



Market Commentary



INDICES

Index	Prev	Last	% Chg
PSEi	6,863.86	6,752.50	-1.62%
All Shares	3,635.57	3,577.45	-1.60%
Financial	1,621.00	1,636.78	0.97%
Industrial	10,006.74	9,874.87	-1.32%
Holding Firms	6,667.83	6,490.97	-2.65%
Property	3,079.37	3,021.17	-1.89%
Services	1,756.17	1,722.49	-1.92%
Mining & Oil	12,325.37	11,814.88	-4.14%

➔ The PSEi shed 111.36 points or 1.62% week-on-week to close at 6,752.50 from the previous week's 6,863.86. The benchmark index's 5-week winning streak was snapped as recession fears amidst hawkish signals from the Federal Reserve (Fed) resurfaced. This pushed investors to take profits from gains in the last few weeks. The Philippine Peso closed weaker against the US dollar at PHP56.02 from the previous week's PHP55.93. Foreigners switched to being net sellers last week with net foreign selling amounting to PHP1.23 billion. All sectors except Financial (+0.97%) posted week-on-week losses. Mining&Oil (-4.14%), and Holding Firms (-2.65%) had the biggest drops. Meanwhile, PNX4 (+33.70%), and CHP (+11.73%) led last week's stock gainers, while FMETF (-9.90%), and HOME (-8.94%) were the main stock laggards. Notable developments from last week were:

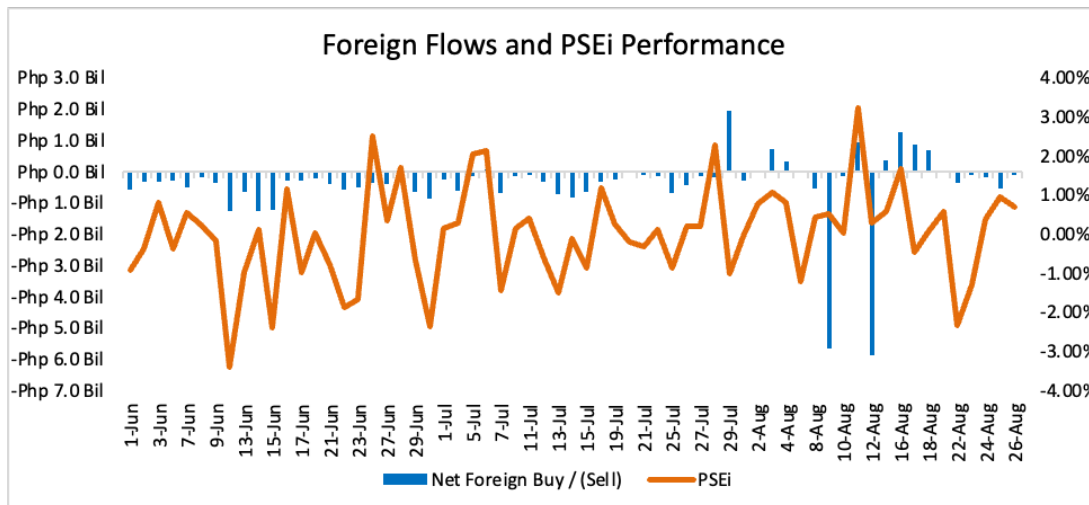
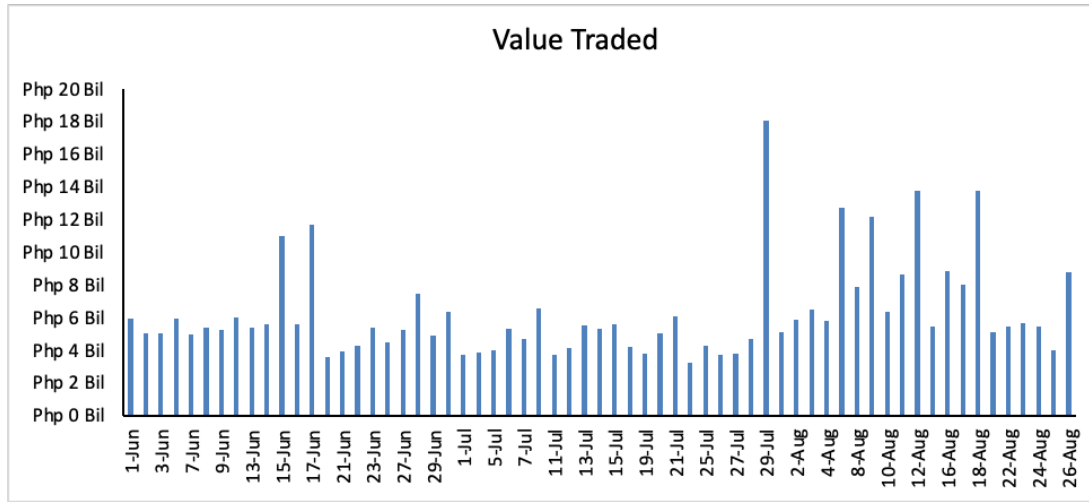
- Data from the Bangko Sentral ng Pilipinas (BSP) showed that the net outflow of short-term foreign investments went down by 70% to \$103.14 million in July compared to the \$342 million in June. Gross inflows fell by 2.9% year-on-year to \$7.82 billion, while gross outflows decreased by 15.4% to \$7.19 billion. For the first 7 months, hot money has a net inflow of \$625 million, opposite to the \$446 million net outflow in the same period last year. The BSP estimates a net inflow of \$4.5 billion by year-end.
- The Congress' Ways and Means Committee approved the new fiscal regime for the mining sector which will bring the effective tax rate (ETR) on mining to 51% from the current 38%, which brings the Philippines closer to its regional comparatives Australia and Indonesia. Under the new system, a 5% royalty tax will be imposed on the market value of gross output of all large-scale mining operations, and a 10% export tax will be levied on the market value of mineral ore exports.
- The Bureau of Treasury (BTr) stated that the new administration's first retail treasury bond (RTB) offering raised PHP162.7 billion on Tuesday. The RTBs were pegged at a rate of 5.75% per year, higher than the prevailing secondary market rates of 5.434% for outstanding 5-year bonds, and 5.64% in the case of 6-year debt papers.

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➔ Market turnover for the week averaged PHP5.87 billion, lower than the previous week's PHP8.27 billion. Last week logged a net foreign selling of PHP1.23 billion, compared to the net foreign buying of PHP3.19 billion from the week of August 15-19.

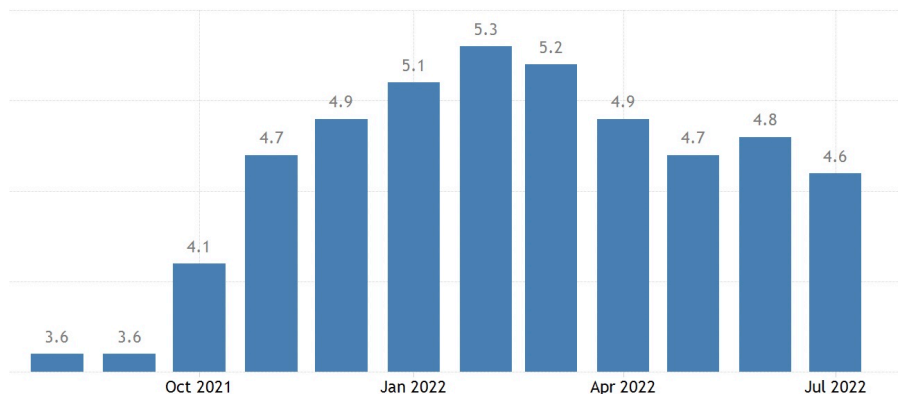


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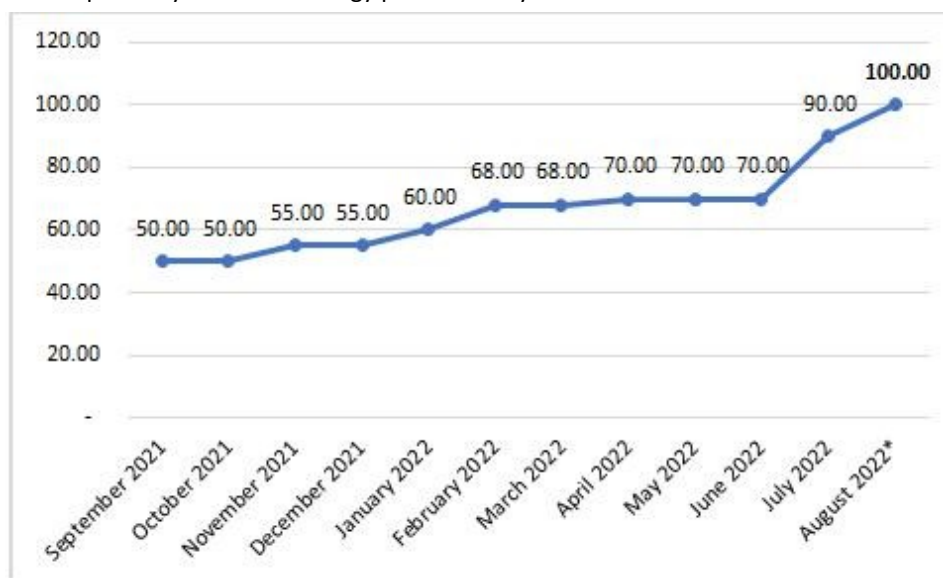
Key Economic Figures



TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

Source: TradingEconomics, US Bureau of Economic Analysis

- ➔ **US core PCE price index annual change.** The US Bureau of Economic Analysis reported that the core personal consumption expenditures (PCE) price index, which does not consider the prices of food and energy, had an annual change of 4.6% in July, lower compared to the 4.8% in June and below the market's expectation of 4.7%. Meanwhile, the PCE price index had rose by 6.3% year-on-year, on the back of the 9.5% and 4.6% increase in prices of goods, and services, respectively. Food and energy prices rose by 11.9% and 34.4%.



Source: Sugar Regulatory Administration, Department of Trade and Industry

- ➔ **Prevailing refined sugar retail price in Metro Manila.** Sugar prices have increased significantly since last year due to a supply crisis, reaching and going beyond the PHP100/kg level so far in August. According to American Chamber of Commerce of the Philippines Director Ebb Hinchliffe, the supply backlog is around 600,000 metric tons (MT). This is still much more than the import volume of 150,000 MT that the government recently approved. The government has devised a scheme for supermarkets, like SM, Robinsons, and Puregold branches, to offer refined sugar at PHP70/kg in exchange of inclusion in the DTI's promotion campaign.

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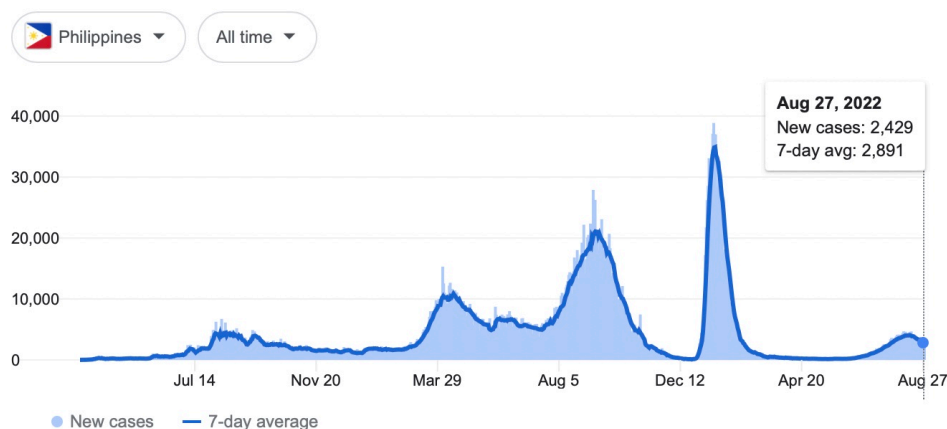
For the Week

TOP GAINERS		TOP LOSERS	
PNX4	33.70%	FMETF	-9.90%
CHP	11.43%	HOME	-8.94%
EEL	10.68%	NIKL	-7.64%
SSP	4.86%	ACEN	-7.37%
JFC	3.95%	SGP	-7.34%
GMA7	2.79%	PX	-6.78%
DDPR	2.56%	GTCAP	-6.62%
AB	2.21%	AC	-6.49%
HOUSE	2.00%	ROCK	-6.02%
GTTPB	1.78%	GLO	-5.93%
BDO	1.70%	VLL	-5.78%
ION	1.61%	FGEN	-5.20%
FB	1.55%	MRSGI	-5.04%
SECB	1.55%	SHLPH	-5.00%
CHIB	1.40%	BLOOM	-4.94%
SEVN	1.37%	CNVRG	-4.81%
BPI	1.20%	ABS	-4.21%
RCB	0.96%	JGS	-4.05%
SLI	0.96%	MWIDE	-3.95%
RRHI	0.83%	MER	-3.74%

Market Outlook

What You Need to Know

- ➔ The PSEi contracted by 1.62% week-on-week and closed at 6,752.50 last Friday. The benchmark index's 5-weeks string of weekly gains was halted as investors' recession worries grew due to the Fed's continuously hawkish stance against stubborn inflation. The local bourse succumbed to profit taking from the past weeks of gains. It fell to as low as 6,592.59 at one point, but eventually recovered in the last 3 days of last week.
- ➔ Average number of COVID-19 cases in the Philippines per week continued to decrease. The number of coronavirus cases in the Philippines has reached 3,874,641 as of August 28 while active cases went down to 28,525 from 36,146 in the previous week. There are now 61,667 recorded deaths from COVID-19. Average new cases per week are down to 2,891 from 3,624 last week.



- ➔ The benchmark index suffered a losing week after 5 straight weeks of gains. Market sentiment turned sour as the US Federal Reserve signaled a continuation of aggressive interest rate hikes in its fight against exorbitant inflation. Recession fears resurfaced amidst central banks' prospective policy hikes in response to the Fed's actions. US and European markets' rallies were also snapped as investors reaped off profits from the previous weeks' gains in anticipation of heightened downward pressure on equities at least in the short-term. In the Fed's Jackson Hole symposium, Fed Chairman Jerome Powell, along with other major central banks' policymakers, reaffirmed that they will keep raising interest rates until a notable slowdown in inflation is seen. In the local bourse, selling pressure may increase as the it considers the guidance from the Fed and other economic data like the PCE price index. The PSEi is still at the 6,700-level wherein profit taking opportunities could be abundant for investors who want to stave off some their equities position for the meantime. Other investment vehicles like bonds and treasury bills which offer high yields and more stability have become more attractive alternatives.

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