

## MARKET RECAP

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,227.96 (+0.48%)	89,861,836.81	(8,571,522.76)	23.38 (+1.21%) = 1,250.41	53.404

### Market Recap

- Philippine share prices were up but subdued ahead of a week packed with major economic events, as investors look toward the June inflation figure alongside corporate earnings reports for Q2.
- The benchmark PSEi rose 34.28 points or 0.48% to close at 7,227.96. Meanwhile, the broader All Shares index grew 5.37 points or 0.12% to 4,398.15 at the closing bell.
- The market is expected to start moving out of its negative spell at the start of this quarter.
- Investors again tried to hunt for some cheap stocks in the first trading day of Q3.
- Local leads to watch out for this week include inflation data for the month of June set to be released on Thursday.
- The central bank's Department of Economic Research said inflation likely printed between 4.3% to 5.1% last month, versus its projection of 4.6 to 5.4% last May. Data from the Philippine Statistics Authority reported that May inflation was 4.6%, the fastest pace in at least five years.
- Investors also positioned themselves in anticipation of Q2 earnings of listed firms, which would determine whether they are on track to hit growth prospects for the remainder of the year.
- Meanwhile, signs a German political deal on immigration might be in trouble subdued both local and regional markets.
- Tension is growing ahead of a July 6 deadline when the US and China are due to impose US\$34-bil of tariffs on their respective imports.
- The key risk for the market isn't that Trump actually implements his trade threats but rather that a protracted period of trade uncertainty begins to weigh on economic activity.
- The evidence suggesting this is happening is far from conclusive, but ominous data points are accumulating.
- A slew of readings on manufacturing across the globe are due later on Monday, while the US ISM report is out on Tuesday. Minutes of the last Federal Reserve policy meeting come on Thursday and the week closes with US payrolls for June.
- Volume traded was relatively thin, with more than 780.247-mil shares, valued at P4.798-bil, changing hands. Market breadth was positive, with advancers beating out decliners, 116 to 94, and 40 issues were unchanged.
- Gainers: GLO (+3.90%), DMC (+3.81%), SM (+2.86%), GTCAP (+2.20%), PCOR (+1.35%)
- Laggards: AEV(-2.75%), EMP (-2.71%), JFC (-1.14%), BPI (-1.13%), MER (-0.73%)

### Inflation Target Revision

- Inflation would likely accelerate faster than earlier expected for the full-year 2018 given the rate registered in the first five months of the year, the inter-agency Development Budget Coordination Committee (DBCC) said Monday.
- Budget Secretary Benjamin Diokno said the DBCC adjusted its inflation outlook to 4.0% to 4.5% for whole of 2018 from 2.0% to 4.0%.
- The forecast recognizes how the inflation rate registered at a faster pace in the first five months of the year.
- Despite the revision, the government kept its inflation target of 2% to 4% for the year.
- "We expect inflation to taper off in the second half of the year. That's how confident the central bank is. Inflation has been decelerating, the rate of increase month-on-month has been declining," Diokno said.
- Inflation accelerated by 4.6% in May, the fastest in more than five years.

### May PPI

- The producer price index (PPI) rose by 1.0% in May, reflecting increases in the most major sectors, the Philippine Statistics Authority (PSA) said Monday.
- This compares with -1.8% in May 2017 and 0.5% in April 2018.
- The increment can be attributed to the increases of 12 out of 20 major sectors led by tobacco products with 49.5% and petroleum products with 18.5%.
- Other sectors which noted increases are beverages (16.0%), miscellaneous manufactures (11.5%), basic metals (7.6%), and furniture and fixtures (4.9%).

## MARKET RECAP

### May PPI (continued)

- Also included in the gainers are machinery (4.4%), electrical machinery (3.9%), non-metallic mineral products (2.8%), textiles (1.2%), paper and paper products (0.6%), and transport equipment (0.4%).
- The PPI, which used to be called the wholesale price index, is generated through a nationwide Producer Price Survey (PPS) of prices of selected products.
- Compared with the consumer price index or CPI, which measure prices from the consumers' point of view, the PPI takes into account the price changes from the sellers' point of view.

### 3<sup>rd</sup> Telco

- Infrastructure-oriented think tank Infrawatch PH on Sunday expressed concerns over the guidelines for the selection of the incoming third telecommunications company.
- "The auction mode for the entry of the third telco player smacks of a patent policy confusion on what the entry of the third telco is all about," Terry Ridon, Infrawatch PH convener, said in a statement sent to media.
- The Department of Information and Communications Technology (DICT) last week released the draft terms of reference (TOR) for the selection process of the third telco, which will compete with the Globe Telecom Inc. and PLDT Inc. duopoly.
- One of the requirements is that the company must commit at least P40-bil in capital and operational expenditures during its first five years.
- The DICT also said the third player will be selected based on the highest bid in the auction for unassigned frequencies.
- "The auction as proposed is not a bidding for the highest amount of investment commitment but a bidding for the highest amount of spectrum user fees to be paid to the government. We are utterly confused on what government really wants: to improve the level of telco services or to simply raise funds?" said Ridon.
- "We probably should ask the President: Can we actually break the telco duopoly by raising funds through spectrum user fees, or by getting the best and highest investment commitment from competing bidders?" he said.
- According to Ridon, a selection based on auctioning off unassigned frequencies could result in poor services.
- "We are conveniently forgetting that the highest bidder for the spectrum user fees will ultimately charge this premium to the public, resulting only in either higher service costs or poor quality services," he said.
- For its part, the DICT is set to conduct a public consultation on the draft TOR on Friday, July 6.

### ECONOMIC INDICATORS

GDP Growth Rate	6.8% (Q1 2018)	Unemployment Rate	5.5% (April 2018)	GIR	US\$78.968-B (May 2018)
Fiscal Surplus / (Deficit)	(P32.9-B) (May 2018)	Exports Growth Rate	(8.5%) (April 2018)	BOP	(US\$583-M) (May 2018)
Inflation	4.6% (2012 BY) (May 2018)	Imports Growth Rate	22.2% (April 2018)	O/N RP	4.00% (as of June 20, 2018)
91-day T-Bill Rate	3.484 (as of June 25, 2018)	Cash Remittances	US\$2.360-B (April 2018)	O/N RRP	3.50% (as of June 20, 2018)

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