

MARKET RECAP

14 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,413.15 (-1.39%)	111,108,052.55	(15,098,051.02)	26.31 (-0.38%) = 1,420.98	54.004

Market Recap

- Philippine share prices slumped anew, bucking the trend among its regional peers, despite moves by the United States and China to resolve a bitter trade dispute and a sharp interest rate hike in crisis-hit Turkey supporting global risk appetite.
- The benchmark PSEi dropped 104.22 points or 1.39% to 7,413.15 at the closing bell. The broader All Shares slumped 47.01 points or 1.02% to 4,555.30.
- Despite shared around the world being buoyed by news of a possible new round of talks between Washington and Beijing, the trade war between the world's two largest economies looks set to escalate and continues to dampen sentiment locally.
- Chinese officials welcomed an invitation from Treasury Secretary Steven Mnuchin for new talks. But U.S. President Donald Trump tempered market expectations, tweeting on Thursday that the US is "under no pressure to make a deal with China."
- The Trump administration is readying a final list of \$200-bil in Chinese imports on which it plans to levy tariffs in the coming days, a move that many fear would mark a severe escalation in the trade war and put a significant dent in global growth.
- The news failed to provide support to local equities, which also wasn't improved on later in the day despite data showing US consumer price inflation slid in August, easing pressure on the Federal Reserve to tighten borrowing costs.
- The central bank is still expected to lift rates anew on its next policy meeting to temper spiraling inflation.
- More than 715.862-mil shares valued at P6.000-bil, changed hands. Market breadth was negative, with decliners beating advancers, 115 to 67, and 46 issues were unchanged.
- Gainers: MEG (+4.04%), FGEN (+1.46%), MPI (+0.96%), ICT (+0.75%), DMC (+0.65%)
- Laggards: GTCAP (-4.12%), SECB (-4.01%), JGS (-3.97%), MER (-3.66%), SMPH (-2.93%)

PH Foreign Debt

- Outstanding foreign debt of the Philippines declined in the first six months of the year as a stronger dollar revalued the cost of third currency liabilities in favor of the country, the central bank said Friday.
- Central bank data showed that outstanding external debt stood at \$72.2-bil as of end-June, down 1.4% or \$997-mil from \$73.2-bil as of end-March.
- The reduction in the debt stock during Q2 was mainly driven by negative foreign exchange revaluation adjustments as the US dollar strengthened against third currencies, particularly the Japanese yen.
- The decline in non-resident investments in Philippine debt papers and net principal repayment further contributed to the decline in the external debt stock.
- Year-on-year, the country's foreign debt stock was down 0.4% or \$294-mil from \$72.5-bil as of end-June 2017.
- The country's level of external debt has continued to decline in recent years from \$77.7-bil as of end-2014 to \$72.2-bil as of end-June 2018, which may be attributed to prudent debt management and Philippine corporate borrowers' deleveraging from foreign borrowings in order to minimize foreign exchange risk.
- External debt consists all types of borrowings by Philippine residents from non-residents, following the residency criterion for international statistics.
- Foreign debt incurred by the public sector, which accounted for 52.6% of total external debt, declined to \$38.0-bil as of end-June 2018 from \$39.2-bil as of end-March 2018 due mainly to negative foreign exchange revaluation adjustments.
- Private sector debt increased to \$34.2-bil from \$34-bil, a result of adjustments in previous periods due to late reporting.
- In terms of fund resources, multilateral and bilateral creditors - had the largest share of 33.1% of the Philippines' total outstanding debt, followed by foreign holders of bonds and notes at 30.7%, and obligations to foreign banks and other financial institutions at 29.3%. The rest 7.0% was owed to other creditor types, mainly suppliers or exporters.
- The creditor mix continues to be well diversified, demonstrating the country's ability to tap varied sources of financing both official and commercial sources, which gives the country sufficient flexibility to choose from a broad range of fund sources.
- In terms of currency mix, the country's debt stock remained largely in US dollar at 61.5% and Japanese yen at 12.9%.

IPO Rules

- Small investors can look forward to greater participation in companies' initial public offerings (IPO) after the corporate regulator approved changes to listing rules in this regard.

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IPO Rules (continued)

- The Philippine Stock Exchange (PSE) said the Securities and Exchange Commission has approved amendments to the Consolidated Listing and Disclosure Rules that, among others, increase local small investors' (LSIs) maximum IPO subscription to P100,000 from P25,000 previously.
- The PSE defines an LSI as one who is "willing to subscribe to a minimum board lot and whose subscription does not exceed P100,000."
- At least 10% of the entire IPO should be allotted to LSIs and issuers should prioritize subscriptions within this allocation of those investing less than P100,000.
- For IPOs exceeding P5-bil, the PSE may opt to increase LSIs' subscription cap "on a case to case basis to help facilitate greater participation and subscription to the LSI allocation."
- The new rules also require issuers to employ share "clawback" or "clawforward" mechanisms in the event of over- or under-subscription in LSIs' 10% allocation.
- Alongside the increase of allowed subscription for LSIs, the PSE is requiring issuers to provide an appropriate distribution mechanism for greater participation of small investors nationwide.
- The PSE first raised the matter of increasing subscriptions for LSIs back in 2016 in the face of IPOs' increasing offer size as well as the public's rising investment interest and capacity.
- Analysts said the amended rules could attract more investors into the market, even though current volatility could weigh on sentiment.

SMC

- Diversified conglomerate San Miguel Corp. (SMC) said it is hopeful of securing government approval soon for its plan to build a P3-bil bridge connecting Caticlan to Boracay Island.
- The unsolicited proposal has already been submitted to the Department of Public Works and Highways (DPWH) more than a month ago.
- With the bridge, the government would not have to rehabilitate Boracay regularly as there would be a pipe that can handle the sewage and waste from the tourist island.
- The popular tourist island has been closed since April for rehabilitation, but is set to re-open next month.
- SMC's proposed bridge will connect the two islands which have an actual gap of 1.1 kilometers.
- The project could be completed within two years after securing approval from the government.
- The proposed bridge handles the sewage pipe and all the sewage from Boracay to Caticlan, and then from Caticlan, fresh water can be transported to Boracay.
- To regain its P3-bil investment, SMC will charge a users' fee for vehicles and pedestrians who will use the bridge, as well as the waste, sewage, fresh water, and power lines that will be passing through it.

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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