

MARKET RECAP

18 July 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,451.37 (+0.94%)	66,982,556.63	(8,988,148.63)	25.10 (+0.12%) = 1,343.40	53.466

Market Recap

- Philippine shares climbed higher as a sweep of positive news from Wall Street and beyond boosted confidence in the U.S. economy.
- The benchmark Philippine Stock Exchange Index (PSEi) gained 69.69 points or 0.94% to close at 7,451.37. Meanwhile, the broader All Shares index climbed 27.13 points or 0.61% to 4,492.51 at the closing bell.
- Federal Reserve Chairman Jerome Powell stuck with an upbeat assessment on the US economy while downplaying the impact of global trade risks on the outlook for rate rises.
- Delivering his twice-a-year report on monetary policy to Congress, Powell said he expects the job market to remain robust and inflation to hover around the Fed's 2% target for the next few years.
- The outlook is consistent with two further quarter point rate increases this year, likely in September and December.
- The main risk is that individuals, business, and financial markets have underestimated the desire of Trump to re-orient trade flows and that further steps to implement tariffs will lead to a reduction in confidence, a slowdown in hiring, and a correction in equity markets.
- While earnings and the highly-watched testimony to Senate by Fed chair Powell played a part, movements remained largely muted.
- More than 1.239-bil shares, valued at P4.253-bil, changing hands. Advancers outweighed decliners, 108 to 76, with 52 issues unchanged.
- Gainers: MEG (+4.01%), ALI (+2.94%), AC (+2.73%), MPI (+1.77%), AGI (+1.72%)
- Laggards: LTG (-1.69%), ICT (-0.62%), MBT (-0.36%), MER (-0.28%), EMP (-0.27%)

PH Credit Rating

- Global credit watcher Fitch Ratings on Wednesday maintained the Philippines' long-term foreign-currency issuer default rating (IDR), but flagged the risk of the overheating given the recent uptick in inflation and the rapid credit growth.
- Fitch said it maintained the Philippines' IDR at "BBB," accompanied by a stable outlook.
- The Philippines scored a rating upgrade in December, which indicates that expectations of default risk in the country are low.
- The Philippines' sovereign ratings balance a favorable growth outlook, government debt levels that are below peer medians, a net external creditor position and policies geared towards maintaining macrostability against lower income per capita and weaker governance and business environment indicators compared with its rating category peers.
- However, the agency believes the economy faces some overheating risks, evident from a recent rise in inflation, rapid credit growth and a widening trade deficit, although steps taken by the central bank to tighten monetary policy may contain these risks.
- Inflation has already breached 5% in June, the fastest in at least five years, the Philippine Statistics Authority (PSA) revealed earlier this month.
- This is also faster than the 2% to 4% target range of the government for the full-year 2018.
- Meanwhile, the Philippine trade deficit widened by 47.62% in May, as import receipts continued to grow while exports registered a decline.
- Still, Fitch said the country is expected to continue leading growth in the region.
- Fitch expects domestic demand to maintain strong growth of 6.8% in both 2019 and 2020, which would maintain the Philippines' place among the fastest-growing economies in the Asia-Pacific region.
- For its part, the government welcomed the sustained ratings from Fitch, saying: This is another recognition of the bold economic policy of the Duterte administration to fix the flawed tax system for the first time in over 20 years, and at the same time provide a steady revenue stream for its "Build, Build, Build" infrastructure development initiative as well as for social programs that would accelerate poverty reduction and grow the middle class.
- Meanwhile, the central bank will continue to promote inclusive growth under its "Continuity Plus Plus" agenda.

MARKET RECAP

18 July 2018

PH Credit Rating (continued)

- This growth is sustainable under the auspices of the “Continuity Plus Plus” agenda, where the central bank not only builds on strong frameworks, methods, and buffers already in place, but also undertakes bold and purposeful financial sector reforms to make the banking and financial system and payments and settlements system more dynamic and truly inclusive.
- The central bank in July 2017 said markets should expect a lot of continuity in terms of monetary policy and reforms.

Mining

- The result of an inter-agency review of mining operations ordered closed or suspended in 2017 is expected to be released by the end of July, Environment Secretary Roy Cimatu said Wednesday.
- "We have been reviewing the mining closure and suspension orders with the help of third party experts based on economic, social, environmental, legal, and technical criteria," Cimatu said.
- "We expect the results of the review to be available for disclosure this July," the Environment chief said.
- Cimatu earlier said that the Department of Environment and Natural Resources' (DENR) review will be harmonized with that of the MICC.
- In February last year, former Environment Secretary Gina Lopez ordered the closure and suspension of some 26 mines in the country for violation of environmental laws.
- Lopez's appointment was not confirmed by the powerful Commission on Appointments.
- Some mining firms filed motions for reconsideration before the DENR, while others directly appealed to the Office of the President.

SSI

- Soon you may no longer have to fly abroad to satisfy your craving for a Shake Shack burger.
- The famous New York burger joint is making its debut in the Philippines in spring 2019, marking its first entry into Southeast Asia.
- The Tantoco-led SSI Group said it has signed a licensing agreement with Shake Shack Inc., which is bent on further expanding its geographic footprint to spur faster growth.
- Shake Shack is best known for its 100% all-natural Angus beef burgers, milk shakes, and crinkle-cut fries.
- It has been a mission of the SSI Group to provide complete lifestyle offerings through global partnerships that cater to the eclectic tastes of Filipino consumers.

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\$2.469-B (May 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

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 addressees 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.