

# MARKET RECAP

24 August 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,766.47 (-0.48%)	134,942,174.43	7,457,609.60	27.25 (+2.41%) = 1,455.01	53.488

## Market Recap

- Philippine share prices succumbed to profit-taking after two consecutive days of rallies, as stocks were hit by a fresh round of tariffs in the trade dispute between the United States and China.
- The bellwether PSEI lost 37.56 points or 0.48% to 7,766.47 at the closing bell. The broader All Shares shaved off 3.76 points or 0.08% to 4,728.82.
- Local equities mimicked Wall Street's decline as the two countries imposed tariffs on \$16-bil worth of each other's goods despite ongoing talks.
- It's tough to say how far the US-China trade dispute will go. It could be a fairly long and winding road, but at least it's encouraging that both sides are talking now.
- The potential political fallout from the legal woes of two former advisers to U.S. President Donald Trump also weighed on investor sentiment.
- Investors said they were keeping a close eye on the meeting of U.S. central bankers in Jackson Hole, Wyoming, where Federal Reserve Chair Jerome Powell will speak on Friday. His speech will be watched for clues on monetary policy after minutes from the most recent meeting indicated that the Fed would raise interest rates soon.
- Investors also chose to cash in gains made over the last two trading sessions.
- More than 2.274-bil shares valued at P7.217-bil, changed hands. Market breadth was negative, with decliners beating advancers, 122 to 76, and 54 issues were unchanged.
- Gainers: SMC (+7.38%), FGEN (+1.54%), URC (+1.42%), SM (+0.96%), DMC (+0.17%)
- Laggards: MEG (-5.26%), BPI (-3.24%), GTCAP (-2.79%), SCC (-2.17%), LTG (-2.16%)

## 3<sup>rd</sup> Telco

- The initiative to allow a third major telecommunications player stemmed from public clamor to break the so-called duopoly of Globe Telecom and PLDT-Smart through more competition, Department of Information and Communications Technology (DICT) Acting Secretary Eliseo Rio Jr. said Friday.
- He was asked why the government is opening the telecommunications industry to a new player.
- Because the industry is considered a duopoly dominated by rivals Globe and PLDT, calls have been made by no less than President Duterte and the public at large for a third telco player to raise the quality of service while lowering the costs to consumers.
- At least five local and seven foreign companies are interested in filling the country's need for a third telecommunications network provider.
- The local firms are Philippine Telephone and Telegraph, Now Corp., Converge ICT Solutions, Transpacific-Broadband, and TieraOne.
- The foreign firms China Telecom, Korea's KT Corp. and LG U+, Japan's KDDI Corp., Vietnam's Viettel, Norway's Telenor, and US telco giant AT&T.
- The third telco player must commit to provide the highest minimum connectivity speed at the lowest subscription rate, Rio said.
- Interested bidders need to have a "very deep pocket" and commit to spend a minimum of P40-bil for annual capital expenditures for five years.
- These will ensure that the winning bidder has the financial and technical capability and would not end up being bought by the dominant players, Rio earlier said.

## SMC

- San Miguel Holdings Corporation (SMHC) is now ready to finalize the concession terms for its proposed Bulacan airport with the government.
- The concession terms for the proposed P735-bil Bulacan International Airport are under review by proponent SMHC, the Department of Transportation (DOTr) said Friday.

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## SMC (continued)

- The revised concession agreement along with a risk allocation matrix, comments from the National Economic and Development Authority (NEDA) and Department of Finance are now under consideration of San Miguel Holdings, the DOTr said in a separate statement.
- After which, the DOTr will commence negotiations with SMHC to finalize the draft Concession Agreement and submit the same to NEDA ICC (Investment Coordination Committee), and finally begin the Swiss Challenge process.
- On the part of SMHC, the company is ready to discuss and finalize the terms for the Bulacan airport project.
- Interests in alternative gateways such as the Bulacan airport were renewed after a Xiamen Air aircraft skidded off Runway 06/24 of the Ninoy Aquino International Airport on August 16.
- Dozens of flights were canceled, diverted, or delayed, and tens of thousands of displaced passengers were stranded at the Ninoy Aquino International Airport (NAIA) when its main runway was closed more around 36 hours.
- The Bulacan airport project, an unsolicited proposal from SMC's infrastructure unit, was approved by NEDA Board —chaired by President Rodrigo Duterte— on April 26 subject to resolution of pending issues, including the joint and several liability agreements by SMHC and its parent company.
- SMC intends to finance the project using its own resources.
- It involves the construction, operation, and maintenance of a 2,500-hectare airport in Bulakan, Bulacan. The development will also include a passenger terminal building with airside and landside facilities, and an airport toll road.
- The DOTr said Friday it is pushing for the development of other gateways to complement the NAIA and Clark International Airport, such as the Bulacan and Sangley airports.
- The DOTr said it welcomes the proposal of the Provincial Government of Cavite to develop the Sangley Airport. "The approval process will be defined after the Cavite local government unit has determined the legal framework for its implementation."

## BPI

- Bank of the Philippine Island plans to tap the overseas debt market for the initial drawdown from a \$2-bil medium-term note (MTN) facility set up earlier in the year.
- The bank said it had mandated BPI Capital as sole global coordinator and joint bookrunner, as well as Deutsche Bank, HSBC and J.P. Morgan as joint bookrunners, to arrange a series of fixed income investor meetings in Hong Kong and Singapore, starting Thursday.
- The notes are expected to be rated Baa2 by Moody's, and, when issued, will constitute a drawdown under BPI's medium-term note program.

### 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>	3.203 (as of August 20, 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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