October 2023

The

MARKET CALL

Capital Markets Research

FIRST METRO INVESTMENT CORPORATION
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UA&P
UNIVERSITY OF ASIA AND THE PACIFIC

FMIC and UA&P Capital Markets Research

Executive Summary

Economic data released in September and early October support the greater optimism manifested by consumers (i.e., less negative for Q3, and more positive for Q4) and business firms (less positive in Q3, bigger jump in optimism for Q4). After all, the economy generated 3.4-M jobs in August a huge rebound from July despite heavy rains continuing to a good part of August. Thus, the unemployment rate fell to 4.4% from 4.8% in the previous month, and the Manufacturing sub-sector showing consecutive gains since May 2023. With the National Government (NG) ramping up current operating and capital outlays in July and August and much leeway for the deficit to reach full year target and inflation subsiding to below 5% by November, we expect a 5.0% GDP uptick in Q3 and full year expansion of 5.8%. Both the bond and equities markets should show sideways movement until November.

Macroeconomy

3 ***The recovery in August of some 80% of jobs lost in rain-drenched July amid the fourth consecutive month of job gains in the Manufacturing sub-sector has made us more optimistic that a net gain in employment will occur between September and November. October PMI suggested a return to expansion mode. Beneath "apparently weak" spending growth in August, National Government spending on current operations and capital outlays soared by 24.7% following through the 28.9% vault in July. NG will continue to ramp up spending for the rest of the year. Together with slowing inflation to below 5% by November, these should boost GDP expansion specially in Q4. Sliding international rice prices and lower crude oil futures vs. spot prices support our view on inflation. All told, we still expect the economy to expand by 5.8% in 2023.***

Job recovery in August pushed down the unemployment rate to 4.4% from 4.8% a month ago despite much higher labor force participation rate.▪ After removing interest payments and allotments to Local Government Units (LGUs), the 24.7% YoY growth in NG spending after a slightly higher pace in July shows that NG's efforts to ramp up spending has gained traction.▪ Manufacturing output jumped by 8.5% YoY in August, the fourth consecutive month of gains.▪ Headline inflation hit a four month high of 6.1% YoY as international rice prices soared while petroleum products remained elevated. ▪ Exports expanded by 4.2% YoY in August amid stronger demand for electronic products and the country's copper smelter tripled its shipments YoY.▪ The USDPHP rate on average depreciated by 1.1% in September as the U.S. dollar strengthened and the balance of trade deficit remained above $4.0-B in August.

Bond Markets

11 ***Speeches of a growing number of Fed board members clearly sounded dovish. And so market players appear to see another pause in the Fed's rate hiking cycle in its November meeting. However, they also expect a longer period of elevated long term interest rates and have driven 10-year U.S. bond yields closer to 5.0% by mid-October. We agree with this view and think that developments in the local front would have more relevance to domestic bond yields. Inflation will likely go below 5% YoY by November as Thai rice prices began to decline in September, while crude oil futures remain below spot prices. The National Government's $1.26-B dollar bond issuance and healthy cash buildup should also relieve pressure on bond yields. However, while short-term yields stay close to policy rates, 10-year yields will likely fall within the 6.4% to 6.9% range with a slight upside risk linked to U.S. bond yields.***

Auctions of government securities (GS) attracted investors as the tender-offer ratio rose slightly to 2.091x from 1.993x but biased towards the short end. • Thus, 91-day and 182-day T-bill yields slid slightly while the 364-day tenor's yield sank by -17.8 bps from the last auction in August.• Secondary GS market trading volume improved by 5.0% MoM and a 20.5% YoY jump. • The yield curve steepened slightly as 10-year bond yields rose by 9.7 bps to 6.45%.• ROPs yield spreads over equivalent U.S. Treasuries moved little at the long end as the two had similar upticks.

Equities Market

17 ***Given the 6.1% local inflation in September and the uncertainties spawned by Hamas/Iran attack on Israel, we expect PSEi to move sideways until the end of the year, unless we see surprisingly better Q3 GDP growth and company profits. Furthermore, a significant slowdown in local inflation would offer a small boost to the PSEi, especially considering the struggling global equities markets.***

PSEi ended September at 6,321.24 up by 2.4% MoM as all six sectors landed on the green.▪ The Mining & Oil sector posted the best performance with its +7.0% MoM gain in September.▪ Monde Nissin Corporation (MONDE) took the gold medal among PSEi-constituent stocks with its huge +25.4% gain MoM.▪ Bloomberry Resorts Corporation (BLOOM) led the decliners with -8.7% dip MoM.▪ In the Mining & Oil sector, Semirara Mining and Power Corporation (SCC) rose by 9.1% MoM.▪ In September, foreign investors withdrew from the market more rapidly to the tune of P26.4-B from net selling of P7.3-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 (Q2-2023)	4.3	6.4	5.3	5.8	7.2
Inflation Rate (September)	6.1	5.3	6.6	3.1	8.1
Government Spending (August)	9.7	16.2	3.9	12.8	13.6
Gross International Reserves ($B) (September)	98.7	99.6	100.0	107.1	95.1
PHP/USD rate (September)	56.79	56.16	55.49	48.88	55.68
10-year T-bond yield (end-September)	6.58	6.55	6.31	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

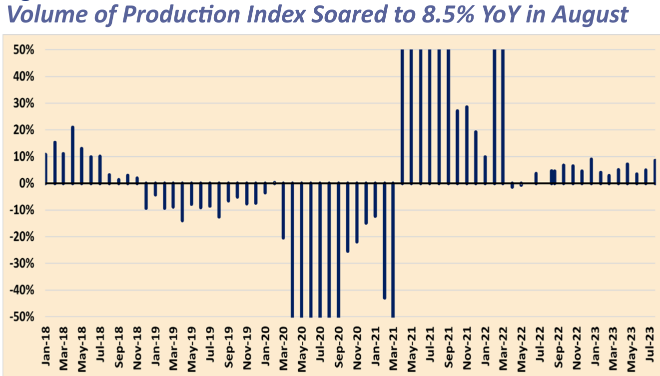
MACROECONOMY

UNEMPLOYMENT RATE FALLS TO 4.4% IN AUGUST AS NG RAMPS UP SPENDING

The economy rehired 80% of erstwhile idled workers from July resulting in a drop in the unemployment rate to 4.4% in August from 4.8% a month earlier, despite a large rise in labor force participation rate. The Manufacturing sub-sector hired more people for the fourth consecutive month as output accelerated and September PMI implied a further expansion. The National Government (NG) current and capital spending remained robust as these soared by 24.7% year-on-year (YoY) in August only a bit off from 28.9% a month ago. Headline inflation, however, rose faster at 6.1% in September from 5.3% in the previous month as rice and fuel prices ballooned. While the balance of trade eased month-on-month (MoM), the peso-dollar average rate depreciated by 1.1% MoM in September.

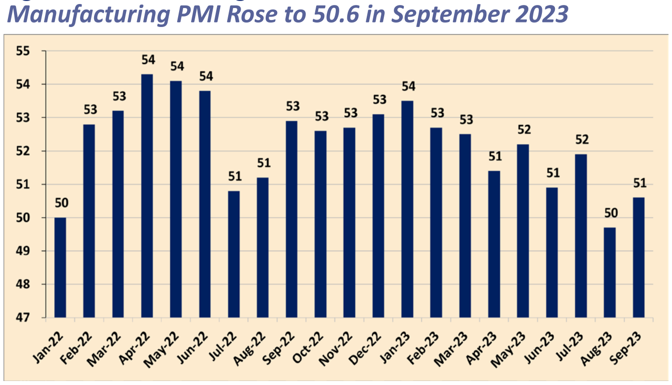
***Outlook**: We see the cup half full than half empty as economic data show resilience of the economy. With the recovery of employment in August and likely until November, the Manufacturing sub-sector has displayed elan together with accelerating output. Besides, the National Government spending, excluding interest payments and allotments to Local Government Units (LGUs), should remain at a high trajectory as July and August showed 29.6% and 24.7% YoY gains, respectively, and provide the main booster as consumers worry about inflation. We think the latter will ease closer but above 4% by November, as international crude oil and rice prices appear toppish, even as Q4 should benefit from (high) base effect. All told, we revise our Q3 GDP forecast to 5.0% and full year to 5.8%.*

Figure 1 - Volume of Production Index
Volume of Production Index Soared to 8.5% YoY in August



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 2 - Manufacturing PMI
Manufacturing PMI Rose to 50.6 in September 2023



Source of Basic Data: S&P Global

Industrial Output Sped to 8.5% YoY in August, as Manufacturing PMI Expanded in September

Industrial output as measured by the Volume of Production Index (VoPI) accelerated to 8.5% YoY in August, faster than the 4.9% increment in the previous month.

Out of the 22 industry divisions, nine registered positive YoY performances, led by Manufacture of Coke and Refined Petroleum Products (+48%), Manufacture of Electrical Equipment (+30.9%), and Manufacture of Wood, Bamboo, Cane, Rattan Articles and Related Products (+28.1%). These three industry divisions also registered positive annual growth rates in July 2023.

Meanwhile, 13 industry divisions posted annual declines, led by Manufacture of Furniture (-31.9%), Manufacture of Machinery and Equipment Except Electrical (-29.3%), and Manufacture of Wearing Apparel (-16.7%). These three industry divisions also topped decliners in June 2023.

S&P Manufacturing PMI for the country climbed to 50.6 in September, ending the third quarter with a recovery of the Philippine manufacturing sector from its 49.7 contraction the previous month. The expansion of the manufacturing sector as new orders fueled the faster production increase. Overall, manufacturing firms held a positive outlook about their production in the succeeding months.

Table 1 - Labor Force Survey Summary

			MoM Change	
	July 2023	August 2023	Levels	% Change
Labor Force	46,903	50,287	3,384	7.2%
Employed	44,630	48,073	3,443	7.7%
Underemployed	7,104	5,630	(1,474)	-20.7%
Underemployment rate%	15.9	11.7	(4.21)	-26.4%
Unemployed	2,273	2,214	(60)	-2.6%
Unemployment rate%	4.8	4.4	(0.45)	-9.2%
Labor Participation rate%	60.1	64.7	4.56	7.6%
Not in Labor Force	31,147	27,495	(3,652)	-11.7%
Agriculture ('000)	9,614	11,787	2,173	22.6%
Industry ('000)	8,491	8,759	268	3.2%
Mining and Quarrying	229	169	(60)	-26.3%
Manufacturing	3,567	3,703	136	3.8%
Electricity, Gas, Steam, and Air-Conditioning Supply	91	43	(47)	-52.2%
Water Supply; Sewerage, etc.	89	43	(46)	-51.3%
Construction	4,514	4,800	286	6.3%
Services ('000)	26,525	27,528	1,002	3.8%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	8,675	9,810	1,135	13.1%
Transportation and Storage	3,490	3,492	2	0.1%
Accomodation and Food Services Activities	1,959	1,983	24	1.2%
Information and Communication	540	350	(190)	-35.2%
Financial and Insurance Services	649	527	(123)	-18.9%
Real Estate Activities	231	222	(8)	-3.6%
Professional, Scientific, and Technical Activities	498	425	(74)	-14.8%
Administrative and Support Services Activities	2,451	2,373	(79)	-3.2%
Public Administration and Defense; Compulsory Social Security	2,633	2,684	51	1.9%
Education	1,426	1,608	182	12.8%
Human Health and Social Work Activities	692	802	110	15.9%
Arts, Entertainment, and Recreation	437	463	26	5.9%
Other Service Activities	2,842	2,787	(55)	-1.9%

Source of Basic Data: Philippine Statistics Authority (PSA)

3.4-M Jobs Recovered in August

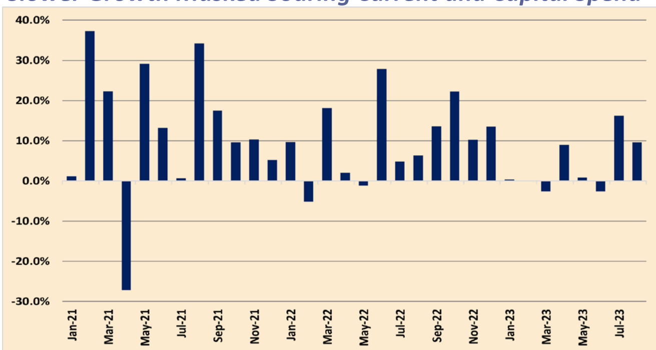
Despite rains still pouring in August, the economy added 3.4-M jobs during the month, offsetting most of the 4.2-M lost in the previous months. This resulted in a reduction of the unemployment rate (UR) to 4.4% from 4.8% in July, even as the labor force participation rate (LFPR) jumped to 64.7% from 60.1% in the prior month. All three sectors posted job gains, with the Agriculture sector adding the most workers at 2.2-M erasing the 2.0-M lost in July. The total number of unemployed persons fell to 2.2-M, the third lowest level since the monthly labor force readings started in January 2021.

The Industry sector recovered 84% of jobs lost in July as Construction (+286,000) and Manufacturing (+136,000) sub-sectors' workers braved the rains. Notably, Manufacturing posted its fourth consecutive month of intake of workers.

The Services welcome back 1.0-M workers, albeit only some 53.2% of what it shed in the previous month. However, seven out of the 13 sub-sectors provided more jobs. To be sure, the Wholesale and Retail Trade sub-sector recovered the most in absolute terms, i.e., 1.1-M jobs, while the Education (+182,000) and Human Health & Social Services (+110,000) got far second and third place in intakes. Information & Communication (-190,000) and Financial Services (-123,000) saw the biggest job losses.

We expect further gains in September to November as firms meet the higher demand offered by the Christmas season.

Figure 3 - NG Expenditures Growth Rate, Year-on-Year
Slower Growth Masked Soaring Current and Capital Spend-



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

NG Kept Pace of Current and Capital Expenditures at 24.7% YoY in August

Although total National Government (NG) expenditures in August increased by 9.7% YoY, slower than 16.2% climb a month earlier, direct NG spending on current operations and capital outlays kept a rapid pace of 24.7% lagging only a bit from 28.9% in July. But as revenues slipped by -6.6% in August, the month's budget deficit bloated by 86.4% YoY to P133.0-B. Year-to-date (YTD), the deficit reached P732.5-B only around half of the projected full year budget of P1.47-T.

Tax collections during the rainy month slid by 5.8%, as both the Bureau of Internal Revenue (-6.7%) and the Bureau of Customs (-4.9%) suffered from weak economic activity in rain-drenched July, considering a usual month's lag in tax take. Non-tax revenues took a deeper dive of -21.6% as other non-tax revenues slumped more than the gain in BTr income.

Infrastructure spending by the Department of Public Works and Highways and rail transport projects of the Department of Transportation gained traction, while the Department of Education also contributed to the operational spending growth.

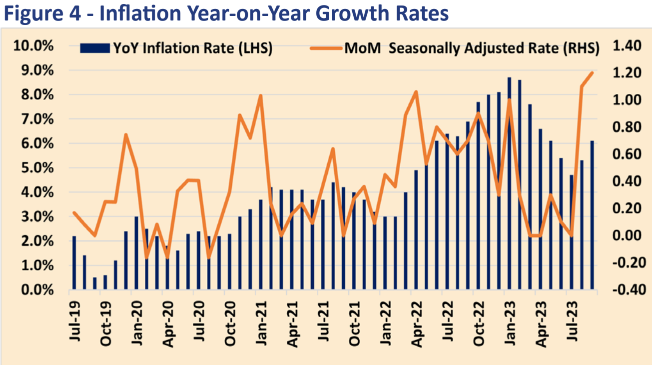
Table 2 - Major Contributors to Year-on-Year Inflation

Inflation Year-on-Year Growth Rates	Aug-2023	Sept-2023	YTD
	5.3%	**6.1%**	6.6%
Food and Non-Alcoholic Beverages	6.8%	9.7%	8.5%
Alcoholic Beverages and Tobacco	10.0%	9.8%	11.3%
Clothing and Footwear	4.7%	4.7%	4.9%
Housing, Water, Electricity, Gas, and Other Fuels	3.8%	2.4%	5.8%
Transport	0.0%	1.2%	2.1%
Restaurants and Accommodation	7.1%	7.1%	7.9%
Personal Care & Miscellaneous Goods and Services	5.4%	5.4%	5.5%

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

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 4 - Inflation Year-on-Year Growth Rates



Source of Basic Data: Philippine Statistics Authority (PSA)

Surging Rice Prices Pushed September Inflation to 6.1%

Surging international rice prices fueled by export cutbacks by India and Thailand and higher crude oil prices hurtled inflation to 6.1% YoY in September. This occurred despite having only four out of 13 product categories showing price increases YoY at a faster pace. YTD, inflation remained at 6.6%.

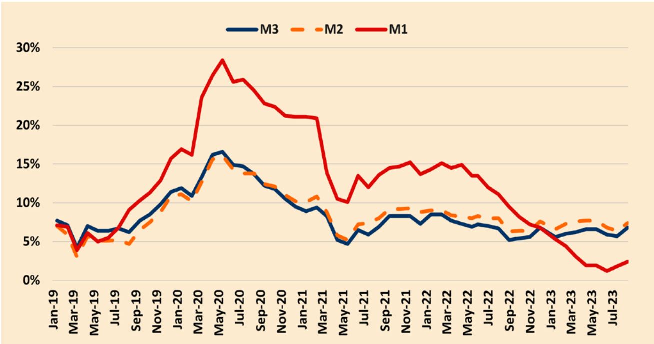
While prices of only four out of 11 food categories accelerated, the huge jump in rice prices to 17.9% YoY in September from 8.7% a month earlier triggered the faster 9.7% YoY pace in overall food prices from 6.8% in August. Actually, the five other product types showed decelerations. Note that rice prices constitute some 23.5% of Food and Non-Alcoholic Beverages, the latter accounting for 37.7% of the Consumer Price Index (CPI).

Transport sub-index also picked up to 1.2% from 0% a month ago, as the crude oil markets reeled from OPEC production cuts that will extend until December 2023. Notably, West Texas Intermediate (WTI, U.S. benchmark) turned positive by 4.4% YoY to $89.43/barrel from -14.2% in August, while Brent climbed by 6.1% YoY to $93.72/ barrel from -13.1% a month ago.

On a seasonally adjusted basis, inflation slightly speeded to 1.2% MoM from 1.1% a month earlier due to soaring rice prices.

We think October YoY inflation will slow significantly since Thai rice prices appear to have eased in September, while crude oil prices slumped to just over $80/barrel (WTI) after the U.S. inventory of gasoline shot up. Although WTI has recovered to around $85/barrel after the Hamas surprise attack on Israel on October 6th, oil futures over the next 12 months remained lower than a week ago. However, we no longer see YoY inflation to go below 4% this year which should end at a full year average of 6.1%.

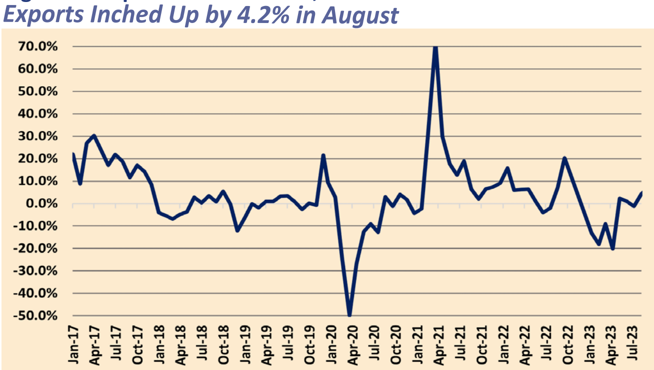
Figure 5 - M1, M2, M3 Growth Rates



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

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

Exports Inched Up by 4.2% in August



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 3 - Exports Year-on-Year Growth Rates

	July-2023	Aug-2023	YTD
Total Exports	-1.2	**4.2**	-6.6
Agro-Based Products	**-15.0**	**-23.5**	**-27.6**
Mineral Products, of which	**-11.9**	**57.1**	**-5.8**
Copper cathodes	**18.4**	**414.0**	-6.8
Others (incl. nickel)	-26.4	11.6	-20.3
Manufactured Goods	**1.6**	**3.6**	**-4.9**
Electronic Products	7.7	6.1	-4.8
Other Electronics	-1.0	4.2	11.7
Chemicals	-21.1	15.5	-20.9
Machinery and Transport Equipment	2.0	-2.1	11.3
Processed Food and Beverages	-10.0	-3.9	-11.8
Others	-14.1	3.3	-3.3

Source of Basic Data: Philippine Statistics Authority (PSA)

Money Supply (M3) Expanded to 6.8% YoY in August

Domestic liquidity (M3) grew by 6.8% YoY to P16.5-T. On a MoM seasonally adjusted basis, M3 increased by 1.6%.

Net foreign assets (NFA) in peso terms rose by 3.2% YoY in August, reversing its -2.6% fall in July. The Bangko Sentral ng Pilipinas' (BSP) NFA position also increased by 3.2% in August, wiping out its -0.5% contraction a month ago. Additionally, the NFA of banks rose on account of lower bonds payable.

Lending for production activities grew by 5.5% in August albeit slower than its 6.2% expansion in July, as outstanding loans to key industries grew, specifically Information and Communication (+10.7%), and Electricity, Gas, Steam, and Airconditioning Supply (+9%). Wholesale and Retail Trade, and Repair of Motor Vehicles and Motorcycles (+7.1%) also saw an increase in its loan availments.

Meanwhile, consumer loans rose by 22.7% in August from 22.6% in July, driven by the increase in credit card and motor vehicle loans.

Exports Went Back to Positive Territory with 4.2% YoY Rise in August

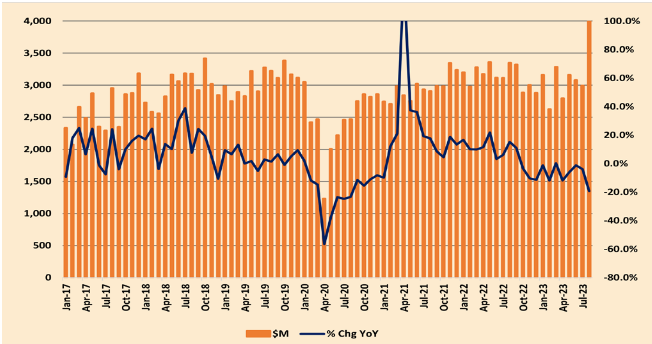
Export shipments recovered in August with a 4.2% YoY uptick from -1.2% in the previous month. Three major product categories provided the boost, i.e., Minerals (+57.1), Petroleum Products (+39.0% but very low levels), and Manufacturing (+3.6%), with the latter accounting for 81.8% of total exports.

Mineral exports led the sector’s growth with a huge 414.1% increase to $158.8-M as the sole copper smelter of the country completed its rehabilitation and expansion works. Elevated copper prices also contributed to the jump as copper concentrate exports also rose by 11.9%.

Exports of the Manufacturing sector climbed by 3.6% YoY in August, led by the heavy-weighted Semiconductor exports with its 14.0% YoY which accounted for 46.5% of total exports, a lion share of the Electronics Products’ uptick of 6.1%. Among electronic products, medical and industrial instruments led the gainers with its expansion of 48.6%.

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

Imports of Capital Goods Tumbled Down by -19.3% in August



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 4 - Imports Year-on-Year Growth Rates

	July-2023	Aug-2023	YTD
Total Imports	**-15.3**	**-13.1**	**-9.6**
Capital Goods	**-3.9**	**-19.3**	**-6.8**
Power Generating and Specialized Machines	10.8	-10.3	5.0
Office and EDP Machines	-32.3	-34.1	-35.2
Telecommunication Equipment and Electrical Machines	-8.9	-19.3	-6.1
Land Transport Equipment excluding Passenger Cars and Motorized cycle	2.2	-15.2	2.2
Aircraft, Ships and Boats	42.9	-53.8	-18.4
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	0.3	-7.2	4.2
Raw Materials and Intermediate Goods	**-21.9**	**-18.9**	**-15.6**
Mineral Fuels, Lubricant and Related Materials	**-34.4**	**-6.4**	**-17.5**
Consumer Goods	**5.9**	**4.0**	**10.4**

Source of Basic Data: Philippine Statistics Authority (PSA)

The U.S. remained as top export destination capturing a 16.4% share in total exports as shipments increased by 4.6% YoY in August. Exports to Japan held on to second place (13.7% share) despite a -3.5% YoY slide. Hong Kong took over China for the third spot (13.0% share) as exports to the territory vaulted by 19.4%, while China placed fourth (12.5%) as shipments to it slipped by -0.2% YoY. The top four destinations, all with double digit shares, accounted for 55.6% of total exports.

Export growth in the last four months of 2023 should remain below 8% due to global economic slowdown, exacerbated by the Hamas-Israel conflict in the Middle East.

Capital Goods Imports Sank Deeper by -19.3% in August

With imports of all categories of capital goods heading south, total capital goods imports tumbled by -19.3% in August, a deeper dive from -3.9% in July. Constituting more than half of these imports, Telecommunications & Electrical Equipment slumped by -19.3% YoY had the largest impact. Imports of Aircrafts and Ships, etc. plunged the most by -53.8%, but it only accounted for 2.6% of capital goods imports.

Total imports continued to slide by -13.1% YoY as only one category—consumer goods imports – rose (+4.0%). Imports of consumer durables took the lead with a 7.7% gain, while non-durables managed to decrease marginally by -0.8%.

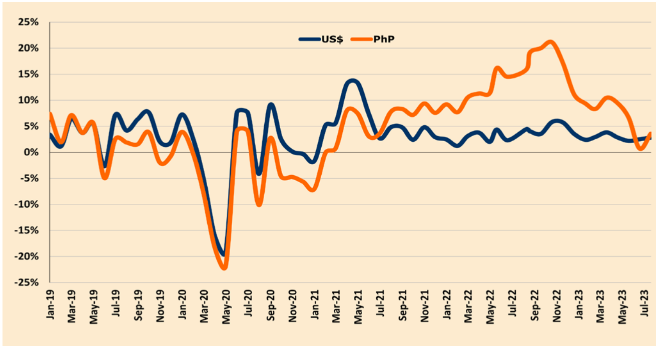
Imports of Raw Materials & Intermediate Goods plunged by -18.9%, suggesting weakness in the economy, while Imports of Mineral Fuels, Lubricants, etc. sank by 6.4% despite the 57.2% surge in Petroleum Products, as crude oil prices exceeded $90/barrel for a while.

With the contraction of imports and a rise in exports, the trade deficit eased to $4.1-B, and -1.7% MoM lower than in July, and down -31.5% YoY.

Gross international reserves (GIR) shed $0.9-B to end September with $98.7-B from $99.6-B a month earlier. Import cover slipped further to 7.1 months of imports, from 7.4 in August.

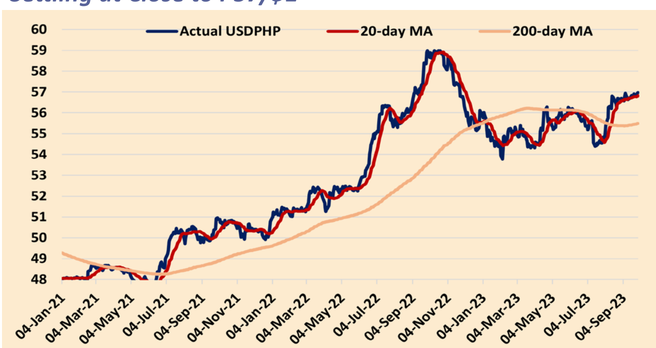
The need to boost GIR in the coming months, especially if crude oil prices slide further to $80/barrel or lower, has become more urgent amidst large possible external shocks.

Figure 8 - OFW Remittances Growth Rates, Year-on-Year
Personal Remittances Ended August at $3.1-B



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

Figure 9 - Dollar-Peso Exchange Rates and Moving Averages
Settling at Close to P57/$1



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			
	Aug-2023	Sept-2023	YTD
AUD	3.7%	0.5%	4.7%
CNY	1.9%	0.3%	3.6%
INR	0.8%	0.7%	0.5%
IDR	1.3%	3.1%	-2.1%
KRW	2.8%	2.0%	5.8%
MYR	0.2%	1.5%	4.4%
PHP	2.3%	0.5%	1.5%
SGD	1.1%	1.1%	1.2%
THB	1.0%	4.4%	5.0%

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 Rose by 2.8% in August 2023

Personal remittances of Overseas Filipino Workers (OFW) grew by 2.8% to $3.1-B in August. This brought the YTD remittances to $24.0-B, a 2.9% increment from the same period last year. The increase in personal transfers during the year benefited from land-based workers which rose by 3.1% to $2.38-B from $2.31-B in the same period last year and sea-land based workers which rose by 1.4% to $0.66-B from $0.65-B in the same period last year.

On the other hand, cash remittances from OFWs coursed through banks grew by 2.7% to $2.8-B in the same month a year ago. The increase in cash remittances from the United States (U.S.), Singapore, and Saudi Arabia led the growth in remittances for the first eight months of 2023. As for the country origin, the U.S. registered the highest share of overall remittances at 41.6% followed by Singapore, Saudi Arabia, Japan, United Kingdom, United Arab Emirates, Canada, Qatar, Taiwan, and Republic of Korea. The consolidated remittances from these top 10 countries accounted for 79.9% of the total cash remittances from January to August 2023.

Peso Slipped Further by 1.1% in September

The peso-dollar rate depreciated by another 1.1% in September to average P56.79/$1 as the U.S. dollar continued to dominate foreign exchange markets. This came on top of 2.3% weakness in August. Nonetheless, most Asian currencies felt the U.S. dollar strength during the month.

The actual USDPHP rate has exceeded both 200-day and 20-day Moving Averages (MA) and so logically, it should weaken further especially in the light of elevated inflation and trade deficits. However, BSP intervention has focused on not allowing the currency to go above P57/$1 but that would mean losing precious dollar reserves. The market continues to test the new BSP Governor, but it seems the BSP will have the upper hand in the coming Christmas season during which OFW remittances spike.

Outlook

While a certain pessimism has begun to grip fairly large swaths of people, including policymakers and investors, especially amid the boiling geopolitical—i.e., Hamas-Israel, Russia-Ukraine conflicts, and China's aggressiveness in the East Asia and Southeast Asian region, we do not share such a cloudy view of the economy.

- The huge rebound in employment (+3.4-M) in August meant an 80% recovery from July losses and resulted in a reduction in unemployment rate to 4.4% from 4.8% a month earlier. We expect complete rebound by September, and further gains until November.

- The Manufacturing sector's recovery appears to have gained traction as it posted the fourth consecutive month of job gains by August. In addition, industrial output has accelerated to an 8.5% YoY pace in August, while having a positive momentum since the beginning of the year. Manufacturing PMI showed expansion in September.

- While total NG expenditures slowed to 9.7% YoY in August from 16.2% a month ago, spending only on NG current and capital outlays (i.e., excluding interest payments, allotments to LGUs) remained at a rapid pace at 24.7% YoY from 28.9% a month earlier. YTD deficit reached only around 50% of the full year program with four months of spending to go.

- Headline inflation rate at 6.1% YoY in September retains its fly-in-the-ointment status as food prices, specially rice, surged, aided by a new round of crude oil and fuel price gains. Both MoM and YoY inflation should ease for the rest of the year, as crude oil prices hovered around $85/barrel despite the Hamas-Israel conflict and Thai rice prices have begun to slide in September.

- Elevated international crude oil prices should keep the trade deficit above $4.0-B monthly for the rest of the year which will show a full year balance of trade deficit of some $53.0-B, the second highest on record.

- With the BSP's intervention, the peso-dollar rate may not go far beyond $57/$1, if at all, despite the yawning trade imbalance.

FIXED INCOME SECURITIES

FED AND BSP'S SEPTEMBER PAUSE KEEP LOCAL YIELD CURVES STEADY

The September pause in policy rate hikes by the U.S. Fed and the Bangko Sentral ng Pilipinas (BSP) enabled the local bond market to mildly recover. Thus, local yield curve at month's end showed little change from the previous month, albeit with modestly higher yields in the long end. Investors showed slightly more interest in local bonds, although more focused on the short end of the curve. At least, for auctions. ROPs basically went up in sync with longer U.S. Treasuries, while corporate bond issuances remained tepid.

***Outlook**: With Fed officials becoming more dovish, markets now don't see a further rise in policy rates in 2023, even though adverse events/data may have an impact on the former's December meeting. Long-term bond yields have resumed its climb closer to 5.0% by mid-October, but this means that the market is doing the Fed's job of pushing up interest rates in that space. This would have a little pressure on local bond yields, but domestic pressures will likely prove modest. For one, we expect inflation to go back to below 5.0% by November and the National Government appears to have sufficient cash hoard and the recourse to U.S. dollar bond issuance in October support the view of weak domestic pressure on long-term bond yields. Investors would have to wait for 2024 for more higher yielding corporate bond issuances, while ROPs may simply track movements in equivalent U.S. Treasuries for the rest of the year.*

Table 6 - Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
29 Sep	**91-day**	20.000	54.372	20	2.719	5.595	2.2
	182-day	20.000	65.098	20	3.255	5.968	-2.5
	364-day	20.000	75.771	20	3.789	6.119	-17.8
Subtotal		**60.000**	**195.241**	**60**	**3.254**		
07 Sep	**3 year (FXTN 03-29)**	30.000	28.987	21.187	0.966	6.222	33.9
14 Sep	**7 year (FXTN 07-21)**	30.000	57.792	9.877	1.926	6.370	-9.8
21 Sep	**10 year (FXTN 10-71)**	30.000	66.719	30.000	2.224	6.420	20.0
28 Sep	**3 year**	30.000	27.643	0.000	0.921	0.000	
Subtotal		**120.000**	**181.141**	**61.064**	**1.510**		
All Auctions		**180.000**	**376.382**	**121.064**	**2.091**		

Source: Bureau of the Treasury (BTr)

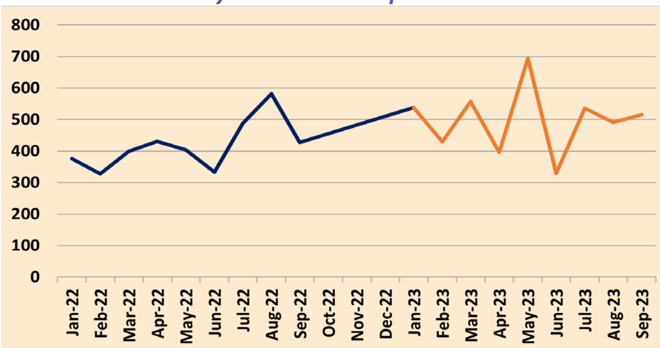
GS Auctions: Higher Yields for Long-dated Papers

Bureau of the Treasury (BTr) offered less government securities (GS) in September (P180.0-B from P210.0-B a month earlier), and so tenders by Government Securities Eligible Dealers (GSED) also fell, but the tender-offer ratio (TOR) went up slightly to 2.091x from 1.993x a month earlier.

GSED went for Treasury Bills (T-bills) which fetch a TOR of 3.254x or more than double that for Treasury bonds (T-bonds) of 1.510x. Thus, yields for T-bills slid specially for 364-day T-bills, while it went up for T-bonds.

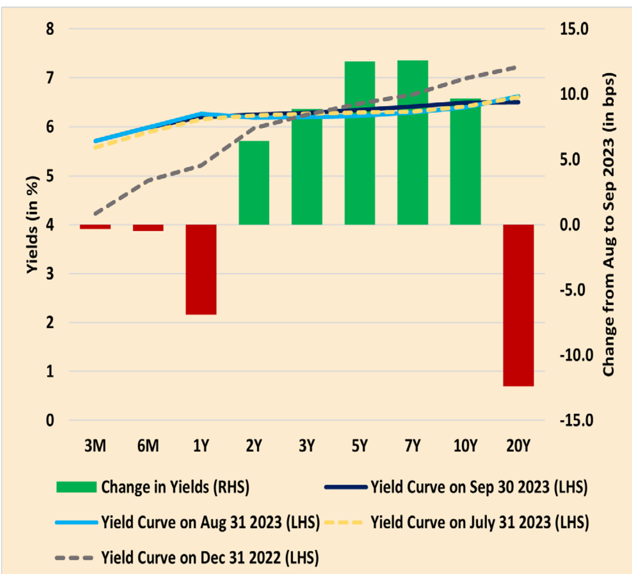
The unchanged policy rates of both the U.S. Federal Reserve Board and Bangko Sentral ng Pilipinas (BSP) kept movements in the GS yield curve modest.

Figure 10 - Monthly Total Turnover Value (in Billion Pesos)
Volume Increased by 5% MoM in September



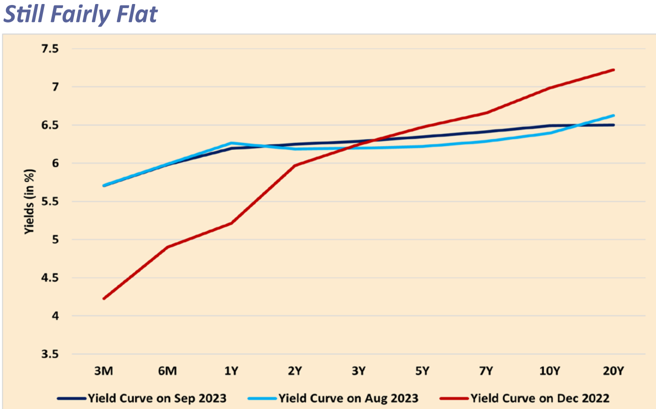
Source: Philippine Dealing Systems (PDS)

Figure 11 - Month-on-Month Changes on the GS Benchmark Bond Yield Curves (bps)
Slight Steepening as Long-end Rises



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Figure 12 - Year-end Yield Curve in 2022 and Latest Yield Curve Versus Previous Month in 2023
Still Fairly Flat



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

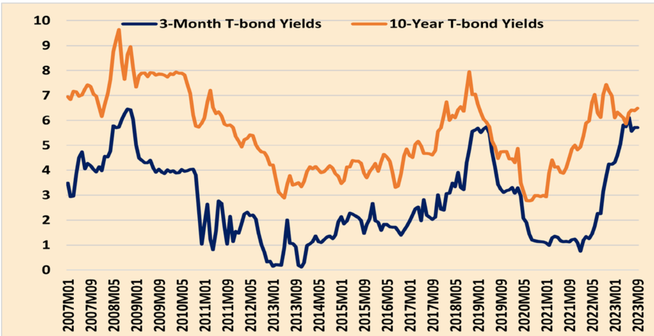
Secondary Market: Yield Curve Mildly Steepened as Investors Flock at Short End

The Fed's pause in its policy rate hiking cycle enabled the secondary market for government securities (GS) to partially bounce back in September as trading volumes climbed by 5.0% MoM to P515.6-B, slicing part of the -8.4% fall in the prior month. It, however, showed a 20.5% YoY jump from a -15.5% slump in August. As investors flocked in the short end of the curve, the yield curve steepened slightly as the long end experienced minor increases.

Yields sank for the 3-month to 1-year papers by -0.3 to -6.9 basis points (bps) and also for the illiquid 20-year issues by -12.4 bps. Midway (i.e., 2-year to 10-year) we saw yields notch up by +6.5 bps to +12.6 bps for 2-year and 7-year maturities to 6.250% and 6.412%. Coming close to the 7-year paper rise, 5-year tenors increased by 12.5 bps to 6.335%. The 10-year benchmark rates did jump by 9.7 bps to 6.490% by end-September.

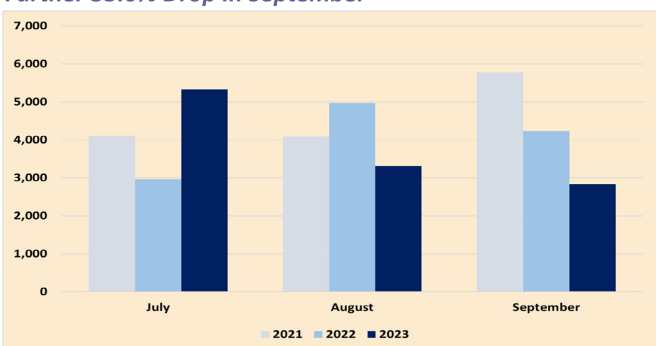
BSP kept its policy rate unchanged at 6.25% in its September 21 meeting and so the yield curve had a tiny increase of 3.3 bps in its steepness (i.e., measured by 10-year less 2-year yields).

Figure 13 - 3-month T-bonds and 10-year T-bonds Yields
No Danger of Yield Curve Inversion



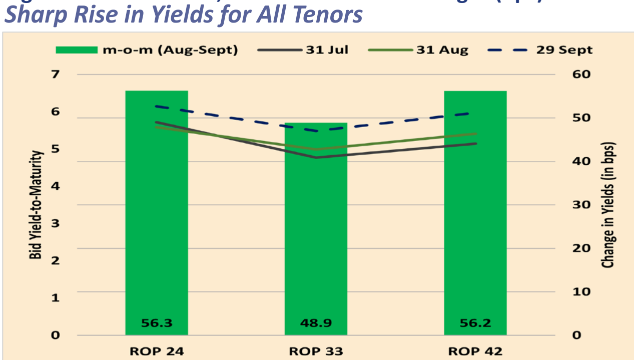
Source: Philippine Dealing Systems (PDS)

Figure 14 - Total Corporate Trading Volume (in Billion Pesos)
Further 33.0% Drop in September



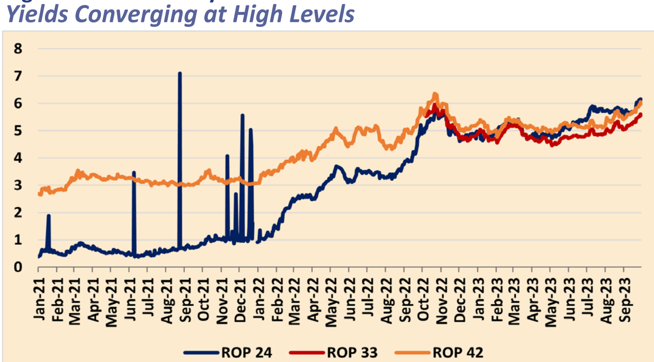
Sources: Bloomberg, Philippine Dealing Exchange (PDEx)

Figure 15 - ROPs Yield, Month-on-Month Changes (bps)
Sharp Rise in Yields for All Tenors



Source: Philippine Dealing Systems (PDS)

Figure 16 - ROPs Daily Yields
Yields Converging at High Levels



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Corporate Bonds: Volume Down by -14.4% MoM in September

Trading in the corporate bond secondary market slumped by another -14.4% MoM in September after a plunge of -37.8% a month ago. Compared to the same month in 2022, it plummeted by -33.0% YoY after losing 33.3% in the previous month.

Trading in the top five corporate bond issuers also sank by -33.2% MoM with a total of P884.6-M from P1.3-B. This accounted for 31.2% of total trading, down from 40.0% a month earlier. SM Prime Holdings (SMPH) retained the top spot with P259.0-M volume, but -49.6% lower than the previous month. San Miguel Corporation (SMC) came in next with P233.7-M, the only issue that showed higher volume of +57.0% to P233.7-M. Ayala Land Inc. (ALI) and BDO Unibank (BDO) took the next places with P214.5-M (-50.1% MoM) and P134.7-M (-1.0% MoM), respectively.

Corporate Issuances and Disclosures

Surprisingly, we still saw two corporate bond issuances in September.

- Aboitiz Equity Ventures (AEV) raised P17.45-B in 2-year, 5-year, and 10-year bonds. The bonds had coupon rates of 6.402%, 6.4762%, and 6.8032%, respectively. The bonds fetched relatively tight spreads due to the issuer quality, resulting in oversubscription of 1.59x.

- Double Dragon Corporation issued P3.6-B worth of 1 ½ and 5-year Fixed Rate Notes which would pay coupon rates of 9.5307% and 9.5354%, respectively on the usual quarterly basis.

ROPs: Spreads Over U.S. Treasuries Slightly Up in Long End

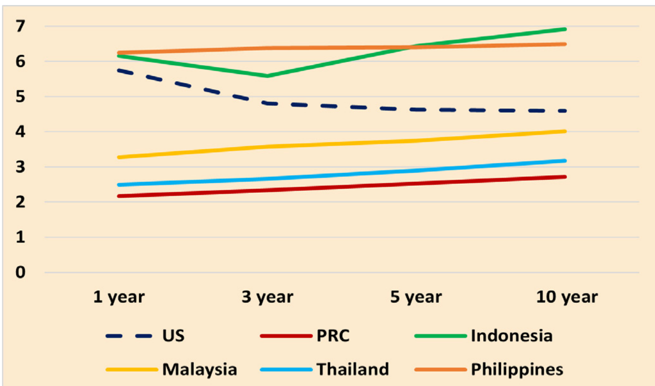
Despite shorter period to maturity than the U.S. 1-year Treasury bonds, ROP-24 yields soared by 68.8 bps to 6.148%, while the former inched up by only 9 bps to 5.46%. ROP-33 and ROP-42, however, vaulted more by 48.9 bps and 56.2 bps to end September at 5.481% and 5.971, respectively. The long end of the ROPs curve tracked more closely the gains in equivalent U.S. Treasuries.

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-Jul	34.9	80.1	91.9
31-Aug	21.5	90.2	101.9
29-Sep	68.8	89.1	105.1

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

Figure 17 - Comparative Yield Curve Between ASEAN per Tenor



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

The 10-year and 20-year U.S. T-bonds (against which we matched ROP-33 and ROP-42) added 50 bps and 53 bps to 4.59% and 4.92%, respectively, as market players anticipated a longer period of elevated interest rates, even while penciling that Fed policy rate hikes have ended.

ASEAN+1: Yield Curves Modestly Steepened in September

U.S.: The economy again delivered an outsized 337,000 new jobs in September handily exceeding market expectations, together with an upward revision of 40,000 jobs to the earlier August estimate. The robust job gains came with a slowdown in seasonally adjusted (s.a.) inflation rate of 0.4% MoM from 0.6% in August, but retained the 3.7% YoY print from the previous month. Core inflation also eased to 4.1% YoY from 4.3% a month ago. The economy showed resilience as retail sales (s.a.) climbed by 0.7% MoM in September after an upwardly revised 0.8% uptick in August. Manufacturing PMI improved to 49.8 in September from 47.9 a month earlier. With (s.a.) average hourly wages rising by only 0.2% MoM in August and September, the Fed's will likely stay on hold in its November meeting.

The yield curve became less inverted at -44 bps in September from -76 bps previously (i.e., 10-year less 2-year yields) as the long end of the curve moved up faster than at the shorter end. This would make the market do part of the job of Fed without the latter having to touch its policy rates.

CHINA: The inflation rate stood at 0% YoY in August following prior month's 0.1%, driven by sluggish demand. Factory activity remained at expansionary mode as the Caixin General Manufacturing PMI rose to 50.6 in September, albeit lower than 51.0 a month ago.

In September, both exports and imports slumped, the former by -6.2% to $299.1-B and the latter by 6.2% to $221.4-B, respectively. With this, China's trade surplus narrowed to $77.7-B in September from $82.6-B a year ago as both exports and imports dropped at the same rate.

The People's Bank of China's (PBoC) 1-year medium-term lending facility (MLF) rate remains at 2.50% in October. The spread between 10-year and 2-year bond yields contracted by 4 bps to 44 bps.

INDONESIA: Indonesia's manufacturing sector expanded for the 25th consecutive month in September as PMI grew to 52.3, but slightly slower than 53.9 a month earlier. The country's inflation print slowed down to 2.3% in September from 3.3% in the prior month, driven by the slowdown in housing and transport prices.

Outward shipments plunged by -16.2% YoY to $20.7-B in September amid moderating commodity prices. On the other hand, imports dropped less by -12.5% YoY to $17.3-B in September. As a result, trade surplus contracted to $3.4-B in September from $4.9-B in the previous year.

For the 8th straight month, Bank Indonesia (BI) maintained its key interest rates at 5.75% in September noting that current levels remained enough to control inflation. The yield curve steepened by 37 bps to 49 bps in September.

MALAYSIA: Manufacturing PMI fell deja vu to 46.8 in September from 47.8 in August, marking the 13th straight month of contraction in the manufacturing sector. On the inflation front, the inflation rate remained unchanged at 2.0% YoY in August, the same as its July pace.

Exports and imports registered double digit losses in August by -18.6% to MYR 115.2-B ($25.1-B) and -21.2% to MYR 97.9-B ($21.3-B). This brought the country's trade surplus to MYR 17.3-B ($3.8-B) in August from MYR 17.2-B ($3.7-B) in the prior year.

Bank Negara Malaysia (BNM) kept its policy rate unchanged at 3.0% in September. The spread between 10-year and 2-year bond yield steepened by 9 bps to 56 bps in September.

THAILAND: Inflation slowed down to 0.3% in September from 0.9% a month ago, driven by lower prices of food and non-alcoholic beverages. Meanwhile, the manufacturing sector contracted for the second consecutive month as Manufacturing PMI fell to 47.8 in September from 48.9 in August.

For the first time in eleven months, the country's exports rose by 2.6% to $24.2-B in August. On the other hand, imports plummeted -12.8%, the steepest drop in eight months, to $23.9-B in August. Consequently, this brought the country with a small trade surplus of $0.3-B in August from its trade deficit of $4.2-B a year earlier.

Borrowing costs became relatively more expensive as the Bank of Thailand (BOT) raised its policy rate by 25 bps to 2.50% during its September meeting. Steepness of the yield curve rose by 14 bps to 62 bps in September.

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
					Jul-23	Aug-23			
U.S.	5.03	4.59	3.9	0.19	(76)	(44)	32	5.50	1.60
PRC	2.28	2.72	0.8	1.85	48	44	(4)	2.50	1.70
Indonesia	6.42	6.91	3.8	2.58	12	49	37	5.75	1.95
Malaysia	3.45	4.01	2.7	1.14	47	56	9	3.00	0.30
Thailand	2.55	3.17	1.5	1.28	48	62	14	2.50	1.00
Philippines	6.25	6.49	6.1	0.48	20	24	4	6.25	0.15

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

Outlook

The bond markets here and abroad have shown different patterns. In the U.S. the upward trend in 10-year T-bond yields resumed by mid-October to around 4.8%, some 30 bps since end-September, while in the Philippines, the equivalent tenor has flattened at around 6.6%, around 15 bps since last month's close. Notably, the latter's sharp rise at the onset of 2023 has enabled the "slight disconnect" with U.S. Treasuries in the long end of the curve.

- While the U.S. economy has shown surprising strength with outsized gains in employment and retail sales for September, a number of Fed officials have turned dovish, i.e., seeing that they could bring inflation back to 2.0% over the medium term without bringing the economy in recession. They have pointed out that the markets now drive long-term yields upwards, thus without the Fed having to raise policy rates to effect that via the Expectations Hypothesis, as markets now see elevated interest rates for a longer period. Thus, 3-month bond yields should remain close to 5.5% while 10-year bond yields may reach 5.0% or a little higher for a short period. This would imply less yield curve inversion looking forward.

- Inflation, to be sure, reached 6.1% YoY in September, but this will likely ease as Thai rice prices had begun to slide in September, and elevated crude oil prices weakens global economic growth and demand for the commodity.

- The National Government still has some P700.0-B to incur as deficit with four months of 2023 remaining, while adding P500.0-B to its cash hoard by end of August. The pressure from NG has lessened also by its recourse to U.S. dollar bond issue.

- Corporate bond issuances will focus more on short maturities as long-term yields will likely fall by Q1 2024.

- ROPs spreads over U.S. Treasuries will likely have a slight upward bias that may vanish only with better GDP growth and significantly lower inflation rate.

EQUITY MARKETS

PSEI REGAINS SOME GROUND AS OTHER MARKETS FLOUNDER

PSEi recovered some lost ground from August as it climbed by 2.4%, only one of two equities markets (among twelve we monitor) which advanced in September. Although PSEi traded mostly below its 20-day moving average (MA), local investors went bargain-hunting as it dipped to near 6,000 level on September 20 to end the month on a positive note. Equities markets slumped amid the higher August inflation in the U.S. and the Fed's announced readiness to raise policy rates further to achieve its 2.0% target in 2024-2025. While all six sectors recovered partially from the August slump, the Mining & Oil sector took top honors in terms of sectoral increases with its 7.0% uptick. Lead gainers included Monde Nissin (MONDE, +25.4%), Converge Solutions (CNVRG, +23.6%), Nickel Asia (NIKL, +18.8%) Semirara Mining and Power Corporation (SCC, +9.1%) and Ayala Land (ALI, +8.5%). Few counters lost ground led by Bloomberry Resorts (BLOOM, -8.7%) and Jollibee Foods Corporation (JFC, -3.2%).

***Outlook**: With local inflation rescaling 6.1% in September and the new, raging Hamas/Iran-Israel conflict, PSEi will likely trade within the current range for the rest of the year, unless Q3 GDP and corporate earnings surprise on the upside. Thus, the late September rally likely arose from a technical rebound, as the paucity of good news haunted the local equities market. A significant slowdown in local inflation would provide a slight positive stimulus to PSEi, amid floundering global equities markets.*

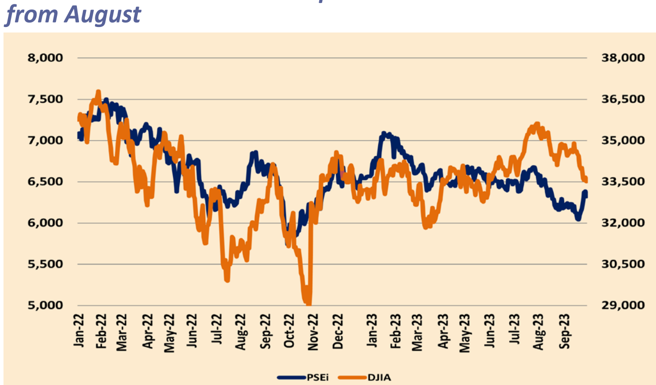
Table 9 - Global Equities Markets Performances

Global Equities Markets Performances				
Region	Country	Index	September M-o-M Change	2023 % Change
Americas	US	DJIA	-3.5%	1.1%
Europe	Germany	DAX	-3.5%	10.5%
	London	FTSE 101	2.3%	2.1%
East Asia	Hong Kong	HSI	-3.1%	-10.0%
	Shanghai	SSEC	-0.3%	0.7%
	Japan	NIKKEI	-2.3%	22.1%
	South Korea	KOSPI	-3.6%	10.2%
Asia-Pacific	Australia	S&P/ASX 200	-3.5%	0.1%
Southeast Asia	Indonesia	JCI	-0.2%	1.3%
	Malaysia	KLSE	-1.9%	-4.8%
	Thailand	SET	-6.0%	-11.8%
	Philippines	PSEi	2.4%	-3.7%

Sources: Bloomberg and Yahoo Finance

Figure 18 - PSEi vs DJIA

PSEi vs DJIA Correlation in September Declined to -0.50 from August

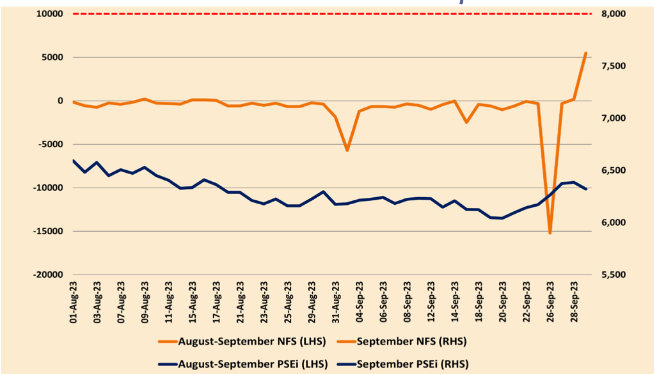


Sources: Wall Street Journal, Bloomberg

Global Picture. Majority of our tracked global equities markets landed on the red, while two performed positively in September. Philippines PSEi recorded the highest upswing with a 2.4% month-on-month (MoM) gain to end September at 6,321.24, slicing its -6.3% MoM loss a month ago. London FTSE followed suit as it ended the month with a 2.3% MoM increment, after posting -3.0% MoM loss in the previous month. Meanwhile, Thailand SET recorded the steepest decline with -6.0% MoM drop, wiping out its 0.6% MoM uptick a month earlier.

PSEi and DJIA. The Dow Jones Industrial Average (DJIA) closed a volatile month of trading. DJIA ended September at 33,507.50. Meanwhile, PSEi finished the month at 6,321.24 from the previous month's close of 6,175.25. The correlation between the two indices in September went down to -0.50 from +0.81.

Figure 19 - PSEi vs Net Foreign Selling
PSEi vs NFS Posted a 0.03 Correlation in September



Sources: Bloomberg & Yahoo Finance

Table 10 - Monthly Turnover (in Million Php)

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	20,563.20	19.3%	979.20	19.3%
Industrial	31,507.08	94.3%	1,500.34	94.3%
Holdings	61,613.26	42.2%	2,933.96	42.2%
Property	13,887.13	-27.2%	661.29	-27.2%
Services	24,278.63	48.1%	1,156.13	48.1%
Mining and Oil	2,609.74	9.2%	124.27	9.2%
Total	**154,459.04**	34.7%	**7,355.19**	34.7%
Foreign Buying	52,714.15	15.3%	2,510.20	15.3%
Foreign Selling	79,183.85	49.1%	3,770.66	49.1%
Net Buying (Selling)	(26,469.70)	258.8%	(1,260.46)	258.8%

Source of Basic Data: PSE Quotation Reports

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

Top Foreign Buy	
Company	Total Value
GTCAP PM Equity	307.40
MER PM Equity	293.41
SCC PM Equity	164.08
MONDE PM Equity	149.16
NIKL PM Equity	102.32
Total Buy Value	**1,016.38**

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, with the Industrial sector leading the sector gainers having the largest increment of +94.3% in September. Meanwhile, only the Property sector recorded negative trading performance with its -27.2% plunge in September.

Foreign investors exited the market faster in September to the tune of P26.4-B from net selling of P7.3-B a month earlier.

The top five favorite stocks (net buying) of foreign investors amounted to P1.0-B with GT Capital Holdings, Inc. (GTCAP) (P0.3-B) and Meralco (MER) (P0.2-B) leading the pack.

The top five favorite stocks (net selling) in September amounted to P6.5-B with Aboitiz Power Corporation (AP) (P2.7-B) and Metro Pacific Investments Corporation (MPI) (P1.4-B) in the front rows.

All six sectors of PSEi turned in a positive performance which resulted to a +2.4% MoM gain by PSEi in September. The Mining& Oil sector valuations went up by +7.0% MoM, emerging as the best performer for the month, and the only sector that wiped its losses in August. The Property sector followed suit with a +4.2% MoM upswing. On the other hand, the Financial sector turned in the best year-to-date (YTD) performance with its +13.2% MoM increase. Mining & Oil sector came in next as it ended flat while the remaining four sectors posted YTD losses.

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

Top Foreign Sell	
Company	**Total Value**
AP PM Equity	-2,707.52
MPI PM Equity	-1,447.42
TEL PM Equity	-902.90
CNPF PM Equity	-762.62
AC PM Equity	-688.41
Total Sell Value	**-6,508.86**

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

Table 13 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	31-August-2023		29-September-2023		2023 YTD
Sector	Index	% Change	Index	% Change	
PSEi	6,175.25	-6.3%	6,321.24	2.4%	-3.7%
Financial	1,850.03	-4.7%	1,861.78	0.6%	13.2%
Industrial	8,689.90	-5.3%	8,915.66	2.6%	-4.7%
Holdings	5,904.97	-6.7%	6,033.57	2.2%	-6.2%
Property	2,507.86	-7.5%	2,613.61	4.2%	-10.8%
Services	1,500.54	-7.0%	1,508.29	0.5%	-7.7%
Mining and Oil	10,083.72	-2.7%	10,794.09	7.0%	-0.1%

Source of Basic Data: PSE Quotation Reports

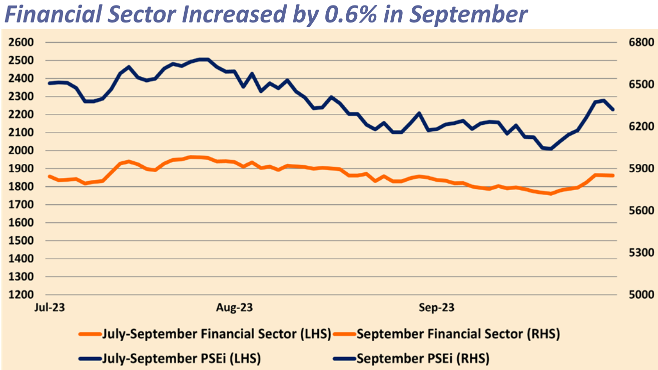
Table 14 - Financial Sector Constituent Stocks

Company	Symbol	8/31/2023 Close	9/29/2023 Close	M-o-M % Change	2023 YTD
Metropolitan Bank and Trust Company	MBT	55.20	54.00	-2.2%	0.0%
BDO Unibank, Inc.	BDO	139.30	141.90	1.9%	34.2%
Bank of the Philippine Islands	BPI	110.00	112.00	1.8%	9.8%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Financial Sector Index (July 2023 - September 2023)

Financial Sector Increased by 0.6% in September



Source of Basic Data: PSE Quotation Reports

The Financial sector ranked fifth in the sectoral race, with a +0.6% MoM uptick in September, reducing its -4.7% MoM loss a month earlier.

BDO Unibank, Inc. (BDO) share prices led the sector as it soared by +1.9% MoM in September, regaining part of its -4.0% loss in August. BDO has recently formed a partnership with Ovialand, Inc. on a new home loan program, which would allow a client to purchase a new home by paying a down payment for as low as P100,000 to P200,000. The said partnership is in line with BDO's commitment in making homeownership fast and easy through financing options.

Bank of the Philippine Islands (BPI) share prices followed closely as it ended the month with a +1.8% MoM gain in September, after its -3.9% contraction in August. BPI plans to issue peso fixed-rate bonds worth P5.0-B as part of its P100.0-B debt program to support its general corporate purposes including funding source diversification. The bonds will be offered at a minimum investment of P1.0-M and in additional increments of P100,000, with a tenor of 1.5 years due in 2025.

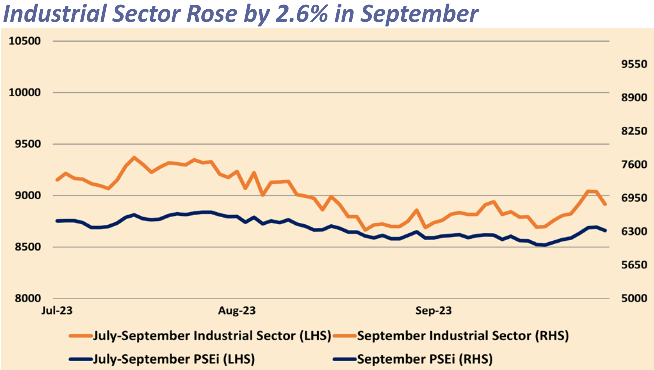
Table 15 - Industrial Sector Constituent Stocks

Company	Symbol	8/31/2023 Close	9/29/2023 Close	M-o-M % Change	2023 YTD
Meralco	MER	343.60	368.00	7.1%	23.2%
Jollibee Foods Corporation	JFC	237.00	229.40	-3.2%	-0.3%
Universal Robina Corporation	URC	111.70	118.90	6.4%	-12.6%
AC Energy Corporation	ACEN	5.01	4.91	-2.0%	-35.6%
Emperador Inc.	EMI	20.90	20.75	-0.7%	0.7%
Monde Nissin Corporation	MONDE	7.20	9.03	25.4%	-18.5%
Century Pacific Food, Inc.	CNPF	27.05	28.00	3.5%	8.5%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Industrial Sector Index (July 2023 - September 2023)

Industrial Sector Rose by 2.6% in September



Source of Basic Data: PSE Quotation Reports

The Industrial sector index ranked third in the sectoral race, with a +2.6% MoM increment in September, from its -5.3% dip a month earlier.

Monde Nissin Corporation (MONDE) share prices led the gainers after registering a +25.4% MoM increase in September, wiping out its -12.1% slump in August. MONDE recently elected Ms. Anabelle L. Chua, the former chief financial officer (CFO) of PLDT, as an independent director that will lead the company's audit committee. Ms. Chua will replace Romeo L. Bernardo who stepped down after his appointment to the Monetary Board of the Bangko Sentral ng Pilipinas (BSP).

Meralco (MER) share prices came in next as it ended the month with a +7.1% gain in September, wiping out its -3.5% loss in the previous month. MER recently expressed its desire to invest in electric vehicle (EV) production through potential partnerships with other EV companies. Apart from being aligned with MER's clean energy initiatives, this decision will also help expedite the country's shift to electric vehicles.

Century Pacific Food, Inc. (CNPF) share prices rose by +3.5% in September, piling on top of its +4.0% MoM gain a month earlier. CNPF recently partnered with Woolworths, an Australian supermarket chain, to introduce its plant-based meat alternative products into the Australian market.

Jollibee Foods Corporation (JFC) share prices dropped further by -3.2% MoM in September, adding on to its -7.1% loss in August. Nevertheless, JFC recently launched its first drive-thru outlet in Singapore, marking another step in its global expansion efforts. The said outlet will be supported by artificial intelligence, making it the first of its kind among Jollibee branches in Europe, the Middle East, and Asia, excluding the Philippines.

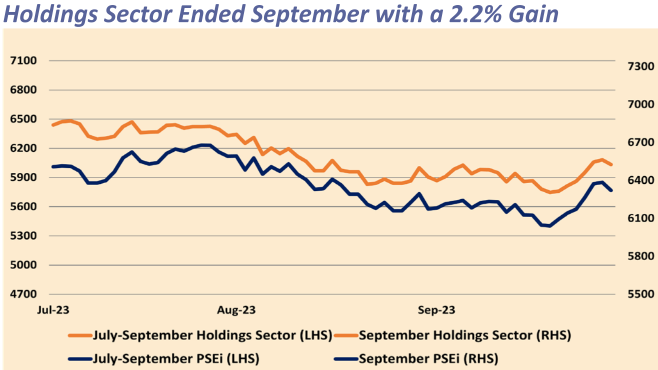
Table 16 - Holdings Sector Constituent Stocks

Company	Symbol	8/31/2023 Close	9/29/2023 Close	M-o-M % Change	2023 YTD
Ayala Corporation	AC	616.00	624.00	1.3%	-10.2%
SM Investments Corporation	SM	833.00	843.50	1.3%	-6.3%
Aboitiz Equity Ventures	AEV	47.00	50.15	6.7%	-13.1%
GT Capital Holdings, Inc.	GTCAP	572.50	570.00	-0.4%	31.0%
San Miguel Corporation	SMC	104.50	105.60	1.1%	13.6%
Alliance Global Group, Inc.	AGI	12.50	12.32	-1.4%	3.5%
LT Group, Inc.	LTG	9.12	9.00	-1.3%	-2.2%
JG Summit Holdings, Inc.	JGS	36.55	38.00	4.0%	-24.5%
DMCI Holdings, Inc.	DMC	9.66	10.42	7.9%	-13.2%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Holdings Sector Index (July 2023 - September 2023)

Holdings Sector Ended September with a 2.2% Gain



Source of Basic Data: PSE Quotation Reports

The Holdings sector ranked fourth in sector rankings in September with a +2.2% MoM increase partly recovering from its -6.7% slippage in August.

DMCI Holdings, Inc. (DMC) share prices led the sector as it went up further by +7.9% in September after its +0.6% MoM gain in August. DMC reported that Berong Nickel Corporation (BNC), a subsidiary of DMC's mining unit, has already achieved 88% of its annual land preparation target after rehabilitating more than 30 hectares of the Berong nickel mine in Quezon, Palawan.

Aboitiz Equity Ventures (AEV) share prices pared its -12.6% loss in August with a +6.7% MoM gain in September. AEV recently announced that Mr. Juan Alejandro Aboitiz will be its new chief financial officer (CFO) starting November 1. Aside from being the CFO, Mr. Aboitiz will take on the position of senior vice president and corporate information officer within the company.

Ayala Corporation (AC) share prices inched up by +1.3% in September, on top of its +0.2% MoM gain in August. AC recently disclosed the return of Mr. Fernando Zobel de Ayala to the company's board of directors, taking the place of Ms. Mercedita Nolledo.

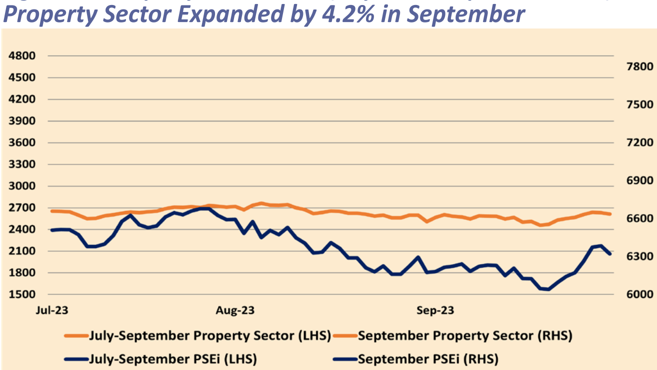
GT Capital Holdings, Inc. (GTCAP) share prices marginally decreased by -0.4% in September, a minor cut from its +5% MoM gain in August. GTCAP recently announced its intention to fully redeem its 2016 Series A perpetual preferred shares. To do this, GTCAP will need to pay the redemption price at P1,000 plus any accrued and unpaid dividends after deduction of any taxes and customary transfer costs. GTCAP held on to the top spot of YTD performers with a huge 31.0% climb.

Table 17 - Property Sector Constituent Stocks

Company	Symbol	8/31/2023 Close	9/29/2023 Close	M-o-M % Change	2023 YTD
Ayala Land, Inc.	ALI	27.15	29.45	8.5%	-4.4%
SM Prime Holdings, Inc.	SMPH	29.20	30.30	3.8%	-14.6%

Source of Basic Data: PSE Quotation Reports

Figure 23 - Property Sector Index (July 2023 - September 2023)
Property Sector Expanded by 4.2% in September



Source of Basic Data: PSE Quotation Reports

Table 18 - Services Sector Constituent Stocks

Company	Symbol	8/31/2023 Close	9/29/2023 Close	M-o-M % Change	2023 YTD
PLDT, Inc.	TEL	1,150.00	1,176.00	2.3%	-10.7%
Globe Telecom	GLO	1,802.00	1,793.00	-0.5%	-17.8%
Converge ICT Solutions, Inc.	CNVRG	7.77	9.60	23.6%	-39.5%
Puregold Price Club Inc.	PGOLD	27.90	28.90	3.6%	-17.2%
Wilcon Depot, Inc.	WLCON	22.20	22.00	-0.9%	-25.4%
International Container Terminal Services, Inc.	ICT	207.20	207.20	0.0%	3.6%
Bloomberry Resorts Corporation	BLOOM	11.06	10.10	-8.7%	32.0%

Source of Basic Data: PSE Quotation Reports

The Property sector ranked second in the sectoral race as it ended September with a +4.2% MoM gain, partially reversing its -7.5% loss in the previous month.

Ayala Land, Inc. (ALI) share prices inched up by +8.5% in September, handily overcoming its -0.9% fall in August. ALI recently announced the appointment of Ms. Anna Maria B. Dy as the company's new chief executive officer (CEO) starting October 1. Ms. Dy will replace Mr. Bernard Vincent O. Dy, who has served as ALI's president and CEO for nine years.

SM Prime Holdings, Inc. (SMPH) share prices followed suit with a +3.8% MoM uptick in September, after tumbling by -12.6% in August. SMPH recently expressed its intent to form a partnership with Japan's GUUN Co. Ltd. after signing a Memorandum of Understanding (MOU). Through this potential partnership, SMPH aims to implement waste management solutions that involve recycling paper and plastic waste to generate an alternative source of energy called fluff fuel.

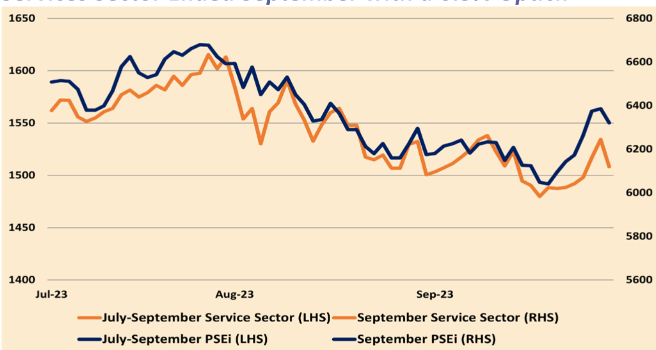
The Services sector ranked last in the sectoral race as it ended September with a +0.5% uptick, barely escaping its -7% MoM loss in August.

Converge ICT Solutions, Inc. (CNVRG) share prices led the sector as it jumped by +23.6% MoM in September, recovering from its -23.1% slump a month ago. CNVRG displayed renewed optimism on the growth of its customer base after reaching more than 2.0-M residential subscribers. To expand its market even more, CNVRG plans to launch a new postpaid plan in Cebu called Bida Fiber.

PLDT, Inc. (TEL) share prices also went up by +2.3% MoM in September, after tumbling by -12.2% in August. TEL recently announced its plan to construct its 13th data center facility somewhere in Greater Manila Area in response to rising demand from enterprises and hyperscalers, or those companies that provide cloud, networking and internet services.

Figure 24 - Services Sector Index (July 2023 - September 2023)

Services Sector Ended September with a 0.5% Uptick



Source of Basic Data: PSE Quotation Reports

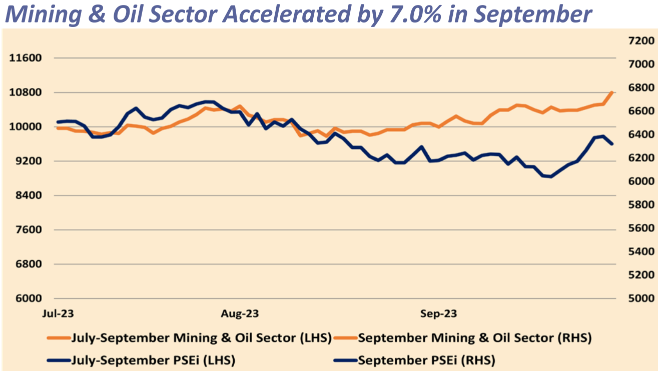
Table 19 - Mining and Oil Sector Constituent Stock

Company	Symbol	8/31/2023 Close	9/29/2023 Close	M-o-M % Change	2023 YTD
Semirara Mining and Power Corporation	SCC	32.00	34.90	9.1%	1.2%
Nickel Asia Corporation	NIKL	5.15	6.12	18.8%	4.8%

Source of Basic Data: PSE Quotation Reports

Figure 25 - Mining & Oil Sector Index (July 2023 - September 2023)

Mining & Oil Sector Accelerated by 7.0% in September



Source of Basic Data: PSE Quotation Reports

Globe Telecom (GLO) share prices marginally declined by -0.5% in September, continuing its -6.1% loss in August. GLO recently obtained a P15.0-B loan from the Metropolitan Bank & Trust Company to support its capital expenditure needs, debt refinancing, and other general corporate requirements.

Bloomberry Resorts Corporation (BLOOM) share prices dipped the most by -8.7% in September, unable to recover from its -6.7% loss in August. BLOOM aims to generate funds of up to P5.6-B by selling 559.0-M secondary shares owned by one of its major shareholders, Quasar Holdings Inc. BLOOM expects that this equity fund raising will bolster the company's capital foundation and encourage a broader distribution of shares among a diverse group of investors.

The Mining & Oil sector ranked first in the sectoral race as it climbed up by +7.0% in September, rebounding from its -2.7% fall a month ago.

Semirara Mining and Power Corporation (SCC) share prices turned in a positive performance at +9.1% MoM in September, adding on its +10.9% gain in August. Likewise, Nickel Asia Corporation (NIKL) share prices soared by +18.8% in September despite weaker nickel prices, nearly offsetting its -18.9% loss in August.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2021		2022		1st Quarter 2023			2nd 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%	444,603	-15.4%	2.2%	417,469	-6.1%	0.2%
Industry Sector	5,551,621	8.5%	5,914,703	6.5%	1,466,659	-13.7%	4.0%	1,555,126	6.0%	2.1%
Service Sector	11,213,252	5.4%	12,245,429	9.2%	2,996,231	-10.6%	8.4%	3,234,491	8.0%	6.0%
Expenditure										
Household Final Consumption	13,455,117	4.2%	14,570,218	8.3%	3,583,991	-11.9%	6.4%	3,583,956	-3.0%	5.5%
Government Final Consumption	2,842,705	7.2%	2,981,663	4.9%	715,279	1.2%	6.2%	838,500	17.2%	-7.1%
Capital Formation	4,051,799	20.0%	4,609,287	13.8%	1,129,136	-4.8%	12.6%	1,345,905	19.2%	0.0%
Exports	5,129,672	8.0%	5,688,704	10.9%	1,374,568	-4.2%	1.0%	1,416,845	3.1%	4.1%
Imports	6,939,209	12.8%	7,906,240	13.9%	1,989,383	2.7%	4.7%	2,026,420	1.9%	0.4%
GDP	18,540,084	5.7%	19,943,630	7.6%	4,907,493	-12.0%	6.4%	5,207,087	6.1%	4.3%
NPI	639,321	-51.6%	1,133,700	77.3%	412,531	16.2%	82.4%	495,415	20.1%	90.6%
GNI	19,179,405	1.7%	21,077,331	9.9%	5,320,024	-10.3%	10.0%	5,702,502	7.2%	8.6%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2021		2022		July-2023			August-2023		
	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	M-o-M G.R.	Y-o-Y G.R.	Levels	M-o-M G.R.	Y-o-Y G.R.
Revenues	3,005,539	5.2%	3,545,505	18.0%	411,729	54.0%	33.4%	310,553	-24.6%	-6.6%
Tax	2,742,721	9.5%	3,220,315	17.4%	348,504	44.6%	23.2%	291,719	-16.3%	-5.8%
BIR	2,078,145	6.5%	2,335,674	12.4%	273,134	65.8%	38.4%	213,536	-21.8%	-6.7%
BoC	643,563	19.7%	862,420	34.0%	73,058	-1.4%	-12.6%	75,000	2.7%	-4.9%
Others	21,013	33.7%	22,221	5.7%	2,312	6.0%	19.6%	3,183	37.7%	66.4%
Non-Tax	262,464	-25.3%	324,082	23.5%	63,146	141.8%	148.6%	18,800	-70.2%	-17.1%
Expenditures	4,675,639	10.6%	5,159,640	10.4%	459,543	-6.7%	16.2%	443,556	-3.5%	9.7%
Allotment to LGUs	892,698	11.0%	1,103,284	23.6%	76,795	-5.8%	-11.1%	75,469	-1.7%	-31.1%
Interest Payments	429,432	12.9%	502,858	17.1%	63,550	20.2%	22.0%	42,668	-32.9%	38.7%
Overall Surplus (or Deficit)	(1,670,100)	21.8%	(1,614,135)	-3.4%	(47,814)	-78.8%	-44.9%	(133,003)	178.2%	84.6%

Source: Bureau of the Treasury (BTr)

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

	2022		May-2023			June-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%	4,531.50	7.6%	3.2%	4,581.80	4.0%	3.4%
Residential	17,140.40	1.4%	1,689.40	7.7%	0.5%	1,700.20	5.6%	1.5%
Commercial	17,052.40	14.1%	1,630.70	11.0%	10.6%	1,673.50	8.5%	10.2%
Industrial	13,296.80	3.1%	1,103.20	-1.8%	-4.1%	1,116.70	-6.6%	-4.5%

Source: Meralco

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

	2021		2022		1st Quarter 2023		2nd 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	-5,943	-151%	-18,116	205%	-4,619	11.4%	-3,595	-54.9%
Balance of Goods	-52,806	56%	-69,682	32%	-17,183	8.9%	-16,040	-17.0%
Exports of Goods	54,228	12%	57,726	6%	12,772	-10.0%	13,803	-0.6%
Import of Goods	107,034	31%	127,408	19%	29,954	0.0%	29,843	-10.1%
Balance of Services	14,039	1%	15,879	13%	4,443	38.1%	4,241	43.4%
Exports of Services	33,570	5%	41,127	23%	10,813	24.4%	11,034	20.2%
Import of Services	19,531	9%	25,248	29%	6,370	16.3%	6,793	9.2%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	80	26%	0	-100%	18	-180.0%	18	-4.5%
Financial Account	-6,433	-7%	-12,896	100%	-6,379	37.3%	-1,981	-34.9%
Direct Investments	-9,732	199%	-5,380	-45%	-739	-54.1%	-1,326	-6.1%
Portfolio Investments	10,237	-709%	-1,309	-113%	-706	-1939.1%	823	-572.7%
Financial Derivatives	49	-125%	-48	-198%	20	3424.0%	-72	189.8%
Other Investments	-6,987	295%	-6,158	-12%	-4,955	61.3%	-1,406	-2.0%
III. NET UNCLASSIFIED ITEMS	774	-131%	-2,042	-364%	1,674	9256.3%	403	-69.3%
OVERALL BOP POSITION	1,345	-92%	-7,263	-640%	3,453	597.6%	-1,193	-66.8%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Commercial Banks	1,092	-86%	-3,109	-385%	-2,822	-1090.6%	-338	-74.7%
Net Foreign Assets	952	-88%	-2,839	-398%	-2,841	-604.9%	-205	-84.7%
Basic Balance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Bangko Sentral ng Pilipinas (BSP)

MONEY SUPPLY (In Million Pesos)

	2022		July-2023		August-2023	
	Average Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.	Levels	Y-o-Y G.R.
RESERVE MONEY	3,482,242	5.4%	3,393,097	-3.2%	3,322,191	-1.2%
Sources:						
Net Foreign Asset of the BSP	6,423,727	2.0%	6,323,390	-2.6%	6,543,554	3.2%
Net Domestic Asset of the BSP	15,667,570	10.2%	17,124,618	8.9%	17,370,273	9.1%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	6,317,720	11.6%	6,402,503	1.8%	6,465,417	2.4%
Money Supply-2	14,877,668	7.8%	15,772,122	6.4%	15,998,726	7.4%
Money Supply-3	15,432,545	6.9%	16,242,048	5.7%	16,466,730	6.8%
MONEY MULTIPLIER (M2/RM)	4.28		4.65		4.82	

Source: Bangko Sentral ng Pilipinas (BSP)

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