

MARKET RECAP

28 September 2018

PSEI	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,276.82 (-0.60%)	110,638,114.76	(537,181.65)	24.99 (-1.03%) = 1,371.63	54.251

Market Recap

- Philippine shares retreated anew as investors cashed in on gains made from the previous day's trading amid persistent inflation worries and the on-going trade spat between the US and China.
- The benchmark PSEI fell 43.77 points or 0.60% to 7,276.82 at the closing bell. The broader All Shares shed 18.89 points or 0.42% to 4,464.92.
- External concerns such as the ongoing trade war between the US and China continued to hound the market. Also, the coming winter season was considered as it will push oil prices higher and will have an impact on local inflation numbers.
- The expectations of the central bank raising rates by 50 bps had already been factored in. However, investor confidence in returning to the market did not seem to materialize even as the central bank remained steadfast to control inflation.
- Analysts expect inflation to hit 7% by the end of the year with the central bank being compelled to further tweak interest rates to address the rising commodity prices.
- More than 1.023-bil shares valued at P6.002-bil, changed hands. Market breadth was negative, with decliners beating advancers, 99 to 85, and 50 issues were unchanged.
- Gainers: BPI (+4.45%), TEL (+3.85%), BDO (+3.54%), GTCAP (+0.99%), AGI (+0.65%)
- Laggards: AEV (-4.43%), LTG (-4.00%), ALI (-3.03%), SMPH (-2.95%), RRHI (-2.80%)

Inflation Forecasts

- London-based think tank Capital Economics is expecting inflation to hit 7% by the end of the year with the central bank being compelled to further tweak interest rates to address the rising commodity prices.
- Given its view that inflation is set to rise further over the coming months and that the peso is likely to continue to weaken, further rate increases in the Philippines seem likely.
- This came after the central bank delivered its fourth interest rate hike this year as current inflation conditions remain elevated.
- The policy-setting at Monetary Board agreed to boost the overnight borrowing rate by 50 basis points (bps) to 4.50%.
- Starting Friday, September 28, the overnight lending rate will also be tightened by 50 bps to 5.00% and the overnight deposit rate to 4.00%.
- The central bank noted that there were "persistent signs of sustained and broadening price pressures" and that its "latest baseline forecasts have shifted higher for both 2018 and 2019, with risks to the outlook still leaning toward the upside," according to the think tank.
- Capital Economics said the central bank called for further measures to "help mitigate the impact of supply-side factors on inflation, including rice tariffication."
- The central bank is clearly getting frustrated over the lack of progress on plans to replace the current system of rice import quotas with a tariff regime.
- There are signs that high inflation is starting to dent the popularity of President Duterte, and the government has recently stepped up measures to bring inflation down, including an easing of restrictions on food imports, and the lifting of non-tariff barriers on some commodity imports.
- Both the approval and trust ratings of President Rodrigo Duterte registered a double-digit decline in September, as inflation accelerated to nine-year highs the month prior.
- Capital Economics said the measures set by the administration to temper inflation will take time to have an impact and prices will remain elevated in coming months with the headline rate set to reach around 7.0% by the end of the year.
- One factor that is likely to be especially worrying for policymakers is the inflationary impact of Typhoon Mangkhut, which brought destruction to large swathes of agricultural land in the north of the country, and is likely to push up food price inflation sharply. The recent further rise in oil prices is another concern.
- The central bank also took note of the risks to the inflation outlook from the fall in the peso, which is down by around 8% against the US dollar since the start of the year.
- Despite the likelihood of further rate hikes, we think the peso will weaken to 58 against the US dollar by end-2019 from 54 today.

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AEV

- Aboitiz InfraCapital Inc. (AIC), the infrastructure arm of conglomerate Aboitiz Equity Ventures Inc, said Friday that its proposal for the operations and maintenance, future development, and expansions of the New Bohol International Airport has been granted original proponent status (OPS) by the Department of Transportation (DOTr).
- The new airport, located on Panglao Island, is intended to replace the current airport in Tagbilaran City, which is currently serving under one million passengers per year.
- The OPS grant is therefore a crucial step toward AIC's partnership with the government to develop world-class infrastructure, and to establish a high standard for regional airport operation, Aboitiz said.
- The company believes its proposal provides an expedient and comprehensive solution for the immediate and long-term needs of the New Bohol International Airport.
- Aboitiz also remains committed and ready to support the government in its initiative to develop and enhance other regional airports throughout the country.

ABG

- Japanese billionaire Kazuo Okada has called on the Philippine Stock Exchange (PSE) to look into the supposed "misleading" disclosures of Asiabest Group International Inc. (ABG), in connection with the company's share purchase agreement with Tiger Resort Asia Ltd. (Tiger Asia).
- The camp of Okada said it sent out a letter to the PSE on September 21, informing it of the "suspect and outright evasive" disclosures of ABG.
- According to Okada, ABG — in its disclosures — failed to bring up his pending intra-corporate lawsuit against Tiger Asia, as part of his efforts to regain his interest in the company.
- This comes as Okada on August 29, 2018 filed a lawsuit against Tiger Asia before the Paranaque Regional Trial Court to protest his supposed "illegal" removal in June 2017 as shareholder and director of Tiger.
- According to Okada's legal counsel, this should have been included in the disclosures of ABG, which would have an effect on the trading and market value of ABG's securities.
- This comes as ABG plans to sell some 200-mil shares to Tiger Asia in a special block sale which could take place in November.
- Okada's camp also said pending cases should be included in the disclosures to warn the public about the possibility that the agreement could be nullified.

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	5.00% (as of September 27, 2018)
91-day T-Bill Rate	3.549 (as of September 10, 2018)	Cash Remittances	US\$2.401-B (July 2018)	O/N RRP	4.50% (as of September 27, 2018)

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