

February 20, 2023

LOCAL MARKETS

Local equities declined and local fixed income yields rose after the BSP hiked rates to nearly a 16-year high. The Philippine peso weakened on hawkish remarks from US Fed officials.

Key Events

- ✓ The Philippine Statistics Authority (PSA) reported that the **Producer Price Index (PPI) for agriculture posted an annual growth rate of 15.2% in 3Q22**. This was higher than the 13.1% recorded in 2Q22 and 10% in 3Q21. The 3Q22 PPI brought the average growth rate of PPP for agriculture to 11.4%. The increase in the prices of agricultural goods was on the back of the growth recorded in crops, livestock, and poultry.
- ✓ The Philippine government intends to sell its 3.46% stake in **Metro Pacific Investments Corp's (PSE Ticker: MPI) subsidiary NLEX Corp** as it searches for potential sources of funds for the proposed sovereign wealth fund. The Privatization Management Office is rebidding a Php2-million contract for consulting services to value the national government's 649,198 shares in NLEX Corp.

Equities

- ✓ **Local equities** continued to decline as investors digested the latest policy signals of the Bangko Sentral ng Pilipinas (BSP) of further policy tightening amid the elevated local inflation. The PSEi closed at 6,779.02 (-0.54% DoD).

Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0857	4.4768	5 years	+0.0116	5.9903
6 months	+0.0095	4.9937	7 years	+0.0235	6.1851
1 year	+0.0088	5.3483	10 years	+0.0327	6.3635
2 years	+0.1043	5.5781	20 years	+0.0019	6.5725
3 years	+0.0458	5.7371	30 years	+0.0002	6.5764
4 years	+0.0193	5.8692			

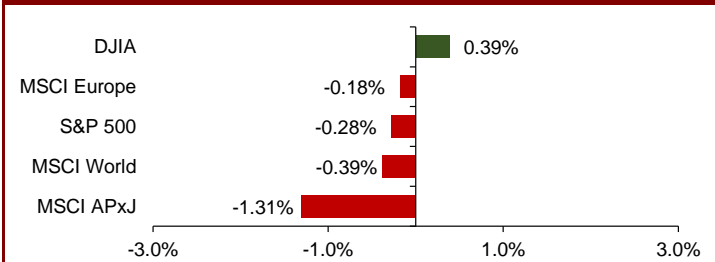
Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	55.120	55.240	EUR/USD	1.0674
				1.0695

OVERSEAS MARKETS

Global equities were mixed, US Treasury yields fell, and the US Dollar strengthened as investors digested the recent economic data releases and remarks from Fed officials.

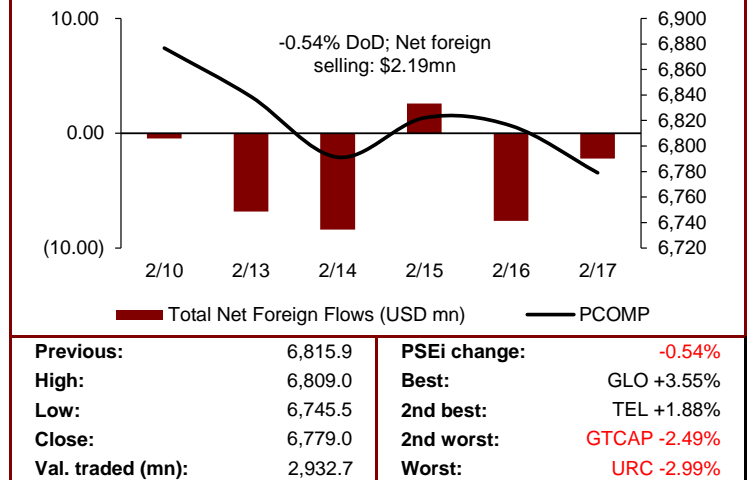
Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0027	4.7857	5 years	-0.0436	4.0291
6 months	+0.0105	5.0082	10 years	-0.0460	3.8148
2 years	-0.0231	4.6169	30 years	-0.0449	3.8693

PSEI Snapshot



Fixed Income

- ✓ **Local fixed income yields** rose as investors priced in the recent 50-bps rate hike from the BSP. The possibility of a 25-50 bps rate hike in March also pushed yields higher. On average, yields rose by 3.12 bps, led by the short-end which went up by 5.21 bps.

Philippine peso

- ✓ The **Philippine peso** weakened as US Federal Reserve officials Mester and Bullard advocated for another 50-bps rate hike in the next FOMC meeting amid sticky US inflation. However, the BSP's hawkish tone provided some support as the central bank hinted more tightening after revising its 2023 and 2024 inflation projections upward to 6.1% and 3.1%, respectively. The USD/PHP pair closed at 55.24 (+0.22% DoD).