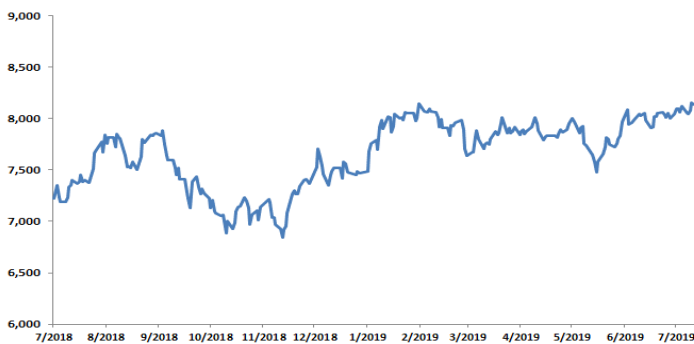


New highs

July 8 - 12, 2019

PSEi 2019 Performance



Weekly PSEi Performance

	As of Jul 12, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	8,141.8	0.3%	9.1%	
FMETF	122.2	0.4%	9.6%	
All Shares	4,944.7	0.0%	9.4%	
Financials	1,788.8	2.7%	0.5%	17.5
Industrial	11,791.3	-1.6%	7.7%	11.9
Services	1,693.7	-0.3%	17.4%	11.1
Property	4,423.9	1.0%	21.9%	21.1
Holdings	7,758.2	-0.5%	5.7%	37.7
Mining & Oil	7,437.2	0.0%	-9.3%	0.6

Market Statistics (in Php bn)

	Jul 12, 2019	YTD
Ave. Daily Value Turnover	6.0	7.7
Foreign Buying	15.5	565.0
Foreign Selling	14.9	543.8
Net Foreign Buying/(Selling)	0.6	21.1
% of Foreign to Total	51%	56%

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	27,332.0	1.5%	17.2%	17.1
S&P 500	3,013.8	0.8%	20.2%	18.2
FTSE 100	7,506.0	-0.6%	11.6%	13.0
DAX	12,323.3	-2.0%	16.7%	13.8
Nikkei	21,685.9	-0.3%	8.3%	15.4
Hang Seng	28,471.6	-1.1%	10.2%	11.3
Shanghai	2,930.5	-2.7%	17.5%	11.5

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. A healthy pullback this week is in the cards after the PSEi knocked on the lower end of the band of our 2019 index target of 8,400 - 8,800. This is the natural course after a big rally of 222 points in two days, similar to what were seen early in the year, when the PSEi rose by 217 points and in November last year which saw it climb by 248 points.

Four factors were behind the PSEi rally: (1) BSP's announcement that rate cuts are certain and it's only the timing that's the question. (2) A 25 bps cut by month end is also a certainty based on the more dovish Fed language given to the US Congress. (3) Second quarter corporate earnings season has begun, delivering the first encouraging result; solid numbers from index heavyweight SMPH. (4) Lastly, China's second quarter GDP growth beat of 6.3% versus 6.2% expected, showing resilience and lifting the economic growth overhang of the trade war on Asian markets last week. The People's Bank of China (PBOC) reiterated it stands ready to support the economy, addressing the concerns about a prolonged slowdown.

Amidst the profit-taking among large and mid-caps that have touched their 52-week highs, we expect previous resistance levels to turn into strong support, specifically 8,100. The pullback is a buying opportunity to overweight fundamentally sound stocks that should eventually show results that meet or even beat analysts' estimates as the economy rebounds from the doldrums of the first quarter.

Market Review. The PSEi broke past its 2019 high, hitting intra-day high of 8,197.5 last Friday before closing at 8,141.8. FGEN continued to post new 52-week high at Php27.5/sh as the market expects good 1H19 earnings result, thanks to persistently high WESM prices. Property names ALI, RLC, and MEG also rallied to its 52-week highs, at Php53.0, Php27.5, and Php6.3 as expectation of more accommodative monetary policy bodes well for property sector. It also helped that POGO sector welcomed DoF's policy on implementing new taxes particularly for POGO employees. Lastly, URC's divestment in its Australia-NZ business helped push URC to Php179/sh, a level the market hasn't seen since 2017. BDO also hit 52-week high, closing at Php148.2.

Regional Markets. Fed Chairman Powell's testimony in the US Congress strengthened the case of policy easing as early as this month. Dow Jones reached 27,332, up 1.5% week-on-week (w/w) while S&P500 was up 0.8% to 3,013.8. The Fed repeatedly highlighted the risk of possible global economic slowdown by 2020, which will require timely intervention from the Fed. Chinese markets were down on the expectation of lower GDP growth to 6.2% from 6.4% in 1Q19. Hang Seng was down 1.1% while Shanghai Composite fell 2.7%

Currencies. The peso strengthened by 0.1% to Php51.14/USD due mainly to weaker dollar. The dollar index fell by 0.48% for the week, following expectation of an interest rate cut this month. Also, Philippine trade deficit narrowed due to weaker imports in May, easing downward pressure on the peso.

Economic News

Philippine trade deficit narrowed by 16% for the month of May as imports contracted for the second consecutive month, down 5.4% to US\$9.4bn, while exports eked 1% gain to US\$6.1bn. Year-to-date trade deficit was still up 5.3% to US\$16.5, but we highlight that this was a huge slowdown from the 54% growth recorded in the same period last year.

Tourist arrivals grew 15.6% in May, according to Department of Tourism. Year-to-date, tourist arrival was up by almost 10% to 3.5million, keeping the full year target of 8.2million within reach. Majority of foreign visitors came from South Korea which comprised 22.6% of total arrivals. Chinese tourists followed, with 733,769 arrivals, comprising 21% of the total.

Meanwhile, foreign direct investment (FDI) fell 14% in the first four months of the year to US\$2.9bn as equity investment was down 54%. Investments in debt instruments grew 16% to US\$2.2bn.

Corporate News

SMPH kicked off the 1st half (1H19) earnings season with a 16% net income growth to Php19.3bn for the period, in line with analysts' forecast. Net income was driven by robust topline growth particularly with its residential business which posted 26% growth in revenues to Php21.4 and sustaining 20% presales growth of Php41.4bn. Mall revenue grew 8%, on the back of 7% same mall sales growth. Other businesses namely commercial properties and hotels and convention centers saw 13% topline growth and 18% operating income as margins improved to 51% from 48%.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
ICT	143.6	43.6%	25.1	DMC	10.1	-21.0%	9.3
RLC	27.5	36.5%	16.0	BPI	81.1	-13.8%	13.9
URC	171.7	35.2%	36.5	MBT	72.9	-9.9%	11.5
FGEN	26.8	34.1%	8.5	LTG	15.8	-5.1%	9.3
MEG	6.3	32.6%	12.0	JFC	280.4	-3.9%	36.3

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
GTCAP	900.0	5.3%	13.3	GLO	2,200.0	-2.6%	14.1
PGOLD	45.9	4.8%	18.9	URC	171.7	-2.4%	36.5
SECB	179.0	4.1%	13.9	SM	960.0	-2.3%	27.8
RRHI	80.0	3.9%	22.5	TEL	1,214.0	-2.1%	11.1
BDO	148.2	3.6%	17.5	JFC	280.4	-1.6%	36.3

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

Top Foreign Buying		Top Foreign Selling	
SM	516.0	JFC	-229.6
ALI	405.9	BLOOM	-202.2
BDO	207.8	MBT	-156.6
SECB	183.4	AP	-155.1
RLC	147.9	AGI	-71.8

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,415.8	1.2%	10.4%
Nickel (per metric tons)	13,470.0	7.9%	26.0%
Copper (per lbs)	269.4	1.2%	1.9%
WTI (per barrel)	60.2	4.7%	32.6%
Sugar (per lbs)	12.3	-0.5%	-1.8%
Rice (per cwt)	11.7	4.2%	15.7%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
7/15/2019	7/16/2019	7/17/2019	7/18/2019	7/19/2019
OFW Remittances (May 2019)				BOP (June 2019)
7/15/2019	7/16/2019	7/17/2019	7/18/2019	7/19/2019
Budget Balance (June 2019)				