

Philequity Corner (January 16, 2012)

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Stock Investing: It's more fun in the Philippines

The Department of Tourism (DOT) recently unveiled its new tourism slogan: *It's more fun in the Philippines*. This campaign seeks to highlight all the best that the Philippines has to offer, from the powdery white sand beach of Boracay to the very Filipino Jollibee Chickenjoy. And since the DOT made use of social media in its drive, the latest buzzword has gone viral in the web with all sorts of picture entries depicting what is more fun in the Philippines. Well at Philequity, this is our way of promoting the country to the rest of the world: Stock investing: It's more fun in the Philippines.

PSEi hits new All-time High

Investing in the stock market is indeed more fun here. Since the start of the year, the PSE Index is already up by 5.5%. Compared to the rest of the world, the PSEi has been one of the best performing market last year and in the early part of this year as most developed countries were dampened by the persisting problems in the Eurozone. In the first two trading weeks alone, the PSEi reached a fresh all-time high of 4,663.35 on increased trading volumes, holding promise to a vibrant year ahead.

Region	Index	End-11	Latest Close	YTD Return
US				
	DJIA	12,217.56	12,422.06	1.7%
	S&P	1,257.60	1,289.09	2.5%
	Nasdaq	2,605.15	2,710.67	4.1%
Europe				
Germany	DAX 30	5,898.35	6,143.08	4.1%
France	CAC 40	3,159.81	3,196.49	1.2%
Spain	IBEX 35	8,566.30	8,450.60	-1.4%
UK	FTSE	5,572.28	5,636.64	1.2%
BRIC				
Brazil	Bovespa	56,754.08	59,920.28	5.6%
Russia	Micex	1,402.23	1,459.41	4.1%
India	Sensex	15,454.92	16,154.62	4.5%
China	SSE	2,199.42	2,244.58	2.1%
ASEAN				
Thailand	SET	1,025.32	1,044.81	1.9%
Indonesia	JCI	3,821.99	3,935.33	3.0%
Philippines	PSEi	4,371.96	4,613.83	5.5%
Malaysia	KLCI	1,530.73	1,503.07	-1.8%

Increased foreign flows

Much like the remittances from OFWs, the influx of foreign funds has consistently been strong, thus pushing the market to a new high. The table below shows the increasing foreign participation with net foreign buying surging past the P1 billion mark several times. We also noticed that the average daily value turnover is roughly

10% higher than the 2011 average. It's really more fun investing in the stock market when foreign funds are on your side.

Amount in P'mn	Foreign Buy	Foreign Sell	Net Buying
January 2, 2012	704.38	549.15	155.23
January 3, 2012	1,638.25	1,501.52	136.73
January 4, 2012	2,777.44	1,843.57	933.87
January 5, 2012	3,142.25	2,048.69	1,093.56
January 6, 2012	2,368.92	1,748.54	620.38
January 9, 2012	2,306.31	1,384.09	922.22
January 10, 2012	3,021.80	1,912.45	1,109.35
January 11, 2012	4,451.71	2,509.37	1,942.34
January 12, 2012	3,347.29	1,923.67	1,423.62
January 13, 2012	3,188.54	2,504.36	684.18

As the foreign funds pour money into our country, local investors should join in the fun. It's more fun investing in the Philippine stock market.

Remittance + BPO + Tourism

We have written in the past about the importance of remittance and BPOs. These two are the main drivers of our current account and reserves. It is high time that the government is putting more emphasis on tourism. This is a huge step towards the right direction. Hotels, malls, consumer companies, and even infrastructure are some of the main beneficiaries of a vibrant tourism industry. The trickle down effect is big, perhaps even bigger than the BPO industry. It is also timely because of a new move called in-sourcing.

The Business Process Outsourcing sector is now facing a huge threat from Pres. Obama's in-sourcing plan. The US government is making a case of increasing its productivity by inviting American companies to bring back jobs currently outsourced overseas, mainly those in China and India. There is, in fact, a pending legislation in Congress called US Call Center Worker & Consumer Protection Act which aims to penalize companies outsourcing call center jobs. Although the bill is prospective and not retroactive, it still dampens the growth outlook of our BPO industry. Our government must act to protect this pillar industry. Many of the listed companies have direct and indirect connection with the BPO sector. This would be bad for some stocks if this bill is enacted.

Sunshine industries

One way to have fun in stock investments is for investors to put money in sunshine industries or sectors that are destined for high growth. Tourism, for one, is still in its early growth phase. Most companies in this space are pouring in substantial investments given the sector's huge long-term growth potential. The DOT's drive to attract 12 million foreign tourist arrivals by 2016 is good for stocks in leisure tourism and airline.

Mining is another sector poised for explosive growth. As the country is blessed with rich mineral resources, promoting this valuable industry is the way to go. Although the industry faces some headwinds, the government should help the sector reach its

full potential with an enlightened stance. Instead of imposing a mining ban, the government should advocate responsible mining.

Infrastructure is likewise another themed sector. As the government rolls out its Private Public Partnership projects (more commonly known as PPP), expect the share price of winning listed companies to move higher. Some holding companies are already in the hunt for some of these big-ticket projects. Investors should keep watch for the potential winners.

On to 5,300

At this point, a healthy correction is warranted. It lays the foundation for the next leg to be stronger. Like we said last week prior to reaching a new all-time high (Goodbye Rabbit, Hello Dragon, 9 January 2012), a breakout above the 4,563 level (2 August 2011 all-time high) should push the PSE Index to the next target of 5,300. Unless a black swan event happens, we see both the fundamental drivers and technical patterns in tandem and heading to another high. The awarding of PPP projects and a strong growth in tourism would be strong catalysts to 5,300. Have fun investing in the Philippine stock market.

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