

DAILY MARKET PRIMER

17 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,369.44 (-0.40%)	79,997,445.51	(5,223,699.13)	25.07 (-0.52%) = 1,340.49	53.470

MARKET OUTLOOK

- Equities slipped on Monday as the market consolidated amid a lack of catalysts.
- Philippine shares traded lower to start the week, after four successive trading sessions saw the index close in the green. The lack of catalysts may remain the culprit, and some investors may continue profit taking after the release of China GDP and renewed fears of an escalating trade war.
- The market is still consolidating and trying to test the 7,400. It's range-bound between 7,400 and 7,200. So it has to test and trade within that range first, before it tests new highs.
- Value turnover remained weak as there were not enough leads to push the index past the 7,400 resistance. There has to be a significant pickup in trading volume before the market sees a reversal.
- There is ongoing uncertainty about global economy and possible disruptions, which is somewhat offset by solid economic growth and strong earnings expected.
- The release of favorable remittance data yesterday signals continued growth of household spending that contributes close to 60% to gross domestic product (GDP).
- This optimism may provide the market the boost it needs.

ECONOMIC HIGHLIGHTS

May Remittances

- Money sent home in May by overseas Filipino workers (OFWs) rose from a year earlier and April, the central bank reported on Monday.
- Personal remittances, which sum up the net compensation of OFWs, personal transfers whether in cash or in kind and also capital transfers between households, totaled \$2.746-bil for the month.
- The result — 6.1% up from the \$2.588-bil posted a year ago and 4.9% higher from April's \$2.616-bil — took year-to-date remittances to \$13.172-bil, a 4.4% increase year on year.
- Personal remittances during the period was driven by steady inflows from land-based OF workers with work contracts of one year or more, which totaled to \$10.2-bil, and compensation of sea-based workers and land-based workers with short-term contracts, which reached \$2.7-bil, the central bank said.
- Cash remittances, which only count money sent home via banks, rose by 6.9% to \$2.469-bil from \$2.310-bil a year earlier.
- The rise was attributed to 5.3% and 13.2% increases, respectively, in transfers from land- and sea-based workers.
- The countries that registered the biggest contributions in cash remittances for May were the United States, United Kingdom, and Singapore.
- Year to date, cash remittances stood at \$11.822-bil, up 4.2% from the comparable 2017 period.
- Cash remittances coming from the US, Saudi Arabia, Singapore, United Arab Emirates, United Kingdom, Japan, Qatar, Hong Kong, Germany and Kuwait accounted for about 78% of total cash remittances.
- Ahead of the release of May remittance data, banking giant HSBC said it expected cash remittances to recover toward the end of the year now that the Kuwait deployment ban has been lifted and for remittances growth to remain broadly in line with its historical trend of 5% to 6%.”

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	(3.8%) (May 2018)	BOP	(US\$583-M) (May 2018)
Inflation	5.2% (2012 BY) (June 2018)	Imports Growth Rate	11.4% (May 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\$2.469-B (May 2018)	O/N RRP	3.50% (as of June 20, 2018)

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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)

May Remittances (continued)

- In February, President Rodrigo Duterte ordered a total ban on the deployment of Filipino workers to Kuwait following the killing of domestic helper Joanna Demafelis, whose body was found in a freezer.
- The ban was lifted in May after the two nations forged a deal to protect Filipino migrant workers in the Gulf state.
- Cash remittances totaled \$31.3-bil in 2017, 5.3% higher compared to the prior year and also topping the central bank's 4.0% forecast.

Global Growth vis a vis PH Growth Outlook

- Officials of the International Monetary Fund (IMF) are in town for an annual health check on the Philippine economy, at a time the multilateral lender sees uneven prospects for global growth amid trade tensions.
- A team of IMF economists flew in from Washington last week for their Article IV mission.
- This is part of the multilateral lender's regular surveillance work among member-economies, as required under Article IV of the IMF articles of agreement.
- Representatives monitor economic and financial developments and discuss fiscal and monetary responses with government and central bank officials in countries they visit.
- The IMF kept a 3.9% growth forecast for global output this year and in 2019. While the projection is unchanged from the April report, the IMF pointed out that overall growth "is becoming less even" and that risks to the outlook are "mounting."
- Gross domestic product (GDP) growth in the United States is seen strengthening to 2.9% from 2.3% in 2017. In contrast, growth prospects are dimming for Japan, the United Kingdom and the euro area.
- The balance of risks has shifted further to the downside, including in the short term. The recently announced and anticipated tariff increases by the United States and retaliatory measures by trading partners have increased the likelihood of escalating and sustained trade actions.
- Avoiding protectionist measures and finding a cooperative solution that promotes continued growth in goods and services trade remain essential to preserve the global expansion. Policies and reforms should aim at sustaining activity, raising medium-term growth, and enhancing its inclusiveness.
- The US imposed an additional 10% tariff on \$200 billion worth of Chinese products last week, escalating its trade war with the world's second-biggest economy. Beijing will retaliate, Chinese Vice-Minister of Commerce Wang Shouwen had said before the World Trade Organization.
- The IMF also flagged interest rate increases in major economies as a source of concern, saying: Tighter financial conditions could potentially cause disruptive portfolio adjustments, sharp exchange rate movements and further reductions in capital inflows to emerging markets, particularly those with weaker fundamentals or higher political risks.
- In contrast, the IMF sees growth among Southeast Asian economies will remain robust as it kept a 5.3% estimate for the ASEAN-5 composed of the Philippines, Indonesia, Malaysia, Thailand and Vietnam.
- Growth will be sustained by "healthy" domestic demand and a recovery in exports, the lender said.
- Prior to the IMF's ongoing review, the multilateral lender saw Philippine gross domestic product growing by another 6.7% this year, replicating 2017's pace.
- This compares to the 6.8% growth estimate given by the Asian Development Bank and 6.7% of the World Bank, but short of the 7% to 8% annual growth goal set by the Duterte administration.

CORPORATE NEWS
GTCAP / MPI

- A property unit of GT Capital Holdings, Inc. has sealed a deal with Metro Pacific Investments Corp.'s (MPIC) logistics arm to sell its Cavite property for P1.02-bil.
- GT Capital said its subsidiary Property Company of Friends, Inc. (ProFriends) and MPIC's MetroPac Movers, Inc. (MMI) signed definitive agreements for the sale of 202,110 square meters (sq.m.) of land in General Trias, Cavite priced at P5,025 per sq.m.
- MMI disclosed its intention to acquire ProFriends' property last month, which it said will be developed into a covered warehouse space spanning 141,000 sq.m. The facility will be used to better manage MMI's distribution centers for existing and potential clients in the fast moving consumer goods, consumer durables, automotive, and e-commerce spaces.
- MPIC will be spending P8-bil to develop the property and to purchase equipment to be used in the facility.
- The developed warehouse space will be added to MMI's current portfolio of 207,000 sq.m. warehouse spaces across the country.
- MMI's acquisition forms part of the Metro Pacific group's goal to ramp up its investments in the logistics industry. Earlier this year, the company said it is on the look out for two to three logistics firms. It is also poised to close its acquisition of transport and logistics solutions provider Air21.

ABS / GLO

- ABS-CBN Corp. has severed network sharing ties with Globe Telecom, Inc. for its ABS-CBNmobile brand after its five-year agreement expired.
- ABS-CBN said the financial status of its mobile business was the reason for the decision.
- "After a thorough assessment, ABS-CBN Convergence deemed its current mobile business model to be financially unsustainable. As a result, ABS-CBN Convergence and Globe reached an agreement not to renew their mobile network sharing agreement and to look at more profitable opportunities in the content business," it said.
- With the termination of the contract, the Lopez-led company said its prepaid, postpaid and Sky Mobi subscribers may keep availing their services "until the final date that will be approved by the National Telecommunications Commission."
- The company has "contained" its losses from the ABS-CBN mobile business in 2017. During Q1, the company saw its interconnection costs down 64% to P49-mil from P81-mil in the same period last year.
- Despite the decision to discontinue ABS-CBNmobile, the two companies have agreed to keep connections for the TVplus boxes, Kapamilya Box Office and iWant TV offers of ABS-CBN.

GOLD BUYING / Troy Oz.

US\$1,241.50

COPPER BUYING / lb.

US\$2.781

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