

# MARKET RECAP

06 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,817.31 (-0.03%)	105,362,821.74	(1,636,323.00)	25.40 (+1.40%) = 1,346.40	53.146

## Market Recap

- Philippine share prices marginally declined after China's central bank took steps to try to drag the yuan away from 14-month lows, but the tit-for-tat conflict over Sino-US trade hung heavily on markets.
- The benchmark PSEi lost 2.08 points or 0.03% to close at 7,817.31. The broader All Shares index fell 7.85 points or 0.17% to 4,660.44 at the closing bell.
- The People's Bank of China late on Friday raised the reserve requirement on foreign exchange forward positions, making it more expensive to bet against the Chinese currency.
- Analysts say the step by the PBOC will be generally positive for Asian assets.
- The PBOC likely will take further action if CNY depreciation continues or capital outflow pressure increases.
- China's finance ministry proposed tariffs on \$60-bil worth of U.S. goods on Friday, while a senior Chinese diplomat cast doubt on prospects of talks with Washington to resolve the bitter trade conflict.
- That was followed by a report in China's state media saying Friday's retaliatory tariffs were "rational" while accusing the United States of blackmail.
- At the same time, U.S. President Donald Trump said his strategy of placing steep tariffs on Chinese imports is "working far better than anyone ever anticipated", citing losses in China's stock market. He predicted the US market could "go up dramatically" once trade deals were renegotiated.
- The escalation in tension may bring the U.S. and China back to the negotiation table, but that even if negotiations are resumed, a bumpy and lengthy process is likely to ensue as the two sides remain very far apart.
- The market's slight decline could also be attributed to investors cashing in on gains made last week ahead of the release of July inflation and Q2 gross domestic product (GDP) figures as well as the upcoming central bank Monetary Board policy meeting.
- The Philippine Statistics Authority is set to release inflation data for July on Tuesday, while official Q2 gross domestic product growth (GDP) data will be announced on Thursday, August 9.
- The central bank will likewise hold its policy meeting on Thursday, where economists are predicting as much as a 50-basis-point hike as the regulator seeks to temper inflation.
- More than 2.069-bil shares, valued at P5.599-bil, changed hands. Market breadth was negative, with decliners outweighing advancers, 117 to 92, with 36 issues unchanged.
- Gainers: ALI (+3.58%), MBT (+1.91%), URC (+1.85%), MPI (+1.79%), JGS (+1.75%)
- Laggards: GLO (-2.70%), AEV (-2.36%), EDC (-1.99%), AC (-1.96%), RLC (-1.96%)

## Mining

- The local mining industry will continue to survive even if the government would succeed in imposing royalty on all mining operations, the Department of Environment and Natural Resources (DENR) said.
- Environment Undersecretary Jonas Leones said the department is supportive of the plan to slap royalty on mining contractors for all metallic and non-metallic operations in the country under the proposed second package of the tax reform.
- The Chamber of Mines of the Philippines already said the proposed plan would severely hurt the sector.
- Mining royalty tax represents five percent of the market value of the gross output of the minerals produced by mining companies within a declared mineral reservation area.
- "If you look at it, we do not really have a fair share here. In other countries, they have 60-40 and some even 50-50 sharing agreement," Leones said.
- "Whatever the law will provide, we will support that. Of course, it could still be discussed with the industry, but we will be supportive of the DOF (Department of Finance)," he said.
- The DOF proposed the imposition of royalties on all operations regardless if they are operating outside of mineral reservation areas.
- At present, only 5% royalty is slapped on those operating in the nine mineral reservation areas in the Philippines.

## MARKET RECAP

06 August 2018

### Mining (continued)

- “The TRAIN Law, once passed, will amend the provision of the Mining Act where only mineral reservation areas are required to pay royalties,” Leones said.
- The industry has just started to feel the impact of the doubling of the excise tax under the first package of the tax reform program.
- Mining companies operating under a mineral production sharing agreement pay the regular corporate income tax, business tax, and the indigenous people directly affected by mining operations, among others.
- To date, there are only nine mineral reservation areas in the Philippines namely, Ilocos Norte feldspar, Zambales chromite, Biak-na-Bato, Siruma white clay, Samar bauxite, Zamboanga, Mt. Diwalwal Gold, Surigao, as well as all offshore areas within the country’s territorial limits.

### SMPH

- Property developer SM Prime Holdings Inc. (SMPH) reported on Monday a 16% growth in its overall net income in the first semester of the year, buoyed by the company’s ongoing expansion.
- SMPH said its overall net income grew to P16.62-bil in H1 of the year from P14.39-bil a year earlier.
- Consolidated revenue was up 15% at P49.77-bil from P43.25-bil, while operating income rose by 16% to P23.36-bil from P20.11-bil.
- Revenue from mall operations grew by 12% to P28.71-bil, accounting for 58% of SMPH’s consolidated revenue.
- The company’s residential business under SM Development Corp. accounted for 34% of consolidated revenue at P17.05-bil, while hotels and convention centers posted P4.11-bil.

### TEL

- PLDT Inc. is studying its next course of action after the Court of Appeals modified the Department of Labor and Employment’s order for the telco giant to regularize 7,344 workers.
- The CA ruled that only contractual workers performing installation, repairs and maintenance services of PLDT lines should be regularized.
- Workers engaged in janitorial , messengerial and clerical, information technology, call center agents, sales and even medical and dental, and other professional services should not be covered by DOLE’s regularization order Php51.8-mil.
- The CA agreed with PLDT’s contention that the DOLE order was “tainted with grave abuse of discretion” because it did not meet the “substantial evidence” standards set out by the Supreme Court in landmark jurisprudence, PLDT said.
- PLDT and its legal counsel are studying the CA’s decision to determine the company’s appropriate next steps, the telco giant added.

### ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.8% (Q1 2018)	<b>Unemployment Rate</b>	5.5% (April 2018)	<b>GIR</b>	US\$77.675-B (June 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P54.3-B) (June 2018)	<b>Exports Growth Rate</b>	(3.8%) (May 2018)	<b>BOP</b>	(US\$1.177-B) (June 2018)
<b>Inflation</b>	5.2% (2012 BY) (June 2018)	<b>Imports Growth Rate</b>	11.4% (May 2018)	<b>O/N RP</b>	4.00% (as of June 20, 2018)
<b>91-day T-Bill Rate</b>	3.219 (as of July 23, 2018)	<b>Cash Remittances</b>	US\$2.469-B (May 2018)	<b>O/N RRP</b>	3.50% (as of June 20, 2018)

2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. [www.meridiansec.com.ph](http://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 addresses 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 any 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.