



## Market Commentary



➔ The PSEi tumbled by 180.91 points or 2.95% week-on-week and closed at 5,961.99 last Friday. The benchmark index fell anew in light of the BSP's off-cycle policy hike and continued concerns over the Middle East situation. The Philippine Peso weakened further to PHP26.955 from PHP56.84 against the US dollar. Net foreign selling amounted to PHP2.04 billion. Sector-wide losses were led by Services (-3.68%) and Property (-3.42%). EEI (+6.15%) and PLC (+3.51%) led the stock gainers, while AGI (-12.28%) and WLCON (-9.79%) had the worst week. Some notable development were the following:

- In September, new vehicle sales in the Philippines experienced a 9.5% annual growth rate, marking the slowest pace of expansion in 19 months, according to a report jointly published by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and the Truck Manufacturers Association (TMA). The data showed that vehicle sales increased to 38,628 units in September, thanks in part to promotional campaigns and new model launches in August. Commercial vehicles were the dominant segment, representing two-thirds of the sales, with a 6.5% increase to 29,070 units. Passenger car sales saw a significant jump of 19.8%.
- Electronic fund transfers in the Philippines, conducted through PESONet and InstaPay, saw a robust increase of over 30%, surging to PHP9.24 trillion from January to September 2023, compared to the previous year's PHP7.08 trillion, according to data from the Bangko Sentral ng Pilipinas (BSP). During this nine-month period, transaction volumes on PESONet and InstaPay also grew significantly, with a 40.4% surge to 638.9 million transactions this year, up from 454.9 million in the same period last year.
- In August, the Philippines witnessed a substantial 65.8% surge in infrastructure spending as the government accelerated the implementation of various projects. Capital outlays for infrastructure and other projects reached PHP 122.1 billion in August, marking a significant increase from the PHP 73.7 billion spent in the same month the previous year. This surge in spending was also reflected on a month-on-month basis, with a 10% increase from July when infrastructure spending amounted to PHP 111 billion.

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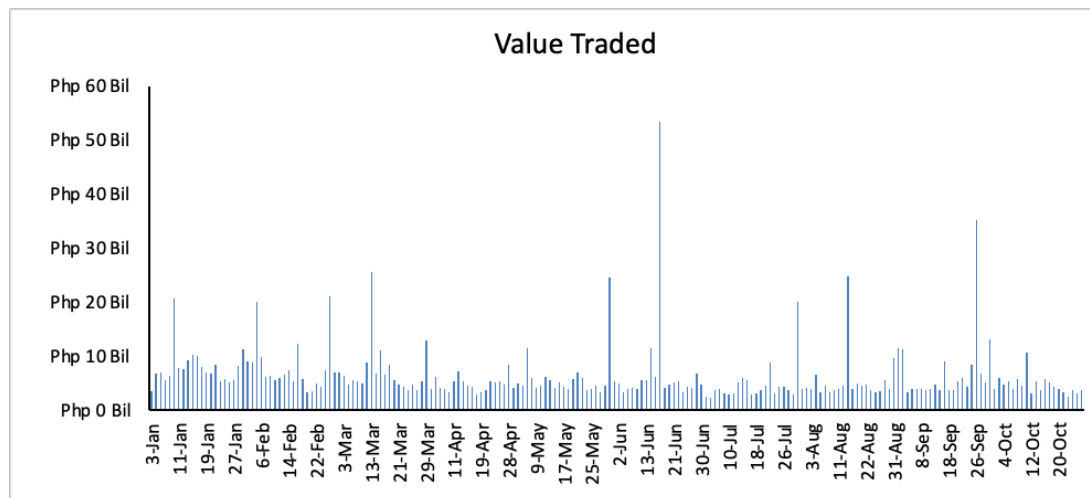
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## INDICES

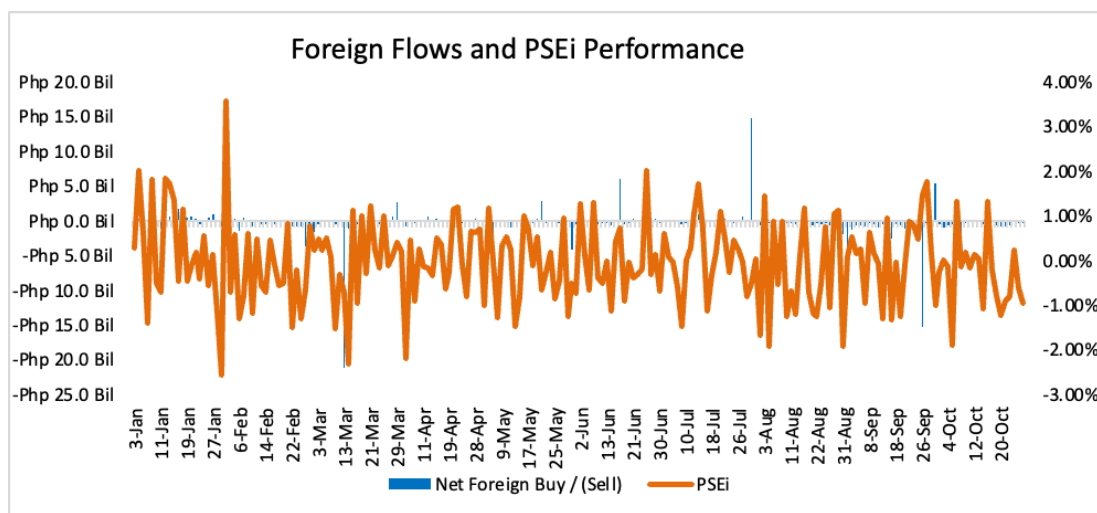
Index	Prev	Last	% Chg
PSEi	6,142.90	5,961.99	-2.95%
All Shares	3,329.42	3,246.47	-2.49%
Financial	1,748.96	1,705.71	-2.47%
Industrial	8,746.61	8,533.89	-2.43%
Holding Firms	5,870.31	5,722.15	-2.52%
Property	2,602.37	2,513.41	-3.42%
Services	1,506.73	1,451.32	-3.68%
Mining & Oil	10,175.11	9,846.12	-3.23%



➔ Market turnover averaged PHP3.27 billion last week, lower than the PHP4.56 billion in the previous week.



➔ Last week logged a net foreign selling of PHP2.04 billion, higher than the PHP1.35 billion in the previous week.

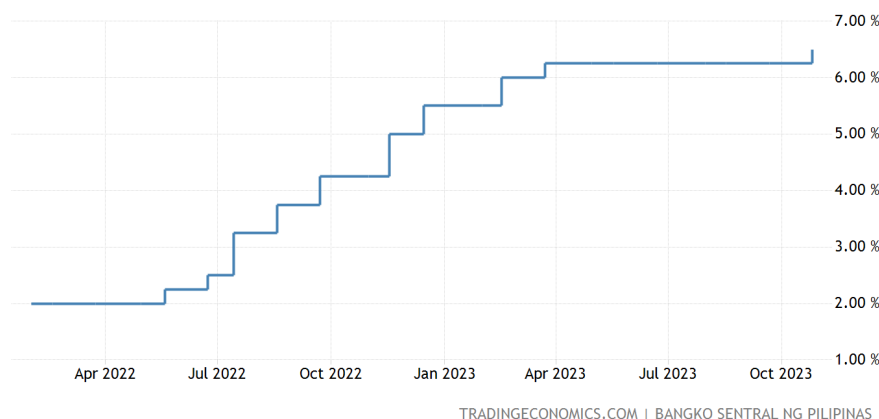


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## Key Economic Figures



➔ **BSP benchmark rate.** The central bank of the Philippines raised its benchmark interest rate by 25 basis points to 6.5% in a surprise off-cycle meeting on October 26th. This decision was made to combat supply-side price pressures and prevent inflation expectations from rising further. Inflation has remained elevated, with increasing risks and second-round effects, including higher transportation fares and minimum wage adjustments. In September, inflation reached 6.1%, the highest in four months, primarily due to a significant increase in rice prices. The central bank had previously signaled its readiness to tighten monetary policy in response to persistent food and transportation price increases that pushed inflation above its 2%-4% target range. (BSP)



➔ **US dollar index.** Last Friday, the dollar index remained near November highs at 106.5 as PCE inflation data showed a slow moderation in price pressures in the US. Expectations for higher interest rates remained unchanged. Traders predict a 99% chance of the Fed keeping rates steady next week. The dollar performed well against the Euro and Swiss franc, ending the week up by about 0.5%, largely due to concerns about Eurozone growth and the European Central Bank's tightening cycle coming to an end. (TradingEconomics)

## For the Week

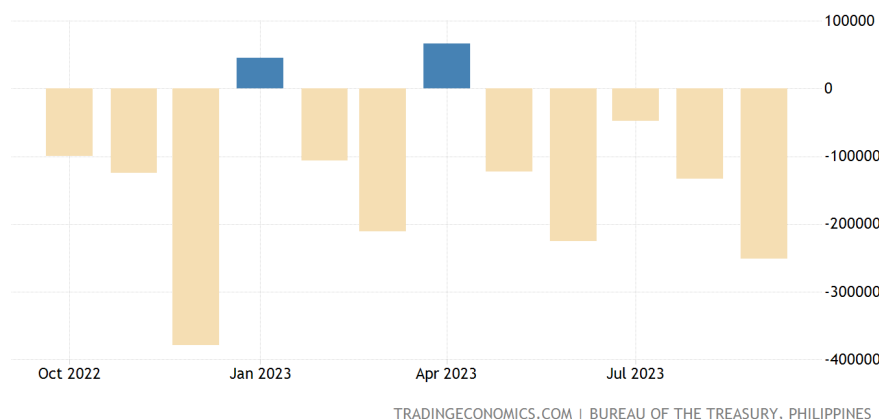
TOP GAINERS		TOP LOSERS	
EI	6.15%	AGI	-12.28%
PLC	3.51%	WLCON	-9.79%
ACEN	3.35%	CNVRG	-9.41%
CLI	2.38%	HOME	-9.20%
GTCAP	1.28%	BLOOM	-8.27%
SEVN	1.27%	CHP	-7.95%
GTPPB	1.06%	DMC	-7.89%
PIZZA	0.96%	SGP	-7.43%
SSP	0.94%	MER	-7.07%
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SMC	0.68%	ALI	-6.46%
SLI	0.63%	ABS	-6.41%
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EMP	0.00%	RLC	-5.03%

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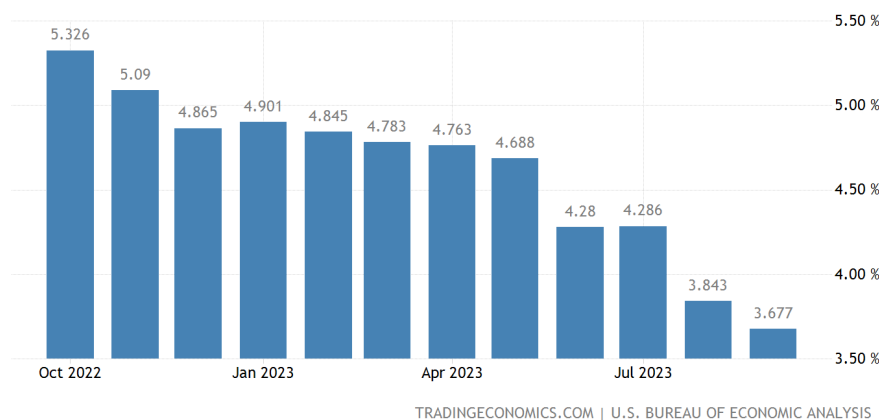
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## Key Economic Figures



➔ **PH budget deficit.** In September 2023, the government budget deficit in the Philippines increased by 39.6% to PHP250.9 billion compared to PHP179.8 billion in the same month the previous year. This marked the highest deficit figure since December 2022. The rise was primarily driven by an 8.1% growth in government expenditures, reaching PHP 506.3 billion, mainly due to spending on social protection and health programs. Meanwhile, revenues decreased by 11.6% to PHP255.4 billion, attributed to declines in both tax (-8.43%) and non-tax collections (-35.22%). However, for the January-September period, the country's budget deficit decreased by 2.9% to PHP983.5 billion, compared to PHP1,012.8 billion in the same period the previous year. *(Bureau of Treasury)*



➔ **US core PCE.** In September 2023, the US core PCE price index, which is the Federal Reserve's preferred measure of inflation, increased by 3.7% compared to the previous year. This was in line with market expectations and represented a slight slowdown from the revised 3.8% figure from the previous month. On a monthly basis, core PCE prices rose by 0.3%, showing an acceleration from the 0.1% increase observed in August. The headline PCE gauge, which includes all items, also rose by 0.4% month-over-month in September, matching August's increase and exceeding market forecasts of 0.3%. The annual PCE inflation rate was 3.4%, consistent with an upwardly revised figure from the previous month and in line with expectations. *(US Bureau of Economic Analysis)*

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## Market Outlook

### What You Need to Know

- ➔ The Philippine PSEi experienced a continuous decline over two days, pushing it below the 6,000-point mark. This drop was primarily due to the recent off-cycle interest rate hike by the Bangko Sentral ng Pilipinas (BSP), which negatively impacted investor sentiment. As a result, the PSEi reached its lowest level in over a year, marking its lowest finish since October 14, 2022.
- ➔ The number of coronavirus cases in the Philippines increased to 4,119,478 as of October 27 from 4,118,381 in the previous week. Active cases decreased to 2,929 from 3,024. There were 13 new deaths from COVID-19 last week, and the total increased to 66,736. Number of recoveries increased to 4,049,813 from 4,048,634.
- ➔ This coming week, US markets will see a flurry of earnings reports from major companies like Apple, Airbnb, AMD, and more. The US Federal Reserve is expected to maintain interest rates in its meeting, with focus on clues about future rate cuts. US job reports suggest a smaller increase in non-farm payrolls for October and steady unemployment. Europe expects a slowdown in inflation and potential GDP contractions. The Bank of England's monetary policy decision is a key point in the UK. In Asia, China's manufacturing sector is likely to expand, Japan watches the BoJ's decision, and several countries will release PMI and GDP data.
- ➔ On Tuesday, October 31, the Philippine financial markets will likely have a subdued session as they will be closed for public holidays on October 30, November 1, and November 2. Concerns about potential escalation in the Middle East situation and its impact on the oil supply chain are expected to keep investors cautious and on the sidelines during this time. Market activity is anticipated to pick up in the following week as investors turn their attention to the US Federal Reserve (Fed)'s policy decision and the Bangko Sentral ng Pilipinas (BSP)'s own meeting scheduled for mid-November.

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