

MARKET RECAP

31 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,672.00 (-1.30%)	132,451,644.58	4,798,644.86	25.34 (+1.16%) = 1,352.42	53.263

Market Recap

- Philippine share prices declined by more than 1% as investors cashed in on gains from the recent uptrend.
- The benchmark PSEi dropped 101.32 points or 1.30% to close at 7,672.00. The broader All Shares index fell 41.16 points or 0.89% to 4,604.12 at the closing bell.
- The index is ripe for profit-taking. Coming from the low of 6,923 last month, the market has risen as much as 12.27%.
- Local stocks also fell ahead of a key statement by the Bank of Japan, which could indicate a tightening of its monetary policy as well as on a sour performance on Wall Street overnight.
- Investors are watching the Bank of Japan's statement on monetary policy due Tuesday. Sustained relatively strong growth has raised expectations that the central bank may need to consider further tempering its massive purchases of government bonds and other assets. They are also watching monetary policy meetings in the U.S. and U.K. The Bank of England is expected to nudge up its key interest rate by a quarter point on Thursday despite uncertainty around Brexit as inflation remains high.
- Investors are also keeping an eye on the country's own central bank Monetary Board policy meeting where there are expectations of a third rate hike for the year.
- All attention on central banks this week. The world has continuously been on the tightening path, starting with moves by the Fed in 2015. Even dovish central banks may be pulling the rope a little bit more.
- More than 842.022-mil shares, valued at P7.054-bil, changed hands. Market breadth was negative, with decliners outpacing advancers, 130 to 63, with 52 issues unchanged.
- Gainers: JFC (+1.50%), GLO (+1.21%), PCOR (+0.91%), DMC (+0.68%), ICT (+0.68%)
- Laggards: URC (-5.88%), ALI (-3.20%), LTG (-2.91%), GTCAP (-2.41%), RLC (-2.10%)

Growth Outlook

- Delays in infrastructure projects and logistics bottleneck, rising inflation, and natural hazards are among the domestic headwinds that will potentially affect the economic growth, according to the National Economic and Development Authority (NEDA).
 - Aside from these, NEDA cited balancing social protection and labor market flexibility, and peace and security risks.
 - Among the external risks cited by NEDA are the US-China trade tensions, tightening global financial markets, moderation of global growth in the medium-term, financial sector risks in China, and geopolitical tensions.
 - To sustain and accelerate growth, the government intends to implement policy reforms, including:
 - Improving government processes dealing with business
 - Easing restrictions on foreign investments
 - Pursuing tax reform towards a simple, fair, and equitable tax system to boost consumption spending and investments
 - Ensuring timely execution of the budget
 - Seeking out new export market to further diversify destinations
 - Lifting quantitative restrictions on rice
 - Diversifying high-value crops
 - Investing in disaster resiliency
 - Ensuring timely restoration of normalcy in affected areas in Mindanao
 - Sustaining and enhancing programs that target the vulnerable population
 - Strengthening Science and Technology and Innovation Ecosystem to face disruptive technologies
 - Implementing a national ID system
- Year 2018 is then expected to be a transition period as the changes are implemented in full by 2019, NEDA noted.
- The spadework for change still needs to be continued all through 2018, thereby pushing back the transition year to 2019, it said.

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TRAIN 2

- The proposed corporate income incentives reform law, or the second package of the Tax Reform Acceleration and Inclusion (TRAIN 2) law, is a priority of the House of Representatives under the leadership of Speaker Gloria Macapagal Arroyo.
- Arroyo made this clear on Tuesday after attending a hearing of the House Committee on Ways and Means on the matter.
- She noted that TRAIN 2 was part of the legislative agenda President Rodrigo Duterte mentioned during his State of the Nation Address.
- Arroyo, however, declined to elaborate on the timetable for the measure in the House.
- Under the proposed measure, the Duterte administration seeks to lower the corporate income tax from 30% to 25% and rationalize fiscal incentives.
- Arroyo said it is “misleading” to call the measure as the second package of TRAIN.
- The first package of the tax reform law reduced personal income tax rates and at the same time increased excise taxes on petroleum products, automobiles, and imposed a levy on sugar sweetened beverages.
- Following the Ways and Means Committee hearing, Arroyo had a working lunch with government economic managers and some lawmakers to discuss economic issues such as inflation, among others.
- Duterte on Thursday said Arroyo asked him to address rising consumer prices, which some sectors blame on his tax reform program.
- Arroyo declined to give further details about his talk with Duterte.
- Meanwhile, Senate President Vicente Sotto III has agreed to sponsor the bill on the second package of the Tax Acceleration for Reform and Inclusion (TRAIN 2) even amid the apprehension of his colleagues.
- Sotto on Tuesday said he will read first the documents sent by the Department of Finance and will file the bill later in the afternoon.

LR

- Leisure Resorts and World Corp. is allotting P200-mil for the expansion of its gaming operations.
- In a stock exchange filing, LRWC said it has budgeted P500,000 to P1.5-mil per site for ongoing improvements or renovations.
- The Benitez-led gaming firm is also setting aside as much as P100-mil for the construction of new sites in key cities of the country — one in Metro Manila, 4 in Luzon, 3 in Visayas and 2 in Mindanao.

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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