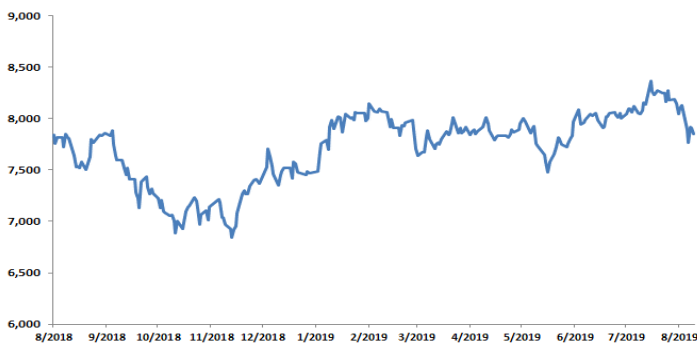


Next support at 7,600 - 7,700

August 5 - 9, 2019

PSEi 2019 Performance



Weekly PSEi Performance

	As of Aug 9, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,854.4	-3.4%	5.2%	
FMETF	118.1	-2.6%	5.9%	
All Shares	4,784.1	-2.9%	5.9%	
Financials	1,851.6	-0.5%	4.0%	17.5
Industrial	10,804.3	-5.3%	-1.3%	11.9
Services	1,591.6	-1.3%	10.3%	11.1
Property	4,100.0	-5.2%	13.0%	21.1
Holdings	7,630.4	-3.4%	3.9%	37.7
Mining & Oil	8,152.2	0.6%	-0.6%	0.6

Market Statistics (in Php bn)

	Aug 9, 2019	YTD
Ave. Daily Value Turnover	7.0	7.6
Foreign Buying	16.8	633.4
Foreign Selling	20.8	612.1
Net Foreign Buying/(Selling)	(3.9)	21.3
% of Foreign to Total	53%	55%

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	26,287.4	-0.7%	12.7%	16.9
S&P 500	2,918.7	-0.5%	16.4%	17.4
FTSE 100	7,253.9	-2.1%	7.8%	12.5
DAX	11,693.8	-1.5%	10.7%	13.7
Nikkei	20,684.8	-1.9%	3.3%	14.9
Hang Seng	25,939.3	-3.6%	0.4%	10.3
Shanghai	2,774.8	-3.2%	11.3%	11.0

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. The Philippine stock market may see more downside with today's drop ahead of the MSCI rebalancing implementation by month-end, weaker sentiment on the GDP growth disappoint, and negative surprises on corporate earnings news flow like the latest on PGOLD's -5% earnings and Semirara Mining and Power's 26% drop released this morning.

So far, earnings of the twenty PSEi companies that disclosed have lived up to the 10% we expected for the year and in the first half was actually above it at 11% despite the weak global and domestic growth backdrop, having accelerated 15% in the second quarter from the 8% in the first quarter (for the same 20 companies and 4.5% 1Q19 growth for the 30-member PSEi).

But market vulnerability will be offset by two factors: (1) hopes for further rate cuts as liquidity condition begins to be more closely watched since BSP Gov. Diokno gave fresh signals for more rate cuts and (2) from the earnings season, as more index heavy-weights disclosing positive results.

In a latest sentiment to media, the BSP said through Deputy Governor Francis Dakila that further reduction in Philippines lenders' reserve requirement ratio is a live discussion in the Monetary board.

The BSP will remain data dependent and is watching how banks are using liquidity released after a 200bps RRR cut earlier this year, Dakila says, without providing guidance on next cut in reserve ratio. BSP Governor Diokno on Friday signaled more reductions in amount of cash banks must hold in reserves, saying an RRR cut could happen before its Sept. 26 rate meeting. Also BSP plans to issue its own debt securities by 2H of 2020, intending for this to happen within the rate corridor framework, Dakila says.

Corporate earnings. We think AC's earnings will still be challenged. Despite the strong performances of Globe and BPI, other segments disappointed namely IMI, ALI, and MWC. Results from unlisted subsidiaries like AC Energy and AC Industrials may not be as encouraging as well. DMC is another conglomerate poised to disappoint as SCC already disclosed earnings falling by as much as 26% in the first half. On the bright side, we expect some recovery from JGS, driven by the strong performances of RLC, CEB, and URC. LTG may also surprise positively, due to strong contributions from PNB and its tobacco business. Lastly, AGI may benefit from MEG's net income, up 16%; RWM EBITDA growth of 83.3% and whose core income (ex-insurance claims) swung to Php629mn from the comparable Php283mn loss in 2Q18.

Market Review. The PSE Index opened the week down by as much as 200pts last Monday and struggled to recover throughout the week, hovering between 7,700-7,900 level before closing at 7,854.4, down 3.4% week-on-week (w/w) on the back of Php3.9bn foreign selling. The result of MSCI rebalancing was released last week where analysts estimated close to US\$108mn (Php5.6bn) of net outflows. Earnings also failed to inspire, led by index heavyweight ALI which saw net income growth of 12%, behind analysts' estimate. JFC saw the biggest net foreign outflow (Php552mn) and fell 12.8% w/w after it reported disappointing 1H19 results and guided for continued headwinds brought by Smashburger in the short term and CBTL in the medium term. JGS fell by 9.3% due to recent downgrade from MSCI while MEG and its parent company AGI was sold on news that MEG's perpetual securities worth US\$200mn will be converted to 1.82bn shares, priced at Php5.7/sh.

Regional Markets. Geopolitical risk induced market volatility led to a sell down in global markets. Global growth slowdown takes center stage as Trump indicated he was not ready to make a deal with Beijing. Dow Jones Industrial index and the broader S&P500 fell 0.7% and 0.5% respectively. Shanghai composite index dropped 3.2% while ongoing protests in Hong Kong led to Hang Seng giving up year-to-date gains after falling by 3.6% last week.

Currencies. The Philippine peso fell 0.9% to Php51.9/USD, reacting to the 25bps cut and possibly more aggressive monetary easing moving forward as GDP slowed down in 2Q19. Also, increasing trade war tension also weakened demand for emerging markets, Philippines included. The Chinese Yuan fell 1.8% as a response to additional tariffs slapped by US.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
FGEN	26.1	30.6%	8.1	DMC	9.7	-24.3%	8.8
URC	161.0	26.8%	33.4	JFC	225.0	-22.9%	33.3
ICT	125.5	25.5%	21.7	LTG	14.2	-14.5%	8.1
SECB	193.5	24.8%	14.7	MBT	71.8	-11.4%	10.9
RLC	25.0	24.1%	14.3	AEV	49.9	-9.4%	12.9

Economic News

The week started with inflation cooling down to 2.4%, in line with analysts' forecast, largely due to the slower increases in food prices thanks to the rice tariffication law, lower electricity rates, and lower pump prices, reflecting global oil trend. The good news was quickly tempered by below expectation GDP growth of 5.5%, lower than 5.9% forecast and 5.6% growth recorded in 1Q19, citing delayed passing of the 2019 budget. BSP responded to the slowdown with a 25bps rate cut and Governor Diokno further added, in a separate interview, that the BSP can supplement this further with another RRR cut as early as next month.

Corporate News

First semester earnings report continues. In the conglomerate sector, SM was ahead while SMC was behind. SM net income was Php23bn, up 27% year-on-year in 1H19, carried by its property and banking businesses. SM retail, meanwhile, was flat at Php5.7bn, dragged by PFRS16 adjustments implemented in 2Q19. Pre-PFRS net income, however, saw 10% growth in 1H19. SMC was dragged by PCOR and FB. PCOR domestic volumes were hit by excise taxes and extended maintenance of its refinery plant, with the latter dragging gross refining margins to USD2.3/bbl and resulting to net income to be down 72%. FB's food segment suffered from cost and pricing pressures as well as oversupply of chicken leading to EBIT contraction of 77%. Beverages however remained solid led by San Miguel Beer Inc. and GSML, posting 12% and 94% net income growth respectively

In the property space, MEG and RLC reported 1H19. MEG net income hit Php8.3bn, up 16% year-on-year (y/y) driven largely by leasing business which posted 20% revenue growth to Php8.1bn. Residential segment was steady at 11% growth ending the period with Php20.2bn in revenues. Pre sales managed to grow 5%, reaching Php80bn in 1H19, despite the high base effect in the same period last year. RLC posted the fastest growth in 1H19 among the biggest property names, with net income jumping 20% y/y to Php4.0bn. Malls and offices leasing saw EBIT grew 17% and 25% respectively. Malls EBIT was driven by improved margins brought by Galleria and same mall revenue growth of 7%. Offices' was carried by 18% GLA expansion to 525,000 sqm and escalation of rent. Hotels EBIT, however, fell 29% due to pre-operating expense, higher overhead expenses, and higher depreciation from added hotels last year. Residential EBIT grew 8% but presales were up 30%, fastest among PSEi property names. Presales were largely driven by Mainland Chinese which accounted for 39% of 1H19 presales. Office exposure to POGO, however, remained minimal at 3% of total GLA.

SECB announced net income grew 15% in 1H19 but the biggest driver of price was the sale of 50% stake in SB Finance to Bank of Ayudhya for a total consideration of Php1.83bn implying 2.43x price-to-book (P/B) ratio. This will pad FY19 net income by Php1bn in one-off gains, 10% higher than consensus forecast of Php9.9bn. SECB net income growth was broad based with net interest income growing 18% to Php11.8bn while non-interest income jumped 57% to Php3.5bn. Net interest income was driven by 11% loan growth and 108bps NIM expansion y/y. Non-interest income growth was caused by 46% improvement in fees and commissions and 126% jump in securities trading gains.

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
SECB	193.5	7.5%	14.7	JFC	225.0	-12.8%	33.3
TEL	1,184.0	3.0%	10.6	JGS	63.1	-9.3%	16.7
BPI	94.3	2.0%	15.7	MEG	5.7	-8.7%	10.5
BLOOM	11.6	0.9%	16.1	AGI	14.2	-8.5%	8.0
FGEN	26.1	-0.2%	8.1	GLO	1,950.0	-7.1%	12.3

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

Top Foreign Buying		Top Foreign Selling	
BPI	610.8	JFC	-552.6
SECB	491.3	MBT	-532.5
RRHI	76.3	ALI	-504.4
FGEN	26.3	SMPH	-478.8
SMC	15.5	MEG	-395.3

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,497.0	3.9%	16.7%
Nickel (per metric tons)	15,550.0	7.6%	45.5%
Copper (per lbs)	258.9	0.7%	-2.1%
WTI (per barrel)	54.5	-2.1%	20.0%
Sugar (per lbs)	11.9	-1.3%	-5.3%
Rice (per cwt)	11.4	-2.9%	12.6%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
8/12/2019	8/13/2019	8/14/2019	8/15/2019	8/16/2019
			OFW Remittances (Jun 2019)	
8/19/2019	8/20/2019	8/21/2019	8/22/2019	8/23/2019

Balance of Payment (Jul 2019)

Budget Balance (Jul 2019)