

DAILY MARKET PRIMER

27 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,268.21 (-0.87%)	90,876,728.69	(9,578,954.79)	25.25 (-1.41%) = 1,371.63	54.322

MARKET OUTLOOK

- The stock market extended a retreat on Wednesday with investors again in selling mode ahead of today's Monetary Board meeting.
- Last minute buying pared the market's losses, as participants anticipated rate hikes from the US Federal Reserve as well as the central bank.
- The Federal Reserve raised interest rates on Wednesday, as expected, and forecast three more years of economic growth as the U.S. central bank left its policy for steady rate rises in place.
- The central bank's policymaking Monetary Board, meanwhile, is expected to announce another 50 basis point (bps) increase, which would bring adjustments since May to a total of 150 bps.
- With a third rate hike all but done, and chances of a fourth increase in December firming, investors are keen to know whether the Fed will officially end the era of easy money.
- If short-term interest rates are raised, that serves to flatten the yield curve and banks want a steeper yield curve.
- The more the Fed or the central bank raises the short-term interest rates that makes it expensive to borrow and that chokes off economic growth.
- As rates rise, equities face rising competition for investors' funds not only from bonds, but also from cash, which is now the most attractive it has been.

ECONOMIC HIGHLIGHTS

Rate Hikes and Loan Growth

- The series of rate hikes by the central bank may temper loan growth as higher inflation is expected to crimp consumer demand, according to global rating agency Fitch Ratings.
- The debt watcher said the country's credit growth would likely settle in the mid-teens this year from 19% last year.
- Latest data from the central bank showed bank loans jumped, by nearly 20% to P7.75-tril in end-July this year from P6.48-tril in end-July last year.
- Loans released for production activities grew faster at 19.7% to P6.86-tril as of end-July from P5.73-tril in the same period last year and accounted for 88.6% of the total loans disbursements.
- Lending to the manufacturing sector picked up to 19% to P1.02-tril, accounting for 13.2% of the total loans, while loans to the wholesale and retail trade as well as repair of motor vehicles and motorcycles increased faster at 25.6% to P1.07-tril for a 13.9% share.
- On the other had, the growth in lending to the real estate sector eased by 15.9% to P1.31-tril for a 16.9% share, while the amount disbursed to the electricity, gas, steam and airconditioning supply eased anew to 9.7% to P853.76-bil for an 11% share.
- Furthermore, the central bank said the increase in loans for household consumption further slowed down to 16.9% in July as releases reached P615.35-bil from a year-ago level of P526.6-bil.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$77.829-B (August 2018)
Fiscal Surplus / (Deficit)	(P2.6-B) (August 2018)	Exports Growth Rate	0.3% (July 2018)	BOP	US\$1.272-B (August 2018)
Inflation	6.4% (2012 BY) (August 2018)	Imports Growth Rate	31.6% (July 2018)	O/N RP	4.50% (as of August 9, 2018)
91-day T-Bill Rate	3.549 (as of September 10, 2018)	Cash Remittances	US\$2.401-B (July 2018)	O/N RRP	4.00% (as of August 9, 2018)

ECONOMIC CALENDAR

Thursday, September 27

- Monetary Board Policy Meeting

ECONOMIC HIGHLIGHTS (continued)

Rate Hikes and Loan Growth (continued)

- Fitch expects higher interest rates to temper loan growth, particularly as recent higher inflation may crimp consumer demand. Any moderation is likely to be modest.
- The debt watcher said interest rates are rising as domestic liquidity tightens, pointing to a less favorable environment for Philippine borrowers overall.
- The central bank will take “very strong” action at its meeting today, a move likely to be its fourth hike in interest rates in a row.
- The central bank is widely expected to raise its key interest rate by 50 basis points (bps) to 4.5% in a bid to curb inflation and shore up the shaky peso currency.
- The central bank expects inflation for the last four months of the year to remain elevated and there are volatilities in the foreign exchange market. Volatilities in FX market could spill over to the real economy and produce more pressures on prices.
- Analysts see inflation at 6.2% this month, when the Philippine Statistics Authority reports data on Oct. 5, slower than August’s 6.4% although still a leap from the three percent climb clocked in September 2017. If realized, this would again settle beyond the central bank’s 2% to 4% target range for 2018.
- Surging food prices as well as world crude oil rates drove inflation to a nine-year peak last month, driven largely by supply constraints for cheap rice, meat, fish and vegetables. Consumer prices have maintained a steady ascent since the year opened, to which the central bank responded by raising benchmark interest rates by a cumulative 100 basis points (bp) from May to August.

Vehicle Sales

- Domestic sales of automobiles picked up in August from the previous month, but declined 14.1% when compared to the same month a year ago.
- The Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and the Truck Manufacturers Association on Wednesday reported their member companies sold 30,313 vehicles in August, against sales of 35,309 units in the same month last year.
- The groups marked the seventh month of decreased sales when measured against the comparable period last year. Sales this year were positive year-on-year only in January, which saw a 4% growth.
- Total sales dropped 14.3% to 229,941 vehicles year-to-date versus the 268,424 units in last year’s comparative eight months.
- Sales in August were 8.1% more than the 28,038 units sold in July.
- In a press statement that accompanied the vehicle groups’ report that focused on the month-on-month increase, CAMPI attributed the improvement to “intensified promotional campaigns and new model launches.”
- Coming from a double-digit decline in July, the August sales performance is an indication of improving consumer confidence.
- Sales of commercial vehicles in August dropped 10% from a year ago, or 21,635 units this year versus 24,051 units last year.
- The passenger car segment slumped 22.9% in August with 8,678 units sold versus last year’s 11,258 units.
- Toyota Motor Philippines accounted for 42.06% of CAMPI sales during the first eight months of the year, with 96,716 units, an 18.3% decline from the same period last year. Mitsubishi Motors Philippines Corp. followed with a 19.26% share, or 44,283 units sold, a 6.7% decrease. Nissan Philippines, Inc. secured an 8.95% share with 20,952 vehicles sold, a 36.7% rise from last year.

CORPORATE NEWS
RLC / MPI

- Global Business Power Corp. (GBP) said its unit in retail electricity had signed a power supply agreement with Robinsons Land Corp. (RLC) under the Energy Regulatory Commission's (ERC) retail competition and open access (ROA) scheme.
- The agreement renews GBP and RLC's retail supply contract last year and expands the supply agreement to 26 megawatts (MW) from the previous 22 MW. The contract covers Robinsons malls and Universal Robina Corp. factories located in Bacolod, Tacloban, Roxas, Iloilo and Cebu.
- The renewal came as GBP realigned its vision to become a total sustainable energy solutions provider and offer more flexibility to its customers.
- GBP said the Visayas region mirrored the country's robust growth, which in terms of gross domestic product grew by 6.7% in 2017 amid brisk activities in manufacturing, construction, and retail trade.

SMPH

- SM Prime Holdings, Inc. will be unveiling its newest office building in the Mall of Asia complex in Pasay City this Friday, alongside the topping off of its other office project in the area.
- The listed property developer and mall operator said in a statement on Wednesday that it would launch ThreeE-Com Center, opening with 97% of its 114,000-square meter floor area leased out.
- At the same time, the Sy-led firm will hold the topping off ceremony for FourE-Com Center, which is slated to be its largest office building to date with a gross floor area (GFA) of 190,000 sq.m.
- Located at the corner of Harbor Drive and Bay Shore in the MOA complex, ThreeE-Com Center is a 15-storey twin-tower development accredited by the Philippine Economic Zone Authority. Its office spaces are located from the fifth to 15th floors, with the second to fourth levels dedicated for podium parking.
- The project will also house retail establishments like Alfa Mart, Starbucks, Tim Hortons, Mei Yu Restaurant, and a BDO bank on the ground level.
- ThreeE-Com Center carries a Gold certification in Leadership in Energy and Environmental Design (LEED), indicating that its facilities are environmentally friendly.
- The opening of ThreeE-Com Center will bring SM Prime's total GFA to around 595,000 sq.m., as it currently operates 10 office buildings situated across Makati, Pasay, Quezon City, Taguig, Clark in Pampanga, Taytay in Rizal, and Sta. Rosa in Laguna.
- Meanwhile, FourE-Com Center will feature three towers with 15 storeys each. It offers a 3,000 sq.m. floor plate which is the typical demand for various companies, primarily technology-based ones.
- The project boasts of a crystal-like design, and is in the process of getting certification for LEED standards as well. SM Prime expects to open the building in 2019.
- The E-Com Center projects form part of SM Prime's Commercial Properties Group, which handles the development and leasing of office buildings in the country. The company's core business is in the development of malls, 71 of which are located in the Philippines and seven more in China.

GOLD BUYING / Troy Oz.

US\$1,200.55

COPPER BUYING / lb.

US\$2.828

 2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. www.meridiansec.com.ph Tel: +632 635 6261 to 64

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