

MARKET RECAP

21 September 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,383.00 (+3.48%)	214,424,348.47	(2,446,510.23)	25.69 (-1.04%) = 1,388.80	54.016

Market Recap

- Share prices on the Philippine Stock Exchange rallied by more than 3% as investors hunted for bargains after days of declines.
- The benchmark PSEI surged 248.27 points or 3.48% to 7,383.00 at the closing bell. The broader All Shares climbed 95.44 points or 2.16% to 4,507.40.
- Bargain hunting took share prices higher.
- Today's session, among other reasons, could be attributable to a technical bounce after successive days of being in red.
- But profit-taking could temper gains.
- Volumes though are still depressed so there could still be room for profit taking later.
- Local shares also gained after Wall Street's rise overnight as investors viewed Beijing's and Washington's fresh exchange of import tariffs as less harmful than initially feared.
- The rally came after new US and Chinese tariffs on each other's goods were set at lower rates this week than previously expected, raising hopes that hostilities between the world's two largest economies may be easing.
- Despite the trade risks, the outlook on corporate profit remained solid in many markets on the back of strong global growth, keeping equity valuations relatively attractive.
- Of course, the trade war will continue. It is yet to be seen how much damage the tariffs will cause to China's exports. But it will probably be the early next year that will be seen in hard data.
- And any progress in Sino-US trade talks may have to wait until after the U.S. mid-term elections. This will be a long term issue.
- More than 1.196-bil shares valued at P11.582-bil, changed hands. Market breadth was positive, with advancers beating decliners, 114 to 86, and 43 issues were unchanged.
- Gainers: BDO (+7.58%), AGI (+7.44%), AEV (+6.35%), MBT (+6.25%), MEG (+6.00%)
- Laggards: RLC (-3.69%), MPI (-1.60%), LTG (-1.57%), SECB (-0.30%)

3rd Telco

- The Duterte administration published on Friday the final rules for its new major telco initiative, setting the stage for a showdown between aspiring companies seeking to become the country's third mobile player in a bidding exercise that could happen as early as November this year.
- The release of the terms of reference (TOR), mainly through the efforts of the Department of Information and Communications Technology (DICT) as well as the National Telecommunications Commission (NTC), is a key step in the government's goal to name a new major telco player before the end of 2018.
- The final TOR outlined a series of modifications from the latest draft, notably on how internet speed was given a heavier weighting in the scoring system, reflecting the government's desire for faster internet services.
- Moreover, the final rules allowed more flexible terms on the performance security required of the winning bidder.
- Under the final rules, the bidder would be allowed to post the 10% security, likely to amount to billions of pesos through the five-year commitment period, either as a cashier's check, draft or irrevocable letter of credit from a local or foreign universal or commercial bank. Previously, the security would be in the form of a 10% cash bond or 30% surety bond.
- The final rules noted that the performance security would also be fixed at 10% of the remaining capital and operational expenditures through the commitment period. This means the security will drop annually as the new major player rolls out its services and complies with its investment commitments.
- With the publication on Friday, the rules would become effective on Oct. 6, 2018. By this time, bid documents could also be purchased for P1-mil each.
- The bid submission date would be set on Nov. 5 this year. This would give aspiring groups about a month to prepare their offers.
- The TOR has undergone multiple revisions since the first draft was released in February this year. Its final version received the blessing last week of a multi-agency oversight committee whose members, just months ago, were in disagreement over crucial items on the bid mechanics.

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3rd Telco (continued)

- The method that eventually prevailed was the highest committed level of service (HCLoS) model. Under this model, the winner will be the company or consortium that offers the best population coverage, highest internet speed and investment over the five-year commitment period.
- The final TOR was the result of the work of a wide array of local government agencies, the International Telecommunications Union and comments submitted by ICT advocates, non-government organizations and the third player aspirants themselves.
- These inputs also led to the tweaking of the weighting of the three criteria in the final TOR. Modified was the weighting for minimum average broadband speed, which was increased to 25% from 20% in the latest draft. The weight for national population coverage was maintained at 40% while capital and operational expenditures, previously at 40%, went down to 35%.
- Bidders would be scored to a maximum of 500 points for their bid commitments based on those three criteria over the five-year period.
- For national population coverage, the minimum requirement for the first year is 10% while the maximum is at 50%.
- To illustrate how the scoring system works, bidders will receive points for exceeding the minimum but they will not win added points beyond 50% coverage for the first year. Offers below the minimum “shall no longer be processed further.” By the fifth year, the NTC expected a minimum coverage of 50% while the maximum was set at 90%.
- The minimum average broadband speed, defined as applicable to both fixed and mobile broadband services, was set at 5 megabits per second. Bidders can receive points for every added 2 Mbps above the minimum and only up to 55 Mbps. Bids below 5 Mbps will not be considered.
- In terms of capital and operational expenditures, the minimum in the first year was set at P40-bil while the maximum was at P140-bil. Bidders earn points for every P10-bil above the minimum per year.
- By the fifth year, the NTC will award points for a cumulative committed spending of P140-bil up to a maximum of P240-bil.
- There would be no discretion involved and the winner would be based on the point system. Provisions were also made in the event of a tie. Under the rules, if the tiebreaker mechanics still result in a draw after the third attempt, a measure based on chance such as “draw lots” could be employed.
- The qualifications of an aspiring third telco were mainly intact from the previous draft.
- A company or consortium must have a congressional franchise that is not a related party to any dominant telco, must have no uncontested liabilities to the NTC as of Oct. 1, 2018, and must have a paid-in capital of at least P10-bil.
- Moreover, it must have at least 10 years experience in provisioning, delivery, and operations of a telecommunications service on a national scale. The NTC said the definition of national scale would also depend on the rules of other countries, in the case of foreign telcos.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$77.829-B (August 2018)
Fiscal Surplus / (Deficit)	(P86.4-B) (July 2018)	Exports Growth Rate	0.3% (July 2018)	BOP	US\$1.272-B (August 2018)
Inflation	6.4% (2012 BY) (August 2018)	Imports Growth Rate	31.6% (July 2018)	O/N RP	4.50% (as of August 9, 2018)
91-day T-Bill Rate	3.549 (as of September 10, 2018)	Cash Remittances	US\$2.401-B (July 2018)	O/N RRP	4.00% (as of August 9, 2018)

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