



## Market Commentary



## INDICES

Index	Prev	Last	% Chg
PSEi	6,269.50	6,245.18	-0.39%
All Shares	3,348.22	3,332.22	-0.48%
Financial	1,745.72	1,735.41	-0.59%
Industrial	8,926.32	8,746.27	-2.02%
Holding Firms	5,976.28	5,918.20	-0.97%
Property	2,689.88	2,745.85	2.08%
Services	1,521.29	1,520.21	-0.07%
Mining & Oil	9,660.30	9,633.51	-0.28%

➔ The PSEi fell by 24.32 points or 0.39% week-on-week and ended at 6,245.15 last Friday. Profit taking pulled the local bourse down as it awaits other key catalysts like the PH inflation data to be released this week. The Philippine Peso weakened to PHP55.40 from PHP55.38 against the US dollar. Net foreign buying amounted to PHP1.94 billion. Property (+2.08%) was the lone sector to advance. Industrial (-2.02%) had the biggest drop while the rest had sub-1% contractions. AB (+20.00%) and HOUSE (+8.92%) had the best week, while MAXS (-9.86%) and LPC (-7.02%) led the stock laggards. Some notable developments were the following:

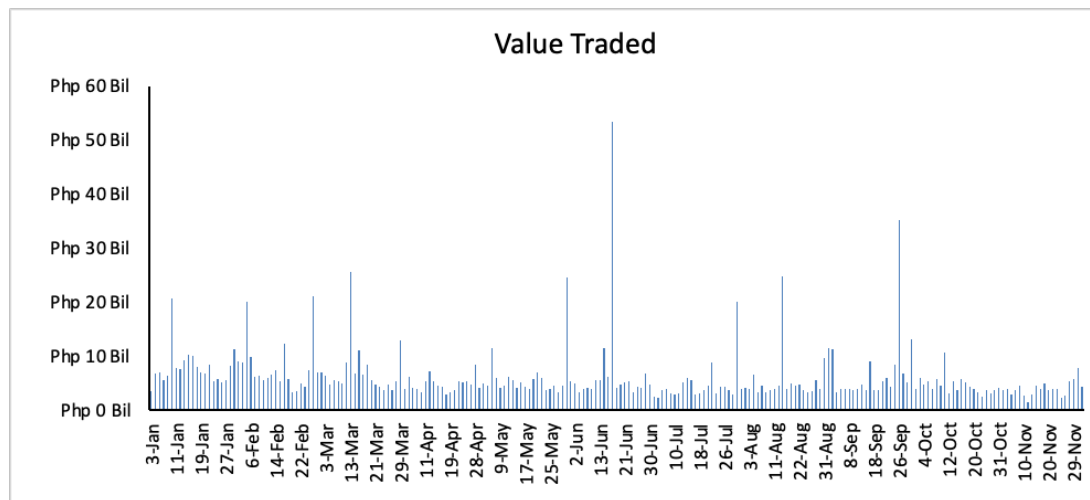
- In October, the Philippines' budget deficit significantly narrowed compared to the previous year as revenue growth outpaced government spending. The budget gap contracted by 65.27% year-on-year to ₱34.4 billion from ₱99 billion in October 2022. This reduction was also notably smaller than the ₱250.9 billion gap recorded in September 2023. Despite the continued deficit, the government remains within its deficit cap for the year, with the January to October budget gap amounting to ₱1.02 trillion, accounting for only 68% of the ₱1.5 trillion deficit limit set for 2023.
- S&P Global Ratings has affirmed the Philippines' investment-grade rating at BBB+ with a stable outlook, citing the country's above-average economic growth potential. Despite an anticipated economic slowdown, the Philippines is expected to grow by 5.4% in 2023, slower than the 7.6% in 2022 and the 6-7% target for the current year. S&P forecasts the country's fiscal deficit to narrow to 3.8% of GDP in 2023 from 4.4% the previous year, but the restoration of pre-pandemic fiscal and debt settings could be challenging due to factors like elevated inflation and supply-chain disruptions. The credit rater also scored the Philippines' banking industry favorably at 5, reflecting stable macroeconomic conditions, but it anticipates a moderate increase in nonperforming loans amid higher interest rates and inflation. The Philippines currently falls short of an "A" rating from major debt watchers, holding a "Baa2" from Moody's Investors Service, "BBB+" from S&P, and "BBB" from Fitch Ratings, all with a stable outlook.

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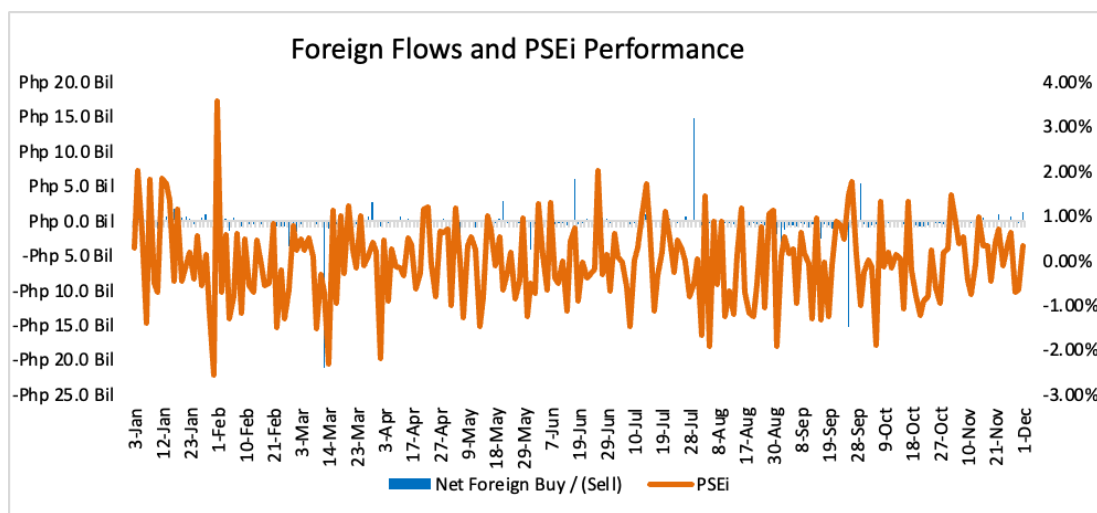
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- ➔ Market turnover averaged PHP5.85 billion last week (November 28-December 1), higher than the PHP3.33 billion in the week of November 20-24.



- ➔ Last week logged a net foreign buying of PHP1.94 billion million higher than the PHP998.27 million in the previous week.



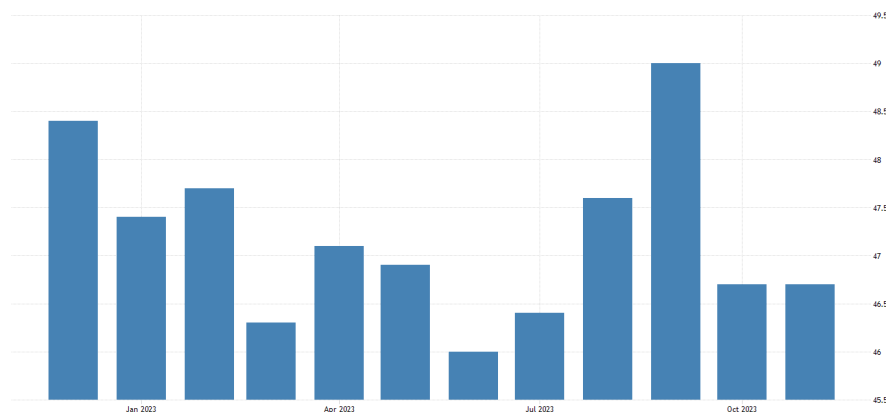
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## Key Economic Figures



- ➔ **10-year US Treasury yield.** The yield on the US 10-year Treasury note dropped to 4.2%, nearing a three-month low, as investors maintained the belief that the Fed has concluded its tightening cycle. Despite Fed Chairman Powell's recent comments resisting expectations of rate cuts, his emphasis on the policy being "sufficiently" restrictive contributed to the market's perception that the Fed might have completed its series of rate hikes. Additionally, recent economic data, including a lower-than-expected ISM Manufacturing PMI for November and multiple indicators of a slowing economy, reinforced the notion that the overall economic activity is decelerating. *(US Department of the Treasury)*



- ➔ **US ISM manufacturing PMI.** The ISM Manufacturing PMI for November 2023 remained unchanged at 46.7, the same as October and below expectations of 47.6, signaling continued contraction in the manufacturing sector. Production and employment declined further, while the Supplier Deliveries Index indicated faster deliveries for the 14th consecutive month. On a positive note, new orders and inventories contracted at a slower pace, and prices fell less, suggesting price stability due to easing in energy markets, although steel markets experienced increases. The decrease in manufacturing supplier lead times is viewed as a positive indicator for future economic activity. *(Institute for Supply Management)*

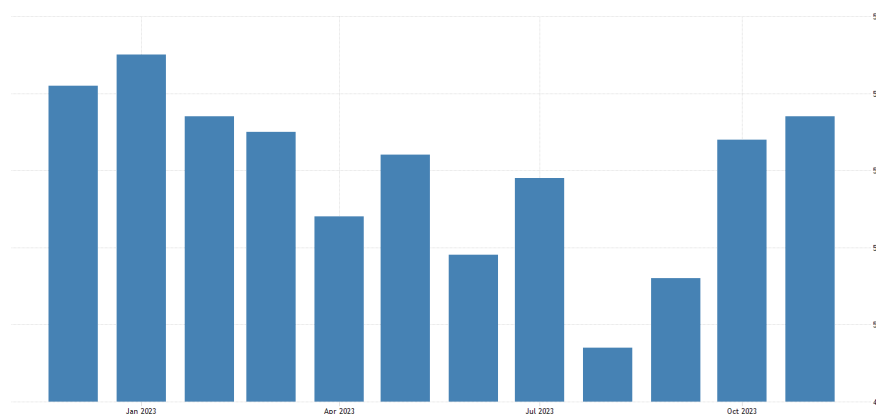
## For the Week

TOP GAINERS		TOP LOSERS	
AB	20.00%	MAXS	-9.86%
HOUSE	8.92%	LPC	-7.02%
WLCON	6.60%	RCB	-6.95%
STR	5.60%	URC	-6.61%
DD	4.14%	SSP	-6.10%
ALI	3.68%	AGI	-5.78%
CNVRG	3.54%	SSI	-5.30%
APX	3.23%	FGEN	-5.24%
SHNG	2.22%	BLOOM	-4.71%
SMPH	1.54%	TUGS	-4.49%
JGS	1.43%	GTCAP	-4.46%
CNPF	1.32%	SEVN	-4.38%
DDPR	1.28%	SPC	-4.34%
PCOR	1.19%	TECH	-4.12%
SMCZF	1.11%	UBP	-3.81%
BPI	1.06%	CHP	-3.75%
SMC	0.94%	AEV	-3.39%
MRSGI	0.82%	MBT	-3.37%
ICT	0.64%	RRHI	-3.19%
AP	0.55%	SHLPH	-3.17%

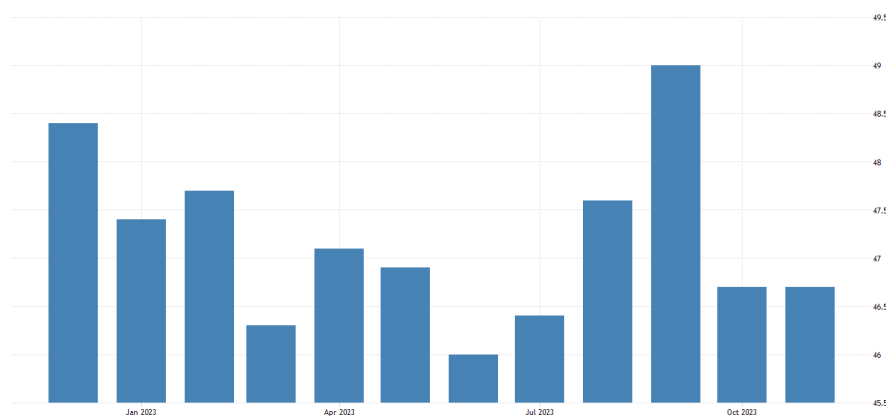
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## Key Economic Figures



➔ **PH manufacturing PMI.** In November 2023, the S&P Global Philippines Manufacturing PMI increased to 52.7, showcasing robust operating conditions and the fastest growth in ten months. The improvement was driven by stronger demand, resulting in quicker expansions in new orders and output. However, caution towards overstocking led to declines in buying activity and employment. Despite the overall growth, cost burdens increased at the slowest pace in over three years. In terms of outlook, optimism persisted among Filipino manufacturers, with 46% anticipating an expansion in output in the next 12 months, though confidence levels remained historically subdued. *(S&P Global)*



➔ **PH producer price index.** In October 2023, producer prices in the Philippines experienced a 0.3% year-on-year decline, marking the second consecutive month of deflation. The decrease was attributed to lower costs in various sectors, including the manufacture of coke and refined petroleum, transport equipment, chemicals, basic metals, wood, bamboo, cane, and electrical equipment. However, certain categories saw price increases, such as basic pharmaceutical products, printing and recorded media, furniture, leather and related products, fabricated metal products, tobacco products, food products, and beverages. On a monthly basis, the producer price index remained nearly unchanged for the second consecutive month. *(Philippine Statistics Authority)*

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## Market Outlook

### What You Need to Know

- ➔ The PSEi had its first losing week in the last five as more investors finally opted to book gains from the long rally. Still, overall sentiment remains upbeat heading to December. Strong foreign buying are positive indicators that interest on the local bourse could be starting to turn.
- ➔ The number of coronavirus cases in the Philippines increased to 4,125,083 as of December 1 from 4,123,920 last November 24. Active cases decreased to 3,186 from 3,226. There were 11 new deaths from COVID-19 recorded last week, and the total figure has gone up to 66,766. Number of recoveries increased to 4,055,131 from 4,053,939.
- ➔ This week in the United States, focus will be on the jobs report, JOLTs job openings, ISM Services PMI, and Michigan consumer sentiment. Projections suggest an increase in nonfarm payrolls, an unchanged jobless rate, and slowing wage growth. Key data also include ADP employment change, foreign trade, factory orders, economic optimism index, and the final readings for 3Q2023 productivity. In Europe, Germany's trade data for October, industrial production, and factory orders take the spotlight. The eurozone anticipates retail sales growth in October and confirmation of a slight contraction in 3Q2023 GDP. In China, November trade figures will provide insights into the impact of recent economic stimulus. South Korea will also release its November inflation data. In Australia, the Reserve Bank of Australia is expected to keep rates steady, and 3Q2023 GDP will be closely watched after October's inflation surprise.
- ➔ For this week, trading activity may continue to increase given the historically strong performance of the local bourse in December. The higher market turnover last week could be a sign of increased investors' participation. Key economic indicators coming out are the PH November inflation data and the US Job Openings and Labor Turnover Survey (JOLTS) for October. The former is set to be released on Tuesday, while the latter will be put out later that day as well. The market is holding strong at the 6,200-level with strong resistance still being had at the 6,300-level despite a breakthrough last week. Another cooldown in the local inflation may incentivize the Bangko Sentral ng Pilipinas (BSP) to keep rates steady at its next policy meeting on December 14. Furthermore, a cooling US labor market could give the idea that the Fed is done with interest rate hikes more traction. The prevailing market narrative continues to favor equities. With inflation cooling, interest rates appearing to have peaked, and bond yields continuing to ease, we might see a continued strong recovery in the equity markets. If key economic indicators further support the current narrative, then it could build a strong foundation for a more consistent rally.

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