

January 19, 2023

LOCAL MARKETS

Local equities rose on positive 4Q22 GDP growth expectations. Local fixed income yields fell as investors continued to price in slower rate hikes. The Philippine peso strengthened as the Bank of Japan maintained its ultra-low policy rate.

Key Events

- ✓ **Philippine President Ferdinand R. Marcos Jr. presented the proposed Philippine sovereign wealth fund to world leaders and businessmen in the World Economic Forum.** The president said the fund will be used to diversify the Philippines' financial portfolio and generate stable returns. He also said it will lead to employment creation, improvement of public service, and a decrease in cost for economic activities.
- ✓ **AREIT Inc. (PSE Ticker: AREIT) has secured SEC approval for a Php11.26bn worth of property-for-share swap deal.** The deal refers to the subscription of Ayala Land Inc. to around 252.14 million shares in AREIT in exchange for ALI-owned Cebu commercial properties. The transaction price is at Php44.65 per share, placing the projected yield of the assets to be infused to 6%.

Equities

- ✓ **Local equities** recovered from the recent sell-off amid positive sentiment over the Philippine economic outlook after Finance Secretary Diokno said that 2022 Philippine economy might expand higher than the target of the government of 6.5%-7.5%. The PSEi closed at 7,094.86 (+1.15% DoD).

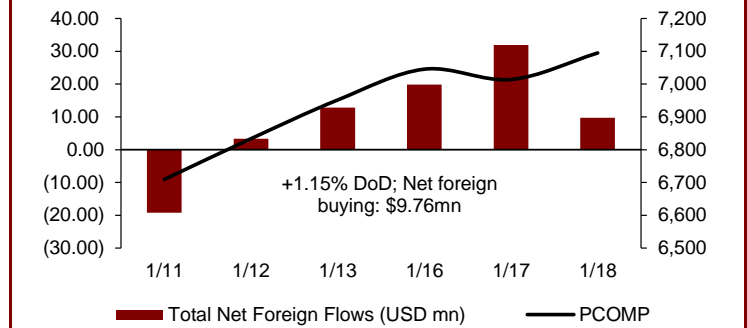
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0167	4.3326	5 years	-0.0145	6.0882
6 months	-0.0139	4.9695	7 years	-0.0499	6.1758
1 year	-0.0030	5.4486	10 years	-0.0433	6.2910
2 years	-0.0504	5.6486	20 years	+0.0494	6.6294
3 years	-0.0181	5.8830	30 years	+0.0550	6.5718
4 years	-0.0084	6.0110			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.820	54.620	EUR/USD	1.0788 1.0794

PSEi Snapshot



Previous:	7,014.0	PSEi change:	1.15%
High:	7,094.9	Best:	CNVRG +9.07%
Low:	6,967.9	2nd best:	MONDE +5.84%
Close:	7,094.9	2nd worst:	AGI -0.97%
Val. traded (mn):	5,758.5	Worst:	AC -1.56%

Fixed Income

- ✓ **Local fixed income yields** were mixed but fell on average as investors continue to expect a smaller rate hike in the upcoming Fed meeting this month. On average, yields went down by 1.03 bps, led by the belly of the curve which fell by 2.27 bps.

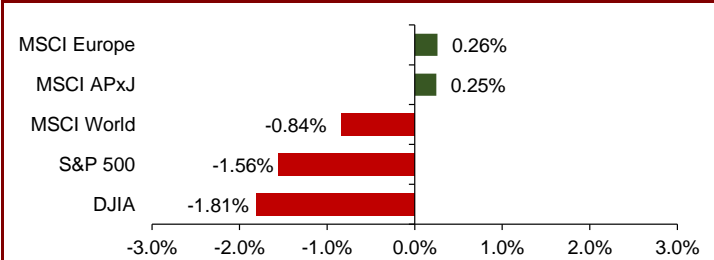
Philippine peso

- ✓ The **Philippine peso** strengthened after the Bank of Japan kept its yield curve control policy unchanged, contrary to the market's expectations. The USD/PHP pair closed at 54.62 (-0.36% DoD).

OVERSEAS MARKETS

US equities dropped, US Treasury yields fell and the US Dollar weakened as investors digested the lower producer price index and disappointing retail sales data in December. European equities rose following the drop in UK inflation. Asian equities marginally rose ahead of the Lunar New Year holiday and as investors weighed the BOJ's surprise policy decision.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0605	4.6383	5 years	-0.1824	3.4385
6 months	+0.0462	4.7882	10 years	-0.1778	3.3698
2 years	-0.1222	4.0825	30 years	-0.1228	3.5378

- ✓ **US equities** tumbled on recession concerns amid disappointing retail sales data which dropped by 1.1% in December. Some investors also sold off and took profit from recent gains. The S&P 500 closed at 3,928.86 (-1.56% DoD) and the DJIA closed at 33,296.96 (-1.81% DoD).
- ✓ **Asian equities** were mixed after the BOJ surprised markets by keeping its dovish policy and yield curve control band unchanged. Some Chinese investors also cash-out gains ahead of the Lunar New Year Holiday. The MSCI APxJ closed at 545.91 (+0.25% DoD).
- ✓ **European equities** rose amid improved sentiment after UK inflation fell to a 3-month low of 10.5% in December. The MSCI Europe closed at 153.61 (+0.26% DoD).
- ✓ **US Treasury yields** fell on the back of weak US retail sales data and lower producer price index in December. On average, yields were down by 8.31 bps, with the 2Y closing at 4.08% (-12.22 bps) and the 10Y at 3.37% (-17.78 bps).
- ✓ The **US Dollar** marginally weakened after US retail sales disappointed and the producer price index declined in December. The DXY closed at 102.36 (-0.03% DoD)