December 2019

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

The overall outlook has turned rosier. At the macro level, huge employment gains in 2019 and the rapid decline in poverty rates from 2015 to 2018, plus low inflation rates (well within targets), renewed vigor in infrastructure spending, and robust OFW remittances should spur above-average consumer spending growth. Meanwhile, bond investors took a more cautious stance in November which showed tenders in auctions and volumes in secondary markets tumble, albeit with little effect on yields. The equity market proved resilient to the foreign selling (due to MSCI-EM rebalancing) and a more solid, consolidated base should provide a good springboard for PSEi's upward thrust in 2020.

Macroeconomy

Recent economic indicators point to a stronger Q4 and on 2020, with positive employment print and poverty data indicating better investment numbers for the last quarter of 2019. Household consumption would still benefit from this, softer inflation (on average) and low interest rates. The National Government (NG) will continue to ramp up infrastructure spending amidst the still-large fiscal space. Moreover, the private sector (because of PPP, robust residential and commercial building demand) should further drive capital goods investment.

- Unemployment and underemployment rates hit record lows of 4.5% and 13%, respectively, in Q4.
- NG spending corrected to a pace of 1.4% y-o-y in October, after a huge increase of 39% in September.
- Inflation picked up pace with a 1.3% y-o-y increase, due to base effects, and brought YTD rate to 2.5%.
- Exports came in flat in October, as the decline in the exports of machinery, transport equipment and chemicals, etc. offset gains.
- Peso-dollar rate gained in November, reflecting some US dollar weakness and better-than-expected PH growth in Q3.

Bonds Market

While inflation may rise further in December, it should average 1.4% in Q4 and 2.5% for the full year 2019. We still see a slight easing in 10-year bond yields while 3-month yields stay flat (at around 3.2%) given much higher and unchanged BSP policy rates at 4%. On the domestic side, we also see limited upward pressure on bond yields as NG has the clear option to borrow more from abroad.

- In November, total tenders halved to P150-B, while secondary market volume slipped by 22% m-o-m to P297.7-B.
- Yields in auctions rose as 91-day yields moved up by 17.3 bps to 3.168% while 10-year climbed by 42.1 bps to 4.617%.
- In the secondary market, yields slightly increased at the short-end, but most for 20-year tenors by 20.1 bps to 5.283%.
- Corporate bonds trade weakened by 24.6% m-o-m but still 201% higher y-o-y.
- Spreads narrowed between ROPs and US treasury yields as ROP-21 and ROP-40 went south by 24.3 bps and 0.3 bps, while US Treasuries rose midly.

Equities Market

The economic recovery in Q3 back to above-6% growth should continue into Q4 and beyond. Nonetheless, we do not expect much gains in share prices for the rest of the year, as the negative sentiment [a carryover from November] may still persist a little bit. We, however, are more optimistic for 2020, since we are seeing a good base-building consolidation, and corporate earnings in 2020 expected to follow the macroeconomic lift.

- Despite foreign selling due to MSCI EM rebalancing, PSEi shed only 3% in November.
- All sectors joined the red flag movement, while Services sector defied the negative environment.
- DMC, JFC and LTG suffered double-digit losses, while GLO, RRHI and ICT led index gainers.
- PSE turnover sank by 21% in November as net foreign selling reached P13.2-B.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2019)	2017 (year-end)	2018 (year-end)	2019 Forecasts
GDP Growth (Q3-2019)	6.2%	5.5%	5.8%	6.7%	6.2%	6.0-6.5%
Inflation Rate (November)	1.3%	0.8%	2.5%	2.9%	5.2%	2.5%
Government Spending (October)	1.4%	39.0%	5.0%	12.6%	22.5%	11.0%
Gross International Reserves ($B) (November)	85.8	85.7	84.7	81.6	79.2	87.5
PHP/USD rate (November)	50.73	51.50	51.89	50.40	52.68	51.00-51.50
10-year T-bond yield (end-November YTD bps)	4.64%	4.63%	5.40%	4.93%	7.05%	4.625-4.875%
PSEi (end-November YTD % change)	7,739	7,977	-3.36%	8,558	8,558	8,400-8,800

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

ECONOMY BACK ON ABOVE-6% GROWTH TRACK

While the climb in inflation rate to 1.3% in November from below-1% in the previous two months got much media attention, the Philippine Statistics Authority (PSA) released two astoundingly positive reports that should boost GDP growth in Q4. The first refers to the 1.8-M jobs created over a year to October 2019 (latest survey). The second showed a sharp drop in national poverty rate to 16.6% (in terms of population) in 2018, a record-low, from 23.3% in 2015. Meanwhile, M3 growth, while faster at 8.5% in October, did not result in higher loan expansion by commercial banks, as the peso strengthened by 1.5% month-on-month (m-o-m) defying expectations.

Outlook: We expect stronger consumer spending in Q4 as a result of robust job creation, plunging poverty rates, low inflation averaging 1.4% in Q4 and resurgent infrastructure spending. In the face of these two push factors, investment spending should follow suit as firms reach high capacity utilization. With still relatively weak money growth, we expect a last 25 bps cut in policy rate by the Monetary Board (MB) in Q1-2020. That together with wider trade/CAB deficits should again put pressure on the peso especially at the onset of 2020.

October 2019 Shows 1.8-M New Jobs Since a Year Ago

The Philippine economy created 1.8-M jobs during the fiscal year (FY) ending October 2019 (latest Philippine Statistics Authority's Labor Force Statistics) following 2.3-M jobs for FY ending July 2019. Thus, on average, the economy added a total 1.3-M for the full year 2019. The latest data showed all-time lows of 4.5% in the unemployment rate and 13% for the underemployment rate.

The Services sector, led by Financial Intermediation sub-sector, added 1.4-M jobs which represents a 5.9% growth in employment in that sector. Industry contributed 262,000 new jobs, a 3.3% jump for its total employment a year ago. The Agriculture and Fisheries sector's employed persons rose by 1.8% year-on-year (y-o-y) for a 180,000 increase.

The Services remained as top employment generator accounting for 57.7% of total employed, up by 0.8 percentage points from a year ago. Both Agriculture and Industry sectors saw their share of employment slip by 0.6 percentage points to 23.5% and 0.2 percentage points to 18.9%, respectively, as growth in the Services sector overtook those for the other two sectors.

Financial Intermediation sub-sector led the job gains with a 20.9% surge (y-o-y) to reach 641,000, followed by Real Estate activities which added 15.3% to 228,000. The Construction sector drove the growth in jobs in the Industry sector with an 8.2% jump to 4.2-M, while Manufacturing and Mining sub-sectors lost 44,000 and 20,000 jobs, respectively.

Salary and wage earners constituted the bulk of employed persons at 64.2%, slightly down from 64.4% a year ago. Self-employed persons accounted for 27% of employment, slightly up from 26.6% in October 2018.

Poverty Rate Drops to 16.6% in 2018 from 23.3% in 2015

The Philippine Statistics Authority (PSA) reported that the country's poverty rate dropped steeply to 16.6% of the population in 2018 from (revised) 23.3% in 2015. This most recent survey implicitly showed a 2.2% yearly fall from 2015. At that speed of decline, the Duterte administration's goal of a 14% poverty rate by 2022 becomes easily achievable.

The economic growth for 2015 to 2018, averaging at 6.6%, proved to be more inclusive than in the past. Indeed, it confirms the need for fast GDP expansion to bring poverty rates significantly down even in the medium-term.

To be sure, the report showed still some 17.6-M Filipinos below the poverty line (based on national nutritional standards), but this plunged from 23.5-M in 2015. Around 6-M Filipinos, therefore, emerged out of poverty (as measured by PSA).

The report also indicated a deep fall in poverty in terms of families to 12.1% in 2018 from 17.9% in 2015.

While encouraging, the study still reminds policymakers that poverty remains as the top economic priority, as it stands out as the highest among ASEAN-6 countries.

NG Records Lower Deficit in October

A slowdown in National Government (NG) expenditures in October has resulted in a budget deficit of P49.4-B, lower by 18% from a year ago. To date, the fiscal deficit only reached 55% of the P631.5-B target deficit for 2019.

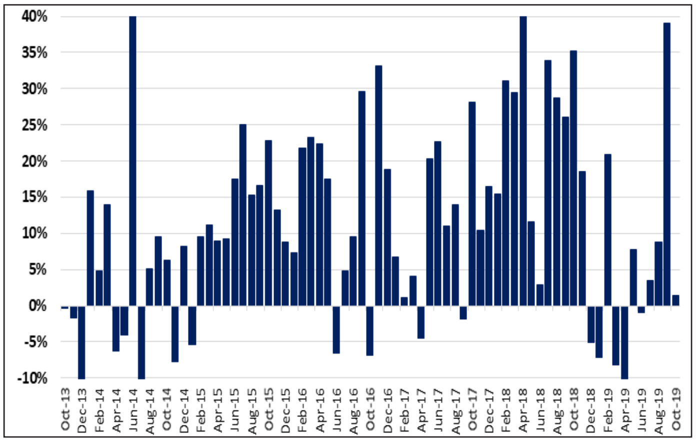
After two consecutive months of posting price deceleration, PH headline inflation picked-up in November amidst quick-pace price increases in alcoholic beverages (i.e., tuba, beer, and brandy) and tobacco.

NG spending posted a minimal 1.4% y-o-y increase, after recording its fastest acceleration in September 2019. This resulted largely from base effects as October 2018 saw NG expenditures soar by 35.2% y-o-y. Removing interest payments, net disbursements rose by 2.7%.

Revenue collections jumped by 6% y-o-y in October, outpacing total NG spending for the month. The increase in total revenues relied on gains in Bureau of Internal Revenue (BIR) and Bureau of Customs' (BOC) tax takes. BIR grabbed 8.1% more than a year ago while BOC's intake came up 3% higher than last year. Positive revenues take, albeit weaker than the past few months record, still suggest increasing economic activity and labor print, while BOC collections suffered from lower commodity prices and peso appreciation.

We maintain our view that the budget deficit for 2019 may not hit P600-B, despite the stronger push to implement/ complete infrastructure projects.

Figure 1 - NG Expenditures Growth Rate, Year-on-Year



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

Headline Inflation Climbs to 1.3% in November

After two consecutive months of posting price deceleration, PH headline inflation picked-up in November amidst quick-pace price increases in alcoholic beverages (i.e., tuba, beer, and brandy) and tobacco. This brought the year-to-date (YTD) inflation rate to 2.5%, still well within the Bangko Sentral ng Pilipinas (BSP) target of 2% to 4%.

NCR posted faster price increments (+1.5%) than the national average while areas outside NCR registered a 1.2% price increases. Among the regions outside NCR, Central Luzon showed the fastest change at 2.2% y-o-y followed by MIMAROPA (+1.8%).

Relatively flat y-o-y change in fuel prices further drove down the transportation index. The international crude oil prices in November averaged to about $56/barrel for WTI which is also about the same level recorded a year ago. Meanwhile, m-o-m WTI prices posted a 5.6% increase, which spilled over to other items, resulting in faster upticks in the housing, water, electricity, gas, and other fuels (HWEGOF) index. Meralco rates increased by 0.47 cents in November to P9.56/kWh from a month ago due to higher generation costs and tight supply in the Luzon grid. We also observed faster increment in maintenance of the house, health, and communication indices.

Inflation Year-on-Year Growth Rates	Nov 2019	Oct 2019	YTD
All items	1.3%	0.8%	2.5%
Food and Non-Alcoholic Beverages	0.0%	-0.9%	2.1%
Alcoholic Beverages and Tobacco	17.6%	16.5%	12.3%
Clothing and Footwear	2.6%	2.8%	2.6%
Housing, Water, Elec, Gas, & Other Fuels	1.2%	0.6%	2.5%
Furnishing, Home Equip & Maintenance	2.8%	2.7%	3.2%
Health	3.1%	2.9%	3.5%
Transport	-2.4%	-1.6%	1.0%
Communication	0.3%	0.2%	0.3%
Recreation and Culture	1.4%	1.4%	2.5%
Education	4.6%	4.6%	-0.1%
Restaurants and Miscellanous Goods and Services	2.7%	2.9%	3.4%

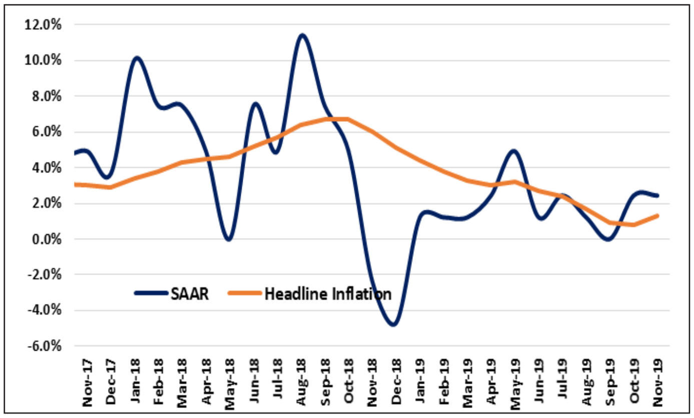
Source of Basic Data: Philippine Statistics Authority (PSA)

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

The seasonally adjusted annualized rate (SAAR) of inflation maintained the past month's rate at 2.4%, still higher than the actual headline inflation. This suggests future inflation rate would rise to a little above 2% starting December and into Q1-2020.

Philippines' manufacturing purchasing managers' index (PMI) in November registered its slowest in five months to a reading of 51.4 from 52.1 in the preceding month.

Figure 2 - Inflation Rates, Year-on-Year



Source of Basic Data: Philippine Statistics Authority (PSA)

Factory Output (PMI) Eases in November

Philippines' manufacturing purchasing managers' index (PMI) in November registered its slowest in five months to a reading of 51.4 from 52.1 in the preceding month. Nevertheless, PH PMI print still bested the region's average (49.2) and ranked 2nd next to Myanmar (52.7). A reading above 50 suggests output expansion.

Lower foreign new orders and weak sales primarily caused the slowdown. Business expectations, however, appeared positive on the back of expected higher new products factory production.

Meanwhile, the Volume of Production Index (VoPI) for October remained weak, marking the 10th month streak of being in the red. Surveyed manufacturing output further fell by 3.7%, from the -3% slide in September. Lackluster output in nine out of the 20 major industry groups, with four recording double-digit declines, pulled down the index.

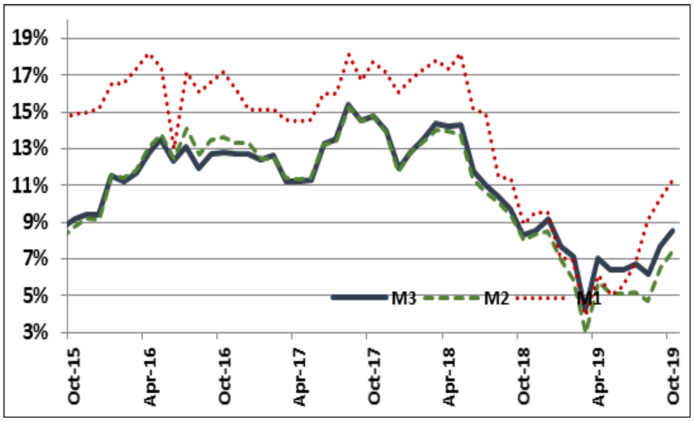
Furniture and fixtures plummeted by 32% followed by miscellaneous manufactures (-23%). The production of petroleum products and electrical machinery also posted declines. Manufacture of rubber and plastic products and non-metallic mineral products, originally in the positive list now join the losers during the said period. Meanwhile, printing led the expansion with a 96.1% jump, followed by tobacco products (+35.2%).

Despite the unremarkable factory output performance, we still think that manufacturing output may improve in Q4 amidst rapid infrastructure implementation. Stronger consumer demand during the Christmas season should, likewise, provide a further boost.

Money Growth Speeds Up a Little, MB Maintains Policy Rate

As previously anticipated, money supply in October continued to expand, as a result of monetary policy easing moves since June 2019. Domestic liquidity (M3) growth accelerated to 8.5% (y-o-y) in October from 7.7% in September. Broad money (M2) and narrow money (M1), likewise, increased by 1% to 7.5% (y-o-y) and 11.3%, respectively. Meanwhile, the Monetary Board (MB) decided last November 14th to keep policy rates [i.e., BSP's overnight reverse repurchase (RRP)] at 4%. MB also left rates on overnight deposit (ODF) and lending (OLF) facilities unchanged at 3.5% and 4.5%, respectively.

Figure 3 - M1, M2, M3 Growth Rates



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

Surprisingly, despite faster money growth, outstanding commercial bank loans in October slowed to 7.5% from the past month's pace of 9%. 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 26.7% increase, slightly faster than the 26.2% in September driven by stronger demand for motor vehicle, 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 (-28%). Growth in net foreign assets (NFA) of monetary authorities eased mildly to 9.6% from 9.7% y-o-y in September 2019.

The imports of capital goods in October registered its 4th decline for the year, recording a negative 4.1% y-o-y after posting 0.3% gains last September.

Exports Records Flat Growth in October

Exports print in October remained in the green but showed flat growth from the same period last year. Outbound shipments in September totaled to $6.3-B, slightly higher than last year's by 0.1%. Double-digit increases in four out of seven exports gainers drove exports gains but was partly offset by lower exports of machinery and transport equipment, chemicals, and metal components. This brought the YTD rate to negative 0.2%, although better than the -1.2% slide in January-October 2018.

Electronic products still had the largest share, accounting for 56.1% of total exports. Outbound sales of these products continued to increase by 7% y-o-y, supported by higher demand for semiconductors (+8.9% gains y-o-y) and the above-20% jump in office equipment and consumer electronics. Shipments of other manufactured goods (+4.6%) and ignition wiring sets (+2.0%) also posted gains. Exports of bananas (ranked 5th) amounted to $177-M, posting a 15.7% expansion. Meanwhile, outbound sales of machinery and transport equipment plunged by 42.7% y-o-y.

Exports to the US in October took the lion's share, accounting for 17% of total exports ($1.1-B). Shipments to the said country increased by 7.6% y-o-y. Japan took the 2nd spot with sales amounting to $971.7-M (+1.9%). Sales to China (4th) and Korea (5th) went up by 6.5% and 27.2% y-o-y, respectively. Shipments to Hong Kong, on the other hand, fell by 2.6% to $882.8-M.

Half of the total exports in October still headed towards East Asian (EA) nations, valued at $3.2-B which showed remarkable increase of 5.9% amidst higher demand from Korea, China, and Japan. Exports shipments to ASEAN and EU, on the other hand, registered declines. Outbound sales to ASEAN fell by 5.8% while shipments to EU slumped by 9%.

We think that exports will continue to post positive but moderate growth, with the BSP allowing peso to strengthen.

Figure 4 - Exports Growth Rates, Year-on-Year

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

Capital Goods Slows Down in October

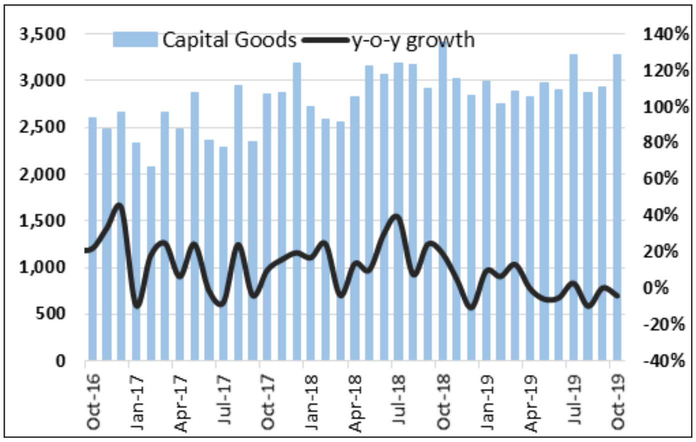
The imports of capital goods in October registered its 4th decline for the year, recording a negative 4.1% y-o-y after posting 0.3% gains last September. Lower imports in most big-ticket capital good sub-products (i.e., power generating and specialized machines, aircraft, ships, and boats, and telecommunication equipment; among others) drove down the category.

The rest of import categories, likewise, recorded lower growth; save for special transactions. Raw materials & intermediate goods import still captured the largest share of total imports at 35.8%, but also still tanked by 19.3% due to lower imports for unprocessed raw materials (i.e., corn, wheat). Semi-processed raw materials (i.e., animal and vegetable oil, chemical) and manufactured goods (i.e., iron & steel and nonferrous metal products) also showed weak import demand. Lower coal and crude oil prices, likewise, resulted in a 13.3% plunge in mineral fuels and related materials. Consumer goods fell by 1.5% driven by lower imports of home appliances and other non-durable products (i.e., live animals for food, rice).

The slowdown in most categories of imports further brought total imports lower by 10.8% y-o-y to $9.6-B in October, still outpacing total exports (in absolute terms). Balance of trade (BOT) deficit in October stood at $3.6-B, significantly lower by 26.4% from the same period last year but showed a 13.9% (m-o-m) rise from $3.1-B in September.

Not only did unemployment and underemployment rates fall to record lows, Q4 also added 193,000 jobs from already elevated employment levels in Q3.

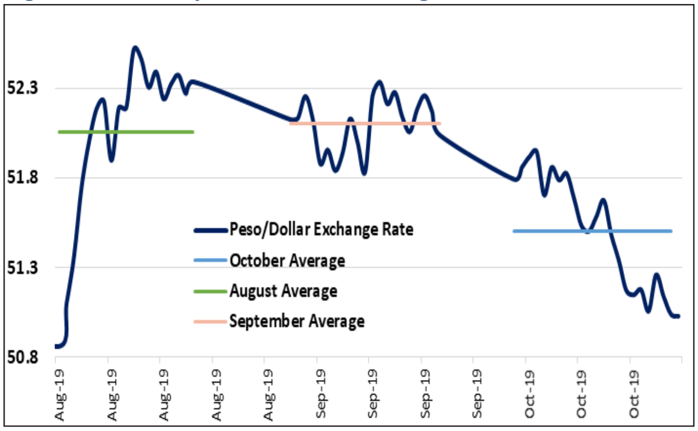
Figure 5 - Imports of Capital Goods (in Million USD)



Source of Basic Data: Philippine Statistics Authority (PSA)

Other emerging market currencies also posted gains led by the Korean won (KRW) due to current account surpluses. Given the renewed optimism that President Trump may recall tariffs on Chinese imports, the yuan (CNY) surged to its highest and broke through the RMB 7.00/$ resistance. This positive development, likewise, boosted Singapore's dollar (SGD). Thailand baht (THB) advanced to a six-year high driven by the country's current account surplus and healthy reserves. It also benefited from the trade war, seeing higher metal prices which increased by 17% to date. Meanwhile, huge capital outflows coupled with heavy domestic equity selling and rising oil prices dampened the rupee (INR) and settled at 71.47 (average in November).

Figure 6 - Monthly Dollar-Peso Exchange Rates



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

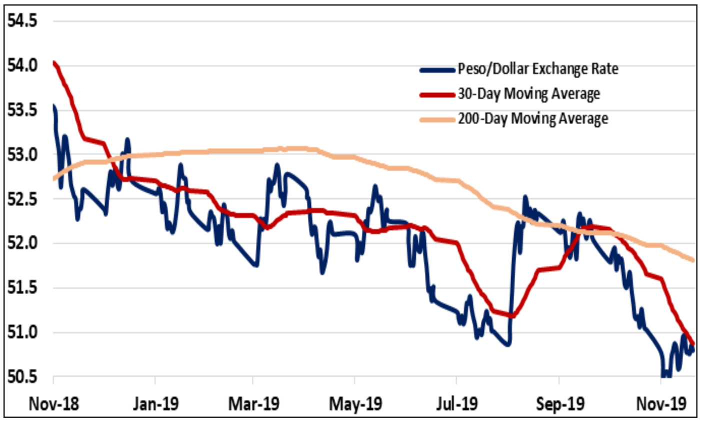
Exchange Rates vs USD for Selected Asian Countries

	Oct-19	Nov-19	YTD
AUD	0.2%	-0.5%	4.9%
CNY	-0.2%	-1.1%	1.8%
INR	-0.5%	0.6%	1.0%
IDR	0.1%	-0.4%	-3.1%
KRW	-1.0%	-1.3%	3.9%
MYR	0.1%	-0.7%	-0.4%
PHP	-1.2%	-1.5%	-3.9%
SGD	-0.7%	-0.7%	-0.7%
THB	-0.6%	-0.4%	-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 7 - Dollar-Peso Exchange Rates & Moving Averages



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

The month-end actual USD/PHP rate in November landed below both the 30-day moving average (MA) and 200-day MA, suggesting peso strength in the short term. However, higher imports due to the rapid recovery of infrastructure spending may offset higher inflow of remittances in December. With actual FX rates just below the 30-day MA, we see stronger depreciation bias in Q1-2020.

Outlook:

Continuing strength in employment gains and the sharp reduction in poverty rates have given us more reason for optimism for faster GDP growth in Q4 and into 2020.

- Not only did unemployment and underemployment rates fall to record lows, Q4 also added 193,000 jobs from already elevated employment levels in Q3. This, together

The peso may have seen its best months as we expect higher BOT/CAB deficits in Q4 as NG ramps up infrastructure up and the economic pick gathers momentum.

with an expected strong rebound in infrastructure and capital outlays in the last two months of 2019 should boost investment spending in Q4.

• Consumer spending should continue to post above-average gains in Q4, not only due to the above, but also with low inflation averaging 1.4% in Q4.

• Manufacturing output may have slowed in October, but PMI remained clearly above the 50 level and we expect it to recover in November-December as a result of the above improvements.

• Money growth (M3) remains well below 10% despite the earlier policy rate and RRR cuts.

• The peso may have seen its best months as we expect higher BOT/CAB deficits in Q4 with NG ramping up infrastructure spending and the economic momentum gathers pace.

TENTATIVE BOND INVESTORS SLOW TRADING

Bond investors took a more cautious stance and put in less funds into primary (auction of GS) market as well as the secondary market. As a result, we saw a slight upward tilt in extremes of the yield curve—3-month and 20-year tenors. Tenders in the auction market plummeted by 50.5% (m-o-m) in November. In the secondary GS market, trading volumes skidded by 22.2% to P297.2-B in November, but still nearly 40% higher y-o-y. We witnessed a spate of corporate bond issues led by banks. ROP yields fell at the short and long end while equivalent US Treasuries had a minor upward climb due to robust economic data, resulting in narrower spreads between the two.

Outlook: We expect little movements in bond yields as 2019 ends. 10-year bond yields may even slip slightly despite the rise in inflation rate. On the other hand, shorter tenors (3-month to 1-year) may hold up in a tight trading range as they remain well below BSP's policy rate of 4%. These do not mean those yields won't change by early 2020, when the National Government does its usual foreign funding exercise, albeit at higher levels.

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
04-Nov	91-day	8.000	8.820	0.000	1.103	0.000	
	182-day	6.000	9.850	3.800	1.642	3.198	
	364-day	6.000	17.868	6.000	2.978	3.513	
18-Nov	91-day	8.000	18.450	8.000	2.306	3.168	17.3
	182-day	6.000	12.740	3.990	2.123	3.249	7.5
	364-day	6.000	24.930	6.000	4.155	3.501	-7.5
Subtotal		**40.000**	**92.658**	**27.790**	**2.316**		
12-Nov	10 year	**20.000**	**29.301**	**20.000**	**1.465**	**4.617**	42.1
26-Nov	20 year	20.000	28.071	12.271	1.404	5.341	32.6
Subtotal		40.000	57.372	32.271	1.434		
All Auctions		**80.000**	**150.030**	**60.061**	**1.875**		

Source: Philippine Dealing Systems (PDS)

Primary Auction: Yields Rise Across Tenors as Demand Shrink

Yields in government securities (GS) auctions rose for practically all tenors as demand shrank. Total tenders for November plunged by 50.5% to P150-B from P303.3-B a month ago. Thus, total tender-offer ratio (TOR) slipped to 1.88x from 2.17x in October. The TOR for T-bond auctions took a deeper dive to 1.43x than for T-bills to 2.32x from 2.01x and 2.54x, respectively.

Yields for short-term debt papers (91-day and 182-day) rose by 17.3 bps to 3.168% from 2.995% and 7.5 bps to 3.249% from 3.174%, respectively. On the contrary, 364-day T-bill yields slid by 7.5 bps to 3.501% from 3.576% in October.

Likewise, for auctioned 10-year and 20-year debt papers, yields saw large upticks. 10-year yields shot up by 42.1 bps to 4.617% from 4.196% on August 13, 2019. Even the partially awarded 20-year T-bond yields climbed by 32.6 bps to 5.341% from 5.015% in its previous auction on July 30, 2019.

In addition, Bureau of the Treasury offered at P3-B Premyo Bonds last November 25, 2019 with a maturity of 1 year and coupon rate of 3% per annum. The trial balloon issue seeks to bring risk-free GS and higher yields to small investors (e.g., individuals, cooperatives, etc.) by lowering the unit size to P500 and providing a ceiling to total purchase at P1-M. In addition, bondholders can win cash prizes on quarterly raffles as well as non-cash prizes (i.e., condominium unit or house and lot, donated by Hotel 101, Vista Land, Megaworld, and Pro-Friends). The public offer period ended on December 13, while the issue date is targeted on December 18, 2019.

Secondary GS Trading: Volume Drops Again While Yields Rise

Total trading volume in the secondary GS market slid by 22.2% month-on-month (m-o-m) to P297.7-B in November from P382.7-B a month ago. However, it still managed to increase by 39.7% y-o-y.

Yields for 91-day and 10-year tenors climbed by 0.6 bps to 3.178% from 3.172% in previous month and 7.2 bps to 4.741% from 4.669% last month, respectively. This resulted in a slight widening of spread between 10-year and 91-day yields with 6.6 bps to 156.3 bps by the end of November.

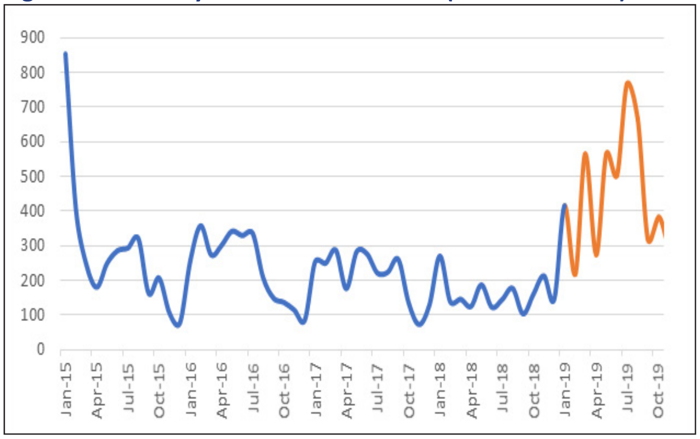
Yields edged up at both ends of the yield curve. 6-month papers climbed 6.3 bps to 3.371% from 3.308% last month. Meanwhile, 7-year and 20-year papers moved up by 3.6 bps to 4.515% from 4.479% and 20.1 bps to 5.283% from 5.082%, respectively. As pointed out above, 10-year T-bonds added 7.2 bps to the previous month's yield.

On the other hand, yields for 1-year, 3-year and 5-year tenors fell by -10.5 bps to -0.3 bps. 1-year papers thus ended at 3.510% from 3.615%, while 3-year tenors shed -5.8 bps to 3.941% from 3.999%. The drop in 5-year yields

Secondary trading in corporate bonds weakened by 24.6% m-o-m to P4.7-B from P6.2-B a month ago.

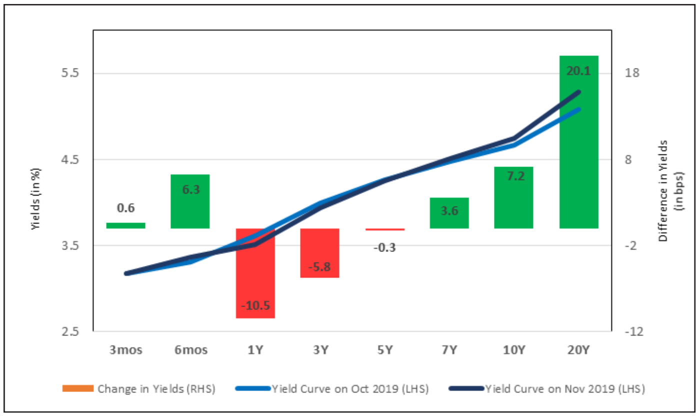
proved minimal at 0.3 bps to end at 4.256% from 4.259% in the previous month.

Figure 8 - Monthly Total Turnover Value (in Billion Pesos)



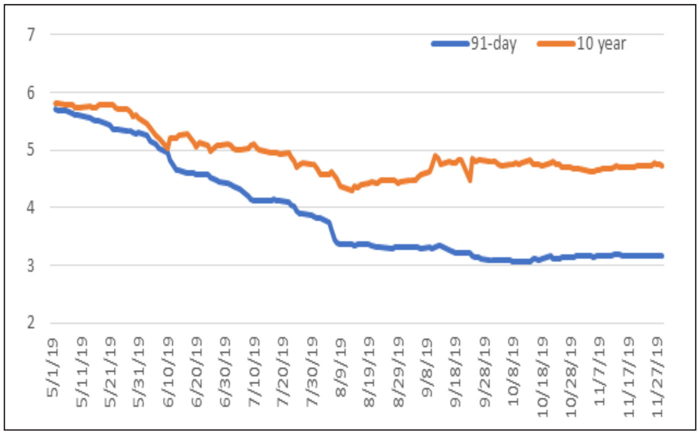
Source: Philippine Dealing Systems (PDS)

Figure 9 - GS Benchmark Bonds Yield Curves



Source: Philippine Dealing Systems (PDS)

Figure 10 - 91-day T-bill and 10-year T-bond Daily Yields



Source: Philippine Dealing Systems (PDS)

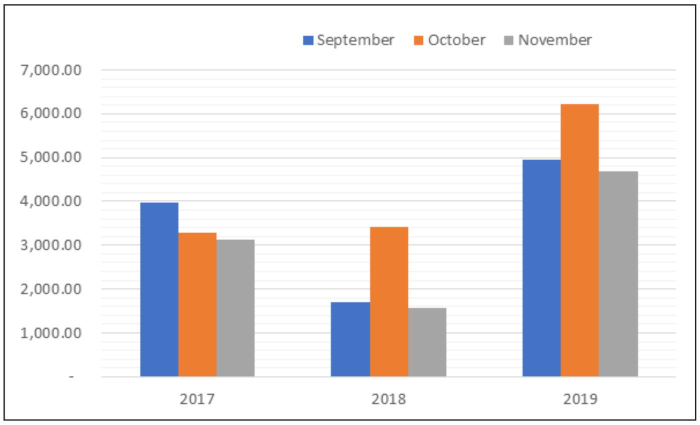
Corporate Trading: Like GS Market, Volumes Down

Secondary trading in corporate bonds weakened by 24.6% m-o-m to P4.7-B from P6.2-B a month ago. Nonetheless, it remained higher than November 2018 by 201%.

The top five corporates issuers included: Ayala Land Inc. (ALI) which climbed from second spot to first spot with P580.9-M or up 71.9%. SM Prime Holdings (SMPH), SMC Global Power (SMCGC), Ayala Corporation (AC) and JG Summit Corporation (JGS) lagged behind ALI in that order. SMPH moved up to 2nd spot at 37.5% or P533-M, while SMCGC papers plunged by 53% to P324.7-M and fell to 3rd place. In addition, AC papers reached P103.6-M and JGS papers dropped by 93.7% or P26.2-M.

Total trading for top five issues amounted to P1.6-B or 33.4% of the total corporate issues, and it tumbled by 19.9% m-o-m.

Figure 11 - Total Corporate Trading Volume (in Million Pesos)



Source: Philippine Dealing Systems (PDS)

Corporate Issuances and Disclosures

- Ayala Land Inc. successfully issued bonds last November 6, 2019, with 2-year and 7-year tenors at 4.246% and 4.989% coupon rates, respectively. These bonds will mature in 2021 and 2026.

- Asia United Bank Corporation (AUB) has raised P7-B bond issuance. The proceeds will be used for general corporate purposes. The bond has a coupon rate of 4.625% p.a. for a three-year tenor.

- Development Bank of the Philippines issued on November 11, 2019 a total of P18-B, 3-year bond with a coupon rate of 4.25%.

Going separate ways from movements of US Treasuries, yields of Republic of the Philippines' sovereign US dollar bonds (ROPS) (ROP-21 and ROP-40) headed south, except for ROP-29 which took the upward path.

• Rizal Commercial Banking Corporation (RCBC) listed its 3-year Fixed Rate Bonds on the PDEx which carries a coupon rate of 4.426% p.a. and will be due on November 2022.

• Robinsons Bank has raised a total of P5-B, with 2-year fixed rate bonds. It fetched a coupon rate of 4.3% and will mature in 2022.

• Orix Metro Leasing and Finance Corporation issued a 3-year bond with a 4.55% coupon rate last November 15, 2019. The total issuance reached P4.2-B, and only a bit more expensive than RCBC.

ROPs: Yields Steady or Fall While US Treasuries Edge Higher

Going separate ways from movements of US Treasuries, yields of Republic of the Philippines' sovereign US dollar bonds (ROPS) (ROP-21 and ROP-40) headed south, except for ROP-29 which took the upward path. We have stopped tracking ROP-20 which will mature in January 2020.

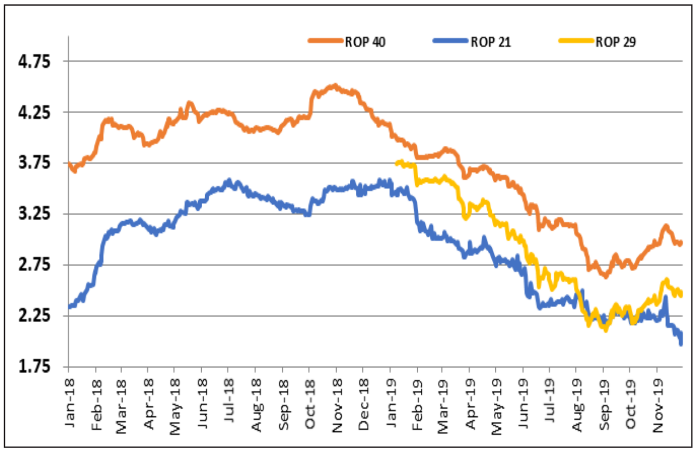
Short term tenor ROP-21 (maturing in slightly over a year) shed 24.3 bps from end-October to 2.210%. ROP-40 held relatively steady as it slipped by only -0.3 bps to 2.964% from 2.967%. On the other hand, ROP-29 moved up by 8.5 bps to 2.479% from 2.394%.

Meanwhile, US treasury yields mildly climbed for all tenors. Short-term debt papers (1-year and 2-year) eased by 7 bps to 1.6% from 1.53% and 9 bps to 1.61% from 1.52%, respectively.

Long-term equivalent debt papers (10-year and 20-year) rose by 9 bps to 1.78% from 1.69% and 7 bps to 2.07% from 2%, respectively.

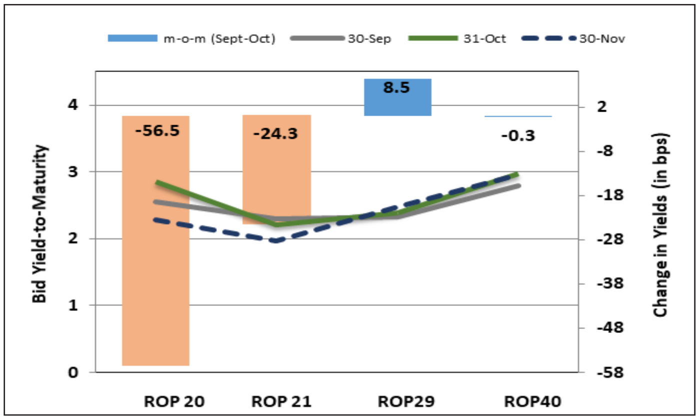
Since the two sets of yields generally moved in opposite directions, the spread between the ROPs and US Treasury bond yields narrowed especially at the short and long ends due to the slowdown of the US economy (See spread table).

Figure 12 - ROPs Daily Yields



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

Figure 13 - ROPs Yield, Month-on-Month Changes (bps)



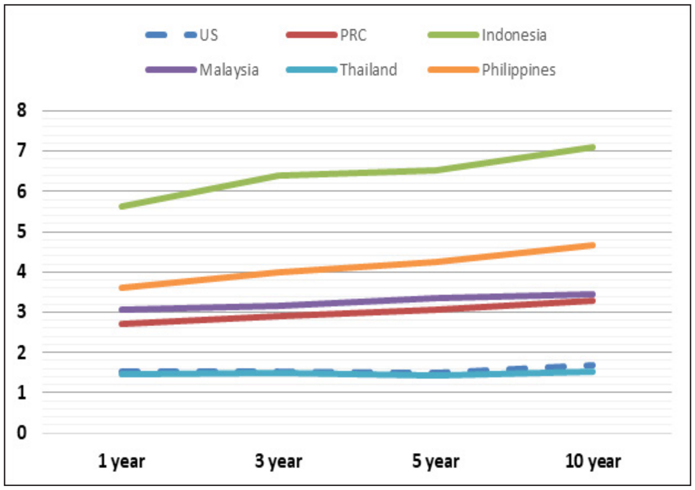
Sources: Bloomberg & First Metro Investment Corporation (FMIC)

Spreads between ROPs and US Treasuries (in bps)

Date	1-year	2-year	10-year	20-year
30-Sep	80.7	66.2	64.9	85.6
31-Oct	131.9	69	70.4	96.7
30-Nov	68.4	35.7	69.9	89.4

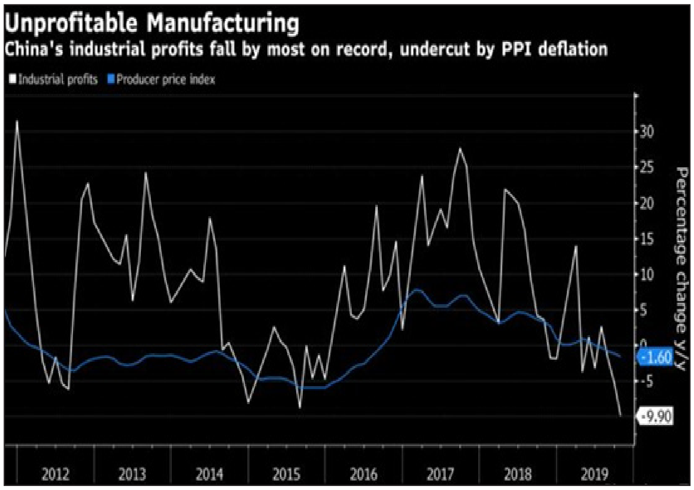
Jobs data released in the US early December showed an outsized 266,000 jobs in November and a 41,000 upward revision for September and October data.

Figure 14 - Comparative Yield Curve Between ASEAN per Tenor



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

Figure 15 - Manufacturing Profitability in China Falls Anew



Sources: Bloomberg & First Metro Investment Corporation (FMIC)

ASEAN + 1: Slight Steepening of Yield Curves

US: The markets saw a slowdown in jobs growth in October (reported early November) to 135,000, the least since May 2019 and the Fed cut policy rates on October 30. Jobs data released early December showed an outsized 266,000 jobs in November and a 41,000 upward revision for September and October data.

10-year bond yields immediately raced to peak at 1.94% but have settled more closely at around 1.8% by mid-December. The latter deviated only slightly from 1.77% in end-October.

Headline October inflation accelerated by 0.4%, although it slowed to 0.3% in November. GDP rose by 2.1% in Q3 while Q2 expansion saw an upward revision to 2%. Housing starts in October reached 1.3-M, a 12-year high, suggesting continuing strength of the economy. In addition, the US and China appeared to have come to an initial (Phase 1) agreement on tariffs, boosting financial markets and business confidence. Conference Board's Consumer Confidence Index remained high at 125.5, albeit a bit lower than 126.1 in October.

China: Economic growth for Q3, although revised upward, still faces headwinds. For one, industrial firms' profits fell in October by 9.9% (see Figure 15) from a year ago due primarily to falling producer prices (down 1.4% y-o-y in November). This is one of the key factors undercutting those profits and Bloomberg expects it to continue in November.

Deflation indicates weak domestic demand and that may add to corporate woes. On the other hand, headline inflation surged to 4.5% y-o-y in November, the highest since December 2011. Pork prices soared by 110.2% y-o-y due to the African swine fever problem. It also pulled up prices of beef, mutton, chicken and ducks. The latest 25 bps cut in policy rates to 1.5% for 1-year deposit rate and 4.35% for 1-year lending rate carried out on October 23rd still needs time to work through the real economy. The rate cut aims to boost the economy battered by the US-China trade war. China ordered local governments to speed up the issuance of debt earmarked for infrastructure projects. Ministry of Finance opened the possibility of local government units to offer up to RMB1-T or $142-B "special bonds" for specific projects, although details on the special bonds' sale remained unspecified.

In the meantime, its yield curve hardly moved—the spread between 10-year and 2-year bonds slightly widened by 5 bps to reach 50 bps by end-November.

With the latest 100 bps cut in RRR playing out by December and inflation to average 1.5% in Q4, we should see a slight downward bias for the 10-year T-bond yields to 4.2% from 4.4% before year end.

Thailand: Headline inflation rate rose to 0.21% y-o-y in November from a near 2-1/2-year low of 0.11% in October. Central bank expects headline inflation to average between 0.7% to 1%. Core consumer prices, which exclude raw food and energy, moved up higher by 0.47%. Unemployment rate for Q3 increased to 1% of the total labor force or 394,000 people from 0.98% in the previous quarter. This resulted from a 2.1% decline in employment slightly faster than the 2% fall in total labor force.

Household debt in Q2 amounted to THB13.1-T ($429-B), a decrease of 6.3% from the previous quarter. Total household debt ended Q2 at a fairly high level of 78.7% of GDP. Housing and car loans slumped in Q3 although they showed a positive print y-o-y. The THB strengthened once again by 0.4% in November but traded mostly around THB30.20/$1. Bank of Thailand sees more two-way movement compared to one-way appreciation in the past, due to weaker attractiveness of THB as investors may no longer see the cuurency as a safe haven asset in light of weak economic growth. This got reflected in a 19-bp steepening of the yield curve (i.e., between 10-year and 2-year yields) to 32 bps.

Indonesia: World Bank and International Monetary Fund have revised downward their projections for GDP growth in 2019. Government officials, however, expressed optimism for 2020 growth with low inflation, declining unemployment and poverty rates boosting the consumer sector.

November inflation rate eased to 3% y-o-y from 3.13% in the previous month. The main contributors to lower inflation included: housing & utilities, transportation, communication & financial services. On the other hand, prices increased for foodstuffs and beverages, cigarette & tobacco. Bank Indonesia projected low inflation of 3.1% for full year 2019.

Balance of trade swung back to a surplus of $161.3-M in October from a deficit of $161.9-M a month ago. Like Malaysia, it emerged due to the 16.4% plunge in imports (mainly driven by lower petroleum prices) far outweighed the 6.1% slump in exports.

The sanguine view of inflation pulled down the steepness of the yield curve (i.e., 10-year less 2-year yields) by 16 bps to 109 bps by end-November.

Malaysia: Malaysia's year-to-date (YTD) GDP growth in Q3 averaged 4.6%. However, government officials expressed optimism for Q4 as Purchasing Managers' Index (PMI) reached 49.5, reaching a 14-month high. Notably, this came above its historical average. However, analysts forecast a slower 4.3% expansion for 2020 driven by moderation in consumer spending and uncertainties in the global economy.

While on trade side, trade surplus widened to MYR17.3-B ($4.2-B), but still 2.8% higher than a year ago. While exports dove by 6.7% y-o-y to MYR90.6-B ($21.8-B), imports fell even more by 8.7% y-o-y to MYR73.3-B, thus, enlarging the trade surplus.

In the financial sector, stronger demand for Malaysian bonds amid the low global interest rates surfaced in September. Inflows of foreign funds totaled MYR4.3-B in September 2019, compared to an outflow of MYR22.2-B in the previous period. Thus, the 10-year Malaysian government bond had declined to 3.3% at end-September compared to 4.1% end-December 2018. Nonetheless, the 5-bp rise in spread between the 10-year and 2-year bond yields appeared minimal.

Outlook

Despite a late 100 bps reserve requirement ratio cut announced in late October to take effect December 6, 2019, 10-year T-bond yields have remained relatively flat. Investors appear mixed in their outlook for interest rates moving forward.

- In the US, 3-month bond yields have eased closer to the Fed policy rate (Fed Funds) of 1.5% after the October 30 rate cut. These have slightly up after the release of great job numbers for November. 10-year bond yields have moved back close where it ended in November despite the muscular employment data. It appears that when the long-end yields move up, the incentive for funds to flow into the US market gets a boost given negative yields in a number of advanced economies. Thus, we see little upside to the 10-year yields considering in addition the

ROPs have become attractive once again as US Treasury yields stabilize at the long-end while easing at the short end.

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
					Oct-19	Nov-19			
US	1.61	1.78	1.8	(0.02)	17	17	0	1.50	(0.30)
PRC	2.68	3.18	2.7	0.48	45	50	5	4.15	1.45
Indonesia	6.02	7.11	3.1	4.01	125	109	(16)	5.00	1.90
Malaysia	3.03	3.43	0.8	2.63	35	40	5	3.00	2.20
Thailand	1.28	1.60	0.9	0.70	13	32	19	1.50	0.60
Philippines	3.79	4.74	2.4	2.24	78	95	17	4.00	1.60

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

likelihood that the economy would slow down, albeit not abruptly.

• In the domestic scene, base effects could make bond investors wary about headline inflation going just above 2% by December. To counter this we have the likelihood that NG could issue much larger amounts of foreign currency denominated bonds, since by end-November the spread between 10-year peso bond yields and ROP-29 remained elevated at 226 bps. Thus, we see sideways movement for the rest of the year. We do expect, however, more changes come 2020.

• We see even more corporate bond issuances in 2020 as firms take advantage of still low benchmark yields. Besides, we see refinancing moves by the big issuers of 2015.

• ROPs do not seem to be attractive since the spread over US Treasuries has remained narrow.

LOCAL INVESTORS SUPPORT PSEi AMIDST FOREIGN SELLING IN NOVEMBER

PSEi showed resilience in November as local investors absorbed the P13.2-B selloff by foreign investors (due to a downgrade of Philippine equities by MSCI-EM rebalancing in November), which a higher inflation print exacerbated. It did slip by 3% to 7,738.98 despite positive macroeconomic data that emerged. Meanwhile the US stock market continued to achieve record highs in November with EU countries and Japan bourses in hot pursuit, while ASEAN shares took a beating, as the global economic slowdown lurched on, muddled by the US-China trade war and geopolitical tensions.

Outlook: With the economic rebound that started in Q3 which we expect to gain further traction in Q4 and beyond, corporate earnings in 2020 should follow suit. Negative vibes will likely continue until the end of 2019. Thus, we still see the need to stay selective (albeit a number of issues appear clearly oversold) but be ready for more action in the New Year.

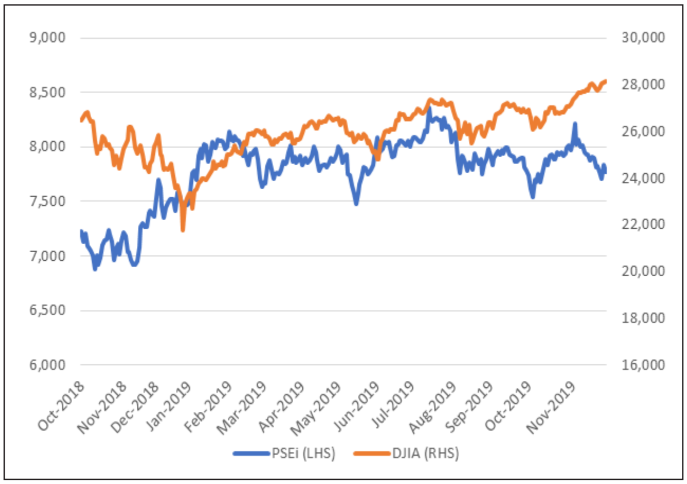
Global Equities Markets Performances

Region	Country	Index	Nov M-o-M change	2019 change
Americas	US	DJIA	3.7%	20.2%
Europe	Germany	DAX	2.9%	25.1%
	London	FTSE 101	1.4%	9.1%
East Asia	Hong Kong	HSI	-2.1%	4.8%
	Shanghai	SSEC	-1.9%	-1.3%
	Japan	NIKKEI	1.6%	19.1%
	South Korea	KOSPI	0.2%	3.9%
Asia-Pacific	Australia	S&P/ASX 200	2.7%	23.2%
Southeast Asia	Indonesia	JCI	-3.5%	-2.7%
	Malaysia	KLSE	-2.3%	-6.4%
	Thailand	SET	-0.7%	1.6%
	Philippines	PSEi	-3.0%	3.3%
	Singapore	STRAITS	-1.1%	5.1%

Sources: Bloomberg and Yahoo Finance

Asian bourses took turbulent paths in the previous month, as recovery from September's slump last October got stymied by pessimistic sentiments that a phase one US-China trade deal will not be reached by the end of the year due to opposing views on the cancellation of tariffs. The effect of the prolonged trade has already reflected as markets digest lower-than-forecasted Chinese industrial production numbers. Tensions mount further from roadblocks such as the passed Hong Kong Human Rights and Democracy Act by the US Senate and agricultural purchases. Asian bourses were unable to battle such headwinds with NIKKEI and KOSPI as the exception but JCI, PSEi, and KLSE suffering the biggest losses at 3.5%, 3%, and 2.3%, respectively. On the other hand, the best performers were DJIA, DAX, and S&P/ASX 200 at 3.7%, 2.9%, and 2.7%, respectively.

Figure 16 - PSEi and DJIA



Sources: Wall Street Journal, Bloomberg

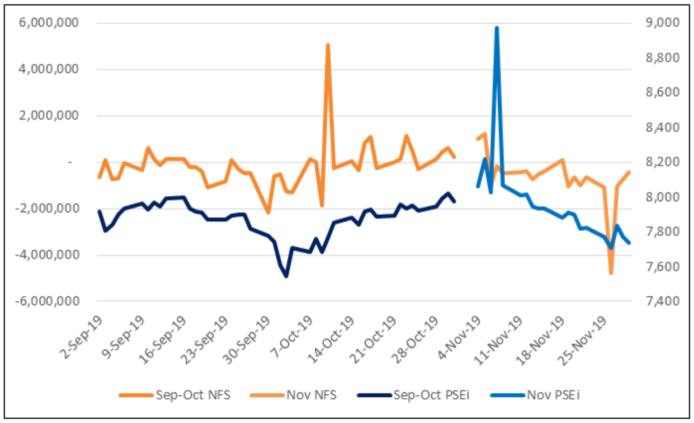
Philippine investors did not seem to share the same optimism felt by investors in the US as PSEi took a different path in November – downwards. From a high correlation of +0.8 in October, DJIA and PSEi's correlation reversed to a low -0.8 level, as the local front did not have enough catalysts to battle worsening global tensions. The local bourse continued to slip in the previous month due to a series of negative factors such as (a) the lackluster earnings from several holdings and property companies, (b) MSCI's announcement of a 0.066% down-weight for the country, and (c) the decision of BSP to keep key policy rates constant. On the flipside, US markets treaded upwards due to a series of positive developments with Powell suggesting that the US' economic expansion will be sustained, strong labor market, and inflation to near the 2% objective.

Net foreign selling and PSEi continued to converge paths, albeit with a higher correlation of +0.39 in the previous month compared to October's +0.3.

Monthly Sectoral Performance				
	31-Oct-19		29-Nov-19	
Sector	Index	% Change	Index	% Change
PSEi	7,977.12	3.5%	7,738.96	-3.0%
Financial	1,918.40	6.3%	1,841.80	-4.0%
Industrial	10,470.94	-0.9%	9,781.29	-6.6%
Holdings	7,830.30	3.1%	7,630.43	-2.6%
Property	4,172.29	1.7%	4,043.60	-3.1%
Services	1,513.05	-0.9%	1,546.48	2.2%
Mining and Oil	9,216.52	2.3%	8,054.07	-12.6%

Source of Basic Data: PSE Quotation Reports

Figure 17 - Net Foreign Selling vs PSEi (Sep 2019 - Nov 2019)



Source of Basic Data: PSE Quotation Reports

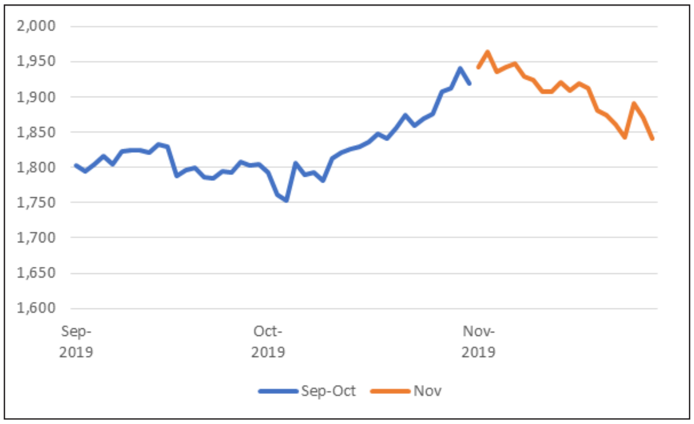
PSEi contracted, booking the second biggest decline in Southeast Asian and East Asian markets. Net foreign selling and PSEi continued to converge paths, albeit with a higher correlation of +0.39 in the previous month compared to October's +0.3. Lack of catalysts in the domestic and global scene were unable to battle global uncertainties rising, failing to keep foreign buyers ashore. However, there was high foreign buying momentarily at the start of November due to optimistic sentiment fueled by positive trade developments prevailed in world markets.

After recovering from September's bloodbath last October, PSEi showed renewed weakness once again in November. All sectors joined the red flag movement, with Mining and Oil as its leader, falling by 12.6%, but Services sector as the outlier.

Company	Symbol	31/10/19 Close	29/11/19 Close	% Change
Metrobank	MBT	67.60	66.25	-2.0%
BDO Unibank, Inc.	BDO	154.90	151.80	-2.0%
Bank of the Philippine Islands	BPI	97.00	85.95	-11.4%
Security Bank Corporation	SECB	199.20	205.00	2.9%

Source of Basic Data: PSE Quotation Reports

Figure 18 - Financial Sector Index (Sep 2019 - Nov 2019)



Source of Basic Data: PSE Quotation Reports

After breaching the highest trading level for the year, the Financial sector was unable to sustain the momentum, declining by 4% in November. With not enough catalyst to propel the sector up to beat the higher-than-expected Q3 earnings news reported last October, it was only inevitable that financials will drop in the previous month as evident with the continuous downward trek throughout November. All stocks land on the red with Bank of the Philippine Islands (BPI) being the sector's index losers and Security Bank of the Philippines (SECB) as the lone bright spot.

BPI lagged as it is unveiling a huge fund-raising exercise. BPI plans to issue P100-B bonds and commercial papers in 2020 to support expansion plans. The market largely ignored its thrift bank's (BPI Family Savings Banks) debut into the local retail bond market to raise P2-B, which it achieved within a few weeks after the offering.

SECB survived the onslaught as Q3 earnings soared by 22% powered by the 35% jump in revenues. Net interest income from customer loans and deposits/peso bond issuance underpinned this as it increased by a surged by 49% year-on-year (y-o-y) to P5.9-B. More specifically, the 54% vault in retail loans played a key role in this growth story.

After six months in the red, JFC finally resurfaced to positive territory and became the sector's index top gainer.

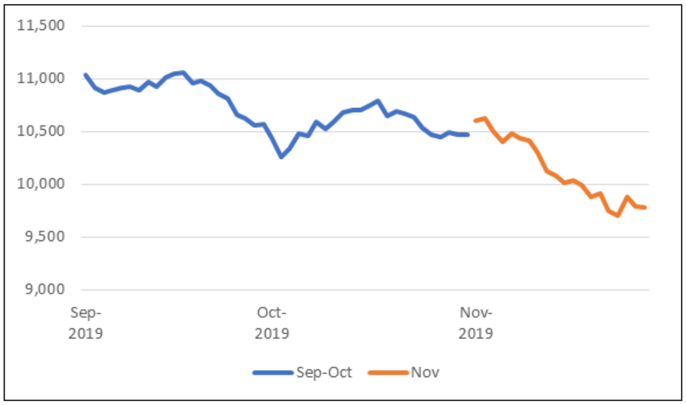
BDO Unibank, Inc. (BDO) share prices began to technically correct early in November since it had a 13.1% upswing since a low on October 2. It ended November only 2% down from a month ago.

Metropolitan Bank and Trust Company (MBT) also experienced a minor correction after the bank rush in October when it rose by 11.7% after its 13% stock dividend appeared well received by the market. MBT shares traded within a narrow band of P66.25 to P68.49 in November even though it ended also on a 2% slip.

Company	Symbol	31/10/19 Close	29/11/19 Close	% Change
Meralco	MER	338.40	319.00	-5.7%
Aboitiz Power	AP	39.95	34.45	-13.8%
Jollibee Foods Corporation	JFC	232.00	192.00	-17.2%
First Gen Corporation	FGEN	24.80	25.00	0.8%
Universal Robina Corporation	URC	151.00	150.10	-0.6%
Petron Corporation	PCOR	5.01	4.54	-9.4%

Source of Basic Data: PSE Quotation Reports

Figure 19 - Industrial Sector Index (Sep 2019 - Nov 2019)



Source of Basic Data: PSE Quotation Reports

Industrial sector lagged the most among other sectors, suffering a 6.6% slap last month. As evident, the sector only went downhill throughout November with all constituent stocks joining the red flag movement with First Gen Corporation (FGEN) as the lone bright spot. Jollibee Foods Corporation (JFC) and Aboitiz Power Corporation (AP) experienced a double-digit whammy, 17.2% and 13.8%, respectively.

JFC led index laggards due to lower-than-expected earnings results for Q3-2019 with a net income of P1.8-B, down by 7.9%. Losses from Smashburger in the US and Red Ribbon in the Philippines contributed to the weakness. However, JFC signed a $13-M joint venture deal with Singapore's Dim Sum Pte Ltd. to open and operate Tim Ho Wan stores in China.

AP did not fall far behind JFC and also suffered a major setback after its Q3-2019 earnings slipped by 36% y-o-y to P4.8-B, dragged down by higher interest and depreciation expenses.

After recovering from nine months in the red, Petron Corporation (PCOR) fell back to the loss column in November by a tidy 9.4% drop. PCOR reported a 60.7% plunge in net income in Q3 to P1-B, after a horrible H1 which saw earnings plummet by 72.4% mainly due to inventory losses from low oil prices.

Still affected by the policy tug-of-war between Department of Energy (DOE) and Energy Regulatory Commission (ERC), MER's share price decreased by 5.7%. However, in other news, the power utility giant has rolled out P1-B worth of investment for its third "smart substation" to address load growth in areas of key business growth and premiere townships of Pasig and Quezon city.

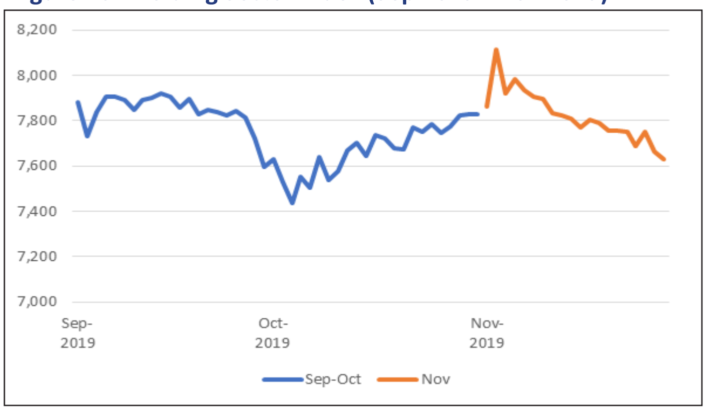
Surprisingly, First Gen Corporation (FGEN) showed a slight uptick of 0.8%, the only gainer of the sector, despite a steep fall in earnings by 20% y-o-y to P2.8-B. Its moves towards renewable energy appeared well advised as electricty sales from its clean fuel platforms climbed. Additionally, FGEN has allotted a capital expenditure worth $300-M for its proposed floating storage regasification unit (FSRU).

Not far behind, LTG remained on the downtrend for the third consecutive month after President Duterte classified the bill increasing taxes on cigarettes and alcohol as urgent.

Company	Symbol	31/10/19 Close	29/11/19 Close	% Change
Ayala Corporation	AC	860.00	806.00	-6.3%
Metro Pacific Investments Corporation	MPI	4.80	4.30	-10.4%
SM Investments Corporation	SM	1,030.00	1,060.00	2.9%
DMCI Holdings, Inc.	DMC	8.21	6.50	-20.8%
Aboitiz Equity Ventures	AEV	55.95	48.95	-12.5%
GT Capital Holdings, Inc.	GTCAP	894.00	894.50	0.1%
San Miguel Corporation	SMC	167.00	159.20	-4.7%
Alliance Global Group, Inc.	AGI	11.48	11.06	-3.7%
LT Group Inc.	LTG	13.34	11.06	-17.1%
JG Summit Holdings, Inc	JGS	76.25	76.90	0.9%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Holding Sector Index (Sep 2019 - Nov 2019)



Source of Basic Data: PSE Quotation Reports

Holdings sector declined by 2.6% with seven losers and only three gainers and none above 3% month-on-month (m-o-m) in November. The sector opened the month with a momentary surge, only to continue falling throughout the month, ending lower than October's close. Holdings contained two of the stocks that suffered the biggest loss: DMCI Holdings, Inc. (DMC) and LT Group, Inc. (LTG) losing 20.8% and 17.1% in value, respectively.

DMC, still on the red, dragged the sector down with its double-digit plunge in November as the Department of Energy (DOE) suspended coal mining operations in one mine site after a mudslide and President Duterte threatened water distributors (Incl. affiliate Maynilad Water) for the water crisis. These developments trumped its Q3-2019 earnings surge by 47% y-o-y to P2.8-B due mainly to the normalized coal operations of SCC compared to last year.

Not far behind, LTG remained on the downtrend for the third consecutive month after President Duterte classified the bill increasing taxes on cigarettes and alcohol as urgent. However, LTG's Q3-2019 net income soared by 52% y-o-y to P5.5-B on account of improved earnings from its banking, beverage, and property development businesses.

Also experiencing a double-digit hit, Aboitiz Equity Ventures (AEV) plummeted after its net income slipped by 6% y-o-y to P6.8-B due to foreign exchange losses.

Extending its losses for another month, Metro Pacific Investments Corporation's (MPI) share price slipped by 10.4% still on the back of the cancelled IPO of its hospital unit. MPI may also have suffered from the adverse reaction of President Duterte towards bulk water distributors (like Maynilad Water) as forecasts of another water shortage next summer surfaced. Although its Q3 net income went up by 4.2% y-o-y to P3.7-B driven by robust earnings from its power, toll road, water, and hospital businesses, this could only cover part of 9.2% drop in H1.

Ayala Corporation (AC) slid by 6.3% as earnings fell below-consensus estimates. AC reported a 7% y-o-y increase in net income to P8.3-B for Q3-2019 due to robust earnings from the firm's power and banking units but its water and industrial segments pulled down its bottom line. In a foray abroad, AC bought a $237.5-M stake in the Yoma Group, which comprises of Yoma Strategic Holdings Ltd. and First Myanmar Investment Public Company Ltd., the largest Philippine investment in Myanmar thus far.

Conversely, at the front line in the positive track, SM Investments Corporation (SMIC) rose by 2.9% driven by the 24% y-o-y rise in Q3-2019 earnings to P10-B, in turn powered by higher earnings from its property and banking businesses.

JG Summit Holdings, Inc. (JGS) also managed to land on the green, gaining 0.9% in value despite a 2.4% y-o-y drop in Q3-2019 net earnings to P4.8-B for Q3-2019 due to lower revenues from its petrochemicals business and higher expenses.

On the other hand, GT Capital (GTCAP) managed only a minimal 0.1% uptick despite a 37% y-o-y surge in Q3 profits to P4.5-B powered by improved contributions from its banking and automobile units.

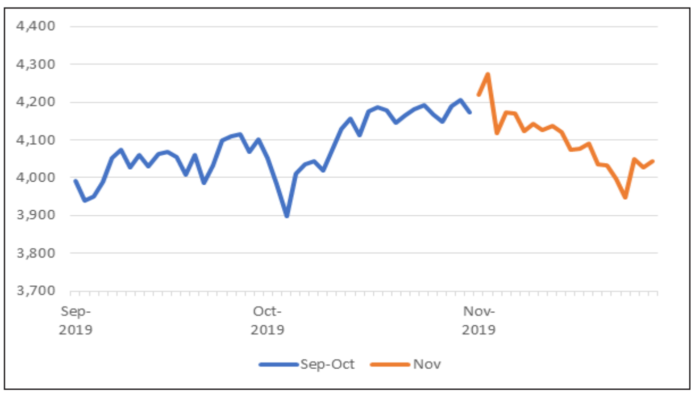
Robinsons Land Corporation (RLC) was the only stock that booked a gain in the sector, albeit increasing by a minimal 2.9%, mirroring the 2% y-o-y rise in net income to P3.3-B for Q3-2019

San Miguel Corporation (SMC) continued to shed value, as share prices declined by 4.7% from end-October. SMC's Q3 earnings fell by 5.4% to P13.5-B, a bit worse than H1's net income drop of 5.2%, weighed down by PCOR's weakness.

Company	Symbol	31/10/19 Close	29/11/19 Close	% Change
Ayala Land, Inc.	ALI	48.55	45.50	-6.3%
SM Prime Holdings, Inc.	SMPH	39.00	39.00	0.0%
Robinsons Land Corporation	RLC	25.45	26.20	2.9%
Megaworld Corporation	MEG	4.83	4.43	-8.3%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Property Sector Index (Sep 2019 - Nov 2019)



Source of Basic Data: PSE Quotation Reports

The losses of the losers outweighed the gains of the winners causing Property sector to lose 3.1% in value in the previous month compared to the +1.1% last October. The sector opened the month with a good start but failed to sustain the momentum, tumbling downward throughout November, only making a surge by the last few days. Megaworld Corporation (MEG) and Ayala Land, Inc. (ALI) experienced significant setbacks of 8.3% and 6.3%, respectively.

MEG dragged the sector down despite the 11% y-o-y rise in net income to P4.5-B in Q3 due to sustained growth across its business segments. The lingering negative sentiment of Filipinos towards the Chinese POGOs appeared to affect MEG more than other property company despite relatively small exposure to this segment.

ALI sustained its downtrend during the month due to negative operating cash flows in Q3 on top of that in Q2. This thwarted the 11% y-o-y jump in earnings to P8.1-B in Q3 which drew stronger profits from its malls, offices, hotels, and real estate projects. The delay in its planned transfer of some of its earning assets to a real estate investment trust (REIT) may have contributed also to the negative sentiment, since the SEC still has not issued the implementing rules and regulations for the law that allowed the formation of REITs.

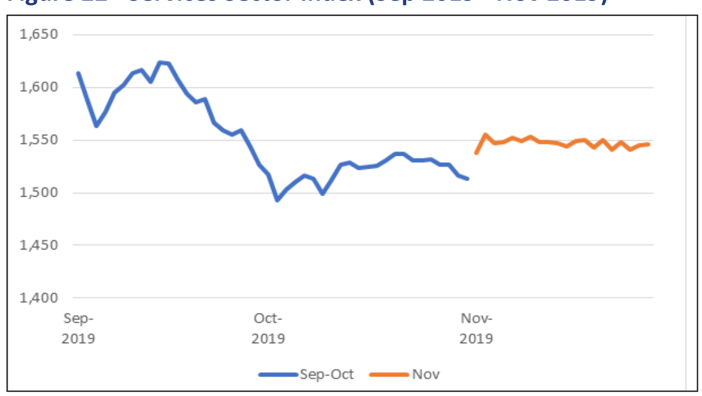
Robinsons Land Corporation (RLC) was the only stock that booked a gain in the sector, albeit increasing by a minimal 2.9%, mirroring the 2% y-o-y rise in net income to P3.3-B for Q3-2019. RLC relied on strong earnings from rental income and sales of houses and lots but weighed down by higher costs.

SM Prime Holdings, Inc.'s (SMPH) share price remained unchanged.

Company	Symbol	31/10/19 Close	29/11/19 Close	% Change
Philippine Long Distance Tel. Co.	TEL	1,100.00	1,075.00	-2.3%
Globe Telecom	GLO	1,824.00	1,940.00	6.4%
Robinsons Retail Holdings, Inc.	RRHI	75.85	79.00	4.2%
Puregold Price Club Inc.	PGOLD	40.85	40.15	-1.7%
International Container Terminal Services Inc.	ICT	118.70	123.60	4.1%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Services Sector Index (Sep 2019 - Nov 2019)



Source of Basic Data: PSE Quotation Reports

Mining & Oil dragged the local bourse down with its double-digit hit of 12.6% in November, reversing the uptick in October.

Services sector defied the negative environment, being PSEi's outlier with its 2.2% increase in November, a rebound from the 0.9% loss in October. The sector traded within a narrow band throughout the month, albeit at higher levels than October. Gainers (3) slightly outnumbered losers (2).

Globe Telecom (GLO) stoked the sector's growth driven by the reported 17% y-o-y rise in its profits to P5.6-B for Q3-2019 thanks to strong growths in its data-related products and services.

Surprisingly, Robinsons Retail Holdings, Inc. (RRHI) followed after GLO, rising by 4.2% despite a 9% decline in net income to P1.1-B for Q3-2019 due to the faster turnaround at Rustan Supercenters, Inc. and new account standard on leases.

International Container Terminal Services, Inc. (ICT) posted a 4.1% hike with catalysts such as the (a) Philippine Ports Authority deeming the proposal of ICT to develop Iloilo ports as complete and now evaluating it and (b) the Croatian subsidiary of International Container Terminal Services, Inc. (ICTSI) at the Port of Rijeka, recently welcoming the new Rijeka Land Sea Express, a weekly vessel and intermodal service linking Rijeka to Central European countries. On the downside, ICT's Q3-2019 earnings fell below-expectations as it slipped by 2% to P2.9-B. Robust operating income contribution from its several terminals got clipped by the acceleration of interest expenses.

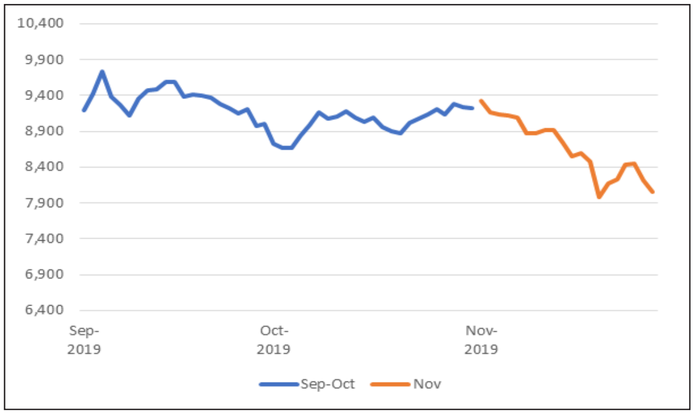
The two losers of the sector included Philippine Long Distance Telephone Company (TEL) and Puregold Price Club, Inc. (PGOLD) which dropped by 2.3% and 1.7%, respectively.

TEL lost 2.3% in value after reporting a 16% tumble in earnings to P3.8-B for Q3-2019. This came in lower-than-expected as weaker earnings from its fixed-line and other businesses pulled down higher revenues from its wireless business. In more positive news, TEL got a $1-M training grant from the US Trade and Development Agency (USTDA) in preparation for the rollout of its fifth generation (5G) network.

Company	Symbol	31/10/19 Close	29/11/19 Close	% Change
Semirara Mining and Power Corporation	SCC	23.35	21.80	-6.6%

Source of Basic Data: PSE Quotation Reports

Figure 23 - Mining & Oil Sector Index (Sep 2019 - Nov 2019)



Source of Basic Data: PSE Quotation Reports

Mining & Oil dragged the local bourse down with its double-digit hit of 12.6% in November, reversing the uptick in October. The sector spiraled downwards throughout the month, trying to salvage itself by the last week but still ending on its knees. Semirara Mining and Power Corporation (SCC) booked a decline of 6.6% after the DOE slapped a one month suspension of SCC's trading and mining operation, together with a P1.7-M fine for its coal trading violation. The positive news of a 280% y-o-y surge to P2.6-B for Q3-2019 earnings due to robust earnings from its coal, generation, and power businesses, proved insufficient to propel SCC's share price upwards.

Foreign selling dominated in November with net outflow of P13.2-B, nearly wiping out the P16.1-B net buying in October as global uncertainties worsened and the MSCI rebalancing (down-weight of PSEi) took their toll.

Total Turnover

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	19,567.25	-9.8%	978.36	3.7%
Industrial	14,138.68	-20.1%	706.93	-8.2%
Holdings	35,872.43	11.9%	1,793.62	28.7%
Property	17,695.72	3.3%	884.79	18.8%
Services	11,841.62	-57.8%	592.08	-51.5%
Mining and Oil	1,889.95	-19.5%	94.50	-7.4%
Total	**103,751.89**	-21.0%	**5,187.59**	-9.2%
Foreign Buying	72,620.08	-4.6%	3,631.00	9.7%
Foreign Selling	85,775.14	42.8%	4,288.76	64.2%
Net Buying (Selling)	(13,155.07)	-182.0%	(657.75)	-194.3%

Source of Basic Data: PSE Quotation Reports

PSE retreated once again, with total turnover slumping by 21%, a reversal from the +3.8% in October. Financial, Industrial, Services, and Mining and Oil sectors experienced significant losses while only Holdings and Property sectors managed to eke out gains.

Foreign selling dominated in November with net outflow of P13.2-B, nearly wiping out the P16.1-B net buying in October as global uncertainties worsened and the MSCI rebalancing (down-weight of PSEi) took their toll.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2017		2018		2nd Quarter 2019			3rd 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	739,029	4.0%	744,814	0.8%	175,497	-5.4%	0.6%	169,506.0	-3.4%	3.3%
Industry Sector	2,947,103	7.2%	3,148,000	6.8%	828,910	7.2%	3.7%	781,021.7	-5.8%	5.5%
Service Sector	4,979,575	6.8%	5,310,300	6.6%	1,479,208	13.9%	7.1%	1,406,838.8	-4.9%	7.0%
Expenditure										
Household Final Consumption	5,973,816	5.9%	6,306,064	5.6%	1,646,010	5.1%	5.6%	1,569,559.2	-4.6%	6.0%
Government Final Consumption	914,136	7.0%	1,031,487	12.8%	327,069	29.6%	6.9%	272,140	-16.8%	8.8%
Capital Formation	2,504,502	9.4%	2,852,306	13.9%	623,666	-17.1%	-8.5%	696,980	11.8%	-2.0%
Exports	4,930,584	19.5%	5,495,712	11.5%	1,508,885	9.5%	4.4%	1,589,174	5.3%	1.4%
Imports	5,657,331	18.1%	6,476,519	14.5%	1,635,616	-4.6%	0.0%	1,787,113	9.3%	1.1%
GDP	8,665,708	6.7%	9,203,113	6.2%	2,483,615	10.0%	5.5%	2,357,366	-5.1%	6.2%
NPI	1,729,139	5.9%	1,793,182	3.7%	456,350	-4.4%	3.1%	463,926	1.7%	3.4%
GNI	10,394,846	6.6%	10,996,296	5.8%	2,939,965	7.5%	5.1%	2,821,293	-4.0%	5.7%

Source: Philippine Statistics Authority (PSA)

NATIONAL GOVERNMENT CASH OPERATION (In Million Pesos)

	2017		2018		Sep-2019			Oct-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%	236,528	-15.4%	16.9%	261,553	10.6%	6.0%
Tax	2,250,678	13.6%	2,565,812	14.0%	211,005	-19.4%	15.2%	237,457	12.5%	6.8%
BIR	1,772,321	13.1%	1,951,850	10.1%	150,475	-26.8%	15.2%	178,122	18.4%	8.1%
BoC	458,184	15.6%	593,111	29.4%	58,802	9.7%	15.1%	57,652	-2.0%	3.0%
Others	20,173	20%	20,851	3.4%	1,728	-9.3%	9.3%	1,683	-2.6%	3.8%
Non-Tax	222,415	3.2%	284,321	27.8%	25,517	42.1%	33.4%	24,051	-5.7%	-1.4%
Expenditures	2,823,769	10.8%	3,408,443	20.7%	415,085	47.1%	39.0%	310,815	-25.1%	1.4%
Allotment to LGUs	530,150	17.9%	575,650	8.6%	59,812	30.2%	25.0%	53,847	12.5%	20.7%
Interest Payments	310,541	2%	349,215	12.5%	43,094	119.7%	31.9%	20,724	-51.9%	-13.7%
Overall Surplus (or Deficit)	-350,637	-0.8%	-558,259	59.2%	-178,557	7076.7%	85.5%	-49,262	-72.4%	-17.7%

Source: Bureau of the Treasury (BTr)

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

	2018		May-2019			Jun-2019		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	43,810.80	5%	4,053.00	4.0%	2.5%	4,282.20	9.2%	3.0%
Residential	13,549.70	3.7%	1,373.90	6.3%	5.4%	1,464.70	13.5%	5.6%
Commercial	17,211.30	4.8%	1,560.70	3.8%	1.5%	1,646.50	9.2%	2.2%
Industrial	12,610.30	5.9%	1,094.00	3.0%	1.3%	1,145.60	5.0%	1.8%

Source: Meralco

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

	2017		2018		1st Quarter 2019		2nd 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%	-1,216	276.9%	-145	-95.5%
Balance of Goods	40,505	13.9%	50,202	23.9%	12,388	18.9%	11,291	-12.5%
Exports of Goods	51,865	21.4%	51,392	-0.9%	12,197	-2.4%	13,740	7.0%
Import of Goods	92,370	18.0%	101,594	10.0%	24,585	7.3%	25031	-2.8%
Balance of Services	-9,249	31.3%	-11,539	24.8%	-3,180	4.4%	-3,251	15.2%
Exports of Services	35,884	15.0%	38,510	7.3%	9,631	2.0%	9,521	1.0%
Import of Services	26,635	10.2%	26,971	1.3%	6,451	0.8%	6,270	-5.1%
Current Transfers & Others		-						
II. CAPITAL AND FINANCIAL ACCOUNT								
Capital Account	62	-26.3%	15	-73.0%	15	7.1%	18	-1417.5%
Financial Account	175	-92.4%	-7,795	192.6%	-4711	477.3%	-225	-85.1%
Direct Investments	-5,883	5803.4%	-5,834	-10.9%	-1,074	4.8%	-666	-75.4%
Portfolio Investments	1,480	-72.9%	1,548	-38.3%	-1,795	-211.4%	-1343	-204.3%
Financial Derivatives	-32	-673.4%	-53	5.5%	-40	-41.8%	-47	-392.6%
Other Investments	4,610	-249.8%	-3,455	-342.9%	-1,802	35.0%	1,831	-1729.2%
III. NET UNCLASSIFIED ITEMS	274	-136.6%	-1,245	-12.4%	287	-116.7%	893	-397.6%
OVERALL BOP POSITION	-1,038	-116.1%	-2,306	167.2%	3,797	-409.5%	991	-148.8%
Use of Fund Credits		-						
Short-Term		-						
Memo Items								
Change in Commercial Banks	1,421	-222.0%	-461	-212.5%	46	-96.6%	1,820	-644.0%
Net Foreign Assets	1,381	-229.7%	1,423	216.5%	66	-95.1%	1,825	-695.7%
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		Aug-2019		Sep-2019	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,035,680	8.5%	3,090,821	2.4%	3,107,061	1.4%
Sources:						
Net Foreign Asset of the BSP	4,514,943	1.5%	4,831,112	8.3%	4,781,410	9.6%
Net Domestic Asset of the BSP	11,218,175	15.4%	12,406,372	7.5%	12,449,026	6.8%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3,708,624	13.9%	4,097,284	10.3%	4,135,091	11.3%
Money Supply-2	10,597,336	11.2%	11,403,992	6.5%	11,480,045	7.6%
Money Supply-3	11,063,517	11.5%	12,037,377	7.7%	12,126,092	8.7%
MONEY MULTIPLIER (M2/RM)	3.49		3.69		3.69	

Source: Bangko Sentral ng Pilipinas (BSP)

December 2019

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