

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,635.27 (-2.17%)	97,264,040.81	(15,624,259.65)	25.29 (0.00%) = 1,343.81	53.136

MARKET OUTLOOK

- The local market fell on Monday amid fears of a contagion due to financial volatility in Turkey as it becomes a target of a trade war initiated by the United States.
- Losses were blamed on negative market reaction to the collapse of the Turkish lira, which fell by over 16% last Friday to new record lows as tensions between Ankara and Washington intensified.
- Yesterday was more of a sentiment-driven sell-off since investors are scared that the Turkish crisis may also drag its trading partners in case the US imposes a sanction on the Erdogan-led country.
- US President Donald Trump intensified his spat with Turkey on Friday by imposing higher tariffs on metal imports, deepening turmoil in Turkish financial markets.
- Criticizing the state of the US' relationship with Ankara, Mr. Trump announced on Twitter that he had authorized a doubling of duties on aluminum and steel imported from Turkey, making them 20% and 50%, respectively.
- The White House said Mr. Trump would use a section of US law that allows for tariffs on national security grounds to impose the increased duties.
- Washington and Ankara have been at odds for months over an American pastor detained in Turkey, the Syrian civil war and other diplomatic issues.
- The Philippine market is also wary amid the start of the Chinese ghost month.
- Investors are being cautious as the MSCI will later release the results of their latest portfolio rebalancing.
- With the mood suddenly turning sour for regional markets, the area of 7,500 is seen as the PSEI's initial support level in the next few days.

ECONOMIC HIGHLIGHTS
PH Economy

- The domestic economy is expected to weather latest developments that have rattled financial markets worldwide, central bank Governor Nestor Espenilla Jr. said on Monday.
- "For three main reasons — fundamentals, sound policy, buffers — the Philippine economy is quite resilient to external factors," he said.
- "But that's not to say that we won't be affected by what's going on outside. We will be affected, but we'd like to think the impact would be relatively moderate and manageable," Espenilla added.
- An economic crisis in Turkey has stoked fears of a wider global impact, with markets already worried by a US-China trade war plunging in response.
- Strong growth drivers continue to support the Philippine economy, Espenilla claimed, adding that the government's fiscal position remained in order.
- The 6.0% economic growth in Q2 of the year, although slower than expected, "is not bad at all," he said.
- "External position — despite the deficit — is moderate and our indebtedness is low. So we're in a strong fundamental position," the central bank chief added, referring to a balance of payments short for that topped \$3-bil in H1 of 2018.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	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	4.50% (as of August 9, 2018)
91-day T-Bill Rate	3.290(as of August 6, 2018)	Cash Remittances	US\$2.469-B (May 2018)	O/N RRP	4.00% (as of August 9, 2018)

ECONOMIC CALENDAR

Wednesday, August 22

- Budget balance (JULY)

ECONOMIC HIGHLIGHTS (continued)

PH Economy (continued)

- Policy responses to support growth and stability are also “dynamic,” Espenilla said
- “On the fiscal side, we’re moving forward with tax reform. On the monetary policy side, we are moving our policy rates to be responsive to inflationary pressure. So our policy making is dynamic, and our exchange rate is flexible,” he said.
- The central bank’s policymaking Monetary Board last week approved a 50-basis point rate hike — the largest in 10 years — to address above-target inflation, shifting from the 25-bps adjustments ordered in May and June despite Q2 GDP slowdown.
- The government, meanwhile, is pushing Congress to pass new tax reform measures following last year’s Tax Reform for Acceleration and Inclusion law that raised excise taxes on fuel and car sales, among others, others in exchange for lower personal income tax rates.
- Currently pending are packages calling for the lowering of corporate income taxes and the streamlining of tax incentives, additional “sin” tax hikes, property tax reforms and the rationalizing of capital income taxation.
- “The third line is we have more buffers today. So what are the buffers? Reserves are pretty high, and then the banking system is quite strong,” Espenilla concluded.
- The country’s gross international reserves dropped to a new six-year low in July to \$76.891-bil, but the central bank said these were still enough to cover 7.4 months worth of imports.

Budget Balance Forecast

- The government’s budget deficit could surpass that posted during the 2007-2008 financial crisis if fiscal provisions under the draft federal constitution are adopted, a senior Finance department official said.
- Finance Undersecretary Gil Beltran said on Monday that the budget gap as a share of gross domestic product (GDP) could balloon to as high as 6.7% under the proposed charter, surpassing the 5% recorded a decade earlier.
- The deficit is likely to widen further succeeding years, he added, but the Finance department did not conduct simulations moving forward because a 6.7% shortfall “is not viable.”
- The deficit has currently been programmed at P523.682-bil or 3% of GDP for 2018, P624.370-bil or 3.2% for 2019 and 3% for 2020-2022. Last year’s P350.6-bil shortfall was equivalent to 2.2% of GDP.
- Finance Secretary Carlos Dominguez III has criticized the lack of fiscal provisions under the draft federal charter, warning that these could lead to the Philippines’ losing its investment-grade credit rating.
- “With respect to the fiscal provisions of the proposed constitution, there are ambiguous provisions on revenue assignment and there are no provisions on expenditure assignment,” he said last week, adding: “There are, likewise, principles on revenue sharing that do not appear to be well studied.”
- The Finance chief noted, for example, that the draft does not state whether a proposed “equalization fund” would be sourced from the federal government or the federated regions.
- The Finance department said the fund refers to allocations that would be distributed based on the needs of each region, with priority to be given to those that require greater support to achieve financial and economic sustainability as determined by a “Federal Intergovernmental Commission.”
- Dominguez also said that it was not clear where a 5% “block grant” under recently enacted Bangsamoro Organic Law would come from.

DAILY MARKET PRIMER

14 August 2018

CORPORATE NEWS

PGOLD

- Puregold Price Club, Inc. (PGOLD) said net income grew by 25.6% in the first six months of 2018 to P3.08-bil, followed by a 13.2% jump in consolidated net sales to P64.03-bil.
- Puregold stores contributed the bulk of the company's revenues, or 79%, while the remaining 21% came from S&R Membership warehouse clubs and S&R New York Style Pizza stores.
- Puregold and S&R's same-store sales growth stood at 6.1% and 5.9%, respectively. The company said it benefited from higher consumer spending due to increased levels of take-home pay after the implementation of the Tax Reform for Acceleration and Inclusion law.
- The company ended the first half of the year with a total of 393 stores. Of this, 341 are Puregold stores, 16 are S&R membership shopping warehouse, and 36 are S&R New York Style quick service restaurants.
- PGOLD said it is on track to construct 25 new Puregold stores this year, in addition to two new S&R warehouses as part of its expansion plans for 2018.

AC

- Ayala Corp. (AC) delivered a 3% profit increase in Q2 of 2018, as the robust performance of its property and energy units offset a drop in earnings from its banking business.
- The listed conglomerate said net income attributable to the parent went up to P8.4-bil in the April to June period.
- On a six-month basis, AC's attributable profit grew by 7% to P16.1-bil, compared to the P15.1-bil it generated in H1 of 2017. Revenues stood at P148.7-bil for January to June period, 20% higher than the P123.9-bil recorded in the same period a year ago.
- The company's earnings were in line with expectations.
- Meanwhile, AC Energy, Inc. and its Vietnamese partner have signed construction and financing deals to expand the capacity of their solar farm in Vietnam's Ninh Thuan province to make it the biggest in Southeast Asia.
- With the signing of the engineering, procurement and construction (EPC) contract and the project financing, AC Energy and BIM Group of Vietnam expect to increase the solar farm size from the 30 megawatt-peak (MWp) that broke ground early this year to 280 MWp.
- The joint venture plans to further expand the capacity to well over 300 MWp. Once completed, the solar farm will become the largest in Southeast Asia. The project is expected to commence operations in time for the June 2019 solar feed-in tariff deadline.
- The Ayala's energy business arm said its project is estimated to cost around \$237-mil, which will be financed by debt and equity. AC Energy will participate with a 30% voting stake and about 50% economic share.

LTG

- LT Group, Inc. (LTG) more than doubled its attributable profit during the second quarter of 2018, driven primarily by its banking unit's sale of acquired properties alongside the stabilization of its tobacco business.
- The holding firm of tycoon Lucio C. Tan, Sr. said net income attributable to the parent hit P5.33-bil in Q2, 133% higher than the P2.28-bil it realized in the same period a year ago. Revenues expanded by 14% to P18.4-bil in the same period a year ago.
- This pushed LTG's attributable profit by 97% to P8.96-bil during H1, versus the P4.53-bil recorded in the same period in 2017. This came on the back of a 13% increase in revenues to P35.56-bil.
- LTG's tobacco business accounted for bulk of the company's attributable profit for the first semester at 54% or P4.86-bil, followed by PNB which provided 35% or P3.08-bil. Tanduay Distillers, Inc. (TDI) delivered P437-mil, while property business Eton Properties Philippines, Inc. added P212-mil and Victorias Milling Company, Inc. with P115-mil.

VLL

- Vista Land & Lifescapes, Inc. (VLL) hiked its full-year profit growth target to 15-17%, as the Villar-led property developer saw stronger residential sales in the first six months.
- The listed firm reported in a regulatory filing that net income jumped by a fifth to P2.63-bil in Q2 of 2018, on the back of a 20% rise in revenues to P11.06-bil for the period.

DAILY MARKET PRIMER

14 August 2018

CORPORATE NEWS (continued)

VLL (continued)

- This brought VLL's net income 17% higher to P5.24-bil in H1 of 2018, following a 16% uptick in revenues to P21.14-bil during the first six months of the year.
- VLL's residential business accounted for 84% of its total revenues for H1, while the leasing segment generated 16%. The sale of units under the affordable brand Camella provided for 77% of total real estate sales.
- Under the commercial segment, VLL had 1.12-mil square meters in gross floor area (GFA) by end-June. This consisted of 24 malls, 50 commercial centers, and seven offices. The company had 24 Vista Malls with 28,526 in GFA during this period, with plans to add seven more to end the year with 30 Vista Malls.
- VLL launched a total of 28 projects worth P23.7-bil in H1, 17 of which were located outside Metro Manila. The company's land bank now stands at 41% in the provincial areas, while 59% is in Mega Manila.
- The firm said it spent P22.4-bil out of its P50-bil capital expenditure in the January to June period.
- Given its performance in the first semester, the company is gunning for a similar performance in H2 of the year.
- The company raised its reservation sales target of P72-bil for 2018, but did not disclose exact figures. Reservation sales grew by 18% to P38-bil by end-June.
- The company plans to raise P5-10-bil from a combination of bank loans and retail bonds in H2. This will be used to finance its capex for the rest of the year.

SM

- SM Investments Corp. (SMIC) said it is in the final stages of acquiring a 34% stake in Goldilocks Bakeshop, Inc., months after the deal to fully purchase the business fell through.
- The holding firm of country's richest man Henry Sy, Sr. confirmed reports of the acquisition. This will give the SM Group a significant minority interest in the company which currently operates more than 600 stores nationwide.
- To recall, the listed conglomerate's unit, SM Retail, Inc., backed out of the deal to acquire 100% of Goldilocks' shareholdings back in February, citing changes in the general business environment.
- The Philippine Competition Commission (PCC) had already approved the P2-bil transaction at the time. Alongside the approval were some conditions to ensure that the deal will not hinder competition inside SM malls, which include giving Goldilocks' competitors a "fair chance" to their positions in SM malls at all times.
- The SM Group also pledged that it will not give Goldilocks access to competitors' information, such as sales data captured by the point-of-sales system of mall tenants.
- With the revised acquisition plan, SMIC will no longer need PCC approval as it will fall below the P2-bil mandatory notification threshold of the commission.

GOLD BUYING / Troy Oz.

US\$1,193.25

COPPER BUYING / lb.

US\$2.736

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