



Market Commentary



➔ The PSEi eked out another modest uptick of 22.62 points or 0.33% week-on-week, and settled at 6,942.21. The benchmark index reversed losses from a 3-day slump mid-week as investors' appetite for bargains lifted prices anew. Services (+3.71%) and Holding Firms (+1.38%) gained, while Industrial (-2.36%) and Property (-1.16%) posted the biggest losses. In the PSEi, ICT (+9.39%) and SM (+4.54%) had the best week, while WLCON (-8.44%) and URC (-5.58%) led the laggards. Net foreign buying amounted to ₱1.73 billion last week. The local currency appreciated by 44.5 cents to ₱55.57 against the US dollar. Some notable developments last week were:

- In January, the Philippines experienced the second consecutive month of net foreign capital outflow, with foreign portfolio investments registering at \$75.83 million. This marked a reversal from the \$291.35 million inflows recorded in the same month in 2023, with a 63% decrease from December's outflows of \$205.18 million. The reversal was attributed to elevated interest rates in developed economies and ongoing global economic uncertainties, leading investors to seek safer havens and withdraw from emerging markets like the Philippines. Despite the overall outflow, there was an increase in gross inflows by 23.1% to \$1.24 billion in January, with more than half going to securities listed on the PSE, particularly in banks, holding firms, and property.
- The Department of Finance (DOF) is advocating for changes to the tax structure for the extractive sector, particularly mining, aiming to ensure the government receives a fair share of revenues. The proposed measures involve simplifying the tax system and adjusting rates for a more predictable and stable policy environment. Under the DOF's refined priority tax measures, a four-tier approach is suggested for operations outside mineral reservation areas, with the minimum rate increased to 1.5% of the margin. Additionally, the DOF plans to introduce a windfall profit tax mechanism with four tiers, aiming to secure the government's equitable share during positive market circumstances.

INDICES

Index	Prev	Last	% Chg
PSEi	6,919.59	6,942.21	0.33%
All Shares	3,609.21	3,602.81	-0.18%
Financial	2,031.61	2,020.18	-0.56%
Industrial	9,356.52	9,136.08	-2.36%
Holding Firms	6,514.18	6,603.99	1.38%
Property	2,877.44	2,844.14	-1.16%
Services	1,744.94	1,809.66	3.71%
Mining & Oil	8,467.99	8,410.52	-0.68%

PSEi

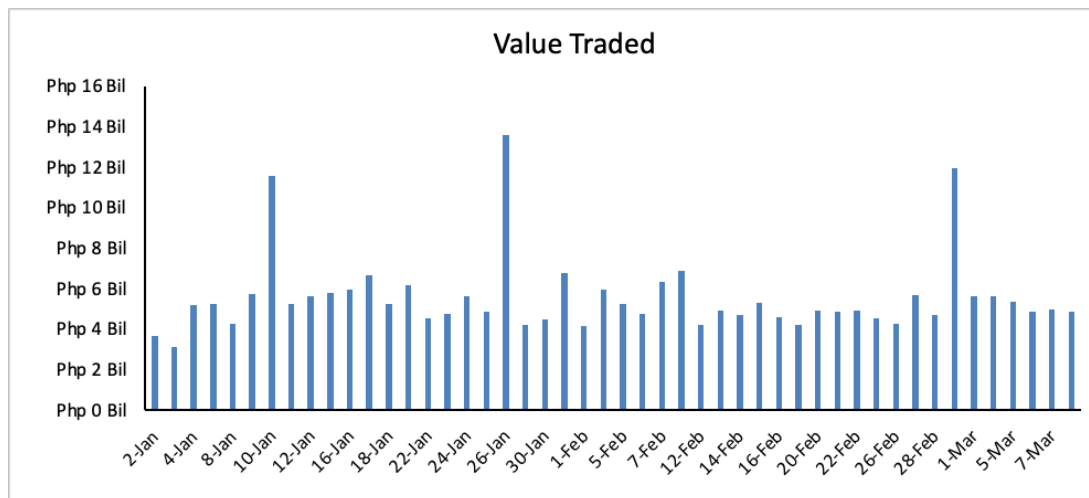
	TOP 10		BOTTOM 10
ICT	9.39%	WLCON	-8.44%
SM	4.54%	URC	-5.58%
SCC	3.03%	NIKL	-5.33%
BDO	1.95%	ALI	-4.60%
TEL	1.09%	CNVRG	-4.24%
SMPH	1.08%	MER	-3.90%
CNPF	0.85%	EMI	-3.77%
JGS	0.76%	AGI	-3.54%
GLO	0.52%	BPI	-3.20%
DMC	0.00%	JFC	-2.80%

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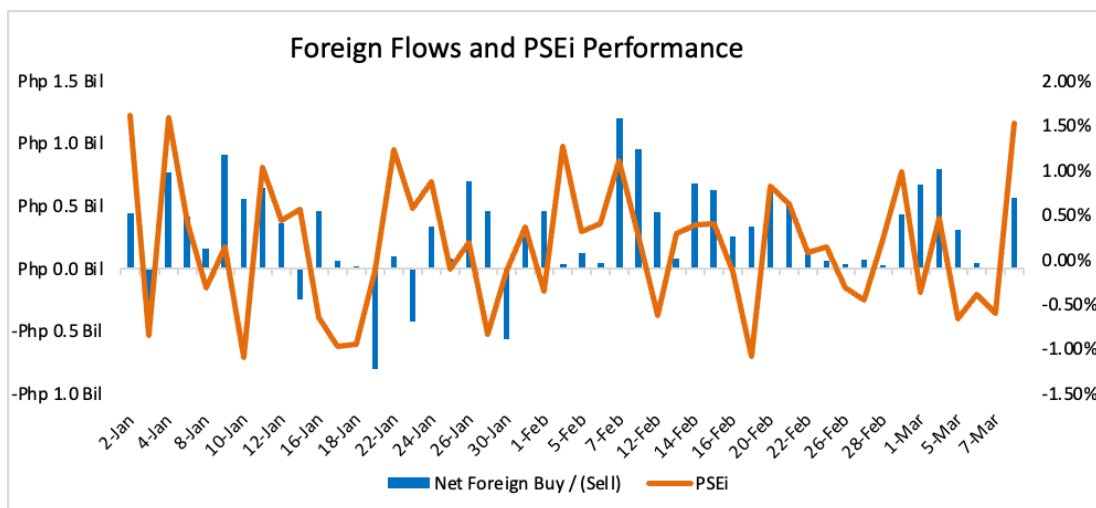
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➔ The market's average turnover decreased to ₱5.15 billion last week from ₱6.44 billion in the week of February 26-March 1.



➔ Last week logged a net foreign buying of ₱1.73 billion, higher than the ₱1.26 billion recorded in the previous week. Foreigners are on a 27-day streak of net buys. Net foreign buying in that span has amounted to ₱9.87 billion.



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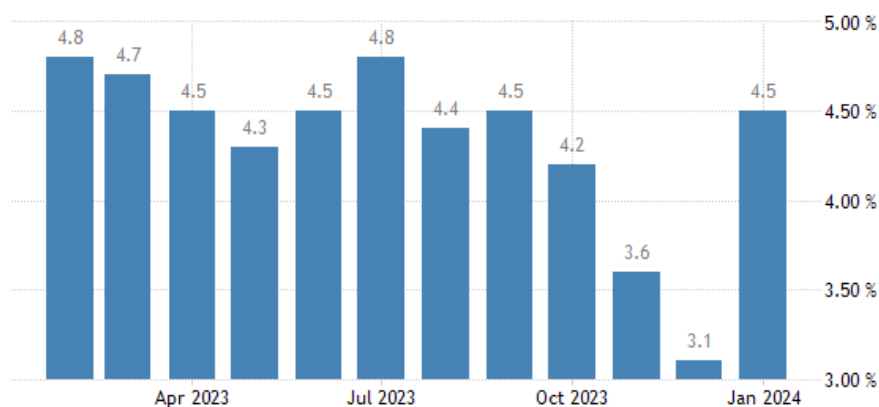


Key Economic Figures



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➔ **PH inflation rate.** The annual inflation rate in the Philippines accelerated to 3.4% in February 2024 from the previous month's over three-year low of 2.8%, surpassing market expectations of 3.1%. Key contributors to the increase were higher inflation for food and non-alcoholic beverages (4.6% vs 3.5% in January) and housing and utilities (0.9% vs 0.7%). Additionally, prices surged by 1.2% for transport, rebounding from a 0.3% decline in January. On the other hand, inflation eased for clothing and footwear (3.6% vs 3.8%), furnishing, household equipment, and maintenance (3.3% vs 3.9%), and restaurants and accommodation (5.3% vs 5.5%). The core inflation rate, excluding food and fuel, declined to 3.6%, the lowest reading since May 2022. On a monthly basis, the consumer price index (CPI) grew by 0.6%, consistent with January's pace. *(Philippine Statistics Authority)*



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➔ **PH unemployment rate.** The unemployment rate in the Philippines increased to a four-month high of 4.5% in January 2024, rising from the record-low of 3.1% in the previous period. The number of unemployed persons decreased to 2.15 million from 2.38 million in the same month a year earlier, while employment declined to 45.94 million compared to 47.35 million. Notably, employment growth was observed in the construction sector (+517 thousand), transportation and storage (+165 thousand), and administrative and support service activities (+160 thousand). Concurrently, the labor force participation rate dropped to 61.1% from 64.5% in January 2023. *(Philippine Statistics Authority)*

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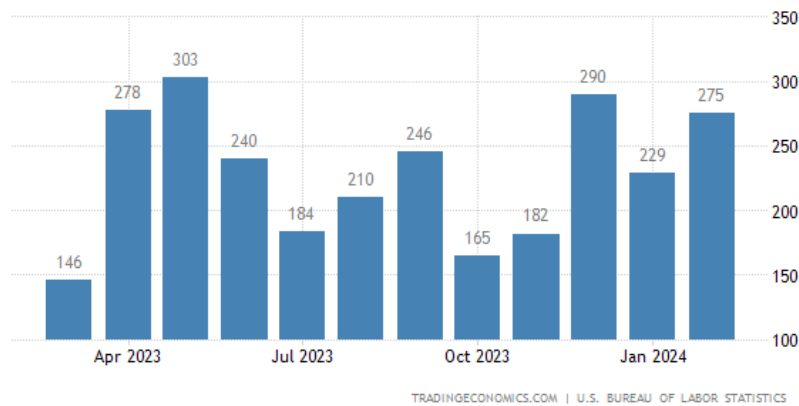
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For the Week

TOP GAINERS		TOP LOSERS	
APX	10.04%	IMI	-11.29%
LPC	10.00%	SSP	-9.64%
ICT	9.39%	WLCON	-8.44%
SHLPH	5.54%	ROCK	-7.59%
SM	4.54%	HOME	-7.14%
MWC	4.37%	TUGS	-6.10%
SCC	3.03%	UBP	-6.05%
SHNG	2.70%	URC	-5.58%
PNX4	2.50%	NIKL	-5.33%
AP	2.28%	CHP	-5.12%
BDO	1.95%	ALI	-4.60%
LR	1.61%	CNVRG	-4.24%
SPC	1.34%	MER	-3.90%
HOUSE	1.29%	SGP	-3.84%
PAL	1.27%	EMP	-3.77%
PNB	1.10%	DD	-3.68%
TEL	1.09%	AGI	-3.54%
SMPH	1.08%	DMW	-3.47%
CNPF	0.85%	FB	-3.27%
JGS	0.76%	BPI	-3.20%

Key Economic Figures



➔ **US nonfarm payrolls.** In February 2024, the US economy added 275,000 jobs, surpassing expectations of 200,000 and outperforming a downwardly revised figure of 229,000 in January. Job gains were notable in sectors such as health care (67,000), government (52,000), food services and drinking places (42,000), rebounding after minimal changes in the past three months; and transportation and warehousing (20,000), where couriers and messengers contributed 17,000 jobs after a loss of 70,000 jobs in the previous three months. Additionally, employment increased in construction (23,000), while other major industries, including manufacturing, saw a slight decline (-4,000). Notably, the January figure was significantly revised downward from an initial 353,000, marking the highest in a year, and the December reading was also revised lower by 43,000 to 290,000. Combining the January and December revisions, employment is now 167,000 lower than previously reported. *(US Bureau of Labor Statistics)*



➔ **US 10-year Treasury yield.** The yield on the US 10-year Treasury note fell to 4.04% on Friday, reaching a one-month low following the latest jobs report that heightened expectations of imminent interest rate cuts. While nonfarm payrolls in February exceeded expectations, there were substantial downward revisions for January and December. Additionally, the unexpected increase in the unemployment rate to 3.9%, the highest in two years, and slower-than-predicted wage growth reinforced the view that rate cuts are likely. Earlier in the week, US Federal Reserve Chairman Jerome Powell stated to Congress that the Fed still needs to gain more confidence that inflation is sustainably moving toward 2% before considering rate cuts, although it is approaching that level. *(TradingEconomics)*

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Market Outlook

What You Need to Know

- ➔ The PSEi shook off a 3-day slump and recorded a late surge last Friday to stretch its winning streak to a 7th week. Investors picked up bargains, relative to the benchmark index's long rally. It continued to face headwinds at the 7,000-level, which it will look to break into again in the coming week. Market sentiment appears to have recovered from the effects of statements from both the Fed and the BSP that it is too soon to cut interest rates. According to the CME FedWatch Tool, the majority expects the Fed to begin lowering rates in its June meeting by 25-50 basis points.
- ➔ In the upcoming week, financial markets will closely watch key economic indicators across major regions. In the US, market attention will be keen on the February consumer price index (CPI) report, retail sales data, producer inflation figures, the Michigan consumer sentiment index, and industrial production numbers. Meanwhile, the UK will release crucial economic updates, including the unemployment rate, industrial production data, January gross domestic product (GDP) growth figures, and foreign trade statistics. In the Asia-Pacific, China's central bank's one-year medium-term lending facility rate announcement will be scrutinized for potential rate adjustments, and the impact of the Lunar New Year holidays on new yuan loans and monetary indicators will be evaluated, along with the house price index.
- ➔ The PSEi will look to test the 7,000-level anew in the coming week as market sentiment looks to have swung positively again after a 3-day slump. Investors remain cautiously optimistic while waiting for more key economic catalysts to support the projected timeline of rate cuts by the Fed which is widely estimated to begin in June. Despite the PSEi's 7-week positive run, the local barometer still trades at around 12x P/E, lower than the 5-year average of about 17x-18x. It is also currently valued at a more attractive valuation to relative to majority of its Asian peers. Moreover, the ongoing earnings season has been strong overall with most companies beating or at least meeting expectations. The upwardly revised economic growth outlook for the Philippines this year by multiple firms could also help capture more foreign investments which will push the improving economic conditions. In the near-term, the PSEi may continue trading sideways within the 6,800-7,000 range as investors continue to digest more corporate results and economic data, both domestic and overseas, in the coming week.

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