

MARKET RECAP

06 September 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,638.71 (-1.47%)	125,396,163.42	(18,993,039.24)	26.46 (+0.30%) = 1,416.40	53.547

Market Recap

- Share prices on the Philippine Stock Exchange continued to plunge, dragged by a continuing sell-off that was triggered by the nine-year high inflation in August.
- The benchmark PSEI sank 113.56 points or 1.47% to 7,638.71 at the closing bell. The index went as low as 200.03 points or 2.58%. Meanwhile, the broader All Shares fell 70.36 points or 1.49% to 4,661.66.
- There's selling pressure from the inflation numbers and traders don't expect any positive news to come out to reverse this.
- Inflation clocked in at 6.4% in August this year, the fastest in over nine years since it came in at 6.6% in March 2009.
- The PSEI may continue trekking downward the rest of the week in the absence of positive catalysts.
- More than 1.171-bil shares valued at P6.714-bil, changed hands. Market breadth was negative, with decliners beating advancers, 161 to 37, and 41 issues were unchanged.
- Gainers: MER (+2.16%), URC (+0.14%)
- Laggards: AGI (-6.39%), DMC (-5.59%), MPI (-5.25%), RLC (-3.90%), FGEN (-3.71%)

Tempering Inflation

- After being savaged for not doing anything last month, President Rodrigo Duterte's self-styled brilliant economic team have found a solution to raging inflation: import, import, import!
- The Department of Finance (DOF), the Department of Budget and Management (DBM), the National Economic Development and Authority (NEDA), the Department of Trade and Industry (DTI), the Department of Agriculture (DA), the Department of Justice (DOJ), the Bangko Sentral ng Pilipinas (BSP), the Bureau of the Treasury (BTr), and some members of the National Food Authority (NFA) Council met on September 5 to discuss the acceleration of inflation rate to 6.4 percent in August, its highest in nine years.
- While economic managers had expected inflation to peak in Q3 this year and taper off in the last quarter, they admitted that they too were surprised by the steep rise in the price surge.
- Citing fish, rice, vegetables, and meat as the main culprit for high inflation, Duterte's economic managers have agreed to flood the market with imports to bring prices down.
 - 1) DA will issue more licenses for fish imports to flood the wet markets
 - 2) NFA Council will allow the importation of 10 million sacks of rice over the next six months to address what they believe was a shortage.
 - 3) Urge the President to make rice importations easier and for Congress to pass the rice tariffication bill to end quotas
 - 4) Government will move to reduce the gap between the farm gate and retail prices by setting up public markets where producers can sell directly to the end customer. DA will provide cold storage for this purpose.
 - 5) The Sugar Regulatory Administration (SRA) will open importation of sugar to direct users to moderate cost to consumers.
 - 6) The Bureau of Customs will prioritize the release of essential food items in the ports.

GLO

- Innove Communications Inc. has secured contracts from the Department of Information and Communications Technology to provide internet connectivity to local government units nationwide.
- Under the agreement, Innove is committed to deliver a total of 704 circuits to some underserved municipalities across the Philippines while the DICT is tasked to ensure that the Ayala-led telco can deploy these circuits by securing building permission from the respective LGUs.
- Globe said the company can complete its project deliverables to DICT by the end of the month depending on the resolution of some circuit deployment issues.
- As of Aug. 31, Innove was able to deliver 492 of the 704 committed circuits, which will route data from one node to another. These circuits will serve as a backbone and distribution hubs for internet connectivity for municipalities across the country.

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Network Wars: ABS / GMA7

- The country's two broadcasting giants continue to battle ratings leadership in August.
- The Lopez family's ABS-CBN Corp. said it sustained its dominance in TV ratings, cornering an average audience share of 44% versus GMA Network Inc.'s 32%, according to data from Kantar Media.
- ABS-CBN said it remained as the most watched network in Metro Manila households, logging an average audience share of 41% against GMA's 28%.
- The Lopez-led network continued to win in all time blocks, including the morning block where it gained 41% versus GMA's 32%.
- GMA, meanwhile, said it kept its nationwide ratings advantage over ABS-CBN based on data from Nielsen TV Audience Measurement.
- It registered an average total day people audience share of 42.6% in the National Urban Television Audience Measurement (NUTAM), beating ABS-CBN's 36.2%.
- In the morning block, GMA claimed an audience share of 38.9%.
- GMA said its biggest lead was in the afternoon block after scoring an audience share of 44.3%.

MER

- Customers of the Manila Electric Co. (Meralco) will be greeted by slightly lower electricity rates this September as a result of a decline in generation charges.
- Meralco said it is lowering electricity prices by P0.1458 per kilowatt-hour (kWh) to P10.0732 per kWh from P10.2190 in August 2018.
- Lower charges at the Wholesale Electricity Spot Market (WESM), resulted in lowering the generation charge by P.0772 per kWh from P5.3491 per kwh in August to P5.2719 per kWh.
- WESM charges, on the other hand, decreased by P2.0768 per kWh because of less power plant outages and lower average power demand in Luzon.
- This would translate to a reduction of P29 in the total bill of a typical household consuming 200kWh a month.
- The substantial decrease in WESM charges was enough to offset a 61-centavo per kWh increase in Power Supply Agreements and a 32-centavo per kWh increase in charges from Independent Power Producers. Both items increased because of a weaker peso and higher fuel prices.
- Transmission charge of residential customers dropped P.0292 per kWh while taxes and other charges declined by P.0394 per kWh.
- However, Meralco Utility Economics warned customers that rates in October may go up because of lower plant capacity.
- The Sual and Pagbilao power plants, which supply 1,000 megawatts of power, are undergoing maintenance since September 1.

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	3.225 (as of September 3, 2018)	Cash Remittances	US\$2.357-B (June 2018)	O/N RRP	4.00% (as of August 9, 2018)

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