Philippine Stock Exchange index (PSEi) 6,960.43 ▼19.38 PTS. ▼0.27%

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BusinessWorld

PSEi MEMBER STOCKS

AC	Ayala Corp.	P646.00	-P16.50	-2.49%
ACEN	ACEN Corp.	P3.84	-P0.02	-0.52%
AEV	Aboitiz Equity Ventures, Inc.	P46.15	-P0.85	-1.81%
AGI	Alliance Global Group, Inc.	P10.24	-P0.12	-1.16%
ALI	Ayala Land, Inc.	P33.00	-P0.25	-0.75%
BDO	BDO Unibank, Inc.	P154.00	-P5.00	-3.14%
BLOOM	Bloomberry Resorts Corp.	P11.06	-P0.02	-0.18%
BPI	Bank of the Philippine Islands	P117.00	-P1.10	-0.93%
CNPF	Century Pacific Food, Inc.	P38.65	+P0.65	+1.71%
CNVRG	Converge ICT Solutions, Inc.	P9.50	-P0.15	-1.55%
DMC	DMCI Holdings, Inc.	P12.60	+P0.40	3.28%
EMI	Emperador, Inc.	P18.80	+P0.20	+1.08%
GLO	Globe Telecom, Inc.	P1,773.00	——	
GTCAP	GT Capital Holdings, Inc.	P715.00	+P6.50	+0.92%
ICT	International Container Terminal Services, Inc.	P333.00	+P13.00	+4.06%
JFC	Jollibee Foods Corp.	P247.20	-P1.40	-0.56%
JGS	JG Summit Holdings, Inc.	P35.60	-P1.10	-3%
LTG	LT Group, Inc.	P10.00	+P0.08	+0.81%
MBT	Metropolitan Bank & Trust Co.	P68.00	+P1.80	+2.72%
MER	Manila Electric Co.	P358.40	-P7.60	-2.08%
MONDE	Monde Nissin Corp.	P11.28	+P0.62	+5.82%
NIKL	Nickel Asia Corp.	P3.92	——	
PGOLD	Puregold Price Club, Inc.	P25.80	-P0.90	-3.37%
SCC	Semirara Mining and Power Corp.	P33.10	-P0.40	-1.19%
SM	SM Investments Corp.	P991.00	+P1.00	+0.1%
SMC	San Miguel Corp.	P103.40	-P4.30	-3.99%
SMPH	SM Prime Holdings, Inc.	P33.15	+P0.15	+0.45%
TEL	PLDT Inc.	P1,350.00	-P21.00	-1.53%
URC	Universal Robina Corp.	P105.90	-P2.30	-2.13%
WLCON	Wilcon Depot, Inc.	P17.50	-P0.18	-1.02%

Analysts: PHL stocks did well in Q1, but risks loom ahead

By Revin Mikhael D. Ochave
Reporter

PHILIPPINE SHARES performed well in the first quarter (Q1) but might face challenges ahead due to higher inflation and interest rates, according to analysts.

"(Local markets) performed well across many metrics," China Bank Capital Corp. Managing Director Juan Paolo E. Colet said in a Viber message on Tuesday.

"The index is up more than 7% year to date and has gained more than 16% from its 52-week low. Foreign funds are steadily flowing back, with net foreign buying exceeding P10 billion compared with the P27.4-billion net foreign selling in the first quarter of 2023. It is also good to see that the rally is broad based as around 54% of stocks are trading higher year to date," he said.

On March 27, the Philippine Stock Exchange index (PSEi) ended at 6,903.53, up by 7.03% year to date. Philippine financial markets were closed for Maundy Thursday and Good Friday.

The PSEi fell by 0.27% or 19.38 points ending at 6,960.43, while the broader all shares index dropped by 0.26% or 9.69 points closing at 3,626.71 on Tuesday.

The local bourse was resilient in the first quarter but could have performed better, AB Capital Securities, Inc. Vice-President Jovis L. Vistan said in a Viber message.

"This sentiment stems from the promising economic growth forecasts for the Philippines. Despite these optimistic projections, it appears we may have fallen short in comparison," he said.

For his part, Philstocks Financial, Inc. Senior Research Analyst Japhet Louis O. Tantiangco said the market rallied in the first two months of 2024 but lost momentum by March.

"In March, the rally lost steam. Mounting upside risks to inflation from the impact of El Niño on our agricultural sector, to rising oil and energy prices dampened sentiment. Consequently, Bangko Sentral ng Pilipinas (BSP) rate cut hopes were also tempered, which in turn weighed on the market. As a result, the market posted losses in March," he said in a Viber message.

"By March's close, the market is trading at a price-to-earnings ratio of 14x, below its last five years' average of 18.2x. This is also below its peers' average of 18.2x. This shows that the market is still at attractive levels. However, our inflation and interest rate outlook remains as a key risk to the market's movement moving forward," he added.

The inflation figure for March will be released by the Philippine Statistics Authority on April 5.

Philippine inflation accelerated to 3.4% in February from 2.8% the prior month due to higher food prices.

Mr. Tantiangco also expressed cautious optimism regarding the market's trajectory in the coming quarters.

"I'm optimistic since from a fundamental standpoint, our corporate sector remains robust with many still deemed to be undervalued. However, I'm also cautious given the key risks at play namely inflation and interest rates," he said.

"Inflation exceeds and is sustained above the government's 2%-4% target again, there's the possibility that the BSP's monetary easing would be delayed. This would lead to soured sentiment, which in turn could make it hard for the market to rise further," he added.

Mr. Vistan said that one concern for the local stock market is the country's susceptibility to "inflation-related shocks."

"The Philippines faces potential impacts stemming from volatile oil prices and agricultural commodities such as rice. These factors introduce an element of unpredictability, posing challenges for sustained market stability and growth," he said.

Mr. Colet noted that the local market's average daily turnover is still lagging compared to last year, with the year-to-date daily average value turnover at P6.03 billion as of March 27th.

"One market statistic that is lagging is the average daily value turnover, which is still lower than the P7.7 billion in the same period last year. This relatively low value turnover tells us that there are still a lot of funds that have not returned to the local equity market, perhaps because the debt market continues to offer attractive yields," Mr. Colet said.

"There is a silver lining here. Once policy rates start falling and equities re-rate, then we may see a boost in value turnover that could support a sustainable market rally," he added.

The BSP kept the key rate at 6.5% — the highest in nearly 17 years — for a third straight meeting in February.

"Overbought PSEi large caps and hawkish local monetary policy stance could stoke PSEi volatility in April, opening up buying window toward renewed market attempts to reach 7,000 as inflation continues to stay mid-target in the first quarter and corporate earnings show momentum," First Metro Investment Corp. Head of Research Cristina S. Ulang said in a Viber message.

Meanwhile, Mr. Vistan said the local bourse could end on a strong note in 2024 if the BSP eases interest rates.

"The pivotal juncture emerges around midyear when the base effect on inflation reaches its peak severity... should we manage to look beyond it and witness the BSP easing monetary policies, we can anticipate finishing the year on a strong note, fostering heightened optimism for 2025," he said.

Mr. Colet said the market is consolidating after trading resumed following the Holy Week break.

"After failing to close above 7,000 in early March, the market is now in consolidation mode, a pattern that may persist in the second quarter until inflation concerns abate and there is more confidence on the timing of interest rate cuts," he said.

Growth,
from S1/1

Meanwhile, Moody's Ratings sees inflation averaging 3.8% this year, higher than the Bangko Sentral ng Pilipinas' (BSP) 3.6% full-year forecast but within the 2-4% target.

For 2025, it sees inflation easing to 3.3%, a tad higher than the 3.2% central bank forecast.

"Inflation picked up in February in most Asian economies on higher food prices, with the exception of Malaysia," Moody's Ratings said.

Inflation picked up to 3.4% in February, the first time it quickened in five months. Inflation could have accelerated further to 3.8% in March, according to the median estimate yielded in a *BusinessWorld* poll of 17 analysts.

However, rice prices may continue to rise amid supply issues.

"Rice inflation continues to accelerate with higher import prices and the persistent lack of effective supply-side responses. But the risk is limited of food inflation broadening to core inflation because we do not expect a continued increase in food prices," it added.

In February, rice inflation surged to 23.7% or its fastest pace since the 24.6% recorded in the same month in 2009.

Meanwhile, Moody's Ratings said that central banks in Asia are unlikely to begin policy easing before the US Federal Reserve.

"Asian central banks are maintaining tight monetary policies to preserve financial and foreign exchange stability, and appear unwilling to start cutting policy rates before the Fed," it said.

The BSP kept its benchmark rate steady at a near 17-year high of 6.5% for a third straight meeting in February. It raised borrowing costs by 450 basis points (bps) from May 2022 to October 2023.

The Monetary Board will hold its next policy meeting on April 8.

Markets expect the BSP to begin cutting rates by midyear, in step with the Fed.

However, BSP Governor Eli M. Remolona, Jr. has said that while they "closely" watch the US central bank's moves, its own monetary decisions are not dependent on the Fed.

"The resulting pressures on growth, leveraged economic sectors, or both, could eventually push Asian central banks to begin cutting rates even in a Fed-on-hold scenario and letting foreign exchange rates weaken in the process," Moody's Ratings said.

"There could also be implications on capital inflows and outflows. Such policy pivots could be delayed through calibrated fiscal support or other macroprudential measures, however," it added. — **Luisa Maria Jacinta C. Jocson**

REUTERS

MAJORITY of Philippine businesses are looking to invest more in Southeast Asia, particularly Singapore and Thailand. Photo shows shoppers in a shopping mall on Orchard Road in Singapore, Dec. 23, 2022.

ASEAN,
from S1/1

Meanwhile, HSBC data also showed that 41% of businesses cited macroeconomic uncertainties as the top barrier to entering the region, followed by rapidly changing regulations (31%), supply chain challenges (30%), and local technological capabilities (26%).

"The survey also found that macroeconomic uncertainty and the rapidly shifting regulatory and policy landscape are the top barriers for businesses in the Philippines looking to expand into new ASEAN markets, underlining the importance of advice and support from a banking partner," it added.

Meanwhile, HSBC announced it launched its ASEAN Growth Fund worth $1 billion (around P56 billion) to help support the region's growing digital economy.

"With a working population that is digitally native, increasing in size, and poised to consume more goods and services — especially on e-commerce — ASEAN has so much potential for growth," HSBC Head of Commercial Banking for South and Southeast Asia Amanda Murphy said in a separate statement.

"We are delighted to launch our first-of-its-kind ASEAN Growth Fund and work with digital companies as they expand in the region and beyond," she added.

The fund will be used to lend to companies that are "scaling up through digital platforms across Southeast Asia."

"It supports new economy names, more established corporates, and nonbank financial institutions by assessing operating metrics tied to their cashflow-generative asset portfolio, rather than relying solely on traditional financial metrics," it added.

HSBC Philippines Head of Wholesale Banking Mimi Concha said that the fund will help support new economy companies in the Philippines.

The Philippines' digital economy is forecast to reach between $80 billion and $150 billion in gross merchandise value by 2030, according to Google, Temasek Holdings and Bain & Company.

PAL earmarks $450M for capex, eyes 22 new aircraft

FLAG CARRIER Philippine Airlines (PAL) has allocated $450 million, or more than P25 billion, for this year's capital expenditures (capex) to expand its fleet and meet increasing market demand, its top official announced on Tuesday.

"(PAL's capex) includes the refurbishment of the A321CEOs, all the aircraft maintenance and upgrades we are doing, (as well as) the purchase of new aircraft," Anna Isabel V. Bengzon, PAL senior vice-president and chief financial officer, said during a media briefing.

She also said the airline's 2024 capex exceeds last year's, which was below $170 million.

The company's 2024 spending will be covered by internally generated funds and debt.

The airline plans to purchase at least 22 aircraft, which will be delivered between 2025 and 2029, said Carlos Luis L. Fernandez, PAL's general counsel.

These aircraft include nine A350-1000s and 13 A321 New Engine Options (NEOs) for the company's nonstop flights to North America, other overseas destinations, and regional routes in Asia and Australia.

The airline is scheduled to operate nonstop Manila-Seattle flights three times a week starting Oct. 2.

Seattle will be PAL's sixth destination in the US and its eighth in North America, the airline said.

"PAL now operates the largest network of nonstop flights between the Philippines and the United States, serving Los Angeles, San Francisco, New York, Seattle, Honolulu, and Guam," PAL said in a statement.

"We have been looking into Seattle for a long time already, even before the pandemic. It is always on our radar," said Stanley K. Ng, president and chief operating officer of PAL.

The airline noted that almost one million US tourists visited the country in 2023, making the US its second-largest source of tourists.

Aside from Seattle, which the company considers a promising market, PAL is also looking to explore more Asian and local destinations. However, some long-haul flights it plans to offer will be on hold for now until the arrival of its aircraft order.

"There's a possibility also of reviving some of the previous destinations that we used to fly to," Mr. Ng said.

"One market that the company is looking at is the revival of its Cebu-Osaka flights," PAL Vice-President for Network Planning Christoph Gaertner said, adding that it also plans to operate flights to Sapporo in Japan.

The company is also hoping to resume its Europe flights, which were discontinued during the pandemic.

"That is always our aspiration to go back to Europe. At the moment (we are) still carefully studying and exploring with European countries to also get some incentives," Mr. Ng said.

With the company's planned expansion and procurement of more aircraft to service the growing travel market, PAL is expecting to grow even further in 2024.

For 2023, PAL Holdings, Inc., the listed operator of PAL, saw its attributable net income more than double to P16.81 billion last year, driven by heightened passenger volume and route expansions.

Its passenger revenue increased by 37% to P160 billion in 2023 from P114 billion in 2022, boosting the company's overall revenues.

"We do not expect a 30% growth, definitely not. The new base is now 2023; we are expanding our capacity by about 10-12%. We do not expect that kind of growth anymore, just normal growth," Ms. Bengzon said, describing that normal growth would be in the high single digits.

"Let's see how it works. Because the capacity is increasing by that much as well. So, it's in line with the capacity increase," she said. — **Ashley Erika O. Jose**