

MARKET RECAP

01 October 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,222.08 (-0.75%)	78,273,136.82	(12,522,617.47)	25.70 (+2.84%) = 1,394.25	54.102

Market Recap

- Philippine share prices continued its retreat as investors took a wait-and-see stance ahead of the release of Sept. inflation data.
- The benchmark PSEI fell 54.74 points or 0.75% to 7,222.08 at the closing bell. The broader All Shares shed 22.83 points or 0.51% to 4,442.09.
- An upward reaction of share prices was expected after the central bank last week reported a 50-basis points rate hike to counter inflation.
- The move – despite showing that officials were doing something to rein in above-target inflation – failed to provide some support .
- Investors also stayed mainly on the sidelines ahead of the Sept. inflation numbers, which is seen ranging from 6.4% to 7%, with a median estimate of 6.7%.
- The Philippine Statistics Authority will release official inflation data on October 5.
- More than 705.520-mil shares valued at P4.234-bil, changed hands. Market breadth was negative, with decliners beating advancers, 101 to 75, and 53 issues were unchanged.
- Gainers: TEL (+4.59%), LTG (+4.17%), DMC (+3.69%), ALI (+1.37%), SMC (+0.88%)
- Laggards: FGEN (-4.53%), URC (-3.46%), PCOR (-3.34%), GTCAP (-2.68%), SM (-2.65%)

Growth Outlook

- The Duterte administration's 7% to 8% growth target is unlikely to be hit.
- The International Monetary Fund (IMF) tempered its growth outlook for the Philippines, with its updated forecast now at just 6.5% from 6.7% previously.
- The economy continues to perform well but is facing new challenges, the IMF said, even as it noted that the slower 6% growth during Q2 is temporary.
- The medium-term economic outlook remains favorable, but short-term risks have risen.
- This comes days after the Asian Development Bank also revised lower its growth estimate to 6.4%.
- Surging prices remain as the biggest concern for the IMF, which they said would merit additional rate hikes from the central bank.

PH Peso

- Fitch Solutions Macro Research on Monday revised its outlook on the Philippine peso, as it is now seen to weaken further this year given contagion fears and rising interest rates in the United States.
- Fitch said it revised its outlook on the Philippine peso as it is now expected to end the year at P54.80:\$1, softer than the earlier forecast of P54.00:\$1.
- The Philippine peso has weakened by more than 8.0% against the US dollar since January, exacerbated by the sell-off in Emerging Market (EM) currencies since mid-April.
- Fitch notes note that market sentiment and technicals remain bearish and these factors are likely to stay central in the near-term.
- With this, Fitch said the peso is now expected to average P53.00:\$1 for the year, compared with the earlier forecast of P52.52:\$1.
- The Philippine peso is looking technically bearish in the near-term and we believe that fears of contagion from other EMs and rising US interest rates will weigh on the currency further despite the Philippines central bank's policy actions, said Fitch.
- Fitch also revised its end-2019 outlook for the peso to P56.33:\$1 from P54:\$1 previously, given inflation and deficits.
- Over the longer-term, higher inflation and rising twin deficits will also act as a drag on the peso, which will likely offset the support from remittances, it said.
- London-based Capital Economics in a recent report also said the peso is expected to reach P58:\$1 by end-2019, but such claims were dismissed by Budget Secretary Benjamin Diokno as "unfounded" and "highly unlikely."

MARKET RECAP

01 October 2018

MWIDE

- Construction and engineering firm Megawide Corp. has approved a plan to buy back up to P2-bil worth of shares over a period of two years as part of efforts to enhance shareholder value.
- This is a welcome move for investors especially at a time when the local stock market is reeling under global trade worries and domestic political concerns.
- Amid the volatility in the stock market, the company's management and board believe it is an opportune time to repurchase its own shares, which have been grossly undervalued following the overall market weakness. This is a sign of confidence in the company's long-term growth prospects and a means to enhance shareholder value, said Megawide.
- As another treat for its investors, Megawide approved the declaration of cash dividends amounting to 12 centavos per share for a total consideration of P247-mil.
- The dividends are payable to shareholders on record as of Oct. 15, and payable on Nov. 12, 2018.
- This move is part of regularizing the declaration of cash dividends in accordance with the company's dividend policy without jeopardizing its capital expenditure plans, the company said.

AC

- Conglomerate Ayala Corp. has expanded its automotive portfolio with a deal to bring Maxus – a new brand of light commercial vehicles – to the Philippines, marking the fifth brand in its dealership portfolio.
- SAIC Maxus Automotive Co. Ltd. (Maxus) has appointed AC Industrial Technology Holdings Inc. (AC Industrials) as the official distributor of Maxus vehicles in the Philippines.
- Ayala said the addition of Maxus would “strengthen and diversify AC Industrials’ portfolio of product offerings in alignment with evolving Philippine market preferences.”
- As incomes and productivity have grown, Filipino automotive buyers have increasingly gravitated toward the light commercial vehicle segment, which offers greater utility, flexibility to accommodate a wide range of business and lifestyle needs, and improved comfort and drivability.

BDO

- The country's largest lender BDO Unibank has signed a deal to sell 15% of its rural banking arm One Network Bank Inc. (ONB) to a unit of Singapore-based private equity firm Archipelago Capital Partners Pte. Ltd.
- BDO said it had entered into an agreement with Archipelago's Osmanthus Investment Holdings Pte. Ltd., formalizing a working relationship between these parties.
- Since last year, Osmanthus has helped ONB in developing the framework for its micro/small and medium enterprise (MSME) lending business, leading to the establishment of the initial pilot test sites before the end of 2017.
- The partnership with Osmanthus will further strengthen ONB's strategic foothold in the microfinance business, and contribute to the government's efforts at improving financial inclusion, BDO said.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$77.829-B (August 2018)
Fiscal Surplus / (Deficit)	(P2.6-B) (August 2018)	Exports Growth Rate	0.3% (July 2018)	BOP	US\$1.272-B (August 2018)
Inflation	6.4% (2012 BY) (August 2018)	Imports Growth Rate	31.6% (July 2018)	O/N RP	5.00% (as of September 27, 2018)
91-day T-Bill Rate	3.549 (as of September 10, 2018)	Cash Remittances	US\$2.401-B (July 2018)	O/N RRP	4.50% (as of September 27, 2018)

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.