

Week in Review

- Macro**
 - Global: US data readings indicate a resilient economy as: 1) consumer confidence ticked higher and beat estimates (109.7 vs 103.9 estimate); 2) 1Q23 GDP was revised upwards from 1.3% to 2% as consumer spending and exports were stronger than previously thought; and 3) jobless claims fell to a 20-month low (239k vs 264k estimate). Eurozone inflation slowed further in June (5.5% vs 6.1% in May) with lower fuel prices more than offsetting the increase in prices of services. However, China's factory activity declined for the third straight month in June and weakness in other sectors deepened.
 - Local: Foreign portfolio investments (hot money) posted net outflows of USD124mn in May, bringing the YTD net outflow tally to USD805mn, likely on concerns over higher interest rates. Banks loan growth slowed to 9.4% in May (from 9.7% in April) amid rising borrowing costs. Meanwhile, the BSP projects inflation to settle within the range of 5.3% and 6.1% in June (from 6.1% in May), with lower prices of meat, fruits, and LPG possibly contributing to downward price pressures during the month.
- Bonds**
 - Global: UST bond yields rose last week (see Fig. 1) as Fed officials have signaled they are likely to resume their interest rate hike campaign, depending on the economic data in the weeks leading up to their next rate-setting meeting on 25-26 July.
 - Local: Domestic yields also edged higher amid lackluster activity ahead of the June inflation data this week, which could influence the BSP's interest rate agenda.
- Equities**
 - Global: Global stock markets mostly climbed (see Fig. 5) as investors assess a resilient US economy and remarks from leading central bankers on the need to continue the fight against inflation. Technology stocks rose on the promise of artificial intelligence, banking names also advanced after passing the Fed's stress tests, while semiconductors led losers on talks of further export curbs to China. In the week ahead, investors will likely monitor macroeconomic and geopolitical developments (i.e. labor data, manufacturing trends, OPEC meeting, etc.) across regions.
 - Local: The PCOMP closed at 6,468.07 last Friday, down 0.7% d-d but up 1.2% w-w, on cautious trading amid quarter-end window dressing activities. Most sub-indices ended the week higher, except for property (-0.2% w-w). Foreigners turned net buyers at PHP1.4bn (from PHP825mn net foreign selling the week prior).
- Market Insights**
 - The PCOMP was largely flat (-0.1%) in June and remains down 1.5% YTD. The local stock market continues to trade at undemanding valuations (13x forward P/E vs 17x historical average) amid lingering concerns for inflation, monetary policy tightening of central banks, and slowing growth. We continue to suggest investors focus on sectors and names that can still deliver healthy earnings growth and we highlight: 1) banks (BPI, MBT) who are prime beneficiaries of higher interest rates; and 2) defensive names in power and industrials (AP, MER, ICT) in view of inflation-resilient contracts and steady volume growth. We also like dividend paying stocks (AREIT, MREIT, TEL, LTG) that provide stable and attractive yields, which can act as hedges against inflation.
- Corporate Updates**
 - SMC has secured a PHP100bn loan deal with a consortium of local banks to finance the completion of the Metro Rail Transit Line 7 (MRT 7) that aims to link Metro Manila to Bulacan province by 2025. SMC said the project had reached a completion rate of almost 62% as of 14 June this year. While we think the nearing completion of MRT 7, alongside other major infra projects (e.g., SLEX TR-4, New Manila International airport in Bulacan, etc.), are supportive of SMC's long-term growth, we remain Neutral on the name considering the significant financing requirements of these projects which could pressure parent balance sheet (parent net D/E of 0.8x as of end-March 2023) in the interim.
 - Holcim Philippines (HLCM, Not Rated) is planning to delist from the PSE after its major shareholder, Holderfin B.V., acquired 594.9mn shares in the company from Japanese minority shareholder Sumitomo Osaka Cement Co. for a total consideration of PHP2.3bn or PHP3.92/share. The transaction has reduced the stock's public float from 14.27% to 5.05% and HLCM said they will begin the process for voluntary tender offer proceedings to facilitate delisting.

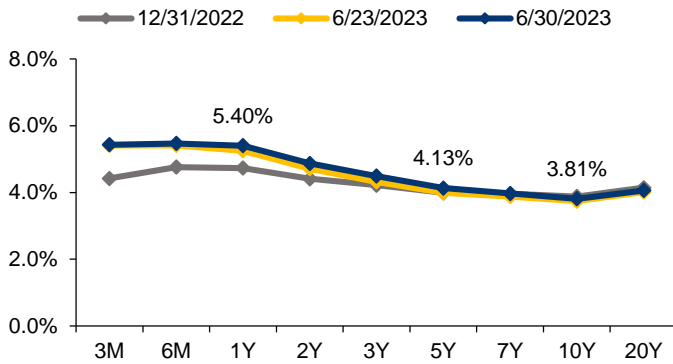
New Issue Monitor	Government Securities				PH Corporate Bonds				PH Equities			
	Date	Security	Tenor	Amount	Date	Security	Amount	Tenor & Pricing	Date	Security	Amount	Pricing
	3 Jul	T-bills	3M	PHP5bn								Series A: 5Y BVAL + [75 to 115 bps] Series B: Dividend rate guidance within 8.00%
	3 Jul	T-bills	6M	PHP5bn						ACEN	PHP12.5bn	
	3 Jul	T-bills	12M	PHP5bn	13 Jul	SECB Bonds	PHP8bn + OS	1.5Y / 6.4250%	01 Sep	Perp. Prefs	PHP12.5bn	
	4 Jul	T-bonds	9Y 2M	PHP25bn								

The Week Ahead

Date	Event	Period	Estimate	Prior
3 Jul	ISM Manufacturing Index	Jun	47.1	46.90
3 Jul	S&P PMI Index	Jun	-	52.2
5 Jul	PH Inflation (CPI)	Jun	5.5	6.1
5 Jul	OPEC Meeting	-	-	-
6 Jul	FOMC Meeting Minutes	Jun	-	-
7 Jul	PH Unemployment	May	-	4.5
7 Jul	US Unemployment	Jun	3.6	3.7

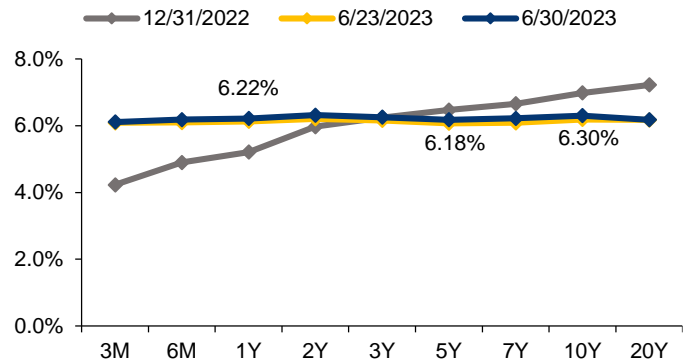
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Fig. 1: US Treasury (UST) yield curve



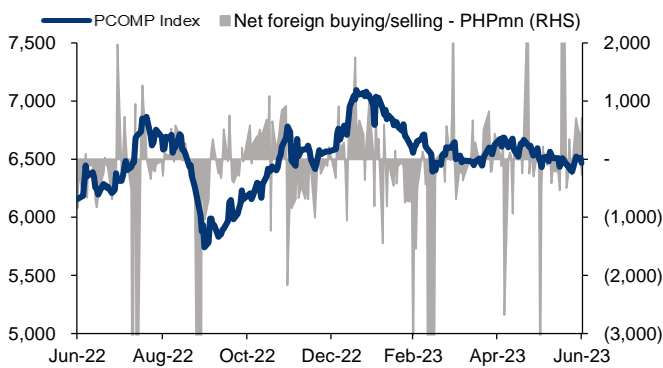
Source: Bloomberg

Fig. 2: PH government securities (GS) yield curve



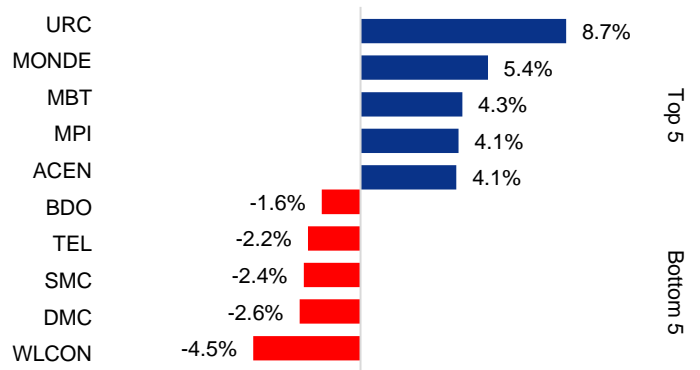
Source: Bloomberg

Fig. 3: PCOMP & net foreign buying (selling) trends



Source: Bloomberg

Fig. 4: PCOMP top gainers and losers w-w



Source: Bloomberg

Fig. 5: Equity indices movements

Region	Index	Last price	w - w	MTD	YTD
Philippines	PCOMP Index	6,468.07	1.2%	-0.1%	-1.5%
US (S&P 500)	SPX Index	4,450.38	2.3%	6.5%	15.6%
US (Nasdaq)	NDX Index	15,179.21	1.9%	6.5%	38.6%
China (CSI 300)	SHSZ300 Index	3,842.45	-0.6%	1.2%	-0.4%
China (Hang Seng)	HSI Index	18,916.43	0.1%	3.7%	-4.2%
Japan	NKY Index	33,189.04	1.2%	7.5%	27.2%
Europe	SXSE Index	4,399.09	3.0%	4.3%	14.3%
UK	UKX Index	7,531.53	0.9%	1.1%	0.3%
MSCI World	MXWO Index	2,966.72	2.2%	5.9%	13.6%
MSCI EM	MXEF Index	989.48	-0.2%	3.2%	3.3%

Source: Bloomberg

Fig. 6: Currency and commodity trends

Currencies	Last price	w - w	MTD	YTD	
USD/PHP	55.20	1.0%	1.7%	1.0%	
EUR/USD	1.09	-0.1%	-2.1%	-2.3%	
USD/JPY	144.31	-0.4%	-3.6%	-8.5%	
Commodities	Last price	w - w	MTD	YTD	
Dubai crude	USD/bbl	76.05	3.4%	5.5%	-2.6%
Natural gas	USD/MMBtu	2.80	2.5%	23.5%	-38.6%
Coal	USD/mt	128.05	2.0%	-5.1%	-68.3%
Gold	USD/t oz	1,919.35	-0.1%	-2.2%	5.8%
Copper	USD/mt	8,322.05	-1.0%	3.1%	-1.0%
Nickel	USD/mt	20,346.13	-3.7%	-0.4%	-32.4%

Source: Bloomberg

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Stock Coverage

Company	Ticker	Rating	Mkt Cap (USD mn)	Last Price 30-Jun-2023	Target Price	Upside/ Downside	EPS Growth FY23F	FY24F	P/E (x) FY23F	FY24F	EV/EBITDA FY23F	FY24F	P/B (x) FY23F	FY24F	ROE FY23F	Div Yield FY23F
Banking																
BDO Unibank	BDO	Not Rated	13,118	137.70												
Bank of the Philippine Islands	BPI	Buy	9,735	108.80	125.00	14.9%	17.7%	12.8%	10.5	9.3	NA	NA	1.4	13.9%	2.8%	
Metropolitan Bank & Trust Company	MBT	Buy	4,532	55.70	77.00	38.2%	15.8%	18.9%	6.6	5.6	NA	NA	0.7	11.5%	5.4%	
Security Bank Corporation	SECB	Buy	1,138	83.50	118.00	41.3%	4.4%	12.0%	5.7	5.1	NA	NA	0.5	8.5%	3.6%	
Conglomerates																
Aboitiz Equity Ventures	AEV	Neutral	5,542	54.40	57.00	4.8%	8.3%	11.0%	13.4	12.1	11.2	10.2	0.9	12.7%	2.7%	
Alliance Global Group, Inc.	AGI	Buy	2,198	13.42	18.60	38.6%	20.3%	24.2%	6.3	5.1	4.4	3.8	0.3	7.7%	0.9%	
Ayala Corporation	AC	Buy	7,009	625.00	950.00	52.0%	35.0%	21.6%	11.1	9.1	10.9	10.8	0.6	8.5%	1.0%	
DMC Holdings	DMC	Buy	2,176	9.06	10.90	20.3%	-27.0%	-23.1%	5.3	6.9	3.0	3.6	0.9	26.1%	15.5%	
GT Capital Holdings, Inc.	GTCAP	Buy	2,006	515.00	773.00	50.1%	39.3%	13.7%	4.5	3.9	8.9	6.3	0.5	14.2%	1.2%	
JG Summit Holdings, Inc.	JGS	Neutral	6,049	44.45	54.00	21.5%	70.4%	119.1%	34.2	15.6	10.6	8.2	0.8	5.2%	0.9%	
LT Group, Inc.	LTG	Buy	1,862	9.51	11.90	25.1%	3.2%	6.4%	4.1	3.9	-	-	0.3	11.0%	13.4%	
Metro Pacific Investments	MPI	Buy	2,477	4.77	5.60	17.4%	25.0%	6.0%	8.5	8.0	10.6	9.9	0.6	8.8%	2.4%	
San Miguel Corporation	SMC	Neutral	4,536	105.40	109.00	3.4%	NM	24.0%	15.3	12.3	6.5	5.9	0.4	7.9%	1.3%	
SM Investments Corporation	SM	Buy	20,452	925.00	1,110.00	20.0%	15.2%	14.0%	15.7	13.7	15.9	13.6	1.4	13.4%	0.8%	
Consumer																
Century Pacific Food	CNPF	Buy	1,641	25.60	30.50	19.1%	9.7%	25.6%	16.5	13.2	11.0	9.1	2.8	16.7%	1.6%	
D&L Industries	DNL	Buy	943	7.30	9.50	30.1%	-3.2%	24.7%	16.2	13.0	10.7	8.9	2.4	14.5%	3.3%	
Emperador Inc.	EMI	Neutral	6,065	21.30	22.00	3.3%	11.5%	14.7%	29.8	26.0	22.1	19.2	3.8	12.8%	1.5%	
Jollibee Foods Corp	JFC	Buy	4,844	239.20	280.00	17.1%	57.7%	25.1%	40.0	32.0	9.9	8.5	3.2	8.1%	1.0%	
Monde Nissin Corporation	MONDE	Buy	2,604	8.01	10.60	32.3%	9.9%	14.4%	19.8	17.3	11.1	9.8	2.4	12.3%	-	
Puregold Price Club	PGOLD	Buy	1,532	29.40	51.00	73.5%	7.8%	13.5%	8.5	7.5	2.7	2.4	0.9	11.1%	3.3%	
Robinsons Retail Holdings, Inc.	RRHI	Buy	1,456	54.70	85.00	55.4%	7.9%	13.1%	14.2	12.5	5.5	4.7	1.1	8.3%	4.3%	
San Miguel Food and Beverage Inc.	FB	Buy	4,811	45.00	70.00	55.6%	13.7%	11.2%	10.9	9.8	4.3	3.9	2.2	20.2%	3.6%	
Shakey's Pizza Asia Ventures	PIZZA	Buy	273	8.95	10.60	18.4%	19.0%	14.9%	14.5	12.6	8.2	7.3	1.9	13.8%	0.3%	
Universal Robina Corporation	URC	Buy	5,420	137.50	175.00	27.3%	24.9%	19.4%	21.2	17.7	11.7	10.0	2.5	11.6%	2.5%	
Wilcon Depot, Inc.	WLCON	Buy	1,791	24.15	34.20	41.6%	15.1%	11.2%	22.5	20.2	10.8	9.7	4.2	20.2%	1.5%	
Property																
Ayala Land	ALI	Buy	6,579	24.30	35.00	44.0%	25.9%	26.2%	15.3	12.1	10.1	8.9	1.3	9.1%	1.6%	
Filinvest Land Inc.	FLI	Neutral	307	0.70	0.90	28.6%	30.0%	15.3%	4.7	4.1	9.5	8.7	0.2	4.7%	5.0%	
Megaworld	MEG	Buy	1,123	1.99	3.50	75.9%	13.8%	11.0%	4.1	3.7	4.6	4.4	0.2	7.0%	3.1%	
Robinsons Land	RLC	Buy	1,262	14.28	26.00	82.1%	6.4%	15.5%	7.0	6.0	5.5	4.6	0.5	8.3%	3.5%	
SM Prime Holdings	SMPH	Buy	17,165	32.85	42.00	27.9%	37.7%	10.8%	22.9	20.7	16.4	15.0	2.4	11.2%	0.8%	
Vista Land & Lifescapes	VLL	Buy	391	1.70	3.00	76.5%	13.0%	14.4%	2.4	2.1	9.1	8.4	0.2	8.3%	2.1%	
REITs																
AREIT, Inc.	AREIT	Buy	1,106	34.70	41.00	18.2%	7.0%	7.4%	14.4	13.4	15.7	14.1	1.0	6.8%	6.8%	
Citicore Energy REIT Corp.	CREIT	Buy	303	2.56	3.00	17.2%	5.5%	7.9%	13.9	12.8	13.1	12.2	3.9	29.2%	7.6%	
MREIT, Inc.	MREIT	Buy	736	14.54	18.00	23.8%	11.3%	3.2%	13.3	12.9	14.2	13.5	0.7	5.2%	7.4%	
RL Commercial REIT, Inc.	RCR	Buy	1,126	5.80	6.70	15.5%	-2.1%	5.1%	13.5	12.8	13.8	13.2	0.9	6.7%	7.0%	
Power & Industrials																
Aboitiz Power Corporation	AP	Buy	5,119	38.45	47.00	22.2%	19.5%	10.9%	8.9	8.1	9.3	8.7	1.4	18.4%	4.9%	
AC Energy Corporation	ACEN	Buy	3,869	5.39	7.90	46.6%	53.7%	23.3%	27.4	22.2	18.7	19.1	1.7	6.2%	0.8%	
First Gen Corporation	FGEN	Buy	1,214	18.66	26.00	39.3%	31.0%	16.0%	3.8	3.3	2.0	1.5	0.4	15.2%	1.8%	
Manila Electric Company	MER	Buy	6,832	335.00	429.00	28.1%	22.9%	-3.2%	11.3	11.7	7.8	8.2	2.8	25.9%	6.1%	
Manila Water Company, Inc.	MWC	Rating Suspended	964	18.48												
Megawide Construction Corp.	MWIDE	Neutral	119	3.27	3.50	7.0%	NM	NM	NM	24.9	12.9	6.9	0.4	1.5%	30.6%	
Intl Container Terminal Services	ICT	Buy	7,492	203.80	258.00	26.6%	16.6%	18.5%	11.9	10.1	6.4	5.7	3.6	37.6%	5.1%	
Mining																
Nickel Asia Corporation	NIKL	Buy	1,502	5.98	8.30	38.8%	23.5%	1.8%	9.3	9.1	5.3	5.3	1.4	33.6%	7.2%	
Semirara Mining and Power Corporation	SCC	Buy	2,153	28.00	37.00	32.1%	-25.8%	-18.3%	4.0	4.9	2.8	3.1	1.5	41.5%	12.5%	
Telecom																
Converge ICT Solutions, Inc.	CNVRG	Buy	1,436	10.92	17.40	59.3%	14.6%	13.5%	9.3	8.2	4.9	4.3	1.8	21.1%	-	
Globe Telecom	GLO	Buy	4,517	1,731.00	2,265.00	30.8%	2.0%	3.1%	12.8	12.4	5.6	5.2	1.4	23.4%	5.7%	
PLDT Inc.	TEL	Buy	5,129	1,312.00	1,655.00	26.1%	0.7%	3.8%	8.6	8.3	5.0	4.9	1.8	22.2%	7.7%	
Tourism																
Bloomberry Resorts Corporation	BLOOM	Buy	2,183	11.10	14.50	30.6%	93.7%	37.7%	12.4	9.0	9.1	7.1	2.9	26.1%	1.1%	
Cebu Air	CEB	Buy	421	37.50	54.00	44.0%	NM	92.3%	5.6	2.9	1.6	1.1	NM	NM	-	
MacroAsia Corporation	MAC	Buy	152	4.45	6.30	41.6%	133.4%	18.1%	10.6	9.0	14.4	12.4	1.4	16.0%	1.2%	

Sources: BDO Securities estimates, Bloomberg

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