

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,399.18 (+0.66%)	101,930,944.56	(705,919.83)	25.24 (+0.80%) = 1,350.95	53.524

**MARKET OUTLOOK**

- Share prices are seen to move within a narrow range in the week ahead, with many banking on an increase in trading volume for the main index to sustain its upward trajectory.
- The month of July is looking brighter and brighter as the index had another good week. Two scenarios are being looked at this week. The first is that volume starts to come in, and the index is going to try and test the next resistance at 7,500.
- Reaching the 7,500 resistance will confirm the PSEI's reversal, as well as put an end to the bear market.
- The second scenario is that investors will take gains as several blue chips have gained 10% in the last two weeks and the index is seen to come back down to support at 7,185. Based on the market sentiment, the latter scenario is more likely to take place. However, the pullback that may be seen this week is a great opportunity for more investors to test the waters.
- Meanwhile, investors will focus on developments in the escalating trade war between the United States and China. US President Donald J. Trump last week announced additional dues on \$200-bil worth of Chinese goods. China has yet to retaliate from this fresh round of tariffs.
- Resolutions that would put clearer guidelines in resolving the US-China trade row will be a boost for equities, having regressed from its recent high this year. This issue is something that investors will have to deal with on a daily basis, pending clearer outcomes of talks.
- Earnings results for H1 are soon to be released, and investors are advised to hunt for stocks with good fundamental merits and solid upside potential.
- Support is expected to be at 7,340 down to 7,185, while resistance could reach 7,400 to 7,500.

**ECONOMIC HIGHLIGHTS**
**Growth Forecasts**

- The Organization for Economic Cooperation and Development (OECD) sees Philippine economic growth sustaining its 2017 growth pace until next year on the back of government spending that will take up the slack from weaker private consumption and export growth.
- The OECD expects Philippine gross domestic product (GDP) to grow 6.7% this year and in 2019, falling short of the government's 7% to 8% targets for these two years but still faster than a 5.3% forecast for Southeast Asia in the same periods and the 6.6% and 6.5% averages for 2018 and 2019, respectively, for "emerging Asia," a group that covers the 10 members of the Association of Southeast Asian Nations (ASEAN) plus China (6.7% this year and 6.4% next year) and India (7.4% this year and 7.5% in 2019).
- All three less developed ASEAN members — Cambodia, Laos and Myanmar — will lead regional growth, but among the seven bigger ASEAN economies, only Vietnam will grow faster than the Philippines at 6.9% this year and 6.6% in 2019.
- The Philippines is estimated to replicate its 2017 GDP growth of 6.7% in 2018 and in 2019, the OECD said.
- Government spending and public investment will likely anchor economic growth, with private consumption facing some friction and exports substantially weakening.

**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

16 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)

### Growth Forecasts (continued)

- The Philippines' latest estimates are faster than the 6.4% average forecast for 2018-2022 which the Paris-based organization gave in November last year.
- Propelling state spending potentially faster would be front-loaded disbursements ahead of next year's mid-term national elections.
- Upcoming regional events are likely to increase countries' motivation to implement and complete infrastructure projects. Several elections are expected in the near term. Public investment in democracies tends to peak 21-25 months before elections, including through the construction of high-visibility projects ready to be built.
- Planned upcoming general elections in the Philippines in May 2019 are likely to provide additional incentives to announce and deliver on infrastructure projects.
- The OECD's latest forecast for the Philippines matches the World Bank's 6.7% estimate for 2018 and 2019, but is slower than the Asian Development Bank's and United Nations Economic and Social Commission for Asia and the Pacific's 6.8% and 6.9% projections for the same two years.
- It also compares with Moody's Investors Service's 6.8% estimate for 2018, Fitch Rating's 6.8% for 2018 and 2019 and S&P Global Ratings' 6.7% and 6.8% for the same two years, respectively.
- Noting that the acceleration in GDP growth was propelled mainly by government spending, which rose by 13.6%, from 0.1% a year earlier while growth in private spending, fixed investment and gross exports weakened during the period, OECD said: A similar pattern seems likely in the coming quarters.
- Government consumption is expected to remain buoyant; revenue intake is on track to surpass targets, as seen in the first four months of 2018," the group added, noting that investment has "room to grow faster than before," but will depend on agencies' efficiency in implementing projects.
- The OECD noted that the record \$10-bil foreign direct investment net inflows to the Philippines in 2017 were "indicative of well-grounded investor confidence presumably due to optimistic economic prospects and the strong infrastructure campaign."
- Moreover, the OECD noted that lower personal income tax rates granted by Republic Act No. 10963, or the Tax Reform for Acceleration and Inclusion (TRAIN) law, could further fuel household consumption — which contributes over 60% to overall economic output — although weaker remittances from abroad and quicker inflation could soften it.
- Private spending can benefit from lower income-tax payments covering most workers. Some degree of monetary accommodation (exemplified by reserve requirement ratio adjustments) will help. Yet, the moderation in overseas remittances could drag down household spending growth.
- Rising domestic prices and lower consumer optimism in Q1-Q2 2018 and relatively weaker tourism prospects — due to the government's decision to close a top destination for rehabilitation — can also further stifle private spending.
- The higher global fuel prices and the continued weakness of the currency will likely provide ammunition to inflation in the coming months.
- The central bank may have raised its policy rate, but the impact of this move may be limited since the push comes largely from the supply side. The reduction in the reserve requirement ratio will also keep the liquidity in the system ample.
- Separately, offshore goods shipments nominal growth slowed down in the first four months of 2018. This slowdown sends a pessimistic signal to domestic production.
- However, the encouraging growth of the industrial production index and net sales index in the same period suggests that the volume of orders for future shipments is somewhat picking up.

**CORPORATE NEWS**
**VLL**

- Vista Land & Lifescapes, Inc. (VLL) has secured corporate note facilities totaling P7.7-bil to fund its capital expenditures this year.
- The Villar-led firm said it signed a corporate note facility consisting of seven-year corporate notes worth P1.7-bil with a coupon rate of 7.4913% per year, and 10-year corporate notes worth P6-bil with a fixed interest of 7.7083% per annum.
- With this, VLL entered into a corporate notes facility agreement with China Banking Corp., China Bank Savings, Inc., and Security Bank Corp., which will act as note holders.
- Meanwhile, China Bank Capital Corp. and SB Capital Investment Corp. were tapped as joint lead underwriters, with the former as sole issue manager and sole bookrunner.
- China Banking Corp.-Trust and Asset Management Group is the issuance's facility agent, while VLL's subsidiaries Brittany Corp., Crown Asia Properties, Inc., Camella Homes, Inc., Communities Philippines, Inc., Vista Residences, Inc., and Starmalls, Inc. are the subsidiary guarantors.
- The proceeds of the corporate notes facility will be used to fund the Company's 2018 capital expenditures for commercial property projects, and to fund other general corporate purposes.
- The listed property developer has committed to spend P50-bil in capital expenditures this year, ramping up spending from the P37.4-bil it spent in 2017.

**ICT**

- International Container Terminal Services, Inc. (ICTSI) said it has been chosen by the government of Sudan to handle the operations and management of the South Port Container Terminal (SPCT).
- The Enrique Razon-led company said it has been tapped to manage the operations and development of the Sudan port for 20 years.
- Sea Ports Corporation of Sudan (SPC), the independent state corporation of the Republic of the Sudan that governs, constructs and maintains the country's ports, harbors and lighthouses, has confirmed ICTSI as the Preferred Bidder to operate and manage the South Port Container Terminal (SPCT) at the port of Port Sudan, Republic of the Sudan, under a 20-year concession.
- The port operator noted it will still have to discuss and negotiate the concession agreement before the official signing and effectivity of the contract.

**SM**

- Local debt watcher Philippine Rating Services Corp. (PhilRatings) retained its PRS Aaa rating for SM Investment Corp. (SMIC)'s outstanding bonds worth P47.3-bil.
- The rating is the highest on PhilRatings' credit scale, indicating that SMIC has an "extremely strong" capacity to meet its financial commitment. The debt watcher also gave the rating a stable outlook, which means that it is unlikely to change in the next 12 months.
- PhilRatings took into account SMIC's solid financial profile, leading market position in its core businesses, and progressive growth strategy, among others, in coming up with the ratings.

**GOLD BUYING / Troy Oz.**

US\$1,246.45

**COPPER BUYING / lb.**

US\$2.777

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