P25 IN METRO MANILA, PHILIPPINES

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STOCK MARKET

PSEi

OPEN:	6,240.83
HIGH:	6,240.83
LOW:	6,127.26
CLOSE:	6,195.26
VOL.:	0.785 B
VAL(P):	5.641 B

▼ 52.87 PTS. 0.84%

30 DAYS TO JULY 15, 2022

ASIAN MARKETS

JULY 15, 2022

	CLOSE		NET	%
Japan (Nikkei 225)	26,788.47	▲	145.08	0.54
Hong Kong (Hang Seng)	20,297.72	▼	-453.49	-2.19
Taiwan (Weighted)	14,550.62	▲	112.10	0.78
Thailand (SET Index)	1,533.37	▼	-3.45	-0.22
S.Korea (Kse Composite)	2,330.98	▲	8.66	0.37
Singapore (Straits Times)	3,099.15	▲	8.52	0.28
Sydney (All Ordinaries)	6,605.60	▼	-45.00	-0.68
Malaysia (Klse Composite)	1,418.44	▼	-1.62	-0.15

WORLD MARKETS

JULY 15, 2022

	CLOSE		NET
Dow Jones	31,288.260	▲	658.090
NASDAQ	11,452.421	▲	201.236
S&P 500	3,863.160	▲	72.780
FTSE 100	7,159.010	▲	119.200
Euro Stoxx50	3,495.810	▲	70.770

PESO-DOLLAR RATES

FX

OPEN	P56.350
HIGH	P56.315
LOW	P56.440
CLOSE	P56.360
W.AVE.	P56.369
VOL.	$678.30 M

▼ 21.00 CTVS

30 DAYS TO JULY 15, 2022

SOURCE : BAP

ASIAN MONIES-US$ RATE

JULY 15, 2022

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	138.530	▲	138.830
Hong Kong (HK dollar)	7.850	—	7.850
Taiwan (NT dollar)	29.924	▼	29.856
Thailand (baht)	36.620	▼	36.490
S. Korea (won)	1,317.740	▼	1,314.300
Singapore (dollar)	1.400	▲	1.401
Indonesia (rupiah)	14,990	—	14,990
Malaysia (ringgit)	4.447	▼	4.442

WORLD CURRENCIES

JULY 15, 2022

	CLOSE		PREVIOUS
US$/UK pound	1.1852	▲	1.1851
US$/Euro	1.0087	▲	1.0023
$/Aust dollar	0.6792	▲	0.6742
Canada dollar/US$	1.3030	▼	1.3066
Swiss Franc/US$	0.9761	▼	0.9841

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY

$98.30/BBL

▲ $0.61

30 DAYS TO JULY 15, 2022

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S1/1-12 • 3 SECTIONS, 22 PAGES

PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • JULY 15, 2022 (PSEi snapshot on *S1/4*; article on *S2/2*)

		Value		
ALI	P22.550	P795,180,695	-P1.250 ▼	-5.252%
ICT	P179.400	P602,257,886	-P7.100 ▼	-3.807%
BDO	P120.700	P459,330,326	-P2.300 ▼	-1.870%
AC	P575.500	P338,408,395	-P29.500 ▼	-4.876%
SM	P775.000	P273,462,065	-P0.500 ▼	-0.064%
NIKL	P5.090	P267,703,700	-P0.360 ▼	-6.606%
SMPH	P37.000	P230,612,830	P0.300 ▲	0.817%
CNVRG	P20.250	P226,799,091	-P1.000 ▼	-4.706%
MONDE	P14.100	P165,356,718	P0.140 ▲	1.003%
SCC	P38.100	P149,939,170	-P0.900 ▼	-2.308%

BSP seen to deliver more rate hikes

By Keisha B. Ta-asan

THE PHILIPPINE central bank could deliver more aggressive rate hikes in order to support the peso and tame inflation without derailing economic growth, analysts said.

The Bangko Sentral ng Pilipinas (BSP) unexpectedly tightened its monetary policy by 75 basis points (bps) on July 14, bringing the benchmark rate to 3.25%.

Interest rates on the overnight deposit and lending facilities were also hiked by 75 bps to 2.75% and 3.75%, respectively.

Deutsche Bank Chief Executive Officer for Asia Pacific Alexander von zur Muehlen said the BSP would likely raise interest rates by another 50 bps in August to support the peso, which recently touched the all-time low.

"We think the central bank needs to stabilize the currency and it will take more than (the July 14) move to do that. We still expect a 50-bp rate hike in August and for now will keep the September rate hike at 50 bps too," Mr. Muehlen said in an exclusive interview with *BusinessWorld*.

Despite policy tightening, the peso remains under pressure. It closed at P56.36 against the US dollar on Friday, weakening by 21 centavos from its Thursday finish.

Year to date, the peso depreciated by 10.5% or by P5.36 from its close of P51 versus the dollar on Dec. 31, 2021

"What we're experiencing right now, is that obviously, a lot of currencies here in our region are looking weaker against the dollar. This is less to do with any individual currency's weakness, and more to do with a number of macroeconomic drivers pushing up the dollar's strength," Mr. Muehlen said.

Investors are flocking to the dollar, which is seen as a safe-haven asset, as the US Federal Reserve considers larger rate hikes amid red-hot inflation.

BSP Governor Felipe M. Medalla said he would not rule out another interest rate increase in its next policy meeting on Aug. 18.

"We still have room to raise depending on the inflation picture," Mr. Medalla said in an interview with Bloomberg TV on Friday, also citing spillover effects from other countries for last Thursday's off-cycle decision.

Inflation rose by 6.1% year on year in June, the fastest in nearly four years and exceeded the central bank's 2-4% target band for a third straight month. The inflation rate averaged 4.4% in the first six months, still below the BSP's full-year forecast of 5%.

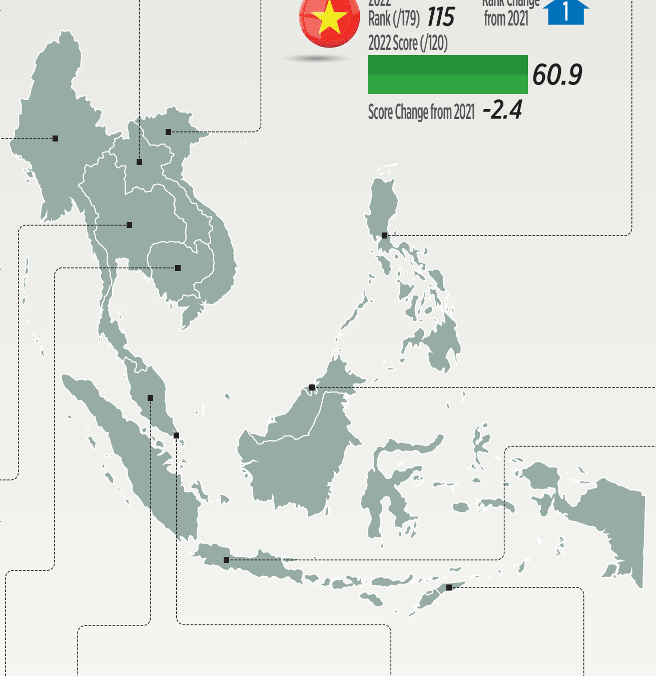
Rate hikes, S1/5

PHILIPPINES 2nd MOST FRAGILE STATE IN SOUTHEAST ASIA

In the 2022 edition of the Fragile States Index by Fund for Peace, an American nonprofit institution, the Philippines improved by a notch to place 50th out of 179 countries. The index measured a state's vulnerability to conflict or collapse that may manifest in various ways such as loss of physical control of territory; erosion of "legitimate authority" to make collective decisions; the inability to "provide reasonable public services"; and to interact with other states as a member of the international community. A higher index score and ranking showed worsening state fragility and instability. The country's score improved to 80.5 from 82.4 previously. Among its Southeast Asian neighbors, the Philippines was the second most vulnerable after Myanmar (10th overall) and tying with Cambodia (50th).

Fragile States Index Scores and Rankings of Southeast Asia Countries

(The Lower the Score and the Rank, the Better)



Country	2022 Rank (/179)	Rank Change from 2021	2022 Score (/120)	Score Change from 2021
LAOS	68	▼ 1	75.5	-0.5
VIETNAM	115	▲ 1	60.9	-2.4
PHILIPPINES	=50	▲ 1	80.5	-1.9
MYANMAR	10	▼ 13	100.0	+6.2
BRUNEI	125	▲ 1	55.1	-1.2
THAILAND	86	▼ 1	70.0	-0.9
INDONESIA	100	▲ 1	66.6	-1.0
CAMBODIA	=50	▼ 4	80.5	-0.1
MALAYSIA	122	▼ 1	56.4	-0.5
SINGAPORE	165	0	25.8	-0.8
TIMOR-LESTE	56	▲ 4	79.3	-1.6

Philippines: Indicator Scores, 2021 (max is 10)

COHESION INDICATORS	Security Apparatus (1)	9.4
	Factionalized Elites (2)	8.0
	Group Grievance (3)	7.0
ECONOMIC INDICATORS	Economy (4)	4.9
	Economic Inequality (5)	4.9
	Human Flight and Brain Drain (6)	5.1
POLITICAL INDICATORS	State Legitimacy (7)	7.1
	Public Services (8)	6.5
	Human Rights (9)	7.8
SOCIAL AND CROSS-CUTTING INDICATORS	Demographic Pressures (10)	8.1
	Refugees and Internally-Displaced Persons (11)	6.0
	External Intervention (12)	5.7

NOTES:
- The 2022 FSI comprises data collected between Jan. 1 to Dec. 31, 2021 — thus, certain events that have occurred since Jan. 1, 2022 were not covered.
(1) Considers security threats to a state e.g. bombings, rebel movements, coups, and terrorism or "serious criminal factors" such as organized crime and homicide and trust of citizens in domestic security
(2) Considers the fragmentation of state institutions on the basis of class, ethnicity, clan, race, or religion as well as "brinksmanship and gridlock between ruling elites"
(3) Focuses on schisms between groups in society (social or political) and their role in access to services and inclusion in the political process
(4) Looks at the economic conditions, economic climate, and "economic diversification" of a state
(5) Looks at the state's economic equality, presence (or lack thereof) of economic opportunities, and "socio-economic dynamics" (e.g. presence of ghettos or slums)
(6) Looks at emigration of professionals, politicians, and highly-educated people; and the volume of remittances flowing to the state
(7) Looks at perceived transparency and fairness of state institutions and processes
(8) Looks at the presence of "basic state functions" that include health, education, and protection
(9) Looks at whether there is "widespread abuse" of legal, political, and social rights
(10) Looks at pressures upon the state deriving from the population (growth, food and water supply, diseases, etc.) and the environment around it (impact and likelihood natural disasters, presence and sustainability of environmental policies)
(11) Looks at pressures upon the state caused by forced displacement of the population due to social, political, and environmental causes, among others (influx of refugees, responses to displacement, etc.)
(12) Considers the influence and impact of external actors (such as foreign military and aid) on the functioning of the state

10 Most Fragile States

2022 Rank (/179)	Country	Rank Change from 2021	Score Change from 2021	2022 Score (/120)
1	Yemen	↔	=	111.7
2	Somalia	↔	-0.4	110.5
=3	Syria	↔	-2.3	108.4
=3	South Sudan	▼ 1	-1.0	108.4
5	Central African Rep.	▼ 1	+1.1	108.1
6	Congo Dem. Rep.	▲ 1	-1.1	107.3
7	Sudan	▼ 1	+1.9	107.1
8	Afghanistan	▼ 1	+3.8	105.9
9	Chad	▲ 2	-0.1	105.7
10	Myanmar	▼ 13	+6.2	100.0

10 Least Fragile States

2022 Rank (/179)	Country	Rank Change from 2021	Score Change from 2021	2022 Score (/120)
179	Finland	↔	-1.1	15.1
178	Norway	↔	-1.0	15.6
177	Iceland	↔	-0.9	17.1
176	New Zealand	↔	-0.9	17.5
175	Denmark	↔	-0.7	18.1
174	Switzerland	↔	-1.0	18.9
173	Luxembourg	↔	-1.1	20.0
172	Canada	▲ 1	-1.6	20.1
171	Ireland	▲ 2	-1.4	20.8
170	Sweden	▼ 2	-0.5	20.9

SOURCE: FUND FOR PEACE'S FRAGILE STATES INDEX ANNUAL REPORT 2022
BUSINESSWORLD RESEARCH: ANA OLIVIA A. TIRONA and MARIEDEL IRISH U. CATILOGO
BUSINESSWORLD GRAPHICS: BONG R. FORTIN

Marcos gov't mulls next move on rail projects

By Arjay L. Balinbin *Senior Reporter*

THE MARCOS administration now faces the challenge of securing funding for the three major railway projects after the government canceled its applications for loans from China.

Analysts said China's failure to act on the Philippines' loan applications for the Calamba-Bicol, Clark-Subic, and Mindanao railway projects showed its lack of commitment despite former President Rodrigo R. Duterte's Beijing-friendly posture.

President Ferdinand R. Marcos, Jr. is now eyeing both foreign and private sector support for railway projects, according to Transportation Undersecretary for Rails Cesar B. Chavez.

Mr. Marcos also directed the Department of Transportation (DoTr) to go back to the negotiating table to secure loan agreements for the three railway projects, the Presidential Palace said in a statement at the weekend.

The Chinese embassy in Manila on Sunday said the coronavirus disease 2019 (COVID-19) pandemic has affected the implementation of some projects but vowed to continue "cooperation in agriculture, infrastructure, energy, people-to-people exchange, and other fields."

"China will tap its own advantage and support the Philippines to improve its infrastructure. Our two sides have been negotiating technical issues and made positive progress to move the projects forward. China is open for technical discussions over our government-to-government projects, and is ready to carry our cooperation forward, in close communication with the Philippine new administration," the embassy said.

It is not ideal to secure fresh loans for infrastructure projects given the current limited fiscal space and rising interest rates, Terry L. Ridon, convenor of think tank InfraWatch PH, told *BusinessWorld* in a phone message on Friday.

If the government pursues foreign loans, especially from China, Mr. Ridon said it should be able to choose the most competitive rate "while ensuring social and environment commitments."

Former Finance Secretary Carlos G. Dominguez III told reporters via Viber chat on Friday that China Eximbank (CEXIM) wanted around 3% interest rate for the loans.

"At present, as US dollar benchmark interest rates have increased to around 3%, CEXIM will push to recover this funding rate at the very least," he said.

The Philippines recently secured a loan of around P17.39 billion from China for the Samal Island-Davao City Connector with an annual interest rate of 2% and a repayment period of 20 years.

PPP MODE

Meanwhile, the new administration is looking at the public-private partnership (PPP) mode to fund the three projects, Mr. Chavez said.

Mr. Ridon said PPPs may be viable only for projects "with a clear business case for the private sector to participate, such as tollways, railways and transport hubs in metropolitan areas."

"It will be harder to undertake PPPs for projects that have been designed precisely to initiate economic growth in less developed areas, as these types of projects typically require government to foot the bill for development," he added.

Both the Calamba-Bicol and Clark-Subic railways may be viable PPP projects, as economic development is already spreading to the south and north of Metro Manila.

Rail, S1/5

Game Changer

Toyota Motor Philippines (TMP) unveiled the All-New Toyota Lite Ace, its entrant in the country's growing Light Commercial Vehicle segment. The pickup and panel van variants are now available at all of Toyota's dealerships nationwide. Photo shows (left to right) TMP Senior Vice-President and Overall Head of Marketing Jose Maria Atienza, TMP President Atsuhiro Okamoto, TMP Vice-Chairman David Go and TMP Senior Vice-President for Marketing Masatoshi Toiya at the opening of the All-New Lite Ace exhibit in Farmers Plaza, Araneta City, Cubao, Quezon City.

Unstoppable dollar risks worsening $71-B Asia stock exodus

THE DOLLAR'S relentless rise is threatening to trigger more outflows from Asia's emerging-market shares, spoiling hopes of the region making a comeback in the second half.

A gauge of Asian currencies has slumped to its lowest in more than two years, an ominous sign for equities given their strong relationship with moves in foreign exchange. The MSCI Asia ex-Japan Index has fallen by 20% as foreign investors took $71 billion out of stock markets in emerging Asia outside China so far this year, already double the outflows in 2021.

The dollar has steamrolled through global currency markets lately, benefiting from bets on aggressive US Federal Reserve rate hikes. A stronger greenback bodes ill for Asian stocks when it signals lower risk appetite and is also seen as negative for growth in emerging economies, many of which rely on imports priced in the currency.

"The dollar is strengthening because there's risk aversion rather than growth" and that's "not a good mix" for Asian assets, said Zhikai Chen, head of Asian equities at BNP Paribas Asset Management.

Asia's tech-heavy markets like South Korea and Taiwan look particularly vulnerable as higher global bond yields and recessionary headwinds are hurting valuations and the demand outlook.

Stock benchmarks in the two nations are among the worst performers in the region this year and foreigners have net sold a combined $50 billion of their shares.

For less export-reliant markets, weaker local currencies worsen national balance sheets and company profit margins, as both corporate and sovereign borrowers suffer from higher repayments on dollar-denominated debt.

Dollar, S1/5