



SEC News Service

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Market to move in narrow range

By Jenniffer B. Austria

STOCKS are expected to sustain their consolidation in a tight range over the near term, as the market looks for a new base before resuming a rally.

Wealth Securities analyst Michael Aragao said in a news briefing over the weekend the market was ripe for technical correction, following the uptick that started early this year.

"Pause in the rally is not the end in the rally. We have been saying that the market is ripe for consolidation, correction and rotation shift from one stock to another. The market is forming new base before resuming rally,"

Aragao said.

He said aside from the lower-than-expected first-quarter economic growth, other factors affecting market sentiments were the mixed first-quarter corporate earnings and concerns over a possible hike in interest rates.

The Philippine Stock Exchange index last week closed higher by 0.33 percent to 6,784.95, while the all-shares index dropped 0.22 percent to 4,064.19, on a

shortened trading week. The market was closed on June 12 for the Independence Day celebration.

Foreign investors were net buyers of P3.08 billion last week, as total foreign buying reached P16.05 billion while total foreign selling amounted to P12.96 billion.

Average daily value traded slightly dipped to P7.39 billion last week, from the previous week's average of P7.55 billion.

Top gainers last week were Now Corp., which climbed 89.6 percent to P0.73, followed by iRipple Inc., which advanced by 29.6 percent to P23.60, and Da Vinci Capital Holdings Inc., which gained 28 percent to P3.65.

Now Corp. last week reported it would spend P2 billion to boost its telecommunication business.

Top losers were DoubleDragon Properties Inc., which declined 20.33 percent to P7.29, Sinophil Corp., which fell 20 percent to P1.12, and Primex Corp., which decreased 12 percent to P2.62.

Sinophil last week said it would acquire the gaming assets of Belle Corp. for P9.11 billion.

Under the plan, Belle will subscribe to 24.70 billion common shares with a par value of P0.25 apiece out of the proposed increase in the authorized capital stock of Sinophil at P0.369 apiece.

The private placement will increase Belle's stake in Sinophil to 89.14 percent from 50.42 percent.

PH stocks seen higher this week on US recovery hopes

BY MADELAINE B. MIRAFLORE REPORTER

PHILIPPINE shares are likely to trade higher this week on expectations that the world's largest economy is on the mend, and ahead of the release of key US economic data. Improving valuations are also seen boosting interest in local equities.

In its weekly outlook, BPI Asset Management said market movements this week will be driven mostly by expectations of a US economic recovery as most data releases showed that the world's largest economy is close to its pre-recession levels.

"We expect investors of global equities to take positions given the profit-taking seen in the latter part of [last] week, given more attractive valuations," the company said.

It said market participants are expected to watch out for the release of the US monthly industrial production index, consumer price index, the outcome of the Federal Open Market Committee meeting and forecasts, and jobless claims.

Global equities were mostly flat last week as market players factored in a mixed bag of economic data and current events, such as strong economic data released in the US and the esca-

lation of the US-Iraqi conflict in the Middle East.

In Asia, markets were mostly up on positive US data releases, the European Central Bank's new stimulus measures, and country-specific factors.

"Upswings in Asian share prices were mostly a result of [markets] tracking strong economic data in the US," BPI Asset Management said.

On the local front, Philippine share prices ended the week in red with the composite index falling back below the 6,800-mark.

At the Philippine Stock Exchange, the benchmark index lost 24.23 points or 0.36 percent to close at 6,784.95. The broader all shares index also edged down 11.82 points or 0.29 percent to close at 4,064.19.

First Grade Finance Inc. managing director Astro del Castillo said the market slide was due to continued profit-taking.

Business

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Mario F. Fetalino Jr., Asst. Editor □ e-mail: moneytribune@yahoo.com

Monday, June 16, 2014

EU shifting eye from China to RP, other Asean members

The trade community in the European Union is very keen to do business in the Philippines right now and just needs a little more convincing about the country's investor-friendly environment, a top official of the European Commission (EC) said.

Helena Koenig, directorate-general for trade of the EC, said the Asian region is increasingly catching the eye of potential investors from the EU over the past few years.

Moreover, their interest has been shifting from China to the countries making up the booming Association of Southeast Asian Nations (Asean).

Koenig's full report was submitted to the Philippine Exporters Confederation (PhilExport) and obtained by the *Daily Tribune*.

The Philippines is thus well positioned to take advantage of this development to corner more of the EU's foreign direct investments (FDIs), she said.

The EU, the world's biggest economy and largest investor, remains the country's top investment partner.

The EU's total local investments rose further by two percent to \$10.3 billion as of 2012, or about 30 percent of total FDI stock in the Philippines.

The EU's FDI flows into the Philippines recovered by 65 percent to some EUR400 million in 2012.

But Koenig said the FDI inflows from EU could still go up significantly.

Eurostat data said the nation received only four percent of the EUR208 billion in total EU direct

investments in the Asean region as of 2012.

Overall, European companies in the country today number around 600 and employ an estimated 400,000 Filipinos.

The country has a lot going for it. Its macroeconomic indicators are good, and its global ranking in ease of doing business, global competitiveness, and transparency continues to improve, said Koenig, who visited Manila this month to speak at the 1st EU-RP Business Dialogue.

Koenig said EU enterprises are taking a wait-and-see stance for greater assurance from the national government that their investments will be safe and their business ventures in the country will be profitable.

She said European firms are watching closely how the

Philippines will handle a number of ticklish political and economic issues, including talks on long-term constitutional change and economic reforms to open up the Philippine market further.

The administration should consider intensifying its marketing and promotion efforts on the Philippines as a key investment destination now that the EU is exploring opportunities in the Asean bloc.

"The EU is looking at the Philippines, but it is up to the administration to convince European corporations to take that final step toward investment," Koenig said.

EU exports to the Philippines rose by 19 percent to EUR5.7 billion last year, while imports were stable at EUR5.1 billion.

BDO withdrawal from buying gov't shares in UCPB likely

By Ed Velasco

Leading unibank Banco de Oro (BDO) would likely back out from its bid to buy the 72.2-percent government share at the United Coconut Planters Bank (UCPB) if the terms of sale for the government share turn out to be complicated.

BDO is one of the five banks interested to buy the government shares at UCPB.

The four others are Philippine National Bank (PNB), EastWest Bank, Unionbank and Bank of Commerce (BankCom).

BankCom, however, will not pursue the bid as

its assets came short of the requirement in joining the bid.

BankCom's assets are roughly P120 billion while UCPB has P277 billion, according to newspaper reports.

BDO's assets as of end-May 2014 are P1.32 trillion.

"We do not know yet the terms of sale and therefore unable to comment on our level of interest," BDO president and chief executive officer Nestor Tan told the *Daily Tribune* in an exclusive interview.

At stake is the P14.4 billion of UCPB's estimated P20 billion net worth.

"It will just be plain speculation at this stage," Tan added.

Earlier, UCPB senior vice president Norman Martin Reyes was quoted as saying that the bank is not yet ready about the terms and conditions for its sale.

Reyes was also surprised when PNB said that the terms of sale will be ready as early as June 10, 2014.

"We're surprised that June 10 was mentioned. We cannot show anything yet," the bank SVP was quoted in some newspapers.

He didn't reply to *Tribune* queries.

A very knowledgeable source at the banking community agreed with opinions that if the terms of sale is not feasible, the most logical thing to do is stay away from competition to get government shares at UCPB.

The source said the shares at stake are sequestered and subject of ticklish court battle that's why disposing it to any private entity is not easy.

The BDO president's younger sibling, Lorenzo, agreed with the source's statement.

"(I) heard they're not ready yet," the younger Tan, who is the current president of the Bankers' Association of the Philippines, told the *Tribune* from New York, USA.

Monday, June 16, 2014

WB pushes way to promote, keep, RP inclusive growth

The World Bank Group's Board of Executive Directors has endorsed a new Country Partnership Strategy (CPS) for the Philippines, which supports the country's goal of promoting and sustaining inclusive growth — growth that reduces poverty and creates more and better jobs.

Guiding the World Bank Group's engagement in the Philippines from 2015 until 2018, the new CPS supports the country's development programs in five key engagement areas:

Transparent and accountable governance: strengthening public financial management, improving fiscal transparency and financial accountability, and supporting greater demand from citizens for government accountability.

Empowerment of the poor and vulnerable: improving health and education outcomes, strengthening social protection and ensuring the availability of more timely and improved measurements of poverty.

Rapid, inclusive and sustained economic growth: promoting economic policy reform for inclusive growth, boosting private sector development by improving the investment climate for firms of all sizes, including greater access to finance, and increasing productivity and job creation, especially in rural areas.

Climate change, environment, and disaster risk management: increasing physical, financial and institutional resilience to natural disaster and climate change

impacts, and improving natural resource management and sustainable development.

Peace, institution building, and social and economic opportunity: supporting social and economic development in conflict-affected regions in Mindanao, including the Bangsamoro.

"With the Philippines among the fastest growing countries in the world, this strategy offers a unique opportunity for the World Bank Group to support the government's efforts to improve the lives of the poor and vulnerable by creating more jobs and better opportunities. We will leverage our public and private resources to help Filipinos build resilience to economic shocks from natural disasters and climate change and to build shared prosperity including for people in Mindanao seeking the rewards of peace," said World Bank vice president for East Asia and Pacific Axel van Trotsenburg.

The CPS is a joint strategy of the three members of the World Bank Group (WBG): the International Bank for Reconstruction and Development (IBRD), also known as the "World Bank"; the International Finance Corporation (IFC) focused on the private sector in developing countries; and the Multilateral Investment Guarantee Agency (MIGA) which provides political risk insurance to private sector investors and lenders.

"The World Bank Group will help mobilize private sector investment and support job

creation. IBRD, IFC and MIGA will work together more closely on engagements in sectors like agriculture and agri-business, trade and logistics, infrastructure and public-private partnerships — programs and projects that will help generate more opportunities for small and micro-entrepreneurs to flourish and create more jobs," said Karin Finkelston, IFC vice president for Asia Pacific.

The indicative new financial commitment from IBRD may average \$800 million a year, along with non-lending support in the form of analytical and advisory assistance. IFC has committed \$250-\$300 million in investments in the next couple of years.

"The new CPS of the World Bank Group is an affirmation of its support for the country's development objectives. The strategy's continuing focus on good governance, strengthened public finances and fiscal transparency will support the Aquino administration's efforts to continue the virtuous cycle of expanding our fiscal space for greater investments in infrastructure and social services," said Finance Secretary Cesar Purisima.

Socioeconomic Planning Secretary and Director General Arsenio Balisacan of the National Economic and Development Authority said the new partnership strategy is in line with the goals of the Updated Philippine Development Plan (PDP) 2011 to 2016.

"The Aquino government

focuses on attaining sustained high economic growth that is inclusive. More equitable access to development opportunities will ensure that even the poor will gain from and contribute to growth through highly productive and quality employment and effective social safety nets to protect the vulnerable sectors of society. World Bank Group support through the CPS will help us achieve that," said Balisacan.

Strong macro-economic fundamentals have enabled the Philippines to record high growth rates in the last several years. Translating high-growth rates into faster decline in poverty and the creation of more and better jobs, however, remains an urgent challenge.

"The World Bank Group will prioritize projects and assistance which support poverty reduction and shared prosperity, utilizing the analytical and monitoring tools necessary to ensure that these interventions clearly benefit the poor. In particular, we will focus on areas and sectors where poverty is very high," said World Bank country director Motoo Konishi.

The new CPS benefitted from extensive consultations with various stakeholders in different parts of the country, including civil society representatives, national and local government officials from oversight and implementing agencies, private/business sector, academia, members of the legislature and other development partners.

Century Properties secures \$30-M loan

By JAMES A. LOYOLA

Century City Development Corporation (CCDC), a wholly-owned subsidiary of Century Properties Group, Inc. (CPGI), has signed a \$30-million Secured Facility Agreement with Golden First Century Pte. Ltd.

In a disclosure to the Philippine Stock Exchange, CPGI said Golden Phoenix is a company affiliated with Phoenix Property Investors (Phoenix) one of the world's largest private equity real estate fund managers with approximately \$4.7 billion of assets managed and/or under management.

Phoenix invests on behalf of some of the world's leading institutional investors and its portfolio consists mainly of multi-residential developments, retail and office properties in key gateway cities across Asia.

Proceeds from the facility shall be used to partly finance Century Spire, which will be located in Century City, Makati.

"We are elated to have Phoenix consider Century as their first partner for Philippine real estate. It is not only testament to their belief in Century's capabilities to deliver world-renowned projects, but also to the continued strength of the Philippine economy," said CPGI chief financial officer Carlo R. Antonio.

Phoenix co-founder and chief investment officer, Samuel Chu said "we are excited to be partnering with Century, as we consider them to be one of the most successful and experienced real estate developers in the Philippines."

He added that "we strongly believe in the medium to long-term fundamentals of the Philippine economy and see this venture as an excellent opportunity to participate in its continued growth and development."

Primeiro Partners acted as Century's financial advisor to the transaction.

INDICATORS

PESO-DOLLAR RATE

June 13, 2014

43.790

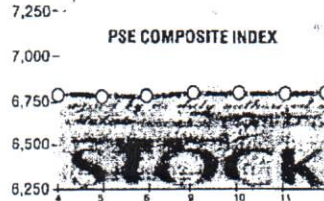


JUNE

STOCK MARKET

June 13, 2014

24.23



(See stock market report on Page B2-2)

Weak trading seen

LOCAL stocks are seen on a wait-and-see mode this week as all eyes are trained on the Bangko Sentral ng Pilipinas' monetary setting on Thursday.

During last week's four days of trading, the main-share Philippine Stock Exchange index (PSEi) gained a modest 22.33 points or 0.33 percent week-on-week to close at 6,784.95 on Friday.

"The market is consolidating," said Joseph Roxas, president of Eagle Equities Inc., noting that the index had been finding it challenging to stay above the 6,800 mark.

Local stockbrokerage AB Capital Securities said the index traded in a tight band as investors stayed on the sidelines during the four-day trading week last week due to lack of domestic market-moving catalyst and in anticipation of the upcoming decision of the central bank on interest-rate resetting.

"This is an important lead as the economy's growth slowed down in the first quarter, while consumer prices accelerated to the upper band of the BSP's target, leading (BSP) Governor Amando Tetangco Jr. to give remarks about narrowed scope for unchanged policy rates," AB Capital Securities said.

If the BSP would pursue an interest rate increase on Thursday as many had been

anticipating, AB Capital Securities said there might be a "ripple" effect on businesses and investors.

The BSP has kept its overnight borrowing and lending rates at record lows of 3.5 percent and 5.5 percent, respectively, since October 2012, but recently increased banks' reserve requirement by two percentage points.

On a technical perspective, AB Capital Securities said the index was tightly in between its six-month upward trend channel support and one-month downward trend channel resistance and sitting on top of its 35-day short-term moving average as the MACD (moving average convergence-divergence) indicator nears the zero-line. It said this would make this week's interest rate hike decision "critical" to the market's direction in the coming days.

Meanwhile, AB Capital Securities said other noteworthy economic data to be expected this week would include overseas Filipino worker remittances and US inflation and Federal Open Market Committee (FOMC) economic projections.

"We advise investors to remain cautious and wait for the rate hike decision before positioning strongly in the market," it said. **Doris C. Dumlao**

PSE, bond bourse revive merger talks

By Doris C. Dumlao
Philippine Daily Inquirer

MANILA, Philippines—The Philippine Stock Exchange (PSE) and other shareholders of Philippine Dealing Systems Holdings Corp. (PDS) have rekindled discussions on the merger of the country's capital market infrastructure.

Inquirer sources said the PSE has offered to acquire a controlling interest in the PDS group based on an estimated enterprise value of about P2 billion, subject to the resolution of or protection from a pending lawsuit challenging the operations of PDS' fixed-income trading platform Philippine Dealing and Exchange Corp. (PDEX) before the Supreme Court.

An offer has been made for the PSE to buy, in cash or in its shares of stocks, the 80 percent of shares in PDS Group that it did not own yet, several sources confirmed. The PSE is already an existing shareholder of the PDS Group with a 20-percent stake.

"Negotiations are ongoing but there's no final agreement yet," said one capital market source familiar with the discussions.

Given the pending legal question on PDEX, the source said discussions were ongoing toward the possibility of the sellers issuing a "warranty" on the PDS shares to protect the buyer from legal liabilities.

Based on an enterprise value of P2 billion for 100 percent of the PDS Group, this suggested that the PSE would pay around P1.6 billion if all other shareholder groups owning 80 percent would agree to sell their shares.

"The negotiations are still open to cash or shares," another source said, noting that everything would still be conditional to what would happen to the legal challenge on PDEX.

Two other big shareholder groups in PDS—the Bankers Association of the Philippines (BAP) and Singapore Exchange Ltd. (SGX), which collectively own 45 percent of PDS—earlier already agreed to discuss the sale of their stake to PSE. Discussions, however, were disrupted by a case filed at the Supreme Court accusing financial regulators, PDS and the BAP of conspiring to create a "monopoly" in the bond market.

Two years ago, the PSE already obtained approval to increase its authorized capital to 120 million shares from 97.8 million with a par value of P1 each, giving the bourse leeway to use its stocks as currency to acquire the local fixed income trading platform.

While awaiting the final outcome of the legal question on PDEX, proponents seek to get the framework ready for the consolidation of stock and bond trading platforms in the country. A unification, which is strongly backed by President Aquino's economic managers, is seen boosting volumes and unlocking huge savings in maintaining and continuously enhancing financial market architecture.

Among others, the petition filed at the Supreme Court called for the issuance of a temporary restraining order enjoining financial regulators, PDS and BAP from carrying out actions and regulations allegedly restricting government securities trading activities and other over-the-counter (OTC) transactions.

It called for a halt to various orders, circulars and other issuances from public respondents as well as for a prohibition on the BAP from "compelling, persuading or exerting any undue influence upon its member banks tending to coerce, convince or induce them to use exclusively the PDEX trading system in government securities." Former senator Aquilino Pimentel Jr., former congressman Luis Villafuerte, former budget secretary Benjamin Diokno and former national treasurers Norma Lasala and Caridad Valdehuesa filed the Supreme Court petition against PDEX.

Stock Market Outlook

→ LAST WEEK

SHARE prices eked out modest gains during the week, mostly on foreign buying.

The Philippine Stock Exchange index (PSEI) gained 22.33 points to end the week at 6,784.95 points, as other subindices closed mixed.

The market started strong, but corrected at the latter part of the week, partly as a result of the World Bank's reduction of its 2014 global growth forecast to 2.8 percent to from 3.2 percent. The index traded even lower after oil prices surged amid escalating violence in Iraq.

Foreign buyers, however, propped up the market. For the week, foreign investors were net buyers at P3.08 billion and year-to-date, net foreign inflows have already reached the \$1-billion mark, higher than last year's full-year figure of \$657 million.

→ THIS WEEK

ACCORDING to the Bank of the Philippine Islands (BPI), trading would be sideways during the week, although it may fall after investors await the outcome of policy meetings of central banks both here and abroad.

The bank said the sudden spike in oil prices may prevail with the renewed violence in Iraq. Higher oil prices will result in the increase of commodity prices that may prod central banks both here and abroad to raise its rates.

"In the US, investors will be watching for any guidance regarding the direction of monetary policy, pegged on the improvement of the world's biggest economy. Any indication of an earlier-than-expected rate hike will be detrimental for equities, especially for banks and property," BPI said.

Trading range is expected between 6,744.32 and 6,835.37 points.

→ STOCK PICKS

THE share price of Ayala-led Integrated Micro-Electronics Inc. (IMI) is currently at bargain level as it is now trading below its book value, broker Regina Capital said.

"IMI's first-quarter performance suggests sustained growth in 2014, while its profitability has improved since 2011 despite maintaining its leverage position," the broker said. It gave a short-term buy on the stock since the industry is highly competitive and volatile. IMI closed on Friday lower at P5.76 per share.

Philippine National Bank (PNB) is said to be currently trading in a consolidation mode. Its 20-day moving average price is also providing strong support, which should trigger buying if this holds, the broker said.

Regina Capital also placed a buy rating on PNB but only when support price holds at P90. PNB also closed lower on Friday at P90. *VG Cabuag*