



Market Commentary



➔ The PSEi fell by 89.04 points or 1.38% week-on-week and ended at 6,379.03. The benchmark index dropped to the 6,300-level as sell-offs in the local bourse continued. The Philippine Peso depreciated to PHP55.62 against the US dollar from PHP55.20 in the previous week. Net foreign selling amounted to PHP410.98 million. All sectors were down last week led by Property (-2.31%) and Financial (-1.62%). LR (+15.36%) and APX (+10.17%) led the stock gainers, while EEI (-8.16%) and AP (-7.41%) were the worst performers. Notable local developments from last week were the following:

- The outstanding debt of the national government reached a record high of PHP14.1 trillion at the end of May, according to the Bureau of the Treasury. The debt increased by 1.3% from the previous month, driven by the net issuance of domestic and external debt and the depreciation of the local currency against the US dollar. Compared to the previous year, the debt stock rose by 12.8%. Over two-thirds of the total debt portfolio came from domestic lenders, while the remaining portion was from foreign creditors.
- The Bangko Sentral ng Pilipinas (BSP) has introduced an overnight reference rate as a market reference amid the phaseout of the London Interbank Offered Rate (LIBOR). The overnight rate (ON) uses the secondary market rate on the 28-day BSP bill as a reference. The BSP plans to enhance its ON Reverse Repurchase (RRP) Agreement facility, with the new rate from the RRP facility becoming the ON reference rate once the enhancements are completed.
- In May, nonperforming loans (NPLs) in Philippine banks increased, resulting in the highest NPL ratio in 9 months, according to data from the Bangko Sentral ng Pilipinas (BSP). The overall NPL ratio rose to 3.46% in May, up from 3.41% in April but lower than the 3.75% recorded a year earlier. The increase in NPLs can be attributed to the higher interest rate environment globally and domestically as central banks raised rates to combat inflation. Despite the rise, the reopening of the economy has somewhat overshadowed these risk factors, with improved revenues, earnings, and employment boosting the ability of consumers and firms to repay loans.

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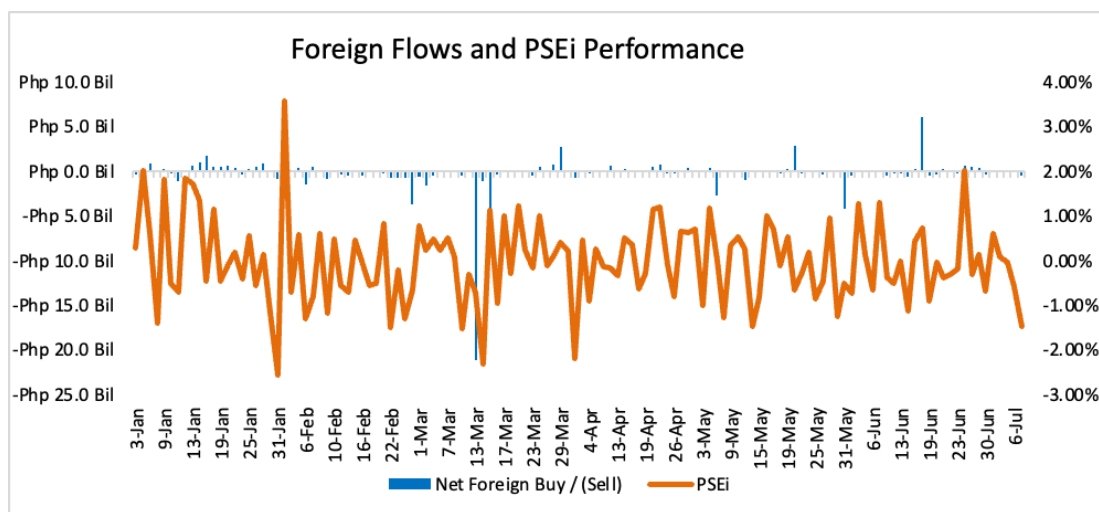
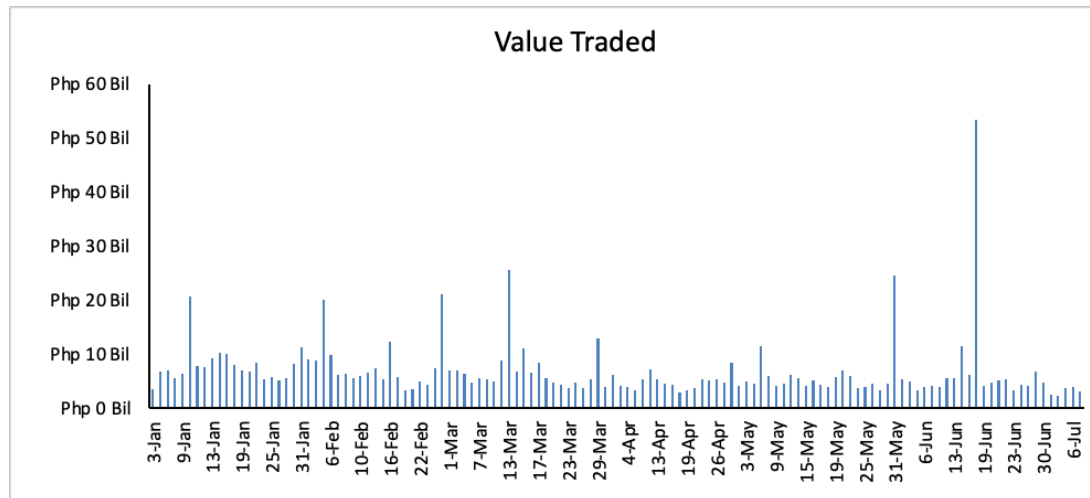
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INDICES

Index	Prev	Last	% Chg
PSEi	6,468.07	6,379.03	-1.38%
All Shares	3,452.96	3,422.28	-0.89%
Financial	1,847.13	1,817.16	-1.62%
Industrial	9,228.00	9,114.63	-1.23%
Holding Firms	6,386.54	6,326.08	-0.95%
Property	2,608.01	2,547.70	-2.31%
Services	1,565.18	1,551.57	-0.87%
Mining & Oil	9,909.69	9,870.56	-0.39%



- ➔ Market turnover for last week averaged PHP3.12 billion, lower than the PHP5.00 billion in the previous week. More investors kept to the sidelines as sentiment for emerging markets continued to be dampened by the stellar performance in more dominant markets, especially the US. Last week logged a net foreign selling of PHP410.98 million, contrary to the net foreign buying of PHP1.40 billion in the period of June 26-30.

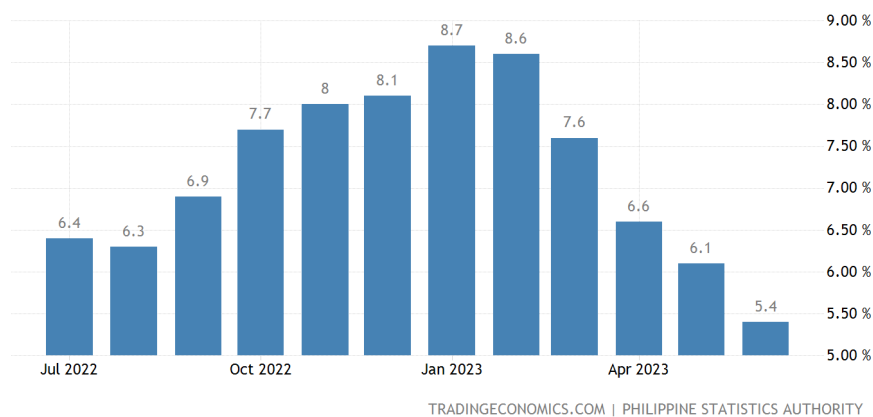


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Key Economic Figures



➔ **PH inflation rate.** PH annual inflation rate dropped to 5.4% in June 2023 from 6.1% in May. This was lower than the market estimate of 5.5% and marked the lowest reading since May 2022. The decline in inflation was primarily driven by a slowdown in food price increases, which recorded the smallest rise in ten months at 6.7% compared to 7.4% in May. Additionally, costs eased for various categories such as alcoholic beverages and tobacco, housing, health, furnishing and housing maintenance, recreation and culture, and restaurants and accommodation. The transportation sector, however, experienced a further decline in costs with a negative growth rate of -3.1% compared to -0.5% previously. Core inflation grew by 7.4% year-on-year, its slowest pace in 5 months. Overall, the decline in inflation in June reflects a relative easing of price pressures in the Philippines, particularly in food and other essential sectors, contributing to a more stable economic environment. (PSA, TradingEconomics)



➔ **PH unemployment rate.** PH unemployment rate fell to 4.3% in May compared to 6.0% in the same period last year. This marks the lowest rate since December 2022 and the second lowest since April 2005. The number of unemployed individuals decreased to 2.17 million from 2.93 million in May 2022, while the number of employed individuals increased to 48.26 million from 46.08 million previously. The services sector accounted for the largest portion of employment at 58.8%, followed by agriculture at 24.3%, and industry at 15.9%. Additionally, the labor force participation rate also showed improvement, rising to 65.3% from 64.0% in the same period last year. These figures reflect positive trends in the labor market and indicate a growing momentum in the country's economic recovery. (PSA, TradingEconomics)

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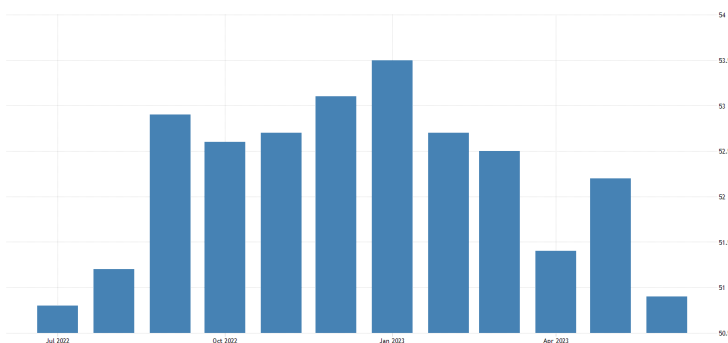
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For the Week

TOP GAINERS		TOP LOSERS	
LR	15.36%	EI	-8.16%
APX	10.17%	AP	-7.41%
COSCO	8.98%	FNI	-5.37%
ION	7.26%	PLC	-5.36%
SHNG	6.78%	HOME	-4.95%
STR	5.93%	VLL	-4.71%
FB	5.56%	ROCK	-4.23%
PRF3A	5.53%	RLC	-3.78%
FGEN	5.14%	ACEN	-3.53%
PCOR	4.90%	DNL	-3.29%
RFM	4.84%	AC	-3.20%
PIZZA	4.80%	GMA7	-3.16%
GLO	4.56%	GTCAP	-2.91%
MPI	3.98%	SMPH	-2.89%
CHP	3.92%	FLI	-2.86%
MWIDE	3.67%	CEB	-2.80%
MAXS	3.52%	SHLPH	-2.76%
DD	3.37%	BPI	-2.67%
SLI	3.35%	ICT	-2.65%
RRHI	3.29%	SGP	-2.55%



Key Economic Figures



➔ **PH S&P manufacturing PMI.** The S&P Global Philippines Manufacturing PMI declined to 50.9 in June 2023 from 52.2 in May, signaling the slowest improvement in business conditions since July 2022, although it remained above the 50 no-change mark for the 17th consecutive month. While production and factory orders continued to expand, the growth rates moderated compared to May, with some survey participants reporting weaker underlying demand. Employment in the manufacturing sector also contracted, and input price inflation softened during the month. However, manufacturers maintained an optimistic outlook for the next 12 months, expecting increased production driven by anticipated growth in new sales. The overall sentiment reflected confidence in future business prospects despite the recent easing of performance in the manufacturing sector. (PSA, TradingEconomics)



➔ **US ADP employment change.** In a surprising turn of events, private businesses in the US generated 497,000 jobs in June 2023, marking the highest number since February 2022 and surpassing forecasts of 228,000 jobs. The services sector led the job additions with 373,000 jobs, primarily in leisure and hospitality, trade/transportation/utilities, and education/health. However, there were job losses in information, financial activities, and professional/business sectors. In the goods-producing industry, 124,000 jobs were added, largely driven by construction and mining, while manufacturing experienced a decline of 42,000 jobs. Small and medium-sized businesses were responsible for the majority of job creation, adding 299,000 and 183,000 jobs, respectively, while large firms saw a reduction of 8,000 jobs. Wage increases showed a slowdown for both job changers and job stayers. ADP noted that consumer-facing service industries had a strong performance in June, but wage growth in these sectors continues to decelerate, suggesting that hiring momentum may be peaking after a surge in the late stage of the economic cycle. (ADP, TradingEconomics)

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Market Outlook

What You Need to Know

- ➔ The PSEi declined by 1.38% last week, reversing the 1.17% gain it had in the previous week. The benchmark index posted a slow start to the second half of 2023 as market sentiment remained dampened by worries over further interest rate hikes by the US Federal Reserve (Fed). This was likely spiked by the stronger-than-expected ADP reports on US jobs addition last June.
- ➔ The number of coronavirus cases in the Philippines has reached 4,168,009 as of July 9, 2023 while active cases declined further by 4.61% from 6,925 to 6,606. There were no new deaths from COVID-19 recorded last week and the total has remained at 66,484.
- ➔ The Philippine stock market experienced a decline last week, with profit taking by investors contributing to a 1.38% steep drop in the benchmark index. Most indices fell during this period, and value turnover remained thin. Foreign investors also engaged in net selling, further impacting market performance. Outlook for the PSEi this week remains cautious as investors evaluate potential market catalysts while concerns over a possible resumption of the Fed's monetary tightening persist. Bargain hunting may ensue as attractive prices draw interest, but worries over further rate hikes by the Fed and their impact on the US and global economy continue to weigh on sentiment. The Fed's upcoming policy review on July 25-26 adds to the uncertainty. In the absence of strong catalysts, trading participation is expected to remain tepid. Some economists noted that the decline in the PSEi is partly influenced by the correction in US stock markets and higher US Treasury yields. The upcoming 2Q2023 and 1H2023 earnings results of PH companies may provide momentum to the market as the market expects strong performances despite the global concerns that have hampered stock prices in the local bourse. After the descent to the 6,300-level last Friday, immediate support is seen at 6,300 while the resistance remains at 6,600.

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