

## Daily Notes

Thursday, February 20, 2020

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### Metro Pacific Investments Corporation

**BUY**

**TP: Php 5.56**



- Trading at 50.20% below 5-year average PE Ratio
- Power and toll operations segment to continue with strong contributions to earnings.
- Property venture to boost sentiments
- Regulatory risks remain amid Maynilad's case with the government.

### OUR VIEW (MARKET)



Take positions as the PSEi shows signs of life, forming a higher low after recovering from Feb. 14's slide. MACD is still moving upward above the signal line implying sustained momentum with a possible testing of the 7,500 level in the short run.

Earnings are also giving us hope, with sound results coming from the banks and the properties. Still, we must proceed with caution as COVID-19 worries and regulatory concerns linger.

Trading range is set from the 7,300 - 7,350 support to the 7,500 resistance with a possible testing of the latter moving forward.



Source: Trading View

### MARKET WRAP

Full year 2019 earnings anticipation fueled Wednesday's bargain hunting, sending the local bourse higher by 74.05 points (1.01%) at 7,396.94. Value turnover for the day amounted to P6.49 billion, livelier compared to the year-to-date average of P6.35 billion.

Conglomerates took the lead adding 1.17%. Advancers edged decliners 101 to 91.

International Container Terminals Inc. [PSE:ICT] maintains the index lead, climbing 3.85% to P124.20. San Miguel Corporation [PSE:SMC] was the index's main laggard, shedding 1.93% to P132.40.

### DAILY MARKET STATS

INDEX	VALUE	PTS	PCT	YTD %
PSEI	7,396.94	74.05	1.01%	-5.35%
ALL	4,362.09	21.11	0.49%	-6.18%
FIN	1,753.87	9.95	-0.58%	-6.78%
IND	9,195.80	103.40	-1.15%	-5.95%
HDG	7,229.99	83.64	1.17%	-4.77%
PRO	3,946.66	18.69	0.48%	-5.00%
SVC	1,471.68	16.92	1.16%	-3.88%
M&O	7,103.79	26.41	0.37%	-12.21%

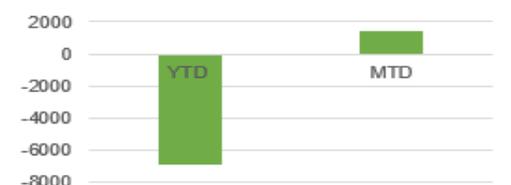
### ASIAN MARKETS (AS OF 04:30PM)

INDEX	VALUE	PTS	PCT	YTD %
Nikkei 225	23,400.70	206.90	0.89%	-1.08%
Hang Seng	27,655.81	125.61	0.46%	-1.89%
Shanghai	2,975.40	-9.57	-0.32%	-2.45%
KOSPI	2,210.34	1.46	0.07%	0.58%
HCM	928.76	0.83	0.09%	-3.35%
SET	1,508.16	-5.52	-0.36%	-4.54%
STI	3,213.60	16.97	0.53%	-0.29%
KLCI	1,532.85	-4.23	-0.28%	-3.52%
JCI	5,915.78	28.82	0.49%	-6.09%

### INTERNALS

VOL	621,158,222	ADV	101
VAL	6,489,407,569.48	DEC	91
BLOCK	1,031,941,752.03	UNCH	48

### Net Foreign Transactions (In Million Pesos)



### TOP 5 GAINERS

ICT 3.85%	SMC -1.93%
MER 3.79%	LTG -1.80%
ALI 2.68%	SMPH -1.44%
SM 2.57%	GTCAP -1.09%
URC 2.55%	GLO -0.93%

### TOP 5 LOSERS

### OTHER MARKET SNAPSHOTS

Brent Crude	58.11	0.62%
WTI Crude	52.46	0.79%
Gold	1,610.30	0.42%
Silver	18.33	0.96%
Copper	262.35	0.46%
US\$:Php	50.56	-0.19%
US 10 Yr Yield	1.55%	-1bps

## LOCAL NEWS

The government has fully awarded its 10-year bond offered last Tuesday with yields declining by 20 basis points from its last auction to 4.409%. The offer which was more than twice oversubscribed, raised P30 billion. The flock towards government bonds implies the encompassing negative sentiment in the financial markets amid the ongoing epidemic. Investors, on a risk-off mode, are running for safe havens causing bond yields to decline. Possible future rate cuts are also being priced in. On a positive note, the lower yields would drag the cost of capital of firms resulting to higher valuations.

## GLOBAL NEWS

Following the 6.3% y/y contraction in its 4Q 2019 GDP, Japan's January 2020 exports fell 2.6% y/y also its 14th straight month of decline. The data shows further weakness in Japan's economy which would be a drag to our very own. In 2019, Japan absorbed 15.1% of the Philippines' exports, the second biggest next to the USA. It was also 2nd in terms of sending products to the Philippines accounting for 9.4% of our imports. Japan is also one of our top investment partners with FDI inflows averaging \$378.20 million in the past 5 years from 2014 to 2018.

## COMPANY NEWS

### BUY Metro Pacific Investments Corporation [PSE:MPI]

MPI ventures deeper into real estate as it signs a P1.6 billion investment agreement with Dusit Thani Thailand. The two will focus on the development of 2 hotels and 3 condominiums at MPI's sites in Batangas. They will also work on improving Dusit's existing property in the Philippines. MPI's property arm Metro Vantage Properties, Inc. will handle the design, development, marketing, and sales, while Dusit Thani Philippines will handle the hospitality and tourism side.

Trading at a PE of 7.41x, 50.20% below its 5-year average PE, MPI is seen to be a good pick as its power and toll operations are expected to continue its strong contribution to earnings. Its latest venture into the property space is seen to further boost its value. Regulatory risks are still on the table due to Maynilad's case. Still, we see a potential upside amid the company's sound fundamentals. MPI's support is at P3.00 while resistance is at P3.30.

Initial target price: **P5.56**



Source: Tradingview

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### 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.