WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

August 5, 2024

Market Commentary

➡ The PSEi slid by 120.71 points or 1.79% week-on-week and closed at 6,605.30. The local barometer posted a second consecutive week of contraction as reignited US recession fears took hold of global market sentiment, overshadowing a robust earnings season so far. Property (-3.17%) and Financial (-3.15%) had the big losses while Mining&Oil (+0.45%) and Industrial (+0.15%) eked out gains. In the PSEi, GLO (+4.43%) and ACEN (+3.99%) were the top performers, while ALI (-7.81%) and BLOOM (-7.18%) fell the most. Net foreign outflows amounted to ₱1.36 billion. The Philippine Peso appreciated to ₱58.08 from ₱58.35 against the US dollar. Meanwhile, some developments last week were:

- The Philippines' national debt reached a new high of ₱15.48 trillion in June, driven by the issuance of domestic securities and the continued weakening of the peso, according to the Bureau of the Treasury. This marks a 9.4% increase from ₱14.15 trillion in June of the previous year. In June alone, the debt increased by ₱135.9 billion due to the net issuance of both domestic and external debt and the impact of the peso's depreciation on foreign currency-denominated debt. As of June, the debt level was 96.3% of the 2024 expectation of ₱16.06 trillion, which was revised upward from ₱15.84 trillion following the government's record ₱6.352-trillion budget proposal for 2025. Of the total debt, 68.29% was from domestic borrowings, amounting to ₱10.57 trillion, while 31.71% was sourced externally, totaling ₱4.91 trillion.

- Foreign portfolio investments in the Philippines experienced net outflows of $27 million in June 2024, according to data from the Bangko Sentral ng Pilipinas (BSP). This was a reversal from the $43 million net inflows recorded in May 2024 and the less than $1 million net inflows in June 2023. The net outflows resulted from gross outflows of $1.1 billion and gross inflows of $1.0 billion for the month. The $1.0 billion registered investments in June were 1.0% lower than the $1.1 billion in May 2024 but higher than the $889 million in June 2023. Of these investments, 52.8% were in peso government securities, and 47.2% were in PSE-listed securities, primarily in holding firms, banks, transportation services, property, and the electricity, energy, power, and water sectors.

INDICES

Index	Prev	Last	% Chg
PSEi	6,726.01	6,605.30	-1.79%
All Shares	3,630.10	3,596.90	-0.91%
Financial	2,076.45	2,010.95	-3.15%
Industrial	9,159.60	9,173.34	0.15%
Holding Firms	5,822.22	5,763.08	-1.02%
Property	2,664.47	2,579.99	-3.17%
Services	2,007.18	2,001.83	-0.27%
Mining & Oil	8,351.84	8,389.28	0.45%

PSEi

TOP 10		BOTTOM 10	
GLO	4.43%	ALI	-7.81%
ACEN	3.99%	BLOOM	-7.18%
LTG	2.79%	WLCON	-5.44%
AGI	1.90%	BPI	-4.17%
DMC	1.80%	BDO	-3.56%
CNVRG	1.45%	JGS	-2.14%
SMC	1.43%	SM	-2.01%
MONDE	1.29%	SMPH	-1.85%
TEL	1.08%	URC	-1.79%
JFC	0.61%	CNPF	-1.76%

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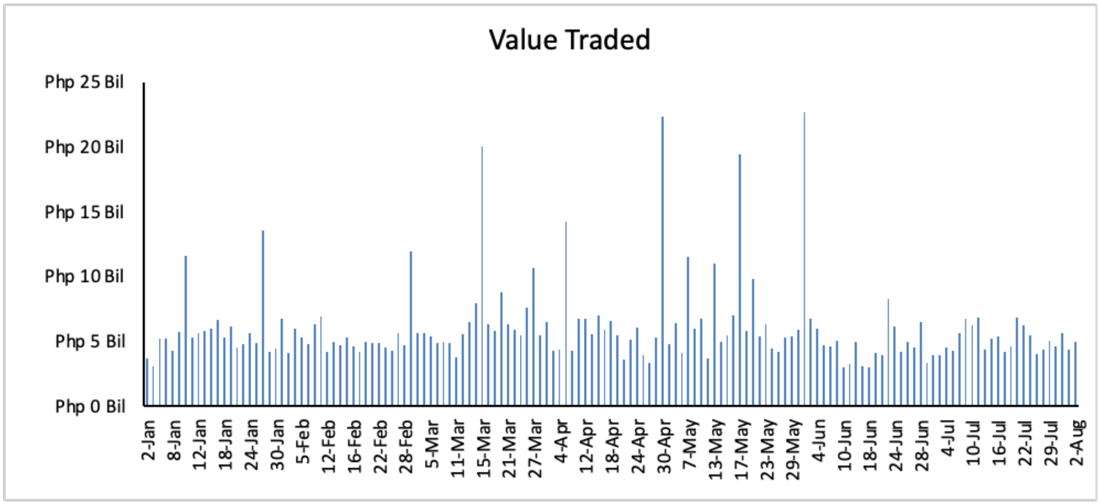
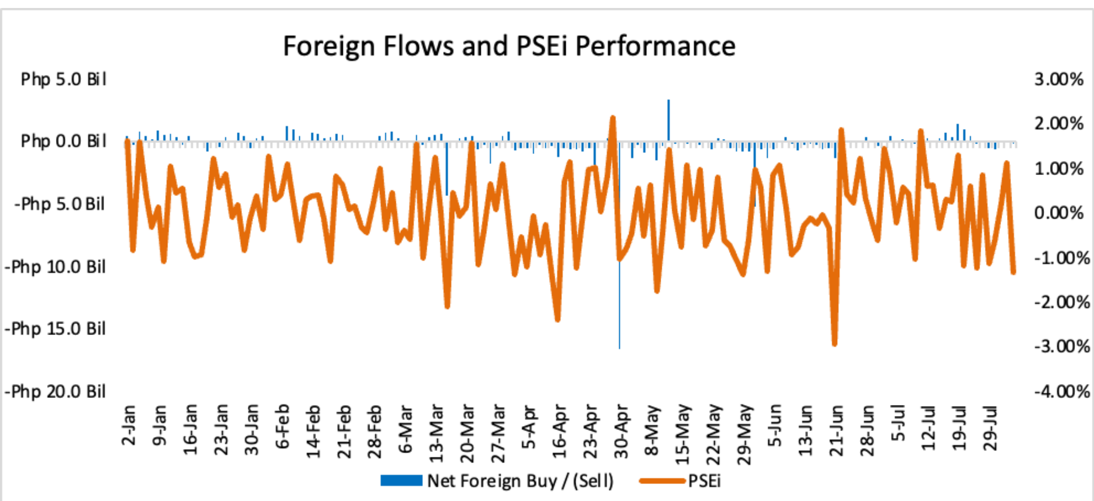
➡ Market turnover averaged ₱4.94 billion last week, lower than the ₱5.03 billion recorded in the previous week.



➡ A net foreign outflow of ₱1.36 billion was recorded last week, contrary to the ₱1.33 billion net foreign inflow in the week of July 22-26.



MANDARIN SECURITIES CORPORATION

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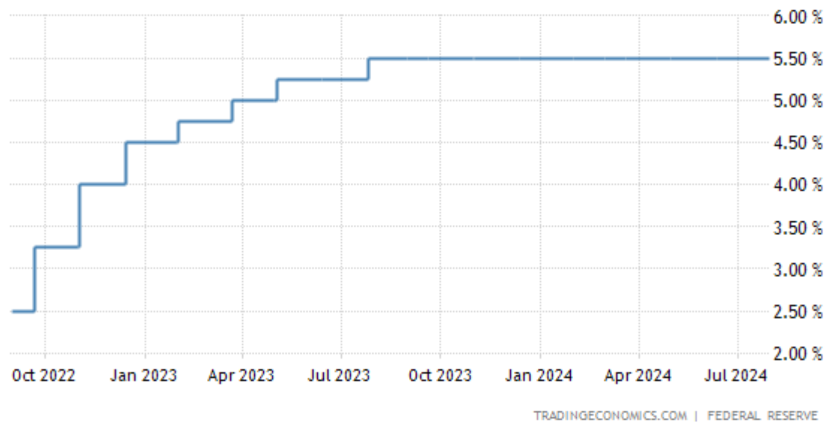
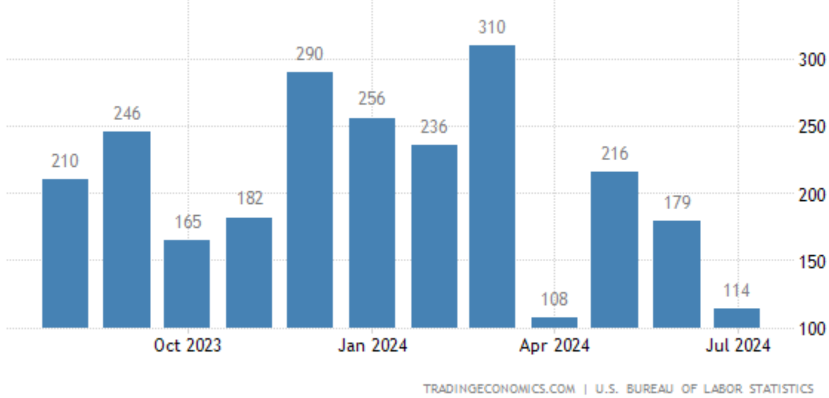
Key Economic Figures



➡ **Fed benchmark rate.** The US Federal Reserve (Fed) kept the federal funds rate at a 23-year high of 5.25%-5.50% for the eighth consecutive meeting in July 2024, as expected. Policymakers acknowledged progress toward the 2% inflation target, though inflation remains somewhat elevated. Economic activity continues to grow solidly, while job gains have slowed, and unemployment has risen slightly but remains low. The Fed believes risks to achieving employment and inflation goals are becoming more balanced. During the press conference, Chairman Powell mentioned that a rate cut in September could be possible if inflation trends downward as expected, and multiple rate cuts could be considered this year, depending on economic conditions. *(US Federal Reserve)*



➡ **US nonfarm payrolls.** In July 2024, the US economy added 114,000 jobs, significantly lower than the revised 179,000 in June and below the forecast of 175,000. This marks the lowest level in three months and falls short of the average monthly gain of 215,000 over the past year, indicating a cooling labor market. Employment increased in health care (55,000), construction (25,000), transportation and warehousing (14,000), social assistance (9,000), and government (17,000), though government hiring has slowed recently. Meanwhile, the information sector lost 20,000 jobs, and there were minimal changes in mining, manufacturing, wholesale trade, retail trade, financial activities, professional and business services, leisure and hospitality, and other services. *(US Bureau of Labor Statistics)*

For the Week

TOP GAINERS		TOP LOSERS	
LPC	42.00%	HOME	-10.13%
TUGS	10.00%	ALI	-7.81%
STR	9.80%	BLOOM	-7.18%
LR	8.76%	ABS	-6.12%
APX	6.51%	WLCON	-5.44%
GLO	4.43%	MAXS	-4.76%
ACEN	3.99%	BPI	-4.17%
RFM	2.90%	EEI	-3.87%
AB	2.86%	FNI	-3.80%
LTG	2.79%	BDO	-3.56%
SECB	2.35%	DMW	-3.51%
LPZ	2.24%	TECH	-3.13%
AGI	1.90%	IMI	-2.76%
DMC	1.80%	SSI	-2.74%
PIZZA	1.70%	ION	-2.50%
CNVRG	1.45%	PAL	-2.26%
SMC	1.43%	JGS	-2.14%
MONDE	1.29%	SM	-2.01%
GSMI	1.23%	PCOR	-1.92%
RCB	1.13%	CLI	-1.89%

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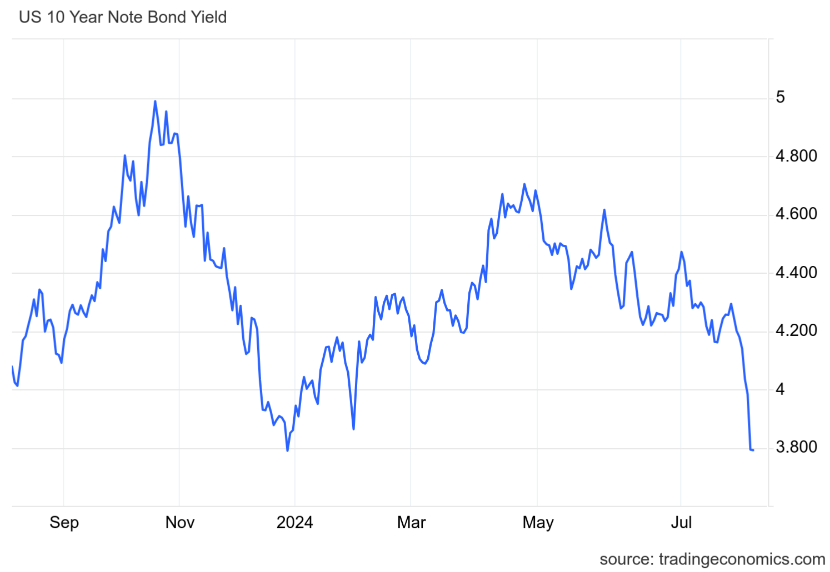
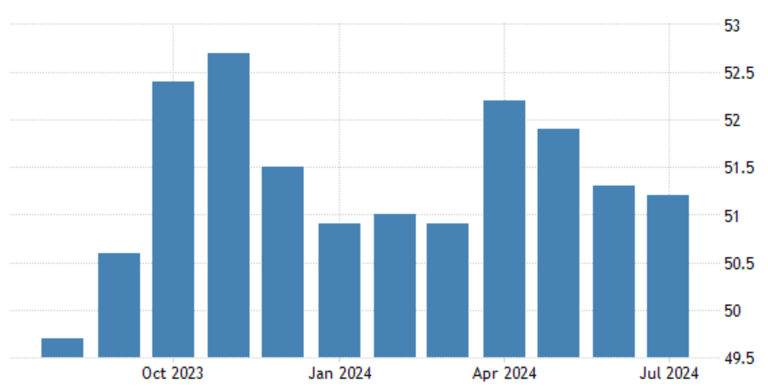


➡ **US 10-year Treasury yield.** The yield on the US 10-year Treasury note dropped to a session low of 3.79%, the lowest since December 2023, following a significant payroll miss that increaesed concerns about a slowing economy. In July, the US economy added only 114,000 jobs, a sharp decline from the revised 179,000 in June and below the 175,000 expected. Demand for US Treasuries was also bolstered by disappointing corporate results from Amazon, Alphabet, and Microsoft, prompting investors to shift from mega-cap tech stocks to fixed-income assets. *(TradingEconomics)*



➡ **PH manufacturing PMI.** The S&P Global Philippines Manufacturing PMI dipped slightly to 51.2 in July 2024 from 51.3 in June, continuing its 11-month streak of improving operating conditions, though at the weakest pace in four months. Despite this, both new orders and output expanded, prompting firms to boost their purchasing activities and increase payrolls for the first time in three months. Inventory accumulation was noted as businesses aimed to meet rising demand. Inflationary pressures were modest, with charges increasing at a softer rate, though cost burdens rose at the fastest pace in five months. Looking ahead, manufacturers in the Philippines expect production to rise over the next year, though they remain cautious about the demand environment. *(S&P Global)*

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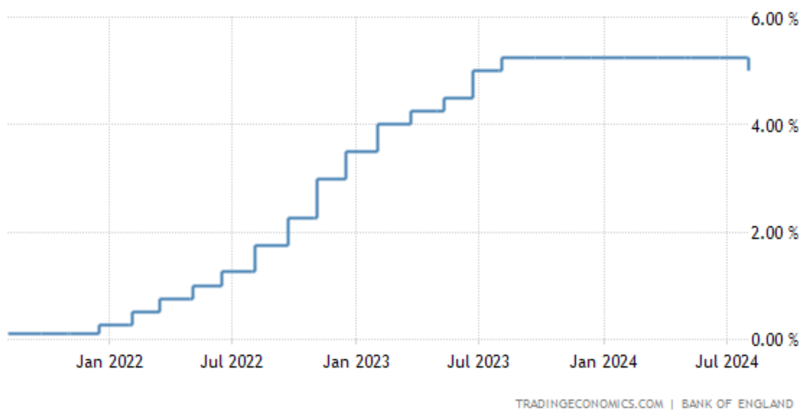
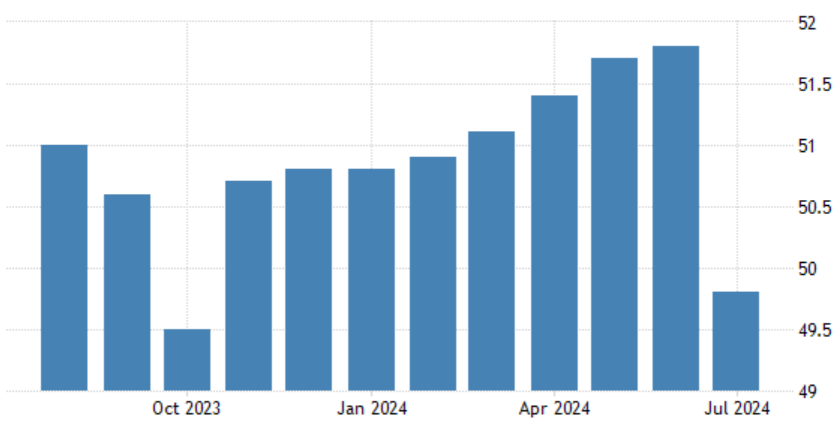


➡ **BoE benchmark rate.** The Bank of England lowered its Bank Rate by 25 basis points to 5% during its August meeting, matching the expectations of a narrow majority in the market. The rate cut, the first in a year, follows a period of maintaining rates at a 16-year high. The decision was described as "finely balanced," with four Monetary Policy Council members voting to keep rates unchanged due to the interplay between a slowdown in UK inflation and rising services prices. Despite the cut, the Bank indicated a cautious approach to further easing until there is more certainty that inflation will remain subdued. *(Bank of England)*



➡ **China Caixin manufacturing PMI.** The Caixin China General Manufacturing PMI fell to 49.8 in July 2024 from 51.8 in June, missing market expectations of 51.5. This marks the first decline in factory activity since last October. The drop was driven by a contraction in new orders, ending 11 months of growth, as demand weakened, and client budgets were reduced. Additionally, purchasing activity decreased for the first time since October 2023, leading to a decline in stock levels and an increase in finished goods. Employment remained stable, with only a slight decrease, while output growth slowed to its lowest point in nine months due to weaker foreign demand. Delivery times extended for the second consecutive month. Selling prices dropped for the first time since May amid heightened competition, while input cost inflation eased to a four-month low. Despite these challenges, business sentiment improved from June's near five-year low, supported by business development efforts and new product launches. *(S&P Global)*

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Market Outlook

What You Need to Know

- Economic fears are unsettling Wall Street, as concerns grow that the US Federal Reserve (Fed) may have kept interest rates elevated for too long, potentially harming US growth. Recent alarming economic data have intensified these worries. The US added only 114,000 jobs in July, well below expectations and the revised June figure of 179,000, pushing the unemployment rate up to 4.3%. This has heightened fears of a weakening labor market leading to a recession. The disappointing jobs report exacerbated a stock selloff that began on Thursday, triggered by signs of labor market and manufacturing sector weaknesses.

- This week, Wall Street could see some rebound rally after a tumultuous week. However, downward pressures remain and investors are likely to continue exercising extra caution. Some have been viewing the recent US economic data as signs to lock in profits after a strong market rally in 2024 for now. The US Q2 earnings season will also move forward with Walt Disney and Eli Lilly being some of the big names on deck to release corporate earnings.

- The Philippine stock market faces a nuanced week ahead, with growing optimism surrounding potential monetary easing both domestically and in the US. Recent dovish signals from the Bangko Sentral ng Pilipinas (BSP) and the Fed have buoyed hopes of an accommodative monetary stance, which could provide the impetus for the market to climb. However, lingering recession fears in the US present a notable downside risk, potentially tempering investor enthusiasm. Market participants will keenly await key macroeconomic data releases, including the July inflation rate, June labor force survey, and second-quarter gross domestic product (GDP). These indicators will offer critical insights into the health of the Philippine economy and may influence market sentiment significantly. Additionally, corporate earnings reports will remain under scrutiny as investors assess the resilience and performance of individual companies amid broader economic challenges. The local bourse, having extended its decline for a second consecutive week, will look to overcome the resistance range of 6,700-6,800.

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