

April 20, 2023

LOCAL MARKETS

Local equities fell, local fixed income yields went up, and the Philippine peso weakened on Fed rate hike bets.

Key Events

- ✓ The **Bangko Sentral ng Pilipinas** reported that the balance of payments (BoP) surplus hit \$1.27 billion in March, a turnaround from the \$895 million deficit recorded in February. The BoP surplus in March 2023 was driven by the National Government's net foreign currency loans and net income from the BSP's investments abroad. The latest figure also brings the YTD BoP position to a \$3.45 billion surplus.
- ✓ **BDO Unibank, Inc. (PSE Ticker: BDO)** said it expects consumer loan growth at 8% to 10% this year despite rising interest rates. BDO President Nestor Tan noted that more Filipinos are expected to get loans for their business or other needs following the pandemic restrictions. However, optimism is tempered with caution as inflation remains elevated, which may place further pressure on interest rates.

Equities

- ✓ **Local equities** continued to decline as investors looked ahead to the Fed's policy meeting to assess the direction of monetary policy in the US and the Philippines. Recent economic data and corporate earnings results also added to the volatility in the market. The PSEi closed at 6,446.35 (-0.28% DoD).

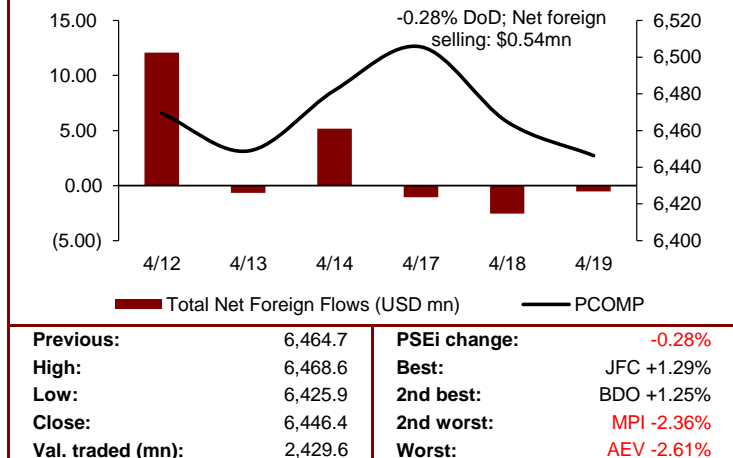
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0078	5.6187	5 years	+0.0100	5.9506
6 months	-0.0154	5.8568	7 years	-0.0058	6.0185
1 year	+0.0563	6.1683	10 years	-0.0141	6.1743
2 years	+0.0422	5.9474	20 years	-0.0021	6.4401
3 years	+0.0320	5.9288	30 years	+0.0018	6.4417
4 years	+0.0196	5.9335			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	56.140	56.210	EUR/USD	1.0972	1.0955

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income yields** rose as hawkish sentiment from Fed officials fueled rate hike bets. On average, yields rose by 1.06 bps, led by the short end of the curve which went up by 1.88 bps.

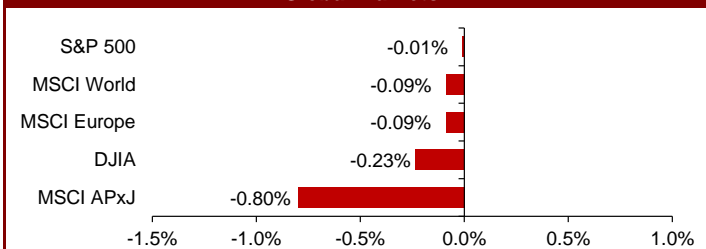
Philippine peso

- ✓ The **Philippine Peso** weakened as investors continued to weigh concerns over a narrowing differential amid a potential pause in the BSP's tightening cycle while the US Federal Reserve is seen to continue raising rates. The USD/PHP pair closed at 56.21 (+0.12% DoD).

OVERSEAS MARKETS

Global equities fell, US Treasury yields slightly rose, and the US Dollar strengthened as investors weighed economic data releases and increasing bets of 25-bp rate hike in the May policy meeting of the US Fed.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0200	5.0901	5 years	+0.0227	3.7013
6 months	-0.0107	5.0361	10 years	+0.0152	3.5908
2 years	+0.0470	4.2437	30 years	-0.0009	3.7865

- ✓ **US equities** were little changed as investors assessed the latest batch of corporate earnings. A lack of forecasts from major companies and expectations of another rate hike in the next month also weighed on sentiment. The S&P 500 closed at 4,154.52 (-0.01% DoD) and the DJIA closed at 33,897.01 (-0.23% DoD).
- ✓ **Asian equities** tumbled amid concerns on China's uneven recovery. Contradictory economic data in the first quarter added to the weak sentiment in the region as well. The MSCI APxJ closed at 523.94 (-0.80% DoD).
- ✓ **European equities** retreated amid dampened sentiment with persistent inflation evident in the Eurozone's March core inflation reading of 7.5% YoY, an uptick from 7.4% in Feb. The MSCI Europe closed at 157.35 (-0.09% DoD).
- ✓ **US Treasury yields** rose as investors remained wary of persistent inflation after Eurozone's core inflation reading edged up for the month of March. On average, yields rose by 1.56 bps, with the 2Y closing at 4.24% (+4.70 bps) and the 10Y closing at 3.59% (+1.52 bps).
- ✓ The **US Dollar** strengthened amid expectations that the US Fed will raise rates by another 25-bps in May. The DXY closed at 101.97 (+0.22% DoD).

www.bpiassetmanagement.com

