

# DAILY MARKET PRIMER

17 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,517.36 (-0.31%)	100,917,620.45	(16,524,006.62)	25.68 (+1.18%) = 1,373.85	53.499

## MARKET OUTLOOK

- The main index slumped on Thursday, ending at the 7,500 level as investor confidence continued to take a hit from the plunge in Turkey's currency.
- Shares traded lower, with continued fears over the challenges facing the Turkish contagion along with the fall of remittances.
- It was a quiet day for the PSEI as continued tensions and uncertainties in Turkey continued to weigh down on investor sentiment.
- Ankara on Wednesday announced plans to double tariffs on select US goods, retaliating to sanctions imposed by Washington as a dispute between the two countries intensified.
- With Wall Street rallying overnight as waning trade jitters buoyed investor confidence, the local bourse may just follow suit.
- Escalating tariff rhetoric cooled down on news that Beijing will send a delegation to Washington to help resolve the growing trade conflict between the world's two largest economies.
- Q2 reporting season is winding down but the market may be given a boost as it remains upbeat on positive corporate earnings.
- Positive news on the country's foreign portfolio investments may also whet investor appetite to buy into the market.
- Foreign portfolio investments turned positive in July after two months of net outflows, data released by the central bank showed on Thursday.
- The \$53.29-mil in net "hot money" flows for the month was a reversal from June's net outflow of \$516.12-mil but was lower than the year ago net inflow of \$206.47-mil.
- The level to watch out for would be 7,500. While the index did breach it yesterday, the market needs to see a close below this level with high volume to have a firm conclusion.

## ECONOMIC HIGHLIGHTS

### July FPI

- More foreign funds entered the Philippines in July compared to the preceding month, although the latest flows were a third smaller than a year ago, latest central bank data showed.
- Flighty foreign investments posted a \$53.29-mil net inflow last month, reversing from the \$516.12-mil net outflow posted in June though just a fourth of the \$206.47-mil in July 2017.
- The latest tally also ended two straight months of foreign fund outflows, according to the central bank
- These registered foreign portfolio investments are often called "hot money," as these funds enter and leave the country with ease.
- Foreign investors put in \$959.44-mil in July, 5.3% more than the \$910.78-mil in June but down by a third from the \$1.434-bil a year ago.
- These inflows were partly offset by \$906.15-mil that were taken out, marking the smallest outflows since January 2017.

### ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.0% (Q2 2018)	<b>Unemployment Rate</b>	5.5% (April 2018)	<b>GIR</b>	US\$76.892-B (July 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P54.3-B) (June 2018)	<b>Exports Growth Rate</b>	(0.1%) (June 2018)	<b>BOP</b>	(US\$1.177-B) (June 2018)
<b>Inflation</b>	5.7% (2012 BY) (July 2018)	<b>Imports Growth Rate</b>	24.2% (June 2018)	<b>O/N RP</b>	4.50% (as of August 9, 2018)
<b>91-day T-Bill Rate</b>	3.290(as of August 6, 2018)	<b>Cash Remittances</b>	US\$2.357-B (June 2018)	<b>O/N RRP</b>	4.00% (as of August 9, 2018)

## ECONOMIC CALENDAR

Wednesday, August 22

- Budget balance (JULY)

## **ECONOMIC HIGHLIGHTS** (continued)

### **July FPI** (continued)

- This may be attributed to investors' anticipation of good corporate earnings results.
- Bulk of July investments went to shares listed on the Philippine Stock Exchange, particularly banks; property companies; holding firms, food, beverage and tobacco firms, as well as small and medium enterprises, the central bank said.
- These investments yielded \$51-mil in net inflows.
- On the other hand, placements in peso-denominated debt papers yielded \$11-mil in net inflows, while flows involving peso-denominated government securities resulted in \$9-mil net outflows.
- The United States, United Kingdom, Hong Kong, Singapore and Luxembourg where the top sources of investments, accounting for 84.8% of the total.
- About 78.7% of outbound funds went to the US, considered a safe haven amid current global uncertainties.
- July inflows brought seven-month hot money to a \$455.75-mil net inflow, reversing from the \$204.24-mil net outflows a year ago.
- The central bank expects hot money to show a \$900-mil net outflow by yearend, which would be bigger than 2017's \$205.03-bil net outflow.

### **ASEAN Green Bonds**

- The Securities and Exchange Commission (SEC) has approved the guidelines for the issuance of ASEAN (Association of Southeast Asian Nations) Green Bonds in the country, which will be used to specifically fund green and sustainable projects.
- ASEAN Green Bonds are defined by the ASEAN Capital Markets Forum (ACMF) as bonds and sukuk (Islamic bonds) that comply with the ASEAN Green Bond Principles. These principles pertain to voluntary process guidelines issued by the International Capital Market Association.
- The approved guidelines aim to raise awareness as well as improve appetite for green financing in the country.
- Compliance with the ASEAN GBS (Green Bond Standards) enable local issuers to tap into the global green bond market which has been experiencing rapid growth over the recent years.
- Under the approved guidelines, eligible issuers are companies incorporated in any of the ASEAN member countries. Non-ASEAN countries may also use this fundraising method as long as the green projects are located in the ASEAN region.
- Section 8 of the guidelines state that the following projects may be financed through green bonds:
  - ✓ renewable energy;
  - ✓ energy efficiency;
  - ✓ pollution prevention and control;
  - ✓ environmentally sustainable management of living natural resources and land use;
  - ✓ terrestrial and aquatic biodiversity conservation;
  - ✓ clean transportation;
  - ✓ sustainable water and waste water management;
  - ✓ climate change adaptation;
  - ✓ eco-efficient and/or circular economy adapted, production technologies and processes; and, green buildings which meet regional, national or internationally recognized standards or certifications.
- The approved green projects must also provide clear environmental benefits, which should be assessed and quantified by the issuer. To note, fossil fuel power generation projects are not covered by the ASEAN GBS.

## **ECONOMIC HIGHLIGHTS** (continued)

### **ASEAN Green Bonds** (continued)

- Under Sections 11 and 12 of the guidelines, the issuer must disclose where it has allocated the funds raised for the green project. Should portions of the issuance be used for refinancing, the company must provide an estimate of how much the funds went to refinancing and for what investment or project portfolio they were made.
- The net proceeds should also be continuously reported to investors, including how much has already been spent and their impact. Quantitative measures for a project's impact include energy capacity, electricity generation, the greenhouse gas emissions reduced or avoided, the number of people provided with access to clean power, the decrease in water use, and reduction in the number of cars required, among others.
- To ensure proper reporting of the use of proceeds, issuers must provide investors with annual reports and the external review on those reports.
- The approved guidelines will supplement requirements under Sections 8 and 12 of the Securities Regulation Code, which details rules on the issuance of securities.

### **Fish Output**

- The Philippines' total fish production increased by 2.64% to 1.13-mil metric tons (MT) in the second quarter of 2018, the Philippine Statistics Authority (PSA) said.
- In its latest Fisheries Situation Report, the state-run statistics agency said commercial fisheries and aquaculture saw growth, while municipal fisheries saw a decline.
- Yield of commercial fisheries rose by 2.27% to 287.68 thousand MT from the volume in the same period last year. The growth was credited to the increased unloading of skipjack for canneries at the General Santos City Fish Port and of other fish species at Navotas City.
- Aquaculture output also climbed by 5.81% to 550.01 thousand MT from the 2017 volume. The agency noted this increase in Regions 3 (Central Luzon) and 4B (Occidental Mindoro, Oriental Mindoro, Marinduque, Romblon, and Palawan provinces, or Mimaropa), where fingerlings and other planting materials were distributed, and fair weather prevailed.
- Yield of municipal fisheries fell by 2.46% to 295.64 thousand MT from last year's figure. Marine fisheries contributed 86.40% of the volume and inland fisheries contributed the rest.
- Weather disturbances and fewer fishing trips caused the decline, according to PSA.
- Of the major marine species, three saw increases in the period: tilapia, by 2.01% to 85.22 thousand MT; skipjack, to 67.41 thousand MT; and seaweed, to 318.51 thousand MT.
- Four posted decreases: yellowfin tuna or tambakol, by 2.86% to 22.02 thousand MT; milkfish or bangus, 3.45% to 106.10 thousand MT; tiger prawn, 4.49% to 11.82 thousand MT; and roundscad or galunggong, 5.89% to 55.89 thousand MT.
- Based on PSA's Q2 report on the country's agriculture performance, fisheries continued to struggle, declining by 0.05% due to fish kills, pollution, predation and typhoons.
- The subsector contributed P68.2-bil, or 16.85%, to total agricultural production in the quarter.

## **CORPORATE NEWS**

### **DMC**

- DMCI Mining Corp. said nickel shipments went up by 88% in H1 of 2018, but expects no shipments to be made in the second semester due to the shutdown of its Zambales operations as well as the depletion of its stockpile in Palawan.
- The Consunji-led miner said in a statement that it shipped 482,762 wet metric tons (WMT) from January to June, higher than the 257,120 WMT it shipped in the same period a year ago.
- The average selling price per metric ton of nickel stood at \$39, 10% higher than its price of \$35 in the same period a year ago. Average nickel grade also improved by 11% to 1.73%. In Q2 alone, average nickel grade rose by 8% to 1.75%.
- Around 430,000 WMT came from the old stockpile of Berong Nickel Corp. (BNC) in Palawan, while the remaining 50,000 WMT were sourced from Zambales Diversified Metals Corp. (ZDMC).
- BNC shipped 327,000 WMT in Q2 alone, while ZDMC had no shipments since it has yet to secure its port permit.
- The positive performance for the first semester came amid the closure of ZDMC and a suspension order against BNC, following the government's crackdown on mining firms last year. The Department of Environment and Natural Resources (DENR) however allowed suspended mining companies to ship out their old stockpile to limit the possible accumulation of silt in nearby bodies of water.

# DAILY MARKET PRIMER

17 August 2018

## **CORPORATE NEWS** (continued)

### **DMC** (continued)

- DMCI Mining is expecting a slower performance in H2, given the continued suspension of its mining operations.
- The company currently has around 500,000 WMT in BNC, which could last until Q2 of 2019. The company is eyeing two shipments a month, with 50,000 WMT for each shipment.
- Meanwhile, the company has around 250,000 MT of mid-grade nickel from ZMDC, but this will only be shipped depending on demand from the market.

### **FNI**

- Global Ferronickel Holdings, Inc. reduced its target shipment volume this year by 8% to 5.5-mil wet metric tons (WMT) from the original 6.6-mil WMT, as the company focuses on higher-grade nickel ore.
- This as the lower prices of nickel ore and a decline in shipment volume weighed on FNI's bottomline during Q2, with net income falling by 37%.
- Based on market observations, the group saw the need to take advantage of the higher market price of Sapolite nickel ores. As such, the target was revised to focus more on the shipment of higher-grade ores, thereby changing the product mix (i.e., more high grade and fewer low grade ores) and reducing the overall 2018 target shipment volume from 6.0-mil to 5.5-mil.
- The nickel producer said mining higher-grade ore would result in lower shipment volume since this involves more processing, but will have higher average realized ore price.

### **MWC**

- The consortium of Manila Water Co., Inc. and its subsidiary has signed a joint venture agreement with a water district in Bulacan to handle the latter's water supply system and sanitation facilities.
- The partnership seeks to improve the accessibility and quality of water supply to more than 12,000 residents of the municipality of Bulacan in the province of Bulacan including the provision of sanitation services.
- Under the joint venture agreement, Obando Water Consortium Holdings Corp. — the consortium of Manila Water and its unit Manila Water Philippine Ventures, Inc. — will incorporate a joint venture company with Bulacan Water District.
- Upon completion of conditions precedents set out in the agreement, the joint venture will then enter into a concession agreement with the water district for the implementation of the project for 25 years from the set commencement date.
- The concession covers the design, construction, rehabilitation, maintenance, operation, financing, expansion, and management of the water district's water supply system and sanitation facilities in Bulacan municipality.
- The joint venture will have an outstanding capital stock of P150-mil. The consortium will subscribe to 90% of the capital amounting to P135-mil and the water district will hold the remaining 10% or P15-mil.
- Manila Water said the project is its second partnership with a water district in Bulacan after its 25-year concession agreement with Obando Water District early this year.

**GOLD BUYING / Troy Oz.**

US\$1,173.65

**COPPER BUYING / lb.**

US\$2.626

2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. [www.meridiansec.com.ph](http://www.meridiansec.com.ph) Tel: +632 635 6261 to 64

**Disclaimer:** This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness and correctness. Any information is subject to change without notice and MSI is not under any obligation to update or keep current the information contained herein. Opinions, estimates, and projections expressed reflect the analyst's personal views. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addresses and are in the form of fundamental and technical ratings. Technical ratings may differ from fundamental ratings as technical analyses involve the application of different methodologies based on price and volume related information. This document is for the information of the addressee only and is not to be taken on substitution for the exercise of judgment by the addressee. No liability whatsoever is accepted for and direct or consequential loss arising from any usage of this report. This document is not to be construed as an offer or solicitation of an offer to buy or sell securities. In the course of our regular business, we may have a position in the securities mentioned and may make purchases and/or sales of them from time to time in the open market. Any unauthorized distribution, copying or disclosure of this material is strictly forbidden.