

MARKET RECAP

23 October 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,197.62 (-0.53%)	95,750,070.33	(1,913,837.69)	26.52 (+0.34%) = 1,428.85	53.733

Market Recap

- Philippine equities retreated as investors chose to take profits after the market had risen for five straight sessions, and as earnings season nerves in the US dented Wall Street, while a cocktail of negative factors from Saudi Arabia's diplomatic isolation to concerns over Italy's budget and Brexit talks depressed sentiment.
- The main PSEi declined 38.54 points or 0.53% to 7,197.62 at the closing bell. The broader All Shares fell 14.89 points or 0.034% to 4,383.84.
- The market took an expected breather as investors pocketed gains made during the market's five-day run-up. However, the index is not likely seen to drop below the 7,000 level.
- Despite inflation coupled with other negatives having already been factored in, the market still lacks catalysts to propel it higher. Add to that the constant foreign selling, the market is not seen performing any better.
- Enthusiasm over some of the upbeat results was also tempered by the growing political uncertainty around the world.
- US President Donald Trump said on Monday he was still not satisfied with what he has heard from Saudi Arabia about the killing of journalist Jamal Khashoggi at its consulate in Turkey.
- Trump has expressed reluctance to punish the Saudis economically. But while Saudi Arabia has sought to shield its powerful crown prince from the killing, many officials have cast doubt on Riyadh's narrative.
- Several countries, including Germany, Britain, France and Turkey, have pressed Saudi Arabia to provide all the facts. Turkish President Tayyip Erdogan said he will release information about the investigation in a speech on Tuesday.
- Any signs of instability in the kingdom, a major oil producer as well as a big investor in financial markets, could have wide-ranging repercussions.
- More than 650.025-mil shares, valued at P5.144-bil, changed hands. Market breadth was negative as decliners led advancers, 120 to 74, and 40 issues were unchanged.
- Gainers: GTCAP (+6.38%), MBT (+4.47%), GLO (+4.33%), PGOLD (+3.84%), RRHI (+3.14%)
- Laggards: RLC (-3.50%), SCC (-3.05%), DMC (-1.94%), ICT (-1.89%), TEL (-1.33%)

Government Revenue Program

- The inter-agency Development Budget Coordination Committee (DBCC) has trimmed the national government's 2019 revenue program to P3.159-tril due to the proposed suspension of the next increase in fuel excise taxes, the Department of Finance (DOF) said yesterday.
- In a presentation before the Senate Committee on Finance, Finance Secretary Carlos Dominguez said the DBCC in its recent meeting decided to reduce the government's revenue program next year by 1.53% from the previous target of P3.208-tril.
- Dominguez said the adjustment was caused mainly by the expected revenue foregone due to the proposed suspension of the scheduled excise tax increase on fuel next year, as well as delays in the implementation of the e-receipt program.
- The finance chief, however, assured the committee that the government may still recover P14-bil of the projected revenue loss due to increased value-added tax (VAT) collections as a result of higher oil prices.
- Hence, Dominguez said the impact of the oil excise tax suspension would likely result in an estimated net loss of P27-bil.
- He also said the DOF is working with the DBCC to ensure that the revenue loss would not negatively affect the administration's "Build, Build, Build" program.
- The government's economic team earlier recommended to defer the implementation of the next increase in fuel excise tax in January 2019, as provided under the Tax Reform for Acceleration and Inclusion (TRAIN) Law, to anchor inflationary expectations amid rising global oil prices.
- Dominguez said the recommendation is awaiting approval from President Duterte.
- Meanwhile, Dominguez is pushing for a three-month rolling average as a condition or trigger for the resumption of the fuel excise hike. This means the suspension would be lifted if Dubai crude oil prices average below \$80 per barrel during any three-month period after suspension.
- But Finance Undersecretary Karl Kendrick Chua said the conditions for the lifting of the suspension are still being deliberated by the DBCC. These will be included in the implementing rules and regulations they are drafting.

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CHP

- Cemex Holdings Philippines, Inc. (CHP) is eyeing to increase its capacity by 26% through a new cement production line worth approximately \$235-mil.
- CHP said its subsidiary, SOLID Cement Corp., has entered into “principal project agreements” with China-based CBMI Construction Co., Ltd. to establish a new cement production line.
- The new facility, which will be located in SOLID’s Antipolo, Rizal cement plant, is expected to produce 1.5-mil metric tons per year. The company is set to start operations by Q4 of 2020.
- CHP plans to source funding for the new production line through any of, or a combination of: free cash flow, debt from a subsidiary or its parent company, proceeds from capital market transactions, or debt from a financial institution.

MRP

- The controlling shareholder of Melco Resorts & Entertainment Philippines will finally launch its tender for the remaining shares held by small investors on Oct.31.
- Melco Resorts said parent firm MCO Philippines’ tender offer covers as many as 1.57-bil shares.
- MCO retained its tender offer price of P7.25 per share despite strong opposition from minority shareholders who felt that the price was too low.
- It is pushing through with the tender offer to increase its shareholding in Melco Resorts.
- While shareholders and investors of Melco Resorts are entitled to express their views on what constitutes a “fair price” under the tender offer, the other minority shareholders are equally entitled to decide for themselves to tender their shares, MCO said.
- MCO said any further unnecessary delay or disruption to the tender offer would essentially deprive Melco Resorts shareholders of their entitlements and rights.

MEG

- Listed property developer Megaworld Corp. is expecting to generate P700-mil in sales from its recently-launched 10-storey condominium in General Trias, Cavite.
- The Verdin at Maple Grove, located in its 140-hectare Maple Grove township, will be designed to complement the Cavite’s “green” central business district (CBD).
- The Maple Grove township, containing 363 ‘prime lots’ for companies businesses to locate in, was announced just last year. The project was intended to be surrounded by seven open parks.
- Megaworld said it’s new residential project will make use of solar-powered outlets in the outdoor amenity deck and energy-generating equipment in its outdoor fitness area. Recycled and indigenous materials will also be used for the pool deck and children’s playground.

ECONOMIC INDICATORS

GDP Growth Rate	6.0% (Q2 2018)	Unemployment Rate	5.4% (July 2018)	GIR	US\$75.161-B (September 2018)
Fiscal Surplus / (Deficit)	(P96.2-B) (September 2018)	Exports Growth Rate	3.1% (August 2018)	BOP	(US\$2.696-B) (September 2018)
Inflation	6.7% (2012 BY) (September 2018)	Imports Growth Rate	11.0% (August 2018)	O/N RP	5.00% (as of September 27, 2018)
91-day T-Bill Rate	4.404 (as of October 8, 2018)	Cash Remittances	US\$2.476-B (August 2018)	O/N RRP	4.50% (as of September 27, 2018)

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