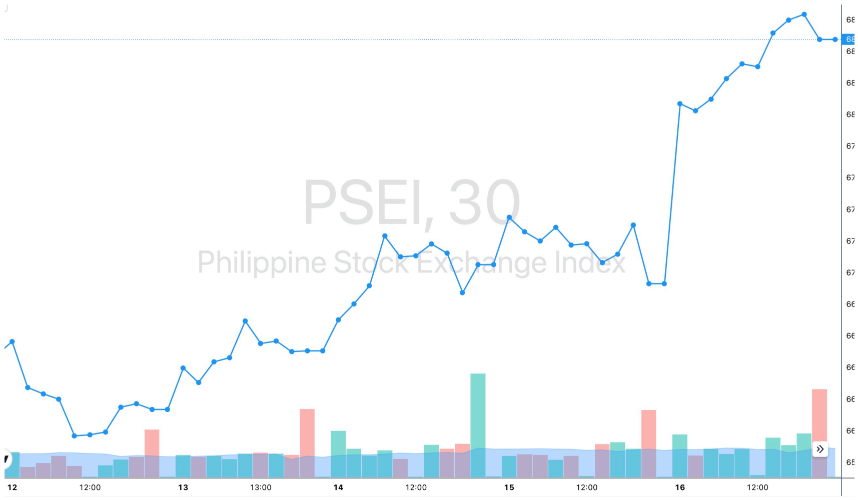
WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

August 19, 2024

Market Commentary



➡ The PSEi surged by 199.57 points or 3.00% week-on-week and finished at 6,847.37. The local barometer leaped to the 6,800-resistance level for the first time since April, after the Bangko Sentral ng Pilipinas (BSP)' first rate cut in 4 years bolstered market sentiment. Easing recession fears in US also boosted local equities. Services (+5.62%) was the top sector gainer, while Mining&Oil (-2.32%) was the lone sector to decline. In the PSEi, CNVRG (+19.00%) and ICT (+10.40%) had the biggest gains, while BLOOM (-7.59%) and NIKL (-7.16%) were the main laggards. Foreigners posted a net inflow of ₱1.44 billion. The Philippine Peso appreciated to ₱57.245 from to ₱57.28 against the US dollar. Meanwhile, some developments last week were:

- Tokyo-based debt watcher Rating and Investment Information Inc. (R&I) has upgraded the Philippines' investment-grade rating from BBB+ to A- with a stable outlook. This upgrade is attributed to the country's robust economic growth, improving fiscal balance, rising investments, and a stable banking sector. R&I highlighted the Philippines' stable growth prospects, sustained improvement in national income, and favorable demographics as key factors. The fiscal balance, which deteriorated during the COVID-19 pandemic, has improved, and the government debt ratio is expected to start decreasing within the next couple of years. The upgrade places the Philippines' credit rating three notches above the minimum investment grade, with expectations of a manageable current account deficit and external debt in the coming year.

- Foreign investment pledges registered with the Philippine Investment Promotion Agencies (IPAs) witnessed an exceptional surge of 220.7% in the second quarter, soaring to ₱189.50 billion compared to ₱59.09 billion in the same period the previous year, as reported by the Philippine Statistics Authority. This remarkable increase highlights the significant interest from international investors in the Philippine market. Switzerland emerged as the leading contributor, accounting for 90.8% of the total approved foreign investments at ₱172.04 billion. Japan and Malaysia followed with ₱7.68 billion (4.1%) and ₱4.53 billion (2.4%) respectively, indicating a diverse range of investment sources.

INDICES

Index	Prev	Last	% Chg
PSEi	6,647.80	6,847.37	3.00%
All Shares	3,608.24	3,691.42	2.31%
Financial	1,999.88	2,011.67	0.59%
Industrial	9,020.56	9,318.87	3.31%
Holding Firms	5,806.57	5,848.61	0.72%
Property	2,618.78	2,745.79	4.85%
Services	2,052.62	2,168.03	5.62%
Mining & Oil	8,335.15	8,141.86	-2.32%

PSEi

TOP 10		BOTTOM 10	
CNVRG	19.00%	BLOOM	-7.59%
ICT	10.40%	NIKL	-7.16%
ALI	10.33%	URC	-6.69%
JFC	9.18%	JGS	-3.97%
MER	8.53%	SMC	-3.40%
CNPF	7.35%	AGI	-2.41%
ACEN	6.61%	BDO	-1.60%
AEV	5.83%	LTG	-1.59%
GTCAP	5.47%	PGOLD	-1.32%
MBT	3.70%	GLO	-0.61%

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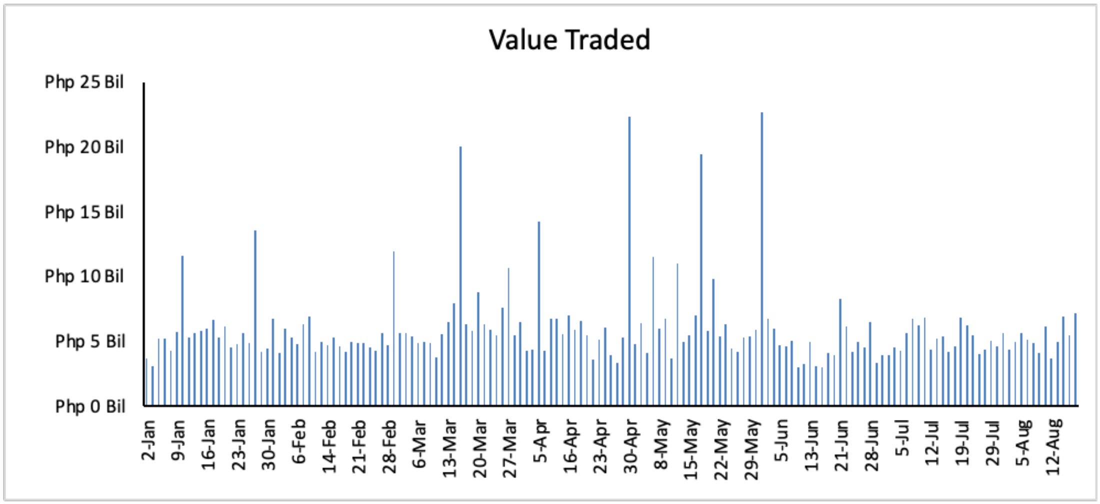
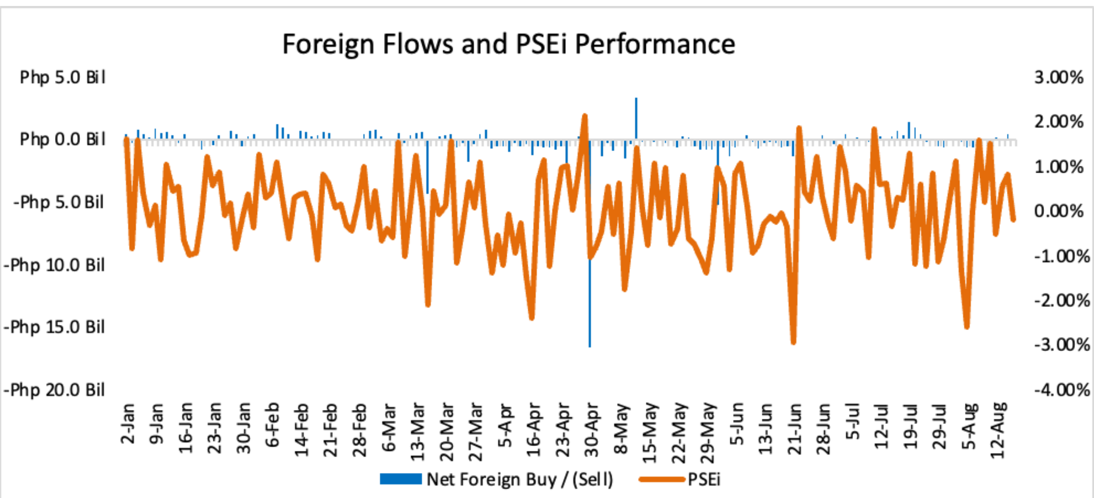
➡ Market turnover averaged ₱5.65 billion last week, higher than the ₱5.18 billion recorded in the previous week. Market activity spiked in the final 3 days of last week as the local bourse mounted a strong rally to the 6,800-level.



➡ A net foreign inflow of ₱1.44 billion was recorded last week, an opposite of the ₱1.67 billion net foreign selling in the week of August 5-9.



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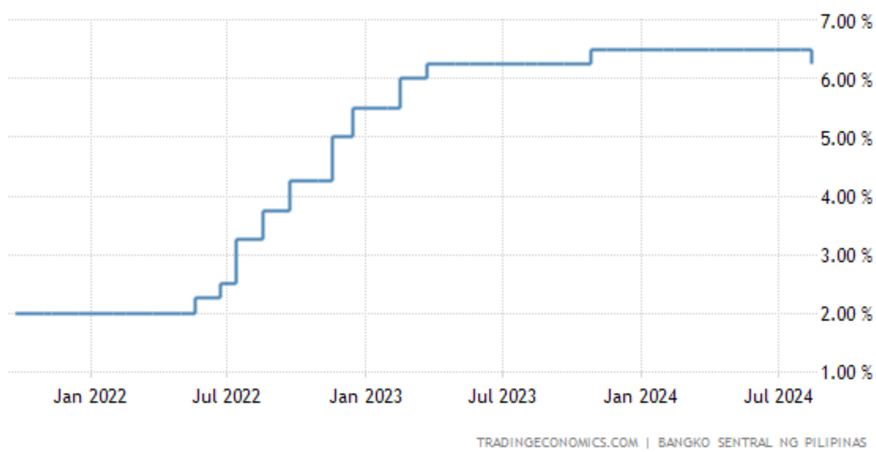
Key Economic Figures



➡ **<u>BSP benchmark rate.</u>** The Bangko Sentral ng Pilipinas (BSP) reduced its benchmark interest rate by 25 basis points to 6.25% during its August 2024 meeting, marking the first cut in four years and defying expectations of a rate hold. This decision came amid strong economic growth of 6.3% year-on-year in Q2 2024 and a rise in inflation to 4.4% in July. Despite the increase in inflation, Governor Remolona noted a downside risk for the 2024 and 2025 inflation outlook, leading to the rate cut. Consequently, the BSP revised its inflation forecasts to 3.3% for 2024 and 2.9% for 2025, down from the previous 3.1% for both years. *(Bangko Sentral ng Pilipinas)*

➡ **<u>US CPI.</u>** In July 2024, the annual inflation rate in the US eased to 2.9%, marking the fourth consecutive monthly decline and reaching its lowest level since March 2021. This decrease from 3% in June was driven by lower inflation in categories such as shelter, transportation, and apparel. Prices for new and used vehicles continued to fall, while food inflation remained steady at 2.2%. Energy costs edged up slightly, largely due to a rise in gasoline prices. On a monthly basis, the Consumer Price Index (CPI) increased by 0.2%, rebounding from a 0.1% drop in June. Core inflation, which excludes food and energy, also slowed to 3.2%, its lowest since April 2021, with a 0.2% monthly increase in line with expectations. *(US Bureau of Labor Statistics)*

For the Week

TOP GAINERS		TOP LOSERS	
SEVN	8.15%	LPC	-14.08%
WLCON	7.19%	URC	-12.96%
CNVRG	7.14%	JGS	-8.20%
ACEN	4.61%	AEV	-8.04%
TEL	3.86%	ION	-6.41%
ALI	3.81%	TUGS	-6.06%
GLO	3.52%	EEI	-6.04%
SSP	3.50%	LPZ	-5.94%
SM	3.22%	HOME	-5.63%
AC	3.05%	CEB	-5.32%
PX	2.64%	PNB	-5.00%
FB	2.46%	UBP	-4.76%
BDO	2.27%	SSI	-4.70%
ICT	2.23%	TECH	-4.52%
PGOLD	2.11%	MWIDE	-3.89%
MONDE	1.91%	FGEN	-3.83%
LR	1.78%	DMW	-3.64%
CNPF	1.49%	SGP	-3.62%
SMPH	1.03%	SCC	-3.61%
LTG	1.00%	BLOOM	-3.07%

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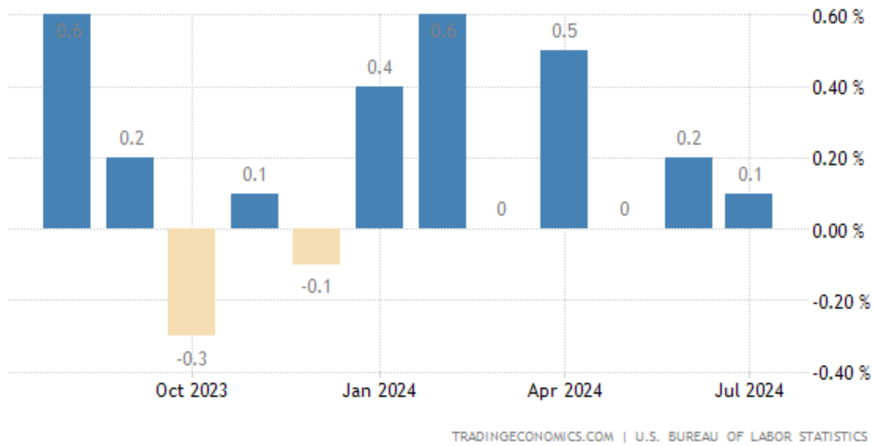
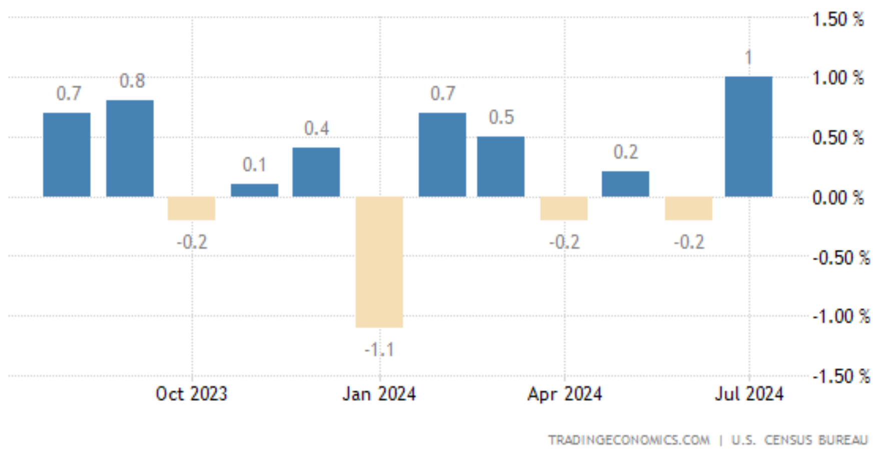


➡ **US PPI.** In July 2024, US factory gate prices rose by 0.1% month-over-month, a slowdown from June's 0.2% increase and below the anticipated 0.2% gain. The rise in prices was driven primarily by a 0.6% increase in goods prices, the highest since February, with notable contributions from energy (1.9%), including gasoline (2.8%) and various other commodities. Conversely, service prices fell by 0.2%, the largest decline since March 2023, due to drops in trade services and margins in machinery and vehicle wholesaling. Year-on-year, producer inflation decreased to 2.2% from 2.7% in June. The core producer price index remained unchanged at 2.4% annually, surpassing forecasts. *(US Bureau of Labor Statistics)*



➡ **US retail sales.** In July 2024, US retail sales surged by 1% month-over-month, rebounding sharply from a revised 0.2% decline in June and surpassing expectations of a 0.3% increase. This marks the largest monthly gain since January 2023. Sales were driven by strong increases in motor vehicle and parts dealers (3.6%) and electronics and appliance stores (1.6%). Other notable gains included grocery stores (1%), building materials and garden equipment (0.9%), and health and personal care (0.8%). However, sales fell at miscellaneous stores (-2.5%), sporting goods and hobbies (-0.7%), and clothing and footwear (-0.1%). Excluding food services, auto dealers, building materials, and gasoline stations, core sales increased by 0.3%, down from 0.9% in June and exceeding forecasts of 0.1%. *(US Census Bureau)*

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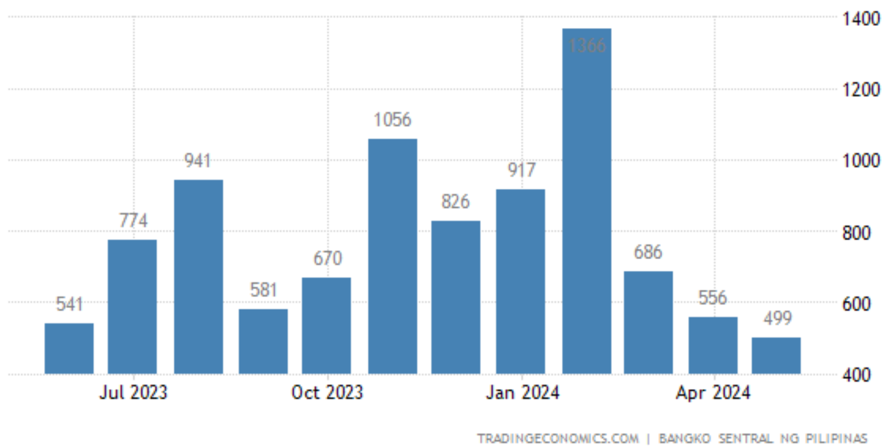
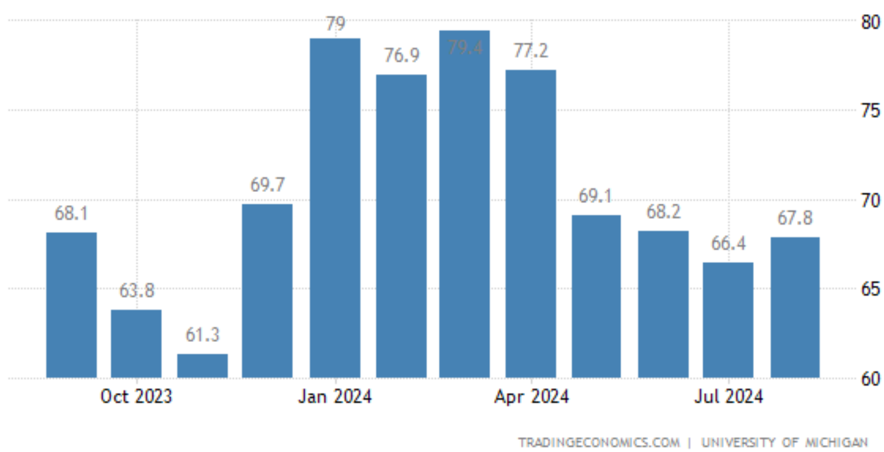


➡ **<u>PH FDI.</u>** Net foreign direct investment (FDI) in the Philippines decreased by 1% year-on-year to $499 million in May 2024. This decline was primarily due to reduced inflows of equity capital (-31.7%) and reinvested earnings (-3.7%), although debt instruments saw a significant increase (43.4%). Equity capital for the month mainly came from Japan, the US, and Hong Kong, with investments concentrated in the manufacturing, real estate, and arts, entertainment, and recreation sectors. For the period from January to May 2024, total FDI inflows amounted to $4.02 billion, reflecting a 15.8% increase compared to the same period last year. *(Bangko Sentral ng Pilipinas)*



➡ **<u>US Michigan consumer sentiment.</u>** The University of Michigan consumer sentiment index for the US increased to 67.8 in August 2024, up from 66.4 in July and surpassing forecasts of 66.9, according to preliminary estimates. This marks the first rise in five months. Expectations for personal finances and the five-year economic outlook improved, with the latter reaching its highest level in four months. The expectations index climbed to 72.1, while the current economic conditions gauge slightly declined to 60.9. Meanwhile, both the year-ahead and five-year inflation expectations remained steady at 2.9% and 3%, respectively. *(University of Michigan)*

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Market Outlook

What You Need to Know

➡ This week the July Federal Open Market Committee (FOMC) meeting minutes and the Jackson Hole symposium are expected to provide critical insights into whether the US Federal Reserve (Fed) might lower rates beyond its September meeting. The recent US consumer price index (CPI) data, reflecting easing inflationary pressures, has fueled speculation of a possible rate cut. This anticipation has bolstered positive sentiment among US equity investors, with central bank policies increasingly viewed as favorable to market returns. Additionally, the release of August flash PMI data on Thursday will offer early signals on economic conditions, particularly in terms of price trends, which are pivotal ahead of the September FOMC meeting. Central bankers in the US and Europe will be closely monitoring these indicators to ensure that rising cost pressures do not lead to higher selling prices, which could hinder the prospects of rate cuts. In the eurozone, inflation data will be scrutinized to gauge the likelihood of further rate reductions by the European Central Bank (ECB). Meanwhile, inflation figures from Canada, Japan, Hong Kong, Singapore, and Malaysia will also be in focus, with particular attention on Canada and Japan due to recent monetary policy adjustments by their respective central banks. Although no changes to interest rates are expected, market participants will be keen to gather insights into the timing of potential future rate cuts in these regions. Overall, the coming days will be crucial for assessing global economic trends and monetary policy directions, with a particular focus on the potential for easing interest rates in the US and other key economies.

➡ This local stock market is expected to continue its upward trend this week, driven by the recent interest rate cut by the Bangko Sentral ng Pilipinas (BSP), marking the beginning of a more accommodative monetary policy phase. This move is seen as a boost for the corporate sector and overall economic growth. Additionally, positive momentum from Wall Street's rally, fueled by easing recession concerns in the US, is likely to spill over into the local market. As long as the PSEi remains within the 6,700-6,800 range, this could establish a new support level, with the next resistance at 7,000. The market's upward bias is expected to persist as rate cuts, both locally and globally, favor risk assets.

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