

# MARKET RECAP

23 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,804.03 (+2.25%)	149,323,404.38	9,630,328.81	26.61 (-0.08%) = 1,420.60	53.395

## Market Recap

- Philippine share prices continued to exhibit a strong performance as investors eager to return to the market pushed the index to rally on optimism over a new round of US-China trade talks.
- The bellwether PSEI surged 171.77 points or 2.25% to 7,804.03 at the closing bell. The broader All Shares climbed by 108.97 points or 2.36% to 4,732.58.
- Local equities bucked the regional trend as its Asian counterparts were cautious as US and Chinese trade negotiators opened talks aimed at averting further confrontations, with a new round of tariffs about to hit, the Federal Reserve warning that escalation poses a serious economic risk, and amid speculation US President Donald Trump's political position could be threatened by the legal woes of two former advisers.
- US and Chinese officials met for the first time in over two months to find a way out of their deepening trade conflict, but there was no evidence the low-level discussions would halt a new round of US tariffs due Thursday.
- Divergence in trade tensions between the United States and its various trading partners is likely to be a key driver for markets.
- Despite recent signs that trade talks are resuming, US-China trade tensions are expected to continue.
- Investors also considered whether a twin political setback to Trump would hurt the Republican Party's election prospects and widen a criminal probe that has overshadowed his presidency.
- Trump's former personal lawyer Michael Cohen pleaded guilty to a range of charges and said he acted at the direction of Trump while his ex-campaign manager Paul Manafort was found guilty of tax and bank fraud charges.
- The White House pushed back forcefully against suggestions that a plea deal struck on Tuesday by Cohen implicated the president in a crime.
- Trump was not charged and Cohen's plea deal does not mean the president has been implicated in anything, press secretary Sarah Sanders said at a White House briefing.
- More than 810.368-mil shares valued at P7.973-bil, changed hands. Market breadth was positive, with advancers edging out decliners, 130 to 69, and 50 issues were unchanged.
- Gainers: SMC (+8.62%), AGI (+5.84%), JGS (+5.77%), MPI (+5.37%), BPI (+5.16%)
- Laggards: LITG (-0.45%), EDC (-0.42%)

## FB

- Shares of San Miguel Food and Beverage Inc. soared after the company firmed up details of its planned share offering which is expected to fetch as much as P142.8-bil.
- The merged food and beverage unit said it would sell up to 1.02-bil secondary shares in both domestic and international markets at an indicative price of P140 apiece. The offering involves 887-mil secondary shares held by parent firm San Miguel Corp. and 133.05-mil shares for the over allotment option.
- JP Morgan Securities Plc, Morgan Stanley Asia (Singapore) Pte., UBS AG Singapore, Goldman Sachs (Singapore) and Deutsche Bank will serve as the international book runners for the issue.
- The lead local underwriters, on the other hand, comprise BDO Capital and Investments Corp. and BPI Capital Corp.
- The deal, which could be the biggest share offer in Philippine history, is in line with the company's commitment to comply with the minimum public float for listed firms.

## URC / RHI

- Roxas Holdings Inc., which is majority owned by the First Pacific Group of Hong Kong, is selling its sugar milling and refining operations in Nasugbu, Batangas to Universal Robina Corp. of the Gokongwei family.
- The deal is subject to necessary approvals from the Philippine Competition Commission and creditor banks.
- The sale would bring about significant improvements in the sugar industry in Batangas for the benefit of all stakeholders.
- The sale of the Nasugbu facilities would allow RHI to focus on its operations in Negros and to pare down its debt to levels sufficient for its working capital needs.

# MARKET RECAP

23 August 2018

## URC / RHI (continued)

- A strengthened balance sheet will give RHI the flexibility to pursue opportunities to grow at a much faster pace.

## TEL

- The government has asked the Court of Appeals to reverse its ruling which nullified the Department of Labor and Employment's order for PLDT Inc. to regularize its 7,344 workers.
- In its 59-page motion for reconsideration, the Office of the Solicitor General argued that DOLE did not commit any grave abuse of discretion when it issued the regularization order.
- The OSG said the CA should have considered the totality of factors surrounding PLDT's relationship with its individual contractors.
- It also claimed that DOLE did not commit grave abuse of discretion in computing monetary awards. The computation was based on a 'plethora of documentary evidence' including payroll and other employment records, the OSG said.

## AC / SM

- The Department of Public Works and Highways has cited a possible alignment problem with the unsolicited proposal submitted by AC Infrastructure Holdings Corp. and SM Investments Corp. to build the P23.7-bil C3 elevated expressway.
- DPWH Public-Private Partnership Service said there was some conflict in the alignment of the planned C3 expressway that will connect cities of Manila, Makati and Pasay, with the C3 Missing Link Project.
- The elevated toll road will run from Sta. Mesa, Manila up to the Mall of Asia complex in Pasay City.
- AC Infrastructure and SMIC offered to construct and operate the proposed 8.6 kilometer C3 for a period of 35 years.
- The C3 Missing Link project, on the other hand, involves the construction of a 5.22 km six-lane road that will connect the end of existing C3 Road in N.Domingo St. in San Juan City to Buendia Ave. in Makati.
- According to the Ayala-SM Group, C3 will provide an alternative to Edsa, which is now congested and improve access to the Manila Bay development areas, the Makati central business district and the cities of Mandaluyong, San Juan and Manila.

### 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>	(P86.4-B) (July 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)

2702-C, 27/F East Tower, Philippine Stock Exchange Centre, Ortigas Center, Pasig City, M.M., Philippines. [www.meridiansec.com.ph](http://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.