

# MARKET RECAP

12 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,449.20 (-0.92%)	105,097,121.62	(16,442,031.11)	26.11 (+0.93%) = 1,406.13	53.924

## Market Recap

- Philippine share prices slumped anew, as investor confidence was chilled by the latest round of verbal threats in an intensifying US-China trade conflict.
- The benchmark PSEi slid 68.81 points or 0.92% to 7,449.20 at the closing bell. The broader All Shares lost 20.12 points or 0.44% to 4,577.16.
- The mood was dimmed by the verbal sparring between Washington and Beijing as the months-long escalation in trade tensions between the world's two biggest economies took their toll on riskier assets.
- China told the World Trade Organization (WTO) on Tuesday it wanted to impose \$7-bil a year in sanctions on the United States in retaliation for Washington's non-compliance with a ruling in a dispute over US dumping duties.
- Separately, US President Donald Trump told reporters on Tuesday that the United States was taking a tough stance with China.
- Asian equities and the broader emerging markets have continued to sag in the wake of the trade tensions.
- Still, the Philippine market continues to show resilience.
- In thinking of the prospects of the trade war, it is important to distinguish the journey from the destination. The journey will remain very noisy and unsettling. But the destination will be less so.
- The United States is expected to eventually secure trade concessions. Analysts see a 60% probability of "slightly fairer but and still free trade," a 25% possibility of a global trade war and 15% likelihood of a "Reagan Moment" that significantly improves the landscape for international trade.
- The stock market has been unable to recover since it opened this week.
- Traders said the index would have a difficult time gaining momentum just yet given the runaway inflation in August as investors are waiting to see inflation go back to more manageable levels.
- Some economists said inflation may have already peaked in August, but noted that monetary authorities still need to raise key policy rates.
- There are just not many local catalysts to encourage investors to go back to the market.
- More than 1.169-bil shares valued at P5.667-bil, changed hands. Market breadth was negative, with decliners beating advancers, 101 to 83, and 56 issues were unchanged.
- Gainers: GLO (+2.83%), AC (+2.74%), TEL (+2.59%), LTG (+1.85%), MBT (+1.45%)
- Laggards: AEV (-6.67%), URC (-6.04%), JGS (-5.49%), BDO (-3.39%), JFC (-2.54%)

## Inflation Outlook

- Deutsche Bank said inflation likely peaked in August, but the central bank is still expected to deliver more rate hikes until next year.
- Deutsche Bank said the central bank may turn more hawkish to rein in rising inflationary expectations.
- "Although the investment bank thinks headline inflation has peaked in the Philippines, it is at a rate well above the central bank's target, requiring further aggressive rate hikes.
- Inflation leapt to a fresh nine-year high of 6.4% in August from 5.7% in July, bringing the average to 4.8% in the first eight months and exceeding the central bank's 2% to 4% target due to higher oil and food prices, weak peso, and the impact of the new tax reform law.
- Deutsche Bank sees inflation averaging 4.8% this year before easing to 4.4% next year, both above the central bank's 2% to 4% target.
- The central bank's Monetary Board has so far jacked up 100 basis points this year to curb rising inflationary pressures. It lifted rates by 25 basis points for the first time in more than three years last May 10 followed by another 25 basis points in June 20, and 50 basis points – the biggest in 10 years – last Aug. 9.
- Deutsche Bank said it expects the central bank's Monetary Board to raise interest rates by another 100 basis points this year, including a 50 basis point hike this month and another 25 basis points in Q4.
- For 2019, the investment bank sees another 25 basis point rate hike in Q1.

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## Inflation Outlook (continued)

- Deutsche Bank added external deficit economies like the Philippines, India and Indonesia are likely to continue with relatively aggressive rate hikes due to their weaker currencies.
- The external deficit economies like India, Indonesia and the Philippines are likely to continue with relatively aggressive rate hikes, given the sharper depreciation of their currencies and – in the Philippines – much higher inflation, it said.
- The Indian rupee is the worst performing currency with a depreciation of 11.7% since the start of the year, followed by the Indonesian rupiah with a decline of 9.04%.

## SMPH

- SM Prime Holdings Inc., the listed integrated property developer of the Sy family's SM Investments Corp., has expanded its mall footprint in the southeastern part of Luzon.
- SMPH is set to open its newest mall, SM City Legazpi in Albay province, on Friday, Sept. 14.
- SM Prime said the new mall, with a size of almost 88,000 square meters, would be the company's biggest mall in the Bicol region.
- SM City Legazpi, which will open with 85% of space lease-awarded, has three levels of well- curated mix of shopping, dining and entertainment concepts led by The SM Store, SM Supermarket, SM Appliance Center, Ace Hardware, Our Home, Watsons, Surplus, Sports Central, Bata Shoes, Miniso, The Body Shop, Uniqlo and Banco de Oro.
- Furthermore, said the mall would feature green architecture, accentuated by a vast glass-walled SM Food Hall that overlooks the splendor of Mayon Volcano, where mall goers get to enjoy crave-worthy food choices. The mall will also have SM Cyberzone and six SM Cinemas.
- With its continued expansion, SM Prime said it remains committed to its role as a catalyst for economic growth, delivering innovative and sustainable lifestyle cities, thereby enriching the quality of life of millions of people.

## AC

- Conglomerate Ayala Corp. plans to raise P916-mil from a private placement of shares.
- Ayala said its board approved the issuance of 8.81-mil common shares to a foreign institutional investor at P916 per share..
- Ayala earlier raised P8-bil from a private placement to boost its public float and acquire properties or assets needed for the business.

### ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.0% (Q2 2018)	<b>Unemployment Rate</b>	5.4% (July 2018)	<b>GIR</b>	US\$77.829-B (August 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P86.4-B) (July 2018)	<b>Exports Growth Rate</b>	0.3% (July 2018)	<b>BOP</b>	(US\$1.177-B) (June 2018)
<b>Inflation</b>	6.4% (2012 BY) (August 2018)	<b>Imports Growth Rate</b>	31.6% (July 2018)	<b>O/N RP</b>	4.50% (as of August 9, 2018)
<b>91-day T-Bill Rate</b>	3.225 (as of September 3, 2018)	<b>Cash Remittances</b>	US\$2.357-B (June 2018)	<b>O/N RRP</b>	4.00% (as of August 9, 2018)

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