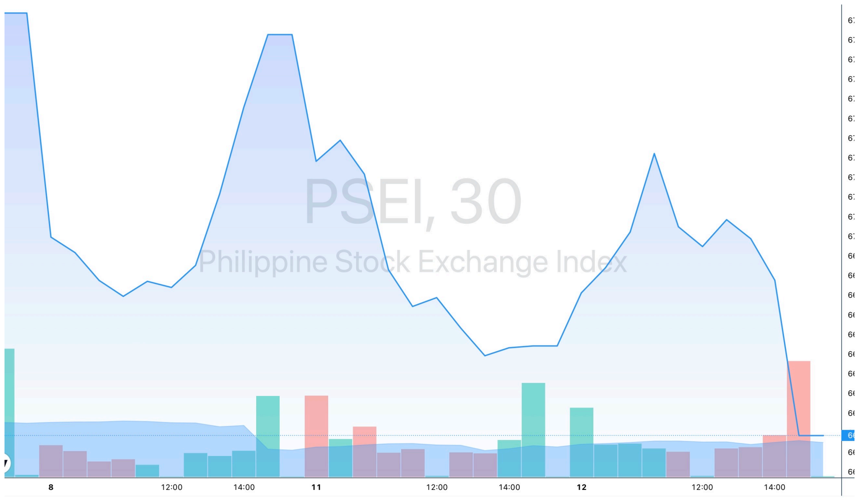
WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

April 14, 2024

Market Commentary



➡ The PSEi lost another 86.07 points or 1.28% last week and ended at 6,659.39. Investors continued to take profits from the strong 1Q2024 performance as worries about further delays in interest rate cuts dampened market sentiment anew. Sectors had mixed results. Mining&Oil (+2.91%) led the gains, while Property (-3.74%) posted a big drop. In the PSEi, top gainers were WLCON (+4.38%) and BPI (+3.77%), while SCC (-12.93%) and ALI (-8.99%) had the biggest losses. Net foreign selling amounted to ₱1.72 billion last week. The Philippine Peso depreciated to ₱56.53 from ₱56.50 against the US dollar. Meanwhile, some notable developments last week were:

- In January, foreign direct investments (FDI) in the Philippines surged by 89.9% to $907 million, marking a two-month high compared to $478 million in the same period last year. The significant increase was largely attributed to improved investor confidence driven by easing inflation. Nonresidents' net investments in debt instruments soared by 173.2% to $820 million, while reinvestment of earnings increased by 16.4% to $99 million. However, equity capital placements declined by 33.5% to $99 million. Japan and the United States were the main sources of FDI, targeting sectors such as manufacturing, real estate, construction, and wholesale and retail trade.

- In February, job creation in the Philippines surged, with payrolls increasing by over 350,000, signaling strong growth in local employment opportunities. The Philippine Statistics Authority (PSA) reported a decline in the number of unemployed Filipinos to 1.8 million from 2.15 million in the previous month, resulting in a drop in the country's unemployment rate to 3.5% from 4.5% in January. Compared to the same period last year, the jobless rate saw a significant decrease from 4.8%, equivalent to 2.47 million individuals. The improvement in the labor market was attributed to increased employment in wholesale and retail trade, agriculture and forestry, and accommodation and food services. Moreover, the labor force participation rate rose to 64.8% from 61.1% in January, with a notable increase in female labor force participation. Additionally, the underemployment rate fell to 12.4% from 13.9% in January, indicating fewer employed individuals working part-time but seeking full-time employment.

INDICES

Index	Prev	Last	% Chg
PSEi	6,745.46	6,659.39	-1.28%
All Shares	3,555.18	3,517.40	-1.06%
Financial	2,025.91	2,040.73	0.73%
Industrial	8,803.59	8,709.54	-1.07%
Holding Firms	6,324.46	6,201.15	-1.95%
Property	2,665.85	2,566.09	-3.74%
Services	1,846.98	1,857.23	0.55%
Mining & Oil	8,050.17	8,284.15	2.91%

PSEi

TOP 10		BOTTOM 10	
WLCON	4.38%	SCC	-12.93%
BPI	3.77%	ALI	-8.99%
MBT	2.87%	JGS	-8.01%
JFC	2.43%	AEV	-6.92%
NIKL	1.78%	ACEN	-5.04%
CNVRG	1.41%	GTCAP	-3.60%
MER	1.30%	URC	-3.48%
ICT	1.23%	BLOOM	-3.10%
TEL	0.75%	AC	-3.06%
SM	0.51%	DMC	-2.80%

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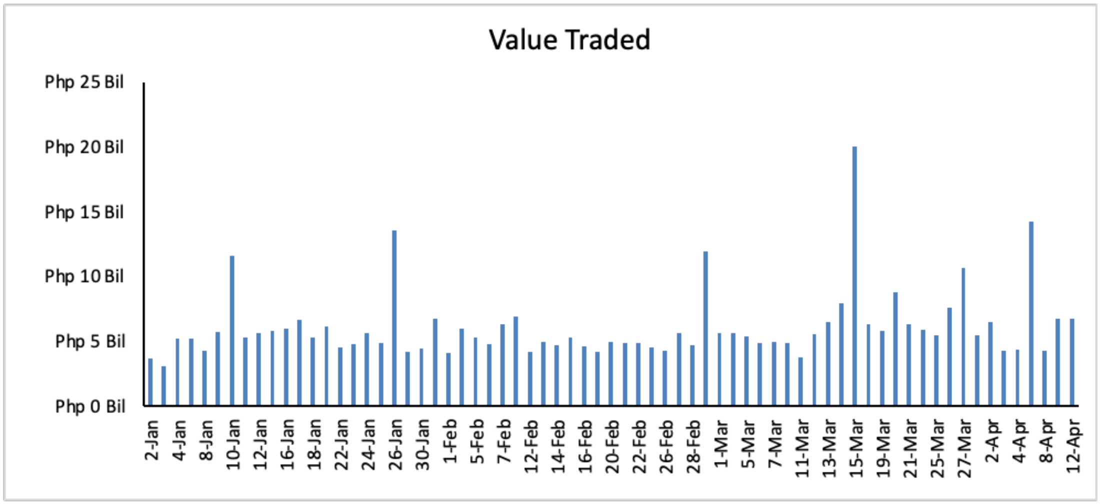
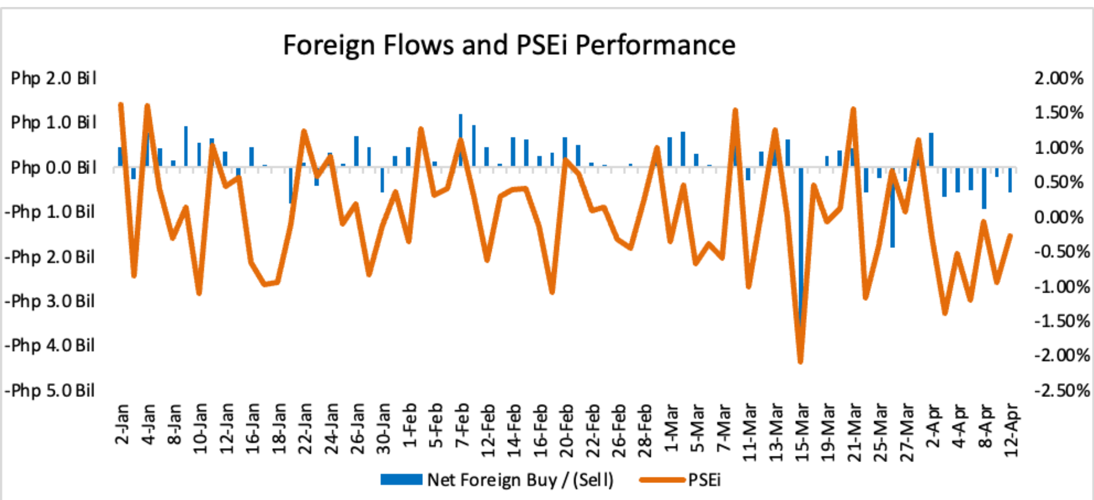
➡ The market's turnover averaged ₱5.92 billion, lower than the ₱6.99 billion in the week of April 1-5.



➡ Last week logged a net foreign selling of ₱1.72 billion, higher than the ₱512.97 million in the previous week.



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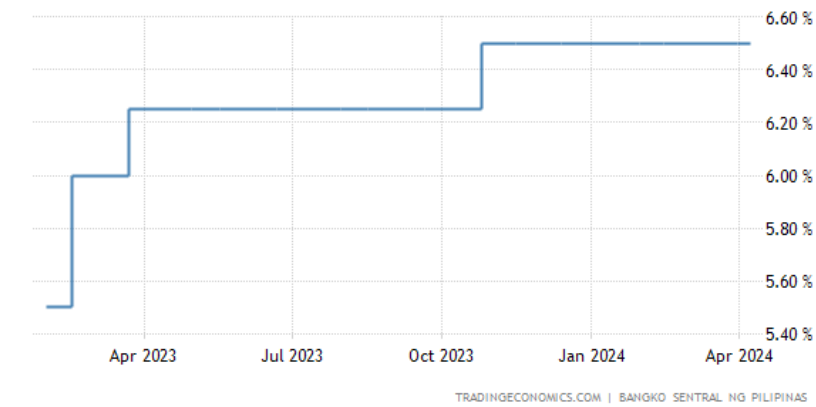
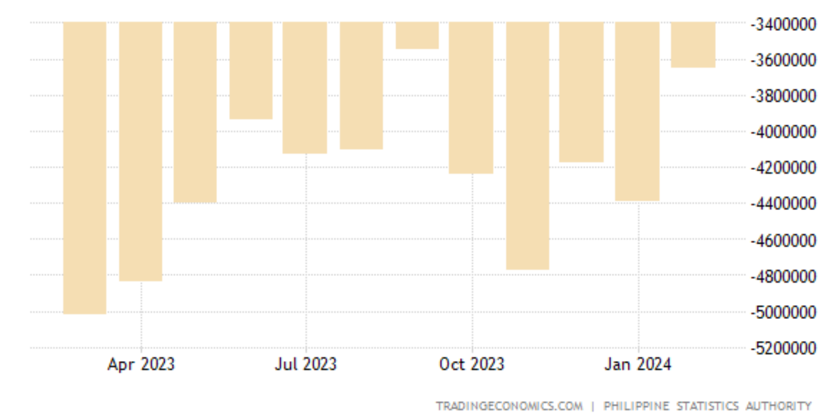
Key Economic Figures



➡ **<u>PH benchmark rate.</u>** The Bangko Sentral ng Pilipinas (BSP) maintained its benchmark interest rate at 6.50%, aligning with market expectations and holding steady for the fourth consecutive meeting. This decision, consistent since 2007, comes amidst mounting inflationary pressures, with headline inflation rising to 3.7% in March from February's 3.4%, albeit below market estimates of 3.8%. While remaining within the central bank's target range of 2% to 4%, inflation risks persist, primarily driven by escalating costs of rice, which reached its highest inflation rate in 15 years, contributing substantially to the overall price uptick in March. Consequently, the central bank revised its consumer price forecast for 2024 to 4%, up from the previous 3.9%, while maintaining a 3.5% forecast for the following year. *(Bangko Sentral ng Pilipinas)*



➡ **<u>PH trade balance.</u>** In February 2024, the trade deficit in the Philippines slightly narrowed to $3.65 billion from $3.88 billion a year earlier. Exports surged to a sixteen-month high, increasing by 15.7% year-on-year to $5.91 billion, driven by robust sales of coconut oil, other mineral products, and chemicals. The US, Japan, and Hong Kong remained the top destinations for Philippine exports. Meanwhile, imports grew at a softer pace of 6.3%, reaching $9.55 billion, with notable increases in purchases of metalliferous ores and metal scrap, cereals, iron, and steel. China, Japan, and South Korea were the main sources of imports. Over the January to February period, the trade gap narrowed further to $8.04 billion from $9.44 billion compared to the same period last year. *(Philippine Statistics Authority)*

For the Week

TOP GAINERS		TOP LOSERS	
SGP	31.33%	PLUS	-15.01%
DD	15.02%	SCC	-12.93%
APX	4.69%	AB	-12.33%
DMW	4.55%	ALI	-8.99%
WLCON	4.38%	JGS	-8.01%
BPI	3.77%	AEV	-6.92%
PX	3.09%	SSI	-6.17%
MBT	2.87%	LPZ	-5.37%
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JFC	2.43%	ACEN	-5.04%
RFM	2.17%	HOME	-4.08%
LPC	1.79%	EEI	-3.88%
NIKL	1.78%	GTCAP	-3.60%
SSP	1.62%	URC	-3.48%
GMA7	1.48%	ABS	-3.34%
PRF3A	1.43%	BLOOM	-3.10%
CNVRG	1.41%	AC	-3.06%
MRSGI	1.38%	GTPPB	-3.01%
MER	1.30%	FLI	-2.94%
ICT	1.23%	UBP	-2.93%

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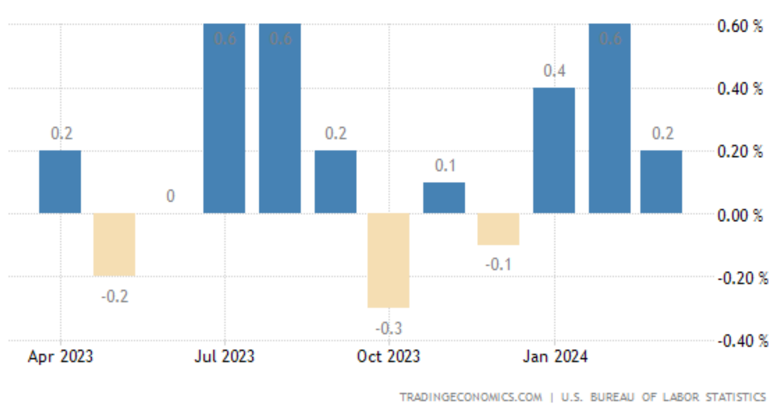
➡ **<u>US dollar index.</u>** The dollar index continued its upward trajectory for the third consecutive session, nearing 106 on Friday, reaching its highest level since early November. This surge was driven by escalating geopolitical tensions and expectations of a prolonged period of higher interest rates by the Fed. Amidst anticipation of potential retaliatory actions from Iran against Israel, the greenback strengthened across major currencies, particularly against the Australian and New Zealand dollars. Persistent inflationary pressures in the US, as indicated by the CPI report earlier in the week, led traders to revise down expectations of Fed rate cuts, with most now anticipating a move in September. Consequently, the euro and British pound dipped to their lowest levels against the dollar since November, while the yen recorded its weakest performance in 34 years. For the week, the dollar posted a robust 1.6% gain, marking its best weekly performance since September 2022. *(TradingView)*



➡ **<u>US PPI.</u>** In March 2024, US producer prices rose by 0.2% month-over-month, with services up 0.3%, led by gains in securities brokerage and airline services, while goods prices fell by 0.1%, driven by lower gasoline costs. Year-on-year, the PPI increased by 2.1%, the highest since April 2023, with the core index up 0.1%, pushing the annual rate to 2.4%. This marks a slowdown from February's 0.6% rise but exceeds expectations. Services continued to drive price gains, with notable increases in securities brokerage and professional equipment wholesaling. Meanwhile, goods prices saw declines, particularly in gasoline and fresh produce. *(US Bureau of Labor Statistics)*

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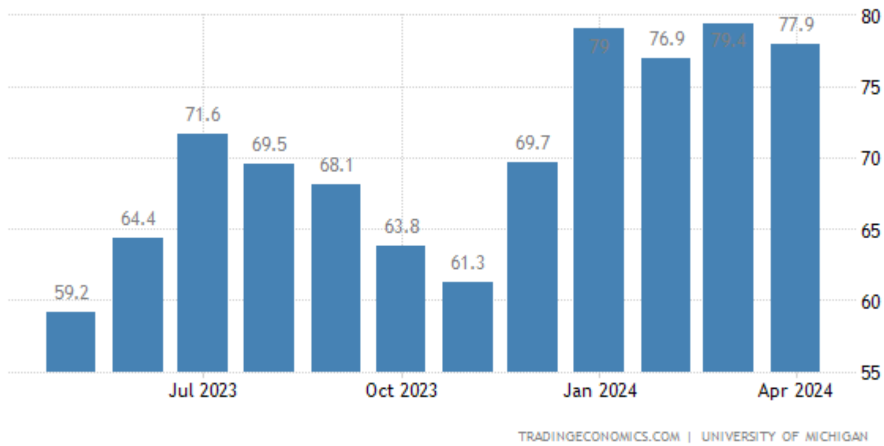
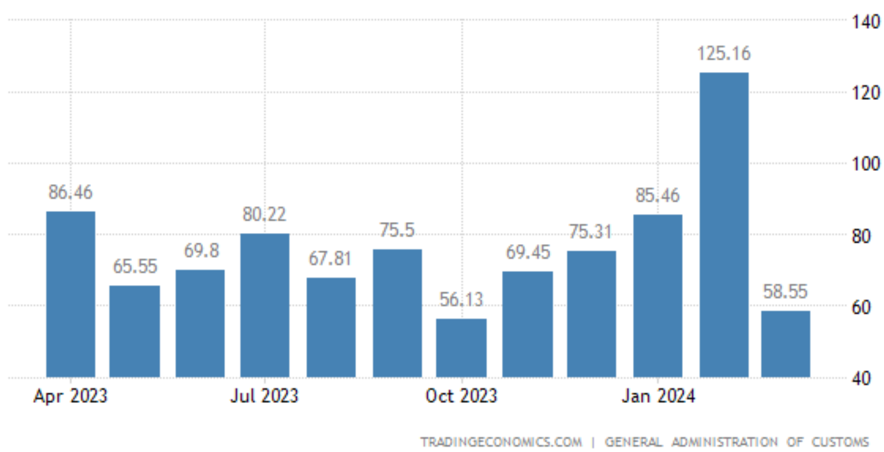


➡ **US consumer sentiment.** The University of Michigan consumer sentiment index for the US slipped to 77.9 in April 2024 from March's 79.4, falling short of expectations of 79. Both current conditions and expectations declined, with consumers showing caution amid uncertainties surrounding the upcoming election and its potential impact on the economy. Moreover, inflation expectations rose for both the year-ahead and five-year outlook, suggesting concerns about the persistence of inflationary pressures despite a recent slowdown. *(University of Michigan)*



➡ **China trade balance.** In March 2024, China's trade surplus decreased to $58.55 billion from $78.43 billion in the same period a year earlier, significantly below market expectations of $70.2 billion. This decline was primarily driven by a larger-than-expected drop in exports, which fell by 7.5%, contrasting with forecasts of a 3% decrease. Additionally, imports unexpectedly fell by 1.9%, missing market expectations of a 1.2% rise. Notably, the trade surplus with the United States stood at $22.94 billion. Looking at the first quarter of the year, China recorded a surplus of $183.71 billion, with exports increasing by 1.5% to $807.50 billion and imports growing by 1.5% to $623.84 billion. *(General Administration of Customs)*

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Market Outlook

What You Need to Know

- ➡ The local stock market continue to face headwinds following a strong first quarter of 2024. Despite opportunities for bargain hunting with the market's current price-to-earnings ratio of 13.3x, concerns persist over inflation and interest rate outlooks. The possibility of delayed rate cuts by both the Bangko Sentral ng Pilipinas (BSP) and the US Federal Reserve (Fed) adds to market uncertainty. BSP Governor Eli M. Remolona, Jr. signaled a cautious stance due to persistent inflationary risks. Investors looked to have turned increasingly pessimistic following its drop below the crucial 6,700 level last week, resulting in a 7-day streak of losses. This decline has diminished the year-to-date gains to 3.25%.

- ➡ In the US, this week's attention will be on retail sales figures and speeches by US Fed policymakers. Major financial institutions like Goldman Sachs, Bank of America, Morgan Stanley, American Express, and others are scheduled to report their 1Q 2024 earnings, following JPMorgan and Chase, Wells Fargo, and Citigroup which posted their results last week. Economic indicators such as housing sector data, industrial production, and manufacturing indices will provide insights into the state of the economy. Europe's economic calendar is relatively light, with Germany's ZEW economic sentiment and producer prices taking center stage. Final inflation figures, industrial production, and trade balance updates are expected for the eurozone and Italy. In the UK, updates on unemployment, wage growth, inflation, and retail sales will offer crucial insights into the ongoing economic recovery efforts. In China, focus is on GDP figures, which are expected to meet Beijing's growth target of 5%, along with industrial production, retail sales, and house prices for March. Credit data for the first quarter will also be closely watched. Japan awaits trade balance and inflation rate data for March, while India and Indonesia will update their trade balances for the same period.

- ➡ Investors are anticipated to actively pursue bargain opportunities this week, motivated by the recent downturn in the stock market. However, the market is in dire need of a significant catalyst to stem the ongoing decline. While episodes of bargain hunting may occur, concerns regarding the Philippines' inflation and interest rate trajectory are likely to persist, exerting continued pressure on the market. The mounting inflationary risks raise the specter of a delayed rate cut by the BSP, further complicating the market outlook. Given these circumstances, caution is advised, especially considering the potential for an extended downtrend below the 6,500 level. Stabilization above the 6,600 mark could provide opportunities for short-term range trading, albeit contingent on the broader market's assessment of capital cost dynamics for the remainder of the year, given that a higher-for-longer stance for interest rates appear to be shaping up.

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