MANDARIN SECURITIES CORPORATION

WEEKLY REPORT

February 18, 2024

Market Commentary

➡ The PSEi inched up by 23.07 points or 0.34% and closed at 6,873.23 last week. The local bourse continued to be resilient and even touched the 6,900-level, but some profit taking tempered the rally. Overall market sentiment remained upbeat amidst positive key local data releases. Foreigners had a net but of ₱2.11 billion last week. The local currency depreciated slightly to ₱55.96 from ₱55.911 against the US dollar. The Services (+1.97%) sector had the best week, while Mining&Oil (-1.67%) had the biggest contraction and is down 11.62% year-to-date. CHP (+14.92%) and SGP (+12.11%) were the top gainers, while APX (-8.15%) and TUGS (-6.49%) decline the most. Some notable developments were the following:

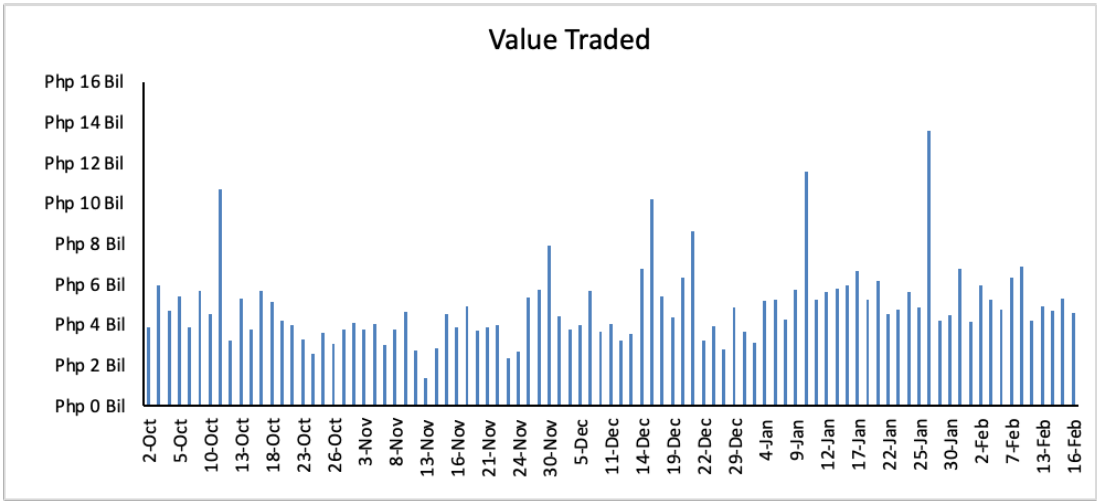
- The planned merger between the Development Bank of the Philippines (DBP) and Land Bank of the Philippines (LANDBANK), both state-run lenders, will not proceed due to conflicting mandates. The merger was anticipated to create the largest bank in the country in terms of assets, with an estimated asset size of ₱4.185 trillion and a deposit base of ₱3.588 trillion. However, concerns were raised about the consolidated entity being too big to fail, posing risks to the economy.

- The Department of Trade and Industry (DTI) has reported that $14.2 billion of the $72.2 billion investments pledged during President Marcos' foreign trips have either been actualized or are in the implementation stage. These investments cover 46 projects across various sectors, including manufacturing, IT-BPM, renewable energy, infrastructure, transport, logistics, agriculture, and retail. Japan and the US are notable contributors to the actualized projects, with Japan involved in 21 projects and the US in 13 projects. The early realization of these investments, particularly in sectors like IT-BPM and manufacturing, is seen as contributing to a reduction in the unemployment rate in the Philippines.

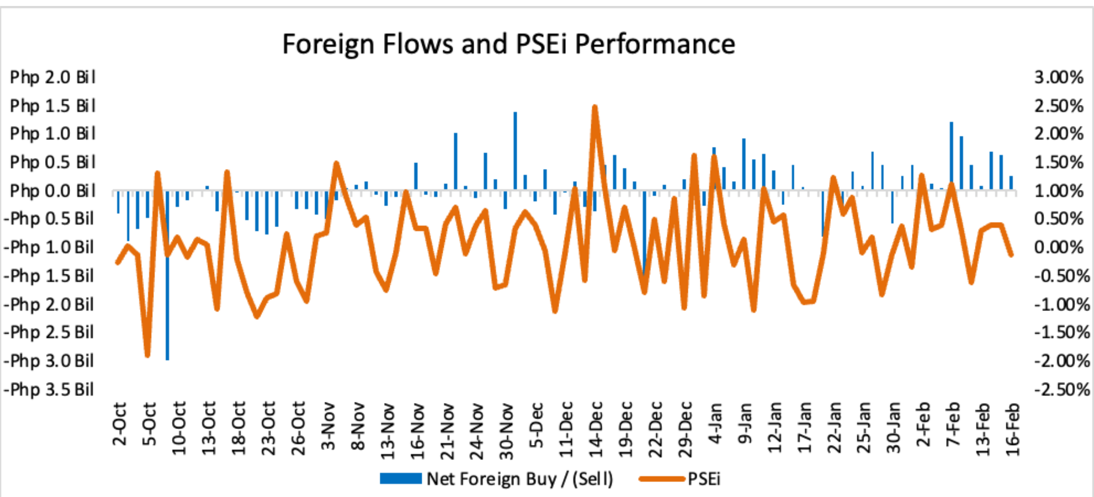
INDICES

Index	Prev	Last	% Chg
PSEi	6,850.16	6,873.23	0.34%
All Shares	3,574.21	3,597.67	0.66%
Financial	1,964.93	1,983.50	0.95%
Industrial	9,190.79	9,341.59	1.64%
Holding Firms	6,421.34	6,408.70	-0.20%
Property	2,969.79	2,927.22	-1.43%
Services	1,713.53	1,747.23	1.97%
Mining & Oil	8,988.38	8,838.41	-1.67%

➡ Market turnover averaged ₱4.75 billion last week, 18.30% lower from the ₱5.81 billion average in the week of February 5-8.



➡ Last week logged a net foreign buying of ₱2.11 billion, lower than the ₱2.33 billion posted in the previous week. Foreigners have recorded a net buy in 28 out of the 33 sessions this year so far.



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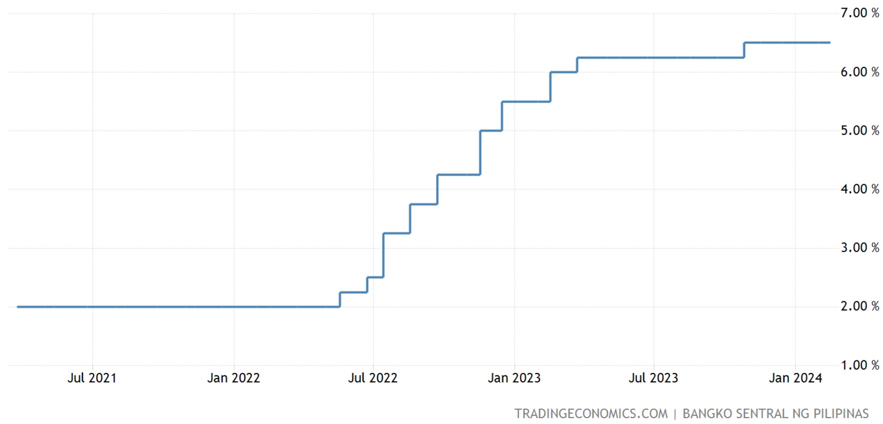
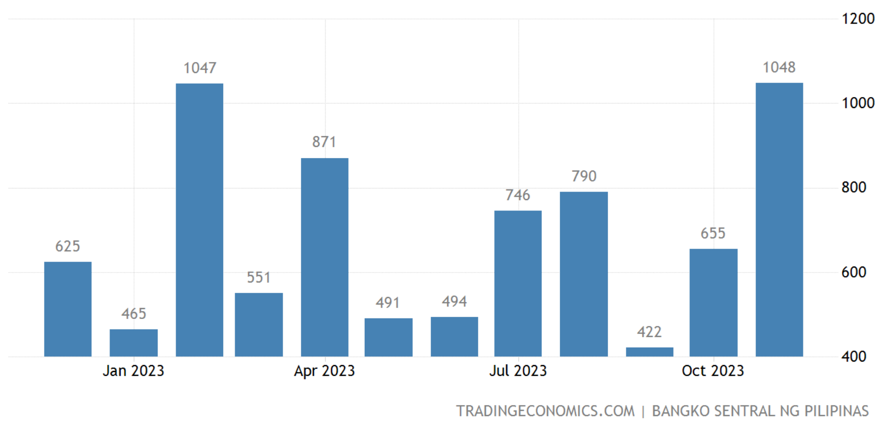
Key Economic Figures



➡ **PH benchmark rate.** In its February 2024 meeting, the Bangko Sentral ng PIlipinas (BSP) opted to keep its benchmark interest rate steady at 6.50%, aligning with market expectations. This decision was influenced by the ongoing easing of inflationary pressures, with the country's headline inflation dropping to a more than 3-year low of 2.8% in January from 3.9% in the previous month, approaching the central bank's target range of 2% to 4%. The central bank revised its inflation forecasts lower, projecting 3.9% for 2024 (down from 4.2%) and maintaining 3.5% for 2025 (up from 3.4%). Although risks to the inflation outlook have diminished, they still lean towards the upside, primarily due to factors such as higher transport charges, rising electricity rates, elevated oil and domestic food prices, and the potential impact of a strong El Niño episode on food prices. *(BSP)*



➡ **PH FDI.** In November 2023, net foreign direct investment (FDI) in the Philippines surged by 27.8% year-on-year, reaching a nearly two-year high of USD 1.05 billion. This increase was primarily driven by the expansion of net inflows for net debt instruments, rising by 57.8% to USD 0.90 billion. However, net inflows decreased for equity capital (-52.5% to USD 0.09 billion) and reinvestment of earnings (-8.1% to USD 0.07 billion). Equity capital placements for the month were mainly sourced from Japan and the United States, primarily directed towards the manufacturing, real estate, and construction industries. Despite the strong performance in November, FDI net inflows for the cumulative period of January to November were 13.3% lower compared to the corresponding period in the previous year. *(BSP)*

For the Week

TOP GAINERS		TOP LOSERS	
CHP	14.92%	APX	-8.15%
SGP	12.11%	TUGS	-6.49%
MONDE	8.74%	PNX4	-5.11%
DD	7.85%	PAL	-4.93%
FGEN	7.44%	AB	-4.26%
SPC	7.28%	ION	-4.20%
SSI	6.33%	DMW	-3.85%
URC	6.02%	ACEN	-3.20%
CHIB	4.48%	SHNG	-2.89%
FLI	4.41%	GSMI	-2.85%
PNB	4.09%	ROCK	-2.82%
ICT	3.32%	AEV	-2.65%
RCB	3.22%	AGI	-2.56%
MRSGI	3.08%	MEG	-1.99%
STR	3.04%	SMPH	-1.88%
GTCAP	2.81%	ALI	-1.86%
COSCO	2.78%	PCOR	-1.82%
IMI	2.42%	MWIDE	-1.82%
RRHI	2.35%	SHLPH	-1.67%
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Key Economic Figures

➡ **<u>US inflation rate.</u>** In January 2024, the annual inflation rate in the US decreased to 3.1%, down from a brief increase to 3.4% in December but surpassing forecasts of 2.9%. The decline was influenced by a 4.6% drop in energy costs, with notable decreases in gasoline (6.4%), utility (piped) gas service (17.8%), and fuel oil (14.2%). Prices increased at a softer pace for food, shelter, new vehicles, apparel, medical care commodities, and transportation services. Notably, used cars and trucks continued to experience a decline (-3.5% vs -1.3%). On a monthly basis, the Consumer Price Index (CPI) edged up by 0.3%, the most in four months and surpassing forecasts of 0.2%. Core inflation held steady at an annual rate of 3.9%, defying expectations of a slowdown to 3.7%. The monthly core inflation rate increased to 0.4%. *(US Bureau of Labor Statistics)*

➡ **<u>US PPI.</u>** In January 2024, producer prices for final demand in the US increased by 0.3% month-over-month, marking the largest rise in 5 months and surpassing forecasts of 0.1%. The upturn was driven by a 0.6% increase in the cost of services, the most significant jump since July, with prices for hospital outpatient care leading the way with a 2.2% gain. Other services that experienced higher costs included chemicals and allied products wholesaling, machinery and equipment wholesaling, and traveler accommodation services. Conversely, prices for goods declined by 0.2%, marking the fourth consecutive drop, with a 3.6% fall in gasoline prices playing a leading role. Other goods that saw lower prices included electric power, hay, beef and veal, and iron and steel scrap. On a year-on-year basis, producer prices rose by 0.9%, slightly lower than the 1% recorded in December but surpassing expectations of 0.6%. The core Producer Price Index (PPI) rose by 0.5% on the month, pushing the annual rate higher to 2%, exceeding forecasts. *(US Bureau of Labor Statistics)*

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Market Outlook

What You Need to Know

- The PSEi posted a 4th consecutive winning week despite some last minute profit taking last Friday. Market sentiment remained upbeat as the local barometer approached the 7,000-level. It failed to hold its ground at the 6,900-level and settled at the 6,800-level through last week. Strong foreign buying also continued.

- In the upcoming week, the spotlight in the United States will be on the release of Federal Open Market Committee (FOMC) meeting minutes, offering valuable insights into potential future interest rate cuts by the US Federal Reserve (Fed), accompanied by comments from various Fed officials. Key data releases include flash S&P Global PMIs, indicating a modest slowdown in both the manufacturing and services sectors. Additional US releases comprise existing home sales, and weekly jobless claims. In Europe, investors are keenly awaiting the European Central Bank (ECB) monetary policy meeting accounts for cues on potential interest rate adjustments. Flash PMIs for the eurozone, Germany, and France are expected to signal a minor contraction in private sector activity, with updated 4Q 2023 GDP data likely confirming a 0.3% contraction in Germany. In China, markets will reopen after the Lunar New Year, providing an opportunity to assess the impact on sentiment. Monetary policy updates are anticipated in South Korea and Indonesia, and Thailand is set to unveil its 2023 GDP. In Australia, the Reserve Bank of Australia (RBA)'s minutes and flash PMIs for February will provide insights into future monetary policy considerations.

- For this coming week, the local bourse could face stronger selling pressures as investors may look to book gains while waiting for more key catalysts. The hotter-than-expected US inflation released last week have likely put a dent on investors' optimism. It may affect the timing of the US Federal Reserve (Fed)'s rate cuts this year which conservative market players expect to begin in 3Q 2024. On the other hand, optimists are rooting for the first rate cut to happen in the Fed's May meeting. The local earnings season resumes and investors will keep an eye on these results to gauge firms' performance in the last quarter of 2023. Broad profit taking may pull the PSEi down to the 6,700-level while a continued upward momentum may push it to breach to the 6,900-level anew and attempt to touch the 7,000-level.

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