WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

February 11, 2024

Market Commentary

INDICES

Index	Prev	Last	% Chg
PSEi	6,707.25	6,850.16	2.13%
All Shares	3,516.82	3,574.21	1.63%
Financial	1,938.54	1,964.93	1.36%
Industrial	9,042.78	9,190.79	1.64%
Holding Firms	6,364.77	6,421.34	0.89%
Property	2,879.82	2,969.79	3.12%
Services	1,634.90	1,713.53	4.81%
Mining & Oil	9,227.50	8,988.38	-2.59%

➡ The PSEi surged by 142.91 points or 2.13% and ended at 6,850.16 last week. The local barometer made some big strides, riding on the upward momentum from local positive economic data and improving outlook for the country's economy this year. The Philippine Peso was almost unchanged week-on-week, ₱55.911 from ₱55.92 against the US dollar. Foreigners ended with a net buy of ₱2.33 billion last week. Services (+4.81%) continued to lead the sectors, while Mining&Oil (-2.59%) continued to take a beating and is down 10.12% year-to-date. CHP (+103.37%) more than doubled after rumors of a takeover by DMC (+1.85%) spread. APX (-9.40) finished at the bottom. Some notable developments were the following:

- The Philippines recorded its lowest unemployment rate since 2005 in December 2023, with a rate of 3.1%, a significant drop from 4.3% in December 2022. This remarkable improvement is attributed to the increase in employment rates, which rose to 96.9% in December 2023, up from 95.7% a year earlier. The number of employed Filipinos reached 50.52 million in December 2023, higher than the 49 million reported in December 2022. Notable sectors contributing to increased employment include construction, agriculture, forestry, accommodation and food service activities, transportation and storage, and human health and social work activities.

- As of end-November 2023, infrastructure spending in the Philippines dropped by 29.4% to ₱56.7 billion from ₱80.2 billion in the previous year, according to data from the Department of Budget and Management (DBM). The decline is attributed to the different (ming of significant disbursements in the Department of Public Works and Highways (DPWH). Actual payments for approved billings and disbursement vouchers for civil works, supplies, equipment, and right-of-way claims were expected to be addressed in December 2023. Furthermore, payments by development partners for foreign-assisted projects, particularly the Malolos-Clark Railway Project and the North-South Commuter Railway Project, were lower in November 2023.

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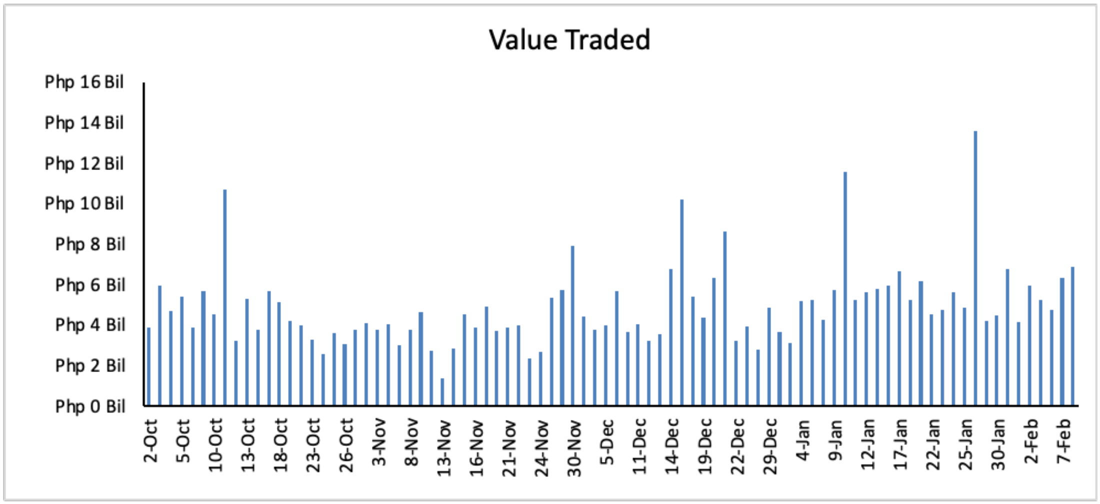
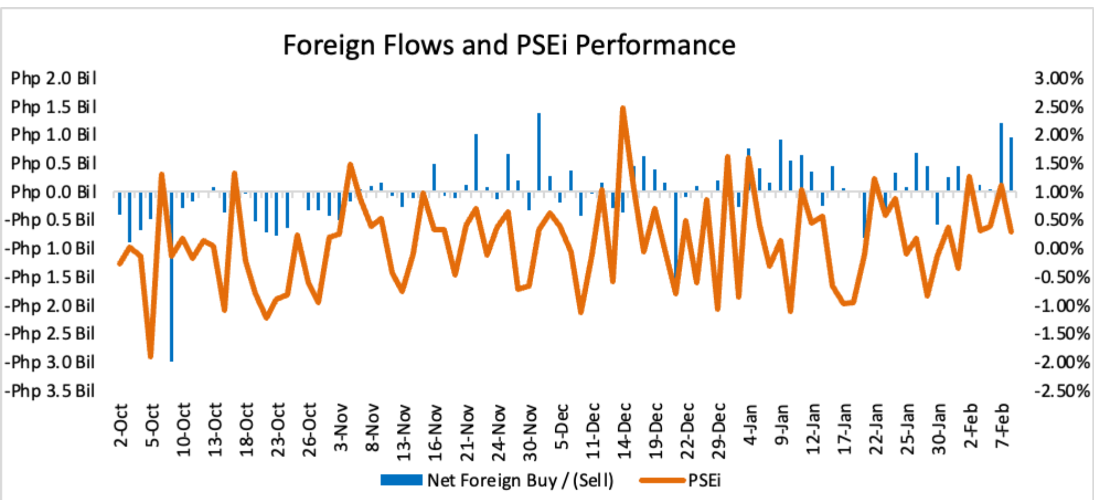
➡ Market turnover averaged ₱5.81 billion last week, an increase from the ₱5.12 billion average in the week of January 29-February 2.



➡ Last week logged a net foreign buying of ₱2.33 billion, a big jump from the ₱645.95 million posted in the previous week. Foreigners have recorded a net buy in 23 out of the 28 sessions this year so far.



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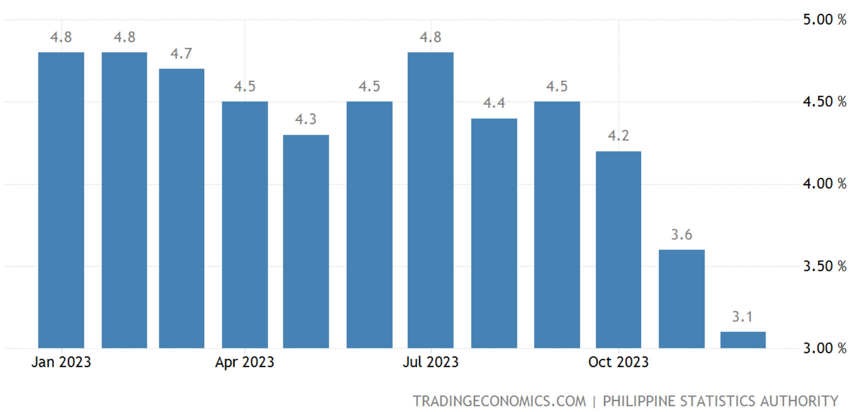
Key Economic Figures

➡ **PH inflation rate.** In January 2024, the Philippines recorded a decline in its annual inflation rate to 2.8%, down from 3.9% in the previous month and below market expectations of 3.1%. This marked the lowest inflation reading since October 2020. The decrease was attributed to various factors, including a notable slowdown in food price growth, which rose the least in almost two years (3.9% vs 5.4% in December). Additionally, costs eased across several categories, including alcoholic beverages and tobacco, clothing, housing and utilities, furnishing, household maintenance, health, communication, recreation and culture, miscellaneous, and restaurants and accommodation. Transport prices also fell by 0.3% after a 0.4% increase in the previous period. Conversely, the inflation rate for education quickened to 3.8%, while communication remained unchanged at 0.5%. The core inflation rate, excluding food and fuel, dropped to 3.8% in January, the lowest since June 2022. On a monthly basis, consumer prices rose by 0.6%, the highest in four months. *(Philippine Statistics Authority)*



➡ **PH unemployment rate.** In December 2023, the Philippines achieved a record low unemployment rate of 3.1%, marking a significant decline from 4.3% in the same month the previous year. The number of unemployed individuals decreased to 1.60 million compared to 2.22 million in December 2022, while employment saw an uptick to 50.52 million from 49 million in the corresponding period a year earlier. In terms of industry distribution, the services sector continued to hold the largest share of employment at 57.3%, followed by agriculture at 24.4%, and the industry sector at 18.3%. The labor force participation rate also saw a slight increase, reaching 66.6% in December compared to 66.4% in the same month a year earlier. *(Philippine Statistics Authority)*

For the Week

TOP GAINERS		TOP LOSERS	
CHP	103.37%	APX	-9.40%
SPC	16.21%	TUGS	-4.94%
SSI	12.78%	TECH	-4.08%
ICT	9.27%	EEI	-4.00%
LPC	8.33%	STR	-3.36%
WLCON	6.50%	SHNG	-3.05%
MONDE	5.63%	GTPPB	-2.86%
CNPF	5.57%	BPI	-2.33%
CHIB	5.18%	VLL	-2.30%
DD	4.89%	MWIDE	-2.08%
SCC	4.81%	NIKL	-1.89%
PLC	4.41%	PCOR	-1.79%
LR	4.22%	IMI	-1.59%
ALI	4.18%	PX	-1.59%
AC	4.17%	MAXS	-1.48%
MWC	4.12%	FLI	-1.45%
MBT	3.77%	UBP	-1.44%
DNL	3.55%	SEVN	-1.27%
BDO	3.43%	PNX4	-1.18%
CNVRG	3.16%	JGS	-1.14%

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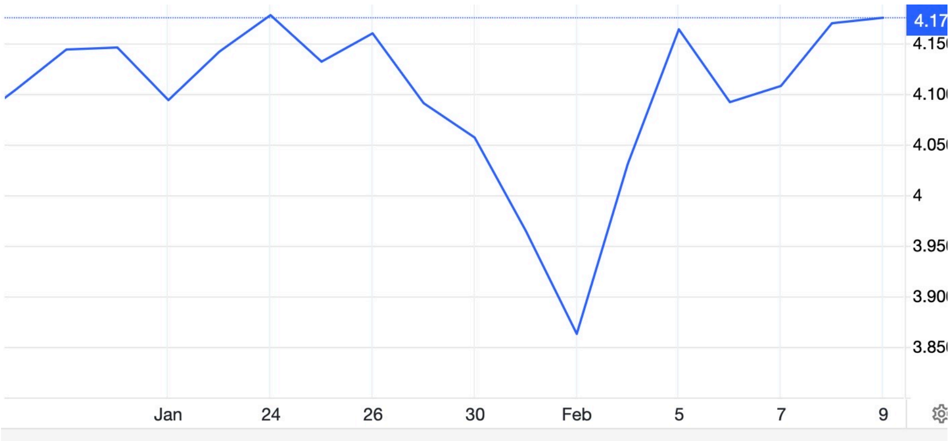
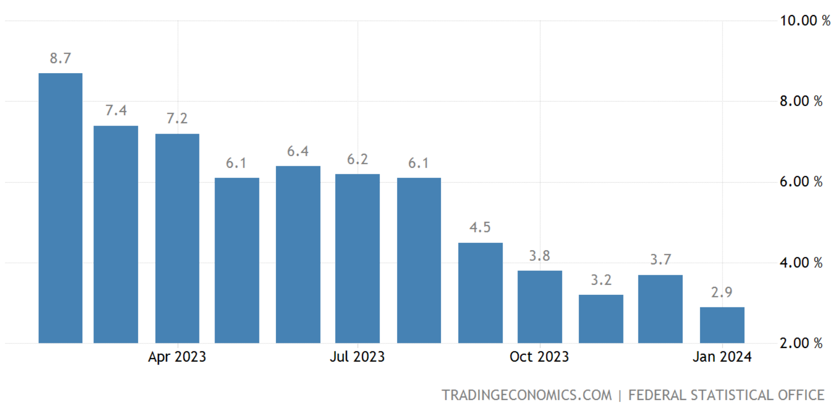


➡ **US 10-year Treasury yield.** On Friday, the yield on the US 10-year Treasury note rose to approximately 4.18%, reaching its highest level since mid-December. This rebound followed the interpretation by investors of downwardly revised Consumer Price Index (CPI) data, signaling the resilience of the US economy. The revised CPI figures for December, showing a 0.2% month-over-month increase (slightly lower than the initially reported 0.3%), confirmed the disinflation trend observed throughout the previous year. The likelihood of a March rate cut increased to about 18%, up from 15% before the CPI revision, while the odds for a May reduction initially rose but later fell back to 52%. The market's focus is on the upcoming inflation print for January, and recent statements by Fed Chairman Powell and other officials suggest a cautious approach to rate cuts in the near term. *(TradingEconomics)*



➡ **Germany inflation rate.** In January 2024, German consumer price inflation (CPI) confirmed at 2.9% year-on-year, the lowest since June 2021. The decline was driven by a slowdown in goods inflation, particularly in energy costs, which fell by 2.8%. Household energy prices dropped by 3.4%, and fuel prices were down by 2.0%. Food inflation also cooled to 3.8%. Meanwhile, services prices rose at a faster pace (3.4%), led by increases in housing maintenance and repair (+7.8%), services of social institutions (+7.4%), and restaurants (+6.6%). Core inflation, excluding food and energy, declined to 3.4%, the lowest since June 2022. On a monthly basis, consumer prices increased by 0.2%, with restaurant services becoming more expensive (+2.2%) due in part to the end of a temporary VAT reduction for food. *(Federal Statistical Office)*

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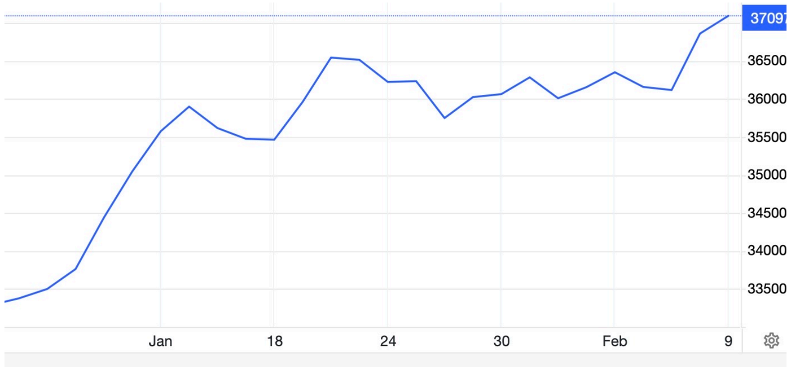
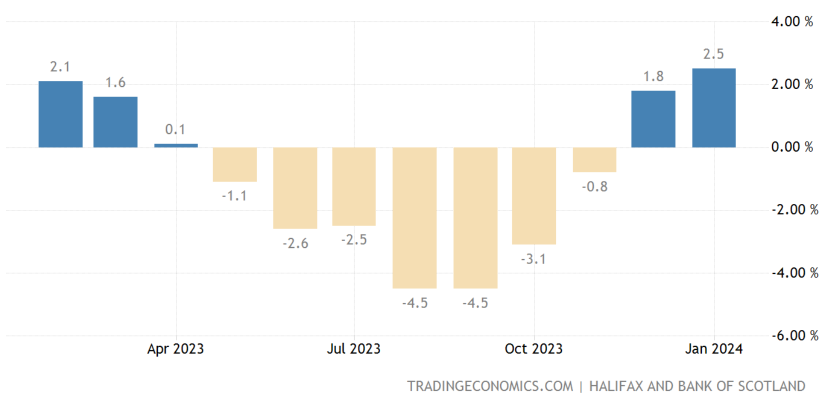


➡ **<u>Japan Nikkei 225.</u>** On Friday, the Nikkei 225 Index surged by as much as 1.15% before settling 0.09% higher at 36,897, reaching its highest levels in 34 years. This rise was attributed to robust corporate earnings, a depreciating yen, and a dovish outlook on the Bank of Japan's monetary policy. BOJ Deputy Governor Shinichi Uchida's statement on Thursday, expressing a cautious approach to tightening monetary policy even if negative interest rates end, contributed to the positive market sentiment. Notably, SoftBank saw an 8.7% surge for a second consecutive day following its report of the first quarterly profit in over a year, driven by a rebound in startup investments. The 48% surge in Arm Holding also boosted SoftBank shares, as the company retains about 90% ownership. Other technology stocks, including Renesas Electronics (6.3%) and Screen Holdings (2.2%), also recorded significant gains. The Nikkei 225 Index achieved a 2.04% increase for the week, extending year-to-date gains to approximately 10.3%. *(TradingEconomics)*



➡ **<u>UK house price index.</u>** In January 2024, the Halifax House Price Index showed a year-on-year increase of 2.5%, up from an upwardly revised 1.8% in the previous month. This marks the highest level since January 2023, driven by recent reductions in mortgage rates, easing cost pressures, and a resilient labor market. Despite increased housing activity, interest rates remain elevated compared to historic lows, and demand continues to outpace supply. The average UK home now costs £291,029, representing an increase of over £3,900 from the previous month. Regionally, Northern Ireland recorded the strongest growth at 5.3%, while Scotland and Wales both increased by 4.0%. London maintains the highest average house price across all regions at £529,528. On a monthly basis, house prices rose by 1.3%, marking the fourth consecutive monthly increase and the steepest gain in the sequence. *(Halifax and Bank of Scotland)*

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Market Outlook

What You Need to Know

➡ The PSEi notched its fifth winning week in the last six sit finally broke out of the 6,600-level in the preceding after some time teetering below it. It even touched the 6,900-level settled below it after some profit taking.

➡ In the coming week, investors will digest a slew of economic indicators from the US starting with the inflation report. Following this, attention will shift to retail sales figures, producer inflation data, and the University of Michigan's consumer sentiment index. Investors will also keep a keen eye on speeches by various US Federal Reserve (Fed) officials for any hints on monetary policy. Concurrently, the earnings season enters its fourth week, featuring reports from major companies including Coca Cola, Airbnb, Cisco, and Deere & Company. In the UK, 4Q 2023 GDP, inflation, and unemployment data will be released. Additionally, Germany's ZEW economic sentiment and Australia's NAB business confidence will be released, shedding light on economic outlooks and business sentiments in these respective countries. The overall week is poised to be dynamic, with a mix of economic indicators and corporate earnings reports influencing market movements.

➡ The PSEi is likely to experience stronger selling pressure this week due to profit-taking following a five-day upward trend and ahead of the Bangko Sentral ng Pilipinas (BSP)' policy meeting on Thursday. While downward pressures are expected, positive economic data, such as the January inflation slowdown and robust December labor force survey results, may contribute to sustaining positive market sentiment overall. The PSEi could retest the range of 6,600-6,700 level while investors closely monitor more corporate results for further catalysts. The central bank is likely to maintain its policy rate and adopt a hawkish tone, considering domestic inflation risks. However, attention will be on how the upcoming US inflation data influences the timing of a potential dovish shift in US Federal Reserve (Fed)'s monetary policy.

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