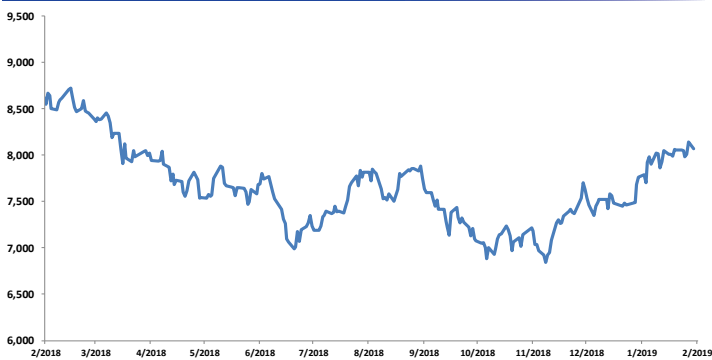


## EM Wide Rally

January 28-February 1, 2019

### Equities Outlook

#### PSEi 2019 Performance



#### Weekly PSEi Performance

	As of Feb. 1, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	8,144.2	1.1%	9.1%	-
FMETF	120.9	1.2%	8.4%	-
All Shares	4,909.5	1.2%	8.7%	-
Financials	1,854.3	1.6%	4.2%	18.2
Industrial	11,824.0	0.4%	8.0%	12.2
Services	1,606.2	1.6%	11.3%	10.4
Property	4,005.8	-0.2%	10.4%	20.3
Holdings	8,105.2	2.2%	10.4%	38.2
Mining & Oil	8,549.7	1.1%	4.3%	0.7

#### Market Statistics (in Php bn)

	Feb. 1, 2019	YTD
Ave. Daily Value Turnover	9.3	8.7
Foreign Buying	28.1	122.5
Foreign Selling	22.4	102.1
Net Foreign Buying/(Selling)	5.7	20.3
% of Foreign to Total	54	56

#### Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	25,063.9	1.3%	7.4%	15.4
S&P 500	2,706.5	1.6%	8.0%	16.3
FTSE 100	7,020.2	3.1%	4.3%	12.6
DAX	11,180.7	-0.9%	5.9%	12.2
Nikkei	20,788.4	0.1%	3.9%	15.1
Hang Seng	27,930.7	1.3%	8.1%	10.7
Shanghai	2,618.2	0.6%	5.0%	9.9

Sources: PSE data, Bloomberg

**Outlook.** PSEi's ascent is pricing in already the potential rate cuts (policy rate and reserve ratio) whose odds rose with the inflation deceleration. PSEi's rally is in sync with the emerging market (EM) wide rally as it price in a likely trade deal between the US and China by month-end. The PSEi may trade between 8,000-8,300 this week as investors digest the easing domestic inflation pressure for the third straight month in January to 4.4% vs consensus of 4.5% and amid appetite for riskier assets due to dovish Fed. Investors will also take cue from the fourth quarter earnings results to be released in the coming days -- CHP (February 8), IMI (February 11), GLO (February 12) and ALI (February 15).

Key event this week is the Monetary Board (MB) meeting on February 7, which is widely anticipated to keep the policy rates steady at 4.75%. We likewise expect the MB to keep rates unchanged.

**Market Review.** The PSEi fell 11 points today (-0.1% from Monday's closing) to end at 8,058.4. Last week, the local bourse extended its gains for the fifth consecutive week, rising by 90.9 points (+1.1% week-on-week, w/w) to close on Friday at 8,144.2 amid Fed's more dovish monetary policy stance. Year-to-date, the local bourse has gained 8.1%, slightly behind the MSCI Emerging Markets Index gains of 8.5% (as of February 4).

**Market Flows.** Net foreign buying was sustained for 13 straight trading days. Last week, the local market raked in P5.7bn in net foreign inflows, bringing the YTD tally to P20.7bn (\$395mn).

**Regional Markets.** Except for Malaysia, Asian markets were gainers YTD (as of February 4) led by Hong Kong (+8.3%), the Philippines (+8.1%) and South Korea (+8%).

**Currencies.** The Philippine peso gained 0.6% w/w to close on Friday at P52.23/\$. YTD (as of February 4), the currency has improved by 0.3% vs MSCI EM currencies' 2.2%. For Most Bought/Sold Stocks, see table in next page.

### Economic News

Philippine Statistical Authority (PSA) reported that headline inflation eased for the third straight month in January to 4.4% year-on-year (y/y), a tad slower than consensus of 4.5% and within the Bangko Sentral ng Pilipinas' (BSP) projection of 4.3-5.1%. Month-on-month (m/m), consumer price upticks however picked up by 0.2% from -0.6% in the previous month. Core inflation, which excludes volatile food and energy items, likewise slowed to 4.4% y/y in January from 4.7% a month ago, albeit it accelerated on a m/m to 0.2% from -0.2% in December. The slower y/y price increases in January was attributed to slowdown in heavyweights food (+5.1% y/y from +6.3% in December); housing, water, electricity, gas and other fuels (+4.1% y/y from 4%); and transportation (+2.5% y/y from 4%). These items collectively account for 65.5% of the CPI basket. Meanwhile, price pressure on rice continued to dissipate m/m for the third consecutive month (-0.7% m/m from -1.7% in December and -2.3% in November). With oil prices expected to remain benign and food supply bottlenecks mitigated (especially on rice), we expect inflation to continue to decelerate below 4% in the first quarter of 2019.

PSA reported that factory output as measured by the Volume of Production Index (VoPI) contracted by 10.1% y/y in December from an expansion of 1.6% in November. This brought the average growth in factory output for 2018 to 7.2%, still better than 2017's -0.5%. Ten of the 20 industry groups recorded declines in December, with double-digit decreases reported by printing (-79.4%), chemical products (-28.9%), tobacco products (-22.1%), food manufacturing (-17.8%), basic metals (-16.7%) and machinery except electrical (-12.6%). Meanwhile, Nikkei Philippine Manufacturing PMI, which measures factory output in terms of new orders, output, employment, suppliers' delivery time and inventory, moderately improved in January to 52.3 from December's 53.2 (a reading of above 50 means expansion). The January figure was the slowest reading for the Philippines since September 2018, albeit the highest in Southeast Asia, with Vietnam and Myanmar trailing at 51.9 and Thailand at 50.2. The rest of the region reported contraction in manufacturing PMI.

### Corporate News

Ayala Land, Inc. (ALI) has approved the acquisition of the 20% equity interest owned by Mitsubishi Corporation in Laguna Technopark, Inc. (LTI). This is equivalent to 8,051 common shares with a total value of P800mn. ALI will then

exchange the 20% equity interest in LTI for additional shares of stocks in Prime Orion Philippines, Inc. (POPI) or equivalent to 323.8mn common shares. Currently, ALI directly owned 63.9% of POPI. ALI closed today at P45/share, up 10.8% YTD.

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

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
URC	150.00	18%	29.9	LTG	15.48	-7%	8.7
JGS	65.65	18%	17.1	PCOR	7.49	-3%	6.3
AGI	13.90	17%	7.7	MER	370.60	-2%	18.4
TEL	1,313.00	17%	12.3	BPI	92.00	-2%	14.9
AEV	64.00	16%	13.8				

#### Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
GTCAP	1,119.00	10%	13.5	PCOR	7.49	-4%	6.3
DMC	12.76	6%	9.9	AGI	13.90	-3%	7.7
RRHI	89.70	6%	22.0	RLC	22.35	-3%	14.1
PGOLD	46.70	4%	18.2	GLO	2,070.00	-2%	14.3
AP	39.20	3%	10.8	MPI	4.86	-2%	9.8

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

Top Foreign Buying		Top Foreign Selling	
ALI	1,198.8	LTG	-29.5
SMPH	625.1	GLO	-26.9
BDO	547.8	SCC	-21.7
URC	343.6	SECB	-18.6
SM	320.4	SMC	-12.1

#### Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,318.0	1.0%	2.8%
Nickel (per metric tons)	12,660.0	5.8%	18.4%
Copper (per lbs)	277.3	1.6%	5.4%
WTI (per barrel)	55.3	2.9%	21.7%
Sugar (per lbs)	12.6	1.3%	4.7%
Rice (per cwt)	10.7	-0.2%	5.5%

#### Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
02/04/2019	02/05/2019	02/06/2019	02/07/2019	02/08/2019
	PH: CPI (Jan)		PH: Forex Reserves (Jan) and Monetary Board Meeting US: Initial Jobless Claims (Feb 2)	
02/11/2019	02/12/2019	02/13/2019	02/14/2019	02/15/2019
CH: Forex Reserves (Jan)	PH: External Trade (Dec)	US: CPI (Jan)	CH: External Trade (Jan) & CPI (Jan) US: Initial Jobless Claims (Feb 9)	CH: CPI (Jan) US: Retail Sales (Jan) Advance