

MARKET RECAP

10 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,001.14 (-0.83%)	99,147,362.65	(9,377,894.24)	25.99 (-0.04%) = 1,409.49	54.166

Market Recap

- Share prices on the Philippine Stock Exchange stumbled after world stocks hit eight-week lows the previous day on worries about global economic growth.
- The benchmark PSEi fell 58.24 points or 0.83% to 7,001.14 at the closing bell. The broader All Shares declined 36.95 points or 0.85% to 4,298.74.
- The index fell below the 7,000 psychological support, but regained its footing and clung to the 7,000 level amid thin trades.
- As uncertainty continues to prevail in financial markets across the world, many investors are staying on the sidelines of equity markets and moving on to safe-haven treasury bonds until more clarity emerges in US Treasury and Chinese markets.
- Benchmark US 10-year Treasury yields touched a 7-1/2-year peak of 3.261% and those on 30-year bonds hit their highest in more than four years.
- The 30-year bond yields had risen on the prospect of Federal Reserve rates rising over the next 18 months or so, but later fell back.
- Traders largely ignored comments on Tuesday from US President Donald Trump in which he said the Federal Reserve was going too fast in raising rates when government data pointed to a strong economy.
- The International Monetary Fund cut global economic growth forecasts for 2018 and 2019, as well as its US and China estimates for next year, saying the two countries would feel the brunt of the impact of their trade war next year.
- More than 1.529-bil shares valued at P5.370-bil, changed hands. Market breadth was negative, with decliners winning over advancers, 139 to 54, and 50 issues were unchanged.
- Gainers: MER (+4.14%), RLC (+2.48%), PGOLD (+1.33%), MPI (+1.20%), MBT (+0.68%)
- Laggards: AP (-4.12%), LTG (-3.69%), JGS (-3.09%), URC (-3.01%), SECB (-2.93%)

3rd Telco

- The Duterte administration's third telco initiative received its first legal challenge a mere day after bidders were invited to participate, catching interested parties and the general public off-guard while casting a cloud over a selection process aimed at breaking the PLDT Inc. and Globe Telecom duopoly.
- NOW Telecom, which is part of a group that had signaled its interest to become the country's third mobile player, announced on Tuesday that it had sued the National Telecommunications Commission (NTC) at the Manila Regional Trial Court last Oct. 8, or the same day it acquired selection documents from the NTC.
- NOW, an affiliate of publicly listed NOW Corp., wanted the NTC to remove key portions of the terms of reference that dealt with hefty financial commitments, branding these as "onerous, confiscatory and potentially extortionary."
- The terms of reference was meticulously drafted through most of the year with the help of a string of local and international experts, multiple government agencies and the third telco aspirants themselves. Some of the areas being questioned under NOW's petition, such as the 10-percent performance security, were included to ensure that a third player had enough financial muscle to compete with incumbent players and deliver on a promise to improve services and lower costs.
- Elise Rio Jr., Department of Information and Communications Technology (DICT) acting secretary, defended the provisions, saying the government wanted to attract a strong contender.
- He said the issue on the performance security, which would be forfeited in case a new major telco player repeatedly breached its commitments, was not raised by other potential participants.
- Rio also expressed worries that the legal suit would delay the selection process given that the bid submission deadline was already set on Nov. 7 this year.
- Several groups, including businessman Dennis Uy's Udenna Corp. and Norway's Telenor, have acquired selection documents while several other interested parties said they were studying the bid terms with their foreign partners. Rio earlier said a new major telco player would be known by next month. President Duterte threatened last September that he would assume control of the selection process if the DICT failed to meet the deadline.
- Whether the bid will proceed is now up to the court.

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3rd Telco (continued)

- Based on the terms of reference, the performance security would amount to anywhere from P14-bil to P24-bil. NOW also questioned the P700-mil participation security and P10-mil non-refundable appeal fee.
- Aldrich Dy, legal counsel for NOW Telecom, insisted on Tuesday that they were not seeking to derail the selection process, although that could be the natural outcome.
- "The bidding can continue, we just don't want them (the NTC) to insist we put up these amounts for the security or for NTC to impose an appeal fee," Dy said.

FB

- San Miguel Food & Beverage Inc. is embarking on a string of roadshows in Asia, UK and the US to drum up support for what is slated to be the Philippines' largest equity deal ever.
- Company officials are in Singapore now, hoping to attract investments from foreign investors. Roadshows will likewise be held in Hong Kong on Oct. 11-12, and London, New York and Boston on Oct.15-17.
- SMFB Beverage Inc. is selling a total of 1.02-bil shares, comprising of a base size of 887-mil shares and an over-allotment option of 133.05-mil shares, at P140 apiece.
- Proceeds from the offering will be used to fund infrastructure projects.
- SMFB, which absorbed SMC's beer and liquor operations San Miguel Brewery and Ginebra San Miguel, tapped JP Morgan Securities Plc, Morgan Stanley Asia (Singapore) Plc and UBS AG Singapore as its global coordinators while Deutsche Bank AG Hong Kong and Goldman Sachs (Singapore Plc) are the joint bookrunners.
- BDO Capital & Investment Corp. and BPI Capital Corp., meanwhile, are the lead domestic underwriters.
- Standard Chartered Bank, on the other hand, is the financial advisor.
- The final offer price will be set on Oct. 19 while the offering will run from Oct.23 to 29.
- The follow-on offering is aimed at meeting the Philippine Stock Exchange's minimum public float requirement of at least 10% for listed companies.

MRP

- MCO Investments Ltd., the controlling shareholder of Melco Resorts and Entertainment Philippines (MRP), said it was pushing through with its tender offer and the planned delisting of MRP despite strong opposition from minority investors.
- MCO said it was bent on removing MRP from the roster of Philippine listed stocks even if it fails to acquire the 95% ownership acquired. It noted that the final decision would be made by the Philippine Stock Exchange.
- Investors were up in arms over the price the Melco Group of billionaire Lawrence Ho offered for the remaining 1.5-bil MRP shares (about 27%) held by the public. They found the tender offer price of P7.25 per share, which was half the stock's initial price in 2013, too low.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$75.161-B (September 2018)
Fiscal Surplus / (Deficit)	(P2.6-B) (August 2018)	Exports Growth Rate	0.3% (July 2018)	BOP	US\$1.272-B (August 2018)
Inflation	6.7% (2012 BY) (September 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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