

Philippine Perspective

The Weekly Rewind: Inflation ignored, possible index recomposition in focus

Country Overview

Market: Up 0.7% WoW, +1% in two weeks

The PSE index (PSEi) rose 0.7% WoW and +1% over the last two weeks. The market gingerly advanced despite a shock August headline inflation print and a hawkish bias reiterated by the Bangko Sentral ng Pilipinas (BSP). Except for trading activity on MPI, value turnover was thin and foreigners have been net sellers over 14 straight sessions.

Macro: Headline inflation is up, GIR down

The consumer price index rose 5.3% YoY in August, well within the forecast range of the BSP but clearly above consensus of 4.7% and the July rate, also at 4.7%. The August print implies inflation of 1.1% MoM – the highest since Jan-2023. Food inflation was 8.2% YoY and 2.4% MoM. Rice alone was 8.7% YoY and 4.9% MoM. Transport was up only 0.2% YoY but +2.3% MoM.

We think it is unlikely that the August inflation print draws a monetary policy response as this appears more cost-push than demand-pull. However, the BSP will likely be closely watching for second round effects and changes to inflation expectations. We think the BSP will likely keep policy rates on hold at its September 21 meeting but keep the potential for a rate hike on the table for November. We maintain our terminal rate forecast of 6.5%, which implies one more hike before the year is done.

The country's Gross International Reserves inched down by \$146mn MoM (-0.15%) to \$99.806bn. This equates to a nine-month import cover, which is an improvement from 4Q22 when the import cover fell to 8.1 months. The GIR is up 3.9% since end-2022 while imports fell 8% in 1H23.

Bank NIMs may stay higher for longer

From a sector standpoint, the tight monetary policy stance favors banks. Rates staying higher for longer extends the potential for elevated NIMs. Resurgent inflation, especially among key consumer items, tends to squeeze discretionary spending / undermines consumer confidence. Properties and consumers may have to wait a bit longer for an inflection point in rates.

Anticipating possible PSE index changes

Should MPI's ongoing tender offer reduce its free float beneath the 20% floor required of PSE index constituents, our estimates suggest BLOOM may take its place in the benchmark. Meanwhile, AP indicated an intention to do a share buyback but with its float at 20.5%, it risks potentially being removed from the PSE index if it repurchases more than US\$22mn worth of shares.

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Refer to important disclosures on page 8 to 10.

12600930

Timestamp: 08 September 2023 05:02AM EDT

08 September 2023

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Exhibit 1: Ticker and company name

Stocks mentioned this week

Ticker	Company name
AP	Aboitiz Power
BLOOM	Bloomerry
MPI	Metro Pacific Investments Corp.

Source: PSE

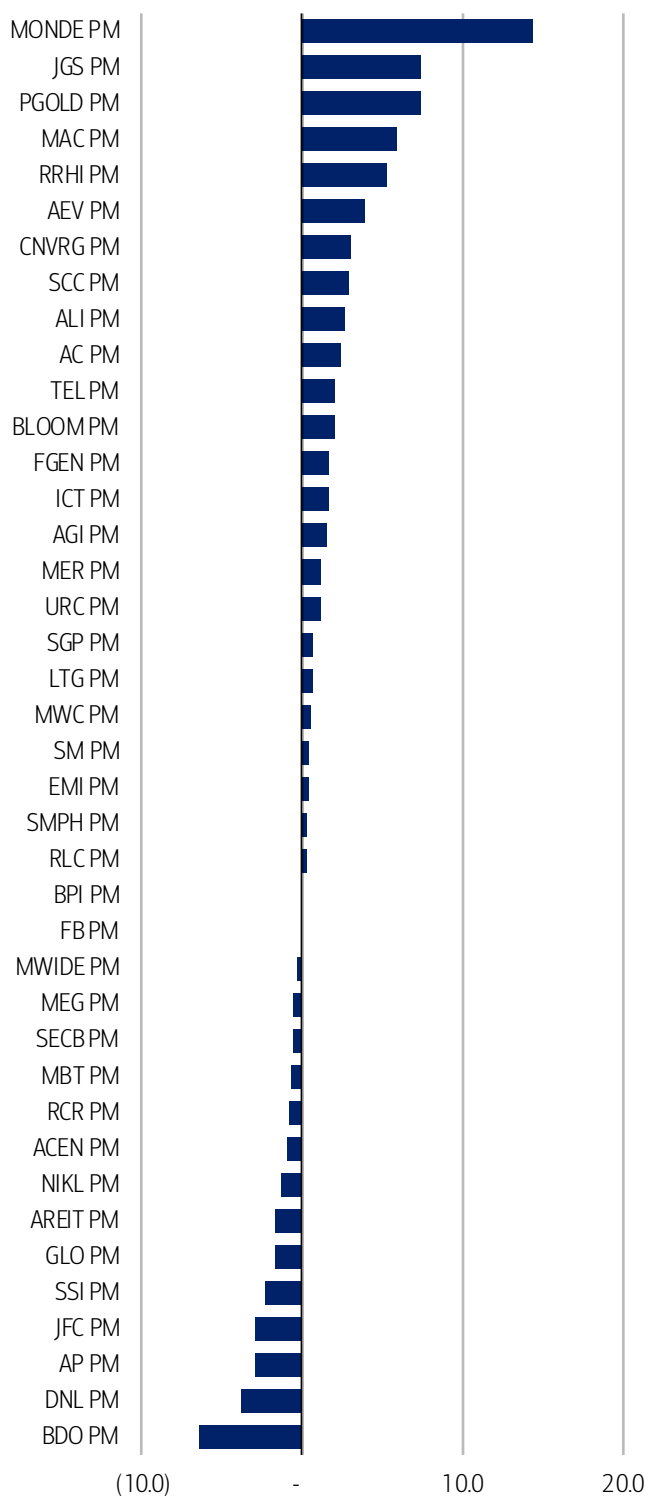
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Glossary

FY - Full-year
MoM - Month on month
NIMs - net interest margin
QoQ - Quarter on quarter
YoY - Year on year
YTD - Year to date

Exhibit 2: Stock Performance (% WoW)

MONDE was the top gainer this week, while BDO was the biggest laggard.



Source: Technistock

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Exhibit 3: Stock Performance - YTD, MoM, 3-MO, 6-MO, YoY

Sorted by YTD performance (in % Chg)

Bloomberg

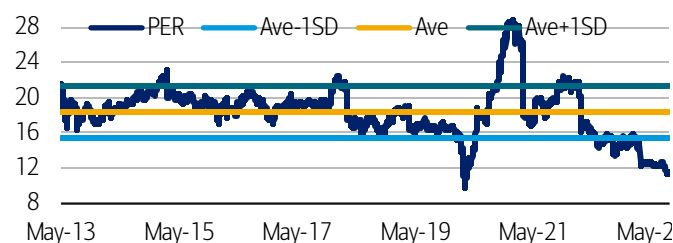
Code	YTD	MoM	3-MO	6-MO	YoY
SSI PM	85.3	(2.4)	10.7	65.1	82.9
BLOOM PM	46.7	(5.7)	10.2	23.8	57.8
FB PM	31.4	0.7	9.4	(3.1)	18.3
BDO PM	24.1	(7.0)	(4.8)	2.5	26.0
MER PM	16.9	2.7	5.6	10.5	10.8
FGEN PM	16.2	(0.1)	(2.1)	14.2	12.3
AGI PM	6.6	2.8	(7.6)	(2.0)	30.1
BPI PM	4.9	(5.5)	3.9	(1.8)	12.6
ICT PM	4.7	0.3	3.8	(0.8)	15.0
MWIDE PM	2.3	-	(1.6)	(4.5)	(33.8)
MBT PM	1.9	(3.1)	(2.1)	(10.8)	5.0
EMI PM	1.7	(1.9)	(1.2)	0.7	0.5
JFC PM	1.3	(8.0)	(1.0)	1.3	(6.0)
AP PM	1.0	(3.1)	(7.0)	(9.5)	8.2
RLC PM	0.3	-	5.2	2.5	(20.2)
MEG PM	-	(5.2)	0.5	(2.0)	(14.9)
LTG PM	(1.4)	(5.0)	(4.4)	(11.3)	3.7
RRHI PM	(2.1)	(0.7)	5.6	(4.4)	(12.0)
MWC PM	(5.3)	(5.6)	1.0	(1.0)	15.2
ALI PM	(6.5)	(2.0)	11.6	2.3	3.6
SCC PM	(7.3)	6.7	13.3	7.0	(22.9)
AREIT PM	(8.3)	(5.5)	(5.7)	(7.3)	(16.6)
SM PM	(8.4)	(7.9)	(10.8)	(7.3)	(1.9)
TEL PM	(8.9)	(8.0)	(4.7)	(9.4)	(27.5)
SECB PM	(9.3)	(4.0)	(8.3)	(20.1)	(11.1)
AC PM	(10.2)	1.9	(7.8)	(2.7)	(13.8)
NIKL PM	(12.3)	(11.0)	(14.2)	(30.3)	(7.3)
RCR PM	(13.0)	(4.0)	(11.8)	(10.1)	(15.2)
URC PM	(14.4)	(6.1)	(18.5)	(19.7)	(9.4)
PGOLD PM	(14.6)	5.5	(1.8)	(3.6)	(11.3)
AEV PM	(15.1)	(1.9)	(10.9)	(6.8)	(15.9)
SMPH PM	(15.5)	(8.3)	(10.9)	(16.8)	(19.8)
DNL PM	(18.5)	(8.9)	(12.5)	(17.9)	(15.4)
GLO PM	(18.8)	(4.8)	2.9	(3.8)	(15.3)
MAC PM	(19.0)	(5.0)	(14.3)	(19.3)	(26.4)
JGS PM	(22.3)	(1.8)	(19.6)	(26.4)	(22.1)
SGP PM	(26.6)	(7.4)	(7.0)	(27.0)	(39.6)
MONDE PM	(28.7)	(2.5)	(4.2)	(33.3)	(51.0)
ACEN PM	(34.3)	(7.6)	(16.4)	(23.2)	(28.4)
CNVRG PM	(48.1)	(10.4)	(23.0)	(48.2)	(52.1)

Source: Technistock

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Exhibit 4: 10YR PSEi rolling PER (x)

PSEi currently trading at more than 1SD below mean PER

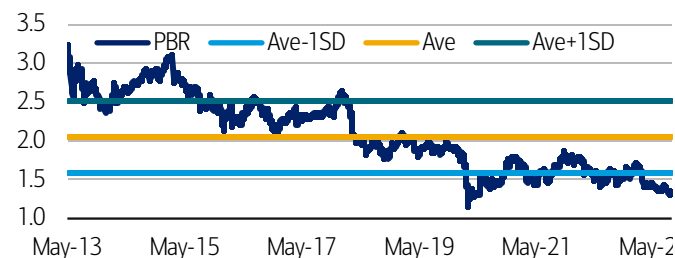


Source: Bloomberg, PEP estimates

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Exhibit 5: 10YR PSEi rolling PBR (x)

PSEi currently trading at more than 1SD below mean PBR

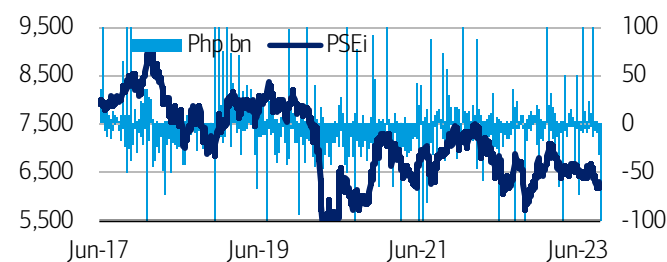


Source: Bloomberg, PEP estimates

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Exhibit 6: PSEi and Net Foreign Buying/(Selling)

PSEi at 6,223, net selling at Php 157.4bn this week

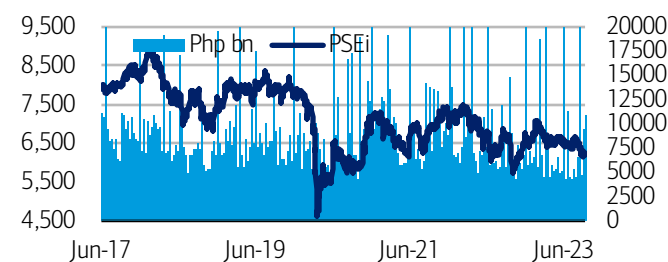


Source: Bloomberg

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Exhibit 7: PSEi and Daily Turnover

Average daily turnover this week at Php4.8bn

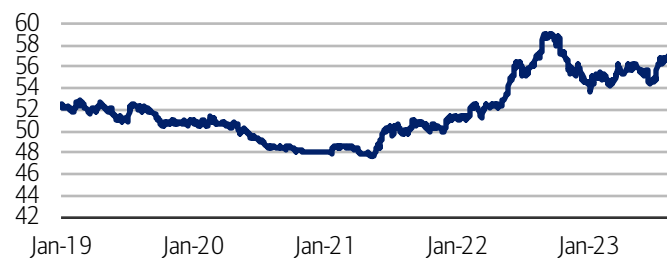


Source: Bloomberg

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Exhibit 8: PHP/USD

Ended at Php56.6/USD



Source: Bloomberg

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Exhibit 9: 10YR PHP BVAL Reference Rate (%)

BVAL reference rate at 6.5%

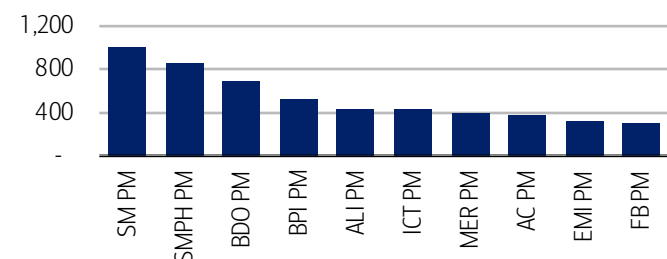


Source: Bloomberg, PDS Group

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Exhibit 10: Top 10 Stocks by Market Capitalization (Php bn)

SM and SMPH with the highest market cap.

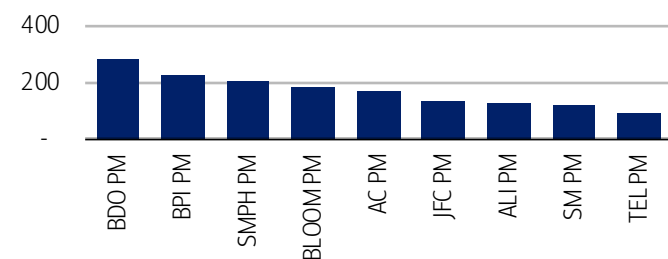


Source: Technistock

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Exhibit 11: Most Actively Traded Stocks for the Week (Php mn)

BDO, BPI and SMPH were the top traded stocks this week

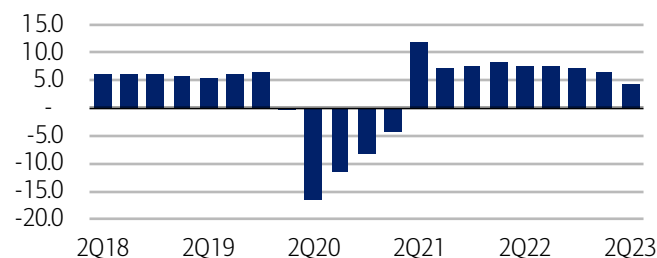


Source: Technistock

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Exhibit 12: GDP Growth (% YoY)

2Q23 grew 4.3% YoY

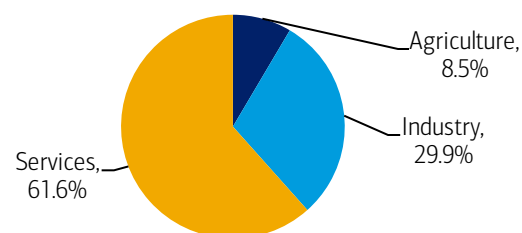


Source: Philippine Statistics Authority

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Exhibit 13: GDP Sector Breakdown (2Q23)

Services, Industry and Agriculture compose 61.6/29.9/8.5% of GDP.

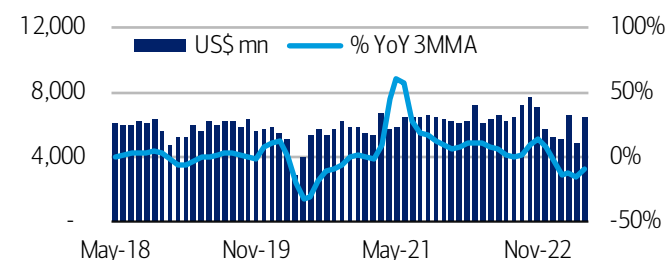


Source: Philippine Statistics Authority, PEP estimates

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Exhibit 14: Exports

Exports 3MMA down 9% YoY

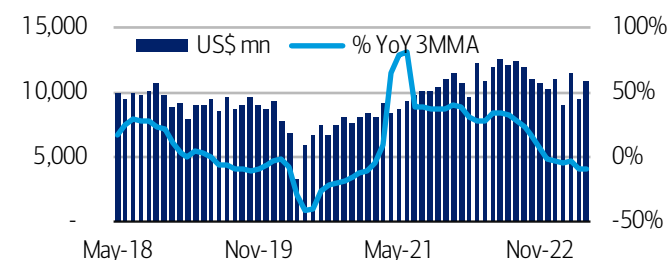


Source: Philippine Statistics Authority, PEP estimates

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Exhibit 15: Imports

Imports 3MMA down 10% YoY

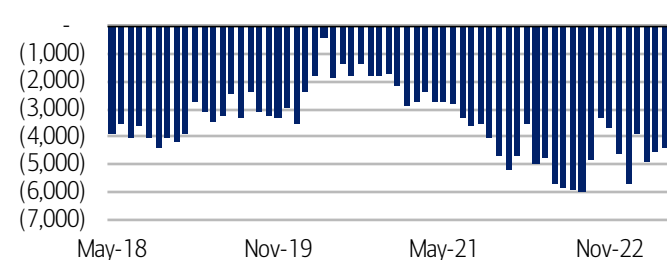


Source: Philippine Statistics Authority, PEP estimates

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Exhibit 16: Trade Balance (US\$ mn)

Trade Balance at US\$ -4,396mn

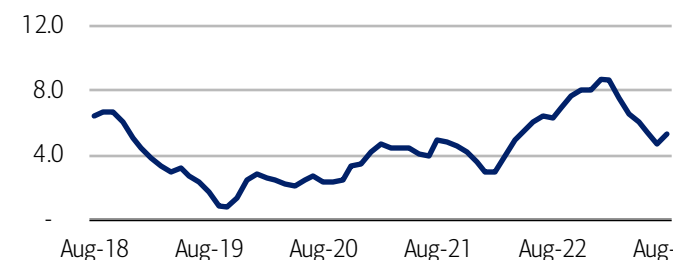


Source: Philippine Statistics Authority

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Exhibit 17: Inflation

Inflation slowed in August at 5.3%

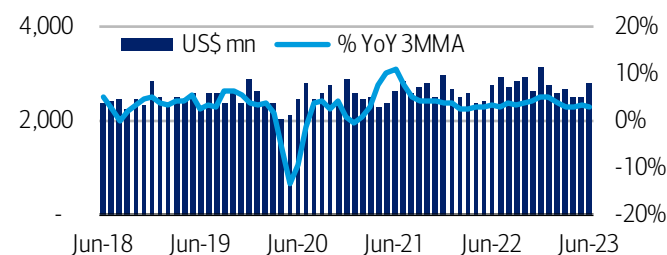


Source: Philippine Statistics Authority

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Exhibit 18: OFW Cash Remittances

As of June 2023, remittances 3MMA up 3% YoY

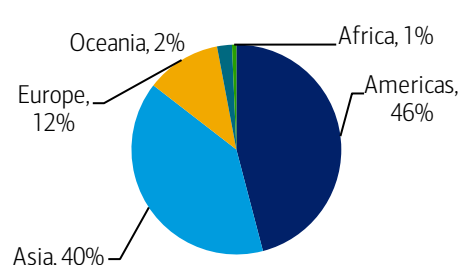


Source: Bangko Sentral ng Pilipinas, PEP estimates

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Exhibit 19: Sources of Remittances (Jan-Jun 2023)

Americas cover the biggest share at 46%



Source: Bangko Sentral ng Pilipinas, PEP estimates

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Exhibit 20: Valuation and Forecast Summary (part 1 of 2)

Investment Rating, Market Cap, PER, EPS growth and ROE of covered companies

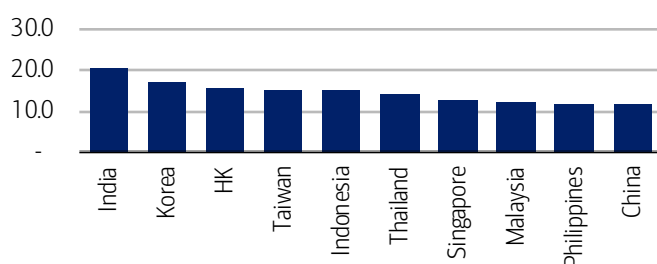
BofA	BBG	Investment	Mkt cap	PER (x)		EPS Growth (%YoY)		ROE (%)	
Ticker	Code	Rating	US\$m	2023E	2024E	2023E	2024E	2023E	2024E
AYYLF	AC PM	BUY	6,803	11.4	9.7	30.1	17.2	8.7	9.0
ACPIF	ACEN PM	BUY	3,500	22.0	17.9	(30.7)	22.8	6.8	7.3
ABOIF	AEV PM	UNDERPERFORM	4,858	10.7	10.0	20.3	7.4	9.7	9.4
ALGGF	AGI PM	BUY	2,021	6.0	5.2	17.9	14.8	7.9	8.4
AYAAF	ALI PM	BUY	7,599	17.1	15.5	33.9	10.2	9.4	9.5
ABZPF	AP PM	BUY	4,457	8.1	7.9	13.9	2.3	17.4	16.3
XGWSF	AREIT PM	BUY	1,006	12.9	12.5	53.0	3.2	7.3	7.5
BDOUF	BDO PM	BUY	12,162	9.3	9.0	30.8	3.8	15.3	14.1
BLBRF	BLOOM PM	BUY	2,142	16.7	11.8	41.8	41.1	19.8	22.6
BPHLF	BPI PM	BUY	8,552	11.0	10.2	20.9	7.6	14.3	14.1
XLERF	CNVRG PM	BUY	1,054	7.3	6.7	11.2	9.5	20.3	18.3
DALQF	DNL PM	UNDERPERFORM	810	12.1	10.8	16.3	12.2	17.6	18.1
XEMAF	EMI PM	UNDERPERFORM	5,805	30.7	28.2	6.5	8.6	11.9	11.9
SMPFF	FB PM	BUY	5,291	11.2	9.7	25.4	15.5	20.9	21.5
FSGCF	FGEN PM	BUY	1,246	4.4	4.3	9.9	1.3	11.7	10.8
ICTEF	ICT PM	BUY	7,493	11.7	10.5	9.7	11.8	42.3	40.5
JBFCF	JFC PM	UNDERPERFORM	4,592	47.6	64.2	(13.7)	(25.9)	6.5	4.7
JGSHF	JGS PM	NEUTRAL	5,178	11.6	7.2	98.1	61.8	7.1	10.6
XLTF	LTG PM	BUY	1,728	4.1	4.2	(5.1)	(2.5)	11.7	10.8
MCAXF	MAC PM	UNDERPERFORM	133	8.8	8.4	115.4	5.3	15.2	14.2
MTPOF	MBT PM	BUY	4,356	5.6	5.2	34.1	7.5	13.2	12.8
MGAWF	MEG PM	BUY	1,098	3.7	3.3	28.3	11.1	7.9	8.1
MERVF	MER PM	NEUTRAL	6,930	12.4	13.7	11.3	(9.3)	27.4	23.0
MNDDF	MONDE PM	UNDERPERFORM	2,500	25.2	21.8	NM	15.9	10.2	11.7
MWTCF	MWC PM	BUY	917	8.0	7.1	35.0	11.9	8.6	9.0
XSRDF	MWIDE PM	UNDERPERFORM	113	6.5	4.1	60.5	59.6	36.3	8.5
NCKAF	NIKL PM	BUY	1,251	7.5	7.8	17.9	(4.0)	23.9	19.5
PGCMF	PGOLD PM	BUY	1,511	8.8	8.3	4.7	5.3	11.3	11.0
XKXTF	RCR PM	BUY	892	11.6	11.1	14.6	4.4	7.1	7.4
RBLAF	RLC PM	BUY	1,301	6.2	5.1	27.9	21.0	9.2	10.1
RBNTF	RRHI PM	BUY	1,382	14.7	11.8	1.5	23.9	7.1	8.2
SMIRF	SCC PM	BUY	2,395	4.0	4.8	(15.7)	(15.7)	50.8	39.5
SYBJF	SECB PM	BUY	1,048	4.8	4.3	17.6	12.8	9.5	9.9
XSLIF	SGP PM	BUY	756	3.3	3.2	(14.6)	5.1	12.6	11.1
SVTMF	SM PM	BUY	17,478	13.9	12.2	16.5	13.9	13.7	14.1
SPHXF	SMPH PM	BUY	15,256	22.7	20.3	26.8	11.8	10.0	10.2
XMODF	SSI PM	UNDERPERFORM	168	379.5	30.3	NM	NM	0.3	3.1
PHTCF	TEL PM	BUY	4,565	8.1	7.9	4.6	3.2	26.3	23.4
UVRBF	URC PM	BUY	4,465	16.5	14.1	10.5	17.0	12.9	14.1

Source: BofA Global Research Estimates, PEP Estimates

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Exhibit 21: 2023E PER Philippines vs. Other Markets (x)

Philippines PER at mean compared to APAC markets

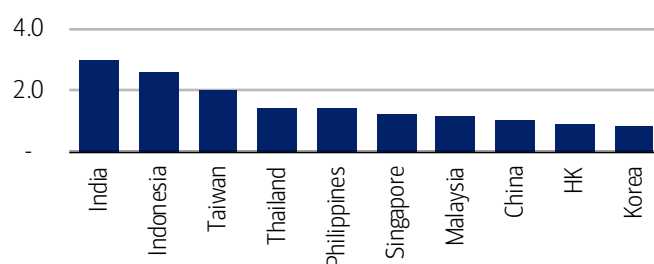


Source: BofA Global Research Estimates

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Exhibit 22: 2023E PBR Philippines vs. Other Markets (x)

Philippines PBR at mean compared to APAC markets



Source: BofA Global Research Estimates

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Exhibit 23: Valuation and Forecast Summary (part 2 of 2)

EV/EBITDA, PBR, Dividend Yield, FCF Yield and Net D/E of covered companies

BofA Ticker	BBG Code	EV/EBITDA (x)		PBR (x)		Dividend Yield (%)		FCF Yield (%)		Net Debt/Equity (%)	
		2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E	2023E	2024E
AYYLF	AC PM	12.7	11.1	0.9	0.8	1.1	1.1	(7.9)	(14.5)	81.0	84.0
ACPIF	ACEN PM	16.9	12.6	1.3	1.3	1.6	1.1	(15.4)	(18.2)	26.5	47.6
ABOIF	AEV PM	10.7	9.8	1.0	0.9	3.1	3.3	(3.9)	(0.3)	82.8	79.2
ALGGF	AGI PM	8.0	7.0	0.5	0.4	1.2	1.6	2.1	(3.7)	27.0	26.7
AYAAF	ALI PM	13.5	11.9	1.6	1.4	2.1	2.3	(17.5)	0.0	100.0	99.0
ABZPF	AP PM	7.4	7.1	1.3	1.2	5.4	6.2	4.7	7.6	94.9	87.4
XGWSF	AREIT PM	13.9	13.5	0.9	0.9	6.7	7.0	6.6	6.7	1.7	1.7
BDOUF	BDO PM	n.a.	n.a.	1.3	1.2	2.3	2.3	n.a.	n.a.	n.a.	n.a.
BLBRF	BLOOM PM	9.5	8.0	3.0	2.4	-	-	(2.7)	13.5	152.5	107.1
BPHLF	BPI PM	n.a.	n.a.	1.4	1.3	3.1	4.1	n.a.	n.a.	n.a.	n.a.
XLERF	CNVRG PM	4.2	4.0	1.4	1.1	-	-	5.5	6.3	61.1	48.2
DALQF	DNL PM	10.9	9.9	2.0	1.9	4.2	4.9	(2.2)	6.6	57.4	40.8
XEMAF	EMI PM	25.9	23.4	3.5	3.2	1.2	1.3	4.9	2.9	6.3	(2.8)
SMPFF	FB PM	4.8	4.2	2.2	2.0	2.9	3.7	13.0	16.1	5.4	4.2
FSGCF	FGEN PM	3.2	3.2	0.5	0.4	4.2	4.6	35.4	43.7	16.4	4.5
ICTEF	ICT PM	7.5	6.9	4.7	3.9	5.4	5.1	10.6	10.4	62.0	38.4
JBFCF	JFC PM	11.2	10.5	3.0	3.0	1.1	1.1	3.9	8.2	48.9	49.1
JGSHF	JGS PM	8.2	6.8	0.8	0.7	0.7	0.9	(1.1)	11.0	48.4	40.2
XLTF	LTG PM	(4.2)	(4.0)	0.5	0.4	12.7	11.5	152.9	33.3	(112.2)	(171.2)
MCAXF	MAC PM	6.3	6.0	1.3	1.1	1.7	3.6	0.6	0.9	(20.5)	(28.8)
MTPOF	MBT PM	n.a.	n.a.	0.7	0.6	5.5	2.9	n.a.	n.a.	n.a.	n.a.
MGAWF	MEG PM	7.0	6.2	0.3	0.3	3.2	4.1	(11.1)	(29.5)	24.3	30.5
MERVF	MER PM	12.8	12.2	3.3	3.1	5.2	5.4	1.7	2.3	44.7	51.4
MNDDF	MONDE PM	11.6	10.5	2.5	2.6	-	2.4	(5.4)	8.3	(13.6)	6.2
MWTCF	MWC PM	8.2	7.0	0.7	0.6	3.2	4.3	(16.2)	(9.2)	111.8	116.3
XSRDF	MWIDE PM	8.4	7.1	0.4	0.3	6.0	9.4	33.3	41.6	170.1	154.7
NCKAF	NIK PM	3.8	4.0	1.7	1.4	3.3	3.3	16.0	13.7	(32.4)	(41.9)
PGCMF	PGOLD PM	5.9	5.2	1.0	0.9	3.4	3.6	(4.9)	8.2	(25.2)	(28.8)
XXTF	RCR PM	12.6	12.1	0.8	0.8	8.5	8.9	7.7	8.0	(2.3)	(2.4)
RBLAF	RLC PM	3.8	3.4	0.5	0.5	2.5	3.2	19.0	9.6	9.6	6.3
RBNTF	RRHI PM	3.2	2.8	1.0	0.9	4.4	4.5	13.2	20.9	4.8	(12.5)
SMIRF	SCC PM	3.0	3.4	2.0	1.8	21.9	15.6	24.8	22.9	(20.3)	(31.5)
SYBJF	SECB PM	n.a.	n.a.	0.4	0.4	3.8	3.8	n.a.	n.a.	n.a.	n.a.
XSLIF	SGP PM	6.0	5.6	0.4	0.3	12.8	12.7	23.3	47.2	107.8	92.1
SVTMF	SM PM	10.3	9.2	1.8	1.6	1.8	2.1	9.5	5.0	49.2	43.5
SPHMF	SMPH PM	13.4	12.5	2.2	2.0	0.5	0.6	4.3	2.3	71.4	65.1
XMODF	SSI PM	7.9	7.3	1.0	0.9	-	-	(1.7)	(2.3)	31.1	32.2
PHTCF	TEL PM	4.5	4.2	1.9	1.8	7.7	7.7	13.0	14.0	160.2	142.4
UVRBF	URC PM	9.1	8.0	2.1	1.9	3.1	3.2	1.4	8.3	(11.3)	(15.1)

Source: BofA Global Research Estimates, PEP Estimates

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Exhibit 24: Recent Philippines Research Reports

Sorted by most recent

Report Title

[Telecommunications - Philippines: 1H23 earnings wrap: Telco segments lack growth; non-telco flourishes](#)
[Banks - Philippines: 1H23 earnings wrap: Strong bottom-line momentum sustained](#)
[Jollibee Foods Corporation: Store conversion faces challenges; reiterate Underperform](#)
[Power and Utilities - Philippines: Strong 2Q, firm supply, receding spot – stick with generators](#)
[Real Estate/Property - Philippines: 1H23 earnings wrap-up: retail remained the earnings driver](#)
[Asia Economic Weekly: Philippines: Lacks fiscal space](#)
[Banks - ASEAN: Rate cycle – shifting scenarios – who benefits?](#)
[Equity Strategy - Philippines: 2Q growth was stronger on aggregate but mixed among sectors](#)
[Asia FI & FX Strategy Watch: Philippines trip notes – big ambitions, challenging reality](#)
[Metro Pacific Investments: Sustained growth in 1H; tender offer ongoing](#)

Source: PEP, BofA Global Research

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Date Published

30-Aug-23
 29-Aug-23
 28-Aug-23
 25-Aug-23
 25-Aug-23
 24-Aug-23
 22-Aug-23
 17-Aug-23
 17-Aug-23
 14-Aug-23

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R1}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R1} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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