

MARKET RECAP

12 October 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,004.77 (+1.75%)	97,399,817.90	(13,289,079.37)	24.89 (-1.62%) = 1,348.32	54.238

Market Recap

- Share prices on the Philippine Stock Exchange rallied and regained its footing on the 7,000 support level as investors hunted for bargains on battered issues after two days of sharp declines.
- The benchmark PSEI rose 120.39 points or 1.75% to 7,004.77 at the closing bell. The broader All Shares gained 60.55 points or 1.43% to 4,301.80.
- The local bourse bucked the general trend among its regional as well as global peers.
- Worries about the economic impact of a Sino-US trade war, a spike in US bond yields this week and caution ahead of earnings seasons are all cited as potential reasons behind the selloff, the biggest market rout since February.
- There still appears to be downside risk to the market amid worries the Sino-U.S. trade war may be slowing down global growth.
- Indeed, so far this week Chinese and U.S. shares are among the worst performers in a sign that investors' worries about the trade war are deepening.
- More than 636.861-mil shares valued at P5.282-bil, changed hands. Market breadth was positive, with advancers beating decliners, 127 to 56, and 47 issues were unchanged.
- Gainers: URC (+7.03%), RRHI (+6.67%), PGOLD (+6.17%), SECB (+5.78%), LTG (+4.35%)
- Laggards: GLO (-2.23%), DMC (-1.48%), MER (-1.46%), AEV (-1.07%), BPI (-0.85%)

Human Capital

- The Philippines' human capital improved over the past six years, according to the World Bank, which said the country improved on this count better than expected though it still fell short of the regional average due to productivity gaps.
- The Washington-based multilateral lender on Thursday launched its The Human Capital Project, which shows that the Philippines' Human Capital Index (HCI) stood at 0.55 in 2017, from 0.49 in 2012.
- The Philippines placed at the bottom half of 157 economies, ranking 84th in the HCI that was topped by Singapore, South Korea and Japan.
- It also placed 14th among 24 East Asia and Pacific economies.
- The HCI is based on indicators related to survival, schooling and health.
- A reading closer to 1 reflects better human capital status.
- "The Philippines' HCI is lower than the average for its region but higher than the average for its income group," the World Bank said.
- "In 2017, the HCI for the Philippines is higher than what would be predicted for its income level."
- "Children in the Philippines can expect to complete 12.8 years of pre-primary, primary and secondary school by age 18. However, when years of schooling are adjusted for quality of learning, this is only equivalent to 8.4 years: a learning gap of 4.4 years," the World Bank said in its report.
- It also said that 80% of the population who are 15 years old is likely to survive until age 60, and that 33 out of 100 children are stunted, or at risk of cognitive and physical limitations that can last a lifetime.
- The World Bank also found out that girls had higher HCIs than boys across all indicators, getting 0.58 overall, versus 0.52.
- "The Government of Philippines recognizes these challenges and has initiated critical reforms to improve human capital in the country," said Mara K. Warwick, World Bank Country Director for Brunei Darussalam, Malaysia, Philippines and Thailand, said in a statement.
- "Policy makers have introduced universal kindergarten, created senior high school, provided greater funding for basic education, and expanded the Pantawid Pamilya Program, which has boosted school attendance among the poor.
- The report noted that "programs can improve people's incentives to invest in human capital when they make its long-term benefits salient or provide mechanisms to make good choices binding."
- "Young people may not want to stay in school or take care of their health because they lack self-control or do not fully appreciate the benefits of education and good health," the report read, adding that "[g]oing forward, key policy priorities in the Philippines are reducing stunting and improving the effectiveness of teachers to boost learning."

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Human Capital (continued)

- Sought for comment, National Economic and Development Authority Undersecretary for Policy and Planning Rosemarie G. Edillon said in an e-mail: “Between 2012 and 2017, we increased our human capital investments: the 4Ps (cash transfer program) which increased enrolment rate and the health-seeking behavior among the poor, and the introduction of the K-12 which increased the expected years of schooling.”
- She added that the Duterte administration’s free tuition fee for tertiary education “could further increase the expected years of school.”
- “We have also formulated the Philippine Plan of Action on Nutrition which includes programs to ensure the proper nutrition of children especially during the first 1,000 days,” Ms. Edillon added.
- “This will improve the survivability index.”

3rd Telco

- NOW Corp. announced Friday it will join the government’s third telco initiative as part of a consortium.
- The company said its board of directors has formally authorized its “participation, as a member of a consortium, in the Selection Process for a New Major Player in the Philippine Telecommunications Market.”
- State-run China Telecommunications Corp. purchased on Friday the bid documents for the third major player in the Philippines’ telecommunications market.
- Prospective bidders for the third telco slot must buy the selection documents for P1-mil at the National Telecommunications Commission headquarters in Quezon City.
- China Telecom is the second foreign telco to buy these documents after Telenor got theirs last Monday.
- This shows the confidence of telcos in the selection process by NTC/DICT that only NOW, out of seven, is challenging in court.
- China Telecom is the latest addition to the roster of firms that entered the fray.
- Since it is a foreign firm, China Telecom must have a local partner to enter telecom business.
- PT&T was reported to have been in talks with the Chinese company for a possible partnership deal.
- Bidders for the third telco slot are required to cover at least 10% of the national population in the first year of operations.
- The terms of reference follow the “highest committed level of service,” which was chosen over the Department of Finance’s proposal to auction off unassigned frequencies.
- The DICT earlier said it was bent on naming the third telco player by December this year, amid criticisms that the timeline is too tight for prospective investors.

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	3.1% (August 2018)	BOP	US\$1.272-B (August 2018)
Inflation	6.7% (2012 BY) (September 2018)	Imports Growth Rate	11.0% (August 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)

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