur, Negros Oriental, Cagayan de Oro, and Misamis Oriental under its network.

The transaction will bring down Golden Haven's public float to 10.59% from 14.84%.

The diversification into mass housing comes after Golden Haven changed in corporate name last September 2017, where it dropped the words "memorial park" in order to expand its core business outside the deathcare industry.

Following the plan to acquire Bria Homes, the company then changed its name to Golden Bria Holdings, Inc. last February, which it said would provide the company flexibility in undertaking its expansion plans. The company has yet to disclose when it will file with the Securities and Exchange Commission necessary documents for the name change.

Golden Haven saw its net income attributable to the parent increase 21% to P164 million in the first nine months of 2017, following a 19% growth in revenues to P724 million during the period.

Shares in Golden Haven soared 50% or P87 to P261 apiece at the Philippine Stock Exchange on Wednesday. — Arra B. Francia Source: BusinessWorld

BSP moves to neutralize cash from bank reserve cut

The Bangko Sentral ng Pilipinas has raised the amount of cash it siphons off from the market weekly to its highest level since November 2017 in an effort to "sterilize" liquidity freed up by last week's bank reserve requirement cut.

On Wednesday, the BSP made a full award of P110 billion for all the three tenors of its term deposit facility, which it uses to encourage financial institutions to deposit idle cash with the central bank in exchange for a fixed yield.

The 7-, 14- and 28-day instruments were all oversubscribed though not by as much as previous weeks, possibly indicating that the demand and supply for short-term liquidity management tools between banks and regulators were close to reaching an equilibrium.

BSP Governor Nestor Espenilla Jr. said last week that the enhancements being done on the term deposit facility, including the introduction of the two-week tenor to bridge the gap between the 7- and 28-day instrument, was meant to ultimately help keep the country's inflation rate in check.

He emphasized that the increased volume of the term deposit facility tenders would neutralize the P90 billion in cash that would be released into the financial system by last week's Monetary Board decision to cut banks' reserve requirements by one percentage point to 19 percent.

On Wednesday, banks submitted P53.3 billion in bids for the P50 billion on offer for the 7-day facility. All bids were accepted, and the average yield rose marginally to 2.8164 percent from the previous week's 2.7232 percent.

For the 14-day facility, banks submitted P46.7 billion in bids for the P40 billion on offer, with the average yield rising to 2.9798 percent from last week's 2.8737 percent.

