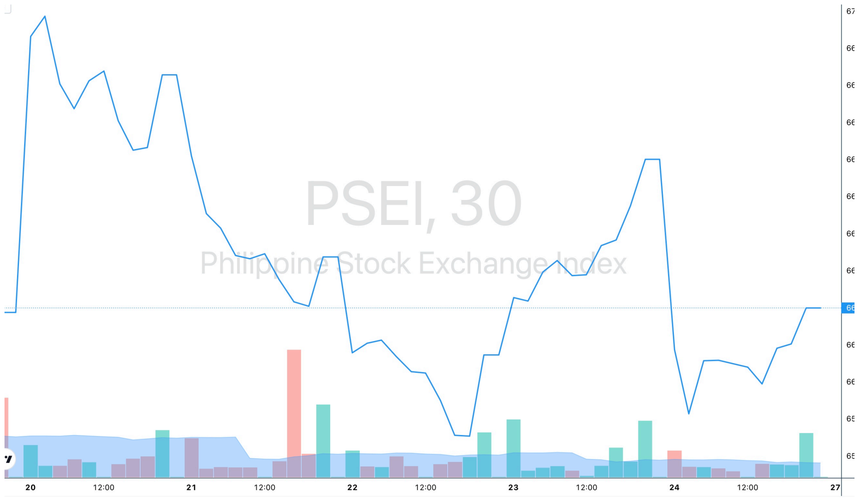
WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

May 27, 2024

## Market Commentary




➡ The PSEi gained 1.20 points or 0.02% week-on-week and ended at 6,619.89. The benchmark was almost flat for the week as investors continued a wait-and-see approach amidst a slew of economic data which may potentially affect the path of US interest rates. The continued weakness of the local currency also kept rallies in check. Services (+3.35%) was the top sector gainer while Property (-3.33%) dropped the most. In the PSEi, CNVRG (+9.65%) and WLCON (+6.92%) were the top performers while SMPH (-5.82%) and JGS (-5.60%) declined the most. The Philippine Peso sharply depreciated to ₱58.19 from ₱57.62 against the US dollar. Meanwhile, some notable developments last week were:

- The Philippine Senate passed Senate Bill No. 2528, mandating a 12% value-added tax (VAT) on digital services provided by nonresident companies without a physical presence in the country. The bill, which received unanimous approval from all 23 senators, requires these digital service providers and electronic marketplaces to register with the Bureau of Internal Revenue (BIR) for VAT collection and remittance on transactions with Philippine customers. This legislation targets digital services like online search engines, marketplaces, cloud services, and digital goods, potentially affecting companies such as Amazon, Shein, Rakuten, Taobao, AliExpress, and Temu.

- The Philippines has approved an expanded electric vehicle (EV) incentive program, which is expected to attract more investors and improve the business environment. Finance Secretary Ralph Recto highlighted that this strategic move places the Philippines at the forefront of green technology, promoting sustainable investments, creating high-quality jobs, fostering innovation, and offering more eco-friendly vehicle choices. The National Economic and Development Authority (NEDA) extended tariff exemptions for a wider range of EVs and components until 2028, covering e-motorcycles, e-bicycles, HEVs, PHEVs, e-jeepneys, e-buses, and related parts, aiming to encourage local manufacturing and assembly.

## INDICES

| Index | Prev | Last | % Chg |
|---|---|---|---|
| **PSEi** | 6,618.69 | 6,619.89 | 0.02% |
| **All Shares** | 3,524.15 | 3,523.49 | -0.02% |
| **Financial** | 2,016.03 | 1,997.85 | -0.90% |
| **Industrial** | 9,178.06 | 9,239.97 | 0.67% |
| **Holding Firms** | 5,878.99 | 5,910.60 | 0.54% |
| **Property** | 2,587.68 | 2,501.57 | -3.33% |
| **Services** | 1,942.32 | 2,007.39 | 3.35% |
| **Mining & Oil** | 9,260.34 | 9,277.30 | 0.18% |

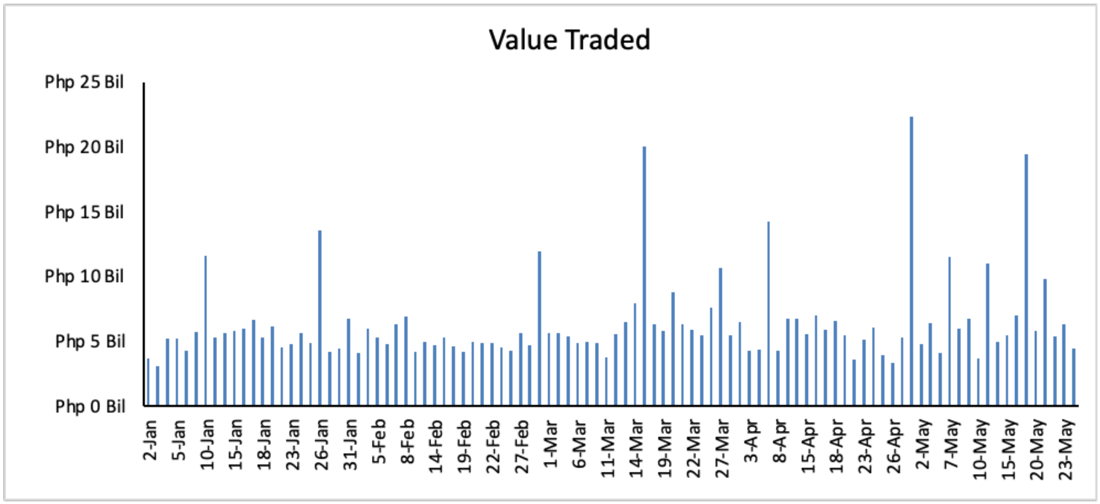
## PSEi

| TOP 10 | | BOTTOM 10 | |
|---|---|---|---|
| CNVRG | 9.65% | SMPH | -5.82% |
| WLCON | 6.92% | JGS | -5.60% |
| CNPF | 6.66% | AGI | -5.22% |
| BLOOM | 5.88% | MONDE | -4.35% |
| ICT | 5.69% | TEL | -2.47% |
| NIKL | 5.67% | BDO | -2.16% |
| DMC | 3.00% | ALI | -1.87% |
| SCC | 2.64% | MBT | -1.43% |
| SM | 2.40% | GTCAP | -1.27% |
| ACEN | 2.24% | MER | -1.13% |

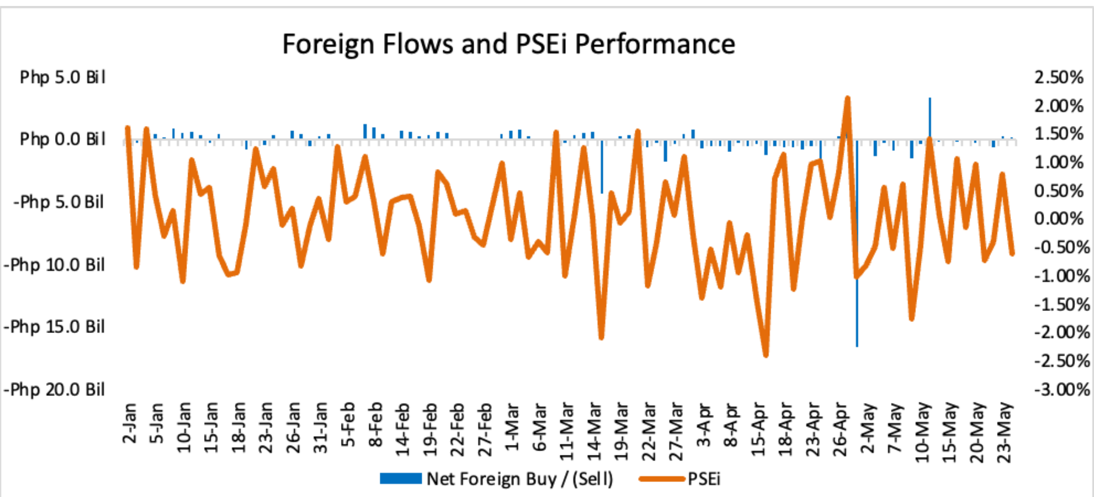



**28/F LKG TOWER, 6801 AYALA AVENUE, MAKATI CITY : OFFICE: +63 (02) 8884-1271 : FAX +63 (02)8884-1384**

➡ Market turnover averaged ₱6.35 billion last week, lower than the ₱9.59 in the previous week which was pulled up by the ₱12.9 billion block sale transaction of MWC shares.

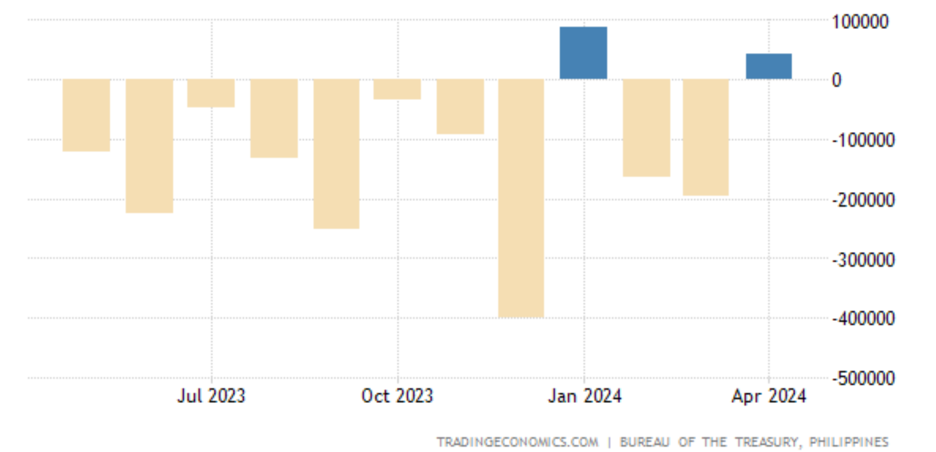



➡ Last week logged a net foreign selling of ₱511.21 million, contrary to the net foreign buying of ₱2.92 billion in the previous week.



May 27, 2024

## Key Economic Figures




➡ **PH budget balance.** In April 2024, the government budget surplus in the Philippines decreased to ₱42.7 billion from ₱66.8 billion compared to the previous year, primarily due to a faster increase in public expenditures than in government revenue collection. Year-on-year, government revenues grew by 21.9% to ₱537.2 billion, driven by stronger growth in both tax and non-tax revenues. Conversely, government expenditures surged by 32.25% to ₱494.5 billion, fueled by higher releases of the National Tax Allotment and subsidies to Government-Owned and Controlled Corporations (GOCCs). For the January-April period, the country's budget deficit widened to ₱229.9 billion from ₱204.1 billion in the same period a year ago.*(Bureau of Treasury)*


➡ **US dollar index.** On Friday, the dollar index dipped slightly to 104.8, taking a breather after four consecutive sessions of gains, as traders deliberated over the timing of the Fed's potential rate cut. S&P Global PMIs for the US revealed robust business activity and increasing price pressures in May, aligning with a hawkish tone from the FOMC minutes, which led investors to postpone their expectations for a rate cut. Consequently, the likelihood of a rate decrease in December saw an uptick, now standing at approximately 82%. The dollar softened against major currencies such as the euro, pound, and Aussie. Despite this retreat, the greenback managed to notch a modest 0.3% gain for the week. *(TradingEconomics)*

## For the Week

| TOP GAINERS | | TOP LOSERS | |
|---|---|---|---|
| LPC | 50.79% | SSI | -7.34% |
| LPZ | 17.12% | APX | -6.83% |
| SEVN | 16.41% | IMI | -6.52% |
| GSMI | 16.08% | CEB | -5.85% |
| AB | 15.00% | SMPH | -5.82% |
| CNVRG | 9.65% | DD | -5.64% |
| WLCON | 6.92% | JGS | -5.60% |
| VLL | 6.80% | MAXS | -5.45% |
| CNPF | 6.66% | AGI | -5.22% |
| UBP | 6.09% | RRHI | -4.66% |
| BLOOM | 5.88% | SECB | -4.40% |
| ICT | 5.69% | MONDE | -4.35% |
| NIKL | 5.67% | FNI | -3.63% |
| CHIB | 3.95% | RFM | -3.54% |
| MWC | 3.57% | AP | -3.53% |
| STR | 3.11% | FLI | -2.86% |
| DMC | 3.00% | SHLPH | -2.68% |
| RCB | 2.74% | TEL | -2.47% |
| SCC | 2.64% | EW | -2.47% |
| HOUSE | 2.52% | PAL | -2.38% |

WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

May 27, 2024

## Key Economic Figures


➡ **US 10-year Treasury yield.** The yield on the US 10-year Treasury note climbed toward the 4.49% mark, extending its rebound from the recent one-month low of 4.35% observed on May 15th. This upward movement comes as fresh economic data indicate a macroeconomic landscape that favors a more restrictive monetary policy stance by the Fed. Notably, PMI data compiled by the S&P revealed that private sector activity expanded significantly more than anticipated in May, highlighting the economy's resilience. Alongside robust demand for goods and services, the report also signaled a renewed acceleration in inflationary pressures. These developments triggered increased selling in bonds following the release of minutes from the Fed's latest meeting, which underscored the FOMC's concerns about insufficient progress in addressing inflation. Consequently, multiple members expressed readiness to raise rates if necessary. As a result, market positioning for a rate cut in September declined to 55%, down from 75% the previous week, with investors now divided between expecting one or two cuts this year. *(TradingEconomics)*

## For the Week

| TOP GAINERS | | TOP LOSERS | |
|---|---|---|---|
| LPC | 50.79% | SSI | -7.34% |
| LPZ | 17.12% | APX | -6.83% |
| SEVN | 16.41% | IMI | -6.52% |
| GSMI | 16.08% | CEB | -5.85% |
| AB | 15.00% | SMPH | -5.82% |
| CNVRG | 9.65% | DD | -5.64% |
| WLCON | 6.92% | JGS | -5.60% |
| VLL | 6.80% | MAXS | -5.45% |
| CNPF | 6.66% | AGI | -5.22% |
| UBP | 6.09% | RRHI | -4.66% |
| BLOOM | 5.88% | SECB | -4.40% |
| ICT | 5.69% | MONDE | -4.35% |
| NIKL | 5.67% | FNI | -3.63% |
| CHIB | 3.95% | RFM | -3.54% |
| MWC | 3.57% | AP | -3.53% |
| STR | 3.11% | FLI | -2.86% |
| DMC | 3.00% | SHLPH | -2.68% |
| RCB | 2.74% | TEL | -2.47% |
| SCC | 2.64% | EW | -2.47% |
| HOUSE | 2.52% | PAL | -2.38% |

MANDARIN SECURITIES CORPORATION

May 27, 2024

## Market Outlook

**What You Need to Know**

- The PSEi finished with a marginal week-on-week again, however, market sentiment remains tilted downwards. This is primarily due to developments in the previous week like the sharp weakening of the Philippine Peso, along with strong US economic and labor data which furthered notions of another delay in interest rate cuts which is currently being eyed for September after multiple postponements already.

- For this week, investors will closely track key US economic indicators such as the personal consumption expenditure (PCE) price index data, personal income and spending, and more speeches by Fed officials. Additionally, attention will be on the second estimate of Q1 GDP growth, corporate profits, and consumer confidence data. Other key indicators like Germany's GfK Consumer Climate Indicator and China's manufacturing and services PMI will also be monitored. In Japan, Bank of Japan (BOJ) Governor Ueda's remarks at a conference will be noteworthy, alongside data releases for consumer confidence, retail sales, unemployment, and industrial production.

- The PSEi could trade sideways this week within the 6,500-6,700 range until a strong catalyst emerges. Right now, the ultimate key for the market continues to be the timeline of when the Fed's interest rate cuts will begin. While the BSP have stated that it may decouple from the former and ease monetary policy sooner, investors remain cautious about inflation measures. Rising bond yields are also likely to put pressure on equities after several Fed officials' hawkish remarks regarding the US central bank's view on their supposed monetary path this year.



28/F LKG TOWER, 6801 AYALA AVENUE, MAKATI CITY : OFFICE: +63 (02) 8884-1271 : FAX +63 (02) 8884-1384