

January 13, 2023

LOCAL MARKETS

Local equities rose, local income yields fell, and the Philippine peso weakened ahead of the US CPI data release and amid recent remarks from BSP Governor Medalla on monetary policy.

Key Events

- ✓ **The Bangko Sentral ng Pilipinas (BSP)** said it may cut interest rates by 2024 and lower the reserve requirements for banks in the first half of 2023. While inflation is expected to normalize, BSP Governor Medalla commented that he cannot say that the central bank will cut interest rates this year and noted that monetary policy will still depend on the US Federal Reserve's actions moving forward.
- ✓ **Megaworld Corp. (PSE Ticker: MEG)** will build Savoy Hotel as its first property in Palawan. The project is expected to bring the property developer's total hotel room keys to 4,806 when the project is completed. The hotel is scheduled for opening in 2028 and will be the 17th hotel property launched by Megaworld Hotels and Resorts.

Equities

- ✓ **Local equities** rebounded ahead of the US Consumer Price Index (CPI) data release which may signal the pace of the Fed rate hikes ahead. Investors also weighed recent comments from BSP Governor Medalla regarding the plan to reduce the banks' reserve requirement ratio (RRR) within the first half of the year. The PSEi closed at 6,833.53 (+1.85% DoD).

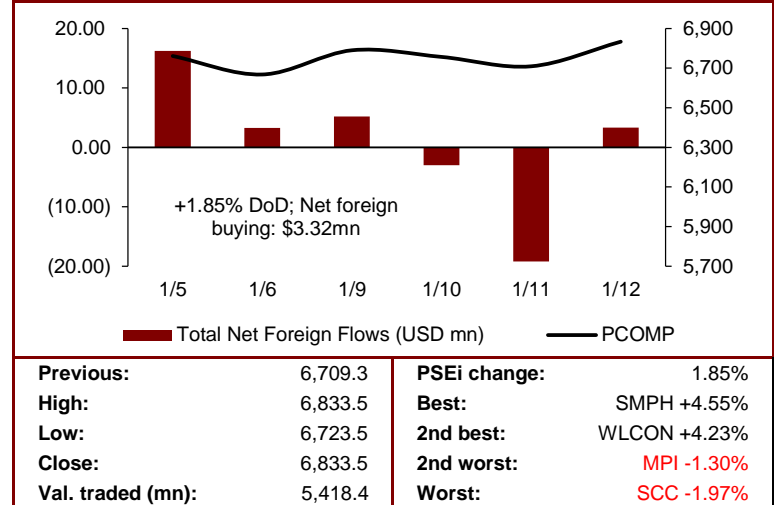
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0856	4.3784	5 years	-0.1108	6.3746
6 months	+0.1173	5.0360	7 years	-0.1428	6.5307
1 year	+0.0273	5.4149	10 years	-0.2156	6.6745
2 years	-0.0656	5.8365	20 years	-0.0239	7.0570
3 years	-0.0814	6.1052	30 years	-0.0203	7.0328
4 years	-0.0985	6.2642			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	54.800	55.290	EUR/USD	1.0757	1.0853

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income yields** continued to decline ahead of US inflation data. Investors also weighed the BSP's plans to reduce the RRR of Philippine banks. On average, yields went down by 4.81 bps, led by the belly of the curve which fell by 10.84 bps.

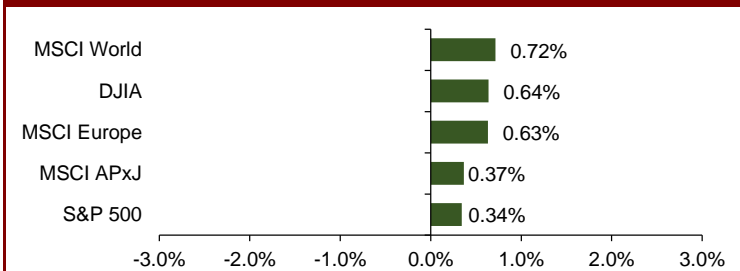
Philippine peso

- ✓ The **Philippine peso** weakened due to caution ahead of the US December CPI report and following remarks from the BSP chief that banks' reserve requirement ratio may be cut in the first half of the year. The USD/PHP pair closed at 55.29 (+0.89% DoD).

OVERSEAS MARKETS

Global equities rose, US Treasury yields fell, and the US Dollar slightly weakened as investors weighed the latest US inflation print which raised bets of a slower rate hike path from the US Fed.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0810	4.5755	5 years	-0.1223	3.5357
6 months	-0.0538	4.7743	10 years	-0.0992	3.4400
2 years	-0.0732	4.1447	30 years	-0.0947	3.5768

- ✓ **US equities** rose as investors focused on the December CPI data release which confirmed bets of a weakening inflation trend. This raised hopes that the Fed will adopt a slower rate hike path. Headline CPI rose 6.5%, in line with expectations. The S&P 500 closed at 3,983.17 (+0.34% DoD) and the DJIA closed at 34,189.97 (+0.64% DoD).
- ✓ **Asian equities** were relatively flat as investors await the US inflation data. Meanwhile, China stocks rose ahead of the Lunar New Year market close despite concerns of a possible outbreak over the holidays. The MSCI APxJ closed at 537.74 (+0.37% DoD).
- ✓ **European equities** rose as US inflation eased for the sixth straight month. The MSCI Europe closed at 151.10 (+0.63% DoD).
- ✓ **US Treasury yields** declined after December CPI fell 0.1% MoM (+0.1% in November), driven by lower gasoline prices. This fueled increasing bets of slower pace of rate hikes from the US Fed. On average, yields went down by 8.74 bps, with the 2Y closing at 4.14% (-7.32 bps) and the 10Y at 3.44% (-9.92 bps).
- ✓ The **US Dollar** weakened as the latest US inflation print raised hopes of the Fed scaling back future interest rate hikes. The DXY closed at 102.25 (-0.91% DoD).