

Range-Bound

June 25 - 29, 2018

PSEi 2018 Performance



Weekly PSEi Performance

	As of June 29, 2018	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,193.7	1.8%	-15.9%	-
FMETF	107.8	1.5%	-17.4%	-
All Shares	4,392.8	1.1%	-12.0%	-
Financials	1,779.3	0.2%	-20.2%	19.4
Industrial	10,414.8	1.7%	-7.3%	11.8
Services	1,392.6	1.6%	-14.0%	10.0
Property	3,549.1	3.0%	-10.8%	20.3
Holdings	7,051.7	0.9%	-18.2%	37.4
Mining & Oil	9,673.2	0.2%	-15.9%	1.0

Market Statistics (in Php bn)

	June 29, 2018	YTD
Ave. Daily Value Turnover	6.3	7.6
Foreign Buying	16.7	431.4
Foreign Selling	17.1	497.2
Net Foreign Buying/(Selling)	(0.4)	(65.8)
% of Foreign to Total	54	51

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	24,271.4	-1.3%	-1.8%	15.8
S&P 500	2,718.4	-1.3%	1.7%	17.1
FTSE 100	7,636.9	-0.6%	-0.7%	13.8
DAX	12,306.0	-2.2%	-4.7%	12.8
Nikkei	22,304.5	-0.9%	-2.0%	16.2
Hang Seng	28,955.1	-1.3%	-3.2%	11.5
Shanghai	2,847.4	-1.5%	-8.6%	11.9

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. We expect the PSEi to be range bound at around 7,000-7,300 ahead of the June inflation release on July 5 (Thurs.), with bet at 4.7% year-on-year (y/y), slightly higher than May's 4.6%. Market is entering the 6th month of correction from the Jan. 29 peak of 9,058, which in the recent past three corrections lasted on the average by 7 months. Other key economic releases this week are the latest FOMC minutes and US jobs data on July 5 (US time).

Market Review. PSEi continued to buck regional trend, rising 34.3 points (+0.5% day-on-day, d/d) on Monday to close at 7,227.9. Last week, it rebounded by 130.5 points (+1.8% week-on-week, w/w) to end at 7,193.7 buoyed by second quarter window dressing after PSEi touched a 17-month low of 6,986.9 on June 25 and ahead of Pres. Trump's tariff implementation this month.

- PSEi recorded the 5th straight month of decline in June, down 4% month-on-month (m/m). Year-to-date (YTD), it was one of the world's underperformers, down 15.9% amidst 22 weeks of consecutive net foreign outflows totaling P70.3bn. From its peak on Jan. 29, the market fell 20.6%, putting it in a bear market.
- Last week, net foreign selling was the lowest since the start of the correction at P415mn. YTD, net foreign selling totaled P65.8bn.
- W/w, PSEi bucked global trends as all the markets that we follow were down led by Thailand (-2.4%), US Nasdaq (-2.4%) and Germany (-2.2%). YTD, PSEi led the underperformers, followed by China (-13.9%) and Thailand (-9%).
- PHP closed on Friday at P53.32/%, down 0.1% w/w and 6.4% YTD amid heightened concerns on the country's deteriorating external position.
- Last week, foreign investors bought MER, SMPH, TEL, URC and BDO for an aggregate amount of P1.5bn, and sold JFC, BPI, AGI, ICT and MBT totaling P1.2bn. YTD, only MER, TEL and PGOLD recorded net inflows amounting to P3.3bn, while SM, ALI, BDO, AC and JGS recorded substantial net outflows of P32.1bn.

Economic News

Market expects June inflation to register at 4.7% y/y, slightly faster than May's 4.6%, but at the midpoint of BSP's guidance of 4.3-5.1% due to higher food and oil prices, coupled with weak PHP. This implies a m/m consumer price increase of 0.1%. Oil prices reached a 3 1/2 year high on June 29 to \$74.15/barrel amid fears of supply disruptions while PHP weakened by an average of 1.6% m/m due to concerns on deteriorating current account deficit which the BSP is now expecting to reach \$3.1bn in 2018 from 2017's \$2.5bn. We (house view) expect inflation to peak in June at 4.7% y/y and should be in a downward trend until at least in the H1 2019 as the impact of TRAIN and rising oil prices subside.

Bangko Sentral ng Pilipinas (BSP) disclosed that money supply in May rose 14.3% y/y to P11trn, slightly faster than previous month's 14.2%. Meanwhile, bank lending rose by 19.4% y/y (net of RRP) from April's 19.9% driven by robust expansion in corporate and consumer lending. Loans for productive activities sustained its growth of 19.3% y/y from April's 19.6% led by construction (+32.9%), wholesale and retail trade (+23.4%) and real estate (+15.7%). Likewise, consumption lending expanded at a strong pace of 18.4% y/y, buoyed by above 20% growth in credit card (+21.1%) and motor vehicles (+22%).

Corporate News

Jollibee Foods Corporation (JFC) targets to acquire a Mexican food chain in the US, possibly within the year, as part of its goal to become one of the largest fast food chains in the world as it aims to achieve a 50/50 local and foreign business as early as 2023, with overseas business comprising 30% of its business now. JFC is set to open 500 new stores this year (250-300 will be located in the PH) and get into Malaysia, Indonesia and United Kingdom. JFC closed on Monday at P260 a piece, +2.8% YTD.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
SMC	138.00	24%	12.3	MPI	4.60	-33%	9.6
MER	355.60	8%	19.3	JGS	50.00	-31%	12.1
JFC	263.00	4%	31.5	GTCAP	910.00	-30%	9.5
PCOR	8.88	-3%	6.2	AGI	11.62	-27%	6.9
LTG	18.08	-4%	12.7	DMC	10.50	-27%	8.2

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
TEL	1,290.00	14%	12.0	MEG	4.28	-4%	8.5
SMPH	35.95	8%	29.8	AGI	11.62	-3%	6.9
MER	355.60	6%	19.3	AP	34.75	-3%	9.7
URC	121.00	5%	21.6	ICT	77.30	-3%	14.6
DMC	10.50	5%	8.2	PGOLD	46.60	-2%	17.6

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

Top Foreign Buying		Top Foreign Selling	
MER	455.1	JFC	-273.5
SMPH	438.9	BPI	-243.8
URC	258.2	AGI	-220.0
TEL	198.9	ICT	-213.6
BDO	194.3	MBT	-206.9

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,252.6	-1.4%	-3.9%
Nickel (per metric tons)	14,900.0	-2.4%	16.8%
Copper (per lbs)	296.6	-2.7%	-11.2%
WTI (per barrel)	74.2	8.1%	22.7%
Sugar (per lbs)	12.3	-1.3%	-19.5%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
07/02/2018	07/03/2018	07/04/2018	07/05/2018	07/06/2018
US: Markit Manufacturing PMI (June)			PH: Inflation (June) and Forex Reserves (June) US: Initial Jobless Claims (June 30) and FOMC Minutes	US: Unemployment Rate (June)
07/09/2018	07/10/2018	07/11/2018	07/12/2018	07/13/2018
CH: Forex Reserves (June)	PH: External Trade (May) CH: Inflation (June)		US: Inflation (June) and Initial Jobless Claims (June 30)	CH: Exrternal Trade (June)