January 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

We foresee renewed fast growth of 6.2% to 6.6% for the Philippine economy in 2020 as Q4-2019 GDP growth accelerated to 6.4% from 6% a quarter ago. The faster pace will likely spill over to the entire 2020 with similar drivers as in Q4-2019—NG operational and capital spending as well as solid consumer spending given the robust job gains in in the last three quarters of 2019. With NG P4.1-T budget already approved, infrastructure spending may soar by 34.6% as planned. Bond markets look attractive in H1 while the equities market will deliver once the fears of a global pandemic from coronavirus fade. However, a much stronger eruption of Taal volcano and prolonged spread of the novel corona virus could slow the economy slightly, but negative investor sentiment from it may delay PSEi's recovery.

Bonds Market 3

8 ***While we saw domestic bond yields rise in January in reaction to faster December inflation, we view this as unsustainable, given stubbornly low interest rates abroad. US 10-year T-bond yields have trended downward in January due to the global slowdown and fears of a pandemic from China's coronavirus. Besides, the inflation upsurge may have limited upside since oil prices have gone back to mid-$50/barrel (for WTI) while caused a downward trend for 10-year US Treasury. Thus, we see profit opportunities in the market, especially when BSP cut rates during Q1.***

● December total tender-offer ratios for GS auction soared by 33.3% from 1.80x to 2.50x. ● Secondary GS market total trading hit P5.2-T in 2019, up 174% from 2018. ● End-December benchmark bond yields 1-year to 20-year fell by 9.5 bps to 28 bps. ● Spreads between long tenured ROPs and equivalent US Treasury (10-year and 20-year) narrowed.

Macroeconomy

3 ***GDP growth accelerated to 6.4% in Q4, due to robust government and infrastructure spending and softer inflation. These same factors, along with a low base and positive employment print, should sustain faster growth in 2020. Robust residential and commercial building demand and the various PPP projects should also further stoke investment demand. Inflation will likely stay within 2.5% to 3% as crude oil prices have returned to mid-$50/barrel.***

● NG spending surged by 22.4% y-o-y in November, from the 1.4% a month ago. ● Inflation hastened to a 2.5% y-o-y rise in December, due to lower base effects, higher food and fuel prices. ● Exports slipped by 0.7% in November amidst lower demand from ASEAN and EU. ●Peso-dollar ended the year flat with short term appreciation bias.

Equities Market

13 ***Despite the expected volatility that global equities will face in 2020, we think that PSEi will trace a generally upward trend, to hit 8,600-8,900 level sometime this year. Expected strong corporate earnings (10%) and the PH economy's return to above-6% growth path should provide the impetus. However, uncertainties surrounding water and media issues could dampen PSEi gains, aside from the recent Taal volcano eruption and the spread of the coronavirus across the globe.***

● PSEi, along with global equities, ended the year right with a 1% gain in December. ● Equally split between gainers and loser with Financial, Property and Mining & Oil sectors as best performers. ● JFC, LTG, and SMPH rallied the most among constituent stocks, while MPI, PCOR and MEG ended in the red. ● PSE turnover recovered in December, surging by 23.1%, with huge gains from Financial, Industrial, and Holdings sectors. ● Foreigners remained as net sellers to the tune of P8.8-B, somewhat better than the net outflows of P13.2-B a month ago.

Economic Indicators (% change, latest month, unless otherwise stated)	Latest Period	Previous Period	Year-to-Date (2019)	2017 (year-end)	2018 (year-end)	2020 Forecasts
GDP Growth (Q4-2019)	6.4%	6.0%	5.9%	6.7%	6.2%	6.2-6.6%
Inflation Rate (December)	2.5%	1.3%	2.5%	2.9%	5.2%	2.5-2.8%
Government Spending (November)	22.4%	1.4%	6.6%	12.6%	22.5%	11.0%
Gross International Reserves ($B) (December)	87.9	85.8	85.0	81.6	79.2	92.0
PHP/USD rate (December)	50.77	50.73	51.80	50.40	52.68	53.00
10-year T-bond yield (end-December YTD bps)	4.54%	4.64%	5.30%	4.93%	7.05%	4.375-5.0%

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

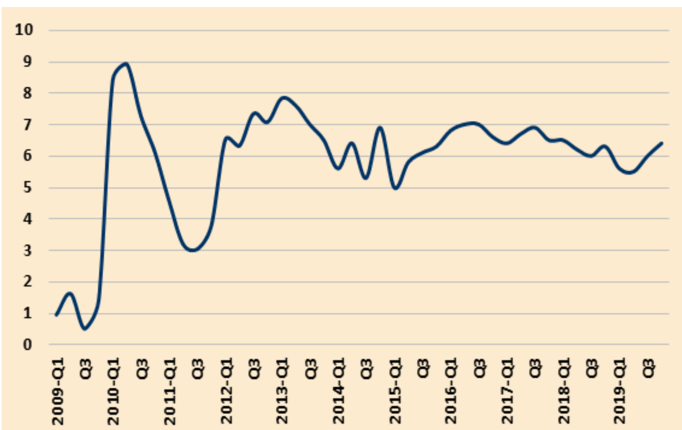
MACROECONOMY

Philippine Economy Greets New Year with Positive News

Despite the steep rise in headline inflation to 2.5% in December, positive news on balance greeted the economy at the onset of the New Year. National Government spending rebounded in November with a 22.4% uptick from 1.4% a month ago (latter due to base effects). Gains in imports of capital goods moved to slightly positive territory, while Overseas Filipino Workers remittances continued on a hot upward streak. Inflation, however, raced to its second consecutive month increase in December largely due to a low base effect, higher food and energy prices. Exports fell slightly in October. Non-economic events, such as the Taal volcano eruption which displaced some 100,000 in Batangas and threatens to violently explode, and the outbreak of the coronavirus from China provided negative vibes to macro environment.

Outlook: The economic rebound that started in Q3-2019 accelerated further to 6.4% in Q4, given the robust gain in NG current and infrastructure spending and unabated OFW remittances. Besides, records made in the employment front should further reenergize consumer spending in 2020, enabling the economy to expand by 6.2% to 6.6% in full year 2020. Although inflation had a runup in December, we don't think it will accelerate but will stay between 2.5% and 3% for most of 2020, averaging below 3%.

Figure 1 - Philippine Quarterly GDP, Year-on-Year
Faster Y-o-Y Expansion in Q4



Source of Basic Data: Philippine Statistics Authority (PSA)

Q4 GDP Expands by 6.4%, FY Figure Slightly Below Target

Economic growth accelerated in Q4-2019 to a 6.4% year-on-year (y-o-y) pace, improving on the 6% (revised) of the preceding quarter. However, it could only bring full year (FY)expansion to 5.9%, slightly below the government's target of 6.0%-6.5%. The FY growth marked slowest speed in eight years. As a consolation in the Q4-2019 race, PH's came in higher than China's 6% growth but next only to Vietnam (which most likely will hit 7%).

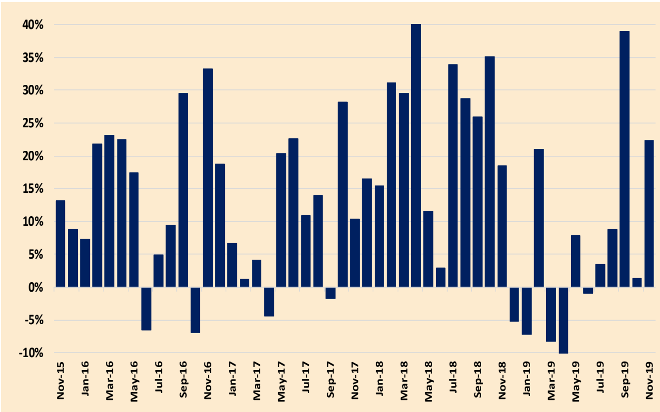
Government spending drove Q4 gains. Its current expenditures soared by 18.7% while infrastructure outlays surged by 33.8% as the government hastened implementation of highways, bridges and building projects. Total capital formation (investment expenditures), however, nudged up by only 0.4%, as purchases of durable equipment fell by 5.9%. The latter reflected a wait-and-see sentiment as the issues on tax incentives, media ownership and water concessionaires took center stage. Household consumption spending eased to a 5.6% increase from 5.9% in Q3, despite strong job growth.

Viewed from the production side, the Services sector pulled up overall output déjà vu as it soared by 7.9%, powered by the public sector spending and robust banking sector growth. The Industrial sector slowed to a 5.4% pace from 5.6% in Q3. Lackluster manufacturing output, the largest item here, dragged the sector's expansion as it could only managed to rise at a 3.7% pace, the third consecutive quarter of below-4% growth. Agriculture sector still gained by 1.7% but slower than 3.1% in Q3.

Nonetheless, we think the renewed strength of the economy will continue through 2020, due to lower base but also a planned 34.6% increase in infrastructure spending. Full year GDP growth should rise faster by 6.2% to 6.6%.

Figure 2 - NG Expenditures Growth Rate, Year-on-Year

Faster Implementation of Big-Ticket Projects Led to Faster NG Spending

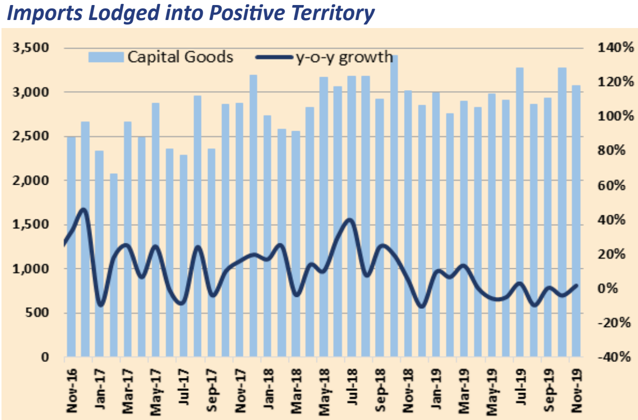


Source of Basic Data: Bureau of the Treasury (BTR)

NG disbursements soared by 22.4% y-o-y in November as NG made up for the weak 1.4% advance in October.

Figure 3 - Imports of Capital Goods (in Million USD)

Imports Lodged into Positive Territory



Source of Basic Data: Philippine Statistics Authority (PSA)

NG Spending Vaults to 22.4% Expansion in November

The National Government (NG) disbursements soared by 22.4% y-o-y in November as NG made up for the weak 1.4% advance in October. The latter, however, appears low only because the y-o-y growth in October 2018 was 35.2%. Year-to-date (YTD) deficit stood at P409-B which only represents 62% of the target deficit. This suggests even higher spending in December; especially with the administration's keen commitment to fast track infrastructure spending.

Tax collections in November suggests robust economic activity as tax take by the Bureau of Internal Revenue (BIR) posted a 20.8% jump to P284.6-B. Supported by the 5.2% y-o-y increase in Bureau of Customs (BOC) revenues to P50.4-B, total tax earnings grew by a hefty 17.5% y-o-y which is the fastest increase by far in 2019.

When we deduct interest payments, allotments to LGUs and other non-recurring expenditures from total spending, the growth rate jumps to 28.5% y-o-y.

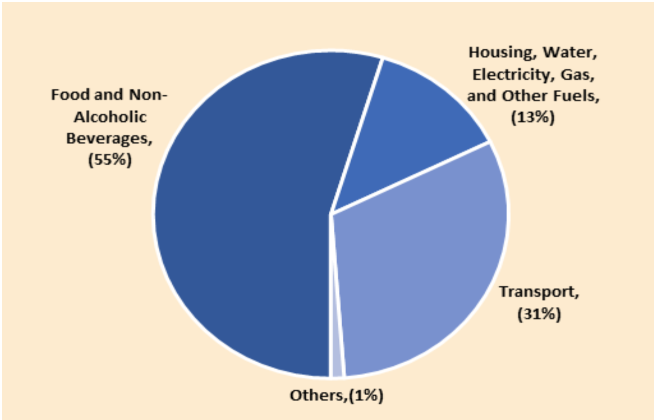
Imports of Capital Goods Improve in November

Capital goods imports in November improved by 1.6% y-o-y, after a 4.1% decline in the preceding month. Double-digit increases in the imports of office and EDP machines (+39.2%) and transportation equipment (13.8%) largely drove the import category higher.

Feeble growth in imported raw materials reflected low commodity prices amidst a slowing global economy. Raw materials & intermediate goods import still captured the largest share of total imports at 36.2% but tanked by 14.6% due to lower imports of unprocessed raw materials (i.e., corn, wheat, crude materials). Semi-processed raw materials (i.e., animal and vegetable oil, feeding stuff for animals) and manufactured goods (i.e., iron & steel and nonferrous metal products) also showed weak import demand. Higher coal and crude oil prices, likewise, resulted in a 34.9% plunge in mineral fuels and related materials. Consumer goods, on the other hand, bucked the trend posting 10.2% gains driven by higher imports of home appliances, passenger cars and other non-durable products (i.e., dairy products, fish).

The slowdown in big-ticket import categories brought total imports lower by 8% y-o-y to $8.9-B in November, but still exceeded total exports (in absolute terms). Balance of trade (BOT) deficit in November stood at $3.3- B, significantly lower by 18% y-o-y and 8% lower m-o-m from $3.6-B in October.

Figure 4 - Source of Additional Inflation for November 2019



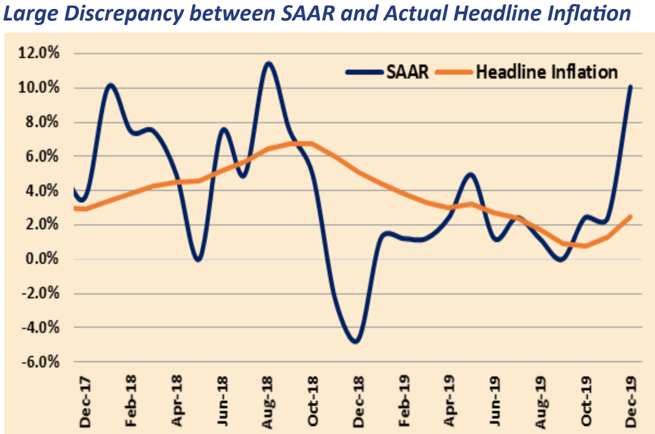
Source of Basic Data: Philippine Statistics Authority (PSA)

Inflation Year-on-Year Growth Rates	Dec-2019	Nov-2019	YTD
All items	2.5%	1.3%	2.5%
Food and Non-Alcoholic Beverages	1.7%	0.0%	1.7%
Alcoholic Beverages and Tobacco	18.4%	17.6%	18.4%
Housing, Water, Elec, Gas, & Other Fuels	1.9%	1.2%	1.9%
Health	2.9%	3.1%	2.9%
Transport	2.2%	-2.4%	2.2%

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

Source of Basic Data: Philippine Statistics Authority (PSA)

Figure 5 - Inflation Rates, Year-on-Year
Large Discrepancy between SAAR and Actual Headline Inflation



Source of Basic Data: Philippine Statistics Authority (PSA)

Apart from low base effects accounting for around half of the price gain, significant price increments in food and non-alcoholic beverages (in areas outside NCR) and in transportation (in NCR) propelled price gains.

Inflation Surges by 2.5% in December

Headline inflation in December surged by 2.5% y-o-y, a sharp acceleration from the 1.3% y-o-y uptick in November. Apart from low base effects accounting for around half of the price gain, significant price increments in food and non-alcoholic beverages (in areas outside NCR) and in transportation (in NCR) propelled price gains. Nonetheless the full-year 2019 inflation print stood at 2.5%, lodging at the low-end of the NG's target.

We observed faster increments in heavily-weighted food and non-alcoholic beverages (FNAB), in transport (from -2.4% to 2.2%) and utilities (HWEGOF, 0.7% points higher from a month ago). Higher fish, vegetables, milk, egg, among others drove up food prices which accounted for some 55% of the additional inflation rate. Higher transport cost contributed around 31% to the December increase.

Various fuel price hikes arose from the jump in international crude oil prices in December which averaged $59.80/barrel for WTI, or 21% higher (y-o-y) as OPEC announced further production cuts. Moreover, Meralco rates increased by 0.30 centavos in December to P9.86/kWh, a 3.1% month-on-month (m-o-m) jump due to higher purchase generation costs, and brought the rise in HWEGOF sub-index to account for some 13% of the inflation rate gain.

The seasonally adjusted annualized rate (SAAR) of inflation climbed faster to 10%, much above the actual headline inflation, indicating a need to keep a vigilant eye on whether a true acceleration may occur or not. For one, crude oil prices by mid-January have retreated and the US Energy Information Agency latest forecasts see them only slightly above the December average.

Residential Real Estate Prices Surge by 10% in Q3-2019

The Residential Real Estate Price Index (RREPI) developed by the Bangko Sentral ng Pilipinas (BSP) showed a 10.4% increase in Q3-2019 from a year ago, the highest increase since 2016. Condominiums posted the highest price growth of 29.1% (y-o-y) indicative of still-high demand for condo units, especially in the NCR.

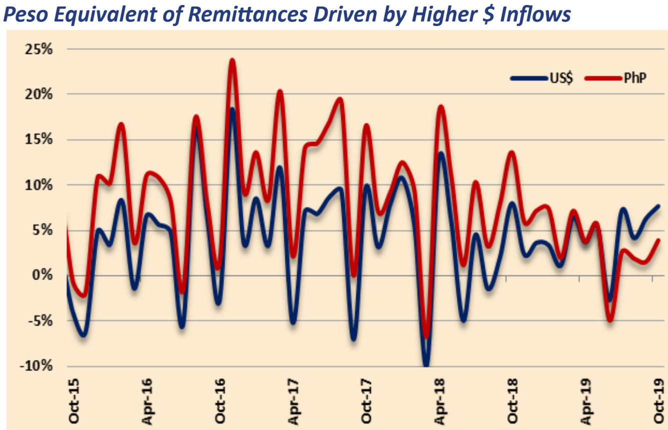
The next double-digit price increase showed up for duplex houses (+24.8%). Prices of single detached/ attached houses and townhouses had minor upticks of 2.4% and 6%, respectively. The residential real estate loans (RRELs) data showed that the acquisition of condominium units accounted for more than half of total loans.

Figure 6 - Exports Growth Rates, Year-on-Year
Export Demand Remained Weak

Source of Basic Data: Philippine Statistics Authority (PSA)

As previously anticipated, personal remittances sent by Filipinos working abroad (OFWs) in October further accelerated by 6.7% y-o-y to almost $3-B, faster than the 6.4% a month ago.

Figure 7 - OFW Remittances Growth, Year-on-Year
Peso Equivalent of Remittances Driven by Higher $ Inflows



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

Exports Sales Falls in November

Exports print in November amounted to $5.6-B, posting a 0.7% fall from the same period last year as three major export goods (i.e.,electronic data processing (-0.8%), other electronics (-22.7%); machinery and transport equipment (-14.9%)) took a hit. The lackluster exports performance brought the YTD rate to -0.2%, although better than the 1.1% slide in January-November 2018.

Electronic products still had the largest share, accounting for 58.6% of total exports. Outbound sales of these products continued to increase by 1.4% y-o-y, supported by higher demand for semiconductors (+2.2% gains y-o-y) and the above-20% jump in office equipment, telecommunication, and consumer electronics. Shipments of other manufactured goods (ranked 2nd) and bananas (5th) showed better gains, registering above-20% gains. Meanwhile, shipments of machinery and transport equipment plunged by 21.7% and 23.7% y-o-y, respectively.

Exports to Japan took the No. 1 spot as these increased by 4.9% y-o-y, accounting for 16.6% of total exports to $0.9-B. Goods sent to the US, displaced by Japan as top destination, declined by 0.4%. Shipments to China (3rd), Hong Kong (4th) and Singapore (5th) showed gains. Half of the total exports in November still headed towards East Asian (EA) nations, up by 1%. Exports to ASEAN and EU, on the other hand, slumped by 1% and 1.7%, respectively.

We think that exports will end 2019 in the red or at best flat due to weak demand from major exports destinations. However, we see a brighter 2020 as the global economic growth appeared to have bottomed in Q3-2019.

OFW Remittances Climb by 6.7% in October

As previously anticipated, personal remittances sent by Filipinos working abroad (OFWs) in October further accelerated by 6.7% y-o-y to almost $3-B, faster than the 6.4% a month ago. YTD these reached $27.6-B, 4.3% 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 (+7.8%), along with the 3.8% increase in remittances sent by those with contracts locked-in for at least one year.

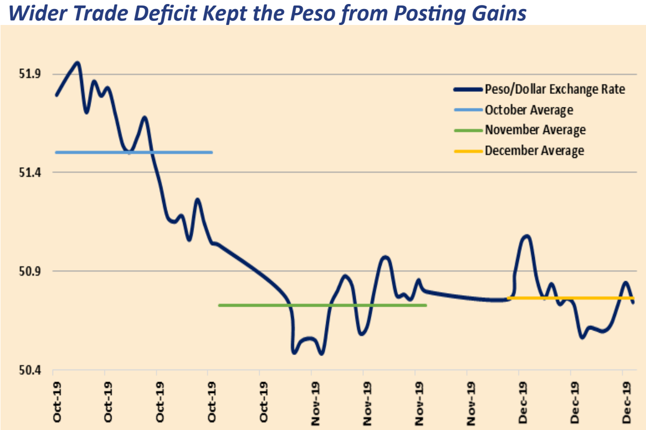
Likewise, the peso equivalent of personal remittances further accelerated by 3.9% (y-o-y) despite peso appreciation, indicating heavy dollar inflows. Note that in October, the peso showed strength, appreciating by 3.5% y-o-y. We believe that remittances will further increase in November and December as OFWs usually send more money to their relatives here in time for the Christmas holidays.

Exchange Rates vs USD for Selected Asian Countries			
	Oct-19	Nov-19	YTD
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)

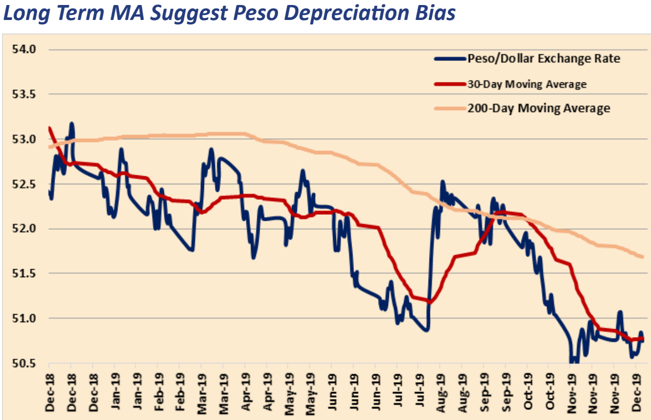
Note: Positive changes mean depreciation and negative changes mean appreciation against the greenback

Figure 8 - Monthly Dollar-Peso Exchange Rates
Wider Trade Deficit Kept the Peso from Posting Gains



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

Figure 9 - Dollar-Peso Exchange Rates & Moving Averages
Long Term MA Suggest Peso Depreciation Bias



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

The lively rebound of NG spending in November should accelerate in December and with the 2020 NG budget already signed into law, infrastructure spending will return to a fast pace in 2020.

Peso Ends the Year Flat

Lower current account balance (CAB) and BOT deficits y-o-y kept the peso relatively unchanged as it averaged P50.77/$ in December, a minimal 0.1% m-o-m rise from P50.73/$ a month ago. The volatility measure further narrowed to 0.14 from 0.15 in November, as the peso traded within a narrow band of P50.57/$ to P51.07/$.

Other emerging currencies, meanwhile, showed strength against the greenback tracking weak US dollar's performance. The rupee (INR) recovered to show gains in December in response to an accommodating monetary policy. Softer inflation and positive economic prospects also helped strengthen the rupiah (IDR). Thailand baht (THB) continued to surge still driven by the country's large current account surplus and healthy reserves. Likewise, the yuan (CNY)remained in the green following reports of the US-China Phase One Trade Deal.

The month-end actual USD/PHP rate in December landed far below 200-day moving average (MA), suggesting overall peso strength. However, we still see an 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:

Despite the devastating eruption of Taal Volcano and the political brouhaha over water/media issues, we remain optimistic on the outlook for 2020.

• The lively rebound of NG spending in November should accelerate in December and with the 2020 NG budget already signed into law, infrastructure spending will return to a fast pace in 2020.

• Revitalized Build, Build, Build (B-B-B) should also overflow into renewed robust capital goods imports, while private construction on Public-Private Partnership (PPP), residential and commercial projects continue to hum.

• Exports also appear poised for some modest recovery in 2020 as global PMIs have turned upward. OFW remittances will still likely grow despite tension in the Middle East. However, this may be offset by the coronavirus spreading across the globe, disrupting supply chains, and likely to slow global growth in the short-term.

• We do not think that an acceleration in inflation has become imminent. However, we think it will remain around 2.5% for some time.

• All told, we think the economy will remain good in 2020 and expand between 6.2% to 6.6%.

FIXED INCOME SECURITIES

Bond Markets Looked Firm in December, But Cautious in New Year

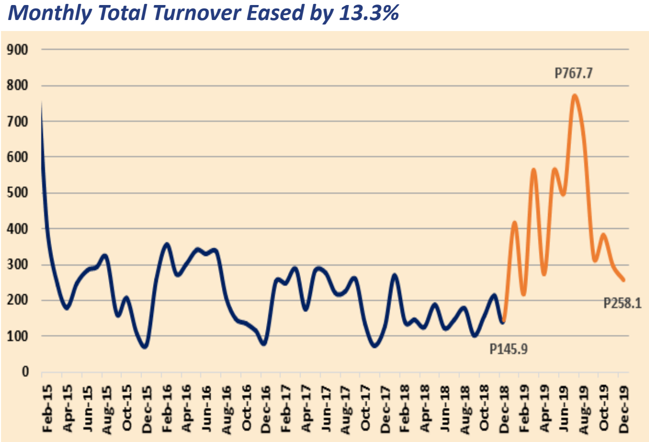
Bond markets appeared stable in December as tender-offer ratios (TOR) increased for auctions leading to slightly lower yields at the longer end. In the secondary market, yields beyond 6-month papers still fell, as trading volumes declined by 9.5 bps to 28 bps, or nearly proportionate to the number of trading days in the month compared to November. With the onset of Christmas season, bond issuances slowed, even as corporate bond trading reached a new record for full year 2019. Spread of ROPs vs US Treasuries (esp. longer end) narrowed as investors aimed at relatively safe but high-yielding sovereign bonds.

Outlook: The table has turned with the New Year as local bond yields moved up in tandem with US Treasuries and as a reaction to the sharp rise in December inflation to 2.5%. As we view that rate as the point at which near-term inflation would revolve, the January uptick in local bond yields seem unsustainable. As it is, recent developments have seen oil prices back to mid-$50s (for WTI) and 10-year US Treasury has been on a downward trend to below 1.8%. Thus, we see good profit opportunities in the market, especially since we expect the Bangko Sentral ng Pilipinas (BSP) to cut rates in Q1.

Date	T-Bond/ T-Bill	Offer (Php B)	Tendered (Php B)	Accepted (Php B)	Tendered ÷ Offered	Ave. Yield	Change bps
02-Dec	91-day	8.000	10.460	8.000	1.308	3.192	2.4
	182-day	6.000	6.827	6.000	1.138	3.348	9.9
	364-day	6.000	23.101	6.000	3.850	3.475	-2.6
Subtotal		20.000	40.388	20.000	2.019		
10-Dec	10 year	20.000	59.666	20.000	2.983	3.742	-25.4
Subtotal		20.000	59.666	20.000	2.983		
All Auctions		40.000	100.054	40.000	2.501		

Source: Bureau of the Treasury (BTr)

Figure 10 - Monthly Total Turnover Value (in Billion Pesos)
Monthly Total Turnover Eased by 13.3%



Source: Philippine Dealing Systems (PDS)

Primary Auction: Demand Still Adequate

Despite half the number of auctions in December due to Christmas season, investor demand remained intact as total tender-offer ratio (TOR) rose to 2.50x from 1.88x in November. Meanwhile, total tenders eased by 33.3% or less than the 50% reduction in offerings by the Bureau of the Treasury (BTr).

Investor interest kept yields for Treasury bills (T-bills) relatively stable while for longer tenors (Treasury bonds, T-bonds) they even shed 25.4 bps to 3.742% from the previous 3-year auction on October 1, 2019 at 3.996%. After all, the TOR for T-bonds more than doubled to 2.98x from 1.43x.

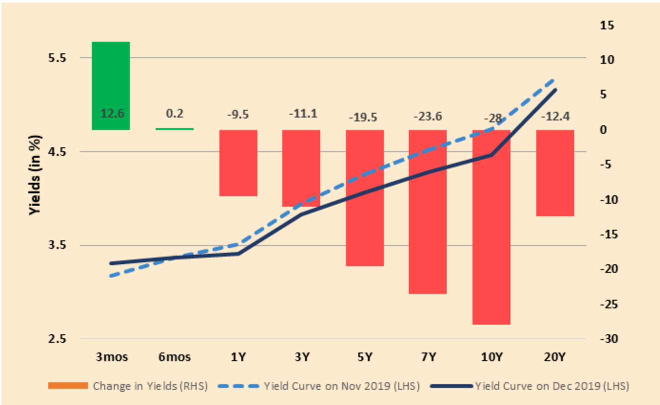
Yields for short-term debt papers moved up slightly. 91-day T-bills fetched yields of 2.4 bps to 3.192%, up 2.4 bps, while 182-day papers climbed by 9.9 bps to 3.348% from 3.249%. Meanwhile, the yield for 364-day T-bills moved in the opposite direction as these slipped by 2.6 bps to 3.475% from a month ago.

Secondary GS Trading: Yields Fall for All Tenors, Except 6 Months or Less

Trading in the secondary GS market also eased further by 13.3% month-on-month (m-o-m) to P258.1-B in December from P297.7-B a month ago. However, this still represented a 76.9% year-on-year (y-o-y) increase. Total trading volume for 2019 shot up to P5.2-T, some 2.74x times higher than the P1.9-T in 2018.

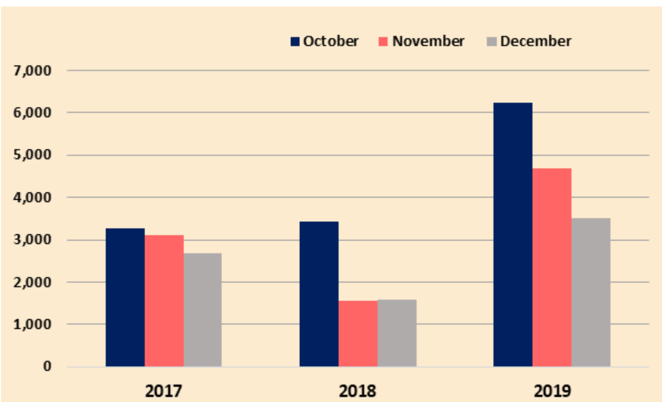
Except for the 3-month and 6-month papers, yields for longer tenors headed south. With 6-month debt papers practically flat, only the 3-month issues jumped by 12.6 bps to 3.304% from 3.178% in November.

Figure 11 - GS Benchmark Bonds Yield Curves
1-Year to 20-Year Yield Curves Headed South by End-2019



Source: Philippine Dealing Systems (PDS)

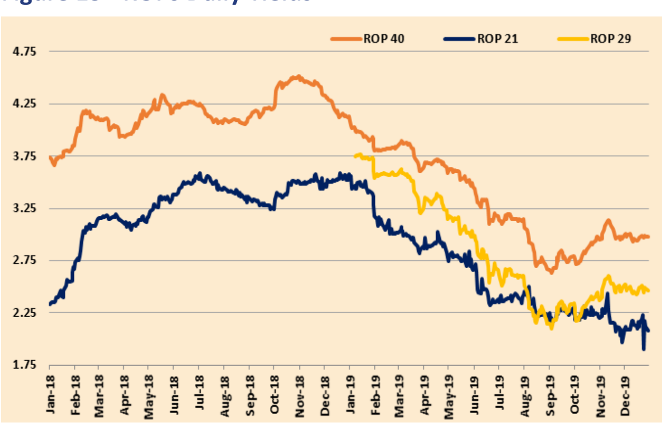
Figure 12 - Total Corporate Trading Volume (in Million Pesos)
YTD Reaches Highest Record Since 2007



Source: Philippine Dealing Systems (PDS)

Total volume for secondary trading in corporate bonds reached a record high of P67.1-B in 2019, up by 144.6% from P27.4-B in 2018.

Figure 13 - ROPs Daily Yields



Sources: Bloomberg, First Metro Investment Corporation (FMIC)

The fall in yields (ranging from 9.5 bps to 28 bps) magnified as the tenor lengthened, except for the 20-year issue. 10-year debt papers yielded 28 bps less than November's 4.741% to end up at 4.461%. The second largest dip occurred in the 7-year space where yields sank by 23.6 bps to 4.279%.

The yield curve flattened as the spread between 10-year and 2-year yields narrowed by 23 bps to 72 bps.

Corporate Trading: Down from November, But Hits Annual Record

Total volume for secondary trading in corporate bonds reached a record high of P67.1-B in 2019, up by 144.6% from P27.4-B in 2018. The new record exceeded the 2014 high of P45.9-B by 37.4%. On a monthly basis, trading slumped by 25.2% m-o-m to P3.5-B in December from P4.7-B in the previous month. However, it still proved 2.2x more than December 2018.

Total trading for top five corporate issuers amounted to P1.9-B or 50.8% of the total corporate issues. SM Investments Corporation (SMIC) snatched back the top spot with P537.9-M or 120.3% higher from a month ago. SM Prime Holdings stayed strong in 2nd spot with P502.3-M. The other corporate issuers, namely, Ayala Land Inc. (ALI), SMC Global Power (SMCGC) and Ayala Corporation (AC) saw declines in the trading of their corporate issues, even though ALI came close to SMPH with P492.8-M while AC remained at the bottom with its 4.24% slide to P99.2-M.

Corporate Issuances and Disclosures

• Vista Land and Lifescapes (VLL), Inc. issued a total of P10-B Fixed Rate Bonds with 5.5 year tenor (due 2025), with coupon rate of 5.6992% per annum (p.a.), payable quarterly.

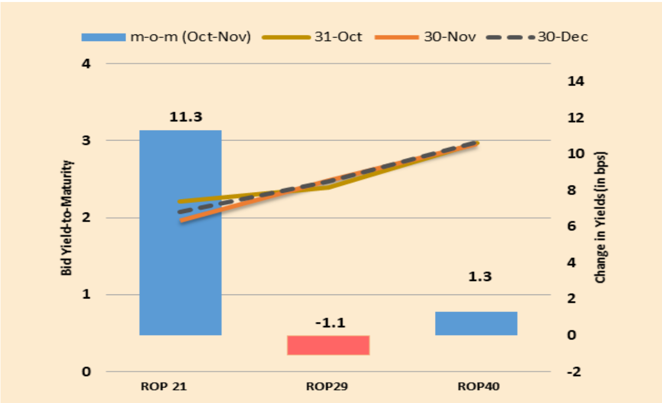
• ORIX Metro Leasing and Finance Corporation (OMLF) made its debut in PDEx with P4.16-B, 2-year bond issue. It will mature in 2021 and pays 4.55% p.a. quarterly. The issue marks the first tranche of its P10-B bond program.

ROPs: Narrower Spread vs US Treasuries

Republic of the Philippines' sovereign US dollar-denominated bond (ROPS) yields stayed flat for longer tenors (ROP-29 and ROP-40) but minutely rose for the short-term ROP 21. Meanwhile, the corresponding longer US 10-year and 20-year tenors went in the opposite direction.

By the end of the year, short term tenor ROP-21 climbed by 11.3 bps to 2.080% from 1.967%. However,

Figure 14 - ROPs Yield, Month-on-Month Changes (bps)
Yield Curve Remains Flat

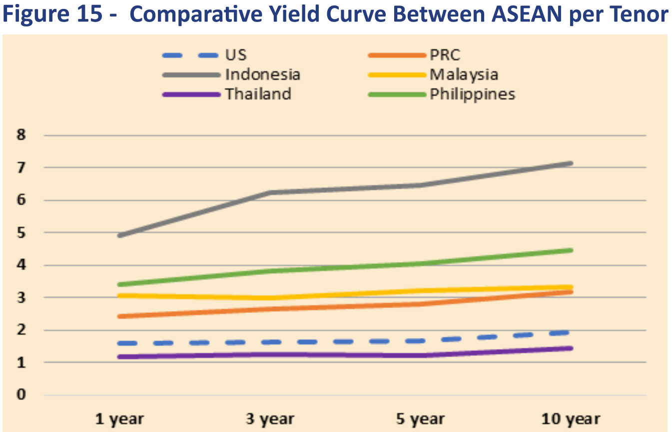


Sources: Bloomberg, First Metro Investment Corporation (FMIC)

Date	1-year	2-year	10-year	20-year
31-Oct	68.0	70.4	96.7	85.6
30-Nov	36.7	69.9	89.4	96.7
30-Dec	49.0	54.8	72.7	89.4

The spread between ROPs and equivalent US Treasury for the benchmark 10-year Tenors narrowed...as investors sought safer issues that provide higher bond yields.

Figure 15 - Comparative Yield Curve Between ASEAN per Tenor



Source: Asian Development Bank (ADB), Federal Reserve

ROP-29 slightly fell by 1.1 bps to 2.468% from 2.479% and ROP-40 increased by a tad 1.3 bps to 2.977%. These movements resulted in a flatter ROPs yield curve.

On the other hand, the 1-year US Treasury papers mildly slipped by 1 bp to 1.59% from 1.6%. Longer term 10-year and 20-year debt paper yields climbed by 14 bps to 1.92% and 18 bps to 2.25% respectively. Thus, the spread between ROPs and equivalent US treasury for the benchmark 10-year tenors narrowed even more to 54.8 bps from 69.9 bps as investors sought safer issues that provide higher bond yields.

ASEAN + 1: Slight Flattening Bias in Yield Curves

US: Q3 GDP growth firmed at 2.1% (3rd estimate), a tad faster than 2% in Q2. Non-durable goods manufacturing, retail trade, and professional-technical services provided the strongest impetus. Despite the initiation and eventual impeachment of President Trump, the US economy held on to solid ground as Black Friday weekend sales of brick-and-mortar retail firms climbed by 4.2% while online shopping soared by 14%. Michigan State University Consumer Sentiment Index for December reflected this as it hit 99.3 from 96.8 in November. New jobs kept its 7-month streak of above-140,000 additions as December created 145,000 jobs, although October and November outsized numbers got trimmed down by a total of 14,000 jobs.

DJIA reach another all-time high of 28,645.25 on December 27th as US and China prepared to sign a Phase One Trade deal by mid-January.

With the outsized new jobs reported early in December, the Fed kept policy rates on hold, and so 10-year T-bond yields trended upwards adding 14 bps to end December at 1.92%, while short-term papers slipped. Thus, the spread between 10-year and 2-year yields veered farther away from negative territory to end at 34 bps, double that in end-November.

China: The economy expanded by 6% in Q4, and brought the full year 2019 growth to 6.1%, the slowest since 1990. Inflation (CPI-based) held steady at 4.5% in December, halting the recent acceleration fueled by the surge in pork prices. Pork prices – key element of recent food inflation – fell 5.6% (m-o-m) in December. Producer price index (PPI) decreased by 0.5% y-o-y and by 1.4% m-o-m. Average inflation rate for 2019 stood at 2.9%, within the government's set target of 3%, while producer prices fell by 0.3%.

Local governments (LGU) in China began to issue bonds to boost spending and the slowing economy. Sichuan and Henan provinces offered a combined $12.6-B (CNY87.6-B) of special bonds last December 26, 2019. With LGU bond yields higher than central government's bonds and the same sovereign ratings, the market now prefer LGU bonds for both safety and return. The rising demand for LGU bonds got reflected in the spread between 10-year municipal and sovereign bond yields which has narrowed to 20 bps. Total bonds outstanding totaled to $14.1-T (CNY97.6-T), according to the People's Bank of China, or some 100% of GDP.

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.

Thailand: Q4 economic growth hastened to 2.8% y-o-y, from 2.4% in Q3-2019, sufficient to bring full year expansion to 2.6%. December Inflation rose by 0.9% y-o-y faster than the previous month's 0.2% uptick. It averaged only 0.7% in 2019. Rice and flour prices jumped by 9.8%, the biggest impetus to December inflation spike. For 2020, the Commerce Ministry forecast headline inflation to average 0.8%. In addition, it expects GDP growth at 2.7% – 3.7%, with crude oil prices averaging $58-68/barrel and exchange rate of 30-32 baht per US dollar.

The Manufacturing Production Index (MPI) 2019 fell in November by 8.3% to 96.8 points dragged by the lower production of cars, engines, petroleum, rubber products and steel. The ongoing trade tension between the US and China and baht appreciation, caused exports to plunge by 7.4% y-o-y to $19.7-B in November. The Thai baht appreciated by as much as 1.8% to THB28.43/$ on January 1, 2020, from 30.23/$ on December 31, 2019, its largest gain since 2007. Over 2019, Thai baht appreciated by almost 9% to become the best performer in Asia. Thailand's large current-account surplus lured investors seeking haven assets during US-China trade war. Its yield curve's steepness remained unchanged.

Indonesia: December headline inflation hit 2.7% y-o-y and 0.3% m-o-m due to the increase of food prices. With this, it reached an average of 3.4% for 2019, below the 3.5% central bank target. Bank Indonesia (BI) has targeted a range of 3.0±1 % in 2020. Bank Mandiri expects the economy to grow by 5.1% in 2020 sustained by steady household consumption and improved gross fixed capital formation growth. Apart from easing US-China trade tension, the decrease in the benchmark interest rate and increase in loan to value (LTV), which will begin in 2020, should underpin growth.

Foreign exchange reserves (GIR) reached $129.2-B by the end of December 2019 up by $2.5-B from the previous month. The reserves are equivalent to 7.6 months of imports. The state budget deficit totaled 2.2% of GDP, larger than the government's target of 1.8%. BI retained its policy rate at 5%.

Thailand's yield curve steepened by 18 bps to 127 bps, as measured by the spread between the 10-year and 2-year bond yields.

Malaysia: GDP growth eased to 4.3% in Q4-2019, as to average 4.6% for full year 2019. This came below the government forecast of 4.8%. Meanwhile, inflation rate edged up by 1% in December last month as food and fuel prices moved up. For 2019, the average inflation rate came at 0.7% but may accelerate to 1.9% in 2020.

Exports slumped by 5.5% y-o-y to $19.8-B (MYR80.8-B), caused mainly by weaker electronic and electric products (34.1% of total exports), liquefied natural gas (4% of the total), and refined petroleum products (6% of total). On the other hand, total imports slipped by 3.6% y-o-y to $18.2-B (MYR74.3-B) y-o-y due to feeble capital goods imports. Trade surplus narrowed to $1.6-B from $4.2-B a month ago.

On the financial side, foreign ownership of Malaysian government and corporate bonds and bills rose by 4.1% m-o-m to $50.2-B (MYR204.7-B) in December.

Bond market inflows will likely to continue in 2020, especially due to higher development expenditures and the ongoing infrastructure projects for the year. With policy rates unchanged at 3%, the yield curve mildly flattened by 7 bps to 33 bps (measured by spread between 10-year and 2-year bond yields). Nonetheless, the 5-bp rise in spread between the 10-year and 2-year bond yields appeared minimal.

Thailand's Q4 economic growth hastened to 2.8% y-o-y from 2.4% in Q3-2019, sufficient to bring full year expansion to 2.6%.

Outlook

While domestic bond yields resumed its rise in early January due to elevated US 10-year T-bond yields and the surge in December inflation to 2.5% from just 1.3% a month ago, we see limited upside for local bond yields looking forward. On the contrary, we are optimistic about the market especially in H1.

• After the US Fed kept policy rates unchanged in its December 10, 2019 meeting, 10-year US T-bond yields trended upward, given the strong job numbers released prior to the meeting and the seemingly imminent US-China Phase One trade deal seemed imminent. Short-term yields, however, eased slightly as the Fed infused more liquidity into money market. However, the upswing reversed after the downward revisions in job numbers came out in early January, while wage and inflation gains eased. By mid-January, 10-year yields fell further much below 1.8% as fears of a global pandemic from the coronavirus led investors scampering for safe havens.

• In the domestic front, we also see little upward bias for inflation rates considering that crude oil prices have plunged below $55/barrel (WTI) by mid-January as the pandemic will likely slowdown the world economy. Thus, inflation, which probably had an overreaction in the bond markets, will also be less threatening on the local bond yields.

• In addition, we expect the BSP to cut its policy rates by 25 bps in Q1 considering that GDP growth fell short of NG's revised (downward) target, little inflationary pressure to worry about, and NG can lower its borrowing costs.

• We should see a spate of new corporate bond issuances as well as refinancing of maturing ones in H1.

• With the flight to quality and safe havens, ROP yields may not fall as fast as US Treasuries and so their spread will likely widen slightly.

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
					Nov-19	Dec-19			
US	1.58	1.92	1.8	0.12	17	34	17	4.00	2.20
PRC	2.66	3.18	2.9	0.28	50	52	2	4.35	1.45
Indonesia	5.88	7.15	3.0	4.15	109	127	18	5.00	2.00
Malaysia	3.01	3.34	0.8	2.54	40	33	(7)	3.00	2.20
Thailand	1.13	1.46	0.7	0.76	32	32	0	1.50	0.80
Philippines	3.74	4.46	2.5	1.96	95	72	(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

PSEi Ends 2019 Higher, Next Only to Singapore

Despite net foreign selling continuing into December, PSEi still ended 2019 higher by 4.7% at 7,815.26. This came in next only to Singapore in ASEAN-5. It got a slight 1% lift in December as global equity markets responded positively to signs that a US-China trade deal (at least Phase One) became imminent. Nonetheless, it benefitted less than in advanced economies, as domestic issues affecting PSEi constituent shares related to water concessionaires Manila Water and Maynilad Water kept investors at bay.

Outlook: While global equities, including PSEi, will likely face a lot of volatility in 2020, we think PSEi will trace a generally upward trend. We pin this view based on strong corporate earnings (10%) and the PH economy's return to fast, above-6% growth path. The uncertainties that surround the water and media issues could, however, dampen larger PSEi gains. We, however, think that the latter will hit 8,600-8,900 some time in the year. Again here, the negative sentiment spawned by the Taal volcano eruption and coronavirus outbreak may pull the market at least in H1.

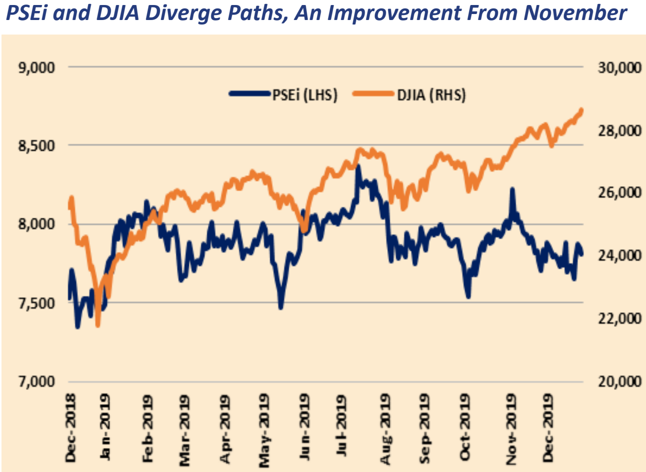
Global Equities Markets Performances

Region	Country	Index	Dec M-o-M change	2019 change
Americas	US	DJIA	1.7%	22.2%
Europe	Germany	DAX	0.1%	25.2%
	London	FTSE 101	2.7%	12.0%
East Asia	Hong Kong	HSI	7.0%	12.2%
	Shanghai	SSEC	6.2%	4.9%
	Japan	NIKKEI	1.6%	20.9%
	South Korea	KOSPI	5.3%	9.3%
Asia-Pacific	Australia	S&P/ASX 200	-2.4%	20.3%
Southeast Asia	Indonesia	JCI	4.8%	1.9%
	Malaysia	KLSE	1.7%	-4.8%
	Thailand	SET	-0.7%	0.9%
	Philippines	PSEi	1.0%	4.7%

Sources: Bloomberg and Yahoo Finance

Figure 16 - PSEi and DJIA

PSEi and DJIA Diverge Paths, An Improvement From November



Sources: Wall Street Journal, Bloomberg

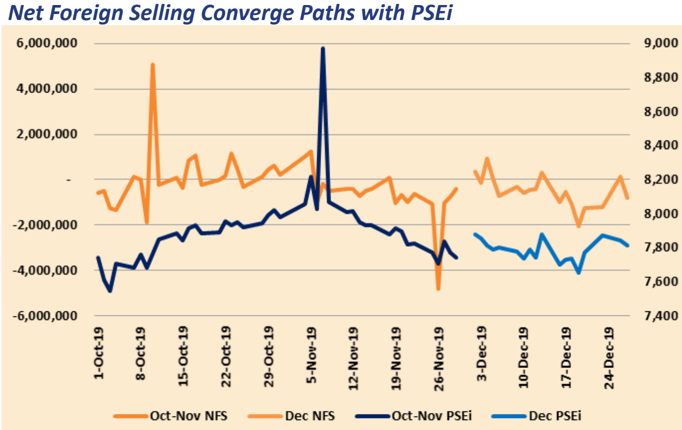
Most Asian bourses recovered from their bloodbath in November as tensions from the US-China trade war eased with a likely Phase One accord, boosting investor confidence. Besides, global optimism remained upbeat with US markets riding on momentum with a year-end rally spilling over to fresh highs up to mid-January. But DAX beat DJIA and NIKKEI with a hefty 25.2% gain in 2019. The latter two came up close in with their 22.2% and 20.9% surges, respectively. On the other end of the spectrum, KLSE (Malaysia) ended at the bottom with a 4.8% year-to-date (YTD) fall.

DJIA and PSEi continued to tread in opposite paths in December, with a correlation of -0.01, albeit an improvement from November's -0.8. Both markets were lifted on reports that Washington and Beijing have agreed in principle on the terms of a phase-one trade deal, enabling the US to delay additional tariffs on Chinese goods. However, in the foreign front, momentum was sustained thanks to the reported healthy macroeconomic data. But in the local front, rally was capped by the cancelled concession agreement extension of Manila Water and Maynilad that would have allowed them to supply water until 2037. The Bangko Sentral ng Pilipinas (BSP) moved in-step, however, with the Fed in holding policy rates steady, as markets had expected.

Monthly Sectoral Performance				
	29-Nov-19		27-Dec-19	
Sector	Index	% Change	Index	% Change
PSEi	7,738.96	-3.0%	7,815.26	1.0%
Financial	1,841.80	-4.0%	1,863.65	1.2%
Industrial	9,781.29	-6.6%	9,635.07	-1.5%
Holdings	7,630.43	-2.6%	7,592.07	-0.5%
Property	4,043.60	-3.1%	4,154.52	2.7%
Services	1,546.48	2.2%	1,531.10	-1.0%
Mining and Oil	8,054.07	-12.6%	8,091.98	0.5%

Source of Basic Data: PSE Quotation Reports

Figure 17 - Net Foreign Selling vs PSEi (in PHP '000)
Net Foreign Selling Converge Paths with PSEi

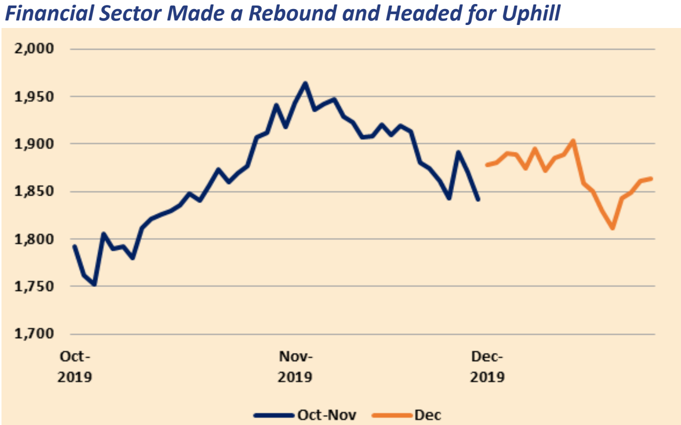


Source of Basic Data: PSE Quotation Reports

Company	Symbol	29/11/19 Close	27/12/19 Close	% Change
Metrobank	MBT	66.25	66.30	0.1%
BDO Unibank, Inc.	BDO	151.80	158.00	4.1%
Bank of the Philippine Islands	BPI	85.95	87.90	2.3%
Security Bank Corporation	SECB	205.00	195.00	-4.9%

Source of Basic Data: PSE Quotation Reports

Figure 18 - Financial Sector Index (Oct 2019 - Dec 2019)
Financial Sector Made a Rebound and Headed for Uphill



Source of Basic Data: PSE Quotation Reports

Although PSEi rose by a mediocre 1% in December, YTD it still managed a 4.7% gain to end at 7,815.26. Strong net foreign selling towards the latter part of 2019 due to rising global uncertainties and de-rating in MSCI-EM Index limited PSEi's recovery. Net foreign selling and PSEi continued to converge paths in December as seen in the above graph and the high correlation of +0.6 between the two.

Only half of the sectors recovered from November's onslaught with Industrial and Holdings sectors still in the red while the Services sector failed to sustain its upward trek.

Financial sector rebounded with a rise of 1.2% in December. Financials traded in relatively high, plummeted midway but managed to recover enough to beat November's close. All sectors landed on the green with BDO Unibank, Inc. (BDO) as the sector's index gainer.

From being the lone bright spot, Security Bank of the Philippines (SECB) was the only index loser. after investor enthusiasm over the high Q3-2019 had died down. MBT ended flat with small volumes.

On the other hand, Bank of the Philippine Islands (BPI) bounced back last December with the announcement of its thrift bank (BPI Family Savings Bank) making a debut into the local retail bonds market, together with the planned P100-B issuance of bonds and commercial papers in 2020, finally gained some traction.

BDO continued its upward trek as investors remained impressed by the far-above-consensus gains in earnings in Q3 and as a likely beneficiary of the economic recovery.

Strong net foreign selling towards the latter part of 2019 due to rising global uncertainties and de-rating in MSCI-EM Index limited PSEi's recovery.

Once again, the Industrial sector lagged the most among sectors, slowly spiraling downwards throughout December, only making a minor uptick by the last week. All constituent stocks continued its downtrend with Jollibee Foods Corporation (JFC) as the lone bright spot, surging by a hefty 12.5%, a major rebound from being the sector's index laggard.

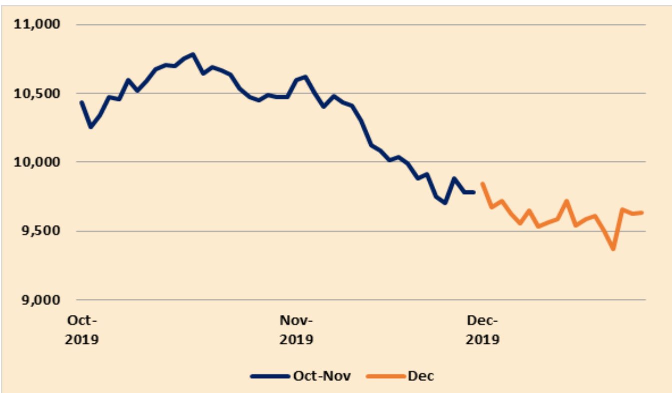
JFC defied the negative environment, propelled by the opening of the firm's 1,200th Jollibee store in the

Company	Symbol	29/11/19 Close	27/12/19 Close	% Change
Meralco	MER	319.00	317.00	-0.6%
Aboitiz Power	AP	34.45	34.20	-0.7%
Jollibee Foods Corporation	JFC	192.00	216.00	12.5%
First Gen Corporation	FGEN	25.00	24.15	-3.4%
Universal Robina Corporation	URC	150.10	145.00	-3.4%
Petron Corporation	PCOR	4.54	3.86	-15.0%

Source of Basic Data: PSE Quotation Reports

Figure 19 - Industrial Sector Index (Oct 2019 - Dec 2019)

Sector Extended its losses, Sliding Further Down



Source of Basic Data: PSE Quotation Reports

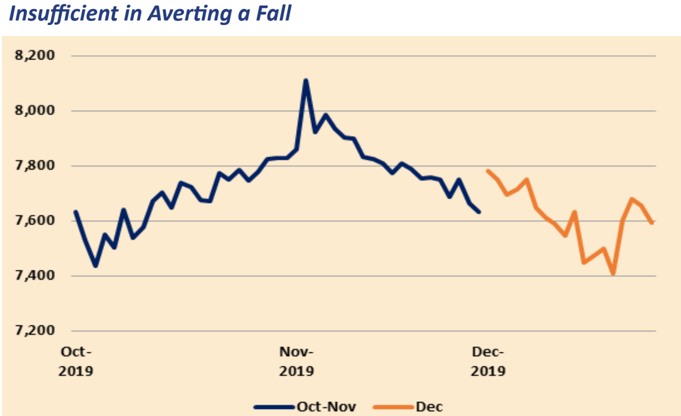
After six months in the red, JFC finally resurfaced to positive territory and became the sector's index top gainer.

Company	Symbol	29/11/19 Close	27/12/19 Close	% Change
Metro Pacific Investments Corporation	MPI	4.30	3.48	-19.1%
DMCI Holdings, Inc.	DMC	6.50	6.61	1.7%
Aboitiz Equity Ventures	AEV	48.95	51.50	5.2%
LT Group Inc.	LTG	11.06	11.98	8.3%
JG Summit Holdings, Inc	JGS	76.90	80.80	5.1%
GT Capital Holdings, Inc.	GTCAP	894.50	847.00	-5.3%

Source of Basic Data: PSE Quotation Reports

Figure 20 - Holding Sector Index (Oct 2019 - Dec 2019)

Insufficient in Averting a Fall



Source of Basic Data: PSE Quotation Reports

country. The opening of nine more stores before 2019 ended, brought a total of 73 branches launched in 2019. Moreover, the fast food giant plans to pioneer a two-lane drive-thru system in the Philippines to address growing volume of customers.

Leading the red flag movement, Petron Corporation (PCOR) opened and ended the year on a sour note, still dragged down by the double-digit losses in Q3 earnings reported last November. The volatile market conditions hit PCOR hard in 2019.

Meanwhile, URC already on its 4-month lows, slid further by 3.4% due to heavy net foreign selling as the stock plunged through the P150 and P140 support level in December.

First Gen Corporation (FGEN) retracted and rejoined the red flag movement still on the back of the steep fall in Q3 earnings reported last November. However, in other news, its 414-megawatt (MW) San Gabriel combined cycle gas-fired power plant is being lined up to join the competitive selection process of the Manila Electric Company (MER) for its targeted new power supply agreement for 1,200 MW.

Holdings sector continued its tumble downwards in December, but recovered in the last week, albeit insufficient to avert a fall. Even with seven gainers and only three losers, Holdings declined by 0.5%, improving from November's -2.6%.

Already on its third month in the red, MPI led index losers after President Duterte threatened to arrest Manila Water and Maynilad executives for economic sabotage, as MPI owns 40% stake in Maynilad. This had a smaller effect on Ayala Corporation, which controls Manila Water.

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.

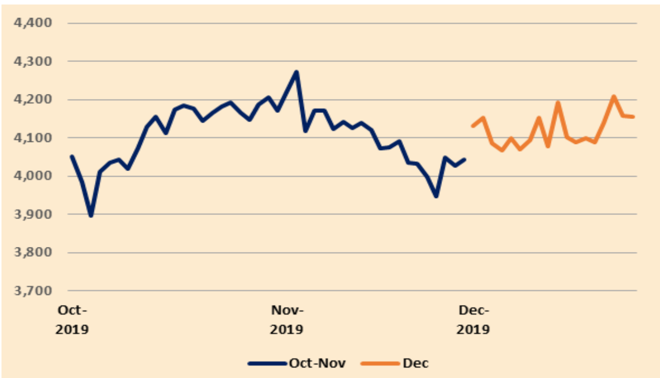
AEV rebounded in the previous month, up by 5.2% after its subsidiary, Aboitiz InfraCapital, Inc., received the go-signal for its P3.8-B unsolicited proposal for the operations and maintenance of the Bohol-Panglao International Airport.

JG Summit Holdings Inc.'s (JGS) share price also edged up by 5.1% riding up on positive news. The first one arose from its airline unit, Cebu Pacific (CEB), on dis-

Company	Symbol	29/11/19 Close	27/12/19 Close	% Change
Ayala Land, Inc.	ALI	45.50	45.50	0.0%
SM Prime Holdings, Inc.	SMPH	39.00	42.10	7.9%
Robinsons Land Corporation	RLC	26.20	27.55	5.2%
Megaworld Corporation	MEG	4.43	4.01	-9.5%

Source of Basic Data: PSE Quotation Reports

Figure 21 - Property Sector Index (Oct 2019 - Dec 2019)
A Bumpy Ride but Trading at Higher Levels



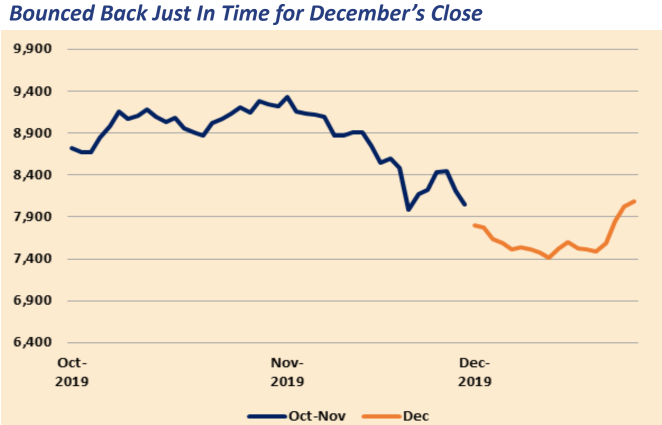
Source of Basic Data: PSE Quotation Reports

Despite a bumpy ride in December the Property sector traded at higher levels than in November and became the best performing sector with its 2.7% gain.

Company	Symbol	29/11/19 Close	27/12/19 Close	% Change
Semirara Mining and Power Corporation	SCC	21.80	22.00	0.9%

Source of Basic Data: PSE Quotation Reports

Figure 22 - Mining & Oil Sector Index (Oct 2019 - Dec 2019)
Bounced Back Just In Time for December's Close



Source of Basic Data: PSE Quotation Reports

closure that it has joined the International Air Transportation Association (IATA). The second one emerged from CEB's joint venture with DHL Supply Chain, the global market leader for contract logistics solutions, aimed at the domestic and regional markets.

DMCI Holdings, Inc. (DMC) managed to gain 1.7%, a reversal from being in the red last November. This resulted from news that its power unit, DMCI Power Corporation reached the final stages of commissioning and testing its 15-MW coal-fired power plant in Masbate to replace its existing 5-MW diesel-powered facility in the off-grid island in Bicol.

Despite a bumpy ride in December the Property sector traded at higher levels than in November and became the best performing sector with its 2.7% gain. All constituent stocks landed on the green, except for Megaworld (MEG) which continued to experience setbacks in the previous month.

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.

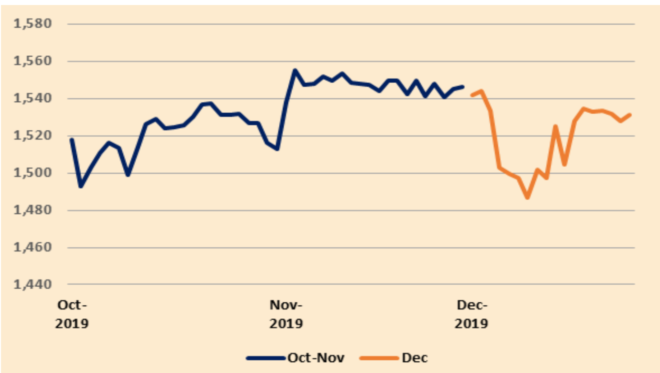
Following the uptrend, Robinsons Land Corporation (RLC) rose by 5.2% with the opening of Dusit Thani Mactan Cebu Resort, the firm's first foray in the luxury resort niche.

Mining & Oil bounced back recovery from its November's double-digit slump, albeit only by a minor 0.5% uptick. Semirara Mining and Power Corporation (SCC) rebounded in the 2nd half of December, registering a 0.9% increase after the Department of Energy (DoE) lifted the suspension imposed on its coal mining operations in Antique province.

Company	Symbol	29/11/19 Close	27/12/19 Close	% Change
Philippine Long Distance Tel. Co.	TEL	1,075.00	988.00	-8.1%
Globe Telecom	GLO	1,940.00	2,020.00	4.1%
Robinsons Retail Holdings, Inc.	RRHI	79.00	80.00	1.3%
Puregold Price Club Inc.	PGOLD	40.15	39.75	-1.0%
International Container Terminal Services Inc.	ICT	123.60	128.60	4.0%

Source of Basic Data: PSE Quotation Reports

Figure 23 - Services Sector Index (Oct 2019 - Dec 2019)
Sector Traded at Lower Levels



Source of Basic Data: PSE Quotation Reports

Monthly Turnover (in Million Pesos)				
	Total Turnover		Average Daily Turnover	
Sector	Value	% Change	Value	% Change
Financial	20,609.83	5.3%	1,144.99	17.0%
Industrial	15,295.89	8.2%	849.77	20.2%
Holdings	38,157.62	6.4%	2,119.87	18.2%
Property	16,305.70	-7.9%	905.87	2.4%
Services	11,391.14	-3.8%	632.84	6.9%
Mining and Oil	1,112.60	-41.1%	61.81	-34.6%
Total	**127,681.18**	23.1%	**7,093.40**	36.7%
Foreign Buying	75,237.65	3.6%	4,179.87	15.1%
Foreign Selling	84,002.88	-2.1%	4,666.83	8.8%
Net Buying (Selling)	(8,765.23)	33.4%	(486.96)	26.0%

Source of Basic Data: PSE Quotation Reports

Foreign selling continued to be the trend last December with net outflow of P8.8-B, but an improvement from November's P13.2-B loss, as hopes of US-China trade deal looked imminent.

Services sector took a nosedive in the first half of the month, then made its trek upwards, only to end on a flat note from November's close. Philippine Long Distance Telephone Company (TEL) led index losers, shedding 8.1% in value, as the negative impact on MPI spread to its telecommunications subsidiary. Globe Telecom (GLO) and International Container Terminal Services, Inc. (ICT) boosted the most, increasing by 4.1% and 4%, respectively.

Already on its fourth month on the red, TEL teams up with China's Huawei Technologies for its fifth generation (5G) rollout in 2020 and lower Q3 earnings failed to lift the negative sentiment.

Taking the lead once again, GLO stoked the sector's growth on the basis of two positive developments. First, GLO signed a P5-B term loan with Development Bank of the Philippines to ramp up capital spending on efforts to improve data infrastructure in the country. Secondly, Globe Business, the enterprise arm of the firm, partnered with Victory Liner, to provide free Wi-Fi in the latter's buses.

Not far behind, ICT posted a 4% hike in share price after disclosing positive news. The firm's Polish unit capped 2019 with a milestone of reaching its 5,000,000th twenty-foot equivalent unit (TEU). Then, ICT has initiated the second phase expansion of its Matadi Gateway Terminal (MGT) in the Democratic Republic of the Congo, which will more than double MGT's existing capacity. Thirdly, its Pakistan unit became the first container terminal in that country to obtain the world's first integrated international standard for occupational health and safety.

PSE trading volume rebounded with 23.1% surge, a major recovery from November's 21% slump, and ended the 2019 higher than the previous year. It showed an even split of turnover winners and losers with Mining and Oil taking the biggest fall and the Industrial sector bagging the win.

Foreign selling continued to be the trend last December with net outflow of P8.8-B, but an improvement from November's P13.2-B loss, as hopes of US-China trade deal looked imminent.

Recent Economic Indicators

NATIONAL INCOME ACCOUNTS, CONSTANT PRICES (In Million Pesos)

	2017		2018		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	739,029	4.0%	744,814	0.8%	169,506.0	-3.4%	3.3%	225,961.6	33.3%	1.7%
Industry Sector	2,947,103	7.2%	3,148,000	6.8%	781,021.7	-5.8%	5.5%	913,425.3	17.0%	5.4%
Service Sector	4,979,575	6.8%	5,310,300	6.6%	1,406,838.8	-4.9%	7.0%	1,515,057.2	7.7%	8.4%
Expenditure										
Household Final Consumption	5,973,816	5.9%	6,306,064	5.6%	1,569,559.2	-4.6%	6.0%	1,888,717.5	20.3%	5.6%
Government Final Consumption	914,136	7.0%	1,031,487	12.8%	272,140	-16.8%	8.8%	280,571	3.1%	18.7%
Capital Formation	2,504,502	9.4%	2,852,306	13.9%	696,980	11.8%	-2.0%	749,052	7.5%	0.4%
Exports	4,930,584	19.5%	5,495,712	11.5%	1,589,174	5.3%	1.4%	1,288,106	-18.9%	2.0%
Imports	5,657,331	18.1%	6,476,519	14.5%	1,787,113	9.3%	1.1%	1,564,816	-12.4%	0.3%
GDP	8,665,708	6.7%	9,203,113	6.2%	2,357,366	-5.1%	6.2%	2,654,444	12.6%	6.4%
NPI	1,729,139	5.9%	1,793,182	3.7%	463,926	1.7%	3.4%	467,837	0.8%	4.6%
GNI	10,394,846	6.6%	10,996,296	5.8%	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		Aug-2019			Sep-2019		
	Annual Levels	Growth Rate	Levels	Y-o-Y G.R.	YTD	Levels	Y-o-Y G.R.	YTD
TOTAL	43,810.80	5%	3,931.80	6.0%	17.3%	3,942.10	5.0%	17.6%
Residential	13,549.70	3.7%	1,232.20	10.1%	20.2%	1,216.30	5.8%	18.6%
Commercial	17,211.30	4.8%	1,553.50	6.4%	15.8%	1,549.00	4.4%	15.5%
Industrial	12,610.30	5.9%	1,117.60	1.7%	0.8%	1,133.40	3.6%	1.41%

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		Oct-2019		Nov-2019	
	Average Levels	Annual G. R	Average Levels	Annual G.R.	Average Levels	Annual G.R.
RESERVE MONEY	3,035,680	8.5%	3,107,061	1.4%	3,136,996	0.2%
Sources:						
Net Foreign Asset of the BSP	4,514,943	1.5%	4,781,410	9.6%	4,778,388	11.5%
Net Domestic Asset of the BSP	11,218,175	15.4%	12,449,026	6.8%	12,745,934	8.5%
MONEY SUPPLY MEASURES AND COMPONENTS						
Money Supply-1	3,708,624	13.9%	4,135,091	11.3%	4,260,516	12.9%
Money Supply-2	10,597,336	11.2%	11,480,045	7.6%	11,728,238	8.9%
Money Supply-3	11,063,517	11.5%	12,126,092	8.7%	12,390,768	10.0%
MONEY MULTIPLIER (M2/RM)	3.49		3.69		3.74	

Source: Bangko Sentral ng Pilipinas (BSP)

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