

# DAILY MARKET PRIMER

10 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,059.38 (+0.12%)	73,685,925.74	(2,913,625.10)	26.00 (+0.54%) = 1,411.31	54.232

## MARKET OUTLOOK

- Stocks eked out gains on Tuesday after posting losses for most of the session, as foreign investors continued to flee the market without any signs of new catalysts to bring them back.
- Nobody is popping any champagne bottles just yet as the recovery remains minimal.
- The index traded weakly the entire day, weighed down once again by net foreign selling. The PSEi was saved by a round of MOC (market on close) buying however, which caused it to close a bit higher.
- Foreign outflow continues to be a drag. Both the absence of positive catalysts, and the combination of disappointing economic numbers drove investors to reduce exposure to the market, and prevents re-entry.
- This is attributed to foreign investors' preference for more developed countries versus emerging markets, as the US economy showed its continued strength alongside rising yields on 10-year US treasury notes.
- Domestic funds with increased risk-appetite due to cheaper valuation of 2<sup>nd</sup> to 3<sup>rd</sup> tier stocks will not be enough to attract volume.
- If the PSEi breaks 7,000, the market could be headed for 6,500. The PSE index's initial support at 6,923, or its intraday low so far this year.
- There's a potential that this downtrend could linger for a few more months.
- The market could remain lackluster amid fears on the US-China trade war, as investors shrug off the People's Bank of China's (PBOC) efforts to inject more money into the Chinese economy.

## ECONOMIC HIGHLIGHTS

### Trade Balance

- The country's trade deficit widened to \$18.94-bil in the first semester of the year as imports continued to significantly outpace exports, the Philippine Statistics Authority (PSA) reported yesterday.
- Total external trade in goods in the first six months of the year rose 6.2% to \$84.73-bil from \$70.82-bil in the same period last year, the PSA said in its updated trade report.
- Imports grew 13.2% to \$51.84-bil in 2018 from \$45.78-bil previously. Exports, on the other hand, declined by 3.4% from \$34.04-bil in 2017 to \$32.89-bil in 2018.
- This brought the country's balance of trade in goods to \$18.94-bil deficit in 2018, higher than the \$11.75-bil deficit in 2017.
- Electronic products continued to rake in the most dollars for the country with revenues of \$18.33-bil in the first semester of 2018, up 5.4% from \$17.40-bil in 2017. Outbound shipments of electronic products made up 55.7% of export revenues during the period.
- Other top exports during the period were machinery and transport equipment; metal components; ignition wiring sets; gold; copper cathodes; coconut oil; and other mineral products.
- Electronic products were also the country's largest imported commodity in the first semester with inbound shipments rising 16% to \$37.88-bil, comprising 73.1% of import payments.

## ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.0% (Q2 2018)	<b>Unemployment Rate</b>	5.4% (July 2018)	<b>GIR</b>	US\$75.161-B (September 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P2.6-B) (August 2018)	<b>Exports Growth Rate</b>	0.3% (July 2018)	<b>BOP</b>	US\$1.272-B (August 2018)
<b>Inflation</b>	6.7% (2012 BY) (September 2018)	<b>Imports Growth Rate</b>	31.6% (July 2018)	<b>O/N RP</b>	5.00% (as of September 27, 2018)
<b>91-day T-Bill Rate</b>	3.549 (as of September 10, 2018)	<b>Cash Remittances</b>	US\$2.401-B (July 2018)	<b>O/N RRP</b>	4.50% (as of September 27, 2018)

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### ECONOMIC CALENDAR

#### Wednesday, October 10

- Balance of Trade (Aug.)
- Exports YoY (Aug.)
- Imports YoY (Aug.)
- Foreign Direct Investments (July)

#### Monday, October 22

- Budget Balance (Sept.)

### ECONOMIC HIGHLIGHTS (continued)

#### Trade Balance (continued)

- Other top imports during the period were fuels; transport equipment; industrial machinery and equipment; iron and steel; food and live animals; telecommunication equipment; plastics; and cereals.
- Trade still remained the most robust among traditional trade partners such as China, Japan, Korea, which has trade deficits with the Philippines during the period.
- Export-wise, the biggest sales comes from electronic products and machinery. Import-wise, most of the inbound shipments from these countries were electronic products, iron and steel, industrial equipment and fuel.
- The country maintained a trade surplus with US, Hong Kong in the first semester. The bulk of the exports to these destinations were electronics and manufactured goods and gold.
- Import-wise, most of the inbound shipments from these countries were cereals, animal feed stuff and fuels.
- The Philippines also had active trade activity with Singapore and Thailand as well as European Union countries of which trade with Germany was strongest.
- Major goods exported to the EU were electronics, machinery and transport equipment, coconut oil, tuna, and manufactured goods.

#### FINL

- A BILL seeking to amend Republic Act No. 7042, or the Foreign Investments Act of 1991 in order to further open up the Philippine economy to foreign participation secured committee-level approval in the House of Representatives on Tuesday.
- House Bill No. 4067, authored by Deputy Speaker Arthur C. Yap of the 3rd district of Bohol, proposes to delete provisions relating to the “practice of professions” from the Foreign Investment Negative List (FINL), thereby lifting the restriction on foreigners practicing their professions in the Philippines.
- The measure also proposed to reduce the hiring threshold of foreign businesses wanting to set up shop in the Philippines with a minimum \$100,000 paid-in capital to 15 direct hires from 50 currently under RA 7042.
- “Hopefully, with these two changes, we can be faithful to the spirit of the Foreign Investments Act and that is to continually liberalize and open up the economy to foreign investments, thereby creating jobs,” Mr. Yap told the joint hearing of the Economic Affairs and the Trade and Industry committees.
- John D. Forbes, senior adviser of the American Chamber of Commerce of the Philippines, Inc. (AmCham), told lawmakers at the hearing: “This law, if it’s legislated, along with the PSA (Public Service Act), which has been passed in the House but not yet in the Senate, would put meat on the bones of that point [of President Rodrigo R. Duterte’s socioeconomic agenda] because, so far, since that (agenda) was released in 2016, no legislated reforms have been heard, so we encourage the Congress to continue with this and others.”
- The House earlier approved House Bill 5828, amending the Public Service Act by providing a clearer definition of public services and public utilities in order to lift foreign ownership restrictions in telecommunications.
- “The Philippines has created since the 1987 Constitution the perception that it’s closed to foreign professionals,” Mr. Forbes said. “I think the foreign chambers would like to support the proposal of the Deputy Speaker to simply remove it from the Foreign Investments Act.”
- On the proposed change in direct hiring threshold, he added: “For \$100,000 you cannot employ 50 workers because the minimum wage of the National Capital Region, when this was legislated, was P142, today it’s P475,” he explained. “For P5.4-mil, which is \$100,000, we cannot sustain a labor force of 50 persons.”

**CORPORATE NEWS**
**NOW**

- NOW Telecom Company, Inc. is suing the National Telecommunications Commission (NTC) over alleged insertions of new requirements in the terms of reference for the new major telecommunications player.
- In a statement on Tuesday, the affiliate of listed Now Corp. said it filed the case against the NTC at the Manila Regional Trial Court Branch 42, questioning certain items in the terms of reference, such as the “(1) P700-mil ‘participation security’; (2) P14 to P24-bil performance security; and (3) P10-mil non-refundable appeal fee,” saying these are barriers to entry.
- Under Sec. 11 of the terms of reference, the company should post a performance security in favor of the NTC. The performance security should be maintained at 10% of the remaining cumulative capital (capex) and operational expenditure (opex) commitments for the rest of the commitment period.
- An earlier draft only required that the performance security be either 10% cash bond or 30% surety bond of the annual capex and opex.
- In the final terms of reference, the participation security was also raised to P700-mil from the original amount of P500-mil.
- Now Telecom said these changes, which it claimed were not discussed during the public hearings, violate existing laws and can be considered “onerous, confiscatory and potentially extortionary.”
- Prior filing a case versus the NTC, Now Telecom bought selection documents from the government agency on Monday, firming up its interest to participate in the bidding.

**PSE**

- The country’s corporate regulator has ordered capital markets, listed companies, and other institutions to comply with data privacy laws following reports of security breaches in both local and international firms in the previous months.
- The Securities and Exchange Commission’s (SEC) Markets and Securities Regulation Department said in an e-mailed statement that it has required the Philippine Stock Exchange (PSE), the Philippine Dealing & Exchange Corp. (PDEX), listed firms, and other market institutions to submit compliance reports within 30 days.
- The commission noted that aside from the Data Privacy Act (DPA) of 2012 and the European Union General Data Protection Regulation (EU GDPR), these institutions must also follow the 2015 Securities Regulation Code (SRC), which mandates that market participants should have a comprehensive information technology plan.
- The SRC also states that the institutions’ information technology, trading, business continuity, disaster recovery and risk management systems must be reviewed and audited by an independent firm on a regular basis.
- As per the DPA, personal information controllers (PIC) or personal information processors (PIP) with more than 250 employees must register with the National Privacy Commission. Those with less than 250 employees must still register if their processes likely pose a risk to the rights and freedoms of data subjects, and if they include sensitive personal information of at least a thousand individuals, among others.
- PIPs and PICs are further expected to produce a privacy manual and form a privacy management program as part of their corporate governance responsibilities.
- In addition, corporations which have been issued secondary licenses by the SEC must determine whether they are covered by the DPA as a PIP or PIC, and then comply with the rules.
- Meanwhile, the EU GDPR covers companies outside the EU which offer goods and services or monitor the behavior of individuals in the EU.

**GOLD BUYING / Troy Oz.**

US\$1,190.10

**COPPER BUYING / lb.**

US\$2.817

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