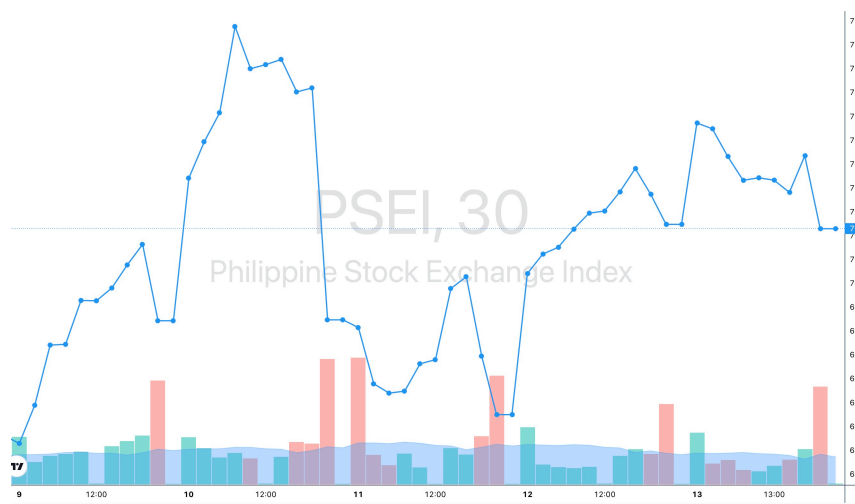




Market Commentary



➔ The PSEi gained 86.76 points or 1.25% and closed last week at 7,022.85. The local barometer finally made a convincing crack at the 7,000-level on the back of another batch of soft US inflation data which all but confirms an interest rate cut by the US Federal Reserve (Fed) this week. Most sectors rose led by Holding Firms (+2.96%), while Mining&Oil (-1.59%) continued to be the main laggard. In the PSEi, CNVRG (+10.47%) and AEV (+8.36%) were the top gainers, while ACEN (-5.53%) and CNPF (-3.53%) had the notable contractions. Net foreign inflows surged to ₱2.66 billion, while the local currency weakened to ₱55.995 from ₱55.88 against the US dollar. Meanwhile, some developments last week were:

- The asset quality of Philippine banks deteriorated in July as the gross nonperforming loan (NPL) ratio reached 3.58%, the highest level in over two years, according to preliminary data from the Bangko Sentral ng Pilipinas (BSP). This marks an increase from 3.51% in June and 3.43% a year ago, with total soured loans rising 1.13% month-on-month to ₱508.11 billion. The decline in asset quality reflects challenges related to elevated borrowing costs and sector-specific recovery issues post-pandemic.
- Meralco consumers can expect a slight increase in their September electricity bills, with the company citing higher transmission charges as the primary cause. Rates have risen by ₱0.1543 per kilowatt hour (kWh), bringing the overall cost to ₱11.7882 per kWh from the previous ₱11.6339 in August. For households consuming 200 kWh, this results in a ₱31 increase in their bills. The rise in transmission charges, amounting to ₱0.2913 per kWh, is attributed to the resumption of commercial operations in the reserve market on August 5, 2024.

INDICES

Index	Prev	Last	% Chg
PSEi	6,936.09	7,022.85	1.25%
All Shares	3,752.86	3,788.63	0.95%
Financial	2,160.89	2,152.29	-0.40%
Industrial	9,270.27	9,301.97	0.34%
Holding Firms	5,773.94	5,944.94	2.96%
Property	2,776.60	2,819.51	1.55%
Services	2,190.51	2,216.72	1.20%
Mining & Oil	8,006.64	7,879.72	-1.59%

PSEi

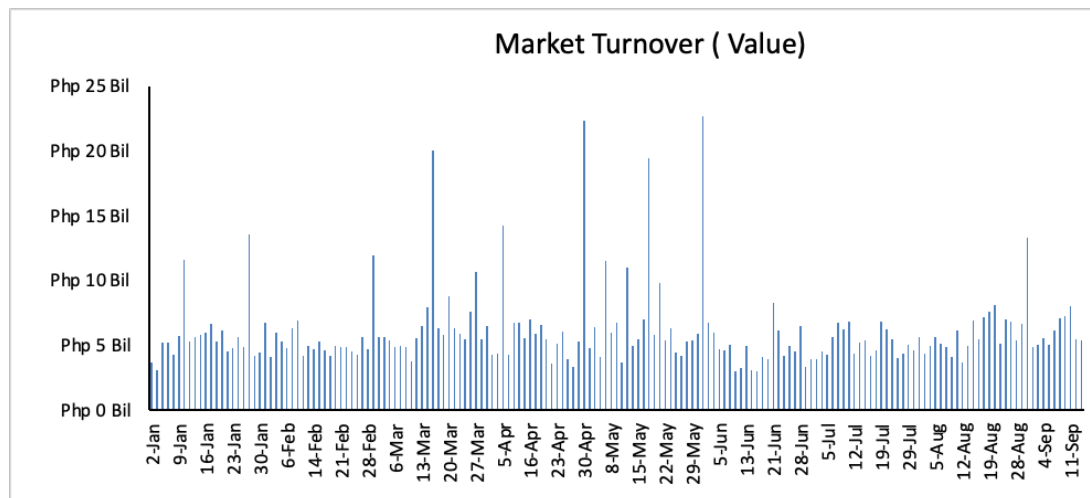
	TOP 10		BOTTOM 10
CNVRG	10.47%	ACEN	-5.33%
AEV	8.36%	CNPF	-3.53%
BLOOM	8.30%	PGOLD	-3.33%
MONDE	5.65%	NIKL	-3.03%
JGS	5.49%	SMC	-2.60%
SM	3.47%	BPI	-2.06%
SMPH	3.32%	MBT	-1.46%
GTCAP	2.94%	WLCON	-0.78%
ICT	2.75%	ALI	-0.71%
URC	1.83%	DMC	-0.68%

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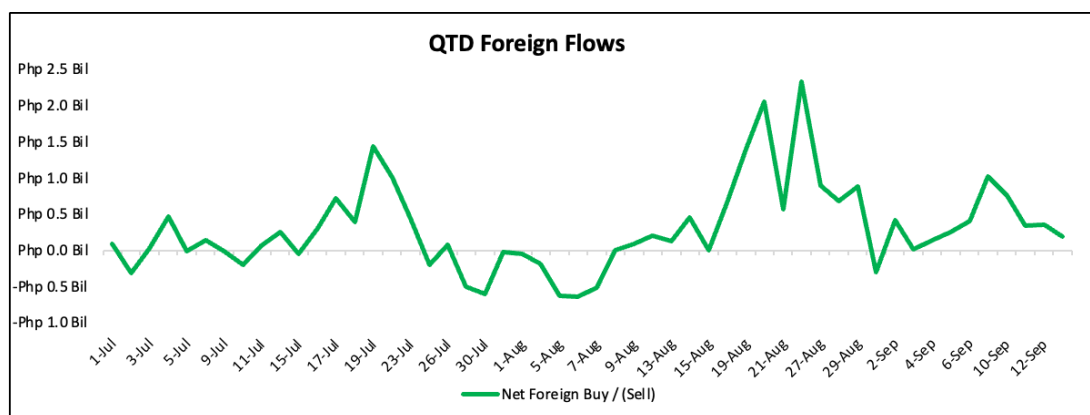
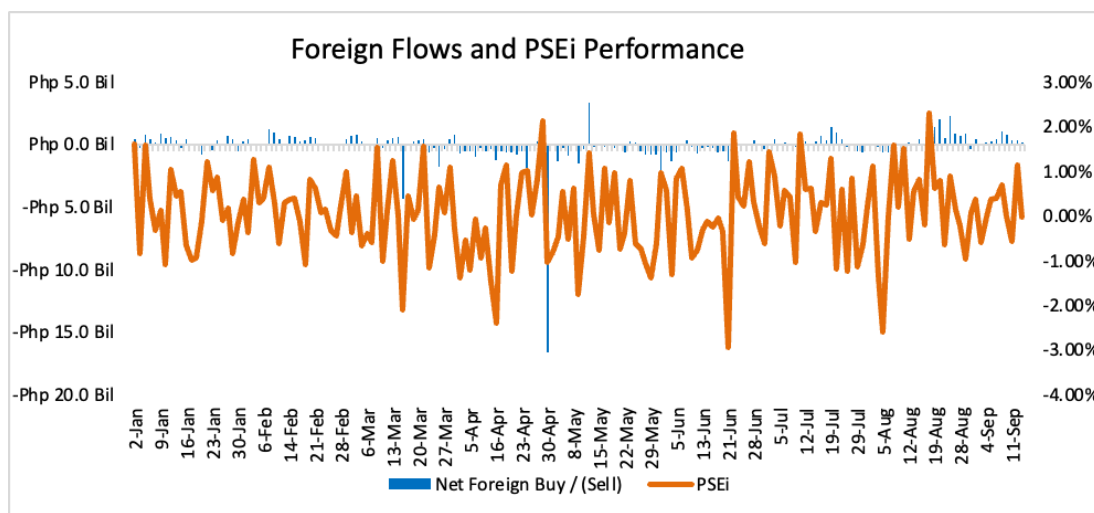
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➔ Market turnover averaged ₱6.65 billion last week, higher than the ₱5.34 billion recorded in the previous week.



➔ Foreigners posted a net buy of ₱2.66 billion, higher than the ₱1.25 billion in the week before. The local bourse recorded net foreign inflows the whole week, and in 24 of the last 25 sessions.



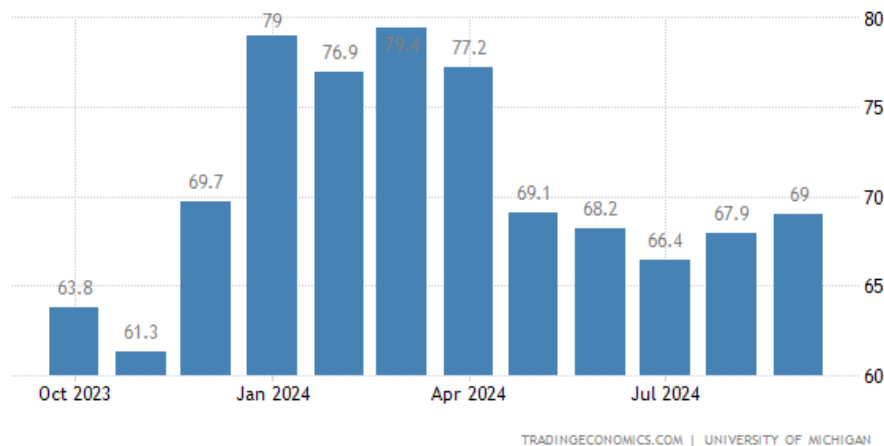
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Key Economic Figures



➔ **US inflation rate.** In August 2024, the annual inflation rate in the US decelerated for the fifth consecutive month, falling to 2.5%, its lowest since February 2021, down from 2.9% in July and below the 2.6% forecast. This decline was driven by a significant drop in energy costs, particularly gasoline, fuel oil, and natural gas. While inflation for food and transportation also eased, prices for new and used vehicles continued to fall. However, inflation for shelter and apparel increased slightly. On a monthly basis, the Consumer Price Index (CPI) rose 0.2%, in line with July's increase. Core inflation remained at a three-year low of 3.2%, with the monthly core rate edging up to 0.3%, surpassing expectations. (*US Bureau of Labour Statistics*)



➔ **US Michigan consumer sentiment.** The University of Michigan consumer sentiment for the US increased for a second consecutive month to 69 in September 2024, the highest since May, compared to 67.9 in August and beating forecasts of 68, preliminary estimates showed. The gauge for current conditions went up to 62.9 from 61.3 and the one for expectations increased to 73 from 72.1. Both topped forecasts of 61.5 and 71, respectively. Meanwhile, inflation expectations for the year-ahead declined to 2.7% from 2.8%, with markets expecting it would stay at 2.8%. On the other hand, the five-year outlook increased to 3.1% from 3%. (*University of Michigan*)

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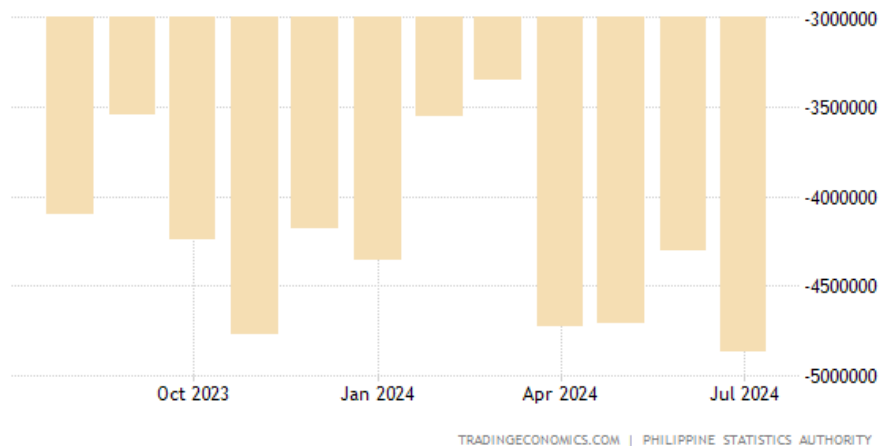
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For the Week

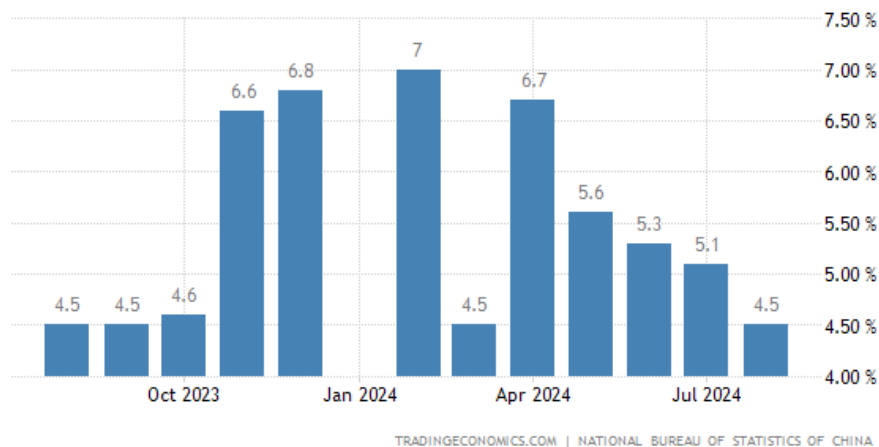
TOP GAINERS		TOP LOSERS	
CNVRG	10.47%	LR	-25.75%
AEV	8.36%	LPC	-16.67%
BLOOM	8.30%	TUGS	-10.53%
SECB	7.73%	STR	-10.10%
CHIB	6.83%	AB	-8.37%
MONDE	5.65%	DD	-7.44%
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ABS	2.82%	SHLPH	-2.97%
ICT	2.75%	SMC	-2.60%
COSCO	2.72%	PIZZA	-2.30%
RLC	2.55%	BPI	-2.06%



Key Economic Figures



➔ **PH balance of trade.** In July 2024, the Philippines' trade deficit widened to \$4.9 billion, up from \$4.1 billion in the same month last year, marking the largest gap since March 2023. This expansion was driven by a 7.2% increase in imports to \$11.1 billion, led by higher purchases of electronics, transport equipment, and industrial machinery. Imports were predominantly sourced from China, Indonesia, and Japan. Exports grew marginally by 0.1% to \$6.2 billion, with increases in other manufactured goods, mineral products, and machinery. The largest share of exports went to the USA, Japan, and China. For the first eight months of 2024, the trade deficit reached \$29.9 billion. *(Philippine Statistics Authority)*



➔ **China industrial production.** China's industrial production grew by 4.5% year-on-year in August 2024, missing expectations of 4.8% and decelerating from July's 5.1% increase. This marks the slowest growth since March, reflecting the impact of extreme weather disruptions. Manufacturing and mining output both slowed, with manufacturing up 4.3% and mining rising 3.7%. Within manufacturing, significant growth was observed in sectors such as railway and aviation, computer and communication equipment, and chemicals. However, non-metallic mineral products and ferrous metal smelting saw declines. On a monthly basis, industrial output increased by 0.32%, the smallest gain in three months. For the first eight months of 2024, industrial output has risen by 5.8%. *(National Bureau of Statistics of China)*

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For the Week

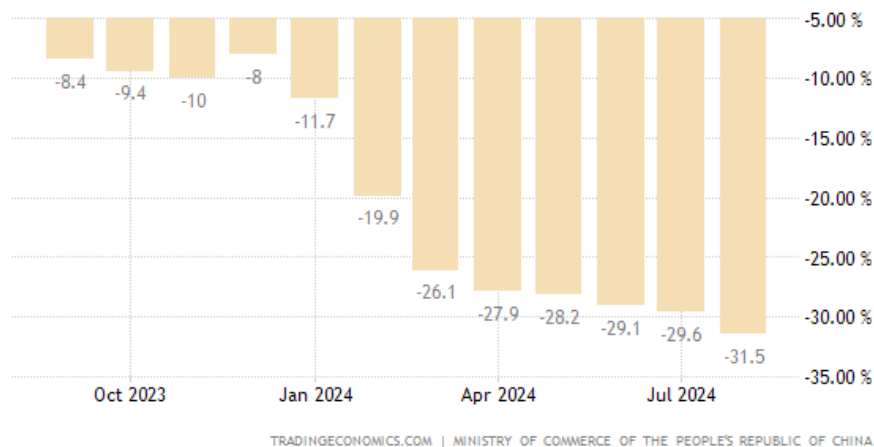
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COSCO	2.72%	PIZZA	-2.30%
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Key Economic Figures



➔ **China retail sales.** China's retail sales grew by 2.1% year-on-year in August 2024, down from 2.7% in July and below the forecast of 2.5%. The slowdown is attributed to extreme weather conditions this summer. Sales growth weakened in several categories, including personal care, clothing, and jewelry, while turnover for grain, oil, and food, as well as communications equipment, improved. Monthly retail trade remained nearly unchanged, following a 0.35% increase in July. For the year-to-date, retail sales have risen by 3.9%. *(National Bureau of Statistics of China)*



➔ **China FDI.** Foreign direct investment (FDI) in China fell sharply by 31.5% year-on-year to CNY 580.19 billion (USD 81.80 billion) from January to August 2024, worsening from a 29.6% decline in the first seven months. Investment in high-tech manufacturing rose to 12.4% of the total, with notable increases in medical equipment, professional technical services, and computer and office equipment. Key investors included Singapore (11.6%) and Germany (5.4%). Recent government crackdowns on various industries have contributed to the decline in foreign investment. *(Ministry of Commerce of the People's Republic of China)*

For the Week

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Market Outlook

What You Need to Know

- ➔ This week's focus shifts to global monetary policy with key central bank meetings scheduled across several major economies, including the US, UK, and Japan. In the US, the Federal Open Market Committee (FOMC) is expected to initiate rate cuts, but the extent of reduction remains uncertain. Recent data suggests easing inflation could support the Fed's goal of lowering rates, though core CPI figures have raised the possibility of a more modest 25-bps cut. The Bank of England (BoE) will also be under scrutiny. Although the BoE has started reducing rates, it is anticipated to hold steady in September due to persistent service sector inflation. Upcoming inflation data will provide insights into future rate decisions. In Japan, the Bank of Japan (BoJ) is likely to maintain its current stance, given its hawkish bias and recent easing inflationary pressures. The BoJ's decisions will be closely watched, particularly regarding their impact on the USD/JPY exchange rate.
- ➔ This week, the PSEi is expected to maintain its position above the 7,000 mark, buoyed by anticipated developments from the Fed's September 17-18 meeting. The Fed's expected interest rate cut, driven by recent easing in US inflation and slower job growth, is likely to foster positive sentiment in the local market. This rate adjustment could enhance the Bangko Sentral ng Pilipinas (BSP)' capacity for further policy easing, which in turn would support domestic equities. Additionally, if the Philippine Peso continues to appreciate against the US dollar, it could provide an added boost to the PSEi. As the market tests the resilience of the 7,000 level, the index is projected to trade up to the 7,100-level. However, investors' caution and heavy profit taking could still pull it back down to the 6,900-level.

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