



Foreign Ownership Scare

A number of local stocks have been adversely affected by the recent Supreme Court ruling on foreign ownership limits. These companies issued voting preferred stocks to locals to increase the percentage of local ownership and cure their breaches of the foreign ownership limits. However, the recent Supreme Court ruling clarified that the foreign ownership limits should apply to each class of shares. Based on this clarification, ALI, GLO, ICT, MWC and TEL would be considered in violation of the 40% foreign ownership limits. We show in the charts below how the recent Supreme Court ruling has affected the stock prices of the said companies.

Ayala Land, Inc. (ALI)



For six weeks, Ayala Land, Inc. (ALI) had been consolidating within an 80-cent range, from 23.20 to 24. Three days ago, ALI retested its resistance at 24 but failed to breakout from there. It broke below support the next day and continued its decline to reach a low of 21.90, just a shy away from its immediate support at 22. Although ALI broke below its short-term support at 23.2, its medium term trend remains upward. Support from this upward channel is pegged at 21.25.

Recommendation:

Buy as close to support at 21.25 to 22



Philippine Long Distance Telephone Co. (TEL)



Last month, we recommended a trading buy at support for TEL around the 2,742 to 2,790 levels. Unfortunately, prices were not sustained at those levels and TEL has been falling since then. It even broke below its support at 2,670. Today, it broke below yet another support at 2,600 by closing the day at 2,582.

Recommendation:

Sell



Globe Telecom, Inc. (GLO)



In the short-term, Globe is moving within a 41 peso range between 1,119 and 1,160. Take note that this range, although short-term, has a major impact on its long term chart if its support is broken. A break below 1,119 would also constitute a break of Globe's major up trend line. (October 22's break of this trend line was not considered because that was the ex-date for its cash dividend of P65/share. Globe was able to rally higher from there, thus proving the validity of this trend line.) Should Globe breakout instead, expect resistance at 1,187 to 1,214.

Recommendation:

Sell as close to 1,214



Int'l Container Terminal Services, Inc. (ICT)



Int'l Container Terminal Services (ICT) has been moving sideways in a box with the upper range fixed at P72.25 and a lower end support at P65.90. The overhang from the impending Supreme Court ruling from foreign ownership limits may prevent the stock from going up and likely stay in this consolidation in the near term until any significant company specific catalyst arrives. Resistances are pegged at 72.25 and 75, while the support level lies at 69.50.

Recommendation:

Sell towards the upper end of the range at 72.00



Manila Water Corp. (MWC)



Among the companies affected by the foreign ownership ruling, Manila Water Corp. (MWC) shows the strongest chart pattern. It even rallied the past week to a new all-time high of 30.30 while the other companies mentioned were either declining or moving sideways. Short-term, however, we may see some consolidation as MWC reached the top end of an upward sloping channel.

Recommendation:

Trade the range. Sell near 30.50 and buy near 28.50.

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