

January 4, 2023

LOCAL MARKETS

Local equities rose and local fixed income yields rose ahead of key economic data releases. The Philippine peso slightly weakened amid the increase in oil prices as the COVID-19 situation in China improved.

Key Events

- ✓ The S&P Global Philippines Manufacturing Purchasing Managers' Index (PMI) rose to 53.1 in December, marking a 6-month high and 11 straight months of expanding manufacturing activity. S&P Global reported that new orders were driven by domestic demand. A PMI reading above 50 marks an expansion while a reading below 50 signals contraction.
- ✓ Aboitiz-led Union Bank of the Philippines (PSE Ticker: UBP) set its stock rights offer price to Php54.48 per share to Php58.38 per share. The bank will offer up to about 220 million common shares, aiming to raise Php12 billion to fund the capital infusion to UnionDigital Bank, loan availments, other business growth opportunities, and general corporate purposes.

Equities

- ✓ Local equities rose amid optimism ahead of the release of key local and US economic data. The PSEi closed at 6,586.01 (+0.30% DoD).

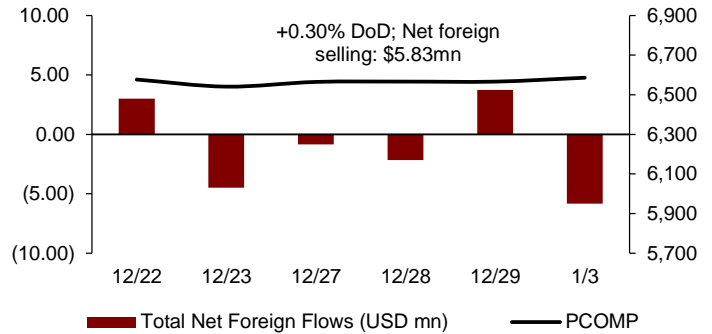
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0235	4.2504	5 years	+0.0877	6.5577
6 months	-0.0202	4.8800	7 years	+0.0976	6.7561
1 year	+0.0315	5.2414	10 years	+0.0294	7.0154
2 years	-0.0291	5.9415	20 years	+0.0052	7.2286
3 years	+0.0018	6.2482	30 years	+0.0020	7.2223
4 years	+0.0478	6.4233			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	55.755	55.790	EUR/USD	1.0667	1.0548

PSEi Snapshot



Previous:	6,566.4	PSEi change:	0.30%
High:	6,624.8	Best:	MONDE +7.58%
Low:	6,550.2	2nd best:	ACEN +4.86%
Close:	6,586.0	2nd worst:	CNVRG -2.64%
Val. traded (mn):	2,183.9	Worst:	BPI -3.92%

Fixed Income

- ✓ Local fixed income yields rose ahead of the inflation data release. Bloomberg consensus is currently forecasting an 8.2% December inflation. Official data is set to be released tomorrow, at 9 AM. On average, yields went up by 2.52 bps, led by the belly of the curve which rose by 5.87 bps.

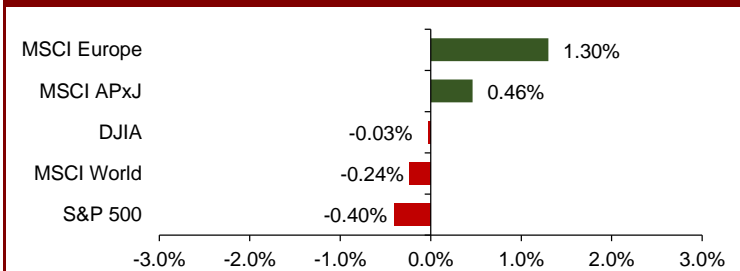
Philippine peso

- ✓ The Philippine peso slightly weakened as oil prices rose amid the improving COVID-19 situation in China and as the seasonal increase in OFW remittances started to wane. The USD/PHP pair closed at 55.79 (+0.06% DoD).

OVERSEAS MARKETS

US equities went down, the US Treasury yields fell and the US Dollar strengthened as investors anticipated the upcoming release of the US Fed Minutes and US employment data. Asian and European equities inched up amid optimism on China's reopening story.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0124	4.3553	5 years	-0.1099	3.8940
6 months	+0.0047	4.7579	10 years	-0.1359	3.7389
2 years	-0.0559	4.3699	30 years	-0.1241	3.8389

- ✓ US equities reversed earlier gains as investors remained cautious of persistent headwinds from rising interest rates and elevated inflation. Tech sector, particularly Tesla and Apple, dragged the broader market as the challenging environment continue to hamper the industry. The S&P 500 closed at 3,824.14 (-0.40% DoD) and the DJIA closed at 33,136.37 (-0.03% DoD).
- ✓ Asian equities rallied on signs of optimism as Beijing abandons its strict Zero-COVID policy despite poor December factory data and intense pressures on China's healthcare system. The MSCI APxJ closed at 508.19 (+0.46% DoD).
- ✓ European equities rose as travels stocks were boosted by easing COVID-19 restrictions in China. The MSCI Europe closed at 145.73 (+1.30% DoD).
- ✓ US Treasury yields fell as investors worry over the economic outlook ahead of the release of the US Fed minutes and US employment data. On average, yields were down by 6.81 bps, with the 2Y closing at 4.37% (-5.59 bps) and the 10Y at 3.74% (-13.59 bps).
- ✓ The US Dollar strengthened ahead of the release of the US Federal Reserve's minutes of the December meeting. The DXY closed at 104.52 (+0.96% DoD).