

# MARKET RECAP

17 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,583.52 (+0.88%)	103,701,595.46	(16,852,227.94)	25.68 (+1.18%) = 1,373.85	53.443

## Market Recap

- Philippine share prices rebounded as the market rejoiced over the Wall Street's rally overnight, amid optimism about the trade talks between the US and China.
- The bellwether PSEi climbed 66.16 points or 0.88% to 7,583.52 at the closing bell. The broader All Shares rose by 21.29 points or 0.46% to 4,606.69.
- The index even had an intraday high of 7,617.49 or 1.33%.
- China and the United States agreed to hold their first trade talks since June next week and the Turkish lira extended gains from its record low earlier this week.
- News that a Chinese delegation led by Vice Minister of Commerce Wang Shouwen will meet US representatives helped boost confidence.
- But the impact could be short-lived as such lower-level talks alone are unlikely to resolve the ongoing trade dispute. White House Economic adviser Larry Kudlow warned Beijing not to underestimate President Donald Trump's resolve in pushing for changes in China's economic policies.
- Because of the currency crisis in Turkey, investors are shifting funds from emerging markets to developed markets.
- But looking at longer-term prospects, the US could be affected if the trade disputes linger. Given a US president that tends to do badly in his first mid-term election, he might do more on trade issues after the election.
- More than 1.158-bil shares valued at P5.542-bil, changed hands. Market breadth was negative, with decliners edging out advancers, 98 to 91, and 58 issues were unchanged.
- Gainers: AC (+6.73%), MER (+3.36%), ICT (+3.33%), ALI (+2.66%), TEL (+1.97%)
- Laggards: BPI (-3.56%), DMC (-2.74%), FGEN (-2.53%), PCOR (-2.51%), BDO (-2.36%)

## Inflation and Monetary Policy Outlook

- Inflation will likely get worse over the next two months, the central bank warned on Friday, but noted that relief from the unrelenting price hikes since the start of this year may finally be in sight for suffering Filipino consumers by Q4.
- Central bank economists expect the pace of consumer price increases to peak in the months of August or September ahead of the expected normalization to the 2% to 4% range by 2019.
- Based on the central bank's assessment, the August inflation number may be higher than the July number, adding that the consumer price index will likely be "close" to the previous month's number.
- The peak will probably be either in August or September before it starts coming down.
- The country's inflation rate hit 5.7% in July — the highest level in at least five years — due to high international crude oil prices, local rice supply bottlenecks, all accentuated by the Duterte administration's tax hikes this year.
- Despite this expected peak, the central bank refused to rule out further monetary policy tightening meant to contain inflationary pressures, coming off a 50-basis point rate hike last week, which was also the central bank's largest rate hike in a decade.
- Central bank planners need to understand better how the public's inflation expectations — including those caused by a weaker currency — are translating into actual price increases. At the same time, the central bank also has to weigh external concerns like the ongoing currency crisis in Turkey which is affecting sentiment toward all emerging market currencies, including the Philippine peso.
- The central bank assured though that any further rate hike, if warranted, will not impact the country's economy substantially.
- They will not necessarily compromise economic growth, the central bank said, pointing out that Q2 growth of 6% was still one of the strongest in the region, despite the disappointment expressed by local market watchers.
- Bringing the actual inflation number down is a combination of monetary policy action, which tends to cool down economic activity a bit and stabilize the exchange rate, the central bank said. One risk the central bank is managing that feeds into inflation is the exchange rate. So by raising interest rates, the peso has become a little more stable. That's important to calm down the public.

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## TRAIN

- Senator Sherwin Gatchalian hinted about suspending the second tranche of excise tax under the Tax Reform for Acceleration and Inclusion (TRAIN) law if inflation continues to spiral for the rest of the year.
- The unconditional cash transfer (UCT) and the Pantawid Pasada or the fuel subsidy program are among the mitigating measures the government placed to cushion the TRAIN's impact on the poor.
- Under the package one of TRAIN, implemented in January 2018, taxes on petroleum products, sugar-sweetened drinks, and cars were raised. These tax hikes were widely blamed for the spike in inflation. The next tranche for an increased tax on diesel and gas is scheduled in 2019.
- Gatchalian assured that the Senate would hold continuous dialogue with the country's economic managers to monitor whether the social mitigating measures are effective, as well as to track if the forecasted downward trajectory of inflation rate will be recorded in the coming months.
- The Senate committees on Economic Affairs and Ways and Means held a hearing on the inflationary effect of the TRAIN law on Thursday.
- "We will conduct this on a regular basis so that we can monitor the prices of goods and the increase in inflation rate. By the end of Q3 or early Q4, we will have a clearer picture of what to recommend," said Gatchalian.

## MPI

- NLEX Corp. Is working double time to complete the construction of the P10.5-bil North Luzon Expressway Harbor Link Segment 10 by end of the year.
- NLEX Harbor Link Segment 10 is an 8.25-kilometer elevated expressway traversing NLEX from Karuhatan, Valenzuela City, passing through Malabon City and Caloocan City. It will extend to Radial Road 10, Navotas City.
- Once opened, travel time from the Manila Port to NLEX will take about 10 minutes, making it possible for cargo trucks to improve their turnaround time for delivery of goods.

## CLC

- Bullish about its prospects, Chelsea Logistics Holdings Corp., will continue to beef up its fleet to expand to new markets and better serve the public.
- The company added one medium ranger tanker, five tugboats, six cargo freight vessels, 15 roll-on/roll-off and passenger (RoPax) vessels, and one floating dock.
- This brings its fleet to 16 tankers, 14 tugboats, 22 RoPax, 11 cargo vessels, and one floating dock.
- Unit 2GO Group operates eight RoPax vessels, five cargo vessels, and 11 fast crafts.
- Starlite Ferries and Trans-Asia Shipping Lines are seeking regulatory permits to operate additional routes.

## 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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