

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,333.73 (+1.39%)	96,526,612.18	(1,602,823.17)	24.62 (+0.53%) = 1,316.28	53.464

**MARKET OUTLOOK**

- The main index jumped on Wednesday on selective buying of large-cap firms, as most investors remained on the sidelines due to lack of new leads.
- The local market also managed to defy the weak performance of its regional counterparts, which mostly ended in the red as US President Donald J. Trump released a fresh list of tariffs for \$200-bil worth of Chinese goods.
- The PSEi may take its cue from Wall Street, as well as anticipate strong earnings results while also downplaying the latest trade broadside from Washington.
- Yesterday's bounce was seen to be purely technical, with the market being oversold. The market is looking to move up over the medium term, and seen to consolidate thereafter.
- U.S. stocks slid on Wednesday, led by industrial shares, after Washington's threat to impose tariffs on an additional \$200-bil worth of Chinese goods raised fears of an escalating trade war.
- U.S. officials on Tuesday issued a list of thousands of Chinese imports that the Trump administration wants to target with new tariffs. In response, China accused the United States of bullying and warned it would hit back.
- Locally, economic managers have downplayed the effects of the ongoing trade dispute between the US and China, saying that its impact would be minimal and negligible.
- The market is primarily focused on the potential trade war. However, the fundamentals are just too strong to be shaken by geopolitical events.
- The approaching earnings season could also trigger a new wave of risk aversion if firms start warning of slower earnings growth.
- The PSEi could be quietly making higher lows. Volume has been low, however, so caution should be the priority until a strong break past its recent high 7,348 is seen.

**ECONOMIC HIGHLIGHTS**
**Government Fiscal Position**

- The government's fiscal position may be at risk from the Supreme Court (SC) ruling that local governments' share in state revenues includes all national government taxes, not just those collected by the Bureau of Internal Revenue (BIR), Budget Secretary Benjamin "Ben" E. Diokno said on Wednesday.
- Mr. Diokno said the national government will file a motion for reconsideration through the Office of the Solicitor General (SolGen), as it cannot afford to comply with the ruling.
- Complying with the high court's ruling may double the national government's budget deficit to an equivalent of 6% of gross domestic product (GDP) from a programmed 3%.
- Although local governments will have more revenues to fund their projects, Mr. Diokno said global debt watchers may take away the country's investment-grade credit rating — making it harder for the government to secure relatively cheaper credit at a time it implements its more-than-P8-tril infrastructure development program until 2022.

**ECONOMIC INDICATORS**

<b>GDP Growth Rate</b>	6.8% (Q1 2018)	<b>Unemployment Rate</b>	5.5% (April 2018)	<b>GIR</b>	US\$77.675-B (June 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P32.9-B) (May 2018)	<b>Exports Growth Rate</b>	(3.8%) (May 2018)	<b>BOP</b>	(US\$583-M) (May 2018)
<b>Inflation</b>	5.2% (2012 BY) (June 2018)	<b>Imports Growth Rate</b>	11.4% (May 2018)	<b>O/N RP</b>	4.00% (as of June 20, 2018)
<b>91-day T-Bill Rate</b>	3.484 (as of June 25, 2018)	<b>Cash Remittances</b>	US\$2.360-B (April 2018)	<b>O/N RRP</b>	3.50% (as of June 20, 2018)

# DAILY MARKET PRIMER

12 July 2018

## ECONOMIC CALENDAR

### Monday, July 23

- State of the Nation Address (SONA)
- Budget balance (JUNE)

### Wednesday, August 1

- Nikkei Manufacturing PMI (JULY)

### Friday, August 3

- Retail Price Index (JUNE)

### Saturday, August 4

- Inflation rate (JULY)

### 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)

### Government Fiscal Position (continued)

- The Budget chief described his estimate as “all speculation” as his department has yet to compute the ruling’s impact.
- His figures compared to the “P498.85-bil or very close to P500-bil” due local governments for 1992-2012 that was estimated by Batangas Governor Hermilando I. Mandanas, who raised the issue to the high court in January 2012 as legislative representative then of the province’s second district.
- Republic Act No. 7160, or the Local Government Code of 1991, provides for internal revenue allotments (IRAs) for local governments amounting to 40% of “national internal revenue taxes based on the collection of the third fiscal year preceding the current fiscal year”.
- IRAs are a key source of local government funding, although development planners and economists have taken such units to task for being too reliant on such doleouts and lulling them to complacency in improving their own collections of local taxes for business and real property, as well as fees for services.
- Economists interviewed yesterday were divided on the ruling, with one arguing that many local government units (LGUs) have a poor track record in spending wisely and another saying that LGUs are in the best position to identify and implement projects they need for development.
- Department of Budget and Management data show P522.75-bil worth of IRAs to 43,607 LGUs this year, 7.37% more than last year’s P486.89-bil.
- RA 7160 also requires local governments to spend no less than 20% of their IRA on social development projects.

### Unbanked

- Majority of Filipinos still did not have bank accounts as of 2017 due to lack of funds to meet required minimum balances, a study of the central bank showed.
- Results of the latest Financial Inclusion Survey showed that 22.6%, or some 15.8-mil Filipino adults, maintained formal accounts as of last year.
- The figure improved from 22% in 2015, but meant that 52.8-mil adults still did not have accounts with any financial institution.
- Of those who owned formal accounts, 11.5% said these were held with banks, lower than the 14.1% reported two years ago.
- In contrast, the share of adults who held accounts with microfinance organizations jumped to 8.1% from 1.8% in 2015.
- Filipinos who formed part of cooperatives stood at 2.9%.
- Those with e-money accounts reached 1.3%, while holders of accounts under non-stock savings and loan associations steadied at 0.3%.
- The central bank cited “marked disparities” in terms of income and education, saying: “Adults who finished college are more than twice likely to have an account than high school graduates and more than thrice likely to own an account than elementary graduates.”
- Half of those in the middle- to upper-class brackets have formal accounts, versus a lower penetration rate among those belonging to lower-income brackets.
- By location, the central bank said one in three adults based in Metro Manila had an account. This was followed by 25% in Mindanao, 20% in the Visayas and 19% in the rest of Luzon.
- Most banks set a required maintaining balance in order to keep deposit accounts active.
- Other reasons cited by the respondents include a “perceived lack of need” for these accounts (21%), lack of documentary requirements (18%) and high cost (10%).
- Poor knowledge on how to open accounts, lack of work and low level of awareness about banking were cited among other barriers, the central bank said.

**CORPORATE NEWS**
**TEL**

- The Department of Labor and Employment (DoLE) on Wednesday reiterated that telecommunications giant PLDT, Inc. should regularize the contractual workers of its service providers.
- In January, DoLE ordered PLDT to regularize over 7,300 employees of its service contractors, after finding these were engaging in labor-only contracting schemes. It also ordered 38 service contract providers of PLDT to cease and desist from providing services to the telecommunications companies.
- The DoLE denied PLDT’s appeal in April.
- PLDT has tried to circumvent the DoLE order by asking the employees to re-apply.
- PLDT declined to comment, saying it has not received DoLE’s latest clarificatory order.
- The company has filed a petition for certiorari before the Court of Appeals (CA), questioning the legality and validity of the DoLE order, saying that aspects of the order are “inconsistent with applicable law, jurisprudence, and the documentary and testimonial evidence.”
- PLDT said 23 affected service contractors have also questioned the decision before the CA.

**CIC**

- Concepcion Industrial Corp. (CIC) is looking at a single-digit growth in both earnings and revenues for the year, calling 2018 an “even more challenging year than 2017” due to inflationary pressures and the weakening peso.
- The listed firm, which supplies air-conditioners, air-conditioning solutions, and refrigerators under the Carrier, Toshiba, Condura, and Kelvinator brands, was able to sell over a million appliances in 2017. CIC expects sales to grow in the teens for this year, as it introduces new products in the refrigeration and washing machines category.
- To support the introduction of new products, CIC plans to invest between P150-mil to P200-mil to expand capacity in existing plants.
- To-date, the facilities’ utilization rate is at 70-80%. Should sales continue to grow at a pace of 15-20% in the coming years, the company’s manufacturing facilities are expected to be fully utilized soon.
- Since the Philippine peso has been depreciating, the CIC official noted local manufacturing has also become more competitive. With this, the company is looking at locally producing some products that they used to import.

**PRMX**

- Primex Corp. started the construction of its P3.6-bil office tower in San Juan City yesterday, banking on its prime location to drive demand for tenants.
- The listed property developer said it has broken ground for the Primex Tower. The 50-storey office project will stand on a 1,944-square meter lot at the corner of EDSA, Connecticut Street, and Florida Street at the Greenhills commercial district.
- Primex Tower is set to offer around 41,000 square meters (sq.m.) of leasable spaces with a cut of 200 to 300 sq.m each. Offices will be spread out across 37 floors, while 12 floors will be dedicated for above-ground and basement parking.
- The project — envisioned to be the tallest one in the city — is expected to be completed in the next four to five years. Primex’s subsidiary Primex Realty Corp. is in charge of its development.
- A study made by real estate consultancy firm Colliers International Philippines had projected an average 10% per annum increase in rental rates across submarkets. This is amid rising vacancy rates in Metro Manila.
- The company said the Primex Tower will be able to attract tenants as the demand for office spaces shifts to new and higher quality buildings, instead of old structures.

**GOLD BUYING / Troy Oz.**
**COPPER BUYING / lb.**

US\$1,253.95

US\$2.741

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