

MARKET RECAP

04 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,093.34 (-1.63%)	No Data Available	No Data Available	25.40 (-1.85%) = 1,377.98	54.226

Market Recap

- Share prices on the Philippine Stock Exchange failed to sustain yesterday's rally as investors booked gains ahead of the release of September inflation figures.
- The benchmark PSEi tumbled 117.53 points or 1.63% to 7,210.87 at the closing bell. The broader All Shares fell 52.63 points or 1.19% to 4,370.34.
- The main index was dragged further to bear territory after it declined by 21.69% since its peak of 9,058.62 on January 29.
- Philippine stocks succumbed to profit-taking after one of the rarer occasions of bargain hunting yesterday with investors anticipating the inflation results.
- The Philippine Statistics Authority is set to release the September inflation report on Friday, October 5.
- The central bank pegged last month's inflation at 6.8% - the peak this year before easing down in the last quarter.
- Moreover, the World Bank's downgrade of the Philippines' economic growth forecast for this year further dampened sentiment.
- According to the World Bank, economic growth is now pegged at 6.5% this year, lower than the earlier forecast of 6.7%, which it attributed to heightened global uncertainty and rising domestic inflation.
- Earlier, both the Asian Development Bank (ADB) and the International Monetary Fund (IMF) also downgraded their outlook to 6.4% from 6.8% and to 6.5% from 6.7%, respectively.
- More than 1.046-bil shares valued at P4.305-bil, changed hands. Market breadth was negative, with decliners winning over advancers, 122 to 68, and 51 issues were unchanged.
- Gainers: PGOLD (+2.05%), SCC (+1.21%), MPI (+1.04%), GLO (+0.45%), SMC (+0.30%)
- Laggards: JGS (-5.14%), ALI (-4.69%), MBT (-4.35%), SECB (-3.40%), RLC (-3.05%)

Growth Forecasts

- The World Bank on Thursday downgraded its economic growth forecast for the Philippines for this year, following the slower-than-expected growth in the first six months of the year.
- According to the Philippines Economic Update (PEU) released by the World Bank on Thursday, economic growth is now pegged at 6.5% this year, lower than the earlier forecast of 6.7%.
- The update came after growth slowed to 6.0% in Q2 of the year from the 6.7% in 2017, bringing the year-to-date growth to 6.3%.
- Heightened global uncertainty and rising domestic inflation weighed on the Philippine economy in H1 of 2018, the World Bank in the Philippines said.
- This is the third downgrade so far on the Philippine economic outlook after the International Monetary Fund (IMF) last week revised lower its outlook to 6.5% from the 6.7% it earlier forecast.
- Last month, the Asian Development Bank (ADB) also downgraded its outlook to 6.4% from the earlier outlook of 6.8%.
- Among the downside risks cited by the World Bank are the rising interest rates in the United States which could raise external financing costs and eventually weaken the local currency.
- To manage these risks, maintaining strong macroeconomic fundamentals is key. At the same time, accelerating structural reforms to improve investments in physical infrastructure and make better use of capital, labor, and technology to increase productivity remains a very important agenda for the Philippines, according to the World Bank.
- In the long-term, sustaining high productivity growth is critical for the country to become a prosperous society free of poverty, it added.
- Despite the downgrade for this year, the World Bank retained its forecast for 2019 at 6.7%, and 2020 at 6.6%.
- The Philippines is fairly resilient against capital outflows compared to many of its neighbors in the East Asia Region, it said.

TRAIN Suspension

- Senator JV Ejercito on Thursday reiterated his call for the government to suspend the next tranche of excise tax increase on fuel amid the spiking inflation and global oil prices.

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TRAIN Suspension (continued)

- Ejercito first issued his call in May after he and other senators expressed concern on the inflationary effects of the TRAIN law.
- The Tax Reform for Acceleration and Inclusion (TRAIN) law imposed an excise tax of P2.50 per liter on diesel and raised the levy on gasoline to P7 from P4.35 per liter.
- The excise tax rate on diesel will go up to P4.50 next year and P6 per liter come 2020. For gasoline, the levy will go up to P9 in 2019 and P10 in 2020.
- The TRAIN, however, has a pertinent provision on the suspension of fuel excise taxes.
- "For the period covering 2018 to 2020, the scheduled increase in the excise tax on fuel as imposed in this Section shall be suspended when the average Dubai crude oil price based on Mean of Platts Singapore (MOPS) for three months prior to the scheduled increase of the month reaches or exceeds \$80 per barrel," the provision read.
- The Department of Finance has earlier said that it will be ready to activate the suspension mechanism for the next increase in January 2019 should the price of Dubai crude keep going up and the three-month average in the last quarter of this year hits 80 dollars per barrel.

Mining

- The House of Representatives on Wednesday approved on second reading a measure exempting small-scale gold miners from paying excise taxes.
- The Lower House passed via voice vote House Bill 3297, which aims to strengthen the country's gross international reserves (GIR) by encouraging small-scale gold miners to sell to the central bank.
- The proposed tax exemption would help return the sale of gold from small-scale mining to the formal sector.
- The bill seeks to amend Sections 32 and 151 of Republic Act 8424, or the National Internal Revenue Code.
- It also aims to support the trade of small-scale miners pursuant to the People's Small-Scale Mining Act. (PNA)

MEG

- The Court of Appeals (CA) ruled in favor of publicly-listed developer Megaworld Corp. in its legal dispute over the land where Lucky Chinatown Mall and The City Place condominium stands in Binondo, Manila.
- In a seven-page decision, the appellate court's second division turned down the petition filed by local firm Nesco International Development Corp. questioning the validity of Megaworld's land title over the 2.5-hectare land.
- Nesco was the owner of a two-storey commercial building demolished by the city government of Manila from the property bought by Megaworld.
- The CA ruling upheld the decision of the Securities and Exchange Commission (SEC) last April, citing as basis previous rulings of the Supreme Court (SC) on similar cases which held that the SEC has no jurisdiction in determining validity of certificates of title.

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

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