April 2023

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

We expect a spritely GDP expansion in Q1-2023 as our deeper dive into recently released economic data uncovered surprisingly solid growths. We saw this in the 8.6% YoY jump in employment YTD to February. For the same period, NG spending on operations and capital outlays, stripped of transfers (i.e., interest payments, revenue share of local government units), actually climbed by 12.2% YTD. NG infrastructure spending on major projects plus big accomplishments in key PPP projects should provide a further boost. Manufacturing output has risen by 9.2% YTD February and still expanded in March based on PMI well above 50. The trade deficit will again bloat with higher petroleum product prices and together with higher U.S. interest rates should put the peso-dollar rate back into a depreciation mode starting April. Financial markets showed mixed results with the bond markets providing temporary gains while the equity market investors take a wait-and-see attitude.

Macroeconomy

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We project robust GDP growth in Q1 at 7.1% YoY, albeit with downside risks. Big overall employment gains powered by the Services sector should support consumer spending, besides the income tax cut and resilient OFW remittances. In addition, inflation shall continue to head south. The Manufacturing sub-sector looks set for a good run as PMI expanded for the 14th consecutive month and Volume of Production Index showed spritely growth in the first two months of 2023. NG spending on infrastructure should get into high gear as a more detailed inspection of NG data showed surprisingly robust expansion.

Unemployment rate remained at 4.8% in February as employment rose by 8.6% YTD, while business sentiment vastly turned positive.• Manufacturing PMI at 52.5 only slightly lower than in February and Jan-Feb output expanded by 9.2% YoY. • NG spending, excluding interest and allotments to local government units, showed a 2-month jump of 12.2%. • Headline inflation slowed to 7.6% in March due to lower food and transport prices MoM. • Despite slower but elevated inflation, BSP will likely raise policy rates by 25 bps in May in response to the recent spike in crude oil prices. • USDPHP steadied in March at around P54.80 in response to BSP's policy rate hike of 25 bps on March 23.

Bond Markets

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Trepidation roiled market confidence with the sudden collapse of Silicon Valley Bank (SVB) and Signature Bank in the U.S., which dragged down the 10-year U.S. Treasuries as much as -44 bps in March. This, together with slower domestic inflation and less fresh supply, roused the local bond market in March. Despite growing bets of a pause in Fed hikes in May, we think a 25 bps hike is more likely amid surprise huge OPEC supply cut in March and Fed's commitment to bring inflation down to its 2% target. Domestically, BSP Medalla averred a pause in its hiking cycle if April inflation decelerates further. However, the lingering negative real 10-year bond yields and the recent crude oil production cut by OPEC will likely hold off a major fall in these yields until May. Local yield curve has flattened further and may invert. However, no studies support curve inversion as a predictor of recession in developing countries. The low 10-year yields simply reflect market expectations of a rapid slowdown in inflation to turn real yields positive.

BTr offered only P160.0-B in March, half of last month's volume following the RTB-29 issuance.• BSP raised policy rate to 6.25% on March 23, highest since November 2008, pushing up T-bills by as much as 73.6 bps in auctions. • Trading volume in the secondary market rebounded by 29.8% YoY in March pulling down yields in the 5-year to 20-year space. • Corporate bond trading recorded a 6-month high in March. • ROP's spread over equivalent U.S. Treasuries may have limited scope for compression due to the recent efforts of some countries to move away from the U.S. dollar for transactions/reserves.

Equities Market

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The PSEi slipped into a narrow trading range which should remain until after reports on corporate earnings and Q1 GDP growth surface by mid-May. Nonetheless, the PSEi appears to have slipped to a lower strong support at 6,300 in which price-to-earnings (PE) could remain attractive for long-term investors. Besides, our upbeat view on Q1 GDP growth should provide a boost to PSEi to hit 7,500 in 2023, although uncertainties surrounding foreign and domestic interest rates may provide a dampener.

Three sectors landed in the negative territory, meanwhile the Services, Mining & Oil, and Holdings sectors escaped the losses registering a +3.1%, +2.8%, and +0.3% MoM gain, respectively.• PLDT (TEL, +10.5% gain MoM) posted the best performance among PSEi-constituent stocks. • Converge (CNVRG) led the decliners with -21.3% dip MoM. • In the Mining and Oil sector, Semirara Mining & Power Corporation (SCC) grew by +7.8% as nearly 12% dividend yield pulled in investors. • In a big way, foreigners turned net sellers to the tune of P30.1-B

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date	2021 (year-end)	2022 (year-end)
GDP Growth (Q4-2022)	7.2	7.6	7.6	5.8	7.2
Inflation Rate (March)	7.6	8.6	8.3	3.9	8.1
Government Spending (March)	-5.2	10.1	2.5	12.8	10.2
Gross International Reserves ($B) (March)	100.2	98.2	99.7	107.1	95.1
PHP/USD rate (March)	54.80	54.78	54.89	48.88	55.68
10-year T-bond yield (end-March)	6.25	6.34	6.19	4.16	6.98

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

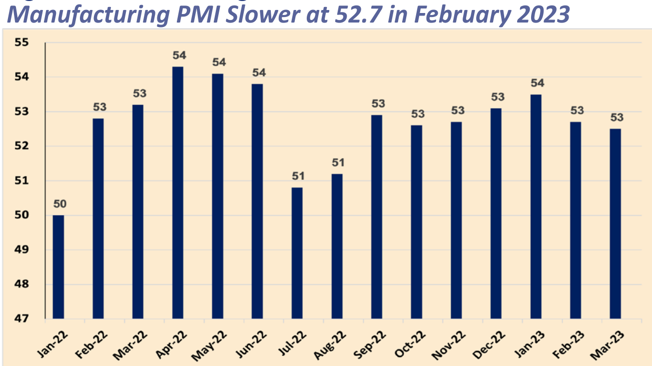
ECONOMIC DATA AND BUSINESS SENTIMENT POINT TO ROBUST Q1 GROWTH

In contrast with the negative sentiment due to the global economic slowdown and elevated domestic inflation, newly released economic data showed a robust economy in Q1. Year-to-date (YTD) growth in employment by February reached 8.6% led by the Services sector which increased even more by 11.6%. Manufacturing PMI in March reflected expansion for the 14th consecutive month. National Government (NG) spending on operating and capital costs also had YTD growth of 12.2%, not readily visible from the weak total NG spending due to a beneficial sharp reduction in interest payments (-13.4%) and allotments to local government units (-14.8%). YoY inflation in March slowed to 7.6% from 8.6% a month earlier due to a -0.3% MoM fall in the Consumer Price Index (CPI). On top of these, business sentiment jumped to 34% towards Q1 from 23.9% in the previous quarter, and towards the next 12 months, optimism surged to 61.9% from 46.2%.

***Outlook**: We expect a more robust economy in Q1-2023 than most analysts with a GDP growth of 7.1% YoY albeit with a little downside risk. The income tax cut and the downward trend in inflation should provide support although the recent crude oil price surge (due to huge OPEC production cut) would clip that partially. Besides, we expect the government (and private sector through PPP) will have ramped up infrastructure spending after the usual hesitancy of agencies in the first month of the year. In short, domestic demand will again lead the economy. The external sector may drag overall growth as exports have tanked in Q1 while import volumes of petroleum products have risen due to lower prices during the quarter. Inflation should ease further to an average 6.6% YoY in Q2 despite higher crude oil prices, and fall to low 5% level by September. The peso-dollar rate will weaken due to the jump in petroleum product prices.*

Figure 1 - Manufacturing PMI

Manufacturing PMI Slower at 52.7 in February 2023



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

Manufacturing PMI Slightly Eased in March

S&P Manufacturing PMI for the country eased to 52.5 in March from 52.7 in February, attributed to inflation pressures and supply chains easing. Nonetheless, in Q1-2023, firms reportedly raised their buying activity to keep up with the growth in sales. Alongside, Filipino manufacturers remain optimistic with more than half of respondents expecting higher output in the following months.

The Volume of Production Index (VoPI) of the Manufacturing sector recorded a year-on-year (YoY) growth of 7.2% in February, slower than the double-digit YoY growth of 11.2% recorded in the previous month. There were five out of 22 major industry categories which posted higher annual growth rates versus the previous month, led by the highest annual rate recorded in Other Manufacturing and Repair and Installation of Machinery and Equipment with an annual growth of 34% from 33.4%.

Table 1 - Labor Force Survey Summary

	January 2023	February 2023	MoM Change	
			Levels	% Change
Labor Force	49,724	51,272	1,547	3.1%
Employed	47,352	48,797	1,445	3.1%
Underemployed	6,654	6,287	(368)	-5.5%
Underemployment rate%	14.1	12.9	(1.17)	-8.3%
Unemployed	2,373	2,475	102	4.3%
Unemployment rate%	4.8	4.8	0.06	1.2%
Labor Participation rate%	64.5	66.6	2.09	3.2%
Not in Labor Force	27,380	25,732	(1,648)	-6.0%
Agriculture ('000)	10,515	11,758	1,243	11.8%
Industry ('000)	8,073	7,939	(134)	-1.7%
Mining and Quarrying	217	168	(49)	-22.7%
Manufacturing	3,677	3,358	(319)	-8.7%
Electricity, Gas, Steam, and Air-Conditioning Supply	102	55	(47)	-46.0%
Water Supply; Sewerage, etc.	59	64	5	8.0%
Construction	4,018	4,295	277	6.9%
Services ('000)	28,763	29,100	337	1.2%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10,555	10,774	219	2.1%
Transportation and Storage	3,484	3,411	(73)	-2.1%
Accomodation and Food Services Activities	2,086	2,246	160	7.6%
Information and Communication	556	477	(79)	-14.2%
Financial and Insurance Services	648	609	(39)	-5.9%
Real Estate Activities	303	226	(77)	-25.4%
Professional, Scientific, and Technical Activities	373	408	35	9.4%
Administrative and Support Services Activities	2,350	2,172	(177)	-7.6%
Public Administration and Defense; Compulsory Social Security	2,888	3,102	213	7.4%
Education	1,555	1,618	63	4.0%
Human Health and Social Work Activities	687	636	(51)	-7.5%
Arts, Entertainment, and Recreation	426	438	12	2.8%
Other Service Activities	2,848	2,982	133	4.7%

Source of Basic Data: Philippine Statistics Authority (PSA)

Jan-Feb Employment Up by 8.6% Year-on-Year to Keep Unemployment Rate at 4.8%

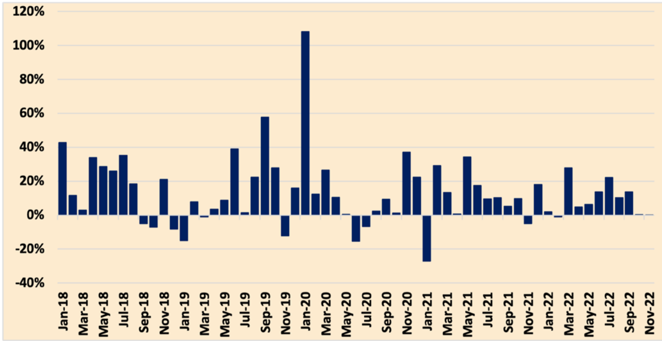
The economy created 1.4-M jobs in February (from January 2023) and thus kept the unemployment rate (UER) at 4.8%, the fifth consecutive month of below 5% UER. Workers flocked to the Agriculture sector to hedge against high inflation as the sector added 1.2-M jobs. Revenge spending in malls, restaurants and travel boosted employment in the Services sector by 0.3-M, while the Industry sector lost -0.1-M jobs due to weak Manufacturing sub-sector intake.

Despite a sizeable increase in the labor force participation rate to 66.6% from 64.5% a month earlier, the number of underemployed persons fell to 6.3-M from 6.7-M in January resulting in a lower percentage of 12.9% from 14.1% in the previous month.

While only six out of 13 sub-sectors in Services showed job gains, the large increments in Trade (Wholesale & Retail, +219,000) and Accommodations & Food Services (+160,000) more than offset the large losses in Administrative & Support Services (-177,000) and Information & Communication (-79,000).

While the Industry sector shed -134,000 workers, the resumption of infrastructure and building projects allowed the Construction sub-sector to add 277,000 jobs. This and the slight gain in Water Supply & Sewerage, failed to match the big drop of -319,000 in the Manufacturing sub-

Figure 2 - NG Expenditures Growth Rate, Year-on-Year
NG Spending Remained Flat at P318.2-B in February



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

January-February Budget Deficit Plunged by -53.1%

The year-to-date (YTD) budget gap plummeted by -53.1% to P60.6-B as January's fiscal balance unexpectedly posted a budget surplus of P45.7-B on the back of strong revenue performance (up by 25.2% YoY). On the contrary, February's budget deficit widened slightly by 0.5% to P106.4-B from P105.8-B a year earlier.

In January, the National Government (NG) recorded the first positive budget gap in eight months as revenue outpaced government spending. NG amassed P348.2-B in January or 25.2% higher from P278.1-B in the previous year. Collections from Bureau of Internal Revenue (BIR) and Bureau of Customs (BOC) increased by 20% to P234.8-B from P195.8-B and 21% to P70.6-B from P58.3-B, respectively, in January. Meanwhile, the Bureau of the Treasury (BTr) registered double digit gains of 59.7% to P17.8-B from P11.1-B in the prior year driven by higher investment, interest income on NG deposits, and remittance of NG share in PAGCOR profit.

Government spending in January rose by a tiny 0.3% to P302.4-B from P301.5-B a year earlier. Primary expenditure climbed by 8.3% to P255.4-B from P235.9-B while interest payments declined by -28.4% to P47.0-B from P65.6-B.

In February, NG budget deficit inched up to P106.4-B (0.5% YoY) as revenue collections slightly dropped by -0.3% while expenditures remained unchanged. Income from BIR slid by -7.2% to P129.4-B in February from P136.6-B in the prior month. Meanwhile, revenue from BOC and BTr edged up by 5.8% to P62.9-B from P59.4-B and 51.2% to P6.4-B from P4.2-B, respectively.

February expenditures came out flat at P318.2-B amid lower National Tax Allotment (NTA) shares of Local Government Units (LGUs). However, excluding the NTA, February spending advanced by 4.9% on the back of higher disbursements to the Department of Public Works and Highways (DPWH), Department of Health (DOH), and various State Universities and Colleges (SUCs). In particular, primary expenditures trekked down by -2% to P284.1-B from P290.0-B. On the other hand, IP jumped by 20.8% to P34.1-B from P28.2-B a year earlier.

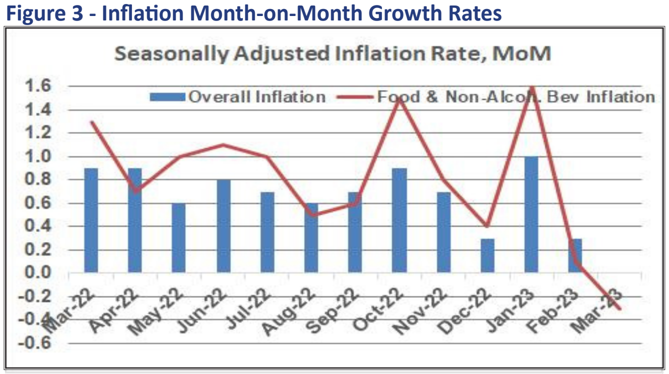
Table 2 - Major Contributors to Year-on-Year Inflation

Inflation Year-on-Year Growth Rates	Feb-2023	Mar-2023	YTD
	8.6%	**7.6%**	8.3%
Food and Non-Alcoholic Beverages	10.8%	9.3%	9.8%
Alcoholic Beverages and Tobacco	11.0%	12.2%	12.0%
Clothing and Footwear	4.8%	5.0%	5.0%
Housing, Water, Electricity, Gas, and Other Fuels	8.6%	7.6%	8.5%
Transport	9.0%	5.3%	8.2%
Restaurants and Accommodation	8.1%	8.3%	8.4%
Personal Care & Miscellaneous Goods and Services	5.3%	5.6%	5.6%

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

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 3 - Inflation Month-on-Month Growth Rates



Source of Basic Data: Philippine Statistics Authority (PSA)

March Inflation Eased to 7.6% in March from 8.6% a Month Ago

Lower Food and Transport prices from the previous month pulled down headline CPI inflation to 7.6% in March, a significant slowdown from 8.6% a month earlier. The slower year-on-year (YoY) increases in these products as well as in Housing, Water, Electricity, Gas, & Other Fuels more than offset the rise in six product categories. Year-to-date, the inflation rate slipped to 8.3% from 8.6% a month ago.

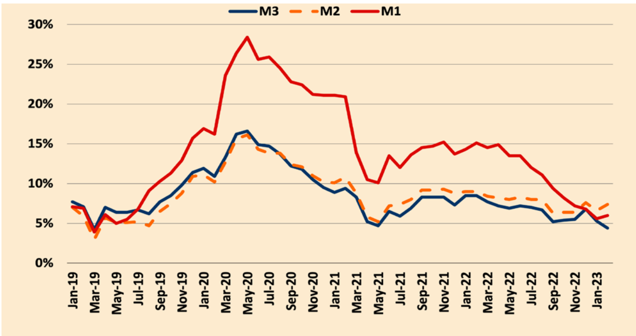
Despite slightly higher rice prices by 2.6% YoY from 2.2% in February, the massive slide in Vegetables (20% from 33.1%), Oils & Fats (14.7% from 17.3%) and Meat products (4.6% from 6.5%) prove more decisive as prices of three types of food products steadied.

Transport sub-index tumbled to a 5.3% YoY increase from 9% in the prior month, as it benefitted from the -3% MoM drop in fuel prices. This reflected the 33.1% YoY plunge in crude oil prices (West Texas Intermediate, WTI, U.S. benchmark) and 32.5% for Brent crude (European benchmark). Lower electricity rates and LPG prices towed Housing, Water, Electricity, Gas & Other Fuels sub-index down to 7.6% YoY from 8.6% in February.

On a seasonally adjusted basis, MoM inflation fell by -0.3% as both food and non-food prices dove. When annualized (seasonally adjusted annualized rate, or SAAR), this translated to -3.6% from 0% a month earlier.

If consumer prices continue their downward trend, full year inflation may go slightly below 6%. However, with the recent huge 1.1-M barrel production cut announced by OPEC, we keep our original 6.3% projection, unless the announced cut fizzles and turns into mere optics.

Figure 4 - M1, M2, M3 Growth Rates



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

Figure 5 - Exports Growth Rates, Year-on-Year

Exports Growth Dropped to a 33-Month Low in February

Source of Basic Data: Philippine Statistics Authority (PSA)

Table 3 - Exports Year-on-Year Growth Rates

	Jan-2023	Feb-2023	YTD
Total Exports	**-13.5**	**-18.1**	**-15.6**
Agro-Based Products	**-25.1**	**-42.2**	**-34.4**
Mineral Products, of which	**1.9**	**-37.7**	**-16.9**
Copper cathodes	-39.0	-33.6	-36.5
Others (incl. nickel)	41.2	-49.5	-19.6
Manufactured Goods	**-15.3**	**-14.5**	**-14.8**
Electronic Products	-19.2	-22.2	-20.6
Other Electronics	9.6	12.7	12.2
Chemicals	-17.2	-19.0	-18.5
Machinery and Transport Equipment	20.7	53.1	41.9
Processed Food and Beverages	-13.1	-10.2	-11.5
Others	-12.0	8.3	-2.7

Source of Basic Data: Philippine Statistics Authority (PSA)

Money Supply (M3) Grew Faster by 6% YoY in February

Domestic liquidity (M3) grew by 6% YoY to P16.1-T. On a MoM seasonally adjusted basis, M3 increased by 0.8%.

Net foreign assets in peso terms decreased by -3.1% from January's -1%. The decline in bank's NFA position reflected on account of higher bills payable.

Lending for production expanded by 8.7% YoY pace in February from 9.2% in January, as outstanding loans to key industries grew, specifically information and communication (+18.6%), and financial and insurance activities (+12.5%). Electricity, gas, steam, and air conditioning supply likewise saw an increase in its loan availments.

Meanwhile, consumer loans rose by 21.2% in March from 20.3% in February.

Balance of Payments and GIR

The country showed a balance of payments surplus of $1.3-B in March, a reversal of the -0.7-B deficit a month earlier as the country enjoyed ready access in global financial markets. Thus, Gross International Reserves rose to $101.5-B, equivalent to 7.6 months of imports of goods and services plus primary income. When related only to imports of goods, as done by other countries, the months of imports of goods rises to 8.9 months.

Exports Slid Further in February

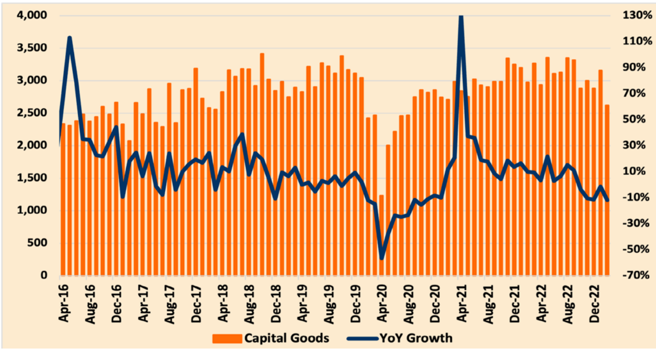
Outward shipments took a nosedive in February as it slumped by -18.1% to $5.1-B, the biggest contraction since May 2020, from $6.2-B in the previous year attributable to the global economic slowdown. Likewise, it dropped by -3.4% from $5.3-B a month ago.

Four out of 10 major commodities ascended in February with Machinery and Transport Equipment leading the pack with a hefty 53.1% boost. Ignition Wiring Set & Other Wiring Sets Used in Vehicles, Aircrafts & Ships and Other Manufactured Goods recorded double digit gains of 17.1% and 10.6%, respectively, in February. On the contrary, Other Mineral Products plunged the most by -49.5%, followed by Cathodes & Sections Of Cathodes, Of Refined Copper with -33.6%. The country's top export, Electronic Products, dragged the performance of the total exports as it sank by -22.2% in February.

All registered losses by major type of goods in February. Exports of Manufactured Goods declined the least by -14.5%, brought about the fall in Electronic Products (-22.2%). Meanwhile, Petroleum Products tumbled much

Figure 6 - Imports of Capital Goods (in Million USD)

Imports of Capital Goods Dove by -11.9% in February



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 4 - Imports Year-on-Year Growth Rates

	Jan-2023	Feb-2023	YTD
Total Imports	**3.9**	**-12.1**	**3.9**
Capital Goods	**-1.3**	**-11.9**	**-6.5**
Power Generating and Specialized Machines	2.0	-2.1	0.0
Office and EDP Machines	-26.5	-47.0	-36.7
Telecommunication Equipment and Electrical Machines	5.0	2.9	3.7
Land Transport Equipment excluding Passenger Cars and Motorized cycle	-7.0	-13.3	-9.8
Aircraft, Ships and Boats	-20.1	-66.7	-45.0
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	16.4	3.7	10.2
Raw Materials and Intermediate Goods	**-12.0**	**-20.9**	**-16.0**
Mineral Fuels, Lubricant and Related Materials	**70.6**	**-1.6**	**29.6**
Consumer Goods	**10.3**	**0.7**	**5.6**

Source of Basic Data: Philippine Statistics Authority (PSA)

by -61.3%, followed by Mineral Products and Agro-Based Products with -37.7% and -37.6%, respectively.

Still the country's top export destination in February, Japan's shipments dipped by -9.1% to $822.7-M (or 16.2% of total exports) from $905.1-M in the prior year. Volume to the U.S. and China also went down by -21.8% to $756.0-M and -24.3% to $611.6-M, respectively, in February. They account for 14.9% and 12% of total exports, respectively.

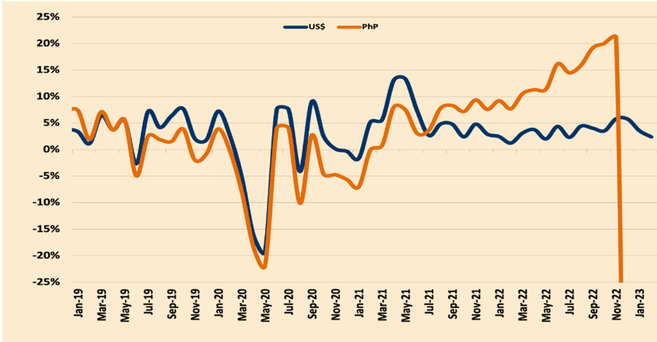
Imports of Capital Goods Fell to a 30-Month Low in February

Inward shipments of capital goods slipped to $2.6-B in February, lowest volume since August 2020, or -11.9% lower from $3.0-B a year ago. Similarly, total imports edged down by -12.1% to $9.0-B in February from $10.2-B in the prior year. On a monthly basis, it declined much more by -18.5% from $11.0-B in January.

For capital goods, only Professional Scientific & Control Instrumentation, Photographic Equipment & Optical Goods; and Telecommunication Equipment & Electrical Machinery expanded in February by 3.7% and 2.9%, respectively. On the other hand, Aircraft, Ships and Boats plummeted by -66.7%, followed by Office and EDP Machines (-47%) and Land Transport Equipment excluding Passenger Cars & Motorized cycle (-13.3%).

From a 6-month high of $5.7-B in January, trade deficit narrowed to $3.9-B in February. This reflects a decline of -32.4% MoM and -2.7% YoY, respectively.

Figure 7 - OFW Remittances Growth Rates, Year-on-Year
Personal Remittances Declined to $2.8-B in February



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

Figure 8 - Dollar-Peso Exchange Rates and Moving Averages
Philippine Peso Averaged P54.80/$ in March

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			
	Feb-2023	Mar-2023	YTD
AUD	0.7%	3.3%	1.1%
CNY	0.6%	0.9%	-1.2%
INR	1.0%	-0.4%	-0.2%
IDR	-0.8%	1.1%	-1.8%
KRW	2.7%	2.3%	0.8%
MYR	0.6%	2.6%	1.4%
PHP	-0.4%	0.0%	-1.6%
SGD	0.5%	0.7%	-0.8%
THB	2.2%	1.4%	-0.9%

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

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

OFW Remittances Grew Slower by 2.4% in February 2023

Personal remittances of Overseas Filipino Workers (OFW) grew by 2.4% YoY to $2.8-B in February. This brought the YTD remittances to $2.8-B, a 2.4% uptick from the same period last year. The increase in personal transfers during the year benefitted from land-based workers which rose by 2.5% to $2.2-B from $2.1-B in the same period last year; and sea-land based workers which rose by 2% to $0.56-B from $0.55-B in the same period last year. On the other hand, cash remittances from OFWs coursed through banks grew by 2.4% to $2.6-B in the same month a year ago.

The increase in cash remittances from the United States (U.S.), Saudi Arabia, Singapore, and Qatar led the growth in the remittances in February of 2023. As for the country origin (reflecting foreign banks effecting the remittance), the U.S. registered the highest share of overall remittances at 41.6%, followed by Singapore, Saudi Arabia, Japan, United Kingdom, United Arab Emirates, Canada, Taiwan, Qatar, and Malaysia. The consolidated remittances from these top 10 countries accounted for 79.4% of total cash remittances in February.

Philippine Peso Steady at P54.80/$ in March

The peso-dollar exchange rate (USDPHP) was little unchanged in March as it averaged P54.796/$ from P54.783/$ a month ago. The U.S. dollar strengthened in the beginning of March as Fed Powell voiced out the possibility of reaccelerating the pace of the monetary tightening amid strong economic data and stubbornly high inflation. However, the U.S. Dollar Index (DXY) fell in the wake of three U.S. bank failures which ignited a less hawkish Fed moving forward. Domestically, persistently high February inflation and wide trade deficit weighed on the currency.

The volatility measure dropped to 33.1% in March from 42.7% in the previous month. The local unit traded between P54.322/$ and P55.397/$ in March.

The USDPHP rate may appreciate further ahead of the long holidays and risk-off sentiment brought about by the U.S. banking crisis. However, the peso will likely not surge to record levels again as it settles below the 200-day moving average (MA).

Outlook

The most recent economic data caught our eye to justify optimism regarding Q1 economic expansion, albeit with a caution engendered by the world economy's weakness and still elevated domestic inflation. The reasons are explained below.

- The 8.6% YoY jump in employment in YTD February led by faster recovery of the Services sector becomes more instructive when we consider that huge temporary employment for the May 2022 elections bloated year ago figures. The huge vault in business expectations should provide further backing to this.

- NG spending on operating and capital outlays should accelerate starting March as the administration minimized spending unrelated to the above. Apart from government and ODA funded infrastructure projects like the Metro Manila Subway, North-South Commuter Line gaining traction, major PPP projects, such as the NLEX-SLEX second connector elevated tollway, MRT-7, Cavite-Laguna Expressway (CALAX), extension of LRT-1 to Cavite, among others have hurdled key obstacles.

- Manufacturing sector continues to show expansion both in terms of Manufacturing PMI and VoPI in the first two months of the year. The faster opening up of hotels and restaurants will help drive the sector. Besides, the income tax cut effected starting January 2023, higher employment and infrastructure spending should bolster consumer spending.

- Inflation should slip further to 6.2% YoY by June despite a renewed climb in prices of petroleum products. Easing food prices will likely offset the fuel price gains.

- Since we do not see a decline in actual CPI in April and May, BSP will likely proceed with raising its policy rates by 25 bps in its May meeting. However, we expect a pause thereafter.

- The USDPHP rate has resumed its depreciation mode in April as the OPEC oil production cuts have pushed prices to levels last seen in November 2022, resulting in higher than earlier expected balance of trade deficits.

FIXED INCOME SECURITIES

LOCAL BOND YIELDS EASE WITH SLOWER DOMESTIC INFLATION AND MORE BANKING LIQUIDITY IN THE U.S.

Local bond markets rebounded in March due to (1) domestic inflation easing in February and (2) 10-year U.S. Treasury bond (T-bond) yields plunge by -44 bps by end-March as the Fed and U.S. Treasury quickly and decisively provided liquidity to the banking system as investors fretted over a possible banking crisis after the collapse of two regional banks, Silicon Valley Bank and Signature bank in mid-March. This led market players to think of a slower pace or a pause in the Fed's tightening cycle. Eventually, the Fed did raise rates by 25 bps on March 21st but this did not stop the large fall in 10-year U.S. Treasury yields. Domestically, the decision of the Bureau of the Treasury (BTr) to offer only P160.0-B in government securities (GS) eased paper supply and contributed to the 9.9 bps monthly drop in 10-year T-bond yields to 6.216% as investors flocked to shorter dated GS in the secondary market. The trading volume spiked by 29.8% month-on-month (MoM) to P578.6-B.

Outlook*: Local 10-year bond yields will likely trade sideways with a downward bias in April and May as the country's inflation rate slowed to a 6-month low in March, a full percentage point lower than in the previous month. Besides, Fed only mildly raised its policy rate in March amid investor uneasiness brought about by the collapse of two regional banks. BSP Governor Felipe Medalla averred a pause in its hiking cycle if April inflation decelerates further. The lingering negative real 10-year bond yields and the recent crude oil production cut by OPEC will likely hold off a major fall in these yields until May.*

Table 6 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
27 Mar	91-day	20.000	21.342	10.195	1.067	5.149	73.6
	182-day	20.000	27.221	12.131	1.361	5.677	50.0
	364-day	20.000	34.253	19.405	1.713	5.987	41.0
Subtotal		60.000	82.816	41.731	1.380		
7 Mar	10 year FXTN 10-69	25.000	71.156	25.000	2.846	6.378	12.0
14 Mar	25 year FXTN 25-07	25.000	54.045	25.000	2.162	6.167	-3.0
21 Mar	20 year FXTN 20-25	25.000	34.412	25.000	1.376	6.631	10.6
28 Mar	7 year FXTN 07-68	25.000	46.862	25.000	1.874	6.162	-1.0
Subtotal		100.000	206.475	100.000	2.065		
All Auctions		160.000	289.291	141.731	1.808		

Source: Bureau of the Treasury (BTr)

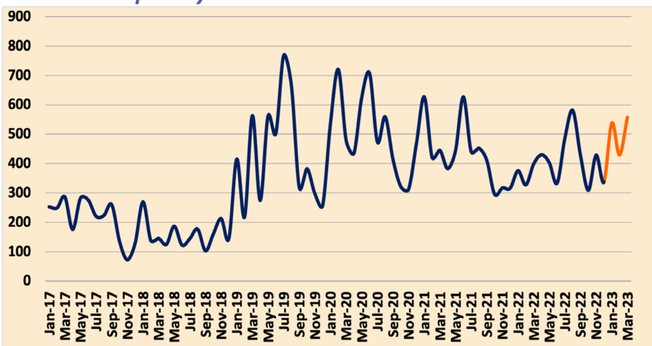
Primary GS Market: TOR Climbed to 1.808x in March Amid Less Fresh Supply

The Bureau of the Treasury (BTr) offered only P160.0-B in March, about half of last month's volume of P320.0-B following the Retail Treasury Bond (RTB-29) issuance in February. With less offer size, the total-offer ratio (TOR) rose to 1.808x in March from 1.468x a month ago.

As inflationary pressures persist, the Bangko Sentral ng Pilipinas (BSP) raised its policy rate to 6.25% on March 23, the highest since November 2008. Against a higher interest rate backdrop, the yields of the Treasury bills (T-bills) shot up particularly the 91-day papers. It surged by 73.6 bps to 5.149% from 4.413% in the prior month. Moreover, 182-day and 364-day debt papers spiked by 50 bps to 5.677% from 5.177% and 41 bps to 5.987% from 5.577%, respectively.

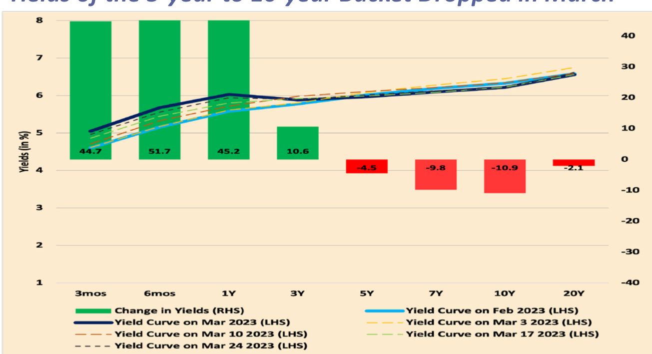
On the other hand, yields of Treasury bonds (T-bonds) came in mixed in March. The 10-year and 20-year tenors edged up by 12 bps to 6.378% from 6.258% in February and 10.6 bps to 6.631% from 6.525% in January, respectively. Meanwhile, the 25-year and 7-year securities inched down by -3 bps to 6.167% from 6.197% in January and -1 bp to 6.162% from 6.172% in February, respectively.

Figure 9 - Monthly Total Turnover Value (in Billion Pesos)
Volume Jumped by 29.8% MoM in March



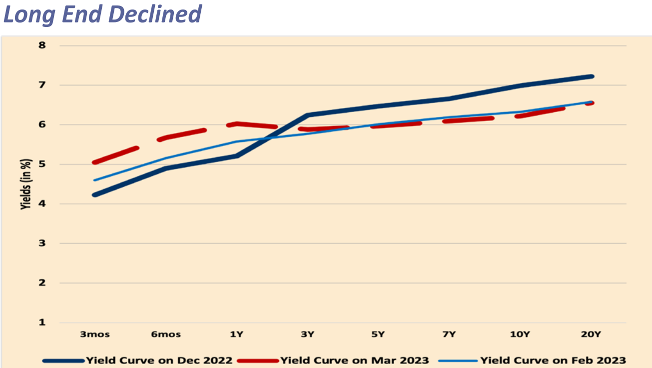
Source: Philippine Dealing Systems (PDS)

Figure 10 - Week-on-Week and Month-on-Month Changes on the GS Benchmark Bond Yield Curves (bps)
Yields of the 5-year to 10-year Bucket Dropped in March



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 11 - Year-end Yield Curve in 2022 and Latest Yield Curve Versus Previous Month in 2023
Yield Curve Flattened as the Front End Rose While the Long End Declined



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Secondary Market: Volume Advanced by 29.8% on Domestic and International Developments

Trading volume in the secondary market in March recovered by 29.8% MoM to a 7-month high of P557.6-B from P429.5-B a month earlier driven by the lower-than-expected February inflation at 8.6%, the decline in U.S. Treasuries in the wake of the U.S. banking crisis, and Finance Secretary Diokno's remark of a possible pause in monetary tightening in the next Monetary Board meeting in May. Furthermore, BTr issued only P160.0-B (less than half MoM) in the auctions, easing the supply pressure this month.

Yields came in mixed in March with the 3-month to 3-year bucket ascending as much as 51.7 bps. The 3-month debt papers sprang by 44.7 bps to 5.050%, highest since May 2019, from 4.603% in the previous month. Meanwhile, 6-month and 1-year papers surged the maximum 51.7 bps to 5.677% from 5.161% and 45.2 bps to 6.029% from 5.577%, respectively. The 3-year T-bonds rose by 10.6 bps to 5.881% from 5.775% a month ago.

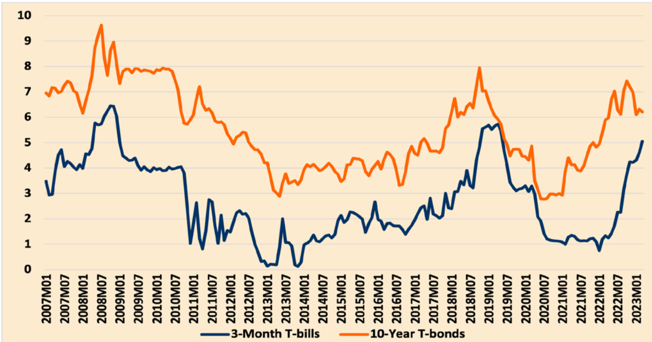
On the contrary, yields of longer tenors in the 5-year to 20-year space decreased in March. The 5-year and 7-year securities trekked down by -4.5 bps to 5.968% from 6.013% and -9.8 bps to 6.094% from 6.192%, respectively. Initially, 10-year yields jumped on expectations of March inflation to breach 9% which would urge the BSP to raise rates by 50 bps and similarly, Fed Powell's intent of delivering a 50 bps hike as U.S. inflation remained much elevated. However, yields quickly fell on news of U.S. bank failures which would temper Fed's policy rate hiking cycle and local inflation softened. With this, the 10-year tenors ended -10.9 bps lower to 6.216% in March from 6.325% a month earlier. Lastly, 20-year T-bonds inched down by -2.1 bps to 6.556% from 6.577%.

The spread between 10-year and 2-year bond yields contracted further by -31.5 bps to just 36.7 bps in March as investors demanded higher yields for shorter dated papers as uncertainty widened with respect to the magnitude and spread of the U.S. banking crisis.

Corporate Bonds: Volume Surged to a 6-month High in March

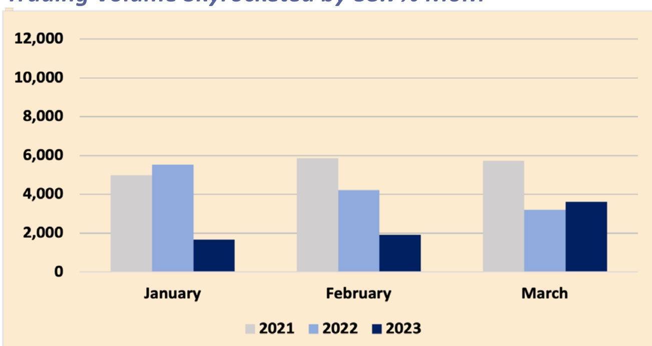
After a weak start in 2023, the trading of corporate securities greatly improved in March as volume registered a 6-month high of P3.6-B or 88.7% MoM higher from P1.9-B. Additionally, it jumped by 12.8% YoY from P3.2-B in the previous year. The volume of the top five corporates expanded by 54.4% to P1.1-B, amounting to 30.3% of the total trades in March.

Figure 12 - 3-month T-bills and 10-year T-bonds Yields
Spread Contracted Significantly by -55.7 bps MoM in March 2023



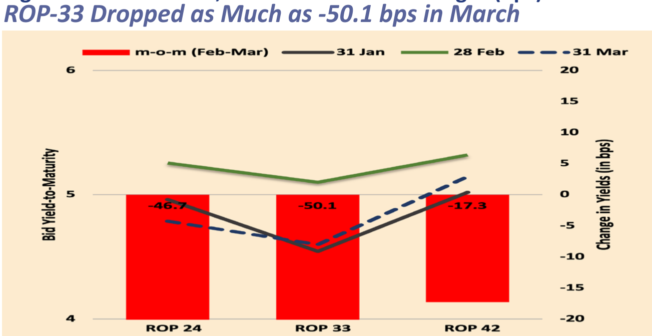
Source: Philippine Dealing Systems (PDS)

Figure 13 - Total Corporate Trading Volume (in Billion Pesos)
Trading Volume Skyrocketed by 88.7% MoM



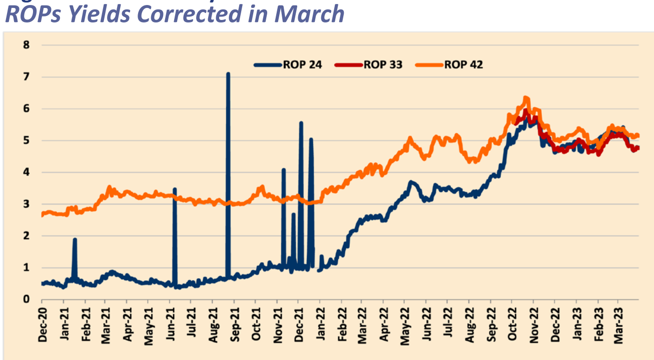
Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 14 - ROPs Yield, Month-on-Month Changes (bps)
ROP-33 Dropped as Much as -50.1 bps in March



Source: Philippine Dealing Systems (PDS)

Figure 15 - ROPs Daily Yields
ROPs Yields Corrected in March



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

For the third consecutive month, SM Prime Holdings, Inc. (SMPH) held on the top spot in March with P696.4-M or 214.8% higher from last month. Ayala Land, Inc. (ALI) climbed to the second place as its trades advanced by 35.9% to P153.0-M. Meanwhile, SMC Global Power (SMCGP) and San Miguel Corporation (SMC) claimed the third and fourth position with P96.8-M (down by -45% MoM) and P87.0-M (75.7% higher MoM), respectively. BDO Unibank (BDO) placed last with P60.0-M or -59.6% lower from the prior month.

Some notable trades in March were from Robinsons Land Corporation (RLC) with a whopping P1.0-B worth of trades and Energy Development Corporation (EDC) with P316.2-M.

Corporate Issuances and Disclosures

- Century Properties Group Inc. (CPG) raised P3.0-B from its 3-year, 5-year, and 7-year Fixed Rate Bonds. The bonds carry coupon rates of 6.5760%, 7.4054%, and 7.6800%, respectively, payable quarterly.

ROPs: Yields Mirrored U.S. Treasuries in March

Yields of the Republic of the Philippines' U.S. dollar-denominated bonds (ROPs) tracked the downward movement of the U.S. Treasuries in March. Domestically, a stable currency and softening local inflation also contributed to its descent. Furthermore, Finance Secretary Diokno announced a retail U.S. dollar bond offering of about $3.0-B in April. NG aims to utilize proceeds for infrastructure spending.

ROP-24 and ROP-33 plunged by -46.7 bps to 4.787% from 5.254% and -50.1 bps to 4.598% from 5.099%, respectively, in March. On the other hand, ROP-42 slipped by -17.3 bps to 5.146% from 5.319% in the previous month.

The U.S. yield curve saw its deepest inversion since 1981 of 107 bps on March 8 after Fed Powell's speech of reaccelerating the pace of rate hikes to 50 bps instead of 25 bps on the back of a tight labor market and stubbornly high inflation. Conversely, the 2-year U.S. Treasuries surged to 5.05%, its highest level since July 2007. However, in the wake of the banking crisis, markets priced in a less aggressive policy tightening path, sending the U.S. 10-year tumbling by -44 bps to 3.48% by month-end. Likewise, 1-year and 20-year U.S. Treasuries fell by -38 bps to 4.64% from 5.02% and -29 bps to 3.81% from 4.10%, respectively.

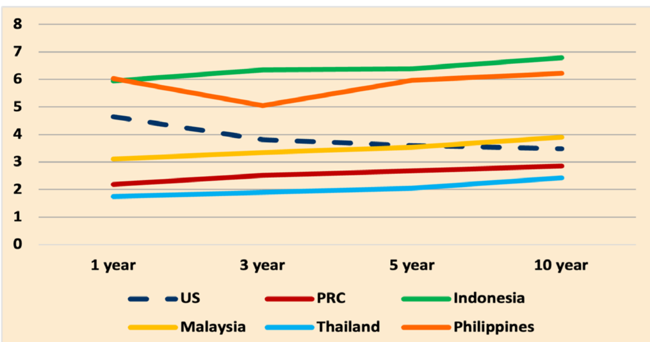
The spread between ROP-24 and ROP-33 and their equivalent U.S. Treasuries contracted by -8.7 bps to total

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
31-Jan	28.0	102.4	123.8
28-Feb	23.4	117.9	121.9
31-Mar	14.7	111.8	133.6

Sources: UA&P Direct Estimates from Federal Reserve Board, Philippine Dealing & Exchange Corp. (PDEx)

Figure 16 - Comparative Yield Curve Between ASEAN per Tenor
ASEAN+1: Yield Curves of Thailand, Philippines Flattened in March



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

-14.7 bps and -6.1 bps to total 111.8 bps, respectively, in March as the former declined faster since these climbed quicker a month ago. Meanwhile, the spread between ROP-42 and 20-year U.S. tenors widened by 11.7 bps to 133.6 bps in March.

ASEAN+1: Yields Curves of Thailand, Philippines Flattened in March

U.S.: The labor market kept humming as it produced 237,000 jobs in March (with a slight downward revision of -17,000 for January and February). Industrial output edged up by 0.5% YoY in March from 0.9% a month earlier, consistent with the Manufacturing PMI reading in March at 49.2 some 2.0 percentage points above the February level. Retail sales fell by -1% MoM (seasonally adjusted) in March from -0.2% a month ago. This dovetails with the drop in consumer confidence to 62 in March from 67 in February. However, the decline in Housing starts of -0.8% in March follows a 7.3% surge in February. These and lower fuel prices contributed to the 0.1% MoM increase in the seasonally adjusted inflation rate from 0.4% in the prior month. On a YoY basis, headline inflation thus eased to 5% from 6% in February, but still way above the Fed's target of 2%.

With the sharp slide in 10-year yields to 3.48% in end-March, the yield curve flattened a bit with a -58 bps difference between 10-year and 2-year bond yields, much less than -89 bps in February.

CHINA: China's inflation rate unexpectedly dropped to an 18-month low of 0.7% in March (vs 1% in February) as food prices declined (2.4% vs 2.6%) as well as non-food prices (0.3% vs 0.6%) due to lower transportation costs. Furthermore, the Caixin Manufacturing PMI fell to 50 in March from last month's 8-month peak of 51.6 despite its economic reopening.

The People's Bank of China (PBoC) held its key lending rate at 2.75% in March for seven consecutive months. Additionally, PBoC cut the banks' reserve requirement ratio (RRR) by 25 bps on March 17 in efforts to boost its economy and add liquidity to the market. As a result, the RRR for big banks now stands at 10.75%, a fresh low since mid-2007.

The spread between 10-year and 2-year bond yields widened by a tiny 1 bp to 48 bps in March.

INDONESIA: Factory activity improved as Manufacturing PMI jumped to a 6-month high of 51.9 in March from 51.2 a month earlier. On the inflation front, March CPI slid to a 7-month low of 5% (vs 5.5% in February). Exports rose by 4.5%, the least in 32 months, to $21.4-B in February amid weakening global demand. On the contrary, imports contracted by -4.3% to $15.9-B, resulting in a trade surplus of $5.5-B in February from $3.8-B a year ago.

Exports rose by 4.5%, the least in 32 months, to $21.4-B in February amid weakening global demand. On the contrary, imports contracted by -4.3% to $15.9-B, resulting in a trade surplus of $5.5-B in February from $3.8-B a year ago.

Bank Indonesia (BI) left the key 7-day reverse re-purchase rate steady at 5.75% in March. The spread between 10-year and 2-year bond yields expanded by 11 bps to 50 bps in March.

MALAYSIA: Malaysia's inflation rate was unchanged at 3.7% in February, with cost continuing to slow for both transport (3.7% vs 4% in January) and furnishings and household maintenance (3.4% vs 3.5%). Additionally, the country registered its 7th straight month of contraction in the manufacturing sector in March as PMI stood at 48.8 from 48.4 in the prior month.

Despite a gloomier global outlook, exports and imports climbed by 9.8% to MYR 112.3-B ($25.5-B) and 12.4% to MYR 92.7-B ($21.0-B), respectively, in February. Its trade surplus inched down to MYR 19.6-B ($4.5-B) from MYR 19.8-B ($4.5-B) a year earlier.

Bank Negara Malaysia (BNM) maintained its overnight policy rate at 2.75% in March, citing the need to assess the economic impart of the four rate hikes in 2022. BNM also voiced out that further adjustments to its policy rate is still on the table given that inflation still remains to be elevated. The yield curve steeped by 10 bps to 67 bps in March.

THAILAND: The annual inflation rate sharply decelerated to a 15-month low of 2.8% in March from 3.8% in the prior month driven by softer increases in both food & non-alcoholic beverages (5.2% vs 5.7% in February), and non-food products (1.2% vs 2.5%). The Manufacturing PMI slipped to 53.1 in March from 54.8 a month ago, albeit still in expansionary mode.

Outward shipments shrank by -4.7% to $22.4-B in February owing to the global economic slowdown and a high base last year. Meanwhile, inward shipments went by mildly by 1.1% to $23.5-B in February. Consequently, trade deficit came in at $1.1-B from a surplus of $0.1-B a year ago.

The Bank of Thailand (BOT) delivered a 25 bps rate hike to 1.75% in March, pushing the borrowing costs to its highest since mid-2019, as the economy is expected to expand and core inflation to remain elevated. The yield curve flattened by 7 bps to 64 bps in March as 10-year yields dropped faster than 2-year yields.

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
					Feb-23	Mar-23			
U.S.	4.06	3.48	4.0	(0.52)	(89)	(58)	31	5.00	1.00
PRC	2.38	2.86	2.1	0.76	47	48	1	2.75	0.65
Indonesia	6.29	6.79	3.9	2.89	39	50	11	5.75	1.85
Malaysia	3.23	3.90	2.3	1.60	57	67	10	2.75	0.45
Thailand	1.79	2.43	2.5	(0.07)	71	64	(7)	1.75	-0.75
Philippines	5.85	6.22	6.0	0.22	68	37	(31)	6.25	0.25

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

Outlook

Yields may trade rangebound in the near term with a downward bias as the market prices in the end of BSP tightening cycle in May. Statements from Finance Secretary Diokno and BSP Gov. Medalla supported this view as inflation fell to a 6-month low in March. Furthermore, Gov. Medalla said that BSP may pause if April CPI decelerates more than in March and registers a zero or negative MoM inflation. However, a cloud of doubt remains in the horizon as 10-year tenors have provided negative real yields since June 2022. Additionally, potential policy rate increases here and abroad due to the rebound in crude oil prices could add volatility to the yields' movements.

- Quick provision of liquidity by the Fed and easing of possible bond investment losses among banks appeared to have prevented the SVB and regional banking crisis turning into a larger banking and financial system crisis. This and the continued robust gain in U.S. employment in March (+237,000), where any rise above 190,000 would represent strength, restored confidence. With YoY inflation down to 5% from 6% in February and MoM seasonally adjusted rate easing to +0.1% from +0.4% a month earlier, market players became optimistic as to suggest a pause in Fed hikes in May. We do not share this view (and think a 25 bps more likely) since crude oil prices remain elevated with the huge production cut by OPEC in March and the Fed seems committed to bring inflation to its 2% target, with actual still way above that, amid strong job growth.

- Infrastructure spending appears to gain traction as NG spending, excluding allotments to Local Government Units, showed a 4.9% YoY uptick in February and a budget deficit of P106.4-B from a surplus a month earlier. NG borrowing program for April rose to P169.0-B, but far lower than P200.0-B (but actual was P274.0-B) in January. With income taxes due by April 15, NG will not need much fund-raising until June. This weaker source of demand for funds would help ease bond yields. Besides, savers have moved excess funds to time deposit in banks which have raised their deposit rates to above-5%, at times better than GS yields.

- Inflation, as we have pointed out has clearly turned the corner but the average inflation for Q2 will likely remain at 6.6% and so 10-year real bond yields will stay negative which would likely prevent a sharper and definitive slide. However, we expect those real yields to turn positive by Q3.

- ROP spreads over equivalent U.S. Treasuries may have limited scope for compression due to the recent efforts of some countries to move away from the U.S. dollar for transactions/reserves. However, we see this development having only a minor impact in the medium term.

EQUITY MARKETS

EQUITY INVESTORS REMAIN SKITTISH AMID FAILURE OF 3 U.S. REGIONAL BANKS, GLOBAL SLOWDOWN

Skittish for the second month in a row, investors delivered a fairly bearish March, as global equities came up with a mixed bag—equally on the green and on the red among our monitored markets. PSEi posted -1.5% MoM loss to end March at 6,499.68, as foreigners exited to the tune of P30.2-B ($550-M). South Korea KOSPI recorded the highest upswing, ending the month with a +2.7% MoM increment. Meanwhile, London FTSE 100 posted the steepest loss of -2.9% MoM. London's March inflation came at a record-high of 10.4% YoY as food prices soared to a 46-year high, which likely dampened investor appetite.

***Outlook**: PSEi appears trapped in a narrow trading range as investors await Q1-2023 reports on corporate earnings and GDP growth. It may break out of the tight band in May after the announcement of the results. While we are optimistic about GDP expansion in Q1 (see Macro), the uncertainty surrounding interest rates –both BSP policy rates and 10-year T-bond yields—need to dissipate for the PSEi to renew its climb. We still think PSEi will reach 7,500 in 2023.*

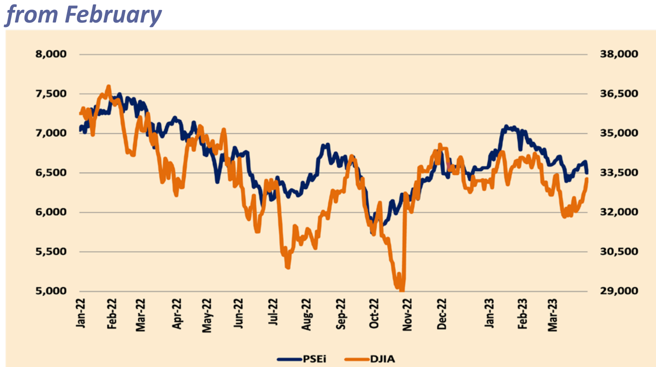
Table 9 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	March M-o-M Change	2023 % Change
Americas	US	DJIA	1.9%	0.4%
Europe	Germany	DAX	1.7%	12.2%
	London	FTSE 101	-2.9%	2.5%
East Asia	Hong Kong	HSI	2.3%	3.1%
	Shanghai	SSEC	0.5%	5.9%
	Japan	NIKKEI	2.3%	7.5%
	South Korea	KOSPI	2.7%	10.8%
Asia-Pacific	Australia	S&P/ASX 200	-0.7%	2.0%
Southeast Asia	Indonesia	JCI	-0.6%	-0.7%
	Malaysia	KLSE	-2.3%	-4.9%
	Thailand	SET	-0.8%	-3.6%
	Philippines	PSEi	-1.5%	-1.0%

Sources: Bloomberg and Yahoo Finance

Figure 17 - PSEi vs DJIA

PSEi vs DJIA Correlation in March Decreased to 0.6 from February

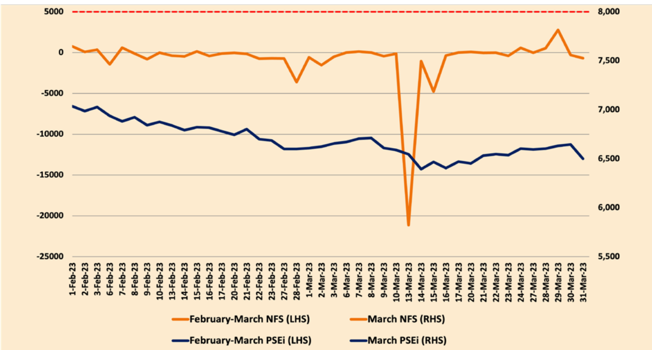


Sources: Wall Street Journal, Bloomberg

Global Picture. For the second month in a row, investors delivered a fairly bearish March, as the different global equities landed on the green while others landed on the red. South Korea KOSPI recorded the highest upswing, ending the month with a +2.7% month-on-month (MoM) increment. Meanwhile, London FTSE 100 recorded the steepest loss with -2.9% MoM. Recall in March, London's inflation was at a record-high at 10.4% as food prices soar, which may be a factor to its performance recorded in the same month. On the other hand, Philippines' PSEi recorded a -1.5% month-on-month (MoM) loss to end March at 6,499.68.

PSEi and DJIA. The Dow Jones Industrial Average (DJIA) closed a volatile month of trading. DJIA ended March at 33,274.15 from February's close of 32,656.70. Meanwhile, PSEi finished to close March at 6,499.68 from the previous month's close of 6,599.34. The correlation between the two indices in March decreased to 0.6.

Figure 18 - PSEi vs Net Foreign Selling
PSEi vs NFS Posted a 0.2 Correlation in March



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	24,523.52	-14.0%	1,066.24	-29.0%
Industrial	34,153.91	-13.3%	1,484.95	-28.4%
Holdings	24,840.87	-16.6%	1,080.04	-31.1%
Property	28,297.27	13.8%	1,230.32	-6.0%
Services	48,244.21	77.7%	2,097.57	46.8%
Mining and Oil	3,439.65	-7.3%	149.55	-23.5%
Total	**131,339.38**	5.2%	**5,710.41**	-13.1%
Foreign Buying	53,505.04	-23.3%	2,326.31	-36.6%
Foreign Selling	78,750.30	1.5%	3,423.93	-16.1%
Net Buying (Selling)	(30,175.75)	284.9%	(1,311.99)	218.0%

Source of Basic Data: PSE Quotation Reports

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

Top Foreign Buy	
Company	Total Value
ICT PM Equity	1,686.71
BDO PM Equity	1,207.69
CNPF PM Equity	281.35
URC PM Equity	259.15
ABA PM Equity	211.41
Total Buy Value	**3,646.31**

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

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

Top Foreign Sell	
Company	Total Value
GLO PM Equity	-1,936.96
ALI PM Equity	-1,120.97
ACEN PM Equity	-987.64
TEL PM Equity	-654.29
MBT PM Equity	-605.40
Total Sell Value	**-5,305.26**

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

Net Foreign Buying/Selling. PSE trading volume increased by 5.2% from the previous month's -14.7% loss. Two sectors landed on the green, with the Services sector posting the largest volume uptick of +77.7%. Meanwhile, four sectors landed on the red, with the Holdings sector suffering a -16.6% loss, adding to its -10% loss a month ago.

Like the previous month's performance, foreigners contributed to the slowdown of net selling for March to the tune of P30.0-B from net selling of P3.0-B a month earlier.

The top five favorite stocks (net buying) of foreign investors amounted to P3.6-B with International Container Terminal Services (ICT) (P1.6-B) and BDO Unibank, Inc. (BDO) (P1.2-B) leading the list.

The top five most sold stocks (net selling) in March amounted to P5.3-B with Globe Telecom, Inc. (GLO) (P1.9-B) and Ayala Land, Inc. (ALI) (P1.1-B) in the front rows.

Three sectors of PSEi turned in negative performance which resulted to a -0.9% dip by PSEi MoM in March. Nonetheless, three other sectors turned in positive performance for the month recorded. The Services sector resulted to a +3.1% MoM increase, resulting as the best performing sector in March. Meanwhile, the Financial sector still recorded the best YTD performance with its +10.1% MoM increase.

Table 13 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	28-Feb-2023		31-Mar-2023		2023 YTD
Sector	Index	% Change	Index	% Change	
PSEi	6,556.20	-3.5%	6,499.68	-0.9%	-1.0%
Financial	1,831.15	2.3%	1,810.59	-1.1%	10.1%
Industrial	9,636.11	0.1%	9,401.23	-2.4%	0.5%
Holdings	6,240.81	-6.0%	6,257.77	0.3%	-2.7%
Property	2,800.97	-5.1%	2,678.36	-4.4%	-8.5%
Services	1,613.09	-4.7%	1,663.55	3.1%	1.8%
Mining and Oil	10,725.03	-0.8%	11,023.03	2.8%	2.0%

Source of Basic Data: PSE Quotation Reports

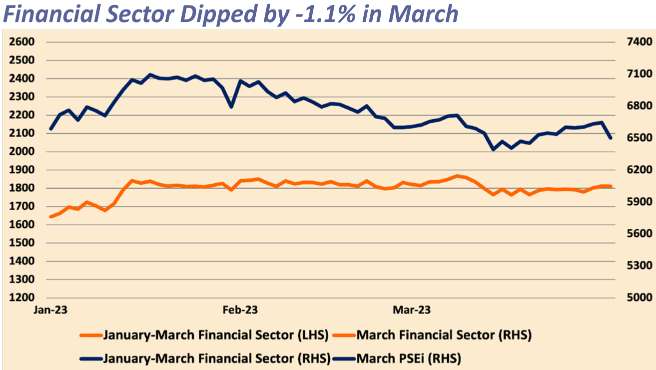
Table 14 - Financial Sector Constituent Stocks

Company	Symbol	2/28/2023 Close	3/31/2023 Close	M-o-M % Change	2023 YTD
Metropolitan Bank and Trust Company	MBT	58.20	58.50	0.5%	8.3%
BDO Unibank, Inc.	BDO	123.40	128.50	4.1%	21.6%
Bank of the Philippine Islands	BPI	109.80	102.50	-6.6%	0.5%
Unionbank of the Philippines	UBP	87.95	85.05	-3.3%	-3.3%

Source of Basic Data: PSE Quotation Reports

Figure 19 - Financial Sector Index (January 2023 - March 2023)

Financial Sector Dipped by -1.1% in March



Source of Basic Data: PSE Quotation Reports

The Financial sector placed fourth in the sectoral race, as it dipped by -1.1% in March, albeit at a slower pace than +2.3% MoM in the previous month.

Although beset by volatility, BDO Unibank, Inc. (BDO) share prices led the sector as it climbed up by +4.1% MoM in March, after recording a +1.7% gain a month ago. BDO's net income soared by 64.4% to Php 17.1-B in Q4-2022 from P10.4-B in the same period last year, resulting to a +33.3% increase in its net income YoY to P57.1-B. BDO attributed its stellar performance to robust growth across its core businesses.

Metropolitan Bank & Trust Company's (MBT) share prices followed suit with a +0.5% MoM gain in March, after rising by +4.6% a month ago. MBT has the best asset quality among the top 3 banks in terms of NPL ratio, NPL cover, CAR and CET1. MBT recently disclosed that it has extended a P20.5-B worth of loan facility to two entities owned by Aboitiz Equity Ventures, Inc. (AEV) for their refinancing and general corporate requirements. Likewise, MBT reported that it has been tapping both onshore and offshore debt market to finance its aggressive lending expansion program.

Unionbank of the Philippines (UBP) share prices dipped by -3.3% MoM in March. Nonetheless, UBP snagged a loan deal with Hann Philippines, Inc. worth P9.0-B to finance a 450-hectare master-planned resort development in New Clark City, Tarlac. Hann had developed Swissotel and Marriott in the area. UBP looks optimistically at this partnership with Hann Philippines, as it views the New Clark City as the center or economic growth in Central and Northern Luzon.

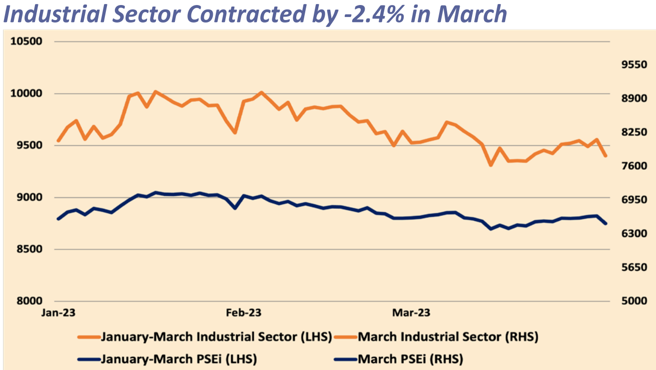
Table 15 - Industrial Sector Constituent Stocks

Company	Symbol	2/28/2023 Close	3/31/2023 Close	M-o-M % Change	2023 YTD
Meralco	MER	317.80	311.00	-2.1%	4.1%
Aboitiz Power	AP	37.85	37.20	-1.7%	9.3%
Jollibee Foods Corporation	JFC	240.00	224.00	-6.7%	-2.6%
Universal Robina Corporation	URC	136.50	144.00	5.5%	5.9%
AC Energy Corporation	ACEN	6.34	6.12	-3.5%	-19.7%
Emperador Inc.	EMI	20.80	20.90	0.5%	1.5%
Monde Nissin Corporation	MONDE	12.06	9.81	-18.7%	-11.5%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Industrial Sector Index (January 2023 - March 2023)

Industrial Sector Contracted by -2.4% in March



Source of Basic Data: PSE Quotation Reports

The Industrial sector index contracted by -2.4% MoM dip in March from its +0.1% gain a month earlier.

Universal Robina Corporation (URC) share prices climbed by +5.5% MoM in March wiping out its -0.9% loss in February. URC reported sales surging by 35% in Q4-2022, thus ending FY-2022 with P149.9-B worth of sales, up by 28% YoY. URC attributed its performance to the company's business sub-units with double-digit contributions (i.e., BCF Philippines, BCF International, and AIC).

Aboitiz Power (AP) share prices dipped by -1.7% in March, eating into its +4.6% gain a month ago, despite reporting a 25.6% jump in its core net income to P26.5-B in FY 2022. Besides, AP reported its P190.0-B capex allocation to boost its clean energy capacity, as they seek to raise it to at least half of the company's total generation portfolio by 2030.

Meralco (MER) share prices followed suit as it dipped by -2.1% MoM in March a slice off its +13.3% gain in February. Recently, MER warned its customers for costlier electricity bills in March as it hiked its household rate for the month. MER increased overall household rate by P0.54 per kilowatt-hour (kWh) to P11.43 per kilowatt-hour from February's P10.89 per kilowatt-hour; thus, resulting to an increment of P109 in total bill of a typical household consuming 200 kWh.

AC Energy Corporation (ACEN) share prices likewise contracted by -3.5% MoM in March, on top of its -9.4% loss a month ago. ACEN reported that its net income grew by +149% in FY-2022 to P13.1-B from P5.3-B in the same period a year ago, mainly attributed to fresh contributions of its Philippine merchant plants and impact in revaluation gains due to full acquisition of the Australia platform.

Jollibee Foods Corporation (JFC) share prices also dipped by -6.7% MoM in March, reversing its +0.8% gain a month ago. Nonetheless, JFC reported that its net income grew by +26.4% in FY-2022 to P7.6-B, despite high inflation and COVID-related disruptions in China.

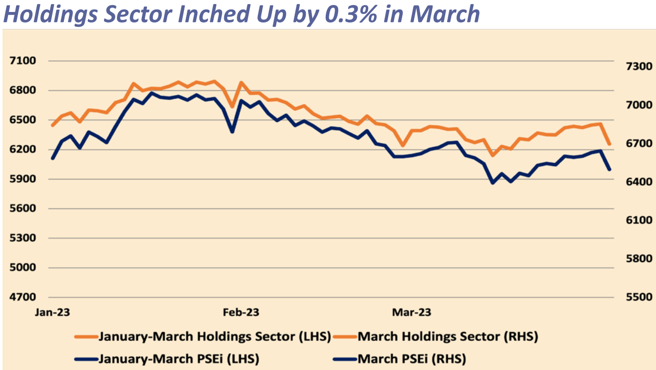
Monde Nissin Corporation (MONDE) share prices recorded the steepest loss as it slumped by -18.7% in March, adding on its -8.6% fall in February. Notably, MONDE reported a -19.6% decrease to P6.6-B for its consolidated core net income. MONDE attributed their losses due to elevated costs for raw materials, energy,

Table 16 - Holdings Sector Constituent Stocks

Company	Symbol	2/28/2023 Close	3/31/2023 Close	M-o-M % Change	2023 YTD
Ayala Corporation	AC	625.00	650.00	4.0%	-6.5%
Metro Pacific Investments Corporation	MPI	4.08	3.68	-9.8%	7.6%
SM Investments Corporation	SM	852.00	889.00	4.3%	-1.2%
Aboitiz Equity Ventures	AEV	54.00	48.40	-10.4%	-16.1%
GT Capital Holdings, Inc.	GTCAP	519.00	516.00	-0.6%	18.6%
San Miguel Corporation	SMC	115.00	107.00	-7.0%	15.1%
Alliance Global Group, Inc.	AGI	12.58	12.36	-1.7%	3.9%
LT Group Inc.	LTG	10.50	9.90	-5.7%	7.6%
JG Summit Holdings, Inc.	JGS	49.30	47.90	-2.8%	-4.8%
DMCI Holdings, Inc.	DMC	10.56	11.50	8.9%	8.9%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Holdings Sector Index (January 2023 - March 2023)
Holdings Sector Inched Up by 0.3% in March



Source of Basic Data: PSE Quotation Reports

and logistics; likewise, due to increase of expenses (investment) in organizational resources.

The Holdings sector index ranked third in sector rankings in March with a +0.3% MoM increment eclipsing its -6% loss in February.

DMCI Holdings, Inc. (DMC) share prices led the sector as it climbed up by +8.9% reversing its -4% loss a month ago. Despite this, DMC reported that its net income in Q4-2022 fell by 30% to P3.5-B from P4.9-B in the same period last year. It ascribed the income drop to higher stripping costs, fuel expenses, and income tax expense.

SM Investments Corporation (SM) share prices followed suit as it grew by +4.3% partly recovering from its -7.4% loss a month ago. SM recently reported that it would spend over P5.0-B to voluntarily delist 2GO Group, Inc. through a tender offer in mid-March. Given 2GO's growth in the past year due to high demand for their services, the tender offer offered by SM would likely drive SM's profits higher in FY-2023.

Ayala Corporation (AC) share prices likewise inched up by +4% MoM after its -11.6% loss a month ago. AC reported that its net income grew by 18% to P39.6-B in FY-2022 due to higher interest rates, lower provisions and gains from property sale, among others. Meanwhile, AC business goal for 2023 aims at getting back to or exceed pre-pandemic profitability levels.

San Miguel Corporation (SMC) share prices contracted by -7% giving up half of its +15.1% gain a month ago. Nonetheless, SMC reported that its net income grew by 60% to P43.2-B from P26.8-B in FY-2022. SMC attributed the growth to sustained performance of their key businesses such as Petron, San Miguel Food and Beverage, San Miguel Packaging, and SMC Infrastructure.

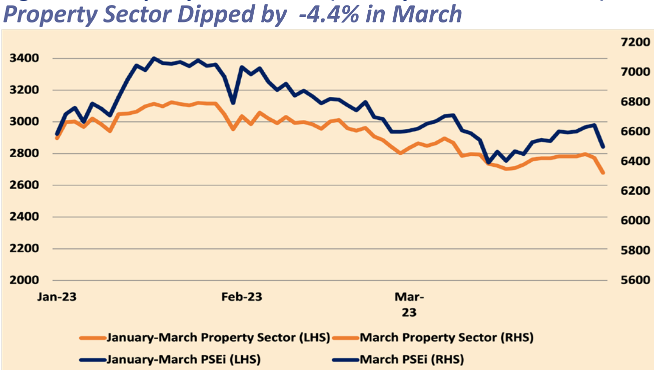
Metro Pacific Investments Corporation (MPI) share prices fell by 9.8% MoM in March, after recording its 1% gain a month ago. Despite the decline, MPI saw a double-digit growth in its core earnings in FY-2022 which grew by 15% to P14.2-B from P12.3-B in 2021. MPI saw its growth arise broadly from the strong recovery in toll road traffic and growth in power consumption.

Table 17 - Property Sector Constituent Stocks

Company	Symbol	2/28/2023 Close	3/31/2023 Close	M-o-M % Change	2023 YTD
Ayala Land, Inc.	ALI	28.50	26.50	-7.0%	-14.0%
SM Prime Holdings, Inc.	SMPH	34.05	32.80	-3.7%	-7.6%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Property Sector Index (January 2023 - March 2023)
Property Sector Dipped by -4.4% in March



Source of Basic Data: PSE Quotation Reports

Table 18 - Services Sector Constituent Stocks

Company	Symbol	2/28/2023 Close	3/31/2023 Close	M-o-M % Change	2023 YTD
PLDT, Inc.	TEL	1,285.00	1,420.00	10.5%	7.8%
Globe Telecom	GLO	1,775.00	1,864.00	5.0%	-14.5%
Converge ICT Solutions, Inc.	CNVRG	16.26	12.80	-21.3%	-19.4%
Puregold Price Club Inc.	PGOLD	31.50	31.30	-0.6%	-10.3%
Wilcon Depot, Inc.	WLCON	31.60	30.00	-5.1%	1.7%
International Container Terminal Services, Inc.	ICT	199.80	213.40	6.8%	6.7%

Source of Basic Data: PSE Quotation Reports

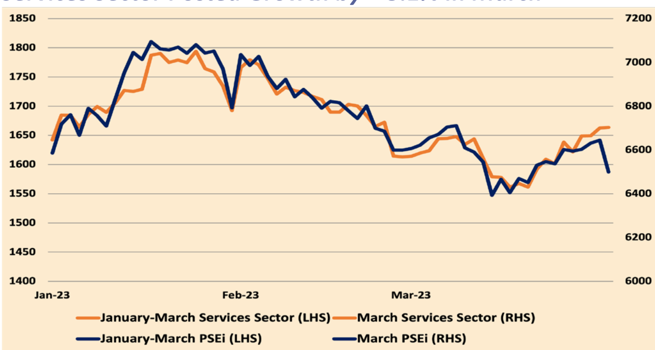
The Property sector ranked last in the sectoral race as it ended March with a -4.4% MoM dip, in addition to its -5.1% loss in the previous month.

Ayala Land, Inc. (ALI) led the decliners as its share prices contracted by -7% in March, adding to its -2.7% loss a month ago. The negative sentiment overlooked the 52.5% vault in earnings to P18.6 in FY2022 from P12.2-B in the prior year. Besides, ALI reported plans to transfer P22.5-B worth of prized malls and offices into AREIT Inc., which will give AREIT investors exposure to the retail segment in the post pandemic era. AREIT president Carol T. Mills emphasized how the rebound of commercial businesses provides an opportunity for AREIT to widely diversify its assets with more retail-oriented buildings.

SM Prime Holdings, Inc. (SMPH) share prices registered the least loss as it contracted by -3.7% in March. Nonetheless, SMPH expects to deliver a 19% earnings per share growth in FY-2023, being the largest mall operator in the Philippines which allows to benefit from its direct exposure to the Philippines' consumption story.

Figure 23 - Services Sector Index (January 2023 - March 2023)

Services Sector Posted Growth by +3.1% in March



Source of Basic Data: PSE Quotation Reports

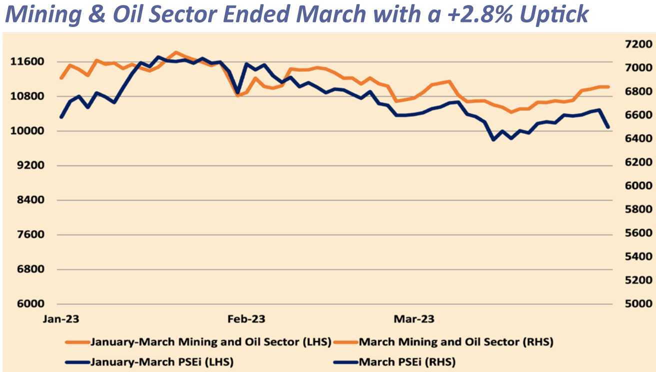
Table 19 - Mining and Oil Sector Constituent Stock

Company	Symbol	2/28/2023 Close	1/31/2023 Close	M-o-M % Change	2023 YTD
Semirara Mining and Power Corporation	SCC	30.00	32.35	7.8%	-6.2%

Source of Basic Data: PSE Quotation Reports

Figure 24 - Mining & Oil Sector Index (January 2023 - March 2023)

Mining & Oil Sector Ended March with a +2.8% Uptick



Source of Basic Data: PSE Quotation Reports

The Services sector ranked first in the sectoral race, as it grew by +3.1% in March.

PLDT, Inc. (TEL) share prices led the sector as it climbed up by +10.5% in March, after its -4.2% loss a month ago. However, TEL reported that its net income attributable to equity holders fell by 60% to P10.5-B in FY-2022 which is below their estimates. However, if the impact of asset sales and Voyager Innovations are excluded from calculations, TEL's core net income still grew by 10% to P33.1-B in FY-2022.

Converge ICT Solutions, Inc. (CNVRG) recorded the steepest loss in the sector as its share prices contracted by -21.3% MoM after its -7% loss a month ago. Nonetheless, CNVRG reported that its FY-2022 net income grew by 4% to P7.4-B from P7.2-B in the same period last year. Notably, CNVRG ended the year with 1,877,361 residential subscribers, a 11% YoY increase for the company.

The Mining & Oil sector ranked second in the sectoral race as it grew by +2.8% in March. Semirara Mining and Power Corporation (SCC) share prices also grew by +7.8% in March after its -6.3% loss in February as coal prices appeared to have bottom out towards the end of March and should benefit also from OPEC's crude oil production cut.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2020		2021		4th Quarter 2021			4th 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%	525,393	31.7%	-0.3%
Industry Sector	5,151,945	-11.8%	5,607,009	8.8%	1,760,803	50.2%	11.4%	1,700,272	45.1%	4.8%
Service Sector	10,963,799	-6.6%	11,849,213	8.1%	3,321,517	10.8%	9.8%	3,351,674	12.5%	9.8%
Expenditure										
Household Final Consumption	12,911,851	-8.0%	13,456,531	4.2%	3,923,916	20.9%	7.5%	4,199,819	19.8%	7.0%
Government Final Consumption	2,652,447	10.0%	2,839,963	7.1%	683,320	-1.4%	7.8%	705,806	1.0%	3.3%
Capital Formation	3,382,434	-33.5%	4,060,997	20.1%	1,144,071	25.0%	14.2%	1,190,179	14.8%	4.0%
Exports	4,735,076	-31.8%	5,128,006	8.3%	1,251,031	-7.2%	7.7%	1,433,336	-6.2%	14.6%
Imports	6,146,212	-21.2%	6,947,443	13.0%	1,814,149	4.8%	14.3%	1,920,922	-5.8%	5.9%
GDP	17,530,785	-9.5%	18,538,053	5.7%	5,201,501	17.5%	7.8%	5,577,338	17.1%	7.2%
NPI	1,325,383	-30.4%	642,515	-51.5%	226,214	50.2%	16.0%	356,364	21.3%	57.5%
GNI	18,856,166	62.3%	19,180,570	1.7%	5,427,716	18.6%	8.1%	5,933,702	17.3%	9.3%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2020		2021		January-2023			February-2023		
	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%	348,167	50.5%	33.5%	211,868	-39.1%	-3.5%
Tax	2,504,421	-2.4%	2,739,350	-2.4%	305,431	36.7%	32.2%	192,290	-37.0%	-5.4%
BIR	1,951,023	0.0%	2,078,108	0.0%	234,819	44.7%	28.9%	129,378	-44.9%	-16.1%
BoC	537,687	-9.3%	643,563	-9.3%	70,591	17.1%	49.3%	62,895	-10.9%	33.3%
Others	15,711	-24.7%	18,157	-24.7%	21	-97.5%	-98.7%	17	-19.0%	-99.1%
Non-Tax	351,412	23.6%	265,357	23.6%	42,726	445.1%	43.9%	19,578	-54.2%	20.9%
Expenditures	4,227,406	24.0%	4,675,639	10.6%	302,418	-46.9%	10.1%	318,241	5.2%	-5.2%
Allotment to LGUs	804,546	39.8%	892,698	39.8%	73,752	-23.7%	15.0%	73,834	0.1%	2.1%
Interest Payments	380,412	8.9%	429,432	8.9%	46,970	71.9%	-0.1%	34,109	-27.4%	9.4%
Overall Surplus (or Deficit)	-1,371,447	145.7%	(1,670,100)	145.7%	45,749	-113.5%	-425.4%	(106,373)	-332.5%	-8.3%

Source: Bureau of the Treasury (BTr)

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

	2021		December-2022			January-2023		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	45,524.20	5.7%	3,999.40	8.4%	6.0%	3,631.00	4.9%	4.9%
Residential	16,906.10	2.6%	1,369.90	6.3%	1.4%	1,242.00	1.7%	1.7%
Commercial	14,950.30	3.2%	1,478.90	15.5%	14.1%	1,359.50	14.7%	14.7%
Industrial	12,897.30	12.4%	1,038.30	-1.3%	3.1%	955.70	-2.7%	-2.7%

Source: Meralco

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

	2020		2021		4th Quarter 2021		4th 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%	561	-114.2%
Balance of Goods	33,775	-32%	53,781	59%	16,533	75.0%	14,564	-11.9%
Exports of Goods	48,212	-10%	54,169	12%	13,799	4.0%	15,173	10.0%
Import of Goods	81,987	-20%	107,950	32%	30,332	33.5%	29,737	-2.0%
Balance of Services	-13,866	6%	-14,174	2%	-3,751	-8.0%	-5,290	41.0%
Exports of Services	31,822	-23%	33,627	6%	9,214	10.1%	12,347	34.0%
Import of Services	17,956	-36%	19,453	8%	5,463	27.2%	7,058	29.2%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	63	-50%	80	26%	24	19.3%	-8	-133.0%
Financial Account	-6906	-14%	-6,942	1%	-4,973	-34.3%	-1,616	-67.5%
Direct Investments	- 3,260	-39%	-8,116	149%	-2,138	328.9%	-1,294	-39.5%
Portfolio Investments	-1680	-32%	8,046	-579%	161	-104.7%	-2,452	-1627.7%
Financial Derivatives	-199	15%	-603	203%	-195	178.6%	31	-115.8%
Other Investments	- 6,268	255%	-8,152	30%	-2,801	0.0%	2,099	-174.9%
III. NET UNCLASSIFIED ITEMS	1245	-149%	361	-71%	965	0.0%	-1,602	-266.0%
OVERALL BOP POSITION	16,022	104%	1,345	-92%	2,009	-78.0%	568	-71.7%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	7,713	378%	294	-96%	-2,256	-21.3%	472	-120.9%
Net Foreign Assets	7,665	384%	433	-94%	-2,286	-20.2%	475	-120.8%
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		January-2023		February-2023	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,303,261	8.8%	3,567,225	9.4%	3,798,076	17.4%
Sources:						
Net Foreign Asset of the BSP	6,296,263	39.5%	6,389,347	5.3%	6,330,336	3.2%
Net Domestic Asset of the BSP	14,211,531	26.7%	16,625,619	20.8%	16,730,126	21.5%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	5,659,905	52.6%	6,469,215	20.4%	6,461,093	20.2%
Money Supply-2	13,795,976	30.2%	15,488,780	16.3%	15,600,217	17.1%
Money Supply-3	14,432,021	30.4%	15,988,780	14.6%	16,079,496	15.1%
MONEY MULTIPLIER (M2/RM)	4.18		4.34		4.11	

Source: Bangko Sentral ng Pilipinas (BSP)

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