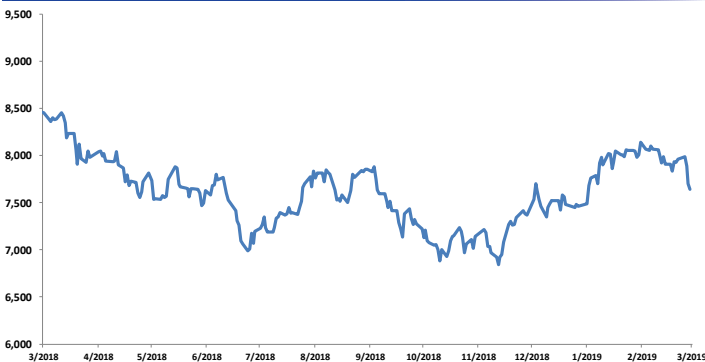


Rebalancing Fallout

February 25-March 1, 2019

PSEi 2019 Performance



Weekly PSEi Performance

	As of March 1, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,641.8	-4.0%	2.4%	
FMETF	114.1	-3.3%	2.3%	
All Shares	4,729.9	-3.2%	4.7%	
Financials	1,683.4	-4.1%	-5.4%	17.2
Industrial	11,338.0	-2.9%	3.5%	11.8
Services	1,518.4	-3.8%	5.2%	10.6
Property	3,926.0	-3.0%	8.2%	21.0
Holdings	7,693.0	-4.1%	4.8%	38.7
Mining & Oil	8,359.7	-2.9%	1.9%	0.6

Market Statistics (in Php bn)

	March 1, 2019	YTD
Ave. Daily Value Turnover	11.1	8.7
Foreign Buying	28.5	209.1
Foreign Selling	25.4	182.1
Net Foreign Buying/(Selling)	3.0	27.0
% of Foreign to Total	61	55

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	26,026.3	0.0%	11.6%	15.8
S&P 500	2,803.7	0.4%	11.8%	16.8
FTSE 100	7,106.7	-1.0%	5.6%	12.5
DAX	11,601.7	1.3%	9.9%	12.6
Nikkei	21,602.7	0.8%	7.9%	15.7
Hang Seng	28,812.2	0.0%	11.5%	11.1
Shanghai	2,994.0	6.8%	20.1%	11.2

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. The PSEi is on an upward mode this week as investors digest the slower-than-expected February inflation print (3.8% vs consensus of 4.1%) and renewed optimism over US-China trade deal. So far, earnings results have failed to lift the market. Out of 20 companies that have released their full year earnings, six were ahead of consensus, seven were in-line and seven were behind (see table on page 2). This week, earnings releases to watch out for are MPI and DNL (March 6); EAGLE (March 7); TEL, DMC and ICT (March 8); and AEV and AP (March 9).

Key economic data to be released this week are the Philippines and China's forex reserves for February (March 7) and China's external trade (March 8).

Market Review. The PSEi plunged by 320.4 points (-4% week-on-week, w/w) to close on Friday at P7,641.8 amid jitters on MSCI's announcement that it would quadruple the weight of Chinese mainland shares from roughly 0.7% to 3.3% in its global benchmarks later this year. China's manufacturing contraction for the third month in February (PMI of 49.9) and the collapse of the US-North Korean Summit also fueled the negative sentiment. As a result, the local bellwether ended February in the red, down 3.8%, trimming its year-to-date (YTD) gains to 2.4% vs MSCI EM index' 8.9% gains this year.

Market Flows. Net foreign buying was sustained last week totaling P3bn. However, excluding block sale, it would have been a net selling of P6.7bn. YTD, net foreign inflows amounted to P27bn.

Regional Markets. Asian markets were mixed last week with China posting the biggest gains (+6.8%), while the Philippines (-4%), South Korea (-1.6%) and Singapore (-1.5%) were the top decliners. All Asian markets are gainers YTD with China (+20.1%), Hong Kong (+11.1%) and Japan (+7.9%) as the best performing markets.

Currencies. The Philippine peso closed on Friday at P51.71/\$. It was the best performing currency in Asia in February, up 0.8% month-on-month (m/m), due to sustained net portfolio inflows, resilient remittances and easing domestic inflation. YTD, the peso has gained 1.7%, in line with MSCI EM Currencies index' 1.8% gains. Bought/Sold Stocks, see table in next page.

Economic News

Philippine Statistical Authority (PSA) reported that February inflation decelerated for the fourth straight month to 3.8% year-on-year (y/y) from January's 4.4% and below market consensus of 4.1%. This brought the February inflation back to Bangko Sentral ng Pilipinas' (BSP) target of 2-4% for the first time in 12 months. Nine of the 11 commodity groups posted slower price increments led by heavy-weights food and non-alcoholic beverages (+4.7% from +5.6% in January); housing, water, electricity, gas and other fuels (+3.7% from +4%); transport (+1.2% from +2.5%); and restaurant and miscellaneous goods and services (+4% from +4.3%). Prices of key food items slowed led by rice (+2.9% y/y from +4.7% in January, CPI share of 9.6%), meat (+4.1% from +5%, 6.3% share) and milk and cheese (+2.5% from +2.6, 3.1% share), but fish prices remained elevated at 7.8%. Month-on-month, headline inflation was steady at 0.2%. Likewise, core inflation, which excludes some volatile food and oil prices, slowed to 3.9% from 4.4% in the previous month.

Philippines' Nikkei Manufacturing Purchasing Managers' Index (PMI) for February declined to 51.9 from 52.3 in the previous month (albeit still an expansion) due to slower domestic demand despite the pick up in exports for the first time since August 2018. Moreover, the PMI for February was the slowest since August 2018's 50.6. Despite the slowdown, Nikkei noted that the country's PMI has been relatively strong in the past months and that they expect it to recover due to improving business sentiment amid easing inflation and higher employment.

Corporate News

SM Investments Corporation (SM) reported a 13% y/y increase in profit to P37.1bn in 2018, driven by the strong net income from its core businesses -- retail (+8% to P11.3bn), banking (+17% to P32.7bn) and property (+17% to P32.2bn). Consoli-

dated revenues grew 13% to P449.8bn. Property comprised 41% of total earnings, with shares of banks and retail at 38% and 21%, respectively. SM closed yesterday at P940/share, up 2% YTD.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
BLOOM	11.32	20%	16.8	DMC	11.18	-13%	8.9
JGS	65.80	18%	16.9	BPI	84.00	-11%	13.8
SMC	170.70	16%	14.9	TEL	1,030.00	-8%	9.8
AGI	13.70	15%	7.6	LTG	15.24	-8%	8.9
RLC	22.80	13%	14.0	MBT	75.20	-7%	11.1

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
FGEN	21.30	2%	7.1	DMC	11.18	-9%	8.9
				URC	137.00	-8%	26.9
				MBT	75.20	-8%	11.1
				TEL	1,030.00	-7%	9.8
				GTCAP	930.00	-7%	11.2

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

Top Foreign Buying		Top Foreign Selling	
ICT	516.4	SM	-493.2
PGOLD	95.8	MBT	-372.6
FGEN	93.1	BDO	-291.8
JGS	56.8	AC	-245.7
MPI	49.8	SMPH	-243.8

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,293.4	-2.7%	0.9%
Nickel (per metric tons)	13,195.0	1.6%	23.4%
Copper (per lbs)	293.2	-0.5%	11.2%
WTI (per barrel)	55.8	-2.5%	22.9%
Sugar (per lbs)	12.6	-5.1%	4.3%
Rice (per cwt)	10.3	0.9%	1.9%

Earnings Results for 2018

Company	FY 2018 Earnings Growth YoY	Remarks
ALI	20%	IL
BDO	23%	OP
BEL	-8%	Below
BLOOM	18%	OP
BPI	3%	IL
CHIB	10%	OP
CHP	-193%	Below
GLO	38%	OP
JFC	13%	IL
MER	11%	OP
RCB	0%	IL
RLC	2%	Below
RRHI	3%	Below
SCC	-15%	Below
SECB	1%	Below
SHLPH	39%	OP
SM	13%	IL
SMPH	35%	IL
UBP	-6%	Below
MAC	174%	IL

Notes:
 OP - outperformed consensus
 IL - in-line with consensus
 Below - Below consensus

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
3/04/2019	3/05/2019 PH: Inflation (Feb)	3/06/2019	3/07/2019 PH: Forex Reserves (Feb) CH: Forex Reserves (Feb) US: Initial Jobless Claims (Mar 2)	3/08/2019 CH: External Trade (Feb)
3/11/2019 US: Retail Sales Advance (Jan)	3/12/2019 PH: External Trade (Jan) US: CPI (Feb)	3/13/2019	3/14/2019 CH: Retail Sales (Feb) & Industrial Production (Feb) US: Initial Jobless Claims (Mar 9)	3/15/2019 PH: OFW Remittances (Jan)