

February 28, 2023

LOCAL MARKETS

Local equities fell, local fixed income yields rose, and the Philippine peso weakened on higher-than-expected US inflation data and hawkish Fed remarks.

Key Events

- ✓ **The Bangko Sentral ng Pilipinas (BSP)** said it will likely reduce banks' Reserve Requirement Ratio (RRR) from 12% to 10%. This was aimed to encourage banks to cut their small-value digital transaction fees. BSP Governor Medalla said the central bank could deliver small increments of cuts in the RRR until it reaches the single-digit level.
- ✓ **Manila Electric Company (PSE Ticker: MER)** reported a 10.2% year-on-year growth in consolidated core net income to Php27.11 billion in 2022. This was driven by strong energy sales which exceeded pre-pandemic levels. Energy sales increased by 6% to 48,916 gigawatt-hours (GWh) in 2022 from 46,073 GWh in the previous year amid the sustained growth across all customer segments.

Equities

- ✓ **Local equities** fell after the higher-than-expected US Personal Consumption Expenditures (PCE) Price Index in January raised investors' expectations of more rate hikes from the US Federal Reserve. The PSEi closed at 6,599.34 (-1.29% DoD).

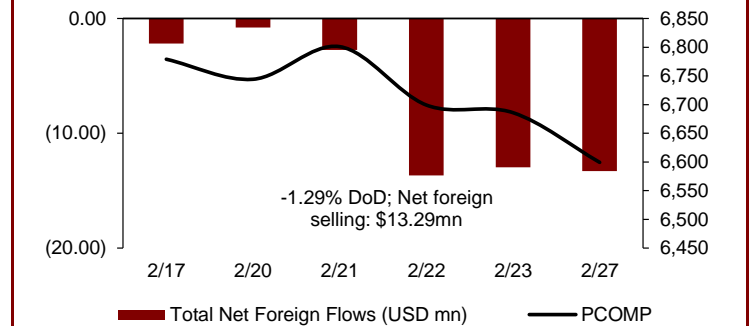
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0872	4.5860	5 years	-0.0068	5.9932
6 months	+0.0053	5.1468	7 years	-0.0009	6.1525
1 year	+0.1217	5.5681	10 years	-0.0062	6.3116
2 years	-0.0064	5.6467	20 years	+0.0003	6.5377
3 years	-0.0125	5.7882	30 years	+0.0017	6.5341
4 years	-0.0112	5.8968			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.870	55.510	EUR/USD	1.0548
				1.0609

PSEi Snapshot



Previous:	6,685.9	PSEi change:	-1.29%
High:	6,684.5	Best:	MER +1.81%
Low:	6,537.5	2nd best:	MBT +1.70%
Close:	6,599.3	2nd worst:	ICT -4.67%
Val. traded (mn):	5,970.4	Worst:	CNVRG -4.99%

Fixed Income

- ✓ **Local fixed income yields** rose on higher-than-expected US PCE data and hawkish Fed sentiment. On average, yields went up by 1.57 bps, led by the short-end which increased by 5.20 bps.

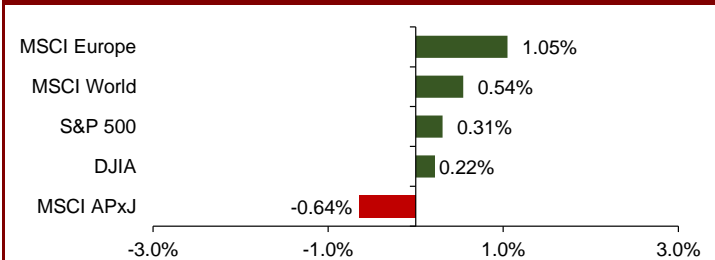
Philippine peso

- ✓ The **Philippine peso** weakened amid expectations of further monetary policy tightening by the US Fed after the US Personal Consumption Expenditure (PCE) price index came in higher than anticipated. Several Fed officials also gave hawkish remarks and expressed support for more rate hikes to control inflation. The USD/PHP pair closed at 55.51 (+1.17% DoD).

OVERSEAS MARKETS

Global equities were mixed, US Treasury yields fell, and the US Dollar strengthened as investors digested recent economic data releases and waited for the US Fed's monetary policy decision.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0239	4.7572	5 years	-0.0475	4.1677
6 months	-0.0220	5.0641	10 years	-0.0291	3.9141
2 years	-0.0353	4.7783	30 years	-0.0046	3.9263

- ✓ **US equities** slightly rose amid investors' bargain after the recent losses due to lingering fears of further rate hikes from the US Fed to control inflation. Investors also shifted their focus toward the release of a fresh batch of corporate earnings this week. The S&P 500 closed at 3,982.24 (+0.31% DoD) and the DJIA closed at 32,889.09 (+0.22% DoD).
- ✓ **Asian equities** fell as the higher-than-expected US PCE index continued to stoke rate hike fears. Hong Kong and China stocks also fell amid growing Sino-US tensions. The MSCI APxJ closed at 512.52 (-0.64% DoD).
- ✓ **European equities** rose as investors await regional inflation data to provide clues on the near-term path of interest rates. Preliminary inflation prints will be out in the Eurozone this week. The MSCI Europe closed at 155.10 (+1.05% DoD).
- ✓ **US Treasury yields** fell as investors weighed mixed economic data releases and continued to assess the possible moves of the Fed on monetary policy. On average, yields went down by 2.71 bps, with the 2Y closing at 4.78% (-3.53 bps) and the 10Y closing at 3.91% (-2.91 bps).
- ✓ The **US Dollar** weakened as investors consolidated gains and looked ahead for the release of jobs data and consumer prices for February. The DXY closed at 104.67 (-0.51% DoD).

