

May 17, 2023

LOCAL MARKETS

Local equities rose and local fixed income yields fell ahead of the BSP Monetary Board meeting. The Philippine Peso strengthened as investors digested the OFW.

Key Events

- ✓ The **Bangko Sentral ng Pilipinas (BSP)** may lower its reserve requirement ratio (RRR) instead of cutting its policy rate. The BSP Governor warned against cutting faster than the Federal Reserve as this may cause peso depreciation. As such, if there would be a need for looser monetary policy in the current setting, the BSP may opt to cut RRR.
- ✓ **GT Capital Holdings Inc. (PSE Ticker: GTCAP)** reported a consolidated net income of Php6.6 billion in 1Q23. This was 52% higher than the Php4.4 billion a year ago, driven by contributions from its business units. Metropolitan Bank & Trust Co. (PSE Ticker: MBT), the company's banking unit, posted a 31.3% increase in its net income to Php10.5 billion.

Equities

- ✓ **Local equities** rebounded after a two-day slump on bargain hunting ahead of the Bangko Sentral ng Pilipinas (BSP) policy meeting and the US debt ceiling negotiations. The PSEi closed at 6,588.90 (+1.01% DoD).

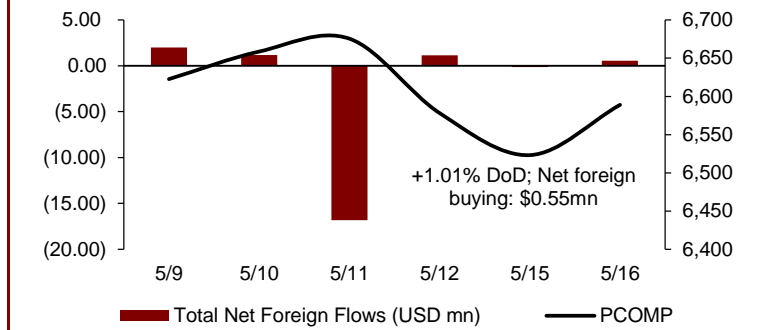
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0559	5.6858	5 years	-0.0238	5.7408
6 months	-0.0387	5.8279	7 years	-0.0336	5.7085
1 year	-0.0547	5.9669	10 years	-0.0465	5.7108
2 years	-0.0059	6.0089	20 years	-0.0437	5.7729
3 years	-0.0188	5.8625	30 years	-0.0022	5.8893
4 years	-0.0174	5.7924			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	56.070	56.030	EUR/USD	1.0874	1.0862

PSEi Snapshot



Previous:	6,523.2	PSEi change:	1.01%
High:	6,596.3	Best:	GTCAP +4.21%
Low:	6,549.3	2nd best:	MONDE +4.15%
Close:	6,588.9	2nd worst:	DMC -0.71%
Val. traded (mn):	2,682.5	Worst:	PGOLD -1.23%

Fixed Income

- ✓ **Local fixed income yields** continued to fall ahead of the BSP's Monetary Board meeting. News that the BSP may also lower its RRR in the medium-term also pushed down yields. On average, yields fell by 3.10 bps, led by the short end of the curve which went down by 3.48 bps.

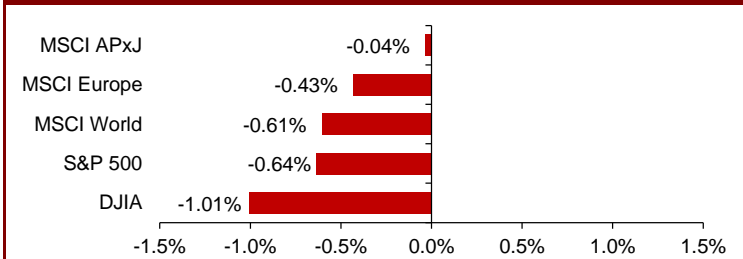
Philippine peso

- ✓ The **Philippine Peso** strengthened as investors digested the OFW remittances data which rose 3% in March. The USD/PHP pair closed at 56.03 (-0.07% DoD).

OVERSEAS MARKETS

Global equities fell, US Treasury yields rose, and the US dollar slightly strengthened as investors kept an eye on the ongoing US debt ceiling negotiations and assessed latest economic data releases.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0460	5.1900	5 years	+0.0550	3.5270
6 months	+0.0730	5.2310	10 years	+0.0330	3.5410
2 years	+0.0730	4.0880	30 years	+0.0100	3.8560

- ✓ **US equities** slumped on weakened sentiment after Home Depot posted lackluster earnings and announced a cut in its forward guidance. Lingering concerns surrounding the US debt ceiling negotiations also weighed on the market. The S&P 500 closed at 4,109.90 (-0.64% DoD) and the DJIA closed at 33,012.14 (-1.01% DoD).
- ✓ **Asian equities** were little changed as investors assessed the pace of China's recovery after disappointing economic data results. Retail sales rose by 18.4%, industrial production jumped by 5.6%, and fixed asset investments grew 5.2%--all below consensus estimate. The MSCI APxJ closed at 514.05 (-0.04% DoD).
- ✓ **European equities** fell as investors continued to watch out for US debt ceiling developments while waiting for fresh catalysts. The MSCI Europe closed at 156.20 (-0.43% DoD).
- ✓ **US Treasury yields** rose as investors weighed the latest spending data while keeping an eye on ongoing debt ceiling negotiations. On average, yields went up by 3.87 bps, with the 2Y closing at 4.09% (+7.30 bps) and the 10Y closing at 3.54% (+3.30 bps).
- ✓ The **US Dollar** slightly strengthened as investors continued to assess the debt ceiling negotiations and the US Fed officials' remarks. The DXY closed at 102.56 (+0.13% DoD).