

Philequity Corner (August 10, 2009)

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Cory Magic & the Stock Market

Investors, brokers and the Philippine Stock Exchange (PSE) have a lot to thank Tita Cory for. Prior to the 1986 people power revolution which installed Tita Cory as the seventh president of the Philippines, the country was suffering from the worst depression in its history. Interest rates rose to as high as 40 percent, and real GNP declined 11 percent over 1984 to 1985.

Trading in the PSE was sparse as investors shunned the markets. Business was so difficult that most stock brokers operated as one-man teams. Because of this, members of the then Manila and Makati stock exchanges were among those rallying in the streets and clamouring for change.

All these changed when Tita Cory assumed presidency. Not only did she restore democracy in the country, she brought honest and legitimate leadership. She renewed confidence, trust and hope in the Philippine stock market.

A windfall to the PSE

Cory magic brought a windfall to the PSE and its member brokers. After February 1986, the value of transactions in the PSE surged from less than a million pesos to around 100 million pesos a day. A broker seat, which previously traded at a few hundreds of thousands (with no takers, no buyers), had bidders for a million pesos right after Tita Cory assumed presidency.

By 1996, after a peaceful transition of power to FVR, the value of transactions would reach 3 billion to 5 billion pesos a day. Meanwhile, the price paid for a seat in the PSE would reach a record 95 million pesos in 1996 when Manny Villar, current frontliner for the presidency, purchased Wolff Securities from Luis Ongpin.

A blessing to investors

Cory magic was also immediately felt by investors holding Philippine stocks as sentiment turned around from extreme pessimism to zealous optimism. PLDT which traded at P7.34 per share (adjusted for dividends) prior to the 1986 People Power revolution advanced 40.6 percent when the exchange opened on 26th of February (Wednesday).

PLDT ADRs, which traded in New York as early as the 24th of February (Monday), jumped 44.1 percent that day to \$0.49 per share from \$0.34 per share. Since the domestic exchanges would still be closed for two more days, demand for PLDT ADRs swelled that by the 26th of February, the price would surge to \$0.90 per share, almost triple its price a week before.

Other issues like San Miguel Corp., Ayala Corp., Atlas Mining and Philex Mining would likewise advance in the weeks and months that followed the February 1986 (see table below).

Price Performance of Select Stocks (before & after the Feb. 1986 People Power)

STOCK	Before	After Feb. 1986 People Power					
	1-wk	1-day	1-mo	3-mo	6-mo	1-yr	
PLDT	7.34	10.32	13.85	13.94	33.51	50.7	
		40.6%	88.7%	89.9%	356.5%	590.7%	
PLDT ADRs	0.34	0.49	0.79	0.60	1.52	2.30	
		44.1%	132.4%	76.5%	347.1%	576.5%	
San Miguel Corp.	0.71	0.6	0.86	1.22	2	4.09	
		-15.5%	21.1%	71.8%	181.7%	476.1%	
Ayala Corp.	2.74	2.85	2.91	3	6	10.71	
		4.0%	6.2%	9.5%	119.0%	290.9%	
Atlas Mining	2.2	2.9	4.6	3.3	3.8	11.5	
		31.8%	109.1%	50.0%	72.7%	422.7%	
Philex Mining	0.3	0.41	0.45	0.41	0.58	1.21	
		36.7%	50.0%	36.7%	93.3%	303.3%	

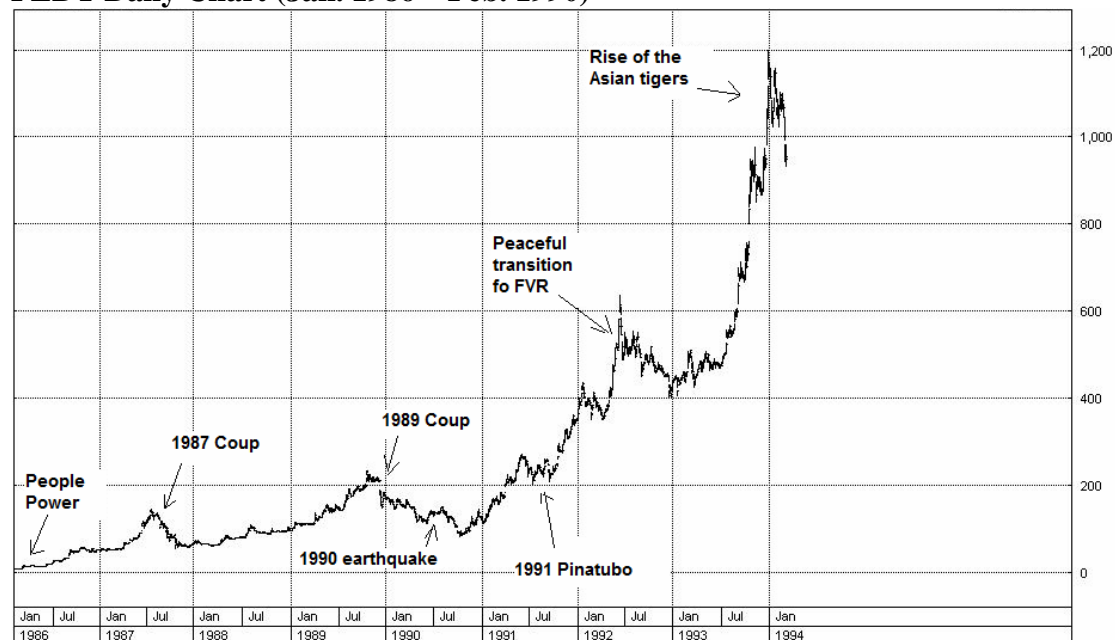
Source: Technistock

The late 80s bull market

The bullish trend in stocks would continue well after Tita Cory's term and after the peaceful transition of power to FVR. In between stocks would suffer only temporary setbacks brought about by failed coup attempts in 1987 and 1989, and the natural calamities such as the 1990 earthquake and 1991 Pinatubo eruption.

Those who held on to PLDT shares since Tita Cory assumed office would see their holdings rise a staggering 16,300 percent from 7.34 per share in February 1986 to 1,200 by January 1994.

PLDT Daily Chart (Jan. 1986 – Feb. 1990)



Source: Technistock

Laying a solid foundation

It was also during Tita Cory's term that significant pieces of legislation were enacted. One was the Omnibus Investments Code (enacted in 1987) which sought to develop

the country's industries, establish a competitive investment environment and discourage monopolies.

Another was the Foreign Investment Act (enacted in 1991) which sets into place procedures for registration and the grant of incentives to foreign investors. These landmark legislations laid the solid foundations for a stronger Philippine capital market.

Blue and Green turns Yellow

Araneta Coliseum is always filled with a sea of blue and green whenever Ateneo plays La Salle. It was therefore an astonishing sight to see my friends and schoolmates in La Salle wearing yellow instead of green yesterday.

Our bitter foes from Katipunan were wearing yellow too instead of their traditional royal blue. Most bewildering was to see my brother, a diehard Ateneo fan, wearing a yellow Ateneo shirt and a button pin proclaiming "For You Ateneo Blue Turns Yellow". Not only does he wear blue during Ateneo games, he wears blue on most days.

Only Cory can perform a miracle of making arch rivals come together and unite. Only Cory can turn La Salle GREEN and Ateneo BLUE into yellow.

From Meralco to Philex

Last week, we said that the turf war between MVP and RSA may be over in Meralco, but not in other battle turfs. With the pronouncement of RSA that he is interested in the 22 percent stake of SSS in Philex, another bidding war looms. Philex's shares surged 13 percent from 8 pesos per share to 9 pesos per share last Friday on the back of RSA's statement.

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