

The MARKET CALL

Capital Markets Research



FMIC and UA&P Capital Markets Research

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Executive Summary

The economy looks set to accelerate in 2024 with Q1 GDP estimated at 6.1% as infrastructure spending goes into high gear with National Government (NG), buoyed by ODA funding, and PPP projects gain traction. Inflation should fall within BSP target of 2.0% to 4.0% for the year, as rice and crude oil prices ease, albeit without discounting occasional spikes. Exports will regain its positive form and while the trade deficit will mimic 2023, net exports, a negative for GDP purposes, should improve in 2024. The peso will likely have a brief appreciation run until May, but would resume to fall as economic growth takes a faster pace. Bond yields for the rest of H1 should depend on inflation shocks (positive or negative). Equities which had a good run until mid-March may succumb to a correction in April-May, but recover with the economy and good corporate earnings for Q1.

Macroeconomy

3 National Government revenues and expenditures exceeded 2023 targets. The Administration is poised to ramp up infrastructure spending (plus PPP projects) in 2024 to bolster GDP growth and employment. Inflation should remain within the BSP target of 2.0% to 4.0% for H1. Thai rice prices started to decline in February and ruling out more food inflation from that end. On the other hand, crude oil prices may only have limited upside due to the tepid rebound of the Chinese economy. Exports should turn positive in 2024, but imports will remain elevated and result in trade deficits similar to 2023. Finally, the peso will have a slight appreciation bias in Q2 on U.S. dollar weakness.

NG capital and operational spending climbed by 12.7% YoY in January, despite an overall expenditure increase of 2.2% YoY. • Employment rate rose to 4.5% in January from 3.1% in December due to seasonal factors. • Manufacturing PMI in February and output in January still expanded. • Headline inflation jumped by 3.4% in February from 2.8% a month earlier mainly due to rice and fuel price increases. • Exports jump start 2024 with 9.1% YoY vault but trade deficit remains at \$4.2-B. • Peso weakened mildly by -0.2% MoM as U.S. dollar strengthened in first half of February.

Bond Markets

11 Face with a February job increase of 275,000 and with headline inflation still away from its 2.0% target, the Fed will likely keep its policy rates unchanged in H1. Consequently, U.S. 10-year bond yields have returned to its February 2024 peak of 4.29% by mid-March, but these hardly affected local peso bond yields. With a lower target deficit by P100.0-B in 2024 and a successful Retail Treasury bond (RTB-30) offering, the National Government (NG) can just maintain the magnitude of its current bond issuances given its higher cash balance. Inflation print in H1 will figure as the main factor for any major movement in local 10-year benchmark yields, as the financial system remains very liquid.

NG raised P432.7-B in February boosted by the RTB-30 issuance. • T-bill yields rose in the February auctions, while 20-year T-bond auction yield fell. • Trading volume fell by -27.7% MoM in February, but is slightly up YoY coming off from a low base. • Secondary market yields jumped in the short end but had limited rise for 10-year tenor. • BDO Unibank's bond issuance of P63.3-B with 1.5-year dwarfs Development Bank of the Philippines issue. • ROPs yields climbed less than equivalent U.S. Treasuries to narrow spread, as U.S. market players corrected their over-optimism in January.

Equities Market

17 PSEi has climbed to and hovered near 6,900 but resistance at 7,000 has proven formidable. Nevertheless, better-than-expected Q4-2023 earnings of top banks supported the runup until mid-March. Breaching 7,000 and keeping above it will require strong backing from robust Q1-2024 financial results. Before the release of Q1-2024 earnings and MSCI May rebalancing, the direction of the index may depend on the inflation figure for March.

PSEi climbed by +4.5% MoM to end February at 6,944.71, the best performance among ASEAN-5 bourses. • The Financial and the Services sectors tied for the top spot with an +8.6% MoM uptick in February, ahead of two other sectoral gainers. • International Container Terminal Services, Inc. led the PSEi-constituent stocks with +18.9% MoM gain. • Monde Nissin (MONDE) and GT Capital Holdings, Inc. (GTCAP) led the YTD price race with upticks of 19.3% and 19.2%, respectively. • In the Mining & Oil sector, Nickel Asia Corporation (NIKL) contracted by -6.2% MoM. • Foreign investors remained as net buyers in February to the tune of P7.2-B.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date	2022 (year-end)	2023 (year-end)
GDP Growth (Q4-2023)	5.6	6.0	5.6	7.6	5.6
Inflation Rate (February 2024)	3.4	2.8	3.1	5.8	6.0
Government Spending (December 2023)	2.2	-4.7	3.7	10.2	3.7
Gross International Reserves (\$B) (February 2024)	102.7	103.3	103.0	100.5	100.6
PHP/USD rate (February 2024)	56.06	55.97	56.02	54.48	55.63
10-year T-bond yield (end-February 2024)	6.27	6.16	6.22	6.40	6.35

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

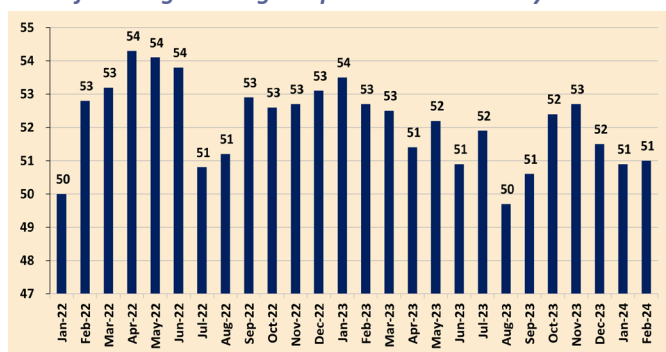
MACROECONOMY

DECEMBER NATIONAL GOVERNMENT SPENDING, MANUFACTURING OUTPUT IN FEBRUARY RISE

The National Government (NG) ramped up current and capital expenditures by 12.7% year-on-year (YoY) in December. January Manufacturing PMI and output continued to mildly expand despite the unemployment rate's rise to 4.5% in January from the record low of 3.1% in December. Headline inflation rebounded to 3.4% YoY in February from 2.8% a month earlier. On average, the peso slightly weakened in February amid tepid money growth.

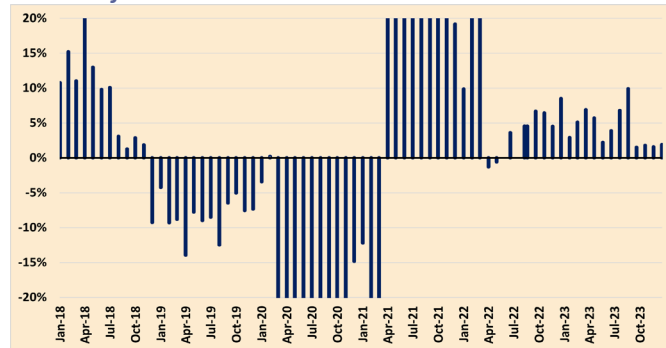
Outlook: With actual NG spending in 2023 exceeding program by 2.0%, we think the Administration will start 2024 with a bigger bang compared to 2023: Large government-cum-ODA funded, and PPP infrastructure projects should accelerate. We also don't see a repeat of the February inflation spike as rice prices abroad had begun to ease while crude oil prices have little upside given the weak China economic recovery and surplus capacity in both OPEC and non-OPEC countries. 2024 exports will likely rebound as January's faster-than-expected growth was underpinned by robust U.S. economic growth and Eurozone's rally. The peso will likely mildly appreciate with the U.S. dollar's slight weakening trend in H1.

Figure 1 - Manufacturing PMI
Manufacturing PMI Edged Up to 51.0 in February



Source of Basic Data: S&P Global

Figure 2 - Volume of Production Index
Volume of Production Index Posted a 1.9% YoY Rise in January



Source of Basic Data: Philippine Statistics Authority (PSA)

Manufacturing Sector Still Mildly on the Upswing

February S&P Manufacturing PMI modestly climbed to 51.0 from 50.9 in January, propped up by new orders and more labor intake. Besides, this marked the sixth successive month of expansion of the country's manufacturing sector following a mild contraction in August last year. Moving forward, local manufacturers remained wary about possible tight raw materials supply.

Industrial output as measured by the Volume of Production Index (VoPI) went up to 1.9% YoY in January from 1.6% the previous month.

Out of the 22 industry divisions, nine experienced gains, led by Manufacture of Coke and Refined Petroleum Products (+32.0%), Printing and Reproduction of Recorded Media (+25.2%), and Manufacture of Wearing Apparel (+18.9%). The first two industry divisions also posted positive performances in December 2023.

Meanwhile, 13 industry divisions registered negative YoY performances, led by Manufacture of Textiles (-31.5%), Manufacture of Leather and Related Products, Including Footwear (-20.8%), and Other Manufacturing and Repair and Installation of Machinery and Equipment (-13.4%). Notably, the latter two industry divisions also saw decreases last month.

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

	December 2023	January 2024	MoM Change	
			Levels	% Change
Labor Force	52,127	48,093	(4,033.67)	-7.74%
Employed	50,525	45,943	(4,581.80)	-9.07%
Underemployed	6,010	6,394	383.92	6.39%
Underemployment rate%	11.9	13.9	2.02	17.00%
Unemployed	1,602	2,150	548.14	34.21%
Unemployment rate%	3.1	4.5	1.40	45.45%
Labor Participation rate%	66.6	61.1	(5.50)	-8.26%
Not in Labor Force	26,085	30,562	4,476.90	17.16%
Agriculture ('000)	12,315	9,819	(2,496.55)	-20.27%
Industry ('000)	9,249	8,470	(779.27)	-8.43%
Mining and Quarrying	200	228	27.31	13.63%
Manufacturing	3,793	3,520	(273.09)	-7.20%
Electricity, Gas, Steam, and Air-Conditioning Supply	99	88	(11.04)	-11.16%
Water Supply; Sewerage, etc.	73	100	26.93	36.88%
Construction	5,084	4,534	(549.38)	-10.81%
Services ('000)	28,960	27,654	(1,305.98)	-4.51%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10,270	9,054	(1,216.24)	-11.84%
Transportation and Storage	3,476	3,648	171.76	4.94%
Accommodation and Food Services Activities	2,517	2,128	(389.48)	-15.47%
Information and Communication	559	507	(52.17)	-9.33%
Financial and Insurance Services	558	641	83.57	14.98%
Real Estate Activities	241	260	18.92	7.84%
Professional, Scientific, and Technical Activities	309	487	178.07	57.58%
Administrative and Support Services Activities	2,314	2,510	196.11	8.47%
Public Administration and Defense; Compulsory Social Security	2,932	2,738	(193.98)	-6.62%
Education	1,641	1,544	(96.95)	-5.91%
Human Health and Social Work Activities	643	689	45.76	7.12%
Arts, Entertainment, and Recreation	386	469	83.33	21.61%
Other Service Activities	3,101	2,977	(123.73)	-3.99%

Source of Basic Data: Philippine Statistics Authority (PSA)

Unemployment Rate Rose to Under-5% Level in January at 4.5%

The country's unemployment rate rose to 4.5% in January 2024, albeit still below 5% coming from the record low of 3.1% in December 2023. This resulted from a -9.1% drop in the total employed from the previous month. However, the two previous December to January observations occurred during or coming out of the pandemic, which may render the initial conclusion doubtful. Thus, when compared with October 2023, since before 2021 the Labor Force Surveys (LFS) occurred only quarterly, the decline only reached -3.9%, not too far from the 2011-2017 average of 3.1%. The record high base in December and the usual seasonal layoff month of January would explain the steep decline.

All three major industry sectors shed jobs. The Agriculture sector lost the most as employment levels plunged by -2.5-M, while the Services sector accounted for -1.3-M losses. The long Christmas holidays (during which a good number of temporary workers were hired) and semestral break in schools/universities pushed down jobs in The Industry sector by -779,000. The top employers of the sector, Construction (-549,000) and Manufacturing (-273,000) contributed most to the sector's job losses.

For reasons similar to the Industry sector's weakness, the Services sector's job losses came primarily from Trade (Wholesale & Retail, -1.2-M) and Accommodations & Food Services (-379,000). Seven out of the thirteen sub-sectors took in more people in January, led by Administrative & Support Service Activities (+196,000) Professional, Scientific and Technical Activities (+178,000) as these usually required more face-to-face contact.

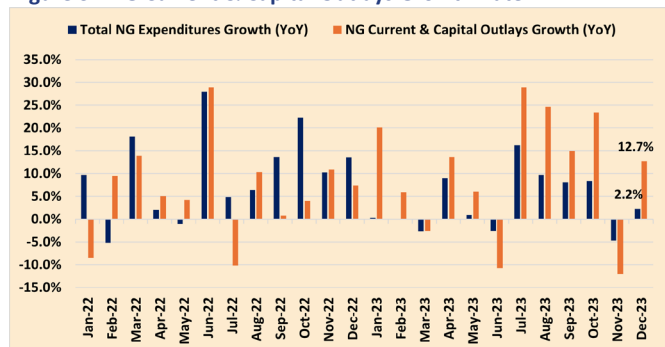
The underemployment rate climbed to 13.9% from 11.9% a month earlier. The ranks of unemployed persons likewise swelled to 2.2-M, a tad lower than the average for 2023, from 1.6-M in December.

Table 2 - Program Vs. Actual for Full Year 2023 (in Billion Php)

Particulars	Program	Actual	Difference	% Change
REVENUES	3,729.0	3,824.1	95.1	2.55%
Tax Revenue	3,537.9	3,429.3	(108.7)	-3.07%
BIR	2,639.2	2,517.0	(122.2)	-4.63%
BOC	874.2	883.2	9.0	1.04%
Other Offices	24.6	29.1	4.5	18.23%
Non-Tax Revenue	191.1	394.8	203.8	106.65%
BTr	58.3	227.6	169.3	290.50%
Other Offices	132.8	167.2	34.4	25.92%
EXPENDITURES	5,228.4	5,336.2	107.8	2.06%
Allotment to LGUs	716.4	926.1	209.6	29.26%
Interest Payments	610.7	628.3	17.7	2.89%
Tax Expenditures	14.5	31.7	17.2	118.61%
Subsidy, Equity, & Net Lending	245.6	190.9	-54.8	-22.30%
NG Current and Capital Outlays	3,641.2	3,559.3	-81.9	-2.25%
SURPLUS/ (DEFICIT)	(1,499.4)	(1,512.1)	(12.7)	0.85%
Primary Surplus/ (Deficit)	(888.8)	(883.8)	5.0	-0.56%

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

Figure 3 - NG Current & Capital Outlays Growth Rate



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

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

Inflation Year-on-Year Growth Rates	Jan-2024	Feb-2024	YTD
	2.8%	3.4%	3.1%
Food and Non-Alcoholic Beverages	3.5%	4.6%	4.0%
Alcoholic Beverages and Tobacco	8.4%	8.6%	8.5%
Clothing and Footwear	3.8%	3.6%	3.7%
Housing, Water, Electricity, Gas, and Other Fuels	0.8%	0.9%	0.8%
Transport	-0.4%	1.2%	0.4%
Restaurants and Accommodation	5.5%	5.3%	5.4%
Personal Care & Miscellaneous Goods and Services	4.0%	3.8%	3.9%

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)

NG Capital and Current Spending Jumped by 12.7% in December

Despite a slim 2.2% YoY increase in overall expenditure in December, NG spending on capital and current outlays jumped by 12.7% YoY. However, due to the -3.0% YoY drop in revenues, the budget deficit reached P400.9-B. On a full-year basis, Revenues rose by 7.9% as Bureau of Internal Revenue (BIR) collections climbed by 7.8%, while Bureau of Customs (BOC) managed only a 2.4% increase. The year’s deficit reached P1.51-T some -6.3% lower than P1.61-T posted in 2022. As a percentage of GDP, the deficit slid to 6.2% from 7.3% a year earlier.

For the month of December, tax revenues declined by -2.9% YoY, as BIR and BOC tax takes fell by -2.8% and -2.7%, respectively. Non-tax revenues also slumped by -6.0%. For the year, BIR had a good take, but still fell short of target by P122.4-B, some 4.6% of program. The BOC mildly exceeded its target by P9.0-B, or 1.0% above target. Non-tax revenues saved the day since its intake overwhelmed its target by P203.8-B or 106.7% above the baseline.

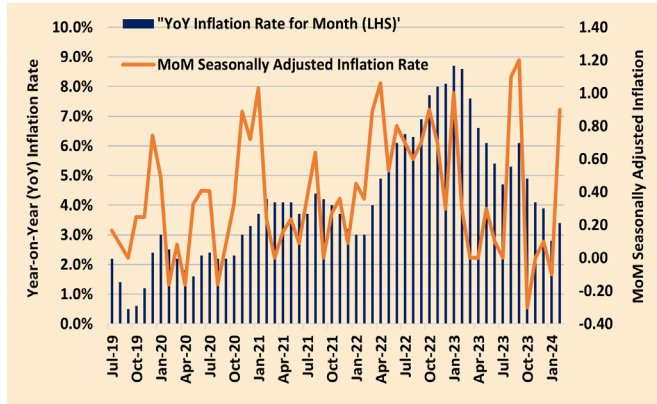
December interest payments surged by 39.2% YoY as rates on the short end caught up with the rest of the curve. NG expenditures (capital outlays + current operations) managed a double-digit uptick as the third largest item, while Allotments to Local Government Units (LGUs) from NG tax collections plunged by -29.4%. Contrary to the perceived NG underspending, expenditures blew over the program by P107.8-B, or some 2.1% above target.

All told, NG could have greater confidence in starting to spend early in the year to support the economic recovery.

February 2024 Inflation Faster at 3.4% YoY from 2.8% in January

Despite the rise in prices of only three product categories, headline inflation in February raced higher to 3.4% YoY from 2.8% a month earlier. Food and fuel prices stoked the uptick déjà vu since they account for 38.3% and 8.1% of CPI, respectively. On the other hand, when these two price categories are excluded, (i.e., core inflation) the rate actually slowed down to 3.6% from 3.8% a month ago.

Figure 4 - Monthly Inflation Rates, YoY and MoM (s.a.)



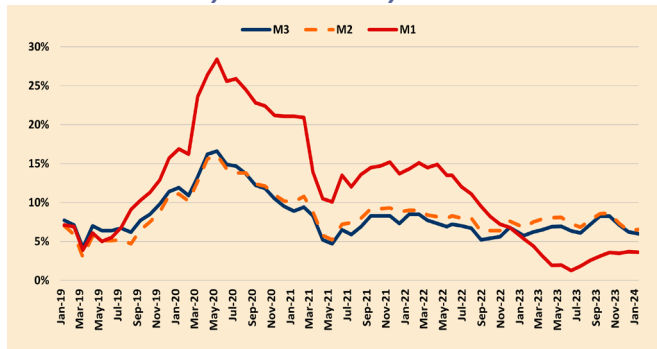
Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 5 - Crude Oil Prices (West Texas Intermediate)



Source of Basic Data: Trading Economics

**Figure 6 - M1, M2, M3 Growth Rates
M3 Growth Rose by 6.0% in January**



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

Food inflation accelerated to 4.0% YoY from 3.5% in the previous month as rice prices rose faster at 23.7% YoY from 22.6% earlier, providing the largest impact. Meat prices turned positive to 0.7% from -0.7% and came next while corn prices just slightly slowed down in their YoY decline. The other eight product categories either decelerated or held steady.

The Transport sub-index also switched to +0.4% from -0.4% as crude oil prices rebounded. The change occurred due to the late adjustment of domestic fuel prices after January's jump in crude oil prices. West Texas Intermediate (WTI, U.S. benchmark) after all only edged up by 0.5% YoY to average \$78.25/barrel (bbl), while Brent crude (European benchmark) also gained by 1.1% to average \$83.48/bbl.

On a seasonally adjusted (s.a.) basis, month-on-month (MoM) inflation climbed to 0.9% in February from -0.1% in January, driven primarily by the acceleration of food prices. We don't see a repeat of the spike in February as Thai rice prices have slipped by 3.5%-4.0% from end-January. Similarly, WTI prices have failed to sustain an earlier rise above \$80/bbl due to weak China growth and abundant non-OPEC supplies. Thus, we keep our forecast of 3.8% average inflation for 2024. Although in Q1, it may average lower at 3.2%.

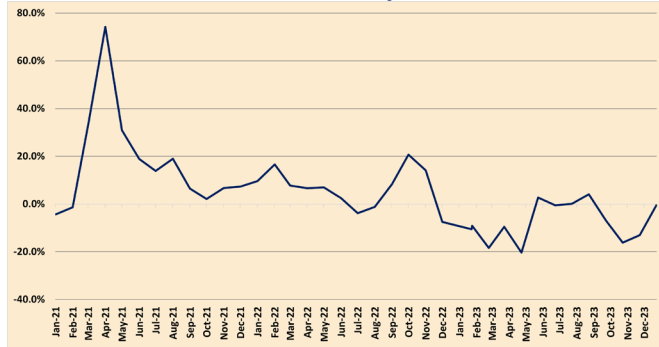
Money Supply (M3) Growth Eased to 6.0% YoY in January

Domestic liquidity (M3) grew by 6.0% YoY to P17.0-T in January, following its 6.2% YoY expansion last December. On a MoM seasonally adjusted basis, M3 declined by 0.4%. The tepid money growth reflects the tight monetary conditions imposed by the BSP in an attempt to quell inflation expectation concerns.

Net foreign assets (NFA) in peso terms edged up by 4.4% YoY in January, albeit slower than its 4.6% uptick a month ago. The Bangko Sentral ng Pilipinas' (BSP) NFA position also moderately climbed by 5.4% YoY in January from 7.4% in December. Additionally, the NFA of banks fell on account of higher bills payable.

January lending for production activities also increased by 5.9%, following its 5.6% growth in December, as outstanding loans to key industries grew, specifically Transportation and Storage (+18.2%), and Construction (+13.6%). Real Estate Activities (+11.4%) also saw an increase in its loan availments.

Figure 7 - Exports Growth Rates, Year-on-Year
Exports Went Up by 9.1% in January



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 4 - Exports Year-on-Year Growth Rates

	Dec-2023	Jan-2024	YTD
Total Exports	-0.5	9.1	9.1
Agro-Based Products	14.1	20.9	20.9
Mineral Products, of which	-14.2	-1.6	-1.6
Copper cathodes	-7.3	-2.9	-2.9
Others (incl. nickel)	-46.1	-22.7	-22.7
Manufactured Goods	0.5	10.5	10.5
Electronic Products	2.8	16.3	16.3
Other Electronics	-8.8	2.8	2.8
Chemicals	13.3	8.0	8.0
Machinery and Transport Equipment	-20.9	20.3	20.3
Processed Food and Beverages	1.5	21.8	21.8
Others	4.3	-12.9	-12.9

Source of Basic Data: Philippine Statistics Authority (PSA)

Meanwhile, January consumer loans soared by 25.2% from 23.9% in December, driven by the rise in credit card, motor vehicle, and salary-based general purpose consumption loans.

Exports Climbed by 9.1% in January

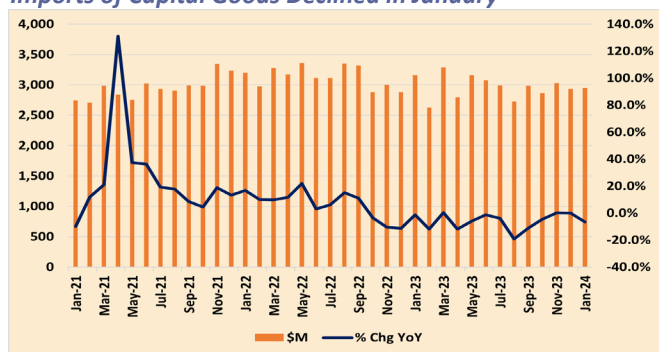
Exports jumped by 9.1% YoY in January, a rebound from their -0.5% YoY December downtick. In monetary terms, this amounted to \$5.9-B in January from \$5.4-B a year ago.

Seven of the 10 major commodities expanded in December. Outward shipments of Coconut Oil registered the highest growth with a 26.9% YoY increase from last year. This was followed closely by exports of Gold which rose by 26.0% YoY. The country’s top export, Electronic Products, also grew by 16.3% YoY in January. On the other hand, Other Mineral Products and Other Manufactured Goods led decliners with -22.7% YoY and -14.3% YoY, respectively.

By major types of goods, Total Agro-Based Products took the top spot after experiencing a 17.7% YoY uptick in January, followed by Petroleum Products which inched up by 17.0% YoY. Manufactured Goods also posted a 10.5% YoY rise. Meanwhile, Forest Products and Special Transactions tumbled down by -37.9% YoY and -9.0% YoY in January, respectively.

The U.S. emerged as the top destination for the country’s exports with a record of \$902.3-M, a 16.1% YoY increase from last year. Japan followed suit with a total export value of \$869.2-M, representing 14.6% of total exports in January. Furthermore, Hong Kong and People’s Republic of China came next with a 12.8% and 10.5% export share, respectively.

Figure 8 - Imports of Capital Goods (in Million USD)
Imports of Capital Goods Declined in January



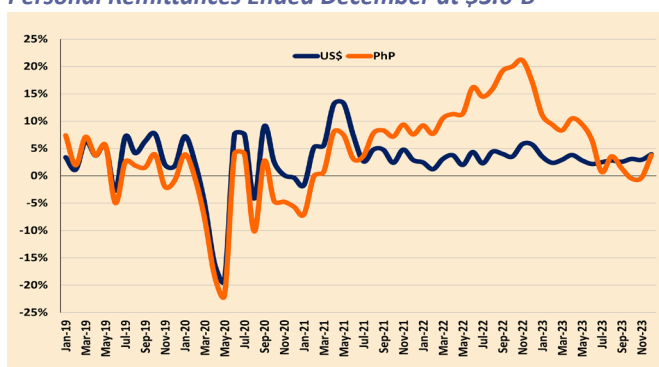
Source of Basic Data: Philippine Statistics Authority (PSA)

Table 5 - Imports Year-on-Year Growth Rates

	Dec-2023	Jan-2024	YTD
Total Imports	-5.1	-7.6	-7.6
Capital Goods	0.0	-6.5	-6.5
Power Generating and Specialized Machines	-13.3	16.2	16.2
Office and EDP Machines	-19.6	5.0	5.0
Telecommunication Equipment and Electrical Machinery	-14.8	-15.6	-15.6
Land Transport Equipment Excluding Passenger Cars and Motorized Cycle	3.1	20.3	20.3
Aircraft, Ships and Boats	777.7	-59.3	-59.3
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	-11.4	9.0	9.0
Raw Materials and Intermediate Goods	-5.8	-5.0	-5.0
Mineral Fuels, Lubricant and Related Materials	-27.2	-35.4	-35.4
Consumer Goods	10.6	15.8	15.8

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 9 - OFW Remittances Growth Rates, Year-on-Year
Personal Remittances Ended December at \$3.6-B



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

Capital Goods Imports Down by -6.5% in January

Imports of capital goods registered a -6.5% downtick in January to \$2.9-B. Meanwhile, total imports decreased by -7.6% YoY in January to \$10.1-B from \$11.0-B last year.

Among the imports, Land Transport Equipment Excluding Passenger Cars and Motorized Cycle clinched the top spot after experiencing a 20.3% YoY gain in January. Power Generating and Specialized Machines followed suit with a 16.2% YoY upswing. On the downside, Aircraft, Ships and Boats ended with a -59.3% YoY plunge, together with Telecommunication Equipment and Electrical Machinery which dropped by -15.6% YoY.

Imports of Cereals and Cereal Preparations grew the largest among the top import commodities in January with a 43.4% YoY climb. Miscellaneous Manufactured Articles came next as they surged by 29.4% YoY. On the contrary, imports of Mineral Fuels, Lubricants and Related Materials led the decliners after a -35.4% YoY dip.

With lower imports and higher exports, the trade deficit in January narrowed by -24.0% YoY to \$4.2-B from \$5.5-B in the same month a year ago.

OFW Remittances Surged by 3.9% in December 2023

Personal remittances of Overseas Filipino Workers (OFW) reached a new monthly record high of \$3.6-B in December, marking a 3.9% YoY increase. This brought the full year (FY) remittance figure to \$37.2-B, a 3.0% YoY rise from previous year's P36.1-B. The increase in personal transfers during December benefited from land-based workers, which grew by 3.9% to \$2.8-B and sea-land based workers, which jumped by 3.5% to \$0.7-B.

On the other hand, cash remittances from OFWs coursed through banks soared by 3.8% to \$3.3-B in December from \$3.2-B in the same month a year ago. The rise in cash remittances from the United States (U.S.), Saudi Arabia, and United Arab Emirates (U.A.E.) led the growth in remittances for 2023.

As for country origin, the U.S. accounted for the highest share of overall remittances at 40.9% 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 79.7% of the 2023 total cash remittances.

Table 6 - Exchange Rates vs USD for Selected Asian Countries

Exchange Rates vs USD for Selected Asian Countries			
	Jan-2024	Feb-2024	YTD
AUD	3.5%	1.6%	5.1%
CNY	0.9%	0.3%	1.9%
INR	-0.1%	-0.1%	0.6%
IDR	3.2%	-1.6%	1.6%
KRW	3.1%	0.4%	1.2%
MYR	2.6%	0.9%	3.5%
PHP	1.4%	-0.3%	1.1%
SGD	1.4%	0.5%	1.9%
THB	3.5%	1.7%	5.2%

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

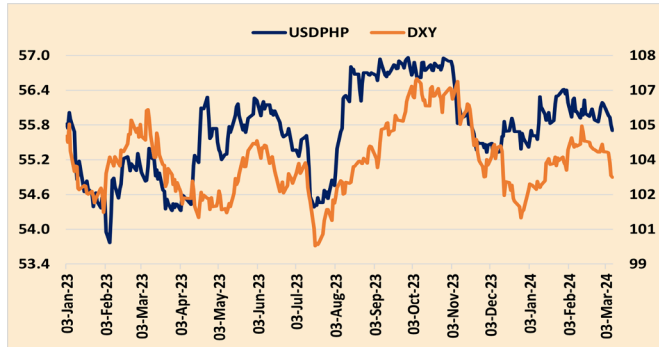
Source of Basic Data: *Bangko Sentral ng Pilipinas (BSP)*

Peso Mildly Weaker by 0.2% in February

The Dollar-Peso (USDPHP) exchange rate averaged P56.065 in February, a mild 0.2% depreciation from the previous month as the U.S. dollar opened the year strong. However, the average masked the fact that the U.S. dollar started weakening in the second half of February, and with it a peso rebound. On end-month changes, only the peso and the Indonesian Rupiah showed vitality. The rise in international crude oil prices and robust rice imports likely kept the balance of trade deficit elevated.

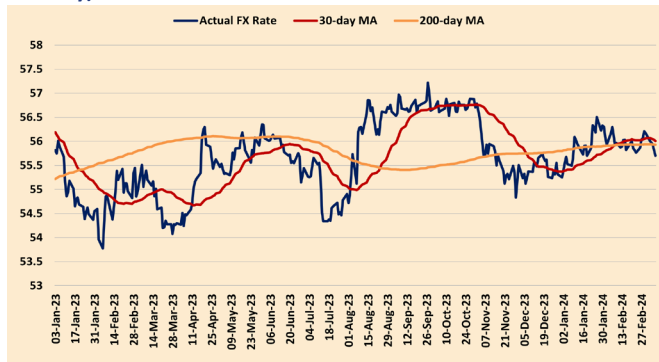
Using technical analysis, the USDPHP rate appears to have closed February below both the 200-day moving average (MA) and the 30-day MA. Strong signals from the BSP of keeping a tight monetary policy stance to quell inflation fears should provide support for the peso until the Q1-2024 GDP release in May.

Figure 10 - USDPHP vs USD Weighted Index



Source of Basic Data: *Trading Economics*

Figure 11 - USDPHP Rate, Actual and Moving Averages (30-day and 200-day)



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

Outlook

The surprise vault of February YoY inflation to 3.4% from 2.8% a month earlier may have soured investor appetite a little, but the economy looks sufficiently robust to continue its trajectory.

- The large decline in employed persons in January appears attributable mainly to seasonal factors—prolonged Christmas holiday spending binge and school semestral break—as may be observed from the huge fall in temporary workers in the Trade (Wholesale & Retail) and Accommodation & Food Services.
- January manufacturing output gains, while modest at 1.9% YoY, supported the MoM increase suggested by Manufacturing PMI. The latter's continued rise in February augurs well for this sector to contribute more to overall economic growth.
- NG spending in 2023 exceeded plans by 2.1% contradicts the perception of “underspending.” We expect NG to have a strong start in 2024 after the understandable tentativeness of the different departments at the start of 2023 when the then new Administration had just been in an organizational mode. Infrastructure spending, both government funded [i.e., huge P1.0-T DPWH budget alone] and PPP projects, should accelerate in 2024 as NG bids out and awards large undertakings starting with the recent \$3.0-B Ninoy Aquino International Airport (NAIA) expansion.
- While seasonally adjusted January MoM inflation surged by 0.9% due largely to food (esp. rice) and fuel price increases, we do not expect similar movements in the coming months. Thai rice export prices appear to trend slightly downward in February, while crude oil prices have consistently failed to break through strong resistance levels. We may see YoY inflation reach 3.7% in H1, but it should return to under 3.5% by Q3.
- We should see a modest 5.0%-10.0% increase in exports for 2024 as the global economy recovers. However, the trade deficit will remain above \$4.0-B per month on average. But hefty rice imports, transport equipment especially related to ongoing train systems expansion, and crude oil prices remaining elevated despite limited upside should boost imports.
- USDPHP rates will likely have a strengthening bias in H1 given the technical analysis and mild weakening of the U.S. dollar.

FIXED INCOME SECURITIES

YIELDS OF PH PESO BONDS AND ROPs RISE IN FEBRUARY BUT LESS THAN U.S. TREASURIES

The National Government obtained P432.7-B in new money from its February auctions thanks to the successful offering of Retail Treasury Bond Series 30 (RTB-30). The 5-year RTB-30 gave a coupon of 6.25% much in line with the secondary market. The 20-year Treasury bond (T-bond) had a high TOR of 3.047x and yield of 6.209%. Secondary market government securities (GS), however, slumped by -27.7% from January 2024, but still slightly higher than the low level in February 2023. Trading yields rose but less than the upward movement seen in U.S. Treasury bonds. Only two institutions issued short-term corporate bonds as other firms preferred to borrow until long term yields peak. ROPs yields also climbed, but again less than the equivalent U.S. Treasuries which had a steeper run in January.

Outlook: With inflation still unable to move closer to the 2.0% target and February job creation beating expectations, the Fed will likely keep its policy rates unchanged in H1. The 10-year bond yields by mid-March have rebounded to the February peak of 4.29%, while PH peso bond yields have surprisingly moved in the opposite direction. Local bond investors seem more focused, rightly so, on domestic inflation movements to determine the direction of bond yields. To be sure, we don't see any more extraordinary borrowings by NG which can now maintain the current offers of P180.0-B per month for the rest of 2024. Corporate bond issuers should again return or reemerge after RTB-30. ROPs should hover around current spreads over equivalent U.S. Treasuries.

Table 7 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
26-Feb	91-day	20.0	37.892	19.500	1.895	5.710	31.2
	182-day	20.0	52.400	19.800	2.620	5.971	16.1
	364-day	22.0	72.714	22.000	3.305	6.085	0.9
Subtotal		62.0	163.006	61.300	2.629		
6-Feb	5 year (FXTN 05-78)	30.0	53.426	0.000	1.781	0.000	
13-Feb	RTB 30	280.0	272.708	212.719	0.974	6.156	
27-Feb	20 year (FXTN 20-26)	30.0	91.423	30.000	3.047	6.209	-38.4
Subtotal		340.0	417.557	242.719	1.228		
All Auctions		402.0	580.563	304.019	1.444		

Source: Bureau of the Treasury (BTr)

Table 8 - RTB-30 Results (in Billion Php)

	New Money	Bond Exchange	Total
At auction	212.72	-	212.72
Follow on	128.69	243.45	372.14
	341.41	243.45	584.86

Source: Bureau of the Treasury (BTr)

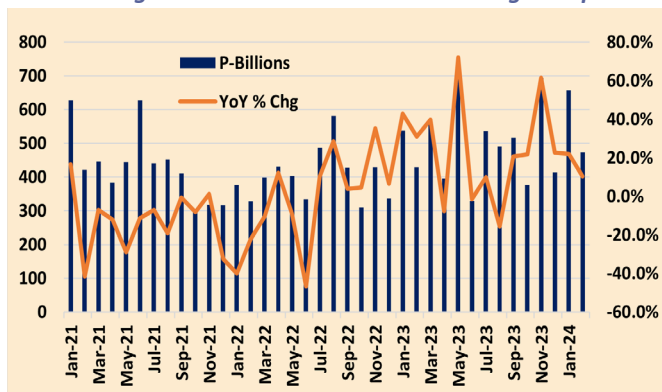
GS Auctions: BTr Raised P432.7-B Amid RTB-30 Issuance

The Bureau of the Treasury raised P432.7-B in new money from its Retail Treasury Bond (RTB-30) and regular auctions in February. The regular auctions alone posted a tender-offer ratio (TOR) of 2.52x or lower than the 2.89x a month earlier. Yields in the regular Treasury bill (T-bill) auctions increased specially in the 91-day T-bill space (+31.2 basis points, bps). However, for the 20-year Treasury bond (T-bond) auction, yields dropped by -38.4 bps to 6.209%, as market players prepare for the eventual drop in yields.

BTr fully accepted the P30.0-B on offer for the 20-year issue (reissued FXTN 20-26) as it fetched a TOR of 3.047x. Its yield of 6.156% came close to secondary levels prior to the issue.

In the RTB-30 issue (tranche 30), BTr raised P212.72-B during auction date and an additional P122.69-B in new offer during the rest of the offer period. As for the bond exchange, bond traders swapped a total of P243.45-B. When combined issued RTB-30 reached P584.86-B. (See Table 8 for details).

Figure 12 - GS Secondary Trading Volume
YoY % Change Still Positive While MoM Trading Slumped



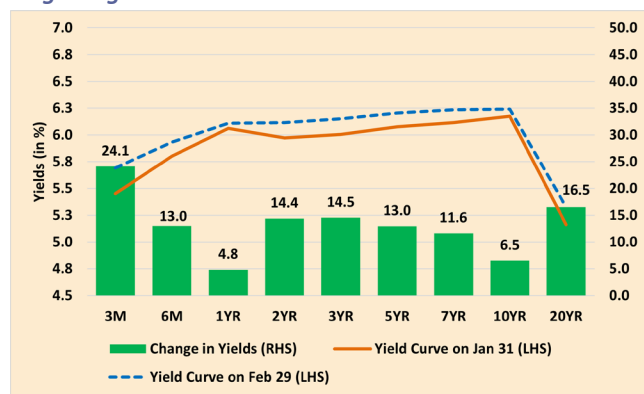
Source: Philippine Dealing Systems (PDS)

GS Secondary Market: Volume Dropped by -27.7% from January amid High Interest Rates

After a 58.4% month-on-month surge in January, secondary GS trading slumped by -27.7% to P474.-5-B in February amid high domestic interest rates and the rise in long-term U.S. T-bonds. However, the month's volume jumped by 10.5% YoY due to the low base in the same month in 2023.

The GS yield curve moved upward as all tenors had moderately higher yields. The biggest jump occurred in the 3-month space with 24.1 bps to end at 5.691% but mildest for 1-year tenors with 4.5 bps to 6.108%. At the long end, 10-year benchmark yield had a mild increase of 6.5 bps to 6.240%, while the 20-year tenors jumped the most by 16.5 bps to 6.310%.

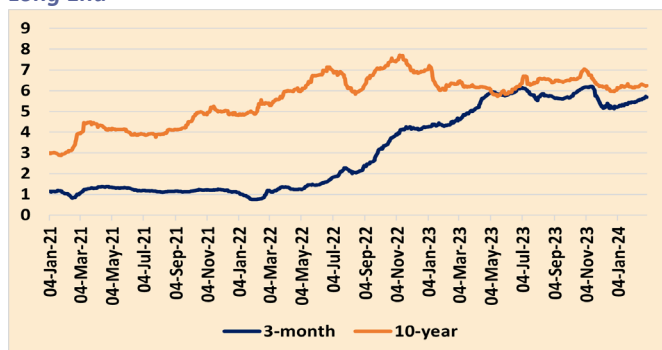
Figure 13 - GS Peso Yield Curves and MoM Change
Yield Curve Modestly Moved Up With 10-year Yields Only on Single-Digit Climb



Sources: Bloomberg, Philippine Dealing Exchange (PDEX)

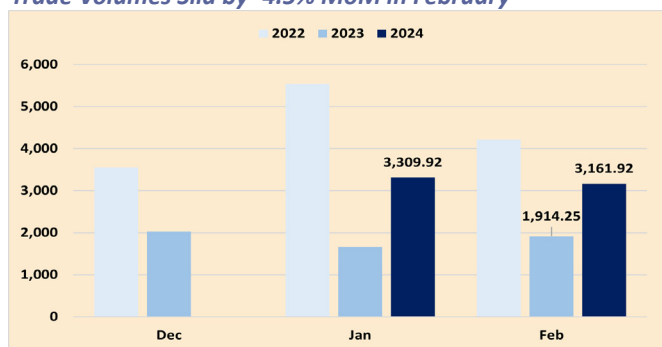
Using the usual steepness measure (i.e., 10-year less 2-year yields) the yield curve eased by -7bps to remain flat at 13 bps, due to the larger upswing at the front end of the curve.

Figure 14 - 3-Month and 10-Year Bond Yields
Narrower Difference as 3-Month Papers Rose Faster than Long End



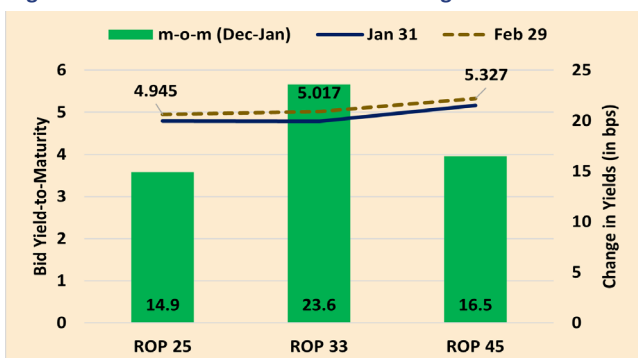
Source: Philippine Dealing Systems (PDS)

Figure 15 - Corporate Bond Trading (in Million Pesos)
Trade Volumes Slid by -4.5% MoM in February



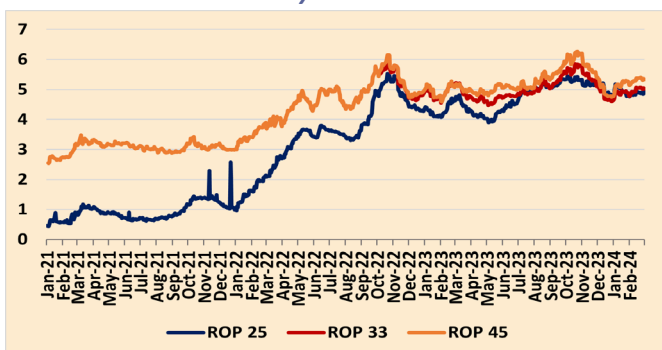
Sources: Bloomberg, Philippine Dealing Exchange (PDEX)

Figure 16 - ROPs Yield Curve and MoM Change



Source: Bloomberg

Figure 17 - ROPs 25, 33, 45 Yields Daily Movements
Yield Curve Remained Fairly Flat



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Corporate Bond Issuances and Trading

Issuances. Two banks listed their bond issuances in February.

- BDO Unibank issued a record P63.3-B fixed rate bonds with a 1.5 year maturity and a 6.025% coupon payable quarterly. This replaces its P52.7-B corporate bonds issued in 2022 that matured January 2024.
- Development Bank of the Philippines listed its P8.75-B Fixed Rate 1.5-year bonds, which carries a coupon rate of 6.1020% p.a., paid on a quarterly basis.

Secondary Market. Secondary trading volume of corporate bonds slid by -4.5% MoM to P3.1-B in February, but still 65.2% higher than a year ago.

ROPs: Spreads Over U.S. Treasuries Narrowed¹

Yields of Republic of the Philippines U.S. dollar-denominated bonds (ROPs) rose across the curve as fears that elevated U.S. bond yields would stay hotter for longer dominated the market.

ROP-25 yields increased by 14.9 bps to 4.955%. The longer dated bonds posted larger increments of 23.6 bps and 16.5 bps for ROP-33 and ROP-45, respectively. The former closed the month at 5.017%, while the latter at 5.327%.

U.S. Treasury yields climbed even higher as bond market players there had been more optimistic of an early Fed policy rate cut in 2024. The 1-year tenored paper ended at 5.01% or some 28 bps higher than end-January, while 10-year yields jumped by 26 bps to end February at 4.25%, while 20-year tenors yielded 17 bps higher at 4.51%. February saw a modest tightening of spreads across those tenors in February (See Table 9).

The U.S. Treasury yield curve turned more inverted as the usual steepness measure was more negative by -11 bps to -39 bps.

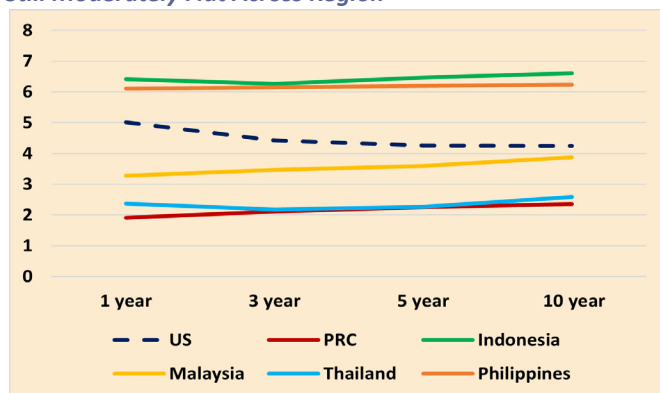
¹ We have changed the ROPs equivalents for U.S. 1-year T-bond to ROP-25 from ROP-24, since the former would more closely correspond to a 1-year yield. In like manner we also changed ROP-42 to ROP-45 as the former would mature two year earlier than a 20-year U.S. Treasury maturity, compared to only one year earlier for the latter.

Table 9 - Spreads of ROPs Over Equivalent U.S. Treasuries (bps)

Spreads of ROPs over Equivalent U.S. Treasuries (bps)			
Date	1-year	10-year	20-year
29-Dec		71.8	67.3
31-Jan	6.6	79.1	86.8
29-Feb	-6.5	76.7	81.7

Sources: UA&P Direct Estimates from Federal Reserve Board, Philippine Dealing & Exchange Corporation (PDEX)

Figure 18 - Comparative ASEAN+1 Yield Curves, end-February 2024
Still Moderately Flat Across Region



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

ASEAN+1: Yield Curves Remained Relatively Flat

U.S.: While the unemployment rate moved up to 3.9% in February from 3.7% a month earlier, job creation of 275,000 again exceeded market expectations. This though was tempered by the drastic reduction of job gains in January to 229,000 (from earlier estimate of 353,000). The manufacturing sector continued its expansion in February after Manufacturing PMI rose to 52.2 from 50.7 the previous month, driven by the robust growth in new orders and output. Housing starts (s.a.) plunged -14.8% MoM in January from +3.3 a month ago.

In January, both exports and imports rose up by 0.1% to \$257.2-B and 1.1% to \$324.6-B, respectively. Consequently, the country’s trade deficit widened to a 9-month high of \$67.4-B in January. Meanwhile, the U.S. inflation rate in February inched up to 3.2% YoY from 3.1% in December. This reflected slightly faster MoM inflation rate (s.a.) to 0.4% from 0.3% a month earlier.

Given the stubborn inflation and strong labor market, the Fed will likely keep its policy rate at 5.25%-5.50% in its March 19-20 meeting. The yield curve turned more inverted at -39 bps in February from -28 bps in January.

CHINA: After 4 months of deflation, the country’s overall price level increased to 0.7% in February from -0.8% last month. Meanwhile, factory activity rose for the fourth consecutive month as the February Caixin General Manufacturing PMI climbed to 50.9 from 50.8 a month ago. February exports surged by 7.1% to \$528.0-B while imports jumped by 3.5% to \$402.8-B resulting in a huge trade surplus of \$125.1-B.

The People's Bank of China's (PBoC) 1-year medium-term lending facility (MLF) rate remained steady at 2.50%. The spread between 10-year and 2-year bond yield slid by 1 bps to 32 bps in February.

INDONESIA: The manufacturing sector expanded for a 30th straight month in February as PMI stood at 52.7, slightly slower than January's 52.9. The country's inflation print edged up to 2.75% in February from 2.57% a month earlier, driven by the rise in food prices.

January outward shipment dropped by -8.1% YoY to an 8-month low of \$20.5-B, driven by the slowdown in the economy of its trading partners. In contrast, imports rose by 0.4% YoY to \$18.5-B in January. As a result, trade surplus narrowed to \$2.0-B from \$3.9-B in the same month a year ago.

Meanwhile, Bank Indonesia (BI) maintained its policy rate at 6.0% in its February meeting. The yield curve's steepness measure increased by 8 bps to 42 bps in February.

MALAYSIA: February's manufacturing PMI hit 49.5, marking the manufacturing sector's contraction for a 18th consecutive month. Meanwhile, the country's annual inflation rate stayed at 1.5% in January.

January exports rose by 8.7% to MYR 122.4-B (~\$26.2-B) while imports surged by 18.8% to MYR 112.3-B (~\$24.0-B). This narrowed the country's January trade surplus to MYR 10.1-B (~\$2.2-B) from MYR 18.1-B (~\$3.9-B) a year ago.

Bank Negara Malaysia (BNM) kept its policy rate at 3.0% during its March meeting. The spread between 10-year and 2-year bond yields steepened by 4 bps to 47 bps in February, the widest in the ASEAN.

THAILAND: The Q4-2023 GDP grew by 1.7% YoY, a modest improvement from its 1.4% YoY pace the previous quarter. Meanwhile, the country's deflation persisted for the fifth straight month in February, as consumer prices went down to -0.7% from January's -1.1%, caused by the sustained fall in food and non-food items. For the seventh consecutive month of contraction, February manufacturing PMI declined to 45.3 from 46.7 in January.

The country's exports accelerated by 10.0% to \$22.6-B in January. On the other hand, imports inched up by 2.6% to \$25.4-B. Overall, the trade deficit narrowed to \$2.7-B from its deficit of \$4.6-B a year ago.

The Bank of Thailand (BOT) kept its policy rate unchanged at 2.50% during its February meeting. The yield curve's steepness measure rose by 6 bps to 43 bps in February.

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

Spreads between 10-year and 2-year T-Bonds									
Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-Year Yield	10-Year and 2-Year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Jan-24	Feb-24			
U.S.	4.64	4.25	2.4	1.85	(28)	(39)	(11)	5.50	3.10
PRC	2.04	2.36	2.0	0.36	33	32	(1)	2.50	0.50
Indonesia	6.19	6.61	3.0	3.61	34	42	8	6.00	3.00
Malaysia	3.40	3.87	2.7	1.17	43	47	4	3.00	0.30
Thailand	2.15	2.58	2.3	0.28	37	43	6	2.50	0.20
Philippines	6.11	6.24	3.8	2.44	20	13	(7)	6.50	2.70

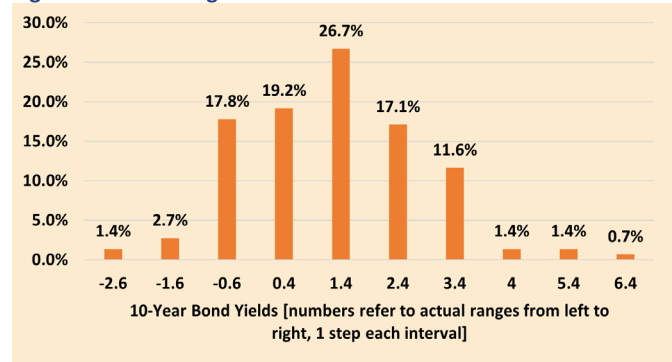
Sources: Asian Development Bank (ADB), The Economist & UA&P
 *1-year yields are used for PH because 2-year papers are illiquid

Outlook

The domestic bond market appears less tied to the rise in U.S. Treasury bond yields seen in February. This may seem awkward amid the uptick in local inflation to 3.4% in February.

- U.S. 10-year T-bond yields rose by 26 bps in February as a correction to January market views that the Fed would start cutting policy rates by March. However, Fed officials came out against this view in February and with the February inflation print faster at 0.4% MoM (s.a.) and job creation 37.5% above market expectations, the Fed won't likely change policy rates in its March 19-20 meetings. Yields to resume in its rise in March to close in on February peak of 4.29%.
- In the domestic front, the NG raised P673.0-B year-to-date (YTD) to February, thanks to the P341.4-B new money it obtained from RTB-30. Per our calculations, the current government plan of borrowing P180.0-B every month would be sufficient to cover its requirements for the rest of 2024 aside from adding some P350.0-B to its cash hoard by end of 2024. Thus, NG borrowing should not significantly affect the direction of bond yields.
- While February inflation (s.a.) spiked by 0.9% MoM, we don't expect a repeat through H1 and will average around 3.7% for the semester. Add to this the average real yield since 2012 of 1.74%, translating to a 5.4% nominal 10-year bond yield. Bond investors may be looking at this possibility and have the view that yields in that space are toppish. Thus, we are seeing investors going for the long of the curve, given the huge liquidity of the financial system. Banks, in fact, have started lowering their longer time deposit rates to support this view.

Figure 19 - Percentage Distribution of Real 10-Yr Bond Yields



Source: Philippine Dealing Exchange (PDEX)

- We think that domestic inflation will more strongly dictate the direction of 10-year yields, since the focus would shift to real yields, but the picture painted above may not hold if domestic inflation goes higher than our projected H1 average.
- We also see a resurgence of corporate issuers in the bond market after RTB-30.
- ROPs spread over equivalent U.S. Treasuries will likely move within a tight range unless domestic inflation exceeds expectations or the PH economy expands faster than 6.0% in H1.

EQUITY MARKETS

PSEI BEATS ASEAN BOURSES IN FEBRUARY

PSEi continued its run into February, beating ASEAN neighbors with another 4.5% climb and enabling it to win the year-to-date (YTD) growth race as well. Positive sentiment in Japan, China, U.S. and EU boosted the local market. The Financial sector outperformed with its 8.6% uptick amid robust gains of the top three banks—BDO Unibank (BDO, +5.5%), Bank of the Philippine Islands (BPI, +13.1%), and Metrobank (MBT, +8.6%). Services sector tied Financial for top spot, as International Container Terminal Services, Inc. (ICTSI, +18.9%) posted the best record among the PSEi-constituent firms. Alliance Global Group Inc. (AGI) came out last with a -9.0% fall.

Outlook: The main index has kept close to 6,900 and avoided breaches to its strong support mark. However, there is some difficulty in breaking through 7,000. Surges in the Q4-2023 net income of banks have provided the upward boost. FTSE rebalancing on March 15 also caused a surge in trading volume at P18.8-B with net foreign selling of P4.3-B as local traders swallowed the disfavored counters. However, going beyond the 7,000 resistance will need better-than-expected Q4 earnings of other PSEi-constituent stocks. Sustaining it above 7,000 would need further support from robust Q1-2024 earnings that will be released only in May. Given long-term bond yields are fairly steady, the March inflation print may determine the trajectory of equities until Q1-2024 earnings reports come out.

Table 11 - Global Equities Markets Performances

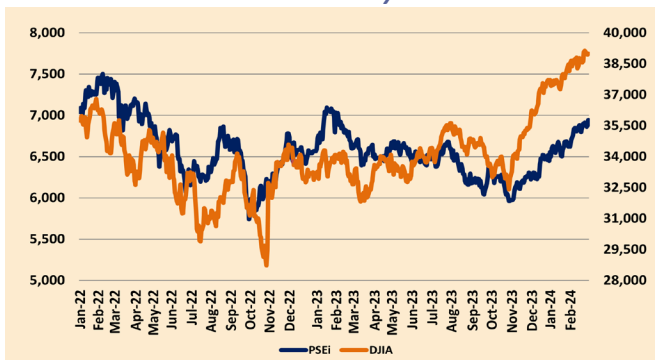
Global Equities Markets Performances				
Region	Country	Index	February M-o-M Change	2024 % Change
Americas	US	DJIA	2.2%	3.5%
Europe	Germany	DAX	4.6%	5.5%
	London	FTSE 101	0.0%	-1.3%
East Asia	Hong Kong	HSI	6.6%	-3.1%
	Shanghai	SSEC	8.1%	1.4%
	Japan	NIKKEI	7.9%	17.0%
	South Korea	KOSPI	5.8%	-0.5%
Asia-Pacific	Australia	S&P/ASX 200	0.2%	1.4%
Southeast Asia	Indonesia	JCI	1.5%	0.6%
	Malaysia	KLSE	2.5%	6.9%
	Thailand	SET	0.5%	-3.2%
	Philippines	PSEi	4.5%	7.7%

Sources: Bloomberg and Yahoo Finance

Global Picture. Most of our tracked global equity markets landed on the green, with one posting a flat growth in February. Shanghai’s SSEC gained the most as it ended the month with an 8.1% month-on-month (MoM) uptick, a rebound from its -6.3% loss a month ago. Japan’s NIKKEI followed closely with a 7.9% MoM gain in February, piling on top of its 8.4% increment in the previous month. Meanwhile, London’s FTSE 100 registered flat growth in February following its -1.3% loss a month earlier. On the other hand, Philippines’ Phisix recorded a 4.5% MoM uptick, the best in ASEAN-5, to end February at 6,944.71.

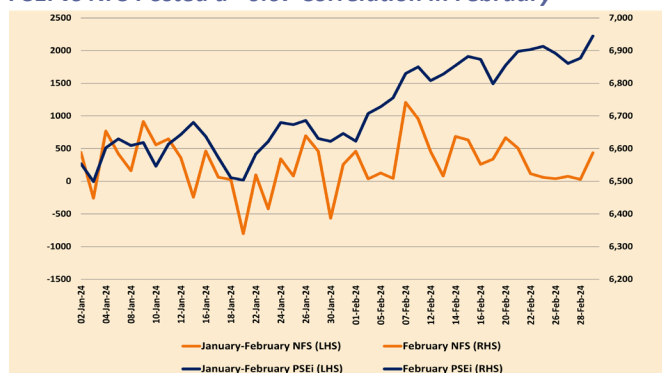
PSEi and DJIA. The Dow Jones Industrial Average (DJIA) finished a volatile month of trading. DJIA ended February at 38,996.39. Meanwhile, PSEi closed the month at 6,944.71 from the previous month’s close of 6,646.44. The correlation between the two indices in February went up to +0.57 from +0.32 in the previous month.

Figure 20 - PSEi vs DJIA
PSEi vs DJIA Correlation in February Increased to +0.57



Sources: Wall Street Journal, Bloomberg

Figure 21 - PSEi vs Net Foreign Selling
PSEi vs NFS Posted a +0.07 Correlation in February



Sources: Bloomberg & Yahoo Finance

Table 12 - Monthly Turnover (in Million Php)

Monthly Turnover (in Million Pesos)				
Sector	Total Turnover		Average Daily Turnover	
	Value	% Change	Value	% Change
Financial	24,153.43	4.0%	1,207.67	14.4%
Industrial	23,136.69	-13.8%	1,156.83	-5.2%
Holdings	21,683.16	-29.0%	1,084.16	-21.9%
Property	16,894.38	-33.0%	844.72	-26.3%
Services	20,435.80	-3.5%	1,021.79	6.1%
Mining & Oil	737.57	-47.3%	36.88	-42.1%
Total	107,041.04	-16.6%	5,352.05	-8.3%
Foreign Buying	57,642.22	-13.6%	2,882.11	-4.9%
Foreign Selling	50,434.36	-19.0%	2,521.72	-10.8%
Net Buying (Selling)	7,207.86	61.6%	360.39	77.7%

Source of Basic Data: PSE Quotation Reports

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

Top Foreign Buy	
Company	Total Value
BPI PM Equity	1,959.77
BDO PM Equity	1,546.43
SM PM Equity	1,432.73
ICT PM Equity	1,311.52
ALI PM Equity	962.99
Total Buy Value	7,213.45

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

Net Foreign Buying/Selling. In terms of trading volume, five sectors landed on the red in February, with the Mining & Oil sector leading decliners after trading volume plummeted by -47.3%. The Property sector followed suit with a huge -33.0% decline. On the other hand, the Financial emerged as the sole gainer in February with trading volume increasing by 4.0%.

Foreign investors were net buyers the entire month of February ending with P7.2-B net buying position from P4.4-B a month ago. (See Figure 21). Since net foreign buying showed a downward trend in the last 10 days of February while PSEi continued its ascent, we can conclude that local investors provided market support during the period.

The top five favorite stocks (net buying) of foreign investors amounted to P7.2-B with Bank of the Philippine Islands (BPI, P1.9-B) and BDO Unibank, Inc. (BDO, P1.5-B) in the front rows. The top counters alone exceeded the Top 5 Foreign Selling issues.

The top five disfavored stocks (net selling) in February amounted to P2.4-B with SM Prime Holdings, Inc. (SMPH, P1.0-B) and Universal Robina Corporation (URC, P833.2-M) leading the list.

Like January, four PSEi sectors ended February as gainers while two sectors performed negatively. This resulted in a +4.5% MoM gain by the index in February. Out of the four sector gainers, two have tied for the pole position--the Financial and the Services sectors--posting an +8.6% MoM uptick. These two have also turned in the best year-to-date (YTD) performances of +17.8% MoM and +9.5% MoM, respectively. On the other hand, Mining & Oil remained as the worst YTD performer among the sectors after dropping by -8.0% MoM in February.

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

Top Foreign Sell	
Company	Total Value
SMPH PM Equity	-1,023.08
URC PM Equity	-833.28
CNVRG PM Equity	-268.11
AP PM Equity	-199.27
MREIT PM Equity	-163.35
Total Sell Value	-2,487.10

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

Table 15 - Monthly Sectoral Performance

Monthly Sectoral Performance					
Sector	31-January-2024		29-February-2024		2024 YTD
	Index	% Change	Index	% Change	
PSEI	6,646.44	3.0%	6,944.71	4.5%	7.7%
Financial	1,885.75	8.4%	2,048.47	8.6%	17.8%
Industrial	8,919.98	-1.7%	9,341.19	4.7%	2.9%
Holdings	6,329.07	3.7%	6,551.37	3.5%	7.3%
Property	2,921.49	2.3%	2,842.93	-2.7%	-0.4%
Services	1,618.29	0.8%	1,757.91	8.6%	9.5%
Mining & Oil	9,247.39	-7.5%	8,510.83	-8.0%	-14.9%

Source of Basic Data: PSE Quotation Reports

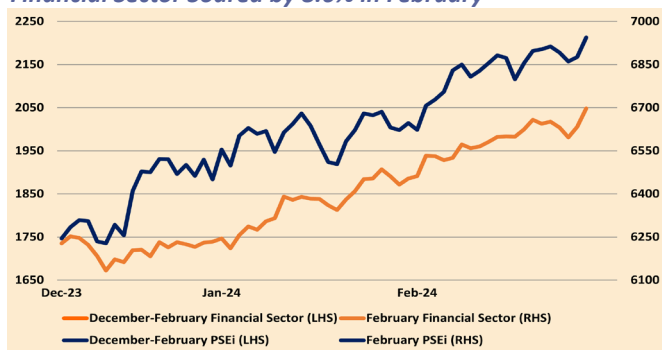
Table 16 - Financial Sector Constituent Stocks

Company	Symbol	01/31/2024 Close	02/29/2024 Close	M-o-M % Change	2024 YTD
Metropolitan Bank and Trust Company	MBT	57.10	62.00	8.6%	20.9%
BDO Unibank, Inc.	BDO	145.00	153.00	5.5%	17.2%
Bank of the Philippine Islands	BPI	110.60	125.10	13.1%	20.5%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Financial Sector Index (December 2023 - February 2024)

Financial Sector Soared by 8.6% in February



Source of Basic Data: PSE Quotation Reports

The Financial sector ranked first in the sectoral race, with an +8.6% MoM increment in February, piling on top of its +8.4% gain a month ago.

Bank of the Philippine Islands (BPI) share prices rose the most with a +13.1% MoM gain in February, piling on top of its +6.6% uptick the previous month. BPI recently renewed its partnership with Mizuho Bank Ltd. to further strengthen their relationship and allow them to better serve a bigger customer base. BPI also became the largest creditor of Home Credit Philippines, a microfinance leader, after extending an additional loan facility of P7.0-B to the latter, which brought the total loan provided by the bank to P13.5-B.

Metropolitan Bank & Trust Company's (MBT) share prices followed suit with an +8.6% MoM increase in February, padding on its +11.3% gain a month ago. MBT recently reported a full year (FY) core net income of P42.2-B, up by +29.0% YoY from P32.7-B a year ago. This translates to a +12.0% YoY increase in MBT's core net income in Q4-2023 to P10.4-B from P9.3-B in the same quarter last year. MBT attributed its strong 2023 performance to its asset expansion, robust margins, and improved asset quality. MBT also provided the highest cash dividend yield compared to its peers, offering yields of 4.7% on regular dividends and 7.8% inclusive of special dividends.

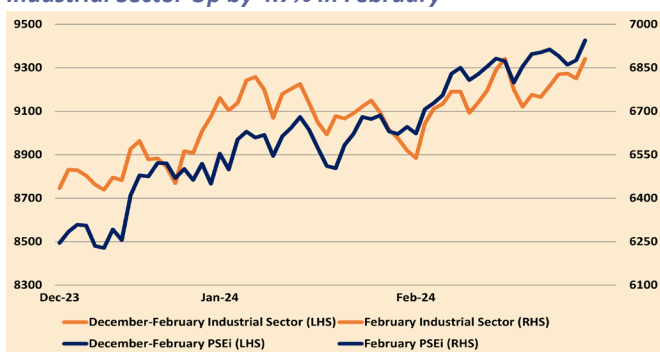
BDO Unibank, Inc. (BDO) share prices also climbed as it ended February with a +5.5% MoM upswing, following an +11.1% gain a month earlier. BDO registered a +28.7% YoY increase in its FY core net income in 2023 to P73.4-B from P57.0-B in the previous year. This increased BDO's core net income for Q4-2023 by +14.4% YoY to P19.5-B from P17.0-B in the same period a year ago. BDO also recently declared its payment of regular cash dividends on its common shares for Q1-2024 amounting to P0.75 per share, which translates to a minor 0.6% dividend yield based on its 2023 closing price.

Table 17 - Industrial Sector Constituent Stocks

Company	Symbol	01/31/2024 Close	02/29/2024 Close	M-o-M % Change	2024 YTD
Meralco	MER	362.00	390.00	7.7%	-2.3%
Jollibee Foods Corporation	JFC	254.00	273.80	7.8%	8.9%
Universal Robina Corporation	URC	111.50	117.00	4.9%	-1.0%
AC Energy Corporation	ACEN	4.25	4.16	-2.1%	-5.0%
Emperador Inc.	EMI	20.55	19.54	-4.9%	-6.3%
Monde Nissin Corporation	MONDE	8.81	10.00	13.5%	19.3%
Century Pacific Food, Inc.	CNPF	32.95	33.50	1.7%	8.2%
Semirara Mining and Power Corporation	SCC	31.00	32.30	4.2%	6.8%

Source of Basic Data: PSE Quotation Reports

Figure 23 - Industrial Sector Index (December 2023 - February 2024)
Industrial Sector Up by 4.7% in February



Source of Basic Data: PSE Quotation Reports

The Industrial sector grabbed second place in the sectoral rankings with a +4.7% MoM gain in February, reversing its -1.7% loss a month earlier.

Monde Nissin Corporation (MONDE) led the sector after surging by +13.5% MoM in February, building on its +5.1% jump in January. MONDE recently announced the appointment of Mr. Romeo L. Marañon as the president of MONDE's subsidiary Sarimonde Foods Corporation. Mr. Marañon previously held the position of Head of MONDE's Bakery Business Unit.

Jollibee Foods Corporation (JFC) share prices ended February with a +7.8% MoM increment, a further improvement on its +1.0% gain in the previous month. JFC registered a solid +22.4% YoY growth in its net income for FY 2023 to P8.9-B from P7.3-B in 2022, driven by all-time high revenues as well as improved profit margins. In Q4-2023 alone, JFC experienced a massive 5,621.1% increase in its net income to P1.7-B from P31.0-M in the same quarter last year.

Meralco (MER) share prices also increased by +7.7% MoM in February, partially offsetting its -9.3% value loss a month ago. MER disclosed that its FY 2023 core net income rose to P37.1-B, up by +37.0% YoY from P27.1-B in 2022, driven by the robust performance of its power generation segment, retail electricity operations and distribution utility business. However, on a quarterly basis, MER experienced a -5.5% YoY downtick on its core net income from P7.5-B in Q4-2022 to P7.1-B in Q4-2023.

Semirara Mining and Power Corporation (SCC) share prices rose by +4.2% MoM in February, resuming its +2.5% gain in the previous month. SCC saw its FY 2023 core net income decline by -30.0% YoY to P27.9-B from P39.9-B in 2022. Nonetheless, it represented the second highest income in SCC history. In contrast, SCC's core net income for Q4-2023 soared by +36.0% YoY to P5.3-B from P3.9-B in the same quarter the previous year, primarily due to higher coal shipments.

Table 18 - Holdings Sector Constituent Stocks

Company	Symbol	01/31/2024 Close	02/29/2024 Close	M-o-M % Change	2024 YTD
Ayala Corporation	AC	679.00	678.00	-0.1%	-0.4%
SM Investments Corporation	SM	900.00	940.00	4.4%	7.8%
Aboitiz Equity Ventures	AEV	48.50	53.00	9.3%	18.8%
GT Capital Holdings, Inc.	GTCAP	665.50	703.00	5.6%	19.2%
San Miguel Corporation	SMC	108.00	102.10	-5.5%	0.0%
Alliance Global Group, Inc.	AGI	11.34	10.32	-9.0%	-8.5%
LT Group, Inc.	LTG	9.50	9.50	0.0%	5.8%
JG Summit Holdings, Inc.	JGS	38.30	41.00	7.0%	7.5%
DMCI Holdings, Inc.	DMC	10.74	10.96	2.0%	12.2%

Source of Basic Data: PSE Quotation Reports

AC Energy Corporation (ACEN) share prices slipped further in February by -2.1% MoM, following its -3.0% decline in January. Investors may have misinterpreted ACEN's financials, as it revealed that its accounting adjustments resulted in a -43.0% YoY dip in its net income for FY 2023, dropping to P7.4-B from P13.0-B in 2022. However, removing these adjustments, ACEN's net income would have surged by +150.0% YoY, due to a nearly three-fold increase in its core operating earnings.

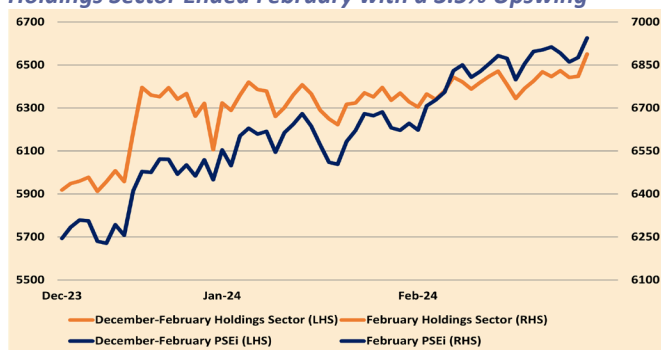
The Holdings sector grabbed third place in the sectoral rankings with a +3.5% MoM increase in February, continuing its upswing of +3.7% from a month ago.

Aboitiz Equity Ventures, Inc. (AEV) share prices posted a +9.3% MoM uptick in February, augmenting its +8.7% gain in January. AEV, together with Coca-Cola Europacific Partners Plc. (CCEP), recently completed its \$1.8-B joint acquisition of Coca-Cola Beverages Philippines Inc. (CCBPI) where AEV will take 40% ownership in CCBPI. This acquisition would contribute to AEV's portfolio diversification strategy as it enters the branded consumer goods sector.

SM Investments Corporation (SM) share prices went up by +4.4% MoM, piling on top of its +3.2% gain in January. SM ended 2023 with a FY core net income of P77.0-B, a +25.0% YoY increase from P61.6-B in 2022, fueled by the strong spending habits of Filipinos, particularly in fashion, dining and entertainment. On a quarterly basis, SM's core net income rose by +12.3% YoY to P21.1-B in Q4-2023 from P18.7-B in the same quarter a year ago.

GT Capital Holdings, Inc. (GTCAP) share prices ended February with a +5.6% MoM upswing, following its +12.8% gain a month ago. Investors probably liked the all-time sales record of Toyota Motor Philippines (TMP, a GTCAP subsidiary) with 200,031 units in 2023, capturing 46.5% market share. Meanwhile, TMP again dominated the market in January 2024 by selling around 16,000 vehicles for a 47.2% market share for that month. GTCAP also made a declaration of regular and special cash dividends for all its common stockholders. The former is payable semi-annually at P3.00 per share, totaling P6.00 per share, while the latter amounts to P2.00 per share. Notably, this represents an increase in GTCAP's dividend distribution from last year wherein they only paid P3.00 per share in regular dividends.

Figure 24 - Holdings Sector Index (December 2023 - February 2024)
Holdings Sector Ended February with a 3.5% Upswing

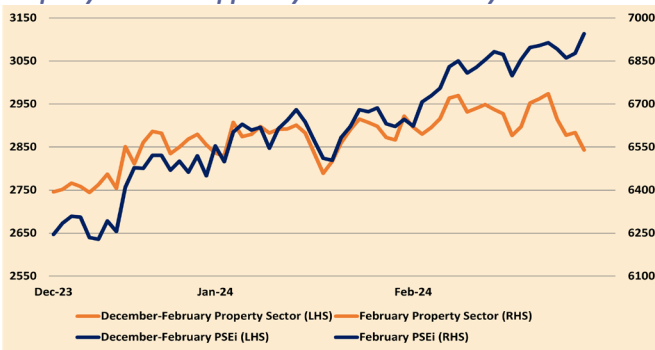


Source of Basic Data: PSE Quotation Reports

Table 19 - Property Sector Constituent Stocks

Company	Symbol	01/31/2024 Close	02/29/2024 Close	M-o-M % Change	2024 YTD
Ayala Land, Inc.	ALI	34.10	35.00	2.6%	1.6%
SM Prime Holdings, Inc.	SMPH	34.25	31.60	-7.7%	-4.0%

Source of Basic Data: PSE Quotation Reports

Figure 25 - Property Sector Index (December 2023 - February 2024)
Property Sector Dropped by -2.7% in February

Source of Basic Data: PSE Quotation Reports

Table 20 - Services Sector Constituent Stocks

Company	Symbol	01/31/2024 Close	02/29/2024 Close	M-o-M % Change	2024 YTD
PLDT, Inc.	TEL	1,272.00	1,313.00	3.2%	2.7%
Globe Telecom	GLO	1,738.00	1,720.00	-1.0%	0.0%
Converge ICT Solutions, Inc.	CNVRG	9.27	9.00	-2.9%	7.4%
Puregold Price Club Inc.	PGOLD	27.80	27.50	-1.1%	2.2%
Wilcon Depot, Inc.	WLCON	21.90	21.60	-1.4%	3.3%
International Container Terminal Services, Inc.	ICT	243.00	289.00	18.9%	17.1%
Bloomerry Resorts Corporation	BLOOM	11.18	11.22	0.4%	14.0%

Source of Basic Data: PSE Quotation Reports

DMCI Holdings, Inc. (DMC) share prices increased by +2.0% MoM in February, following its 9.9% gain a month ago. DMC experienced a -20.0% YoY decline on its core net income for FY 2023 to P24.7-B from P31.2-B in 2022. Nevertheless, its core net income for Q4-2023 surged by +30.0% YoY to P4.6-B from P3.6-B in the same quarter last year, driven by higher revenues and improved profit margins.

Alliance Global Group, Inc. (AGI) share prices completely erased its +0.5% MoM gain in January after dropping by -9.0%. AGI recently made a partnership with Meralco's MPower wherein the latter will supply a total of 100 megawatts (MW) of renewable energy to the former through its subsidiaries Megaworld Corporation and Travellers International Hotels. This move follows through AGI's commitment to source 100% of its energy requirements from renewable energy by 2025.

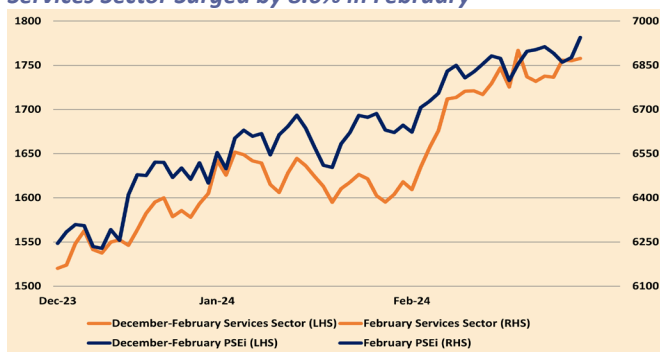
The Property sector took fourth place in the sectoral race with a -2.7% MoM loss, reversing its +2.3% gain a month earlier.

Ayala Land, Inc. (ALI) share prices inched up by +2.6% MoM, erasing its -1.0% loss in the previous month. ALI registered a +31.7% YoY growth in its FY 2023 core net income amounting to P24.5-B from P18.6-B a year ago, driven by robust demand for property and increased consumer activity. Consequently, this caused ALI's Q4-2023 core net income to rise by +16.2% YoY to P6.1-B from P5.2-B in the same quarter last year.

SM Prime Holdings, Inc. (SMPH) share prices contracted by -7.7% MoM in February, wiping out its +4.1% gain a month prior. Nevertheless, SMPH saw its FY 2023 core net income jump by +33.0% YoY to P40.0-B from P30.1-B last year, driven by the robust performance of all its business segments. Providing further support Q4-2023 core earnings alone surged by 22.4% YoY growth, to P9.9-B from P8.0-B in the same quarter a year earlier.

The Services sector tied with the Financial sector for first place in the sectoral rankings after achieving a +8.6% MoM gain, building on its +0.8% growth a month ago.

Figure 26 - Services Sector Index (December 2023 - February 2024)
Services Sector Surged by 8.6% in February



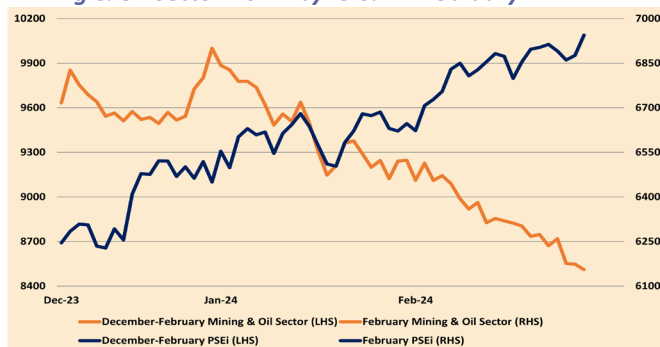
Source of Basic Data: PSE Quotation Reports

Table 21 - Mining & Oil Sector Constituent Stock

Company	Symbol	01/31/2024 Close	02/29/2024 Close	M-o-M % Change	2024 YTD
Nickel Asia Corporation	NIKL	4.84	4.54	-6.2%	-17.2%

Source of Basic Data: PSE Quotation Reports

Figure 27 - Mining & Oil Sector Index (December 2023 - February 2024)
Mining & Oil Sector Down by -8.0% in February



Source of Basic Data: PSE Quotation Reports

International Container Terminal Services, Inc. (ICT) share prices jumped by +18.9% MoM in February, easily beating its -1.5% loss the previous month. ICT experienced a +7.0% YoY rise on its recurring net income for FY 2023 to \$676.8-M from \$634.5-M in 2022, driven by higher operating income, increased interest earned from short-term investments and deposits, and a reduction in COVID-19-related costs. On a quarterly basis, ICT's recurring net income for Q4-2023 surged by around +8.0% YoY to \$182.0-M from \$169.0-M a year ago.

PLDT, Inc. (TEL) share prices followed suit as it ended February with a +3.2% MoM uptick, a turnaround from its -0.5% downtick in January. TEL recently disclosed that both TEL and ABS-CBN Corporation have jointly agreed to halt the Sky Cable sale as the parties failed to reach an agreement on the revisions to the commercial terms.

Converge ICT Solutions, Inc. (CNVRG) share prices suffered a -2.9% MoM dip in February, removing a slice from its +10.6% gain a month ago. CNVRG's chief executive officer (CEO), Mr. Dennis Uy, recently revealed the company's intention to launch its pay television (TV) services within the year, with an estimated investment cost of up to P150.0-M.

The Mining & Oil sector finished last in the sectoral race as it ended February with a -8.0% MoM loss, following its -7.5% downtick in January. Nickle Asia Corporation (NIKL) share prices dropped further by -6.2% MoM in February, after experiencing an -11.7% slump a month ago. NIKL recently disclosed that Hallmark Mining Corporation and Austral-Asia Link Mining Corporation have agreed to terminate NIKL's letter of intent to be its exclusive mining service contractor after failing to agree on the commercial terms of the definitive agreements.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2021		2022		3rd Quarter 2023			4th Quarter 2023		
	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	Q-o-Q G.R.	Y-o-Y G.R.	Levels	Q-o-Q G.R.	Y-o-Y G.R.
Production										
Agri, Hunting, Forestry and Fishing	1,775,209	-0.3%	1,783,499	0.5%	410,328	-1.8%	0.9%	532,424	29.8%	1.4%
Industry Sector	5,551,621	8.5%	5,914,703	6.5%	1,352,303	-13.0%	5.6%	1,754,040	29.7%	3.2%
Service Sector	11,213,252	5.4%	12,245,429	9.2%	3,290,428	1.7%	6.8%	3,599,367	9.4%	7.4%
Expenditure										
Household Final Consumption	13,455,117	4.2%	14,570,218	8.3%	3,685,546	2.8%	5.1%	4,418,974	19.9%	5.3%
Government Final Consumption	2,842,705	7.2%	2,981,663	4.9%	745,065	-11.1%	6.7%	693,660	-6.9%	-1.8%
Capital Formation	4,051,799	20.0%	4,609,287	13.8%	1,058,321	-21.6%	-1.4%	1,318,885	24.6%	11.2%
Exports	5,129,672	8.0%	5,688,704	10.9%	1,571,844	10.6%	2.6%	1,396,886	-11.1%	-2.6%
Imports	6,939,209	12.8%	7,906,240	13.9%	2,028,478	0.3%	-1.1%	1,993,236	-1.7%	2.9%
GDP	18,540,084	5.7%	19,943,630	7.6%	5,053,060	-3.0%	6.0%	5,885,831	16.5%	5.6%
NPI	639,321	-51.6%	1,133,700	77.3%	619,563	25.0%	111.6%	701,427	13.2%	97.7%
GNI	19,179,405	1.7%	21,077,331	9.9%	5,672,623	-0.5%	12.1%	6,587,258	16.1%	11.1%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2021		2022		November-2023			December-2023		
	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	M-o-M G.R.	Y-o-Y G.R.	Levels	M-o-M G.R.	Y-o-Y G.R.
Revenues										
Tax	3,005,539	5.2%	3,545,505	18.0%	340,395	-11.8%	2.8%	260,078	-23.6%	-3.0%
BIR	2,742,721	9.5%	3,220,315	17.4%	286,063	-19.4%	-8.9%	246,626	-13.8%	-2.9%
BIRC	2,078,145	6.5%	2,335,674	12.4%	210,242	-23.4%	-11.3%	174,286	-17.1%	-2.8%
BoC	643,563	19.7%	862,420	34.0%	73,687	-5.4%	-2.7%	71,213	-3.4%	-2.7%
Others	21,013	33.7%	22,221	5.7%	2,134	-11.4%	92.8%	1,127	-47.2%	-21.1%
Non-Tax	262,464	-25.3%	324,082	23.5%	54,331	75.0%	220.1%	13,365	-75.4%	-6.2%
Expenditures										
Allotment to LGUs	4,675,639	10.6%	5,159,640	10.4%	433,649	3.2%	-4.7%	661,034	52.4%	2.2%
Interest Payments	892,698	11.0%	1,103,284	23.6%	80,236	6.5%	-7.0%	75,878	-5.4%	-29.4%
Overall Surplus (or Deficit)	429,432	12.9%	502,858	17.1%	48,548	-17.7%	86.1%	60,678	25.0%	39.2%
Overall Surplus (or Deficit)	(1,670,100)	21.8%	(1,614,135)	-3.4%	(93,254)	171.1%	-24.8%	(400,956)	330.0%	6.0%

Source: Bureau of the Treasury (BTr)

POWER SALES AND PRODUCTION INDICATORS

Manila Electric Company Sales (In Gigawatt-hours)

	2022		November-2023			December-2023		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	48,270.70	6.0%	4,261.80	4.3%	4.4%	4,122.30	3.1%	4.3%
Residential	17,140.40	1.4%	1,497.30	5.9%	3.7%	1,417.40	3.5%	3.7%
Commercial	17,052.40	14.1%	1,597.70	6.6%	9.4%	1,578.80	6.8%	9.1%
Industrial	13,296.80	3.1%	1,092.30	-1.3%	-2.9%	1,053.30	1.4%	-2.6%

Source: Meralco

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

	2022		2023		3rd Quarter 2023		4th Quarter 2023	
	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.
I. CURRENT ACCOUNT								
Balance of Trade	-18,261	207%	-11,206	-39%	-2,276	-63.6%	-520	942.0%
Balance of Goods	-69,701	32%	-65,788	-6%	-16,721	-15.2%	-15,531	2.9%
Exports of Goods	57,710	6%	55,316	-4%	14,418	-0.1%	14,538	-3.2%
Import of Goods	127,412	19%	121,104	-5%	31,139	-8.8%	30,069	-0.1%
Balance of Services	15,895	13%	19,120	20%	5,069	16.4%	5,163	-3.4%
Exports of Services	41,122	22%	48,285	17%	12,486	14.7%	13,206	7.1%
Import of Services	25,226	29%	29,165	16%	7,418	13.5%	8,043	15.1%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	23	-71%	67	186%	16	25.5%	21	26.4%
Financial Account	-13,885	116%	-15,415	11%	-2,944	-23.7%	-6,380	208.5%
Direct Investments	-5,631	-42%	-4,959	-12%	-1,348	16.8%	-1,416	-6.7%
Portfolio Investments	-1,684	-116%	925	-155%	862	-31.6%	-2,797	10.0%
Financial Derivatives	-48	-198%	-115	139%	-50	-8.6%	-13	-143.1%
Other Investments	-6,523	-7%	-11,266	73%	-2,408	-38.4%	-2,154	-209.8%
III. NET UNCLASSIFIED ITEMS								
	-2,911	-476%	-604	-79%	-1,208	-48.5%	-3,944	168.9%
OVERALL BOP POSITION								
	-7,263	-640%	3,672	-151%	-524	-88.9%	1,936	241.0%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Net Foreign Assets	-3,099	-384%	-3,999	29%	-499	-80.4%	-635	-228.5%
Change in Commercial Banks' NFA	-2,829	-397%	-3,890	37%	-505	-80.0%	-633	-234.2%
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)

	2022		December-2023		January-2024	
	Average Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.
RESERVE MONEY	3,482,242	5.4%	3,989,322	5.5%	3,644,516	2.2%
Sources:						
Net Foreign Asset of the BSP	6,423,717	2.0%	6,555,957	4.6%	6,669,743	4.4%
Net Domestic Asset of the BSP	15,668,621	10.2%	18,582,729	9.2%	18,268,977	9.8%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	6,317,731	11.6%	6,866,493	3.7%	6,702,582	3.6%
Money Supply-2	14,884,259	7.8%	16,936,193	6.4%	16,523,433	6.5%
Money Supply-3	15,439,136	6.9%	17,428,180	6.2%	16,976,508	6.0%
MONEY MULTIPLIER (M2/RM)	4.27		4.25		4.53	

Source: Bangko Sentral ng Pilipinas (BSP)

CONTRIBUTORS

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