

MARKET RECAP

07 September 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,598.64 (-0.53%)	117,149,508.87	(26,470,700.74)	25.69 (-2.91%) = 1,375.62	53.684

Market Recap

- Philippine share prices remained weak, dragged by sentiments of faster-than-expected inflation and continued pull out of foreign funds.
- The benchmark PSEI retreated 40.07 points or 0.53% to 7,598.64 at the closing bell. The broader All Shares shed 5.24 points or 0.11% to 4,656.42.
- Pressures coming from the above-expected inflation rate in August kept the market in a volatile state.
- Inflation clocked in at 6.4% last month, 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 the Department of Finance's 5.88%.
- Two straight days of net foreign selling also added to the downward pressure in the market.
- The slump in share prices was also attributed to trade jitters, as investors feared a new round of Sino-US tariffs could come at any moment.
- Nerves were already frayed as the public comment period for proposed tariffs on an additional \$200-bil worth of Chinese imports ends at 0400 GMT, and the tariffs could go into effect shortly afterward.
- China has warned of retaliation if Washington implements any new measures.
- It seems unlikely the tariffs are not implemented as the US administration believes that they are winning the trade war and will be in a stronger position to negotiate if they put more pressure on China.
- More than 646.754-mil shares valued at P6.289-bil, changed hands. Market breadth was positive, with advancers beating decliners, 103 to 89, and 46 issues were unchanged.
- Gainers: MPI (+4.36%), DMC (+3.62%), JGS (+2.40%), URC (+1.90%), FGEN (+1.87%)
- Laggards: AC (-2.86%), SM (-2.19%), ALI (-2.09%), SECB (-1.79%), SMPH (-1.74%)

Inflation Outlook

- The Philippine business sector expects inflation to accelerate further until the end of the year, the central bank reported Thursday.
- According to the results of the Business Expectancy Survey (BES) of the Central Bank, the business sector expects inflation at 4.7% in Q3, and 4.8% in Q4 of the year.
- Inflation was recorded at 3.8% in Q1, and 4.8% in Q2 this year.
- Results will show business anticipated inflation to increase, peso to depreciate, and interest rates to go up.
- The results were part of the BES conducted by the Central Bank from July 2 to August 29, 2018, including some 1,466 firms.
- The central bank noted, however, that during the time the survey was made, respondents were still unaware of the measures the government plans to implement to address inflation.
- The government's economic cluster on Wednesday met and agreed to introduce "immediate" reforms to address food inflation, which drove the CPI or Consumer Price Index to nine-year highs in August.
- Inflation was pegged at 6.4% in August this year, the fastest since it came in at 6.6% in March 2009.
- The central bank will continue to monitor all the information available, noting that the Monetary Board will consider the latest figures in its next policy meeting.
- The Central Bank is taking into consideration the need for a fourth policy rate hike this year, following the latest inflation figures.

JFC

- Globalizing fast-food giant Jollibee Foods Corp. (JFC) has entered the Mexican restaurant space in the US by investing in the Tortas Frontera business founded by Chef Rick Bayless.
- This partnership will be formalized through an investment by JFC of \$12.4-mil in Tortas Frontera LLC, in consideration for a 47% stake. The remaining 53% stake will be held by Chef Rick Bayless and other shareholders.
- Tortas Frontera restaurants feature hand-crafted tortas, fresh-made guacamoles, and hand-shaken margaritas. Headquartered in Chicago, Illinois, Tortas Frontera currently has four restaurants in the U.S. – three in Chicago O'Hare International Airport and one at The Arc in the University of Pennsylvania.

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JFC (continued)

- Founder Chef Bayless is mostly known his award-winning Chicago restaurants, long-running public television series and for winning the title of Bravo's Top Chef Masters with his authentic Mexican cuisine. He has received numerous James Beard Awards, the most prestigious recognition in culinary art in the United States, including National Chef of the Year, Outstanding Restaurant of the Year (twice) and Humanitarian of the Year.
- Mexican food is a rapidly-growing and very popular segment in the US restaurant industry with estimated sales of \$40-45-bil in 2017.
- The transaction is subject to the fulfillment of agreed closing conditions.

Cal-COMP IPO

- The Securities and Exchange Commission (SEC) has approved a plan by consumer electronics manufacturer Cal-Comp Technology (Philippines) Inc., a unit of Taiwan-based New Kinpo Group (NKG), to embark on a P6.77-bil initial public offering.
- Cal-Comp's registration statement for the IPO had been cleared by the SEC en banc in a meeting late Thursday.
- The NKG unit plans to sell up to 397.97-mil new common shares at a maximum price of P17 per share, bringing about 26.77% of the company's shares to public hands.
- The base offer consists of 378.07-mil common shares but the company seeks an option to upsize the issuance by up to 19.9-mil.
- Proceeds from the IPO will be mainly used for facilities expansion, acquisition of new equipment and increased investment in research and development.

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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