

February 8, 2023

## LOCAL MARKETS

Local equities fell, local fixed income yields rose, and the Philippine peso weakened following the higher-than-expected January inflation data release.

### Key Events

- ✓ **The Philippine Statistics Authority (PSA) reported that headline local inflation increased to a 14-year high of 8.7% in January from previously 8.1% in December 2022.** The rise was driven by the continued surge in food inflation and higher housing rentals. The January print was above the Bangko Sentral ng Pilipinas' (BSP) forecast of 7.5% to 8.3%.
- ✓ **Globe Telecom Inc. (PSE Ticker: GLO) reported a net income of Php34.6 billion in 2022, up by 46% from the previous year driven by one-time net gains from asset sales.** The proceeds of the asset sales include a Php8.4 billion partial sale of GLO's data center business and a Php6.2 billion gain from the sale and leaseback of tower assets. Excluding these, normalized net income would have been Php19.2 billion.

### Equities

- ✓ **Local equities fell** as the quicker-than-expected January local inflation fueled expectations that the BSP may hike interest rates further. The PSEi closed at 6,881.26 (-0.80% DoD).

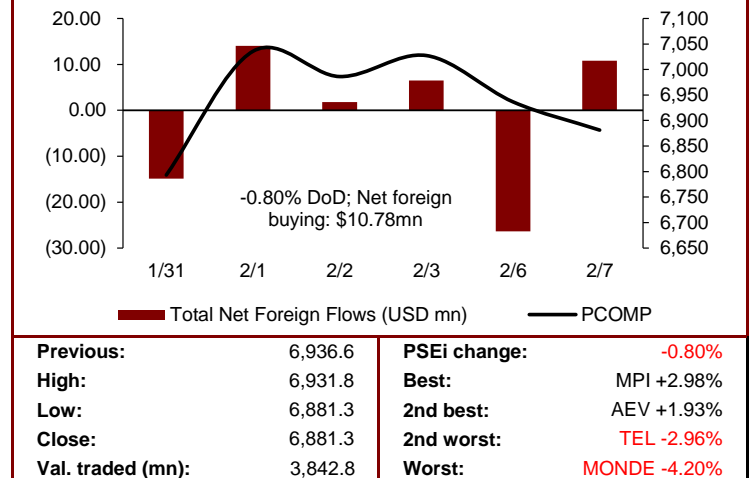
### Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0097	4.3348	5 years	+0.0493	5.8887
6 months	+0.0045	4.9085	7 years	+0.0955	6.0544
1 year	+0.0053	5.3134	10 years	+0.1572	6.2004
2 years	+0.0375	5.4178	20 years	+0.1405	6.5040
3 years	+0.0291	5.6312	30 years	+0.1425	6.5033
4 years	+0.0337	5.7725			

### Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.390	55.085	EUR/USD	1.0726

### PSEi Snapshot



### Fixed Income

- ✓ **Local fixed income yields went up** after the Philippine headline inflation rose to a 14-year high of 8.7%. Investors also digested the Bureau of the Treasury's 5.5-year retail treasury bond. On average, yields rose by 6.41 bps, led by the long-end which went up by 14.67 bps.

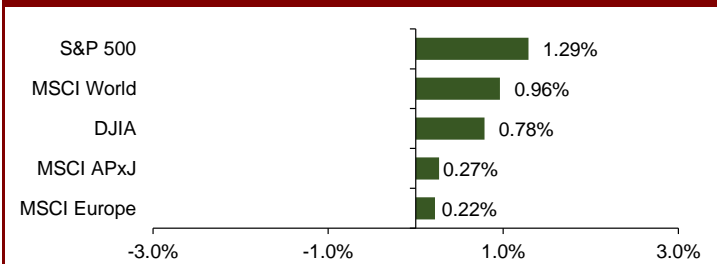
### Philippine peso

- ✓ **The Philippine peso weakened** as the January headline inflation surged faster than expected, surpassing the expectations of the market and the BSP. The strong US jobs data and hawkish remarks from some Fed officials also weighed on the local currency. The USD/PHP pair closed at 55.09 (+1.28% DoD).

## OVERSEAS MARKETS

Global equities gained, US Treasury yields were mixed, and the US Dollar weakened as investors continued to wait for more signals from major central banks' officials.

### Global Markets



### US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0191	4.6441	5 years	+0.0054	3.8337
6 months	+0.0327	4.8523	10 years	+0.0336	3.6735
2 years	-0.0080	4.4644	30 years	+0.0393	3.7129

- ✓ **US equities rallied** on improved sentiment after Fed Chair Jerome Powell's remarks saying that inflation has started easing. The S&P 500 closed at 4,164.00 (+1.29% DoD) and the DJIA closed at 34,156.69 (+0.78% DoD).
- ✓ **Asian equities rose** as investors awaited more cues from Fed Chair Powell's speech at the Economic Club of Washington. Chinese stocks also gained on some bargain hunting amid hopes of de-escalating tensions between the China and the US. The MSCI APxJ closed at 542.32 (+0.27% DoD).
- ✓ **European equities marginally went up** as investors waited for comments from central bank officials including US Federal Reserve Chairman Jerome Powell. The MSCI Europe closed at 153.69 (+0.22% DoD).
- ✓ **US Treasury yields were mixed** but rose on average following the comments from Fed Chairman Powell saying that inflation has started easing but the Fed might still need to aggressively raise rates to tame down inflation. On average, yields were up by 2.03 bps, with the 2Y closing at 4.46% (-0.80 bps) and the 10Y closing at 3.67% (+3.36 bps).
- ✓ **The US Dollar weakened** after the US Fed Chair Powell reiterated last week's assertion that disinflation has begun, predicting significant declines in inflation this year. The DXY closed at 103.43 (-0.19% DoD).