

MARKET RECAP

13 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,399.18 (+0.66%)	101,930,944.56	(705,919.83)	25.04 (+1.71%) = 1,340.04	53.524

Market Recap

- Philippine share prices were higher for a fourth consecutive day following gains on Wall Street overnight, as concerns over an escalating US trade war with China took a breather.
- The benchmark PSEi gained 48.60 points or 0.66% to close at 7,399.18. Meanwhile, the broader All Shares index added 19.69 points or 0.44% to 4,474.89 at the closing bell.
- Shares continued to climb despite an announcement from Washington that the US planned to institute 10% tariffs on an additional \$200-bil in Chinese imports.
- The US slapped import tariffs of 25% on \$34-bil worth of Chinese goods on July 6, prompting a matching response from China.
- But while China has vowed to retaliate to the new tariffs, the lack of a specific response to date has sparked a global relief rally.
- Some have suggested that Chinese officials are easing back their rhetoric with the intention of going back to the negotiation table, perhaps in light of increased concerns about economic impacts. But it is not clear whether it is truly a change in tone or if the US news was a surprise to China's economic team and a reaction is being prepared.
- On Thursday, US Treasury Secretary Steven Mnuchin said that the U.S. and China could reopen trade talks, but only if Beijing was willing "to make serious efforts to make structural changes."
- The broader market continues to remain in wait and see mode for further details on how China might retaliate on trade.
- More than 1.490-bil shares, valued at P5.455-bil, changing hands. Market breadth was positive with advancers outpacing decliners, 103 to 91, while 46 issues were unchanged.
- Gainers: JGS (+3.73%), FGEM (+3.10%), URC (+2.44%), SECB (+2.22%), RLC (+1.67%)
- Laggards: PCOR (-2.27%), MBT (-1.14%), EMP (-0.55%), AC (-0.21%), BDO (-0.08%)

Eating Out and the PH Economy

- The higher number of people eating out in restaurants is reflective of the country's "growing economy", Trade Secretary Ramon Lopez said on Friday.
- Lopez cited a Social Weather Station (SWS) survey, which shows that many Filipinos have transitioned out of poverty, implying that people have more money now than before.
- As for the country's trade and industry, Lopez noted an 8% growth in the manufacturing sector, triggering a decline in unemployment rate.
- He said the higher peso-dollar exchange rate is not only good for the export sector but also benefits the local manufacturing sector.

June FPI

- Foreign capital lodged in short-term investments flowed out of the Philippines for a second consecutive month in June—a phenomenon attributed by the central bank to rising returns overseas and investors' worries about high domestic inflation and the weakening currency.
- The central bank said \$516-mil worth of registered foreign portfolio investments left the country last month, reversing the \$73-mil in net inflows reported during the same period last year.
- The June net outflows were also more than double the amount recorded in May of \$206-mil.
- This may be attributed to the US Federal Reserve's decision to increase interest rates and investor concerns on inflation and the further weakening of the Philippine peso, the central bank said.
- Overall, however, portfolio flows in H1 of 2018 were still positive with \$306-mil in net inflows compared to net outflows of \$467.8-mil in the same period last year.
- Total inflows in June alone amounted to \$911-mil, down by 24.9% and 54.8% from levels recorded in the previous month and a year ago, respectively.
- The United States, United Kingdom, Singapore, Hong Kong and Switzerland were the top five investor countries for the month, with combined share total of 82.5%.

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June FPI (continued)

- About 92% of investments registered during the month went to Philippine Stock Exchange-listed securities (pertaining mainly to holding firms, property, banks, food, beverage and tobacco firms and utilities companies), while the balance went to peso-denominated government securities.
- Transactions for PSE-listed securities, peso bonds and other debt instruments yielded net outflows of \$346-mil, \$170-mil and less than \$1-mil, respectively.
- Outflows for the month of \$1.4-bil closely reflected last month's level as investors reacted to the continuing trade war between the United States and China coupled with sustained net foreign selling of PSE-listed securities since February of this year, the central bank said.
- Year-on-year, outflows declined by 26.6% from \$1.9-bil in June 2017. The United States continued to be the main destination of outflows, receiving 82.7% of total remittances to date.
- Registration of inward foreign investments with the central bank is optional under the liberalized rules on foreign exchange transactions. The issuance of a central bank registration document entitles the investor or his representative to buy foreign exchange from authorized agent banks or their subsidiary/affiliate foreign exchange corporations for repatriation of capital and remittance of earnings that accrue on the registered investment. Without such registration, the foreign investor can still repatriate capital and remit earnings on his investment but the foreign exchange will have to be sourced outside the banking system.

TFHI / SMC

- The proposed \$1.5-bil nickel-processing plant of the parent firm of diversified conglomerate San Miguel Corp. (SMC) is set to yield \$600-mil in free cashflow per year when completed.
- The firm is still awaiting government approval for the proposed nickel-processing plant near its Nonoc mining site in Surigao.
- The proposed facility will use high-pressure acid leaching (HPAL) technology with a targeted annual output of 200,000 tons. It was supposed to be completed last year.
- Last year, the company said it was in talks with several firms as possible equipment suppliers for the nickel project in Surigao del Norte under its mining unit Clariden Holdings Inc.
- For the Nonoc nickel project, Clariden holds mining rights over 23,877 hectares in the island of Nonoc, Hanigad and Awasan Surigao City.
- SMC also plans to build a 600-megawatt (MW) power plant that could cost around \$900-mil to provide power to its upcoming nickel processing plant in Surigao del Norte.
- The nickel plant would need to have a ready power supply of as much as 450 MW.
- Apart from serving the nickel plant's requirements, SMC will also allot supply for the needs of the province.

ECONOMIC INDICATORS

GDP Growth Rate	6.8% (Q1 2018)	Unemployment Rate	5.5% (April 2018)	GIR	US\$77.675-B (June 2018)
Fiscal Surplus / (Deficit)	(P32.9-B) (May 2018)	Exports Growth Rate	(3.8%) (May 2018)	BOP	(US\$583-M) (May 2018)
Inflation	5.2% (2012 BY) (June 2018)	Imports Growth Rate	11.4% (May 2018)	O/N RP	4.00% (as of June 20, 2018)
91-day T-Bill Rate	3.484 (as of June 25, 2018)	Cash Remittances	US\$2.360-B (April 2018)	O/N RRP	3.50% (as of June 20, 2018)

 2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. www.meridiansec.com.ph Tel: +632 635 6261 to 64

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