

January 11, 2023

LOCAL MARKETS

Local equities fell and local income yields declined ahead of the US inflation data release. The Philippine peso strengthened as investors digested the latest trade balance data.

Key Events

- ✓ **The Bangko Sentral ng Pilipinas Governor Felipe Medalla is seeing a 25-50bp rate hike in the February meeting.** The governor said that the weakening dollar alleviates some pressure on the BSP to match the Federal Reserve. He also said that the central bank will focus on inflation and that it forecasts inflation to settle within the 2-4% range by 2H23.
- ✓ **Ayala Land Inc. (PSE Ticker: ALI) trimmed down the recipient projects in its reinvestment plans from the AREIT deal from 7 to 6 projects.** The projects removed were land acquisitions of the Quezon City and Bulacan properties worth Php290.46 million and Php125.17 million respectively. The proceeds from the sale of the AREIT shares will be used to fund properties in Metro Manila, Batangas, Cavite, and Laguna.

Equities

- ✓ **Local equities fell** as investors moved to the sidelines while they waited for the release of the US inflation data. The PSEi closed at 6,756.69 (-0.49% DoD).

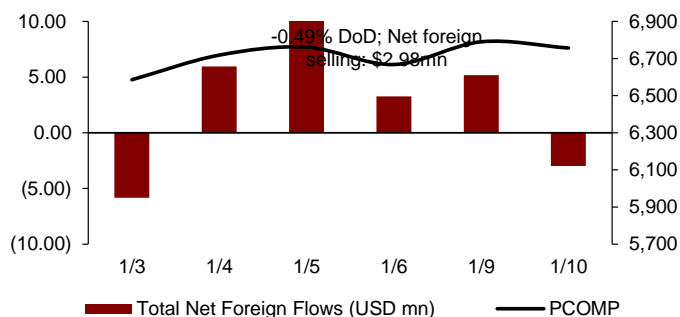
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0374	4.3004	5 years	-0.0474	6.5304
6 months	+0.0599	4.9210	7 years	-0.1001	6.7235
1 year	+0.0617	5.3745	10 years	-0.1467	6.9725
2 years	-0.0095	5.9564	20 years	-0.1238	7.1750
3 years	-0.0215	6.2378	30 years	-0.0649	7.2171
4 years	-0.0308	6.4047			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	55.110	54.870	EUR/USD	1.0730

PSEi Snapshot



Previous:	6,790.2	PSEi change:	-0.49%
High:	6,783.4	Best:	MPI +7.78%
Low:	6,740.0	2nd best:	ICT +2.53%
Close:	6,756.7	2nd worst:	ALI -2.28%
Val. traded (mn):	4,235.1	Worst:	ACEN -3.95%

Fixed Income

- ✓ **Local fixed income yields fell** ahead of US inflation data. On average, yields went down by 3.51 bps, led by the long-end of the curve which fell by 11.18 bps.

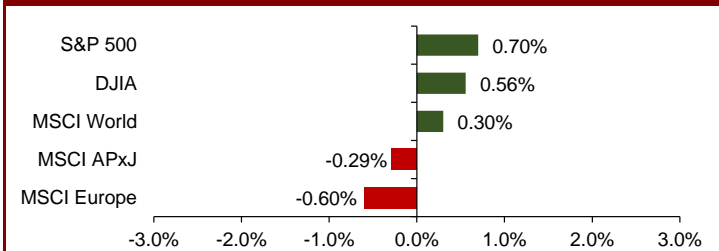
Philippine peso

- ✓ The **Philippine peso** strengthened as investors weighed the November trade balance data which showed that imports declined for the first time in nearly two years. The USD/PHP pair closed at 54.87 (-0.44% DoD).

OVERSEAS MARKETS

Global equities were mixed, US Treasury yields rose, and the US dollar strengthened as investors waited for the release of the key economic data in the US.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0094	4.5845	5 years	+0.0569	3.7306
6 months	-0.0072	4.8018	10 years	+0.0867	3.6188
2 years	+0.0395	4.2472	30 years	+0.0940	3.7539

- ✓ **US equities** rose as investors await key economic data and corporate earnings results. The S&P 500 closed at 3,919.25 (+0.70% DoD) and the DJIA closed at 33,704.10 (+0.56% DoD).announcements scheduled later in the week.. The S&P 500 closed at 3,892.09 (-0.08% DoD) and the DJIA closed at 33,517.65 (-0.34% DoD).
- ✓ **Asian equities** fell as investors turned cautious after Fed officials gave hawkish comments ahead of key inflation data. Last Monday, Atlanta Fed President Raphael Bostic commented that interest rates should go above 5%, and then stay at this level into 2024. The MSCI APxJ closed at 534.615 (-0.29% DoD).
- ✓ **European equities** fell after hawkish comments from Fed officials dampened expectations of a policy shift ahead of key inflation data. The MSCI Europe closed at 149.60 (-0.60% DoD).
- ✓ **US Treasury yields** rose as investors assessed the tone of the Fed ahead of the US inflation data and weighed hawkish remarks from Fed officials. On average, yields were up by 4.34 bps, with the 2Y closing at 4.25% (+3.95 bps) and the 10Y at 3.62% (+8.67 bps).
- ✓ The **US Dollar** strengthened following hawkish comments from US Fed officials. The market also waited for the release of the December inflation data. The DXY closed at 103.24 (+0.23% DoD).

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