



Market Commentary



➔ The PSEi fell by 186.79 points or 2.82% week-on-week and ended at 6,433.10 last Friday. The local bourse faced strong downward pressure amidst the continued weakness of the Philippine Peso and the lack of catalysts. Bearish sentiment prevailed despite the slight recovery at the end of the week. Property (-3.95%) and Financial (-3.65%) were the top sector losers. In the PSEi, DMC (+8.18%) and TEL (+4.23%) were the biggest gainers, while MBT (-10.07%) and ALI (-9.01%) were the main index laggards. The local currency depreciated to ₱58.51 from ₱58.19 against the greenback. Meanwhile, some notable developments last week were:

- The Bangko Sentral ng Pilipinas (BSP) plans to maintain its restrictive monetary policy to manage inflation risks, projecting higher inflation from May to July but aiming for a return within the 2-4% target range by year-end. Despite holding the benchmark interest rate at a 17-year high of 6.5%, potential policy easing could begin in August. The International Monetary Fund (IMF) advises maintaining a restrictive stance until inflation stabilizes, emphasizing domestic data over closely following the US Federal Reserve (Fed). Exchange rate flexibility is deemed crucial by BSP and IMF for defending against external shocks and ensuring economic stability amid global fluctuations.
- In April, new vehicle sales in the Philippines increased by 22% year-on-year to 37,314 units, according to a report by CAMPI and TMA. Despite a slight month-on-month dip of 0.4% from March, year-to-date sales have been strong, driven by positive consumer and business confidence and stable automotive financing. Commercial vehicles, which accounted for nearly 75% of April's sales, increased by 16.9% to 27,272 units, while passenger car sales surged by 37.6% to 10,069 units compared to the same month last year. Total vehicle sales for the first four months of 2024 increased by 14.8% to 146,920 units. This rise is attributed to improved consumer spending power, the lack of a comprehensive mass transport system, and increasing sales of electric and hybrid vehicles.

INDICES

Index	Prev	Last	% Chg
PSEi	6,619.89	6,433.10	-2.82%
All Shares	3,523.49	3,463.87	-1.69%
Financial	1,997.85	1,924.85	-3.65%
Industrial	9,239.97	9,138.81	-1.09%
Holding Firms	5,910.60	5,754.53	-2.64%
Property	2,501.57	2,402.85	-3.95%
Services	2,007.39	1,986.63	-1.03%
Mining & Oil	9,277.30	9,241.14	-0.39%

PSEi

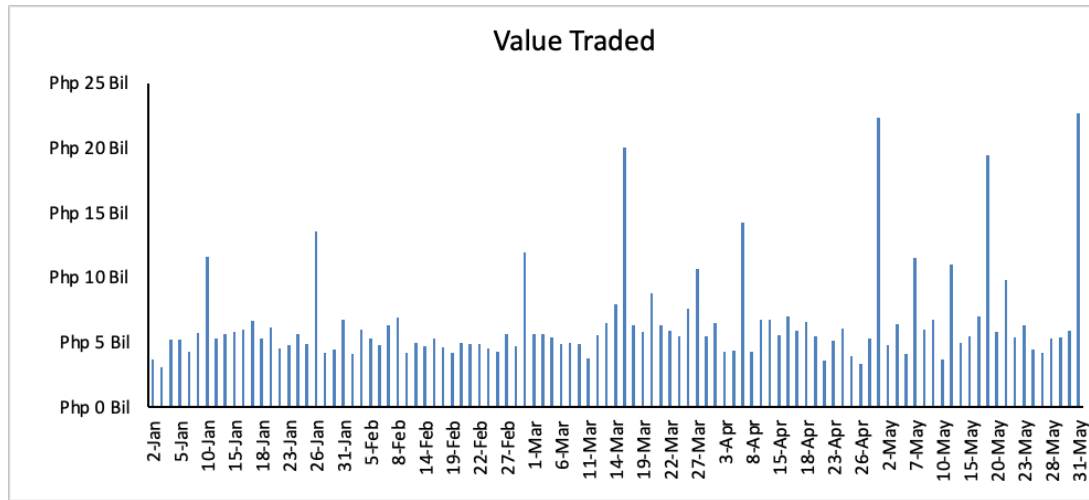
TOP 10		BOTTOM 10	
DMC	8.18%	MBT	-10.07%
TEL	4.23%	ALI	-9.01%
CNPF	4.02%	AEV	-7.03%
WLCON	2.77%	JFC	-5.91%
SCC	2.57%	NIKL	-5.59%
LTG	2.54%	BDO	-4.20%
PGOLD	2.44%	ACEN	-4.19%
AGI	2.09%	AC	-3.57%
MONDE	1.82%	ICT	-3.23%
CNVRG	0.75%	GTCAP	-3.22%

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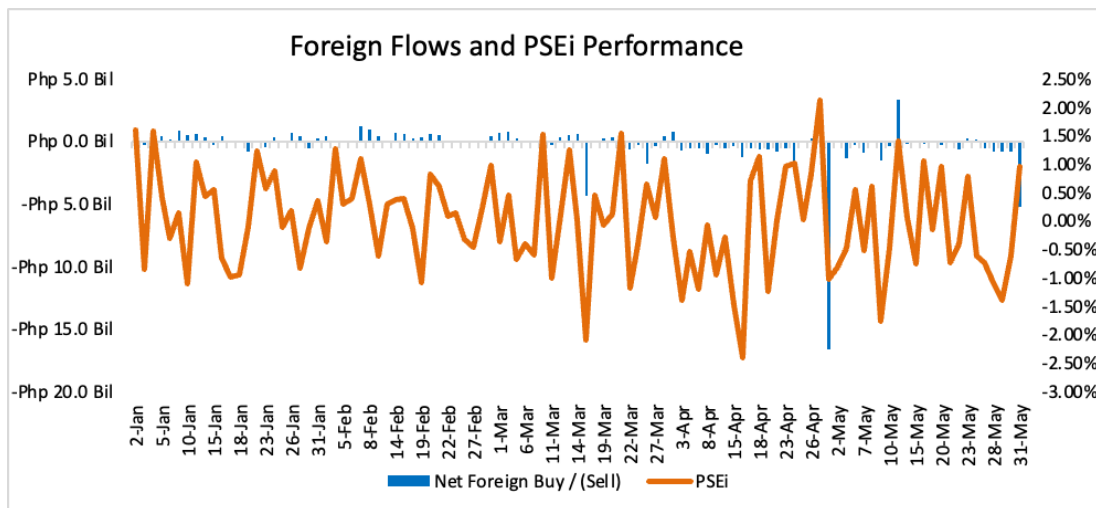
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- ➔ Market turnover averaged ₱8.70 billion last week, higher than the ₱6.35 billion in the previous week. The increased activity was mainly due to the effects of the MSCI rebalancing and month-end window dressing.



- ➔ Last week logged a net foreign selling of ₱8.06 billion, way higher compared to the ₱511.21 million in the previous week.

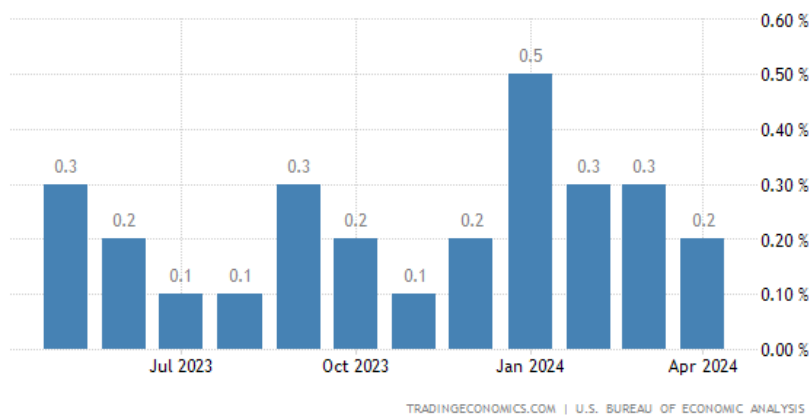


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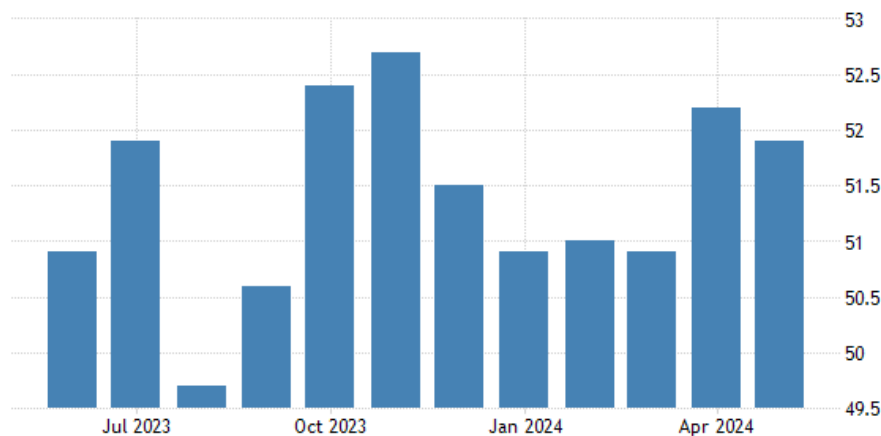
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Key Economic Figures



- ➔ **US core PCE.** In April 2024, the US core PCE price index, a key measure of inflation preferred by the US Federal Reserve (Fed), saw a modest increase of 0.2% from the previous month, marking the slowest rise thus far in 2024 and falling below market expectations of a 0.3% increase. Concurrently, the headline gauge recorded a 0.3% uptick, consistent with the figures from March and February. Annual PCE inflation remained stable at 2.7%, matching the four-month high observed in March, while the core rate stood at 2.8%, representing the lowest level since March 2021. (*US Bureau of Economic Analysis*)



- ➔ **PH manufacturing PMI.** In May 2024, the S&P Global Philippines Manufacturing PMI experienced a marginal decline, easing to 51.9 from April's 52.2, signifying a slight improvement in operational conditions and sustaining the sector's expansion for the ninth consecutive month. Both production and new orders continued to rise steadily, with foreign market demand also showing improvement as new export orders accelerated. Despite this positive trend, job creation faltered for the first time in five months, with manufacturers facing challenges in increasing employment numbers. However, there was a slight relief on the price front, as cost burdens decreased marginally, marking the first decline since April 2020, partly attributed to companies opting for more competitively priced suppliers. Looking ahead, optimism regarding output over the next 12 months increased, reaching a nine-month high, suggesting a positive outlook for the manufacturing sector's growth trajectory. (*S&P Global*)

For the Week

TOP GAINERS		TOP LOSERS	
ABS	21.12%	GTPPB	-100.00%
DD	9.83%	MBT	-10.07%
DMC	8.18%	ALI	-9.01%
SECB	7.59%	LPC	-8.42%
APX	6.81%	CEB	-7.28%
RRHI	6.11%	AEV	-7.03%
FNI	5.38%	LPZ	-6.41%
TEL	4.23%	JFC	-5.91%
CNPF	4.02%	UBP	-5.74%
LR	4.01%	NIKL	-5.59%
WLCON	2.77%	PAL	-5.57%
SLI	2.67%	SEVN	-4.92%
RFM	2.62%	GSMI	-4.74%
SCC	2.57%	FLI	-4.41%
LTG	2.54%	BDO	-4.20%
PGOLD	2.44%	ACEN	-4.19%
AGI	2.09%	SGP	-4.03%
CHIB	2.03%	RCB	-3.78%
FB	1.88%	FMETF	-3.58%
MONDE	1.82%	AC	-3.57%

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Market Outlook

What You Need to Know

- ➔ This week, investors will eye the US nonfarm payrolls report, with expectations set at around 180K job additions, while the unemployment rate is anticipated to hold steady at 3.9%, and wage growth likely edged up to 0.3%. Additional labor market indicators include the Job Openings and Labor Turnover Survey (JOLTS) report, alongside final estimates for unit labor costs and productivity. ISM Manufacturing and Services purchasing managers' index (PMI) data are expected to show growth in the private sector, complemented by final S&P Global PMIs, trade balance, factory orders, and construction spending figures. In Europe, attention is on the European Central Bank (ECB)'s expected rate cut, alongside Eurostat's publication of final Q1 gross domestic product (GDP) growth, employment estimates, producer prices, and retail sales. In China, Caixin PMI figures and trade data are awaited, while in India, the Reserve Bank's interest rate decision is anticipated.

- ➔ The PSEi is expected to experience continued volatility this week, influenced by both domestic and international factors. While the market saw a rebound on Friday driven by bargain hunting, concerns about inflation, currency volatility, and global economic conditions persist. Bargain hunting may continue to provide support to the market, particularly after the recent steep drop. However, the direction of the PSEi will likely depend on its ability to hold key technical support levels and the outcome of upcoming economic data releases. The market may continue to test the 6,400-support level, with potential downside risks if this level is breached multiple times. Investors will closely monitor the release of May inflation data by the Philippine Statistics Authority (PSA) on Wednesday. A higher-than-expected inflation print, especially one that breaches the upper end of the government's target range, could weigh on market sentiment. The performance of the Philippine Peso against the US dollar will also be closely watched, as the weaker peso continues to pose downside risks to the stock market. While bargain hunting may provide short-term support to the market, concerns over inflation, currency volatility, and global economic uncertainties are likely to keep investor sentiment cautious. The PSEi may face further downside risks if key support levels are breached, highlighting the importance of monitoring economic data releases and external developments throughout the week.

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