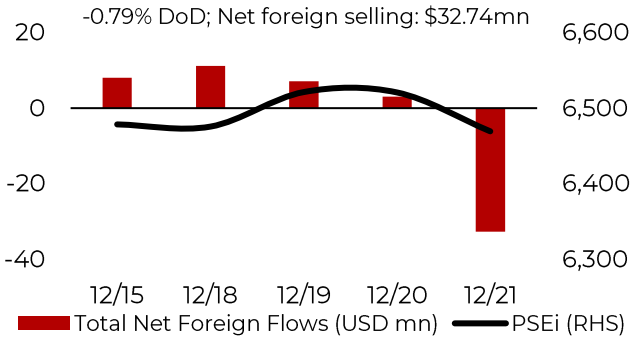


The Morning View

DECEMBER 22, 2023

Philippine Stock Exchange Index



	Level	DoD
PSEi	6,469.23	-0.79%
3-mo bond yield	5.26%	+12.85 bps
2-yr bond yield	5.95%	+0.65 bps
10-yr bond yield	5.97%	-2.41 bps
USDPHP	55.57	-0.32%
Oil (Brent, \$ / barrel)	79.39	-0.39%

The Development Budget Coordination Committee (DBCC) has retained the inflation target range at 2-4% for the next three years, which underpins the commitment of the Bangko Sentral ng Pilipinas (BSP) to bring down inflation. In an earlier news, BSP Governor Remolona hinted that policy rates may remain elevated until inflation firmly settles at the midpoint of the target.

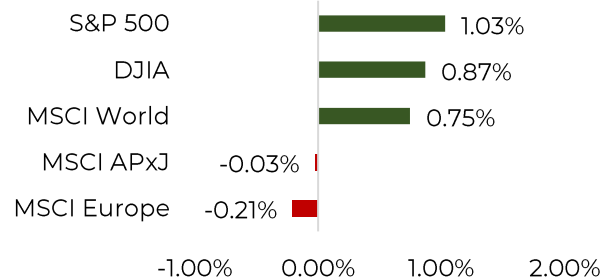
Ayala Corp.'s (Ticker: AC) healthcare unit, Ayala Healthcare Holdings, Inc., acquired a minority stake in St. Joseph Drug. St. Joseph Drug, a pharmaceutical company, currently operates more than 112 stores in North Luzon. The move would allow AC to expand its pharmaceutical footprint in the country.

Local equities fell, tracking Wall Street's decline overnight, as investors cashed in profits. The market also digested hawkish comments from BSP Governor Remolona, stating that policy rates may remain elevated in the next few months. The PSEi closed at 6,469.23 (-0.79% DoD).

Local fixed income yields rose amid hawkish remarks from the BSP Governor. On average, yields rose by 1.95 bps, with the 2Y closing at 5.95% (+0.65 bps) and the 10Y closing at 5.97% (-2.41 bps).

The **Philippine peso** strengthened ahead of the holiday break and amid hawkish remarks from the BSP Governor. The USD/PHP pair closed at 55.57 (-0.32% DoD).

Global Stock Indices



	Level	DoD
S&P 500	4,746.75	+1.03%
DJIA	37,404.35	+0.87%
3-mo US Treasury yield	5.38%	+0.30 bps
2-yr US Treasury yield	4.35%	-9.50 bps
10-yr US Treasury yield	3.89%	-4.30 bps
DXY	101.84	-0.55%

The US third quarter gross domestic product (GDP) was revised lower to 4.9% from 5.2%, according to the final estimate of the Bureau of Economic Analysis. This reflects downgrades to consumer spending and inventory investment. Nonetheless, the final reading still marks the fastest pace of expansion since 4Q21.

Japan's inflation decelerated to its slowest level since July 2022 at 2.8% in November from 3.3% in the month prior. Likewise, core inflation also slowed to 2.5% from 2.9%. Slower annual increases in import prices helped drive the deceleration in headline figures.

US equities rose as the cooling labor data and the downward 3Q23 GDP revision fueled expectations that the Fed would ease monetary policy next year. The S&P 500 closed at 4,746.75 (+1.03% DoD) and the DJIA closed at 37,404.35 (+0.87% DoD).

US Treasury yields declined as investors focused on new economic data releases which supported expectations that the US Fed would potentially deliver rate cuts next year. On average, yields fell by 4.04 bps, with the 2Y closing at 4.35% (-9.5 bps) and the 10Y closing at 3.89% (-4.3 bps).

The **US dollar** weakened as investors weighed the higher jobless claims data and the downward revision of US' third quarter GDP to 4.9%. The DXY closed at 101.84 (-0.55% DoD)

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