

Market Commentary



➔ The PSEi fell 22.30 points or 0.34% week-on-week and closed at 6,625.26. The benchmark index held on the 6,600-level even amidst tepid market activity last week. The Philippine Peso weakened to PHP54.91 against the US dollar from PHP54.755 in the previous week. Net foreign buying amounted to PHP303.08 million. Mining&Oil (+2.99%) surged while Industrial (-1.12%) declined the most. LR (+9.70%) and SGP (+7.02%) led the stock gainers, while LPC (-12.20%) and ABS (-11.46%) were the worst performers. Notable local developments from last week were the following:

- The International Monetary Fund (IMF) raised its growth forecast for the Philippines to 6.2% this year, citing robust domestic demand. The first-quarter outturn contributed to the revision, as the Philippine economy expanded by 6.4%, surpassing expectations but slower than last year's 8% growth. The IMF's 2023 GDP growth forecast aligns with the government's 6-7% target, but it lowered the projection for 2024 to 5.5%, influenced by global headwinds and the effects of monetary policy tightening.
- Foreign capital outflows from the Philippines reached \$803 million in the first half of the year, reversing the \$778 million in inflows from the same period last year. This decline in foreign portfolio investments recorded by the Bangko Sentral ng Pilipinas (BSP) through authorized agent banks is attributed to uncertainties brought about by monetary policy tightening both in the Philippines and abroad. In June alone, the country experienced a significant turnaround with a \$1.23 million net inflow, although it was not enough to offset the net outflows registered from February to May.
- In June, the growth in retail prices of goods in Metro Manila continued to ease, mainly due to slower food price increases, according to the Philippine Statistics Authority (PSA). The General Retail Price Index (GRPI) in NCR recorded a growth rate of 4.4%, down from 4.9% in May and 4.7% in June of the previous year. The primary contributor to this deceleration was the slower annual increase in the heavily-weighted food index, which grew by 9.5% in June compared to 10% in May 2023.

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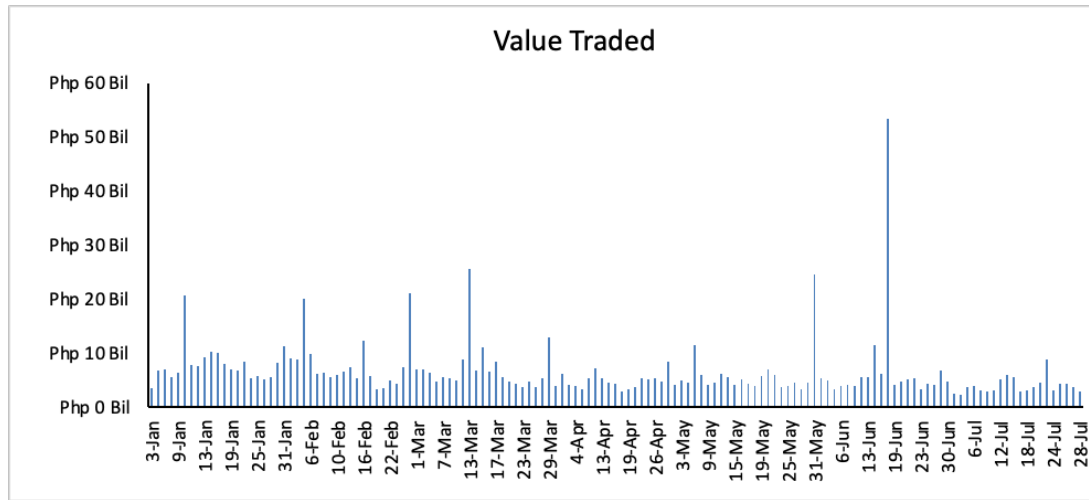
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INDICES

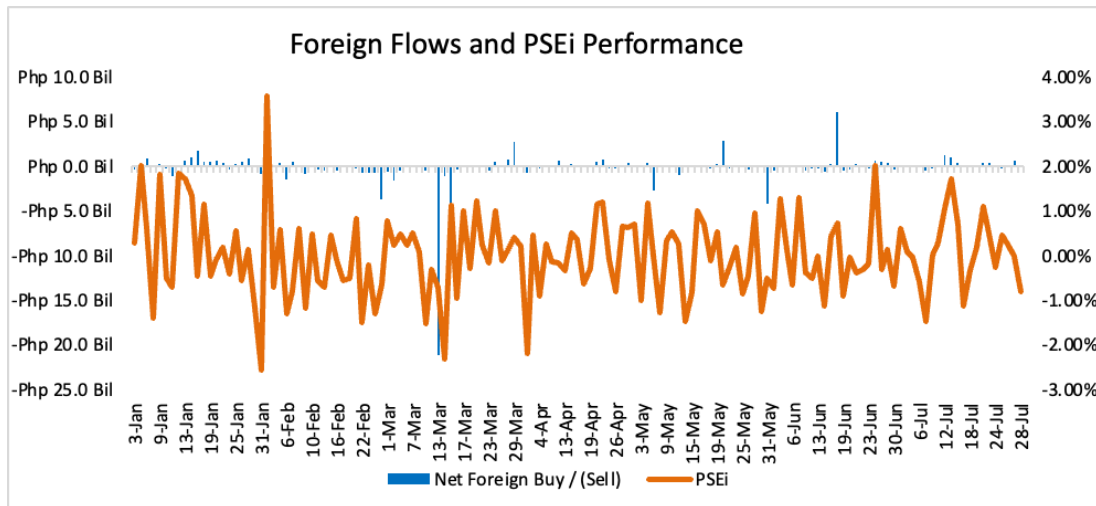
Index	Prev	Last	% Chg
PSEi	6,647.56	6,625.26	-0.34%
All Shares	3,530.90	3,526.92	-0.11%
Financial	1,948.36	1,940.05	-0.43%
Industrial	9,311.03	9,206.32	-1.12%
Holding Firms	6,442.84	6,396.98	-0.71%
Property	2,708.09	2,722.48	0.53%
Services	1,594.76	1,601.97	0.45%
Mining & Oil	10,112.93	10,415.21	2.99%



- ➔ Market turnover for last week averaged PHP3.71 billion, lower than the PHP4.62 billion in the previous week. Market activity grew tepid amidst developments on the monetary policy front of the Fed.



- ➔ Last week logged a net foreign buying of PHP303.08 million, lower than the PHP981.30 million in the period of July 17-21.

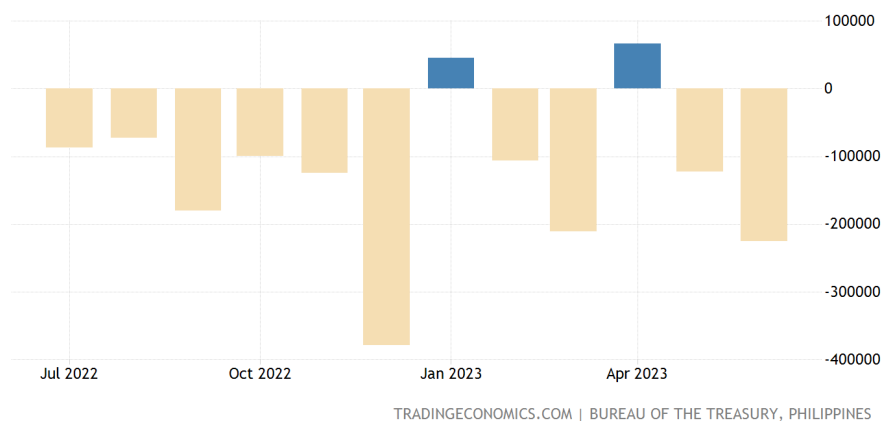


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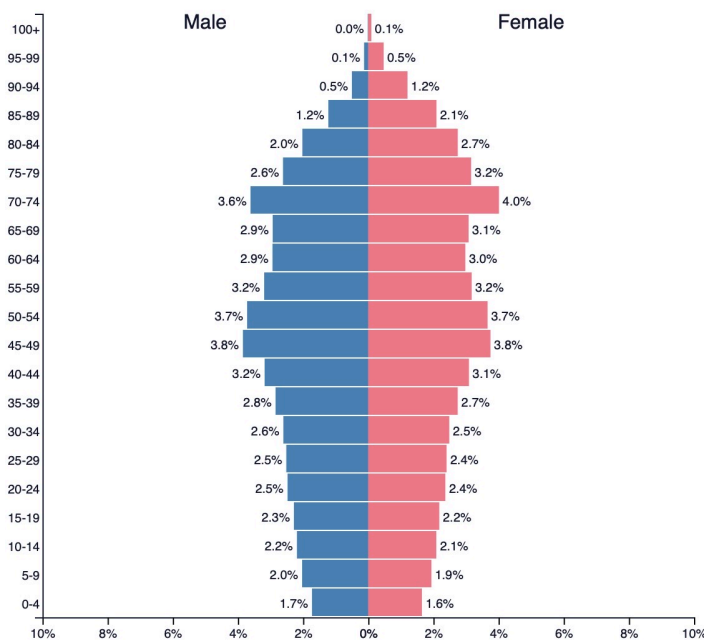
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Key Economic Figures



➔ **PH government budget.** In June 2023, the Philippines' government budget deficit expanded to PHP225.4 billion, the largest since December 2022. The deficit increase was mainly attributed to a 7.91% contraction in government revenues, with both tax and non-tax collections decreasing. On the other hand, expenditures fell at a milder rate of 2.59%. In the first half of the year, the country's budget deficit declined to PHP551.7 billion compared to PHP674.2 billion in the same period of the previous year. (*Bureau of Treasury*)



➔ **Japan population.** In 2022, Japan experienced a record decline in population across all 47 prefectures, with the number of Japanese nationals falling for the 14th consecutive year by about 800,000 people to 122.4 million. The country's total population decreased by just over half a million people to 125.41 million. However, the number of foreign residents in Japan reached a new high, totaling almost 3 million people, representing a 10.7% increase from the previous year and accounting for approximately 2.4% of Japan's population. This highlights the growing role that non-Japanese people are playing in the context of Japan's shrinking and aging population. (*Internal Affairs and Communication Ministry*)

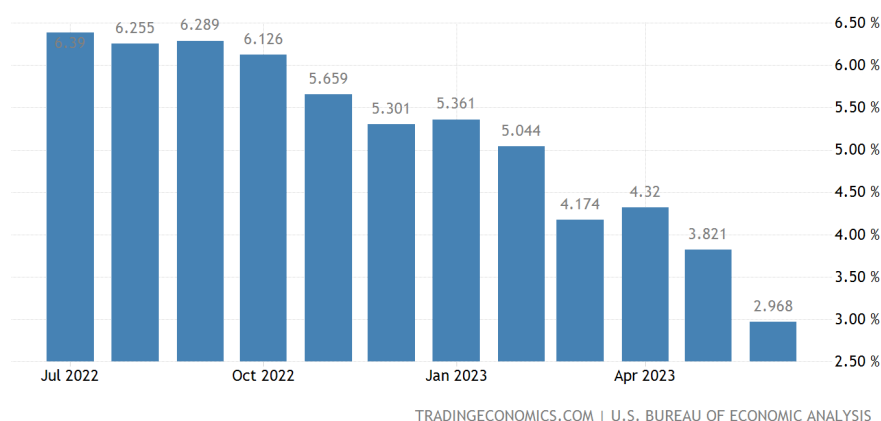
For the Week

TOP GAINERS		TOP LOSERS	
LR	9.70%	LPC	-12.20%
SGP	7.02%	ABS	-11.46%
APX	6.47%	STR	-9.45%
NIKL	5.73%	MONDE	-6.74%
FNI	5.70%	URC	-6.39%
MWC	5.41%	WLCON	-6.12%
ION	4.70%	LPZ	-6.11%
SHNG	3.99%	CHP	-5.36%
SHLPH	3.64%	CNVRG	-5.26%
UBP	3.48%	PX	-4.35%
AEV	3.08%	HOME	-3.47%
AP	3.00%	RLC	-3.18%
PRF3A	2.84%	SECB	-3.15%
SCC	2.41%	VLL	-2.44%
SMC	2.35%	MEG	-2.40%
TEL	2.31%	EEI	-2.40%
MAXS	2.16%	SM	-2.34%
ROCK	2.10%	CEB	-2.25%
GLO	2.06%	AB	-2.19%
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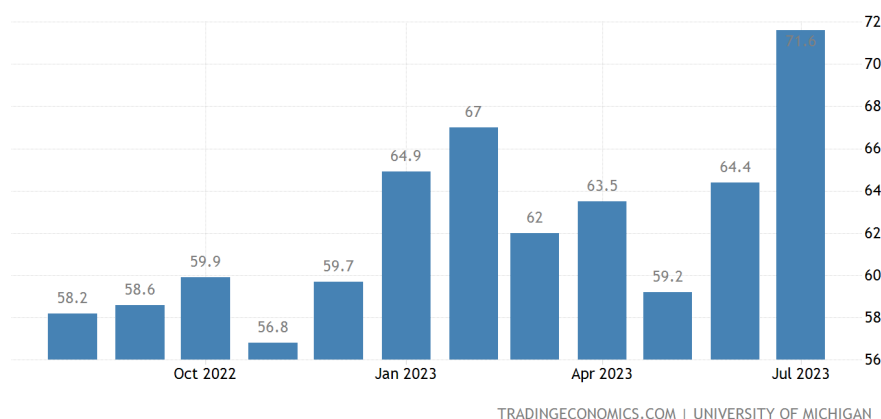
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Key Economic Figures



➔ **US PCE index.** The US personal consumption expenditure (PCE) price index increased by 3% year-on-year in June, marking the lowest reading since March 2021. This growth was in line with market forecasts. Prices for goods saw a decrease of 0.6%, while prices for services increased by 4.9%. Food costs rose by 4.6%, while energy prices sank by 18.9%. Compared to the previous month, PCE prices were up by 0.2%, following a 0.1% rise in May, which was in line with expectations. Meanwhile, the annual core PCE inflation rate fell to 4.1%, the lowest since September 2021. This was better than forecasts of 4.2%. The monthly core PCE inflation rate also eased to 0.2% from 0.3%, as expected. Core PCE prices in the US increased by 0.2% month-over-month in June 2023, easing from a 0.3% increase in the previous month and aligning with market expectations. *(US Bureau of Economic Analysis)*



➔ **US consumer sentiment.** In July 2023, the University of Michigan consumer sentiment for the US was revised lower to 71.6, but it remained the highest reading since October 2021. The revision was attributed to the ongoing slowdown in inflation and stable labor markets. The gauge for expectations and current conditions subindex also saw downward revisions. However, inflation expectations for the year remained unchanged at 3.4%, while the 5-year outlook was revised down to 3% from 3.1%. *(University of Michigan)*

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Market Outlook

What You Need to Know

- ➔ The PSEi went down by 0.34% last week, offsetting its gain of the same figure in the previous week. This put the benchmark index's 2-week rally to a halt amidst weaker trading activity. The US Federal Reserve (Fed) raise policy rates by 25-basis points (bps) as expected but made some considerably neutral statements regarding its plans moving forward. These provided a lesser-than-expected impact on the local bourse.
- ➔ The number of coronavirus cases in the Philippines has reached 4,172,920 as of July 30, 2023. Active cases continued to decline and fell by 13.55% to 4,427 from 5,121 in the previous week. There were 50 new deaths from COVID-19 recorded last week which brought the total to 66,592.
- ➔ For this week, the PSEi is set to end a winning month, barring any significant fallout on Monday. The benchmark index have exhibited resilience in the past few weeks, maintaining its position at the 6,600-level. Busier weeks are ahead as more corporate results come out, along with some fresh economic data, particularly that of inflation. The market estimates a further cooling of PH inflation in July, which could mean a drop below 5%. The Manufacturing data will also be a point of interest to gauge the economy's performance amidst persistent global concerns like the Ukraine-Russia conflict. Investors in the Philippine market are also likely going to keep monitoring developments in the US front, particularly the jobs and employment data. The market may trade sideways ahead of these strong catalysts, but earnings results could make some difference and push the market in either direction depending on companies' performances in the second quarter and in the first half. The PSEi could be expected to continue facing strong resistance at the 6,700-level. Market activity may remain tepid as well, until the release of the PH July inflation data on Friday, August 4.

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