

The
MARKET CALL
Capital Markets Research



FMIC and UA&P Capital Markets Research

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Executive Summary

May economic data releases revealed the Philippine economy as recovering from the “disappointing” 5.7% GDP growth in Q1. We now forecast it to speed up to 6.1% in Q2 and move to a higher trajectory in H2 ending with a full year growth of 6.2%. NG operational and capital expenditures will likely support this, while higher employment and slowing inflation should boost consumer spending in H2. The bond market will likely provide profit space for investors as 10-year benchmark yields fall to 5.75% to 6.25% in Q3 founded on lower U.S. interest rates and sliding inflation rate. The equities market, currently moving sideways, will have to wait for the Q2 GDP release in mid-August (and achieve our forecast) coupled with another double-digit earnings YoY growth for the same quarter.

Macroeconomy

3 May not only brought some rains but also good economic data sufficiently robust to boost our confidence that Q2 GDP will expand by 6.1% YoY and full year by 6.2% as an acceleration shall occur in H2. This view receives support from the ability of the National Government (NG) to ramp up infrastructure spending as it did in April while maintaining fiscal space, higher employment levels and a modest recovery of exports and manufacturing. Consumer spending in H2 should also benefit from slowing inflation which should average 3.1% YoY by Q4, and full year of 3.5%. However, the dollar-peso will remain challenged until the U.S. Fed cuts its policy rate by 25 bps in September.

NG operational and capital expenditures soared by 31.9% YoY in April from 3.5% a month ago. • Manufacturing PMI in May remained in expansionary mode, while Industrial output increased by 6.7% YoY in April. • Total employed held on to elevated levels in April, i.e., above 2023 average, despite a sharp fall MoM. • Inflation inched up higher by 3.9% YoY in May from 3.8% in April as food prices softened. • Exports surged by 26.7% YoY in April, as all major product categories showed gains. • USDPHP rate depreciated by 1.4% MoM to average P57.762/\$1 in May.

| Economic Indicators (% change, latest month, unless otherwise stated) | Latest Period | Previous Period | Year-to-Date | 2022 (year-end) | 2023 (year-end) |
|--|---------------|-----------------|--------------|--------------------|--------------------|
| GDP Growth (Q1-2024) | 5.7 | 5.5 | 5.7 | 7.6 | 5.5 |
| Inflation Rate (May 2024) | 3.9 | 3.8 | 3.5 | 5.8 | 6.0 |
| Government Spending (April 2024) | 32.2 | 3.2 | 17.0 | 10.2 | 3.7 |
| Gross International Reserves (\$B) (May 2024) | 104.5 | 102.6 | 103.3 | 100.5 | 100.6 |
| PHP/USD rate (May 2024) | 57.76 | 56.95 | 56.54 | 54.48 | 55.63 |
| 10-year T-bond yield (end-May 2024) | 6.76 | 7.00 | 6.50 | 6.40 | 6.35 |

Sources: Philippine Statistics Authority (PSA), Bangko Sentral ng Pilipinas (BSP), Department of Budget and Management (DBM), Philippine Stock Exchange (PSE), Philippine Dealing System (PDS), and Authors' Calculations

Bond Markets

11 Bond investors will likely benefit from lower bond yields in Q3 as markets price in a Fed rate cut of 25 bps in September and lower average inflation rate of 3.4% in Q3 on its way to 3.1% in Q4. A slightly higher borrowing requirement of the NG could temper the fall in yields, but that can be avoided if it decides to source the funding from abroad.

GS auction summaries reflected strong participation pushing up total tender-offer ratio (TOR) of 2.350x in May from 1.808x in the previous month. • Longer-term bonds continued to outperform shorter tenors in both primary and secondary market, but with the latter having lower yields. In the primary market, 10-year yields yielded 6.825%, 38.6 bps higher, while for the secondary market, 10-year yields dropped by -27.7 bps to 6.752%. • Nonetheless, total trading volume in the secondary market heightened with a 12.7% MoM jumped, but dipped by 14.0% YoY. • Secondary market trading for corporate bonds slipped by -1.7% MoM to P1.5-B and -58.7% YoY. • The longer end of the curve absorbed the retracement with 10-year and 20-year papers falling by -17.8 bps and -17.1 bps respectively to 5.316% and 5.542%. • ROPs spread over equivalent U.S. Treasuries also showed periods of retracement with yields dropping by -18.0 bps (10-year) and -17.9 bps (20-year).

Equities Market

17 PSEi will probably hover within the 6,100 to 6,500 range until August with a downward bias due to the regional geopolitical tension, coupled with the uncertainties that MSCI rebalancing in August creates. Factors that could drive the PSEi above this range include (1) the BSP lowering its policy rate by 25 bps in its August meeting (unlikely to do it before the Fed cuts its rates first only by September), (2) Q2 GDP growth exceeding 6.0%, and (3) strong corporate earnings growth for Q2. We see the latter two highly likely to happen, while the first one is contingent on the inflation data for June and July. We also maintain our forecast range of 7,000 to 7,500 for the PSEi in H2.

PSEi dropped by -4.0% MoM to end May at 6,433.10. • Services sector performed the best in May with a +7.0% MoM growth, followed by the Mining & Oil sector with a +5.2 upswing. • Wilcon Depot, Inc. led the PSEi-constituent stocks with a +19.8% MoM gain. • Aboitiz Equity Ventures, Inc. had the steepest fall with a -16.5% MoM loss. • Foreign investors still emerged as net sellers in May to the tune of P10.1-B.

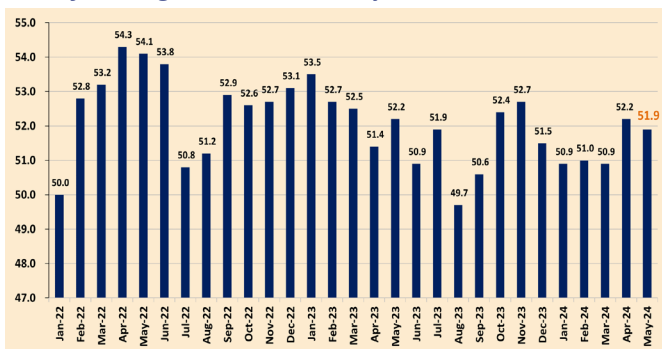
MACROECONOMY

UNEXPECTEDLY GOOD ECONOMIC DATA EMERGES STARTING MAY

“Without fanfare, the Philippines is getting richer,” so said The Economist in its April 23, 2024 issue. Something similar may characterize the good economic numbers that have silently emerged since May 2024. The best comes from the 31.9% year-on-year (YoY) growth in National Government (NG) spending on operational and capital budgets and a remaining fiscal space since after four months the equivalent year-to-date (YTD) deficit comes to only two months. Exports unexpectedly soared by 26.4% YoY in April and got industrial production growth back into positive territory. Employment did fall in April but remained above the average for 2023 marked by more jobs in the Construction sector. Inflation mildly ran faster at a 3.9% pace in May from 3.8% a month better than market expectations, as nine out of 13 product categories either slowed or stayed at the same pace as in April. Unsurprisingly, the peso continued to weaken by 1.4% to average P57.762/\$1 as the country’s trade deficit ballooned to \$4.8-B in April from \$3.2-B a month ago.

Outlook: A spate of good economic data has buoyed our brighter view not only for Q2 but also for the rest of 2024. Concretely, we now expect a 6.1% YoY GDP growth in Q2, accelerating further in H2 and with a full year growth of 6.2%. This relies on the following: (1) NG accelerates infrastructure and capital outlays since its YTD deficit by April equates only to two months of FY deficit; (2) employment, despite dropping in April, remained above 2023 average, and should continue to increase henceforth; (3) average inflation rate should decelerate from 3.9% in Q2 to 3.1% in Q4, specially since rice prices abroad have begun to recede while the tariffs on its imports has lowered to 15.0% from 35.0% previously. We have lowered our full year inflation forecast to 3.5% from 3.8% earlier this year; and (4) exports will end up in positive territory for the rest of the year. We finally expect the USDPHP rate to remain above P58.00/\$ until Q3 when we expect the Fed to cut its policy rate by 25 bps.

Figure 1 - Manufacturing PMI
Manufacturing PMI at 51.9 in May

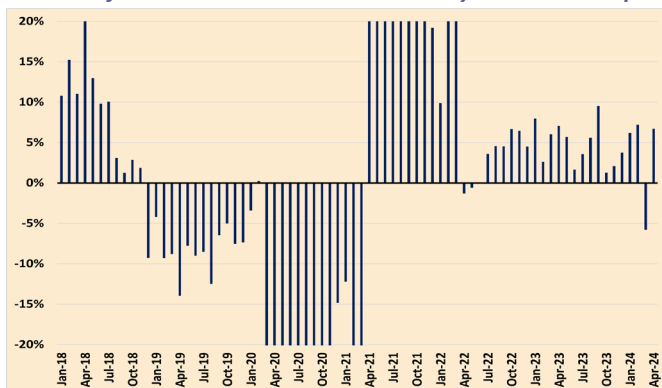


Source of Basic Data: S&P Global

Manufacturing Sector Remained Expansionary in May, While Output Rebounded in April

S&P Manufacturing PMI for the country still showed an expansionary mode at 51.9 in May, albeit mildly lower than 52.2 in April, as output and new orders improved. The figure signaled the 9th straight month of expansion of the country’s manufacturing sector. Moving forward, domestic manufacturers have remained optimistic in their next 12-months outlook, consistent with the Bangko Sentral ng Pilipinas’ (BSP) survey reflected in its Business Outlook Index.

Figure 2 - Volume of Production Index
Volume of Production Index Accelerated by 6.7% YoY in April



Source of Basic Data: Philippine Statistics Authority (PSA)

Industrial output as measured by the Volume of Production Index (VoPI) soared by 6.7% YoY in April, recovering from its -5.8% dip a month ago.

Out of the 22 industry divisions, 15 registered positive YoY performances, led by Manufacture of Electrical Equipment (+38.6%), Manufacture of Machinery and Equipment Except Electrical (+32.6%), and Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparations (+32.5%). The results for the first and third industry divisions signify a rebound, while the second industry division is continuation of its gain from last month.

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

| | March 2024 | April 2024 | MoM Change | |
|--|------------|------------|------------|----------|
| | | | Levels | % Change |
| Labor Force | 51,153 | 50,396 | (757) | -1.5% |
| Employed | 49,153 | 48,355 | (798) | -1.6% |
| Underemployed | 5,391 | 7,037 | 1,647 | 30.5% |
| Underemployment rate% | 11.0 | 14.6 | 3.6 | 32.7% |
| Unemployed | 2,000 | 2,041 | 41 | 2.0% |
| Unemployment rate% | 3.9 | 4.0 | 0.1 | 3.5% |
| Labor Participation rate% | 65.3 | 64.1 | (1.2) | -1.9% |
| Not in Labor Force | 27,161 | 28,221 | 1,060 | 3.9% |
| Agriculture ('000) | 10,069 | 9798 | (271) | -2.7% |
| Industry ('000) | 8,919 | 8,844 | (75) | -0.8% |
| Mining and Quarrying | 180 | 244 | 64 | 35.6% |
| Manufacturing | 4,023 | 3,738 | (284) | -7.1% |
| Electricity, Gas, Steam, and Air-Conditioning Supply | 100 | 70 | (29) | -29.5% |
| Water Supply; Sewerage, etc. | 66 | 93 | 28 | 41.9% |
| Construction | 4,551 | 4,698 | 147 | 3.2% |
| Services ('000) | 30,165 | 29,714 | (451) | -1.5% |
| Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles | 10,745 | 10,144 | (602) | -5.6% |
| Transportation and Storage | 3,562 | 3,754 | 192 | 5.4% |
| Accommodation and Food Services Activities | 2,562 | 2,754 | 192 | 7.5% |
| Information and Communication | 529 | 441 | (89) | -16.7% |
| Financial and Insurance Services | 763 | 652 | (111) | -14.5% |
| Real Estate Activities | 263 | 230 | (33) | -12.7% |
| Professional, Scientific, and Technical Activities | 372 | 391 | 20 | 5.3% |
| Administrative and Support Services Activities | 2,398 | 2,557 | 159 | 6.6% |
| Public Administration and Defense; Compulsory Social Security | 3,289 | 2,824 | (466) | -14.2% |
| Education | 1,593 | 1,581 | (13) | -0.8% |
| Human Health and Social Work Activities | 680 | 727 | 47 | 7.0% |
| Arts, Entertainment, and Recreation | 424 | 511 | 87 | 20.4% |
| Other Service Activities | 2,982 | 3,145 | 163 | 5.5% |

Source of Basic Data: Philippine Statistics Authority (PSA)

Meanwhile, seven industry divisions experienced annual declines, led by Manufacture of Wood, Bamboo, Cane, Rattan Articles and Related Products (-11.2%), Manufacture of Other Non-Metallic Mineral Products (-10.8%), and Printing and Reproduction of Recorded Media (-10.3%). These three industry divisions also incurred losses the previous month.

Employment in April Remained Above 2023 Average

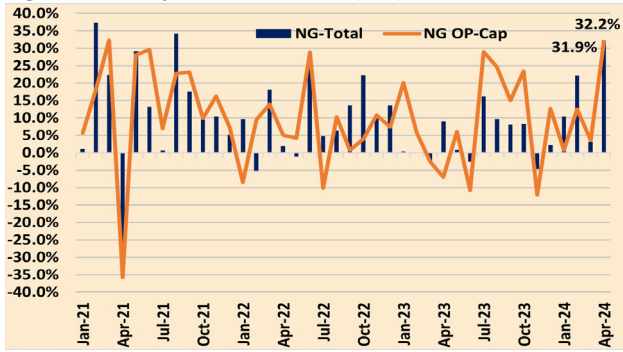
The total number of employed persons reached 48.5-M in April, which although much lower than in March, still exceeded the 2023 average of 48.2-M. Despite the large drop during the latest month (-798,000), the latest figure posted a 0.6% YoY uptick. Lower total employment due to the extremely hot weather (which had multiple days declared as no-class days) pushed up the unemployment rate to 4.0% from 3.5% a month earlier. Underemployment also rose to 14.6% from 11.0% in March.

All three major sectors—Agriculture (-271,000), Industry (-75,000) and Services (-451,000)—took in less workers. Industry sector’s tally, however, included a 147,000 intake by the Construction (due to more favorable weather conditions for that type of work) and 64,000 by the Mining & Quarrying sub-sector due to more favorable weather conditions for the type of work in those sub-sectors. However, these gains failed to completely offset the -284,000 drop in jobs in the Manufacturing sub-sector.

Despite eight out of 13 sub-sectors taking in more workers, the huge cuts in Trade—Wholesale & Retail (-601,000) and Public Administration, Defense and Compulsory Social Security (-466,000) overwhelmed the gainers. Notably, Accommodation & Food Services added 192,000 openings, for the third consecutive month of upswing, while and Transport & Storage sub-sector also added a similar number to its workforce.

The Agriculture sector shed some -271,000 jobs as the rice harvest season came close to its end in April.

Figure 3 - NG Expenditures Growth (YoY)



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

NG Spending on Operations and Capital Surged by 31.9% YoY in April

The National Government’s (NG) expenditures for operations and capital (e.g., infrastructures, etc.) soared by 31.9% YoY in April closely tracking the 32.2% YoY vault in total expenditures (i.e., the latter includes interest payments, allotments to local government units (LGUs) from tax revenues, subsidies, etc.). Despite total NG revenues increasing only by 21.9%, April turned in a surplus of P42.6-B lower by -36.0% compared to P66.8-B a year ago. YTD, the total fiscal deficit slid to P229.9-B, or some 16.9% of the full year projected deficit of P1.4-B, after a third of the year has gone by.

Tax revenues climbed by 13.9% YoY in April, led by the big 19.5% jump in Bureau of Customs (BoC) collections amid higher prices of petroleum products. Slower, but more in tune with faster economic growth in Q2, the tax take of the Bureau of Internal Revenues (BIR) rose by 12.6%. Non-tax revenues skyrocketed by 113.9% due to the whopping 250.3% YoY in income of the Bureau of the Treasury. This came mostly from higher dividend remittances of some key Government Owned and Controlled Corporations (GOCCs) and agencies.

Although total NG expenditures bloated due to higher allocation of tax revenues to LGUs and subsidies to PSALM, the equally huge increase in operational and capital expenditures of NG reflected traction in infrastructure spending.

After removing interest payments, NG produced a YTD primary surplus of P30.6-B nearly double the P15.9-B recorded for the same period year in 2023.

We expect the NG to lead aggregate demand spending in Q2 and significantly improve for the whole year 2024.

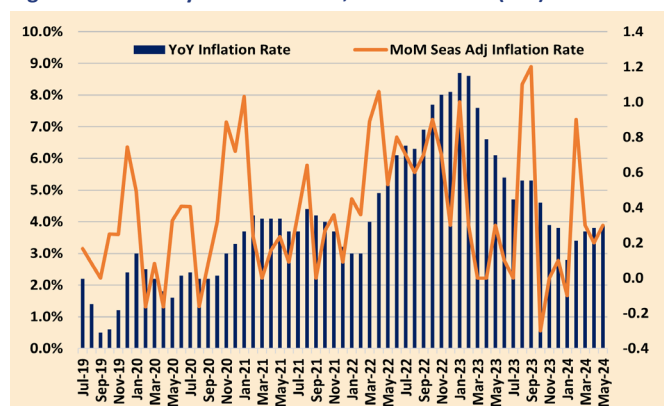
Table 2 - Major Contributors to Year-on-Year Inflation

| Inflation Year-on-Year Growth Rates | Apr-2024 | May-2024 | YTD |
|---|----------|----------|------|
| | 3.8% | 3.9% | 3.5% |
| Food and Non-Alcoholic Beverages | 6.0% | 5.8% | 5.1% |
| Alcoholic Beverages and Tobacco | 4.9% | 4.2% | 6.5% |
| Clothing and Footwear | 3.6% | 3.4% | 3.6% |
| Housing, Water, Electricity, Gas, and Other Fuels | 0.4% | 0.9% | 0.7% |
| Transport | 2.6% | 3.5% | 1.8% |
| Restaurants and Accommodation | 5.4% | 5.3% | 5.4% |
| Personal Care & Miscellaneous Goods and Services | 3.5% | 3.4% | 3.7% |

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



Source of Basic Data: Philippine Statistics Authority (PSA)

Headline Inflation Inched up to 3.9% in May from Year Ago

Remaining within Bangko Sentral ng Pilipinas' target of 2.0% to 4.0%, headline inflation in May inched up to 3.9% YoY from 3.8% a month earlier. The slower pace of heavy-weighted food price increases offset the spike in Transport costs. YTD, headline inflation nudged up to 3.5% YoY by May from 3.4% in April. However, YTD core inflation rate (which excludes volatile food and energy prices) continued to slide to 3.4% from 3.5% a month ago.

The rise in prices of Food and Non-Alcoholic Beverages slowed to 5.1% YoY from 5.8% a month earlier, as seven out of 13 product categories showed deceleration while only two climbed faster during the month. The remaining four categories kept the same pace as in April.

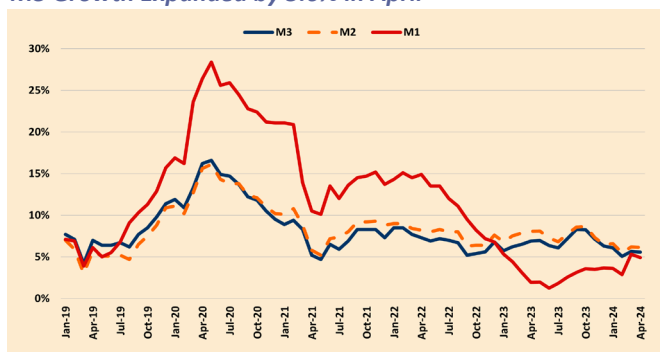
Led by mildly weaker rice prices, six out of 11 food items slowed. Rice prices shed 0.9 percentage points, but still up by 23.0% YoY in May, while Flour, Bread, & Other Cereals eased to 3.5% YoY from 4.1% in April.

Although crude oil prices showed a downward trend in May, they remained higher than a year ago by 11.9% YoY for West Texas Intermediate (WTI, U.S. benchmark) and 8.5% for Brent (European benchmark), from 6.2% and 4.9%, respectively, in April. Thus, the Transport sub-index vaulted to 3.5% YoY from -0.5% just a month earlier.

On a seasonally adjusted (s.a.) basis, MoM inflation ended May at 0.3% a tad faster than 0.2% in the previous month.

With crude oil futures prices in backwardation mode (i.e., futures prices are lower than spot prices), it would appear that energy price inflation won't have much impact in 2024. After all, U.S. Energy Information Agency projects only a 2.0% to 2.7% increase in average prices during the year. As a rice price will likely fall in H2 with recently approved lower tariffs (from 35% to 15%), mil La Nina starting H2, and crude oil prices unlikely to stage a major comeback, we expect Q2 inflation rate to average 3.9% and head towards 3.1% average in Q4. Thus, we now expect full year inflation to ease to 3.5% from 3.8% in our earlier forecast.

Figure 5 - M1, M2, M3 Growth Rates
M3 Growth Expanded by 5.6% in April



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

Money Supply (M3) Growth Eased to 5.6% YoY in April

Domestic liquidity (M3) grew by 5.6% YoY to P17.2-T in April, slightly slower than its 5.7% expansion the previous month. On a MoM seasonally adjusted basis, M3 increased by 0.5%.

Net foreign assets (NFA) in peso terms went up by 2.1% YoY in April, easing from 5.0% a month ago. The Bangko Sentral ng Pilipinas' (BSP) NFA position also climbed up by 4.6% YoY from 6.2% in March. Additionally, the NFA of banks declined on account of higher bills and bonds payable.

Lending for production activities took a slightly faster pace of 7.8% YoY in April from 7.7% in March, as outstanding loans to key industries increased, specifically to Transportation and Storage (+21.8%) and Construction (+15.1%). Real Estate Activities (+11.0%) also saw an increase in its loan availments.

Meanwhile, consumer loans ascended by 25.3% in April from 25.4% in March, driven by the sustained increase in credit card, motor vehicle, and salary-based general purpose consumption loans.

Table 3 - Exports Year-on-Year Growth Rates

| | Mar-2024 | Apr-2024 | YTD |
|-----------------------------------|--------------|-------------|-------------|
| Total Exports | -7.3 | 26.4 | 9.6 |
| Agro-Based Products | 0.8 | 55.1 | 24.4 |
| Mineral Products, of which | -26.4 | 6.7 | -4.1 |
| Copper cathodes | -27.1 | -21.8 | -13.4 |
| Others (incl. nickel) | -50.5 | 39.0 | -9.3 |
| Manufactured Goods | -4.6 | 27.7 | 11.0 |
| Electronic Products | 0.8 | 33.3 | 17.9 |
| Other Electronics | -20.2 | 0.2 | -18.6 |
| Chemicals | -10.7 | 41.5 | 13.7 |
| Machinery and Transport Equipment | -13.3 | 31.2 | 1.5 |
| Processed Food and Beverages | 3.5 | 32.5 | 19.9 |
| Others | -21.0 | 14.0 | -8.9 |

Source of Basic Data: Philippine Statistics Authority (PSA)

Exports Took Off by 26.4% YoY in April

Philippine exports accelerated by 26.4% YoY in April, strongly rebounding from March's -7.3% decline, and posting the strongest growth since May 2021. With all major product categories in positive territory, total exports amounted to \$6.2-B in April from \$4.9-B a year ago.

Nine of the 10 major commodities showed increases in April. Sales increased largely for Coconut Oil with a 187.7% YoY vault. Moreover, exports also grew for Chemicals (41.5% YoY) and Other Mineral Products (39.0% YoY). Exports of Electronic Products, which comprised of 57.8% of total outward shipments, managed a 33.3% YoY increase. Exports of Copper Cathodes, the only major commodity that showed negative sales, continued to plunge by -21.8% YoY.

Hong Kong emerged as the top destination for the country's exports in May with shipments valued at \$1.0-B, a 69.7% YoY growth from a year ago. The U.S followed suit with a total of \$948.4-M, representing 15.3% of total exports for the month. Furthermore, Japan and People's Republic of China came next with a 13.2% and 11.3% export share, respectively.

Table 4 - Imports Year-on-Year Growth Rates

| | Mar-2024 | Apr-2024 | YTD |
|---|--------------|-------------|-------------|
| Total Imports | -20.0 | 12.6 | -2.2 |
| Capital Goods | -14.8 | 10.5 | -3.9 |
| Power Generating and Specialized Machines | -36.3 | 23.3 | -1.1 |
| Office and EDP Machines | -14.8 | 25.9 | 9.4 |
| Telecommunication Equipment and Electrical Machinery | -13.0 | 0.5 | -11.5 |
| Land Transport Equipment Excluding Passenger Cars and Motorized Cycle | -15.1 | 25.3 | 11.1 |
| Aircraft, Ships and Boats | 163.3 | 21.1 | 15.2 |
| Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods | -20.0 | 1.9 | -1.3 |
| Raw Materials and Intermediate Goods | -25.2 | 14.3 | -2.4 |
| Mineral Fuels, Lubricant and Related Materials | -18.1 | 8.4 | -5.5 |
| Consumer Goods | -19.1 | 15.7 | 3.8 |

Source of Basic Data: Philippine Statistics Authority (PSA)

Imports of Capital Goods Jumped by 10.5% in April

With all six major categories on the upswing, capital goods imports expanded by 10.5% YoY in April from -15.0% a month earlier. Four of these categories surged by over 20.0% YoY, led by Office & EDP Machines (+25.9%) and Land Transport Equipment excluding Passenger Cars & Motorized Cycle (+25.3%). Not far behind came Power Generating & Specialized Machines (+23.5%) and Aircrafts, Ships & Boats (+21.1%).

The minute gain (+0.5%) in imports of Telecommunication Equipment & Electrical Machinery, which account for nearly half of these imports, slowed the overall pace of expansion.

Imports of Raw Materials & Intermediate Goods increased by 14.3% YoY, due to the large 16.5% jump in imports of semi-processed goods, like chemicals and other manufactured raw materials.

Imports of consumer goods vaulted even higher by 15.7% YoY due to huge amounts of food imports (+29.7%). Among them, rice imports, which accounted for some 12.8% of consumer goods imports, soared by 58.5% YoY. The approximately 400,000 MT of rice should ease its prices in the domestic market.

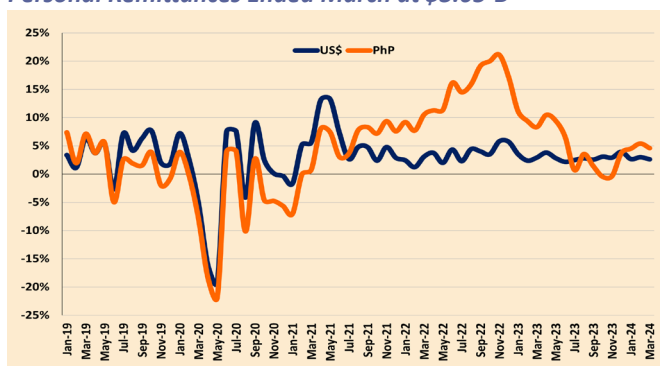
Total imported goods in April increased by 12.6% YoY to \$11.0-B after a -17.7% YoY slump a month ago. All four major commodity groups landed in positive territory with plastic leading as it soared by 33.8% YoY. Followed suit by imports of Iron and Steel and Cereal Preparations with a growth rate of 24.7% YoY and 22.1% YoY, respectively. Electronic Products, which accounted for the majority of capital goods imports, grew by 9.0% YoY amounting to \$2.3-B.

Despite the brisk pace of exports expansion, the higher base for imports widened the balance of trade (in goods) in April to a deficit of \$4.8-B, a surge of 38.3% from the previous month, even though it showed a small decline of 1.5% from the same month in 2023.

OFW \$ Remittances Increased by 2.6% in March

Personal remittances of Overseas Filipino Workers (OFWs) edged up by 2.6% YoY to \$3.05-B in March. The growth in personal transfers during March benefited from land-based workers, which advanced by 2.7% YoY to \$2.33-B and sea-land based workers which rose by 1.7% to \$0.65-B.

Figure 6 - OFW Remittances Growth Rates, Year-on-Year Personal Remittances Ended March at \$3.05-B



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

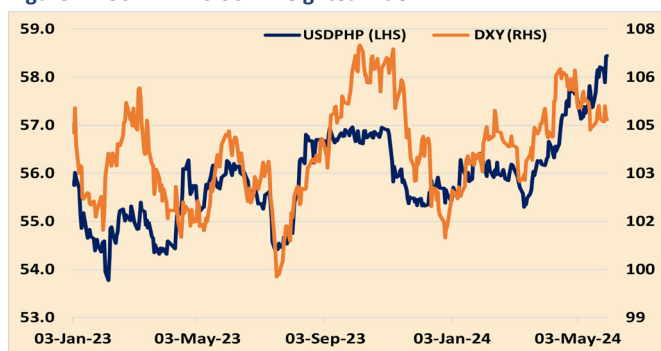
Table 5 - Exchange Rates vs USD for Selected Asian Countries

| Exchange Rates vs USD for Selected Asian Countries | | | |
|--|----------|----------|------|
| | Apr-2024 | May-2024 | YTD |
| AUD | -0.5% | -1.0% | 3.0% |
| CNY | 0.1% | 0.1% | 1.7% |
| INR | 0.1% | -0.2% | 0.1% |
| IDR | 1.6% | 0.0% | 4.8% |
| KRW | 2.5% | 0.0% | 6.6% |
| MYR | 1.0% | -1.3% | 2.1% |
| PHP | 2.5% | 1.6% | 5.5% |
| SGD | 1.0% | -0.7% | 2.2% |
| THB | 1.8% | -0.8% | 7.4% |

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

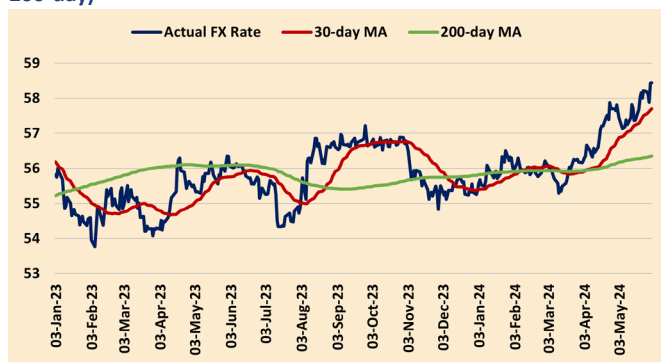
Source of Basic Data: *Bangko Sentral ng Pilipinas (BSP)*

Figure 7 - USDPHP vs USD Weighted Index



Source of Basic Data: *Trading Economics*

Figure 8 - USDPHP Rate, Actual and Moving Averages (30-day and 200-day)



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

Cash remittances from OFWs coursed through banks also grew by 2.5% YoY to \$2.74-B in March from \$2.67-B in the same month a year ago. The increase in cash remittances from the United States (U.S.), Saudi Arabia, United Arab Emirates (U.A.E.), and Singapore led the growth in remittances for Q1-2024.

As for the country origin, the U.S. accounted for the largest share of overall remittances at 41.2% followed by Singapore, Saudi Arabia, Japan, United Kingdom, United Arab Emirates, Canada, Qatar, Taiwan, and Hong Kong. The consolidated remittances from these top 10 countries accounted for 79.3% of the total remittances for the first quarter.

Peso Depreciated by 1.4% MoM on Average in May

The peso fell in May as the dollar-peso rate increased by 1.4% on average to P57.762. On end-of-month changes, the peso fell 1.6%. The USD/PHP exchange rate closed above P58 for the first time in 18 months, as the U.S. dollar strengthened and many Fed officials signaled a delay in cutting interest rates due to higher inflation and a tight labor market in the U.S.

Given the recent dollar strength and peso depreciation - in line with other currencies in the region as most Fed officials signaled a delay in Fed rate cuts amid the lack of progress on U.S. inflation - we expect the USDPHP rate to remain above P58.00/\$1 until Q3, when the Fed will cut its policy rate by 25 bps.

Outlook

Despite unimpressive employment numbers in April, other macroeconomic data support a more sanguine outlook for Q2 and the full year 2024.

- NG will continue to ramp up spending in Q2 and the rest of the year. The vault in operational and capital outlays in April at 31.9% YoY has brought YTD growth to a double-digit pace of 12.2% more than double YTD-March upswing of 5.4%. Besides, the YTD fiscal deficit accounts for only some two months of the target for 2024 while four months have gone by.
- Employment should recover starting May, despite the April slowdown which left it still above the 2023 average. The April upticks in exports, industrial production and construction employment and NG stimulus (as above) should support this view.
- Inflation will likely move up slightly to 4.0% YoY in July to average 3.9% in Q2. However, starting August the rate will drop closer to 3.0% to an average of 3.4% in Q3 and down further to 3.1% in Q4 as we see the fall in rice and crude oil prices in H2. Rice prices not only have begun to fall in June, but more importantly President Marcos has reduced rice tariffs from 35% to 15%. All these translate to a full year inflation rate of 3.5% down from our earlier 3.8% forecasts. This should exude more confidence among consumers to resume spending.
- Exports zoomed up by 26.4% YoY in April, a huge reversal of the -7.3% drop in March, led the 33.3% vault in Electronics products outbound shipments, amid a rise in all major product categories. This enabled YTD growth to 9.6% YoY, which makes our annual projection of 6.0-10.0% more achievable. This should lessen the negative effect of trade deficits on GDP moving forward.
- Despite the mild weakening of the U.S. dollar in May, the peso-dollar rate's depreciation in May likely reflects the persistence of elevated trade deficits, and the U.S. dollar's strength as the markets sense that Fed will also keep rates "higher for longer". The rate may remain above P58/\$1 up to Q3 since we expect the Fed to cut policy rates by 25 bps only in September, likely the only one for the year. We think the BSP won't cut its own policy rates in its August meeting but wait for the Fed move before slashing its rate by 25 bps in its October meeting in order to avoid further pressure on the peso and await more signs of inflation keeping to its 2.0% to 4.0% target for the rest of 2024.

FIXED INCOME SECURITIES

BOND MARKET VOLUMES IMPROVE IN MAY

Despite notable volatility in bond yields both here and abroad, the Philippine bond market for auctions by the Bureau of the Treasury (BTr) and in the secondary market for government securities reawakened in May. Government Securities Eligible Dealers (GSED) tendered 4.2% more at P427.7-B in May despite lower BTr offerings effecting a higher tender-offer ratio (TOR) of 2.35x from 1.81x in the previous month. Secondary market trading also bloated by 12.7% month-on-month (MoM) to P594.1-B. Yields in Treasury bill (T-bill) auctions softly dropped by -3.8 basis points (bps) to -15.0 bps, while in the secondary market yields fell across the curve with the largest fall in longer tenors, i.e., -33.3 bps to 6.627% for 7-year papers and -27.7 bps for 10-year tenors. May saw no new corporate bond issuances. And ROPs yields followed U.S. Treasury movements resulting in minimal change in spreads from a month earlier.

Outlook: With all eyes on the Fed's meeting in mid-June, it kept its policy rate unchanged and its projections favored a single cut in 2024 but more in 2025. It appears likely that it will cut rates by 25 bps in its September meeting, as the lagged negative impact of its elevated policy rates has begun to show in broader range of feeble economic data. This should help pull down local 10-year benchmark yields aided by milder domestic inflation. However, a mild upside risk could come from BTr's need for slightly higher borrowing than the current P180.0-B per month pace, but which it may source from foreign loans. While we expect BSP to cut its policy rate to a similar extent, this will likely occur in its October meeting or after the Fed move due to wariness on the impact of an earlier cut on the already challenged peso-dollar rate.

Table 6 - May Auction Results

| Date | T-Bond/ T-Bill | Offer (Php B) | Tendered (Php B) | Accepted (Php B) | Tendered ÷ Offered | Ave. Yield | Change bps |
|--------------|-------------------------|------------------|---------------------|---------------------|-----------------------|---------------|---------------|
| 27-May | 91-day | 20.0 | 74.804 | 20.000 | 3.740 | 5.719 | -15.0 |
| | 182-day | 20.0 | 66.740 | 20.000 | 3.337 | 5.886 | -10.2 |
| | 364-day | 22.0 | 68.884 | 22.000 | 3.131 | 6.043 | -3.8 |
| Subtotal | | 62.0 | 210.428 | 62.000 | 3.394 | | |
| 7-May | 10 year (FXTN 10-72) | 30.0 | 71.240 | 30.000 | 2.375 | 6.825 | 38.6 |
| 14-May | 15 year (FXTN 20-23) | 30.0 | 36.703 | 11.528 | 1.223 | 6.950 | |
| 21-May | 20 year (FXTN 20-27) | 30.0 | 37.919 | 22.717 | 1.264 | 6.797 | |
| 28-May | 3 year (FXTN 3-30) | 30.0 | 71.399 | 30.000 | 2.380 | 6.347 | 34.0 |
| Subtotal | | 120.0 | 217.261 | 94.245 | 1.811 | | |
| All Auctions | | 182.0 | 427.689 | 156.245 | 2.350 | | |

Source: Bureau of the Treasury (BTr)

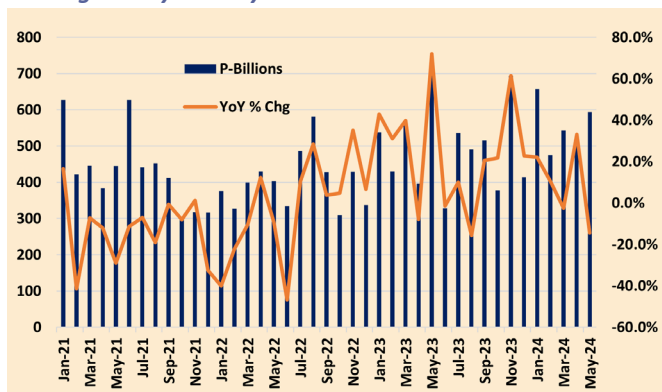
GS Auctions: Improved Tenders in May with Lower Yields in Short-end

In May 2024, the PHP government securities (GS) market witnessed fluctuating sentiments influenced by both domestic and global factors. Auction summaries reflected strong participation, notably in the reissuance of bonds such as the 15-year (20-23) and the 3-year (3-30) bonds, pushing up total tender-offer ratio (TOR) to 2.350x compared to 1.808x in the previous month. This resulted in a 34.0 bps drop in 3-year yields to 6.347%, exceeded however by the 10-year T-bond (10-72) which yielded 6.825%, also 38.6 bps higher than in the previous auction of similar tenor.

Investors kept focus on Treasury bills (T-bills) which had a TOR of 3.394x higher from 2.903x a month earlier despite yields for 91-day and 182-day dropping by 15.0 bps and 10.2 bps, respectively.

Looking ahead, we will continue to closely monitor global bond market movements for directional cues, especially amidst upcoming economic releases like U.S. GDP data, but do expect no abatement in yield volatility.

Figure 9 - GS Secondary Trading Volume
Trading in May Rose by 12.7% MoM



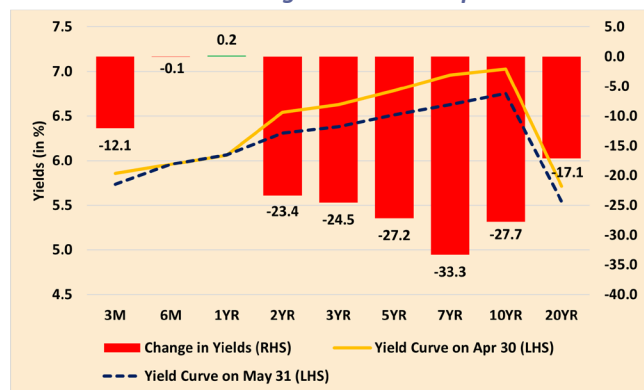
Source: Philippine Dealing Systems (PDS)

GS Secondary Market: Despite Volatility Trading in May Achieved 2nd Highest in 2024

Trading of government securities (GS) in the secondary market heightened in May with a total volume of P594.1-B a 12.7% jump from April. This garnered the second highest trading in 2024, next to January. On a year-on-year (YoY) basis, however, it reflected a 14.4% dip.

Key movements in the GS market showcased a mixed pattern of risk-on and risk-off sentiments. This dynamic led to mixed yield curve actions in the GS secondary market, with longer-term bonds outperforming shorter tenors. The 10-year benchmark yield dropped by -27.7 bps to 6.752%. Similarly, 2-year to 7-year tenors lowered by -23.4 bps to -33.3 bps to end at 6.308% and 6.627%, respectively. The 3-year and 5-year spaces also showed large descents by -24.5 bps and -27.2 bps to respectively fall to 6.382% and 6.513%. Only 1-year maturities saw a tiny uptick of 0.2 bps to 6.065% while 3-month tenor dropped by -12.1 bps to end at 5.736%.

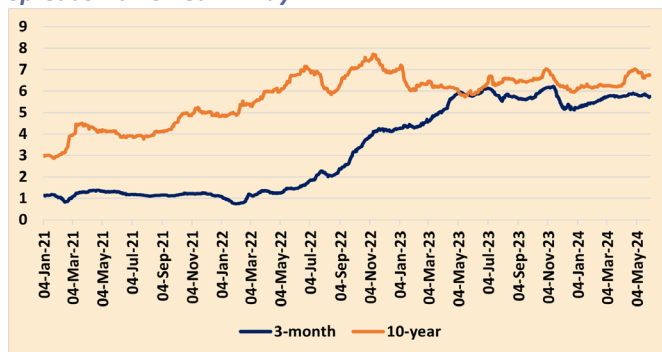
Figure 10 - GS Peso Yield Curves and MoM Change
Sizeable Falls Seen in Long-Dated Debt Papers



Sources: Bloomberg, Philippine Dealing Exchange (PDEX)

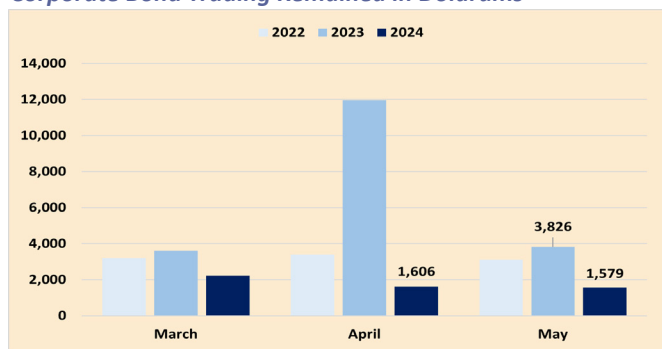
The GS yield curve practically dropped across the board, with a slight flattening as the spread between the 10-year and 2-year yields narrowed by 5.0 bps to end May at 44.0 bps.

Figure 11 - 3-Month and 10-Year Bond Yields Spreads Narrowed in May



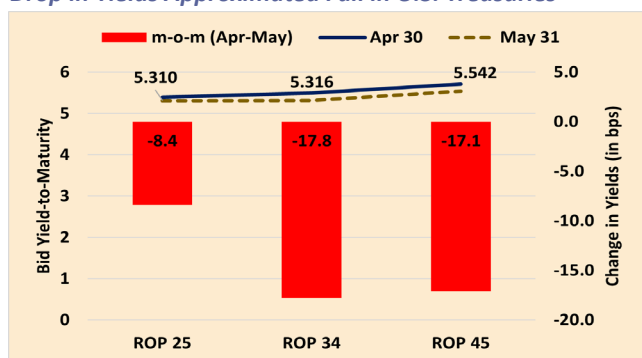
Source: Philippine Dealing Systems (PDS)

Figure 12 - Corporate Bond Trading (in Million Pesos) Corporate Bond Trading Remained in Doldrums



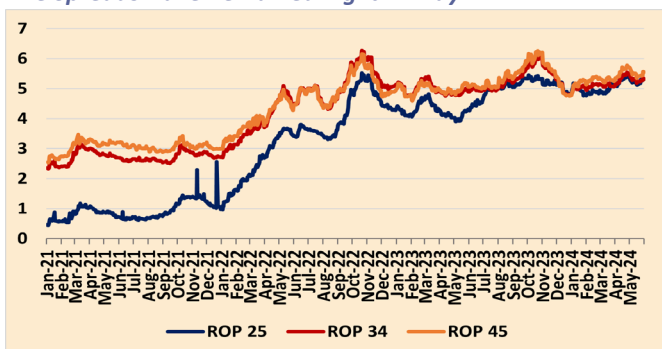
Sources: Bloomberg, Philippine Dealing Exchange (PDEX)

Figure 13 - ROPs Yield Curve and MoM Change Drop in Yields Approximated Fall in U.S. Treasuries



Source: Bloomberg

Figure 14 - ROPs 25, 34, 45 Yields Daily Movements The Spreads Have Remained Tight in May



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Corporate Bond Market

Issuances. Companies remained cautious about issuing bonds at high interest rates, but SM Prime Holdings, Inc. (SMPH) got shelf approval by the Securities and Exchange Commission (SEC) to launch a P100.0-B fixed-rate bond program. SMPH put P20.0-B on offer in early June with 3-year, 5-year and 7-year maturities to be listed on June 24, 2024.

Secondary Market. Trading of corporate bonds in the secondary market mildly slipped by -1.7% month-on-month (MoM) to P1.5-B in May from P1.6-B a month earlier. On a yearly (YoY) basis, it took a deeper dive of -58.7% YoY from P3.8-B in May 2023.

ROPs: Yields Slid Together with U.S. Treasuries

U.S. Treasury yields exhibited notable volatility in May. At the beginning of the month, yields climbed higher, influenced by various economic factors, causing some defensiveness in the local PHP GS market. Thus, we saw limited buying interest and de-risking activities among market participants. However, as the month progressed, U.S. Treasury yields experienced periods of retracement and sideways movement, contributing to shifts in risk sentiment and trading behavior in the local GS market. This dynamic movement in U.S. Treasury yields impacted the overall sentiment and yield movements of the Philippines' U.S. dollar-denominated bonds (ROPs). The longer end of the curve absorbed the retracement with ROP-34 yields falling by -17.8 bps to 5.316% by end of May and ROP-45 decreasing by -17.1 bps to 5.542%. ROP-25 had a more modest descent of -8.4 bps to 5.31%.

Similarly, U.S. treasuries showed periods of retracement with yields dropping to 4.51% or an -18.0 bps decrease in May for 10-year maturities and to 4.73% or a -17.0 bps fall for 20-year maturities. Following suit, 1-year maturities also tumbled by -7.0 bps to end the month at 5.18%.

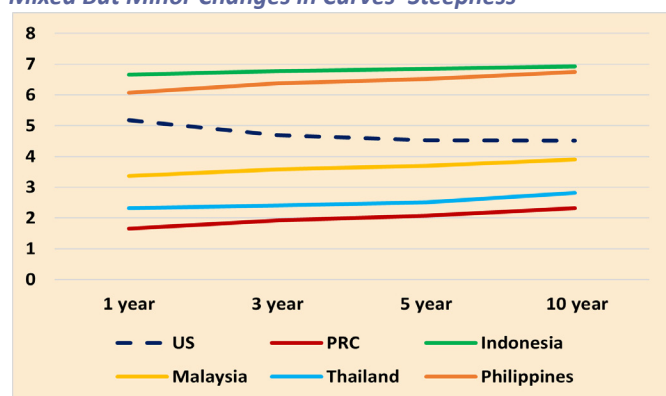
Since ROPs and equivalent U.S. Treasury showed similar movements, spreads hardly changed. However, the spread of ROPs over equivalent U.S. treasuries slightly narrowed by 1.4 bps and 0.2 bps for 1-year and 10-year maturities but remained similar for the 20-year maturities with no movement.

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 |
| 29-Mar | 20.4 | 86.9 | 79.7 |
| 30-Apr | 14.4 | 80.4 | 81.3 |
| 31-May | 13.0 | 80.6 | 81.2 |

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

Figure 15 - Comparative ASEAN+1 Yield Curves, End-April 2024
Mixed But Minor Changes in Curves' Steepness



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

ASEAN+1: Mild Movements in Yield Curves Across the Region

U.S.: In May, the S&P Global U.S. Manufacturing PMI increased to 51.3 from 50.0 in April. The manufacturing sector's health showed a slight improvement, the fourth in the previous five months, according to the reading. Growth in new orders resumed, enabling a quicker increase in production. U.S. annual inflation unexpectedly dropped to 3.3% in May 2024—the lowest level in three months—from 3.4% in April and 3.4% predicted. April exports reached \$263.7-B, up \$2.1-B, or 0.8%, from the previous month.

Meanwhile, imports reached \$338.2-B, up \$8.0-B, or 2.4%, from the previous month. As a result, the trade deficit increased from \$68.6-B in March to \$74.6-B in April—the highest amount since October 2022.

In June, the Federal Reserve maintained the Fed funds target range at 5.25%–5.50% for the seventh consecutive meeting. The yield curve's steepness measure stayed inverted in May at -38.0 bps.

CHINA: The Caixin China General Manufacturing PMI exceeded forecasts, rising from 51.4 in April to 51.7 in May. Factory activity expanded for the seventh consecutive month, at its fastest rate since June 2022, as output increased for the first time in 23 months as a result of an increase in new orders. In May, China's annual inflation rate was 0.3%, which was below market expectations of 0.4% but still stable for the second consecutive month. Consumer inflation was recorded for the fourth consecutive month, indicating that domestic demand is still recovering.

China's trade surplus expanded to \$82.6-B in May compared to \$65.6-B in the same month last year. Exports rose 7.6% from the previous year, the fastest rate in four months, while imports rose 1.8%, a sharp decline from the 8.4% increase in April.

At the May fixing, the People's Bank of China maintained key lending rates in line with market expectations. The loan prime rate (LPR) for 1-year was kept at 3.45%. The spread between 10-year and 2-year bond yield steepened by 13.0 bps to 55.0 bps in May, the widest among its ASEAN peers.

INDONESIA: In May, the S&P Global Indonesia Manufacturing PMI dropped from 52.9 in April to 52.1. Although factory activity increased for the 33rd consecutive month, the most recent result was the weakest increase since last November due to a slowdown in output growth and the lowest increase in new orders in six months. The country's annual inflation rate decreased from 3.0% in April to 2.84% in May. Food prices increased at their slowest rate since January, and the reading was the lowest since February while remaining within the central bank's target range of 1.5% to 3.5%.

Indonesia's trade surplus fell slightly to \$3.6-B in April, down from \$3.9-B the same month last year. At \$19.6-B, exports increased by 1.7% YoY, while imports increased by 4.6% YoY to \$16.1-B.

At its meeting in May, Bank Indonesia decided to keep the interest rate at 6.25%. This rate has remained at a record high, aimed at ensuring headline inflation stays within the target, while also maintaining foreign capital inflows and the stability of the Rupiah exchange rate. The yield curve's steepness measure rose by 8.0 bps to 21.0 bps in May.

MALAYSIA: The S&P Global Malaysia Manufacturing PMI increased from 49.0 in April to 50.2 in May. After falling for the previous 22 months, output started to grow again, marking the first increase in factory activity since August 2022. Resurgent growth in new orders served as support for this. In April, Malaysia's annual inflation rate remained stable at 1.8% for the third consecutive month. It held its highest rate since October 2023.

Malaysia's trade surplus fell short of market expectations, coming in at MYR 7.7-B (~\$1.6-B) in April compared to MYR 12.6-B (~\$2.6-B) in the same month the previous year.

With imports rising 15.6% YoY to MYR 107.0-B (~\$22.5-B) and exports growing at a slower pace of 9.1% YoY to MYR 114.7-B (~\$24.1-B), it was the lowest trade surplus since November 2019.

In May, the Malaysian central bank maintained its overnight policy rate at 3.0% for the sixth consecutive meeting. The current monetary policy stance, according to policymakers, is still supportive of the economy and aligned with the current evaluation of inflation and growth prospects. The spread between 10-year and 2-year bond yields declined by 6.0 bps to 42.0 bps in May.

THAILAND: In May 2024, the S&P Global Thailand Manufacturing PMI increased to 50.3, capping a nine-month period of decline. Production increased at its fastest rate since August of last year, and the volume of new orders started to stabilize. Thailand's annual inflation rate rose to 1.5% in May, from 0.2% the previous month. The latest reading remained within the central bank's target range of 1.0% to 3.0%, but it was the highest level since April 2023, owing primarily to an acceleration in transportation prices caused by a spike in fuel costs.

Thailand's trade deficit increased to \$1.6-B in April, up from \$1.5-B the same month in 2023. Exports increased by 6.8% YoY to \$23.3-B, rebounding sharply from a 10.9% drop in March. Meanwhile, imports increased 8.3% to \$24.9-B, up from 5.6% in the previous month.

The Bank of Thailand kept its key interest rate at 2.5% in June 2024, extending its pause for the fourth consecutive meeting despite repeated calls from the government to cut rates to help the country's economy recover. Most committee members believe that the policy rate should remain consistent with the improving growth and inflation outlook while promoting macro-financial stability in the long run. The yield curve's steepness measure inched up by 5.0 bps to 44.0 bps in May.

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 |
| | | | | | Apr-24 | May-24 | | | |
| U.S. | 4.89 | 4.51 | 2.4 | 2.11 | (35) | (38) | (3) | 5.50 | 3.10 |
| PRC | 1.77 | 2.32 | 2.0 | 0.32 | 42 | 55 | 13 | 2.50 | 0.50 |
| Indonesia | 6.72 | 6.93 | 3.0 | 3.93 | 13 | 21 | 8 | 6.25 | 3.25 |
| Malaysia | 3.48 | 3.9 | 2.7 | 1.20 | 48 | 42 | (6) | 3.00 | 0.30 |
| Thailand | 2.37 | 2.81 | 2.3 | 0.51 | 39 | 44 | 5 | 2.50 | 0.20 |
| Philippines | 6.31 | 6.75 | 3.5 | 3.25 | 49 | 44 | (5) | 6.50 | 3.00 |

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

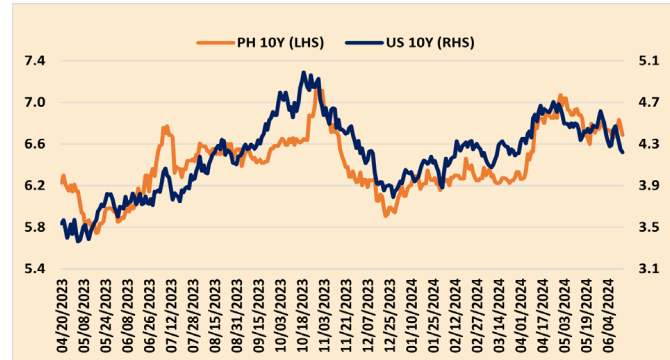
Outlook

The bond market volatility in May due to unexpected movements in the inflation rate and employment in the U.S. will likely continue in June with a downward bias in yields.

- Despite expecting slightly higher inflation compared to its March projections, the Fed officials collectively (based on “dot-plots”) appear set to cut policy rates once in 2024 (likely 25 bps in September) and compensate the delay in 2024 with more cuts in 2025. They expect PCE inflation at 2.6% in 2024, 2.3% in 2025 and on to the target 2.0% by 2026. Initial skittishness of market players seemed to ease as 10-year bond yields dropped to 4.23% on June 14th, a huge 45 bps plunge from 4.68% in end-April. The Fed likely has factored in the lagged effect of its policy rate increases on economic growth, which has shown broad signs of weakness starting Q1-2024. While volatility will likely persist given inflation rate gyrations, the overall impact on PH local bond yields should be downward.
- In the domestic front, we look into NG borrowings first. As it aims to reach its target P1.35-T deficit for 2024 to stimulate the economy, it appears that the current pace of offerings (i.e., P180.0-B per month, of which T-bills account for P60.0-B) may fall short by P50.0-B to P100.0-B, which it can easily finance by foreign loans. But as we expect a definitive fall in interest rates in H2, it may opt to borrow more locally, and if it does do, this would constitute a slight upward pressure on bond yields.
- The other local concern is the inflation rate. We have already presented our views in the Macro part of this issue—i.e., progressively lower inflation averaging 3.1% by Q4. For now, until July, the downside bias in yields from this source will remain muted, but the rest of H2 would make the case more compelling. Overall, we see little space for much lower yields until July, therefore, even though we do not discount possible greater risk-taking by market players during this period. Still, we see a range of 5.75% to 6.25% in Q3.

- Apart from SMPH, which listed its P25-B bond issue on June 24 and a few others in July and August, more will likely go to the market starting September.

Figure 16 - Philippine 10-Year Government Bond Yield Vs. United States 10-Year Government Bond Yield



Source: Trading Economics

EQUITY MARKETS

ADVANCED ECONOMIES' EQUITY MARKETS GAIN WHILE ASEAN FLOUNDERS

PSEi ended May on the red territory after dropping further by -4.0% MoM from -2.9% a month ago. Similarly, its ASEAN counterparts also experienced losses except for Malaysia (KLSE, +1.3%). Meanwhile, most of the advanced economies registered gains in May with Germany (DAX, +3.2%) and the U.S. (DJIA, +2.3% to a new record) leading the pack. The Services sector (+7.0%) had the best sectoral performance in May as Wilcon Depot, Inc. (WLCON, +19.8%) led the gainers among the PSEi-constituents. On the other hand, Aboitiz Equity Ventures, Inc. delivered the largest drop, closing May with a -16.5% decline as it exited MSCI's Philippine equity index.

Outlook: PSEi will probably hover within the 6,100 to 6,500 range until August with a downward bias due to the regional geopolitical tension, coupled with the uncertainties that MSCI rebalancing in August creates. Catalysts that could enable PSEi to break through this ceiling include a combination of the following: (1) Bangko Sentral ng Pilipinas (BSP) lowers its policy rate by 25 bps in its August 16 meeting, (2) Q2 GDP growth above 6.0% (report for release August 8), and (3) robust double-digit YoY early corporate earnings reports for Q2. We view the latter two conditions as highly probable, while the first would still depend on the inflation print for June and July. Nonetheless, since we think inflation may only rise in those months due to base effects and thus expect its downward trend to continue, we retain our 7,000 to 7,500 projection of PSEi in H2.

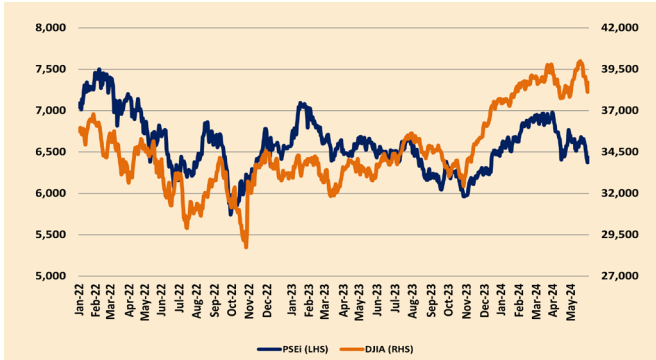
Table 9 - Global Equities Markets Performances

| Global Equities Markets Performances | | | | |
|--------------------------------------|-------------|-------------|------------------|---------------|
| Region | Country | Index | May M-o-M Change | 2024 % Change |
| Americas | US | DJIA | 2.3% | 2.6% |
| Europe | Germany | DAX | 3.2% | 10.4% |
| | London | FTSE 101 | 1.6% | 7.0% |
| East Asia | Hong Kong | HSI | 1.8% | 6.1% |
| | Shanghai | SSEC | -0.6% | 3.8% |
| Asia-Pacific | Japan | NIKKEI | 0.2% | 15.0% |
| | South Korea | KOSPI | -2.1% | -0.7% |
| | Australia | S&P/ASX 200 | 0.5% | 1.5% |
| Southeast Asia | Indonesia | JCI | -3.6% | -4.2% |
| | Malaysia | KLSE | 1.3% | 10.1% |
| | Thailand | SET | -1.6% | -5.0% |
| | Philippines | PSEi | -4.0% | -0.3% |

Sources: Bloomberg and Yahoo Finance

Global Picture. Most of our tracked global equity markets landed on the green, while five received losses including the PSEi. Germany's DAX ended May with a +3.2% month-on-month (MoM) uptick, wiping out its -3.0% loss the previous month. U.S.' DJIA also performed positively in May to end the month with a +2.3% MoM gain, a partial recovery from its -5.0% plunge in April, enough to reach a new closing high of 39,908.0 on May 15th. Meanwhile, the Philippines' PSEi remained on the red after dropping further by -4.0% MoM in May from -2.9% a month ago.

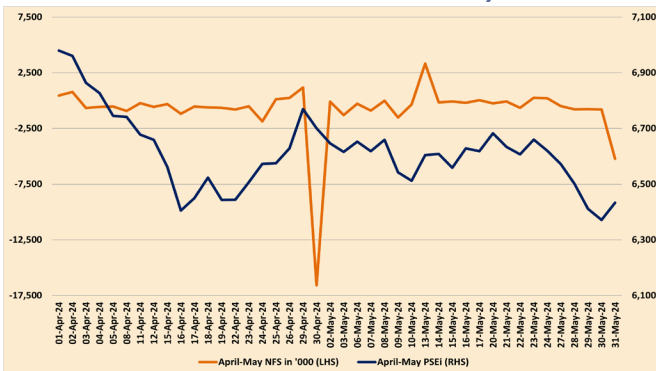
Figure 17 - PSEi vs DJIA
PSEi vs DJIA Correlation in May Eased to +0.27



Source: Yahoo Finance

PSEi and DJIA. The Dow Jones Industrial Average (DJIA) finished a volatile month of trading. DJIA ended May at 38,686.32. During the month, the PSEi also reached another low of 6,371.75 on May 30 but recovered the next day as investors went bargain hunting to close the month at 6,433.10, albeit lower from the previous month's close of 6,700.49. The correlation between the two indices in May became weaker at +0.27 from +0.81 a month ago.

Figure 18 - PSEi vs Net Foreign Selling
PSEi vs NFS Posted a +0.46 Correlation in May



Sources: PSE Quotation Reports & Yahoo Finance

Net Foreign Buying/Selling. In terms of trading volume, majority of the sectors landed on the green in May, with the Mining & Oil sector gaining the most after a whopping 209.6% MoM upswing. The Industrial sector came next with a 95.5% MoM growth. On the other hand, the Property sector led the decliners in May with a -8.2% MoM downtick in trading volume.

Foreign investors remained as net sellers in May to the tune of P10.1-B from net selling of P23.7-B in April.

Table 10 - Monthly Turnover (in Million Php)

| Monthly Turnover (in Million Pesos) | | | | |
|-------------------------------------|-------------------|--------------|------------------------|--------------|
| Sector | Total Turnover | | Average Daily Turnover | |
| | Value | % Change | Value | % Change |
| Financial | 25,449.62 | 21.8% | 1,156.80 | 10.7% |
| Industrial | 39,435.27 | 95.5% | 1,792.51 | 77.7% |
| Holdings | 29,892.58 | 40.3% | 1,358.75 | 27.6% |
| Property | 27,079.13 | -8.2% | 1,230.87 | -16.6% |
| Services | 35,738.96 | -5.9% | 1,624.50 | -14.5% |
| Mining & Oil | 8,658.69 | 209.6% | 393.58 | 181.4% |
| Total | 166,254.25 | 25.3% | 7,557.01 | 13.9% |
| Foreign Buying | 71,851.28 | 44.7% | 3,265.97 | 31.5% |
| Foreign Selling | 81,932.25 | 11.7% | 3,724.19 | 1.5% |
| Net Buying (Selling) | (10,080.98) | -57.5% | (458.23) | -61.4% |

Source of Basic Data: PSE Quotation Reports

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

| Top Foreign Buy | |
|------------------------|-----------------|
| Company | Total Value |
| GLO Equity | 1,330.38 |
| ACEN Equity | 805.00 |
| URC Equity | 347.98 |
| TEL Equity | 340.69 |
| MWC Equity | 327.19 |
| Total Buy Value | 3,151.24 |

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

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

| Top Foreign Sell | |
|-------------------------|-------------------|
| Company | Total Value |
| AEV Equity | -4,012.85 |
| ALI Equity | -2,671.07 |
| BDO Equity | -1,918.69 |
| SM Equity | -1,896.99 |
| JFC Equity | -1,687.33 |
| Total Sell Value | -12,186.93 |

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

Table 13 - Monthly Sectoral Performance

| Monthly Sectoral Performance | | | | | |
|------------------------------|---------------|----------|-------------|----------|----------|
| Sector | 30-April-2024 | | 31-May-2024 | | 2024 YTD |
| | Index | % Change | Index | % Change | |
| PSEI | 6,700.49 | -2.9% | 6,433.10 | -4.0% | -0.3% |
| Financial | 2,094.20 | 2.9% | 1,924.85 | -8.1% | 10.7% |
| Industrial | 9,014.34 | -0.9% | 9,138.81 | 1.4% | 0.7% |
| Holdings | 6,189.77 | -4.2% | 5,754.53 | -7.0% | -5.8% |
| Property | 2,509.49 | -10.7% | 2,402.85 | -4.2% | -15.8% |
| Services | 1,856.90 | 0.3% | 1,986.63 | 7.0% | 23.8% |
| Mining & Oil | 8,784.58 | 8.1% | 9,241.14 | 5.2% | -7.6% |

Source of Basic Data: PSE Quotation Reports

Table 14 - Financial Sector Constituent Stocks

| Company | Symbol | 04/30/2024 Close | 05/31/2024 Close | M-o-M % Change | 2024 YTD |
|-------------------------------------|--------|------------------|------------------|----------------|----------|
| Metropolitan Bank and Trust Company | MBT | 70.00 | 62.05 | -11.4% | 21.0% |
| BDO Unibank, Inc. | BDO | 148.20 | 130.00 | -12.3% | -0.4% |
| Bank of the Philippine Islands | BPI | 127.50 | 120.20 | -5.7% | 15.8% |

Source of Basic Data: PSE Quotation Reports

The top five favorite stocks (net buying) of foreign investors amounted to P3.2-B with Globe Telecom, Inc. (GLO, P1.3-B) and ACEN Corporation (ACEN, P805.0-M) taking the lead.

The top five disfavored stocks (net selling) in May amounted to P12.2-B with Aboitiz Equity Ventures, Inc. (AEV, P4.0-B) and Ayala Land, Inc. (ALI, P2.7-B) at the front row.

Similar to April, half of the sectors experienced gains in May, while the rest registered losses. This drove the PSEi on a -4.0% MoM loss for the month. The Services sector had the best performance in May with a +7.0% MoM gain, followed by the Mining & Oil sector with a +5.2% MoM growth. Meanwhile, the foreign selloff of BDO and the fall in the other two top banks pulled down the Financial sector by -8.1% MoM in May to lead the sectoral decliners. Year-to-date (YTD), the Services sector also took the top spot with an impressive +23.8% upswing.

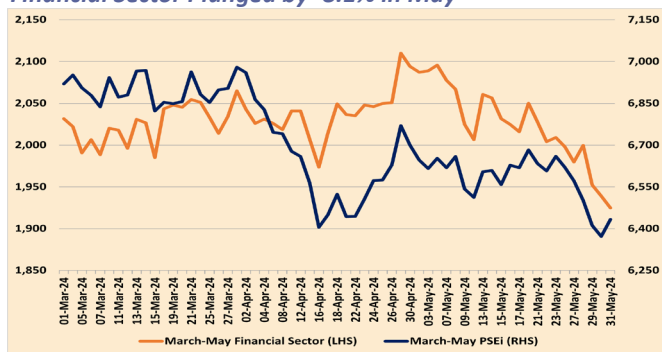
The Financial sector finished last in the sectoral race, with an -8.1% MoM decline in May, erasing its +2.9% gain a month ago.

Bank of the Philippine Islands' (BPI) share prices ended the month with a -5.7% MoM downtick following its +8.0% gain in April. BPI anticipates an 11% to 12% growth on its loans this year, following its merger with Robinsons Bank Corporation.

Metropolitan Bank & Trust Company's (MBT) share prices dropped by -11.4% MoM, from +7.4% a month earlier. Nevertheless, MBT received the Most Recommended Retail Bank in the Philippines from The Asian Banker in its Global Excellence in Retail Finance Awards. MBT received this recognition due to the bank's solid reputation among its clients for its financial services and smooth banking experience.

BDO Unibank, Inc.'s (BDO) share prices also contracted by -12.3% MoM in May, continuing from its -4.1% loss in April. BDO recently provided financial support to Alternergy Holdings Corporation after the latter signed a loan agreement worth P2.0-B to finance its renewable energy projects.

Figure 19 - Financial Sector Index (March - May)
Financial Sector Plunged by -8.1% in May



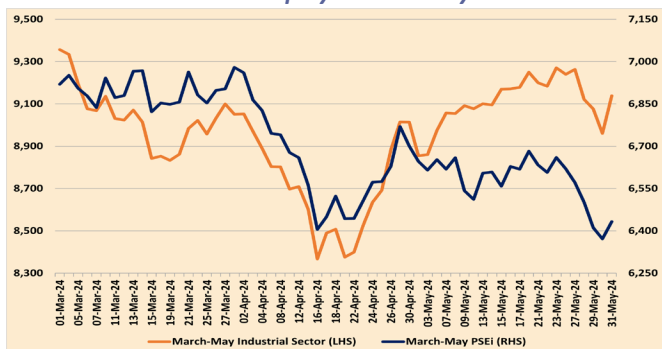
Source of Basic Data: PSE Quotation Reports

Table 15 - Industrial Sector Constituent Stocks

| Company | Symbol | 04/30/2024 Close | 05/31/2024 Close | M-o-M % Change | 2024 YTD |
|---------------------------------------|--------|------------------|------------------|----------------|----------|
| Meralco | MER | 369.00 | 367.20 | -0.5% | -8.0% |
| Jollibee Foods Corporation | JFC | 235.40 | 216.40 | -8.1% | -13.9% |
| Universal Robina Corporation | URC | 103.20 | 107.00 | 3.7% | -9.5% |
| AC Energy Corporation | ACEN | 4.15 | 4.80 | 15.7% | 9.6% |
| Emperador Inc. | EMI | 19.04 | 18.74 | -1.6% | -10.1% |
| Monde Nissin Corporation | MONDE | 10.68 | 11.20 | 4.9% | 33.7% |
| Century Pacific Food, Inc. | CNPF | 38.00 | 37.50 | -1.3% | 21.2% |
| Semirara Mining and Power Corporation | SCC | 32.95 | 33.90 | 2.9% | 12.1% |

Source of Basic Data: PSE Quotation Reports

Figure 20 - Industrial Sector Index (March - May)
Industrial Sector Inched Up by 1.4% in May



Source of Basic Data: PSE Quotation Reports

The Industrial sector grabbed third place in the sectoral rankings with a +1.4% MoM uptick in May, rebounding from its -0.9% loss a month ago. Notably, the sector's counters had mixed records with four on the upswing, while the other four declined.

ACEN Corporation's (ACEN) share prices soared by +15.7% MoM in May, continuing its +7.8% gain in April. ACEN saw a +34.0% YoY rise in its Q1-2024 core net income to P2.7-B from P2.0-B a year ago, driven by the +49.0% YoY surge in its renewable energy output as ACEN's newly operational solar and wind farms provided support.

Monde Nissin Corporation's (MONDE) share prices in May made a +4.9% MoM rebound from its -2.2% loss last month. MONDE's core net income for Q1-2024 jumped by +53.4% YoY to P2.9-B from P1.9-B the previous year, fueled by its Asia-Pacific Branded Food & Beverage (APAC BFB) segment which boasted a record core net income of P3.1-B.

Universal Robina Corporation's (URC) share prices inched up by +3.7% MoM in May, leaving no trace of its -2.0% loss in April. URC registered an +8.0% YoY growth in its Q1-2024 net income to P3.9-B from P3.6-B a year ago, driven by the robust sales volume across all its business groups.

Semirara Mining and Power Corporation's (SCC) share prices partially recovered by +2.9% MoM in May from its loss of -5.6% in April. SCC experienced a -28.0% YoY decline on its Q1-2024 core net income to P6.5-B from P9.0-B a year ago, due to lower coal prices and electricity rates. However, investors took note of the 37% YoY jump in coal shipments in Q1.

Jollibee Foods Corporation's (JFC) share prices tumbled in May by -8.1% MoM, a further drop from its -6.8% loss a month earlier. Nonetheless, JFC reported a +26.9% YoY growth on its Q1-2024 core net income to P2.6-B from P2.1-B the previous year, as JFC's system-wide sales grew by +10.4% YoY to P86.8-B.

Table 16 - Holdings Sector Constituent Stocks

| Company | Symbol | 04/30/2024 Close | 05/31/2024 Close | M-o-M % Change | 2024 YTD |
|-----------------------------|--------|------------------|------------------|----------------|----------|
| Ayala Corporation | AC | 615.00 | 595.00 | -3.3% | -12.6% |
| SM Investments Corporation | SM | 950.00 | 870.00 | -8.4% | -0.2% |
| Aboitiz Equity Ventures | AEV | 42.00 | 35.05 | -16.5% | -21.4% |
| GT Capital Holdings, Inc. | GTCAP | 639.50 | 602.00 | -5.9% | 2.0% |
| San Miguel Corporation | SMC | 105.00 | 102.80 | -2.1% | 0.7% |
| Alliance Global Group, Inc. | AGI | 10.08 | 9.27 | -8.0% | -17.8% |
| LT Group, Inc. | LTG | 10.16 | 10.48 | 3.1% | 16.7% |
| JG Summit Holdings, Inc. | JGS | 33.75 | 31.00 | -8.1% | -18.7% |
| DMCI Holdings, Inc. | DMC | 11.08 | 11.90 | 7.4% | 21.8% |

Source of Basic Data: PSE Quotation Reports

The Holdings sector ranked fifth in the sectoral race with a -7.0% MoM plunge in May from -4.2% in April.

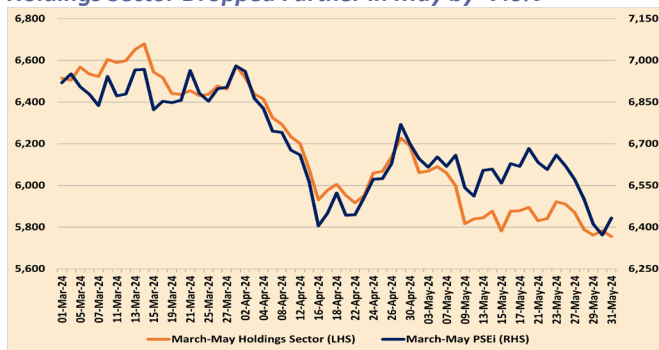
DMCI Holdings, Inc.'s (DMC) share prices led the sector with a +7.4% MoM gain in May, overcoming its -2.5% loss a month ago. DMC disclosed that its Q1-2024 core net income fell by -25.0% YoY to P5.6-B from P7.5-B in the same quarter last year, due to reduced contributions from most of its business segments. Nevertheless, DMC recently received the Best Investor Relations Company Award at the 14th Asian Excellence Awards, along with other awards for its executives.

LT Group, Inc.'s (LTG) share prices also edged up by +3.1% MoM in May, augmenting its +1.7% gain in April. LTG reported a +1.0% YoY uptick on its Q1-2024 core net income to P6.42-B from P6.38-B a year ago, mainly fueled by the contributions from the Philippine National Bank (PNB) and its tobacco business.

SM Investments Corporation's (SM) share prices further slumped by -8.4% MoM in May, following its -2.3% loss a month ago. Nevertheless, SM reported a +6.0% YoY growth in its Q1-2024 core net income to P18.4-B from P17.3-B the previous year, propelled by increased contributions from its banking and property segments.

Aboitiz Equity Ventures, Inc.'s (AEV) share prices ended May with a -16.5% MoM plunge, continuing its -10.4% loss in April. Market players likely anticipated AEV's removal from MSCI Phils Standard Index with the MSCI rebalancing which took effect on May 31.

Figure 21 - Holdings Sector Index (March - May)
Holdings Sector Dropped Further in May by -7.0%



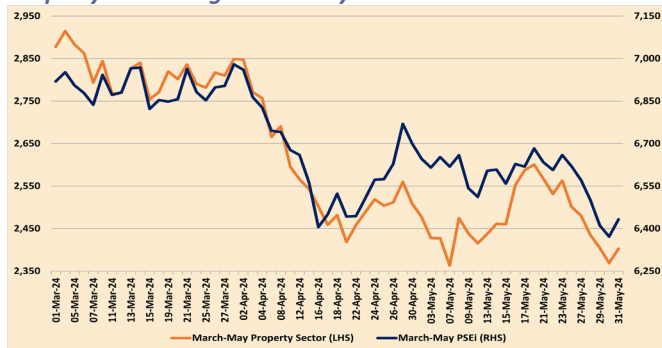
Source of Basic Data: PSE Quotation Reports

Table 17 - Property Sector Constituent Stocks

| Company | Symbol | 04/30/2024 Close | 05/31/2024 Close | M-o-M % Change | 2024 YTD |
|-------------------------|--------|------------------|------------------|----------------|----------|
| Ayala Land, Inc. | ALI | 28.75 | 26.25 | -8.7% | -23.8% |
| SM Prime Holdings, Inc. | SMPH | 27.95 | 26.95 | -3.6% | -18.1% |

Source of Basic Data: PSE Quotation Reports

**Figure 22 - Property Sector Index (March - May)
Property Sector Edged Down by -4.2%**



Source of Basic Data: PSE Quotation Reports

Table 18 - Services Sector Constituent Stocks

| Company | Symbol | 04/30/2024 Close | 05/31/2024 Close | M-o-M % Change | 2024 YTD |
|---|--------|------------------|------------------|----------------|----------|
| PLDT, Inc. | TEL | 1,340.00 | 1,480.00 | 10.4% | 15.7% |
| Globe Telecom | GLO | 1,774.00 | 1,970.00 | 11.0% | 14.5% |
| Converge ICT Solutions, Inc. | CNVRG | 9.40 | 10.76 | 14.5% | 28.4% |
| Puregold Price Club Inc. | PGOLD | 23.70 | 25.20 | 6.3% | -6.3% |
| Wilcon Depot, Inc. | WLCON | 16.70 | 20.00 | 19.8% | -4.3% |
| International Container Terminal Services, Inc. | ICT | 331.00 | 341.60 | 3.2% | 38.4% |
| Bloomerry Resorts Corporation | BLOOM | 10.40 | 10.60 | 1.9% | 7.7% |

Source of Basic Data: PSE Quotation Reports

The Property sector grabbed fourth place in the sectoral race after tumbling by -4.2% MoM in May, resuming its -10.7% loss in April.

SM Prime Holdings, Inc.’s (SMPH) share prices posted a -3.6% MoM downtick in May to continue its -14.5% loss in April. Nevertheless, SMPH recently announced an +11.0% YoY growth in its Q1-2024 net income to P10.5-B from P9.4-B in the same quarter a year ago, driven by the robust performances of its business segments, especially its mall and residential business groups that grew by +7.0% YoY and +10.0% YoY in terms of revenue, respectively.

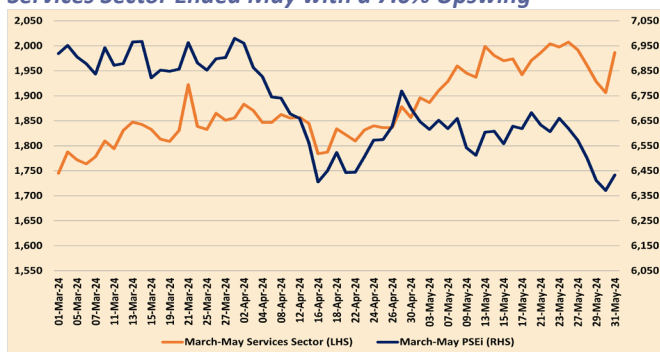
With the unabated net selling by foreign investors, Ayala Land, Inc.’s (ALI) share prices in May registered an -8.7% MoM decline, a further drop from its -10.9% loss a month earlier. Nonetheless, ALI disclosed that its Q1-2024 net income rose by a solid +39.0% YoY to P6.3-B from P4.5-B last year, fueled by strong property demand and consumer activity.

Moving in the opposite direction of PSEi (see graph), the Services sector took pole position in the sectoral race with a +7.0% MoM jump in May, boosting its +0.3% gain in April. All firms included in the sectoral index landed in positive territory.

Wilcon Depot, Inc.’s (WLCON) share prices led the sector as it ended May with a +19.8% MoM surge, a turnaround from its -6.1% loss a month ago. WLCON reported a -23.1% YoY decline on its Q1-2024 core net income to P740.0-M from P962.0-M, mainly driven by lower net sales as the Easter holidays shifted from April last year to March this year. Nevertheless, WLCON highlighted that its Q1-2024 earnings remained higher than those of any quarter prior to 2022. WLCON is also set to achieve its 100-store target within the year.

Converge ICT Solutions, Inc.’s (CNVRG) share prices followed suit with a +14.5% MoM gain in May, rebounding from its -5.6% loss the previous month. CNVRG experienced a +17.5% YoY increase on its Q1-2024 core net income to P2.6-B from P2.2-B a year ago, as the company saw higher count on new subscribers and lower customer churn rate.

Figure 23 - Services Sector Index (March - May)
Services Sector Ended May with a 7.0% Upswing



Source of Basic Data: PSE Quotation Reports

Globe Telecom, Inc.'s (GLO) share prices accelerated by +11.0% MoM in May from +0.3% in April. GLO disclosed that its Q1-2024 net income declined by -7.0% YoY to P6.8-B from P7.3-B last year, due to increased depreciation expenses and non-operating charges.

PLDT, Inc.'s (TEL) share prices rebounded from its -2.2% MoM loss in April to end May with a +10.4% gain. TEL registered an +8.0% YoY growth in its Q1-2024 core earnings to P9.3-B from P8.6-B, driven by higher service revenues.

Despite a modest rise in May, International Container Terminal Services, Inc. (ICT) took honors in YTD price increases with its 38.4% upswing.

The Mining & Oil sector grabbed second place in the sectoral race, ending May with a +5.2% MoM jump, augmenting its +8.1% gain a month ago.

Nickel Asia Corporation's (NIKL) share prices slightly up by +0.7% MoM in May, adding on top of its +0.5% gain in the previous month amid higher nickel prices during the month.

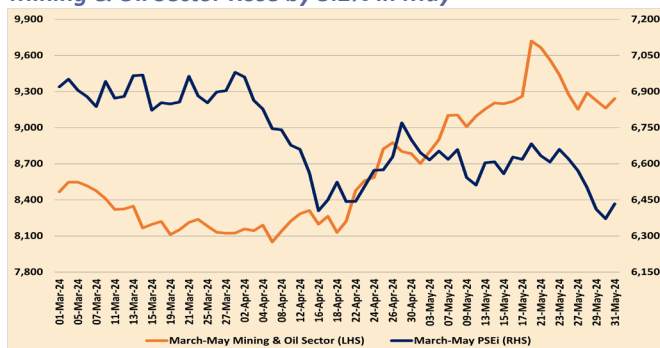
Aside from NIKL, other firms that pushed the sectoral index to the positive territory include Atlas Consolidated Mining and Development Corporation (AT, +7.5% MoM), and Apex Mining Co., Inc. (APX, +23.6% MoM) due to higher copper and gold prices.

Table 19 - Mining & Oil Sector Constituent Stock

| Company | Symbol | 04/30/2024 Close | 05/31/2024 Close | M-o-M % Change | 2024 YTD |
|-------------------------|--------|------------------|------------------|----------------|----------|
| Nickel Asia Corporation | NIKL | 4.02 | 4.05 | 0.7% | -26.1% |

Source of Basic Data: PSE Quotation Reports

Figure 24 - Mining & Oil Sector Index (March - May)
Mining & Oil Sector Rose by 5.2% in May



Source of Basic Data: PSE Quotation Reports

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

| | FY-2022 | | FY-2023 | | 4th Quarter 2023 | | | 1st Quarter 2024 | | |
|-------------------------------------|------------|------------|------------|------------|------------------|------------|------------|------------------|------------|------------|
| | 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 | 1,783,735 | 0.5% | 1,804,907 | 1.2% | 532,282 | 29.7% | 1.3% | 446,303 | -16.2% | 0.4% |
| Industry Sector | 5,913,748 | 6.5% | 6,126,102 | 3.6% | 1,750,706 | 29.4% | 3.1% | 1,543,974 | -11.8% | 5.1% |
| Service Sector | 12,248,122 | 9.2% | 13,120,749 | 7.1% | 3,601,524 | 9.4% | 7.4% | 3,199,380 | -11.2% | 6.9% |
| Expenditure | | | | | | | | | | |
| Household Final Consumption | 14,570,348 | 8.3% | 15,381,272 | 5.6% | 4,418,869 | 19.9% | 5.3% | 3,863,984 | -12.6% | 4.6% |
| Government Final Consumption | 2,988,609 | 5.1% | 3,005,103 | 0.6% | 700,904 | -6.1% | -1.0% | 729,210 | 4.0% | 1.7% |
| Capital Formation | 4,606,648 | 13.7% | 4,878,674 | 5.9% | 1,324,629 | 24.0% | 11.6% | 1,146,652 | -13.4% | 1.3% |
| Exports | 5,691,851 | 11.0% | 5,773,780 | 1.4% | 1,396,501 | -11.2% | -2.5% | 1,481,031 | 6.1% | 7.5% |
| Imports | 7,911,852 | 14.0% | 7,987,070 | 1.0% | 1,979,746 | -2.0% | 2.0% | 2,027,175 | 2.4% | 2.3% |
| GDP | 19,945,605 | 7.6% | 21,051,758 | 5.5% | 5,884,513 | 16.4% | 5.5% | 5,189,658 | -11.8% | 5.7% |
| NPI | 1,130,111 | 76.8% | 2,226,469 | 97.0% | 705,654 | 14.1% | 98.3% | 642,751 | -8.9% | 57.0% |
| GNI | 21,075,715 | 9.9% | 23,278,227 | 10.5% | 6,590,167 | 16.2% | 11.1% | 5,832,409 | -11.5% | 9.7% |

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

| | 2022 | | 2023 | | March-2024 | | | April-2024 | | |
|------------------------------|-------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|
| | Levels | Y-o-Y G.R. | Levels | Y-o-Y G.R. | Levels | M-o-M G.R. | Y-o-Y G.R. | Levels | M-o-M G.R. | Y-o-Y G.R. |
| Revenues | | | | | | | | | | |
| Tax | 3,545,505 | 18.0% | 3,824,105 | 7.9% | 287,923 | 28.5% | 11.3% | 537,196 | 86.6% | 21.9% |
| BIR | 3,220,315 | 17.4% | 3,429,292 | 6.5% | 223,871 | 5.9% | -0.2% | 461,768 | 106.3% | 13.9% |
| BoC | 2,335,674 | 12.4% | 2,516,986 | 7.8% | 145,346 | 5.3% | 3.1% | 378,521 | 160.4% | 12.6% |
| Others | 862,420 | 34.0% | 883,214 | 2.4% | 74,895 | 6.1% | -6.8% | 80,742 | 7.8% | 19.5% |
| Non-Tax | 22,221 | 5.7% | 29,092 | 30.9% | 3,630 | 31.7% | 17.8% | 2,505 | -31.0% | 36.3% |
| | 324,082 | 23.5% | 394,164 | 21.6% | 64,052 | 403.9% | 86.9% | 75,428 | 17.8% | 113.9% |
| Expenditures | | | | | | | | | | |
| Allotment to LGUs | 5,159,640 | 10.4% | 5,336,191 | 3.4% | 483,841 | 24.5% | 3.2% | 494,468 | 2.2% | 32.2% |
| Interest Payments | 1,103,284 | 23.6% | 926,052 | -16.1% | 80,025 | -21.2% | -3.9% | 79,054 | -1.2% | 6.7% |
| | 502,858 | 17.1% | 628,333 | 25.0% | 70,944 | 48.3% | 16.5% | 67,496 | -4.9% | 45.9% |
| Overall Surplus (or Deficit) | (1,614,135) | -3.4% | (1,512,086) | -6.3% | (195,918) | 19.0% | -6.8% | 42,728 | -121.8% | -36.0% |

Source: Bureau of the Treasury (BTr)

POWER SALES AND PRODUCTION INDICATORS

Manila Electric Company Sales (In Gigawatt-hours)

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

Source: Meralco

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

| | 2022 | | 2023 | | 4th Quarter 2023 | | 1st Quarter 2024 | |
|--|---------|------------|---------|------------|------------------|------------|------------------|------------|
| | Levels | Y-o-Y G.R. | Levels | Y-o-Y G.R. | Levels | Y-o-Y G.R. | Levels | Y-o-Y G.R. |
| I. CURRENT ACCOUNT | | | | | | | | |
| Balance of Trade | -18,261 | 207.3% | -11,206 | -38.6% | -520 | 942.0% | -1,749 | -60.6% |
| Balance of Goods | -69,701 | 32.0% | -65,788 | -5.6% | -15,531 | 2.9% | -14,662 | -14.7% |
| Exports of Goods | 57,710 | 6.4% | 55,316 | -4.1% | 14,538 | -3.2% | 14,041 | 10.3% |
| Import of Goods | 127,412 | 19.0% | 121,104 | -5.0% | 30,069 | -0.1% | 28,703 | -4.1% |
| Balance of Services | 15,895 | 13.2% | 19,120 | 20.3% | 5,163 | -3.4% | 3,938 | -16.2% |
| Exports of Services | 41,122 | 22.5% | 48,285 | 17.4% | 13,206 | 7.1% | 12,727 | 12.6% |
| Import of Services | 25,226 | 29.2% | 29,165 | 15.6% | 8,043 | 15.1% | 8,790 | 33.0% |
| Current Transfers & Others | | | | | | | | |
| II. CAPITAL AND FINANCIAL ACCOUNT | | | | | | | | |
| Capital Account | 23 | -70.7% | 67 | 186.4% | 21 | 26.4% | 16 | 11.5% |
| Financial Account | -13,885 | 115.8% | -15,415 | 11.0% | -6,380 | 208.5% | -4,911 | -17.1% |
| Direct Investments | -5,631 | -42.1% | -4,959 | -11.9% | -1,416 | -6.7% | -2,257 | 180.3% |
| Portfolio Investments | -1,684 | -116.4% | 925 | -154.9% | -2,797 | 10.0% | -58 | -113.3% |
| Financial Derivatives | -48 | -198.1% | -115 | 139.3% | -13 | -143.1% | -61 | -403.6% |
| Other Investments | -6,523 | -6.6% | -11,266 | 72.7% | -2,154 | -209.8% | -2,535 | -54.5% |
| III. NET UNCLASSIFIED ITEMS | | | | | | | | |
| | -2,911 | -475.9% | -604 | -79.3% | -3,944 | 168.9% | -2,941 | -250.7% |
| OVERALL BOP POSITION | | | | | | | | |
| | -7,263 | -640.2% | 3,672 | -150.6% | 1,936 | 241.0% | 238 | -93.1% |
| Use of Fund Credits | | | | | | | | |
| Short-Term | | | | | | | | |
| Memo Items | | | | | | | | |
| Change in Net Foreign Assets | -3,099 | -383.8% | -3,999 | 29.0% | -635 | -228.5% | -1,528 | -45.9% |
| Change in Commercial Banks' NFA | -2,829 | -397.0% | -3,890 | 37.5% | -633 | -234.2% | -1,543 | -45.7% |
| 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)

| | 2023 | | March-2024 | | April-2024 | |
|--------------------------------------|----------------|------------|------------|------------|------------|------------|
| | Average Levels | Y-o-Y G.R. | Levels | Y-o-Y G.R. | Levels | Y-o-Y G.R. |
| RESERVE MONEY | 3,611,236 | 3.7% | 3,843,472 | 4.5% | 3,700,310 | -0.4% |
| Sources: | | | | | | |
| Net Foreign Asset of the BSP | 6,438,911 | 0.2% | 6,637,349 | 5.0% | 6,691,159 | 2.1% |
| Net Domestic Asset of the BSP | 17,339,294 | 10.7% | 18,708,971 | 10.9% | 18,698,585 | 10.6% |
| MONEY SUPPLY MEASURES AND COMPONENTS | | | | | | |
| Money Supply-1 | 6,508,324 | 3.0% | 6,809,373 | 5.3% | 6,779,474 | 4.9% |
| Money Supply-2 | 16,015,356 | 7.6% | 16,749,952 | 6.2% | 16,804,958 | 6.1% |
| Money Supply-3 | 16,493,188 | 6.8% | 17,190,429 | 5.7% | 17,209,223 | 5.6% |
| MONEY MULTIPLIER (M2/RM) | 4.43 | | 4.36 | | 4.54 | |

Source: Bangko Sentral ng Pilipinas (BSP)

CONTRIBUTORS

| | |
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Views expressed in this newsletter are solely the responsibilities of the authors and do not represent any position held by the FMIC and UA&P.

