

# MARKET RECAP

15 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,540.92 (+0.18%)	95,817,657.37	(12,076,009.51)	25.64 (+1.10%) = 1,366.79	53.451

## Market Recap

- Philippine share prices rose slightly, but failing to follow Wall Street's gains, as concerns about Turkey's financial crisis ebbed with the lira's move away from an all-time low.
- The bellwether PSEI added 13.14 points or 0.18% to 7,540.92 at the closing bell. The broader All Shares gained by 16.13 points or 0.35% to 4,595.05.
- The main index rose, albeit mostly sideways, as the lira's climb eased fears of broader financial contagion for now. A string of robust earnings also buoyed share prices.
- The equity markets are waiting for the next steps. The drop by the Turkish lira may have stopped, but the country is yet to tackle the fundamental problems facing it, and this has kept market sentiment subdued.
- Keeping the markets wary, Turkish President Tayyip Erdogan said on Tuesday that Ankara would boycott electronic products from the United States, retaliating in a row with Washington that has helped drive the lira to record lows.
- Also keeping the markets subdued were remittance numbers falling to a seven-month low in June.
- Personal remittances fell by 4.9% to \$2.615-bil in June. This is the lowest since registering at \$2.526-bil in November 2017, and compares with \$2.751-bil in June 2017. Cash remittances dropped 4.5% to \$2.357-bil from \$2.467-bil.
- More than 1.973-bil shares valued at P5.121-bil, changed hands. Market breadth was positive, with advancers leading decliners, 113 to 91, and 60 issues were unchanged.
- Gainers: GLO (+3.23%), SMC (+2.96%), AEV (+1.74%), DMC (+1.74%), ALI (+1.61%)
- Laggards: GTCAP (-4.66%), SMPH (-1.79%), SCC (-1.60%), MPI (-1.05%), MEG (-1.03%)

## June Remittances

- Personal remittances fell to a seven-month low in June, data released by central bank on Wednesday showed.
- Personal remittances, or the sum of transfers sent in cash or in-kind via informal channels, fell by 4.9% to \$2.615-bil in June.
- This is the lowest since registering at \$2.526-bil in November 2017, and compares with \$2.751-bil in June 2017.
- Cash remittances, or money transfers coursed through banks, dropped 4.5% to \$2.357-bil from \$2.467-bil.
- The countries that registered the biggest declines in cash remittances in June 2018 are the United Arab Emirates, Saudi Arabia, and Kuwait.
- The Overseas Filipino Workers repatriation program of the government may have partly affected the remittance flows for the month.
- In the first six months of the year, personal remittances grew by 2.8% to \$15.787-bil and cash remittances rose by 2.7% to \$14.179-bil.
- Cash remittances coming from the United States, Saudi Arabia, Singapore, United Kingdom (UK), UAE, Japan, Qatar, Germany, Hong Kong, and Canada accounted for more than 79% of total cash remittances for the first six months of 2018.

## GTCAP

- Taipan George Ty's listed investment arm GT Capital Holdings Inc. reported a 1% drop in its first semester earnings to P7.14-bil as weaker automotive sales dragged down its bottomline.
- Automotive operations comprising the sale of assembled and imported auto vehicles and spare parts declined by percent to P85-bil owing to a 12% drop in wholesale volume to 74,777 units.
- Real estate sales went up 5% to P7.97-bil with Federal land contributing 51% of the sales, mostly from its middle-market development projects.
- AXA Philippines reported a 34.5% jump in net income to P1.3-bil, driven by higher premium spillovers from last year.
- Equity in net income of associates and jointly-controlled entities jumped 33% to P5.87-bil, largely due to higher earnings of Metropolitan Bank and Trust Corp., Metro Pacific Investments Corp., and AXA Philippines.

## EW

- The rural banking arm of Gotianun-led East West Banking Corp. continued to drag the earnings of the listed bank, declining by a double-digit rate of 11% in H1.

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## EW (continued)

- EastWest Bank booked a net income of P2.2-bil from January to June, P276.5-mil lower than the P2.5-bil recorded in the same period last year.
- The bank attributed the decline in earnings to the impact of the decision of the Department of Education (DepEd) to suspend the lending program to public school teachers under the automatic payroll deduction system (APDS) of EW Rural Bank.
- The Gotianun-led bank remains committed to DepEd teachers despite the issues that affected its rural bank subsidiary in H1.
- Until late June, the lending program to public school teachers under the APDS was suspended as the DepEd worked on the new guidelines.
- While the new guidelines are out and the credit is now available to teachers, there is still the issue on the priority of deduction among lenders.
- EW Rural Bank is primarily into salary loans to public school teachers. The issue had adversely affected the operations of the rural bank in terms of lost income opportunity and provisions with total after tax impact estimated at around P600-mil in H1.
- Excluding its rural banking business, EastWest Bank's net income increased by 12%.
- The bank's net interest income climbed by 7% to P9.6-bil in the first semester, driven by the increase in consumer loans. Excluding its rural bank business, its consumer portfolio of auto, home and personal loans increased 13%.
- The increase in consumer loans allowed EastWest Bank to minimize the margin compression that happens when interest rates rise as adjustment in loan rates lag the increase in deposit costs.
- Fees and commissions fell by 23% at P2.1-bil due to the lower contribution from its rural bank subsidiary, while trading income contracted 10% on account of increasing interest rates and tighter monetary conditions in both the international and local markets.
- On the other hand, operating expenses grew by 11% to P7.2-bil, primarily due to the increase in higher transaction taxes as the new and higher documentary stamp taxes under the new tax reform law.

### ECONOMIC INDICATORS

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