

# MARKET RECAP

03 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,210.87 (+1.10%)	100,362,354.11	(5,196,295.24)	25.88 (+0.15%) = 1,399.98	54.251

## Market Recap

- Share prices on the Philippine Stock Exchange snapped a six-day losing streak on Wednesday as investors took advantage of cheaper stocks.
- The benchmark PSEi rose 78.51 points or 1.10% to 7,210.87 at the closing bell. The broader All Shares gained 24.17 points or 0.55% to 4,422.97.
- The rally, however, might be short-lived, as the market's attention will be on the upcoming inflation figures for September, which will be released on Friday, October 5.
- The central bank pegged September's inflation to hit as fast as 6.8%, while the Department of Finance forecast that it might clock in at 6.4%, unchanged from August.
- Expectations of high inflation have been causing sell-offs in the market in the past days.
- The Philippine Stock Exchange index (PSEi) bucked the trend among its regional peers amid reports of Italy's mounting debt and Rome's budget plan set it on a collision course with the European Union.
- Investors remained jittery even as a new US-Mexico-Canada trade agreement appeared to ease global trade tensions. A controversial clause in the trilateral pact put the focus back on the Sino-US tariff dispute.
- China's financial markets are closed for the National Day holiday and will resume trade on Oct. 8. The markets in the world's second biggest economy have taken a hammering this year as investors fretted the trade dispute could put a significant dent on growth.
- China's hopes of negotiating a free trade pact with Canada or Mexico were dealt a sharp setback by a provision deep in the new US-Mexico-Canada trade agreement that aims to forbid such deals with "non-market" countries.
- The clause, which has stirred controversy in Canada, fits in with US President Donald Trump's efforts to isolate China economically and prevent Chinese companies from using Canada or Mexico as a "back door" to ship products tariff-free to the United States.
- More than 587.959-mil shares valued at P5.444-bil, changed hands. Market breadth was positive, with advancers barely edging out decliners, 93 to 92, and 60 issues were unchanged.
- Gainers: MER (+4.91%), JGS (+3.98%), ALI (+3.05%), DMC (+2.71%), SECB (+2.53%)
- Laggards: RRHI (-3.42%), BPI (-1.52%), SMC (-0.65%), FGEN (-0.36%), MEG (-0.24%)

## Wages and Inflation

- Budget Secretary Benjamin Diokno on Wednesday said increasing wages will only worsen the already high inflation rate environment.
- "The wrong thing to do is to adjust wages. That is going to worsen the situation," Diokno said.
- Calls for adjusting daily minimum wages mount as commodity prices have been constantly increasing in the past months.
- Notably, inflation clocked in at 6.4% in August—the highest so far this year and the fastest since March 2009.
- Diokno, however, said adjusting wages on the basis of "transitory event" will not solve inflation.
- "We see this inflation rate as transitory, and this will fade next year or in Q4," he said.
- "Let us not push for higher wages at this time, especially given the significant tax cut that we gave under TRAIN 1. We reduce the maximum tax rate from 32% to 25% so let's not push for higher wages at this time," he added.
- The Department of Labor and Employment earlier granted a P20 pay hike for minimum wage workers in Metro Manila. However, labor group Associated Labor Unions-Trade Union Congress of the Philippines (ALU-TUCP) said it will appeal the wage increase as this is "too small" and "not enough" amid the rising commodity prices.

## Inflation Forecast

- Budget Secretary Benjamin Diokno on Wednesday said that the possibility of inflation rate hitting 6.8% in September should not be a cause for alarm as the Philippines endured higher rates in the past.
- "We have seen this kind of inflation before and much higher than this, so let's not panic."
- The Budget chief was asked to comment on the forecast of the central bank that September inflation rate may hit as fast as 6.8%.

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## Inflation Forecast (continued)

- The 6.8% inflation rate forecast for September is faster than the 6.4% rate recorded in August — the highest so far this year and the fastest since March 2009.
- Diokno reiterated that inflation will taper off in the last quarter of the year before settling at the government's target range of 2% to 4%.

## IMI

- Ayala-led Integrated Micro-Electronics, Inc. (IMI) inaugurated its newest manufacturing facility in Serbia last week, as the company expands its global footprint in anticipation of more demand for its products.
- The listed subsidiary of AC Industrial Technology Holdings, Inc. said the factory covers 14,000 square meters of manufacturing space in the City of Nis, located in the southeastern part of Serbia. The facility will serve as the extension of its Bulgaria factory in order to support the growing demand market for automotive products in the European region.
- This will boost the company's efforts to build a global manufacturing platform that rides on trends such as increased electronics in vehicles, autonomous driving, shift to electric power, and shared mobility.
- This will be IMI's 21<sup>st</sup> factory across the world, following its production facilities in the Philippines, China, Bulgaria, Czech Republic, Germany, Japan, Mexico, the United Kingdom, and the United States.
- The company provides engineering, manufacturing, support, and fulfillment capabilities to various industries such as automotive, industrial electronics, and the aerospace market. It also offers customized solutions for safety and security features in the automotive segment.

## PTT

- Philippine Telegraph and Telephone Corp. has asked the Court of Appeals to nullify the National Telecommunications Commission's ruling ordering the cash-strapped firm to pay P443.78-mil in outstanding obligations.
- The amount represents PT&T's unpaid supervision and regulation fees (SRF) and interest incurred from 2002 to 2017.
- In its appeal, PT&T said the NTC erred in computing the SRF, which was based on the wrong paid-up capital of the telco.
- Telecom and broadcast companies pay an SRF of P0.50 for every P100 of paid capital.
- The company already paid P20.57-mil Spectrum Users Fee (SUF) to NTC from 2003 to 2018 and the uncontested P10.27-mil SRF for 2018.
- Entities vying for the third telco slot shall have no uncontested outstanding liabilities, penalties, surcharges and interests to the NTC.

## ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.0% (Q2 2018)	<b>Unemployment Rate</b>	5.4% (July 2018)	<b>GIR</b>	US\$77.829-B (August 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P2.6-B) (August 2018)	<b>Exports Growth Rate</b>	0.3% (July 2018)	<b>BOP</b>	US\$1.272-B (August 2018)
<b>Inflation</b>	6.4% (2012 BY) (August 2018)	<b>Imports Growth Rate</b>	31.6% (July 2018)	<b>O/N RP</b>	5.00% (as of September 27, 2018)
<b>91-day T-Bill Rate</b>	3.549 (as of September 10, 2018)	<b>Cash Remittances</b>	US\$2.401-B (July 2018)	<b>O/N RRP</b>	4.50% (as of September 27, 2018)

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