

# DAILY MARKET PRIMER

26 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,514.00 (+0.90%)	129,031,751.66	4,604,371.17	25.54 (-0.58%) = 1,366.21	53.493

## MARKET OUTLOOK

- The performance of the stock market yesterday continued to reflect renewed investor optimism.
- Positive Q2 corporate earnings reports had started to trickle in.
- The recent releases of some income results of listed companies show that they're still growing despite the recent trends in inflation in prices, which bodes well for the Philippine market.
- Investors will continue taking positions ahead of more Q2 corporate earnings.
- The market may also likely take its cue once again from Wall Street's performance overnight as U.S. President Donald Trump secured concessions from the European Union on trade.
- The sanguine news regarding trade may help the market to climb further.
- Once there's a hint of good news about avoiding a trade war, the market is primed to go higher based on the fact that earnings has been quite positive and economic data has been strong.
- If the PSEi continues to stay above the 7,456 level, the next possible target will be 7,735 and 7,900.

## ECONOMIC HIGHLIGHTS

### Growth Forecasts

- Swiss global financial services firm UBS is keeping its 6.8% 2018 growth forecast for the Philippines but warned that US-China trade war could weigh on the following year's expansion.
- UBS noted that the Philippine gross domestic product (GDP) growth would pick up from 6.7% last year and then dip to 6.4% in 2019, lower than its previous forecast of 6.6%.
- The estimates are also lower than the government's 7.0% to 8.0% target.
- Assessing the impact of a trade war on the Association of Southeast Asian Nations (Asean), UBS said it now believed an escalation of United States-China trade tensions with a meaningful fallout on growth is more likely than not.
- Growth forecasts for China and the US were revised downward in anticipation of Washington imposing additional tariffs on \$200-bil of Chinese goods and likely retaliation by Beijing.
- UBS said potential gains in market shares in either the US or China would be too small to make much difference for most ASEAN economies, especially when netted with the direct impact of globally levied US tariff increases to date.
- It also highlighted that the more open economies of Singapore, Thailand and Malaysia faced a bigger impact than the relatively closed economies of Philippines and Indonesia.
- Assuming that tariffs on the \$200-bil of Chinese goods will be levied in September, the impact on the US and Chinese economies likely be felt in Q4 2018, UBS said.
- As such the impact on ASEAN economies will likely be most visible in late 2018 and early 2019 — and this is reflected in the changes to the 2019 real GDP growth forecasts, it noted.
- Meanwhile, Philippine economic growth will likely hit 6.7% this year and the next — unchanged from 2017 — on the back of strong consumption and investments, the International Monetary Fund (IMF) said following the conclusion of an annual validation of the country's prospects.

### ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.8% (Q1 2018)	<b>Unemployment Rate</b>	5.5% (April 2018)	<b>GIR</b>	US\$77.675-B (June 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P54.3-B) (June 2018)	<b>Exports Growth Rate</b>	(3.8%) (May 2018)	<b>BOP</b>	(US\$1.177-B) (June 2018)
<b>Inflation</b>	5.2% (2012 BY) (June 2018)	<b>Imports Growth Rate</b>	11.4% (May 2018)	<b>O/N RP</b>	4.00% (as of June 20, 2018)
<b>91-day T-Bill Rate</b>	3.484 (as of June 25, 2018)	<b>Cash Remittances</b>	US\$2.469-B (May 2018)	<b>O/N RRP</b>	3.50% (as of June 20, 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)

**Growth Forecasts** (continued)

- The 6.7% forecast for 2018 is unchanged from April when the IMF released its World Economic Outlook (WEO). The 2019 estimate, however, has been cut from the previous projection of 6.8%. The April WEO had also forecast 7.0% growth for 2023 and there was no word if this had been retained or revised.
- The medium term economic outlook remains favorable but short term risks have risen. Real GDP growth is projected at just under 7% over the medium term, the IMF said.
- The IMF noted that rising crude prices, external pressures on the peso, one-off effects from higher excise taxes and domestic demand pressures had led to a surge in inflation, which hit a five-year high of 5.2% in June and a year-to-date average (4.3%) above the central bank's 2.0% to 4.0% target.
- The current account deficit, meanwhile, is expected to hit 1.5% of gross domestic product due to increased capital goods and raw materials imports, while foreign direct investments — which hit a record \$10-bil last year — is expected to moderate somewhat this year.
- The peso has also fallen by some 7% against the dollar, the IMF pointed out, but gross international reserves of \$77.7-bil remain more than adequate.
- Inflation was forecast to gradually fall back to the target level next year and move toward 3% over time.
- The current account deficit is also expected to remain manageable, financed largely by foreign direct investment.
- “Downside risks stem mainly from rising inflation, continued rapid credit growth, higher US interest rates and US dollar, volatile capital flows and trade tensions, the IMF said,
- Discussions with Philippine officials, the multilateral lender said, focused on the need to prop up growth and macroeconomic stability via policy tweaks and maintaining a healthy external position.
- The Philippine has been one of the region's strong economic performers over the past year, reaping the fruits of prudent policies and critical reforms, the IMF said.
- The team welcomes the authorities' strategy of maintaining policy continuity while adapting to emerging challenges and taking advantage of the strong economy to implement reforms to improve inclusive growth and job creation, it added.

**Electronic Exports**

- Earnings from electronic exports and imports continued to increase in the first five months of 2018, rising by 3.1% and 13.14%, respectively, from amounts posted in the same period last year, the Semiconductor and Electronics Industries in the Philippines Foundation Inc. (SEIPI) said.
- According to data on the group's website, exports grew to \$14.88-bil (P794.89-bil) in January to May from \$14.14-bil (P771.38-bil) a year ago. Imports surged to \$11.13-bil (P594.56-bil) from \$9.84-bil (P525.65-bil) in 2017.
- For May alone, exports expanded by 2.29% to \$3.13-bil (P167.20-bil) from \$3.06-bil (P163.47-bil).
- Telecommunication exports led the growth, rising by 104.01% to \$61.93-mil (P3.31-bil) from \$30.36-mil (P1.62-bil) in May 2017. Consumer electronics soared by 95.56%; office equipment, 50.16%; communication/radar, 13.65%; and control and instrumentation, 13.2%.
- Automotive electronics fell in the month by 51.56%; medical/industrial instrumentation, 16.81%; electronic data processing, 4.48%; and components/devices or semiconductors, 0.09%.
- Top five countries of destination during the period were Hong Kong (20.58%), the United States (14.10%), China (12.28%), Singapore (9.24%) and Japan (6.56%), SEIPI said.
- Other destinations in the Top 10 were Germany, Taiwan, Netherlands, Thailand, and Malaysia, it added.

**CORPORATE NEWS**
**MRP**

- The operator of integrated resort and casino City of Dreams Manila reported flat revenue growth for Q2 of 2018, weighed down by higher commissions and a change in accounting practices.
- Melco Resorts and Entertainment (Philippines) Corp. (MRP) said net revenues at City of Dreams Manila reached \$173.9-mil for the three months ending June, 1.3% lower than the \$176.2-mil it generated in the same period a year ago.
- The decrease was mainly due to higher commissions reported as a reduction in revenue upon the adoption of a new revenue recognition standard issued by the Financial Accounting Standards Board, partially offset by improved gross gaming revenues, the company said.
- Without a change in accounting standards, MRP said revenues would have increased by around 8% year-on-year to \$191-mil.
- The integrated resort and casino recorded a 39% increase in earnings before interest, taxation, depreciation, and amortization (EBITDA) for the quarter to \$87.3-mil, which the company attributed to the better performance of its gaming segments.
- Rolling chip volume generated \$3-bil for the period, slightly lower than the \$3.2-bil seen in the same quarter a year ago. Rolling chip win rate increased to 3.7%, with an expected win rate range of 2.7% to 3%.
- Revenues from mass market table games grew by 16% to \$196.9-mil, after hold percentage went up to 29.4%, against a hold rate of 28.5% in the same period a year ago.
- Gaming machine handles reported a 13% increase to \$855.9-mil, with a win rate of 5.9% — steady from the same quarter a year ago.
- Meanwhile, non-gaming revenue from the City of Dreams Manila climbed by 3.9% to \$29.1-mil for the April to June period. The entertainment complex observed a 98% occupancy rate from its hotel rooms, improving from the 95% average occupancy rate in the same period a year ago.

**RFM**

- Concepcion-led food and beverage firm RFM Corp. is absorbing three subsidiaries to streamline operations.
- RFM said its board approved the company's merger with Cabuyao Logistics Industrial Corp., Interbake Commissary Corp., and Invest Asia Corp.
- The integration of the administrative facilities of the four corporations will result in economies of scale and efficiency of operations, RFM said.
- RFM said the consolidation of assets would allow the procurement of financing and credit facilities under more favorable terms. It will also result in the more productive use of the properties of the four firms.
- The merger is subject to the approval of RFM's stockholders in a special meeting to be held on Sept. 7.

**GLO / DMC**

- Globe Telecom, Inc. is partnering with DMCI Homes, Inc. to offer easy subscription to Globe At Home services exclusive to DMCI condominium owners.
- It noted that Internet connection has now become a basic necessity, hence fitting to be among the offers bundled with ownership of property.

**GOLD BUYING / Troy Oz.**

US\$1,226.25

**COPPER BUYING / lb.**

US\$2.853

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