

Weekly Notes

Monday, February 24, 2020

Reference: Claire T. Alviar

Ayala Land, Inc. [PSE:ALI]

BUY

TP: Php 56.00



- Fundamentals remained sound, with FY2019 NI +13%.
- Issuance of retail bonds favor the company given the lower interest rates.
- EPS and valuation may increase due to the additional share buyback program.

OUR VIEW FOR THE WEEK



Trade within 7,200 and 7,500 range as COVID-19 worries linger in the market while on a positive note, anticipation of FY2019 corporate earnings result may lift sentiment along with the month-end window dressing. Expect weaker volume amid shortened trading week.

For earnings results, watch for **MER, MPI, WLCON, BDO, SM, and MWC.**

Bulls should break 7,500 resistance level, 50 of RSI (14), and the 20-day EMA, in order to continue the rally. The market is trading on trend support, and failure to stay at this area would drag the bourse down to 7,200 level.



Source: Trading View

MARKET WRAP

The local market ended the week in a positive territory, up 87.78 points or 1.21% w/w, at 7,369.78 due to the strong corporate earnings result but it erased some gains on last trading day as COVID-19 fears weighed on the market. Despite the gain, Losers still edged gainers at 116 to 97; 36 issues were unchanged. Average value turnover was marginally lower at P6.129 billion compared with y/d's average of P6.30.

Except Financials (-0.002%), all sectors gained last week, led by Holdings up 2.37% to 7,218.98.

WEEKLY MARKET STATS

INDEX	VALUE	PTS	PCT	YTD
PSEI	7,369.78	87.78	1.21%	-5.70%
ALL	4,346.76	27.65	0.64%	-6.51%
FIN	1,738.92	(0.03)	0.002%	-6.69%
IND	8,987.08	50.44	0.56%	-6.73%
HDG	7,218.98	167.01	2.37%	-4.91%
PRO	3,944.75	16.10	0.41%	-5.05%
SVC	1,444.81	4.51	0.31%	-5.64%
M&O	7,086.90	28.26	0.40%	-12.42%

ASIAN MARKETS

INDEX	VALUE	PTS	PCT	YTD
Nikkei 225	23,386.74	(300.85)	-1.27%	-1.14%
Hang Seng	27,308.81	(506.79)	-1.82%	-3.13%
Shanghai	3,039.67	122.66	4.20%	-0.34%
KOSPI	2,162.84	(80.75)	-3.60%	-1.58%
HCM	933.09	(4.36)	-0.47%	-2.90%
SET	1,495.09	(31.21)	-2.04%	-5.36%
STI	3,181.03	(39.00)	-1.21%	-1.30%
KLCI	1,531.20	(13.26)	-0.86%	-3.62%
JCI	5,882.25	15.30	0.26%	-6.62%

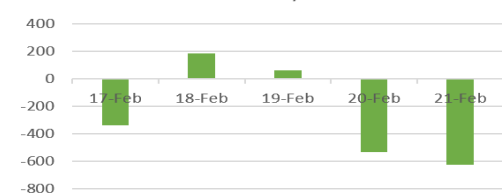
INTERNALS

TOTAL VAL	30,647,637,368.76	ADV	97
AVE VAL	6,129,527,473.75	DEC	116
BLOCK	5,574,920,855.38	UNCH	36

Net Foreign Transactions (In Million Pesos)



Net Foreign Transactions (In Million Pesos)



OTHER MARKET SNAPSHOTS

Brent Crude	58.45	1.95%
WTI Crude	53.44	2.12%
Gold	1,645.95	3.72%
Silver	18.46	4.19%
Copper	2.60	0.00%
US\$:Php	50.89	0.89%
US 10 Yr Yield	1.46%	-100.00%

Metropolitan Bank & Trust Company [PSE:MBT] had the biggest upside, adding 4.91% w/w, to P60.85 on the back of strong FY 2019 earnings with net income growing 27%. While, LT Group, Inc. [PSE:LTG] was at the tail-end, down 8.65% w/w, to P9.50 due to the massive net foreign selling worth P15.35 million.

ABS CBN Corporation [PSE:ABS], one of the companies facing issues, joined weekly top price gainers, up 14.70 w/w, to P19.66 after Sen. Bong Go urged the franchise bill.

LOCAL NEWS

Hot money net outflow weighed on the market knowing that majority of market participants are foreigners. The Philippine Peso may also depreciate due to the outflow and this could result in additional costs for importers like car manufacturers (GTCAP, AC). Meanwhile, the Department of Finance estimated tax collection from sin tax products to increase over 20% to P332.3 billion this year. While this adds revenue for the government, tobacco and alcohol products manufacturer firms like LTG and GSMI may hurt as demand is expected to decline due to the higher prices.

GLOBAL NEWS

Restaurants in China are one of the sectors taking a huge hit due to the COVID-19 outbreak. Most people are reluctant to go outside over fears of virus contagion. Many restaurants have suspended dine-ins to help curb the spread and those that have resumed operations are still mostly empty. JFC experiences this challenge but good thing in this company, it accounts only 7.4% of its global system-wide sales.

COMPANY NEWS

BUY Ayala Land, Inc. [PSE:ALI]

We're expecting earnings growth of ALI to continue as demand for property spaces remains solid. Although the issuance of retail bonds will be used for repayment of loans, we think that ALI will still benefit given the lower interest rate in the country. The additional share buyback would increase its EPS as well as its valuation.

Ayala land plans to issue P10-billion retail bonds to raise funds for general corporate use and repayment of maturing loans. It also plans to increase share buyback, bringing available balance to P26.1 billion.

The chart suggests that we can trade ALI in a downtrend channel. RSI (14) also shows a range between oversold up to 60 level. There's a short-term rally in this stock and forms higher lows which can break the trend resistance if this continues.

Initial target price: **P56.00**



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.

DIVIDEND TABLE

COMPANY TICKER	COMPANY	TYPE OF SHARE	DIVIDEND PAYMENT	EX-DATE	RECORD DATE	PAYMENT DATE
SLF	Sunlife Financial Inc.	COMMON	0.55*	02/26/2020	03/02/2020	03/31/2020
PRF3A	Petron Corporation	PREFERRED	17.17825	02/26/2020	03/02/2020	03/23/2020
PRF3B	Petron Corporation	PREFERRED	17.84575	02/26/2020	03/02/2020	03/23/2020
ABA	AbaCore Capital Holdings Inc.	COMMON	0.10	02/26/2020	03/02/2020	03/23/2020
FEU	Far Eastern University Inc.	COMMON	10.00	02/28/2020	03/04/2020	03/18/2020
TECB2	Cirtek Holdings Philippines Corp.	PREFERRED	0.015313**	02/28/2020	03/04/2020	03/09/2020
ALCPC	Arthaland Corporation	PREFERRED	1.7319	03/03/2020	03/06/2020	03/27/2020
ALI	Ayala Land Inc.	COMMON	0.268	03/03/2020	03/06/2020	03/20/2020
MBT	Metropolitan Bank and Trust Company	COMMON	1.00	03/03/2020	03/06/2020	03/20/2020

Source : Philippine Stock Exchange (PSE)

*Canadian Dollar

**US Dollar

ECONOMIC / MARKET CALENDAR

NAME OF EVENT	DATE
MER Analyst Briefing (FY2019Earnings)	02/24/2020
PH Budget Balance	02/25/2020
MPI Analyst Briefing (FY2019Earnings)	02/26/2020
WLCON Analyst Briefing (FY2019Earnings)	02/26/2020
BDO Analyst Briefing (FY2019Earnings)	02/28/2020
SM Analyst Briefing (FY2019Earnings)	02/28/2020
MWC Analyst Briefing (FY2019Earnings)	02/28/2020
PH Bank Lending	02/28/2020

Source : PSE, BSP, PSA

TOP NET FOREIGN BUYING / SELLING STOCKS YTD

NET FOREIGN BUYING (IN MILLION PESOS)		NET FOREIGN SELLING (IN MILLION PESOS)	
SM	4,667.76	MBT	(1,511.20)
EMP	2,040.92	ALI	(1,318.60)
SMPH	1,604.66	BDO	(1,109.44)
WLCON	400.26	SECB	(822.65)
AGI	254.18	DMC	(624.09)