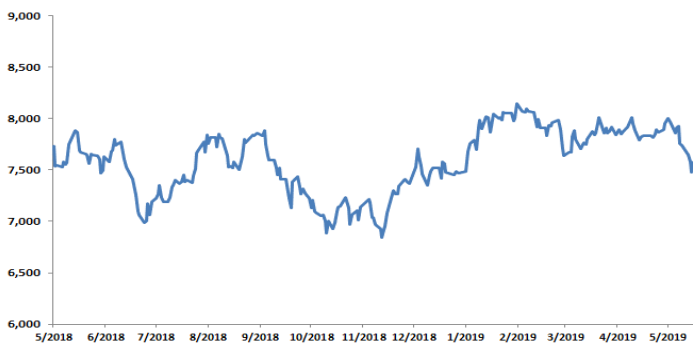


Higher trading range

May 13 - 17, 2019

PSEi 2019 Performance



Weekly PSEi Performance

	As of May 17, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,583.8	-2.0%	1.6%	
FMETF	114.2	-1.6%	2.4%	
All Shares	4,713.3	-1.6%	4.3%	
Financials	1,700.7	-2.2%	-4.4%	17.5
Industrial	11,058.4	-4.1%	1.0%	11.9
Services	1,636.6	2.6%	13.4%	11.1
Property	4,138.9	0.5%	14.1%	21.1
Holdings	7,069.9	-3.8%	-3.7%	37.7
Mining & Oil	7,256.7	-0.9%	-11.5%	0.6

Market Statistics (in Php bn)

	May 17, 2019	YTD
Ave. Daily Value Turnover	9.0	7.7
Foreign Buying	18.7	404.1
Foreign Selling	24.5	370.1
Net Foreign Buying/(Selling)	(5.9)	34.1
% of Foreign to Total	60%	55%

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	25,764.0	-0.7%	10.4%	16.0
S&P 500	2,859.5	-0.8%	14.1%	17.2
FTSE 100	7,348.6	2.0%	9.2%	12.8
DAX	12,238.9	1.5%	15.9%	13.3
Nikkei	21,250.1	-0.4%	6.2%	15.2
Hang Seng	27,946.5	-2.1%	8.1%	11.0
Shanghai	2,882.3	-1.9%	15.6%	11.1

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. We expect the index to trade in the range of 7,600 - 7,800 this week after the rally produced by the BSP liquidity easing last week which enabled the PSEi to break above 7,600. Will it stay there? It could as the overhang from MSCI rebalancing subsides, offset by the downside coming from developments in the US-China trade war saga. But given the low 16x PE of the PSEi (on close last week), it is attractively valued and so some bargain hunting creating buoyancy this week. Index's heavyweights were close to 52-week lows. Also, corporate earnings releases are now complete and so far priced in and unfortunately there was not much supportive earnings outperformance there. Our survey of various brokers' equity universe' earnings results (PSEi and non-PSEi included) showed a range of 8%-9% growth in the first quarter (1Q19), less than the expected range of 10%-15%.

We remain cautious, however, as the easing monetary policy has added downward pressure on the value of Philippine peso. And the stockmarket has historically moved lower in the face of the peso weakness on the dollar. Accumulate on dips.

Market Review. The PSEi dropped 2% to 7,583.8 amidst the general risk-off sentiment and MSCI-driven outflow from the Philippines. The index even closed at a low of 7,475.2, down 3.4% only to bounce back on the news of RRR cut.

Market Flows. Foreigners aggressively sold off the market with Php5.9bn net foreign selling and 60% market participation. Top names that were sold down were the big conglomerates namely SM (Php1.1bn) and AC (Php1.0bn). JFC also saw Php878mn in outflow, causing it to drop 8.5% w/w on the news of 15% drop in earnings and weak same-store sales growth (SSSG).

Regional Markets. Most equity markets remained subdued as risks brought about by the trade war escalation caused market participants to secure profits. Chinese markets, represented by Hang Seng and Shanghai Composite, continued the sell-off from the preceding week, losing 2.1% and 1.9% respectively. The Dow Jones and S&P 500 were not immuned as it saw 0.7% and 0.8 declines w/w, respectively.

Currencies. The Philippine peso ended the week at Php52.64/USD, down 1% w/w and wiping all the gains year-to-date (-0.1%). The currency's weakness came from the outflow of funds from emerging markets and the 25bps cut in the policy rate two weeks ago and the announcement of 200bps RRR cut starting May 2018.

Economic News

The Monetary Board announced it will cut the RRR by 200bps in three phases, with the first 100bps effective on May 28 and the next 100bps cut by end of June and July. This is expected to inject around Php180bn in fresh funds in the system.

US weekly jobless claims fell to 212,000 from 228,000, beating consensus estimate of 220,000. The US Commerce Department also announced that housing starts rose 5.7% to 1.235 million. These indicators, combined with Trump's plan to delay auto tariffs by six months, helped calm the US market already caught in an escalating trade war. All eyes are now on the FOMC meeting on Wednesday.

Corporate News

DMC's core net income dropped 28% to Php3bn, dragged by Semirara's 49% decline due to a combination of lower coal prices and reduced power generation from plant shutdown. The construction arm, DM Consunji, Inc., rose 7%, attributed to higher accomplishment of its infra-projects. DMCI Homes net income grew 5% due to the lower cost of real estate development. DMCI Power jumped 32%, taking advantage of higher energy sales in Masbate, Palawan, and Oriental Mindoro. Mining saw 118% surge in nickel ore shipments. Maynilad posted 13% growth, citing higher billed volume and tariff adjustments.

GTCAP's core net income was Php3.5bn for 1Q19, down 8%, due to Toyota's net profit drop of 24%. It suffered a 3% decline in sales volume and 170bps contraction in net margins, attributed to stronger JPY and dealer discounts. Federal Land and Pro-friends meanwhile fell 10% YoY. MBT's net income was up 15.3% to Php6.8bn. GTCAP also announced its divestment in Pro-friends, with its 51% preferred stake to be redeemed by 702 hectares of property in Cavite valued at Php20bn.

JFC's net income dropped 15% to Php1.5bn as the company absorbed losses from the consolidation of Smashburger and weak 1.9% consolidated SSSG. Revenues grew 14% to Php40.4bn but operating profit fell 10% to Php1.8bn. Excluding Smashburger, operating profits would have grown 9% y/y.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
ICT	139.9	39.9%	23.8	DMC	9.8	-23.6%	8.4
SMC	179.8	22.3%	16.9	GTCAP	820.0	-15.9%	10.8
URC	152.5	20.1%	30.4	BPI	81.0	-13.8%	13.4
BLOOM	11.2	19.0%	15.5	AEV	48.1	-12.6%	11.5
AGI	13.9	16.8%	7.6	RRHI	71.1	-11.2%	18.7

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
ICT	139.9	5.2%	23.8	JFC	277.0	-8.5%	34.3
BLOOM	11.2	2.8%	15.5	JGS	57.0	-7.3%	14.8
PGOLD	45.5	2.6%	18.3	DMC	9.8	-6.0%	8.4
MEG	5.5	2.3%	10.2	SMC	179.8	-5.4%	16.9
AGI	13.9	2.2%	7.6	URC	152.5	-4.7%	30.4

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

Top Foreign Buying		Top Foreign Selling	
ICT	235.1	SM	(1,116.4)
TEL	213.7	AC	(1,027.8)
SCC	189.6	JFC	(872.8)
GLO	167.7	SMPH	(638.6)
PGOLD	68.8	JGS	(425.9)

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,277.53	-0.7%	-0.4%
Nickel (per metric tons)	12,013.00	0.8%	12.4%
Copper (per lbs)	273.85	-1.3%	3.7%
WTI (per barrel)	62.76	1.8%	38.2%
Sugar (per lbs)	11.55	-1.5%	-5.6%
Rice (per cwt)	11.07	3.3%	9.7%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
5/20/2019	5/21/2019	5/22/2019	5/23/2019	5/24/2019
Balance of Payment (Apr 2019)				PH Budget Balance (Apr 2019)
5/27/2019	5/28/2019	5/29/2019	5/30/2019	5/31/2019
				Money Supply M3 (Apr 2019) Bank Lending (Apr 2019)