

The
MARKET CALL
Capital Markets Research



FMIC and UA&P Capital Markets Research

| | | | | | |
|----------------------------|----|-------------------------|----|----------------|----|
| Macroeconomy | 3 | Fixed Income Securities | 9 | Equity Markets | 14 |
| Recent Economic Indicators | 20 | Contributors | 22 | | |

Executive Summary

The economy looks poised for another strong GDP growth in Q1-2022 as business firms' optimism gained additional ground. The quick rebound in employment in February, Manufacturing sector's outsized gain in February likely to spill over into March with a 3-year high PMI, and export growth at a 6-month peak should provide solid support to the growing optimism. Despite the Russia-Ukraine war driving crude oil, commodity prices and in turn domestic inflation higher, we don't expect a policy rate hike until Q1 growth performance meets government expectations. With interest rates, both abroad and domestically, continuing to rise, risk aversion towards long tenor bonds will likely play out. Nonetheless, we remain cautiously optimistic about the equities market due to robust earnings growth.

Macroeconomy

3 The economy will likely continue its growth trajectory and reach pre-pandemic (Q2-2019) levels by Q2. Greater business confidence founded on job growth of 5.7% in February (MoM) and intensified election spending should provide the impetus. We also expect a faster pace of inflation in Q2, due to elevated oil and food prices caused by the extended Russian-Ukraine war. We expect a policy rate hike only after a clear outcome in the May elections and Q1 GDP growth hits at least 10% YoY. The peso should remain weak to flat on strength of the U.S. dollar and large PH balance of trade deficits.

The economy added 2.4-M jobs (+5.7% MoM) in February with unemployment rate unchanged at 6.4%.

- Manufacturing PMI posted a 3-year high of 53.8 in March from 52.8 in February.
- Exports expanded by 15% in February, a 6-month high, driven by high mineral product prices.
- NG spending slipped by 5.7% in the runup of selective election spending ban.
- Inflation rate rose sharply to 4% in March due to unabated oil price increases that also affected food prices.
- Peso-dollar rate averaged P52.07 in March, weaker by 1.6% MoM, as the U.S. dollar bolstered its safe haven quality.

Bonds Market

9 Investors demanded higher premiums for peso bonds amid geopolitical uncertainties, Fed's 25 bps rate hike on March 16, and the sharp rise in domestic inflation at 4% in March. We see local 10-year yields reaching 6.5% in Q2 (n.b. it already hovered around 6% in April) when inflation will likely average to 4.5%. Hawkish signals from the Fed (may raise up to 50 bps if needed in some of the coming FOMC meetings) also contribute to its upward pressure. Meanwhile, there is little downside for ROPs spreads over U.S. Treasuries as these have returned closer to pre-pandemic levels.

- BTr accepted only P91.8-B out of P200.0-B offer due to muted demand.
- Yields in T-bond auctions zoomed up by 58 bps to 99.9 bps from their previous offerings.
- Trading volume in the secondary market bounced back by 21.7% as investors began to trade the RTB-27.
- 10-year tenors hit a 35-month high at 5.894% or 51.9 bps higher MoM.
- Corporate bond trading slipped by -24.1% MoM, and bond issuances may slow down for the rest of the year.
- ROP yields inched down by -3.7 bps to -11.2 bps after its surge in the last 2 months, while issuances may slow down for the rest of the year.
- Spread between ROPs and its equivalent U.S. Treasuries contracted ranging from -45.2 bps to -86.7 bps in March.

Equities Market

14 Volatility characterized the local equities market in March, but the PSEi slid by only -1.5% by month-end as it recovered some lost ground. Supply constraints caused by the prolonged Russia-Ukraine conflict sent commodity prices spiraling and sidelined investors. We expect any major movements only after credible Presidential election results emerge while foreign investors take a wait-and-see stance. So volatility will continue until then. Nonetheless, we observe resiliency in some corporates, like BDO, BPI, Wilcon, PXP among others, to weather the storms of the war, higher inflation and interest rates.

- Four out of the six sectoral indexes turned in a positive outcome as Services and Mining & Oil sectors led the way with gains of 2.1% and 1.7%, respectively.
- Converge ICT (+16.2%) and International Container and Terminal Services Inc. (+6.7%) bolstered the Services sector.
- The Property sector led the sectoral decline as it dropped by -6.4%, pulled down by Ayala Land Inc. that fell by -10.1%.
- Foreigners again exited the market in March with net selling of P10.5-B, after the P7.4-B NFB a month ago, led by SM Investments Corporation with P2.8-B.

| 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% | -- | -9.6% | 5.6% |
| Inflation Rate (Mar) | 4% | 3% | 3.4% | 2.4% | 3.9% |
| Government Spending (Feb) | 84.7% | 9.7% | 47.2% | 11.3% | 12.8% |
| Gross International Reserves (\$B) (Mar) | 107.3 | 107.8 | 107.6 | 96.5 | 107.1 |
| PHP/USD rate (Mar) | 52.07 | 51.28 | 51.56 | 49.63 | 48.88 |
| 10-year T-bond yield (end-Mar) | 6.09 | 5.38 | 5.44 | 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

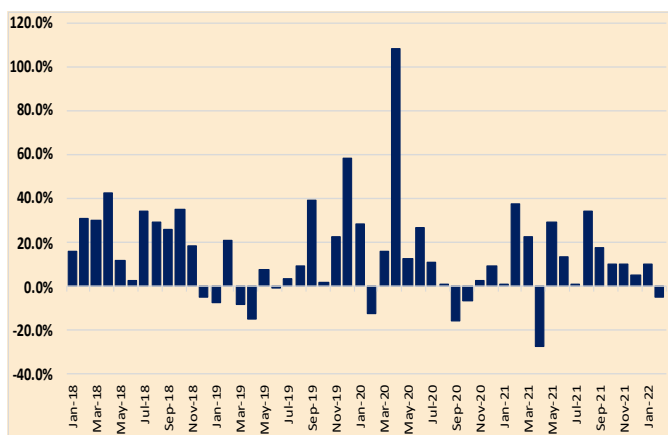
MACROECONOMY

HUGE FEBRUARY JOB GAINS AND ROBUST MANUFACTURING DRIVE BUSINESS OPTIMISM

With a strong rebound in job creation (+2.4-M), and the Industrial output soaring by 84.3% in February, and Manufacturing PMI continuing its run to hit a 3-year high in March, the economy in Q1 should expand at a double-digit pace. Business optimism for Q2 and the next 12 months provide added confidence that the economic recovery has gained traction. PSEi remained mostly above the 7,000 level supporting this as well. Headline inflation raced faster to 4% YoY rise in March from 3% as fuel and food price hikes accelerated. The peso depreciated by 1.6% in March to average P52.074, the highest since March 2019.

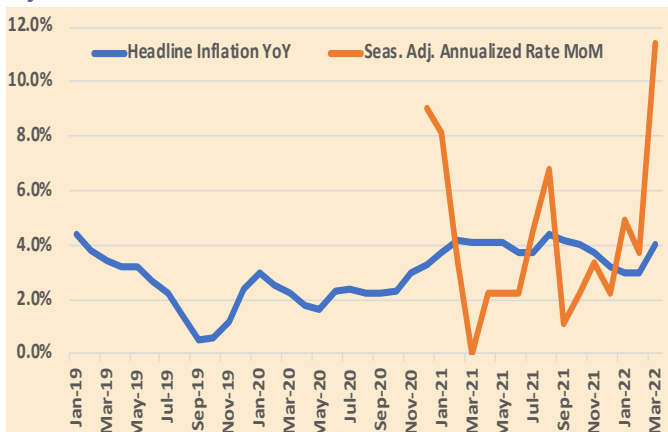
Outlook: We expect continued rebound of the economy to reach pre-pandemic levels by Q2 at the latest, given business confidence supported by robust employment gains and heightened election spending. Despite a likely acceleration of inflation in Q2, due to escalated oil prices caused by the prolonged Russian invasion of Ukraine, we expect a policy rate hike only by June or July, i.e., after the election results emerge and the Q1 economic growth meets the government targets. Nonetheless, we do expect interest rates to rise (more in the bond section) due to higher inflation and rate increases abroad. The peso should remain under pressure as the U.S. dollar keeps its safe haven status and interest rates there attracting foreign funds.

**Figure 1 - NG Expenditures Growth Rate, Year-on-Year
NG Spending Slumped by 5.2% in February**



Source: Bureau of the Treasury (BTr)

**Figure 2 - Inflation Rates, Year-on-Year
Inflation Back to 4% in March**



Source of Basic Data: Philippine Statistics Authority (PSA)

Employment Jumps by 5.7% in February from January

Anticipating the March relaxation of restrictions due to the Covid-Omicron variant surge, business firmed up their reopening plans and put 2.4-M Filipinos back to work. Total employment reached 45.5-M, the second highest in the country’s history, despite a sharp rise in labor for participation rate (LFPR) to 63.8% or 3.3 percentage points higher from a month earlier.

The Agriculture sector contributed most to the upsurge with a MoM increase of 1.5-M, while the Services sector added another 1.1-M jobs. The Industry sector, however, lost some 0.2-M slots due mainly to a seasonal slowdown in Manufacturing.

A return to rural (agricultural) roots occurred probably in anticipation of the national and local elections in May. A quest for basic food produce could also provide an answer.

Growth in Wholesale & Retail Trade jobs of 1.1-M jibes with the total gains in the Services sector. It means that the increases and decreases in the other sub-sectors basically offset one another. Accommodation & Food Services provided the next biggest uptick of 145,000, easily wiping out the 21,000 decline in January. This sub-sector which suffered most during the pandemic thus show signs of recovery as they are allowed 100% capacity by March. Public Administration & Defense, etc. and Human Health & Social Work also added 116,000 and 108,000 jobs, while employment in Administrative & Support Services plunged the most, i.e., by 263,000 slots.

Table 1 - Labor Force Survey Summary

| | January 2022 | February 2022 | MoM Change | |
|--|--------------|---------------|------------|----------|
| | | | Levels | % Change |
| Labor Force | 45,943 | 48,606 | 2,663 | 5.8% |
| Employed | 43,018 | 45,480 | 2,426 | 5.7% |
| Underemployed | 6,397 | 6,382 | -15 | -0.2% |
| Underemployment rate% | 14.9 | 14.0 | -0.84 | -5.6% |
| Unemployed | 2,925 | 3,126 | 201 | 6.9% |
| Unemployed rate% | 6.4 | 6.4 | 0.06 | 1.0% |
| Labor Participation rate% | 60.5 | 63.8 | 3.29 | 5.4% |
| Not in Labor Force | 29,951 | 27,548 | -2,403 | -8.0% |
| Agriculture ('000) | 9,350 | 10,862 | 1,512 | 16.2% |
| Industry ('000) | 8,313 | 8,138 | (174) | -2.1% |
| Mining and Quarrying | 190 | 228 | 38 | 19.9% |
| Manufacturing | 3,630 | 3,396 | (235) | -6.5% |
| Electricity, Gas, Steam, and Air-Conditioning Supply | 82 | 69 | (12) | -15.1% |
| Water Supply; Sewerage, etc. | 92 | 48 | (44) | -48.1% |
| Construction | 4,319 | 4,398 | 79 | 1.8% |
| Services ('000) | 25,355 | 26,480 | 1,125 | 4.4% |
| Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles | 9,002 | 10,075 | 1,073 | 11.9% |
| Transportation and Storage | 3,164 | 3,135 | (29) | -0.9% |
| Accommodation and Food Services Activities | 1,521 | 1,666 | 145 | 9.5% |
| Information and Communication | 492 | 533 | 41 | 8.3% |
| Financial and Insurance Services | 620 | 563 | -57 | -9.1% |
| Real Estate Activities | 192 | 249 | 57 | 29.5% |
| Professional, Scientific, and Technical Activities | 390 | 354 | (36) | -9.3% |
| Administrative and Support Services Activities | 2,178 | 1,914 | (263) | -12.1% |
| Public Administration and Defense; Compulsory Social Security | 2,705 | 2,820 | 116 | 4.3% |
| Education | 1,422 | 1,442 | 20 | 1.4% |
| Human Health and Social Work Activities | 658 | 766 | 108 | 16.4% |
| Arts, Entertainment, and Recreation | 387 | 339 | (48) | -12.5% |
| Other Service Activities | 2,624 | 2,619 | (4) | -0.2% |

Source of Basic Data: Philippine Statistics Authority (PSA)

Only employment in Construction (+79,000) and Mining & Quarrying (+38,000) rose in the Industry sector, but this proved insufficient to match job losses which totaled 174,000 in the sector (net of gains). Manufacturing sub-sector gave up the most jobs (-235,000) likely due to seasonal factors, but percentage-wise the Water, Sewerage, and Waste Management subsector plummeted the most—nearly by half.

Underemployment rate dropped to 14% from 14.9% despite much higher LFPR while mean hours slipped from 41.8 to 40.8 in February, albeit still above the usual 40-hour week.

While we still see some grey areas in the employment data, the overall outlook remains positive, especially in March and April, the last two full months of campaign before the May elections.

Manufacturing PMI Races to 3-year High in March

The S&P Global Philippines Manufacturing PMI rose to 53.2 in March 2022 from 52.8 in February, marking the highest reading since December 2018. Higher orders, output, and inputs provided the impetus to PMI amid easing pandemic restrictions starting late February. However, with the ongoing pandemic, geopolitical tensions driving fuel prices to 10-year highs, and supply chain issues only partly resolved, producers will hike their selling prices at the fast pace.

Official data on the Volume of Production Index (VoPI) showed unabated expansion at a double-digit pace of 84.3% year-on-year (YoY) in February 2022, from 17.1% in January. February VOPI reached the highest level of 100.2 since the outbreak of the pandemic in February 2020. The increase in 19 out of 22 industry categories sustained the VoPI's momentum.

Manufacture of coke and refined petroleum products contributed the most in February with its three-digit surge of 748.9%. Manufacture of tobacco products (+85.5%) and manufacture of chemical and chemical products (+46%) also contributed to the upswing. On the other end, manufacture of electrical equipment led this month's losers with -28.8% YoY decrease followed by manufacture of wearing apparel with -5.1% YoY loss.

Table 2 - Major Contributors to Year-on-Year Inflation

| Inflation Year-on-Year Growth Rates | Weight | Feb 2022 | Mar 2022 | YTD |
|---|--------|----------|----------|------|
| All items | - | 3% | 4% | 3.4% |
| Food and Non-Alcoholic Beverages | 37.7 | 1.2% | 2.6% | 1.8% |
| Alcoholic Beverages and Tobacco | 2.2 | 4.7% | 4.8% | 5% |
| Clothing and Footwear | 3.1 | 1.9% | 1.9% | 1.9% |
| Housing, Water, Electricity, Gas, and Other Fuels | 21.4 | 4.8% | 6.2% | 5.2% |
| Transport | 9.0 | 8.8% | 10.3% | 8.7% |
| Restaurants and Accommodation | 9.6 | 2.9% | 1.1% | 1.1% |
| Personal Care, Miscellaneous Goods & Services | 4.5 | 2.2% | 3.4% | 3.2% |

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

Source of Basic Data: Philippine Statistics Authority (PSA)

NG Expenditures Up by 8.2% in Q1

Late breaking reports showed that the National Government (NG) resumed its spending binge in March enabling Q1 total expenditures to expand by 8.2% after a slow start in January and February [more in next issue]. Spending in February waned by -5.2% mainly due to the completion of the P45.0-B equity infusion to the Government Financial Institutions (GFIs) as part of the recovery measures under the Bayanihan II. However, excluding the said amount, spending rose by 9.6% YoY. Meanwhile, the February budget deficit eased by -8.8% to P105.8-B from P116.0-B in the previous year.

Inflation Speeds Up to 4% in March

The usual suspects—Transport costs (due to 10-year high oil prices) and Food & Non-Alcoholic Beverages, which constitute 46.7% of the Consumer Price Index (CPI)—hurled headline inflation back to 4% (YoY) in March from just 3% a month earlier. Despite steady rice prices, prices of other foodstuffs like Meat, Fish, Bread, etc. and four other food types accelerated due to supply and logistics constraints.

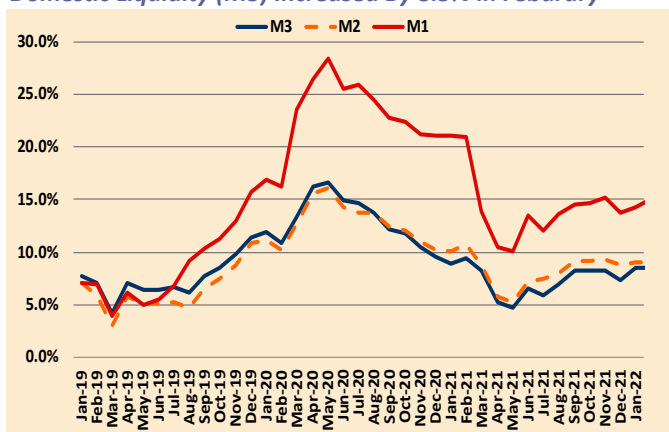
The unexpectedly prolonged Russian invasion of Ukraine on February 24th pumped Brent crude oil prices to a high of \$123.35/barrel (bbl) (while West Texas Intermediate, WTI for US benchmark hit \$119.81/bbl). While it has slipped from such heights, they keep the high altitude, specially as long as economic and financial sanctions on Russia remain.

On the food space, only Fruits & Nuts, and Vegetables held on to negative YoY change, albeit much less negative than a month ago.

On a seasonally adjusted basis, MoM inflation climbed by 0.9%, due to FNAB, HWEGO, and Transport jump. When annualized that translated to 11.1% (seasonally adjusted annualized rate or SAAR).

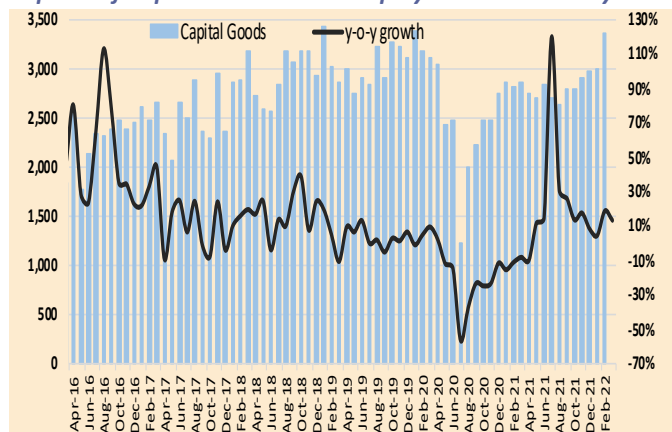
We don't expect a quick easing of YoY headline inflation which may even exceed 5% by June. Prolonged elevated oil prices and supply issues will pass on to other commodities.

Figure 3 - M1, M2, M3 Growth Rates
Domestic Liquidity (M3) Increased By 8.5% in February



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 4 - Imports of Capital Goods (in Million USD)
Imports of Capital Goods Inched Up by 3.6% in February



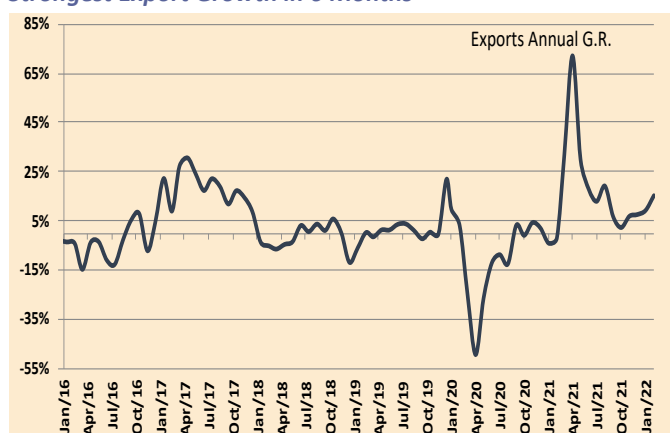
Source of Basic Data: Philippine Statistics Authority (PSA)

Table 3 - Imports Year-on-Year Growth Rates

| Imports Year-on-Year Growth Rates | Jan-22 | Feb-22 | YTD |
|---|-------------|--------------|--------------|
| Total Imports | 27.5 | 20.1 | 24.0 |
| Capital Goods | 16.1 | 3.6 | 10.2 |
| Power Generating and Specialized Machines | 8.8 | -10.3 | -0.4 |
| Office and EDP Machines | -11.7 | -5.9 | -9.0 |
| Telecommunication Equipment and Electrical Machines | 9.1 | 2.7 | 6.3 |
| Land Transport Equipment excluding Passenger Cars and Motorized cycle | 41.6 | 4.7 | 21.1 |
| Aircraft, Ships and Boats | 335.6 | 46.2 | 112.2 |
| Prof.Sci.and Cont. Inst., Photographic Equipment and Optical Goods | 33.1 | 31.0 | 32.4 |
| Raw Materials and Intermediate Goods | 29.6 | 14.3 | 22.3 |
| Mineral Fuels, Lubricant and Related Materials | 97.2 | 131.6 | 114.4 |
| Consumer Goods | 11.4 | 8.4 | 9.9 |

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 5 - Exports Growth Rates, Year-on-Year
Strongest Export Growth in 6 Months



Source of Basic Data: Philippine Statistics Authority (PSA)

Money Growth (M3) Still at 8.5% in February

Domestic liquidity (M3) increased by 8.5% YoY in February to P15.2-T, similar to the previous month's pace. On a MoM seasonally adjusted basis, M3 rose by 0.3%, still at mid-single-digit rate. Narrow money (M1) grew by 15.1%, faster than the 14.3% growth in the previous month. Meanwhile, broad money (M2) rose by 9% YoY, also similar to the pace a month ago.

Net foreign assets (NFA) in peso terms increased by 6.5% in February from January's 6.4%. The growth in the BSP's NFA position reflected the increase in the country's level of gross international reserves. Meanwhile, the NFA of banks also grew as their foreign assets increased at a faster pace on account of higher interbank loans receivable and deposits maintained with nonresident banks. The improved credit activity reflects the expansion in business activity amidst improved Covid-19 prospects.

Lending for production increased by 9.7% in February from 9.5% in January, as outstanding loans to key industries continued, specifically information and communication (+33.3%) and financial and insurance activities (+13.2%). Manufacturing and real estate activities also saw expansions.

Similarly, consumer loans to residents increased marginally by 0.9% from a 0.4% decline in January relying largely to the YoY increase in credit card loans.

Growth in Capital Goods Imports Eases to 3.6% in February

Imports of capital goods, a main indicator of durable equipment (Investment) spending, grew by 3.6% YoY, a slowdown from 16.1% a month earlier. Although four out of six major capital goods categories expanded, the tepid gain (+2.7% YoY) in imports of Telecommunications Equipment & Electrical Machines, which constitutes nearly half of this import segment put a drag on the total.

While imports of Aircrafts, Ships & Boats soared by 46.2% YoY (from a low base) in expectation of more travel revenues, Power Generating & Specialized Machines imports, an important category, slumped by -10.3% weighed on the overall total.

Total imports of the country vaulted by 20.1%, a slower pace than in January, powered by imports of Mineral Fuels, etc. which skyrocketed by 131.6% as crude oil imports by the country's only refinery (Petron) added to the bill. Raw Material & Intermediate Goods imports

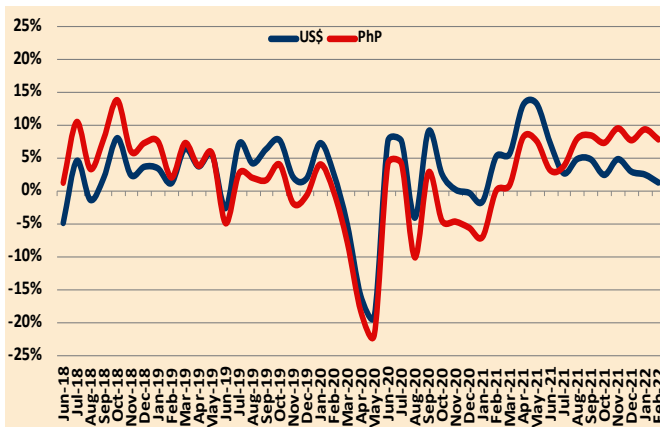
Table 4 - Exports Year-on-Year Growth Rates

| Exports Year-on-Year Growth Rates | Jan-22 | Feb-22 | YTD |
|-----------------------------------|-------------|-------------|-------------|
| Total Exports | 8.9 | 15.0 | 11.9 |
| Agro-Based Products | 33.2 | 43.6 | 38.6 |
| Mineral Products, of which | 17.2 | 57.7 | 36.8 |
| Copper cathodes | 46.0 | 130.2 | 76.0 |
| Others (including nickel) | 5.9 | 27.5 | 20.1 |
| Petroleum Products* | 152.6 | 4.6 | 57.6 |
| Manufactured Goods | 7.2 | 10.6 | 8.9 |
| Electronic Products | 8.2 | 15.1 | 11.5 |
| Other Electronics | -14.2 | 9.6 | -3.0 |
| Chemicals | -2.8 | 15.6 | 6.7 |
| Machinery and Transport Equipment | -16.9 | -22.0 | -19.6 |
| Processed Food and Beverages | -7.0 | -6.6 | -6.7 |
| Others | 34.5 | 2.9 | 17.7 |

* much less than 0.1% of total exports

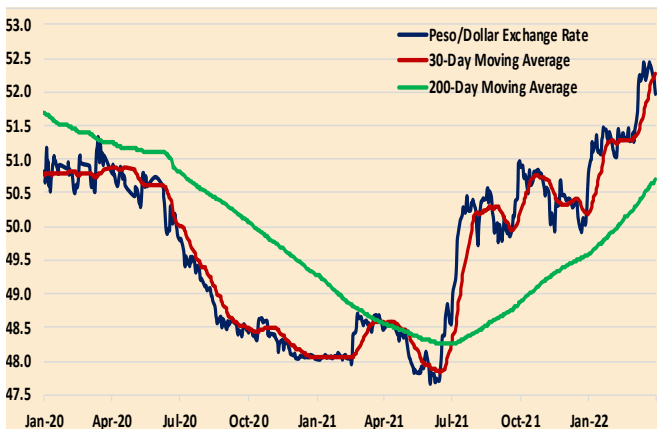
Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 6 - OFW Remittances Growth Rates, Year-on-Year Personal Remittances Reached \$2.8-B in February



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

Figure 7 - Dollar-Peso Exchange Rates and Moving Averages



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

slowed to a 14.3% uptick roughly half as fast as in January. Imports of Consumer Goods likewise eased to 8.4% growth from 11.4% a month earlier.

The slower expansion of imports and bigger gains in exports resulted in a balance of trade deficit of \$3.5-B from \$4.7-B a month ago, but still 30.3% higher than the same month in 2021.

Exports Uptick Hastens to 15% in February

With 15 out of the top 20 export products on the upswing, exports grew at a faster rate of 15% YoY in February from 8.9% a month ago driven largely by huge gains in Mineral Products (+57.7%) and Agro-based Products (+43.6%). Actually, all the four major product categories landed in the positive territory.

Copper Cathodes and Coconut Oil exports led the growth race as they soared by 130.2% and 118.2%, respectively. Exports of Other Mineral Products followed suit with its 27.5% surge. Electronic Products exports, which take up some 55% of the total, provided stability as they expanded by 15.1% YoY. On the other hand, Metal Components (-22.1%) and Machinery & Transport Equipment (-22.0%) put a drag on the export shipments.

OFW Remittances Seasonally Slows in February

Inward personal remittances of Overseas Filipino Workers (OFW) grew at a slower pace of 1.2% MoM to \$2.8-B in February 2022, decelerating from 2.5% YoY posted in January. It also slipped from \$3.0-B recorded a month earlier, owing to the reintroduction of limitations in OFW host countries and the Philippines, as well as a recurrence of Covid-19 cases around the world.

The gain in personal transfers during the year benefited from remittances of land-based workers with work contract of one year or more which increased by 1.3% YoY to \$2.2-B from \$2.1-B in the previous month; and sea- and land-based workers with work contracts of less than one year which rose by 1.5% YoY to \$0.55-B from \$0.54-B in the same period last year. Moreover, cash remittances from OFW coursed through banks grew by 1.3% YoY to \$2.6-B in February from \$2.5-B in the comparable month a year ago. An identical pattern as to source by type of workers as in personal remittances emerged.

The increase in cash remittances from U.S., Japan, and Singapore contributed greatly to the growth in remittances in the first two months of 2022. Meanwhile, as for origin by country, the U.S. registered the highest share of overall remittances at 41.6% followed by Singapore, Saudi Arabia,

share or overall remittances at 41.6% followed by Singapore, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Canada, Taiwan, Qatar, and Malaysia. The consolidated remittances from these top 10 countries accounted for 79.3% of total cash remittances in February.

FX Rate Depreciates by 1.6% in March

The dollar-peso exchange rate (FX) slid by -1.6% MoM to average P52.07/\$ as the U.S. dollar continued its upward momentum in March in view of its safe haven status with the Russian invasion of Ukraine remaining dangerous and unsettled. In addition, the 25 bps Fed rate hike added to the greenback's strength.

Volatility of the peso went up to 36.9% in March from 12.6% in the previous month. It was traded between P51.25/\$ to P52.43/\$. Developments in the geopolitical scene greatly influenced the FX's movements.

Depreciation bias remains in the long run as the 200-day moving average (MA) continue its ascent. The local unit's weakness is attributed to higher crude oil prices, risk off sentiment amid Ukraine war, and Fed's tightening policy. However, the peso will likely find respite as the actual FX rate settled below the 30-day MA by end-March.

Outlook

Business firms manifested a more optimistic outlook for Q2 and the next 12 months as the BSP's Business Expectations Survey (BES) done in Q1 showed slight gains from that carried out a quarter earlier. The country also appears to have reached herd immunity with regard to Covid-19 and variants since the reported cases and deaths have gone back to their pre-delta variant levels.

- The economy's addition of 2.4-M jobs in February from the previous month, resulting in unemployment rate constant at 6.4% despite a large increase in labor force, support the constructive outlook of the business sector.
- Manufacturing PMI for March accelerated further to a 3-year high of 53.2 up by 0.4 points from February. This comes on top of the highest post-pandemic level registered by the Volume of Production Index (VOPI) in February.

- NG spending in February dipped by 5.1% as infrastructure work slowed down due to the expected 45-day ban on pre-election spending. However, after the May 9 elections, NG expenditures, specially for infrastructure projects, should have strong rebound.
- Headline inflation YoY reached 4% in March and will accelerate further in Q2 due to elevated crude oil prices which show no signs of a sharp fall. Besides, the second round effects of this will likely emerge starting Q2.
- Despite the developments in Ukraine, BSP will likely raise policy rates only after the elections and the PSA reports robust Q1 economic growth performance. PSA will release the Q1 report only on May 12.
- The peso will remain weak for as long as crude oil prices fluctuate mildly around \$100/barrel and the U.S. economy's recovery (and the U.S. dollar) remains strong.

FIXED INCOME SECURITIES

YIELDS MOVE UP AS FED STARTS ITS HIKING CYCLE

As the Fed initiated its policy rate hiking cycle on March 16 and local inflation accelerated in March to 4%, investors demanded higher yields during the month, albeit generally less than the uptick of U.S. benchmark 10-year yields. Investors had less appetite for bonds as seen in the auctions both for Treasury bills (T-bills) and Treasury bonds (T-bonds) resulting in lower tender-offer ratios (TOR) in March. TOR for T-bills fell to 1.772x from 2.491x a month earlier, and 1.432x for total auctions. Yields in T-bond auctions soared by 58 bps to 99.9 bps from their previous offerings. In the secondary market, 10-year bonds surged by 51.9 bps to end-March and went on to hit 6% on April 8th.

Outlook: The Fed projects Fed funds (policy) rate to reach 1.90% by the end of 2022, but may raise up to 50 bps if needed in some of the coming meetings, and an acceleration of local inflation to some 4.5% in Q2 should combine to pressure benchmark 10-year local bond yields to 6.5% in Q2. Both spread and real yield analyses support this view. There may be a rush of corporate issuances in Q2, but a slowdown thereafter as firms would prefer IPOs. We see little downside for ROPs spreads over U.S. Treasuries, but ROPs may remain attractive to local investors who may seek to balance their asset portfolios.

Table 5 - Auction Results

| Date | T-Bond/ T-Bill | Offer (Php B) | Tendered (Php B) | Accepted (Php B) | Tendered + Offered | Ave. Yield | Change bps |
|---------------------|-------------------|------------------|---------------------|---------------------|-----------------------|---------------|---------------|
| 28 Mar | 91-day | 20.000 | 43.845 | 12.903 | 2.192 | 1.587 | 89.6 |
| | 182-day | 20.000 | 31.819 | 8.000 | 1.591 | | |
| | 364-day | 20.000 | 30.637 | 7.130 | 1.532 | | |
| Subtotal | | 60.000 | 106.301 | 28.033 | 1.772 | | |
| 1 Mar | 3 year | 35.000 | 46.260 | 0.000 | 1.322 | | |
| 15 Mar | 5 year | 35.000 | 35.305 | 13.035 | 1.009 | 4.669 | 58.0 |
| 22 Mar | 7 year | 35.000 | 40.599 | 15.699 | 1.160 | 5.601 | 91.2 |
| 29 Mar | 10 year | 35.000 | 57.915 | 35.000 | 1.655 | 6.092 | 99.9 |
| Subtotal | | 140.000 | 180.079 | 63.734 | 1.286 | | |
| All Auctions | | 200.000 | 286.380 | 91.767 | 1.432 | | |

Source: Bureau of the Treasury (BTr)

Primary GS Market: BTr Awarded P91.8-B Out of P200.0-B Offer in March

The Bureau of the Treasury (BTr) accepted only P91.8-B out of P200.0-B offer amid lackluster demand for peso bonds. The tender-offer ratio (TOR) for Treasury bills (T-bills) continued to slip to 1.772x in March from 2.491x a month ago. On the contrary, the TOR for longer tenors inched up to 1.286x from 1.158x following the jumbo issuance of 5-year Retail Treasury Bonds (RTB-27) in February.

Short tenors attracted P106.3-B worth of tenders or -28.9% less than a month ago indicating investors' wait-and-see mode amidst uncertainties. The 91-day T-bills shot up by 89.6 bps to 1.587% from 0.691% in January. Meanwhile, BTr rejected all tenders for the 182-day and 364-day debt papers auctions.

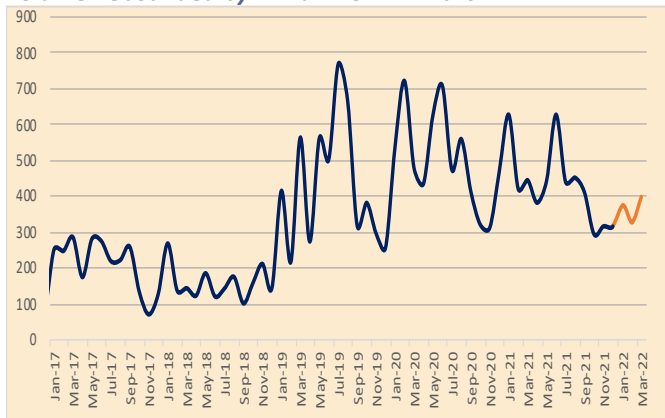
BTr rejected only one 3-year tenor out of four Treasury bonds (T-bonds) auctions as bids reached an average of 4.375%, significantly higher than 2.169% from the last auction in December 2020 and secondary market rates. On the other hand, 5-year and 7-year papers soared by 58 bps to 4.669% from 4.089% in February and 91.2 bps to 5.601% from 4.689% in January, respectively. Lastly, 10-year T-bonds surged by almost 1 percentage point (99.9 bps) to 6.092% from 5.093% a month earlier.

Secondary Market: Higher Yields Amid Dampened Risk Sentiment

Trading volume of government securities (GS) in the secondary market rebounded by 21.7% to P398.9-B in March from P327.9-B in the previous month as investors began to trade the RTB-27. However, it edged down by -10.4% from P445.4-B a year ago.

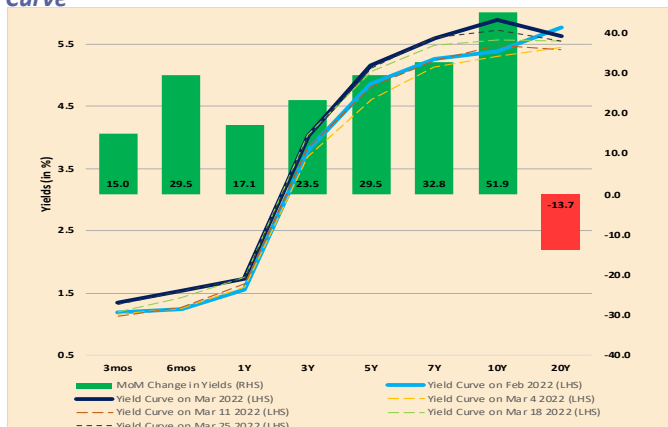
Yields of all tenors, except 20-year T-bonds, ascended in

Figure 8 - Monthly Total Turnover Value (in Billion Pesos)
Volume Rebounded by 21.7% MoM in March



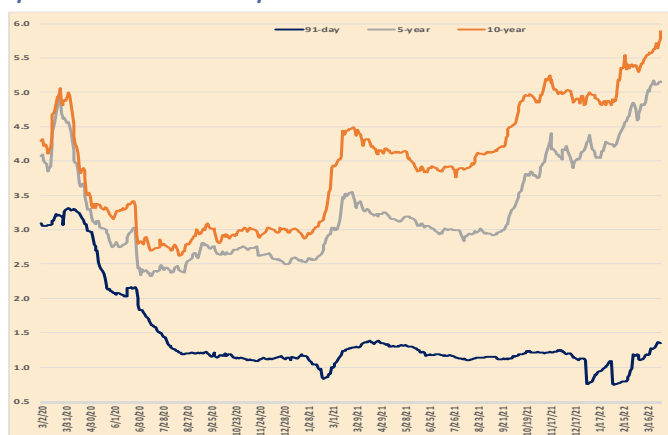
Source: Philippine Dealing Systems (PDS)

Figure 9 - Week-on-Week Changes on the GS Benchmark Bond Yield Curves
10-Year Yields Rose the Most, Inflating the Back end of the Curve



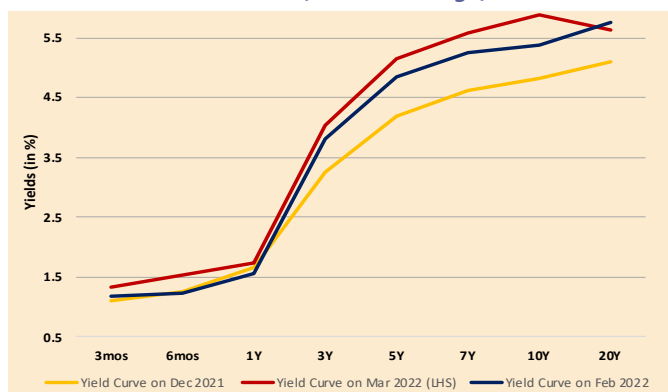
Source: Philippine Dealing Systems (PDS)

Figure 10 - 91-day T-bill and 10-year T-bond Daily Yields
Spread Widened 36.9 bps MoM in March 2022



Source: Philippine Dealing Systems (PDS)

Figure 11 - Year-end Yield Curve in 2021 and Latest Yield Curve Versus Previous Month in 2022
10-Year Yields Hit Above 5%, 35 Month High, in March 2022



Source: Philippine Dealing Systems (PDS)

March amid higher U.S. Treasuries, inflation woes, and interest rate risk due to hawkish signals from the BSP. The BSP revised its 2022 inflation outlook to 4.3% from 3.7% and hinted that it will raise key policy rates to 2.5%-2.75% starting in the second half of the year as it exits from its pandemic support. However, BSP Governor Diokno voiced out that they will be ready to tighten earlier-than-expected if inflation goes out of hand.

The 3-month and 1-year debt papers rose mildly by 15 bps MoM (month-on-month) to 1.342% from 1.192% and 17.1 bps to 1.733%, respectively. Furthermore, 6-month papers grew by 29.5 bps to 1.529% from 1.234%. The 3-year and 5-year tenors went up by 23.5 bps to 4.033% and 29.5 bps to 5.151%, respectively. Additionally, the 7-year T-bonds jumped by 32.8 bps to 5.582% from 5.254% whereas the 10-year tenors hit a 35-month high at 5.894% or 51.9 bps higher than 5.376% last month. Only the 20-year papers managed to decline by -13.7 bps to 5.624% from 5.761%.

The spread between 10-year and 2-year bond yields widened by 26.3 bps to 255.7 bps in March, the highest in ASEAN+1. Excess liquidity checked the rise in the short end of the curve, while the longer tenors tracked the steep climb in U.S. Treasuries.

Corporate Bonds: Lowest Volume in 3 Months

Trading of corporate bonds slid by -24.1% to P3.2-B from P4.2-B a month earlier. Year-on-Year (YoY), it plunged by -44.1% from P5.7-B. The top five issuers accounted for 61.9% (P2.0-B of the total trading volume) or 58.9% higher than last month's volume thanks to the jumbo issuance from San Miguel Corporation (SMC) (see Corporate Issuances and Disclosures).

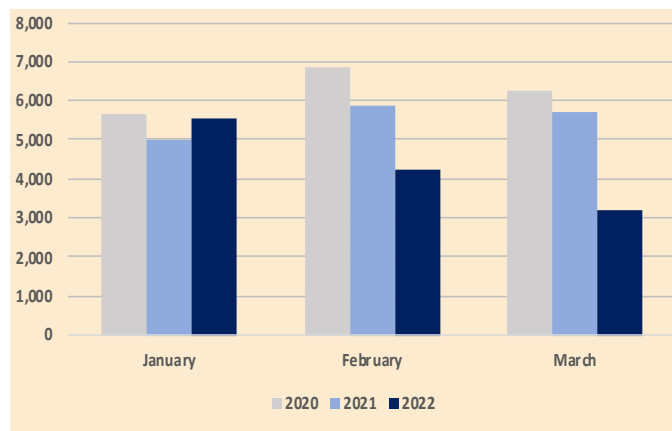
SMC snatched first place with a whopping P1.0-B worth of trades, 329.7% higher than a month ago. SM Prime Holdings, Inc. (SMPH) and Ayala Land, Inc. (ALI) switched positions with P355.5-M (46.1% higher MoM) and P211.1-M (down by -19.1%), respectively. SMC Global Power (SMCGC) fell to the fourth place as trades plummeted by -52.3% to P197.7-M. Aboitiz Power (AP) remained at the bottom with P195.2-M despite the 117.4% improvement from the previous month.

Corporate Issuances and Disclosures

- San Miguel Corporation (SMC) raised a hefty P30.0-B from its 5-year and 7-year fixed rate bonds. They carried coupon rates of 5.2704% and 5.8434%, respectively, payable quarterly.

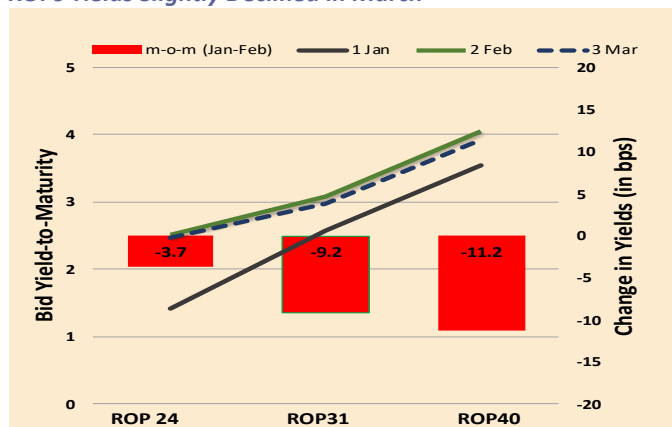
- Aboitiz Power Corporation (AP) issued its P10.0-B Series D (due 2027) and Series E (due 2029) bonds, the final tranche of its P30.0-B SEC shelf registration. The issues gave coupons of 5.3066% and 5.7388% per annum, respectively, also payable quarterly.

Figure 12 - Total Corporate Bond Trading Volume (in Billion Pesos)
Trading Volume Slipped by -24.1% MoM



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 13 - ROPs Yield, Month-on-Month Changes (bps)
ROPs Yields Slightly Declined in March

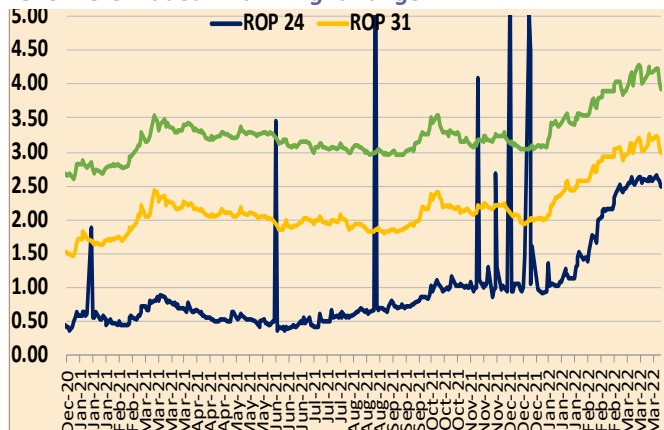


Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Table 6 - Spreads Between ROPs and U.S. Treasuries (bps)

| Spreads between ROPs and U.S. Treasuries (bps) | | | |
|--|--------|---------|---------|
| Date | 3-year | 10-year | 20-year |
| 31-Jan | 3.6 | 78.8 | 137.5 |
| 28-Feb | 89.7 | 124.6 | 179.6 |
| 31-Mar | 3.0 | 66.4 | 134.4 |

Figure 14 - ROPs Daily Yields
ROPs Were Traded Within Tight Range



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

ROPs: Yields Found Respite After its Recent Surge

Yields of the Republic of the Philippines’ U.S. dollar-denominated bonds (ROPs) went down in March ranging from -3.7 bps to -11.2 bps after its surge in the last two months. ROP-24 and ROP-31 inched down by -3.7 bps to 2.48% from 2.517% and -9.2 bps to 2.984% from 3.076%, respectively. On the other hand, ROP-40 shed -11.2 bps to 3.934% from 4.046% a month ago.

The Fed kicked off its tightening cycle with a 25 bps rate hike (the first time since 2018) by mid-March. It sent the 10-year U.S. Treasuries to 2.32% from 1.83% a month ago, despite safe haven demand. Meanwhile, the 3-year and 20-year tenors soared by 83 bps to 2.45% from 1.62% and 34 bps to 2.59% from 2.25%, respectively.

Fed Chair Powell signaled a possible 50 bps hike in May, and if needed in some of the coming meetings, this year in line with its commitment to crush inflation. Furthermore, anxiety gripped investors as the yield curve inverted briefly, sparking recession fears, in the beginning of April. However, the curve steepened soon after markets felt that inflation would cool despite the labor market remaining strong.

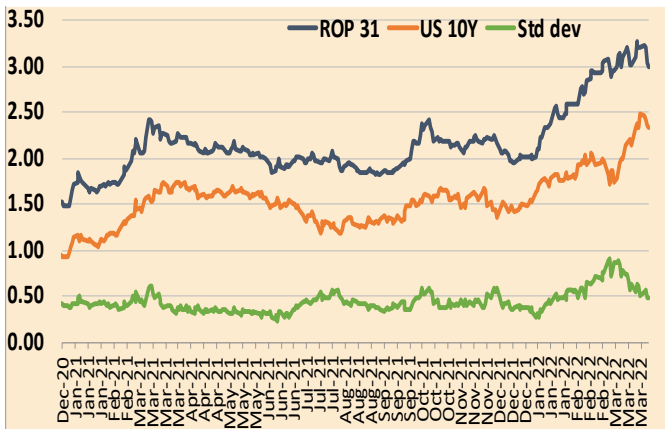
The spread between ROPs and its equivalent U.S. Treasuries contracted substantially ranging from -45.2 bps to -86.7 bps in March. ROPs eased slightly due more to technical correction, while US Treasuries surged as the Fed not only hiked its policy rate by 25 bps in March, but also painted a more aggressive stance with possibly raising policy rates by 50 bps each in the remaining meetings in 2022.

ASEAN + 1: Mixed Movements Seen in Yield Curves

U.S.: The economy added 431,000 new jobs in March while it revised upward figures for February (+72,000 to revised 750,000) and January (+23,000 to revised 504,000). This represented broad gains led by leisure & hospitality, professional and business services, as more people entered the labor market. Unemployment rate, thus, slid further to 3.6% from 3.8% a month earlier. S&P Global Flash U.S. Manufacturing PMI increased to 59.7 in April 2022 from 58.8 in March, a 7-month high. Retail sales were up 0.5% MoM from 0.8% in February (revised upward).

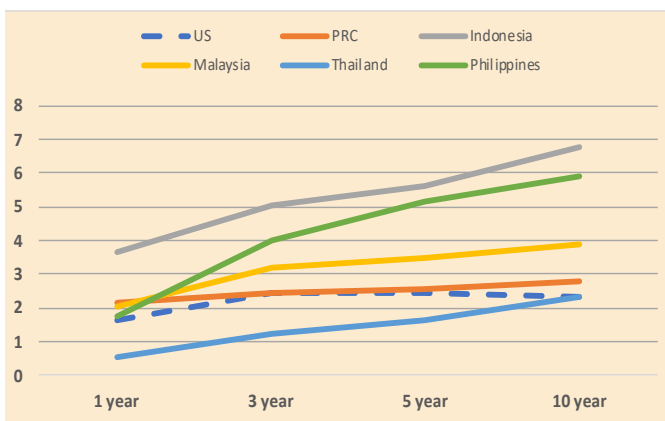
The University of Michigan consumer sentiment unexpectedly jumped to 65.7 in April 2022 from an 11-year low of 59.4 in March, with expectations of only a mild rise in fuel prices a year ahead.

Figure 15 - ROP 31 and U.S. 10-Year Yields
ROPs 31 Tracked the Movements of its Equivalent 10-Year U.S. Treasuries



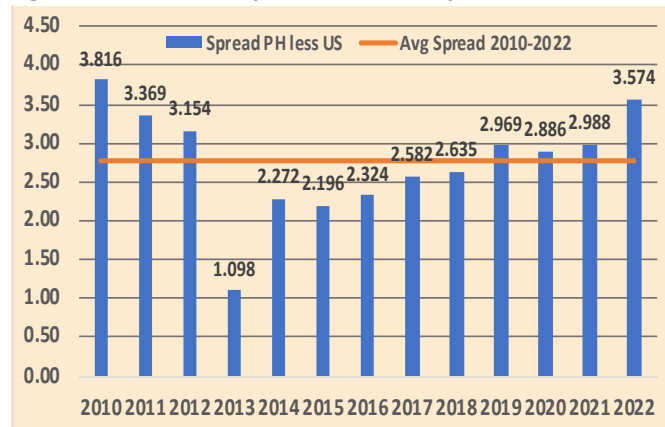
Source: Philippine Dealing Systems (PDS)

Figure 16 - Comparative Yield Curve Between ASEAN per Tenor



Sources: Asian Development Bank (ADB), Federal Reserve

Figure 17 - U.S. Bond 10-year vs PH Bond 10-year



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Housing starts edged up by 0.3% in March from 6.5% in February, to annualized rate of 1.79-M in March 2022, the highest since June 2006, as higher inflation shrank purchasing power while rising interest rates bring up home financing costs. The yield curve flattened further to a spread of 4 bps (10-year less 2-year) from 39 bps earlier, as Fed raised policy rates by 25 bps in March but may raise up to 50 bps if needed in some of the coming meetings.

China: China faces another Covid-19 outbreak and will likely dent growth prospects amid stringent lockdowns due to Zero-Covid Policy. The government imposed a total lockdown in Shanghai. The Caixin Manufacturing PMI fell to 48.1 in March, a 25-month low, from 50.4 a month ago. On the inflation front, CPI jumped to a 3-month high of 1.5% (vs 0.9% in February). Exports grew by 14.7% to \$276.1-B in March, marking the 17th straight month of double-digit increase. On the contrary, imports unexpectedly declined by 0.1% to \$228.7-B, the first drop since August 2020, as measures to contain Covid-19 hamper demand. With this, China’s trade surplus surged to \$47.4-B from \$11.8-B in the previous year. The People’s Bank of China (PBoC) surprisingly left its benchmark interest rates unchanged despite deteriorating growth outlook. The spread between 10-year and 2-year bond yields contracted by 8 bps to 49 bps in March.

Indonesia: The country’s PMI inched up to 51.3 in March from 51.2 in the previous month. Meanwhile, annual inflation climbed to a 22-month high at 2.6% in March driven by easing Covid-19 curbs and rising food and fuel prices. Exports and imports in March expanded by 44.4% to \$26.5-B and 30.9% to \$22.0-B, respectively, amid surge in global commodity prices. With strong export growth, trade surplus shot up sharply to \$4.5-B from \$1.6-B a year ago.

Bank of Indonesia kept its policy rate at 3.5% and lowered its GDP growth forecast to 4.5%-5.3% from 4.7%-5.5% as the ongoing Ukraine war may hamper export growth and domestic spending amid surging commodity and energy prices. The yield curve steepened by 9 bps to 237 bps.

Malaysia: Malaysia’s inflation print in February declined to a 5-month low of 2.2% (vs 2.3% in January) due to a slowdown in transportation costs (3.9% vs 6% in January). Similarly, Manufacturing PMI slid to 49.6 in March from 50.9 in the prior month. February exports and imports advanced by 16.8% to MYR 102.3-B

(\$24.4-B) and 18.4% to MYR 82.5-B (\$19.6-B), respectively. This results in an increase in trade surplus of MYR 19.8-B (\$4.6-B) from MYR 17.9-B (\$4.1-B) last year.

Bank Negara Malaysia held key rates steady at 1.75% to support economic recovery. The spread between 10-year and 2-year bond yields narrowed by 7 bps to 119 bps.

Thailand: Its annual inflation rate accelerated to 5.7% in March from 5.3% last month, the highest reading since September 2008, on the back of higher food and transport prices. Accordingly, the Bank of Thailand (BoT) revised its 2022 inflation forecast to 4.9% from 1.7% brought about by energy and commodity price surges. Meanwhile, PMI trekked down to 51.8 in March from a record 52.5 a month ago. Outward and inward shipments continue to post double-digit gains in February by 16.2% to \$23.5-B and 16.8% to \$23.4-B, respectively. This translates to a \$0.1-B trade surplus, the first positive trade balance in three months.

BoT kept its policy rate fixed at 0.5% as the economic recovery remained fragile. The yield curve flattened significantly by 32 bps to 123 bps.

Outlook

While the PH 10-year T-bond yield ended March at 5.894%, it hit 6% on April 8th and hovered around it until the third week of April. The sharp acceleration of local inflation rate to 4% in March from 3% a month earlier and the Fed's 25 bps hike in March, but may raise up to 50 bps if needed in some of the coming FOMC meetings, contributed to this surge.

- By mid-April, U.S. 10-year bond yields had reached 2.90%, more than 110 bps higher since end of February. With the possibility that Fed may raise up to 50 bps if needed in some of the coming meetings, it has penciled Fed Funds rate at 1.90% by yearend from the present 0.25%. That projection means a steady rise in U.S. Treasuries, especially since the inflation rate has kept posting ever new 40-year highs.
- That means that unless PH 10-year yields follow, even at a slower pace, the spread between PH and U.S. yields would narrow to below 300 bps. Low spreads may prove unsustainable as the average spreads have shown an uptrend since 2014 and has reached 357.4 bps in Q1-2022. Thus, it is inevitable that the U.S. increases in interest rates would tend to push local 10-year yields up from early April levels.
- Comfortably perched at 8-year highs, oil prices and their second-round effects on food and other commodities should pull up local inflation to average 4.5% in Q2 and onwards to reach 5% as early as June. The 10-year real yields from 2007-2021 averaged 2.039% (or 2010-2021 at 1.914%) and adding the Q2 inflation average of 4.5% would total a nominal 10-year yield of 6.5% in Q2, which seems still far off. But the release of YoY inflation of 4.5% in April and higher until June would put 6.5% much within sight.
- ROPs spreads may not have a downward bias as these have returned closer to pre-pandemic levels. ROPs may retain attractiveness to local investors as they can provide an upside peso-wise given the currency's depreciation trend.

Table 7 - 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 |
| | | | | | Feb-22 | Mar-22 | | | |
| U.S. | 2.28 | 2.32 | 6.6 | (4.28) | 39 | 4 | (35) | 0.10 | -6.50 |
| PRC | 2.29 | 2.78 | 2.4 | 0.38 | 57 | 49 | (8) | 2.95 | 0.55 |
| Indonesia | 4.38 | 6.75 | 3.6 | 3.15 | 228 | 237 | 9 | 3.50 | -0.10 |
| Malaysia | 2.72 | 3.91 | 2.9 | 1.01 | 126 | 119 | (7) | 1.75 | -1.15 |
| Thailand | 1.11 | 2.34 | 4.9 | (2.56) | 155 | 123 | (32) | 0.50 | -4.40 |
| Philippines | 3.33 | 5.89 | 4.3 | 1.59 | 230 | 256 | 26 | 2.00 | -2.30 |

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

EQUITY MARKETS

MIXED PICTURE IN MARCH, BUT REMAINS POSITIVE FOR YEAR

PSEi saw a volatile March with a southbound bias on heavy foreign net selling but recovered in the last week to end at 7,203.47, a 1.5% month-on-month (MoM) slide, as the prolonged Russia-Ukraine conflict kept commodity prices humming. Four out of the six sectoral indexes turned in a positive outcome as Services and Mining & Oil sectors led the way with gains of 2.1% and 1.7%, respectively. Converge ICT (CNVRG) and International Container and Terminal Services Inc. (ICT) bolstered the Services sector, while Semirara Mining and Power Corporation (SCC) powered Mining & Oil. Foreigners again exited the market with net selling of P10.5-B at the expense of big names.

Outlook: We expect continued sizeable fluctuations in the local stock market until after credible Presidential election results become official, even as foreigners stay out of the market. Meanwhile locals may pounce on stocks that report robust earnings growth for Q1 (YoY and QoQ). We note the ability of some counters like banks (BPI +59.6% YoY, BDO +12.6% YoY), construction related stocks like WLCON (+21.6% YoY), SCC, etc. to meet challenges of war, higher inflation and rising interest rates.

Table 8 - Global Equities Markets Performances

| Global Equities Markets Performances | | | | |
|--------------------------------------|-------------|-------------|--------------------|---------------|
| Region | Country | Index | March M-o-M Change | 2022 % Change |
| Americas | US | DJIA | 2.3% | -4.6% |
| Europe | Germany | DAX | -0.3% | -9.3% |
| | London | FTSE 101 | 0.8% | 1.8% |
| East Asia | Hong Kong | HSI | -3.2% | -6.0% |
| | Shanghai | SSEC | -6.1% | -10.6% |
| Asia-Pacific | Japan | NIKKEI | 4.9% | -3.4% |
| | South Korea | KOSPI | 2.2% | -7.4% |
| | Australia | S&P/ASX 200 | 6.4% | 0.7% |
| Southeast Asia | Indonesia | JCI | 2.7% | 7.4% |
| | Malaysia | KLSE | -1.3% | 1.3% |
| | Thailand | SET | 0.6% | 2.3% |
| | Philippines | PSEi | -1.5% | 1.1% |

Sources: Bloomberg and Yahoo Finance

Figure 18 - PSEi vs DJIA
PSEi vs NFS Correlation Rose to +0.3 in April

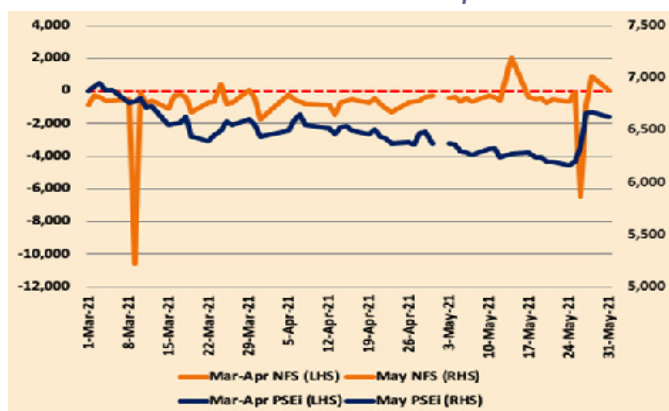


Sources: Wall Street Journal, Bloomberg

The escalation of geopolitical tensions in Europe provided a near-term tailwind for commodity prices, bolstering the strength of Asia-Pacific and Asian commodity-exporter countries and their respective equity markets. Australia's S&P/ASX 200 rose the highest, by +6.4% month-on-month (MoM). Japan followed suit, ending the month with a +4.9% MoM gain. Australian economy stands to benefit from these since it is a large exporter of natural gas, coal, and wheat. A similar trend emerged in other Asian equity markets. Meanwhile, China's SSEC dropped the most by -6.1% MoM and -10.6% year-to-date (YTD). A new Covid-19 variant poses a challenge to the Chinese economy with lockdowns in Shenzhen and parts of Shanghai, economically important cities and will likely disrupt the electronics supply chain. Moreover, the property sector remains in a precarious position, with sales volumes weak and property developers' credit showing signs of stress.

The Dow Jones Industrial Average reversed course in March, as it adjusted to current and future events: continuation of the Russia-Ukraine conflict with some positive signs on peace talks, seven possible policy rate hikes, and unabated inflation. For the month, the index posted a 2.3% gain, after opening the year with back-to-back declines (-3.3% and -3.5%). Volatility decreased, as inflation concerns replaced Covid-19, and then global conflict replaced inflation, with inflation again ahead at month's end. DJIA closed at 34,678.35, down 785.75 points, from from February's close of 33,892.60, a 4.6% YTD fall. Meanwhile, PSEi finished -107.54 MoM points lower to close March at 7,203.47. The correlation between the two indices in March rose mildly to 0.3 from February's 0.2.

Figure 19 - PSEi vs NFS
PSEi vs NFS Posted a +0.6 Correlation in April



Sources: Bloomberg & Yahoo Finance

Table 9 - Monthly Turnover (in Million Php)

| Monthly Turnover (in Million Pesos) | | | | |
|-------------------------------------|-------------------|--------------|------------------------|---------------|
| Sector | Total Turnover | | Average Daily Turnover | |
| | Value | % Change | Value | % Change |
| Financial | 25,065.83 | -8.1% | 1,089.82 | -28.1% |
| Industrial | 40,452.65 | -21.5% | 1,758.81 | -38.5% |
| Holdings | 47,071.97 | 91.5% | 2,046.61 | 49.9% |
| Property | 6,112.62 | 12.1% | 1,570.11 | -12.3% |
| Services | 46,094.50 | 2.8% | 2,004.11 | -19.5% |
| Mining and Oil | 12,511.00 | 152.8% | 543.96 | 97.8% |
| Total | 207,308.56 | 11.8% | 9,013.42 | -12.5% |
| Foreign Buying | 94,649.84 | 27.0% | 4,115.21 | -0.6% |
| Foreign Selling | 105,140.37 | 56.6% | 4,571.32 | 22.6% |
| Net Buying (Selling) | (10,490.53) | -241.5% | (456.11) | -210.8% |

Source of Basic Data: PSE Quotation Reports

Table 10 - Top Foreign Buy in March (in Million Php)

| Top Foreign Buy | |
|------------------------|-----------------|
| Company | Total Value |
| SMPH PM Equity | 1,808.05 |
| ICT PM Equity | 727.92 |
| AREIT PM Equity | 630.45 |
| SCC PM Equity | 386.48 |
| ACEN PM Equity | 364.41 |
| Total Buy Value | 3,917.30 |

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

Volatility during Q1 summarized the main equities index's negative close on March. PSEi ended with a loss of -1.5% MoM adding on to February's -0.7% decrease as investors exited after hopes for a possible Ukraine-Russia peace accord vanished. Other factors influencing the equities trading include very high oil prices, the U.S. February 2022 core personal consumption expenditure (PCE), which grew by 5.4%, slower than the Fed's forecast; and rising U.S. policy rates and 10-year bond yields. All these placed upward pressure on domestic inflation and interest rates making the market unsettled. The correlation between net foreign selling (NFS) and PSEi in March rose to 0.6, from February's -0.2.

PSE trading volume increased by +11.8%, adding on to the previous month's 54% surge. Four of the six sectors landed on the green with the Mining & Oil sector observing the biggest volume gain of +152.8% from 27.3% a month ago. The Holdings (+91.5%) and Services sectors (+12.1%) followed suit. The Industrial and Financial sectors tumbled to the red zone with volume reversals of -21.5% and -8.1%, respectively.

Foreigners fled the market with net foreign selling (NFS) amounting to P10.5-B in March, after the P7.4-B net foreign buying a month ago. The top five favorite stocks (net buying) of foreign investors totaled P3.9-B, with SM Prime Holdings Inc. (P1.8-B) and International Container Terminal Services Inc. (P0.7-B) leading the list. The top five stock (net selling) in March amounted to P7.3-B with SM Investments Corporation (P2.8-B) and Ayala Land Inc. (P1.8-B) in the front row.

Due to rising domestic inflation and interest rates spurred by the continuing European conflict, for sub-indexes of the six sectors of PSEi posted gains in March. The Services and the Mining & Oil sectors, led the sub-indexes on the green, their +2.1% MoM and +1.7% MoM upticks, respectively. The former gained from the planned lowering of Covid-19 restrictions, while the latter benefited from spiraling crude oil and coal prices. Meanwhile, the Property sector recorded the biggest sectoral loss with -6.4% MoM, followed by the Industrial sector's -5.2% fall

The Financial sector gained a +0.3% increment in March, a minor recovery from February's -0.8% contraction with only one of its PSEi-constituent stocks landing on the green.

Table 11 - Top Foreign Sell in March (in Million Php)

| Top Foreign Sell | |
|-------------------------|------------------|
| Company | Total Value |
| SM PM Equity | -2,782.92 |
| ALI PM Equity | -1,793.51 |
| AC PM Equity | -1,070.57 |
| MBT PM Equity | -969.06 |
| GLO PM Equity | -720.32 |
| Total Sell Value | -7,336.36 |

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

Table 12 - Monthly Sectoral Performance

| Monthly Sectoral Performance | | | | | |
|------------------------------|-------------------|----------|----------------|----------|----------|
| Sector | 28-February -2022 | | 31-March -2022 | | 2022 YTD |
| | Index | % Change | Index | % Change | |
| PSEI | 7,311.01 | -0.7% | 7,203.47 | -1.5% | 1.1% |
| Financial | 1,689.88 | -0.8% | 1,694.89 | 0.3% | 5.5% |
| Industrial | 10,341.27 | -4.6% | 9,800.04 | -5.2% | -5.8% |
| Holdings | 6,895.99 | -4.0% | 6,905.12 | 0.1% | 1.4% |
| Property | 3,540.79 | 9.7% | 3,315.15 | -6.4% | 3.0% |
| Services | 1,913.55 | -1.9% | 1,953.33 | 2.1% | -1.7% |
| Mining and Oil | 12,232.74 | 18.9% | 12,440.47 | 1.7% | 29.6% |

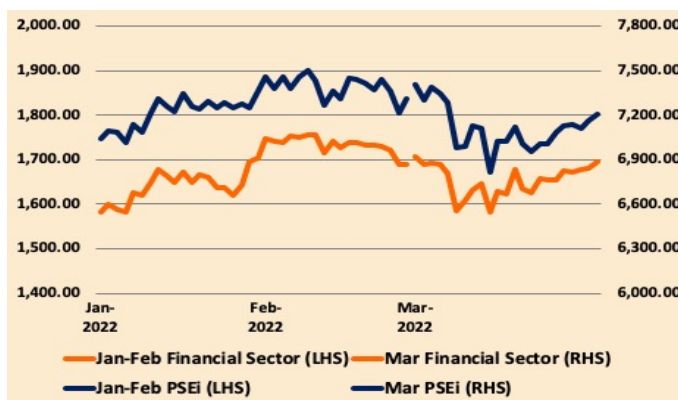
Source of Basic Data: PSE Quotation Reports

Table 13 - Financial Sector Constituent Stocks

| Company | Symbol | 2/28/2022 Close | 3/31/2022 Close | M-o-M % Change | 2022 YTD |
|--------------------------------|--------|-----------------|-----------------|----------------|----------|
| Metrobank | MBT | 57.10 | 57.00 | -0.2% | 2.5% |
| BDO Unibank, Inc. | BDO | 129.20 | 132.70 | 2.7% | 7.0% |
| Bank of the Philippine Islands | BPI | 100.00 | 99.60 | -0.4% | 8.5% |
| Security Bank Corporation | SECB | 116.70 | 109.00 | -6.6% | -1.9% |

Source of Basic Data: PSE Quotation Reports

Figure 20 - Financial Sector Index (Jan 2022 - Mar 2022)
Financial Sector Gained a +0.3% Increment in March



Source of Basic Data: PSE Quotation Reports

BDO Unibank, Inc. (BDO) share prices jumped the most by +2.7%, a reversal from February's -4.3% decline. BDO plans to declare a 20% stock dividend after announcing a major capital increase to rapidly expand its business and make new investments. BDO's board approved the issue of employees' stock options with par value of P4.45-B. Exercise price remains undetermined.

Security Bank Corporation (SECB) share prices led the sectoral decline with a -6.6% MoM loss, slicing part of February's 8.9% gain due to significant net foreign selling at P89.3-M.

Bank of the Philippine Islands (BPI) saw its stock prices slide by -0.4% MoM, breaking its consecutive stock gain from February's 1.9% increase. BPI announced plans to invest some P13.6-B in its new headquarters in Makati City, which is expected to boost economic activity and create jobs in the area.

Metropolitan Bank & Trust Company (MBT) stock prices slightly eased by -0.2% MoM in March, after February's -3.1% loss, also as foreign investors took profit from its recent runup. MBT has earmarked approximately P5.0-B for its capital expenditures this 2022, the bulk of which would go to information technology spending.

The Industrial Sector continued to pull back by -5.2% MoM in March, piling on its -4.6% drop a month ago.

Defying the sub-index's trend, Manila Electric Company (MER) share prices surged by +1.5% MoM, after opening the year with back-to-back upticks (+9.9% and +13.5%). MER's stock rose on continuous anticipation of hikes in energy demand and power rate in H1-2022. A similar trend benefitted Aboitiz Power (AP) as it gained 21.2% YoY despite moving sideways through March as it ended at P36.00/share, like previous month's price.

Universal Robina Corporation (URC) edged up by +0.8% MoM in March, a mild reversal from February's 5.5% loss. URC benefitted from an expected return of consumer spending with pullback in commodities prices.

Pulled down by a net foreign selling of P641.9-M, Jollibee Foods Corporation (JFC) share prices led the sectoral decliners as it contracted by -6.6% MoM in March after its 0.4% increment in February.

Table 14 - Industrial Sector Constituent Stocks

| Company | Symbol | 2/28/2022 Close | 3/31/2022 Close | M-o-M % Change | 2022 YTD |
|------------------------------|--------|-----------------|-----------------|----------------|----------|
| Meralco | MER | 368.00 | 373.60 | 1.5% | 26.6% |
| Aboitiz Power | AP | 36.00 | 36.00 | 0.0% | 21.2% |
| Jollibee Foods Corporation | JFC | 241.00 | 225.00 | -6.6% | 4.0% |
| First Gen Corporation | FGEN | 27.90 | 26.40 | -5.4% | -5.2% |
| Universal Robina Corporation | URC | 120.00 | 121.00 | 0.8% | -5.5% |
| Petron Corporation | PCOR | 3.44 | 3.30 | -4.1% | 4.1% |

Source of Basic Data: PSE Quotation Reports

Figure 21 - Industrial Sector Index (Jan 2022 - Mar 2022)
Industrial Sector Pulled Back by -5.2% in March



Source of Basic Data: PSE Quotation Reports

Table 15- Holdings Sector Constituent Stocks

| Company | Symbol | 2/28/21 Close | 3/31/22 Close | M-o-M % Change | 2022 YTD |
|---------------------------------------|--------|---------------|---------------|----------------|----------|
| Ayala Corporation | AC | 850.00 | 824.00 | -3.1% | -0.8% |
| Metro Pacific Investments Corporation | MPI | 3.86 | 3.80 | -1.6% | -2.6% |
| SM Investments Corporation | SM | 892.00 | 909.00 | 1.9% | -3.6% |
| DMC Holdings, Inc. | DMC | 8.48 | 9.03 | 6.5% | 17.1% |
| Aboitiz Equity Ventures | AEV | 59.90 | 59.50 | -0.7% | 9.3% |
| GT Capital Holdings, Inc. | GTCAP | 578.00 | 552.00 | -4.5% | 2.2% |
| San Miguel Corporation | SMC | 106.20 | 110.00 | 3.6% | -4.3% |
| Alliance Global Group, Inc. | AGI | 12.80 | 12.52 | -2.2% | 6.1% |
| LT Group Inc. | LTG | 9.68 | 8.90 | -8.1% | -10.1% |
| JG Summit Holdings, Inc.. | JGS | 60.30 | 61.30 | 1.7% | 15.7% |

Source of Basic Data: PSE Quotation Reports

First Gen Corporation (FGEN) stock prices continued its fall, this time by -5.4% MoM in March, adding on its 0.4% loss in the previous month. FGEN registered a flat growth in income of P12.4-B in 2021 due to uncertainties ignited by soaring fuel prices in the world market that had impacted the overall operation of its electric generating assets.

Petron Corporation (PCOR) share prices contracted by 4.1% MoM in March, nearly wiping out its 5.5% gain in the previous month. Investors sold ahead of a House of Representatives committee's approval of a bill that seeks to prevent oil companies from raising prices of old stock via changes to the Downstream Oil Industry Deregulation Act of 1998 (R.A. 8479), amid soaring global fuel prices.

The Holdings sector index regained slightly by +0.1% MoM after a 4% contraction in the previous month with only four of its 10 PSEi-constituent firms landing on the green.

Although no longer among the 30-stock PSEi, DMCI Holdings, Inc. (DMC) share prices led the sectoral race with a +6.5% gain in March, after its 0.1% increment a month ago, as the huge upswing in commodity prices boosted the earnings of its coal and nickel mining businesses.

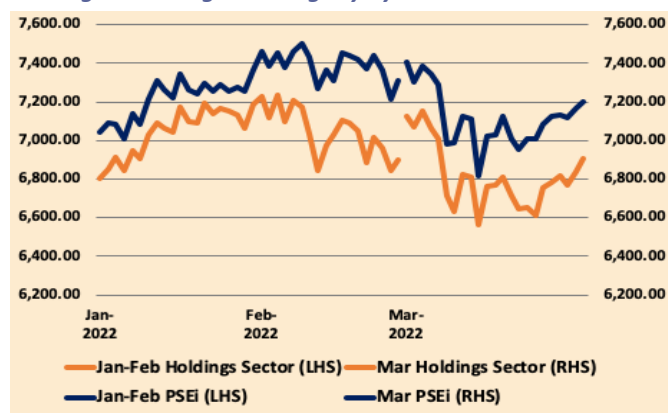
San Miguel Corporation (SMC) stock prices gained a +3.6% MoM increase, a reversal from its 5.6% slump in the previous month. SMC benefitted largely from pass on higher input costs to its consumers.

SM Investments Corporation (SM) share prices returned to positive territory with a +1.9% MoM gain, a mild reversal from its 6% loss in the previous month. SMIC had acquired full control of Allfirst Equity Holdings Inc. for P15.7-B, thus gaining full ownership of the operator of the Tiwi and Makban steam fields in Albay.

JG Summit Holdings Inc. (JGS) share prices also had positive reversal of +1.7% MoM in March, after February's 3.5% loss. JGS reported an improved full-year core income of P3.5-B in 2021 on the back of its property arm and larger contributions from its core investments.

Leading the sub-index's decline, LT Group, Inc. (LTG) share prices slumped by -8.1% MoM in March, continuing its 3.2% drop in the previous month.

Figure 22 - Holdings Sector Index (Jan 2022 - Mar 2022)
Holdings Sector Regained Slightly by +0.1% in March



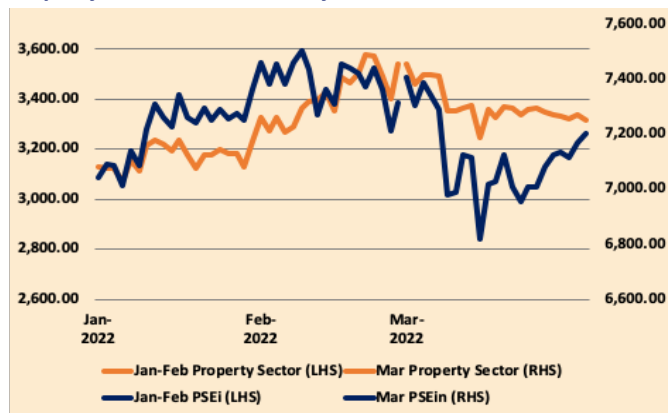
Source of Basic Data: PSE Quotation Reports

Table 16 - Property Sector Constituent Stocks

| Company | Symbol | 2/28/22 Close | 3/31/22 Close | M-o-M % Change | 2022 YTD |
|----------------------------|--------|---------------|---------------|----------------|----------|
| Ayala Land, Inc. | ALI | 39.00 | 35.05 | -10.1% | -4.5% |
| SM Prime Holdings, Inc. | SMPH | 39.80 | 37.85 | -4.9% | 11.7% |
| Robinsons Land Corporation | RLC | 19.22 | 20.50 | 6.7% | 6.8% |
| Megaworld Corporation | MEG | 3.20 | 3.01 | -5.9% | -4.4% |

Source of Basic Data: PSE Quotation Reports

Figure 23 - Property Sector Index (Jan 2022 - Mar 2022)
Property Sector Contracted by -6.4% in March



Source of Basic Data: PSE Quotation Reports

LTG reported a weaker full year attributable profit in 2021, with reported net income of P20.3-B, down 3.7% YoY from P21.0-B in 2020.

Ayala Corporation (AC) share prices continued to retreat by -3.1% MoM in March, adding on its 2.3% loss in the previous month. Investors most likely retreated after AC signed a deal with the Villar Group for the sale of its 100% ownership stake in the MCX Project Company Inc. (MCXPCI)—the special purpose corporation that holds the concession assets, rights, and obligations for the Muntinlupa-Cavite Expressway Project.

GT Capital Holdings (GTCAP) share prices slumped by -4.5% MoM in March after its 1.4% increment in the previous month, as it got affected by the net foreign selling in its banking subsidiary. Nonetheless, its subsidiary, Toyota remains as the market leader in the auto industry with 129,667 units sold in 2021, up by 30% YoY.

The Property sector led the sectoral decliners as it contracted by -6.4% MoM in March, after opening the year with back-to-back gains (0.2% and 9.7%). Investors likely shunned property firms as the government required business processing outsourcing (BPO) firms to get back 100% of their workforce to return to on-site work by April 1 or risk losing their tax breaks. The government had denied their request to extend remote-work arrangements, as lower Covid-19 infections lead to looser mobility restrictions, which it later modified in April.

Robinsons Land Corporation (RLC) led the sectoral gainers with share prices moving up by +6.7% MoM in March after rebounding 5% a month ago. RLC had completed several of its large projects in Metro Manila and also after it inked a partnership agreement once again with Lamudi (real estate platform).

SM Prime Holdings (SMPH) stocks shed -4.9% in value MoM in March after skyrocketing by 13.4% a month ago. Despite the loss, SMPH still hailed as the stock with largest net foreign buying in March amounting to P1.8-B.

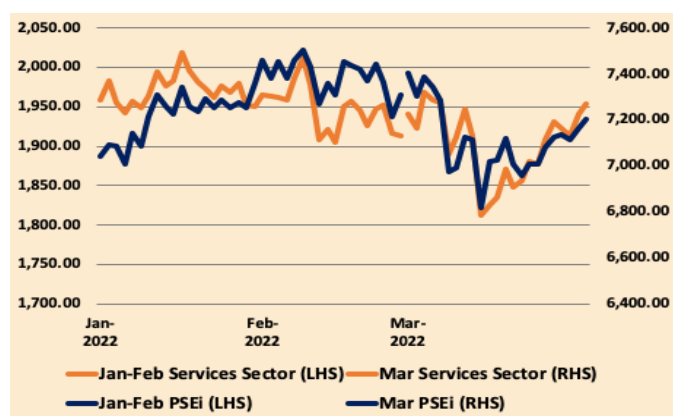
Ayala Land, Inc. (ALI) share prices led the sectoral decliners as it contracted by -10.1% MoM erasing February's 8.6% recovery. ALI ranked the second most traded stock in March in terms of value with net foreign selling at P1.8-B. ALI plans to raise up to P12.0-B from the issuance of bonds to fund its capital expenditures this year as well as refinance some of its maturing obligations.

Table 17 - Services Sector Constituent Stocks

| Company | Symbol | 2/28/2022 Close | 3/31/2022 Close | M-o-M % Change | 2022 YTD |
|---|--------|-----------------|-----------------|----------------|----------|
| Philippine Long Distance Telephone Co. | TEL | 1,799.00 | 1,850.00 | 2.8% | 2.1% |
| Globe Telecom | GLO | 2,568.00 | 2,540.00 | -1.1% | -23.5% |
| Converge ICT Solutions, Inc. | CNVRG | 26.00 | 30.20 | 16.2% | -5.3% |
| Puregold Price Club Inc. | PGOLD | 35.15 | 35.75 | 1.7% | -9.0% |
| International Container Terminal Services, Inc. | ICT | 210.60 | 224.80 | 6.7% | 12.4% |

Source of Basic Data: PSE Quotation Reports

Figure 24 - Services Sector Index (Jan 2022 - Mar 2022)
Services Sector Inched Up by 2.1% in March



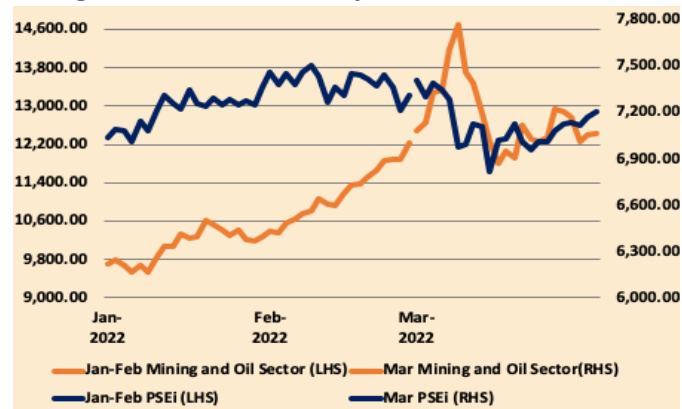
Source of Basic Data: PSE Quotation Reports

Table 18 - Mining and Oil Sector Constituent Stock

| Company | Symbol | 2/28/2022 Close | 3/31/2022 Close | M-o-M % Change | 2022 YTD |
|---------------------------------------|--------|-----------------|-----------------|----------------|----------|
| Semirara Mining and Power Corporation | SCC | 27.70 | 30.70 | 10.8% | 43.8% |

Source of Basic Data: PSE Quotation Reports

Figure 25 - Mining & Oil Sector Index (Jan 2022 - Mar 2022)
Mining & Oil Sector Increased by +1.7% in March



Source of Basic Data: PSE Quotation Reports

The Services sector hailed as best-sectoral performer with a +2.1% MoM gain in March, a reversal from February's 1.9% dip.

Converge ICT Solutions, Inc. (CNVRG) grabbed the top spot in March within the sector with a +16.2% MoM jump, nearly wiping out its -15.2% pullback a month ago. Investors accumulated CNVRG shares on the back of better revenue performance and the anticipated entry of Elon Musk's Space Exploration Technologies Corporation (SpaceX) in the Philippine market. This brought CNVRG as one of the most actively traded stock in terms of value in March with its NFB amounting to P0.2-B.

International Container Terminal Services, Inc. (ICT) stock prices rose by +6.7% MoM in March adding on its +5.3% gain in the previous month. Partly driven by NFB amounting to P0.7-B in March, ICT emerged as the second most actively traded stock. ICT reported plans to invest P15.0-B to expand the capacity of its flagship port in Manila as rising global trade boosted ICTSI's profit last year to an all-time high.

Philippine Long Distance Telephone Company (TEL) stock prices gained by +2.8% MoM in March rebounding from its 1.9% tumble a month ago. PLDT Home exceeded its 2021 objectives. PLDT Home reported that it reached more than half of the country's projected 25-M households, as well as connect an additional 1.1-M new Fiber users, exceeding its objective by 10%.

Globe Telecom (GLO) share prices continued to lead sectoral loss with a -1.1% drop adding on to its -17.4% plunge a month ago. GLO continues to struggle after a strong tropical cyclone toppled cell sites in the Visayas, mostly in Cebu, and compromised main lines and secondary backup lines in Bacolod and Bohol.

The Mining & Oil sector added another +1.7% MoM gain to its 18.9% increase in February. Powering the sector's uptick, Semirara Mining and Power Corporation (SCC) share prices gained by +10.8% MoM after its 10.6% leap in the previous month. Coal prices went below \$300.00/ton as demand in China eased due to a surge in a new Covid-19 variant cases in Shanghai. Nonetheless, SCC continues to benefit from coal prices that have almost doubled since the beginning of 2022, fueled by supply constraints in the energy market due to the Russia-Ukraine war, floods in Australia, and a partial ban of exports from Indonesia. All these and large net foreign buying at P386.5-M boosted SCC stocks.

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)

| | 2020 | | 2021 | | Jan-2022 | | | Dec-2021 | | |
|-------------------------------------|------------|-------------|-------------|-------------|----------|--------------|-------------|-----------|--------------|-------------|
| | Levels | Growth Rate | Levels | Growth Rate | Levels | Monthly G.R. | Annual G.R. | Levels | Monthly G.R. | Annual G.R. |
| Revenues | 2,855,959 | 0.2% | 3,005,539 | 0.2% | 278,075 | 20.2% | 6.7% | 212,402 | -23.6% | -3.3% |
| Tax | 2,504,421 | -2.4% | 2,739,350 | -2.4% | 255,294 | 14.3% | 10.5% | 197,805 | -22.5% | -2.7% |
| BIR | 1,951,023 | 0.0% | 2,078,108 | 0.0% | 195,775 | 20.6% | 7.5% | 136,607 | -30.2% | -11.4% |
| BoC | 537,687 | -9.3% | 643,563 | -9.3% | 58,346 | -3.2% | 23.4% | 59,433 | 1.9% | 26.0% |
| Others | 15,711 | -24.7% | 18,157 | -24.7% | 1,173 | 40.0% | -27.7% | 1,765 | 50.5% | -9.8% |
| Non-Tax | 351,412 | 23.6% | 265,357 | 23.6% | 22,779 | 190.6% | -23.3% | 14,538 | -36.2% | -10.2% |
| Expenditures | 4,227,406 | 24.0% | 4,675,639 | 10.6% | 301,457 | -47.0% | 9.7% | 318,202 | 5.6% | -5.2% |
| Allotment to LGUs | 804,546 | 39.8% | 892,698 | 39.8% | 79,922 | -17.3% | 24.6% | 93,367 | 16.8% | 29.2% |
| Interest Payments | 380,412 | 8.9% | 429,432 | 8.9% | 65,551 | 139.9% | 39.4% | 28,230 | -56.9% | -9.4% |
| Overall Surplus (or Deficit) | -1,371,447 | 145.7% | (1,670,100) | 145.7% | (23,382) | -93.1% | 66.3% | (105,800) | 352.5% | -8.8% |

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 | | 3rd Quarter 2021 | | 4th 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% | -13,231 | 220.9% | -15,533 | 247.3% |
| Balance of Goods | -49,313 | -3.3% | -31,840 | -35.0% | -13,766 | 75.8% | -16,533 | 97.5% |
| Exports of Goods | 53,475 | 2.9% | 47,411 | -11.0% | 14,286 | 9.3% | 13,799 | 1.2% |
| Import of Goods | 102,788 | -0.2% | 79,250 | -23.0% | 28,052 | 34.2% | 30,332 | 37.8% |
| Balance of Services | 12,890 | 11.0% | 13,005 | 1.0% | 3,967 | 7.1% | 3,751 | -3.7% |
| Exports of Services | 41,030 | 6.9% | 31,331 | -24.0% | 3,240 | -59.6% | 3,049 | -63.2% |
| Import of Services | 28,140 | 5.0% | 18,326 | -35.0% | 2,705 | -37.3% | 2,049 | -53.2% |
| Current Transfers & Others | | | | | | | | |
| II. CAPITAL AND FINANCIAL ACCOUNT | | | | | | | | |
| Capital Account | 85 | 30.9% | 50 | -42.0% | 20 | 9.8% | 24 | 19.3% |
| Financial Account | -7,260 | -22.20% | -4,406 | -39.0% | -2,746 | 135.1% | -4,973 | -23.5% |
| Direct Investments | -4,376 | -25.0% | -2,843 | -35.0% | -2,357 | 152.1% | -2,138 | 657.0% |
| Portfolio Investments | -3,486 | -340.8% | 454 | -113.0% | 953 | -38.1% | 161 | -106.3% |
| Financial Derivatives | -173 | 223.7% | -239 | 38.0% | -165 | 177.6% | -195 | 128.9% |
| Other Investments | 775 | -115.8% | -1,779 | -330.0% | -1,177 | -31.4% | -2,801 | -22.1% |
| III. NET UNCLASSIFIED ITEMS | 3,884 | -237.4% | -1,369 | -135.0% | 26 | -101.0% | 965 | -162.2% |
| OVERALL BOP POSITION | 7,843 | -440.2% | 16,022 | 104.0% | 1,274 | -54.0% | 2,009 | -54.0% |
| Use of Fund Credits | | | | | | | | |
| Short-Term | | | | | | | | |
| Memo Items | | | | | | | | |
| Change in Commercial Banks | 1,621 | -450.2% | 7,722 | 377.0% | 2,630 | -22.7% | -2,255 | -21.3% |
| Net Foreign Assets | 1,589 | -433.7% | 7,674 | 383.0% | 2,589 | -24.4% | -2,286 | -20.2% |
| 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)

| | 2021 | | Jan-2022 | | Feb-2022 | |
|--------------------------------------|----------------|--------------|----------------|-------------|----------------|-------------|
| | Average Levels | Annual G. R. | Average Levels | Annual G.R. | Average Levels | Annual G.R. |
| RESERVE MONEY | 3,303,261 | 8.8% | 3,448,885 | 5.7% | 3,431,219 | 6.1% |
| Sources: | | | | | | |
| Net Foreign Asset of the BSP | 6,296,263 | 39.5% | 6,443,572 | 6.2% | 6,533,390 | 6.5% |
| Net Domestic Asset of the BSP | 14,211,531 | 26.7% | 15,103,534 | 9.7% | 14,996,765 | 8.9% |
| MONEY SUPPLY MEASURES AND COMPONENTS | | | | | | |
| Money Supply-1 | 5,659,905 | 52.6% | 6,161,087 | 14.7% | 6,188,091 | 15.1% |
| Money Supply-2 | 13,795,976 | 30.2% | 14,770,296 | 10.9% | 14,532,051 | 9.1% |
| Money Supply-3 | 14,432,021 | 30.4% | 15,317,301 | 9.8% | 15,165,379 | 8.6% |
| MONEY MULTIPLIER (M2/RM) | 4.18 | | 4.28 | | 4.24 | |

Source: Bangko Sentral ng Pilipinas (BSP)

CONTRIBUTORS

| | |
|-------------------------|--------------------------|
| Jose Patricio A. Dumlao | President, FMIC |
| Dr. Victor A. Abola | Senior Economist, UA&P |
| Michaela Nicole Meriño | Research Assistant, UA&P |
| Dana Louise Geronimo | Research Assistant, UA&P |

Views expressed in this newsletter are solely the responsibilities of the authors and do not represent any position held by the FMIC and UA&P.

