



THE WEALTH VAULT

A Product of Wealth Securities, Inc.

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MORNING NOTES

PSEi performance

PSEi Index 02 Aug 2011:	4,541.23	- 9.30
Value T/O, net	Php 3,475 million	
52-week High	4,550.53	
Low	3,371.10	
Foreign Buying:	Php 2,222 million	
Foreign Selling:	Php 1,722 million	

Regional performance

Dow Jones	: 11,866.60	- 265.87
FTSE 100	: 5,718.39	- 48.45
Nikkei 225	: 9,844.59	- 120.42

Trading snapshot

Index Movers	Points
Aboitiz Equity Ventures	-5.34
Banco De Oro	-4.64
Security Bank	+3.72
Ayala Land Inc.	-3.69
Energy Development Corp.	-3.12

Index Out-performers	Up
Security Bank	4.86%
Lepanto Mining B	3.97%
Lepanto Mining A	1.69%
SM Prime Holdings	1.55%
Alliance Global Inc.	0.83%

Index Under-performers	Down
Banco De Oro	2.41%
Philex Mining	2.31%
Aboitiz Equity Ventures	1.78%
Energy Development Corp.	1.61%
Ayala Land Inc.	1.29%

Calendar

Aug 4	MPI 2Q `11 results briefing
Aug 5	Jul `11 CPI
Aug 5	DHC, UPM ASM
Aug 5	Q2 Inflation Report, Jul `11
Aug 8	Rediscount Rate

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HEADLINES

US stocks fall sharply as economic data and debt deal fail to satisfy investors

US stocks experienced a huge selloff on Tuesday (Aug 02) as the passing of the debt deal failed to offset woes over the stalling economy. All three major indices suffered huge declines with the S&P falling 2.6%, turning negative for the year. The Dow fell below 12,000 after declining 2.2% while the Nasdaq fell 2.8%. The selloff was broad based as the volume reached 9.7B shares, well above the daily average of 7.5B. Investors are worried that a downgrade of US ratings will stall the anemic economic recovery even more. Economic data also added to the selling pressure as a report from the government showed that consumer spending fell unexpectedly in June for the first time in nearly two years as income barely rose. A survey on US factories suggested that manufacturing also stalled in July. The government's report on jobless rate is due this Friday and is seen to be a key mover of the market for the coming week.

PLDT reports P21.3B Net Income for 1H; declares P78 cash dividend per share

- TEL reported Core Net Income of P21.0, slightly down by 1% YOY. This was due to the 3% YOY decline in Service Revenues to P69.6B. This decline, however, was partially offset by the 2% decline in Expenses, resulting to an EBITA of P42.5B, down 4% YOY. Despite this, EBITDA Margin was managed at 60%.
- TEL likewise declared an interim dividend of P78 per share, equivalent to 70% of 1H2011 core earnings per share. This will be available to shareholders on record as of August 31, 2011 and will consequently be paid on September 27, 2011.
- Lastly, TEL disclosed the approval of a share buyback program, which will allow the company to acquire 2.3M of its own shares on an opportunistic basis. This will amount to ~P5.5B based on the TEL's closing price yesterday.
- TEL's Service Revenues declined as the increase in new revenue streams failed to offset the decline of traditional revenue streams. Though Broadband & Internet Service Revenues and ICT Revenues increased by 7% and 2% respectively, they only account for a small portion of TEL's Service Revenues. Wireless and Fixed line, which are traditional revenue streams that account for a significant portion of TEL's Service Revenues, declined by 5% and 7% respectively.
- The decline in TEL's Service Revenues was offset by a 34% increase in Meralco's Core Net Income. Meralco's higher Net Income was due to lower cost of purchased power as well as system loss performance of 7.5%, well below the 8.5% regulatory cap.
- We welcome TEL's share buyback program as a positive development. It shows management's continued faith in the company's prospects. The buyback program also provides a good avenue for the deployment of the company's free cash.

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SMDC posts 54% hike in Net Income for 1H`11

- In a press release, SMDC reported that its consolidated net income grew to P1.93B for the first half of the year, a 54% increase from the P1.25B reported a year ago. Consolidated revenues also increased to by 65% to P7.14B. SMDC attributes the strong performance from its strong sales record and an increase in momentum in the construction of its various projects in Metro Manila and Tagaytay City. Presales figures also remained robust, reaching 4,936 residential units, amounting to P10.7B. SMDC had also managed to maintain a healthy balance sheet with a net debt to equity ratio of only 2%. Total assets stood at P52.22B as of end June, 44% higher than last year, with cash and cash equivalents accounting for P9.22B.
- *SMDC yet again posted an impressive profit growth on the back of a sustained strong topline performance driven by strong volumes. With nearly 5,000 units sold for the semester, its market share would have been preserved at around 20%-25%. At a reported profit of P1.93 billion, the company is on track to meeting our P4.01 billion projection for 2011, a growth of 34% YoY.. Indeed, its share price has caught up with the profit's astronomical rise, growing by 55% over a 12-month period. Despite the increase, we still see more upside for the stock as we anticipate SMDC to join the PSEi in the future.*

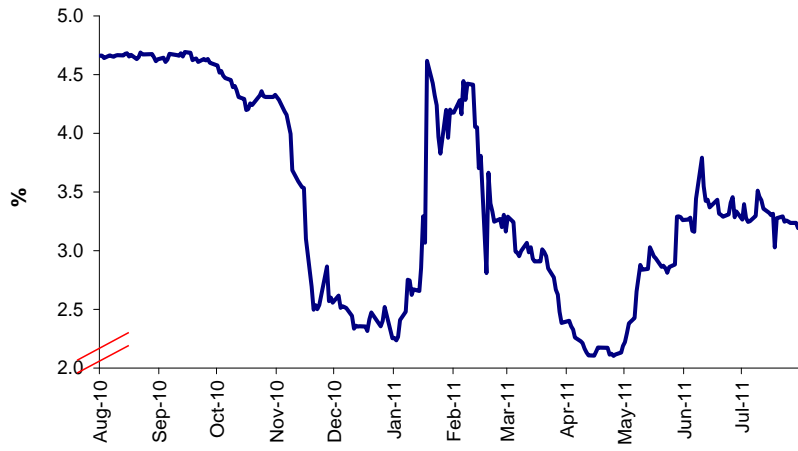
GMA net income down 37.5% in Q2 from a year ago

- GMA announced yesterday a 37.5% decrease in net income to P521M for the second quarter due to the lack of political ads that boosted its results a year ago. Consolidated revenues rose 14% to P3.58B however as the TV station's aggressive promotional efforts and better programming started paying off. Despite the seemingly weaker results, the station remains optimistic that it can deliver better performance in both ratings and revenues for the second half of the year as indications already point to a strong third quarter.

PSBank earnings up 13% for first half, declares P0.15 cash dividends

- PSBank reported an increase of 13% in its net income for the first half of the year amounting to P916M compared to P808M last year. Total net interest income grew 17% to P2.8B from P2.4B last year as a result of the thrift bank's continuing expansion of its loan and investment portfolio. Interest income from loans reached P3.2B (+12% YoY) while interest income from investments reached P1B (+59% YoY).
- PSBank informed the PSE that its Board had approved the issuance of cash dividends amounting to P0.15 per share amounting to a total of P36.038M. No record date or payment date had been set yet although the bank's president will approve the said dates after the BSP approves the dividends. Based on yesterday's closing price of P70.00, this represents a yield of 0.2%.
- *The healthy growth in PSBank's net income is a good indication of the upcoming results of its parent, Metrobank (MBT). PSBank managed to post an increase in net income as the increase in net interest income offset the decline in trading income. Moving forward, we expect PSBank to continue posting healthy earnings growth that is primarily driven by loan growth.*

PDS 1-Year Tenor Yield: 12-month period



Source: Philippine Dealing and Exchange Corp