Cautious, unnerved investors sway shares sideways

By Adrian H. Halili

STOCKS have generally moved sideways during the first half of the year due to underlying economic concerns locally and overseas, analysts said.

"Since hitting a low last March, the PSEi (Philippine Stock Exchange index) has been in a sideways movement within the 6,300 to 6,700 area during the first half of the year, China Bank Capital Corp. Managing Director Juan Paolo E. Colet said in a Viber message.

He said the index's movement reflected a generally cautious mood in the market and a lack of confidence to drive stocks upward.

"Market sentiment turned negative and net foreign outflows escalated after investors were unnerved by hawkish monetary policy and the risk of economic slowdown," he said.

Carlos Angelo O. Temporal, Unicapital Securities, Inc. senior equity research analyst, said the stock market ended "tepid" during the semester as market participants remained on the sidelines.

"Considering that a lot of investors were in a wait-and-see mode regarding central bank rate hikes and inflation, trading activity ended much more tepid in the first half," Mr. Temporal said in a Viber message.

During the last trading day of the first half, the PSEi declined by 43.42 points or 0.66% to 6,468.07 on June 30, while the broader all-shares index went down by 12.93 points or 0.37% to close at 3,452.96.

The US Federal Reserve left interest rates unchanged during its June 14 meeting at 5-5.25% but signaled that borrowing costs might still need to rise by as much as half-a-percentage point by year-end.

The US central bank has increased borrowing costs by 500 basis points (bps) since March 2022.

The Bangko Sentral ng Pilipinas (BSP) likewise kept benchmark interest rates steady for the second straight meeting, with the key policy rate staying at 6.25%.

The BSP raised borrowing costs by 425 bps from May 2022 to March 2023 to tame inflation.

Mr. Temporal said first-quarter earnings and rising rates had bolstered market preference for banks over property companies.

"Banks notably performed well given the uplift in net interest margins and robust loan growths, while property companies saw some underlying weaknesses in their [first-quarter] performance," he said.

He added that property companies were marred by elevated cancellations and few project launches, which were attributable to concerns over rising rates and elevated inflation.

Headline inflation slowed in May to 6.1% from 6.6% in April. This was the slowest rate seen in a year or since 5.4% in May.

Toby Allan C. Arce, head of sales trading at Globalinks Securities and Stocks, Inc., said sustained efforts to promote economic growth and attract investments will be crucial in maintaining the market's positive trajectory and fostering long-term investor confidence during the second half of the year.

"Investors remain cautiously optimistic, and the market's performance in the second half of the year would depend on the continued progress in containing inflation and the pace of economic recovery both domestically and globally," Mr. Arce said in a Viber message.

Contact centers seek a level playing field with freelancers

THE Contact Center Association of the Philippines (CCAP) is working on luring freelancers while seeking a level playing field as more workers move to an unregulated industry.

"I would be false if I say it's not affecting us. It is a matter of how we bring them (freelancers) back to the industry and how we can work with government to also make it a level playing field because they're also working largely unregulated," said CCAP President Mickey Ocampo said in a chance interview last week.

He admitted that the contact center sector has been affected by the growing freelance industry. But his group has been attracting freelancers via the promotion of benefits and job security.

Mr. Ocampo added that freelancing has been more prevalent in areas in the countryside that have stable internet connections.

"It is just a matter of finding ways to bring them back into the industry, especially with benefits or security of tenure of the jobs," he said.

"These include health maintenance organization (HMO) benefits, work and performance incentives, and other programs," he added.

In May, the IT and Business Process Association of the Philippines (IBPAP) said freelancers were a competition to the local IT and Business Process Management (IT-BPM) sector. The CCAP is one of the six partner associations under the IBPAP.

"I would say it (freelancing) is something that we need to pay attention to. But it is a force that is hard to stop. I think as an industry, we need to accept it as a challenge because that was catalyzed by the pandemic. It was catalyzed by the fact that we can now work from home," said Jack Madrid, president of IBPAP.

According to Mr. Ocampo, encouraging more freelancers to consider the local contact center sector could help the local IT-BPM industry's target of generating up to 1.1 million jobs by 2028 under the Philippine IT-BPM Industry Roadmap 2028.

For 2022, CCAP members accounted for 84% or $27 billion of the $32-billion revenues of the overall IT-BPM industry. The local contact center sector also made up 87% or 1.4 million of the 1.6 million total employment of the industry last year.

Financial technology company Payoneer said in April that the local freelancing industry is expected to grow amid surging demand in fields such as programming, marketing, project management, and web design.

"A growing number of businesses are relying on freelancers to support their full-time workforce because of convenience, flexibility, and outstanding quality of work. This benefits freelancers, too, since we have seen how they can enjoy a good work-life balance while still sustaining themselves, especially with the convenience, and practicality of earning in US dollars without leaving the country," Payoneer Country Manager for the Philippines Monique Avila said. — **Revin Mikhael D. Ochave**

Veterans Bank holds Stockholders' Meeting and Board Election

Philippine Veterans Bank (PVB) held its 2023 Annual Stockholders' Meeting (ASM) last June 16, 2023. Around 1,000 Filipino World War II veterans-stockholders, widows and their compulsory heirs were in attendance.

The meeting was graced by the presence of none other than the Speaker of the House of Representatives, Honorable Ferdinand Martin G. Romualdez, who addressed the audience with his inspirational message in support of PVB and the Bank's Stock Subscription Offer campaign.

The annual election of the Bank's Board of Directors (BOD) for another one-year term were also concluded with the following officials retained their Directorships:

Still leading the Bank's BOD is Chairman Roberto F. De Ocampo, OBE, former Finance Secretary, with Vice Chairman: former Bureau of Internal Revenue and Bureau of Customs Commissioner Guillermo L. Parayno Jr.; other Board Members/Directors are: seasoned bankers Renato A. Claravall and Gerardo Manuel Luis B. Anonas, former RCBC President Francisco S. Magsajo Jr., former Development Bank of the Philippines Chairman Jose A. Nunez Jr., former Buenavista (Agusan del Norte) Vice Mayor Percianita G. Racho, seasoned banker Cesar A. Rubio, and Michael Democrito C. Mendoza, the son of former PVB Vice-Chairman/Director and WWII hero Democrito T. Mendoza ; Ma. Cecilia G. Soriano, former Department of Finance Undersecretary, and PLTGen. Reynaldo V. Velasco, former Administrator of Metropolitan Waterworks and Sewerage System (MWSS).

In his report to the Bank's stockholders, President Claravall reported a positive 2022 Financial Performance. While still acknowledging the challenges brought about by the covid-19 pandemic that hit all industries, the Bank made a robust rebound with a Net Income of P268 Million. The Bank's Deposit level, Lending and Assets are at its highest. Deposits closed at P56.2 Billion, the lending business also increased at P25.2 Billion and total assets closing at P61.15 Billion.

"To prepare for the changing business environment in 2023 and with the Bank's new charter acted into Law via Republic Act 11597 on December 10, 2021, PVB devised new strategies and innovations. Chief among these is capital-raising which PVB is currently doing not only to comply with regulatory requirements but also to ensure the bank's viability. The capital-raising activities are open to a wider veteran community, including military retirees and private investors, aligning with PVB's objective to become the Bank for all veterans" says Claravall

"With substantial capital, PVB aims to expand its footprint, not only through physical branches but also by launching digital banking platforms. By offering online and mobile services, PVB plans to provide value-added services to existing clients and attract new customers. The bank recognizes the potential for growth through digital banking and aims to leverage this opportunity, despite being a late entrant in the digital banking sphere" added President Claravall.

OUTLIER

Monde Nissin up despite planned 'junk food' tax

By Mariedel Irish U. Catilogo *Researcher*

SHARES in Monde Nissin Corp. moved upward despite gloomy overall market sentiment brought by the proposed "junk food" and sweetened beverage tax.

Data from the Philippine Stock Exchange (PSE) showed a total of P369.56-million worth of 45.49 million shares of the company were traded from June 26 to 30, making the stock the 13th most actively traded last week.

Shares in the Betty T. Angled food manufacturer grew by 5.4% week on week to P8.01 per share on Friday from its P7.60 finish on June 23. Since the start of the year, the stock has declined by 27.7%.

Financial markets were closed on June 28 in observance of Eid'l Adha, also known as the Feast of Sacrifice.

Regina Capital Development Corp. Equity Analyst Jemimah Ryla R. Alfonso said that while the stock showed an increase week on week, market players were lukewarm to the company amid the lack of catalyst and its dismal first-quarter earnings report along with its elimination in the MSCI index.

In an e-mail, Ms. Alfonso said that considering the broader market's weak demand, investors were "picky" and flocked to stable names with intact trends.

She said Monde Nissin could "potentially" take another downturn or "trade sideways as there are better options in the market with enough liquidity and demand."

Mark Crismon V. Santarina, head of electronic trading at Globalinks Securities and Stocks, Inc., said among the factors that influenced Monde Nissin's recent downward trend was the government's proposal to impose new taxes on junk food as well as increased taxes on sweetened beverages.

"The government's proposed tax plan targeting unhealthy foods has created uncertainty about the company's future earnings and profitability," Mr. Santarina said in a Viber message said, adding that "subdued market conditions and reduced investor participation have negatively affected the overall sentiment towards Monde Nissin."

Last month, Finance Secretary Benjamin E. Diokno said the proposed tax measure is expected to add P76 billion to state coffers and reduce consumption of junk food by 21%.

For Mr. Santarina, the proposed junk food tax might pose challenges to Monde Nissin's future expansion as it is crucial for the food maker to monitor the proposal's impact on consumer behavior as well as adapt new strategies that will reduce possible drawbacks.

Ms. Alfonso, however, said the proposed higher tax does not have a material effect on the company, especially in its noodle product.

"The consumer sector is generally in a good position as macro headwinds become less intimidating," she said.

Compared with the stock's consensus estimate of P10.40, Monde Nissin is still trading at a discount, Ms. Alfonso said, adding that on this basis, the "potential upside is still at 30%."

Monde Nissin — known for its Lucky Me! noodles, baked goods, and Quorn alternative meat products — recorded a net income attributable to parent firm equity holders of P1.94 billion in the first quarter, down 17% from P2.33 billion a year ago. Its gross revenues grew by 9.6% to P20.05 billion from P18.30 billion previously.

Meanwhile, Monde Nissin has tapped Aboitiz Construction, Inc. to build its expanded bakery plant in Davao City. The construction company is set to do land development including the site grading of more than 18,000 square meters of land, excavation, backfilling, hauling, and disposal.

Mr. Santarina expects Monde Nissin to post a net income of P1.8 billion in the second quarter and P7.2 billion for the full year.

Despite the declines and a challenging overall market condition, Mr. Santarina said Monde Nissin's strong brand recognition and buoyant demand for its products are positive indicators.

Mr. Santarina placed the support and resistance levels at P8.00 to P7.65 and P8.40 to P8.80, respectively.

"Initial support is at P7.70, while we are plotting the resistance at the P8.50 psychological area," Ms. Alfonso said.

PHILIPPINE STOCK EXCHANGE INDEX

Read the full story by scanning the QR code with your smartphone or by typing the link
<https://rb.gy/Oodvn>

MIAA studies moving foreign flights of AirAsia to Terminal 1

By Justine Irish D. Tabile *Reporter*

THE country's airport operator is considering the transfer of the international flights of low-cost carrier AirAsia Philippines to Terminal 1 of the Ninoy Aquino International Airport but only after the coming peak travel season.

"Together with AirAsia, we are studying how we can fine-tune their schedules. And we are identifying several foreign carriers that we can swap with them from Terminal 1 to Terminal 3," Bryan Andersen Y. Co, officer-in-charge of the Manila International Airport Authority (MIAA), told reporters on Saturday.

He made the statement after the MIAA implemented over the weekend the final stage of its Schedule and Terminal Assignment Rationalization (STAR) program, which involved the transfer of AirAsia's domestic flights to Terminal 2 from Terminal 3.

AirAsia previously pointed out the distance between terminals 2 and 3, which is a challenge for the carrier as some of its international and domestic flights share the same aircraft. Its international flights remain at Terminal 3.

According to Mr. Co, AirAsia's previous request to transfer to Terminal 1, which is closer to Terminal 2, could not be accommodated because of space limitations, especially since the airline has several international flights, some departing at the same time at peak hours.

"Based on our assessment, we can do that in the latter phases but we would also first want to stabilize our operations for peak season," Mr. Co said.

Under the program, the international flights of Philippine Airlines (PAL) were moved to Terminal 1 to achieve a fully domestic Terminal 2. With PAL in it, Terminal 1 can no longer accommodate the international flights of AirAsia numbering at least 15 daily.

"The STAR program is a product of a thorough study. Based on our assessment, something has to move first," said Mr. Co.

"We're still looking into whether we will have the next stage of the STAR program wherein we will have foreign airlines from Terminal 1 moved to Terminal 3 for us to be able to transfer AirAsia's international flights to Terminal 1," Mr. Co said.

Mr. Co said that the latter phases of the STAR program won't be until after December or until the end of the upcoming peak season.

With the transfer of AirAsia to Terminal 2, the MIAA now expects traffic in the terminal to reach 38,000, broken down to 23,000 passengers from PAL and up to 15,000 from AirAsia.

FULL STORY

Read the full story by scanning the QR code or by typing the link
<https://rb.gy/q5rn2>

CTA upholds denial of CBK Power VAT refund

THE Court of Tax Appeals (CTA) has stood by its decision denying CBK Power Co. Ltd.'s refund claim worth P35.6 million allegedly representing its excess value-added tax (VAT) for the second to fourth quarters of 2017.

In a 24-page decision dated June 29 and made public on June 30, the CTA Special Second Division said the firm failed to prove its compliance with the Electric Power Industry Reform Act of 2001's requirements for claiming a tax refund.

"From the foregoing, for petitioner's (CBK Power) utter failure to substantiate the alleged zero-rated sales, it cannot claim the input taxes attributable thereto," according to the ruling penned by Associate Justice Jean Marie A. Bacorro-Villena.

"Petitioner failed to proffer as evidence the original certificates of compliances, if any which would have been relevant to the subject period of the claim," the tax court said.

CBK Power finances, maintains, and operates a pumped-storage hydroelectric power plant in Laguna.

The tribunal said the operator failed to provide original copies of the certificates of compliance from the Energy Regulatory Commission to provide its entitlement to zero-rated sales.

Under the Tax Code, registered taxpayers are entitled to zero-rated sales that do not translate to any output tax. The term "zero-rated sale" must be written on the firm's official invoices.

"To put it differently, there is then nothing in the records that could ably show that when the petitioner sold electricity generated through hydropower to National Power Corporation." — **John Victor D. Ordoñez**