

MARKET RECAP

27 September 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,320.59 (+0.72%)	93,007,427.70	(9,591,051.92)	25.25 (-1.41%) = 1,371.63	54.269

Market Recap

- Philippine shares rebounded on bargain-hunting after two consecutive days of declines, as US bond yields fell after the Federal Reserve raised interest rates as expected.
- The benchmark PSEi gained 52.38 points or 0.72% to 7,320.59 at the closing bell. The broader All Shares added 23.34 points or 0.52% to 4,483.81.
- Investors picked up bargains on beaten issues after the two-day decline, and repositioned portfolios ahead of the central bank's policy rate meeting today.
- The Fed bumped up its policy target by a quarter of a percentage point to 2.00% to 2.25% and indicated that it foresees another rate rise in December, three more next year, and one in 2020.
- The local central bank is also expected to follow suit, raising rates by 50 basis points (bps) to curb inflation and bring the adjustments since May to 150 bps.
- The Fed seems to have grown more convinced of the need to keep raising rates beyond the neutral levels. Analysts do not see reasons to slow down raising rates as long as the jobless rate keeps falling.
- But some investors see a limited need for the Fed to keep raising rates as inflation has shown no sign of picking up so far, despite continued economic growth and a tight labor market.
- The market may continue to move sideways as some investors also say trade disputes between the Trump administration and several trading partners are adding more uncertainty to the economic outlook.
- U.S. tariffs and retaliatory levies by others could slow the global economic growth, but broad-based tariffs could also stoke inflation by raising the prices of imported goods.
- More than 667.517-mil shares valued at P5.047-bil, changed hands. Market breadth was negative, with decliners beating advancers, 101 to 85, and 45 issues were unchanged.
- Gainers: GLO (+6.49%), RLC (+3.47%), RRHI (+3.27%), SM (+2.92%), MPI (+2.80%)
- Laggards: DMC (-4.84%), TEL (-4.76%), JFC (-2.70%), BPI (-1.60%), AGI (-1.59%)

Inflation Outlook

- Economists are now definite that inflation will breach the government's target of 2% to 4% for the full-year 2018, after it accelerated at the fastest pace in over nine years at 6.4% in August.
- It would be a challenge to achieve the target range of 2% to 4%, according to the Action for Economic Reforms (AER).
- Inflation settled at 6.4% in August, the fastest pace in over nine years since it came in at 6.6 percent in March 2009.
- It was mainly because of the spikes in prices of rice, energy, and transport, according to the central bank.
- The central bank's policy-setting Monetary Board is holding a meeting on Thursday, September 27, mainly to address concerns about soaring inflation.
- But aside from inflation, the central bank is also grappling with the peso's depreciation—now at near 13-year lows against the US dollar.
- Currency weakness is a concern for the central bank which is also grappling with soaring inflation, London-based Capital Economics said.
- It expects the peso to remain under pressure and are forecasting for it to reach 55 against the US dollar by year-end and 58 by end-2019.
- Budget Secretary Benjamin Diokno dismissed Capital Economics' foreign peso-dollar forecast as "unfounded" and "highly unlikely."
- The Ateneo de Manila University (ADMU) has forecasted a full-year inflation rate of 4.8% to 5.5%, but did not elaborate further.
- Economists from the Asian Development Bank expect inflation to settle at 5% for the full-year 2018, before decelerating to 4% in 2019.
- Diokno earlier said he expected inflation to taper off starting July 2018.
- Last August, the central bank stated that inflation was likely to peak in the third quarter of 2018, specifically in August or September.

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Inflation Outlook

- According to the AER, inflation could be tempered in the coming months if the government is able to address food inflation.
- The Departments of Agriculture (DA), Budget and Management (DBM), Finance (DOF), and Trade and Industry (DTI), and the National Economic and Development Authority released last week a list of measures the administration intends to implement in addressing inflation.
- During its policy meeting last month, the central bank raised interest rates by 50 basis points, a move that brought the overnight borrowing rate to 4.00%, the overnight lending to 4.50%, and the overnight deposit to 3.50%.
- Budget chief Diokno noted the inter-agency Development Budget Coordination Committee is reviewing its inflation forecast and target for this year.
- The government revised last March its inflation forecast to 4.0% to 4.5% for the 2018, from an earlier outlook of 2.0% to 4.0%, surpassing its working target for the year.

JFC

- Home-grown fast food giant Jollibee Foods Corp. said Thursday it is bringing American Chinese restaurant chain Panda Express to the country.
- The fast-food giant said it entered into a 50/50 joint venture deal with Panda Restaurant Group Inc. to bring Panda Express restaurants to the Philippines.
- The joint venture company will initially have an authorized capital stock of the Philippine peso equivalent of \$5-mil.
- Profit sharing shall be in accordance to the 50/50 ownership.
- The joint venture company shall have its own management with Jollibee Foods providing support.

URC

- Japanese snack giant Calbee is pulling out of the Philippines as its joint venture with Gokongwei-led food and beverage firm Universal Robina Corp. has yet to make money.
- Calbee said it reached an agreement to sell its 50% stake in Calbee-URC Inc. to the Gokongwei family for P170.6-mil.
- Calbee decided to abandon its venture with URC in order to cut losses in the absence of any signs of the joint snack business turning around anytime soon.
- Calbee-URC has been struggling with its loss-making operations in the last three years. It suffered a net loss of P100.4-mil in 2015, P85.3-mil in 2016 and P95.65-mil last year.
- The deal forged in April 2014 envisioned the joint snack venture to grow into a P2-bil company in terms of annual net sales by 2020.

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)	(P2.6-B) (August 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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