

The
MARKET CALL
Capital Markets Research



FMIC and UA&P Capital Markets Research

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Executive Summary

Bolstered by robust economic data for February, we have become a little cautiously optimistic about the economic rebound. We expect GDP to expand by 6.2% in Q1, an upward revision from our previous forecast of 6.1%, founded on high, including three record levels of, employment, the Manufacturing sector showing signs of new life with output accelerating each month since November 2023 to February 2024, and increased NG and PPP spending on infrastructures, as the former would use less funds for interest payments. Additionally, we also see the strong Q1-2024 organic loan growth of BDO (+13% YoY) and BPI (+11.9% YoY) providing support for the robust Q1 GDP growth. True, inflation may speed up to 4.2% in Q2 but revert back to BSP target range by Q3. The peso will remain challenged as the huge import bills for infrastructure, crude oil and rice continue to push up trade deficits to reach \$55.0-B for the year. The bond market should continue to see an upward trend in bond yields in Q2, while the equities market should also consolidate at the current range of 6,400 to 6,700 before taking off in Q3.

Macroeconomy

3 Elevated employment levels in the semester ending in February should buoy GDP faster, as empirical evidence show that employment changes precede GDP movements. The Manufacturing sector's output has risen faster in each of four months to February, while PMI for March remained expansionary. NG should be able to ramp up infrastructure spending in huge ODA-supported projects as interest payments take a smaller portion of total expenditures, while PPP projects gain further traction. Although inflation will likely average 4.2% in Q2, we expect it to go within the BSP target range by Q3. The peso-dollar rate should have a depreciation bias as large importations for the infrastructure projects and rice imports keep trade deficits elevated.

February's unemployment rate fell to 3.5% from 4.5% a month ago, as the economy added 3.0-M jobs. ● Manufacturing sub-sector output rose faster by 8.9% in February from 6.2% a month ago, while its PMI remained expansionary in March. ● NG spending quickened in February to bring YTD to climb by 16.4% YoY, but operational and capital outlays rose less by 6.9% YoY YTD. ● Exports amazingly quickened to a 15.4% growth pace in February from 9.1% in the previous month. ● Inflation moderately rose to 3.7% YoY in March from 3.4% earlier, driven by higher food and fuel prices. ● With tight monetary policy leading to slow money growth, the exchange rate appreciated by 0.3% in March.

Bond Markets

11 After an uneventful March, local 10-year bond yields surged by some 50 bps in first half of April in response to a 34 bps vault in equivalent U.S. Treasury bonds. The latter in turn arose from the near certainty that the Fed will keep policy rates unchanged up to June amid another strong job gains in March and inflation rising to 3.5% YoY. Besides, the possibility of escalation in the Middle East conflict and other geopolitical troubles—e.g., Ukraine, West Philippine Sea—puts an uncertainty premium into risky assets. Local benchmark 10-year bond yields will likely challenge 7.0% in H1 but will reverse to a slow downward trend as the Fed becomes more dovish and domestic inflation returns to within BSP target range in Q3.

After issuing RTB-30 in April, BTr auctioned and accepted P180.0-B debt papers in March, but investors clustered more in short-term T-bills as its TOR rose to 3.089x from 2.629x previously. ● Yields in both auction and the secondary market moved sideways in March, but trading volume increased by 14.4% MoM. ● Yields for 3-month and 10-year papers took different directions, with former gaining by 3.0 bps while the latter declined by a miniscule -0.8 bps. ● No corporate bond issuers emerged during March amid a further slump in trading by -29.8% MoM. ● ROPs fared better than equivalent U.S. Treasuries, as the sentiment for latter turned more negative.

Equities Market

17 After the release of U.S. employment figures in March, a widespread risk-off sentiment led to selloffs in Japan (-5.0%), U.S. (-4.7%), Germany (-4.4%), and the United Kingdom (-1.0%) from April 1-16. This also caused the PSEi to break through the strong support level of 6,500 after dropping by -7.0% for the same period. We anticipated a subdued Q2, but the tense situation in the Middle East (ME) could deter local equity investors for at least the rest of Q2. However, unless the conflict in ME escalates, we maintain our PSEi forecast of 7,000-7,500 in H2. Besides, early Q1 reports of top banks BDO and BPI (+12.0% and +25.8% YoY, respectively), suggest boost from robust corporate earnings.

PSEi declined by -0.6% MoM to end March at 6,903.53 as five out of six sectors posted declines. ● Services sector emerged as the sole gainer for March with +5.3% MoM uptick led by Converge ICT Solutions, Inc. backed by +10.7% MoM gain in March. ● Century Pacific Food, Inc. led the PSEi-constituent stocks with +19.4% MoM upswing. ● Wilcon Depot, Inc. dipped the most with -17.7% MoM loss. ● In the Mining & Oil sector, Nickel Asia Corporation (NIKL) plunged by -11.9% MoM. ● Foreign investors became net sellers in March to the tune of P2.5-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 (March 2024)	3.7	3.4	3.3	5.8	6.0
Government Spending (February 2024)	22.1	10.4	16.3	10.2	3.7
Gross International Reserves (\$B) (March 2024)	104.0	102.0	103.1	100.5	100.6
PHP/USD rate (March 2024)	55.85	56.06	55.96	54.48	55.63
10-year T-bond yield (end-March 2024)	6.33	6.27	6.25	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

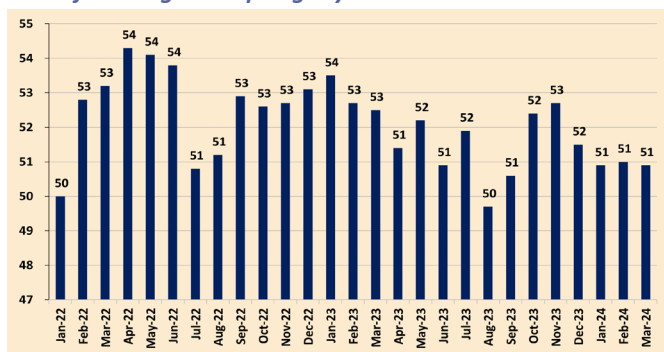
MACROECONOMY

POSITIVE ECONOMIC DATA FOR FEBRUARY EMERGE

The Philippine economy’s resilience once again showed up as more positive economic data for February emerged. Unemployment rate dropped to 3.5% while the Volume of Production Index (VOPI) raced faster by 8.9% year-on-year (YoY) in February compared to 4.5% and 6.2%, respectively, from January. Manufacturing PMI in March remained in expansionary mode at 50.9 only a tad 0.1 point off from February. Surprisingly, exports expanded at a double-digit pace of 15.7% YoY in February powered by exports of electronic products (+26.8% YoY). On the negative side, March saw speedier inflation at 3.7% YoY from 3.4% a month earlier. The peso appreciated by 0.3% as the U.S. dollar weakened as well in March.

Outlook: Strong employment gains in the last six months to February provide good basis for GDP growth in H1, since empirical evidence show that employment gains precede GDP growth. The Manufacturing sub-sector has shown higher output YoY gains in the last four months to February, while the National Government (NG) will ramp up infrastructure spending on large scale ODA-funded projects. In addition, major PPP projects (e.g., MRT-7, LRT-1 extension, 2nd NLEX-SLEX Elevated Connector Road, among others) will reach the second half of the projects. This will not impinge on the NG borrowings as tax revenues have shown robust results. Inflation will like rise faster to 4.2% in Q2 from 3.3% in Q1 but return to within BSP target range by Q3. Money growth still point to a tight policy stance, but this will unlikely affect the peso’s likely tendency to weaken for the rest of the year due to the above and higher trade deficits.

Figure 1 - Manufacturing PMI
Manufacturing PMI Up Slightly to 50.9 in March

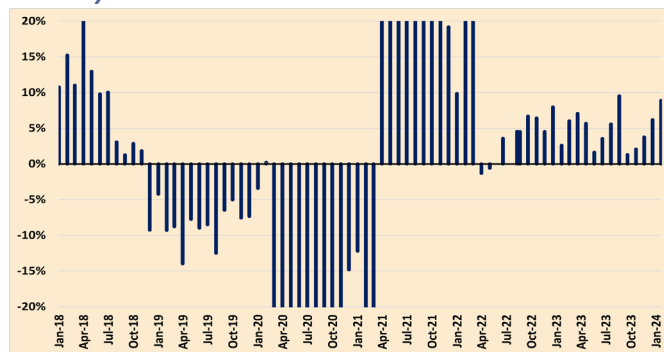


Source of Basic Data: S&P Global

Manufacturing PMI Posted 7th Straight Month of Expansion in March, While Output in February Jumped by 8.9%

S&P Manufacturing PMI for the country moderately climbed to 50.9 in March from 51.0 in February, driven by the increase in employment and growth in new orders. Tight raw material supply may constrain production. Nevertheless, this figure marked the seventh consecutive month of expansion of the country’s manufacturing sector. Moving forward, domestic manufacturers expressed weaker positive outlook, to a near four-year low, as downside risks loomed from El Niño and supply concerns.

Figure 2 - Volume of Production Index
Volume of Production Index Posted an 8.9% YoY Upswing in February



Source of Basic Data: Philippine Statistics Authority (PSA)

Industrial output as measured by the Volume of Production Index (VoPI) accelerated to 8.9% YoY in February from 6.2% in the previous month.

Out of the 22 industry divisions, 13 posted positive YoY performances, led by Manufacture of Wood, Bamboo, Cane, Rattan Articles and Related Products (+70.3%), Manufacture of Chemical and Chemical Products (+25.9%), and Manufacture of Coke and Refined Petroleum Products (+22.1%). These three industry divisions also registered gains last month.

Meanwhile, nine industry divisions experienced annual declines, led by Other Manufacturing and Repair and Installation of Machinery and Equipment (-23.7%), Manufacture of Other Non-Metallic Mineral Products (-19.0%), and Manufacture of Leather and Related Products, Including Footwear (-12.2%). These three industry divisions also saw decreases in January.

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

	January 2024	February 2024	MoM Change	
			Levels	% Change
Labor Force	48,093	50,746	2,653	5.4%
Employed	45,943	48,951	3,008	6.4%
Underemployed	6,394	6,076	(318)	-4.8%
Underemployment rate%	13.9	12.4	(1.5)	-10.6%
Unemployed	2,150	1,796	(355)	-13.3%
Unemployment rate%	4.5	3.5	(0.9)	-17.2%
Labor Participation rate%	61.1	64.8	3.7	5.7%
Not in Labor Force	30,562	27,561	(3,001)	-11.1%
Agriculture ('000)	9,819	10,445	626	6.4%
Industry ('000)	8,470	8,859	389	4.6%
Mining and Quarrying	228	233	5	2.4%
Manufacturing	3,520	3,672	152	4.3%
Electricity, Gas, Steam, and Air-Conditioning Supply	88	95	7	7.8%
Water Supply; Sewerage, etc.	100	94	(5)	-5.5%
Construction	4,534	4,765	231	5.1%
Services ('000)	27,654	29,646	1,992	7.2%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	9,054	10,663	1,609	17.8%
Transportation and Storage	3,648	3,854	206	5.7%
Accommodation and Food Services Activities	2,128	2,453	325	15.3%
Information and Communication	507	370	(137)	-27.0%
Financial and Insurance Services	641	720	79	12.3%
Real Estate Activities	260	253	(7)	-2.8%
Professional, Scientific, and Technical Activities	487	405	(82)	-16.9%
Administrative and Support Services Activities	2,510	2,516	6	0.2%
Public Administration and Defense; Compulsory Social Security	2,738	2,684	(54)	-2.0%
Education	1,544	1,575	31	2.0%
Human Health and Social Work Activities	689	755	67	9.7%
Arts, Entertainment, and Recreation	469	390	(79)	-16.9%
Other Service Activities	2,977	3,009	32	1.1%

Source of Basic Data: Philippine Statistics Authority (PSA)

Laborers Returning to Work Drove Unemployment Rate to 3.5% in February

Huge swaths of people returned to work in February to drive the unemployment rate back to below 4% at 3.5% from 4.5% a month earlier. The month added 3.0-M people to the ranks of the employed in all three sectors—Agriculture, Industry and Services. Besides, the underemployment rate also fell to 12.4% (i.e., same as the average for 2023) from 13.7% in January. These seem remarkable given that the labor force participation rate (LFPR) soared to 64.8% from 61.1% in the previous month.

With cooler weather in place, the Services sector, powered by Trade -- Wholesale & Retail (+1.6-M) -- and Accommodations & Food Services (325,000), added the most jobs at 2.0-M. The Agriculture sector contributed 626,000 while Industry took in 389,000 more workers.

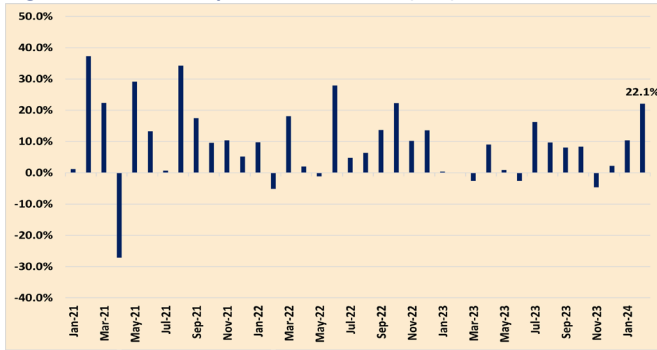
In the Services sector, next to the above, Transportation & Storage (+206,000) and Financial & Insurance Services (+79,000) also provided the job boost. On the other hand, Communication and Information Services (-137,000) and Professional, Scientific & Technical Activities (-84,000) lost the most workers.

Four out of five sub-sectors in the Industry sector added jobs, with only Water Supply, Sewerage, & Waste Management etc. sub-sector showing a decline in employment, albeit small (-5,000). On the other hand, the better weather allowed the Construction (+231,000) and the Manufacturing (+152,000) sub-sectors to take in more people.

Total man-hours per week rose slightly to 1,962-M in February from 1,935-M a month earlier. Also, the addition to total employed nearly equaled the re-entry of people into the workforce.

The February employment figures augur well for the economy since we have found statistical evidence that employment gains precede GDP increase.

Figure 3 - Total NG Expenditures Growth (YoY)



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

NG Spending Recovered in February, Up 16.4% YTD

After the usual slow start in January, the National Government (NG) ramped up spending in February by 22.1% YoY. YTD total expenditures jumped by 16.4% as interest payments surged by 50.5% in the first two months of 2024. Revenues year-to-date (YTD) gains lagged slightly with a 15.4% jump. Thus, the YTD NG deficit reached P76.7-B, a 26.6% vault. This accounted for only 5.6% of the total projected deficit of P1,362.9-B for the year.¹

NG spending on operational and capital needs rose by 6.9% YoY powered an acceleration in February. While interest payments took an elevated path, those will not recur since the country obtained foreign loans in January-February, to take advantage of low interest rates, and therefore, mature in the same months.

Setting aside the 21.9% YoY surge in revenue allocations (share of) for local government units (LGUs), spending by the Department of Public Works & Highways accelerated, together with larger outlays for health and social protection programs of the Department of Health and the Department of Social Welfare and Development.

On the revenue side, tax revenues pulled up the total as these soared by 18.7% YTD powered by the 22.6% tax take of the Bureau of Internal Revenue. The Bureau of Customs, meanwhile, managed only a 7.8% improvement in collections. The gains in tax revenues more than made for the -14.0% slump in non-tax revenues.

With the expected lower share of interest payments on total disbursements, we think the NG should manage to stimulate the economy through higher spending for the rest of the year.

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

Inflation Year-on-Year Growth Rates	Feb-2024	Mar-2024	YTD
	3.4%	3.7%	3.3%
Food and Non-Alcoholic Beverages	4.6%	5.6%	4.5%
Alcoholic Beverages and Tobacco	8.6%	6.7%	7.9%
Clothing and Footwear	3.6%	3.6%	3.7%
Housing, Water, Electricity, Gas, and Other Fuels	0.9%	0.5%	0.7%
Transport	1.2%	2.1%	1.0%
Restaurants and Accommodation	5.3%	5.6%	5.5%
Personal Care & Miscellaneous Goods and Services	3.8%	3.6%	3.8%

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

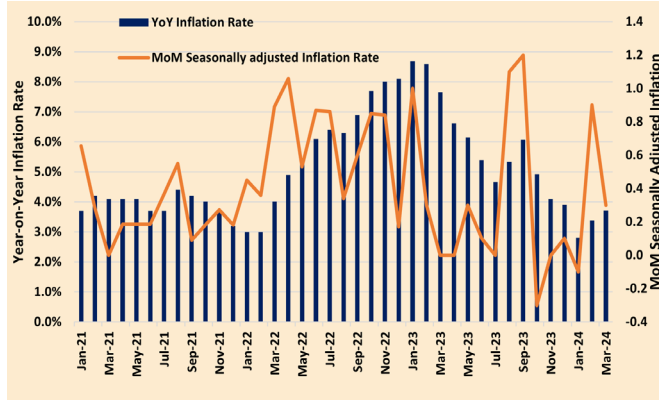
Source of Basic Data: Philippine Statistics Authority (PSA)

Inflation Faster at 3.7% in March, from 3.4% a Month Ago

Headline inflation took a moderately faster pace of 3.7% YoY in March from 3.4% a month earlier. The acceleration of price indexes for Food & Non-Alcoholic Beverages (FNAB, 5.6% YoY) and Transport (2.1% YoY) déjà vu outweighed the nine other product categories that either slowed down or remained unchanged from the previous month.

¹ We focus on YTD (January & February) since BTr released January data only after the release of TMC March.

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



Source of Basic Data: Philippine Statistics Authority (PSA)

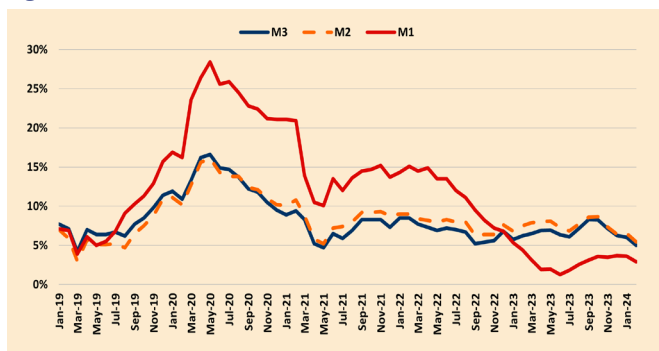
FNAB sub-index rose further despite six out of 11 food items slowed. Significant higher hikes in rice prices (24.4% YoY from 23.7% previously) and meat prices (2.0% from 0.7%) overpowered the fall in Fish & Seafood items (-0.9% from +0.7%) and large slowdown in Milk & Other Dairy Products (2.3% from 3.5%). Fruits & Nuts and Sugar price indexes also showed sizeable decelerations.

With oil flowing through the Red Sea hampered by missile attacks by Yemen (proxy of Iran) and the OPEC decision to continue its production cuts pushed crude oil prices higher. West Texas Intermediate (WTI, U.S. benchmark) bumped up to \$81.28/barrel (bbl) in March, a 10.9% YoY jump, while Brent (European benchmark) reached \$85.41/bbl, an 8.9% YoY gain. These translated to the speedier increase in Transport costs to 2.1% YoY from 1.2% a month ago.

On a seasonally adjusted (s.a.) basis, MoM inflation slowed to 0.3% in March from 1.0% a month earlier.

While we see an increase in average inflation in Q2 to 4.2% from 3.3% in Q1, we think rice prices have little upside since Vietnam started to harvest in March and has committed up to 2.0-M MT of exports to the Philippines. Crude oil prices remained elevated but has had difficulty moving beyond \$86/bbl (WTI) as non-OPEC countries supply the OPEC output cuts. Moreover, we expect average inflation in Q3 and Q4 to fall within BSP's target inflation of 2% to 4%.

Figure 5 - M1, M2, M3 Growth Rates
M3 Growth Rose by 5.0% in February from 6.0% a Month Ago



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

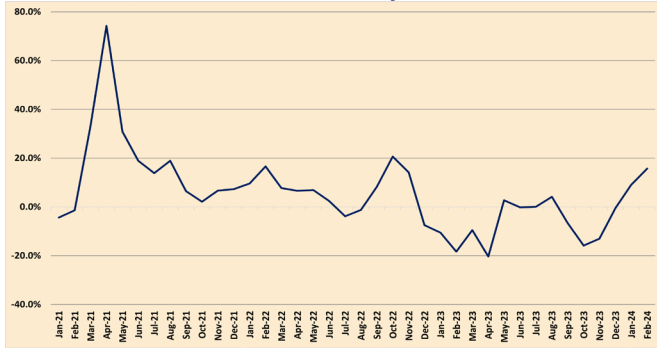
Tight Monetary Policy Slowed Money Supply (M3) to 5.0% YoY in February

Domestic liquidity (M3) grew by 5.0% YoY to P16.9-T in February following its 6.0% YoY expansion the previous month. On a MoM seasonally adjusted basis, M3 declined by 0.2%.

Net foreign assets (NFA) in peso terms inched up by 3.6% YoY in February, albeit slower than its 4.4% increment a month ago. The Bangko Sentral ng Pilipinas' (BSP) NFA position also climbed faster in February by 5.9% YoY from 5.4% in January. Additionally, the NFA of banks fell on account of lower interbank loans receivables.

Lending for production activities also jumped by 6.8% in February from 5.9% in January, as outstanding loans to key industries grew, specifically Transportation and Storage (+21.1%), and Real Estate Activities (+11.6%). Electricity, Gas, Steam, and Airconditioning Supply (+11.2%) also saw an increase in its loan availments.

Figure 6 - Exports Growth Rates, Year-on-Year
Exports Surged by 15.7% in February



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 3 - Exports Year-on-Year Growth Rates

	Jan-2024	Feb-2024	YTD
Total Exports	9.1	15.7	12.3
Agro-Based Products	20.9	29.3	24.5
Mineral Products, of which	-1.6	23.4	8.3
Copper cathodes	-2.9	5.3	1.1
Others (incl. nickel)	-22.7	61.5	6.7
Manufactured Goods	10.5	14.9	12.7
Electronic Products	16.3	26.8	21.3
Other Electronics	2.8	-13.3	-5.8
Chemicals	8.0	26.2	17.4
Machinery and Transport Equipment	20.3	-15.3	0.2
Processed Food and Beverages	21.8	24.2	23.5
Others	-12.9	-12.1	-12.3

Source of Basic Data: Philippine Statistics Authority (PSA)

Meanwhile, consumer loans surged by 25.2% in February, matching the growth seen in January, driven by the sustained rise in credit card and motor vehicle loans.

Exports Jumped by 15.7% in February

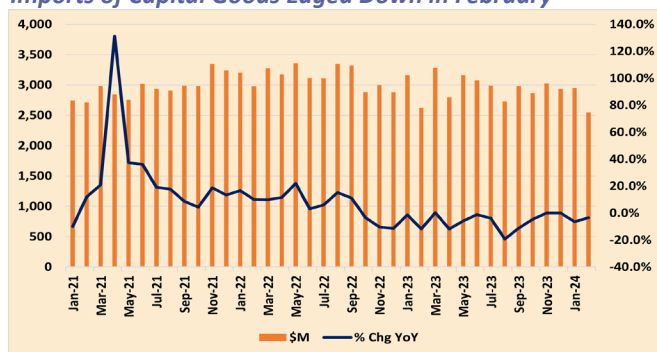
Exports soared by 15.7% YoY in February, following a 9.1% YoY growth in January. In monetary terms, this amounted to \$5.9-B in February from \$5.1-B a year ago.

Seven of the 10 major commodities expanded in February. Outward shipments of Coconut Oil posted the largest growth with a 61.7% YoY increase from last year. Next best records include exports of Other Mineral Products (+61.5% YoY), and the country’s top export, Electronic Products (+26.8% YoY) in February. On the other hand, Ignition Wiring Set and Other Wiring Sets Used in Vehicles, Aircrafts and Ships ended at the bottom with a -18.3% YoY decline.

By major types of goods, exports of Petroleum Products took the top spot after registering a 62.2% YoY jump in February, followed by Total Agro-Based Products which inched up by 24.1% YoY. Mineral Products followed suit with a 23.4% YoY rise. Meanwhile, Forest Products plunged by -40.6% YoY.

Reflecting robust economic growth, the U.S. emerged as the top destination for the country’s exports in February with shipments valued at \$947.8-M, a 23.5% YoY uptick from a year ago. Japan followed suit with a total export value of \$849.1-M, representing 14.4% of total exports for the month. Furthermore, Hong Kong and People’s Republic of China came next with a 13.1% and 11.8% export share, respectively.

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



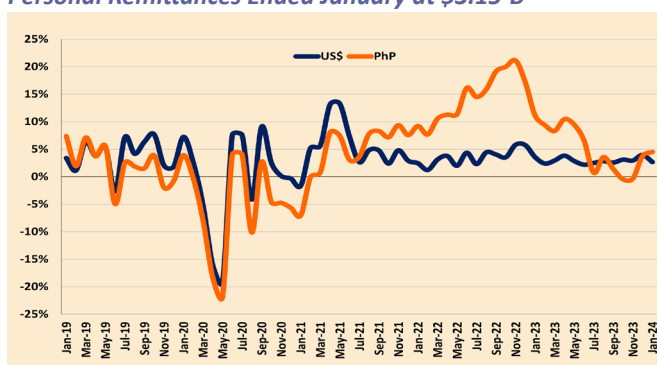
Source of Basic Data: Philippine Statistics Authority (PSA)

Table 4 - Imports Year-on-Year Growth Rates

	Jan-2024	Feb-2024	YTD
Total Imports	-7.6	6.3	-0.5
Capital Goods	-6.5	-3.4	-4.9
Power Generating and Specialized Machines	16.2	4.5	10.7
Office and EDP Machines	5.0	29.8	15.0
Telecommunication Equipment and Electrical Machinery	-15.6	-17.0	-16.4
Land Transport Equipment Excluding Passenger Cars and Motorized Cycle	20.3	21.2	21.0
Aircraft, Ships and Boats	-59.3	19.1	-31.3
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	9.0	4.4	7.9
Raw Materials and Intermediate Goods	-5.0	11.8	2.5
Mineral Fuels, Lubricant and Related Materials	-35.4	8.3	-12.0
Consumer Goods	15.8	9.2	12.6

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 8 - OFW Remittances Growth Rates, Year-on-Year
Personal Remittances Ended January at \$3.15-B



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

Capital Goods Imports Posted a -3.4% Downtick in February

Imports of capital goods registered a -3.4% decrement in February to \$2.5-B. Meanwhile, total imports increased by 6.3% YoY in February to \$9.5-B from \$8.9-B last year.

Among the capital goods imports, Office and EDP Machines took the top spot after experiencing a 29.8% YoY gain in February. Land Transport Equipment excluding Passenger Cars and Motorized Cycle followed suit with 21.2% YoY growth. On the other hand, Telecommunication Equipment and Electrical Machinery emerged as the sole decliner with a -17.0% YoY drop.

Imports of Metalliferous Ores and Metal Scrap had the largest growth among the top import commodities in February with a whopping 186.6% YoY rise. Cereals and Cereal Preparations followed next as it soared by 58.6% YoY. On the contrary, the country's top import commodity, Electronic Products, led the decliners with a -10.2% YoY dip.

Given the higher growth of exports compared to imports, the country's trade deficit in February narrowed by -6.0% YoY to \$3.6-B from \$3.8-B in the same month the previous year.

OFW Remittances Rose by 2.7% in January

Personal remittances of Overseas Filipino Workers (OFW) grew by 2.7% YoY to \$3.15-B in January. The increase in personal transfers during January benefited from land-based workers which jumped by 3.0% YoY to \$2.44-B and sea-land based workers which increased by 1.5% to \$0.64-B.

Cash remittances from OFWs coursed through banks also went up by 2.7% YoY to \$2.84-B in January from \$2.76-B in the same month a year ago. The rise in cash remittances from the United States (U.S.), Saudi Arabia, the United Arab Emirates (U.A.E.), and Singapore led the growth in remittances for the month.

As for the country origin, the U.S. accounted for the highest share of overall remittances at 41.8% 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 80.1% of the total remittances for January.

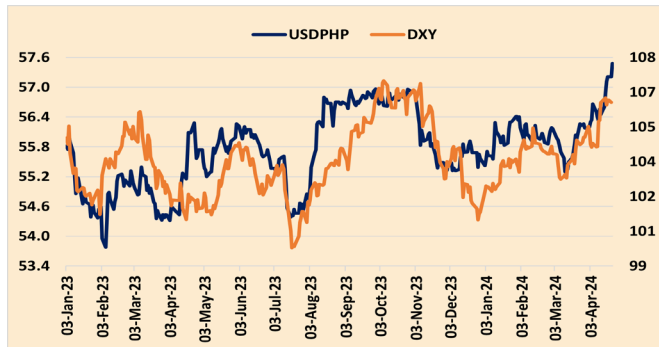
Table 5 - Exchange Rates vs USD for Selected Asian Countries

Exchange Rates vs USD for Selected Asian Countries			
	Feb-2024	Mar-2024	YTD
AUD	1.6%	-0.6%	4.5%
CNY	0.3%	0.2%	1.4%
INR	-0.1%	0.2%	-0.9%
IDR	-1.6%	1.6%	3.2%
KRW	0.4%	0.5%	4.0%
MYR	0.9%	-1.0%	2.4%
PHP	-0.3%	-0.3%	1.1%
SGD	0.5%	0.0%	1.9%
THB	1.7%	1.0%	6.3%

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

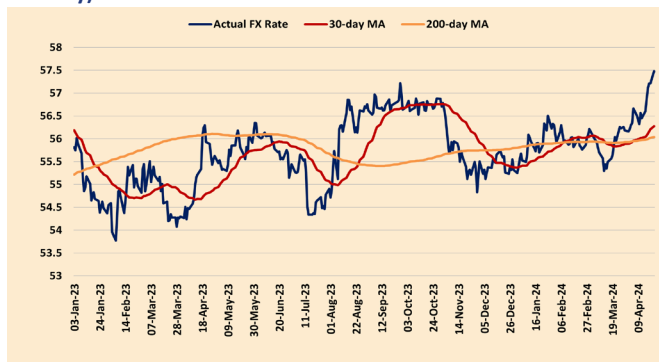
Source of Basic Data: *Bangko Sentral ng Pilipinas (BSP)*

Figure 9 - USDPHP vs USD Weighted Index



Source of Basic Data: *Trading Economics*

Figure 10 - USDPHP Rate, Actual and Moving Averages (30-day and 200-day)



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

Peso Appreciated by 0.3% MoM on Average in March

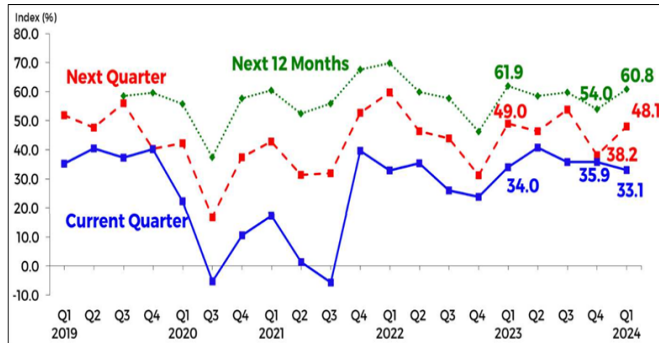
The peso appreciated in March as it ended with an average exchange rate of P55.849/\$1, a -0.3% MoM change from P56.065 in February. The peso became one of the three regional currencies (9 included in table) that advanced against the U.S. dollar.

The dollar-peso rate appreciated in March as the U.S. dollar weakened. Moving forward, we can see that broken through both 30-day and 200-day moving averages (MA). Thus, the peso should remain in the depreciation mode in Q2 as elevated crude oil and rice prices mean higher levels of trade deficits for the rest of the year. Besides, the U.S. economy has shown remarkable strength in H1, and the Fed will not likely start cutting policy rates by June. We think the Fed may begin to cut rates by 25 bps in September, and if inflation eases closer to 2.5% by another 25 bps in December. We think that the BSP will follow but only by 25 bps in 2024.

Outlook

Positive prints on the real economy for February and relatively mild inflation (i.e., within BSP target) for March still show a resilient economy poised to grow faster in 2024 than the 5.5% pace of GDP in 2023.

Figure 11 - Overall Business Confidence Index (Q1 2019 - Q1 2024)



Source: *Bangko Sentral ng Pilipinas (BSP)*

- That economy added 3.0-M jobs in February, usually a weak month for economic activity, amid a sharp rise in LFPR means that workers have returned to work after the long Christmas holidays. Specifically, total employment reached 49.0-M, the third highest on record and in the last twelve months. This supports business firms' much improved outlook for Q2 and for the next 12 months based on BSP's Q1 Business Expectations Survey (BES). After all, we have also found statistical evidence that changes in employment precede changes in GDP.
- The sharp recovery of NG spending in February suggests that the low January levels may be explained by the late start of the economy in that month and the bureaucracy's hesitancy over budget releases (considering the "cash-based" budget system). With interest payments out of the way in the first two months due to loan maturities and local elections in 2025, we expect speedier work and spending on infrastructure projects both at the national and local government levels.
- The Manufacturing sector also has shown continuous improvement in Q1 as evidenced by the Manufacturing PMI still above 50, by higher output and by rising exports, both in the first two months of 2024. Together the Construction sector gains envisioned above, the Industry sector should perform better compared to the unspirited gains in 2023.

- Inflation will likely rise to average 4.2% in Q2 from 3.3% in Q1 due to elevated prices of crude oil and rice, tempered by softer prices of other food products, and base effects (relatively low in Q2-2023). But we expect a return to under 4% YoY by Q3, and end the year at an average 3.8% uptick.
- We should see a modest 5.0%-10.0% increase in exports for 2024 as the global economy recovers. The faster implementation of infrastructure projects (e.g., Metro Manila Subway, the North-South Commuter Rail (NSCR), including big-ticket PPPs such as the LRT-1 extension and MRT-7, plus rice importations will require large foreign exchange outlays and so the trade deficits will reach some \$55.0-B (a 5% increase) for the year. The peso will generally experience depreciation pressure for the rest of the year.

FIXED INCOME SECURITIES

BOND YIELDS MOVE SIDEWAYS IN MARCH, BUT ACTION CHANGES IN APRIL

Awaiting more U.S. economic data and Fed decision, the Philippine bond yields moved sideways in March, but April has changed all that. Investors flocked into Treasury bills (T-bills) in auctions lifting its tender-offer ratio (TOR) to 3.089x from 2.629x in February, with yields slightly down by -0.9 basis points (bps) to -10 bps, except for 91-day papers remaining unchanged. The secondary market improved from February with 14.4% month-on-month (MoM) increase spurring fairly stable yields with drops of -0.8 bps to 8.0 bps excluding two tenors that inched up — 3-month up by 3.3 bps to 5.725% and 7-year papers that had a minimal rise of 6.236%. The 10-year yields slipped by -0.8 bps to 6.232% while 20-year yielded lower by -8.0 bps to 5.247%. We did not see any new corporate bond issuances in March while secondary trading slumped by -39.8% MoM. And ROPs spread over equivalent U.S. Treasuries narrowed at the long end as U.S. bond traders reversed their previous view of a Fed rate cut in June.

Outlook: With March new jobs 50% above expectations and inflation rising to 3.5%, the Fed has ruled out a policy rate cut in June. Uncertainties caused by the geopolitical conflicts in Ukraine and Middle East only provided more support to the Fed stance. Thus, from end-March U.S. 10-year yields had reached by 34 bps to 4.63% by April 15 and have pushed local 10-year yields even more by 50 bps to 6.731%. Movements abroad, especially the explosive Middle East conflict, will keep yield premiums elevated. While we don't expect an escalation of the NG auctions since their current pace would assure financing for the projected deficit and with more cash to boot. Given this backdrop, PH inflation should exceed 4.0% by April but return to below it by August. Thus, we expect local 10-year yields to challenge 7.0% in H1 but should reverse thereafter as domestic inflation renews its downward move.

Table 6 - March Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
25-Mar	91-day	20.0	52.593	20.000	2.630	5.710	0
	182-day	20.0	59.382	20.000	2.969	5.880	-9.1
	364-day	20.0	73.382	20.000	3.669	5.982	-10.3
Subtotal		60.0	185.357	60.000	3.089		
5-Mar	7 year (FXTN 07-71)	30.0	50.062	30.000	1.669	6.270	17.6
12-Mar	10 year (FXTN 10-72)	30.0	96.071	30.000	3.202	6.227	0.9
19-Mar	20 year (FXTN 20-26)	30.0	60.946	30.000	2.032	6.189	-2.0
26-Mar	7 year (FXTN 07-70)	30.0	46.501	30.000	1.550	6.237	-3.3
Subtotal		120.0	253.58	120.000	2.113		
All Auctions		180.0	438.937	180.000	2.439		

Source: Bureau of the Treasury (BTr)

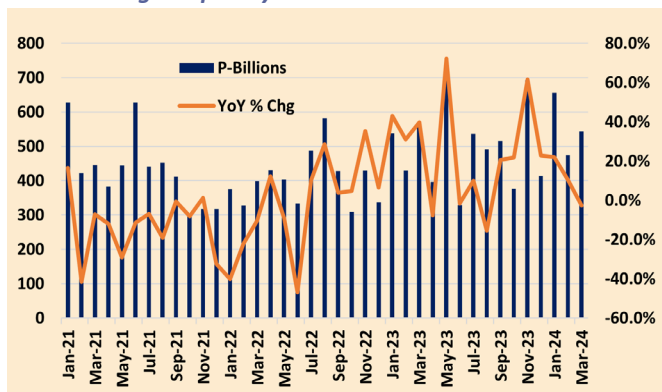
GS Auctions: Investors Flocked to Short-dated Papers in March

Bureau of the Treasury (BTr) of the National Government (NG) raised its planned P180.0-B bond issues in March coming after the large P432.7-B of Retail Treasury Bonds (RTB-29) floated in February. Demand shifted to short tenors as the tender-offer ratio (TOR) for Treasury bill (T-bill) improved to 3.089x from 2.629x and 2.508x for February and January auctions, respectively. Thus, yields for 91-day T-bills remained flat at 5.71%, while 182-day and 364-day T-bills showed mild slides of -9.1 bps and -10.3 bps to 5.88% and 5.982%, respectively.

With rising wariness over looming interest rate increases for long dated papers, the TOR for Treasury bond (T-bond) auctions eased to 2.113x from 3.086x in January, which we used as comparator, instead of February since the latter had a large issuance of RTBs. For longer tenors, we saw a net increase of 14.3 bps in the 7-year space to 6.237% and minor movements in 10-year and 20-year papers to 6.227% and 6.237%, respectively.

Market sentiment, however, has changed dramatically in April with the long-dated bond selloff both locally and abroad.

Figure 12 - GS Secondary Trading Volume
Total Trading Jumped by 14.4% MoM in March



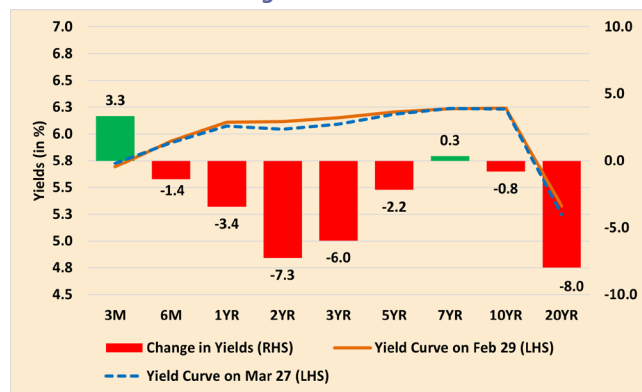
Source: Philippine Dealing Systems (PDS)

GS Secondary Market: Trading Improved in March Amid Fairly Stable Yields

Trading of GS in the secondary market rose by 14.4% MoM in March from a -27.7% MoM slump in the previous month. However, due to a high base in 2023, on a YoY basis, it slightly slowed by -2.6%.

While investors awaited further developments in the U.S. economy and Fed policy rate stance, yields remained within a slim range in March. Only two tenors showed minor increases—the 3-month yields inched up by 3.3 bps to 5.725% and the 7-year yields came a tad 0.3 bps higher to 6.236%. The other tenors' yields slipped mildly, with the 20-year papers sliding the most, by -8.0 bps to 5.247% and 2-year yields easing by -7.3 bps to 6.0425%. Bonds with remaining 1 year to maturity slipped by -3.0 bps to 6.074%, while 10-year benchmark yields dropped by a tad -0.8 bps to 6.232%.

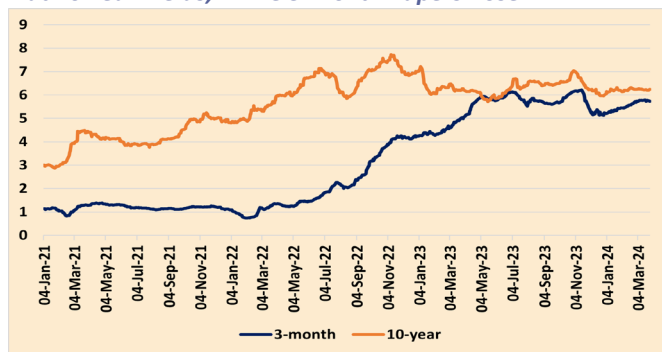
Figure 13 - GS Peso Yield Curves and MoM Change
Minor MoM Yield Changes Across the Curve



Sources: Bloomberg, Philippine Dealing Exchange (PDEX)

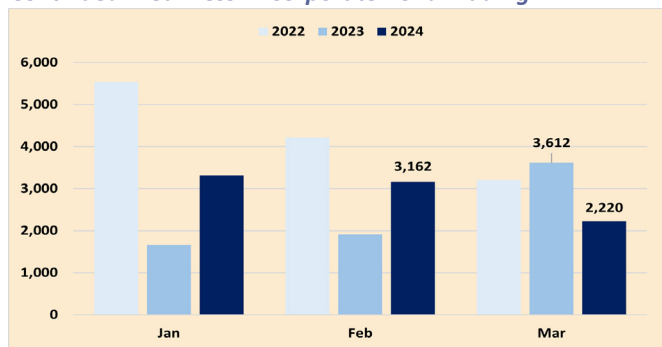
On March 22, the Monetary Board decided to keep its policy rates unchanged at 6.50%. Thus, the yield curve steepened by 6 bps to 19 bps, as the 2-year papers' yield curve fell more than the 10-year T-bonds. The country's yield curve had flattest slope in the region with just a 19 bps spread between 10-year and 2-year bond yields.

Figure 14 - 3-Month and 10-Year Bond Yields
Flat 10-Year Yields, While 3-Month Papers Rose



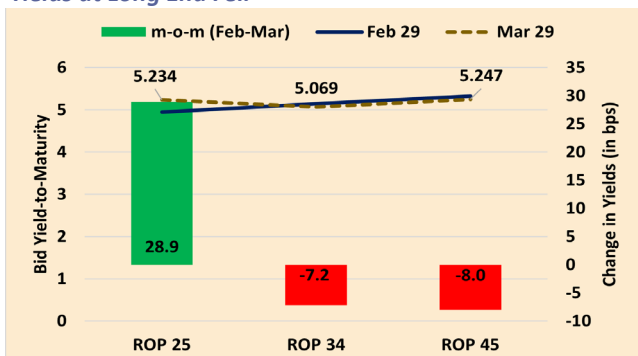
Source: Philippine Dealing Systems (PDS)

Figure 15 - Corporate Bond Trading (in Million Pesos)
Continued Weakness in Corporate Bond Trading



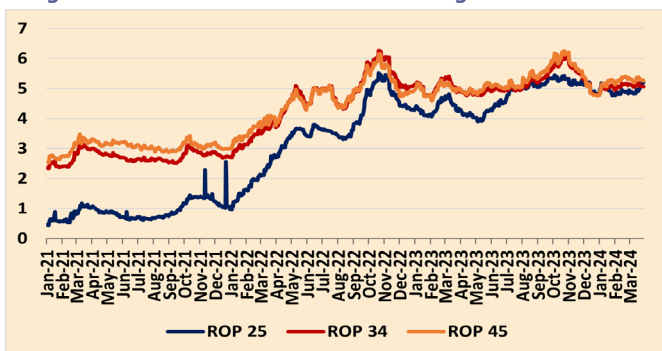
Sources: Bloomberg, Philippine Dealing Exchange (PDEX)

Figure 16 - ROPs Yield Curve and MoM Change
Yields at Long End Fell



Source: Bloomberg

Figure 17 - ROPs 25, 34, 45 Yields Daily Movements
Long and Short Tenor Yields More Convergent in March



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Corporate Bond Market: Trading Volume Slumped by -29.8% in March

Issuances. With elevated interest rates, March failed to show any new corporate issuances.

Secondary Market. Trading of corporate bonds in the secondary market for March slumped by -29.8% MoM from -4.5% a month ago. The fall from the same month a year ago proved even larger at -38.5% YoY.

The trading in the top 5 bonds—including SM Prime (SMPH), Ayala Land Inc. (ALI), Aboitiz Power (AP), Ayala Corporation (AC), and San Miguel Corporation (SMC), which accounted for 33.1% of total trading—mirrored the total trading movement. In March, their trading volume plunged by -29.1% from -4.4% a month earlier. SMPH papers took the top spot with a volume of P223.9-M, dislodging AP which moved to third place and had a volume of P150.4-M. Both showed declines of -19.2% and -63.0% MoM, respectively. Taking second place, ALI’s papers worth P203.2-M changed hands a -3.0% MoM drop. AC came next with trades valued at P98.3-M, tumbling by -8.0%. SMC took the bottom but also showed the only increase in trading of +22.0% MoM to reach P59.4-M.

ROPs: Yields at Long End Tracked U.S. Treasuries

Yields of U.S. dollar-denominated bonds of the Republic of the Philippines (ROPs) showed contrasting movements in long maturities compared to those with the shorter ones. Specifically, ROP-34 and ROP-45 yields fell by -7.2 bps and -8.0 bps to end March at 5.069% and 5.247%. On the other hand, the 1-year paper (ROP-34) soared by 28.9 bps to 5.234%. Thus, the yield curve tended to invert as it has for a long time for U.S. Treasuries.

Equivalent U.S. Treasuries showed more modest yield movements in March. The 10-year and 20-year U.S. T-bonds did slide, but only by -5.0 bps and -6.0 bps, respectively. Thus, these ended the month at 4.2% and 4.45% as market players there still had high expectations of Fed policy rate cuts starting June.

Consequently, the spread of ROPs over equivalent U.S. Treasuries mildly slimmed for the 10-year and 20-year space by -2.2 bps and -2.0 bps to end up at 86.9 bps and 79.7 bps, respectively. However, for the 1-year maturity, the spread increased by 26.9 bps to close the month at 20.4 bps.

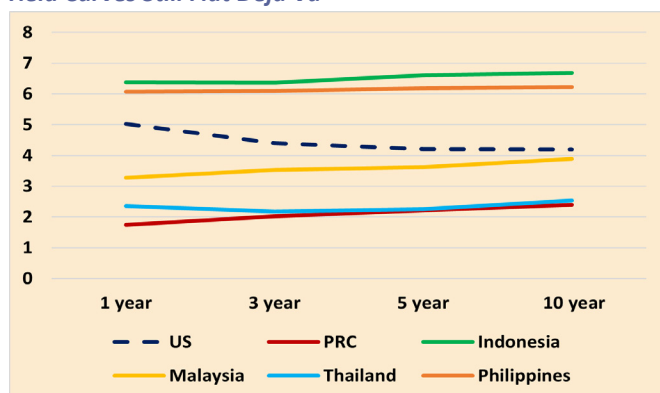
However, both papers have risen sharply in April as strong job numbers in the U.S. have dashed earlier hopes for a policy rate cut in June.

Table 7 - 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
31-Jan	6.6	79.1	86.8
29-Feb	-6.5	89.1	81.7
29-Mar	20.4	86.9	79.7

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

**Figure 18 - Comparative ASEAN+1 Yield Curves, End-March 2024
Yield Curves Still Flat Deja Vu**



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

ASEAN+1: Little Movements in Yield Curves in March

U.S.: The economy again surprised markets with another huge 303,000 new jobs in March, apart from the upward revision (+22,000) of employment numbers for January and February. The country’s manufacturing sector recorded its 3rd straight month of expansion in March with Manufacturing PMI clocking 51.9 from 52.2 in February, as economic conditions and market demand showed signs of improvement. Meanwhile, the U.S. inflation rate rose from 3.2% YoY in February to 3.5% in March, the highest since September last year. In addition, core inflation (i.e., excluding food and energy) remained at 3.8% YoY. Consumer sentiment (as measured by University of Michigan) hit a 21-month high of 79.4 in March only to retreat to 77.9 in April.

In February, both exports and imports jumped by 2.3% to \$263.0-B and 2.2% to \$331.9-B, respectively. Consequently, the country’s trade deficit widened to a 10-month high of \$68.9-B in February.

As widely expected, the Fed kept its policy rate steady at 5.25%-5.50% in its March meeting. The yield curve’s steepness measure ended March at -39 bps same as last month.

CHINA: Factory activity went up for the 5th consecutive month as the Caixin General Manufacturing PMI climbed to 51.1 in March from 50.9 the previous month. The country’s overall price level eased to 0.1% in March from 0.7% in February, as the effects of the Lunar New Year diminished. It suggests that the economy may not yet have gotten out of the woods as MoM inflation (not s.a.) showed a -1.0% fall.

Exports contracted by -7.5% to \$279.6-B in March while imports slid by -1.9% to \$221.1-B. With this, the country registered a trade surplus of \$58.5-B in March, lower than last year’s \$78.4-B.

The People's Bank of China's (PBoC) policy rate—1-year medium-term lending facility (MLF) rate—remained unchanged at 2.50%. The spread between 10-year and 2-year bond yield increased by 7 bps to 39 bps in March.

INDONESIA: Indonesia's manufacturing sector expanded for the 31st consecutive month in March as its PMI jumped to 54.2 from 52.7 in February. The country's inflation print accelerated to 3.05% in March from 2.75% in February, driven by higher food prices.

Outward shipments in February dropped by -9.45% YoY to a 10-month low of \$19.3-B, driven by the slowdown in the economy of its trading partners. In contrast, imports surged by 15.8% YoY to a 16-month high of \$18.4-B in February. As a result, trade surplus narrowed to \$0.8-B in February from \$5.4-B in the same month a year ago.

Gross international reserves (GIR) remained high at \$144.0-B in February albeit -0.8% lower than a month ago. Meanwhile, Bank Indonesia's (BI) policy rate remained unchanged at 6.0% in its March meeting. The yield curve's steepness measure fell by 10 bps to 32 bps in March.

MALAYSIA: In March, the country's Manufacturing PMI further declined to 48.4, marking the manufacturing sector's contraction for the 19th consecutive month. Meanwhile, the country's annual inflation rate posted a 1.8% uptick in February, faster than the 1.5% recorded last month.

Exports in February decreased by -0.8% to MYR 111.3-B (~\$23.4-B) while imports grew by 8.4% to MYR 100.5-B (~\$21.1-B). This narrowed the country's trade surplus to MYR 10.9-B (~\$2.3-B) in February from MYR 19.6-B (~\$4.1-B) in the same month the previous year.

Bank Negara Malaysia's (BNM) policy rate remained at 3.0% in March. The spread between 10-year and 2-year bond yields contracted by 1 bp to 46 bps March but still the widest among its ASEAN peers.

THAILAND: For the 6th straight month, the country registered deflation, as consumer prices went down to -0.47% in March albeit a bit better than -0.77% a month ago, caused by the sustained decline in food and non-food items. The manufacturing sector remains in contraction mode for the 8th consecutive month as Manufacturing PMI kept below-50 in March at 49.1 from 45.3 in February.

The country's exports increased by 3.6% to \$23.4-B in February. On the other hand, imports edged up by 3.2% to \$23.9-B. Overall, the trade deficit narrowed to \$0.5-B from a deficit of \$1.1-B a year ago.

The Bank of Thailand's (BOT) policy rate kept unchanged at 2.50% after its April meeting, despite the urging of the new Prime Minister. The yield curve's steepness measure declined by 9 bps to 34 bps in March.

Table 8 - Spreads Between 10-year and 2-year T-Bonds

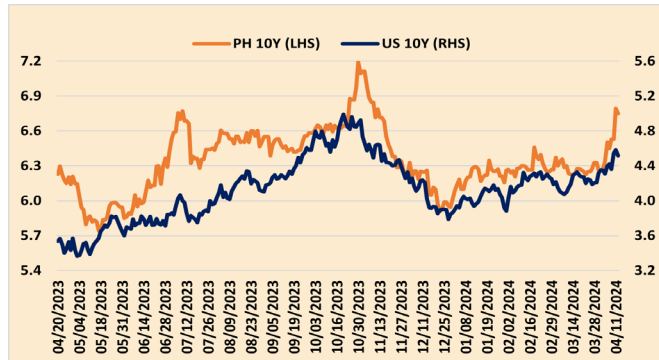
Spreads between 10-year and 2-year T-Bonds									
Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-Year Yield	10-Year and 2-Year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Feb-24	Mar-24			
U.S.	4.59	4.20	2.4	1.80	(39)	(39)	0	5.50	3.10
PRC	2.01	2.40	2.0	0.40	32	39	7	2.50	0.50
Indonesia	6.37	6.69	3.0	3.69	42	32	(10)	6.00	3.00
Malaysia	3.43	3.89	2.7	1.19	47	46	(1)	3.00	0.30
Thailand	2.19	2.53	2.3	0.23	43	34	(9)	2.50	0.20
Philippines	6.04	6.23	3.8	2.43	13	19	6	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

Like 10-year T-bond yields, peso-denominated 10-year government bond yields moved basically sideways in March. But another wildly higher employment gains (+303,000) and faster inflation rate (+3.5% YoY) convinced financial markets that the Fed will no longer begin to cut its policy rates in June amid elevated crude oil prices due to the escalating Middle East conflict that has interrupted a major supply route.

Figure 19 - Philippine 10-Year Government Bond Yield Vs. United States 10-Year Government Bond Yield



Source: Trading Economics

- The other factor to consider would be the inflation rate. It is likely that headline inflation would slightly exceed 4.0% YoY as early as April, due to low base effect. However, it will likely get back to below-4.0% by August, and end the year at an average of 3.8%, i.e., within the BSP target.
 - Given the recent runup of yields in the U.S. and in PH, it has become likely that the local 10-year bond yields may still possibly exceed 7.0% slightly around June/July but return towards 6.0% in tandem with U.S. yields and local inflation going back to below-4% in Q3.
 - Corporate bond issuances will come in trickles, if at all, in H1 as issuers have gone to banks for interim financing.
 - ROPs may become more attractive only in H2 due to the factors mentioned two bullet points earlier.
- With employment still on the rise and inflation remaining sticky at above 3.0% YoY coupled with the geopolitical tensions in Ukraine, Middle East and Southeast Asia, the Fed is in “absolutely no hurry” to cut interest rates. A number of Fed board members has echoed this message, and the probability of a rate cut in June fell closer to 0 from above 60% a month earlier. The 10-year U.S. T-bond yields soared by some 34 bps since the jobs report came out on April 5th to 4.63% by April 15. The crude oil market remained volatile especially since Iran’s unprecedented missile and drone strike in Israel on April 14. While there remains an upside risk on U.S. interest rates, conditioned on escalation of the Middle East conflict, the U.S. market will likely focus on inflation developments to see if core inflation, especially, in the Services and Housing sectors cool down faster.
 - Domestically, BTr’s announced auctions for Q2 remain at P180.0-B per month. It has added some P459.4-B to its coffers by end-February mainly due to RTB-30. If it continues its P180.0-B per month pace, that would translate to P1.8-T for the rest of the year which would suffice to finance its projected deficit of P1.36-T and add to its cash balance by close to P0.5-T. Thus, we don’t see much additional pressure from the NG side.

EQUITY MARKETS

PSEI STAYS ELEVATED IN MARCH, BUT SUCCUMBS IN EARLY APRIL

PSEi remained elevated in March as it ended at 6,903.53, a slight drop of -0.6% from the previous month. This mirrored the minor falls in ASEAN, except for Thailand (+0.5%). In contrast, advanced economies' bourses generally gained ground during the month with Germany leading the pack as the DAX climbed by 4.6% on improving economic conditions. London (FTSE +4.2%), South Korea (KOSPI, +3.9%), and Japan (Nikkei, +3.1%) completed the upward march. Muscular jobs data for March and higher inflation rates in the U.S. have pressed on the Fed to put back its hawkish cap, and equities started a sharp descent in early April.

Outlook: The risk-off sentiment pervaded after the release of U.S. March jobs data, which has seen a massive selloff from April 1-16 in Japan (-5.0%), U.S. (-4.7%), Germany (-4.4%), and United Kingdom (-1.0%). This, together with PH's greater reliance on imported petroleum, battered the PSEi to plunge by 7.0% for the same period and breach the strong support of 6,500. As April unfolded, some companies have also begun to disclose their Q1 earnings, with BDO and BPI taking the lead with double-digit profit growth of 12.0% YoY to P18.5-B and 25.8% YoY to P15.3-B (including the effect of Robinsons Bank), respectively. We had expected a weak Q2, but the nerve-racking situation in the Middle East will keep investors in local equities at bay for at least the rest of Q2. Barring an escalation of the ME conflict, we keep our forecast of 7,000-7,500 in H2.

Table 9 - Global Equities Markets Performances

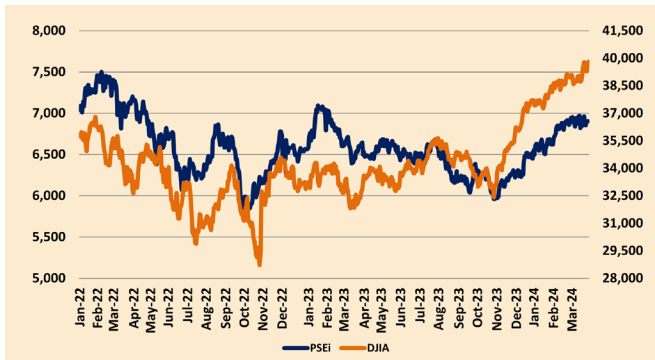
Global Equities Markets Performances				
Region	Country	Index	March M-o-M Change	2024 % Change
Americas	US	DJIA	2.1%	5.6%
Europe	Germany	DAX	4.6%	10.4%
	London	FTSE 101	4.2%	2.8%
East Asia	Hong Kong	HSI	0.2%	-3.0%
	Shanghai	SSEC	0.9%	2.2%
	Japan	NIKKEI	3.1%	20.6%
	South Korea	KOSPI	3.9%	3.4%
Asia-Pacific	Australia	S&P/ASX 200	2.6%	4.0%
Southeast Asia	Indonesia	JCI	-0.4%	0.2%
	Malaysia	KLSE	-1.0%	5.9%
	Thailand	SET	0.5%	-2.7%
	Philippines	PSEi	-0.6%	7.0%

Sources: Bloomberg and Yahoo Finance

Global Picture. Most of our tracked global equity markets landed on the green, while three experienced minor contractions in March. Germany's DAX jumped the most as it closed the month with a 4.6% month-on-month (MoM) upswing, building on its 4.6% gain a month ago. London's FTSE 100 followed suit with a 4.2% MoM uptick in March after experiencing a flat growth in February. Meanwhile, Malaysia's KLSE turned in a -1.0% MoM loss for the month, partially reversing its 2.5% gain the previous month. On the other hand, Philippines' PSEi posted a -0.6% MoM downtick to end March at 6,903.53.

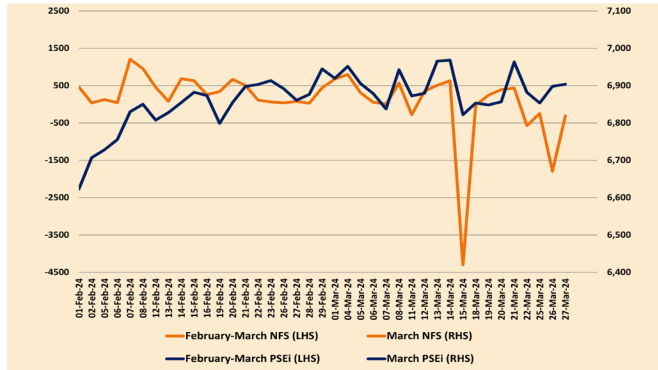
PSEi and DJIA. The Dow Jones Industrial Average (DJIA) finished a volatile month of trading. DJIA ended March at 39,807.37. Meanwhile, PSEi concluded the month at 6,903.53 from the previous month's close of 6,944.71. The correlation between the two indices in March remained positive at +0.17 from +0.57 in the previous month.

Figure 20 - PSEi vs DJIA
PSEi vs DJIA Correlation in March Increased to +0.17



Sources: Wall Street Journal, Bloomberg

Figure 21 - PSEi vs Net Foreign Selling
PSEi vs NFS Posted a +0.52 Correlation in March



Sources: Bloomberg & Yahoo Finance

Table 10 - Monthly Turnover (in Million Php)

Monthly Turnover (in Million Pesos)				
Sector	Total Turnover		Average Daily Turnover	
	Value	% Change	Value	% Change
Financial	33,053.83	36.8%	1,739.68	44.1%
Industrial	24,914.59	7.7%	1,311.29	13.4%
Holdings	22,069.27	1.8%	1,161.54	7.1%
Property	23,190.85	37.3%	1,220.57	44.5%
Services	28,004.50	37.0%	1,473.92	44.2%
Mining & Oil	633.74	-14.1%	33.35	-9.6%
Total	131,866.79	23.2%	6,940.36	29.7%
Foreign Buying	65,017.23	12.8%	3,421.96	18.7%
Foreign Selling	67,582.98	34.0%	3,557.00	41.1%
Net Buying (Selling)	(2,565.76)	-135.6%	(135.04)	-137.5%

Source of Basic Data: PSE Quotation Reports

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

Top Foreign Buy	
Company	Total Value
SM PM Equity	2,047.06
MBT PM Equity	1,508.77
ICT PM Equity	1,082.64
BPI PM Equity	1,020.42
TEL PM Equity	650.00
Total Buy Value	6,308.89

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

Net Foreign Buying/Selling. In terms of trading volume, five sectors landed on the green in March, with the Property sector leading the gainers with a 37.3% MoM increase. The Services sector came next with a 37.0% MoM rise. On the other hand, the Mining & Oil sector emerged as the sole loser for the month with a -14.1% MoM plunge in trading volume.

Foreign investors shifted from a net buying position of P7.2-B in February to a net selling position of P2.5-B in March.

The top five favorite stocks (net buying) of foreign investors amounted to P6.3-B with SM Investments Corporation (SM, P2.0-B) and Metropolitan Bank & Trust Company (MBT, P1.5-B) taking the forefront.

The top five disfavored stocks (net selling) in March amounted to P7.2-B with Ayala Land, Inc. (ALI, P2.1-B) and Emperador Inc. (EMI, P1.8-B) leading the list.

Only one sector landed on the green in March, while the rest ended the month with negative performances. This resulted in a -0.6% MoM loss of PSEi in March. The Services sector came out as the sole winner for the month with a +5.3% MoM uptick. Meanwhile, the Mining & Oil and Industrial sectors led the sectors on the red with -4.6% MoM and -2.6% MoM losses, respectively. Like February, the Financial and Services sectors have delivered the best year-to-date (YTD) performances, boasting impressive gains of +17.0% MoM and +15.3% MoM, respectively.

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

Top Foreign Sell	
Company	Total Value
ALI PM Equity	-2,116.31
EMI PM Equity	-1,875.69
URC PM Equity	-1,655.63
AC PM Equity	-911.09
SECB PM Equity	-667.72
Total Sell Value	-7,226.44

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

Table 13 - Monthly Sectoral Performance

Monthly Sectoral Performance					
Sector	29-February-2024		27-March-2024		2024 YTD
	Index	% Change	Index	% Change	
PSEI	6,944.71	4.5%	6,903.53	-0.6%	7.0%
Financial	2,048.47	8.6%	2,034.27	-0.7%	17.0%
Industrial	9,341.19	4.7%	9,099.58	-2.6%	0.3%
Holdings	6,551.37	3.5%	6,461.22	-1.4%	5.8%
Property	2,842.93	-2.7%	2,809.81	-1.2%	-1.6%
Services	1,757.91	8.6%	1,851.02	5.3%	15.3%
Mining & Oil	8,510.83	-8.0%	8,123.30	-4.6%	-18.8%

Source of Basic Data: PSE Quotation Reports

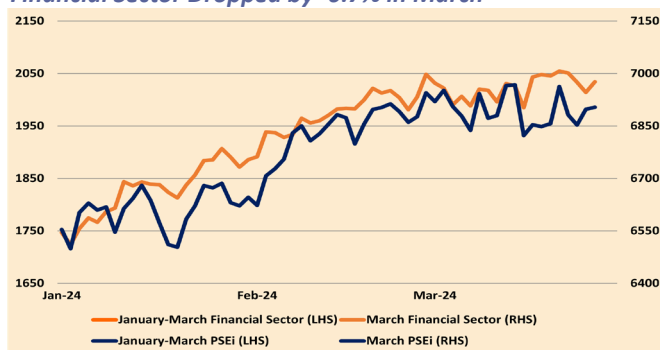
Table 14 - Financial Sector Constituent Stocks

Company	Symbol	02/29/2024 Close	03/27/2024 Close	M-o-M % Change	2024 YTD
Metropolitan Bank and Trust Company	MBT	62.00	65.15	5.1%	27.0%
BDO Unibank, Inc.	BDO	153.00	154.50	1.0%	18.4%
Bank of the Philippine Islands	BPI	125.10	118.10	-5.6%	13.8%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Financial Sector Index (January 2024 - March 2024)

Financial Sector Dropped by -0.7% in March



Source of Basic Data: PSE Quotation Reports

The Financial sector ranked second in the sectoral race, with a -0.7% MoM decrement in March, partially offsetting its +8.6% gain a month ago.

Metropolitan Bank & Trust Company's (MBT) share prices led the Financial as it ended the month with a +5.1% MoM uptick, piling on top of its +8.6% gain the previous month. MBT recently won the Best Bank for Ultra-High-Net-Worth (UHNW) award at the Euromoney Global Private Banking Awards 2024 in acknowledgement of the bank's impressive quality of services and exceptionally skilled team. This adds on to the multiple accolades that MBT received last year, such as the Best Bank of the Year (from The Banker), the Strongest Bank in PH (from The Asian Banker), and the Best Domestic Bank (from Asiamoney).

BDO Unibank, Inc.'s (BDO) share prices followed suit with a +1.0% MoM increment in March, following its 5.5% gain in February. BDO recently bagged the Best Advance in Responsible Finance award at the Retail Banker International Asia Trailblazer Awards 2024 in Singapore in recognition of its Blue Bond initiative.

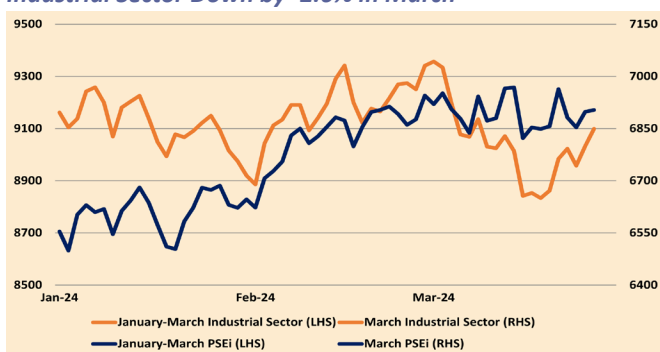
Bank of the Philippine Islands' (BPI) share prices contracted by -5.6% MoM in March, reversing some of its 13.1% gain a month earlier. BPI recently finalized the sale of its shares in GoTyme Bank Corporation, which the former acquired following its merger with Robinsons Bank Corporation. BPI sold a total of 752,056,290 common shares, equivalent to a 15% stake in GoTyme Bank, at a price of P1.20 per share or some P902.4-M in cash.

Table 15 - Industrial Sector Constituent Stocks

Company	Symbol	02/29/2024 Close	03/27/2024 Close	M-o-M % Change	2024 YTD
Meralco	MER	390.00	357.00	-8.5%	-10.5%
Jollibee Foods Corporation	JFC	273.80	252.60	-7.7%	0.5%
Universal Robina Corporation	URC	117.00	105.30	-10.0%	-10.9%
AC Energy Corporation	ACEN	4.16	3.85	-7.5%	-12.1%
Emperador Inc.	EMI	19.54	19.00	-2.8%	-8.9%
Monde Nissin Corporation	MONDE	10.00	10.92	9.2%	30.3%
Century Pacific Food, Inc.	CNPF	33.50	40.00	19.4%	29.2%
Semirara Mining and Power Corporation	SCC	32.30	34.90	8.0%	15.4%

Source of Basic Data: PSE Quotation Reports

Figure 23 - Industrial Sector Index (January 2024 - March 2024)
Industrial Sector Down by -2.6% in March



Source of Basic Data: PSE Quotation Reports

The Industrial sector grabbed fifth place in the sectoral rankings with a -2.6% MoM loss in March, reducing its +4.7% gain a month earlier.

Century Pacific Food, Inc.'s (CNPF) share prices surged by +19.4% MoM in March, continuing its +1.7% gain in February. CNPF disclosed that it entered into a new long-term contract with The Vita Coco Company, Inc. Under this contract, CNPF, currently one of Vita Coco's largest suppliers, is expected to provide around 90-M liters of coconut water to Vita Coco over the next five years.

Monde Nissin Corporation's (MONDE) share prices followed suit with a +9.2% MoM gain in March, following its +13.5% increase the previous month. MONDE recently announced that its full year (FY) 2023 Earnings Briefing will be conducted online on April 11 through a virtual conference facility.

Semirara Mining and Power Corporation's (SCC) share prices continue to rise after going up by +8.0% MoM in March from +4.2% in February. SCC recently made a declaration of regular and special cash dividends for its common stockholders amounting to P1.50 per share and P2.00 per share, respectively, for a total dividend of P3.50 per share. This will provide a cash dividend yield of 10.0% based on its March 21 closing price.

ACEN Corporation's (ACEN) share prices went down by -7.5% MoM in March, following its -2.1% loss a month ago. ACEN's rating for its climate change disclosure has been upgraded to "B" by CDP, a global organization running the world's leading environmental disclosure platform. This is two levels higher than its rating last year, giving evidence to ACEN's commitment to decarbonization and compliance to the highest environmental standards.

Universal Robina Corporation's (URC) share prices ended March with a -10.0% MoM loss, reversing its +4.9% gain in February. URC experienced a +6.0% YoY uptick in its core net income for FY 2023 to P12.6-B from around P11.9-B last year, fueled by the expansion of its operating income yet moderated by higher interest rates.

Table 16 - Holdings Sector Constituent Stocks

Company	Symbol	02/29/2024 Close	03/27/2024 Close	M-o-M % Change	2024 YTD
Ayala Corporation	AC	678.00	640.00	-5.6%	-6.0%
SM Investments Corporation	SM	940.00	972.00	3.4%	11.5%
Aboitiz Equity Ventures	AEV	53.00	46.85	-11.6%	5.0%
GT Capital Holdings, Inc.	GTCAP	703.00	704.00	0.1%	19.3%
San Miguel Corporation	SMC	102.10	109.90	7.6%	7.6%
Alliance Global Group, Inc.	AGI	10.32	10.16	-1.6%	-9.9%
LT Group, Inc.	LTG	9.50	9.99	5.2%	11.2%
JG Summit Holdings, Inc.	JGS	41.00	36.40	-11.2%	-4.6%
DMCI Holdings, Inc.	DMC	10.96	11.36	3.6%	16.3%

Source of Basic Data: PSE Quotation Reports

The Holdings sector grabbed fourth place in the sectoral rankings with a -1.4% MoM downtick in March, partially offsetting its +3.5% gain the previous month.

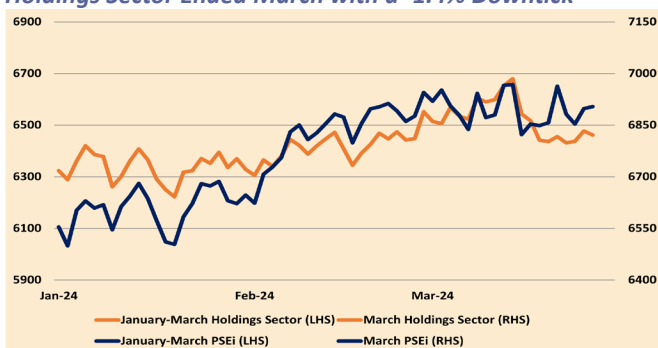
San Miguel Corporation's (SMC) share prices increased by +7.6% MoM in March, leaving no trace of its -5.5% loss a month ago. SMC registered an impressive net income growth of +67.0% YoY to P44.7-B for FY 2023 from P26.7-B in 2022, driven by the robust volume performances of its major businesses such as San Miguel Brewery, Inc., Ginebra San Miguel, Inc., Petron, and SMC Infrastructure, which was bolstered further by the incorporation of Eagle Cement Corporation's FY financial results.

LT Group, Inc.'s (LTG) share prices closed the month with a +5.2% MoM gain in March, after posting a flat growth in February. LTG received a +1.0% YoY increment on its FY 2023 core net income to P25.4-B from P25.1-B the previous year, as it was weighed down by its tobacco and beverage business. However, on a quarterly basis, LTG's core net income surged by +31.0% YoY to P6.1-B in Q4-2023 from P4.7-B the same quarter a year ago.

GT Capital Holdings, Inc.'s (GTCAP) share prices experienced a minor uptick of +0.1% MoM in March, following its +5.6% gain a month ago. GTCAP announced that its core net income for FY 2023 soared to a record high of P28.8-B, an +82.0% YoY increase from P15.9-B in 2022. In Q4 2023 alone, GTCAP recorded a +23.0% YoY growth in its core net income to P5.6-B from P4.6-B last year. The surge in GTCAP's core net income for 2023 can be attributed to the robust performances of its key businesses, such as the Metropolitan Bank & Trust Company, Toyota Motor Philippines, Federal Land, Inc., AXA Philippines, and Metro Pacific Investments Corporation.

JG Summit Holdings, Inc.'s (JGS) share prices contracted by -11.2% MoM in March, erasing its +7.0% gain in February. Nevertheless, JGS saw its core net income jumped by a whopping +216.0% YoY to P19.6-B for FY 2023 from P6.2-B a year ago, driven by the increased revenues of its airline and real estate businesses.

Figure 24 - Holdings Sector Index (January 2024 - March 2024)
Holdings Sector Ended March with a -1.4% Downtick

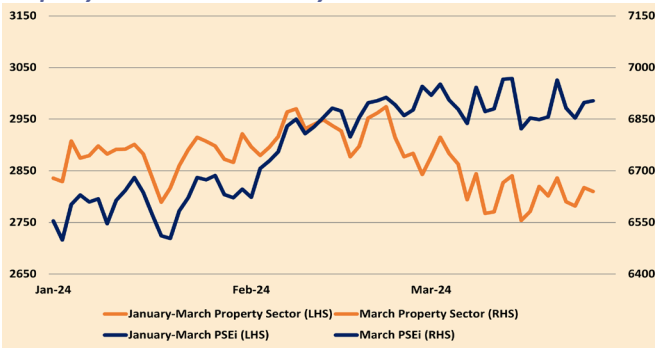


Source of Basic Data: PSE Quotation Reports

Table 17 - Property Sector Constituent Stocks

Company	Symbol	02/29/2024 Close	03/27/2024 Close	M-o-M % Change	2024 YTD
Ayala Land, Inc.	ALI	35.00	32.25	-7.9%	-6.4%
SM Prime Holdings, Inc.	SMPH	31.60	32.70	3.5%	-0.6%

Source of Basic Data: PSE Quotation Reports

Figure 25 - Property Sector Index (January 2024 - March 2024)
Property Sector Contracted by -1.2% in March

Source of Basic Data: PSE Quotation Reports

Table 18 - Services Sector Constituent Stocks

Company	Symbol	02/29/2024 Close	03/27/2024 Close	M-o-M % Change	2024 YTD
PLDT, Inc.	TEL	1,313.00	1,370.00	4.3%	7.1%
Globe Telecom	GLO	1,720.00	1,769.00	2.8%	2.8%
Converge ICT Solutions, Inc.	CNVRG	9.00	9.96	10.7%	18.9%
Puregold Price Club Inc.	PGOLD	27.50	26.80	-2.5%	-0.4%
Wilcon Depot, Inc.	WLCON	21.60	17.78	-17.7%	-14.9%
International Container Terminal Services, Inc.	ICT	289.00	318.00	10.0%	28.8%
Bloomerry Resorts Corporation	BLOOM	11.22	11.04	-1.6%	12.2%

Source of Basic Data: PSE Quotation Reports

Aboitiz Equity Ventures, Inc.'s (AEV) share prices plunged in March by -11.6% MoM, wiping out its +9.3% gain the previous month. AEV's core net income for FY 2023 soared by +8.0% YoY to P22.1-B from P20.5-B in 2022, as most of its strategic business units delivered higher contributions to AEV's net income. On a quarterly basis, AEV's core net income rose by +10.0% YoY to P4.8-B in Q4-2023.

The Property sector ranked third place in the sectoral race with a -1.2% MoM loss in March, following its -2.7% downtick in February.

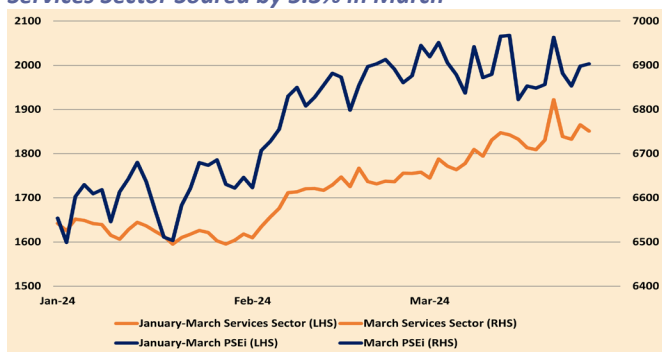
SM Prime Holdings, Inc.'s (SMPH) share prices ended March with a +3.5% MoM increase, partially recovering its -7.7% loss a month earlier. SMPH recently submitted to the Securities and Exchange Commission (SEC) its application for the shelf registration of debt securities worth P100.0-B. The planned initial bond offering totals P20.0-B with an over subscription option of up to P5.0-B and will comprise 3-year Series V Bonds maturing in 2027, 5-year Series W Bonds maturing in 2029, and 7-year Series X Bonds maturing in 2031.

Ayala Land, Inc.'s (ALI) share prices closed the month with a -7.9% MoM decline, completely erasing its +2.6% gain the previous month. ALI recently disclosed its plan to merge ALI and 34 entities that are wholly owned directly by ALI, or through AyalaLand Estates, Inc. (ALEI) and AyalaLand Hotels and Resorts Corporation (AHRC), with ALI as the surviving entity in order to simplify the ownership structure.

The Services sector clinched first place in the sectoral rankings after emerging as the sole gainer in March with a +5.3% MoM increase, piling on top of its +8.6% gain a month ago.

Converge ICT Solutions, Inc.'s (CNVRG) share prices jumped by +10.7% MoM in March, wiping out its -2.9% loss in February. CNVRG reported a +22.0% YoY growth in its core net income for FY 2023 to P9.1-B from P7.4-B a year ago, driven by the strong demand for its internet services. In Q4-2023 alone, CNVRG experienced a +105.0% YoY surge in its Q4-2023 core net income to P2.7-B from P1.3-B last year.

Figure 26 - Services Sector Index (January 2024 - March 2024)
Services Sector Soared by 5.3% in March



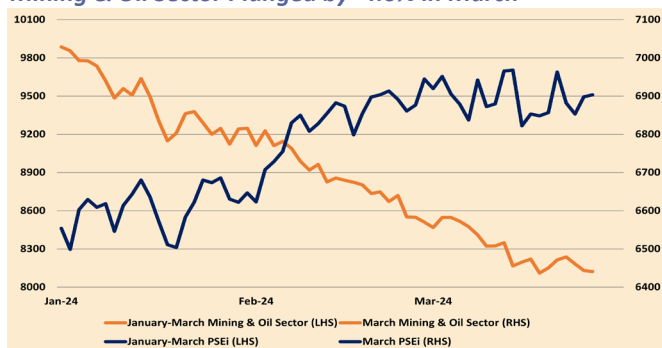
Source of Basic Data: PSE Quotation Reports

Table 19 - Mining & Oil Sector Constituent Stock

Company	Symbol	02/29/2024 Close	03/27/2024 Close	M-o-M % Change	2024 YTD
Nickel Asia Corporation	NIKL	4.54	4.00	-11.9%	-27.0%

Source of Basic Data: PSE Quotation Reports

Figure 27 - Mining & Oil Sector Index (January 2024 - March 2024)
Mining & Oil Sector Plunged by -4.6% in March



Source of Basic Data: PSE Quotation Reports

International Container Terminal Services, Inc. (ICT) share prices followed closely with a +10.0% MoM gain in March, continuing its +18.9% increase a month earlier. ICT is set to develop and operate the Iloilo Commercial Port Complex (ICPC) after recently receiving the Notice to Proceed from the Philippine Ports Authority (PPA).

PLDT, Inc.'s (TEL) share prices also went up by +4.3% MoM in March, augmenting its +3.2% gain the previous month. TEL's net income for FY 2023 soared by +154.0% YoY to P26.6-B from P10.5-B in 2022, driven by topline growth and reduced expenses.

Wilcon Depot, Inc.'s (WLCON) share prices shrank by -17.7% MoM in March, following its -1.4% loss a month earlier. WLCON saw its net income for FY 2023 drop by -9.5% YoY to P3.4-B from P3.8-B last year due to increased operating expenses. In terms of quarterly results, WLCON's net income for Q4-2023 amounted to P757.0-M, down by -14.7% YoY from its Q4-2022 figure of P887.0-M.

The Mining & Oil sector finished last in the sectoral race after a further decline of -4.6% MoM in March from -8.0% a month ago.

Nickel Asia Corporation's (NIKL) share prices concluded the month with a -11.9% MoM loss, following a -6.2% contraction in February. NIKL saw its core net income for FY 2023 plunge by -53.0% YoY to P3.7-B from P7.9-B in 2022, driven by the increased nickel production in Indonesia that lowered nickel ore prices.

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)

	2022		2023		January-2024			February-2024		
	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	3,545,505	18.0%	3,824,105	7.9%	421,801	62.2%	21.1%	224,016	-46.9%	5.7%
BIR	3,220,315	17.4%	3,429,292	6.5%	385,159	56.2%	25.0%	211,305	-45.1%	8.6%
BoC	2,335,674	12.4%	2,516,986	7.8%	308,435	77.0%	31.4%	137,988	-55.3%	6.7%
Others	862,420	34.0%	883,214	2.4%	73,397	3.1%	4.0%	70,560	-3.9%	12.2%
Non-Tax	22,221	5.7%	29,092	30.9%	3,327	195.2%	26.4%	2,757	-17.1%	16.4%
	324,082	23.5%	394,164	21.6%	36,641	174.2%	-8.7%	12,711	-65.3%	-26.2%
Expenditures										
Allotment to LGUs	5,159,640	10.4%	5,336,191	3.4%	333,850	-49.5%	10.4%	388,693	16.4%	22.1%
Interest Payments	1,103,284	23.6%	926,052	-16.1%	78,364	3.3%	6.3%	101,522	29.6%	37.5%
	502,858	17.1%	628,333	25.0%	74,221	22.3%	58.0%	47,827	-35.6%	40.2%
Overall Surplus (or Deficit)	(1,614,135)	-3.4%	(1,512,086)	-6.3%	87,951	-121.9%	92.2%	(164,677)	-287.2%	54.8%

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)

	2023		January-2024		February-2024	
	Average Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.
RESERVE MONEY	3,611,236	3.7%	3,644,516	2.2%	3,384,054	-10.9%
Sources:						
Net Foreign Asset of the BSP	6,438,915	0.2%	6,669,754	4.4%	6,561,025	3.6%
Net Domestic Asset of the BSP	17,335,203	10.6%	18,277,219	9.9%	18,335,039	9.5%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	6,508,248	3.0%	6,703,078	3.6%	6,647,338	2.9%
Money Supply-2	16,013,455	7.6%	16,527,202	6.5%	16,473,993	5.4%
Money Supply-3	16,491,257	6.8%	16,980,251	6.0%	16,914,355	5.0%
MONEY MULTIPLIER (M2/RM)	4.43		4.53		4.87	

Source: *Bangko Sentral ng Pilipinas (BSP)*

CONTRIBUTORS

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