Philippine Stock Exchange index (PSEi) 7,122.63 ▼ 211.93 PTS. ▼ 2.88%

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PSEi MEMBER STOCKS

AC	Ayala Corp.	P831.00	-P40.00	-4.59%
ACEN	AC Energy Corp.	P11.00	-P0.18	-1.61%
AEV	Aboitiz Equity Ventures, Inc.	P54.45	-P3.85	-6.60%
AGI	Alliance Global Group, Inc.	P11.80	-P0.52	-4.22%
ALI	Ayala Land, Inc.	P36.70	+P1.05	+2.95%
AP	Aboitiz Power Corp.	P29.70	-P0.90	-2.94%
BDO	BDO Unibank, Inc.	P120.70	-P6.30	-4.96%
BLOOM	Bloomberry Resorts Corp.	P6.30	-P0.30	-4.55%
BPI	Bank of the Philippine Islands	P92.15	-P3.45	-3.61%
CNVRG	Converge ICT Solutions, Inc.	P31.90	-P0.20	-0.62%
GLO	Globe Telecom, Inc.	P3,322.00	-P98.00	-2.87%
GTCAP	GT Capital Holdings, Inc.	P540.00	-P15.00	-2.70%
ICT	International Container Terminal Services, Inc.	P200.00	-P5.00	-2.44%
JFC	Jollibee Foods Corp.	P216.40	-P6.60	-2.96%
JGS	JG Summit Holdings, Inc.	P53.00	-P2.00	-3.64%
LTG	LT Group, Inc.	P09.90	-P0.07	-0.70%
MBT	Metropolitan Bank & Trust Co.	P55.70	-P1.30	-2.28%
MEG	Megaworld Corp.	P03.15	-P0.18	-5.41%
MER	Manila Electric Co.	P295.20	-P4.80	-1.60%
MPI	Metro Pacific Investments Corp.	P03.90	-P0.11	-2.74%
PGOLD	Puregold Price Club, Inc.	P39.30	+P0.25	+0.64%
RLC	Robinsons Land Corp.	P19.20	+P0.10	+0.52%
RRHI	Robinsons Retail Holdings, Inc.	P65.40	-P2.00	-2.97%
SECB	Security Bank Corp.	P119.00	-P0.50	-0.42%
SM	SM Investments Corp.	P943.00	-P28.00	-2.88%
SMC	San Miguel Corp.	P114.90	-P0.10	-0.09%
SMPH	SM Prime Holdings, Inc.	P33.90	-P1.60	-4.51%
TEL	PLDT, Inc.	P1,812.00	-P58.00	-3.10%
URC	Universal Robina Corp.	P128.00	-P4.90	-3.69%
WLCON	Wilcon Depot, Inc.	P30.50	-P1.00	-3.17%

Virus, polls, policies seen to sway market in 2022

By Keren Concepcion G. Valmonte *Reporter*

THE benchmark Philippine Stock Exchange index (PSEi) will take its cue from the country's pandemic situation and the upcoming national elections, as well as updates on key monetary policies, analysts said.

"The market may initially depend on how the Omicron variant is contained both in the country and abroad," Timson Securities, Inc. Trader Darren Blaine T. Pangan said in an e-mail on Dec. 28.

"Eventually, investors may be looking forward to corporate earnings and economic reports to search for clues on how and where we lie in the road to economic recovery," he added.

All sectoral indices closed in the red on Dec. 31 after the Health department reported an increase in the coronavirus disease 2019 (COVID-19) cases. The 30-member PSEi dropped 211.93 points or 2.88% to close at 7,122.63, while the broader all shares index gave up 65.26 points or 1.68% to 3,818.12.

For 2022, RCBC Securities, Inc. expects the index to close the year at 8,000, while China Bank Securities Corp. set its baseline target to 7,800.

"Stronger-than-expected growth provides potential for this target," China Bank Securities Research Director Rastine Mackie D. Mercado said in an e-mail on Dec. 29.

Meanwhile, Timson Securities placed the key resistance level at 8,060, while pegged its support at 7,000.

Analysts said the index will be affected by the country's pandemic situation and the emergence of other COVID-19 variants, monetary policy tightening, and uncertainty surrounding the upcoming elections and administration.

"COVID-19, it's still the main risk for the market moving forward," Japhet Louis O. Tantiangco, senior research and engagement supervisor at Philstocks Financial, Inc., told *BusinessWorld* in a virtual call on Dec. 29.

China Bank Securities' Mr. Mercado said the "fluid nature of the pandemic will likely drive volatility as developments arise." In the last week of 2021, the market logged a three-day rally before dropping on Dec. 31 when the country's COVID-19 infections rose.

"I think valuations will be more sensitive to tighter liquidity conditions and growth expectations," Mr. Mercado said.

Meanwhile, RCBC Securities President Raul P. Ruiz expects the country's gross domestic product (GDP) growth to "normalize as the country learns to live with the pandemic."

"[COVID-19 will have] diminished importance, only to be remembered whenever there are resurgences, but with less impact as the vaccination rate increases," he said in an e-mail on Dec. 21.

Mr. Ruiz expects the PSEi to end the year at 8,000 "with most of the gains happening in the fourth quarter," driven by the country's improved vaccination rates and relaxed restrictions to reach that level.

"This would allow corporate earnings to recover, with most of them returning to pre-pandemic levels. In addition, both GDP and corporate earnings would get further uplift from election spending," Mr. Ruiz said.

Analysts said they are monitoring issues from cyclical industries, such as those in the banking and property sectors on top of other stocks that may benefit from an economic reopening, such as travel and tourism, and gaming issues.

Philstocks Financial's Mr. Tantiangco said investors are already on a wait-and-see mode for the elections, with investors keeping their eyes on the candidates' platforms.

"They want to see what the candidates' plans are and more specifically, which of these candidates will be most friendly to the market, which of these candidates can be considered economic, and investment-friendly," Mr. Tantiangco said.

Both RCBC Securities' Mr. Ruiz and China Bank Securities' Mr. Mercado expect election-related concerns to escalate in the second quarter, or as Mr. Mercado said, "after full-year 2021 earnings" are reported.

The country will be holding national elections on May 9, 2022.

"If the outcome is unfavorable to the business community, [election-related worries will] fester in the third quarter," Mr. Ruiz said.

"However, barring any radical unpopular actions by the new government, we expect companies and investors to move on to 'business-as-usual' by the fourth quarter," he added.

Meanwhile, the exit of foreign investors is "likely to be much less of a concern" compared to what happened in 2013 to 2014.

"Foreign funds haven't been really flowing into our market over the past three years, so weakness from foreign fund outflows will likely be tempered," China Bank Securities' Mr. Mercado said.

Firms to go public in tandem with country's recovery — analysts

ANALYSTS are expecting more firms to tap the capital markets for their fund-raising activities in tandem with the country's economic recovery story.

"We expect more companies to go public as economic outlook improves," China Bank Securities Corp. Research Director Rastine Mackie D. Mercado said in an e-mail on Dec. 29.

"We expect companies to capitalize on the recovery story by raising capital to strengthen their balance sheets and improve their ability to take on more debt for expansion plans," he said.

According to a statement from the Philippine Stock Exchange, Inc. (PSE) on Friday, companies raised a record P234.48 billion at the stock market in 2021 via eight initial public offerings (IPOs), 11 follow-on offerings, four stock rights offerings, and eight private placements.

The local stock market broke its 2012 high of P228.33 billion, despite the pandemic.

"I believe this is because of optimistic expectations," Japhet Louis O. Tantiangco, senior research and engagement supervisor at Philstocks Financial, Inc., said in a virtual call on Dec. 29.

"Businesses are already looking forward to the years beyond so I think they've already fully priced in the pandemic, its effects or its impact on the economy," he added.

The bourse operator also noted the surge in retail investor participation with 31.1% in 2021, higher than the 26.9% seen in 2020 and 18.2% in 2019.

Daily average value turnover also rose 22.5% to P9 billion from last year's P7.35 billion.

"As early as now, several companies have expressed interest in being listed as early as the first quarter of next year," Timson Securities, Inc. Trader Darren Blaine T. Pangan said in an e-mail on Dec. 28.

Haus Talk, Inc. is set to be the first company to brave the stock market's small, medium, and emerging (SME) board in 2022, with a listing date tentatively set on Jan. 17 under the stock symbol "HTI." The company's offer period will run from Jan. 3 to 7.

Meanwhile, Figaro Coffee Group, Inc. will hold its offer period from Jan. 10 to 14, while its listing on the main board of the PSE is scheduled on Jan. 24 under "FCG."

Citicore Energy REIT Corp., Bank of Commerce, and CTS Global Equity Group, Inc. are waiting for regulatory approval for their respective public offers, while Balai ni Fruitas, Inc. has expressed intention to list on the SME board of the PSE.

China Bank Securities' Mr. Mercado said a better COVID-19 (coronavirus disease 2019) situation, continuing economic growth momentum, and eased restrictions would help boost market sentiment.

"IPO performances will depend on the fundamentals of the company that's going to get listed," Philstocks Financial's Mr. Tantiangco said.

"It will depend on the historical financial performance that it has, it will depend on its direction, it will depend on its prospects, and most importantly, it will depend on its pricing," he added. — **Keren Concepcion G. Valmonte**

OUTLIER

Investors buy Converge after top bond rating, international network expansion

INVESTORS snatched up fiber internet company provider Converge ICT Solutions, Inc. shares last week following a high credit rating given for its bond offering and increased international network facility.

Data from the Philippine Stock Exchange (PSE) showed Converge ranked 11th in value turnover with a total of P485.16-million worth of 15.14 million shares traded from Dec. 27 to 31.

Converge closed at P31.90 apiece on Friday, down 3.3% from P33.00-per-share close on Dec. 24. Shares in the company have more than doubled since the start of 2021.

"Converge was among the active stocks this week after being given the highest credit rating for its bond offering and further increasing its international network capacity by 1.3 TBPS (terabits per second)," Diversified Securities, Inc. Equity Trader Aniceto K. Pangan said in a text message on Friday.

"Investors reacted positively with this disclosure through accumulation of the shares while transacted volume increased by more than 40%," he added.

The company, which aims to cover 55% of Philippine households by 2023, said in a statement that it increased its international network capacity by 1.3 TBPS through its C2C (city-to-city) cable system.

The cable system connects the Philippines to Hong Kong, Taiwan, Singapore, Japan, Korea, and China. Converge said it is part of the EAC-C2C (East Asia Crossing-city-to-city) network, which spans 17,000 kilometers.

"It is our vision to make the Philippines a digital hub in Asia and securing much-needed international bandwidth is key to realizing this vision," said Dennis Anthony H. Uy, founder and chief executive officer of Converge.

In a separate report, Philippine Ratings Services Corp. (PhilRatings) has granted Converge with the highest credit rating of PRS Aaa with a stable outlook for its planned maiden bond issuance worth P5 billion.

On its website, PhilRatings says that a company rated PRS Aaa has a "very strong" capacity to meet its financial commitments "relative to that of other Philippine corporates."

Mr. Pangan expects Converge's revenue to continue growing by double digits this year.

Converge's revenue rose 76.4% to P18.83 billion during the January to September period due to significant growth from its residential segment.

Its net income meanwhile more than doubled to P5.20 billion in the nine months ending in September from P2.19 billion in 2020.

For this week, Mr. Pangan pegged the stock's support at P30.90 and its immediate resistance at P33.00.

"As valuation runs high at price to earnings ratio of more than 30, we may expect the price to consolidate with a possibility of further downward correction [this] week with the negative sentiment prevailing in the market due to sudden increase in infection rates," added Mr. Pangan. — **L.O. Pilar**

BENECO counsel calls NEA suspension order 'too harsh'

BENGUET Electric Cooperative (BENECO) decried the suspension of its directors and some officials for alleged mismanagement as ordered by National Electrification Administration (NEA), prompting the power distributor to file a motion for reconsideration, its lawyer said.

"We have filed a motion for reconsideration on the basis of the suspension and the penalty being too harsh on Dec. 29," Delmar O. Cariño, BENECO's legal counsel, told *Businessworld* through a text message on Sunday.

His comment comes after NEA, which supervises electric cooperatives (ECs), announced on Dec. 31 its decision to suspend BENECO's board of directors and other officials for 90 days for what it claims to be transactions "averse to good management."

It said audit findings from June 1, 2014 to Dec. 31, 2017 prompted the administrative penalties of suspension, as well as an order for the officials to "return the excess amounts they earlier received in violation of NEA policies and guidelines."

In its media release, the administrator of the country's rural electrification said, "The electric cooperative Board and Management's response failed to justify some of the audit observations especially on the excessive benefits and allowances they extended to themselves. The respondents filed a joint answer, denying liability on the audit findings."

NEA said its decision was rendered on Dec. 9, 2021, and that the notice of decision was personally service at the BENECO office on Dec. 23.

"Copies were also served via electronic mail to the Internal Auditor and the Institutional Services Manager who were among those suspended, as well as on the Administrative Officer of the EC," it said.

NEA said BENECO officials granted benefits such as information dissemination allowance, gasoline allowance, token of appreciation to two outgoing board of directors, 13th month pay, grocery allowance, representation allowance, insurance allowance, rainwear allowance, and Christmas bonus, without NEA approval.

"For each of these, we found the respondents liable for willful violation or non-compliance of NEA issuances. They are meted the penalty of suspension for a period of 90 days. They are consequently ordered to return the computed excess funds they have granted to themselves," NEA's board of administrators said. — **Marielle C. Lucenio**

Hybrid work setup here to stay, says Poly regional head

NEARLY two years into the pandemic and after months of office adjustments, a hybrid setup is seen to be the default arrangement for Asia-Pacific's work force and work spaces this year and beyond.

"Hybrid work is now a norm. In fact, it's reported that hybrid is the preferred working arrangement in Southeast Asia, alongside work anywhere and work remotely full-time," said Samir Sayed, managing director of Plantronics, Inc. for ASEAN and South Korea, in an e-mailed statement.

A hybrid setup offers employees mixed remote and in-office schedules. In the Philippines for instance, some companies require their employees to report to the office once or a few days in a week, and work from home on some days.

Plantronics, a global communications company more known as Poly, is involved in video and audio engineering. It expects company offices to transform into collaboration hubs.

Mr. Sayed said the adoption of hybrid work will impact business leaders' approach to workplace design and investment decision over the long term. It will become the default arrangement as various markets in the Asia-Pacific region start easing pandemic-related restrictions.

Poly said business leaders "will also look how to make return to office something that employees look forward to. Offices will become collaboration hubs, serving as a place for teams to gather to brainstorm in small groups, host client meetings, celebrate milestones, and work on joint projects. They will also serve as a central hub for community socialization that will help provide a culture that cannot be replicated via remote working."

It added that the collaboration hub will also complement the greater adoption of asynchronous work practices, which were widely done due to the pandemic.

Industries are also expected to continue decentralizing work practices and processes, enabling effective business continuity for a work force that may be largely working from home.

"To truly succeed in the hybrid era, business leaders will need to devise workplace strategies and investments that will enable workers to have a more equitable work experience regardless of where they are working from, for optimal collaboration and productivity," Poly Asia-Pacific Senior Vice-President Pierre-Jean Châlon said in a statement. — **Marielle C. Lucenio**