

MARKET RECAP

11 September 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,518.01 (-1.03%)	100,332,330.26	(10,714,717.72)	25.87 (+0.94%) = 1,392.61	53.854

Market Recap

- Investors on the Philippine Stock Exchange trooped to the sidelines to wait for President Rodrigo Duterte's announcement in the afternoon, keeping share prices in a downtrend.
- The benchmark PSEI slid 78.14 points or 1.03% to 7,518.01 at the closing bell. The index fell as much as 103.75 points or 1.37% to 7,492.40 in the morning session. Meanwhile, the broader All Shares lost 43.43 points or 0.94% to 4,597.28.
- Market participants were cautious as many awaited the topics to be discussed in President Duterte's speech. The President addressed the nation at 3 p.m. today.
- Among probable issues are the supposed destabilization plot against his government, Sen. Trillanes and the issue of amnesty, inflation, soaring prices among others.
- The trade deficit, which expanded by more than 170% in July, also affected market sentiment.
- The Philippine trade deficit swelled by 171.7% to \$3.55-bil in July 2018 from a gap \$1.31-bil a year earlier, according to the statistics office.
- Shares also struggled to snap its losing streak as investors decided no news was good news on tariffs.
- Having warned last week that he was ready to levy additional taxes on practically all Chinese imports, US President Donald Trump was uncharacteristically quiet on trade on Monday.
- Although the end of the \$200-bil consultation period ended without much clarity, there was no very strong escalation and APAC equities had declined significantly into the event.
- China has cautioned it will respond if the United States takes any new steps on trade.
- Canadian Foreign Minister Chrystia Freeland will meet the US Trade Representative in Washington on Tuesday for another round of talks to renew the NAFTA trade pact.
- More than 1.120-bil shares valued at P5.403-bil, changed hands. Market breadth was negative, with decliners beating advancers, 150 to 58, and 42 issues were unchanged.
- Gainers: SECB (+1.53%), AP (+0.97%), GLO (+0.76%), MER (+0.26%), EDC (+0.14%)
- Laggards: JGS (-4.80%), DMC (-3.79%), MPI (-3.74%), AEV (-2.86%), URC (-2.61%)

Trade Balance

- The country's trade deficit continues to grow in July as imports continued its accelerated growth pace while export growth was flat.
- Exports grew by 0.3% to \$5.85-bil in July, slower than the 2.8% growth in June and 21.9% in July 2017.
- The country's balance of trade in goods expanded to a \$3.55-bil deficit in July from \$1.31-bil a year ago as imports accelerated. The country's import bill increased 31.6% to \$9.40-bil during the month, faster than the 24.2% seen in June and the 0.3% decline in July 2017.
- On a cumulative basis, merchandise exports amounted to \$38.74-bil, down 2.8% from \$38.74-bil in the same seven months last year while that of imports grew 15.7% to \$61.23-bil versus last year's \$52.923-bil. This brought the trade deficit to \$22.490-bil year to date.
- The United States is the Philippines' top export market in July with a 16.6% market share at \$972.52-mil followed by Hong Kong's 14.7% (\$859.98-mil) and Japan's 13.7% (\$799.02-mil) market shares.
- Meanwhile, China was the country's top source of imports with a 19.8% share in July (\$1.86-bil) followed by South Korea's 10% (\$936.49-mil) and Japan's 9.7% (\$911.48-mil) market shares.

Food Inflation

- An official of Philippine Exporters Confederation Inc. (Philexport) on Tuesday downplayed the 6.4% inflation rate in August, but emphasized that food inflation is a more alarming cause of higher prices in the country.
- The average inflation rate of 6.4% was caused by food inflation, and food inflation was caused by policy problem, said Philexport president Sergio Ortiz-Luis.
- Prices of rice, energy, and transport were mainly responsible for the higher-than-expected inflation in August 2018, according to the central bank.

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Food Inflation (continued)

- 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 Philippine Statistics Authority reported last week.
- The 6.4% inflation rate in August is normal for a growing economy like the Philippines, said Ortiz-Luis, who also sits as honorary chairman of the Philippine Chamber of Commerce and Industry and the Employers Confederation of the Philippines.

SMC

- San Miguel Corp. is going all in on its P750-bil Bulacan airport project as it committed to give its full backing to its subsidiary, San Miguel Holdings (SMH), which will build the unsolicited proposal.
- San Miguel said it concurred with Finance Secretary Carlos Dominguez III's suggestion that it should undertake a Joint and Several Liability Agreement for the proposed four-runway, one terminal airport over a 2,500-hectare property in Bulacan town.
- San Miguel noted that the project would be built over a period of 5-7 years to full completion. On average, spending spread is about P100-bil which is at the level of the company's cash from operating activities on a simple annualized basis. There is a substantial debt space to supplement the cash requirements of the company for its priority projects including those of the other businesses.
- San Miguel claimed that as early as May 2018, when the project was approved by the National Economic and Development Authority (NEDA) Board, it had told the Department of Transportation its plan to sign the joint undertaking as soon as the final concession agreement was approved.
- In the Senate hearing, Dominguez revealed that he suggested to the DOTr that San Miguel back up SMH which, he believed, was unlikely to bankroll the project on its own.
- He claimed that a representative of President Rodrigo Duterte commented in an April 2018 meeting that "the financial capacity of the proponent corporation should be the one evaluated and not the financial capacity of the mother company backing the proponent corporation."
- Dominguez had questioned San Miguel's capacity to infuse P200-bil in equity "which we are not sure is going to happen" considering that the Public-Private Partnership (PPP) project proponent only has P60-bil total equity in 2016.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$77.829-B (August 2018)
Fiscal Surplus / (Deficit)	(P86.4-B) (July 2018)	Exports Growth Rate	0.3% (July 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	6.4% (2012 BY) (August 2018)	Imports Growth Rate	31.6% (July 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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