

MARKET RECAP

03 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,832.22 (-0.30%)	104,659,437.49	(13,136,207.19)	26.22 (+0.69%) = 1,401.04	53.475

Market Recap

- Philippine share prices started the week on a negative note as trade tensions returned to the fore with Donald Trump eyeing fresh tariffs on a swathe of Chinese goods and NAFTA talks with Canada hitting a wall.
- The bellwether PSEi lost 23.49 points or 0.30% to 7,832.22 at the closing bell. The broader All Shares shaved off 0.16 points or 0.003% to 4,772.17.
- In a tweet over the weekend, Trump threatened to exclude Canada from a new North American Free Trade Agreement (NAFTA) after negotiations to rewrite the 25-year-old pact ended without an agreement Friday.
- He said there was “no political necessity to keep Canada in the new NAFTA deal. If we don’t make a fair deal for the US after decades of abuse, Canada will be out”.
- While talks will resume Wednesday, his outburst seemed designed to ramp up pressure on Canadian negotiators.
- The comments threw a spanner in the works for investors after the US and Mexico said earlier in the week they had agreed a revised pact.
- Trump also roiled markets last week by saying he wanted to impose tariffs on \$200-bil of Chinese imports as soon as public consultation ends on Thursday, adding to the \$50-bil already targeted.
- That rekindled fears of an all-out trade war between the world’s top two economies, while European Commission chief Jean-Claude Juncker on Friday warned the EU would retaliate in kind if Trump pushes through duties on foreign cars.
- The end of the month sees the Federal Reserve’s next policy meeting at which it is expected to lift interest rates for a third time this year, with analysts poring over its statement for an idea about a possible fourth rise before January.
- The market also edged lower given expectations the government will report that inflation hit another five-year high last month.
- Inflation last month remained elevated and likely touched the 6% mark on the back of rising oil and food prices, higher electricity rates as well as the weak peso, according to economists.
- The Philippine Statistics Authority (PSA) is scheduled to announce August inflation data this Wednesday and the consensus view points to a further rise from July’s 5.7%.
- More than 736.947-mil shares valued at P5.596-bil, changed hands. Market breadth was negative, with decliners beating advancers, 101 to 85, and 54 issues were unchanged.
- Gainers: AGI (+3.77%), SMC (+3.55%), URC (+2.51%), SCC (+1.90%), TEL (+1.22%)
- Laggards: AC (-2.20%), JFC (-2.08%), BPI (-1.87%), LTG (-1.74%), MER (-1.71%)

Inflation Forecasts

- Inflation likely accelerated at its fastest pace in more than nine years in August, data released by the Department of Finance (DOF) on Monday showed.
- The department expects inflation to have settled at 5.88% in August, the fastest since it came in at 6.6% in March 2009.
- The driver of inflation is largely supply-side challenges which need to be addressed by improving productivity, the DOF said.
- Prices of basic commodities and gasoline have pushed the inflation rate close to 6%.
- Food and non-alcoholic beverages are expected to have contributed 2.98 percentage points to inflation in August.
- Consensus forecasts are at 5.9% with the central bank expecting it to range from 5.5% to 6.2%.
- The latest forecast of the DOF is closely in line with the central bank’s inflation outlook of 5.9%, while the government has set a full-year target of 2% to 4%.
- The University of Asia and the Pacific (UA&P) School of Economics, however, sees inflation taking quite a different path after August.
- UA&P does not yet see this as the peak since shortages in many commodities have yet to be resolved conclusively and uncertainties in oil prices persist.
- Also, the ‘ber’ months can show brisk demand that can pull up prices and unfavorable weather conditions that can disrupt supply of commodities.
- The Philippine Statistics Authority is scheduled to release its August consumer price index and headline core inflation report on Wednesday, Sept. 5, 2018.

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ALI / IRC

- The Ayala Group is open to having a subway station in its central business district as proposed by IRC Properties, the listed property company that is building the subway system in Makati, the country's first ever subway project.
- A consortium led by listed IRC Properties, chaired by businessman Antonio Tiu, is planning a \$3.7-bil Makati Intra-City Subway and it wants to have a station in the central business district connected to the Ayala-MRT Station.
- The proposed intra-city mass transport subway system will have up to 10 stations that will connect key points in Makati's districts.
- It is targeting to break ground in December and has already attracted four state-owned companies from China to build the massive network.
- The locations of the stations are still being finalized as it is still in talks with property companies, including the Ayala Group, for the possibility of being connected to the MRT-Ayala Station situated at EDSA corner Ayala Avenue.
- Four state-owned companies from China have expressed interest to do the engineering, procurement, and construction of the subway system.
- IRC submitted the unsolicited proposal to the City of Makati last May and is now ready to be subjected to a Swiss challenge after IRC received the go-signal from the local government.
- According to the blueprint, it will connect key points in Makati City. If a connection with the MRT-Ayala Station is not possible, another option is to start at the Makati Fire Station.
- Other planned stations are the Makati City Hall, the Poblacion Heritage Site, the University of Makati, Ospital ng Makati and the other new business districts within the city.
- The proposed subway system will have up to 10 air-conditioned, underground island stations that can accommodate up to six car trains, with a room for over 200 persons per car.
- It is expected that over 700,000 passengers per day will be accommodated and served by the mass transport system.
- Funding for the \$3.7-bil project can come from a syndicate of loans overseas.
- At the same time, local banks have offered to provide peso-denominated long term loans.
- The proposed transport system is seen complementing the mass transport projects of the national government as it would be connected to the MRT stations, the proposed Metro Manila Mega Subway, and the Pasig River ferry.
- ALI, meanwhile, is already redeveloping the old Hotel Intercon area – which also includes the MRT-Ayala Station – into a first of its kind intermodal transport hub.

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)

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