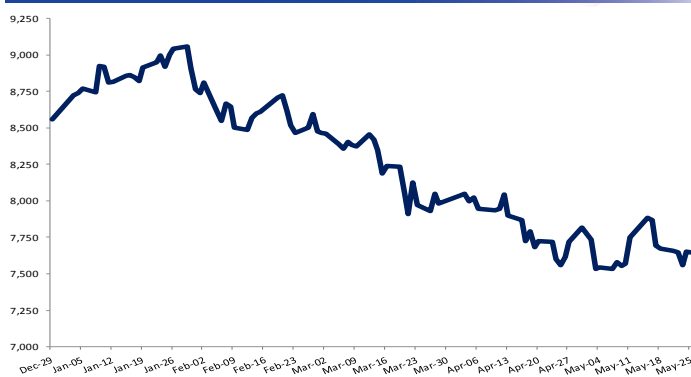


## MSCI Rebalancing is Near-Term Risk

### Equities Summary and Outlook

#### PSEi 2018 Performance



#### Weekly PSEi Performance

	As of May 25, 2018	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,647.51	-0.32%	-10.64%	-
FMETF	117.50	-0.09%	-9.96%	-
All Shares	4,654.67	-0.22%	-6.72%	-
Financials	1,882.51	-2.03%	-15.59%	19.36
Industrial	10,974.36	0.21%	-2.29%	11.77
Services	1,512.16	-1.44%	-6.65%	10.00
Property	3,820.46	0.45%	-3.96%	20.56
Holdings	7,506.16	0.20%	-12.89%	37.48
Mining & Oil	9,744.15	-2.96%	-15.29%	0.84

#### Market Statistics (in Php bn)

	May 21-25, 2018	YTD
Ave. Daily Value Turnover	5.2	7.8
Foreign Buying	13.4	346.4
Foreign Selling	15.7	396.9
Net Foreign Buying/(Selling)	(2.2)	(50.5)
% of Foreign to Total	56%	49%

#### Foreign Indices

	Value	W-o-W	YTD	P/E 2018
Dow Jones	24,753.09	0.15%	0.14%	16.30
S&P 500	2,721.33	0.31%	1.78%	17.14
FTSE 100	7,730.28	-0.62%	0.55%	14.09
DAX	12,938.01	-1.07%	0.16%	13.32
Nikkei	22,450.79	-0.10%	-1.38%	16.28
Hang Seng	30,588.04	-1.48%	2.24%	11.84
Shanghai	3,141.30	-1.63%	-5.02%	12.30
PSE	7,647.51	-0.32%	-10.64%	17.40

Sources: PSE data, Bloomberg

**Market Outlook.** We expect the market to trade sideways especially during the start of the week as thin trading continues. US and UK markets are closed on Monday while several ASEAN markets - Singapore, Malaysia, Indonesia and Thailand are closed on Tuesday for Vesak holiday. Investors are still waiting for market moving events that will push the market to a certain direction. But there's downward bias on the back of expected outflows by end-May due to MSCI Rebalancing. Key economic data to monitor are: US GDP on Wednesday and US unemployment rate on Friday.

**Market Review.** The market traded flat, down by 0.32% week-on-week (w-o-w), as investors stayed on the sidelines amidst geopolitical concerns and the lack of domestic catalysts. W-o-w, the market was the fifth best in Asia while year-to-date (y-t-d), the market was the worst performer, down 10.6%. Main drivers last week were:

- Weak start for the PSEi last week as US-China trade negotiations, which was initially placed "on-hold," was later described as "unsatisfying" by US President Donald Trump. Further dampening sentiments was the decreased chance of US-North Korea summit on June 12 (as announced by Pres. Trump) which caused a -1.12% decline day-on-day (d-o-d) last Wednesday.
- The Fed's dovish tone as stated in the minutes released last Thursday reversed earlier losses (+1.22% d-o-d). Minutes suggested that policy makers are not in a hurry to accelerate the pace of interest rate hikes. Inflation expectations were also more flexible, no concerns in inflation running above 2%. Consequently, 10-year treasury yield slid slightly below 3% to 2.9935%.
- Foreigners were net sellers (Php2.2bn net foreign selling last week). Foreign selling concentrated on SM, MBT, ALI, GLO and BDO (for a total of Php1.4bn) while foreign buying focused on SMPH, MER, SMC, MEG and PCOR (Php743). Y-t-d, net foreign selling was at Php50.5bn.
- Average daily value traded remained thin at Php5.2bn, way below the average of Php7.8bn for the year. Foreign trading dominated last week at 56% of total trades.
- Worst performing stocks last week were GLO (-6%), SECB (-4%), GTCAP (-4%), SCC (-3%) and MPI (-3%) while the best performers were DMC (+6%), RLC (+4%), AEV (+4%), MER (+4%) and MEG (+4%). Y-t-d, the top gainers were SMC (+29%), LTG (+14%), JFC (+11%), PCOR (+3%) and MER (+2%) while the worst were MPI (-30%), DMC (-5%), SCC (-24%), SECB (-24%) and GTCAP (-23%).

#### Economic Summary

According to the Bureau of Treasury (BTr), only \$2bn space is left for the government's samurai and second global bond sale under its programmed foreign commercial loans this year. For 2018, the national government planned to get \$2.5bn funding through official development assistance and \$4.2bn from foreign commercial loans. With the \$2bn 10-year dollar denominated global bonds issued last January and \$230m renminbi-denominated three-year panda bonds last March, only \$2bn is left for external bond sales which will be offered by third or fourth quarter as per Finance Secretary Carlos Dominguez. The remaining \$2bn will be split between samurai bond sale and dollar denominated bond offering.

Meanwhile, global debt watcher Moody's warned that further peso depreciation will be "credit negative" for the Philippines. According to the agency, pressures on the peso may worsen debt-affordability amidst an already tightening financial conditions resulting in higher yields. The weaker peso also affects the country's ability to settle outstanding foreign debts which account for more than a third of total obligations. Despite these concerns, Moody's noted that current conditions are nowhere near the magnitude in 2013. The agency also added that PH's large dollar reserves of \$80.062 in April (equal to 7.8mos worth of imports and above the three-month standard) could serve as a buffer against exchange rate shocks.

#### Corporate News

Globe Telecom (GLO) is planning to hike its \$850m capital requirements for 2018 to expand network coverage and capacity. The expansion is attributed to the growth in data usage which grows 20% every quarter. In 1Q2018, mobile data traffic surged 37% to 180 petabytes from 131 petabytes and is expected to continue growing as smartphone penetration grows 70% in 2018 (vs 40% in 2015). More details will be released in Q3 2018.

**Commodities (in USD)**

COUNTRY	25-May-18	YTD Chg	MoM	WoW
INDONESIA	5,976	-6.0%	-1.7%	3.3%
TAIWAN	10,942	2.8%	3.6%	1.0%
INDIA	34,925	2.5%	1.2%	0.2%
KOREA	2,461	-0.3%	0.5%	0.0%
PHILIPPINES	7,648	-10.6%	1.2%	-0.3%
SINGAPORE	3,513	3.2%	-1.5%	-0.5%
THAILAND	1,741	-0.7%	-2.2%	-0.7%
HONG KONG	30,588	2.2%	0.9%	-1.5%
CHINA	3,141	-5.0%	0.7%	-1.6%
TOKYO	22,451	-1.4%	1.1%	-2.1%
MALAYSIA	1,797	0.0%	-2.9%	-3.1%

**Index Performer (Year-to-date; 2018 P/E)**

Gainers				Losers			
Stock	Price	% Chg	PE	Stock	Price	% Chg	PE
SMC	144.30	29%	-	MPI	4.77	-30%	10.00
LTG	21.35	14%	14.69	DMC	10.78	-25%	8.24
JFC	281.20	11%	33.63	SCC	28.00	-24%	7.39
PCOR	9.43	3%	6.95	SECB	192.00	-24%	11.56
MER	335.00	2%	18.30	GTCAP	995.50	-23%	10.25

**Index Performer (Week-on-Week; 2018 P/E)**

Gainers				Losers			
Stock	Price	% Chg	PE	Stock	Price	% Chg	PE
DMC	10.78	6%	8.24	GLO	1,533.00	-6%	12.51
RLC	20.30	4%	12.76	SECB	192.00	-4%	11.56
AEV	65.00	4%	14.64	GTCAP	995.50	-4%	10.25
MER	335.00	4%	18.30	SCC	28.00	-3%	7.39
MEG	4.71	4%	9.35	MPI	4.77	-3%	10.00

**Top Weekly Net Foreign Buying/Selling (Index Components, in Php mn)**

Top Foreign Buying		Top Foreign Selling	
SMPH	421.68	SM	(680.04)
MER	224.98	MBT	(217.86)
SMC	38.04	ALI	(196.21)
MEG	36.96	GLO	(189.66)
PCOR	21.34	BDO	(143.59)

**Commodities (in USD)**

	Value	W-o-W	YTD
Gold (per troy ounce)	1,302.25	0.71%	-0.04%
Nickel (per metric tons)	14,780.00	0.20%	15.83%
Copper (per lbs)	307.75	0.46%	-7.53%
WTI (per barrel)	67.88	-4.77%	12.35%
Sugar (per lbs)	12.46	6.86%	-17.15%

**Market Calendar**

Monday	Tuesday	Wednesday	Thursday	Friday
5/7/2018	5/8/2018	5/9/2018	5/10/2018	5/11/2018
Analysts' Briefing: GLO	CH: Trade Balance Analysts' Briefing: ALI	PH: Trade Balance Analysts' Briefing: ICT, CNPF	PH: BSP Overnight Rate PH: GDP CH: CPI and PPI US: Initial Jobless Claims and CPI Analysts' Briefing: TEL	Analysts' Briefing: AC
5/14/2018	5/15/2018	5/16/2018	5/17/2018	5/18/2018
	PH: OFW Remittances Analysts' Briefing: MEG, AGI		US: Initial Jobless Claims	PH: BoP Overall
5/21/2018	5/22/2018	5/23/2018	5/24/2018	5/25/2018
		PH: Budget Balance	US: Initial Jobless Claims	
5/28/2018	5/29/2018	5/30/2018	5/31/2018	06/01/2018
		US: GDP	PH: Bank Lending and Money Supply CH: Manufacturing PMI US: Initial Jobless Claims	US: Unemployment Rate, Non- farm Payrolls, ISM Mfg PH: Nikkei PH PMI Mfg