

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,376.80 (-0.31%)	94,954,802.85	3,662,306.75	25.23 (-0.23%) = 1,350.18	53.515

MARKET OUTLOOK

- The main index slipped on Monday as investors positioned their bets ahead of President Rodrigo R. Duterte's State of the Nation address (SONA).
- Investors also digested the release of data on the country's budget deficit, which widened to P193-bil last semester after registering some P54.3-bil for the month of June alone. The January-June deficit is 27% short of program.
- The country's top business groups welcomed the commitment of President Duterte to pursue tax reform and sign the second package of the Tax Reform for Acceleration and Inclusion (TRAIN) within the year during his State of the Nation Address (SONA).
- The President's statement that he hopes to sign TRAIN 2 by the end of the year is also seen as a positive development.
- The proposed second package of the TRAIN would reduce corporate income tax rates and rationalize incentives given to investors.
- This will provide tax breaks for businesses and bring the country to parity with other countries.
- There is strong support for pronouncements made on the TRAIN as well as the commitment to pursue ease of doing business, provide subsidy for the poor, care for the environment, as well bring down the price of rice.
- However, there are also those that saw the President's SONA as nothing more than the same promises that he has been making since he was campaigning in 2016.
- There are some that deemed the President's third SONA as "empty" and failing to at least give solutions to problems such as the high commodity prices, human rights situation and the West Philippine Sea issue.
- Also, the "coup" staged by former president and now Pampanga Rep. Gloria Macapagal-Arroyo and her allies against House Speaker Pantaleon Alvarez served as the highlight of the SONA more than anything else.
- Meanwhile, news of ongoing trade talks may help stocks edge upward. Mexican President-elect Andres Manuel Lopez Obrador sent Trump a letter urging a quick wrap-up of NAFTA trade negotiations, and trade officials from Mexico and the United States will meet later this week.
- Also, European Commission President Jean-Claude Juncker is scheduled to meet with Trump on Wednesday over the imposition of import tariffs, though he will not arrive in Washington with a specific trade offer.
- Investors are waiting for more earnings news to create a convincing direction for the market.

ECONOMIC HIGHLIGHTS
Budget Balance

- The fiscal deficit of the national government widened to P193-bil in H1 from P154.5-bil in the same period last year as both revenues and disbursements posted strong growth during the period, according to the Bureau of the Treasury (BTr).
- Despite this, the deficit still fell short of the P264.3-bil ceiling set by economic managers for the period, with the surplus in revenues outpacing that of expenditures.
- National government revenue collection and expenditures exceeded their respective programs for H1, resulting in a P193-bil deficit, which is 27% lower than programmed alongside 25% year-on-year growth.

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)	(P54.3-B) (June 2018)	Exports Growth Rate	(3.8%) (May 2018)	BOP	(US\$1.177-B) (June 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)

DAILY MARKET PRIMER

24 July 2018

ECONOMIC CALENDAR

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)

Budget Balance (continued)

- For June alone, the fiscal deficit narrowed by 40% to P54.3-bil from the P90.9-bil posted in the same month in 2017 on the back of strong revenue growth, according to the BTr.
- From January to June, national government revenues reached P1.41-tril, 20% or P234.2-bil higher than last year's level of P1.18-tril. This was also 8% higher than the H1 revenue target of P1.30-tril.
- The Bureau of Internal Revenue accounted for the bulk of total tax collections with P964.5-bil, 14% higher than the P848-bil in the same period last year and 3% above the P938.7-bil goal.
- Revenues from the Bureau of Customs (BOC) likewise jumped by 33% to P279.4-bil from P210.3-bil a year ago. The agency also surpassed the P270.3-bil target by 3%.
- Proper valuation and tariff classification of goods, as well as a strengthened campaign against illegal trade, contributed to the sustained good performance of the Bureau.
- The BTr itself reported an income of P66.1-bil in the first semester, which was 25% up year-on-year and 110% higher than the target.
- The agency has already exceeded its full-year target by P10.4-bil on account of higher dividend collections from government-owned and controlled corporations.
- For June alone, revenues reached P224.2-bil, 25% up from P179.8-bil a year ago.
- Meanwhile, total expenditures as of end-June grew 20% to P1.60-tril as compared to the P1.33-tril recorded in the same period in 2017.
- This was also two percent higher than the disbursement program for the period, which was set at P1.57-tril.
- Of the total spending, interest payments reached P165.5-bil, 9% higher than last year, but 4% below program. The BTr said payments also accounted for just 10.3% of total disbursements, down from 11.4% a year ago.
- Expenditures for June alone, inched up by 3% to P278.5-bil compared to the P270.7-bil recorded last year.

Investment Pledges

- Investments approved by the Board of Investments (BOI) are on track to reach the P680-bil target this year following a 27% increase in project approvals in the first semester and the expected influx of big-ticket projects in H2.
- The BOI said the agency is on track to meet the P680-bil target for approved investments this year, 10% higher than the P617-bil level last year.
- Investment pledges reached P238.9-bil in the January to June period, up 27% from P188-bil the previous year.
- The impressive investment registrations with the BOI is a concrete proof of the continued confidence of both foreign and local investors in the country.
- Investment commitments from foreign sources surged 165% to P14.5-bil in the first semester from just P5.5-bil in the same period a year ago.
- By country, Indonesia was the top source of investments to the Philippines in H1, accounting for P6.4-bil.
- Japan came in second with P2.6-bil, followed by China with P880-mil.
- The US (P582-mil) and Italy (P486-mil) were in fourth and fifth place, respectively.
- Meanwhile, the power sector was the top source of investments as of end-June with P108.2-bil, 168% higher than last year's P40.3-bil.
- This was followed by the transportation and storage sector with P37.4-bil, which jumped 298% from P9.4-bil a year ago.
- Construction or public-private partnership projects placed third with P32.9-bil worth of investments, followed by manufacturing with P19.8-bil and real estate with P15-bil.

CORPORATE NEWS
AC

- GNPowder Kauswagan Ltd. Co. (GNPK) has stepped up the development of one of Mindanao's biggest power plants and has sought regulatory approval to build a point-to-point transmission line from the facility to the national grid.
- In its application with the Energy Regulatory Commission (ERC), GNPK said it is building a clean pulverized coal-fired power generation facility with four units, each with a capacity of 138 megawatts (MW) or a total of 552 MW.
- GNPK, which is led by Ayala Corp. subsidiary AC Energy Holdings, Inc., is seeking ERC approval to develop, own and operate grid connection facilities with a capacity of 230 kilovolt (kV) and a 69 kV.
- In order for GNPK to timely conduct the necessary testing and commissioning of the first unit of the power plant by H2 of 2018, GNPK intends to have the Dedicated Connection Facilities operationally ready by then.
- GNPK and NGCP are currently discussing the terms and conditions of the connection agreement which will govern the interconnection and transmission of power supply from the generation facility into the Mindanao grid.
- In its application with the ERC, GNPK said the power plant will be connected to the Mindanao grid through the Balo-I-Kauswagan-Aurora 230-kV transmission line. Given the location of the facility, its optimum connection to the grid network should be through the National Grid Corporation of the Philippines' (NGCP) 230 kV transmission line.

JGS

- Commercial bank Robinsons Bank plans to upgrade its status to a universal lender as part of efforts to grow into a more significant player in the industry.
- A unibank license will give Robinsons Bank the authority to expand its businesses to non-allied undertakings and also require a minimum public ownership of 10%.
- To upgrade into a universal bank, the Gokongwei-owned lender will raise its capital to as much as P27-bil. It also plans to take in a foreign strategic partner to add financial muscle in line with its bid to grow its assets to P200-bil.
- Robinsons Bank earlier raised P5-bil from the sale of high-yielding deposits which have a tenor of 5.5 years and carry an interest rate of 4.875% per annum.

MBT

- The central bank has given Metropolitan Bank and Trust Co. (Metrobank) the green light to raise as much as P25-bil from the issuance of long term negotiable certificates of deposits (LTNCDs).
- Metrobank is set to issue the LTNCDs with a tenor of between 5.5 and 10 years in one or more tranches of at least P2-bil per tranche to be listed on the Philippine Dealing and Exchange Corp. (PDEX).
- Timing of the first tranche of LTNCDs will be subject to market conditions.
- The planned fund raising activity in the onshore market aims to diversify the maturity profile of funding sources and support business expansion plans of the bank.

AEV

- A wholly-owned unit of Aboitiz Equity Ventures Inc. obtained a \$338-mil loan from four foreign banks to fund its acquisition of Singapore animal feed maker Gold Coin Management Holdings Ltd.
- AEV said AEV International Pte Ltd. inked the credit facility with DBS Bank Ltd., Mizuho Bank, MUFG Bank, and Standard Chartered Bank.
- The loan will be used to finance the acquisition of 75% of Gold Coin, one of the largest animal feed producers in the Asia Pacific, operating across 11 countries, from the wealthy Zuellig family of Switzerland.
- The acquisition would quadruple its overall feeds production capacity with the addition of 3-mil metric tons of feeds.

GOLD BUYING / Troy Oz.

US\$1,233.05

COPPER BUYING / lb.

US\$2.744

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