

MARKET RECAP

20 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,500.53 (-1.09%)	101,091,875.05	(12,541,867.08)	26.35 (+2.65%) = 1,408.22	53.414

Market Recap

- Philippine share prices dropped as investors awaited developments on proposed Sino-US trade talks, while keeping a wary eye on the Chinese yuan and Turkish lira for any new signs of strain.
- The bellwether PSEi fell 82.99 points or 1.09% to 7,500.53 at the closing bell. The broader All Shares declined by 36.56 points or 0.79% to 4,570.13.
- The local bourse bucked the uptrend among most of its Asian peers amid hopes that China and the United States will resolve their trade dispute.
- Wall Street ended last week with gains following a report that top officials from the world's top two economies will hold talks to resolve a crisis that has seen them hit each other with tariffs on billions of dollars worth of goods with more in the pipeline.
- The talks were aimed at easing the trade dispute before Donald Trump and Chinese President Xi Jinping hold a summit in November.
- The talks in Washington would take place on Aug. 21 and 22, just before \$16-bil in new US tariffs on Chinese goods take effect.
- The US Trade Representative's office said on Friday it doubled the length of tariff hearings on the next \$200-bil worth of Chinese goods to six days from the previously planned three due to overwhelming demand from companies to testify.
- The hearings will be held Aug. 20-24 and on Aug. 27.
- Sentiment toward Turkey has stabilized, but medium-term vulnerabilities remain substantial and markets continue to penalize currencies with weak fundamentals.
- More than 1.471-bil shares valued at P5.399-bil, changed hands. Market breadth was negative, with decliners edging out advancers, 115 to 85, and 40 issues were unchanged.
- Gainers: LTG (+1.14%), FGEN (+0.78%), GLO (+0.76%), BPI (+0.67%), JFC (+0.66%)
- Laggards: AC (-4.40%), JGS (-4.11%), MER (-3.53%), DMC (-3.51%), SCC (-2.83%)

PPP

- The Asian Development Bank will extend to the Philippines a \$300-mil (about P16-bil) loan aimed at boosting private sector participation in the Duterte administration's ambitious "Build, Build, Build" infrastructure program.
- The Manila-based multilateral lender said that its board of directors approved the policy-based loan under the Expanding Private Participation in Infrastructure Program (EPIP) subprogram 2, which seeks "to create the enabling policy environment that will allow public-private partnership (PPP) projects to flourish using private sector expertise and innovation."
- "The Philippines has made significant progress since the PPP program was launched in late 2010. With a huge project pipeline being rolled out under the 'Build, Build, Build' program of President Rodrigo Duterte, leveraging public resources via private sector participation remains relevant," ADB said.
- Under the massive "Build, Build, Build," the government will rollout 75 "game-changing" flagship projects while spending a total of up to P9 trillion on hard and modern infrastructure until 2022 to usher in the "golden age of infrastructure."
- "PPPs can raise the quality of life for citizens by providing reliable public services through efficient infrastructure. Reforms under the EPIP program have been successful in stimulating the PPP market and improving the quality of infrastructure projects in the Philippines," ADB said.
- The ADB has been supporting reforms that have helped ensure sustainable funding for government direct and contingent support to PPPs, improve long-term infrastructure planning, strengthen the government's capacity to manage the PPP program, and enhance the legal framework for PPP preparation, approval, and implementation.
- Reforms also helped facilitate the use of PPPs by local government units as an alternative in pursuing infrastructure development. The government-run PPP Center provided support to LGUs to develop and implement PPP projects in priority sectors such as water supply and sanitation, solid waste management, and urban transport.

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SMC

- San Miguel Corp., the country's diversified conglomerate, is pouring roughly P6-bil into two new projects including a new manufacturing facility for "ready-to-eat" products, which are part of the company's ambitious expansion projects for its food business.
- Of the P6-bil, the company is investing P3.7-bil for the expansion of its flour milling facility in Mabini, Batangas, which is expected to start commercial operations in Q1 of next year.
- The expansion of the flour milling building is already 87% complete and the company has already poured in P2.8-bil for the project as of H1.
- This is funded through internally generated cash from operations and short-term loans.
- The remaining P2-bil would be used for a new facility for "ready-to-eat" products in Laguna, among the firsts of its planned new food facilities.
- The phase one of the "ready-to-eat" plant is targeted to commence commercial operations in March 2019 while the second phase is targeted for completion in 2024.
- The plant, which is at least 20% complete, would be manufacturing "ready-to-eat" meat products.
- Of the P2-bil for the new plant, SMC has already poured in roughly P450-mil, funded from internally generated cash from operations.
- The two new projects are part of the SMC's ongoing capacity expansion touted as the largest expansion in history.
- During the company's annual stockholders' meeting in June, officials announced a P742-bil investment from 2017 to 2019 to fund the capacity expansion.
- The company is also building breweries in various areas including La Union, Laguna, Quezon, Bicol and Misamis Oriental to reduce logistics costs.
- SMC can spend as much as \$1.5-bil for up to six breweries, with the cost of each brewery at \$250-mil.

AEV / CLC

- The Aboitiz Group and Dennis Uy-led Chelsea Logistics Corp. will have to submit anew their respective offers to build and operate provincial airports in the Visayas and Mindanao.
- Transportation Undersecretary for planning Ruben Reinoso Jr. said that the Department of Transportation (DOTr) has asked Aboitiz and Chelsea "to revise their proposal and resubmit."
- Reinoso said the DOTr is hoping to receive the proposal from the two companies within the month.
- Both Aboitiz and Chelsea each submitted earlier bundled unsolicited proposals for a number of the country's regional airports, but was rejected by the DOTr due to a change in policy direction.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.5% (April 2018)	GIR	US\$76.892-B (July 2018)
Fiscal Surplus / (Deficit)	(P54.3-B) (June 2018)	Exports Growth Rate	(0.1%) (June 2018)	BOP	(US\$1.177-B) (June 2018)
Inflation	5.7% (2012 BY) (July 2018)	Imports Growth Rate	24.2% (June 2018)	O/N RP	4.50% (as of August 9, 2018)
91-day T-Bill Rate	3.290 (as of August 6, 2018)	Cash Remittances	US\$2.357-B (June 2018)	O/N RRP	4.00% (as of August 9, 2018)

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