

March 2, 2023

LOCAL MARKETS

Local equities rose on bargain hunting. Local fixed income yields rose and the Philippine peso strengthened amid higher inflation and hawkish monetary policy expectations.

Key Events

- ✓ **The Bureau of the Treasury (BTR) reported that the government's budget deficit narrowed by 3.35% YoY from Php1.67 trillion in FY2021 to Php1.61 trillion in FY2022.** This brought the budget gap equivalent to 7.33% of GDP, above the Development Budget Coordination Committee (DBCC)'s 6.9% target but below the 8.6% reported in 2021. The narrower deficit was on the back of revenue growth outpacing the increase in government spending.
- ✓ **Megaworld Corp (PSE Ticker: MEG) posted a net income of Php13.46 billion in 2022, marginally higher than the Php13.43 billion recorded in 2021.** Total revenues grew by 17.3% YoY to Php59.53 billion amid the gains in real estate sales, rental income, hotel operations, and interests. Meanwhile, costs and expenses grew by 21.4% YoY to Php44.15 billion.

Equities

- ✓ **Local equities rose on bargain hunting as investors digested upbeat local corporate earnings.** The local stock market also tracked Asian market gains following the release of China's surprisingly high manufacturing Purchasing Managers' Index (PMI). The PSEI closed at 6,607.13 (+0.78% DoD).

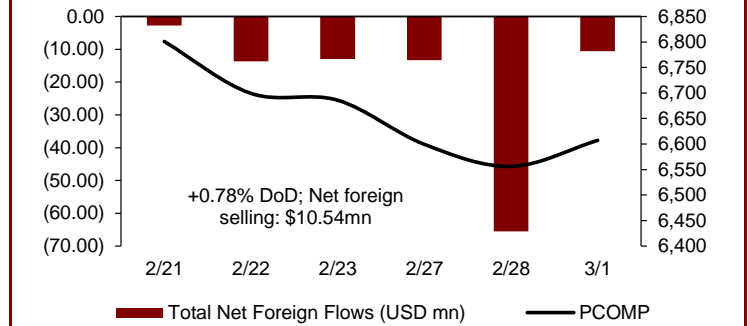
Bond Market Movement

| Tenor | Change | Yield | Tenor | Change | Yield |
|----------|---------|--------|----------|---------|--------|
| 3 months | +0.0728 | 4.6755 | 5 years | -0.0031 | 6.0100 |
| 6 months | +0.0141 | 5.1747 | 7 years | -0.0026 | 6.1897 |
| 1 year | +0.0256 | 5.6027 | 10 years | -0.0045 | 6.3204 |
| 2 years | -0.0034 | 5.6396 | 20 years | +0.0226 | 6.5994 |
| 3 years | -0.0104 | 5.7647 | 30 years | +0.0336 | 6.5997 |
| 4 years | -0.0075 | 5.8875 | | | |

Foreign Exchange

| | Previous | Close | Previous | Close |
|----------|----------|--------|----------|---------------|
| PHP/USD* | 55.330 | 54.980 | EUR/USD | 1.0576 1.0668 |

PSEI Snapshot



| | | | |
|--------------------------|---------|---------------------|-------------|
| Previous: | 6,685.9 | PSEI change: | -1.18% |
| High: | 6,630.2 | Best: | SMC +4.25% |
| Low: | 6,579.5 | 2nd best: | MBT +4.16% |
| Close: | 6,607.1 | 2nd worst: | GLO -5.83% |
| Val. traded (mn): | 5,409.8 | Worst: | ACEN -7.07% |

Fixed Income

- ✓ **Local fixed income yields continued to rise on inflation fears after the Bangko Sentral ng Pilipinas (BSP) shared its median estimate for February inflation at 8.9%.** This was higher than the 8.7% inflation print in January. Depending on inflation, the BSP Governor said in the previous Monetary Board meeting that a 25-50 bps rate hike in March is the most likely scenario. On average, yields went up by 1.25 bps, led by the short-end which increased by 2.73 bps.

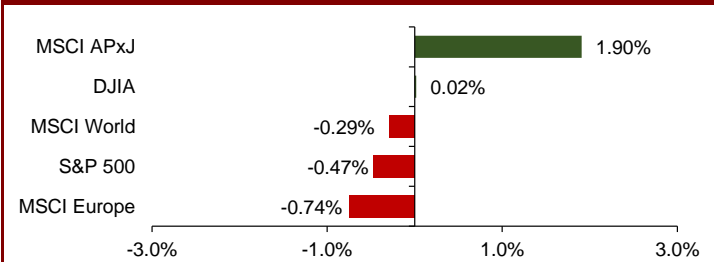
Philippine peso

- ✓ **The Philippine peso strengthened amid hawkish expectations after the BSP said that local headline inflation may have breached 9% in the month of February as gas and food prices rose.** The USD/PHP pair closed at 54.98 (-0.63% DoD).

OVERSEAS MARKETS

Global equities were mixed, US Treasury yields rose, and the US Dollar weakened as investors digested key economic data releases globally.

Global Markets



US Treasuries

| Tenor | Change | Yield | Tenor | Change | Yield |
|----------|---------|--------|----------|---------|--------|
| 3 months | +0.0798 | 4.8485 | 5 years | +0.0741 | 4.2559 |
| 6 months | +0.0053 | 5.1242 | 10 years | +0.0725 | 3.9925 |
| 2 years | +0.0606 | 4.8764 | 30 years | +0.0381 | 3.9542 |

- ✓ **US equities were mixed amid lingering inflation fears.** This was after recent data releases showed rising raw materials in the US which raised expectations that policy rates will be kept higher for longer. The S&P 500 closed at 3,951.39 (-0.47% DoD) and the DJIA closed at 32,661.84 (+0.02% DoD).
- ✓ **Asian equities rebounded as optimism was fueled by encouraging data in China,** with some investors hoping that China's economic rebound can offset a global slowdown. Both China's official Manufacturing PMI and Caixin Manufacturing PMI surprised to the upside and rose to 52.6 and 51.6, ahead of consensus of 50.6 and 50.7, respectively. The MSCI APxJ closed at 521.14 (+1.90% DoD).
- ✓ **European equities fell after a surprise acceleration in German inflation,** which adds further pressure on the European Central Bank to stick with its hawkish path. German consumer prices rose 9.3% from a year earlier, up from January's 9.2% gain. The MSCI Europe closed at 153.42 (-0.74% DoD).
- ✓ **US Treasury yields rose amid expectations of tighter interest rates following the increase in ISM Manufacturing Index from 47.4 in January to 47.7 in February.** On average, yields went up by 5.51 bps, with the 2Y closing at 4.88% (+6.06 bps) and the 10Y closing at 3.99% (+7.25 bps).
- ✓ **The US Dollar weakened as commodity currencies benefited from China's strong manufacturing activity data.** China's manufacturing PMI rose to 52.6 in February, the highest since April 2012. The DXY closed at 104.48 (-0.37% DoD).

