



## Market Commentary



## INDICES

Index	Prev	Last	% Chg
PSEi	6,160.61	6,181.06	0.33%
All Shares	3,332.40	3,341.97	0.29%
Financial	1,829.46	1,836.88	0.41%
Industrial	8,700.60	8,736.76	0.42%
Holding Firms	5,840.88	5,868.69	0.48%
Property	2,559.82	2,567.16	0.29%
Services	1,506.79	1,503.30	-0.23%
Mining & Oil	9,930.33	9,996.29	0.66%

➔ The PSEi gained 20.45 points or 0.33% and closed last week at 6,181.06. The benchmark index continued to struggle amidst heavy foreign selling but managed to post a small weekly gain to end a 5-week losing streak. Investors kept close eye on economic data releases both foreign and domestic. The MSCI rebalancing also took effect. The Philippine Peso weakened further to PHP56.725 from PHP56.57 in the previous week. Net foreign selling amounted to PHP8.13 billion. Services (-0.23%) was the lone decliner. The rest had sub-1% additions. PLC (+15.09%) and EW (+8.91%) were the top performers while PNX4 (-38.32%) and DD (-8.23%) led the stock laggards. Notable local developments from last week were the following:

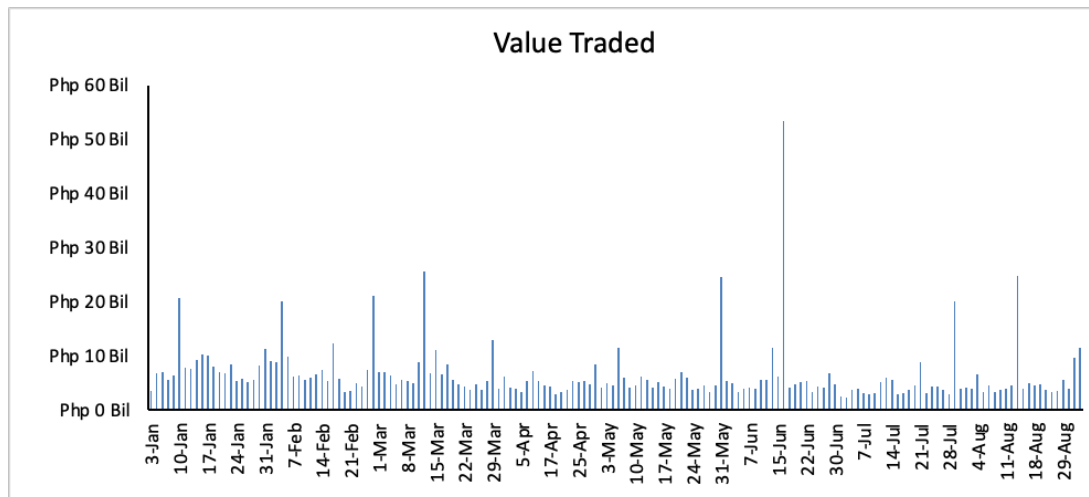
- Short-term investment inflows remained positive for the second consecutive month, surging to \$962.04 million in July, following June's \$280,000, as reported by the Bangko Sentral ng Pilipinas (BSP). However, the overall net inflow of foreign investments registered with the BSP through authorized agent banks dropped by 76.6% to \$157.77 million in the January to July period compared to the net inflow of \$675.15 million in the same period last year. These foreign portfolio investments, also referred to as hot money, exhibited a significant monthly reversal, transitioning from a \$103.14 million net outflow in July of the previous year to the notable inflow observed in July 2023. The BSP anticipates a hot money net inflow of \$2.5 billion for this year and \$3.5 billion for the next.
- The Philippines is making progress towards launching the Maharlika Investment Fund (MIF) with the release of the implementing rules and regulations (IRR). The MIF is expected to play a crucial role in expanding fiscal space and reducing reliance on official development assistance (ODA) for funding major projects, especially those outlined in the Infrastructure Flagship Project (IFP) list. The fund will be managed by the Maharlika Investment Corp. (MIC), with an authorized capital stock of PHP500 billion. The fund's initial funding of PHP125 billion will come from the National Government, Land Bank of the Philippines (LANDBANK), and Development Bank of the Philippines (DBP). The MIC will have the authority to invest in a wide range of products, including cash, tradable commodities, sovereign fixed-income instruments, corporate bonds, equities.

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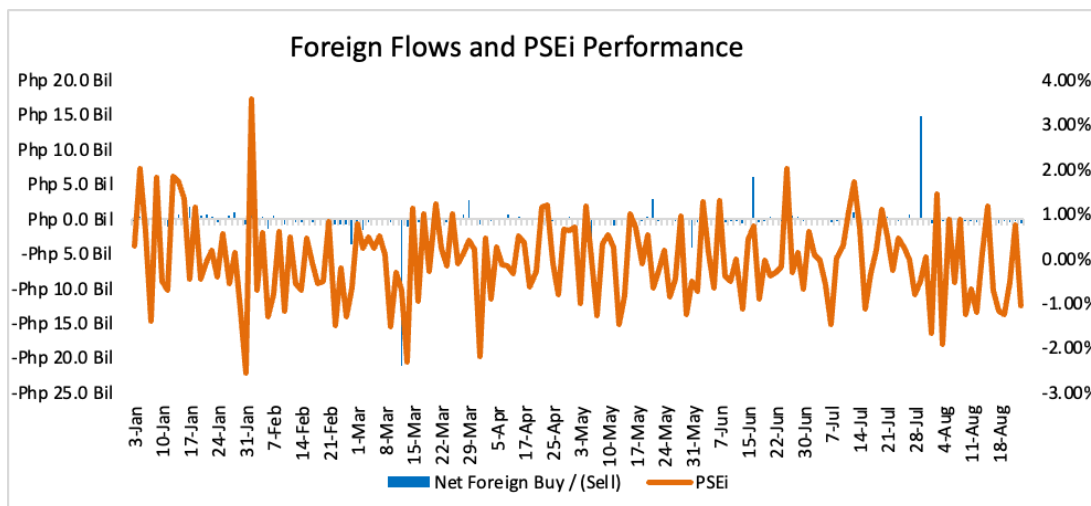
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➔ Market turnover averaged PHP7.71 billion last week, higher than the PHP3.82 billion in the previous week. The MPI block of PHP5.18 billion last September 1 related to its tender offer played a role in the higher average, but overall, market activity was better than the previous week.



➔ Last week logged a net foreign selling of PHP8.13 billion, higher than the PHP1.70 billion in the previous week. Foreigners have a running net sell streak of 9 sessions.

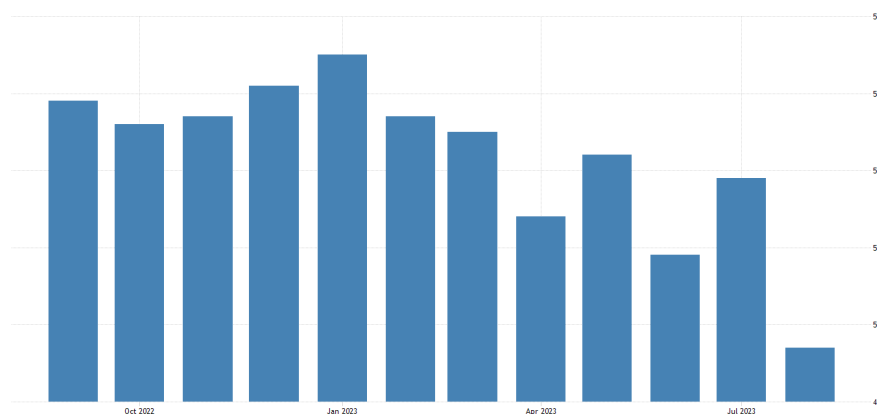


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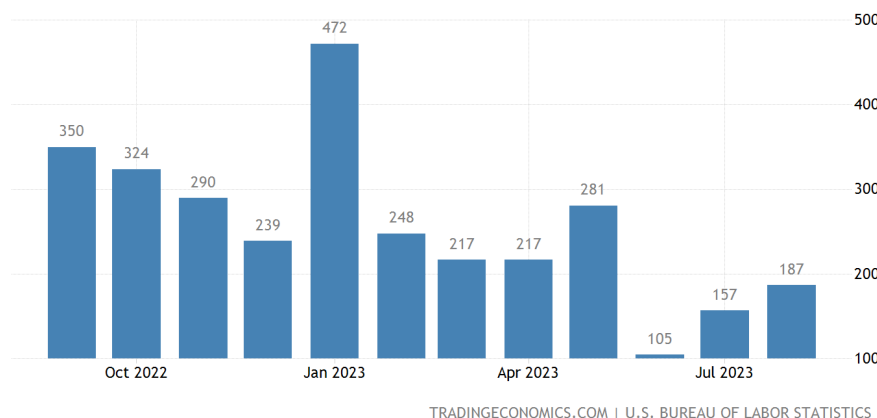
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## Key Economic Figures



➔ **PH manufacturing PMI.** In August 2023, the S&P Global Philippines Manufacturing PMI took a significant dip, dropping to 49.7 from July's 51.9. This marked the 1st time in 2 years that it fell below the 50 threshold. A key factor was the contraction in factory orders, the 1st such decline since August of the previous year. This drop was attributed to weakening demand conditions, exacerbated by adverse weather conditions hindering new business inflows. Additionally, manufacturing employment saw its 3rd consecutive monthly reduction, reaching its sharpest decline in almost two years. Rising fuel and raw material prices intensified cost pressures, although competition led to some firms offering product discounts, resulting in modest inflation. (*S&P Global*)



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➔ **US non-farm payrolls.** In August 2023, the US economy added 187,000 jobs, surpassing expectations and improving from July's 157,000 figure. However, it marked the third consecutive month with job gains below 200,000, reflecting a gradual labor market easing linked to the Federal Reserve's inflation-fighting interest rate hikes. Notable job growth occurred in health care (+71,000), leisure and hospitality (+40,000), social assistance (+26,000), and construction (+22,000). Conversely, transportation and warehousing lost 34,000 jobs due to the bankruptcy of Yellow, a major trucking company. The information sector showed minimal change (-15,000), including a decline in motion picture and sound recording jobs related to a Hollywood strike. (*US Bureau of Labor Statistics*)

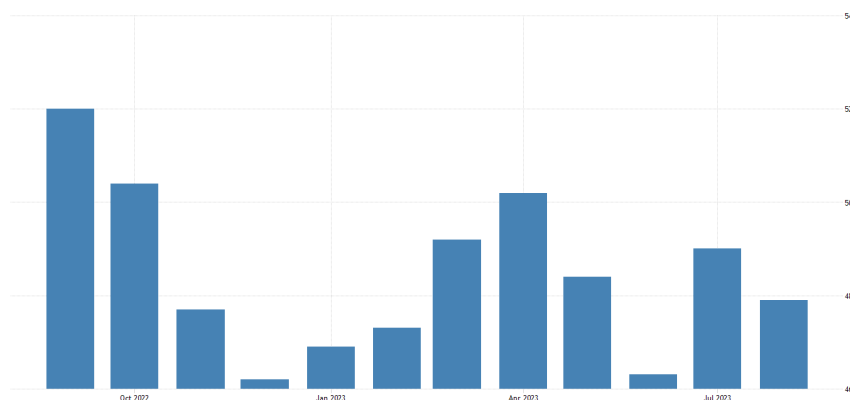
## For the Week

TOP GAINERS		TOP LOSERS	
PLC	15.09%	PNX4	-38.32%
EW	8.91%	DD	-8.23%
FNI	7.72%	SSI	-7.50%
SSP	7.28%	CNVRG	-7.30%
GTCAP	5.05%	LPC	-6.15%
MONDE	4.70%	RFM	-5.36%
AB	4.61%	SPC	-4.76%
DMC	4.22%	LTG	-3.84%
AGI	4.00%	TUGS	-3.75%
GTPPB	3.75%	UBP	-3.67%
PX	3.70%	GMA7	-3.06%
EI	3.33%	ROCK	-2.68%
LR	2.97%	SCC	-2.20%
CNPF	2.43%	TEL	-2.00%
ABS	2.30%	EMP	-1.65%
NIKL	2.17%	TECH	-1.58%
WLCON	2.10%	FLI	-1.52%
AC	1.84%	SHLPH	-1.43%
BPI	1.81%	GLO	-1.32%
PAL	1.76%	HOME	-1.27%

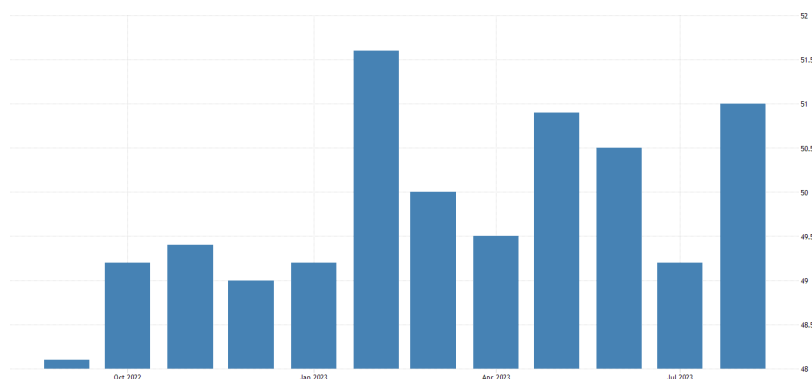
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## Key Economic Figures



➔ **US manufacturing PMI.** In August 2023, the S&P Global US Manufacturing PMI was revised to 47.9, slightly higher than the preliminary 47 but down from July's 49. This reflects a continued contraction in the manufacturing sector since November 2022, with only a brief stabilization in April. Output declined due to a sharper drop in new orders, and backlogs and finished goods inventory decreased. Despite these challenges, manufacturers increased employment at a slower rate. Input prices rose for the second consecutive month, leading to higher output prices. However, future output expectations were the weakest in 2023. *(S&P Global)*



➔ **China manufacturing PMI.** In August 2023, the Caixin China General Manufacturing PMI showed significant improvement, rising to 51.0 from July's 49.2. This surpassed market expectations of 49.3 and represented the strongest expansion in factory activity since February. It marked the 5th increase in factory activity since the beginning of the year, reflecting Beijing's efforts to stimulate a weakening post-pandemic recovery. Notably, both output and new orders returned to growth, and employment saw its first increase in six months. Buying activity also grew, albeit moderately, partly due to rising raw material costs. However, foreign sales remained weak, with a modest decline, possibly linked to growing global recession risks. There was a slight accumulation of backlogged work, influenced by adverse weather conditions, but delivery times improved as logistics became more efficient. Regarding prices, input costs increased for the first time since February, but firms continued to reduce selling prices due to competitive pressures. Lastly, business sentiment declined to an 11-month low but remained positive overall. *(S&P Global)*

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DMC	4.22%	LTG	-3.84%
AGI	4.00%	TUGS	-3.75%
GTPPB	3.75%	UBP	-3.67%
PX	3.70%	GMA7	-3.06%
EI	3.33%	ROCK	-2.68%
LR	2.97%	SCC	-2.20%
CNPF	2.43%	TEL	-2.00%
ABS	2.30%	EMP	-1.65%
NIKL	2.17%	TECH	-1.58%
WLCON	2.10%	FLI	-1.52%
AC	1.84%	SHLPH	-1.43%
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## Market Outlook

### What You Need to Know

- ➔ The PSEi went up by 0.33% and cut the string of 5 consecutive week-on-week declines in which the benchmark index dropped by 7.33%. It went down by 6.31% overall in August. Investors took advantage of severely depressed prices which likely stemmed from the continued hawkishness of the US Federal Reserve (Fed). However, some recent economic data in the US showed signs that of a slowdown in the US economy which could discourage the Fed from imposing further rate hikes, although it has made its position clear that it utilize everything to drag inflation back to within its 2% target.
- ➔ The number of coronavirus cases in the Philippines has reached 4,110,343 as of August 31, 2023. Active cases continued to decrease and fell by 2.4% to 2,685 last week. There were 6 new deaths from COVID-19 and the total increased to 66,661. Number of recoveries stood at 4,040,991.
- ➔ The Philippine Stock Exchange Index (PSEi) could exhibit a sideways trend in this week, influenced by several key factors. First, investors will be closely watching the release of August inflation data, with expectations of it coming in at around 4.9%, slightly higher than July but lower than the same period last year. A significant deviation from these expectations could introduce fresh volatility to the market. Secondly, the PSEi's performance will be shaped by reactions to various economic data releases. These include the latest US jobs report, which indicated increased job growth but also a rise in the unemployment rate, potentially signaling a slowdown in the labor market. This has led to more expectations that the US Federal Reserve (Fed) may hold off on further interest rate hikes this month. Additionally, concerns about China's efforts to stimulate its economy will also play a role in influencing market sentiment. There is a possibility that the PSEi may retest the support level of 6,100 after a recent rally, which would be a critical indicator of the market's direction. Overall, the PSEi is expected to move cautiously in the upcoming week, with investors closely monitoring economic data.

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