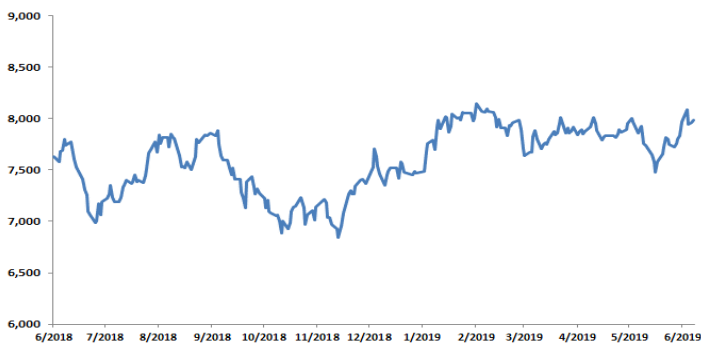


Wobbly at 8,000

June 3 - 7, 2019

PSEi 2019 Performance



Weekly PSEi Performance

	As of Jun 7, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,984.0	0.2%	6.9%	
FMETF	119.6	0.1%	7.3%	
All Shares	4,890.8	0.0%	8.3%	
Financials	1,736.8	0.5%	-2.4%	17.5
Industrial	11,554.0	-0.7%	5.5%	11.9
Services	1,670.7	-0.7%	15.8%	11.1
Property	4,333.7	0.2%	19.5%	21.1
Holdings	7,645.2	0.9%	4.1%	37.7
Mining & Oil	7,296.5	-1.2%	-11.0%	0.6

Market Statistics (in Php bn)

	Jun 7, 2019	YTD
Ave. Daily Value Turnover	8.0	7.7
Foreign Buying	19.7	468.3
Foreign Selling	20.0	440.6
Net Foreign Buying/(Selling)	(0.3)	27.7
% of Foreign to Total	62%	56%

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	25,983.9	4.7%	11.4%	16.1
S&P 500	2,873.3	4.4%	14.6%	17.2
FTSE 100	7,331.9	2.4%	9.0%	12.8
DAX	12,045.4	2.7%	14.1%	13.1
Nikkei	20,884.7	1.4%	4.3%	15.1
Hang Seng	26,965.3	0.2%	4.3%	10.6
Shanghai	2,827.8	-2.4%	13.4%	10.9

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. The market will likely hold steady at the 8,000-level this week even with the escalation of the trade war and ensuing likely preponderance of weak global economic data reminding investors of the slowdown in both developed and emerging markets. We believe that the pending policy stimulus in the US such as an early US Fed rate cut or more fiscal measures in China would help lift sentiment and share prices. Also, Trump has already reneged on his threat of imposing 5% tariff on Mexican exports. Lastly, we find the lower domestic interest rates to support the market the index. The 10-Yr BVAL ended yesterday at 5.03%, down 200bps year-to-date, and lowest since November 2017.

Market Review. The main bourse stretched its winning streak to its third week, closing at 7,984, up 0.2%. The market retested its previous 52-wk high of 8,200 early Monday last week as it reached an intraday high of 8,139.74 before succumbing to profit taking, pulling back to an intraday low of 7,921.80 in Thursday. Local buyers bought the pullback to end the week up 0.2% despite Php308mn net foreign selling. Index was led by FGEN (+4.1%), PGOLD (+3.9%), GLO (+3.2%) and LTG and MEG (both up 2.9%). TEL was the major drag, down 8.9%, thanks to a private placement last Tuesday sold at 9% discount to Monday's close at an average of Php1,238/sh.

Market Flows. Foreigners extended their net foreign selling for the 5th straight week, as the index saw Php308mn in outflows. TEL saw Php565mn in outflow followed by MBT and JFC after foreigners sold a net amount of Php334.6mn and Php274mn, respectively.

Regional Markets. Two things that pushed the international markets higher: first, the Fed's inclination to cut rates this year, following a disappointing jobs report; and second, Trump pulling out of his threat to impose tariff to Mexico. Employers added 75,000 new jobs in May versus the 175,000 jobs initially forecasted, prompting Fed Vice Chairman to suggest that weak economic growth coupled with persistently low inflation may support policy easing. Before the week ended, Trump announced that the proposed tariffs to Mexico will be suspended indefinitely, providing relief from the threat of further escalation in trade war. These two developments pushed the Dow Jones and S&P500 to rally by 4.7% and 4.4%, respectively. Shanghai Comp meanwhile bucked the trend, down 2.4%, after the PBOC governor expressed openness to let the Yuan weaken in light of the prolonged trade war between US and China.

Currencies. The peso appreciated by as much as 80bps to Php51.74/USD following expectation that the Fed may cut interest rate as early as this year. Also, the peso found support from month-on-month inflation slowing down to 0.17% in May vs 0.25% in April and foreign reserves reaching US\$85bn in May. The peso fell, however, to Php52.04 on rate cut expectation; reserves on LTNCD made uniform at 4% from 7% and for the thrift banks to 6% from 8%; and a Fed rate cut weighing on the yield curve.

Economic News

Foreign direct investments (FDI) fell by 13.9% to \$586million in March, reaching four months low as net equity capital investments dropped 66.2% year-on-year to \$107million from \$318million registered in the same month last year. Debt investment, however, jumped 35.8% to \$399million. Year to date FDI was \$1.941billion in 1Q19, 15.1% lower than last year's \$2.287billion. The BSP is looking at \$10billion FDI for the year. The 10 year benchmark rate ended yesterday at 5.03%, a level we haven't seen since November 2017. This keeps the BSP target alive.

Brent crude has fallen 16% from its 2019 peak of 74.57 (Apr 2019) over concerns of rising US shale production and a slowing global economy. Energy research firm reported that US oil production is on track to reach 13.4million barrels per day by the end of 2019, with Texas alone, contributing 5 million barrels per day - higher than any OPEC member excluding Saudi Arabia. Earlier this month, IMF cut its forecast for economic growth to 6% next year, a level not seen since 1990.

Corporate News

MPI received the toll hike approval from Toll Regulatory Board for Subic-Clark-Tarlac Expressway (SCTEX) which will be implemented on June 14, 2019. Motorists with class 1 vehicles traveling from Mabalacat City to Tarlac will pay additional Php20 (+19.2%) toll to Php124 from Php104.

San Miguel Corp (SMC) acquisition of Holcim Philippines undergoes Philippine Competition Commission (PCC) review. HLCM accounts for less than 20% of the Philippine cement market. But combining this with SMC affiliated Eagle Cement and Northern cement, the group would corner 56% of Philippines' cement capacity.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
ICT	137.5	37.5%	23.6	DMC	10.4	-18.3%	9.1
URC	169.0	33.1%	33.4	BPI	81.8	-13.0%	13.5
RLC	26.3	30.5%	15.7	MBT	71.0	-12.4%	10.8
AGI	15.5	30.4%	8.6	GTCAP	879.0	-9.8%	11.8
MEG	6.1	27.8%	11.3	RRHI	73.0	-8.8%	20.2

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
FGEN	24.1	4.1%	7.5	TEL	1,230.0	-8.9%	11.2
PGOLD	46.4	3.9%	18.9	JFC	275.2	-4.4%	35.0
GLO	2,240.0	3.2%	14.2	AP	35.1	-3.8%	10.3
LTG	15.4	2.9%	8.9	SMC	183.0	-2.4%	17.2
MEG	6.1	2.9%	11.3	SECB	171.9	-1.8%	13.0

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

Top Foreign Buying		Top Foreign Selling	
GLO	305.8	TEL	-565.7
ALI	305.5	MBT	-334.6
MEG	234.5	JFC	-274.0
SM	205.7	SMPH	-140.6
ICT	158.2	SECB	-81.3

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,340.9	2.7%	4.6%
Nickel (per metric tons)	11,617.0	-3.3%	8.7%
Copper (per lbs)	262.8	-0.5%	-0.5%
WTI (per barrel)	54.0	0.9%	18.9%
Sugar (per lbs)	12.5	3.3%	2.1%
Rice (per cwt)	11.7	2.4%	16.1%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
6/10/2019	6/11/2019	6/12/2019	6/13/2019	6/14/2019
		Trade Balance (Apr 2019) Independence Day (No Trading)		
6/17/2019	6/18/2019	6/19/2019	6/20/2019	6/21/2019
OFW Remittance (Apr 2019)		Balance of Payment (May 2019)	Monetary Board Meeting	