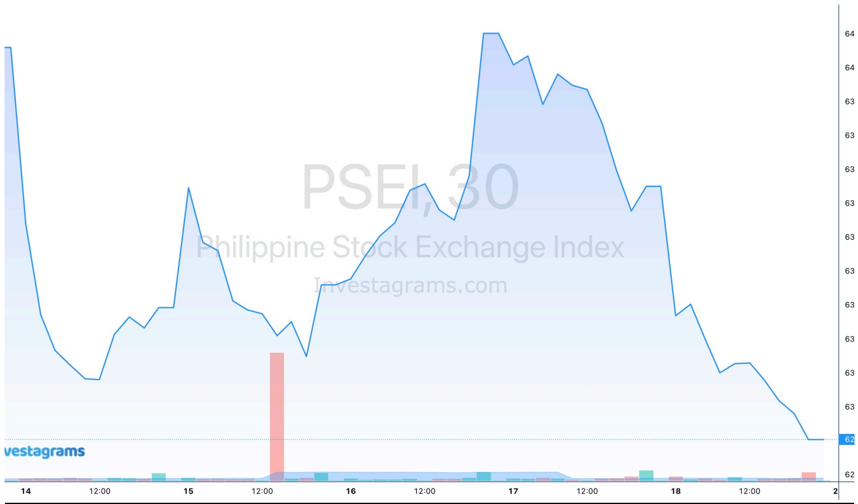
MANDARIN SECURITIES CORPORATION

August 20, 2023

Market Commentary



INDICES

Index	Prev	Last	% Chg
PSEi	6,405.91	6,290.27	-1.81%
All Shares	3,430.19	3,383.41	-1.36%
Financial	1,908.54	1,862.04	-2.44%
Industrial	8,993.73	8,795.80	-2.20%
Holding Firms	6,065.90	5,961.15	-1.73%
Property	2,675.78	2,624.91	-1.90%
Services	1,552.96	1,547.80	-0.33%
Mining & Oil	9,849.30	9,898.69	0.50%

➡ The PSEi fell by 115.64 points or 1.81% week-on-week and ended at 6,290.27 last week. It broke through the 6,300-support level as the US Federal Reserve (Fed)'s minutes signaled a continued hawkish stance. The Philippine Peso stood at PHP56.18 against the US dollar, weaker than the PHP56.315 in the previous week. Net foreign selling amounted to PHP643.41 million. Mining&Oil (+0.50%) gained, while the rest declined led by Financial (-2.44%) and Industrial (-2.20%). LPZ (+7.91%) and SCC (+6.67%) led the stock gainers, while MONDE (-14.91%) and TECH (-14.04%) were the worst performers. Notable local developments from last week were the following:

- In the first half of the year, Philippine banks saw their earnings surge by 25% as the non-performing loan (NPL) ratio improved in June, reversing a 5-month upward trend. According to preliminary data from the Bangko Sentral ng Pilipinas (BSP), the combined net income of banks operating in the country reached PHP178.5 billion between January and June, marking a significant increase from last year's PHP143.12 billion.

- In June, money sent by overseas Filipino workers (OFWs) through banks reached a six-month high, with cash remittances rising by 2.1% to $2.81 billion, compared to the same month in 2022. While this growth marked the highest level since December 2022, it was also the slowest annual increase in 13 months. Remittances from land-based workers rose by 2.1% to $2.29 billion, and money sent by sea-based workers increased by 1.9% to $524 million. For the first half of 2023, cash remittances totaled $15.79 billion, up 2.9% from the same period in the previous year.

- Foreign investment pledges approved by investment promotion agencies (IPAs) in the Philippines saw a notable 27.8% year-on-year increase in the second quarter, totaling PHP59.09 billion. This rise is attributed to the gradual reopening of the economy, which has alleviated concerns surrounding elevated inflation and high borrowing costs. Japan emerged as the largest contributor to these approved investment commitments, accounting for PHP20.36 billion. The manufacturing sector is expected to absorb more than half of the approved foreign investment pledges.

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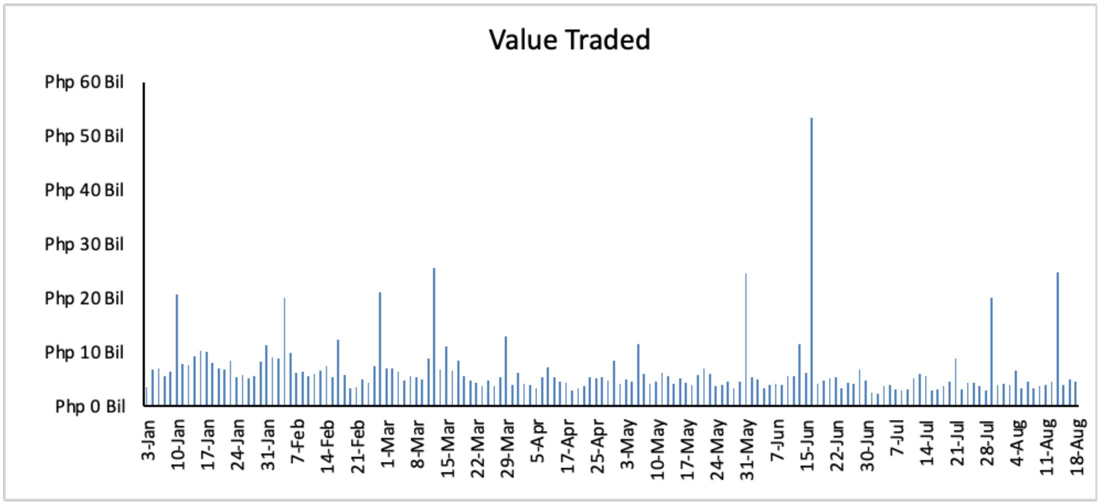
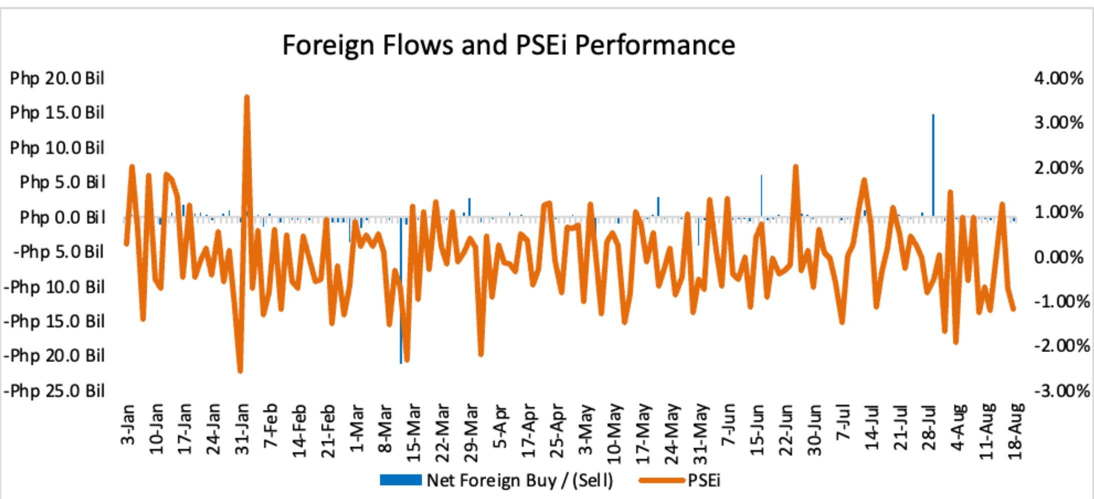
➡ Market turnover averaged PHP8.53 billion, higher than the PHP3.74 billion in the previous week. The higher average was mainly due to a PHP20.84 billion worth of trades on SM last Tuesday, which could be an international transaction among big shareholders.



➡ Last week logged a net foreign selling of PHP643.41 million, lower than the PHP916.07 million in the previous week.



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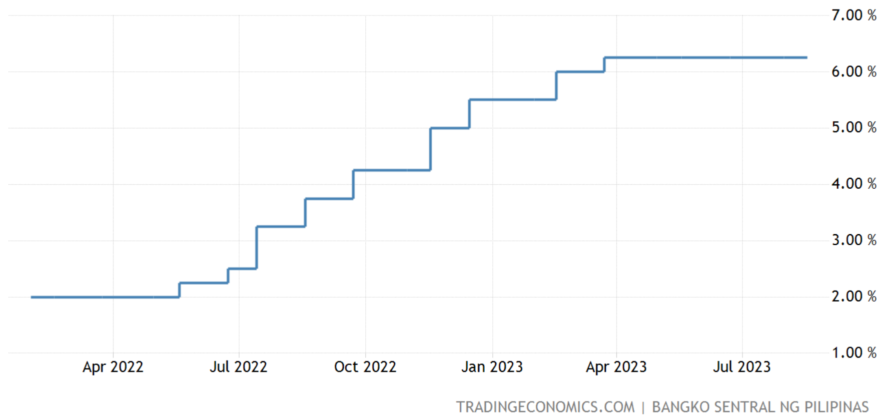
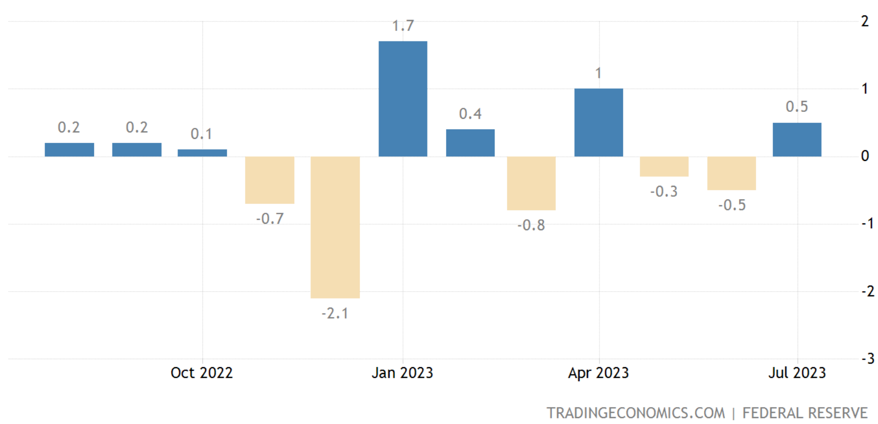
Key Economic Figures



➡ **<u>BSP benchmark rate.</u>** The central bank of the Philippines maintained its benchmark interest rate at 6.25% for the third consecutive meeting in August 2023, in line with market expectations. Despite headline inflation slowing to a 16-month low of 4.7% in July, it remains slightly above the target range of 2%-4%. Inflation is projected to return within the target range by Q4, but forecasts for 2023 and 2024 were revised higher. The Philippine economy grew at its slowest pace in over two years in Q2, attributed to weaker domestic demand and reduced government spending. *(PSA)*



➡ **<u>US manufacturing production.</u>** US manufacturing production rebounded in July 2023, increasing by 0.5% compared to the previous month. Durable manufacturing saw gains in motor vehicles, machinery, and computer/electronic products, while nondurable manufacturing experienced mixed results. Capacity utilization for manufacturing edged up to 77.8%, slightly below the long-term average. *(US Federal Reserve)*

For the Week

TOP GAINERS		TOP LOSERS	
LPZ	7.91%	MONDE	-14.91%
SCC	6.67%	TECH	-14.04%
SSI	5.23%	TUGS	-10.23%
ICT	4.70%	TEL	-7.60%
GTCAP	4.41%	HOME	-7.60%
GSMI	4.39%	MAXS	-5.86%
STR	4.17%	NIKL	-5.45%
DMC	3.89%	SLI	-5.39%
MER	3.06%	BLOOM	-5.17%
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ALI	1.55%	WLCON	-3.79%
MRSGI	1.52%	COSCO	-3.74%
RFM	1.27%	BDO	-3.69%
RLC	1.20%	MWC	-3.61%
FB	1.00%	SSP	-3.41%

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WEEKLY REPORT

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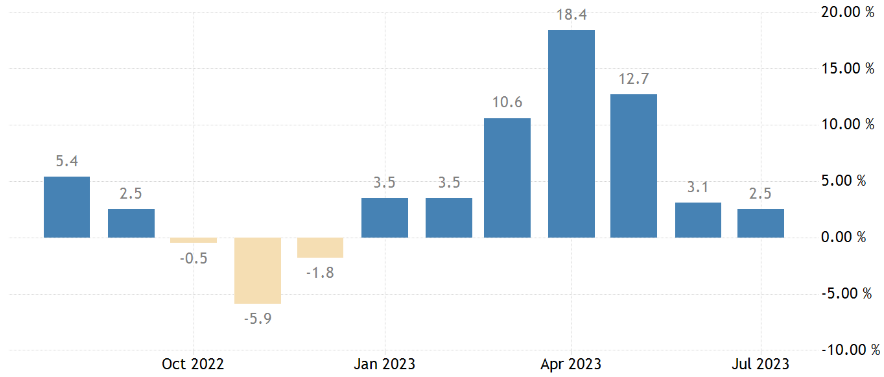

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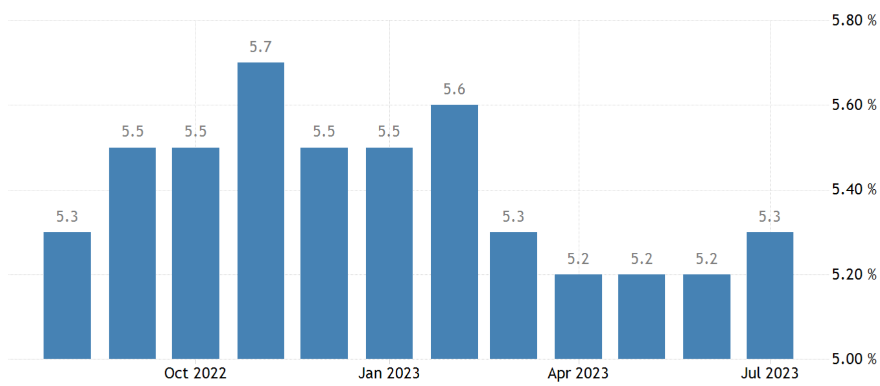
➡ **China retail sales.** China's retail sales grew by 2.5% year-on-year in July 2023, marking the seventh consecutive month of increase but at a slower pace compared to the prior month. The growth fell short of market expectations of 4.5%. Various sectors experienced moderation in sales growth, including tobacco & alcohol, clothing, furniture, and communications equipment. Additionally, sales declined in sectors such as cosmetics, jewelry, home appliances, personal care, office supplies, building materials, oil products, and automobiles. Overall, retail trade for the first seven months of the year increased by 7.3%. *(National Bureau of Statistics of China)*



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➡ **China unemployment rate.** China's surveyed urban unemployment rate rose slightly to 5.3% in July 2023 from the previous month's low of 5.2%. The rate for individuals with local household registration was 5.3%, while for those with non-local registration, it was 5.2%. In 31 large cities, the jobless rate decreased to 5.4%. Average weekly working hours remained unchanged at 48.7 hours. The release of unemployment rates for different age groups will be suspended starting from August 2023. The government aims to keep the jobless rate around 5.5% and create 12 million new urban jobs in 2023. *(National Bureau of Statistics of China)*

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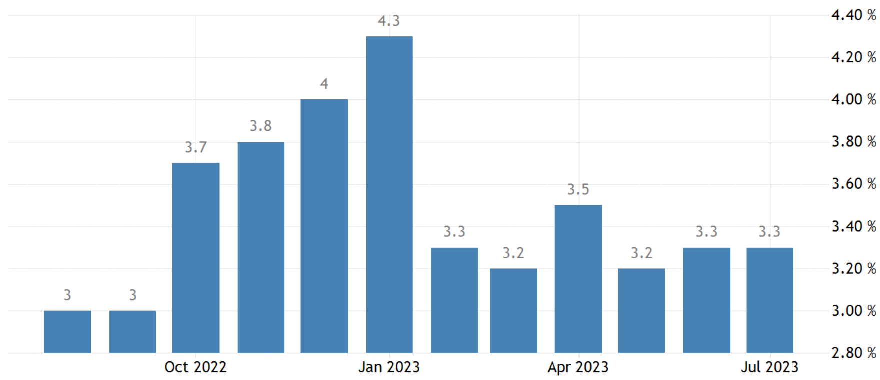

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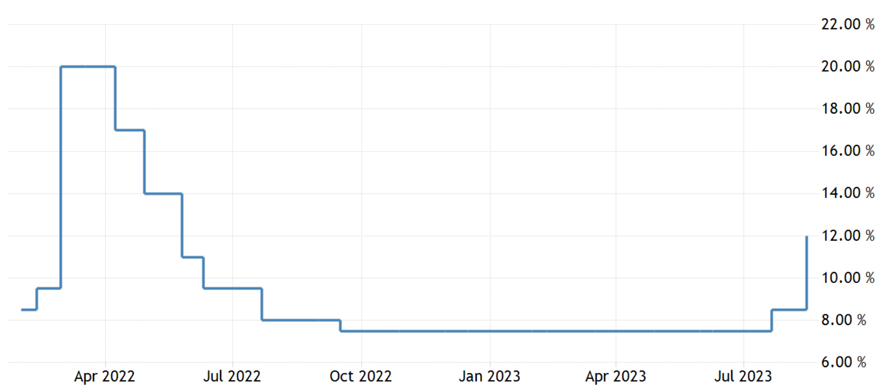
➡ **<u>Japan inflation rate.</u>** In July 2023, Japan's annual inflation rate remained unchanged at 3.3%, surpassing market expectations of 2.5%. Prices continued to rise for various categories such as food, housing, transport, furniture, clothes, medical care, education, culture and recreation, and miscellaneous goods. However, fuel, light, and water charges saw a sixth consecutive monthly decline, primarily driven by lower electricity prices. Core inflation, which excludes fresh food prices, reached a four-month low of 3.1% in July, aligning with consensus estimates but remaining above the Bank of Japan's 2% target for the 16th consecutive month. On a monthly basis, consumer prices increased by 0.4%, marking the largest gain in three months following a 0.2% increase in June. *(Ministry of Internal Affairs & Communications)*



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➡ **<u>Central Bank of Russia benchmark rate.</u>** The Central Bank of Russia raised its key interest rate by 350 basis points to 12% on August 15, 2023, citing building inflationary pressure. The Russian ruble depreciated, and inflation reached 4.4%. Strong domestic demand, limited output capacity, and increased imports contributed to inflation. The central bank forecasts a return to 4% annual inflation by 2024. *(Central Bank of Russia)*

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WEEKLY REPORT

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Market Outlook

What You Need to Know

- The PSEi slid by 1.81% week-on-week. The benchmark index is currently on a streak of 4 negative weeks and has fallen by 5.37% during that span. Fresh disappointing economic data from China and some negative corporate developments, particularly in its property sector, have kept global markets in check and dampened sentiments. The continued hawkish stance of the Fed along with its noncommittal to a terminal rate for interest rates is also pushing investors to be more cautious. With bond yields on the rise, equity markets are taking the hits.

- The number of coronavirus cases in the Philippines has reached 4,108,894 as of August 18, 2023. Active cases have decreased to 3,010 last week from the previous week's 3,314. There were 10 new deaths from COVID-19 and the total moved up to 66,656.

- The ongoing concerns and negative sentiment surrounding the Chinese property sector, particularly Evergrande's bankruptcy filing and its potential impact on the broader economy, could weigh heavily on investor sentiment. This may lead to increased uncertainty and risk aversion in the markets. The negative developments in the Chinese property sector could continue having a ripple effect on global markets, especially emerging markets with strong ties to China. Investors may closely monitor the situation for potential spillover effects on other sectors and regions. Given the uncertainties linked to the Chinese property sector, investors might lean toward a risk-off approach, seeking safe-haven assets such as government bonds, gold, and the US dollar. Equities, especially those with exposure to China or the property sector, could face downward pressure. Other market-moving factors, such as economic data releases and central bank communications, could also influence trading. Investors might look for cues from central banks regarding their stance on potential economic risks and policy adjustments. This week could present another challenging situation for the Philippine stock market due to increasingly cautious sentiment. Investors might remain on edge as they assess the potential implications of these developments on the broader economy and financial markets. Any rebound from bargain hunting is likely to be modest. Fed Chairman Jerome Powell's testimony on Friday (US time) will be closely watch by investors to gain insights on the Fed's monetary policy and inflation outlook.

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