The Morning View



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.

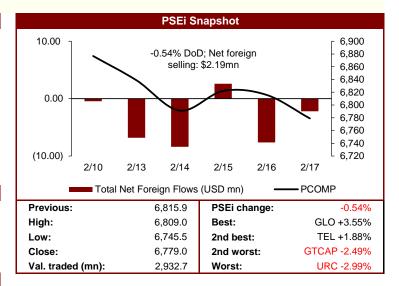
Key Events

- 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.

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		



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).

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.



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			

- US equities were mixed as investors digested the hawkish comments of further policy tightening from US Fed officials, higher-than-expected Consumer Price Index (CPI) and Producer Price Index (PPI), and decline in weekly jobless claims. The S&P 500 closed at 4,079.09 (-0.28% DoD) and the DJIA closed at 33,826.69
- Asian equities plunged on rate hike fears following the US Fed's hawkish commentaries. Moreover, investors also weighed the disappointing 4Q22 GDP growth in Thailand and the decline in Singapore's non-oil domestic exports in January. The MSCI APxJ closed at 529.76 (-1.31% DoD).
- European equities closed lower as investors continued to weigh the impact of inflation and production data from the US and UK, as well as company earnings. The MSCI Europe closed at 155.87 (-0.18% DoD).
- US Treasury yields fell after spiking early in the day as investors weighed the latest inflation data and lingering fears of further rate hikes from the US Fed. On average, yields went down by 2.41 bps, with the 2Y closing at 4.62% (-2.31 bps) and the 10Y closing at 3.81% (-4.60 bps).
- The US Dollar strengthened marginally as traders bet on more interest rate hikes after the hawkish comments from Federal Reserve officials and the higher US producer price index data. The DXY closed at 103.86 (+0.01% DoD).

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