

**Philequity Corner (December 28, 2009)**  
**By Valentino Sy**

### **I believe in Santa Claus**

Last week, we wrote an article saying that many investors were already doubting that Santa Claus will be around this year. We mentioned that there were only eight trading days left before the year ends but there are no signs yet of a “Santa Claus rally” in stocks (see our article *Where is Santa Claus* in last week’s issue of **The Philippine Star**). But finally, he arrived.

### **New highs for the year**

Investors became believers in Santa Claus once more as a week-long rally in Wall Street pushed the major stock indices to year highs just in time for Christmas. Stocks surged higher after sales of existing homes topped forecasts and consumer spending rose.

The Dow Jones Industrial Average increased 1.85 percent to 10,520.10. The S&P 500 index advanced 2.12 percent to 1,126.48, while the Nasdaq Composite Index rose 3.35 percent to 1,869.84. With four more trading days to go in the US, stocks are poised to deliver the best returns since 2003.

Santa Claus, likewise, did not disappoint European investors. The Dow Jones Stoxx 600 Index rose to its highest level in 15 months despite the setback in previous weeks due to concerns on the debt levels of some European countries.

The Stoxx 600 Index gained 2.3 percent last week to 251.9, extending its 27 percent rally this year. Oil and gas companies like Shell and Total led the index higher as larger-than-expected declines in US crude oil stockpiles pushed oil prices back to \$77 per barrel.

Unlike the US and Europe counterparts, however, the MSCI Asia-ex Japan index did not reach new highs last week. It closed at 406.92 or 2 percent off its highest close of 415.5 registered on December 3, 2009. Nevertheless, the MSCI Asia-ex Japan index was able to register a gain of 2.3 percent in the week prior to Christmas.

### **Philippines will miss the Santa Claus rally?**

While the majority of global stock exchanges were either open until December 24, the Philippine Stock Exchange went into holiday after December 23. This means that we only had 3 trading days last week.

With less activity last week, the PSEi managed to inch higher by 0.2 percent only, closing at 3,024.33 last Wednesday.

This week will even be a shorter trading week. With only five trading days in two weeks and with only two trading days to go (December 28 and 29), does this mean that the Philippine stock market will miss the Santa Claus rally?

### **Holiday economics**

Last year we experienced the longest holiday break when offices closed from December 25, 2008 until January 4, 2009. It so happened that December 30 fell on a Tuesday and January 1 was a Thursday. President Arroyo who advocates “holiday economics” declared December 26 (Friday), December 29 (Monday) and January 2 (Friday) as special non-working holidays.

With the domestic stock market closed, Philippine stocks missed the huge rally from December 28, 2008 to January 2, 2009 where the S&P 500 index surged by 7 percent.

### **Pros and cons of holiday economics**

President Arroyo introduced the concept of “holiday economics” in 2001. The objective is to give workers long weekends, encourage more quality time among Filipino families and promote domestic tourism. This was enacted into law (R.A. 9492) in 2007. Normally, holidays falling on a Wednesday or Thursday are moved back to Friday, while holidays falling on a Tuesday are moved forward to Monday. This enables the workers to enjoy longer weekends with their families.

While there are clear benefits for the tourism industry, other businesses are negatively affected because of potential business disruptions. In addition, employers are required to pay additional compensation if employees work during these non-working holidays.

### **Henry Sy economics**

Contrast to the holiday economics of President Arroyo is the “Henry Sy economics.” To Taipan Henry Sy, longer working hours mean more opportunities. Shoe Mart Department Store was one of the first to open on Sundays after the Blue Sunday Law was repealed. Stores were not allowed to open prior to the repeal of the law. SM malls, supermarkets and department stores also have extended shopping hours during the holiday season.

Banco de Oro (BDO), likewise, started the trend of longer banking hours when most other banks open between 9AM and 3PM. BDO on-site branches (those in SM malls) are open 7 days a week from 10AM to 7PM.

During these Christmas holidays, BDO and China Bank (another Sy-led bank), have issued statements that most of their branches will be open during the special non-working holidays on December 24, 30 and 31.

### **Holiday economics, disadvantageous to the stock market?**

Holiday economics appear to be disadvantageous to the stock market. Brokers and the Philippine Stock Exchange (PSE) lose fees and commissions from the reduced trading days. Philippine stocks miss potentially huge returns during the year-end because of the extended holidays.

Maybe the PSE should consider “Henry Sy economics” and be open for trading even on some holidays. The US stock market is open during US holidays like Columbus Day and Veterans Day. Good candidates would be special non-working days declared by the President and December 24, 30 and 31. Doing so would increase the chances for a Santa Claus rally to happen and the year-end window dressing of funds to materialize. Just like in the US, clearing can be done the next banking day.

**Philequity Fund up 63.6 percent year-to-date**

It now appears that 2009 will be our most profitable year ever for our flagship Philequity Fund which has gained 63.6 percent year-to-date. In comparison, the PSE index has returned 61.0 percent over the same period.

We wish our shareholders and readers a Happy and Prosperous New Year!!!

*For comments and inquiries, you can email us at [info@philequity.net](mailto:info@philequity.net). You can also view our archived articles at [www.philequity.net](http://www.philequity.net) or [www.wealthsec.com](http://www.wealthsec.com).*