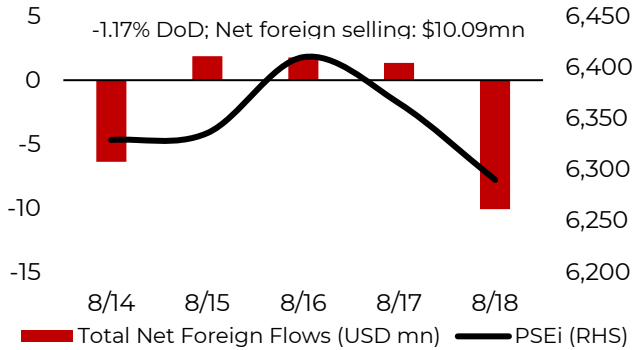


# The Morning View

AUGUST 22, 2023

## Philippine Stock Exchange Index



	Level	DoD
PSEi	6,290.27	-1.17%
3-mo bond yield	5.76%	+0.64 bps
2-yr bond yield	6.27%	+1.16 bps
10-yr bond yield	6.55%	-0.82 bps
USDPHP	56.18	-1.04%
Oil (Brent, \$ / barrel)	84.46	-0.40%

The **Bangko Sentral ng Pilipinas (BSP)** plans to cut the reserve requirement ratio (RRR) but will likely only do so once its tightening cycle ends. Since 2018, the BSP has cut the RRR from 20% to 9.5%.

**International Container Terminal Services, Inc. (Ticker: ICT)** added six new automated stacking cranes at its port in Australia. This is expected to expand the company's terminal yard and reefer capacity by 30% and 43%, respectively.

**Local equities** ended lower last Friday as investors took a wait-and-see stance amid growing concerns over China's economy and the US Fed's policy rate outlook. BSP's upward revision to its inflation forecasts also continued to weigh on market sentiment. The PSEi closed at 6,290.27 (-1.17% DoD).

**Local fixed income yields** were relatively flat as investors weighed the BSP maintaining its policy rate and raising its inflation forecasts. On average, yields fell by 0.03 bps, with the 2Y closing at 6.27% (+1.16 bps) and the 10Y closing at 6.55% (-0.82 bps).

The **Philippine peso** strengthened after BSP Governor Remolona commented that the BSP is ready to tighten if necessary. The USD/PHP pair closed at 56.18 (-0.40% DoD).

**Euro area consumer prices slowed to 5.3% YoY in July (June: 5.5%),** while core inflation remained flat at 5.5% YoY, as energy prices continued to ease. In contrast, services inflation rose to 5.6% YoY (June: 5.4%) amid an unusually tight labor market.

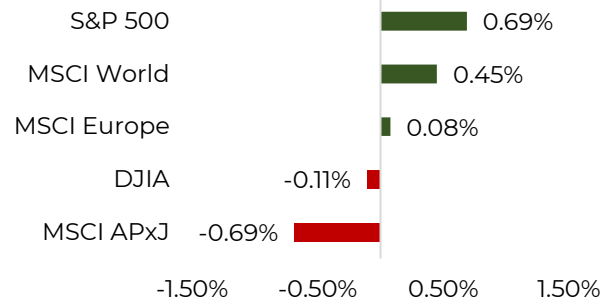
**The People's Bank of China (PBOC) lowered its one-year loan prime rate to 3.45%,** following an unexpected 15-bps cut to its one-year MLF rate last week, to lift the economy from property crisis, falling exports, and weak consumer spending.

**US equities** were mixed as investors weighed the rise in bond yields to highs which put downward pressure on the stock market. The S&P 500 closed at 4,399.77 (+0.69% DoD) and the DJIA closed at 34,463.69 (-0.11% DoD).

**US Treasury yields** soared as investors are positioning for interest rates and inflation to be elevated for longer as the economy remains resilient. On average, yields gained 5.60 bps, with the 2Y closing at 5.01% (+5.80 bps) and the 10Y closing at 4.34% (+8.70 bps).

The **US dollar** weakened ahead of the US Fed's Jackson Hole symposium. The DXY closed at 103.30 (-0.07% DoD).

## Global Stock Indices



	Level	DoD
S&P 500	4,399.77	+0.69%
DJIA	34,463.69	-0.11%
3-mo US Treasury yield	5.44%	-0.10 bps
2-yr US Treasury yield	5.01%	+5.80 bps
10-yr US Treasury yield	4.34%	+8.70 bps
DXY	103.30	-0.07%