

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,819.39 (+0.77%)	107,849,438.57	125,371.00	25.40 (+1.40%) = 1,346.40	53.008

MARKET OUTLOOK

- The main index is expected to continue rising in the week ahead with chances of a pullback, as investors look forward to a busy week ahead with the release of Q2 earnings reports, July inflation data and a policy meeting by the central bank.
- The Philippine Statistics Authority is set to release inflation data for July on Tuesday. The central bank sees the average rise in prices of widely used goods to have settled within the 5.1% to 5.8% range. Should it hit the high end of this range, year-to-date inflation would reach 4.53%, way beyond the government's 2% to 4% target.
- The central bank will likewise hold its policy meeting on Thursday, where economists are predicting as much as a 50-basis-point hike as the regulator seeks to temper inflation.
- The central bank already raised interest rates by 25 basis points each during its policy meetings last May and June amid accelerating inflation.
- Players would weigh the chances for adjustment in local interest rates, to narrow-down the differential with the US Fed's anticipated rate hike in Q4. Regardless of the move, the market will heed for clues if economic momentum is still strong to warrant an upward adjustment in rates, & aid in tempering the peso's weakness.
- Merchandise trade data for June will also be released on Wednesday and a continued deficit could trigger a further weakening of the peso and prompt foreign investors to liquidate shares.
- Developments in the US-China trade war could also affect the stock market.
- A number of listed firms will also be reporting their Q2 earnings this week, including Ayala Land, Inc., 8990 Holdings, Inc., Robinsons Land Corp., Megaworld Corp., Filinvest Land, Inc., SM Investments Corp., San Miguel Corp., Puregold Price Club, San Miguel Food and Beverage, Inc., Alliance Global Group, Inc., Globe Telecom, Inc., and PLDT, Inc.
- The main index's support is placed from 7,650 to 7,530, while resistance is at 7,880 to 7,960.

ECONOMIC HIGHLIGHTS
Inflation and Monetary Policy Forecasts

- The central bank will most likely raise benchmark interest rates anew this week as inflation can be expected to have spiked further in July, analysts said in a poll, with some noting there is room for a 50-basis-point (bp) hike to ease price pressures.
- A poll of 14 economists last week yielded a median estimate of 5.5%, which if realized will inch up from June's actual 5.2% and soar from July 2017's 2.4%.
- The estimate also falls in the middle of the 5.1% to 5.8% range given by the central bank's Department of Economic Research last week.
- The main product groups that likely posted sharp price increases are fish, rice, corn, fruits, vegetables, tobacco, transport, electricity, gas and fuel.
- Typhoons and monsoon rains that hit the country last month contributed to price pressures, as did the P1 provisional increase in jeepney fares that took effect in early July

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)

ECONOMIC CALENDAR
Tuesday, August 7

- Core inflation rate (JULY)

Thursday, August 9

- Trade data (JUNE)
- GDP growth rate (Q2)
- Interest rate decision

Friday, August 10

- Industrial production (JUNE)

Wednesday, August 22

- Budget balance (JULY)

ECONOMIC HIGHLIGHTS (continued)

Inflation and Monetary Policy Forecasts (continued)

- The Philippine Statistics Authority will report official inflation data on Tuesday. As of end-June, prices have increased by an average of 4.3%, well beyond the central bank's 2% to 4% goal for 2018.
- Preliminary data from the Finance department showed that July inflation could settle at 5.3%, still higher than June's tally which was a nine-year high.
- Economists saw a broad-based increase in commodity prices, led largely by movements in food and fuel costs. The peso, which traded weaker than P53 versus the dollar last month, may have also jacked up the cost of imported goods.
- Analysts said that inflation could top out in August and slowly slide back to the target range by 2019.
- Price increases could "gradually taper off" this month amid a slowdown in business activity because of the Chinese "ghost month" superstition.
- The central bank has said that inflation will likely peak this quarter and eventually ease, bringing the full-year average to 4.5%.
- Economists agree that the central bank will raise policy rates this week, but differ on magnitude.
- Six analysts said a 50 bp hike would be announced by the Monetary Board on Thursday, while the rest see a 25 bp increase on the table.
- The central bank has hinted of a "strong follow-through" policy action after rate hikes of 25bp each in May and June, in a bid to rein in inflation pressures.
- Market observers have flagged the need for a more "aggressive" response from the central bank in the face of unrelenting inflation.
- Upcoming trade data and Q2 gross domestic product growth figures also due this week could also affect the central bank's decision if these turn out to be a "big surprise."
- Still, others see the central bank raising rates by 25 bp.
- There is the likelihood that the central bank will hike rates this August by at least 25 bps to especially address second-round effects even as inflation remains hostage to potential rice and oil supply shocks for now.

Growth Forecasts

- Economists expect the country's economic growth to have stayed robust in Q2 despite faster inflation, as increased government spending and private investment offset a possible slowdown in household spending.
- A poll of 15 economists and analysts late last week yielded a median gross domestic product (GDP) growth estimate of 6.8% for the April-June period, steady from the pace registered in Q1 and slightly faster than the 6.6% logged in the same period a year ago.
- If realized, the figure would put H1 average growth at 6.8%, a few points below the low end of the government's 7% to 8% target for 2018.
- Official Q2 GDP data will be released on Aug. 9 by the Philippine Statistics Authority (PSA), which will also report July inflation and June factory output on Aug. 7 as well as April-June data on farm production — which has historically contributed nearly a tenth to GDP — and June international merchandise trade statistics on Aug. 8
- In a note last Friday, Moody's Analytics, Inc. gave a 6.6% estimate for Q2 growth, citing a pickup on the back of "healthy" consumer spending fueled partly by steady inflows of remittances from overseas Filipino workers (OFW) coupled with increased private investment and government spending. At the same time, it flagged a damper in the form of "rising price pressures".
- At the same time, analysts of First Metro Investment Corp. said that GDP growth for the quarter may have hit 7% on "outsized gains" in infrastructure spending, capital goods imports and manufacturing output notwithstanding the elevated prices in the same three months.

ECONOMIC HIGHLIGHTS (continued)

Growth Forecasts (continued)

- Analysts polled were for the most part upbeat with government spending and private sector investment lifting growth.
- Union Bank of the Philippines (UnionBank) gave an estimate of 7% with the growth projection coming mainly from “increasing government consumption and investment.”
- The medium-term economic outlook for the Philippines remains favorable. The first six months of 2018 saw monthly government expenditure increasing as the Duterte administration implements its “Build, Build, Build” program.
- The steady growth of OFW remittances in the first five months of 2018 feeds into domestic demand uptick together with the probable impact of the tax cuts accorded by TRAIN package 1.
- Land Bank of the Philippines (LANDBANK) likewise penciled in a 7% Q2 GDP growth, saying: “Strong public and private investment spending likely bolstered the economy despite the limiting effect imposed by elevated inflation on consumer spending.”
- Remittances from overseas Filipinos picked up, helping temper the negative impact of rising prices, according to LANDBANK, adding that “net trade likely remained in deficit, despite some improvement in exports.”
- ING Bank N.V. Manila estimated 6.7% GDP growth, saying: “Household spending growth should hold up well despite the rising inflation environment although a more moderate pace of growth is likely.”
- Income tax reform, together with higher growth of the peso-value OFW remittances, would support some growth in household spending.
- Government spending is also cited as a driver, with power consumption, manufacturing and loan growth chipping in.
- On the supply side, economists expect industry — particularly manufacturing and construction — to have performed well in Q2 along with services.
- Expectations on the performance of agriculture, however, were mixed.
- The broad-based expansion in services in Q1 is expected to continue in Q2, UnionBank said, adding that manufacturing can be expected to have been robust given the boost in capital goods imports.
- The agriculture sector for Q2 seems to have been positive as much of the weather disturbances were fairly recent, thus not impacting Q2 prospects.
- Imports of capital goods, which accounted for roughly 33% of total imports, rose 11.6% to \$14.055-bil in January-May, according to latest trade data.
- The University of Asia and the Pacific School of Economics put Q2 economic growth within the 6.8% to 7% range, noting: “Q2 was characterized by strong capital formation in the form of greater spending on infrastructure projects.”
- This stimulated growth in the manufacturing and service sectors.
- Also, Q2 was marked by strong consumption spending due to school-related spending and, to a certain extent, the rise in jobs.
- Security Bank Corp. expected GDP to have growth 6.7% in Q2 with “healthy output activity” in construction, manufacturing, finance, real estate and retail trade.
- At the same time, Security Bank cited the headwinds to growth include the widening trade deficit and the sluggish agricultural production, adding that inflation may have also dampened consumer spending and export growth.
- The De La Salle University School of Economics, gave a 6.9% GDP growth estimate, but noted that agriculture growth “may have been dampened by the recent typhoon and monsoon rains.”

CORPORATE NEWS

MPI

- A unit of Metro Pacific Tollways Corp. (MPTC) is considering the construction of an eight-kilometer spur road from the Cavite Expressway (CAVITEx) to Sangley, Cavite.
- Cavitex Infrastructure Corp. (CIC) is monitoring the developments in the former US naval facility, which may be developed into an international airport.
- The Department of Transportation (DoTr) said last week it has given the provincial government of Cavite its approval for the Remulla clan’s proposal to pursue a government-to-government endeavour to build a new international gateway in the south.

CORPORATE NEWS (continued)

MPI (continued)

- The Segment 5 of CAVITEx is an extension of the expressway from Kawit to Rosario, and may be extended up to Tanza and Naig. The project would cost about P22.5-bil based on their feasibility study.
- Meanwhile, CIC is now targeting to submit towards the end of August its feasibility study for Segment 5 of CAVITEx after a month of delay.

Super Consortium

- The consortium comprising seven of the country's corporate behemoths is ready to kickstart the modernization and expansion of the 70-year old Ninoy Aquino International Airport once it secures the go-signal from the government.
- The super consortium is composed of the country's biggest companies, namely: Aboitiz InfraCapital, Inc.; AC Infrastructure Holdings Corp.; Alliance Global Group, Inc.; Asia's Emerging Dragon Corp.; Filinvest Development Corp.; JG Summit Holdings, Inc. and Metro Pacific Investments Corp. Its technical partner is Singapore-based Changi Airports International Private Ltd.
- The consortium already has the necessary funds as well as the design, technical partner and team to jumpstart the redevelopment of the aging airport.
- It submitted to the government in February the P350-bil unsolicited proposal to rehabilitate the Manila gateway for 35 years, but has since modified its submission to reduce the cost to about P105-bil to P106-bil and the concession period to 15 years.
- Late last month, the Department of Transportation endorsed the super consortium's proposal to the Manila International Airport Authority for the issuance of OPS.
- Part of its original proposal was to build an additional runway, which has been removed and indicated as just an option for future expansion.
- Other elements in the super consortium's plan is to expand the existing terminals and add new taxiways. This is aimed to up the capacity of NAIA to 47-mil in two years and to 65-mil in four years.

ACR

- Alsons Consolidated Resources, Inc. (ACR) looks to raise P2.5-bil from the issuance of commercial papers in the next three years, with the first tranche to be used for the construction of its Siguil hydropower plant.
- The listed firm filed its application for registration of the commercial papers with the Securities and Exchange Commission last Aug. 3. The first tranche of the issuance will consist of P1.5-bil worth of commercial papers with a tenor of 90 days for Series A, 180 days for Series B, and 360 days for Series C.
- The commercial papers will be priced at a discount or at face value, with the discounts ranging from 4.9416% to 5.9416% for Series A, 5.1763% to 6.1763% for Series B, and 5.7161% to 6.7161% for Series C.
- The Alcantara-led company has engaged Multinational Investment Bancorporation as sole issue manager, lead arranger, and underwriter.
- Proceeds of the offer is estimated to reach around P1.395-bil. ACR said it will use these funds to settle its short-term obligations worth P291.25-mil, which are set to mature in Q3 of 2018.
- The balance, worth P1.10-bil, will be for the P3.9-bil run-of-river hydroelectric power plant that the company plans to build along Siguil River in Sarangani province.

GOLD BUYING / Troy Oz.

US\$1,208.25

COPPER BUYING / lb.

US\$2.745

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