



Market Commentary



➔ The PSEi slid by 129.66 points or 2.06% and finished at 6,160.61 last week. The benchmark index stumbled to a year-to-date low and established a new major support at 6,000. The negative trend resumed, tracking most regional markets' decline due to worsening sentiment for equities. Signs of continued hawkishness by the US Federal Reserve (Fed) has kept equity markets in check. The Philippine Peso stood at PHP56.57 against the US dollar, weaker than the PHP56.18 in the previous week. Net foreign selling amounted to PHP1.70 billion. Mining&Oil (+0.32%) rose, while the rest declined led by Services (-2.65%) and Property (-2.48%). LPC (+12.07%) and PLUS (+10.40%) led the stock gainers, while AB (-14.82%) and PNX4 (-11.97%) were the worst performers. Notable local developments from last week were the following:

- The Bangko Sentral ng Pilipinas has stated that the country's gross domestic product (GDP) growth for this year is expected to fall short of the government's target, citing economic moderation and efforts to bring inflation back to its target range. In its August monetary policy report, the central bank acknowledged the potential impact of economic headwinds and cumulative monetary policy adjustments on GDP growth, stating that it could settle below the target range of 6%-7% for 2023 and 6.5%-8.0% for 2024 and 2025, as set by the Development Budget Coordination Committee (DBCC).
- Loan growth in the Philippines has slowed for the third consecutive month in June due to the central bank's aggressive monetary tightening measures to control inflation. Preliminary data from the Bangko Sentral ng Pilipinas (BSP) showed that outstanding loans of big banks expanded by 7.8% to PHP10.99 trillion in June, slower than 9.4% in May and 12.1% in June 2022. The tightening measures, including significant interest rate hikes, aim to slow economic growth and alleviate inflationary pressures. The weaker loan expansion is attributed to economic uncertainties caused by elevated inflation, making businesses more cautious about borrowing and leading to a decline in production loans.

INDICES

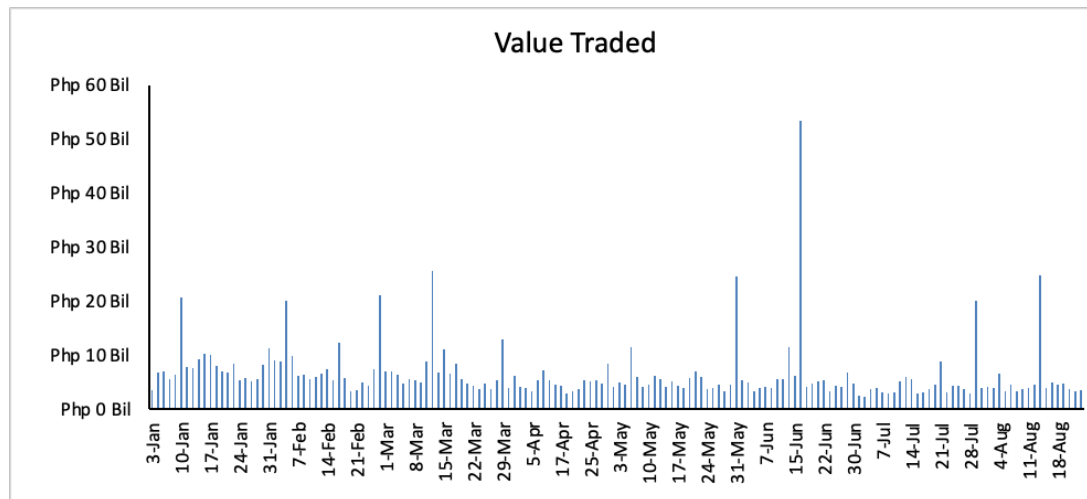
| Index | Prev | Last | % Chg |
|---------------|----------|----------|--------|
| PSEi | 6,290.27 | 6,160.61 | -2.06% |
| All Shares | 3,383.41 | 3,332.40 | -1.51% |
| Financial | 1,862.04 | 1,829.46 | -1.75% |
| Industrial | 8,795.80 | 8,700.60 | -1.08% |
| Holding Firms | 5,961.15 | 5,840.88 | -2.02% |
| Property | 2,624.91 | 2,559.82 | -2.48% |
| Services | 1,547.80 | 1,506.79 | -2.65% |
| Mining & Oil | 9,898.69 | 9,930.33 | 0.32% |

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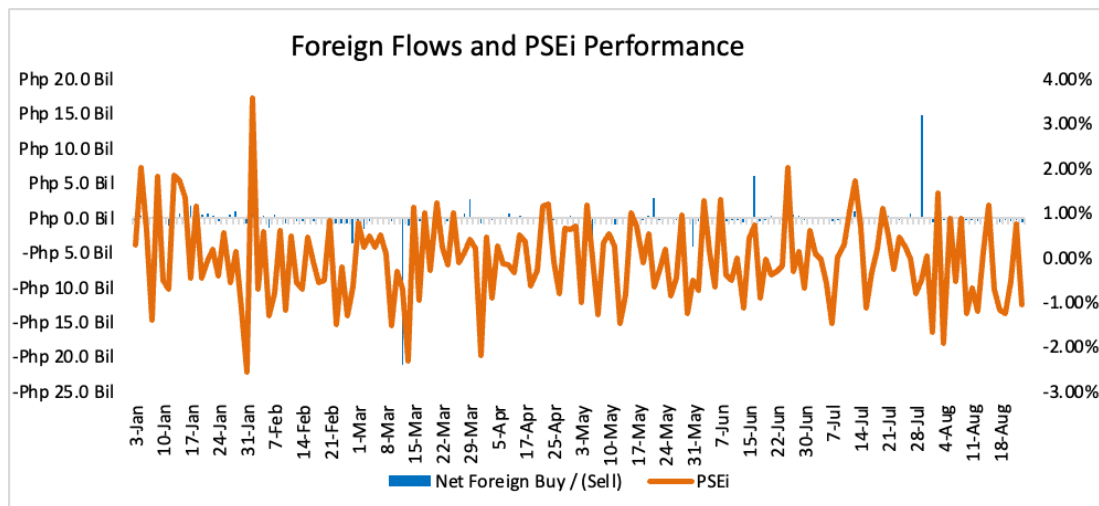
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- ➔ Market turnover averaged PHP3.82 billion last week. It was much lower than the PHP8.53 billion in the previous week, which was bloated by the PHP20.84 billion worth of trades on SM last August 15.



- ➔ Last week logged a net foreign selling of PHP1.70 billion, higher than the PHP643.41 million in the previous week.

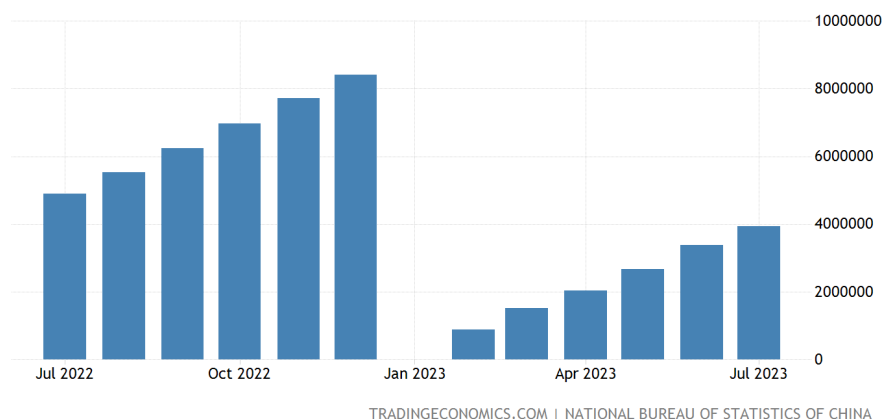


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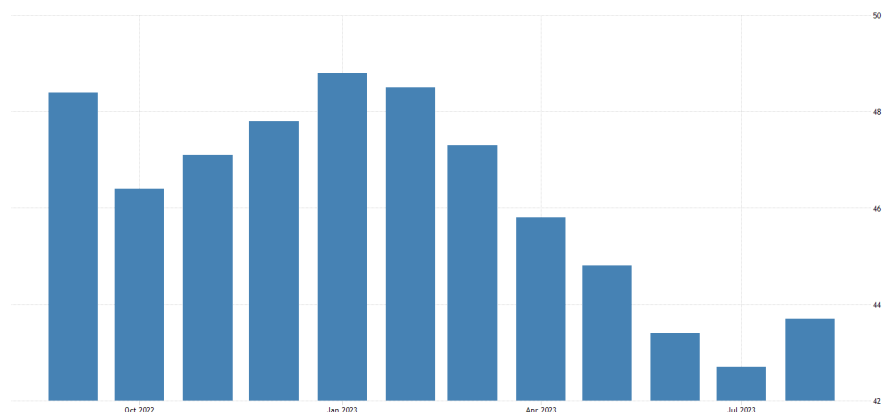
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Key Economic Figures



➔ **China total industrial profits.** China's industrial firms experienced a 15.5% profit decline to CNY 3.94 trillion in the first seven months of 2023, attributed to a weakened economic recovery, low demand, and ongoing margin pressures. This follows a 16.8% drop in the previous period and a 4% fall in 2022. Profits diminished in both state-owned enterprises (-20.3%) and the private sector (-10.7%), impacting 28 out of 41 industries surveyed, including ferrous metal smelting, petroleum, coal, chemical products, and more. In July alone, industrial profits contracted by 6.7%. (*National Bureau of Statistics of China*)



➔ **Eurozone manufacturing PMI.** In August 2023, the HCOB Eurozone Manufacturing PMI rose slightly to 43.7 from the previous month's three-year low of 42.7, surpassing market expectations of 42.6. However, the reading remained well within contractionary territory. This marks the fourteenth consecutive month of manufacturing activity contraction in the Eurozone, with new orders declining at a rapid rate similar to the global financial crisis. Factory output has also declined for the fifth month in a row, despite efforts to clear work backlogs. Employment levels saw a minor decrease, and purchasing inputs and raw material inventories were reduced. Despite a demand slowdown, input deflation slowed, but manufacturers' output expectations for the future declined for the sixth consecutive month, reaching the lowest point since December 2022. (*S&P Global*)

For the Week

| TOP GAINERS | | TOP LOSERS | |
|-------------|--------|------------|---------|
| LPC | 12.07% | AB | -14.82% |
| LR | 10.40% | PNX4 | -11.97% |
| APX | 6.25% | ABS | -7.76% |
| SLI | 4.11% | BPI | -5.40% |
| SSP | 4.04% | ALI | -4.75% |
| DMW | 3.46% | MWC | -4.71% |
| MONDE | 2.33% | JGS | -4.34% |
| SHNG | 1.98% | ICT | -4.21% |
| E EI | 1.91% | SM | -4.07% |
| BDO | 1.66% | AGI | -4.00% |
| FNI | 1.65% | STR | -4.00% |
| AP | 1.45% | DMC | -3.95% |
| AC | 1.36% | MBT | -3.86% |
| LTG | 1.30% | ION | -3.82% |
| DD | 1.28% | PLC | -3.64% |
| TUGS | 1.27% | CNVRG | -3.47% |
| SMC | 1.15% | DNL | -3.46% |
| NIKL | 0.99% | ACEN | -3.24% |
| MPI | 0.99% | GLO | -3.13% |
| VLL | 0.63% | TECH | -3.06% |

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Market Outlook

What You Need to Know

- ➔ The PSEi dipped by 2.06% week-on-week, marking its 5th consecutive weekly decline. The benchmark index has fallen by 7.33% during that 5-week period and is down 6.54% so far in the month of August. Other emerging markets also faced declines of their own as investors grew more cautious concerning the risk of another set of hawkish remarks from the Fed in its post-Jackson Hole Symposium press conference last Friday. The BSP's latest expectations that the country would fall short of the 6%-7% growth target this year also contributed to the downward tilt of the local bourse.
- ➔ The number of coronavirus cases in the Philippines has reached 4,109,517 as of August 24, 2023. Active cases have decreased to 2,757 last week from the previous week's 3,010. There were 5 new deaths from COVID-19 and the total moved up to 66,661.
- ➔ The PSEi is heading into this week with a mixed outlook. While the possibility of bargain hunting is high due to the current market position, the potential for a robust rally is likely to be tempered by concerns related to increasing inflation risks and a cautiously projected economic landscape. This might lead to a period of consolidation for the market, with a leaning towards a downward trajectory, particularly influenced by escalating apprehensions surrounding rising interest rates set by the Fed, following the recent speech by Fed Chairman Powell. The likelihood of an extra rate hike within the year could offset any upward movement that could be triggered by bargain hunting, especially as the index approaches its crucial support level of 6,000. In terms of economic data, investors will keep a close watch on the forthcoming release of the S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) data scheduled for September 1 and the producer price survey report set for August 30.

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