

The
MARKET CALL
Capital Markets Research



FMIC and UA&P Capital Markets Research

Executive Summary

Despite PH inflation continuing to tumble to a 31-month low of 2.4% in July, and exports growth slightly positive for entire Q1, GDP growth in Q2 remained feeble at 5.5% only a tad slower than Q1. This resulted from a sizeable fall in National Government (NG) spending (esp. on infrastructure) in June and April, and in capital goods spending as well as weak agriculture output gains. This put an added downward push to equity prices, but the opposite, positive effect on bonds. Trading in the latter reached a 55-month high of P767.7-B led a plunge in yields for all tenors, especially at the short end.

Macroeconomy

Economic expansion in Q2-2019 of 5.5%, way below market consensus, still got dampened by the delay in budget approval, along with declines in public construction and durable equipment investment spending. Lethargic growth of agriculture added to the woes. Positive development in the country's domestic prices (inflation and interest rates) and external sector, however, point to a rebound in the next quarters.

- Inflation further eased to a 31-month low of 2.4% y-o-y in July from 2.7% in June.
- NG spending in June fell by 1% y-o-y amidst lower infrastructure and capital outlays.
- Liquidity growth in June maintained the preceding month's expansion of 6.4% y-o-y.
- PH posted its 3rd-consecutive month of exports gain, posting a 1.5% y-o-y increase in June.

Outlook: The expected rebound in government spending, the improvement in external trade, and below-2% inflation by August should help boost economic performance in the last quarters of 2019. Moreover, we think that real economy and financial markets will be boosted by the anticipated cut in US and local policy rates.

Bonds Market

Demand surged in the domestic bond market as total tenders zoomed by 32.2% to reach P295.5-B in primary auctions while total turnover in the secondary markets hit P767.7-B, the highest since January 2015. Thus, yields fell sharply in both markets. Trading in corporate bonds also spiked up to a new record of P12.9-B in July. ROP yields eased to slightly tighten the spread over US Treasuries.

- Yields for 91-day and 182-day T-bills dropped by 60 bps while 364-day T-bill went down to 46.7 bps.
- T-bonds' total tenders amounted to P170.7-B from P27.3-B in June.
- GS secondary market yields sank by 107.7 bps to 3.383% for 3-month papers and 69.1 bps to 4.069% for 6-month papers.
- Volume for corporate bonds increased by 155.5% to P12.9-B from P5.1-B in the previous month.
- Spread between ROPs and US T-bills tightened a little.

Outlook: The global economic slowdown and trade war impacted Germany and Japan where the 10-year government bond yields goes deeper into -0.5% and -0.2% respectively. This added to the threat of recession to US. The BSP is expected to cut policy rates by another 25 bps and RRR by another 200 bps this year, which will intensify the 10-year T-bonds to go below 4.0%. ROPs may recover a little from the move to US dollar/Treasuries.

Equities Market

Early reports of earning gains for Q2 proved insufficient for PSEi to resume its bull-run as it only managed to book a 0.6% uptick to 8,045.8 by month-end. Dragging the local market down were Q2 GDP growth falling well below expectations, US spread of 10-year and 3-month yields moving deep into negative territory raising anxieties of a possible recession in the US by 2021.

- Property sector extended its losses while Services and Industrial sector joined in on the red.
- BPI, SECB, and RRHI led index gainers while TEL, JFC, and ICT paced index laggards.
- Turnover again slipped by 2.7% in July, albeit a bit better than (-6.5%) a month ago
- Foreign investors entered with a net inflow of P3.7-B, although much smaller than P7.1-B in June.

Outlook: It seems that PSEi is only set to rebound after it survives the bumpy ride ahead. Headwinds include the rebalancing of the MSCI Emerging Markets index, the falling y-o-y NG spending, weakening peso, and the rally in gold prices as investors seek safe havens. Meanwhile, tailwinds include the falling inflation and interest rates, and lower-than-expected balance of trade deficit last June.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2019)	2017 (year-end)	2018 (year-end)	2019 Forecasts
GDP Growth (Q2-2019)	5.5%	5.6%	5.5%	6.7%	6.2%	6.0-6.5%
Inflation Rate (July)	2.4%	2.7%	3.3%	2.9%	5.2%	2.7-3.0%
Government Spending (June)	-1.0%	-7.8%	-0.5%	12.6%	22.5%	11.0%
Gross International Reserves (\$B) (July)	85.8	85.8	84.0	81.6	79.2	87.5
PHP/USD rate (July)	51.14	51.36	51.99	50.40	52.68	52.00-53.00
10-year T-bond yield (end-July YTD bps)	4.95%	5.22%	5.87%	4.93%	7.05%	4.625-4.875%
PSEi (end-July YTD % change)	8,046	7,999	0.6%	8,558	8,558	8,400-8,800

Sources: Philippine Statistics Authority (PSA), Bangko Sentral ng Pilipinas (BSP), Philippine Stock Exchange (PSE), Philippine Dealing System (PDS), and Authors' Calculations
Note: Revised forecasts as of July 8, 2019

FALLING INFLATION TO SUB-2% BY AUGUST AND GOVERNMENT SPENDING REBOUND TO SPEED UP

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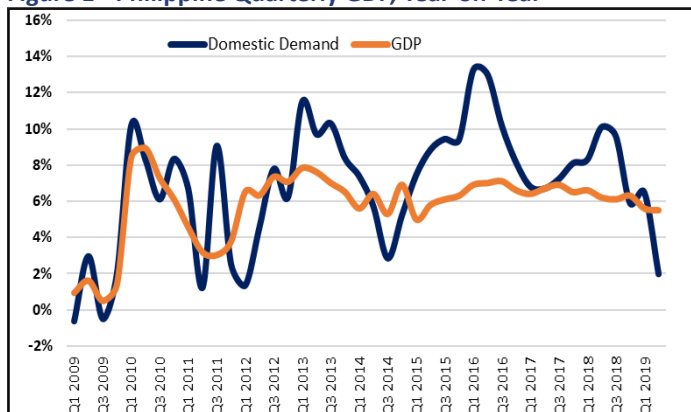
While GDP expanded in Q2 at just about the same ho-hum rate in Q1, headline inflation continued its downward spiral to 2.4% in July and exports rose slightly for the 3rd straight month in June. Bangko Sentral ng Pilipinas (BSP) cut its policy rate by another 25 basis points (bps) on August 8th with more likely to come for the rest of 2019 together with a new round of trimming of reserve requirement ratio (RRR) as hinted by the BSP governor.

Outlook: The delay in the budget approval to mid-April had its telling effect on Q2 GDP growth as public construction unusually plunged by 27.2%. The actual and expected expansion of liquidity due to actual and expected slashes in policy rates and RRR should get capital goods spending and residential construction back to high gear in H2. Since we expect inflation to go lower than 2% by August and even less than 1.5% by October and OFW remittances remaining robust, we think consumer spending will also accelerate in H2. All told, we still maintain our full year 6.0% to 6.5% GDP growth, albeit likely to be in the lower part of that range.

Q2 GDP Expansion Below Expectations at 5.5%

The Philippine economy (measured by Gross Domestic Product, GDP) expanded by 5.5% in Q2, slightly slower than 5.6% in Q1, but much below expectations. The 2019 budget impasse, El Niño, continued trade war between US and China, and the election ban on construction activities largely dampened national output.

Figure 1 - Philippine Quarterly GDP, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

Meanwhile, domestic demand (i.e., consumer + government + investment spending) decelerated to 2.0% from 6.8% in Q1-2019, amidst lethargic growth in investments which slumped by a sizeable 8.5%. While private construction expanded by 23.1%, public construction plummeted by 27.2%. Durable equipment could not also sustain its gains, hobbled by setback in road vehicles (-18.1%), water and air transport (-80.3% and -49.5%, respectively), mining and construction machineries (25.1%), and other special industrial machinery (-18.6%). Household consumption grew by 5.6% year-on-year (y-o-y), slower than the 6.0% in Q2-2018 despite inflation rate falling within government's target range. Consumption would have been expected

to rebound given the drop in major commodities such as rice, corn, and education, among others. Government spending, likewise, slowed down to 6.9% from 7.4% in Q1 due to lower infrastructure and capital outlays, coupled with the election ban on new projects.

On the production side, the Services sector, once again, drove economic growth as it expanded by 7.1%, faster than the 6.8% reported in Q1-2019. Services sector's stellar performance drew from the strength in trade, other services, and financial intermediation. Trade and repair of motor vehicles, motorcycles, personal and household goods contributed to the upsurge with its 8.5% jump from 7.3% growth in Q1-2019. Meanwhile, other services grew by 7.8% from 5.3% in the previous quarter. Financial intermediation remained elevated with an uptick of 9.2% y-o-y from 10.2% in Q1-2019.

Conversely, the Industry sector slowed down, only growing by 3.7% for Q2-2019, a deceleration from the 4.8% in Q1-2019. The sector faced headwinds in the manufacturing and construction industries despite accelerations from mining and quarrying and electricity, gas, and water supply. Manufacturing increased by 4.0%, slower than the 4.7% a quarter ago. The construction industry had the biggest letdown as it eased to 2.6% from 6.4% in Q1, as public construction plunged by 27.2%, even slower than -8.6% in Q1, and a far cry from the 20.9% surge in Q2-2018.

Agriculture sector booked the lowest gain of 0.6% for Q2-2019, slightly off from 0.7% in Q1. Pulling the sector up, among others, fishing industry output soared by 15.7% from 3.1% in Q2-2018, other crops (+11.9%), and agricultural activities and services (+7.6%). On the other

Slower upticks in heavily-weighted commodities (i.e., food and non-alcoholic beverages, alcoholic beverages), coupled with lower oil prices and downward adjustment in electricity rates resulted in further easing in headline inflation.

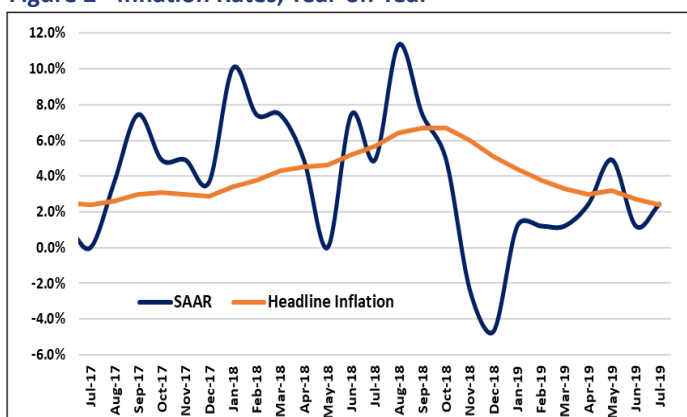
hand, forestry which inched up by 2.1%, a major downgrade from the 15.6% expansion in Q2-2018 and declines in crops such as palay (-5.5%), and sugarcane (-35.8%) dragged the sector down.

We believe that PH growth will improve significantly in the last two quarters of the year as we expect National Government (NG) spending to ramp up in H2-2019. Softer inflation and higher peso equivalent of the remittances should also drive further economic activity.

Headline Inflation Further Eases to 2.4%, Lowest in 31 Months

Slower upticks in heavily-weighted commodities (i.e., food and non-alcoholic beverages, alcoholic beverages), coupled with lower oil prices and downward adjustment in electricity rates resulted in further easing in headline inflation. Headline inflation in July further slowed down to 2.4% y-o-y, marking the slowest pace since January 2017. Year-to-date (YTD) inflation remained well within the BSP's target at 3.2%, while core inflation also slightly decelerated from 3.3% y-o-y in June to 3.2% in July.

Figure 2 - Inflation Rates, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

The transportation index decelerated faster due to lower fuel prices and fares. Note that international crude oil prices declined by 19.4% y-o-y, slightly above-\$55/barrel for WTI on average. Electricity costs in July also posted its 3rd consecutive downward monthly adjustment to P9.99/kWh from P10.1/kWh in June. The decline in transmission costs resulted in slower growth in non-food index. The food and non-alcoholic (FNAB) index showed price decrements driven by lower prices of rice and corn. Other food groups such as cereals, honey, fruits, and vegetables; among others also

posted slower increases.

On the other hand, we observed faster increments in education and clothing & footwear indices. The remaining three other commodity groups kept the past month's pace.

Inflation Year-on-Year Growth Rates	Jul 2019	Jun 2019	YTD
All items	2.4%	2.7%	3.2%
Food and Non-Alcoholic Beverages	1.9%	2.7%	3.5%
Alcoholic Beverages and Tobacco	8.8%	9.3%	10.9%
Clothing and Footwear	2.6%	2.4%	2.5%
Housing, Water, Elec, Gas, & Other Fuels	2.2%	3.0%	3.2%
Furnishing, Home Equip & Maintenance	2.9%	3.1%	3.4%
Health	3.2%	3.7%	3.8%
Transport	0.7%	1.6%	2.4%
Education	4.2%	-4.5%	-2.8%

Source of Basic Data: Philippine Statistics Authority (PSA)

Note: Green font - means higher rate (bad) vs. previous month

Red font - means lower rate (good) vs. previous month

On a seasonally adjusted annualized rate basis (SAAR), the month-on-month (m-o-m) inflation inched up by 2.4% in July from 1.2% in June, still in the lower half of target inflation's range.

With little upward pressure from food and crude oil prices, we think that inflation will fall below 2% by August and sub-1.5% by September, counting also on a high base in H2-2018.

Lower Capital Outlays in June Dampens Total NG Disbursements

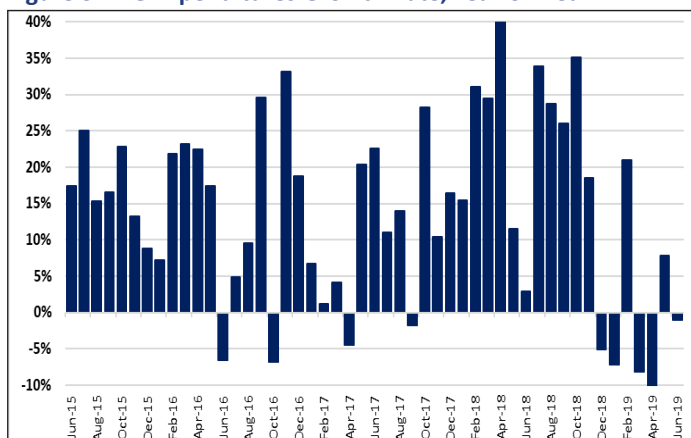
Total NG disbursements in June stood at P275.7-B, 1.0% lower than in the same period last year due to a lackluster performance in infrastructure spending. Delayed implementation of capital outlays (CO) amidst election ban and late approval of the budget largely resulted in a hefty decline in CO spending, which fell by 33.2% y-o-y (to P27.7-B) in June. When we exclude interest payments, the spending falls by 3.1%.

Meanwhile, total revenues rose by 4.3% y-o-y, relying on hefty gains in the Bureau of Internal Revenue (BIR) collections. BIR tax revenues expanded by 15.4% y-o-y, suggesting a pickup in economic activity. The Bureau of Customs' (BOC) total tax take for the month reached P51.3-B (2.4% y-o-y growth) also

Volume of Production Index (VoPI) remained weak, marking the 6-month streak of being in the red.

supported total revenue. Huge budget surpluses in January and April brought the YTD deficit to P42.6-B, which only represents 7% of the P631.5-B target deficit for 2019.

Figure 3 - NG Expenditures Growth Rate, Year-on-Year



Source of Basic Data: Bureau of the Treasury (BTR)

During the first half of the year, CO spending fell by 15.7% y-o-y (to P70.1-B), although higher spending on personnel services and allocations to local government units, offset that. The latter two both expanded by 9.3% y-o-y. Remarkable gains in the aforementioned items also tempered the slowdown in H1 NG expenditure to only 0.8% y-o-y.

We still expect NG spending to pick-up the pace in the second half of the year, as we see huge spending on infrastructures and capital outlays during the 3rd and 4th quarters of 2019 (i.e., DPWH projects). Besides, NG still enjoys more than enough fiscal space remaining until the end of the year.

Manufacturing Output Remains in the Red

Volume of Production Index (VoPI) remained weak, marking the 6-month streak of being in the red. Manufacturing data further fell by 10.5% in June from -4.0% in May. Lackluster output in 11 out of the 20 major industry groups, with three recording double-digit declines pulled down the index.

Petroleum products, furniture and fixtures, and basic metals posted above-15% decrements, plunging by 69.3%, 40.5%, and 18.3%, respectively. We note, however, that the Federation of Philippine Industries (FPI) has a study showing huge smuggling of petroleum, steel products

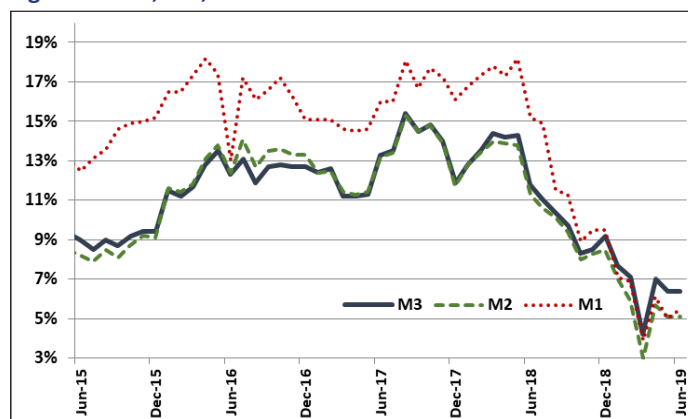
and cigarettes. Tobacco products and machinery (except electrical), originally in the positive list, now joined the losers. Meanwhile, printing led the expansion with a 70.4% jump, followed by beverages (+11.1%). Electrical machinery joined the outperformers with a 2.9% increase.

We maintain our view that an improvement in manufacturing data is to be expected in the coming months, as infrastructure and construction spending strongly bounce back.

Domestic Liquidity Maintains Previous Month's 6.4% Growth

Domestic liquidity (M3) growth maintained the past month's expansion at 6.4% (to P11.8 T) in June. Broad money (M2), likewise, posted the same expansion as last month while narrow money (M1) accelerated to 5.5%. The mid-single digit gains of the past months mostly explain the tightness in liquidity felt by banks.

Figure 4 - M1, M2, M3 Growth Rates



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Outstanding commercial bank loans, which comprised 88% of banks' loan portfolio, meanwhile further slowed down to 9.8% y-o-y from 11.5% in May. Bulk of these loans went to construction; financial and insurance activities; real estate; electricity, gas, steam and air conditioning supply; wholesale and retail trade; repair of motor vehicles and motorcycles; and manufacturing, among others. On the other hand, bank lending to community, social and personal activities and professional, scientific and technical activities showed above-30% decline.

Growth in net foreign assets (NFA) of monetary authorities also decelerated to 6.4% y-o-y from 7.3% in the preceding month.

The imports of capital goods fell by 3.4% y-o-y in June as double-digit declines in some capital good sub-products offset the gains in other categories.

Q2 Exports Data in the Green

Exports print in June again rose by 1.5% y-o-y, the 3rd consecutive month in positive territory after May's 1.0% expansion. This brought Q2-2019 figure to average at 1.2%, a turnaround from -2.9% in Q1 and -2.0% in the same quarter last year. Total exports receipts amounted to \$6.0-B powered by double-digit gains in four out of 10 top export commodities.

Electronic products still had the largest share, accounting for 59.0% of total exports. Outbound sales of these products grew by 4.5% y-o-y, supported by higher demand for semiconductors (+4.1% gains y-o-y) and the 100.0% jump in office equipment. Shipments of copper concentrates continued to post double-digit gains of 41.7% to \$111.5-M. Ignition wiring sets for transport equipment (No. 4 export item), and bananas (No. 5) posted above-10.0% expansion of 17.6% and 24.4%, respectively.

Figure 5 - Exports Growth Rates, Year-on-Year



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Demand from the top three export destinations showed positive expansion. Shipments to the US increased by 9.2% y-o-y to \$974.4-M while sales to Japan (2nd) and China (3rd) went up by 2.0% and 5.7% y-o-y, respectively. US remained to be the top export destination in June, accounting for about 16.2% of total sales. Meanwhile, outbound shipments to Hong Kong and Singapore showed declines. Half of the total exports in June still headed towards East Asian (EA) nations, valued at \$3.0-B (+1.6% y-o-y). Exports shipments to ASEAN and the EU, on the other hand, fell by 4.4% and 3.5%, respectively. Higher export demand from PH top export destinations should continue to lift exports performance in the coming months, as the

US-China trade will likely benefit the country's exports.

Capital Goods Imports Dip in June

The imports of capital goods fell by 3.4% y-o-y in June as double-digit declines in some capital good sub-products offset the gains in other categories. Demand for office machines, and electrical machinery and aircrafts, ships, and boats (accounting for about 52.4% of capital goods) remained positive. Significant decline in the imports of power generating and specialized machines (-11.1%), photographic equipment and optical good (-9.0%) and land transportation equipment (-9.8%), however, dragged down overall capital goods growth.

Raw materials & intermediate goods import still captured the largest share of total imports at 36.5%, albeit a 16.5% decline due to lower prices for unprocessed raw materials (i.e., wheat, corn). Semi-processed raw materials (i.e., feeding stuff for animals, animal and vegetable oil) and manufactured goods (i.e., paper, textile yarn, iron and metal products) likewise showed weak import demand. Lower demand for rice (-40.9%), fish (-26.5%) and other non-durable products, coupled with significant declines in the imports of miscellaneous manufactures, home appliances, and passenger cars resulted in a 12.8% y-o-y plunge in consumer goods imports. Imports of mineral fuels, lubricants and related materials also fell by 7.0% amidst large price and volume drop in imports of petroleum crude.

The across-the-board slowdown brought total imports lower by 10.4% y-o-y to reach \$8.5-B in June. While it remained higher than total exports, the improvement in exports data resulted in lower balance of trade (BOT) deficit to \$2.5-B in June, from the \$3.3-B deficit in the preceding month. The BOT shortfall comes as the lowest since March 2018.

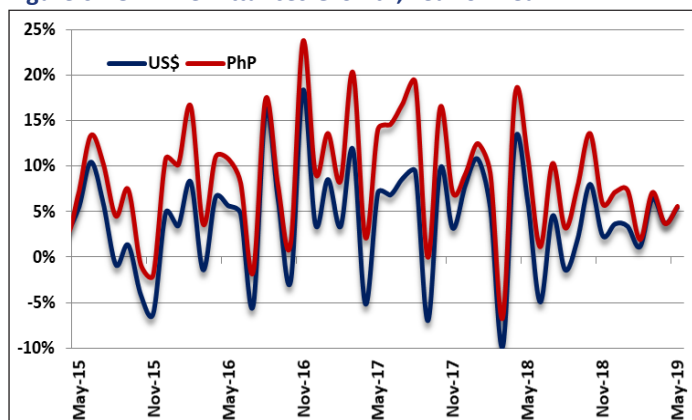
OFW Remittances Further Expand by 5.5% in May

Personal remittances sent by Filipinos working abroad (OFWs) increased by 5.5% y-o-y to \$2.9-B in May. May and June remittances usually strengthen as families start spending for the start of a new school year. Positive expansion in the past five months brought the YTD level to \$13.7-B, a 4.1% jump from January to May 2018. Inflows coming from sea- and land-based workers with less than one-year contracts supported remittances flow (+7.4%), along with the 1.9% increase in remittances sent by those with contracts locked-in for at least one year.

Cash remittances also increased by 4.5% (or P12.3-B) amidst strong transfers from the US, which accounted for about 36.0% of total cash remittances.

Like previous months, peso depreciation (0.1% y-o-y) slightly magnified the peso equivalent of personal remittances in May to post a 5.6% increase. We believe that the continued increase in remittances, especially its peso equivalent, will add fuel to domestic demand in H2. Cash remittances also increased by 4.5% (or P12.3-B) amidst strong transfers from the US, which accounted for about 36.0% of total cash remittances. Saudi Arabia, Singapore, United Arab Emirates, the UK, Japan, Canada, Hong Kong, Qatar and Kuwait, which collectively comprised another 42.0%, also contributed to the unrelenting increase of remittances.

Figure 6 - OFW Remittances Growth, Year-on-Year



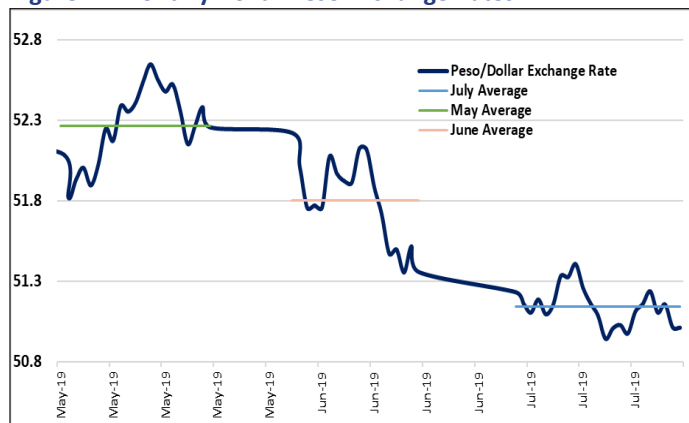
Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Peso Still Posts Gains Versus the Greenback

The Philippine peso continued to rally against the greenback, showing the 4th consecutive y-o-y appreciation. US dollar weakness due to China and Russia selling US Treasuries in favor of gold for the foreign exchange reserves and the slowdown in global and US manufacturing boosted the PH peso. The Fed's decision to cut interest rate, the first after 2008, also triggered gains in PH currency. Positive development in PH domestic data (i.e., softer inflation and rate cut), likewise, added muscle to the peso.

The peso averaged P51.80/\$ from P52.14/\$ a month ago, showing a 1.3% appreciation (m-o-m). The volatility measure narrowed to 0.12 from 0.27 in June, with the peso reaching a high of P51.41/\$ and a low of P50.94/\$.

Figure 7 - Monthly Dollar-Peso Exchange Rates



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Exchange Rates vs USD for Selected Asian Countries			
	Jun-19	Jul-19	YTD
AUD	0.1%	-0.6%	2.6%
CNY	0.8%	-0.3%	-0.2%
INR	-0.4%	-1.0%	-2.8%
IDR	-0.9%	-1.4%	-3.2%
KRW	-0.6%	0.2%	4.7%
MYR	-0.2%	-0.9%	-1.2%
PHP	-0.9%	-1.3%	-3.1%
SGD	-0.5%	-0.2%	-0.8%
THB	-2.2%	-1.0%	-5.9%

Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

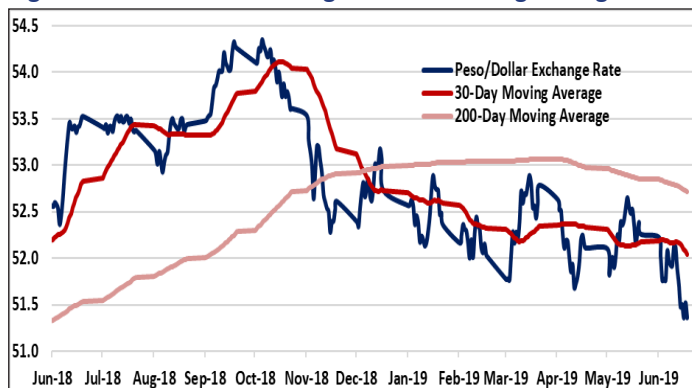
Note: Positive changes mean depreciation and negative changes mean appreciation against the greenback

Most emerging market currencies also showed strength against the US dollar, led by Indonesia's rupiah (IDR). Trade surplus and positive political and domestic sentiment propelled gains of IDR. The rupee (INR) and baht (THB) remained strong supported by strong capital inflows. Positive trade data, likewise, continued to boost the ringgit (MYR). Contrary to the past months' trend, yuan edged higher versus the dollar amidst the People's Bank of China's (PBoC) prudent use of appropriate monetary tools.

Meanwhile, lackluster investment and consumption data in Korea, along with depressing manufacturing prospects, due to the US-China and Japan-South Korea trade wars, continued to dampen the won (KRW).

Headline inflation should fall below 2.0% by August and sub-1.5% in September, with weak and stable food prices, as well as base effects.

Figure 8 - Dollar-Peso Exchange Rates & Moving Averages



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

The month-end actual USD/PHP rate in July landed below the 200-day and the 30-day moving averages (MAs), suggesting some peso strength, at least technically. However, we still think that the peso will depreciate within the P52.0-53.0 range in H2-2019 for reasons cited in the previous issue (i.e., PH larger trade deficits due to BBB and PH need to increase GIR, continuing US-China trade war in H2, among others).

Outlook:

Despite a disappointing GDP expansion even in Q2, we think that the late approval of the 2019 budget only by April 2019 had a huge, but transitory impact on economic performance which we expect to accelerate in H2.

- Headline inflation should fall below 2.0% by August and sub-1.5% in September, with weak and stable food prices, as well as base effects.
- Exports growth remained in positive territory, albeit low, for the entire Q2, giving us more optimism for H2 with still robust US and Japan economic growth, and the positive effects of the US-China trade war. The balance of trade deficit hit a 15-month low of \$2.5-B in June, even though we expect it to rise again in H2 as the economy and Build-Build-Build (BBB) rebounds strongly.
- Money (M3) growth has been anemic in H1 averaging 6.8% which explains the tightness felt by the banking system. However, with the policy rate cuts of May and August, and the reserve requirements cut of May, as well as our expectation of another trimming of 25 bps in the

policy rate and 200 bps in the reserve requirements for the rest of H2, the liquidity issue will no longer hold sway.

- Despite low crude oil prices and the OPEC production cuts, OFW remittances have remained robust and should so continue for the rest of 2019.
- While the peso enjoyed a 4-month appreciation trend up to July 2019, the US dollar has recovered in view of the prolonged US-China trade war (as funds seek a safe haven), the peso has begun depreciating in early August and should continue to do so in view of faster money growth, lower domestic interest rates and a return to high BOT deficits due to BBB.

BOND MARKETS SIZZLE AS TRADING VOLUME HITS 55-MONTH HIGH

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With domestic inflation still on a steep decline and US bond yields falling, local bond markets sizzled in July with secondary market trading of government securities (GS) reaching P767.7-B, a 55-month high. The active markets, including the primary market, stoked the blaze and sent yields tumbling across-the-curve. The yield curve flattened with shorter dated papers taking a sharper fall as 200 basis points (bps) cut in reserve requirement by end-July provided more liquidity to banks even as the Bangko Sentral ng Pilipinas (BSP) took out less liquidity from banks in its weekly open market auctions. Spreads of Philippine government dollar-denominated bonds (ROPs) to equivalent US Treasuries narrowed slightly as ROPs eased a little bit while the latter stayed firm or inched up.

Outlook: With fears of a recession in the US rising as its yield curves continued to flatten, domestic inflation heading below 2.0% year-on-year (y-o-y) by August towards sub-1.5% by October, and likely further cuts in Fed policy rates and in domestic reserve requirements ratio (RRR) as well as policy rates, bond yields should continue to trend downward with 10-year T-bond yields likely to break the 4.0% barrier in H2. We expect a burst of corporate bond issuances for the rest of the year as firms take advantage of lower interest rates.

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
08-Jul	91-day	4.0	10.370	4.0	2.593	3.883	
	182-day	5.0	19.150	5.0	3.830	4.238	
	364-day	6.0	21.010	6.0	3.502	4.736	
22-Jul	91-day	4.0	12.410	4.0	3.103	3.769	-61.6
	182-day	5.0	25.660	5.0	5.132	4.100	-62.3
	364-day	6.0	36.252	6.0	6.042	4.519	-46.7
Subtotal		30.0	124.852	30.0	4.162		
02-Jul	3 year	20.0	65.911	20.0	3.296	4.803	-33.3
16-Jul	7 year	20.0	74.940	20.0	3.747	4.845	-89.8
30-Jul	20 year	20.0	29.814	20.0	1.491	5.015	-15.5
All Auctions		90.0	295.517	90.0	3.284		

Source: Philippine Dealing Systems (PDS)

Primary Auction: Yields Fall Deja Vu with Strong Demand

Demand for both Treasury bills (T-bills) and Treasury bonds (T-bonds) shot up as total tenders increased by 32.2% or P295.5-B in July from P233.5-B in the previous month. While for T-bills, Bureau of the Treasury (BTr) held only two auctions for the month of July (from the usual four), it added a third auction for T-bonds with P20.0-B raised apiece from the issuance of 3-year, 7-year and 20-year papers. In addition, total tender-offer ratio (TOR) went up to 3.284x from 2.794x in the previous month.

Tenders for T-bills slumped by 36.7% month-on-month (m-o-m) to P124.9-B from P196.2-B, but this may be misleading as the total amount BTr offered went down even further by 50.0% to P30.0-B from P60.0-B in June with the reduction of

auctions. Thus, TOR for T-bills in July jumped to 4.160x from 3.271x triggering lower yields on all tenors. 91-day T-bill yields crashed by 61.6 bps to 3.769% from 4.385% a month ago while yields on 181-day T-bills and 364-day T-bills plunged by 62.3 bps to 4.1% from 4.723% and by 46.7 bps to 4.519% from 4.986% in June.

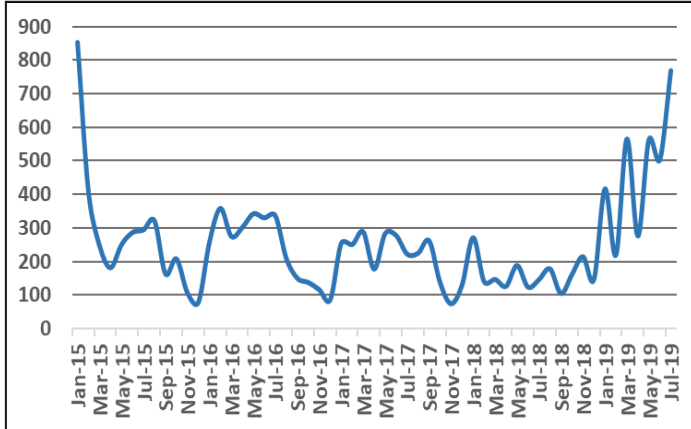
Tenders for T-bonds (three auctions vs. two previously) amounted to P170.7-B from P27.3-B on the previous month. Despite the larger offer, TOR more than doubled to 2.844x from 1.365x and BTr successfully awarded 3-year, 7-year and 20-year T-bonds. Consequently, yields across the board also tumbled as 3-year T-bond yields shrank by 33.3 bps to 4.803% compared to 5.136% yield last July 28, 2019. Yields for 7-year and 20-year T-bonds plummeted by 89.8 bps to 4.845% from 5.743% in June and by 15.5 bps to 5.015% from 5.17%, respectively.

GS Secondary Market: Turnover Hits 55-month High

Total volume turnover for secondary GS market in July spiked up to P767.7-B, the highest volume turnover seen since January 2015 which amounted to P851.8-B. Turnover climbed by another 18.2% m-o-m from P502.6-B, and skyrocketed by 429.1% y-o-y from P145.1-B last year.

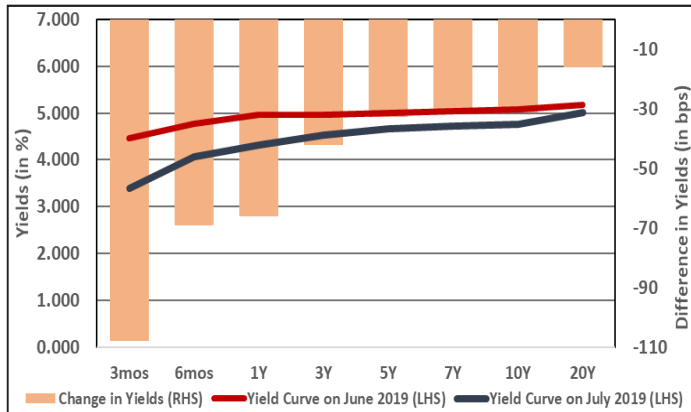
Bond investors showed further aggressiveness in secondary corporate bond market where total volume for corporate bond trading reached an all-time high of P12.9-B in July.

Figure 9 - Monthly Total Turnover Value (in Billion Pesos)



Source: Philippine Dealing Systems (PDS)

Figure 10 - GS Benchmark Bonds Yield Curves

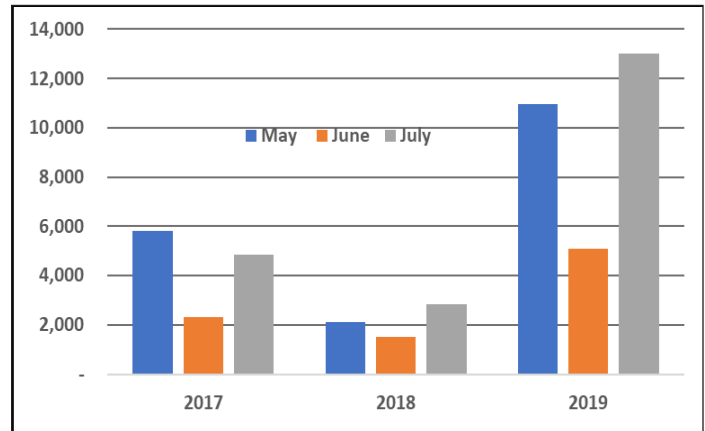


Source: Philippine Dealing Systems (PDS)

While yields sank across the yield curve, bond yields for shorter tenors (3-months to 1-year) continuously took a deeper dive with -107.7 bps to 3.383% for 3-month papers and -69.1 bps to 4.069% and -66.2 bps to 4.307% for 6-month and 1-year debt papers, respectively. Thus, we saw the yield curve steepen to a more normal shape.

On the other hand, the fall in yields for longer dated tenors (3-year, 5-year, 7-year and 10-year) proved “milder”, ranging from -31.0 bps to -42.2 bps. 3-year maturities slumped 42.2 bps at 4.537%, while 10-year yields dropped by 31.4 bps to 4.758%. At the longest part of the curve, 20-year T-bond yields slightly shed 16.0 bps to 5.017% contributing to the yield curve’s steepening.

Figure 11 - Total Corporate Trading Volume (in Million Pesos)



Source: Philippine Dealing Systems (PDS)

Corporate Bond Trading: New Record of P12.9-B in July

Bond investors showed further aggressiveness in secondary corporate bond market where total volume for corporate bond trading reached an all-time high of P12.9-B in the previous month. This represented a huge 155.5% increase from P5.1-B last month. Additionally, the month’s total trading flew by 360.9% y-o-y.

The total volume for the trading of top five corporate issuers amounted to P3.6-B or 28.3% higher m-o-m. The top five corporate issuers’ rankings stayed put as SMC Global Power (SMCGC) retained the top spot at P1.6-B, despite a slippage of 12.6% m-o-m. Other than SMCGC, the other top five corporate issuers included SM Prime Holdings (SMPH), JG Summit Holdings (JGS), Ayala Land (ALI) and Ayala Corporation (AC).

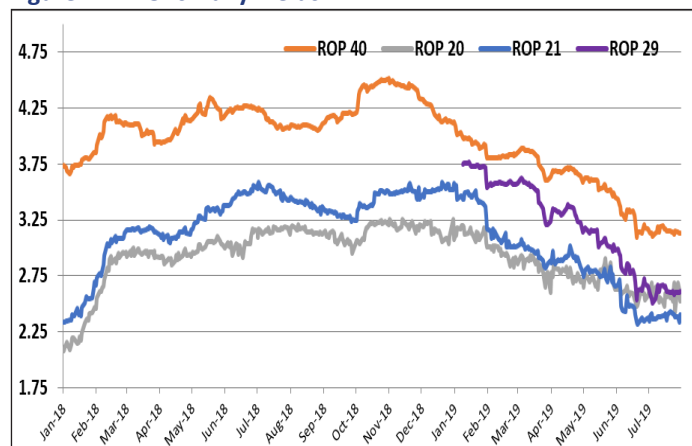
SMPH snatched the 2nd spot trading P1.0-B, up by 84.9%. Turnover of ALI debt papers slid by 7.6% to snatch 3rd position with P548.6-M. However, JGS and AC stayed at 4th and 5th spots with P315.4-M and P163.3-M worth of traded debt papers, down by 43.0% and 0.5%, respectively.

Corporate Issuances and Disclosures

- Philippine Savings Bank (PSBank) raised at least P6.3-B in fixed rate bonds from the initial issue of P3.0-B last July 5, 2019. The 2-year bond (due 2021) provided a coupon of 5.6% p.a. payable quarterly.

- Metropolitan Bank & Trust Company (Metrobank) raised P11.25-B from its 2-year peso bond. It had a coupon of 5.5% with quarterly interest payments.
- Robinsons Bank Corporation exercised its oversubscription option of additional P2.5-B, resulting to a total issue of P5.0-B fixed peso corporate bonds with coupon of 5.125% per annum maturing in 2021.
- Vista Land & Lifescapes, Inc. (VLL) issued 5-year corporate notes with fixed rate of 7.125% p.a. totaling P14.5-B. VLL intends to use the proceeds to fund its commercial building projects and other general purposes.

Figure 12 - ROPs Daily Yields



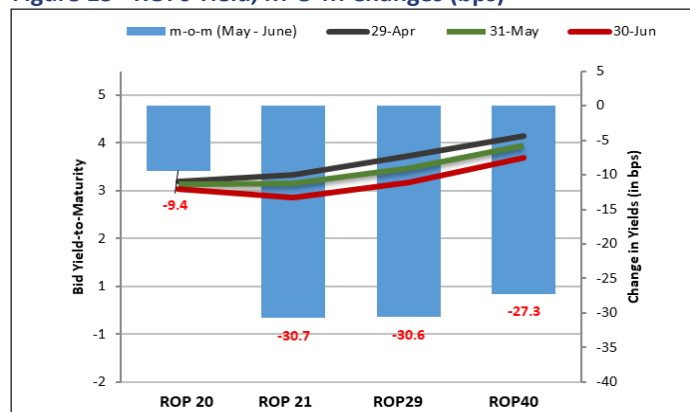
Sources: Bloomberg & First Metro Investment Corporation (FMIC)

ROPs: Yields Fairly Flat, But Spreads over US Treasuries Tighter

Republic of the Philippines US dollar-denominated bonds (ROPs) yield curve flattened slightly from the month June to July as longer tenors' yields fell while they edged up for the shorter tenors. As the equivalent US treasury yields showed a slight upward nudge across the curve, the spreads between ROPs and US Treasuries tightened a little.

Republic of the Philippines US dollar-denominated bonds (ROPs) yield curve flattened slightly from the month June to July as longer tenors' yields fell while they edged up for the shorter tenors.

Figure 13 - ROPs Yield, M-O-M Changes (bps)



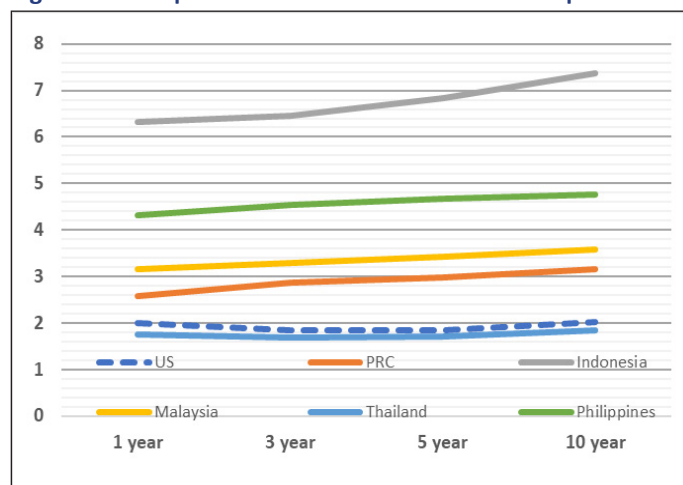
Sources: Bloomberg & First Metro Investment Corporation (FMIC)

Spreads between ROPs and US Treasuries

Date	1-year	2-year	10-year	20-year
29-May	42.1	71.1	84.2	106.5
28-Jun	61.7	60.4	67.6	87.2
31-Jul	52.6	51.4	58.7	82.5

After ROP-21 dropped drastically in June, it bounced back by 5.0 bps to 2.404% from 2.354%. Meanwhile, ROP-20 came in flat at -1.1 bps to 2.526% compared to 2.537% a month ago. Longer dated ROP-29 and ROP-40 slid by 6.9 bps to 2.607% and -4.7 bps to 3.135%, respectively. On the other hand, equivalent US Treasuries yield increased as short-term tenors (1-year and 2-year tenors) moved up by 8.0 bps to 2.0% from 1.92% and 14.0 bps to 1.89% from 1.75%, respectively.

Figure 14- Comparative Yield Curve Between ASEAN per Tenor



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

China's GDP grew at 6.2% in Q2-2019, the slowest its been since 1992.

ASEAN + 5: Mixed Yield Movements in the Region

US: Benchmark US 10-year T-bond yields rose during the month after the reported huge increase in employment (+224,000) for June which offset a relatively weak May print. This led market players to think of less aggressive policy rate cuts by the Fed. However, tepid inflation at 0.1% m-o-m (seasonally adjusted) for June and the release of weaker GDP in Q2 at 2.1% towards end-July sent the spread between 10-year and 3-month bond yields back to negative territory. This indicator of a recession (albeit less reliable than the 10-year/2-year spread) changed the mood and saw 10-year yields falling sharply as the month ended. Escalating US-China trade war rhetoric and downward revision of May and June employment figures gave the market more reason to expect a recession, despite robust employment gains for July in early August. The 10-year-to-2-year yield spread also went closer to negative (single-digit bps) by mid-August fueling more negativity on the economy and bond yields. With 3-month yields below Fed policy rates, the pressure on the Fed to cut policy rates by 50.0 bps in September mounted.

China: The producer price index fell for the first time in three years however the consumer price growth accelerated according to the People's Bank of China (PBoC). Inflation was recorded at 2.8% y-o-y and 0.4% m-o-m for the month of July, while factory prices were down by 0.3% y-o-y for the same month. The faster gain in consumer price made it difficult for the PBoC to respond via monetary policy.

Meanwhile, China's GDP grew at 6.2% in Q2-2019, the slowest since 1992. According to National Bureau of Statistics, the Chinese economy will continue to face "downward pressure" by the second half of the year. With this the RAM ratings reaffirmed AA/Stable and AAA/Stable ratings on global and ASEAN scales. This explains the country's resilient economic performance, superior external strength and continued market reforms and liberalization. China saw growth in foreign debt investment (FDI) where it increased by 7.2% y-o-y, reaching 478.3-B yuan in the first half of the year, according to its Ministry of Commerce. In June, a total of 109.3-B yuan was utilized in foreign debt investment.

The current interest rates are at appropriate level stated by the China's central bank governor, Yi Gang. He said that rather than a straightforward cut into the benchmark interest rate, he is waiting for the reform of the rate framework. In the reform, the benchmark lending rate will fade out and replaced by Loan Prime Rate (LPR). This LPR will be more market-oriented interest rates such as the cost of medium-term loans the PBoC makes to financial institutions.

Thailand: Thailand's inflation rose by 0.9% y-o-y in June. This was caused mainly by the increase of prices in food and non-alcoholic drinks by 3.5%. Prices of fruits climbed by 9.2%, while prices of meats, poultry and fish increased by 5.7%. However, m-o-m inflation was flat. The manufacturing production index (MPI) dropped by 5.5% y-o-y in June according to the Office of Industrial Economics (OIE), already on decline for its second month. Drop was caused on the decline in production of cars, auto parts, rubber, petroleum, hard disk drives and jewelry.

According to OIE, the country's capacity utilization was at 65.3% in June down from 67.4% in May. They expect the MPI at 2.0-3.0% by the end of year.

While on the trade side, Thailand increased its total trade by \$3.2-B in June 2019 from \$1.7-B in May with \$0.8-B traded surplus. Exports dropped by 2.2% to \$21.4-B and imports plunged by 9.4% to \$18.1-B. In H1-2019, the trade surplus decreased to \$3.9-B from \$4.3-B in the same period of 2018.

The government has proposed a fiscal budget of 3.2-T baht for 2020. Out of 3.2-T baht, 74.7% or 2.4-T baht will be allocated to regular budget, an increase of 5.3% from this year's fiscal budget. On the other hand, the government estimates a revenue collection of 2.7-T baht or up 7.1% from 2019. In 2020, the government targets a budget deficit of 469.0-B baht, which will be mostly allocated to investments. The budget is expected to be carried out by January 2020. Meanwhile, Thai Chamber of Commerce requested the Bank of Thailand (BOT) to trim the benchmark interest rate and contain the strengthening baht to boost export competitiveness. BOT cut the policy rates to 1.5% from 1.75% during their August meeting.

The global economic slowdown and trade war have impacted on Germany and Japan, whose 10-year government bond yields have gone deeper into negative territory (beyond -0.5% and -0.20%, respectively), making US Treasuries attractive.

Indonesia: Annual economic growth of Indonesia slipped to 5.05% in Q2-2019 from 5.07% Q1-2019, the weakest expansion since 2017, according to Statistics Indonesia. The government expects Indonesia to grow by 5.2% for 2019, while its central bank's estimate ranged from 5.0-5.4%. Additionally, Industrial sector was the largest contributor to growth, expanding by 19.5%, while agriculture (+0.7%), trade (+0.6%) and construction (+0.5%) were a drag to the economy.

Indonesia's inflation remained unchanged at 3.3% y-o-y in July. Higher price upticks were reported by transportation, communication and financial services (2.2% from 1.91% in the previous month); clothing (4.3% from 3.8%); and education, recreation and sports (3.3% from 3.2%). Meanwhile, prices went down for housing and utilities (2.4% from 2.4%); foodstuff (4.8% from 4.9%); food, beverages, cigarette and tobacco (3.8% from 3.9%); and health (2.9% from 3.0%). In addition, consumer price climbed up by 0.3% m-o-m, driven by the volatility of food products mainly chili.

On another note, Indonesian share prices declined as the Jakarta Composite Index (JCI) fell by 2.6% to 6,175.7 last August 5, tracking Asian indices. Indonesia's foreign exchange reserves reached \$125.9-B in July compared to \$123.8-B in previous month. This is equivalent to 7.3 months' worth of imports or seven months worth of imports and payment of foreign debt. The increase of forex reserves was due to oil and gas foreign exchange proceed and withdrawal of government foreign debt. Also, on the month of July, Bank Indonesia lowered its 7-day reverse repo rate by 25 bps to 5.75% while overnight deposit and lending facilities were cut by the same amount to 5.0% and 6.5%, respectively.

Malaysia: Malaysia's inflation rose by 1.5% y-o-y, driven by the abolishment of the Goods and Services Tax (GST) to zero-rated last June 1, 2018 which resulted to the increase in some of the indices namely: furnishings, household equipment and routine household maintenance (+3.1%), recreation services and culture (+2.7%), food and non-alcoholic beverages (+2.3%) and housing, water, electricity, gas and other fuels (+2.3%). Malaysia's Nikkei Manufacturing Purchasing Managers' Index (PMI) slightly dropped to 47.8 in June from 48.8 in May according to IHS

Markit.

Furthermore, Bank Islam chief economist Dr. Mohd Rashid said that Malaysia's Q2-2019 economic growth will be at 4.4%, slower than Q1's 4.5% due to the continued weakness in public and private spending, despite strong private consumption.

On the financial side, net financing expanded by 5.9% in June after registering 6.3% growth in May. This net financing refers to the outstanding corporate bonds and loans of the banking system, excluding development financial institutions. From the 5.9% growth, 3.1% was contributed by banking system loan and 2.9% by corporate bonds. Outstanding corporate bond growth slowed to 4.9% in June compared to 5.1% in previous month, and outstanding loan growth decreased at 3.4% against 3.6% in May.

Moreover, Malaysia's sovereign rating is at 'A-' with a stable outlook according to Fitch Ratings-Hongkong. This rating balance strong and broad-based medium-term growth with diversified export base, against high public debt and weak governance indicators relative to peers.

Outlook

With China ratcheting up the trade war with the US by depreciating the Chinese yuan, the prospects of an early agreement have just vanished. Aside from US 10-year bond yields falling way below 2.0% bringing its yield curve closer to inversion and the move of money to safe havens (US dollar and Japanese yen), markets have become risk-averse once again.

- The global economic slowdown and trade war have impacted on Germany and Japan, whose 10-year government bond yields have gone deeper into negative territory (beyond -0.5% and -0.2%, respectively), making US Treasuries attractive. The threat of recession (not in the near-term) in the US has added to the downward pressure on US T-bond yields.

- The unabated fall in PH inflation to 2.4% by July and our expectation that it will go below 2.0% in August and sub-1.5% by October has led to a faster drop in domestic bond yields especially at the short-end.

ROPs may recover a little from the move to US dollar/Treasuries as investors seek refuge in safe havens.

Spreads between 10-year and 2-year T-Bonds									
Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-year yield	10-Year and 2-Year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Jun-19	Jul-19			
US	1.89	2.02	2.2	(0.18)	25	13	(12)	2.50	0.30
PRC	2.78	3.16	2.9	0.26	43	38	(5)	4.35	1.45
Indonesia	6.46	7.38	3.1	4.28	63	92	29	5.75	2.65
Malaysia	3.24	3.59	0.6	2.99	37	35	(2)	3.00	2.40
Thailand	1.66	1.84	0.9	0.94	37	18	(19)	1.75	0.85
Philippines	4.42	4.76	2.6	2.06	12	34	22	4.50	1.80

Sources: Asian Development Bank (ADB), The Economist & UA&P
 *1-yr yields are used for PH because 2-yr papers are illiquid

- The actual cuts in BSP policy rates and RRR and our expectation that it will trim another 25 bps in its policy rate and a 200 bps slash in RRR for the rest of the year would add fuel to red-hot bond markets. We now expect 10-year T-bond yields to go below 4.0% before yearend.
- The pipeline for corporate bond issuances has just lengthened for H2 as interest rates remained biased on the downside.
- ROPs may recover a little from the move to US dollar/Treasuries as investors seek refuge in safe havens.

ROLLER COASTER RIDE IN JULY, SPILLS INTO AUGUST

15

Strong job numbers for June (+224,000) in the US and President Trump's plan to send a high-level trade delegation to China got investors back to the equities market only to succumb to fears of recession looming in the US as the spread between 10-year and 3-month yields went back into negative territory in the last week of July. This triggered the plunge of global stock indexes that has continued into the first weeks of August. The PSEi went along with this wave despite respectable early reports of earnings gains for Q2. Selling in the local stock market continued as Q2 GDP growth came well below expectations.

Outlook: While stock prices have rebounded a little after President Trump delayed the tariff increase on Chinese goods until after December 2019, negative stimuli appear to surpass positive ones. The downward pressure included: the coming August rebalancing of MSCI Emerging Markets Index that would likely see a further cut in PH equities, the y-o-y fall in NG spending in June, the weakening peso spurred on also by the measured depreciation of the Chinese yuan, and the rally in gold prices as investors seek safe havens. The positives include the persistent fall in inflation and interest rates and lower-than-expected balance of trade deficit in June. In short, it looks like the sun would rise only after the typhoon season has burst the dark clouds.

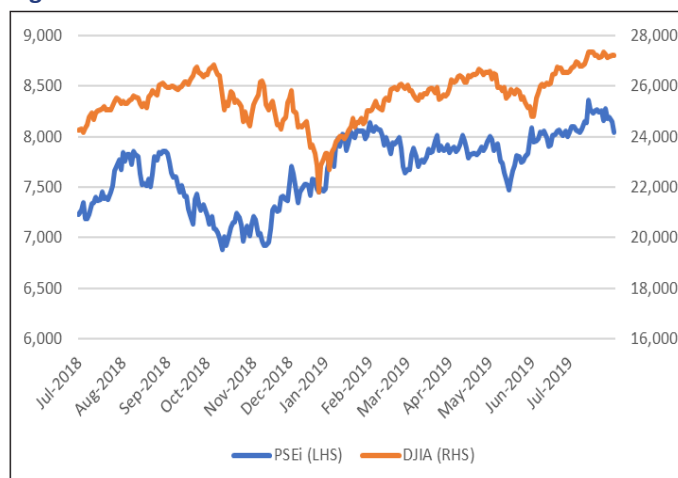
Global Equities Markets Performances				
Region	Country	Index	July M-o-M change	2019 change
Americas	US	DJIA	7.0%	13.9%
Europe	Germany	DAX	-1.7%	15.2%
	London	FTSE 101	2.2%	12.7%
East Asia	Hong Kong	HSI	-2.7%	10.5%
	Shanghai	SSEC	-1.6%	0.8%
	Japan	NIKKEI	1.2%	10.0%
	South Korea	KOSPI	-5.0%	0.7%
Asia-Pacific	Australia	S&P/ASX 200	2.9%	22.6%
Southeast Asia	Indonesia	JCI	0.5%	3.4%
	Malaysia	KLSE	-2.2%	-2.0%
	Thailand	SET	-1.1%	9.3%
	Philippines	PSEi	0.6%	7.4%
	Singapore	STRAITS	-0.6%	8.6%

Sources: Bloomberg and Yahoo Finance

Recovery did not last long as nearly half of global equities slid, while those on the green did not manage to post growths above -3% month-on-month (m-o-m). Asian markets closed lower after a broad sell-off as investors awaited US Fed's policy decision and as uncertainty loomed over US-China trade war with President Trump's new tariffs and China's warning of retaliation. The bourses that led index laggards included KOSPI, HSI, and KLSE which recorded declines of 5.0%, 2.7%, and 2.2%, respectively. In the western markets, only DAX fell after manufacturing in the eurozone shrank in July, for a sixth month. Germany's worst slump in seven years, a collateral damage of the US-

China trade war, pulled the sector down. Meanwhile, the bourses that rallied the most included S&P/ASX 200, FTSE 100, and NIKKEI; however, with only minor gains of 2.9%, 2.2%, and 1.2%, respectively.

Figure 15 - PSEi and DJIA



Sources: Wall Street Journal, Bloomberg

DJIA and PSEi converged, with a high correlation of +0.7 last July, above June's +0.2 but the two parted ways towards the end of July. Despite Trump abruptly escalating his trade war with China with new tariffs and US manufacturing activity deteriorating to an almost three-year low, DJIA climbed to a record high of 27,349.19 on July 23rd and then flattened thereafter. Helping buoy the market was corporate earnings coming in line with estimates and US labor market creating 224,000 last June.

Meanwhile, in the previous month, PSEi finally hit its highest intra-day high year-to-date at 8,419.6 last July 16.

Meanwhile, in the previous month, PSEi finally hit its highest intra-day high this year at 8,419.6 last July 16. However, immediately after, PSEi spiraled down after the International Monetary Fund (IMF) slashed PH 2019 growth forecast to 6.0% (from 6.5% previously) and after a Bangko Sentral ng Pilipinas' (BSP) monetary board member dampened expectation of a policy and reserve requirement ratio cut in the near term. Some positive sentiment helped cushion the blow as BSP slashed its 2019 inflation forecast to 2.6%, good Q2-2019 corporate earnings came in line with expectations, MOC buy orders, and BSP's optimistic forecast of Q2 GDP growth recovering to 6.0%.

Monthly Sectoral Performance				
Sector	28-Jun-19		31-Jul-19	
	Index	% Change	Index	% Change
PSEi	7,999.71	0.4%	8,045.80	0.6%
Financial	1,720.08	-0.5%	1,842.49	7.1%
Industrial	11,701.75	0.6%	11,252.52	-3.8%
Holdings	7,703.01	1.7%	7,844.36	1.8%
Property	4,273.77	-1.2%	4,234.33	-0.9%
Services	1,711.29	1.7%	1,644.35	-3.9%
Mining and Oil	7,591.21	2.7%	7,885.78	3.9%

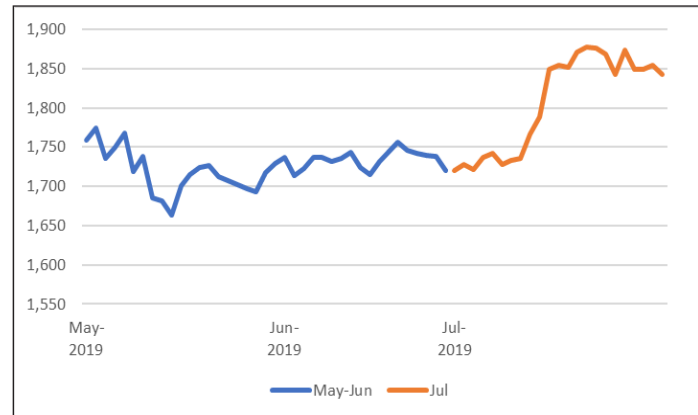
Source of Basic Data: PSE Quotation Reports

PSEi slightly edged up by 0.6% in July despite global uncertainties, as economic and corporate data appeared constructive, as mentioned above. Services and Industrial sectors moved to negative territory in July, registering declines of 3.9% and 3.8%, respectively. Property sector still on the red for the third consecutive month, lost 0.9% in value, albeit a deceleration from June's -1.2%. Only Financial and Mining & Oil sectors booked significant growths of 7.1% and 3.9%, respectively. Meanwhile, Holdings sector only had a minimal uptick of 1.8%.

Company	Symbol	28/06/19 Close	31/07/19 Close	% Change
Metrobank	MBT	71.25	75.75	6.3%
BDO Unibank, Inc.	BDO	140.00	147.00	5.0%
Bank of the Philippine Islands	BPI	78.50	90.00	14.6%
Security Bank Corporation	SECB	170.00	182.50	7.4%

Source of Basic Data: PSE Quotation Reports

Figure 16 - Financial Sector Index (May 2019 - Jul 2019)



Source of Basic Data: PSE Quotation Reports

The Financial sector rebounded as all stocks recovered and ended on the green. The sector shot up come mid-July then managed to sustain trading at high levels albeit slightly falling by the last week. All stocks recorded growths of 5.0% and above with all banks reporting earnings in line with estimates. The Bank of the Philippine Islands (BPI) booking double-digit gains of 14.6%, the highest among constituent stocks thanks to the cut in reserve requirement ratio (RRR) of the BSP from 18% to 16% for universal and commercial banks (UKBs) and after BSP Governor Benjamin Diokno said that lowering of interest rates would precede further reduction in the RRR.

BPI rallied the most among constituent stocks, an improvement from the 2.8% loss last June, after the company reported a 47.0% year-on-year (y-o-y) increase to P7.0-B in net income for Q2-2019 and a 25.0% hike in net income to P13.7-B for H1-2019, in line with consensus estimates, due to higher trading gains and robust interest and non-interest income growth.

Security Bank Corporation (SECB) came in second, expanding by 7.4%, a reversal from June's 2.9% slump, after the news that the firm posted a 32.0% y-o-y surge to P2.6-B in net income for Q2-2019 and a 15% increase to P5.0-B in net income for H1-2019, as estimated, thanks to the expansion of retail loans and low-cost deposits.

Metropolitan Bank and Trust Company (MBT) rose by 6.3% last month, a recovery from the 0.7% drop last June, with the firm recording a 22.0% y-o-y jump to P6.3-B in net profit for Q2-2019 and a 18.0% rise to P13.0-B for H1-

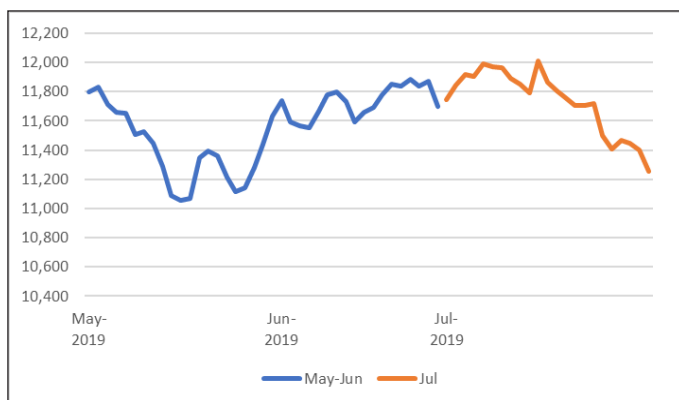
2019, buoyed by sustained loan and margin growth and fee-based profit.

While BDO Unibank, Inc. (BDO) extended its gains, hiking by 5.0% in the previous month, after the firm posted a 44.0% y-o-y growth to P10.5-B in net profit for the Q2-2019 and a 54.0% jump to P20.2-B in net income for H1-2019, in line with market consensus, also on the back of stronger earnings from its lending, fee-based, and treasury businesses.

Company	Symbol	28/06/19 Close	31/07/19 Close	% Change
Meralco	MER	387.00	365.00	-5.7%
Aboitiz Power	AP	34.80	35.40	1.7%
Jollibee Foods Corporation	JFC	281.80	259.00	-8.1%
First Gen Corporation	FGEN	26.80	26.60	-0.7%
Universal Robina Corporation	URC	166.00	159.60	-3.9%
Petron Corporation	PCOR	5.82	5.54	-4.8%

Source of Basic Data: PSE Quotation Reports

Figure 17 - Industrial Sector Index (May 2019 - Jul 2019)



Source of Basic Data: PSE Quotation Reports

The Industrial sector sunk by 3.8% as all but one stock landed on the red, once again, renewing its weakness. Throughout the previous month, the sector was spiraling downwards, unable to manage any climb upwards. Aboitiz Power Corporation (AP) was the sector's outlier, albeit only growing by a minimal 1.7% while almost all the other stocks booked significant declines.

Surprisingly, Aboitiz Power Corporation (AP) was the lone bright spot in the industrial sector due to the expansion in energy requirement to 2.5 megawatt (MW) from 1.5 MW for Widus International Leisure, Inc., a hotel and ca-

The Industrial sector sunk by 3.8% as all but one stock landed on the red, once again, renewing its weakness.

sino operator. However, AP registered a 16.0% y-o-y drop to P4.5-B for Q2-2019 in core net income and a 19.0% decline y-o-y to P8.5-B in core net income for H1-2019, below consensus estimates, on the back of higher volume and cost of purchased power.

On the other hand, Jollibee Foods Corporation (JFC), led the sector's index laggard, sliding by 8.1%, as the firm booked a double digit loss of 50.0% y-o-y to P1.1-B in net income for Q2-2019 and a 34.0% y-o-y slump to P2.7-B in core net income for H1-2019, below market consensus, dragged by the lackluster performance of fully acquired American food chain, Smashburger. Moreover, the acquisition of Coffee Bean & Tea Leaf by JFC for \$350.0-M did not seem to whet investors' appetite and the company established a joint venture with the owner and operator of Panda Express restaurants, preparing for the opening of the first store in the country.

Following after, Manila Electric Company (MER) also dragged the sector down shrinking by 5.7% after the company reported a 5.0% drop in net income to P6.7-B for Q2-2019 but core income rose by 3.0% y-o-y to P12.3-B for the first half of 2019 due to an increase in energy sales. Additionally, Meralco got the green light from Philippine Competition Commission (PCC) for its joint venture between the Bases Conversion and Development Authority and the consortium of the firm and its Japanese partners. The firm has already formed the five-man third party bids and awards committee (TPBAC) that will carry out the competitive selection process (CSP) for its targeted 2,900 MW of power supply procurements.

Petron Corporation (PCOR) already riding on its 7th month low this year, lost 4.8% in value, after firm announced that expected earnings growth will be single-digit this year as its business is adversely being affected by falling fuel prices as well as entry of illicit products. In addition, PCOR paid back its short-term credit facility of P7.0-B with BPI.

Universal Robina Corporation (URC) further dropped by 3.9% following the news that URC sold 40.0% stake of its Oceania unit, URC Oceania Company Ltd., to Europe's Intersnack Group. In other news, URC registered a 14.0% jump to P2.0-B in net income for Q2-2019 and a 7.0% y-o-y growth to P5.1-B in core net income for H1-2019 due to

Ayala Corporation (AC) rebounded and stoked the sector's growth, surging by 7.1%, while LT Group, Inc. (LTG) showed renewed weakness, slipping by 7.2%.

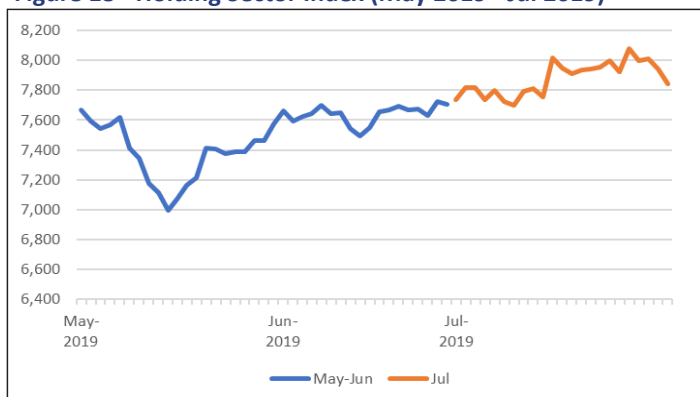
improvements in operating income which offset foreign exchange losses and higher finance costs. Moreover, the two-year potato project of URC and the Department of Agriculture (DA) yielded its first harvest last July, doubling the yield of potato farmers in Cordillera region.

Again on an even match of five to five between gainers and

Company	Symbol	28/06/19 Close	31/07/19 Close	% Change
Ayala Corporation	AC	894.00	957.50	7.1%
Metro Pacific Investments Corporation	MPI	4.80	4.80	0.0%
SM Investments Corporation	SM	969.00	999.50	3.1%
DMCI Holdings, Inc.	DMC	10.30	10.14	-1.6%
Aboitiz Equity Ventures	AEV	55.00	53.00	-3.6%
GT Capital Holdings, Inc.	GTCAP	940.00	927.00	-1.4%
San Miguel Corporation	SMC	175.20	178.00	1.6%
Alliance Global Group, Inc.	AGI	15.44	15.58	0.9%
LT Group Inc.	LTG	15.20	14.10	-7.2%
JG Summit Holdings, Inc	JGS	67.40	65.25	-3.2%

Source of Basic Data: PSE Quotation Reports

Figure 18 - Holding Sector Index (May 2019 - Jul 2019)



Source of Basic Data: PSE Quotation Reports

losers, the Industrial sector did not win the fight and took a 3.8% hit. The sector was trading at the highest its been for the past five months, almost breaching the 8,100-mark as evident with its steady pace moving upwards throughout July but was not sustained by the last few days as it began to dip. Ayala Corporation (AC) rebounded and stoked the sector's growth, surging by 7.1%, while LT Group, Inc. (LTG) showed renewed weakness, slipping by 7.2%.

AC soared in the previous month after AC got the deal to

transform the 60-hectare horse-racing complex of Manila Jockey Club, Inc. in Carmona, Cavite into a new central business district and after AC Health, AC's health care arm, managed to increase its stake in Generika group of companies to 52.5% from 50.0%. Moreover, AC Energy, AC's energy arm, entered into a deal on the transfer of its entire interest in a 552 MW coal-fired plant in Lanao del Norte to its partner, Power Partners Ltd. Co.

Trailing right behind, SM Investments Corporation (SM) expanded by 3.1% driven by the 28.0% y-o-y hike in core net income to P12.3-B for Q2-2019 and a 27.0% y-o-y increase to P23.0-B in core net income for H1-2019 driven by robust earnings from its bank, property, and retail businesses. In addition, the firm's recent inclusion in the FTSE4Good Index Series, an index managed by the London Stock Exchange unit FTSE Russell. The index identifies companies that have showed strong environmental, social, and governance practices based on globally recognized standards. On the opposite track, LTG retracted last July after son of tycoon Lucio Tan disposed 233,000 of his shares in the firm.

Also on the negative route, Aboitiz Equity Ventures (AEV) extended its losses after the firm booked a a 12.0% y-o-y decline to P5.0-B in core net income for Q2-2019 and an 11.0% reduction y-o-y to P9.0-B in reported net income, below consensus estimates, due to lower earnings contribution from its power, food, and real estate businesses. However, for Q2-2019 alone, AEV posted a reported net income of P5.4-B, 47.0% higher y-o-y due to forex gains.

San Miguel Corporation (SMC) only managed to post a minor 1.6% uptick regardless of the \$300.0-M raised by SMC Global Power Holdings, Inc. a subsidiary of SMC, from the issuance of senior perpetual capital securities that will be listed on the Singaporean exchange. Moreover, SMC's submitted proposal of P735.0-B for the airport plan in Bulacan was left unchallenged, clearing the way for the conglomerate to be awarded the project.

Alliance Global Group, Inc. (AGI) booked a low 0.9% increase despite announcements of its plans to spend P410.0-B in capital expenditures over the next five years to sustain the expansion of its property, liquor, gaming, restaurant, and infrastructure businesses.

ALI retreated the most among constituent stocks after the firm booked a 2.0% y-o-y decline to P7.8-B in net income for Q2-2019 but a 12.0% growth in core net income to P15.2-B on the back of strong growth from its recurring income portfolio, yet below consensus estimates.

DMCI Holdings, Inc. (DMC) went down by 1.6% due to the 22.0% y-o-y loss to P6.7-B for the first half of 2019 dragged by weak contributions from its power unit but net income up by nearly 39.0% y-o-y to P5.0-B for Q2-2019 thanks to the improved performances of all its businesses but the power business.

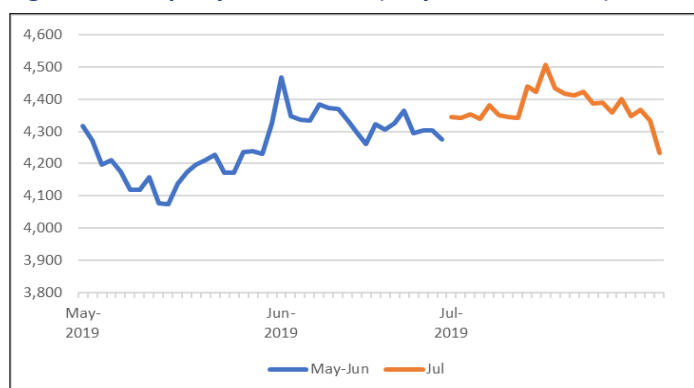
Despite Toyota Motor Philippines Corporation, a subsidiary of GTCAP, selling 73,454 units in H1-2019, GTCAP still moved to negative territory, albeit by a minimal 1.4%.

Metro Pacific Investments Corporation (MPI) remained unchanged despite announcements of an 11.0% y-o-y decrease to P4.6-B for Q2-2019 and a 9.0% y-o-y slump to P8.1-B in reported net income in H1-2019 due to nonrecurring expenses and foreign exchange translation losses. Additionally, of its plans to issue exchangeable bonds in the next few months in preparation for the initial public offering of its health care holding arm, Metro Pacific Hospital Holdings, Inc (MPHHI). Additionally, MPHHI extended its offer to buy P2.3-B worth of shares of Medical Doctors, Inc.

Company	Symbol	28/06/19 Close	31/07/19 Close	% Change
Ayala Land, Inc.	ALI	50.80	49.80	-2.0%
SM Prime Holdings, Inc.	SMPH	37.10	36.50	-1.6%
Robinsons Land Corporation	RLC	26.35	27.35	3.8%
Megaworld Corporation	MEG	6.10	6.12	0.3%

Source of Basic Data: PSE Quotation Reports

Figure 19 - Property Sector Index (May 2019 - Jul 2019)



Source of Basic Data: PSE Quotation Reports

In an even fight of two to two, property sector did not emerge and fell by 0.9% in the previous month. As evident, the sector was slowly trying to make a climb and finally hit the 4,500-level but started to descend right after and plummeted by the last few days. Robinsons Land Corporation (RLC) led the sector's index gainer, surging by 3.8%, while Ayala Land, Inc. (ALI) pulled the sector down, dipping by 2.0%.

RLC grew the most on account of its partnership with sister firm, Gokongwei Brothers Foundation, Inc. for a new company to be valued at P5.0-B and the opening of its 52nd shopping mall in the country – the Robinsons Galleria South Mall in San Pedro, Laguna.

ALI retreated the most among constituent stocks after the firm booked a 2.0% y-o-y decline to P7.8-B in net income for Q2-2019 but a 12.0% growth in core net income to P15.2-B on the back of strong growth from its recurring income portfolio, yet below consensus estimates.

Following ALI's trend, SM Prime Holdings, Inc. (SMPH) decreased by 1.6% even with the firm's report of a 16.0% y-o-y rise in core net income to P10.5-B for Q2-2019 and a 16.0% y-o-y increase in its net income to P19.3-B during H1-2019 driven by revenues from mall and residential operations.

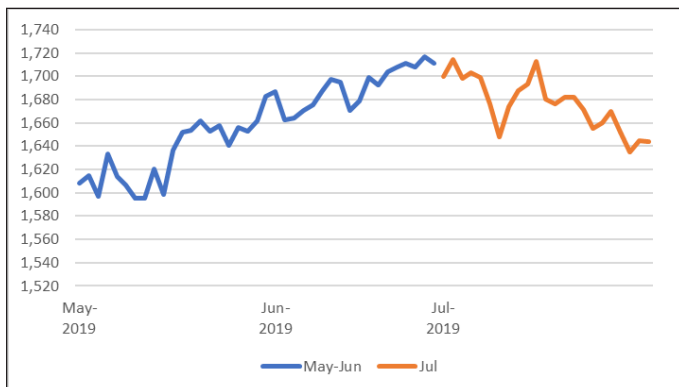
Megaworld Corporation (MEG) only registered a relatively flat 0.3% growth despite news on the firm's 1.0% loss in core net income to P4.2-B for Q2-2019 but a 12.0% surge in core net income to P8.3-B for H1-2019 driven by the growth of its residential, commercial, and hotel businesses. MEG announced their commitment to spend P300.0-B over the next five years to expand its residential, office, retail, and hotel projects as it remains bullish on the growth of the Philippine economy. In addition, MEG is investing P350.0-M for transport hubs at the Iloilo Business Park and P10.0-B to develop eight new malls in the provinces until

TEL and GLO booked declines after Dito Telecommunity Corporation (formerly Mislattel) was granted a legislative franchise by the government to operate as the country's third telco player, which would most likely reduce market share among the duopolies.

Company	Symbol	28/06/19 Close	31/07/19 Close	% Change
Philippine Long Distance Tel. Co.	TEL	1,290.00	1,150.00	-10.9%
Globe Telecom	GLO	2,262.00	2,148.00	-5.0%
Robinsons Retail Holdings, Inc.	RRHI	74.00	79.30	7.2%
Puregold Price Club Inc.	PGOLD	44.95	45.50	1.2%
International Container Terminal Services Inc.	ICT	146.40	135.00	-7.8%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Services Sector Index (May 2019 - Jul 2019)



Source of Basic Data: PSE Quotation Reports

The Services sector faced the biggest losses, shedding 3.9% in value. After the sector had reached its highest trading level last June, it immediately plummeted come July, but rebounded right after, then slowly spiraled down. TEL dragged the sector down recording a double-digit drop of 10.9%. Meanwhile, Robinsons Retail Holdings, Inc. (RRHI) stoked the sectors growth, surging by 7.2%.

TEL and GLO booked declines after Dito Telecommunity Corporation (formerly Mislattel) was granted a legislative franchise by the government to operate as the country's third telco player, which would most likely reduce market share among the duopolies.

From the sector's lone dark spot to the sector's index laggard, TEL faced double-digit losses on news that its 5G service rollout will be delayed to next year, instead of the fourth quarter of 2019 because of inability to find technology partner. However, on a more positive note, S&P Global Ratings affirmed the "BBB+" long-term issuer credit rating of PLDT, Inc. as it anticipates the telco giant to

"remain largely unchanged" despite the threat of a new major telecommunications player. Moreover, according to Ookla, global leader in internet testing and analysis, PLDT posted the fastest fixed and mobile data speeds in the country for the first half of 2019.

Conversely, GLO only registered a single-digit decrease on the back of a 2.0% decrease in core net income to P5.3-B for Q2-2019 as ramped up infrastructure spending dampened growth in revenues but an 18.0% increase to P12.0-B in core net income for H1-2019 due to boost in data usage. GLO newly partnered with Gilat Satellite Networks Ltd., Israel-based satellite networking firm, for the provision of WiFi services in schools and hospitals across the country. The telco also sealed its second tower deal with a third-party venture to improve mobile connectivity in Cebu, Davao, Olongapo and GLO also secured its second deal to order shareable telecommunications infrastructure from the tandem of Aboitiz InfraCapital, Inc. and Frontier Tower Associates Philippines (FTAP).

International Container Terminal Services, Inc. (ICT) followed after TEL, dropping by 7.8%, despite announcements that ICT has completed a P10.0-B deal to acquire Libra Terminal Rio S.A., a Brazil-based firm, which holds the concession to operate a container terminal in the port of Rio de Janeiro. Furthermore, ICT recently received new equipment for its flagship Manila International Container Terminal (MICT) as part of its \$80.0-M capacity improvement program. ICT's subsidiary, Pakistan International Container Terminal launched a rail cargo service connecting Karachi and Lahore Pakistan.

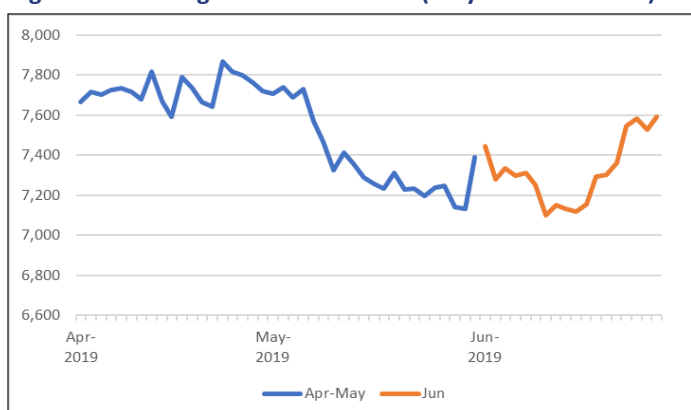
Robinsons Retail Holdings, Inc. (RRHI) was the only other stock that managed to eke out gains, gaining a minimal 1.2% in value, in spite of the 13.0% y-o-y loss to P1.4-B in core net income for Q2-2019 and a 14.0% drop in reported net income to P2.3-B, below market consensus, attributable to the new accounting standards on leases.

Company	Symbol	28/06/19 Close	31/07/19 Close	% Change
Semirara Mining and Power Corporation	SCC	23.15	23.00	-0.6%

Source of Basic Data: PSE Quotation Reports

Foreign sellers turned buyers last July, with a net inflow of P3.7-B, a huge rebound from the three consecutive months of net outflow.

Figure 21 - Mining & Oil Sector Index (May 2019 - Jul 2019)



Source of Basic Data: PSE Quotation Reports

Mining and Oil was the second sector that booked the biggest increase, breaching the 8,100 level, the highest its been in the past four months. The sector was slowly dropping but surged upwards come mid-July. However, this did not last long as trading levels started to decrease by the last week of July. Semirara Mining and Power Corporation (SCC) retreated once again, losing 0.6% in value, despite the Department of Energy (DoE) putting SCC's coal trading suspension on hold.

Total Turnover

Monthly Turnover (in Million Pesos)				
Sector	Total Turnover		Average Daily Turnover	
	Value	% Change	Value	% Change
Financial		-19.4%	1,124.08	-36.9%
Industrial	29,974.66	-6.3%	1,303.25	-26.7%
Holdings	34,073.10	21.9%	1,481.44	-4.6%
Property	30,368.53	-1.2%	1,320.37	-22.7%
Services	23,918.91	-12.7%	1,039.95	-31.7%
Mining and Oil	3,727.72	109.3%	162.07	63.8%
Total	147,916.77	-2.7%	6,431.16	-23.8%
Foreign Buying	78,337.24	-10.1%	3,405.97	-29.7%
Foreign Selling	74,671.09	-20.8%	3,246.57	-38.0%
Net Buying (Selling)	3,666.16	-151.6%	159.40	-140.4%

Source of Basic Data: PSE Quotation Reports

PSE continued to slump, decreasing by 2.7% in the previous month, albeit a deceleration from June's -6.2%. Only Mining and Oil and Holdings sector posted significant increases of 109.3% and 21.9%, respectively. While, Financial and Services sector booked double-digit losses of 19.4% and 12.7%, respectively. Industrial and Property sector only recorded a minimal decline of 6.3% and 1.2%, respectively.

Foreign sellers turned buyers last July, with a net inflow of P3.7-B, a huge rebound from the three consecutive months of net outflow. Foreign investors came ashore because of positive developments in the local scene (i.e. lower inflation and good corporate earnings).

Recent Economic Indicators

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NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2017		2018		1st Quarter 2019			2nd Quarter 2019		
	Levels	Annual G.R.	Levels	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.
Production										
Agri, Hunting, Forestry and Fishing	739,029	4.0%	744,814	0.8%	185,572	-16.5%	0.8%	175,497	-5.4%	0.6%
Industry Sector	2,947,103	7.2%	3,148,000	6.8%	772,891	-10.8%	4.5%	828,910	7.2%	3.7%
Service Sector	4,979,575	6.8%	5,310,300	6.6%	1,299,086	-7.1%	6.8%	1,479,208	13.9%	7.1%
Expenditure										
Household Final Consumption	5,973,816	5.9%	6,306,064	5.6%	1,566,834	-12.6%	6.1%	1,646,010	5.1%	5.6%
Government Final Consumption	914,136	7.0%	1,031,487	12.8%	252,373	6.7%	7.4%	327,069	29.6%	6.9%
Capital Formation	2,504,502	9.4%	2,852,306	13.9%	752,245	1.0%	8.0%	623,666	-17.1%	-8.5%
Exports	4,930,584	19.5%	5,495,712	11.5%	1,377,595	10.4%	5.7%	1,508,885	9.5%	4.4%
Imports	5,657,331	18.1%	6,476,519	14.5%	1,713,777	10.6%	8.6%	1,635,616	-4.6%	0.0%
GDP	8,665,708	6.7%	9,203,113	6.2%	2,257,549	-9.2%	5.6%	2,483,615	10.0%	5.5%
NPI	1,729,139	5.9%	1,793,182	3.7%	477,352	8.0%	3.2%	456,350	-4.4%	3.1%
GNI	10,394,846	6.6%	10,996,296	5.8%	2,734,900	-6.6%	5.2%	2,939,965	7.5%	5.1%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2017		2018		May-2019		Jun-2019			
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R.	Levels	Monthly G.R.	Annual G.R.
Revenues	2,473,132	12.6%	2,850,184	15.2%	317,236	2.8%	22.5%	233,886	-26.3%	4.3%
Tax	2,250,678	13.6%	2,565,812	14.0%	265,455	-8.1%	17.0%	210,532	-20.7%	11.9%
BIR	1,772,321	13.1%	1,951,850	10.1%	204,838	-13.0%	19.1%	157,829	-22.9%	15.4%
BoC	458,184	15.6%	593,111	29.4%	58,168	12.6%	10.3%	51,298	-11.8%	2.5%
Others	20,173	20%	20,851	3.4%	2,449	39.4%	16.2%	1,405	-42.6%	0.6%
Non-Tax	222,415	3.2%	284,321	27.8%	51,775	161.8%	61.3%	23,263	-55.1%	-35.3%
Expenditures	2,823,769	10.8%	3,408,443	20.7%	314,672	41.9%	7.8%	275,724	-12.4%	-1.0%
Allotment to LGUs	530,150	17.9%	575,650	8.6%	47,957	-18.5%	-1.4%	50,293	3.4%	8.3%
Interest Payments	310,541	2%	349,215	12.5%	19,669	-16.4%	-6.8%	29,096	47.9%	20.9%
Overall Surplus (or Deficit)	-350,637	-0.8%	-558,259	59.2%	2,564	-97.0%	-107.8%	-41,838	-1731.7%	-22.9%

Source: Bureau of the Treasury (BTr)

POWER SALES AND PRODUCTION INDICATORS

Manila Electric Company Sales (In Gigawatt-hours)

	2018		May-2019			Jun-2019		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	43,810.80	5%	4,053.00	4.0%	2.5%	4,282.20	9.2%	3.0%
Residential	13,549.70	3.7%	1,373.90	6.3%	5.4%	1,464.70	13.5%	5.6%
Commercial	17,211.30	4.8%	1,560.70	3.8%	1.5%	1,646.50	9.2%	2.2%
Industrial	12,610.30	5.9%	1,094.00	3.0%	1.3%	1,145.60	5.0%	1.8%

Source: Meralco

BALANCE OF PAYMENTS (In Million U.S. Dollar)

	2017		2018		4th Quarter 2018		1st Quarter 2019	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT								
Balance of Trade	-2,163	80.4%	-8,871	310.2%	-2,400	-23.3%	-1,216	276.9%
Balance of Goods	40,505	13.9%	50,202	23.9%	13,332	4.0%	12,388	18.9%
Exports of Goods	51,865	21.4%	51,392	-0.9%	12,579	-0.8%	12,197	-2.4%
Import of Goods	92,370	18.0%	101,594	10.0%	25,911	1.6%	24,585	7.3%
Balance of Services	-9,249	31.3%	-11,539	24.8%	-2,513	18.4%	-3,180	4.4%
Exports of Services	35,884	15.0%	38,510	7.3%	9,747	5.5%	9,631	2.0%
Import of Services	26,635	10.2%	26,971	1.3%	7,233	1.7%	6,451	0.8%
Current Transfers & Others		-						
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	62	-26.3%	15	-73.0%	20	43.0%	15	7.1%
Financial Account	175	-92.4%	-7,795	192.6%	-3,768	14.9%	-4711	477.3%
Direct Investments	-5,883	5803.4%	-5,834	-10.9%	-797	-67.6%	-1,074	4.8%
Portfolio Investments	1,480	-72.9%	1,548	-38.3%	-1,275	32.5%	-1,795	-211.4%
Financial Derivatives	-32	-673.4%	-53	5.5%	-34	-183.6%	-40	-41.8%
Other Investments	4,610	-249.8%	-3,455	-342.9%	-1,661	-1797.2%	-1,802	35.0%
III. NET UNCLASSIFIED ITEMS	274	-136.6%	-1,245	-12.4%	1,443	322.5%	287	-116.7%
OVERALL BOP POSITION	-1,038	-116.1%	-2,306	167.2%	2,830	461.0%	3,797	-409.5%
Use of Fund Credits		-						
Short-Term		-						
Memo Items								
Change in Commercial Banks	1,421	-222.0%	-461	-212.5%	-1,866	85.5%	46	-96.6%
Net Foreign Assets	1,381	-229.7%	1,423	216.5%	-22.1	-97.7%	66	-95.1%
Basic Balance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Bangko Sentral ng Pilipinas (BSP)

MONEY SUPPLY (In Million Pesos)

	2018		May-2019		Jun-2019	
	Average Levels	Annual G. R.	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,035,680	8.5%	3,226,641	8.3%	3,113,810	4.5%
Sources:						
Net Foreign Asset of the BSP	4,514,943	1.5%	4,806,965	4.4%	4,781,817	5.3%
Net Domestic Asset of the BSP	11,218,175	15.4%	11,834,304	6.8%	11,895,755	6.2%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3,708,624	13.9%	3,940,952	5.0%	3,940,453	5.5%
Money Supply-2	10,597,336	11.2%	11,120,965	5.1%	11,152,970	5.1%
Money Supply-3	11,063,517	11.5%	11,741,648	6.4%	11,776,034	6.4%
MONEY MULTIPLIER (M2/RM)	3.49		3.45		3.58	

Source: Bangko Sentral ng Pilipinas (BSP)

August 2019

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