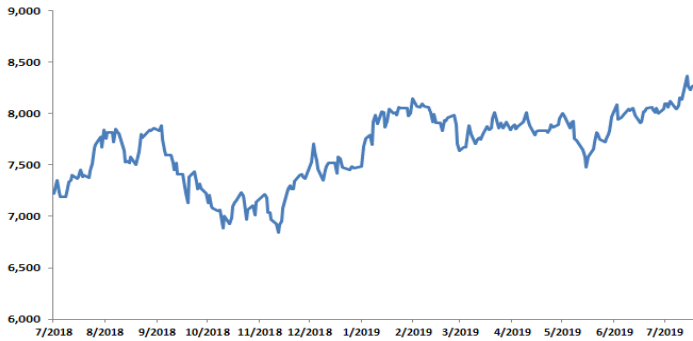


### PSEi 2019 Performance



### Weekly PSEi Performance

	As of Jul 19, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	8,184.0	-1.0%	9.6%	
FMETF	122.6	-0.9%	10.0%	
All Shares	4,955.6	-1.1%	9.7%	
Financials	1,848.5	-1.5%	3.9%	17.5
Industrial	11,467.7	-2.0%	4.7%	11.9
Services	1,651.9	-1.8%	14.5%	11.1
Property	4,347.1	-1.7%	19.8%	21.1
Holdings	7,999.1	0.7%	9.0%	37.7
Mining & Oil	7,871.0	-3.1%	-4.0%	0.6

### Market Statistics (in Php bn)

	Jul 26, 2019	YTD
Ave. Daily Value Turnover	6.7	7.6
Foreign Buying	17.9	602.2
Foreign Selling	17.9	577.4
Net Foreign Buying/(Selling)	(0.018)	24.8
% of Foreign to Total	54%	56%

### Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	27,192.5	0.1%	16.6%	17.4
S&P 500	3,025.9	1.7%	20.7%	18.2
FTSE 100	7,549.1	0.5%	12.2%	13.0
DAX	12,419.9	1.3%	17.6%	14.4
Nikkei	21,658.2	0.9%	8.2%	15.4
Hang Seng	28,397.7	-1.3%	9.9%	11.2
Shanghai	2,944.5	0.7%	18.1%	11.5

Sources: PSE data, Bloomberg

### Equities Outlook

**Outlook.** The likely Fed rate cut and corporate earnings are expected to support the market this week at 8,100 but we recommend a hold on buying ahead of MSCI semiannual index review next week, August 8. Key economic data are scheduled to be released for 1H19 like inflation and GDP, unless there are positive surprises from these releases, we might see the market testing to break the support of 8,000 as foreign funds rebalance in favor of China A-shares.

Out of the 30-index names, four have reported with MER and BDO beating consensus while SMPH and MBT earnings were in line. So far, we are already seeing improvement from last quarter. The banks delivered strong net income growth despite slow loan growth. Analysts expect that loan growth is headed for recovery in the second half, thanks in large part to the government's catch up plan in infrastructure spending and low interest rate environment. BPI will release its earnings report on Thursday while SECB will announce results next week. MER's net income growth was ahead of consensus estimates driven by strong sales volume, up 8% in 2Q19 which brought 1H19 growth to 5.3%. So far, these data support the expectation that GDP growth in 2Q19 will recover to 6% after a disappointing 1Q19 growth of 5.6%. The actual GDP number will be released next Thursday.

**Market Review.** The PSE index ended a three-week winning streak, closing at 8,184, down 1%. Average value turnover was Php6.7bn for the week and foreigners were net sellers by Php17.9mn coming mainly from JFC (Php1.1bn), SMPH (Php522mn) and some Php600mn from TEL, AEV, and ALI.

Last week's biggest drag was JFC, down 9.9% and saw Php1.1bn in net foreign selling, after it disclosed it plans to acquire 100% of Coffee Bean & Tea Leaf (CBTL) for US\$350mn. CBTL reported US\$21mn in net losses in 2018 or around Php1.1bn in our currency. JFC is still reeling from the losses from Smashburger and this new acquisition is expected to further drag the company's earnings by around 10% of JFC's forecasted Php8bn net income this year. ICT followed JFC, down -6.1% despite being declared the winning bidder in the acquisition of a new terminal in Brazil as sentiment was dragged by expected lower Philippine trade value in 2Q19 and uncertainty over Sudan. Completing last week's top losers were TEL (4.4%), MBT (3.8%), and LTG (3.8%).

**Regional Markets.** US markets charted new all-time on strong earnings from tech stocks and better-than-expected GDP growth. Alphabet (Google) beat analysts' revenue forecast of US\$30.8bn as it posted US\$31.7bn in topline in 2Q19 while Twitter posted its strongest user growth in two years and generated US\$841mn in revenue vs US\$829 initially forecasted. Second quarter US GDP beat the analysts' expectation of 1.8% (Bloomberg survey), growing 2.1% for the period led by strong consumer spending which grew 4.3%. This is a marked slowdown from last quarter's 3.1% and it further strengthened the case of a rate cut this week. Asian stocks shed some gains after ECB surprisingly left interest rates unchanged.

**Currencies.** The peso was unchanged last week, closing at Php51.06/USD, despite the strong dollar which strengthened by almost 1% last week due to stronger-than-expected GDP and strong corporate earnings result. Other Asian currencies weren't so lucky. The Japanese Yen and South Korean Won both weakened by 0.9%, Thai Baht and Indonesian Rupiah both dropped by 0.5%, and the Malaysian Ringgit ended the week 0.2% lower.

### Economic News

On a surprise move, the President vetoed the Security of Tenure Bill citing the government's need to strike a healthy balance between the interests of capitalists and workers and that the bill in its current form may have adverse consequences to Filipino workers in the long term. DoF added that the Administration was protecting the Philippines' competitive position as an investment destination. Meanwhile, the Administration enacted the tobacco sin tax law which is estimated to raise Php15.7bn in government revenue in 2020 and Php130bn over the next five years. Proceeds are earmarked for the Universal Health Care (UHC) law which will require Php257bn in 2020 and Php1.44tn over the next five years. The new tobacco sin tax law will hike excise tax on cigarettes to Php45 in 2020 and an increment of Php5/year until 2023 to Php60/pack. The excise tax will increase by 5% per annum starting 2024. The government is proposing to increase excise taxes on alcohol and e-cigarettes next to plug the remaining funding gap for UHC.

### Corporate News

AC is officially listing AC Energy by way of backdoor listing through Phinma Energy (PHEN). In a disclosure, PHEN announced it will change its name to AC Energy Philippines Inc and it approved raising the authorized capital stock from Php8.4bn to Php24.4bn, making way for a rights offering. Total capital to be raised via rights offering is still being finalized but the proceeds will be used for investment in greenfield projects and acquire power assets, including those from AC energy. In a separate disclosure, AC sold its interest in the 4x135MW coal-fired power project in Kauswagan, Lanao del Norte. The transaction is aligned with AC Energy's effort to rebalance its portfolio and to achieve its target of at least 5GW of renewable energy attributable capacity by 2025.

BDO 1H19 net income was up 53.6% to Php20.2bn. Net interest income grew 24% to Php56.9bn driven by 7% loan growth to Php2tn and 50bps NIM expansion to 3.99% from 3.5% last year. Non-interest income was up 29% from strong fee-based income and higher insurance premiums, together growing double-digit y/y. Trading and FX gains swung to Php3.6bn from Php54mn loss in 1H18. Provisions were lower at Php3bn from Php3.54bn last year while operating expense grew by 21%. Gross NPL ratio was steady at 1.2% while CET-1 improved quarter-on-quarter (q/q) to 12.6% from 12.4% in 1Q19.

**Index Performer (Year-to-date)**

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
RLC	28.0	39.0%	16.4	DMC	10.4	-18.8%	9.3
URC	171.0	34.6%	35.6	JFC	252.0	-13.6%	32.7
FGEN	26.9	34.6%	8.5	LTG	14.7	-11.6%	8.4
ICT	133.0	33.0%	23.1	MBT	75.0	-7.4%	11.4
AGI	15.8	32.8%	8.8	BPI	90.6	-3.6%	15.1

**Index Performer (Week-on-Week)**

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
GTCAP	969.0	5.3%	14.2	JFC	252.0	-9.9%	32.7
AC	983.0	3.5%	18.0	ICT	133.0	-6.1%	23.1
URC	171.0	3.0%	35.6	TEL	1,135.0	-4.4%	10.3
RLC	28.0	2.9%	16.4	MBT	75.0	-3.8%	11.4
FGEN	26.9	2.1%	8.5	LTG	14.7	-3.8%	8.4

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

Top Foreign Buying		Top Foreign Selling	
AC	953.5	JFC	-1,117.8
SM	776.6	SMPH	-522.9
BPI	364.4	TEL	-256.2
RLC	316.8	AEV	-239.2
RRHI	107.4	ALI	-178.9

**Commodities (in USD)**

	Value	W-o-W	YTD
Gold (per troy ounce)	1,418.9	-0.5%	10.6%
Nickel (per metric tons)	14,100.0	-4.3%	31.9%
Copper (per lbs)	268.5	-2.5%	1.5%
WTI (per barrel)	56.2	1.0%	23.8%
Sugar (per lbs)	12.0	3.7%	-4.1%
Rice (per cwt)	12.2	2.1%	20.8%

**Market Calendar**

Monday	Tuesday	Wednesday	Thursday	Friday
7/29/2019	7/30/2019	7/31/2019	8/1/2019	8/2/2019
		Money Supply M3 (June 2019)		Philippines PMI Manufacturing Index (July 2019)
		Loan Growth (June 2019)		
8/5/2019	8/6/2019	8/7/2019	8/8/2019	8/9/2019
	Inflation (July 2019)	FX Reserves (July 2019)	2Q19 GDP	
		International Trade (June 2019)	BSP Policy Rate	