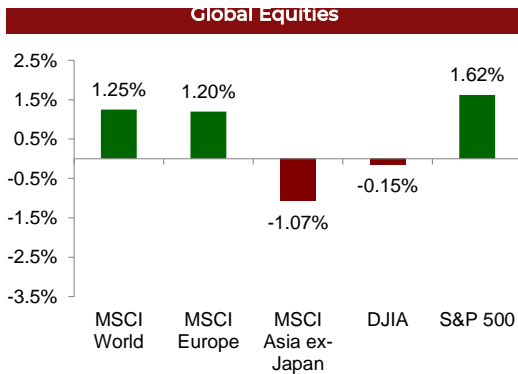
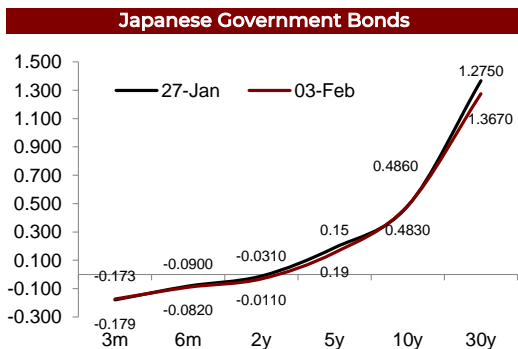
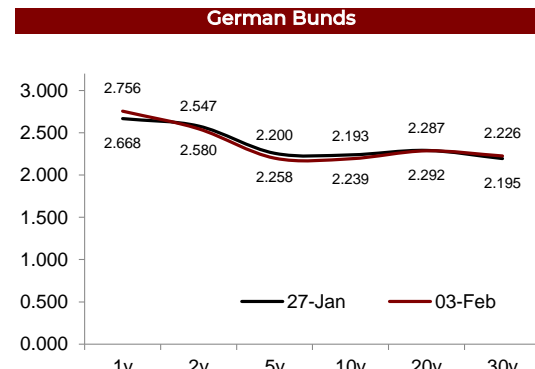
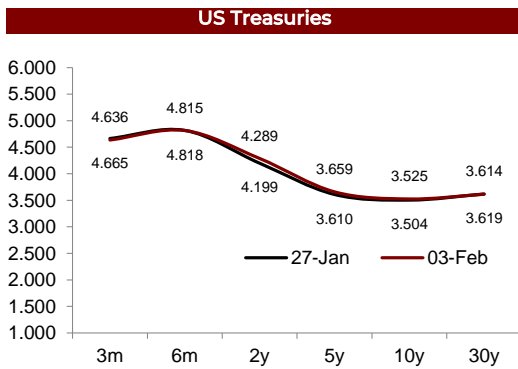


February 6, 2023

Global equities and global yields were mixed amid a slew of market developments. Global oil prices fell after the strong US employment data raised concerns about the Fed keeping the interest rates higher for longer.



- ✓ **US equities** were mixed as investors digested the 25-bps rate hike by the Fed, upbeat US jobs report, and corporate earnings releases during the week. The DJIA closed at 33,926.01 (-0.15% WoW), while the S&P 500 closed at 4,136.48 (+1.62% WoW).
- ✓ **Asian equities** ended lower as the Indian conglomerate Adani Group's shares fell amid allegations of embezzlement and fraud. Foreign investors have also paused their buying of Chinese stocks due to concerns about the country's post-pandemic recovery. The MSCI APxJ closed at 553.71 (-1.07% WoW).
- ✓ **European equities** rose as confidence about the future of the region's economy offset worries that US interest rates would remain high for a longer period of time. Sentiment was also boosted by the gains from the healthcare and energy companies. The MSCI Europe closed at 154.51 (+1.20% WoW).



- ✓ **US Treasury yields** were mixed but rose on average as investors digested the 25-bps rate hike from the Fed last week and assessed the softer inflation and solid jobs data. Nonfarm payrolls rose stronger-than-expected to 517,000 in January. On average, yields rose by 2.05 bps WoW with the 10Y closing at 3.52% (+2.11 bps).
- ✓ **German bund yields** declined after inflation in the euro zone dropped for a third consecutive month in January amid a significant fall in energy costs. On average, yields fell by 0.38 bps WoW with the 10Y closing at 2.19% (-4.60 bps).
- ✓ **Japanese bond yields** fell as the Bank of Japan continues to buy government bonds which underscores its resolve to defend its yield cap. On average, yields went down 2.43 bps WoW with the 10Y closing at 0.49% (+0.30 bps).
- ✓ **Key events that transpired during the week:**
- ✓ **The US Bureau of Labor Statistics reported that nonfarm payrolls rose by 517,000 in Jan**, significantly above consensus expectations of 188,000. US unemployment rate also declined to 3.4%, lower than consensus expectations of 3.6% and the December print of 3.5%.
- ✓ According to preliminary Eurostat data, **the Eurozone economy surprised to the upside and grew by 0.1% in 4Q22**. This came after a 0.3% expansion in 3Q22, relieving regional recession fears.

- ✓ **Global oil prices** fell after the strong US employment data raised concerns about the Fed keeping the interest rates higher for longer. Investors also sought more clarity on the impending EU embargo on Russian refined products. Brent oil closed at \$79.94 per barrel (-7.75% WoW), while WTI crude closed at \$73.39 per barrel (-7.89% WoW).

Commodities

\$bbl	3-Feb-2023	% Change
Brent	79.94	-7.75%
WTI	73.39	-7.89%
BBG Commodity index	107.07	-4.07%

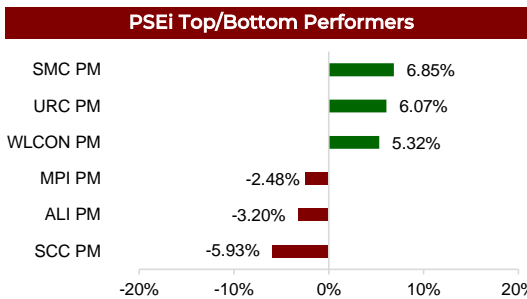
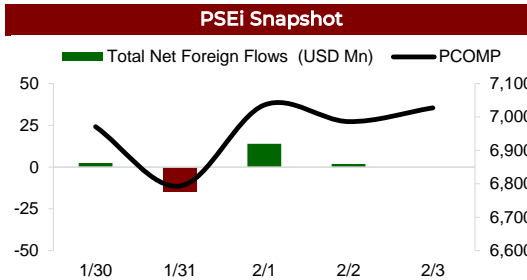
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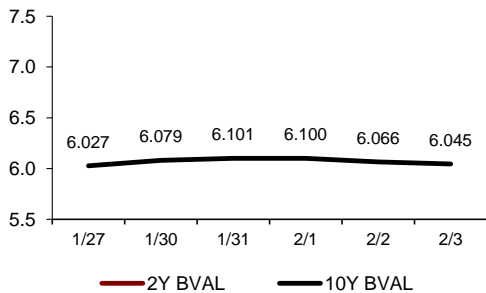
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Local equities declined, local fixed income yields fell, and the Philippine peso strengthened following the latest FOMC meeting.

- ✓ **Local equities** fell amid profit taking. Investors also digested economic data releases and the interest rate hike from the Fed. The PSEi finished at 7,027.38 (-0.35% WoW).
- ✓ Top performers were San Miguel Corporation (PSE Ticker: SMC; +6.85%), Universal Robina Corporation (URC; +6.07%), and Wilcon Depot, Inc. (WLCON; +5.32%). Meanwhile, Metro Pacific Investments Corporation (PSE Ticker: MPI; -2.48%), Ayala Land, Inc. (ALI; -3.20%), and Semirara Mining and Power Corporation (SCC; -5.93%) were the laggards of the week.
- ✓ **Key events that transpired during the week:**
- ✓ **ACEN Corporation (PSE Ticker: ACEN)** had fully acquired ACEN Australia through its subsidiary ACEN Renewables International. The acquisition would result in ACEN's full ownership of the 521MW New England solar farm project and 520MW direct current Stubbo solar farm in Australia. The company will also acquire ACEN Australia's projects that are currently in the pipeline which include those in New South Wales, Tasmania, Victoria, and South Australia.
- ✓ **Metro Pacific Investment Corp. (PSE Ticker: MPI)** is expecting to generate Php500 million in revenue from its dairy business by 2025. MPI and its partner, LR Group, are investing Php2 billion to build a facility that aims produce at least six million liters of milk annually. The construction of the facility will start in 2023 and is expected to begin operations in late 2025 or early 2026.



Local Bond Market Movements



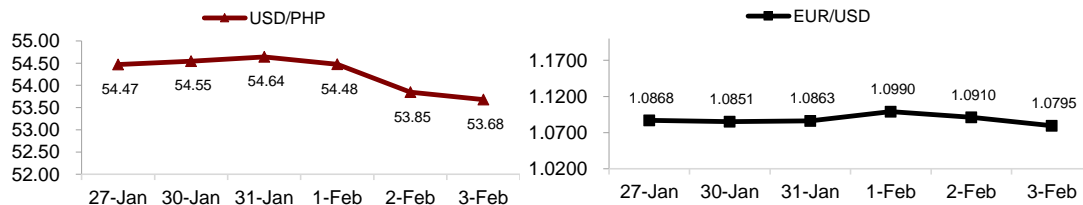
- ✓ The **Philippine peso** strengthened to a seven-month high as the US Dollar fell after the Fed's 25-bps rate hike and remarks about making progress in reducing inflationary pressures. The USD/PHP pair closed at 53.68 (-1.45% WoW).
- ✓ The **Euro** weakened after the US Dollar rallied on strong US jobs report. Investors also digested the widely expected 50-bps rate hike by the European Central Bank. The EUR/USD pair closed at 1.08 (-0.67% WoW).

- ✓ **Local fixed income yields** fell as investors digested the Fed's policy decision and the Bureau of the Treasury's reissuance of 25-year papers at a lower average rate. On average, yields fell by 1.20 bps WoW with the 10Y closing at 6.04% (+1.78 bps).
- ✓ **Key events that happened during the week:**
- ✓ **Fitch Ratings sees strong profits for Philippine banks this year as rising interest rates will help banks reprice their existing loans.** However, the company is wary of rising interest rates and high inflation affecting the repayment capacity of borrowers. Nonetheless, most corporate balance sheets are seen to have sufficient financial buffers to hedge against rising interest rates.
- ✓ **According to the Bureau of the Treasury (BTr), the national government's outstanding debt decreased from the record high of Php13.64 trillion in November to Php13.42 trillion in December.** The decline was aided in part by the peso's strengthening against the US Dollar and net redemption of local government securities.

Foreign Exchange

Pair	Previous Close	01/27/23	Closing	02/03/23
USD/PHP	54.470	54.470	53.680	53.680
EUR/USD	1.0868	1.0868	1.0795	1.0795

Foreign Exchange



Sources: BPI, Business World, PDI, Phil Star, Manila Bulletin, Reuters, Briefing, Bloomberg, CNN, Dow Jones, The Wall Street Journal, CNBC

