

Market Commentary

➔ **The View:** The PSEi fell by another 61.64 points or 0.94% and closed at 6,510.87 yesterday. The benchmark index had a losing session for the 3rd consecutive day as overall optimism for US Federal Reserve (Fed) interest rate cuts as early as March was tempered by the recent increase in bond yields anew and data which showed a strong US economy. The PSEi almost broke beneath the 6,500-level but managed to hang on. In the US, the 3 major indices' string of losses was finally broken. The Dow went up by 0.54%, while the S&P500 and the Nasdaq Composite rallied by 0.88% and 1.35%, respectively. Tech stocks led the yesterday's charge and shrugged off the bond yields continued surge for now. The Bank of America upgrade Apple to a "buy" following data that showed that it overtook Samsung in terms of smartphone sales last year. Meanwhile, European markets also ended higher yesterday, taking a breather from the declines this week. Ngozi Okonjo-Iweala, Director-General of the World Trade Organization (WTO), expressed concerns about the impact of Red Sea attacks on goods trade, making the WTO less optimistic about its 2024 trade forecast. While global GDP downgrades affect trade due to decreased aggregate demand, Okonjo-Iweala mentioned the WTO still expects better trade growth in 2024 compared to 2023. In the Asia-Pacific, most markets rebounded following steep declines last Wednesday. Hong Kong's Hang Seng led the recovery with a 0.75% gain, followed by China's Shanghai Composite with 0.43%. Australia's ASX200 and Japan's Nikkei bucked the trend after posting a 0.63% and 0.03% drop, respectively. In the local bourse, sectors posted their 3rd straight session of ending in the red. Mining&Oil (-1.69%) and Property (-1.65%) continued to lead the losses while the rest had sub-1% contractions. In the main index, BLOOM (+2.58%) and AEV (+1.24%) were the top gainers while the other 6 advancers had sub-1% additions. On the other hand, JGS (-3.13%), WLCON (-2.92%), and URC (-2.91%) were the biggest losers among 22 laggards. The market's turnover value slid by 21% to ₱5.27 billion. Net foreign inflows thinned further to ₱24.42 million from ₱63.22 million in the previous session. The local currency regained some ground against the US and finished at ₱55.84, a 9-cent improvement. The local bourse has tracked the decline in US markets amidst a surge in bond yields. However, the steep decline in the last 3 sessions opened buying opportunities for long-term investors who are banking on the reduction of interest rates and the continued stabilization of inflation. The positive performance of the US indices yesterday may also help boost local market sentiment in the final session of the week.

PSEI INTRADAY



INDICES

Index	Prev	Last	% Chg
PSEi	6,572.51	6,510.87	-0.94%
All Shares	3,476.66	3,451.21	-0.73%
Financial	1,838.20	1,823.74	-0.79%
Industrial	9,048.45	8,993.82	-0.60%
Holding Firms	6,290.34	6,249.50	-0.65%
Property	2,836.02	2,789.22	-1.65%
Services	1,624.33	1,612.94	-0.70%
Mining & Oil	9,305.75	9,148.03	-1.69%

TOP 10

BLOOM	2.58%	JGS	-3.13%
AEV	1.24%	WLCON	-2.92%
LTG	0.78%	URC	-2.91%
BPI	0.73%	BDO	-2.44%
EMI	0.72%	ALI	-2.32%
MONDE	0.25%	NIKL	-2.29%
ACEN	0.25%	CNVRG	-2.27%
MER	0.21%	SMPH	-2.10%
ICT	-0.08%	TEL	-1.87%
AGI	-0.17%	SMC	-1.85%

BOTTOM 10

Stock Picks

Stock	Date	Initial Price	Current Price	Return since Recommendation	
				Stock	PSEi
TEL	3/13/20	1,029.00	1,260.00	22.45%	12.37%
CNPF	3/13/20	13.10	34.00	159.54%	12.37%
FGEN	9/23/20	24.80	17.80	-28.23%	10.49%
AP	9/23/20	25.55	38.00	48.73%	10.49%
BDO	11/17/20	92.60	135.80	46.65%	-5.89%
BPI	11/17/20	83.00	109.80	32.29%	-5.89%
MBT	11/17/20	44.35	55.25	24.58%	-5.89%
SECB	11/17/20	103.90	71.80	-30.90%	-5.89%
CNVRG	6/13/22	22.50	8.60	-61.78%	0.68%
ALI	6/13/22	30.05	31.55	4.99%	0.68%
SGP	6/13/22	12.06	7.55	-37.40%	0.68%
Ave. Return				16.45%	2.20%

MARKET DATA

Market Volume	314,858,758
Market Turnover (Value)	5,268,188,569
Foreign Buying	3,098,559,606
Foreign Selling	3,074,138,523
Net Foreign Buy / (Sell)	24,421,083

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Economic Developments

- ➔ **Regulator lifts suspension of the FIT-All collection.** The Energy Regulatory Commission (ERC) has decided to lift the 13-month suspension on the collection of the feed-in tariff allowance (FIT-All), effective from February. The decision was prompted by the projected deficit in the FIT-All fund, which supports the development and promotion of renewable energy. The FIT-All is a charge of ₱0.0364 per kilowatt-hour (kWh) included in the bills of on-grid electricity consumers. The fund, administered by the National Transmission Corp., pays renewable energy developers fixed rates for the electricity generated by their projects. According to ERC Chairperson Monalisa C. Dimalanta, the fund needs to pay around ₱2.2 billion monthly to renewable energy suppliers, with a remaining balance of about ₱2.98 billion as of January 5, 2024. The resumption of FIT-All collection is expected to result in a slight increase in electricity costs, around 3.64 centavos/kWh, starting from the February billing. Some experts, including Bienvenido S. Oplas, Jr., president of Minimal Government Thinkers, and Terry L. Ridon, a public investment analyst and convenor of think tank InfraWatch PH, have expressed concerns about the potential impact on consumers. Oplas notes that the resumption may lead to a slight increase in electricity costs, approximately four centavos/kWh, and households consuming 200 kWh may pay about ₱7.28 more, including value-added tax. Ridon suggests that the ERC should continuously review the tariff to reflect the performance of renewable energy providers and the current state of renewable energy technology, especially considering the decreasing costs of renewables. Manila Electric Co. had temporarily halted the collection of FIT-All in previous monthly electricity bills, following ERC directives. (*BusinessWorld*)
- ➔ **Loan growth expected to improve with rate cuts seen in the second half.** BMI Country Risk & Industry Research, a unit of Fitch Solutions, predicts an improvement in loan growth for Philippine banks in 2024. The expected boost is attributed to better macroeconomic conditions and lower interest rates in the second half of the year, prompting increased credit demand. BMI forecasts a growth acceleration from an estimated 5.7% year-on-year in 2023 to 10% by the end of 2024. The central bank's data indicates that outstanding loans issued by major banks increased by 7% year-on-year to ₱11.4 trillion in November 2023. The expected easing of inflation is anticipated to lead the Bangko Sentral ng Pilipinas to cut borrowing costs in the second half of the year, contributing to increased lending as borrowing costs decline. Despite aggressive domestic tightening in 2023, household loans remained robust, growing by 23.6% to ₱1.25 trillion in November. BMI suggests that these figures may continue to be strong in 2024, especially with the potential interest rate cuts in the latter half of the year. The Philippine economy exhibited resilience, with a 5.9% GDP expansion in the third quarter of 2023, and BMI expects real GDP growth to increase from 5.7% in 2023 to 6.2% in 2024. However, lending growth may face challenges from lackluster external demand in loans from the manufacturing sector, constituting around 11% of banks' total loan portfolio. Additionally, bank asset quality may encounter challenges, with potential increases in loan delinquencies due to tight monetary policy. Nevertheless, the Philippine banking system is characterized by a strong balance sheet, robust capital buffers (with a capital adequacy ratio of 16% in Q3 2023) and improving profitability ratios. (*BusinessWorld*)

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Economic Developments

- ➔ **Japan poultry imports banned after bird flu outbreak.** The Department of Agriculture (DA) has announced a ban on imports of poultry products from Japan due to an outbreak of H5N1 highly pathogenic avian influenza (HPAI), commonly known as bird flu. The ban covers shipments of domestic and wild birds, poultry meat, day-old chicks, eggs, and semen from Japan, and went into effect on January 17. Japan's Ministry of Agriculture, Forestry and Fisheries reported the outbreak of HPAI to the World Organization for Animal Health on November 28, stating that the H5N1 strain affected wild and domesticated birds in Kashima City, Saga Prefecture, on November 24. Sanitary and phytosanitary import permit processing for poultry products from Japan has also been suspended. The DA specified that only wild birds, poultry, and poultry products that were already in transit, loaded, and accepted on or before November 10 will be allowed entry into the Philippines, and any shipments after that date would either be returned to the country of origin or confiscated and destroyed. This decision follows a temporary lifting of the ban on Japanese poultry products by the DA in August, which had been imposed due to an earlier outbreak of bird flu that was deemed negligible. In addition to Japan, the DA has banned poultry imports from France, Belgium, and certain US states (Ohio and California) this year due to HPAI outbreaks. (*BusinessWorld*)
- ➔ **PH cited for big potential in clean energy.** The Philippines has been identified by the international think tank Global Energy Monitor (GEM) as having the most significant potential for solar and wind power development in Southeast Asia. According to GEM's "A Race to the Top: Southeast Asia 2024" report, the Philippines boasts 99 gigawatts (GW) of prospective capacity, ranking it as the eighth globally in terms of solar and wind capacity potential. The country's streamlined project bidding system and predominantly privatized power generation contribute to an unencumbered pipeline for project development. Despite this considerable potential, the report highlights a low construction rate for planned projects in the entire Southeast Asian region, standing at only 3 percent. The Philippines represents nearly half (45 percent) of the prospective capacity among Southeast Asian countries, with Vietnam having the second-highest potential at 86.2 GW, followed by Indonesia at 19 GW. GEM emphasizes the need for greater progress in renewable energy growth, citing the low turnout in the Philippine Department of Energy's second Green Energy Auction Program, which received commitments for only a third of the total 11.6 GW offered. GEM suggests that phasing out fossil fuels, which currently account for approximately 30 percent of Southeast Asian countries' total installed capacity, is crucial to accelerating renewable energy development in the region. (*Inquirer*)

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Corporate Developments

- ➔ **San Miguel Corporation (SMC)**. Metro Pacific Investments Corp. (MPIC) is exploring a potential infrastructure partnership with SMC for the privatization bid of the Metro Rail Transit Line 3 (MRT-3) in the Philippines. Both MPIC and SMC had submitted unsolicited proposals for the operation and maintenance of MRT-3, but the Department of Transportation (DOTr) rejected them to seek fresh offers. In response, MPIC is now open to participating in the solicited bidding for the project and exploring the possibility of a joint bid with SMC. This potential collaboration follows the ₱72-billion agreement signed between Pangilinan and Ramon Ang, the head of SMC, for the construction of the Cavite-Batangas Expressway (CBEX) and the Nasugbu-Bauan Expressway (NBEX) last year. Pangilinan and Ang's collaboration on CBEX and NBEX marked a significant partnership between the two tycoons. Additionally, Ramon Ang made a personal investment in MPIC after its delisting from the main index of the Philippine Stock Exchange, further fueling speculation about potential future collaborations, including the merger of toll road businesses between MPIC's Metro Pacific Tollways Corp. and SMC. The DOTr is seeking private firms interested in operating MRT-3 as the contract with the current operator, Metro Rail Transit Corp., is set to expire in 2025. Transportation Secretary Jaime Bautista has expressed a preference for solicited bidding in privatizing mobility assets, giving the government greater control over the terms. MPIC currently controls a majority stake in the operator of the Light Rail Transit Line 1, while SMC is constructing the Metro Rail Transit Line 7 from Quezon City to Bulacan. *(Philstar)*
- ➔ **Megawide Construction Corporation (MWIDE)**. Real estate firm PH1 World Developers Inc. is considering an initial public offering (IPO) as early as 2025. The company, acquired by MWIDE from Citicore Holdings Investments Inc. for ₱5.2 billion last year, specializes in the affordable housing segment to address gaps in the Philippine housing market. PH1 World currently has five projects and plans to launch two vertical projects, along with two to three raw housing projects each year. The IPO, if pursued, could potentially allow PH1 World to expand into other markets while maintaining a focus on the affordable housing segment. Saavedra noted that the property business is expected to surpass the construction segment in terms of bottom line within three years. Chairman Edgar Saavedra's Citicore Renewable Energy Corp. (CREC) is preparing for an IPO, with the Securities and Exchange Commission approving the company's ₱11.25-billion IPO. Saavedra expressed optimism about CREC becoming the first IPO in the Philippine Stock Exchange for the year, emphasizing the potential of the energy sector and the growing interest in renewable energy. *(Philstar)*

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Other Developments

- ➔ **US bank profits fall as competition for deposits erodes lending margins.** Several major US regional banks, including Charles Schwab, Citizens Financial, and US Bancorp, reported lower profits, signaling a decline in the income boost from US Federal Reserve (Fed) interest rate hikes. One-off charges, coupled with the rising cost of retaining customer deposits, impacted their fourth-quarter net interest income (NII), the difference between earnings from lending and deposit payments. While Fed rate hikes in 2023 initially boosted NII for many lenders, growing competition for deposits from larger banks is now eating into profits and dampening loan growth. Charles Schwab's quarterly profit fell 47%, primarily due to a 30% drop in NII resulting from higher deposit costs. Citizens reported a 71% decline in profit, with a 12% reduction in NII. US Bancorp's profit fell 14%, accompanied by a 4.2% drop in NII. PNC Financial, another major regional lender, also reported shrinking profits, with NII contracting 8%. The exodus of deposits from smaller institutions, perceived as riskier, benefited larger banks. However, potential Fed rate cuts in 2024 are expected to further dent NII, according to warnings from some banks. Charles Schwab, US Bancorp, and Citizens saw fluctuations in their stock prices following the announcements. Citizens cautioned that its NII in 2024 could be 6% to 9% below the \$6.24 billion reported in 2023. Despite the NII declines, some analysts find the regional banking sector attractive over the next 12-18 months, given the recent trend in share prices. *(Reuters)*
- ➔ **US weekly jobless claims near 1-1/2-year low; housing starts decline.** The number of Americans filing new claims for unemployment benefits fell to the lowest level in nearly 1-1/2 years, dropping by 16,000 to a seasonally adjusted 187,000 for the week ended January 13. This unexpected decline suggests that job growth likely remained solid in January, adding to the positive economic indicators. The data, along with strong retail sales growth in December, paints an upbeat picture of the economy. The unexpected drop in initial claims could make it challenging for the US Federal Reserve (Fed) to start cutting interest rates in March, as anticipated by financial markets. Economists had forecasted 207,000 claims for the latest week, making the reported 187,000 even more surprising. Although claims data can be volatile at the turn of the year, economists argue that the data is consistent with a tight labor market. Companies are generally reluctant to lay off workers, reflecting the ongoing challenges in finding labor during and after the COVID-19 pandemic. The unexpected decline in unemployment claims adds to the positive economic outlook and may impact the timing of potential interest rate cuts by the Fed. *(Reuters)*

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CASH DIVIDEND SCHEDULE

*Arranged by ex-date

Ticker	Company	Amount/ Rate	Dividend Type	Share	Ex-date	Record Date	Payment Date
ABA	AbaCore Capital Holdings, Inc.	Php0.01	Cash	Common	06/23/22	06/28/22	TBA
BKR	Bright Kindle Resources & Investments Inc.	Php0.0037	Cash	Common	10/13/23	10/16/23	TBA
CREIT	Citicore Energy REIT Corp.	Php0.049	Cash	Common	12/22/23	12/27/23	01/22/24
COSCO	Cosco Capital, Inc.	Php0.197	Cash	Common	12/29/23	01/02/24	01/23/24
SMC	San Miguel Corporation	Php0.35	Cash	Common	01/04/24	01/05/24	01/26/24
GTPPB	GT Capital Holdings, Inc.	Php12.73725	Cash	Preferred	01/04/24	01/05/24	01/29/24
TFC	PTFC Redevelopment Corporation	Php2.00	Cash	Common	01/08/24	01/09/24	02/02/24
STI	STI Education Systems Holdings, Inc.	Php0.030	Cash	Common	01/09/24	01/10/24	01/31/24
MARC	Marcventures Holdings, Inc.	Php0.10	Cash	Common	01/11/24	01/12/24	01/26/24
MWP4	Megawide Construction Corporation	Php1.325	Cash	Preferred	01/19/24	01/22/24	01/29/24
DDMPR	DDMP REIT, Inc.	Php0.0256820	Cash	Common	01/19/24	01/22/24	02/14/24
8990B	8990 Holdings, Inc.	Php1.375	Cash	Preferred	01/26/24	01/29/24	02/10/24
MWP2B	Megawide Construction Corporation	Php1.4375	Cash	Preferred	02/06/24	02/07/24	02/27/24
PRF3A	Petron Corporation	Php17.17825	Cash	Preferred	02/29/24	03/01/24	03/25/24
PRF3B	Petron Corporation	Php17.84575	Cash	Preferred	02/29/24	03/01/24	03/25/24
PRF4A	Petron Corporation	Php16.76975	Cash	Preferred	03/12/24	03/13/24	04/08/24
PRF4B	Petron Corporation	Php16.99300	Cash	Preferred	03/12/24	03/13/24	04/08/24
PRF4C	Petron Corporation	Php17.71525	Cash	Preferred	03/12/24	03/13/24	04/08/24
SMC2F	San Miguel Corporation	Php1.27635	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2I	San Miguel Corporation	Php1.18790625	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2J	San Miguel Corporation	Php0.890625	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2K	San Miguel Corporation	Php0.84375	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2M	San Miguel Corporation	Php1.5703125	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2N	San Miguel Corporation	Php1.5649875	Cash	Preferred	03/20/24	03/21/24	04/04/24
SMC2O	San Miguel Corporation	Php1.611300	Cash	Preferred	03/20/24	03/21/24	04/04/24
GTPPB	GT Capital Holdings, Inc.	Php12.73725	Cash	Preferred	04/04/24	04/05/24	04/29/24
GTPPB	GT Capital Holdings, Inc.	Php12.73725	Cash	Preferred	07/04/24	07/05/24	07/29/24
GTPPB	GT Capital Holdings, Inc.	Php12.73725	Cash	Preferred	10/04/24	10/07/24	10/28/24

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Stocks Dividends/Property Dividends

Ticker	Company	Amount/Rate	Dividend Type	Share Type	Ex-date	Record Date	Payment Date
PNB	Philippine National Bank	0.156886919 shares of PHC for every 1 share of PNB	Property	Common	05/13/21	05/18/21	TBA
AC	Ayala Corporation	3 ACEN shares per 1 AC common share	Property	Common	05/24/22	05/27/22	01/09/23
ABA	AbaCore Capital Holdings, Inc.	0.0009 PRIDE shares per 1 ABA common share	Property	Common	06/23/22	06/28/22	TBA
GREEN	Greenery Holdings Incorporated	0.0561786222 share of ANI for every 1 share of the company	Property	Common	06/27/22	06/30/22	TBA
BKR	Bright Kindle Resources & Investments Inc.	(1) BHD share for every three (3) common BKR shares	Property	Common	10/13/23	10/16/23	TBA
MACAY	Macay Holdings, Inc.	0.936 common share of ARC for every 1 common share of MACAY	Property	Common	10/20/23	10/23/23	TBA
MFIN	Makati Finance Corporation	0.5435056706%	Stock	Common	08/22/22	08/25/22	TBA
LPC	LFM Properties Corporation	60%	Stock	Common	TBA	TBA	TBA
VMC	Victorias Milling Company, Inc.	100%	Stock	Common	TBA	TBA	TBA
CEI	Crown Equities, Inc.	10%	Stock	Common	TBA	TBA	TBA
SBS	SBS Philippines Corporation	22%	Stock	Common	TBA	TBA	TBA

Note: AC
Sripless shareholders will have a moving payment date for their property dividends

Stocks Rights/Follow-on Offering

Ticker	Company	Offer Price	Ratio	Offer Shares	Ex-date	Offer Start	Offer End	Listing Date
MA	Manila Mining Corporation	Php0.01	1:5	51,917,357,741	04/26/22	05/16/22	05/20/22	TBA
ANI	AgriNurture, Inc.	Php1.00	1:2.5	288,000,027	TBA	TBA	TBA	TBA
LC	Lepanto Consolidated Mining Company	Php0.12	1:3.95	16,803,989,391	TBA	TBA	TBA	TBA
PBB	Philippine Business Bank	Php10.00	1:4.6428	50,000,000	03/07/2023	03/10/2023	03/17/2023	TBA

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