



**THE PHILIPPINE STOCK EXCHANGE, INC.
DEVELOPMENTS IN THE PHILIPPINE STOCK
MARKET**

FACTORS THAT LED US TO BE AMONG THE BEST

**Hans B. Sicat
President and CEO**

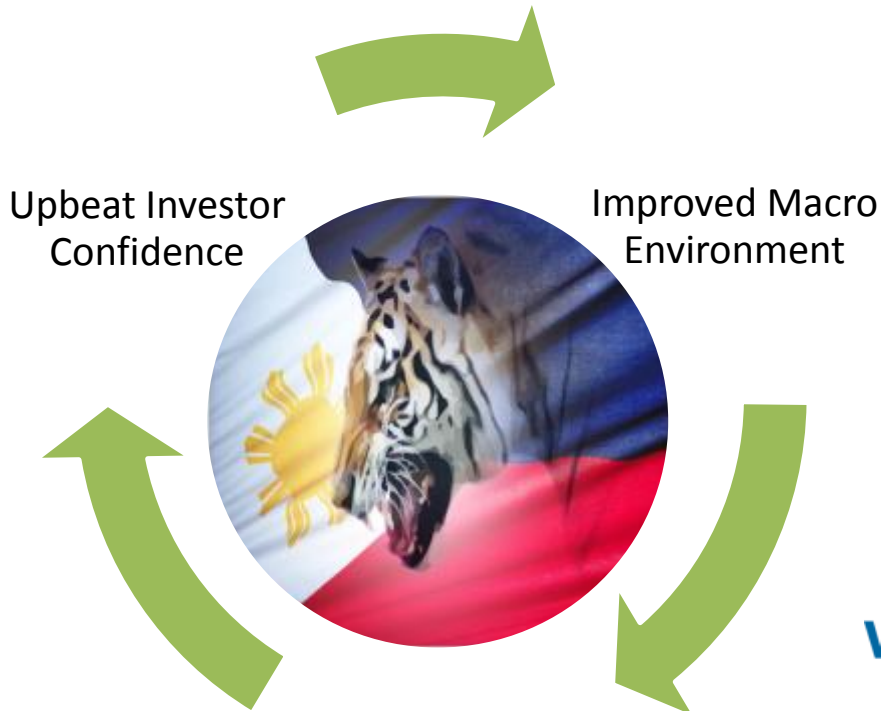
07 NOV 2013



Discussion Outline

- ❖ Economic Performance
- ❖ Stock Market Highlights
- ❖ Outlook
- ❖ New PSE Strategy

Economic Snapshot



Investment Grade

FitchRatings **STANDARD & POOR'S**

Indicator	Latest
GDP Growth (in %)	7.6 (1H13)
Ave. Inflation (in %)	2.9 (Oct)
Latest 91-Day T-Bill Rate (in %)	0.001 (Oct)
WEF Competitiveness Ranking	59 (2013)

wfe WORLD FEDERATION OF EXCHANGES

Consistently included among the best performing indices in the world since 2010

Bloomberg

Topped the “Bloomberg Riskless Return Ranking” among ASEAN indices in 2012

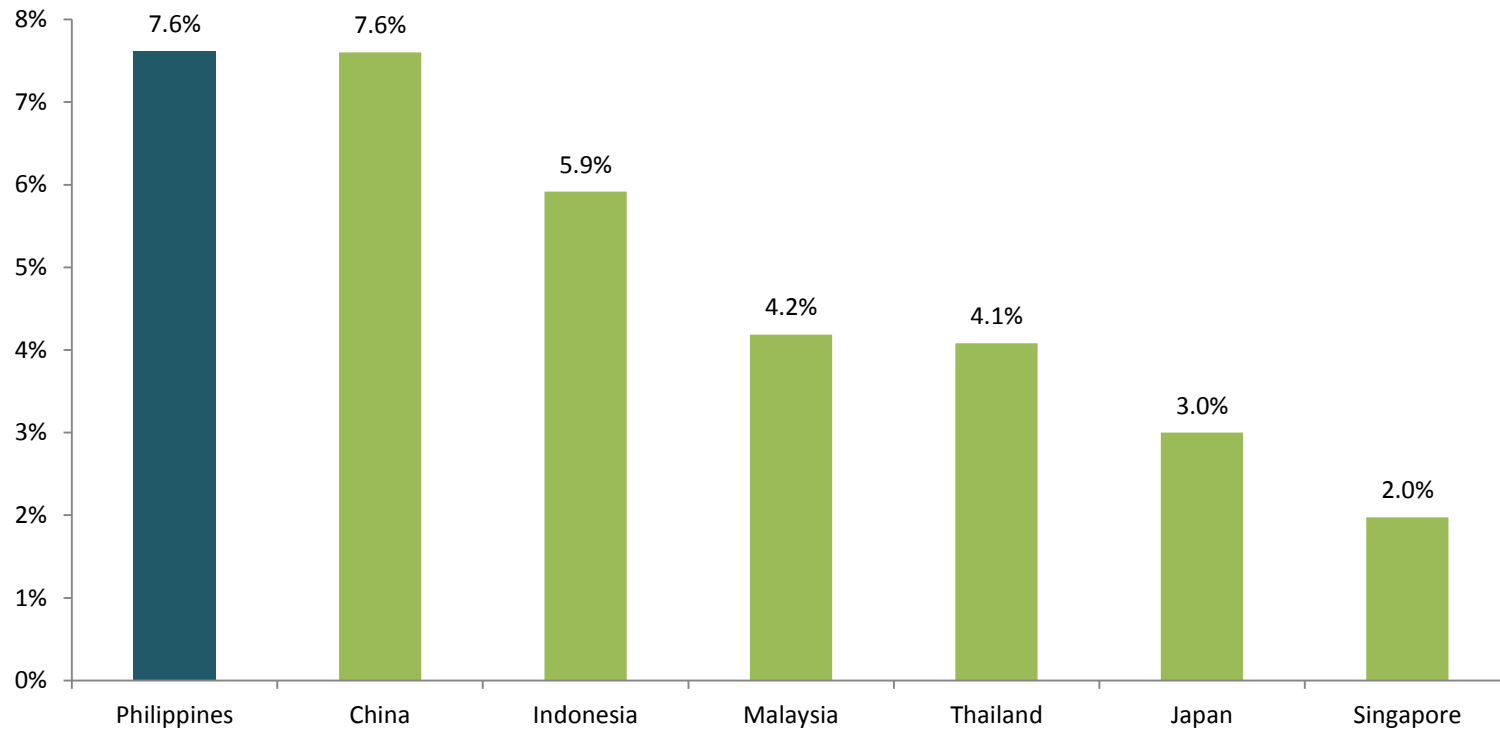
CNNMoney

Identified as the fifth hottest stock market in the world in April 2013



PH Outperforms Peers

1H 2013 GDP Growth

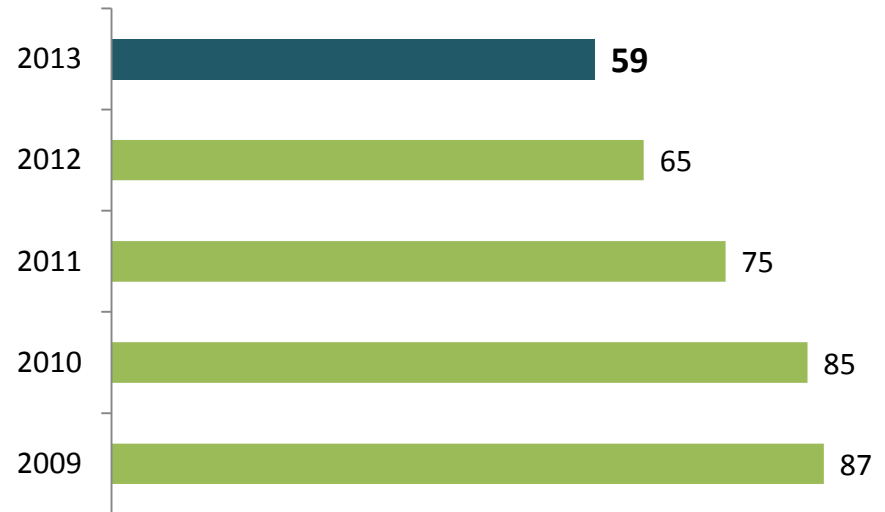


Source: National Statistical Coordination Board, Bank Indonesia, Department of Statistics Malaysia, Bank of Thailand, and Singapore Department of Statistics, Economic and Social Research Institute of Japan, National Bureau of Statistics of China

Improved Competitiveness

Global Competitiveness Index Ranking

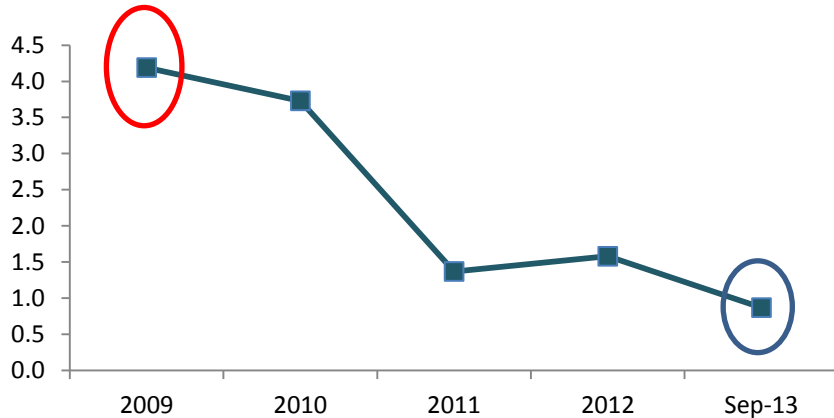
Country	2011	2012	2013
Singapore	2	2	2
Malaysia	21	25	24
Brunei	28	28	26
Thailand	39	38	37
Indonesia	46	50	38
Philippines	75	65	59
Vietnam	65	75	70
Cambodia	97	85	88



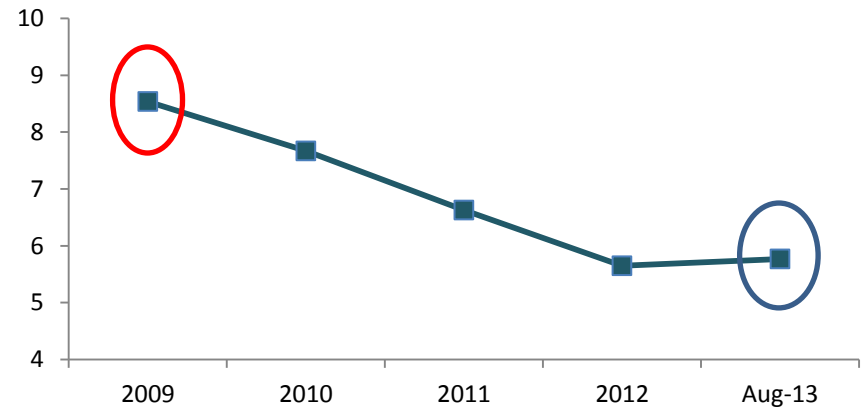
- ✓ PH as one of the most improved in the world since 2010
- ✓ Posted gains in nine out of 12 pillars
- ✓ Key drivers: 1) Innovation (25 notches)
2) Institutions (15 notches)
3) **Financial Market Development** (10 notches)

Favourable Business Environment

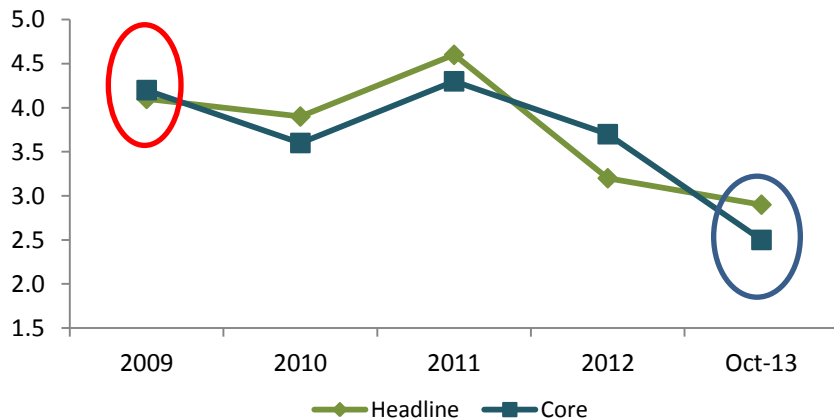
**91-day T-Bill Rate (in %)
2009-2013 (Latest)**



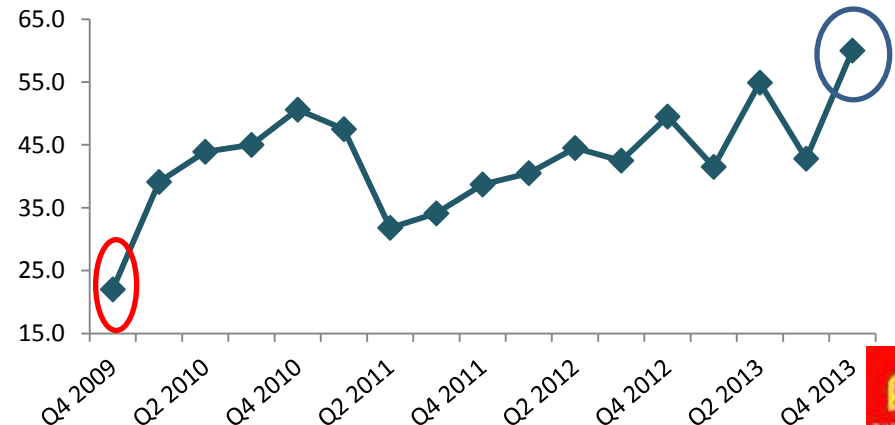
**Bank Average Lending Rates (in %)
2009-2013 (Latest)**



**Average Inflation Rate (in %)
2009-2013 (Latest)**



**Business Confidence Index (in %)
2009-2013 (Latest)**



Robust Consumer Spending

PH to enter into a “Demographic Window” from 2015 to 2050

- A period of high economic growth brought about by a growing number of people entering the productive ages of 15 to 64 years

- ✓ Strong consumer confidence
- ✓ Strong OFW remittances and BPO sector
- ✓ Weaker peso and benign inflation

Population below 15 to drop below 30% of total population after 2015

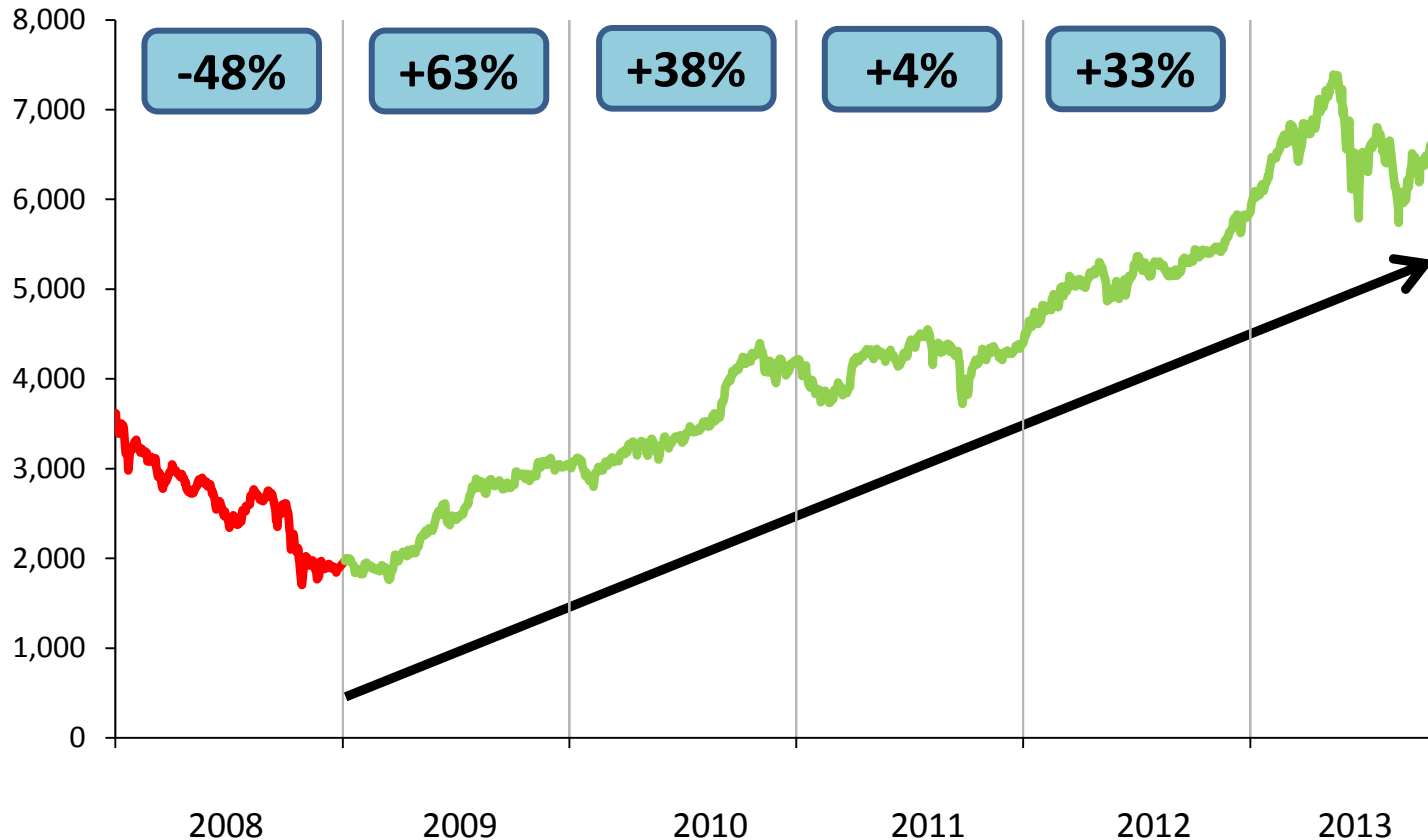
From 2015-55, productive population shall grow by 48%, outpacing the rise in dependent population (11%)

Productive population will peak at 69.7% in 2055

Stock Market Highlights



PSEi Performance



+11%
as of Nov. 6,
2013

Record Close:
7,392.20
on May 15,
2013

31st
All-Time High
in 2013

Listed Companies 1H 2013 Net Income



4.4%

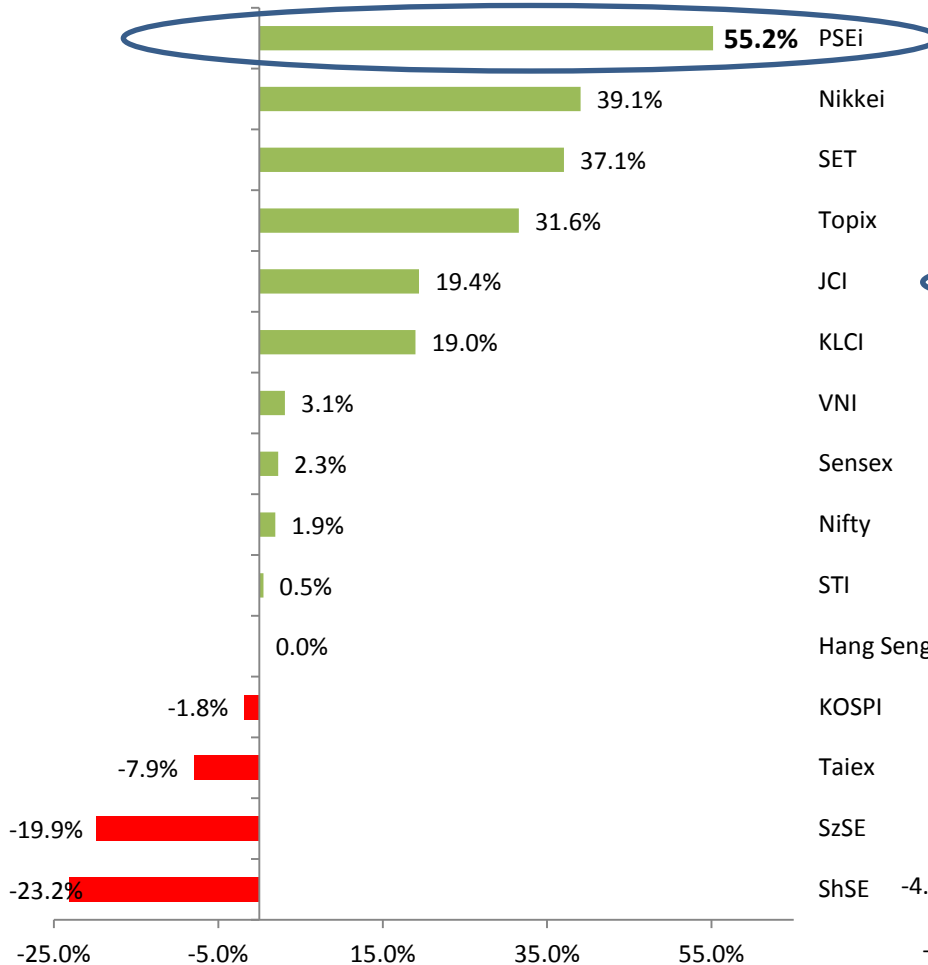
Listed Companies 1H 2013 Total Revenues



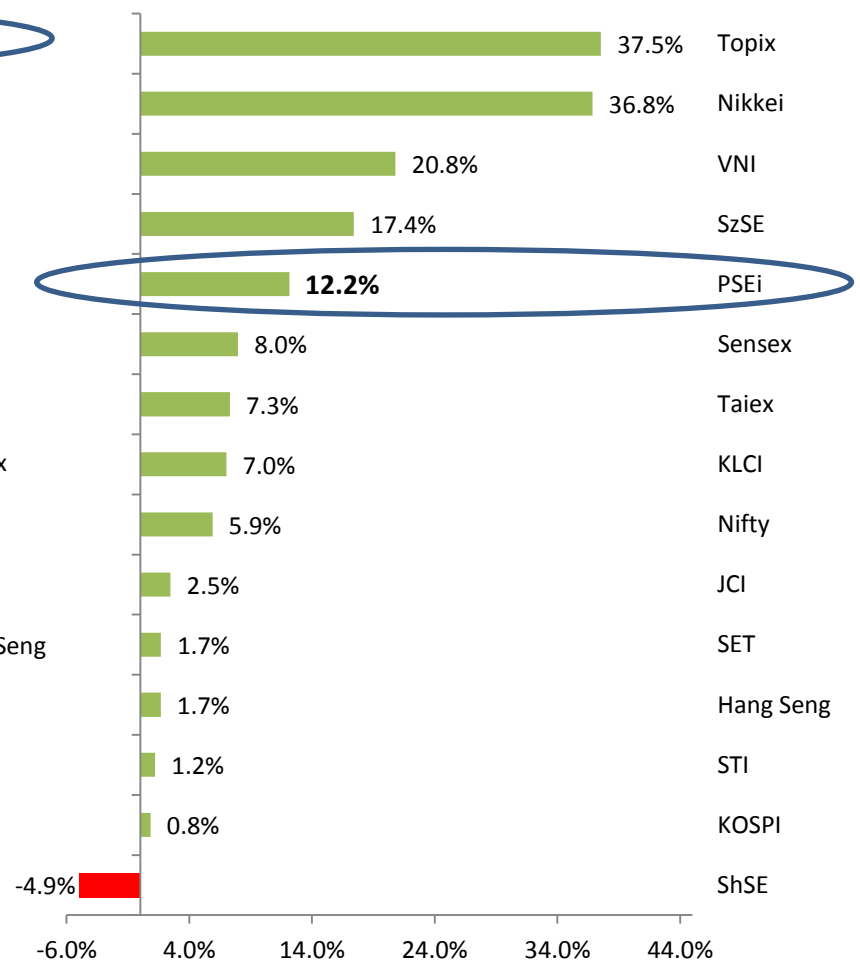
9.0%

PSEi vs. Asian indices

2010 vs. November 5, 2013



YTD as of November 5, 2013

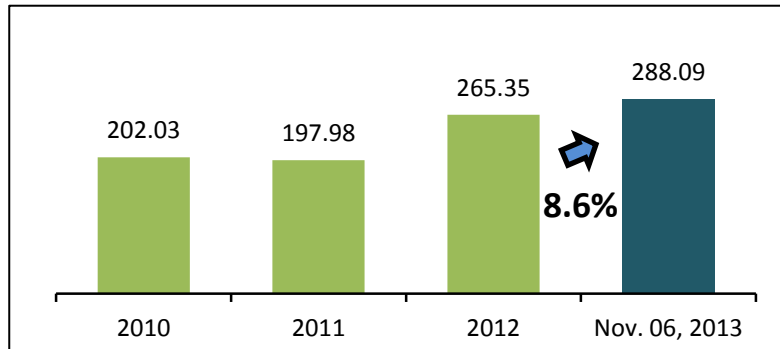


Source: Bloomberg

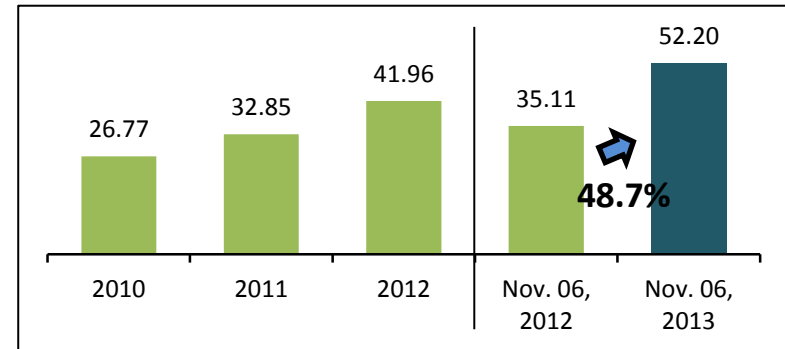


Stock Market Highlights

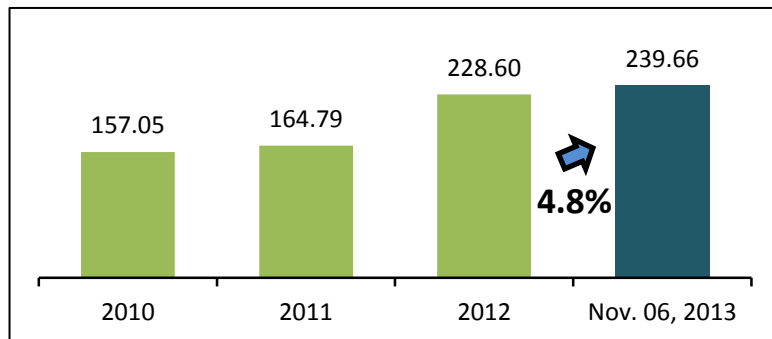
Total Market Capitalization (in US\$ Bn)



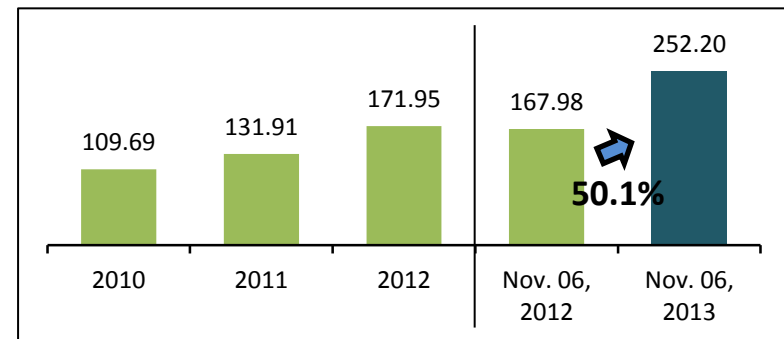
Total Value Turnover (in US\$ Bn)



Domestic Market Capitalization (in US\$ Bn)



Average Daily Value Turnover (in US\$ Mn)

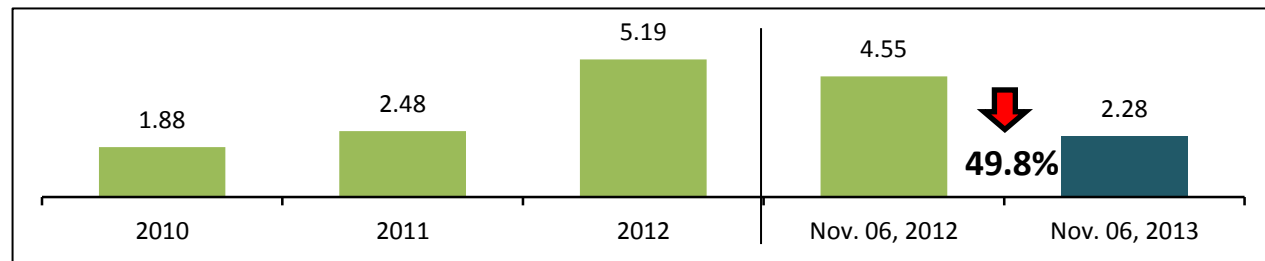


Stock Market Highlights

**Net Foreign Transaction
(in US\$ Bn)**



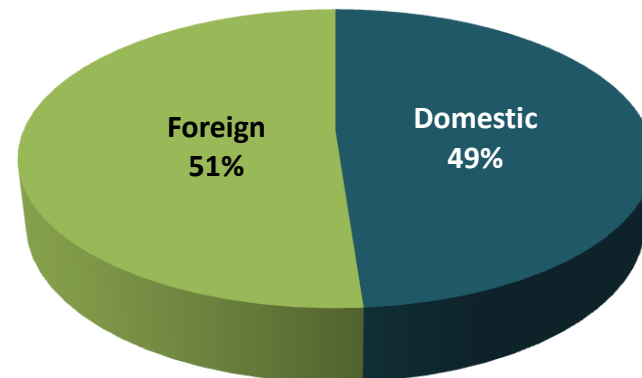
**Capital Raised
(in US\$ Bn)**



**Share to Total Capital Raised
(as of November 6, 2013)**



**Share of Foreign to Total Trading
(as of November 6, 2013)**



Key Milestones

Increased Liquidity

- Extended trading hours until 3:30 PM
- Implemented 10% MPO requirement
- Modified sector classification
- International roadshows
- DMA rules

Integrated Market Education Programs

- Launched regional resource centers
- Increased presence in social media platforms
- Established partnerships with academic institutions for a specialized course on capital markets



@Hbsicat

Enhanced Corporate Governance

- Launched Total Market Surveillance
- Conducted the 1st PSE Bell Awards
- Enhanced Listing Rules for Main and SME Board



Outlook



PH Outlook

Global financial institutions raise Philippine GDP forecast for 2013



"The Philippines remains our **preferred macro story** in the region.."

2013 GDP growth forecast: 7.2% (from 6.8%)



"The Philippines has **strong capacity to ride out any storm.**"

2013 GDP growth forecast: 7.0% (from 6.0%)



"Amid the challenging global environment, **the Philippines is expected to sustain higher growth** in the medium term."

2013 GDP growth forecast: 7.0% (from 6.2%)



"..We are **strong believers** in the Philippines' story."

2013 GDP growth forecast: 6.8% (from 5.5%)

Opportunities

Financials

- Improved earnings momentum from lending and fee-based activities
- Consolidation in the banking industry
- Strong capitalization base of local banks

Property

- Strong demand for residential and office space
- Development of affordable housing units

Industrial

- Continued development of infrastructure
- Continued upgrading and expansion of power generation companies

Services

- Increasing tourist arrivals
- Development of gaming and entertainment hubs

Risks in the Short Term

Tapering of the US QE Program

- When and how much it will be tapered?
- Investment outflow from PH, but a possible rise in exports
- Increasing interest rates
- Weaker currencies

Natural Disasters

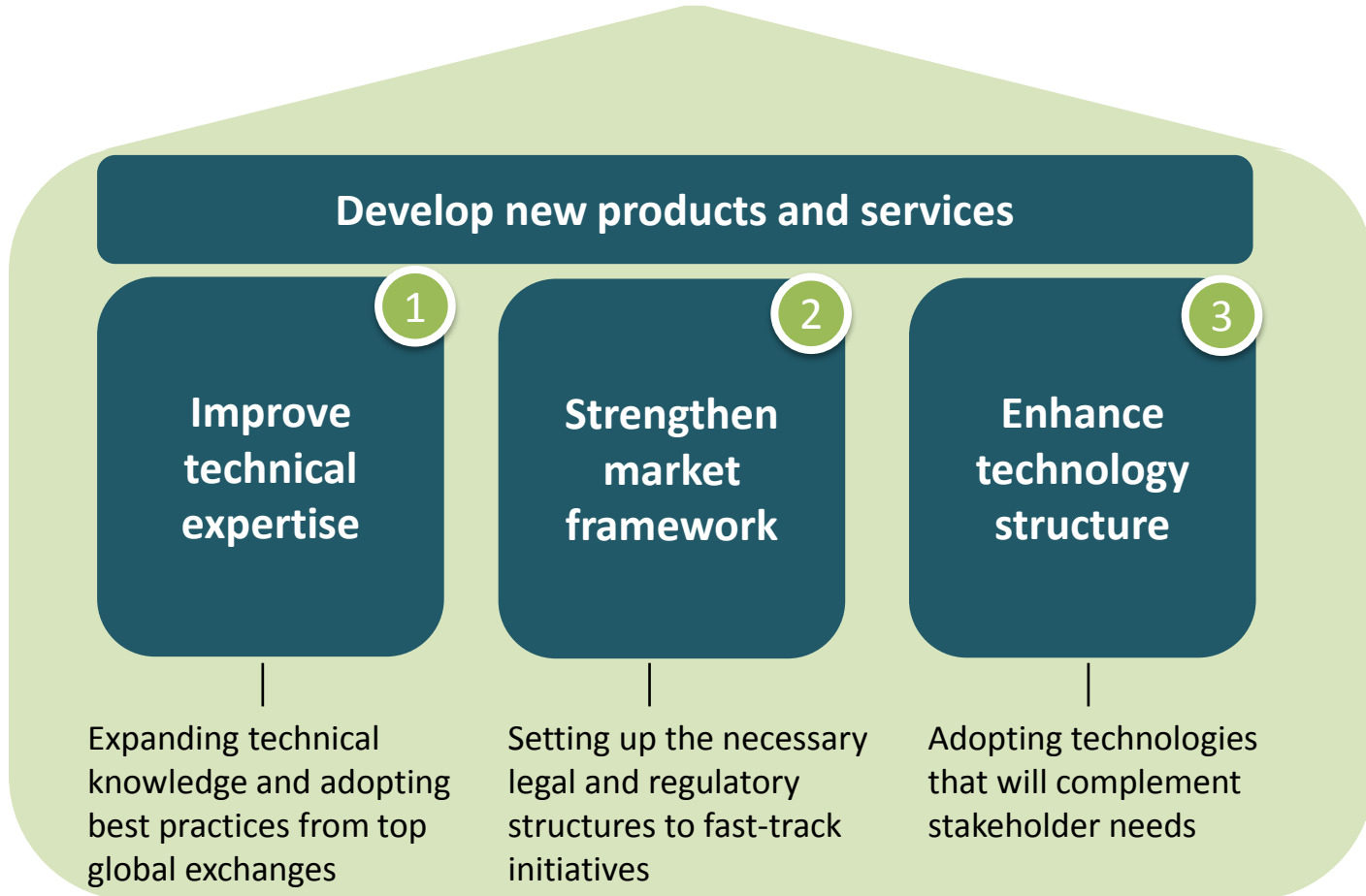
Lack of inclusive growth

New PSE Strategy



New PSE Strategy

A World-Class PSE



Development of New Products



Exchange Traded Funds

- PSE ETF rules approved by the SEC on June 20
- PSE currently accepting and processing ETF applications
- First ETF listing eyed in December



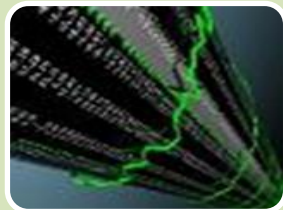
Personal Equity and Retirement Account

- Accreditation exam for qualified administrators conducted on Mar. 15.
- PSE conducted a PERA seminar in partnership with TOAP on Oct. 16-17.
- BSP, SEC, IC and BIR are in the process of finalizing the requirements for qualified institutions and products for the PERA program.



Shari'ah Compliant Listed Companies

- PSE to publish a list of Shari'ah-compliant listed companies within the year



Index Options and Futures

- MOA with SGX inked on March 12
- Based on MSCI Philippines Index
- Listing in Singapore eyed in latter part of November

Development of New Services



PSETradex

- Online trading platform launched last April 1
- Aims to augment the number of online investors in the Philippines
- Two broker partners launched in October



Depository

- Increases operational efficiency and reduces friction costs for market participants
- The SEC granted the Securities Clearing Corporation of the Philippines a provisional license to operate as a depository in February



Upgraded Issuer Disclosure System

- PSE EDGE or Electronic Disclosure Generation Technology
- Technology acquired from Korea Exchange
- In development; target launch by year-end



Securities Borrowing and Lending

- Mechanism to facilitate price stability through short selling and market making, and supports derivative/arbitrage strategies
- Ongoing discussions with potential lenders and users of SBL

Thank You

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