

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,193.68 (+1.80%)	133,137,072.92	9,829,762.81	23.38 (+1.21%) = 1,250.41	53.522

MARKET OUTLOOK

- Investor optimism over the start of Q3 could lift the stock market, with an immediate boost possible from if inflation figures due later this week turn out to be positive.
- Further support moving forward could come from Q2 earnings reports and President Rodrigo Duterte's State of the Nation Address on July 23.
- We are starting the month with a lot of optimism as there is strong indication that we will see a bottom soon and come to the end of this correction that we are currently experiencing.
- While sideways trading in the 7,000-7,200 range is possible, a rise past the 7,250 level could cement a rebound.
- There are several potential catalysts that may help push the market higher this month as we are expecting Q2 numbers to come in and the president's State of the Nation Address, which has been known to uplift investor's spirits.
- Meanwhile, investors would be looking out for June inflation data due on Thursday.
- The central bank last Friday said inflation could go either way from May's five-year peak of 4.6%, offering a 4.3% to 5.1% forecast range.
- In case consumer prices trend lower versus May, there would be less pressure for the central bank to raise interest rates over the near term and would likely support buying appetite for stocks.
- If inflation goes up however, calls for rate adjustments might be in place as markets give higher regard to the US Federal Open Market Committee's sequel action on the Fed rate.
- Q2 earnings, meanwhile, will also determine the market's direction as these will validate listed firms' growth forecasts for the year, particularly for those that have expressed interest in participating in the government's "Build, Build, Build" infrastructure program.

ECONOMIC HIGHLIGHTS

Inflation Forecasts

- Inflation likely clocked in faster in June on the back of rising food and oil prices coupled with a weaker peso, economists said in a poll, with some noting that another rate hike may still be on the table for the central bank to temper prices.
- A poll among 12 economists yielded a median inflation forecast of 4.7% for the month, which if realized will pick up from May's 4.6% climb to a fresh high in at least five years. This also falls in the middle of the 4.3% to 5.1% estimate range given by the central bank's Department of Economic Research last Friday.
- The Philippine Statistics Authority (PSA) will report official inflation data on Thursday. Latest forecasts show that prices have definitely picked up faster than the 2.5% pace clocked in June 2017.
- Rizal Commercial Banking Corp. said the major inflation drivers last month were elevated world crude oil rates, a weaker peso-dollar exchange rate, as well as higher prices of sugar and rice in the local market.
- Food inflation reached 5.5% in May, with a faster pace tallied in the provinces at 5.6% versus the 4.5% year-on-year increase in Metro Manila, according to PSA data.

ECONOMIC INDICATORS

GDP Growth Rate	6.8% (Q1 2018)	Unemployment Rate	5.5% (April 2018)	GIR	US\$78.968-B (May 2018)
Fiscal Surplus / (Deficit)	(P32.9-B) (May 2018)	Exports Growth Rate	(8.5%) (April 2018)	BOP	(US\$583-M) (May 2018)
Inflation	4.6% (2012 BY) (May 2018)	Imports Growth Rate	22.2% (April 2018)	O/N RP	4.00% (as of June 20, 2018)
91-day T-Bill Rate	3.323 (as of June 11, 2018)	Cash Remittances	US\$2.360-B (April 2018)	O/N RRP	3.50% (as of June 20, 2018)

ECONOMIC CALENDAR

Monday, July 2

- Nikkei Manufacturing PMI (June)

Tuesday, July 3

- Retail Price Index (May)

Thursday, July 5

- Inflation rate (June)

Friday, July 6

- Foreign exchange reserves (June)

Tuesday, July 10

- Balance of trade (May)
- Exports (May)
- Imports (May)
- Industrial production (May)

ECONOMIC HIGHLIGHTS (continued)

Inflation Forecasts (continued)

- The analysts pointed out that inflation may be approaching its peak, in line with the central bank's forecast that prices will see its fastest climb within Q3. However, second-round effects of the tax reform law by way of higher transport fares and wage hike petitions are seen to drive costs up within H2 of 2018.
- Prices of basic commodities, especially oil, haven't tapered yet. Also with the depreciation of the peso, imports are getting more expensive.
- The peso has been trading at the P53 level versus the dollar since June 11 to mark a sustained depreciation at a fresh 12-year low. An economic bulletin from the Finance department showed that the peso has depreciated by 7.42% against the greenback year-to-date, the second-worst performer in the region next to the Indian rupee's 7.46%.
- A handful of market observers believe that the sustained peso weakness will prompt further interest rate hikes from the central bank despite the back-to-back increases announced in May and June.
- If the peso continues to depreciate significantly in early August, the central bank is seen hiking rates again on their Aug. 7 meeting. That seems to be a major consideration in their policy decisions lately.
- Rising inflation expectations could also prompt the central bank to raise benchmark rates anew, according to Security Bank Corp.
- Others, however, said the central bank may be done with its tightening moves for now.
- Moving forward, if global oil prices continue to be well-behaved from hereon, inflation might even come down to below the 4% levels towards yearend and in this regard, the central bank is not expected raise rates for the rest of 2018.
- The central bank expects full-year inflation at 4.5%, well beyond its 2% to 4% target.

Agricultural Trade Balance

- The trade deficit in agricultural commodities further expanded in Q1 of 2018 as agriculture exports fell sharply while imports grew.
- Data from the Philippine Statistics Authority released Friday showed outbound shipments of agricultural goods worth \$1.165-bil in the first three months of 2018, down 26.2% year on year. The Q1 slump in exports was a reversal from the 21.3% growth logged in the same period last year.
- Meanwhile, imports of farm products rose 4.2% to \$2.994-bil.
- As a result, the agriculture trade deficit widened to \$1.829-bil from \$1.295-bil in Q1 of 2017.
- Agriculture accounted for 10% or \$4.159-bil of total trade, which was \$41.607-bil in Q1.
- The Philippines incurred its biggest agriculture trade deficit with the Association of Southeast Asian Nations (ASEAN) at \$877.25-mil, followed by the United States (\$362.01-mil), Australia (\$167.94-mil), and the European Union (EU, \$10.13-mil).
- On the other hand, trade in farm goods with Japan was in surplus by \$122.78-mil.
- Among the countries in ASEAN, Thailand was the Philippines' top export destination with \$31-mil in receipts. Indonesia, on the other hand, was the lead source of agricultural imports at \$298-mil.
- The Netherlands was Philippines' top trading partner among members of the EU, with agricultural exports amounting \$120-mil and agricultural imports at \$65-mil.
- Top agricultural exports during the period were animal or vegetable fats and oils at \$310.18-mil or 26.62% of the total goods shipped.
- Other top farm goods exports include edible fruits and nuts (\$270.58-mil); preparations of vegetables, fruit, nuts or other parts of plants (\$115.53-mil); preparations of meat, of fish, or of crustaceans (\$106.05-mil); fish and crustaceans (\$95.60-mil); tobacco and manufactured tobacco substitutes (\$83.99-mil).

DAILY MARKET PRIMER

02 July 2018

Economic Highlights (continued)

Agricultural Trade Balance (continued)

- The country's top farm import, meanwhile, was cereals (\$568.76-mil), followed by residues and waste from the food industries (\$382.59-mil); miscellaneous edible preparations (\$325.55-mil); animal or vegetable fats and oils (\$269.11-mil); and meat and edible meat offal (\$261.41-mil).

CORPORATE NEWS

PSE

- Capital raised at the stock market reached a record P150-bil in H1, as companies braved the local market amid prevailing volatility.
- The Philippine Stock Exchange (PSE) said capital raised jumped 40.5% to P150.01-bil during the first six months of the year, from the P106.74-bil recorded in the same period a year ago. This represents 75% of the PSE's P200-bil target for the year.
- The funds raised came mainly from stock rights offerings, including P758.3-mil from Yuchengco-led PetroEnergy Resources Corp., P20-bil from Robinsons Land Corp., P5-bil from Ayala-led Integrated Micro-electronics, Inc., P2.898-bil from The Philippine Stock Exchange, Inc., P60-bil from Metropolitan Bank and Trust Co., and P50-bil from the Bank of the Philippine Islands.
- During H1, the PSE also saw the initial listing of property developer and construction firm D.M. Wenceslao, Inc., where it raised P8.15-bil.
- Private placements from IRC Properties, Inc., China Banking Corp., Basic Energy Corp., and Golden Bria Holdings, Inc. accounted for the balance of the funds raised.
- The PSE expects more fund-raising activities in H2 of the year. Included in the pipeline are the follow-on offerings of DoubleDragon Properties Corp. worth up to P4.5-bil scheduled for July 13, and that of Global Ferronickel Holdings, Inc. worth P517.5-mil set for July 20.
- Rizal Commercial Banking Corp. will likewise conduct a P15-bil stock rights offering by Aug. 3.
- Meanwhile, canned fruit manufacturer Del Monte Philippines, Inc. has yet to announce whether it will push through with its planned P17.55-bil share sale, which it canceled due to market volatility.

TEL

- PLDT, Inc. is looking to fire up its submarine cable link connecting the Philippines to three continents within Q3 of the year.
- The company will soon be switching on the company's Asia-Africa-Europe 1 (AAE-1) Cable System.
- The project initially costs \$10-mil, but PLDT may have to invest more or swap some of its excess capacity on the other side of the transpacific as it boosts capacity.
- Last year, PLDT said the 25,000-kilometer cable will link the Philippines to 19 countries in the three continents: Hong Kong, Vietnam, Cambodia, Thailand, Singapore, Malaysia, Myanmar, India, Pakistan, United Arab Emirates, Oman, Qatar, Saudi Arabia, Djibouti, Yemen, Egypt, Greece, Italy and France.
- The company partnered with Hong Kong-based telco provider PCCW Global for the project.
- PLDT has set a P58-bil budget for capital expenditures in 2018. During the first quarter, it reported a 39% increase in net income to P6.9-bil on the back of improved performance of its wireless business.
- By the end of the year, the company is targeting to reach a full-year core income of P23-24-bil.

GOLD BUYING / Troy Oz.

US\$1,249.05

COPPER BUYING / lb.

US\$2.965

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