

MARKET RECAP

30 July 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,773.32 (+0.93%)	105,058,165.52	9,581,136.02	25.05 (-1.42%) = 1,336.52	53.371

Market Recap

- Philippine share prices continued its upward trend, starting the week off on a high note, as investors had gone back into the market regardless of the impending “ghost month.”
- The benchmark PSEI gained 71.94 points or 0.93% to close at 7,773.32. The broader All Shares index climbed 29.75 points or 0.65% to 4,645.28 at the closing bell.
- Philippine stocks bucked the trend, with its Asian peers drifting lower ahead of a busy week peppered with central bank meetings, corporate results and updates on US inflation and payrolls.
- Investors chose to dive back into the market regardless of the ghost month as expectations of positive Q2 corporate earnings results buoyed sentiment.
- Trends that show improved outlook especially for core recurring earnings will be lauded, as players see these listed leaders as proxy in their category.
- Window-dressing activities may have also lifted the market as the month nears its end.
- The US Federal Reserve meets on Tuesday and Wednesday and is widely expected to stand pat while reaffirming the outlook for further gradual rate rises.
- On the other hand, many analysts expect the Philippine central bank to announce another rate hike on the Monetary Board’s upcoming August 9 meeting.
- There are still expectations that the market may retreat in the coming days with investors cautious on the looming Chinese ghost month.
- More than 1.021-bil shares, valued at P5.607-bil, changed hands. Market breadth was positive, with advancers outpacing decliners, 98 to 91, with 57 issues unchanged.
- Gainers: LTG (+5.94%), ICT (+5.80%), AEV (+5.00%), URC (+3.82%), MPI (+3.30%)
- Laggards: BDO (-2.19%), BPI (-1.09%), SECB (-0.49%), GLO (-0.38%), SMPH (-0.13%)

Exports and Higher Inflation

- Exporters are feeling the impact of higher inflation and many have decided to raise prices and hold back from expanding, the Philippine Exporters Confederation, Inc. (Philexport) said.
- The industry group, in a statement, said the majority of members polled during a recent meeting indicated that they were “experiencing average impact from higher inflation and have no plans of expansion at the moment.”
- Nineteen out of 33 respondents said they had shelved their plans, “with some noting they will be expanding in one to two years’ time,” while the rest claimed they would push through with growing their businesses.
- Eighteen, meanwhile, said they had raised prices of goods and services while nine claimed to have chosen not to jack up costs for consumers.
- Nearly all (28) said packaging costs had increased, another 27 said inflation had also driven up fuel and power costs and 18 replied that raw materials had become more expensive, Philexport said.
- “About half,” meanwhile, said shipping and trucking costs had risen from last year.
- The industry group also said 20 agreed that cargo handling rates had “contributed to higher inflation” while four disagreed.
- Most of the respondents belong to the associates, food, and gifts, decors and houseware sectors, Philexport said.
- Rising consumer prices have become a concern for both businesses and households, with the rate having hit a five-year high of 5.2% in June — well over the 2.0% to 4.0% targeted by the central bank.
- Monetary authorities have been prompted to hike key interest rates twice so far this year for a total of 50 basis points and many analysts expect further adjustments, probably as early as August.
- Some legislators have pointed to the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) law, which raised excise taxes on fuel, cars and tobacco products, among others, in exchange for lower personal income tax rates, as having fueled inflation.
- Economic managers dispute this, claiming that the impact of the TRAIN law on inflation is less than half a percent and that the rise in consumer prices is predominantly being driven by higher world oil prices.

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Exports and Higher Inflation (continued)

- The central bank expects inflation to hit its peak in the third quarter before tapering off to return to the 2.0% to 4.0% level next year. The Finance department last week forecast a July result of 5.3%, driven by higher food, tobacco, power and fuel prices.
- Data for the month is scheduled to be released next week by the Philippine Statistics Authority.

UBP

- The Union Bank of the Philippines Inc. posted a decline in bottom line in Q2 of the year, dragged by higher operating expenses.
- The company reported a net income of P1.781-bil in the April to June, down from P2.150-bil a year earlier.
- Operating expenses climbed to P3.756-bil from P3.315-bil in 2017, while net interest income grew to P4.209-bil from P4.146-bil.
- Net income in H1 of the year, however, reached P4.715-bil, up from P4.365-bil in January to June 2017.
- The bank is ahead of its target for the year despite margin compression in H1 due to higher interest rates and regulatory compliance.
- For the remainder of the year, Union Bank expects recurring income to drive profitability. The bank anticipates margins to improve as loan rates start to catch-up against deposit cost.

MEG

- Megaworld Corp. is building its first residential condominium in its P35-bil New York-inspired lifestyle district in Bacolod, Negros Occidental.
- The 34-hectare township, The Upper East, will be home to residential condominiums, malls and commercial centers, mixed-use buildings, state-of-the-art office towers, and hotels, with facilities such as its own transport hub, church as well as green and open parks and a central plaza.
- One Regis, the first to be constructed in the masterplanned community, will offer studio (up to 37 square meters), one-bedroom (58 sqm), and two-bedroom (73 sqm) units.
- Another main highlight of the township will be the 'iconic' Casa de Emperador, a mixed-use structure featuring a unique architectural design.
- The township will also feature its own New York-inspired lifestyle mall composed of several interconnected structures that will provide diverse retail, entertainment and leisure offerings.
- Part of the design of one of the mall's buildings will be inspired by New York City's Grand Central Station.

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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