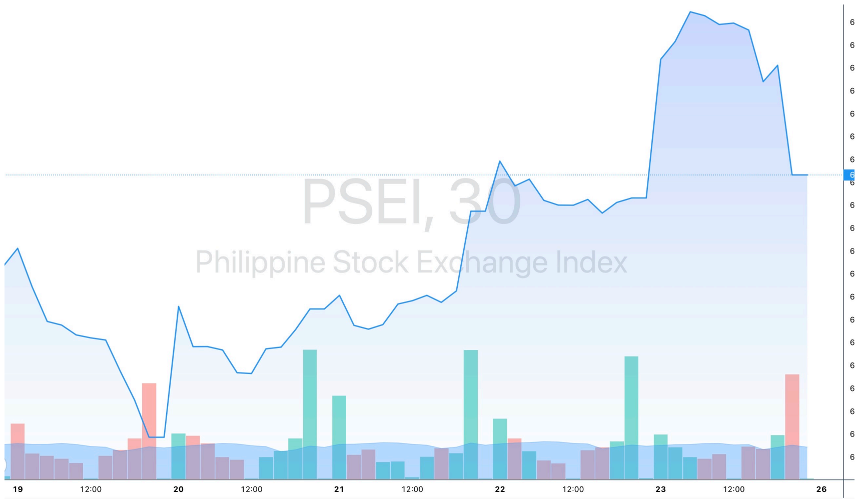
WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

February 25, 2024

Market Commentary



INDICES

Index	Prev	Last	% Chg
PSEi	6,873.23	6,913.21	0.58%
All Shares	3,597.67	3,608.12	0.29%
Financial	1,983.50	2,017.54	1.72%
Industrial	9,341.59	9,215.73	-1.35%
Holding Firms	6,408.70	6,446.78	0.59%
Property	2,927.22	2,973.80	1.59%
Services	1,747.23	1,737.70	-0.55%
Mining & Oil	8,838.41	8,672.49	-1.88%

➡ The PSEi gained 39.98 points or 0.58% and closed last week at 6,913.21. The benchmark index held on the 6,900-level in the last two sessions which could be a foundation for a potential run to the 7,000-level. However, profit taking could hinder the streak. Foreigners posted a net buy of ₱1.69 billion last week. The Philippine Peso strengthened to ₱55.90 from ₱55.96 against the US dollar. Mining&Oil (-1.88%) continued to drop and is down 13.28% for the year. Financial (+1.72%) had the best week. ION (+11.40%) and HOUSE (+9.21%) were the top gainers, while LPC (-21.54%) and FNI (-8.04%) had the biggest drops. Some notable developments last week were:

- The Philippine Economic Zone Authority (PEZA) reported a notable surge in investment approvals, reaching an impressive ₱9.88 billion in the year to date. This surge was attributed to the approval of 16 projects in February, spanning ecozone enterprises, information technology enterprises, economic zone logistics, domestic enterprises, and developer projects. These approved projects are anticipated to yield significant economic benefits, with an expected investment of ₱9.88 billion, generating $591.476 million in exports and creating 2,243 direct jobs.

- The Bangko Sentral ng Pilipinas (BSP) aims to finalize a circular this year that will further simplify documentary requirements for foreign exchange (FX) transactions. Monetary Board member Anita Linda R. Aquino stated that the draft circular is currently being exposed to the markets, anticipating the final version after considering industry feedback. This move follows the recommendation to lift the Bangko Sentral registration document for foreign portfolio investments made late last year, and more FX reforms are in progress. The draft circular proposes changes to the foreign exchange manual, suggesting that processing foreign currency loans, inward investments, and other transactions filed with the BSP-International Operations Department will be free of charge.

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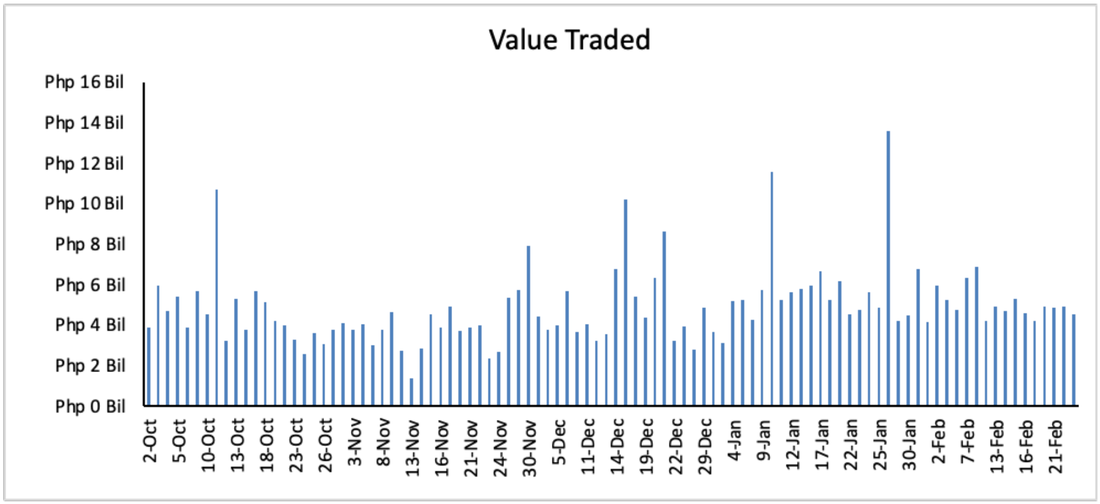
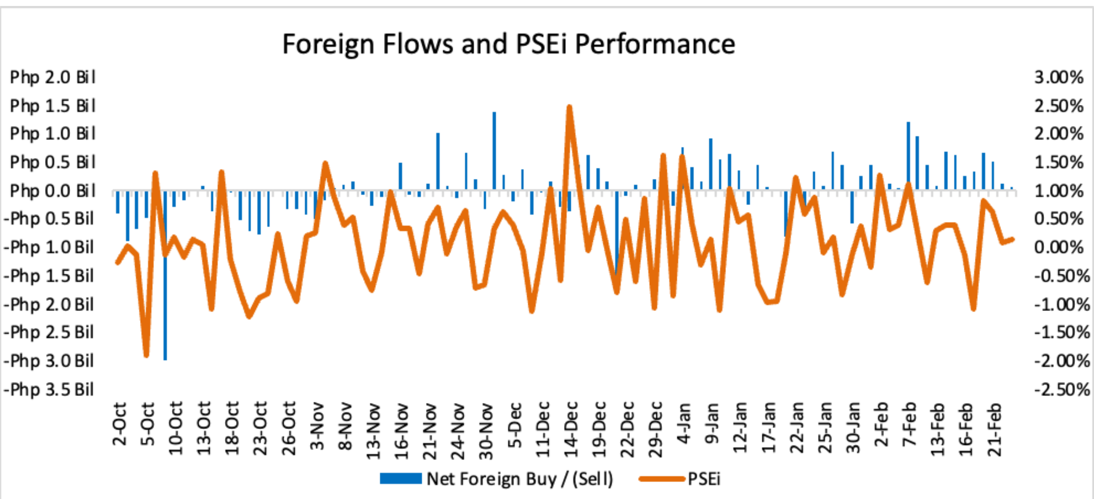
➡ The market's average turnover slightly went down to ₱4.70 billion last week from ₱4.75 billion in the week of February 12-16.



➡ Last week logged a net foreign buying of ₱1.69 billion, lower than the ₱2.11 billion recorded in the previous week. Foreigners are on a 17-day streak of net buys.



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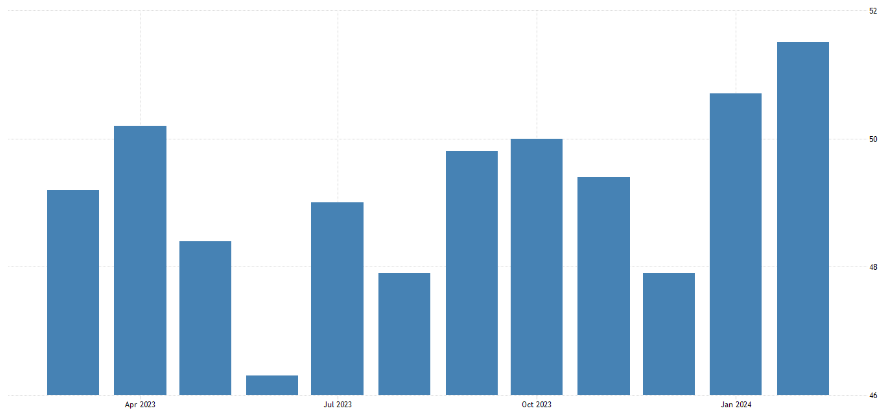
Key Economic Figures



➡ **<u>US manufacturing PMI.</u>** In February 2024, the S&P Global Flash US Manufacturing PMI rose to 51.5, surpassing expectations and indicating the strongest growth in the sector since September 2022. The increase was driven by higher output, attributed to increased client demand and a notable rise in new orders, the most significant since May 2022. New export orders also grew, and improved supply chains and increased employment contributed to the positive trend. On the pricing front, cost inflation slowed due to reduced raw material costs, while charge inflation remained unchanged. *(S&P Global)*

➡ **<u>US initial weekly jobless claims.</u>** In the week ending February 17th, the number of people claiming unemployment benefits in the US dropped by 12,000 to 201,000, significantly below market expectations of 218,000 and reaching the lowest level since the 16-month low recorded five weeks prior. Continuing claims also decreased by 27,000 to 1,862,000, below expectations of 1,885,000, indicating an easier job-finding experience for the unemployed. These figures contribute to the overall strength of the US labor market, as highlighted in the robust January jobs report, providing room for the Federal Reserve to maintain higher interest rates if inflation remains elevated. The four-week moving average, which smooths week-to-week fluctuations, fell by 3,500 to 215,250. In non-seasonally-adjusted terms, the claim count declined by 26,053 to 197,932, with notable decreases in California, Kentucky, and Michigan. *(US Department of Labor)*

For the Week

TOP GAINERS		TOP LOSERS	
ION	11.40%	LPC	-21.54%
HOUSE	9.21%	FNI	-8.04%
ROCK	8.70%	SPC	-7.71%
ALI	8.61%	AGI	-5.77%
PAL	7.10%	MONDE	-5.36%
GTCAP	5.04%	EMP	-4.43%
AEV	4.78%	URC	-3.39%
AB	4.44%	CHP	-3.37%
BPI	4.35%	ABS	-3.00%
SEVN	3.80%	PIZZA	-2.83%
MBT	3.64%	CNPF	-2.66%
APX	3.63%	TECH	-2.63%
FGEN	3.00%	SECB	-2.46%
SGP	2.90%	SMPH	-2.35%
TUGS	2.78%	GLO	-2.30%
CLI	2.27%	PX	-2.29%
JFC	2.01%	DD	-2.28%
SSP	2.00%	MRSGI	-2.24%
PLC	1.41%	CNVRG	-2.10%
RRHI	1.35%	CEB	-2.03%

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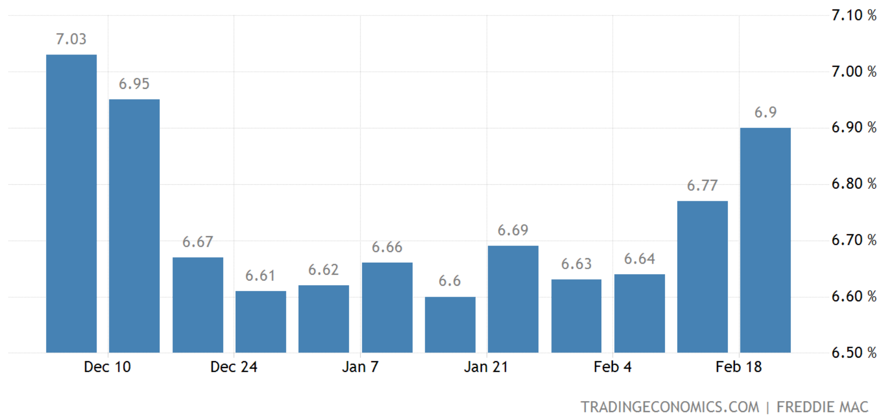
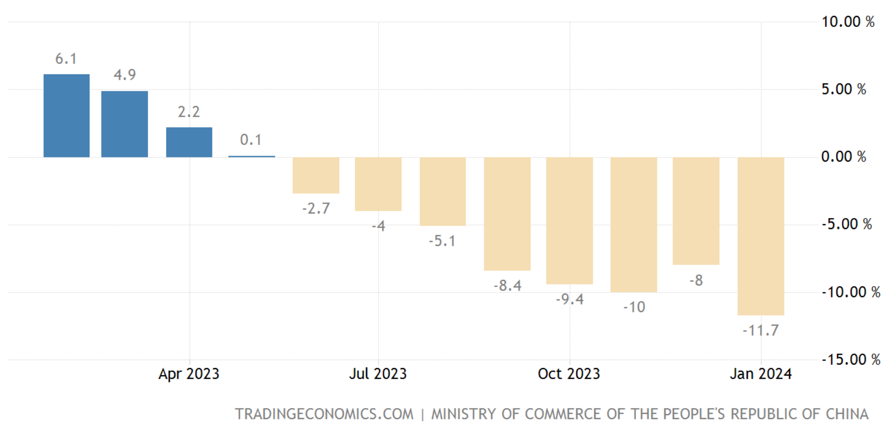


➡ **<u>US 30-year mortgage rate.</u>** As of February 22nd, the average rate on a 30-year fixed mortgage reached 6.9%, marking a 13 basis points increase from the previous week and reaching the highest level in over two months. This upward trend aligns with the rise in Treasury yields during the period, influenced by strong price data and indications from FOMC members hinting at a delay in the start of the quantitative tightening taper, causing upward pressure on US bond yields. In comparison to a year ago, the average rate on a 30-year fixed mortgage was 6.5%. Freddie Mac's Chief Economist, Sam Khater, noted that strong economic and inflation data prompted a re-evaluation of monetary policy paths, leading to higher mortgage rates. However, he highlighted the unique aspect of the current housing market cycle, where historically low affordability makes even minor shifts in rates impactful for homebuyers. *(Freddie Mac)*



➡ **<u>China FDI.</u>** In January 2024, foreign direct investment (FDI) into China experienced a year-on-year decline of 11.7%, amounting to CNY 112.71 billion or $15.66 billion. However, compared to the previous month, FDI surged by 20.4%. The Ministry of Commerce reported a notable increase in newly established foreign-invested enterprises across the country, reaching 4,588, marking a substantial year-on-year rise of 74.4%. *(Ministry of Commerce of the People's Republic of China)*

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AB	4.44%	CHP	-3.37%
BPI	4.35%	ABS	-3.00%
SEVN	3.80%	PIZZA	-2.83%
MBT	3.64%	CNPF	-2.66%
APX	3.63%	TECH	-2.63%
FGEN	3.00%	SECB	-2.46%
SGP	2.90%	SMPH	-2.35%
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Market Outlook

What You Need to Know

- Last week, the PSEi closed near the 7,000 mark, driven by positive corporate earnings despite global recession concerns. The market has sustained a five-week winning streak, accumulating a total gain of 6.30%. However, trading remained subdued with low value turnover, indicating cautious investor sentiment.

- For this week, investors will closely monitor key US economic indicators, including personal consumption expenditure (PCE) price indexes, personal income, and spending data, coupled with speeches by US Federal Reserve (Fed) officials. Internationally, inflation data in several countries due for release, including Japan, Australia, France, Spain, Germany, the Euro Area, and Italy, will be watched closely. Manufacturing PMIs from pivotal countries like China, Russia, Switzerland, Spain, and Canada will provide insights into the state of their industrial sectors.

- In the coming week, the market could move sideways due to increased selling pressure as investors may take profits from the recent rally. While optimism toward corporate results and potential support from Wall Street's record-high performances are expected, there are concerns about a possible correction or sideways movement in the near term. The PSEi has managed to hold the 6,900 level, showing resilience, but the possibility of a selloff could bring it back to the 6,700 to 6,800 range if bulls fail to defend the current level. Still, the overall long-term outlook remains positive, with expectations of earnings growth and potential rate cuts later in the year contributing to a favorable environment for the market.

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