

Morning Briefing

Top Stories:

- **PH Unemployment and Manufacturing Production**
- **CNVRG and Netflix Package, MER 9M-2024 Gwh Sales Disclosed**

Markets

<u>PSEi</u>	<u>PH10Y</u>	<u>DJIA</u>	<u>S&P500</u>	<u>NASDAQ</u>	<u>US10Y</u>	<u>Gold</u>	<u>Oil</u>
7,537	5.830%	42,080	5,751	18,183	4.014%	2,622	73.915
-0.23%	-0.108	+0.30%	+0.97%	+1.45%	-0.014	-0.79%	-4.18%

US Markets

US markets rebounded after crude oil prices retreated. With the markets' rise, the average discount of the Mag7 to their consensus target prices also **shrunk to 6.2%** from 7.8% the previous day indicating a low ceiling for the surging US markets.

PSEi

The PSEi slipped by 0.23% to 7,537 yesterday. This was led by index stocks ALI (-4.84% to PHP36.40), MONDE (-3.11% to PHP10.60), and JGS (-2.34% to PHP27.15). The previous day's profit taking spilled over to morning trading, and there was some recovery in the afternoon for the PSEi. Asian markets were also mainly down. The PH10YTN rate has remained depressed in the vicinity of 2024 lows. With this, we expect the

PSEi to rise in an uptrend towards our estimate of **7,768 at 14.48x PER.**



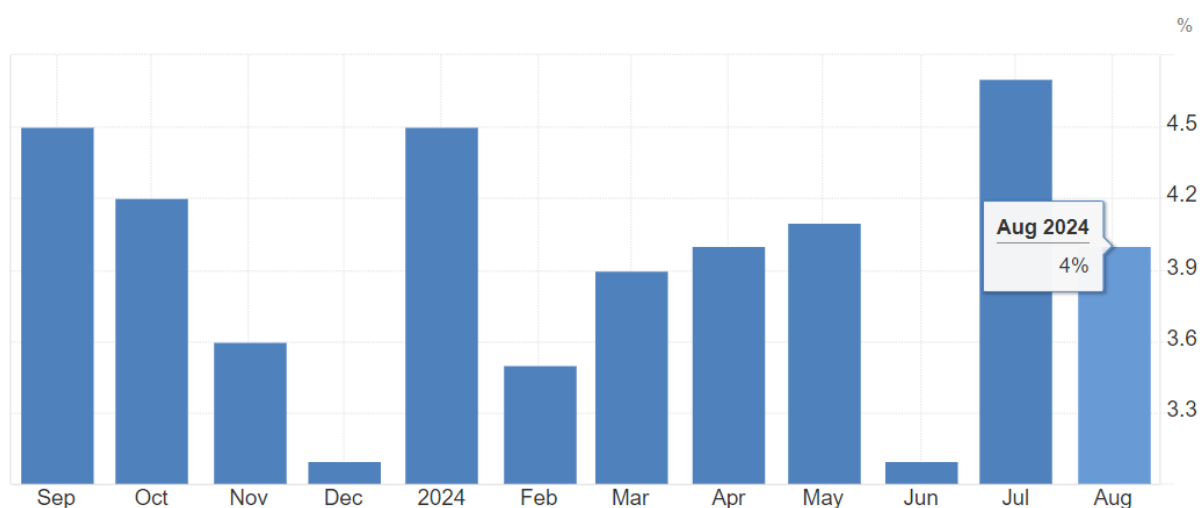
Source: [CNBC](#), [Trading Economics](#), [PSE/TradingView](#), and Asiasec Research

Economic News

Philippine Unemployment Rate

The unemployment rate in the Philippines **fell to 4%** in August 2024 from 4.4% in the corresponding month of the previous year. The number of unemployed persons notably **decreased to 2.07 million** from 2.22 million in August 2023, while **employment rose to 49.15 million** from 48.07 million a year earlier. Across broad industry groups, the **services sector** continued to be the largest employer, accounting for 63.3% of the total employed. Similarly, the **agriculture sector** made up 19.3%, while the **industry sector** comprised 17.4% of the total employed workforce. By sub-sectors, employment grew the most to wholesale and retail trade (+1.13 million), public administration and defense (+678 thousand), accommodation and food service activities (+537 thousand), other service activities (+380 thousand), and transportation and storage (+342 thousand). Meanwhile, the labor force participation rate edged up to 64.8% in August 2024 from 64.7% in the same month a year ago.

Source: [Philippine Statistics Authority](#)



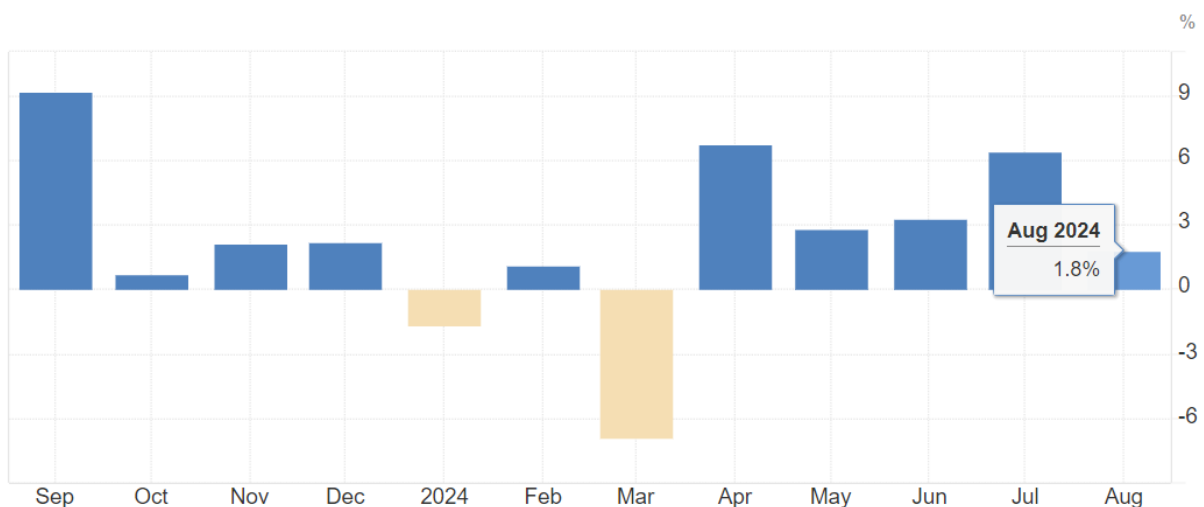
Philippine Statistics Authority

Source: [Trading Economics](#)

Philippine Manufacturing Production

Manufacturing production in the Philippines **rose by 1.8%** year-on-year in August 2024, slowing from an upwardly revised 6.4% jump in the previous month. It marked the **fifth consecutive period of growth** but the softest in the sequence, due to a **slower rise for most industries**, particularly manufacture of food products (1% vs 14% in July), computer, electronic and optical products (5.1% vs 15.2%), and coke and refined petroleum products (19.1% vs 11.6%). Additionally, output growth eased for transport equipment (3.7% vs 2.5%), machinery and equipment (18.2% vs 30.7%), rubber and plastic products (3.4% vs 5.5%), furniture (14% vs 42.4%), and wearing apparel (2.6% vs 8.7%). Meanwhile, production sharply rebounded for wood, bamboo, cane, and rattan (23.9% vs -5%), and leather and related products (8.4% vs -0.4%).

Source: [Philippine Statistics Authority](#)



Philippine Statistics Authority

Source: [Trading Economics](#)



Economic Calendar

Day / Time	Previous	Consensus	Forecast
Thursday October 10 2024			
9:00 am Balance of Trade AUG	\$-4.868B		
9:00 am Exports YoY AUG	0.10%		
9:00 am Imports YoY AUG	7.20%		
Friday October 11 2024			
9:00 am Foreign Direct Investment JUL			
Wednesday October 16 2024			
Cash Remittances AUG	\$3.08B		
Thursday October 17 2024			
3:00 pm Interest Rate Decision	6.25%		

Source: Trading Economics

H2-2024 Market Events Timeline and Outlook

July	August	September	October	Novemeber	December
Q2 earnings (late Jul-Aug)		US Fed 50 bps	Q3 earnings (late Oct-Nov)		Yearend window
- post-pandemic growth momentum	BSP 0.25% Rate Cut to 6.25%	Rate Cut Sep. 18	- post-pandemic growth momentum	Nov. 2 Fed Policy Meeting	dressing Dec. 18 Fed Policy Meeting
- Ave rev +5.1%	- Flattish	- US markets up	Oct. 17 BSP Policy Meeting	- likely rate cut	Dec. 19 BSP Policy Meeting
- Ave net inc +4.9%	PH10YTN rate	decline	- likely rate cut	US Presidential Elections Nov. 5	- likely rate cuts
	- Month long PSEi increase	- PH10YTN rate decline		- US markets up	- markets up
		- PSEi increase			

Source: Asiasec Research

Company News

CNVRG Offers New Netflix Subscription Package

CNVRG announced a new collaboration with Netflix, the Converge Netflix Bundle. In this offering, new and existing FiberX customers will be able to have both an internet and a Netflix plan. This includes a FiberX plan with 325 Mbps speeds for faster streaming, a Netflix subscription with a lock-in period of 36 months, a new WiFi-6 Next Gen Modem, and a Converge Xperience Box with Freemium Channels. The new Converge Netflix Bundle **starts at PHP1,798 per month.** We believe this subscription

package will increase FiberX subscribers due to the popularity of Netflix shows.

At PHP16.72 per share, CNVRG is trading at a 17% discount to its target price of PHP20.02 per share. It is also trading at 10.88x 2024F PER, a discount to the Services Index's 16.09x PER. CNVRG is a **STRONG BUY.**



Source: [PSE/CNVRG](#)

MER's 9M-2024 Gwh Sales

MER disclosed that its power sales **grew 7% YoY to 40,331 Gwh** in 9M-2024. This was minimized by La Niña but was within the company's target. For the month of September alone, sales were at 4,553.51 Gwh (+3.34% YoY) with residential, commercial, and industrial sales up by 4%, 4%, and 2%, respectively for the month.

MER's disclosed power sales of 40,331 Gwh is **in line with and**

82% of our forecast of 49,438 Gwh for 2024F.

At PHP489 per share, MER is trading at a 3% premium to its target price of PHP476.75 per share. It is also trading at 11.19x 2024F PER, a discount to the Industrial Index's 14.70x PER. Since its target price has been reached, MER is a **SELL.**

Source: [PSE/MER](#)



Oher Economic, Sector, and Corporate News

WB raises PHL’s 2024, 2025 growth forecasts

In its East Asia and Pacific Economic Update, the Washington-based multilateral lender now expects the Philippine economy to grow by 6% this year from 5.8%. The Philippines could become the second-fastest growing economy in Southeast Asia, behind Vietnam (6.1%) and ahead of Cambodia (5.3%), Indonesia (5%), Malaysia (4.9%), Laos (4.1%), Timor-Leste (3%), Thailand (2.4%) and Myanmar (1%). For 2025, it forecasts Philippine economic output to expand by 6.1% from 5.9% in its April forecast.

Source: [Businessworld](#)

Four more PHL airports to be privatized next year

AT LEAST four more Philippine airports in the countryside are expected to be privatized in 2025, the Department of Transportation (DoTr) said last week. This includes the Iloilo, Puerto Princesa and Kalibo airports.

Source: [Businessworld](#)

Meralco sees lower generation charge for October

MANILA Electric Co. (Meralco) expects a reduction in the cost of power procured from suppliers for the October billing cycle, attributed to lower electricity prices in the Wholesale Electricity Spot Market (WESM).

Source: [Businessworld](#)

Ayala Corp. secures USD200M loan from Metrobank

AYALA Corp. has secured a USD200M senior long-term loan from Ty-led Metropolitan Bank & Trust Company (Metrobank) to fund the expansion of the conglomerate’s investments in “emerging portfolios.”

Source: [Businessworld](#)

Filinvest Land adds fifth mall to portfolio

The opening of Filinvest Malls Dumaguete adds 3,759 sqm of gross leasable area (GLA) to the property developer’s shopping and dining portfolio in Luzon and Visayas.

Source: [Businessworld](#)

Manila Water expands solar projects

MANILA Water Co., Inc. is expanding its renewable energy portfolio as it begins the installation of solar power systems with a total capacity of 2.5 megawatt-peak (MWp) in its three facilities.

Source: [Businessworld](#)

Commodities

Significant Commodities Biggest Daily Movers: Iron Ore (+3.26%), Lithium (+2.72%), Cotton (-8.02%), Cheese (+8.97%), Rubber (+6.23%)

Source: [Trading Economics](#)

Dividends & Rights Calendar

Company Name	Type of Security	Type of Dividend	Dividend Rate	Ex-Dividend Date	Record Date	Payment Date
Megawide Construction Corporation	MWP4	Cash	1.325	Oct 11, 2024	Oct 14, 2024	Oct 29, 2024
COL Financial Group, Inc.	COMMON	Stock	25% of the Corporation's outstanding capital stock of 4,760,000,000	Oct 22, 2024	Oct 23, 2024	Nov 14, 2024
Century Properties Group, Inc.	CPGPB	Cash	1.8858	Oct 25, 2024	Oct 28, 2024	Nov 22, 2024
DDMP REIT, Inc.	COMMON	Cash	Php 0.0235610	Oct 30, 2024	Oct 31, 2024	Nov 26, 2024

Source: [PSE Edge](#)

Asiasec Equities Stocks Table

Stocks	Share Price (PHP/share)	Target Price (PHP/share)	Discount/ (Premium)	2024F PER (x)	2024F PBV (x)	Dividend per Share (PHP)	Dividend Yield	Reco
AC	737.00	820.76	10.2%	8.50	0.65	7.60	1.0%	BUY
ACEN	5.29	7.42	28.7%	18.81	1.40	0.05	0.9%	BUY
AEV	37.65	63.39	40.6%	7.25	0.62	1.40	3.7%	BUY
AGI	9.66	19.76	51.1%	3.21	0.22	0.15	1.6%	BUY
ALI	36.40	46.09	21.0%	1.32	0.89	0.08	0.2%	BUY
AP	38.80	63.23	38.6%	8.47	1.58	2.30	5.9%	BUY
APX	4.03	16.52	75.6%	5.41	1.34	0.08	2.0%	BUY
BDO	161.60	190.63	15.2%	9.07	1.38	3.90	2.4%	BUY
BLOOM	8.25	14.68	43.8%	11.95	1.68	-	0.0%	BUY
BPI	143.00	124.45	-14.9%	12.33	1.88	3.96	2.8%	SELL
CBC	59.45	79.17	24.9%	5.60	0.95	2.20	3.7%	BUY
CEB	36.10	41.09	12.1%	3.19	1.90	-	0.0%	LT BUY
CNPF	39.00	34.53	-12.9%	19.53	4.23	0.48	1.2%	SELL
CNVRG	16.72	20.02	16.5%	10.88	2.29	0.18	1.1%	STRONG BUY
DMC	11.90	11.73	-1.5%	7.85	1.07	1.44	12.1%	SELL
DNL	6.80	6.66	-2.1%	19.94	2.08	0.21	3.1%	SELL
EMI	18.74	12.05	-55.5%	39.07	4.27	0.24	1.3%	SELL
FB	53.60	96.98	44.7%	7.95	1.48	1.80	3.4%	BUY
GLO	2,460.00	2,589.13	5.0%	15.22	2.37	99.87	4.1%	BUY
GTCAP	723.00	1,030.66	29.9%	4.69	0.56	5.00	0.7%	BUY
ICT	438.00	359.12	-22.0%	24.32	7.25	11.39	2.6%	SELL
JFC	273.00	368.67	26.0%	32.42	6.72	3.13	1.1%	BUY
JGS	27.15	48.04	43.5%	7.91	0.44	0.40	1.5%	BUY
KEEPR	2.07	3.19	35.1%	9.51	1.77	0.10	4.8%	BUY
LTG	10.08	10.98	8.2%	3.86	0.36	1.20	11.9%	BUY
MBT	80.00	72.11	-10.9%	8.18	0.91	3.50	4.4%	SELL
MEG	2.21	2.60	15.0%	3.34	0.25	0.07	3.0%	BUY
MER	489.00	476.75	-2.6%	11.19	3.18	21.53	4.4%	SELL
MONDE	10.60	12.18	13.0%	21.82	3.05	0.12	1.1%	BUY
NIKL	3.93	4.39	10.4%	62.38	1.30	0.20	5.1%	LT BUY
PCOR	2.88	4.68	38.5%	1.70	0.23	0.10	3.5%	BUY
PGOLD	33.40	53.34	37.4%	11.14	1.29	0.90	2.7%	BUY
PNB	27.25	33.22	18.0%	1.97	0.19	-	0.0%	BUY
RLC	15.90	21.45	25.9%	5.73	0.50	0.65	4.1%	BUY
SCC	34.35	32.74	-4.9%	7.97	2.22	3.50	10.2%	SELL
SM	998.00	1,292.69	22.8%	14.91	1.45	9.45	0.9%	BUY
SMC	89.50	108.20	17.3%	NA	0.94	1.40	1.6%	LT BUY
SMPH	32.40	42.89	24.4%	22.48	2.16	0.35	1.1%	BUY
TEL	1,530.00	2,067.12	26.0%	11.46	6.06	92.00	6.0%	BUY
UBP	39.20	31.31	-25.2%	13.12	0.75	0.80	2.0%	SELL
URC	103.00	149.59	31.1%	14.23	2.11	3.80	3.7%	BUY
WLCON	16.92	24.81	31.8%	19.25	2.77	0.26	1.5%	BUY
Averages			17.4%	12.91	1.88		3.1%	

Source: Asiasec Research



Asiasec Equities Banks Table

Banks	Share Price (PHP/share)	Target Price (PHP/share)	Discount/ (Premium)	2024F/ttm PER (x)	2024F/H1 Dividend per PBV (x)	Dividend Share (PHP)	Dividend Yield	Reco
AUB	56.00	127.64	56.1%	4.36	0.79	2.33	4.8%	BUY
BDO	161.60	190.63	15.2%	10.97	1.56	1.75	2.1%	BUY
BNCOM	8.41	26.83	68.7%	4.48	0.38	0.25	0.0%	BUY
BPI	143.00	124.45	-14.9%	13.20	1.84	1.98	-3.1%	SELL
CBC	59.45	79.17	24.9%	7.07	1.05	2.20	3.7%	BUY
EW	9.88	22.04	55.2%	3.55	0.32	0.54	5.5%	BUY
MBT	80.00	72.11	-10.9%	8.01	0.98	5.00	6.2%	SELL
PBB	8.40	25.77	67.4%	3.46	0.37	0.45	10.7%	BUY
PNB	27.25	33.22	18.0%	2.25	0.21	-	0.0%	BUY
PSB	59.85	108.78	45.0%	5.19	0.61	3.00	5.0%	BUY
RCB	26.80	54.58	50.9%	6.21	0.43	1.01	5.5%	BUY
SECB	95.30	119.51	20.3%	7.45	0.52	1.50	3.2%	BUY
UBP	39.20	31.31	-25.2%	16.18	0.69	0.80	1.8%	SELL
Averages			28.5%	7.11	0.75		3.5%	

Source: Asiasec Research

Asiasec Equities REITs Table

REITs	Share Price (PHP/share)	NAV (PHP/share)	Discount/ (Premium)	Dividend per Share (PHP)	Dividend Yield	Reco
AREIT	38.00	48.22	21.2%	2.04	5.3%	BUY
CREIT	3.06	2.66	-15.0%	0.20	8.0%	SELL
DDMPR	1.07	1.07	0.4%	0.10	9.3%	BUY
FILRT	3.05	3.79	19.5%	0.26	8.9%	BUY
MREIT	13.48	18.39	26.7%	0.99	7.3%	BUY
PREIT	2.13	2.14	0.3%	0.15	7.4%	BUY
RCR	6.08	7.64	20.4%	0.52	6.4%	BUY
VREIT	1.78	3.19	44.2%	0.18	4.1%	BUY
Averages			14.7%		7.1%	

Source: Asiasec Research

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Semirara Mining and Power Corp.



(PM: SCC)

Sector/Subsector: Industrial / Electricity, Energy, Power, and Water

SELL

Current Price: PHP34.35

Target Price: PHP32.74

The Coal Price Rebound

SCC’s earnings have been contracting since 2022 as **59% of its net income comes from coal** mining. Coal prices have fallen from its all-time high of USD457.80 per ton in September 2022. However,

there has been a **recent rebound** in coal prices from USD137.25 per ton on September 16, 2024, to the current USD153 per ton (in the yellow circle below).

Coal One-Year Price Chart



Source: [Trading Economics](#)

The rebound in coal prices was driven by **ongoing imbalances** in global energy supply and demand. In China, heavy rains have led to reduced coal production, at the same time when industrial consumption has been on the rise. Moreover, China’s central bank has introduced stimulus measures to counter the economic slowdown, further boosting coal demand.

Meanwhile, India reported a 16% decline in Renewable Energy (RE) output, coupled with a 15% increase in coal-fired power generation over the past week. Additionally, the Ukrainian coal-mining city of Vuhledar has been occupied by Russian forces.

Coal Five-Year Price Chart



Source: Trading Economics

At the current USD153 per ton, coal price is still higher than its mean of more than 14 years of **USD113.64 per ton** (above). In addition, various groups have recognized

the short-term rebound but **have not changed their dim outlook** on coal price (please see table on the next page).



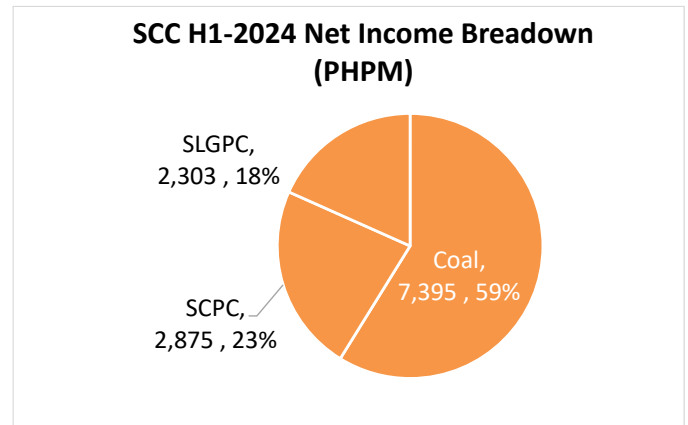
Coal Price Forecasts

Group	Coal Type	2023	2024F	2025F
World Bank	Australian	172.80	125.00	110.00
Trdg. Economics	OTC & CFD	146.40	142.85	153.07
Statista	Semi-soft coking	201.30	168.80	144.10
Statista	Hard coking	267.70	228.40	202.60
KPMG	Semi-soft coking	201.30	163.90	153.70
KPMG	Hard coking	267.70	257.90	233.80
Average		209.53	181.14	166.21
Pct Change			-14%	-8%

Source: from the various groups

We believe that the price of coal will **eventually stabilize** around its mean of more than 14 years of USD113.64 per ton after its decline up to 2025. The long-term outlook for coal is still dim with the **global shift to RE** from thermal. Even coal-hungry China, which accounts for around half of global coal consumption, has a recovery in the use of hydropower.

Our projections show that SCC’s coal revenue will stabilize at PHP23.7B from 2026 onwards along with coal prices. SCC’s gross profit is also projected to hover at around PHP25B in that period. The short-term rebound in coal prices is a favorable reprieve for SCC. However, it **does not veer** from its projected decline until 2025.



Source: SCC

At PHP34.35 per share, SCC is trading at a 5% premium to our target price of PHP32.74 per share. It is also trading at 7.97x 2024F PER, a discount to the Industrial Index’s 14.70x PER. SCC is a **SELL**.



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