February 2022

The MARKET CALL

Capital Markets Research

FIRST METRO INVESTMENT CORPORATION
Metrobank Group

UA&P
UNIVERSITY OF ASIA AND THE PACIFIC

FMIC and UA&P Capital Markets Research

Executive Summary

It appears quite clear that the outsized 2.7-M increase in jobs in Q4-2021 drove the GDP growth of 7.7% in that quarter. These have sparked greater optimism for 2022, even as the economy and the equities market had a good start for the year. The bond market, however, did not enjoy that as the specter of higher interest rates in the U.S. and crude oil prices spoiled the mini-rally in January. We think that the economy will accelerate in H1 and the full year, partly due to the overflow of jobs and spending into H1, bolstered by infrastructure and election spending and loose monetary policy. A January spike in Omicron-variant cases notwithstanding, the variant now appears much less deadly than its forerunner and so we expect less mobility restrictions looking forward.

Bonds Market

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Concerns over a more aggressive Fed tightening (both in terms of frequency and magnitude) sparked a global selloff with 10-year U.S. Treasuries spiking by close to 50 bps from end-2021 to mid-February amid strong Q4 U.S. GDP print and January inflation at a 40-year high. Local 10-year T-bond yields followed suit and may trade sideways with a slight upside for the rest of Q1. Meanwhile, ROPs spread over equivalent U.S. Treasuries may widen a bit more as DBS and Fitch reported their downbeat views on the economy.

● Investors favored short term bonds over duration as yields for T-bills plummeted ranging from -24.1 bps to -43.4 bps in January. ● BTr accepted only P172.1-B out of its P225.0-B offer as clients demanded higher premium for longer bonds. ● Secondary GS trading volume bounced back by 18.7% MoM. ● The spread between 10-year and 2-year bond yields widened by 26.8 bps as shorter papers fell sharply. ● Corporate bond trading rallied by 156% in January as two big banks (BDO and BPI) gained more than P1.0-B worth of trades, respectively. ● ROPs yields accelerated faster than its equivalent U.S. Treasuries by 44.5 bps to 58.3 bps amid interest rate hike bets and weaker peso. ●

Macroeconomy

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The massive 2.7-M increase in employment in Q4 should offset most of the negative impact of the mobility restrictions due to a sharp rise in Covid-19 Omicron variant cases. Infrastructure and related election spending and GDP/job growth momentum should propel H1 GDP growth, since seasonally adjusted Q-o-Q growth accelerated in Q4 to reach 3.1%. Even with the usual H2 easing during a Presidential election year, GDP growth for 2022 should take a faster pace of 6% to 7%, from 5.6% in 2021. We think BSP will keep policy rates unchanged until well into Q4-2022, while the peso remains on a mild depreciation mode.

● Job creation hit 0.8-M in December (and 2.7-M in Q4) enabling total employed to reach another record high of 46.3-M.● Manufacturing output (VoPI) made a deja vu double-digit jump of 17.9% YoY in December led by wood products (+122.6%). ● IHS Markit Manufacturing eased to 50 in January from 51.8 a month earlier, likely due to seasonal slowdown after Christmas season. ● Headline inflation slowed to 3% in January as steady food prices trumped higher fuel costs. ● Strong U.S. GDP growth and U.S. dollar added to record trade deficit in December led to a 2% peso depreciation to P51.25 in January. ●

Equities Market

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PSEi started 2022 with the best performance among stock indices that we cover rising by 3.4% MoM to end January at 7,361.65. Five out of the six sectors posted gains, led by the Mining & Oil sector (+7.1%) and the Services sector as the only losing sector (-1.7%). We expect PSEi to break through the 7,500 resistance by Q2 as PH economic recovery marches on and corporate earnings improve. However, investors should expect much volatility amidst concerns on the size and timing of Fed's policy rate cuts starting March, on 8-year high crude oil prices, and on the threat of a Russian invasion of Ukraine.

● Mining and Oil sector posted the biggest sectoral jump with +7.1% MoM fueled by Semirara Mining and Power Corporation's (SCC) +17.1% surge.● The Services sector led the sectoral decline as it dropped by -1.7%, pulled down by Robinson Retail Holdings Inc. (RRHI)'s (-13.8%) and telco giants' slides. ● Trading volume tumbled by -50.3% in January after surging +17.8% a month ago, with the Industrial sector losing the most, by -74.1%. ● Net foreign selling amounted to P5.0-B in January after December's P13.0-B net foreign buying (excl.P73.2-B sale of Aboitiz Power shares to largest Japanese power producer). ●

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2022)	2020 (year-end)	2021 (year-end)
GDP Growth (Q4-2021)	7.7%	6.9%	5.6%	-9.6%	5.6%
Inflation Rate (Jan)	3%	3.2%	3%	2.4%	3.9%
Government Spending (Nov)	10.3%	9.6%	13.5%	11.3%	11.7%
Gross International Reserves ($B) (Jan)	108.5	108.8	108.5	96.5	107.1
PHP/USD rate (Jan)	51.24	50.25	51.24	49.63	48.88
10-year T-bond yield (end-Jan)	4.94	4.84	4.94	3.52%	4.16

Sources: Philippine Statistics Authority (PSA), Bangko Sentral ng Pilipinas (BSP), Department of Budget and Management (DBM), Philippine Stock Exchange (PSE), Philippine Dealing System (PDS), and Authors' Calculations

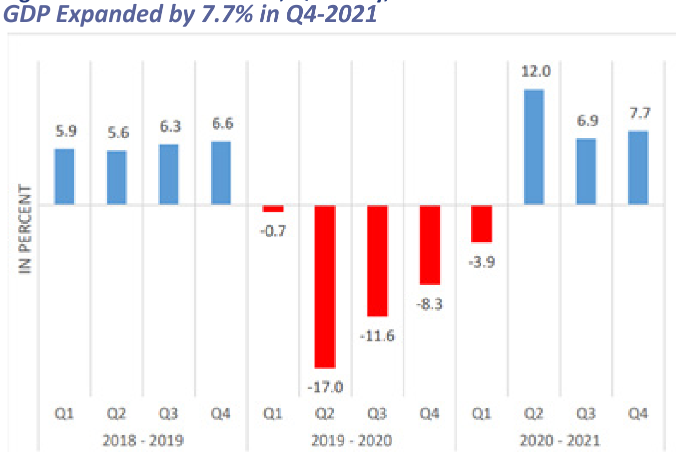
MACROECONOMY

OUTSIZED JOB GAINS DRIVE Q4-2021 GDP 7.7% GROWTH ABOVE CONSENSUS

The above-consensus Gross Domestic Product (GDP) growth of 7.7% in Q4-2021 has rekindled optimism that the economy is back on the rapid growth track. The economy created 797,000 jobs in December to bring total Q4 gain to 2.7-M which drove the GDP outperformance. Total employment has reached another all-time high of 46.3-M, surpassing the previous record a month earlier. Besides, the 5.6% GDP full-year 2021 expansion also dampened the impact of the country's budget deficit on the debt-to-GDP ratio which ended at 60.5%, much lower than our projected 63%. Inflation eased further to 3% in January as fairly stable food prices trumped spiking crude oil prices. As expected, the peso weakened by 2% to average P51.23/$1 in January 2022 as the U.S. dollar resumed its climb, with U.S. GDP surging by 6.9% (much above expectations), robust job growth and PH trade balance in December shooting up to a new record $5.2-B.

Outlook: A surge in Omicron-variant cases in January notwithstanding, we think growth will accelerate in 2022 specially considering the huge job gains in Q4-2021. Infrastructure spending should drive H1 growth, since election spending bans, exclude major projects. Monetary policy should remain unchanged in H1 as M3 growth has remained fairly tepid and a robust economic recovery well place before the monetary authorities tighten policy, despite the expected hikes in the U.S. With bulging trade deficits hitting record levels and the U.S. dollar remaining strong, the peso shall experience upward pressure.

Figure 1 - GDP Growth Rates, Quarterly, Year-on-Year
GDP Expanded by 7.7% in Q4-2021



Source of Basic Data: Philippine Statistics Authority (PSA)

The Philippine economy appeared very much on track to a robust recovery as Q4-2021 growth of Gross Domestic Product expanded by 7.7% YoY, widely trouncing consensus of 6.3%.

December Adds 797,000 Jobs to Bring Total Employment to New Record of 46.3-M

Firms added 797,000 jobs in December and brought total employed persons to a new all-time high of 46.3-M, handily surpassing the record achieved in November. Thus, despite a sizeable rise in the labor participation rate to 65.1% (from 64.2%), the unemployment rate steadied at 6.6% from 6.5% a month earlier.

To be sure, total unemployed persons still rose by 113,000, but this is only around a fourth of number who joined the labor force (or exited from their non-labor force status previously). Also, we see a huge improvement among the underemployed , in absolute numbers and percentage terms. December saw a reduction in underemployed persons by 806,000. Correspondingly, the underemployment rate fell to 14.7%, down by 2 percentage points from November.

Sectorally, Agriculture added the largest number of jobs (+672,000), while Industry contributed 325,000 to the ranks of employed persons, primarily due to the uptick (similar magnitude) in Manufacturing while Services let go of some 202,000 persons, which usually happens in December when temporary workers hired to meet seasonally high demand finish their contracts.

In the Industry sector, the Mining sub-sector did provide 54,000 additional jobs, while Construction marginally increased its employment by 16,000. But these positives merely offset the losses in Electricity, Gas & Steam, and Water Supply, Sewerage, & Waste Management sub-sectors.

Table 1 - Labor Force Survey Summary (in '000)

	Nov 2021	Dec 2021	MoM Change Levels	MoM Change % Change
Labor Force	**48,637**	**49,546**	**909**	**1.9%**
Employed	**45,477**	**46,274**	**797**	**1.8%**
Underemployed*	**7,617**	**6,811**	**-806**	**-10.6%**
Underemployment Rate	**16.7**	**14.7**	**-2**	**-11.9%**
Unemployed	**3,159**	**3,272**	**113**	**3.6%**
Unemployment Rate	**6.5**	**6.6**	**0.1**	**1.5%**
Labor Participation Rate**	**64.2**	**65.1**	**0.9**	**1.4%**
Not in Labor Force	**27,064**	**26,577**	**-487**	**-1.8%**
Agriculture	**11,160**	**11,833**	**673**	**6%**
Industry	**7,910**	**8,236**	**326**	**4.1%**
Mining and Quarrying	135	189	54	40%
Manufacturing	3,368	3,693	325	9.7%
Electricity, Gas, Steam, and Air-Conditioning Supply	134	68	-66	-49.3%
Water Supply, Sewerage, etc.	74	72	-2	-2.7%
Construction	4,199	4,215	16	0.4%
Services Selected Summary	**26,407**	**26,205**	**-202**	**-0.8%**
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	9,988	9,967	-21	-0.2%
Transportation and Storage	2,857	3,004	147	5.1%
Accommodation and Food Services Activities	1,519	1,542	23	1.5%
Information and Communication	480	402	-78	-16.3%
Financial and Insurance Services	565	595	30	5.3%
Real Estate Activities	253	281	28	11%
Professional, Scientific, and Technical Activities	337	326	-11	-3.3%
Administrative and Support Services Activities	1,933	2,059	126	6.5%
Public Administration and Defense; Compulsory Social Security	3,006	2,927	-79	-2.6%
Education	1,561	1,344	-217	-13.9%
Human Health and Social Work Activities	643	808	165	25.7%
Arts, Entertainment, and Recreation	433	410	-23	-5.3%
Other Service Activities	2,829	2,540	-289	-10.2%

** Underemployed persons are "employed persons who expressed desire to have additional hours of work in their present job or to have an additional job, or to have a new job with longer hours of work." (PSA). The underemployment rate is equal to the percentage of underemployed persons to total employed persons.*
*** Labor participation rate is equal to the total labor force (employed+unemployed) to the population over 15 years of age. The usual reasons (not exhaustive) why some in that population do not enter the labor force are (a) they are old and have retired, (b) they are permanently or temporarily (for long period) sick which prevents them from seeking employment, (c) those who are studying full-time, and (d) those who have given up even looking for work because they are discouraged by repeated inability to obtain gainful employment.*
Source of Basic Data: Philippine Statistics Authority (PSA)

Seven out of 13 subsectors in the Services sector reduced the number of employed persons, but their range of losses appeared larger than those that added jobs. Gains in employment in Human Health & Social Work Activities (+165,000), Transportation & Storage (+147,000), and Administrative & Support Service Activities (+126,000) were insufficient to match the three largest sub-sector losers. The latter included Other Services Activities (-289,000), Education (-217,000) and Public Administration & Defense (-79,000).

Q4-2021 GDP Growth Of 7.7% Handily Beats Expectations Of 6.3%

The Philippine economy appeared very much on track to a robust recovery as Q4-2021 growth of Gross Domestic Product (GDP) expanded by 7.7% (year-on year, YoY), widely trouncing consensus of 6.3%. With the robust uptick, which topped the pre-pandemic level recorded in Q4-2019, full year GDP growth reached 5.6%, beating government's revised target of 5% to 5.5%. All sectors, even within Agriculture, Industry and Services, posted gains in Q4.

Domestic Demand, Investments Lead Growth

For Q4 and full year 2021, domestic demand (i.e., total of consumption, investment, and government spending) primed the growth with investment spending (i.e., capital goods expenditures) taking the lead with its 12.5% YoY vault. Besides, heavy-weighted Household Final Consumption Expenditures (HFCE) accelerated to a 7.5% jump from 7.1% in Q3, while Government Final Consumption Expenditures (GFCE) managed to increase by 7.1%, albeit slower than 12.3% in Q3-2021.

From the production view, Industrial output which bounce of 9.2% took the top growth spot with its speedier pace from 8.1% in Q3-2021, but Services sector also accelerated to a 7.9% YoY pace from 7.7% a quarter earlier. Heavy-weighted Construction (+18.5%), supported by heavy infrastructure spending, and Manufacturing sectors (+7.2% from 6.4% in Q3) drove the sector's acceleration. The Services sector took a faster route, as three main sub-sectors---Other Services (+30.1%), Transportation & Storage (+22.8%) and Wholesale/Retail Trade (+18.2%)—shone with robust double-digit gains.

Annual Gains Reflect Q4 Performance

All sectors and sub-sectors contributed to the 5.6% annual expansion of GDP, except for the Agriculture sector. Here, domestic demand also took the lead with a 7.2% increase, with Gross Capital Formation (i.e., investment spending, +19%) in pole position as well. All types of capital goods

Table 2 - Industry Growth Rates at Constant 2018 Prices

Industry	Quarterly Growth Rate				Annually Growth Rate	
	Q1-2021	Q2-2021	Q3-2021	Q4-2021	2019 - 2020	2020 - 2021
Agriculture, Forestry, and Fishing	**-1.3%**	**0.0%**	**-1.7%**	**1.4%**	**-0.2%**	**-0.3%**
Industry	**-4.4%**	**21.0%**	**8.1%**	**9.5%**	**-13.2%**	**8.2%**
Mining and Quarrying	1.0%	0.0%	3.0%	7.9%	-18.9%	2.6%
Manufacturing	0.5%	22.2%	6.4%	7.2%	-9.8%	8.6%
Electricity, Steam, Water and Waste Management	1.1%	9.5%	3.0%	4.4%	-0.4%	4.5%
Construction	-22.6%	27.1%	17.4%	18.5%	-25.7%	9.8%
Services	**-4.1%**	**9.8%**	**7.7%**	**7.9%**	**-9.2%**	**5.3%**
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-3.4%	5.4%	6.5%	7.4%	-6.0%	4.3%
Transportation and Storage	-19.6%	24.7%	15.4%	18.2%	-30.9%	6.3%
Accommodation and Food Service Activities	-22.5%	56.7%	11.8%	22.8%	-45.4%	7.8%
Information and Communication	6.5%	12.3%	8.6%	8.5%	5.0%	9.1%
Financial and Insurance Activities	4.3%	5.2%	3.9%	4.6%	5.5%	4.5%
Real Estate and Ownership of Dwellings	-11.7%	16.7%	3.8%	3.4%	-17.0%	2.2%
Professional and Business Services	-4.4%	9.6%	10.6%	7.6%	-10.0%	6.2%
Public administration and Defense; Compulsory Social Activities	7.5%	5.1%	5.4%	3.3%	4.6%	5.2%
Education	0.2%	12.6%	13.6%	5.9%	-10.8%	8.0%
Human Health and Social Work Activities	13.2%	13.5%	17.5%	15.9%	-3.8%	15.0%
Other Service Activities	-38.7%	37.6%	19.6%	30.1%	-41.1%	2.1%

Source of Basic Data: Philippine Statistics Authority (PSA)

Table 3 - Major Contributors to Year-on-Year Inflation

Inflation Year-on-Year Growth Rates	Dec 2021	Jan 2022	YTD
All items	3.2%	3.0%	3.0%
Food and Non-Alcoholic Beverages	1.6%	1.6%	1.6%
Alcoholic Beverages and Tobacco	6.2%	5.6%	5.6%
Clothing and Footwear	5.1%	4.5%	4.5%
Furnishing, Household Equipment and Routine Household Maintenance	2.1%	2.4%	2.4%
Transport	6.6%	7.0%	7.0%
Restaurants and Accommodation Services	3.2%	7.0%	7.0%
Financial Services	43.3%	43.3%	43.3%
Personal Care & Misc. Goods & Services	2.1%	2.2%	2.2%

Note: Green font - means lower rate (good) vs. previous month
Red font – means higher rate (bad) vs. previous month

Source of Basic Data: Philippine Statistics Authority (PSA)

spending rose substantially except for Breeding Stocks. Government Final Consumption Expenditures (GFCE) had a 7% boost, even though slower than 10.5% in 2020. Household Final Consumption Expenditures (HFCE) improved by 4.2% YoY, from -7.9% in the previous year.

Six out of 12 product categories reached their Q4-2019 (pre-pandemic) levels, also registered higher than 2019 yearly levels. As expected, pandemic-related products/ services like Health (+14.4%) and Communication (+9%) already exceeded their 2019 levels. But Food (+3.4%), Housing, Water & Utilities (+3.2%),and Miscellaneous Goods and Services (+4.5%) achieved that as well. With annual growth rate of Gross Capital Formation soaring by 19%, this proved insufficient to offset the plunge of -34.4% in 2020. All major categories, including Durable Equipment (+11.6%) and Construction (+10.9%) missed pre-pandemic levels (annual).

From the production side, while Industry expanded by 8.2% for full year 2021, only Electricity, Steam, Water, and Water Distribution (+4.5%) exceeded its 2019 level. Neither could the Manufacturing sector's 8.6% annual rebound enable it to achieve parity with 2019. Nonetheless, eight out of 22 categories of manufactured products managed to reach that goal. These included Food Manufacturing (+4.2%), and two "new essentials" --Pharmaceuticals (+12.6%), and Computer & Electronics (+21.8%).

In the Service sector space, 2021 value-added still fell short of 2019 level by -2%. After all, only four out of the 11 sectoral categories managed to go past their 2019 levels. Again, pandemic-related services such as Information and Communication (+) and Health Services (+15.1%) ran past their 2019 levels, but also Financial & Insurance (+4.5%) and Public Administration, etc. (+5.2%) made the grade.

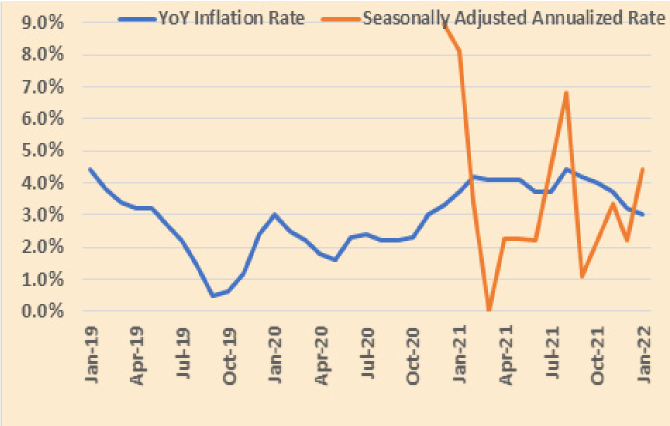
Good news: The economy has gone beyond Q4 pre-pandemic GDP level (Q4-2019). But not everything seems good since the full year catch up of GDP to 2019 level will only happen in 2022.

Industrial Output Continue Double-Digit Pace of Expansion

Volume of Production Index (VoPI) expanded at a slower pace of 17.9% in December 2021 compared to 25.8% in November. The increase in 11 out of 22 industry categories sustained the VoPI's momentum.

Manufacture of wood, bamboo, cane, rattan articles and related products contributed the most in December by

Figure 2 - Inflation Rates, Year-on-Year
Inflation Softened Further to 3% in January



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 4 - CPI Weights For All Income Households

All Items	2012=100	Rank	2018=100	Rank	Change
	100		1.00		
01 - Food and non-alcoholic beverages	38.34	1	37.75	1	-0.59
02 - Alcoholic beverages and tobacco	1.58	11	2.16	10	+0.58
03 - Clothing and footwear	2.93	9	3.14	8	+0.21
04 - Housing, water, electricity, gas and other fuels	22.04	2	21.38	2	-0.66
05 - Furnishing, household equipment and routine maintenance of the house	2.95	8	3.22	7	+0.27
06 - Health	3.89	6	2.89	9	-1.00
07 - Transport	8.06	3	9.03	4	+0.97
08 - Information and communication	2.93	9	3.41	6	+0.48
09 - Recreation, sport and culture	1.41	12	0.96	12	-0.45
11 - Restaurants and accommodation services	3.28	7	1.96	11	-1.32
10 - Education services	8.05	4	9.62	3	+1.57
12 - Financial services	-	-	0.03	13	-
13 - Personal care and miscellaneous goods and services	4.54	5	4.46	5	-0.08

Source of Basic Data: Philippine Statistics Authority (PSA)

122.6% pace. Manufacture of machinery and equipment except electrical (+50%) and manufacture of coke and refined petroleum products (+47.6%) contributed to the momentum. In the negative side, manufacture of basic pharmaceutical products and pharmaceutical preparations led this month's losers with -30.2% YoY decrease followed by manufacture of beverages with -14.6% YoY loss.

On the other hand, the IHS Markit Philippines Manufacturing PMI decreased to 50 in January 2022 from 51.8 in December, brought about by the surge in Covid-19 cases (and tighter lockdown at least for most of the month) and destruction caused by typhoon Odette. It appears that supply chain issues and the rise in raw material prices forced firms to raise prices at the factory level once again

NG Debt-To-GDP Ratio Ends At 60.5% With Faster H1 GDP Growth

Despite a 19.7% increase in National Government outstanding debt in 2021 to P11.7-B, the debt-to-GDP ratio rose only 60.5% due to the rapid 7.3% YoY GDP growth in H2 partly offset the debt uptick to bring the debt ratio much below our forecast 63%, and still manageable. 2020 ended with a debt ratio of 54.6%

Of the total NG debt, domestic debt amounted to P8.17-T, a 22% jump from 2020 as NG financed most of its borrowings from the local money market, which remained awash with liquidity. Domestic debt accounted for 69.7% of NG outstanding debt.

On the other hand, external debt reached P3.6-T, equivalent to 30.3% of total NG debt. This represented a 14.8% climb from 2020. However, of this percentage, 6.6% or nearly half, can be attributed to the peso depreciation.

Inflation Softens Further to 3% in January

Despite sky-high crude oil prices, domestic headline inflation dropped further to 3% YoY in January 2022 from 3.2% (using the 2018 base year) a month earlier. Steadier prices of Food, Furnishing & Household Equipment Maintenance (FHERHM), and weak demand for Restaurant and Hotel Services offset the acceleration of Transport prices to 7% from 6.6% in December 2021.

Philippine Statistics Authority (PSA) revised the weights of component items in the Consumer Price Index using 2018 as base, when previously it had used 2012 as base year.

It also added two new spending categories to the previous nine classifications—(1) Financial Services, and (2) Personal Care and Miscellaneous Goods & Services.

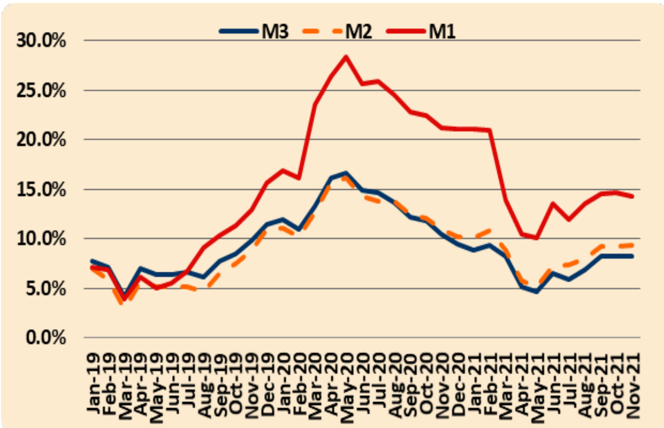
The small increment in food prices emerged as price upticks hastened for Rice (+1% from -0.1%), Corn (+27.7% from 16.5%), and Other Cereals, Oils & Fats, and Sugar, while the slowdowns from Alcoholic Beverages & Tobacco (5.6% from 6.2%), Meats (+4.3% from 8.7%), Fruits & Nuts (-5.7% from -3.7%), and Vegetables (+10.9% from 15.1%) categories offset a good part of the gains. Meanwhile, the rise in prices of Fish products remained the same as in December 2021.

West Texas Intermediate (WTI, U.S. benchmark) crude oil prices rocketed from $65.25/barrel at end-November to $88.08/barrel by January 31, 2022. We saw a similar surge in Brent crude.

Seasonally adjusted inflation rate month-on-month (MoM) showed a tamer picture. It only accelerated to 0.4% in January 2022 from 0.2% a month earlier. When annualized (SAAR) these translate to 4.4% from 2.2%.

Should crude oil prices remain longer at elevated levels, as the Organization of the Petroleum Exporting Countries (OPEC) maintained their monthly output reduction of 400,000 barrels/day levels, these may challenge our safe 3.7% full-year inflation forecast.

Figure 3 - M1, M2, M3 Growth Rates
Domestic Liquidity (M3) Increased by 8.3% in November



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Table 5 - Imports Year-on-Year Growth Rates

Imports Year-on-Year Growth Rates	Nov-21	Dec-21	YTD
Total Imports	**36.8**	**38.3**	**31.1%**
Capital Goods	**18.8**	**13.3**	**19.2**
Power Generating and Specialized Machines	25.4	12.4	16.3
Office and EDP Machines	6.4	7.8	22.9
Telecommunication Equipment and Electrical Machines	5.9	2.3	15.9
Land Transport Equipment excluding Passenger Cars and Motorized cycle	53.3	6.8	32.6
Aircraft, Ships and Boats	175.2	186.8	21.3
Prof.Sci.and Cont. Inst., Photographic Equipment and Optical Goods	67 5	29.3	34.3
Raw Materials and Intermediate Goods	**39.2**	**49.2**	**32.6%**
Mineral Fuels, Lubricant and Related Materials	**141.2**	**146.1**	**91.3%**
Consumer Goods	**22.7**	**17.6**	**21.9%**

Source of Basic Data: Philippine Statistics Authority (PSA)

Money (M3) Growth Remains Soft at 7.7% in December

Domestic liquidity (M3) increased by 7.7% YoY in December to P15.3-T, slower than the previous month's 8.3% pace. On a MoM seasonally adjusted basis, M3 rose by 0.2%. Narrow money (M1) increased by 13.4%, slower than the 15.2% growth in the previous month. Meanwhile, broad money (M2) rose by 8.7% YoY, slower than the 9.3% pace a month ago.

Net foreign assets (NFA) in peso terms rose by 6.5% in December from November's 8.8%. The slow improvement in the BSP's NFA position reflected the decrease in the country's gross international reserves. Meanwhile, the NFA of banks increased as their foreign assets rise on account of higher loans with nonresident banks.

Bank lending in December increased by 4.6% YoY, faster than the 4% increase in the previous month. On a MoM seasonally adjusted basis, outstanding and commercial banks loans rose marginally by 0.4%.

Table 6 - Exports Year-on-Year Growth Rates

Exports Year-on-Year Growth Rates	Nov-21	Dec-21	YTD
Total Exports	**6.6**	**7.1**	**14.5%**
Agro-Based Products	**37.8**	**47.8**	**7.7**
Mineral Products, of which	**-8.9**	**0.1**	**15.8**
Copper Cathodes	-4.5	-35.1	45.0
Gold	5.7	-12.4	22.2
Manufactured Goods	**5.9**	**5.5**	**15.1**
Electronic Products	5.6	1.8	11.9
Other Electronics	-4.6	-13.2	26.1
Chemicals	30.9	36.8	44.7
Machinery and Transport Equipment	**-17.4**	**19.2**	5.5
Processed Food and Beverages	**12.2**	**4.7**	18.1
Others	8.6	35.3	24

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 4 - Export Growth Rates, Year-on-Year
Exports Jumped by 7.1% in December

Source of Basic Data: Philippine Statistics Authority (PSA)

The improved credit activity reflects the expansion in business activity amidst improved Covid-19 prospects.

Lending for production activities increased by 5.8% in December from 5.4% in November, as outstanding loans to key industries continued, specifically information and communication (+27.3%) and financial and insurance activities (+9.9%). Manufacturing, transportation and storage, and real estate activities also saw expansions. Tempering the hike in outstanding loans, lending to activities of households as employers and undifferentiated goods and services fell by -21.9%

Meanwhile, consumer loans to residents decreased at a slower rate of 5.7% in December from a 7.1% decrease in November amid the YoY rise in credit card loans.

Capital Goods Imports Increase by 13.3% in December

Imports of capital goods kept its double-digit growth pace at 13.3% in December, bringing the full year increase to 19.2%. All categories of capital goods posted gains during the month and in 2021.

Coming from a very low base, imports of aircrafts, ships & boats soared by 186.8% enabling it to land in the green also for the full year. Professional, scientific & control instruments, etc. and power generating & specialized machines posted sizeable gains of 29.3% and 12.4%, respectively.

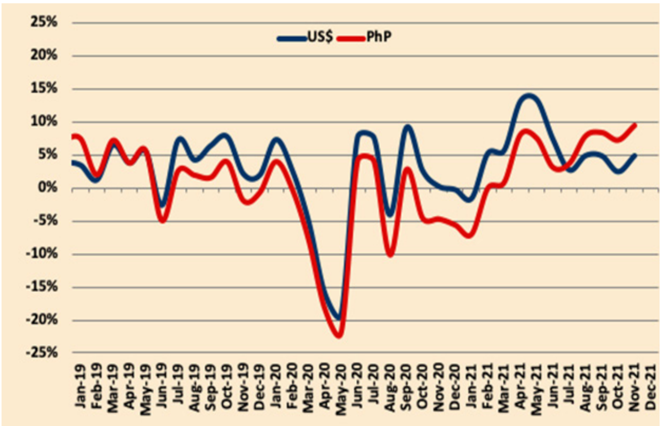
Total imports zoomed up by 38.3% as imports of mineral fuels, lubricants & related materials catapulted by 146.1% after a three-digit uptick in November. Reflecting supply chain woes abroad, raw materials & intermediate goods imports accelerated to a 49.2% growth pace from 39.2% a month earlier. Consumer goods imports eased to a 17.6% climb from 22.7% in November.

With exports only up by 7.1%, the balance of trade deficit hit a new record high of $5.2-B. The stratospheric levels of trade deficits may not wane with an expanding economy and 8-year highs in crude oil prices.

Exports Post 10 Consecutive Months of Growth

Compared to the double-digit growth in imports, total exports in December rose moderately by 7.1% to $6.3-B from $5.9-B a year ago attributable to easing mobility restrictions. Still, the full year exports recorded a 14.5% gain to $74.6-B from $65.2-B in 2020.

Figure 5 - Dollar-Peso Remittances Growth Rates, Year-on-Year
OFW Remittances Climbed by 5.1% in December



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Table 7 - Exchange Rates vs USD for Selected Asian Countries

Exchange Rates vs USD for Selected Asian Countries			
	Dec-21	Jan-22	YTD
AUD	2.2%	-0.4%	-0.4%
CNY	-0.3%	-0.2%	-0.2%
INR	1.3%	-1.3%	-1.3%
IDR	0.4%	0.3%	0.3%
KRW	-0.1%	1.0%	1.0%
MYR	0.8%	-0.6%	-0.6%
PHP	-0.2%	2.0%	2.0%
SGD	0.5%	-1.0%	-1.0%
THB	1.4%	-1.0%	-1.0%

Note: Green font - means it depreciated, weaker currency
Red font – means it appreciated, stronger currency

Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Seven out of 10 major commodities reported increases in annual export sales led by coconut oil with a whopping 135.2% boost, followed by other manufactured goods (53.5% higher YoY) and chemicals (43%) in December. Meanwhile, the country's top export, electronic products, inched up by a tiny 1.8%.

By major type of goods, agro-based products surged by 46.8% buoyed by the upswing in coconut oil. On the other hand, forest products fell by -3.9% while petroleum products plunged even more by -96.5%.

The U.S. remained as the top export destination in December and for the full year with 16.1% and 15.9% of total exports, respectively. At second place is China with $925.2-M (comprising of 14.8% share). Shipments to Hong Kong dropped by -8.2% to $861.6-M or 13.7% of total sales.

OFW Remittances Reach All-Time High of $34.9-B, 8.9% of the Country's GDP in 2021

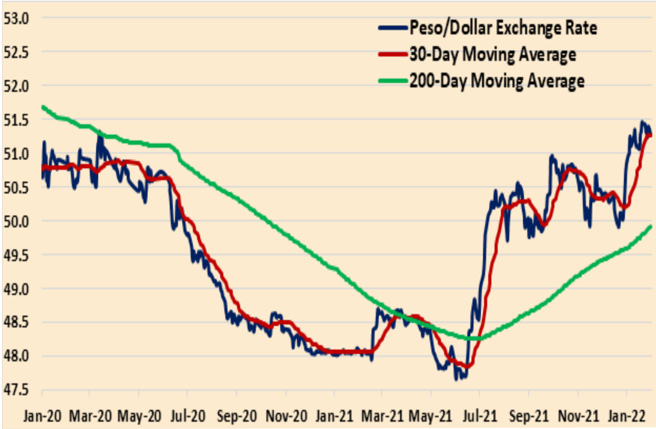
Inward personal remittances of Overseas Filipino Workers (OFW) expanded by 2.9% MoM to $3.3-B in December, higher than the $2.6-B recorded a month earlier. This results in a all-time high FY growth of 5.1% to $34.9-B, surpassing 2019 and 2020 personal remittances data of $33.5-B and $33.2-B, respectively.

The gain in personal transfers during the year benefited from remittances of land-based workers with work contract of one or more which increased by 5.6% YoY to $27.0-B from last year's $25.6-B; and sea- and land-based workers with work contracts of less than one year which rose by 2.9% YoY to $7.1-B from 2020's $6.9-B.

Personal remittances increased as a result of an increase in OFW deployment, robust demand for OFWs as host economies reopened to foreign workers, and the continuous move to digital support that enabled inward remittance transfers. Strong inbound remittances, in turn, contributed to a growth in domestic demand, contributing for 8.9% and 8.5% of the country's GDP and GNI, respectively, in 2021.

Moreover, cash remittances from OFW coursed through banks grew by 3.3% YoY to $3.0-B in December from $2.9-B in the comparable month a year ago. An identical pattern as to source by type of workers as in personal remittances emerged. For the full-year 2021, cash remittances climbed by 5.1% to reach $31.4-B from $29.9-B recorded in 2020.

Figure 6 - Dollar-Peso Exchange Rates and Moving Averages
Peso Depreciated by 2% in January



Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Despite the worldwide epidemic, cash remittances sent by OFWs across various continents remained robust. Annual inward remittances increased the most from the Americas by 7.1% and Europe by 5.5%. Meanwhile, as for origin by country, the U.S. registered the highest share of overall remittances at 40.5% followed by Singapore, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Canada, Taiwan, Qatar, and South Korea. The consolidated remittances from these top 10 countries accounted for 78.9% of total cash remittances in 2021.

Philippine Peso Kicks Off 2022 in the Red

The strong U.S. sentiment and record trade deficit drove the dollar-peso exchange rate (FX) to depreciate by 2% to P51.24/$ in January from P50.25/$ the month before. The pair hovered between P50.97/$ to P51.46/$. This brought the volatility measure to 14.2% from 20.4% in the previous month. Notably, BSP Gov. Diokno claimed they participated in the FX market to curb volatility.

The country registered the smallest balance of payments position for 2021 since 2008 putting pressure on the peso. Additionally, the greenback continues to rally amid strong U.S. recovery and markets pricing in a Fed rate hike in March. Thus, the gradual upward trend on the FX rate will likely persist throughout the year.

The actual FX rate remained above the 200-day moving average (MA), suggesting that the peso will weaken in the long-term. However, the local unit may experience a respite in the near-term as the month-end FX rate moved below the 30-day MA.

Outlook

The muscular 2.7-M job gain in Q4-2021 should support optimism and growth in 2022, bolstered further by heavy spending towards the May 2022 elections.

- We do not think that the spike in Covid-19 Omicron variant cases, and corresponding stricter lockdown for three weeks in January would prove sufficient to retard the growth momentum established in H2-2021. We have observed lax enforcement of the lockdowns after a few days, and firms seemed less fazed by the renewed restrictions. Besides, the scientific evidence appears that the Omicron variant, while more contagious, appears much less lethal, and less demanding on hospital services. A return to above-4% inflation, however, could keep growth below government target.

- Construction will likely re-merge as the key growth driver in H1 as infrastructure spending accelerates prior to May 2022, since spending bans do not affect major projects. Manufacturing will likely continue to robustly expand in H1, despite the usual slowdown in January after the Christmas holidays.

- Based on 2012 base year (old base), we expected inflation to ease most of 2022 and average 3.7% in 2022 after allowing for elevated crude oil prices that spill over into other consumer goods and services. The change in the base year to 2018, but without detailed CPI data prior to 2020, and should crude oil prices remain above $85/barrel could challenge our forecast.

- With M3 growth still at a single digit pace and a bit stuck around 8% YoY, and the economy just showing more signs of a robust recovery, we think BSP will keep policy rates in H1 despite a likely 50 bps uptick in U.S. Fed's benchmark rate for the same period

- Investment spending should perk up in 2022 considering that Congress passed the laws (a) that limit the definition of "public utilities" (which prevented foreign investments therein, e.g., power generation plants, etc.) and (b) opened up further retail trade to foreign investors by lowering the minimum investment required.

- The economic recovery and sizzling crude oil prices should translate into record trade deficits both on a monthly and annual basis which would put added stress on the peso, already beleaguered by the strong U.S. dollar and higher interest rates.

FIXED INCOME SECURITIES

INVESTORS ESCHEW LONG TENORS AND FLOCK INTO SHORT DATED PAPERS

With the specter of faster monetary policy tightening by the U.S. Federal Reserve Board (Fed) as a result of robust Q4-2021 GDP growth and January inflation there at a 40-year high, investors in the domestic bond markets steered clear of long-dated bonds and flocked into Treasury bills (T-bills) in auctions and the shorter end of the curve in the secondary market. Two big banks issued 2-year bonds to catch the attractive yields in that space. The country's dollar-denominated bond (ROPs) yields escalated much more than their equivalent U.S. Treasuries, as some negative vibes stirred the market, resulting in wider spreads over the latter.

Outlook: After a sharp rise in 10-year U.S. Treasury bond (T-bond) yields by close to 50 bps from end-2021 to mid-February, the U.S. benchmark may have little upside as markets have priced in more aggressive policy rate hikes (in terms of magnitude and frequency) by the Fed starting March. As local 10-year T-bond yields have lagged the increases above, these may trade sideways with a slight upside for the rest of Q1. We expect a slowdown in corporate bond issuances which will tend towards short maturities to capture the fall in yields in that space. ROPs spread over equivalent U.S. Treasuries may widen a bit as some investors hang on to negativities expressed by DBS and Fitch.

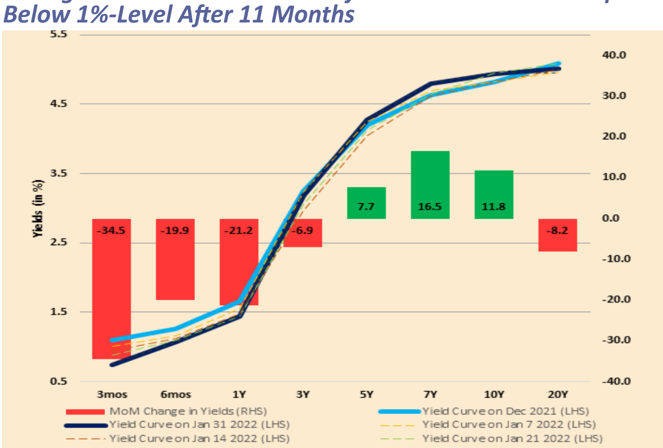
Table 8 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
31 Jan	91-day	25.000	120.523	25.000	4.821	0.691	-43.4
	182-day	25.000	127.533	25.000	5.101	1.023	-40.5
	364-day	25.000	110.390	25.000	4.416	1.408	-24.1
Subtotal		75.000	358.446	75.000	4.779		
11 Jan	5 year	35.000	58.277	22.126	1.665	4.012	25.0
18 Jan	10 year	35.000	72.240	35.000	2.064	4.831	-29.9
	10 year TAP	5.000	13.772	5.000	2.754	4.875	
25 Jan	7 year	70.000	97.043	35.000	1.386	4.689	22.1
	7 year TAP	5.000	0.565	0.000	0.113		
Subtotal		150.000	241.897	97.126	1.613		
All Auctions		225.000	600.343	172.126	2.668		

Source: Bureau of the Treasury (BTr)

Figure 7 - Week-on-Week Changes on the GS Benchmark Bond Yield Curves

Strong Demand Pushed Yields of 3-month Tenors to Drop Below 1%-Level After 11 Months



Source: Philippine Dealing Systems (PDS)

Primary GS Market: Investor Preference Remained on the Short Bonds

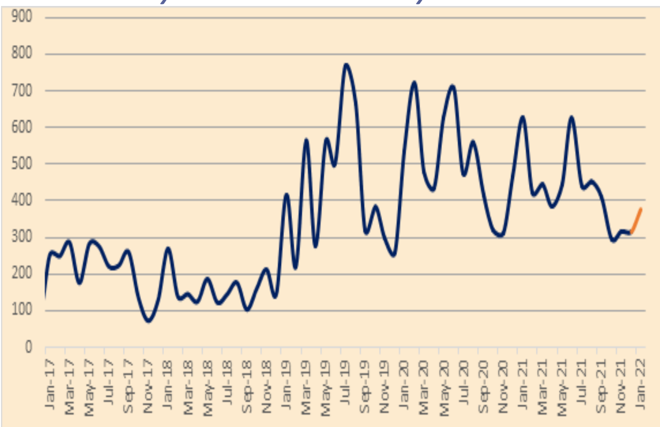
With rising expectations of faster increases in the U.S. Fed's policy rates, investors flocked in the short bonds space. Yields for Treasury bills (T-bills) auctions plunged in January as strong demand continued with tender-offer ratio (TOR) climbing to 4.779x from 4.702x in December. On the contrary, yields for Treasury bonds (T-bonds) came in mixed as the belly drifted higher by 25 bps while 10-year tenors declined by -29.9 bps.

The borrowing schedule in January normalized as the Bureau of the Treasury (BTr) issued five weekly auctions for T-bills and four auctions plus two TAP facilities for T-bonds. Consequently, the offer size bloated to P225.0-B from P60.0-B, more than 4x the volume in the previous month.

Investors focused on short-term bonds as 91-day papers shed the maximum -43.4 bps to 0.691% from 1.125% a month ago. The 182-day and 364-day debt papers slid by -40.5 bps to 1.023% from 1.428% and -24.1 bps to 1.408% from 1.649%, respectively. BTr awarded all the P75.0-B T-bills on offer.

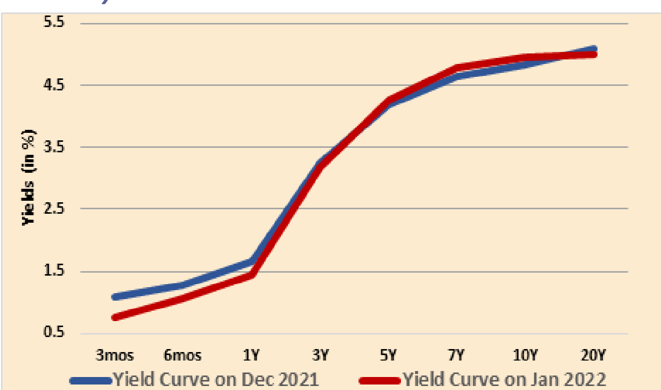
BTr fully rejected the first 7-year auction for the year (January 11) as the market bid high yields despite easing inflation. However, BTr fully awarded the next issuance of its 7-year tenors at 4.689% or 22.1 bps higher than 4.468% in October. It opened a TAP facility, but it met poor demand as tenders only amounted to P565.0-M. Meanwhile, the 5-year T-bonds (auctioned on January 11) got partial acceptance at 4.012%, 25 bps higher than 3.762% in November. Lastly, the 10-year tenors performed well as it declined by -29.9 bps to 4.875% from 5.130% in November.

Figure 8 - Monthly Total Turnover Value (in Billion Pesos)
Volume Rose by 18.7% MoM in January



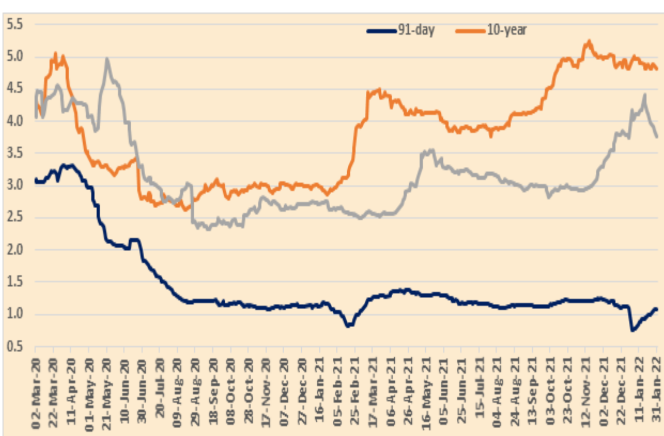
Source: Philippine Dealing Systems (PDS)

Figure 9 - Year-on-Year and Month-on-Month Changes on the GS Benchmark Bond Yield Curves
Yield Curve Steepened as Huge Liquidity Went to Short Bonds in January



Source: Philippine Dealing Systems (PDS)

Figure 10 - 91-day T-bill and 10-year T-bond Daily Yields
Spread Widened by 46.3 bps MoM in January 2022



Source: Philippine Dealing Systems (PDS)

Finally, BTr announced the issuance of 5-year Retail Treasury Bonds (RTBs) in February in lieu of the planned 7-year and 10-year auctions for the month.

Secondary Market: Wider Spreads as Clients Turned Cautious of Duration

Usual investor enthusiasm at the beginning of new year resurfaced as trading volume in the secondary market for government securities (GS) bounced back by 18.7% to P376.4-B in January from P316.9-B last month. However, it still plummeted by -40.1% from P627.4-B a year ago.

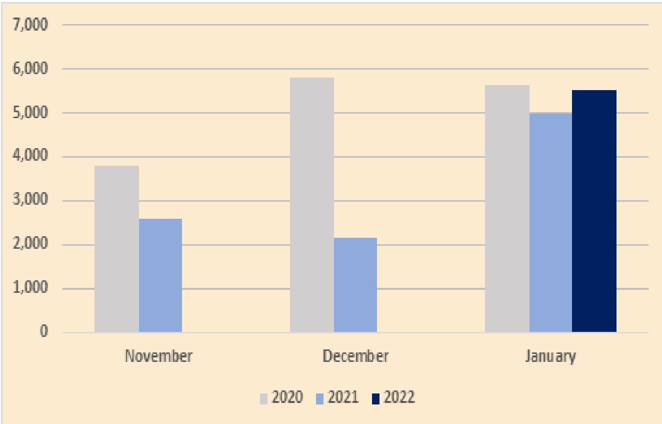
The local bond market saw decent buying in January despite the global sell off amid slower December inflation print at 3.6% (vs 4.1% estimate) and BSP's dovish monetary stance. BSP Gov. Diokno affirmed that a rate hike in H1 remains highly unlikely as monetary policy decisions would bank on domestic developments such as inflation and growth prospects.

The front-end experienced the largest drop as investors preferred shorter tenors amid rising U.S. Treasuries as market players penciled in faster withdrawal of monetary stimulus across the globe and spiraling crude oil prices. The 3-month and 6-month debt papers tumbled by -34.5 bps to 0.750% from 1.095% and -19.9 bps to 1.070% from 1.269%, respectively. Similarly, the 1-year and 3-year tenors slipped by -21.2 bps to 1.447% from 1.660% and -6.9 bps to 3.182% from 3.251%, respectively. Yields of 20-year T-bonds dropped by -8.2 bps to 5.009% from 5.091%.

Traders stayed away from duration as Fed's aggressive monetary tightening looms large. The 7-year tenors jumped the most by 16.5 bps to 4.796% from 4.631% amid generous awards in BTr auctions and poor reception of its TAP facility. Meanwhile, yields of 5-year and 10-year papers increased by 7.7 bps to 4.274% from 4.197% and 11.8 bps to 4.940% from 4.822%, respectively.

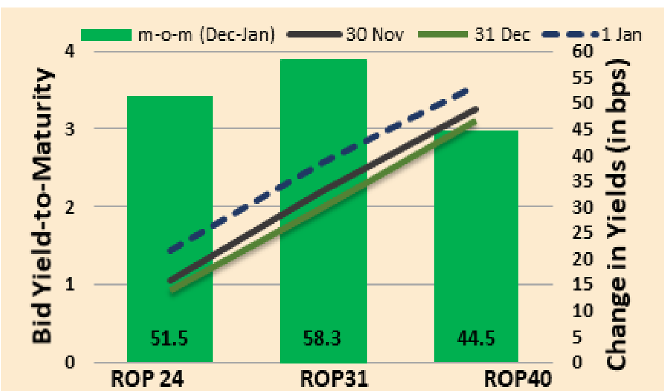
The spread between 10-year and 2-year bond yields widened by 26.8 bps to 241.2 bps in January as shorter tenors fell faster than longer ones. With the steepest yield curve in ASEAN, expect bonds to trade sideways with an upside bias given that markets are pricing in more aggressive Fed tightening actions (i.e., cuts in bond purchases and possibly a 50-bp hike in March).

Figure 11 - Total Corporate Bond Trading Volume (in Billion Pesos)
Trading Volume Vaulted by 156% MoM



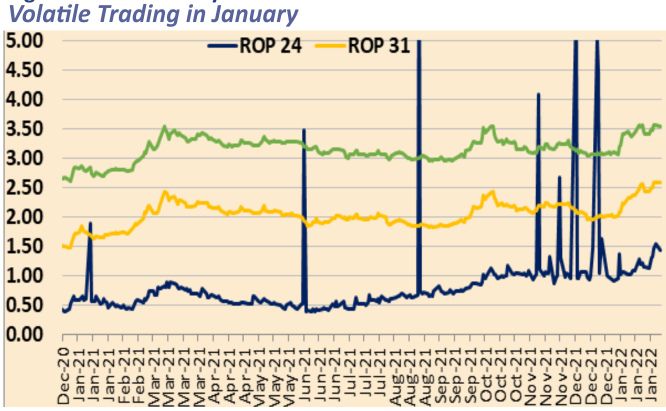
Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 12 - ROPs Yield, Month-on-Month Changes (bps)
Yields Soared for both Short-Term and Long-Term Tenors



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 13 - ROPs Daily Yields
Volatile Trading in January



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Corporate Bonds: Volume Rebounded by 156% in January

Corporate bond trading made a comeback in January to P5.5-B or 156% higher month-on-month (MoM) after slumping for three straight months. Likewise, it advanced by 10.9% from P5.0-B a year ago.

The top five issuers only amounted to 23.5% or P1.3-B of the total trading volume. The top gainers (both banks) in January featured BDO Unibank, Inc. (BDO) and Bank of the Philippine Islands (BPI) as they accumulated P1.5-B and P1.3-B worth of trades, respectively.

SM Prime Holdings, Inc. (SMPH) managed to place first among the top five issuers with P618.3-M (278.3% higher MoM). Additionally, SMC Global Power (SMCGC) climbed to the second spot as it skyrocketed by 392% to P282.1-M. On the other hand, Ayala Land, Inc. (ALI) and Aboitiz Power (AP) fell to the third and fourth place with P165.7-M (-43.7%) and P130.7-M (-31.3%), respectively. San Miguel Corporation (SMC) remained at the bottom with P100.8-M despite the 80% increase from December 2021.

Corporate Issuances and Disclosures

- BDO Unibank, Inc. (BDO) raised P52.7-B from its Series 3 Tranche 1 ASEAN Sustainability Bonds, with an oversubscription of more than 10x the original offer of P5.0-B. It carries an interest rate of 2.9%, payable quarterly and due in 2024. Proceeds will go to green and social projects under BDO's Sustainable Finance Framework.

- Bank of the Philippine Islands (BPI) listed its P27.0-B Fixed-Rate Bonds due 2024, the fourth tranche under BPI's existing P100.0-B Bond Program, with a coupon rate of 2.8068%. It had an oversubscription of more than 5x. The funds raised will be utilized for general corporate purposes including refinancing.

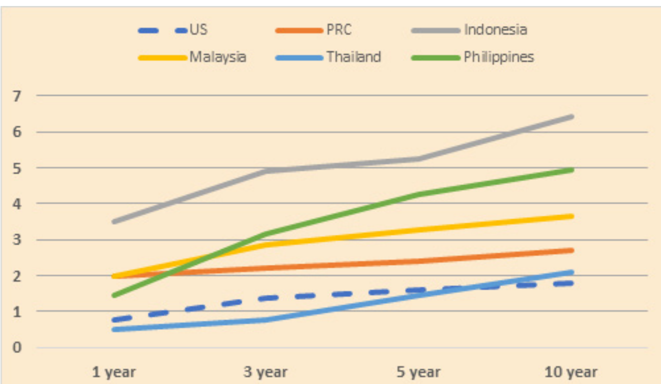
ROPs: Higher ROPs Yields Amid Weaker Peso and Higher U.S. Treasuries

Mimicking the upward movement of its equivalent U.S. Treasuries, yields of the Republic of the Philippines' U.S. dollar-denominated bonds (ROPs) accelerated sharply in January. A depreciating currency, coupled with concerns over interest rate hikes across the globe, contributed to its lackluster demand.

Table 9 - Spreads Between ROPs and U.S. Treasuries (bps)

Spreads between ROPs and U.S. Treasuries (bps)			
Date	3-year	10-year	20-year
30-Nov	23.0	77.4	139.3
31-Dec	-5.9	47.5	116.0
31-Jan	3.6	78.8	137.5

Figure 14 - Comparative Yield Curve Between ASEAN per Tenor



Sources: Asian Development Bank (ADB), Federal Reserve

ROP-31 zoomed up by 58.3 bps to 2.578% in January. Meanwhile, ROP-24 and ROP-40 spiked by 51.5 bps to 1.4265% and 44.5 bps to 3.545%, respectively.

The main discussion in the U.S. centered on how big and how fast the Fed would lift its benchmark borrowing rate from near zero so far. Fed Chair Powell endorsed a policy rate hike in March to temper the hottest inflation in 40 years. Consequently, market expectations now favor the view that the Fed will tighten policy more aggressively than previously expected, driving yields to a pandemic-high of 1.87% in January.

With the dramatic sell-off in U.S. Treasuries, the 3-year T-bonds surged by 42 bps to 1.39%. On the other hand, longer tenors, the 10-year and 20-year rose moderately by 27 bps to 1.79% and 23 bps to 2.17%, respectively.

The spread between ROPs and its equivalent U.S. Treasuries widened ranging from 9.5 bps to 31.3 bps in January close to where they had been in November 2021.

ASEAN +1: Yield Curves Steepened, Save for Indonesia

- **U.S.:** The Q4-2021 GDP growth speeded up to 6.9% (s.a. QoQ) from 2.3% in Q3-2021 as more workers buckled up to take jobs. Thus, employment rose by 467,000 in January after 510,000 (revised upward from 199,000) in December, keeping the unemployment rate steady at 4%. However, the number of unemployed still exceeded the levels of February 2020 (pre-pandemic level) by 2.0-M, without counting the new entrants to the labor force.

  IHS Market Manufacturing PMI slowed to 55.5 from 57.7, the feeblest rise in factory activity since October 2020. Housing starts in the U.S. unexpectedly increased by 1.4% MoM to a seasonally adjusted annualized rate of 1.7-M in December 2021, the highest since March of the same year. The annual inflation rate in the U.S. accelerated to 7.5% YoY in January 2022, a 40-year high, as crude oil prices escalated, while the economy felt labor shortages and supply chain problems. On a seasonally adjusted MoM basis, the inflation rate kept the 0.6% pace it had in December. Inflation fears dampened consumer sentiment as University of Michigan's survey showed a sharp fall to 61.7 in February 2022, and the lowest reading since October 2011.

The yield curve flattened by 18 bps (measured by the spread between 10-year and 2-year bond yields) as the short-end's ascent overtook the upswing in 10-year yields.

- **CHINA:** Its economy continued to slow down at the start of the year with Caixin General Manufacturing PMI slipping to a 23-month low of 49.1 in January from 50.9 a month ago. Meanwhile, annual inflation fell to 0.9% in January after a 1.5% last month. This is the lowest reading since September as food costs drop to -3.8% (vs -1.2% in December).

  As downside risks threaten the country's growth, the People's Bank of China (PBoC) slashed its 1-year loan prime rate (LPR) by 10 bps to 3.7%, following a 5-bp cut in December. Additionally, it injected another ¥200-B of medium-term cash into the financial system. This is in view of PBoC's supportive policy to cushion a slowdown in economic recovery. The yield curve steepened by 22 bps to 58 bps despite dovish policies.

- **INDONESIA:** GDP growth of Indonesia accelerated by 5% in Q4-2021, following a 3.5% rise in the previous quarter, on the back of easing mobility restrictions and stronger commodity prices which pushed exports to record highs. The Bank of Indonesia (BI) sees the economy to grow even further by 4.7%-5.4% in 2022.

  PMI expands to five-month streak in January as it edged up to 53.7 from 53.5 a month earlier. On the inflation front, January CPI surged to a 20-month high of 2.2% from 1.9% in December. Despite a sharp increase in prices, inflation is still within BI's target of 2-4%.

  Exports and imports continued to register double-digit growths by 35.3% to $22.4-B and 47.9% to $21.4-B, respectively, in December. Consequently, trade surplus slimmed sharply to $1.0-B. The full year trade balance soared to $35.3-B, the biggest surplus in 15 years.

  BI left its policy rate unchanged at 3.5%. However, it sent first signs of normalizing policy starting with raising the reserve requirement ratio (RRR) for banks in March to 5% from 3.5%. The yield curve flattened by 11 bps to 210 bps.

- **MALAYSIA:** Malaysia's GDP bounced back by 3.6% in Q4 bolstered by the sharp rebound in household consumption (3.7% vs -4.2% in Q3) amid relaxation of containment measures. This brings the full year to 3.1%, a clear improvement from the -5.6% contraction in 2020, albeit below the government's forecast of 7.5%.

  Consumer price inflation inched down to 3.2% in December from 3.3% a month ago. Meanwhile, PMI slowed down to 50.5 in January from 52.8 in the prior month. Exports and imports jumped by 29.2% to MYR 123.8-B (~$29.5-B) and 23.6% to MYR 92.8-B (~$22.1-B) , respectively, in December. As export growth surpassed imports, trade surplus escalated to a fresh high of MYR 31-B (~$7.4-B). For the whole year, trade surplus hoisted by 37.8% to $252.6-B from $183.3-B in 2020.

  Bank Negara Malaysia maintained its key policy rate at 1.75% and signaled patience on rates to aid recovery. The 10-year and 2-year bond yield spreads slightly widened by 4 bps to 127 bps.

- **THAILAND:** The Manufacturing PMI improved to a record peak of 51.7 in January from 49.6 last month. Meanwhile, inflation print accelerated to a 9-month high of 3.3% in January (vs 2.2% in December) driven by the increase in food and transport prices by 2.4% and 9.4%, respectively.

  Exports grew by 24.2% to $24.9-B in December. On the other hand, imports rose much faster by 33.4% to $25.2-B, resulting in an unexpected trade deficit of $0.4-B. Nevertheless, the full-year trade balance recorded a surplus of $3.6-B.

  The Bank of Thailand held its interest rate at 0.5% as recovery remains fragile and uneven across sectors. The yield curve steepened by 21 bps to 147 bps in January.

Outlook

The bond markets face a volatile H1 as they brace for a faster tightening of monetary policy in the U.S. after its YoY inflation rate hit 7.5% in January, a 40-year high driven by crude oil prices heading towards stratospheric levels.

- Strong 6.9% U.S. GDP growth in Q4-2021 from 2.3% a quarter earlier and inflation escalating to its highest since February 1982, with the unabating spiral of crude oil prices to mid-2014 levels, should strongly affect Fed decisions and convince the market that the U.S. Fed will start an aggressive policy tightening cycle in March through a 50 bp rate hike, and a minimum of four other increases in 2022. Nonetheless, the 10-year U.S. T-bond yields hovered at 2% but seemed to have difficulty going up further. Thus, given the steep 50 bps surge in the U.S. since the end of 2021, we may see a limited upside until the Fed's June meeting.

- As we see domestic inflation remaining below 4% in Q1 despite escalating crude oil prices, we also may have seen the peak for local 10-year bond yields at 5.35% this quarter. Food and non-food prices appear to have stabilized, except for fuel prices.

- Local 10-year bond yields which lagged the climb in U.S. Treasuries in 2022 may trade sideways but with a slight upside bias (i.e., beyond 5.34%) since BTr seems eager to borrow more (both in domestic and foreign markets) in 2022 despite pre-funding much of H1 NG deficits. But yields at the shorter end of the curve will remain soft as investors eschew longer dated debt papers in the face of very high liquidity among banks.

- Bond issuances should ease in H1 with issuers expecting a further rise in benchmark yields. Moreover, they will likely focus on short tenors.

- In the ROPs space, spreads will likely widen a bit as the negative views of DBS and Fitch on the country's vulnerability catches the attention of foreign investors.

Table 10 - Spreads Between 10-year and 2-year T-Bonds

Spreads between 10-year and 2-year T-Bonds									
Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-Year Yield	10-Year and 2-Year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Dec-21	Jan-22			
U.S.	1.18	1.79	4.3	(2.51)	79	61	(18)	0.10	-4.20
PRC	2.13	2.71	2.3	0.41	36	58	22	2.95	0.65
Indonesia	4.34	6.44	3.5	2.94	221	210	(11)	3.50	0.00
Malaysia	2.40	3.67	2.8	0.87	123	127	4	1.75	-1.05
Thailand	0.64	2.11	1.8	0.31	126	147	21	0.50	-1.30
Philippines	2.53	4.94	3.7	1.24	215	241	26	2.00	-1.70

Sources: Asian Development Bank (ADB), The Economist & UA&P
**1-year yields are used for PH because 2-year papers are illiquid*

EQUITY MARKETS

PSEi BUCKS GLOBAL TREND WITH 3.4% RISE, TOPS IN JANUARY 2022

Despite net foreign selling and major foreign markets taking losses at the onset of 2022, PSEi had the best performance among stock indices that we cover ending January at 7,361.65, up by 3.4% MoM. Notably, five out of the six sectors posted gains, led by the Mining & Oil sector (+7.1%) while Typhoon Odette dealt a blow on the Services sector, the only losing sector (-1.7%). The unabated rebound in commodity prices fueled Semirara Mining and Power Corporation (SCC) shares to soar by 17.1%. In the Services sector, the typhoon hit two telcos (GLO and CNVRG) while the announced removal from PSEi pushed down Robinson Retail Holdings Inc. (RRHI) by -13.8%.

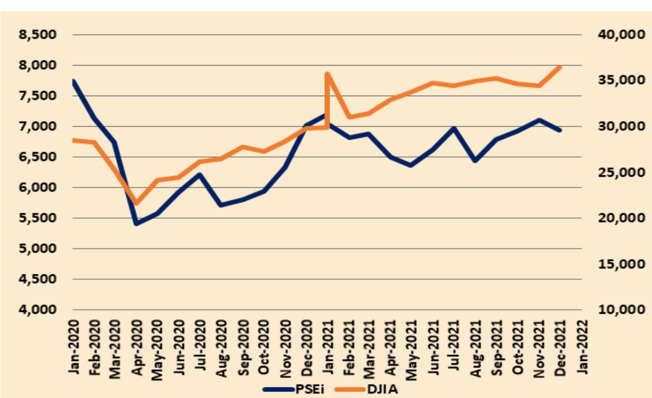
Outlook: PSEi momentarily broke through the strong resistance of 7,500 on February 9th, but slightly retraced thereafter. It will likely succeed by Q2 as PH economic recovery looks more robust than earlier expected even as the government will likely ease mobility restrictions to their lowest level by March 1st. However, we expect much volatility amidst concerns on the magnitude (and timing) of Fed's policy rate starting March, on sky-high crude oil prices, and on the Russian threat of an invasion of Ukraine. Stocks that earlier tumbled strongly may provide attractive valuations for entry.

Table 11 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	January M-o-M Change	2022 % Change
Americas	US	DJIA	-3.3%	-3.3%
Europe	Germany	DAX	-2.6%	-2.6%
	London	FTSE 101	1.1%	1.1%
East Asia	Hong Kong	HSI	1.7%	1.7%
	Shanghai	SSEC	-7.6%	-7.6%
	Japan	NIKKEI	-6.2%	-6.2%
	South Korea	KOSPI	-10.6%	-10.6%
Asia-Pacific	Australia	S&P/ASX 200	-6.4%	-6.4%
Southeast Asia	Indonesia	JCI	0.8%	0.8%
	Malaysia	KLSE	-3.5%	-3.5%
	Thailand	SET	-0.5%	-0.5%
	Philippines	PSEi	3.4%	3.4%

Sources: Yahoo Finance

Figure 15 - PSEi vs DJIA
PSEi vs DJIA Correlation Rose to +0.3 in January



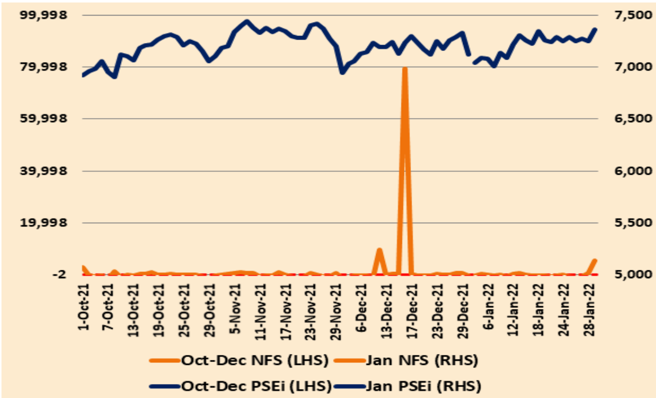
Source: Yahoo Finance

Four of the 12 global market indices covered posted gains as we ushered in 2022. The EU-UK investors remain uncertain as the Bank of England is expected to hike rates again and another jolt from higher in oil prices adds to inflationary worries. Stock markets in Asia delightfully started 2022 as strong U.S. economic growth and Apple Inc's (AAPL.O) impressive earnings offset some bearishness generated by the Federal Reserve's hawkish comments. PSEi posted the highest gains of +3.4% month-on-month (MoM) in January, while HSI followed with an uptick of +1.7%.

DJIA started the year with a -3.3% decline, finishing -1,206.44 MoM points lower to close January at 35,131.86. U.S. stocks recorded consecutive drops to kick off the year, as investors fear the Federal Reserve will tighten monetary policy more forcefully than expected to tackle rising inflation. The Cboe Volatility Index, an index representing the market's expectations for volatility, has risen about 100% YTD (Year-to-Date) as a result of the uncertainty. Meanwhile, PSEi finished 239.02 MoM points higher to close January at 7,361.65. The correlation between the two indices in January rose to 0.3, after reversing -0.5 in the previous month.

PSEi took the lead among our featured global markets in January, as retail investors are turning bullish on the stock market despite concerns about the May elections and coronavirus resurgence. MoM, the PSEi gained 239.02 points or +3.4% higher compare to its 1.1% lost in December. There may be looming concerns over the elections and Covid-19. However, investors are optimistic as long as the conduct of the election is acceptable and then the healthcare is not compromised, the economy will grow, helping to break the consolidation in the market.

Figure 16 - PSEi vs NFS (Oct 2021 - Jan 2022)
PSEi vs NFS Correlation Went Up to 0.3 in January



Source: Yahoo Finance

Table 12 - Monthly Turnover (in Million Php)

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	18,012.16	-13.2%	900.61	-8.9%
Industrial	34,825.68	-74.1%	1,741.28	-72.8%
Holdings	20,093.01	-31.0%	1,004.65	-27.6%
Property	18,798.32	-12.4%	939.92	-8.0%
Services	24,746.07	-25.9%	1,237.30	-22.2%
Mining and Oil	3,886.24	49.3%	194.31	56.8%
Total	**120,361.47**	-50.3%	**6,018.07**	-47.8%
Foreign Buying	41,274.80	-73.1%	2,063.74	-71.8%
Foreign Selling	44,156.52	-34.5%	2,207.83	-31.2%
Net Buying (Selling)	(4,986.77)	-105.8%	(249.34)	-106.1%

Source of Basic Data: PSE Quotation Reports

Table 13 - Top Foreign Buy in January (in Million Php)

Top Foreign Buy	
Company	Total Value
BDO PM Equity	748.48
SMPH PM Equity	697.53
MBT PM Equity	273.79
EMP PM Equity	262.58
MER PM Equity	261.60
Total Buy Value	**2,243.98**

Source of Basic Data: Bloomberg, First Metro Investment Corporation (FMIC)

Philippines is now learning to live with the virus, with traffic going up to the pre-pandemic level in the fourth quarter of 2021 when the National Capital Region (NCR) was placed under Alert Level 2. The correlation between the two indices in January rose to 0.3, from December's 0.2 correlation.

PSE trading volume tumbled by -50.3% after surging +17.8% a month ago. Only the Mining & Oil sector landed on the green with a +49.3% gain. The Industrial sector observed the biggest volume reversal by -74.1% followed by the Holdings sector (-31%) and the Services sector (-25.9%).

Foreigners fled the market with net foreign selling (NFS) amounting to P5.0-B in January, after the P13.2-0 net buying (excluding the P73.2-B Japanese investment on AP shares) a month ago. The top five favorite stocks of foreign investors who bought totaled P2.2-B, with BDO Unibank Inc. (P0.7-B) and SM Prime Holdings Inc. (P0.7-B) leading the list. The top five sold stocks in January amounted to P3.1-B with Universal Robina Corporation (P1.2-B) and Ayala Land Inc. (P0.7-B) in the front row.

With the nearing of elections and the country emerging well from Covid-19, five sub-indexes of the six sectors of PSEi gained in January, landing the index on the green. The Mining & Oil sector recorded the biggest sectoral jump with +7.1% MoM, followed by the Financial sector's +6.1% gain. The Services sector, the lone stock on the red, started the year with a tumble of-1.8% MoM.

Having a good head start in 2022, the Financial sector, ranking second as best performer, had a +6.1% uptick, with three of its PSEi-constituent stocks in positive territory. Foreign investors appeared to favor the sector due to its link to overall economy's growth.

BDO Unibank, Inc. (BDO) stock prices jumped the most by +11.8%, a reversal from its -2.7% loss in the previous month as foreign investors loaded up on the shares. First Metro Securities and Brokerage Corporation (FMSBC) sees BDO benefitting most from the reenergized economy, as well as having the lower cost-to-income ratio among top banks. BDO raised P52.7-B from its green bond offering debut—by far the largest private sector debt securities issuance in the Philippine to date.

Bank of the Philippine Islands (BPI) share price soared by +6.5% MoM in January, adding on its 1.3% gain in

Table 14 - Top Foreign Sell in January (in Million Php)

Top Foreign Sell	
Company	**Total Value**
URC PM Equity	-1,202.22
ALI PM Equity	-734.13
GTCAP PM Equity	-413.04
PGOLD PM Equity	-359.50
ICT PM Equity	-348.77
Total Sell Value	**-3,057.66**

Source of Basic Data: Bloomberg, First Metro Investment Corporation (FMIC)

Table 15 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	31-December-2021		31-January -2022		2022 YTD
Sector	Index	% Change	Index	% Change	
PSEi	7,122.63	-1.1%	7,361.65	3.4%	3.4%
Financial	1,606.17	2.3%	1,703.86	6.1%	6.1%
Industrial	10,404.09	-0.3%	10,841.53	4.2%	4.2%
Holdings	6,807.27	-1.8%	7,184.84	5.5%	5.5%
Property	3,219.68	-2.3%	3,227.59	0.2%	0.2%
Services	1,986.37	0.0%	1,950.30	-1.8%	-1.8%
Mining and Oil	9,601.70	1.7%	10,285.12	7.1%	7.1%

Source of Basic Data: PSE Quotation Reports

Table 16 - Financial Sector Constituent Stocks

Company	Symbol	12/31/2021 Close	1/31/2021 Close	M-o-M % Change	2022 YTD
Metrobank	MBT	55.70	58.90	5.7%	5.7%
BDO Unibank, Inc.	BDO	120.70	135.00	11.8%	11.8%
Bank of the Philippine Islands	BPI	92.15	98.10	6.5%	6.5%
Security Bank Corporation	SECB	119.00	107.20	-9.9%	-9.9%

Source of Basic Data: PSE Quotation Reports

the previous month. BPI secured P27.0-B from its latest offering of two-year bonds, from the original base offer of P5.0-B.

Metropolitan Bank & Trust Company (MBT), another foreign investor favorite, saw its stock prices climbed by another +5.7% MoM, adding on its 11.6% gain a month earlier. MBT went into a partnership with Sendwave app, a U.S. and Senegal-based mobile money provider. The partnership brought Metrobank to offer fee-free remittance services.

The sole red stock, Security Bank Corporation (SECB) share prices started the year with a -9.9% MoM decline, a contraction from its 3.5% increase a month ago in the absence of positive catalysts.

The Industrial sector rebounded by +4.2% MoM in January after slipping -0.3% a month ago, with only one of its PSEi-constituents landing on the red.

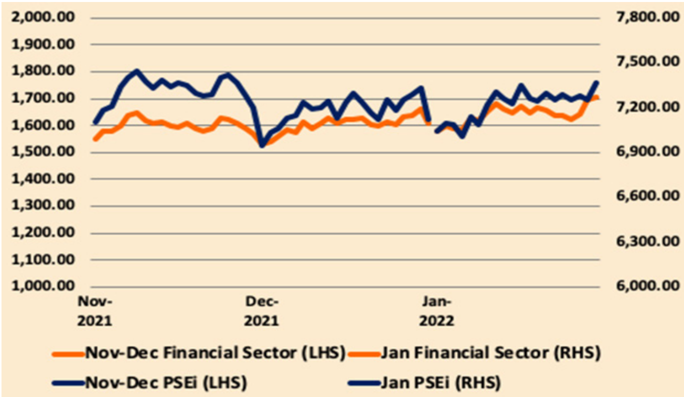
Aboitiz Power Corporation (AP) saw its share prices rise the most by +18.9% MoM after its mild slump of -0.8% a month ago. Davao Light & Power Corporation, a subsidiary of AP, has announced that it programmed a budget of P87.0-M for the purchase of 1,300 green transformers starting this 2022. Natural ester oil has been used as the insulating fluid for all of Davao Light's new distribution transformers, primarily to meet the ever-increasing demand for distribution transformer installations.

Manila Electric Company (MER) share prices started the year by surging +13.5% MoM, adding on its 2.5% gain a month ago. MER has opened a tender to contract 850-megawatt (MW) of generation capacity from renewable energy sources. Through the procurement exercise, the power utility is seeking proposals to deploy around 600MW of capacity that will have to start providing power in February 2026, and another 250MW to begin commercial operations in February 2027.

Jollibee Foods Corporation (JFC) stock prices jumped by +10.9% MoM in January, a reversal from its 7.9% drop in December. Homegrown fast-food giant Jollibee announced its entrance in the Malaysian market and in Dallas, Texas this 2022.

Petron Corporation (PCOR) stock prices observed a +2.8% MoM rebound in January, cutting down slightly its 3.4% loss in the previous month. PCOR announced

Figure 17 - Financial Sector Index (Nov 2021 - Jan 2022)
Financial Sector Ranked Second by +6.1% in January



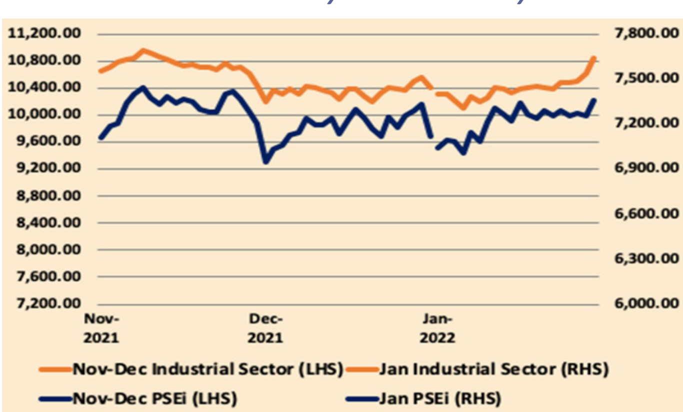
Source of Basic Data: PSE Quotation Reports

Table 17 - Industrial Sector Constituent Stocks

Company	Symbol	12/31/2021 Close	1/31/2021 Close	M-o-M % Change	2022 YTD
Meralco	MER	295.20	335.00	13.5%	13.5%
Aboitiz Power	AP	29.70	35.30	18.9%	18.9%
Jollibee Foods Corporation	JFC	216.40	240.00	10.9%	10.9%
First Gen Corporation	FGEN	27.85	28.00	0.5%	0.5%
Universal Robina Corporation	URC	128.00	127.00	-0.8%	-0.8%
Petron Corporation	PCOR	3.17	3.26	2.8%	2.8%

Source of Basic Data: PSE Quotation Reports

Figure 18 - Industrial Sector Index (Nov 2021 - Jan 2022)
Industrial Sector Rebounded by +4.2% in January



Source of Basic Data: PSE Quotation Reports

its offer and its issuance of dollar-denominated senior notes for up to $500.0-M, with the proceeds to be used for debt repayment and to partly fund a power plant project.

First Gen Corporation (FGEN) share prices started the year with a slight gain of +0.5% MoM after its -5.6% loss in the previous month. FGEN announced the first unit of its two-unit 97 MW Avion power plant is again commercially operating using natural gas. Avion is said to be the country's first power facility to operate on aircraft engines for land-based power generation.

The Holdings sector index rebounded by +5.5% in January after its 1.8% drop in the previous month with only two of its 10 PSEi-constituent firms landed on the red.

JG Summit Holdings, Inc. (JGS) share prices led the sectoral race with a +17.9% MoM surge handily erasing its 6.3% slump in the previous month. Darwinbox, an Indian HR service provider, has secured $72.0-M in its most recent fundraising round, which includes JGS as one of its main investors. The newest investment round has earned Darwinbox unicorn status, a word coined by venture capitalists to denote a firm worth more than $1.0-B.

Second best sectoral performer, Aboitiz Equity Ventures (AEV) share prices soared by +15.7% on top of its 10.9% increase a month earlier. The market appears to incorporate the twin strategic moves of AEV in December in their valuations—sale of 25% of AP to JERA, and Union Bank's acquisition of the consumer banking assets of Citibank (Phil). Besides, its power and cement subsidiaries should lift earnings as they expanded capacities. Aboitiz Construction finished the site development work at Magspeak Nature Park, Inc.'s (MNPI) eco-tourism site in Balamban, Cebu, which is located in the hilly terrain along the transcentral highway.

DMCI Holdings, Inc. (DMC) stock prices also climbed by +9.9% in January, a rebound from December's -5.3%. DMC's subsidiaries Semirara Mining and Power Corporation (SCC) and DMCI Mining Inc. will likely power earnings in 2022 amid rising coal and nickel prices.

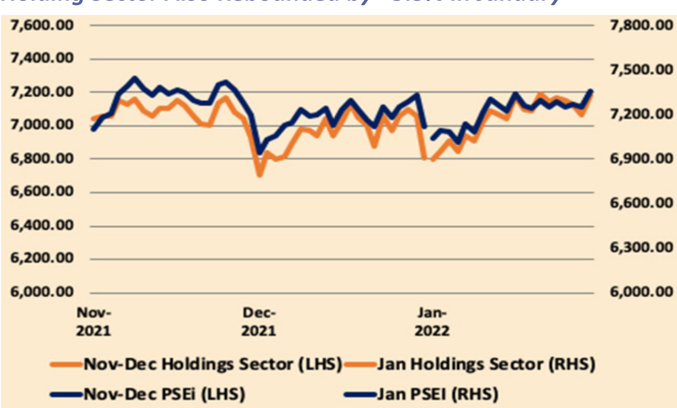
Alliance Global Group, Inc. (AGI) share prices took off in 2022 with an +8.5% increase from December's 4.2% gain. MREIT Inc., real estate investment trust arm of Megaworld's parent conglomerate AGI, plans to unveil fresh asset infusions from its parent firm.

Table 18 - Holdings Sector Constituent Stocks

Company	Symbol	12/31/21 Close	1/31/21 Close	M-o-M % Change	2022 YTD
Ayala Corporation	AC	831.00	870.00	4.7%	4.7%
Metro Pacific Investments Corporation	MPI	3.90	3.85	-1.3%	-1.3%
SM Investments Corporation	SM	943.00	949.00	0.6%	0.6%
DMC Holdings, Inc.	DMC	7.71	8.47	9.9%	9.9%
Aboitiz Equity Ventures	AEV	54.45	63.00	15.7%	15.7%
GT Capital Holdings, Inc.	GTCAP	540.00	570.00	5.6%	5.6%
San Miguel Corporation	SMC	114.90	112.50	-2.1%	-2.1%
Alliance Global Group, Inc.	AGI	11.80	12.80	8.5%	8.5%
LT Group Inc.	LTG	9.90	10.00	1.0%	1.0%
JG Summit Holdings, Inc..	JGS	53.00	62.50	17.9%	17.9%

Source of Basic Data: PSE Quotation Reports

Figure 19 - Holdings Sector Index (Nov 2021 - Jan 2022)
Holding Sector Also Rebounded by +5.5% in January



Source of Basic Data: PSE Quotation Reports

Table 19 - Property Sector Constituent Stocks

Company	Symbol	12/31/2021 Close	1/31/2021 Close	M-o-M % Change	2022 YTD
Ayala Land, Inc.	ALI	36.70	35.90	-2.2%	-2.2%
SM Prime Holdings, Inc.	SMPH	33.90	35.10	3.5%	3.5%
Robinsons Land Corpo-ration	RLC	19.20	18.30	-4.7%	-4.7%
Megaworld Corporation	MEG	3.15	3.09	-1.9%	-1.9%

Source of Basic Data: PSE Quotation Reports

GT Capital Holdings, Inc. (GTCAP) stock prices jumped by +5.6% MoM in January after sliding by 5.3% in December. Federal Land has teamed up with Nomura Real Estate in Japan, announced by GTCAP. Nomura Real Estate Development Co. Ltd will invest approximately P16.0-B, or 34% of the total capital investment (P48.0-B) of the new company, Federal Land NRE Global Inc.

Ayala Corporation (AC) share prices started the year by soaring +4.7% MoM, after its -0.6% mild drop in the previous month. In a property-for-share exchange arrangement, AC and Mermac Inc., a healthcare facilities provider, would transfer five real estate assets in key locations to Ayala Land Inc. (ALI), hoping that its subsidiary will "optimize" the value of these real estate assets.

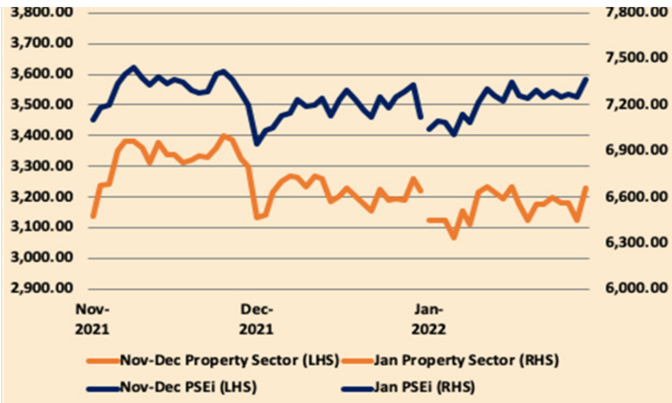
San Miguel Corporation (SMC) stocks incurred the biggest sector value loss in January slumping by -2.1% MoM after its 1.2% increment a month ago. SMC announced it will build a P50.0-M sports center in Balayan, Batangas as part of its commitment to help develop homegrown athletes.

The Property sector started the year with a +0.2% MoM increment, after its drop of -2.3% in the previous month, with only one of its PSEi-constituent stock remaining on the green.

SM Prime Holdings, Inc. (SMPH) stocks led sectoral gains with share prices moving up by +3.5% MoM in January after plunging by -9.4% a month ago. Acccording to FMSBC, SMPH will likely benefit most among property firms with increased mobility due to its large mall footprint and convenient locations. Revenge travel is expected to help gradual rebound of tourism in 2022 with Highlands Prime Inc. (HPI), a subsidiary of SM Prime Holdings, the developer of Tagaytay Highlands being the dominant player in the Metro Tagaytay market with the most active inventory at a time of high market interest. Amid an economic downturn, HPI posted substantial gains as evidenced by homebuyers' rapid uptake of its properties at the height of the 2020-2021 pandemic and despite the 2020 Taal Volcano explosion.

Ayala Land, Inc. (ALI) share prices contracted by -2.2% MoM in January after leading the sectoral race by 6.4% in the previous month. ALI announced plans to use new assets from its property-for-share swap with parent Ayala Corporation and Mermac, Inc. to expand its office portfolio and to develop more residential projects.

Figure 20 - Property Sector Index (Nov 2021 - Jan 2022)
Property Sector Rose Mildly by +0.2% in January



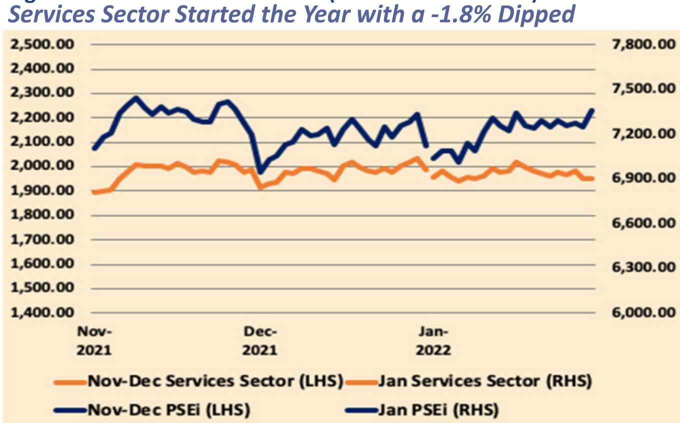
Source of Basic Data: PSE Quotation Reports

Table 20 - Services Sector Constituent Stocks

Company	Symbol	12/31/2021 Close	1/31/2021 Close	M-o-M % Change	2022 YTD
Philippine Long Distance Telephone Co.	TEL	1,812.00	1,834.00	1.2%	1.2%
Globe Telecom	GLO	3,322.00	3,110.00	-6.4%	-6.4%
Converge ICT Solutions, Inc.	CNVRG	31.90	30.65	-3.9%	-3.9%
Robinsons Retail Holdings, Inc.	RRHI	65.40	56.40	-13.8%	-13.8%
Puregold Price Club Inc.	PGOLD	39.30	37.10	-5.6%	-5.6%
International Container Terminal Services, Inc.	ICT	200.00	200.00	0.0%	0.0%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Services Sector Index (Nov 2021 - Jan 2022)
Services Sector Started the Year with a -1.8% Dipped



Source of Basic Data: PSE Quotation Reports

Megaworld Corporation (MEG) share prices started the year with a -1.9% MoM slump after 0.3% increment in the previous month. MEG announced that it will buying 2.2 hectares of real estate property from Manila Jockey Club Inc. (MJC). It also announced that its real estate investment trust, MREIT, Inc., is set to acquire additional office assets worth around P20.0-B this 2022.

Robinsons Land Corporation (RLC) share prices kept its downward trend as it fell by -4.7% MoM in January after tumbling by -9.4% a month earlier. RLC made it to the 2022 Bloomberg Gender-Equality Index (GEI), marking the second time the Company has entered the global list.

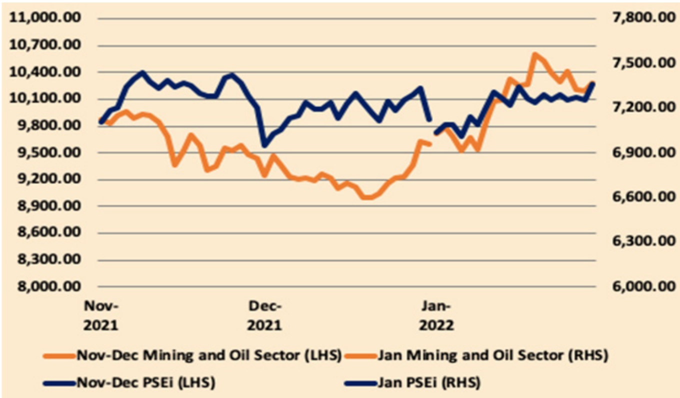
The lone sub-index in the red, the Services sector continued to move sideways at the onset of 2022 with a -1.8% MoM dip.

Philippine Long Distance Telephone Company (TEL) grabbed the top spot in January within the sector with a +1.2% MoM increment after its 7.9% increase a month ago. TEL, in collaboration with Multisys Technologies Corporation, a software solutions company, launched Multistore, an e-commerce platform aimed at helping micro, small, and medium enterprises (MSMEs) boost their sales. Multistore will provide a comprehensive e-commerce solution to help MSMEs build their brand and increase sales through greater use of digital platforms.

Robinsons Retail Holdings, Inc. (RRHI) share prices continued to lead the sectoral decrease by -13.8% in January adding on its -1.7% drop in the previous month, largely due to its removal from PSEi's list of 30 constituent stocks in February. RRHI plans, nonetheless, to buy Japan-based Ministop Company, Ltd.'s stake in Robinsons Convenience Stores, Inc. (RCSI) for an undisclosed price. The transaction will bump RRHI's stake in RCSI, which is the exclusive franchisee of Ministop in the Philippines, to 100% from its current 60%.

Globe Telecom (GLO) stock prices posted a loss of -6.4% MoM after its 1.2% increment in December, as the expectations of large negative impact by typhoon Odette gained more adherents. Meantime, GLO debuts the first-ever Eco-SIM cards in Asia for its postpaid mobile customers, contributing to environmental sustainability by recycling refrigerator waste. GLO, in collaboration with Thales, has begun rolling out Eco-SIM cards, which

Figure 22 - Mining & Oil Sector Index (Oct 2021 - Dec 2021)
Mining & Oil Sector Led the Sectoral Race by +7.1% in January



Source of Basic Data: PSE Quotation Reports

Table 21 - Mining and Oil Sector Constituent Stock

Company	Symbol	12/31/2021 Close	1/31/2021 Close	M-o-M % Change	2022 YTD
Semirara Mining and Power Corporation	SCC	21.35	25.05	17.3%	17.3%

Source of Basic Data: PSE Quotation Reports

Figure 23 - New Castle Futures (May 2021 - Jan 2022)
Coal Prices Traded Above $240.0/MT in January

Source of Basic Data: Trading Economics

are composed entirely of 100% recycled materials, including polystyrene waste from refrigerators, diverting this waste stream from landfills.

Converge ICT Solutions, Inc. (CNVRG) slipped by -3.9% MoM in January adding on its -0.3% slide a month ago, as foreign investors continued to take profits. CNVRG collaborated with City-to-City (C2C) subsea cable system, to boost Converge's international capacity by 1.3 TeraBits per second (Tbps). The addition guarantees CNVRG's network availability in the event of a submarine cable outage.

Moving basically sideways through January, International Container Terminal Services, Inc. (ICT) ended at P200/share, similar to last month's price. ICT reported that it had dropped its unsolicited proposal for the development of the Iloilo commercial port complex, to pursue a potentially faster way to bag said contract.

The Mining and Oil sector started the year as the best-performing as it skyrocketed by +7.1% adding on its 0.8% gain in December. Semirara Mining and Power Corporation (SCC) share prices soared by +17.3% after its 6.6% decline in the previous month. SCC share prices most likely reacted to the rise in coal futures that traded above $240/MT, a level not seen since October 2021, as international energy crunch and supply woes persisted.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2019		2020		3rd Quarter 2021			4th Quarter 2021		
	Levels	Annual G.R.	Levels	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.
Production										
Agri, Hunting, Forestry and Fishing	1,780,545	-0.2%	1,775,566	-0.3%	398,287	-4.3%	-1.7%	527,005	32.3%	1.4%
Industry Sector	5,112,115	-12.5%	5,531,828	8.2%	1,203,946	-15.7%	8.1%	1,621,106	34.6%	9.5%
Service Sector	10,634,575	-9.4%	11,201,019	5.3%	2,816,493	0.9%	7.7%	3,047,108	8.2%	7.9%
Expenditure										
Household Final Consumption	12,913,709	-7.9%	13,456,458	4.2%	3,244,666	3.6%	7.1%	3,923,938	20.9%	7.5%
Government Final Consumption	2,652,951	10.0%	2,838,333	7.0%	693,392	-14.8%	13.8%	680,815	-1.8%	7.4%
Capital Formation	3,366,707	-33.8%	4,005,983	19.0%	904,430	-20.3%	20.8%	1,119,260	23.8%	12.6%
Exports	4,743,508	-31.7%	5,115,043	7.8%	1,350,406	5.0%	9.1%	1,264,384	-6.4%	8.3%
Imports	6,149,641	-21.2%	6,943,662	12.9%	1,732,860	-1.3%	13.0%	1,811,818	4.6%	13.7%
GDP	17,527,234	-9.5%	18,508,413	5.6%	4,418,726	-4.7%	6.9%	5,195,219	17.6%	7.7%
NPI	1,340,175	-29.6%	667,056	-50.2%	159,443	-1.3%	-50.6%	233,953	46.7%	15.0%
GNI	18,867,410	62.4%	19,175,470	1.6%	4,578,170	-4.6%	2.7%	5,429,172	18.6%	8.0%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2019		2020		Nov-2021			Dec-2021		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R	Levels	Monthly G.R.	Annual G.R
Revenues	3,137,498	10.1%	2,855,959	0.2%	259,702	5.2%	6.7%	232,209	-10.6%	4.1%
Tax	2,828,012	10.2%	2,504,421	-2.4%	242,220	8.9%	6.1%	205,967	-15.0%	4.5%
BIR	2,175,506	11.5%	1,951,023	0.0%	192,048	16.5%	7.1%	150,837	-21.5%	-0.3%
BoC	630,310	6.3%	537,687	-9.3%	47,902	-14.4%	3.3%	54,637	14.1%	21.2%
Others	21,006	0.7%	15,711	-24.7%	2,270	40.0%	-10.4%	493	-78.3%	-27.8%
Non-Tax	308,971	8.7%	351,412	23.6%	17,482	-28.3%	14.7%	26,213	49.9%	0.5%
Expenditures	3,797,734	11.4%	4,227,406	24.0%	298,820	-2.5%	18.5%	313,251	4.8%	-5.1%
Allotment to LGUs	617,982	7.4%	804,546	39.8%	44,059	-1.2%	5.3%	44,168	0.2%	-1.3%
Interest Payments	359,874	3.1%	380,412	8.9%	24,660	2.7%	19.8%	29,213	18.5%	42.1%
Overall Surplus (or Deficit)	-660,236	18.3%	-1,371,447	145.7%	-39,118	-34.7%	353.6%	-81,042	107.2%	-24.4%

Source: Bureau of the Treasury (BTr)

POWER SALES AND PRODUCTION INDICATORS
Manila Electric Company Sales (In Gigawatt-hours)

	2020		Oct-2021			Nov-2021		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	43,067.10	-7.0%	3,839.70	3.8%	13.1%	4,001.00	10.6%	17.9%
Residential	16,478.90	13.0%	1,428.00	3.3%	15.91%	1,448.80	11.2%	17.60%
Commercial	14,489.60	-20.3%	1,256.10	3.2%	8.3%	1,147.40	10.3%	5.5%
Industrial	11,472.50	-12.0%	1,099.40	4.3%	18.0%	1,097.90	-0.8%	23.2%

Source: Meralco

BALANCE OF PAYMENTS (In Million U.S. Dollar)

	2019		2020		2nd Quarter 2021		3rd Quarter 2021	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT								
Balance of Trade	-3,386	-62.0%	-4,236	25.0%	- 9,451	249.9%	- 9,321	126.1%
Balance of Goods	-49,313	-3.3%	-31,840	-35.0%	- 12,174	124.3%	- 13,411	71.3%
Exports of Goods	53,475	2.9%	47,411	-11.0%	13,304	46.3%	14,471	10.7%
Import of Goods	102,788	-0.2%	79,250	-23.0%	25,477	75.4%	27,883	33.4%
Balance of Services	12,890	11.0%	13,005	1.0%	2,722	-0.1%	4,090	10.4%
Exports of Services	41,030	6.9%	31,331	-24.0%	7,534	22.3%	8,818	10.0%
Import of Services	28,140	5.0%	18,326	-35.0%	4,812	40.2%	4,728	9.7%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	85	30.9%	50	-42.0%	20	52.8%	20	9.8%
Financial Account	-7,260	-22.20%	-4,406	-39.0%	-3550	-4081.0%	-1133	-3.0%
Direct Investments	-4,376	-25.0%	-2,843	-35.0%	- 1,583	72.8%	- 2,177	132.8%
Portfolio Investments	-3,486	-340.8%	454	-113.0%	-1404	-298.6%	954	-38.1%
Financial Derivatives	-173	223.7%	-239	38.0%	-144	623.8%	-165	177.6%
Other Investments	775	-115.8%	-1,779	-330.0%	- 419	-231.4%	255	-114.9%
III. NET UNCLASSIFIED ITEMS	3,884	-237.4%	-1,369	-135.0%	-1246	671.5%	1046	-140.5%
OVERALL BOP POSITION	7,843	-440.2%	16,022	104.0%	905	-78.3%	1,274	-54.0%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	1,621	-450.2%	7,722	377.0%	- 148	-104.5%	2,630	-22.7%
Net Foreign Assets	1,589	-433.7%	7,674	383.0%	55	-98.3%	2,589	-24.4%
Basic Balance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Bangko Sentral ng Pilipinas (BSP)

MONEY SUPPLY (In Million Pesos)

	2020		Nov-2021		Dec-2021	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,181,292	1.8%	3,316,622	3.1%	3,598,649	5.8%
Sources:						
Net Foreign Asset of the BSP	5,555,554	16.8%	6,385,959	8.8%	6,494,178	6.5%
Net Domestic Asset of the BSP	13,444,424	10.3%	14,702,686	8.1%	15,058,709	8.2%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	4,951,804	22.9%	5,939,833	15.1%	6,186,397	13.4%
Money Supply-2	12,735,552	12.8%	14,240,336	9.3%	14,747,369	8.8%
Money Supply-3	13,440,507	12.8%	14,816,495	8.3%	15,323,708	7.8%
MONEY MULTIPLIER (M2/RM)	4.01		4.29		4.10	

Source: Bangko Sentral ng Pilipinas (BSP)

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