

MARKET RECAP

24 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,433.61 (+0.69%)	No Data Available	No Data Available	25.69 (-0.04%) = 1,387.67	54.027

Market Recap

- Share prices on the Philippine Stock Exchange maintained its upward trajectory despite China cancelling upcoming tariff talks with the United States, while oil prices jumped after top producers including Russia ruled out boosting crude output.
- The benchmark PSEi rose 50.61 points or 0.69% to 7,433.61 at the closing bell. The broader All Shares added 24.12 points or 0.53% to 4,531.52.
- Most of the action was in currencies as financial markets in major Asian centers Japan, China and South Korea were closed for a holiday.
- Investors were squarely focused on the Sino-US trade war as China added \$60-bil of US products to its import tariff list, retaliating against US duties on \$200-bil of Chinese goods that come into effect on Monday.
- China also canceled mid-level trade talks with the United States, as well as a proposed visit to Washington by vice premier Liu he originally scheduled for this week.
- The United States, meanwhile, does not have a date for further talks.
- The intensifying dispute between the world's two biggest economies has spooked financial markets worried about the fallout on global growth.
- The trouble is that further escalation is still on the cards as both sides are still well apart on the key issues.
- Trump remains defiant saying, "it's time to take a stand on China," and his threat to increase tariffs on all imports from China remains.
- Chinese Premier Li Keqiang said over the weekend China will cut import and export costs for foreign firms as it looks to promote an image of being open for business.
- More than 1.305-bil shares valued at P4.596-bil, changed hands. Market breadth was negative, with decliners barely edging out advancers, 97 to 95, and 42 issues were unchanged.
- Gainers: AEV (+7.46%), BPI (+5.13%), RLC (+4.05%), MBT (+2.79%), AC (+2.45%)
- Laggards: AGI (-2.77%), DMC (-2.14%), ALI (-2.04%), PCOR (-1.42%), MER (-1.37%)

Stock Market Resurgence

- Lower inflation, along with a stronger peso, are what the stock market needs to return to the 9,000 level, BPI Asset Management and Trust Corp. (BPI AMTC).
- BPI AMTC said it would be difficult for the benchmark Philippine Stock Exchange index (PSEi) to return to January's heights if foreign investors continued to exit in favor of the stronger US economy.
- The PSEi's decline was in line with emerging markets (EM) that, based on BPI AMTC data, had dropped by 12% versus 10% growth for US equities.
- It can clearly be seen that the Philippines has been sold down in line with the rest of the region and that's primarily because on a day-to-day basis, the foreigners would account for 50% to 60% daily flow, anyway. And that's a reflection of the fact that the US dollar has been so strong and money is moving from EM economies to developed markets.
- The peso earlier this month hit a near 13-year low of P54.13 versus the dollar, weighed down by the August inflation news, the country's widening trade deficit, EM concerns and the US-China trade war.
- To mitigate inflationary pressures, BPI AMTC suggested there should be more rate hikes aside from the adjustment expected to be announced following Thursday's Monetary Board meeting.
- BPI AMTC is not suggesting to bring the policy rate to 6%, but certainly, the central bank needs to bring the policy rate closer to 5% and not keep it at 4%.
- It added that the economy needs to be cooled. And cooling the economy means needing to maintain a positive real rate. The US is moving into positive real rate. The country needs to move to positive real rate to try and be ahead of the inflation problem.

CHP

- Cemex Holdings Philippines Inc. (CHP) is now assessing how the cease and desist order by Environment Secretary Roy Cimatu on mining and quarrying activities would impact on the cement maker's output and raw material supply.

MARKET RECAP

24 September 2018

CHP (continued)

- The operations of a supplier in Naga, Cebu have been suspended, on orders of the local government unit implementing Cimatu's order as an offshoot of a killer landslide that hit the area.
- In a regulatory filing submitted by Cemex compliance officer Jannette Sevilla, the company said it was informed by APO Land & Quarry Corp. (ALQC) that an executive order was issued halting all companies, entities, and individuals to cease and desist from mining operations and activities.
- The order covers small-scale quarries, and sand and gravel extractions.
- ALQC is one of the principal suppliers of APO Cement Corp., a subsidiary of Cemex Holdings which has quarrying activities in Naga, Cebu.
- Landslide struck Barangay Naalad and Sitio Sindulan in Barangay Tinaan, Naga City in Cebu on Thursday, September 20.
- The death toll has so far reached 43, with several others still missing.
- The company is positive that the cease and desist order would one day be lifted, but did not give a time frame.

EDC

- Energy Development Corp. (EDC) has called on the government to rethink its plan to remove the incentives currently enjoyed by renewable energy developers, a move which it called misguided the wrong direction for the energy industry.
- From an "energy and sustainability standpoint," the proposed policy could put the company and the entire industry at risk.
- EDC produces 1,472 megawatts (MW) of power from hydro, solar and wind resources, apart from its 1,200 MW of geothermal capacity.
- The company was referring to the government's so-called TRABAHO bill, the second phase of its tax reform program that seeks to lower the corporate income tax.
- The bill, the Department of Finance (DOF) said, also corrects the country's "convoluted" incentives scheme for businesses. The proposed legislation has been approved by the House of Representatives on third and final reading.
- The DOF said the "pro-investment" tax reform package would ensure that fiscal incentives remain but performance-based or must commit to meeting targets such as job creation, export sales, countryside growth and research and development.
- The DOF said incentives should also be time-bound, thus tax perks are not granted indefinitely. It said the perks should also be targeted so that only industries that provide multiplier benefits to the economy will be given incentives. It also wants incentives to be transparent to ensure recipients report the perks they get to the government and the public.
- EDC said the company had voiced out its views on the removal of the incentives, and that the DOF had been listening.
- Locators in the holding firm's industrial park are on a wait-and-see mode ahead of the final outcome of the proposed tax reform.

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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