September 2024

The

MARKET CALL

Capital Markets Research

FIRST METRO INVESTMENT CORPORATION
Metrobank Group

UA&P
UNIVERSITY OF ASIA AND THE PACIFIC

FMIC and UA&P Capital Markets Research

Executive Summary

• Domestic inflation's demise, due to lower rice and other food and fuel prices, loomed as August inflation tumbled to 3.3% YoY from a 4.4% spike a month earlier.

• We project below-3% inflation print for the rest of the year.

• This, together with a strong rebound in employment, temporarily downed by heavy rains and flooding in July, should enable government and consumer spending to expand more rapidly in late Q3 and in Q4.

• The peso has strengthened in August and into September, and together with an outsized policy rate cut (50 bps) by the Fed and the 250 bps reserve requirement slash by BSP, should further excite the domestic bond and equities markets for the rest of 2024.

Macroeconomy

3 ***Inflation should fall to below 3% YoY starting September, as rice and crude oil prices soften. NG should ramp up expenditures, especially for infrastructures, given below YTD budget deficit by July. Despite milder upticks in imports, trade deficits will remain above $4.6-B as the economy roars forward. We think the peso-dollar rate will stay above P56/$1 as BSP boosts its GIR and earnings, the latter being to help NG finances.***

Headline inflation dove to 3.3% YoY in August from 4.4% a month ago as rice and fuel prices drop. • Manufacturing PMI held on to 51.2 in August, while output jumped by 5.3% YoY in July. • Unemployment rate climbed to 4.7% in July from 3.1% in June with Metro Manila flooding. • NG current and capital expenditures rose faster at 9.4% YoY in July from 8.5% earlier. • Exports sneaked into positive territory at lowly 0.1% While the trade deficit reached $4.9-B, a 15-month peak. • Average peso-dollar rate appreciated by 2.2% MoM mainly due to U.S. dollar weakness.

Bond Markets

11 ***Expectations of lower crude oil, inflation and interest rates globally have brightened the bond market outlook for the rest of 2024. More aggressive Fed rate cuts (50 bps) in September and at least 25 bps more for the remaining months of 2024 and likely 175 bps in 2025 should spark further downside to local bond yields. With normal NG borrowings and inflation dropping to 2.3% in September and remaining below 3% for Q4 provide additional downward pressure on yields. BSP's 250 bps cut in reserve requirement put the nail in the coffin and brought 10-year domestic bond yields to within our target 5.25% to 5.75% for 2024.***

BTr offered less papers at P195.2-B resulting in lower tender-offer ratio (TOR) at 2.360x.• Secondary trading volume stayed above P1.0-T in August, for a repeat from July, and up by 109.8% YoY. • Thus, yields across the curve fell by 2.4 bps (for 3-year papers) to 16.1 bps (for 20-year tenors) in the secondary market. • Trading in corporate bond market jumped by 107% MoM to P4.9-B as risk appetite recovered in August. • August saw two corporate issuances - Bank of the Philippine Islands (BPI, P33.7-B) and Security Bank Corporation (SECB, P20.0-B). • ROPs and equivalent U.S. Treasuries yields decreased as investors anticipate policy rate cuts both by the Fed and BSP.

Equities Market

17 ***The PSEi finally cleared the strong resistance level of 7,000 into our target 7,000-7,500 for 2024, after optimistic foreign and local investors found new momentum for the local bourse. A strong peso, robust Q2 corporate earnings, the BSP's policy rate and reserve requirement cut, and an outsized Fed rate cut in September drove the index up to a 28-month high. Lower interest rates should mean smaller corrections in the PSEi in October to November.***

PSEi gained +4.2% MoM to end August at 6,897.54, closing upwards for the month. • Sectorally, the Property sector (+9.6%) grew fastest in August, followed by the Services sector (+8.1% MoM). • Converge ICT led PSEi-constituent stocks with a +30% MoM surge as Q2 earnings vault by 29.8% YoY • Universal Robina Corporation descended the most with a -13% MoM loss as earnings disappointed. • The Services sector (+35.9%) continued its sectoral lead with CNVRG (+79%) as PSEi's top performer for the year so far. • Foreign investors more than doubled net buying in August to the tune of P8.1-B from the P3.5-B in June.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date	2022 (year-end)	2023 (year-end)
GDP Growth (Q2-2024)	6.3	5.8	6.0	7.6	5.5
Inflation Rate (August 2024)	3.3	4.4	3.6	5.8	6.0
Government Spending (July 2024)	5.8	2.6	14.1	10.2	3.7
Gross International Reserves ($B) (August 2024)	106.9	106.7	104.5	100.5	100.6
PHP/USD rate (August 2024)	56.29	58.65	57.12	54.48	55.63
10-year T-bond yield (end-August 2024)	6.08	6.20	6.43	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

The commentary included here reflects information from the previous month. Outlooks are forward-looking.

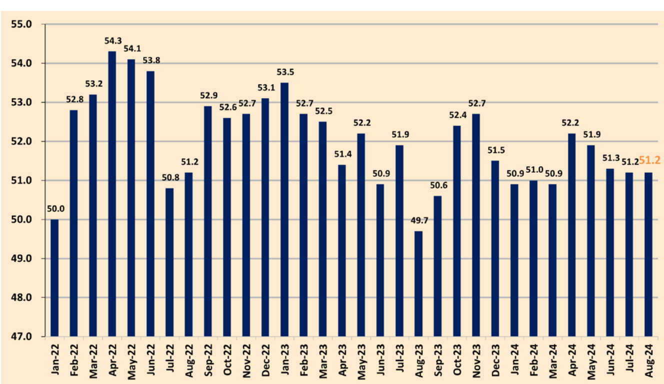
MACROECONOMY

INFLATION DIVES TO 3.3% IN AUGUST FROM 4.4% IN JULY

Lower rice and fuel prices drove headline inflation much lower to 3.3% year-on-year (YoY) from 4.4% a month prior. This vindicated Bangko Sentral ng Pilipinas' (BSP) decision in mid-August to cut policy rates by 25 basis points (bps) to 6.25%, despite a remarkable 6.3% YoY GDP growth in Q2. Manufacturing PMI and output remained expansionary in July/August, while employment tumbled in July due to the flooding in Metro Manila and suburbs. The National Government (NG) spending on its current and capital outlays kept a robust pace as it expanded by 9.6% YoY in July from 8.5% a month ago. Besides, lower borrowing costs after Fed's 50 bps policy rate cut and BSP's 250 bps slash of reserve requirements to 7.0% should boost spending. Exports tiptoed to positive territory but import gains in July raised the balance of trade deficit to $4.9-B a 12.6% month-on-month (MoM) climb and a 15-month high. Despite this, the peso strengthened by 2.2% in August as the U.S. dollar weakened amid expectations of policy rate cuts by U.S. Fed starting September.

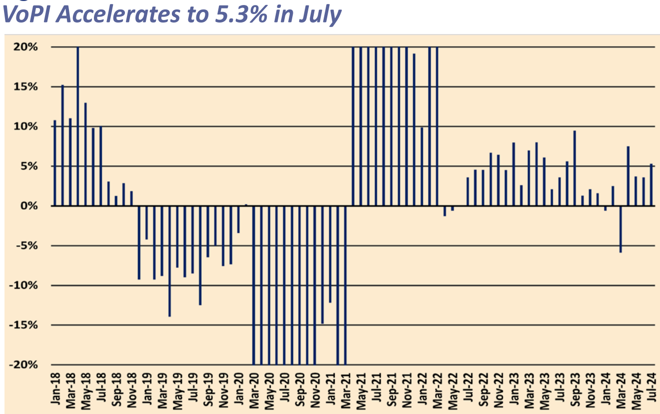
***Outlook:** We expect further easing of the inflation rate for the rest of the year due to limpid crude oil prices despite an unsettled Middle East conflict and rice prices likely to fall further due to weaker Vietnam rice prices and lower tariffs on rice imports (from 35% to 15%). [See Figure 6] NG will likely elevate its spending rate for the rest of the year, with better weather for infrastructure works, and some fiscal space on hand. The trade deficit may ease a little from the $4.6-B average in April-July, a weaker but steadier U.S. dollar, and the need for BSP to rebuild its dollar reserves and turn in some earnings from its foreign exchange trades, should keep the peso above P56/$1 until October.*

Figure 1 - Manufacturing PMI
Manufacturing PMI Stays at 51.2 in August



Source of Basic Data: S&P Global

Figure 2 - Volume of Production Index
VoPI Accelerates to 5.3% in July



Source of Basic Data: Philippine Statistics Authority (PSA)

Manufacturing PMI Posts 12th Month of Expansion in August, Modest Improvements Seen

The S&P Global Manufacturing PMI index for the country remained at 51.2 in August, sustaining its July print. The August result marked the 12th straight month of expansion in the local manufacturing sector. With higher total new orders, manufacturers increased output as input costs moderated. Despite a fall in employment, local manufacturers still expect output expansions in the next 12 months.

Industrial output growth as measured by the Volume of Production Index (VoPI) accelerated to +5.3% in July, larger than an upwardly revised +3.6% print in June.

Out of 22 industry divisions, 14 posted positive annual growth rates in July. The top three gainers included: Manufacture of Paper and Paper Products (+41.4%), Manufacture of Machinery and Equipment Except Electrical (+28.2%), and Manufacture of Electrical Equipment (+23.7%). All three categories grew faster compared to June.

In contrast, eight industry divisions reported YoY declines for the month. The top three decliners that emerged: Manufacture of Basic Metals (-20.2%), Manufacture of Other Non-Metallic Mineral Products (-13.9%), and Printing and Reproduction of Recorded Media (-13.4%). The latter two industry divisions posted slower declines compared to June.

The commentary included here reflects information from the previous month. Outlooks are forward-looking.

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

	June 2024	July 2024	MoM Change: Levels	MoM Change: % Change
Labor Force	**51,898**	**50,074**	**(1,824)**	**-3.5%**
Employed	**50,278**	**47,698**	**(2,580)**	**-5.1%**
Underemployed	**6,083**	**5,777**	**(306)**	**-5.0%**
Underemployment rate%	**12.1**	**12.1**	**0.0**	**0.1%**
Unemployed	**1,620**	**2,375**	**755**	**46.6%**
Unemployment rate%	**3.1**	**4.7**	**(0.1)**	**52.0%**
Labor Participation rate%	**66.0**	**63.5**	**(2.5)**	**-3.8%**
Not in Labor Force	**26,741**	**28,820**	**2,080**	**7.8%**
Agriculture ('000)	**10,624**	**10,111**	**(512)**	**-4.8%**
Industry ('000)	**10,139**	**8,581**	**(1,558)**	**-15.4%**
Mining and Quarrying	284	185	(98)	-34.6%
Manufacturing	3,930	3,459	(471)	-12.0%
Electricity, Gas, Steam, and Air-Conditioning Supply	109	97	(11)	-10.5%
Water Supply; Sewerage, etc.	47	93	46	96.2%
Construction	5,769	4,746	(1,023)	-17.7%
Services ('000)	**29,516**	**29,006**	**(510)**	**-1.7%**
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10,599	9,778	(821)	-7.7%
Transportation and Storage	3,575	3,628	54	1.5%
Accommodation and Food Services Activities	2,616	2,557	(59)	-2.3%
Information and Communication	352	467	115	32.8%
Financial and Insurance Services	569	710	142	24.9%
Real Estate Activities	312	293	(19)	-6.2%
Professional, Scientific, and Technical Activities	417	401	(16)	-3.9%
Administrative and Support Services Activities	2,535	2,531	(4)	-0.2%
Public Administration and Defense; Compulsory Social Security	2,667	3,011	344	12.9%
Education	1,696	1,502	(11)	-0.7%
Human Health and Social Work Activities	710	669	(41)	-5.8%
Arts, Entertainment, and Recreation	490	462	(28)	-5.7%
Other service activities	3,158	2,996	(162)	-5.1%

Source of Basic Data: Philippine Statistics Authority (PSA)

Metro Manila Flooding in July, Start of School Year Pull Down Jobs

The worst flooding of Metro Manila since typhoons "Ondoy" and "Pepeng" in 2009 and the official start of school year for public high schools took a heavy toll on employment. From June the total employed persons plunged by 2.6-M in the country resulting in a jump in the unemployment rate to 4.7% from 3.1% in June. All sectors—Agriculture, Industry and Services—showed huge job losses due to the Super Typhoon Carina and monsoon rains it brought in later part of July.

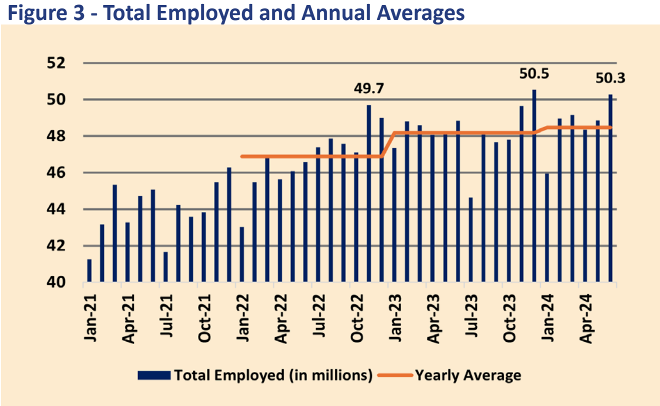
The Construction (-1.0-M) and Manufacturing (-0.5-M) sub-sectors within the Industry sector (-1.6-M) suffered the most losses, as construction drew to a standstill, while Transport and Food shortages kept laborers for the Manufacturing sub-sector at home. The Super Typhoon and monsoon resulted in a record 46.1 cm of rainfall within a 24-period slightly edging Typhoon Ondoy's 45.5 cm of rainfall. However, the record for a 6-hour period held by the Super Typhoon Ondoy remained intact.

The flooding also hit the Services sector (-510,000) hard as Trade (Wholesale & Retail) shed 821,000 jobs as malls shuttered. Likewise, Accommodations and Food Service Activities (-59,000) suffered as people stayed home or cancelled travel plans. Only four sub-sectors posted job gains. Understandably, Public Administration, Defense, etc. (+340,000), Financial and Insurance Services (+142,000) and Information & Communication sub-sectors (+115,000) deployed more people for relief, easier money transfers and online transactions.

The Agriculture sector likewise took in -512,000 workers in July also due to the adverse weather situation.

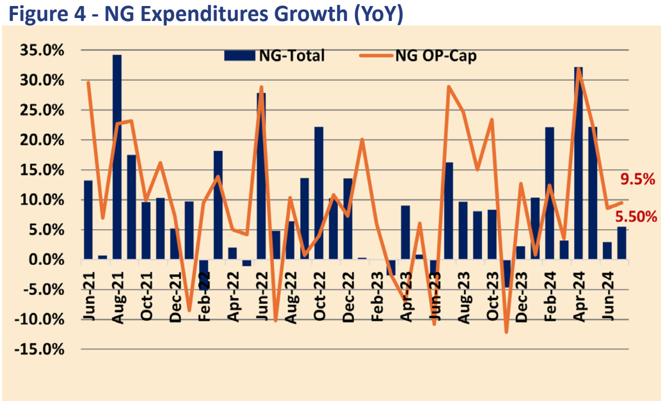
While August may show a recovery in employment, we think a more robust rebound should start in September and end during the Christmas season, with a new total employment record likely to emerge.

Figure 3 - Total Employed and Annual Averages



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 4 - NG Expenditures Growth (YoY)



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

National Government Current and Capital Spending Up by 9.4% in July

National Government (NG) current and capital expenditures accelerated to 9.4% YoY increase in July from 8.5% a month earlier. This belies the impression of weak NG spending whose total only rose by 5.8%. The fiscal deficit for the month eased to P28.8-B from P209.1-B in June, as tax revenues vaulted by 15.5%. Year-to-date (YTD), the deficit reached P642.8-B, meaning that it still has leeway for 53.2% of the total projected deficit with five months remaining (41.7%) for the year.

The Bureau of Internal Revenue (BIR) added 17.7% YoY to its coffers, while the Bureau of Customs (BoC) raked in 10% YoY more in July. BIR's tax take gains exceeded the 12.6% YoY jump in April, the usually best month for collections with full income tax payments falling due in that month. BOCs gains partly arose from the peso depreciation and a resurgence in imports as the economy continues to rebound.

From the expenditures side, interest payments again surged by 25% YoY as interest rates remained elevated and the peso depreciation meant more pesos for interest on foreign loans.

NG spending should regain its double-digit growth trajectory in August.

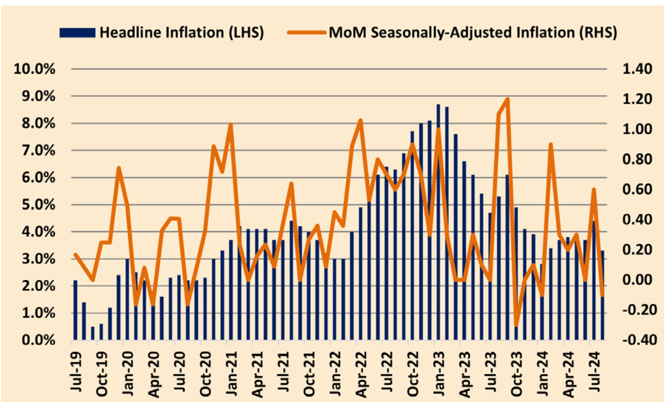
Table 2 - Major Contributors to Year-on-Year Inflation

Inflation Year-on-Year Growth Rates	July-2024	Aug-2024	YTD
Headline	**4.4%**	**3.3%**	**3.6%**
Food and Non-Alcoholic Beverages	6.4%	3.9%	5.2%
Alcoholic Beverages and Tobacco	3.4%	3.3%	5.4%
Clothing and Footwear	3.1%	3.0%	3.4%
Housing, Water, Electricity, Gas, and Other Fuels	2.3%	3.8%	1.2%
Transport	3.6%	-0.2%	1.9%
Education	5.8%	5.3%	4.2%
Restaurants and Accommodation	4.9%	4.6%	5.2%
Personal Care & Misc. Goods and Services	3.1%	3.0%	3.4%

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

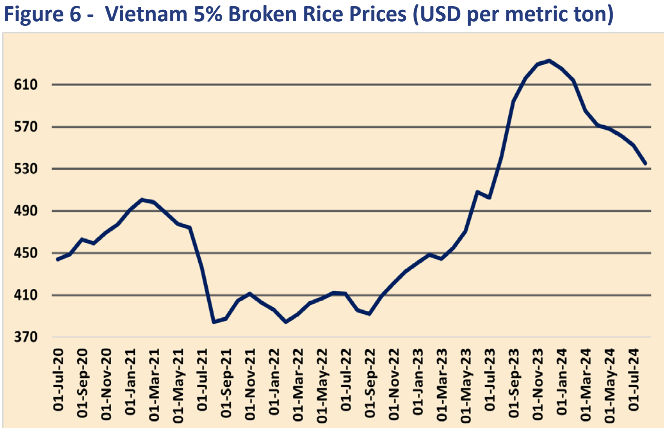
Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 5 - Monthly Inflation Rates, YoY and MoM (s.a.)



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 6 - Vietnam 5% Broken Rice Prices (USD per metric ton)



Source of Basic Data: YCharts

Headline Inflation Plunges to 3.3% YoY in August from 4.4% in July

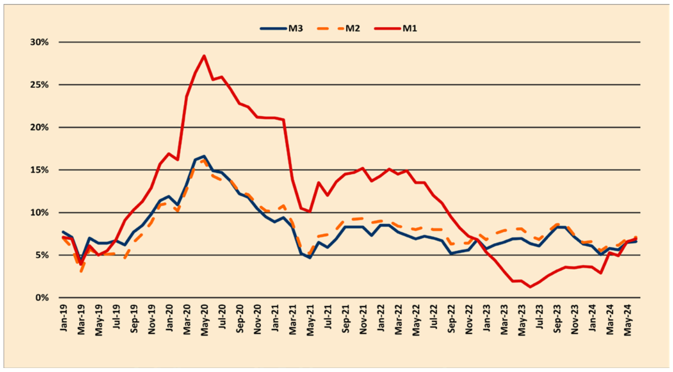
Inflation resumed its downward trek by slowing much to 3.3% YoY in August from 4.4% a month earlier. This came in lower than market expectations and vindicated BSP's decision to cut its policy rates earlier in August. The sharp deceleration arose from lower rice and other food prices (down to 3.9% YoY from 6.4% in July) and of Transport costs (-0.2% from 3.6% a month ago). Besides, only one product category - Housing, Water, Electricity, Gas, and Other Fuels (HWEGO) - showed faster price increases to 3.8% from 2.3% earlier. YTD inflation eased anew to 3.6% from 3.7% in the previous month.

The Food & Non-Alcoholic Beverages (FNAB) sub-index growth took a downward path as seven out of 11 categories eased, led by rice prices which had MoM fall resulting in 14.7% YoY gain from 20.9% a month earlier. Vegetable prices also had a huge slowdown to -4.3% YoY from 6.1% in July. Fish and Other Seafoods likewise provided a strong downward pull as prices fell MoM resulting in -3.1% YoY from -0.8% in the previous month.

The huge slump in the Transport sub-index by -0.2% reflected the plunge in crude oil prices abroad. In the U.S. West Texas Intermediate (WTI) fell by -5.8% YoY to average \$76.78/barrel (bbl) in August, while Brent crude (i.e., European benchmark) tumbled by -6.7% to average \$80.86/bbl. The situation has not changed much due to weak demand of China and slower economic growth in U.S. and EU.

When seasonally adjusted, we see a -0.1% MoM decline in inflation rate compared to +0.6% in July.
The underlying feebleness of crude oil prices and easing rice prices should offset some food price gains in September, but our forecasts change only a little to average 3.4% in Q3 to 2.9% in Q4, with full year inflation still at 3.3%.

Figure 7 - M1, M2, M3 Growth Rates
M3 Growth Expands by 7.2% in July



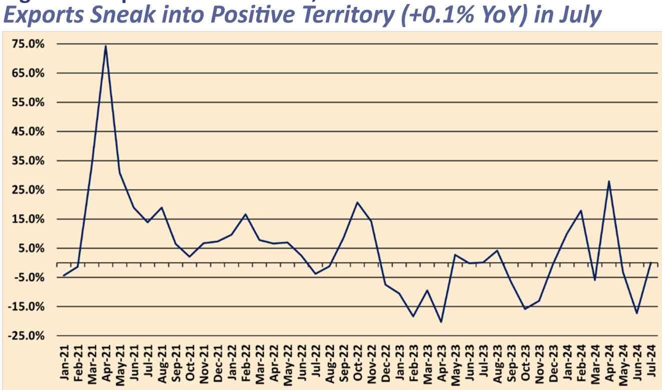
Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Table 3 - Exports Year-on-Year Growth Rates

	June-2024	July-2024	YTD
Total Exports	**-17.3**	**0.1**	**2.6**
Agro-Based Products	**20.1**	**16.4**	**20.1**
Mineral Products	**-7.7**	**11.4**	**-3.4**
Copper cathodes	-54.1	-67.0	-27.1
Manufactured Goods	**-21.1**	**-3.1**	**2.3**
Electronic Products	-24.4	-11.9	2.5
Other Electronics	-14.5	4.1	-7.3
Chemicals	33.7	17.8	22.4
Machinery and Transport Equipment	-23.5	29.1	7.4
Processed Food and Beverages	0.7	25.0	14.9
Others	-16.8	30.7	-1.2

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 8 - Exports Growth Rates, Year-on-Year
Exports Sneak into Positive Territory (+0.1% YoY) in July



Source of Basic Data: Philippine Statistics Authority (PSA)

Money (M3) Growth Races Faster at 7.2% YoY in July

Domestic liquidity (M3) grew by +7.2% YoY to about P17.5-T in July from +6.6% in June. On a month-on-month (MoM) seasonally adjusted (s.a) basis, M3 increased by about +0.7%.

Net foreign assets (NFA) in peso terms grew by +11.2% YoY in July, from +8.3% in the previous month. The Bangko Sentral ng Pilipinas' (BSP) NFA jumped +13.8%. Meanwhile, bank NFA contracted on account of higher bills and bonds payable.

Lending for production activities rose by +8.8% in July from +8.3% a month back, driven by loans to key industries such as Professional, Scientific, and Technical Activities (+438.3%), Transportation and Storage (+20.6%), and Real Estate Activities (+12%).

Consumer loans grew slightly slower at +24.3% in July from +25% in June, mainly from credit card lending.

Exports Moderately Rise by 0.1% YoY in July

The country's exports inched up by 0.1% YoY in July, reversing June's -17.3% dip. With nine of the 10 major product categories in positive territory, total exports amount to $6.2-B in July from $6.4-B a year ago. Nonetheless, exports remained in the green MoM with 12.2% from $5.6-B a month ago.

Nine of the 10 major commodities increased in July. Exports largely increased for Copper Concentrates with a 491.8% vault. Sales also grew for Coconut Oil (75.6%) and Other Manufactured Goods (33.3%). The sole commodity in the red is Electronic Products, which comprised of 52.1% of total outward shipments, continued to plunged by -11.9%.

Bulk of exports to major trading partners increased in July. The U.S. remain as the top destination of country's exports in July with sales valued at $1.1-B, but down by -0.8% YoY from a year ago. This was followed by Japan with $872.4-B, representing 14% of total shipments, inched up by 0.9% YoY.

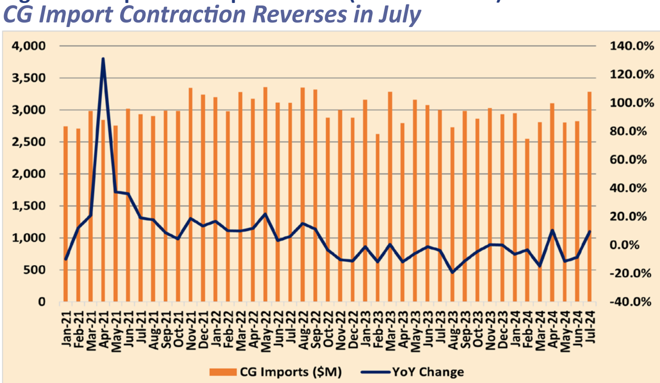
People's Republic of China and Hong Kong came next with 1.9% YoY and -7.2% YoY growth, respectively. The Netherlands recorded the biggest slip in terms of major trading partners with a -29.9% YoY decrement valued at $228.8-M.

Table 4 - Imports Year-on-Year Growth Rates

	June-2024	July-2024	YTD
Total Imports	**-7.5**	**7.2**	**-1.0**
Capital Goods	**-8.8**	**9.5**	**-3.9**
Power Generating and Specialized Machines	-5.0	5.2	-0.6
Office and EDP Machines	19.2	21.5	13.6
Telecommunication Equipment and Electrical Machinery	1.3	9.9	-6.2
Land Transport Equipment Excluding Passenger Cars and Motorized Cycle	2.2	13.3	11.5
Aircraft, Ships and Boats	-84.2	12.7	-35.0
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	6.5	0.9	-0.9
Raw Materials and Intermediate Goods	**-10.3**	**13.3**	**-0.6**
Mineral Fuels, Lubricant and Related Materials	**2.2**	**-6.6**	**-0.3**
Consumer Goods	**-7.3**	**3.1**	**1.8**

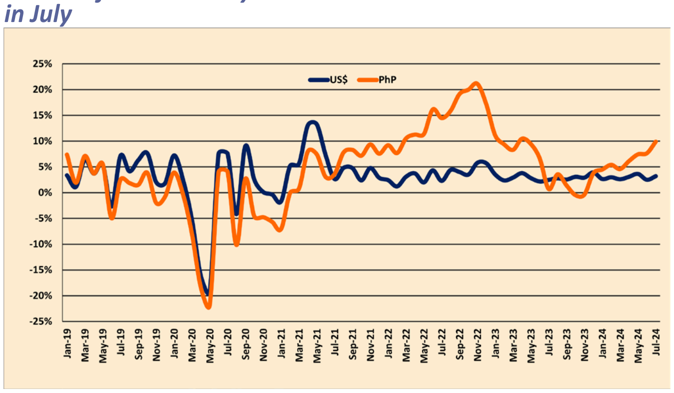
Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 9 - Imports of Capital Goods (in Million USD)
CG Import Contraction Reverses in July



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 10 - OFW Remittances Growth Rates, Year-on-Year
Dollar Inflows Sideways but Faster in Peso Terms in July



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

Imports of Capital Goods Expand by 9.5% YoY in July

Total imports recorded a 7.2% YoY rise in July, amounting to $11.2-B. On a monthly basis, inward shipments increased by 12.4% from $9.9-B in the previous period. Capital goods imports, specifically, rose by 9.5% YoY.

Eight of the 10 import categories showed expansions. Iron and Steel led the positive territory (57.9%) followed by Plastics in Primary and Non-Primary Forms (26.8%) and Industrial Machinery and Equipment (19.2%). In the red, Mineral Fuels, Lubricants and Related Materials registered the highest drop by -6.6% YoY.

With these, the trade deficit in July 2024 amounted to $4.8-B, indicating an 18% YoY increase. In June 2024, the trade deficit recorded a 9.8% YoY rise, while an annual decrease of 31% was registered in July last year.

OFW Remittances Advance by 3.2% July

Personal remittances of Overseas Filipino Workers (OFWs) rose by 3.2% YoY to $3.4-B in July. The growth in personal transfers for the month mainly benefited from land-based workers with work contracts of one year or more, and sea and land-based workers with work contracts of less than one year. Land-based workers' remittances grew by 3.6% YoY to $2.4-B, while sea-based workers' remittances inched up 0.9% to $560.0-M.

Cash remittances from OFWs coursed through banks also increased by 3.1% YoY to reach $3.08-B in July, higher than the $2.99-B posted at the same time last year. Receipts from the United States (U.S.), Saudi Arabia, and the United Arab Emirates (U.A.E.) led remittance growth for the first seven months of 2024.

By country origin, the U.S. continued to be the largest source of remittances (41.1%), followed by Singapore (6.9%) and Saudi Arabia (6%). The next seven countries were Japan, United Kingdom, U.A.E, Canada, Qatar, Taiwan, and South Korea. Consolidated remittances from these countries made up 79.8% of total remittances sent from January to July this year.

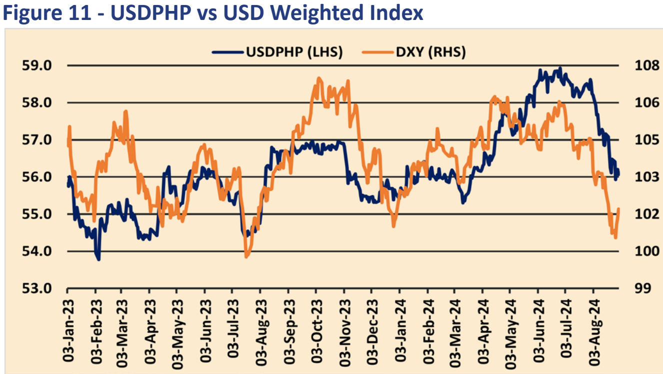
Table 5 - Exchange Rates vs USD for Selected Asian Countries

Exchange Rates vs USD for Selected Asian Countries			
	July-2024	August-2024	YTD
AUD	1.7%	-3.8%	0.5%
CNY	-0.3%	-2.0%	-0.2%
INR	0.3%	-6.2%	0.0%
IDR	0.0%	0.2%	0.8%
KRW	-0.1%	-3.7%	3.3%
MYR	-2.1%	-6.8%	-6.4%
PHP	-0.4%	-4.0%	1.3%
SGD	-1.1%	-3.0%	-1.3%
THB	-2.6%	-5.4%	-0.8%

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

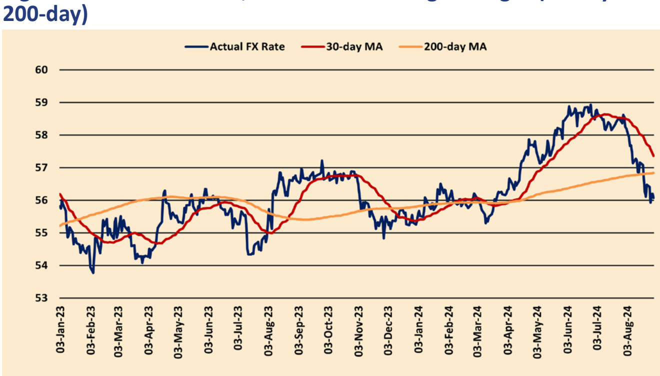
Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Figure 11 - USDPHP vs USD Weighted Index



Source of Basic Data: Trading Economics

Figure 12 - USDPHP Rate, Actual and Moving Averages (30-day and 200-day)



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

USDPHP Rate Further Strengthens by -4% in August

The peso strengthened against the dollar due to market anticipation that the U.S. Federal Reserve will drop interest rates significantly in response to dismal U.S. data and slower-than-expected inflation in the Philippines in August.

The dollar faltered after data showed that U.S. job openings dropped low in July, suggesting the labor market was losing steam, and a Fed survey showed that U.S. economic activity expanded more slowly from the middle of July through late August. The peso gained against a generally weaker dollar on bets of an aggressive Fed cut.

The easing of inflation in the Philippines helped the peso. The BSP will have greater room to continue cutting rates and/or reduce reserve requirement ratios (RRR).

Meanwhile, Asian neighbors' currencies including the Philippine peso appreciated in August, pouncing on U.S. dollar weakness due to market expectations of policy rate cut. The local unit closed at P56.07 per dollar on August or -4.0% stronger than a month earlier. Year-to-date (YTD), the FX rate appreciated by 1.3% based on end-month rates. Malaysian ringgit gained the most with its 6.8% uptick.

Outlook

While July economic data may look dour, the one-time impact of the Super Typhoon Carina and its attendant monsoon rains will likely dissipate in August and the remaining months of the year, as both country's bond and stock markets signaled more optimism.

- August saw a sharp drop in headline inflation rate to 3.3% YoY from 4.4% a month ago as food price gains slowed while fuel prices declined. We don't expect inflation to rebound from the two main drivers of local inflation. Vietnam rice prices continue to fall, even as lower tariffs on imports and local harvests provide further downside. Meanwhile the plunge in crude oil prices has kept WTI below $70/barrel since September 4.

- Total employment did fall massively to 47.7-M in July from 50.1-M a month earlier, but this should be temporary since the Metro Manila flooding proved much less damaging than super typhoon Ondoy of 2009. PAGASA forecasts 14-18 typhoons-cyclones in 2024 compared to the average 20.2 in the past 20 years. Construction sector showed the largest job cuts as work stalled, followed by Trade as malls emptied. Agriculture and Manufacturing added to the job displacements. We expect a mild rebound in employment in August, becoming more robust until the end of the Christmas holidays.

- NG spending should accelerate starting August as infrastructure works get into high gear as only the usual number and intensity of typhoons/rainfall occurred. Infrastructure and capital outlays actually soared by 20.6% YoY in H1, and an elevated growth path will likely resume. After all, NG still has some 53.2% of FY budget deficit to incur in the remaining five months of 2024.

- Manufacturing PMI remained expansionary in August and should accelerate in the coming months with faster NG spending and improved consumer spending due to lower inflation.

- While the peso appreciated much in August and September, the P56/$1 support should hold as a floor with BSP likely to buy more dollars and boost Gross International Reserves until year end. It will likely take profits along the way to enable it to channel some earnings to NG.

FIXED INCOME SECURITIES

BACK-TO-BACK ABOVE P1.0-T SECONDARY TRADING VOLUME IN AUGUST AMID FALLING YIELDS

The risk-on sentiment pervaded the bond markets here and abroad, sending secondary trading in government securities (GS) to a second straight month of above P1.0-T in August amid falling yields. Job creation in the U.S. in July fell below the 10-year monthly average for the second month and milder inflation rates there enthused bond market there to bring down bond yields. Locally, the stronger-than-expected Q2 GDP growth of 6.3% year-on-year (YoY) and Bangko Sentral ng Pilipinas' (BSP) 25 basis points (bps) offset the July spike in inflation and drew back local bond investors to the secondary market resulting in mildly lower yields across the yield curve except for 3-month papers. In the primary market, four auctions of long-term Treasury bonds saw yields tumble by 15.8 bps to 67.8 bps despite a minor slide in tender-offer ratio (TOR) to 2.368x in August from 2.455x earlier. ROP moved in tandem with equivalent U.S. Treasuries with minor narrowing of spreads.

***Outlook**: With the global and Chinese economic slowdown dragging down crude oil prices, inflation and interest rates both here and abroad, the outlook for local bonds has lighted up for the rest of the year. In the U.S., the Fed reduced policy rates by 50 bps in its September 17-18 meeting and likely another 25 bps by year end. Markets now expect even larger cuts in 2025 to bring it to around 3%. These, together with BSP's move to lower reserve requirement by a huge 250 bps should provide a southward tug on local bond yields which will remain unaffected by relatively steady National Government (NG) borrowing. Besides, since we see domestic inflation likely to fall to 2.3% YoY in September and remain below 3% for the rest of 2024, amid weak crude oil prices and likely decline in rice prices. All these, together with BSP's move to lower reserve requirements by a huge 250 bps have hastened the fall in 10-year yields to within our target 5.25% to 5.75% for the year.*

Table 6 - August Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
27-Aug	91-day	26.0	58.0	26.0	2.232	5.966	18.7
	182-day	31.2	70.7	31.2	2.265	5.996	-1.8
	364-day	28.0	85.8	28.0	3.065	6.022	-8.6
Subtotal		85.2	214.510	85.200	2.518		
6-Aug	5 year	30.0	73.079	30.000	2.436	6.107	-29.9
13-Aug	7 year	30.0	73.348	30.000	2.445	6.128	-15.8
20-Aug	15 year	25.0	54.601	25.000	2.184	6.103	-67.8
23-Jul	20 year (FXTN 20-27)	25.0	45.114	25.000	1.805	6.198	-23.2
Subtotal		110.0	246.142	110.000	2.238		
All Auctions		195.2	460.652	195.200	2.360		

Source: Bureau of the Treasury (BTr)

GS Auctions: Less Offerings in August Translate to Broadly Lower Yields

Bureau of the Treasury (BTr) of the National Government (NG) raised P195.2-B from bond issues in August coming after the P247.6-B issuance last month. This resulted in a slightly lower tender-offer ratio (TOR) at 2.360x from 2.455x a month earlier.

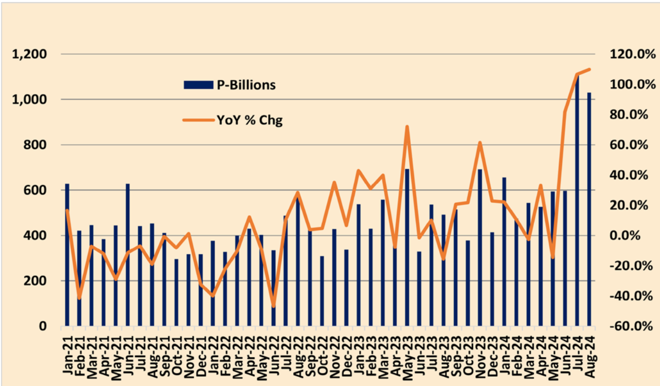
The higher-than-expected local inflation print (4.4% in July) and BSP's 25 bps rate cut to 6.25% pushed investors to flock into shorter tenors. TOR for Treasury bills (T-bills) improved to 2.518x from 2.114x in July. We saw a net increase of 18.7 bps for 91-day T-bill, while 182-day and 364-day showed mild decreases of -1.8 bps and -8.6 bps to 5.996% and 6.022%, respectively.

In contrast, the TOR for Fixed Rate Treasury Notes (FXTN, or T-bonds) slid to 2.238x from 2.697x in July. Yields for the 5-year and 7-year space tumbled by -29.9 bps and -15.8 bps to 6.107% and 6.128%, respectively, while the 10-year and 20-year papers observed large movements to 6.103% and 6.198%, respectively.

Overall, both T-bill yields and T-bond yields continued to have a downward trend, reflecting the market's further positioning ahead of the Fed and BSP's easing cycle and slower inflation.

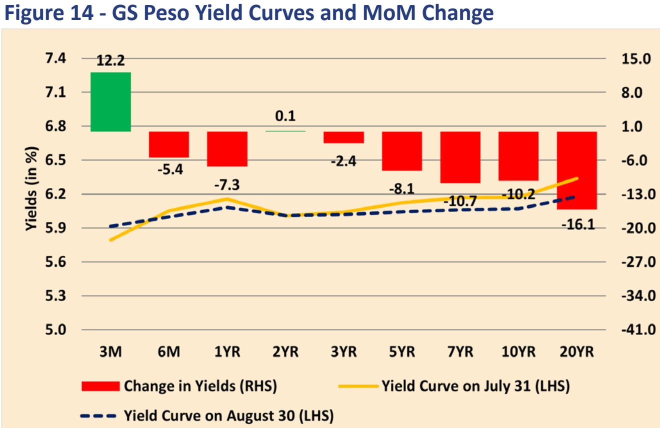
The commentary included here reflects information from the previous month. Outlooks are forward-looking.

Figure 13 - GS Secondary Trading Volume
Bond Market Trading Continues P1.0-T Run in August



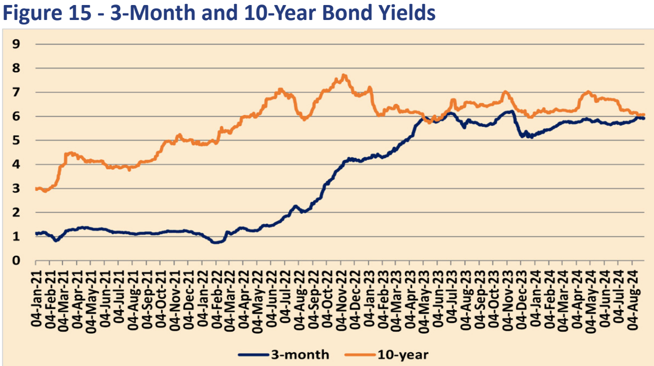
Source: Philippine Dealing Systems (PDS)

Figure 14 - GS Peso Yield Curves and MoM Change



Sources: Bloomberg, Philippine Dealing Exchange (PDEx)

Figure 15 - 3-Month and 10-Year Bond Yields



Source: Philippine Dealing Systems (PDS)

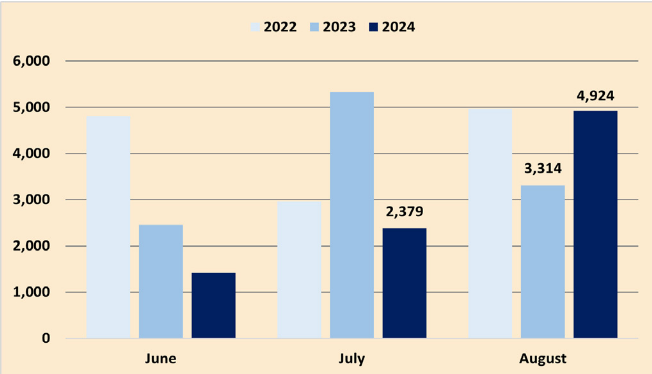
GS Secondary Market: August Trading Exceeds P1.0-T as in July, Dragging Down Yields

Trading of GS in the secondary market exceeded the trillion-mark in August for the second month in a row, albeit slightly less by 7% to P1.0-T. Still, the astonishing volume came after an already remarkable 85.4% month-on-month (MoM) surge in July. Moreover, the month's volume skyrocketed by 109.8% YoY.

As investors remain cautiously optimistic with regard to further BSP rate cuts, yields for long tenors continue to drop, with the 20-year papers sliding the most by -16.1 bps to 6.1759%, while 7-year benchmark yields dropped by-10.7 to 6.0598%. Similar to the auction market, only yields in the front-end of the curve mildly climbed. Only two tenors displayed slim increases – the 3-month yield inched up by 12.2 bps to 5.9154% and 2-year barely rose by 0.1 bp to 6.0091%.

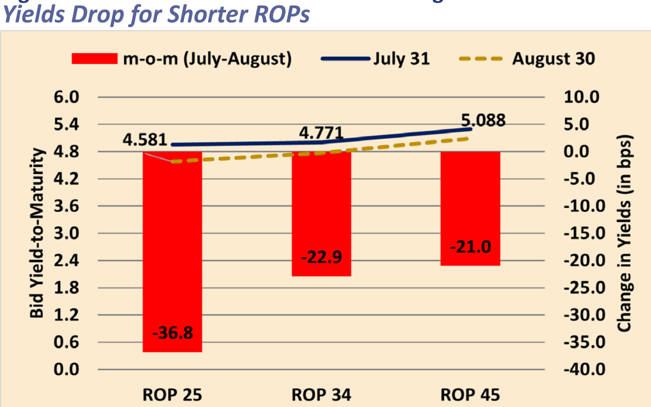
Bangko Sentral ng Pilipinas' (BSP) 25 bps rate cut to 6.25% in August contributed to a flatter yield curve, as the spread between the 10-year and 2-year yield narrowed by 10 bps to end August at 6 bps.

Figure 16 - Corporate Bond Trading (in Million Pesos)
Trading at Faster Pace in August



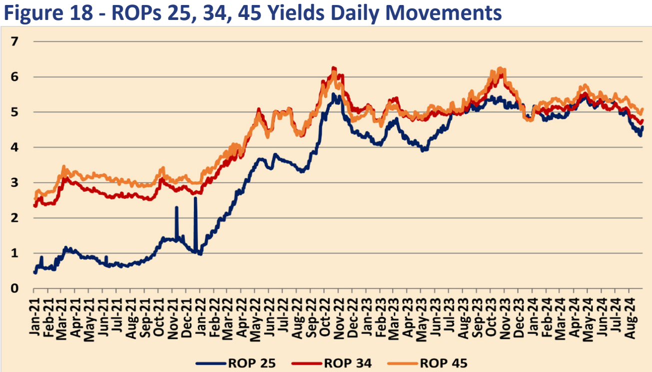
Sources: Bloomberg, Philippine Dealing Exchange (PDEx)

Figure 17 - ROPs Yield Curve and MoM Change
Yields Drop for Shorter ROPs



Source: Bloomberg

Figure 18 - ROPs 25, 34, 45 Yields Daily Movements



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Corporate Bond Market

Like the GS market, the corporate bond market perked up in July in both issuances and secondary market trading.

Issuances: Two companies listed bond issuances in August:

- Bank of the Philippine Islands (BPI) listed P33.7-B Peso-denominated fixed-rate BPI Sustainable, Environmental, and Equitable Development Bonds due 206 (BPI SEED Bonds), with a term of 1.5 years and an interest rate of 6.2% p.a., payable quarterly.

- Security Bank Corporation (SECB) raised P20.0-B worth of Fixed Rate Corporate bonds at 6.05% per annum, with a tenor of 5 years and 1 month.

Secondary Market. Secondary trading volume of corporate bonds jumped by 107% MoM to P4.9-B in August and 48.6% higher than a year ago.

ROPs: Similar Movements in U.S. Treasuries Spell Modest Changes in Spreads

Much like local T-bills and T-bonds, yields of U.S. dollar-denominated bonds of the Republic of the Philippines (ROPs) moved in a similar pattern as these continued to drop with shorter maturities sliding the most. ROP-25 fell by -37.8 bps to end August at 4.581%. Meanwhile, ROP-34 and the 20-year paper (ROP-45) slipped by 22.9 bps and 21 bps to 4.771% and 5.088%, respectively. Thus, the yield curve mostly shifted downward in August.

Similarly, U.S. Treasuries' yields also had its shorter tenors fall more than longer ones. The 1-year and 10-year US T-bonds eased by 35 bps and 18 bps to end the month at 4.38% and 3.91%, respectively, reflecting the markets' cautiousness and anticipated monetary policy changes in 2024 starting September.

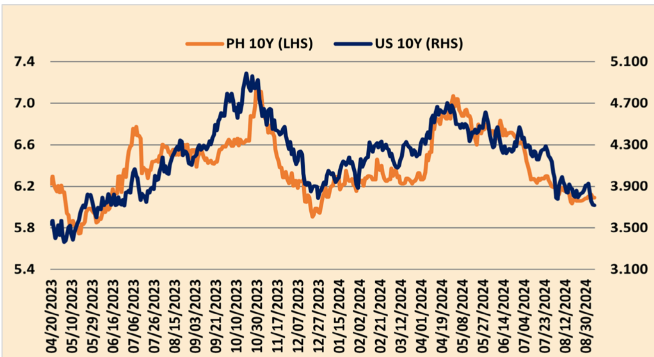
Hence, the spread of ROPs over equivalent U.S. Treasuries mildly narrowed for the 1-year by -1.8 bps to end up 20.1 bps. For longer tenors, the 10-year space spreads slimmed by -4.9 bps to 86.1 bps, while the 20-year maturity spread also decreased by 5 bps to close the month at 80.8 bps.

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
28-Jun	20.8	80.7	77.4
31-Jul	21.9	91.0	85.8
30-Aug	20.1	86.1	80.8

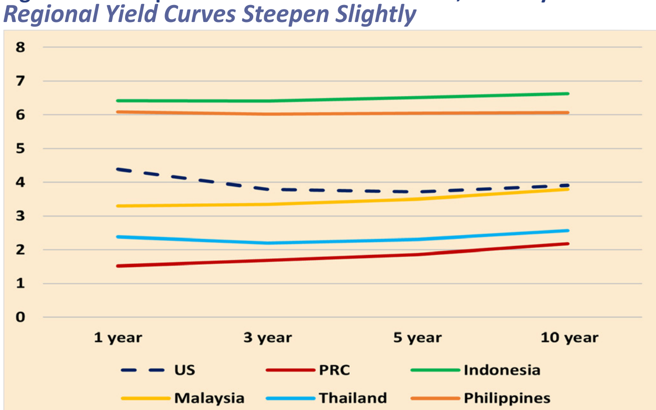
Sources: UA&P Direct Estimates from Federal Reserve Board, Philippine Dealing & Exchange Corporation (PDEx)

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



Source: Trading Economics

Figure 20 - Comparative ASEAN+1 Yield Curves, End-July
Regional Yield Curves Steepen Slightly



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

ASEAN+1: Mixed Minor Movements in Yield Curves

U.S.: The U.S. economy's job creation of 142,000 in August fell short of the 190,000 10-year average for the third consecutive month. Notably, the downward revision (by 25,000) of the July employment gains resulted in a clearly sub-par 89,000. Manufacturing sector contracted for the second straight month after Manufacturing PMI slowed down to 47.9 in August from 49.6 in July, as sales and production decreased. Meanwhile, U.S. inflation rate eased for the fifth straight month in July to 2.5% YoY from 2.9%, as prices for energy and food continued to fall. In July, both exports and imports climbed by 0.5% to $266.6-B and 2.1% to $345.4-B, respectively. The country's trade deficit widened in July reaching $78.8-B, the largest since June 2022.

The yield curve flattened to such an extent as to have a zero-steepness measure.

CHINA: The Caixin General Manufacturing PMI accelerated to 50.4 in August from 49.8 in July, as new orders regained momentum. China's inflation print moderately moved up by 0.6% in August from 0.5% in the previous month, amid supply issues due to flaming heat and pouring rains. Exports surged by 8.7% to $308.7-B in August while imports edged up by 0.5% to $217.6-B. With this, the country's trade surplus widened to $91.0-B in August from $67.8-B the previous year.

The People's Bank of China's (PBoC) 1-year medium-term lending facility (MLF) rate remained at 2.3% after its August meeting. The spread between 10-year and 2-year bond yield steepened a bit by 1 bp to 64 bps in August.

INDONESIA: Indonesia's manufacturing sector dropped for the fifth consecutive month in August as its PMI moderately decreased to 48.9 in August from 49.3 in July. The country's inflation rate showed little easing in August to 2.12% from 2.13% in July, as food prices continued to moderate. Outward shipments in July rose by 6.5% YoY, the strongest growth in 18 months, to $22.2-B. Meanwhile, imports soared by 11.1% YoY to $21.7-B. Consequently, trade surplus dropped to $0.5-B in July from $1.3-B in the same month the previous year.

In its August meeting, Bank Indonesia (BI) kept its policy rate unchanged at 6.5%. The spread between 10-year and 2-year bond yields declined by 12 bps to 20 bps in August.

MALAYSIA: In August, the country's Manufacturing PMI remained at 49.7 for two consecutive months, as new orders and output moderated. Meanwhile, the country's annual inflation rate stood at 2% for the 3rd consecutive month in July.

Exports in July grew by 12.3% to MYR 131.1-B (~$30.6-B) while purchases climbed by 25.4%, a record high, to MYR 124.7-B (~$29.1-B). This translated to a narrowing of country's trade surplus to MYR 6.4-B (~$1.5-B) in July from MYR 17.4-B (~$4.1-B) in the same month the previous year.

Bank Negara Malaysia's (BNM) policy rate sits still at 3% for eight consecutive months. The spread between 10-year and 2-year bond yields inched up by 9 bps to 51 bps in August.

THAILAND: The manufacturing sector slowed to 52.0 in August after its PMI rose to a record high of 52.8 in July. Consumer prices eased by 0.35% in August from 0.83% in July, driven by lower transportation and housing costs. The country's exports rose by 15.2% to $25.7-B in August. On the other hand, imports surged by 13.1% to $27.1-B. Overall, its trade deficit narrowed to $1.4-B from $2.0-B a year ago.

The Bank of Thailand's (BOT) policy rate remains steady at 2.50%, for the fifth consecutive month, after its August meeting. The yield curve's steepness measure inched up by 9 bps to 36 bps in August.

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 to 2-year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Jul 24	Aug 24			
US	3.91	3.91	2.4	1.51	(20)	0	(20)	5.50	3.10
PRC	1.54	2.18	2.0	0.18	63	64	1	2.30	0.30
Indonesia	6.43	6.63	3.0	3.63	32	20	(12)	6.25	3.25
Malaysia	3.29	3.80	2.7	1.10	42	51	9	3.00	0.30
Thailand	2.21	2.57	2.3	0.27	27	36	9	2.50	0.20
Philippines	6.01	6.07	3.3	2.77	16	6	(10)	6.25	2.95

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

Outlook

With both bond and equities markets coming back to life in August and keeping healthy signs in September, we remain optimistic with respect to bonds as we approach the end of 2024. Falling inflation, commodity prices and interest rates both here and abroad provide tailwinds that should continue to drive the bond markets.

- The Fed cut its policy rate by 50 bps on September 17-18 with at least one more 25 bps cut by year end. Markets expect even large slashes in 2025 to end around 3%. Fed had sufficient basis for the big move since inflation slowed further to 2.5% YoY in August amid weak crude oil prices and Services inflation tumbling to 4.5% from 4.9% just two months ago. Thus, the U.S. Treasury bond yields should have a downward pull on local bond yields.

- Since we do not expect a major increase in NG borrowing for the rest of 2024, its fiscal posture will have little effect on domestic interest rates. However, we think that it may partially prefund 2025 deficits with a new Retail Treasury Bond (RTB) offering in October or November if domestic yields decline more sharply in the coming weeks.

- We expect domestic inflation to drop further to 2.3% YoY in September and remain below 3% for the rest of the year. BSP's huge 250 bps reserve requirement reduction likely reflect this view. Thus, we have seen local 10-year yields to fall within our forecast of 5.25% to 5.75% for 2024.

- If NG does not issue RTBs before the end of the year, then corporate bond issues may take its place.

- ROPs will move more in tandem with equivalent U.S. Treasuries in September to October, given the absence of new positive local macroeconomic drivers.

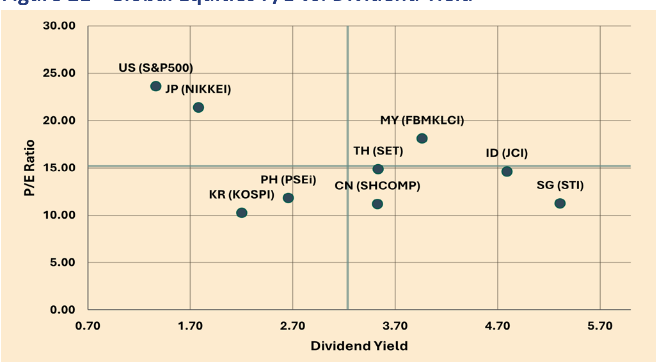
EQUITY MARKETS

PSEi Speeds Up to 4.2% MoM Increase in August Amid Positive Stimuli

The PSEi continued to close in the green along with ASEAN peers, accelerating to +4.2% month-on-month (MoM) in August at 6,897.54, from +3.2% a month back. Indonesia's bourse (JCI) led ASEAN gainers to close the month up by +5.7%. Among advanced economies, Hong Kong's bourse (HSI) steered growth with its 3.7% gain, with Germany following suit (DAX, +2.2%). South Korea's KOSPI led losers with a 3.5% retreat in August. In the local equities market, the Property sector (9.6%) topped sectoral rankings for August as real estate players Ayala Land, Inc. (ALI, +19.7%) and SM Prime Holdings, Inc. (SMPH, +7.5%) buoyed growth. In contrast, the Holdings sector contracted 1.9% after share price contractions in JG Summit Holdings, Inc. (JGS, -15.5%) and Aboitiz Equity Ventures (AEV, -6.3%).

***Outlook**: The return of foreign investors and optimistic local investors drove PSEi past the strong resistance level of 7,000 by September and into our target 7,000-7,500 within 2024. The mix of robust Q2 corporate earnings, stronger peso, outsized Fed rate cut and the BSP's 250 bps reduction in reserve requirement in September have hurled the index to a 28-month high. Besides, lower interest rates should mean only minor correction in the PSEi in October to November.*

Figure 21 - Global Equities P/E vs. Dividend Yield



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

Table 9 - Global Equities Markets Performances

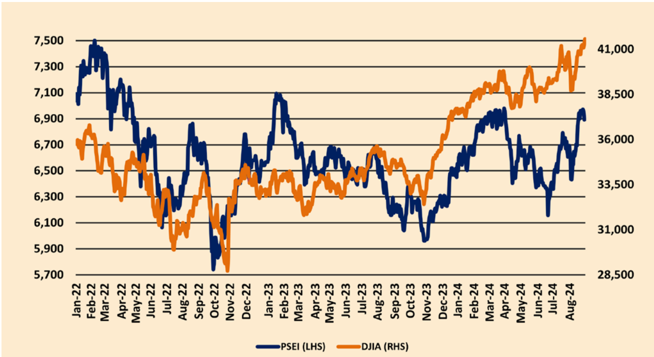
Global Equities Markets Performances					
Region	Country	Index	July M-o-M Change	August M-o-M Change	2024 YTD
Americas	US	DJIA	4.4%	1.8%	10.3%
Europe	Germany	DAX	1.5%	2.2%	12.9%
	London	FTSE 101	2.5%	0.1%	8.3%
East Asia	Hong Kong	HSI	-2.1%	3.7%	5.5%
	Shanghai	SSEC	-1.0%	-3.3%	-4.5%
	Japan	NIKKEI	-1.2%	-1.2%	15.5%
	South Korea	KOSPI	-1.0%	-3.5%	0.7%
Asia-Pacific	Australia	S&P/ASX 200	4.2%	0.0%	6.6%
Southeast Asia	Indonesia	JCI	2.7%	5.7%	5.5%
	Malaysia	KLSE	2.2%	3.3%	15.7%
	Thailand	SET	1.5%	2.9%	-4.0%
	Philippines	PSEi	3.2%	4.2%	6.9%

Global Picture. Most of our tracked global equity markets entered positive territory in August, except for some East Asian markets and Australia. Indonesia's JCI led gainers with its August print of +5.7%, gaining on its +2.7% growth a month back. Meanwhile, South Korea's KOSPI's -2.1% MoM downtick led decliners, falling further from its -1% loss in July. In contrast, the Philippines' PSEi ranked second to Indonesia's performance after challenging the strong resistance level of 7,000.

The commentary included here reflects information from the previous month. Outlooks are forward-looking.

Figure 22 - PSEi vs DJIA

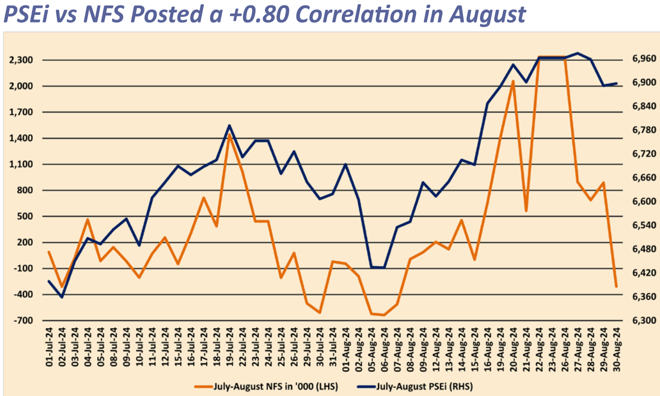
PSEi vs DJIA Posted a Highly Positive Correlation in August at +0.94



Source: Yahoo Finance

Figure 23 - PSEi vs Net Foreign Selling

PSEi vs NFS Posted a +0.80 Correlation in August



Sources: PSE Quotation Reports & Yahoo Finance

Table 10 - Monthly Turnover (in Million Php)

Monthly Total Turnover (in Million Pesos)				
	31-July-2024	31-August-2024		
Sector	% Change	Value	% Change	2024 YTD
Financial	42.4%	22,058.63	-2.0%	45.7%
Industrial	30.5%	23,693.73	23.6%	-3.2%
Holdings	19.2%	19,305.80	-18.3%	20.5%
Property	62.7%	19,906.08	-6.4%	28.2%
Services	2.1%	36,151.28	55.9%	128.1%
Mining & Oil	50.6%	2,227.67	60.9%	22.8%
Total	**27.7%**	**123,343.18**	**11.0%**	**38.9%**
Foreign Buying	50.3%	61,781.84	5.4%	40.9%
Foreign Selling	22.1%	53,715.18	-2.5%	25.4%
Net Buying (Selling)	-157.2%	8,066.66	130.1%	702.5%

Source of Basic Data: PSE Quotation Reports

PSEi and DJIA. The Dow Jones Industrial Average (DJIA) closed at a record-high of 41,563.08 in August, as investors processed the softer U.S inflation print and the Federal Reserve's dovish stance at the Jackson Hole symposium. While the DJIA took a nosedive to 38,703.27 early in the month due to larger U.S. unemployment figures, positive economic data reversed investor attitudes and rallied U.S. markets to month-end. The PSEi ended the same month at 6,897.54, rebounding from a month-low of 6,433.24 amid U.S. recession fears. It rallied to a peak of 6,973.41 in late August after the Bangko Sentral ng Pilipinas' (BSP) much-awaited 25 basis point (bps) rate cut. The correlation between the DJIA and PSEi remained highly positive at +0.94 in August from +0.71 in July.

Net Foreign Buying/Selling. Most sectoral volumes grew in August, led by the Mining & Oil sector's +60.9% MoM uptick, expanding on its +50.6% gain in July. The Services sector followed closely with +55.9% MoM volume growth, leaping from its modest +2.1% increase in the previous month. In contrast, volume for the Holdings sector shrank by 18.3% MoM, backtracking on its +19.2% gain a month ago.

Foreign investors continued to be net buyers in August, more than doubling their volume to nearly P8.1-B compared to the previous month's P3.5-B net buying posture.

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

Top Foreign Buy	
Company	**Total Value**
ALI Equity	2,283
BDO Equity	1,861
ICT Equity	1,001
JFC Equity	883
CNVRG Equity	870
Total Buy Value	**6,899**

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

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

Top Foreign Sell	
Company	**Total Value**
URC Equity	-1,785
SECB Equity	-621
BLOOM Equity	-397
EMI Equity	-318
MEG Equity	-185
Total Sell Value	**-3,305**

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

Table 13 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	31-July-2024		30-August-2024		2024 YTD
Sector	Index	% Change	Index	% Change	
PSEi	6,619.09	3.2%	6,897.54	4.2%	6.9%
Financial	1,990.27	3.4%	2,110.63	6.0%	21.4%
Industrial	9,269.16	3.1%	9,347.38	0.8%	3.0%
Holdings	5,776.77	4.0%	5,666.02	-1.9%	-7.2%
Property	2,574.25	2.3%	2,822.22	9.6%	-1.1%
Services	2,017.25	1.0%	2,181.23	8.1%	35.9%
Mining & Oil	8,322.09	-1.9%	8,226.84	-1.1%	-17.7%

Source of Basic Data: PSE Quotation Reports

Table 14 - Financial Sector Constituent Stocks

Company	Symbol	07/31/24 Close	08/30/24 Close	M-o-M % Change	2024 YTD
Metropolitan Bank and Trust Company	MBT	68.70	73.50	7.0%	43.3%
BDO Unibank, Inc.	BDO	137.00	152.80	11.5%	17.1%
Bank of the Philippine Islands	BPI	121.30	124.70	2.8%	20.1%

Source of Basic Data: PSE Quotation Reports

Foreign investors' top five favorite picks (net buying) in August totaled nearly P6.9-B, led by Ayala Land, Inc. (P2.3-B) and BDO Unibank, Inc. (P1.9-B).

Meanwhile, selling volume for the top five disliked stocks (net selling) amounted to P3.3-B in August, with Universal Robina Corporation (P1.8-B) and Security Bank Corporation (P621-M) being the most sold-off stocks by foreign investors.

Four out of six sectoral indices ended in the green for August, The Property sector took pole position by closing +9.6% MoM, followed by the Services sector's +8.1% gain. Meanwhile, the Mining & Oil sector took the largest, albeit modest loss of -1.9% for the month. Services continues to lead year-to-date (YTD) with growth of +35.9%.

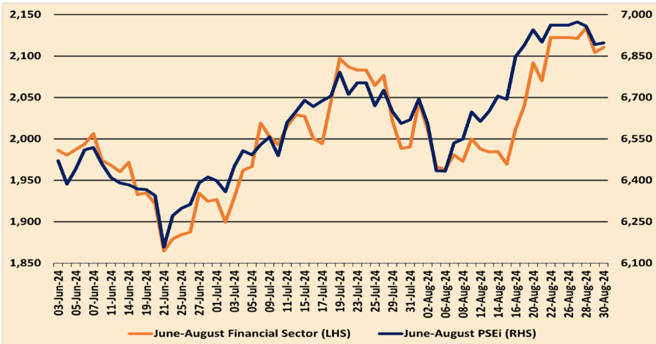
The Financial sector ranked third in the sectoral race after advancing +6% for the month.

BDO Unibank, Inc.'s (BDO) share price increase led the sector with its +11.5% MoM growth, jumping up from its +6.9% gain a month back. BDO encouraged its online banking users to switch to its new and improved BDO Online app.

Metropolitan Bank & Trust Company's (MBT) share prices climbed by +7% MoM in August, building on a modest 1.7% gain in the previous month. Investors reacted positively to MBT's record H1 net earnings call. MBT launched its Holideals promo last August 9, gifting clients with waived fees, competitive rates, and more on car or home loans until end-October.

Bank of the Philippine Islands' (BPI) share price rose a modest +2.8% MoM, accelerating from its +1.8% uptick in July. BPI successfully issued and listed P33.7-B of its Sustainable, Environmental, and Equitable Development Bonds ("BPI SEED Bonds"), its largest thematic bond issuance to date. BPI will use the SEED bond proceeds to finance or refinance eligible Green and/or Social projects.

Figure 24 - Financial Sector Index (June - August)
Financial Sector Gains +6% in August



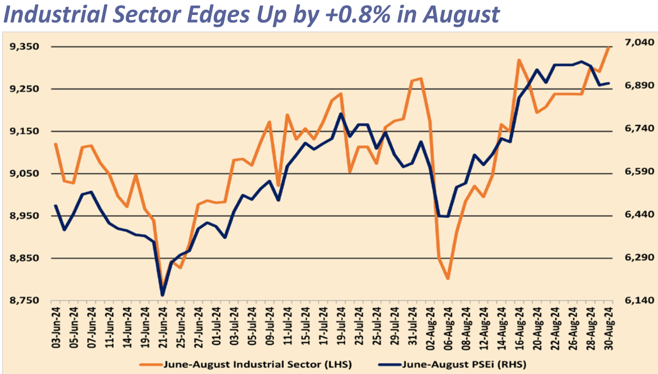
Source of Basic Data: PSE Quotation Reports

Table 15 - Industrial Sector Constituent Stocks

Company	Symbol	07/31/2024 Close	08/30/2024 Close	M-o-M % Change	2024 YTD
Meralco	MER	390.00	425.20	9.0%	6.6%
Jollibee Foods Corporation	JFC	230.00	259.80	13.0%	3.3%
Universal Robina Corporation	URC	119.00	91.00	-23.5%	-23.0%
ACEN Corporation	ACEN	5.49	5.44	-0.9%	24.2%
Emperador Inc.	EMI	18.58	18.78	1.1%	-9.9%
Monde Nissin Corporation	MONDE	9.17	9.45	3.1%	12.8%
Century Pacific Food, Inc.	CNPF	34.50	36.65	6.2%	18.4%
Semirara Mining and Power Corporation	SCC	33.45	33.90	1.3%	12.1%

Source of Basic Data: PSE Quotation Reports

Figure 25 - Industrial Sector Index (June - August)
Industrial Sector Edges Up by +0.8% in August



Source of Basic Data: PSE Quotation Reports

Ranking fourth in the sectoral race, the Industrial sector improved a tad +0.8% MoM.

Jollibee Foods Corporation's (JFC) share price accelerated most among Industrials, leaping from its +1.8% MoM uptick in July to +13% in August. JFC recorded a +30.8% year-on-year (YoY) increase in Q2 attributable net income driven by higher system-wide sales. The company also completed its $340.0-M acquisition of South Korean coffee chain Compose Coffee in mid-August.

Manila Electric Company's (MER) share price uptick quickened to +9% in August from +6.6% in July. MER's Q2 consolidated core earnings surged +29% YoY to P13.1-B due to higher sales volume in its distribution segment and increased plant availability. In addition, ratings agency S&P Global raised its long-term issuer credit rating for MER from 'BBB-' to 'BBB' with a stable outlook.

Century Pacific Food, Inc.'s (CNPF) share price closed upwards by +6.2% MoM, continuing from its +7.3% growth a month ago. In late August, CNPF appointed Initiative Philippines as its integrated media agency of record (AOR), handling AOR duties for all brands under the CNPF portfolio.

Monde Nissin Corporation's (MONDE) share prices inched up +3.1% MoM in August, wiping out its -2.4% loss a month back. MONDE's Q2 reported net income fell by -60.7% YoY to P610.0-M, owing to the P1.5-B loss in guaranty asset gains in its meat alternative segment. The Board of Investments (BOI) approved MONDE's P1.2-B biscuit manufacturing in Davao City. MONDE expects the manufacturing facility to utilize highly skilled workers, advanced automation, and to stimulate raw material and finished goods movement in the southern regions of the country.

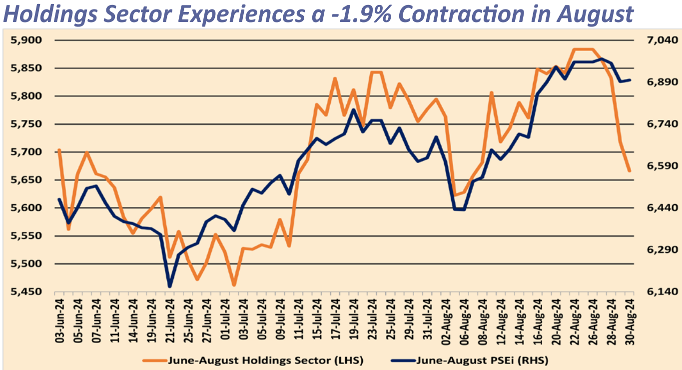
Table 16 - Holdings Sector Constituent Stocks

Company	Symbol	07/31/2024 Close	08/30/2024 Close	M-o-M % Change	2024 YTD
Ayala Corporation	AC	586.50	605.00	3.2%	-11.2%
SM Investments Corporation	SM	908.00	885.00	-2.5%	1.5%
Aboitiz Equity Ventures	AEV	35.45	33.20	-6.3%	-25.6%
GT Capital Holdings, Inc.	GTCAP	590.00	624.00	5.8%	5.8%
San Miguel Corporation	SMC	99.85	99.00	-0.9%	-3.0%
Alliance Global Group, Inc.	AGI	8.98	9.08	1.1%	-19.5%
LT Group, Inc.	LTG	9.85	10.22	3.8%	13.8%
JG Summit Holdings, Inc.	JGS	27.80	23.50	-15.5%	-38.4%
DMCI Holdings, Inc.	DMC	11.70	3.0%	19.8%	16.3%

Source of Basic Data: PSE Quotation Reports

Figure 26- Holdings Sector Index (June - August)

Holdings Sector Experiences a -1.9% Contraction in August



Source of Basic Data: PSE Quotation Reports

The Holdings sector ranked last in the sectoral rankings, contracting by -1.9% MoM.

Despite this, GT Capital Holdings (GTCAP) share price climbed by +5.8% MoM, removing traces of its -4.8% loss in July. GTCAP's H1 net income grew 5% YoY, excluding the extraordinary gains of P3.4-B reported last year. Stellar performances from its Metrobank and Toyota Motor Philippines segments boosted GTCAP's earnings.

LT Group's (LTG) share prices increased by +3.8% MoM in August, quickening from its +1% growth a month ago. LTG's Q2 net earnings contracted by 3.6% YoY, following lower industry-wide tobacco sales. Undeterred by this, LTG's business segments in banking, distilled spirits, beverages, and property development posted topline growth.

Ayala Corporation's (AC) share price experienced a +3.2% uptick for the month, gaining ground on its +0.8% growth in July. AC's Q2 attributable net income grew +12.5% YoY to P9.2-B on the back of stronger banking, real estate, telecommunications, and energy segments' performances.

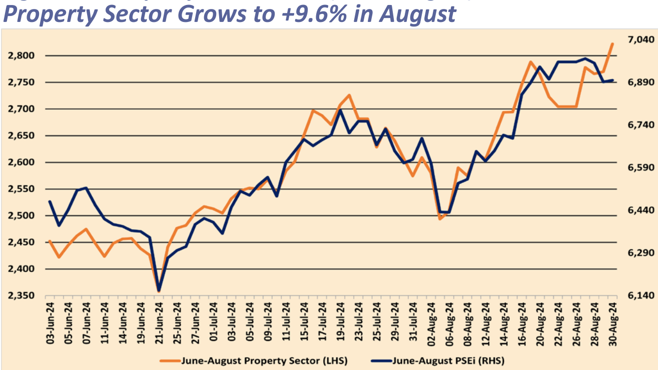
DMCI Holdings, Inc.'s (DMC) share prices saw a +3% MoM gain end-August, continuing its +2% growth a month back. DMC Chairman Isidro Consunji received the University of the Philippines Alumni Association's Most Distinguished Alumnus Award. Additionally, the Philippine Competition Commission approved DMC's joint acquisition of Cemex Asian Southeast Corporation with Semirara Mining and Power Corporation and Dacon Corporation in mid-August.

Table 17 - Property Sector Constituent Stocks

Company	Symbol	07/31/2024 Close	08/30/2024 Close	M-o-M % Change	2024 YTD
Ayala Land, Inc.	ALI	29.50	35.30	19.7%	2.5%
SM Prime Holdings, Inc.	SMPH	28.80	30.95	7.5%	-5.9%

Source of Basic Data: PSE Quotation Reports

Figure 27 - Property Sector Index (June - August)
Property Sector Grows to +9.6% in August



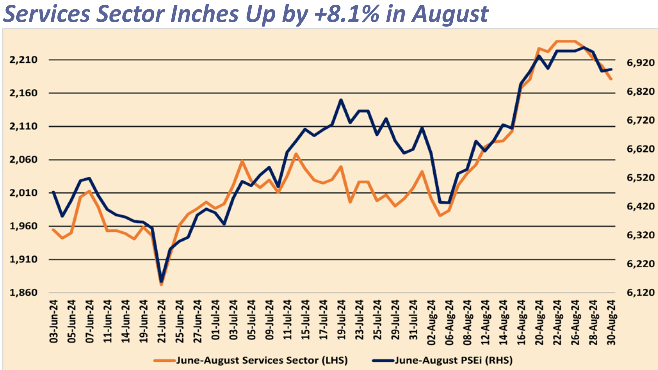
Source of Basic Data: PSE Quotation Reports

Table 18 - Services Sector Constituent Stocks

Company	Symbol	07/31/2024 Close	08/30/2024 Close	M-o-M % Change	2024 YTD
PLDT, Inc.	TEL	1,515.00	1,500.00	-1.0%	17.3%
Globe Telecom	GLO	2,152.00	2,200.00	2.2%	27.9%
Converge ICT Solutions, Inc.	CNVRG	11.54	15.00	30.0%	79.0%
Puregold Price Club Inc.	PGOLD	26.30	27.75	5.5%	3.2%
Wilcon Depot, Inc.	WLCON	17.50	18.80	7.4%	-10.0%
International Container Terminal Services, Inc.	ICT	356.00	396.20	11.3%	60.5%
Bloomberry Resorts Corporation	BLOOM	8.27	7.87	-4.8%	-20.0%

Source of Basic Data: PSE Quotation Reports

Figure 28 - Services Sector Index (June - August)
Services Sector Inches Up by +8.1% in August



Source of Basic Data: PSE Quotation Reports

The Property sector came on top in August's sectoral race, speeding up by +9.6% MoM.

Ayala Land, Inc.'s (ALI) stock price shot up by +19.7% MoM, accelerating from its +3.5% growth in July. ALI bought back nearly 583.0-M shares (as of end-August) as part of its share buy-back program in a bid to boost share prices.

SM Prime Holdings, Inc.'s (SMPH) share price went up by +7.5% MoM in August, improving on its +1.8% gain one month prior. SMPH's bid to create a P4.6-B multilevel retail structure in the Baguio City Public Market now awaits the city council's approval.

The Services sector nabbed the penultimate position in the sectoral race, closing the month upwards by +8.1%.

Converge ICT Solutions, Inc.'s (CNVRG) share price soared by +30% MoM, leaping from its modest +0.3% uptick in July. CNVRG's Q2 net earnings call surged by +29.8% YoY to P2.7-B, buoyed by increased enterprise clients and household coverage. The company also received the Ookla Speedtest Award for having the fastest fixed network in H1-2024.

International Container Terminal Services, Inc.'s (ICTSI) share price gained +11.3% in August, taking off from its +1.8% growth a month back. ICTSI's Q2 attributable net income skyrocketed by +32.3% YoY, driven by higher service revenues and volume growth.

Wilcon Depot, Inc.'s (WLCON) share prices increased by +7.4% MoM, wiping out its -2.2% contraction in July. WLCON's Q2 net income dropped by 10% to P770.0-M due to expansion-related operating expenses and one-off charges outpacing sales growth.

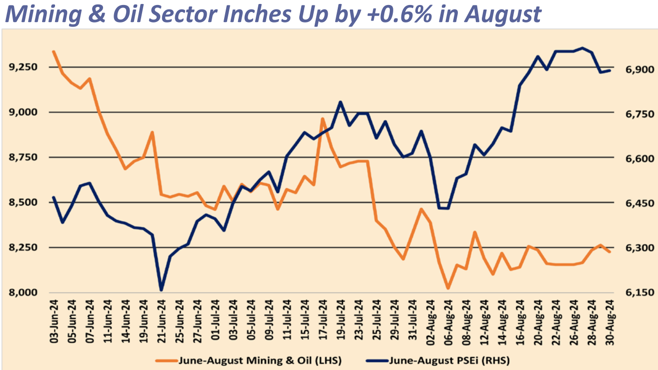
Table 19 - Mining & Oil Sector Constituent Stock

Company	Symbol	07/31/2024 Close	08/30/2024 Close	M-o-M % Change	2024 YTD
Nickel Asia Corporation	NIKL	3.35	3.37	0.6%	-38.5%

Source of Basic Data: PSE Quotation Reports

Figure - Mining & Oil Sector Index (June - August)

Mining & Oil Sector Inches Up by +0.6% in August



Source of Basic Data: PSE Quotation Reports

The Mining & Oil sector ranked fifth in the sectoral race, shedding -1.1% MoM in value by end-August.

Nickel Asia Corporation's (NIKL) share prices made a small gain of +0.6% in August, partially recovering from its -9.7% tumble in July. NIKL clarified that its renewable energy subsidiary Emerging Power, Inc. remains on track to achieve its 1-gigawatt target by 2028, after being misquoted in a newspaper article.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	FY-2022		FY-2023		1st Quarter 2024			2nd 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%	446,303	-16.2%	0.4%	407,906	-8.6%	-2.3%
Industry Sector	5,913,748	6.5%	6,126,102	3.6%	1,543,974	-11.8%	5.1%	1,671,904	8.3%	7.7%
Service Sector	12,248,122	9.2%	13,120,749	7.1%	3,199,380	-11.2%	6.9%	3,453,461	7.9%	6.8%
Expenditure										
Household Final Consumption	14,570,348	8.3%	15,381,272	5.6%	3,863,984	-12.6%	4.6%	3,749,832	-3.0%	4.6%
Government Final Consumption	2,988,609	5.1%	3,005,103	0.6%	729,210	4.0%	1.7%	930,304	27.6%	10.7%
Capital Formation	4,606,648	13.7%	4,878,674	5.9%	1,146,652	-13.4%	1.3%	1,509,633	31.7%	11.5%
Exports	5,691,851	11.0%	5,773,780	1.4%	1,481,031	6.1%	7.5%	1,486,187	0.3%	4.2%
Imports	7,911,852	14.0%	7,987,070	1.0%	2,027,175	2.4%	2.3%	2,111,015	4.1%	5.2%
GDP	19,945,605	7.6%	21,051,758	5.5%	5,189,658	-11.8%	5.7%	5,533,272	6.6%	6.3%
NPI	1,130,111	76.8%	2,226,469	97.0%	642,751	-8.9%	57.0%	615,057	-4.3%	24.7%
GNI	21,075,715	9.9%	23,278,227	10.5%	5,832,409	-11.5%	9.7%	6,148,329	5.4%	7.9%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2022		2023		June-2024			July-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	3,545,505	18.0%	3,824,105	7.9%	296,524	-22.4%	10.9%	457,374	54.2%	11.1%
Tax	3,220,315	17.4%	3,429,292	6.5%	249,309	-18.0%	3.4%	402,821	61.6%	15.5%
BIR	2,335,674	12.4%	2,516,986	7.8%	172,503	-21.3%	4.7%	319,814	85.4%	17.1%
BoC	862,420	34.0%	883,214	2.4%	74,623	-8.2%	0.7%	80,355	7.7%	10.0%
Others	22,221	5.7%	29,092	30.9%	2,183	-35.1%	-5.5%	2,652	21.5%	-1.4%
Non-Tax	324,082	23.5%	394,164	21.6%	47,127	-39.6%	81.4%	54,552	15.8%	-13.1%
Expenditures	5,159,640	10.4%	5,336,191	3.4%	505,604	-9.2%	2.6%	486,219	-3.8%	5.8%
Allotment to LGUs	1,103,284	23.6%	926,052	-16.1%	83,886	3.1%	2.9%	86,188	2.7%	12.2%
Interest Payments	502,858	17.1%	628,333	25.0%	55,643	-8.9%	5.2%	79,432	42.8%	25.0%
Overall Surplus (or Deficit)	(1,614,135)	-3.4%	(1,512,086)	-6.3%	(209,080)	19.5%	-7.2%	(28,845)	-86.2%	-39.7%

Source: Bureau of the Treasury (BTr)

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

	2023		May-2024			June-2024		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	50,357.90	4.3%	4,993.20	10.2%	9.0%	4,928.80	7.6%	9.1%
Residential	17,772.30	3.7%	1,967.00	16.4%	12.8%	1,898.90	11.7%	12.6%
Commercial	18,612.40	9.1%	1,799.60	10.4%	10.4%	1,800.70	7.6%	9.9%
Industrial	12,956.80	-2.6%	1,131.30	2.5%	2.8%	1,153.90	3.3%	2.9%

Source: Meralco

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

	2022		2023		1st Quarter 2024		2nd 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%	-1,749	-60.6%	-5,136	25.0%
Balance of Goods	-69,701	32.0%	-65,788	-5.6%	-14,662	-14.7%	-16,826	4.2%
Exports of Goods	57,710	6.4%	55,316	-4.1%	14,041	10.3%	13,848	-0.8%
Import of Goods	127,412	19.0%	121,104	-5.0%	28,703	-4.1%	30,674	1.9%
Balance of Services	15,895	13.2%	19,120	20.3%	3,938	-16.2%	3,373	-13.6%
Exports of Services	41,122	22.5%	48,285	17.4%	12,727	12.6%	12,361	11.1%
Import of Services	25,226	29.2%	29,165	15.6%	8,790	33.0%	8,988	24.5%
Current Transfers & Others								
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	23	-70.7%	67	186.4%	16	11.5%	18	18.2%
Financial Account	-13,885	115.8%	-15,415	11.0%	-4,911	-17.1%	-5,278	2487.3%
Direct Investments	-5,631	-42.1%	-4,959	-11.9%	-2,257	180.3%	-1,390	-2.7%
Portfolio Investments	-1,684	-116.4%	925	-154.9%	-58	-113.3%	-2,993	-223.4%
Financial Derivatives	-48	-198.1%	-115	139.3%	-61	-403.6%	-99	37.7%
Other Investments	-6,523	-6.6%	-11,266	72.7%	-2,535	-54.5%	-796	-29.5%
III. NET UNCLASSIFIED ITEMS	-2,911	-475.9%	-604	-79.3%	-2,941	-250.7%	1,045	-59.8%
OVERALL BOP POSITION	-7,263	-640.2%	3,672	-150.6%	238	-93.1%	1,204	-200.9%
Use of Fund Credits								
Short-Term								
Memo Items								
Change in Net Foreign Assets	-3,099	-383.8%	-3,999	29.0%	-1,528	-45.9%	-2,027	4596.2%
Change in Commercial Banks' NFA	-2,829	-397.0%	-3,890	37.5%	-1,543	-45.7%	-2,026	-2359.9%
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		June-2024		July-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%	3,881,821	7.7%	3,715,688	9.5%
Sources:						
Net Foreign Asset of the BSP	6,438,911	0.2%	6,862,655	8.3%	7,030,222	11.2%
Net Domestic Asset of the BSP	17,339,294	10.7%	19,067,107	10.5%	19,119,633	11.3%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	6,508,324	3.0%	6,902,846	6.9%	6,854,282	7.0%
Money Supply-2	16,015,356	7.6%	17,107,321	7.1%	17,078,925	7.8%
Money Supply-3	16,493,188	6.8%	17,498,577	6.6%	17,488,057	7.2%
MONEY MULTIPLIER (M2/RM)	4.43		4.41		4.60	

Source: Bangko Sentral ng Pilipinas (BSP)

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