

January 16, 2023

LOCAL MARKETS

Local equities rose, local fixed income yields fell, and the Philippine peso strengthened on expectations of slower rate hikes from the US Federal Reserve.

Key Events

- ✓ **The Department of Budget and Management has called government agencies to submit their budget proposals between April 17 to May 15.** The proposed national budget for 2024 is a record high Php5.57 trillion, 5.7% higher than the Php5.27 trillion allotted this year. The budget is a response to continuing headwinds brought about by the Russia-Ukraine war: external recessionary pressures and high inflation.
- ✓ **Metro Pacific Investments Cor. (PSE Ticker: MPI)** said that it is considering going private and delisting from the Philippine Stock Exchange. This follows speculation about a potential entry of a foreign investor. However, the company noted it has not entered into any definitive agreement yet and no final decision has been made.

Equities

- ✓ **Local equities** rose as investors digested the US inflation data and bets of slower Fed rate hikes. China's reopening and easing restrictions also boosted market sentiment. The PSEi closed at 6,951.54 (+1.73% DoD).

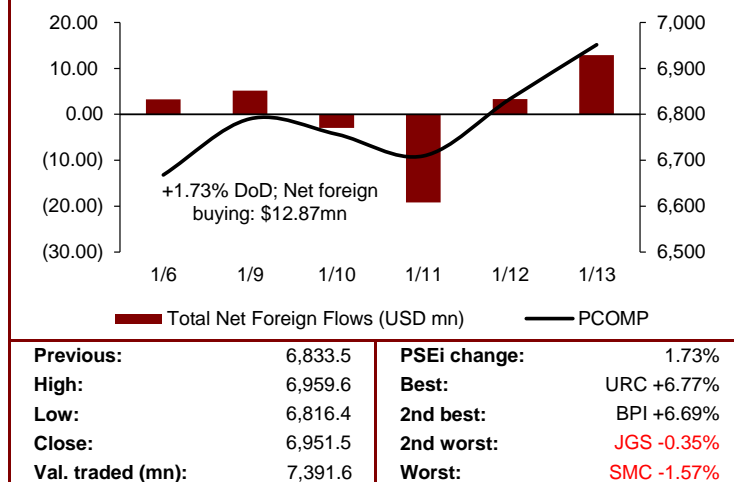
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0103	4.3887	5 years	-0.1463	6.2283
6 months	+0.0087	5.0447	7 years	-0.1360	6.3947
1 year	-0.0019	5.4130	10 years	-0.1753	6.4992
2 years	-0.1099	5.7266	20 years	-0.0005	7.0565
3 years	-0.1417	5.9635	30 years	+0.0012	7.0340
4 years	-0.1516	6.1126			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	55.290	54.890	EUR/USD	1.0853 1.0830

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income yields** fell as investors priced in slower Fed rate hikes. On average, yields went down by 7.66 bps, led by the belly of the curve which fell by 14.39 bps.

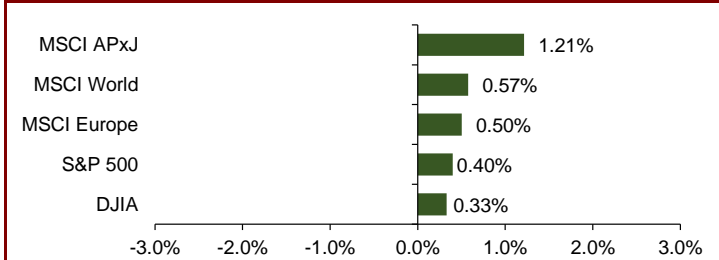
Philippine peso

- ✓ **The Philippine peso** strengthened against the US Dollar which weakened on bets of a slower Fed rate hike amid cooling inflation in the US. The USD/PHP pair closed at 54.89 (-0.72% DoD).

OVERSEAS MARKETS

Global equities gained and US Treasury yields rose as investors digested the strong US consumer sentiment survey and the latest inflation print. The US dollar weakened as market participants bet on a potential Fed pivot.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0023	4.5732	5 years	+0.0750	3.6107
6 months	-0.0025	4.7718	10 years	+0.0635	3.5035
2 years	+0.0874	4.2321	30 years	+0.0335	3.6103

- ✓ **US equities** gained as investors shrugged off a downbeat tone from large banks despite reporting resilient earnings. Stocks were also boosted by a strong University of Michigan consumer sentiment index which rose to 64.6 from 59.7 in December. The S&P 500 closed at 3,999.09 (+0.40% DoD) and the DJIA closed at 34,302.61 (+0.33% DoD).
- ✓ **Asian equities** rallied on the back of optimism from US economic data and expectations of a strong China economic rebound. Foreign investors looked past shrinking exports amid cooling global demand and continued to buy Chinese stocks, lifting its benchmark index to its highest level in four months. The MSCI APxJ closed at 544.26 (+1.21% DoD).
- ✓ **European equities** rose as investors searched for clues on monetary policy tightening following the latest US inflation print. The MSCI Europe closed at 151.86 (+0.50% DoD).
- ✓ **US Treasury yields** rose despite bets of slower rate hikes as investors digested the upbeat consumer sentiment survey and the latest US CPI. On average, yields went up by 4.24 bps, with the 2Y closing at 4.23% (+8.74 bps) and the 10Y at 3.50% (+6.35 bps).
- ✓ **The US Dollar** weakened amid bets of slower Fed monetary policy tightening following the slower inflation print in December. The DXY closed at 102.20 (-0.04% DoD).

