



WEALTH SECURITIES

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THE WEALTH VAULT

A Product of Wealth Securities, Inc.

WEDNESDAY, 11 JULY 2012

Index	Value	Change	% Chg
PSEi	5,240.28	-23.46	0.45 ▼
All Shares	3,482.82	-7.68	0.22 ▼
Financials	1,299.91	0.0	0.06 ▲
Industrial	7,861.14	10.63	0.14 ▲
Holding Firms	4,444.21	-46.42	1.03 ▼
Services	1,793.73	7.9	0.44 ▲
Mining and Oil	24,767.98	39.67	0.16 ▲
Property	1,904.82	-22.78	1.18 ▼

JULY

11

2012

WORLD INDICES

Dow Jones	12,653.12	-0.65%
FTSE 100	5,664.07	+0.65%
NIKKEI 225	8,857.73	-0.44%

TRADING SNAPSHOT

Index Movers	Points
Aboitiz Equity Ventures	-9.16
Ayala Land Inc.	-8.67
Ayala Corp.	-7.98
PLDT	+5.02
Globe Telecom	-2.22

Index Out-performers	Up
Belle Corp.	1.78%
Cebu Air Inc.	1.25%
Meralco	1.19%
Universal Robina Corp.	1.13%
PLDT	0.66%

Index Under-performers	Down
Ayala Corp.	3.17%
Aboitiz Equity Ventures	3.09%
Ayala Land Inc.	2.55%
Globe Telecom	2.52%
Jollibee Foods Corp.	1.25%

CALENDAR

Jul 02	PEC ASM
Jul 03	FOOD ASM
Jul 11	GTCAP ASM
Jul 12	SGP, MB, ABA, IMP ASM



PSEi Index

10 Jul 2012:	5,240.28 - 23.46
Value T/O, net	Php 3,298 million
52-week High	5,403.16
Low	3,715.01
Foreign Buying:	Php 2,302 million
Foreign Selling:	Php 2,630 million



HEADLINES

US stocks continue decline as companies warn on growth

Ø US stocks declined for the fourth straight day yesterday (Jul 10) as companies warn of weaker profit growth due to the slowing global economy. All three major indices ended red with the Dow declining 0.65%; the S&P, 0.81%; and the Nasdaq, 1.00%. Industrials were the biggest drag yesterday after engine maker Cummins Inc. cut its full year forecast for the year. Shares of the company fell more than 10% at one point before closing 8.9% down. Chipmakers Applied Materials, Inc. (-2.7%) and Advanced Micro Devices (-11.2%) also fell sharply after the former said it expects to miss its full year estimates, while the latter slashed its second quarter revenue outlook following weak sales in China and Europe. Alcoa on the other hand fell 4.1% a day after reporting earnings. Research In Motion meanwhile fell 5% as the company's shareholders elected its directors at its annual stockholders' meeting.

ALI to raise \$250M via top-up placement

Ø Ayala Corporation sold 680 Mil listed common shares of Ayala Land at 20.00 per share or an aggregate Php13.6 Bil. The proceeds will be used to acquire assets for the next phase of its expansion, enabling it to sustain its high growth trajectory. Approximately P20 Bil may be deployed in Makati City and Nuvali. A portion of the proceeds will also be used to fund the strategic alliance with the Ortigas group. Goldman Sachs, JPMorgan and UBS acted as joint bookrunners and placement agents in the top-up placement. Although Ayala Corporation will maintain the same number of common shares it held in ALI prior to the transaction, following the transaction Ayala Corp reduced its voting stock rights from 73.07% to 71.22%, and ownership in ALI stock will be reduced from 53.06% to 50.43%.

FDI posts US\$13M net outflow in April

Ø Tha Bangko Sentral ng Pilipinas reported that FDI posted a net outflow of US\$13M in April. The BSP said that the unstable economic/political condition in Europe dampened risk appetite during the period resulting in the net outflow. Net equity capital and reinvested earnings during the month amounted to US\$13M and US\$12M, respectively, lower by 43.5% and 66.7% than the levels posted in April 2011. Meanwhile, the other capital account reversed to a net outflow of US\$38M from a net inflow of US\$19M in the same period a year ago. For the first four months of the year, FDI totaled US\$837M, 46.6% higher than the US\$571M recorded a year earlier for the same period. Net inflows of equity capital increased more than five-fold to US\$944M from US\$174M during the comparable period in 2011.

Globe Telecom to complete network upgrade next year

Ø Globe Telecom announced that it expects to complete its US\$790M planned network upgrade by next year. Globe said that within four months since its announcement, the company has already modernized 30% of its network equipment located in various cell sites nationwide. The goal of the network upgrade "is to have seamless change-outs of the network with as minimal impact on customer experience as possible," Globe Telecom Chief Technical adviser Robert Tan said in a statement. Globe also added that the upgrade should be 75% complete by the end of the year.

CURRENCIES

US, Dollar	41.9510
Japan, Yen	0.5274
UK, Pound	65.1709
Hong Kong, Dollar	5.4099
EU, Euro	51.6920
Bahrain, Dinar	111.2788
Saudi Arabia, Rial	11.1869
China, Yuan	6.5843

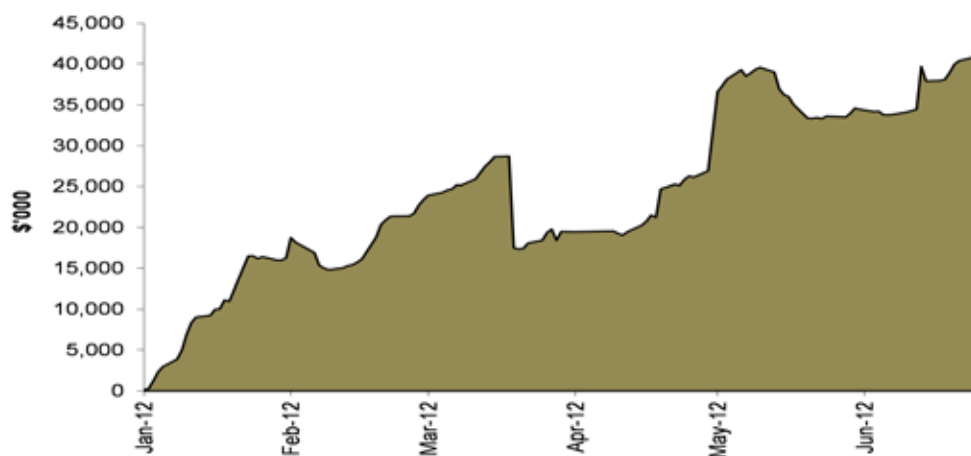
As of 7/10/2012

COMMODITIES

NYMEX		
Crude	85.99	+1.82%
Futures		
%NY Gold	1,590.80	-1.11%
Spot (\$/t oz.)		
Silver Comex	27.33	+0.96%
(\$/t oz.)		
London	7,559.25	+0.33%
Copper Spot		

As of 07/10/2012

Foreign Buying-Selling : YTD



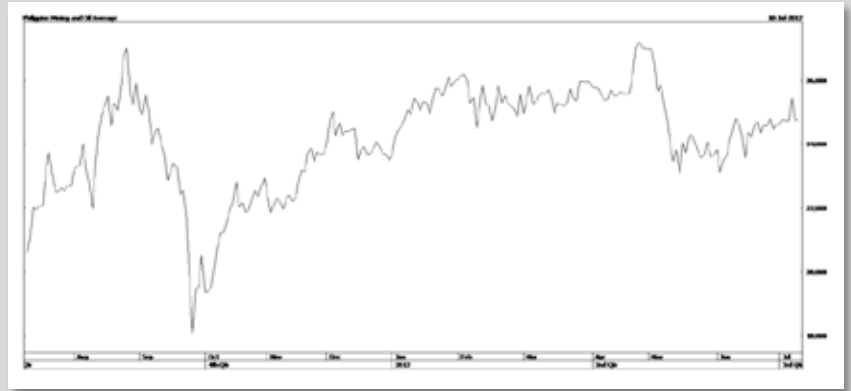
Source: PSE

Dividends Calendar

CODE	STOCK	CASH	SPLITS	RIGHTS	EX-DIVIDEND	RECORD	PAYABLE	ANNOUNCED
ACPA		11.1			26-Jul-2012	31-Jul-2012	25-Aug-2012	09-Dec-2011
FO		0.06			24-Jul-2012	27-Jul-2012	09-Aug-2012	29-Jun-2012
MFIN	1.06%				23-Jul-2012	26-Jul-2012	20-Aug-2012	28-Jun-2012
MFIN		0.0106189			23-Jul-2012	26-Jul-2012	20-Aug-2012	28-Jun-2012
MWIDE		0.13			17-Jul-2012	20-Jul-2012	15-Aug-2012	26-Jun-2012
JGS		0.16			13-Jul-2012	18-Jul-2012	13-Aug-2012	28-Jun-2012
CEB		1			13-Jul-2012	18-Jul-2012	13-Aug-2012	28-Jun-2012
COAT		0.12			13-Jul-2012	18-Jul-2012	13-Aug-2012	18-Jun-2012
I		0.1995			09-Jul-2012	12-Jul-2012	07-Aug-2012	06-Jul-2012
RFM				1 Philow n share for every 77 RFM shares held - prop. div.	06-Jul-2012	11-Jul-2012	TBA	27-Jun-2012

Source: Technistock





Boon to the Compliant, Bane to the Idle

- Ø **After a long wait, mining EO finally signed.** Last Friday, the controversial and much awaited mining Executive Order 79 was finally signed by the President. Although neither the mining community nor the anti-mining lobbyists were fully satisfied, this EO clearly favors responsible mining. EO 79 itself states that the government will be “institutionalizing and implementing reforms in the Philippine mining sector” and “providing policies and guidelines to ensure environmental protection and responsible mining in the utilization of mineral resources.”
- Ø **Objectives are clear.** In an interview with Mining and Geosciences Bureau Director Leo Jasareno, he stressed that as far as EO 79 is concerned, the general rule is that **provisions will be applied prospectively**. Below are the general objectives.
 - Ø Full enforcement of environmental standards and delineation of protected areas and mineral reservations
 - Ø Review of existing mining operations and cleansing of non-moving mining rights holders
 - Ø Development of value-adding downstream industries
 - Ø Formation of a Mining Industry Coordinating Council (MICC)
 - Ø Improvement of small-scale mining
 - Ø Creation of a one-stop shop for mining applications
- Ø **Details are hazy, but Director Jasareno provided guidance.** Since EO 79 left most of the revenue-sharing details to Congress, it will take some time before the final mining tax is passed. The bone of contention is the application of the 5% royalty. Director Jasareno explained that as long as a mining company is operating in a mineral reservation, the 5% royalty is automatically applied to it. However, **a 5% royalty may be applied to all mining companies if Congress passes a law stating such**.
- Ø **Lifting of moratorium upon passing of legislation.** Section 4 states that **“no new mineral agreements shall be entered into until a legislation rationalizing existing revenue-sharing schemes and mechanisms shall have taken effect.”** With EO 79 silent on when Congress should pass a law, all that companies seeking mining licenses can do is wait.

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- Ø **Prospective application of EO 79 explained.** Director Jasareno said that companies paying only excise taxes will continue to do so under EO 79 and will not have to pay royalties until legislation requires them to do so. In addition, if the current area they are mining is declared to be a reservation, they still would not be required to pay a royalty since it will be applied prospectively. He stressed that legislation will determine the final revenue-sharing agreements between mining contractors and the government. However, all other provisions of the EO are implementable and do not need legislation. Section 19 states that the DENR, working with the MICC, has 60 days to issue implementing rules and regulations (IRRs).
- Ø **Eco-tourism sites should be delineated.** The current list of eco-tourism sites encompasses large swathes of land. Fortunately, EO 79 will have no effect on operating mining companies as far as eco-tourism sites are concerned. Moving forward, there may be a need to delineate the actual boundaries of eco-tourism sites.
- Ø **Downstream processing encouraged but not yet required.** Section 8 of EO 79 directs various agencies of government to draft a roadmap for the development of downstream industries. While mining companies are not required to construct processing facilities, it is likely that a future law may incentivize companies that do so.
- Ø **Stock by stock.** See below a discussion on the impact of EO 79 on various mining companies.
 - Ø **PX, NIKL, AT, APX.** These companies currently pay royalties, so both the mining EO and any new legislation will have no significant effect on them. New projects may have to wait though. PX's Silangan project, which would take at least 4 years before operations begin, might be affected by a new revenue-sharing scheme and may have to pay a 5% royalty. This is already imputed in our forecast and the impact is not significant. Buy PX, NIKL and AT on dips.
 - Ø **ORE, MARC.** EO 79 will have no impact on these two stocks, but future legislation may require them to pay 5% royalties on top of the 2% excise tax. This may impact profitability, but not the viability of these companies.
 - Ø **LC, MA.** Both these stocks have partners for certain sites that they plan to develop in the future. However, LC will have to wait for a few more months before it can secure an FTAA for the Far Southeast deposit because of the moratorium. Moreover, new revenue-sharing laws will apply to both the Kalayaan and Far Southeast deposit since they are not operating yet. We remain cautious on these.
 - Ø **NI, GEO, DIZ.** With no current operations and the lack of attractive projects in the horizon, investors should tread carefully when trading these stocks. In addition, Section 7 of EO 79 opens DIZ to the possibility of losing its mining tailings if it is not able to secure a license and commence operations.

**We were able to speak with representatives of all companies mentioned in this report, with the exception of NI, GEO and DIZ.*

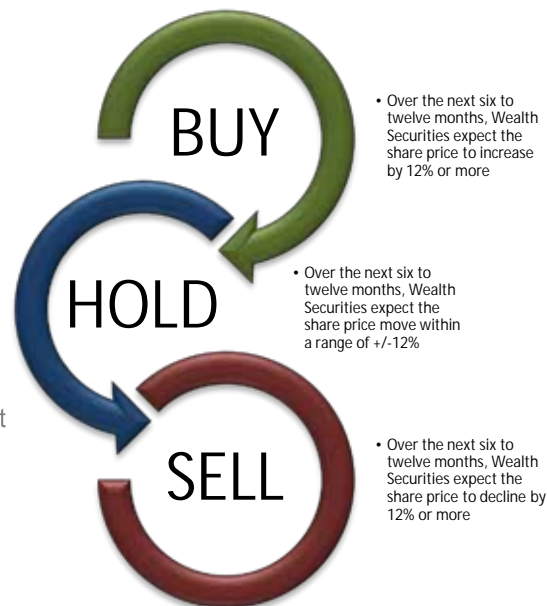
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