

February 1, 2023

LOCAL MARKETS

Local equities fell and local fixed income yields were mixed ahead of the results of the FOMC meeting. The Philippine peso weakened on inflation woes.

Key Events

- ✓ **The Bangko Sentral ng Pilipinas (BSP) expects headline inflation to settle around the 7.5% to 8.3% range in January** due to the increase in electricity prices, water rates, domestic petroleum prices, cost of essential foods, and sin taxes. This would be the 10th consecutive month with inflation above the BSP's target range of 2 to 4%.
- ✓ **International Container Terminal Services, Inc. (PSE Ticker: ICTSI)** announced that it ended its operations at the Makassar Container Terminal (MTS) in South Sulawesi, Indonesia. The cooperation agreement between MTS and PT Pelabuhan Indonesia IV was initially set to expire on September 30, 2013 but was extended until January 31, 2023.

Equities

- ✓ **Local equities** fell as investors waited for the US Fed's monetary policy decision and weighed lingering concerns over inflation and interest rates. The PSEi closed at 6,793.25 (-2.55% DoD).

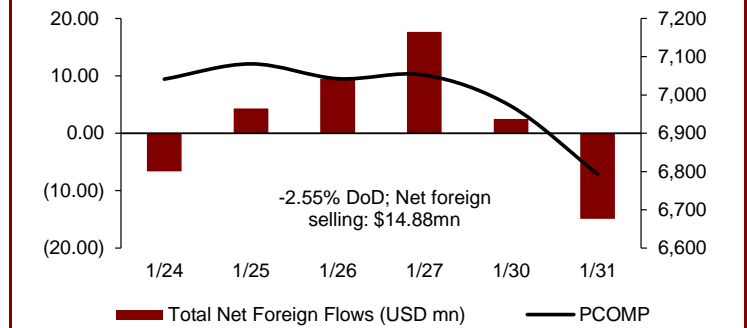
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0354	4.3120	5 years	+0.0095	5.8319
6 months	-0.0187	4.9186	7 years	-0.0080	5.9620
1 year	-0.0730	5.3307	10 years	+0.0213	6.1007
2 years	-0.0006	5.3569	20 years	+0.0268	6.4736
3 years	+0.0319	5.5873	30 years	+0.0246	6.4720
4 years	+0.0265	5.7319			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.545	54.640	EUR/USD	1.0851
				1.0863

PSEi Snapshot



Previous:	6,971.0	PSEi change:	-2.55%
High:	6,935.7	Best:	AGI +4.17%
Low:	6,740.2	2nd best:	WLCN +3.40%
Close:	6,793.3	2nd worst:	GLO -6.48%
Val. traded (mn):	8,141.3	Worst:	JGS -6.87%

Fixed Income

- ✓ **Local fixed income yields** were mixed as the Federal Open Market Committee (FOMC) commenced its 2-day policy meeting. Yields were also dragged as the Bureau of the Treasury raised Php35 billion on reissued 25-year papers at a lower average rate. On average, yields rose by 0.04 bps, led by the short-end which fell 3.19 bps.

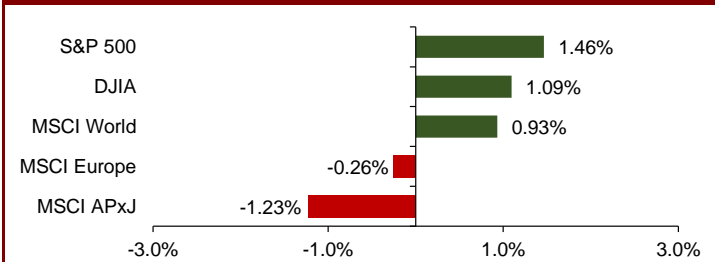
Philippine peso

- ✓ The **Philippine peso** weakened on inflation bets after the BSP estimated January's figure to remain elevated. Investors were also cautious as they brace for the US Fed's monetary policy decision this week. The USD/PHP pair closed at 54.64 (+0.17% DoD).

OVERSEAS MARKETS

Global equities were mixed, US Treasury yields fell, and the US Dollar strengthened as investors digested recent economic data releases and waited for the US Fed's monetary policy decision.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0120	4.6415	5 years	-0.0450	3.6171
6 months	+0.0244	4.7962	10 years	-0.0297	3.5069
2 years	-0.0330	4.2011	30 years	-0.0198	3.6322

- ✓ **US equities** gained on upbeat sentiment amid strong earnings and as investors hoped that softening inflation data will prompt the Fed to pause tightening measures. The S&P 500 closed at 4,076.60 (+1.46% DoD) and the DJIA closed at 34,086.04 (+1.09% DoD).
- ✓ **Asian equities** fell as investors turned cautious ahead of the US Fed's monetary policy decision. However, optimism spurred by growing signs of China's recovery trimmed losses. The MSCI APxJ closed at 549.14 (-1.23% DoD).
- ✓ **European equities** fell after the Eurozone economy slowed down in 4Q22. Eurozone GDP grew 0.1% in 4Q22, suggesting a slowdown from 0.3% growth recorded in 3Q22. The MSCI Europe closed at 152.08 (-0.26% DoD).
- ✓ **US Treasury yields** fell as investors digested the recent employment data and waited for the conclusion of the FOMC meeting. This was also driven by expectations of softer inflation and a less hawkish Fed. On average, yields were down by 1.92 bps, with the 2Y closing at 4.20% (-3.30 bps) and the 10Y closing at 3.51% (-2.97 bps).
- ✓ The **US Dollar** weakened as investors waited for the Fed's monetary policy decision and weighed the US labor costs data which increased less-than-expected. The Employment Cost Index, the broadest measure of labor costs, rose 1.0% in 4Q22. The DXY closed at 102.10 (-0.18% DoD).