

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,844.61 (+1.006%)	143,004,722.01	8,868,101.62	26.40 (-0.34%) = 1,412.27	53.495

MARKET OUTLOOK

- Local equities jumped on Tuesday, benefiting from the return of investors after a long weekend alongside gains recorded across international markets.
- The local bourse cruised through Tuesday's session entirely in green, driven by the return of both local and foreign participants to the market following the long break.
- Stocks also firmed on Tuesday, tracking their US counterparts, as investors welcomed a new trade agreement between Washington and Mexico.
- Concerns over global trade war eased after the United States and Mexico made a deal to overhaul the North American Free Trade Agreement (NAFTA).
- Moving forward, further developments from US markets overnight may have a hand again in how the index fares today. Look out as well for foreign flows as these have recently dictated the PSEI's movement.
- Also seen to help sentiment is news from the White House that U.S. President Donald Trump and German Chancellor Angela Merkel "strongly supported ongoing discussions" on trade.
- Trump is getting things done like he had promised and the markets like that because it removes the uncertainty of a trade war.
- But with few positive catalysts on the domestic front, local shares are unlikely to sustain the rally in the next trading days.

ECONOMIC HIGHLIGHTS
Inflation Outlook

- Inflation is seen to reach its highest level sometime during the July to September period of this year and ease within the government's target range of 2% to 4% next year, according to the central bank.
- Inflation is expected to remain elevated in 2018 with the peak occurring sometime in Q3, the central bank said, as higher excise taxes on tobacco products, and higher global oil prices as "transitory" upside factors for faster inflation.
- The central bank earlier said it expects inflation to clock in at 4.9% this year, faster than its earlier forecast of 4.5%.
- Nevertheless, the central bank expects inflation to revert to its target of 2% to 4% in 2019.
- Meanwhile, Malacañang highlighted measures taken by the government to cushion the impact of spiraling prices of basic commodities.
- These include allowing importation of galunggong or round scad, temporary suspension of Special Safeguard Measures (SSM) on chicken meat imports, and closely monitoring the importation of minimum access volume (MAV) quota for pork.
- The government will also conduct regular inspection of commodity importers' warehouses to determine level of inventory with respect to vegetable products such as garlic and onion and closely monitor the arrival and distribution of rice importations of the National Food Authority.
- Also, the roll out of fuel subsidies for public utility jeepney operators nationwide began on Tuesday.
- The measures were consolidated during the dialogue on August 16 between the economic managers and representatives of different government agencies.

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)

- During the dialogue, the officials decided against pushing for an executive order aimed at lowering the tariffs on some food products.
- Senators earlier asked economic managers to think about the implication of lowering tariffs, warning that local farmers, hog and fowl raisers will also suffer since they may not be able to compete considering the high cost of production.
- The Customs Modernization and Tariff Act (Republic Act 10863) empowers the President to increase, decrease or remove tariffs only when Congress is not in session.
- The accelerating inflation has also prompted the central bank to raise its key policy rates thrice so far this year for a total of 100 basis points.
- The central bank is keeping the door open for more possible interest rate hikes to rein in inflationary expectations, saying the economy is strong enough to absorb further tightening.
- Monetary authorities would continue to watch for further broadening inflationary pressures as the consumer price index is expected to remain elevated this year.
- Upside risks including additional wage adjustments, pending petitions for adjustments in transport fares and electricity rates, faster-than-expected monetary policy normalization in advanced economies, and the proposed increase in the buying price of rice from farmers by the National Food Authority (NFA) continue to dominate the inflation outlook.
- On the other hand, he added the main downside risks to inflation include slower global economic growth due to protectionist policies in advanced economies, geopolitical tensions in the Middle East, and potentially lower rice prices resulting from the proposed replacement of quantitative restrictions with tariffs and the deregulation of rice imports.
- Monetary authorities are also closely watching excessive volatility in the foreign exchange markets.

Growth Outlook

- The Philippine economy has sustained its growth momentum despite recent monetary policy tightening, the central bank claimed on Tuesday.
- Gross domestic product (GDP) growth has remained positive for 78 consecutive quarters.
- Economic growth slowed to 6.0% in Q2 from the downwardly-revised 6.6% in the first three months of the year. The result, which fell below the government's 7.0% to 8.0% target for the year, was partly blamed on "policy decisions" such as the closure of the tourist destination of Boracay and higher taxes on mineral output.
- The central bank's policy-making Monetary Board discounted the slowdown, announced earlier this month, and picked up the pace of monetary policy tightening by ordering a 50-basis point interest rate hike as inflation hit a new five-year high in July.
- Above-target consumer price growth had prompted monetary authorities to earlier order 25-bps adjustments in May in June.
- The latest rate hike aimed to "enhance the central bank's anti-inflation signal and help bring inflation toward a target-consistent path over the medium term".
- The central bank also stressed that country's external position remained strong, with gross international reserves of \$76.9-bil as of July 2018 enough to cover 7.4 months of imports of goods and payments of services and income.
- External debt metrics are also favorable as the external debt-to-GDP ratio continues to decline.
- On the matter of a current account deficit that has put pressure on the peso, the shortfall was being driven by the growing economy's need for higher imports.
- Nevertheless, the central bank is cognizant that the peso can also be subject to excessive volatility especially in light global interest rate and exchange rate developments.

CORPORATE NEWS
URC

- Universal Robina Corp., the listed snack foods company of the Gokongwei Group, expects to produce more good quality refined sugar with the acquisition of the milling and refinery assets of Roxas Holdings Inc.
- URC earlier disclosed it has reached an agreement to acquire the milling and refining assets of RHI and the land assets of subsidiary Central Azucarera Don Pedro Inc. (CADPI) in Batangas.
- The acquisition by URC of the milling and refining assets of CADPI will create synergies in the sugar industry in Batangas that will benefit all stakeholders. This transaction is expected to enhance the capability of URC to produce good quality refined sugar.
- Under the terms of the sale transaction, URC will acquire all buildings, improvements, machineries and equipment, spare parts and transportation equipment.

FB

- San Miguel Food and Beverage Inc. (SMFB), the newly consolidated food and beverage giant of San Miguel Corp., plans to bring its products to new markets in Europe and Africa as it aims to become an even bigger global player.
- The company's products are now exported to 60 countries.
- The company also plans to grow further in Asia, Middle East, US and Australia and new markets in Europe and Africa through image-building, volume generating programs and expansion of distribution base.
- Here at home, SMFB is trumpeting its capacity expansion plans as it transitions to having company owned facilities instead of relying on toil manufacturers.
- Capex has been steadily growing the past three years: \$82-mil in 2015, \$151-mil in 2016 and \$240-mil in 2017. For H1 of 2018, capex stood at \$98-mil.

MPI

- Keen to put an end to the overhang of issues, the Department of Transportation and Metro Pacific Tollways Corp. are considering an out-of-court settlement over the overdue toll rate adjustments for the North Luzon Expressway and Manila-Cavite Toll Expressway.
- MPTC sued the government last year for lost revenues resulting from the government's refusal to act on its petitions for regular rate adjustments since 2012. Its losses have ballooned to over P8-bil.
- The Department of Transportation (DoTr) is asking for a gradual implementation of toll adjustments and if there's a possibility to terminate the arbitration case, which is expensive.
- The company was open to entering into an amicable settlement with the government.
- The company needs around P122.7-bil to build new highways and tollways across the country in the next five years.

GOLD BUYING / Troy Oz.

US\$1,211.65

COPPER BUYING / lb.

US\$2.752

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