

February 22, 2023

LOCAL MARKETS

Local equities rose and local fixed income yields fell on investors' bargain hunting. The Philippine peso weakened after the Dollar strengthened on rising Fed rate hike bets.

Key Events

- ✓ **The Bureau of the Treasury (BTr) fully awarded the reissued 10-year bonds at an average rate of 6.258%.** The average rate was below secondary market benchmark rates but higher than the 5.913% rate when it was first offered on January 24. Bids reached Php92.25 billion, exceeding BTr's Php35 billion target from the auction.
- ✓ **Ayala Land Inc (PSE Ticker: ALI) has earmarked Php85 billion for its 2023 capex budget, 18% higher year-on-year from the Php72 billion in 2022.** Of the total, 39% will be used for residential projects, 23% for land acquisition, 16% for estate development, and the remainder will be used for other expenditures including those for malls, offices, hotels, and resorts.

Equities

- ✓ **Local equities rose amid bargain hunting as investors digested generally upbeat corporate earnings and waited for the release of the latest Federal Open Market Committee (FOMC) minutes of the meeting.** The PSEi closed at 6,800.96 (+0.84% DoD).

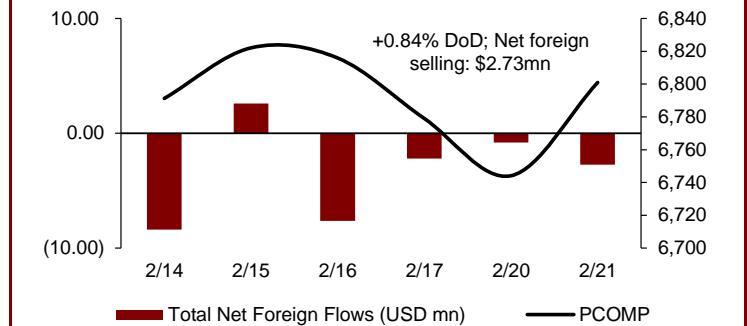
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0786	4.4383	5 years	-0.0160	5.9821
6 months	+0.0099	5.0547	7 years	-0.0178	6.1596
1 year	+0.0574	5.4591	10 years	-0.0037	6.3477
2 years	+0.0149	5.6300	20 years	-0.0120	6.5600
3 years	+0.0060	5.7747	30 years	-0.0266	6.5483
4 years	-0.0054	5.8847			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.950	55.085	EUR/USD	1.0686
				1.0648

PSEi Snapshot



Previous:	6,744.1	PSEi change:	0.84%
High:	6,801.0	Best:	BPI +4.11%
Low:	6,719.1	2nd best:	SM +2.92%
Close:	6,801.0	2nd worst:	WLCOM -1.99%
Val. traded (mn):	2,536.5	Worst:	DMC -2.80%

Fixed Income

- ✓ **Local fixed income yields fell on bargain hunting following the three straight sessions of increasing yields.** Investors also weighed the reissuance of 10-year Treasury bonds which had yields below secondary benchmark rates. On average, yields declined by 0.65 bps, led by the long-end which fell by 1.41 bps.

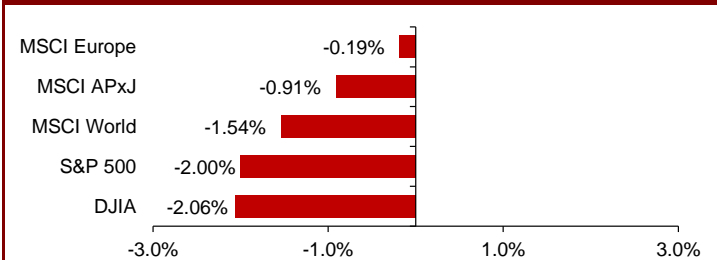
Philippine peso

- ✓ **The Philippine peso weakened on the back of rising Fed rate hike bets amid the strong labor data and sticky inflation in the US.** Negative sentiment over geopolitical tensions also dragged the local currency after US President Biden made a surprise visit to Kyiv to express support and announce further military support for Ukraine. The USD/PHP pair closed at 55.09 (+0.25% DoD).

OVERSEAS MARKETS

Global equities fell, US Treasury yields rose, and the US Dollar strengthened on the back of rising expectations that the US Fed will keep rates higher for longer.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0045	4.7902	5 years	+0.1454	4.1745
6 months	+0.0100	5.0182	10 years	+0.1377	3.9525
2 years	+0.1057	4.7226	30 years	+0.1025	3.9718

- ✓ **US equities dropped amid the broad selloff as rising Treasury yields and stubborn inflation raised investors' recession fears and expectations that the US Fed will keep interest rates higher for longer.** The S&P 500 closed at 3,997.34 (-2.00% DoD) and the DJIA closed at 33,129.59 (-2.06% DoD).
- ✓ **Asian equities slipped ahead of the release of the FOMC minutes as investors continued to assess the central bank's policy direction.** Geopolitical tensions and skepticism over the pace of China's reopening also dampened market sentiment. The MSCI APxJ closed at 528.81 (-0.91% DoD).
- ✓ **European equities fell as investors weighed corporate earnings releases and bets that the US Federal Reserve will likely remain hawkish.** The decline in Credit Suisse shares and geopolitical tensions also weighed on market sentiment. The MSCI Europe closed at 155.70 (-0.19% DoD).
- ✓ **US Treasury yields rose on the back of increasing expectations of further interest rate hikes from the Fed.** On average, yields went up with the 2Y closing at 4.72% (+10.57 bps) and the 10Y closing at 3.95% (+13.77 bps).
- ✓ **The US Dollar strengthened supported by rising expectations of further Fed rate hikes and strong US economic data.** Business activity in February rebounded to an eight-month high, rising to 50.2 from 46.8 in January. The DXY closed at 104.18 (+0.30% DoD).

