

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,851.46 (+1.63%)	163,188,350.56	6,157,610.42	25.97 (+2.00%) = 1,374.38	52.922

MARKET OUTLOOK

- Positive H1 corporate results buoyed local equities on Wednesday, with some investors also optimistic about Q2 economic growth data and the central bank's policy meeting today.
- Investors are anticipating for the release of the Q2 gross domestic product (GDP) reports today which, according to consensus, may hit 6.8%
- Should the actual figure match expectations, the country's economic performance from April to June would log a faster pace compared with Q1's print, which was revised down to 6.6% from 6.8%.
- Investors may focus on local developments and brush aside recent developments in the trade tensions between the China and the United States.
- China said it was slapping additional import tariffs of 25% on \$16-bil worth of U.S. goods, responding in equal measure to the United States' new round of tariffs.

ECONOMIC HIGHLIGHTS
Q1 GDP Revision

- The economy grew slower than previously estimated in Q1, the government reported ahead of the release of Q2 gross domestic product (GDP) data today.
- The Philippine Statistics Authority (PSA) said its latest estimate shows that Q1 GDP — which measures the value of final goods and services produced in a country — went up by 6.6%, lower than the 6.8% that was reported last May.
- Four subsectors that recorded notable downward adjustments were: "other services" (revised to 6.9% from 8.8%), construction (8.8% from 9.3%), manufacturing (7.6% from 8%), and agriculture and forestry (1.9% from 2.4%).
- A poll of economists and analysts yielded a median estimate of 6.8% for the April-June period. If realized, this figure would take first-semester average growth to 6.8%, a few points shy of reaching the 7% to 8% government target for full-year 2018. Some economic managers last month aired hopes for Q2 GDP growth of 7%.

July GIR

- The country's foreign exchange reserves dipped to a fresh six-year low in July as the central bank tapped the pool of funds to defend the local currency.
- Gross international reserves (GIR) dropped for the fourth straight month to \$76.892-bil from June's \$77.525-bil and from \$81.065-bil a year ago.
- This is the lowest reserve level seen since June 2012's \$76.13-bil.
- GIR decline persisted as the government paid its outstanding foreign debts, coupled with downward adjustments in international gold prices, the central bank said.
- The value of the central bank's gold holdings slipped to \$7.788-bil last month from \$7.913-bil in June and from \$8.003-bil a year ago.

ECONOMIC INDICATORS

GDP Growth Rate	6.6% (Q1 2018, Revised)	Unemployment Rate	5.5% (April 2018)	GIR	US\$76.892-B (July 2018)
Fiscal Surplus / (Deficit)	(P54.3-B) (June 2018)	Exports Growth Rate	(0.1%) (June 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	5.7% (2012 BY) (July 2018)	Imports Growth Rate	24.2% (June 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

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)

July GIR (continued)

- The central bank also used the reserves to temper sharp exchange rate swings at a time the peso kept trading weaker than P53 to the dollar. The local currency averaged P53.4329 against the greenback in July, marking a fresh 12-year low.
- As a result, income from foreign investments dropped to \$60.831-bil in July from \$62.356-bil the preceding month.
- On the other hand, the value of the central bank's foreign currency holdings went up to \$6.59-bil from \$5.573-bil in June, as the result of a weaker peso. Bigger net foreign currency deposits plus a steady stream of income from the central bank's offshore investments partly offset the outflows.
- Meanwhile, reserves parked with the International Monetary Fund (IMF) inched lower to \$488.5-mil from \$489.3-mil previously, while the Philippines' special drawing rights — the amount that can be tapped in the IMF's reserve currency basket — steadied at \$1.195-bil.
- The current GIR level settled below the \$80-bil forecast by the central bank for the entire 2018 and is lower than the \$81.57-bil reserves held at end-2017.
- July reserves can cover 7.4 months' worth of imports, providing an "adequate" buffer for the economy at a time of heavy importation of raw materials and capital goods as the economy expands. The import cover ratio is well above the three-month global standard.
- They were also equivalent to 6.1 times the country's short-term external debt of up to one year and 4.1 times based on "residual maturity", or outstanding external debt with original maturity of up to a year, plus principal payments on medium- and long-term loans of the public and private sectors falling due in the next 12 months.
- The central bank said the country's GIR remains "sufficient to help shield the economy and financial markets against global market volatilities."
- Fitch Ratings also cited the ample reserves as a source of optimism for the Philippines' credit score, which it kept at "BBB" with a "stable" outlook last month.

Inflation and Policy Rate Forecasts

- Central bank may hike its key interest rate by 100 basis points more this year—beginning with a 50 basis point hike during its monetary setting today—to curb rising inflation, Japanese investment house Nomura said.
- In a research note dated Aug. 7, Nomura said that after hitting a five-year high of 5.7% year-on-year in July, inflation rate in the Philippines might not peak until September or October this year.
- Citing more supply side pressures in the pipeline and a still rapidly expanding economy, Nomura raised its inflation forecast this year to 4.9% from 4.6%. The inflation forecast for next year was also raised to 3.7% from 3.5%.
- Aside from the expected hiking of its overnight borrowing rate by 50 basis points to 4% today, Nomura said the inflation-targeting central bank would likely remain vigilant of upside risks.
- Nomura also expects another 50 basis points of policy rate hikes —one quarter-percentage point in each of the next two meetings in September and November—taking the policy rate to 4.5% by the end of the year.
- During the policy setting today, Nomura said the market would be closely watching not just the pace of increase but the associated rhetoric. A smaller hike or commentary indicative of limited tightening ahead would likely be viewed negatively by the market and could lead to another bout of Philippine peso weakness.
- Meanwhile, Nomura noted that the central bank's September monetary setting would coincide with the next Federal Open Market Committee meeting, at which the US central bank was likewise widely expected to raise interest rates.

CORPORATE NEWS

EDC

- Energy Development Corp. (EDC) said its board of directors had approved on Wednesday the voluntary delisting of the Lopez-led company's common shares from the main board of the Philippine Stock Exchange (PSE).
- The renewable energy company said it would conduct a tender offer for up to 2,040,006,713 common shares at P7.25 each that are held collectively by the public.
- EDC, along with its parent firm First Gen Corp., sought a suspension of trading of its shares because of the delisting decision. Its shares were last traded at P4.95 each.
- The company said the tender offer price is "subject to certain terms and conditions as now or hereafter set forth" by the company. Excluded from the tender offer are shares held by Red Vulcan Holdings Corp., First Gen Corp., Northern Terracotta Power Corp., and Philippine Renewable Energy Holdings Corp. (PREHC).
- The tender offer price represents a 46% premium over the closing share price on Aug. 7, and a 40% premium over the three-month volume weighted average price of P5.18.
- EDC said independent financial adviser KPMG issued an opinion based on an independent valuation that the tender offer price is fair and reasonable from a financial point of view.
- Subject to the filing by EDC of the tender offer report with the Securities and Exchange Commission (SEC), the offering period is expected to run from Sept. 25 to Oct. 22, 2018.
- It is subject to a minimum of 1,162,000,000 common shares being tendered and eligible for acceptance by EDC, which will reduce the percentage of shares held by the public from 10.9% to less than 5%. The reduction will allow a voluntary delisting of the company, subject to PSE approval on the threshold condition.
- With the SEC's approval, EDC may extend the tender offer period and may, at its discretion, waive the threshold condition.
- The tender offer follows the completion in September 2017 of PREHC voluntary tender offer to acquire 8.9-bil common shares of EDC.
- EDC said at that time, PREHC and First Gen had communicated to the market their intentions to eventually delist the unit, to pursue a corporate strategy that would require greater flexibility over factors like its dividend policy and leverage, and to support long-term growth.

FB

- San Miguel Food and Beverage, Inc. (SMFB) is planning a follow-on offering in a bid to comply with the minimum public ownership rule, after the consolidation of parent San Miguel Corp.'s (SMC) food and beverage units brought down its public float to around 4%.
- SMFB said its board of directors has approved the offering of 1.2-bil shares owned by SMC, equivalent to around 20% of the company's outstanding common shares.
- Based on SMFB's closing share price on Wednesday, the offering will allow the company to raise as much as P87.4-bil.
- However, it noted the issue price will depend on the terms determined by the management and as agreed upon with SMC.
- The listed firm's board has likewise approved the submission of a registration statement and prospectus for the offer to the Securities and Exchange Commission.
- The initial size pegged at around \$3-bil from the sale of 30% of SMFB's shareholdings. The company however delayed the issuance due to volatility in the market, pushing it back instead to Q4.
- SMFB said its earnings jumped by a fifth to P15.4-bil in the first six months of 2018, boosted by the double-digit growth across its portfolio. Consolidated revenues went up 15% to P137.4-bil.

BLOOM

- Earnings of Bloomberry Resorts Corp. slumped by 17% in Q2 of 2018, as the company incurred losses from its operations in South Korea coupled with foreign exchange losses.
- The listed casino operator said net income attributable to the parent slipped to P1.64-billion in the April to June period, lower than the P1.97-bil it generated in the same period a year ago. This despite a 7.7% rise in revenues to P10.6-bil.
- Bloomberry attributed the lower bottomline to the P513-million net loss incurred by Jeju Sun Hotel & Casino, as well as P387-million in foreign exchange losses. Profit from the Solaire Resort & Casino in Entertainment City was also flat at P2.129-bil.

CORPORATE NEWS (continued)

BLOOM

- Expenses went up by 14% during the quarter, counting gaming taxes, employee related expenses, outside services and charges, and additional interest expense from its new syndicated loan which was used to pay off previous debt facilities and to acquire Solaire's expansion area in Entertainment City from the Philippine Amusement and Gaming Corp.
- Gross gaming revenue (GGR) from the Solaire's VIP segment dropped by a fourth to P4.67-bil in the quarter, as VIP hold rate likewise went down by 2.49% versus 3.61% in the previous quarter.
- Mass table drops accelerated by 21% to P10.98-bil, while electronic gaming machine (EGM) coin-in jumped 19% to P53.2-bil during the period. The mass gaming segment helped offset the slowdown in the VIP unit, allowing Solaire to post a 1% year-on-year increase in consolidated GGR to P12.387-bil.
- Meanwhile, non-gaming revenues picked up 15% to P908.6-mil due to higher hotel occupancy rates, more shows at the Theatre at Solaire, and additional retail outlets at The Shoppes.
- On a six-month basis, Bloomberry's attributable profit gained by a third to P5.33-bil, against the P4.11-bil it exhibited in H1 of 2017. This came on the back of a 20% uptick in revenues to P22-bil.
- Consolidated GGR climbed by 14% to P26.13-bil during the first semester, while non-gaming revenues also rose by 9.4% to P1.72-bil.

MEG

- Megaworld Corp. grew its attributable profit by 14% in the second quarter, driven by its residential, office, and mall properties alongside the acceleration of its hotel business.
- The property firm reported a net income attributable to equity holders of the parent to P4.1-bil in the April to June period, higher than the P3.6-bil it generated in the same period a year ago.
- Revenues went up by 11% to P13.7-bil during Q2, against the P12.3-bil recorded in the same period a year ago.
- This pushed Megaworld's attributable profit 13% higher to P7.25-bil in the first semester, after revenues climbed 10% to P26.8-bil.
- Real estate sales rose 10% to P7.46-bil during the April to June period, bringing the six-month tally to P14.65-bil.

RLC

- Robinsons Land Corp. (RLC) delivered a 16% increase in attributable profit during Q2 of 2018, fueled by the performance of its residential, commercial, and hospitality segments.
- The property developer said net income attributable to the parent reached P1.79-bil, higher than the P1.54-bil it realized in the same period a year ago. This followed a 20% increase in revenues to P6.74-bil.
- For the first semester, RLC's attributable profit jumped by 14% to P3.33-bil, while revenues went up 19% to P13.1-bil.
- The listed firm's commercial centers division contributed bulk of its gross revenues at P5.82-bil, or 11% higher year-on-year. This was driven by same-mall rental revenue growth, as well as the contribution of new malls.
- The residential segment generated P4.45-bil in revenues for H1, up 14% year-on-year.
- RLC also saw P1.8-bil in contributions from the office buildings division, 18% higher year-on-year. Hotel business contributed P976.5-mil in revenues, as system-wide occupancy rate of 64% helped boost revenues by 6%.

GOLD BUYING / Troy Oz.

US\$1,212.25

COPPER BUYING / lb.

US\$2.758

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