

The Daily Dispatch

Weekly Special Feature

June 09, 2023

OPEC+ May Push Up Oil Price, But China Most Important, IEA Says

By: Francine Lacqua and James Herron (Published on June 7, 2023)

The OPEC+ production cuts might put upward pressure on crude prices, but China's economy is the most important factor for the oil market, said International Energy Agency Executive Director Fatih Birol.



International Energy Agency Executive Director Fatih Birol sees China as the “most important” uncertainty in the global oil market.

Source: Bloomberg

“There are many uncertainties, as usual, when it comes to the oil market, and if I have to pick the most important one it's China,” Birol said in an interview with Bloomberg TV on Wednesday. “Of more than 2 million barrels a day of growth we expect this year in global oil demand, 60% is set to come from China.”

Over the weekend, the Organization of Petroleum Exporting Countries and its allies agreed to extend their existing production cuts by one year to the end of 2024. On top of that, Saudi Arabia said it would make an additional 1 million barrel-a-day output cut in July that could be extended further.

Oil prices rallied initially, but have since faltered as concerns about the strength of demand overshadowed the output cuts. Brent crude traded near \$76 a barrel on Wednesday, close to its level before the OPEC+ meeting.

“If the Chinese economy weakens, or growth is much lower than many international economic institutions believe, of course this can lead to bearish sentiment,” Birol said. On the other hand, if China's economy doesn't weaken, then the OPEC+ cuts will lead to a tight oil market in the second half, Birol said.

Source: Francine Lacqua and James Herron (2023). OPEC+ May Push Up Oil Price, But China Most Important, IEA Says. *Bloomberg*. Available at: <https://www.bloomberg.com/news/articles/2023-06-07/opec-may-push-up-oil-price-but-china-most-important-ia-says?srnd=markets-vp#xj4y7vzkg>

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TODAY'S TOP NEWS

BSP cuts banks' reserve requirement ratio to 9.5%

The BSP on reduced the reserve requirement ratio of universal and commercial banks by 250 bps to free up more funds. It also brought down the RRR of non-bank financial institutions with quasi-banking functions by 250 bps, of digital banks by 200 bps and of thrift banks, rural banks and cooperative banks by 100 bps.

SPNEC prepares to start Nueva Ecija expansion

Solar energy provider SP New Energy Corp. is set to break ground this year on the 3,000-hectare Nueva Ecija expansion project, dubbed as one of the world's largest solar power plants. SPNEC founder and president Leandro Antonio Leviste said the Nueva Ecija expansion project would be wholly-owned by the company.

Gov't to decide on best model to privatize NAIA

The unsolicited offer of the Manila International Airport Consortium to upgrade and rehabilitate the Ninoy Aquino International Airport is still alive even as the Department of Transportation submitted a solicited public private partnership model to the National Economic and Development Authority.

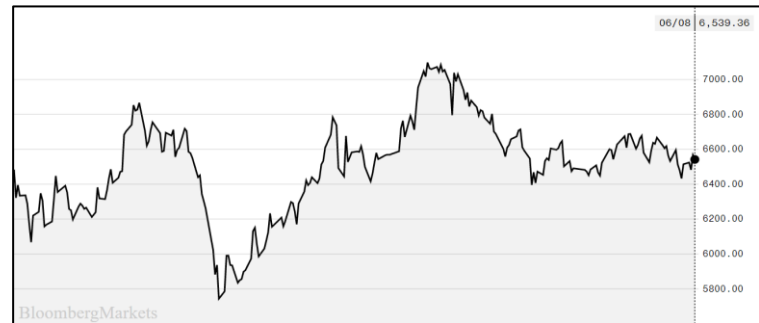
Manufacturing picked up 8.2% in April

Factory output grew faster in April as the continued slowdown in inflation triggered more production activities. Latest data from the Philippine Statistics Authority showed that the value of production index in April rose 10.7 percent, faster than 6.0 percent in March and 5 percent a year ago.

PGMPI eyes partners in extraction of rare elements

A consortium of institutional investors from South Korea and the Philippine General Minerals Project Inc. are actively exploring opportunities for collaboration and partnership for the sustainable extraction of critical minerals and rare earth elements in the Philippines.

Philippine Stock Market Update



Previous Close:

6,539.36

1 Yr Return:

-0.70%

Open:

6,541.04

YTD Return:

-0.39%

52-Week Range:

5,699.30 - 7,137.62

Source:

Bloomberg

Foreign Exchange

As of June 8, 2023

US Dollar	Philippine Peso
1	56.08

BVAL Reference Rates

As of June 8, 2023

Tenor	Rate
1Y	5.945
3Y	5.856
5Y	5.822
7Y	5.860
10Y	5.938
20Y	5.918

Daily Quote

“He who knows all the answers has not been asked all the questions.” — Confucius

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MORE LOCAL NEWS

Far East Holdings set to acquire Top Frontier shares

TOP FRONTIER Investment Holdings, Inc. has agreed to the subscription of shares by Far East Holdings Inc. valued at about P10.86 billion or an equivalent of around 13.5% of its current outstanding shares. Top Frontier said the subscription agreement covers 45 million of its unissued common shares priced at P241.42 apiece.

Bo's Coffee plans to open up to 25 more stores in 2023

HOMEGROWN COFFEE brand Bo's Coffee is targeting to increase the number of its stores to 150 this year, its top official said. Bo's Coffee Founder, Chairman and Chief Executive Officer Steve D. Benitez said that he expects the same growth in franchisees this year.

SEC clears Ayala Land's shelf registration of bonds

THE Securities and Exchange Commission (SEC) cleared the shelf registration of P50 billion worth of debt securities to be issued by Ayala Land, Inc. The commission said it had approved in an en banc decision the registration statement of Ayala Land covering bonds that may be issued in one or more tranches within three years.

EEI to build construction-related training center

EEI CORP. said that it plans to train 500 employees for its future projects through a new training center that will offer construction-related courses and skills. The company seeks to accommodate 500 trainees and offer training for material welding as well as training in skills related to electro-mechanical and light industries.

ERC penalizes Sem-Calaca after unplanned outages

SEMIRARA Mining and Power Corp. (SMPC) on Thursday said that it had been informed by its subsidiary about its receipt of the energy regulator's decision penalizing it for noncompliance with power outage reporting rules.

Pag-IBIG releases P16B short-term loans to members

The Home Development Mutual Fund, commonly known as Pag-IBIG Fund, released P16.44 billion in short-term loans in the first four months to help members access additional funding. Pag-IBIG's short-term loan program includes the agency's multi-purpose loan (MPL) and calamity loan.

CCLEX gaining traction, traffic slow to build up

The Cebu-Cordova Link Expressway is expected to reach its target traffic of 40,000 motorists a day only by 2025 due to delays in the completion of public projects that would complement the bridge. The motorist volume in the expressway has increased to 14,000 a day, however, the figure remains far from the projected 20,000.

World Bank suggests carbon tax

The World Bank has recommended that the Philippines adopt carbon pricing measures to accelerate its decarbonization efforts and transition to clean energy. Curbing greenhouse gas emissions through carbon pricing could also raise approximately \$7 billion dollars in revenue by 2030, according to the IMF.

Unemployed Pinoys down to 2.26M in April 2023

The number of jobless Filipinos continued its downward trajectory in April amid increased economic activity during the period, data released by the Philippine Statistics Authority (PSA) on Friday showed. The number of unemployed persons aged 15 years old and above declined to 2.26 million in April 2023.

Banks' bad loans ratio hits 3.41%

The share of bad debts to the banking sector's total loan book climbed for the fourth straight month to hit a seven-month high of 3.41% in April on the back of slower credit growth after a series of aggressive rate hikes delivered by the Bangko Sentral ng Pilipinas.

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TODAY'S TOP ASIAN NEWS

US luxury EV maker Lucid set to enter China market

US luxury electric vehicle (EV) maker Lucid Group is preparing to enter the world's largest auto market, its head of China operations Zhu Jiang said on Thursday (Jun 8).

India's central bank holds rates, as expected

INDIA'S central bank kept its key lending rate steady for a second straight policy meeting on Thursday (Jun 8), as widely anticipated, as it looked to assess the impact of past rate increases amid slowing inflation.

India predicted to outshine China

Economic growth in India is expected to outpace that of China this year and next, according to the Organization for Economic Cooperation and Development (OECD). The OECD predicted India, China and Indonesia would top gross domestic product growth projections for 2023 and 2024 and expects global growth of 2.7% this year.

Singapore economic czar to run for president

Singapore's veteran economic policymaker Tharman Shanmugaratnam is planning to run in the upcoming presidential elections that must be held by mid-September. Shanmugaratnam, once thought of as a potential candidate for International Monetary Fund chief, will resign from the ruling People's Action Party to stand for election.

Thomson Medical eyes Vietnam FV Hospital deal

Thomson Medical Group, which is backed by tycoon Peter Lim, is in advanced talks to buy a controlling stake in Vietnam's FV Hospital, people with knowledge of the matter said. Lim's firm beat out the other interested candidates to remain in the bidding, the people said, asking not to be identified as the process is private.

TODAY'S TOP GLOBAL NEWS

Oil prices recover after US, Iran deny nuclear deal

OIL prices settled lower on Thursday but rebounded from earlier losses after the US and Iran both denied a report that they were close to a nuclear deal. Oil fell by more than US\$3 on the report that the US would give Iran sanctions relief to export oil in return for Tehran reducing uranium enrichment.

JPM, MS review broking ties w/ Odey

JPMORGAN and Morgan Stanley are reviewing their prime broking relationships with Odey Asset Management after allegations of sexual misconduct and bullying by Crispin Odey reported by the Financial Times and Tortoise Media on Thursday (Jun 8), sources familiar with the matter said.

Apple, Epic ask court to reconsider antitrust ruling

APPLE and "Fortnite" maker Epic Games on Wednesday (Jun 7) both asked a US appeals court to reconsider its April ruling in an antitrust case that could force Apple to change payment practices in its App Store.

Over 1 in 4 USA home owners are cash poor — study

More than one-quarter of home owners in the United States are "house poor", spending more than 30 per cent of their income on housing costs, according to a new study. Chamber of Commerce found that 27.4 per cent of all home owners in its study are "cost-burdened".

Citigroup dismantles FX strat team, cuts analyst jobs

Citigroup has dismantled its global team that provides commentary and analysis on foreign-exchange markets, per sources. All jobs within the CitiFX global FX strategy team are affected, as other parts of the bank, such as its research division, are offering similar services. Some may continue to work with Citi in other capacities.