

Daily Notes

24 July 2019

Ref: Claire T. Alviar, 588-1925

OUR VIEW

Wait-and-see for now as investors look forward to fresh leads amid corporate earnings season.

- Government recorded fiscal deficit in June to P41.8 billion.
- Duterte pushes TRABAHO bill and higher excise tax on sugar sweetened beverages and tobacco products.
 - TRABAHO bill has an adverse effect on foreign and exporting companies in the Philippines.
 - Higher excise tax would negatively affect companies such as LTG, FOOD, FB, PIP, etc.
- BSP: Liquidity in financial system has improved due to catch-up plans with its infrastructure projects and the RRR cut.
- Overseas equity markets are up on hopes for better-than-expected earnings.
- Asia Pacific stocks edged up as investors await central bank meetings.

MARKET WRAP

- The local bourse closed slightly unchanged to 8,251.46, (0.06%) or 4.63 points up as investors bargain hunt in the afternoon after digesting the 4th SONA of the President.
- Value turnover was at P6.71 billion.
- Most sectors are in the green territory led by the Miners to 8,130.69 (0.65%) while Services declined the most to 1,655.25 (-0.98%)
- Losers led winners at 100 to 88; 57 issues were unchanged.
- Today's index biggest gainer was Semirara Mining and Power Corp. [PSE: SCC] advancing 1.87% to P24.55, while the index biggest loser was PLDT Inc. [PSE: TEL] shedding -3.04% to P1148.00.
- Itaipinas Development Corporation [PSE: IDC] was at the top 10.00% up to P6.16 while Abra Mining and Industrial Corp. [PSE: AR] was at the bottom, -11.11% down to P0.0016.

LOCAL NEWS:

Fiscal Deficit drops to P41.8 billion y/y. Government's fiscal balance reported a deficit in June after two straight months of surplus. Treasury data bared a P41.8-billion fiscal deficit in June, 22.93% smaller than last year's P54.3 billion, as revenues grew 4.32% to P233.9 billion from P224.2 billion and expenditures slipped by 0.99% to P275.7 billion from 278.5 billion. (Businessworld)

Philstocks: The decline in Budget deficit may reflect in the 2nd quarter GDP. It would be hard to attain the 6% growth since the possible main driver was

Philstocks Research

JUSTINO B. CALAYCAY, JR
AVP-Head, Research & Engagement
(632)588-1962

JAPHET LOUIS O TANTIANGCO
Sr. Research Analyst
(632)588-1927

PIPER CHAUCER E TAN
Engagement Officer/Research Associate
(632)588-1928

CLAIRE T ALVIAR
Research Associate
(632)588-1925

Ground Floor, East Tower
PSE Center, Tektite Towers
Ortigas Center, Pasig City
PHILIPPINES

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still lower compared to last year.

GLOBAL NEWS:

Huawei cut 600 jobs. Huawei Technologies laid off more than two-thirds of the 850-strong workforce at its Futurewei Technologies research arm in US after being blacklisted. Futurewei will cut more than 600 jobs, effective July 22 and it was "due to the curtailment of business operations" caused by the US. government's actions. The trade blacklist has made it illegal for Futurewei to transfer sensitive technologies to its parent. It also restricts Huawei from purchasing products from US tech companies. (Reuters)

Philstocks: Although trade talks with Huawei continue, the negative effect of being blacklisted was still weighing on Huawei. After it cuts jobs, expect jobless claims in the US to increase.

COMPANY NEWS:

Ayala Corporation [PSE: AC]

Philstocks On-Balance View: TRADE

Initial Target Price: P1,024.00 - P1080.00

Zalora Philippines (ZPH) is projecting a 50% annual growth in sales for the next five years as it sees more Filipinos shifting to online shopping. According to the Zalora Group Chief Executive Officer Gunjan Soni, the company will end the year with more than 50% growth y/y., and expect that trajectory to continue. The company believes that growth will continue for the next five years given the increasing preference of Filipino for online shopping.

Philstocks: Ayala Corporation owned 44.7% of Zalora Philippines which means that the growing business of ZPH would benefit Ayala Corporation and expect higher revenue contribution of ZPH. In terms of its technicals, investors are already accumulating that shown in the OBV. 50-day EMA is about to cross 200-day EMA above, so we recommend to watch out for this stock.

Ayala Corporation	
Last Traded Price	970.00
% from 52 wk High	-5.27%
% from 52 wk Low	15.75%
Free Float Shares	328,603,843
Foreign Limit	40.00%
Trailing 12M PE	19.95
RSI (14)	67.50
OBV Bias	Positive
Support	900.00 - 930.00
Resistance	1000.00 - 1020.00
Potential Upside	11.34%



Charts courtesy of www.tradingview.com

TABLES & CHARTS

DAILY MARKET STATS				
INDEX	VALUE	PTS	PCT	YTD %
PSEI	8,251.46	4.63	0.06%	10.52%
ALL	4,990.95	-3.72	-0.07%	10.47%
FIN	1,868.88	-6.94	-0.37%	5.00%
IND	11,720.14	15.83	0.14%	7.02%
HDG	7,996.20	44.80	0.56%	8.91%
PRO	4,389.13	3.53	0.08%	20.98%
SVC	1,655.25	-16.37	-0.98%	14.73%
M&O	8,130.69	52.87	0.65%	-0.85%
INTERNALS				
VOL	1,449,070,120.00		ADV	88
VAL	6,712,261,381.16		DEC	100
BLOCK	877,996,561.48		UNCH	57
TOP 5 GAINERS		TOP 5 LOSERS		
SCC 1.87%		TEL -3.04%		
RLC 1.82%		ICT -1.96%		
SM 1.68%		GLO -1.62%		
GTCAP 1.54%		MBT -1.62%		
LTG 1.20%		BPI -1.47%		
ASIAN MARKETS (As of 03:02 PM)				
INDEX	VALUE	PTS	PCT	YTD %
Nikkei225	21,620.88	204.09	0.95%	8.02%
Hang Seng	28,454.17	82.91	0.29%	10.09%
Shanghai	2,897.06	10.09	0.35%	16.17%
KOSPI	2,101.45	8.11	0.39%	2.96%
HCM	988.28	6.24	0.64%	10.73%
SET	1,721.61	(5.97)	-0.35%	10.09%
STI	3,370.13	12.91	0.38%	9.82%
KLCI	1,656.00	0.60	0.04%	-2.05%
JCI	6,414.06	(19.49)	-0.30%	3.54%
COMMODITIES & CURRENCIES (As of 03:07 PM)				
Brent Crude	63.47		0.33%	
WTI Crude	56.41		0.34%	
Gold	1,418.15		-0.61%	
Silver	16.37		-0.27%	
Copper	2.72		0.18%	
US\$:Php	51.17		0.17%	

Rating Definitions:

BUY – More than 15% upside base on the target price in the next 9-12 Months

HOLD – 15% or less upside or downside in the next 9-12 Months

SELL - More than 15% downside base on the target price in the next 9-12 Months

TRADE - A potential 10% and above short-term upside base on entry price and selling price.