

May 22, 2023

LOCAL MARKETS

Local equities rose as BSP pauses rate hike cycle. Local fixed income yields rose on bargain hunting. The Philippine peso strengthened on dovish Fed comments.

Key Events

- ✓ **Department of Finance** Secretary Benjamin Diokno rejected a recent proposal that would have raised minimum wage by P150. He said that a P150 hike would increase inflation by 1.4% and advised against higher-than-expected wage increases.
- ✓ **ACEN Corp. (PSE Ticker: ACEN)** is planning to raise the capacity of its Pagudpud wind project to 135 megawatts (MW) by year-end from its current 80 MW. The company expects the wind project to be fully operational no later than December 2025 which is in time for the green energy auction program by the government.

Equities

- ✓ **Local equities** rose as the Bangko Sentral ng Pilipinas (BSP) held rates steady and signaled a potential cut in the reserve requirement ratio (RRR). The PSEi closed at 6,664.55 (+0.54% DoD).

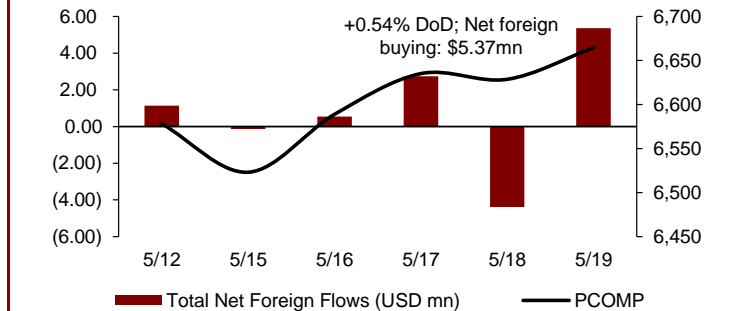
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0527	5.6979	5 years	+0.0029	5.6756
6 months	+0.0036	5.8230	7 years	+0.0072	5.6495
1 year	-0.0161	5.9062	10 years	+0.0262	5.6809
2 years	-0.0056	5.9514	20 years	+0.0577	5.7903
3 years	-0.0007	5.7961	30 years	+0.0198	5.8406
4 years	-0.0002	5.7231			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	55.870	55.670	EUR/USD	1.0770	1.0805

PSEi Snapshot



Previous:	6,628.6	PSEi change:	0.54%
High:	6,694.1	Best:	BDO +2.56%
Low:	6,635.5	2nd best:	GTCAP +1.70%
Close:	6,664.6	2nd worst:	ICT -1.37%
Val. traded (mn):	3,605.2	Worst:	CNVRG -2.08%

Fixed Income

- ✓ **Local fixed income yields** rose on bargain hunting following 4 straight sessions of falling yields. Yields fell in previous sessions as the BSP hinted a possible peak in its rate hiking cycle and a cut in the RRR in 2H23. On average, yields rose by 1.34 bps, led by the long end of the curve which went up by 3.88 bps.

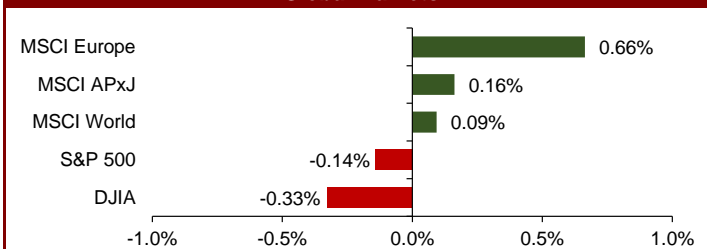
Philippine peso

- ✓ The **Philippine Peso** slightly strengthened as the Dollar dipped after Fed Chair Jerome Powell commented that rates may not have to rise as much as previously expected given the banking sector turmoil. The USD/PHP pair closed at 55.67 (-0.36% DoD).

OVERSEAS MARKETS

Global equities were mixed as investors focused on the US debt ceiling negotiations. US Treasury yields rose and the US Dollar weakened amid mixed remarks from US Fed officials.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0220	5.2670	5 years	+0.0480	3.7340
6 months	-0.0050	5.3510	10 years	+0.0270	3.6780
2 years	+0.0120	4.2700	30 years	+0.0260	3.9320

- ✓ **US equities** fell as Congress paused its debt-ceiling negotiations for 6 hours. Bank shares also fell as Treasury Secretary Yellen said some bank mergers may be necessary. The S&P 500 closed at 4,191.98 (-0.14% DoD) and the DJIA closed at 33,426.63 (-0.33% DoD).
- ✓ **Asian equities** continued to rise on hopes for a US debt-ceiling deal. However, gains were capped as China stocks declined amid worries of sluggish consumer spending. The MSCI APxJ closed at 513.32 (+0.16% DoD).
- ✓ **European equities** climbed after Germany's blue-chip index hit a record high on hopes of progress in the US debt ceiling negotiations. The MSCI Europe closed at 157.63 (+0.66% DoD).
- ✓ **US Treasury yields** rose as investors digested mixed remarks from Fed officials. In contrast to Fed Chair Powell's remarks, Dallas Fed's Lorie Logan commented she did not believe halting interest rate hikes was justified based on recent economic data. On average, yields went up by 4.91 bps, with the 2Y closing at 4.27% (+1.20 bps) and the 10Y closing at 3.68% (+2.70 bps).
- ✓ The **US Dollar** weakened after Fed Chair Powell's comments on interest rates and the banking sector. The DXY closed at 103.20 (-0.37% DoD).

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