

DAILY MARKET PRIMER

10 July 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,186.62 (-0.001%)	63,315,079.21	(13,683,726.15)	24.31 (+0.87%) = 1,298.45	53.412

MARKET OUTLOOK

- The stock market bucked a regional rally on Monday with analysts pointing to continued investor caution over the possibility of fresh central bank rate hikes as inflation hit a fresh five-year high in June.
- Monday's trading was reflective of a general hesitance sparked by last week's June inflation report.
- A sell-off was observed in stocks of Metropolitan Bank & Trust Co. — also the most actively traded name of the day — following rumors of being involved in a loan scam. While the company clarified that the rumor was not true, shares still fell 2.72% or P1.90 to close at P67.85 each on Monday.
- There is still the lack of positive leads and the still evident slack in overall activity. With nothing to propel the market, the pessimism may persist.
- Investors, however, expressed hope that the country's good macroeconomics would somehow reverse the tide.
- Meanwhile, concerns about the outbreak of a global trade war have, among other factors, is still seen preventing a sustained recovery in both local and global stock markets.
- The U.S. has listed another 284 product lines valued at \$16-bil that it will target with tariffs, including semiconductors and a broad range of electronics. It also threatened another 10% tariffs on up to \$400-bil of Chinese goods.
- Washington has also launched a national security investigation into car and truck imports, with Trump threatening Europe with a 20% tariff on car imports while various countries have also already taken retaliatory steps against U.S. tariffs on steels and aluminum products.
- Over 40 countries have voiced deep concern at the World Trade Organization (WTO) about possible U.S. measures.

ECONOMIC HIGHLIGHTS

Government Borrowings

- The government plans to borrow up to P1.189-tril in 2019 to help finance its spending plan, 33.85% more than the P888.23-bil initially programmed for this year.
- Of next year's total, P891.7-bil will be sourced locally and P297.2-bil from external creditors. The Development Budget Coordination Committee in its July 2 meeting finalized a 65-35 borrowing ratio in favor of domestic sources for 2018, and a 75-25 ratio for 2019 to 2022.
- The government could still revise its borrowing program depending on market conditions.
- Traders said that the government faces stiffer borrowing costs here and abroad, with the central bank itself raising policy interest rates by a cumulative 50 basis points in its May and June policy reviews after keeping them steady for nearly four years.
- And with inflation expected to peak this quarter further past an official 2% to 4% full-year target — June saw a fresh five-year-high 5.2% overall price surge that spurred the year-to-date pace to 4.3% — some analysts expect a third rate hike at the Aug. 9 meeting of the central bank's Monetary Board.
- The central bank might hike this coming August because of the pressures on the local currency market.
- The government will be at a disadvantage now that it is forced to accept more bids with higher yields sought.

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)	(P32.9-B) (May 2018)	Exports Growth Rate	(8.5%) (April 2018)	BOP	(US\$583-M) (May 2018)
Inflation	5.2% (2012 BY) (June 2018)	Imports Growth Rate	22.2% (April 2018)	O/N RP	4.00% (as of June 20, 2018)
91-day T-Bill Rate	3.484 (as of June 25, 2018)	Cash Remittances	US\$2.360-B (April 2018)	O/N RRP	3.50% (as of June 20, 2018)

ECONOMIC CALENDAR

Tuesday, July 10

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

ECONOMIC HIGHLIGHTS (continued)

Government Borrowings (continued)

- The government has also been considering the euro bond market, apart from the planned yen-denominated “samurai” bond sale by early Q4 and will proceed with the planned dollar-denominated global bonds.
- Also planned some time in the future is another sale of renminbi-denominated “panda” bonds and a maiden offer of Islamic sukuk bonds.
- There is about \$2-bil borrowing space for offshore bond offers left for this year.
- The government plans to spend more than P8-tril on infrastructure up to 2022, when President Rodrigo R. Duterte ends his six-year term, in a bid to fuel economic growth to 7% to 8% annually up to that year.

Growth Outlook

- ANZ Research said the Philippines may sustain a robust economic growth this year that has led to rising inflation as well as widening trade shortfall.
- ANZ expects a 6.8% growth for the Philippines this year, up from 6.7% last year.
- This would make the Philippines one of the fastest growing economies in the region after China’s 6.9% and India’s 6.7%.
- The Philippines has registered 77 quarters of uninterrupted growth as the GDP expansion accelerated to 6.8% in Q1 from the revised 6.5% in Q4.
- Economic managers penned a GDP growth of between seven and eight percent this year.
- ANZ Research said the strong growth has resulted in persistent macro imbalances, the most noteworthy of which have been higher inflation and a wider trade deficit.
- It added the most noteworthy impact of strong growth has been observed on the trade deficit that surged by 59% year on year in the first four months.
- The government’s infrastructure program through the “Build, Build, Build” program continues to boost investment-related imports such as capital goods, iron, and steel.
- Meanwhile, solid demand in the private sector has resulted in higher imports of consumer goods.
- By contrast, exports remain weak, with the Philippines the only country in the region to record negative export growth so far in 2018, it said.
- ANZ Research said the current account is seen drawing some support from steady remittance inflows as well as receipts from business process outsourcing (BPO) and tourism sectors.
- Strong growth momentum, together with other developments, including the lingering impact of tax reforms, elevated global crude oil prices and a weaker peso, have raised price pressures in the system, it said.

Mining

- The Chamber of Mines of the Philippines (COMP) has warned that the delay in the resolution of important mining regulations is attracting high risk investors.
- Investment opportunities in the mining sector have been stalled for the past few years following the moratorium on new mining projects issued during the last administration.
- This was eventually worsened by the continued anti-mining stance of the administration coupled with cancellation orders and the ban on open pit mining.
- Meanwhile, the Chamber is also awaiting the official order from the government that will limit the areas to be mined out to pave the way for progressive rehabilitation.
- Environment Secretary Roy Cimatu is expected to sign anytime soon the new DAO which will limit production areas from 50 to 162 hectares only, depending on the mine’s annual production volumes.
- Nickel mines that are producing up to one million metric tons annually will be allowed to work on 50 hectares and can reach up to 100 hectares for those with output of more than nine million MT.

CORPORATE NEWS
MPI

- Preliminary construction work for the connector road that will link the Metro Pacific group's North Luzon Expressway (NLEX) and San Miguel Corp.'s South Luzon Expressway (SLEX) is expected to start by Q4 of this year, Metro Pacific Tollways Corp. (MPTC) said.
- Work on the NLEX-SLEX connector road is expected to commence within Q4, and to go full blast by Q1 of 2019.
- Acquisition of the right of way for the first section of the alignment is moving, but the deadline for the Department of Public Works and Highways (DPWH) is still second quarter next year.
- The NLEX-SLEX connector road is an eight-kilometer road to be built above the tracks of the Philippine National Railways (PNR) from C3 Road in Caloocan City to Polytechnic University of the Philippines in Sta. Mesa, Manila.
- The elevated road is set to be completed by 2021, by then it is expected to cut travel time from NLEX to SLEX from two hours to 20 minutes, and from Clark, Pampanga to Calamba, Laguna from three hours to one hour and 40 minutes.
- NLEX Corp. is expecting a traffic of at least 35,000 vehicles every day when operations of the connector road begin.
- Last week, NLEX Corp. announced it will tap the bond market by Q4 to secure funds for the connector road.
- Its construction would cost the company P16-bil, and P22-bil including the right of way.
- 70% of the costs, or around P11-bil to P12-bil, will be collected from banks or bonds. The rest would be coming from equity.
- Meanwhile, the Court of Tax Appeals (CTA) ordered the Makati City treasurer to refund P6.8-mil in erroneously collected local business taxes (LBT) to Metro Pacific Assets Holdings, Inc. (MPAHI).

CLI

- Reservation sales of Cebu Landmasters, Inc. (CLI) jumped by 61% in H1 of 2018, keeping it on track to hitting its full-year target.
- The Cebu-based property developer said reservation sales reached P4.6-bil during the January to June period, which is already 65% of its P7-bil target for the year. This is also higher than the P4.58-bil sales it recorded in 2017.
- CLI attributed its record performance to the strong demand for its projects, specifically its economic housing development in Cebu called Casa Mira South that accounted for 11.2% of its total reservation sales for H1.
- To keep up with its 2018 target, the company will be launching fresh projects in the second half of the year. The new projects will be located in Cebu, Davao, Cagayan de Oro, Iloilo, Bacolod, and Bohol.
- CLI has scheduled to launch a total of 20 projects for the year, programming P8.8-bil in capital expenditures to help achieve this goal.

GOLD BUYING / Troy Oz.

US\$1,256.00

COPPER BUYING / lb.

US\$2.874

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