

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,632.36 (+1.76%)	121,448,458.54	1,163,834.36	26.61 (-0.08%) = 1,420.60	53.386

MARKET OUTLOOK

- Share prices firmed up on Wednesday as investors went on selective buying of large-cap stocks after returning to the market following the Eid'l Adha holiday, while also turning optimistic about upcoming trade talks between the United States and China.
- As expected, participants were quick to make up for the break wedged between the trading days, and picked up stocks beaten in previous sessions.
- Market players had picked up stock with cheap valuations and were also looking forward to a positive result from a scheduled mid-level meeting between US and Chinese officials in Washington.
- However, today might be another story altogether. Cues overseas are mixed, as US market will most likely be euphoric from S&P's historical bull run, while developments with the Manafort and Cohen cases still downside risk for US bourses.
- The legal woes of two former advisers to U.S. President Donald Trump may contribute to investors' caution, while the release of the Federal Open Market Committee's minutes from its last policy meeting also have some impact.
- Former Trump campaign manager Paul Manafort was found guilty of tax and bank fraud charges on Tuesday evening, while Trump's former personal lawyer Michael Cohen pleaded guilty to a range of charges and said he acted at the direction of Trump.
- Investors are considering whether the twin setback will hurt the Republican Party's election prospects and widen a criminal probe that has overshadowed Trump's presidency.
- U.S. central bankers discussed raising interest rates soon to counter excessive economic strength but also examined how global trade disputes could batter businesses and households.

ECONOMIC HIGHLIGHTS
Budget Balance

- The government's fiscal deficit grew in July and in the first seven months, as spending increased faster than revenues, the Bureau of the Treasury (BTr) said on Wednesday.
- The government posted an P86.4-bil fiscal deficit last month, 71% more than the P50.5-bil recorded in July last year.
- Overall revenues grew 24% year-on-year to P241.7-bil from P194.6-bil.
- Of this amount, tax revenues accounted for P217.8-bil, a 25% increase from last year's P174.7-bil.
- The Bureau of Internal Revenue (BIR) collected P164-bil last month, 19% more than P138.1-bil a year ago, while the Bureau of Customs (BoC) raked in P52.1-bil, 49% more than the year-ago P35-bil.
- The Treasury attributed the collection boost to "strong enforcement and revenue enhancement measures, coupled with the weaker peso and higher oil price."
- Other offices' tax take totaled some P1.7-bil, 6% more than the P1.6-bil collected the past year.
- Non-tax revenues accounted for nearly a tenth of overall revenues at P23.9-bil, which grew 20% from P20-bil in July 2017.
- The BTr's collections amounted to P11.8-bil, up 39% from P8.5-bil while other offices' revenues were P12.2-bil, up 6% from P11.5-bil.

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)	(P86.4-B) (July 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

ECONOMIC HIGHLIGHTS (continued)

Budget Balance (continued)

- The Treasury said this was due to “higher remittance of dividends on shares of stocks held by the government and NG (national government) share in PAGCOR (Philippine Amusement and Gaming Corp.) income and MIAA (Manila International Airport Authority) profits.”
- Government spending jumped 34% to P328.1-bil in July — “the highest nominal (monthly) spending for the year” — from P245.1-bil a year ago.
- Of that amount, interest payments (IP) accounted for P44.8-bil — 13.7% of total spending in July — steady from P44.6-bil the past year. “The lower domestic IP on account of debt that matured last year was offset by the increase in foreign payments from new bonds issued in Feb 2018 and in part due to the depreciation of the peso,” the Treasury explained.
- Other disbursements — which include infrastructure and other capital outlays — surged 41% to P283.3-bil in July from P200.5-bil a year ago.
- For the January-July period, the government posted a P279.4-bil deficit, 36% bigger than the P205-bil recorded in 2017’s first seven months.
- Revenues grew 21% to P1.652-tril as of July from P1.372-tril in 2017’s comparative seven months.
- Tax collections contributed P1.473-tril to the total, 18% more than the year-ago P1.244-tril.
- The BIR collected P1.129-tril, 14% more than the year-ago P986.1-bil, while the BoC raked in P331.5-bil, reflecting a 35% surge from P245.3-bil in the same comparative seven-month period.
- Other offices collected some P12.5-bil in tax revenues, edging up 2% from P12.2-bil.
- Non-tax revenues surged 41% to P179.8-bil in the first seven months of the year from P127.4-bil in 2017’s comparable period.
- The Treasury contributed P77.9-bil of that amount, 27% more than P61.2-bil the past year, while other offices raked in P101.9-bil, 54% up from P66.2-bil a year ago.
- State spending in the same comparative seven-month periods grew 23% to P1.932-tril from P1.576-tril.
- Interest payments accounted for about a tenth of the overall expenditures at P210.4-bil as of July, seven percent more than the year-ago P196.2-bil.
- Other disbursements contributed P1.721-tril, jumping 25% from P1.38-tril last year.

Banks’ Bad Debts

- Bad debts held by big banks increased slightly as of end-June, even as they accounted for a smaller share of total loans amid a growing portfolio, according to latest available central bank data.
- Non-performing loans (NPLs) held by universal and commercial banks totaled P110.606-bil as of June, 9.5% more than the P101.006-bil in problem debts incurred the past year.
- NPLs refer to loans left unpaid at least 30 days past due date. These are considered risky assets given a slim chance that borrowers concerned will settle their debt, resulting in turn in losses for the lender.
- Despite this, the increase of soured debts was actually slower than the 17.5% increase in total lending, as banks handed out a cumulative P8.331-tril in credit to their clients. This compares to a P7.09-tril loan book in 2017’s first semester, according to data from the central bank.
- Compared to total loans, the share of NPLs dipped to 1.33%, smaller than the 1.34% ratio recorded in May and the 1.42% share in June 2017. This meant that the stash of problem debts became more manageable for lenders.
- The banks also beefed up defenses against possible credit losses amid brisk lending. They set aside P158.846-bil to cover for potential loan losses, 14% more than the P139.28-bil allotted for this purpose a year ago.
- This is more than enough to cover NPLs, meaning banks concerned will remain on solid footing even if these problem loans are written off.

ECONOMIC HIGHLIGHTS (continued)

Budget Balance (continued)

- Non-performing assets held by banks steadied at P76.217-bil. This includes the value of real property and other items seized from clients for failing to pay their debt.
- Banks also remained fairly liquid as deposits surged 11% to P11.019-tril, enough to cover total loans.
- The central bank monitors NPL ratios of banks and other financial firms in order to monitor asset quality and preserve the soundness of the financial system.

CORPORATE NEWS
GLO

- The Securities and Exchange Commission (SEC) has approved the incorporation of Globe Telecom, Inc.'s new company that would build cellular towers, the telecommunications giant said on Wednesday.
- Globe said it received the SEC's approval on the incorporation of GTowers, Inc. on Aug. 20.
- The establishment of a tower company will help speed up the building and deployment of cellular towers in the country, the company said.
- In July, Globe said it will incorporate a separate tower holding company. After securing SEC approval, the company said it will begin divesting all or some of its tower assets.
- Globe earlier said it was in talks with certain parties to form an independent tower company to help speed up the building and deployment of cellular towers.
- However, Globe said last month it has yet to come up with an agreement with these parties.
- Incorporating a separate tower holding company would monetize assets for capex (capital expenditure) use and help maintain the company's consistent dividend policy.
- This would also support the government's initiative to find a third major player in the telco industry, as Globe plans to lease its towers.
- Rival PLDT, Inc. said late last month that it is open to sharing towers should they be approached, but under some conditions.

SMC

- The International Chamber of Commerce-Philippines (ICCP) expressed its support for San Miguel Corp.'s (SMC) proposed Bulacan International Airport — also called the New Manila International Airport — after the fiasco at the Ninoy Aquino International Airport (NAIA) over the weekend.
- ICCP Chairman Francis C. Chua said the closure of NAIA's main runway caused by the crash landing of an Xiamen Airlines jet proved the "inherent problems of the NAIA, and why it's no longer sustainable as our country's main gateway."
- "Government should now put all its efforts to pave the way for, a new international gateway outside of Metro Manila, which will serve as a long-term, future-proof solution to airport congestion problems that have held our country back for so long," he added.
- Mr. Chua said the ICCP believes SMC's New Manila International Airport proposal is the "best" for the Philippines.
- "At no cost to the government, and with no subsidies or guarantees required, San Miguel will build a futuristic 'aerotropolis' with up to four parallel runways — which can be expanded further to six. With capacity for 60 aircraft movements per runway per hour, this will eliminate all congestion issues and significantly raise our attractiveness as tourism and investment destination in the region," he added.

GOLD BUYING / Troy Oz.
COPPER BUYING / lb.

US\$1,197.30

US\$2.656

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