

# MARKET RECAP

12 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,350.58 (+0.23%)	103,367,669.36	(4,911,008.11)	24.62 (+0.53%) = 1,316.28	53.516

## Market Recap

- Philippine share prices continued its ascent for a third session following Wall Street's decline amid U.S.-Chinese trade tensions and oil prices recovered some of the previous day's steep losses.
- The benchmark PSEi climbed 16.85 points or 0.23% to close at 7,350.58. Meanwhile, the broader All Shares index gained 7.19 points or 0.0.16% to 4,455.20 at the closing bell.
- China's government said it will take "firm and forceful measures" if the Trump administration goes ahead with its threat of tariff hikes on an additional \$200-bil of Chinese goods. President Donald Trump has threatened to raise duties on almost everything Americans buy from China. Beijing is running out of American goods for retaliatory tariffs due to its lopsided trade balance, which means it might impose other measures.
- China's strong language but lack of detail is leaving the market on edge. With no sign Washington and Beijing are resuming negotiations, it is of little surprise to find investors pondering the "firm and forceful measures" that China has pledged.
- The markets had some time to digest the latest trade war developments and are poised to begin consolidating. It has become a pattern of reacting to each new development and hoping that trade strains ease in the next few months through negotiations.
- More than 2.130-bil shares, valued at P5.531-bil, changing hands. Market breadth was negative with decliners beating advancers, 106 to 84, while 46 issues were unchanged.
- Gainers: MEG (+4.03%), GTCAP (+3.82%), AC (+2.99%), SECB (+2.37%), BPI (+2.02%)
- Laggards: MPI (-3.43%), RLC (-2.74%), SMPH (-2.02%), LTG (-0.99%), SCC (-0.94%)

## Growth Outlook

- Economic growth under the administration of President Rodrigo Duterte has been "illusory" as it has not trickled down to the masses, research group IBON Foundation claimed on Thursday.
- "Government can talk about all the nice figures, growth and fundamentals, but the issue is that the economy is not creating enough jobs, wages remain stagnant, the quality of work is actually getting worse, and inflation is accelerating," Sonny Africa, executive director of IBON Foundation, told reporters in Quezon City.
- The Philippine economy grew by 6.7% in 2017.
- "The Philippine economy actually shed jobs last year. Labor force participation rates are indicating people are dropping out—discouraged workers—and wages remain low," said Africa.
- The National Economic and Development Authority (NEDA) has attributed the drop in employment to workers, particularly the youth, going back to school.
- The government has made available more than 11,000 job opportunities related to the infrastructure program, which is expected to drive economic growth further.
- Under the "Build, Build, Build" program, the government plans to spend over P8-tril until 2022, largely funded tax revenue.
- "A short-term illusion of growth is created because they're spending, but the long-term foundations really are not being grown," Africa noted.
- To ensure long-term growth, more jobs need to be created in agriculture and manufacturing especially in the outskirts of the metropolis.
- "The infrastructure which accelerated does not necessarily translate to stronger agriculture or a stronger domestic industry," he said.
- Data from the Philippine Statistics Authority showed agriculture output grew by 1.47% in Q1 of the year, compared with 5.21% in the same period in 2017.
- "We think the government is not giving us the whole picture of the economy. The big picture should also include what is the real jobs situation," Africa said.

## CHIB

- China Banking Corp. expects a rosy outlook for its loan portfolio this year with a little help from the government's aggressive infrastructure spending.

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## CHIB (continued)

- The bank's loan book is likely to grow by 15% to 18% this year, despite rising interest rates, China Bank said.
- Corporate lending activities are about to accelerate as funding needs arise towards the end of the year.
- Infrastructure-related borrowing has been picking up and is expected to build momentum for the rest of the year.
- The fiscal deficit reached P138.7-bil in January to May—the result of a 25% growth in government spending, which in turn was a result of a 42.4% increase in infrastructure spending and other capital outlays.
- The budget deficit in January to May is 2.1% of the gross domestic product (GDP).
- The government has adopted a 75-25% borrowing mix in favor of local sources to fund the deficit.
- Under the “Build, Build, Build” program, the government plans to spend over P8.2-tril until 2022, largely funded by tax revenue.
- Meanwhile, China Bank has raised P10.25-bil from a public offering of Long Term Negotiable Certificates of Time Deposits (LTNCDs) as part of its fund raising initiative to finance expansion.
- It is the first tranche of its P20-bil LTNCD offering plan.
- The bank has increased the offer size from P5 billion after it turned out two times oversubscribed.
- This LTNCD issuance will make long-term funding available to the bank's lending activities and development plans.
- Maturing in 2024, the certificates carry an interest rate of 4.55% per year.
- China Bank said the first tranche of offering forms part of a P50-bil fund raising initiative involving a combination of LTNCD, retail bonds, and commercial papers.
- China Bank targets to issue some of the P30-bil it intends to raise in the form corporate bonds and commercial papers in H2 of 2018.
- For the succeeding tranches of the planned LTNCD fund raising, the bank is monitoring market sentiment in timing the issuance—probably in December or next year.
- For the P10.25-bil LTNCD offering, the Sy-led lender has tapped Hong Kong and Shanghai Banking Corp. as sole arranger and selling agent—with China Bank Capital Corp. and China Bank.

### 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>	(P32.9-B) (May 2018)	<b>Exports Growth Rate</b>	(3.8%) (May 2018)	<b>BOP</b>	(US\$583-M) (May 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>	3.484 (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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