

# MARKET RECAP

31 August 2018

PSEi	Value Turnover (US\$)	Net Foreign Flow (US\$)	PHI:US (PLDT ADR)	US\$ 1.00
7,855.71 (+0.03%)	150,106,641.90	(849,905.40)	26.04 (-0.88%) = 1,390.82	53.434

## Market Recap

- Philippine share prices came under renewed pressure, closing relatively flat, after reports US President Donald Trump was preparing to step up a trade war with Beijing and ready to impose more tariffs on Chinese imports.
- The bellwether PSEi inched 2.55 points or 0.03% to 7,855.71 at the closing bell. The broader All Shares added 11.43 points or 0.24% to 4,772.33.
- After starting the shortened trading week with a rally — fuelled by hopes for a new Canada-US-Mexico trade pact and easing Brexit fears — investors remained cautious throughout the remainder of the week as the row with Beijing shows no sign of letting up.
- Trump wanted to tax \$200-bil of goods as soon as public consultation ends next week, adding to the \$50-bil already levied.
- The report follows talks last week between the world's top two economies — the first on trade since they began exchanging tit-for-tat tariffs in July — ended with no breakthrough and will rekindle fears of a painful trade war.
- Dealers were also spooked by Trump's repeated threat to leave the World Trade Organization if it does not "shape up" — a move that would further undermine one of the foundations of the modern global trading system.
- In addition, he said the European Union's proposal to eliminate auto tariffs is not good enough and called its trade policies "almost as bad as China."
- The optimism from earlier in the week after a fast negotiation led to the US-Mexico trade agreement and positive Brexit news are now in the rearview mirror as investors worry that global growth might be in jeopardy.
- More than 1.084-bil shares valued at P8.020-bil, changed hands. Market breadth was negative, with decliners beating advancers, 107 to 91, and 46 issues were unchanged.
- Gainers: DMC (+4.92%), AP (+2.35%), AGI (+1.62%), RLC (+1.43%), AC (+1.01%)
- Laggards: SECB (-2.70%), MEG (-2.13%), GTCAP (-1.57%), MBT (-1.21%), LTG (-1.15%)

## M3

- The country's money supply grew by 11% in July, slower than 11.8% registered in June, the central bank said Friday.
- Central bank data showed domestic liquidity or M3—the broadest measure of money circulating in the financial system—stood at P11.1-tril in July compared with P11.06-tril in June.
- The overall growth in M3 remains in line with the central bank's prevailing outlook for inflation and economic activity.
- The central bank said the 11% growth in liquidity is still adequate for the economy.
- It does not reflect the tighter monetary conditions due to the foreign exchange interventions of the central bank to manage peso volatility. Nevertheless, credit remains strong at more than 19%.
- The slower growth in money supply may be "one-off" as it is supposed to be in line with the growth in lending, Union Bank of the Philippines said.
- There is growth, but it is slower. It may not actually mean anything, Union Bank said.
- Bank lending, excluding overnight borrowing by banks with the central bank, grew by 19.6% last month from 19.1% in June led by construction and financial activities.
- Loans for production activities continued to be driven by lending to key sectors such as wholesale and retail trade, repair of motor vehicles and motorcycles; financial and insurance activities; real estate activities; manufacturing; electricity, gas, steam and air conditioning supply; and construction.
- The central bank said it intends to continue monitoring closely the domestic liquidity dynamics to ensure that monetary conditions remain conducive to maintaining price and financial stability.

## AIIB on PH Infrastructure

- China-led Asian Infrastructure Investment Bank (AIIB) is exploring a possible local currency financing scheme with the Philippines to help fund the Duterte administration's massive infrastructure program, the Department of Finance (DOF) said yesterday.

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### AIIB on PH Infrastructure (continued)

- Finance Secretary Carlos Dominguez III said the local currency financing arrangement was proposed when AIIB officials, led by its president Jin Liqun, met with a high-level Philippine delegation in Beijing last week.
- According to Jin, the AIIB is “highly responsive” to the needs of its borrowers, which is why it is open to flexible schemes in extending loans for infrastructure projects.
- These include a possible variable spread facility and a local currency financing program.
- Dominguez welcomed AIIB’s proposals, saying these would help the Philippines maintain its low borrowing cost.
- The finance chief said the AIIB is also eyeing possible co-financing arrangements with other multilateral institutions to fund projects under the Philippines’ “Build, Build, Build” program.
- Last year, the AIIB extended a \$207.603-mil loan to the Philippines for the \$500-mil Metro Manila flood control management project.
- The project is co-financed by the World Bank, which will also shoulder \$207.603-mil of the cost. The Philippine government will provide a counterpart funding of \$84.794-mil.
- In addition, the AIIB has also shortlisted several Philippine projects, including the Pasacao-Balatan tourism coastal highway, and the Camarines Sur expressway for possible financing.

### SECB

- Security Bank Corp. is seeking investors for its \$1-bil medium-term note program.
- The bank said on Friday it has hired Citigroup, CLSA, Mitsubishi UFJ Financial Group, and UBS as joint lead managers and joint bookrunners to arrange a series of fixed-income investors’ meetings and calls in London, Singapore, and Hong Kong starting Sept. 4, 2018.
- A Regulation S offering of US dollar-denominated senior unsecured notes under the issuer’s recently established \$1-bil medium-term note program may follow, subject to market conditions.
- Regulation S consists of offers and sales of securities outside the US and is exempted from registering with the US Securities and Exchange Commission.
- Security Bank said on Thursday it was establishing a \$1-bil medium-term note program to expand its funding sources for loan expansion.
- The bank reported an 18% decline in net income to P4.3-bil in the first six months of the year, due to lower trading gains and an increase in income tax provisions.

### 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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