

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,766.47 (-0.48%)	134,942,174.43	7,457,609.60	26.50 (+0.84%) = 1,417.43	53.488

MARKET OUTLOOK

- Local equities may trade sideways in the week ahead as volumes are seen to thin due to the shorter trading period alongside expectations for the US Federal Reserve to maintain rates.
- Local financial markets were closed yesterday in commemoration of National Heroes' Day.
- It is still being looked at whether the main index can break through a resistance of 7,800 to determine its movement in the following days. Should the PSEi breach this level, it could easily climb back to the 8,000 mark.
- With the market already up by 2.4% or 183 points week-on-week, the PSEi may retest the 7,500 level.
- The 7,800 to 8,000 levels are still seen as critical levels to breach but amid the absence of fresh local catalyst yet, the index may trade sideways.
- Lower volumes are also expected for this week.
- Leads for the week include the statements made by Fed Chairman Jerome H. Powell during the Jackson Hole symposium over the weekend, which serves as an annual retreat for bankers focusing on global economic issues.
- There is no clear indication that the Fed will be raising interest rates. Nevertheless, the Fed's hawkish stance may continue to strengthen the dollar and foreign funds may be seen to continue to flow out which will continue to hurt emerging markets.
- Foreign capital outflow will be a major factor on whether the market can hold participation of local funds and bargain hunting will be the drive of our local bourse moving forward.
- Lean more to those stocks which have been resilient toward market shocks and fundamentally undervalued.
- Investors and traders alike will be keeping an eye out for the tariff row between the US and China.
- Both the US and China just slapped tariffs on \$16-bil worth of traded goods on each other last week, amid ongoing talks between two of the world's largest economies.
- Negotiations last week failed to make any major progress on the trade spat, with China saying that it will "resolutely respond to the unreasonable measures" taken by the US. The two sides, however, were reported to have "exchanged views on how to achieve fairness, balance, and reciprocity in the economic relationship."
- The PSEi's immediate support is pegged at 7,700, while resistance is pegged from 7,850 to 7,950.

ECONOMIC HIGHLIGHTS
Inflation Outlook

- The inflationary impact of recent tax reforms is starting to ease but global oil prices and recent weather disturbances will keep Philippine consumer price growth elevated in the next few months, S&P Global Ratings said.
- Regarding inflation, the one-off effects of the tax reform are probably starting to dissipate, the credit ratings agency said, referring to the Tax Reform for Acceleration and Inclusion (Train) Act.
- But with global crude prices and the recent typhoon, food and fuel prices are likely to keep prices high in the next few months before peaking, S&P added.

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	3.203(as of August 20, 2018)	Cash Remittances	US\$2.357-B (June 2018)	O/N RRP	4.00% (as of August 9, 2018)

ECONOMIC CALENDAR

ECONOMIC HIGHLIGHTS (continued)

Inflation Outlook (continued)

- Passed last December and implemented at the start of 2018, the Train law — the first of five packages under the government’s Comprehensive Tax Reform Program — raised taxes on fuel and cars, among others, in exchange for lower personal income tax rates.
- The law has been blamed for fueling inflation, which has remained above the 2.0% to 4.0% target since March and hit a new five-year high of 5.7% in July. Year to date, consumer price growth also remains above target at 4.5%.
- Economic managers insist that Train’s inflationary impact is minimal, instead pointing to high oil prices, but the central bank has said that the law contributed a direct 0.7 percentage points — rising from the 0.4% offered by the Finance department in May — to last month’s inflation figure.
- In its Q2 inflation report, the central bank said estimated Dubai crude futures as of end-June showed a higher path for this year up to 2021 compared to three months earlier. Inflation, the central bank has said, will likely hit its 2018 peak this month or in September before returning to the target range next year.
- S&P estimated Philippine inflation to average 4.3% before easing to 3.4% by 2019, lower than the central bank forecasts of 4.9% and 3.7% that were upwardly revised from 4.3% and 3.3% earlier this month.
- The central bank’s policymaking Monetary Board, which also issued a 3.2% inflation forecast for 2020, said it considered a jeepney fare hike and higher water rates, tobacco excise taxes and Dubai crude oil prices in deciding to revise its estimates.
- For 2019, monetary authorities took into account an expected decline in global non-oil import price growth and oil, food and excise taxes.

GDP Rebasing

- The Philippine Statistics Authority (PSA) will hold off till 2020 the use of a new baseline for measuring economic growth.
- The agency has pushed back the planned rebasing of national income accounts, including data for measuring gross domestic product (GDP) growth, to the later period.
- The PSA expects that the rebasing of national accounts will be finished by 2020.
- The agency is looking at using 2018 as the new base year for GDP and, eventually, for inflation.
- To recall, the PSA adjusted the consumer price index (CPI) used in tracking inflation. Starting this year, readings on price movements have been adjusted in comparison to 2012 as base year.
- GDP and related macroeconomic data remain pegged against 2000 prices.
- The choice of the new base year will be finalized “within the year,” subject to the approval of the PSA Board which is the highest policy-making body of the agency. The PSA once considered using 2015 as the new base year, but this was thumbed down by the board.
- PSA officials have said they are also looking at using 2012 as the new base year for national income accounts in order to reflect a “more comprehensive” data set to capture emerging developments in the economy. These talks have been ongoing since 2015, but such changes have not been adopted.
- For CPI, an updated base would introduce new items into the theoretical basket which are more representative of what a typical Filipino household spends on regularly and removes those that are no longer purchased as frequently.
- For GDP, using an outdated base could mean that the growth of an economy may be “underestimated,” especially as new industries may not be captured by the old method.
- This includes sectors with growing prominence like information and communication technologies, business process outsourcing as well as e-commerce.
- The PSA reports GDP growth on a quarterly basis as a general measure of the Philippine economy’s performance.

CORPORATE NEWS
SMC

- San Miguel Corporation (SMC) on Monday said its proposed P736-bil New Manila International Airport in Bulacan will generate as much as one million jobs in its construction phase.
- The company will hire “the best workers from here and abroad,” once it secures the go-signal for the airport construction.
- SMC is proposing to build an airport that will be built on a 2,500-hectare property with up to six runways and modern terminals, and to be configured to handle about 100-mil passengers a year.
- The project was approved by the NEDA Board — chaired by President Rodrigo R. Duterte — in April, subject to the condition of another approval round for the concession agreement to address concerns about the proponent’s financial and technical capability to deliver.
- SMC has already submitted the revised concession agreement along with the risk allocation matrix. The Department of Finance and NEDA (National Economic and Development Authority) forwarded their comments earlier this month. SMC is now considering the comments.
- The Department of Transportation (DoTr) will then start negotiations with SMC to finalize the draft concession agreement which will be submitted to the NEDA-Investment Coordination Council, and will jump-start the Swiss Challenge.
- Separately, SMC has set aside P22.9-bil for the ongoing rehabilitation and modernization of the Manila North Harbor, a 55-hectare port facility in Tondo, Manila, which is targeted for completion in 2022.
- Of the amount, SMC Infrastructure already spent P13.8-bil for the improvement and upgrading of the passenger terminal complex as of H1.
- The remaining amount will be used for phase 2 rehabilitation, which is targeted for completion in December 2022.
- Funding for the P13.8-bil came from long-term debt, equity infusion from shareholders and through short-term loans and cash generated from operations.

PCOR

- Petron Corp. has secured the highest credit rating for its proposed P20-bil fixed rate bond issuance this year, a local debt watcher said.
- Philippine Rating Services Corp. (Philratings) said it has assigned a PRS Aaa credit rating to Petron’s proposed issuance. This is the top rating on Philratings’ credit scale, indicating that the offer has the highest quality with minimal credit risk, while the issuer has an “extremely strong” capacity to meet its financial obligations.
- The rating was also given a stable outlook, which means that it is unlikely to change in the next 12 months.
- Philratings said it took into account Petron’s growing sales volume and continued expansion, leading market position, sound business strategy, as well as the healthy economic outlook and demand for fuel in coming up with the rating.
- The proposed bond offering represents the final tranche of Petron’s three-year shelf registration with the Securities and Exchange Commission of up to P40-bil. The company has already issued the initial P20-bil in 2016, which also carries a PRS Aaa rating.
- Petron said it will use the funds raised from the issuance for debt refinancing. It has engaged BDO Capital & Investment Corp. and BPI Capital Corp. as joint issue managers and, together with China Bank Capital Corp., as joint bookrunners and joint lead underwriters.
- The company looks to list the bonds on the Philippine Dealing & Exchange Corp.

GOLD BUYING / Troy Oz.

US\$1,183.80

COPPER BUYING / lb.

US\$2.732

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