

MARKET RECAP

27 July 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,701.38 (+0.46%)	116,521,236.02	6,948,640.26	25.41 (-0.51%) = 1,356.41	53.354

Market Recap

- The stock barometer continued its ascent to the 7,700 level as foreign funds started flowing back to large-cap stocks while global trade tension eased.
- The benchmark PSEi gained 35.53 points or 0.46% to close at 7,701.38. The broader All Shares index gained 10.01 points or 0.22% to 4,615.53 at the closing bell.
- Philippine stocks are heading for the sharpest monthly gain in more than two years as foreign funds start trickling back into a market that was among the world's worst performers in H1 of the year.
- Foreign funds have started coming back as investors have realized there's value in the market. There's still room for more gains because in spite of the bounce there is still value on the table.
- Still, investors are advised to stay underweight on Philippine equities as the market is fairly valued relative to its 10 to 25 year average. A more substantial re-rating in P/E valuation is difficult given global tightening, rising earnings risk and reduced domestic liquidity.
- The central bank's stance on inflation next month will be a key factor that could boost stocks. Progress on the government's tax reform and its plan to remove caps for rice imports will be additional catalysts.
- Potential risks for the market include U.S-China trade tensions and the possibility Q2 corporate earnings will miss expectations.
- The market could very well be on the road to recovery provided there won't be any missteps from here. Investors should continue to buy selective blue chips that will lead the rebound.
- More than 1.292-bil shares, valued at P6.216-bil, changed hands. Market breadth was negative, with decliners outpacing advancers, 89 to 86, with 50 issues unchanged.
- Gainers: JFC (+3.83%), DMC (+3.36%), JGS (+1.91%), BPI (+1.51%), SMPH (+1.47%)
- Laggards: MEG (-3.29%), GTCAP (-1.12%), MPI (-1.09%), SCC (-0.94%), SM (-0.93%)

GLO

- Globe Telecom Inc. is on track to deploy fifth generation (5G) wireless technology by the second quarter of 2019, the company said on Friday.
- Globe said it is moving forward with network upgrade to support the technology.
- Globe in July 2017 started commercially deploying massive MIMO (multiple input, multiple output) technology, using 2CC carrier aggregation, which doubles LTE capacity.
- MIMO technology provides vast mobile capacity, coverage, and reliability for 5G technology.
- With the necessary assets in place, Globe said it is now focused on completing its network upgrade in support of 5G by the end of the year.
- From 2014 until Q1 of 2018, the company said it spent more than P139-bil, mainly on upgrading and expanding its network.
- 5G is an important building block for the Philippine economy's competitiveness. This is the reason Globe is accelerating its efforts to deploy 5G so it can provide as many Filipinos as possible an access to the technology.
- 5G will bring innovation and spur economic growth in the Philippines. From the same physical network people will be able to support different uses with varying performance requirements, in effect looking like different networks to different types of applications, from Internet of Things to faster broadband to mission critical information. This will spur innovation and help various industries digitally transform.
- Globe executives were recently in Shanghai, China to discuss with Huawei deputy chairman Eric Xu their 5G partnership and other strategies to provide first-world connectivity in the Philippines.
- Huawei was the technology partner of Globe in implementing a \$700-mil network modernization program that began in 2011.
- In November 2015, Globe signed a fresh five-year contract with Huawei, involving the planning and design of a mobile broadband network, as well as the creation of a mobile innovation center.

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TEL

- Telecommunications giant PLDT Inc. is disputing a clarificatory order issued by the Department of Labor and Employment (DOLE) for the telco to regularize contractual workers.
- The DOLE order was “irregularly issued, procedurally inappropriate, based on selective and/or biased information, and vague,” the telco said.
- On July 11, the Labor department issued a clarificatory order stating that an earlier order on April 24, 2018 to regularize more than 7,000 employees and more than 30 PLDT contractors to cease and desist from doing labor contracting was “not subject to any condition.”
- The department warned PLDT that “any act or condition imposed that frustrates or tends to frustrate the order to regularize is contumacious and shall be dealt with in accordance with law.”
- The clarificatory order was issued on the heels of a PLDT statement saying that stopping its sub-contracting activities will shut down its labor contractors with thousands of workers losing jobs.
- The telco said it was taking “logical, reasonable, and necessary step in response to those regularization orders.”
- PLDT noted the clarificatory order was issued without giving the company a chance to be properly heard as required by due process of law.
- PLDT denied that it laid off employees that were the subjects of the ordered to regularize the telco’s workers.
- The telco said it did not require affected workers to “apply” for employment, contrary labor groups claimed.
- PLDT said it reserves the right to take legal steps in assailing the clarificatory order.

EW

- East West Banking Corp. (EastWest) announced major vacancies in top posts this July, following the resignations filed by three of its high-ranking officials.
- The bank said the following executives submitted their resignations this month: Rhodora M. Lugay, executive vice president and Chief Finance Officer; Abigail Tina M. Del Rosario, senior vice president and Wealth Management Head; and Domingo V. Guanio, senior vice president, Chief Information Officer & IT Head.
- Guanio will be replaced by Cecilio Frederick M. Pusag starting Friday, July 27.

TBGI

- Transpacific Broadband Group International will apply for renewal of its Congressional franchise for another 25 years to take advantage of opportunities in the lucrative telecommunications sector.
- TBGI is seeking the extension of its franchise until 2048 to support its bid to become the country’s third telco player. Its franchise will expire in 2023,
- The company maintains its current satellite operations for uplink services, VSAT services and internet over satellite services to service the education and commercial sector.
- TBGI also plans to participate in a consortium that is vying to build common cell towers for use of telco firms.

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)	(P54.3-B) (June 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	3.219 (as of July 23, 2018)	Cash Remittances	US\$2.469-B (May 2018)	O/N RRP	3.50% (as of June 20, 2018)

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