

The  
**MARKET CALL**  
Capital Markets Research



FMIC and UA&P Capital Markets Research

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## Executive Summary

**The country's economic recovery should remain on track, despite likely slight easing starting Q2. More robust economic data—higher employment, NG spending and capital goods imports—as well as firm growth in exports and OFW remittances should provide the impetus. Thus, we expect the economy to expand by 6% to 7% for the entire year. Unlike other countries, the peso depreciation's positive effects should mitigate a good part of consumer spending weakness dogged by high inflation. The peso should also recover in the short-term as the U.S. dollar has started to reverse its recent sharp rise and the PH balance of trade deficit slightly softens by H2. The bond markets show some opportunities since 10-year bond yields may react only meekly to the expected Fed policy rate hikes. PSEi has withstood unabated foreign selling and it has remained above 6,000. Investors should look into stocks which have dividend yields, benefit from wider economic reopening, and have logistics component.**

## Macroeconomy

**3 The outlook for continuing fast economic recovery for H2 still looks reassuring as the economy added nearly half a million jobs in May (esp. Trade, Construction and Manufacturing) and consumer sentiment improved. The slew of supportive data included expansive Manufacturing PMI, "adjusted" National Government spending, capital goods imports and steady growth in exports and OFW remittances. While we expect a slight easing of growth starting Q2, we still see GDP climbing by 6% to 7% for the full year. We see the peso depreciation to boost income of some 70 million Filipinos and offset likely softer consumer spending due to the elevated inflation. We expect a short-run respite for the peso with the U.S. dollar weakening from its peak and PH trade deficit lower in H2 from record highs in May and June.**

May added 457,000 new jobs to partially offset the large drop in April which virtually coincided with the end of election campaign. ● Manufacturing PMI in July inched down to 53.8 from 54.1 a month ago, but still signaled expansion for the 5th straight month. ● Total NG spending slid by -1.1% in May, but expanded by 7.5% after excluding a large one-time subsidy. ● Inflation hit a 42-month high of 6.1% YoY in June as food and fuel prices surged. ● Import of capital goods soared by 21.7% in May after a mild uptick a month ago. ● The peso depreciated by 2.3% to average P53.57/\$ in June, but ended the month above P55/\$1.

## Bonds Market

**10 The domestic 10-year T-bonds climbed further in June in the wake of higher interest rates across the globe. BSP unexpectedly raised policy rates by a hefty 75 bps on June 14 to stabilize price. However, BSP will not religiously follow Fed's pace since the inflation situation in the U.S. greatly surpasses the PH's case (e.g., U.S., 9.1% in June while 6.1% in PH). In the near term, pressure on the local 10-year yields may be limited amid improving fiscal position as tax revenues exceed targets and cooling inflation on lower oil prices.**

Demand for shorter papers in auctions waned by -16.7% amid 25 bps rate hike in June. ● Trading volume in the secondary market dropped by -17.2% to P333.8-B weighed down by risk adverse sentiment. ● The front end of the curve saw knee-jerk selling brought about by monetary tightening from BSP (+25bps) and the Fed (+75bps) in June. ● The 10-year T-bonds hit above 7% in June, highest since December 2018. ● Issuance of corporate bonds for H1-2022 already exceeded last year's total volume. ● Risk aversion towards EM assets drove ROPs yields higher resulting in wider spreads.

## Equities Market

**16 PSEi experienced a -9.1% dip in June associated with high inflation globally and the increase of global interest rates. Specifically, the BSP recently announced its off-cycle 75 basis points rate hike to address inflationary risks and to anchor inflation expectations. Thus, we see a volatile trend associated with uncertain global market conditions, which may keep investors averse to the risks in the equities markets. We, however, still expect a good recovery in H2, and good stock picks with high dividends, opening economy plays and logistics.**

All of the six PSE sectors landed in the negative territory with Industrial registering the least decline with only a -2.6% MoM loss from last month's 1.9% gain. ● The Financial sector recorded the biggest loss as it dropped by -13% from June's 3.2% gain, as all issues sank. ● AC Energy Corporation (ACEN, +12.4% gain MoM) had the best performance among PSEi-constituent stocks. Meanwhile, Megaworld Corporation (MEG) led the decliners with a -21.7%. ● In the Mining & Oil sector, Semirara Mining & Power Corporation (SCC) added another 6.1% uptick to claim the best YTD performance of 63.9% ● Net foreign selling further increased by 19.7% (MoM), but at a slower pace than previous month's +115.2% rise.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2022)	2020 (year-end)	2021 (year-end)
GDP Growth (Q1-2022)	8.3%	7.8%	8.3%	-9.6%	5.8%
Inflation Rate (June)	6.1%	5.4%	4.4%	2.4%	4.5%
Government Spending (June)	27.90%	-1.1%	8.6%	11.3%	12.8%
Gross International Reserves (\$B) (June)	100.9	103.6	105.5	96.5	107.1
PHP/USD rate (June)	53.57	52.36	52.11	49.63	48.88
10-year T-bond yield (end-June)	7.07	6.54	5.97	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

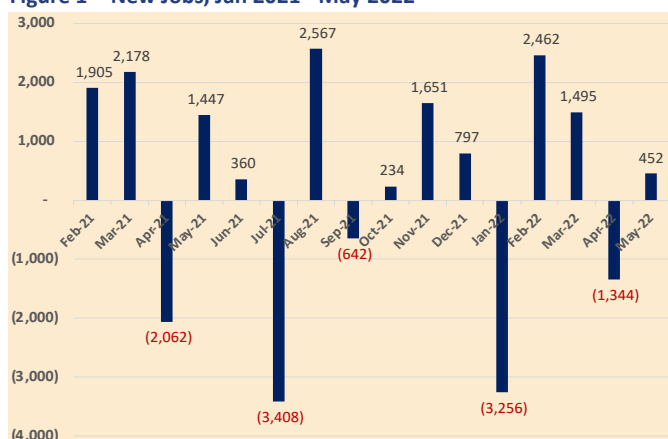
# MACROECONOMY

## POSITIVE ECONOMIC DATA GREET NEW ADMINISTRATION

The economy greeted the new administration with some good news. May reported 453,000 additional jobs, a partial rebound from a decline in April. Manufacturing PMI for July clocked at 53.8, the 5th consecutive month of expansion. Capital goods imports surged by 21.8% in May after a milder uptick a month earlier. Exports and OFW remittances had moderate gains of 6.2% and 2%, respectively. Even National Government (NG) spending when adjusted for one extraordinary item still expanded by 7.5% in May. June inflation at 6.1% emerged as the fly in the ointment, while the peso remained under pressure.

**Outlook:** Given the positive data and improved consumer sentiment, the economy will continue to recover rapidly, albeit at a slightly milder pace. We still see the economy expand by 6% to 7% for the entire year. We expect infrastructure spending to accelerate in H2 as the NG fiscal space has expanded with better tax revenues. The positive income impact of peso depreciation on Overseas Filipino Workers remittances, Business Processing Outsourcing (BPO) revenues, and exports (i.e., ~ affecting some 70 million people) should offset much of the weakness in consumer spending hit by high inflation. The peso will likely recover a little due to recent U.S. dollar softening and likely lower crude oil prices for the rest of the year.

Figure 1 - New Jobs, Jan 2021 - May 2022



Source of Basic Data: Philippine Statistics Authority (PSA)

### Job Market Still Spritely: 453,000 Jobs Added in May

Despite the end of elections on May 9, the job market still looked robust as the economy added 453,000 jobs in May after a large drop in April (last phase of campaign period). The Services and Industry sectors provided strong boosts of 725,000 and 357,000 jobs, respectively representing gains of 2.7% YoY and 4.2%, respectively to more than offset the number of persons (-616,000) who exited from Agriculture.

The unemployment rate did edge up to 6% from 5.7% a month ago, but the rise in the labor participation rate to 64% from 63.4% in May produced that higher figure despite the robust increase in employment. Underemployment did rise to 14.5% in May, but this proved much better than the average of 15.9% in 2021 and 14.7% in the first four months of 2022.

In the Industry sector, the two major sub-sectors, Construction and Manufacturing, did the heavy lifting with new jobs of 232,000 (+ 5.3%) and 90,000 (+2.5%), respectively. The two other sub-sectors Water, Electricity, Gas, etc. and Mining & Quarrying had minor job cuts of 8,000 and 3,000, respectively.

The Services sector had the largest intake of workers, despite having only four sub-sectors (out of 13) in the positive territory. The 1.1-M gain in Wholesale and retail Trade alone overwhelmed the job reductions in nine sub-sectors. Smaller increments showed up in the Transportation & Storage (+70,000), Accommodation & Food Services (+34,000), and Information & Communication (+10,000).

**Table 1 - Labor Force Survey Summary**

	April 2022	May 2022	MoM Change	
			Levels	% Change
<b>Labor Force</b>	<b>48,393</b>	<b>49,011</b>	<b>618</b>	<b>1.3%</b>
Employed	45,631	46,084	453	1.0%
Underemployed	6,399	6,668	269	4.2%
Underemployment rate%	14.0	14.5	0.5	3.6%
Unemployed	2,762	2,927	165	6.0%
Unemployment rate%	5.7	6.0	0.3	5.3%
Labor Participation rate%	63.4	64.0	0.6	0.9%
Not in Labor Force	27,980	27,521	(459)	-1.6%
<b>Agriculture ('000)</b>	<b>10,752</b>	<b>10,123</b>	<b>(629)</b>	<b>-5.8%</b>
<b>Industry ('000)</b>	<b>8,417</b>	<b>8,774</b>	<b>357</b>	<b>4.2%</b>
Mining and Quarrying	202	199	(3)	3.1%
Manufacturing	3,656	3,746	90	2.5%
Electricity, Gas, Steam, and Air-Conditioning Supply	102	94	(8)	-7.8%
Water Supply; Sewerage, etc.	70	117	47	67.1%
Construction	4,386	4,618	232	5.3%
<b>Services ('000)</b>	<b>26,462</b>	<b>27,187</b>	<b>725</b>	<b>2.7%</b>
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	9,825	10,942	1,117	11.4%
Transportation and Storage	3,147	3,217	70	2.2%
Accommodation and Food Services	1,732	1,766	34	2.0%
Information and Communication	432	442	10	2.3%
Financial and Insurance Services	601	577	(24)	-4.0%
Real Estate Activities	230	191	(39)	-17.0%
Professional, Scientific, and Technical Activities	332	281	(51)	-15.4%
Administrative and Support Services Activities	2,077	2,069	(8)	-0.4%
Public Administration and Defense; Compulsory Social Security	2,758	2,600	(158)	-5.7%
Education	1,451	1,356	(95)	-6.5%
Human Health and Social Work Activities	711	691	(20)	-2.8%
Arts, Entertainment, and Recreation	458	349	(109)	-23.8%
Other Service Activities	2,704	2,704	0	0.0%

Source of Basic Data: Philippine Statistics Authority (PSA)

### Manufacturing PMI Still Show Expansion in June

While the S&P Global Philippines Manufacturing PMI slightly eased to 53.8 in June from 54.1 a month earlier, it still signaled a MoM expansion as it remains above 50. This represented improvements in output, employment, and orders. However, supply side issues persisted driven by higher energy and raw material prices.

Following the drop in PMI, Volume of Production Index (VoPI) further decreased its momentum at a single-digit pace of 1.9% YoY in May 2022 from the 267.2% in the previous month. The increase in 14 out of 22 industry categories sustained the VoPI's momentum.

Manufacture of machinery and equipment except electrical contributed the most in May with its 50.7% growth. On the other end, manufacture of electrical equipment led this month's decline with -19.7% YoY followed by printing and reproduction of recorded media with -11.9 YoY loss.

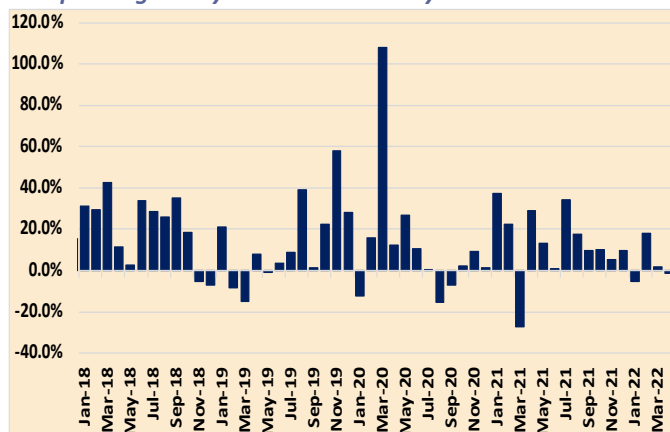
### NG Expenditures Slipped by -1.1% in May

National Government (NG) spending in May slowed by -1.1% or P5.0-B lower than a year ago attributable to the timing of subsidy releases to the Philippine Health Insurance Corporation (PHIC) amounting to P36.5-B. Excluding the said portion, NG expenditures increased by 7.5% YoY. Furthermore, robust revenue collection partly offset rising expenses leading to a lower budget deficit of P146.8-B in May from P200.3-B in the previous year. Year-to-date (YTD) total budget deficit reached P458.7-B, which leaves quite a bit of fiscal space for the rest of 2022.

Total tax collections soared by 19% YoY to P304.9-B in May, the third consecutive month of robust growth. Revenues of the Bureau of Internal Revenue (BIR) spiked by 17.9% to P216.6-B from P183.7-B a year ago, while Bureau of Customs (BOC) grew at the fastest pace this year by 36.4% to P66.3-B. On the contrary, income of the Bureau of the Treasury (BTr) plunged by -28.2% to P8.9-B from P12.4-B due to lower dividend remittances.

Primary spending stood at P417.9-B or slightly lower by 2.3% from a year earlier, while total interest payments climbed by 16.9% to P33.8-B from P28.9-B. Additionally, infrastructure spending inched up by 2.1% to P80.5-B amid higher payments of the Department of Transportation (DOTr) for the Malolos-Clark Railway Project and the Metro Manila Subway Project and capital outlay projects under the AFP Modernization Program of the Department of National Defense (DND).

**Figure 2 - NG Expenditures Growth Rate, Year-on-Year**  
**NG Spending Fell by a Tad -1.1% in May**



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

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

Inflation Year-on-Year Growth Rates	May-22	June-22	YTD
	5.4%	6.1%	4.4%
Food and Non-Alcoholic Beverages	4.9%	6.0%	3.3%
Alcoholic Beverages and Tobacco	6.8%	7.8%	5.9%
Clothing and Footwear	2.1%	2.2%	2.0%
Housing, Water, Electricity, Gas, and Other			
Fuels	6.5%	6.6%	5.9%
Transport	14.6%	17.1%	11.8%
Restaurants and Accommodation	2.9%	2.9%	2.9%
Personal care & misc. goods and Services	2.5%	2.6%	2.3%

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)

**Figure 3 - Inflation Month-on-Month Growth Rates**



Note: All rates from 2019 to June 2022 use the current 2018=100 base for CPI, while prior to 2019 they use 2012=100 base for CPI.

Source of Basic Data: Philippine Statistics Authority (PSA)

**Inflation Speeds to 6.1% in June**

Inflation in June speeded to 6.1% YoY from 5.4% a month earlier due to accelerating food, beverages, and fuel prices. YTD headline inflation reached 4.4% breaching the 2%-4% BSP target.

Nine out of 11 food price categories took a faster pace. Corn and meat products had the highest YoY increases of 24.7% and 8.1%. Heavy weighted rice and bread & wheat-based products also had rapid gains of 2% from 1.5% and 5.7% from 4.8%, respectively.

Fuel prices, under Transport sub-index, continued to climb by 17.1% from 14.6% a month ago as crude oil prices spiraled in international markets. West Texas Intermediate (WTI, U.S. benchmark) soared by 60.9% YoY to average \$114.84/barrel (bbl), while Brent (Europe benchmark) spiked even more by 77.8% YoY to \$122.71/bbl as sanctions on Russian oil due to the latter's invasion of Ukraine cut supplies in the continent.

On a seasonally adjusted basis, MoM inflation accelerated to 0.9% from 0.5% in the previous month driven by climbing food and fuel prices. When annualized (SAAR), this translates to 11% from 6.5% in May.

Crude oil prices appeared to peak in early June near the \$120/bbl level as it trended downward thereafter. By mid-July it had fallen below \$100/bbl and may only have monetary upswings as the global economic slowdown cools demand. Thus, we may see the peak of local inflation in Q3, even though we have revised our annual forecast to 5% to 5.2%.

**Money (M3) Growth Still Weak in May**

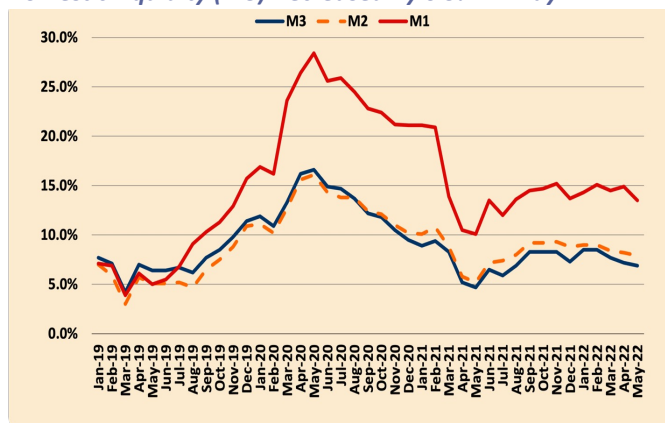
Domestic liquidity (M3) decreased by 6.9% YoY in May to P15.3-T slower than April's 7.2% pace. On a MoM seasonally adjusted basis, M3 flattened. Narrow money (M1) expanded by 13.5% slower than the 14.9% growth in the previous month. Meanwhile, broad money (M2) rose by 7.9% YoY, slower than last month's 8.2%

Net foreign assets (NFA) in peso terms increased by 3.4% in May from April's 5.2% The slow expansion in the BSP's NFA position reflected the decline in the country's level of gross international reserves. Meanwhile, the NFA of banks also grew due higher investments in ROPs.

Lending for production hastened to a 10.8% YoY pace in May from 10.3% in April, as outstanding loans to key industries rose, specifically information and communication (+27.1%) and real estate activities (+16.4%). Manufacturing and construction also saw more loan availments.

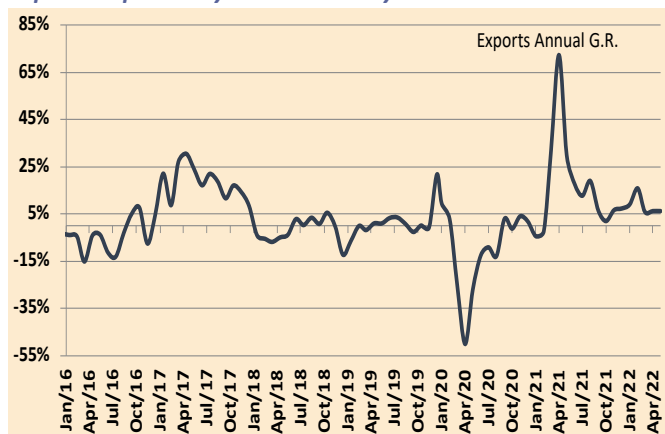


**Figure 4 - M1, M2, M3 Growth Rates**  
**Domestic Liquidity (M3) Decreased By 6.9% in May**



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

**Figure 5 - Exports Growth Rates, Year-on-Year**  
**Exports Kept Steady at 6.2% in May**



Source of Basic Data: Philippine Statistics Authority (PSA)

**Table 3 - Exports Year-on-Year Growth Rates**

	Apr-22	May-22	YTD
<b>Total Exports</b>	6.2	6.2	8.4
<b>Agro-Based Products</b>	48.3	58.2	47.6
<b>Mineral Products, of which</b>	43.2	9.8	28.1
Copper cathodes	17.1	-16.2	21.6
Others (incl. nickel)	6.5	32.9	33.3
<b>Manufactured Goods</b>	-1.0	1.8	3.9
Electronic Products	0.8	1.3	6.6
Other Electronics	-11.5	-10.8	-5.6
Chemicals	6.7	25	7.5
Machinery and Transport Equipment	-11.6	11.9	-16.6
Processed Food and Beverages	13.0	5.9	-2.4
Others	-14.8	-3.7	-2.4

Source of Basic Data: Philippine Statistics Authority (PSA)

Similarly, consumer loans to residents increased by 8.5% in May from 6.7% in April driven largely by YoY increase in credit card loans and salary-based general purpose consumption loans.

### Export Growth Held Steady at 6.2% in May

Export earnings advanced by 6.2% YoY to \$6.3-B in May, unchanged from the revised 6.2% gain a month ago. Likewise, it edged up by 2.7% from \$6.1-B in the previous month. Seven out of 10 major commodities expanded in May.

Exports of Coconut Oil took the lead again for three straight months with its outstanding 180.5% surge to \$245.1-M. Meanwhile, Other Mineral Products, Chemicals, and Machinery & Transport Equipment recorded double-digit gains of 32.9%, 23.6%, and 11.9%, respectively. Elevated prices boosted Other Mineral (esp. Nickel) exports, while lower copper prices (e.g., cathode shipments down by -16.2%) offset an otherwise bright performance of the sector.

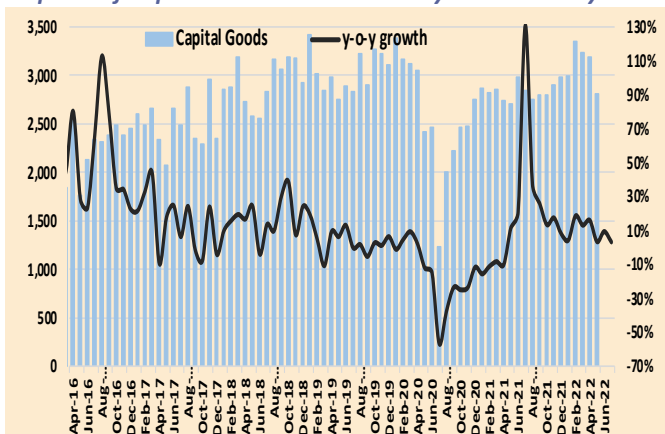
By major type of goods, Agro-Based Products soared by a hefty 52% YoY increase. Exports from Pineapple Juice (+2,095.7%), Coconut Oil (+180.5%), and Rice (+71.7%) contributed to its upswing. Dragged by the decline in Plywood (-22.7%), only Forest Products slumped (-3.9%) in May.

Accounting for 15.3% of total exports, shipments to the U.S. went up by 1.2% to \$940.1-M making its way as the country's top destination in May. Also on a positive note, export earnings from Japan and Hong Kong escalated by 7.1% to \$900.5-M and 13.1% to \$896.0-M, respectively. After placing first last month, China fell to fourth place as shipments sunk by -10% to \$865.7-M likely due to the recent lockdown in Shanghai and other key cities.

### Imports of Capital Goods Jumped by a Solid 21.8% in May

After a mild 3.4% increase in April, imports of capital goods soared by 21.8% to \$3.4-B in May from \$2.8-B a year ago. This marks the fastest pace in 11 months driven by rising aggregate demand. Similarly, total imports ascended by 31.4% to \$12.0-B from \$9.1-B in the prior year.

**Figure 6 - Imports of Capital Goods (in Million USD)**  
Imports of Capital Goods Accelerated by 21.8% in May



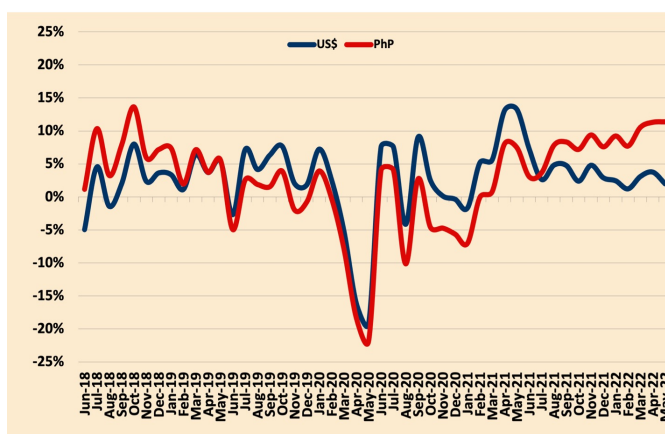
Source of Basic Data: Philippine Statistics Authority (PSA)

**Table 4 - Imports Year-on-Year Growth Rates**

	Apr-22	May-22	YTD
<b>Total Imports</b>	<b>22.8</b>	<b>31.4</b>	<b>29.0</b>
<b>Capital Goods</b>	<b>3.4</b>	<b>21.8</b>	<b>13.9</b>
Power Generating and Specialized Machines	-7.7	13.0	4.2
Office and EDP Machines	-28.3	-0.1	-12.0
Telecommunication Equipment and Electrical Machines	2.3	14.7	9.3
Land Transport Equipment excluding Passenger Cars and Motorized cycle	-9.4	-11.3	9.0
Aircraft, Ships and Boats	207.8	796.2	245.5
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	9.9	15.7	21.3
<b>Raw Materials and Intermediate Goods</b>	<b>18.6</b>	<b>24.1</b>	<b>23.2</b>
<b>Mineral Fuels, Lubricant and Related Materials</b>	<b>133.5</b>	<b>128.7</b>	<b>137.5</b>
<b>Consumer Goods</b>	<b>7.1</b>	<b>6.6</b>	<b>10.3</b>

Source of Basic Data: Philippine Statistics Authority (PSA)

**Figure 7 - OFW Remittances Growth Rates, Year-on-Year**  
Personal Remittances Maintained at \$2.7-B in May



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

Providing an eye-catching performance import of Aircraft, Ships & Boats zoomed up by 796.2% in May amid easing lockdown restrictions. Meanwhile, Telecommunication Equipment & Electrical Machinery, which take up the biggest share of total capital goods imports, grew moderately at 14.7%.

The surge in Mineral Fuels, Lubricants & Related Materials continued in May with 128.7% as the crude oil price ascent remained unabated. Moreover, Cereals & Cereal Preparations, Iron & Steel, and Transport Equipment shot up by 65.7%, 64.2%, and 51.1%, respectively.

The country's trade deficit swelled to a new record \$5.7-B, a huge leap of 78.6% from \$3.2-B a year ago as imports continued to outpace exports. Elevated oil and commodity prices, and the peso trading above P56/\$ by July, the trade deficit will remain bloated in the near term.

#### OFW Remittances Up by 2% in May

Inward personal remittances of Overseas Filipino Workers (OFW) grew at a slower pace by 2% YoY to \$2.7-B in May 2022. This brought the cumulative personal remittances in the first five months of the year to \$14.0-B, a 2.5% YoY uptick from \$13.7-B in the comparable period in 2021.

The gain in personal transfers during the year benefited from remittances of land-based workers with contracts of one year or more which increased by 1.9% to \$2.10-B from \$2.06-B in the same period last year; and sea-land based workers with work contracts of less than one year which rose by 1.4% to \$0.54-B from \$0.53-B a year ago. Moreover, cash remittances from OFWs coursed through banks grew by 1.8% to \$2.43-B in May from \$2.38-B in the same month a year ago.

The increase in cash remittances from the United States (U.S.), Saudi Arabia, Japan, Qatar, and Singapore contributed greatly to the growth in the remittances in the first five months of 2022. Meanwhile, as to country of origin, the U.S. registered the highest share of overall remittances at 41% followed by Singapore, Saudi Arabia, Japan, the United Kingdom, the United Arab Emirates, Canada, South Korea, Qatar, and Taiwan. The consolidated remittances from these top 10 countries accounted for 79.5% of total cash remittances in May.

**Figure 8 - Dollar-Peso Exchange Rates and Moving Averages**  
**Philippine Peso Depreciation Accelerates in June**



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

**Table 5 - Exchange Rates vs USD for Selected Asian Countries**

Exchange Rates vs USD for Selected Asian Countries			
	May-22	Jun-22	YTD
AUD	4.6%	0.2%	1.7%
CNY	4.3%	0.0%	5.1%
INR	1.5%	0.9%	3.4%
IDR	1.3%	0.8%	2.5%
KRW	2.7%	0.7%	7.8%
MYR	2.8%	0.4%	4.4%
PHP	0.7%	2.3%	6.6%
SGD	1.3%	0.1%	1.5%
THB	1.9%	1.5%	4.0%

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

**Peso Weakened to a 16-year Low in June, Slides Past P56/\$ by July**

The local currency depreciated by 2.3% to P53.57/\$ in June, the biggest drop amongst its peers (See Table 5). It finished the month at P55.02/\$, the lowest in 16 years amid broad U.S. dollar strength, global risk aversion on recession woes, and widening trade deficit. This has weakened further beyond P56/\$1 in July.

The policy rate hike by the BSP did little to peso as other global central banks tightened more aggressively (e.g., 25 bps vs 75 bps by the Fed). The swift downfall roused the BSP to consider a larger rate hike in the next policy meeting [which it did, with a 75 bps policy rate hike on July 14th].

The dollar-peso exchange rate (FX) met a high of P55.02/\$ and a low of P52.41/\$. As a result, the volatility measure rose tremendously to 86.9% from just 7.5% in the previous month.

With the actual FX rate hitting the P55-range in June, it caused the 30-day and 200-day moving averages (MA) to overshoot, signifying sustained depreciation of the peso in the short and long run. However, the easing of crude oil prices may alleviate some of the upward pressure.



## Outlook

Despite the end of election spending in early May, the recently released economic data suggest a sustained economic recovery even as Pres. Ferdinand R. Marcos, Jr. has nearly completed his cabinet and has given more details of his economic plans for the country.

- That May employment data showed an increase of 453,000 jobs, primarily in the Services and Industry sectors support the stronger consumer sentiment in Q2 and spillover of spending into H2.
- Construction and Manufacturing sub-sectors of the Industrial sector provided the most jobs while Manufacturing PMI in July still pointed to an expansion mode, albeit slightly weaker than in June. These have very high income multiplier which should kick in during H2.
- NG spending may have eased in May, but it left P1.2-T intact for the budget deficit to even come close the target P1.67-T deficit programmed for 2022. Tax revenues have proved more robust than earlier projected and the deficit for 2022 will likely reach only P1.4-T or around 6.5% of GDP (a full percentage below budget). Infrastructure spending on key projects and on reducing costs in Agriculture should bulk up in H2.
- While inflation may still remain close to 6% in Q3, we think it should trend downward thereafter as crude oil prices have softened significantly confirming the global economic slowdown. The U.S. will likely fall into shallow recession while China eked out a slim 0.4% YoY GDP growth in Q2-2022, bolstering this view on crude oil prices.
- BSP can wait until August meeting before making another policy rate hike to make sure the economic rebound remains intact.
- The USDPHP rate may have some respite in the short-term or up to December as OFW remittances come and U.S. dollar loses some luster.

# FIXED INCOME SECURITIES

## BOND YIELDS SHOOT UP IN JUNE AS FED LIFTS POLICY RATES BY 75 BASIS POINTS

MB raised policy rates by 75 bps last July 14, and 25 bps each last May and June. The local bond yields had a faster rise as domestic inflation hit 6.1% in June from 5.4% in May. The auctions of government securities (GS) and their trading in the secondary market showed sizeable upticks in yields across all tenors, as the Bangko Sentral ng Pilipinas (BSP) lifted its policy rates by 25 bps in June. Risk aversion towards EM assets drove up ROPs yields higher than equivalent U.S. Treasuries resulting in wider spreads not seen since a decade ago.

Outlook: While monetary policy rates across the globe has risen (esp. in the U.S.), BSP has also followed suit, but the latter won't go step-in-step with the Fed's moves since inflation rates in the U.S. exceed greatly the ones faced by PH (e.g., U.S., 9.1% in June while 6.1% in PH). With crude oil prices appearing to have peaked in June, inflation should ease even not dramatically in H2. With PH 10-year bond real yields still positive in June and NG borrowing held at bay in H2, the pressure on those yields may only become to a limited extent come from the Fed's moves. ROPs spreads over equivalent U.S. Treasuries will likely narrow as the May jump should prove knee-jerk.

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 Jun	91-day	20.000	59.331	18.070	2.967	1.855	39.5
	182-day	20.000	37.690	17.570	1.885	2.400	58.8
	364-day	20.000	25.094	16.774	1.255	2.630	72.9
Subtotal		60.000	122.115	52.414	2.035		
21 Jun	10 year	35.000	67.294	34.892	1.923	7.145	25.1
28 Jun	7 year	105.000	173.349	44.740	1.651		
Subtotal		140.000	240.643	79.632	1.719		
All Auctions		200.000	362.758	132.046	1.814		

Source: Bureau of the Treasury (BTr)

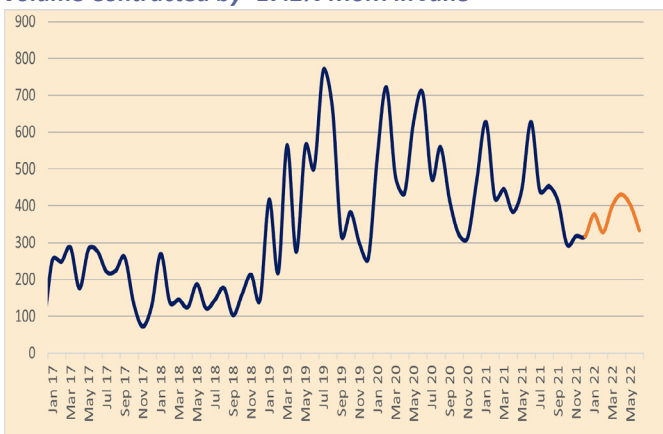
### Primary GS Market: BSP Lifted Policy Rates by 25 bps on June 23 Causing Short Bonds to Upshoot

As widely expected, the BSP executed back-to-back rate hikes during policy meeting in June, bringing the policy rate to 2.5% to combat soaring local inflation (5.4% in May). BSP Governor Medalla signaled another rate hike in the next policy meeting as part of dialing back on its pandemic support.

As a result, demand for Treasury bills (T-bills) fell by -16.7% while its yields surged ranging from 39.5 bps to 72.9 bps in June. The 91-day and 182-day debt papers spiked by 39.5 bps to 1.855% from 1.460% a month ago and 58.8 bps to 2.400% from 1.812%, respectively. After Bureau of the Treasury (BTr) fully rejected four consecutive auctions, it finally awarded 364-day T-bills awarded above the 2% level at 2.630%, a huge 72.9 bps jump from 1.901% in April.

Meanwhile, BTr surprised the local bond market as it declined all tenders in its three 7-year auctions motivating a brief rally in the secondary market. If awarded, 7-year yields would have notched up to 6.947% or 51.9 bps higher than last month. However, it awarded almost fully the 10-year tenors (10-68) which climbed by 25.1 bps to 7.145% from 6.894% in the previous month.

Figure 9 - Monthly Total Turnover Value (in Billion Pesos) Volume Contracted by -17.2% MoM in June

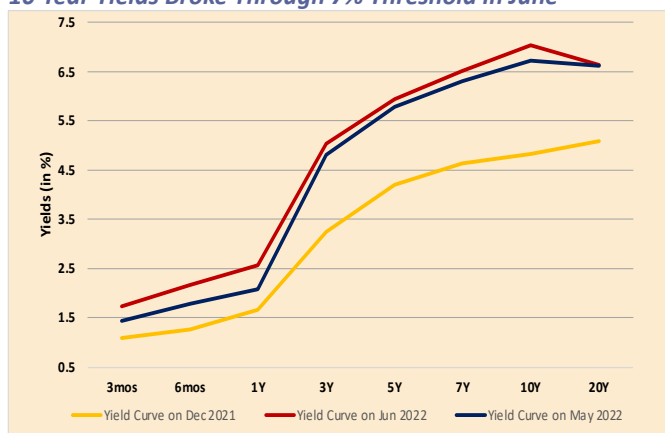


Source: Philippine Dealing Systems (PDS)

### Secondary Market: Upward Pressure in Yields Persisted in June

Rising U.S. Treasuries and faster inflation kept most investors on the sidelines in June. As risk averse sentiment dominated the market, the trading volume of government securities (GS) in the secondary market pulled back by -17.2% to P333.8-B in June from P403.4-B a month ago. It plunged even deeper by -46.8% from P627.3-B a year earlier.

**Figure 10 - Year-end Yield Curve in 2021 and Latest Yield Curve Versus Previous Month in 2022**  
**10-Year Yields Broke Through 7% Threshold in June**

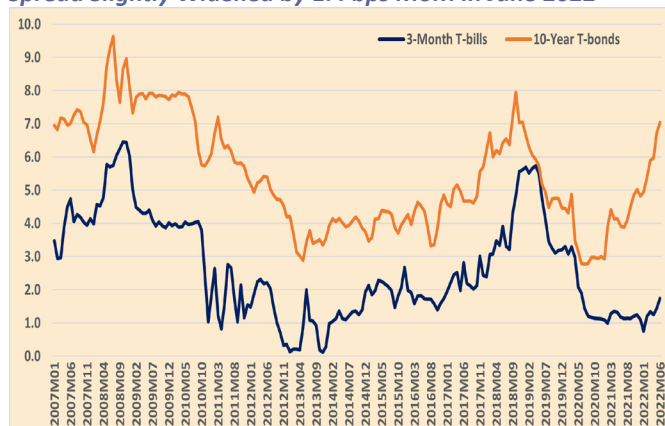


Source: Philippine Dealing Systems (PDS)

The front end of the curve saw knee-jerk selling amid interest rate lift off from the BSP (+25 bps) and the Fed (+75 bps) in June. The 3-month and 6-month T-bills soared by 30.1 bps to 1.739% from 1.438% and 39.1 bps to 2.171% from 1.780%, respectively. On the other hand, 1-year papers took the biggest jump by 49.3 bps to 2.570% from 2.077%.

Meanwhile, appetite for duration remained muted in June. The 10-year tenors punched above the 7% range, highest since December 2018, to 7.036% or 31.5 bps higher from 6.722% a month ago. Furthermore, 3-year and 5-year T-bonds climbed by 22.5 bps to 5.042% from 4.817% and 16.2 bps to 5.940% from 5.778%, respectively. The 7-year and 20-year debt papers drifted higher by 20.2 bps to 6.513% from 6.311% and 3 bps to 6.642% from 6.612%, respectively.

**Figure 11 - 3-month T-bills and 10-year T-bonds Yields Spread Slightly Widened by 1.4 bps MoM in June 2022**



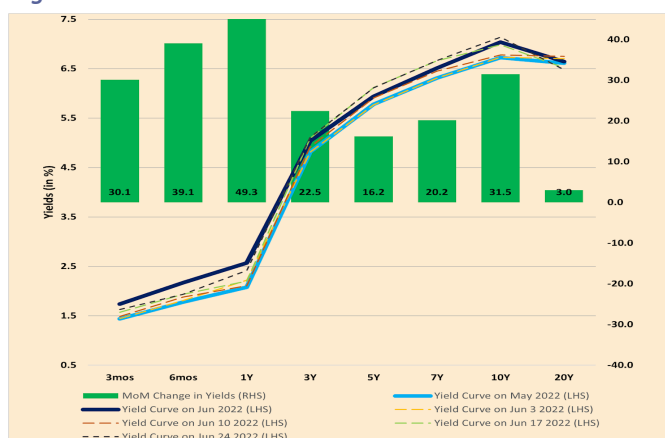
Source: Philippine Dealing Systems (PDS)

The spread between 10-year and 2-year bond yields expanded by 6.9 bps to 265.1 bps in June. With the peso reaching P56/\$, together with intensifying inflation (June at 6.1%—a 3-year high), BSP will likely hike further in its next policy meeting on August 18, after an unprecedented and surprise 75-bps push by BSP in July.

**Corporate Bonds: Trading Volume Rebounded Significantly by 54.1% in June**

The corporate securities market volume bounced back as it soared by 54.1% to P4.8-B in June from a 5-month low of P3.1-B in the prior month. On the contrary, it dropped by -8.1% from P5.2-B last year. The share of the top five issuers out of the total corporate volume went down to 33% or P1.6-B in June.

**Figure 12 - Week-on-Week and Month-on-Month Changes on the GS Benchmark Bond Yield Curves**  
**Higher Yields Across the Board in June**

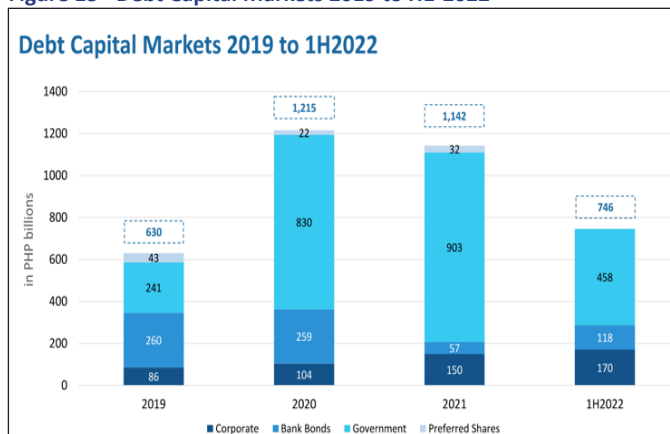


Source: Philippine Dealing Systems (PDS)

Previously placing third, the SMC Global Power (SMCGC) seized the top position with P836.1-M, a +216.3% boost from a month ago. Meanwhile, SM Prime Holdings, Inc. (SMPH) and Ayala Land, Inc. (ALI) slid to the second and third place as volume declined by -11.4% to P496.5-M and -78.7% to P100.9-M, respectively. Not too far off, San Miguel Corporation (SMC) came next with P102.0-M (higher by 6.2% MoM). Aboitiz Power (AP) placed last as trades sunk by -54.5% to P64.4-M.

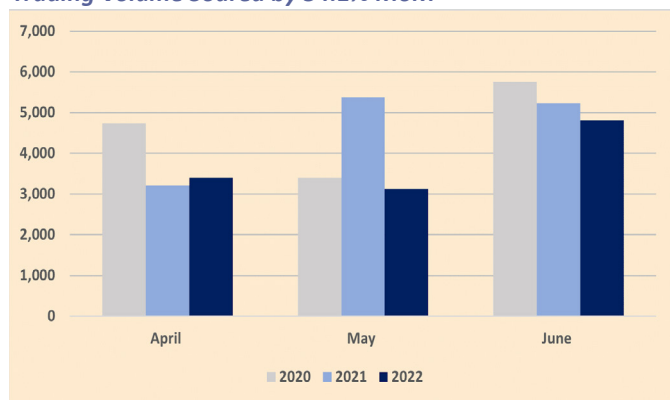
Additionally, BDO Unibank (BDO) and Rizal Commercial Banking Corporation (RCBC), both banks, saw massive trades amounting to P965.4-M and P1.0-B, respectively.

**Figure 13 - Debt Capital Markets 2019 to H1-2022**



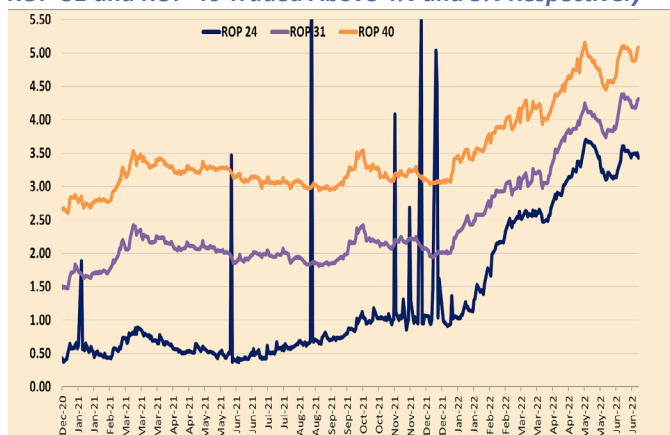
Source: First Metro Investment Corporation (FMIC)

**Figure 14 - Total Corporate Trading Volume (in Billion Pesos) Trading Volume Soared by 54.1% MoM**



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

**Figure 15 - ROPs Daily Yields ROP-31 and ROP-40 Traded Above 4% and 5% Respectively**



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

**Corporate Issuances and Disclosures**

To begin with, the total issuance of corporate/bank bonds for the first half of the year (P288.0-B) has already exceeded full year (2021) total volume of (P207.0-B). The issuers included the usual large firms (e.g., Ayala Land, San Miguel Corp.) but new ones tapped the bond market, such as Converge (P10.0-B) and Century Properties (P3.0-B).

- Ayala Corporation (AC) raised P15.0-B from its 3-year, 5-year, and 7-year Fixed Rate Bonds that carry a coupon rate of 4.4542%, 5.6239%, and 6.1351%, respectively, payable quarterly. Proceeds will be used for general funding requirements.
- Union Bank of the Philippines (UBP) listed the first ever digital bond issuance in the Philippines with its Series E Bonds (1.5-year tenor) worth P11.0-B. It was priced at 3.25% per annum.

**ROPs: Yields Boosted Amid Global Risk-Off Sentiment**

Yields of the Republic of the Philippines’ U.S. dollar-denominated bonds (ROPs) accelerated as high as 59.4 bps in June after its recent slump a month ago. The depreciation trend of the peso and global risk off tone amid recession fears contribute to its upsurge.

ROP-24 soared by as much as 252 bps since the beginning of the year. In June, it leaped by 32.2 bps to 3.435% from 3.113% in the previous month. Furthermore, ROP-31 and ROP-40 broke through their 4% and 5% thresholds with 4.312% (+50.5 bps MoM) and 5.082% (+59.4 bps), respectively.

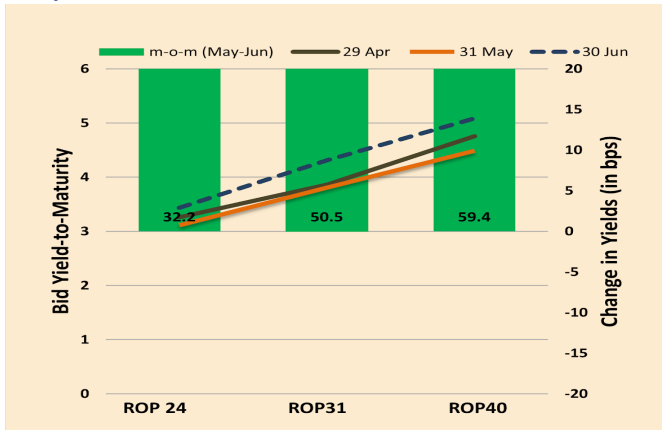
The Fed raised its policy rates by 75 bps on June 15, the biggest hike since 1994, expressing its strong intent to bring prices down as inflation recorded its fastest print since the early 1980’s at 8.6% in May. The substantial monetary tightening by the Fed drove the 10-year U.S. Treasuries to 3.49%, highest since mid-2011, in June. However, it ended the month at 2.98% still 13 bps higher MoM as fears of an economic slowdown fueled safe haven demand. In addition, 3-year and 20-year tenors ascended by 28 bps to 2.99% from 2.71% and 10 bps to 3.38% from 3.28%, respectively.

As ROPs yields sped up faster than its equivalent U.S. Treasuries, the spread widened ranging from 4.2 bps to 49.4 bps in June, as demand for EM bonds softened with greater investor risk aversion.

**ASEAN+1**

**U.S.:** Job gains of 372,000 in June easily exceeded

**Figure 16 - ROPs Yield, Month-on-Month Changes (bps)  
Steeper Yield Curve in June**

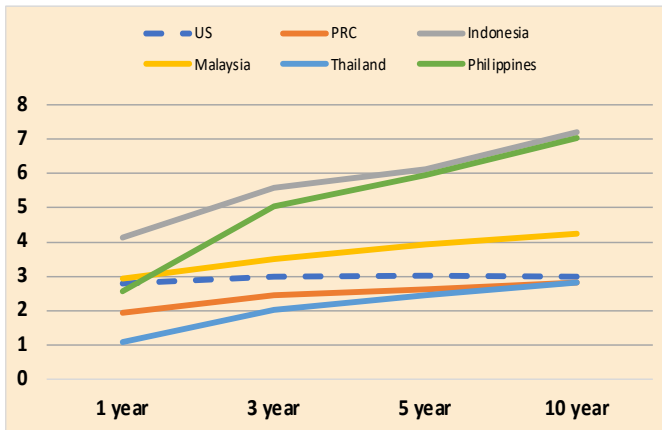


Sources: Bloomberg, First Metro Investment Corporation (FMIC)

**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
29-Apr	38.9	97.3	161.3
31-May	40.3	95.7	120.8
30-Jun	44.5	133.2	170.2

**Figure 17 - Comparative Yield Curve Between ASEAN per Tenor**



Sources: Asian Development Bank (ADB), Federal Reserve

**Figure 18 - U.S. Bond 10-year vs PH Bond 10-year**



Sources: Trading Economics

expectations, showed robust job market and kept unemployment rate at 3.6%. While total nonfarm employment fell short of its pre-pandemic level in February 2020 by only 0.3%, private-sector employment has exceeded February 2020 jobs by 140,000. Q1-2022 GDP contracted by -1.6% (3rd estimate) slightly larger than earlier estimates, making a case for a recession, although the opposite view, which is to have a recession, remains substantial.

The S&P Global U.S. Manufacturing PMI dove to 52.7 in June of 2022 from 57.0 in May, marking the slowest growth in factory activity since July of 2020. CPI inflation in June moved up at a faster clip of 9.1% YoY, the highest in 41 years, as the MoM seasonally adjusted CPI accelerated further to 1.3% from 1% a month earlier. The MoM surge produced the largest rise since September of 2005, driven mainly by gasoline (+11.2%), shelter (+0.6%), and food (+1%). However, core inflation rate (which excludes food and energy) for a third month to 5.9% YoY in June of 2022, the slowest pace in six months. This offset the 1% MoM increased in non-adjusted Retail sales after it dropped 0.1% in May.

The University of Michigan Consumer Expectations sub-index for the United States decreased to 47.30 points in July from 47.50 points in June of 2022. The former is the lowest reading since May 1980. Housing starts slumped 2% MoM to an annualized rate of 1.6-M units in June following a revised 11.9% fall in the previous month.

**CHINA:** After three straight months of contraction due to its strict Zero Covid policy, China's factory activities recovered as Caixin Manufacturing PMI climbed to 51.7 in June from 48.1 a month ago. Moreover, inflation print spiked to 2.5% in June (vs 2.1% in May), highest reading since July 2020, driven by soaring food prices.

Exports in June jumped to a 5-month high of \$331.3-B or 17.9% higher from last month's figure. On the other hand, imports saw an uptick of 1% to \$233.3-B, a slowdown from its 4.1% growth in the prior month. With this, China achieved a record high trade surplus of \$97.9-B from \$50.1-B a year earlier.

People's Bank of China (PBoC) retained its policy rate at 2.95% to support its economic recovery amid stringent lockdown measures. The spread between 10-year and 2-year bond yields (steepness measure) was unchanged



**INDONESIA:** While still in expansionary mode, and 22% YoY to \$21.0-B, respectively, in June. Trade surplus notched up to \$5.1-B from just \$1.3-B a year ago.

Despite inflation breaching its inflation target of 2-4%, the Bank of Indonesia (BI) held its 7-day reverse repurchase rate at 3.5%. BI reasoned that core inflation remained under control at 2.6% and has enough fiscal room thanks to the boon from its export commodities specifically palm oil. Furthermore, the yield curve steepened the most among its ASEAN+1 peers by 17 bps to 102 bps in June.

**MALAYSIA:** The country's manufacturing sector registered a slightly stronger PMI print at 50.4 in June from 50.1 in May. On the inflation front, CPI advanced to 2.8% in May (vs 2.3% in April) on the back of surging food and transport prices.

Outward shipments shot up by 30.5% to MYR 120.5-B in May, pointing to the 10th consecutive month of double-digit growth. Meanwhile, inward shipments rose faster by 37.3% to MYR 107.9-B, squeezing the trade surplus to its lowest in 2 years with MYR 12.6-B.

Bank Negara Malaysia (BNM) decided to raise its interest rate by 25 bps to 2.25% in July, after a similar 25 bps in May, to reduce inflationary pressures. Additionally, S&P upgraded Malaysia's outlook back to stable spurring positive sentiment in the market. The spread between 10-year and 2-year bond yields widened by 17 bps to 208 bps in June.

**THAILAND:** Its annual inflation rate quickly rose to 7.7% in June from 7.1% in the prior month as food and transport prices quickened by 6.4% and 14.8%, respectively. This marks the highest reading since July 2007. PMI declined to 50.7 in June from 51.9 a month earlier.

Exports and imports in May drifted higher by 10.5% to \$25.5-B and 24.1% to \$27.4-B, respectively. As a result, Thailand registered a trade deficit of \$1.9-B in May, a reversal from its \$0.8-B surplus in the previous year.

The Bank of Thailand (BoT) left the policy rate unchanged at a record low of 0.5%. Its yield curve flattened by 17 bps to 102 bps in June.

**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
					May-22	Jun-22			
U.S.	2.92	2.98	7.8	(4.82)	32	6	(26)	1.75	-6.05
PRC	2.25	2.82	2.1	0.72	57	57	0	2.95	0.85
Indonesia	5.14	7.22	5.3	1.92	191	208	17	3.50	-1.80
Malaysia	3.33	4.24	3.1	1.14	89	91	2	2.00	-1.10
Thailand	1.80	2.82	5.7	(2.88)	119	102	(17)	0.50	-5.20
Philippines	4.39	7.04	5.0	2.04	258	265	7	2.50	-2.50

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

## Outlook

Rising policy and interest rates here and abroad have become a given in the next few months. The question remains as to what peak and pace local 10-year T-bond yields may reach.

- Crude oil prices (West Texas Intermediate, WTI) may have hit its peak of \$120.06/barrel (bbl) on June 8th as it has trended downward thereafter, each showing lower lows after every recovery. Still, the Fed proceeded with a 75-bps rate increase in its July 26-27 meeting to rein in inflation expectations as it views the economy as strong enough to absorb the rate hike.
- However, this will not necessarily mean 1-for-1 BSP policy rate increases because inflation in the U.S. (at 9.1% in June YoY) exceeds that of the PH (6.1% in June) by a wide margin. This view becomes more reasonable if inflation steadies at 6% or less in July and August. We favor the latter view. With crude oil prices slightly lower in July, we think food prices will also follow a similarly milder pace.
- Regarding NG borrowings adding pressure on bond yields, we don't think it will have much bearing. Apart from overall market liquidity, by mid-July BTr has awarded 7-year and 10-year bonds at lower rates than in June. NG's fiscal position continues to improve as tax collections have exceeded targets. In short, for the near term, the 7% level may be topish.
- Although we have a slowdown in corporate issuances, we will likely see more preparatory moves by the usual larger issuers even though these may materialize mostly in Q4.
- With the prospect of faster policy rate increases in the U.S., spreads of ROPs over equivalent Treasuries would likely ease since 10-year ROPs yields have reached March 2011 levels, which predated the first investment grade rating of ROPs in May 2013.

# EQUITY MARKETS

## RISING POLICY RATES HERE AND ABROAD DAMPEN GLOBAL EQUITY MARKETS INCLUDING PSEI

Global equity markets tumbled in June amid monetary policy rate hikes by central banks across the globe led by the U.S. Federal Reserve Board's record 75 basis point boost that dragged PSEi down as well. Inflation raced at a faster pace of 6.1% in June compounding the already challenged PSEi which ended at 6,155.43 in June, down by 9.1% MoM. We see a bright spot in that PSEi remained above 6,000 (not a bear market) as local investors picked up the tab from foreign investors' unabated selling spree. All sectors of the PSE landed in the red territory led by the -13% plunge in Financial sector shares.

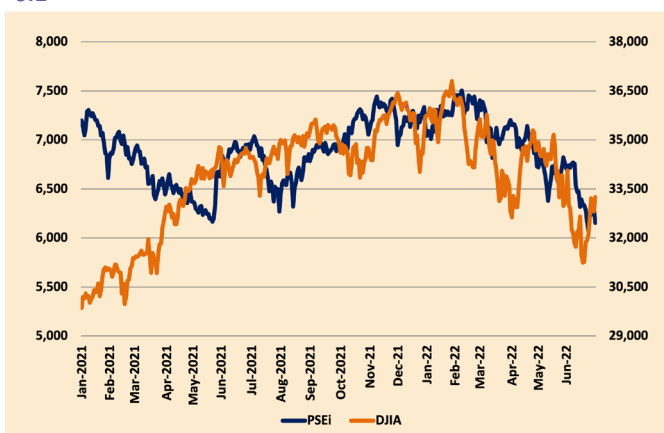
Outlook: Since we don't see BSP rate raising cycle follow closely the Fed's more aggressive stance of late (with local inflation lower by some 300 bps compared to that of the U.S.), and National Government retaining some fiscal space, we maintain our cautiously optimistic outlook for the market. We do expect the PSEi to recover by Q3, and even if it remains flattish, we see opportunities to buy into shares with high dividend yields (e.g., DMC, AREIT), reopening story (e.g., JGS, GTCAP, MPI) and logistics (e.g., ICT).

Table 9 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	June M-o-M Change	2022 % Change
Americas	US	DJIA	-6.7%	-15.3%
Europe	Germany	DAX	-11.2%	-19.5%
	London	FTSE 101	-5.8%	-2.9%
East Asia	Hong Kong	HSI	2.1%	-6.6%
	Shanghai	SSEC	6.7%	-8.3%
Asia-Pacific	Japan	NIKKEI	-3.3%	-21.7%
	South Korea	KOSPI	-13.2%	-11.8%
	Australia	S&P/ASX 200	-8.9%	5.0%
Southeast Asia	Indonesia	JCI	-3.3%	-7.9%
	Malaysia	KLSE	-8.1%	-5.4%
	Thailand	SET	-5.7%	-13.6%
	Philippines	PSEi	-9.1%	-0.7%

Sources: Bloomberg and Yahoo Finance

Figure 19 - PSEi vs DJIA  
PSEi vs DJIA Correlation in June Improved to 0.2 from May's -0.1

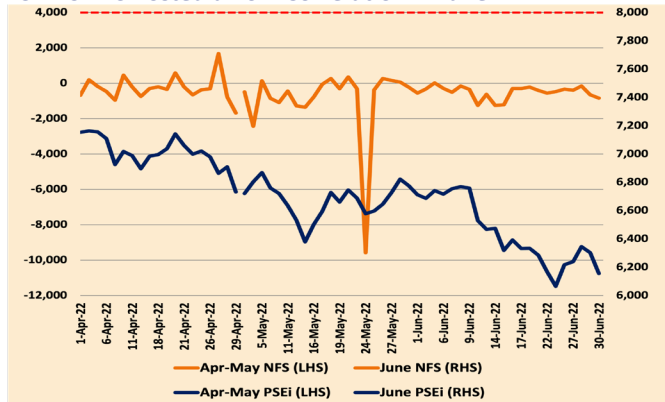


Sources: Wall Street Journal, Bloomberg

**Global Picture.** Red covered the face of earth in June. Despite this, Shanghai's SSEC emerged as best performer with a +6.7% month-on-month (MoM) climb in June after notching +4.6% record a month ago. With China's announced of being free of new local COVID cases for the first time in months. This enabled Shanghai's restaurants and eateries, Disneyland in largest city Shanghai to reopen their doors to diners and tourists after a 3-month closure. Hongkong's HIS, a China surrogate, followed suit, ending the month with a +2.1% MoM increment, similar to its uptick a month ago, led by Chinese technology stocks. Meanwhile, South Korea's KOSPI recorded the biggest loss of -13.2% MoM. The key macro risks it faced include the war in Ukraine and the lack of market stabilization initiatives. To address this, South Korea's financial regulatory agency sought to stabilize its local stock market with the following measures: 1) stock brokerage houses will be exempted from a requirement to hold 140% more worth of stocks of credit, and 2) listed companies will be allowed to buy more stocks (of their own) from the market per day.

**PSEi and DJIA.** Rising oil and a record high in eurozone prices renewed inflation concerns, which sent the 10-year Treasury yield surging—the Federal Reserve (Fed) increased rates by 75 bps in June. But despite the wild swings in June, the Dow Jones Industrial Average (DJIA) closed a modest volatile month of trading flat. DJIA ended June at 30,775.43 from May's close of 32,990.12. Meanwhile, PSEi finished to close June at 6,155.43. The correlation between the two indices in June eased to 0.2 from May's -0.1 as PSEi saw large drops towards end-June while DJIA made a last minute rebound.

**Figure 20 - PSEi vs Net Foreign Selling**  
**PSEi vs NFS Posted a +0.2 Correlation in June**



Sources: Bloomberg & Yahoo Finance

**Table 10 - Monthly Turnover (in Million Php)**

Monthly Turnover (in Million Pesos)				
Sector	Total Turnover		Average Daily Turnover	
	Value	% Change	Value	% Change
Financial	19,347.48	-13.5%	879.43	-21.3%
Industrial	29,746.63	-31.9%	1,352.12	-38.1%
Holdings	27,550.87	-4.7%	1,252.31	-13.4%
Property	45,163.62	27.2%	2,052.89	15.6%
Services	43,361.11	-27.8%	1,970.96	-34.4%
Mining and Oil	5,391.29	4.2%	245.06	-5.2%
<b>Total</b>	<b>170,561.00</b>	<b>-12.8%</b>	<b>7,752.77</b>	<b>-20.8%</b>
Foreign Buying	51,806.48	-38.3%	2,354.84	-43.9%
Foreign Selling	62,929.90	-32.5%	2,860.45	-38.7%
Net Buying (Selling)	(11,123.42)	19.7%	(505.61)	8.8%

Source of Basic Data: PSE Quotation Reports

**Table 11 - Top Foreign Buy in June (in Million Php)**

Top Foreign Buy	
Company	Total Value
SMPH PM Equity	875.66
SCC PM Equity	406.70
ACEN PM Equity	244.10
ABA PM Equity	235.88
EMP PM Equity	168.06
<b>Total Buy Value</b>	<b>1,930.40</b>

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

**Table 12 - Top Foreign Sell in June (in Million Php)**

Top Foreign Sell	
Company	Total Value
ICT PM Equity	-1,667.24
BDO PM Equity	-1,367.88
ALI PM Equity	-1,243.40
BPI PM Equity	-1,030.55
AC PM Equity	-922.15
<b>Total Sell Value</b>	<b>-6,231.21</b>

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

**Net Foreign Buying/Selling.** The PSEi in June experienced yet another volatile month, as it continued to show significant dip in June due to higher global inflation and the consequent rise in interest rates. Surprisingly, local investors supported the market in June amid the hike in BSP's policy (i.e., overnight reverse repurchase facility) rate by 25 basis points (bps) to stifle inflation expectations. The correlation between net foreign selling (NFS) and PSEi in June remained flat at 0.2.

PSE trading volume decreased by -12.8%, a dip from the previous month's +104.7% recovery. Four sectors landed on the red with the Industrial sector taking the largest cut of -31.9% from +152.9% a month ago. On the other hand, two sectors landed on the green, namely the Property sector observing the biggest volume of +27.2%. The Mining and Oil sector observing the second biggest volume of +4.2% followed suit.

The top five favorite stocks (net buying) of foreign investors amounted to P1.9-B, with SM Prime Holdings, Inc. (P8.6-M) and Semirara Mining and Power Corporation (P4.6-M) leading the list. The top five stocks (net selling) in June amounted to P6.2-B with International Container Terminal Services, Inc. (P1.6-B) and BDO Unibank, Inc. (P1.3-B) in the front rows.

Due to stagflation concerns, higher global inflation, anticipation of the economic plans of the new administration, and new policy rate of the BSP, the six sectors of PSEi showcased a sharp decline in June. All sectors posted losses, the Financial and Services sector leading the sub-indexes on the red with -13% MoM and -11.8% MoM pull back. Meanwhile, although on the red, the Industrial sector showed the least decline by -2.6% MoM.

Ranking last in the sectoral race, the Financial sector ended June with a -13% MoM loss, after +3.2% gain in May, with all of its PSEi-constituent stocks landing on the red.

**Table 13 - Monthly Sectoral Performance**

Monthly Sectoral Performance					
Sector	31-May-2022		30-June-2022		2022 YTD
	Index	% Change	Index	% Change	
PSEi	6,774.68	0.6%	6,155.43	-9.1%	-13.6%
Financial	1,658.62	3.2%	1,442.36	-13.0%	-10.2%
Industrial	9,351.59	1.9%	9,110.72	-2.6%	-12.4%
Holdings	6,291.16	-0.8%	5,720.24	-9.1%	-16.0%
Property	3,049.62	-0.2%	2,835.31	-7.0%	-11.9%
Services	1,870.55	-0.6%	1,649.01	-11.8%	-17.0%
Mining and Oil	11,920.22	3.4%	11,235.17	-5.7%	17.0%

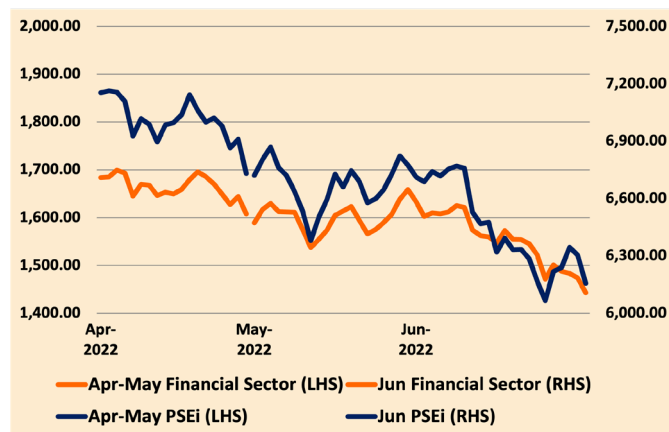
Source of Basic Data: PSE Quotation Reports

**Table 14 - Financial Sector Constituent Stocks**

Company	Symbol	5/31/2022 Close	6/30/2022 Close	M-o-M % Change	2022 YTD
Metropolitan Bank and Trust Company (MBT)	MBT	55.00	47.80	-13.1%	-14.2%
BDO Unibank, Inc.	BDO	133.40	110.50	-17.2%	-8.5%
Bank of the Philippine Islands	BPI	98.85	84.80	-14.2%	-8.0%
Security Bank Corporation	SECB	92.30	91.40	-1.0%	-23.2%

Source of Basic Data: PSE Quotation Reports

**Figure 21 - Financial Sector Index (Apr 2022 - June 2022)**  
Financial Sector Ended June with a -13.0% Loss



Source of Basic Data: PSE Quotation Reports

**Table 15 - Industrial Sector Constituent Stocks**

Company	Symbol	5/31/2022 Close	6/30/2022 Close	M-o-M % Change	2022 YTD
Meralco	MER	373.20	360.00	-3.5%	22.0%
Aboitiz Power	AP	31.80	29.50	-7.2%	-0.7%
Jollibee Foods Corporation	JFC	209.40	203.60	-2.8%	-5.9%
Universal Robina Corporation	URC	108.00	111.00	2.8%	-13.3%
AC Energy Corporation	ACEN	7.15	8.04	12.4%	-27.0%
Emperador Inc.	EMP	17.86	19.04	6.6%	-8.5%
Monde Nissin Corporation	MONDE	14.80	13.00	-12.2%	-19.8%

Source of Basic Data: PSE Quotation Reports

BDO Unibank, Inc. (BDO) recorded the steepest decline as it contracted by -17.2% MoM in June, after posting a +2.6% uptick in May. BDO has issued its first set of international bonds aimed at sustainable water resources and cleaner seas, which in turn also helps BDO expand its sustainable finance framework and establish a new asset class in the Philippine debt market.

Bank of the Philippines Islands (BPI) contracted by -14.2% in June, after its +4.2% gain a month earlier. Despite this, BPI disclosed its partnership with Alipay+, a global cross-border mobile payments and marketing solutions, which enables them to extend its payments service beyond local merchants. Thus, giving them a competitive edge among other banks in the market and catering to preference of Filipinos in using digital payments amidst the pandemic.

Metropolitan Bank and Trust Company (MBT) declined by -13.1% MoM in June, after its +7.6% gain a month earlier. MBT accounts for the third steepest decline on the red in the sector. Even so, MBT's balance sheet remains strong with a capital adequacy ratio (CAR) of 18.5% and common equity Tier 1 of 17.6%, substantially highest among the top three largest banks.

Security Bank Corporation (SECB) recorded the least decline with a -0.1% loss in June, following its -10.4% decline in May.

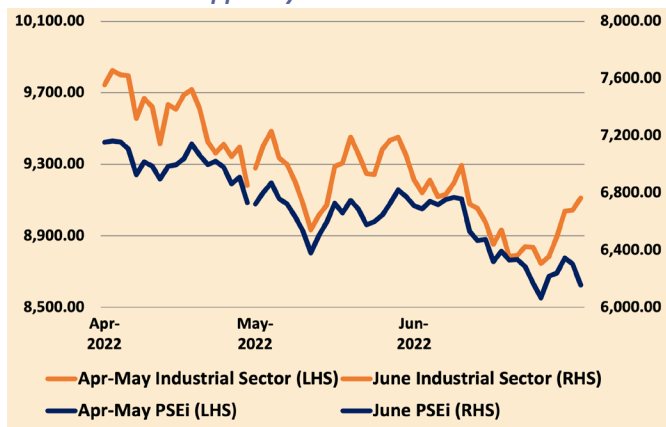
The Industrial sector contracted by -2.6% MoM in June, wiping out its +1.9% MoM gain in May.

AC Energy Corporation (ACEN) grabbed the top spot in June within the sector with a +12.4% MoM surge after a -1% drop in its share prices in May. ACEN aims to explore relevant opportunities in the energy transition space as it seeks to unload remaining diesel assets.

Emperador Inc.(EMP) share prices rebounded by +6.6% MoM in June, after slumping by -8.4% in May. EMP plans to increase its capital spending by over 70% this year to P3.0-B, most of which will be utilized for its whiskey business abroad. Despite EMP's brandy and whisky products being currently available in over 100 countries across six continents, EMP will focus on its expansion in Asia and Latin America.



**Figure 22 - Industrial Sector Index (Apr 2022 - June 2022)**  
**Industrial Sector Dipped by -2.6% in June**



Source of Basic Data: PSE Quotation Reports

**Table 16 - Holdings Sector Constituent Stocks**

Company	Symbol	5/31/2022 Close	6/30/2022 Close	M-o-M % Change	2022 YTD
Ayala Corporation	AC	697.00	600.00	-13.9%	-27.8%
Metro Pacific Investments Corporation	MPI	3.68	3.53	-4.1%	-9.5%
SM Investments Corporation	SM	858.00	782.00	-8.9%	-17.1%
Aboitiz Equity Ventures	AEV	53.00	47.55	-10.3%	-12.7%
GT Capital Holdings, Inc.	GT CAP	502.50	489.00	-2.7%	-9.4%
San Miguel Corporation	SMC	101.50	107.90	6.3%	-6.1%
Alliance Global Group, Inc.	AGI	10.70	8.80	-17.8%	-25.4%
LT Group Inc.	LTG	8.21	8.10	-1.3%	-18.2%
JG Summit Holdings, Inc..	JGS	54.50	48.70	-10.6%	-8.1%

Source of Basic Data: PSE Quotation Reports

Universal Robina Corporation (URC) share prices edged up by +2.8% MoM in June, on top of a +5.4% uptick a month ago. Notably, while it observed “accelerating momentum of sales”, URC’s decision to raise prices in June due to rising input costs and interest rates, may have slowed its share price gains.

Despite opening 107 new stores in Q1-2022, Jollibee Foods Corporation (JFC) share prices continued to decline by -2.8% MoM in June, following its slide of -2.6% a month earlier. However, JFC remains optimistic about its growth despite challenges faced such as rising costs of materials as a result of the Russian-Ukraine war.

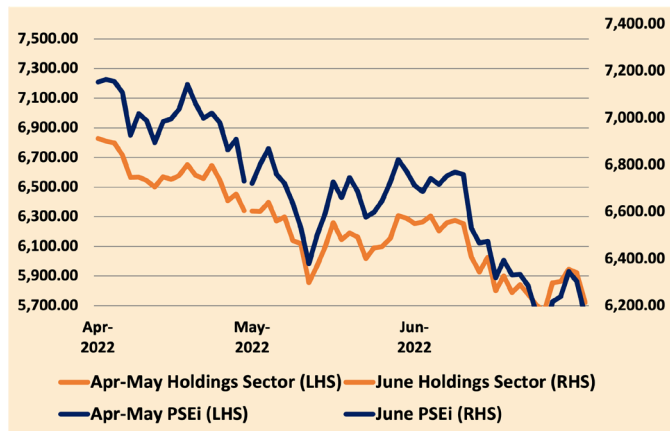
Manila Electric Company (MER) share prices contracted by -3.5% MoM in June from May’s +5.9% rebound. After a reduction in its rates in May, MER reported that higher fuel costs would in turn result in an increase in generation charges in June.

Aboitiz Power (AP) share prices went down by -7.2% MoM in June, a significant dip from -1.1% MoM in May. However, AP expects to enter into another Engineering, Procurement and Construction (EPC) Agreement for its new 159-MW Laoag and Laoag 2 solar power projects in Pangasinan. AP coursed the contract through its subsidiary, Aboitiz Renewable Inc., and this will be AP’s second solar project in the said city.

Leading the sectoral decliners, Monde Nissin Corporation (MONDE) share prices slumped by -12.2% in June, erasing most of its +14% gain a month ago. Increasing commodity prices such as MONDE’s raw materials (i.e., wheat, etc.) could have dragged investors’ outlook towards MONDE. Likewise, rising inflation may reduce purchasing power of households, thus resulting to lower revenues and earnings for MONDE.

The Holdings sector index ranked third in sectoral decliners with a -9.1% MoM in June associated with eight PSEi constituent firms landing in negative territory and only one PSEi constituent firm emerging in the positive zone. This seems mildly similar to its decline of -0.8% MoM in the previous month with two of its PSEi constituent firms landing in the positive territory.

**Figure 23 - Holdings Sector Index (Apr 2022 - June 2022)**  
**Holdings Sector Further Dropped by -9.1% in June**



Source of Basic Data: PSE Quotation Reports

San Miguel Corporation (SMC) stock prices, the only gainer in the Holdings sector with a +6.3% MoM jump in June. SMC's P740.0-B New Manila International Airport (NMIA) project in Bulacan recently secured an export credit insurance from the Dutch government, amounting to EUR 1.5-B for land development works at the airport project site, which promises to be the largest, most modern international gateway to the Philippines. Additionally, SMC recently signed an agreement with the Department of Transportation (DOTr) for its Lucena-Sorsogon SLEX segment. With some of the aforementioned projects, SMC's revenues are expected to continue growing unless global market conditions turn sour.

LT Group, Inc. (LTG) share prices slumped by -1.3% MoM in June on top of its -3.6% drop in the previous month. LTG will allocate P12.0-B for its capital expenditure (CAPEX) in 2022, higher than the P9.0-B allocation in the previous year. LTG's tobacco business accounted for 64% of its total earnings, however its profit fell to 16%. LTG did not increase prices in the most part of Q1-2022, thus resulting to lower profit also attributed to the P5 increase in excise tax as of January 1, 2022.

GT Capital Holdings (GTCAP) share prices shed -2.7% MoM in share value in June, followed by its -0.3% MoM loss in May. Investors may have failed to grasp the fact that GTCAP's subsidiary, Toyota Motor Philippines had captured 52% of the country's motor vehicle market YTD May, as overall market sales expanded at a double-digit pace YoY in the last three months.

Metro Pacific Investments Corporation (MPI) stocks declined by -4.1% MoM in June, following its -3.2% dip MoM in May. Nonetheless, MPI was recently reported to acquire 517,803 common shares, representing 51% of the outstanding shares of The Laguna Creamery Inc. (TLCI), while Carmen's Best Group will retain ownership for the remaining 49% equity interest. The shares will be acquired for a total consideration of P198.0-M at P382.38 per share. This acquisition also presents an opportunity to grow the dairy sector of the Philippines as the country imports 99% of its dairy requirements.

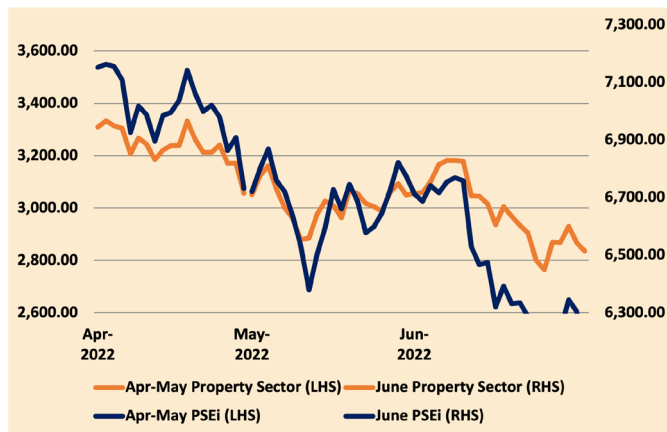
SM Investments Corporation (SM) share prices ended June with -8.9% MoM, a steep decline from its +0.8% gain in the previous month. SM now looks into investment opportunities overseas to boost its overall business.

**Table 17 - Property Sector Constituent Stocks**

Company	Symbol	5/31/22 Close	6/30/22 Close	M-o-M % Change	2022 YTD
Ayala Land, Inc.	ALI	29.60	25.50	-13.9%	-30.5%
SM Prime Holdings, Inc.	SMPH	36.90	36.55	-0.9%	7.8%
Robinsons Land Corporation	RLC	19.40	17.24	-11.1%	-10.2%
Megaworld Corporation	MEG	2.76	2.16	-21.7%	-31.4%

Source of Basic Data: PSE Quotation Reports

**Figure 24 - Property Sector Index (Apr 2022 - June 2022)**  
Property Sector Tumbled by -7.0% in June



Source of Basic Data: PSE Quotation Reports

Aboitiz Equity Ventures (AEV) stock prices recorded one of the steepest losses in its sector with a -10.3% MoM in June, a dip from its +4.7% MoM gain in May. Even so, Aboitiz recently turned over its Boracay wetland park to the Department of Environment and Natural Resources (DENR) and Boracay Local Government Unit (LGU). Likewise, recently, Aboitiz has announced its launch of new bus routes in major thoroughfares in Cebu in partnership with GET Philippines.

JG Summit Holdings, Inc. (JGS) ranked third biggest loss in the sector with a -10.6% MoM in June, following its -2.2% MoM loss in May. However, it has recently launched “Supah”, a business unit of social commerce startup SariSuki, which JGS’ corporate venture capital arm JG Digital Equity Ventures is an investor of. Supah aims to address consumers’ grocery needs through its innovative technology. Through this innovation, JGS may be able to compete with other existing services such as Grab, LalaMove, FoodPanda, etc.

Ayala Corporation (AC) share prices ranked second in the sub-index’s decline as its share prices slumped by -13.9% MoM in June, after its -5.5% MoM decline a month earlier. AC’s bottom line had suffered from -3.9% fall of earnings by AC Energy Corporation. Likewise, as of Q1-2022, Manila Water’s earnings fell by 29% amounting to P925.0-M associated with higher cost and expenses.

Leading the sub-index’s decline, Alliance Global Group, Inc. (AGI) share prices skidded by -17.8% MoM in June, following its -9.5% drop in the previous month, despite planning to spend P60.0-B for capital expenditures in 2022. About P50.0-B of its allocation will go to its real estate arm, Megaworld, with 14 new projects valued at P30.0-B to provide a new source of revenue for the company. Meanwhile, AGI will allocate P4.0-B for its hotels and hospitality unit, Travellers International’s ongoing expansion projects (i.e. leisure and entertainment). P3.0-B goes to Emperador for its current launching of projects overseas, and the remaining P3.0-B will find its way to Golden Arches or McDonald’s Philippines set to launch 45 stores in 2022.

The Property sector tumbled by -7% MoM in June, after back-to-back shedding of -0.2% and -7.8% in the previous two months.

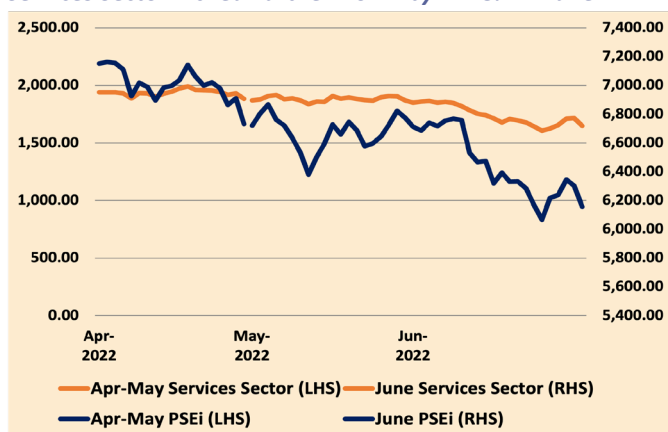
SM Prime Holdings, Inc. (SMPH) recorded the mildest dip among the sectoral decliners as it eased by -0.9%, from its +5.4% growth a month earlier. Investors appear to bank on consumer spending recovery as SM Prime’s malls generated a 40% growth in its revenues amounting to P8.2-B.

**Table 18 - Services Sector Constituent Stocks**

Company	Symbol	5/31/2022 Close	6/30/2022 Close	M-o-M % Change	2022 YTD
Philippine Long Distance Telephone Co.	TEL	1,900.00	1,680.00	-11.6%	-7.3%
Globe Telecom	GLO	2,425.00	2,268.00	-6.5%	-31.7%
Converge ICT Solutions, Inc.	CNVRG	26.50	21.15	-20.2%	-33.7%
Puregold Price Club Inc.	PGOLD	33.00	30.10	-8.8%	-23.4%
Wilcon Depot, Inc.	WLCON	26.50	23.80	-10.2%	-22.0%
International Container Terminal Services, Inc.	ICT	217.00	184.00	-15.2%	-8.0%

Source of Basic Data: PSE Quotation Reports

**Figure 25 - Services Sector Index (Apr 2022 - June 2022)**  
**Services Sector Inched Further Down by -11.8% in June**



Source of Basic Data: PSE Quotation Reports

Megaworld Corporation (MEG) share prices further slumped by -21.7% MoM in June adding on to May’s -3.4% drop. Nonetheless, as explained in AGI above, MEG plans to increase its capital spending to P50.0-B from P38.0-B in 2021. About 75% of this will flow into residential and mixed-use projects which remained resilient despite the global pandemic. In addition, MEG also plans to launch four additional township projects this year covering a combined 500 hectares of land.

Robinsons Land Corporation (RLC) share prices ended June with an -11.1% MoM loss after a +1.5% gain a month ago. Investors’ aversion to the sector largely ignored the doubling of gross revenue in Q1-2022.

Ayala Land Inc. (ALI) shares had the second largest fall in the sector dropping by -13.9% MoM, which added on its -7.6% MoM decline in May. ALI shares may have suffered from the slight easing of its gross revenues in Q1-2022. To counteract the selling mode, ALI launched a share buyback program that started in end-June. Besides, ALI reported its launch of seven projects with a total value of P17.0-B in Q1-2022.

The Services sector tumbled by -11.8% MoM in June, after back-to-back shedding of -0.2% and -7.8% in the previous two. All PSEi-constituent stocks of the sector turned red.

While Globe Telecom (GLO) shares performed best in the sector it still took a -6.5% MoM loss, nearly wiping out its +6.8% MoM gain a month ago. GLO plans to raise nearly \$600.0-M through rights offer to fund the expansion of Globe’s mobile and broadband network. GLO has also earmarked P89.0-B for its capital expenditures this year to build new cell sites, upgrade existing sites to 4G/LTE, accelerate the rollout of 5G connectivity, etc. GLO also aims to sell some of their towers, which it has been doing since 2018.

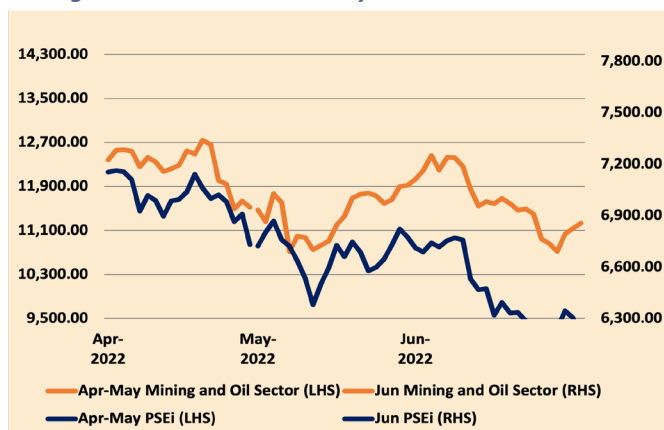
Puregold Price Club Inc. (PGOLD) shares fell by -8.8% in June, after its flat performance in May. PGOLD aims to establish 25 new stores across the country with a P50.0-M allocation from its capital expenditures for each store. These will add to PGOLD’s 437 stores to strengthen further its claim on consumer’s wallets during the economic recovery.

**Table 19 - Mining and Oil Sector Constituent Stock**

Company	Symbol	4/29/2022 Close	5/31/2022 Close	M-o-M % Change	2022 YTD
Semirara Mining Corporation	SCC	33.00	35.00	6.1%	63.9%

Source of Basic Data: PSE Quotation Reports

**Figure 26 - Mining & Oil Sector Index (Apr 2022 - June 2022)**  
Mining & Oil Sector Decreased by -5.7% in June



Source of Basic Data: PSE Quotation Reports

**Figure 27 - New Castle Coal Features**  
Coal Prices Consolidated Below \$400/tonne in June



Source of Basic Data: Trading Economics

Wilcon Depot, Inc. (WLCON) posted a share price slumped by -10.2% in June, following its -5.4% MoM drop in May. WLCON plans to focus on its key growth drivers, store network expansion and product mix strategies as it aims to have 100 outlets by the end of 2025.

Like GLO, Philippine Long Distance Telephone Co. (TEL) share prices decreased by -11.6% MoM in June erasing its +1.8% increment a month ago. TEL seeks to raise its capital expenditures (CAPEX) in 2022 to P85.0-B from the earlier P80.0-B to improve on its home broadband and data center businesses.

International Container Terminal Services, Inc. (ICT) share prices plunged by -15.2% in June after a minor +0.6% recovery in May. ICT disclosed a series of share buybacks despite plans for increase operations in its terminals in Ports of La Plata, Argentina and Montevideo, Uruguay.

Converge ICT Solutions, Inc. (CNVRG) shares lost the most value in the sectors as they plunged by -20.2% drop adding on its -8% fall a month ago. CNVRG, however, reported plans to expand its call center operations in Pampanga. The additional call center seats will promote an efficient customer support experience, to meet the needs of their customers nationwide. Its revenues from MSMEs also more than doubled by 118.2% YoY in Q1-2022.

The Mining & Oil sector slumped by -5.7% MoM, from its +3.4% recovery in the previous month.

Semirara Mining and Power Corporation (SCC) shares remained hot as it posted another +6.1% gain in June soaring by +20% in May. Despite record high earnings in Q1-2022, the prospects remained positive with elevated Newcastle futures of \$390-\$400 in June, as well as high spot prices at the Wholesale Electricity Spot Market (WESM). SCC dipped after Newcastle coal features consolidated below \$400/tonne in June.



# Recent Economic Indicators

## NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2020		2021		4th Quarter 2021			1st Quarter 2022		
	Levels	Annual G.R.	Levels	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.
<b>Production</b>										
Agri, Hunting, Forestry and Fishing	1,818,007	1.9%	1,954,345	7.5%	580,203	33.8%	5.2%	499,949	-13.8%	2.7%
Industry Sector	5,151,945	-11.8%	5,607,009	8.8%	1,760,803	50.2%	11.4%	1,482,188	-15.8%	19.4%
Service Sector	10,963,799	-6.6%	11,849,213	8.1%	3,321,517	10.8%	9.8%	2,948,249	-11.2%	11.5%
<b>Expenditure</b>										
Household Final Consumption	12,911,851	-8.0%	13,456,531	4.2%	3,923,916	20.9%	7.5%	3,476,450	-11.4%	10.1%
Government Final Consumption	2,652,447	10.0%	2,839,963	7.1%	683,320	-1.4%	7.8%	673,241	-1.5%	3.6%
Capital Formation	3,382,434	-33.5%	4,060,997	20.1%	1,144,071	25.0%	14.2%	1,024,126	-10.5%	20.0%
Exports	4,735,076	-31.8%	5,128,006	8.3%	1,251,031	-7.2%	7.7%	1,356,492	8.4%	10.3%
Imports	6,146,212	-21.2%	6,947,443	13.0%	1,814,149	4.8%	14.3%	1,892,215	4.3%	15.6%
GDP	17,530,785	-9.5%	18,538,053	5.7%	5,201,501	17.5%	7.8%	4,618,133	-11.2%	8.3%
NPI	1,325,383	-30.4%	642,515	-51.5%	226,214	50.2%	16.0%	223,735	-1.1%	103.2%
GNI	18,856,166	62.3%	19,180,570	1.7%	5,427,716	18.6%	8.1%	4,841,868	-10.8%	10.7%

Source: Philippine Statistics Authority (PSA)

## NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2020		2021		May-2022		June-2022			
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R.	Levels	Monthly G.R.	Annual G.R.
<b>Revenues</b>										
Tax	2,855,959	0.2%	3,005,539	0.2%	304,915	-12.4%	18.9%	290,268	-4.8%	18.2%
BIR	2,504,421	-2.4%	2,739,350	-2.4%	285,558	-7.0%	21.9%	250,887	-12.1%	17.5%
BoC	1,951,023	0.0%	2,078,108	0.0%	216,618	-9.6%	17.9%	173,540	-19.9%	8.9%
Others	537,687	-9.3%	643,563	-9.3%	66,288	0.9%	36.3%	76,201	15.0%	46.1%
Non-Tax	15,711	-24.7%	18,157	-24.7%	2,652	56.3%	30.3%	1,146	-56.8%	-46.6%
Non-Tax	351,412	23.6%	265,357	23.6%	19,014	-53.5%	-13.8%	39,300	106.7%	23.4%
<b>Expenditures</b>										
Allotment to LGUs	4,227,406	24.0%	4,675,639	10.6%	451,700	31.7%	-1.1%	505,791	12.0%	27.9%
Interest Payments	804,546	39.8%	892,698	39.8%	88,982	4.1%	16.3%	89,478	0.6%	22.3%
Interest Payments	380,412	8.9%	429,432	8.9%	33,831	-9.3%	16.9%	36,752	8.6%	22.8%
Overall Surplus (or Deficit)	-1,371,447	145.7%	(1,670,100)	145.7%	-146,785	-3037.8%	-26.7%	43.8%	46.8%	

Source: Bureau of the Treasury (BTr)

## POWER SALES AND PRODUCTION INDICATORS

### Manila Electric Company Sales (In Gigawatt-hours)

	2021		Apr-2022			May-2022		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
<b>TOTAL</b>	45,524.20	5.7%	4,113.10	9.9%	18.8%	4,212.90	5.0%	21.7%
Residential	16,906.10	2.6%	1,518.20	1.3%	24.4%	1,567.90	-0.5%	28.4%
Commercial	14,950.30	3.2%	1,420.50	22.9%	19.9%	1,468.90	16.1%	24.0%
Industrial	12,897.30	12.4%	1,112.00	8.4%	13.2%	1,123.40	2.2%	14.4%

Source: Meralco

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

	2020		2021		4th Quarter 2021		1st Quarter 2022	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
<b>I. CURRENT ACCOUNT</b>								
Balance of Trade	11,578	-480%	-6,922	-160%	-3,953	-224.1%	-4,808	14915.3%
Balance of Goods	33,775	-32%	53,781	59%	16,533	75.0%	16,353	49.1%
Exports of Goods	48,212	-10%	54,169	12%	13,799	4.0%	14,450	11.3%
Import of Goods	81,987	-20%	107,950	32%	30,332	33.5%	30,803	28.6%
Balance of Services	-13,866	6%	-14,174	2%	-3,751	-8.0%	-3,195	-4.8%
Exports of Services	31,822	-23%	33,627	6%	9,214	10.1%	8,666	11.1%
Import of Services	17,956	-36%	19,453	8%	5,463	27.2%	5,470	23.2%
Current Transfers & Others								
<b>II. CAPITAL AND FINANCIAL ACCOUNT</b>								
Capital Account	63	-50%	80	26%	24	19.3%	-20	-217.3%
Financial Account	-6906	-14%	-6,942	1%	-4,973	-34.3%	-4,944	-220.8%
Direct Investments	-3,260	-39%	-8,116	149%	-2,138	328.9%	-1,391	-31.4%
Portfolio Investments	-1680	-32%	8,046	-579%	161	-104.7%	298	-96.3%
Financial Derivatives	-199	15%	-603	203%	-195	178.6%	-219	120.6%
Other Investments	-6,268	255%	-8,152	30%	-2,801	0.0%	-3,632	0.0%
III. NET UNCLASSIFIED ITEMS	1245	-149%	361	-71%	965	0.0%	379	0.0%
OVERALL BOP POSITION	16,022	104%	1,345	-92%	2,009	-78.0%	495	-117.4%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	7,713	378%	294	-96%	-2,256	-21.3%	342	411.6%
Net Foreign Assets	7,665	384%	433	-94%	-2,286	-20.2%	65	-14.0%
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		Apr-2022		May-2022	
	Average Levels	Annual G. R.	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,303,261	8.8%	3,588,862	8.4%	3,533,294	7.5%
Sources:						
Net Foreign Asset of the BSP	6,296,263	39.5%	6,565,909	5.2%	6,383,828	3.4%
Net Domestic Asset of the BSP	14,211,531	26.7%	15,040,649	8.9%	15,265,626	8.8%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	5,659,905	52.6%	6,338,959	14.9%	6,321,233	13.5%
Money Supply-2	13,795,976	30.2%	14,657,099	8.3%	14,695,645	7.9%
Money Supply-3	14,432,021	30.4%	15,253,467	7.3%	15,272,213	6.9%
MONEY MULTIPLIER (M2/RM)	4.18		4.08		4.16	

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
Kristine Roy Lauren Mulliken	Research Assistant, UA&P

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