

MARKET UPDATE

September 2024

Philippine Markets

The Philippine Statistics Authority reported headline inflation further slowed to 1.9% in September 2024 from 3.3% in August, which brings the year-to-date (YTD) average at 3.4%. Food and non-alcoholic beverages (1.4% in September vs. 3.9% in prior month) and transportation (-2.4% in September vs. 0.2% in prior month) led the contributors to lower inflation print. Core inflation, which excludes volatile food and energy items, further decelerated to 2.4% from 2.6% in the prior month.

The Bangko Sentral ng Pilipinas (BSP) cuts interest rates by 25bps bringing its key policy rate to 6.0% as it shifts to less restrictive monetary policy. This is the second consecutive rate cut of 25 bps since the first one in August. Prior to the recent pivot in monetary policy the BSP hiked rates for a total of 450 basis points (bps) between May 2022 and October 2023 to control high inflation.

The August 2024 Philippine unemployment improved to 4% lower than the 4.4% in August 2023 and the 4.7% recorded in July 2024 with 2.07 million jobless Filipinos. The improvement in unemployment was largely due to a significant influx of Filipino women into the labor force who found jobs in the services sector.

The Philippine Stock Exchange Index (PSEi) was up 5.4% month on month. Local equities sustained its rally following the 50 bps Fed rate cut, which signaled that the BSP may have more room to ease rates as well. Foreign flows continued to pour in amid optimism that outlook on inflation and interest rates remain favorable. Net foreign buying for the month was Php19.4 billion. The PSEi closed at 7,272.65, translating to a year-to-date gain of 12.8%.

US Markets

US inflation hit 2.4% in September. The data follows as Fed officials have become more confident that inflation is easing back toward the 2% goal while expressing some concern over the labor market. Initial filings for unemployment benefits took an unexpected turn higher, hitting as seasonally adjusted 258,000 for the week ending Oct. 5, the highest total since Aug. 5, 2023.

Much of the increase in inflation was caused by 0.4% increase in food prices and 0.2% increase in shelter costs. Other items that caused the increase includes a 0.3% increase in used vehicle costs and 0.2% increase in new vehicle prices. Core CPI, which excludes volatile food and energy prices, increased 0.3% for the month putting the annual rate at 3.3%.

These price data reflect observations at market close on 30 September 2024: S&P 500 ended at 5,762.48 and was up 2.02% in September moving its YTD gains to 20.81%. The NASDAQ Composite closed at 18,189.17 up 2.68% in September bringing its YTD gain to 21.17%. DJIA was up 1.85% in September closing at 42,330.15 bringing its YTD return to 12.31%. The dollar index, which measures the currency against a basket of six peers, lost 0.9% in September at 100.78.

Conflict in the Middle East

It has been almost a year since Hamas launched an incursion into Israel that has led to full blown armed conflict between Israel and Hamas inflicting a massive toll on human lives and infrastructure at Gaza.

In support of the Palestinian cause, Hezbollah, a Lebanese militant group, clashed with Israeli forces along the Israel-Lebanon border. Israel carried out targeted airstrikes in southern Lebanon in a bid to cripple the Hezbollah organization. An unconventional attack came in 18 September 2024 wherein pagers detonated across Lebanon, killing nine people and wounding nearly 3,000 others, including the group's fighters and Iran's envoy to Beirut.

A key turning point happened on 27 September 2024 when an Israeli airstrike in a southern suburb of Beirut killed Hassan Nasrallah, Hezbollah's leader and one of its founding members. Israel also vowed to keep up attacks on Hezbollah targets within Lebanon. In a televised message to the Lebanese people, Israel Prime Minister Benjamin Netanyahu claimed that the country that conquered Lebanon was Iran by financing and arming Hezbollah to advance Iran's interests against Israel.

Iran fired at least 180 missiles into Israel on 01 October 2024. Iran said it fired missiles as retaliation for attacks that killed leaders of Hezbollah, Hamas and the Iranian military. In markets Oil prices rose more than 3% following the news of the Iranian missile attack.

The conflict in the Middle East is a developing story and future updates will be shared as necessary.

VUL Funds Update

The tech-heavy Dollar Opportunity Fund and Peso Global Technology Fund and continue to have strong YTD performance of 20.66% and 15.97% respectively. The 10-stocks composing the Select Equities Fund leads local equity fund performance with 19.31% YTD. The Peso and Dollar Systematic Global Sustainable Income Fund (GSIF) distributed income at a yield of 6.85% p.a. and 6.74% p.a. respectively. In September, the Peso and Dollar Global Multi-Asset Income-Paying Fund distributed 5.82% p.a. and 5.82 % p.a. respectively.

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