



Market Commentary



➔ The PSEi posted a modest gain of 6.38 points or 0.09% and ended at 6,919.59 last Friday. The benchmark index held on for its 6th consecutive winning week, buoyed by mostly positive 2023 earnings results and strong foreign buying. Property (-3.24%) and Mining&Oil (-2.36%) dropped. Industrial (+1.53%) and Holding Firms (+1.05%) rose along with sub-1% additions by the rest. In the PSEi, AEV (+4.15%) and URC (+3.68%) had the best week, while ALI (-6.45%) and CNVRG (-6.03%) dropped the most. Net foreign buying amounted to ₱1.26 billion last week. The local currency depreciated to ₱56.015 from ₱56.90 against the US dollar. Some notable developments last week were:

- The World Bank anticipates that inflation in the Philippines will likely remain within the 2-4% target band for each month in 2024, emphasizing the importance of vigilance for potential risks to the inflation outlook. The bank's projection aligns with the Philippine Statistics Authority (PSA)'s report of headline inflation decelerating to 2.8% in January, marking the second consecutive month within the Bangko Sentral ng Pilipinas' (BSP) target range. While the World Bank initially projected Philippine inflation to settle at 3.6% in 2024, it acknowledges the existence of risks and emphasizes the need for adjustments to projections if risks materialize.
- Moody's Analytics has raised its growth forecast for the Philippines to 5.8% in 2024, up from the 5.4% projection in January. The revised outlook reflects strong demand for electronics, which is expected to drive export growth in the Asia-Pacific region. Moody's Analytics anticipates the Philippines to be the third-fastest growing economy in the region, following India (6%) and Vietnam (6%). The country's resilience is attributed to electronics exports, robust domestic demand, government spending, and remittances.

INDICES

Index	Prev	Last	% Chg
PSEi	6,913.21	6,919.59	0.09%
All Shares	3,608.12	3,609.21	0.03%
Financial	2,017.54	2,031.61	0.70%
Industrial	9,215.73	9,356.52	1.53%
Holding Firms	6,446.78	6,514.18	1.05%
Property	2,973.80	2,877.44	-3.24%
Services	1,737.70	1,744.94	0.42%
Mining & Oil	8,672.49	8,467.99	-2.36%

PSEi

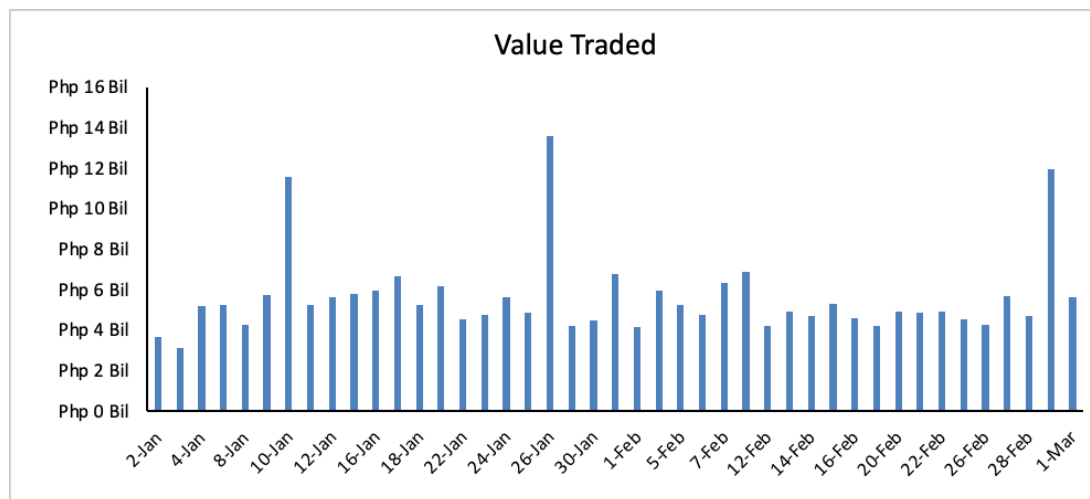
TOP 10		BOTTOM 10	
AEV	4.15%	ALI	-6.45%
URC	3.68%	CNVRG	-6.03%
DMC	3.50%	AGI	-5.75%
SM	3.19%	GTCAP	-3.29%
MER	2.93%	WLCON	-3.11%
JFC	2.80%	EMI	-2.75%
CNPF	2.31%	AC	-2.68%
BLOOM	1.75%	SMPH	-2.26%
BPI	1.67%	NIKL	-2.17%
ICT	1.51%	SMC	-2.16%

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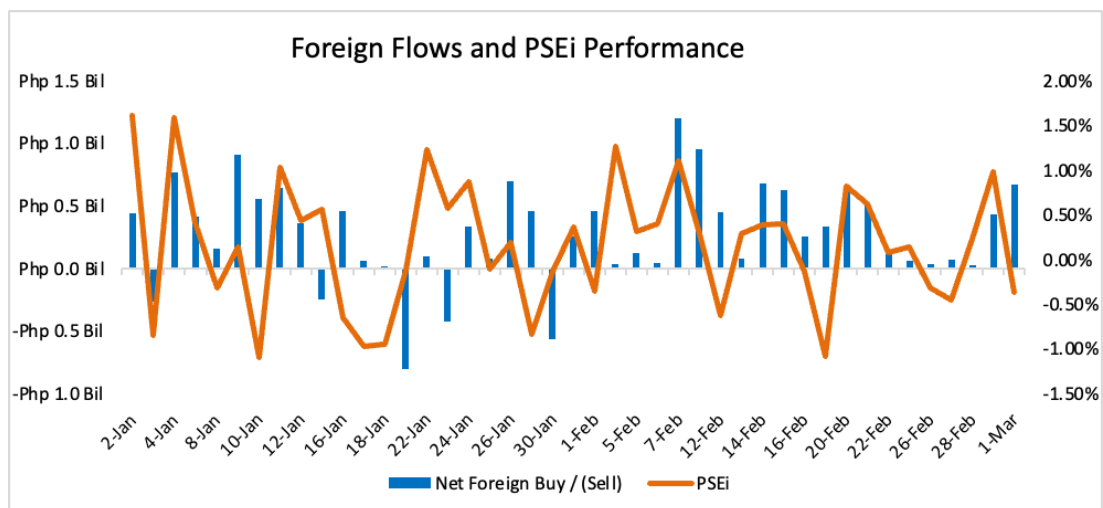
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➔ The market's average turnover went up to ₱6.44 billion last week from ₱4.70 billion in the week of February 19-23. The big jump was primarily due to the ₱11.96 billion worth of market activity last Thursday.



➔ Last week logged a net foreign buying of ₱1.26 billion, lower than the ₱1.69 billion recorded in the previous week. Foreigners are on a 22-day streak of net buys.

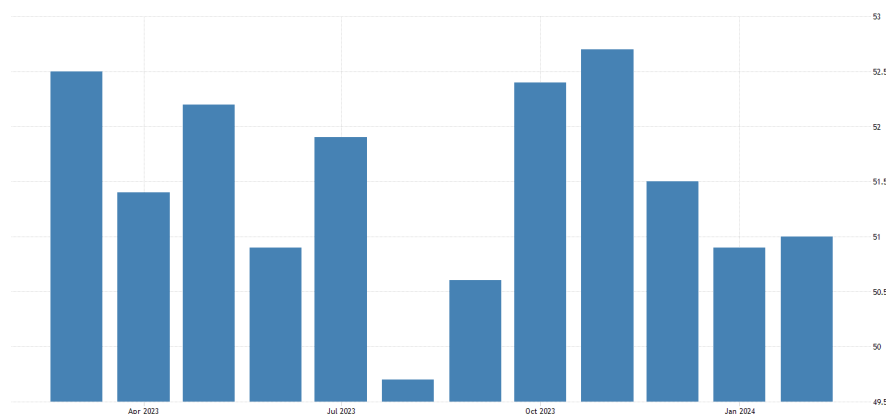


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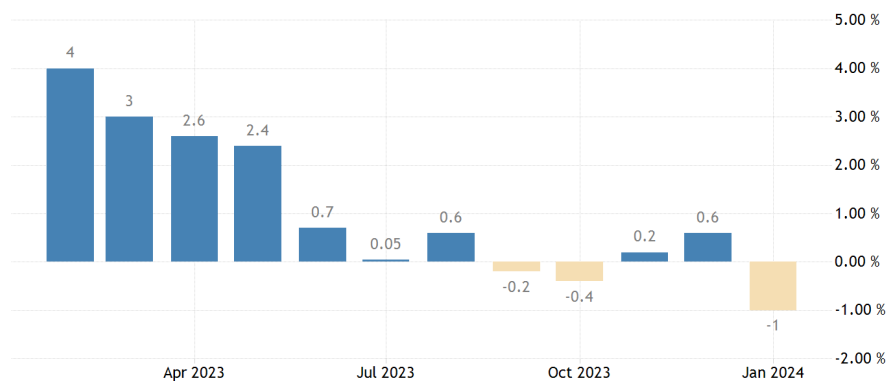
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Key Economic Figures



➔ **PH manufacturing PMI.** In February 2024, the S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) saw a slight increase to 51 from 50.9 in January, signifying the sixth consecutive month of expansion in the sector. However, the overall improvement in the manufacturing sector was modest. The upturn was supported by a stronger rise in new orders, leading to an increase in hiring activity by manufacturers, marking the first month of job creation since October of the previous year. Despite the improved demand conditions, the growth in output faced a broad stall in the first quarter of the year, primarily due to material shortages. Concerns regarding insufficient raw material supply impacted the 12-month outlook for output, leading to a notable weakening of sentiment, which fell below the historical average.. (S&P Global)



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➔ **PH producer prices.** In January 2024, producer prices in the Philippines experienced a notable year-on-year decline of 1%, marking the sharpest fall since June 2021 and following a 0.6% rise in the previous month. The drop was driven by ongoing deflation in various industry divisions, including the manufacture of chemical & chemical products, basic metals, coke and refined petroleum products, and other non-metallic mineral products. Prices also decreased for paper & paper products, machinery & equipment except electrical, and wearing apparel. On a monthly basis, the Producer Price Index (PPI) contracted by 1%, showing an acceleration from the 0.1% fall recorded in December. (Philippine Statistics Authority)

For the Week

TOP GAINERS		TOP LOSERS	
TUGS	10.81%	RCB	-8.71%
MWC	9.81%	ALI	-6.45%
SSI	8.12%	CNVRG	-6.03%
CHP	6.97%	AGI	-5.75%
ABS	6.19%	DD	-5.01%
CLI	5.56%	TECH	-3.78%
ROCK	5.33%	IMI	-3.50%
PNB	4.28%	GTCAP	-3.29%
AEV	4.15%	CEB	-3.12%
FB	4.00%	APX	-3.11%
URC	3.68%	WLCON	-3.11%
DMC	3.50%	PX	-3.01%
SM	3.19%	EMP	-2.75%
MER	2.93%	AC	-2.68%
SGP	2.82%	SSP	-2.35%
JFC	2.80%	SMPH	-2.26%
RLC	2.43%	FNI	-2.19%
COSCO	2.32%	NIKL	-2.17%
CNPF	2.31%	SMC	-2.16%
SPC	2.12%	AB	-2.13%

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Key Economic Figures



➔ **US core PCE.** In January 2024, core personal consumption expenditures (PCE) prices, a preferred inflation measure for the US Federal Reserve, saw a notable increase of 0.4% from the previous month, marking the highest level since February 2023 and aligning with market expectations. This follows a downwardly revised 0.1% increase in December. The year-on-year growth for core PCE prices reached 2.8%, the lowest since March 2021 and a deceleration from the 2.9% recorded in December. The overall PCE price index rose by 0.3% month-over-month in January, meeting market expectations and following a downwardly revised 0.1% rise in December. Prices for services increased by 0.6%, while goods decreased by 0.2%. The annual rate slowed to 2.4%, the lowest since February 2021, compared to forecasts of 2.4%. (*US Bureau of Economic Analysis*)



➔ **US 10-year Treasury yield.** On Friday, the yield on the US 10-year Treasury note dipped below 4.2%, shedding over 10 basis points from its peak during the session. The decline was influenced by weaker-than-expected manufacturing data, as the ISM Manufacturing PMI revealed a faster contraction in factory activity in February, challenging the perceived resilience of the US economy. Additionally, Thursday's data indicating a 3-month high in continuing jobless claims raised concerns about the strength of the job market. Subsequently, futures markets reflected an increased positioning for a US Federal Reserve rate cut by the second quarter, with 70% of the market anticipating a cut by June. (*TradingEconomics*)

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Market Outlook

What You Need to Know

- ➔ The PSEi experienced a brief touch of the 7,000 intraday level, but late profit-taking activities resulted in a slight decline last Friday. The market saw fluctuations influenced by factors such as the possibility of a higher inflation rate in February compared to January, impacting overall sentiment. Despite this, the market had mainly traded positively, influenced by favorable signals from the US markets, particularly in response to the conformity of the US' core personal consumption expenditures (PCE) price index for January with expectations.
- ➔ In the upcoming week, the focus will be on US January jobs data, featuring non-farm payrolls expected to rise by 188K, a notable decline from January's 353K additions. Other key indicators include the unemployment rate, projected to remain at 3.7%, and monthly wage growth cooling to 0.2%. US Federal Reserve (Fed) Chairman Powell's two-day testimony in Congress on monetary policy will be closely watched. In Europe, the European Central Bank (ECB) is likely to maintain rates after inflation surpassed expectations. Additional data includes eurozone's final 4Q 2023 GDP reading, and Germany's trade balance and producer prices. In China, the National People's Congress will commence, with attention on potential stimulus measures, consumer demand initiatives, and regulatory actions. The trade balance data for the first two months is expected to show a slight uptick in both exports and imports.
- ➔ This week, the local bourse are expected to encounter potential downward pressure in the next few days, following a 6-week period of gains. The market's recent modest increase of 0.09% and its struggle to maintain levels above 7,000 suggest possible resistance. Key factors influencing trading sentiment include the release of February inflation data and corporate earnings results. Investors will closely monitor these developments to gauge the market's direction. If February's inflation exceeds expectations, it could lead to a pullback. Additionally, upcoming labor market data will offer insights into the overall economic health. The Bangko Sentral ng Pilipinas (BSP) has indicated a forecasted inflation range of 2.8-3.6% for February. Sustained upward swings within the 6,900 may indicate further upward potential towards 7,000 levels in the weeks ahead.

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