

MARKET RECAP

01 August 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,838.22 (+2.17%)	135,059,705.52	6,102,461.46	24.98 (-1.42%) = 1,330.51	53.160

Market Recap

- Philippine share prices rose, following gains on Wall Street, as a report of attempts to renew talks between the United States and China eased trade war fears, but investors will be keeping a close eye on data due today.
- The benchmark PSEi surged 166.22 points or 2.17% to close at 7,838.22. The broader All Shares index climbed 75.40 points or 1.64% to 4,679.52 at the closing bell.
- Global markets inched higher on Tuesday, helped by a report that the US and China were seeking to resume trade talks to defuse the battle over import tariffs.
- Solid US data helped boost risk sentiment; however it was the news that US Treasury Secretary Mnuchin and Chinese Vice Premier Liu He are speaking again that sparked a bigger risk rally.
- But a later report that the US plans higher tariffs on \$200-bil in Chinese imports underscored the volatility of US-China trade relations.
- Investors will be watching data from around the region, including manufacturing activity numbers from China, for indications of the outlook for the global economy.
- Locally, focus would be on the upcoming Monetary Board policy meeting, July inflation and Q2 gross domestic product (GDP) figures and more corporate earnings results.
- Policy meetings of the US Federal Reserve on Wednesday and the Bank of England on Thursday may also keep some investors on the sidelines, although the US central bank is expected to keep rates unchanged.
- More than 966.441-mil shares, valued at P7.179-bil, changed hands. Market breadth was positive, with advancers outpacing decliners, 124 to 74, with 46 issues unchanged.
- Gainers: RLC (+4.70%), DMC (+4.58%), SM (+4.21%), GTCAP (+4.12%), AEV (+4.10%)
- Laggards: BPI (-2.24%), MBT (-0.95%), EMP (-0.14%)

July Manufacturing Output

- The Philippines' manufacturing sector expanded further in July, but at a weaker pace amid slower growth in both output and new orders, according to monthly tracking done by IHS Markit for Nikkei, Inc.
- The seasonally adjusted Nikkei Philippines Manufacturing Purchasing Managers' Index slipped to 50.9 in July from 52.9 in June. A reading above 50 indicates economic expansion, while a reading below 50 points toward contraction, Nikkei explained.
- The July figure was the lowest for five months and represented only a marginal improvement in the health of the sector. Among Southeast Asian economies, the Philippines ranked second in terms of manufacturing growth, next to Vietnam's 54.9.
- New business grew at a much slower rate in July after a solid second quarter, despite a strong pick up in export sales. Slowing demand presents a worrying development and raises questions whether the recovery from the rollout of new excise taxes at the start of this year is losing steam, IHS Markit said.
- Input cost inflation remained marked in the manufacturing sector during July which, in turn, led to further increases in selling prices. Although charges were raised at a notable pace, the rate of increase remained far weaker than that of costs, suggesting pressure on profit margins, it added.
- IHS Markit was referring to the Tax Reform Acceleration and Inclusion (TRAIN) law or Republic Act No. 10963 signed by President Rodrigo Duterte last December, which since Jan. 1 this year, has jacked up or imposed new excise taxes on consumption of cigarettes, sugary drinks, oil products and vehicles, among other goods, to compensate for the restructured personal income tax regime that raised the tax-exempt cap to an annual salary of P250,000.
- One area where the TRAIN law is still felt strongly is prices. However, external factors are also driving inflation. Survey evidence pointed to higher oil prices and a weaker peso, it said.
- Inflation hit an over five-year high of 5.2% in June and averaged 4.3% during H1, already beyond the government's full-year target range of 2% to 4%.

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Government Infra Spending

- Fiscal spending on infrastructure exceeded the target in H1 of 2018 on the back of higher disbursements related to the administration's "Build, Build, Build" program, the Department of Budget and Management (DBM) said Wednesday.
- Data released by the DBM showed infrastructure and capital outlays in H1 of the year stood at P352.7-bil, higher by P14.4-bil or 4.3% from the P338.3-bil on program.
- Infrastructure spending in the first semester is also higher by 41.6% or P103.6-bil from P249.1-bil in January to June 2017.
- This is attributed to infrastructure projects of various agencies, especially the road infrastructure projects of the Department of Public Works and Highways (DPWH).
- Specific to June 2018, these projects include the construction, widening, upgrading and preventive maintenance of road networks nationwide under the DPWH.
- Classrooms and school facilities under the Department of Education and State Universities and Colleges were also repaired and rehabilitated, while the Department of Health acquired hospital and medical equipment and the Department of Transportation funded rail transport projects and bought airport security equipment.
- Total disbursements during the period amounted to P1.603-tril, up 20.5% from P1.330-tril year-on-year.
- It also exceeded the P1.569-tril program by 2.2% or P34.4-bil.
- This is a result of the reforms the government has implemented in planning and budgeting. This quicker spending should translate to more classrooms for our students, better transport systems for our commuters, improved health and social protection programs for the poor, among other public service provisions.
- Although disbursements exceeded the program in the first half of the year, the DBM noted that revenue collection remained robust and gave the government enough fiscal space to stay well within the deficit ceiling.
- Revenue collections as of end-June 2018 reached P1.411-tril, exceeding the target of P1.305-tril by P105.7-bil or 8.1%.
- This is largely due to the impact of the Tax Reform for Acceleration and Inclusion, improved revenue collections of the Bureau of Internal Revenue and the Bureau of Customs, as well as higher remittances of dividends by government-owned and controlled corporations.
- The expenditure-revenue mix resulted in a fiscal deficit of P193-bil, which was however P71.3-bil or 27% below the P264.3-bil on program in H1 of the year.
- With the better-than-programmed figures on revenues, spending, and the fiscal deficit, government will continue to spend wisely and promptly to service the huge needs of our people, especially in public infrastructure and social services.

ECONOMIC INDICATORS

GDP Growth Rate	6.8% (Q1 2018)	Unemployment Rate	5.5% (April 2018)	GIR	US\$77.675-B (June 2018)
Fiscal Surplus / (Deficit)	(P54.3-B) (June 2018)	Exports Growth Rate	(3.8%) (May 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	5.2% (2012 BY) (June 2018)	Imports Growth Rate	11.4% (May 2018)	O/N RP	4.00% (as of June 20, 2018)
91-day T-Bill Rate	3.219 (as of July 23, 2018)	Cash Remittances	US\$2.469-B (May 2018)	O/N RRP	3.50% (as of June 20, 2018)

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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