WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

September 9, 2024

Market Commentary

➡ The PSEi inched up by 38.55 points or 0.56% to end at 6,936.09 last week. The benchmark index faced some slumps early in the week, but ended strong after PH inflation in August cooled more than expected. The continued strengthening of the Philippine Peso also helped boost sentiment. Financial (+2.38%) was the top sectoral performer, while Mining&Oil (-2.68%) had the biggest decline. In the PSEi, GTCAP (+8.97%) and CNPF (+8.32%) were the best performers, while MER (-4.75%) and WLCON (-4.26%) were the main laggards. Foreigners posted a net inflow of ₱1.25 billion. The local currency strengthened to ₱55.88 from to ₱56.11 against the US dollar. Meanwhile, some developments last week were:

- In July, the Philippines saw a significant increase in speculative funds, with net inflows reaching $1.38 billion, a 43.8% rise from $961.6 million in the same period last year, according to data from the Bangko Sentral ng Pilipinas (BSP). This figure marked a sharp reversal from the $27.26 million net outflow recorded in June. The surge in foreign investments, particularly from the UK, US, Singapore, Luxembourg, and Norway, was driven by positive market sentiment fueled by reduced tariff rates on imported rice and lower bond yields in both the Philippines and the US. Most of these inflows, around 71.3%, were directed toward peso government securities, with the remainder invested in Philippine Stock Exchange-listed securities, including banks, holding firms, and property.

- The Philippines' national debt reached a new high of ₱15.69 trillion in July, marking a 10% increase from ₱14.24 trillion in the same period last year, according to the Bureau of the Treasury. The surge in debt, which included a ₱206.5 billion addition in July alone, was primarily driven by the net issuance of both domestic and external securities. Domestic borrowings accounted for 68.54% of the total debt, amounting to ₱10.75 trillion, while external debt contributed 31.46%, or ₱4.94 trillion. The Treasury noted that the domestic debt rose by 1.7% from the previous month and by 9.6% year-on-year, while external debt saw an 11.4% annual increase. The rise in debt was also influenced by currency fluctuations.

INDICES

Index	Prev	Last	% Chg
PSEi	6,897.54	6,936.09	0.56%
All Shares	3,742.81	3,752.86	0.27%
Financial	2,110.63	2,160.89	2.38%
Industrial	9,347.38	9,270.27	-0.82%
Holding Firms	5,666.02	5,773.94	1.90%
Property	2,822.22	2,776.60	-1.62%
Services	2,181.23	2,190.51	0.43%
Mining & Oil	8,226.84	8,006.64	-2.68%

PSEi

TOP 10		BOTTOM 10	
GTCAP	8.97%	MER	-4.75%
CNPF	8.32%	WLCON	-4.26%
PGOLD	8.11%	LTG	-3.91%
BDO	2.75%	TEL	-3.13%
SM	2.66%	SMC	-3.03%
MBT	2.18%	SMPH	-2.75%
CNVRG	1.87%	MONDE	-2.65%
AC	1.32%	NIKL	-2.08%
BPI	1.04%	BLOOM	-2.03%
ICT	0.96%	JFC	-1.85%

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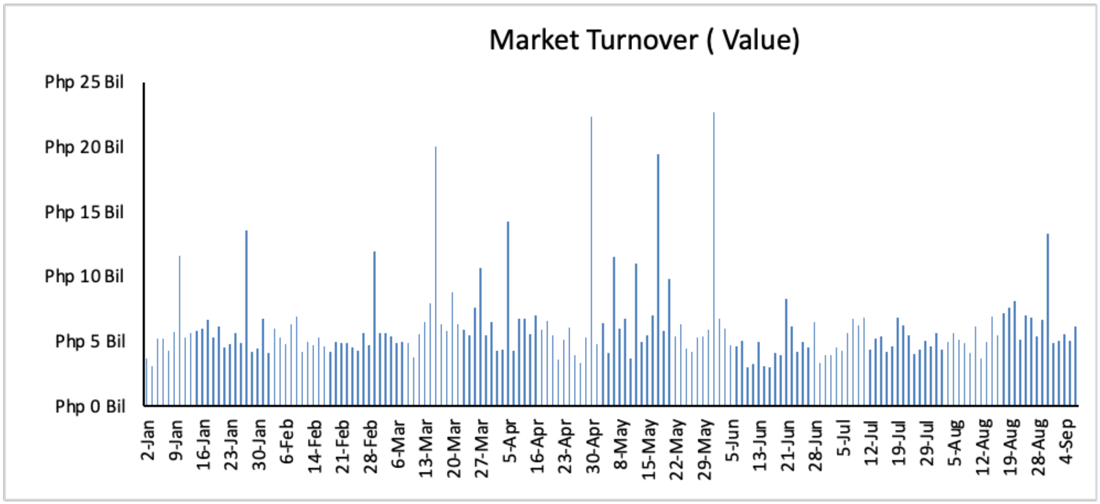
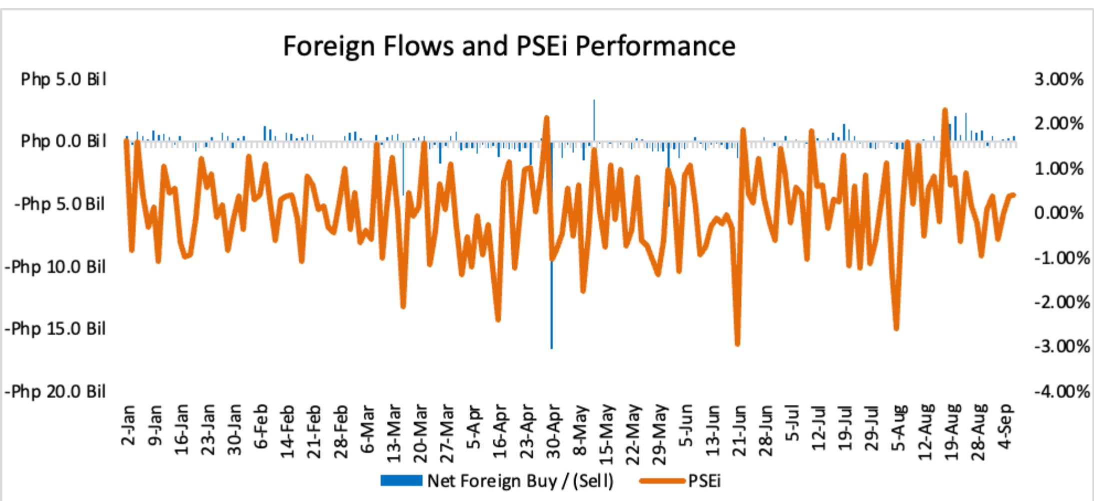
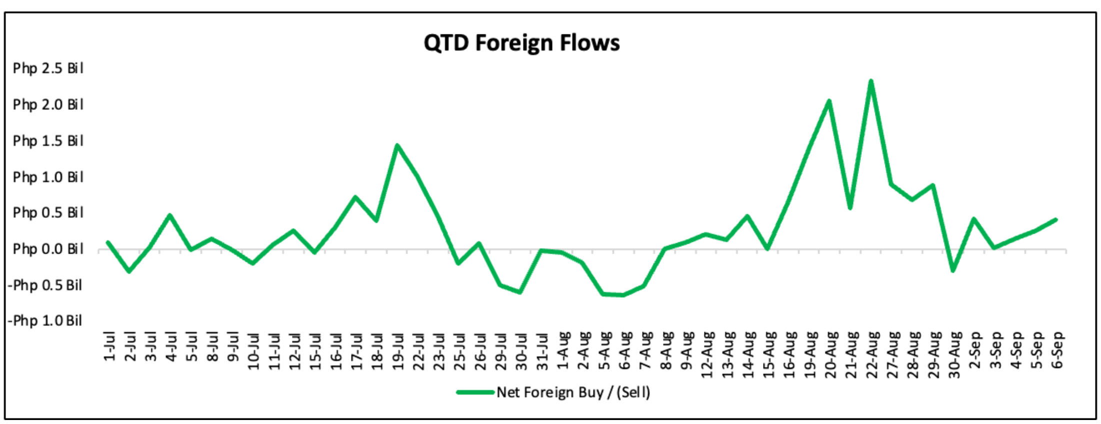
➡ Market turnover averaged ₱5.34 billion last week, lower than the ₱8.02 billion recorded in the previous week.



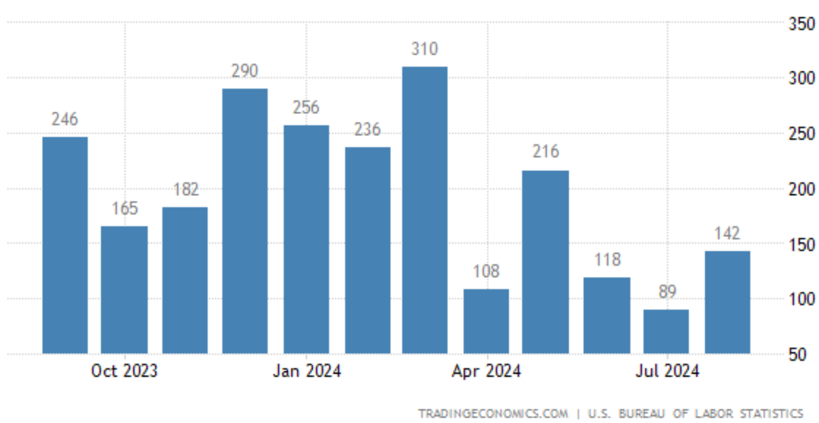
➡ Foreigners posted a net buy of ₱1.25 billion, lower than the ₱2.17 billion in the week before. The local bourse has seen net foreign inflows in 19 of the last 20 sessions.





Key Economic Figures

➡ **PH inflation rate.** The annual inflation rate in the Philippines eased to 3.3% in August 2024, down from 4.4% in July, marking its lowest level since January and below market expectations of 3.6%. This slowdown was driven by a significant reduction in food price growth, which rose by just 3.9% compared to 6.4% the previous month. Additionally, costs moderated across several sectors, including alcoholic beverages and tobacco (3.3% vs 3.4%), clothing (3.0% vs 3.1%), household furnishings (2.7% vs 2.8%), and health (2.6% vs 2.8%). Transport costs also declined by 0.2% after rising for six consecutive months. Core inflation, excluding food and energy, dropped to 2.6%, its lowest level since April 2022, following a 2.9% rise in July. Month-on-month, consumer prices increased slightly by 0.1%, after a 0.7% jump in July. *(Philippine Statistics Authority)*



➡ **US nonfarm payrolls.** The U.S. economy added 142,000 jobs in August 2024, up from a revised 89,000 in July but below expectations of 160,000. Gains were led by construction (34,000), health care (31,000), government (24,000), and social assistance (13,000). Manufacturing lost 24,000 jobs, mainly in durable goods. Employment in other key sectors like retail, transportation, and professional services showed little change. While August job growth followed recent trends, it fell short of the 12-month average of 202,000. July and June figures were also revised downward by 25,000 and 61,000, respectively. *US Bureau of Labor Statistics)*

For the Week

TOP GAINERS		TOP LOSERS	
SSP	40.00%	LPC	-17.91%
CHP	20.69%	ION	-5.75%
SSI	8.17%	AEV	-5.68%
ALI	7.79%	URC	-5.45%
LR	7.40%	SM	-5.35%
NIKL	5.97%	ICT	-5.03%
LPZ	5.42%	DD	-4.80%
DMC	5.41%	ABS	-4.76%
SEVN	5.02%	CLI	-4.74%
MWC	5.02%	ROCK	-4.67%
ACEN	4.62%	AC	-4.50%
WLCON	4.56%	TEL	-4.46%
EEI	4.44%	FNI	-4.23%
GSMI	4.29%	PAL	-4.15%
SMPH	4.21%	UBP	-4.01%
RLC	3.74%	RCB	-3.36%
SCC	3.67%	APX	-3.18%
RRHI	3.64%	HOME	-3.08%
DNL	3.16%	JGS	-2.89%
PNB	3.14%	SHLPH	-2.63%

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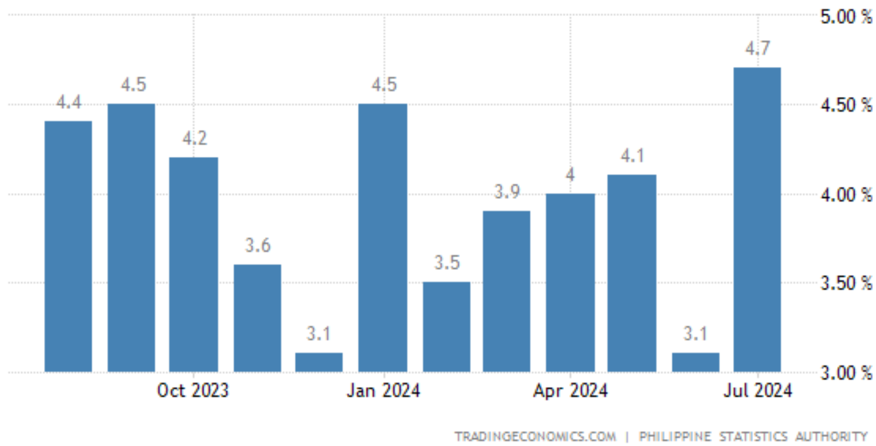
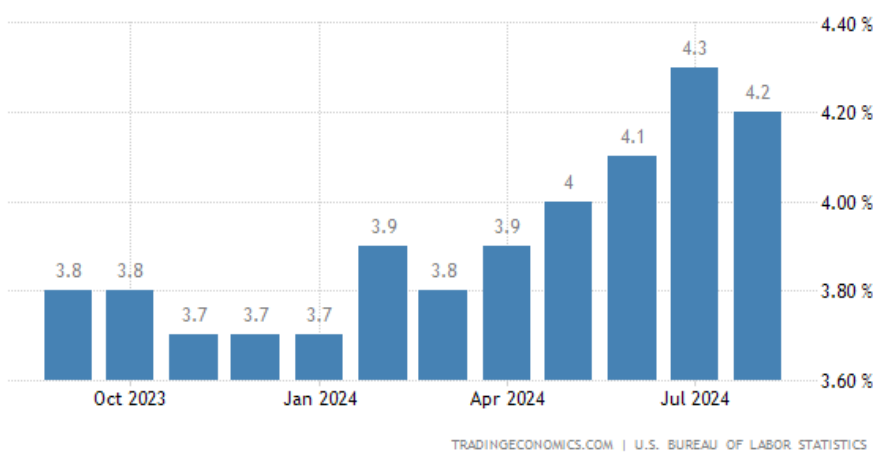


➡ **PH unemployment rate.** The unemployment rate in the Philippines increased slightly to 4.7% in July 2024, compared to 4.8% in the same month last year. The number of unemployed individuals rose to 2.38 million from 2.29 million in July 2023, while employment grew to 47.7 million from 44.56 million. The services sector remained the largest employer, representing 60.8% of the workforce, followed by agriculture at 21.2% and industry at 18.0%. Notable employment gains were seen in wholesale and retail trade (+1.07 million), agriculture and forestry (+936 thousand), and accommodation and food services (+512 thousand). However, job losses occurred in manufacturing (-154 thousand) and professional, scientific, and technical activities (-100 thousand). *(Philippine Statistics Authority)*



➡ **US unemployment rate.** The unemployment rate in the US declined to 4.2% in August 2024, down from 4.3% the previous month and meeting market expectations. The number of unemployed remained steady at 7.1 million. The count of permanent job losers was unchanged at 1.7 million, while those on temporary layoffs decreased by 190,000 to 872,000. Long-term unemployed individuals, those seeking work for over 27 weeks, held steady at 1.5 million, representing 21.3% of the total unemployed population. The labor force participation rate remained at 62.7%, unchanged from the previous month. *(US Bureau of Labor Statistics)*

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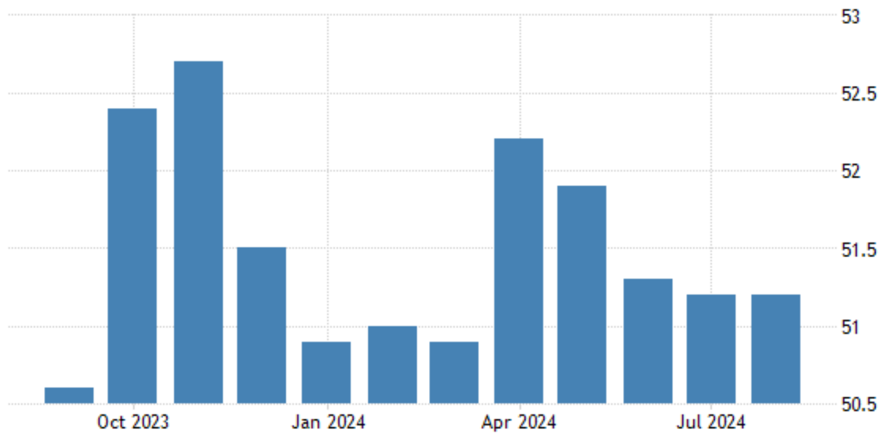

➡ **PH manufacturing PMI.** The S&P Global Philippines Manufacturing PMI remained steady at 51.2 in August 2024, matching July's figure and marking a full year of continuous improvement in operating conditions, albeit at a moderate pace. Growth in new orders picked up, though international sales declined, prompting firms to increase production at a rate close to the long-term average. However, companies were cautious in hiring, resulting in a renewed decline in employment. Inflationary pressures eased, with input costs rising only moderately. Looking ahead, manufacturers are optimistic about further output expansion over the next 12 months, though confidence dipped slightly, indicating more modest production gains compared to July. *(S&P Global)*

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Market Outlook

What You Need to Know

➡ In the coming week, several key economic indicators will shape the outlook for global markets. In the US, all eyes will be on the with the release of August CPI and PPI data on Wednesday and Thursday, respectively. These reports will offer further insight into inflation trends ahead of the US Federal Reserve's meeting on September 17-18, where a potential rate cut is much anticipated. The latest S&P Global Flash US PMI already suggested easing price pressures, and confirmation of this trend through official CPI data could bolster expectations of a rate reduction. In the EMEA region, the European Central Bank (ECB) will hold its September meeting, where discussions may focus on another potential rate cut, especially given the recent easing in inflationary pressures. Meanwhile, the UK will release GDP data for July, along with labor market updates, providing key insights into the country's economic health. Eurozone industrial production and inflation data from Germany and France will also be in focus. In the APAC region, China's inflation, industrial production, and retail sales data will be closely watched, while Japan will release its final Q2 GDP figures. India's inflation and industrial production reports will also be important for assessing economic conditions in the region as well.

➡ The Philippine stock market has shown promising momentum, with the PSEi moving closer to the crucial 7,000-level. However, achieving a sustainable breakout remains uncertain due to several influencing factors. Although a Fed rate cut is anticipated, this potential easing has already been largely factored into the market. With a high probability of a rate cut in September, there is a risk that investors might respond by selling off stocks once the rate cut is officially announced. This could potentially dampen the market's upward movement. Additionally, the performance of US markets, which saw notable declines last week, could impact global investor sentiment. The fall in major US indices, driven by a sell-off in technology stocks, might have a ripple effect on international markets, including the Philippines. Continued weakness in US markets could negatively affect local equities. On a more optimistic note, slower-than-expected inflation in August could support the Bangko Sentral ng Pilipinas (BSP) in pursuing further monetary easing. This potential policy adjustment might drive market optimism. Furthermore, any continued appreciation of the Philippine peso against the US dollar could provide additional support to local stocks.

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