

# MARKET RECAP

16 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
6,987.02 (+0.87%)	87,665,227.24	(4,129,703.74)	25.18 (-1.79%) = 1,361.76	54.130

## Market Recap

- Philippine equities bounced modestly, gaining a toe-hold after a week of heavy losses, although increasing tensions between Saudi Arabia and the West fanned geopolitical concerns and capped gains.
- The benchmark Philippine Stock Exchange Index (PSEi) gained 60.51 points or 0.87% to 6,987.02. The broader All Shares added 13.13 points or 0.31% to 4,289.71.
- The disappearance earlier this month of a Saudi journalist critical of Riyadh has provoked an international outcry against the oil-rich kingdom.
- US President Donald Trump has sent Secretary of State Mike Pompeo to Saudi Arabia over the case, potentially straining the relationship between the strategic allies.
- The focus of the markets has turned to the Middle East due to the Saudi incident. And with US stocks still struggling, other equity markets will have a difficult time bouncing convincingly.
- The United States has been the epicenter of the recent market tumult, with Wall Street shares being hit by higher Treasury yields. US shares will have to find their feet first.
- More than 425.546-mil shares, valued at P4.745-bil, changed hands. Advancers led decliners, 100 to 83, and 51 issues were unchanged.
- Gainers: MEG (+5.00%), URC (+3.93%), MER (+3.16%), AP (+2.668%), ALI (+2.55%)
- Laggards: FGEN (-3.43%), PGOLD (-2.38%), SMC (-1.63%), RRHI (-1.43%), LTG (-1.05%)

## Fuel Excise Tax Suspension

- A “congressional action” would be needed to roll back the existing excise tax on fuel products under the Tax Reform Acceleration and Inclusion (Train), Department of Finance (DOF) Assistant Secretary Tony Lambino said.
- Lambino made the statement amid persistent calls for the suspension of the excise tax on petroleum products which took effect in January this year.
- However, he noted that the economic managers have already recommended to the President the suspension of the oil excise tax for January 2019.
- As mandated by the Train law, fuel excise taxes increased by P2.5 per liter this year, and the levy is scheduled to rise by P2 and P1.5 per liter in 2019 and 2020, respectively, for a total P6 excise tax hike for three years.
- The next increase in excise on fuel, scheduled for Jan. 1, 2019, will be suspended when the average Dubai crude price for three consecutive months before the next increase reaches or exceeds \$80 per barrel, according to the tax reform law.
- It adds that the DOF “shall perform an annual review of the implementation of the excise tax on fuel and shall, based on projections provided and recommendations of the Development Budget Coordination Committee ... recommend the implementation or suspension of the excise tax on fuel...”
- It qualifies that the recommendation “shall be given on a yearly basis” and that “any suspension of the increase in excise tax shall not result in any reduction of the excise tax being imposed at the time of the suspension.”

## GDP Target Revision

- President Rodrigo Duterte’s economic managers, collectively as the inter-agency Development Budget Coordination Committee (DBCC), on Tuesday revised lower growth target for 2018, citing global uncertainties.
- Committee chair and Budget Secretary Benjamin Diokno noted that the gross domestic product (GDP) target of 7.0% to 8.0% was revised downward to 6.5% to 6.9% for 2018, while the growth targets for 2019 to 2022 remain unchanged.
- The DBCC earlier pegged the growth target from 2018 to 2022 at 7.0% to 8.0%.
- “We have to all realize that we are living in a very different world now. Six months ago, there were only rumors or war, trade war,” said Finance Secretary Carlos Dominguez III.
- “Starting in May, trade war has actually begun and escalated, adding a large measure of uncertainty into the world economic picture, therefore prices of oil have risen very steeply,” he said at the same press conference on Tuesday.
- Higher interest rates could put a drag on economic growth, Dominguez noted.

## MARKET RECAP

16 October 2018

### GDP Target Revision (continued)

- “Interest rates, which factor in risks, have increased and the US normalization of their interest rate policy has continued. Looks like it will continue into the future—rising interest rates,” Duterte’s Finance chief emphasized.

### SMPH

- SM Prime Holdings Inc. has managed to further grow its office portfolio despite not taking in online gambling firms which have reinvigorated the commercial property market.
- SMPH has seen steady growth in its office operations even as demand from traditional outsourcing companies wanes.
- Real estate consultancy firm Leechiu Properties Consultants projects office take-up would sustain its momentum, driven by demand from Philippine offshore gaming operators (POGOs). The online gaming industry is now the largest consumer of office space, especially with the renewed ties between the Philippines and China.
- But property giants SMPH and Ayala Land don’t expect the POGO boom to last forever. Ayala Land has limited its exposure to offshore gaming leases to just 10% of its office portfolio.

### ABS / GLO

- Media conglomerate ABS-CBN Broadcasting Corp. is officially set to pull the plug on its mobile service effective Dec.1.
- This will mark the end of its five-year services agreement with Globe Telecoms to deliver content and telecom services on mobile devices through the ABS-CBN mobile brand.
- “After a thorough assessment, ABS-CBN Convergence deemed its current mobile business model to be financially unsustainable. As a result, ABS-CBN Convergence and Globe have reached an agreement not to renew their mobile network sharing contract,” the network said.
- All ABS-CBNmobile prepaid, postpaid, and SkyMobi subscribers will continue to enjoy text, call, and data services until Nov. 30.
- “As the mobile network sharing winds down, ABS-CBNand Globe continue to bank on their competencies and focus on new synergies to serve their customers better, such as the promotional bundling of ABS-CBN TVplus boxes with Globe At Home prepaid WiFi and making ABS-CBN TVplus’ KBO (Kapamilya Box Office) and iWantv over-the- top services available to all Globe subscribers,” the broadcasting network said.

### ECONOMIC INDICATORS

<b>GDP Growth Rate</b>	6.0% (Q2 2018)	<b>Unemployment Rate</b>	5.4% (July 2018)	<b>GIR</b>	US\$75.161-B (September 2018)
<b>Fiscal Surplus / (Deficit)</b>	(P2.6-B) (August 2018)	<b>Exports Growth Rate</b>	3.1% (August 2018)	<b>BOP</b>	US\$1.272-B (August 2018)
<b>Inflation</b>	6.7% (2012 BY) (September 2018)	<b>Imports Growth Rate</b>	11.0% (August 2018)	<b>O/N RP</b>	5.00% (as of September 27, 2018)
<b>91-day T-Bill Rate</b>	4.404 (as of October 8, 2018)	<b>Cash Remittances</b>	US\$2.476-B (August 2018)	<b>O/N RRP</b>	4.50% (as of September 27, 2018)

2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. [www.meridiansec.com.ph](http://www.meridiansec.com.ph) Tel: +632 635 6261 to 64

**Disclaimer:** This document is based on information obtained from sources believed to be reliable, but we do not make any representations as to its accuracy, completeness and correctness. Any information is subject to change without notice and MSI is not under any obligation to update or keep current the information contained herein. Opinions, estimates, and projections expressed reflect the analyst’s personal views. Any recommendation contained in this document does not have regard to specific investment objectives, financial situation and the particular needs of any addressee and are in the form of fundamental and technical ratings. Technical ratings may differ from fundamental ratings as technical analyses involve the application of different methodologies based on price and volume related information. This document is for the information of the addressee only and is not to be taken on substitution for the exercise of judgment by the addressee. No liability whatsoever is accepted for any direct or consequential loss arising from any usage of this report. This document is not to be construed as an offer or solicitation of an offer to buy or sell securities. In the course of our regular business, we may have a position in the securities mentioned and may make purchases and/or sales of them from time to time in the open market. Any unauthorized distribution, copying or disclosure of this material is strictly forbidden.