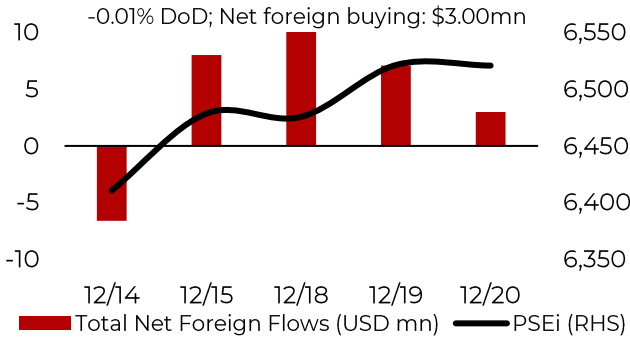


The Morning View

DECEMBER 21, 2023

Philippine Stock Exchange Index



	Level	DoD
PSEi	6,520.75	-0.01%
3-mo bond yield	5.14%	-1.49 bps
2-yr bond yield	5.94%	-4.98 bps
10-yr bond yield	6.00%	-8.07 bps
USDPHP	55.75	-0.36%
Oil (Brent, \$ / barrel)	79.7	+0.59%

The Bangko Sentral ng Pilipinas (BSP) reported a turnaround of \$216 million balance of payments (BOP) deficit in November from a \$1.5 million surplus in October. Outflows were mainly from payments for the government's foreign currency obligations. This brought year-to-date BOP surplus to \$3.03 billion.

Manila Water Co., Inc. (Ticker: MWC) signed a new 10-year term loan facility worth Php7 billion with Landbank of the Philippines. The proceeds will be used for the firm's general corporate requirements and capital expenditure projects.

Local equities inched lower as investors took profit from the recent rally and waited for new market catalysts. The PSEi closed at 6,520.75 (-0.01% DoD).

Local fixed income yields dropped as investors continued to digest expectations of potential rate cuts from the US Fed next year. This was despite BSP Governor Remolona's hawkish comments saying that the central bank is unlikely to start cutting rates in the next few months. On average, yields fell by 4.51 bps, with the 2Y closing at 5.94% (-4.98 bps) and the 10Y closing at 6.00% (-8.07 bps).

The **Philippine peso** strengthened after the BSP signaled that it will keep rates higher for longer. The USD/PHP pair closed at 55.75 (-0.36% DoD).

The US consumer confidence index jumped to 110.7 in December (November: 101.0), a five-month high, as Americans became more optimistic about business conditions and the labor market. However, consumers continued to worry about inflation.

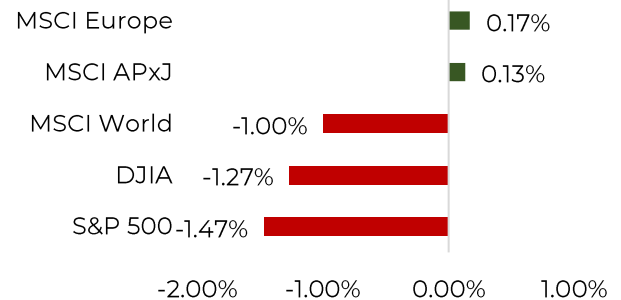
UK inflation slowed to its lowest level in over two years at 3.9% in November from 4.6% in October. This was lower than the market consensus expectation of 4.3%. Slower annual increases in the prices of food, fuel, and services helped cool down the headline figure.

US equities declined as investors took profit following the record highs over the past few days. This was also ahead of the Personal Consumption Expenditures (PCE) inflation data release. The S&P 500 closed at 4,698.35 (-1.47% DoD) and the DJIA closed at 37,082.00 (-1.27% DoD).

US Treasury yields fell as investors continued to assess the path of future rate cuts from the US Fed. This was also after the UK inflation data came out softer than expected and supported hopes of easing inflationary pressures. On average, yields fell by 6.05 bps, with the 2Y closing at 4.34% (-10.90 bps) and the 10Y closing at 3.85% (-8.40 bps).

The **US dollar** strengthened on safe-haven demand amid the ongoing tensions in the Middle East. Investors also digested the upbeat US consumer confidence data. The DXY closed at 102.41 (+0.24% DoD).

Global Stock Indices



	Level	DoD
S&P 500	4,698.35	-1.47%
DJIA	37,082.00	-1.27%
3-mo US Treasury yield	5.39%	+1.20 bps
2-yr US Treasury yield	4.34%	-10.90 bps
10-yr US Treasury yield	3.85%	-8.40 bps
DXY	102.41	+0.24%

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