



Market Commentary



➔ The PSEi rose by 22.77 points or 0.34% week-on-week and ended at 6,647.56. The benchmark index remained at the 6,600-level due to mainly positive expectations for the 2Q2023 earnings season. The Philippine Peso weakened to PHP54.755 against the US dollar from PHP55.40 in the previous week. Net foreign buying amounted to PHP981.30 million. Industrial (-0.62%) and Holding Firms (-0.43%) declined, while Property (+2.53%) went up the most. BLOOM (+10.36%) and EEI (+9.89%) led the stock gainers, while AP (-4.76%) and AEV (-4.03%) were the worst performers. Notable local developments from last week were the following:

- BSP Governor Eli Remolona stated in a Bloomberg TV interview that the threat of inflation has not abated, and interest rate hikes are still being considered as a response. Mr. Remolona mentioned that the BSP is currently leaning towards the "tightening side" as it remains cautious about potential risks such as El Nino and minimum wage hikes in Metro Manila.
- President Ferdinand R. Marcos, Jr. has signed a bill into law, establishing the Philippines' first sovereign wealth fund, named the Maharlika Investment Fund (MIF), despite concerns expressed by economists. The new law requires the BSP to contribute its total declared dividends to the fund, causing apprehension over the independence of the BSP and potential impacts on public funds for social services. The MIF aims to provide investment opportunities in strategic areas of the energy sector and serve as an alternative to debt financing when the Philippines attains upper middle-income status and no longer qualifies for concessional loans.
- The Asian Development Bank (ADB) maintained its growth forecast for the Philippines, projecting a growth rate of 6.0% for 2023 and 6.2% for 2024 in its Asian Development Outlook report. The ADB noted that the country's prospects were boosted by resilient consumer spending and robust investment in the first quarter. If realized, the ADB's projection would make the Philippines the fastest-growing economy in Southeast Asia, outpacing Singapore and Vietnam. However, the projection falls at the lower end of the government's GDP growth target for 2023.

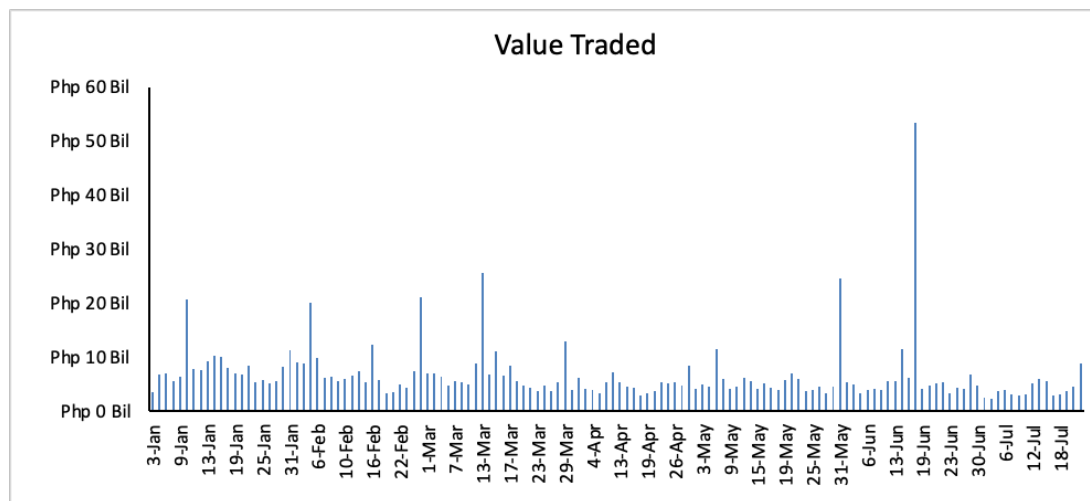
INDICES			
Index	Prev	Last	% Chg
PSEi	6,624.79	6,647.56	0.34%
All Shares	3,515.81	3,530.90	0.43%
Financial	1,939.83	1,948.36	0.44%
Industrial	9,369.55	9,311.03	-0.62%
Holding Firms	6,470.77	6,442.84	-0.43%
Property	2,641.32	2,708.09	2.53%
Services	1,581.56	1,594.76	0.83%
Mining & Oil	10,018.79	10,112.93	0.94%

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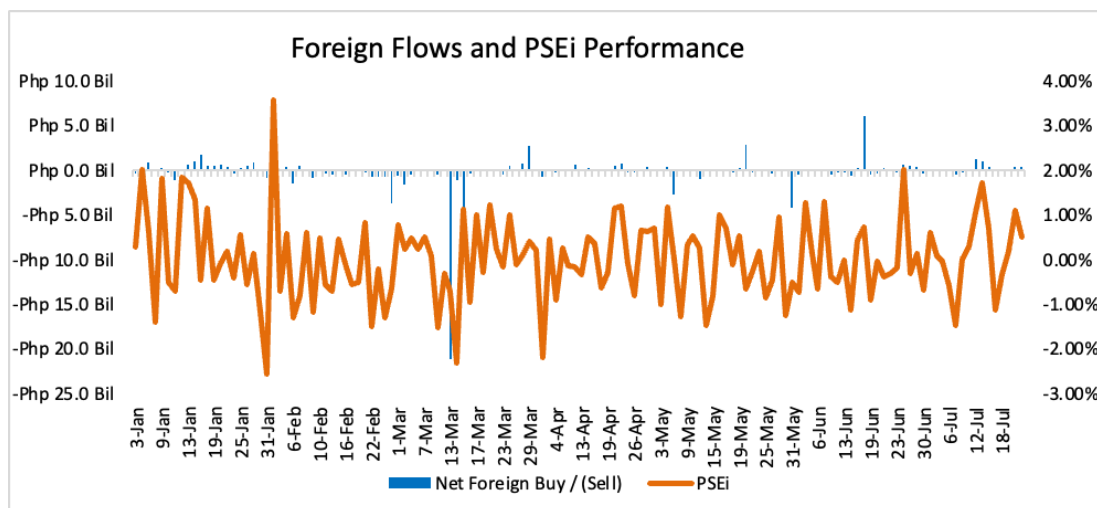
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- ➔ Market turnover for last week averaged PHP4.62 billion, slightly higher than the PHP4.54 billion in the previous week. A PHP3.63 billion block sale of MREIT shares last Friday pulled the weekly average up.



- ➔ Last week logged a net foreign buying of PHP981.30 million, lower than the PHP2.58 billion in the period of July 10-14. Foreigners have recorded a net buy in 8 of the last 10 sessions.

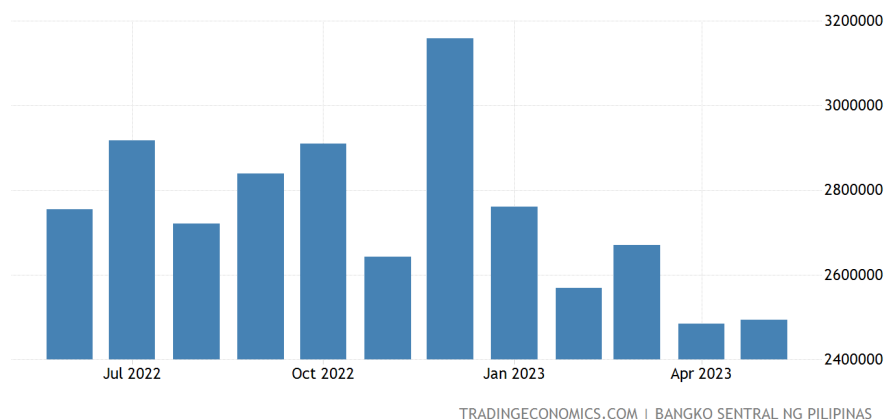


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Key Economic Figures



➔ **PH cash remittances.** In May 2023, personal remittances from Overseas Filipinos (OFs) reached US\$2.78 billion, showing a 2.9% increase compared to the same month last year. The rise was driven by higher remittances from land-based workers with work contracts of one year or more and sea- and land-based workers with work contracts of less than one year. For the first 5 months of 2023, personal remittances grew by 3.1% to US\$14.46 billion. Cash remittances coursed through banks also increased by 2.8% to US\$2.49 billion in May 2023, with the United States, Singapore, and Saudi Arabia contributing significantly to the rise in remittances during the first five months of the year.

➔ **PH balance of payments (BoP) and GIR.** In June 2023, the country's overall balance of payments (BOP) registered a deficit of US\$606 million, which was lower than the deficit recorded in the same month last year. The deficit was primarily driven by outflows arising from the National Government's net foreign currency withdrawals from its deposits with the BSP to settle foreign currency debt obligations and expenses. However, despite the June deficit, the cumulative BOP position for the first half of the year showed a surplus of US\$2.3 billion, marking a significant turnaround from the US\$3.1 billion deficit in the same period last year. The surplus was attributed to inflows from personal remittances, net foreign borrowings by the government, trade in services, and foreign direct investments. As of end-June 2023, the gross international reserves (GIR) decreased to US\$99.4 billion, providing a robust external liquidity buffer equivalent to 7.3 months' worth of imports of goods and services, and maintaining a favorable position in terms of short-term external debt coverage.

For the Week

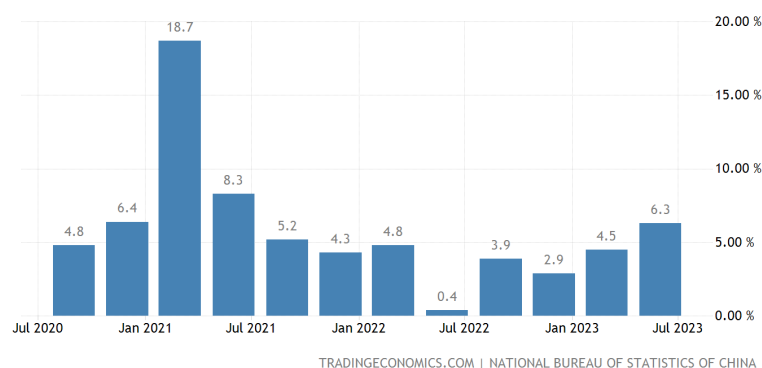
TOP GAINERS		TOP LOSERS	
BLOOM	10.36%	AP	-4.76%
EEL	9.89%	AEV	-4.03%
RLC	7.40%	ABS	-4.00%
ALI	6.61%	TECH	-3.83%
LPC	6.49%	RRHI	-3.67%
PLC	5.77%	TUGS	-3.33%
CHP	5.66%	ION	-3.25%
FB	5.48%	PRF3A	-3.00%
SCC	4.13%	FNI	-2.98%
MEG	4.00%	MRSGI	-2.90%
RFM	3.86%	PIZZA	-2.72%
VLL	3.80%	DNL	-2.70%
PGOLD	3.47%	IMI	-2.49%
AC	3.34%	CNPF	-2.26%
GTCAP	3.27%	JGS	-2.23%
COSCO	3.11%	URC	-2.21%
PX	3.10%	MWIDE	-2.10%
LR	3.10%	AGI	-1.88%
FLI	2.99%	PAL	-1.87%
SECB	2.33%	SPC	-1.84%

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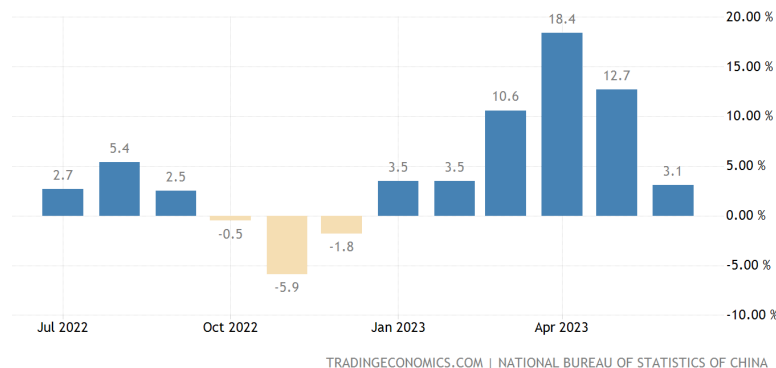
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Key Economic Figures



➔ **China GDP annual growth rate.** In the second quarter of 2023, the Chinese economy expanded by 6.3% year-on-year, showing faster growth compared to the first quarter but falling short of market expectations. The figures were influenced by a low base of comparison from last year's strict lockdowns in major cities. During the first half of the year, the economy grew by 5.5%, and Beijing has set a GDP growth target of around 5% for the whole year. Economic indicators in June presented a mixed picture, with retail sales rising at a slower pace, while industrial output growth accelerated. The urban jobless rate remained stable, but youth unemployment reached a new high. Additionally, China's exports declined significantly due to high inflation in key markets and geopolitical factors affecting foreign demand. As local government debt rises, policymakers are cautious about launching substantial stimulus measures.



➔ **China retail sales.** In June 2023, China's retail sales growth significantly decelerated to 3.1% year-on-year, the slowest performance since December 2022, falling short of market expectations. Many sectors experienced moderation in sales, including clothing, cosmetics, jewelry, furniture, and communications equipment, while sales declined for office supplies, building materials, oil products, personal care, and automobiles. However, some sectors, such as tobacco & alcohol and home appliances, saw accelerated sales growth. Overall, retail trade expanded by 8.2% for the first half of the year. The slowdown in retail sales growth raises concerns about the resilience of domestic consumption amid ongoing economic challenges in China.

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%

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Market Outlook

What You Need to Know

- ➔ The PSEi inched up by another 0.34% last week, following 3.85% surge in the previous one. The benchmark index showed signs of building momentum, but still with generally weak trading participation. Analysts are optimistic about second-quarter earnings results, which could keep the market afloat. Factors that have contributed to the PSEi's boost include stronger foreign tourism data, the Asian Development Bank's positive growth forecasts for the Philippines, and higher approvals at the Board of Investments. However, uncertainties surrounding the US Federal Reserve (Fed)'s policy rate announcement are likely to influence the market's direction at the beginning of this week.
- ➔ The number of coronavirus cases in the Philippines has reached 4,171,618 as of July 23, 2023 while active cases declined further by 11.54% from 5,789 to 5,121. There were 32 new deaths from COVID-19 recorded last week which brought the total to 66,542.
- ➔ This week, investors in the Philippines will be closely monitoring several key events and economic indicators. The State of the Nation Address (SONA) by President Ferdinand Marcos Jr. on Monday will set the trading tone for the start of the week as the market analyzes his economic agenda. Additionally, the outcome of the US Federal Reserve's policy meeting on July 25-26 will be crucial, with its decision potentially impacting the local market. The index could retest the resistance level at 6,700. The US stock market's rally faces a potential turning point as the Fed is anticipated to deliver a 25-basis points (bps) hike, with what might be the final rate hike of its aggressive monetary policy tightening cycle. Investors are looking for signs that policymakers are more confident in the cooling of inflation, which could eliminate the need for further significant interest rate increases, supporting the optimistic sentiment that has driven stocks higher. The Fed's actions and statements during this week's meeting will be crucial for the global market's outlook. The European Central Bank is also anticipated to raise its main interest rate by 25-bps. Market participants will closely watch for indications of future rate adjustments, given recent dovish remarks from ECB officials and cooling inflation. Flash PMI data is also expected to show a downturn in the eurozone's economy during July. The SONA, corporate earnings releases, and the Fed's policy rate announcement are expected to shape risk sentiment and potentially trigger either a breakout rally or a fresh round of selling which could pull the PSEi back to the 6,400-6,500 levels.

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