

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,890.96 (-0.17%)	116,308,178.03	1,709,311.00	26.27 (-0.49%) = 1,401.82	53.362

MARKET OUTLOOK

- Shares slumped on Wednesday as the local market paused for a break after rallying past the 7,800 level in previous days.
- Wednesday's performance was also a reaction to hints of another rate hike by the United States Federal Reserve. The Fed has so far raised benchmark interest rates twice this year.
- A rally on Wall Street overnight could help lift the local market.
- Wall Street extended its rally on Wednesday as promising trade negotiations stoked investor sentiment as well as after reports of stronger-than-expected U.S. Q2 growth.
- Canada appeared to be taking a more conciliatory approach to its ongoing talks with the United States aimed at salvaging the trilateral North American Free Trade Agreement (NAFTA), days after Washington said it had struck a deal with Mexico.
- U.S. Gross domestic product increased at a 4.2% annualized rate, the Commerce Department said on Wednesday in its second estimate of GDP growth for the April-June quarter. That was slightly up from the 4.1% pace of expansion reported in July and was the fastest rate since Q3 of 2014.
- Stronger software investment and a smaller import bill offset a downward revision to consumer spending. President Donald Trump, whose administration has vowed to boost annual economic growth to 3% on a sustainable basis, cheered the revised Q2 data.
- Historically, light volume in August has generally contributed to a weak month in terms of performance. But fundamentals – though not as favorable – have certainly proven the market's resilience.

ECONOMIC HIGHLIGHTS
Growth Outlook

- Economic growth can be expected to pick up this semester, though it may be nowhere near the 7.7% needed for gross domestic product (GDP) to hit the lower end of the government's 7% to 8% full-year target, according to the latest joint assessment of First Metro Investment Corp. (FMIC) and the University of Asia and the Pacific (UA&P).
- Softer inflation expected towards the end of 2018 – in the wake of recent consecutive policy tightening by the central bank – could help support GDP expansion, they added.
- FMIC and UA&P said they expect growth to recover after the “underwhelming” six percent expansion clocked in April-June, marking the slowest pace in three years.
- The Philippine Statistics Authority attributed the deceleration to a slowdown in consumer spending, as well as a contraction in exports and flat farm output.
- On the flipside, investments surged by 20.7% in Q2.
- The 6.6% and six percent recorded in Q1 and Q2, respectively, fueled last semester's 6.3% that compared to a year-ago 6.6%.
- Economic managers have noted that GDP now needs to expand by at least 7.7% to hit the government's full-year target, compared to the 6.8% recorded in H2 of 2017.

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)

Growth Outlook (continued)

- FMIC and UA&P expect faster growth in H2 anchored on speedier national government disbursements and higher peso equivalent of the remittances.
- Robust capital investments and stronger infrastructure and capital outlay and better exports should, likewise, push further the expansion significantly better than growth in H1, they added.
- We still think that export growth will turn positive in H2 as there is some six months lag between the peso depreciation and improvement in exports,” the analysts added, noting that outbound shipments of goods have declined so far this year.
- FMIC and UA&P still think that export growth will turn positive in H2 as there is some six months lag between the peso depreciation and improvement in exports, noting that outbound shipments of goods have declined so far this year.
- The analysts acknowledged that expansion could not be as robust as initially expected, saying that Q3 GDP expansion may remain tepid (i.e., 6.5% or less), unless inflation starts to slow down and exports begin to move to positive territory.
- The analysts added, however, that with construction (especially infrastructure) and manufacturing remaining robust, the underlying growth momentum should hold up.
- FMIC and UA&P see inflation peaking in August, but said food prices should eventually normalize and help ease overall price pressures.
- Inflation should also ease partly due to the aggressive 100-basis point cumulative policy interest rate hike which the central bank adopted in three successive meetings of its Monetary Board on May 10, June 20 and Aug. 9.
- Monetary authorities were keeping the door open for further tightening if needed, should inflation maintain its ascent well beyond the 2% to 4% target band for 2018.
- Inflation hit a multiyear high of 5.7% in July, which pulled the year-to-date pace to 4.5%. July marked the seventh consecutive month that inflation picked up and the fifth straight month the pace pierced the full-year target range.
- FMIC and UA&P jointly see inflation hitting 5.9% in August before settling down to 5.2% in September and 5% come October.

US Role in PH Infrastructure Program

- The United States is making a pitch on behalf of US companies seeking to participate in the government’s ambitious infrastructure program.
- US Assistant Secretary of State for Economic and Business Affairs Manisha Singh said she told a forum in Japan, attended by over 100 US and Japanese firms, that the US can enhance its longstanding partnership with the Philippines by helping develop its infrastructure.
- She said participants showed “great interest” in contributing to the Philippines’ “Build, Build, Build” program.
- “We want the Philippine government to know there are many alternatives we’re looking to fulfil the infrastructure needs. We certainly hope that you would look to the United States as a very positive alternative. That its very much in your interest to explore,” she added.
- Participation in Philippine infrastructure is part of a broader “Free and Open Indo-Pacific” strategy which includes the Indian Ocean, Southeast Asia, Australia, and New Zealand.
- The US hopes to boost honest government in the region and aid the nations involved in resisting threats to their sovereignty.
- The US has committed about \$113-mil for its initial investment in the region. Among its priority areas for funding are infrastructure, energy, cybersecurity and finance.
- The government estimates the need for a total of \$26-tril to develop the Indo-Pacific region by 2030.

CORPORATE NEWS
AP

- Aboitiz Power Corp. (AboitizPower) will be issuing P15-bil worth of fixed-rate bonds by Q4 of this year to refinance existing debt.
- AboitizPower said the bond issuance will consist of a base size of P10-bil, with an oversubscription option of up to P5-bil, with tenors of 5.25 years and 10 years.
- AboitizPower looks to use the proceeds of the issuance to refinance the term loan of subsidiary Therma Power, Inc., previously used to partially fund the acquisition of GNPowr Mariveles Coal Plant Ltd. Co. in December 2016. Part of the proceeds will also be used to repay short-term loan obligations and for general corporate purposes.
- The listed firm appointed BDO Capital Corp. as the offering's issue manager and, together with BPI Capital Corp. and United Coconut Planters Bank, as the joint lead underwriters. BDO Unibank, Inc. Trust & Investments Group will serve as the trustee.
- The bonds will be listed at the Philippine Dealing & Exchange Corp.
- The offering will be taken from the company's shelf registration at the Securities and Exchange Commission of up to P30-bil. AboitizPower had already issued P3-bil worth of bonds from the shelf registration last year.
- Local debt watcher Philippine Rating Services Corp. (Philratings) gave the issuance a PRS Aaa rating, the highest in its credit rating scale. This indicates that the bonds are of the highest quality with minimal credit risk, while the issuer's capacity to meet its financial commitment is extremely strong.
- The rating has also been assigned a stable outlook, which means it is unlikely to change in the next 12 months.
- Philratings considered AboitizPower's cash flow and financial flexibility, adequate capital structure, diversified portfolio, and experienced management system in coming up with the rating.

TEL

- Fitch Ratings on Tuesday said it downgraded PLDT, Inc.'s long-term foreign- and local-currency issuer default rating (IDR) to "BBB" from "BBB+," as it embarks on an aggressive capital expenditure (capex) program amid the government's push for a third telecommunications player.
- The rating action reflects the debt watcher's expectations of PLDT's weakening credit metrics as a result of its more aggressive capex strategy over the next three years. The company is also likely to rely on further debt financing, given the anticipated slow recovery in EBITDA (earnings before interest, tax, depreciation and amortization). This is despite its stated intention to fund the additional capex through asset sales.
- At the same time, Fitch affirmed the telecommunications giant's national long-term rating at AAA(phil). It also maintained its stable outlook on PLDT.
- Fitch said it expects the company's capex/revenue ratio to grow 35% to 36% over the next three years from only 23% last year which should help it retain its network strength, ahead of a third telecom operator's entry. The aggressive expansion in fixed-line infrastructure underscores PLDT's fiber strategy to capture growth in the home broadband and enterprise segment
- Fitch also cited the government's plans to attract a third player in the industry as a credit negative for PLDT, as well as its rival Globe Telecom, Inc.

GOLD BUYING / Troy Oz.

US\$1,201.85

COPPER BUYING / lb.

US\$2.732

 2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. www.meridiansec.com.ph Tel: +632 635 6261 to 64

Disclaimer: This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness and correctness. Any information is subject to change without notice and MSI is not under any obligation to update or keep current the information contained herein. Opinions, estimates, and projections expressed reflect the analyst's personal views. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addressee and are in the form of fundamental and technical ratings. Technical ratings may differ from fundamental ratings as technical analyses involve the application of different methodologies based on price and volume related information. This document is for the information of the addressee only and is not to be taken on substitution for the exercise of judgment by the addressee. No liability whatsoever is accepted for and direct or consequential loss arising from any usage of this report. This document is not to be construed as an offer or solicitation of an offer to buy or sell securities. In the course of our regular business, we may have a position in the securities mentioned and may make purchases and/or sales of them from time to time in the open market. Any unauthorized distribution, copying or disclosure of this material is strictly forbidden.