The Morning View

BPI Wealth

February 6, 2023

LOCAL MARKETS

Local equities rose on bargain hunting. Local fixed income yields declined ahead of the Philippine inflation data. The Philippine peso strengthened on lower global oil prices.

Key Events

✓ **For its upcoming policy review on February 16, the Bangko Sentral ng Pilipinas (BSP) said that it will prioritize managing local inflation expectations and not the US Federal Reserve's recent decision to raise interest rates by 25-bps.** The central bank earlier estimated a 7.5-8.3% forecast range for January inflation. If realized, January would mark the 10th straight month that inflation surpassed the BSP's 2-4% target range.

✓ **Bank of the Philippine Islands (PSE Ticker: BPI)** reported a record high profit of Php39.6 billion in 2022 amid the strong recovery of its core businesses. The bank's profits excluding a one-off gain from sale of property in 2Q22 rose by 50% to Php35.9 billion in 2022. Strong loan growth drove the performance during the year, growing by 15.3% year-on-year led by credit card, corporate/SME, and auto loans.

Equities

✓ **Local equities** rose amid bargain hunting and positive sentiment over upbeat corporate earnings results. The PSEi closed at 7,027.38 (+0.59% DoD).

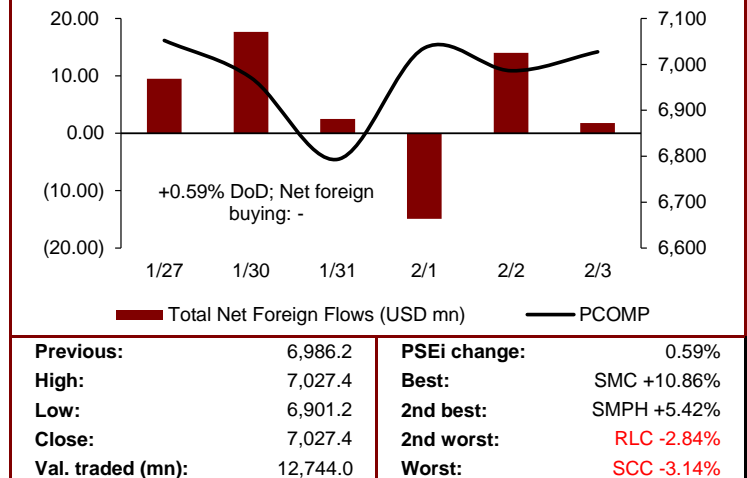### PSEi Snapshot

+0.59% DoD; Net foreign buying: -

Total Net Foreign Flows (USD mn) — PCOMP

Previous:	6,986.2	PSEi change:	0.59%
High:	7,027.4	Best:	SMC +10.86%
Low:	6,901.2	2nd best:	SMPH +5.42%
Close:	7,027.4	2nd worst:	RLC -2.84%
Val. traded (mn):	12,744.0	Worst:	SCC -3.14%

Fixed Income

✓ **Local fixed income yields** continued to decline ahead of the January inflation print. Consensus estimates are at 7.7%, slightly below the BSP median forecast of 7.9%. On average, yields fell by 1.24 bps, led by the short-end which went down by 1.82 bps.
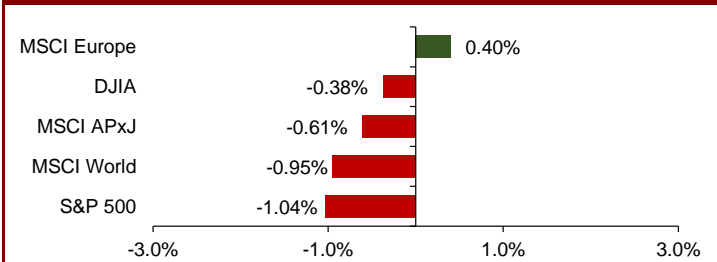
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0208	4.2768	5 years	-0.0060	5.8230
6 months	-0.0117	4.9007	7 years	-0.0152	5.9493
1 year	-0.0309	5.3050	10 years	-0.0206	6.0449
2 years	-0.0093	5.3496	20 years	-0.0006	6.3290
3 years	-0.0129	5.5749	30 years	+0.0007	6.3261
4 years	-0.0093	5.7181			

Philippine peso

✓ The **Philippine peso** strengthened amid the decline in global crude oil prices. The local currency also gained following the announcement of the upcoming retail treasury bond offering which is expected to raise Php30 billion. The USD/PHP pair closed at 53.68 (-0.31% DoD).

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	53.845	53.680	**EUR/USD**	1.0910	1.0795

OVERSEAS MARKETS

US equities fell, European equities gained, US Treasury yields rose and the US dollar strengthened following the solid January US jobs data report. Asian equities dropped amid worries on China's economic recovery.

Global Markets

MSCI Europe	0.40%
DJIA	-0.38%
MSCI APxJ	-0.61%
MSCI World	-0.95%
S&P 500	-1.04%

✓ **US equities** fell as investors digested the latest earnings results from major tech companies and the upbeat US jobs report which spurred worries that the Fed might maintain its rate hike path. Nonfarm payrolls increased by 517,000 (vs. consensus estimate of 188,000), while and unemployment rate fell to 3.4% (vs. consensus estimate of 3.6%). The S&P 500 closed at 4,136.48 (-1.04% DoD) and the DJIA closed at 33,926.01 (-0.38% DoD).

✓ **Asian equities** were mixed but closed lower on average as foreign investors paused their China stocks buying spree on doubts over the pace of country's post-pandemic recovery. Investors also weighed the stronger-than-expected US jobs report which could signal more rate hikes in the coming months. The MSCI APxJ closed at 553.71 (-0.61% DoD).

✓ **European equities** rose after the pound weakened following the US jobs data. The MSCI Europe closed at 154.51 (+0.40% DoD).

✓ **US Treasury yields** rose as investors digested the strong labor data which could lead the Fed to maintain its rate hike path. On average, yields were up by 10.67 bps, with the 2Y closing at 4.29% (+18.44 bps) and the 10Y closing at 3.52% (+13.19 bps).

✓ The **US Dollar** strengthened after US jobs data showed that nonfarm payroll jumped by 517,000 jobs in January, significantly exceeding the consensus estimate of 188,000 jobs. The DXY closed at 102.92 (+1.14% DoD).

US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0242	4.6360	5 years	+0.1711	3.6590
6 months	+0.0592	4.8149	10 years	+0.1319	3.5246
2 years	+0.1844	4.2886	30 years	+0.0693	3.6140

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