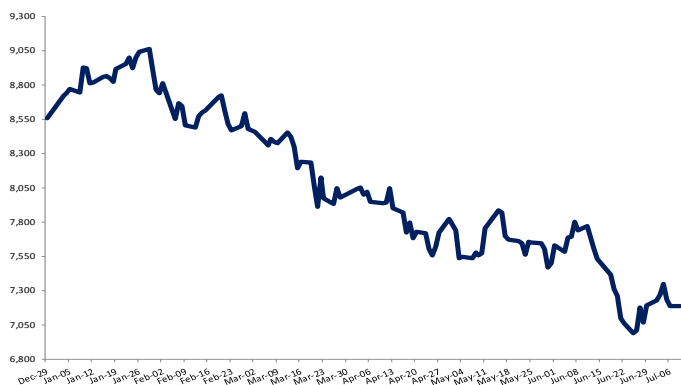


## Hovering Around the Bear Line

July 2- July 6, 2018

### Equities Summary and Outlook

#### PSEi 2018 Performance



#### Weekly PSEi Performance

	As of July 6, 2018	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,186.71	-0.10%	-16.03%	-
FMETF	107.30	-0.46%	-15.31%	-
All Shares	4,387.34	-0.12%	-12.08%	-
Financials	1,771.79	-0.42%	-20.55%	19.36
Industrial	10,332.21	-0.79%	-8.01%	11.72
Services	1,414.16	1.55%	-12.70%	10.25
Property	3,552.52	0.10%	-10.70%	20.36
Holdings	7,021.25	-0.43%	-18.51%	37.33
Mining & Oil	9,598.20	-0.78%	-16.56%	0.98

#### Market Statistics (in Php bn)

	July 2 - July 6, 2018	YTD
Ave. Daily Value Turnover	4.9	7.5
Foreign Buying	12.7	443.8
Foreign Selling	14.3	511.2
Net Foreign Buying/(Selling)	(1.6)	(67.4)
% of Foreign to Total	55%	51%

#### Foreign Indices

	Value	W-o-W	YTD	P/E 2018
Dow Jones	24,456.48	0.76%	-1.06%	15.82
S&P 500	2,759.82	1.52%	3.22%	17.28
FTSE 100	7,617.70	-0.25%	-0.91%	13.74
DAX	12,496.17	1.55%	-3.26%	13.03
Nikkei	21,788.14	-3.05%	-4.29%	15.80
Hang Seng	28,315.62	-2.21%	-5.36%	11.28
Shanghai	2,747.23	-3.52%	-16.93%	10.96
PSE	7,186.71	-0.10%	-16.03%	16.47

Sources: PSE data, Bloomberg

**Market Outlook.** We expect the PSEi to continue trading around 7,200 as investors remain on the sidelines amidst the lack of catalysts and ahead of the first half earnings which starts by end of the month. Key economic data to monitor are Overseas Filipino Workers remittances and Balance of Payments to be released next week.

**Market Review.** The PSEi ended flat at 7,186.71 last week, down by 0.10%, as June-2018 inflation and gross international reserves announced last week dampened investors' sentiments. The market reached a high of 7,348.42 on Wednesday but lost its strength on Thursday (-1.56% day-on-day to 7,233.57) after inflation surprised the market with a 5.2% reading in June, higher than consensus and government estimates. Meanwhile, gross international reserves (GIR) fell further to \$77.7b in June from end-May's \$79.2b leaving the country with a 7.5x months' worth of imports of goods and payments of services and primary income (see discussion below).

- Year-to-date (YTD), the PSEi was down 16.0%, the second worst performing market in the region ahead of China's 16.9% decline. YTD, the only gainer was India (4.7%). W/w, most Asian markets declined except for Thailand (+1.2%) and India (+0.7%).
- The market is still in the bear territory, down by 20.66% from its peak of 9,058.
- Net foreign selling bounced back to P1.6b (from P415m on the week of June 29), now at its 23rd consecutive week. This brought YTD net foreign selling to P67.4bn.
- Last week's trading volume was the thinnest for the year at P4.9bn. This was far from the ytd average daily value traded of P7.5b.
- PHP was flat at P53.42/\$ (-0.02% w/w). YTD, it is down 6.8% from its end-2017 close of P50.02/\$.
- Foreigners' top buys last week were MER, GTCAP, URC, SMPH and MEG for an aggregate amount of P807m. Meanwhile, foreigners sold BPI, ALI, MBT, JFC and MPI amounting to P1.6b.
- YTD index gainers were SMC (+23%) and MER (+9%) while the biggest losers were MPI (-32%), JGS (-31%), GTCAP (-29%), AEV (-28%) and MBT (-28%). W/w winners were GLO (+8%), RRHI (+6%), DMC (+5%), RLC (+5%) and MEG (+3%) while the losers were MBT (-5%), JFC (-5%), ALI (-3%), LTG (-3%) and AEV (-3%).

### Economic Summary and Outlook

Inflation accelerated to 5.2% year-on-year (y/y) in June on the back of higher prices for alcoholic beverages and tobacco (+20.8%), housing, water, electricity, gas and other fuels (+4.6%), furnishing, household equipment and routine maintenance (+3.0%), transport (7.1%) and education (+4.0%). Higher prices of oil and rice, depreciation of the peso and effects of the tax reform were among the factors behind the higher reading. This was way above consensus expectations of 4.8%, the Department of Finance's (DOF) 4.9% estimate and the Bangko Sentral ng Pilipinas' (BSP) range of 4.3%-5.1%. Using 2006 prices, inflation was at 5.7%, the highest reading since April 2009. Second quarter 2018 inflation averaged 4.8% but consensus expects inflation to peak further to 5.0% in the third quarter before easing to 4.5% by the last quarter. The central bank vowed to review and update its assessments and forecast inflation and shape the strength and timing of their next policy response.

Meanwhile, end-June 2018 GIR level was lower at \$77.7b from end-May's \$79.2b (-1.9% month-on-month) and June 2017's \$81.3b (-4.4% y/y). According to the Bangko Sentral ng Pilipinas (BSP), the GIR was still at an ample external liquidity buffer level. This was equivalent to 7.5 months' worth of imports of goods and payments of services and primary income, the least import cover multiple since 2008 at 6.4 months. It was also equivalent to 6 times the country's short-term external debt based on original maturity and 4.1 times based on residual maturity.

### Corporate News

Metro Pacific Investment Corp. (MPI) is starting initial works for the P23.3b Connector Road, an 8km link road for the North and South Luzon Expressways). Rodrigo E. Franco, Metro Pacific Tollways Corp's president, announced that the group wants to mobilize construction by fourth quarter of the year and to start the full-blast construction within the first quarter of 2019. The government's deadline is to deliver the first section during the second quarter of 2019.

**Asian Markets**

Country	06-Jul-18	YTD	MoM	WoW
INDIA	35,658	4.7%	3.8%	0.7%
TAIWAN	10,609	-0.3%	-2.6%	-2.1%
TOKYO	21,788	-4.3%	-4.0%	-2.3%
HONG KONG	28,316	-5.4%	-7.7%	-2.2%
SINGAPORE	3,192	-6.2%	-8.7%	-2.4%
MALAYSIA	1,664	-7.4%	-7.8%	-1.6%
KOREA	2,273	-7.9%	-8.1%	-2.3%
THAILAND	1,615	-7.9%	-7.9%	1.2%
INDONESIA	5,695	-10.4%	-1.7%	-1.8%
PHILIPPINES	7,187	-16.0%	-4.9%	-0.1%
CHINA	2,747	-16.9%	-13.3%	-3.5%

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

Stock	Price	% Chg	PE
SMC	137.00	23%	-
MER	358.00	9%	19.11

**Losers**

Stock	Price	% Chg	PE
MPI	4.63	-32%	9.59
JGS	50.00	-31%	12.12
GTCAP	890.00	-29%	9.56
AEV	53.10	-28%	11.96
MBT	69.75	-28%	9.65

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

Stock	Price	% Chg	PE
GLO	1,667.00	8%	13.53
RRHI	83.95	6%	19.38
DMC	11.02	5%	8.56
RLC	19.50	5%	12.65
MEG	4.40	3%	8.70

**Losers**

Stock	Price	% Chg	PE
MBT	69.75	-5%	9.65
JFC	251.00	-5%	30.39
ALI	36.70	-3%	16.41
LTG	17.60	-3%	12.32
AEV	53.10	-3%	11.96

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

MER	205.73
GTCAP	188.20
URC	167.37
SMPH	132.28
MEG	113.02

**Top Foreign Selling**

BPI	(540.00)
ALI	(407.16)
MBT	(320.14)
JFC	(188.18)
MPI	(157.51)

**Commodities (in USD)**

	Value	W-o-W	YTD
Gold (per troy ounce)	1,255.48	0.23%	-3.63%
Nickel (per metric tons)	13,945.00	-6.41%	9.29%
Copper (per lbs)	282.40	-4.79%	-15.42%
WTI (per barrel)	73.80	-0.47%	22.14%
Sugar (per lbs)	11.51	-6.04%	-24.33%

**Market Calendar**

Monday	Tuesday	Wednesday	Thursday	Friday
6/25/2018	6/26/2018	6/27/2018	6/28/2018	6/29/2018
PH: Budget Balance US: New Home Sales	US: Consumer Confidence		US: Initial Jobless Claims US: GDP Annualized QoQ	PH: Bank Lending CH: Manufacturing PMI (06/30)
07/02/2018	07/03/2018	07/04/2018	07/05/2018	07/06/2018
			PH: CPI US: Initial Jobless Claims	PH: Foreign Reserves US: Nonfarm Payrolls
07/09/2018	07/10/2018	07/11/2018	07/12/2018	07/13/2018
	PH: Trade Balance CH: CPI		US: Initial Jobless Claims US: CPI	CH: PPI
07/16/2018	07/17/2018	07/18/2018	07/19/2018	07/20/2018
PH: OFW Remittances CH: CPI			PH: BOP Overall US: Initial Jobless Claims	
07/23/2018	07/24/2018	07/25/2018	07/26/2018	07/27/2018
			US: Initial Jobless Claims	US: GDP Annualized QoQ