

# MARKET RECAP

06 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,186.71 (-0.65%)	90,938,165.07	(11,944,970.62)	24.00 (+0.93%) = 1,280.23	53.410

## Market Recap

- Philippine share prices had a bumpy ride as the United States hiked tariffs on Chinese imports Friday and Beijing said it would be forced to counterattack in a dispute between the world's two biggest economies that President Donald Trump says he is prepared to escalate.
- The benchmark PSEi fell 46.86 points or 0.65% to close at 7,186.71. Meanwhile, the broader All Shares index lost 20.28 points or 0.46% to 4,387.34 at the closing bell.
- Washington increased tariffs at 12:01 a.m. Eastern time on \$34-bil worth of Chinese imports, a first step in what could become an accelerating series of tariffs.
- China's Commerce Ministry said it would be "forced to make a necessary counterattack." It gave no immediate details but Beijing earlier released a target list of American goods for retaliation including soybeans, electric cars and whiskey.
- The risk that further escalation derails growth is keeping some investors cautious.
- The Sino-US trade dispute has roiled financial markets including stocks, currencies and the global trade of commodities.
- But newly released minutes from the US Federal Reserve's last policy meeting on June 12-13 showed policymakers discussed whether recession lurked around the corner, and expressed concerns global trade tensions could hit an economy that by most measures looked strong.
- More than 843.705-mil shares, valued at P4.857-bil, changing hands. Market breadth was negative with decliners beating advancers, 127 to 65, while 45 issues were unchanged.
- Gainers: FGEN (+2.34%), MER (+2.29%), BPI (+1.39%), MEG (+1.15%), GLO (+1.03%)
- Laggards: MBT (-2.79%), ALI (-2.39%), AEV (-2.30%), AC (-1.86%), SECB (-1.28%)

## Investment Pledges

- Investment pledges registered under the Board of Investments grew 19% in the first five months of the year, data showed.
- This translates to P207-bil worth of pledges from January to May, up from P174-bil in the same period last year.
- BOI, however, did not give its year-on-year growth for the month of May alone.
- Pledges dropped in March and April from year-ago levels.
- Pledges from both foreign and local investors grew year-to-date, with domestic businesses accounting for around P200-bil as of May.
- BOI also said foreign investment pledges grew 29% to P7-bil from P5.38-bil previously.
- This came amid talks of a tax reform push that will rationalize the tax incentives offered by the government, a policy shift which has caused the decline in pledges for the Philippine Economic Zone Authority (Peza), which caters to export-oriented firms.
- The increase in foreign investments pointed to "opportunities" to get foreign companies to serve the domestic market, "if only the relevant incentive tools are available."
- It is in this context that the BOI is supportive of the proposed TRAIN Package 2, in order to make its incentive regime more relevant and responsive to needs of investors in priority strategic and socially relevant industries.
- The increase in local investment pledges in the first five months of the year, meanwhile, was driven by power and energy projects and transportation and storage.

## 3<sup>rd</sup> Telco

- The government intends to change the minimum technical capability required for the third telecommunications company to a 10-year experience from five years.
- Under the two draft terms of reference presented by the Department of Information and Communications Technology (DICT), a participant or one of its members should have at least five years experience in the business of providing, delivering, and operating a telecommunications service.
- According to Section 23.5.1.3 of the Implementing Rules and Regulations of Republic Act No. 9184 or the Procurement Law, a prospective bidder must have an experience of 10 years by the time government receives its bid.

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- The DICT is conducting a stakeholders consultation to scout for suggestions, concerns, and sentiments regarding two draft terms of references—one on auctioning off telecom frequencies, the other on the highest committed level of service.
- The highest committed level service formula for the selection of the third telecommunications player has been chosen by stakeholders as their preferred more of selection, the DICT said.
- Most of the 15 telecommunications companies present voted for the highest committed level of service.
- Nearly all of stakeholders present—embassies, local government units, national government agencies, consumer groups, consultants, and companies—voted for the highest committed level of service option.
- The DICT released two draft terms of references on the selection of third telco player.
- A draft joint memorandum circular by the Oversight Committee—composed of the National Security Adviser, Department of Finance, National Telecommunications Commission, and DICT—stated that participant that offers the highest amount of bid for five years shall be selected as the new telco player.
- The circular is separate from the draft terms the DICT released on June 26, which banks on the highest committed level of service formula.
- The highest committed level of service requires companies vying for the third telco slot to shell out at least P40-bil a year.

## PH Economy

- Cabinet officials trumpeted an expanding economy during the pre-SONA briefing on Friday for the third State of the Nation Address of President Rodrigo Duterte.
- Economic growth hit 6.8% in Q1 of 2018, comparatively lower than the 7% to 8% target set by the economic managers but among the highest growth rates in Asia.
- “The economy is also undergoing structural transformation as growth is now increasingly being driven by investments vis-à-vis consumption on the demand side, and by the industry sector—manufacturing in particular—relative to the services sector on the supply side,” Socioeconomic Planning Secretary Ernesto Pernia said.
- “This means that the quality of economic growth is improving, which implies that it is sustainable and able to generate quality jobs,” he said.
- Pernia cited the “Build, Build, Build” infrastructure program, an ambitious P8.2-tril endeavor to shore up the country’s lagging infrastructure.
- The government aims to complete 32 of the 75 flagship projects by 2022 when the term of President Duterte ends, “while making sure that 4,909 other projects in the provinces and towns throughout the country will have broken ground by then.”
- The government has committed to spend between P8 to 9-tril on infrastructure development from 2017 to 2022.
- Pernia said the country is on course to join the ranks of upper middle-income countries by end-2019 as the gross national income or GNI per capita grew annually by 4.8% in 2017, well above the target of 4.5%.

### ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.8% (Q1 2018)	<b>Unemployment Rate</b>	5.5% (April 2018)	<b>GIR</b>	US\$78.968-B (May 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P32.9-B) (May 2018)	<b>Exports Growth Rate</b>	(8.5%) (April 2018)	<b>BOP</b>	(US\$583-M) (May 2018)
<b>Inflation</b>	5.2% (2012 BY) (June 2018)	<b>Imports Growth Rate</b>	22.2% (April 2018)	<b>O/N RP</b>	4.00% (as of June 20, 2018)
<b>91-day T-Bill Rate</b>	3.484 (as of June 25, 2018)	<b>Cash Remittances</b>	US\$2.360-B (April 2018)	<b>O/N RRP</b>	3.50% (as of June 20, 2018)

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