

DAILY MARKET PRIMER

14 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,517.37 (+0.92%)	112,329,136.08	(7,369,625.31)	26.31 (-0.38%) = 1,420.98	54.009

MARKET OUTLOOK

- The main index snapped its six-day losing streak on Thursday as investors went on selective buying of stocks with good valuations.
- There's a support at the 7,450 level for now, propped up by some entries into attractive valuations as investors look forward to positive 2019 earnings.
- Should the index test lower, minor supports are at 7,300/7,200, major is at 7,000/6,923 which is the June 22 low.
- Meanwhile, gains on Wall Street overnight as trade worries eased after China said it was open to fresh talks with the United States, may continue to provide impetus for the market's upward momentum.
- Even as Washington prepares to slap tariffs on \$200-bil worth of Chinese goods, the Trump administration on Wednesday invited Chinese officials to restart talks, although it is unclear when these talks could happen.
- Also, a report on a net inflow of foreign portfolio investments marking a four-month high in August, could also perk up investor appetite.
- Foreign portfolio investments posted a \$225.85-mil net inflow last month that was four times July's \$53.29-mil and marked a turnaround from the \$57.52-mil net outflow recorded in August 2017.
- Traders said the momentum may be sustained today and may again trigger a resumption of the market's upward trend.

ECONOMIC HIGHLIGHTS

August FPI

- More foreign funds entered the Philippines in August to mark a four-month high, with hawkish cues from the central bank perking up investor appetite.
- Foreign portfolio investments posted a \$225.85-mil net inflow last month that was four times July's \$53.29-mil and marked a turnaround from the \$57.52-mil net outflow recorded in August 2017.
- This tally is the biggest inflow seen since April's \$279.29-mil, according to latest available central bank data.
- These flighty investments are often called "hot money," as these funds enter and leave the country with ease in the face of developments and news.
- Foreigners brought in \$1.121-bil in funds in August, 16.9% more than July's \$959.44-mil inflows seen and a fifth bigger than the \$936.28-mil inbound flows a year ago.
- Such inflows were matched by \$895.31-mil in outbound funds, improving from the \$993.8-mil that left the country in August 2017. This is also the smallest outflow seen since January last year, according to central bank data.
- In a statement, the central bank said the bigger hot money inflows reflected positive investor response to good second-quarter corporate earnings and the "forthcoming infrastructure initiatives" of the Duterte administration.
- The recent resumption of trade talks between the United States and China also helped lift market sentiment, the central bank added.
- Investments peaked in the second week of August when gross inflows reached \$296.4-mil that were partly offset by \$185.22-mil in outbound funds.

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	0.3% (July 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	6.4% (2012 BY) (August 2018)	Imports Growth Rate	31.6% (July 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)

DAILY MARKET PRIMER

14 September 2018

ECONOMIC CALENDAR

Monday, September 24

- Budget Balance (August)

Thursday, September 27

- Monetary Board Policy Meeting

ECONOMIC HIGHLIGHTS (continued)

August FPI (continued)

- It is also important to stress that the week of August 6-10 was the week that the central bank announced that it will raise rates by 50 basis points, signaling a more hawkish stance. This particular event has encouraged financial market gains.
- The possibility that the US and China are starting fresh trade negotiations may further encourage investment inflows.
- While the government reported a disappointing 6% economic growth for Q2 on Aug. 9, the Philippines' macroeconomic fundamentals remain attractive despite rising inflation and uncertainties of the external environment.
- Foreign investors were particularly upbeat about investing in peso-denominated government securities, yielding \$180-mil net inflows during the month.
- This was followed by \$39-mil net inflows from shares of stock of listed companies.
- Other peso-denominated debt instruments got \$6-mil net inflows.
- The August figure brought the year-to-date hot money investments to a \$602.01-mil net inflow, a turnaround from the \$318.88-mil outbound capital in last year's counterpart eight-month period.
- The central bank expects hot money at a \$900-mil net outflow by yearend, which would be wider than 2017's \$205.03-bil net outbound funds amid financial market uncertainties.

PH Economic Growth

- The Philippines fell short on being an economic "outperformer" among emerging markets, according to a discussion paper from McKinsey Global Institute (MGI) which nevertheless noted that the country's rapid growth in recent years signals its potential to be so in the medium to long term.
- MGI classifies "outperformers" as economies with an average of at least 3.5% annual per capita gross domestic product (GDP) growth over 50 years or 5% annual growth over 20 years.
- MGI found that Association of Southeast Asian Nations (ASEAN) accounted for eight of the 18 developing countries in the category. Notable were Indonesia, Malaysia, Singapore, Thailand that grew above 3.5% in 50 years, as well as Cambodia, Laos, Myanmar, and Vietnam whose economies expanded by at least 5% in 20 years.
- While the Philippines did not meet either criteria, its recent rapid growth could lift it to the ranks of outperformers in the future, it said.
- It said the Philippines could grow at an average of 5.3% annually from 2015 to 2030, faster than the ASEAN forecast average of 4.1%, and faster than current outperformers, with Vietnam estimated to grow 4.9% annually in 15 years; Malaysia, 4.3%; Indonesia, 4.2%; Thailand, 3% and Singapore, 2%.
- Latest state data show that the Philippines' GDP grew 6.3% last semester versus 6.6% in 2017's H1.
- MGI described the Philippines as a "very recent accelerator"
- After several decades of strong and sustained economic growth, members of the Association of Southeast Asian Nations (ASEAN) make up almost half of the world's best-performing developing economies. The challenge for the region is to maintain its growth momentum-and continue narrowing the per capita GDP gap with high-income countries-in changing times marked by rapid technological advances and demographic shifts, it said.
- Common characteristics of outperforming countries include a "pro-growth policy agenda of productivity, income and demand that features steps to boost capital accumulation, including forced savings and the growth of financial institutions."
- Large companies also play a "powerful role" in outperforming economies that not only boosted economic output but also "encouraged productivity improvements in small- and mid-sized local suppliers."

DAILY MARKET PRIMER

14 September 2018

ECONOMIC HIGHLIGHTS (continued)

PH Economic Growth (continued)

- McKinsey said almost all the growth in the Philippines comes from private-sector conglomerates.
- Demographic change, urbanization and technological disruption will generate growth opportunities in Southeast Asia.
- The Philippine government targets infrastructure spending to be equivalent to 7.3% of GDP by 2022 from the actual 5.6% last year.
- This, in turn, is meant to drive economic growth rate to 7% to 8% in 2018 to 2022 from a 6.3% to 6.5% average in 2010-2016, cut unemployment rate to 3% to 5% by 2022 — when President Rodrigo R. Duterte ends his six-year term — from 5.5% in 2016 and cut poverty incidence to 14% also by then from 21.6% in 2015.

CORPORATE NEWS

AEV / AC

- A consortium led by the Ayala and Aboitiz groups will be shelling out P15-bil for its proposal to design and develop the infrastructure for the country's national identification (ID) system.
- The unsolicited proposal submitted to the Philippine Statistics Authority (PSA) by the group of Ayala Corp.'s AC Infrastructure Holdings Corp. and Aboitiz Infracapital, Inc. (AIC) in partnership with Unisys Philippines aims to provide a "national identity infrastructure solution."
- The project would involve storing, maintaining, managing, and authenticating identity information of individuals.
- The proposed concession period is 17 years, at which time the consortium will "develop and implement an expedient and comprehensive solution that will provide a safe and secure identification and benefits payment mechanism for individuals transacting with government."

AP

- SN Aboitiz Power (SNAP) expects to complete by early next year its pilot floating solar project on Magat dam in partnership with state-led National Irrigation Administration (NIA).
- The pilot project, which will initially have a capacity of 200 kilowatts, will be used by SNAP for its own power requirements. It is being deployed at the Magat dam in Isabela, where SNAP has an existing project.
- The SNAP group, the joint venture of Norway's SN Power AS and Aboitiz Power Corp., owns a number of hydroelectric power plants in North Luzon.
- Under SN Aboitiz Power-Magat, Inc., it operates the 380-megawatt (MW) Magat hydroelectric power plant at the border of Isabela and Ifugao. Its 8.5-MW Maris Main Canal 1 hydroelectric power plant started commercial operation in November last year.
- In June, NIA announced it was venturing into floating solar power projects in its dams and reservoirs with a proposal from SNAP.
- NIA said SNAP would conduct a 2,500-square meter pilot project over the reservoir. It described the project as a small-scale preliminary study before a possible large-scale project. The initial project will feature solar panels fixed to floats on the water surface.
- The government agency said Magat dam has a reservoir of 4,500 hectares, thus if 200 hectares will be utilized for water-based solar power, 200 MW will be generated and 200 hectares of agricultural lands will be saved.
- NIA said the project could be beneficial to the government by providing additional income.

GOLD BUYING / Troy Oz.

US\$1,206.90

COPPER BUYING / lb.

US\$2.687

2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. www.meridiansec.com.ph Tel: +632 635 6261 to 64

Disclaimer: This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness and correctness. Any information is subject to change without notice and MSI is not under any obligation to update or keep current the information contained herein. Opinions, estimates, and projections expressed reflect the analyst's personal views. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addressees and are in the form of fundamental and technical ratings. Technical ratings may differ from fundamental ratings as technical analyses involve the application of different methodologies based on price and volume related information. This document is for the information of the addressee only and is not to be taken on substitution for the exercise of judgment by the addressee. No liability whatsoever is accepted for and direct or consequential loss arising from any usage of this report. This document is not to be construed as an offer or solicitation of an offer to buy or sell securities. In the course of our regular business, we may have a position in the securities mentioned and may make purchases and/or sales of them from time to time in the open market. Any unauthorized distribution, copying or disclosure of this material is strictly forbidden.