November 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

- ***Surprisingly, Q3 GDP actually grew faster by 1.7% QoQ from 0.9% in Q2, a starkly different picture from the economy slowed down to 5.2% YoY pace from 6.4% in Q2. In short, GDP performed much better than a similarly destructive super typhoon "Ondoy" in September 2009 (+0.9% YoY). The economy will also add more jobs in Q4 as the Christmas holiday spending peaks, with support from slower inflation, likely to average 2.3% in Q4 from 3.2% in Q3.***
- ***Strong U.S. dollar and outsized PH trade deficits will keep pressuring the USDPHP rate up, with some respite for the rest of 2024 due to OFW remittances. Bond yields have mildly tracked the rise in U.S. Treasuries but promises to fall drastically with much lower local inflation.***
- ***Equities ended a sharp 3-month upswing by end-October and unto November due to the slower Q3 YoY GDP growth and uncertainties surrounding Trump presidency in the U.S.***

Macroeconomy

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We still expect a strong GDP rebound in Q4 since employment will likely expand as NG accelerates infrastructure spending and consumers also benefit from milder inflation—expected to average 2.3% in Q4 and even lower in Q1-2025. Analysts likely missed out on the fact that on a seasonally adjusted basis, the economy grew faster in Q3 (by 1.7%, QoQ) than in Q2 (0.7%). We have a sanguine view of inflation due to projected weaker crude oil prices through 2025 and international rice prices have already significantly declined. The peso-dollar rate will face upward pressure due to robust U.S. dollar rally starting October, except for brief 2-month period in 2024 due to OFW remittances. We have lowered our full year GDP growth forecast to 5.8% from 6.0%.

• Q3 GDP print settled at 5.2%, below 5.7% expectation ▪ Headline inflation trekked upwards to 2.3% YoY in October from 1.9% a month ago as food price pressures picked up. ▪ Manufacturing PMI tempered to 52.9 in October, while output shrank by 6.3% YoY in September. ▪ The unemployment rate improved to 3.7% in September as the holiday season begins to pick up. ▪ NG current and capital expenditures rebound by 18.6% YoY in September from -3.7% a month back. ▪ Exports shrank by 7.6% YoY, as the trade deficit hit $5.1-B. ▪ Average peso-dollar rate depreciated by 2.2% MoM due to renewed U.S. dollar strength and large PH trade deficits.

Bond Markets

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The Fed went ahead and cut policy rates by 25 bps on November 7th and will likely do a similar one in December, but it failed to convince markets that it will continue to pursue plans to aggressively reduce them in 2025. Despite 2.1% YoY (PCE) inflation (preferred measure by Fed) or just a tad over its 2.0% inflation target, U.S. markets held on to the view that newly elected Donald Trump will bloat the fiscal deficits with his planned tax cuts. NG appears to have resumed higher spending rate for the rest of 2024 as previewed in September. And with local inflation likely to average 2.3% in Q4 amid low crude oil and rice prices, and even lower to 2.1% in Q1-2025, local 10-year bond yields can easily drop by 100 bps through 2025.

• BTr reduced its auction offerings to P125.0-B in October, nearly half from the previous month, and saw TOR rise to 2.9875x from 2.834x a month ago.• Yields rose by 26.4 bps (364-day T-bills) to 74.7 bps (182-day T-bills) to 5.751% and 5.752%, respectively, but declined slightly for T-bonds. • Secondary market trading volume reached P1.2-T, the fourth consecutive month exceeding P1.0-T.• Corporate bond trading weakened by -45.1% MoM to P2.7-B in September. • Yields for longer tenors declined by 13.9 bps (10-year to 5.887%) to 19 bps (5-year to 5.760%), while shorter maturities rose by 9.5 bps (3-months) to 46.1 bps (6-months).• Longer-dated ROPs yields got pulled up by U.S. Treasuries as the latter's market priced in a Trump victory. However, the milder rise in ROPs yields, likely due to expectations of lower domestic inflation, translated into a narrowing of spreads over equivalent U.S. Treasuries.

Equities Market

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Rising bond yields and lackluster Q3 GDP growth subdued trading as investors stepped back in the absence of positive economic data. Good Q3 earnings reports and attractive counter plays could move the index sideways between 6,500 and 7,000 levels, though November may be a more cautious month ahead especially with the MSCI November rebalancing exercise.

• PSEi snapped a three-month gaining streak, closing -1.8% MoM in October. ▪ Sectorally, the Financial sector (+1.5%) grew fastest in October, followed by the Industry sector (+1.4% MoM). ▪ Meralco led PSEi-constituent stocks with an +11.8% MoM jump off its franchise extension and core income growth. ▪ JG Summit Holdings, Inc. descended the most with a -12.6% MoM drop. ▪ The Services sector (+35.3%) continued to lead YTD, with Converge ICT (+92.1%) as PSEi's best-performing stock so far. ▪ Foreign investors slashed net buying to P1.2-B in October, cutting back -93.8% from the previous month.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date	2022 (year-end)	2023 (year-end)
GDP Growth (Q3-2024)	5.2	6.4	5.8	7.6	5.5
Inflation Rate (October 2024)	2.3	1.9	3.3	5.8	6.0
Government Spending (September 2024)	13.1%	-0.7%	12.3%	10.2	3.7
Gross International Reserves ($B) (October 2024)	106.2	112.7	106.2	100.5	100.6
PHP/USD rate (October 2024)	57.30	56.07	57.03	54.48	55.63
10-year T-bond yield (end-October 2024)	5.88	5.74	6.30	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.

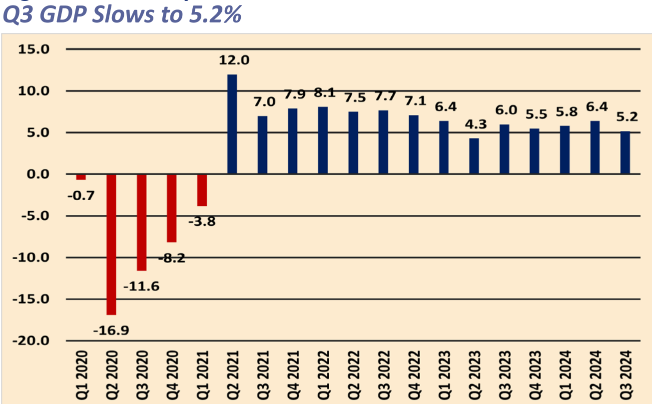
MACROECONOMY

GDP Slows to 5.2% Q3 Growth While Unemployment Rate Falls to 3.7% in September

As expected, GDP expansion in Q3 eased to 5.2% year-on-year (YoY) from 6.4% a quarter earlier due to record rainfall in Metro Manila and flooding. However, seasonally adjusted GDP climbed faster to 1.7% quarter-on-quarter (QoQ) from 0.7% in Q2. The economy in Q3 also fared better than it did during the 2009 super typhoon "Ondoy's" flooding. The economy continued to add more jobs in September, driving the unemployment rate to 3.7% from 4.0% earlier. National Government (NG) expenditures recovered to a fast pace of 18.5% YoY in September as it bolstered infrastructure spending and raised salaries. Inflation print in October came a little higher at 2.3% YoY from 1.9% earlier due to a spike in food prices. Finally, with the bounce in the U.S. dollar and wider PH trade deficits (in September), the peso-dollar rate depreciated by an average 2.3% in October.

Outlook: *The kneejerk adverse reaction to the 5.2% GDP growth in Q3 fails to consider that seasonally adjusted GDP QoQ growth accelerated to 1.7% from 0.7% in Q2. Besides, despite the severity of the Metro Manila flooding in July next only to "Ondoy" (September 2009), it resulted in above 5.0% expansion compared to 0.9% YoY in the Ondoy quarter. We expect NG to ramp up infrastructure spending in Q4 as it resumed it in September. This and the Christmas holidays spending should boost employment further and all together consumer spending should return to 6.0% YoY in Q4, supported by low inflation of 2.3% on average for the quarter. Rice and crude oil prices will likely soften for the rest of the year. Meanwhile, the USDPHP rate will remain elevated due to renewed U.S. dollar strength and large PH trade deficits, even though some temporary relief may come from usually high OFW remittances in the last two months of the year.*

Figure 1 - Quarterly GDP Growth
Q3 GDP Slows to 5.2%



Source of Basic Data: S&P Global

Q3 GDP Growth Below Expectations at 5.2% YoY

The Philippine economy grew +5.2% YoY in Q3-2024, slower than the revised +6.4% YoY growth in Q2 and lower than the median BusinessWorld poll forecast of 5.7%.

Household Consumption and investments buoyed growth for the quarter. However, adverse weather effects (next to Typhoon Ondoy in severity) hurt agricultural output and government spending. Gross National Income (GNI) grew by 6.8% YoY, as Net Primary Income from the Rest of the World expanded by 19.3% in the same period.

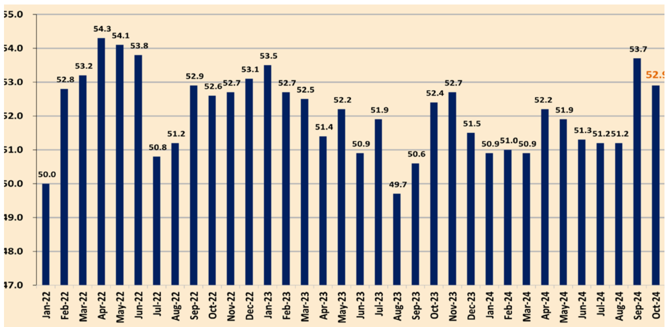
Domestic demand edged up +6.6% YoY in Q3-2024. Gross Capital Formation (GCF) surged to +13.1% YoY, quicker than the +11.6% recorded in Q2-2024 on the back of investments in durable equipment (+8.1%) and private construction (11.9%).

Optimistically, Household Final Consumption Expenditure (GFCE) marched +5.1% YoY for the quarter, better than the +4.7% seen in Q2-2024, mainly from slower inflation and the BSP's easing cycle. However, Government Final Consumption Expenditure (GFCE) sharply slowed to +5.0% YoY from +11.9% in the previous quarter, as weather disturbances brought down government spending, particularly for infrastructure.

Net exports contracted deeply by 32.6% to P591.9-B, as Imports of goods and services (+6.4%) rose over Exports of goods and services (-1.0%).

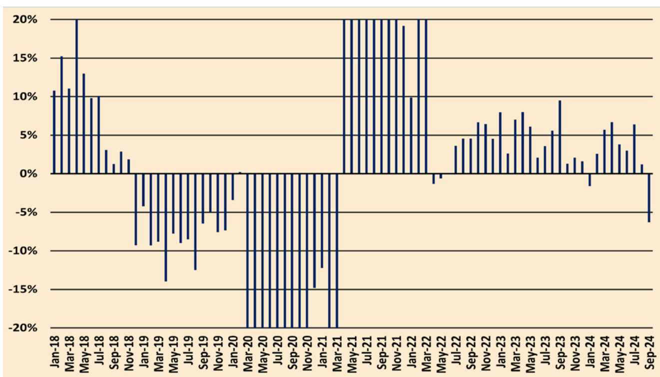
The commentary included here reflects information from the previous month. Outlooks are forward-looking.

Figure 2 - S&P Manufacturing PMI
PMI Tapers Off to 52.9 in October



Source of Basic Data: S&P Global

Figure 3 - Volume of Production Index
VoPI Contracts by 6.3% in September



Source of Basic Data: Philippine Statistics Authority (PSA)

On the production side, the Services sector led the charge by growing +6.3% in Q3-2024, continuing its +6.8% growth a quarter ago. Within it, Human Health and Social Work Activities grew fastest at +11.9% YoY, from +9.4% in Q2. Runner-up Accommodation and Food Service Activities grew +10.7% YoY, moderating from its +12.1% print in the previous quarter.

The Industry sector followed suit, growing +5.0% YoY, slowing down from its +7.9% expansion in Q2. Construction (+9.0% from +16.1%) led the charge within the sector, followed by Electricity, Steam, Water, and Waste Management (+7.4% from +9.1%).

The Agriculture, Forestry, and Fishing sector continued its decline by -2.8% in Q3-2024, widening from its -2.3% contraction in Q2. Forestry and Logging buoyed the sector to grow +9.2% in Q3, slowing from its +27.6% print a quarter ago. Other Agricultural Crops reversed their contraction by growing +7.9% in Q3. However, notable downturns in Sugarcane (62.2%), Palay (-12.0%), and Mangoes (-10.7%) contributed to the widened contraction for the sector.

On a seasonally adjusted (s.a.) basis, Q3-2024 GDP grew +1.7% QoQ, accelerating from +0.7% growth in the previous quarter, as HFCE grew +2.8% QoQ, GCF edged up +1.8% QoQ, and GFCE expanded by +1.1% QoQ. On the production side, Services went up by +2.2% QoQ in Q3-2024, followed by Industry (+1.0% QoQ) and Agriculture, Forestry, and Fishing (+0.3% QoQ).

Manufacturing PMI Posted 14th Month of Expansion in October

The S&P Global Philippines Manufacturing PMI slowed to 52.9 in October, from its 27-month high of 53.7 in September. The October print marked the 14th straight month of expansion in the local manufacturing sector. A rising consumer base buoyed output and new orders growth, leading to the largest increase in employment in seven years. Despite increasing input cost inflation, material shortages, and port congestion, managers' business sentiment improved to a five-month high.

Meanwhile, industrial output growth as measured by the Volume of Production Index (VoPI) contracted by -6.3% in September, reversing a seven-month growth streak.

Out of 22 industry divisions, 12 posted positive annual growth rates in September. The top three gainers were: Manufacture of Electrical Equipment (+49.4%), Manufacture of Leather and Related Products, Including Footwear (+28.8%), and the Manufacture of Furniture (+25.3%).

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

	August 2024	September 2024	MoM Change Levels	MoM Change % Change
Labor Force	51,224	51,776	542	1.1%
Employed	49,154	49,872	718	-1.4%
Underemployed	5,484	5,944	460	-7.7%
Underemployment rate%	11.2	11.9	0.8	-5.9%
Unemployed	2,070	1,893	(177)	9.4%
Unemployment rate%	4.0	3.7	(0.4)	8.1%
Labor Participation rate%	64.8	65.7	0.9	-1.4%
Not in Labor Force	27,816	27,035	(782)	2.9%
Agriculture ('000)	9,482	9,904	422	4.5%
Industry ('000)	8,562	8,654	92	1.1%
Mining and Quarrying	211	272	61	29.0%
Manufacturing	3,406	3,763	357	10.5%
Electricity, Gas, Steam, and Air-Conditioning Supply	93	78	(15)	-16.0%
Water Supply; Sewerage, etc.	114	87	(27)	-24.0%
Construction	4,738	4,455	(284)	-6.0%
Services ('000)	31,110	31,314	204	0.7%
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	10,929	3,874	(597)	-5.5%
Transportation and Storage	3,835	2,345	40	1.0%
Accommodation and Food Services Activities	2,518	493	(173)	-6.9%
Information and Communication	431	706	62	14.4%
Financial and Insurance Services	580	299	126	21.7%
Real Estate Activities	329	519	(29)	-8.9%
Professional, Scientific, and Technical Activities	394	3,210	125	31.8%
Administrative and Support Services Activities	2,568	2,568	642	25.0%
Public Administration and Defense; Compulsory Social Security	3,362	3,236	(125)	-3.7%
Education	1,711	1,766	55	3.2%
Human Health and Social Work Activities	835	658	(177)	-21.2%
Arts, Entertainment, and Recreation	451	469	18	4.0%
Other service activities	3,167	3,402	235	7.4%

Source of Basic Data: Philippine Statistics Authority (PSA)

All three industry divisions grew faster compared to August.

In contrast, 10 industry divisions reported annual declines for the month. The top three decliners were: Manufacture of Basic Metals (-35.1%), Manufacture of Wood, Bamboo, Cane, Rattan Articles and Related Products (-23.8%), and Printing and Reproduction of Recorded Media (-21.1%). The third largest decliner posted a slower decline compared to August.

Unemployment Rate Down to 3.7% in September from 4.0% in August

The holiday season began to pick up with a reduction in the unemployment rate to 3.7% in September, down from 4.0% in August. The economy added 718,000 jobs as all three major sectors took in more workers. The Agriculture sector added 422,000 employed persons in September, followed by the Services sector's 204,000 new jobs, more than double the Industry sector's 92,000 jobs added. A growing number of female workers joining the labor force contributed to this month's improved employment print. Despite this, the underemployment rate rose to 11.9% for the month, compared with the 11.2% print in August.

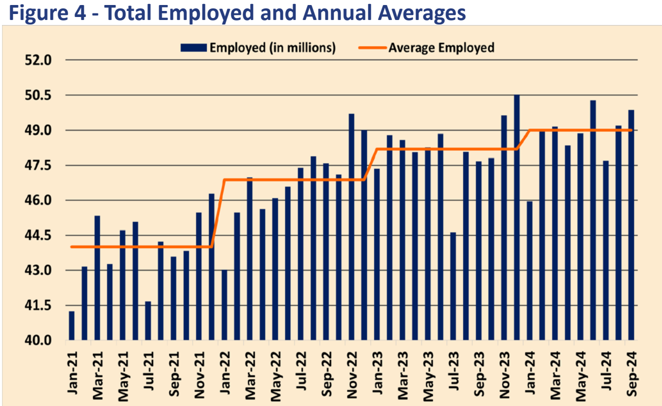
The wave of new employment in Agriculture was split between Agriculture and Forestry (+294,000) and Fishing and Aquaculture (+129,000).

In the Services sector, the Administrative and Support Service activities sub-sector absorbed the largest number (+642,000), followed by Other Service Activities (+235,000) and Professional, Scientific, and Technical Activities (+125,000). However, these gains were met by large drops in employment in Wholesale and Retail Trade (-597,000) and Human Health and Social Work Activities (-177,000).

The labor force participation rate (LFPR, the percentage of the population above 15 years old in the labor force) increased to 65.7% in September, from 64.8% a month ago.

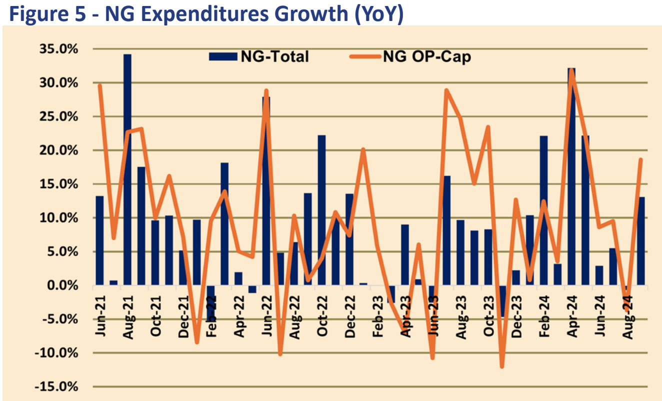
The higher LFPR and underemployment rate indicate that the persons who entered the labor force found part-time or temporary work arrangements. We expect a further reduction in the unemployment rate in Q4, as growth picks up and the holiday season comes into full swing.

Figure 4 - Total Employed and Annual Averages



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 5 - NG Expenditures Growth (YoY)



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

NG Current and Capital Spending Rebounds by 18.6% YoY in September

Current and capital outlays of the National Government (NG) made a quick rebound in September as it increased by 18.6% YoY from -3.7% a month earlier amid total expenditure expansion of 13.1% YoY from -0.7% in the prior month. Although total revenues climbed by 17.3%, the fiscal deficit bloated to P273.3-B, a huge pickup from the P54.2-B shortfall in August. Year-to-date (YTD), the budget deficit reached P970.2-B, some P500.0-B shy of the revised projected deficit of P1.487-T for 2024 with three months remaining in 2024.

As usual in the last month of each calendar quarter, tax revenues growth took a slower pace of 8.5% YoY in September from 9.8% in the prior month as collections of the Bureau of Customs (BOC) skidded by -3.3% YoY from August's 4.7% uptick. A good performance by the Bureau of Internal Revenue (BIR) (+14.8% YoY) offset the BOC shortfall. However, non-tax revenues saved the day with another triple-digit surge of 113.5% YoY piling on top of its 251.9% vault a month earlier, boosted by front-end fees paid by the San Miguel Corporation group for the NAIA-Airport Expansion & Modernization PPP.

Total NG expenditures expanded by 13.1% YoY as the Department of Public Works and Highways ramped up infrastructure works. NG also paid the first tranche of salary adjustments of qualified government employees under EO 64 and the health emergency allowance (HEA) claims of healthcare workers. Interest payments rose by only 3.4% YoY, the second slowest pace in the year when double-digit growth ravaged NG finances due to elevated interest rates.

We think NG deficit for 2024 will come close to its target as it speeds up spending in the remaining months of the year.

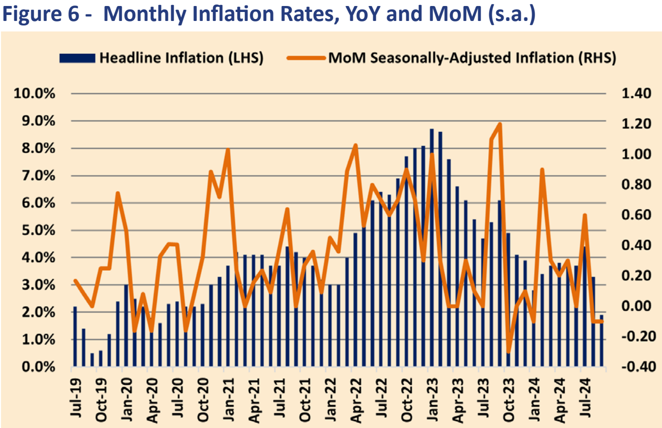
Table 2 - Major Contributors to Year-on-Year Inflation

Inflation Year-on-Year Growth Rates	Sept-2024	Oct-2024	YTD
Headline	**1.9%**	**2.3%**	**3.3%**
Food and Non-Alcoholic Beverages	1.4%	2.9%	13.4%
Alcoholic Beverages and Tobacco	3.1%	3.0%	16.5%
Clothing and Footwear	2.9%	2.7%	8.3%
Housing, Water, Electricity, Gas, and Other Fuels	3.2%	2.4%	7.1%
Transport	-2.4%	-2.1%	3.1%
Restaurants and Accommodation	4.1%	3.9%	13.1%
Personal Care & Misc. Goods and Services	2.9%	2.8%	9.0%

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



Source of Basic Data: Philippine Statistics Authority (PSA)

Headline Inflation Quickens to 2.3% in October from 1.9% in September

Higher food prices pushed inflation upwards, leading to a higher 2.3% October inflation print from 1.9% in September. Inflation in the heavily weighted Food and Non-Alcoholic Beverages category (2.9% YoY from 1.4%) accelerated inflation, despite other categories showing slowdowns. However, YTD inflation continued its downward trend further to 3.3% from 3.4% a month earlier.

A small spike in crude oil prices in mid-October amid tensions in the Middle East caused a slower decline in the Transport-sub index (-2.1% from -2.4%). The West Texas Intermediate (WTI) U.S. benchmark posted a slower -15.9% plunge YoY and averaged $70.24/barrel (bbl) for the month. Similarly, the Brent crude (European benchmark) went down by -16.5% YoY.

Agricultural damage from adverse weather disturbances contributed to the temporary uptick. Prices of four out of nine food categories decelerated in October, led by Vegetables declining -9.2% YoY, albeit slower than their previous -15.8% downtick. Sugar, Confectionery, and Desserts prices also went down by -0.2% YoY.

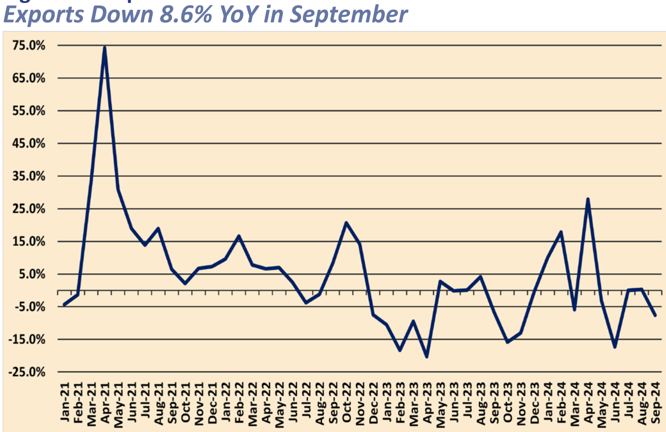
Seasonally adjusted (s.a.) CPI grew a meager +0.1% MoM, moving sideways from its -0.1% decline in September.

Table 3 - Exports Year-on-Year Growth Rates

	Aug-2024	Sep-2024	YTD
Total Exports	**0.3**	**-7.6**	**1.1**
Agro-Based Products	**22.9**	**34.1**	**22.4**
Mineral Products	**-13.4**	**0.5**	**-4.2**
Copper concentrates	163.5	-37.8	55.6
Manufactured Goods	**-0.6**	**-11.1**	**0.2**
Electronic Products	-8.2	-23.1	-2.2
Other Electronics	-7.7	12.9	-5.2
Chemicals	17.6	-0.3	18.6
Machinery and Transport Equipment	30.1	-6.8	8.2
Processed Food and Beverages	14.0	27.4	16.3
Others	36.5	4.2	2.8

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 7 - Exports Year-on-Year Growth Rates
Exports Down 8.6% YoY in September



Source of Basic Data: Philippine Statistics Authority (PSA)

Table 4 - Imports Year-on-Year Growth Rates

	Aug-2024	Sep-2024	YTD
Total Imports	**2.7**	**9.9**	**0.6**
Capital Goods	**9.6**	**1.4**	**-1.9**
Power Generating and Specialized Machines	1.4	-0.3	-0.4
Office and EDP Machines	28.8	26.0	16.7
Telecommunication Equipment and Electrical Machinery	5.4	4.2	-3.8
Land Transport Equipment Excluding Passenger Cars and Motorized Cycle	26.8	-17.0	8.9
Aircraft, Ships and Boats	70.1	6.7	-26.5
Prof. Sci and Cont. Inst., Photographic Equipment and Optical Goods	2.8	-15.4	-2.2
Raw Materials and Intermediate Goods	**5.2**	**19.5**	**2.2**
Mineral Fuels, Lubricant and Related Materials	**-9.1**	**-11.4**	**-2.6**
Consumer Goods	**0.0**	**20.6**	**3.8**

Source of Basic Data: Philippine Statistics Authority (PSA)

Exports Contract by -7.6% in September

The country's export growth retreated with a -7.6% YoY contraction in September, from its modest +0.3% growth in August. With five of the 10 largest export product categories in positive territory, total exports amounted to $6.258-B in September from $6.772-B a year ago. Exports declined by 7.3% MoM from its $6.752-B print in August.

Exports largely surged for Coconut Oil, growing +117.5% for the month. Commodity outflows also increased for Other Manufactured Goods (+73.7%) and Electronic Equipment and Parts (+54.1%). On the other hand, Electronic Products exports shrank by 23.1%, accounting for 50.3% of total exports. Similarly, Electronic Equipment and Parts (-14.5%) and Machinery and Transport Equipment (-6.8%) also contracted in September.

The bulk of exports bound for major trading partners shrank by 8.6% YoY in September. The U.S. remained the top destination of Philippine exports amounting to $1.08-B, growing +1.5% YoY. Runner-up Hong Kong received $867.4-M worth of local goods, increasing +4.4% YoY.

Japan and the People's Republic of China came next, with export growth at -6.1% and -23.6%, respectively. Exports to the Republic of China (Taiwan) declined the most at -34.2% YoY to $191.8-M.

Imports of Capital Goods Slow to 1.4% in September

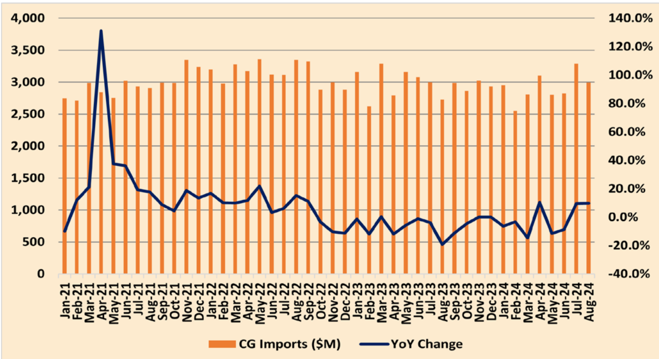
Overall imports of commodities increased by +9.9% in September to $11.3-B. Of these, Capital Goods imports increased by +1.4% YoY, valued at $3.0-B. Month-on-month, total imports grew by +1.8% from $11.1-B in August.

Seven out of 10 import commodity groups posted expansions. Metalliferous Ores and Metal Scrap imports ballooned by +107.0% to $504.8-M. Other gainers included Other Food and Live Animals (+34.0%) and Iron and Steel (+30.0%). Meanwhile, import contraction was most pronounced for Manufactured Fertilizers at -29.8%.

With these, the trade balance in September 2024 revealed a $5.1-B print, with the shortfall leaping +43.4% YoY. In the previous month, the deficit had a +7.0% uptick at $4.4-B, contrasting with a -25.5% decline in the deficit last year.

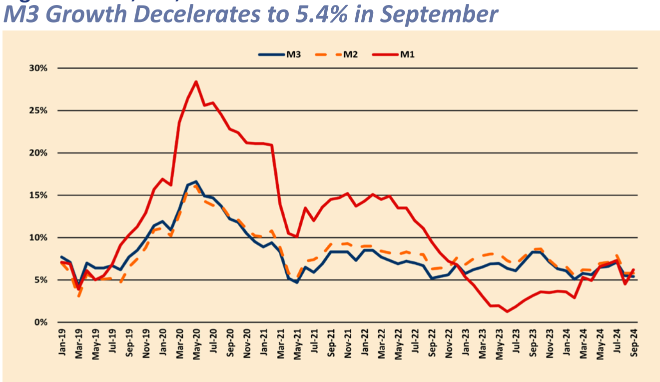
BSP's Gross International Reserves (GIR) hit a fresh record high of $112.0-B in September, equivalent to 8.1 months' worth of imports and payments.

Figure 8 - Imports of Capital Goods (in Million USD)
CG Imports Inch Up 1.4% YoY



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 9 - M1, M2, M3 Growth Rates
M3 Growth Decelerates to 5.4% in September



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

Money (M3) Growth Slows Further to 5.4% in September

Domestic liquidity (M3) further decelerated to +5.4% YoY to P17.6-T in September from +5.5% in August. On a MoM s.a. basis, M3 grew slightly by +0.7%.

Net foreign assets (NFA) in peso terms rose by +8.6% (YoY) in September, higher than the +2.4% print in August. The BSP's NFA grew by +14.2% largely due to the increase in GIR from the $2.5-B sustainable ROPs bond issue in September. Meanwhile, banks' NFA contracted on account of higher bills payable.

Lending for production activities accelerated to +9.8% in September from +9.4% in August, driven by loans to key industries such as Real Estate Activities (+14.2%), Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles (+12.0%), Manufacturing (+10.6%), and Electricity, Gas, Steam, and Airconditioning Supply (+7.5%).

Consumer loans to residents increased slightly slower at +23.4% in September from +23.7% a month earlier, mainly from credit card lending.

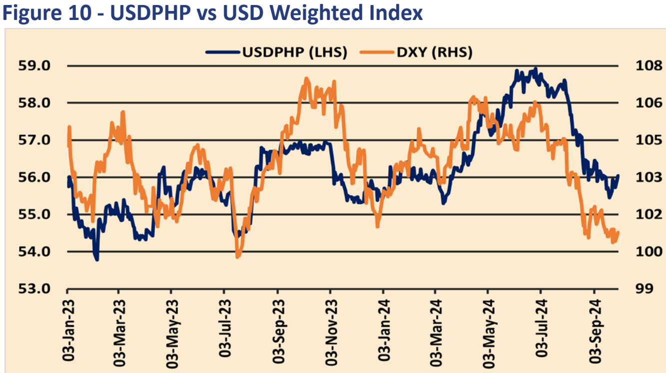
Table 5 - Exchange Rates vs USD for Selected Asian Countries
Peso-Dollar Rate Closes at 58.254, Up 4.2%

Month-End Exchange Rates vs USD for Selected Asian Countries			
	September-2024	October-2024	YTD
AUD	-1.5%	5.0%	3.9%
CNY	-1.2%	1.5%	0.0%
INR	-0.2%	0.5%	1.1%
IDR	-1.5%	3.1%	1.6%
KRW	-1.7%	5.2%	6.9%
MYR	-4.3%	6.1%	-5.0%
PHP	-0.7%	4.2%	4.8%
SGD	-1.7%	3.2%	0.1%
THB	-4.5%	4.3%	-1.2%

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

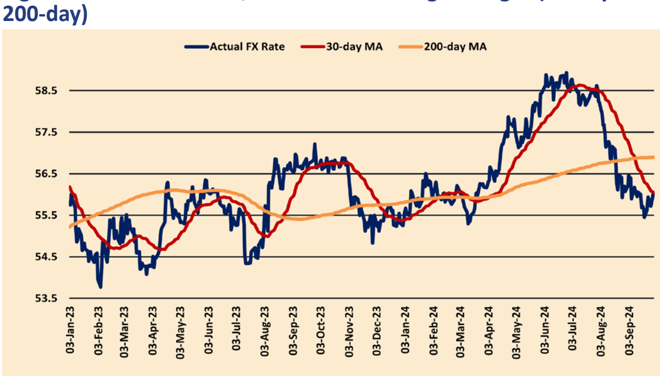
Source of Basic Data: Bangko Sentral ng Pilipinas (BSP)

Figure 10 - USDPHP vs USD Weighted Index



Source of Basic Data: Trading Economics

Figure 11 - USDPHP Rate, Actual and Moving Averages (30-day and 200-day)



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

Stronger Dollar Pulls Up FX Rates

The U.S. dollar appreciated sharply in October after its decline in the past two months. All monitored currencies depreciated against the dollar including the Philippine peso. The USDPHP rate averaged P57.301, some 2.2% higher than in September. Based on end-month data, the peso depreciated 4.23% against its 0.7% appreciation in the past month.

On a MoM basis, the Malaysian Ringgit and the Korean Won FX rates to the U.S. dollar gained the most with 6.1% and 5.2%, respectively.

A U.S. dollar rebound played out as the U.S. Presidential election went in favor of a Trump victory, whose protectionist and inflationary policies (as markets expect the Fed having to slow down their easing cycle) would likely result in a stronger dollar. The U.S. dollar index (DXY) ended the month accordingly near 104.0.

The USDPHP rate has also breached both 30-day and 200-day moving averages (MA) suggesting it may remain elevated depending on Fed and BSP policy rate changes and the level of PH trade deficits.

Outlook

The economy did slow down to a 5.2% YoY growth in Q3 from 6.4% (revised upward) in Q2. This has disappointed financial markets as we have witnessed a huge drop in PSEi and a rise in 10-year bond yields in the first half of November. The meltdown may suggest overreaction to the impact of the July super typhoon and flooding in Metro Manila. Its severity (rainfall) measured in a 24-hour interval at 471 millimeters (mm) exceeded that of "Ondoy's" 455 mm, even though the latter retained the six-hour record of 341 mm. However, the economy did better than with "Ondoy" (when GDP expanded by only 0.9% YoY, Q3-2009). Most analysts failed to see the acceleration in seasonally adjusted GDP growth to 1.7% QoQ from 0.7% in Q2.

- Employment likely continued to increase in October, with better weather and production for the Christmas season, as well as rice harvest in full swing.

- We expect accelerated NG spending in Q4, especially for infrastructure, as the strong rebound in September expenditures suggests. Salary adjustments and 13th month pay in November should also boost consumer incomes.

- Inflation YoY in November and December should stay low at 2.3% to 2.4%, with a Q4 average of 2.3%. With good recent rice harvests, international rice prices have continued to fall (see graph in bonds segment) and Bangladesh has tried to strike a deal with the country to take in some of its exports, while the DA secretary expects at least a 5.0% drop MoM in the staple food's prices. Crude oil prices also will remain soft due to abundant supply and weak demand in China and U.S. Those have gone back to below $70/barrel (WTI) after a break spike due to the one-month extension of OPEC production cuts. We expect Q1-2025 inflation to fall further to 2.1%.

- All the above, supported by a more positive consumer sentiment for Q4 (ref. BSP Consumer Expectations Sentiment for Q4), should significantly boost consumer spending in Q4. We have already seen a pick up in spending in Q3 when it expanded by 5.1% YoY after two consecutive quarters of below 5.0% gains.

- The USDPHP rate will remain challenged due to the rebound in the U.S. dollar and huge PH trade deficits. However, we may see a temporary respite due to strong OFW remittance in the last two months of 2024 and the likely 25 bps policy rate reduction by the Fed in December. Notably, we also expect BSP to match that cut right after the Fed meeting.

- In terse, we expect a full year GDP growth of 5.8%, slightly lower than our earlier forecast of 6.0% primarily due to the July flooding of Metro Manila and environs.

FIXED INCOME SECURITIES

"TRUMP TANTRUM" PUSHES U.S. YIELDS HIGHER, BUT MUTED IN THE PH

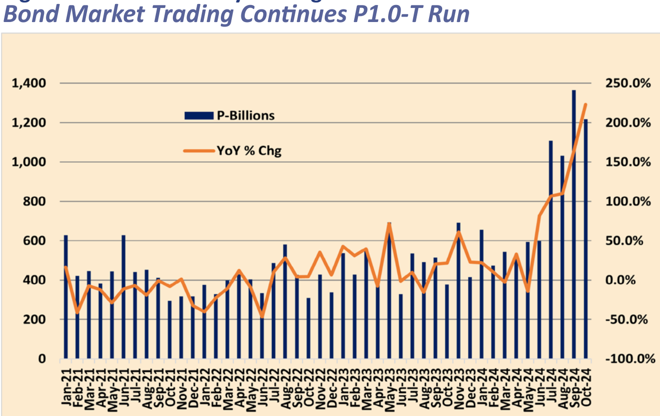
Despite fears of a "Trump tantrum" victory in the U.S. bond markets that pushed U.S. 10-year bond yields by 47 basis points (bps) to a three month of 4.28% by end-October, local bond yields climbed more modestly by 13.9 bps to 5.877%. Trading activity in secondary market remained brisk at P1.2-T, the fourth consecutive month in which volume exceeded P1.0-T. Inflation of 1.9% YoY in September tempered the climb as bond investors responded to another BSP policy rate cut of 25 bps to bring it to 6.0%, albeit still relatively high. Bureau of the Treasury (BTr) reduced its offer by -43.2% month-on-month (MoM) at auctions to P125.0-B, where investors favored longer tenors. Thus, while Treasury bills (T-bills) yields ended higher, led by 91-day T-bills at 5.752%, or 74.7 bps more than a month ago, long dated Treasury bonds (T-bonds) auctioned at lower yields. With full award of offers, the 5-year and 7-year yields plunged by 55.8 bps and 43.8 bps to end at 5.508% and 5.610%, respectively. ROPs also climbed less than equivalent U.S. Treasuries and players in the latter market proved more daunted by the Trump victory.

***Outlook**: The Fed quelled market fears by lowering its policy rate by 25 bps in November to 4.75% to little avail. The Fed relied on the 2.1% year-on-year (YoY) inflation print (on its preferred measure, PCE) and the extremely weak October jobs. While U.S. market players remained skeptical that deficits will significantly fall. In the local front, NG does not seem to need cash for the rest of the year given the drop in monthly auctions in Q4 or may resort to foreign financing if needed. Local inflation will remain soft to average 2.3% in Q4 and even lower in Q1-2025. All these should point to easing of 10-year bond yields to our target range of 5.25% to 5.75% by year-end since the real yields are so high and fall in the top percentile for the previous decade. We expect further declines in nominal yields in 2025 by 100 bps.*

Table 6 - October Auction Results

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
28-Oct	**91-day**	26.0	65.8	26.0	2.529	5.586	39.0
	182-day	26.0	59.2	26.0	2.278	5.752	74.7
	364-day	28.0	76.4	28.0	2.727	5.751	26.4
Subtotal		**80.0**	**201.340**	**80.000**	**2.517**		
1-Oct	**5 year**	15.0	86.380	15.000	5.759	5.508	-55.0
15-Oct	**7 year**	15.0	40.876	15.000	2.725	5.690	-43.8
29-Oct	**10 year (FXTN 10-72)**	30.0	96.347	30.000	3.212	5.967	-24.5
Subtotal		**45.0**	**170.5**	**45.0**	**3.790**		
All Auctions		**125.0**	**371.9**	**125.0**	**2.975**		

Figure 12 - GS Secondary Trading Volume
Bond Market Trading Continues P1.0-T Run



Source: Philippine Dealing Systems (PDS)

GS Auctions: BTr Lowers Offer by -43.2% MoM to P125.0-B in October

In October, Bureau of the Treasury (BTr) offered only P125.0-B (and accepted the same amount) or -43.2% lower than the previous month but still improved on the tender-offer ratio (TOR) at 2.9875x from 2.834x in September. Market players preferred longer tenors which obtained a TOR of 3.790x from 2.252x earlier as real yields bloated with the fall of September inflation to 1.9% YoY. I

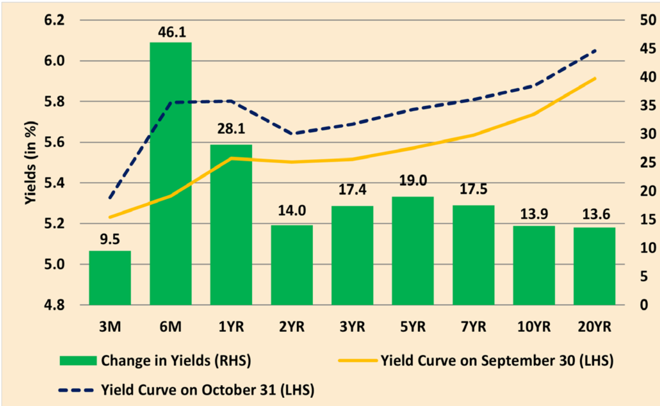
In the long-term space, 5-year Treasury bonds (T-bonds) plunged the most, by 55 bps, to close at 5.508%, while the 10-year papers (reissued 10-72) fell the least with 5.807% at month's end. On the other hand, yields of Treasury bills (T-bills) climbed between 26.4 bps (364-day T-bills to 5.7651%) and 74.7 bps (182-day T-bills to 5.752%).

After BSP Governor Eli Remolona Jr.'s remarks about the potential for two more policy rate cuts for the remainder of the year, risk sentiment finally changed. In the final week of the month, BTr fully awarded the reissuance of the 20-year Fixed Rate Treasury Note 20-27 at an average of 5.861%.

In total, BTr raised P220.0-B from bond issues in September after the P195.0-B issuance last month. This resulted in a higher tender-offer ratio (TOR) at 2.834x from 2.360x a month earlier.

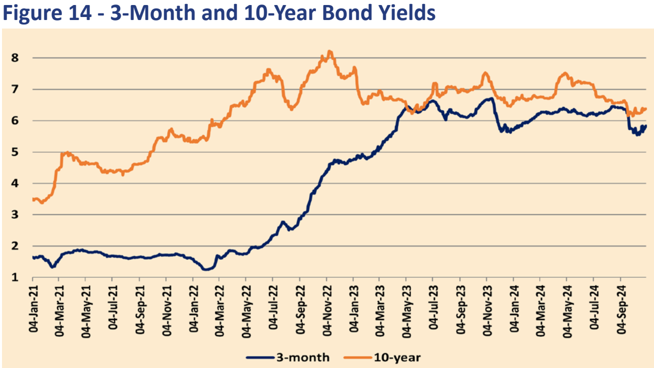
The commentary included here reflects information from the previous month. Outlooks are forward-looking.

Figure 13 - GS Peso Yield Curves and MoM Change



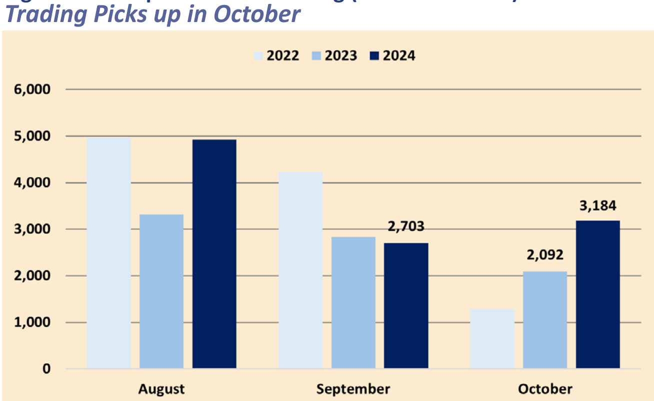
Sources: Bloomberg, Philippine Dealing Exchange (PDEx)

Figure 14 - 3-Month and 10-Year Bond Yields



Source: Philippine Dealing Systems (PDS)

Figure 15 - Corporate Bond Trading (in Million Pesos)
Trading Picks up in October



Sources: Bloomberg, Philippine Dealing Exchange (PDEx)

GS Secondary Market: Trading Volume Exceeds P1.0-T for 4th Consecutive Month in October

The secondary market rallied further with volume reaching the second highest level of P1.4-T, close to the slightly higher record in March 2013. This marked the third consecutive month of over P1.0-T trading. In September total trading volume increased by 32.4% MoM, and a whopping 164.7% YoY surge.

As investors expected further BSP rate cuts, yields across all tenors dropped, with the 3-month papers sliding the most by -68.4 bps to 5.2315%, while the 6-month yields fell by -66.4 bps to 5.3349%. The 2-year and 3-year benchmark yields slid by around -50 bps to 5.5020% and 5.5149%, respectively. Long tenor yields displayed lower easing with 10-year and 20-year paper yields down by -33.1 bps and -26.3 bps to 5.7381% and 5.9126%, respectively.

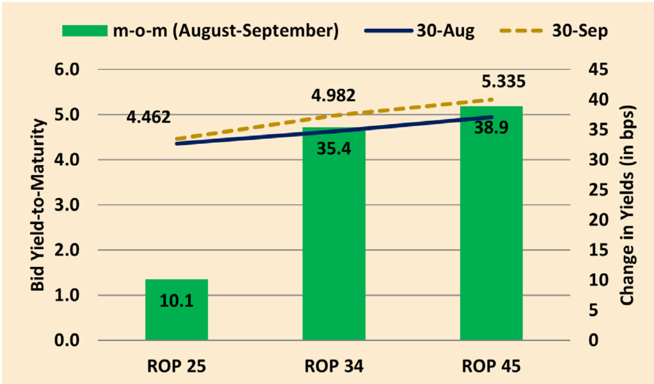
Bangko Sentral ng Pilipinas' (BSP) 25 bps rate cut to 6.25% in August contributed to a modestly steepening of the yield curve, as the spread between the 10-year and 2-year yield widened by 18 bps to end September at 24 bps.

Corporate Bond Market

Issuances. We saw two preferred share issuances (treated like bonds) in October:

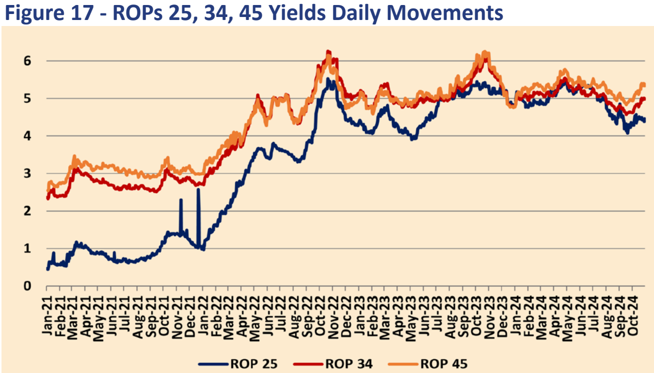
- Ayala Corporation (AC) – P15.0-B preferred B shares issue with a dividend rate of 6.0538% payable quarterly.
- Vista Land and Leisure Corporation (VLL) – P3.0-B Series 2A Preferred Shares (VLL2A) and Series 2B Preferred Shares (VLL2B) are 7.9892% p.a. and 8.4000% p.a., respectively.

Figure 16 - ROPs Yield Curve and MoM Change



Source: Bloomberg

Figure 17 - ROPs 25, 34, 45 Yields Daily Movements



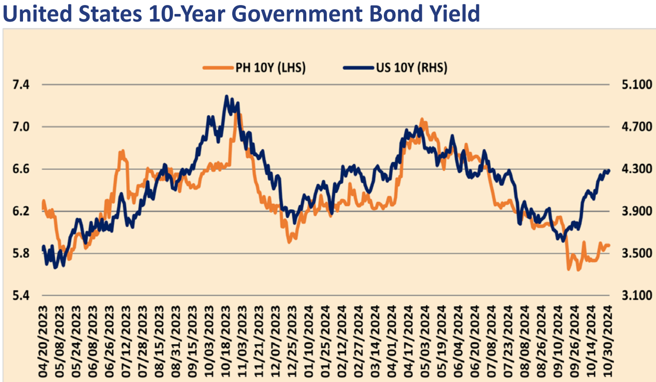
Sources: Bloomberg, First Metro Investment Corporation (FMIC)

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**
30-Aug	20.1	86.1	80.8
30-Sept	46.1	87.8	84.6
30-Oct	19.2	70.2	75.5

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

Figure 18 - Philippine 10-Year Government Bond Yield Vs. United States 10-Year Government Bond Yield



Source: Trading Economics

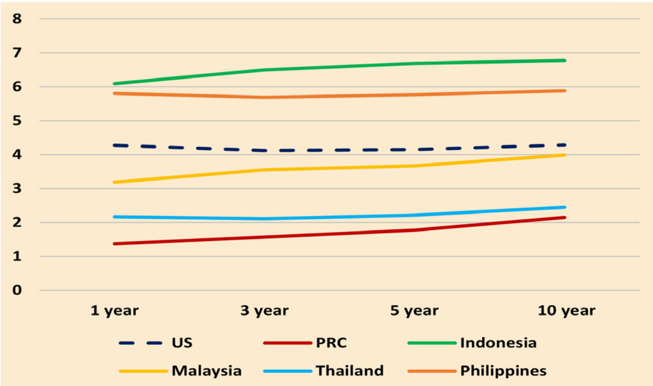
Secondary Market. The market showed a little more zest as total trading in October reached P3.2-B, a 17.8% MoM vault from P2.7-B a month ago. Compared with the same month in 2023, it soared by 52.0% YoY.

ROPs: Spreads over U.S. Treasuries Narrow as Investors Drive U.S. Yields Higher on Expected Trump Win

Yields for U.S. dollar-denominated bonds (ROPs) rose with equivalent U.S. Treasuries especially for longer dated papers. However, the players in the U.S. market became more aggressive to drive yields much higher in anticipation of a Trump victory. The investors in U.S. Treasuries perceived that President-elect Donald Trump would incur larger deficits and would constrain the Fed to keep interest rates "higher for longer".

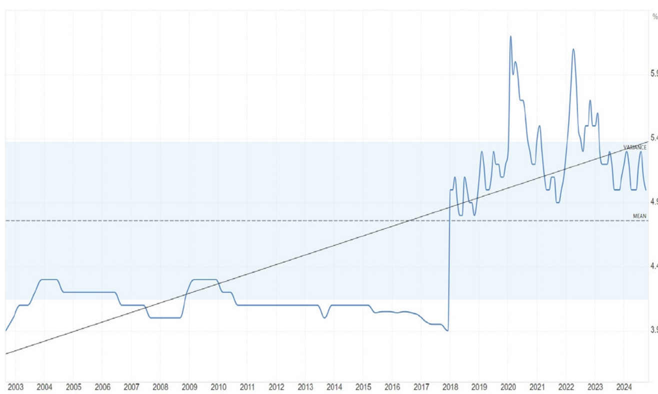
ROP-34 and ROP-45 jumped by 35.4 bps and 39.8 bps to reach 4.982% and 5.335%, respectively while ROP-25 climbed by only 10.1 bps to 4.462%. On the other hand, the expected Trump victory pushed up U.S. 10-year and 20-year yields by 53 bps and 48 bps to hit 4.28% and 4.58%, respectively, while 1-year papers vaulted by 37 bps to end at 4.27%. Thus, spreads slimmed to 19.2 bps, 70.2 bps, and 75.5 bps for the 1-year, 10-year and 20-year papers, respectively.

Figure 19 - Comparative ASEAN+1 Yield Curves, End-September
ASEAN Yield Curves Remain Flat



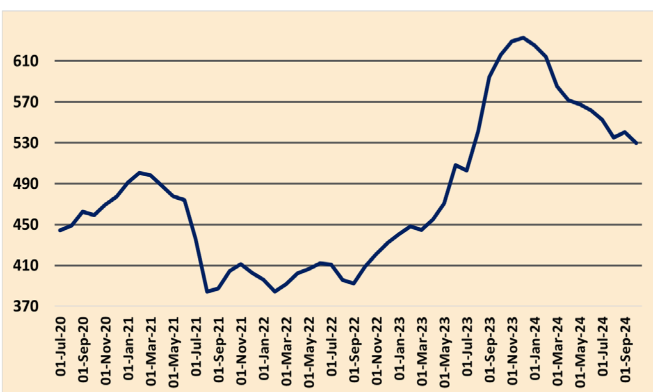
Sources: Asian Development Bank (ADB), Federal Reserve Board

Figure 20 - China's Unemployment Rate, 2001-2024



Source: Trading Economics

Figure 21 - Vietnam 5% Broken Rice Price (in USD per metric ton)



Source: YCharts

ASEAN+1: US Presidential Election Results Set In, Yield Curves Flatten

U.S.: Buffeted by hurricanes which flooded swaths of the Midwest, and the Boeing strike likely caused the huge drop in new jobs to a meager 12,000 in October, while the unemployment rate remained at 4.1%. Bureau of Labor Statistics (BLS) pared down the initial job gains in September to 223,000, a cut of-31,000. Manufacturing PMI slid to 46.5 in October from 47.2 in the previous month. YoY inflation in September slightly eased to 2.4% a tad slower than 2.5% a month ago. Seasonally-adjusted inflation (s.a.) kept 0.2% MoM pace for the second month. Meanwhile, the Personal Consumption Expenditures (PCE) inflation rate, the preferred metric of the Fed, slowed to 2.1% YoY from 2.3% a month ago. Housing starts fell by -0.5% MoM (s.a.) in September from -7.8%. Consumer sentiment improved to 73.0 in November, a 7-month high) from 70.5 a month ago.

The Fed cut policy rates by 25 bps on November 7 meeting to 4.75%. Spread between 10-year and 2-year bond yields slipped to 12 bps from 15 bps.

CHINA: GDP Q3 growth slowed to 4.6% YoY from 4.7%, second consecutive quarter of below 5.0% expansion. Caixin Manufacturing PMI Improved to 50.3 in October from 49.3 a month earlier. Retail sales rose faster at 3.2% YoY in September from 2.1% YoY in the previous month. The unemployment rate mildly eased to 5.1% from 5.3% but remained much above the 2002-2018 average of 4.1%. Inflation eased to a 0.3% YoY pace in October from 0.4% YoY a month ago. Deflation threat remained as PPI declined further to -2.9% YoY in October from 2.8% earlier. The trade surplus jumped to $95.3-B in October 2024, the largest surplus since June from $56.1-B, mainly due to a 12.7% YoY jump in exports, the fastest pace since July 2022, while imports fell 2.3%. The uptick in outbound shipments improved from the 2.4% gain in September, as manufacturers filled up orders in anticipation of higher tariffs in the U.S. and EU.

Yield curve flattened by-6 bps to 68 bps [i.e., 10-year less 2-year yields]

INDONESIA: GDP expansion in Q3 slowed to 4.95% YoY from 5.05% in the previous quarter. Manufacturing PMI remained at 49.2 in October, the fourth consecutive month below 50 (i.e., contraction). Inflation, thus, eased further to 1.71% in October from 1.84% previously. Its trade surplus narrowed to $3.3-B in September 2024, down -4.1% YoY from $3.4-B a year earlier. Exports increased by 6.4% YoY, marking the sixth consecutive month of growth, albeit at the slowest pace in three months, while imports rose faster by 8.6% YoY from August's 9.5% upswing. Year-to-date (YTD), the balance of trade surplus stood at a healthy $23.0-B, but 21.1% YoY lower than the same period a year ago. The unemployment rate inched up to 4.91% in Q3 from 4.82% Q1.

Bank Indonesia (BI) kept its policy rate of 6.0% unchanged, while the yield curve flattened by 9 bps to 28 bps by the end of October.

MALAYSIA: Like the rest of ASEAN, GDP expanded slower to 5.3% YoY in Q3 from 5.9% in Q2. Industrial production sputtered at a 2.3% YoY pace in September from 4.1% a month ago. Inflation eased mildly to 1.8% YoY September from 1.9% earlier. Balance of trade print came at MYR 131.9-B (~ $3.1-B), a huge plunge of 45.9% YoY as exports fell by 0.3% to a 5-month low of MYR 124.1-B ($28.9-B) while imports climbed 10.9% YoY to MYR 110.8-B (~$25.9-B).

Bank Negara Malaysia (BNM) retained its policy rate at 3.0%, unchanged since May 2023. The yield curve steepened by 9 bps to 53.0 bps, the highest in ASEAN, excluding Singapore.

THAILAND: The country's low Inflation remained at 0.8% YoY in October as Industrial Production slid further by -3.5 % YoY in September from -1.9% in the prior month. However, its Leading Economic Indicator Index (LEI) improved to 175.6 in September from 172.5 a month ago. Exports increased 1.1% YoY to $ 26.0-B, easing from 7.0% in August. At the same time, imports grew by 9.9% YoY to $25.6-B, the fourth straight month of growth.

Bank of Thailand (BOT) kept its policy rate of 2.25%, last changed in August. The yield curve hardly moved with the spread between 10-year and 2-year yields a tad -1 bp lower to 31 bps.

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
					Sep 24	Oct 24			
US	4.16	4.28	2.4	1.88	0.15	12	11.85	4.75	2.35
PRC	1.47	2.15	0.5	1.65	74	68	(6)	3.10	2.6
Indonesia	6.51	6.79	2.8	3.99	37	28	(9)	6.00	3.2
Malaysia	3.4	3.93	2.4	1.53	44	53	9	3.00	0.6
Thailand	2.1	2.41	0.7	1.71	32	31	(1)	2.25	1.55
Philippines	5.64	5.88	3.2	2.68	24	24	0	6.00	2.8

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

Outlook

The expected and actual election of Donald Trump as President of the United States had elicited fears of larger deficits resulting in the Fed keeping interest rates “higher for longer”.

- While U.S. 10-year T-bond yields reached a 4-month high of 4.437% on November 6th, the day after the elections, it has eased by at least 10 bps by the second week of November. We think the downward trend will continue since the Fed will likely continue to ease its policy rates as PCE inflation rate (i.e., the Fed’s preferred measure of inflation) slid further to 2.1% in September from 2.3% a month earlier. Besides, there is little pressure on crude oil prices due to weak U.S., China and global economic recovery. We think it unlikely that President-elect Trump will bloat the budget deficit since what he plans is to cut down on government employment and spending and get business to invest and hire more with lower tax rates and regulations, at a measured pace.

- With NG’s revised FY budget deficit at P1.48-T, YTD deficit of P970.0-B by September, and P505.0-B additional cash as of that month, NG has reduced its Q4 borrowing program. It will likely tap foreign sources or issue Retail Treasury Bonds (RTBs), if needed. It will likely wait for local yields to drop substantially as we forecast Q1-2025 inflation at 2.1% and full year at 2.3%, since local real 10-years are in the top percentile of outcomes for 2010-2019.

- Local inflation will continue to ease with crude oil prices projected by the Energy Information Agency (EIA) of the U.S. to slide by 4.9% in 2025 to $73.13/barrel from estimated $76.91/bbl in 2024. More abundant supply and weaker U.S. and China demand will contribute to this end. Rice prices will likely ease further as Thailand, Vietnam and India have bumper crops pushing down international prices. Vietnam rice prices (5.0% broken) have dropped by -14.0% YoY by October 2024. We also expect better local production in 2025 as more resources are targeted to food production.

- Thus, we maintain our 5.25% to 5.75% projection for 10-year T-bond yields by year-end. This should progressively decline to below 5.0% by Q1-2025 and end next year 100.0 bps lower.

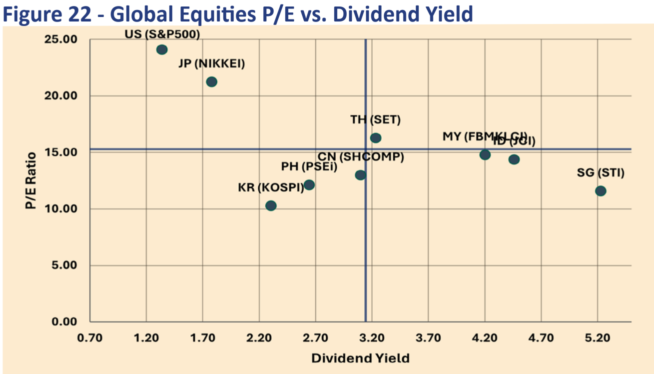
EQUITY MARKETS

PSEi Ends Winning Streak in October as U.S. Bond Yields Rise

The PSEi snapped its three-month winning streak, declining by -1.8% month-on-month (MoM) in October to 7,142.96, from a +5.4% uptick in the previous month. Expecting a Trump victory U.S. markets drove 10-year U.S. Treasury yields amid policy uncertainties that such an eventuality would spawn. Thailand's bourse (SET) again led ASEAN gainers to end the month up by +1.2%. Among advanced economies, Japan's bourse (NIKKEI) led value growth by closing +3.1% MoM amid policy uncertainty from its latest round of parliamentary elections. Hong Kong's HSI led index losers with a -3.9% drop in October. In the local equities market, the Financial sector (+1.5%) topped sectoral rankings for the month as Bank of the Philippine Islands (BPI, + 6.0%) led growth. Biggest loser Property sector (-4.7%) saw share price downticks in both Ayala Land, Inc. (ALI, -10.7%) and SM Prime Holdings, Inc. (SMPH, -5.1%)

***Outlook**: Below-expectations GDP growth of 5.2% YoY in Q3 put the nail in the coffin for lower PSEi after U.S. 10-year bond yields climbed to a 4-month high of 4.40% by November 6, as the markets correctly priced a Trump presidential victory. Although yields have eased with the election of Trump, good Q3 earnings may keep the index in a range slightly above 7,000 in the absence of new positive economic data splashing into investors' consciousness. Low downside risks appear likely as the RSI index nears oversold levels and PSEi still remains above its 200-day moving average. However, the MSCI rebalancing for the Philippines index to take effect on November 26 poses as an emergent mood dampener. Caution should rule in November, but investors can still get into some counters which look attractive.*

Figure 22 - Global Equities P/E vs. Dividend Yield



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

Table 9 - Global Equities Markets Performances

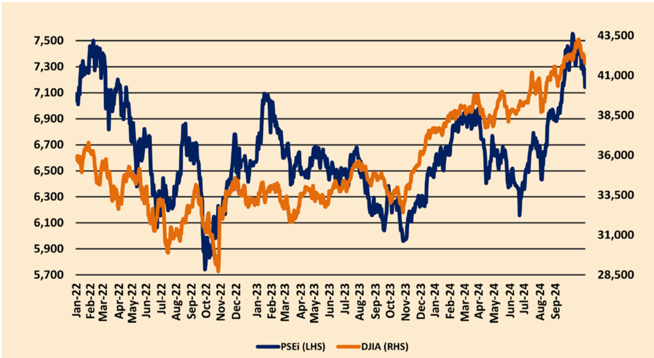
Region	Country	Index	Sep M-o-M Change	Oct M-o-M Change	2024 YTD
Americas	US	DJIA	1.8%	-1.3%	10.8%
Europe	Germany	DAX	2.2%	-1.3%	13.9%
	London	FTSE 101	-1.7%	-1.5%	4.9%
East Asia	Hong Kong	HSI	17.5%	-3.9%	19.2%
	Shanghai	SSEC	17.4%	-1.7%	10.2%
	Japan	NIKKEI	-1.9%	3.1%	16.8%
	South Korea	KOSPI	-3.0%	-1.4%	-3.7%
Asia-Pacific	Australia	S&P/ASX 200	2.2%	-1.3%	7.5%
Southeast Asia	Indonesia	JCI	-1.9%	0.6%	4.1%
	Malaysia	KLSE	-1.8%	-2.9%	10.4%
	Thailand	SET	6.6%	1.2%	3.5%
	Philippines	PSEi	5.4%	-1.8%	10.7%
	Singapore	STI	3.6%	-0.7%	9.8%

Global Picture. Most of our tracked global equity markets posted downticks in October, clouded by increased uncertainty leading up to the U.S. Presidential elections. Japan's NIKKEI advanced +3.1% month-on-month (MoM) in October, reversing its -1.9% slip a month back off a weaker yen, amid increased policy uncertainty as the reigning Liberal Democratic Party lost its parliamentary majority. Meanwhile, Hong Kong's HSI retreated by -3.9% MoM, reversing its +17.5% gain in September. The Philippines' PSEi similarly booked a -1.8% loss in October, pivoting from its +5.4% uptick in the previous month, with well-performing Q3 corporate earnings calls overshadowed by a weaker peso and U.S. election uncertainty.

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

Figure 23 - PSEi vs DJIA

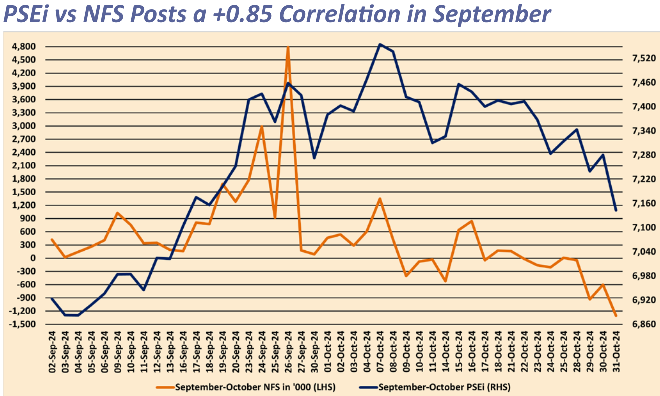
PSEi vs DJIA Correlation Sinks to +0.19



Source: Yahoo Finance

Figure 24 - PSEi vs Net Foreign Selling

PSEi vs NFS Posts a +0.85 Correlation in September



Sources: PSE Quotation Reports & Yahoo Finance

Table 10 - Monthly Turnover (in Million Php)

Monthly Total Turnover (in Million Pesos)				
	30-Sept-2024	31-October-2024		
Sector	% Change	Value	% Change	2024 YTD
Financial	54.3%	27,325.48	-19.7%	80.5%
Industrial	13.2%	18,287.82	-31.8%	-25.3%
Holdings	74.5%	16,483.43	-51.1%	2.9%
Property	21.4%	17,386.65	-28.0%	12.0%
Services	0.7%	25,560.79	-29.8%	61.3%
Mining & Oil	-12.0%	2,461.06	25.6%	35.6%
Total	**27.3%**	**107,505.23**	**-31.6%**	**21.0%**
Foreign Buying	36.0%	62,777.17	-25.3%	43.2%
Foreign Selling	20.4%	61,615.57	-4.7%	43.8%
Net Buying (Selling)	140.0%	1,161.60	-94.0%	15.6%

Source of Basic Data: PSE Quotation Reports

PSEi and DJIA. The Dow Jones Industrial Average (DJIA) closed downwards at 41,763.46 in October, as big tech companies delivered lower-than-expected Q3 profits and investors processed U.S. Presidential election uncertainty. While the DJIA enjoyed a further record-high of 43,275.91 in mid-October from chip manufacturing optimism, strong bank earnings, and benign inflation readings, the index retreated after higher-for-longer interest rate fears crept up and mixed corporate earnings reports dampened investor sentiment. The PSEi ended the same month lower at 7,142.96, as a depreciated peso and U.S. election uncertainty overshadowed the Bangko Sentral ng Pilipinas' (BSP) 25 bps cut of October 16 and strong Q3 earnings reports. The correlation between the PSEi and DJIA sunk to +0.19 for the month.

Net Foreign Buying/Selling. Most sectoral volumes entered the red in October. Lone bright spot Mining and Oil sector received much interest from investors to grow volume by +25.6%, wiping out its -12.0% loss in September. Smallest loser Financial sector's volume dropped -19.7% in October, correcting from its +54.3% surge a month back. The Holdings sector bore the brunt of the volume decline, contracting -51.1%, dropping from its +74.5% bloat in September.

Foreign investors continued net buying in October, albeit at a reduced pace, to nearly P1.2-B, compared to the previous month's P19.4-B buying posture.

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

Top Foreign Buy	
Company	Total Value
AC Equity	1,407
BPI Equity	748
GLO Equity	575
MER Equity	536
PGOLD Equity	467
Total Buy Value	**3,733**

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

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

Top Foreign Sell	
Company	Total Value
ALI Equity	-1,418
BDO Equity	-472
MONDE Equity	-231
WLCON Equity	-223
SMPH Equity	-208
Total Sell Value	**-2,552**

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

Table 13 - Monthly Sectoral Performance

Monthly Sectoral Performance					
	30-September-2024		31-October-2024		2024 YTD
Sector	Index	% Change	Index	% Change	
PSEi	7,272.65	5.4%	7,142.96	-1.8%	10.7%
Financial	2,297.62	8.9%	2,331.87	1.5%	34.1%
Industrial	9,710.68	3.9%	9,850.61	1.4%	8.5%
Holdings	6,150.15	8.5%	6,036.90	-1.8%	-1.1%
Property	2,930.63	3.8%	2,793.57	-4.7%	-2.1%
Services	2,231.26	2.3%	2,171.59	-2.7%	35.3%
Mining & Oil	8,675.63	5.5%	8,654.31	-0.2%	-13.5%

Source of Basic Data: PSE Quotation Reports

Table 14 - Financial Sector Constituent Stocks

Company	Symbol	09/30/24 Close	10/31/24 Close	M-o-M % Change	2024 YTD
Metropolitan Bank and Trust Company	MBT	78.60	76.00	-3.3%	48.1%
BDO Unibank, Inc.	BDO	158.00	152.80	-3.3%	17.1%
Bank of the Philippine Islands	BPI	135.10	143.20	6.0%	38.0%

Source of Basic Data: PSE Quotation Reports

Foreign investors' top five favorite picks (net buying) in October totaled to P3.7-B, led by Ayala Corporation (P1.4-B) and Bank of the Philippine Islands, Inc. (P748.0-M).

Meanwhile, selling volume for the top five disliked stocks (net selling) amounted to almost P2.6-B in October, led by Ayala Land, Inc. (P1.4-B) and BDO Unibank, Inc. (P472.0-M).

Most sectoral indices closed downwards for October. The Financial sector took pole position by edging up +1.5% MoM. The Industrial sector followed closely with a +1.4% gain. Last of the pack Property sector settled downwards at -4.7% MoM. Services continues its year-to-date (YTD) lead with growth of +35.3%.

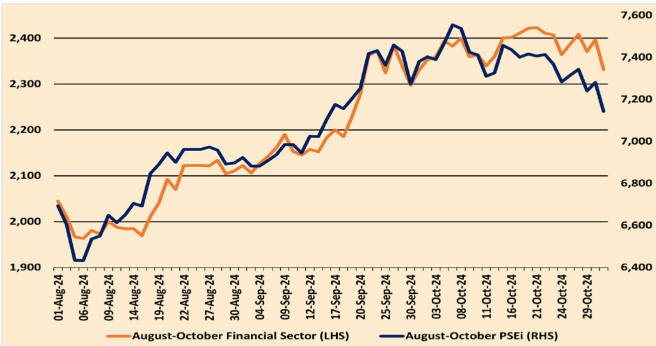
As the big-3 reported robust Q3 earnings, the Financial sector again took the lead in the sectoral race with a +1.5% MoM uptick in October.

Bank of the Philippine Islands' (BPI) share price rose +6.0% MoM, moderating from its +8.3% increase in September. BPI reported record Q3 net income of P17.4-B surged by +29.4% year-on-year (YoY), driven by robust revenue growth and sustained positive operating leverage.

Metropolitan Bank & Trust Co.'s (MBT) share price saw mild profit-taking to close -3.3% MoM, moderating earlier gains of +6.9% in the previous month. MBT's robust Q3 net earnings jumped by +11.4% YoY growth to P12.1-B, as it booked strong asset expansion and non-interest earnings recovery.

Similarly, BDO Unibank, Inc.'s (BDO) share price tumbled -3.3% MoM, retreating from a +3.4% gain in September. BDO's Q3 net income print came in at P21.2-B, up +13.3% YoY on the back of sustained growth in its core businesses.

Figure 25 - Financial Sector Index (August - October)
Financial Sector Inches Up +1.5% in October



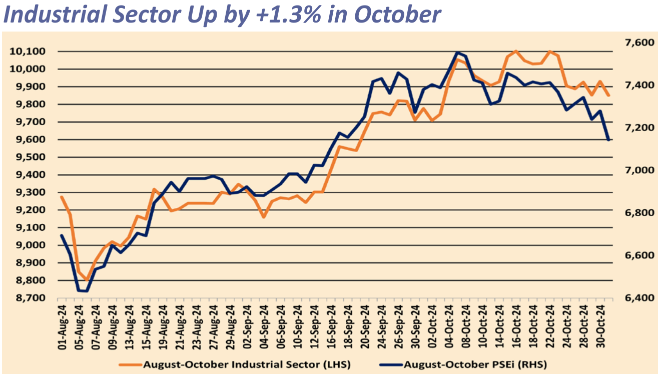
Source of Basic Data: PSE Quotation Reports

Table 15 - Industrial Sector Constituent Stocks

Company	Symbol	09/30/2024 Close	10/31/2024 Close	M-o-M % Change	2024 YTD
Meralco	MER	438.20	490.00	11.8%	22.8%
Jollibee Foods Corporation	JFC	268.60	265.20	-1.3%	5.5%
Universal Robina Corporation	URC	103.70	97.70	-5.8%	-17.3%
ACEN Corporation	ACEN	5.38	4.97	-7.6%	13.5%
Emperador Inc.	EMI	18.76	18.64	-0.6%	-10.6%
Monde Nissin Corporation	MONDE	10.18	10.90	7.1%	30.1%
Century Pacific Food, Inc.	CNPF	38.05	42.00	10.4%	35.7%
Semirara Mining and Power Corporation	SCC	32.50	32.50	0.0%	7.4%

Source of Basic Data: PSE Quotation Reports

Figure 26 - Industrial Sector Index (August - October)
Industrial Sector Up by +1.3% in October



Source of Basic Data: PSE Quotation Reports

The Industrial sector took the penultimate position in the sectoral race, closing the month +1.4% higher.

Manila Electric Company's (MER) share price marched forward +11.8% MoM, taking off from a +3.1% gain in September. MER's Q3 consolidated core net income grew +10.0% to nearly P11.9-B, from higher sales volume, with contributions from global business power plants, higher trading revenues, and higher fixed-income yields. Recently, the House of Representatives approved MER's 25-year franchise extension.

Century Pacific Food, Inc.'s (CNPF) share price closely trailed behind, closing the month +10.4% upwards, piling on top of its +3.8% gain in September. CNPF's Q3 net earnings call showed profits surged by +14.7% to P1.6-B, seeing growth across its brands despite the soft consumer environment.

Monde Nissin Corporation's share price (MONDE) climbed +7.1% MoM in October, continuing from its +7.7% gain in the previous month. MONDE reported a Q3 attributable net income print which showed a -13.8% contraction to around P2.0-B due to increased impairment and restructuring, and foreign exchange losses.

ACEN Corporation's share price sunk -7.6% MoM, widening its -1.1% loss in September. ACEN's Q3-2024 earnings dropped -20.7% YoY, amid the annual low wind season. ACEN also declared Q4 cash dividends for its ACENA and ACENB Preferred Shares, at P17.83250 per share and P20.0 per share, respectively.

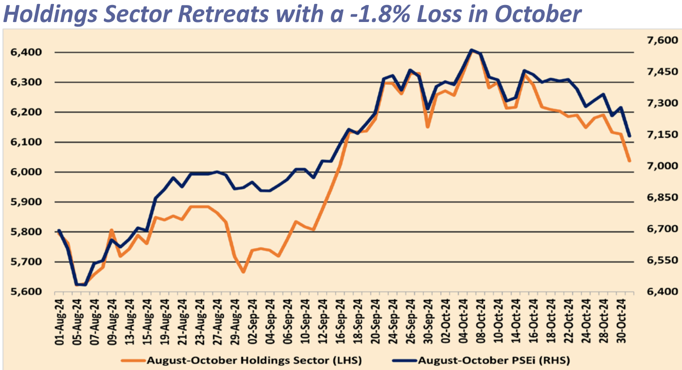
Table 16 - Holdings Sector Constituent Stocks

Company	Symbol	09/30/2024 Close	10/31/2024 Close	M-o-M % Change	2024 YTD
Ayala Corporation	AC	671.50	690.00	2.8%	1.3%
SM Investments Corporation	SM	956.00	941.00	-1.6%	7.9%
Aboitiz Equity Ventures	AEV	37.15	34.90	-6.1%	-21.7%
GT Capital Holdings, Inc.	GTCAP	730.00	720.00	-1.4%	22.0%
San Miguel Corporation	SMC	90.00	88.80	-1.3%	-13.0%
Alliance Global Group, Inc.	AGI	9.38	9.21	-1.8%	-18.4%
LT Group, Inc.	LTG	10.02	10.30	2.8%	14.7%
JG Summit Holdings, Inc.	JGS	27.80	24.30	-12.6%	-36.3%
DMCI Holdings, Inc.	DMC	11.50	11.20	-2.6%	14.6%

Source of Basic Data: PSE Quotation Reports

Figure 27 - Holdings Sector Index (August - October)

Holdings Sector Retreats with a -1.8% Loss in October



Source of Basic Data: PSE Quotation Reports

The Holdings sector ranked fourth in the sectoral race, with a -1.8% contraction in October.

Ayala Corporation's (AC) share price gained +2.8% MoM, moderating from its +11.0% jump in September. AC's net income figure for Q3 contracted by -16.0% to P11.7-B, from lower service revenues and changes in accounting practices regarding real estate-based interest income. In mid-October, AC unveiled plans to scale up its newer business segments in healthcare, logistics, infrastructure, and more as it listed P15.0-B preferred Class B shares in mid-October. AC also secured a $200.0-M long-term loan facility from MBT, with the proceeds going to investments in emerging parts of its portfolio.

LT Group's (LTG) share price similarly went up by +2.8% MoM in October, reversing its -2.0% loss a month back. LTG's Q3 attributable net income grew by +12.5% to P7.0-B from larger revenues in its banking and distillery segments. LTG disclosed that its subsidiary Tanduay Distillers, Inc. sold its majority interest in the Asian Alcohol Corporation (AAC) to Prior Holdings Corporation.

San Miguel Corporation's (SMC) share price contracted -1.3% MoM, tempering from its -9.1% fall in September. SMC's Q3 net income leaped +67.0% from improved volumes in its energy and food and beverage businesses. SMC, in collaboration with the Ayala Greenfield Development Corporation, broke ground on the Ayala Greenfield Interchange project, connecting the South Luzon Expressway Toll Road 3 to local roads.

GT Capital Holdings Inc.'s (GTCAP) stock price slipped by -1.4% MoM, tempering from a +17.0% jump in September. GTCAP's Q3 earnings soared by +23.9%, driven by stellar performances from its banking and automotive segments. On a YTD basis, GTCAP retained the top spot among Financials with its +22.0% stock price performance.

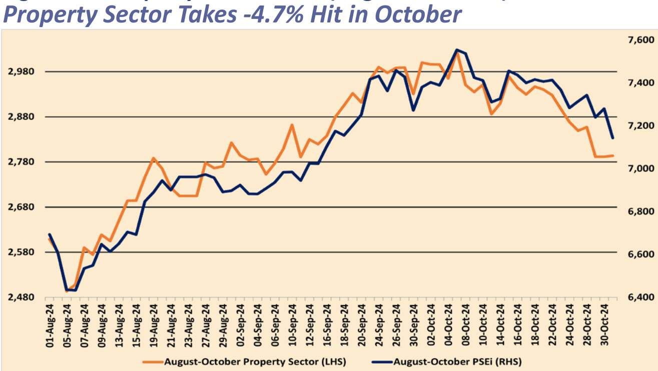
SM Investments Corporation's (SM) share price experienced a -1.6% MoM loss in October, retreating from its +8.0% uptick in the previous month. SM's net attributable income for Q3-2024 saw a +6.9% uptick to P20.7-B, on the back of good revenue growth across segments. SM conducted a P6.2-B property-for-share swap with subsidiary Intercontinental Development Corporation, giving SM 261 hectares of land in Susana Heights, Muntinlupa City.

Table 17 - Property Sector Constituent Stocks

Company	Symbol	09/30/2024 Close	10/31/2024 Close	M-o-M % Change	2024 YTD
Ayala Land, Inc.	ALI	36.60	32.70	-10.7%	-5.1%
SM Prime Holdings, Inc.	SMPH	32.30	30.65	-5.1%	-6.8%

Source of Basic Data: PSE Quotation Reports

Figure 28 - Property Sector Index (August - October)
Property Sector Takes -4.7% Hit in October



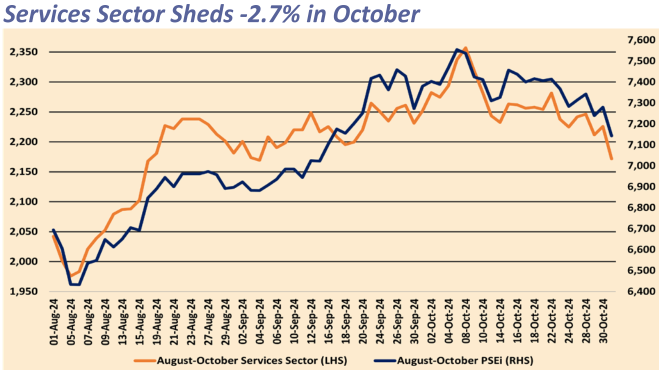
Source of Basic Data: PSE Quotation Reports

Table 18 - Services Sector Constituent Stocks

Company	Symbol	09/30/2024 Close	10/31/2024 Close	M-o-M % Change	2024 YTD
PLDT, Inc.	TEL	1,490.00	1,430.00	-4.0%	11.8%
Globe Telecom	GLO	2,274.00	2,146.00	-5.6%	24.8%
Converge ICT Solutions, Inc.	CNVRG	16.36	16.10	-1.6%	92.1%
Puregold Price Club Inc.	PGOLD	31.50	32.60	3.5%	21.2%
Wilcon Depot, Inc.	WLCON	18.30	16.10	-12.0%	-23.0%
International Container Terminal Services, Inc.	ICT	404.00	396.00	-2.0%	60.5%
Bloomberry Resorts Corporation	BLOOM	8.09	7.70	-4.8%	-21.7%

Source of Basic Data: PSE Quotation Reports

Figure 29 - Services Sector Index (August - October)
Services Sector Sheds -2.7% in October



Source of Basic Data: PSE Quotation Reports

The Property sector ranked last in the sectoral race, experiencing a -4.7% MoM drop at end-October.

SM Prime Holdings, Inc.'s (SMPH) share prices closed downwards by -5.1% MoM in October, retreating from its +4.4% gain a month back. SMPH's net earnings print rose +11.0% YoY, with improved revenue figures from its mall, residential, and other commercial segments. SMPH Chairman Hans Sy received the Philippine Retailers Association's Outstanding Filipino Retailers President Award, in recognition of SMPH's innovative retail practices. SMPH also opened its SM City J Mall in Mandaue City, raising its mall network count to 87 in the Philippines.

Ayala Land, Inc.'s (ALI) share prices dropped by -10.7% MoM, reversing its +3.7% uptick in September. ALI's unaudited Q3 net income soared by 27.9% YoY to P7.9-B due to growing property development revenues.

The Services sector ranked fifth in the sectoral race, shedding -2.7% MoM in October.

Lone bright spot Puregold Price Club, Inc.'s (PGOLD) share price edged up by +3.5% MoM, continuing from its +13.5% jump in September. From its unaudited 9M 2024 disclosure, PGOLD's Q3 net income posted a roughly P2.0-B print, down by -20.6% YoY.

Converge ICT Solutions, Inc.'s (CNVRG) share price declined by -1.6% MoM in October, turning heel from its +9.1% MoM march a month back. CNVRG's Q3 attributable net income result revealed a +40.1% leap to P2.9-B, driven by strong performance across its residential, enterprise, and wholesale segments. CNVRG unveiled a new collaboration with Netflix, the world's largest streaming service through its Converge Netflix Bundle, allowing FiberX subscribers to have a two-in-one internet and Netflix plan.

International Container Terminal Services, Inc.'s (ICT) share price dropped by -2.0%, reversing its +2.0% uptick in September. ICT's Q3 net earnings climbed by +24.2% YoY to $212.0-M, buoyed by higher revenues from its international portfolio strategy.

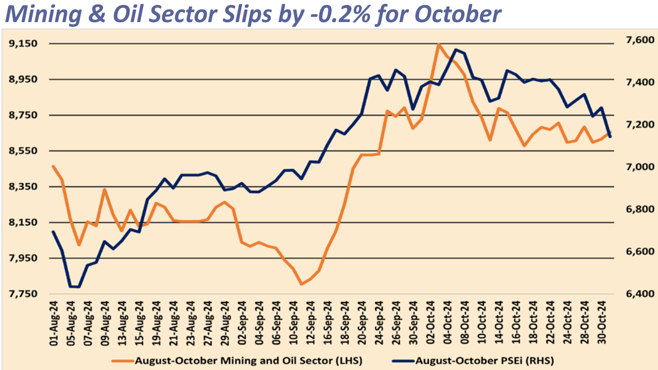
Table 19 - Mining & Oil Sector Constituent Stock

Company	Symbol	09/30/2024 Close	10/31/2024 Close	M-o-M % Change	2024 YTD
Nickel Asia Corporation	NIKL	3.60	3.42	-5.0%	-37.6%

Source of Basic Data: PSE Quotation Reports

Figure 30 - Mining & Oil Sector Index (August - October)

Mining & Oil Sector Slips by -0.2% for October



Source of Basic Data: PSE Quotation Reports

The Mining and Oil sector nabbed third position in the sectoral race, as it mildly slipped by -0.2% MoM in October. However, higher copper and gold prices softened the sectoral blow with gains in Philex Mining (PX) and Benguet Corporation (BC).

Nickel Asia Corporation's (NIKL) share price declined by -5.0% MoM, reversing its +6.8% gain in September. NIKL's Q3 net earnings print plunged by -24.2% YoY to P1.4-B, with lower nickel ore and limestone sales. NIKL also became a new addition to the list of Shari'ah-compliant securities, creating a mechanism for Islamic investors to invest in the company.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	FY-2022		FY-2023		2nd Quarter 2024			3rd 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%	407,906	-8.6%	-2.3%	398,884	-2.2%	-2.8%
Industry Sector	5,913,748	6.5%	6,126,102	3.6%	1,671,904	8.3%	7.7%	1,420,531	-15.0%	5.0%
Service Sector	12,248,122	9.2%	13,120,749	7.1%	3,453,461	7.9%	6.8%	3,498,125	1.3%	6.3%
Expenditure										
Household Final Consumption	14,570,348	8.3%	15,381,272	5.6%	3,749,832	-3.0%	4.6%	3,873,427	3.3%	5.1%
Government Final Consumption	2,988,609	5.1%	3,005,103	0.6%	930,304	27.6%	10.7%	783,843	-15.7%	5.0%
Capital Formation	4,606,648	13.7%	4,878,674	5.9%	1,509,633	31.7%	11.5%	1,208,176	-20.0%	13.1%
Exports	5,691,851	11.0%	5,773,780	1.4%	1,486,187	0.3%	4.2%	1,557,535	4.8%	-1.0%
Imports	7,911,852	14.0%	7,987,070	1.0%	2,111,015	4.1%	5.2%	2,149,414	1.8%	6.4%
GDP	19,945,605	7.6%	21,051,758	5.5%	5,533,272	6.6%	6.3%	5,317,540	-3.9%	5.2%
NPI	1,130,111	76.8%	2,226,469	97.0%	615,057	-4.3%	24.7%	737,495	19.9%	19.3%
GNI	21,075,715	9.9%	23,278,227	10.5%	6,148,329	5.4%	7.9%	6,055,035	-1.5%	6.8%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2022		2023		August-2024			September-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%	386,337	-15.5%	24.4%	299,653	-22.4%	17.3%
Tax	3,220,315	17.4%	3,429,292	6.5%	320,213	-20.5%	9.8%	253,459	-20.8%	8.5%
BIR	2,335,674	12.4%	2,516,986	7.8%	238,120	-25.5%	11.5%	174,679	-26.6%	14.8%
BoC	862,420	34.0%	883,214	2.4%	78,521	-2.3%	4.7%	76,282	-2.9%	-3.3%
Others	22,221	5.7%	29,092	30.9%	3,572	34.6%	12.0%	2,498	-30.1%	1.4%
Non-Tax	324,082	23.5%	394,164	21.6%	66,124	21.2%	251.9%	46,194	-30.1%	113.5%
Expenditures	5,159,640	10.4%	5,336,191	3.4%	440,543	-9.4%	-0.7%	572,919	30.0%	13.1%
Allotment to LGUs	1,103,284	23.6%	926,052	-16.1%	82,515	-4.3%	9.3%	82,503	0.0%	2.0%
Interest Payments	502,858	17.1%	628,333	25.0%	52,781	-33.6%	23.7%	73,852	39.9%	3.4%
Overall Surplus (or Deficit)	(1,614,135)	-3.4%	(1,512,086)	-6.3%	(54,206)	87.9%	-59.2%	-273,266	404.1%	8.9%

Source: Bureau of the Treasury (BTr)

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

	2023		August-2024			September-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%	4,603.90	4.0%	7.6%	4,553.60	3.3%	7.1%
Residential	17,772.30	3.7%	1,648.50	7.9%	11.3%	1,648.50	4.2%	10.4%
Commercial	18,612.40	9.1%	1,799.60	3.7%	8.6%	1,695.80	3.7%	8.0%
Industrial	12,956.80	-2.6%	1,131.30	0.9%	2.8%	1,150.30	2.4%	2.7%

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		August-2024		September-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%	3,849,099		3,655,341	0.6%
Sources:						
Net Foreign Asset of the BSP	6,438,911	0.2%	6,095,889		6,309,253	-1.5%
Net Domestic Asset of the BSP	17,339,294	10.7%	19,205,745		19,391,136	9.6%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	6,508,324	3.0%	6,767,181		6,899,179	6.2%
Money Supply-2	16,015,356	7.6%	16,993,914		17,121,197	5.8%
Money Supply-3	16,493,188	6.8%	17,435,311		17,576,031	5.4%
MONEY MULTIPLIER (M2/RM)	4.43		4.42		4.68	

Source: Bangko Sentral ng Pilipinas (BSP)

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