December 2022

The

MARKET CALL

Capital Markets Research

FIRST METRO
INVESTMENT CORPORATION
Metrobank Group

UA&P
UNIVERSITY OF ASIA AND THE PACIFIC

FMIC and UA&P Capital Markets Research

Executive Summary

Despite dark clouds in the global horizon, we see bright lights for the Philippine economy and markets as economic data released in November reveal robustness in the recovery. Employment, manufacturing sector expansion, and exports provided the energy. We think these gains will spill over into 2023, even as National Government spending on infrastructure should provide an added boost. Both the local bond and equities market reacted positively to U.S. Fed's plan to have milder policy rate increases in the future, and better investor appetite should rekindle both markets in 2023.

Macroeconomy

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Driven by domestic demand, the economy should continue fast growth, albeit slower than in 2022 (7.3%), as the economy opens up further. Elevated employment levels, not seen in election period H1-2022, should continue during Christmas season and provide, together with depreciated peso, consumers with spending power in 2023 despite high inflation. Besides, we do expect inflation rates to start falling to around 6% in Q1-2023 as crude oil and other commodity prices have mostly gone back to pre-pandemic levels. National Government spending esp. on infrastructure should keep a fast pace, while investors, esp. foreign ones, will take advantage of the revised Public Service Act, which limits public utilities to only three basic activities.

Employment remains elevated, above any time in H1, as Construction provides 510,000 jobs. • Manufacturing PMI still expansionary at 52.6 in November slightly above October. • NG ramps up spending by 22.2% YoY in October. • Exports expanded by 20% in October, the fastest in 14 months. • Headline inflation raced speedier at 8% in November from 7.7% in October. • USDPHP rate appreciated by 2% to average P57.65 in November as USD weakened, trade deficit shrinks.

Bonds Market

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As widely expected, the U.S. Fed reduced its policy rate hike to 50 bps and hinted slowing down its tightening cycle moving forward, sending global bonds to revive in December. The terminal rate of Fed Funds will likely reach at least 5% in 2023 before a pause occurs as the labor market remains robust. Domestically, with faster inflation at 8% in November and 10-year yields below 7% in December, real yields fell to -1.14% which may encourage profit-taking since inflation may not decline significantly until Q1-2023.

Improved risk appetite brought the total tender-offer ratio (TOR) higher to 1.747x in November from 1.332x a month ago. • Trading volume in the secondary market shot up by 38.6% MoM and 35.2% YoY. • The front-end of the curve jumped the most as the BSP raised its policy rate by 75 bps in November to match the Fed's hiking cycle. • On the contrary, yields of the 5-year to 1-year bucket slumped on expectations of smaller interest rate increases from both the Fed and the BSP.

Equities Market

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Inflation has likely peaked in the U.S. and globally even as Fed policy rate hikes expectedly eased. With foreign investors back in the local market PSEi posted highest regional gains of 10.2% to 6,780.80. The PH's robust domestic demand, especially consumption and infrastructure spending, should keep the PH economy humming, and so corporate profits should continue to impress—as seen in strong earnings growth of 27.3% YoY in Q3-2022. These should keep local equities attractive to investors.

Six sectors landed in the positive territory with Property registering the highest increase with a +16.9% MoM gain. • The Mining & Oil sector registered the lowest gain of +4.3% among the six PSE sectors. • Converge (CNVRG, +25.5% gain MoM) posted the best performance among PSEi-constituent stocks. • In the Mining & Oil sector, SCC still claims the best YTD performance of 57.6%.• Foreigners became net buyers (P6.9-B) on bargain hunting from a slight net selling stance (P0.7-B) a month earlier.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2022)	2020 (year-end)	2021 (year-end)
GDP Growth (Q3-2022)	7.6%	7.5%	7.7%	-9.6%	5.8%
Inflation Rate (November)	8.0%	7.7%	5.6%	2.4%	3.9%
Government Spending (October)	22.3%	13.6%	9.9%	11.3%	12.8%
Gross International Reserves ($B) (November)	94.0	94.0	101.0	96.5	107.1
PHP/USD rate (November)	57.65	58.83	54.08	49.63	48.88
10-year T-bond yield (end-November)	7.03	7.50	6.34	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

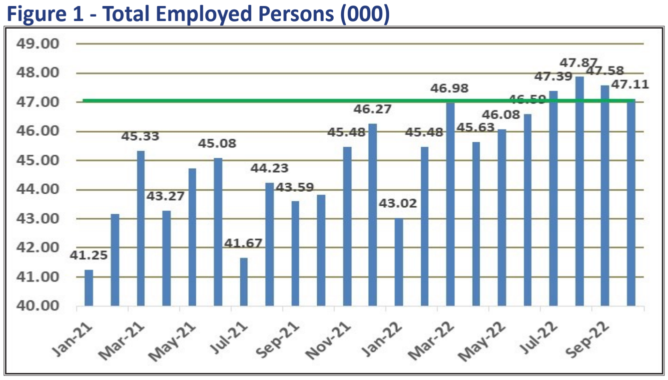
MACROECONOMY

ECONOMY GROWTH ON WITH GROWTH MOMENTUM

The country's growth momentum, highlighted by an unexpectedly fast 7.6% GDP growth in Q3-2022, appears intact as employment, manufacturing output, exports, National Government spending showed robust gains in October. Construction boosted total employment with 510,000 jobs to keep the total above election-driven H1 levels. Manufacturing PMI edged higher to 52.6 in November, higher by 0.1 point from October, both showing expansions. Exports, driven by electronic product shipments, soared by 20% in October, the fastest in 14 months, while National Government (NG) spending outdid exports with its 22% uptick. Consumers headed for the malls and appeared unfazed by the 14-year high inflation rate of 8% in November. And finally, the peso finally reversed its fall in line with U.S. dollar weakness.

***Outlook**: The ongoing global economic slowdown will not likely heavily impact the country's GDP growth, since the country relies more on domestic demand as its main driver. Record employment levels will remain in Q4-2022, but usually ease seasonally after Christmas. However, that may not discourage spending, since expenditures on infrastructure and power generation have begun to take off in October. An added boost could possibly come from foreign investors who can own 100% equity in previously defined as "public utilities", with the change in the Public Service Act limiting its scope. And Manufacturing sector remains in an expansive mode up to November. Besides, we think that inflation will ease to around 6% in Q1-2023 and rapidly fall further thereafter. The peso's recent strength will likely wilt starting Q1-2023.*

Figure 1 - Total Employed Persons (000)



Source of Basic Data: Philippine Statistics Authority (PSA)

Construction Adds 510,000 Jobs in October to Keep Employment at High Level

The Construction sub-sector (part of Industry sector) added 510,000 jobs in October to keep employment at above H1 levels. This, however, failed to offset the job losses in Manufacturing sub-sector (-785,000) which gave up its large gain in September, resulting in a -214,000 less employed persons in Industry. Agriculture (-103,000) and Services (-160,000) clipped their number of workers resulting in a total loss of 476,000 jobs in November to bring total employment to 47.1-M which still exceeded all the months of H1-2022 (i.e., election period).

The unemployment rate in October dropped to the pre-pandemic low of 4.5% (from 5% a month ago), as the ranks of unemployed dropped further by -263,000 while the labor force shrank by -735,000 (due to lower participation rate of 64.2% from 65.2%). The number of underemployed also declined by -653,000 pushing down the underemployment rate to 14.2% from 15.4% a month earlier. Average man-hours slightly improved from September as the increase in mean hours of work (+0.3 to 40.2 hours/week) offset the slide in total employed. Thus, in terms of man-hours worked, October data exceeded that of September.

Agriculture lost the least number of jobs as the tail end of the rice harvest season occurred during the month. Next came the Services sector which gave up 160,000 job slots due mainly to large drops in Trade (wholesale

Table 1 - Labor Force Survey Summary

			MoM Change	
	September 2022	October 2022	Levels	% Change
Labor Force	**50,080**	**49,348**	**(732)**	**-1.5%**
Employed	**47,583**	**47,106**	**(476)**	**-1.0%**
Underemployed	**7,326**	**6,673**	**(653)**	**-8.9%**
Underemployment rate%	**15.4**	**14.2**	**(1.23)**	**-8.0%**
Unemployed	**2,497**	**2,241**	**(256)**	**-10.3%**
Unemployment rate%	**5.0**	**4.5**	**(0.44)**	**-8.9%**
Labor Participation rate%	**65.2**	**64.2**	**(1.03)**	**-1.6%**
Not in Labor Force	**26,751**	**27,577**	**826**	**3.1%**
Agriculture ('000)	**10,707**	**10,605**	**(103)**	**-1.0%**
Industry ('000)	**8,849**	**8,635**	**(214)**	**-2.4%**
Mining and Quarrying	207	237	30	**14.4%**
Manufacturing	4,452	3,667	(785)	**-17.6%**
Electricity, Gas, Steam, and Air-Conditioning Supply	63	101	38	**60.8%**
Water Supply; Sewerage, etc.	60	53	(7)	**-11.5%**
Construction	4,067	4,577	(510)	12.5%
Services ('000)	**28,026**	**27,867**	**(160)**	**-0.6%**
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10,709	10,376	(333)	-3.1%
Transportation and Storage	3,462	3,389	(73)	-2.1%
Accomodation and Food Services Activities	1,846	1,880	33	1.8%
Information and Communication	482	477	(5)	-1.1%
Financial and Insurance Services	697	654	(43)	-6.1%
Real Estate Activities	237	230	(7)	-2.8%
Professional, Scientific, and Technical Activities	364	326	(38)	-10.4%
Administrative and Support Services Activities	1,939	2,316	377	19.4%
Public Administration and Defense; Compulsory Social Security	3,039	2,764	(276)	-9.1%
Education	1,624	1,497	(128)	-7.9%
Human Health and Social Work Activities	602	685	83	13.7%
Arts, Entertainment, and Recreation	308	425	117	38.1%
Other Service Activities	2,715	2,847	132	4.8%

Source of Basic Data: Philippine Statistics Authority (PSA)

and retail, -333,000) and Public Administration (-276,000). The continuing reopening of the economy brought back 275,000 jobs to the Administrative & Support Services sub-sector, and 132,000 jobs to Other Services sub-sector. The escape from "imprisonment" during the Covid-19 pandemic animated more consumers to head back to leisure and arts centers (+117,000 to Arts, Entertainment & Recreation sub-sector).

Electricity, Gas, & Air-conditioning and Mining & Oil also hired 38,000 and 30,000 more manpower for the Industry sector. Water, Water Supply, Sewage Systems etc. (-7,000) joined the Manufacturing sub-sector among the job cutters.

A higher percentage of Wage & Salaried Workers (62.6% from 62.2% in September) among the employed, and the decline in percentage for self-employed and those working for family firms, constitute a final positive icing to the employment cake.

Manufacturing PMI Still in Expansion Mode in November

S&P Manufacturing PMI for the country increased to 52.7 in November from 52.6 in October, reflecting a modest pace of expansionary level.

Industrial output as measured by the Volume of Production Index (VoPI) rose by 5.1% year-on-year (YoY), considerably faster than the annual increase of 4.1% in the previous month.

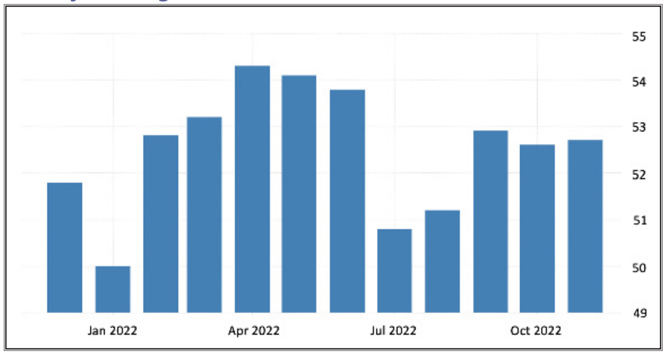
Fourteen out of the 22 industry divisions increased their output YoY, led by manufacture of machinery and equipment except electrical which soared by 81.8% YoY. Manufacture of beverages and manufacture of chemical and chemical products followed closely with gains of 61.7% YoY and 39.5% YoY, respectively.

Meanwhile, eight industry divisions posted a lower output led by manufacture of electrical equipment which dipped by -56.9% YoY.

NG Spending Jumps by 22.2% in October

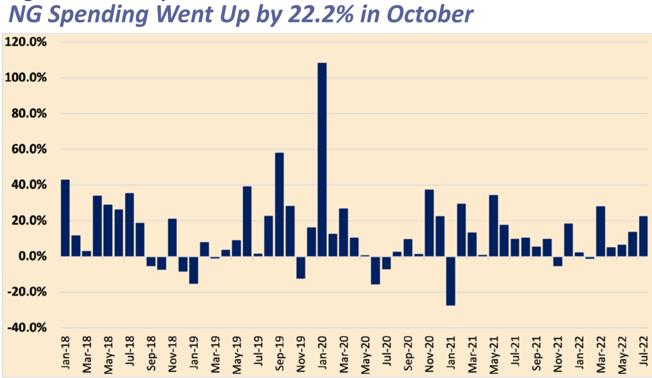
National Government (NG) disbursements in October spiked by 22.2% YoY to P387.9-B from P317.4-B a year earlier on the back of higher National Tax Allotment of LGUs and subsidy releases for programs implemented by government corporations. Additionally, expenditures for the social protection programs of the Department of Social Welfare and Development (DSWD) and road infrastructure projects of the Department of Public Works and Highways (DPWH) also contributed to the higher October 2022

Figure 2- Manufacturing PMI
Manufacturing PMI Remained Above-50 in November



Source of Basic Data: Trading Economics

Figure 3 - NG Expenditures Growth Rate, Year-on-Year
NG Spending Went Up by 22.2% in October



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

spending.

With NG spending (+22.2%) surpassing revenue growth (+14.1%), the budget deficit surged by 54.1% to P99.1-B in October from P64.3-B in the previous year. However, year-to-date (YTD) shortfall of P1.1-T is -7.6% less than last year's figure of P1.2-T.

Revenue collections in October maintained its double-digit gains at 14.1% to P288.9-B in October from P253.1-B a year ago. The Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) garnered P186.8-B (+15.2% YoY) and P75.1-B (+35.2% YoY), respectively. Furthermore, income from the Bureau of the Treasury (BTr) accelerated by 47.2% to P13.2-B from P9.0-B in the prior year due to higher NG share from PAGCOR profit and Bond Sinking Fund (BSF) investment performance which offset lower dividend remittance.

For the 10-month period, NG spending amounted to P4.1-T or 9.9% higher from P3.7-T a year earlier. This already represents 82% of the P5.0-T full year 2022 program set by the Department of Budget and Management (DBM). Primary expenditures, accounting for 91% of total monthly spending, rose by 24.1% to P354.7-B in October from P285.8-B last year. Total interest payments grew by 5.2% to P33.2-B from P31.5-B a year ago.

Inflation Runs Faster at 8% in November

Prices of foodstuffs and non-alcoholic beverages (FNAB, +10% YoY) continued to drive inflation faster to 8% in November from 7.7% in the previous months. These spilled over into menu costs in restaurants and in miscellaneous goods which had the highest increase of 0.8 percentage points to 6.5%. On the other hand, transport costs eased to 12.3% as crude oil prices fell. While headline inflation only moved 0.3 percentage points up, core inflation accelerated by 0.6 percentage points to 6.5% from 5.9% in the prior month, lodging at 3.7% YTD.

Seven out of 11 food categories posted faster price gains with vegetables moving up fastest at 25.8% YoY, due to heavy rains in Northern Luzon, from 16%. However, sugar & confectioneries took a higher pace from already elevated rate of 34.8% in October to 38.8% in November, as supply remained tight. Milk & other dairy products climbed by 9.4% from 8.7% a month ago. And rice, which accounts for 23.5% of FNAB, took a higher trajectory of 3.1% YoY from 0.4%.

As crude oil prices eased in the world market on a MoM

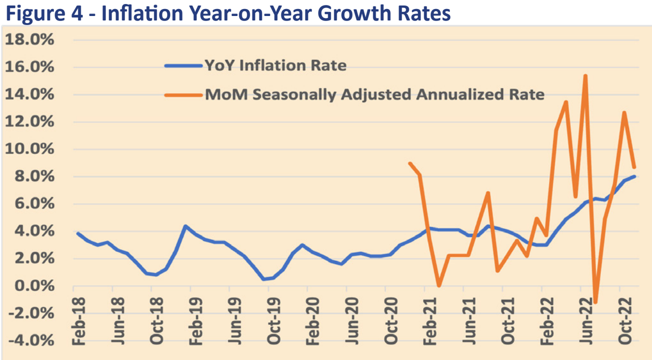
Table 2 - Major Contributors to Year-on-Year Inflation

Inflation Year-on-Year Growth Rates	Oct-22	Nov-22	YTD
	7.7%	8.0%	5.6%
Food and Non-Alcoholic Beverages	9.4%	10.0%	5.4%
Alcoholic Beverages and Tobacco	10.4%	10.6%	7.7%
Clothing and Footwear	3.1%	3.6%	2.5%
Housing, Water, Electricity, Gas, and Other Fuels	7.4%	6.9%	6.3%
Transport	12.5%	12.3%	13.0%
Restaurants and Accommodation	5.7%	6.5%	3.8%
Personal care & misc. goods and Services	3.7%	4.2%	2.9%

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 4 - Inflation Year-on-Year Growth Rates



Note: All rates from 2019 to July 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)

basis, transport costs buffered a little the rise in food prices as these eased to 12.3% YoY from 12.5% in October. Crude oil prices in the U.S. (West Texas Intermediate) after all eased to 12.8% YoY while in Europe, Brent crude rose only by 6.6% YoY from 7.4% in the previous month.

The inflation picture doesn't look too ugly if we note the slower MoM 0.7% rise in seasonally adjusted CPI from 1% a month ago. When annualized (seasonally adjusted annualized Rate, SAAR) these translate into 12.7% to 8.7% in November.

Money Supply (M3) Growth Mildly Accelerates to 5.4% YoY in October

Domestic liquidity (M3) grew by 5.4% YoY to P15.4-T. On a MoM seasonally adjusted basis, M3 increased by 0.7%.

Net foreign assets in peso terms decreased by -1.4% from September's -1.7%. The decline in banks' NFA position reflected higher bills payable.

Lending for production increased to 12.5% YoY pace in October from 12.3% in September, as outstanding loans to key industries continuously rose, specifically information and communication (+25%) and manufacturing (+17.7%). Real activities likewise saw more loan availments.

Similarly, consumer loans accelerated to 22.6% in October from 20.5% in September driven largely by YoY increase in credit card loans, motor vehicle loans, and salary-based general purpose consumption loans.

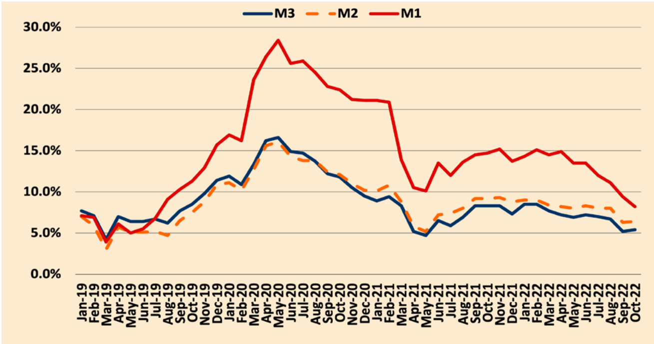
Electronics Push Export Expansion to 20% YoY in October

After a 7.1% rebound in September, export shipments performed better in October as it shot up by 20% to $7.7-B from $6.4-B in the previous year supported by the jump in Electronic Products (+39.6% YoY). Similarly, it climbed by 7.4% from $7.2-B a month ago.

Only three out of 10 major commodities turned positive in October. Shipments of Electronic Products, the country's top export, came in first at 39.6% followed by Ignition Wiring Set & Other Wiring Sets Used in Vehicles, Aircrafts and Ships at 26.1% YoY. Machinery and Transport Equipment experienced an uptick of 1.9% in October. On the other hand, Cathodes & Sections of Cathodes and Chemicals plummeted the most by -34.5% and -33.6%, respectively.

By major type of goods, Petroleum Products zoomed up by 62.6% in October. Manufactured Goods, which accounts for 81.5% of total exports, improved by 25.8%

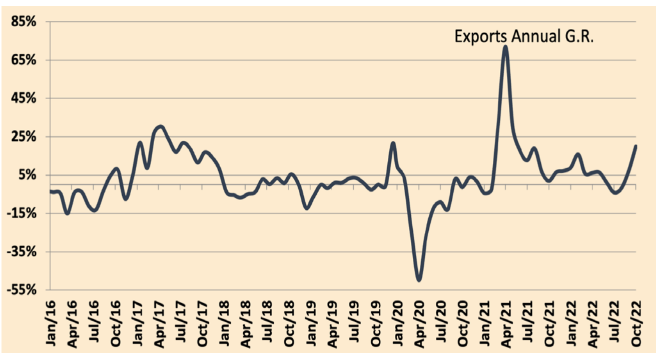
Figure 5 - M1, M2, M3 Growth Rates



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

Figure 6 - Exports Growth Rates, Year-on-Year

Exports Posted Double-Digit Growth at 20% in October



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 3 - Exports Year-on-Year Growth Rates

	Sept-22	Oct-22	YTD
Total Exports	**7.0**	**20.0**	**6.3**
Agro-Based Products	**-13.9**	**-8.0**	**22.6**
Mineral Products, of which	**-28.4**	**-6.3**	**5.4**
Copper cathodes	-22.2	-34.5	-14.1
Others (incl. nickel)	-19.3	-11.5	13.1
Manufactured Goods	**13.4**	**25.8**	**5.2**
Electronic Products	19.3	39.6	7.8
Other Electronics	18.9	15.7	-0.3
Chemicals	-29.5	-32.4	1.1
Machinery and Transport Equipment	7.5	1.9	-6.5
Processed Food and Beverages	-2.8	-11.3	-2.7
Others	3.5	-9.0	-0.5

Source of Basic Data: Philippine Statistics Authority (PSA)

driven by increased outward shipments in Iron and Steel (+570.9%), Components/Devices (Semiconductors) (+62.7%), and Electronic Products (+39.6%). On the contrary, Forest Products slumped by -28.6%, followed by Agro-Based Products with -6.9%.

Unexpectedly, Hong Kong replaced the U.S. as the country's top export destination with $1.3-B or 16.6% of total exports. This reflects a 47.6% vault from last year's $865.6-M. U.S. slipped to second place with $1.2-B or 15.3% share. Japan stayed at third as exports grew by 16.3% YoY to P1.0-B or 13% share.

The U.S. remains to be the country's top export destination with $1.2-B or 16.4% of the total exports. Surprisingly, Hong Kong snatched the second spot as shipments improved by 15.9% YoY to $1.1-B or 14.9% share. Volume to Japan amounted to $997.1-B which totals to 13.9% share.

October Sees Single-Digit Import Growth

Lower crude oil and commodity prices drove total imports to a single-digit growth in October at 7.5%, the first time since February 2021. It also came at the expense of capital goods imports which slid by -3.5% also a first since that month.

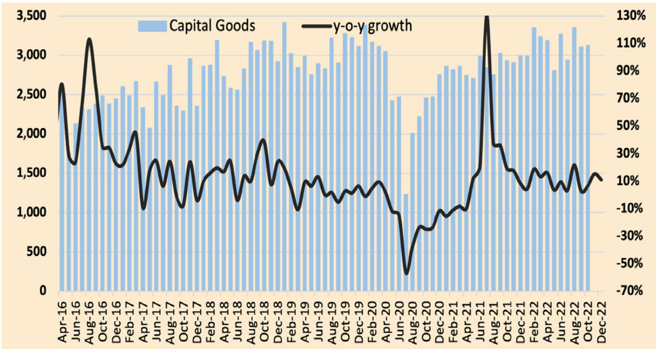
Three out of six equipment categories turned red in November. Fortunately, Telecommunications Equipment and Electrical Machineries, which accounts for more than half of capital goods imports, managed to turn a slightly positive 1.6% YoY expansion. While Aircrafts, Ships and Boats surged by 152.6% YoY, this comes from a very low base and accounted for less than 2% of capital goods imports. Land Transportation also expanded by 12.1%, but the other large items—Power Generating & Specialized Machines and Office & EDP Machines, which together have a 34% share of these imports suffered double-digit falls.

Imports of Raw Materials & Intermediate Goods only bumped up by 1.8% and constituted a big factor which slowed total imports as it represents some 34% of total imports. Imports of Mineral Fuels & Lubricants slowed significantly to a 29.7% growth from 64.2% a month earlier.

With exports soaring by 20% and imports slowing to single-digit pace, the balance of trade deficit eased to $3.3-B from $4.8-B a month earlier. With weaker crude oil prices amid a global recession, the trade deficit will still exceed $40.0-B in 2023.

Figure 7 - Imports of Capital Goods (in Million USD)

Imports of Capital Goods Unexpectedly Fell by -3.5% in October



Source of Basic Data: Philippine Statistics Authority (PSA)

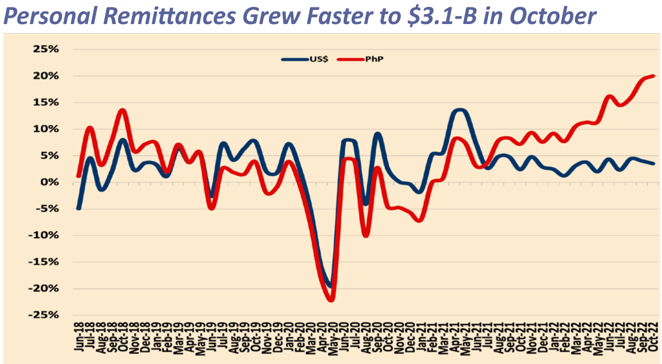
Table 4 - Imports Year-on-Year Growth Rates

	Sept-22	Oct-22	YTD
Total Imports	**14.1**	**7.5**	**22.7**
Capital Goods	**11.1**	**-3.5**	**10.0**
Power Generating and Specialized Machines	9.2	-13.7	3.9
Office and EDP Machines	-30.9	-28.3	-18.3
Telecommunication Equipment and Electrical Machines	18.2	1.6	10.5
Land Transport Equipment excluding Passenger Cars and Motorized cycle	21.3	12.1	12.8
Aircraft, Ships and Boats	124.3	148.6	152.6
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	2.4	-9.8	14.3
Raw Materials and Intermediate Goods	**-2.6**	**1.8**	**14.8**
Mineral Fuels, Lubricant and Related Materials	**64.2**	**29.7**	**92.8**
Consumer Goods	**28.7**	**22.5**	**20.7**

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 8 - OFW Remittances Growth Rates, Year-on-Year

Personal Remittances Grew Faster to $3.1-B in October



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

OFW USD Remittances Increase by 3.5% in October

Personal remittances of Overseas Filipino Workers (OFW) grew at a faster pace by 3.5% YoY to $3.1-B in October 2022. This brought the cumulative personal remittances in the first three quarters of 2022 to $29.7-B, a 3.1% uptick from $28.8-B in the comparable period in 2021. The increase in personal transfers during the year benefitted from land-based workers with work contracts of one year or more which increased by 3.5% to $2.5-B from $2.4-B in the same period last year; and sea-land based workers with work contracts of less than one year which rose by 3.6% to $0.64-B from $0.62-B a year ago. On the other hand, cash remittances from OFWs coursed through banks grew by 3.5% to $2.9-B in the same month a year ago.

The increase in cash remittances from the United States (U.S.), Saudi Arabia, Singapore, and Qatar contributed significantly to the growth in the remittances in the first nine months of 2022. As for the country origin, the U.S. registered the highest share of overall remittances at 41.7%, followed by Singapore, Saudi Arabia, Japan, United Kingdom, United Arab Emirates, Canada, Qatar, Taiwan, and Republic of Korea. The consolidated remittances from these top 10 countries accounted for 79.9% of total cash remittances in October.

USDPHP Appreciates as USD Weakens, Trade Deficit Deflates

Like most regional currencies the peso-dollar exchange rate (USDPHP) appreciated by 2% to bring the average USDPHP rate in November to P57.65/$ from P58.82/$ a month earlier. On a YoY basis, the peso still depreciated by 14.5%. The U.S. dollar weakened during the month as investors priced in lower inflation and interest rates in the U.S. Locally, the balance of trade deficit for October fell to a 17-month low.

The volatility jumped to 61.2% in November as the local unit traded between a low of P56.75/$ and a high of P58.66/$. The peso strengthened to P56.79/$ by month-end on weaker greenback, better risk sentiment amid less aggressive Fed rate hike, and lower trade deficit. By mid-December, it already traded at the P55/$ range, levels not seen since August.

The 30-day moving average (MA) trended downwards indicating peso strength in the near term. However, the local currency may remain elevated as the 200-day MA is still marching upwards.

Figure 9 - Dollar-Peso Exchange Rates and Moving Averages
Philippine Peso Strengthened to P56/$ Level by End of November

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			
	Oct-22	Nov-22	YTD
AUD	5.3%	-3.7%	8.3%
CNY	2.6%	-0.2%	12.6%
INR	2.7%	-0.8%	8.2%
IDR	3.0%	1.5%	9.2%
KRW	2.7%	-5.0%	14.6%
MYR	3.5%	-1.6%	9.6%
PHP	2.4%	-2.0%	14.7%
SGD	0.9%	-2.7%	1.7%
THB	2.6%	-4.0%	8.5%

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

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

Outlook

Given the record levels of employment in August-October, the over performance of the Philippine economy with 7.6% YoY GDP growth in Q3 did not surprise us. The question now is whether robust growth can continue in 2023 amid the global recession.

- The economic reopening will likely continue in Q4 and in 2023 and coupled with the peso depreciation even at current levels (some 14% YoY in November), we do not expect a sharp slowdown in GDP growth. Manufacturing PMI for November still shows expansion.

- As we have stressed, domestic demand which expanded by 9.5% YoY in Q3-2022 has continued to recent economic gains. We don't expect a deep slowdown in consumer spending, and we think investment spending, especially on infrastructures and capital goods should accelerate in 2023, considering that the recently revised Public Service Act (PSA) has reduced what may be considered as "public utilities" and encourages foreign investors to go into power, airports, and other infrastructures with 100% equity. However, we still think foreign investors will partner with large local firms which know how to navigate the political landscape.

- Employment will likely slow down in January after the Christmas season "revenge" spending but will remain above H1-2022 levels, sufficient to keep consumer spending robust.

- While inflation has reached a 14-year high of 8%, we think that it will ease starting January 2023 to around 6% in Q1, and below that by Q2. Lower crude oil and commodity prices will persist as the global recession eases demand.

- NG spending won't ease much in 2023, but the debt-to-GDP ratio will likely increase only slightly by 1 to 1.5 percentage points and set the stage for a decline starting 2024. DBM has targeted the debt ratio to fall to 50% by 2028, a doable plan.

- While the USD-PHP rate has strengthened in November and December, this will prove unsustainable, and so expect renewed weakening starting Q1-2023.

FIXED INCOME SECURITIES

BOND MARKETS RESURRECT IN NOVEMBER

Global bond markets, including the Philippines, returned to life in November as U.S. inflation fell to 7.7% in October and down further to 7.1% in November, and the Fed hinted at slowing down policy rate increases moving forward. Bidders in auctions of Philippine government securities (GS) tendered a total P445.6-B, higher by 71% than October and brought the tender-offer ratio (TOR) to 1.747x compared to 1.332x in the previous month. Trading volume in the secondary market also surged by 38.6% to P429.1-B in November and brought down yields by 10.9 bps to 24.5 bps in the 5-year to 10-year buckets. Yields of the country's U.S. dollar-denominated bonds (ROPs) likewise plunged by -69.3 bps to -82.5 bps with ROP-31 dropping to 4.496% from above 5% a month earlier.

***Outlook**: Global bond market players appear to have taken seriously statements of Fed officials that policy rate hikes may slow down in the coming months and local investors concurred as they drove local 10-year bond yields down by -84 bps to below 7% by early December. However, this has resulted in more negative real 10-year yields to as much as -1.14%, last seen in February 2021 when nominal yields hovered around 3%. With BTr planning to offer only P135.0-B in December, down by 40% from the average monthly offerings during September-November, local yields may decline further, but should encourage profit-taking, since inflation may not decline significantly until February 2023.*

Table 6 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
28 Nov	91-day	25.000	74.893	18.100	2.996	4.205	-1.5
	182-day	25.000	32.424	10.050	1.297	4.920	27.0
	364-day	25.000	19.561	8.320	0.782	5.150	27.5
Subtotal		75.000	126.878	35.470	1.692		
2 Nov	3 year	35.000	36.336	0.000	1.038		
15 Nov	25 year (FXTN 25-06)	35.000	80.953	35.000	2.313	8.168	28.1
	25 year TAP	5.000	23.940	5.000	4.788		
22 Nov	20 year (FXTN 20-25)	35.000	70.361	27.597	2.010	8.012	
	20 year (FXTN 20-14)	70.000	107.114	53.609	1.530	6.568	148.3
Subtotal		180.000	318.704	121.206	1.771		
All Auctions		255.000	445.582	156.676	1.747		

Source: Bureau of the Treasury (BTr)

Primary GS Market: Buying Interest Emerged in November

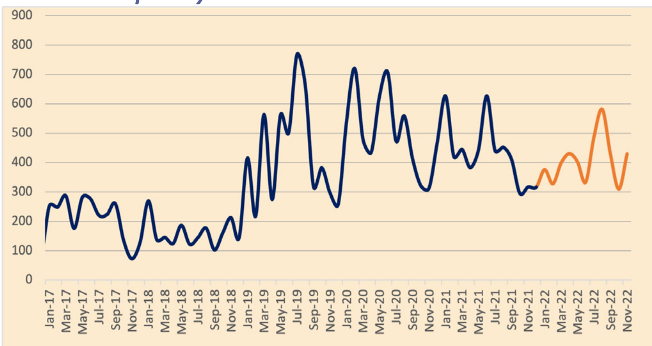
Appetite for peso bonds improved in November as total tender-offer ratio (TOR) rose to 1.747x from 1.332x a month ago. Market woes eased as U.S. October inflation came in lower-than-expected at 7.7% and Fed Chair Powell hinted moderating the pace of its tightening path as soon as the next meeting in December. Furthermore, the Bureau of the Treasury (BTr) awarded P156.7-B in November or 32% higher from P118.7-B in previous month.

Tenders of Treasury bills (T-bills) soared by 87.4% to P126.9-B in November. The 91-day yields managed to decline by -1.5 bps to 4.205% from 4.220% a month earlier. On the other hand, 182-day and 364-day papers climbed by 27 bps to 4.920% from 4.650% and 27.5 bps to 5.150% from 4.875%, respectively. The latter posted the highest yield since May 2019 as it breached the 5% range.

Similarly, tenders of Treasury bonds (T-bonds) jumped by 60.4% to P318.7-B in November. BTr fully rejected 3-year auction since bids reached 8%. Meanwhile, BTr fully awarded 25-year papers at 8.168% or 28.1 bps higher than 7.887% in October. BTr opened the TAP facility for P5.0-B which got 4.788x oversubscribed, indicating robust demand.

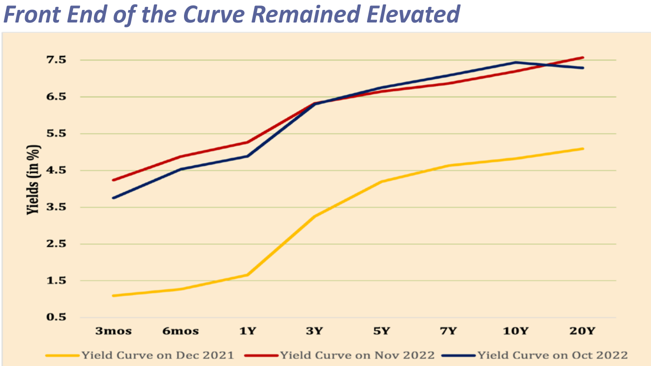
The new issuance of 20-year T-bonds (FXTN 20-25) gave an 8.012% yield, garnering P70.4-B worth of tenders. Lastly, BTr twice auctioned the reissued 20-year tenors (FXTN 20-14) at 6.568% or 148.3 bps higher from its last accepted levels at 5.085% in July 2021.

Figure 10 - Monthly Total Turnover Value (in Billion Pesos)
Volume Jumped by 38.6% in November



Source: Philippine Dealing Systems (PDS)

Figure 11 - Year-end Yield Curve in 2021 and Latest Yield Curve Versus Previous Month in 2022
Front End of the Curve Remained Elevated



Source: Philippine Dealing Systems (PDS)

Figure 12 - 3-month T-bills and 10-year T-bonds Yields
Spread Contracted Significantly by -73.6 bps MoM in November 2022

Source: Philippine Dealing Systems (PDS)

Secondary Market: Market Sentiment Reversed in November Pushing Volume Up by 38.6%

The trading volume of government securities (GS) in the secondary market advanced by 38.6% to P429.1-B in November, bouncing back from the 12-month low of P309.7-B in the prior month amid better risk appetite. Likewise, it shot up by 35.2% YoY (year-on-year) from P317.2-B.

The front end of the curve edged higher as the Bangko Sentral ng Pilipinas (BSP) raised its key policy rate by 75 bps in November to match the Fed's hiking cycle. The 3-month T-bills jumped the most by 49.1 bps to 4.241% from 3.750% a month ago. Additionally, 6-month and 1-year debt papers went up by 34.6 bps to 4.881% from 4.535% and 37.7 bps to 5.265% from 4.888%, respectively.

Risk-on sentiment triggered by lower U.S. inflation and expectations of smaller interest rate increases from both the Fed and BSP (e.g., 50 bps) provided relief for longer tenors. Specifically, after 10-year yields touched a 4-year high of 7.7% in November it finished at 7.1947% or -24.5 bps lower from 7.440% in the previous month. In the same way, 5-year and 7-year tenors dropped by -10.9 bps to 6.646% from 6.755% and -21.8 bps to 6.864% from 7.082%, respectively.

On the contrary, 3-year and 20-year securities gained by 1.9 bps to 6.322% from 6.303% and 28.6 bps to 7.572% from 7.286%, respectively. The 20-year yields rose due to the fresh supply from the auctions (3x issued).

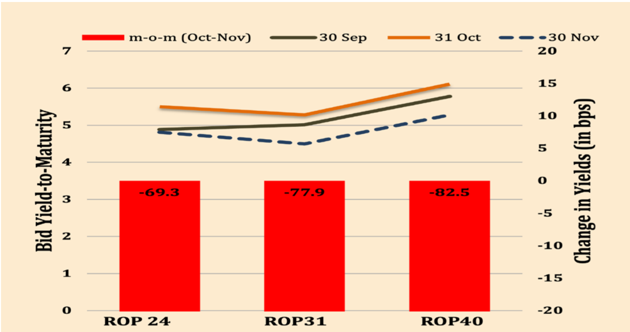
The spread between 10-year and 2-year bond yields contracted by -32.2 bps to 119.3 bps in November. Year-end demand and less supply pressure due to the government's plan to borrow only P135.0-B in December (-37.2% less MoM) will provide support on the domestic yields. Furthermore, BSP Governor Medalla expressed the possibility of pausing the hiking cycle by Q1-2023 "barring no major shocks". Consequently, 10-year yields started trading below 7% by early December.

Corporate Bonds: Volume Bounced Back by 39.7% in November

Trading of corporate securities rebounded by 39.7% to P1.8-B in November from a near 10-month low of P1.3-B in the previous month. However, it shrank by -30.3% YoY from P2.6-B a year ago. Furthermore, the volume of the top five corporates advanced to P662.5-M (up by 36.3% month-on-month, MoM) or 36.8% of the total trades in November.

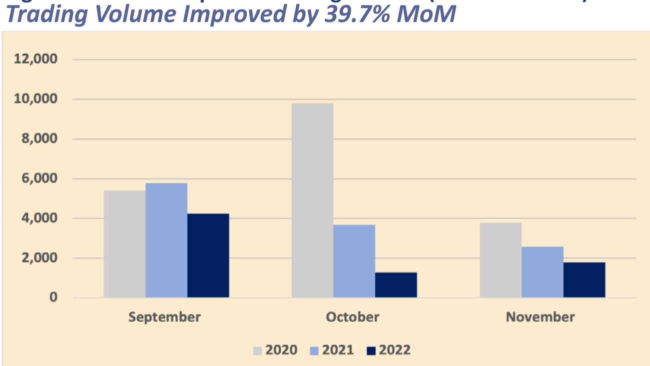
SM Prime Holdings, Inc. (SMPH) and Ayala Land, Inc. (ALI) retained their positions with P334.5-M (62.2% higher MoM) and P171.6-M (17.3% MoM), respectively, in

Figure 13 - ROPs Yield, Month-on-Month Changes (bps)
Yields Declined Across the Board Significantly in November



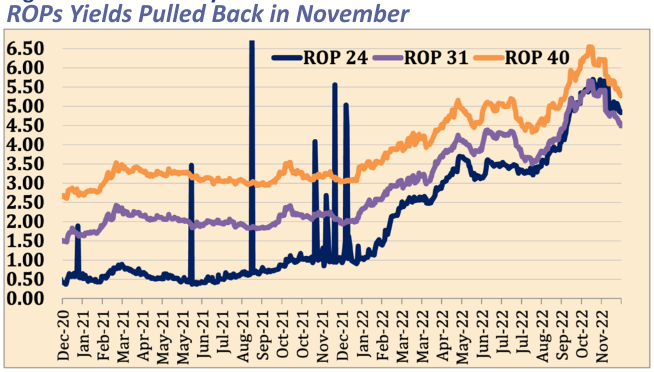
Source: Philippine Dealing Systems (PDS)

Figure 14 - Total Corporate Trading Volume (in Billion Pesos)
Trading Volume Improved by 39.7% MoM



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 15 - ROPs Daily Yields
ROPs Yields Pulled Back in November



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Meanwhile, BDO Unibank (BDO) rose to third place as trades spiked by 153.2% to P59.0-B followed by SMC Global Power (SMCGP) with P54.7-M or 19.1% higher from last month. San Miguel Corporation (SMC) placed bottom with only P42.8-M or -33.3% lower MoM.

Corporate Issuances and Disclosures

- Metropolitan Bank & Trust Co. (MBT) listed its P23.7-B Series E Bonds (due 2024) with a coupon rate of 5% to be paid on a quarterly basis.

- Security Bank Corporation (SECB), another bank, raised P14.6-B worth of Fixed Rate Bonds (due May 2024). The bond holds an interest rate of 5.3%, payable quarterly.

ROPs: ROPs Yields Corrected in November

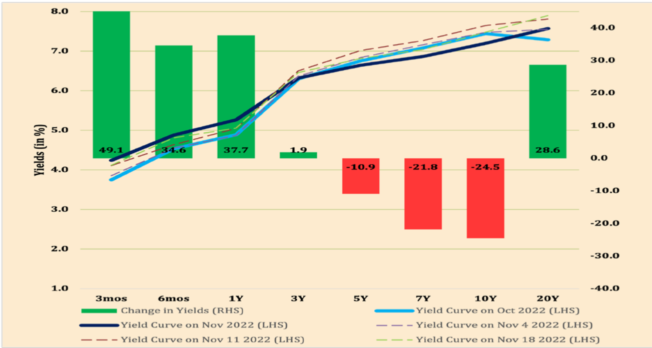
Shift in market sentiment, alongside a stronger peso (finished the month at P56.59/$), brought the yields of the Republic of the Philippines' U.S. dollar-denominated bonds (ROPs) significantly lower in November. This is the first time ROPs yields experienced a significant downward movement after three consecutive months of upsurge.

ROP-24 and ROP-31 plummeted by -69.3 bps to 4.808% from 5.501% and -77.9 bps to 4.496% from 5.275%, respectively, in November. Moreover, ROP-40 shed the maximum -82.5 bps to 5.281% from 6.106% a month prior.

Fed Chair Powell confirmed the Fed's moderation of its tightening path, and this may come as early as December. However, he still expected the terminal rate to be higher than the market's projections to bring inflation down to its target range. With this, 3-year and 20-year U.S. Treasuries plunged by -32 bps to 4.13% from 4.45% and -44 bps to 4% from 4.44%, respectively. Meanwhile, 10-year U.S. tenors traded below 4% range at 3.68% or -42 bps lower from 4.1% in the previous month.

As ROPs yields experienced a sharper downfall compared to their equivalent U.S. Treasuries, the spread contracted ranging from -35.9 bps to -38.5 bps in November.

Figure 16 - Week-on-Week and Month-on-Month Changes on the GS Benchmark Bond Yield Curves (bps)
Only the 5-Year to 10-Year Buckets Declined in November



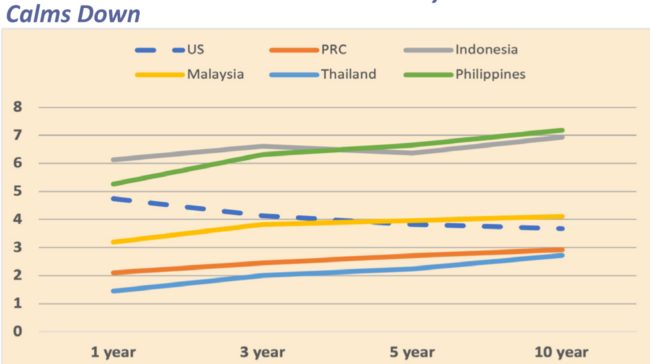
Sources: Bloomberg, First Metro Investment Corporation (FMIC)

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-Sept	63.7	118.5	169.7
31-Oct	105.1	117.5	166.6
30-Nov	67.8	81.6	128.1

Sources: Federal Reserve Board, Philippine Dealing & Exchange Corp. (PDEx)

Figure 17 - Comparative Yield Curve Between ASEAN per Tenor
ASEAN+1 Yield Curves Flatten as Anxiety over Fed Rate Hikes Calms Down



Sources: Asian Development Bank (ADB), Federal Reserve Board

ASEAN+1: Yields for Longer Dated Papers Generally Fell

U.S.: The economy generated 265,000 jobs in November, move above market forecasts, on top (upwardly revised +23,000) of 284,000 in October. S&P Global U.S. Manufacturing PMI clocked at 47.7 in November, the first contraction in factory activity in 30 months. Retail sales surged by 1.3% MoM in October, the strongest gain in eight months, after staying flat in September.

Sales at motor vehicle dealers climbed by 1.3% suggesting supply chain constraints on the mend. University of Michigan's Consumer Sentiment index fell to 56.8 in November from 59.9 a month earlier. Housing starts declined 4.2% MoM to a seasonally adjusted annualized rate of 1.425-M in October, from a downwardly revised -1.3% in September. Average hourly earnings for private nonfarm payrolls increased by 5.1% YoY in November after a revised (upward) 4.9% rise in the previous month.

The 10-year yields fell by 42 bps to 3.68% by end November from 4.10%, but inverted yield curve worsened to -70 bps (10-year less 2-year yields) from -41 bps in October.

CHINA: The stringent lockdowns to contain the new wave of Covid-19 cases weighed on China's economy. Consequently, the Caixin Manufacturing PMI remained in contractionary mode at 49.4 in November, albeit an uptick from 49.2 in October. Its annual inflation fell to 1.6% in November (vs 2.1% in October), marking the lowest figure since March, amid sharp slowdown in food costs (3.7% vs 7%).

Weak domestic and global demand brought exports and imports to plunge by -8.7% to $296.1-B (steepest fall since February 2020), and -10.6% to $226.2-B, respectively, in November. Its trade surplus dropped to $69.8-B, the smallest positive gap since April.

The People Bank of China (PBoC) maintained its lending rate at 2.75% in November. However, it cut its required reserve ratio (RRR) by 25 bps effective December 5. This would release about ¥500.0-B ($69.8-B) in long-term liquidity to support the faltering economy. The spread between 10-year and 2-year bond yields (steepness measure) eased by 4 bps to 59 bps in November.

INDONESIA: Its annual inflation declined to a 3-month low of 5.4% in November from 5.7% a month ago due to decrease in food prices (5.9% vs 6.8%). Furthermore, Manufacturing PMI slipped to 50.3 in November from 51.8 in the prior month.

Exports rose the least in nearly 2.5 years at 5.6% to $24.1-B in November amid lackluster foreign demand. Meanwhile, imports stumbled for the first time in 22 months to $19.0-B or -1.9% lower YoY. With slower imports, trade surplus jumped to $5.2-B from $3.5-B in the previous year.

Bank Indonesia (BI) raised its policy rate again by 50 bps to 5.25% in November, the fourth consecutive rate hike this year. As a result, the yield curve steepened by 4 bps to 57 bps in November.

MALAYSIA: The manufacturing sector slowed down further as PMI dipped to 47.9 in November from 48.7 in the previous month. Furthermore, inflation softened to 4% in October from 4.5% a month earlier, pointing to the lowest print since June.

Outward and inward shipments maintained their double-digit gains at 15% to MYR 131.6-B (~$29.9-B) and 29.2% to MYR 113.5-B (~$25.8-B), respectively, in October. This brought the trade surplus to narrow to MYR 18.1-B (~$4.1-B) in October from MYR 26.3-B (~$6.0-B) from a year ago.

Bank Negara Malaysia (BNM) kept its policy rate steady at 2.75% as it had no monetary board meetings in November. The yield curve flattened by 23 bps to 53 bps in November.

THAILAND: Thailand's economy grew by 4.5% in Q3-2022, the fastest pace in five quarters, driven by robust private consumption on further easing of mobility restrictions. On the other hand, Manufacturing PMI declined to 51.1 in November from 51.6 in October. On the inflation front, inflation decelerated to 5.6% in November from 6% in the prior month due to smaller increases in food prices (8.4% vs 9.6%).

Unexpectedly, exports and imports in October edged down by -4.4% to $21.8-B and -2.1% to $22.4-B, respectively. The country registered its 7th straight month of trade deficits to $596.0-M in October.

The Bank of Thailand (BoT) raised its benchmark interest rates by 25 bps to 1.25% in November, marking the highest rate since early 2020. BoT justified the gradual policy normalization as appropriate since the Thai economy continues to gain traction on the back of tourism and domestic consumption. The spread between 10-year and 2-year bond yields eased the most among its peers by 48 bps to 94 bps in November.

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
					Sep-22	Oct-22			
U.S.	4.38	3.68	7.9	(4.22)	(41)	(70)	(29)	4.00	-3.90
PRC	2.33	2.92	2.0	0.92	63	59	(4)	2.75	0.75
Indonesia	6.47	6.94	4.9	2.04	53	57	4	5.25	0.35
Malaysia	3.58	4.11	3.4	0.71	76	53	(23)	2.75	-0.65
Thailand	1.78	2.72	6.0	(3.28)	142	94	(48)	1.25	-4.75
Philippines	6.00	7.19	5.8	1.39	151	119	(32)	5.00	-0.80

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

Outlook

Bond markets have concluded that Fed policy rate hikes will slow down to 50 bps in December as the Fed's minutes in its November meeting disclosed that "...a slowing in the pace of increase would likely soon be appropriate." It "may come as soon as December" according to Fed Chairman Powell, although he maintained that "the timing of that moderation is far less significant than the questions of how much further we will need to raise rates to control inflation, and the length of time it will be necessary to hold policy at a restrictive level..."

- The terminal rate of Fed Funds (policy rate) will likely reach at least 5% in 2023 before a pause, and a slow winding down thereafter. The labor market's unusual strength suggests that aggregate demand needs to fall some more but the bond markets may have begun pricing a Fed "pivot", which won't happen any time soon.

- Domestically, the speeding up of inflation to 8% in November didn't seem to matter (even though it topped the region) and so 10-year bond yields have gone below 7% in December (or 6.876% on December 7th, BVAL) or down by some 84 bps since it peaked at 7.72% on November 10. Thus, in December the real yields for 10-year papers have fallen to -1.14% and the last time it fell to around this level came in early February 2021 when nominal yields hovered around 3% and economic activity, due to lockdowns, was fairly weak.

- BTr said it would only issue some P135.0-B worth of debt in December (around 40% lower than the monthly average from September to November) and this low supply coupled with milder U.S. inflation and Fed policy rate hikes later in December could push local 10-year yields even lower and more negative in real yields. The latter should prove unsustainable and so profit-taking should ensue if this takes place.

- Corporate issuances will have to wait until Q2 when real yields would have turned positive. We expect a lot more interest in H2.

- ROPs may follow the equivalent U.S. Treasuries but spreads may widen in Q1 as skeptics with respect to the country's credit rating may hold sway.

EQUITY MARKETS

PSEI GRABS TOP SPOT IN NOVEMBER

The view that inflation has peaked in the U.S. (and likely worldwide) and easing of Fed rate hikes starting December have spread among investors who raised their risk appetite. While the U.S., EU and Japan's bourses showed resilience in November, the country's PSEi continued its run with a 10.2% gain to 6,780.80 on top of its 7.2% climb a month earlier, thus topping other ASEAN bourses. PSEi trended upward since hitting a low of 6,183.3 on November 3rd. All six sectors of the PSEi advanced strongly with two posting double-digit upticks, led by the Property sector's 16.9% surge to wipe out losses of the previous month. Converge ICT Solutions Inc. (CNVRG) and Ayala Land Inc. (ALI) led gainers with their 25.5% and 23.5% MoM jumps in November.

Outlook: Strong earnings growth of 27.3% YoY in Q3-2022 (ex-SMC) in tandem with above expectations GDP growth of 7.6% points to record employment levels in the last three months (August to October) as key driver. We think inflation will still start to fall by January 2023 with crude oil prices back to pre-Russia-Ukraine war levels and food supply chains on the mend. Robust domestic demand, especially consumption and infrastructure spending should keep the economy humming while corporate profits continue to improve. After hovering around 6,500, it appears that PSE's Relative Strength Index falls in the middle, suggesting near-term market uncertainty as to its direction.

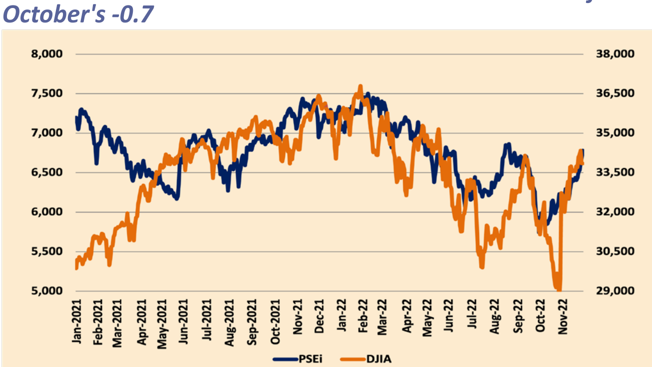
Table 9 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	November M-o-M Change	2022 % Change
Americas	US	DJIA	5.7%	-4.8%
Europe	Germany	DAX	8.8%	-9.2%
	London	FTSE 101	6.7%	2.6%
East Asia	Hong Kong	HSI	26.6%	-20.5%
	Shanghai	SSEC	8.9%	-13.4%
	Japan	NIKKEI	1.4%	-2.9%
	South Korea	KOSPI	7.8%	-17.0%
Asia-Pacific	Australia	S&P/ASX 200	6.1%	-2.2%
Southeast Asia	Indonesia	JCI	-0.2%	7.6%
	Malaysia	KLSE	1.9%	-5.0%
	Thailand	SET	1.5%	-1.5%
	Philippines	PSEi	10.2%	-4.8%

Sources: Bloomberg and Yahoo Finance

Figure 18 - PSEi vs DJIA

PSEi vs DJIA Correlation in November Increased to 0.8 from October's -0.7



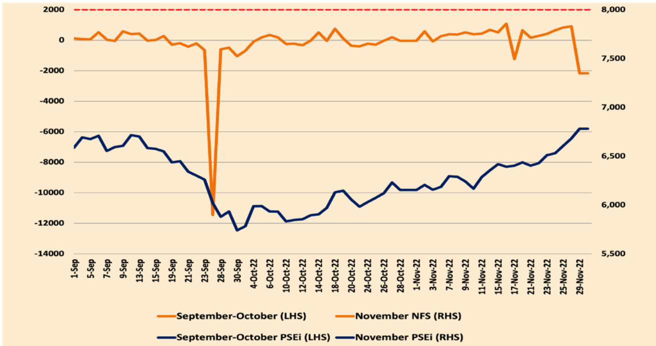
Sources: Wall Street Journal, Bloomberg

Global Picture. For the second month in a row, investors delivered a bullish November. Philippines' PSEi recorded the second highest gain in share prices during the period as it peaked by +10.2% month-on-month (MoM) to end November at 6,780.80 after recording a +7.2% increase a month ago. Meanwhile, Hong Kong HSI recorded the highest upswing, ending the month with a +26.6% MoM increment, a significant reversal of a decline of -14.7%, a month earlier. Meanwhile, Indonesia JCI recorded the only loss with -0.2% MoM.

PSEi and DJIA. The Dow Jones Industrial Average (DJIA) closed a highly volatile month of trading. DJIA ended November at 34,589.77 from October's close of 32,732.95. Meanwhile, PSEi finished to close November at 6,780.78. The correlation between the two indices in November increased to 0.8 from November's -0.7.

Figure 19 - PSEi vs Net Foreign Selling

PSEi vs NFS Posted a -0.4 Correlation in November



Sources: Bloomberg & Yahoo Finance

Table 10 - Monthly Turnover (in Million Php)

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	20,305.88	58.1%	1,218.10	75.7%
Industrial	19,858.30	27.5%	1,103.24	41.7%
Holdings	22,018.24	12.1%	1,223.24	24.6%
Property	14,661.78	-6.6%	814.54	3.8%
Services	18,958.79	-16.8%	1,053.27	-7.6%
Mining and Oil	4,451.57	25.2%	247.31	39.1%
Total	**100,254.56**	11.3%	**5,569.70**	23.6%
Foreign Buying	50,198.78	7.1%	2,788.82	19.0%
Foreign Selling	43,230.39	-9.1%	2,401.69	1.0%
Net Buying (Selling)	6,968.39	-1,120.7%	387.13	-1,234.2%

Source of Basic Data: PSE Quotation Reports

Table 11 - Top Foreign Buy in November (in Million Php)

Top Foreign Buy	
Company	Total Value
BDO PM Equity	3,192.88
ALI PM Equity	1,556.45
SM PM Equity	1,415.74
JFC PM Equity	1,272.24
MBT PM Equity	1,114.79
Total Buy Value	**8,552.09**

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

Table 12 - Top Foreign Sell in November (in Million Php)

Top Foreign Sell	
Company	Total Value
MPI PM Equity	-2,080.59
GTCAP PM Equity	-1,870.04
MER PM Equity	-707.29
ICT PM Equity	-575.61
AC PM Equity	-384.76
Total Sell Value	**-5,618.28**

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

Net Foreign Buying/Selling. PSE trading volume increased by +11.3% from the previous month's -46.9% plunge. Four sectors landed on the green, with the Financial sector posting the largest volume uptick of +58.1%.

Meanwhile, two sectors landed on the red, with the Services sector diving deepest with -16.8% drop.

Meanwhile, foreigners returned to the market and took profits in the last three trading days of November, but still ended in a net buying position to the tune of P6.9-B from net selling of -P0.7-B a month earlier.

The top five favorite stocks (net buying) of foreign investors amounted to P8.5-B, with BDO Unibank, Inc. (BDO) (P3.1-B) and Ayala Land, Inc. (ALI) (P1.5-B) leading the list.

The top five most sold stocks (net selling) in November amounted to P5.6-B with Metro Pacific Investments Corporation (MPI) (P2.0-B) and GT Capital Holdings Inc. (GTCAP) (P1.8-B) in the front rows.

All six sectors of PSEi turned in positive performance to power up PSEi by 10.2% MoM in November.

Notably, the Property sector led the sub-index gainers with a +16.9% MoM increase, taking the cue from the second best performing PSEi-constituent overall, Ayala Land, Inc. (ALI), which recorded a +23.5% gain in November alone, associated with acceleration of its business and consumer activities.

Table 13 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	28-Oct-2022		30-Nov-2022		2022 YTD
Sector	Index	% Change	Index	% Change	
PSEi	6,153.43	7.2%	6,780.78	10.2%	-4.8%
Financial	1,588.14	8.3%	1,698.66	7.0%	5.8%
Industrial	8,987.90	4.8%	9,487.17	5.6%	-8.8%
Holdings	5,933.37	7.9%	6,497.40	9.5%	-4.6%
Property	2,572.75	4.8%	3,007.70	16.9%	-6.6%
Services	1,592.33	5.9%	1,766.97	11.0%	-11.0%
Mining and Oil	9,802.95	-6.2%	10,223.02	4.3%	6.5%

Source of Basic Data: PSE Quotation Reports

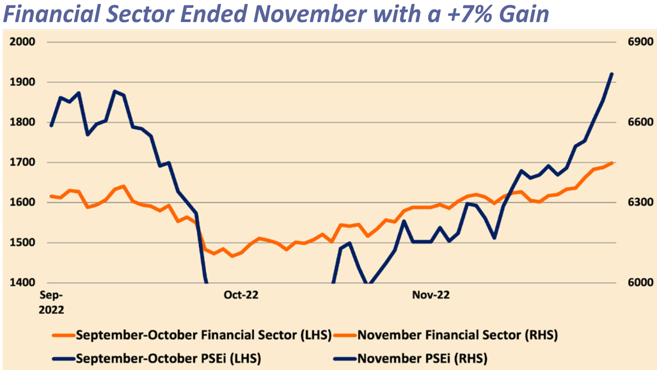
Table 14 - Financial Sector Constituent Stocks

Company	Symbol	10/28/2022 Close	11/30/2022 Close	M-o-M % Change	2022 YTD
Metropolitan Bank and Trust Company (MBT)	MBT	51.70	57.30	10.8%	2.9%
BDO Unibank, Inc.	BDO	127.30	130.10	2.2%	7.8%
Bank of the Philippine Islands	BPI	96.00	105.90	10.3%	14.9%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Financial Sector Index (September 2022 - November 2022)

Financial Sector Ended November with a +7% Gain



Source of Basic Data: PSE Quotation Reports

The Financial sector ended November with a +7% MoM gain, piling on top of an +8.3% MoM increase in October, with all its constituent stocks landing on the green.

Metropolitan Bank & Trust Company's (MBT) share prices led the sector as it climbed by +10.8% in November after its +6.6% gain a month earlier. MBT reported that its Q3-2022 net income soared by 77% year-on-year (YoY) to P7.8-B from P4.4-B in the same quarter in 2021. This pushed earnings up by 45% to P23.4-B year-to-date (YTD). Alongside, MBT reported that in Q3-2022 its net interest income soared by +18% YoY to P22.3-B from P18.8-B in the same quarter last year. MBT's success can be rooted from their manageable asset quality and high reserves easing provisioning needs, alongside their high capital and liquidity ratios which provide substantial buffers for potential risks; thus, making MBT well positioned to support their clients' needs in an expanding economy.

Bank of the Philippine Islands (BPI) share prices followed suit as its share prices showed a +10.3% uptick, following its +7.3% increase a month ago. BPI reported that in Q3-2022 its net income grew 77.4% to P10.1-B from P5.6-B in the same quarter in 2021.

BDO Unibank, Inc. (BDO) share prices inched up by +2.2% in November, after recording the highest gain by +14.2% a month ago. BDO reported that in Q3-2022 its net income climbed 46% to P16.1-B from P11.0-B in the same quarter in 2021. In 2022 alone, BDO has opened a total of 64 branches, most of which are covered by its subsidiary BDO Network Bank Inc., and are located in rural areas. The Bank ended September with a total of 1,608 branches nationwide.

The Industrial sector index ranked second to the last in sectoral gainers with a +5.6% MoM uptick in November from its +4.8% increase a month earlier.

AC Energy Corporation (ACEN) share prices climbed up by +13.8% MoM in November after its +11.6% gain in October. ACEN reported that in Q3-2022 its core net income soared by 22.6% to P1.9-B from P1.6-B in the same period last year. ACEN President and CEO Eric Francia remains hopeful as ACEN expects a significant increase in their renewables operating energy capacity by middle of 2023.

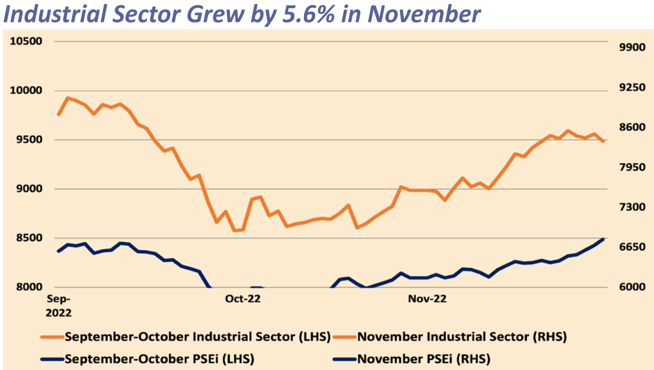
Table 15 - Industrial Sector Constituent Stocks

Company	Symbol	10/28/2022 Close	11/30/2022 Close	M-o-M % Change	2022 YTD
Meralco	MER	301.40	280.00	-7.1%	-5.1%
Aboitiz Power	AP	31.65	34.40	8.7%	15.8%
Jollibee Foods Corporation	JFC	232.00	245.00	5.6%	13.2%
Universal Robina Corporation	URC	122.00	133.00	9.0%	3.9%
AC Energy Corporation	ACEN	6.25	7.11	13.8%	-35.4%
Emperador Inc.	EMI	19.58	20.10	2.7%	-3.4%
Monde Nissin Corporation	MONDE	11.68	12.64	8.2%	-22.0%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Industrial Sector Index (September 2022 - November 2022)

Industrial Sector Grew by 5.6% in November



Source of Basic Data: PSE Quotation Reports

increase in their renewables operating energy capacity by middle of 2023.

Aboitiz Power (AP) share prices climbed by +8.7% MoM in November after its +2.8% gain in October. AP reported that in Q3-2022 its core net income soared by 62.5% to P9.6-B from P5.6-B in the same quarter in 2021. AP recently announced its two new Visayas-based customers, namely the car builder NKC Manufacturing Philippines Corporation (NKC) and sugar producer Victoria Milling Co. (VMC).

Universal Robina Corporation (URC) share prices ranked second in the sub-index's increase as its share prices rose by 9% MoM in November, after it registered a 7% gain in the previous month. URC reported that in Q3-2022 its core net income edged up by 2.3% to P2.5-B from P2.4-B, in the same quarter in 2021. URC associates their continued growth momentum to the strength of their core products, alongside their successful new launches.

The lone loser in the sector, Meralco (MER) share prices, tumbled by -7.1% MoM in November, after its +14.6% MoM gain in October. MER reported that in Q3-2022 its net income kept flat at P6.7-B as in the same quarter in 2021.To recall, Meralco announced higher rate adjustment of P0.84 per kWh in November, bringing the overall rate for a typical household to P9.94 per kWh from the previous month's P9.86 per kWh.

Jollibee Foods Corporation (JFC) share prices climbed by 5.6% in November to bring its YTD gain to 13.2%. Market players focused on the overall 9M-2022 earnings gain of 168% to P7.2-B. However, in Q3-2022 its core net income slumped by -80.2% YoY.

The Holdings sector index ranked third in sectoral gainers with a +9.5% MoM uptick in November, following through its +7.9% gain in October.

LT Group, Inc. (LTG) share prices grabbed the top spot in November within the sector with a +16.5% MoM gain, after its -2.3% decrease a month ago. LTG reported its revenues up by 6% to P71.3-B from P66.9-B in the first nine months of 2022.

GT Capital (GTCAP) share prices ended November with a +6.3% MoM gain handily wiping out a -0.7% loss a month ago. GTCAP reported consolidated net income in Q3-2022 of P6.7-B from P1.9-B in the same quarter in

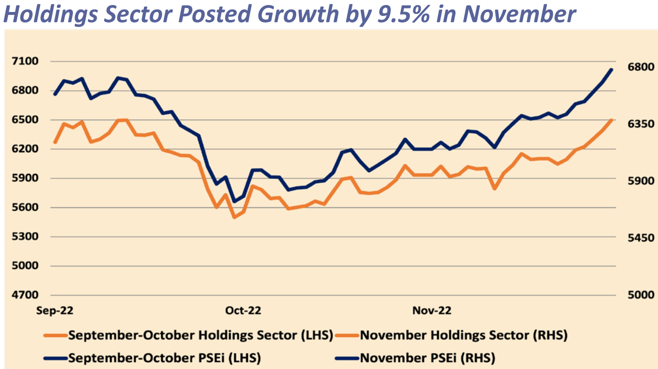
Table 16 - Holdings Sector Constituent Stocks

Company	Symbol	10/28/2022 Close	11/29/2022 Close	M-o-M % Change	2022 YTD
Ayala Corporation	AC	667.00	696.00	4.3%	-16.2%
Metro Pacific Investments Corporation	MPI	3.66	3.46	-5.5%	-11.3%
SM Investments Corporation	SM	820.00	939.00	14.5%	-0.4%
Aboitiz Equity Ventures	AEV	56.70	60.00	5.8%	10.2%
GT Capital Holdings, Inc.	GTCAP	412.80	439.00	6.3%	-18.7%
San Miguel Corporation	SMC	96.20	97.00	0.8%	-15.6%
Alliance Global Group, Inc.	AGI	8.98	9.77	8.8%	-17.2%
LT Group Inc.	LTG	8.07	9.40	16.5%	-5.1%
JG Summit Holdings, Inc..	JGS	43.15	49.10	13.8%	-7.4%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Holdings Sector Index (September 2022 - November 2022)

Holdings Sector Posted Growth by 9.5% in November



Source of Basic Data: PSE Quotation Reports

2021. GTCAP attributes its growth to its strong performance in the first nine months of 2022, in all subsidiaries and affiliates which together delivered net income of P15.0-B, up by 72% from a year ago. GTCAP's subsidiaries outperformed with 78% jump in Metrobank's boosted by robust loan growth, Federal Land's expansion of its commercial retail space resulting in net earnings soaring by 365%, and Toyota Motor Philippines' increase in market dominance.

Aboitiz Equity Ventures, Inc. (AEV) share prices were up 5.8% MoM in November. AEV reported that in Q3-2022 its net income climbed by 57% to P9.6-B from P6.0-B in the same quarter in 2021. Excluding its non-recurring gains, the company's core net income in Q3-2022 reached P7.0-B, a 20% increase YoY.

Ayala Corporation (AC) share prices ended November with a +4.3% MoM gain from its recorded +8.3% gain a month ago. Notably, AC reported that in Q3-2022 its net income dipped by -15% to P7.6-B from P9.0-B in the same quarter in 2021, driven by lower contributions from their listed energy platform ACEN.

The lone loser in the sector, Metro Pacific Investments Corporation (MPI) share prices, ended November with a -5.5% decrease, chopping off some of its +9.9% gain in the previous month. Nonetheless, MPI reported that in Q3-2022 its core net income surged by 22.9% to P4.3B from P3.5-B in the same quarter of 2021. MPI expects to sustain its double-digit growth for the rest of the year.

Ranking as the leader in the sectoral race, the Property sector ended November with a +16.9% MoM upswing, after a +4.8% MoM increase in October, with all its constituents landing on the green.

As the best performer, Ayala Land, Inc. (ALI) share prices ended November with a +23.5% increase, after its +11.6% increase in the previous month. ALI reported that in Q3-2022 its core net income climbed by 102% to P5.3-B from P2.6-B in the same quarter in 2021, attributed to the acceleration of its business and consumer activities.

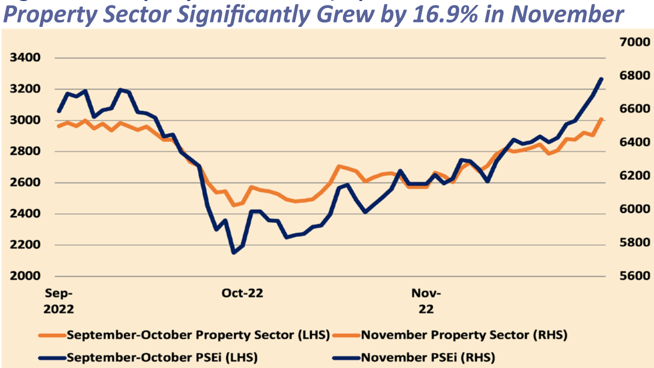
SM Prime Holdings, Inc. (SMPH) grabbed the second spot as its share prices showed a +15.6% jump MoM, after its +4.7% rise in the previous month. SMPH reported that in Q3-2022 its core earnings surged by 96.3% to P7.9-B from P4.0-B a year earlier. SMPH attributed their

Table 17 - Property Sector Constituent Stocks

Company	Symbol	10/28/22 Close	11/29/22 Close	M-o-M % Change	2022 YTD
Ayala Land, Inc.	ALI	25.50	31.50	23.5%	-14.2%
SM Prime Holdings, Inc.	SMPH	31.50	36.40	15.6%	7.4%
Robinsons Land Corpration	RLC	14.84	16.06	8.2%	-16.4%
Megaworld Corporation	MEG	2.08	2.24	7.7%	-28.9%

Source of Basic Data: PSE Quotation Reports

Figure 23 - Property Sector Index (September 2022 - November 2022)
Property Sector Significantly Grew by 16.9% in November



Source of Basic Data: PSE Quotation Reports

Table 18 - Services Sector Constituent Stocks

Company	Symbol	10/28/2022 Close	11/29/2022 Close	M-o-M % Change	2022 YTD
Philippine Long Distance Telephone Co.	TEL	1,634.00	1,572.00	7.2%	-3.3%
Globe Telecom	GLO	2,322.00	2,300.00	-0.9%	-30.8%
Converge ICT Solutions, Inc.	CNVRG	12.32	15.46	25.5%	-51.5%
Puregold Price Club Inc.	PGOLD	30.00	35.50	18.3%	-9.7%
Wilcon Depot, Inc.	WLCON	29.35	32.15	9.5%	5.4%
International Container Terminal Services, Inc.	ICT	173.00	205.00	18.5%	2.5%

Source of Basic Data: PSE Quotation Reports

growth to their mall operations, specifically their mall businesses revenues which accounted for 46% of their consolidated revenues.

Megaworld Corporation (MEG) share prices posted the smallest growth in its share prices by +7.7% MoM in November after its +2% growth a month ago. Alongside, MEG reported that in Q3-2022 its net income dipped by -20.6% to P2.5-B from P3.1-B in the same quarter in 2021.

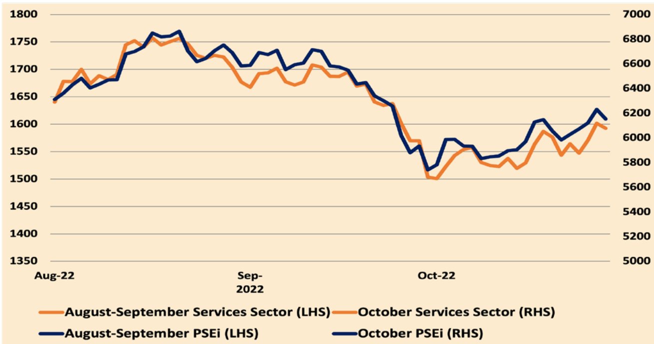
The Services sector placed as the second highest gainer in the sectoral race, from ranking third in the previous month, as it climbed by 11% MoM in November after it inched up by +5.9% MoM in October.

Converge ICT Solutions, Inc. (CNVRG) share prices surged with a +25.5% MoM gain in November leaving behind its -6% loss in October. CNVRG reported that in Q3-2022 its net income climbed by 9.1% to P2.1-B from P1.9-B in the same quarter in 2021, mainly attributed to its residential segment's performance. CNVRG likewise added 411,320 new fiber-to-the-home ports in Q3-2022 which contributed to the increase of their countrywide reach.

Philippine Long Distance Telephone Co. (TEL) showed modest increase in share prices by +7.2% MoM from its +8.4% gain a month ago. TEL reported that in Q3-2022 its net income surged by 80% to P10.6-B from P6.0-B in the same quarter in 2021. However, based on core earnings, these actually slipped by -19.8% to P6.6-B from P8.2-B a year earlier. TEL recently reported that it will invest in additional cable systems that will link Asia and North America in order to set up data facilities in the Philippines; thus, enabling the company to raise its data capacity.

Globe Telecom (GLO) suffered the only loss in the sector with a -0.9% MoM loss in November, reversing a +14.4% gain a month ago. GLO reported that in Q3-2022, its core earnings slipped by -1.8% to P5.0-B from P5.1-B in the same period last year, driven by its corporate data and mobile services.

Figure 24 - Services Sector Index (September 2022 - November 2022)
Services Sector Posted Growth by 11% in November



Source of Basic Data: PSE Quotation Reports

The Mining & Oil sector grew by +4.3% following through its -6.2% loss in the previous month. Semirara Mining and Power Corporation (SCC) share prices declined by -3.7% in November after its -10.4% loss in October.

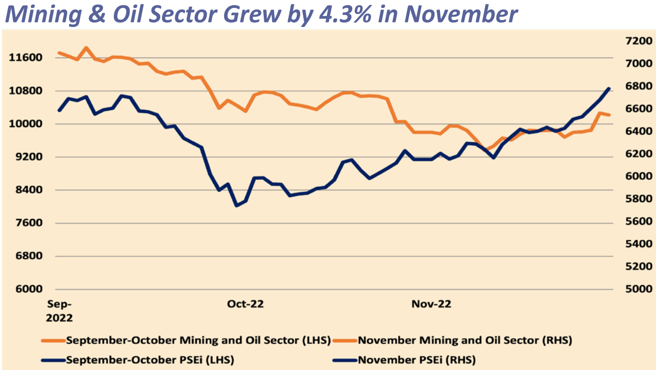
Nonetheless, SCC reported that in Q3-2022 its profits surged by 153% to P10.2-B from P4.0-B in the same quarter in 2021. SCC remains as top YTD stock performer of PSEi with its +57.6% gain. Despite fears that 2023 may see softer profits, SCC's PE ratio (TTM) remains very attractive at 3.4x, and that coal prices have rebounded back to the $400/MT range in December.

Table 19 - Mining and Oil Sector Constituent Stock

Company	Symbol	10/28/2022 Close	11/29/2022 Close	M-o-M % Change	2022 YTD
Semirara Mining and Power Corporation	SCC	34.95	33.65	-3.7%	57.6%

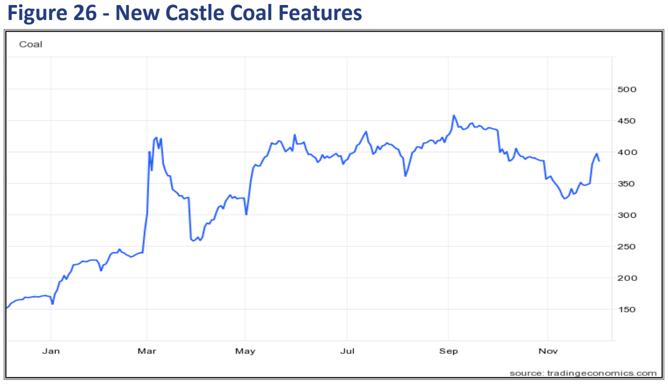
Source of Basic Data: PSE Quotation Reports

Figure 25 - Mining & Oil Sector Index (September 2022 - November 2022)
Mining & Oil Sector Grew by 4.3% in November



Source of Basic Data: PSE Quotation Reports

Figure 26 - New Castle Coal Features



Source of Basic Data: Trading Economics

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2020		2021		4th Quarter 2021			3rd Quarter 2022		
	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	1,818,007	1.9%	1,954,345	7.5%	580,203	33.8%	5.2%	485,275	1.0%	11.9%
Industry Sector	5,151,945	-11.8%	5,607,009	8.8%	1,760,803	50.2%	11.4%	1,335,537	-19.1%	14.0%
Service Sector	10,963,799	-6.6%	11,849,213	8.1%	3,321,517	10.8%	9.8%	3,419,114	4.7%	14.0%
Expenditure										
Household Final Consumption	12,911,851	-8.0%	13,456,531	4.2%	3,923,916	20.9%	7.5%	3,504,489	3.1%	8.0%
Government Final Consumption	2,652,447	10.0%	2,839,963	7.1%	683,320	-1.4%	7.8%	698,563	-22.7%	0.8%
Capital Formation	3,382,434	-33.5%	4,060,997	20.1%	1,144,071	25.0%	14.2%	1,113,416	-19.9%	21.7%
Exports	4,735,076	-31.8%	5,128,006	8.3%	1,251,031	-7.2%	7.7%	1,524,034	12.4%	13.1%
Imports	6,146,212	-21.2%	6,947,443	13.0%	1,814,149	4.8%	14.3%	2,031,545	1.1%	17.3%
GDP	17,530,785	-9.5%	18,538,053	5.7%	5,201,501	17.5%	7.8%	5,239,926	-2.9%	7.6%
NPI	1,325,383	-30.4%	642,515	-51.5%	226,214	50.2%	16.0%	343,647	16.8%	94.6%
GNI	18,856,166	62.3%	19,180,570	1.7%	5,427,716	18.6%	8.1%	5,583,573	-1.9%	10.5%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2020		2021		September-2022			October-2022		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R	Levels	Monthly G.R.	Annual G.R
Revenues	2,855,959	0.2%	3,005,539	0.2%	288,814	-13.1%	24.8%	288,873	0.0%	14.1%
Tax	2,504,421	-2.4%	2,739,350	-2.4%	253,262	-17.9%	19.1%	261,913	3.4%	19.6%
BIR	1,951,023	0.0%	2,078,108	0.0%	173,629	-24.2%	12.6%	186,759	7.6%	15.2%
BoC	537,687	-9.3%	643,563	-9.3%	79,273	0.5%	37.7%	75,055	-5.3%	35.2%
Others	15,711	-24.7%	18,157	-24.7%	360	-41.6%	-59.6%	99	-72.5%	-93.0%
Non-Tax	351,412	23.6%	265,357	23.6%	35,551	48.2%	89.6%	26,955	-24.2%	-20.8%
Expenditures	4,227,406	24.0%	4,675,639	10.6%	468,574	15.8%	13.6%	387,934	-17.2%	22.2%
Allotment to LGUs	804,546	39.8%	892,698	39.8%	95,830	-12.5%	43.2%	86,490	-9.7%	32.9%
Interest Payments	380,412	8.9%	429,432	8.9%	59,897	94.6%	25.2%	33,185	-44.6%	5.2%
Overall Surplus (or Deficit)	-1,371,447	145.7%	(1,670,100)	145.7%	(179,760)	149.5%	-0.6%	(99,061)	-44.9%	54.1%

Source: Bureau of the Treasury (BTr)

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

	2021		August-2022			September-2022		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	45,524.20	5.7%	4,155.30	7.4%	5.9%	4,123.60	7.8%	6.1%
Residential	16,906.10	2.6%	1,471.90	1.4%	1.5%	1,457.00	0.6%	1.4%
Commercial	14,950.30	3.2%	1,485.70	19.0%	12.6%	1,492.70	22.0%	13.7%
Industrial	12,897.30	12.4%	1,143.70	4.1%	5.0%	1,113.00	1.4%	4.6%

Source: Meralco

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

	2020		2021		4th Quarter 2021		3rd Quarter 2022	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT								
Balance of Trade	11,578	-480%	-6,922	-160%	-3,953	-224.1%	-5,800	282.4%
Balance of Goods	33,775	-32%	53,781	59%	16,533	75.0%	19,426	41.1%
Exports of Goods	48,212	-10%	54,169	12%	13,799	4.0%	14,558	1.9%
Import of Goods	81,987	-20%	107,950	32%	30,332	33.5%	33,984	21.1%
Balance of Services	-13,866	6%	-14,174	2%	-3,751	-8.0%	-4,387	10.6%
Exports of Services	31,822	-23%	33,627	6%	9,214	10.1%	10,942	25.7%
Import of Services	17,956	-36%	19,453	8%	5,463	27.2%	6,555	38.3%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	63	-50%	80	26%	24	19.3%	18	-8.1%
Financial Account	-6906	-14%	-6,942	1%	-4,973	-34.3%	-2,756	0.4%
Direct Investments	- 3,260	-39%	-8,116	149%	-2,138	328.9%	-843	-64.2%
Portfolio Investments	-1680	-32%	8,046	-579%	161	-104.7%	1,435	50.6%
Financial Derivatives	-199	15%	-603	203%	-195	178.6%	-276	67.2%
Other Investments	- 6,268	255%	-8,152	30%	-2,801	0.0%	-3,072	161.1%
III. NET UNCLASSIFIED ITEMS	1245	-149%	361	-71%	965	0.0%	-1,704	-6,761.2%
OVERALL BOP POSITION	16,022	104%	1,345	-92%	2,009	-78.0%	-4,730	-471.2%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	7,713	378%	294	-96%	-2,256	-21.3%	-2,756	-204.8%
Net Foreign Assets	7,665	384%	433	-94%	-2,286	-20.2%	-2,775	-207.2%
Basic Balance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Bangko Sentral ng Pilipinas (BSP)

MONEY SUPPLY (In Million Pesos)

	2021		September-2022		October-2022	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,303,261	8.8%	3,485,453	10.7%	3,508,117	3.3%
Sources:						
Net Foreign Asset of the BSP	6,296,263	39.5%	6,340,916	-2.1%	6,320,376	-1.4%
Net Domestic Asset of the BSP	14,211,531	26.7%	16,077,332	11.3%	16,057,757	11.1%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	5,659,905	52.6%	6,300,753	9.4%	6,281,377	8.2%
Money Supply-2	13,795,976	30.2%	14,894,759	6.3%	14,949,666	6.5%
Money Supply-3	14,432,021	30.4%	15,384,872	5.3%	15,442,309	5.4%
MONEY MULTIPLIER (M2/RM)	4.18		4.27		4.26	

Source: Bangko Sentral ng Pilipinas (BSP)

CONTRIBUTORS

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