



Market Commentary



INDICES

Index	Prev	Last	% Chg
PSEi	6,548.77	6,259.54	-4.42%
All Shares	3,474.41	3,341.29	-3.83%
Financial	1,590.84	1,549.97	-2.57%
Industrial	9,485.15	9,139.12	-3.65%
Holding Firms	6,364.03	6,066.05	-4.68%
Property	2,918.01	2,708.44	-7.18%
Services	1,695.09	1,637.51	-3.40%
Mining & Oil	11,277.51	11,134.98	-1.26%

➔ The PSEi sank by 289.23 points or 4.42% week-on-week to close at 6,259.54 from the previous week's 6,548.77. The benchmark index posted its fifth straight weekly decline as recession worries heightened due the interest rate hikes of central banks globally. The Philippine Peso dropped to another all-time low last Friday as it closed at PHP58.50 from the PHP57.43 in the previous week. Foreigners switched to being net sellers with net foreign selling amounting to PHP1.76 billion. All sectors posted week-on-week contractions with Property (-7.18%), and Holding Firms (-4.68%) having the biggest losses. Meanwhile, LR (+34.64%), and SSP (+13.07%) led last week's stock gainers, while CNVRG (-12.49%), and ALI (-12.43%) were the main stock laggards. Notable developments from last week were:

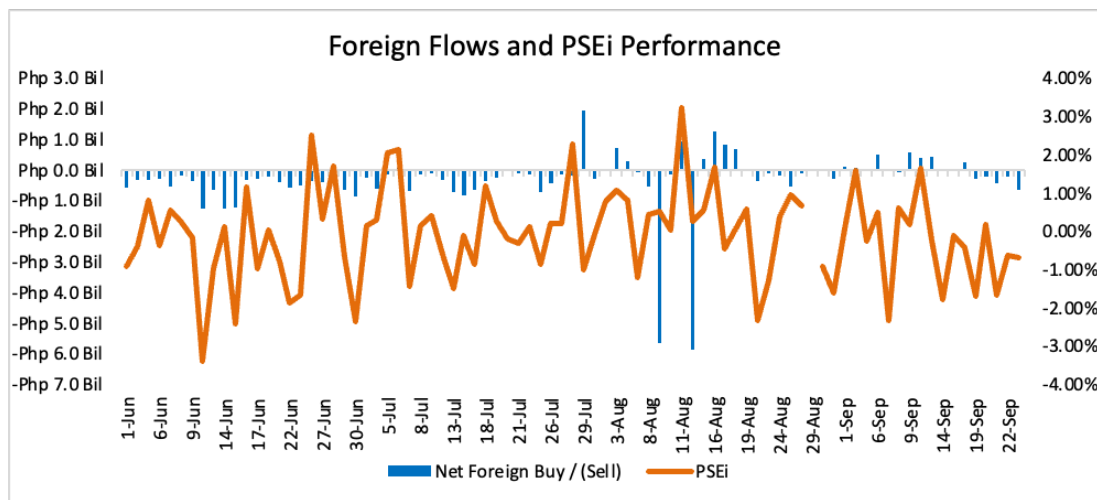
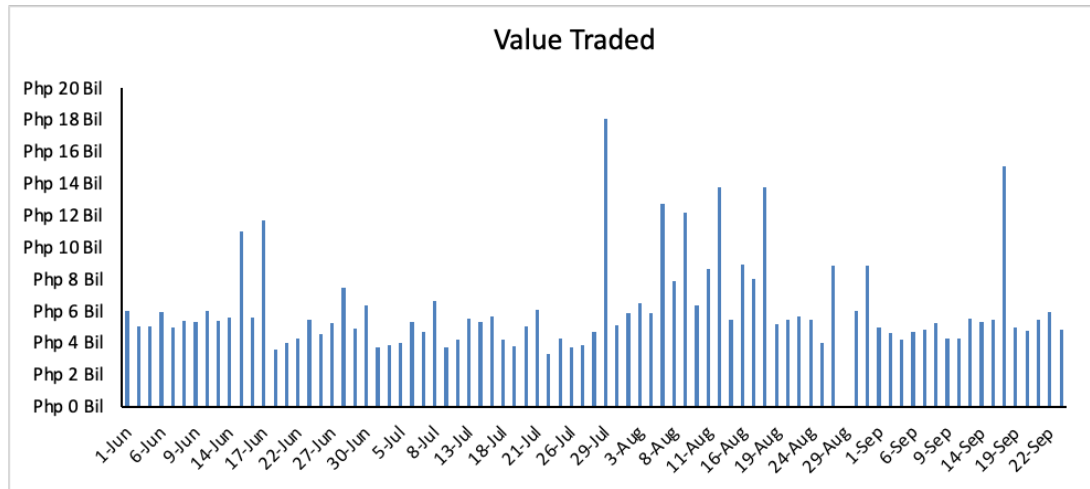
- The US Federal Reserve imposed its third consecutive 75-basis points hike last Wednesday, bringing its benchmark rate to 3.25%. This is the highest level it has been since the 2008 global financial crisis. Fed officials currently expect rates to rise to 4.4% by the end of 2022 and 4.6% by end of next year.
- The Bangko Sentral ng Pilipinas (BSP) raised the benchmark interest rates by 50-basis points, in line with expectations, which brought the overnight borrowing rate to 4.25%. The central bank has raised policy rates by 225 bps since May.
- The Philippine Peso fell to another all-time low as it closed at PHP58.50 against the US dollar last Friday. The local currency's value has declined by 14.72% year-to-date as it continues to face pressure from the surging US dollar that is propped up by the Fed's aggressive monetary approach.
- The Philippines' balance of payments (BoP) deficit narrowed to \$572 million in August, from the \$1.819 billion deficit in July. It was the lowest deficit level since April's \$415 million. However, it was far from the \$1.044 billion surplus recorded in the same month last year. The BoP deficit has widened to \$5.492 billion in the first eight months of 2022, much higher than the \$253 million in the same period last year. The central bank estimates the BoP deficit to be at \$8.4 billion by the end of the year.

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➔ Market turnover for the week averaged PHP51.8 billion, lower than the previous week's PHP7.14 billion. Last week logged a net foreign selling of PHP1.76 billion, in contrast to net foreign buying of PHP1.12 billion from the week of September 12-16.



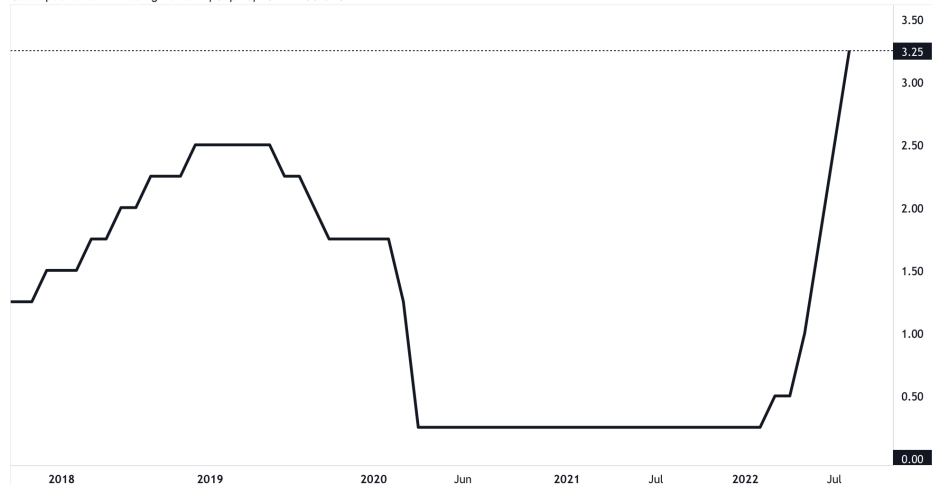
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Key Economic Figures

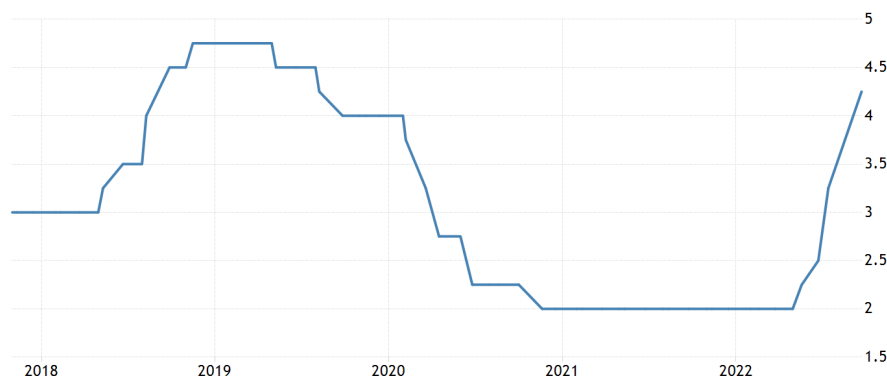
Guest published on TradingView.com, Sep 25, 2022 11:09 UTC



TradingView

Source: TradingView, U.S. Federal Reserve

- ➔ **US benchmark interest rate.** The US Federal Reserve imposed a third consecutive 75-basis points hike aimed at slowing down the white-hot inflation that has been hammering the US economy. The move took the benchmark rate to 3.25%, its highest level since the 2008 global financial crisis. Fed Chairman Jerome Powell said that a soft landing will be very difficult and will depend on how fast price pressures will go down. The Fed also signaled further rate hikes this year which could inflame the worsening sentiment on equities due to recession worries.



TRADINGECONOMICS.COM | BANGKO SENTRAL NG PILIPINAS

Source: TradingEconomics, Bangko Sentral ng Pilipinas

- ➔ **PH benchmark interest rate.** The Bangko Sentral ng Pilipinas (BSP) responded to the Fed's 75-basis points hike (bps) with a 50bps hike of its own. This brought the benchmark rate to 4.25%. It was higher than the initially signaled 25bps hike. The Philippine Peso's continuous weakening against the US dollar may have convinced the central bank to impose a bigger hike. However it appeared to have done little to boost the local currency as it fell to another all-time low last Friday. The BSP reiterated that further policy decisions will be data-dependent, however, with the Fed's continued hawkish stance, it acknowledged that it will have to respond in kind to avoid a drastic divergence of policy rates.

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For the Week

TOP GAINERS

TOP LOSERS

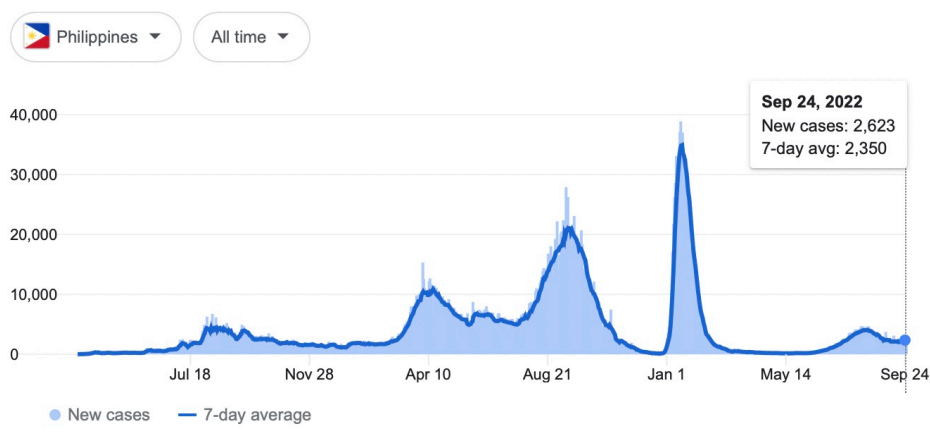
LR	34.64%	CNVRG	-12.49%
SSP	13.07%	ALI	-12.43%
STR	4.48%	SSI	-10.53%
MAXS	3.32%	RLC	-10.06%
SMC	2.79%	ACEN	-8.55%
GLO	2.64%	RRHI	-8.15%
EMP	2.01%	SGP	-7.96%
EEI	1.98%	FGEN	-7.73%
PIZZA	1.92%	TEL	-7.43%
SEVN	1.23%	BLOOM	-7.26%
VLL	1.07%	SM	-7.23%
AEV	1.06%	ABS	-6.78%
FNI	0.86%	MWIDE	-6.68%
WLCON	0.51%	ION	-6.67%
DMW	0.15%	CEB	-6.56%
PNX4	0.06%	COSCO	-6.43%
LPZ	0.00%	DMC	-6.38%
2GO	0.00%	HLCM	-6.15%
DDPR	0.00%	UBP	-6.06%
GLOPP	0.00%	JFC	-5.60%



Market Outlook

What You Need to Know

- ➔ The PSEi declined by 4.42% week-on-week and closed at 6,259.54 last Friday. The benchmark index recorded its fifth consecutive weekly decline as recession worries heightened and investors turned more risk-averse following the interest rate hikes of multiple central banks globally, led by the US Federal Reserve.
- ➔ Average number of COVID-19 cases in the Philippines per week increased last week. The number of coronavirus cases in the Philippines has reached 3,934,778 as of September 24 while active cases went up to 32,323 from 26,401 in the previous week. There are now 62,759 recorded deaths from COVID-19. Average new cases per week went up to 2,350 from 2,028 in the previous week.



- ➔ The benchmark index dropped from the 6,500-level to the 6,200-level in the span of a week. Market sentiment appeared to have been significantly dampened by central banks' recent moves which may cause the markets to price in a possible global recession. The Fed's 75bps hike was expected but still sent equities reeling as investors may have pulled back to less riskier instruments like bonds and treasury bills. Yields on the said less riskier assets have benefited and spiked from the Fed's aggressive monetary approach. The US dollar continues to surge which spelled worries to other currencies like the Philippine Peso. The BSP's 50bps hike was not enough to help the local currency regain some ground against the greenback. The continued weakening of the peso will likely contribute to the already worsening sentiment on equities. Downward bias is still likely to continue in markets globally in the absence of significant positive catalysts. The Fed already signaled more rate hikes for this year until price stability is restored, even at the expense of a hard landing. While the steep drop of the benchmark index has opened up more bargains, a significant rally will likely yet to be seen this week as investors digest more prospective interest rate hikes by the Fed and the BSP this year, and the weakening position of the Philippine Peso.

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