

MARKET RECAP

02 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,132.16 (-1.24%)	105,381,065.83	(7,345,956.70)	25.84 (+0.54%) = 1,398.00	54.095

Market Recap

- Philippine shares fell further to the bear level as investor sentiment was dented by lingering inflation worries coupled with higher oil prices.
- The benchmark PSEi tumbled 89.72 points or 1.24% to 7,132.16 at the closing bell. The broader All Shares fell 43.29 points or 0.98% to 4,398.80.
- The Philippine Stock Exchange index (PSEi) fell as much as 1.77% or 128.16 points to pause at 7,093.92. It is now down by 21.3% from its highest level of 9,058.62 achieved on January 29, 2018.
- Concerns over rising interest rates ahead of Friday's inflation data dragged down sentiment, easing little gains the PSEi briefly held at market open.
- The Philippine Statistics Authority (PSA) is slated to announce on Friday inflation figures for the month of September.
- The central bank last week placed inflation at 6.8% while the Department of Finance said it likely remained unchanged at 6.4%.
- Likewise, rising oil prices could be attributed to the sell-off.
- On Monday, oil futures extended their rally ahead of the United States' sanctions on Iran and its newly-forged trade deal with Canada.
- Brent crude oil futures hit a four-year high at \$84.98 per barrel—the highest in four years—while West Texas Intermediate (WTI) rose by \$2.05 per barrel to close at \$75.30.
- More than 921.395-mil shares valued at P5.700-bil, changed hands. Market breadth was negative, with decliners beating advancers, 112 to 72, and 56 issues were unchanged.
- Gainers: PCOR (+3.21%), FGEN (+3.13%), MER (+3.07%), ICT (+2.34%), RRHI (+2.25%)
- Laggards: SCC (-5.77%), SMPH (-5.05%), MEG (-5.02%), JGS (-4.01%), ALI (-3.20%)

Budget Deficit Ceiling

- Budget Secretary Benjamin Diokno said Tuesday the Duterte administration is keeping the budget deficit program at 3% of gross domestic product (GDP) despite the warning from the International Monetary Fund (IMF) for the Philippines to maintain a "neutral" fiscal stance.
- In its report, the IMF said the Philippines should have a neutral stance over 2018 to 2019 with a deficit of 2.4% in 2018 and 2.5% in 2019.
- The IMF said this fiscal stance would support pro-growth infrastructure investment without "overburdening monetary policy, limit overheating risks, and help preserve buffer against unexpected adverse shocks."
- The Budget chief, however, maintained that the Philippines needs to ramp up spending on infrastructure to make up for the "past neglect."
- The Cabinet official said there's no turning back for the Philippines on its expansionary fiscal policy and keeping the deficit ceiling at 3% of GDP as this will accelerate the government's ambitious infrastructure program.

Foreign Ownership on Internet Business

- The Philippines will allow up to 100% foreign ownership in internet businesses as soon as President Rodrigo Duterte signs the proposed 11th Foreign Investment Negative List, the country's chief economist said Tuesday.
- During the Senate finance committee's hearing on the proposed 2019 budget of the state planning agency National Economic and Development Authority (NEDA), Socioeconomic Planning Secretary Ernesto Pernia said that based on feedback from the Palace Tuesday morning, the draft 11th FINL is "now up for signature" as it was already "under full review."
- Pernia, who is also NEDA chief, said the proposed 11th FINL will "exclude internet business from mass media."
- Committee chair Sen. Loren Legarda as well as Sen. Risa Hontiveros noted that mass media is considered as public utility, hence restricted from foreign ownership under the Constitution.
- But since the crafting of the Charter in 1987, mass media is no longer restricted to print and broadcast, the senators noted.

MARKET RECAP

02 October 2018

Foreign Ownership on Internet Business (continued)

- Every two years, the government releases the FINL, which lists down sectors where foreign investors have only limited participation.
- The 10th FINL was issued by former President Benigno Aquino III in 2015 under EO No. 184, which had practically kept intact the list of activities and sectors restricted to foreign equity and participation as provided for in the ninth FINL.
- The 11th FINL, contained in a draft executive order submitted to the Office of the President four months ago, reportedly removed restrictions in the following sectors: private recruitment for local and overseas employment; practice of some professions; contracts for the construction and repair of locally funded public works projects; culture, production, milling, processing and trading (except retailing) of rice and corn and their by-products; teaching in the higher education levels; as well as retail trade.

PTT

- The National Telecommunications Commission (NTC) has directed the Philippine Telegraph & Telephone Corp. to pay nearly half a billion pesos of unpaid regulatory fees.
- This after the NTC denied PT&T's request to reverse its resolution in October 2011 and March 2017, ordering the cash-strapped firm to settle P443.78-mil in fees for the years 2002 to 2017.
- "For respondent's failure to contest the computation within the time allowed, the Commission deems the basis and resulting computation of the respondent's SRF from 2002 as final and binding," the NTC said.
- PT&T, however, claimed that NTC's computation was erroneous because the amount was based on a wrong paid-up capital.
- The company said it would elevate its case to the Court of Appeals.
- Failure by PT&T to settle its debt to the government will result in the firm's disqualification from vying for the third telco slot.
- Based on the terms of reference issued by NTC, interested participants shall have no uncontested outstanding liabilities, penalties, surcharges and interests to the agency as of Oct. 1.

BDO

- BDO Unibank, Inc. announced the retirement of Antonio Nepomuceno Jacinto effective Monday, Oct. 1.
- Jacinto has served as Team Head of Institutional Banking Group/Corporate Banking for the bank, with the rank of senior vice president.
- In other news, BDO director Jose Buenaventura has been added as a member of the board's Related Party Transactions Committee.

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	5.00% (as of September 27, 2018)
91-day T-Bill Rate	3.549 (as of September 10, 2018)	Cash Remittances	US\$2.401-B (July 2018)	O/N RRP	4.50% (as of September 27, 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

Disclaimer: This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness and correctness. Any information is subject to change without notice and MSI is not under any obligation to update or keep current the information contained herein. Opinions, estimates, and projections expressed reflect the analyst's personal views. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addresses and are in the form of fundamental and technical ratings. Technical ratings may differ from fundamental ratings as technical analyses involve the application of different methodologies based on price and volume related information. This document is for the information of the addressee only and is not to be taken on substitution for the exercise of judgment by the addressee. No liability whatsoever is accepted for and direct or consequential loss arising from any usage of this report. This document is not to be construed as an offer or solicitation of an offer to buy or sell securities. In the course of our regular business, we may have a position in the securities mentioned and may make purchases and/or sales of them from time to time in the open market. Any unauthorized distribution, copying or disclosure of this material is strictly forbidden.