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The

MARKET CALL

Capital Markets Research

FIRST METRO INVESTMENT CORPORATION
Metrobank Group

UA&P
UNIVERSITY OF ASIA AND THE PACIFIC

FMIC and UA&P Capital Markets Research

Executive Summary

NG Spending 28% Surge in October to Push Q4 GDP Faster

Foreign direct investments skyrocketed by 68% in September, while exports continued its positive run into September. To help achieve faster growth, inflation eased to 3.3% in November. On the other hand, the equities market saw the initial signs of foreign selling. But bond yields rise due to feeble demand in anticipation of the Fed policy rate hike in December and strong employment data in the US.

Macroeconomy

Infrastructure Spending's 17.8% Jump in October and positive exports performance, and along with the rebound in foreign investment and slower inflation, augur well for a further acceleration of GDP growth in Q4.

- NG spending in October soared by 28% amidst strong spending on infrastructure.
- Robust global recovery pushed exports in September to rise by 4.3%, and Q3 up by 8.3%.
- PH booked $754 M of foreign direct investments in September, surging by 61.8%.
- Inflation appeared to have peaked in October as it slowed down to 3.3% in November.
- Capital goods imports slumped as a broad-based decline in product categories emerged.
- The peso resisted the greenback following a better-than-expected Q3 GDP expansion.

Outlook: We think that PH is off to a good start in Q4 tracking the above economic indicators and following GDP acceleration in Q3. Furthermore, we believe that our 6.5%-7% FY target will easily be hit. Exports should rise at a faster rate in Q4 as the synchronized upswing in the global economy make its impact. Inflation should remain at 3.3% in December, but do expect a sharp jump in January with the Congressional approval of higher fuel taxes, sin taxes (alcohol, beer, and cigarettes), a new tax on sugar-based beverages, a slew of other taxes, and less exemptions for VAT.

Bonds Market

Yield curves rise as demand for bonds slumped in the primary market for government securities, while trading volume in the secondary market plunged to a six-year low. Investors' fear of further increases in bond yields heightened as the Fed readies policy rate hike in December.

- Yields in auctions of Treasury bills rose by 9.9 bps to 19.1 bps, with TOR sharply down.
- 5-year and 10-year T-bond yields moved higher by 55.1 bps and 26.8 bps, respectively, in the secondary market.
- GS trading plunged by 45.1% (m-o-m) and 33.7% (y-o-y), to lowest daily average of P3.8 B.
- The 10-year to 2-year bond spread widened by 88 bps.
- Tracking the uptick in US Treasury bill yields, ROP yields rise at the short end of the curve.

Outlook: Long-term T-bond yields have climbed by 37 bps since end-September and may head towards overshooting. We do not expect much positive impact of local inflation easing in November and December since investors may wait for the actual jump in inflation due to higher taxes on fuel and other products, and new taxes that take effect in 2018 following the approval of the administration's tax reform bill. Bonds investors will have to wait for better times (e.g., overshooting) or turn to bonds (Hold-To-Maturity) as a buffer for diversified portfolios.

Equities Market

Mixed investor sentiment towards the Fed rate hike, local earnings, and the comprehensive tax reform.

- The PSEi dipped by 1.3% in November, bringing YTD growth down to 20.3%.
- All sectors in the red except for the Financial sector, posting a 4% gain in November.
- MBT drives the financial sector as the only company to post a double digit gain(+10.6%) in November.
- MER also listed commendable gains, with an 8% uptick backed by robust Q3 sales.
- Net foreign buying trend ends in November with a net selling of P1.4 B.

Outlook: The recent steep rise in share prices will likely invite profit-taking and consolidation to end the year. This is much-needed to bring back share prices back closer to more fundamental valuations. Investors may return early in Q1-2018, but the timing of this homecoming would depend on the positive resolution of uncertainties, both abroad (e.g., Trump's tax reform, Middle East and North Korean tensions) and at home (actual inflationary impact of new/higher taxes) and the final outcome of the effort to remove the country's Supreme Court Chief Justice from office (via impeachment).

Economic Indicators (% change, latest month, unless otherwise stated)	Previous Month	Latest Month	Year-to-Date	2015 (year-end)	2016 (year-end)	2017 FMIC Forecast*
GDP Growth (y-o-y, quarterly)	6.5%	6.9%	6.7%	5.9%	6.8%	6.5-7%
Industrial Output (September)	2.8%	-3.7%	5.2%	2.4%	9.0%	9.5%
Inflation Rate (November)	3.5%	3.3%	3.2%	1.4%	1.8%	2.8- 3.2%
Government Spending (October)	-1.8%	28.2%	10.2%	12.6%	18.0%	15%
Gross International Reserves ($B) (November)	80.4	80.3	80.3	81.6	80.7	85
PHP/USD rate (November)	51.34	51.04	50.41	45.50	47.49	51
10-year T-bond yield (end-November YTD bps change)	4.69%	5.40%	92.7	4.10%	4.63%	4.8-5.1%
PSEi (end-November YTD % change)	8,365.3	8,254.0	20.3%	6,952.1	6,781.2	8,200

Sources: Philippine Statistics Authority (PSA), Bangko Sentral ng Pilipinas (BSP), Philippine Stock Exchange (PSE), Philippine Dealing System (PDS), and Authors' Calculations

HIGHER INFRASTRUCTURE SPENDING BY 17.8% IN OCTOBER TO SPUR FASTER Q4 GROWTH

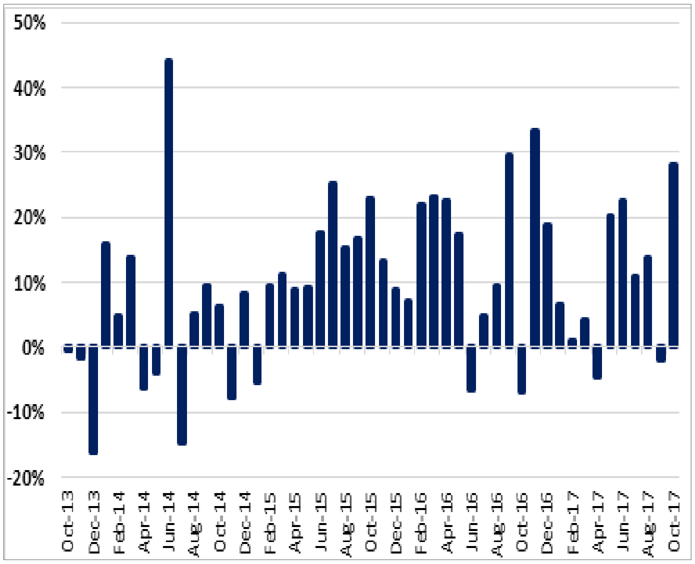
Infrastructure and Capital Outlays by the National Government (NG) sped up by 17.8% in October, as NG spending surged by 28%, setting the stage for even faster GDP growth in Q4. Supporting this quickening pace, exports growth remained positive, while foreign investments continued to rebound as it soared by 70% in August. Inflation has also slowed to 3.3% in November from 3.5% a month ago, and this should provide more confidence to consumers. All these put an acceleration bias for the economy, following through a better-than-expected GDP growth in Q3.

Outlook: The economy should continue to accelerate in Q4 as NG spending continues to trace an elevated path, and exports likely to rebound from relatively feeble Q3, albeit still much positive, but probably affected by the devastating hurricanes in the US in September. We expect the Monetary Board (MB) to maintain policy rates given the inflation slowdown and oil prices appearing to have peaked. Despite the positive outlook, renewed pressure on the peso shall emerge into early 2018 with the US economy expanding at its fastest semestral rate since 2014.

NG Spending Sets New Record High in October

NG disbursements in October soared by 28% y-o-y (to P226.9 B), the highest growth recorded in the year. A 17.8% jump on infrastructure and capital outlays provided a big impetus. The remarkable performance in other months especially in late Q2 and early Q3 resulted in a year-to-date (YTD) spending of P2.2 T, up by 10% from the same period in 2016.

Figure 1 - NG Expenditures Growth Rate, Year-on-Year



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

Total NG revenues, likewise, surged by 17% to P205.1 B due to strong collections from both the Bureau of Internal Revenue (BIR) and Bureau of Customs (BoC). The BIR collected a total of P142.5 B, 17% higher than October last year, marking the 6th month of double-digit growth. The BoC raked in a total of P42.9 B (+29% y-o-y), posting a record high in October. Note that customs collections have consistently posted an increase since January (save for April) following the upward trend in imports.

Despite the huge jump in NG disbursements, the NG recorded a budget deficit of only P21.8 B, bringing the country's YTD deficit to P234.9 B, equivalent to about 50% of total target deficit for 2017. Thus, it is quite likely the year's deficit may only reach P350 B (or only some 2.2% of GDP). That outcome is not negative since it will further bring the country's debt ratio down. This implies lower percentage of NG expenditures going to interest payments closer to 11%, and ready to be channeled to infrastructure spending. Finally, netting out interest payments (which posted a 27% y-o-y increase to P20.4 B), the NG registered a minimal net primary deficit of P1.4 B in October, up to P34.5 B YTD.

FDI Surges in September

Net equity capital increased by about 32% to $182 M on account of higher equity capital placements, reflecting positive economic fundamentals and strong investors' confidence in the country. Capital placements largely came from the US, Singapore, the Netherlands, China, and Taiwan used mostly in Construction, Manufacturing, Real Estate, and Accommodation and Food Service activities. Investments in debt instruments and reinvestments in earnings, likewise, added $513 M (+75%) and $59 M (+68%), respectively.

Inflation eased in November, registering a 3.3% y-o-y increase, due to the slowdown in the price changes of most heavily-weighted indices.

Thus, foreign direct investments in September reached $754 M, jumping by 61.8% compared to its year ago level.

YTD, FDI net inflows booked to $5.8 B, showing a minimal 0.2% decline than the $5.9 B net inflows in the first eight months of 2016. Excluding the $800 M inflow into Security Bank in April 2016 will wash off the decline and result in a positive growth.

Manufacturing Slides in September

The country's manufacturing output (measured by Volume of Production Index or VoPI) declined by 3.7% in September (preliminary), bringing Q3's growth to negative 1.5%. But since national income accounts for Q3 showed a strong 9.4% uptick, we think the revised figures would end up much higher. Nonetheless, the strong gains recorded in H1 brought YTD growth to 5.2%.

The weak performance in September (representing the 2nd decline in 2017) was attributed to the significant slowdowns recorded in nine segments (i.e., Chemical Products (-57.9%), Textiles (-44.3%), Footwear and Wearing Apparel (-25.1%), Tobacco Products (-24.4%), Miscellaneous Manufactures (-10.6%) and Rubber and Plastic Products (-10.5%), among others.

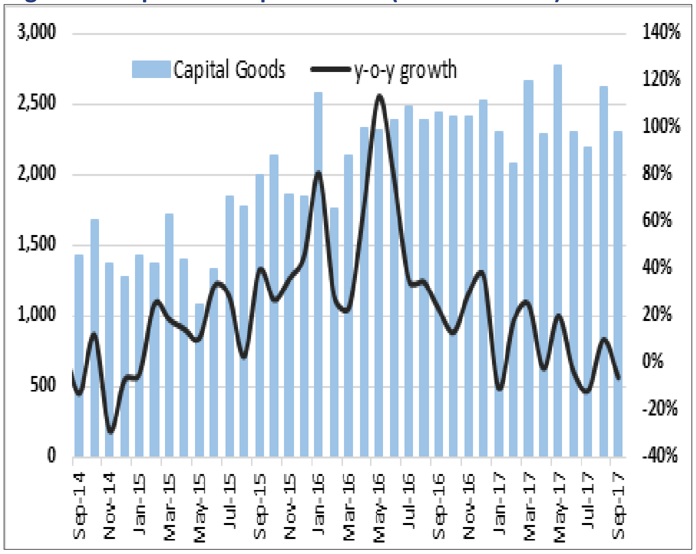
Capital Goods Imports Slip in September

The imports of capital goods registered a 6.5% decline (y-o-y) in September, due to broad-based drop in the capital goods items. Except for the imports of Telecommunication Equipment and Electrical Machinery, the rest of the products classified under capital goods fell. The month's slight slide, the 5th for 2017, reflects the extraordinarily high base in August to December 2016.

The biggest drop of 53.9% showed in the Aircraft, Ships and Boats category. Imports of Office and EDP Machines and Land Transport Equipment excluding Passenger Cars and Motorized cycle, likewise, declined by 20.5% and 12.4%, respectively. Raw Materials & Intermediate Goods imports, which captured the largest share of total imports at 38.3%, came in fairly flat at - 0.7% y-o-y.

Meanwhile, the imports of Mineral Fuels, Lubricant and Related Materials rose by 40.4%, reflecting the strong demand of coal and higher crude oil prices. Consumer

Figure 2 - Imports of Capital Goods (in Million USD)



Source of Basic Data: National Statistics Office (NSO)

Goods imports also jumped by 2.1%, sustained by strong consumer demand, due to robust OFW remittances and peso depreciation. This collective gain offset the decline recorded in two products categories thus, total imports posted an increase, albeit minimal to 1.7% amounting to $7.5 B. With exports receipts totaling to $5.5 B, trade deficit in September stood at $1.9 B, down from $2 B a year ago. It has averaged $2 B in Q3, and will unlikely exceed 2016's full year balance of trade (BOT) deficit of $24.9 B.

Price Uptick Decelerates in November

After five consecutive months of price acceleration, inflation finally eased in November, registering a 3.3% y-o-y increase. The slowdown in the price changes of most heavily-weighted indices drove the overall average down. Thus, YTD price changes stood at 3.2%, which is also our forecast for FY 2017, and within the NG's target.

The heavily-weighted Alcoholic Beverages and Tobacco (ABT) and Food and Non-Alcoholic Beverages (FNAB) indices, posted an above 1 percentage point decline, *The country's total export sales remained consistent with its current positive trend, growing by 4.3% in September and sales amounting to $5.6 B.*

Inflation Year-on-Year Growth Rates	Nov-2017	Oct-2017	YTD
All items	3.3%	3.5%	3.2%
Food and Non-Alcoholic Beverages	2.6%	3.6%	3.6%
Alcoholic Beverages and Tobacco	5.4%	6.8%	6.2%
Clothing and Footwear	1.8%	1.9%	2.3%
Housing, Water, Electricity, Gas, and Other Fuels	3.6%	4.0%	3.1%
Furnishing, Household Equipment, and Maintenance of the House	1.6%	1.8%	2.1%
Health	2.1%	2.2%	2.4%
Transport	4.0%	4.2%	3.4%
Education	2.2%	2.3%	2.1%

Note: Green font - means higher rate (bad) vs. previous month
Red font – means lower rate (good) vs. previous month
Not included in details are the items whose growth rate remained the same as in September.

Source of Basic Data: National Statistics Office (NSO)

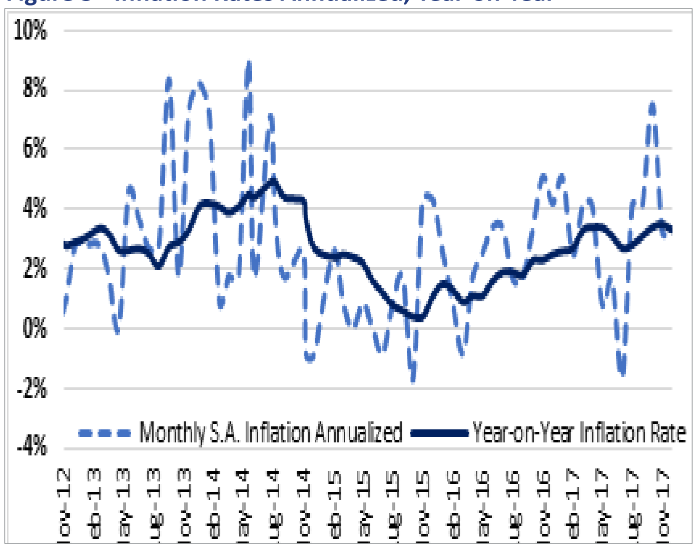
largely contributing to the price deceleration. Slower annual growths in the commodities under these indices were observed in both NCR and areas outside NCR. Mix movement in the components of Housing, Water, Electricity, Gas, and Other Fuels (HWEGOF) index also resulted in the slowdown. Housing prices (real estate) has been on a decline but charges in water and electricity registered an increase. Moreover, the other fuels posted an upward adjustment (i.e. WTI and Brent had an average mark-up of 9% from the previous month). Like last month, prices in the Transport and Clothing and Health, as well as the Furnishing, Household Equipment and Routine Maintenance of the House and Education indices posted weaker gains.

The seasonally adjusted annualized rate (SAAR) showed a flat growth, suggesting negligible real change in the prices of goods. Besides, core inflation (which excludes volatile food and energy prices) only posted a minimal increase to 3.3% vis-a-vis the 3.2% recorded in October. Anchored on the limited increase in the price of oil, we believe that inflation will not significantly change next month and we think that our FY target of 3.2% will easily be hit.

Exports Still Positive in September

The country's total export sales remain consistent with its current positive trend, growing by 4.3% in September and sales amounting to $5.6 B. Significant growth in six out of 10 commodities are responsible for the commendable performance for the month of September. Hefty gains in Gold (+171.3%), Coconut Oil (+63.8%), and Machinery and Transport Equipment (+34.9%) largely drove exports growth.

Figure 3 - Inflation Rates Annualized, Year-on-Year



Source of Basic Data: Philippine Statistics (PSA)

Other gainers included Metal Components (+8.2%), Other Manufactured Goods (+6.9%), and Electronic Products (+6.6%). YTD outward shipments totaled to $47.7 B, representing a 12.5% gain y-o-y. This showed a major improvement from the negative performance recorded in the same period last year.

Electronic products still led the pack with receipts amounting to $2.9 B, while comprising 52.3% of the total export revenue. It grew by 6.6% from its previous export value of $2.7 B. Likewise, Semiconductors also accounted for the biggest share with 38.6% among electronic products, while posting a 8% increase to $2.2 B.

Personal remittances from Filipinos working abroad continued to pour into the economy, totaling $2.3 B in September.

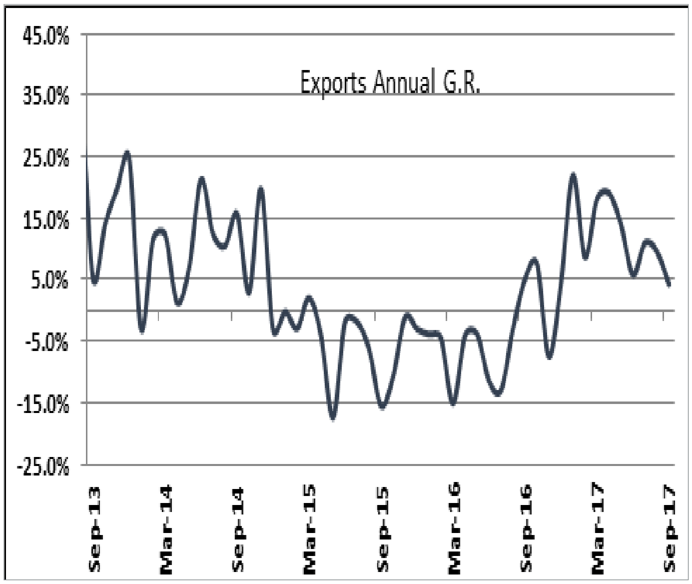
Machinery and Transport Equipment following in second, accounting for 9% of the total, posted a eye-popping 34.9% growth, easily besting the $375.1 M. Other Manufactured Goods came in third place with an export revenue of $329.9 M (+ 6.9% from the $308 M recorded last year). Coconut Oil ranked fifth with 2.6% share or $143.4 M contribution to export sales. It posted an impressive 65.8% leap over its previous shipment that earned only $87.6 M. Meanwhile, Ignition Wiring Set and Other Wiring Sets Used in Vehicles, Aircrafts and Ships, which took the fourth-place post, dropped by 17.4% from the previous recorded value of $185.9 M. It accounted for 2.7% in export shares with shipments amounting to $153.6 M.

Exports to the United States of America continued to hold on to the top post with total revenue worth $802.6 M, while contributing 14.3% of total exports. In September, Japan was outranked by Hong Kong with a 13.7% share to total exports. Shipments to the latter went up by a sizeable 29% from $596.2 M in the previous year. Japan, now in third place, slipped by an alarming 32.1% from the $1.1 B it recorded in the same month of the previous year. People's Republic of China followed at fourth place, representing 12% of total exports, and valued at $671.6 M. However, it also fell by a slight 0.5%. Singapore closed the list at fifth place, with a 5.7% share to total shipment sales valued at 318.6 M. It, likewise, registered a 5.2% decline from the $335.9 M of September 2016.

Almost half of the total exports in September still headed towards East Asian (EA) nations, valued at $2.6 B, which represented a 6% contraction y-o-y. Meanwhile, the shipments to the ASEAN countries (comprising 15%), increased by 7.6%. ASEAN+East Asia ex-Japan accounted for 47.9% of total exports. Trade exports to the EU, likewise, registered a hefty gain of 40% with receipts amounting to $1 B, reflecting EU's solid recovery.

We believe that exports will continue to expand buoyed by strong global demand (i.e., US, EU, China, and India) thus, will continue to drive PH growth. Recall that in Q3, external demand provided an additional boost resulting in

Figure 4 - Exports Growth Rates, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

faster growth. In addition, the peso's real depreciation of 7.2% in November from the 2016 average (as measured by BSP's Real Effective Exchange Rate) supports our view of future exports expansion.

OFW $ Remittances in September Partly Offset August's Big Gains

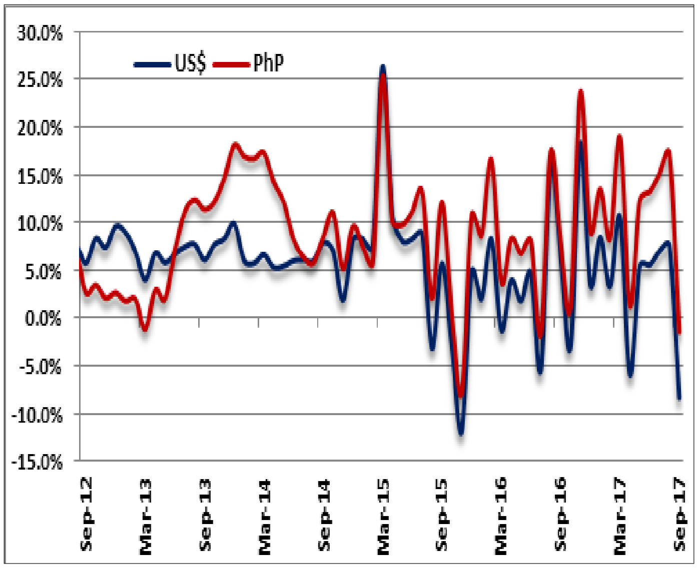
Personal remittances from Filipinos working abroad continued to pour into the economy, totaling $2.3 B in September, albeit a 7% contraction that trimmed the 9.4% gain in August. Nonetheless, the gains registered in other months boosted the YTD level to $23.2 B, up by 4.8%.

A similar trend was observed in the cash remittances (i.e., coursed through banks), declining by 8.3% to $2.2 B. Remittances from sea-based workers registered a 6% increase but was offset by a much larger drop in the money sent by land-based workers (-11.7%). Bulk of this reduction came from Saudi Arabia due to the continued deportation of some workers. Remittances coming from Kuwait, Qatar, and Australia, likewise, fell. Adding all the remittances sent since January to September, total cash inflows amounted to $20.8 B (+3.8% higher).

After four consecutive months of depreciation, the USD/PHP managed to resist the greenback following the announcement of the better-than-expected Q3 PH economic expansion.

Meanwhile, the peso equivalent of these inflows also declined by 1.3% as the fall in the remittances came in quicker than the 7.6% y-o-y peso depreciation. We, however, believe that cash remittances will recover starting in October in the runup to the Christmas holidays.

Figure 5 - OFW Remittances Growth



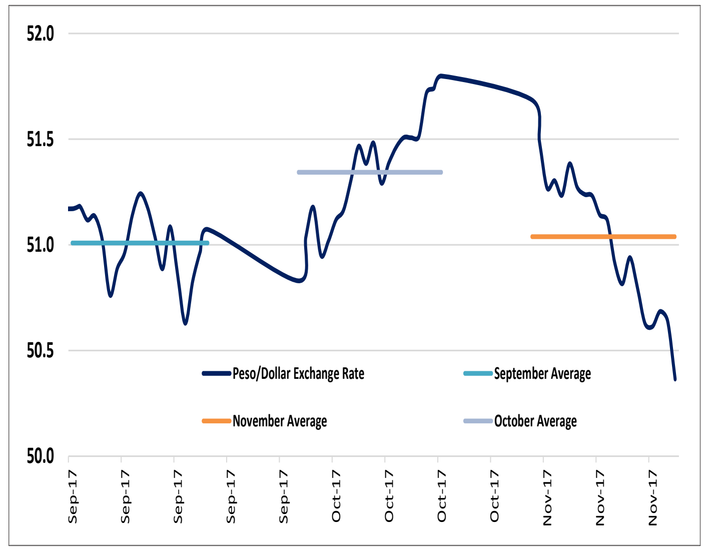
Source of Basic Data: National Statistics Office (NSO)

Peso on Temporary Respite

After four consecutive months of depreciation, the USD/PHP managed to resist the greenback following the announcement of the better-than-expected Q3 PH economic expansion. This also coincided with the dollar's weakness arising from the weaker appetite for US assets, as investors fretted over the uncertainties surrounding the US tax reform, which favored the currencies of improving global markets (especially in the EU). Thus, the peso averaged at P51.04/$ in November, representing a 0.59% appreciation from last month. The pair reached P51.69 but strengthened to P50.37 after the GDP announcement was made, raising the volatility measure to 0.36 from 0.27 in October.

Other emerging currencies also strengthened against the dollar, tracking weakness in USD. China's yuan (CNY) appreciated while India's rupee (INR) gained ground amidst robust capital inflows. Positive domestic fundamentals (improving BOP, and capital and financial accounts), likewise, buoyed Indonesia's rupiah (IDR). Strong exports and Thailand's fast economic expansion in Q3 (the fastest in more than four years) also gave boost to the baht (THB).

Figure 6 - Daily Dollar-Peso Exchange Rate



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

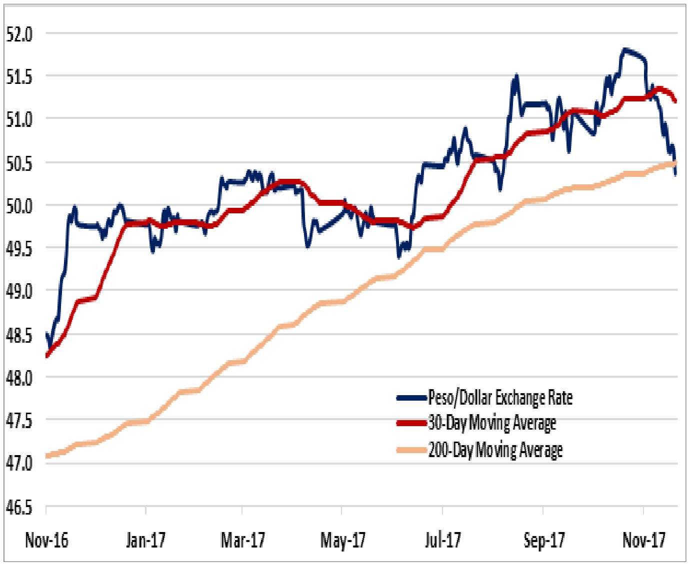
The actual USD/PHP rate in November lodged below the 30-day moving averages (MS), suggesting it may not close the year above P51.50. The peso's vitality may last

Exchange Rates vs US $ for Selected Asian Countries			
	Oct-17	Nov-17	YTD
AUD	2.2%	3.2%	-3.0%
CNY	1.0%	0.0%	-4.3%
INR	1.1%	-0.4%	-4.4%
IDR	1.6%	0.0%	0.8%
KRW	0.2%	-4.1%	-8.1%
MYR	0.3%	-1.3%	-6.5%
PHP	0.7%	-0.6%	2.5%
SGD	0.6%	-0.2%	-5.6%
THB	0.3%	-1.8%	-8.7%

Note: Positive changes mean depreciation and negative changes mean appreciation against the greenback
Source of Basic Data: x-rates.com

NG spending will likely keep the quick pace and expand by double-digits in the last two months of the year, as infrastructure spending rises further.

Figure 7 - Dollar-Peso Exchange Rates & Moving Average



Source of Basic Data: National Statistics Office (NSO)

until December or January 2018 with more dollar inflows coming from the overseas workers. In November, Gross International Reserves (GIR) totaled to $80.3 B, slightly lower than the $80.4 B recorded in October due to higher outflows arising from NG's payment of foreign exchange due. Total reserves as of end-November can cover 8.4 months of imports of goods and services and is equivalent to 5.4x PH short term external debt (on original maturity). We maintain, however, our view that the improvement in the US economy and its financial markets will renew the pressure on the peso by early 2018.

Outlook

With the growth momentum back in Q3 and a strong start in Q4, we think our early forecast of 6.5% to 7% GDP growth for 2017 will easily play out.

- Off to a fast start in Q4, NG spending will likely keep the quick pace and expand by double digits in the last two months of the year, as infrastructure spending rises further.
- Exports should bounce back in Q4 as the positive effect of the peso depreciation spreads at a wider scale.
- As expected, headline inflation has reached its 2017 peak in October, as the deceleration to 3.3% in November should continue until the end of the year. It should pick up early in 2018 as higher fuel taxes and less VAT exemptions take effect with the expected approval of the administration's Tax Reform Package 1 before Congress takes a final recess in 2017.

- With the respite in inflation, BSP will likely keep policy rates at current levels, and only starting raising it in Q1 2018.

- The peso's recent strength will prove transitory as foreign investors take profit before the end of year, and take advantage of the upbeat outlook of the US economy.

Forecasts			
Rates	December	January	February
Inflation (y-o-y %)	3.3	3.7	3.8
91-day T-Bill (%)	2.54	2.53	2.54
Peso-Dollar (P/$)	50.87	50.88	50.91
10-year T-Bond (%)	5.30	5.31	5.36

Note: Yields refer to PDST-R2
Source: Authors' Estimates

FEAR SINKS DEEPER IN BOND MARKETS

Fear of the impending rise in Fed policy rates in December and in 2018 has driven bond investors away from the asset class, at least locally. The Fed is likely to proceed according to earlier plans of a December rate hike, as the US economy created 244,000 (revised) and 228,000 jobs in October and November, respectively, and the unemployment rate hit a 17-year low at 4.1% starting October. Local investors have priced in heavily these positive figures in the US, even as US inflation hit 2% y-o-y in October. Consequently, bids in auctions and trading volume in the secondary markets plunged.

Outlook: The 10-year benchmark liquid FXTN 10-60 yields have climbed by 37 bps since end-September and may indicate overshooting. The easing of domestic inflation in November and December may have minimal effect as investors await the actual inflationary bite of higher petroleum products taxes, sin taxes, new sugar tax on beverages and less VAT exemptions approved by the bicameral committee. In the meantime, bonds can become attractive only as these fears get exaggerated and yields driven up more than fundamentals would suggest.

Primary Market: Yields Move Up on Weak Investor Demand

Average yields moved generally higher in November for both Treasury bills (T-bills) and for 5-year Treasury bonds (T-bonds) and 10-year Treasury bonds reflecting weak investor demand. The much lower Tender-Offer Ratios (TOR) for all the auctions evidenced this feebleness.

The 91-day T-bill yields rose by 19.1 bps to 2.148% from 1.957% in the previous month. Similarly, the 182-day T-bill yield also increased by 10.6 bps to 2.563% from 2.457% in the previous offering, while the 364-day T-bill rose in yield by 9.9 bps to 2.952%.

The decline in appetite for bonds showed up in lower TOR for the 91-day T-bill which plunged sharply to 1.2 from 4.2 in October, and the TOR for the 182-day T-bill slowed 1.8 from 2.8 in the preceding offer. Meanwhile, the TOR of the 364-day T-bill fell sharply to 1.0 from 3.2 in the previous month.

T-Bills and T-Bonds Auction Results

Date	T-Bill/T-Bond	Offer	Tendered	Awarded	Tendered/ Offered	Average Yield	Bps Change from Previous Auction
T-Bills							
16-Nov	89-day	8.000	12.925	8.000	1.616	2.148	19.100
	180-day	6.000	10.868	6.000	1.811	2.563	10.600
	362-day	6.000	6.148	4.498	1.025	2.952	9.900
Subtotal		20.000	29.940	18.500	1.497		
T-Bonds							
07-Nov	10-year	20.000	32.599	10.213	1.630	4.915	26.800
20-Nov	5-year	130.000	191.808	130.000	1.475	4.530	55.100
Subtotal		150.000	224.407	140.213	1.496		
All Auctions		60.000	169.500	60.000	2.540		

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

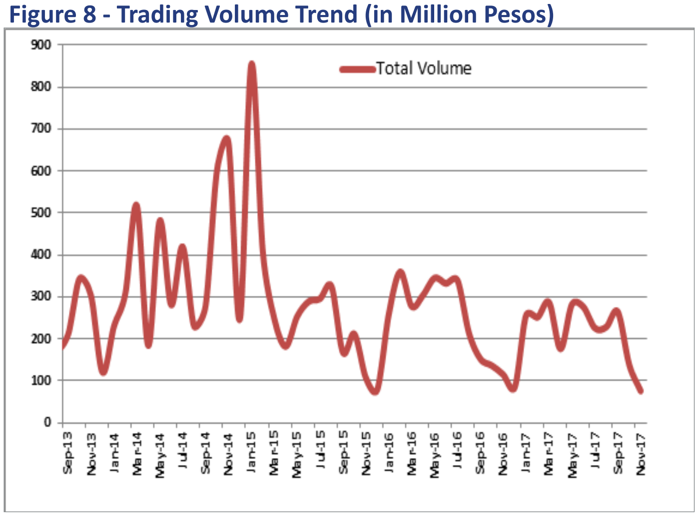
Total secondary trading volume for November tanked by 45.1% month-on-month to P76.2 B, a 6-year low.

The 5-year Retail Treasury Bond (RTB) had a yield of 4.530%, a huge 55.1 bps jump from 3.979% three months ago, reflecting weaker demand, with a TOR of 1.5 down from 2.0 in the previous offering. The regular 10-year T-bond auction gave a yield of 4.915%, up from 4.647% two months ago, with a TOR of 1.6 down from 1.8 in the previous auction and only a nearly 50% of bids accepted.

Secondary Market: Trading Plunges to 6-Year Low in November

As investors eschewed bonds, total secondary trading volume for November also tanked by 45.1% month-on-month (m-o-m) to P76.2 B, a 6-year low. This also represents a sharp year-on-year (y-o-y) fall of 33.7% from P114.9 B recorded a year ago. Fear of further increases in bond yields explain much of the plunge in trading volume. Moreover, the year-to-date (YTD) trading volume declined to P2.5 T in from P2.8 T a year ago.

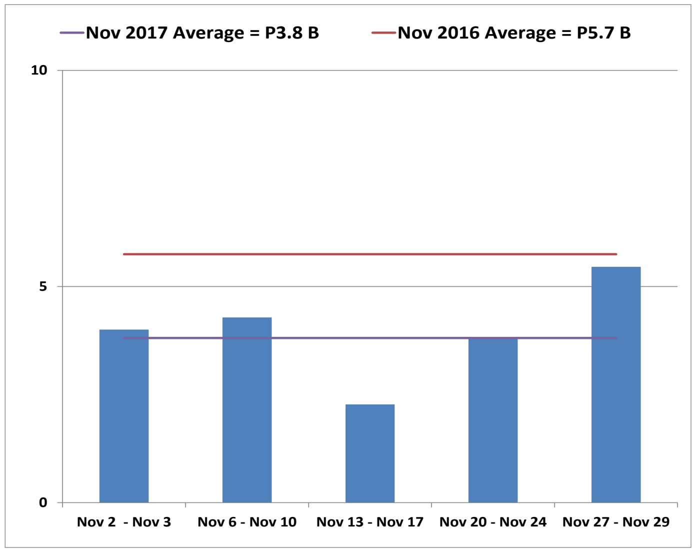
Figure 8 - Trading Volume Trend (in Million Pesos)



Source: Philippine Dealing Systems (PDS)

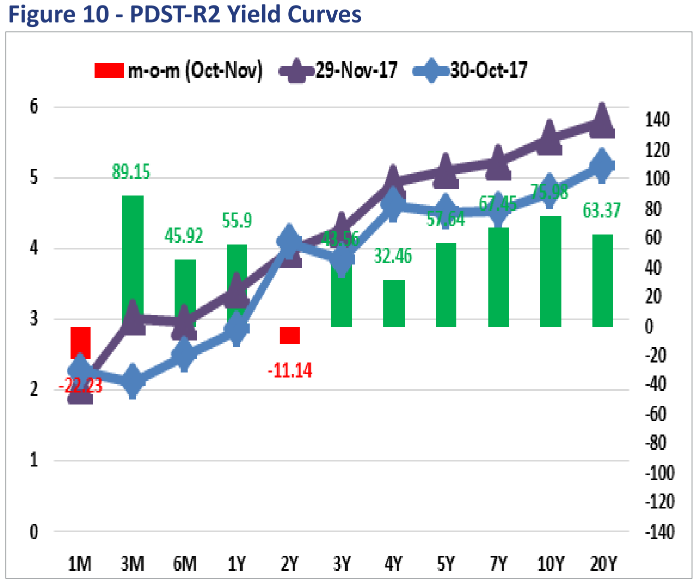
Across tenors, yields generally moved upward this month, shifting the yield curve markedly higher, except for T-bonds with remaining life of 2 years which fell by 11.1 bps. 3-month bond yields soared by 89.2 bps, while the 10-year bond similarly went up by 75.1 bps. Thus, 10-year to 2-year spread went up from 71 bps to 159 bps, a spread change of 88 bps. Similarly, real yield on 10-year T-bonds rose by 76 bps to 2.36% (See ASEAN +1 table below).

Figure 9 - Average Daily Trading Volume/Week (In Billion Pesos)



Source: Philippine Dealing Systems (PDS)

Figure 10 - PDST-R2 Yield Curves

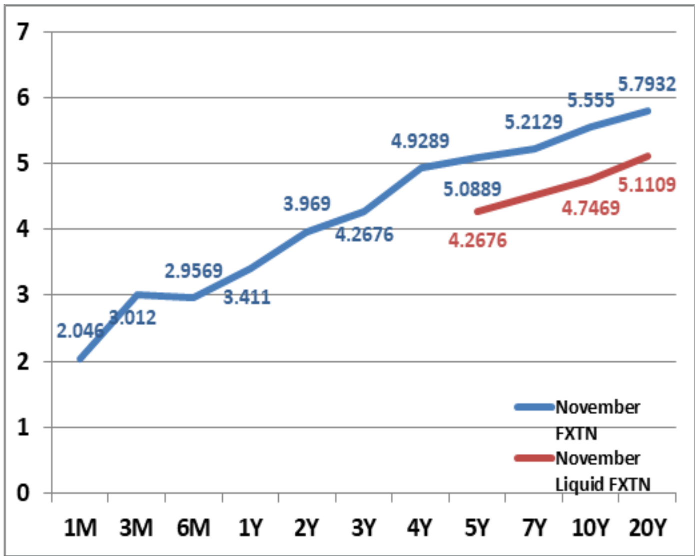


Source: Philippine Dealing Systems (PDS)

Liquid FXTN tenors continued to post lower yields than FXTN tenors under PDST-R2. The difference in both the 10-year and 20-year spaces widened. For the 10-year tenor, the spread between the R2 and liquid FXTN 10-60 skyrocketed to 81 bps from 20 bps a month ago. A smaller increase in spread occurred for the 20-year tenor, as it rose to 68 bps from 15 bps in October.

Overall secondary trading of corporate bonds for November reached P3.1 T, a decrease of 4.8% m-o-m from P3.3 B.

Figure 11 - PDST-R2 vs. FXTN Yields (Month-end)



Source: Philippine Dealing Systems (PDS)

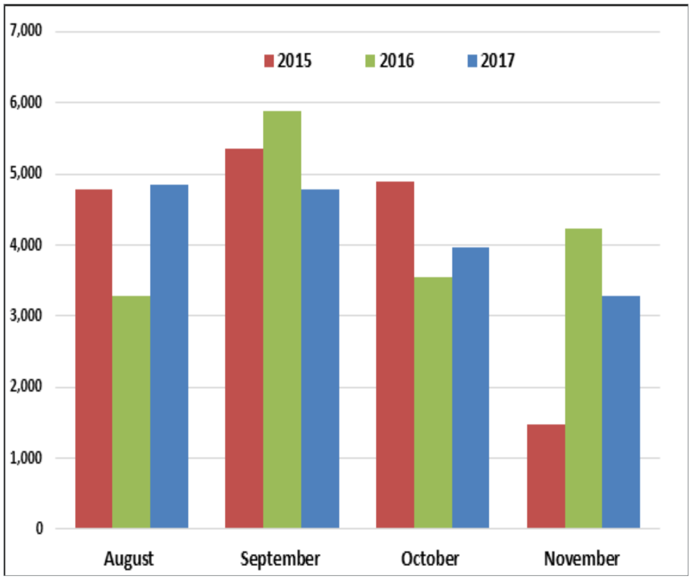
Corporate Bonds: Trading Tracks Lower GS Volumes

Overall secondary trading of corporate bonds for November reached P3.1 T, a decrease of 4.8% m-o-m from P3.3 T. However, this represented an improvement of 2.1% y-o-y from P3.1 B in November last year. The weak November performance brought up YTD trades to P42.5 B, a slowdown to 7% increase y-o-y from 7.4% increase a month ago.

Bond trading volume of five leading corporate issues – Power Sector Assets and Liabilities Management (PSALM), San Miguel Brewery (SMB), Ayala Land, Inc. (ALI), Ayala Corporation (AC) and SM Investments Corporation (SMIC) – also slowed, with generally less trading activity, except for only one out of the five leading corporations.

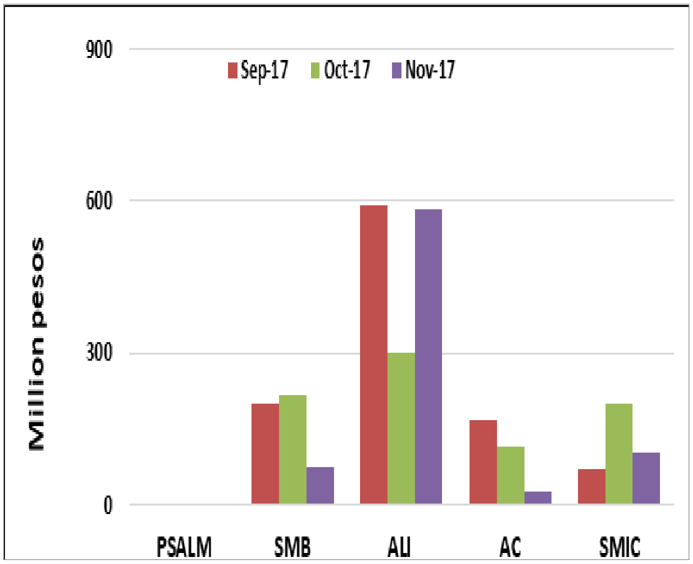
ALI once again placed first, trading P 584.6 M, up by 94.9% m-o-m. SMIC came in second as trades totaled P103.6 M, amidst a steep decline of 48.3% m-o-m. SMC came in next, with P74.7 M changing hands, down by 65.3% m-o-m. Trading in AC papers only reached P27.7 M, a 76.1% rout (m-o-m). Of the top 5, PSALM brought up the rear, with no trading at all for the seventh straight month.

Figure 12 - Total Corporate Trade Volume (In Million Pesos)



Source: Philippine Dealing Systems (PDS)

Figure 13 - Corporate Trading (In Million Pesos)



Source: Philippine Dealing Systems (PDS)

Corporate Issuances & Disclosures

Bond issuances slowed in November, with only a single recorded issue.

- Vista Land & Lifescapes, Inc. (VLL), the largest homebuilder and one of the leading integrated property developers in the country, successfully

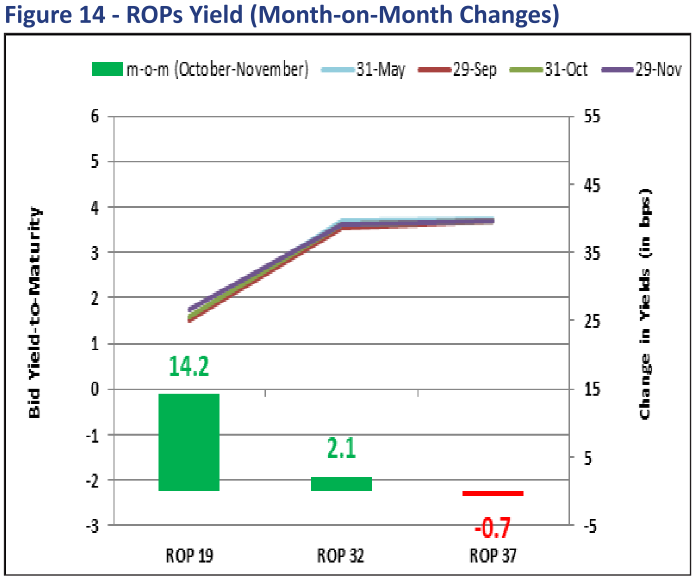
Philippine dollar-denominated bond (ROPs) yields rose at the short-end as US bond yields continued to move up in anticipation of a December Fed rate hike.

issued $350 M worth of 7-year callable bonds. The call option starts on the fourth year. Strong response from the investors enabled VLL to provide a 5.750% coupon, or lower than its indicative rate of 6.125% on book building. The final orderbook reached $1.7 B, thus, showing an oversubscription of almost five times. This represented the largest size raised by the company, and the lowest coupon rate of its offshore issues. The proceeds from the issuance will be primarily used to refinance existing bonds, as VLL also announced a tender offer for its outstanding $51.8 M 6.750% bonds due 2018 and $180.8 M 7.450% bonds due 2019. The combined effect allows the company to reduce its short-term financing risk, extend its maturity and realize interest expense savings.

ROPs: Yields Rise at the Short End of the Curve

Philippine dollar-denominated bond (ROPs) yields rose at the short-end as US bond yields continued to move up in anticipation of a December Fed rate hike. ROP-19, with 2 years remaining, went up by 14.2 bps from 1.610% to 1.752%. In contrast, ROP-37, with 20 years to maturity, slightly fell by 0.7 bps from 3.692% to 3.685%. ROP-32 (15 years to maturity) moved slightly higher by 2.1 bps from 3.605% to 3.626%.

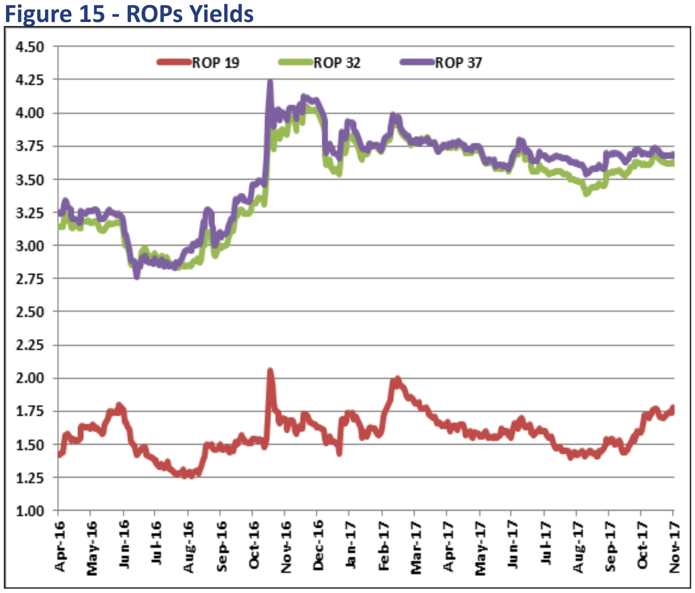
Figure 14 - ROPs Yield (Month-on-Month Changes)



Sources: First Metro Investment Corporation (FMIC) & Philippine Dealing Systems (PDS)

In contrast, US Treasury bonds of similar tenors show that the 2-year paper's yield went up by 18 bps to 1.8%, and the 15-year bond also rose by 1.5 bps to 2.5%. The 20-year T-bond, on the other hand, shed 1 bp to end at 2.7%. The rest of the US Treasuries also experienced hikes that pushed ROPs-to-US Treasuries spreads slightly downwards.

Figure 15 - ROPs Yields



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

ASEAN + 1 Market: Strong Q3 Growth for EMs as the Market Anticipates December Fed Hike

U.S.: US consumer prices barely rose in October as the boost to gasoline prices from hurricane-related disruptions to Gulf Coast oil refineries were unwound with inflation edging up by only 0.1%. Consumer sentiment increased to 98.5 in November, slightly beating market expectations of 98. The optimism likely reflects increased certainty about future income and job prospects. Private payrolls increased by 190,000 in November, above expectations of 185,000. The growth comes as the government's headline unemployment rate fell to 4.1%, a 17-year low that economists believe will continue to further decline. GDP expanded at a 3.3% annual rate in the third quarter, its quickest pace in three years, buoyed by robust business spending on equipment, accumulation of inventories and a rebound in government investment. As widely

Indonesia's annual inflation rate fell for the fifth consecutive month in November, marking its lowest rate since December 2016.

anticipated, the Federal Open Market Committee, held its benchmark interest rate target between 1% and 1.25% last November 1 as monetary officials assert that the late-summer hurricanes will not likely have much longer-term impact on overall economic activity. On the other hand, the Fed's campaign to reduce its $4.4 T balance sheet is now taking effect as Treasury securities portfolio showed nearly $6 B decline, marking the biggest weekly reduction since 2012. Economists also anticipate that the passage of tax cuts by the Trump administration would lead to higher rates. However, as Jerome Powell prepares to take over as chairman of the US Federal Reserve, the spread between long-end bond yields and short-term yields has dramatically narrowed resulting in a curve flattening. Analysts deem this as a precursor to an inverted curve, which historically signals a recession, since they expect Powell to hike rates aggressively. 10-year to 2-year spread fell by 16 bps from 79 bps to 63 bps.

PRC: In an effort to stabilize money supply following a bond rout and more than CNY1 T ($151 B) of loans due to mature, the People's Bank of China injected CNY 404 B of one-year funds under the Medium-Term Lending Facility last November 3. The country's holdings of US bonds, notes, and bills declined for the first time in eight months by $19.7 B to $1.2 T. The yuan, on the other hand, weakened around 0.8% against the dollar in September. Despite yields surging to a three-year high of 3.99% last November 14, the percentage of sovereign bonds owned by lenders dropped to a five-year low of 66% as of September. This drop, partly a result of a slowdown in savings, is largely due to PBOC's moves to encourage banks to shift more funds into loans to support economic expansion. On the other hand, the Ministry of Finance announced last November 22 its plans to sell an estimated $1.1 B of dim sum bonds in the coming week to institutional investors, foreign central banks and monetary authorities, to boost the development of the offshore market. 10-year to 2-year spread fell slightly by 6 bps from 39 bps to 33 bps.

Indonesia: The country's annual inflation rate fell for a fifth consecutive month in November, marking its lowest rate since December 2016. The headline consumer price index (CPI) rose by only 0.2% on a monthly basis and by 3.3% in November from a year earlier, as a result of declining food prices in November. Meanwhile, Indonesia posted a trade surplus for the third straight month in October, as improved demand for commodities underpinned exports from ASEAN's biggest economy. The consumer trust index in October fell by 3.1 points m-o-m to 120.7 points as consumer confidence weakened due to a perceived decrease in jobs, declining incomes, and continuing poor economic conditions in the coming months. Despite this, GDP expanded by 5.06 % y-o-y in Q3, albeit below market expectations of 5.13%. Investment, which contributed almost 32% to GDP, expanded by 7.11% y-o-y while government spending grew by 3.46 % y-o-y versus negative 1.93% in Q2. On the other hand, Bank Indonesia kept its seven-day reverse repurchase (policy) rate at 4.25% for a second straight month last November 16 as expected,

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 to 2-year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					30-Oct-17	30-Nov-17			
US	1.782	2.410	2.00	0.41	79.00	63.00	-16.00	1.00	-1.00
PRC	3.710	4.040	1.60	2.44	39.00	33.00	-6.00	4.35	2.75
Indonesia	5.716	6.517	3.90	2.62	61.00	80.00	19.00	4.25	0.35
Malaysia	3.171	3.909	3.90	0.01	75.00	74.00	-1.00	3.00	-0.90
Thailand	1.492	2.360	0.50	1.86	89.00	87.00	-2.00	1.50	1.00
Philippines	3.411	5.555	3.20	2.36	71.00	159.00	88.00	3.50	0.30

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

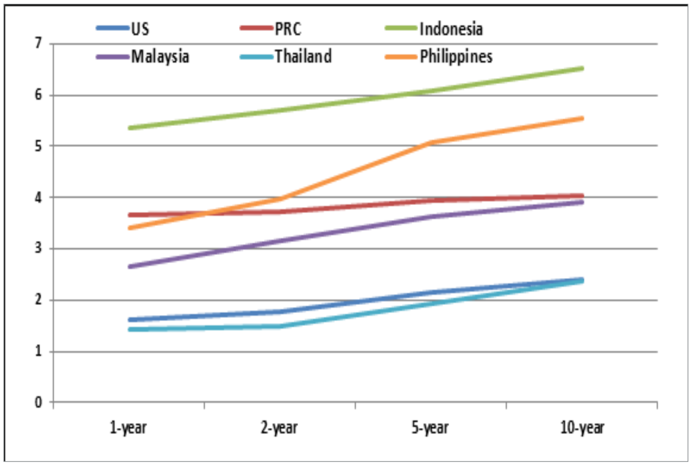
Thai GDP in Q3 expanded by 4.3% y-o-y, its fastest pace since Q1-2013, driven by exports, personal spending and private investment.

in line with a goal of maintaining financial stability as the market anticipates a US interest rate hike in December. 10-year to 2-year spread moved up by 19 bps from 61 bps to 80 bps.

Malaysia: Malaysia's Index of Industrial Production (IPI) rose by 4.7% y-o-y in September, supported by steady growth in its manufacturing, mining, and electricity sectors. Malaysia's economy grew at its fastest pace in more than three years, recording a 6.2% y-o-y growth in Q3, as the Services and Manufacturing sectors picked up pace. Meanwhile, CPI inflation picked up to 3.7%. Despite the positive data, the ringgit treaded lower against the US dollar on higher demand for the greenback. However, with the dovish November US FOMC minutes still fresh in the market's mind, demand for the ringgit should recover as macroeconomic outlook remained constructive. 10-year to 2-year spread inched lower by 1 bp, from 75 bps to 74 bps.

Thailand: Thai GDP in Q3 expanded by 4.3% y-o-y, its fastest pace since Q1-2013, driven by exports, personal spending and private investment. Exports rose for an eighth straight month in October, totaling $20.1 B, up 13.1% y-o-y, due to strong overseas demand as the economies of Thailand's major trade partners recovered. Inflation rose for a fourth straight month in October, albeit modestly at 0.86% y-o-y on higher food prices. It remained below the central bank's target, giving it room to keep monetary policy accommodative. The Bank of Thailand's Monetary Policy Committee (MPC) unanimously voted to leave the one-day repurchase rate unchanged at 1.5% last November 8, as widely expected, saying the economy has grown at a faster pace than expected, while inflation remained very low. The MPC expects the economy would grow at a faster clip than the previous projections, driven by strong export growth and by continued gains in domestic demand. However, Thailand's bond market may weaken after the Finance Ministry laid out plans to impose a 15% withholding tax on fixed income funds next year. Its goals are to finance big-ticket infrastructure projects, sustain fiscal balance and to improve the income tax structure. 10-year to 2-year spread moved slightly lower by 2 bps, from 89 bps to 87 bps.

Figure 16 - ASEAN Bond Yields



Source: Asian Development Bank (ADB)

Outlook

The US Fed's announcement on September 20 to start reducing its balance sheet in October has put the nail in the coffin of rising US T-bond yields.

- 10-year US T-bond yields have remained much below 2.41% since October 26, as foreign investors flocked into US dollar assets. This is considerably lower than the high of 2.57% achieved on March 9, 2017. In short, despite the looming Fed policy rate rise, the actual pressure for the yields to move up beyond the expected 25 bps hike has failed to materialize.

- Locally, headline inflation has eased to 3.3% in November from the year's peak of 3.5% in October, and will likely remain at that rate in December. However, a sharp jump in inflation is expected starting January 2018 as the administration's tax reform bill pushes up inflation, with higher fuel taxes, sin taxes, and a new tax on sugar-content of beverages, as well as less VAT

ROPs will continue to be attractive as demand should remain strong with the strengthening US dollar.

exemptions. In short, bond investors would have little encouragement from the inflation easing in November and December.

- With bond yields expected to rise along with the inflation rate jump by an additional 0.5%, at the minimum, bond investors would have little change of trading gains except for well-timed entry after the market overshoots on the upside.

- ROPs will continue to be attractive as demand should remain strong with the strengthening US dollar, and the likely issuance of $1 B to $2 B in January 2018.

FIRST METRO INDEX: A BET ON THE PHILIPPINE CONSUMPTION GROWTH

With the equities market in full bloom, it seems to be the right time for innovative products. The First Metro index is a first of its kind in the local market, a portfolio of listed consumer-oriented companies that will benefit from the consumption-driven Philippine economic growth in terms of potential portfolio return outperformance. There were eighteen of these stocks in the index comprising a mix of pure and hybrid listed Philippine consumer companies upon the index launch this year. These stocks were carved out from a highly liquid equity index called the MSCI Philippines Investable Market Indices (IMI), comprised of 44 stocks that represent 99% of the Philippine market capitalization. These are large caps, mid-caps and small caps.

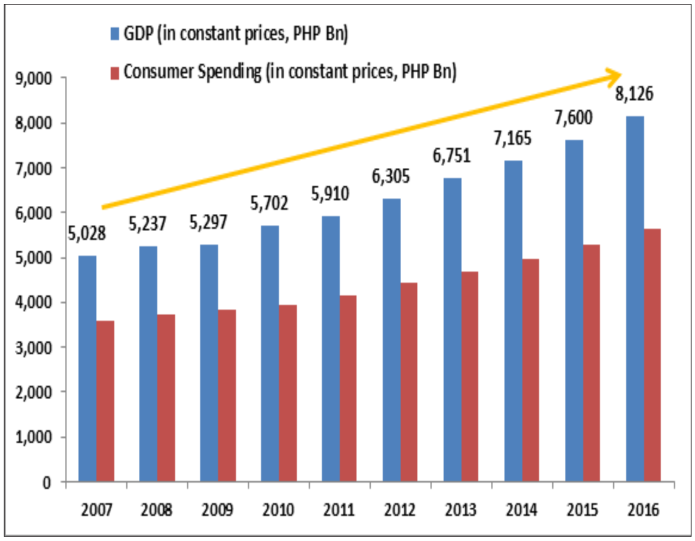
Pure consumer companies are those whose revenues are 100% from branded consumer products while hybrids are conglomerates, telephone companies, property and banks that are also engaged, but not entirely, in servicing consumer needs such as communications, housing and financial services.

The First Metro index was jointly constructed by the First Metro Investment Corp. and world renowned index provider MSCI, using the latter's globally acceptable methodology. It is thus a co-branded product, probably a first in Asia that opens up an opportunity for investors on a lookout for smart passive investments.

The index is rebalanced in accordance with the MSCI's quarterly review of its indices. The rebalancing exercise entails security selection based on a number of screening criteria that are essentially measures of stock liquidity and investability. It involved metrics such as free float market capitalization, average value turnover ratio (a measure of liquidity), foreign ownership limit and a so-called foreign inclusion factor. The key advantage of the indexing investment strategy is that it reduces some of the risks of active management such as poor security selection.

Portfolio return back testing in the past ten years yielded a superior 371% return for the index versus the PSEi's 236%, which boosts confidence in the consumers' fund potential return in the long haul. It was apparent that the 10- year return also outpaced Philippine inflation, OFW remittances and Philippine GDP growth and the comparable 35% return of the ETF of the MSCI Philippines Investable Market Index also known as the Ishares MSCI Philippines ETF. Year-to-date (as of November 19, 2017), the index yielded a gross return of 24.3% in local currency unit, at par of the PSEi's comparable return of 22.3%.

Figure 17 - GDP and Consumer Spending



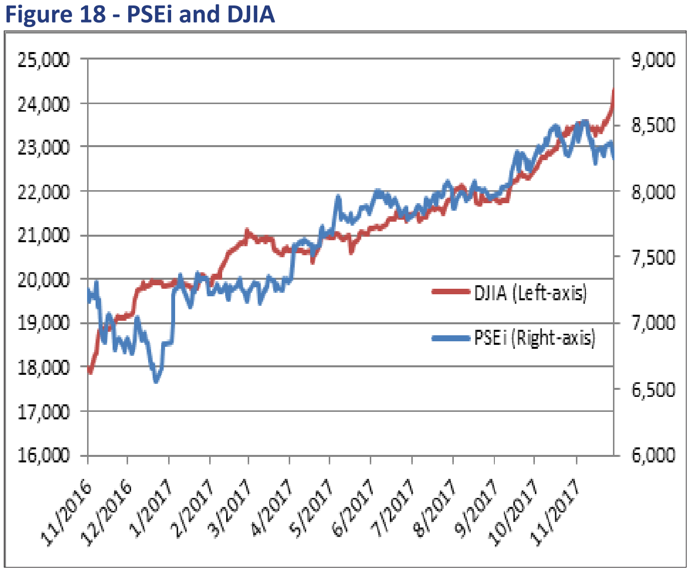
Source of Basic Data: Philippine Statistics Authority (PSA)

PSEi KEEPS 3RD RANKING DESPITE FOREIGNERS IN SELLING MODE

PSEi eased a little in November after scoring numerous records in the past three months, but kept its 3rd place ranking in performance among East Asean stock markets. It actually slipped by 1.3%, but still managed to post year-to-date (YTD) return of 20.3%, despite foreign investors stepping up profit-taking and becoming net sellers to the tune of P1.4 B. Local investors, however, remained optimistic and prevented a further fall in PSEi since key firms reported robust Q3 earnings, and economic fundamentals proved solid.

Outlook: We expect profit-taking to continue for the rest of the year, as the recent runup would prove too steep as to invite consolidation and pocketing profits. The much-needed respite should bring back share prices to more reasonable levels and encourage the return of investors, including foreign, as early as Q1-2018. However, the timing of this homecoming would depend on the positive resolution of uncertainties, both abroad and at home. Global uncertainties include Trump's tax reform, Brexit and EU, Middle East tensions, North Korea' tantrums, etc. At home, the inflationary impact of the administration's approved tax reforms and the final outcome of the move to remove the country's Supreme Court Chief Justice from office (via impeachment) should be awaited.

Figure 18 - PSEi and DJIA



Source: Bloomberg

The PSEi and Dow Jones Industrial Average (DJIA) headed for different directions, as DJIA continued to post new records while the PSEi slipped. Thus, their correlation became slightly less negative at -0.13 from -0.14 in the previous month. The continued weak correlation reflected the different sentiments in the two markets. Investor optimism in the US has remained high as the Senate approved its version of the long-awaited tax reform. This seems to ignore the minutes of the FOMC which reiterated its plan to proceed with a gradual Fed rate hike in December. On the local front, corporate earnings, although good, were much aligned to expectations.

Global Equities Markets Performances				
Region	**Country**	**Index**	**Growth Rate (m-o-m)**	**YTD November 2017**
Americas	US	DJIA	3.8%	22.1%
Europe	Germany	DAX	-1.6%	12.3%
	London	FTSE 101	-2.2%	2.1%
East Asia	Hong Kong	HSI	3.3%	31.7%
	Shanghai	SSEC	-2.2%	5.8%
	Japan	NIKKEI	3.2%	16.0%
	South Korea	KOSPI	-1.9%	22.2%
Asia-Pacific	Australia	S&P/ASX 200	0.9%	4.1%
Southeast Asia	Indonesia	JCI	-0.9%	12.8%
	Malaysia	KLSE	-1.7%	5.0%
	Thailand	SET	-1.4%	8.6%
	Philippines	PSEi	-1.3%	20.3%
	Singapore	STRAITS	1.8%	18.4%

PSEi dropped by 1.3% in November, bringing YTD growth down to 20.3%, but still maintained its 3rd best ranking in East Asia & Pacific. Hong Kong still kept its seat at the top with YTD gains of 31.7%. Month-on-month (m-o-m), it rose by 3.3%. DJIA likewise had a good performance, showing a 3.8% m-o-mo growth and 22.1% YTD return.

The PSEi succumbed to profit-taking, especially by foreign investors with the index falling by 111.2 points, representing a 1.3% decline in November.

Monthly Sectoral Performance				
	30-Oct-17		29-Nov-17	
Sector	Index	% Change	Index	% Change
PSEi	8,365.3	2.4%	8,254.0	-1.3%
Financial	2,001.1	2.0%	2,080.9	4.0%
Industrial	10,910.8	-2.1%	10,740.3	-1.6%
Holdings	8,557.9	4.3%	8,402.1	-2.0%
Property	3,945.5	2.5%	3,867.9	-2.0%
Services	1,708.2	-0.5%	1,610.4	-5.7%
Mining and Oil	13,224.5	-5.2%	11,553.7	-12.6%

Source of Basic Data: PSE Quotation Reports

The PSEi succumbed to profit-taking, especially by foreign investors with the index falling by 111.2 points, representing a 1.3% decline in November. Foreign investors led sellers in November, bringing the net selling to the tune of P1.4 B. Except for the Financial sector, which was the lone gainer at 4% in November, all the other five sectors ended in the red. Mining & Oil and Services suffered the largest loss of 12.6% and 5.7%, respectively. Holdings and Property both decreased by 2% in November. As for the Industrial Sector, it also slumped by 1.6%.

Company	Symbol	10/30/17 Close	11/29/17 Close	% Change
Metrobank	MBT	86.60	95.80	10.6%
Banco de Oro	BDO	137.50	146.00	6.2%
Bank of the Philippine Islands	BPI	98.00	102.90	5.0%
Security Bank Corporation	SECB	246.00	250.00	1.6%

Source of Basic Data: PSE Quotation Reports

Leading the Financial sector's positive 4% performance , Metropolitan Bank and Trust Co. (MBT) shares soared by 10.6% growth. Driven by a robust 21% y-o-y increase of its 9M-2017 loan portfolio resulting in a Q3-2017 net income increase of 5.1% y-o-y.

BDO Unibank, Inc. (BDO) trailed closely with a 6.2% increase in November as its share prices reached a 40% premium over the price of BPI. BDO's impressive gains arose from the 24.5% y-o-y increase in earnings from P7.6 B to P9.5 B, also driven by an 18% y-o-y loan expansion.

Bank of the Philippine Islands (BPI) rallied with a growth of 5% after announcing its plan to establish 30 new branches in 2018. Moreover, the reported net income of BPI for Q3-2017 grew by 14% y-o-y.

Security Bank Corporation (SECB) enjoyed a minor uptick of 1.6% in November, despite reporting a 21% (y-o-y) net income growth in Q3-2017. This reflected the huge 38% loan growth in 9M-2017.

Company	Symbol	10/30/17 Close	11/29/17 Close	% Change
Meralco	MER	291.80	315.00	8.0%
Aboitiz Power	AP	42.50	39.25	-7.6%
Robinsons Retail Holdings, Inc.	RRH	97	97	0.0%
Jollibee Foods Corporation	JFC	249.00	243.60	-2.2%
Puregold Price Club, Inc.	PCGMF	51.00	49.00	-3.9%
First Gen Corporation	FGEN	17.58	17.50	-0.5%
Universal Robina Corporation	URC	143.00	133.00	-7.0%
Petron Corporation	PCOR	9.74	9.60	-1.4%

Source of Basic Data: PSE Quotation Reports

The Industrial sector slumped by 1.6% in November, as most companies ended in the red. Manila Electric Company (MER) led the sector yet again, with a significant growth of 8% after MER's net income grew by 10.2% in Q3-2017. The increase in net income increase is attributable to the 6-7% growth in sales in Q3-2017. MER's share price in November also benefited from MSCI's announcement that it will be added to the global standard index at the close of trades on Nov. 30.

Robinsons Retail Holdings Inc. (RRHI) remained flat, after it reported a net income loss of 0.4% in Q3-2017.

First Gen Corporation (FGEN) also ended relatively flat. It slumped by 0.5% in November after it reported a net income decline of 35.8% in Q3-2017. The massive plunge in net income is attributable to the negative effects of the recent earthquake in Batangas to its geothermal business segment. Moreover, the rapid depreciation in peso has worked to the detriment of FGEN's peso denominated revenues that are exchanged to dollars.

Leading the Holdings sector, San Miguel Corporation (SMC) registered an 8.5% growth in November after its consolidated net income for Q3-2017 grew by 16.4% to reach P80.6 B.

Petron Corporation (PCOR) slightly decreased by 1.4% in November even after reporting a consolidated net income of P11.8 B (+59.4% y-o-y). The surge in net income was due to the high valued business segments of PCOR in the Philippines and Malaysia. However, its sales volume was only slightly higher for 9M-2017 to reach 80.9 M barrels from 79.3 M barrels. Their Q3-2017 income report contributed to this abnormally high consolidated net income for 9M-2017, as it reports a net income growth for Q3-2017 of 65.1% (y-o-y).

Jollibee Foods Corporation (JFC) posted a slump of 2.2% in November due to investors' profit taking, after JFC hit highs in November. JFC reported net income growth of 16.3% to P1.6 B in Q3-2017 driven by an aggresive store expansion of 8.2%.

Puregold Price Club, Inc. (PGOLD) suffered a loss of 3.9% despite reporting a net income growth of 2.4% in Q3-2017.

Universal Robina Corporation (URC) continues to plunge, registering another 7% loss in November. Their net income for Q3-2017 amounted to P2 B (-38% y-o-y) due to unrealized net foreign gains.

Aboitiz Power (AP) lagged behind, declining 7.6% in November despite a 16% increase in net income for Q3-2017 backed by the robust generation and distribution sales.

Company	Symbol	10/30/17 Close	11/29/17 Close	% Change
Ayala Corporation	AC	1,031.00	1,020.00	-1.1%
Metro Pacific Investments Corporation	MPI	6.80	6.70	-1.5%
SM Investments Corporation	SM	955.00	970.00	1.6%
DMCI Holdings, Inc.	DMC	15.34	15.04	-2.0%
Aboitiz Equity Ventures	AEV	74.90	70.00	-6.5%
GT Capital Holdings, Inc.	GTCAP	1,180.00	1,150.00	-2.5%
San Miguel Corporation	SMC	103.0	111.8	8.5%
Alliance Global Group, Inc.	AGI	16.00	15.64	-2.3%
LT Group Inc.	LTG	17.98	19.48	8.3%
JG Summit Holdings, Inc	JGS	76.90	68.80	-10.5%

Source of Basic Data: PSE Quotation Reports

The Holdings sector eased by 2% in November. Leading the sector, San Miguel Corporation (SMC) registered an 8.5% growth in November after its consolidated net income for Q3-2017 grew by 16.4% to reach P80.6 B. This growth was driven by a 16% increase in beer sales.

Not to be outdone, LT Group, Inc. (LTG) also registered a significant increase of 8.3% in November, after increasing their net income by 31.8% in Q3-2017. Moreover, their 9M-2017 net income grew by 7.2% (y-o-y).

SM Investments Corporation (SM) hit the brakes, increasing by 1.6% in November compared to the 8.1% gain in October. SM reported a net income growth of 10.1% in Q3-2017 backed by its strong mall business segment.

Ayala Corporation (AC) tapered its growth in the previous month with a 1.1% decrease in November. However, AC showed strong performance in Q3-2017 as it reported a net income growth of 30.7% from P10.3 B to P13.5 B.

Metro Pacific Investments Corporation (MPI) also unable to stay afloat, slumped by 1.5% in November, despite its remarkable 37.6% growth in net income in Q3-2017. Moreover, its reported 9M-2017 net income was above consensus, as its core net income grew by 22% (y-o-y).

DMCI Holdings, Inc. (DMCI) was also in the red with a loss of 2% in November, even after exceeding its sales target for Q3-2017 by 38% (P35.3 B).

Alliance Global Group, Inc. (AGI) continued its down trend with another 2.3% decrease in November, due to a 15.3% (y-o-y) decline in net income for Q3-2017. The decrease in net income is primarily attributable to the weak performance of its subsidiaries Emperador, Inc.(EMP) and Travellers International Hotel Group, Inc. (RWM)

GT Capital (GTCAP) suffered a minor slump of 2.5% in November. GTCAP reported a net income growth of 10.7% (y-o-y) backed by strong car sales. However, its 9M-2017 consolidated income declined by 12% (y-o-y) to dip down to P10.8 B from P12.3 B.

The Services sector suffered a major decrease of 5.7% in November, which was primarily driven by the threat of new competition in the telco industry.

Aboitiz Equity Ventures (AEV) suffered a significant loss of 6.5% after Union Bank of the Philippines, Inc (UBP), its subsidiary, registered a massive net income decrease of 51.9% (y-o-y) in Q3-2017. Although UBP suffered a loss, its core net income for nine months (January-September) increased by 43% y-o-y.

JG Summit Holdings, Inc. (JGS) dragged down the Holdings sector with a double-digit loss of 10.5% due to its 9M-2017 net income decrease of 7.4% (y-o-y). The decrease in net income is attributable to the weak performance of its airline, Cebu Air, Inc. (CEB). It did, however, report a net income growth of 12.1% for Q3-2017 alone.

Company	Symbol	10/30/17 Close	11/29/17 Close	% Change
Ayala Land, Inc.	ALI	43.20	42.80	-0.9%
SM Prime Holdings, Inc.	SMPH	37.00	36.30	-1.9%
Robinsons Land Corporation	RLC	25.20	22.90	-9.1%
Megaworld Corporation	MEG	5.33	5.34	0.2%

Source of Basic Data: PSE Quotation Reports

The Property sector slumped by 2% in November. In deep red, Robinsons Land Corporation (RLC) with a 9.1% plunge due to a slow roll out of projects. However, RLC did list a 28.8% (y-o-y) growth in net income for Q3-2017 driven mainly by residential unit sales.

SM Prime Holdings, Inc. (SMPH) also posted a decrease of 1.9% despite reporting a 16.5% (y-o-y) increase in Q3-2017 net income, as reservation sales rose by 18.5% (y-o-y) for 9M-2017.

Ayala Land, Inc. (ALI) ended flat with a slight decrease of 0.9%, even after reporting a net income increase of 18.3% for Q3-2017. ALI's net income was also driven by residential sales.

Bucking the trend, Megaworld Corporation (MEG) posted a slight gain of 0.2% in November after reporting a Q3-2017 net income growth of 11.7% (y-o-y) to reach P3.5 B.

Company	Symbol	10/30/17 Close	10/30/17 Close	% Change
Philippine Long Distance Tel. Co.	TEL	1,710.00	1,481.00	-13.4%
Globe Telecom	GLO	2,042.00	1,830.40	-10.4%
International Container Terminal Services Inc.	ICT	105.90	105.90	0.0%

Source of Basic Data: PSE Quotation Reports

The Services sector suffered a major decrease of 5.7% in November. The decrease in the service sector was primarily driven by the threat of new competition in the telco industry, as the Duterte administration pushes for the entry of foreign telco players. Philippine Long Distance Telephone Company (TEL) plunged by 13.4% after the potential threat of future competitors. However, TEL reported a net income increase of 57.6% in Q3-2017.

Globe Telecom (GLO) also took a hit, dipping by 10.4% in November. However, GLO reported an even more impressive Q3-2017 net income growth of 78.4% to reach P4.8B.

International Container Terminal Services, Inc. (ICT) managed to stay flat despite reporting a net income loss of 8.9% in Q3-2017

Company	Symbol	10/30/17 Close	11/29/17 Close	% Change
Semirara Mining and Power Corporation	SCC	42.50	36.00	-15.3%

Source of Basic Data: PSE Quotation Reports

The Mining and Oil sector continued to taper its gains with a 12.6% loss in November. Semirara Mining and Power Corporation (SCC) plunged by 15.3% in November after the company announced a write-off of impairment costs amounting to P1 B. The negative sentiment brought about by the hefty cost could possibly negatively affect Q4-2017 income results.

The total turnover decreased by 28% in October, eating up partly the 53% gain in the previous month.

Total Turnover

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	**Value**	**% Change**	**Value**	**% Change**
Financial	23,706.00	12.7%	1,128.6	12.7%
Industrial	42,343.00	40.7%	2,016.3	40.7%
Holdings	34,366.00	-27.5%	1,636.5	-27.5%
Property	24,193.00	-8.9%	1,152.0	-8.9%
Services	27,149.00	-3.4%	1,292.8	-3.4%
Mining and Oil	8,188.00	24.5%	389.9	24.5%
Total	161,809.00	1.0%	**7,705.2**	1.0%
Foreign Buying	87,120.00	5.6%	4,148.6	5.6%
Foreign Selling	88,550.00	7.5%	4,216.7	7.5%
Net Buying (Selling)	(1,430.00)	-1,810.6%	(68.10)	-1,810.6%

Source of Basic Data: PSE Quotation Reports

The total turnover increased by 1% in November, following the 28% decrease in the previous month. Foreign buyers turned into sellers to the tune of P1.4 B as investors settled for profit in November. Total turnover growth was driven mainly by the Industrial and Mining and Oil sectors' turnovers which grew by 40.7% and 24.5%, respectively. Financial sector turnover also grew by 12.7% in November. Property and Services sector followed dipping by 8.9% and 3.4%, respectively, taking a large loss, Holdings sector turnover decreased by 27.5% in November.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2015		2016		2nd Quarter 2017			3rd Quarter 2017		
	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	719,748	0.1%	710,590	-1.3%	173,875	-4.5%	6.3%	164,213	-5.6%	2.5%
Industry Sector	2,535,796	6.0%	2,738,320	8.0%	756,856	9.8%	7.3%	695,200	-8.1%	7.5%
Service Sector	4,338,284	6.8%	4,664,261	7.5%	1,292,066	13.1%	6.1%	1,229,016	-4.9%	7.1%
Expenditure										
Household Final Consumption	5,264,137	6.3%	5,628,318	6.9%	1,468,147	5.2%	5.9%	1,393,848	-5.1%	4.5%
Government Final Consumption	785,347	7.8%	850,747	8.3%	272,461	31.4%	7.1%	217,820	-20.1%	8.3%
Capital Formation	1,805,281	15.1%	2,180,842	20.8%	573,565	-7.8%	8.7%	578,168	0.8%	6.6%
Exports	3,681,166	9.0%	4,016,105	9.1%	1,248,027	4.1%	19.7%	1,346,722	7.9%	17.2%
Imports	3,942,163	14.0%	4,631,536	17.5%	1,353,674	-2.7%	18.7%	1,427,855	5.5%	13.9%
GDP	7,593,828	5.9%	8,113,170	6.8%	2,222,797	10.3%	6.5%	2,088,429	-6.0%	6.9%
NPI	1,540,910	5.3%	1,622,040	5.3%	423,063	-2.4%	8.6%	415,276	-1.8%	5.7%
GNI	9,134,739	5.8%	9,735,210	6.6%	2,645,860	8.0%	6.8%	2,503,705	-5.4%	6.7%

Source: National Statistical Coordination Board (NSCB)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2015		2016		Sep-2017			Oct-2017		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R	Levels	Monthly G.R.	Annual G.R
Revenues	2,108,956	10.5%	2,195,914	4.1%	200,091	-13.2%	20.6%	205,068	2.5%	17.4%
Tax	1,815,475	5.6%	1,980,390	9.1%	183,392	-13.6%	24.1%	186,487	1.7%	18.5%
BIR	1,433,302	7.4%	1,567,214	9.3%	141,431	-17.6%	25.2%	142,542	0.8%	16.9%
BoC	367,534	-0.5%	396,365	7.8%	40,261	5.2%	20.8%	42,915	6.6%	28.6%
Others	14,639	-2.1%	16,811	14.8%	1,700	-27.7%	17.2%	1,030	-39.4%	-51.4%
Non-Tax	293,317	54.9%	215,446	-26.5%	16,699	-7.8%	-8.2%	18,581	11.3%	7.7%
Expenditures	2,230,645	12.6%	2,549,336	14.3%	236,983	17.6%	-1.8%	226,868	-4.3%	28.2%
Allotment to LGUs	387,559	12.6%	449,776	16.1%	41,871	-4.2%	16.4%	41,595	-0.7%	6.7%
Interest Payments	309,364	-3.7%	304,454	-1.6%	26,397	0.1%	-19.0%	20,434	-22.6%	27.3%
Overall Surplus (or Deficit)	(121,689)	66.5%	(353,422)	-190.4%	(50,512)	44.4%	0.3%	28,808	157.0%	-11.7%

Source: Bureau of the Treasury (BTr)

POWER SALES AND PRODUCTION INDICATORS
Manila Electric Company Sales (In Gigawatt-hours)

	2016		Aug-2017			Sep-2017		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	39,583	8.1%	3,686.80	6.5%	20.4%	3,752.30	9.6%	22.5%
Residential	12,439	11.9%	1,163.30	7.2%	19.9%	1,176.30	8.7%	21.2%
Commercial	15,648	8.2%	1,450.50	6.1%	16.6%	1,432.60	5.4%	15.1%
Industrial	11,362	4.2%	1,049.40	5.1%	25.5%	1,028.40	5.9%	23.0%

Source: Meralco

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

	2015		2016		1st Quarter 2017		2nd Quarter 2017	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT	7,266	(32.4%)	601	(91.7%)	(248.49)	(143.7%)	14.88	1387.6%
Balance of Trade	(17,854)	40.0%	(26,955)	51.0%	(7322.47)	28.2%	(7458.27)	(8.7%)
Balance of Goods	(23,309)	34.5%	(34,079)	46.2%	(9683.36)	25.9%	(9736.91)	2.3%
Exports of Goods	43,197	(13.3%)	43,444	0.6%	11772.23	14.1%	12213.67	17.6%
Import of Goods	66,506	(1.0%)	77,524	16.6%	21455.58	19.2%	21950.57	10.3%
Balance of Services	5,454	19.2%	7,125	30.6%	2360.89	19.0%	2278.63	69.0%
Exports of Services	29,065	14.0%	31,357	7.9%	8393.64	6.3%	8698.00	8.9%
Import of Services	23,610	12.9%	24,233	2.6%	6032.75	2.0%	6419.37	(3.3%)
Current Transfers & Others	-	-	-	-	-	-	-	-
II. CAPITAL AND FINANCIAL ACCOUNT	2,385	(75.5%)	1,051	(55.9%)	200	(39.9%)	192	9.8%
Capital Account	84	(21.9%)	102	21.4%	16	(62.0%)	37	42.3%
Financial Account	2,301	(76.1%)	949	(58.8%)	823	(39.4%)	(688)	70.2%
Direct Investments	(99)	(109.8%)	(4,235)	4,149.6%	(1083)	(8.9%)	(2110)	10.9%
Portfolio Investments	5,471	102.0%	1,383	(74.7%)	3274	(121.7%)	(244)	127.7%
Financial Derivatives	6	40.8%	(32)	(673.4%)	(164)	(6560.7%)	(6)	(109.7%)
Other Investments	(3,076)	(152.1%)	3832	(224.6%)	(1203)	(331.6%)	1672	290.2%
III. NET UNCLASSIFIED ITEMS	(2,433)	(40.5%)	(175)	(92.8%)	(61)	(1193.2%)	(451)	91.0%
OVERALL BOP POSITION	(2,616)	(191.5%)	(420)	(116.1%)	(994)	374.2%	289	(65.8%)
Use of Fund Credits	-	0.0%	-	0.0%	-	-	-	-
Short-Term	-	53.2%	-	(6,678.9%)	11	1.9%	(10)	4.3%
Memo Items								
Change in Commercial Banks	(1,164)	(119.2%)	(1,510)	(229.7%)	55	(97.2%)	(15)	1415.5%
Net Foreign Assets	(1,065)	(117.8%)	(1,470)	(238.1%)	12	(99.3%)	(79)	7787.4%
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)

	2016		Sep-2017		Oct-2017	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	13,502,588	13.9%	14,496,600	10.6%	14,649,373	12.2%
Sources:						
Net Foreign Asset of the BSP	4,308,975	7.8%	4,499,918	0.1%	4,591,952	6.1%
Net Domestic Asset of the BSP	9,193,613	17.0%	9,996,682	16.1%	10,057,421	15.2%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3,069,611	15.1%	3,335,566	16.7%	10,262,540	17.7%
Money Supply-2	9,137,898	13.2%	9,759,835	14.5%	9,868,215	14.8%
Money Supply-3	9,497,935	12.7%	10,144,340	14.5%	3,409,213	14.8%
MONEY MULTIPLIER (M2/RM)	0.68	-0.5%	0.67	3.5%	0.67	2.3%

Source: Bangko Sentral ng Pilipinas (BSP)

December 2017

CONTRIBUTORS

Rabboni Francis B. Arjonillo	President, FMIC
Dr. Victor A. Abola	Senior Economist, UA&P
Viory Yvonne T. Janeo	Research Associate, UA&P
Ramon Alvaro G. Del Rosario	Research Assistant, UA&P
Jose Miguel D. Alonzo	Research Assistant, UA&P
Augusto M. Cosio, Jr.	President, FAMI