

Daily Market Commentary

Asset Management Unit | February 28, 2018 | Wednesday | Issue No. 2018-019



Philippine Equities Market

As of February 27, 2018				
INDICES	VALUE	Points	%Chg	YTD%
PSEi	8,592.38	92.40	1.09	0.40
All Shares	5,118.73	52.35	1.03	2.58
Financials	2,236.93	25.17	1.14	0.30
Industrial	11,427.91	186.34	1.66	1.75
Holding Firms	8,732.47	110.29	1.28	1.35
Services	1,751.34	14.20	0.82	8.12
Mining and O	12,229.39	(82.64)	(0.67)	6.32
Property	3,813.29	19.64	0.52	(4.15)

Top 3 Most Active Stocks

TICKER	COMPANY	TURNOVER
ALI	Ayala Land Inc	1,002,823,000
AC	Ayala Corporation	445,821,100
BDO	BDO Unibank Inc	423,582,400

TOP INDEX GAINER

TICKER	COMPANY	PRICE	%
JGS	JG Summit Hldgs Inc	75.00	5.63

TOP INDEX LOSER

TICKER	COMPANY	PRICE	%
SCC	Semirara Mining	37.00	-3.14

UITF/MUTUAL FUNDS

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

FOREX

CURRENCY	PREV	CURRENT	DIFF
USD/PHP		52.03	0.17 UP

BITCOIN

BTC	581,057.20	UP
-----	------------	----

Market Data

Metric	Value
Volume turnover	3,549,726,270
Value	9,250,640,406.57
Foreign Transaction (net)	(276,978,980.60)

Regional Indices

Index	Value	%Chg
Dow Jones	25,410.03	DOWN -1.16
NASDAQ	7,330.35	DOWN -1.23
S&P500	2,744.28	DOWN -1.27
H. Seng	31,268.66	DOWN -0.73
Nikkei225	22,318.61	DOWN -0.32

Stock Picks

As of 10:29 AM				
	LAST	Change	%Change	
AC	1,055.00	(14.00)	-1.31	DOWN
ALI	42.30	(0.20)	0.47	DOWN
BDO	153.70	(3.30)	-2.10	DOWN
BLOOM	13.82	(0.14)	-1.00	DOWN
EEI	11.70	0.10	0.86	UP
GERI	1.30	-	0.00	
MRSGL	3.37	0.07	2.12	UP
PXP	18.22	0.22	1.22	UP
SM	960.00	(10.00)	-1.03	DOWN
SMPH	35.80	(0.60)	-1.65	DOWN
SSI	3.04	(0.01)	-0.33	DOWN
WLCON	10.78	(0.08)	-0.74	DOWN

Commodities

Commodity	Last	Chg	%Chg
Gold			
Brent			
WTI			

Global Events/Market

- **US equities closed sharply lower** after Fed Chairman Jerome Powell failed to quell fears of faster rate hikes. Chairman Powell's upbeat outlook on the economy was deemed hawkish by the market. The DJIA closed at 25,410.03 (-1.16% DoD), while the S&P 500 was at 2,744.28 (-1.27% DoD).

- **European equities slipped, tracking losses of US counterparts**, after Fed Chairman Powell's testimony in Congress underscored concerns of faster rate hikes. The MSCI Europe index closed at 128.92 (-0.19% DoD).

- **US Treasury yields increased across tenors** as Fed Chairman Powell's testimony emphasized the strong economy, stoking fears over a more aggressive policy stance. Yields rose 2.75 bps on average, with 10YR yields up 3.11 bps to 2.893.

- **The US dollar strengthened** after Fed Chairman Powell's speech that emphasized his upbeat outlook on the economy and support for gradual monetary policy normalization. The DXY closed at 90.355 (+0.56% DoD).

- **Asian stocks declined** as buying appetite for global stocks appeared to be waning near the end of a roller-coaster month. The Shanghai Composite and Hang Seng indices went down by 1.13% and 0.73% respectively. The MSCI APXJ index closed at 584.32 (-0.50% DoD).

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

Local Events/Market

- Telecom Sector: DICT fine-tuning criteria for third telco player, scrapping minimum Php 10Bil net worth requirement

- MWC: FY17 core net income up 7.2% y/y in line with COL estimates

- Economy: Fiscal deficit narrows to Php350.6 Bil in 2017

- MER: MER receives offer for 50-MW solar capacity

- Ayala Corporation (PSE Ticker: AC) wholly-owned subsidiary AC Industrial Technology Holdings Inc. completed its acquisition of a controlling stake in Merlin Solar Technologies, Inc. It will have a 78.2% ownership interest in Merlin.

- Senator Cynthia Villar, head of the Senate Committee on Agriculture and Food, urged the National Food Authority (NFA) to increase the agency's price of unmilled rice by one peso, from PHP17 to PHP18 per kilogram.

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 Tuesday**, gaining 92.40 points or 1.09% to close at 8,592.38. Index gainers led decliners, 18 to 10, while 2 issues remained unchanged.

- **All sectors, except for Mining & Oil (-0.67%), ended the day in green**, with Industrial (+1.66%) leading the gainers. Significant index gainers were JGS (+5.63%), BDO (+4.67%), MEG (+4.35%), URC (+4.14%), and AGI (+4.03%).

- **Meanwhile, significant index decliners were SCC (-3.14%), FGEM (-2.03%), and AEV (-1.90%)**. Value turnover decreased to Php9.3Bil from Php9.9Bil in the previous session. Meanwhile, foreigners continued to be net sellers, liquidating Php277Mil worth of shares.

- **The local fixed income yields were unchanged on average but continued to flatten**, with rising short-term yields (+13.40 bps) offset by a fall in the belly (-12.02 bps) and long end (-2.95 bps) of the curve. This is reflective of higher inflation and interest rate hike expectations just prior to Jerome Powell's first testimony. On average, yields fell 0.30 bps.

- **The Philippine peso lost ground**, ending its recent move upward after hitting its lowest level in 11 years last Monday, as focus remains on the Philippines' growing trade and current account deficits. The PHP/USD gained 0.33% DoD to 52.030.

(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:

Telecom Sector: DICT fine-tuning criteria for third telco player, scrapping minimum Php 10Bil net worth requirement

The Department of Information and Communications Technology (DICT) is scrapping the Php10Bil minimum net worth requirement for third telco player aspirants. Instead, it will be based on the actual resource and service that the prospective players will commit and roll out within the first five years. The minimum net worth requirement will be replaced by a performance bond issued by the government that can go higher or lower than Php40Bil. The third telco player will also be required to place 25 percent of its equity in a bank within 90 days of winning the bid.

The new parameters, which is expected to be finalized by April 9, will put more emphasis on performance metrics such as committed minimum coverage of population and internet speed. For the first year of operations, 15% of the population will be the minimum requirement based on number of people reached. By year seven or eight, the new telco player is expected to cover 80% of the population. The committed speed is also expected to have a staggered increase beginning with 8Mbps for the first year of operations, reaching 16Mbps by their 5th year. The criteria also require that the potential third telco player not be related to any telecom group with mobile and broadband wireless market share of at least 40 percent. The DICT and the National Telecommunications Commission (NTC) is currently looking at May 24 as the deadline for bid submission. The entry of the third telco player is expected by June at the latest as the winning bidder is expected to be announced by May or early June. **(Source: BusinessWorld, PhilStar) Source: COL Financial**

MWC: FY17 core net income up 7.2% y/y, in line with COL estimates

FY17 core net income reaches Php6.5Bil, in line with COL but above consensus estimates. MWC reported FY17 net income amounting to Php6.1Bil, up by 1.3% y/y. However, this figure includes a non-recurring expense amounting to Php352Mil related to an uncollectible receivable booked by Laguna Water. Excluding this, MWC's core net income reached Php6.5Bil, up 7.2% y/y. The result is in line with COL but above consensus estimates accounting for 101.1% and 109.7% of full year forecasts respectively. Earnings were in line with COL estimates despite revenues accounting for just 95.6% of our full year forecast as this was offset by the lower than expected depreciation and net interest expense, which accounted for just 84% and 75% of our estimates respectively. The lower depreciation was the result of the change in depreciation method from straight line method to units of production method, while the lower net interest expense was due to capitalized interest cost. **Source: COL Financial**

Economy: Fiscal deficit narrows to Php350.6 Bil in 2017

The Philippines incurred narrower fiscal deficit at Php350.6Bil in 2017 from the Php353.4Bil in 2016. This was also 27% lower the Php482.1Bil target deficit. The Bureau of the Treasury attributed the narrower deficit to the stronger-than-programmed collections and below-target expenditures. Specifically, full-year revenues reached Php2.5Tril, up 13% y/y and higher than the Php2.4Tril target. On the other hand, government spending grew 11% y/y to Php2.8Tril. However, this missed the Php2.9Tril spending target. **(Source: Businessworld, Philstar) Source: COL Financial**

MER: MER receives offer for 50-MW solar capacity

MER disclosed that it has received an offer for a 50-megawatt solar energy capacity from Pilipinas Newton Energy Corp at Php2.98/kWh. MER said that it has been subjected to a competitive selection process and the outcome will be known by end-February. So far, this has been the cheapest solar cost offer received by Meralco. **(Source: BusinessWorld) COL Financial**

BDO: 2017 net income up 7% y/y; in line with estimates

2017 net income up 7% y/y; in line with estimates. BDO reported Php5.4Bil in net income during the fourth quarter, down 23% y/y. The decline was driven by the jump in provisions as the bank decided to cover for the provisions required on the change in loan loss methodology to Expected Credit Losses. For 2017, full-year earnings grew 7% y/y to Php28.1Bil. The subdued earnings growth was weighed down by the non-recurring gain booked from the consolidation of BDO Life in the previous year. On a comparable basis, net income growth ended higher at 15% y/y. Compared to estimates, this ended in line with COL, consensus, and BDO's earnings guidance at 98%, 99%, and 100%, respectively. Overall, the bottom-line figure translates to a ROE of 10.9%. We currently have a HOLD rating on BDO with an FV estimate of Php137.00/sh based on 1.80X 2018E P/BV. **Source: COL Financial**