

January 30, 2023

LOCAL MARKETS

Local equities fell, local fixed income yields declined, and local equities rose following the PSEi rebalancing. Local fixed income yields were mixed ahead of the FOMC meeting. The Philippine peso weakened on higher crude oil prices. The Philippine peso strengthened on positive 4Q22 Philippine GDP data.

Key Events

- ✓ **Fitch Ratings sees strong profits for Philippine banks this year as rising interest rates will help banks reprice their existing loans.** However, the company is wary of rising interest rates and high inflation affecting the repayment capacity of borrowers. Nonetheless, most corporate balance sheets are seen to have sufficient financial buffers to hedge against rising interest rates.
- ✓ **DMCI Holdings Inc. (PSE Ticker: DMC) and Union Bank of the Philippines (PSE Ticker: UBP)** will be included in the Philippine Stock Exchange Index starting February 6. These companies will replace Megaworld Corp. (PSE Ticker: MEG) and Robinsons Land Corp. (PSE Ticker: RLC).

Equities

- ✓ **Local equities** grew as investors assessed the news that DMCI Holdings, Inc. and Union Bank of the Philippines will replace Megaworld Corp. and Robinsons Land Corp. in the main index. The PSEi closed at 7,052.16 (+0.13% DoD).

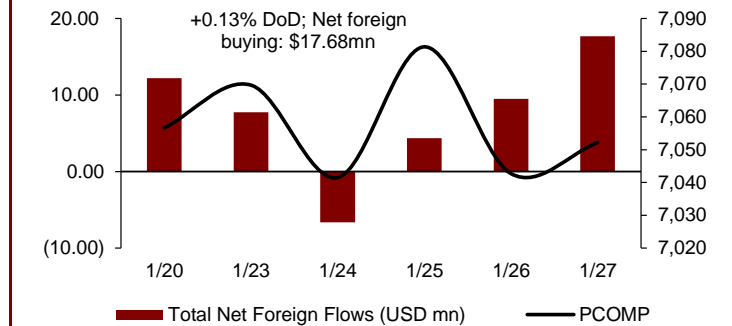
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0017	4.3757	5 years	+0.0014	5.7853
6 months	+0.0023	4.9535	7 years	+0.0055	5.9061
1 year	+0.0037	5.3947	10 years	+0.0050	6.0271
2 years	-0.0201	5.3190	20 years	+0.0534	6.4126
3 years	-0.0153	5.5344	30 years	+0.0608	6.4160
4 years	-0.0058	5.6824			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.400	54.470	EUR/USD	1.0892
				1.0868

PSEi Snapshot



Previous:	7,042.7	PSEi change:	0.13%
High:	7,080.4	Best:	AEV +2.61%
Low:	7,043.6	2nd best:	SCC +2.22%
Close:	7,052.2	2nd worst:	PGOLD -2.92%
Val. traded (mn):	3,822.6	Worst:	TEL -3.20%

Fixed Income

- ✓ **Local fixed income yields** were mixed ahead of the US Federal Reserve's policy meeting on January 31 and February 1. On average, yields went up 0.81 bps, led by the long-end of the curve which rose by 3.97 bps.

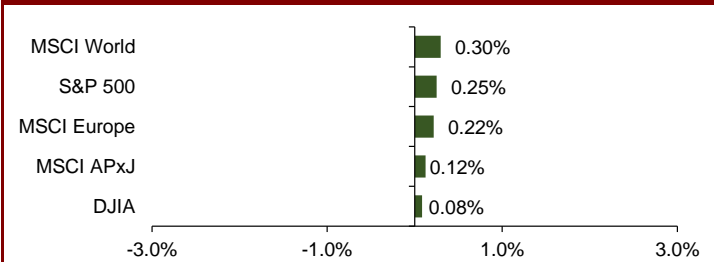
Philippine peso

- ✓ The **Philippine peso** weakened after global crude oil prices spiked on expectations of higher demand as China reopens its economy. Crude prices were also boosted by strong US economic data. The USD/PHP pair closed at 54.47 (+0.13% DoD).

OVERSEAS MARKETS

Global equities rose, US Treasury yields inched up, and the US Dollar slightly strengthened as investors digested a fresh batch of economic data releases.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0008	4.6645	5 years	+0.0173	3.6102
6 months	+0.0008	4.8176	10 years	+0.0088	3.5035
2 years	+0.0164	4.1990	30 years	-0.0207	3.6190

- ✓ **US equities** climbed ahead of the Fed policy meeting this week as investors continued to digest upbeat US economic growth data. Stocks were further boosted by optimism on Tesla which posted record high revenues. The S&P 500 closed at 4,070.56 (+0.25% DoD) and the DJIA closed at 33,978.08 (+0.08% DoD).
- ✓ **Asian equities** modestly gained as better-than-expected US GDP and China's economic reopening fueled optimism. However, gains were capped after Indian shares slumped following the sell-off in Adani Group due to concerns on the company's debt levels and use of tax havens. The MSCI APxJ closed at 559.71 (+0.12% DoD).
- ✓ **European equities** rose as investors weighed the better-than-expected US GDP data. This was also ahead of the central banks' monetary policy decisions this week. The MSCI Europe closed at 152.68 (+0.22% DoD).
- ✓ **US Treasury yields** rose as investors digested the upbeat GDP data and slower core personal consumption index which rose by 4.4% YoY in December. On average, yields were up by 0.39 bps, with the 2Y closing at 4.20% (+1.64 bps) and the 10Y closing at 3.50% (+0.88 bps).
- ✓ The **US Dollar** strengthened marginally as traders continued to wait for Fed's policy rate decision this week and weighed the latest US consumer spending and inflation data. The DXY closed at 101.93 (+0.09% DoD).

