

MARKET RECAP

23 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,376.80 (-0.31%)	94,954,802.85	3,662,306.75	25.29 (-0.71%) = 1,353.52	53.515

Market Recap

- Philippine share prices slipped as investors adopted a wait-and-see stance to keep a close watch on President Duterte's third State of the Nation Address (SONA), which he is set to deliver later today, as well as on fears of further trade protectionist measures.
- The benchmark Philippine Stock Exchange Index (PSEi) lost 22.81 points or 0.31% to close at 7,376.80. Meanwhile, the broader All Shares index added 6.62 points or 0.15% to 4,473.32 at the closing bell.
- President Rodrigo R. Duterte takes to the podium at 4:00 p.m. and investors are banking on what he will be saying during his third SONA, where he is expected to deliver a report on his administration's accomplishments and plans moving forward.
- Equities investors will give extra attention on: sequel tax reform plan (specifically on corporate taxes, retention/removal of earlier fiscal incentives; renewable energy); pace of provincial project expansions under the Build Build Build agenda; and other issues covering the administration's territorial issue with China, endo and the Bangsamoro Basic Law.
- Specifically, investors would like to see if the key direction hasn't changed or may divert in light of the initial phase of the tax reform plan's impact on inflation. This will be crucial to listed companies' capex rollout, including timing of budget preparation for large-ticket infra undertakings. As such, any hint to affirm this year's growth prospects could invigorate appetite for equities, especially if these would lead to increased direct investments & job creation.
- Aside from the SONA, another focus is the central bank's next policy move, to arrest further weakness.
- For now, keep tabs on trading opportunities as Q2 corporate earnings and industry developments unfold. Immediate support is 7,300 with resistance at 7,450 to 7,550 level.
- Investors are also now looking ahead to an important meeting on trade between Trump and European Commission President Jean-Claude Juncker at the White House. A breakdown in talks could hit risk sentiment, hurting global equities.
- More than 657.019-mil shares, valued at P5.081-bil, changed hands. Market breadth was positive, with advancers outpacing decliners, 92 to 88, with 51 issues unchanged.
- Gainers: MBT (+4.14%), MPI (+3.02%), MEG (+2.17%), AEV (+1.77%), ICT (+1.13%)
- Laggards: AP (-2.15%), TEL (-2.04%), AGI (-1.85%), JGS (-1.85%), RLC (-1.52%)

Growth Forecasts

- The Philippine economy is expected to have grown by 7% in the second quarter of the year, First Metro Investment Corp. (FMIC) and the University of Asia and the Pacific (UA&P) said.
- Muscular real economy indicators, like bulked up growth in infrastructure spending, capital goods imports, and manufacturing output, and foreign direct investments should carry the economy to faster GDP growth in Q2 to at least 7%, the think tank said.
- In the first five months of the year, infrastructure spending was up 42.4% at P280.8-bil from P197.2-bil a year earlier.
- Socioeconomic Planning Secretary Ernesto Pernia has said the government was banking on higher spending to buoy economic growth to 7.0% in April to June.
- Infrastructure spending has soared above 20% in the last seven consecutive months.
- FMIC and UA&P think the government (particularly, infrastructure) spending will continue to ramp up—double-digit growth over the last eight months—and the manufacturing output expansion at an unusually fast pace, will provide the basis for robust job creation (and consumer spending).
- The 7% gross domestic product is possible, but cited several downside risks.
- It is possible given the continuous infra construction under the "Build, Build, Build" and consumer spending due to higher take home pays.
- However, it may fall short due to the reduced purchasing power, other impacts of TRAIN law, and increase in imports.
- In December, President Rodrigo Duterte signed into law the Tax Reform for Acceleration and Inclusion (TRAIN) Act, which expanded the value-added tax (VAT) base and reduced personal income taxes.
- Recent data from the government showed that total imports increased by 11.4% to \$9.46-bil in May from \$8.49-bil in the same month last year.

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Growth Forecasts (continued)

- The country's trade expanded to \$3.701-bil, with exports declining by 3.8% to \$5.76-bil during the same month.
- The Philippine Statistics Authority is scheduled to release Q2 GDP results on Aug. 9, 2018.

SMC

- The three-lane, northbound direction of Skyway Stage 3 from Buendia Avenue up to near Java Street in Makati, City is now open for motorists, the Department of Public Works and Highways said.
- The move is in line with the agency's efforts to ease traffic congestion in Metro Manila.
- Instead of using Buendia as an off ramp, motorists may now exit a kilometer further along South Super Highway through a temporary ramp constructed near Java Street.
- The temporary ramp near Java Street is currently one lane passable but will be constructed into two lanes, and eventually four lanes, when the on-ramp and the southbound direction will be opened to the public, DPWH said.
- A project by San Miguel Corp., Skyway Stage 3 is a six-lane, elevated expressway running from Buendia, Makati City to Balintawak, Quezon City with a length of about 17.54 kilometers.
- SMC has committed to invest P26.7-bil in the project, which is targeted to be completed by 2020.
- Upon completion, Skyway Stage 3 will ease traffic through the eight access ramps/interchanges strategically located as follows: Buendia Avenue, (South Super Highway, Makati City), Pres. Quirino Avenue (Malate, Manila), Plaza Dilao (Paco, Manila), Nagtahan/Aurora Boulevard (Manila), E. Rodriguez Avenue (Quezon City), Quezon Avenue (Quezon City), Sgt. Rivera St. (Quezon City) and NLEX.

AC

- Conglomerate Ayala Corp. raised around P8.07-bil from a private placement of shares.
- Ayala said it sold 8.81-mil common shares at P916 each share to a single long-term institutional investor who had made a reverse inquiry.
- The sale raised the company's public float from 51.6% to 52.3%.
- Ayala said the offer price reflected a discount of 1.08% to the 30-day volume weighted average closing price of Ayala shares.
- Proceeds from the offering will be used to acquire properties or assets needed for the diversified holding firm's businesses or for debt payment.

ECONOMIC INDICATORS

GDP Growth Rate	6.8% (Q1 2018)	Unemployment Rate	5.5% (April 2018)	GIR	US\$77.675-B (June 2018)
Fiscal Surplus / (Deficit)	(P32.9-B) (May 2018)	Exports Growth Rate	(3.8%) (May 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	5.2% (2012 BY) (June 2018)	Imports Growth Rate	11.4% (May 2018)	O/N RP	4.00% (as of June 20, 2018)
91-day T-Bill Rate	3.484 (as of June 25, 2018)	Cash Remittances	US\$2.469-B (May 2018)	O/N RRP	3.50% (as of June 20, 2018)

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