

# MARKET RECAP

22 August 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,632.36 (+1.76%)	121,448,458.54	1,163,834.36	26.63 (+0.15%) = 1,422.41	53.386

## Market Recap

- Philippine share prices traded on a strong note as investors bought positions as the trading week resumed after a holiday break.
- The bellwether PSEi climbed 131.73 points or 1.76% to 7,632.36 at the closing bell. The broader All Shares rose by 53.48 points or 1.17% to 4,623.61.
- Participants positioned in index stocks due to their cheaper valuation.
- The local bourse traded lower on Monday due to thin volumes in anticipation of the holiday on August 21.
- Financial markets were closed on Tuesday in observance of the death anniversary of former Senator Benigno “Ninoy” Aquino Jr. and the Muslim feast of sacrifice Eid’l Adha.
- Today’s run was also fuelled by hopes for upcoming trade talks between China and the United States.
- While not expecting a major deal when officials from Beijing and Washington meet, investors are hopeful they can find a way out of the months-long row that has seen tariffs imposed on billions of dollars of goods and stock markets tumble.
- Recent comments from Commerce Secretary Wilbur Ross signaling he plans to hold off on a final decision on whether to impose duties on auto imports has also provided something to cheer.
- More than 1.645-bil shares valued at P6.483-bil, changed hands. Market breadth was dead even, with both advancers and decliners on equal footing, 103 to 103, and 36 issues were unchanged.
- Gainers: DMC (+565%), URC (+4.83%), JFC (+4.76%), AGI (+4.28%), MER (+3.66%)
- Laggards: MBT (-1.56%), SMC (-0.14%), FGEN (-0.13%)

## TRAIN 2

- Finance officials are not expecting any loss of jobs under the second package of the government’s new tax reform plan.
- Cash grants, however, would be put into place as part of a contingency plan if “minimal” or “temporary” job losses will be reported.
- Likewise, Finance Undersecretary Karl Kendrick Chua allayed the fears of members of the business sector that scrapping tax perks that are considered by the Department of Finance (DOF) as “unnecessary” would result into job loss.
- The Finance undersecretary also explained that there was a need to strike a balance for small and large businesses.
- While the corporate income tax in the country was high, Chua noted the low “revenue productivity” and low revenues due to unnecessary tax incentives and exemptions to big businesses.
- In 2016, the DOF said corporate income tax revenues, with its 30% corporate income tax rate, recorded only 3.7% of the Gross Domestic Product and 12% of revenue productivity.
- However, in Vietnam, where a 20% corporate income tax rate is imposed, about 7.1% of the Gross Domestic Product was recorded for corporate income tax revenues while revenue productivity was recorded at 35.6%.
- Under TRAIN 2, the Finance official said that incentives should be performance-based, targeted, time-bound and transparent.

## Mining

- The government lost at least P2.67-bil in revenue as Mines and Geosciences Bureau (MGB) failed in collecting royalty fees on five mining companies, according to the Commission on Audit.
- According to state auditors, the amount represents the 5% royalty fee spanning from 2012 to 2016, which should have been levied on the following miners: Agata Mining Ventures Inc.; J.C.G. (Greenstone) Resources Corp.; Marcventures Mining and Development Corporation; PHILSAGA Mining Corp.; and SR Metal Inc.
- The mining companies have been operating outside mineral reservation areas (MRAs) in Region 13, the commission said in its 2017 audit report.
- The highest foregone revenues of P1-bil was from PHILSAGA, as well as P728-mil from SR Metal, P475-mil from Marcventures, P392-mil from J.C.G. Resources, and P25-mil from 2014 to 2016 from Agata Mining, COA figures showed.

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## Mining (continued)

- Under the Philippine Mining Act, the state owns all mineral resources but allows the establishment of MRAs in case there is a need to preserve raw materials critical to national development.
- An administrative order from the Department of Environment and Natural Resources likewise imposes royalty fees, aside from excise taxes, on contractors operating within MRAs.
- The five mining companies only paid for taxes based on existing Mineral Production Sharing Agreements, according to COA.
- While the mining law has no provision for those that operate outside MRAs, COA said the MGB must collect royalties from the five miners since they also operate in areas owned by the state. It said the royalty fees can help the government in preserving the environment.
- The 2017 audit report also flagged the MGB for not having a database system on the companies' Ore Transport Permits (OTP), Mineral Ores Exportation Permits (MOEP), shipment reports, and other related documents as required under the mining law.
- The commission questioned why the MGB-Mining Management Division did not have any personnel assigned to safely keep the shipment reports of the mining companies, saying that related documents at the Office of the Economist were scattered and there was no specific storage space.
- The Mines bureau said it has created a library with its own staff for the sole purpose of safekeeping records and documents of mining companies in Region 13.
- But the commission said a full-time records officer is needed to ensure proper recording of documents related to mineral exploration and production.
- COA recommended that the MGB seek the help of Environment Secretary Roy Cimatu to either urge President Rodrigo Duterte, a staunch critic of the mining industry, to declare the areas where these companies operate as MRAs or issue an authorization to impose royalty fees.
- The Mines bureau agreed to heed the recommendations of in the audit report, COA said.

## IRC

- The Makati City government and a private consortium will break ground in December for a \$3.7-bil subway project to decongest traffic in the country's business and financial district.
- Not to be confused with the national government's subway plan, the 10-kilometer urban rail system is expected to connect key public and business spots in Makati.
- The intra-city mass transit rail line of up to 10 underground stations is an unsolicited public-private partnership proposal between a consortium led by IRC Properties Inc. and the city government.
- The city government is not going to spend on the multibillion-dollar project.
- The project has been opened to a Swiss Challenge, or a comparative bidding process, until September 24.

### 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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