



## DAILY WEALTH TAKE

FRIDAY 28 FEB 2014

**Meralco, power firms agree on payment terms:** The *Manila Standard Today* has reported that the Manila Electric Co (MER) and power generation companies have agreed on a six-month payment term for the P7b in unsettled fees on power purchased from the Wholesale Electricity Spot Market (WESM) in December. Average electricity charges at the WESM climbed to P36.0846/kWh in December and P33.2160/kWh in November during the maintenance shutdown from only P13.74/kWh in October.

- **Our Take:** The agreement for a synchronized deferred payment scheme should bode well for MER as this ensures that it will pay gencos at the same pace that it will collect from its customers. This will eventually ease the pressure on MER's cash flow. Passing on the hefty November electricity charges to customers will still depend on the results of an ongoing government probe on the alleged collusion among gencos to artificially raise power rates. – *Ricardo Puig*

**DNL posts 41% YoY growth in 2013 earnings:** D&L Industries (DNL, not rated) yesterday reported a 41% YoY growth in 2013 recurring earnings to P1.4b. Revenues were flat at P10.77b even as volume sales grew 24% but was weighed by declining commodities prices. The bulk of earnings growth came in 4Q13 which, at P360m, was 127% higher YoY. This was fueled by interest savings and an improvement in margins as the company shifted its product mix to higher-margin specialty products (from 66% of total to 68% of total). Gross profit margin expanded 3-percentage points to 18.6%.

**Philex reports net income of P312m for 2013:** Philex Mining (PX) posted a net income of P312m for 2013, indicating a turnaround from the loss reported in 2012. The results already incorporated the various one-off items including insurance proceeds, gain on sale of assets, and investments and inventory impairments. Core net income, excluding these items, fell 11% YoY to P1.508b. PX's results was weighed by the drop in commodity prices as revenues from gold shipments increased only 13% despite a 40% increase in production as realized price of gold dropped 21%. Copper production likewise increased 46% yet was affected by lower realized prices for copper.

- **Our Take:** The recovery of PX from its major accident in 2012 is welcome news and a notable achievement. However, the company still faces prospects of continued weakness in commodity prices and uncertain policies that is weighing on the entire sector. – *Matthew Sy-Tan*

### Headlines Abroad

#### Emerging-Market ETF Rallies as Brazil's Real Leads Gains

- **From Bloomberg:** The iShares MSCI Emerging Markets exchange-traded fund climbed 1.9% to \$39.75 at the close in New York
- Brazilian shares led gains in major emerging-market equity gauges after data showed the economy in the fourth quarter grew more than forecast as an increase in investment offset a drop in industrial production.
- China's swaps had the biggest drop in eight months as the central bank signaled cash supply is adequate.
- Russia's ruble fell to a record as the nation began military exercises amid deepening tensions in Ukraine.
- Withdrawals from U.S.-based ETFs investing in emerging-market equities and bonds totaled \$11.3 billion this year, already surpassing the redemption of \$8.8 billion for the whole 2013, according to data compiled by Bloomberg. Funds investing in European assets added \$5 billion in the first two months of 2014, compared with \$18 billion full-year inflows in 2013.

## TAKING STOCK

PSE Index (27 Feb 2014)

6,354.79	+32.19
Value T/O - net (P'b)	5.357
52wk High	7,403.65
Low	5,562.13
Foreign Buying (P'b)	4.091
Foreign Selling (P'b)	3.606



### Index Movers

ALI	+20.30
SMPH	+6.37
URC	+6.09
JGS	+5.63
ICT	-4.95

### Index Gainers

ALI	4.29%
JGS	2.33%
JFC	2.26%
SMPH	2.23%
URC	2.19%

### Index Losers

ICT	1.98%
DMC	1.45%
SMC	0.97%
SCC	0.97%
BPI	0.71%

### World Indices

S&P 500	1,854.29	+0.49%
FTSE 100	6,810.27	+0.16%
Nikkei 225	14,923.11	-0.32%

### Key Peso Cross Rates

USD-PHP	44.6600
JPY	0.4381
EUR	61.2062
CNY	7.2900
GBP	74.5457

### Key Commodities

BRENT CRUDE OIL (USD/bbl.)	108.96
GOLD 100 OZ FUTR (USD/t oz.)	1,332.20

Sources: Bloomberg, Technistock

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- Buy** We expect total return of more than 12% in the next 12 months
- Hold** We expect total return of -12% to 12% in the next 12 months
- Sell** We expect total return of less than -12% in the next 12 months



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