



## WEALTH SECURITIES

Backed by a research group of analysts with over 25 years of experience in equity securities

Consistently ranked among the top 20 brokerages in the Philippines since opening in 1986

Recipient of the Euro Money Award for Excellence as the "Best Domestic Securities House in the Philippines"



## THE WEALTH VAULT

A Product of Wealth Securities, Inc.

THURSDAY, 05 January 2012

Index	Value	Change	% Chg	
<b>PSEi</b>	4,487.77	65.55	1.4823	↑
<b>All Shares</b>	3,071.62	10.34	0.3355	↓
<b>Financials</b>	996.12	12.89	1.311	↑
<b>Industrial</b>	7,300.03	119.57	1.6652	↑
<b>Holding Firms</b>	3,567.91	42.97	1.219	↑
<b>Property</b>	1,510.78	4.73	0.3141	↑
<b>Services</b>	1,676.91	36.12	2.2014	↑
<b>Mining &amp; Oil</b>	24,480.36	268.74	1.11	↑

WORLD INDICES

Dow Jones	12,418.40	+21.04
FTSE 100	5,668.45	+31.46
NIKKEI 225	8,560.11	+104.76

TRADING SNAPSHOT

Index Movers	Points
PLDT	↑ 16.50
Ayala Corp.	↑ 6.81
Manila Water Company	↑ 4.71
Globe Telecom	↑ 4.69
Meralco	↑ 3.53

Index Out-performers	Up
Manila Water Company.	6.44%
Globe Telecom	4.99%
Ayala Corp.	3.74%
Meralco	3.20%
Universal Robina Corp.	2.64%

Index Under-performers	Down
Belle Corp.	2.91%
Cebu Air Inc.	1.85%
Metro Pacific Investments Corp.	0.81%
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CALENDAR

Jan 06	Dec `11 Rediscount Rate
Jan 06	Dec `11 GIR, NIR
Jan 10	Nov `11 KB Loans
Jan 10	Oct `11 FDI



PSEi Index

04 Jan 2011:	4,487.77	+ 65.55
Value T/O, net	Php	4,259 million
52-week High	4,563.65	
Low	3,705.18	
Foreign Buying:	Php	2,777 million
Foreign Selling:	Php	1,844 million



HEADLINES

US stocks end flat amid euro zone woes

➤ US stocks ended little changed in yesterday's (Jan 04) session as good economic news offset concerns on some European lenders. The Dow and the S&P ended slightly green with the former gaining 0.17%, while the latter, 0.02%. The Nasdaq on the other hand ended 0.01% lower. Stocks opened with slight losses but gained back most of the losses as optimism that stocks will avoid a selloff amid concerns from Europe spurred buying pressure. Positive economic news also added positive sentiment in yesterday's session. The US government reported yesterday that new factory orders rose in November, signaling that the economy is heading towards recovery. These offset concerns in Europe that lenders are having trouble raising capital. UniCredit, Italy's largest bank offered to sell 7.5B euros in shares at a steep discount to secure capital. Stocks of the bank fell nearly 10% after the announcement. In company news, Yahoo, Inc. fell 3.1% after naming PayPal president Scott Thomson as its new chief executive. TiVo gained 10.1% after AT&T agreed to pay a minimum of US\$215M and monthly licensing fees to settle a patent infringement lawsuit. AT&T shares fell 0.2% in yesterday's trading.

BSP – inflation likely between 4.5%-4.6% in 2011

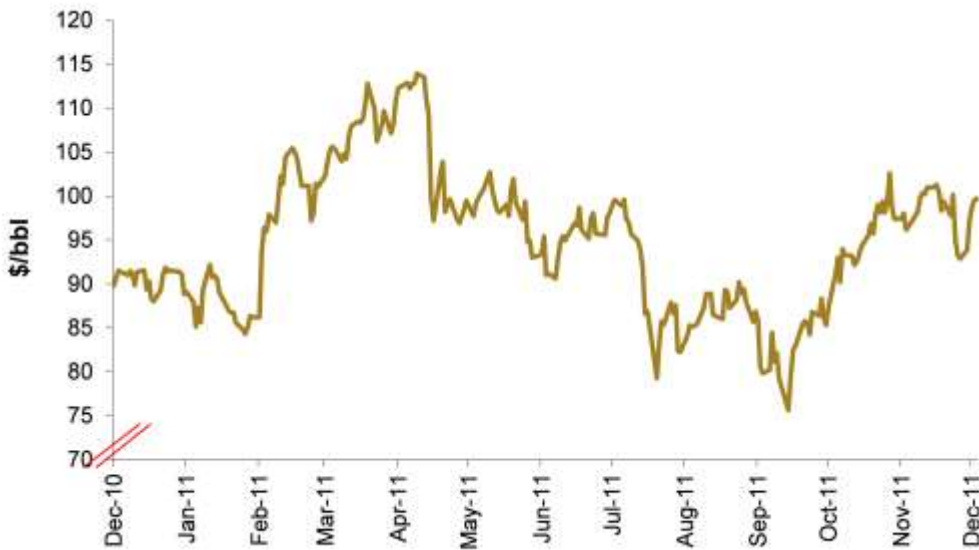
➤ Bangko Sentral ng Pilipinas Deputy Governor Diwa C. Guinigundo said that the effect of typhoon Sendong last December should not push inflation numbers in 2011 to more than 4.8%. He added that inflation for 2011 would only likely fall between 4.5% and 4.6%. For December, the BSP expects inflation to fall within its 4% to 4.9% forecast as the effects of typhoon Sendong on food prices came at the tail end of the monthly gathering of data for defining inflation numbers. The full impact of Sendong on the CPI should only be felt in the January survey.

## BDO to merge subsidiaries

- BDO Unibank, Inc. announced in a disclosure to the PSE that the company had secured the approval of the Securities and Exchange Commission to merge BDO Strategic Holdings, Inc., Equitable Card Network, Inc., EBC Strategic Holdings Corp., BDO Technology Center, Inc., and Strategic Property Holdings, Inc. under one entity. The bank said that BDO Strategic Holdings will be the surviving entity while the four others will cease to exist. The decision to merge the five subsidiaries were “undertaken as part of the streamlining of the BDO Group’s organizational structure.”

## Minority shareholders to sue PLDT

- In a BusinessMirror article, it was reported that four Digital shareholders, who claim to own 48.9% of the company, had filed a complaint before the Securities and Exchange Commission stating that PLDT are offering them less than the price they offered to majority shareholders. The complaint had asked the SEC to order PLDT to buy their shares at P21.12 apiece and not P1.60.



Source: Bloomberg

## CURRENCIES

US, Dollar	43.7580
Japan, Yen	0.5706
UK, Pound	68.4681
Hong Kong, Dollar	5.6338
EU, Euro	57.0998
Bahrain, Dinar	116.0690
Saudi Arabia, Rial	11.6691
China, Yuan	6.9523

As of 1/4/2011

## COMMODITIES

NYMEX Crude Futures	102.96	↑ 4.18%
NY Gold Spot (\$/t oz.)	1,598.50	↑ 2.04%
Silver Comex (\$/t oz.)	29.71	↑ 7.22%
London Copper Spot	7,590.00	↑ 0.00%

As of 1/3/2011





# TELECOM SECTOR

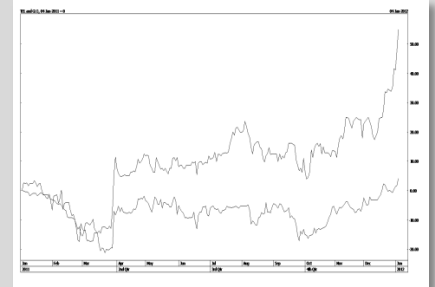
## Maintain Overweight

### Company Snapshot

	TEL	GLO
Price (P)	2,640	1,241
Dividend Yield	8.4%	5.0%
Shares O/S (million)	214,436	132,348
Market Cap (P million)	566,112	164,244
52-week High (P)	2,640	1,243
Low (P)	1,990	660
12-mo Avg. Value T/O (P'm)	324.808	50.281

### Price Performance

	1m	6m	12m
TEL	+8.4%	+10.2%	+4.2%
GLO	+25.4%	+39.9%	+55.1%
PSEi	+4.6%	+1.5%	+6.4%



## It Takes Two to Tango

- **Just Like Old Times.** With the merger of PLDT and Digitel under way, the mobile phone market, which is a major source of profits for telcos, is headed back to a virtual duopoly. PLDT, thru Smart and Digitel, will end up controlling 69% of the mobile phone market, leaving the rest to Globe.

Investors are optimistic that the duopoly will reduce predatory pricing between the rival telcos, bring more rational margins and cause profitability metrics to improve. This is one of the main reasons why TEL and GLO both delivered stellar 1-month returns of 8.4% and 25.4%, respectively, outperforming the PSEi's 1-month clip of 4.6%.

- **Milking the Cash Cows.** Since TEL and GLO are both mature companies in a highly profitable industry, they both deliver some of the highest dividend yields among local stocks. At current prices, TEL provides an 8.4% dividend yield while GLO gives a 5.0% yield. Moreover, they do not have to spend substantial amounts (i.e. capital expenditures) to reach high levels of profitability. Compared to companies which are still in the growth or investment stages, TEL and GLO generate more free cash flow, which they can more freely pass on to their shareholders as dividends.
- **Hedges Against Volatility.** Aside from these, TEL and GLO's profits are driven by strong domestic consumption. Thus, their profits and dividends are relatively insulated from external shocks or global macroeconomic headwinds. Because of their steady dividends, domestically-oriented profits and cash-flow generating capabilities, TEL and GLO are considered attractive plays during times of extreme volatility and uncertainty in the stock market.
- **Undemanding Valuations.** TEL and GLO are trading at 2012E PE of 12.7x and 15.6x, respectively. Though these valuations are roughly in-line with that of the broad market, there is a potential for re-rating once margin improvements resulting from duopolistic behavior are factored into analyst forecasts. Moreover, current analyst forecasts for TEL still do not factor in the synergies that will be derived from the PLDT-Digitel merger. Considering this, we recommend a BUY on both TEL and GLO.

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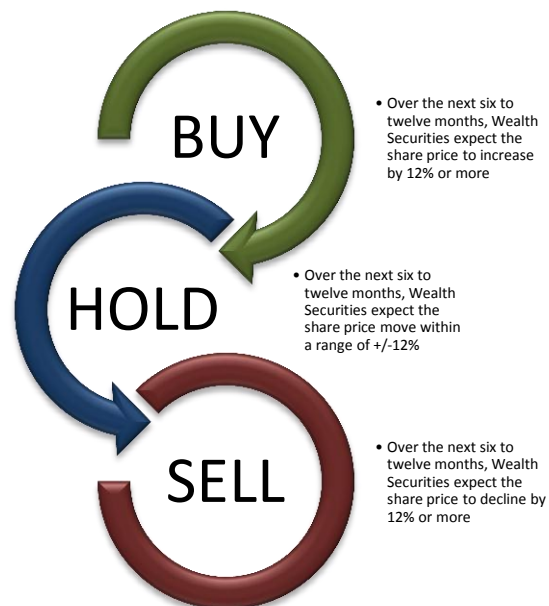
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## RATINGS DEFINITION



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