October 2021

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

Huge foreign direct investments appear to anticipate the local stock market rally. In September, Japan's largest power generator bought 27% stake in Aboitiz Power (AP) for some $1.58-B. KKR paid some $175.0-M to raise its holdings in FGEN. Earlier in the year, we saw large participation in the IPOs of Monde Nissin (largest ever IPO) and Converge (a telco), likely in excess of $1.0-B. PSEi broke through the major resistance of 7,000 by early October and has stayed there with large volumes. Since the stock market is a leading economic indicator, this may provide additional support to the most recent data which suggest a relatively robust Q3 GDP growth. After all, the Manufacturing sector posted extra strong performance in the last three months to August, while exports and capital goods also accelerated their growth pace in August. The former continued to create jobs which totaled 2.6-M for the entire economy in August. Despite 7-year highs in crude oil prices, we should see headline inflation below 4% by December, which should lead to improved consumer confidence.

Bonds Market

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Yields of domestic 10-year tenors exhibited an upward momentum in September on the back of inflation accelerating to a 32-month high of 4.9% in August and Fed's signal to rein in its asset purchases. However, steady demand remained at the short end of the curve. Moving forward, local 10-year bond yields will continue to stay inflated as the market mulls over BTr's decision to award long-dated securities at higher yields (likely in anticipation of the election spending in Q4-2021 and Q1-2022) and a possible tapering of Fed asset purchases to kick off in November.

● Fed's signal to taper its bond purchases later in the year sent the U.S. 10-year Treasuries to a 3-month high of 1.55%.● BTr amassed $1.6-B from its maiden Onshore Retail Dollar bonds (RDB) in September. ● Despite tremendous offerings, total tender-offer ratio stood at 2.465x, higher than 2.254x last month. ● Total trading in the secondary market waned by -9.1% with the back end of the curve rising as high as 42.8 bps. ● Supply pressure on long tenors, inflation concerns, and dampened market sentiment due to rejected TAP facilities steepened the yield curve by 24.8 bps ● Corporate trading volume rallied by 41.3% in September. ● ROPs spread over U.S. Treasury expanded ranging from 7.5 bps to 15.6 bps and should widen in the near-term as the trade deficit settle above $3.0-B.

Macroeconomy

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Foreign direct investment was boosted by large inflows. Despite Metro Manila+'s tighter lockdown in July-August, new economic data paint a brighter outlook for GDP in Q3 than earlier projected. The Manufacturing sector's sterling performance in August capped a three-month run with an average monthly YoY growth of 509.3% and PMI above-50 in September to boot. Exports and capital goods imports likewise accelerated in August to provide support. The month also saw 2.6-M more jobs which brought total labor employed 11% higher than the level in October 2020. While crude oil prices raced higher to levels last seen seven years ago, we think these will taper off before the end of the year and enable YoY inflation to fall below 4% by December.

● Manufacturing output had another outsized +536.2% expansion in August, and added 169,000 jobs for the month ● Total employed reached 44.2-M in August, a gain of 2.6-M from July, and exceeded October 2020 level by 11% ● National Government spending surged by 34.2% in August, second fastest in 2021. ● Exports stayed on its double-digit growth pace with 17.2% uptick also in August ● Money (M3) growth speeded up by 6.9% in August as bank lending returned to the green after eight months in the red.

Equities Market

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PSEi continued its upswing in September, closing at 6,952.88. Local investors proved more optimistic as they remain unfazed by the inflation and interest rate jitters abroad. With PSEi breaking through the major resistance of 7,000 by October, the local equities market appears to have entered a new bull market. However, a more robust economic recovery starting Q4 should support the uptrend. Thus, we think the year's high will come sooner, exceeding last year's 7,139.71. The positive factors include: (1) expectation that headline inflation will fall below 4% by December, (2) BSP will not raise policy rates, (3) earnings growth have exceeded expectations and should continue for the full year, and (4) the slow uptick in foreign interest rates will not disrupt markets.

● Four out of the six sectors sustained PSEi in positive territory, causing it to gain 1.4% in September. ● Services sector continued to record the biggest gain with +9.1% MoM led by Converge ICT Solutions, Inc. ● The Property sector decelerated to a -2.3% MoM pace in September from August's +5.5%. ● PSE trading volume in September 2021 skyrocketed to 44.4% continuing August's 13.9% soar. ● Net foreign buying reached P0.7-B in September, adding on August's 1.6-B.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2021)	2019 (year-end)	2020 (year-end)
GDP Growth (Q2-2021)	11.8%	-3.9%	4.0%	6.0%	-9.6%
Inflation Rate (Sept)	4.8%	4.9%	4.5%	2.5%	2.6%
Government Spending (July)	26.7%	23.3%	24.0%	11.4%	11.3%
Gross International Reserves ($B) (Sept)	107.2	108.0	106.8	87.8	96.5
PHP/USD rate (Sept)	50.14	50.23	48.88	51.80	49.63
10-year T-bond yield (end-September YTD)	4.68	4.15	3.94	4.48%	3.52%

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

ROBUST MANUFACTURING SECTOR AND JOB NUMBERS MAY BRING ECONOMY BACK ON TRACK

The Manufacturing sector's output continued its robust run in August as it zoomed up by 536.4% only slightly slower than in July, as it also boosted job gains helping the economy take back 2.6-M workers to active mode. Manufacturing PMI showed expansion (50.6) in September, the highest in six months. Both exports and capital goods imports accelerated in August to 17.9% and 17.6% YoY pace, respectively. Even more National Government spending also soared by 34.2% for the same month.

Outlook: The most recent economic data suggest Q3 GDP growth should dispel some of the pessimism after the imposition of stricter lockdown of Metro Manila+ in July-August. We do not expect this, however, to come close to the 11.8% uptick in Q2 as the job gains in the Services sector remained tepid, and insufficient to cover the losses in July. Inflation should remain elevated in October-November, but we still expect it to fall below 4% by December especially as crude oil prices steady or decline and 2020's last two months showed unusually high price upticks.

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

			MoM Change	
	July 2021P	Aug 2021P	Levels	% Change
Labor Force	**44,740**	**48,116**	**3,375**	**7.5%**
Employed	**41,667**	**44,234**	**2,567**	**6.2%**
Underemployed	**8,692**	**6,482**	**-2,210**	**-25.4%**
Underemployment Rate	**20.9**	**14.7**	**-6.7**	**-**
Unemployed	**3,073**	**3,882**	**-691**	**-18.4%**
Unemployment Rate	**6.9**	**8.1**	**1.2**	
Labor Participation Rate	**59.8**	**63.6**	**3.8**	
Not in Labor Force	**30,064**	**27,494**	**-2,570**	**-8.5%**
Agriculture	**9,188**	**11,096**	**1,909**	**-16.0%**
Industry	**8,341**	**8,374**	**33**	**0.4%**
Mining and Quarrying	196	214	18	9.4%
Manufacturing	3,539	3,708	169	4.8%
Electricity, Gas, Steam, and Air-Conditioning Supply	86	59	-27	-31.1%
Water Supply, Sewerage, etc.	79	35	-44	-55.4%
Construction	4,442	4,357	-85	-1.9%
Services Selected Summary	**24,138**	**24,764**	**626**	**2.6%**
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	8,512	9,504	992	11.7%
Transportation and Storage	2,960	3,059	99	3.3%
Accommodation and Food Services Activities	1,418	1,430	12	0.8%
Information and Communication	453	494	41	9.0%
Financial and Insurance Services	671	608	-63	-9.4%
Professional, Scientific, and Technical Activities	435	212	-17	-7.4%
Administrative and Support Services Activities	1,997	325	-110	-25.3%
Public Administration and Defense; Compulsory Social Security	2,612	1,814	-183	-9.2%
Human Health and Social Work Activities	657	1,177	-238	-16.8%
Other Service Activities	2,454	574	-83	-12.6%

Source of Basic Data: Philippine Statistics Authority (PSA)

Big Inflows Drive Foreign Direct Investments

Japan's largest power generator bought a 27% stake in Aboitiz Power (AP) from parent Aboitiz Equity Ventures, Inc. (AEV) for some $1.58-B in September 2021. A month earlier KKR, a huge U.S. investment firm, brought in some $175.0-M to raise its holdings in First Generation Corporation (FGEN) to 19.9%.

The above foreign investments have not yet been included in the $5.6-B January-July 2021 net foreign direct investments recorded by the Bangko Sentral ng Pilipinas (BSP). The latter, when annualized approximates the record level of $9.9-B achieved in 2018.

The BSP data, however, would likely have included earlier inflows from Sumitomo Mitsui Financial Group., Inc. which put in $90.0-M into Rizal Commercial Banking Corporation (RCBC) in June, Bow Wave Capital Management LP's $175.0-M investment into Globe Fintech Innovation, Inc. in January. Earlier in 2021, with undisclosed amounts, GIC Pte Ltd. took a chunk of AC Energy Corporation (January), while CVC Advisers Ltd. Invested in Landers Superstore (March).

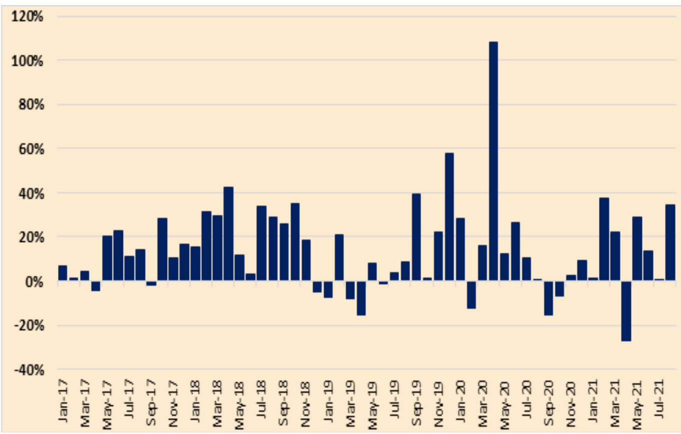
BSP would have also accounted for the large foreign participation in the P55.9-B Monde Nissin initial public offering (IPO), the country's largest IPO issue listed on June 1, as well as in Converge, a fast-rising telecommunications player.

Economy Adds 2.6-M Jobs in August

With the gradual reopening of Metro Manila+, the economy added 2.6-M jobs in August, recovering 75% of the 3.4-M jobs lost in July, even as the Manufacturing sector posted faster gains. The Agriculture sector

VoPI sustained its three-digit pace of acceleration at 534.6% YoY in August 2021. Expansions in 16 out of 22 industry categories sustained the momentum.

Figure 1 - NG Expenditures Growth Rate, Year-onYear
NG Spending Soared by 34.2% in August



Source of Basic Data: Bureau of the Treasury (BTr)

NG total disbursement surged by 34.2% to P380.2-B in August, the second-highest growth registered in 2021.

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

Inflation Year-on-Year Growth Rates	Aug 2021	Sept 2021	YTD
All items	4.9%	4.8%	4.5%
Food and Non-Alcoholic Beverages	6.5%	6.2%	5.6%
Alcoholic Beverages and Tobacco	10.3%	10.5%	11.3%
Clothing and Footwear	1.8%	1.9%	1.7%
Housing Fuel, Light, Water, Gas & Other Fuels	3.1%	3.8%	2%
Transport	7.2%	5.2%	10.5%
Restaurants, Misc. Goods and Services	3.9%	3.9%	3.5%

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)

contributed most to the increase with 1.9-M jobs, while the Services sector also took in some 0.6-M back into their workforce. All told, the number of employed persons has exceeded October 2020 levels by 1.6-M.

Despite the overall job gains, unemployment rate went up by 1.2% percentage points to 8.1% as 2.6-M returned to the labor force. On a positive note, underemployment rate fell by 6.7 percentage points to a “more normal” 14.7%.

Although the Industry sector called in only some 33,000 back to work, the Manufacturing sub-sector added 169,000 people to its payroll and resulted also in the highest contribution to the Industry sector from October 2020 with a cumulative 680,000 workers harnessed. This dwarfed the 383,000 new jobs in the Construction sub-sector for the same period, as Construction shed 85,000 jobs in August. Mining added 18,000 jobs in August but held third place in job creation from October 2020 with 59,000 incorporated as firms responded to higher copper and nickel prices.

With food products exempted from quarantine measures, being classified as “essentials”, 1.9-M returned to the Agriculture sector both for subsistence and extra cash.

The Services sector opened its doors to 626,000 to bring its total jobs 2.6% higher than in July. Wholesale & retail trade and Transport & Storage contributed 992,000 and 99,000 jobs, respectively, but the significant drops in six out of the eleven subsectors lessened their impact. Human health & social activities (-238,000), Public administration & defense (-183,000) and Administrative & support activities (-110,000) led the job losers.

Finally, a shift to self-employment and family businesses became apparent as their share in total employment rose to 36.1% from 30.0% at the same that wage and salaried workers’ share slipped to 61.6% from 67.1%.

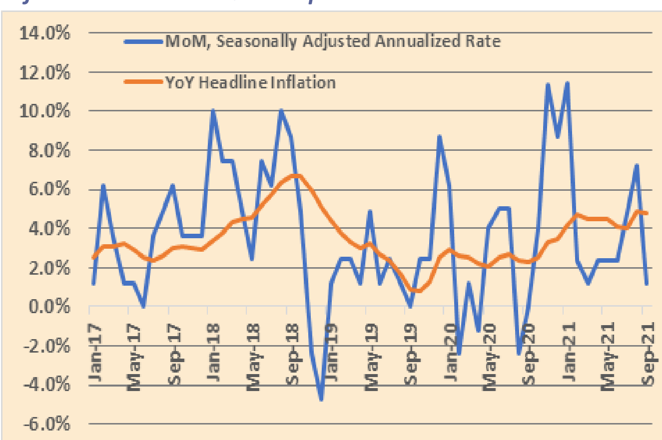
Industrial Output Gains Remain Super-charged

Volume of Production Index (VoPI) sustained its three-digit pace of acceleration at 534.6% year-on-year (YoY) in August 2021, a tad slower than the 539.7% increase a month earlier. Expansions in 16 out of 22 industry categories, one of which recorded a four-digit increase, sustained the momentum.

Manufacture of coke and refined petroleum grew the fastest by 3,800.9%. Manufacture of fabricated metal products, except machinery and equipment (+194.2%), and manufacture of wood, bamboo, cane, rattan articles

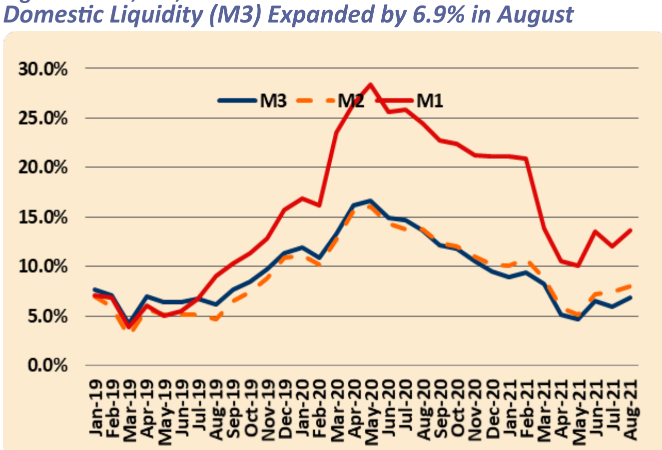
September inflation print of 4.8% from 4.9% in August happily surprised analysts who expected it to rise to 5% or higher.

Figure 2 - Inflation Rates, Year-on-Year
Inflation Slows to 4.8% in September



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 3 - M1, M2, M3 Growth Rates
Domestic Liquidity (M3) Expanded by 6.9% in August



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

and related products (+94.90%) contributed to the outperformance. In the negative side, manufacture of tobacco products led this month's losers with -53.8% YoY decrease followed by manufacture of chemical and chemical products with a -25.5% loss YoY.

The Manufacturing sector looks poised to lead Q3 gains as we have seen employment increases in July and August. Besides, IHS Markit Philippines Manufacturing PMI for September climbed to a six-month high of 50.9 from 46.4 a month earlier. However, lingering global supply shortages and with longer delivery times constitute the main challenges for the sector.

August NG Spending Surges by 34.2%, the Second Fastest in 2021

The National Government (NG) total disbursement surged by 34.2% to P380.2-B in August, the second-highest growth registered in 2021 (after February's 37.3%). Covid-19 funding requirements provided the big boost which included the financial assistance to households affected by the implementation of enhanced community quarantine (ECQ).

Similarly, the budget deficit jumped by a muscular 201.5% to P120.9-B, more than 3x the amount from P40.1-B last year as expenditures beat revenue's performance. This brings the year-to-date (YTD) deficits to P958.2-B, 29.4% higher from a year ago. However, it is still way far off (only 51.5%) from its scintillating goal of P1.9-T for 2021.

Revenues grew by 6.6% YoY to P259.3-B in August and its YTD reached P2.0-T, or some 70% of the P2.9-T revised goal with 3.3% of 2021 still left. On that note, revenues of Bureau of the Treasury (BTr) have already exceeded the original program of P74.7-B by 33.8%, owing to robust dividend collections and income from Bangko Sental ng Pilipinas (BSP) investments and government deposits. It collected P4.7-B in August, an outstanding 123.8% YoY increase.

The tax collecting agencies had mixed performances. The Bureau of Customs (BOC) pulled in 20.2% more YoY to reach P53.3-B, boosted by higher petroleum product prices and weaker exchange rate. The Bureau of Internal Revenue (BIR), conversely, showed a -1% drop in tax take to P186.1-B. However, both are likely to reach their full years targets, as BOC only needs to collect P51.1-B more, while the BIR needs to rake in an additional P692.4-B in the last four months to meet their goals. BIR's average monthly revenues just about equals the balance, while BOC's one month's collection average already equals its

From a year ago,
M3 expanded by 6.9%,
M2 by 8%, and M1 by 13.6%.

Table 3 - Exports Year-on-Year Growth Rates

Exports Year-on-Year Growth Rates	Jul-21	Aug-21	YTD
Total Exports	**12.7**	**17.9%**	**19.6%**
Agro-Based Products	**13.9**	**11.1%**	**0.1%**
Mineral Products, of which	**25.1**	**43.0%**	**17.1%**
Copper cathodes	84.6	162.5%	65.1%
Gold	6.2	30.2%	30.5%
Manufactured Goods	**11.6**	**16.4%**	**22.0**
Electronic Products	10.1	16.5%	17.1
Other Electronics	26.2	33.3%	47.8%
Chemicals	10.3	9.0%	45.8
Machinery and Transport Equipment	-5.4	**0.8%**	12.6
Processed Food and Beverages	15.3	**10.5%**	27.2
Others	24.8	22.7%	39.4

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 4 - Export Growth Rates, Year-on-Year
Exports Advanced by 17.6% in August

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

The biggest chunk of the total spending (94%) went to primary expenditure (excluding interest payments) which stood at P356.3-B, 36.6% higher than last year, likely driven by infrastructure spending. Likewise, interest payments advanced mildly at 6.1% to P23.9-B despite coupon payments for the Retail Treasury Bonds (RTB) issued in 2020.

Inflation Slows to 4.8% in September, Better-than-expected

September inflation print of 4.8% from 4.9% in August happily surprised analysts who expected it to rise to 5% or higher. Lower food prices softened the impact of higher fuel prices. Stable prices of heavy weighted rice prices, combined with the slight easing of elevated meat, fish and fruits, more than offset the minor gains in vegetable prices.

Transport prices eased to 5.2% YoY from 7.2% a month earlier, despite the 80%+ YoY jump in crude oil prices abroad. West Texas Intermediate (WTI, U.S. benchmark) averaged $71.65/barrel while Brent (EU benchmark) reached a mean of $74.49/barrel, resulting in hefty 5.8% and 5.3% MoM surges. Since local petroleum companies adjust their prices with an average two-week lag, the big impact will show in October, when prices continued to spiral.

Seasonally adjusted inflation rate dropped to 0.1% month-on-month (MoM) from 0.6% a month earlier, resulting in annualized rates (SAAR) of 1.2% from 7.4% in August.

Elevated crude oil prices, notwithstanding, we still think headline inflation will fall below 4% by December and remain there in 2022, since we saw huge upticks in November and December 2020.

M3 Expands at Faster Pace of 6.9% in August, as Bank Lending Turns Positive

Domestic liquidity (M3) expanded faster by 6.9% YoY than the 5.9% growth recorded a month ago. On a MoM seasonally adjusted basis, M3 grew by 1.2%. Narrow money (M1) increased 13.6% YoY, faster than the 12% growth in the previous month. Broad money (M2) rose marginally by 8% YoY to P13.8-T, faster than the 7.4% pace a month earlier.

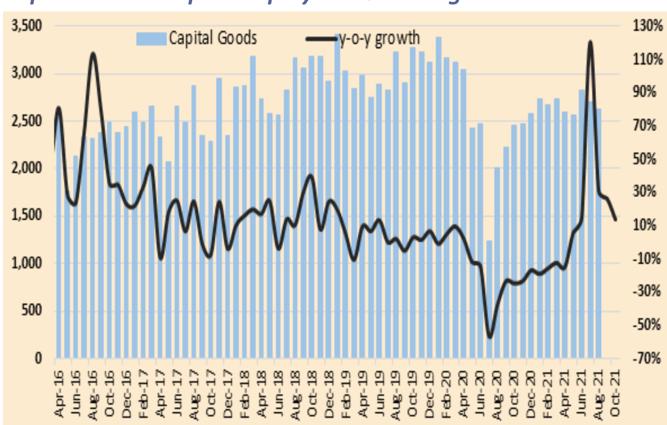
Net foreign assets (NFA) in peso terms rose by 9.7% YoY in August from 11.6% in July. The rise in the Bangko Sentral ng Pilipinas' (BSP) NFA position reflected the country's gross international reserves. The NFA of banks declined as banks' foreign liabilities rose due to higher deposits

Table 4 - Imports Year-on-Year Growth Rates

Imports Year-on-Year Growth Rates	Jul-21	Aug-21	YTD
Total Imports	**24.0%**	**30.8%**	**31.1%**
Capital Goods	**13.6%**	**17.6%**	**24.0%**
Power Generating and Specialized Machines	4.1	27.5	16.8
Office and EDP Machines	20.5	17.8	41.2
Telecommunication Equipment and Electrical Machines	6.7	13.3	23.3
Land Transport Equipment excluding Passenger Cars and Motorized cycle	87.1	42.6	38.4
Aircraft, Ships and Boats	78.3	-53.7	-9.4
Prof.Sci.and Cont. Inst., Photographic Equipment and Optical Goods	25.7	38.4	31.7
Raw Materials and Intermediate Goods	**20.7%**	**34.6%**	**31.1**
Mineral Fuels, Lubricant and Related Materials	**84.9%**	**116.2%**	**65.0**
Consumer Goods	**15.3%**	**8.9%**	**26.8**

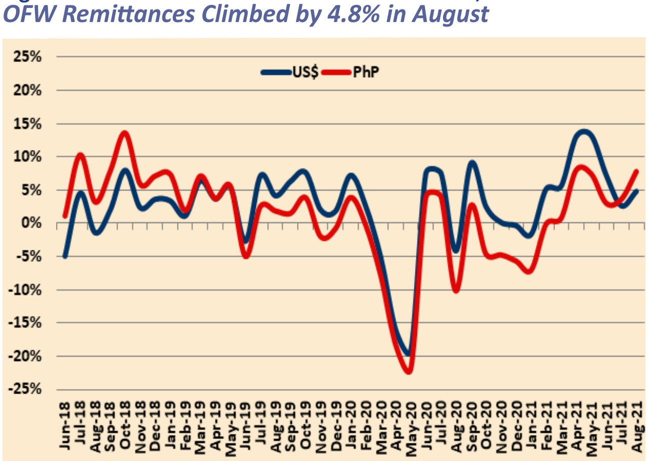
Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 5 - Capital Goods Growth Rates, Year-on-Year
Capital Goods Imports Up by 17.6% in August



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 6 - Dollar-Peso Remittances Growth Rates, Year-on-Year
OFW Remittances Climbed by 4.8% in August



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

and placements made by foreign banks with their local branches.

Bank lending in August increased by 1.3% YoY following the -0.7% decline in the previous month. On a MoM seasonally adjusted basis, outstanding universal and commercial bank loans increased by 1.1%. This is the first expansion in bank lending after eight consecutive months of contractions.

Lending for production activities grew by 3.1% from 0.8% in July, as outstanding loans to key industries resurfaced, specifically scientific and technical activities (+89.8%) and information and communication (+20.3%). Real estate activities, manufacturing, and transportation and storage also saw gains. Tempering the hike in outstanding loans, lending to activities of households as employers, undifferentiated goods and services fell by -25.5% followed by agriculture, forestry and fishing (-6.8%) and wholesale and retail trade and repair of motor vehicles and motorcycles (-2%).

By contrast, consumer loans to residents decreased by -8.1% in August, following the -8.2% decline a month ago, with the continuous contraction in motor and credit card loans.

Exports Maintain Upbeat Performance with 17.6% Rise in August

August outward shipments recorded growth for the 6th consecutive month at 17.6% to P6.5-B from P5.5-B a year ago, after a 12.7% increase last month. However, it decreased by a tad -0.3% in July.

All top 10 major commodities landed in the green territory with Cathodes & Sections of Cathodes, of Refined Copper leading the pack with an enormous 162.5% jump YoY, followed by Electronic Equipment and Parts with 41.8%, and Coconut Oil at 31.8%.

By major type of goods, exports of Mineral Products brought in the biggest upswing with 43% buoyed by the 162.5% surge in Copper Metal. Petroleum Products grew by 27.5% due to higher oil prices. Meanwhile, Manufactured Goods still constitute the bulk of the total exports in August amounting to $5.4-M or 82.8% and went up by 16.4% in August. The upsurge in Iron and Steel (221.6% YoY) and Telecommunications (217.4%) contributed to its robust activity.

The runup of exports should continue for the rest of the year especially considering the recent depreciation of the peso.

Figure 7 - USD Index vs Dollar-Peso Exchange Rate
Peso Overtook the USD Index in September

Source of Basic Data: Trading Economics

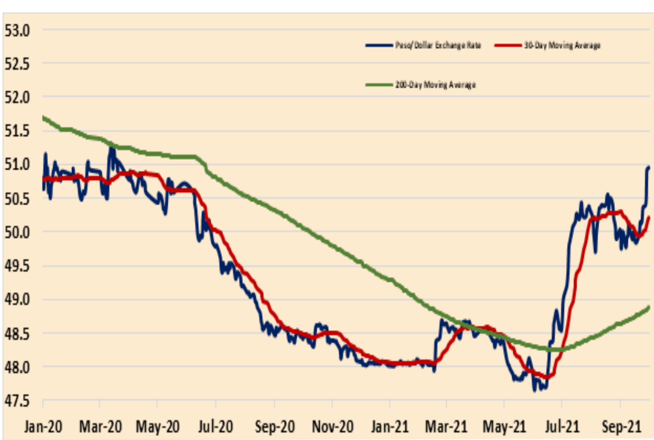
Table 5 - Exchange Rates vs USD for Selected Asian Countries

Exchange Rates vs USD for Selected Asian Countries			
	Aug-21	Sep-21	YTD
AUD	1.8%	-0.3%	2.8%
CNY	0.0%	-0.3%	-1.3%
INR	-0.5%	-0.8%	-0.3%
IDR	-0.7%	-1.0%	0.9%
KRW	1.4%	1.0%	7.1%
MYR	0.5%	-1.3%	2.7%
PHP	0.6%	-0.2%	4.3%
SGD	0.1%	-0.6%	1.1%
THB	1.6%	-0.4%	9.7%

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

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

Figure 8 - Dollar-Peso Exchange Rates and Moving Averages
Dollar-Peso Rate Broke Through the 30-day MA



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

Imports of Capital Goods Escalate by 17.6% in August

Riding on a 6-month upswing, capital imports escalated by 17.6% in August as five out of six major categories posted double-digit gains.

Imports of Land Transport Equipment excluding Passenger Cars and Motorcycles grabbed the top spot déjà vu as it soared by 42.6% YoY in August. Following closely, imports of Professional, Scientific and Control Instruments, etc. made a stellar 38.4% vault, improving further on its climb a month earlier. As expected only Aircraft, Ships & Boats imports headed south by 53.7% YoY. Corporate digital transformation and Work-from-Home arrangements continued to stoke demand for Office & EDP Machines imports which climbed by 17.8% and 41.2% YTD.

By broad categories, higher petroleum and coal prices drove imports of Mineral Fuels, Lubricants, etc. to the pole position as these skyrocketed by 116.2% YoY. Raw Materials and Intermediate Goods imports also soared by 38.4%.

Total imports increased by 30.8% to $10.0-B and as exports reached only $6.5-B, this resulted in a balance of trade deficit of $3.6-B in August, a tad lower than $3.7-B a month ago. The August deficit marks the second consecutive month of over-$3.5-B deficit and the fifth month above $3.0-B.

Elevated prices of petroleum products and other commodities suggest that the trade deficits will remain high and put pressure on the dollar-peso exchange rate.

OFW Remittances Climb 4.8% YoY in August

Inward personal remittances of Overseas Filipino Workers (OFW) expanded by 4.8% to $2.9-B in August, faster than the 2.6% pace a month earlier. This resulted in a YTD growth of 5.9% to $22.7-B.

The gain in personal transfers benefitted from remittances of sea-based workers and land-based workers with work contracts of less than one year which increased by 8.4% to $0.6-B. Meanwhile, land-based workers with work contracts of one year or more rose by 4.2% to $2.2-B.

Moreover, cash remittances from OFW coursed through banks grew by 5.1% YoY to $2.6-B in August 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. YYD, cash remittances climbed by 5.7% to reach $20.4-B.

Higher cash remittances from the U.S., Malaysia, and South Korea accounted for most of increase YTD Meanwhile, as for origin by country, the U.S. registered the highest share of overall remittances at 40.7% followed by Singapore, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Canada, South Korea, Qatar, and Taiwan. The consolidated remittances from these 10 countries accounted for 78.6% of total cash remittances.

PHP Moves Sideways, But Succumbs to Late September U.S. Dollar Rally

The dollar-peso exchange rate averaged was -0.2% MoM stronger in September to P50.14/$1 from P50.23/$1, but this masks the sharp weakening in the second half of the month as it ended at P50.96, a 15-month high. The U.S. dollar strengthened as its economy continued on a robust growth path.

Figure 7 shows how the peso overtook the rise of the U.S. dollar starting mid-September. But the peso just tracked the weakness in the regional currencies where only the Korean won was spared (see Table 5), even though the peso had the least depreciation.

The actual dollar-peso rate broke through the short-term 30-day MA, and has seen an upward trending 200-MA. These, together with trade deficits back to pre-pandemic 2019 levels, suggest continued pressure on the peso, mitigated in November-December by strong seasonal dollar inflows from OFWs.

Outlook

The PH economic data released in September to early October somehow did not jive with the common observation that Q3 GDP growth would be very bad. To be sure, it would not be anywhere close to 11.8% registered in Q2.

• Surprisingly, the Manufacturing sector has shown more exuberance than expected, with more than 400% YoY gains in June-August. In fact, these months in 2020 posted the lowest figures last year, but the current levels fall short of pre-pandemic levels by just over 5%. In terms of employment, the sector has created 680,000 jobs for November 2020 to August 2021, or more than double those added in the Construction sector (383,000) for the same period. The greater discipline and regular testing of those in the sector probably aided its robust performance, which export data also support.

• Exports likewise continued its double-digit growth pace with 17.6% in August to average 16.8% for the June-August period, which only partly arose from low base effects. Strong recoveries in China, the U.S., Germany, and Taiwan have pushed demand for Philippine products. Although the global recovery will likely slow down in H2, demand from these and other East Asian countries should be sufficient to achieve our projected 15%-18% growth in FY 2021. August YTD uptick came in at 19.6%.

• The economy created 2.6-M jobs in August but fell 25% short of the lost jobs in July. Nonetheless, total labor employed has risen by 11% to 44.2-M in August 2021 from 39.8-M in October 2020. The Services sector remained as the laggard in job generation, but that should change for the better starting September 2021 with less restrictions and more vaccinations done especially in Metro Manila+.

• Capital goods imports sustained its double-digit growth pace for the past five months and show that businesses have begun to adjust to the new normal.

• Inflation will remain elevated, and possibly top 5% in October with the lagged local effect of the renewed surge in crude oil prices. However, we still see headline inflation to go below 4% starting December since the huge uptick in November-December 2020 wouldn't repeat.

• Monetary policy should remain unchanged for the rest of the year as BSP remains supportive of the growth imperative.

• The peso may trade sideways as the mighty U.S. dollar has begun to weaken in sync with its economy. While the seasonal inflow of OFW remittances provides the positive factor, the gaping trade deficit primarily caused by soaring crude oil prices may offset this.

FIXED INCOME SECURITIES

BOND INVESTORS FLOCK TO SHORT TENOR SPACE

With domestic headline inflation hitting a 32-month high of 4.9% in August and the U.S. Federal Reserve Board's September 21st meeting suggesting that a tapering of its asset (bond) purchases may start soon, local 10-year Treasury bond (T-bond) benchmark yields soared by some 40 basis points to reach 4.498% by September 29th. The Bureau of the Treasury (BTr) awarded long-dated bonds at market rates, but investors flocked the short end of the curve in both the primary and secondary markets, where yields steadied. U.S. dollar-denominated bonds (ROPs) climbed a bit faster than U.S. Treasuries resulting in a slight widening of the spreads between the two.

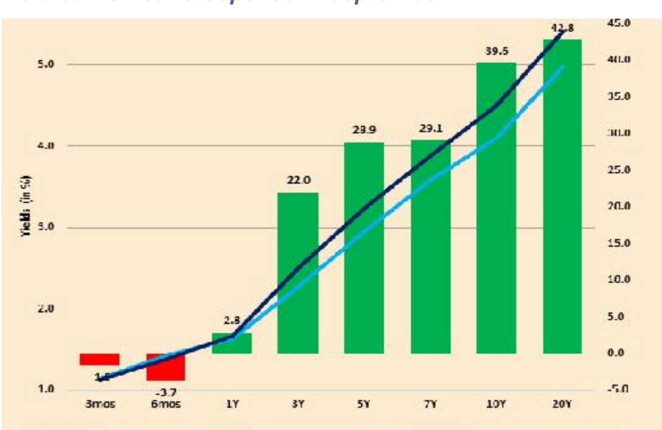
Outlook: We think that the 10-year U.S. Treasury bond yields will have little upside as employment generation slowed significantly and higher crude oil prices may squeeze consumer spending and aggregate demand. With BTr awarding long tenor bonds at higher yields and market players wary of a possible November start of the tapering of Fed asset purchases, we think market fears will keep local 10-year bond yields elevated even as it reached nearly 5% by the second week of October. Only after December inflation's fall to below 4% would likely provide local investors the nerve to get back into that space.

Table 6 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
27-Sep	91-day	20.000	70.889	20.000	3.544	1.060	-1.7
	182-day	20.000	94.627	20.000	4.731	1.385	-2.0
	364-day	22.000	91.041	22.000	4.138	1.582	-3.4
Subtotal		62.000	256.557	62.000	4.138		
01-Sep	5 year	35.000	76.167	35.000	2.176	2.746	-54.9
	5 year TAP	5.000	1.115	0.000	0.223		
21-Sep	7 year	70.000	153.219	70.000	2.203	3.826	15.2
	7 year TAP	10.000	25.636	10.000	3.306		
28-Sep	10 year	70.000	135.418	70.000	1.767	4.689	77.5
	10 year TAP	10.000	3.026	2.950	0.015		
Subtotal		200.000	394.581	187.950	1.973		
All Auctions		262.000	651.138	249.950	2.485		

Source: Bureau of the Treasury (BTr)

Figure 9 - GS Benchmark Bond Yield Curves
Yield Curve Bear Steepened in September



Source: Philippine Dealing Systems (PDS)

Primary GS Market: BTr Launched Its Maiden Onshore Retail Dollar Bonds

The Bureau of the Treasury (BTr) in September raised a total of $1.6-B from its first-ever onshore retail dollar bond offering (RDB) for the purpose of strengthening state coffers for its pandemic response. The 5-year and 10-year RDBs provided coupons of 1.375% and 2.250%, respectively. The issuance proved attractive even after accepting $866.2-M from the September 15 auction and another $727.2-M in the two-week offer period after the auction.

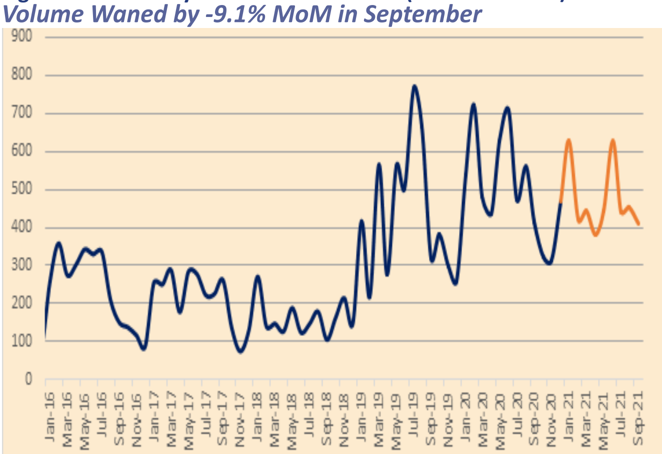
Meanwhile, BTr issued a total of four weekly auctions for T-bills and five auctions plus five TAP facilities for Treasury bonds (T-bonds). BTr rejected the two TAP facilities (5-year and 10-year) due to tepid demand.

Take note that the year-to-date (YTD) budget deficit reached only P958.2-B by August, a far cry (51.5%) from DBCC's projected full year budget gap of P1.82-T. With that in mind, BTr will continue to borrow aggressively in the succeeding months to pre-fund 2022 deficits. Despite tremendous offerings, total tender-offer ratio stood at 2.465x, higher than 2.254x a month earlier.

Treasury bills (T-bills) continued to attract good demand across all three tenors evident in their mildly declining yields. The 91-day and 182-day papers fell by -1.7 bps to 1.060% from 1.077% and -2 bps to 1.385% from 1.405%, respectively. The 364-day debt papers declined by -3.4 bps to 1.582% from 1.616%.

For longer-dated bonds, 5-year tenors shed the maximum -54.9 bps to 2.746% from 3.295% in May. On the contrary, the 7-year and 10-year papers climbed by 15.2 bps to 3.826% from 3.674% in August and 77.5 bps to 4.689% from 3.914%, respectively.

Figure 10 - Monthly Total Turnover Value (in Billion Pesos)
Volume Waned by -9.1% MoM in September

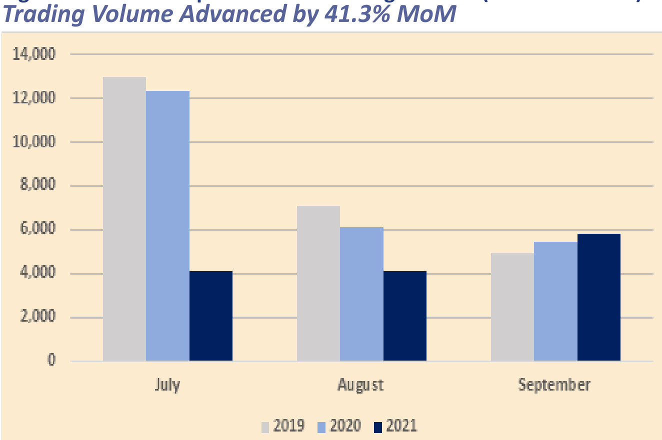


Source: Philippine Dealing Systems (PDS)

Figure 11 - 91-day T-bill and 10-year T-bond Daily Yields
Spread Widened by 41.1 bps in September

Source: Philippine Dealing Systems (PDS)

Figure 12 - Total Corporate Bond Trading Volume (in Billion Pesos)
Trading Volume Advanced by 41.3% MoM



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Secondary Market: Investors Remained Cautious of Duration

With growing inflation fears triggering U.S. Treasuries upward and higher-than-expected local inflation print at 4.9% (consensus estimate 4.4%) in August, total trading volume for the secondary market for government securities (GS) diminished by -9.1% to P441.5-B from P452.6-B last month.

Only yields in the front-end managed to decline. The 3-month and 6-month papers dropped by -1.5 bps to 1.127% from 1.141% a month ago and -3.7 bps to 1.386% from 1.423%, respectively.

Further down the curve, yields soared as much as 42.8 bps on the back of supply pressure on longer-dated securities, inflation concerns, and dampened market sentiment due to rejected TAP facilities (see graph). However, the upward pressure on yields eased as BSP vowed to maintain its accommodative policy for as long as necessary.

The 1-year tenor experienced a weak uptick of 2.8 bps to 1.662% from 1.633%. Meanwhile, 3-year and 5-year securities jumped by 22 bps to 2.496% from 2.276% and 28.9 bps to 3.239% from 2.951%, respectively. Meanwhile, 7-year and 10-year debt papers spiked by 29.1 bps to 3.878% from 3.587% and 39.6 bps to 4.498% from 4.102%, respectively. Lastly, 20-year tenors surged the most by 42.8 bps to 5.403% from 4.975%.

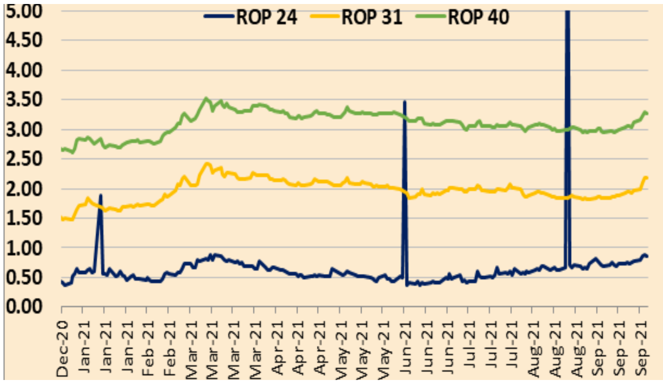
The yield curve moved in a steepening fashion in September as the spread between 10-year and 2-year bond yields expanded by 24.8 bps to 239.58 bps amid lack of appetite for duration. The country's yield curve emerged as the steepest in ASEAN.

Corporate Trading: Volume Bounced Back by 41.3%

The volume rebounded by 41.3% month-on-month (MoM) to P5.8-B in September. Likewise, it inched up by 6.7% from P5.4-B last year. The upward trend in trades may continue in the near-term as we move to Q4. Additionally, the top five corporates accounted for 38% of total trading, 136.1% higher than a month earlier.

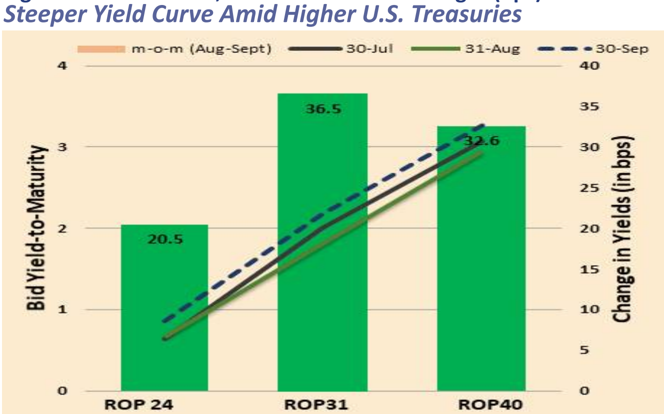
After four consecutive months of placing last, Aboitiz Power (AP) seized the top spot with a massive P1.1-B worth of trades (+919.3%). Meanwhile, San Miguel Corporation (SMC) and SMC Global Power Holding Corporation (SMCGC) retained their positions with volumes of P424.4-M and P260.2-M, respectively. Not far off, Ayala Land, Inc. (ALI) slipped to fourth place as it dropped by -17.7% to P259.2-M. Lastly, SM Prime Holdings, Inc. (SMPH) took the last spot with P182.3-M.

Figure 13 - ROPs Daily Yields
ROPs Yields Rose Above Their Resistance Levels



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 14 - ROPs Yield, Month-on-Month Changes (bps)
Steeper Yield Curve Amid Higher U.S. Treasuries



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Table 7 - Spreads Between ROPs and U.S. Treasuries (bps)

Spreads between ROPs and U.S. Treasuries (bps)			
Date	3-year	10-year	20-year
30-Jul	28.9	77.1	126.0
31-Aug	25.6	51.2	109.6
30-Sept	33.1	65.7	125.2

Furthermore, Rizal Commercial Banking Corporation (RCBC) and Robinsons Land (RLC) achieved notable activity as they traded above the P500.0-M mark in September. The former saw trading at P877.4-M while the latter notched P533.7-M.

Corporate Issuances and Disclosures

D&L Industries, Inc. (DNL), a specialty food chemicals and ingredients firm, listed its first bond issue amounting to P5.0-B of 3-year and 5-year Fixed Rate Bonds. The issue was 4.6x oversubscribed from the initial offer of P3.0-B. It carried coupon rates of 2.7885% and 3.5962% per annum, respectively, payable quarterly.

ROPs: Fed's Tightening Monetary Policy Resulted in an Upward Pressure in ROPs Yields

With some Fed tightening looming, U.S. Treasuries advanced in September and pulled yields for U.S dollar-denominated bonds (ROPs) upward as well. ROP-24 and ROP-31 increased by 20.5 bps to 0.861% and 36.5 bps to 2.177%, respectively. Moreover, ROP-40 shot up by 32.6 bps to 3.272%.

News that the Fed may start tapering their bond purchases as soon as November and finish in mid-2022 triggered a selloff of U.S. Treasuries, pushing yields to as high as 1.55%. The market took this as a sign of U.S.' economic recovery, thus prompting fears of an earlier rate hike. Furthermore, investors manifested concern that Congress may not raise the debt ceiling, and this would lead to a default on the national debt, which however is highly unlikely. After weeks of partisan confrontation, the Congress reached a consensus and passed a bill to increase the debt ceiling by $480.0-B to pay the nation's bills through early December.

With this, the 3-year and 20-year U.S. T-bond yields rose by 13 bps to 0.53% and 17 bps to 2.02%, respectively. On the other hand, the 10-year tenors jumped the most at 22 bps to 1.52%.

The spread between ROPs and its equivalent U.S. Treasuries widened ranging from 7.5 bps to 15.6 bps brought about by faster climb of ROPs yields.

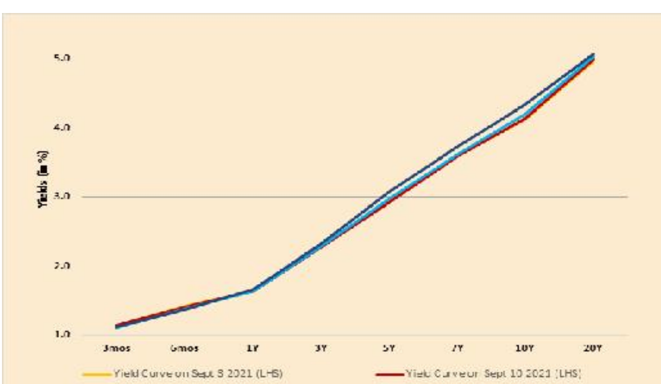
Figure 15 - Comparative Yield Curve Between ASEAN per Tenor

Sources: Asian Development Bank (ADB), Federal Reserve

Figure 16 - PH 10Y Bond vs U.S. 10Y Bond (Oct 2020 - Oct 2021)

Sources: Trading Economics

Figure 17 - Weekly Bond Yield Curve



Source: Bloomberg

ASEAN+1: Yield Curves Steepened Across the Region

US: September job gains of 194,000 disappointed as the market expected some 500,000. This means some 5.0-M jobs (or 3.3%) are still unrecovered from pre-pandemic levels. This does not count new entrants to the labor force. Unemployment rate, however, slipped to 4.8% from 5.1% in August, as some people left the labor market, while firms felt skills shortages.

Headline CPI inflation rose in August by 0.3% (MoM, seasonally adjusted) and 5.3% YoY, the highest in 13 years. Retail sales climbed by 0.7% in August but failed to fully offset the drop of 1.8% in July. University of Michigan's Consumer Confidence index inched up to 72.8 in September from 70.2 a month earlier. This, however, remained below the February 2021 level of 76.8.

The Federal Open Market Committee (FOMC) September 21 meeting's minutes did state that "a moderation in the pace of asset purchases may soon be warranted." But only one member, Michelle Bowman, categorically stated in mid-October that she's comfortable to begin the asset purchase tapering before the end of the year, preferably during the November FOMC meeting. Board member Lael Brainard, however, clarified that an eventual asset purchases reduction should not signal that a policy rate hike would follow.

After all, FOMC members almost unanimously agreed that the present inflation uptick should prove transitory, as inflationary expectations have remained stable over the past six months, and its policy rate projections remain 0% to 0.25% for the rest of 2021, while the vast majority expects only a 25 bp increase in 2022.

China: The Caixin China General Manufacturing PMI rose to 50 in September after contracting to 49.2 a month earlier.

Meanwhile, inflation unexpectedly inched down to 0.7% in September, the lowest reading since March, from 0.8% in August driven by a steeper decline in cost of food (-5.2%) with pork prices falling rapidly (-46.9%).

Exports jumped by 28.1% YoY to an all-time high of $305.7-B in September, accelerating from a 25.6% rise in August amid solid global demand. Furthermore, imports climbed by 17.6% to a record high of $239.0-B in September, albeit slower than the 33.1% rise seen last month.

As exports extended their double-digit growth while imports rose at a softer pace, China registered its largest trade surplus since December as it widened to $66.8-B in September, from $35.3-B a year earlier.

People's Bank of China (PBoC) maintained its rates at 2.95%. The spread between 10-year and 2-year bonds meagerly expanded by 2 bps to 40 bps.

Indonesia: With easing Covid-19 restrictions across some regions of the country, the Manufacturing PMI jumped to 52.2 in September from 43.7 a month earlier. Furthermore, its annual inflation rose to its highest print of 1.6% in September.

The country recorded slower growth in exports and imports compared to its massive gain in the previous month. The former went up by 47.6% to $20.6-B while the latter ascended by 40.3% to $16.2-B. Its trade surplus almost doubled to $4.4-B from $2.4-B last year, marking the 17th consecutive month of positive balance of trade.

Meanwhile, Bank Indonesia (BI) retained its monetary policy rate at 3.5%. The yield curve widened by 13 bps to 220 bps.

Malaysia: Inflation declined to a 5-month low of 2% in August (vs 2.2% in July) due to a deceleration in prices of housing (0.6% vs 0.7%), food (1.2% vs 1.3%) and transport (11% vs 11.6%). Moreover, the Manufacturing sector still registered a contraction for the 4th straight month, albeit PMI moved up to 48.1 in September from 43.4 in the prior month.

Exports and imports surged by 18.4% YoY to MYR 95.6-B ($23.0-B) and 12.5% to MYR 74.2-B ($17.9-B) in August. Thus, trade surplus soared by 62.1% to MYR 21.4-B ($5.1-B) from MYR 13.2-B ($3.2-B) last year.

As expected, Bank Negara Malaysia kept its policy rate at 1.75%. The yield curve steepened by 12 bps to 137 bps.

Thailand: The Manufacturing PMI advanced to a 3-month high of 48.9 in September 2021 from 48.3 in August, but still the 5th month of contraction in the sector. Inflation print rose by 1.7% YoY in September (vs 0.7% last month), the highest reading since May, due to the ending of government subsidy measures.

Exports and imports slightly increased by 8.9% to $22.0-B and 3.2% to $23.2-B, respectively. Thailand unexpectedly posted its first trade deficit since January of $1.2-B in August, a reversal from a surplus of $4.4-B last year.

Bank of Thailand (BoT) held its benchmark interest rate at a record-low of 0.50%. The spread between 10-year and 2-year bonds expanded by 18 bps to 130 bps.

Outlook

- While the FOMC's minutes did officially state that “a moderation in the pace of asset purchases may soon be warranted” in its September 21, 2021 meeting, subsequent speeches by the members of the Fed Board, except for one, did not specify it to start in November. Inflation remains elevated, that in itself would slow down the economy and demand for funds so that we expect that 10-year U.S. T-bond yields to remain well below 2% for the rest of the year.

- In the domestic front, two opposite forces will play out. One is the larger supply of debt papers of NG pre-funds its likely mammoth election spending in Q4-2021 and Q1-2022. It is accepting high yields presently as it may be expecting higher U.S. rates and dollar-borrowing costs next year. In this regard, the high yields accepted by NG at the long end could stoke market fears of further increases.

- On the other hand, inflation will be the game-setter. True, oil prices have breached $80/barrel to hover at levels last seen seven years ago. However, as hurricanes in the Mexican gulf had severely dented output, the supply response, especially from shale oil producers, should stymie further increases.

• Besides, elevated oil prices only slow down the global recovery specially of emerging markets, which would lead to weaker demand. In short, we think that domestic inflation will fall below 4% by December and lower still in Q1-2022 due to huge base effects, even though we expect normalization at around 3.3% in Q2-2022.

• For local 10-year bond yields, we may see an upward bias up to the end of the year, aggravated by Fed taper, if it does take effect in November. However, with less projected NG borrowings starting Q1-2022 and inflation trending lower, the best risk-reward opportunities will likely surface only towards the end of the year and early next year.

• ROPs spread over U.S. Treasury should widen over the coming months as the trade deficits settle above $3.0-B.

Table 8 - 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
					Aug-21	Sep-21			
U.S.	0.28	1.52	4.3	(2.78)	110	124	14	0.10	-4.20
PRC	2.48	2.88	1.2	1.68	38	40	2	2.95	1.75
Indonesia	4.06	6.26	2.0	4.26	207	220	13	3.50	1.50
Malaysia	2.01	3.38	2.4	0.98	125	137	12	1.75	-0.65
Thailand	0.56	1.86	0.8	1.06	112	130	18	0.50	-0.30
Philippines	2.10	4.50	4.4	0.10	214	240	26	2.00	-2.40

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 STILL GAINED IN SEPTEMBER AMIDST THE FALL IN FOREIGN MARKETS

The Philippine equities market continued its upswing in September despite a general selloff in global markets, as PSEi closed at 6,952.88. Domestic investors proved more optimistic as they absorbed the month-end profit-taking by foreigners. The country's telcos and ICTSI powered the Services sector to lead gains on both month-on-month and year-to-date terms. Local investors appeared unfazed by the inflation and interest rate jitters abroad.

Outlook: With PSEi breaking through the major resistance of 7,000 by October and remaining there until mid-October, the local equities market appears to have entered a new bull market. True, liquidity has contributed to the recent PSEi recover, but earnings growth and a more robust economic recovery starting Q4 should support the uptrend. We think the year's high, easily exceeding last year's close of 7,139.71, may come sooner than Santa Claus. The positive factors include: (1) Our expectation that headline inflation will fall below 4% by December, (2) BSP will not raise policy rates even by H1-2022, (3) earnings growth have exceeded expectations and should continue to do so for the full year, and (4) the slow uptick in foreign interest rates will not disrupt markets.

Table 9 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	September M-o-M Change	2021 % Change
Americas	US	DJIA	-4.3%	10.6%
Europe	Germany	DAX	-3.6%	11.2%
	London	FTSE 101	-0.5%	9.7%
East Asia	Hong Kong	HSI	-5.0%	-9.8%
	Shanghai	SSEC	0.7%	2.7%
	Japan	NIKKEI	4.9%	7.3%
	South Korea	KOSPI	-4.1%	6.8%
Asia-Pacific	Australia	S&P/ASX 200	-2.7%	11.3%
Southeast Asia	Indonesia	JCI	2.2%	5.1%
	Malaysia	KLSE	-4.0%	-5.5%
	Thailand	SET	-2.0%	10.8%
	Philippines	PSEi	1.4%	-2.6%

Sources: Yahoo Finance

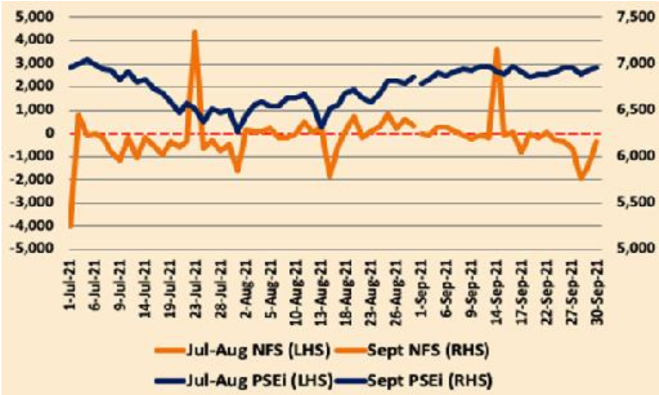
Global stock markets plummeted in September, roiled by fears of high inflation, weakening economic recovery, rising rates, and debt ratios. In Europe, Germany's DAX fell -3.6% month-on-month (MoM) to lead loses while London's FTSE 101 closed down by -0.5%. Eurozone inflation in September rose 3.4% on an annual basis, the highest reading in 13 years and up from 3% in August. Meanwhile, in Asia, HSI continued to sink by -5% MoM and a year-to-date (YTD) decline of -9.8%. Investors withdrew from heavyweight Hong Kong property companies and banks after a debt default scare from the Chinese developer Evergrande.

In the U.S., the DJIA sank by -4.3% to close at 33,843.92 in September. The heavy selling pressure on Wall Street came as investors continued to cycle out of technology stocks (Apple Inc., Microsoft Corporation, Amazon.com Inc., Alphabet Inc. and Facebook Inc.) in the face of rising bond yields. The 10-year U.S. treasury yield rose above 1.5% for the first time since June, causing investors to flee stocks with the highest valuations because their distant earnings gains may turn out badly diminished by rising inflation. U.S. yields' upswing ensued as the Federal Reserve (Fed) prepared to rein in its asset purchases aimed at stimulating the economy. In addition, the uncertainty regarding the debt limit also weighed on investors in Wall Street. Treasury Secretary Janet Yellen believes the U.S. economy would fall into a recession if Congress fails to raise the debt ceiling before a default on the U.S. debt. Meanwhile, PSEi had a 97.44 point increment in September to close at 6,952.88. Consequently, the correlation between the two indices diverged to -0.4 from the previous month's +0.1.

Figure 18 - PSEi vs DJIA
PSEi vs DJIA Correlation Diverged to -0.1 in September

Sources: Yahoo Finance

Figure 19 - PSEi vs NFS (Jul 2021 - Sept 2021)
PSEi vs NFS Correlation Slipped to 0 in September



Sources: Yahoo Finance

PSE trading volume in August skyrocketed to 44.4%. Foreigners continued to remain in the market with net foreign buying a slim P0.7-B in September.

Table 10 - Monthly Turnover (in Million Php)

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	11,066.65	-37.9%	526.98	-29.0%
Industrial	42,751.98	14.2%	2,035.81	30.5%
Holdings	28,310.19	23.2%	1,348.10	40.8%
Property	30,064.56	0.3%	1,431.65	14.7%
Services	43,254.29	59.0%	2,059.73	81.7%
Mining and Oil	3,204.69	-18.8%	152.60	-7.3%
Total	**158,652.35**	13.9%	**7,554.87**	30.1%
Foreign Buying	59,394.06	29.5%	2,828.29	48.0%
Foreign Selling	57,786.50	3.6%	2,751.74	18.4%
Net Buying (Selling)	1,607.57	-116.2%	76.55	-118.5%

Source of Basic Data: PSE Quotation Reports

PSEi fared better relative to our covered global equities market as it rose by +1.4% MoM in September, following through its +9.3% jump a month ago. PSEi once again flirted with the 7,000 level, however, failed to break above the major resistance level in September. The sideways movement of the market ended at the 6,900-mark as negative spillovers from the Wall Street cascaded onshore. Expectations of a higher inflation print for September likewise provided a negative pull on the index. The country's inflation rate might have risen faster in September due to rising oil, electricity and food prices. However, with foreign investors taking profits towards end-September, the correlation between PSEi and NFS slipped to 0 from +0.4 a month earlier.

PSE trading volume in September skyrocketed to 44.4% after soaring 13.9% a month ago. All six sectors landed in the green, led by Property sector (+101.6%). Financial sector (+43.9%) and Industrial sector (+34.1%) followed suit.

Foreigners continued to remain in the market with net foreign buying a slim P0.7-B in September, adding on August's +P1.6-B.

Four out of the six sectors of PSE posted gains in September, sustaining PSEi in positive territory. The Services sector continued to record the biggest gain as it padded another +9.1% to August's 16.3% jump, followed by the Industrial sector's +2.1% boost. Year-to-date (YTD), the Services sector held on its top performer status with its +27.8% climb. The Industrial sector also remained as the only other sector which turned in a YTD increase of +9.2%. The Property decelerated to a -2.3% MoM pace from its +5.5% rise in the previous month, joined by the Financial sector's -1.6% loss.

With only one positive print in September among the four PSEi-constituent stocks, the Financial sector slid by 1.6% giving up some of the +4.9% gain a month earlier.

BDO Unibank, Inc. (BDO) registered the only sectoral gain in both MoM and YTD with +0.6% and +3.6%, respectively. Moody's Investors Service has affirmed the investment grade Baa2 credit rating of BDO on the back of its strong capital and robust liquidity buffers.

Table 11 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	August-31-2021		September-30-2021		2021 YTD
Sector	Index	% Change	Index	% Change	
PSEi	6,855.44	9.3%	6,952.88	1.4%	-2.6%
Financial	1,427.71	4.9%	1,404.49	-1.6%	-3.0%
Industrial	10,049.93	12.1%	10,256.00	2.1%	9.2%
Holdings	6,875.80	9.7%	6,963.05	1.3%	-5.3%
Property	3,094.98	5.5%	3,024.21	-2.3%	-17.5%
Services	1,773.61	16.3%	1,935.38	9.1%	27.8%
Mining and Oil	9,224.98	-5.6%	9,281.90	0.6%	-2.6%

Source of Basic Data: PSE Quotation Reports

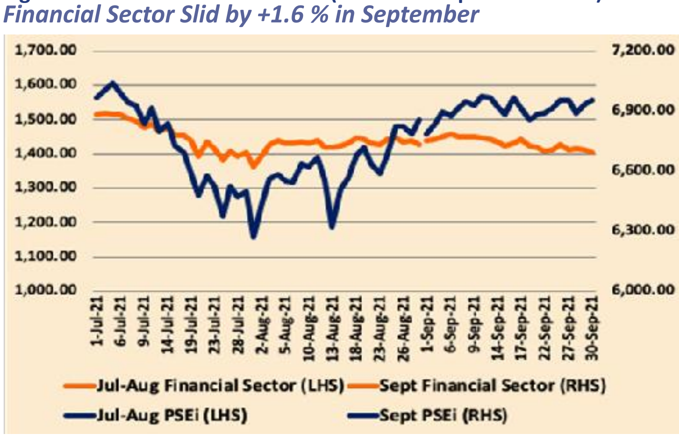
Four out of the six sectors of PSE posted gains in September, sustaining PSEi in positive territory.

Table 12 - Financial Sector Constituent Stocks

Company	Symbol	8/31/2021 Close	9/30/2021 Close	M-o-M % Change	2021 YTD
Metrobank	MBT	45.20	43.70	-3.3%	-10.9%
BDO Unibank, Inc.	BDO	109.90	110.60	0.6%	3.6%
Bank of the Philippine Islands	BPI	83.20	81.45	-2.1%	0.1%
Security Bank Corporation	SECB	113.20	106.00	-6.4%	-20.9%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Financial Sector Index (Jul 2021 - September 2021)
Financial Sector Slid by +1.6 % in September



Source of Basic Data: PSE Quotation Reports

Bank of the Philippine Islands (BPI) contracted by -2.1% MoM, reversing its +3.4 gain in the previous months. Investors most likely reacted to the approved merger between BPI with its wholly-owned thrift bank subsidiary BPI Family Savings Bank (BFSB). The Bangko Sentral ng Pilipinas' (BSP) had earlier approved the merger with BPI as the surviving entity.

Following the sector's downward trend, Metropolitan Bank and Trust Company (MBT) shares slipped -3.3% MoM despite its huge Q2 earnings jump. Meanwhile, Security Bank Corporation (SECB) share prices dropped the most both in MoM and YTD with -6.4% and -20.9%, respectively as the market could not shrug off its negativity towards SECB's nearly 50% net income fall in Q2.

Coming next to the best sector, the Industrial sector gained +2.1% MoM and pushed up 2021 YTD gain by +9.2%, after rebounding by +12.1% MoM a month earlier.

First Generation Corporation (FGEN) share prices recovered by +20% MoM in September, leading the sectoral gain, after its -2.4% slide in August. U.S.-based global investment firm KKR raised its stake in FGEN to 19.9% after investing an additional P8.7-B in the Lopez Group's renewable energy firm.

Aboitiz Power (AP) shares soared by +10.7% MoM in September, topping its +20.7% increase in August. AP continued to attract investors after its parent holding firm (Aboitiz Equity Ventures, Inc.) announced selling a 25% stake in AP to Japan's largest power generation company (JERA Co. Inc.) for nearly $1.5-B.

Consistently beating PSEi during the month, Manila Electric Co. (MER) stocks added another +5.7% MoM in September to its +6.4% recovery in August. MER reported H1-2021 energy sales of 22,663 GWh, up 7.2% from the same period a year ago. The Industrial sector posted 23% growth, with sales returning to 2019 levels.

Jollibee Foods Corporation (JFC) share prices rose slightly by +1.6% MoM, after its 6.2% recoil in August. JFC offered to buy back $250.0-M worth of bonds as the Philippine fast-food giant steps up its global expansion plans with the opening of new stores in Europe.

Table 13 - Industrial Sector Constituent Stocks

Company	Symbol	8/31/2021 Close	9/30/2021 Close	M-o-M % Change	2021 YTD
Meralco	MER	282.00	298.00	5.7%	2.1%
Aboitiz Power	AP	28.00	31.00	10.7%	16.8%
Jollibee Foods Corporation	JFC	201.80	205.00	1.6%	5.0%
First Gen Corporation	FGEN	28.30	33.95	20.0%	20.6%
Universal Robina Corporation	URC	150.80	135.90	-9.9%	-10.9%
Petron Corporation	PCOR	3.03	3.08	1.7%	-22.8%

Source of Basic Data: PSE Quotation Reports

Coming next to the best sector, the Industrial sector gained +2.1% MoM and pushed up 2021 YTD gain by +9.2%.

Figure 21- Industrial Sector Index (Jul 2021 - Sept 2021)
Industrial Sector Gained by +2.1% in September

Source of Basic Data: PSE Quotation Reports

The Holdings sector gained mildly by +1.3% in September after a huge 9.7% uptick in August.

Petron Corporation (PCOR) also had a slim gain of +1.7% MoM, but with the highest YTD 2021 loss of -22.8% in September, as investors remained cautious on its positive earnings prospects. PCOR looks to issue P18.0-B worth of fixed rate, peso-denominated bonds to partially finance its power plant project and pay existing debts.

Universal Robina Corporation (URC) share prices trimmed by -9.9% MoM and YTD 2021 -10.9% in September, slashing its +19% run in the previous month. URC exited the Australia and New Zealand snack food business after selling its remaining 60% stake in Unisnack ANZ to its joint venture partner Intersnack Group to focus on Southeast Asia.

The Holdings sector gained mildly by +1.3% in September after a huge 9.7% uptick in August. LT Group, Inc. (LTG) led the sectoral uproar with an +18.1% recovery in September after slumping by -12.5% in the previous month. LTG subsidiary Asia Brewery Inc. and Dutch beermaker Heineken International B.V. agreed to separate the management of their respective beer brands four years after consolidating their local operations under a 50-50 joint venture. The unbundling process is expected to be completed by yearend.

Aboitiz Equity Ventures, Inc. (AEV) share prices continued to skyrocket by +12.9% MoM in September, adding on to August's +14.5% boost. AEV's price moved up in tandem with the price appreciation of its listed power subsidiary, AP, which signed a power supply agreement with the Pampanga Electric Cooperative II (Pelco II).

DMIC Holdings, Inc. (DMC) share prices increased by +12.5% and +25.4% 2021 YTD amidst the surge in DMC's mining arm, Semirara Mining and Power Corporation (SCC). Semirara's coal revenues have doubled to $100/ton from $50/ton to $65/ton in Q2-2021. U.S. coal prices have skyrocketed by almost 200% YTD. DMCI Homes, the residential development unit of DMCI Holdings, will launch a new condominium tower (Erin Heights) in Quezon City. The project, slated to launch before the end of the year, aims to capitalize on the strong demand for residential spaces in the city.

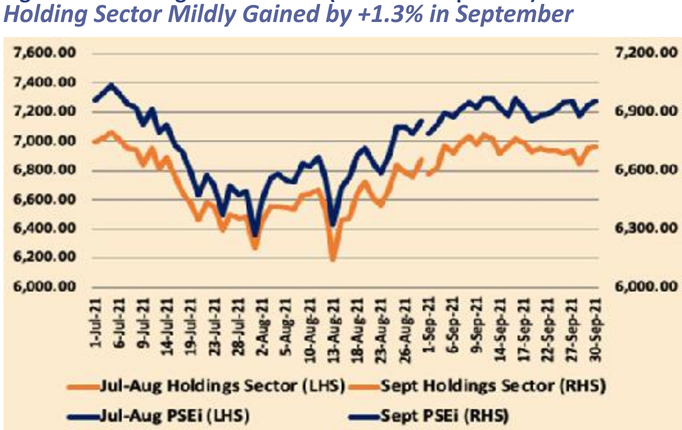
Table 14 - Holdings Sector Constituent Stocks

Company	Symbol	08/31/21 Close	09/30/21 Close	M-o-M % Change	2021 YTD
Ayala Corporation	AC	792.50	817.00	3.1%	-1.2%
Metro Pacific Investments Corporation	MPI	3.85	3.65	-5.2%	-14.7%
SM Investments Corporation	SM	1,009.00	990.00	-1.9%	-5.6%
DMC Holdings, Inc.	DMC	6.31	7.10	12.5%	25.4%
Aboitiz Equity Ventures	AEV	43.05	48.60	12.9%	2.9%
GT Capital Holdings, Inc.	GTCAP	540.00	510.00	-5.6%	-12.8%
San Miguel Corporation	SMC	106.20	114.90	8.2%	-10.3%
Alliance Global Group, Inc.	AGI	10.30	10.30	0.0%	-2.8%
LT Group Inc.	LTG	8.55	10.10	18.1%	-22.9%
JG Summit Holdings, Inc..	JGS	64.90	65.00	0.2%	-9.2%

Source of Basic Data: PSE Quotation Reports

LTG led the sectoral uproar with an +18.1% recovery in September after slumping by -12.5% in the previous month.

Figure 22 - Holdings Sector Index (Jul 2021 - Sept 2021)
Holding Sector Mildly Gained by +1.3% in September



Source of Basic Data: PSE Quotation Reports

San Miguel Corporation (SMC) shares gained +8.2% MoM in September, after its mild recovery of 2.1% in August as it announced the Toll Regulatory Board's approval of its 19.4-kilometer elevated expressway project along the banks of Pasig river to cross Metro Manila from East to West. The project will entail a total cost of P95.0-B. SMC Global Power Holdings Corporation (SMCGP), the power unit of SMC, also issued $150.0-M in preferred shares with an initial rate of distribution of 5.45% per annum. The additional securities will list in the Singapore Exchange Securities Trading Ltd. Proceeds will be used to finance its planned 1,313.1 megawatts (MW) Batangas combined cycle power plant and other assets.

Ayala Corporation (AC) share prices continued its acceleration to +3.1% MoM in September after its rebound of +8.6% in the previous month, as investors expected sustained earnings gains in its subsidiaries. AC raised $400.0-M after setting the terms for a U.S. dollar-denominated non-deferrable senior perpetual issuance last September 16, 2021. The issuance of the Notes will mark AC's return to the international bond market after its second perpetual non-deferrable issue in 2019.

SM Investments Corporation (SM) contracted by -1.9% MoM in August after its 10.8% uptick in August. MyTown, the co-living brand owned by Philippines Urban Living Solutions (PULS) with SM as majority shareholder, reported that it has boosted its corporate clientele by 70% during the pandemic. MyTown's key corporate clients implemented their Business Continuity Plans (BCPs) by leasing units and office space from MyTown's portfolio of 18 sites.

Alliance Global Group, Inc. (AGI) share prices remained stagnant as it ends both August and September with P10.30/share. AGI has outlined its plans for a second new casino on the island of Boracay following President Duterte's decision to lift a moratorium on casino developments. The project will likely build on its ongoing Boracay Newcoast project – a 150-hectare mixed-use leisure and resort development being built by MEG.

Metro Pacific Investments Corporation (MPI) stocks contracted by -5.2% MoM in September after a +10% gain in the previous month. MPI is looking to produce sustainable aviation fuel or SAF with the expectation that cleaner aviation fuel will be required in the future.

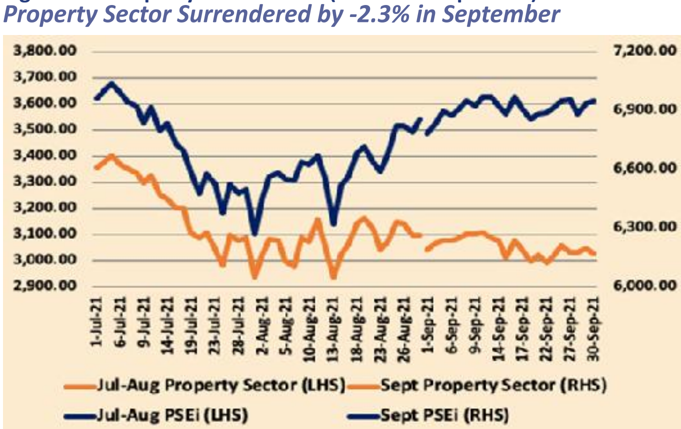
Table 15 - Property Sector Constituent Stocks

Company	Symbol	08/31/21 Close	09/30/21 Close	M-o-M % Change	2021 YTD
Ayala Land, Inc.	ALI	33.75	33.50	-0.7%	-18.1%
SM Prime Holdings, Inc.	SMPH	34.00	32.75	-3.7%	-14.9%
Robinsons Land Corporation	RLC	16.50	16.00	-3.0%	-24.5%
Megaworld Corporation	MEG	2.82	2.85	1.1%	-30.1%

Source of Basic Data: PSE Quotation Reports

The Property sector registered the biggest sector surrender in both MoM and 2021 YTD with -2.3% and -17.5%, respectively.

Figure 23 - Property Sector Index (Jul 2021 - Sept 2021)
Property Sector Surrendered by -2.3% in September



Source of Basic Data: PSE Quotation Reports

AREIT, the country's first REIT and the top performer, declared a P0.44 cash dividend out of its Q3 earnings.

GT Capital Holdings, Inc. (GTCAP) share prices further eased by -5.6% MoM in September after its -0.6% loss in the previous month. The drop in prices coincided with the fall in overall industry vehicle sales in August. However, its subsidiary, Toyota Motors Philippines, has seen a 56.9% vault in its sales to 82,389 vehicles YTD.

The Property sector registered the biggest sector surrender in both MoM and 2021 YTD with -2.3% and -17.5%, respectively.

Ayala Land, Inc. (ALI) stocks fell both in MoM and 2021 YTD with -0.7% and -18.1%, respectively, as its Q2 earnings outsized jump of 1,675% to P3.3-B failed to further excite investors. On the other hand, ALI's real estate investment trust (REIT), AREIT, the country's first REIT and the top performer (when matched against its IPO price), declared a P0.44 cash dividend out of its Q3 earnings, payable on October 22 to all shareholders of record on October 6. The dividend rate is the same as was declared in Q2 and marks the first time in AREIT's relatively short history that its dividend rate remained constant.

SM Prime Holdings, Inc. (SMPH) stocks dropped by -3.7% in September, a technical correction from its August upswing of +8.1%. SMPH is returning to the local bond market for the second time this year with the goal of raising as much as P10.0-B, with a base offering of P5.0-B, but with the option to upsize by another P5.0-B in case of oversubscription.

Robinsons Land Corporation (RLC) share prices also dropped by -3.7% MoM after mildly rising by 2.5% in August. Investors warmed up to RL Commercial REIT Inc. (RCR) which made a recent stock market debut. From its offer price of P6.45/share, RCR hit an intraday high of 1.6% on September 14 before paring those gains to close at P6.46, up 0.2%. RCR ended up as one of the most actively traded stocks after its market debut. RCR performance saw a total of P945.2-M worth of 146.3-M shares exchanged hands on the trading floor from September 14 to 17, data from the PSE showed, making it the 12th most traded issue during the week.

Megaworld Corporation (MEG) share prices gained mildly by +1.1% MoM in September after its 1.8% increment in the past month. MEG has expressed its plans on building two more townships in the country—a 462-hectare eco-tourism township in Palawan worth at least P40.0-B and an 85-hectare property along

Figure 24 - Services Sector Index (Jul 2021 - Sept 2021)
Services Sector Soared by +9.1% in September

Source of Basic Data: PSE Quotation Reports

The Services sector continued to lead the sectoral race as it soared by +9.1% MoM in September.

Table 16- Services Sector Constituent Stocks

Company	Symbol	08/31/21 Close	09/30/21 Close	M-o-M % Change	2021 YTD
Philippine Long Distance Telephone Co.	TEL	1,465.00	1,680.00	14.7%	25.4%
Globe Telecom	GLO	2,720.00	2,984.00	9.7%	47.0%
Converge ICT Solutions, Inc.	CNVRG	31.00	40.00	29.0%	168.5%
Robinsons Retail Holdings, Inc..	RRHI	51.00	51.80	1.6%	-20.3%
Puregold Price Club Inc.	PGOLD	41.75	44.50	6.6%	8.5%
International Container Terminal Services, Inc.	ICT	186.10	195.00	4.8%	57.9%

Source of Basic Data: PSE Quotation Reports

Converge ICT Solutions, Inc. (CNVRG), a fiber-optic based telco saw its share prices soar by +29% MoM and +168.5% YTD.

the North Luzon Expressway (NLEX) in Bulacan worth P98.0-B. For its REIT, MREIT Inc. debuted on the stock exchange with a 3.7% gain. From its offer price of P16.10/share, MREIT rose by 60 centavos to finish at P16.70 apiece on its first day and even reached a high of P17.16 intraday. The stock's positive performance banked on its discounted final offer price, along with its competitive forecast dividend yields.

The Services sector continued to lead the sectoral race as it soared by +9.1% MoM in September adding on August's +16.3% acceleration, with all PSEi-constituent stocks in positive territory.

New in the PSEi, Converge ICT Solutions, Inc. (CNVRG), a fiber-optic based telco saw its share prices soar by +29% MoM and +168.5% YTD. This coincided with CNVRG's inclusion in the global benchmark Financial Times Stock Exchange (FTSE) ASEAN Stars Index as the weights of its stocks across all FTSE indices increased from August to September.

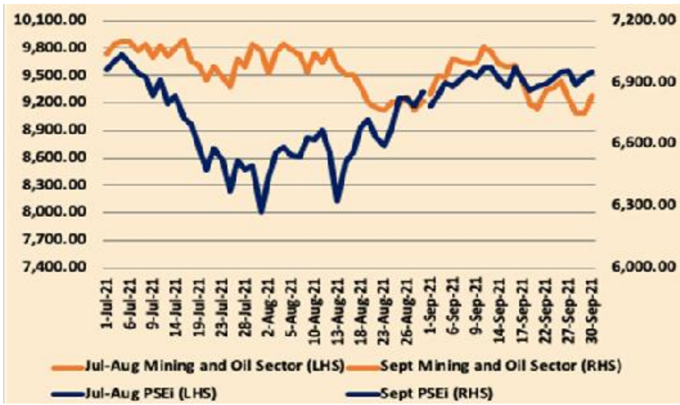
Share price of services subsector heavy weight Philippine Long Distance Telephone Company (TEL) rose by +14.7% MoM in September from August's 19.6%. Investors remained optimistic with TEL as its fintech arm, PayMaya, received a digital banking license from BSP, supporting the goal to expand financial inclusion.

Similarly, Globe Telecom (GLO) also continued to soar by +9.7% in September from its whopping +46.2% upswing in August. GLO has further widened its 5G roaming services as it made new partnerships in Australia and Indonesia. GLO partnered with Vodafone to make 5G roaming services available in Australia and launched 5G roaming services with Telkomsel in Indonesia.

Puregold Price Club Inc. (PGOLD) stock prices went up by +6.6% MoM and YTD at +8.5%, as its business model remained robust despite the pandemic. As of June, Puregold expansion pushed through with 15 out of 30 of its planned stores openings. Meanwhile, membership-only supermarket S&R plans to open two new warehouse branches in the second half of 2021.

International Container Terminal Services (ICT) jumped by +4.8% MoM in September, leading the 2021 YTD share price gains by +57.9%. Recently, financial magazine Asiamoney tagged ICT as the Philippines' best transport company. ICTSI's global portfolio currently includes 34 terminals in 20 countries in the Asia Pacific, Latin America, Europe, the Middle East, and Africa. Including its flagship Manila International Container

Figure 25 - Mining & Oil Sector Index (Jul 2021 - Sept 2021)
Mining & Oil Sector Mildly Rose by +0.6% in September



Source of Basic Data: PSE Quotation Reports

Table 17 - Mining and Oil Sector Constituent Stock

Company	Symbol	08/31/21 Close	09/30/21 Close	M-o-M % Change	2021 YTD
Semirara Mining and Power Corporation	SCC	16.96	21.00	23.8%	52.4%

Source of Basic Data: PSE Quotation Reports

Figure 26 - Coal Prices USD/Ton (Nov 2020 - Oct 2021)
Coal Prices Up 4x from Bottom

Source of Basic Data: Trading Economics

Terminal at the Port of Manila, ICTSI operates 11 terminals in the Philippines.

Robinsons Retail Holding, Inc. (RRHI) posted the slowest growth in MoM at +1.6% and sole YTD share in the red of -20.3% as it appeared to lag in the e-commerce space. RRHI expects its e-commerce channels to contribute a larger part of the company's total sales even post-pandemic. RRHI sees to exceed the high-end of the 2-3% target range sales contribution from e-commerce to total retail sales for 2021. E-commerce sales of the company only accounted for 0.4% of total retail sales back in 2019.

The Mining and Oil sector had a +0.6% increment in September after its -5.6% deceleration in the previous month. Semirara Mining and Power Corporation (SCC) kept its hot streak with +23.8% vault after a +3.9% upswing a month ago. Semirara expects revenue from coal to rise by more than 50% in Q4. It expects to produce at its maximum capacity of 15.0-M tons in 2021.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2019		2020		1st Quarter 2021			2nd 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	1,783,855	1.2%	1,811,043	1.5%	434,002	-16.5%	-1.3%	415,945	-4.2%	-0.1%
Industry Sector	5,843,934	4.7%	5,183,641	-11.3%	1,278,649	-13.7%	-3.4%	1,425,798	11.5%	22.1%
Service Sector	11,740,724	7.5%	10,861,260	-7.5%	2,545,071	-9.8%	-4.4%	2,786,333	9.5%	9.3%
Expenditure										
Household Final Consumption	14,027,192	5.9%	12,919,698	-7.9%	3,156,930	-13.5%	-4.8%	3,129,504	-0.9%	7.2%
Government Final Consumption	2,410,971	9.6%	2,662,292	10.4%	650,336	2.6%	15.5%	807,844	24.2%	-5.3%
Capital Formation	5,083,657	2.5%	3,265,685	-35.8%	846,960	-14.8%	-10.4%	1,104,895	30.5%	84.4%
Exports	6,944,546	25.8%	4,709,064	-32.2%	1,213,942	4.0%	-8.6%	1,278,375	5.3%	32.8%
Imports	7,803,476	1.8%	6,091,305	-21.9%	1,642,896	3.1%	-5.6%	1,730,305	5.3%	39.5%
GDP	19,368,513	6.0%	17,524,468	-9.5%	4,257,722	-11.7%	-3.8%	4,628,075	8.7%	12.0%
NPI	1,904,154	-2.2%	1,367,632	-28.2%	112,109	-44.9%	-75.8%	163,595	45.9%	-55.1%
GNI	11,618,439	-34.8%	18,892,101	62.6%	4,369,831	-13.1%	-10.6%	4,791,671	9.7%	6.5%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2019		2020		Jul-2021			Aug-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%	256,071	4.3%	9.2%	259,252	1.2%	6.6%
Tax	2,828,012	10.2%	2,504,421	-2.4%	229,792	7.6%	9.2%	240,628	4.7%	3.1%
BIR	2,175,506	11.5%	1,951,023	0.0%	170,833	7.2%	7.4%	186,077	8.9%	-1.0%
BoC	630,310	6.3%	537,687	-9.3%	57,169	9.6%	14.8%	53,359	-6.7%	20.2%
Others	21,006	0.7%	15,711	-24.7%	1,790	-7.9%	13.5%	1,192	-33.4%	11.5%
Non-Tax	308,971	8.7%	351,412	23.6%	26,231	-18.2%	9.3%	18,621	-29.0%	91.0%
Expenditures	3,797,734	11.4%	4,227,406	24.0%	377,257	-4.6%	0.7%	380,188	0.8%	34.2%
Allotment to LGUs	617,982	7.4%	804,546	39.8%	66,621	-9.0%	-0.6%	81,710	22.6%	27.2%
Interest Payments	359,874	3.1%	380,412	8.9%	59,026	97.2%	-0.6%	23,932	-59.5%	6.1%
Overall Surplus (or Deficit)	-660,236	18.3%	-1,371,447	145.7%	-121,186	-19.1%	-13.6%	-120,936	-0.2%	201.8%

Source: Bureau of the Treasury (BTr)

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

	2020		May-2021			Jun-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%	4,010.80	21.6%	18.1%	4,294.70	9.8%	26.5%
Residential	16,478.90	13.0%	1,576.40	-10.0%	27.95%	1,677.10	4.2%	36.13%
Commercial	14,489.60	-20.3%	1,264.80	55.0%	9.1%	1,386.00	29.7%	19.6%
Industrial	11,472.50	-12.0%	1,099.00	1.4%	18.0%	1,155.60	21.0%	24.0%

Source: Meralco

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

	2019		2020		1st Quarter 2021		2nd 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%	- 7,033	-5.8%	- 8,096	199.7%
Balance of Goods	-49,313	-3.3%	-31,840	-35.0%	- 10,613	3.9%	- 11,864	118.6%
Exports of Goods	53,475	2.9%	47,411	-11.0%	13,197	13.7%	13,599	49.5%
Import of Goods	102,788	-0.2%	79,250	-23.0%	23,809	9.1%	25,463	75.3%
Balance of Services	12,890	11.0%	13,005	1.0%	2,959	7.6%	2,641	-3.1%
Exports of Services	41,030	6.9%	31,331	-24.0%	7,461	-16.7%	7,478	21.4%
Import of Services	28,140	5.0%	18,326	-35.0%	4,502	-27.5%	4,837	40.9%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	85	30.9%	50	-42.0%	17	39.3%	20	52.8%
Financial Account	-7,260	-22.20%	-4,406	-39.0%	4163	40.0%	-2,940	-3397.0%
Direct Investments	-4,376	-25.0%	-2,843	-35.0%	- 2,017	128.3%	- 1,400	52.8%
Portfolio Investments	-3,486	-340.8%	454	-113.0%	7827	887.3%	-807	-214.2%
Financial Derivatives	-173	223.7%	-239	38.0%	-99	33.8%	-144	624.5%
Other Investments	775	-115.8%	-1,779	-330.0%	- 1,548	-149.3%	- 589	-284.9%
III. NET UNCLASSIFIED ITEMS	3,884	-237.4%	-1,369	-135.0%	1326	-50.3%	-831	414.4%
OVERALL BOP POSITION	7,843	-440.2%	16,022	104.0%	- 2,844	4094.8%	905	-78.3%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	1,621	-450.2%	7,722	377.0%	64	-98.4%	- 152	-104.6%
Net Foreign Assets	1,589	-433.7%	7,674	383.0%	72	-98.1%	50	-98.5%
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		Jul-2021		Jul-2021	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,181,292	1.8%	3,295,561	5.3%	3,148,753	0.1%
Sources:						
Net Foreign Asset of the BSP	5,555,554	16.8%	6,526,676	11.6%	6,389,877	9.7%
Net Domestic Asset of the BSP	13,444,424	10.3%	14,122,577	4.4%	14,294,851	6.7%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	4,951,804	22.9%	5,616,684	12.0%	5,683,452	13.6%
Money Supply-2	12,735,552	12.8%	13,720,796	7.4%	13,800,147	8.1%
Money Supply-3	13,440,507	12.8%	14,374,073	5.9%	14,449,777	7.0%
MONEY MULTIPLIER (M2/RM)	4.01		4.16		4.38	

Source: Bangko Sentral ng Pilipinas (BSP)

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