

Market Commentary



INDICES			
Index	Prev	Last	% Chg
PSEi	6,625.26	6,450.84	-2.63%
All Shares	3,526.92	3,447.61	-2.25%
Financial	1,940.05	1,903.87	-1.86%
Industrial	9,206.32	9,004.56	-2.19%
Holding Firms	6,396.98	6,137.75	-4.05%
Property	2,722.48	2,761.15	1.42%
Services	1,601.97	1,530.27	-4.48%
Mining & Oil	10,415.21	10,111.33	-2.92%

➔ The PSEi lost 174.42 points or 2.63% week-on-week and ended at 6,450.84. The benchmark index crashed back to the 6,400-level amidst downbeat sentiment in the aftermath of the US credit rating downgrade. The Philippine Peso weakened to PHP55.72 against the US dollar from PHP54.91 in the previous week. Net foreign buying amounted to PHP13.11 billion. Property (+1.42%) was the only silver lining among the sectors. Services (-4.48%) and Holding Firms (-4.05%) dropped the most. RLC (+5.34%) and STR (+4.35%) led the stock gainers, while ABS (-16.86%) and JGS (-12.06%) were the worst performers. Notable local developments from last week were the following:

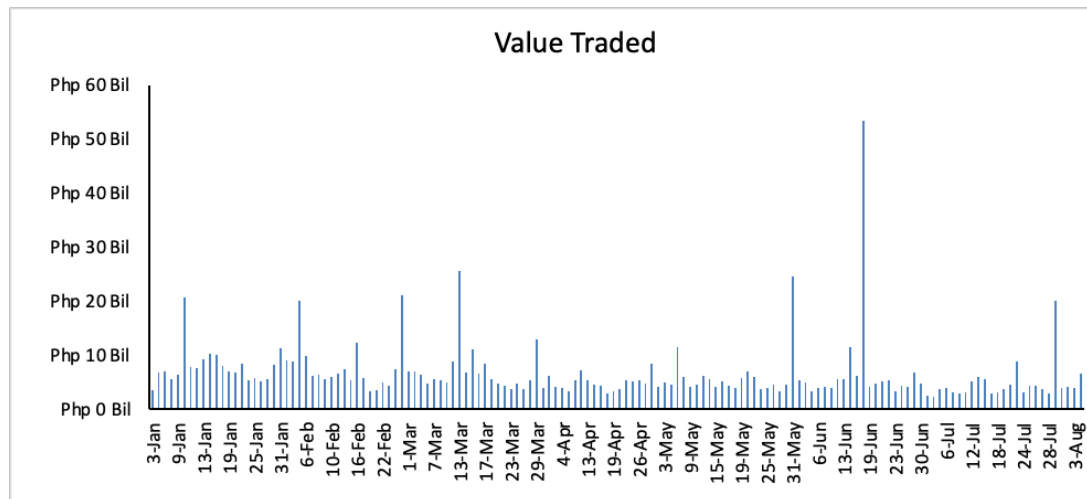
- As of end-June, the Philippines' outstanding debt reached a new high of PHP14.15 trillion, increasing by 0.4% from the previous month primarily due to net issuance of domestic securities. Compared to the same period a year ago, the debt stock rose by 10.6%, and it was 5.4% higher than the debt recorded at the end of December. Of the total debt portfolio, 68.6% came from domestic sources, while the rest was from foreign sources. Domestic debt increased by 10.7% to PHP9.7 trillion, while foreign debt jumped by 10.4% to PHP4.45 trillion.
- The House Ways and Means Committee has approved a new substitute bill to establish a fiscal regime for the mining sector in the Philippines. The bill proposes a margin-based royalty and windfall profits tax on miners. Large-scale metallic mining operations within mineral reservations will face a 3% royalty rate on the gross output of minerals extracted. Outside mineral reservations, miners will be subject to a margin-based royalty based on their income from metallic mining operations. The royalty rate will vary depending on the miner's margin, ranging from 1% for margins of 1% to 10% up to 5% for margins above 70%. Small-scale mining operations will be imposed a royalty rate equivalent to 1/10 of 1% of gross output. Additionally, a windfall profits tax will be imposed based on margins, with rates varying from 1% for margins of more than 35% up to 10% for margins exceeding 80%.

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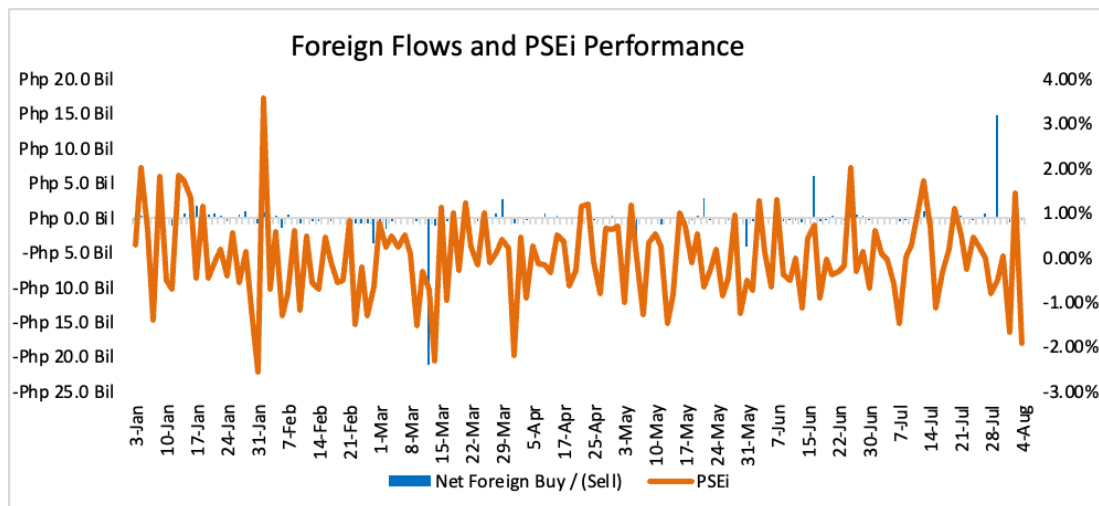
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- ➔ Market turnover for last week averaged PHP7.77 billion, but this was mainly due to the PHP15 billion block sale of RCB shares to Sumitomo Matsui Banking Corporation which was booked last Monday. The previous week's average was PHP3.71 billion.



- ➔ Last week logged a net foreign buying of PHP13.11 billion (due to the RCB block sale). The previous week had a net foreign buying of PHP303.08 million.



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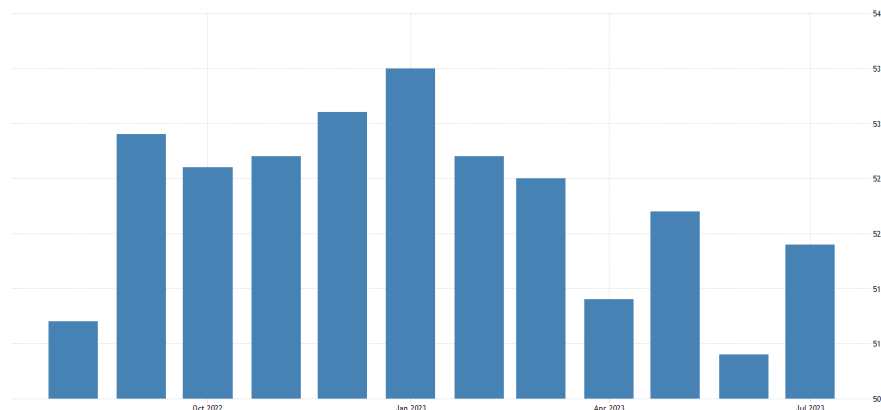
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Key Economic Figures



➔ **PH inflation rate.** In July 2023, the Philippines' annual inflation rate declined to 4.7%, the lowest since March 2022, falling below market expectations of 5.0%. The decrease was driven by slowing food prices for the sixth consecutive month and easing costs for various categories such as alcoholic beverages, clothing, housing, and recreation. Prices of transport, however, continued to decrease further. Core consumer prices, excluding food and fuels, also grew at the least rate in eight months, increasing by 6.7% year-on-year. On a monthly basis, consumer prices remained flat, deviating from the expected 0.3% rise. (PSA)



➔ **PH manufacturing PMI.** In July 2023, the S&P Global Philippines Manufacturing PMI rose to 51.9 from 50.9 in June, indicating the eighteenth consecutive month of improvement in the country's manufacturing sector. This growth was supported by faster expansions in factory orders, manufacturing production, and export sales, driven by increased demand from foreign clients. Despite the positive trend, employment in the manufacturing sector saw a second successive month of cuts. Inflationary pressures showed a slight strengthening, attributed in part to supply chain disruptions leading to higher input costs. However, businesses remained optimistic about future output, although their expectations eased slightly from the previous month's five-month high. (S&P Global)

For the Week

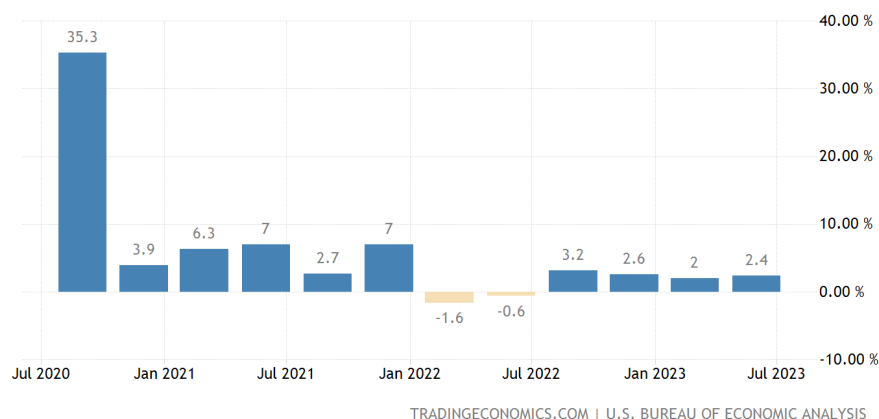
TOP GAINERS		TOP LOSERS	
RLC	5.34%	ABS	-16.86%
STR	4.35%	JGS	-12.06%
GTPPB	4.28%	SMC	-11.01%
MAXS	3.38%	CNVRG	-10.71%
ALI	3.27%	AEV	-10.04%
ACEN	3.19%	MONDE	-9.64%
JFC	3.17%	APX	-8.78%
PLC	1.85%	PGOLD	-8.18%
SEVN	1.76%	SLI	-7.99%
SSP	1.68%	MER	-7.67%
FNI	1.66%	GLO	-6.12%
BPI	1.65%	MWC	-6.05%
EEL	1.64%	NIKEL	-5.90%
DD	1.60%	ION	-5.77%
CLI	1.54%	TECH	-5.24%
TUGS	1.14%	MBT	-4.68%
PIZZA	1.08%	DMC	-4.60%
EMP	0.95%	WLCON	-4.35%
MWIDE	0.93%	ICT	-4.27%
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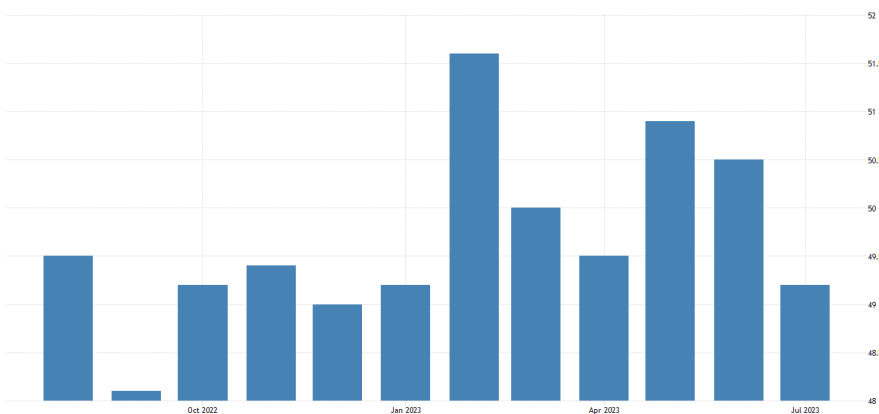
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Key Economic Figures



➔ **US GDP.** In the second quarter of 2023, the US economy exhibited robust growth, expanding at an annualized rate of 2.4%, surpassing market expectations of 1.8%. Nonresidential fixed investment saw a significant acceleration, led by rebounding equipment and intellectual property products. Private inventories contributed positively to the growth, in contrast to the previous quarter. However, consumer spending slowed considerably, although it still outperformed estimates due to easing inflation and a tight labor market. Goods consumption decelerated sharply, while spending on services remained strong. Public expenditure increased at a softer pace, and net trade negatively impacted growth due to declines in both exports and imports. Residential investment continued to decline. *(US Bureau of Economic Analysis)*



➔ **China manufacturing PMI.** In July 2023, China's manufacturing sector experienced a decline in activity, with the Caixin China General Manufacturing PMI dropping to 49.2, the lowest reading in six months and missing market estimates. New orders decreased after two months of growth, and foreign sales contracted significantly. Additionally, employment declined for the fifth consecutive month, while input costs fell for the fourth month, leading to decreased output charges due to competitive pricing strategies. Despite a slight improvement in confidence, overall optimism remained historically subdued. Economists suggest that an expansionary fiscal policy focusing on stimulating demand should take precedence over relying solely on monetary policy to boost supply. *(S&P Global)*

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FNI	1.66%	GLO	-6.12%
BPI	1.65%	MWC	-6.05%
EEI	1.64%	NIKL	-5.90%
DD	1.60%	ION	-5.77%
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Market Outlook

What You Need to Know

- ➔ The PSEi dropped by 2.63% last week, after a 0.34% loss in the previous week. It dove back to the 6,400-level after an effort to stay in the 6,500-level. The downward pressure due to dampened market sentiment triggered a selloff towards the close last Friday. The lingering effects of the US credit rating downgrade by Fitch Ratings took a toll on the local bourse and overshadowed local development like the continued cooldown of inflation last month and the strong earnings season so far.
- ➔ The number of coronavirus cases in the Philippines has reached 4,173,631 as of August 4, 2023. Active cases have fallen to 3,832, while total deaths from COVID-19 have moved up to 66,626.
- ➔ The Philippine stock market is expected to experience a rebound this week, driven by bargain hunting after a recent drop. The selloff last Friday, attributed mainly to institutional trades for the PSEi rebalancing, may prompt an index rebound on Monday. However, the market could face challenges as headwinds, such as renewed worries over the US economy and inflationary risks in the Philippines, weigh on sentiment. Investors will closely watch the release of US consumer inflation data and the Philippine second-quarter GDP report, along with corporate earnings reports and the MSCI index review announcement, which could influence market activity. The market may see volatile trading, but investors are likely to remain focused on seeking bargains and the trading range is projected to be between 6,400-6,600.

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