

January 6, 2023

LOCAL MARKETS

Local equities gained, local fixed income yields rose, and the Philippine peso strengthened following the release of the local inflation print and the US Federal Reserve meeting minutes.

Key Events

- ✓ **The Philippine Statistics Authority reported that December inflation rose to 8.1%, a slight increase from the 8.0% the month prior.** The increase can be attributed to holiday-related spending as prices of food and non-alcoholic beverages and restaurants and accommodation services rose 10.2% and 7.0% respectively. The latest inflation print brought the full-year 2022 average inflation to 5.8%.
- ✓ **Aboitiz Power Corp.'s (PSE Ticker: AP) clean energy subsidiary secured a Php20 billion loan agreement with the Land Bank of the Philippines to finance the expansion of its renewable energy portfolio, as the company aims to increase its capacity by an additional 3,700 megawatts (MW) of clean energy within 10 years.**

Equities

- ✓ **Local equities** continued its rally as market digested the lower-than-expected Philippine inflation which stood at 8.1% in December, higher than the 8.0% reported in November. The PSEi closed at 6,761.33 (+0.64% DoD).

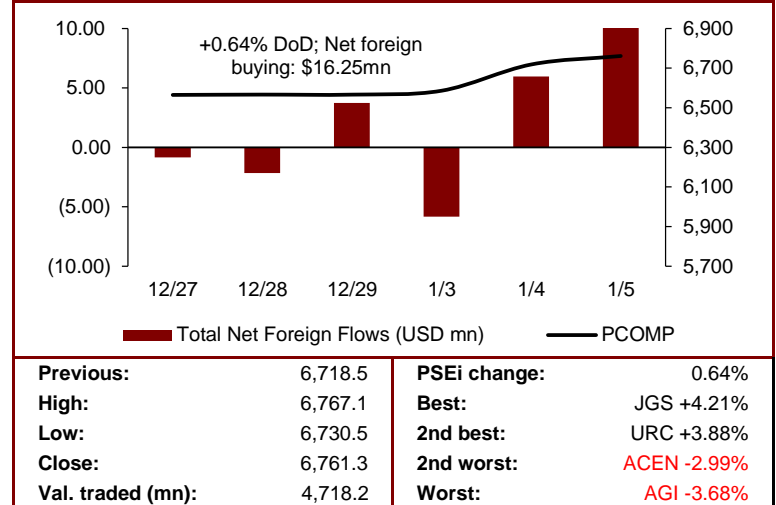
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0201	4.2734	5 years	+0.0277	6.5752
6 months	-0.0035	4.8649	7 years	+0.0301	6.8107
1 year	+0.0087	5.2620	10 years	+0.0407	7.1248
2 years	+0.0549	5.9655	20 years	+0.0472	7.3165
3 years	+0.0363	6.2432	30 years	+0.0482	7.3132
4 years	+0.0282	6.4269			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	55.910	55.750	EUR/USD	1.0604	1.0522

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income yields** rose following the release of local inflation data and the US Federal Reserve's meeting minutes. The minutes emphasized the Fed's commitment to bringing down inflation and signaled for more policy rate hikes ahead. On average, yields went up by 3.08 bps, led by the long-end of the curve which rose by 4.54 bps.

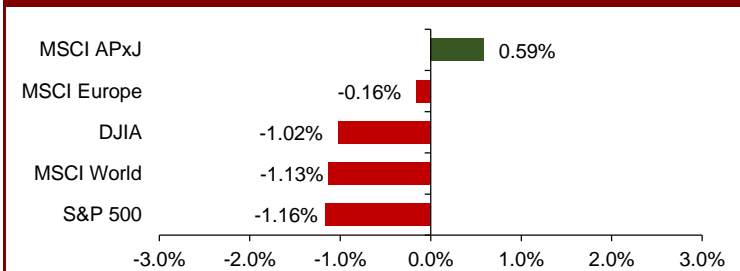
Philippine peso

- ✓ The **Philippine peso** strengthened after investors digested the slower-than-expected local inflation print in December and the Fed meeting minutes. The USD/PHP pair closed at 55.75 (-0.29% DoD).

OVERSEAS MARKETS

Global equities fell, US Treasury yields rose and the US Dollar strengthened as investors digested the strong US jobs data report and the hawkish Fed meeting minutes.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.1109	4.5937	5 years	+0.0730	3.9132
6 months	+0.0764	4.8301	10 years	+0.0354	3.7181
2 years	+0.1042	4.4576	30 years	-0.0034	3.7941

- ✓ **US equities** fell on policy rate hike fears amid strong jobs report and the hawkish Fed meeting minutes. Private payrolls rose by 235k, beating consensus expectations of 153k, and annual pay increased by 7.3% YoY. The S&P 500 closed at 3,808.10 (-1.16% DoD) and the DJIA closed at 32,930.08 (-1.02% DoD).
- ✓ **Asian equities** rose on improving sentiment over China's reopening from strict COVID-19 curbs and policy changes that aim to encourage investments. Investors were hopeful that the tech crackdown would ease after officials allowed Ant Group to raise \$1.5 billion in funding. The MSCI APxJ closed at 520.34 (+0.59% DoD).
- ✓ **European equities** fell as strong US jobs data and hawkish Fed minutes stoked rate hike fears. The MSCI Europe closed at 147.56 (-0.16% DoD).
- ✓ **US Treasury yields** rose as investors digested the recent release of the jobs data and weighed the policy direction of the Fed for 2023. On average, yields were up by 6.61 bps, with the 2Y closing at 4.46% (+10.42 bps) and the 10Y at 3.72% (+3.54 bps).
- ✓ The **US Dollar** strengthened as investors digested the strong US jobs report and the latest Fed minutes of the meeting. The DXY closed at 105.04 (+0.76% DoD).