

MARKET RECAP

26 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,064.33 (+1.40%)	92,367,183..27	(7,410,453.96)	26.05 (-0.91%) = 1,399.85	53.789

Market Recap

- Share prices on the Philippine Stock Exchange rebounded as investors hunted for bargains on optimism of upbeat corporate earnings results as well as news that the bourse may launch short-selling by the end of the year.
- The main PSEi gained 97.49 points or 1.40% to 7,064.33 at the closing bell. The broader All Shares added 51.35 points or 1.20% to 4,332.59.
- The market saw a bit of an oversold bounce. Investor optimism on more positive Q3 corporate earnings also helped spur bargain hunting of stocks battered from yesterday's plunge.
- The Philippine Stock Exchange (PSE) Inc. is looking at introducing short selling before the end of 2018.
- Last June, the Securities and Exchange Commission gave the PSE's short selling guidelines the green light.
- The PSE needs to introduce short selling as part of the vital criteria for international institutions to grade the market.
- More than 892.965-mil shares, valued at P4.968-bil, changed hands. Market breadth was negative as decliners led advancers, 99 to 80, and 56 issues were unchanged.
- Gainers: LTG (+6.69%), SMPH (+2.06%), TEL (+1.45%), RRHI (+1.28%), GLO (+0.89%)
- Laggards: SECB (-4.35%), ALI (-3.69%), MPI (-2.83%), URC (-2.78%), BDO (-2.77%)

Short Selling

- Stock market operator Philippine Stock Exchange (PSE) Inc. is looking at introducing short selling before the end of 2018.
- Last June, the Securities and Exchange Commission gave the PSE's short selling guidelines the green light.
- Short sellers are traders who sell stocks borrowed from a broker. They speculate that a particular stock's price will go down. The borrowed shares are sold at the current price and then bought a lower target price to cover the short.
- The shares are then returned to the lender with the sell-and-buy price difference accruing to the borrower either as the gross profit or loss. The broker gets the usual trading fees and commissions.
- Short selling will help improve market liquidity. It should help the exchange provide for a hedging facility in the market.
- This will now form the base for future product offerings, such as futures contract.
- A futures contract is a legal agreement to buy or sell a particular commodity or asset at a predetermined price and specified time in the future.
- The guidelines for short selling include eligible securities, procedures, and execution of orders.
- In particular, only the blue chips that market up the 30-stock PSE index are eligible to be sold short and only 10% of the outstanding shares can be shorted.
- The number of stocks will be expanded at a later date.
- Traders must ensure that a client has secured the necessary borrowing arrangements before executing an order, the PSE noted.
- Borrowing arrangements must adhere to existing regulations of the PSE, SEC, and Bureau of Internal Revenue.
- The PSE needs to introduce short selling as part of the vital criteria for international institutions to grade the market.

AP

- Aboitiz Power Corp. is considering whether to go back to the bond market or source funding from banks to pay for its acquisition of a bigger stake in the coal-fired power plant platform of Ayala-led AC Energy, Inc.
- The company has a shelf registration of P30-bil for bonds, of which a first tranche last year amounted to P3-bil, leaving a remainder of P16.8-bil until 2019, the final year approved for the issuance.
- For the second tranche, AboitizPower issued P7.7-bil in fixed rate bonds due on Jan. 25, 2024 at an interest rate of 7.5095% per annum, and P2.5-bil in fixed rate bonds due on Oct. 25, 2028 at 8.5091% per annum.
- The funds raised from the offering will be used in part to refinance a loan for the acquisition of a power plant in Mariveles, Bataan.
- In late 2016, AboitizPower subsidiary Therma Power, Inc. bought a 66.1% stake in GNPowder Mariveles Coal Plant Ltd. Co. and 40% in GNPowder Dinginin Ltd. Co. in line with its target to increase its energy capacity to 4,000 megawatts (MW) by 2020.

MARKET RECAP

26 October 2018

AP (continued)

- In September this year, AboitizPower bought voting and economic stakes in AA Thermal, Inc., the thermal power company of Ayala-led AC Energy, Inc. The acquisition will give it a 49% voting stake and 60% economic stake in the thermal platform.
- AC Energy said once the transaction is completed, the acquisition will increase AboitizPower's ownership in the Mariveles coal plant to 78.325%, and in the Dinginin coal plant project to 70%. The Mariveles plant has been operating since 2013, while the first unit of the Dinginin plant is expected to go online in 2019.
- Closing of the transaction is subject to the satisfaction of certain conditions precedent, including the approval by the Philippine Competition Commission.
- The need to fund the latest acquisition would come if the deal is approved by the antitrust watchdog.
- AboitizPower is still aiming for a "balanced" energy mix even as the deal shifted its portfolio towards a greater share of facilities powered by coal.
- For now, the portfolio is tilted towards 75% coal plants and 25% renewables. The company at present has an attributable capacity of 3,200 MW, although the target 4,000 MW is "in the bag" when the new power plants come online.

GREEN

- The Philippine Stock Exchange has lifted the trading suspension on Antonio Tiu-led Greenery Holdings Inc. after the company complied with all the requirements.
- Greenery said it received a correspondence from the PSE dated Sept. 26, saying that its request for the lifting of the trading suspension had been granted.
- Greenery informed the investing public that it submitted all reportorial requirements, structured and unstructured, to the exchange.
- The company has also fully settled all penalties imposed on its previous delayed submission of annual and quarterly reports.
- Trading in shares of Greenery was suspended in 2015 after Tiu was accused of fronting former Jejomar Binay on the ownership of a 350-hectare property in Batangas province.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$75.161-B (September 2018)
Fiscal Surplus / (Deficit)	(P96.2-B) (September 2018)	Exports Growth Rate	3.1% (August 2018)	BOP	(US\$2.696-B) (September 2018)
Inflation	6.7% (2012 BY) (September 2018)	Imports Growth Rate	11.0% (August 2018)	O/N RP	5.00% (as of September 27, 2018)
91-day T-Bill Rate	4.404 (as of October 8, 2018)	Cash Remittances	US\$2.476-B (August 2018)	O/N RRP	4.50% (as of September 27, 2018)

2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. www.meridiansec.com.ph Tel: +632 635 6261 to 64

Disclaimer: This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness and correctness. Any information is subject to change without notice and MSI is not under any obligation to update or keep current the information contained herein. Opinions, estimates, and projections expressed reflect the analyst's personal views. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addressee and are in the form of fundamental and technical ratings. Technical ratings may differ from fundamental ratings as technical analyses involve the application of different methodologies based on price and volume related information. This document is for the information of the addressee only and is not to be taken on substitution for the exercise of judgment by the addressee. No liability whatsoever is accepted for and direct or consequential loss arising from any usage of this report. This document is not to be construed as an offer or solicitation of an offer to buy or sell securities. In the course of our regular business, we may have a position in the securities mentioned and may make purchases and/or sales of them from time to time in the open market. Any unauthorized distribution, copying or disclosure of this material is strictly forbidden.