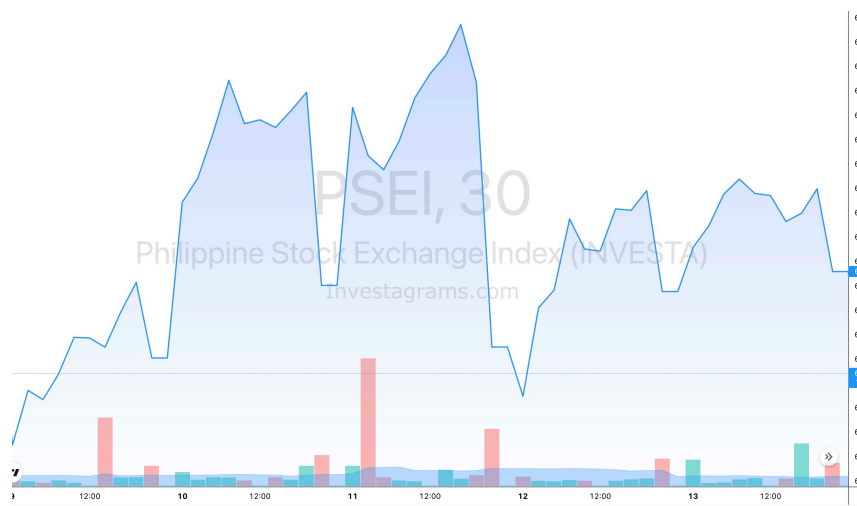




Market Commentary



➔ The PSEi inched up by 14.18 points or 0.10% week-on-week and closed at 6,266.34 last Friday. The benchmark index ended flat as market activity was tepid for most of last week. Trading only picked up last Friday following the US inflation print. The Israel-Hamas conflict began a fresh round of worries for investors. The Philippine Peso depreciated to PHP56.811 from PHP56.62 against the US dollar. Net foreign selling amounted to PHP3.32 billion. Sectors had mixed results with Services (+1.68%) gaining the most and Financial (-0.74%) taking the biggest loss. ION (+14.78%) and APX (+11.84%) led the stock gainers, while PNX4 (-14.88%) and FNI (-5.76%) had the worst week. Some notable development were the following:

- The Philippines' gross international reserves (GIR) decreased to below \$99 billion at the end of September, dropping by almost a billion dollars compared to the previous month's GIR of \$99.6 billion. This decline marks the lowest GIR level in seven months, with the last similar level recorded in February at \$98.216 billion. The decrease is attributed to the government's payments of foreign currency debt obligations and adjustments in the value of the Bangko Sentral ng Pilipinas' (BSP) gold holdings due to a decrease in the price of gold in the international market.
- Banks in the Philippines reported an improvement in their non-performing loan (NPL) ratio, which fell to a four-month low of 3.42% in August, down from 3.43% in July, according to preliminary data from the Bangko Sentral ng Pilipinas (BSP). This marks the lowest NPL ratio since April 2023. The NPL ratio had risen steadily for five consecutive months to reach a nine-month high of 3.46% in May, following aggressive interest rate hikes by the BSP to control inflation and stabilize the peso.
- The Philippines' trade deficit decreased by 31.5% in August compared to the same month in the previous year as exports increased while imports declined, according to the Philippine Statistics Authority (PSA). The trade deficit for August amounted to a \$4.13 billion deficit, down from a \$6.03 billion deficit in August 2022.

INDICES

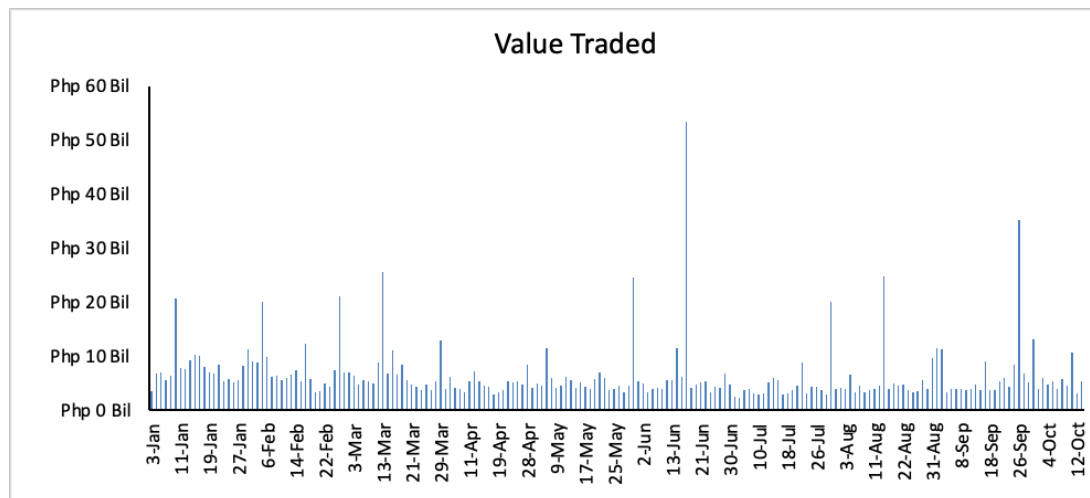
Index	Prev	Last	% Chg
PSEi	6,259.95	6,266.34	0.10%
All Shares	3,379.27	3,384.57	0.16%
Financial	1,824.55	1,811.02	-0.74%
Industrial	8,882.78	8,844.28	-0.43%
Holding Firms	5,974.48	5,945.38	-0.49%
Property	2,597.27	2,638.15	1.57%
Services	1,506.00	1,531.33	1.68%
Mining & Oil	10,841.29	11,005.47	1.51%

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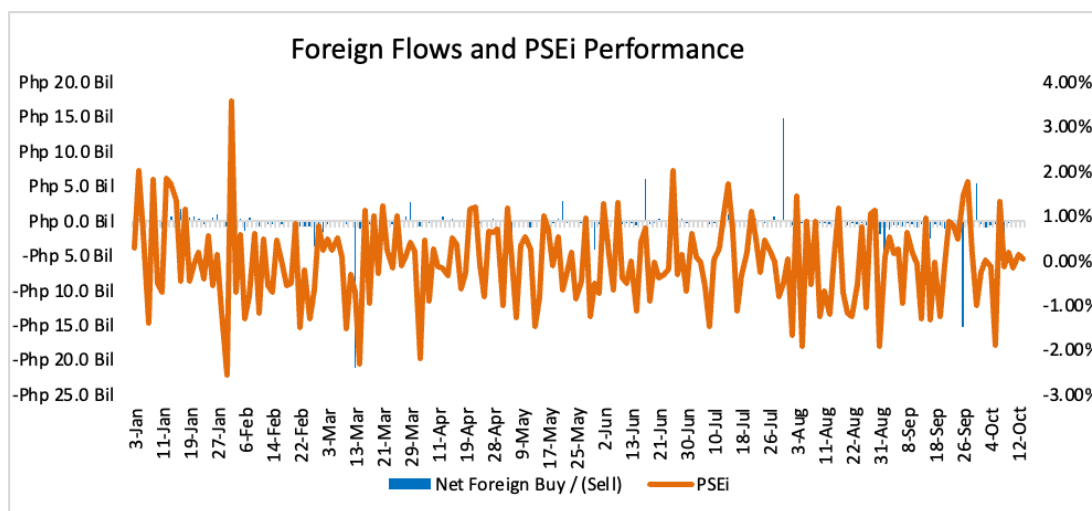
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➔ Market turnover averaged PHP5.90 billion last week, higher than the PHP4.76 billion in the previous week. A PHP4.96 billion block sale of MWC shares mainly drove the figure higher.



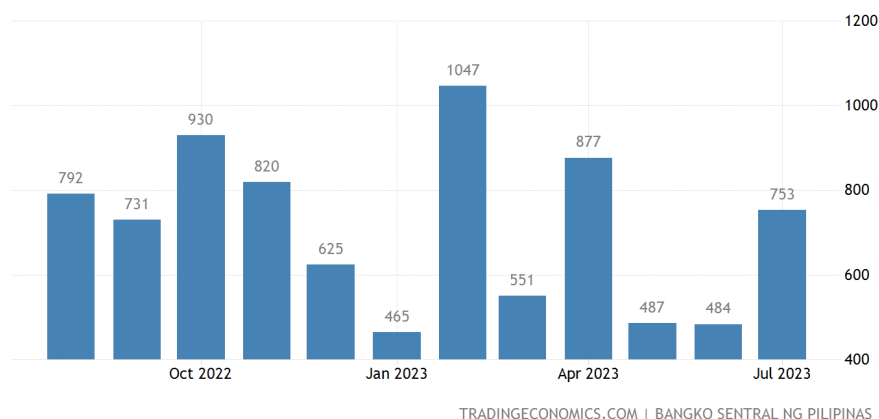
➔ Last week logged a net foreign selling of PHP3.32 billion, higher than the PHP2.58 billion in the previous week.



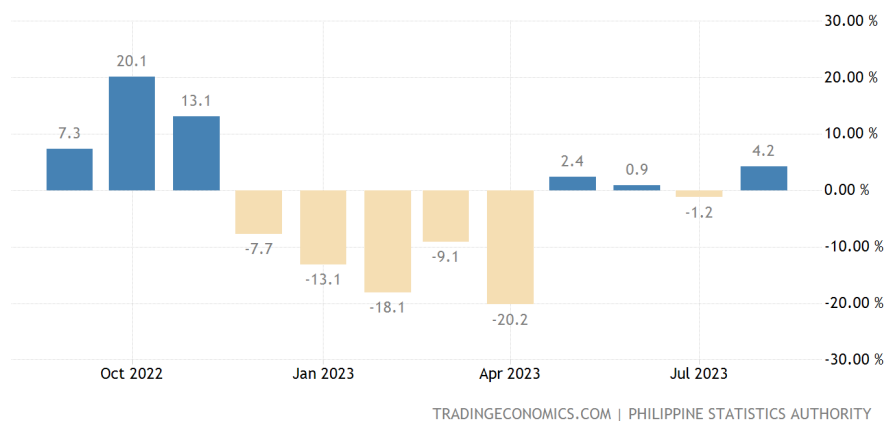
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Key Economic Figures



➔ **PH foreign direct investments.** In July 2023, the Philippines saw a 35.7% YoY increase in net foreign direct investment (FDI), reaching \$753 million. This growth was primarily driven by a significant 108.4% surge in net debt instruments to \$580 million, offsetting declines in equity capital and reinvestment of earnings. For the first seven months of the year, FDI net inflows decreased by 14.7% YoY to \$4.66 billion, reflecting concerns about the global economic slowdown. (*Bangko Sentral ng Pilipinas*)



➔ **PH exports.** In August 2023, the Philippines witnessed a 4.2% YoY growth in exports, totaling \$6.70 billion, rebounding from a revised 0.9% decline in July. The surge in sales was primarily driven by electronic products, other manufactured goods, and other mineral products, while machinery and transport equipment, along with metal components, experienced declines. Among the notable destinations, exports saw the most significant increase to the US, Hong Kong, South Korea, the Netherlands, and the EU, but declined to Japan, China, Singapore, Thailand, Taiwan, and Germany. For the January to August period, exports were down by 6.6% compared to the same period in 2022. (*Philippine Statistics Authority*)

For the Week

TOP GAINERS		TOP LOSERS	
ION	14.78%	PNX4	-14.88%
APX	11.84%	FNI	-5.76%
ABS	7.44%	WLCON	-4.78%
AP	7.25%	SGP	-3.99%
STR	6.41%	MONDE	-3.91%
MAXS	6.17%	HOUSE	-3.85%
PX	5.56%	LPC	-2.86%
CNPF	5.18%	ROCK	-2.74%
CNVRG	4.90%	CLI	-2.67%
PGOLD	3.84%	URC	-2.63%
PIZZA	3.80%	UBP	-2.40%
LPZ	3.45%	BDO	-2.22%
MBT	3.26%	MWIDE	-1.84%
PNB	3.19%	SMC	-1.80%
GSMI	3.09%	NIKL	-1.67%
ALI	2.99%	FB	-1.53%
SCC	2.86%	CEB	-1.46%
ICT	2.75%	RCB	-1.28%
BLOOM	2.72%	TUGS	-1.23%
LR	2.71%	BPI	-1.19%

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Key Economic Figures



➔ **US inflation rate.** In September 2023, the US inflation rate remained at 3.7%, defying expectations of a slight decrease. This stability was driven by a softer decline in energy prices, which offset slowing inflationary pressures in other categories. Energy costs fell by 0.5%, primarily due to a rebound in fuel prices, after a 3.6% decrease in August. Additionally, prices increased at softer rates for various categories, including food, new vehicles, apparel, medical care commodities, shelter, and transportation services. The core Consumer Price Index (CPI), which excludes volatile food and energy prices, slowed to 4.1%, its lowest reading since September 2021. On a monthly basis, consumer prices increased by 0.4%, slightly easing from the previous month, while the core rate remained unchanged at 0.3%. (*US Bureau of Labor Statistics*)



➔ **US consumer sentiment.** US consumer sentiment fell in October. Consumer sentiment declined by approximately 7% in October after two months of little change. This decline is primarily driven by concerns over inflation, leading to a 15% decrease in assessments of personal finances and a 19% drop in expected business conditions for the next year. However, long-term expected business conditions have not changed significantly, indicating that consumers may believe the current economic challenges are temporary. Inflation expectations for the year ahead rose from 3.2% to 3.8%, the highest level since May 2023, and long-term inflation expectations increased slightly from 2.8% to 3.0%. Both figures remain elevated compared to the pre-pandemic period. (*University of Michigan*)

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Market Outlook

What You Need to Know

- ➔ The PSEi booked a modest gain of 0.10% last week following a 0.97% in the previous week. Investors remained cautious while waiting for big catalysts like the US inflation report release last Thursday (US time), hence, the continuity of lower trading activity. The US consumer price index (CPI) slightly went above expectations, but core CPI slowed down. The sudden escalation of the Israel-Hamas situation which erupted over the weekend in the previous week kept markets in check and pulled sentiment down again.
- ➔ The number of coronavirus cases in the Philippines increased to 4,117,183 as of October 13 from 4,115,714 last week. Active cases slightly rose to 3,092 from 3,055. There were 12 new deaths from COVID-19 last week, and the total went up to 66,714. Number of recoveries increased to 4,047,377 from 4,045,957.
- ➔ In the upcoming week, investors will be closely watching key speeches by US Federal Reserve (Fed) policymakers to gauge future monetary policy. The US 3Q2023 earnings season will be in full swing, featuring reports from major companies like Bank of America, Johnson & Johnson, and Tesla among others. Economic data to watch includes US retail sales, industrial production, housing data, and manufacturing indices. In the UK, data on inflation, unemployment, and retail sales will be prominent. Germany's Zew Economic Sentiment Index is expected to reach a six-month high. China's third-quarter GDP data, industrial production, retail sales, and house prices will be closely scrutinized given its recent struggles. Japan's inflation rate and trade balances will offer insights into the Bank of Japan's stance. South Korea, Indonesia, and Malaysia will announce new policy rates.
- ➔ Tepid market activity could continue this week as investors wait for more catalysts. They are likely eyeing the August remittances data, and other reports in the US and China as well. The Israel-Hamas has escalated over the course of last week and could be expected to continue as Israel plans a ground mobilization against parts of Gaza. The oil market was initially spooked when the news broke out but eventually stabilized. The extent to which the conflict would affect supply has not reached a strong consensus yet, therefore investors will keep a close eye on developments. Fed officials' speeches will also be key for market watchers to get insights on the Fed's mindset going into their November meeting. Majority still expects the Fed to hold policy rates steady so a deviation from that may pull markets down. Interest rates are expected to keep driving stock market dynamics amidst rising bond yields and renewed fears of inflation pressures. The PSEi may continue to trade at a narrow range between the 6,200-6,400 levels as market activity slowly picks up until the release of key drivers.

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