

# MARKET RECAP

16 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,517.36 (-0.31%)	100,917,620.45	(16,524,006.62)	25.44 (-0.82%) = 1,359.79	53.499

## Market Recap

- Philippine share prices retreated as Turkey's currency crisis and fears of an economic slowdown in China fanned worries about global growth.
- The bellwether PSEI declined 23.56 points or 0.31% to 7,517.36 at the closing bell. The broader All Shares fell by 9.65 points or 0.21% to 4,585.40.
- Negative news coming from Turkey and China every day is upsetting global markets.
- The escalation in global trade tensions continued to weigh on sentiment with Beijing lodging a complaint to the World Trade Organization to determine the legality of US tariff and subsidy policies.
- Turkey also raised tariffs on some US products in response to Washington's levies, Vice President Fuat Oktay wrote on Twitter.
- The United States on Wednesday ruled out removing steel tariffs that have contributed to a currency crisis in Turkey even if Ankara frees a US pastor, as Qatar pledged \$15-bil in investment to Turkey, supporting a rise in the Turkish lira.
- Equities may stage a comeback after news hit the wires of upcoming talks between the US and China, currently embroiled in a trade spat that economists warn could harm the global economy.
- China's Vice Commerce Minister Wang Shouwen, the deputy representative on international trade negotiations, will meet with a senior US treasury official, David Malpass, at the invitation of the United States, the ministry in Beijing said.
- Traders see a glimmer of hope of a detente in the ongoing trade battle that has seen the two sides hit each other with reciprocal tariffs on goods worth \$34-bil, with much more threatened.
- More than 1.057-bil shares valued at P5.398-bil, changed hands. Market breadth was negative, with decliners edging out advancers, 108 to 91, and 49 issues were unchanged.
- Gainers: MEG (+3.13%), GLO (+2.66%), AP (+2.38%), BDO (+1.79%), MPI (+1.69%)
- Laggards: AEV (-2.73%), SCC (-2.60%), DMC (-2.56%), GTCAP (-2.25%), URC (-1.78%)

## MER

- Manila Electric Co. (Meralco) is asking provisional approval from the Energy Regulatory Commission (ERC) for its P21-bil capital expenditure program for 2019, the biggest component of which is the spending for the expansion of its advanced metering infrastructure.
- In its application, the country's largest power distribution utility enumerated more a hundred capital spending projects with the metering system accounting for P2.38-bil, followed by P1.78-bil for its distribution transformers.
- The third-biggest expenditure item for next year is P1.31-bil for overhead conductors and devices, and nearly P1.1-bil for poles, towers and fixtures. The rest of the items are valued less than a P1-bil each.
- The ERC has set the hearing for Meralco's capex application on Sept. 25, finding it sufficient in substance along with the payment of the required fees.
- The corresponding capex applied for by Meralco was at P17.7-bil, P15.4-bil, P18.8-bil and P21-bil, for a total of P72.9-bil. The last one was applied by the company only in April this year.
- Meralco's capex for the coming years follows the steady growth of its customer base at a compounded annual growth rate of 4.2% from 2013 to 2017. The company ended last year with a customer count of 6.327-mil, up 4.8% from 6.038-mil in 2016.

## FNI

- Global Ferronickel Holdings Inc. (FNI) reported on Thursday a significant drop of 97.37% in its bottom line during the first semester of the year, following declines in nickel ore prices.
- FNI said its net income fell to P3.98-mil in the January to June period, down from P151.76-mil a year earlier.
- Revenue fell by 23.2% to P1.430-bil as nickel ore prices slipped to \$17.59 per wet metric ton (WMT) from the \$19.44 per WMT.
- Despite a very challenging H1 of the year, measures to boost operational efficiency and its ability to adapt to the challenging market conditions continue to enable the company to achieve positive results.

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16 August 2018

## FNI (continued)

- It is the first time in the past several years that the company is pushing for shipment of higher grade nickel ores with 1.65% nickel content to take advantage of its relatively high price with better margin.

## ISM

- Dennison Holdings Corp. of Davao-based businessman Dennis Uy is acquiring 45.13% of ISM Communications Corp. for P1.28-bil.
- ISM said its board approved the subscription by Dennison Holdings to all of the company's 883.73-mil unissued shares at P1.45 each.
- ISM said Dennison would pay 25% of the transaction price upon subscription and the balance of 75% would be settled no later than the end of the year.
- ISM said it would use proceeds from the share issuance to pursue specific investment opportunities. The company was earlier rumored to join the third telco race.
- ISM's primary asset is its 32% stake in German technology firm Acentic GmbH, which provides in-room entertainment services for hotels, serviced apartments and healthcare facilities.
- Uy recently joined the board of directors of Roberto V. Ongpin's upscale property firm Alphaland Corp. He was also appointed as vice chairman of Atok Big Wedge & Co. Inc., a listed mining firm also owned by the former trade minister.

## PAL

- PAL Holdings, Inc. said it sought Securities and Exchange Commission's (SEC) approval of a new equity restructuring plan.
- The listed operator of Philippine Airlines (PAL) said it is seeking to use its additional paid-in capital of P25.340-bil last year "to partially wipe out its deficit" in the same year, which amounts to P29.074-bil.
- In its 2017 annual report filed with the SEC, PAL Holdings said it employed the same strategy in October 2007, when it wanted to erase a deficit of P253.73-mil against paid-in capital.
- The SEC then allowed PAL to use its additional paid-in capital of P4.03-bil, "subject to the condition that the remaining additional paid-in capital will not be used to wipe out losses that may be incurred in the future without prior approval of the Philippine SEC."
- In September last year, the airline also requested from the SEC to reduce its authorized capital stock and cut on the par value of each share in the company-also a move to remove PAL's deficit.
- PAL was permitted to reduce its capital stock to P13-bil from P20-bil, which lowered the par value of each share to 13 centavos from 20 centavos.
- PAL's application for equity restructuring is intended to prepare the company for the entry of a new strategic investor.

### 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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