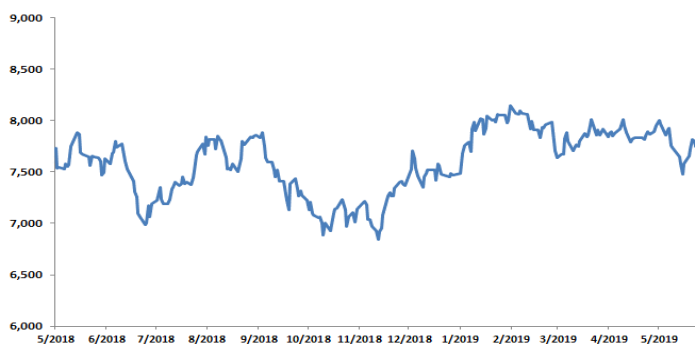


Eyes on inflation

May 27 - 31, 2019

PSEi 2019 Performance



Weekly PSEi Performance

	As of May 31, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,970.0	2.9%	6.8%	
FMETF	119.5	2.8%	7.2%	
All Shares	4,890.4	2.3%	8.2%	
Financials	1,728.6	1.3%	-2.9%	17.5
Industrial	11,634.4	3.7%	6.2%	11.9
Services	1,683.1	1.5%	16.7%	11.1
Property	4,325.8	3.7%	19.2%	21.1
Holdings	7,577.3	2.7%	3.2%	37.7
Mining & Oil	7,388.4	2.7%	-9.9%	0.6

Market Statistics (in Php bn)

	May 31, 2019	YTD
Ave. Daily Value Turnover	8.9	7.7
Foreign Buying	29.2	449.3
Foreign Selling	29.4	421.3
Net Foreign Buying/(Selling)	(0.2)	28.0
% of Foreign to Total	66%	56%

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	24,815.0	-3.0%	6.4%	15.4
S&P 500	2,752.1	-2.6%	9.8%	16.5
FTSE 100	7,161.7	-1.6%	6.4%	0.1
DAX	11,726.8	-2.4%	11.1%	12.8
Nikkei	20,601.2	-2.4%	2.9%	14.5
Hang Seng	26,901.1	-1.7%	4.1%	10.6
Shanghai	2,898.7	1.6%	16.2%	11.0

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. After retesting the index's resistance of 8,200 yesterday, we expect some profit taking in the market as some names have charted new 52wk high. Also shortened trading week this week (Eid'l Fitr) and next week (Independence Day) may prompt some investors to take profits. We expect that May inflation figure (June 5, 2019) coupled with anticipation of further monetary easing shall provide support for the market.

The main risk for the index is the second half GDP result which we expect to remain challenged due to lower government spending in the first four months. Growth of 6%, or better, in 2Q18 will be a welcome reprieve. On the bright side, energy sales have picked up in the second quarter. Consumer confidence in the second quarter also improved to 10.7% vs 0.8% in 1Q19 while the year-ahead expectation improved drastically to 28.4% from 10.7% in 4Q18 as inflation eased and consumers are anticipating prices to stabilize. This was reflected in the credit card loan and motor vehicle loan growth which accelerated by 25.7% and 9.2% year-on-year in April vs. 25.5% and 8.9% growth recorded in March.

Escalating global trade war remains as a concern. With no deal in sight, further escalation of US's trade war against China, which now extends to Mexico and India, continues to threaten global growth outlook, causing risk off sentiment to global equity markets in the past month.

Market Review. The PSE index continued its charge for a second consecutive week jumping 2.9% w/w to 7,970 as outflows from passive funds were met with bargain hunting. The index was led by new 52-week highs from RLC, MEG, and FGEN while URC bounced back to its 52-week high reached early in May.

Market Flows. Despite the \$150m USD outflow expected outflow, net foreign selling for the week was just \$3.8m or Php197m. Top foreign buys were SM, ALI, GLO, SCC, and TEL. Meanwhile, SMPH, JFC, SECB, MPI, and BDO saw the most outflows. Net foreign selling for the month was \$270m.

Regional Markets. Trade war contagion has kept equity markets from getting a relief as world markets were sold down saved for Shanghai Composite Index which was up 1.6% w/w. The Dow Jones and S&P 500 were down 3% and 2.6%, respectively. Trump announced he plans to impose up to 25% import tariff on Mexico over migrant surge.

Currencies. The peso was unchanged w/w at Php52.17/\$ as the PSE index was able to snap an 18 straight days of outflow last Wed. Net foreign buying was recorded after MSCI rebalancing on Wednesday which saw \$21m foreign funds flow in the equity market.

Economic News

Domestic liquidity, measured by M3, grew 7% year-on-year and 1.5% month on month to Php11.7tn in April. This was faster than the 6.1% year-on-year growth seen in March. Bank lending saw 12.7% growth in April led by loans for household consumption which continue to grow 15% in April. BSP reported faster growth in credit card loans and motor vehicle loans, offsetting the slower expansion in salary based general purpose consumption loans.

Information Technology and Business Process Assoc of the Philippines (IBPAP) President Rey Untal estimates that BPO revenue grew around 5-6% in 2018 to \$24.5-24.8bn. This was an improvement from the 2.1% growth in 2017 but still far from its 2022 target of \$40bn revealed in 2016. Under IBPAP's roadmap, they were targeting 9% CAGR from 2016-2022. The slow growth was attributed to the uncertainty that comes from the government's review on fiscal incentives.

Corporate News

Irwin Lee, URC's president said that they are looking at 7-9% sales growth in 2019 while keeping margins steady year-on-year. Remember that 1Q19 revenues were 7% while net profit grew by only 2%. He said that growth will be led by the coffee business which was experiencing strong growth as reflected in market share which recovered to 25% from a low of 20%. He said almost all products were contributing to revenue growth and has in fact earmarked Php9bn for capacity expansion this year.

Merlaco Chairman Manuel Pangilinan disclosed that electricity volume growth for April and May were 11% and 4% respectively, outpacing 1Q19's 2.3% growth. Growth was mainly attributed to residential segment but demand from commercial and industrial segments also accelerated.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
ICT	136.0	36.0%	23.5	DMC	10.6	-17.2%	9.2
URC	167.0	31.5%	33.5	BPI	80.8	-14.0%	13.4
AGI	15.6	31.1%	8.7	GTCAP	863.0	-11.5%	11.5
RLC	26.0	29.0%	15.9	MBT	71.8	-11.4%	10.9
SMC	187.5	27.6%	17.4	LTG	14.9	-10.0%	8.9

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
RLC	26.0	8.8%	15.9	GTCAP	863.0	-2.3%	11.5
URC	167.0	8.5%	33.5	SCC	22.0	-1.6%	7.6
MEG	5.9	8.5%	11.3	PGOLD	44.6	-1.1%	18.4
FGEN	23.1	7.2%	7.4	LTG	14.9	-1.1%	8.9
BLOOM	11.8	6.7%	16.9	MBT	71.8	-0.3%	10.9

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

Top Foreign Buying		Top Foreign Selling	
SM	606.9	SMPH	(695.8)
ALI	354.2	JFC	(620.6)
GLO	260.5	SECB	(226.8)
SCC	199.3	MPI	(213.2)
TEL	184.6	BDO	(203.1)

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,305.6	1.6%	1.8%
Nickel (per metric tons)	12,017.0	-2.7%	12.4%
Copper (per lbs)	264.0	-2.2%	0.0%
WTI (per barrel)	53.5	-8.7%	17.8%
Sugar (per lbs)	12.1	3.8%	-1.1%
Rice (per cwt)	11.5	-0.9%	13.5%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
6/3/2019	6/4/2019	6/5/2019	6/6/2019	6/7/2019
		Inflation (May 2019)		Foreign Reserves (May 2019)
		Unemployment (Apr 2019)		
6/10/2019	6/11/2019	6/12/2019	6/13/2019	6/14/2019
		Trade Balance (Apr 2019)		