July 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

With our expectation of a strong rebound in H2, we project full year GDP to expand by 6.1%, within the revised government target. Investment and consumer spending should flourish as the former counts on a faster pace of infrastructure and transport sector (both NG and PPP) work on ongoing projects. Business sentiment as of Q2 appears constructive even as the Manufacturing sector's YoY gains have hastened in April and May. The peso-dollar rate, however, should face renewed upward pressure given large trade deficits and BSP, we think, would remain unmoved by the Fed rate hike of 25 bps on July 25th. Thus, USDPHP should move to the Php 55-56/$ range in Q3. Both the bond and equities markets did not do well in June, but opportunities to accumulate at attractive levels could have investors returning mid to late Q3.

Macroeconomy

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While GDP growth may ease to 5.6% YoY in Q2, the economy looks set for a robust rebound in H2. Employment remains constructive and should accelerate in H2 with National Government and PPP spending on infrastructure and rail projects. Despite El Nino, inflation consensus for July has dropped to 4.9%, further down from 5.4% in June. The rapid fall in inflation to within BSP target of 2% to 4% by Q4 and cut in personal income tax should also contribute to stronger consumer spending. The balance of trade will remain elevated and together with a BSP pause in August, against the 25 bps in policy rates by the Fed, should put renewed pressure on the FX rate.

Unemployment rate falls to 4.3%, 2nd lowest since 2005. • National Government budget deficit reached P326.3-B YTD in May, 28.9% lower YoY. • Manufacturing output climbed faster by 8.1% in May from 7.7% a month earlier. • Headline inflation decelerated to 5.4% in June from 6.1% a month ago as fuel and most food prices fell. • Exports posted its first YoY gain of 1.9% in May after five months of decline, trade deficit eases to $4.4-B, lowest in three months. • Peso-dollar rate weakened by 0.3% in June to average P55.89/$.

Bond Markets

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Fed officials adopted a more hawkish stance in June in response to persistently intense inflationary pressures and a resilient labor market. Consequently, the market correctly priced in the 25 bps rate hike in July, bringing the local 10-year yields to surge as high as 6.7% on July 10. Markets, however, now hope for a "Goldilocks" "soft landing" since U.S. GDP unexpectedly jumped by 2.4% in Q2 (vs. consensus of 2%) at the same time that CPI inflation fell to 3% in June from 4.1% a month earlier. However, it returned to the 6.2-6.3% level later in the month following the softer June U.S. inflation at 3%. Thus, there's little upside risk for domestic bond yields, especially in the long end, as we don't expect the BSP to match the Fed's move.

Global risk-off sentiment brought the total tender-offer ratio (TOR) to drop to 1.642x in June from 2.694x in the previous month. • Tenders for T-bills plunged by -64.5% MoM to P84.0-B in June during auctions. • Trading volume in the secondary market fell to an 8-month low of P328.7-B in June. • Yields across the curve rose with the 3-year T-bond yields surging the most by 44.9 bps in June. • ROPs spread over equivalent U.S. Treasuries narrowed as bond investors moved into Asia which showed a clearer end in the policy hiking cycle.

Equities Market

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PSEi rallied in July to 6,600 levels as above-expectations Q1 earnings buoyed local investor interest, amid net foreign selling. Robust H2 GDP growth, falling inflation, and interest rates should pave good recovery for Q3 of this year. Foreign investors share in trading dropped to a low should encourage local investors to start accumulating selected counters as early as Q3. The sectors showed 50:50 performance as three sectors turned in a positive performance while three sectors turned in a negative performance. The Services sector turned in the highest performance as it posted a +3.1% MoM gain in June. Meanwhile, the Property sector ranked last in the sectoral race with its -1.7% loss in June. Still, we expect PSEi to breach 7,200-7,500 this year due to robust macroeconomic fundamentals and strong corporate earnings. The largest net foreign buying in 19 months on July 31st at $270.1-M provide support to this view.

Metro Pacific Investments Corporation (MPI) posted the best performance among PSEi-constituent stocks (MPI, +9.7% gain MoM). • Wilcon Depot (WLCON) led the decliners with -15% dip MoM. • In the Mining & Oil sector, Semirara Mining & Power Corporation (SCC) showed no change at 0%. • Foreigners ended the month as net sellers to the tune of P5.4-B from net selling of (P4.5-B) a month earlier.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date	2021 (year-end)	2022 (year-end)
GDP Growth (Q1-2023)	6.4	7.2	6.4	5.8	7.2
Inflation Rate (June)	5.4	6.1	7.2	3.1	8.1
Government Spending (May)	24.6	-0.2	9.3	12.8	13.6
Gross International Reserves ($B) (June)	99.4	100.6	100.4	107.1	95.1
PHP/USD rate (June)	55.36	55.26	54.89	48.88	55.68
10-year T-bond yield (end-June)	6.42	5.94	6.18	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

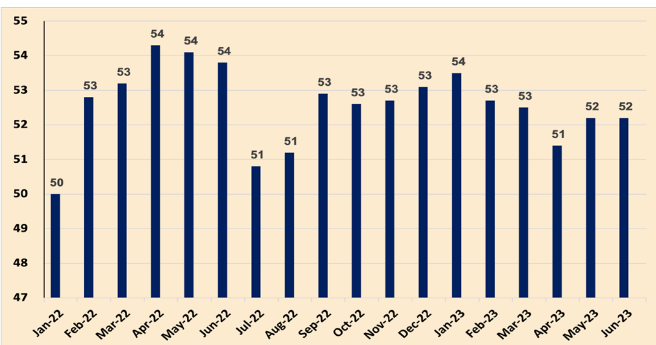
MORE ROBUST H2 SHOULD BRING 2023 GDP GROWTH TO 6.1%

A slew of recently released economic data painted a brighter picture than what Metro Manila residents perceive for Q2-2023. Unemployment rate fell to the second lowest level since 2005 at 4.3% in May and absolute level of 2.2-M unemployed persons. Business confidence Index gained in Q2-2023 for the current quarter, while the National Government (NG) posted a lower YTD (to May) deficit of P326.3-B, 28.9% lower than the same period in 2022; besides, this represents only 21.7% of the projected full year deficit of P1.5-T with seven months to go. Inflation slipped further to 5.4% in June due to lower fuel and most food prices. Finally, export growth entered the positive territory for the first time in 2023 after a bite-up size 1.9% uptick in May.

***Outlook**: While we expect a slowdown in GDP growth in Q2 to 5.6%, it should still prove sufficiently strong to bring full year GDP up by 6.1%. H2 should show a good rebound due to an acceleration in NG infrastructure spending and employment, cut in personal income tax, and milder inflation that should, on year-on-year (YoY) basis, hit BSP's 2-4% target by Q4. These translate to more robust investment and consumer spending. With inflation rates clearly headed to its target range, we think BSP will pause in its next meeting in August, despite the widely expected Fed policy rate hike of 25 bps on July 25th. However, the BSP stance, together with elevated trade deficits and an upside on the U.S. dollar will likely push the exchange rate back to above P56/$ by yearend.*

Figure 1 - Manufacturing PMI

Manufacturing PMI Remained at 52.2 in June 2023



Source of Basic Data: S&P Global

Volume of Production Index (VOPI) Accelerates to 8.1% in May

The Manufacturing sector's output (as represented by VoPI) speeded by 8.1% YoY in May from 7.7% a month earlier and 3.8% in March 2023. While advancers and decliners each took half of the 22 sub-sectors, the gains proved stronger than the negatives. YTD, VoPI has risen by 7%.

The gainers included Manufacture of Electrical Equipment (+53.7%), Printing and Reproduction of Recorded Media (+40.1%), Manufacture of Transport Equipment (+37.9%), Other Manufacturing, Repair, Etc. of Machinery & Equipment (+33.1%), all of which had strong performances in April 2023 as well.

The top decliners consisted of Manufacture of Furniture (-31.3%), Manufacture of Wearing Apparel (-25.5%), Manufacture of Chemical & Chemical Products (-21.2%), and Manufacture of Tobacco Products (-20.9%). Like the big gainers, the losers also had negative YoY performances in April 2023.

Another metric, S&P Global Philippines Manufacturing PMI, showed a slow down to 50.9 in June from 52.2 a month ago. This marked the 17th consecutive month of expansion (above-50), albeit the slowest since July 2022. It appears that demand had weakened in the wake of the global economic slowdown.

Table 1 - Labor Force Survey Summary

	April 2023	May 2023	MoM Change Levels	MoM Change % Change
Labor Force	**50,314**	**50,428**	**114**	**0.2%**
Employed	**48,058**	**48,260**	**202**	**0.4%**
Underemployed	**6,204**	**5,661**	**(543)**	**-8.8%**
Underemployment rate%	**12.9**	**11.7**	**(1.18)**	**-9.1%**
Unemployed	**2,256**	**2,167**	**(89)**	**-3.9%**
Unemployment rate%	**4.5**	**4.3**	**(0.18)**	**-4.1%**
Labor Participation rate%	**65.1**	**65.3**	**0.23**	**0.3%**
Not in Labor Force	**26,946**	**26,742**	**-204**	**-0.8%**
Agriculture ('000)	**10,545**	**11,727**	**1,182**	**11.2%**
Industry ('000)	**8,172**	**8,147**	**(25)**	**-0.3%**
Mining and Quarrying	240	185	(56)	-23.1%
Manufacturing	3,452	3,493	41	1.2%
Electricity, Gas, Steam, and Air-Conditioning Supply	85	86	2	1.9%
Water Supply; Sewerage, etc.	76	39	(37)	-49.0%
Construction	4,319	4,344	25	0.6%
Services ('000)	**29,341**	**28,387**	**(954)**	**-3.3%**
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10,738	10,162	(577)	-5.4%
Transportation and Storage	3,466	3,434	(32)	-0.9%
Accomodation and Food Services Activities	2,110	2,163	53	2.5%
Information and Communication	490	391	(99)	-20.1%
Financial and Insurance Services	656	688	31	4.8%
Real Estate Activities	298	317	19	6.4%
Professional, Scientific, and Technical Activities	374	374	(1)	-0.2%
Administrative and Support Services Activities	2,424	2,057	(367)	-15.1%
Public Administration and Defense; Compulsory Social Security	2,896	2,857	(39)	-1.4%
Education	1,638	1,486	(152)	-9.3%
Human Health and Social Work Activities	812	734	(78)	-9.6%
Arts, Entertainment, and Recreation	492	653	162	32.9%
Other Service Activities	2,945	3,070	124	4.2%

Source of Basic Data: Philippine Statistics Authority (PSA)

Unemployment Rate Lower at 4.3% in May, 2nd Lowest Since 2005

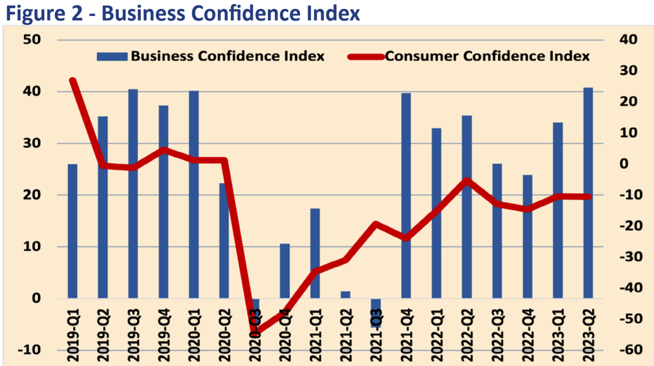
The economy created some 202,000 jobs in May driving the unemployment rate (UR) down to 4.3% from 4.5% a month earlier. The UR came as the second lowest rate since April 2005, after the record 4.1% in November 2022. The job creation absorbed practically the same number of persons previously outside the labor force. The number of unemployed persons at 2.2-M emerged as the second lowest during the same period, with the lowest of 2.1-M recorded in October 2019. The underemployment rate likewise fell to 11.7%, also the second lowest after 11.2% in March 2023, but lower than 12.9% a month ago.

While the Agriculture sector contributed most of the job gains (+1.2-M) as rice planting season started, the Industry sector stayed fairly flat boosted by the Manufacturing and Construction sub-sectors. The Services sector offset most of the gains as it shed nearly 1.0-M jobs. The Manufacturing sub-sector added the most job openings (+41,000) the second consecutive monthly uptick, while the Construction sub-sector employed some 25,000 more people, as the two sub-sectors combined for nearly all of the improvement in the Industry sector.

The Services sector saw huge job losses in the Trade (Wholesale and Retail) sub-sector (-0.6-M) followed by Administrative and Support Activities (-0.4-M). Human Health & Social Work Activities lost less than 0.2-M after six consecutive monthly increments. Only five out of the 13 sectors took in more people to work. The largest batch went to the Arts & Entertainment sub-sector (+162,000) while Other Services put another 124,000 to work.

Notably, Accommodation and Food Service provided 56,000 new openings nearly half of what it accepted in the previous month.

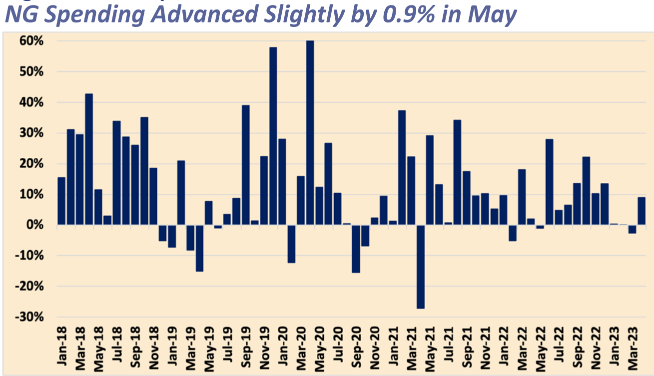
Figure 2 - Business Confidence Index



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

Figure 3 - NG Expenditures Growth Rate, Year-on-Year

NG Spending Advanced Slightly by 0.9% in May



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

Business Confidence Index Rises Anew to 40.8% in Q2

BSP Survey on Business Confidence Index rose again in Q2 to 40.8%, the highest since Q4-2017 when it reached 43%. The reading climbed from 34% in Q1-2023. However, the outlook for Q3 and the next twelve months eased slightly but remained positive at 46.4% and 58.5%, or 2.6 to 3.4 percentage points lower than their scores in Q1-2023.

On the other hand, the Consumer Confidence Index hardly moved from Q1-2023's score of -10.4% to -10.5% in Q2-2023. While the outlook for the next quarter and the next 12 months remained positive at 4.6% and 20.5%, respectively, these eased 2.9 and 2.2 percentage points, respectively, from Q1-2023 levels. It reflected consumer concerns on elevated inflation that peaked in Q1-2023.

NG Deficit Climbs to P122.2-B in May, but 16.7% Lower than Year Ago

From P146.8-B in May 2022, the National Government deficit reached P122.2-B, lower by 16.7% from a year ago. Faster expansion of revenues (+9.4%) compared to expenditures (+0.9%) resulted in the lower shortfall in May 2023. YTD, the deficit hit P326.3-B only some 21.8% of full year (FY) deficit projection of P1.5-T. When annualized the YTD deficit comes to only P783.0-B, only about half of the FY deficit.

Non-tax revenues carried the day as these soared by 107.4% YoY to P41.7-B as Bureau of the Treasury's income nearly tripled, while other non-tax revenues vaulted nine-fold. These gains offset the weak performance of tax revenues which only rose by 2.4%. Bureau of Customs (BOC) provided the big tax boost with its 17.6% jump, while the Bureau of Internal Revenue's (BIR) collections fell by -1.5%. The latter resulted from a high base in 2022 when BIR gave liberal payment extensions as the pandemic's end loomed.

While total expenditures in May inched up by only 0.9%, NG spending (excluding interest payments, allotments to LGUs, etc.) enlarged by 6.1%. Interest payments climbed by 22.2% YoY as interest rates trended upward, but the fall in Allotments to LGUs (i.e., the largest non-NG expenditure item) by -15.8% more than offset the former. Large capital expenditures on road and transport projects of the Department of Public Works and Highways, and Department of Transportation boosted NG spending.

NG will likely rachet up infrastructure spending in H2 and provide a good stimulus for a robust recovery.

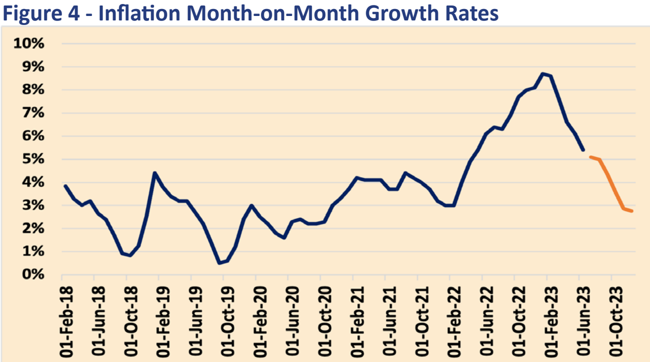
Table 2 - Major Contributors to Year-on-Year Inflation

Inflation Year-on-Year Growth Rates	May-2023	June-2023	YTD
	6.1%	**5.4%**	7.2%
Food and Non-Alcoholic Beverages	7.4%	6.7%	8.0%
Alcoholic Beverages and Tobacco	12.3%	11.6%	14.0%
Clothing and Footwear	5.1%	5.1%	5.5%
Housing, Water, Electricity, Gas, and Other Fuels	6.5%	5.6%	7.2%
Transport	-0.5%	-3.1%	3.2%
Restaurants and Accommodation	8.3%	8.2%	9.0%
Personal Care & Miscellaneous Goods and Services	5.7%	5.8%	6.2%

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

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 4 - Inflation Month-on-Month Growth Rates



Source of Basic Data: Philippine Statistics Authority (PSA)

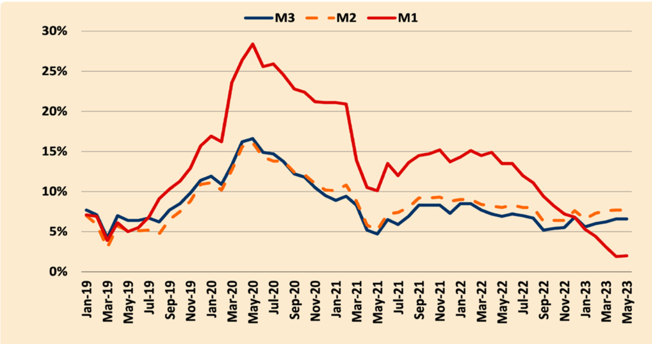
Headline Inflation Slides Again to 5.4% in June

The country experienced slower inflation at 5.4% YoY as fuel and most food prices fell in June. While it slipped from 6.1% YoY a month earlier, core inflation (exclusive of food and fuel prices) remained elevated at 7.4% YoY, albeit down from 7.7% in June. That said, the concept of core inflation applies more aptly to advanced economies while in the Philippines food accounts for nearly 40% of the Consumer Price Index (CPI).

Fuel prices plunged by -23.2% YoY, as crude oil prices abroad slumped. West Texas Intermediate (WTI, U.S. benchmark) tanked by -39% to $70.25/barrel, while Brent (European benchmark) plummeted as well by -38.8% to $74.84/barrel. All this despite OPEC's announcement of a huge production cut of 1.1-M barrels a day.

At the same time, only prices of four out of 11 food categories picked up pace while the rest slowed. Fruits & Nuts had the largest slide from 14.3% YoY to 11.4% in June, followed closely by Oils & Fats sub-index which eased to 5.6% YoY from 8.5% a month earlier.

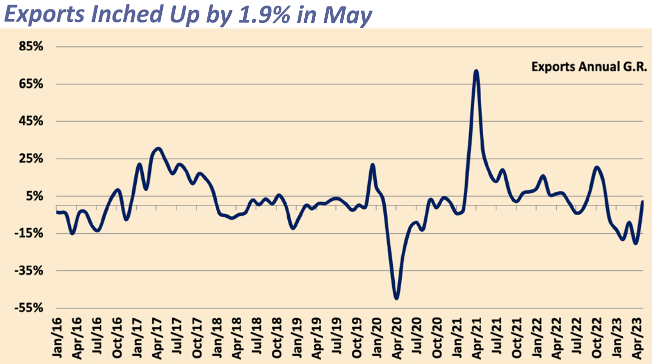
Figure 5 - M1, M2, M3 Growth Rates



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

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

Exports Inched Up by 1.9% in May



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 3 - Exports Year-on-Year Growth Rates

	Apr-2023	May-2023	YTD
Total Exports	**-20.2**	**1.9**	**-11.5**
Agro-Based Products	**-42.6**	**-28.0**	**-31.2**
Mineral Products, of which	**-34.0**	**13.5**	**-12.2**
Copper cathodes	-37.5	**-18.8**	-27.9
Others (incl. nickel)	-47.8	-3.0	-19.4
Manufactured Goods	**-16.5**	**4.5**	**-10.2**
Electronic Products	-17.9	6.7	-12.8
Other Electronics	11.3	34.5	16.9
Chemicals	-33.8	-27.5	-21.3
Machinery and Transport Equipment	10.3	-8.4	17.2
Processed Food and Beverages	-24.4	4.5	-10.3
Others	-7.8	4.5	-4.1

Source of Basic Data: Philippine Statistics Authority (PSA)

Money Supply (M3) Growth Still at 6.6% YoY in May

Just as it did in April, Money Supply (M3, or total domestic liquidity) expanded by 6.6% YoY in May 2023. On a month-on-month (MoM) seasonally adjusted basis, M3 rose by some 0.3% which, when annualized, comes lower than actual raw data growth.

BSP's Net Foreign Assets (NFA) grew by 4.2% YoY in May from 2.5% in the prior month. On the other hand, NFA of banks slipped mildly by -1.2%, but remained positive overall.

Universal and commercial banks' (UKBs) outstanding loans hiked by 9.4% YoY in May a minor slowdown from 9.7% in April. Production loans of banks slowed to 7.9% from the previous month's 8.3%, while their consumer loans accelerated to a 22.7% pace from 22.3% in April. A big bulk (51.4%) of production loans went to major industries, such as, electricity, gas, steam, & air-conditioning supply (14.1%); real estate activities (5.5%); wholesale and retail trade, and repair of motor vehicles and motorcycles (8.6%); information and communication (15.9%); and financial and insurance activities (7.3 %).

May Exports Pick Up for the First Time in 6 Months

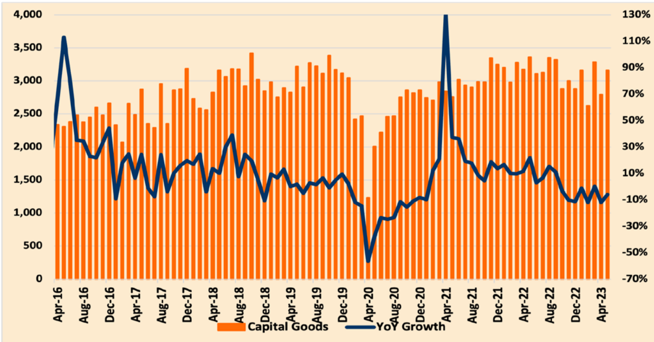
After five straight months of contraction, outward shipments rebounded by 1.9% to $6.4-B in May from $6.3-B a year earlier. This reversal came after the revised -20.2% decline in April. Furthermore, it soared by 31.4% from last month's near 3-year low of $4.9-B.

Five out of 10 major commodities recorded annual gains in May. Gold posted the biggest uptick for the second month in a row with 69%. Moreover, Ignition Wiring Set & Other Wiring Sets Used in Vehicles, Aircrafts & Ships and Bananas (Fresh) experienced double-digit expansion of 50.4% and 13.9%, respectively. The country's top export, Electronic Products, advanced by 6.7% in May. On the contrary, Coconut Oil plunged the most by -53%, followed by Chemicals (-28.5%) and Cathodes and Sections Of Cathodes, Of Refined Copper (-18.8%).

By major types of goods, Mineral Products saw the largest increase by 13.5% YoY amid higher Gold exports (69%). Similarly, Manufactured Goods climbed by 4.5% in May. Meanwhile, Petroleum Products plummeted by -50.4% in May. Total Agro-Based Products fell by -26.1% dragged down by lower sales in Coconut Products (-48.4%).

China maintained its position as the country's top export destination for the 3rd consecutive month in May, contributing 16.6% of total exports. In particular, volume

Figure 7 - Imports of Capital Goods (in Million USD)
Imports of Capital Goods Amounted to $3.2-B in May



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 4 - Imports Year-on-Year Growth Rates

	Apr-2023	May-2023	YTD
Total Imports	**-17.7**	**-8.8**	**-6.6**
Capital Goods	**-11.9**	**-5.9**	**-5.8**
Power Generating and Specialized Machines	8.7	-2.9	6.9
Office and EDP Machines	-29.7	-45.3	-35.8
Telecommunication Equipment and Electrical Machines	0.3	-9.5	-0.6
Land Transport Equipment excluding Passenger Cars and Motorized cycle	20.2	15.1	4.1
Aircraft, Ships and Boats	-71.7	26.1	-37.5
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	4.1	2.7	8.7
Raw Materials and Intermediate Goods	**-18.9**	**-12.3**	**-13.7**
Mineral Fuels, Lubricant and Related Materials	**-42.6**	**-31.7**	**-9.4**
Consumer Goods	**8.3**	**24.7**	**15.6**

Source of Basic Data: Philippine Statistics Authority (PSA)

spiked by 23.1% to $1.1-B in May. Additionally, shipments to the U.S. and Japan went up by 7.8% to $1.0-B and 3.3% to $930.6-M, respectively. They represent 15.7% and 14.4% of total outward shipments, respectively.

Trade Deficit Narrows by -20.9% Amid Drop in Imports in May

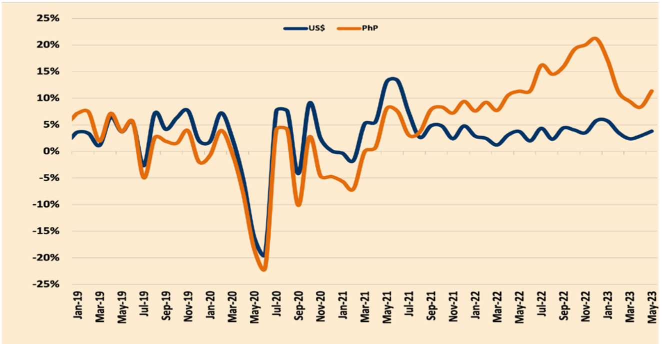
Inward shipments of capital goods sank by -5.9% to $3.2-B in May from $3.4-B in the previous year. On the other hand, total imports trekked down by -8.8% to $10.8-B in May from $11.9-B a month ago. However, it jumped by 11.2% from $9.7-B in the prior month.

Aircraft, Ships & Boats outperformed the most by 26.1% in May, followed by Land Transport Equipment excl. Passenger Cars & Motorized Cycle (15.1%) and Professional Scientific & Control Instrumentation, Photographic Equipment & Optical Goods (2.7%). Meanwhile, Office and EDP Machines posted the biggest drop with -45.3% YoY in May.

Among the top 10 imports, half landed on the green in May. Metalliferous Ores and Metal Scrap skyrocketed by 982.6% YoY. Imports of Miscellaneous Manufactured Articles and Transport Equipment recorded impressive gains of 41.8% and 33.9%, respectively. On the contrary, Mineral Fuels, Lubricants and Related Materials took a nosedive by -31.7% in May. Furthermore, Iron & Steel and Electronic Products declined by -24.4% and -20.9%, respectively.

The trade deficit slimmed by -20.9% to $4.3-B in May from $5.6-B a year earlier. It marks the lowest trade gap in three months amid lower imports while exports expanded. However, it remains in line with an elevated annual deficit of some $50.0-B.

Figure 8 - OFW Remittances Growth Rates, Year-on-Year
Personal Remittances Ended May at $2.8-B



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

Figure 9 - Dollar-Peso Exchange Rates and Moving Averages
Philippine Peso Averaged P54.80/$ in May

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

Table 5 - Exchange Rates vs USD for Selected Asian Countries

Exchange Rates vs USD for Selected Asian Countries			
	May-2023	June-2023	YTD
AUD	0.7%	-1.0%	0.6%
CNY	1.4%	2.4%	2.4%
INR	0.4%	-0.1%	-0.3%
IDR	-0.3%	0.8%	-4.1%
KRW	0.6%	-2.5%	0.0%
MYR	2.1%	2.5%	4.8%
PHP	0.7%	0.3%	0.4%
SGD	0.6%	0.5%	-0.5%
THB	0.1%	2.0%	0.2%

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

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

OFW Remittances Climb by 2.9% in May 2023

Inflows from Overseas Filipinos' (OFs) Personal remittances hit $2.8-B in May 2023, some 2.9% YoY higher than a year ago. The growth in receipts from personal remittances in May 2023 came at the same pace as those from land-based workers with work contracts of one year or more and sea- and land-based workers with work contracts of less than one year. YTD these reached $14.5-B some 3.1% more than the same period in 2022.

Cash remittances, i.e., those coursed through banks and BSP-supervised institutions, totaled $2.5-B, a 2.9% increase from May 2022. YTD, these summed up to $13.0-B also a 3.1% gain from year ago levels.

The top five sources of the remittances include the United States (41%), Singapore (7.1%), Saudi Arabia (6%), Japan (5.1%), and United Kingdom (4.7%).

Philippine Peso Weakens by Another 0.3% in June

The dollar-peso exchange rate (USDPHP) weakened for the fourth month in a row in June as it depreciated by 0.3% to an average of P55.89/$ from P55.73/$ in the prior month. Hawkish statements from the Fed, together with a resilient U.S. labor market, strengthened the greenback in June.

The volatility measure dropped to 25.7% as the local unit traded between P55.37/$ and P56.24/$ in June.
The peso traded within the P54/$ range by mid-July due to the downward surprise in the U.S dollar. U.S. June inflation softened further to 3%, bringing the dollar index (DXY) to 100.1, the lowest level since April 2022.

While the 30-day moving average (MA) features a downward sloping trend, suggesting appreciation in the near term, the 200-day MA remains above P56/$. Peso weakness should resurface after the Fed expectedly raise policy rates by 25 bps in its meeting.

Outlook

While we do expect a slowdown of GDP expansion in Q2-2023, the newly released economic data tend to dismiss a significant slump.

- Employment in Q2 remained well above levels (+5%) seen in 2022 but may slow down a little in June with the onset of typhoon season. However, we will likely see an acceleration in NG spending, particularly, on infrastructure and rail transportation in H2. NG has incurred only YTD May fiscal deficit of only 21.7% or half the pace needed to reach full year projections. Thus, we expect ramped up spending in H2. Despite this, we expect debt-to-GDP ratio to improve to 60.2% in 2023 from 60.9% last year.

- The definitive easing of inflation may be seen in the seasonally adjusted MoM rate which shows not only a downtrend in the last 18 months, but even more since February 2023. The large cut in Meralco power rates in July, together with stable to lower other food prices, should mostly offset any jump in rice prices. Even if the latter should occur, it should prove transitory as history has shown (esp. 2008 rice crisis).

- The large ongoing infrastructure which will accelerate in H2 should create more jobs, and in addition to the personal income tax cut, should provide more household income and thus higher consumer spending.

- With inflationary pressures tapering, the BSP will likely keep policy rates unchanged in its August meeting. The peso has shown sufficient resiliency and does not necessitate an adjustment in policy rates.

- Monthly trade deficits should remain above $4.0-B as commodity prices (e.g., crude oil, rice, raw materials) have limited downside.

- With the economy's large trade deficits still in place and the BSP's pause compared to Fed's 25 bps policy rate increase, and the recent (mid-July) recovery of the U.S. dollar, we expect renewed peso weakness for the rest of Q3.

FIXED INCOME SECURITIES

BOND YIELDS REBOUND WITH MORE HAWKISH FED STATEMENTS

Local bond yields in tandem with U.S. Treasuries soared in June after Fed officials issued more hawkish statements as the U.S. job market proved stronger than expected. At the same time, tenders for local government securities (GS) auctions plunged by 64.5% from May, and so short-term yields in both primary and secondary markets took off by 27.1 and 30.3 basis points (bps) and 29.6 to 36.0 bps, respectively, closing in on BSP's policy rate of 6.25% set in May. Secondary trading volume plunged to an 8-month low of P326.4-B less than half the amount in May. The 10-year yields surged to 6.304%, a 44.6 bps vault from the previous month. Corporate bond issuances trickled down while ROPs spread over equivalent U.S. Treasuries narrowed as bond investors moved into Asia which showed a clearer end in the policy hiking cycle.

***Outlook**: Local bond yields rose some more in July but by mid-July started to ease with 10-year yields hovering again around 6.30%, while 3-month yields returned to the 6% vicinity. Since the U.S. bond market players have priced in the 25 bps Fed policy rate increase in July, while the BSP will likely keep rates unchanged in the light of falling inflation rate to BSP targets by Q4, we think there's little upside risk for bond yields, especially in the long end. To be sure, short-term yields will likely ease too but at a more moderate pace until BSP signals it may begin cutting their elevated policy rates later in the year or at worst early in 2024. At the same time, Fed watchers have raised hopes of a "soft landing" ["Goldilocks" scenario] of the U.S. economy as June inflation eased to 3%, while adding 209,000 jobs, above the 10-year average.*

Table 6 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
26 Jun	91-day	20.000	23.352	16.866	1.168	6.086	30.3
	182-day	20.000	30.306	15.871	1.515	6.144	26.5
	364-day	20.000	30.297	15.252	1.515	6.219	27.1
Subtotal		60.000	83.955	47.989	1.399		
14 Jun	20 year FXTN 20-22	25.000	51.705	25.000	2.068	6.085	-54.6
20 Jun	7 year FXTN 07-67	25.000	36.639	25.000	1.466	6.097	32.3
27 Jun	10 year FXTN 10-69	50.000	90.472	50.000	1.809	6.243	28.5
Subtotal		100.000	178.816	100.000	1.788		
All Auctions		160.000	262.771	147.989	1.642		

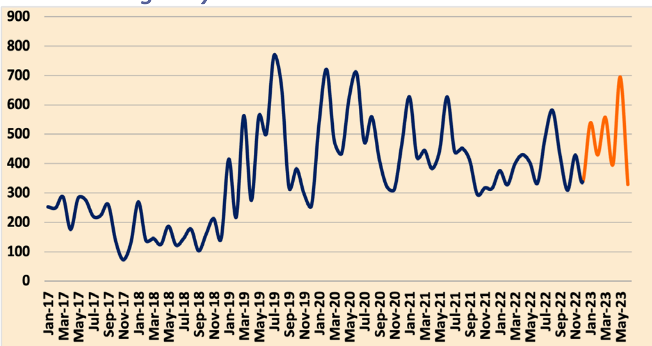
Source: Bureau of the Treasury (BTr)

Primary GS Market: Less Appetite for Peso Bonds in Auctions

With a global risk-off sentiment amid hawkish statements from Fed officials, the total tender-offer ratio (TOR) sank to 1.642x in June from 2.694x in the previous month. In particular, tenders for Treasury bills (T-bills) plunged by -64.5% to P84.0-B in June from P239.5-B a month ago. The 91-day debt papers pierced through the 6% level as it surged by 30.3 bps to 6.086% from 5.783% in May. Furthermore, 182-day and 364-day papers jumped by 26.5 bps to 6.144% from 5.879% and 27.1 bps to 6.219% from 5.948%, respectively.

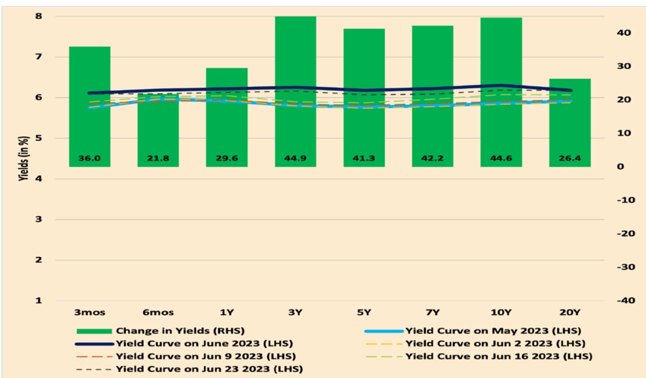
Despite easing local inflation at 6.1% in May, tenders of Treasury bonds (T-bonds) also trekked down by -40.9% to P178.8-B in June from P302.4-B a month earlier. Meanwhile, yields of T-bonds came in mixed in June auctions. The 20-year securities plummeted by -54.6 bps to 6.085% in June from 6.631% in March. On the contrary, 7-year tenors spiked by 32.3 bps to 6.097% from 5.774% in the prior month while 10-year 28.5 bps to 6.243% from 5.958%, respectively.

Figure 10 - Monthly Total Turnover Value (in Billion Pesos)
Volume Plunged by -52.7% MoM in June



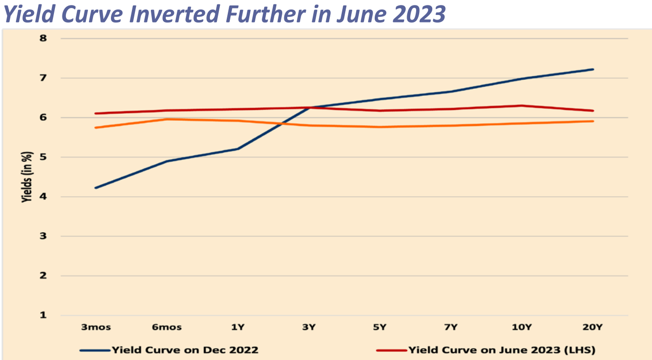
Source: Philippine Dealing Systems (PDS)

Figure 11 - Week-on-Week and Month-on-Month Changes on the GS Benchmark Bond Yield Curves (bps)
All Yields Rose in June



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 12 - Year-end Yield Curve in 2022 and Latest Yield Curve Versus Previous Month in 2023
Yield Curve Inverted Further in June 2023



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Secondary Market: Volume Dropped to an 8-Month Low in June

From a near 3-year high of P694.2-B in May, trading volume in the secondary market slid to an 8-month low of P328.7-B in June. This represents a -52.7% decline from the previous month as investors stayed on the sidelines ahead of key risk events such as Fed's monetary board June meeting, and inflation data both here and in the U.S.

Despite local inflation slowing down to 6.1% in May (vs 6.6% in April), yields across the curve spiked as much as 44.9 bps in June. The 3-month debt papers jumped by 36 bps to 6.111%, the highest since 2008, from 5.752% a month prior. Additionally, 6-month and 1-year papers went up by 21.8 bps to 6.182% from 5.964% and 29.6 bps to 6.218% from 5.922%, respectively. The short-dated papers followed the cue of BSP which had raised policy rates to 6.25% in May.

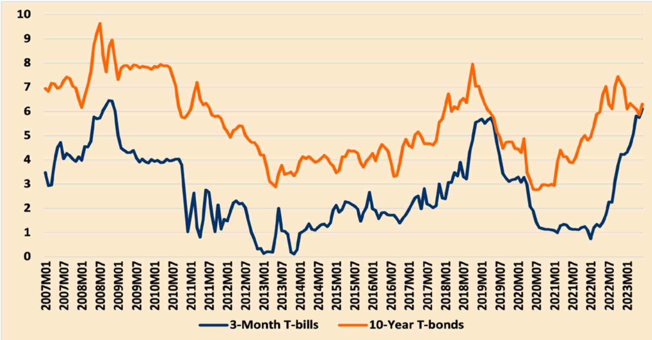
The belly saw the biggest uptick with 3-year T-bond yields soaring by 44.9 bps to 6.255% in June from 5.806% in the previous month. Similarly, 5-year and 7-year tenors ascended by 41.3 bps to 6.177% from 5.764% and 42.2 bps to 6.222% from 5.800%, respectively. Auctioned twice in June, the 10-year securities sprang up by 44.6 bps to 6.304% from 5.857% a month ago. Lastly, 20-year tenors climbed by 26.4 bps to 6.177% from 5.913% last month. These resulted from the rebound in domestic yields as local players had over-optimistically driven long-term yields to nine-month lows in May.

The spread between 10-year and 2-year bond yields slimmed by -1.1 bps to -1.3 bps in June. The 10-year tenors registered positive real yields in June (after eight consecutive months of negative yields) as it closed at 6.304% while June inflation decelerated to 5.4%. Furthermore, there are upside risks to the policy rate with the Fed signaling more rate hikes ahead as they remain committed to bring inflation within 2%. Although there is pressure for the BSP to match the Fed's 25 bps rate hike on July 25th, we think BSP will keep its policy rates unchanged in its August meeting. After all, inflation is descending fast to reach BSP targets by Q4.

Corporate Bonds: Volume Declined by -35.8% MoM in June

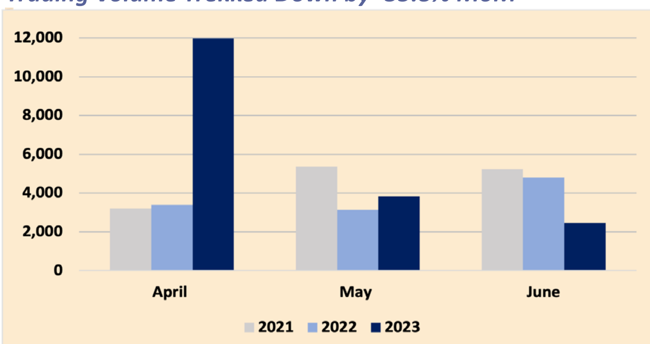
The trading of corporate securities slipped by -35.8% to P2.5-B in June from P3.8-B a month ago. It plunged deeper by -48.9% from P4.8-B in the previous year. The volume of the top five corporates dove by -35% to P753.2-M or 30.7% share of the total trades in June. Moreover, Robinsons Land Corporation (RLC) bagged the highest volume of trades with P699.5-M in June.

Figure 13 - 3-month T-bills and 10-year T-bonds Yields
Spread Widened by 8.6 bps MoM in June 2023



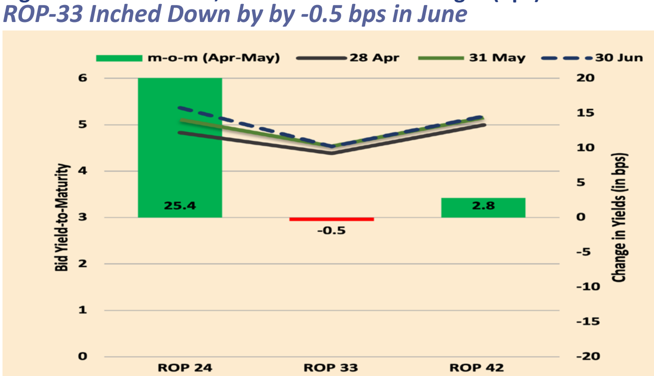
Source: Philippine Dealing Systems (PDS)

Figure 14 - Total Corporate Trading Volume (in Billion Pesos)
Trading Volume Trekked Down by -35.8% MoM



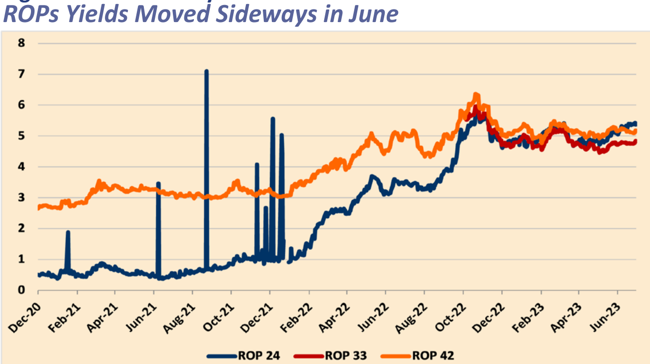
Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 15 - ROPs Yield, Month-on-Month Changes (bps)
ROP-33 Inched Down by by -0.5 bps in June



Source: Philippine Dealing Systems (PDS)

Figure 16 - ROPs Daily Yields
ROPs Yields Moved Sideways in June



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Ayala Land, Inc. (ALI) climbed to first place with P326.2-M in June or 30.1% higher from a month earlier. Trades of SM Prime Holdings, Inc. (SMPH) and BDO Unibank (BDO) tumbled down by -46% month-on-month (MoM) to P280.1-M and -42.8% MoM to P81.9-M, respectively. Likewise, volume of San Miguel Corporation (SMC) slumped by -38.1% to P55.2-M. In last place, SMC Global Power (SMCGP) traded only P9.8-M or -93.7% lower MoM.

Corporate Issuances and Disclosures

- Alsons Consolidated Resources, Inc. (ACR) raised P1.4-B from its Series V and Series W Commercial Paper which provided yields of 7.3593% and 7.9242%, respectively. ACR aims to use the proceeds for capacity expansion using renewable energy.

- Ayala Land, Inc. (ALI) listed its P15.0-B Fixed Rate Bonds due 2028 and 2033. They carry coupon rates of 6.0253% and 6.2948%, respectively, payable quarterly.

ROPs: 1-Year U.S. Treasuries Provided Higher Yields than its Equivalent ROP-24 in June

Yields of the Republic of the Philippines' U.S. dollar-denominated bonds (ROPs) came in mixed in June. Both the Fed and BSP kept their policy rates unchanged in June amid easing inflation. However, according to the Fed dot plot, Fed officials see two more 25 bps rate increases by the end of the year amid inflation still above 2% target and robust labor market.

Additionally, the Philippine government is eyeing to issue a dollar retail bonds of at least $2.0-B in late August or early September if markets prove favorable.

In light of higher interest rates, 1-year U.S. Treasuries rose by 22 bps to 5.40% in June from 5.18% a month ago. Meanwhile, ROP-24 climbed by 25.4 bps to 5.363% from 5.109% in the prior month. Thus, this unusual turn of events showed higher yields for 1-year U.S. Treasury bonds in comparison to the latter as the BSP claimed that they have done enough to tame inflation.

Furthermore, ROP-33 marginally decreased by -0.5 bps to 4.533% in June from 4.538% a month earlier. On the other hand, ROP-42 edged up by 2.8 bps to 5.181% in June from 5.153% last month.

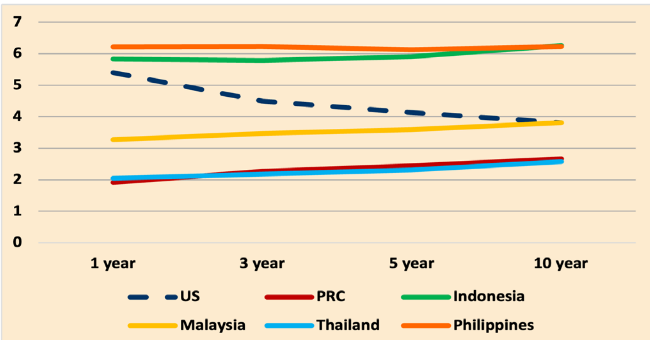
The Fed voiced out hawkish statements in June despite inflation softening to 4% in May (vs 4.9% in April), the lowest level since March 2021. Fed Chair Powell did not rule out the possibility of 2 consecutive rate hikes in July

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
28-Apr	3.1	94.3	119.3
31-May	-7.1	89.8	114.3
30-Jun	-3.7	72.3	112.1

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

Figure 17 - Comparative Yield Curve Between ASEAN per Tenor
ASEAN+1 Yield Curves Continued to Flatten



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

rule out the possibility of two consecutive rate hikes in July and September to crush inflationary pressures and to cool down the resilient labor market. Consequently, the U.S. yield curve saw the deepest inversion since 1981 of -109.5 bps amid concerns over an extended Fed hiking cycle which would strain the U.S. economy. Specifically, the 10-year and 20-year U.S. tenors advanced by 17 bps to 3.81% in June from 3.64% and 5 bps to 4.06% from 4.01%, respectively.

The spread between ROP-24 and 1-year U.S. Treasuries widened by 3.4 bps to -3.7 bps in June. On the contrary, the spread between ROP-33 and ROP-42 with their equivalent U.S. tenors contracted by -17.5 bps to 72.3 bps and -2.2 bps to 112.1 bps, respectively.

ASEAN+1: Yield Curves Mostly Flattened as Inflation Slid Globally

U.S.: Above 10-year average gain in jobs monthly at 209,000 in June, albeit down from 306,000 (revised downward) in the prior month. While this metric softened, the 4-week average new jobless claims fell to 238,000 in July from 247,000 a week earlier. Besides, average weekly hour pay jumped by another 0.4% MoM following a similar rate previously. Headline inflation skidded further to 3% year-on-year (YoY) in June from 4.1% in May, despite slightly faster seasonally adjusted 0.2% gain MoM from 0.1% a month ago. Retail sales gained by 0.2% MoM in June from 0.5% a month ago, but consumer confidence improved in July to 72.6 from 62.4 earlier. Still, the outlook for Manufacturing worsened as PMI further slipped to 46.3 on June from 48.4 in the prior month.

Housing starts chopped off part of the 15.7% MoM uptick in May to end up at -8% in June. The Fed has turned a bit hawkish, but markets remain unsure if its rate hiking cycle would have ended after its July policy rate hike by 25 bps. The yield curve inverted even more to -106 bps (as measured by the spread between 10-year and year bond yields).

CHINA: Its economy grew by 6.3% YoY in Q2-2023, faster than last quarter's 4.5%, due to the low base amid strict lockdowns in the previous year. This brings the H1 GDP to 5.5%, within the government's growth target of 5% for this year. However, on quarter-on-quarter basis it expanded only 0.8% which disappointed investors, On the inflation front, CPI came in flat YoY in June from 0.2% a month ago. It marks the lowest reading since a deflation in February 2021. Furthermore, the Caixin Manufacturing PMI edged down to 50.5 in June from 50.9 in the prior month.

Exports slumped by -12.4% to $285.3-B in June, the steepest drop since February 2020, due to slowing global demand. Likewise, imports dove by -6.8% to $214.7-B in June. With exports declining more than imports, the trade surplus slimmed to $70.6-B in June from $97.4-B a year earlier.

The People's Bank of China (PBoC) maintained the 1-year medium-term lending facility (MLF) rate at 2.65% in July after a 10 bps cut on June 15. The spread between 10-year and 2-year bond yields slightly contracted by 2 bps to 52 bps in May.

INDONESIA: The Manufacturing PMI climbed to 52.5 in June from last month's 6-month low of 50.3. Moreover, inflation declined to a 14-month low of 3.5% YoY in June (vs 4% in May) with food prices rising the least in 16 months (2.9% vs 4.3%).

Unexpectedly, exports and imports in May advanced by 1% to $21.7-B and 14.4% to $21.3-B, respectively. As the latter expanded more than the former, trade surplus narrowed to $0.4-B in May, the smallest figure since April 2020, from $2.9-B a year ago.

Bank Indonesia (BI) retained its 7-day reverse repo rate steady at 5.75% for five straight meetings in June as inflation settled within the government's target of 3% ±1%. Amid easing inflationary pressures, the yield curve flattened by 33 bps to 39 bps in June.

MALAYSIA: Its inflation rate hit a 1-year low at 2.8% in May (vs 3.3% in April) mainly due to further slowdown in prices for transport (1% vs 2.3%) and food & non-alcoholic beverages (5.9% vs 6.3%). Additionally, factory activity slumped in June as PMI slipped to 47.7 from 47.8 in the previous month. This indicates the 10th straight month of contraction and the steepest fall since January.

Outward and inward shipments trekked down by -0.7% YoY to MYR 119.6-B ($26.2-B) in May and -3.3% YoY to MYR 104.2-B (~$22.8-B), respectively. Consequently,

MYR 104.2-B ($22.8-B), respectively. Consequently, trade surplus improved to MYR 15.4-B ($3.4-B) in May from MYR 13.1-B ($2.9-B) in the prior year.

Bank Negara Malaysia (BNM) kept its policy rate at 3% in July, following a 25 bps hike in May, to support the economy as the growth outlook remains subject to downside risks. The yield curve proved steady as the spread between 10-year and 2-year yields came in at 44 bps in June, the same as in May.

THAILAND: Thailand's Manufacturing PMI sank sharply to 53.2 in June from 58.2 a month earlier, albeit still in expansionary mode. Meanwhile, inflation slowed down to its lowest level in nearly two years to 0.2% in June from 0.5% in the previous month.

With weak foreign and domestic demand, exports and imports in May dipped by -4.6% to $24.3-B and -3.4% to $26.2-B, respectively. This resulted in a trade deficit of $1.8-B in May, little unchanged from a year ago.

The policy rate remains at 2% in June, but some action may take place in its next policy meeting on August 2. The spread between 10-year and 2-year bond yields widened by a tad 1 bp to 41 bps in June.

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

Spreads between 10-year and 2-year T-Bonds									
Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-Year Yield	10-Year and 2-Year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					May-23	Jun-23			
U.S.	4.87	3.81	4.0	(0.19)	(76)	(106)	(30)	5.25	1.25
PRC	2.14	2.66	2.1	0.56	54	52	(2)	2.65	0.55
Indonesia	5.87	6.26	3.9	2.36	72	39	(33)	5.75	1.85
Malaysia	3.37	3.81	2.8	1.01	44	44	0	3.00	0.20
Thailand	2.16	2.57	2.5	0.07	40	41	1	2.00	(0.50)
Philippines	6.30	6.23	5.4	0.83	-	(7)	(7)	6.25	0.75

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

Outlook

Global bond markets became skittish again in June after some hawkish statements by Fed officials.

- 10-year U.S. Treasury bond yields ended June and have hovered around 3.85% since then. The market had priced in a 25 bps Fed policy rate hike in July, but remains hopeful that it would end the Fed's hiking cycle. That prospect got a boost from the 2.4% Q2 GDP growth (vs 2% market consensus) while inflation slid to 3% YoY in June from 4.1% a month earlier. This has pushed local 10-year bond yields to soar to 6.7% by July 10th but returned to 6.2% to 6.3% later in the month. Local bond players seem also reacting to the 25 bps Fed rate hike, and as it does so, we don't expect much upward movement in local GS.

- Domestic headline inflation has slumped further to 5.4% in June and will likely break through the 5% floor by August at the latest and still retain the momentum to drop well within BSP's 2- 4% inflation target by Q4, and even go below 3% YoY in the same quarter. Thus, we don't see an upward pressure from this vantage point.

- NG borrowings won't also count much in H2. This is because NG will fall short of its FY budget deficit of P1.5-T, and besides, it has increased its cash position by P892.0-B by end-May and its needs for H2 would rise only at a normal pace.

- Consequently, we expect 10-year bond yields to ease from the 6.3% level later in Q3, as we don't expect the BSP to match the Fed's rate increase as that would significantly hurt the local economy, which already has inflation fairly much in check.

- As the yield curve continues to flatten and normalize, corporate issuers could continue to explore other funding sources while preparing for a stronger round of issuances in early 2024.

EQUITY MARKETS

RISING INTEREST RATES SCARE EQUITY INVESTORS

The decision of the U.S. Federal Reserve Board (Fed) to pause in its June meeting set off a risk-on spark in equities markets of advanced economies (AEs), with Japan outshining other countries as Nikkei-225 soared by 7.5% in June. While other AEs like the U.S., Germany, Hong Kong and Australia posted significant gains, PSEi and the other ASEAN markets, Thailand and Malaysia took losses, albeit small. PSEi ended June a tad -0.1% lower from the previous month to 6,468.07. Performance at the sectoral level evened out with half in positive territory and the other half headed south. While the Holdings sector declined, Metro Pacific Investments Corporation (MPIC) topped index shares with a 9.7% vault, and an affiliate, PLDT, Inc. (TEL) followed closely with a 9.3% jump. Wilcon Depot Inc. (WLCON) fell the most with -15%, while AC Energy (ACEN) slumped next at -8%.

***Outlook**: PSEi has mildly rallied in July to 6,600 levels as above-expectations Q1 earnings buoyed local investor interest, amid net foreign selling.While Q2 earnings may not match those in Q1, robust H2 GDP growth, falling inflation and interest rates should pave the way for a good recovery starting Q3. Market PE at around 11-12x remains below the 10-year average, while foreign investors' share in trading dropping to a low should encourage investors, first local ones, to start accumulating selected counters as early as Q3. We still think robust macroeconomic fundamentals and strong corporate earnings will drive PSEi to a high of 7,200-7,500 this year. If the July 31st net foreign buying (highest since December 2021) of $270.1-M heralds renewed foreign investor interest for the rest of 2023, the PSEi target would look more acheivable.*

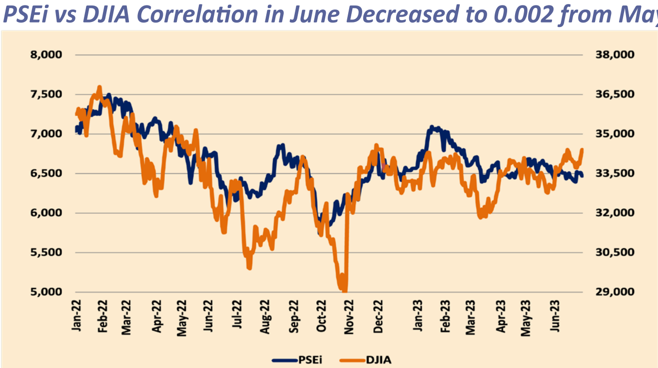
Table 9 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	May M-o-M Change	2023 % Change
Americas	US	DJIA	4.6%	3.8%
Europe	Germany	DAX	3.1%	16.0%
	London	FTSE 101	1.1%	1.1%
East Asia	Hong Kong	HSI	3.7%	-4.4%
	Shanghai	SSEC	-0.1%	3.7%
	Japan	NIKKEI	7.5%	27.2%
	South Korea	KOSPI	-0.5%	14.7%
Asia-Pacific	Australia	S&P/ASX 200	1.6%	2.3%
Southeast Asia	Indonesia	JCI	0.4%	-2.8%
	Malaysia	KLSE	-0.8%	-7.9%
	Thailand	SET	-2.0%	-9.9%
	Philippines	PSEi	-0.1%	-1.5%

Sources: Bloomberg and Yahoo Finance

Figure 18 - PSEi vs DJIA

PSEi vs DJIA Correlation in June Decreased to 0.002 from May

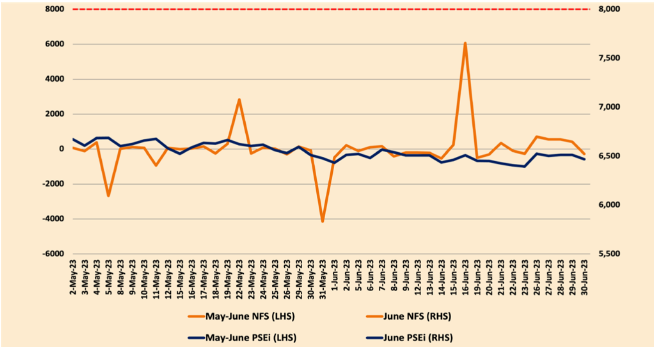


Sources: Wall Street Journal, Bloomberg

Global Picture. Majority of the global equities landed on the green. Japan NIKKEI recorded the highest upswing, ended the month with a 7.5% month-on-month (MoM) increment, piling on top of its 7% uptick a month ago. Meanwhile, Thailand SET recorded the steepest decline with -2% MoM. PSEi recorded a minimal -0.1% MoM loss to end June at 6,468.07, despite net selling by foreigners.

PSEi and DJIA. The Dow Jones Industrial Average (DJIA) closed a volatile month of trading. DJIA ended June at 34,407.60 from May's close at 32,908.27. Meanwhile, PSEi finished the month at 6,468.07 from the previous month's close of 6,477.36. The correlation between two indices in June vanished to +0.0 from +0.6.

Figure 19 - PSEi vs Net Foreign Selling
PSEi vs NFS Posted a 0.2 Correlation in June



Sources: Bloomberg & Yahoo Finance

Table 10 - Monthly Turnover (in Million Php)

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	63,796.39	247.9%	3,189.82	282.7%
Industrial	22,870.76	-33.6%	1,143.54	-27.0%
Holdings	22,870.76	-3.9%	1,301.94	5.7%
Property	19,260.21	-21.0%	963.01	-13.1%
Services	17,296.32	-32.3%	864.82	-25.5%
Mining and Oil	1,159.71	-53.9%	57.99	-49.2%
Total	**150,422.15**	13.7%	**7,521.11**	25.0%
Foreign Buying	60,944.92	-10.7%	3,047.25	-1.8%
Foreign Selling	55,532.59	-23.7%	2,776.63	-16.1%
Net Buying (Selling)	5,412.32	-219.5%	270.62	-231.4%

Source of Basic Data: PSE Quotation Reports

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

Top Foreign Buy	
Company	Total Value
BPI PM Equity	879.29
ICT PM Equity	553.16
BDO PM Equity	525.25
JFC PM Equity	509.26
SMPH PM Equity	366.56

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

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

Top Foreign Sell	
Company	Total Value
ALI PM Equity	-1,328.30
MBT PM Equity	-707.66
URC PM Equity	-463.43
AC PM Equity	-375.88
ACEN PM Equity	-301.99
Total Sell Value	**-3,178.26**

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

Net Foreign Buying/Selling. Five sectors landed on the red, with the Mining & Oil sector leading the sector decliners having the largest volume decline of -53.9% in June. In contrast, the Financial sector, the lone sector with a positive performance for the month, ended June with a +247.9% surge in its volume.

Foreigners ended as net sellers in June to the tune of P5.4-B from the net selling amounting to P4.5-B a month earlier.

The top five favorite stocks (net buying) of foreign investors amounted to P2.8-B with Bank of the Philippine Islands (BPI) (P879.2-M) and International Container Terminal Services, Inc. (ICT) (P553.1-M) leading the list.

The top five favorite stocks (net selling) in June amounted to P3.1-B with Ayala land, Inc. (ALI) (P1.3-B) and Metropolitan Bank & Trust Company (MBT) (P707.6-M) in the front rows.

The six sectors of the PSEi turned in a 50:50 gain/loss in June. Thus, the PSEI managed to pare earlier losses in June but still ended a slight -0.1% dip. The Services sector topped the field with a 3.1% increase during the month, while the Financial sector, which attracted the largest trading, rose by 1.9% MoM. The Industrial sector completed the row of gainers as it managed a 0.3% increment. On the negative side, the Property sector took the biggest fall of -1.7%, followed closely by -1.6% for the Holdings sector. While the Holdings sector turned in a negative report, Metro Pacific Investments Corporation (MPIC) topped index stocks with a 9.7% vault, while an affiliate, PLDT, Inc. (TEL) followed closely.

Table 13 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	31-May-2023		30-June-2023		2023 YTD
Sector	Index	% Change	Index	% Change	
PSEi	6,477.36	-2.2%	6,468.07	-0.1%	-1.5%
Financial	1,812.01	-5.5%	1,847.13	1.9%	12.3%
Industrial	9,201.32	-3.2%	9,228.00	0.3%	-1.3%
Holdings	6,490.26	1.3%	6,386.54	-1.6%	-0.7%
Property	2,654.15	-3.0%	2,608.01	-1.7%	-11.0%
Services	1,517.94	-5.4%	1,565.18	3.1%	-4.2%
Mining and Oil	9,964.78	-5.9%	9,909.69	-0.6%	-8.3%

Source of Basic Data: PSE Quotation Reports

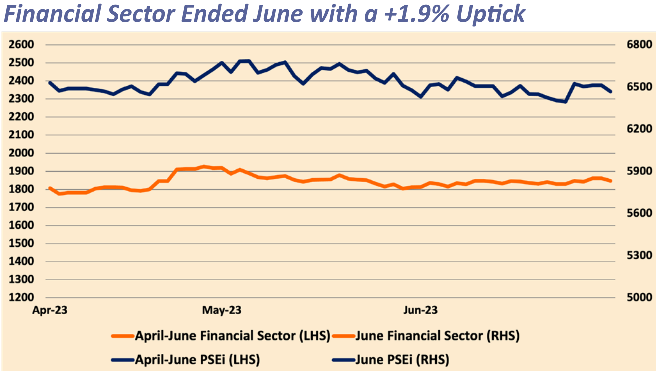
Table 14 - Financial Sector Constituent Stocks

Company	Symbol	5/31/2023 Close	6/30/2023 Close	M-o-M % Change	2023 YTD
Metropolitan Bank and Trust Company	MBT	57.60	55.70	-3.3%	3.1%
BDO Unibank, Inc.	BDO	136.00	137.70	1.3%	30.3%
Bank of the Philippine Islands	BPI	99.95	108.80	8.9%	6.7%
Unionbank of the Philippines	UBP	78.45	74.90	-4.5%	-4.5%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Financial Sector Index (April 2023 - June 2023)

Financial Sector Ended June with a +1.9% Uptick



Source of Basic Data: PSE Quotation Reports

The Financial sector placed second in the sectoral race in June with a +1.9% MoM increment reducing its -5.5% loss in May.

Bank of the Philippine islands (BPI) share prices led the sector as it soared by +8.9% MoM in June, leaving behind its -7.1% loss a month ago. BPI has recently tapped Luna Securities, Inc. as its newest open banking partner, as the bank aims to continuously improve its open banking alliances while expanding technology capabilities and broadening the digital ecosystem for its customers.

Unionbank of the Philippines (UBP) share prices dipped by -4.5% in June, following through its -5.4% loss a month ago. Nonetheless, UBP plans to infuse P900.0-M in fresh capital into its digital banking arm UnionDigital Bank, Inc. to help provide every Filipino with access to latest financial technologies to help create a high-functioning, booming digital economy.

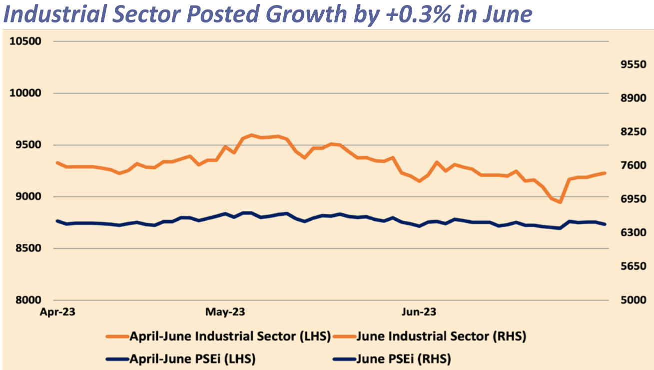
Table 15 - Industrial Sector Constituent Stocks

Company	Symbol	5/31/2023 Close	6/30/2023 Close	M-o-M % Change	2023 YTD
Meralco	MER	327.00	335.00	2.4%	12.1%
Aboitiz Power	AP	37.20	38.45	3.4%	12.9%
Jollibee Foods Corporation	JFC	235.60	239.20	1.5%	4.0%
Universal Robina Corporation	URC	140.60	137.50	-2.2%	1.1%
AC Energy Corporation	ACEN	5.86	5.39	-8.0%	-29.3%
Emperador Inc.	EMI	21.10	21.30	0.9%	3.4%
Monde Nissin Corporation	MONDE	8.10	8.01	-1.1%	-27.7%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Industrial Sector Index (April 2023 - June 2023)

Industrial Sector Posted Growth by +0.3% in June



Source of Basic Data: PSE Quotation Reports

The Industrial sector index ranked third in the sectoral race, with a 0.3% MoM increment in June, from its -3.2% loss a month earlier.

Aboitiz Power (AP) share prices climbed by +3.4% in June, wiping out its -2.1% loss in the previous month. Its subsidiary Aboitiz Power Distributed Renewables, Inc. (APX) has recently formed a joint venture with renewable energy solutions provider Upgrade Energy Philippines, Inc. (UGEP) to pursue rooftop solar projects in the Philippines. AP believes that the venture with UGEP will unlock potential for growth in renewable energy by developing and operating distributed solar systems catering to large commercial and industrial markets.

Jollibee Foods Corporation (JFC) share prices inched up by +1.5% in June. JFC reported its plans to build 600 new stores globally, eyeing faster expansion in the U.S. and China to drive its long-term growth. JFC intends to focus on its existing fastfood and restaurant portfolio this year.

Universal Robina corporation (URC) share prices slipped by -2.2% MoM in June, after its recorded -4.4% loss in May. URC recently reported its acquisition of idle sugar milling machinery and equipment of Central Azucarera Don Pedro, Inc. (Cadpi) from Roxas Holdings, Inc. to ensure ample sugar supplies for consumers and provide a source of livelihood for farmers.

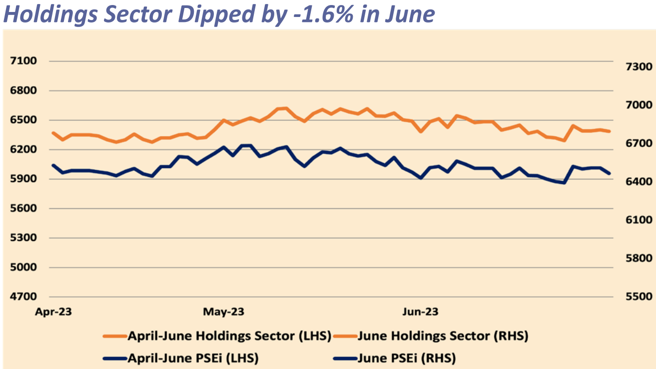
AC Energy Corporation (ACEN) share prices contracted by -8% in June, after its -2.5% loss in the previous month. Nonetheless, ACEN reported that they have closed the first phase of acquisition of Super Energy Corp. Public Company Limited's solar power business in Vietnam. ACEN has taken up 49% ownership of the solar power business through a phased acquisition with a total consideration estimated at $165.0-M. ACEN expects the investment to bring it's Vietnam-Lao PDR portfolio to 1,200 megawatts (MW) in attributable renewables capacity.

Table 16 - Holdings Sector Constituent Stocks

Company	Symbol	5/31/2023 Close	6/30/2023 Close	M-o-M % Change	2023 YTD
Ayala Corporation	AC	660.00	625.00	-5.3%	-10.1%
Metro Pacific Investments Corporation	MPI	4.35	4.77	9.7%	39.5%
SM Investments Corporation	SM	929.00	925.00	-0.4%	2.8%
Aboitiz Equity Ventures	AEV	54.50	54.40	-0.2%	-5.7%
GT Capital Holdings, Inc.	GTCAP	516.00	515.00	-0.2%	18.4%
San Miguel Corporation	SMC	107.40	105.40	-1.9%	13.4%
Alliance Global Group, Inc.	AGI	13.26	13.42	1.2%	12.8%
LT Group Inc.	LTG	9.58	9.51	-0.7%	3.4%
JG Summit Holdings, Inc.	JGS	48.00	44.45	-7.4%	-11.6%
DMCI Holdings, Inc.	DMC	9.46	9.06	-4.2%	-3.6%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Holdings Sector Index (April 2023 - June 2023)
Holdings Sector Dipped by -1.6% in June



Source of Basic Data: PSE Quotation Reports

The Holdings sector ranked fifth in sector rankings in June with a -1.6% MoM loss from its +0.3% gain in May. Metro Pacific Investments Corporation (MPI) share prices led the sector as it climbed up by +9.3% reversing its -1.8% loss a month ago. MPI intends to delist from PSEi as it made a tender-offer at P5.20/share on an all-cash basis to minority stakeholders who hold 36.6% of common shares.

Alliance Global Group, Inc. (AGI) share prices pared its -3.9% loss in May with a +1.2% MoM gain in June. AGI plans to allocate P70.0-B for capital expenditure to sustain the growth of its domestic and international operations in 2023. Much of the CAPEX, or some P55.0-B, will end up with Megaworld Corporation for its office, mall, and hotel business segments.

Aboitiz Equity Ventures (AEV) share prices contracted by -0.2% MoM after its -0.5% loss a month ago. AEV plans to tap the bond market by Q3-2023 as it embarks on expansion projects in renewable energy and infrastructure this year. AEV's board of directors has already approved the plan to offer P17.5-B worth of fixed-retail bonds in Q3-2023.

SM Investments Corporation (SM) followed suit as it contracted by -0.4% MoM in June, slicing part of its +3.8% gain in the previous month. On the other hand, SM also aims to boost its renewable energy investments this year by increasing its steam production by 300 megawatts (MW). Specifically, the new exploration projects of its subsidiary, Philippine Geothermal Production Co. (PGPC) will pull up SM's geothermal capacity to about 600 MW.

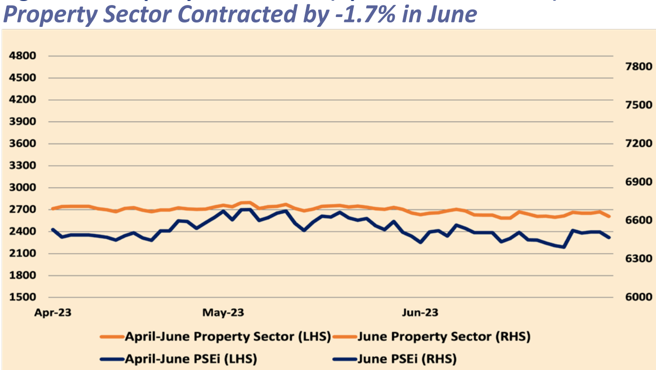
San Miguel Corporation (SMC) share prices contracted by -1.9% in June from its +1.1% increment a month ago. SMC recently secured a P100.0-B loan agreement for its ongoing PPP Metro Rail Transit 7 (MRT7) project.

Table 17 - Property Sector Constituent Stocks

Company	Symbol	5/31/2023 Close	6/30/2023 Close	M-o-M % Change	2023 YTD
Ayala Land, Inc.	ALI	26.30	24.30	-7.6%	-21.1%
SM Prime Holdings, Inc.	SMPH	32.70	32.85	0.5%	-7.5%

Source of Basic Data: PSE Quotation Reports

Figure 23 - Property Sector Index (April 2023 - June 2023)
Property Sector Contracted by -1.7% in June



Source of Basic Data: PSE Quotation Reports

The Property sector ranked last in the sectoral race as it ended June with a -1.7% MoM dip, after its -3% loss in the previous month.

SM Prime Holdings. Inc. (SMPH) inched up by +0.5% in June after its -3.7% loss in May. SMPH expects to open two more malls in the country within the year to further expand its local footprint.

Ayala Land, Inc. (ALI), on the other hand, contracted by -7.6% in June negating its +0.8% increment a month ago. ALI expects to invest P10.0-B in its mixed-use estate (residential and commercial) located in Porac, Pampanga in the next 3-5 years.

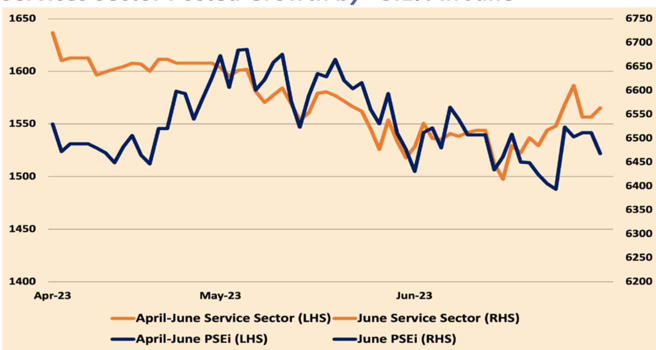
Table 18 - Services Sector Constituent Stocks

Company	Symbol	5/31/2023 Close	6/30/2023 Close	M-o-M % Change	2023 YTD
PLDT, Inc.	TEL	1,200.00	1,312.00	9.3%	-0.4%
Globe Telecom	GLO	1,700.00	1,731.00	1.8%	-20.6%
Converge ICT Solutions, Inc.	CNVRG	10.88	10.92	0.4%	-31.2%
Puregold Price Club Inc.	PGOLD	30.30	29.40	-3.0%	-15.8%
Wilcon Depot, Inc.	WLCON	28.40	24.15	-15.0%	-18.1%
International Container Terminal Services, Inc.	ICT	195.00	203.80	4.5%	1.9%

Source of Basic Data: PSE Quotation Reports

Figure 24 - Services Sector Index (April 2023 - June 2023)

Services Sector Posted Growth by +3.1% in June



Source of Basic Data: PSE Quotation Reports

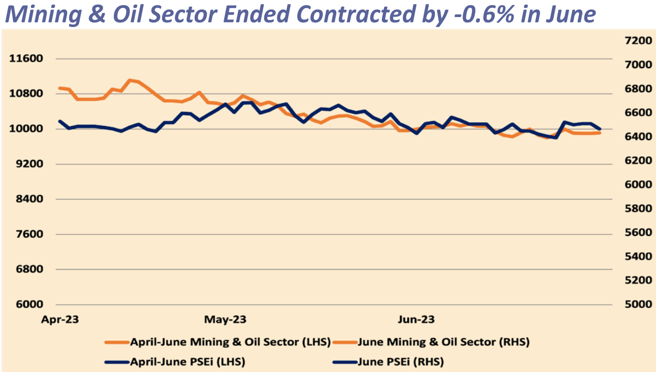
Table 19 - Mining and Oil Sector Constituent Stock

Company	Symbol	5/31/2023 Close	6/30/2023 Close	M-o-M % Change	2023 YTD
Semirara Mining and Power Corporation	SCC	28.00	28.00	0.0%	-18.8%

Source of Basic Data: PSE Quotation Reports

Figure 25 - Mining & Oil Sector Index (April 2023 - June 2023)

Mining & Oil Sector Ended Contracted by -0.6% in June



Source of Basic Data: PSE Quotation Reports

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

PLDT, Inc. (TEL) share prices led the sector as it climbed up by +9.3% in June, after its -0.3% loss a month ago. TEL aims to expand its two-decade partnership with CSG International, to embrace the power of a cloud-based, unified billing and revenue management solution that streamlines processes across business segments. In turn, this would minimize costs and serve as a driver of revenue growth. Ultimately, with the partnership TEL hopes to provide a more cohesive and connected billing experience for its clients, thereby adding value for customers through innovations of a seamless customer experience.

Converge ICT Solutions, Inc. (CNVRG) share prices inched up by +0.4% in June, after its -7.8% dip in the previous month. CNVRG seeks to embed artificial intelligence (AI) in network operations, with the aim of intuitively and automatically responding to data signals with as little human intervention as possible – a giant leap in network operations and maintenance. CNVRG wants to ensure minimal service interruptions to customers and quick resolution of outages.

The Mining & Oil sector ranked fourth in the sectoral race as it contracted by -0.6% in June, after its -5.9% dip in the previous month. Semirara Mining and Power Corporation (SCC) share prices flattened MoM performance, after its +3.7% uptick in May. SCC plans to expand its exports to Japan in order to reduce dependence on the dwindling Chinese market. Specifically, it plans to export 50,000 metric tons (MT) of coal to Shikoku Electric Power Corporation for its 700-megwatt coal-fired ultra-supercritical power station.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2020		2021		4th Quarter 2022			1st Quarter 2023		
	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%	525,266	29.2%	-9.5%	444,620	-15.4%	2.2%
Industry Sector	5,151,945	-11.8%	5,607,009	8.8%	1,699,147	32.6%	-3.5%	1,466,352	-13.7%	3.9%
Service Sector	10,963,799	-6.6%	11,849,213	8.1%	3,350,731	8.8%	0.9%	2,996,208	-10.6%	8.4%
Expenditure										
Household Final Consumption	12,911,851	-8.0%	13,456,531	4.2%	4,196,072	19.7%	6.9%	3,691,935	-12.0%	6.3%
Government Final Consumption	2,652,447	10.0%	2,839,963	7.1%	706,680	1.2%	3.4%	715,279	1.2%	6.2%
Capital Formation	3,382,434	-33.5%	4,060,997	20.1%	1,186,524	10.5%	3.7%	1,124,997	-5.2%	12.2%
Exports	4,735,076	-31.8%	5,128,006	8.3%	1,434,654	-6.3%	14.7%	1,366,929	-4.7%	0.4%
Imports	6,146,212	-21.2%	6,947,443	13.0%	1,936,874	-5.5%	6.8%	1,981,154	2.3%	4.2%
GDP	17,530,785	-9.5%	18,538,053	5.7%	5,575,144	16.9%	7.2%	4,907,180	-12.0%	6.4%
NPI	1,325,383	-30.4%	642,515	-51.5%	354,878	21.2%	56.9%	409,847	15.5%	81.2%
GNI	18,856,166	62.3%	19,180,570	1.7%	5,930,022	17.2%	9.3%	5,317,027	-10.3%	9.9%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2020		2021		May-2023			June-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%	333,437	-24.3%	30.0%	267,315	-19.8%	8.9%
Tax	2,504,421	-2.4%	2,739,350	-2.4%	291,711	-27.7%	24.5%	238,870	-18.1%	11.9%
BIR	1,951,023	0.0%	2,078,108	0.0%	213,273	-36.5%	16.1%	164,736	-22.8%	3.4%
BoC	537,687	-9.3%	643,563	-9.3%	77,926	15.4%	60.3%	74,125	-4.9%	42.1%
Others	15,711	-24.7%	18,157	-24.7%	512	3100.0%	-74.9%	9	-98.2%	-99.6%
Non-Tax	351,412	23.6%	265,357	23.6%	41,710	12.5%	89.2%	28,287	-32.2%	-11.2%
Expenditures	4,227,406	24.0%	4,675,639	10.6%	455,668	21.9%	-0.2%	492,713	8.1%	24.6%
Allotment to LGUs	804,546	39.8%	892,698	39.8%	79,940	1.1%	-2.0%	81,485	8.7%	11.3%
Interest Payments	380,412	8.9%	429,432	8.9%	41,344	-10.6%	42.9%	52,884	27.9%	76.7%
Overall Surplus (or Deficit)	-1,371,447	145.7%	(1,670,100)	145.7%	(122,231)	-283.0%	-39.0%	(225,398)	84.4%	50.4%

Source: Bureau of the Treasury (BTr)

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

	2021		February-2023			March-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%	3,843.00	2.7%	-46.7%	3,656.90	-1.7%	-66.5%
Residential	16,906.10	2.6%	1,226.90	-2.9%	-50.6%	1,230.90	-6.9%	-67.7%
Commercial	14,950.30	3.2%	1,428.40	13.3%	-41.6%	1,337.60	-5.9%	-63.9%
Industrial	12,897.30	12.4%	1,117.00	-3.9%	-47.9%	1,017.40	-5.2%	-68.4%

Source: Meralco

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

	2020		2021		4th Quarter 2022		1st Quarter 2023	
	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%	561	-114.2%	-4,348	7.5%
Balance of Goods	33,775	-32%	53,781	59%	14,564	-11.9%	16,991	8.2%
Exports of Goods	48,212	-10%	54,169	12%	15,173	10.0%	12,802	-10.0%
Import of Goods	81,987	-20%	107,950	32%	29,737	-2.0%	29,793	-0.5%
Balance of Services	-13,866	6%	-14,174	2%	-5,290	41.0%	-4,511	40.9%
Exports of Services	31,822	-23%	33,627	6%	12,347	34.0%	10,929	25.7%
Import of Services	17,956	-36%	19,453	8%	7,058	29.2%	6,418	16.9%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	63	-50%	80	26%	-8	-133.0%	21	-213.1%
Financial Account	-6906	-14%	-6,942	1%	-1,616	-67.5%	-5,664	20.0%
Direct Investments	- 3,260	-39%	-8,116	149%	-1,294	-39.5%	-718	-52.3%
Portfolio Investments	-1680	-32%	8,046	-579%	-2,452	-1627.7%	-694	-1910.2%
Financial Derivatives	-199	15%	-603	203%	31	-115.8%	20	3424.0%
Other Investments	- 6,268	255%	-8,152	30%	2,099	-174.9%	-4,271	31.3%
III. NET UNCLASSIFIED ITEMS	1245	-149%	361	-71%	-1,602	-266.0%	2,115	-1419.1%
OVERALL BOP POSITION	16,022	104%	1,345	-92%	568	-71.7%	3,453	597.6%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	7,713	378%	294	-96%	472	-120.9%	-2,841	-604.9%
Net Foreign Assets	7,665	384%	433	-94%	475	-120.8%	-2,790	-1079.3%
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		April-2023		May-2023	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,303,261	8.8%	3,714,565	12.2%	3,551,964	8.1%
Sources:						
Net Foreign Asset of the BSP	6,296,263	39.5%	5,661,511	-9.3%	5,674,447	-8.1%
Net Domestic Asset of the BSP	14,211,531	26.7%	4,423,261	-68.0%	4,513,740	-67.8%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	5,659,905	52.6%	6,461,076	17.1%	6,444,855	15.7%
Money Supply-2	13,795,976	30.2%	15,788,303	16.6%	15,837,211	16.3%
Money Supply-3	14,432,021	30.4%	16,256,666	14.4%	16,284,987	14.0%
MONEY MULTIPLIER (M2/RM)	4.18		4.25		4.46	

Source: Bangko Sentral ng Pilipinas (BSP)

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