



## Market Commentary



➔ The PSEi went up by 85.66 points or 1.33% week-on-week and closed at 6,518.76. The slightly cooler-than-expected local inflation print in May lifted market sentiment. Earlier data from the US also showed hints of a weakening US labor market which could be good for the prospects of a US Federal Reserve (Fed) cut in September. Financial (+4.24%) and Property (+2.99%) recovered from the previous week, while Holding Firms (-1.62%) had the biggest loss. In the PSEi, MBT (+12.01%) and AEV (+9.84%) were the top gainers, while AGI (-6.15%) and SCC (-5.60%) were the worst performers. The local currency was flat week-on-week at ₱58.52 from ₱58.51 against the US dollar. Meanwhile, some notable developments last week were:

- The World Bank has maintained its growth forecasts for the Philippines from 2023 to 2026, anticipating easing inflation, strong domestic demand, and improved trade performance. According to the Philippine Economic Update (PEU), the country's economy is projected to grow by 5.8% in 2023, consistent with the World Bank's April forecast. This rate is higher than the 5.5% GDP growth recorded in 2023 but falls short of the government's target of 6-7% for the year. For 2025 and 2026, the World Bank predicts annual growth rates of 5.9%, which are also below the government's goals of 6.5-7.5% for 2025 and 6.5-8% for 2026. The forecasts assume inflation will average 3.6% in 2024, decreasing to 3.2% in 2025 and 3% in 2026, allowing the central bank to adopt a more accommodative monetary policy to support private domestic demand.
- The Philippine unemployment rate rose to 4% in April, the highest in three months. This increase from March's 3.9% translated to 2.04 million unemployed Filipinos, up by 41,000 from the previous month but still lower than the 4.5% rate a year earlier. PSA Undersecretary Claire Dennis S. Mapa attributed the rise in unemployment primarily to the effects of El Niño on crop production, which led to a decrease in agricultural employment. The agriculture sector, a significant employer, experienced job losses that influenced overall employment metrics. Moreover, the quality of jobs also deteriorated in April as the underemployment rate climbed to 14.6% from 11% in March, marking the highest rate in nine months.

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## INDICES

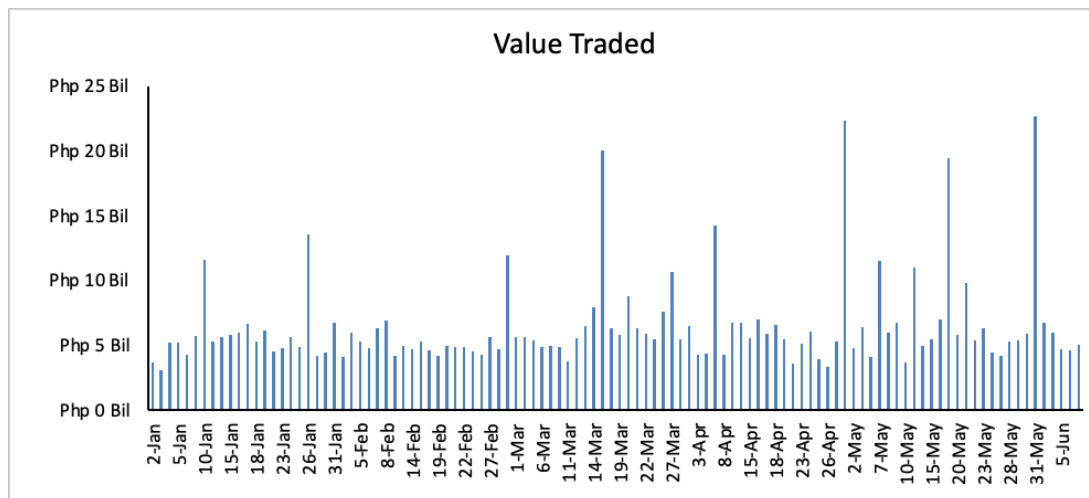
Index	Prev	Last	% Chg
PSEi	6,433.10	6,518.76	1.33%
All Shares	3,463.87	3,491.93	0.81%
Financial	1,924.85	2,006.42	4.24%
Industrial	9,138.81	9,116.09	-0.25%
Holding Firms	5,754.53	5,661.14	-1.62%
Property	2,402.85	2,474.75	2.99%
Services	1,986.63	2,012.61	1.31%
Mining & Oil	9,241.14	9,186.38	-0.59%

## PSEi

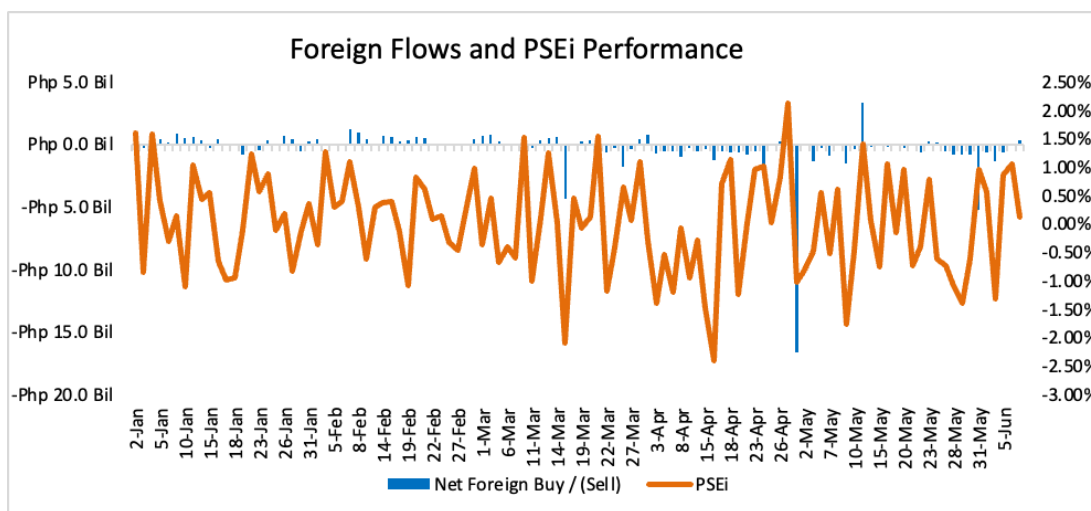
TOP 10		BOTTOM 10	
MBT	12.01%	AGI	-6.15%
AEV	9.84%	SCC	-5.60%
BDO	7.62%	CNPF	-5.47%
JFC	6.28%	DMC	-5.04%
ALI	5.90%	LTG	-4.58%
ICT	3.75%	MONDE	-4.29%
SMPH	2.23%	WLCON	-3.50%
GLO	1.73%	SM	-3.45%
EMI	0.64%	JGS	-3.23%
ACEN	0.63%	SMC	-2.53%



➔ Market turnover averaged ₱5.44 billion last week, lower than the ₱8.70 billion in the previous week.



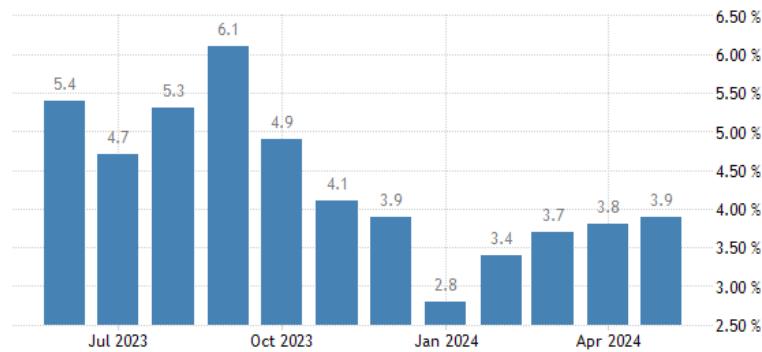
➔ Last week logged a net foreign selling of ₱2.09 billion, a decline compared to the ₱8.06 billion in the previous week.



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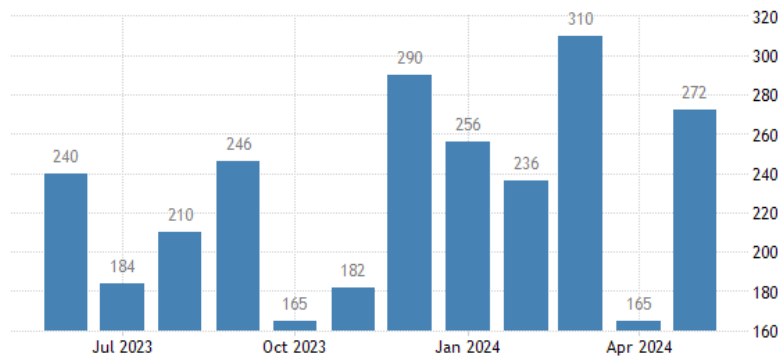
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## Key Economic Figures



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➔ **PH inflation.** The annual inflation rate in the Philippines rose slightly to 3.9% in May 2024 from 3.8% in April, just below market expectations of 4%. This represents the highest inflation rate since December 2023, driven by increased prices in housing and utilities (0.9% vs. 0.4% in April) and transport (3.5% vs. 2.6%). Conversely, prices for food and non-alcoholic beverages decreased to 5.8% from 6%, due to lower costs of vegetables, tubers, plantains, cooking bananas, and pulses. Additionally, there was a slower rise in costs for alcoholic beverages and tobacco (4.2% vs. 4.9%), clothing and footwear (3.4% vs. 3.6%), health (2.9% vs. 3%), recreation and culture (3.5% vs. 3.8%), restaurants and hotels (5.3% vs. 5.4%), and personal care and miscellaneous goods and services (3.4% vs. 3.5%). Core inflation fell to 3.1% from 3.2% in April, marking the lowest level in two years. *(Philippine Statistics Authority)*



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➔ **US nonfarm payrolls.** In May 2024, the US economy added 272,000 jobs, the most in five months and significantly above the forecast of 185,000. This increase surpasses the average monthly gain of 232,000 over the past year and 246,000 in the first four months of 2024. Major job gains were observed in health care (68,000), particularly ambulatory health care services (43,000); government (43,000); leisure and hospitality (42,000), mostly in food services and drinking places (25,000); and professional, scientific, and technical services (32,000). Additional gains were seen in social assistance (15,000) and retail trade (13,000). Employment in sectors such as mining, construction, manufacturing, and financial activities showed little or no change. Revisions for March and April data indicated a combined decrease of 15,000 jobs from previously reported figures. *(US Bureau of Labor Statistics)*

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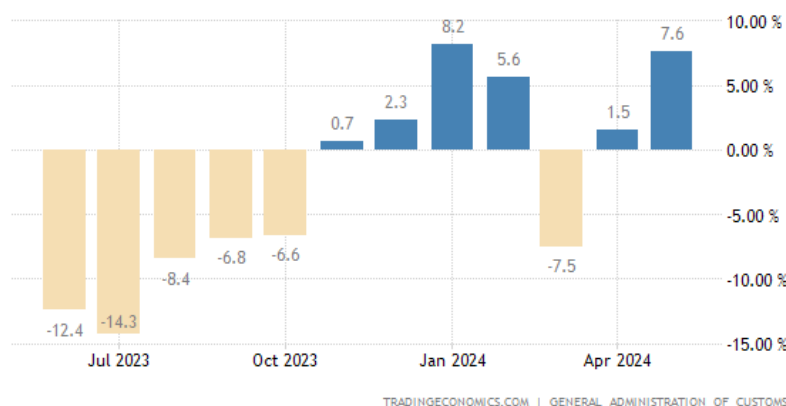
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## For the Week

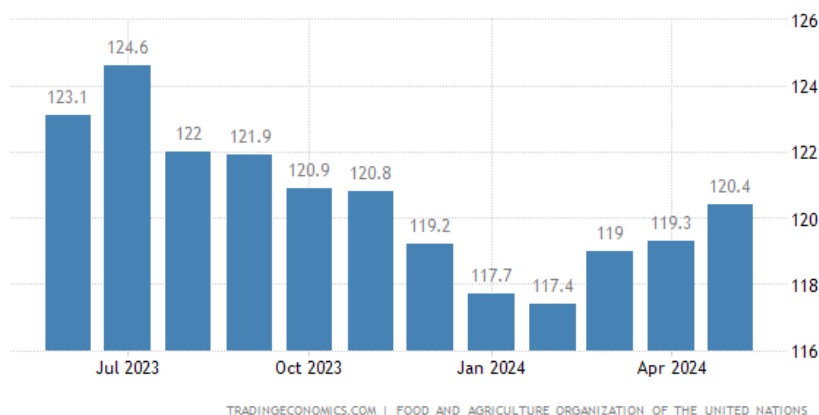
TOP GAINERS		TOP LOSERS	
UBP	14.86%	AGI	-6.15%
MBT	12.01%	CLI	-6.03%
AEV	9.84%	ABS	-6.03%
DD	9.47%	RRHI	-5.89%
BDO	7.62%	FNI	-5.61%
JFC	6.28%	SCC	-5.60%
ALI	5.90%	CNPF	-5.47%
LPZ	5.48%	DMC	-5.04%
CEB	5.36%	SECB	-5.02%
EW	4.74%	LTG	-4.58%
FLI	4.62%	MONDE	-4.29%
MAXS	3.90%	WLCON	-3.50%
SGP	3.80%	SM	-3.45%
ICT	3.75%	MWC	-3.42%
PIZZA	3.17%	JGS	-3.23%
TECH	3.03%	RLC	-3.20%
FGEN	2.68%	ROCK	-3.13%
AP	2.49%	RFM	-3.06%
EEI	2.46%	SLI	-2.92%
HOME	2.30%	SMC	-2.53%



## Key Economic Figures



➔ **China exports.** In May 2024, China's exports surged by 7.6% year-on-year to USD 302.35 billion, surpassing market expectations of 6% growth and accelerating from a 1.5% rise in the previous month. This marked the steepest increase in outbound shipments since January, driven by a lower base from the previous year and sustained overseas demand. For the first five months of the year, exports increased by 2.7% to USD 1.4 trillion, with significant contributions from furniture and parts (16.6%), plastic products (8.5%), electronics (4.3%), unwrought aluminum and aluminum materials (3.4%), and textile yarn, fabric, and products (2.6%). Exports grew notably to ASEAN countries (9.7%), Hong Kong (10.8%), Taiwan (8.5%), and Latin America (10.2%), while they edged higher to the US (0.2%) but declined to the EU (-3.9%) and Africa (-2.1%). *(General Administration of Customs of China)*



➔ **World food price index.** The FAO Food Price Index increased by 0.9% month-over-month to 120.4 in May 2024, the highest level in six months. Cereal prices surged 6.3%, marking the highest level in four months, driven by significant increases in global export prices of all major cereals, especially wheat. Dairy prices rose 1.8%, reaching the highest level in thirteen months. Conversely, vegetable oil prices fell by 2.4% due to lower palm oil quotations, which outweighed increases in soy, rapeseed, and sunflower oil prices. Meat prices slightly decreased by 0.2% as poultry and bovine meat prices fell, though pig and ovine meat prices increased. Sugar prices plummeted by 7.5%, marking the third consecutive monthly decline and the lowest level since January 2023, largely due to a strong start to the new harvest season in Brazil, supported by favorable weather conditions. *(Food and Agriculture Organization of the United Nations)*

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## Market Outlook

### What You Need to Know

- ➔ This week, investors will monitor the US Federal Reserve (Fed)'s meeting scheduled for June 11-12 (US time) for its interest rate decision and outlook. Key inflation data, including the CPI and PPI, along with the Michigan consumer sentiment index will also be released this week. In the UK, key economic indicators such as GDP growth, unemployment, and industrial production will be closely watched. China will also report inflation data for May. Market watchers will also look at the Bank of Japan's own monetary policy meeting for future policy hints.
- ➔ The local bourse is expected to trade sideways in this shortened trading week, with investors likely to engage in bargain hunting due to the attractive levels of the local market. Despite this potential for opportunistic buying, downside risks remain prevalent, making it challenging for the PSEi to maintain upward momentum. The release of robust US jobs data has influenced market expectations regarding Fed rate cuts, which, in turn, impacts local market sentiment. The strong US employment figures could dampen stock prices if investors anticipate that the BSP will cut policy rates earlier than the Fed. This scenario could also exert pressure on the peso, potentially weakening it above ₱59 per dollar. As a result, the market might experience increased volatility, with the PSEi possibly testing the 6,400-level.

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