P25 IN METRO MANILA, PHILIPPINES

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STOCK MARKET

PSEi

OPEN:	6,196.05
HIGH:	6,270.89
LOW:	6,166.69
CLOSE:	6,259.95
VOL.:	0.730 B
VAL(P):	3.863 B

81.35 PTS. 1.31%

30 DAYS TO OCTOBER 6, 2023

ASIAN MARKETS

OCTOBER 6, 2023

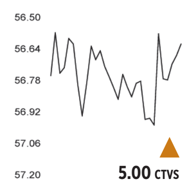
	CLOSE		NET	%
Japan (Nikkei 225)	30,994.67	▼	-80.69	-0.26
Hong Kong (Hang Seng)	17,485.98	▲	272.11	1.58
Taiwan (Weighted)	16,520.57	▲	67.05	0.41
Thailand (SET Index)	1,438.45	▼	-14.10	-0.97
S.Korea (Kse Composite)	2,408.73	▲	5.13	0.21
Singapore (Straits Times)	3,174.39	▲	19.29	0.61
Sydney (All Ordinaries)	6,954.20	▲	28.70	0.41
Malaysia (Klse Composite)	1,416.88	▲	1.28	0.09

WORLD MARKETS

OCTOBER 6, 2023

	CLOSE		NET
Dow Jones	33,407.580	▲	288.010
NASDAQ	13,431.341	▲	211.507
S&P 500	4,308.500	▲	50.310
FTSE 100	7,494.580	▲	43.040
Euro Stoxx50	3,888.740	▲	28.990

PESO-DOLLAR RATES



FX

OPEN	P56.640
HIGH	P56.560
LOW	P56.660
CLOSE	P56.620
W.AVE.	P56.617
VOL.	$1,082.80 M

5.00 CTVS

30 DAYS TO OCTOBER 6, 2023 SOURCE : BAP

ASIAN MONIES-US$ RATE

OCTOBER 6, 2023

	LATEST BID (0900GMT)		PREVIOUS
Japan (yen)	149.320	▼	148.840
Hong Kong (HK dollar)	7.831	▼	7.829
Taiwan (NT dollar)	32.118	▲	32.273
Thailand (baht)	36.890	▲	36.960
S. Korea (won)	1,344.610	▲	1,351.540
Singapore (dollar)	1.365	▲	1.371
Indonesia (rupiah)	15,605	▲	15,610
Malaysia (ringgit)	4.710	▲	4.725

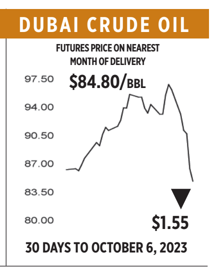
WORLD CURRENCIES

OCTOBER 6, 2023

	CLOSE		PREVIOUS
US$/UK pound	1.2238	▲	1.2132
US$/Euro	1.0586	▲	1.0512
US$/Aust dollar	0.6383	▲	0.6336
Canada dollar/US$	1.3661	▼	1.3775
Swiss Franc/US$	0.9099	▼	0.9169

DUBAI CRUDE OIL

FUTURES PRICE ON NEAREST MONTH OF DELIVERY



$84.80/bbl

$1.55

30 DAYS TO OCTOBER 6, 2023

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S1/1-12 • 2 SECTIONS, 18 PAGES

PHILIPPINE STOCK EXCHANGE'S 10 MOST ACTIVE STOCKS BY VALUE TURNOVER • OCTOBER 6, 2023 (PSEi snapshot on *S1/4*; article on *S2/2*)

		Value		
BDO	P139.700	P412,925,582	P1.000 ▲	0.721%
SMPH	P30.700	P268,402,335	P1.100 ▲	3.716%
ALI	P28.450	P242,159,695	-P0.150 ▼	-0.524%
TEL	P1,203.000	P185,533,225	P33.000 ▲	2.821%
SM	P833.000	P177,073,015	P19.000 ▲	2.334%
BPI	P109.000	P157,844,562	P2.000 ▲	1.869%
AC	P620.500	P137,401,935	P15.500 ▲	2.562%
GTCAP	P570.000	P128,938,940	P0.000 —	0.000%
JFC	P221.000	P126,916,774	P1.000 ▲	0.455%
MBT	P52.200	P126,245,639	-P0.400 ▼	-0.760%

'Much better' growth seen in 2nd half

THE PHILIPPINE ECONOMY is expected to perform "much better" in the second half of 2023, as the government ramps up spending, Finance Secretary Benjamin E. Diokno said.

"The second half of growth will be faster than the first half. Because historically also, the fourth quarter is where most infrastructure projects are done," he said in a press briefing on Friday.

In the second quarter, the Philippine economy grew by 4.3% — its slowest growth in over two years, due to weaker household consumption and a contraction in government spending.

This brought first-half gross domestic product (GDP) to 5.3%, still below the government's 6-7% target.

National Economic and Development Authority (NEDA) Secretary Arsenio M. Balisacan in a separate briefing on Friday said that attaining the 6% growth was still "very much doable."

Economic managers earlier said Philippine GDP would need to expand by 6.6% in the second half to meet the lower end of the government target.

The Philippine Statistics Authority (PSA) is scheduled to release third-quarter GDP data on Nov. 9.

"To help improve economic growth, the Philippine government is expediting its public spending, particularly on infrastructure projects, by directing its agencies to put into action their catch-up plans. These plans aim to enhance budget execution efficiency for the remainder of the year," the DoF said in a data sheet provided to journalists on Friday.

In the second quarter, government spending contracted by 7.1%, a reversal of the 6.2% growth in the first quarter and 10.9% a year ago, amid agencies' low budget utilization.

As of end-August, the cash utilization rate of government agencies stood at 93%, behind the year-earlier pace of 95%.

Finance Undersecretary Zeno Ronald R. Abenoja said that with the implementation of these catch-up plans, government spending is projected to improve by the end of the year.

Growth, S1/9

GIR falls to 7-month low as of end-Sept.

By Keisha B. Ta-asan
Reporter

THE PHILIPPINES' dollar reserves fell to a seven-month low as of end-September due to the National Government's payment of foreign debt obligations and the drop in gold prices in the global market.

Data released by the Bangko Sentral ng Pilipinas (BSP) on Friday evening showed gross international reserves (GIR) stood at $98.69 billion as of end-September, slipping by 0.8% from $99.57 billion as of end-August. It marked the lowest in seven months or since $98.22 billion in February.

However, the dollar reserves rose by 6.1% from $93 billion as of end-September 2022.

"The month-on-month decrease in the GIR level reflected mainly the National Government's (NG) payments of its foreign currency debt obligations and the downward adjustments in the value of BSP's gold holdings due to the decrease in the price of gold in the international market," the BSP said in a statement.

As of end-September, the dollar reserves were enough to cover 5.7 times the country's short-term external debt based on original maturity and 3.6 times based on residual maturity.

It is also equivalent to 7.3 months' worth of imports of goods and payments of services and primary income.

Ample foreign exchange buffers protect the country from market volatility and serve as a guarantee for the economy's ability to pay its debts in the event of an economic downturn.

The month-on-month increase in foreign exchange (FX) holdings was due to the BSP's possible intervention in FX operations in September, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said in an e-mail note.

The BSP intervenes in the foreign exchange market to smoothen the volatility.

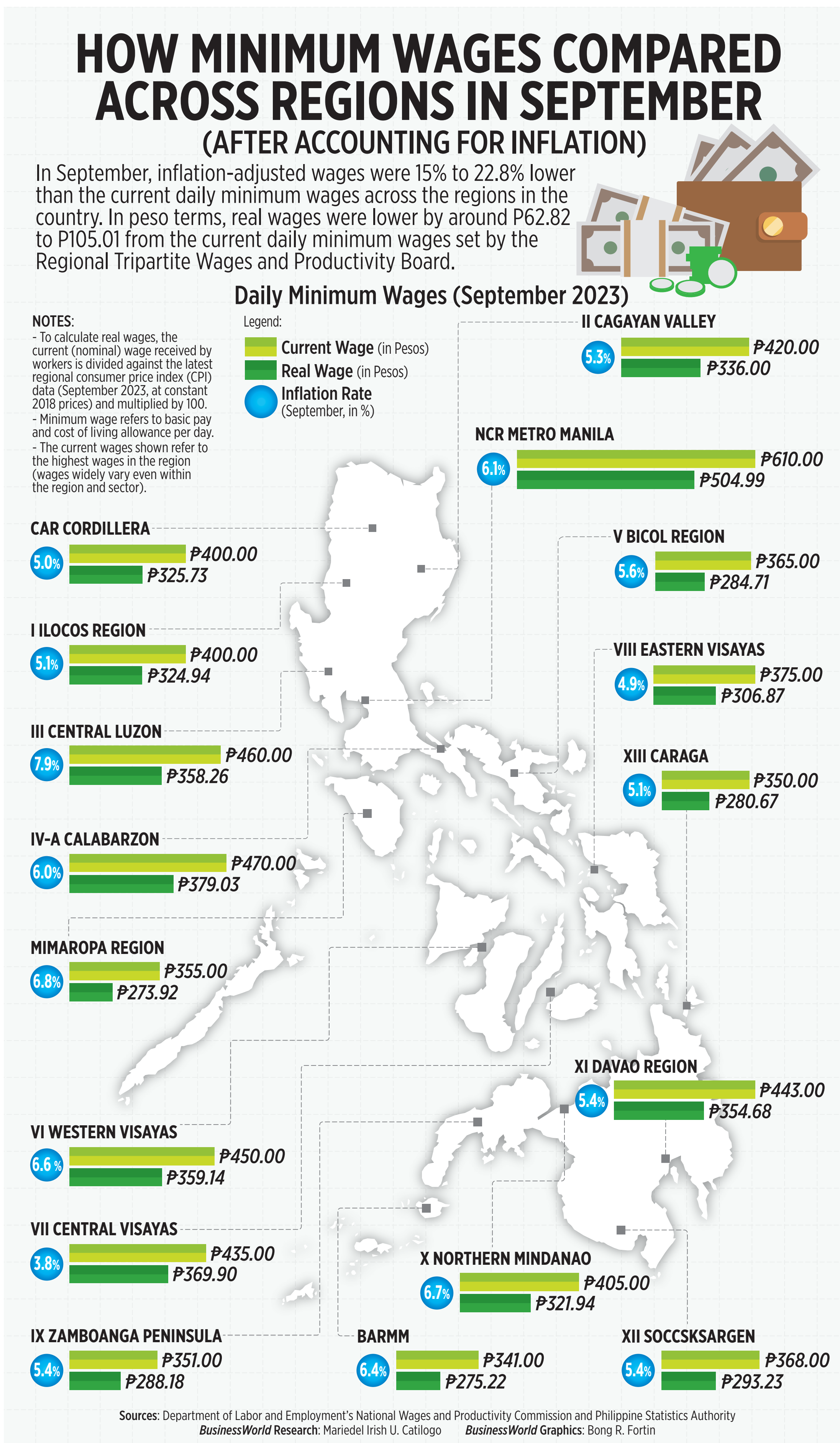
"The peso came under pressure of late, tracking regional weakness as the US dollar reigned due to expectations for further rate hikes by the Fed," ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said in a Viber message.

In September alone, the local unit closed at P56.575 against the dollar on Sept. 29, stronger by only two centavos from its P56.595 finish on Aug. 31.

"Despite this pressure, GIR levels remain sizable, downplaying concerns that GIR is now being 'depleted,'" Mr. Mapa said.

Based on BSP data, foreign currency deposits rose by 28.4% to $827.4 million in September from $644.6 million in August. However, it fell by 49.5% from $1.64 billion a year earlier.

GIR, S1/9



PHL raises $1.26 billion from retail dollar bonds

THE PHILIPPINE government raised $1.26 billion from the first retail dollar bond (RDB) offering under the Marcos administration, the Department of Finance (DoF) said.

"So, we upsized (the offer) from $1 billion to $1.26 billion and now it's closed," Finance Secretary Benjamin E. Diokno said in mixed English and Filipino during a press briefing on Friday.

This was much higher than the minimum issue size of $200 million but below the $1.6 billion raised at the maiden retail dollar bond auction in 2021, under the administration of then-President Rodrigo R. Duterte.

"I think this is a very good turnout considering the current market conditions. And the fact that we were able to upsize from the initial target of $1 billion is actually a very good signal," Deputy Treasurer Erwin D. Sta. Ana said.

Mr. Diokno said there was a "little bit of a premium" because the government wanted to encourage more overseas Filipino workers (OFW) to invest.

The dollar-denominated five-and-a-half-year bonds fetched a coupon rate of 5.75% and were awarded at rates ranging from 5% to 5.75%, bringing the average to 5.509%.

The coupon was 437.5 basis points (bps) higher than the 1.375% rate of the five-year retail dollar bonds and 350 bps higher than the 2.25% set for the 10-year bonds offered in 2021.

Mr. Sta Ana said that demand for the bonds reached $1.28 billion but the Treasury did not make a full award as it did not accept tenders that went beyond the coupon rate.

"In the auction, we have a cut-off rate. It's a Dutch auction, so the moment that you cut it at that rate, there goes the corresponding volume," he said in mixed English and Filipino.

"We did not entertain a higher yield because the other excess demand would actually be beyond the 5.75% coupon. But we priced it at 5.75%, so anything that goes within that volume would be accepted. It was the excess that we did not accept," he added.

Mr. Sta Ana also noted that the BTr will be able to determine the number of retail investors on the issue date (Oct. 11).

In the last RDB, around 9% of the buyers were retail investors.

The offer period for the retail dollar bonds ran from Sept. 27 to Oct. 6, while the settlement is on Oct. 11 (Wednesday).

The bonds will mature on April 11, 2029 and are also payable every quarter until its maturity.

The government is also planning to launch Sukuk bonds by end-November.

It is targeting to raise around $1 billion from the Islamic bonds, which will have a minimum denomination of at least $200,000.

This year, the government plans to borrow P2.207 trillion, consisting of P1.654 trillion from domestic and P553.5 billion from foreign sources. — **Luisa Maria Jacinta C. Jocson**

BSP likely to keep hawkish hold for rest of the year

THE BANGKO SENTRAL ng Pilipinas (BSP) is likely to maintain a hawkish hold for the rest of the year to support the economy, analysts said.

Diwa C. Guinigundo, the new country analyst for the Philippines of GlobalSource Partners, said consumer prices should not move beyond an average of 3.4% in the fourth quarter to achieve the BSP's 5.8% full-year forecast.

"This is going to be tough on both the BSP, which has correctly ruled out any policy rate easing for the rest of the year, and the National Government, which cannot seem to grab the ongoing rice crisis by the horns," he said in a report dated Oct. 5.

Inflation soared to 6.1% in September, the fastest in five months, from 5.3% in August. Year to date, inflation averaged 6.6%, higher than 5.1% in the same period a year ago and still above the BSP's recently revised 5.8% forecast for 2023.

"With this latest inflation outturn, and the BSP's elevated inflation forecasts for this year and the next, we don't see monetary policy shifting out of a pause, at least not this year," Mr. Guinigundo said.

He noted that if risks to inflation continue to materialize, it is possible that inflation may go above the BSP's revised 3.5% forecast for 2024 and could even breach the 2-4% target.

"Supply shocks may be persistent — and this is what we are seeing today. The failure to put in place non-monetary measures lifted the lid, and inflation returned with a vengeance," he said.

The Monetary Board has kept the benchmark interest rate at 6.25% since March after hiking borrowing costs by 425 basis points (bps) since May 2022 to tame inflation.

Asked if the Monetary Board would deliver an off-cycle rate increase due to the faster-than-expected September print, BSP Governor Eli M. Remolona, Jr. said in a Viber message on Thursday: "We haven't decided. We're still analyzing the data."

JEEPNEY FARE HIKE

The implementation of a P1 provisional jeepney fare hike starting on Sunday is seen to add to inflationary pressures.

China Banking Corp. Chief Economist Domini S. Velasquez said the P1 increase in jeepney fares will add about 0.17 percentage point to headline inflation.

"Since oil prices corrected, we hope that this would be the last of the fare hikes. The government can provide well-targeted subsidies to drivers and operators instead so that consumers need not worry of additional fare hikes," she said.

If non-monetary measures are not enough to bring down headline inflation, the BSP could possibly opt for another rate increase this year, Ms. Velasquez said.

"However, we still think that actions to address supply and not curb demand would be more appropriate. Especially given a modest growth environment," she said.

She added that the inflation data for October and the third-quarter gross domestic product (GDP) data will be the "deciding factors" at the Monetary Board's next policy review on Nov. 16.

Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco said the BSP may pause next month if the third-quarter GDP report would reflect a "technical recession."

"Our new base case on rates sees 50-bp worth of cuts in the first quarter of 2024, followed by another 25-bp (cut) in the second quarter," he said.

Third-quarter GDP data will be released on Nov. 9.

On the other hand, MUFG Global Markets Research Senior Currency Analyst Michael Wan said the higher-than-expected inflation print likely means that the BSP will hike at its next meeting "or even earlier in an off-cycle meeting, on the back of the BSP governor's forward guidance."— **Keisha B. Ta-asan**