WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

December 17, 2023

Market Commentary

INDICES

Index	Prev	Last	% Chg
PSEi	6,234.77	6,478.44	3.91%
All Shares	3,329.58	3,409.55	2.40%
Financial	1,705.73	1,720.57	0.87%
Industrial	8,762.70	8,963.42	2.29%
Holding Firms	5,912.04	6,395.16	8.17%
Property	2,744.38	2,811.38	2.44%
Services	1,541.36	1,563.86	1.46%
Mining & Oil	9,640.50	9,521.86	-1.23%

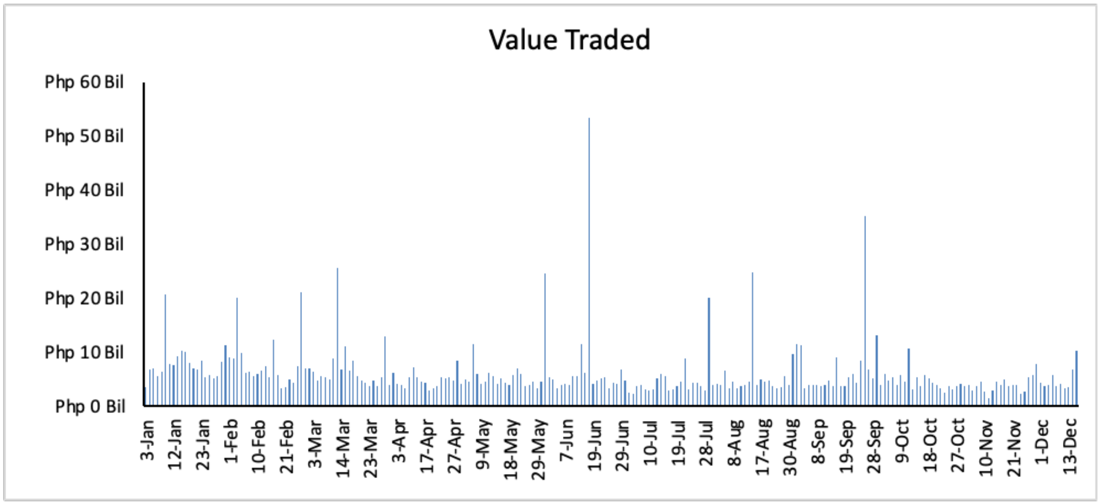
➡ The PSEi surged by 243.67 points or 3.91% week-on-week and ended at 6,478.44 last Friday. Market sentiment greatly improved after the US Federal Reserve (Fed) announced that the its monetary tightening cycle is at an end and its planned rate cuts for the next 3 years are in place. The Philippine Peso depreciated to PHP55.655 from PHP55.30 against the US dollar. Net foreign selling amounted to PHP74.43 million. Mining&Oil (-1.23%) was the only sector to decline, while Holding Firms (+8.17%) was the top performer. CHP (+21.33%) and AC (+14.84%) had the best week, while AB (-14.94%) and FNI (-14.29%) led the stock laggards. Some notable developments were the following:

- In September, the Philippines experienced a sharp decline in net foreign direct investment (FDI) inflows, dropping by 42.2% to $422 million compared to $731 million in the same month the previous year. This is also a 46.5% decrease from the $790 million recorded in August. The September figure represents the lowest monthly net FDI inflow in over three years since April 2020 during the height of the COVID-19 pandemic lockdowns. The slump is attributed to global economic uncertainties, potential recessions, trade disputes, domestic policy shifts, and currency fluctuations that have dampened investor confidence. For the first nine months of 2023, FDI net inflows declined by 15.9% to $5.88 billion compared to $6.99 billion in the same period last year.

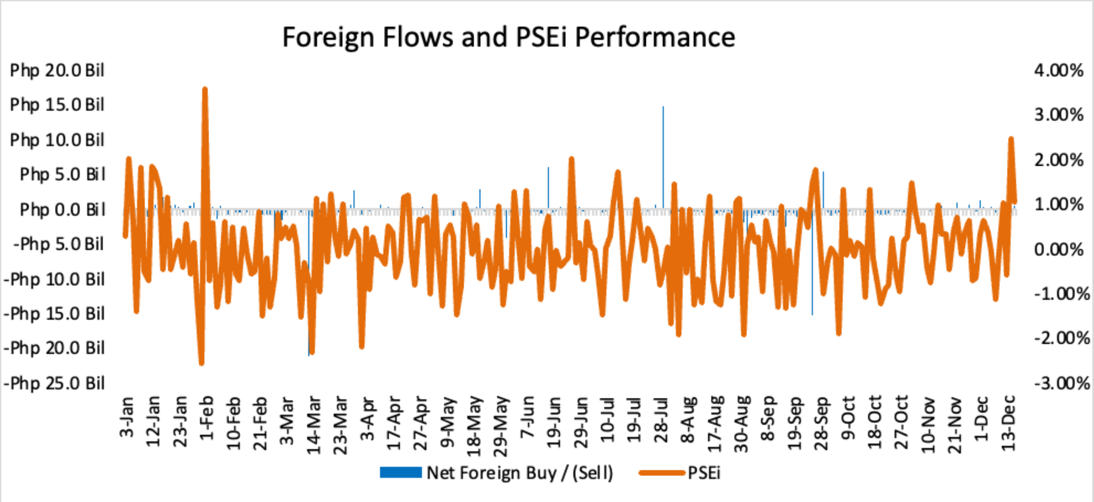
- In October, the nonperforming loan (NPL) ratio in the Philippine banking industry reached its highest level in five months, rising to 3.44%, influenced by increasing soured loans resulting from elevated borrowing costs. Preliminary data from the Bangko Sentral ng Pilipinas (BSP) indicates that the gross NPL ratio inched up from 3.4% in September to 3.44% in October, representing the highest bad loan ratio since May. The total bad loans increased by 9.2% to ₱449.435 billion ($8.7 billion) year-on- year, indicating the impact of rising interest rates, which have escalated the costs for borrowers and squeezed profit margins, leading to difficulties in debt repayment.

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

➡ Market turnover averaged PHP5.57 billion last week (December 11-15), higher than the PHP4.28 billion in the week of December 4-7. Activity picked up from Wednesday-Friday as a slew of much-awaited monetary policy developments materialized.



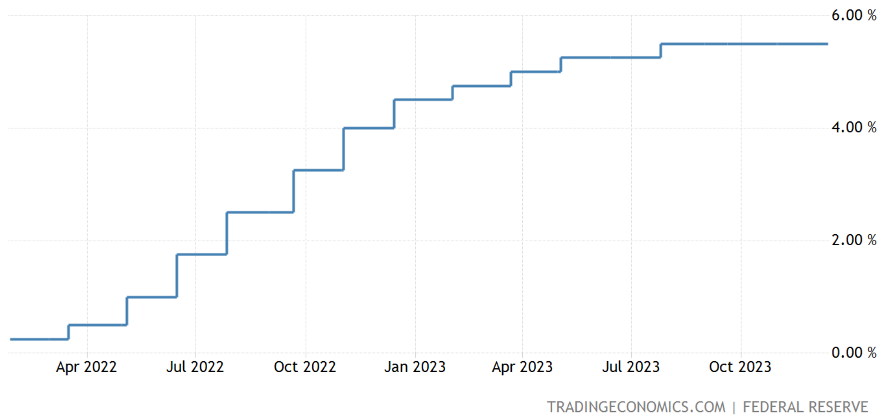
➡ Last week logged a net foreign selling of PHP74.43 million, contrary to the net foreign buying of PHP73.16 million in the previous week.



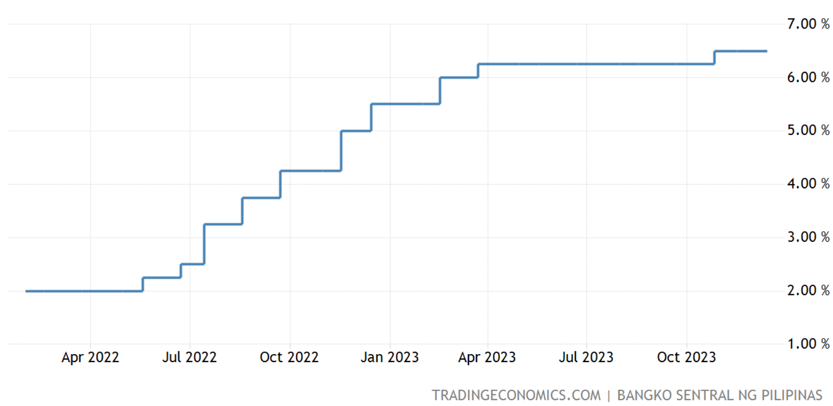
MANDARIN SECURITIES CORPORATION

December 17, 2023

Key Economic Figures



➡ **Fed benchmark rate.** In December 2023, the US Federal Reserve opted to maintain the fed funds rate at 5.25%-5.5%, consistent with expectations, marking the third consecutive meeting without a rate change. While acknowledging a slowdown in economic growth and moderated job gains, the central bank highlighted ongoing strength in the job market. Inflation, while easing over the past year, was noted to remain elevated. The Fed released updated projections, revealing a higher GDP growth forecast for 2023 (2.6% compared to the previous estimate of 2.1%) but a slightly lower projection for 2024 (1.4% versus 1.5%). Projections for PCE inflation were revised downward for both 2023 (2.8% versus 3.3%) and 2024 (2.4% versus 2.5%), along with core PCE inflation expectations. The dot plot indicated a median year-end 2024 projection for the federal funds rate at 4.6%, down from the September estimate of 5.1%. Notably, the central bank hinted at potential 75 basis points in rate cuts in 2024. *(US Federal Reserve)*



➡ **PH benchmark rate.** In December 2023, the Bangko Sentral ng Pilipinas (BSP) maintained its benchmark interest rate at 6.50%, aligning with market expectations and marking the second consecutive meeting without a change. This decision came as the country's headline inflation eased to a 4.1% rate in November, reaching a one-and-a-half-year low and approaching the central bank's target range of 2% to 4%. The central bank adjusted its inflation forecasts downward, with projections now at 6.0% for 2023 (revised from 6.1%) and 4.2% for 2024 (revised from 4.4%). Despite the moderation in inflation, policymakers emphasized the need for sustained tight policy measures, indicating readiness for adjustments as inflation risks continued to lean towards the upside. *(BSP)*

For the Week

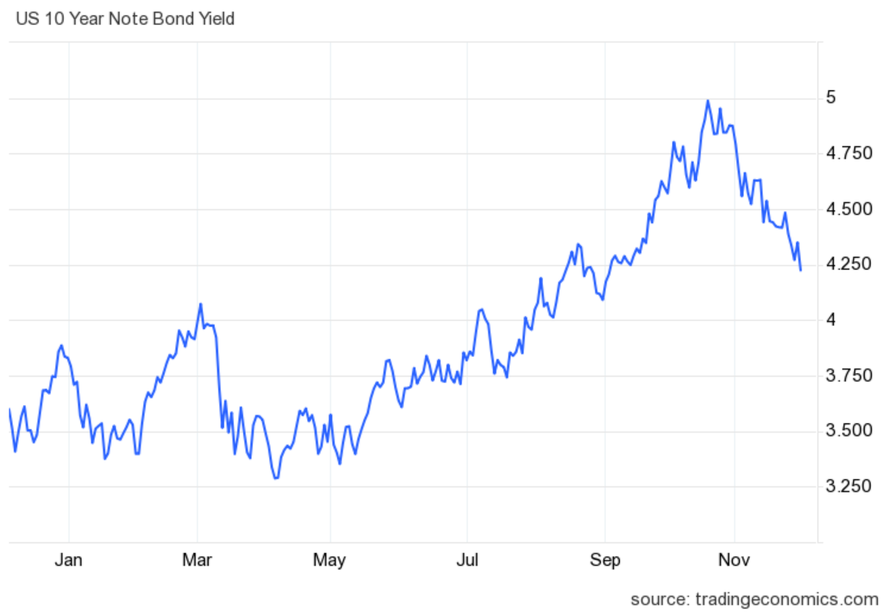
TOP GAINERS		TOP LOSERS	
CHP	21.33%	AB	-14.94%
AC	14.84%	FNI	-14.29%
SM	9.69%	SPC	-8.36%
JGS	8.47%	DD	-8.05%
GSMI	7.80%	HOUSE	-6.87%
URC	5.85%	PNX4	-6.33%
ALI	4.94%	SSP	-5.91%
SGP	4.72%	TUGS	-4.76%
SECB	4.51%	PGOLD	-4.40%
JFC	4.33%	ACEN	-4.35%
MRSGI	4.27%	DNL	-4.24%
LR	4.08%	LPC	-3.70%
AEV	3.95%	FLI	-3.57%
COSCO	3.81%	RCB	-3.48%
ICT	3.49%	DMW	-3.20%
FMETF	3.34%	IMI	-2.90%
MER	3.33%	ROCK	-2.17%
AGI	3.27%	MEG	-2.01%
BLOOM	3.13%	MAXS	-1.94%
VLL	3.11%	CNPF	-1.84%

WEEKLY REPORT

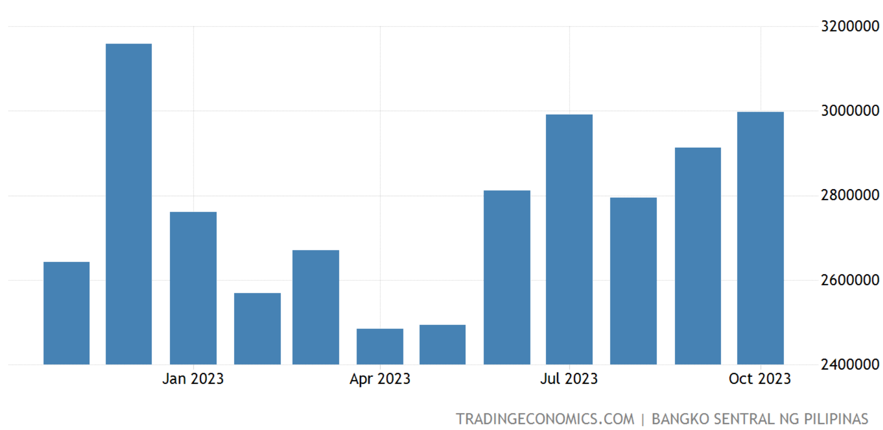
MANDARIN SECURITIES CORPORATION

December 17, 2023

Key Economic Figures



➡ **<u>10-year US Treasury yield.</u>** The yield on the 10-year US Treasury continued its decline, reaching 3.9% and marking a 35-bps drop over the week, hitting a five-month low. Investors evaluated recent economic data, particularly the mixed signals from PMI figures, indicating a robust services sector but weakness in manufacturing. The market's prevailing expectation is that the Fed will initiate rate cuts by the first quarter of the upcoming year, aligning with the dovish projections outlined by the FOMC. These projections suggest a potential 75-bps in rate cuts for the next year, reflecting the Fed's response to evolving inflation dynamics. *(TradingEconomics)*



➡ **<u>PH remittances.</u>** Cash remittances coursed through banks in the Philippines increased by 3.0% year-on-year to $3.0 billion in October 2023 from $2.91 billion in the same month of the previous year, as receipts went up from both land-based (3.1%) and sea-based (2.5%) workers. In January to October, cash remittances grew by 2.8% to $27.49 billion, primarily boosted by increased remittances from the US, Saudi Arabia, and Singapore. In terms of country sources, the US remained the leading source of overall remittances, accounting for 41.5%, followed by Singapore (7.0%), Saudi Arabia (6.0%), Japan (5.0%), and the UK (4.8%). *(BSP)*

For the Week

TOP GAINERS		TOP LOSERS	
CHP	21.33%	AB	-14.94%
AC	14.84%	FNI	-14.29%
SM	9.69%	SPC	-8.36%
JGS	8.47%	DD	-8.05%
GSMI	7.80%	HOUSE	-6.87%
URC	5.85%	PNX4	-6.33%
ALI	4.94%	SSP	-5.91%
SGP	4.72%	TUGS	-4.76%
SECB	4.51%	PGOLD	-4.40%
JFC	4.33%	ACEN	-4.35%
MRSGI	4.27%	DNL	-4.24%
LR	4.08%	LPC	-3.70%
AEV	3.95%	FLI	-3.57%
COSCO	3.81%	RCB	-3.48%
ICT	3.49%	DMW	-3.20%
FMETF	3.34%	IMI	-2.90%
MER	3.33%	ROCK	-2.17%
AGI	3.27%	MEG	-2.01%
BLOOM	3.13%	MAXS	-1.94%
VLL	3.11%	CNPF	-1.84%

WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

December 17, 2023

Market Outlook

What You Need to Know

- ➡ The PSEi had its second best week this year after gaining 3.91% last week. It was close to the 4.25% WoW gain that the benchmark index posted in January this year. The Fed's more dovish outlook in the coming years is the key development that investors have been waiting for. The acknowledgment that previous interest rate hikes may have done enough to tame inflation finally came about. Market sentiment received a strong boost as reflected in the price movements of major stock in the PSEi, notably holding companies like AC, SM, and JGS.

- ➡ The number of coronavirus cases in the Philippines increased to 4,128,961 as of December 15 from 4,126,460 December 7. Active cases increased to 4,334 from 3,568. There were 16 new deaths from COVID-19 recorded last week, and the total figure has gone up to 66,795. Number of recoveries increased to 4,057,832 from 4,056,113.

- ➡ In the coming week, the focus will be on key US economic indicators, including the personal income and outlays report, with expectations of a slowdown in annual PCE price inflation to 3%, and a decrease in the core rate to 3.4%. Durable goods orders are expected to rebound, while housing-related data, such as building permits and housing starts, might see declines. Additionally, attention will be on the final reading of 3Q2023 GDP growth, Michigan consumer sentiment, among others. In the eurozone, final inflation figures are anticipated to confirm a decline in the headline rate to 2.4%, and the preliminary reading for consumer confidence might show a slight improvement. Germany's Ifo Business Climate is expected to rise, and other key data include Eurozone current account, construction output, Germany producer prices, GfK consumer confidence, Italy business and consumer confidence, France PPI and business confidence, and Spain's final GDP growth figures. In the UK, focus will be on the November CPI report, retail sales, current account, final 3Q2023 GDP growth figures, and public sector net borrowing. In Asia, the People's Bank of China is expected to hold Loan Prime Rates (LPR), while the Bank of Japan may provide updates on policy shifts. Japan will release inflation and trade balance data. Indonesia will decide on its new policy rate, and Malaysia will release November's inflation report.

- ➡ This week, the local could experience lateral movement as investors may engage in profit-taking following a robust performance last week. The market's recent positive momentum, particularly in the last two trading days, was fueled by strong trading activity and optimism generated by the Fed's indication of potential 25-basis-point rate cuts in the coming year. While the Fed's policy easing prospects could continue to support the local bourse, caution is advised due to the market's significant rally, which increases the likelihood of profit-taking. The BSP maintained its key rate at 6.5%, and expressed a tightening bias due to inflationary risks. Although the possibility of rate cuts by the BSP in the next year has increased, interest rates may not revert to historical level wherein businesses benefited from the ultra-low rate environment, particularly during the height of the COVID-19 pandemic.

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