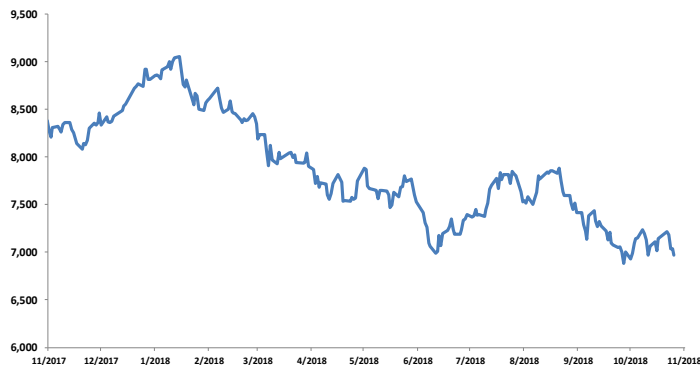


GDP & Earnings Disappoint

November 5-9, 2018

PSEi 2018 Performance



Weekly PSEi Performance

	As of Nov. 9, 2018	W-o-W Change	YTD Change	Weight In the Index
PSEi	6,968.8	-2.4%	-18.6%	
FMETF	105.5	-1.9%	-16.7%	
All Shares	4,269.9	-2.3%	-14.4%	
Financials	1,572.5	-2.2%	-29.5%	17.7
Industrial	10,577.3	-0.7%	-5.8%	12.7
Services	1,383.6	-5.4%	-14.6%	10.6
Property	3,390.5	-3.0%	-14.8%	20.0
Holdings	6,914.2	-1.3%	-19.8%	38.1
Mining & Oil	9,120.2	-4.7%	-20.7%	0.8

Market Statistics (in Php bn)

	Nov. 9, 2018	YTD
Ave. Daily Value Turnover	18.0	7.0
Foreign Buying	55.7	714.2
Foreign Selling	25.0	779.8
Net Foreign Buying/(Selling)	30.8	(65.6)
% of Foreign to Total	45	51

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	25,989.3	2.8%	5.1%	16.3
S&P 500	2,781.0	2.1%	4.0%	17.0
FTSE 100	7,105.3	0.2%	-7.6%	12.7
DAX	11,529.2	0.1%	-10.7%	12.7
Nikkei	22,250.3	0.0%	-2.3%	15.9
Hang Seng	25,601.9	-3.3%	-14.4%	10.7
Shanghai	2,598.9	-2.9%	-21.4%	10.6

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. PSEi will stay trapped within 6,900-7,000. Two reasons:

(1) We bet BSP will raise rate by another 25 bps this week due to elevated inflation; October print was 6.7%, (albeit a deceleration on a month-on-month, m/m, to 0.3% from August-September's 0.9%). (2) Disappointing corporate earnings in nine months of the year (9M18), up 5.5% vs full year consensus of 9-10%.

Key data to watch out for this week are China's retail and industrial production amid concerns over China's economic slowdown (November 14) and Philippines' OFW remittances for September (November 15).

Market Review. The PSEi dropped 42.6 points yesterday (-0.6% from Friday's closing) to end at 6,926.2. Last week, it slipped by 171.5 points (-2.4% week-on-week, w/w) to close on Friday at 6,968.8. Key reasons were dismal corporate earnings, hawkish BSP and lower-than-expected third quarter (3Q18) GDP growth at 6.1% vs consensus of 6.2%.

Market Flows. Net foreign inflows were P30.8bn last week due to the sale of San Miguel Food and Beverage (FB) shares to the public worth P39.2bn. Excluding the FB shares, it was another week of net foreign selling totaling P8.4bn, bringing the YTD net outflows to P104.8bn.

Regional Markets. Markets were down YTD led by China (-21.4%), the Philippines (-18.6%) and South Korea (-15.5%). US Nasdaq (+7.3%), S&P (+5.1%) and India (+3.2%) were the only gainers this year.

Currencies. Philippine peso (PHP) was a gainer last week together with Indonesian rupiah (+1.9% w/w). It strengthened by 1.1% w/w to close at P52.96/\$ amid huge foreign inflows from the sale of FB shares, improving inflation outlook and seasonally strong remittance season. This shaved PHP's YTD loss to 5.7%. **Most Bought/Sold Stock.** See table in next page.

Economic News

Philippine GDP growth in the third quarter (3Q18) moderated to 6.1% y/y, in-line with our (house view) estimate, behind 3Q18 consensus and upwardly revised second quarter GDP of 6.2%. Average for the first three quarters was 6.3%. Growth drivers were: services (+6.9% y/y from +6.8% in Q2), government spending (+14.3% from +11.9%), and exports (+14.3% from +12.6%), and double-digit growth in investments (+16.7% from +21.5%), partially offset by slowdown in household consumption (+5.2% from +5.9%) amid rising inflation and manufacturing (+4% from +5.5%) and weak agriculture (-0.4% from +0.3%).

YTD net foreign direct investments (FDI) tally was still healthy, up 31% y/y to \$7.4bn and comprised 80% of BSP's full year target of \$9.3bn. Net FDIs for the first nine months of the year (9M18) was mainly driven by the 66.2% expansion in net equity placements to \$2.5bn and 17.9% increase in debt investments to \$4.9bn. Equity investments were mostly infused in manufacturing (\$980mn); financial and insurance (\$375mn); real estate (\$239mn); arts, entertainment and recreation (\$186mn); and electricity, gas, steam and airconditioning supply (\$110mn). Singapore (\$905mn), Hong Kong (\$257mn), the US (\$101mn), Japan (\$162mn) and China (\$181mn) were the main sources of equity investments this year. Net FDI dropped by 41.2% y/y to \$752mn in August.

Corporate News

Megaworld Corporation (MEG) reported a consolidated net profit of P11.7bn in 9M18, up 12.8% y/y, amid robust rental income (+18.6% y/y to P10.5bn) and sustained growth in residential revenues (+10% y/y to P28.4bn). Consolidated revenues expanded by 12.6% to P41.8bn for the said period. MEG closed yesterday at P4.45/share, down 13.8% YTD.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
SMC	171.50	54%	15.3	SECB	145.00	-42%	10.2
MER	380.80	16%	19.9	GTCAP	728.00	-42%	8.7
JFC	278.00	10%	34.0	AEV	47.00	-36%	10.8
				JGS	46.45	-36%	12.4
				MBT	65.05	-33%	9.2

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
PGOLD	43.00	6%	16.4	GLO	1,728.00	-17%	12.3
FGEN	16.40	5%	5.7	TEL	1,220.00	-12%	11.4
LTG	15.10	4%	9.3	SCC	25.50	-9%	6.6
MER	380.80	4%	19.9	GTCAP	728.00	-4%	8.7
MEG	4.50	2%	8.8	ALI	38.00	-4%	16.6

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

Top Foreign Buying		Top Foreign Selling	
ICT	208.6	SMPH	-650.5
JFC	166.3	ALI	-380.3
MER	165.7	MBT	-330.2
SMC	160.7	GLO	-330.1
JGS	92.2	SM	-271.1

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,209.7	-1.9%	-7.1%
Nickel (per metric tons)	11,470.0	-3.9%	-10.1%
Copper (per lbs)	268.5	-4.4%	-19.9%
WTI (per barrel)	60.2	-4.7%	-0.4%
Sugar (per lbs)	12.7	-5.3%	-18.9%
Rice (per cwt)	10.6	-1.0%	-9.3%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
11/12/2018	11/13/2018	11/14/2018	11/15/2018	11/16/2018
PH: Foreign Direct Investments (Aug)		CH: Retail Sales (Oct) and Industrial Production (Oct) US: CPI (Oct)	PH: MB Policy Meeting and OFW Remittances (Sep) US: Retail Sales (Oct) and Initial Jobless Claims (Nov. 10)	
11/19/2018	11/20/2018	11/20/2018	11/21/2018	11/22/2018
PH: BOP (Oct)			US: Initial Jobless Claims (Nov. 17)	