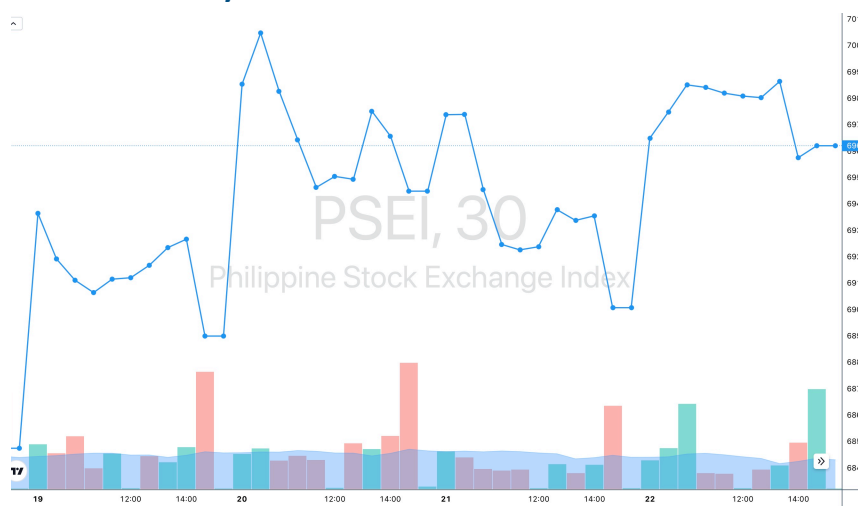


Market Commentary



➔ The PSEi rose by 114.59 points or 1.67% week-on-week and finished at 6,961.96. The benchmark index closed at the 6,900-level as optimism for the start of the Fed's monetary policy loosening in September gained more traction after more indicative data and further dovish signals from the Fed. Financial (+5.50%) was the top sectoral performer, while Property (-1.50%) had the biggest drop. In the PSEi, BDO (+8.68%) and MBT (+6.86%) had the best week, while ACEN (-10.50%) and MONDE (-4.06%) were the main laggards. Foreigners posted a net inflow of ₱6.36 billion. The Philippine Peso strengthened to ₱56.33 from to ₱57.245 against the US dollar. Meanwhile, some developments last week were:

- The Bangko Sentral ng Pilipinas (BSP) is considering a significant reduction in the reserve requirement ratio (RRR) for local banks, currently set at 9.5%, to inject more liquidity into the economy. BSP Governor Eli Remolona Jr. has proposed lowering the RRR to 5%, highlighting that this rate is still higher than that of most Southeast Asian peers. The potential cut, which is expected to be discussed in an upcoming Monetary Board meeting, aims to free up billions of pesos in loanable funds, thus stimulating lending and economic activity in a country where consumer spending drives 70% of the economy.
- The Philippines has maintained its net creditor status with the International Monetary Fund (IMF), reflecting the country's robust macroeconomic fundamentals, according to the Bangko Sentral ng Pilipinas (BSP). The Philippines will participate in the IMF's Financial Transactions Plan (FTP) from August 2024 until December 2025. This program, which the country first joined in 2010, allows creditor-members to support the IMF's lending operations in exchange for interest payments. The BSP emphasized that the country's strong external position, supported by ample gross international reserves, underpins its eligibility for continued participation in the FTP, which aligns with its development goals and benefits the Filipino public.

INDICES

Index	Prev	Last	% Chg
PSEi	6,847.37	6,961.96	1.67%
All Shares	3,691.42	3,749.73	1.58%
Financial	2,011.67	2,122.39	5.50%
Industrial	9,318.87	9,237.94	-0.87%
Holding Firms	5,848.61	5,883.84	0.60%
Property	2,745.79	2,704.59	-1.50%
Services	2,168.03	2,238.06	3.23%
Mining & Oil	8,141.86	8,155.97	0.17%

PSEi

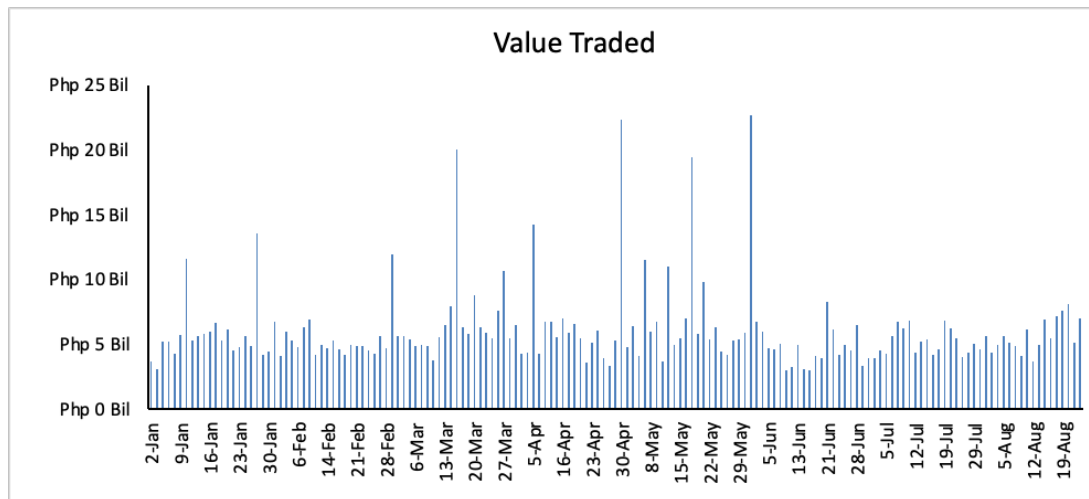
	TOP 10		BOTTOM 10
BDO	8.68%	ACEN	-10.50%
MBT	6.86%	MONDE	-4.06%
ICT	5.62%	SMPH	-2.62%
BLOOM	5.48%	GLO	-2.37%
CNVRG	4.90%	MER	-1.65%
PGOLD	4.19%	GTCAP	-1.57%
BPI	3.57%	ALI	-1.06%
URC	3.05%	EMI	-0.95%
NIKL	2.25%	TEL	-0.57%
LTG	2.22%	SMC	-0.52%

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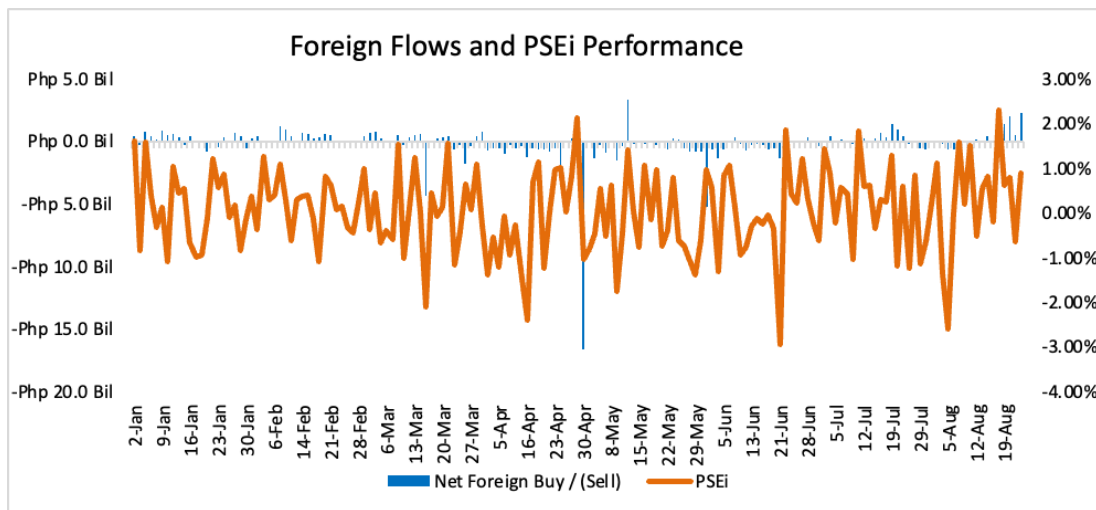
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- ➔ Market turnover averaged ₱6.96 billion last week, higher than the ₱5.65 billion recorded in the previous week. Market activity continued to pick up as dovish signals from the Fed bolster rate cut hopes in their September meeting.



- ➔ Net foreign buying jumped to ₱6.36 billion last week from ₱1.44 billion the week before.



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Key Economic Figures



➔ **US 10-year Treasury yield.** The yield on the US 10-year Treasury note remained below 3.8% on Monday, following dovish remarks from Fed Chair Jerome Powell at the Jackson Hole symposium. Powell indicated that it is time for a policy adjustment due to rising labor market risks, while remaining confident that inflation will align with the Fed's 2% target. The Fed is anticipated to begin easing policy in September, though opinions are split on the magnitude of the initial rate cut. Traders are pricing in approximately 100 basis points in reductions over the Fed's remaining meetings this year. *(TradingEconomics)*



➔ **US dollar index.** The dollar index fell to around 100.5 on Monday, reaching its lowest level since July 2023, following dovish comments from Federal Reserve Chair Jerome Powell. Powell's Jackson Hole speech suggested an imminent policy adjustment due to rising labor market risks while affirming confidence in the inflation target of 2%. Markets now expect a 25 basis point rate cut in September, with a one-third chance of a 50 basis point reduction. *(TradingEconomics)*

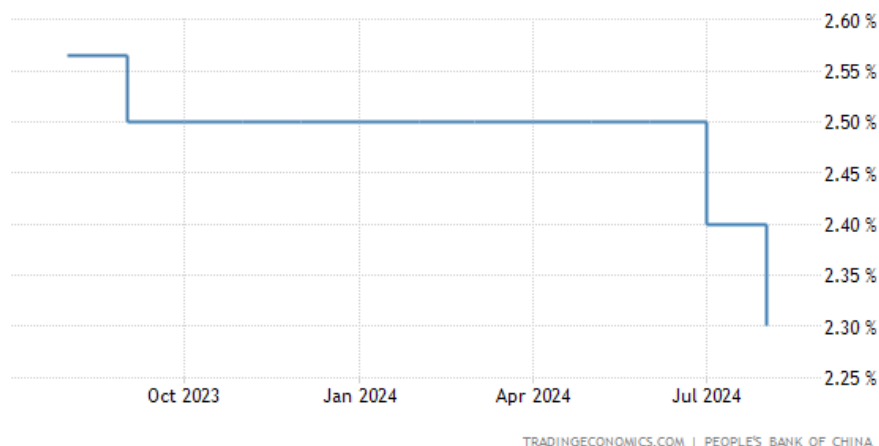
For the Week

TOP GAINERS		TOP LOSERS	
CNVRG	19.00%	STR	-13.64%
PLUS	17.87%	SEVN	-9.86%
ION	10.96%	BLOOM	-7.59%
ICT	10.40%	NIKL	-7.16%
ALI	10.33%	URC	-6.69%
JFC	9.18%	RCB	-4.94%
ABS	8.89%	LPC	-4.92%
MER	8.53%	FNI	-4.58%
SSP	8.11%	SHLPH	-4.12%
CNPF	7.35%	DD	-4.07%
ACEN	6.61%	SECB	-4.05%
AP	6.49%	JGS	-3.97%
AEV	5.83%	SMC	-3.40%
GSMI	5.78%	PNB	-2.63%
FB	5.64%	AGI	-2.41%
GTCAP	5.47%	MRSGI	-2.34%
MEG	4.52%	RFM	-2.31%
HOME	4.48%	LPZ	-1.99%
TECH	4.05%	ROCK	-1.94%
MBT	3.70%	MWIDE	-1.84%

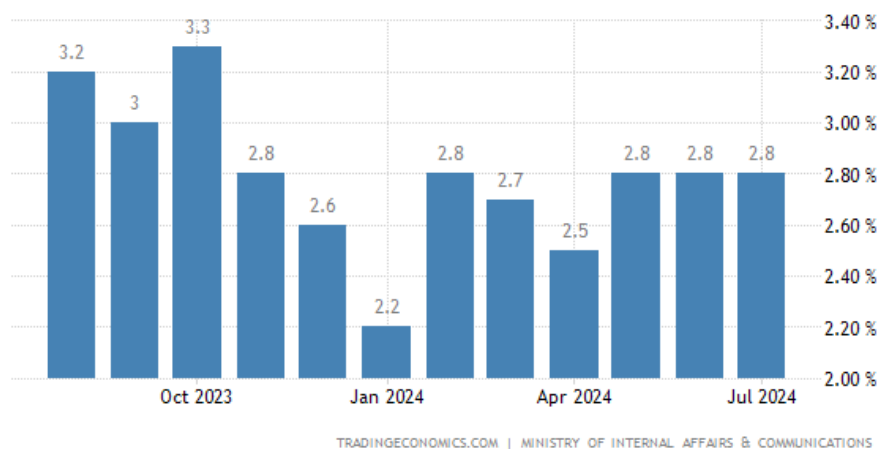
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Key Economic Figures



➔ **China 1-year MLF rate.** The People's Bank of China (PBoC) introduced a CNY 300 billion one-year medium-term lending facility (MLF) for financial institutions, maintaining the interest rate at 2.3%, unchanged from the July cut of 20 basis points. The operation, delayed from its usual mid-month schedule, reflects the PBoC's strategy to shift from MLF rates to short-term rates to guide market liquidity. Following the expiration of CNY 401 billion in MLF loans on August 15, the central bank withdrew a net CNY 101 billion from the banking system. Additionally, the PBoC injected CNY 471 billion via seven-day reverse repos, keeping the seven-day interest rate steady at 1.7%. *(People's Bank of China)*



➔ **Japan CPI.** Japan's annual inflation rate held steady at 2.8% in July 2024, the highest since February and unchanged for the third consecutive month. Significant increases were noted in electricity prices, which surged by 22.3%, the largest rise since March 1981, and gas prices, which climbed by 7.4% following the end of energy subsidies in May. Food prices rose by 2.9%, while costs for housing, transport, and various other categories showed modest increases or remained stable. Conversely, education and communication costs declined. Core inflation reached a five-month high of 2.7%, fueling speculation that the Bank of Japan might raise interest rates further. On a monthly basis, the Consumer Price Index (CPI) increased by 0.2% in July, the smallest gain in three months. *(Ministry of Internal Affairs & Communications)*

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For the Week

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ABS	8.89%	LPC	-4.92%
MER	8.53%	FNI	-4.58%
SSP	8.11%	SHLPH	-4.12%
CNPF	7.35%	DD	-4.07%
ACEN	6.61%	SECB	-4.05%
AP	6.49%	JGS	-3.97%
AEV	5.83%	SMC	-3.40%
GSMI	5.78%	PNB	-2.63%
FB	5.64%	AGI	-2.41%
GTCAP	5.47%	MRSGI	-2.34%
MEG	4.52%	RFM	-2.31%
HOME	4.48%	LPZ	-1.99%
TECH	4.05%	ROCK	-1.94%
MBT	3.70%	MWIDE	-1.84%



Market Outlook

What You Need to Know

- ➔ Following the Jackson Hole Symposium, attention will refocus on key economic data, particularly July's core PCE figures from the US. This comes after recent CPI reports suggested a moderation in inflationary pressures, complemented by August's flash PMI data, which indicated a decline in selling price inflation to its lowest point in seven months. This easing trend, coupled with softer job market conditions as shown in the PMI data, may bolster US the Federal Reserve (Fed)'s case for a rate cut. Recent FOMC meeting minutes reveal a general readiness among members to consider a reduction if the data supports it. While there is still some uncertainty about the magnitude of the September cut, current growth conditions—evidenced by the PMI—suggest that a 25-basis point cut is more probable than a 50-basis point reduction. Additionally, updates on consumer confidence, personal income, and spending will provide further clarity on inflation trends and help guide future monetary policy. In the eurozone, preliminary August inflation figures will be scrutinized for clues about the European Central Bank (ECB)'s policy direction, with a rate cut anticipated in September. The HCOB Flash Eurozone PMI reported a decrease in cost inflation, particularly within the services sector, where input prices fell to a 40-month low. As August flash PMI data is released across major economies and India, mainland China's PMI figures, set to be released over the weekend, will offer vital insights into global growth and inflation trends.
- ➔ This week, the local stock market is poised to continue its upward momentum. The Fed's dovish stance at the Jackson Hole Economic Symposium is likely to foster positive sentiment. Expectations of Fed rate cuts are seen as providing additional leeway for the Bangko Sentral ng Pilipinas (BSP) to lower its own policy rates, enhancing the chances of further monetary easing. "The PSEi benefits from the BSP's proactive rate cut this month, positioning itself advantageously as global central banks, including the Fed, are expected to implement more rate cuts in the latter half of the year," said market analysts. With this supportive backdrop, the PSEi is projected to face resistance around 7,000–7,100, while maintaining a support level at the 6,800-level.

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