MARKET RECAP

16 July 2018

PSEi	Value Turnover (US$)	Net Foreign Flow (US$)	PHI:US (PLDT ADR)	US$ 1.00
7,369.44 (-0.40%)	79,997,445.51	(5,223,699.13)	25.24 (+0.80%) = 1,350.95	53.470

Market Recap

- Philippine share prices were lower, brushing off the firmer Wall Street lead as investor caution dominated ahead of the release of key Chinese economic data, which is expected to show signs of a slowdown.
- But while broader concerns about the US-China trade war continue to temper risk appetite, the absence of any escalation of rhetoric out of Beijing or Washington over the past few days is helping support sentiment, as are expectations of strong H1 earnings.
- The benchmark PSEi lost 29.74 points or 0.40% to close at 7,369.44. Meanwhile, the broader All Shares index shaved off 12.29 points or 0.27% to 4,462.60 at the closing bell.
- China's economic growth slowed as expected in Q2 as the government's efforts to tackle debt risks crimp activity and an intensifying trade war with the United States threatens to knock exports.
- The Chinese economy grew 6.7% in Q2 from a year earlier, cooling slightly from the first quarter, the National Bureau of Statistics said on Monday.
- Activity data for June also indicated slowing momentum, backing views that growth is cooling, with some analysts calling for the government to take stronger measures to support the economy.
- A government effort to rein in financial risk and an escalating trade war with the United States are expected to dent China's economic growth prospects.
- Investors also cashed in on gains after the Philippine Stock Exchange index (PSEi) rose for four consecutive days.
- With several blue chip issues having racked up 10% gains in the last two weeks, investors chose to take profits.
- More than 919.843-mil shares, valued at P4.277-bil, changing hands. Market breadth was negative with decliners outweighing advancers, 90 to 82, with 55 issues unchanged.
- Gainers: URC (+2.14%), PCOR (+1.74%), RLC (+1.33%), AC (+0.78%), MER (+0.73%)
- Laggards: MPI (-3.06%), MEG (-2.78%), EDC (-1.70%), SM (-1.64%), ALI (-1.46%)

Reserve Requirement

- The central bank remains committed to reduce the level of deposits banks are required to keep with the central bank to single-digit level despite questions about the timing of the action.
- The central bank said monetary authorities would continue to slash the reserve requirement ratio (RRR) as the goal is to bring it down to a single-digit level five years from now.
- More banking intermediation is needed to sustain the fast-growing economy and the RRR cuts are intended to promote efficient financial intermediation.
- These reductions will help curb shadow banking, given the rising challenge of alternatives posed by developments such as fintech. Foresight is essential, the central bank said.
- Close to P190-bil in additional liquidity was injected into the financial system after the central bank slashed the RRR by 200 basis points this year.
- The level was first reduced to 19% from 20% last March, releasing P90-bil followed by another 100 basis points to 18% last June, injecting another P100-bil into the system.
- The central bank said the cuts are not without compensating action as the interest rate corridor (IRC) framework is in place to absorb excess liquidity.
- As such it is intended to be policy neutral operational adjustment. In fact, the liquidity releasing impact of the two previous RRR cuts that the central bank has done so far this year, is actually less than the liquidity draining impact of open market operations and its significant foreign exchange operations to manage excessive peso volatility in the face of external uncertainties.
- This, according to the central bank, has resulted in tighter financial conditions as evidenced by rising market interest rates.
- The central bank would continue to rely on changes in the policy rate as its key signaling mechanism of the intended monetary stance.
- The central bank has been on a tightening mode, raising benchmark rates by 50 basis points through a back-to-back rate hikes in May and June to curb rising inflationary pressures.

MARKET RECAP

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Remittance Outlook

- Banking giant HSBC believes that cash transfers by Filipinos working abroad are gaining momentum as growth was likely sustained in May.
- HSBC expects remittances to rise 7.5% month-on-month and 9.2% year-on-year in May as overseas transfers begin to recover after a slow start to the year.
- HSBC's forecast is higher than the 5.5% recorded a year earlier but lower than the April's 12.7% expansion in cash remittances, to $2.347-bil, that was a rebound from March's 9.8% decline.
- Official May remittance data is scheduled to be released today by the central bank.
- Remittances growth has been robust across regions with the exception of the Middle East, where remittances have declined on a yearly basis since the beginning of the year due partly to restrictions on overseas Filipino workers' deployment to Kuwait at the start of the year.
- The primary contributors to growth in remittances was the United States with a 4.2 percentage points contribution to April's 12.7% growth, followed by Canada with 1.9 percentage points and Singapore with 1.0 percentage points.
- HSBC said it expected cash remittances to recover toward the end of the year now that the Kuwait deployment ban has been lifted and for remittances growth to remain broadly in line with its historical trend of 5% to 6%.
- In February, President Rodrigo Duterte ordered a total ban on the deployment of Filipino workers to Kuwait following the killing of domestic helper Joanna Demafelis, whose body was found in a freezer.
- The ban was fully lifted in May after the two nations forged a deal to protect Filipino migrant workers in the Gulf state.
- Cash remittances totaled $31.3-bil in 2017, 5.3% higher compared to the prior year and also topping the central bank's 4.0% forecast.

MBT

- Metropolitan Bank & Trust Co. disclosed that Alfred Ty, one of its directors and and son of the bank's founder George S.K. Ty, acquired 5-mil additional shares.
- The shares were purchased at P69.80 apiece for about P349-mil on July 9.
- The purchase is seen as a vote of confidence during a period of sell-offs.

NIKL

- Mining magnate Manuel Zamora Jr. snapped up 5.358-mil shares of Nickel Asia Corp.
- Nickel Asia said its chairman and founder bought the shares at P4.30 per share for a total of P23.04-mil on July 6.
- Following the transaction, Zamora increased his shareholdings to 11.515-mil shares.

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