February 2020

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

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Executive Summary

Suddenly, it's all about the new 2019 coronavirus (COVID-19) inflicting harm on the global economy and the financial markets. We expect it to slash PH tourism and Q1 GDP growth. But assuming that it ends in the summer like SARS, we see the economy roaring back starting Q2. Ramped up infrastructure and expansive private construction and consumer spending should lead domestic demand back into the driver seat. Renewed global economic slowdown which will drag down foreign interest rates, together with more favorable domestic developments easing inflation and another 25 bps cut in policy rates make bonds especially attractive in H1. However, the negative sentiment it has stirred, coupled with regulatory uncertainties, bodes ill for the PSEi for the same period. We do expect robust GDP rebound and strong corporate earnings.

Macroeconomy

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The PH economy's return to fast growth in H2-2020 should be supported by resurgent domestic demand, infrastructure and consumption. COVID-19 and Taal volcano eruption will negatively impact growth especially in Q1. Higher residential and construction of various PPP projects, along with the improvement in manufacturing activities and strong NG spending, should provide the added impetus.

● To help reach its growth targets, BSP cut policy rates by 25 bps on February 6th and will likely cut by another 25 bps in March in the light of COVID-19's sting in Q1. ● January PMI showed the third consecutive month of gain. ● Exports surprised analysts by posting double-digit gain of 21.4% in December with robust electronics exports. ● Inflation hastened to a 2.9% y-o-y pace in January from 2.5% in December. ● The plunge in crude oil price, however, will temper the pull effects of the Taal eruption. ● Peso-dollar started the year in the red amidst the Taal fallout and unchecked spread of COVID-19.

Bonds Market 3

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BSP's policy rate cut and the negative impact of COVID-19 on global and PH growth should push interest rates southbound. Thus, we expect the yield curve to shift downwards with an additional 25 bps policy rate cut by BSP (by Q2 latest) and the cumulative effect of the trimmed RRR in the last two months in 2019. Foreign interest rates show a downward bias as US 10-year T-bond yields have headed for multi-year lows in addition to our expected two Fed policy rate cuts in 2020.

● Total tenders in GS auctions rose by 267.7% to P397.7-B in January from P100-B a month ago. ● January trading volume in secondary GS market doubled to P538-B from P258.1-B. ● Bond yields for short term tenors went up while 10-year led the fall by 28 bps to 4.461%. ● The spreads between ROPs and equivalent US Treasuries widened by 3 bps to 21 bps for long dated papers.

Equities Market

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The unchecked spread of COVID-19 has dimmed global growth outlook and investor sentiment once again with equity investors scampering for safe assets and havens. We foresee that the outbreak will negatively impact the local equity market in H1. Faster economic growth and better reported earnings for Q2 should provide returns in H2.

● The PSEi recorded the biggest fall of 7.9% among all global equities. ● All sectors registered losses in the New Year, with the Holdings sector as the top index loser. ● Only five constituent stocks namely, ICT, MEG, TEL, SCC, and MEG landed in the green, while others plunged in a sea of red. ● PSE turnover fared relatively flat in January as it edged up by 0.6%. ● PSEi failed to keep foreign investors ashore once again, evidenced by a net selling of P8.3-B.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2020)	2018 (year-end)	2019 (year-end)
GDP Growth (Q4-2019)	6.4%	6.0%	-	6.2%	5.9%
Inflation Rate (January)	2.9%	1.3%	2.9%	5.2%	2.5%
Government Spending (December)	57.8%	22.4%	-	20.7%	11.4%
Gross International Reserves ($B) (January)	86.9	87.8	86.9	79.2	87.8
PHP/USD rate (January)	50.84	50.77	50.84	52.68	51.80
10-year T-bond yield (end-january YTD)	4.67%	4.54%	4.67%	7.05%	4.48%

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

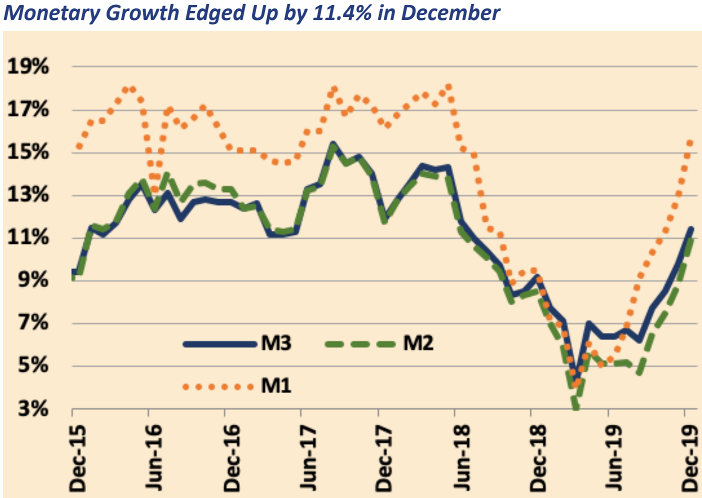
MACROECONOMY

BSP Cuts Policy Rates as COVID-19 Spreads Globally

In the face of serious internal and external threats to achieving the administration's growth objectives, the Bangko Sentral ng Pilipinas (BSP) cut its policy rates by 25 bps on February 6th to 3.75% to pressure interest rate downwards and strongly spur the domestic economy upward and offset the pull factors. Manufacturing activity based on PMI appeared to have a good start in 2020, while exports confounded analysts with a surprising 21.4% expansion in December. While inflation sped faster to a 2.9% in January, from 2.5% in December,going forward, the plunge in crude oil prices will likely offset the residual food price inflation mostly due to the Taal volcano eruption and base effects.

Outlook: With the economy driven more by domestic demand (i.e., consumption, government and investment spending), it should continue its faster growth pace in H2-2020. However, the negative impact of the Taal volcano eruption and Metro Manila consumers avoiding malls with the lingering COVID-19 impact on tourism may only result in a 0.4% to 0.8% reduction in GDP growth in Q1-2020 but still robust enough to be a top performer in ASEAN-6.

Figure 1 - M1, M2, M3 Growth Rates
Monetary Growth Edged Up by 11.4% in December



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

MB Cuts Policy Rate by 25 bps while Money Growth Speeds Up to Double Digits

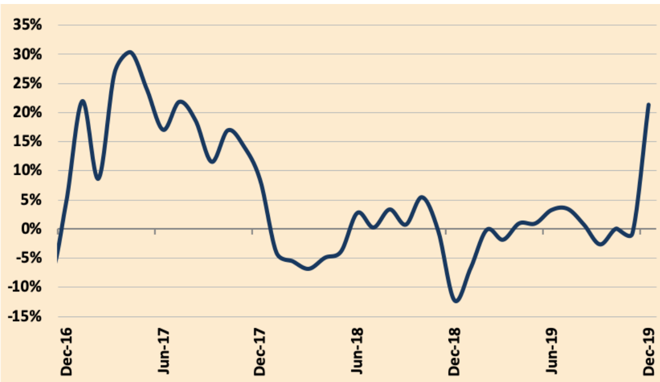
Despite accelerating inflation partly due to low base a year ago and money stock expanding by double digits, the Monetary Board (MB) decided on February 6th to cut policy rates by 25 bps [i.e., BSP's overnight reverse repurchase (RRP)] to 3.75%. MB also reduced rates on overnight deposit (ODF) and lending (OLF) facilities by 25 bps. MB opted for the rate cut due to weak 2019 GDP expansion, and the expected negative impact on growth of the fast-spreading COVID-19 and the Taal volcano eruption.

Money supply in December showed a quick paced acceleration, hitting double-digit mark, which resulted from monetary policy easing moves since June 2019. Domestic liquidity (M3) growth accelerated to 11.4% year-on-year (y-o-y) in December from 9.8% in November. Broad money (M2) and narrow money (M1), likewise, increased to 10.9% and 15.7%, respectively.

Outstanding commercial bank loans in December, also accelerated, posting a 9.1% expansion from the past month's pace of 8.1%. Bulk of these loans still went to construction; real estate; financial and insurance activities; construction and wholesale and retail trade, among others. Loans to households showed a 27.5% increase, slightly faster than the 26.6% in November driven by stronger demand for credit card and salary-based general-purpose consumption loans. On the other hand, bank lending to community, social and personal activities and professional, scientific and technical activities still showed decreases (-21.7%). Growth in net foreign assets (NFA) of monetary authorities hastened to 10.9% from 7.6% y-o-y in November 2019.

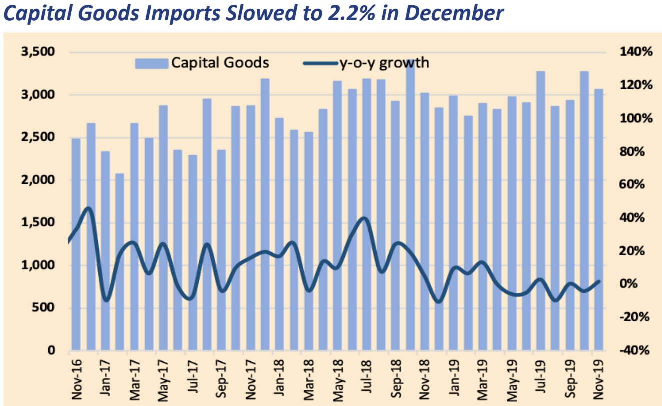
January PMI reached a 3-month high of 52.1 from 51.7 in December and 51.4 in November.

Figure 2 - Exports Growth Rates, Year-on-Year
Exports Demand Soared in December



Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 3 - Imports of Capital Goods (in Million USD)
Capital Goods Imports Slowed to 2.2% in December



Source of Basic Data: Philippine Statistics Authority (PSA)

Inflation Year-on-Year Growth Rates	Jan-2020	Dec-2019	YTD
All items	2.9%	2.5%	2.9%
Food and Non-Alcoholic Beverages	2.2%	1.7%	2.2%
Alcoholic Beverages and Tobacco	19.2%	18.4%	19.2%
Housing, Water, Elec, Gas, & Other Fuels	2.5%	1.9%	2.5%
Health	2.9%	2.9%	2.9%
Transport	3.0%	2.2%	3.0%

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)

Factory Output Reaches 3-month High in January

IHS Markit PMI index for the Philippines continued to rise to a 3-month high of 52.1 from 51.7 in December and 51.4 in November. The report attributed this to "a quicker rise in new orders amid stronger demand from both domestic and foreign customers and the beginning of new contracts."

Meanwhile, the official survey or Volume of Production Index (VoPI) ended the year in the red, posting a double-digit decline. Surveyed manufacturing output further fell by 10.1%, from the 6.1% slide in November. Lackluster output in eight out of the 20 major industry groups, with six recording double-digit declines, pulled down the index.

Printing led the expansion with a 133.5% jump, followed by fabricated metal products (+38.8%), the latter in support of robust construction activity. Furniture and fixtures plummeted by 41.2% followed by basic metals (-29.5%).

Factory output performance in 2019 certainly proved unremarkable, but we think that manufacturing output will improve in 2020 especially starting Q2 amidst rapid infrastructure implementation.

Exports Surge by 24.1% in December

Surprisingly, exports soared by 21.4% y-o-y in December, powered by the 24.9% surge in electronics exports. All nine types of electronics products gained, except for control and instrumentations. Semi-conductor shipments zoomed by 31.8% to lead electronics exports. Full year exports reached $70-B, the first time to break into 70s.

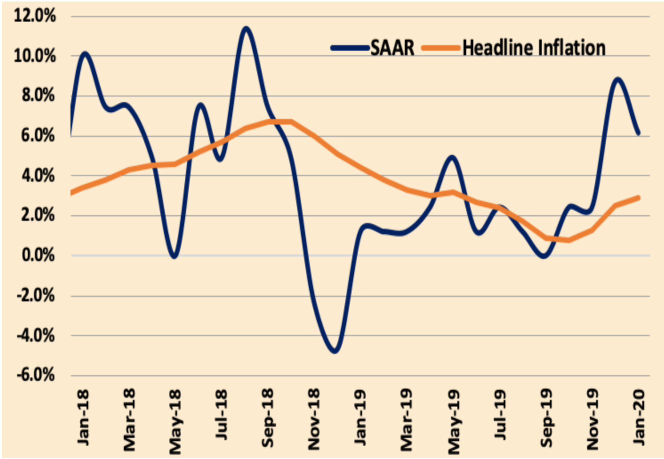
Seventeen out of the top 20 export products gained, with 13 categories in double-digits and only three of the Top-20 declined. Copper cathode exports led the growth race with its amazing 471.9% increase.

The US regained its role as top destination with 15.7% market share and a growth of 7.7%. Hong Kong came in a close 2nd with 15.4% of total exports while China snagged the 3rd spot with its 14.5% share and a jump of 9%. Region-wise, East Asia including Japan accounted for around half of exports (51.5%) and topping last year's shipments by 4.4%. ASEAN came in next with a 15.9% market share even if shipments to the region sank by 3.8%. While EU destinations cornered 10.7%, as the weak EU economy attracted 7.8% less exports.

The 2020 outlook is dimmed despite the positive input of exports in January due to a foreseen weakness in Q1 following the impact of COVID-19. This would further affect

Figure 4 - Inflation Rates, Year-on-Year

Inflation Further Rose to 2.9% in January

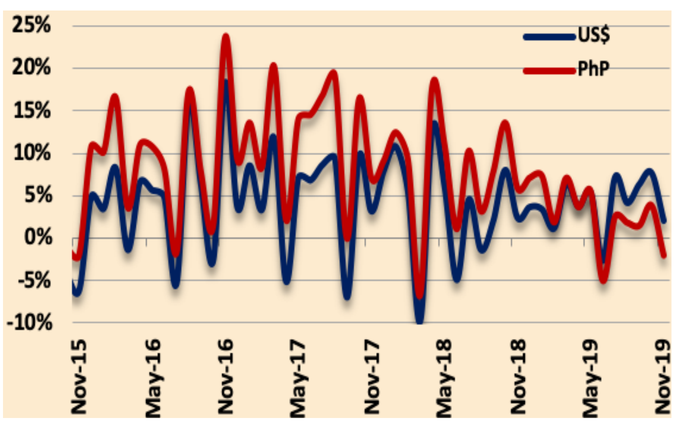


Source of Basic Data: Philippine Statistics Authority (PSA)

Huge increases in the prices of commodities under the alcoholic beverages and tobacco (ABT) and transportation indices largely propelled gains.

Figure 5 - OFW Remittances Growth, Year-on-Year

Lower Dollar Inflow and 3.9% Peso Appreciation Pressured OFW Remittances



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

Lower dollar inflow and the 3.9% (y-o-y) peso appreciation resulted in the 2% decline in the peso equivalent of personal remittances.

Japan's already fragile economy that contracted in Q4-2019.

Capital Goods Imports Slip by 2.2% in December

Imports of capital goods remained fairly flat with its 2.2% slide in December after an unremarkable 1.6% gain in November. Imports of power generating and specialized machinery and land transport equipment plunged and pulled overall growth to negative territory. For the full year 2019, capital goods imports, however, managed to move up by 2.1%.

Except for the mineral fuels category, all four other segments declined, pulling down total imports by 7.6% y-o-y. Raw materials and intermediate goods imports, which accounted for 31.9% of imports, fell by 19.9% as commodity prices fared softly in the international markets.

Full year imports breached the $100-B mark again as these totaled $107.4-B, down 4.8% from 2018.

December balance of trade deficit (BOT) came as a 6-month low of $2.5-B. Total BOT deficit in 2019 only reached $37.1-B, smaller by 14.9% compared to $43.5-B in 2018.

Inflation Continues to Climb to Hit 2.9% in January

Headline inflation in January climbed to 2.9% y-o-y, at a faster pace from the 2.5% y-o-y uptick in December. Broad-based price increments, coupled with the low-base effect, drove inflation print higher.

Huge increases in the prices of commodities under the alcoholic beverages and tobacco (ABT) and transportation indices largely propelled gains. We, likewise, observed faster increments in heavily-weighted food and non-alcoholic beverages (FNAB) and utilities (HWEGOF, 0.6 percentage points higher from a month ago). The utility index still went up despite the downward adjustments in Meralco rates by 0.41 centavos in January to P9.45/kWh due to lower generation costs and lower power costs from the Independent Power Producers (IPPs). Higher meat, fish, vegetables, and fruits, among others drove up food prices and higher transport cost contributed to the January increase. Note that the international crude oil prices in January averaged to $57.50/barrel for WTI, or 11% higher (y-o-y) as OPEC announced further production cuts.

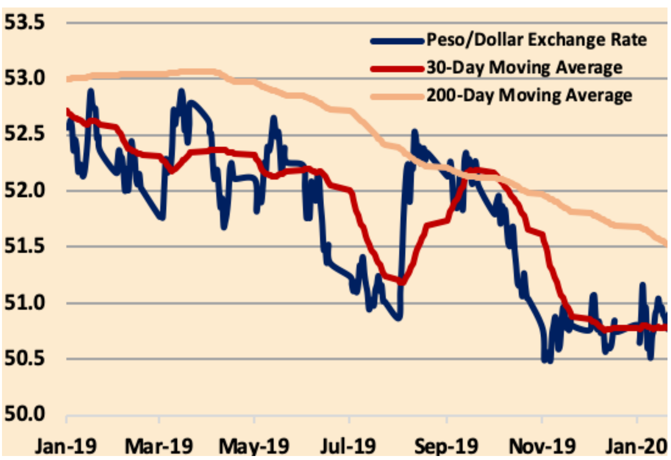
The seasonally adjusted annualized rate (SAAR) of inflation decelerated to 6.2% from 8.7% a month ago, but still lodged above the actual headline inflation.

Exchange Rates vs USD for Selected Asian Countries			
	Dec-19	Jan-20	YTD*
CNY	-0.1%	-1.3%	1.8%
INR	-0.4%	0.1%	1.0%
IDR	-0.3%	-2.0%	-3.1%
KRW	0.4%	-0.7%	3.9%
MYR	-0.2%	-1.7%	-0.4%
PHP	0.1%	0.1%	-3.9%
SGD	-0.3%	-0.5%	-0.7%
THB	-0.1%	0.5%	-7.6%

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

Note: Positive changes mean depreciation and negative changes mean appreciation against the greenback

Figure 6 - Dollar-Peso Exchange Rates & Moving Averages
Wider Trade Deficit Still Kept the Peso from Posting Gains, an Improvement in January



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

Peso-dollar began 2020 in the red amidst the Taal fallout and unchecked spread of COVID-19.

However, we expect a further slowdown on m-o-m (SAAR) basis in February and March as crude oil and commodity prices have plunged as COVID-19 put brakes on China and the world economy's recoveries.

OFW Remittances Slow Down in November

PH continued to cash in personal remittances sent by Filipinos working abroad (OFWs) in November, reaching $2.6-B (+2.1%) albeit slower than the 7.7% gains recorded a month ago. Nonetheless, YTD level reached $30.3-B, 4.1% higher than in the same period last year

Inflows coming from sea and land-based workers with less than one-year contracts supported remittances flow (+7.3%), along with the 3.6% increase in remittances sent by those with contracts locked-in for at least one year.

Lower dollar inflow and the 3.9% (y-o-y) peso appreciation resulted in the 2% decline in the peso equivalent of personal remittances. We believe that remittances in December will show a similar trend as the remittance growth hinges on the duration and containment of the COVID-19 outbreak.

Peso Begins 2020 in the Red

Lower current account balance (CAB) and BOT deficits y-o-y kept the peso weak as it averaged P50.84/$ at the start of 2020, representing a 0.15% month-on-month (m-o-m rise) (albeit minimal) from P50.77/$ a month ago. The volatility measure slightly widened to 0.15 from 0.14 in December, as the peso traded within the P50.51/$ to P51.16/$ band.

Other emerging currencies, meanwhile, showed strength against the greenback tracking weak US dollar's performance. Softer inflation and positive economic prospects still supported the rupiah (IDR). The ringgit also strengthened as Malaysia booked current account surplus and recorded higher direct investments. Likewise, the yuan (CNY) remained in the green following reports of the US-China Phase One Trade Deal.

Meanwhile, India's rupee (INR) still joined PH in the red list amidst the floundering economy. Economic fundamentals in India have weakened despite its central bank's aggressive rate cut. The baht (BHT) also depreciated after months of being one of the top performers, due to tepid overall demand expectations.

The month-end actual USD/PHP rate in January landed far below 200-day moving average (MA), but stayed at close range with the 30-day MA, suggesting peso weakness in the short term. We still maintain our overall depreciation bias in 2020 as we expect higher balance of trade deficits due to the rapid recovery of infrastructure spending and faster GDP growth.

Outlook

• The spate of negative news— accelerating inflation rate in January, Taal volcano eruption that displaced some 100,000 persons in the area, and fast spreading COVID-19 around the globe— should not make us oblivious of the solid fundamentals of the economy.

• PMI hit a 3-month high of 52.1 in January from 51.7 in December, amidst broadly positive advance indicators.

• December exports soared by 21.4% that brought the balance of trade (BOT) deficit to the lowest level since June 2019 at $2.5-B. Weak imports (-7.4%) due to the sharp fall in crude oil prices also contributed to the outcome.

• Headline inflation race to 2.9% y-o-y in January from a distant 1.3% in November, although ostensibly driven by higher food and transport prices, around half of the acceleration has been due to the low base effect from a year ago levels in CPI. We believe inflation has reached its peak in H1.

• With a slower 2019 GDP growth, the threat of a bigger Taal explosion, and the rising fears of a global economic slowdown in the face of still untamed COVID-19, BSP cut its policy rates by 25 bps as it didn't see much further gains in inflation with the free fall of crude oil prices despite an OPEC cut announced in December. BSP may actually cut rates further by another 25 bps in March especially if the government's growth targets look imperiled by any of the negative factors earlier seen.

• The peso has held fairly steady up to early February but should begin to falter as the economy accelerates with an early approval of the NG budget, and infrastructure spending assured.

FIXED INCOME SECURITIES

BOND MARKETS HESITANT IN EARLY JANUARY, BUT GET EXCITED BY FEBRUARY

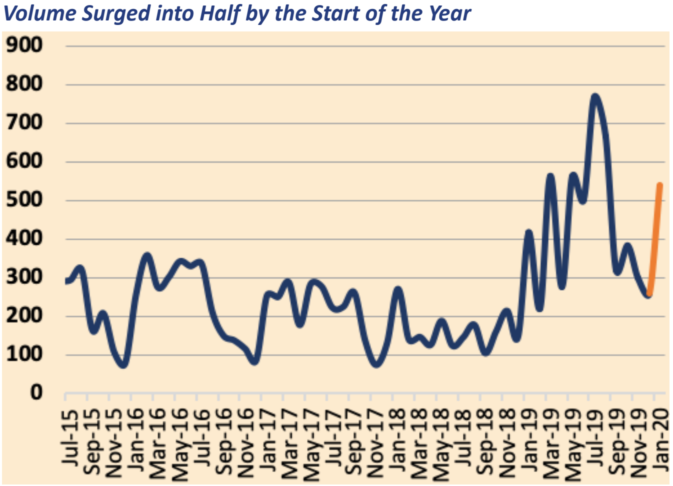
Domestic bond markets remained active but market players demanded higher yields in January. Bangko Sentral ng Pilipinas' (BSP) policy rate cut on February 6th mirrored global central bank's response to the expected slower growth spawned by the so-far uncontrolled spread of the novel coronavirus (COVID-19) and brought yields down with even great market participation. That the Bureau of the Treasury earlier raised P134-B from 3-year Retail Treasury Bonds (RTBs) at yields above-market expectations contributed to enhanced bond trading. Even corporate bonds' trading volume jumped, while the spread between ROPs and US Treasuries widened due to the faster fall in US Treasuries as these became more attractive as safe haven assets.

Outlook: While local bond yields initially moved up in tandem with US Treasuries and as a reaction to the sharp rise in January inflation to 2.9%, BSP's policy rate cut and the sharp fall in US Treasury yields (to below 1.8% in early February) have pushed down yields again. COVID-19's negative impact on global growth and likely two Fed rate cuts during the year should keep foreign interest rates down. Domestically, we expect BSP to cut policy rates by another 25 bps by March and so a bond rally is firming up for H1.

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
31-Jan	91-day	24.000	51.720	24.000	2.155	3.297	10.5
	182-day	24.000	35.345	19.870	1.473	3.597	24.9
	364-day	32.000	40.973	26.814	1.280	3.963	48.8
Subtotal		**80.000**	**128.038**	**70.684**	**1.600**		
07-Jan	3 year	**30.000**	**37.346**	**16.586**	**1.245**	**4.014**	27.2
21-Jan	7 year	**30.000**	**52.710**	**27.203**	**1.757**	**4.732**	41.0
28-Jan	3-YEAR RTB	**134.000**	**149.827**	**134.000**	**1.118**	**4.297**	
Subtotal		194.000	239.883	177.789	1.237		
All Auctions		**274.000**	**367.921**	**248.473**	**1.343**		

Source: Bureau of the Treasury (BTr)

Figure 7- Monthly Total Turnover Value (in Billion Pesos)
Volume Surged into Half by the Start of the Year



Source: Philippine Dealing Systems (PDS)

GS Auctions: Renewed Demand but at Higher Yields

Bureau of the Treasury (BTr) conducted four (weekly) auctions for Treasury bills (T-bills) and three for longer-term papers totaling P274-B, nearly 7x the December offer of P40-B. Total tenders for both T-Bills and T-Bonds surged to P367.9-B from P100-B or 267.7% higher than December. Despite the increase in total tenders, the tender offer ratio fell to 1.34x from 2.50x a month ago. The offerings bloated due to the P134-B 3-year Retail Treasury Bond (RTBs) issued late in the month.

Yields for all T-bill tenors rose. It increased to 10.5 bps from 3.297% from 3.192% for the 91-day papers. For the 182-day and 364-day T-bills, the yields soared by 24.9 bps to 3.597% from 3.348% and 48.8 bps to 3.963% from 3.475%, respectively. This was due to the unexpected acceleration in inflation last January to 2.9%. Meanwhile, yields for T-bonds also moved up for the 3- and 7-year tenors. For 3-year papers, yields shot up by 27.2 bps to 4.014% from 3.742% in December and for the 7-year papers, they jumped by 41 bps to 4.297% from 4.322% last October 2019.

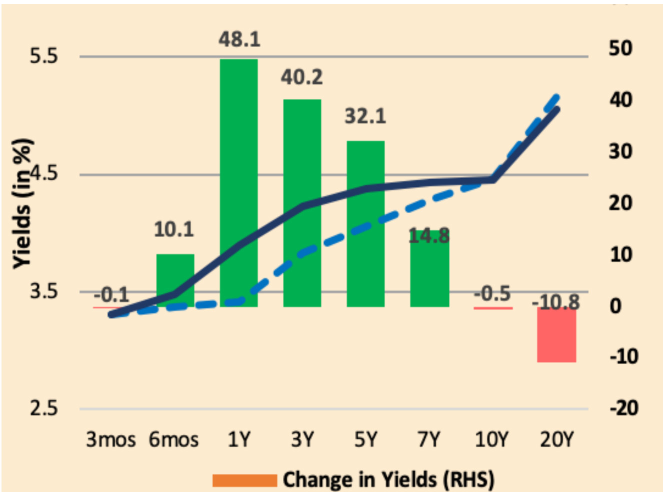
On January 28th, BTr additionally issued 3-year RTBs amounting to P134-B, with an average yield of 4.297%.

Secondary Market: Yields Moved Up in Curve's Belly

Secondary GS trading more than doubled month-on-month (m-o-m) to P538-B from P258.1-B in the previous month. It also improved by 29.4% y-o-y from P415.7-B a year ago.

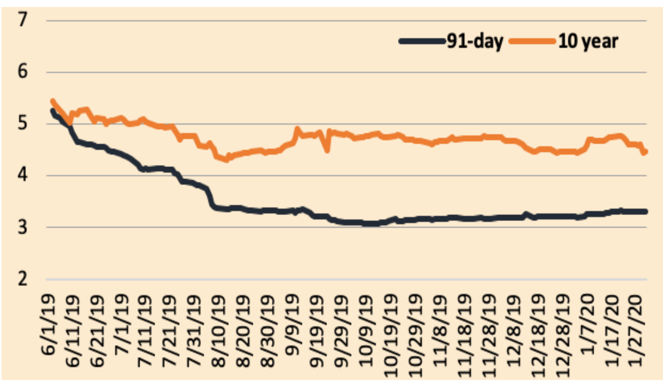
Yields for 6-month to 7-year space jumped while the yields for 10-year and 20-year tenors fell.
6-month debt paper yields climbed by 10.1 bps to

Figure 8 - GS Benchmark Bonds Yield Curves
Short Term Yields Shift Upwards



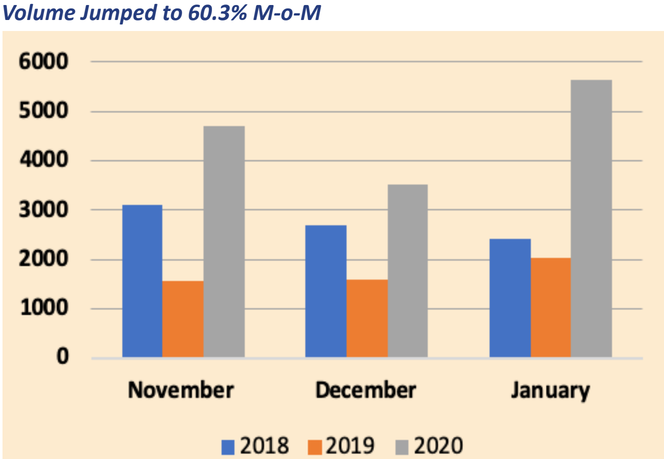
Source: Philippine Dealing Systems (PDS)

Figure 9 - 91-day T-Bill and 10-year T-bond Daily Yields
Spread Narrowed by 33 bps to 39 bps



Source: Philippine Dealing Systems (PDS)

Figure 10 - Total Corporate Trading Volume (in Million Pesos)
Volume Jumped to 60.3% M-o-M



Source: Philippine Dealing Systems (PDS)

Trading volume for secondary trading in corporate bonds double to P538-B from P258.1-B.

3.474% from 3.373% a month ago while 1-year papers surged by 48.1 bps to 3.896% from 3.415%.

However, longer tenors dropped by a tad 0.5 bps to 4.456% from 4.461% for 10-year tenors and by 10.8 bps to 5.051% from 5.159% for the 20-year debt papers.

The yield curve flattened as the spread between 10-year and 2-year yields narrowed by 33 bps to 39 bps. The longer dated bond yields fell while shorter tenors moved up. This means that investors are confident that headline inflation rate will settle to more reasonable levels, and that US Treasury yields will remain low.

Corporate Trading: Trading Volume Doubled Compared to the Previous Month

Total corporate bonds trading in January surged by 60.3% m-o-m to P5.6-B from P3.5-B in December. Furthermore, it vaulted by 175.9% y-o-y from P2-B a year ago.

SMC Global Power (SMCGP) which climbed from 4th place to 1st place among the top five corporate issuers with P641-M or 148.7% jump m-o-m. Ayala Land Inc. (ALI) came next with P438.1-M of trades, while SM Prime Holdings (SMPH) relinquished the No. 1 spot with P366.1-M. Holding 4th and 5th positions, SM Investments Corporation (SMIC) and Ayala Corporation (AC) traded papers totaling P156.6-M and P154.6-M, respectively.

The total corporate trading for top five issuers amounted to P1.7-B, or some 30.4% of the total corporate bond trading.

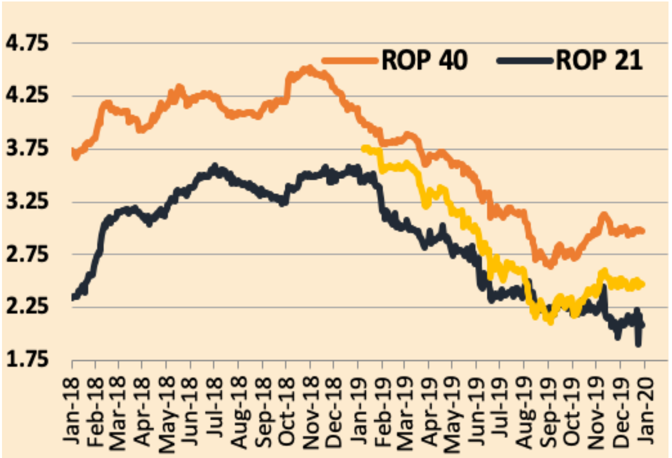
Corporate Issuances and Disclosures

• SM Prime Holdings filed with the Philippine Securities and Exchange Commission (SEC), a shelf registration of P100-B 3-year bonds, with an initial offering of P15-B and an oversubscription option of up to P5-B worth of fixed rate bonds. This will consist a five-year Serieks K Bonds that are due in 2025 and seven-year Series L due on 2027.

• Bank of the Philippine Islands (BPI) raised a total of P15.3-B peso fixed rate bonds from the initial target of P3-B. The bonds will have a 2 year tenor and an interest rate of 4.2423% payable quarterly.

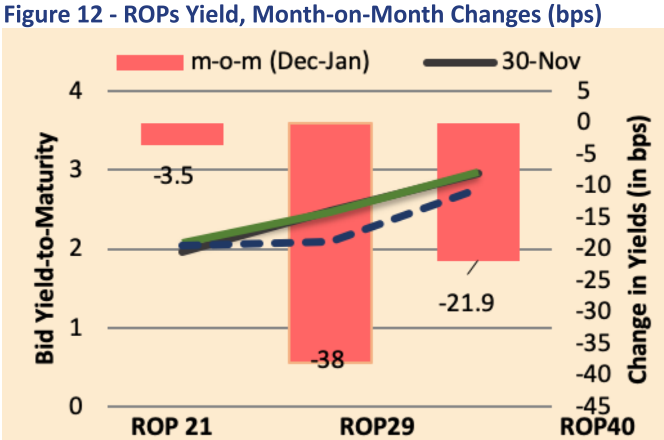
• BDO Unibank, Inc. (BDO) successfully issued a total of P5-B peso fixed rate bonds with 2.5 years tenor and will be priced at 4.408%. Interest will be paid quarterly.

Figure 11- ROPs Daily Yields
ROPs 29 and 40 Yields Fell Even Further



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

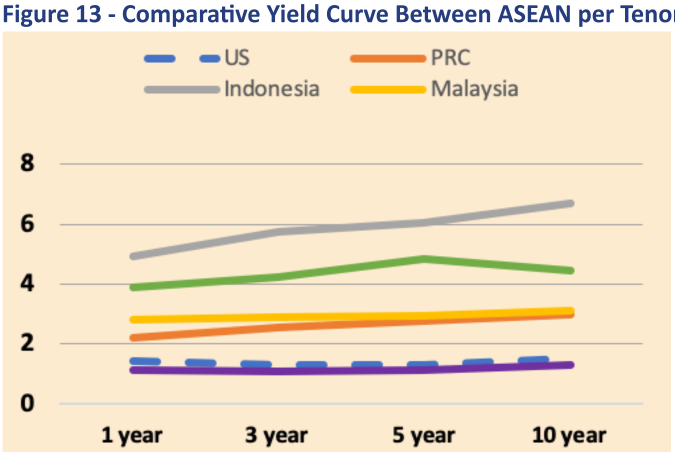
Figure 12 - ROPs Yield, Month-on-Month Changes (bps)



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Date	1-year	10-year	20-year
30-Nov	35.7	69.9	89.4
30-Dec	49.0	54.8	72.7
31-Jan	59.5	57.8	92.8

Figure 13 - Comparative Yield Curve Between ASEAN per Tenor



Source: Asian Development Bank (ADB), Federal Reserve

• Robinson Bank Corporation approved a P10-B Funding Plan for 2020 via corporate notes, long term negotiable certificates of deposits and corporate bonds in various tranches and/or multiple tenors.

ROPs: Spreads Between ROPs and US Treasuries Widen with Bigger Falls in US Treasuries

Republic of the Philippines' sovereign US dollar-denominated bond ROPS yields dropped for all tenors (ROP-21, ROP-29 and ROP-40) while the equivalent US bonds (1-year, 10-year and 20-year) also fell even more drastically.

ROP-21 slightly eased by 3.5 bps to 2.045% from 2.080%. Yields fell again for longer tenor ROP-29 and ROP-40. The former shed 38 bps to 2.088% from 2.468% while ROP-40 slumped by 21.9bps to 2.758% from 2.977%. Thus, the ROPs yield curve flattened. The movement in the US Treasury local yield curves had impacted ROPs, especially at long end, making the issuance of ROPs by the national government more attractive.

On the other side of the Pacific, the corresponding US Treasury yields (1-year) tumbled even more. Longer tenors (10-year and 20-year) fell drastically by 41 bps to 1.51% from 1.92% and 42 bps to 1.83% from 2.25%, respectively. The 1-year space saw a smaller slide of 14 bps to 1.45% from 1.59%.

With the larger declines in US Treasury, the spread between ROPs and US treasury for longer tenors widened by 3 bps to 21 bps.

The spreads between ROPs and equivalent US treasury for longer tenors widened by 3 bps to 21 bps.

ASEAN + 1: Yield Curves Flatten by COVID-19

US: The economy remained robust as it added another 225,000 in January, in addition to an upward revision totaling 7,000 for November and December. Unemployment rate stayed at 3.6%. Labor participation rate also rose to 63.4%, up by 0.5 percentage points from a year ago. Wages moved up modestly by 3.4% y-o-y. Construction and health care contributed the most new jobs, while manufacturing slightly eased. CPI inflation in December slowed to 0.2%, the same pace as core inflation. Fed Chair Jerome Powell pointed out downside risks to growth, while inflation still kept below its target of 2%.

The mild inflation print and the global outbreak of COVID-19 pushed long-term yields down, while short-term bond yields moved little. Thus, the spread between the 10-year and 2-year T-bond yields narrowed by 16 bps to reach 18 bps by end-January.

The stock market (DJIA) chalked in four records in January with an all time of 29,348 on January 17th after US and China signed Phase One of their trade agreement.

China: People's Republic of China's (PRoC) inflation rate jumped to 5.4% y-o-y in January from 4.5% a month, the highest rate since October 2011 due to rising pork prices, stronger demand for food during New Year holiday and the ongoing COVID-19 outbreak from Wuhan, a key logistics hub. Meanwhile, the country's fiscal spending climbed by 8.1% in 2019 compared to 2018, outpacing economic growth as policymakers sought to ward off a sharper slowdown. Fiscal revenues moved up by only 3.8% last year.

In the meantime, China's yield curve hardly moved. The spread between 10-year and 2-year bonds slightly widened by 2 bps to reach 52 bps by end-December.

People's Bank of China will provide the first batch of special re-lending funds in order to combat COVID-19's debilitating effect on output and income. Nine major national banks and local bank in 10 provinces qualified for the special funding. It required them up to 100 bps below the one-year Loan Prime Rate, which is currently at 3.2%. Moreover, China's state council released tax exemption and loan policies to strengthen the containment of COVID-19 and better meet the demand for medical supplies and life necessities, sample registration fee for drugs and medical equipment waived, and provide additional support for research and development.

Thailand: Headline inflation rate edged up by 1.1% in January from 0.9% in December, due mainly to higher food prices, such as rice, meat, eggs and dairy products. The commerce ministry forecast headline inflation of between 0.4% to 1.2% for 2020 while core consumer prices to increase by 0.5%. The consumer confidence index dropped to 67.3 in January from 68.3 last month, attributed to the outbreak of the deadly virus, delayed fiscal 2020 budget and domestic economic slowdown. The index fell to the lowest level since May 2014.

Thai Chamber of Commerce forecast economic growth for 2020 at 2.5 - 3% range. Authorities estimate income loss 80-B to100-B baht, mainly in tourism because of the deadly virus outbreak. Tourism-related equites fell by more than 14% in the Stock Exchange of Thailand (SET) index due to the plunge in Chinese tourist arrivals. Bank of Thailand (BoT) reduced its policy rate by 25 bps to a record low of 1% last February 5 to boost the economy, currently battered by the coronavirus epidemic and months-long delay in the fiscal 2020 budget bill.

Indonesia: Headline inflation rate dropped to 2.7% in January from 2.7% in the previous month. Upward pressure came from food, drinks and tobacco prices, while transport costs, information, communication and financial services fell. Commodity prices such as natural rubber to coal plunged in early February because of decreasing demand from China. Rubber, coal and palm oil are among Indonesia's main export commodities.

Bank of Indonesia (BI) projects GDP growth of 5.1% - 5.5% in 2020 despite last year's slow performance. BI in tandem with the government aims to craft policies that would boost investments and exports as it expects better global economic prospects by the second half of 2020. Additionally, BI expects household spending to remain strong, a key factor for growth as it accounts for more than half of the country's GDP. BI injected a total of Rp25-T ($1.8-B) into the country's financial markets as investors exited over fears that spreading COVID-19 would hurt the global economy. BI has been buying government bonds to stabilize market prices and liquidity. The scare has not only affected the foreign exchange spot market but also the domestic non-deliverable forwards (DNDF) market.

Malaysia: Purchasing Managers' Index (PMI) for Manufacturing slipped to 48.8 in January from 50 a month ago. The current reading suggests a 5% GDP growth representing a slight slowdown of the economy. Exports will likely fall due to the deteriorating external demand, with export orders under further pressure as a result of weaker growth in key trading partners. In addition, exports as a whole inched up 1.4% in 2019 to RM815.2-B (~$198-B) but got dragged down by re-exports (around 21% of total exports) which fell by

China's inflation rate jumped to 5.4% y-o-y in January, the highest rate since October 2011.

14.1% to RM171.2-B.

The Malaysian government expects growth of 4.8% in 2020 amid concerns on COVID-19. The government allocated RM5-B (~$1.2-B) over the span of 5 years to attract more foreign companies to invest in the country. Moreover, Japan-based Rating and Investment Information Inc. (R&I) had upgraded Malaysia's Foreign Currency Issuer Rating to A+.

Spread between 10-year and 2-year tenors narrowed by 5 bps to 28 bps by end-January.

Outlook

Despite even higher inflation in January 2020 at 2.9%, bond yields for the longest tenors slipped as market players sensed a policy rate cut after the below-6% 2019 GDP growth and the spreading out of control of COVID-19.

• Investors got vindicated as the BSP Monetary Board trimmed policy rates by 25 bps to 3.75% on its February 6th meeting, the first one in 2020. MB also supported its decision by citing the negative impact on global and PH growth of the COVID-19's spread and geopolitical tensions, as well as the "broadly steady path" of inflation within its target of 3% +/- 1%. A second 25 bps cut in policy rates has emerged beyond the "remotely possible" due to the widening impact of the COVID-19 not only on global growth but also on tumbling crude oil prices.

• There seems to be some room for a bit more of downward movement in the entire yield curve as the effects on money growth of the previous RRR slashes have only shown up more clearly in the last two months of 2019. This will also rely on global growth weakness with a prolonged COVID-19 up to Q2. Thus, we see even more active domestic bond markets in H1.

• Despite strong job numbers in the US even in January (+225,000), 10-year T-bond yields have kept low, as US core inflation remained below Fed's 2% target, as it sees still a substantial slack in the job market. Besides, US Treasuries as safe haven have attracted foreign funds even as the Fed will likely cut policy rates twice in 2020. Yields in EU and Japan should also see 10-year yields deeper in negative territories as these economies are export dependent.

• Trading in corporate bonds will continue to gain substantially especially with the large issuances of BDO (P40-B) and a likely P25-B by MBT.

• Spreads of ROPs against equivalent US Treasuries will likely continue to widen as the latter continues its downward slide while risk-averse investors may avoid ROPs for the moment.

Spreads between 10-year and 2-year T-Bonds

Country	2-year Yields	10-year Yields	Projected Inflation Rates	Real 10-year yield	10-Year and 2-Year Spread (bps)		Spread Change (bps)	Latest Policy Rate	Real Policy Rate
					Dec-19	Jan-20			
US	1.33	1.51	1.8	(0.29)	17	18	(16)	4.00	2.20
PRC	2.50	3.00	2.9	0.10	50	50	(2)	4.35	1.45
Indonesia	5.63	6.68	3.0	3.68	109	105	(22)	5.00	2.00
Malaysia	2.85	3.13	0.8	2.33	40	28	(5)	3.00	2.20
Thailand	1.07	1.29	0.7	0.59	32	22	(10)	1.25	0.55
Philippines	4.06	4.46	2.5	1.96	95	39	(23)	4.00	1.50

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

EQUITY MARKETS

COVID-19 Downs Investors Already Wary over High Local Inflation

China's final admission of the spread of the 2019 novel coronavirus (COVID-19) rendered the coup de grace to equity investors already reeling from fears of higher local inflation that greeted the New Year. In addition, local regulatory risks fanned the flames of anxiety among investors. As a result, the PSEi plunged by 7.9% in January, the worst in an all-red East Asia and ASEAN regions.

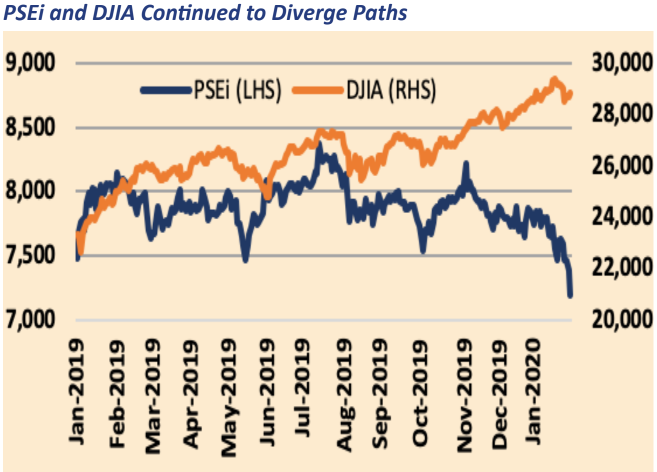
Outlook: With COVID-19 spreading at a faster rate than the 2003 SARS virus, albeit with a lower death rate, China had six major cities locked out and production at a standstill for an indeterminate period. Global growth outlook has dimmed once again with equity investors scampering for safe assets and havens. Despite global efforts to develop a vaccine, the outbreak will negatively impact the local equity market in Q1, and probably into Q2.

Global Equities Markets Performances

Region	Country	Index	January M-o-M change	2019 change
Americas	US	DJIA	-1.0%	-2.1%
Europe	Germany	DAX	-2.0%	-3.0%
	London	FTSE 101	-3.4%	-4.2%
East Asia	Hong Kong	HSI	-6.7%	-7.8%
	Shanghai	SSEC	-2.4%	-3.5%
	Japan	NIKKEI	-1.9%	0.0%
	South Korea	KOSPI	-3.6%	-2.6%
Asia-Pacific	Australia	S&P/ASX 200	5.0%	4.9%
Southeast Asia	Indonesia	JCI	-5.7%	-5.5%
	Malaysia	KLSE	-3.6%	-4.5%
	Thailand	SET	-4.2%	-5.1%
	Philippines	PSEi	-7.9%	-7.0%

Sources: Bloomberg and Yahoo Finance

Figure 14- PSEi and DJIA
PSEi and DJIA Continued to Diverge Paths



Sources: Wall Street Journal, Bloomberg

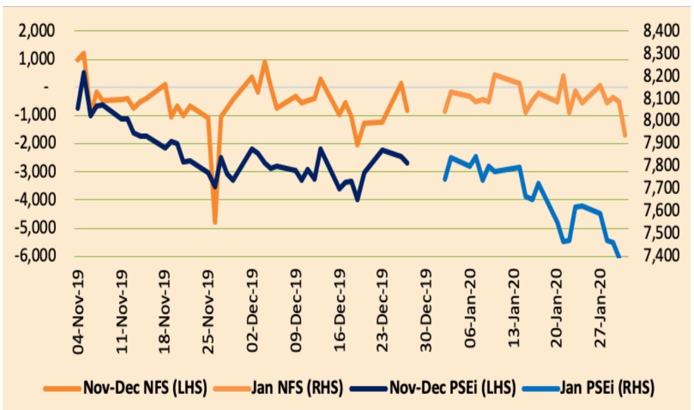
After a cheery start for 2020 with the Phase One US-China trade agreement, by mid-January equity investors around the globe threw away their champagne bottles as share prices plunged into a sea of red, with S&P/ASX as the lone bright spot. Pessimism resurfaced in a flash driven by: (1) the growing US-Iran tensions following the assassination of Iranian General Qasem Soleimani, (2) the Parliament-approved withdrawal of the United Kingdom from the European Union, and (3) the spread of 2019 novel coronavirus from Wuhan, China to the rest of the world at a pace faster than the 2003 SARS virus. The timing of the outbreak dragged down growth and took a huge bite out of corporate earnings amid investors' hope for a sustained upswing after the truce in the US-China trade war. Dow Jones (DJIA) lost its earlier gains and ended lower by -1%. European bourses also failed to overcome such headwinds with DAX and FTSE suffering losses of -2% and -3.4%, respectively. Most of Asian markets likewise ended in the red, with HSI slumping most with its 6.7% dip. Southeast Asian bourses followed suit, with JCI and PSEi recording the biggest falls of 5.7% and 7.9%, respectively.

Philippine investors did not seem to share the same optimism felt by investors in the US as PSEi took a different path in January – downwards. From a correlation of -0.01 in December, an increase from a low -0.8 level in November, DJIA and PSEi's correlation showed less negative relationship at -0.2. US stocks closed higher in the middle of January, with DJIA breaching the 29,000-level for the first time while Philippine stocks traded sideways in the 7,600-level before dipping further to 7,200 on the last day of the month.

Monthly Sectoral Performance				
	27-Dec-19		31-Jan-20	
Sector	Index	% Change	Index	% Change
PSEi	7,815.26	1.0%	7,200.79	-7.9%
Financial	1,863.65	1.2%	1,724.93	-7.4%
Industrial	9,635.07	-1.5%	8,921.44	-7.4%
Holdings	7,592.07	-0.5%	6,900.31	-9.1%
Property	4,154.52	2.7%	3,838.74	-7.6%
Services	1,531.10	-1.0%	1,475.16	-3.7%
Mining and Oil	8,091.98	0.5%	7,663.26	-5.3%

Source of Basic Data: PSE Quotation Reports

Figure 15 - Net Foreign Selling vs PSEi (in Million Pesos)
Foreign Selling Diverged Paths with PSEi

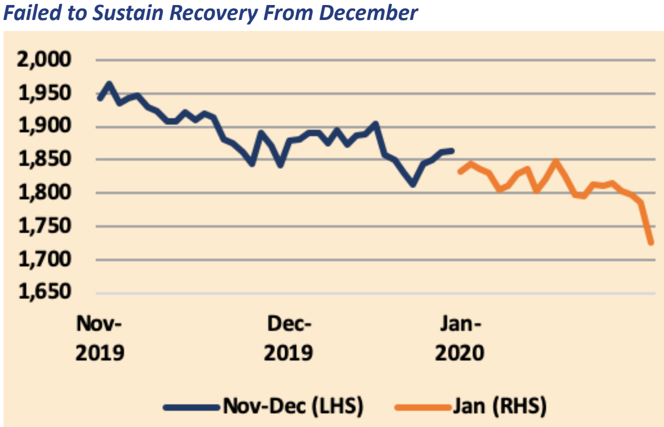


Source of Basic Data: PSE Quotation Reports

Company	Symbol	12/27/19 Close	31/01/20 Close	% Change
Metrobank	MBT	66.30	57.35	-13.5%
BDO Unibank, Inc.	BDO	158.00	148.00	-6.3%
Bank of the Philippine Islands	BPI	87.90	82.50	-6.1%
Security Bank Corporation	SECB	195.00	177.00	-9.2%

Source of Basic Data: PSE Quotation Reports

Figure 16 - Financial Sector Index (Nov 2019 - Jan 2020)
Failed to Sustain Recovery From December



Source of Basic Data: PSE Quotation Reports

The local bourse continued to slip in the previous month as investors continued to avoid the Philippines due to (a) environmental uncertainties spurred by Taal Volcano's eruption, (b) heightened geopolitical risk amid US-Iran tensions that frayed investors' nerves, and (c) regulatory risks referring to water concessions. On the other hand, US stocks rallied on the third week, with all three benchmark indexes closing at new records, following the signing of a trade truce between the US and China, as well as a Senate approval of a new trade deal between the US, Mexico and Canada.

PSEi ended January on a very weak note, consistent with some Asian markets, down by 7.9% in a span of one month – the worst since August 2018. Net foreign selling and PSEi moved in the same direction, albeit a lower correlation of +0.4 in the previous month compared to December's +0.6. As evident, domestic and global uncertainties that surprised the new year primarily weighed down the local bourse despite foreign investors who emerged as net sellers in the stock market to the tune of P8.4-B.

All sectors joined the red flag movement, with Holdings sector as its leader, falling by 9.1%. On the other hand, the Financial, Property and Mining reversed December's gains after recovering from the bloodbath in November.

The Financial sector's constituent stocks booked significant declines pulling the sector down by 7.4% in January after a slight recovery in December.

Bank of the Philippine Islands (BPI) recorded the smallest decline among constituent stocks after it reported a 24.8% year-on-year (y-o-y) surge in net income to P28.8-B for full year (FY) 2019 due to higher margins and lending activities as well as improved treasury gains.

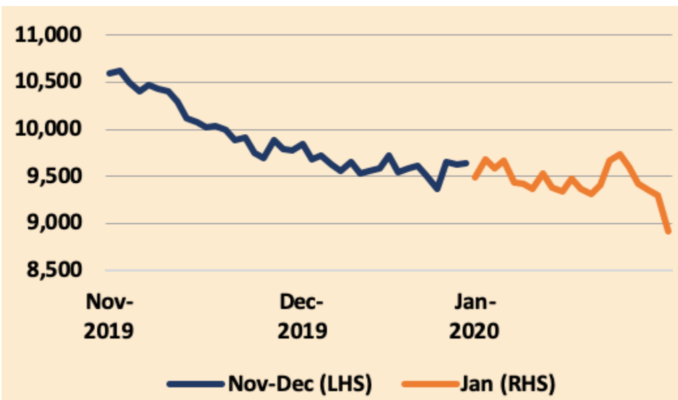
Domestic and global uncertainties that surprised the new year primarily weighed down the local bourse despite foreign investors who emerged as net sellers in the stock market.

Similarly, BDO Unibank, Inc. shares still lost 6.3% in value despite expectations to surpass P38.5-B profit target for 2019 and BDO's move to sell holdings in

Company	Symbol	27/12/20 Close	31/01/20 Close	% Change
Meralco	MER	317.00	256.00	-19.2%
Aboitiz Power	AP	34.20	34.50	-5.0%
Jollibee Foods Corporation	JFC	216.00	191.20	-11.5%
First Gen Corporation	FGEN	24.15	20.30	-15.9%
Universal Robina Corporation	URC	145.00	145.00	0.0%
Petron Corporation	PCOR	3.86	3.62	-6.2%

Source of Basic Data: PSE Quotation Reports

Figure 17 - Industrial Sector Index (Nov 2019 - Jan 2020)
Sector Extended its Losses, Sliding Further Down



Source of Basic Data: PSE Quotation Reports

MER plunged the most among other constituent stocks in the Industrial Sector with a 19.2% fall.

Company	Symbol	2712/19 Close	31/01/20 Close	% Change
Ayala Corporation	AC	785.50	726.50	-7.5%
Metro Pacific Investments Corporation	MPI	3.48	3.21	-7.8%
SM Investments Corporation	SM	1,043.00	971.00	-6.9%
DMC Holdings, Inc.	DMC	6.61	6.10	-7.7%
Aboitiz Equity Ventures	AEV	51.50	49.30	-4.3%
GT Capital Holdings, Inc.	GTCAP	847.00	675.00	-20.3%
San Miguel Corporation	SMC	164.00	139.80	-14.8%
Alliance Global Group, Inc.	AGI	11.66	10.80	-7.4%
LT Group Inc.	LTG	11.98	9.80	-18.2%
JG Summit Holdings, Inc..	JGS	80.80	70.10	-13.2%

Source of Basic Data: PSE Quotation Reports

leasing subsidiary, BDO Leasing and Finance (BDOLF) to a new investor group, as well as a P40.1-B increase in fresh funds from its fixed-rate bond offering.

Metropolitan Bank and Trust Company (MBT) reverted into the red from December's slight recovery increase after the Bangko Sentral ng Pilipinas (BSP) had given MBT permission to raise P25-B through the issuance of long term negotiable certificates of deposits (LTNCD). MBT has carried out fund raising activities in the domestic market to boost its lending portfolio.

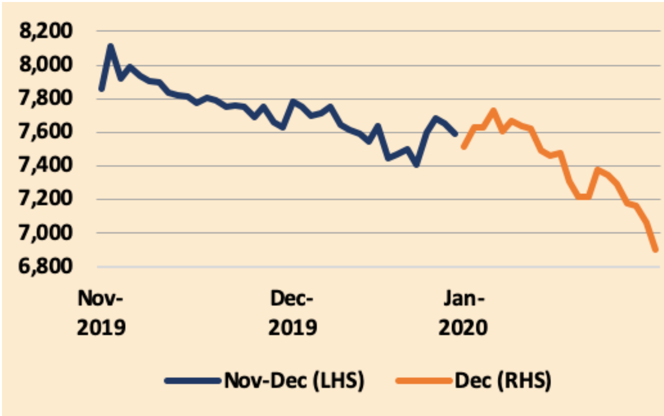
The Industrial sector continued to fall by 7.4% in addition to its 1.5% decline in December. The sector went downhill almost throughout January with all constituent share prices flashing red, with Universal Robina Corporation (URC) as the lone bright spot. Meralco (MER), First Gen Corporation (FGEN) and Jollibee Foods Corporation (JFC) experienced double-digit slides of 19.2%, 15.9% and 11.5%, respectively.

Meanwhile, AP booked the smallest decline among the other five constituent stocks. The board of directors approved the issuance of up to P9.5-B in fixed-rate retail bonds out of the P30-B bonds shelf-registered in 2017. AP seeks to use the proceeds to finance planned acquisitions, future investments, and other corporate requirements.

MER plunged the most with a 19.2% fall. This occurred despite an expected decrease in purchased electricity in January. According to MER, lower costs under the utility's power supply agreements (PSA) with generation companies brought down the generation charge for the month. However, the legal and technical teams of MER are still reviewing the revisions in the terms of reference (TOR) of the competitive selection process (CSP) of its 1,200 MW greenfield capacity tender.

PCOR's share prices dropped by 6.2% after the latest Moody's report revealed that local refiners such as PCOR and Pilipinas Shell Petroleum Corporation (SHLPH) may continue to see downside risks for 2020 amidst continuing US-China trade tension and the consequent economic growth slowdown in Asia.
JFC shares shed 11.5% in value as it weakened in the last days of January as consumers avoided crowded places due to novel coronavirus fears. JFC share prices had rallied in the latter half of December as the company reportedly raised $600-M from a landmark sale of perpetual securities in its offshore capital market

Figure 18 - Holdings Sector Index (Nov 2019 - Jan 2020)
Sector Held its Ground but Traded at Lower Levels



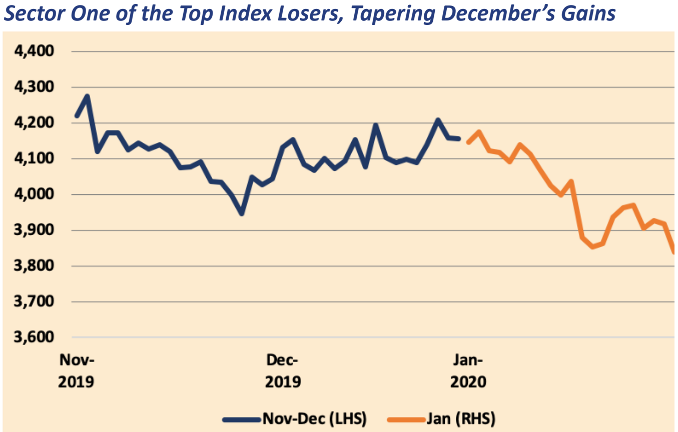
Source of Basic Data: PSE Quotation Reports

Company	Symbol	27/12/19 Close	31/01/20 Close	% Change
Ayala Land, Inc.	ALI	45.50	41.60	-8.6%
SM Prime Holdings, Inc.	SMPH	42.10	42.10	-7.6%
Robinsons Land Corporation	RLC	27.55	25.50	-7.4%
Megaworld Corporation	MEG	4.01	4.05	1.0%

Source of Basic Data: PSE Quotation Reports

The Holdings Sector experienced a bumpy ride throughout the month , trying to hold its ground, but ended up plummeting by the last week of January.

Figure 19 - Property Sector Index (Nov 2019 - Jan 2020)
Sector One of the Top Index Losers, Tapering December's Gains



Source of Basic Data: PSE Quotation Reports

Company	Symbol	12/27/19 Close	01/31/20 Close	% Change
Semirara Mining and Power Corporation	SCC	22.00	22.00	0.0%

Source of Basic Data: PSE Quotation Reports

debut, after buying the company behind US specialty chain Coffee Bean & Tea Leaf.

FGEN's share prices plummeted by 15.9% after the company cautioned on possible curtailment of operations of gas-fired power plants in Batangas due to the hazardous Taal eruption.

Holdings sector added further woes to its 0.5% decline in December with a 9.1% slide in January. The sector experienced a bumpy ride throughout the month, trying to hold its ground, but ended up plummeting by the last week of January. All constituent stocks moved into negative territory with GT Capital Holdings, Inc. (GTCAP) and LT Group Inc. (LTG) as the biggest losers, dropping by 20.3% and 18.2%, respectively.

Aboitiz Equity Ventures (AEV) booked the least decline among constituents in the Holdings sector. However, AEV still took a 5.2% hit last month from December's gains.

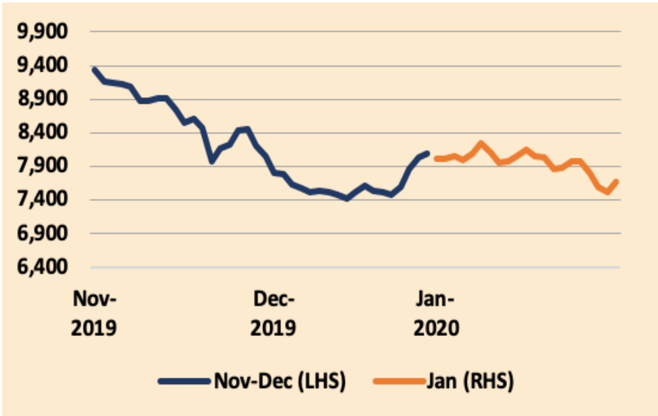
Alliance Global Group, Inc. (AGI) and SM Investments Corporation (SM) suffered losses of 7.4% and 6.9%, respectively despite SM landing a spot on the 2020 Bloomberg Gender-Equality Index, as well as its recognition for corporate sustainability in 2019 The Asset ESG Corporate Awards.

Ayala Corporation (AC) also showed a downward trend, after it faced local regulatory risks over AC's subsidiary's (Manila Water) water distribution contract for Metro Manila, as well as the call to review the LRT-1 O&M (see above with MPI) and its real estate subsidiary's (ALI) long-term development agreement with the University of the Philippines (see below).

DMCI Holdings, Inc. (DMC) also contracted 7.7% after the company was held accountable for the collapse of its condominium building in Davao City, two months after the 6.5 magnitude quake. A few weeks later, Maynilad Water announced that it had chosen a unit of DMC to build a 150-M liters per day (MLD) plant to treat water from Laguna Lake. The agreement emerged against the controversy over water concessions, affecting DMC as it has a 25.2% stake in Maynilad.

Metro Pacific Investments Corporation (MPI) headed south amid the still hanging unsolicited proposal to take over the operations and maintenance of Metro Rail Transit Line-3 (MRT-3).

Figure 20 - Mining & Oil Sector Index (Nov 2019 - Jan 2020)
Sector Took Another Hit

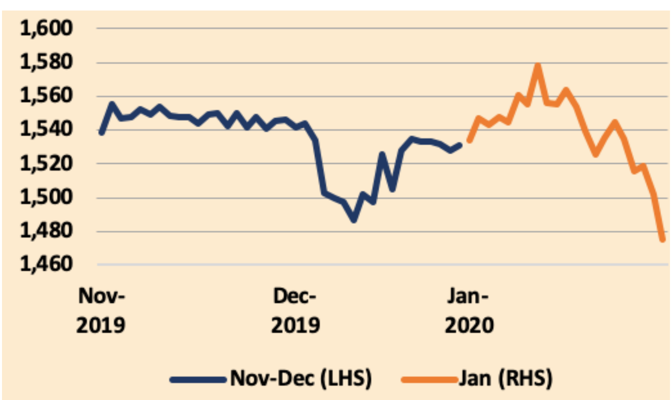


Source of Basic Data: PSE Quotation Reports

Company	Symbol	27/12/19 Close	31/01/20 Close	% Change
Philippine Long Distance Tel. Co.	TEL	988.00	996.00	0.8%
Globe Telecom	GLO	2,020.00	1,890.00	-6.4%
Robinsons Retail Holdings, Inc.	RRHI	80.00	77.05	-3.7%
Puregold Price Club Inc.	PGOLD	30.75	38.20	-3.9%
International Container Terminal Services Inc.	ICT	128.60	130.00	1.1%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Services Sector Index (Nov 2019 - Jan 2020)
Sector Still On the Red For Second Consecutive Month



Source of Basic Data: PSE Quotation Reports

JG Summit Holdings, Inc. (JGS) experienced setbacks despite its move to increase PLDT (TEL) holdings to 11.23% by acquiring 7,046,979 common shares amounting to $138.8-M through purchase and conversion of American Depositary Receipts (ADRs). Conversely, LTG recovered from its 3-month lows, as the 52% hike in Q3-2019 earnings reported last November finally got investors to take a second look at its prospects.

LTG stood out as the sector's second biggest loser after LTG's share price was down by 33.6% since a peak of P15.24 on September 4, 2019. Conversely, LTG recovered from its 3-month lows, as the 52% hike in Q3 2019 earnings reported last November finally got investors to take a second look at its prospects.

Share prices of GT Capital Holdings, Inc. (GTCAP) fell despite Toyota Motor Philippines Corporation leading the recovery for automobile sales last year. Toyota led full year sales with 43.8% of market share, as car sales jumped 5.9% to 162,011 vehicles.

The Property sector became the second losing sector, a switch from being the top gainer in December. All companies landed in the red, with the exception of Megaworld Corporation (MEG). The other three constituent stocks' December gains got wiped out, resulting in the poorest performances in the sector. MEG extended its losses despite news that the Makati City Subway, Inc. will form a joint venture with the firm to build a station to link the $3.5-B Makati City subway and the P3.5-B Skytrain project of Tan-led Infracorp Development, Inc.

On the opposite track, SM Prime Holdings, Inc. (SMPH) led index gainers after the Philippine Reclamation Authority and the Pasay City government gave the firm the notice to proceed with its 360-hectare Manila Bay reclamation project.

Following the uptrend, Robinsons Land Corporation (RLC) rose by 5.2% with the opening of Dusit Thani Mactan Cebu Resort, the firm's first foray in the luxury resort niche.

On the other hand, MEG cushioned its 9.5% decline in December as it closed January with a mild 1% gain. Some good news may account for this. MEG launched The Pearl Global Residences in Lapu-Lapu City, Cebu. The new development targets completion by 2025 and to contribute P2.3-B in sales.

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	19,744.67	-4.2%	940.22	-17.9%
Industrial	23,661.29	54.7%	1,126.73	32.6%
Holdings	29,056.67	-23.9%	1,383.65	-34.7%
Property	35,083.21	115.2%	1,670.63	84.4%
Services	18,923.21	66.1%	901.11	42.4%
Mining and Oil	1,958.43	76.0%	93.26	50.9%
Total	**128,427.47**	0.6%	**6,115.59**	-13.8%
Foreign Buying	71,396.98	-5.1%	3,399.86	-18.7%
Foreign Selling	79,753.52	-5.1%	3,797.79	-18.6%
Net Buying (Selling)	(8,356.55)	-4.7%	(397.93)	-18.3%

Source of Basic Data: PSE Quotation Reports

PSEi failed to keep foreign investors ashore once again as evidenced by a net outflow of P8.3-B, practically at the same pace of P8.7-B in December 2019.

MEG also expects P1-B sales from its residential development inside MEG's 561-ha Southwoods City, bordering Biñan, Laguna and Carmona, Cavite.

Robinsons Land Corporation (LRC) share price spiraled downwards by 7.4% even with its addition to Bloomberg's Gender-Equality Index (GEI), joining a list of 325 organizations across the world and the lure of REITs for more investments and infrastructure development.

Following the negative route, SM Prime Holdings, Inc.'s (SMPH) share prices also dropped, despite disclosing in December that it got the Notice to Proceed for its 360-hectare Pasay reclamation project. Upside valuation from the project underpinned stock's positive uptrend up to the first half of last month.

Ayala Land (ALI) suffered the biggest loss due to local regulatory risk centered on ALI's land lease with state-run University of the Philippines, which allegedly contained onerous provisions. ALI countered the allegations stating that UP will receive a total value of P171 per square meter per month during the duration of the 25-year contract. ALI would derive some P42.3-B in lease payments and P6-B investment in 16 commercial buildings, generating for UP a total amount of P10.3-B over the life of the 25-year contract.

Mining and Oil took another 5.3% fall following a sectoral decline of 0.5% in December. The sector's initial upswing proved unsustainable as it trended downward after the first six trading days. Despite this, Semirara Mining and Power Corporation (SCC) ended the month flat. It rebounded after the Department of Energy (DoE) recently lifted the suspension order imposed on SCC's coal mining operations in Semirara Island in Antique province after a mudflow incident In October 2019.

The Services sector, on its second consecutive month on the red, experienced the smallest decline among other sectors, shedding 3.7%. The sector started the month with a slight increase, climbing nearing mid-month, but eventually spiraled down by the latter half due to the novel coronavirus threat. International Container Terminal Services Inc. (ICT) and TEL took the prize for being the only firms to bag the green mark, while the rest suffered losses.

ICT led index gainers as it reported that the company received the coveted Priority Integration Sector

Award for Logistics at the recent 2019 ASEAN Business Awards in Thailand. The award recognized ICT's outstanding performance and for promoting greater regional inclusivity in the ASEAN logistics sector.

TEL recovered its losses and managed to make a slight uptick of 0.8% on the news that it is ready to face new competition, Dito Telecommunity. TEL also announced its plans to sell off some valuable property assets to fund network expansion this year. The major properties on sale include the Smart Tower, Ramon Cojuangco Building and the Makati General Office.

Conversely, Robinsons Retail Holdings, Inc. (RRHI) went down by 3.7% after the board of directors approved the merger of its wholly-owned unit Robinson's Supermarket Corporation with Robinson's Inc., and its subsidiaries Robinsons Toys Inc. and Robinsons Gourmet Food and Beverage. The share price dropped on disclosure day but recovered some ground in the days that followed.

Not far behind, Puregold Price Club Inc. (PGOLD) recorded a 3.9% decline against external headwinds, while Globe Telecom (GLO) became the sector's index laggard on the news that GLO, along with TEL's unit Smart Communications, have partnered with Dito Telecommunity to implement Republic Act 1102, also known as the Mobile Number Portability (MNP) Act. This would allow mobile phone users to retain their mobile numbers even when they transfer from one service provider to another, or when they change the type of subscription from postpaid to prepaid or vice-versa.

Total Turnover

Trading in the PSE fared relatively flat in January, with turnover up by 0.6%, albeit a huge slack from December's 23.1% increase. Four out of six sectors emerged as winners namely, Property, Mining and Oil, Services, and Industrial, all booking three to double-digit gains. Losing investor favor, Holdings and Financial sectors posted -23.9% and -4.2% losses in turnover, respectively.

PSEi failed to keep foreign investors ashore once again as evidenced by a net outflow of P8.3-B in January, practically at the same pace of P8.7-B in December 2019. Foreign investors have become increasingly worried about the spread of the novel coronavirus which would undercut the nascent global economic growth and make safe assets and havens more attractive.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2018		2019		3rd Quarter 2019			4th Quarter 2019		
	Levels	Annual G.R.	Levels	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.	Levels	Quarterly G.R.	Annual G.R.
Production										
Agri, Hunting, Forestry and Fishing	744,814	0.8%	756,537	1.5%	169,506.0	-3.4%	3.3%	225,961.6	33.3%	1.7%
Industry Sector	3,148,000	6.8%	3,296,248	4.8%	781,021.7	-5.8%	5.5%	913,425.3	17.0%	5.4%
Service Sector	5,310,300	6.6%	5,700,190	7.3%	1,406,838.8	-4.9%	7.0%	1,515,057.2	7.7%	8.4%
Expenditure										
Household Final Consumption	6,306,064	5.6%	6,671,121	5.8%	1,569,559.2	-4.6%	6.0%	1,888,717.5	20.3%	5.6%
Government Final Consumption	1,031,487	12.8%	1,132,153	10.2%	272,140	-16.8%	8.8%	280,571	3.1%	18.7%
Capital Formation	2,852,306	13.9%	2,821,943	-0.5%	696,980	11.8%	-2.0%	749,052	7.5%	0.4%
Exports	5,495,712	11.5%	7,027,116	25.9%	1,589,174	5.3%	1.4%	1,288,106	-18.9%	2.0%
Imports	6,476,519	14.5%	6,701,322	2.4%	1,787,113	9.3%	1.1%	1,564,816	-12.4%	0.3%
GDP	9,203,113	6.2%	9,752,975	5.9%	2,357,366	-5.1%	6.2%	2,654,444	12.6%	6.4%
NPI	1,793,182	3.7%	1,865,465	3.6%	463,926	1.7%	3.4%	467,837	0.8%	4.6%
GNI	10,996,296	5.8%	11,618,439	5.6%	2,821,293	-4.0%	5.7%	3,122,281	10.7%	6.2%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2017		2018		Oct-2019			Nov-2019		
	Levels	Growth Rate	Levels	Growth Rate	Levels	Monthly G.R.	Annual G.R	Levels	Monthly G.R.	Annual G.R
Revenues	2,473,132	12.6%	2,850,184	15.2%	261,553	10.6%	6.0%	304,749	16.5%	17.3%
Tax	2,250,678	13.6%	2,565,812	14.0%	237,457	12.5%	6.8%	284,611	19.9%	17.5%
BIR	1,772,321	13.1%	1,951,850	10.1%	178,122	18.4%	8.1%	232,059	30.3%	20.8%
BoC	458,184	15.6%	593,111	29.4%	57,652	-2.0%	3.0%	50,414	-12.6%	5.2%
Others	20,173	20%	20,851	3.4%	1,683	-2.6%	3.8%	2,138	27.0%	-5.8%
Non-Tax	222,415	3.2%	284,321	27.8%	24,051	-5.7%	-1.4%	20,138	-16.3%	15.2%
Expenditures	2,823,769	10.8%	3,408,443	20.7%	310,815	-25.1%	1.4%	365,632	17.6%	22.4%
Allotment to LGUs	530,150	17.9%	575,650	8.6%	53,847	12.5%	20.7%	51,999	16.6%	18.0%
Interest Payments	310,541	2%	349,215	12.5%	20,724	-51.9%	-13.7%	17,287	-16.6%	-29.9%
Overall Surplus (or Deficit)	-350,637	-0.8%	-558,259	59.2%	-49,262	-72.4%	-17.7%	-60,883	23.6%	55.6%

Source: Bureau of the Treasury (BTr)

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

	2018		Oct-2019			Nov-2019		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	43,810.80	5%	3,956.90	4.1%	18.0%	3,971.30	4.3%	18.4%
Residential	13,549.70	3.7%	1,237.00	5.6%	20.7%	1,261.70	7.2%	23.1%
Commercial	17,211.30	4.8%	1,567.20	4.6%	16.8%	1,577.80	5.6%	17.6%
Industrial	12,610.30	5.9%	1,118.40	1.0%	-1.3%	1,104.80	0.3%	-1.2%

Source: Meralco

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

	2017		2018		2nd Quarter 2019		3rd Quarter 2019	
	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.	Levels	Annual G. R.
I. CURRENT ACCOUNT								
Balance of Trade	-2,163	80.4%	-8,871	310.2%	-145	-95.5%	654	-122.5%
Balance of Goods	40,505	13.9%	50,202	23.9%	11,291	-12.5%	11,774	-13.1%
Exports of Goods	51,865	21.4%	51,392	-0.9%	13,740	7.0%	13861	2.9%
Import of Goods	92,370	18.0%	101,594	10.0%	25031	-2.8%	25635	-5.1%
Balance of Services	-9,249	31.3%	-11,539	24.8%	-3,251	15.2%	-4,205	33.1%
Exports of Services	35,884	15.0%	38,510	7.3%	9,521	1.0%	11097	12.2%
Import of Services	26,635	10.2%	26,971	1.3%	6,270	-5.1%	6892	2.4%
Current Transfers & Others		-						
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	62	-26.3%	15	-73.0%	18	-1417.5%	17	-772.1%
Financial Account	175	-92.4%	-7,795	192.6%	-225	-85.1%	-848	-57.1%
Direct Investments	-5,883	5803.4%	-5,834	-10.9%	-666	-75.4%	-748	-42.4%
Portfolio Investments	1,480	-72.9%	1,548	-38.3%	-1343	-204.3%	895	-300.3%
Financial Derivatives	-32	-673.4%	-53	5.5%	-47	-392.6%	-60	-279.6%
Other Investments	4,610	-249.8%	-3,455	-342.9%	1,831	-1729.2%	-935	256.5%
III. NET UNCLASSIFIED ITEMS	274	-136.6%	-1,245	-12.4%	893	-397.6%	-741	-21.6%
OVERALL BOP POSITION	-1,038	-116.1%	-2,306	167.2%	991	-148.8%	778	-141.4%
Use of Fund Credits		-						
Short-Term		-						
Memo Items								
Change in Commercial Banks	1,421	-222.0%	-461	-212.5%	1,820	-644.0%	82	-79.3%
Net Foreign Assets	1,381	-229.7%	1,423	216.5%	1,825	-695.7%	135	-61.7%
Basic Balance	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a

Source: Bangko Sentral ng Pilipinas (BSP)

MONEY SUPPLY (In Million Pesos)

	2018		Nov-2019		Dec-2019	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,035,680	8.5%	3,136,996	0.2%	3,238,050	-3.0%
Sources:						
Net Foreign Asset of the BSP	4,514,943	1.5%	4,778,388	11.5%	4,852,114	8.8%
Net Domestic Asset of the BSP	11,218,175	15.4%	12,745,934	8.5%	13,303,655	10.8%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3,708,624	13.9%	4,260,516	12.9%	4,498,391	15.7%
Money Supply-2	10,597,336	11.2%	11,728,238	8.9%	12,283,865	11.0%
Money Supply-3	11,063,517	11.5%	12,390,768	10.0%	12,974,089	11.7%
MONEY MULTIPLIER (M2/RM)	3.49		3.74		3.79	

Source: Bangko Sentral ng Pilipinas (BSP)

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