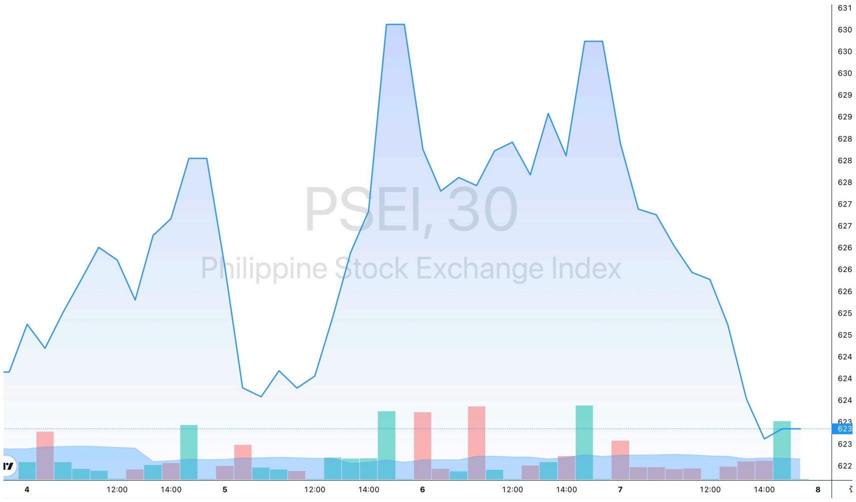
WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

December 10, 2023

Market Commentary



INDICES

Index	Prev	Last	% Chg
PSEi	6,245.18	6,234.77	-0.17%
All Shares	3,332.22	3,329.58	-0.08%
Financial	1,735.41	1,705.73	-1.71%
Industrial	8,746.27	8,762.70	0.19%
Holding Firms	5,918.20	5,912.04	-0.10%
Property	2,745.85	2,744.38	-0.05%
Services	1,520.21	1,541.36	1.39%
Mining & Oil	9,633.51	9,640.50	0.07%

➡ The PSEi inched down by 10.41 points or 0.17% week-on-week and ended at 6,234.77 last Thursday. Profit taking continued to pull the benchmark index down last week as investors prepare for stronger catalysts this week, both overseas and domestically. The Philippine Peso strengthened to PHP55.30 from PHP55.40 against the US dollar. Net foreign buying amounted to PHP73.16 million. Sectors had mixed results with Financial (-171%) dropping the most and Services (+1.39%) having the biggest advance. CNPF (+5.84%) and DNL (+4.43%) had the best week, while HOME (-7.69%) and GSMI (-5.91%) led the stock laggards. Some notable developments were the following:

- The Philippines' national debt soared to a new peak of ₱14.48 trillion in October, reflecting a 1.49% increase from September, driven by elevated domestic and foreign borrowings, coupled with the peso's depreciation against the US dollar. The YoY expansion was 6.16%, rising from ₱13.64 trillion. In October, the government added ₱212.3 billion to the debt pile, a result of net issuances and availments of loans, including retail dollar bonds, along with the peso's revaluation due to depreciation against the dollar.

- The Philippine government successfully borrowed ₱20 billion in long-term securities through the reissued 10-year T-bonds, marking the first T-bond auction for December. The Bureau of the Treasury fully awarded the amount for the bonds, which have a remaining life of 9 years and 8 months. The average rate for the 10-year T- bonds inched up to 6.224% during the auction, a slight increase of 1.1 basis points from the 6.213% BVAL Reference Rate.

- European Union (EU) legislators have extended the existing Generalised Scheme of Preferences Plus (GSP+) deal with the Philippines for 4 years without modifications. The GSP+ offers zero-duty access for 6,274 Philippine-made products, contingent on adherence to 27 international conventions related to human rights, labor rights, climate acton, and good governance. The extension, formally approved by the EU a few weeks ago, ensures the continuation of preferential exports from the Philippines until 2027, providing an opportunity for the country to explore further utilization of the trading scheme in the European market.

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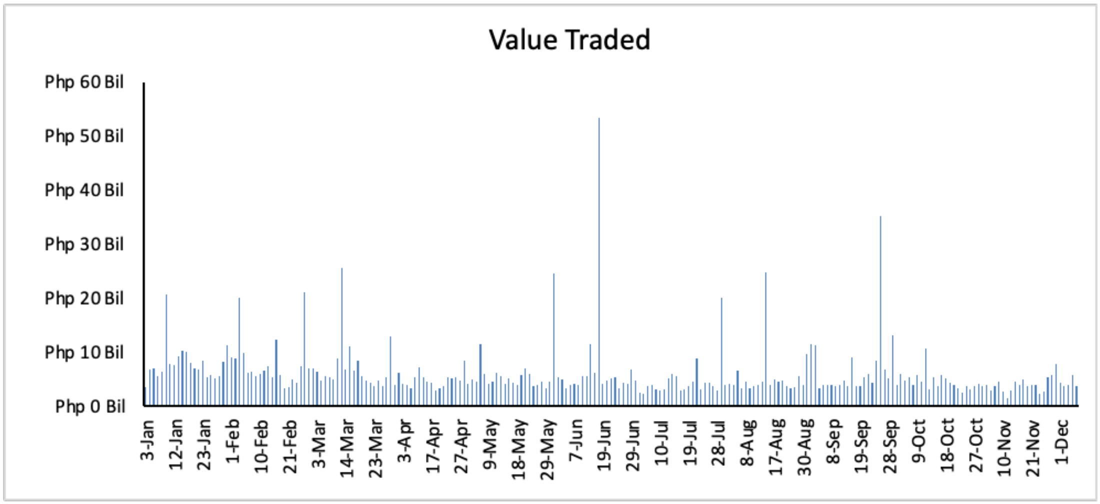
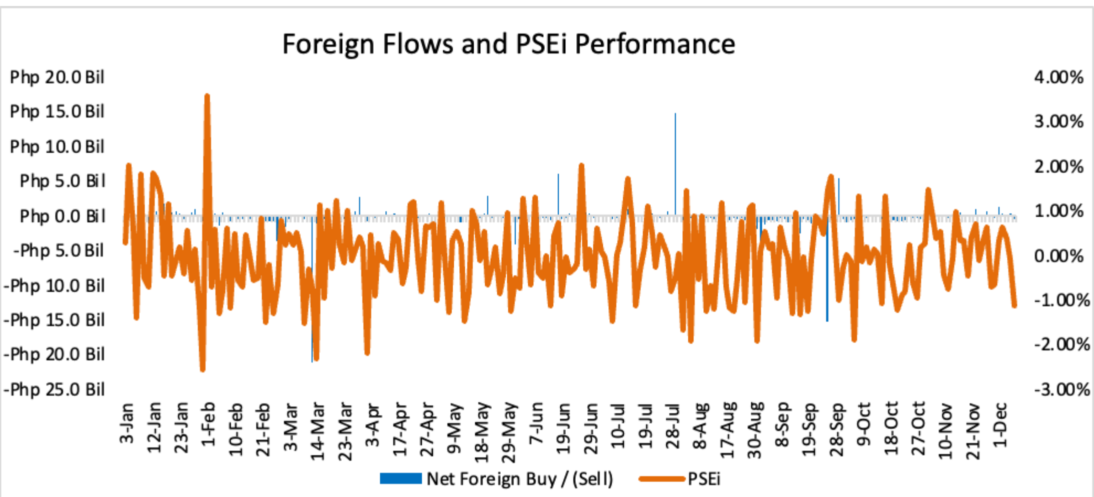
➡ Market turnover averaged PHP4.28 billion last week (December 4-7), higher than the PHP5.85 billion in the week of November 28-December 1.



➡ Last week logged a net foreign buying of PHP73.16 million, lower than the PHP1.94 billion in the previous week.



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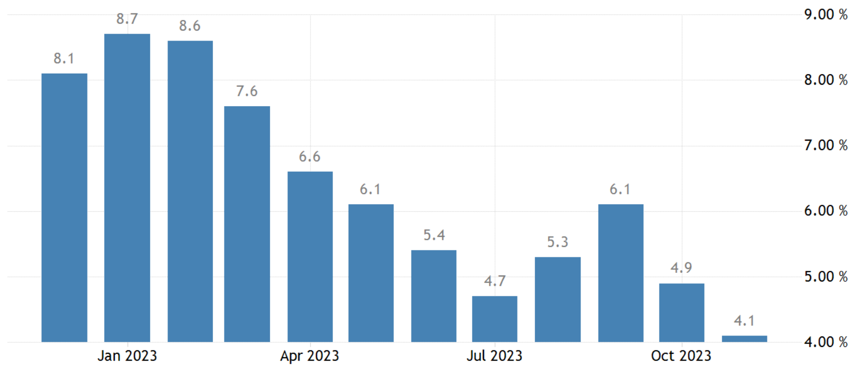
Key Economic Figures



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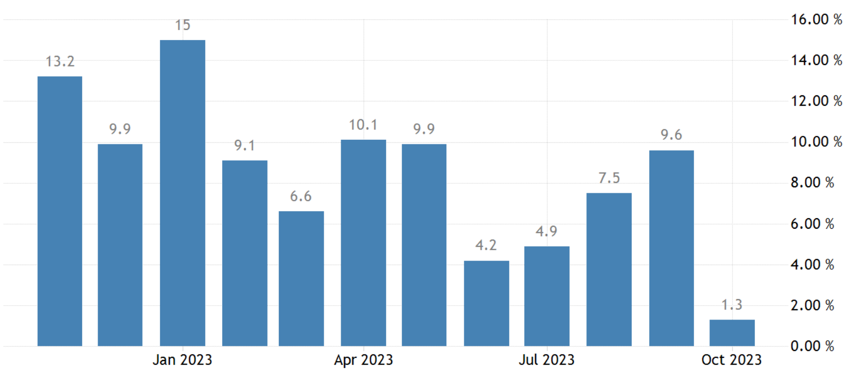
➡ **<u>PH inflation rate.</u>** In November 2023, the Philippines experienced a deceleration in its annual inflation rate, slowing to 4.1% from the previous month's 4.9%, and falling below market estimates of 4.3%. This marked the lowest inflation rate since March 2022, primarily attributed to reduced inflation in food & non-alcoholic beverages (5.7% vs 7.0% in October) and a decline in transport prices (-0.8% vs 1.0%). Additionally, various sub-indexes, including restaurant & accommodation services, clothing & footwear, and furnishings, household equipment, and maintenance, contributed to the overall easing of costs. Meanwhile, core inflation, excluding food and fuel, decelerated to 4.7% from the previous 5.3%, reaching its lowest point since August 2022. On a monthly basis, the Consumer Price Index (CPI) increased by 0.2%, reversing a 0.2% decline in October. *(Philippine Statistics Authority)*



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➡ **<u>PH manufacturing production.</u>** Manufacturing production growth in the Philippines decelerated significantly to 1.3% year-on-year in October 2023, marking the smallest increase since March 2021. This slowdown comes after an upwardly revised 9.6% growth in September. The diminished growth was largely driven by declines in various industry divisions, including the manufacture of beverages, wood products, and food products. Additionally, reductions were observed in the production of chemicals, wearing apparel, machinery, equipment, and fabricated metal products. Despite these contractions, certain sectors such as coke and refined petroleum products, electrical equipment, and printing & reproduction of recorded media continued to experience growth. *(Philippine Statistics Authority)*

For the Week

TOP GAINERS		TOP LOSERS	
CNPF	5.84%	HOME	-7.69%
DNL	4.43%	GSMI	-5.91%
ICT	4.19%	CNVRG	-5.77%
GTCAP	4.11%	MRSGI	-4.88%
RCB	4.07%	SSI	-4.48%
PNX4	3.65%	ACEN	-4.37%
AP	3.55%	EW	-4.22%
RLC	3.43%	PLC	-3.39%
SMC	2.87%	PAL	-3.35%
SECB	2.65%	BDO	-3.13%
MBT	2.49%	MAXS	-3.13%
AEV	2.34%	JGS	-3.08%
ROCK	2.22%	DD	-2.89%
SLI	2.17%	CHP	-2.60%
SPC	2.06%	BPI	-2.49%
NIKL	2.00%	PRF3A	-2.46%
LPC	1.89%	VLL	-2.42%
AGI	1.77%	WLCON	-2.38%
CLI	1.61%	AC	-2.29%
MER	1.53%	MONDE	-2.07%

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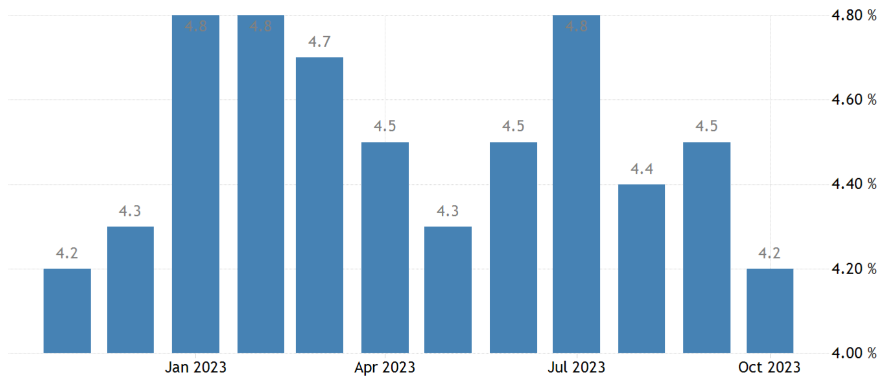

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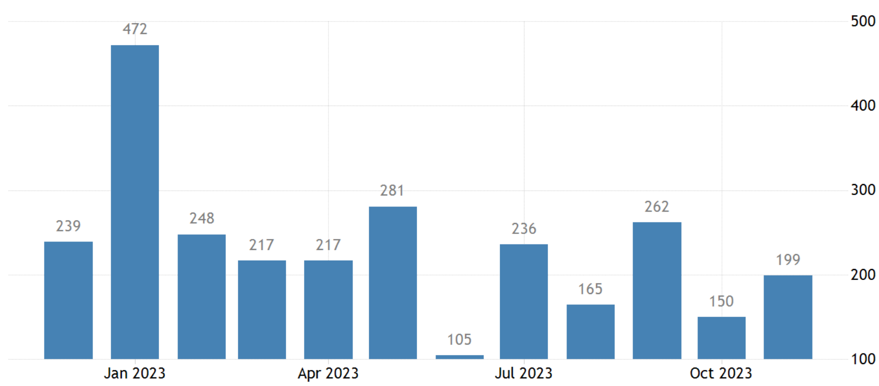
➡ **PH unemployment rate.** In October 2023, the Philippines reported a decline in its unemployment rate to 4.2%, compared to 4.5% in the corresponding month the previous year. This marked the lowest unemployment rate since November 2022, with the number of unemployed individuals decreasing to 2.09 million from 2.24 million in October 2022. Concurrently, employment rose to 48.7 million from 47.1 million in the same period a year earlier. The services sector represented the largest portion of employment at 60.1%, followed by agriculture at 22.2%, and industry at 17.8%. However, the labor force participation rate slightly decreased to 63.9% from 64.1% year-on-year. *(Philippine Statistics Authority)*



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➡ **US nonfarm payrolls.** In November 2023, the US economy added 199,000 jobs, surpassing October's 150,000, but falling short of the recent average monthly gain of 240,000. Health care led the job additions with 77,000, primarily in ambulatory health care services, hospitals, and nursing care facilities. Government payrolls increased by 49,000, driven by local and state government hiring. Manufacturing employment rose by 28,000, with automobile workers returning after the UAW strike resolution, while retail trade saw a decline of 38,000 jobs. (*US Bureau of Labor Statistics)*

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➡ **US unemployment rate.** In November 2023, the unemployment rate in the United States dropped to 3.7%, down from 3.9% in the previous month, reaching the lowest level since July and surpassing market expectations that it would remain unchanged at 3.9%. This reversal marked a departure from the recent trend of a slowing labor market. The number of unemployed individuals decreased by 215 thousand to 6.291 million, while the count of employed individuals surged by 757 thousand to 161.969 million. The decline in the unemployment rate persisted despite an increase in the labor force (up by 0.1 percentage points to 62.8%), and the employment rate rose by 0.3 percentage points to 60.5%. *(US Bureau of Labor Statistics)*

➡ **US Michigan consumer sentiment.** In December 2023, the University of Michigan's US consumer sentiment rose sharply to 69.4, exceeding market expectations and reaching its highest level since August. This surge was primarily driven by positive changes in inflation expectations, with anticipated one-year inflation dropping to 3.1%, the lowest since March 2021. The five-year outlook for inflation also decreased to 2.8%, matching the second lowest reading since July 2021. Concurrently, the assessments of current economic conditions and consumer expectations both experienced substantial increases. Despite this improvement, US consumer sentiment remains about 39% above the all-time low in June 2022 but remains below pre-pandemic levels. *(University of Michigan)*

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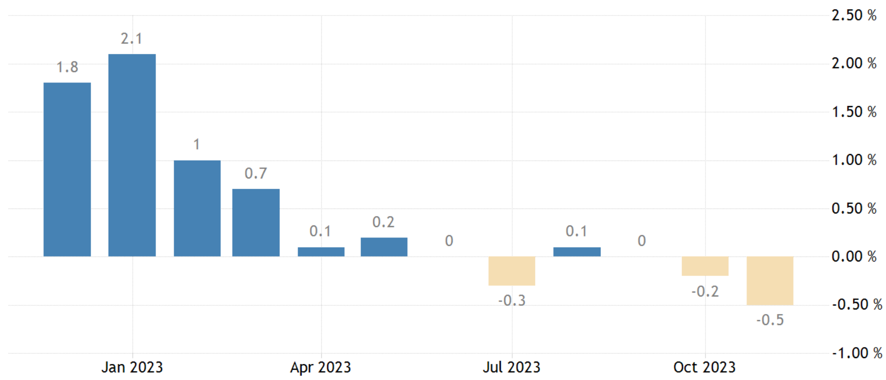

➡ **China inflation rate.** In November 2023, China's consumer prices experienced a steeper year-on-year decline of 0.5%, contrasting with a 0.2% drop in the previous month and surpassing market expectations of a 0.1% fall. This marked the most rapid decline in the Consumer Price Index (CPI) since November 2020. The substantial decrease was attributed to a sharp fall in food prices, particularly a notable decline in pork prices (-4.2% vs -4.0% in October), reaching the strongest pace in over two years. Conversely, non-food inflation slowed notably (0.4% vs 0.7%), influenced by a moderation in education costs (1.8% vs 2.3%) and a faster drop in transport prices (-2.4% vs -0.9%). Core consumer prices, excluding food and energy, remained stable with a 0.6% year-on-year increase in November, mirroring the October figure. On a monthly basis, the CPI also decreased by 0.5%, contrasting with consensus expectations and October's 0.1% decrease. (*National Bureau of Statistics of China)*

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Market Outlook

What You Need to Know

➡ The PSEi posted a second consecutive losing week as investors continued to take profits ahead of the much-awaited US Federal Reserve (Fed) and Bangko Sentral ng Pilipinas (BSP) policy meetings this week. Positive catalysts like the continued cooling of local inflation along with a higher purchasing managers' index (PMI) growth lifted the markets early last week. However, profit taking pulled it below the 6,300-level towards the end.

➡ The number of coronavirus cases in the Philippines increased to 4,126,460 as of December 7 from 4,125,083 December 1. Active cases increased to 3,568 from 3,186. There were 13 new deaths from COVID-19 recorded last week, and the total figure has gone up to 66,779. Number of recoveries increased to 4,056,113 from 4,055,131.

➡ This week's focus centers on the Fed's final policy meeting of 2023, with expectations of maintaining interest rates. Analysts will scrutinize the Fed's statement and Chairman Jerome Powell's press conference for clues on potential rate cuts in 2024. Key US data includes inflation indicators, with a 0.1% forecasted increase in consumer prices for November, along with retail sales and industrial activity figures. In Europe, the European Central Bank (ECB) and Bank of England (BoE) are expected to keep interest rates stable. Flash S&P purchasing managers' index (PMI) readings for the eurozone, Germany, and France are anticipated, reflecting continued contraction in private sector activity but at a slower pace. The UK will release reports on employment, growth, and consumer sentiment. In China, economic indicators for November, such as industrial production and retail sales, will provide insights into the impact of recent stimulus measures.

➡ For this week, market focus lies in the upcoming policy meetings of the Fed and the BSP which are expected to provide insights into the direction of benchmark interest rates globally and locally. The Federal Open Market Committee is set to conduct its final review for the year on December 12-13 (US time), followed by the BSP's Monetary Board meeting on December 14. Investors are keenly watching for signals of easing, which could bolster market optimism, or indications of further tightening that might weigh on sentiment. While the BSP is anticipated to maintain rates, the market is eager for cues on the potential timing of rate cuts from both the Fed and BSP. Additionally, attention will be directed toward upcoming data on foreign trade, foreign investment, and overseas Filipino workers' cash remittances for insights into the local economy.

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