MANDARIN SECURITIES CORPORATION

WEEKLY REPORT

November 12, 2023

Market Commentary

INDICES

Index	Prev	Last	% Chg
PSEi	5,989.27	6,161.89	2.88%
All Shares	3,263.05	3,316.86	1.65%
Financial	1,704.16	1,764.39	3.53%
Industrial	8,498.28	8,642.72	1.70%
Holding Firms	5,727.48	5,878.00	2.63%
Property	2,546.63	2,628.11	3.20%
Services	1,476.94	1,496.00	1.29%
Mining & Oil	9,807.15	9,693.13	-1.16%

➡ The PSEi gained 172.62 points or 2.88% week-on-week and finished last week at 6,161.89. The benchmark index continued to rally on the back of strong positive catalysts like the 3Q2023 GDP and October inflation data. The Philippine Peso appreciated to PHP55.96 from PHP56.10 against the US dollar. Net foreign buying amounted to PHP86.93 million. Mining&Oil (-1.16%) was the lone sector to decline, while Financial (+3.53%) and Property (+3.20%) led the gains. TUGS (+10.39%) and CHP (+8.75%) had the best week, while LPC (-14.06%) and AB (-6.72%) led the stock laggards. Some notable development were the following:

- The Bangko Sentral ng Pilipinas (BSP) Governor, Eli Remolona Jr., has reported that the Philippine financial system demonstrated continued resilience and played a pivotal role in supporting economic activity during the first half of the year. The banking sector maintained a strong balance sheet, profitability, sufficient capital and liquidity buffers, and provisions for potential losses. Banks saw their assets grow by 9.1% year-on-year to reach ₱23.3 trillion by the end of June, with loans accounting for much of the growth, financed primarily by deposits. The industry's loan book expanded by 8.8% to reach ₱12.7 trillion, benefiting from the full reopening of the domestic economy, which improved the credit climate.

- Preliminary data from the Philippine Statistics Authority (PSA) revealed that the country's trade deficit in goods for September has considerably narrowed, marking its lowest level in almost a year. The trade gap decreased by 27% year-on-year to $3.51 billion, compared to a $4.83-billion deficit in the same month the previous year and a revised $4.13- billion deficit in August. This reduction in the trade deficit is the most significant in 11 months, primarily due to a simultaneous drop in exports and imports. In September, merchandise exports contracted by 6.3% to $6.73 billion, reversing the 7.2% growth experienced in the same month the previous year. Meanwhile, imports saw a steeper decline of 14.7% annually to $10.24 billion in September, reversing the 14.4% growth in the same month a year ago and worsening from the 13% contraction in August.

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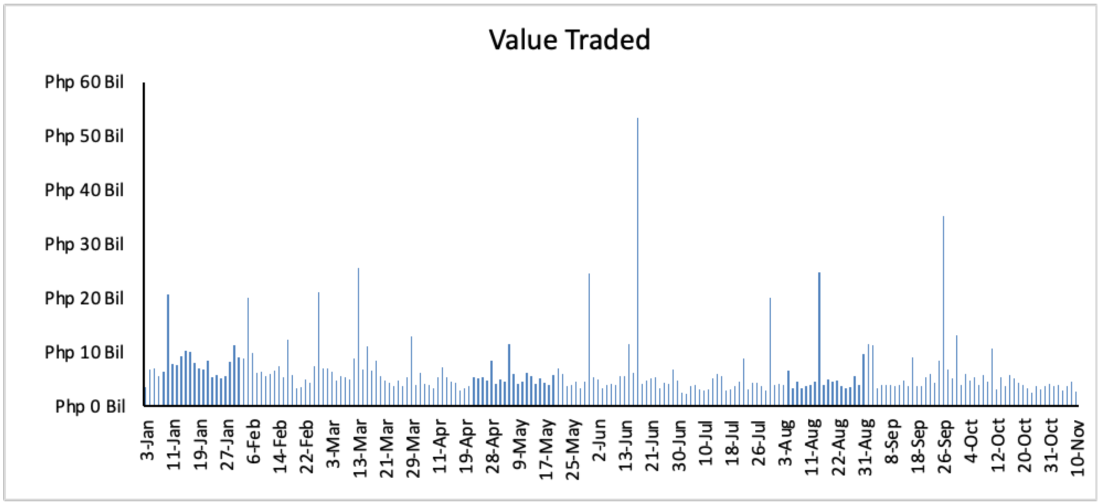
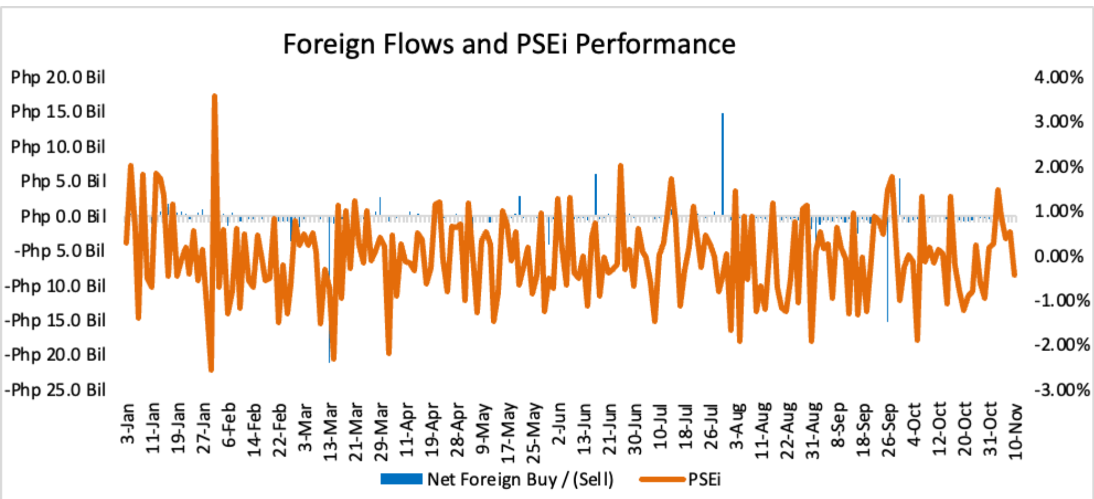
- Market turnover averaged PHP3.63 billion last week, lower than the PHP3.93 billion in the previous week which was shortened due to the barangay and SK elections along with the November 1 and 2 holidays.



- Last week logged a net foreign buying of PHP86.93 million, lower than the PHP922.54 million in the previous week.



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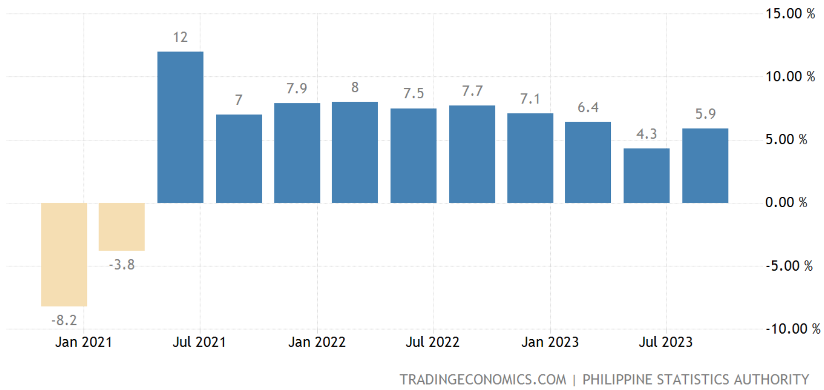
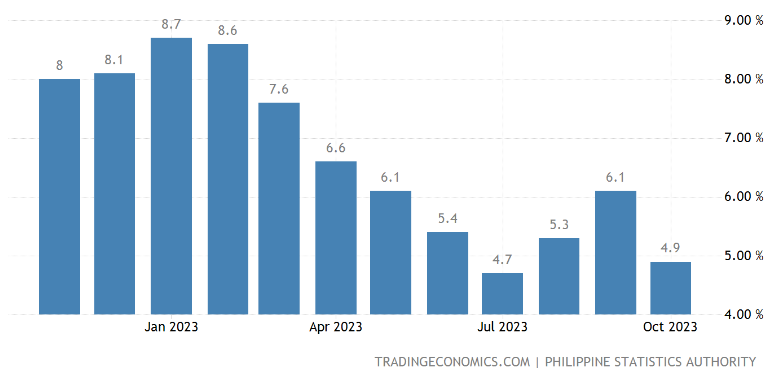
Key Economic Figures



➡ **PH GDP.** The Philippine economy expanded by 3.3% in 3Q2023 compared to a 0.7% contraction in the previous quarter and surpassing market expectations of a 2.0% rise. This marked the strongest expansion since the fourth quarter of 2021. The rebound was driven by a strong recovery in household consumption (4.8% vs -3.7% in Q2) and government spending (8.1% vs -5.4%). In terms of net trade, exports increased by 4.6% (vs 3.2%), while imports grew slightly lower at 4.4% (vs -2.8%). All main economic sectors experienced a rebound, with agriculture, forestry & fishing (1.4% vs -1.1%), industry (2.9% vs -0.6%), and services (3.8% vs -0.7%) contributing to the positive momentum. The industrial sector, particularly in construction, played a significant role in the rebound, alongside growth in transportation, retail trade, and financial activities within the services sector. *(Philippine Statistics Authority)*



➡ **PH inflation rate.** PH inflation rate. In October 2023, the Philippines' annual inflation rate eased to a three-month low of 4.9%, down from 6.1% in September and below market expectations of 5.6%. The decrease was primarily driven by a slowdown in the prices of food and non-alcoholic beverages (7.0% compared to 9.7% in September), attributed to lower inflation in vegetables, tubers, plantains, cooking bananas, and pulses (11.9% compared to 29.6%), and rice (13.2% compared to 17.9%). Additionally, costs decelerated for alcoholic beverages and tobacco (9.3% compared to 9.8%), transport (1.0% compared to 1.2%), and restaurant and accommodation services (6.3% compared to 7.1%). Core inflation, excluding food and fuel, also slowed to 5.3%, the lowest rate since September 2022. On a monthly basis, the Consumer Price Index (CPI) fell by 0.2%, following a 1.1% increase in the previous period. *(Philippine Statistics Authority)*

For the Week

TOP GAINERS		TOP LOSERS	
TUGS	10.39%	LPC	-14.06%
CHP	8.75%	AB	-6.72%
ROCK	8.33%	HOME	-5.30%
IMI	7.92%	ABS	-4.86%
AEV	7.00%	SGP	-4.52%
MONDE	6.08%	NIKL	-4.38%
MRSGI	6.03%	FNI	-4.28%
JGS	5.98%	ACEN	-4.09%
ALI	5.85%	RRHI	-4.06%
BLOOM	5.82%	PX	-3.45%
BPI	5.10%	FLI	-3.33%
BDO	4.53%	DNL	-2.85%
CNVRG	4.03%	MAXS	-2.75%
JFC	3.54%	AGI	-2.42%
LTG	3.53%	EEI	-2.19%
SMPH	3.29%	CNPF	-2.09%
FMETF	2.96%	TECH	-1.63%
MER	2.82%	SLI	-1.56%
URC	2.63%	APX	-1.54%
DD	2.50%	PNB	-1.50%

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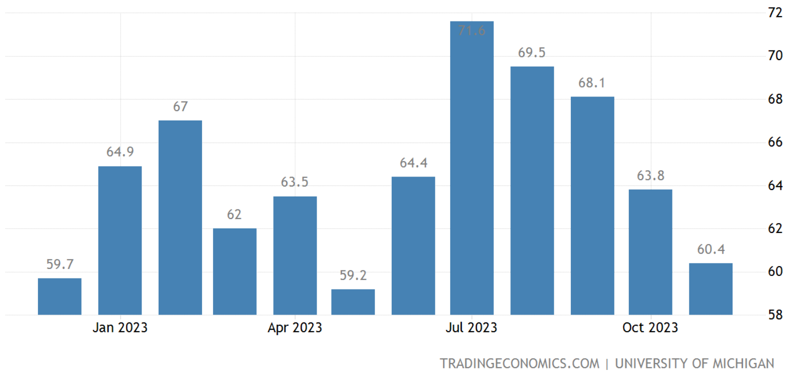

➡ **<u>US Michigan consumer sentiment.</u>** In November 2023, the University of Michigan consumer sentiment index for the US dropped to 60.4, marking a six-month low, compared to October's 63.8 and forecasts of 63.7 according to preliminary estimates. The gauge reflecting current economic conditions fell to 65.7 from 70.6, and the one for consumer expectations decreased to 56.9 from 59.3. The decline is attributed to rising concerns about the adverse impacts of high interest rates and ongoing conflicts in Gaza and Ukraine. Additionally, inflation expectations for the year ahead increased for the second consecutive month, reaching 4.4%, the highest since April. Expectations for the five-year outlook also rose to 3.2%, a level not seen since March 2011. Gas price expectations, both short-term and long-term, reached their highest readings this year. *(University of Michigan)*

➡ **<u>UK GDP growth rate.</u>** In the third quarter of 2023, the UK economy experienced stagnation, marking its weakest performance in four quarters. Despite expectations of a 0.1% contraction, first estimates revealed that the economy managed to avoid contraction. Output-wise, the services sector saw a 0.1% decline, driven by real estate and transportation and storage, while construction output increased by 0.1%, and production sector output remained broadly flat. On the expenditure side, a rise in the volume of net trade was counteracted by declines in business investment (-4.2%), household spending (-0.4%), and government consumption (-0.5%). Compared to the same quarter the previous year, GDP grew by 0.6%. These Q3 figures align with the Bank of England's early November projections, reflecting the impact of high inflation and interest rates. The central bank anticipates a modest 0.1% rise in the economy for the last quarter of the year. *(UK Office for National Statistics)*

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Market Outlook

What You Need to Know

- The PSEI sustained its momentum from the previous week and surged by 2.88%. The local GDP growth and inflation numbers came in better than expectations which lifted market sentiment. The slight easing of bond yields also benefited equity markets globally. Other indices in the US and Asia-Pacific also posted strong results last week.

- The number of coronavirus cases in the Philippines increased to 4,121,325 as of November 9 from 4,120,411 in the previous week. Active cases decreased to 2,895 from 2,792. There were 10 additional deaths from COVID-19 recorded last week, and the total figure remained at 66,746. Number of recoveries increased to 4,051,684 from 4,050,883.

- This coming week, the focus in the US will be on the eagerly anticipated inflation rate data, along with retail sales and more speeches by Fed officials. Other key indicators include producer prices, industrial production, export and import prices, and housing-related data such as building permits and housing starts. The earnings season will continue with reports from major companies like Home Depot, Cisco, TJX, Walmart, and Applied Materials. In Europe, attention will turn to the UK for updates on inflation rates, retail sales, and the unemployment rate. China will be in the spotlight with releases on new yuan loans, industrial production, retail sales, and fixed asset investment. 3Q2023 GDP growth rates for Japan, the Netherlands, Poland, Russia, and Malaysia will be unveiled. Germany will release the ZEW Economic Sentiment Index, India will provide inflation rate data, and Australia will update Westpac Consumer Confidence and NAB Business Confidence.

- The outlook for the PSEi in the upcoming week will likely be contingent on key events, particularly the release of US inflation data and the Bangko Sentral ng Pilipinas (BSP) policy meeting. Depending on these catalysts, the benchmark index could potentially challenge higher resistance levels. It has been unable to break through the 6,200-level in recent rallies. The recent strong rebound in the market, driven by positive surprises in local inflation and GDP prints, has heightened investor interest. However, sustainability will be a focal point, with attention to more positive data surprises, potential reallocation, and window dressing activities in December, all of which could impact the market's trajectory.