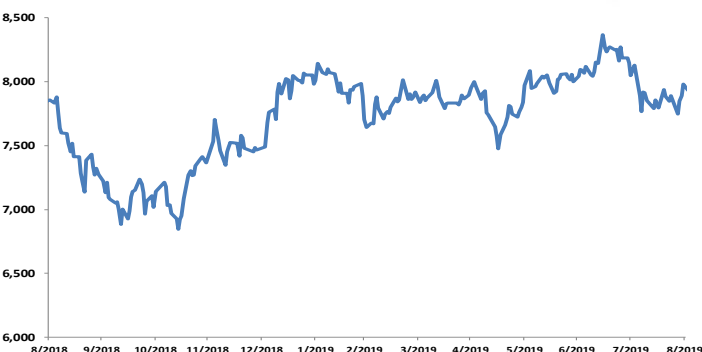


Escalating Trade War

September 3, 2019

PSEi 2019 Performance



Weekly PSEi Performance

	As of Aug 30, 2019	W-o-W Change	YTD Change	Weight In the Index
PSEi	7,979.7	1.1%	6.9%	
FMETF	119.6	1.2%	7.3%	
All Shares	4,809.5	0.8%	6.5%	
Financials	1,833.3	0.3%	3.0%	17.8
Industrial	11,126.3	1.2%	1.6%	11.3
Services	1,623.8	2.1%	12.5%	10.7
Property	3,998.0	-0.5%	10.2%	20.6
Holdings	7,922.9	1.9%	7.9%	38.9
Mining & Oil	8,250.5	2.2%	0.6%	0.6

Market Statistics (in Php bn)

	Aug 30, 2019	YTD
Ave. Daily Value Turnover	10.0	7.7
Foreign Buying	23.4	684.3
Foreign Selling	25.5	672.7
Net Foreign Buying/(Selling)	(2.1)	11.6
% of Foreign to Total	61	55

Foreign Indices

	Value	W-o-W	YTD	P/E
Dow Jones	26,403.3	3.0%	13.2%	17.4
S&P 500	2,926.5	2.8%	16.7%	17.7
FTSE 100	7,207.2	1.6%	7.1%	12.6
DAX	11,939.3	2.8%	13.1%	14.0
Nikkei	20,704.4	0.0%	3.4%	15.0
Hang Seng	25,724.7	-1.7%	-0.5%	10.3
Shanghai	2,886.2	-0.4%	15.7%	11.4

Sources: PSE data, Bloomberg

Equities Outlook

Outlook. We expect the market to correct this week between 7,700-7,900, after it rallied for three straight trading sessions last week and amid negative sentiment from the latest round of US-China trade tariffs which kicked in on September 1. The additional US tariffs have slapped Chinese goods worth \$125bn with 15% duty, while another \$175bn worth of goods (that include laptops and cellphones) are set to be hit with 15% tariffs on December 15. China likewise pushed ahead with the 5-10% tariffs on US products worth \$75bn that include soybeans and crude oil, albeit it will be done also in batches.

Meanwhile, China's Caixin manufacturing PMI surprisingly rebounded to a five-month high in August to 50.4 (50 and above means expansion) vs 49.9 in July due to improved production activity, although demand remained sluggish, resulting in higher inventories. On the domestic front, catalyst include the August inflation print which is widely expected to clock in below -2% vs 2.4% in July, pushed down by slower food and electricity prices as well as high base effect.

Aside from inflation, other key economic indicators to be released this week are PH July unemployment rate (August 5) and forex reserves (August 6).

Market Review. PSEi tracked global rally last week, gaining 90.3 points (+1.1% week-on-week) to close on Friday at 7,979.6 on the back of renewed optimism over a US-China trade deal following news that the two countries are set to get back to the negotiation table in September. Despite the conclusion of the MSCI rebalancing on August 27 which saw the index falling by 142 points (-1.8%), the local bellwether remained buoyant, rallying for the next three days by 232 points, albeit posting net foreign outflows of P2.1bn for the week. Month-on-month (m/m), PSEi dropped by 66.4 points (-0.8%).

Year-to-date (YTD), PSEi eked 6.9% gains while net foreign inflows totaled P11.6bn.

Regional Markets. The US Dow Jones and S&P 500 surged last week, up 3% and 2.8%, respectively, as they posted third-straight gains on Friday amid signal that trade talks with the US and China could be back on track. European equities likewise rallied led by Italy (+4.1%) and France (+2.9%), while Asian markets were mixed, with India (+1.7%), Indonesia (+1.2%) and the Philippines (+1.1%) as the top performer while Hong Kong (-1.7%), China (-0.4%) and Singapore (-0.1%) were the decliners.

Currencies. The Philippine peso sustained a second straight week of gains, +0.4% w/w to close on Friday at P52.05/\$, and tracking its Asian peers such as Thai baht (+0.5%), Indian rupee (+0.4%) and Indonesian rupiah (+0.2%) amid overall improvement in risk sentiment in the region. YTD, the local currency has appreciated by 1% or P0.53/\$ from end-2018.

Economic News

Economists expect inflation to sustain its third straight monthly deceleration in August with median estimate of 1.8% year-on-year (y/y) vs 2.4% in July and 6.4% in the same period last year. This is slightly higher than the midpoint of the BSP's forecast of 1.3-2.1% for the month. Consumer prices in August benefitted from lower electricity and food prices, and high base effect. Electricity rates in Meralco-serviced areas dropped for the fourth month in August by P0.4176/kWh due to lower spot market prices, bringing the total downward rate adjustments to P1/kWh since May 2019. Based on Philippine Statistics Authority's (PSA) data, rice prices, likewise, sustained a slowdown to P35.09/kilo (regular-milled) as of second week of August from P40.32/kilo in the same period last year. We (house view) expect inflation to settle at 1.9% in August and to further slow to sub-1.5% by September.

Corporate News

Bank of the Philippine Islands (BPI) will issue the Philippines' first negative yielding bonds in the international market. The bonds priced a CHF100mn at 100.04% with a re-offer yield of -0.2%. It is a zero coupon bond that will mature on September 24, 2021. BPI closed yesterday at P87/share or -7.4% YTD.

Index Performer (Year-to-date)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
URC	173.00	36%	31.7	DMC	9.05	-29%	7.5
ICT	135.80	36%	19.2	JFC	237.80	-19%	30.9
FGEN	26.40	32%	7.2	MBT	70.90	-12%	9.3
SECB	204.00	32%	13.1	LTG	14.78	-11%	7.5
JGS	71.95	29%	16.0	BPI	87.95	-6%	13.0

Index Performer (Week-on-Week)

Gainers				Losers			
Stock	Price	% Chg	P/E	Stock	Price	% Chg	P/E
LTG	14.78	9%	7.5	ALI	47.30	-3%	18.1
SECB	204.00	7%	13.1	AC	925.00	-3%	14.9
GLO	2,030.00	7%	12.2	RRHI	78.00	-3%	19.9
MEG	5.13	7%	8.5	BPI	87.95	-2%	13.0
GTCAP	908.00	5%	11.4	DMC	9.05	-2%	7.5

Commodities (in USD)

	Value	W-o-W	YTD
Gold (per troy ounce)	1,520.4	-0.4%	18.5%
Nickel (per metric tons)	17,900.0	14.3%	67.4%
Copper (per lbs)	255.2	0.6%	-3.6%
WTI (per barrel)	55.1	1.7%	21.3%
Sugar (per lbs)	11.1	-2.9%	-11.1%
Rice (per cwt)	11.7	6.3%	15.6%

Market Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
9/2/2019	9/3/2019	9/4/2019	9/5/2019	9/6/2019
PH: Markit Philippine PMI Mfg (Aug)	PH: Money Supply and Bank Lending (July) US: Markit US PMI Mfg (Aug)		PH: Inflation (Aug) and Unemployment (July)	PH: Forex Reserves (Aug)
CH: Caixin China PMI Mfg (Aug)				
9/9/2019	9/10/2019	9/11/2019	9/12/2019	9/13/2019
	PH: External Trade (July)		US: Inflation (Aug)	US: Retail Sales (Advance) (Aug)