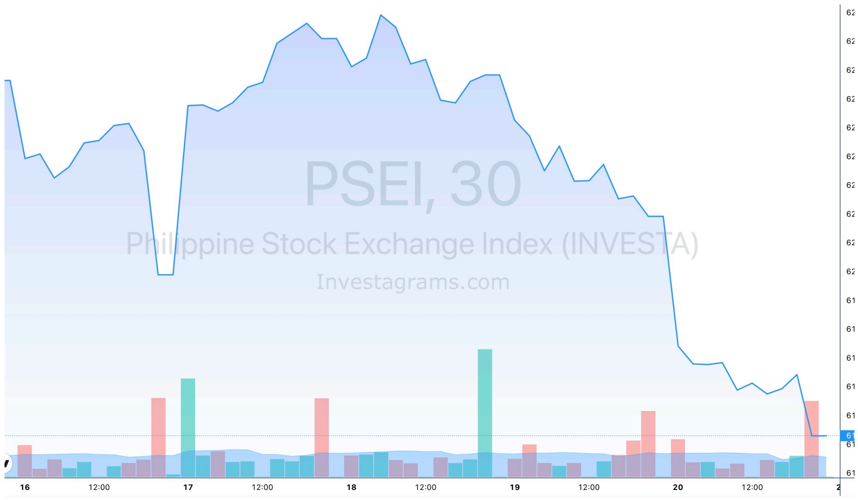
MANDARIN SECURITIES CORPORATION

October 22, 2023

Market Commentary



INDICES

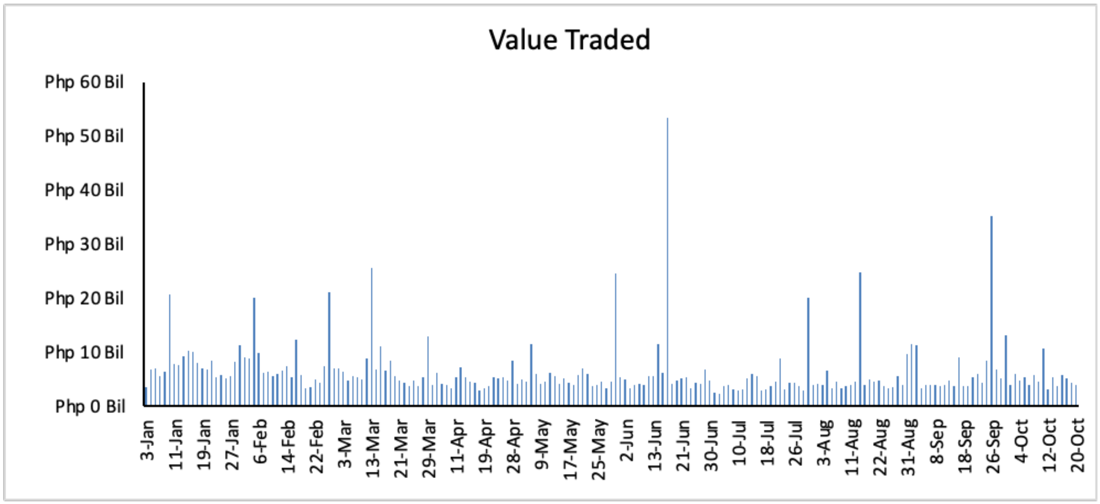
Index	Prev	Last	% Chg
PSEi	6,266.34	6,142.90	-1.97%
All Shares	3,384.57	3,329.42	-1.63%
Financial	1,811.02	1,748.96	-3.43%
Industrial	8,844.28	8,746.61	-1.10%
Holding Firms	5,945.38	5,870.31	-1.26%
Property	2,638.15	2,602.37	-1.36%
Services	1,531.33	1,506.73	-1.61%
Mining & Oil	11,005.47	10,175.11	-7.54%

➡ The PSEi had a sharp decline of 123.44 points or 1.97% week-on-week and ended at 6,142.90 last Friday. The benchmark index succumbed to weakened market sentiment as interest rate concerns and other worries gained more traction. The Philippine Peso weakened to PHP56.84 from PHP56.811 against the US dollar. Net foreign selling amounted to PHP1.35 billion. Sector-wide losses were led by Mining&Oil (-7.54%) and Financial (-3.43%). EEI (+8.79%) and COSCO (+6.07%) led the stock gainers, while SCC (-13.61%) and LPC (-10.29%) had the worst week. Some notable development were the following:

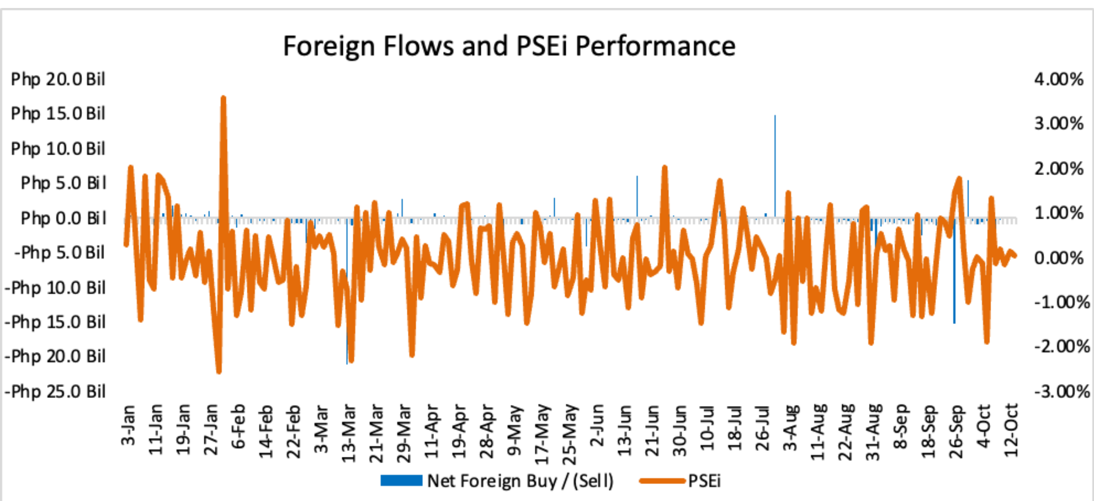
- President Ferdinand Marcos Jr. has halted the implementation of the Maharlika Investment Fund (MIF) and directed further study of the plan. A memorandum dated October 12, addressed to the heads of the Bureau of the Treasury, Land Bank of the Philippines, and Development Bank of the Philippines (DBP), informed them of the directive to suspend the implementing rules and regulations (IRR) of the law that established the MIF. The suspension is pending further study, and the heads of these agencies are expected to notify all concerned departments and bureaus, although the memorandum did not elaborate on the reasons for this decision.

- According to the Bangko Sentral ng Pilipinas (BSP), the total resources of the Philippine financial system expanded further at the end of August. Preliminary data from the central bank indicates that the resources held by banks and non-bank financial institutions grew by 6.98% to reach PHP29.079 trillion in the eight-month period, compared to the previous year. This growth was more pronounced than the 6.61% increase recorded the previous month. These resources encompass a wide range of assets such as deposits, capital, bonds, and debt securities and play a vital role in the overall stability and development of the financial system. he year-on- year growth reflects the profitability of banks and other financial institutions, which has led to an increase in capital and funds for lending, further supporting loan growth and investment activities

- Market turnover averaged PHP4.56 billion last week, lower than the PHP5.90 billion in the previous week which was pulled up by a PHP4.96 billion block sale of MWC shares.



- Last week logged a net foreign selling of PHP1.35 billion, lower than the PHP3.32 billion in the previous week.



WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

October 22, 2023

Key Economic Figures

➡ **<u>PH remittances.</u>** In August 2023, cash remittances funneled through Philippine banks increased by 2.7% year-on-year, reaching $2.8 billion, compared to $2.72 billion in the same period the previous year. This rise was attributed to higher contributions from both land-based (3.2%) and sea-based (1%) workers. From January to August, cash remittances climbed by 2.8%, totaling $21.58 billion, primarily driven by increased remittances from the US, Saudi Arabia, and Singapore. The US remained the top source of overall remittances, accounting for 41.6%, followed by Singapore (6.9%), Saudi Arabia (5.9%), Japan (4.9%), and the UK (4.9%). *(Bangko Sentral ng Pilipinas)*

➡ **<u>PH balance of payments (BoP).</u>** In September 2023, the Philippines recorded a balance of payments (BOP) deficit of $414 million, notably lower than the $2.3 billion deficit in the same month of the previous year. This deficit primarily resulted from net outflows stemming from the government's payments of foreign currency debt obligations. However, despite the September deficit, the cumulative BOP position for the first three quarters of the year showed a surplus of $1.7 billion, a significant turnaround from the $7.8 billion deficit in the same period a year ago. This improvement was driven by a more favorable balance of trade and increased net inflows from personal remittances, trade in services, and foreign borrowings by the government.

➡ As of end-September 2023, the gross international reserves (GIR) stood at $98.1 billion, down from $99.6 billion at the end of August 2023. Nevertheless, this GIR level remains more than sufficient, serving as a robust external liquidity buffer equivalent to 7.3 months of imports of goods and payments of services and primary income. Additionally, it is about 5.7 times the country's short-term external debt based on original maturity and 3.6 times based on residual maturity.

For the Week

TOP GAINERS		TOP LOSERS	
EEI	8.79%	SCC	-13.61%
COSCO	6.07%	LPC	-10.29%
PX	3.86%	ION	-7.58%
PNX4	3.48%	CHP	-7.37%
GTPPB	3.30%	LR	-7.09%
RCB	3.23%	TECH	-7.04%
SHNG	2.29%	ABS	-6.92%
EW	2.26%	UBP	-6.70%
RFM	1.64%	RRHI	-6.52%
HOUSE	1.30%	HOME	-6.32%
APX	1.18%	BLOOM	-6.24%
SMC2F	1.03%	CNVRG	-6.09%
FB	0.97%	FNI	-5.76%
MER	0.74%	NIKL	-5.42%
GMA7	0.61%	BDO	-5.27%
AB	0.60%	TUGS	-5.00%
GLO	0.33%	VLL	-4.62%
WLCON	0.23%	SSI	-4.45%
GSMI	0.00%	GTCAP	-4.39%
MAXS	0.00%	DD	-4.35%

28/F LKG TOWER, 6801 AYALA AVENUE, MAKATI CITY : OFFICE: +63 (02) 8884-1271 : FAX +63 (02) 8884-1384

WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

October 22, 2023

Key Economic Figures

➡ **<u>10-year US Treasury yield.</u>** The benchmark 10-year Treasury yield hit a 16-year high, surpassing 5% for the first time since 2007. Over the past four days, it has risen around 40 basis points. Meanwhile, the 2-year Treasury yield fell by 6 basis points to 5.16%, briefly reaching levels last seen in 2006. These bond market shifts were influenced by comments from US Federal Reserve Chairman Jerome Powell, who indicated that monetary policy didn't seem too restrictive and that inflation remained too high, suggesting the need for slower labor market and economic growth to meet the Fed's inflation target. The rising yields are attributed to concerns about the Fed maintaining high benchmark rates to combat inflation, a robust economy and labor market, expanding government deficits necessitating increased bond supply, and heightened term premiums driven by investor worries about potential interest rate changes. *(TradingView)*

For the Week

TOP GAINERS		TOP LOSERS	
EEI	8.79%	SCC	-13.61%
COSCO	6.07%	LPC	-10.29%
PX	3.86%	ION	-7.58%
PNX4	3.48%	CHP	-7.37%
GTPPB	3.30%	LR	-7.09%
RCB	3.23%	TECH	-7.04%
SHNG	2.29%	ABS	-6.92%
EW	2.26%	UBP	-6.70%
RFM	1.64%	RRHI	-6.52%
HOUSE	1.30%	HOME	-6.32%
APX	1.18%	BLOOM	-6.24%
SMC2F	1.03%	CNVRG	-6.09%
FB	0.97%	FNI	-5.76%
MER	0.74%	NIKL	-5.42%
GMA7	0.61%	BDO	-5.27%
AB	0.60%	TUGS	-5.00%
GLO	0.33%	VLL	-4.62%
WLCON	0.23%	SSI	-4.45%
GSMI	0.00%	GTCAP	-4.39%
MAXS	0.00%	DD	-4.35%

28/F LKG TOWER, 6801 AYALA AVENUE, MAKATI CITY : OFFICE: +63 (02) 8884-1271 : FAX +63 (02) 8884-1384

MANDARIN SECURITIES CORPORATION

October 22, 2023

Market Outlook

What You Need to Know

- ➡ The PSEi fell sharply by almost 2% last week following a modest gain of 0.10% in the previous week. Risk-off sentiment on equities persisted and likely heightened given worrying developments in the Israel-Hamas conflict. This was paired with hawkish tones from Fed Chairman Jerome Powell who stated that the current monetary policy is not yet too tight. The surge of US Treasury yields to multi-year highs was also a key reason for the downtrend in equities.

- ➡ The number of coronavirus cases in the Philippines increased to 4,118,381 as of October 20 from 4,117,183 in the previous week. Active cases decreased to 3,024 from 3,092. There were 9 new deaths from COVID-19 last week, and the total went up to 66,723. Number of recoveries increased to 4,048,634 from 4,047,377.

- ➡ In the United States, upcoming data releases include Q3 GDP growth rate, PCE Price index, personal income and spending, durable goods orders, and PMI readings by S&P Global. The housing market's health will be gauged through pending and new home sales. On the earnings front, major companies like Alphabet, Microsoft, Meta, Amazon, 3M, Coca-Cola, and General Motors, are set to report. Internationally, central bank interest rate decisions are expected from the European Central Bank, and the Bank of Canada. Flash services and manufacturing PMIs will be released in Australia, Japan, France, Germany, the eurozone, and the United Kingdom. Other critical data points include Australia's inflation rate, South Korea and Spain's GDP growth rates, and the UK's unemployment rate.

- ➡ In the upcoming week, investors in the PSEi are expected to tread cautiously due to the potential escalation in the Middle East situation. Tensions in the region continue to weigh on the market, and rising Treasury yields and geopolitical tensions are dampening risk sentiment. Additionally, monitoring key data releases, including US GDP for the third quarter and core personal consumption data, a Fed's preferred inflation gauge, will be crucial drivers for the market. Should these Treasury yields continue to rise, it may negatively affect the Philippine market. The concern here is that increasing yields could prompt investors to seek better returns in US assets, potentially diverting further capital away from emerging markets like the Philippines. In this environment of uncertainty, it appears that the prudent strategy for investors is to focus on reliable assets and maintain sufficient liquidity. The rationale behind this approach is to weather the market's current volatility and uncertainty while being prepared for clearer opportunities when geopolitical tensions ease and market conditions finally stabilize.