

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,583.52 (+0.88%)	103,701,595.46	(16,852,227.94)	26.35 (+2.65%) = 1,408.22	53.443

MARKET OUTLOOK

- The main index may trade sideways in the week ahead as investors are expected to stay on the sidelines due to the shortened trading week.
- Although, investors looking for buying opportunities could provide a boost for the stock market.
- Financial markets will be closed on Tuesday, August 21, due to the celebration of Ninoy Aquino Day and the Eid'l Adha holiday.
- With only four trading days this week, expect to see lower volume. However, local investors may treat this as a buying opportunity as several blue chips have pulled back last week. If this happens then the index may go sideways or even gain a little.
- But t if it can't hold, then it may come all the way down to 7,360.
- The index is currently down only 1% for the month of August. Retail investors are going to continue to look for more opportunities in second-liners as the main index is still in limbo.
- Investors are advised to remain vigilant for news overseas as these drove much of the market's movement last week.
- For the index to post a positive trend, investors will be looking at the resolution of trade tariff issues, improved job growth, the government's efforts to contain inflation and expectations of good earnings for listed firms.
- The US and China have already initiated talks to solve their trade spat before leaders of the respective countries meet at the G20 Summit in November.
- The trade war will have a more direct impact on currencies, since the new tariffs will affect pricing.
- For now, several listed firms have been frontloading on necessary inventory, to insulate on production or project costs, especially in meeting Q4 demand. So long as the "political noise" is controlled, markets shouldn't be quick to press the panic button.
- Investors will also be going for stocks that show a sustainable earnings model, modest growth and improved dividend yield.
- Markets will be willing to take on a premium if these are well integrated on listed shares' growth plan. Fortunately, there are several companies trading at a discount to their cashflow potential, and it would only take a matter of time, once these firms are noticed, once the dust settles.
- The index's support is seen at 7,530 to 7,440, while resistance could reach 7,650 to 7,800.

ECONOMIC HIGHLIGHTS
Federalism and Policy Uniformity

- A federal form of government might work for the Philippines but authorities need to ensure policy uniformity, the European Union's envoy to the country said.
- EU Ambassador to the Philippines Franz Jessen said investors would prefer to deal with one set of laws and incentives if the country decided to adopt federalism as sought by President Rodrigo Duterte.

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\$2.357-B (June 2018)	O/N RRP	4.00% (as of August 9, 2018)

ECONOMIC CALENDAR

Wednesday, August 22

- Budget balance (JULY)

ECONOMIC HIGHLIGHTS (continued)

Federalism and Policy Uniformity (continued)

- “I think it’s important that the security of the investments is, of course, maintained and the economic environment is comparable with the different regions,” he said, noting that “when the European investor looks at the Philippines it’s much easier to look at this as one legal framework for the investment rather than different frameworks”.
- “On the business side, of course it is easier when you have one set of labor laws rather than different sets of labor laws in different regions. The same when we talk about incentives. If you start having different rules for different regions then it’s complicated for me,” Jessen added.
- A draft federal charter drawn up by a Duterte-appointed consultative committee has been criticized by economic managers and local business chambers have also raised concerns.
- Finance Secretary Carlos Dominguez III told the Senate earlier this month that the Philippines could lose its investment grade credit rating given confusing fiscal provisions in the draft charter, while Socioeconomic Planning Secretary Ernesto Pernia warned that the shift could cost the government at least P120-bil.
- Both have come under fire for their comments but have found support with the business community, which issued a joint statement last week urging lawmakers to carefully weigh the costs and risks of federalism.
- “We encourage full, open and dispassionate dialogues on this proposed shift in form of government, keeping in mind its long-term impacts on future generations of Filipinos. As always, the business community stands ready to work with our political and economic leaders to bring about sustained and inclusive economic growth in the country,” seven of the country’s largest business groups said.

Bank Lending to Power Companies

- Lending to energy generation companies has slowed down this year and is likely to remain that way for three to five years when power demand has expanded to take up the existing excess supply.
- It’s not because banks don’t want to lend. There are just less deals. There are less new plants being built.
- While it is speculated on that the coming years would see a “drop” in lending to the energy sector, activity would be “slow” as it has been so far this year.
- The sector is described as “generally easy to lend to” because it is privatized, but banks need a power supply agreement (PSA) and approved by the Energy Regulatory Commission to cover the “revenue risk.”
- But in terms of technology, in terms of how WESM (wholesale electricity spot market) works, the regulatory side, it’s very well structured already.
- Of the energy technologies, coal-fired power plant projects are the easiest to lend to because banks understand them well. But development for such facilities has been absent recently because of oversupply.
- In the past, banks had been signing three to four financing deals for power plants.
- Late last year, MGen said it had agreed with lenders the terms of a P107.5-bil loan from eight banks to fund about 70% to 75% of its 1,200-megawatt (MW) coal-fired power plant in Atimonan, Quezon.
- The developer has yet to draw down on its loan.
- For the coming years, funding for the sector would include refinancing for existing loans, aside from small renewable energy projects at around 20-50 MW that a single bank can finance.
- If banks could understand how renewable energy projects are commercially viable through the retail electricity market, banks might be able to structure a deal.

CORPORATE NEWS
TEL

- PLDT, Inc. and wireless subsidiary Smart Communications, Inc. said the group is on track to meet its 2018 targets for the expansion of fixed and wireless networks in the country.
- The telecommunications giant said it has already put up 12,600 Long-Term Evolution (LTE) base stations all over the Philippines and has reached 1.86-mil ports for its fiber-power fixed broadband network.
- PLDT is targeting to deliver high-speed wireless data services to over 90% of the country, and to increase its fixed broadband network capacity to 2.2-mil ports — both by end-2018.
- As of end-June, Smart has installed more than 3,900 LTE base stations, increasing the total count by 45% to over 12,600, and enabling Smart to improve its Long Term Evolution (LTE) coverage, as well as to activate LTE-Advanced (LTE-A), which offers even higher data speeds and capacity.
- The same period also saw the company expand to 5.07-mil homes the coverage of its fiber-power fixed broadband network, “(boosting) its capacity to 1.86-mil ports, nearing its full-year target of 2.2-mil ports.”
- The company said the roll-out of its fiber optic transmission and distribution network was instrumental in the expansion of its fixed and wireless networks. In the six-month period, PLDT said its fiber footprint has increased to 204,000 kilometers after mounting more than 29,000 kilometers of fiber cable.
- The company noted the continuous expansion of its data business is the main driver of its revenues during H1 of the year, growing 4% to P82.2-bil.
- Moving forward, PLDT’s task is to accelerate its digital pivot by pursuing whenever possible converged digital initiatives across the company’s business segments
- PLDT said P31.5-bil of the company’s P58-bil capex for 2018 is allotted for the wireless network, while P26.5-bil is set for the fixed line network.

ALI

- Ayala Land, Inc. plans to raise P8-bil by issuing fixed-rate retail bonds with a maturity of five years which will be listed on the bond exchange.
- The bonds represent the remaining unissued balance of its P50-bil debt securities program as approved by the Securities and Exchange Commission (SEC) in March 2016, it added.
- The company did not say when it plans to issue the bonds or the target listing at the Philippine Dealing and Exchange Corp.
- It said the debt issuance was approved by its board of directors on Friday afternoon during their regular meeting.
- It also approved a regular cash dividend of P0.252 per common share.
- The cash dividend will be payable on Oct. 2, 2018 to holders of common shares on record as of Sept. 6, 2018.

DD

- DoubleDragon Properties Corp. is set to expand its hotel business globally in line with efforts to grow its recurring business.
- The company is now securing land banks in Vietnam, Bali in Indonesia, and Phuket in Thailand where its Hotel 101 brand will be located.
- The move is in line with goals to boost recurring income portfolio over the next few years.
- At present, DoubleDragon’s business is comprised of 60% recurring and 40% residential.
- It targets to have 90% of its net income from recurring portfolio in the next two years.

GOLD BUYING / Troy Oz.

US\$1,173.45

COPPER BUYING / lb.

US\$2.660

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