

MARKET RECAP

13 September 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,517.37 (+0.92%)	112,329,136.08	(7,369,625.31)	26.41 (+1.15%) = 1,424.13	54.009

Market Recap

- Philippine share prices won a reprieve as news the Trump administration has reached out to China for a new round of trade talks raised hopes a deal could be struck in the bitter tariff dispute between the world's two biggest economies.
- The benchmark PSEI gained 68.17 points or 0.92% to 7,517.37 at the closing bell. The broader All Shares climbed 25.15 points or 0.55% to 4,602.31.
- Senior US officials led by Treasury Secretary Steven Mnuchin recently sent an invitation to their Chinese counterparts, including Vice Premier Liu He, to hold another bilateral trade meeting.
- The news comes as more than 85 US industry groups launched a coalition on Wednesday to take public its fight against President Donald Trump's trade tariffs.
- Trump's tariffs have escalated far beyond what business groups once imagined as the administration prepares to activate duties on \$200-bil worth of Chinese goods, hitting a broad array of internet technology products and consumer goods from handbags to bicycles to furniture.
- Public support for Trump has fallen in recent weeks, with Democrats seen likely to capture the House of Representatives. He probably needs some sort of achievements on trade ahead of the mid-term elections.
- So there could be a shift in his trade policy. He will surely keep his hard line rhetoric but his administration may seek to make some deals behind the scenes.
- Any serious signs of easing in trade tensions should benefit shares in China and other Asian courtiers the most given they have borne the brunt of US protectionist moves. The trade tensions have hammered global riskier assets over the past few months as policy makers and investors worried about the hit to the world economy.
- More than 738.471-mil shares valued at P6.066-bil, changed hands. Market breadth was negative, with decliners beating advancers, 123 to 72, and 45 issues were unchanged.
- Gainers: JGS (+4.94%), ICT (+3.83%), JFC (+2.97%), AEV (+2.94%), SMPH (+2.74%)
- Laggards: MEG (-2.77%), AC (-2.17%), LTG (-2.17%), MBT (-2.00%), SMC (-1.49%)

Inflation Outlook

- Spiraling inflation is unlikely to become a big headache for most of the region's central banks—except in the Philippines, where policymakers continue to wrestle with rising commodity prices that have been hitting the poor the most.
- Philippine inflation jumped to 6.4% in August, the highest level in almost a decade, as oil and rice prices picked up. Higher excise taxes slapped on other goods have also fueled inflation.
- The central bank is now considering holding an extraordinary policy meeting to fight price spikes and strengthen the weakening peso.
- According to London-based Capital Economics, most central banks are unlikely to follow the Philippines, which is seen to tighten monetary policy aggressively over the rest of the year to rein in inflation that is now higher than most emerging economies in Asia.
- It added that the central bank might be building the case for another 50 basis-point rate hike that could possibly come even before the Monetary Board's policy meeting on September 27.
- Although Indonesia has little to worry about on the inflation front, Capital Economics, meanwhile, expects Bank Indonesia to raise interest rates at least twice more before the end of the year, with the rupiah coming under renewed pressure.
- Looking ahead, Capital Economics expects price pressures in most countries to start easing soon. For one thing, the pressure from higher oil prices should fade.
- If inflation starts to drop back over the coming quarters, as Capital Economics expects, this will ease the concerns of policymakers and is a key reason why the think tank doesn't expect many more countries to hike interest rates in the quarters ahead.
- The central bank has raised its policy rates by a cumulative 100 basis points from May to August to discourage bank lending and cool down consumer demand that could have pushed up inflation.
- Philippine policymakers have been concerned over inflation this year after it slowed economic growth to a three-year low of 6% in Q2.

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Inflation Outlook (continued)

- Socioeconomic Planning Secretary Ernesto Pernia recently said Malacañang will release an executive order directing the implementation of a number of measures to stem inflation.

NAIA Consortium

- A consortium of seven of the biggest conglomerates in the country has received the original proponent status (OPS) for its proposal to rehabilitate the Ninoy Aquino International Airport (NAIA).
- The NAIA Consortium said it received the OPS from the Department of Transportation (DOTr) and the Manila International Airport Authority.
- Aside from JG Summit, the NAIA Consortium counts as members Aboitiz InfraCapital Inc., AC Infrastructure Holdings Corp., Alliance Global Group Inc., Asia's Emerging Dragon Corp., Filinvest Development Corp., and Metro Pacific Investments Corp.
- The group submitted an unsolicited proposal on Feb. 12, 2018, with the project cost initially pegged at P350-bil. It has since modified its submission and reduced the cost to P105-bil with a 15-year concession period.
- Phase one of the project entails improving and expanding the terminals to increase the airport's capacity to 65-mil passengers. The project is expected to be completed in 48 months.
- The second phase involves the development of additional runway, taxiways, passenger terminals, and associated support infrastructure.
- The next step now is a Swiss Challenge, with other prospective bidders making competing offers and the original proponent having the right to match the offers.
- The Consortium earlier tapped Changi Airport International, the operator of Singapore's Changi airport—dubbed as one of the best airports in the world—to provide technical support for the project.

MER

- Manila Electric Company (Meralco) came running to submit a position paper to the House of Representatives to caution solons against approving the franchise of the Solar Para sa Bayan Corporation (SPSBC), a solar energy firm owned by Senator Loren Legarda's son Leandro Leviste.
- The top power distributor submitted an 18-page letter and position paper to the House Committee on Legislative Franchises on the swift passage of the proposed SBSBC franchise.
- Meralco also cautioned about the wording of the measure, as it "appears to permit SPSBC to engage in all the parts" of the power industry chain — beyond the scope of Meralco's own capacity.
- "There is no legal necessity to grant the proposed franchise to SPSBC since there is an existing regulatory framework that allows any entity to participate in the provision of electricity in unserved or unenergized areas," Meralco said, noting that the blanket coverage of the franchise is "unreasonable and discriminatory."

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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