

Philippine Stock Exchange index (PSEi)

6,298.20 ▼ 7.79 PTS. ▼ 0.12%

WEDNESDAY, OCTOBER 4, 2023

BusinessWorld

PSEI MEMBER STOCKS

AC Ayala Corp. P617.00 -P6.00 -0.96%	ACEN ACEN Corp. P5.18 +P0.02 +0.39%	AEV Aboitiz Equity Ventures, Inc. P49.75 -P0.25 -0.5%	AGI Alliance Global Group, Inc. P12.28 -P0.06 -0.49%	ALI Ayala Land, Inc. P28.70 -P0.50 -1.71%	BDO BDO Unibank, Inc. P140.00 -P1.00 -0.71%	BLOOM Bloomerry Resorts Corp. P10.08 +P0.08 +0.8%	BPI Bank of the Philippine Islands P110.00 +P1.00 +0.92%	CNPF Century Pacific Food, Inc. P29.50 +P0.05 +0.17%	CNVRG Converge ICT Solutions, Inc. P9.39 -P0.19 -1.98%
DMC DMCI Holdings, Inc. P10.46 -P0.04 -0.38%	EMI Emperador, Inc. P20.90 ---	GLO Globe Telecom, Inc. P1,820.00 +P13.00 +0.72%	GTCAP GT Capital Holdings, Inc. P590.00 +P3.00 +0.51%	ICT International Container Terminal Services, Inc. P206.80 -P1.80 -0.86%	JFC Jollibee Foods Corp. P223.20 -P3.80 -1.67%	JGS JG Summit Holdings, Inc. P38.10 +P0.05 +0.13%	LTG LT Group, Inc. P9.30 +P0.10 +1.09%	MBT Metropolitan Bank & Trust Co. P53.50 -P0.85 -1.56%	MER Manila Electric Co. P369.80 -P5.00 -1.33%
MONDE Monde Nissin Corp. P9.26 +P0.07 +0.76%	NIKL Nickel Asia Corp. P6.19 -P0.29 -4.48%	PGOLD Puregold Price Club, Inc. P29.65 +P0.55 +1.89%	SCC Semirara Mining and Power Corp. P34.45 -P1.20 -3.37%	SM SM Investments Corp. P826.50 -P0.50 -0.06%	SMC San Miguel Corp. P107.40 -P0.20 -0.19%	SMPH SM Prime Holdings, Inc. P30.95 +P0.85 +2.82%	TEL PLDT Inc. P1,195.00 +P20.00 +1.7%	URC Universal Robina Corp. P120.00 ---	WLCON Wilcon Depot, Inc. P22.05 -P0.90 -3.92%

Local car, motorcycle output up 21% in August, says AAF

THE PHILIPPINE auto industry's output of cars and motorcycles rose 21% year on year to 8,173 units in August, according to the ASEAN Automotive Federation (AAF).

The growth reading makes the Philippines one of only two regional countries that recorded growth during the period. Myanmar produced 227 units, more than five more than in the same month last year.

Vietnam's motor vehicle production in August dropped 19.9% to 14,749 from 18,411 last year. The other regional countries in the AAF tally also registered lower output: Thailand (-12.3%), Indonesia (-11.5%), and Malaysia (-2.1%).

In August, AAF said the region produced 364,688 motor vehicles, down 10% from 405,203 a year earlier.

For the eight months to August, the Philippines registered a 34.9% increase in output to 74,107 to lead the region in growth rate for the period.

Malaysia posted a 13.2% increase to 497,309 from January to August, while Thailand and Indonesia posted around 3% growth to 1.22 million and 947,776, respectively.

Myanmar reported an 80.5% decline in production to 601 while Vietnam posted a 29.8% decrease to 108,217.

As of August, the region produced a total of 2.85 million motor vehicles, up 3.4% from a year earlier.

In terms of sales, the Philippines posted a 21.6% growth in August to 36,714 from 30,185 last year.

Myanmar registered the highest growth in sales with 113.2% to 420, while Malaysia posted 6.1% growth to 71,745.

Sales declined 26.9% in Vietnam to 22,540, with the rest of the countries also registering a decrease at 11.7% for Thailand, 8.8% for Singapore, and 8.3% for Indonesia.

In August, AAF said the region sold a total of 283,714 units, representing a 4.6% drop from a year earlier.

The Philippines posted the strongest sales growth for the eight months, with 276,215 car and motorcycle units sold, up 29.8% from a year earlier.

Malaysia reported an 11.6% increase in sales to 501,552, while growth in Indonesia was 2.6% to 675,287 units.

Myanmar posted a 68.3% decline to 2,086. The remaining three countries also posted lower sales: Vietnam (-29.8%), Singapore (-16.9%), and Thailand (-6.2%).

From January to August, total sales in the region increased by 0.5% to 2.19 million, according to AAF. — **Justine Irish D. Tabile**

PSEi's rise to 7,000-level still possible — analysts

THE PHILIPPINE Stock Exchange index (PSEi) could still recover to the 7,000 level, analysts said, citing expectations for strong earnings in the last two quarters of the year.

After reaching as low as 6,000 last month, trading could still improve if inflation could ease by the end of the year, they added.

On Wednesday, the PSEi went down by 7.79 points or 0.12% to end at 6,298.20.

Year to date, the index declined by 268.19 points or 4.08% from its 6,566.39 finish on Dec. 29, 2022.

The PSEi could end at 7,200 by the end of the year as economic and earnings growth is expected to continue, China Bank Securities Corp. Research Director Rastine Mackie D. Mercado said in an e-mail.

"We see value in many stocks across industries as many are trading at valuations below their historical averages despite the outlook for sustained earnings growth," he said.

"We also hope to see more net foreign buying after a long period of consecutive daily net foreign selling [from] August to September," he added.

Domestic market sentiment could also improve if inflation slows down despite upside risks, as well as less hawkish stances from the US Fed-

eral Reserve and the Bangko Sentral ng Pilipinas (BSP), Mr. Mercado said.

A positive outlook for third-quarter earnings could also boost the PSEi, he added.

Sectors that could continue to drive the PSEi are banking, consumer, and power due to elevated interest rates and still-high inflation, Regina Capital Development Corp. Head of Sales Luis A. Limlingan said in a Viber message.

"The index has potential to recover towards the 7,000 level should the macroeconomic picture improve," he said.

However, recovering to the 7,000 level by yearend could be difficult as inflation has yet to reach the BSP's 2-4% target, and interest rates are likely to remain elevated in the long term, BDO Capital President Eduardo V. Francisco told *BusinessWorld* on Sept. 20.

"If inflation goes down and is managed with the rice [price] caps, and also GDP (gross domestic product) kicks up because the government steps up its spending, [the PSEi could go up] 4%, because some are projecting just 3%. Then at least that will keep the stock market index above 6,000. It's the general economic sentiment," he said in a mix of English and Filipino. — **Aaron Michael C. Sy**

Short selling to start on Oct. 23

By **Revin Mikhael D. Ochave**
Reporter

THE Philippine Stock Exchange, Inc. (PSE) will launch the short selling of securities on Oct. 23 in a bid to bolster trading in the domestic market.

"PSE is set to launch short selling within the month. More specifically, we are targeting Oct. 23 given that all regulatory approvals were received for this initiative," PSE President and Chief Executive Officer Ramon S. Monzon said during a forum organized by the local market operator in Taguig City on Wednesday.

His statement comes after the PSE announced on Oct. 2 that short-selling guidelines are to take effect immediately following the regulatory approval of provisions relating to securities borrowing and lending (SBL). Short selling could only function if an SBL program is in place.

The PSE describes short selling as a "trading strategy" that involves the selling of a borrowed security with the intention of buying it back later at a lower price. Short selling allows investors to hedge against the downside risk of an investment.

Eligible securities for short selling are all PSE index, PSE MidCap, and PSE Dividend Yield constituent companies and exchange-traded funds.

The trading strategy is practiced in Southeast Asian countries such as Singapore, Hong Kong, Malaysia, Thailand, and Indonesia.

Short-selling guidelines were approved by the PSE in 2018 but were not implemented because of pending approvals from the Securities and Exchange Commission and the Bureau of Internal

Revenue. The market operator is banking on short selling to attract foreign investors and drive market activity.

PNB Securities, Inc. President Manuel Antonio G. Lisbona told *BusinessWorld* via mobile phone that the upcoming launch of short selling gives another option for market participants to earn.

"By allowing short selling, the PSE provides a way for stock market participants to make money in a bear market," he said.

However, Mr. Lisbona cautioned investors to first be familiar with short-selling rules, "particularly the uptick rule, which means that a short sale order cannot be executed at the 'bid' but posted at the 'ask' price."

"More importantly, the potential loss on short selling is theoretically infinite, therefore there should be good risk management practices in place like stop-loss orders," he added.

April Lynn Lee-Tan, COL Financial Group, Inc. chief equity strategist, said via mobile phone that short selling could boost the market's value turnover.

"The addition of new products should help improve value turnover, although not immediately. At least investors have more options to capitalize on opportunities, depending on market conditions," she said.

China Bank Capital Corp. Managing Director Juan Paolo E. Colet said the launch of short selling is a "positive development" for the domestic stock market and will boost market activity and liquidity.

"I expect this product to attract more investors, including foreign long/short funds, and expand the investment strategies available to market participants," Mr. Colet told *BusinessWorld* via mobile phone.

"Retail investors should be particularly careful as they can suffer potentially significant losses if they do not properly manage their short sales," he added.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said the entry of short selling would align the country's stock market trading standards with developed countries.

"This gives the investing public the flexibility to sell shares of stock from borrowed stocks, somewhat aligning with the stock market trading standards in developed countries, thereby would also hope to attract more foreign investors in the local stock market," Mr. Ricafort said.

"This is also part of the measures to further develop the local capital markets, as aligned with global best practices that help the local market mature further," he added.

Meanwhile, Mr. Monzon identified PSE initiatives to improve the local market such as the proposed changes to the board lot amendment, which would allow for more accessible and affordable stock investing for more retail investors. It is planned for implementation by the first quarter of next year.

"For financial inclusion, we have recently proposed a rule revision that will change the board lot amendment to enable retail investors to invest as low as P100 in the stock market," Mr. Monzon said.

"We're amending our rules and changing this board lot to accommodate the expected influx of retail investors from GCash," he added.

The PSE has previously partnered with electronic wallet GCash and AB Capital to launch GStocks, which is an in-app platform that allows users to invest

in Philippine equities. GStocks is set for a nationwide launch on Oct. 19.

Mr. Monzon added that the PSE is eyeing cross-border trading both for Philippine securities and shares of overseas listed companies via the depository receipt (DR). The initiative's target implementation date is in the fourth quarter of 2024.

"These DRs will enable local investors to further diversify their portfolios. The DR will have underlying shares of foreign publicly listed companies at a 1:1 ratio," Mr. Monzon said.

"This initiative is also expected to generate additional liquidity in our market as issuers from other exchanges create DRs with Philippine-listed companies as the underlying asset," he added.

Mr. Monzon also said that the PSE is planning to introduce derivatives. The target implementation is by the second quarter of 2025.

"A derivative is a financial instrument [whose] value is based on the price movement of an underlying asset that can be used by investors to manage risk in their portfolios," Mr. Monzon said.

He said investors could use derivatives to hedge against the risk of market fluctuations "and enhance transparency and liquidity in the market by providing market-based pricing information."

Mr. Monzon also disclosed that volume-weighted average price (VWAP) and algorithmic trading are set to be implemented by the first quarter of next year.

VWAP trading uses volume-weighted average price in the execution of transactions through the PSE trading facility while algorithmic trading uses electronic trading platforms for entering orders to the PSE.

SM Investments says logistics, geothermal to drive earnings growth

SY-LED SM Investments Corp. projected that its portfolio investments will account for more than 10% of the company's total earnings in the medium-term led by its logistics and geothermal ventures.

"We think we can get this to the mid-teens in percentage contribution over the medium term. Particularly, our optimism lies in the potential contributions of logistics and geothermal ventures to drive faster growth," SM Investments Consultant for Investor Relations and Sustainability

Timothy Daniels said in a recent forum.

"The investments we made in Philippine Geothermal Production Co. (PGPC) and in logistics with 2GO [Group, Inc.] and Airspeed, have performed well," Mr. Daniels added.

SM Investments said its portfolio investments contributed 10% to the company's net earnings in the first six months. Some of the company's other portfolio investments are in mining firm Atlas Consolidated Mining and Development Corp., real estate

developer Belle Corp., and bakery Goldilocks.

SM Investments has business interests in retail, banking, and property.

In the first half, SM Investments logged a 32% jump in its net income to P36.5 billion from P27.7 billion a year ago on the back of higher revenues.

2GO posted a turnaround in its profits to P312 million in 2022, carried by a 25% increase in its revenues to P19.3 billion, amid the lifting of movement restrictions and the country's economic reopening.

Meanwhile, SM Investments said that the increase in PGPC's geothermal energy production aligns with the listed firm's sustainability agenda as it would provide steam to power plants that would go to various communities.

"We are picking the businesses that add to the ecosystem of SM Investments. It's about creating value and growth," Mr. Daniels said.

Shares of SM Investments at the local bourse fell 50 centavos or 0.06% to finish at P826.50 apiece. — **Revin Mikhael D. Ochave**

ICTSI unit handles new Europe-South America service

RAZON-LED International Container Terminal Services, Inc. (ICTSI) said its unit handled the new service of COSCO Shipping Lines, Inc. that will connect South America and Europe.

In a media release on Wednesday, the company said Rio Brasil Terminal (RBT), a part of the ICTSI group, welcomed the inaugural call of the shipping lines' Europe-East Coast of South America (ESE2) service.

The "Xin Nan Tong" ship docked at RBT on Sept. 15 to launch the ESE2 service.

RBT operates Container Terminal 1 at the Port of Rio de Janeiro and serves the import, export, and industrial oil and gas hubs in the largest economic region of Brazil.

The ESE2 service will serve as a transit connection between the Brazilian states of Rio de Janeiro and Minas Gerais to Europe, enabling a stable weekly connection "with very competitive transit

times" from the East Coast of South America to Europe.

The company said the container service targets refrigerated cargoes out of South America, and the consuming markets of Europe such as the United Kingdom, the Netherlands, and Belgium.

The ESE2 service covers the following port rotation: Rotterdam (Netherlands) – London Gateway (UK) – Hamburg (Germany) – Antwerp (Belgium) – Lisbon (Portugal) – Algeciras (Spain)

– Santos (Brazil) – Paranaguá (Brazil) – Montevideo (Uruguay) – Buenos Aires (Argentina) – Itapoa (Brazil) – Paranaguá – Santos – Rio de Janeiro (Brazil) – Algeciras – Rotterdam, with an expected total duration of nine weeks.

The initial fleet will have 4,000-5,000 twenty-foot equivalent unit ships.

At the local bourse on Wednesday, shares in the company shed P1.60 or 1.8% to close at P206.80 apiece. — **Sheldeen Joy Talavera**