



Market Commentary



➡ The PSEi went up by 182.55 points or 2.81% and ended at 6,686.09 last week. The benchmark index overturned its 2.10% drop in the previous week as investors picked up bargains. Strong performance in Wall Street also helped lift regional markets. The Philippine Peso depreciated further to ₱56.29 from ₱55.97 against the US dollar. Foreigners ended with a net buy of ₱793.21 million last week. Sectors were in the green across the board led by Financial (+5.20%) and Property (+2.89%). BLOOM (+8.71%) and GTCAP (+7.11%) were the top performers, while ABS (-8.00%) and SMC (-7.55%) had the biggest losses. Some notable developments were the following:

- Foreign portfolio investments in the Philippines faced a net outflow of \$247.3 million in 2023, a significant shift from the \$886.7 million net inflow recorded in 2022. The data from the Bangko Sentral ng Pilipinas (BSP) indicates the impact of rising interest rates and elevated inflation on investor sentiment. December alone witnessed a net outflow of \$205.18 million, reversing the trend from a net inflow of \$672.86 million a month earlier and \$92.95 million in the same period the previous year. The BSP expects a net inflow of \$1.7 billion in hot money for the current year
- The Bangko Sentral ng Pilipinas (BSP) is considering additional relaxations in its foreign exchange regulations to attract more foreign investments into the Philippines. A draft circular proposing amendments to the regulations has been circulated, outlining several key changes. Notably, the BSP plans to eliminate the charge on the registration of foreign loans, foreign currency loans, inward investments, and other foreign exchange transactions. The central bank may allow authorized agent banks to sell foreign exchange for non-trade current account transactions without prior approval, simplifying the process for residents dealing with non-residents. Moreover, the BSP aims to streamline documentary requirements for financial account transactions, including public sector loans or borrowings, if the proceeds are deposited with the BSP.

INDICES

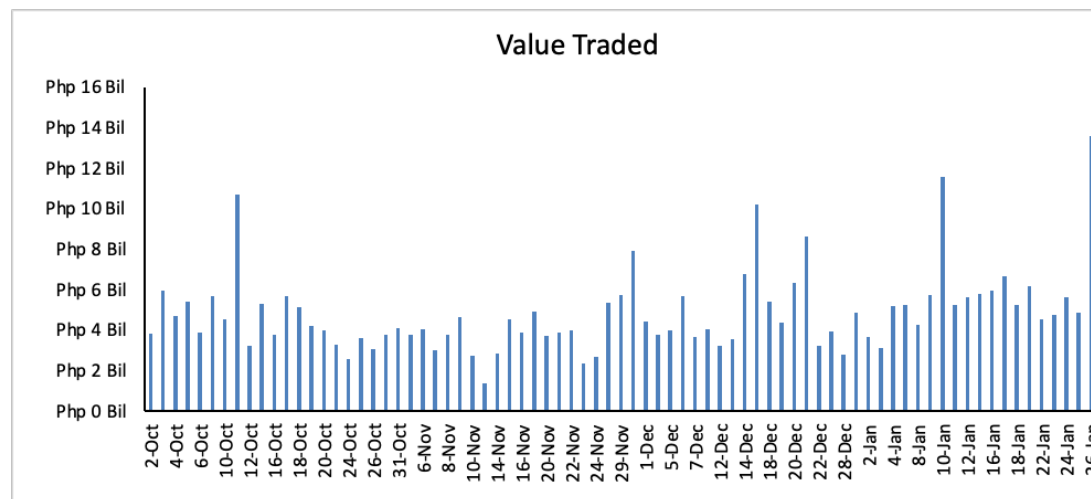
| Index | Prev | Last | % Chg |
|---------------|----------|----------|-------|
| PSEi | 6,503.54 | 6,686.09 | 2.81% |
| All Shares | 3,451.78 | 3,508.61 | 1.65% |
| Financial | 1,812.68 | 1,906.95 | 5.20% |
| Industrial | 9,077.94 | 9,093.68 | 0.17% |
| Holding Firms | 6,222.45 | 6,395.01 | 2.77% |
| Property | 2,816.68 | 2,898.18 | 2.89% |
| Services | 1,595.09 | 1,602.61 | 0.47% |
| Mining & Oil | 9,210.20 | 9,245.23 | 0.38% |

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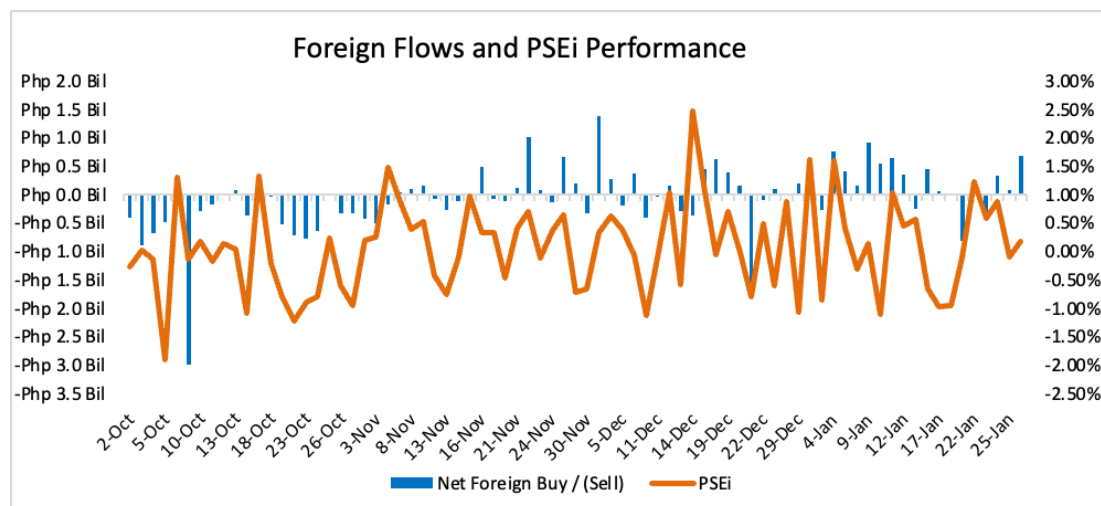
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- ➔ Market turnover averaged ₱6.68 billion last week, higher than the ₱5.99 billion average in the week of January 15-19. A ₱5.63 worth of AREIT was sold by ALI last Friday as part of its move to comply with the Philippine Stock Exchange (PSE)'s public ownership requirements.



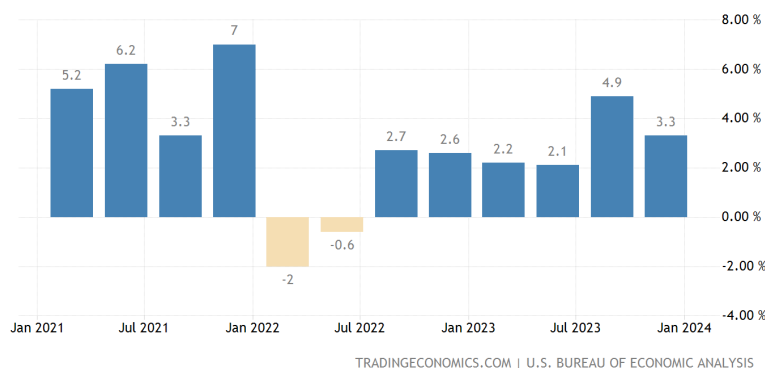
- ➔ Last week logged a net foreign buying of ₱793.21 million, opposite of the ₱496.94 million net selling in the previous week.



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Key Economic Figures



➔ **US GDP growth rate.** The US economy surpassed expectations by expanding at an annualized rate of 3.3% in 4Q 2023, exceeding forecasts of a 2% increase and following a robust 4.9% rate in 3Q 2023. Consumer spending experienced a slight slowdown, with a 2.8% growth compared to 3.1% in 3Q, driven by a deceleration in goods consumption. However, services consumption increased at a faster pace (2.4% vs 2.2%), particularly in areas such as food services, accommodations, and health care. Private inventories contributed minimally to growth, in contrast to the previous quarter, and government spending rose at a slower rate (3.3% vs 5.8%). On a positive note, exports accelerated (6.3% vs 5.4%), and imports grew at a slower rate (1.9% vs 4.2%). For the full year 2023, the US economy expanded by 2.5%, surpassing the 1.9% growth in 2022 and aligning closely with the US Federal Reserve's estimates of 2.6%. (*US Bureau of Economic Analysis*)



➔ **US core PCE.** In December 2023, Core PCE prices in the United States, excluding food and energy, increased by 0.2% from the previous month, meeting market expectations and showing a slight acceleration from the 0.1% rise observed in November. On a year-over-year basis, core PCE prices grew by 2.9%, falling short of market estimates of 3% and representing the lowest reading since February 2021. This data aligns with the ongoing disinflation trend in prices measured by the Federal Reserve's preferred gauge, reinforcing indications of potential rate cuts in the coming year. Examining the overall national PCE, which includes energy and food, prices also rose by 0.2% from the previous month and 2.6% from the previous year, consistent with anticipated figures. Prices for goods saw a marginal increase of less than 0.1% from 2022, while prices for services remained relatively high at 3.9%. (*US Bureau of Economic Analysis*)

For the Week

TOP GAINERS

TOP LOSERS

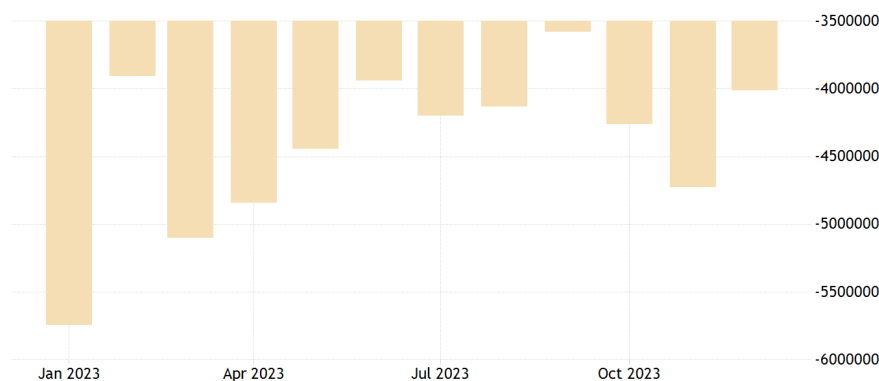
| | | | |
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| SSP | 6.52% | APX | -3.78% |
| MAXS | 6.44% | TECH | -3.63% |
| ION | 6.42% | IMI | -3.53% |
| SM | 6.32% | AGI | -2.92% |
| BDO | 5.85% | ROCK | -2.80% |
| LR | 5.55% | PCOR | -2.64% |
| CNVRG | 5.23% | PX | -2.51% |
| ALI | 5.10% | SLI | -2.35% |
| COSCO | 4.17% | CHP | -2.15% |
| LTG | 3.60% | EEI | -2.12% |
| MONDE | 3.44% | URC | -2.09% |
| MWIDE | 3.35% | SHLPH | -1.82% |
| PAL | 3.11% | HOME | -1.74% |
| GTTPB | 3.05% | RCB | -1.71% |
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Key Economic Figures



TRADINGECONOMICS.COM | PHILIPPINE STATISTICS AUTHORITY

➔ **PH balance of trade.** In December 2023, the trade deficit in the Philippines decreased to \$4.01 billion, down from \$4.52 billion in the same month the previous year. This reduction was primarily driven by a more significant decline in imports compared to exports. Purchases contracted by 5.1% year-on-year, reaching an eight-month low of \$9.79 billion, marking the 10th decline of the year due to weak domestic demand attributed to elevated cost pressures. Meanwhile, exports decreased by 0.5%, marking the fourth consecutive month of decline and reaching an eight-month low of \$5.78 billion. This decline in exports was influenced by lower sales to the US, China, and ASEAN countries. Despite the decrease, the contraction in exports moderated significantly from the previous month, signaling an improvement in foreign demand ahead of the New Year holiday. Looking at the entire year, the trade deficit for 2023 narrowed to \$52.42 billion, down from \$57.65 billion in 2022. (*Philippine Statistics Authority*)

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Market Outlook

What You Need to Know

- ➡ The PSEi fully recovered from its 2.10% decline last week and moved back up to the 6,600-level. Investors bought sold down stocks in the previous week as long-term outlook remains positive. The positive performance in the US markets, especially with the S&P500 reaching multiple all-time highs, also helped lift sentiment in other markets. The bigger-than-expected US gross domestic product (GDP) growth in 4Q 2023 helped eased concerns for a deep recession in the US economy.
- ➡ In the upcoming week, the US will look towards important events, particularly the US Federal Reserve (Fed)'s initial policy meeting of the year. The Fed is anticipated to maintain interest rates at 23-year highs, and investors will closely watch for any hints regarding the timing of potential rate cuts later in the year. Key economic data, such as the US jobs report, ISM Manufacturing PMI, and JOLTs job openings, will also be released. The ISM PMI is anticipated to signal a continued contraction in the manufacturing sector at the beginning of the year. Additionally, various indicators like ADP employment change, 4Q 2023 labor productivity and employment costs, factory orders, and regional industry indexes will be monitored. The earnings season will be dominated by major companies, including Apple, Amazon, Alphabet, Microsoft, Meta, and others. In Europe, several countries will release preliminary 4Q 2023 GDP growth, inflation, business surveys, and unemployment rates. The eurozone economy is expected to have stalled in the final quarter of 2024, with varying performances in Spain, Germany, France, and Italy. In the UK, the Bank of England is expected to maintain interest rates at a 15-year high, and indicators such as nationwide housing prices, labor productivity, and final manufacturing PMI data will be released. In Asia, Chinese PMIs for January will be closely watched, reflecting manufacturing activity despite stimulus measures. Japan's releases include the BoJ's Summary of Opinions, consumer confidence, industrial production, retail sales, unemployment rate, and housing starts. 4Q 2023 GDP reports are expected from the Hong Kong, Taiwan, Saudi Arabia, and Qatar. South Korea and Indonesia will update their inflation rates, and in Australia, headline inflation is expected to slow, alongside releases of retail sales and building permits for December.
- ➡ With almost a 3% rise last week, investors may opt to take some profits, thus potentially pulling the PSEi down to the upper-end of the 6,500-level. A breach into the 6,700-level could continue to be elusive, unless market sentiment significantly takes off. The PH's own 4Q 2023 GDP data is due on Wednesday. Cautious trading and profit taking may be experienced prior to the release, but a strong figure could push the local bourse upwards by the end of the week.

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