

## Breakout

January 22-26, 2018

### PSEi 2018 Performance



### Weekly PSEi Performance

	As of Jan. 26, 2018	W-o-W Change	YTD Change	Weight In the Index
PSEi	9,041.2	1.4%	5.6%	-
FMETF	136.1	1.2%	4.3%	-
All Shares	5,269.3	2.3%	5.6%	-
Financials	2,256.7	-1.4%	1.2%	18.7
Industrial	12,090.0	1.9%	7.6%	11.1
Services	1,696.8	3.5%	4.8%	10.0
Property	4,127.0	2.3%	3.7%	19.0
Holdings	9,358.0	2.3%	8.6%	40.2
Mining & Oil	12,189.6	1.3%	6.0%	1.0

### Market Statistics (in Php bn)

	Jan. 26, 2018	YTD
Ave. Daily Value Turnover	8.4	8.3
Foreign Buying	21.3	76.3
Foreign Selling	20.8	69.4
Net Foreign Buying/(Selling)	0.5	6.9
% of Foreign to Total	50	49

### Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	26,616.7	2.1%	34.7%	18.4
S&P 500	2,872.9	2.2%	28.3%	18.8
FTSE 100	7,665.5	-0.8%	7.3%	14.8
DAX	13,340.2	-0.7%	16.2%	13.8
Nikkei	23,631.9	-0.7%	23.6%	19.5
Hang Seng	33,154.1	2.8%	50.7%	13.1
Shanghai	3,558.1	2.0%	14.6%	13.9

Sources: PSE data, Bloomberg

### Equities Outlook

**Outlook.** We see 9,000 as the emerging support for PSEi if 4Q17 earnings don't disappoint. So far, UBP has released its FY 2017 income up 30.4% y-o-y to P8.2bn, in line with consensus.

**Drivers.** Strong 4Q17 earnings results to validate the strong market run-up.

**Market Review.** The PSEi closed yesterday at 9,058.62 (+0.2%), supported by the all-time high index levels in the US following strong 4Q17 earnings results.

On Friday, PSEi finally broke the 9,000 level to close at 9,041.20, up 1.7% wov and 5.6% ytd. Investors focused on sustained PH growth at 6.6% in 4Q17, as the underlying strength of the economy remained intact - i.e. strong domestic demand (+7.3% vs +6.4% in +3Q17).

- Market has been up 12% since its last correction on Dec. 4 to 8,083, where PSEi dropped by 5.1% from Nov. 6's level of 8,523.
- Net foreign buying was sustained for 6th straight week at P543mn and P6.9bn ytd.
- PSEi was 4th highest gainer in Asia, up 5.6% ytd. Top gainers were Hong Kong (+10.8%), China (+7.6%) and India (+5.9%).
- Most foreign bought stocks were ALI, TEL, JFC, MBT and URC amounting of P1.4bn. Most sold stocks were AC, BDO, LTG, BPI and GTCAP totalling P1.5bn.

### Economic News

The Senate is set to finalize the amendments to the Agricultural Tariffication Act that would replace quantitative restrictions (QR) or quota for rice importation with tariff. This shift is expected to lower rice prices, which comprised 8.9% of the PH CPI basket. The BSP earlier estimated a 1% reduction in inflation from QR to offset the expected 1% increase in prices due to the TRAIN law. Lawmakers are eyeing up to 50% tariff on rice vs ASEAN FTA's tariff rate of 35% and generate P25bn of revenues to be earmarked for PhilRice. A PIDS study (Briones, et al 2017) noted that the poorest 20% of the households spend 21% of their budget on rice vs 3% on the richest 20% of households.

Fitch' unit BMI Research expects the PH to sustain its robust growth by 6.3% in 2018 and 6.2% in 2019. Key reasons are: favorable demographics, strong public infrastructure spending and improving trade links with China. Risk to growth is the deterioration of business environment as reflected by slower investments. For instance, fixed capital formation in 2017 slowed to 10.3% in 2017 from 25.2% in 2016. We (house view) maintain a GDP growth target of 7-7.5% for the PH on the back of robust infrastructure spending and improving exports.

### Corporate News

Union Bank of the Philippines (UBP) reported core income of P8.2bn for the FY 2017, up 30.4% yoy. ROE and ROA were 12.4% and 1.5%, respectively, with cost-to-earnings ratio of 53.9%. UBP's share prices closed on Monday at P90.50/share, up 4.4% ytd.

### Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,349.12	1.3%	3.6%
Nickel (per metric tons)	13,650.00	7.3%	7.0%
Copper (per lbs)	319.90	0.4%	-3.1%
WTI (per barrel)	66.14	4.4%	9.5%
Sugar (per lbs)	13.36	0.8%	-11.9%

**Index Performer (Year-to-date)**

Stock	Gainers			Losers			
	Price	% Chg	P/E	Stock	Price	% Chg	P/E
SMC	141.10	26%	12.4	GLO	1,746.00	-8%	14.8
LTG	23.50	25%	21.3	FGEN	16.00	-6%	8.3
JFC	292.20	15%	39.9	BDO	157.50	-4%	20.1
SM	1,140.00	15%	33.9	MPI	6.69	-2%	14.4
URC	171.00	13%	32.2	MEG	5.05	-2%	11.4

**Index Performer (Week-on-Week)**

Stock	Gainers			Losers			
	Price	% Chg	P/E	Stock	Price	% Chg	P/E
RLC	21.15	9%	13.9	BPI	117.80	-5%	17.4
SM	1,140.00	8%	33.9	GTCAP	1,350.00	-3%	15.4
SMC	141.10	6%	12.4	AGI	15.84	-2%	10.2
ALI	47.50	6%	24.4	MPI	6.69	-2%	14.4
JFC	292.20	4%	39.9	MEG	5.05	-2%	11.4

**Top Weekly Net Foreign Buying/Selling (Index Components, in Php mn)**

Top Foreign Buying		Top Foreign Selling	
ALI	594.6	AC	715.9
TEL	285.4	BDO	327.4
JFC	246.7	LTG	173.1
MBT	158.8	BPI	159.2
URC	137.1	GTCAP	135.3

**Market Calendar**

Monday	Tuesday	Wednesday	Thursday	Friday
01/29/2018	01/30/2018	01/31/2018	02/01/2018	02/02/2018
		CH: Manufacturing PMI (Jan) US: Trump's State of the Union Address	US: FOMC Meeting, Initial Jobless Claims (Jan 27) and Markit US Manufacturing (Jan)	US: Unemployment (Jan)
02/05/2018	02/06/2018	02/07/2018	02/08/2018	02/09/2018
	PH: Inflation (Jan)	PH: Forex Reserves (Jan) CH: Forex Reserves (Jan)	CH: External Trade (Jan) US: Initial Jobless Claims (Feb 3)	PH: External Trade (Dec) CH: Inflation (Jan)
02/12/2018	02/13/2018	02/14/2018	02/15/2018	02/16/2018
		US: Inflation (Jan) and Retail Sales (Jan)	PH: OFW Remittances (Dec) US: Initial Jobless Claims (Feb 10)	
02/19/2018	02/20/2018	02/21/2018	02/22/2018	02/23/2018
PH: BOP (Jan)			US: Initial Jobless Claims (Feb 17)	