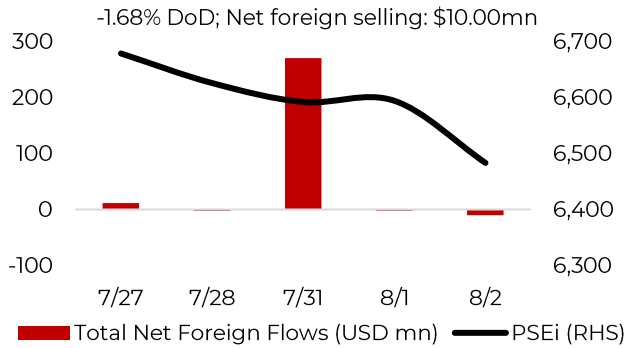


# The Morning View

AUGUST 3, 2023

## Philippine Stock Exchange Index



|                          | Level    | DoD       |
|--------------------------|----------|-----------|
| PSEi                     | 6,483.28 | -1.68%    |
| 3-mo bond yield          | 5.52%    | -3.18 bps |
| 2-yr bond yield          | 6.24%    | -0.10 bps |
| 10-yr bond yield         | 6.40%    | +1.45 bps |
| USDPHP                   | 55.19    | +0.77%    |
| Oil (Brent, \$ / barrel) | 83.2     | -2.01%    |

The **House Ways and Means Committee** approved a new bill that seeks to levy margin-based royalties and windfall taxes on mining operators. Royalties can be 3% of gross output or 1%-5% of income depending on where the mining operations are located. Windfall taxes can reach as high as 10% depending on their profit margins.

**Aboitiz Equity Ventures, Inc. (PSE Ticker: AEV)** announced that it plans to partner with Coca-Cola Europacific Partners PLC and jointly acquire Coca-Cola Beverages Philippines, Inc. for \$1.8 billion. AEV said that it had also entered a non-binding letter of intent with The Coca-Cola Co. for the acquisition of 100% ownership of its local unit.

**Local equities** dropped as Fitch Ratings' surprise cut in the credit rating of the US weighed on market sentiment. The PSEi closed at 6,483.28 (-1.68% DoD).

**Local fixed income yields** were mixed as the Bangko Sentral ng Pilipinas raised Php280.09 billion through its term deposit facility and as investors also digested news of the US credit rating downgrade. On average, yields rose by 0.37 bps, with the 2Y closing at 6.24% (-0.1 bps) and the 10Y closing at 6.4% (+1.45 bps).

The **Philippine peso** weakened amid the risk-off sentiment following the US sovereign's credit rating downgrade from 'AAA' to 'AA+' by Fitch. The USD/PHP pair closed at 55.19 (+0.77% DoD).

**US private payroll rose by 324,000 in July according to ADP**, pointing to labor market resilience, as small businesses boosted hiring. The services sector continued to dominate with 303,000 employment gains lifted by leisure and hospitality jobs.

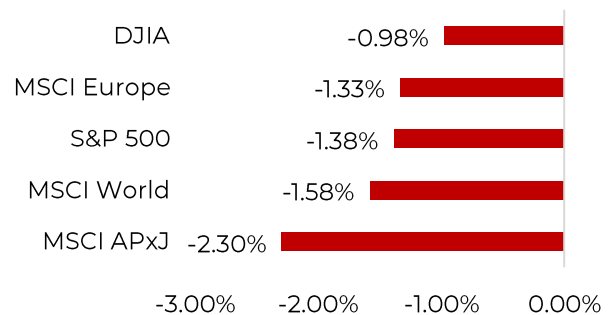
**US homeowner vacancy rate declined 0.7% QoQ in the second quarter**, intensifying the shortage in housing. Rental vacancy rate also slipped to 6.3% QoQ as demand surged amid historically high home prices.

**US equities** declined as Fitch's downgrade of the US' credit rating sparked a sell-off. Investors also digested the higher-than-expected July private payrolls data. The S&P 500 closed at 4,513.39 (-1.38% DoD) and the DJIA closed at 35,282.52 (-0.98% DoD).

**US Treasury yields** were mixed as investors weighed the economic outlook after Fitch downgraded the US credit rating. The US Treasury Department will also issue US\$103 billion securities next week. On average, yields gained 2.86 bps, with the 2Y closing at 4.88% (-2.30 bps) and the 10Y closing at 4.09% (+5.70 bps).

The **US dollar** strengthened as investors weighed the higher-than-expected increase in private payrolls data and the recent credit downgrade by Fitch for the US. The DXY closed at 102.59 (+0.28% DoD).

## Global Stock Indices



|                         | Level     | DoD       |
|-------------------------|-----------|-----------|
| S&P 500                 | 4,513.39  | -1.38%    |
| DJIA                    | 35,282.52 | -0.98%    |
| 3-mo US Treasury yield  | 5.44%     | +0.70 bps |
| 2-yr US Treasury yield  | 4.88%     | -2.30 bps |
| 10-yr US Treasury yield | 4.09%     | +5.70 bps |
| DXY                     | 102.59    | +0.28%    |

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