

MARKET RECAP

13 August 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,635.27 (-2.17%)	97,264,040.81	(15,624,259.65)	25.29 (-2.77%) = 1,343.08	53.136

Market Recap

- The main index was dragged lower as a combination of concerns about the domestic economy and global worries weighed on Philippine shares.
- The bellwether PSEi tumbled 169.71 points or 2.17% to 7,635.27 at the closing bell. The broader All Shares fell by 82.16 points or 1.74% to 4,632.53.
- The market remains cautious about the economic numbers that came out last week.
- Philippine equities may trek lower as investors assess last week's inflation and economic growth figures.
- Regional markets were also expected to trade lower.
- Asian stock prices sank as Turkey's financial turmoil fueled fears contagion might spread to other emerging markets.
- The market is bearing the weight of political and economic concerns.
- There have been worries about Turkish President Tayyip Erdogan's increasing control over the economy, and its deteriorating relations with the United States.
- Trump's tariffs and sanctions attack on Turkey sent global markets rattling.
- Investors are uneasy over whether Turkey's government can cope with a plunging currency, a diplomatic spat with Washington and other problems. President Erdogan has accumulated more and more control over Turkey's financial system and central bank. U.S. President Donald Trump said Friday he will authorize higher tariffs on Turkish steel and aluminum.
- Turkey's financial crisis has taken center stage, displacing trade wars as the immediate concern. Worries are building that "this may lead to contagion" across emerging markets. The crisis is not seen to be resolved without external support, but an International Monetary Fund support package will be difficult given Turkey's current political situation.
- More than 1.442-bil shares valued at P5.168-bil, changed hands. Market breadth was negative, with decliners leading advancers, 140 to 58, and 39 issues were unchanged.
- Gainers: JFC (+1.12%), LTG (+1.04%), EDC (+0.14%)
- Laggards: JGS (-6.84%), DMC (-3.72%), MER (-3.48%), SMPH (-3.38%), AC (-3.20%)

H1 Government Revenues

- The government posted a 20% increase in total revenues during the first six months of the year following the implementation of the Tax Reform for Acceleration and Inclusion (TRAIN) Law, the Department of Finance said Sunday.
- According to an advisory released by the DOF, total revenues in the first semester were recorded at P1.410-tril, up by 19.9% from the P1.176-tril the same period in 2017.
- Broken down, tax revenues grew by 17.4% to P1.254-tril. This was comprised of P964.5-bil from the Bureau of Internal Revenue (BIR), P279.4-bil from the Bureau of Customs (BOC), and P10.9-bil from other collecting agencies.
- Meanwhile, non-tax revenue rose by 45.1% to P155.7-bil from the P107.3-bil recorded the same six months last year.
- Fiscal space expanded by TRAIN 1 and tax administration enabled government to boost investments and growth in the first semester, the DOF said.
- President Rodrigo Duterte in December signed TRAIN into law in December, which effectively expanded the value-added tax (VAT) base and reduced personal income taxes (PIT) starting this year.
- Strong macroeconomic fundamentals backed by tax reforms and the "Build, Build, Build" program will continue to boost economic growth as the competitiveness of the economy rises and more jobs are created.

EDC

- Energy Development Corp. (EDC) reported on Monday a double-digit decline in its net income during the first semester of 2018, citing the impact of natural disasters on its bottom line.
- Its consolidated recurring net income fell by 21% to P4.1-bil from P5.2-bil a year earlier, the renewable energy company said in an emailed statement.
- Consolidated revenues dropped 4% to P17.1-bil from the P17.7-bil in the same comparable period.

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EDC (continued)

- EDC's H1 results, similar to what the company communicated to the market during its Q1 earnings announcement, were largely dominated by the impact of Typhoon Urduja that hit Leyte island, site of its biggest business unit, in December.
- Leyte's generation volume was down 18.5% for the first six months.
- The H1 results would likely reverse in H2 of the year as plants go back in business.
- The company also sees its operational efficiency initiatives starting to pay off.

MWIDE

- The operator of the Mactan-Cebu International Airport (MCIA) expects an influx of Chinese tourists in Q3, as airlines launch more flights to China.
- GMR-Megawide Cebu Airport Corp. (GMCAC) said four airlines started adding direct flights from MCIA to China last month.
- GMCAC said Philippine Airlines (PAL) opened a Cebu-Nanjing route on July 9 and is set to double the number of its Cebu-Beijing flights to four times a week starting Sept. 1. Its subsidiary, PAL Express, also mounted charter flights to Hangzhou on July 6.
- Budget carrier Cebu Pacific also launched twice weekly chartered flights to Beijing on July 16.
- Philippines AirAsia opened a Cebu-Shanghai route on July 7.
- China Eastern started flying from Cebu to Chengdu on July 2 and to Nanjing on July 25, both operated thrice weekly. For its Shanghai trips, the airline is replacing its A320 aircraft with the wider A330 from July 1 to Sept. 1.
- GMCA said MCIA signages translated in Mandarin, Korean, and Japanese at the airport to "ensure that all airport processes and directions are well understood by Chinese, Korean, and Japanese passengers."
- GMCAC also asked the Department of Tourism to make videos showing airport processes and Cebu destinations. As these are targeted primarily to Chinese tourists, the videos were posted not only on Facebook, but also on WeChat, China's most dominant mobile application.
- GMCAC said 5.76-mil passengers were accommodated in MCIA during the January to June period. With eight airlines currently serving 10 destinations in mainland China, it expects that the target 11.2-mil passengers would be reached by year's end.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.5% (April 2018)	GIR	US\$76.892-B (July 2018)
Fiscal Surplus / (Deficit)	(P54.3-B) (June 2018)	Exports Growth Rate	(0.1%) (June 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	5.7% (2012 BY) (July 2018)	Imports Growth Rate	24.2% (June 2018)	O/N RP	4.50% (as of August 9, 2018)
91-day T-Bill Rate	3.290 (as of August 6, 2018)	Cash Remittances	US\$2.469-B (May 2018)	O/N RRP	4.00% (as of August 9, 2018)

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