

MARKET RECAP

03 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,267.34 (+0.55%)	89,565,884.35	(7,957,586.50)	23.90 (+2.22%) = 1,276.36	53.390

Market Recap

- The main index extended yesterdays gains, albeit a relatively lackluster performance, on a positive note as investors continued to look for bargains.
- The benchmark PSEi rose 39.38 points or 0.55% to close at 7,267.34. Meanwhile, the broader All Shares index grew 11.68 points or 0.27% to 4,409.83 at the closing bell.
- Philippine share prices closed higher, bucking the regional trend, even as sentiment remained fragile in the face of tense trade relations between the United States and major economies, with investors braced for another potentially rocky day for Chinese markets.
- Investors, worried the trade row could derail a rare period of synchronized global growth, have pulled out of riskier assets in the past month or so.
- Asian shares fell amid jitters ahead of a July 6 deadline when the United States is set to impose tariffs on \$34-bil worth of goods from China, the epicenter of a heated trade dispute between Washington and major economies that has convulsed financial markets.
- Beijing is expected to respond with tariffs of its own on US goods as the trade fight between the world's two biggest economies threatens to damage global trade and investment.
- Investors also continued to reposition portfolios ahead of Thursday's release of June inflation data.
- Inflation is expected to have picked up pace in June to 4.9% due to higher costs of education and food, the Department of Finance (DOF) said.
- Volumes remained anemic, with more than 539.760-mil shares, valued at P4.781-bil, changing hands. Market breadth was negative, with decliners beating out advancers, 97 to 88, and 50 issues were unchanged.
- Gainers: GLO (+3.00%), AEV (+2.74%), MEG (+2.33%), URC (+2.30%), FGEN (+2.07%)
- Laggards: TEL (-2.08%), EDC (-1.91%), LTG (-1.21%), SECB (-0.89%), GTCAP (-0.75%)

Inflation Forecasts

- Inflation likely climbed to a fresh over five-year high of 4.9% year-on-year in June due to a low base from a year ago coupled with higher prices of vegetable and "sin" products as well as education costs during the start of classes, the Department of Finance (DOF) said Tuesday.
- In an economic bulletin, the DOF said that consumer prices last month inched up 0.35% from levels in May.
- The month-on-month inflation adjustment may be due mainly to two items—2.43% month-on-month rise in prices of education-related goods and services during the opening of classes, and 2.27% rise in vegetable prices that usually accompanies incessant rains at the onset of the wet season.
- June marked the start of the rainy season.
- Compared to a year ago, headline inflation in June last year was a low of 2.5%, hence the year-on-year spike.
- Food prices contributed to the year-on-year uptick mainly due to vegetables, while month-on-month inflation of fish and rice prices moderated to 0.11% and 0.1%, respectively.
- The price increase from sin products continues to be double-digit year-on-year, even as the month-on-month rate plunged to 0.3% from 0.81% last May. For the June inflation rate, sin products contribute as much as 0.46 percentage points year-on-year.
- The latest DOF data showed that the rate of increase in prices of alcoholic beverages and tobacco jumped 20.44% year-on-year in June. Prices of tobacco products alone increased by a faster 27.82%.
- Under the Tax Reform for Acceleration and Inclusion (TRAIN) Act, the unitary excise tax slapped on cigarettes rose to P32.50 per pack effective Jan. 1 from P30 a pack last year.
- Also, the excise tax rates slapped on alcoholic drinks go up every year under the Sin Tax Reform Law of 2012.
- Starting July, the unitary excise tax slapped on cigarettes will further rise to P35 per pack, as mandated under the TRAIN Law.

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Inflation Forecasts (continued)

- Improved tax compliance by Mighty products, now owned by Japan Tobacco International, had also been blamed by the DOF for pushing cigarette prices higher, as correct tax payments elevated the brand's retail prices.
- As for non-food commodities, the DOF said that their average prices rose 0.33% month-on-month, driven by education and petroleum products, but tempered by the decline in electricity rates.
- The government will release the June inflation figure on Thursday.
- Last Monday, economic managers conceded that the inflation rate would likely breach the 2% to 4% target for 2018 as they adopted the central bank's forecast of 4% to 4.5% for the entire year.
- As of May, inflation averaged 4.1%, already above the full-year target range, such that the central bank hiked the policy rate twice during the past two months by 25 basis points each to 3.5% in a bid to temper mounting price pressures.

CLC

- Government's antitrust watchdog nullified another acquisition by a company led by Dennis Uy after the firm failed to notify the body about the business deal.
- The Philippine Competition Commission (PCC) invalidated the acquisition by Chelsea Logistics Holdings Corp. (CLC) of Trans-Asia Shipping Lines, which operates passenger and cargo operations in Cebu.
- PCC fined CLC P22.8-mil for its failure to notify the antitrust watchdog about the deal in December 2016. Under the competition law, companies doing mergers and acquisitions that are large enough to affect competition are required to notify PCC so the government can review it.
- The nullification came as part of a conditional clearance for another related acquisition by CLC — a company which PCC said overlaps or directly competes with Chelsea's Trans-Asia operations.
- The nullification and the conditional clearance were detailed in two separate PCC decisions dated June 28, but made public on Tuesday. A copy of these decisions are available online.
- This marks the second deal that PCC voided due to non-notification. Coincidentally, the first voided deal for non-notification was also a company led by Uy — but which was later approved after a review found no competition concerns.
- PCC said this nullification led to a conditional clearance of CLC's acquisition of KGLI-NM Holdings Inc., which in turn controls 2GO Group Inc., the country's biggest integrated supply chain operator.
- PCC said its investigation initially found Chelsea having control of both 2GO's and Trans-Asia's passenger and cargo shipping legs that would lead to a "substantial lessening of competition" in the Visayas and Mindanao market.
- The antitrust body said that 2GO and Trans-Asia overlap or compete directly with each other in the following roll-on and roll-off passenger legs: Cebu-Cagayan De Oro, Cagayan De Oro-Cebu, Cebu-Ozamis, Ozamis-Cebu, Cebu-Iligan and Iligan-Cebu.

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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