



Market Commentary



➔ The PSEi went up by 22.56 points or 0.35% week-on-week and closed at 6,501.00 last Friday. The benchmark index had another positive week as sentiment on equities continued to be positive overall. The Philippine Peso appreciated to PHP55.40 from PHP55.655 against the US dollar. Net foreign selling amounted to PHP712.76 million. Industrial (-0.52%) and Holding Firms (-0.43%) were the sector decliners, while Property (+1.38%) and Services (+1.38%) were the top performers. ABS (+20.27%) and MAXS (+8.55%) were the top stock gainers, while IMI (-9.55%) and DMW (-9.09%). Some notable developments were the following:

- In November, the Philippines experienced a 7.6% year-on-year growth in new vehicle sales, marking the slowest increase in 21 months, as reported by the Chamber of Automotive Manufacturers of the Philippines, Inc. (CAMPI) and the Truck Manufacturers Association (TMA). The total sales reached 37,683 units, reflecting a slight decline of 1.2% compared to October's figures. The sluggish growth has been attributed to the impact of soaring interest rates.
- The Philippines' balance of payments (BoP) deficit narrowed to \$216 million in November, a significant improvement from the \$756 million gap reported a year ago, according to preliminary data from the Bangko Sentral ng Pilipinas (BSP). The November BoP deficit reflects outflows primarily due to the National Government's payments of its foreign currency debt obligations. On a month-on-month basis, the BoP position shifted from a \$1.5 billion surplus in October to the November deficit, marking the smallest deficit since August.
- The Civil Aeronautics Board (CAB) in the Philippines is reducing the jet fuel surcharge for domestic and international flights in January due to the anticipated continuation of falling jet fuel prices. Rino E. Abad, director of the Oil Industry Management Bureau at the Department of Energy (DoE), mentioned the expected oversupply of oil globally until the end of 2024, leading to the maintenance of lower oil prices, including jet fuel. The CAB has downgraded the fuel surcharge to Level 6 for January, resulting in a lowered domestic passenger surcharge between ₱185 and ₱665, and an international surcharge between ₱610.37 and ₱4,538.40.

INDICES

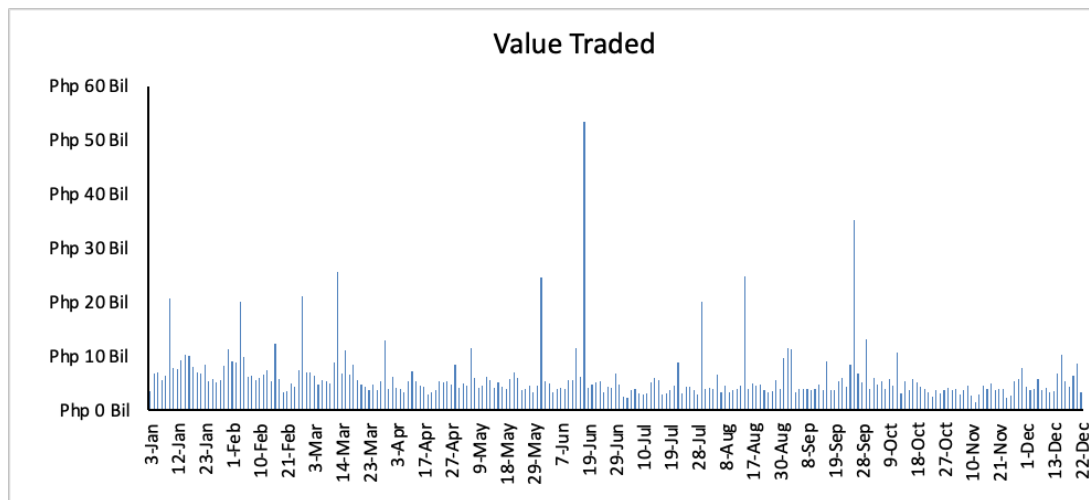
Index	Prev	Last	% Chg
PSEi	6,478.44	6,501.00	0.35%
All Shares	3,409.55	3,427.30	0.52%
Financial	1,720.57	1,733.21	0.73%
Industrial	8,963.42	8,916.57	-0.52%
Holding Firms	6,395.16	6,367.59	-0.43%
Property	2,811.38	2,850.15	1.38%
Services	1,563.86	1,585.48	1.38%
Mining & Oil	9,521.86	9,542.74	0.22%

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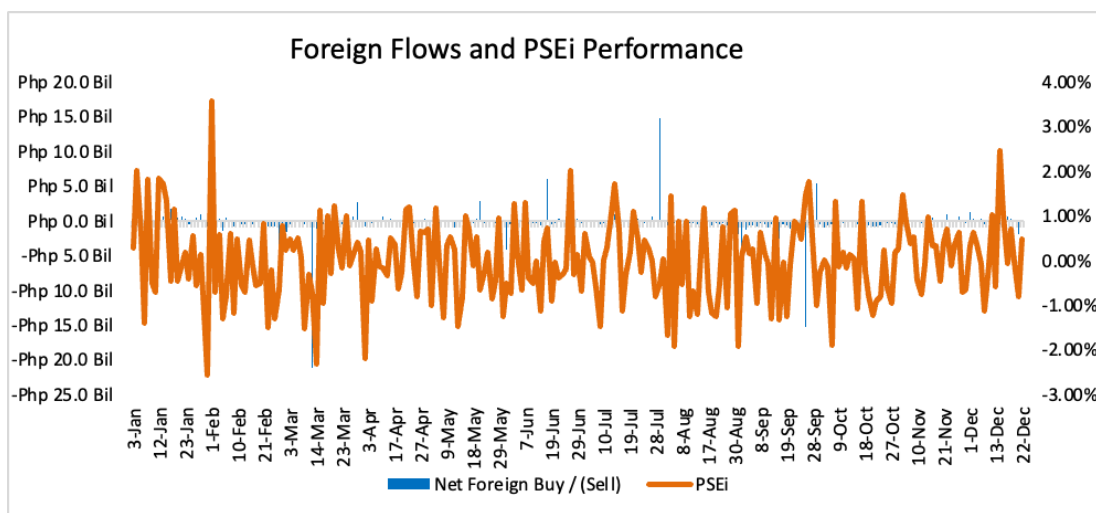
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- ➔ Market turnover averaged PHP5.58 billion last week (December 18-22), slightly higher than the PHP5.57 billion in the week of December 11-15.



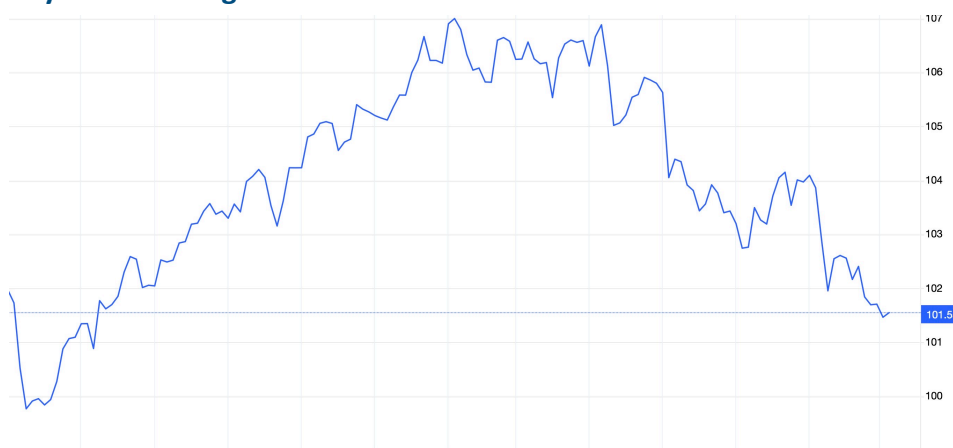
- ➔ Last week logged a net foreign selling of PHP712.76 million, higher than the PHP74.43 million in the previous week.



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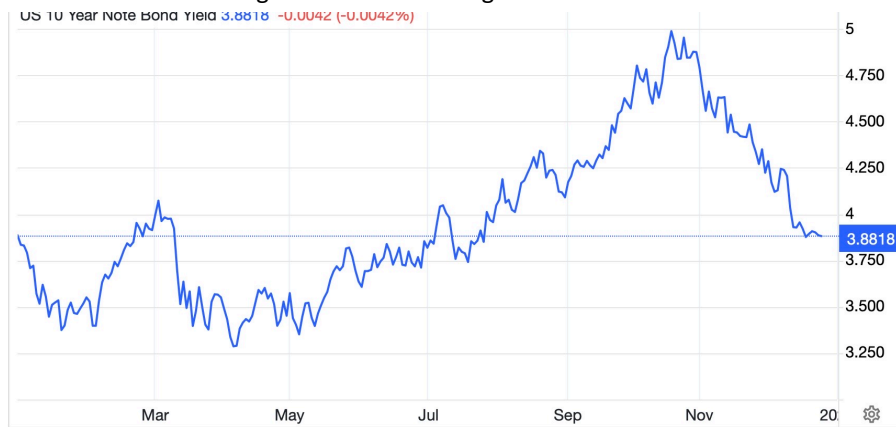
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Key Economic Figures



➔ **US dollar index.** The dollar index, maintaining a level around 101.6, remained near its lowest point in five months during tepid holiday trade on Tuesday. The currency's persistent weakness is attributed to fresh indications of cooling US inflation, reinforcing expectations that the Federal Reserve may commence interest rate cuts in the coming year. Key data, including a decline in the core PCE index to 3.2% in November from October's 3.4%, below the expected 3.3%, contributed to the sentiment. Additionally, Thursday's reports highlighted subdued US economic growth in Q3 and a modest rise in unemployment benefit claims. The dollar's vulnerability against major currencies persists, with the yen posing strength, backed by comments from BOJ Governor Kazuo Ueda, who noted a rising likelihood of achieving the 2% inflation target.

US 10 Year Note Bond Yield 3.8818 -0.0042 (-0.0042%)



➔ **10-Year US Treasury yield.** The yield on the US 10-year Treasury note touched 3.88% before stabilizing at 3.9% as trading resumed after the Christmas holiday. This places it close to its lowest levels since late July, influenced by expectations of earlier and more substantial interest rate cuts in the coming year. The impetus for this outlook came from the release of US inflation data, which showed a 0.1% decline in the PCE price index for November—its first drop since February 2022, contrary to market expectations of a flat reading. Currently, markets are pricing in a 75% likelihood of a 25-basis-point rate cut from the US Federal Reserve in March.

For the Week

TOP GAINERS		TOP LOSERS	
ABS	20.27%	IMI	-9.55%
MAXS	8.55%	DMW	-9.09%
CHP	7.69%	STR	-6.61%
HOUSE	7.62%	ACEN	-5.68%
SSP	7.33%	SSI	-5.14%
PGOLD	6.91%	TECH	-5.00%
LR	5.67%	RCB	-4.95%
FLI	5.56%	VLL	-4.82%
WLCON	5.39%	ION	-4.81%
DD	4.04%	EEL	-4.62%
LPC	3.85%	PAL	-4.53%
COSCO	3.67%	URC	-3.69%
HOME	3.60%	AGI	-3.47%
GTCAP	3.57%	SHLPH	-3.34%
FNI	3.54%	CNPF	-3.13%
ALI	3.49%	AC	-2.79%
MONDE	3.33%	AP	-1.98%
EW	3.22%	NIKL	-1.94%
SLI	3.03%	SECB	-1.85%
SPC	2.94%	AB	-1.40%

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Market Outlook

What You Need to Know

- ➔ The PSEi posted a second consecutive week-on-week gain as market sentiment continued to be buoyed by the incoming interest rate cuts next year until 2026 as announced by the US Federal Reserve (Fed).
- ➔ The number of coronavirus cases in the Philippines increased to 4,132,000 as of December 22 from 4,128,961 December 15. Active cases increased by 28.50% to 5,569 from 4,334. There were no new deaths from COVID-19 recorded last week, and the total figure remains at 66,795. Number of recoveries increased to 4,059,836 from 4,057,832.
- ➔ This week, overall expectations for equity markets remain positive as the year draws to a close. After a difficult year for emerging markets like the Philippines, investors are more optimistic for next year especially after the Fed finally announced its plans to start cutting policy rates next year. Inflation has been going down and is nearing central bank targets. While the Bangko Sentral ng Pilipinas (BSP) stated no particular timetable for its own rate cuts, it will likely follow the Fed's timing to maintain the policy differential and further strengthen the local currency. The PSEi could go up this week and fortify its position at the 6,500-level with far-off resistance placed at the 6,550-6,600 levels and the immediate support at the 6,400-level.

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