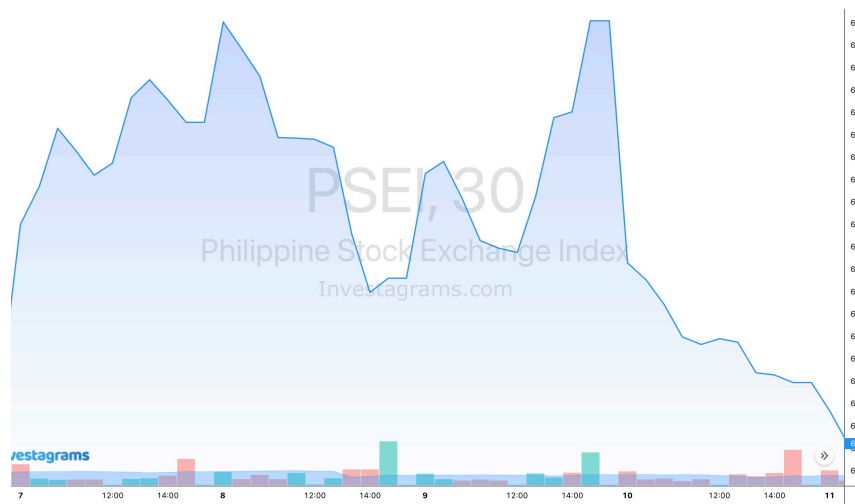




Market Commentary



➔ The PSEi declined by 44.39 points or 0.70% week-on-week and closed at 6,405.91. The benchmark index succumbed to negative sentiment following the surprisingly disappointing 2Q2023 GDP growth. The Philippine Peso benchmark index crashed back to the 6,400-level amidst downbeat sentiment in the aftermath of the US credit rating downgrade. The Philippine Peso depreciated further to PHP56.315 against the US dollar from PHP55.72 in the previous week. Net foreign selling amounted to PHP916.07 million. Services (+1.48%) and Financial (+0.25%) went up. Property (-3.09%) and Mining&Oil (-2.59%) had notable declines. SSP (+12.64%) and LR (+11.94%) led the stock gainers, while LPC (-14.08%) and NIKL (-9.83%) were the worst performers. Notable local developments from last week were the following:

- The Philippines' trade deficit decreased by a third to below \$4 billion in June, largely due to a 15% decline in imports, according to the Philippine Statistics Authority (PSA). The trade gap fell by 33% to \$3.92 billion in June from \$5.88 billion a year ago, with exports growing slightly by 1% to \$6.7 billion, while imports dropped. In the first half of the year, the country reduced its trade deficit by 6% to \$27.96 billion, with exports declining by 9% to \$34.94 billion and imports slipping by 8% to \$62.9 billion. The Development Budget Coordination Committee projects a 1% growth in exports and a 2% rise in imports for 2023.
- The Philippines' foreign exchange reserves, known as the gross international reserves (GIR), slightly increased to \$99.7 billion in July, up from \$99.39 billion in June, as per data from the Bangko Sentral ng Pilipinas (BSP). The increase was primarily due to the upward valuation adjustments in the value of the BSP's gold holdings resulting from higher international gold prices, as well as the BSP's net foreign exchange operations and net income from investments abroad. Although the GIR remained below \$100 billion in July, the BSP noted that this level still represents a more than adequate external liquidity buffer. Despite its decline from an all-time high of \$110.12 billion in 2020, the GIR is expected to settle at \$100 billion in 2023 and \$102 billion in 2024, according to the BSP.

INDICES

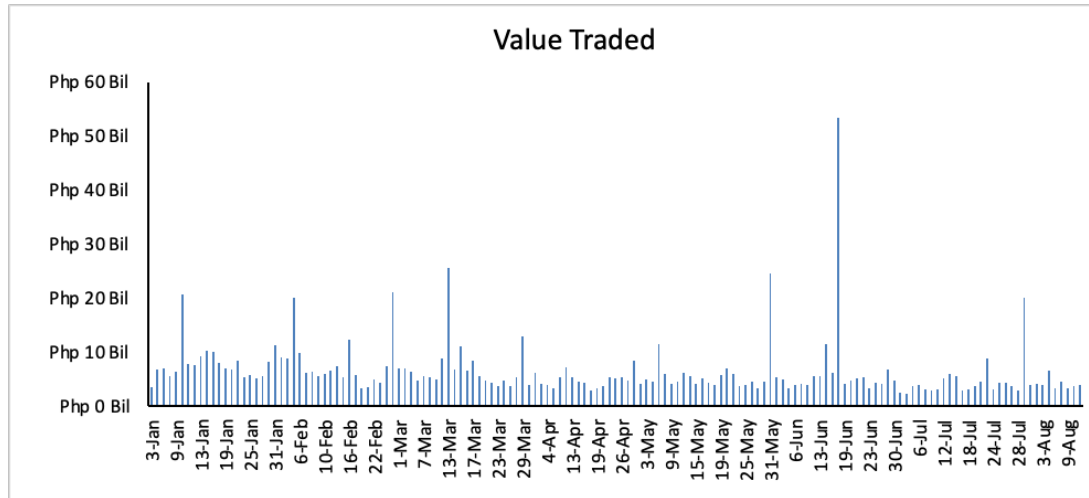
Index	Prev	Last	% Chg
PSEi	6,450.84	6,405.91	-0.70%
All Shares	3,447.61	3,430.19	-0.51%
Financial	1,903.87	1,908.54	0.25%
Industrial	9,004.56	8,993.73	-0.12%
Holding Firms	6,137.75	6,065.90	-1.17%
Property	2,761.15	2,675.78	-3.09%
Services	1,530.27	1,552.96	1.48%
Mining & Oil	10,111.33	9,849.30	-2.59%

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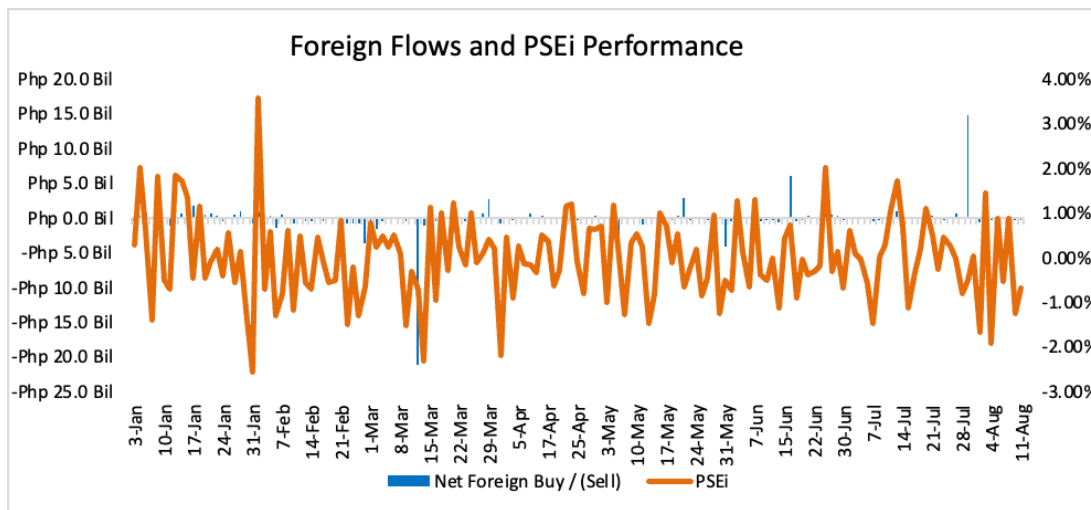
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- ➔ Market turnover averaged PHP3.74 billion last week, lower than the PHP7.77 billion in the previous week (mainly to a PHP15-billion block sale of RCB shares last August 1).



- ➔ Last week logged a net foreign selling of PHP916.07 million, contrary to the net foreign buying of PHP13.11 billion last week (due to RCB block sale).



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Key Economic Figures



- ➔ **PH GDP growth.** The Philippine GDP grew by 4.3% YoY in 2Q2023, missing the 6% market consensus and slowing from 1Q's 6.4%. This weaker growth, influenced by cost pressures and higher interest rates. Household consumption (5.5% vs 6.4% in 1Q) and fixed investment (3.9% vs 10.9%) both eased, while government spending experienced a significant decline (-7.1% vs 6.2%). Positive contributions came from net trade, with exports growing by 4.1% and imports edging up 0.4%. The industry sector (2.1% vs 4.0%), service sector (6.0% vs 8.4%), and agriculture (0.2% vs 2.2%) all experienced weakened output growth. (PSA)



- ➔ **PH FDI.** Net foreign direct investment (FDI) in the Philippines declined by 34.0% YoY to \$0.5 billion in May 2023, primarily due to global price and interest rate increases. Net debt instruments decreased by 70.7% YoY to \$0.16 billion, while reinvestment of earnings fell by 5.4% to \$0.09 billion. Conversely, equity capital saw a significant increase of 158.7% to \$0.24 billion. Major funding sources included Germany, Japan, and the US, with investments predominantly directed toward manufacturing and real estate sectors. In the first five months of the year, net inflows dropped by 20.8% YoY to \$3.4 billion, reflecting foreign investor caution amid persistent global inflation concerns. (BSP)

For the Week

TOP GAINERS		TOP LOSERS	
SSP	12.64%	LPC	-14.08%
LR	11.94%	NIKL	-9.83%
SMC	7.53%	ION	-9.52%
SLI	7.40%	SMPH	-7.35%
SHNG	5.92%	ACEN	-7.09%
MWC	5.90%	APX	-6.67%
AGI	5.20%	SGP	-5.63%
HOME	4.91%	JFC	-4.69%
DD	4.86%	IMI	-4.35%
ROCK	4.76%	AEV	-3.72%
MER	4.49%	EEI	-3.43%
DMC	4.17%	RRHI	-3.41%
MBT	4.00%	TECH	-2.98%
AB	3.39%	SM	-2.86%
TEL	3.14%	BPI	-2.74%
MPI	3.09%	RLC	-2.60%
AP	2.86%	MAXS	-2.45%
CNVRG	2.78%	DMW	-2.28%
SCC	2.74%	VLL	-1.89%
SSI	2.34%	MWIDE	-1.85%

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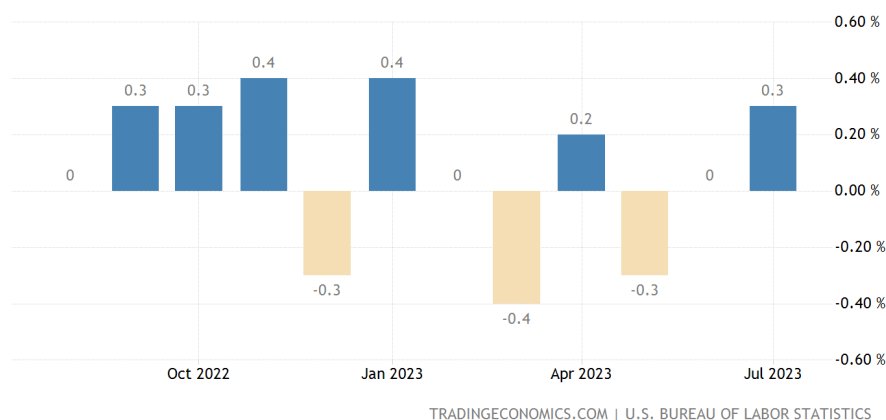
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Key Economic Figures



➔ **US inflation.** In July 2023, the annual US inflation rate saw a slight acceleration to 3.2% from 3% in June, yet it fell short of the forecasted 3.3%, marking the end of a 12-month decline due to base effects. Energy costs dropped 12.5%, less than the previous month's 16.7% decrease, with fuel oil, gasoline, and utility gas service showing milder declines. While apparel and transportation services costs increased, electricity prices rose less than in June. Inflation slowed for food, shelter, and new vehicles, and medical services cost decreased. Meanwhile, core inflation, excluding food and energy, eased to 4.7% from 4.8% in June, below expectations. (US Bureau of Labor Statistics)



➔ **US PPI.** In July 2023, producer prices in the US saw a 0.3% month-over-month increase, marking the largest rise since January and surpassing the anticipated 0.2%. This follows a revised flat reading in June. Services prices experienced a notable 0.5% increase, led by portfolio management and transportation services, rebounding from a previous 0.1% fall. Goods prices also edged 0.1% higher, with notable increases in food prices, particularly meats. On a year-on-year basis, the PPI rose by 0.8%, surpassing both June's 0.2% and market expectations of 0.7%. (US Bureau of Labor Statistics)

For the Week

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DMC	4.17%	RRHI	-3.41%
MBT	4.00%	TECH	-2.98%
AB	3.39%	SM	-2.86%
TEL	3.14%	BPI	-2.74%
MPI	3.09%	RLC	-2.60%
AP	2.86%	MAXS	-2.45%
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Market Outlook

What You Need to Know

- ➔ The PSEi fell by 0.70% week-on-week, marking a third consecutive week of decline. The market was shocked by the 4.3% GDP growth in the second quarter, far removed from the 6.4% in the first quarter and the 6% consensus estimate. The benchmark index was able to hold just above the 6,400-level. Even the US' slower-than-expected inflation print failed to uplift the market back to positive territory.
- ➔ The number of coronavirus cases in the Philippines has reached 4,120,971 as of August 11, 2023. Active cases have decreased by 13.52% from the previous week to 3,314. There were 20 new deaths from COVID-19 and the total moved up to 66,646.
- ➔ The PSEi could exhibit sideways movement this week, driven by bargain hunting activities and anticipation of the upcoming policy meeting of the Bangko Sentral ng Pilipinas (BSP) on Thursday. The recent economic growth data for the second quarter, revealing slower growth due to factors like inflation and government spending declines, has dampened confidence. Despite the challenging environment, potential bargain hunting might occur, although a robust rally could be challenging. Market sentiment is expected to be influenced by the outcome of the BSP's policy meeting and any indications of dovish policies that might be taken to address the economic slowdown. The upcoming "ghost month" starting on August 16 is also expected to heighten attention on the BSP's meeting on August 17, as market participants seek direction amidst signs of economic deceleration, more corporate earnings, and valuations.

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