WEEKLY REPORT

MANDARIN SECURITIES CORPORATION

September 23, 2024

Market Commentary

➡ The PSEi jumped 229.47 points or 3.27% and finished a strong week at 7,252.32. The Fed's supersized rate cut, which officially market the reversal of its monetary policy approach, lifted markets globally. The BSP's reduction of the reserve requirement ratio (RRR) to 7% after a 250-bps cut also added some boost to local equities, pushing it a 2-year record high close. Sectors rose across the board led by Mining&Oil (+8.23%) and Financial (+5.85%). In the PSEi, NIKL (+13.44%) and AC (+11.29%) were the best performers, while SMC (-5.03%) and ICT (-1.85%) were the main laggards. Net foreign inflows surged anew to ₱4.70 billion, while the local currency strengthened WoW to ₱55.69 from ₱55.995 against the US dollar. Meanwhile, some developments last week were:

- Money sent home by Overseas Filipino Workers (OFWs) reached a seven-month high in July 2024, with cash remittances through banks rising by 3.1% to $3.085 billion from $2.992 billion a year ago, according to the Bangko Sentral ng Pilipinas (BSP). This marks the highest monthly level since December 2023, driven by increased remittances from both land-based and sea-based workers. Month-on-month, remittances jumped 7%, as July also saw school-related expenses and holiday spending contribute to the surge. For the first seven months of the year, cash remittances grew by 2.9% to $19.332 billion, with the United States accounting for 41.1% of total remittances.

- The Philippines' vehicle manufacturing output surged to its highest level of the year in July, growing by 26.7% year-on-year to 11,311 units, according to data from the ASEAN Automotive Federation. This marked an improvement from June's 14.6% growth and brought the country's year-to-date output to 75,644 units, reflecting a 15.2% increase from the same period last year. China Bank Capital Corp. managing director Juan Paolo Colet attributed the rise to strong domestic demand and predicted continued growth as anticipated interest rate cuts lower vehicle financing costs. Lower inflation and borrowing costs are also expected to boost manufacturers' pricing flexibility. Regionally, the Philippines was one of only three countries in the ASEAN bloc to post growth in vehicle production, alongside Malaysia and Myanmar.

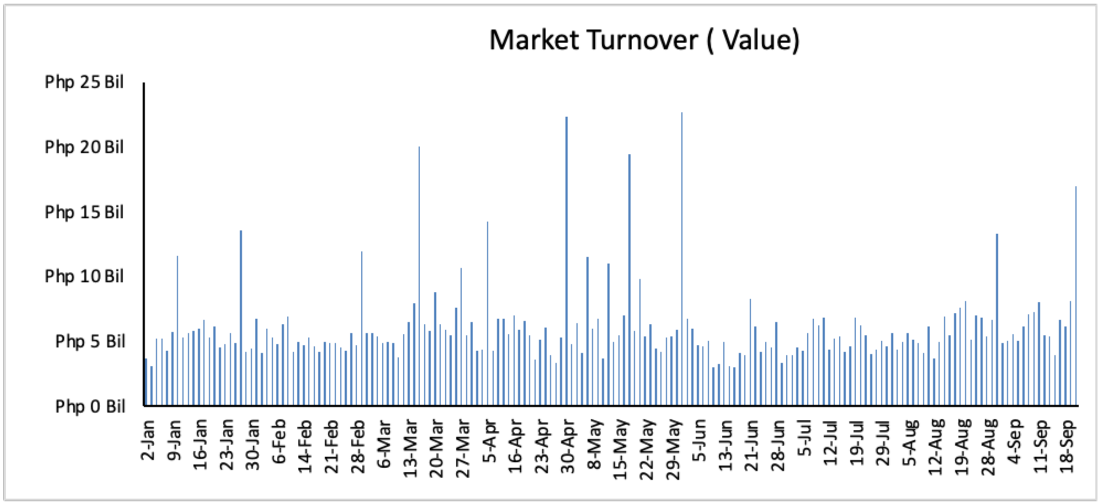
INDICES

Index	Prev	Last	% Chg
PSEi	7,022.85	7,252.32	3.27%
All Shares	3,788.63	3,895.62	2.82%
Financial	2,152.29	2,278.13	5.85%
Industrial	9,301.97	9,644.59	3.68%
Holding Firms	5,944.94	6,177.04	3.90%
Property	2,819.51	2,911.72	3.27%
Services	2,216.72	2,220.03	0.15%
Mining & Oil	7,879.72	8,528.26	8.23%

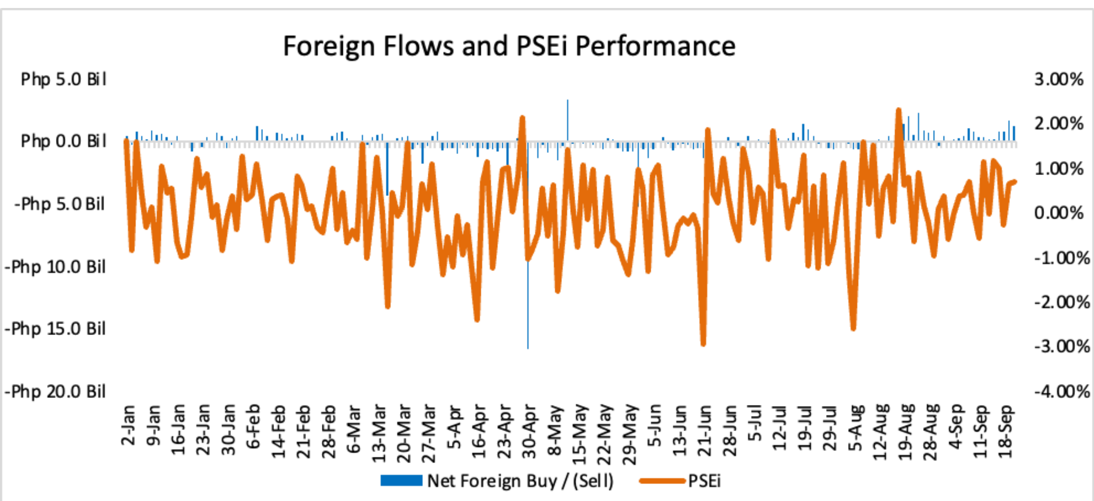
PSEi

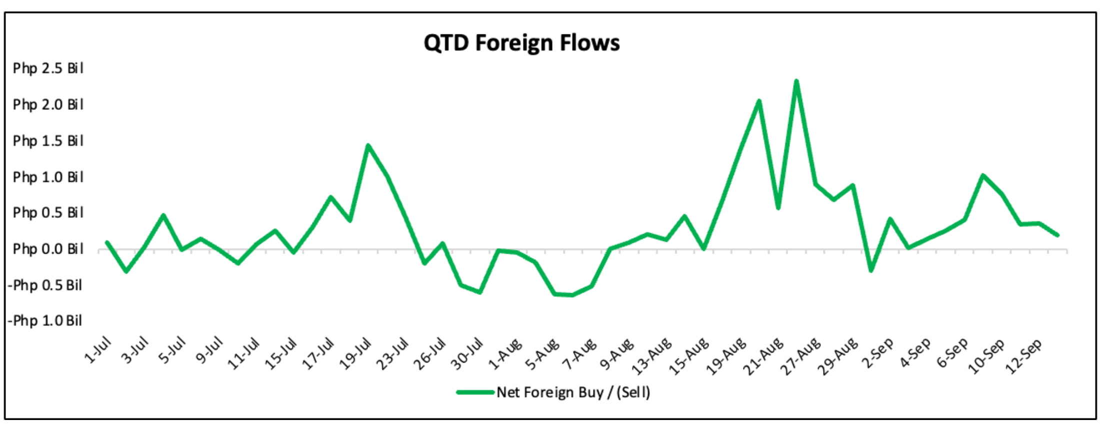
TOP 10		BOTTOM 10	
NIKL	13.44%	SMC	-5.03%
AC	11.29%	ICT	-1.85%
URC	10.14%	GTCAP	-1.29%
BPI	7.37%	TEL	-0.82%
JFC	6.30%	EMI	-0.21%
MONDE	6.17%	ACEN	0.58%
MBT	4.86%	DMC	0.69%
JGS	4.80%	SCC	0.75%
AGI	4.65%	WLCON	0.78%
ALI	3.71%	BLOOM	0.96%

➡ Market turnover averaged ₱8.38 billion last week, higher than the ₱6.65 billion recorded in the previous week.



➡ Foreigners posted a net buy of ₱4.70 billion, higher than the ₱2.66 billion in the week before. The strong foreign inflows continued throughout last week and is likely to strengthen further.





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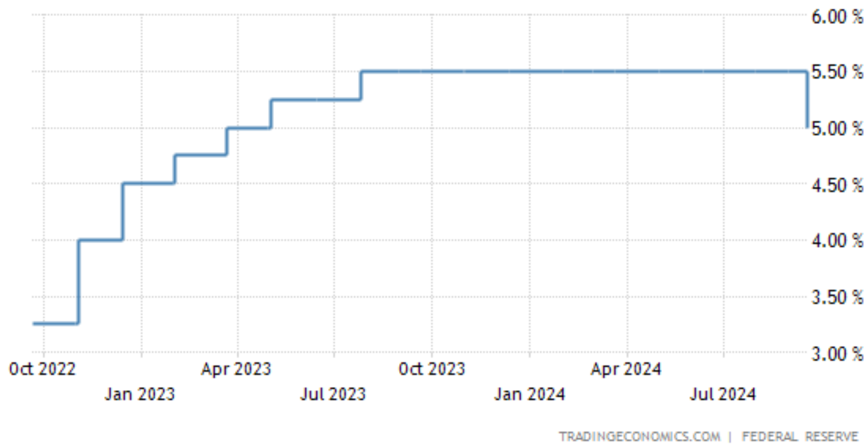
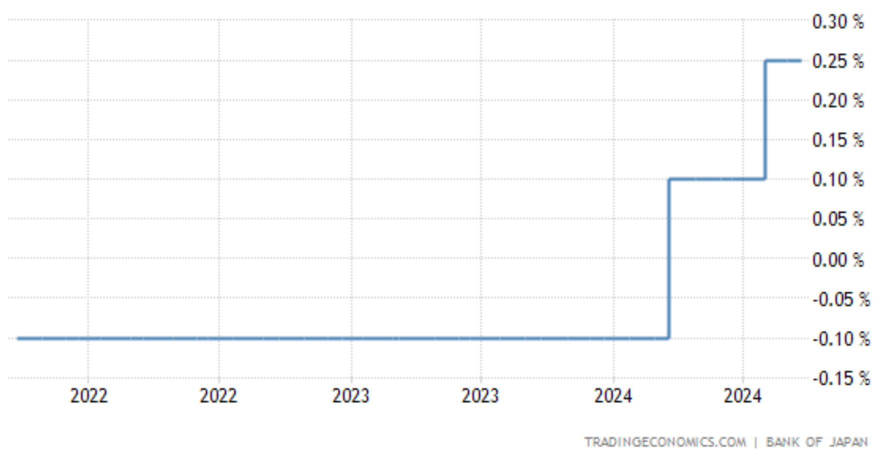
Key Economic Figures



➡ **Fed benchmark rate.** Last Wednesday, the US Federal Reserve (Fed) cut the federal funds rate by 50-bps to 4.75%-5%, marking the first reduction since March 2020. While a rate cut was widely expected, there was debate over whether the Fed would opt for a smaller 25-bps reduction. New forecasts indicate policymakers anticipate another 100-bps in cuts by year-end, with further reductions in 2025 and 2026. Inflation projections were revised lower, with PCE inflation expected at 2.3% in 2024 and 2.1% in 2025, while GDP growth was slightly downgraded. The unemployment rate is projected to rise to 4.4% this year. *(US Federal Reserve)*



➡ **BoJ benchmark rate.** The Bank of Japan (BoJ) maintained its short-term interest rate at around 0.25%, the highest since 2008, aligning with market expectations. The central bank emphasized a cautious approach after two rate hikes earlier in the year, highlighting the need for further monitoring of financial markets. While Japan's economy is on a moderate recovery path, bolstered by private consumption and business spending, exports and industrial production have remained flat. Inflation, driven by rising service prices, continues to range between 2.5% and 3.0%. *(Bank of Japan)*

For the Week

TOP GAINERS		TOP LOSERS	
MWIDE	18.07%	SMC	-5.03%
CHIB	16.44%	SLI	-4.83%
SECB	15.71%	EEI	-4.09%
LR	15.02%	ABS	-1.96%
FNI	13.60%	ICT	-1.85%
NIKL	13.44%	CHP	-1.73%
SGP	12.88%	MRSGI	-1.71%
CEB	12.17%	SMC2F	-1.70%
AC	11.29%	SHNG	-1.55%
VLL	11.19%	RFM	-1.30%
DD	10.65%	GTCAP	-1.29%
URC	10.14%	ION	-1.20%
LPC	9.09%	TEL	-0.82%
UBP	8.81%	GSMI	-0.77%
RCB	8.55%	MWC	-0.70%
SSI	8.51%	PIZZA	-0.64%
AB	7.73%	DMW	-0.38%
DNL	7.62%	APX	-0.25%
BPI	7.37%	EMP	-0.21%
TUGS	7.35%	SSP	0.00%

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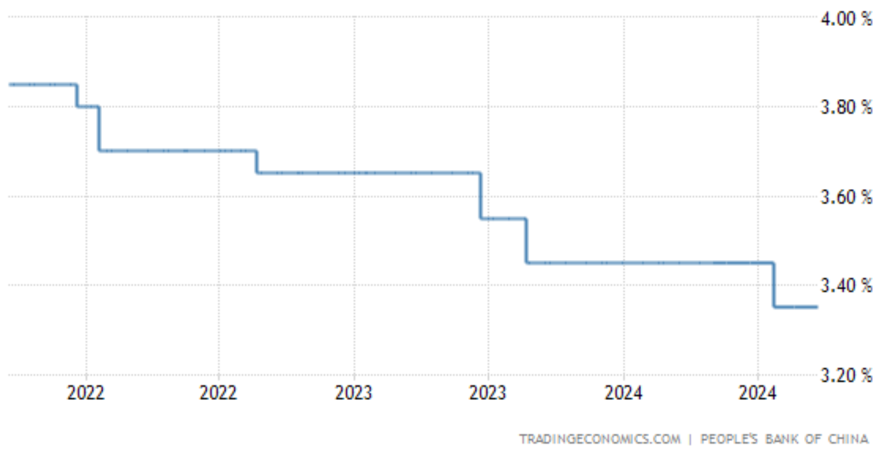
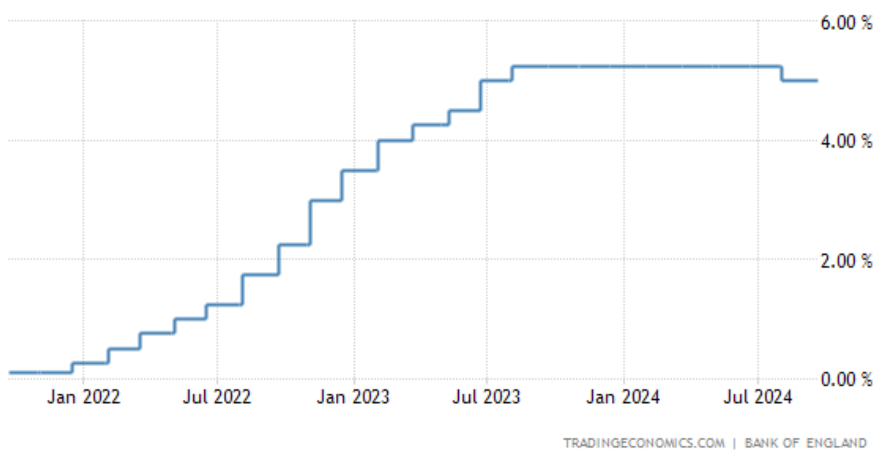
Key Economic Figures



➡ **PBOC benchmark rate.** The People's Bank of China (PBoC) kept its key lending rates steady during its September meeting, with the one-year loan prime rate (LPR) at 3.35% and the five-year rate at 3.85%, both remaining at record lows. This decision, in line with market expectations, follows earlier rate cuts in July. The PBoC also deferred its medium-term lending facility (MLF) for the second time in two months, opting to let short-term rates guide the market. August data indicated a sluggish economic recovery, with weak industrial output, soft retail sales, and rising unemployment. *(People's Bank of China)*



➡ **BoE benchmark rate.** The Bank of England held its Bank Rate at 5% during its September 2024 meeting, following a 25-bps cut in August, in line with market expectations. One member, however, pushed for a further reduction to 4.75%. Inflation stood at 2.2% in August but is expected to rise slightly by year-end as the base effect from lower energy prices fades. Services inflation remained high at 5.6%, while wage growth slowed to 4.9%. The BoE also plans to reduce its stock of UK government bonds by £100 billion over the next year. *(Bank of England)*

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Market Outlook

What You Need to Know

- ➡ The coming week will focus on flash PMI data from major economies, offering key insights for possible shapeups in central banks' policy directions. Investors are also closely watching a speech from Fed Chairman Jerome Powell and core PCE inflation data, which could have more impact than second-quarter US GDP updates. European Central Bank (ECB) observers are eager for flash inflation numbers from the eurozone, while the Reserve Bank of Australia's meeting will dominate attention in APAC. The recent US Fed rate cut aligns with the monetary easing trend seen in the ECB and Bank of England (BoE), driven by inflation control and concerns over economic vulnerabilities. September's PMI data will help assess whether current monetary policy actions are stabilizing economic upturns or if further rate reductions are required. Lower core inflation readings, particularly in the US and eurozone, could reinforce expectations for more rate cuts later this year.

- ➡ The PSEi is poised to maintain its momentum above the 7,000 level this week, buoyed by the US Federal Reserve's larger-than-expected rate cut and anticipated capital inflows into Southeast Asian markets. Easing inflation and more grounded valuations have provided additional support, particularly for key sectors like property, REITs, consumer, and power, which stand to benefit from lower borrowing costs. However, after a three-week rally, some profit-taking may emerge. The peso's appreciation, if sustained, will likely aid in extending the market's gains. Investors are also eyeing the BSP's business and consumer expectations survey for further economic cues.