Stock Exchange: Broken records, clogged telephone lines

STOCK MARKET

Where the bulls continue to reign

The day begins at the Manila Stock Exchange with a spurt and ends as trade orders thin down. For as orders start bulging, telephone lines get clogged, briefcase-toting traders inch their way through colleagues to execute order for their clients, cars crowd parking lots bumper-to-bumper and stockbrokers swarm the galleries or rush for the telephones to contact their clients. This harried activity is repeated at the Makati Stock Exchange.

Week after week, the stock tradings in both the Manila and Makati stock exchanges register whooping turnovers. Two weeks ago, both exchanges put up a total turnover of P147 million the third new high since October 1972.

Stock trading has remarkably improved during fiscal year 1972-1973. After almost two years of bearish market activity, the stock exchanges traded a total of 64,317,159.014 shares amounting to P2,303,956,852.15 last year. The Securities and Exchange Commission noted in its report that compared to the previous fiscal year's record of 17,219,461,045 shares with an aggregate value of P432,695,930.98, the stock markets registered a total turnover of 47,097,697.969 shares last year or a 247 percent increase in volume and P1,870,260,921.17 or 432 percent increase in value.

The highest point was reached on February 26, 1973 when 2.6 billion shares worth over P100 million were traded in one day.

February's stock trading rampage was accurately traced to the incentives offered by the government and the infusion of capital into the stock exchanges from investors in Singapore and Hongkong. It was likewise generated by oil exploration contracts signed between American-based Chevron-Texaco-Jinico and the Philippine Petroleum Board and the on-going operation of Triton consortium in the Sulu-Palawan area which is considered to be the most probable site for an oil strike.

The 10 percent dollar devaluation last February also caused the weakening of the Hongkong money market where stock returns never went lower than HK$600 million. This was the result of the increase in prices of gold, silver and copper which are found in the Philippines in abundance.

Stock trading actually gained momentum on October 1, 1972. That day, the Manila and Makati stock exchanges accounted for 138,919,540 shares valued at P2,183,507.50. "Fantastic, fantastic! " Makati's Irving I. Ackerman exclaimed. "Between 1:30 p.m. and 3 p.m., we were so busy at the boards that I was sweating all over and I could not attend to anything else." For October, shares in both exchanges totalled 5,769,055,434 worth P87,626,000.09. With price corrections marking the trading, February recorded 15,829,332,676 shares valued at P503,325,974.00.

These unprecedented surges of stock trading are expected to continue as investment opportunities continue to improve. In the domestic front, infrastructure projects are pushing up the money supply as well as foreign exchange receipts to a record level, resulting in substantial liquidity. Cash availability brought in soft interest rates at the money market, especially for inter-bank call loans.

Several Central Bank circulars allowing foreign investors to deposit dollars in domestic banks and dollar holders to buy or sell Philippine shares and the marked improvement in the balance of payments all contributed to this liquidity.

But the bullishness in the stock market was directly spurred by several presidential decrees and rules and regulations issued by the SEC to spur trading and protect the investing public.

Among the new SEC rules are:

- the disclosure of material facts of corporations whose securities are listed in any stock exchange or registered/licensed under the Securities Act;
- suspension of trading of a listed security when its price moves up or down drastically without known cause or reason;
- the prompt delivery by stockbrokers to their customers of all cash or stock dividends received by them for securities held in trust by such brokers for the account of the customers;
- the regulation of trading by a broker or dealer who is a director or officer of the issuer of a listed security which would allow the broker or dealer to trade in behalf of customers of such listed security within 6 months from date of acquisition.

Related factors that fuelled heavy trading were easier credit, low interest rates and all-out government assistance to industries.

Given all these favorable conditions, the Manila and Makati stock exchanges will see more telephone lines clogged and records broken.

INSURANCE

GSIS helps plug the dollar drain

It is sometimes paradoxical that while there are over 140 domestic non-life insurance companies in the Philippines today, none of the bulk of insurable assets and properties of the government are insured against losses. The primary reason is that the combined net worth of all these firms amounting to about P200 million is only a fraction of the P4-billion worth of government properties that are still uninsured.

This limited capability to absorb insurance of large volumes has also caused a heavy drain on the country's dollar reserves. Local importers and exporters insure their shipments through foreign insurance companies whose premiums and policies are quoted in dollars.

All these problems are sought to be corrected by Presidential Decree 245 (July 13) which amends R. A. 656 and converts the Property Insurance Fund of the Government Service Insurance System into a General Insurance Fund.

The decree will make it possible for the GSIS to insure all government properties as well as allow it to engage in full-scale domestic and foreign insurance operations.

The decree also allows the GSIS to develop its own capacity to cede or receive reinsurance placements within the country and abroad.

A large volume of insurance business has been lost to foreign insurers due to the fact that foreign suppliers of Philippine imports or buyers of Philippine exports require local insurance firms to denominate the corresponding insurance policies in dollars or other foreign exchange. To correct this, the Office of Insurance Commission issued circulars in 1970 to prevent or at least minimize the outflow of foreign exchange due to excessive recourse to foreign insurance and reinsurance facilities. The circulars ordered local insurers to voluntarily cede their excess risks to other companies authorized to do business in the Philippines before they entered into reinsurance arrangements with foreign insurance firms.

The decree now empowers the GSIS, through its General Insurance Fund, to issue policies as well as surety bonds in any foreign currency provided such liabilities are sufficiently matched by foreign exchange assets. This means that local insurance firms can now reinsure through the GSIS instead of through foreign insurance companies.

The decree states that the GSIS has the power and authority to, among others, "issue policies denominated in any foreign currency, provided that a certain minimum percentage to be determined by the System in consultation with the Insurance Commission shall be reinsured abroad and provided that the Fund's liability in any foreign currency shall be covered by a minimum amount of foreign exchange assets which may include forward purchases of foreign exchange from the Central Bank in accordance with rules and regulations to be formulated by the System in consultation with the Insurance Commission and subject to pertinent Central Bank rules, regulations and policies."

In issuing the decree, President Marcos said the authority given the GSIS to engage in wide-scale domestic and foreign insurance arrangements will not diminish the business of local insurers but will, instead, raise the total volume of insurance transactions. Private insurers, in such transactions, will participate through increased reinsurance cessions through the GSIS. In other words, reinsurance accepted from abroad will in turn be "retroceded" to local insurance firms.

The decree is also expected to produce four major advantages to the government and country:

1. It will enable the GSIS to insure the vast assets, properties and installations of the government, such as the Manila International Airport, power and generation facilities and the Greater Manila Terminal Food Market;
2. It will allow the GSIS to earn foreign exchange in the course of its international reinsurance operation;
3. It will "capture" for the country large amounts of insurance business which are at present lost by default to foreign insurance companies.
4. It will enhance the position of Manila as a growing Asian center for international finance.

The expanded GSIS operation has been welcomed by major brokers, underwriters and reinsurers abroad. GSIS General Manager Roman Cruz reported that during his trips to London, Zurich, Munich and other world insurance centers to discuss possibilities of expanding the reinsurance facilities of GSIS and the possibility of opening a two-way traffic in the international reinsurance operation, major insurance firms welcomed the prospects of entering into a partnership with the GSIS.