

# MARKET RECAP

09 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,059.38 (+0.12%)	73,685,925.74	(2,913,625.10)	26.00 (+0.54%) = 1,411.31	54.232

## Market Recap

- Share prices on the Philippine Stock Exchange gained marginally, albeit relatively flat, amid the absence of catalysts to propel the market.
- The benchmark PSEi grew 8.56 points or 0.12% to 7,059.38 at the closing bell. The broader All Shares, however, fell 12.15 points or 0.28% to 4,335.69.
- Investors fretted about everything from inflation to the Chinese economy, trade wars, higher US bond yields and political dysfunction in Europe.
- Risk sentiment is in a foul mood and stocks are sinking everywhere else. The reasons are myriad and many are a continuation of recent overhangs.
- The languid mood was also due to the IMF downgrading its economic outlook, citing rising interest rates and mounting tensions over trade.
- The International Monetary Fund revised its outlook for the world economy, citing rising interest rates and growing tensions over trade. It said the global economy will grow 3.7% this year, the same as in 2017 but down from the 3.9% it was forecasting for 2018 in July.
- Renewed tension between the US and China has capped risk sentiment as a range of issues from trade to diplomacy are likely to challenge China-US relationship.
- More than 953.280-mil shares valued at P3.996-bil, changed hands. Market breadth was negative, with decliners winning over advancers, 103 to 75, and 53 issues were unchanged.
- Gainers: JFC (+3.87%), AP (+3.03%), ALI (+1.79%), SM (+1.62%), RLC (+1.51%)
- Laggards: GLO (-5.15%), SECB (-3.45%), SCC (-3.14%), LTG (-2.45%), GTCAP (-2.16%)

## Growth Forecasts

- The Philippines will likely miss its economic growth target this year and next, according to a regional think tank, which joined other institutions in slashing their growth outlook on the country as multi-year high inflation hurts Filipino consumers.
- In its October economic outlook, ASEAN+3 Macroeconomic Research Office, or AMRO, cut its 2018 growth estimate for the Philippines to 6.5% from 6.7% previously.
- For 2019, AMRO expects the Philippine economy to expand 6.4%.
- If realized, the regional research group's predictions would fall below the government's 7% to 8% target range. It would also place the Philippines as the sixth-fastest growing economy in the 14-nation report.
- The Philippines had enjoyed uninterrupted growth in the past quarters, thanks to benign inflation in the previous years that had given the central bank enough room to keep interest rates low.
- But in Q2 of 2018, the economy slowed down to a three-year low of 6%, which the government's chief economist attributed to "spoiler" inflation.
- In H1 of the year, the economy grew 6.3%, well below the state's goal.
- Inflation surged to a fresh nine-year high of 6.7% in September after monster typhoon Ompong flattened vast swathes of farmland in northern Luzon last month, adding to the country's food supply woes. Year-to-date, inflation average to 5%, well above the central bank's 2% to 4% target band.
- Despite onslaught of "Ompong", farmgate price of palay dropped 0.91% in the fourth week of September from a week ago, resulting into a 0.07% decline in average retail price of regular milled rice during the same period, latest government data show. Rice is a staple food in the Philippines and a heavy item in the basket of goods and services that a Filipino purchases.
- AMRO said it expects Philippine inflation to hit 5.2% this year — the highest among the rest of Asian economies covered — before cooling down to 4.3% in 2019.
- For the growth rate revision, the main reason is that inflation is higher than previously expected, and high inflation continued to erode the purchasing power of household and consumer confidence.
- The economy would have to expand by at least 7.7% in H2 to achieve the low-end of its target range for the year.

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## Growth Forecasts (continued)

- However, some analysts expect economic growth to continue to decelerate over the second semester of the year as tighter monetary policy and higher inflation weigh on consumer spending, which accounts for about seven-tenths of the Philippine economy.
- The Asian Development Bank, the International Monetary Fund and the World Bank have recently downgraded their growth projections on the Philippines as high inflation bites.

## Unli-Rice...Importation

- President Rodrigo Duterte has ordered the implementation of unlimited rice importation to address the unabated price increases in rice and basic commodities amid the nine-year high inflation rate of 6.7%, presidential spokesperson Harry Roque Jr. said Tuesday.
- Roque said such decision was reached during the Cabinet meeting on Monday night.
- Roque made the announcement four days after the government announced the 6.7% inflation rate in September which was due to price hikes in food, non-alcoholic beverages; housing, water, electricity, gas and other fuels; and transportation costs.
- Under the present setup, it is the National Food Authority (NFA) council composed of 11 government agencies which determines much volume of rice will be imported. Likewise, it is the NFA which gives accreditation to rice importers.
- The President's order is actually provided for under the Rice Tariffication bill which is still pending in the Senate.
- Roque, however, maintained that the government does not need for the passage of the said bill since the existing law only sets minimum access volume or minimum volume of rice imports of 805,200 metric tons, not a maximum.
- Albay Representative Joey Salceda, House economic affairs committee vice chairperson, earlier warned that at least 2.4-million Filipinos will sink in poverty if the inflation rate won't be addressed.

### ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.0% (Q2 2018)	<b>Unemployment Rate</b>	5.4% (July 2018)	<b>GIR</b>	US\$75.161-B (September 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>	6.7% (2012 BY) (September 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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