

PSEi 2019 Performance



Weekly PSEi Performance

	As of May 10, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,742.2	-2.8%	3.7%	
FMETF	116.0	-2.9%	4.0%	
All Shares	4,791.3	-2.3%	6.1%	
Financials	1,738.8	-2.0%	-2.3%	17.5
Industrial	11,528.3	-2.6%	5.3%	11.9
Services	1,595.6	-1.2%	10.6%	11.1
Property	4,118.0	-3.6%	13.5%	21.1
Holdings	7,345.9	-3.2%	0.1%	37.7
Mining & Oil	7,325.3	-5.3%	-10.7%	0.6

Market Statistics (in Php bn)

	May 10, 2019	YTD
Ave. Daily Value Turnover	7.1	7.6
Foreign Buying	18.6	386.1
Foreign Selling	21.3	345.8
Net Foreign Buying/(Selling)	(2.7)	40.3
% of Foreign to Total	56%	55%

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	25,942.4	-2.1%	11.2%	15.7
S&P 500	2,881.4	-2.2%	14.9%	16.9
FTSE 100	7,203.3	-2.4%	7.1%	12.5
DAX	12,059.8	-2.8%	14.2%	13.0
Nikkei	21,344.9	-4.1%	6.6%	14.7
Hang Seng	28,550.2	-5.1%	10.5%	11.1
Shanghai	2,939.2	-4.5%	17.9%	11.1

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. We might see the index firm up around the 7,600 support. This support sits close to the index's two standard deviation below the 5-Yr mean (-2SD) of 16x or 7,545 index level. Long term outlook remains robust as corporates manage to report earnings in line with expectation. Also the weaker than expected GDP and the expectation of lower inflation increases the chance of further monetary easing. However, we encourage caution and to sell on strength this week as immediate risks are imminent.

Sentiment is currently tilted on the downside driven by outflows from MSCI rebalancing and macroeconomic risks brought by escalating trade war. Analysts are expecting around US\$115mn in outflow from passive funds and as much as US\$185mn from active funds to China A-Shares which MSCI upweighted to 10% from 5% inclusion factor. The trade war escalation threatens the already weak global economic outlook and is expected to inspire risk off sentiment on the Emerging Market space.

Market Review. The Philippine benchmark closed at 7,742.2 last week, down 2.8%, brought by weaker than expected GDP at 5.6% and escalating trade war between US and China with US pulling the trigger by slapping additional tariffs on US\$200bn imports from China. The weaker than expected 3.0% inflation (vs 3.1% forecast) and the subsequent 25bps cut in policy rate fail to lift sentiment.

Market Flows. After eight straight weeks, foreigners took profit and were net sellers by Php2.7bn, taking cue from the general risk off environment. SMPH received the highest foreign selling at Php831.4mn after reaching all time high at Php42.5/sh the week prior.

Regional Markets. World market wiped some of its gains year-to-date on concerns of escalating trade war. The Dow shed 2.1% to close at 25,942.4 while S&P 500 saw a similar decline of 2.2% for the week. The biggest decliners were the Chinese markets with Hang Seng losing 5.1% week-on-week (w/w) while Shanghai composite fell by 4.5% for the same period.

Currencies. The peso fell back to Php52.13 vs the dollar, down 0.5% w/w due to weaker than expected 1Q19 GDP, easing monetary policy, and general risk-off sentiment on emerging currencies as seen from the regional decline of Asian currencies against the dollar. Leading the decline was the Renminbi, down 1.3% w/w, followed by South Korean Won, down 0.6%, and Rupiah down 0.4%.

Economic News

First quarter GDP growth came in at 5.6%, below the 6.1% median forecasts by analysts and lower than the government's 6-7% guidance for the year. Inflation print was 3.0%, lower than the 3.0% forecast. In response, the BSP cut its policy rate by 25bps to 4.5% and said that reserve requirement cut will be discussed this week in efforts to shore up growth as the economy faces threat locally (delayed budget) and internationally.

China responded over the weekend to Trump's US\$200bn tariff on Chinese imports by announcing China's own tariff increase on US\$60billions of goods, revealing cracks in the formation of deal between the world's two largest economies.

Corporate News

Ayala Corp. (AC) reported core net income of Php7bn, down by 10%. Its core businesses namely ALI, BPI, and GLO which contributes 88% to net income failed to offset drags from MWC, AC Energy, and AC Industrials. MWC was snagged by increased provision of penalty from MWSS. AC Energy's revenues were gobbled by higher interest expense from its US\$410million green bonds, lower wind regime, and scheduled outage of a thermal plant. AC Industrials reported net loss of Php332mn, attributed to ongoing global market slowdown, startup losses from its newly acquired business. AC motors also contributed Php89million net loss to AC Industrial due to continued weakness in the local automotive market. ALI's net income grew 12% to Php7.3bn, slightly below consensus due to timing of revenue recognition on residential sales which fell 1% year-on-year in 1Q19. BPI net income was up 8% as net interest income grew 29% to Php16.1bn. GLO net income surged 44% to Php6.7bn thanks to strong subscriber usage in data related services.

SM Investments (SM) net income saw income jump 26% to Php10.7bn in 1Q19. Leading the charge was BDO which saw net income grew 66% to Php9.8bn. SM Prime posted 16% growth to Php8.8bn led by residential segment which saw 20% reservation sales and 23% growth in revenue. Mall business topline grew 8% carried by 7% same-mall sales growth and increased contribution from malls opened in 2017 and 2018. SM retail net income rose 5% to Php2.7bn.

LTG Group Inc. (LTG) posted Php4.42bn net income in 1Q19, up 22% and in line with consensus. Tobacco business reported 21% increase to Php2.85bn brought by volume mix and price increase in Fortune implemented in December 2018. PNB's core net income grew 10% to Php8bn. Tanduay Distillers' net income jumped 73% to Php234mn due largely to bioethanol sales.

RLC's net income grew 19% of Php1.8bn, behind consensus forecast. Office segment saw 30% revenue growth year-on-year but residential was down 7% due to high base and timing issues. Hotels saw 10% growth while malls grew 9%. Reservation sales managed to end 1Q19 with Php3.8bn, up 2% despite the absence of launched in 1Q19.

PGOLD had a strong 1Q19 with net income up 12% to Php1.5bn on the back of 7.5% consolidated same store sales growth (SSSG). PGOLD stand-alone SSSG was 6.9% while SnR reported 9.4% SSSG. Operating margin contracted slightly by 20bps attributed to softer supplier support.