

February 23, 2023

LOCAL MARKETS

Local equities declined, local fixed income yields rose, and the Philippine peso weakened ahead of the FOMC minutes.

Key Events

- ✓ According to Trade Department officials, the **Regional Comprehensive Economic Partnership (RCEP) trade deal is expected to take effect as early as May of this year.** This was following the Senate's ratification of the RCEP to make the Philippines a member of the world's largest trade deal in hopes of attracting foreign investments and growing the country's exports. The trade deal includes the participation of Australia, China, Japan, South Korea, New Zealand and members of the Association of Southeast Asian Nations (ASEAN).
- ✓ **Ayala Land Inc.'s (PSE Ticker: ALI) earnings rose 52% year-on-year to Php18.6 billion in 2022, ahead of the Php17.4 billion consensus estimate.** The increase was driven by higher revenues from its hotels and resorts, commercial leasing, and property development businesses.

Equities

- ✓ **Local equities** declined, tracking Wall Street losses, as increased expectations of further rate hikes from the US Fed and risk of a looming US recession dampened global market sentiment. The PSEi closed at 6,699.23 (-1.50% DoD).

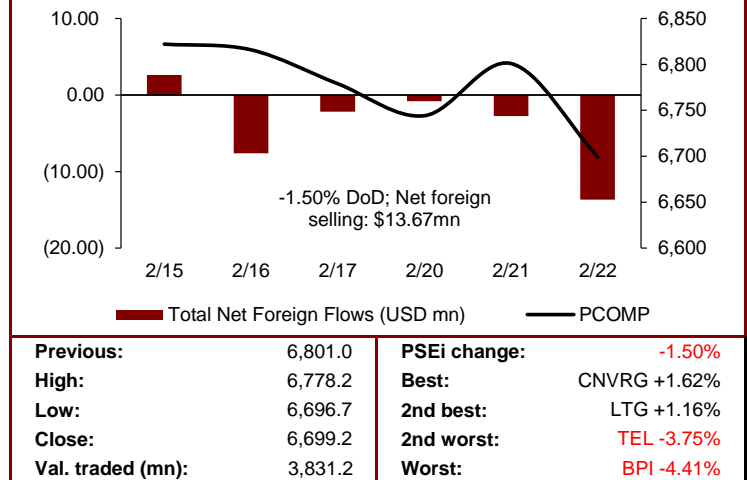
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0471	4.4854	5 years	+0.0340	6.0161
6 months	+0.0155	5.0702	7 years	+0.0171	6.1767
1 year	-0.0204	5.4387	10 years	-0.0042	6.3435
2 years	+0.0045	5.6345	20 years	+0.0023	6.5623
3 years	+0.0198	5.7945	30 years	+0.0034	6.5517
4 years	+0.0297	5.9144			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	55.085	55.180	EUR/USD	1.0648
				1.0605

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income yields** rose as investors focused on the Fed's minutes. This was also following the term deposit facility auction by the Bangko Sentral ng Pilipinas. Bids reached Php324.79 billion versus the Php280 billion on the auction block. On average, yields went up by 1.35 bps, led by the belly which increased by 2.52 bps.

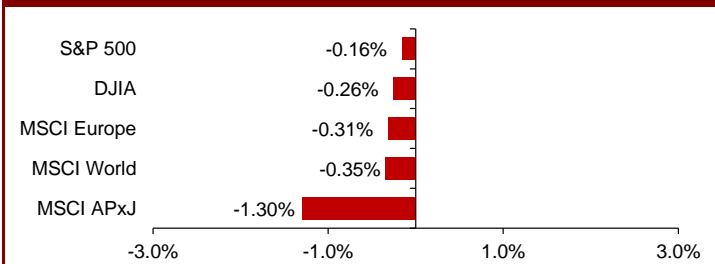
Philippine peso

- ✓ The **Philippine peso** weakened amid growing hawkish expectations ahead of the release of the Fed's minutes of the meeting. Market sentiment was also dampened by President Putin's withdrawal from the New START nuclear arms reduction treaty with the US. The USD/PHP pair closed at 55.18 (+0.17% DoD).

OVERSEAS MARKETS

Global equities dropped, US Treasury yields fell, and the US Dollar strengthened as investors assessed the recent release of the Fed's minutes of the meeting.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0272	4.8174	5 years	-0.0231	4.1514
6 months	+0.0627	5.0809	10 years	-0.0369	3.9156
2 years	-0.0293	4.6933	30 years	-0.0576	3.9142

- ✓ **US equities** slightly fell as investors digested the US Fed's latest minutes of the meeting which showed that there are signs of inflation coming down but not enough counter the need for more interest rate hikes. The S&P 500 closed at 3,991.05 (-0.16% DoD) and the DJIA closed at 33,045.09 (-0.26% DoD).
- ✓ **Asian equities** dropped as sentiment was clouded by rising geopolitical tensions and fears of global economic slowdown amid rising interest rates. China and Hong Kong equities closed lower as Sino-US tension sparked a sell-off in the market. The MSCI APxJ closed at 521.95 (-1.30% DoD).
- ✓ **European equities** fell as investors assessed the global economic outlook as well as the minutes of the US Federal Reserve's most recent monetary policy meeting. The MSCI Europe closed at 155.21 (-0.31% DoD).
- ✓ **US Treasury yields** fell as investors digested the Fed's minutes of the meeting where they stated that inflation is showing signs of easing but still well above the target. On average, yields went down by 0.95 bps, with the 2Y closing at 4.69% (-2.93 bps) and the 10Y closing at 3.92% (-3.69 bps).
- ✓ The **US Dollar** strengthened as the US Federal Reserve minutes revealed that officials are resolved to further hike rates but at a slower pace to combat the stubbornly rising inflation. The DXY closed at 104.59 (+0.39% DoD).