

Economic Outlook and Investment Strategies Post-Pandemic Recovery

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Presented By
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#TGBTG

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Global inflation drivers

Geopolitical instability driving commodity prices higher

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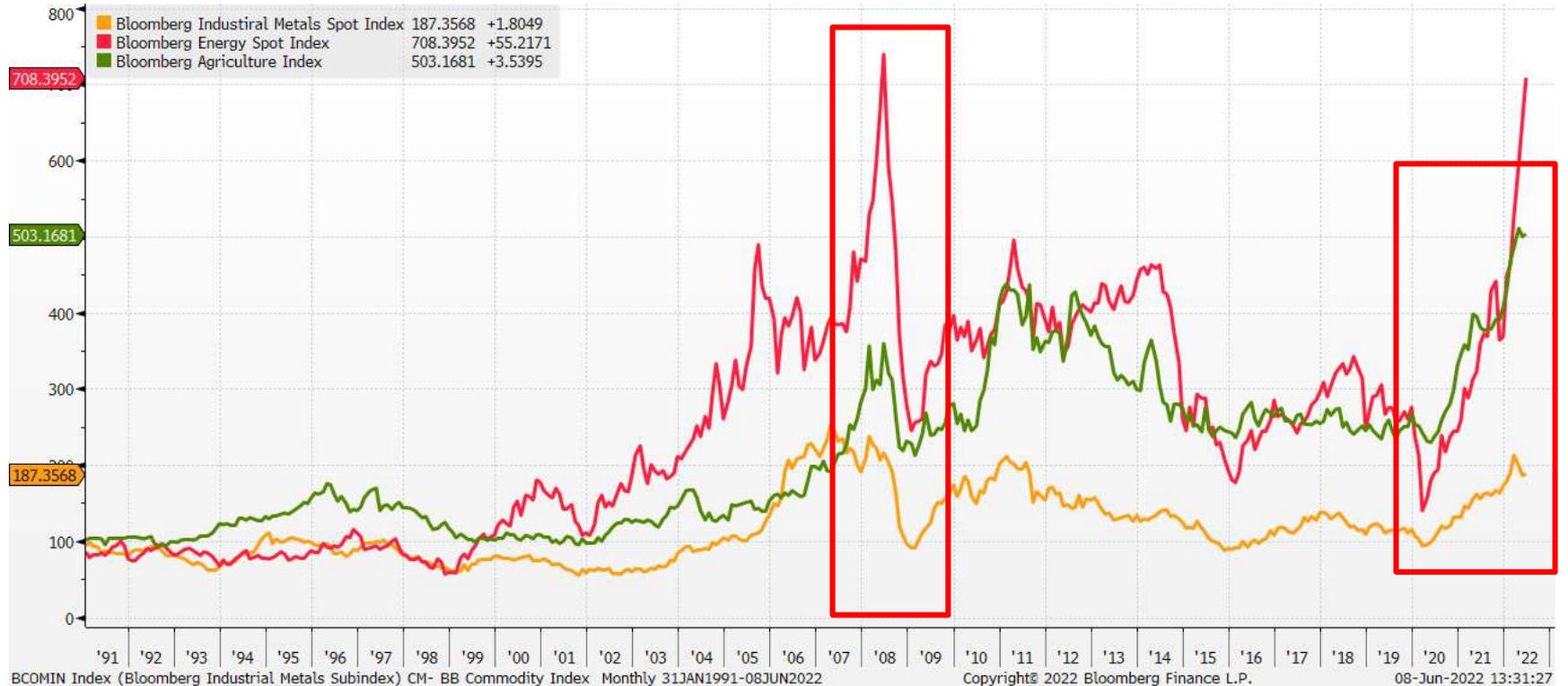


Source: Bloomberg and ChartPoints

Prices Surging Higher

Resilient demand, depleting inventories, structural-under investment and the geopolitical conflict in Ukraine are the contributing factors.

3

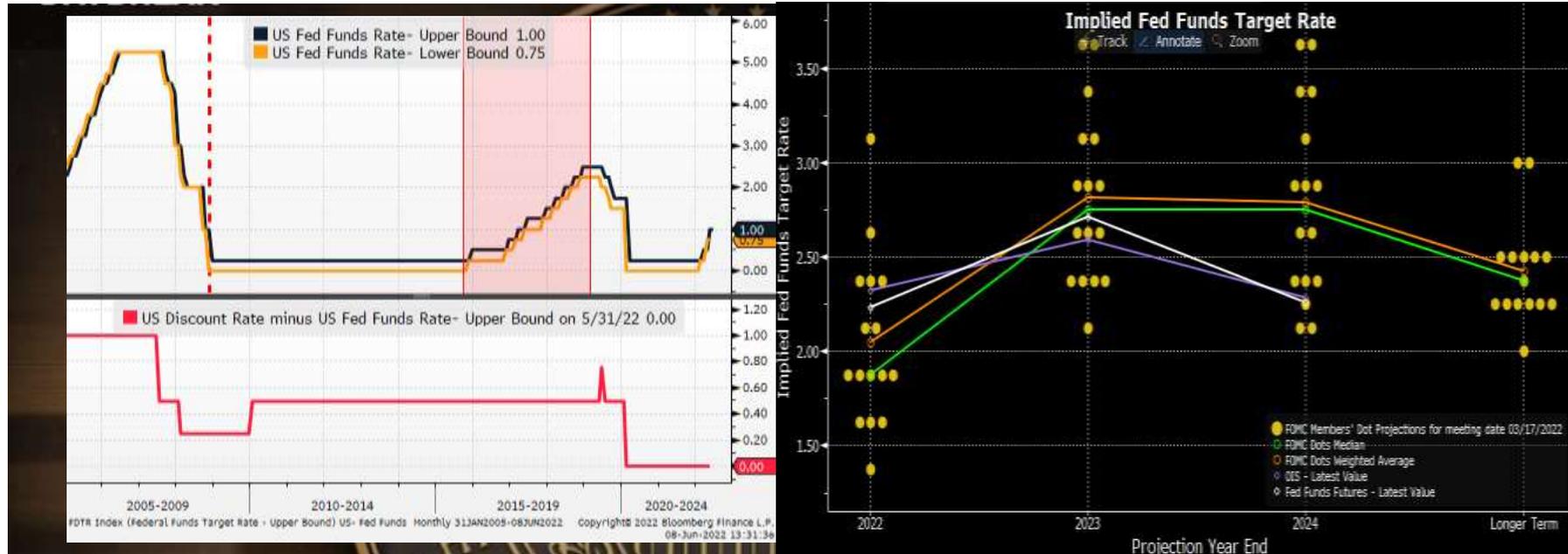


Source: Bloomberg LP and ChartPoints

Lift-off

The US Fed is Powelling-up to tame inflation.

4



More hikes seen

The Perfect Storm

It risks low growth combined with high inflation.

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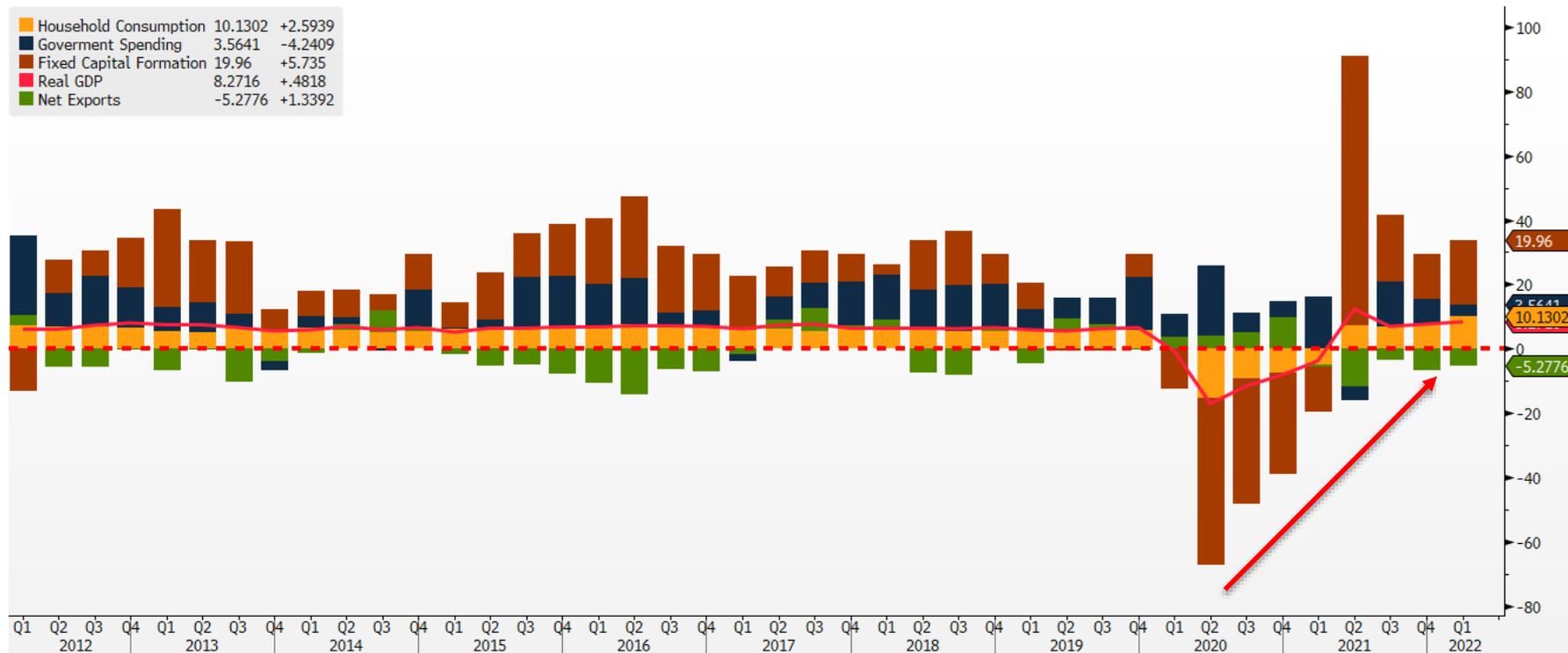
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- **The Ukraine Invasion**
 - **Macroeconomic risks (inflation)**
 - **Climate change**
 - **Pandemic insecurity**
 - **Disconnect in growth and well being**

Recovery Continues

8.3% y/y vs est. of 6.8%. 4Q21 revised up to 7.8% from 7.7%

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Household Consumption	10.1302	+2.5939
Government Spending	3.5641	-4.2409
Fixed Capital Formation	19.96	+5.735
Real GDP	8.2716	+4818
Net Exports	-5.2776	+1.3392

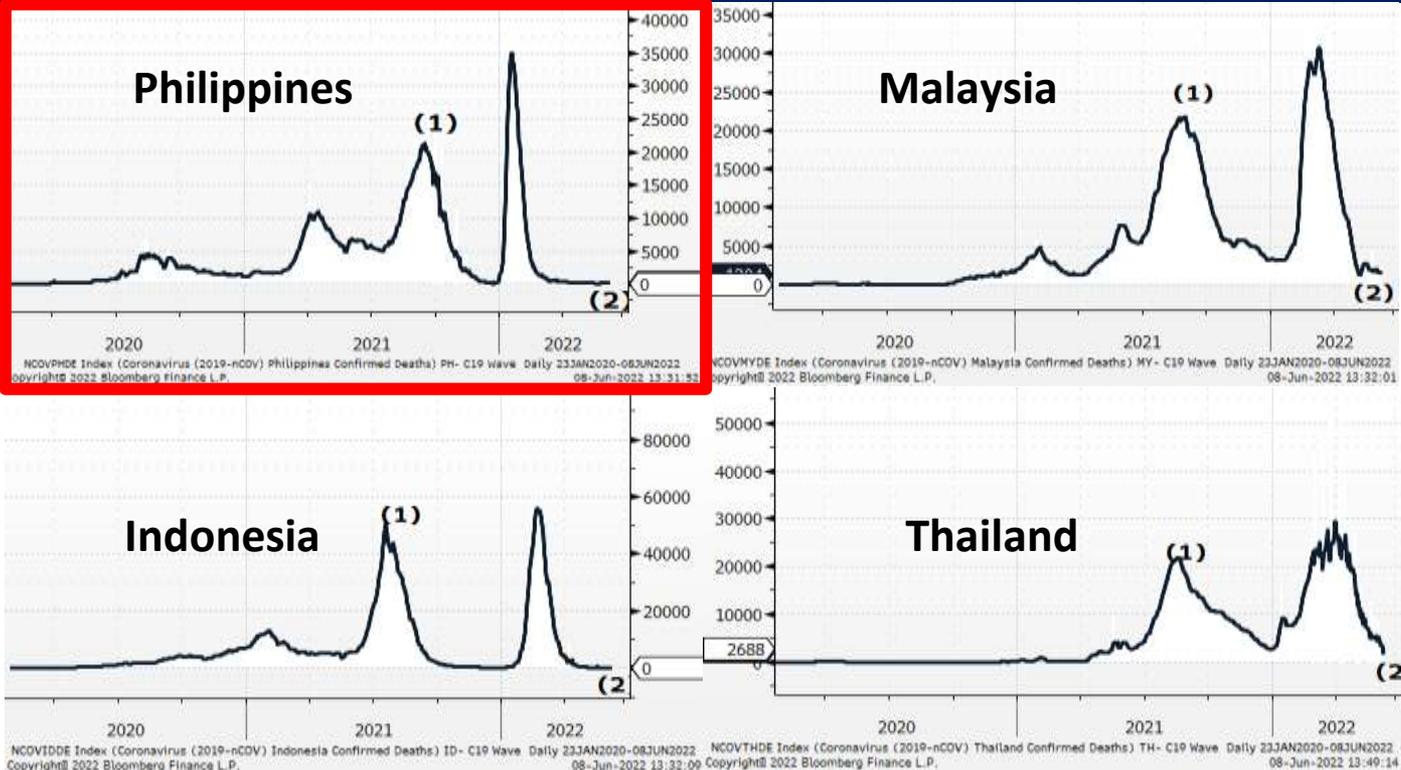


Source: Bloomberg, PSA and ChartPoints

COVID

A reminder that the virus and its costs are not completely behind us.

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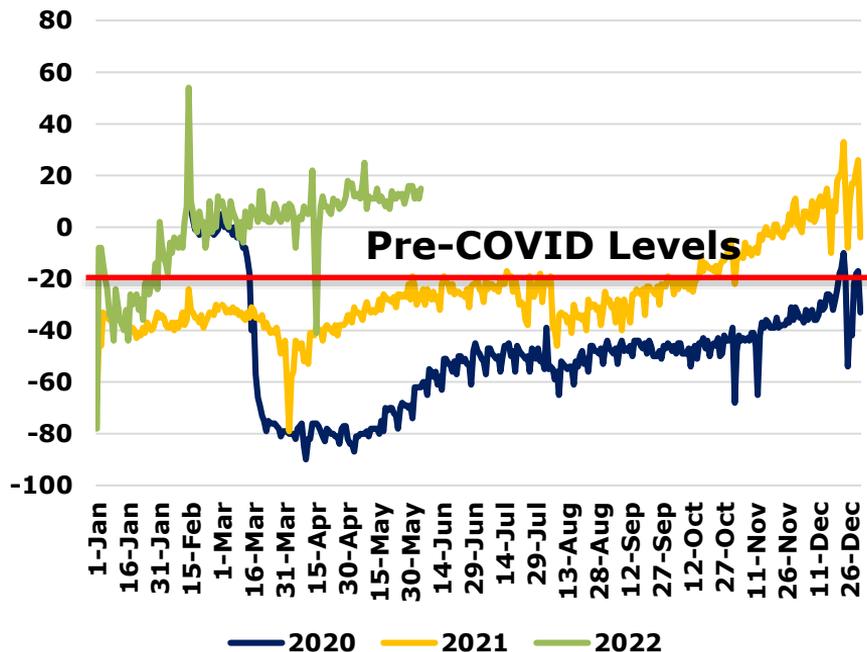
Average 7-day New- Covid Cases

Source: Bloomberg LP

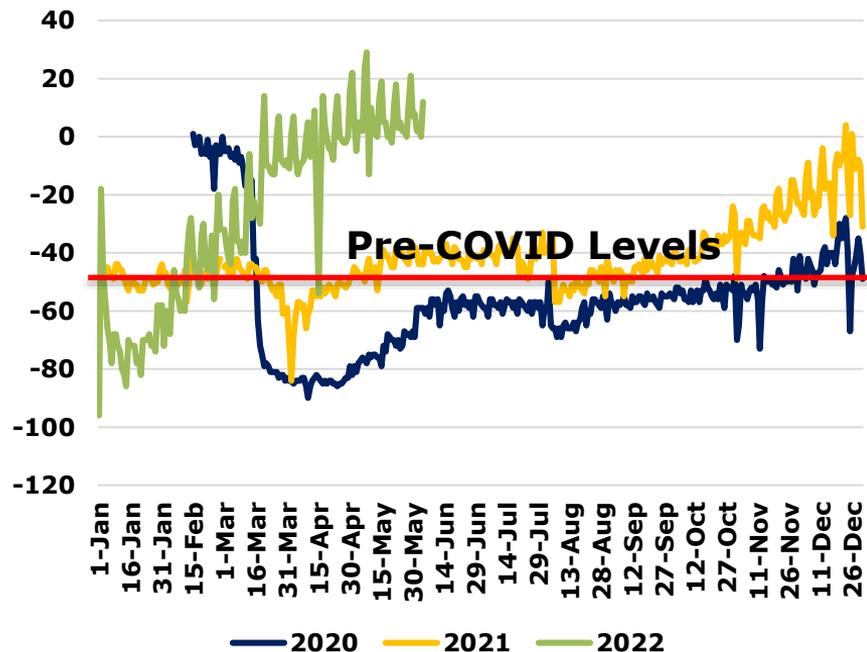
Beyond Normal Retail & Recreation, & Transport.

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Retail & Recreation



Transportation



Business Cycle Backdrop

Normal mobility supports economic reopening

Philippine Manufacturing PMI



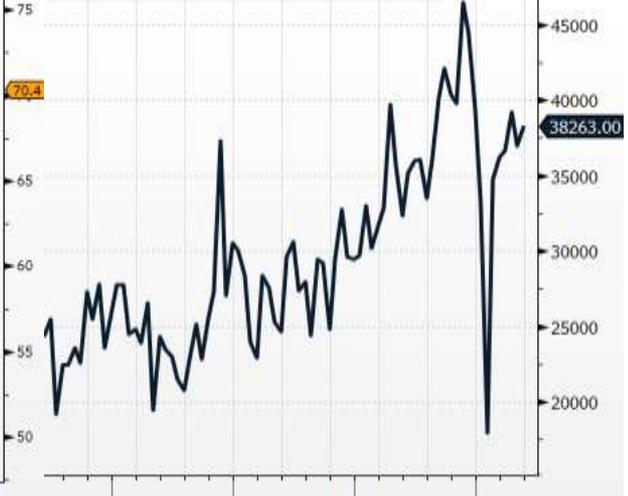
Source: Bloomberg and ChartPoints
 HPMIPHMA Index (Philippines Manufacturing PMI SA) PH-PMI Monthly 31MAY2019-08JUN2022
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Manufacturing- Capacity Utilization 70.4



PHCTHFG Index (Philippines Capacity Utilization Manufacturing 2018=100) PH-Manufacturing Cap
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Building Permits Total- # of Units 38263.00



PH-CR50T Index (Philippines Volume Permitted Constructions-Residential) PH- Building Permits Monthly
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**Purchasing Manager's Index
Manufacturing**

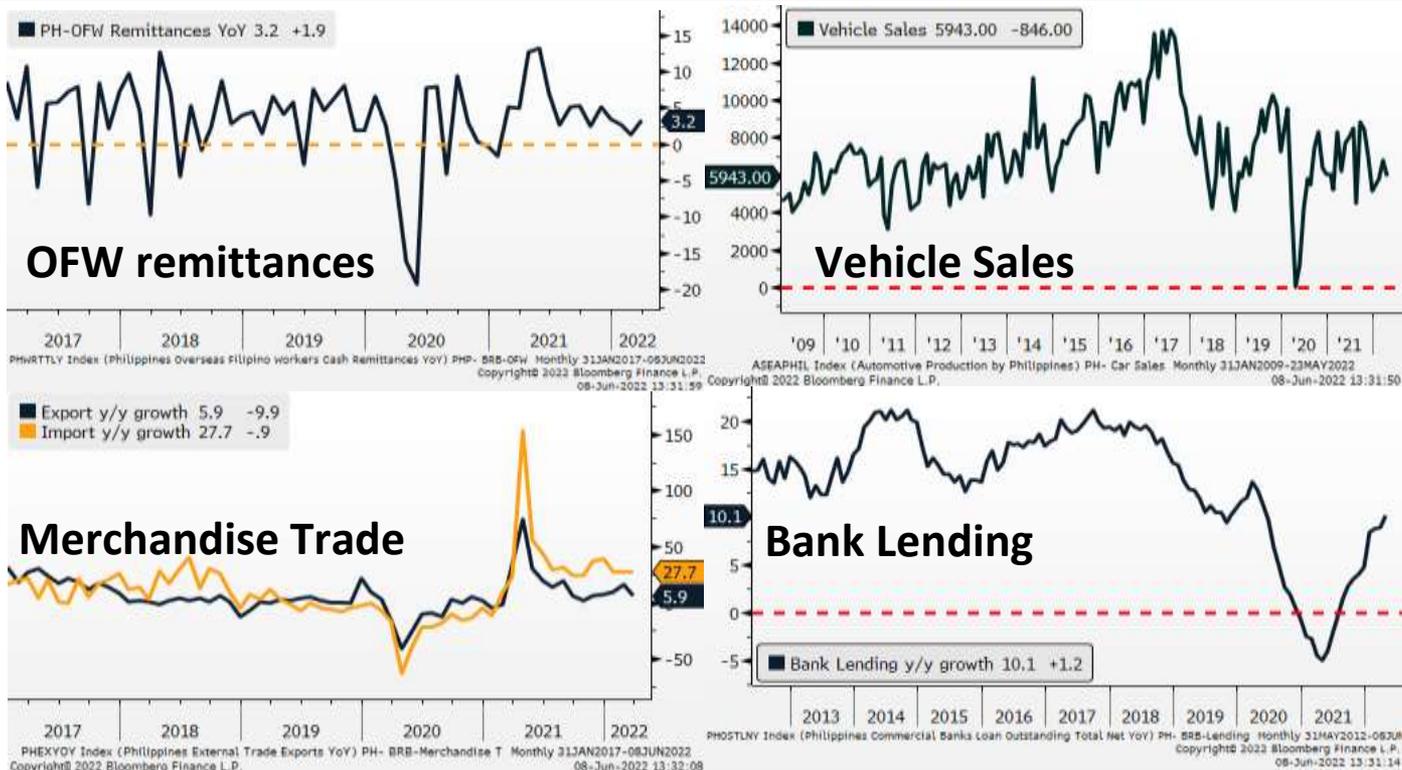
**Manufacturing Capacity
Utilization Rate**

**Private Building
Construction Permits**

Business Cycle Backdrop

Recovery on a more stable path.

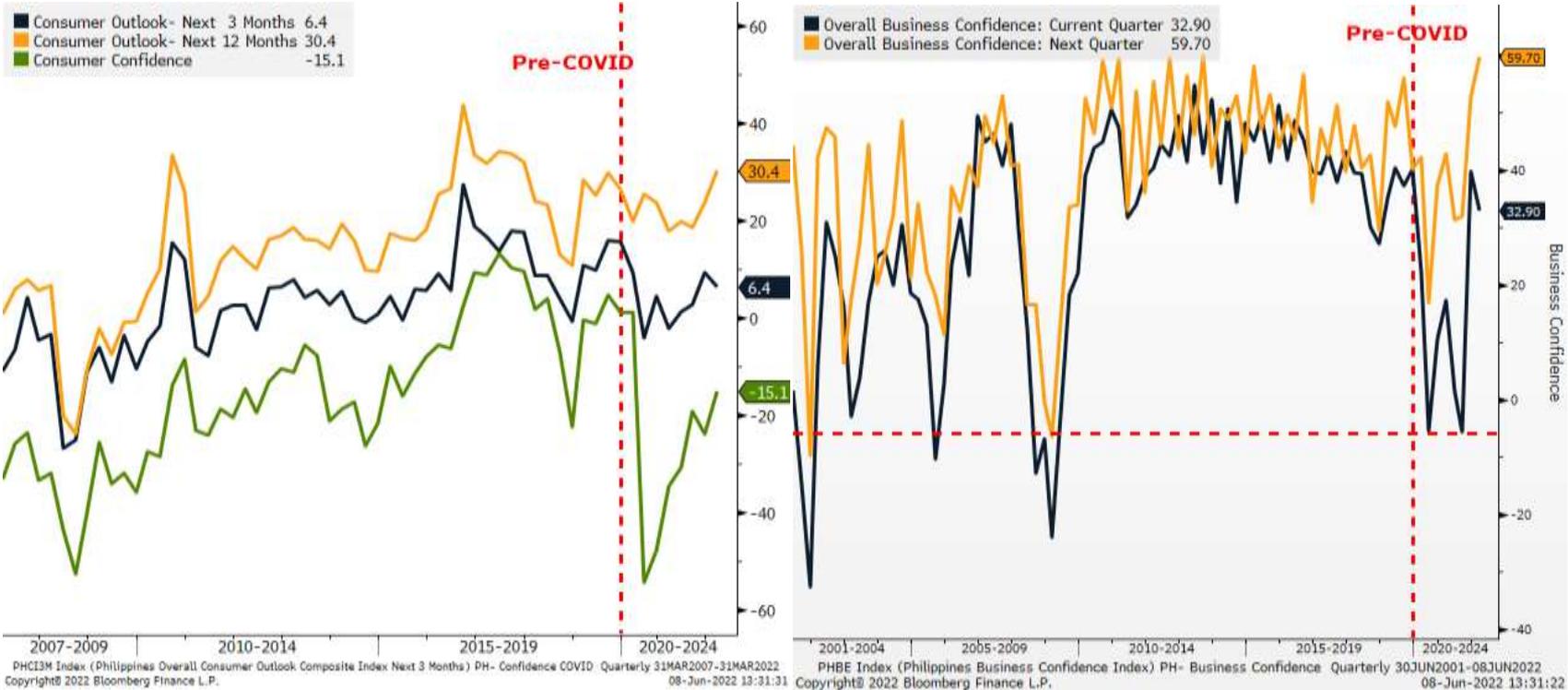
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Source: Bloomberg LP, ChartPoints

Business Cycle Backdrop

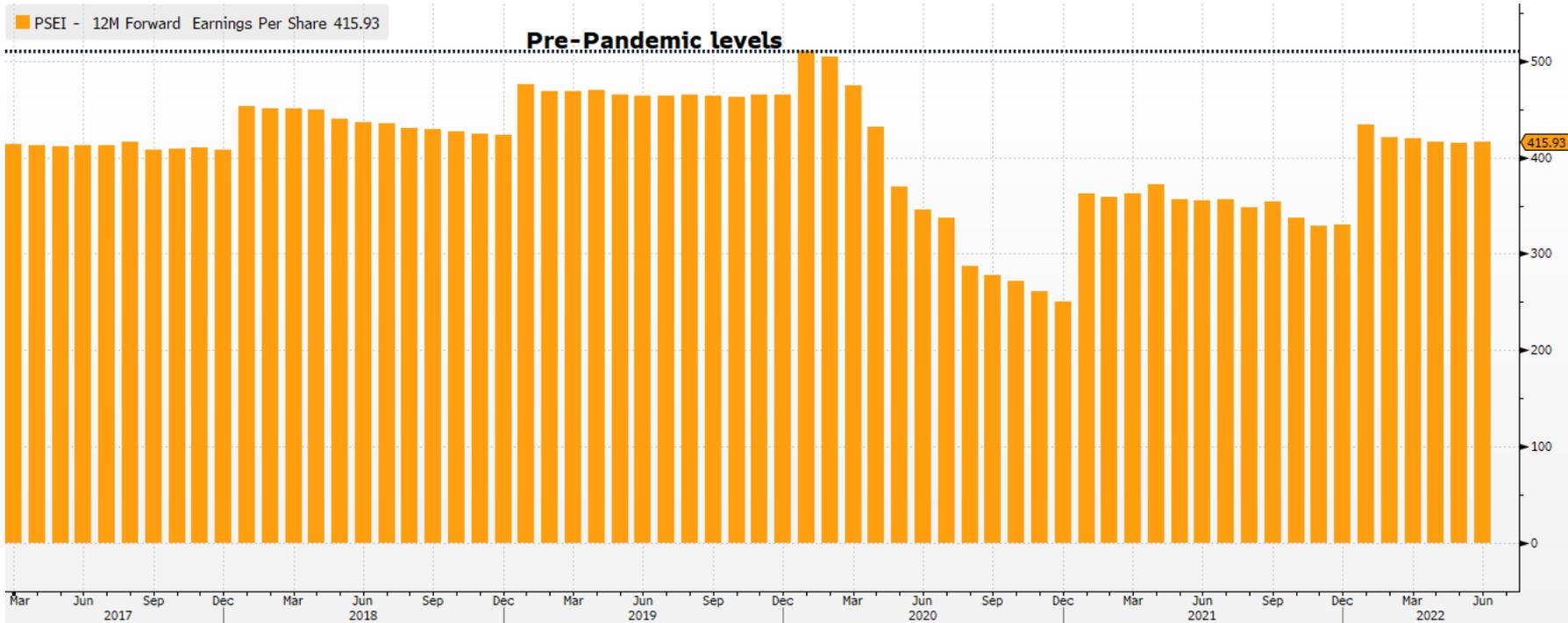
Improving Confidence



Source: BSP, Bloomberg LP and ChartPoints

Earnings Backdrop

Corporate profits likely to be pressured.

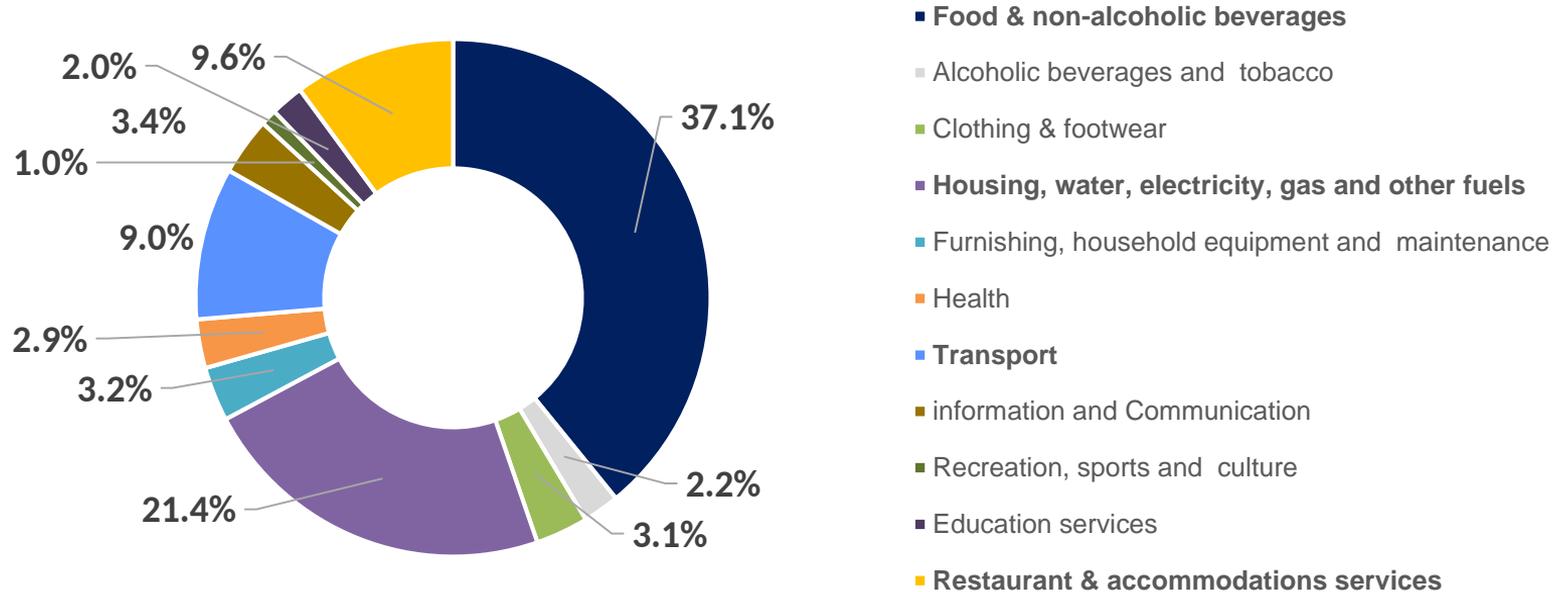


Source: Bloomberg and ChartPoints

Higher prices

Rising commodity prices translate to higher domestic inflation.

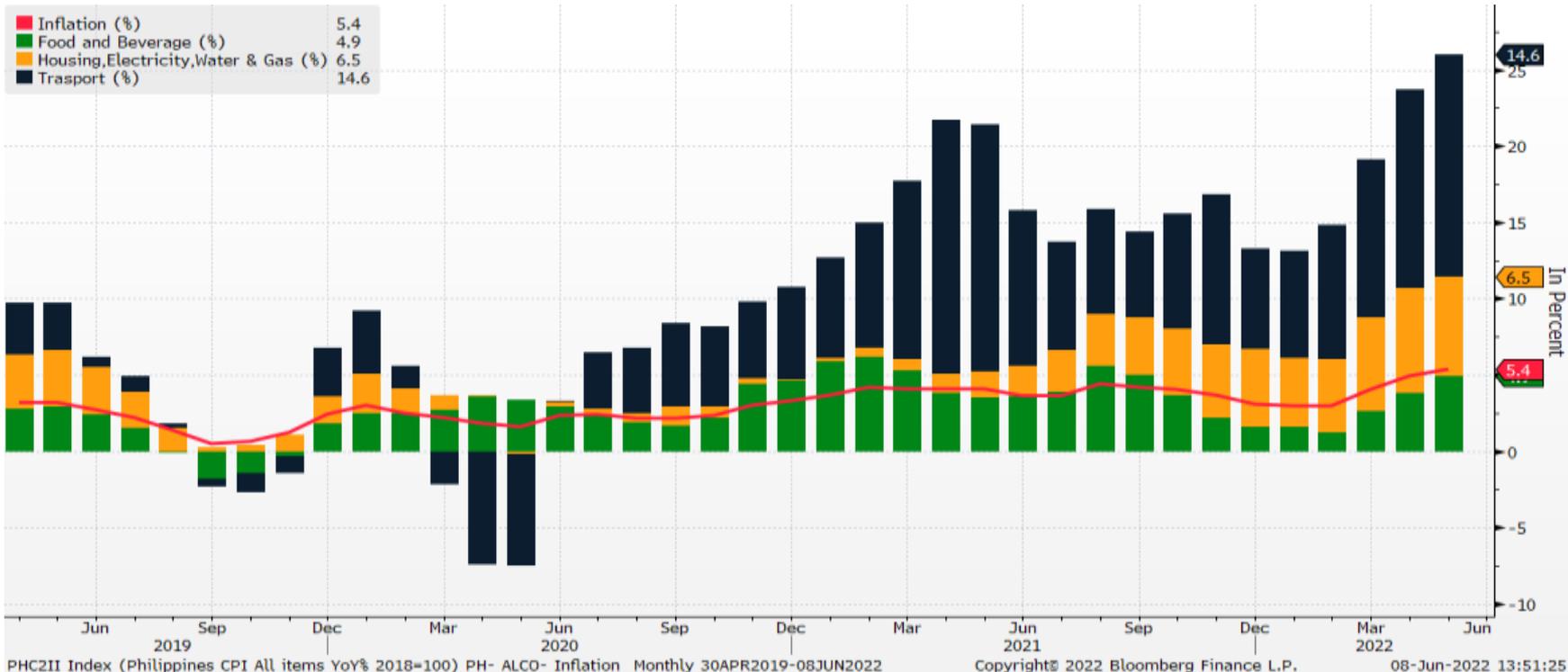
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May CPI rose to 5.4% y/y

Driven by faster increases in prices of food and transportation.

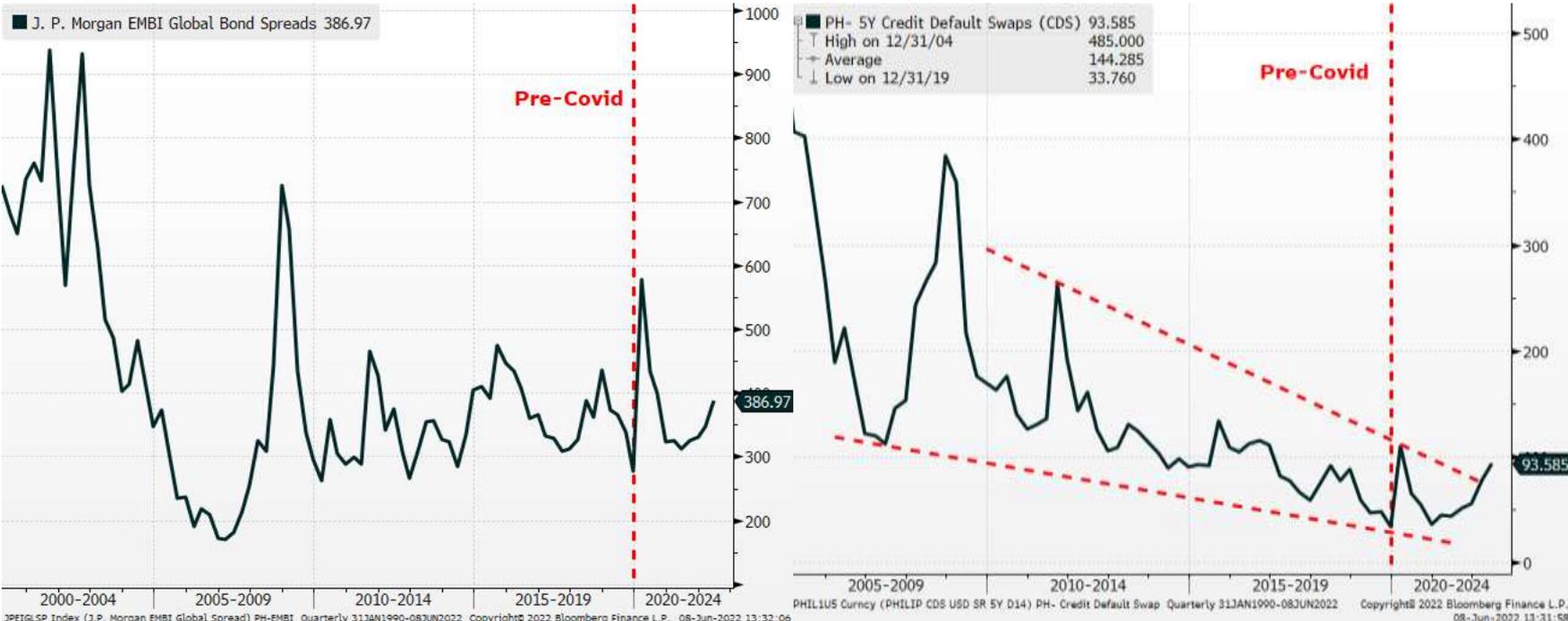
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Source: Bloomberg LP and ChartPoints

Resilient

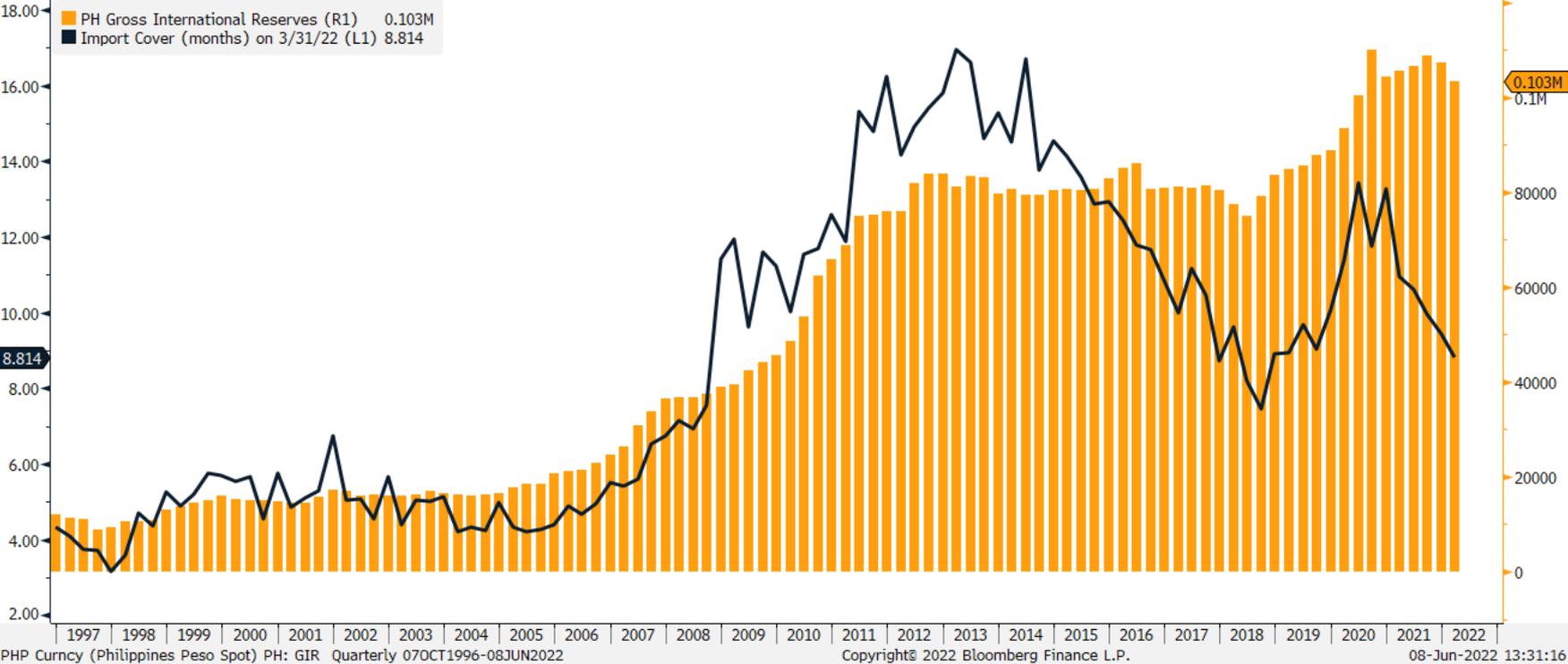
Stable financial market conditions remain.



Source: Bloomberg LP and ChartPoints

Comfortable

External buffers (GIR & Import Cover)



Source: BSP, Bloomberg LP and ChartPoints

Chain of Demand

With lower infection cases, consumer spending is picking up.

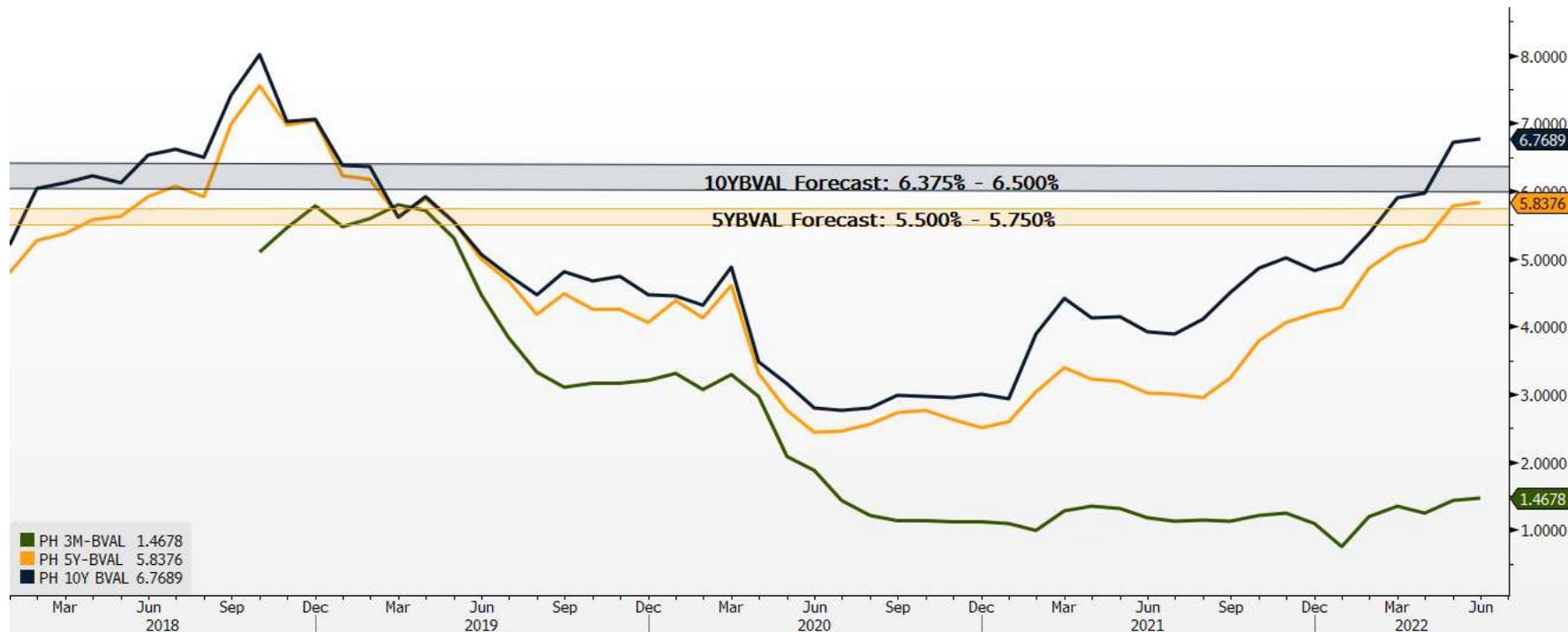
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PHP Interest Rates Outlook

Higher yields on global monetary tightening

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Source: Bloomberg

BV3MRPTB BVLI Index (PHP RPT 3M) PH: BVAL Rates Monthly 31JAN2018-08JUN2022

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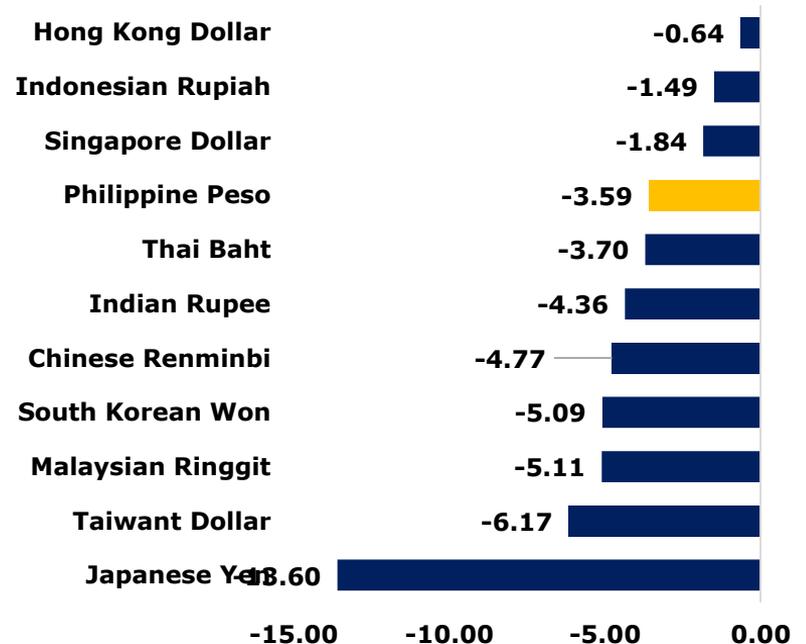
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Currency under pressure

Weaker on widening deficits and inflationary pressures.



Price Change Year To Date Percent



Source: Bloomberg LP , ChartPoints and BDO Treasury Group

USD/PHP Outlook

Weaker on widening deficits and inflationary pressures

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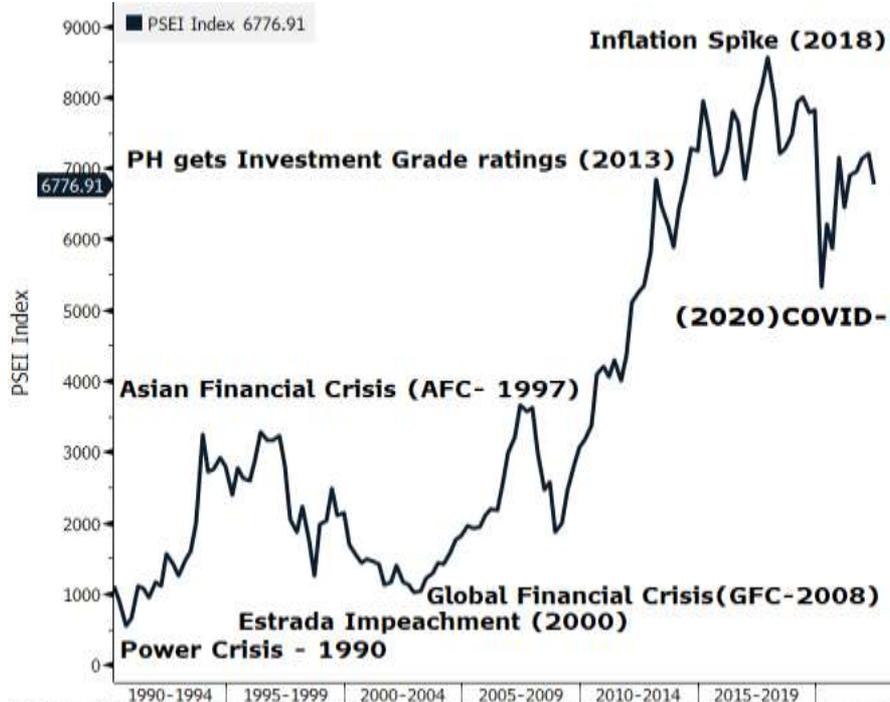


■ USD/PHP 52.950

Source: Bloomberg

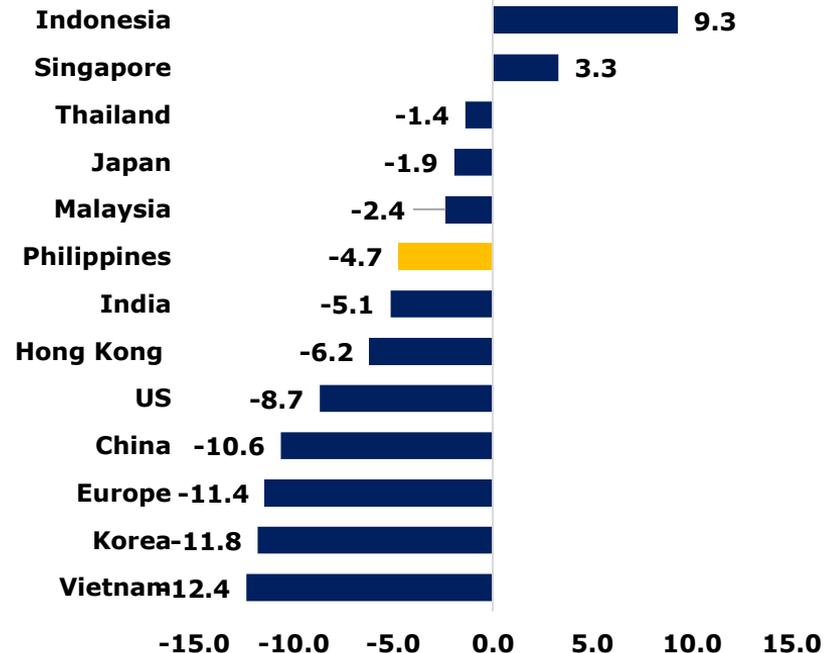
Recovery in the Philippine Equities

Renewed optimism on the re-opening of the economy.



DCOMP Index (Philippines Stock Exchange PSEI Index) PH- Equity Marke Quarterly 01JAN1990-08JUN2022 Copyright© 2022 Bloomberg Finance L.P. 08-Jun-2022 13:31:54

Price Change Year To Date Percent



Equity Market Outlook

Lower on higher rates and inflationary pressures

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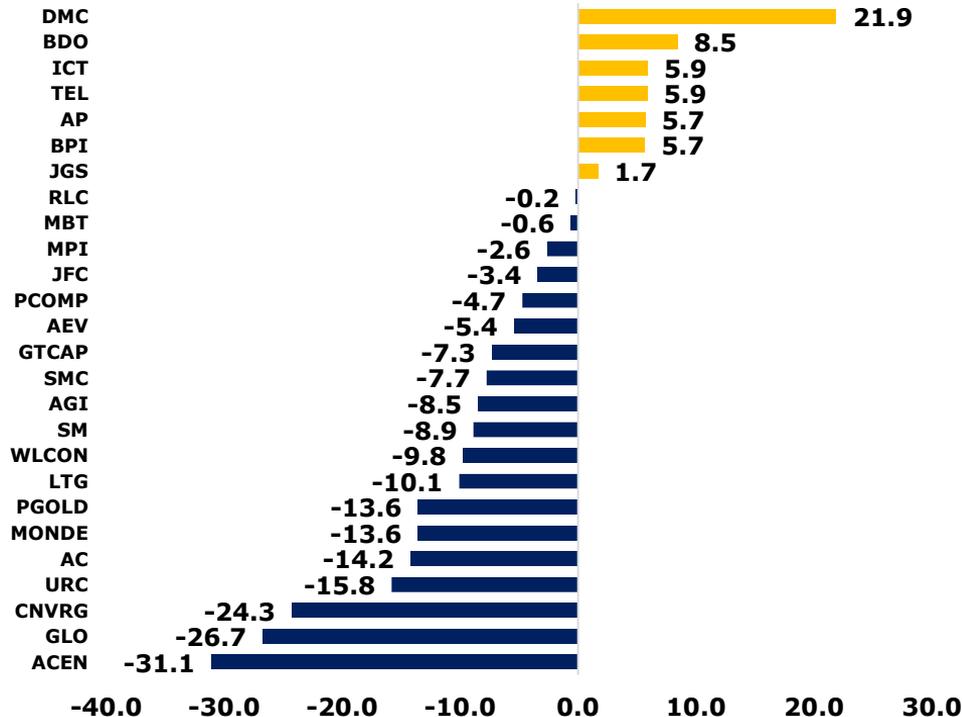


Buying opportunity for investors

Further re-opening of the economy, Low inflection cases and government spending are key factors to boost the PSEI to 7,800 levels.

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PSE Index Members : Leaders and Laggards (YTD%)



Sectors Picks



Banks
Proxies for an economic recovery



Property
Demand for retail and office space



Telecoms
Acceleration to the digital space

The Big Picture

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Food



**Increase in jobs.
BPOs/OFW spending**

Retail



**Influx of foreign
brands entering the
PH Market**

Construction/Real Estate

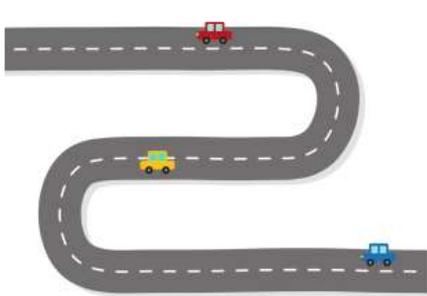


**Strong demand office
and retail space.**

Lasting Effects

Reforms that would boost PH's economic resurgence.

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Building infrastructure

build, build, build paved way to nationwide infrastructure modernization program to spur economic development



Developing social capital

**National ID system
Rice tariffication law
Universal health care**



Optimizing opportunities

**Corporate Recovery and Tax incentives for Enterprise (CREATE) largest economic stimulus for businesses in country
Ease of doing business law
Foreign Investment Act(FIA), Public Service Act(PSA) and Retail Trade Liberalization Act (RTLTA) amendments to enhance industries competitiveness and accelerate economic growth**

The Next Best industries

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Tourism



Gaming



Manufacturing



Mining



Forecast Summary

Base Case

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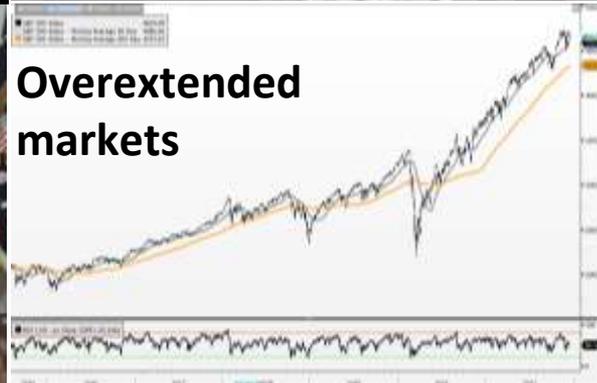
	2020 (EOP)	2021 (EOP)	Last Price	2022F (EOP)	2023 (EOP)
GDP	(9.60)	5.60	7.10	6.20	6.00
Inflation	2.60	4.50	4.20	4.50	3.40
BSP O/N Rate	2.00	2.00	2.25	2.50	2.75
3M-BVAL	1.12	1.09	1.468	1.75	2.00
5Y-BVAL	2.50	4.20	5.838	5.75	5.50
10Y-BVAL	2.99	4.82	6.768	6.50	5.75
USD/PHP	48.02	51.000	52.950	53.250	52.250
PSEi Index	7,139.17	7122.63	6,787.37	7800.00	8480.00

As of 08 June 2022

Cause for Concern

Economic risks for 2022

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Steering the Ship of state

The 100 days of the next admin is critical.

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Social

- Strengthen public institutions, health and bolster physical and human capital
- Strengthen equality

Health

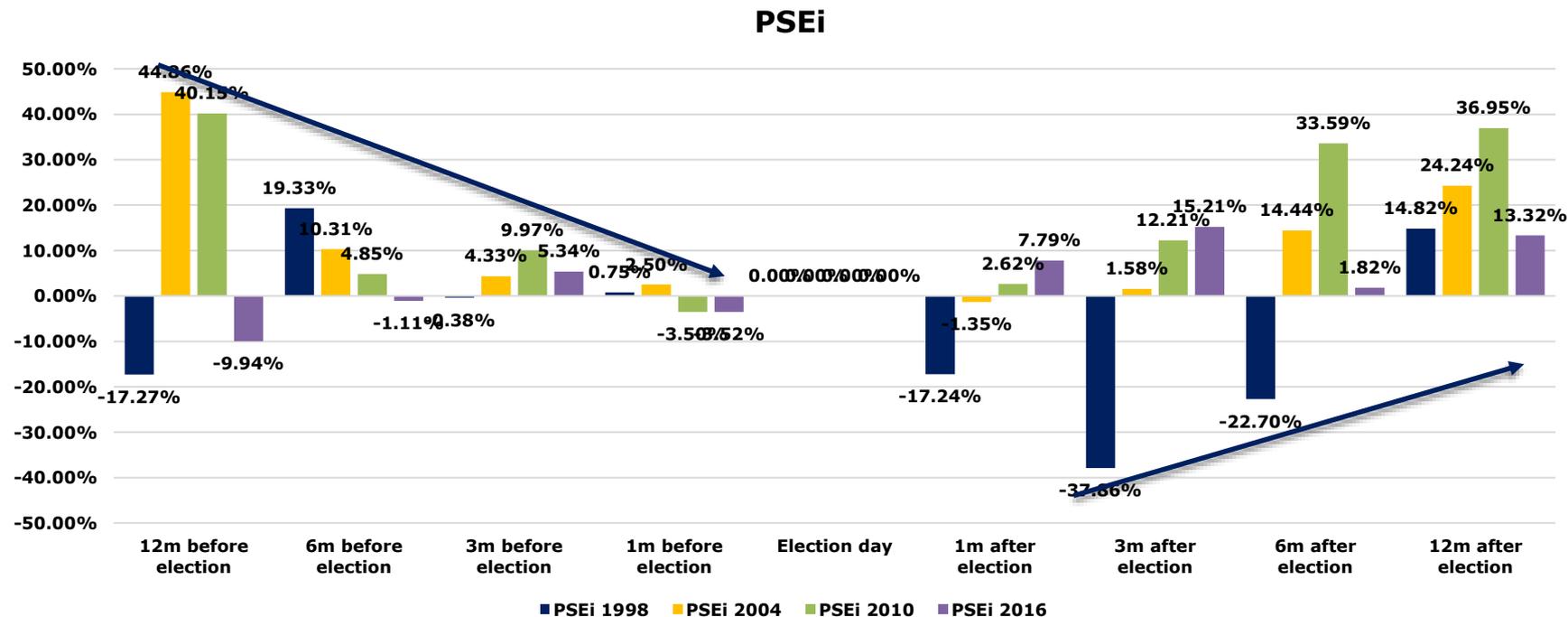
- Ensure equitable access to vaccines and reduce threat of new variants
- Accelerate vaccine rollout to improve mobility and confidence..

Economic

- Control inflation to ensure price and financial stability, strengthen macroprudential policies
- Bolster domestic revenue mobilization to rebuild fiscal buffers and address debt sustainability concerns

Positive Effect

Positive sentiment driving a Wishin' And Hopin' rally.



Where are we in the cycle?

Timing the entry is key.

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Wave IV in progress

PCOMP Index - Last Price 6776.0098



Source: Bloomberg and ChartPoints

PCOMP Index (Philippines Stock Exchange PSE Index) PSEI Monthly Monthly 30JAN1987-08JUN2022

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Bull

Bear

Bull

Bear

Source: Bloomberg, BDO Treasury , ChartPoints

What could go right in 2022?

Economic surprise for 2022

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Peaceful Elections



Better pandemic management



Revenge Spending



Infrastructure Spending

Recovery Prospects intact

Reopening, Support and Continuity.

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- **Tourism-related industry revival and labor conditions improvement expected since February international reopening to travelers.**
- **OFW remittance improvement anticipated as most countries, except China, transition towards an endemic phase.**
- **Vulnerable groups and sectors continuing to receive targeted government support amidst the current high inflation environment**
- **PRRD's economic policies like BBB likely continuing with FMJ's landslide victory; any FMJ legislation seen to face no resistance as congress 'super majority' expected to be dominated by FMJ political allies,**

What now?

How to take advantage of the current situation?

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- ❑ **APPRECIATE the FUNDAMENTALS...**
- ❑ **KNOW the RISKS ahead...(Bumpy ride)**
- ❑ **Keep on Investing (look for bargains)**
- ❑ **Spend More (But wisely)**
- ❑ **PRAY... Harder**

The wind never blows to where the sailors want to.

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The sailor adjusts himself to the winds accordingly.

Philippine Macroeconomic Forecast

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Indicator*	2019	2020	2021	Last	2022E			2023E	Comments
					Scenarios				
					Base	Bear	Bull		
Global GDP (%YoY)	2.800	-3.10	5.80	2.30	4.30	-	-	3.60	FY2022 Global GDP growth slowing due to inflation headwinds and waning fiscal stimulus.
Global CPI (%YoY)	3.500	3.20	4.70	5.90				3.60	Persistent supply-demand imbalance and geopolitical risks pushing commodity prices and inflation higher this year.
US 10Y UST yield (%)	1.92	0.92	1.51	2.94	2.63	3.10	2.50	2.50	US bond yields gradually trending higher on elevated inflation risk and Fed guidance of hawkish policy response.
Philippine GDP (%YoY)	6.12	-9.60	5.60	7.80	6.20	6.00	6.50	5.80	FY2022 growth cut from 6.50% to 6.20% as inflation spikes weighs on consumption activity.
PH Avg Inflation (% YoY)	2.41	2.39	3.94	4.90	4.50	5.30	3.70	3.40	FY22 inflation raised to 4.50% assuming US\$100/bbl average oil price vs. US\$75/bbl previously.
Peso 3M Yield (%)	3.20	1.12	1.09	1.32	1.50	1.75	1.25	2.00	BSP and BTr policy supportmitigating upward pressure on short-term yields
Peso 10Y Yield (%)	4.46	3.00	4.82	6.12	6.25	6.50	6.13	5.50	Long-term bond yields incorporating inflation risks and expectations of policy normalization
USD/PHP	50.635	48.023	51.000	52.275	53.250	53.500	53.000	52.250	Import recovery, widening current account deficit, and relatively dovish BSP stance drive Peso weakness
PSEI Index	7,815.26	7,139.71	7,122.63	6,635.86	7,800.00			8,480.00	Sequential earnings recovery supportive of equities but higher inflation and commodity prices to pressure margins

*Global GDP based on Bloomberg median estimates. Forecasts indicate year-end target unless otherwise stated.

Thank You!



We find ways®



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He provides analysis on financial markets and macroeconomic developments in local and foreign markets. He held the same position at Equitable PCI Bank's Treasury Department from 1998 to 2002. His prior experience includes working as strategist, analyst, equities dealer and portfolio manager in both money management and institutional equity brokerage with DBS Securities and ACE Securities.

Jonas has been educating investors in trading strategies & corporate governance, having worked in financial markets for more than 25 years. He has delivered numerous lectures in the field of forecasting, investments and corporate governance here and abroad and regularly provides economic commentaries in the Asian Wall Street Journal and is a regular commentator on economic and financial markets on ANC, Bloomberg, and CNN Philippines. FocusEconomics ranked him as the #1 Forex Forecaster for the Philippines for 2018. In 2016, FocusEconomics ranked him as the #1 Current Account forecaster for the Philippines for 2015. He is also a lecturer of Ateneo BAP's treasury certification program. Recently, he obtained his Certified Technical Analyst from the Society of Technical Analysts, an international organization.

He holds a bachelor's degree in Management of Financial Institutions from the De La Salle University (1992). In 1996, he finished the Asian Securities Executive Program at the Asian Institute of Management (Manila)

Age:49 / Success Mantra: ***Fortune favors the brave.***