

DAILY MARKET PRIMER

11 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,596.15 (-0.03%)	137,393,474.46	(15,838,002.84)	25.87 (+0.94%) = 1,392.61	53.831

MARKET OUTLOOK

- Shares opened the week on a flattish note as investors went bargain hunting, while some were still reeling from last week's news, particularly the faster-than-expected inflation print and the US' threat of more tariffs on Chinese products.
- The afternoon session saw investors turning to bargain hunting for selected names that were oversold. Blue chip stocks have been oversold and it was just taken by some investors as a chance to buy at lower prices.
- While the PSEi remains one of the most expensive indices in Asia, the sell-off due to the inflation data last week and trade rift between the US and China is a bit overdone so market participants may buy up the index stocks today.
- People are trying to test the waters after the selling last week.
- US President Donald Trump said on Friday he was ready to levy additional taxes on practically all Chinese imports, threatening duties on \$267-bil of goods over and above planned tariffs on \$200-bil of Chinese products.
- China said it will respond if Washington takes any new steps on trade.
- Despite all the trade tensions there's still general optimism because the full effect of the previous tax cuts haven't been seen yet.
- At the same time, investors are optimistic about economic data and forecasts for earnings.
- Fundamentals appear to be in place to support share prices.
- Investors are also anticipating President Rodrigo Duterte's plans to address the nation today.

ECONOMIC HIGHLIGHTS

FDI

- Net inflows of foreign direct investments (FDI) to the Philippines increased anew in June, helping to fuel a H1 surge that pushed the tally closer to an official full-year forecast, according to data the central bank released on Monday.
- FDI net inflows reached \$831-mil for the month, up 9.2% from the \$761-mil which the country received in June 2017, even as the latest inflows were less than the \$1.645-bil recorded in May.
- FDI inflows spell more capital for the Philippine economy, fueling business expansion that, in turn, generate more jobs and spurs overall domestic activity.
- Investors remained bullish on the Philippine economy, as evidenced by the surge in equity placements compared to a year ago.
- June saw the US Federal Reserve raise interest rates for a second time this year. Back home, the central bank also hiked rates by another 25 basis points for the second straight month in an effort to rein in inflation expectations amid signs that price pressures remain elevated.
- June inflows brought the first-semester FDI tally to \$5.755-bil, 42.4% more than the \$4.041-bil investments received in 2017's first six months.
- The continued inflows of FDI indicate investor confidence in the Philippine economy on the back of strong macroeconomic fundamentals and growth prospects.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$77.829-B (August 2018)
Fiscal Surplus / (Deficit)	(P86.4-B) (July 2018)	Exports Growth Rate	(0.1%) (June 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	6.4% (2012 BY) (August 2018)	Imports Growth Rate	24.2% (June 2018)	O/N RP	4.50% (as of August 9, 2018)
91-day T-Bill Rate	3.225(as of September 3, 2018)	Cash Remittances	US\$2.357-B (June 2018)	O/N RRP	4.00% (as of August 9, 2018)

ECONOMIC CALENDAR

Tuesday, September 11

- Trade Balance (July)
- Exports (YoY, July)
- Imports (YoY, July)

Monday, September 24

- Budget Balance (August)

Thursday, September 27

- Monetary Board Policy Meeting

ECONOMIC HIGHLIGHTS (continued)

FDI (continued)

- Net equity investments reached \$184-mil in June, turning around from the \$67-mil net outflows recorded in the same month last year.
- Total inflows of equity capital reached \$208-mil in June, nearly double the \$113-mil placements a year ago. These inflows were partly offset by just \$24-mil in withdrawn capital, versus June 2017's \$180-bil outbound capital.
- Multinational companies also chose to reinvest a bigger share of earnings drawn from their operations in the Philippines, growing the amount by 7.1% to reach \$77-mil from \$72-mil.
- These additional flows were enough to offset smaller investments in debt instruments that dropped fourth to \$569-mil from \$756-mil the prior year.
- The sustained FDI surge is good for the economy, as it fuels stronger activity particularly in terms of factory output.
- The preference over equity describes the continuing resurgence of manufacturing in the country. This manufacturing growth consequently relates to the government's push for increasing government spending on infrastructure.
- Strong FDI momentum also puts the country on track to hit the \$9.2-bil forecast this year, coming from the record \$10.049-bil tallied in 2017.
- For June, the biggest sources of investments were Singapore, Luxembourg, Japan, the United States and the Netherlands, with such inflows going to manufacturing; electricity, gas, steam and air conditioning supply; real estate; financial and insurance; and wholesale and retail trade activities, the central bank said.
- Market watchers have flagged that the planned overhaul of the local tax incentives regime could dampen investor appetite towards the Philippines, although the final form of the second tax reform package is yet to be passed by the Senate after the House of Representatives approved the same on third and final reading last night. Tax measures have to come from the House by law, although the Senate can conduct parallel public hearings while awaiting House approval in order to expedite enactment.

Tax Reform Program

- WITH 187-14-3 votes, the House of Representatives on Monday approved on third and final reading the second of up to five planned tax reform tranches that cuts the corporate income tax (CIT) rate and removes fiscal incentives deemed redundant.
- Among others, the House Bill No. 8083, or the "Tax Reform for Attracting Better and High-quality Opportunities" (TRABAHO) bill, will cut the CIT to 20% gradually from the current 30% in order to lure investments by putting the rate at par with much of Southeast Asia. At its current rate, the Philippines' CIT is higher than those of Cambodia, Thailand and Vietnam which have a 20% rate as well as Singapore's 17%.
- Another key feature is a uniform tax incentive scheme to be administered by all investment promotion agencies, a five- to seven-year cap on provision of income tax holidays and removal of redundant perks that have been costing the economy hundreds of billions of pesos in foregone revenues annually.
- Following the first package, Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) law that cut personal income tax rates on the one hand but removed several value-added tax exemptions as well as increased or added taxes on several items when it took effect last January, the Executive submitted at end-July the remaining proposed tax reforms to both chambers of Congress in hopes of securing legislative approval before lawmakers start focusing on the May 2019 mid-term elections starting next quarter.

CORPORATE NEWS
MRP

- Melco Resorts and Entertainment (Philippines) Corp. said on Monday it is voluntarily delisting from the Philippine Stock Exchange (PSE).
- Melco Resorts Philippines said its board of directors had approved the voluntary delisting of the company's common shares from the main board of the stock exchange.
- The listed firm said its majority shareholder MCO (Philippines) Investments Limited will conduct a tender offer for up to P1,543,421,147 outstanding common shares held by the public at P7.25 per share. This represents 27.23% of the company's outstanding capital stock.
- Melco Resorts Philippines, which operates City of Dreams Manila, said the tender offer report will be filed with the PSE and Securities and Exchange Commission "on or around Sept. 17."
- For the first six months of 2018, the company reported its net income surged 437% to P1.89-bil, from P352.2-mil during the same period a year ago, "primarily related to improved operating results as well as lower interest expense, net of capitalized interest."
- However, total operating revenues were 1% lower at P16.54-bil for H1, due to the adoption of a new revenue standard "which resulted in higher commissions paid to gaming promoters being deducted from casino revenues."
- Casino revenues for the January to June period dropped 13% to P13.48-bil. This was attributed to the P4.2-bil "more commission paid to gaming promoters and complimentary goods and services deducted from casino revenues," but was partially offset by higher casino revenues of P2.17-bil.
- Revenues from the Nuwa hotel, Nobu Hotel and Hyatt City of Dreams, jumped 164% to P1.37-bil during the first six months of 2018.
- On the other hand, operating costs and expenses dropped 9% to P13.56-bil.

MPI

- A unit of Metro Pacific Tollways Corp. (MPTC) increased its stake in Indonesian infrastructure firm PT Nusantara Infrastructure Tbk, as the result of a mandatory tender offer.
- Parent company Metro Pacific Investments Corp. (MPIC) said PT Metro Pacific Tollways Indonesia (PT MPTI) now owns 77.94%, on a fully diluted basis, of the outstanding capital stock of PT Nusantara.
- As a result of the mandatory tender offer, a total of 3,760,231,769 PT Nusantara shares, which is equivalent to 24.68% on a fully diluted basis, were tendered at an approved price of IDR 211 per share.
- MPIC said the total cost stood at IDR 794.54-bil, which is equivalent to P2.86-bil.
- The partnership between MPTC and PT Nusantara comes as the former looks to expand its toll road business in Southeast Asia.

MWIDE

- Megawide Construction Corp. is looking to participate in the bidding for Pasig River Expressway with Philippine Skylanders International, Inc. (PSI).
- Megawide said it signed a memorandum of agreement (MoA) with the Philippine Skylanders.
- The MoA sets out the preliminary terms and conditions of Megawide and PSI in relation to the possible participation of Megawide for the engineering, procurement, and construction (EPC), and operation and maintenance (O&M) of the Pasig River Expressway project.

GOLD BUYING / Troy Oz.

US\$1,195.40

COPPER BUYING / lb.

US\$2.630

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