MARKET RECAP

05 September 2018

PSEi	Value Turnover (US$)	Net Foreign Flow (US$)	PHI:US (PLDT ADR)	US$ 1.00
7,752.27 (-1.64%)	110,001,577.75	(19,477,670.96)	26.38 (+0.61%) = 1,411.44	53.530

Market Recap

- Philippine share prices plunged as faster-than-expected inflation rate in August triggered a sell-off, and as worries over persistent trade conflicts curbed investor appetite for riskier assets.
- The benchmark PSEi plummeted 129.55 points or 1.64% to 7,752.27 at the closing bell. The index plunged as low as 169.93 points or 2.16%. Meanwhile, the broader All Shares nosedived 63.84 points or 1.33% to 4,730.74.
- The market's dive is attributed to the above-expected inflation along with fears that this may further dampen the country's economic growth.
- Inflation clocked in at 6.4% in August, the fastest in over nine years since it came in at 6.6% in March 2009.
- It is faster than the 5.9% forecast of the central bank and Department of Finance's expectation that it will settle at 5.88%.
- The latest consumer price index figure will likely add more pressure to another rate hike, which could be as much as 50 basis points.
- Skyrocketing inflation has compelled the central bank to raise key policy rates thrice so far this year for a total of 100 basis points.
- Meanwhile, the US-Canada talks are due to resume today and this keeps trade issues at the forefront, with a wait-and-see mood prevailing in the equity markets.
- Discussions between the United States and Canada were expected to resume on Wednesday after the last round ended on Friday with no deal to revamp the North American Free Trade Agreement (NAFTA), cooling investor confidence.
- Keeping investors nervous, fresh US tariffs on $200-bil worth of Chinese goods are expected to take effect after a public comment period ends on Sept. 6.
- More than 1.690-bil shares valued at P5.888-bil, changed hands. Market breadth was negative, with decliners beating advancers, 146 to 51, and 38 issues were unchanged.
- Gainers: RLC (+1.16%), TEL (+0.56%), EDC (+0.14%), PCOR (+0.11%)
- Laggards: BDO (-5.08%), JGS (-3.81%), MPI (-3.79%), MEG (-2.58%), SMPH (-2.45%)

August Inflation

- Inflation topped 6% in August to mark a fresh nine-year high, the Philippine Statistics Authority (PSA) reported on Wednesday.
- Data released by the statistics office showed inflation clocked in at 6.4% in August, the fastest in over nine years since inflation came in at 6.6% in March 2009.
- It is also faster than the 5.9% forecast of the central bank, which cited a range of 5.5% to 6.2%.
- The Department of Finance earlier forecasted inflation at 5.88%, with food and non-alcoholic beverages contributing 2.98 percentage points.
- Prices of rice, energy, and transport were mainly responsible for the higher higher-than-expected inflation in August 2018, the central bank said in a separate statement.
- Five commodity groups registered higher increases, primarily alcoholic beverages and tobacco which surged by 21.9%, the PSA said.
- The food and non-alcoholic beverages index was up by 8.5%, miscellaneous goods and services by 4.0%, household equipment up by 3.5%, and recreation and culture by 2.4%.
- The rest of the commodity groups either moved slower or had negative annual rate with the index of clothing and footwear retaining at its previous month's annual growth rate of 2.4%, the PSA said.
- In the National Capital Region (NCR), inflation went up by 7.0% in August, largely fueled by the following items:
  - transport, 10.2%
  - food and non-alcoholic beverages, 8.6%
  - household equipment, 3.3%
  - miscellaneous goods, 4.7%
  - recreation and culture, 2.3%

MARKET RECAP

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August Inflation (continued)

- Economists say that the central bank may raise interest rates anew to temper inflationary expectations.
- The central bank reiterates its strong commitment and readiness to take all necessary policy actions to address the threat of high inflation and deliver on its primary mandate of price stability.
- The central bank also sees higher prices of petroleum products, a result of soaring oil prices in world markets, prompting local producers and traders to pass on higher costs to their consumers..
- Under the circumstances, the central bank will weigh the need for further monetary policy action. Appropriate recommendations will be presented to the Monetary Board at its next policy meeting on September 27. It is most critical at this point to restore inflation back to the target range soonest and securely anchor inflationary expectations.
- Inflation rate at more than 6% may take its toll on the full-year economic growth and compel economic managers to redial the target numbers.
- With inflation at 6.4% in August, it is highly likely that the 7% to 8% GDP (gross domestic product) target of the government will be "revised below 7%."

Unemployment

- Unemployment rate in the Philippines dropped to 5.4% in July, results of the Philippine Statistics Authority's Labor Force Survey showed Wednesday.
- Of the total 71.56-mil population of 15 years old and above, 5.4% are jobless compared with 5.6% in July 2017.
- In a separate statement, the National Economic and Development Authority (NEDA) said the recent unemployment numbers are the lowest unemployment rates recorded for all surveys conducted in July since 2008.
- The employment rate rose to 94.6% in July 2018, from 94.4% in July 2017.
- This is the highest among previous July rounds in the last 10 years and similar to July 2016, with an estimated net generated employment of 488,000, and total employment reaching 40.7-mil, according to NEDA.
- Higher employment and lower unemployment figures are a welcome development amid the rising inflation.
- The services sector accounted for more than half of the country's total employment, contributing additional employment of more than 1.1-mil.
- The industry sector also recorded positive employment growth of 2.2%, or 172,000 workers.
- Among the industry sub-sectors, manufacturing contributed the most to employment.
- Youth unemployment, however, remains high at 14.1%.
- Underemployment, or full-time workers seeking additional hours of work, increased to 17.2% or an estimated 7.0-mil workers in July 2018. This is higher compared with 16.3% or about 6.5-mil underemployed workers in July 2017.

ECONOMIC INDICATORS					
GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 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	6.4% (2012 BY) (August 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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