

January 26, 2023

LOCAL MARKETS

Local equities rose ahead of 4Q GDP data. Local fixed income yields fell ahead of the FOMC meeting next week. The Philippine peso weakened on recession fears in Europe.

Key Events

- ✓ The Philippine Statistics Authority reported that agricultural production declined by 0.1% in 2022, marking three straight years of contraction. Production in fisheries and crop output fell by 5.0% and 1.0%, respectively. Offsetting these was livestock and poultry production which rose 1.9% and 7.0% respectively. The PSA attributed the decline to mobility restrictions, higher input costs, and damage caused by typhoons.
- ✓ Aboitiz Power Corp. (PSE Ticker: AP) will no longer supply power to Manila Electric Co. (PSE Ticker: MER) after their 30-day emergency power supply agreement expired on January 25. MER stated that it would source its 670-megawatt requirement from the Wholesale Electricity Spot Market. The power supply agreement with South Premiere Power Corp. was supposed to supply the capacity but the company was subjected to a temporary restraining order issued by the Court of Appeals.

Equities

- ✓ Local equities inched up driven by the positive sentiment on the decline in oil prices and ahead of the most anticipated Philippine GDP data. This was also after a delay in trading due to some minor technical issues. The PSEi closed at 7,081.36 (+0.57% DoD).

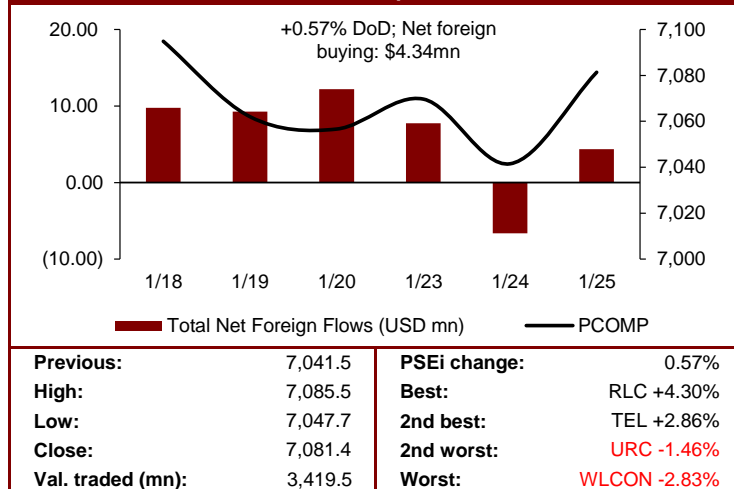
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0697	4.3626	5 years	-0.0298	5.7996
6 months	+0.0018	4.9418	7 years	-0.0043	5.9240
1 year	-0.0076	5.4044	10 years	+0.0128	6.0773
2 years	-0.0532	5.3465	20 years	-0.0070	6.4777
3 years	-0.0600	5.5624	30 years	-0.0082	6.4139
4 years	-0.0484	5.7032			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.435	54.630	EUR/USD	1.0887
				1.0916

PSEi Snapshot



Fixed Income

- ✓ Local fixed income yields declined further ahead of the US Federal Open Market Committee Meeting next week. The Fed is expected to raise interest rates by 25 bps. On average, yields went down by 2.49 bps, led by the belly of the curve which fell by 3.56 bps.

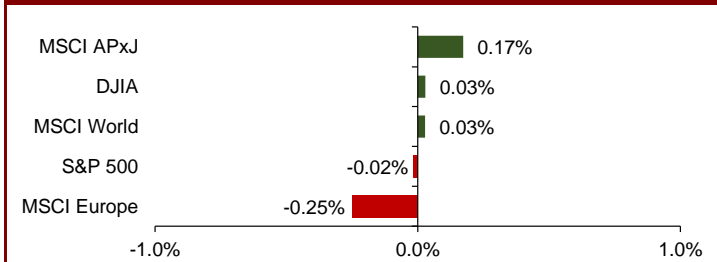
Philippine peso

- ✓ The Philippine peso weakened amid global recession fears sparked by Europe's economic data. While Eurozone's flash composite PMI showed signs of modest recovery at 50.2 in January from 49.3 in the previous month, UK's flash composite PMI sharply contracted to 47.8, falling short of expectations of 48.5. The USD/PHP pair closed at 54.63 (+0.36% DoD).

OVERSEAS MARKETS

Global equities were mixed as investors continued to digest corporate earnings results. US Treasury yields fell and the US Dollar slightly weakened as market participants waited for upcoming key economic data releases and assessed the economic outlook in the US.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0098	4.6643	5 years	-0.0296	3.5453
6 months	-0.0160	4.8068	10 years	-0.0111	3.4416
2 years	-0.0853	4.1250	30 years	-0.0106	3.5937

- ✓ US equities were mixed as investors digested the latest batch of corporate earnings amid rising rates and recession woes. Microsoft's bearish guidance also weighed on the tech sector. The S&P 500 closed at 4,016.22 (-0.02% DoD) and the DJIA closed at 33,743.84 (+0.03% DoD).
- ✓ Asian equities rose on expectations of a slower Fed rate hike path amid cooling inflation. However, gains were capped by a mixed bag of corporate earnings. Trading volume also remained thin as markets in China, Hong Kong, and Taiwan were still closed for the holiday. The MSCI APxJ closed at 552.70 (+0.17% DoD).
- ✓ European equities fell on Wednesday as disappointing results from Microsoft fueled concerns about the tech sector's prospects. Moreover, investors also remained concerned that central banks were not yet close to halting interest rate hikes. The MSCI Europe closed at 151.77 (-0.25% DoD).
- ✓ US Treasury yields dropped as investors continued to weigh the economic outlook of the US ahead of the key economic data releases this week. On average, yields were down by 2.38 bps, with the 2Y closing at 4.13% (-8.53 bps) and the 10Y closing at 3.44% (-1.11 bps).
- ✓ The US Dollar slightly weakened as the market await the release of the US 4Q21 GDP. The DXY closed at 101.64 (-0.27% DoD).