



Market Commentary



➔ The PSEi rose by 74.52 points or 1.17% week-on-week and closed at 6,468.07. The benchmark index ended at the 6,400-level after cautious sentiment took over again last Friday. The Philippine Peso appreciated to PHP55.20 against the US dollar from PHP55.72 in the previous week. Net foreign buying amounted to PHP1.40 billion. Industrial (+3.13%) and Holding Firms (+1.51%) led the gains, while Property (-0.17%) was the lone decliner. SSI (+15.38%) and HOME (+12.35%) led the stock gainers, while WLCON (-4.55%) and EEI (-3.92%) were the worst performers. Notable local developments from last week were the following:

- Big banks in the Philippines will no longer be allowed to use loans to micro, small, and medium enterprises (MSMEs), and large companies as an alternative compliance with the reserve requirements starting July 1, according to the Bangko Sentral ng Pilipinas (BSP). The relief measure, which has been extended three times since April 2020, will be unwound to coincide with the reduction in reserve requirement ratios (RRR) by June 30, 2023. However, smaller banks, including thrift, rural, and cooperative banks, will be granted an extension until the loans are fully paid, but no later than the end of December 2025. The outstanding loans to MSMEs and large enterprises of these banks as of June 30 can still be used for compliance with reserve requirements until they are fully paid.
- According to the Bangko Sentral ng Pilipinas (BSP), foreign portfolio investments in the Philippines experienced an outflow of \$805 million in the first five months of 2023, reversing the net inflow of \$1.1 billion during the same period last year. The inflow of foreign portfolio investments through authorized agent banks fell by 27% to \$4.49 billion from the previous year's level of \$6.15 billion. Meanwhile, outflows increased by 5.4% to \$5.3 billion compared to \$5.03 billion last year.
- The national government's budget deficit in May 2023 decreased by 16.7% to PHP122.2 billion compared to the same month in 2022. This improvement was attributed to the growth in revenues surpassing the increase in spending. The Bureau of the Treasury reported that the deficit for the period of January to May also decreased by 28.9% to PHP326.3 billion year-on-year.

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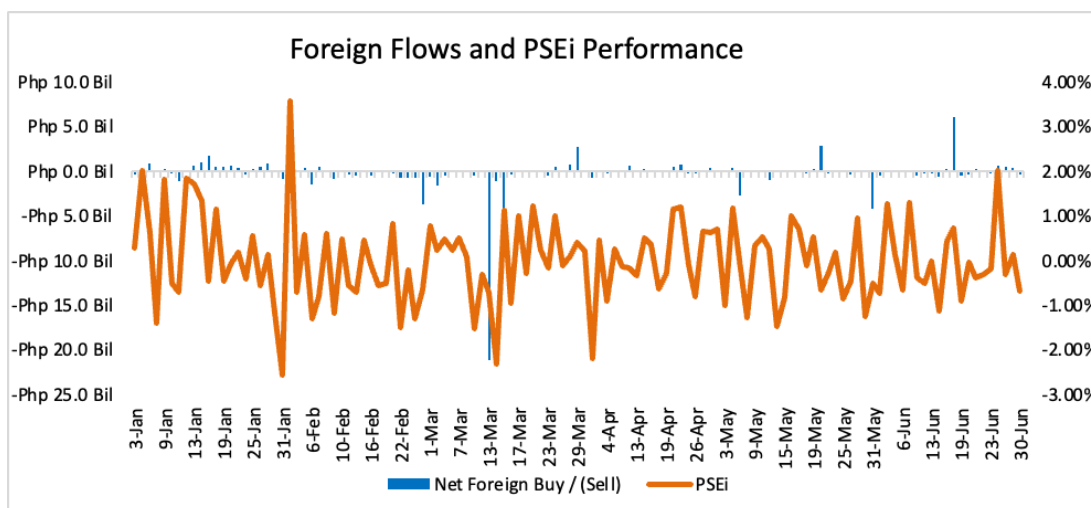
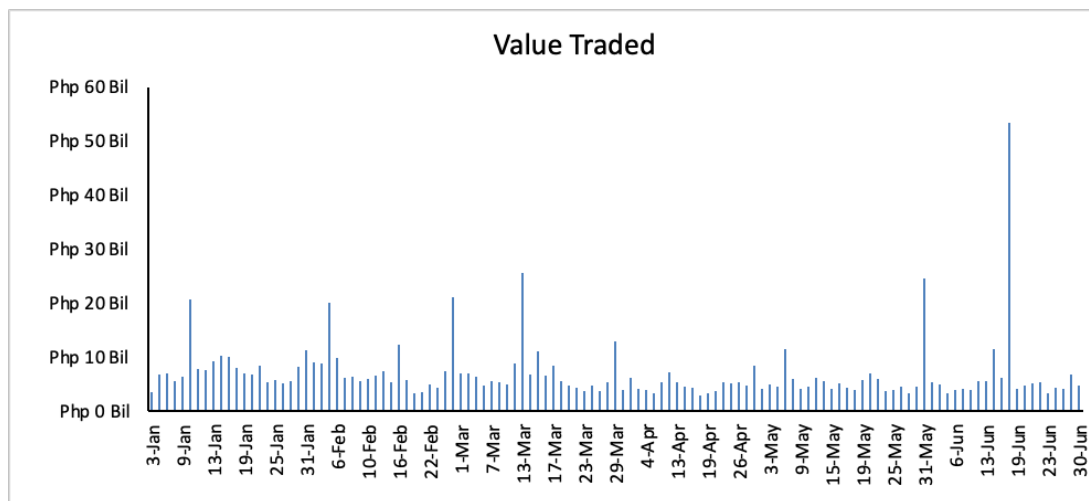
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INDICES

Index	Prev	Last	% Chg
PSEi	6,393.55	6,468.07	1.17%
All Shares	3,414.75	3,452.96	1.12%
Financial	1,829.55	1,847.13	0.96%
Industrial	8,947.81	9,228.00	3.13%
Holding Firms	6,291.76	6,386.54	1.51%
Property	2,612.45	2,608.01	-0.17%
Services	1,548.01	1,565.18	1.11%
Mining & Oil	9,875.83	9,909.69	0.34%



➔ Market turnover for last week averaged almost PHP5.00 billion last week, higher than the PHP4.58 billion in the previous week. Last week logged a net foreign buying of PHP1.40 billion, contrary to the net foreign selling of PHP825 million in the period of June 19-23.



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Key Economic Figures



➔ **PH producer price index (PPI).** The country's PPI rose by 2.0% year-on-year in May 2023, marking the slowest pace since December 2021 and a decrease from a 2.3% increase in the previous month. The cost of various goods saw a slowdown, including rubber and plastic products, other non-metallic mineral products, food products, fabricated metal products, beverages, and other manufacturing and repair. Additionally, prices declined for textiles, coke and refined petroleum products, basic metals, and chemical and chemical products. Conversely, prices increased at a faster rate for leather products, computers and electronics, wearing apparel, and tobacco products. On a monthly basis, producer prices increased by 0.4% in May, following a downwardly revised 0.2% rise in April. The data suggests a moderation in inflationary pressures at the producer level, indicating a potential easing in overall price levels. (PSA, *TradingEconomics*)



➔ **US personal consumption expenditure (PCE) index.** US' PCE index increased by 3.8% year-on-year in May, marking the lowest reading since April 2021. This reflects a decline from the downwardly revised 4.3% increase observed in April. Prices for goods rose by 1.1%, while prices for services saw a larger increase of 5.3%. Food prices experienced a 5.8% increase, while energy prices decreased significantly by 13.4%. Excluding food and energy, the core PCE price index, which is the Fed's preferred gauge of inflation, increased by 4.6% year-on-year, slightly below market expectations of 4.7% and down from 4.7% in April. The Fed projected PCE inflation for the year at 3.2%, indicating expectations for a slight moderation in price increases, while core PCE inflation was projected at 3.9% (*US BEA, TradingEconomics*)

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For the Week

TOP GAINERS		TOP LOSERS	
SSI	15.38%	WLCON	-4.55%
HOME	12.35%	EEI	-3.92%
URC	8.70%	TUGS	-3.26%
MWC	8.07%	SLI	-3.24%
AB	7.72%	DDPR	-2.99%
BLOOM	6.94%	MRSGI	-2.86%
TECH	6.59%	STR	-2.69%
GMA7	5.75%	DMC	-2.58%
RRHI	5.60%	PAL	-2.57%
MONDE	5.39%	SHLPH	-2.42%
CNPF	5.35%	FNI	-2.42%
SHNG	4.61%	SMC	-2.41%
MBT	4.31%	ION	-2.36%
MPI	4.15%	TEL	-2.24%
ACEN	4.05%	MAXS	-2.16%
DNL	3.84%	APX	-2.07%
JGS	3.37%	SEVN	-1.89%
CHP	3.03%	HLCM	-1.78%
VLL	3.03%	BDO	-1.64%
ABS	3.00%	GTPPB	-1.25%



Market Outlook

What You Need to Know

- ➔ The PSEi rose by 1.17% last week, following the steep 1.76% drop in the previous week. The benchmark index ended the final week of June on a positive note as window dressing towards the end of 2Q2023 and 1H2023 helped lift the market. Still, the PSEi ended last month lower by 0.14%. Concerns over the unexpectedly hawkish US Federal Reserve (Fed) along with the continued aggressive battle against inflation of the US and UK have casted unease among investors for most of the month.
- ➔ The number of coronavirus cases in the Philippines has reached 4,165,499 as of July 2, 2023 while active cases decreased by 16% from 8,244 to 6,925. There were two additional deaths from COVID-19 recorded last week and the total has gone up to 66, 484. According to OCTA Research, both NCR and overall COVID-19 positivity rates have declined from the previous week. The nationwide positivity rate went down to 7.4 as of June 29 from 8.9% as of June 22. Metro Manila's positivity rate also fell to 5.6% as of June 28 from 6.6% as of June 21. The Department of Health continues to remind the people to get vaccinated, receive their booster shots, and observe public health standards such as wearing of face masks, physical distancing, and frequent handwashing to keep COVID-19 infections from increasing its spread once again.
- ➔ The PSEi fell back to the 6,400-level last Friday after its 3-day stay above the 6,500-level as investors booked profits amidst continued cautious sentiment due to uncertainties going into 2H2023. The benchmark index experienced a negative year-to-date performance, which was contrary to the trend seen in most markets. This occurred despite strong earnings reported by companies in 1Q2023 and the overall increase in economic activity and business expansion in the country. The negative performance of the PSEi can be attributed to several global concerns that affected investor sentiment. One of the main concerns was the inflationary pressure in the US and UK. Stubbornly high inflation in these countries raised fears of tighter monetary policies, including potential interest rate hikes by their respective central banks. These concerns had a spillover effect on global markets, including the Philippine stock market, as investors worried about the impact of higher borrowing costs on corporate profitability and economic growth. The US Federal Reserve (Fed)'s hawkish stance, indicating a willingness to tighten monetary policy to curb inflation, added to the market's uncertainty. The anticipation of interest rate hikes in the US could potentially lead to capital outflows from emerging markets like the Philippines, as investors seek higher returns in developed markets. Locally, inflation has been cooling down significantly and as a result, the Bangko Sentral ng Pilipinas (BSP), has maintained interest rates at current levels. However, there is a concern that the hawkish stance of the Fed could have implications for the trajectory of interest rates in the Philippines. If the Fed raises interest rates, it could put pressure on the Philippine Peso. To support the currency and maintain its stability, the BSP may be compelled to respond by raising interest rates domestically. This potential adjustment in interest rates by the BSP could impact borrowing costs for businesses and individuals, potentially affecting investment decisions and economic growth in 2H2023.

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