

February 2, 2023

## LOCAL MARKETS

Local equities rose, local fixed income yields were mixed, and the Philippine peso strengthened as investors digested an upbeat manufacturing PMI data and expectations of a less hawkish Fed.

### Key Events

- ✓ **The S&P Global Philippine's Manufacturing Purchasing Managers' Index (PMI) reached a seven-month high and grew for a third consecutive month to 53.5 in January from 53.1 in December.** The growth was driven by businesses increasing production levels as a response to an uptick in foreign demand. A PMI reading above 50 signals an expansion and improvement in operating conditions in the manufacturing sector.
- ✓ **The Manila Electric Co. (PSE Ticker: MER) assured its customers that it would exhaust all measures to mitigate the impact of the continued suspension of its 670 megawatts power service agreement with South Premiere Power Corp (SPPC).** SPPC officially ceased supplying MER under its PSA on Dec. 7, 2022, which forced MER to source its power requirement from the electricity spot market.

### Equities

- ✓ **Local equities rose despite lingering concerns on high inflation as investors digested the positive manufacturing PMI data and expectations of a slower pace of rate hikes from the US Fed.** The PSEi closed at 7,035.76 (+3.57% DoD).

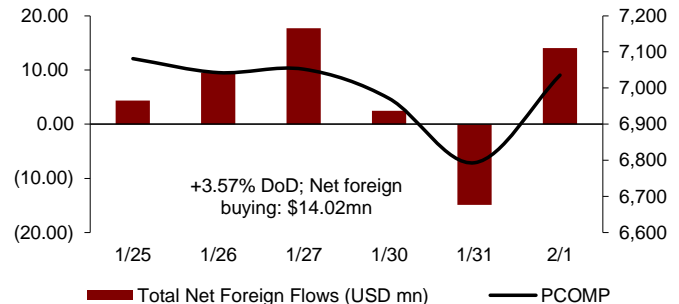
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0008	4.3112	5 years	-0.0021	5.8298
6 months	-0.0016	4.9170	7 years	+0.0023	5.9643
1 year	+0.0080	5.3387	10 years	-0.0009	6.0998
2 years	+0.0040	5.3609	20 years	-0.0514	6.4222
3 years	-0.0024	5.5849	30 years	-0.0567	6.4153
4 years	-0.0053	5.7266			

### Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	54.640	54.475	EUR/USD	1.0863	1.0990

### PSEi Snapshot



<b>Previous:</b>	6,793.3	<b>PSEi change:</b>	3.57%
<b>High:</b>	7,035.8	<b>Best:</b>	ACEN +7.14%
<b>Low:</b>	6,813.8	<b>2nd best:</b>	GLO +6.44%
<b>Close:</b>	7,035.8	<b>2nd worst:</b>	WLCON -0.47%
<b>Val. traded (mn):</b>	6,764.0	<b>Worst:</b>	SCC -2.50%

### Fixed Income

- ✓ **Local fixed income yields** were mixed but fell on average ahead of the US Federal Open Market Committee (FOMC)'s policy decision. Investors also mostly remained on the sidelines as the term deposit facilities were undersubscribed. The FOMC hiked its policy rate by 25 bps post-trading hours, consistent with market expectations. On average, yields fell by 0.97 bps, led by the long-end which went down by 3.63 bps.

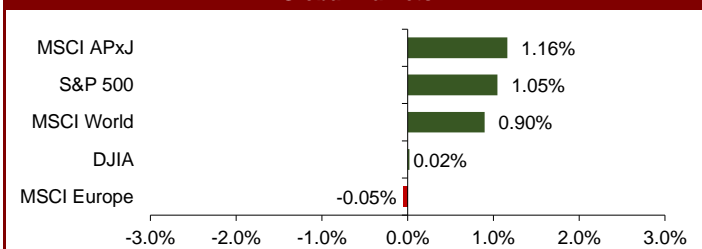
### Philippine peso

- ✓ **The Philippine peso strengthened** on upbeat local manufacturing PMI data and expectations of a less hawkish US Fed as data point to easing economic growth. US employment cost index rose less than expectations at 1% in 4Q22, while the prices in the US housing market continued to cool down from its peak in June. The USD/PHP pair closed at 54.48 (-0.30% DoD).

## OVERSEAS MARKETS

Global equities were mixed, US Treasury yields continued to fall, and the US Dollar weakened as investors digested the latest monetary policy decision by the US Fed.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0032	4.6383	5 years	-0.1017	3.5154
6 months	-0.0319	4.7643	10 years	-0.0903	3.4166
2 years	-0.0948	4.1063	30 years	-0.0664	3.5658

- ✓ **US equities rallied** as investors looked past the 25-bp rate hike and focused on Fed Chair Powell's acknowledgement of disinflation beginning its process. The S&P 500 closed at 4,119.21 (+1.05% DoD) and the DJIA closed at 34,092.96 (+0.02% DoD).
- ✓ **Asian equities rose** as encouraging China factory output data lifted sentiment. However, gains were capped as investors stayed cautious ahead of the Fed's policy decision. The MSCI APxJ closed at 555.51 (+1.16% DoD).
- ✓ **European equities** were relatively flat as investors braced for a slew of central bank decisions while weighing a flurry of earnings reports. The MSCI Europe closed at 152.01 (-0.05% DoD).
- ✓ **US Treasury yields** fell as investors digested the 25-bps rate hike from the Fed, which is in line with consensus expectations. Investors also assessed the tone of Fed Chair Powell's remarks. On average, yields were down by 6.47 bps, with the 2Y closing at 4.11% (-9.48 bps) and the 10Y closing at 3.42% (-9.03 bps).
- ✓ **The US Dollar weakened** to a nine-month low after US Federal Reserve Chair Powell commented about making progress in reducing inflationary pressures. The DXY closed at 101.22 (-0.86% DoD).

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