

March 6, 2023

LOCAL MARKETS

Local equities gained, local fixed income yields rose, and the Philippine peso strengthened as investors weighed the recent remarks from BSP Governor Medalla on the potential pace of rate hikes and GDP growth.

Key Events

- ✓ According to the **Bangko Sentral ng Pilipinas (BSP)** Governor Felipe Medalla, the next rate hike could be 25 or 50 bps, depending on the latest economic data. He noted that a 50-bps hike is likely if the February inflation print rises above 9%. The inflation data for February is due to be released on March 7.
- ✓ **International Container Terminal Services, Inc. (PSE Ticker: ICT)** will open a new berth at the Manila International Container Terminal to improve its capacity and enable the handling of ultra-large container vessels. With the addition of the new berth, the Manila Port's total capacity will be increased to 200,000 twenty-foot equivalent units (TEU).

Equities

- ✓ **Local equities** slightly rose following gains in Wall Street and as investors digested the recent comments of BSP Governor Medalla that the government's 6-7% economic growth target will likely be reached despite rising interest rates. The PSEi closed at 6,655.37 (+0.50% DoD).

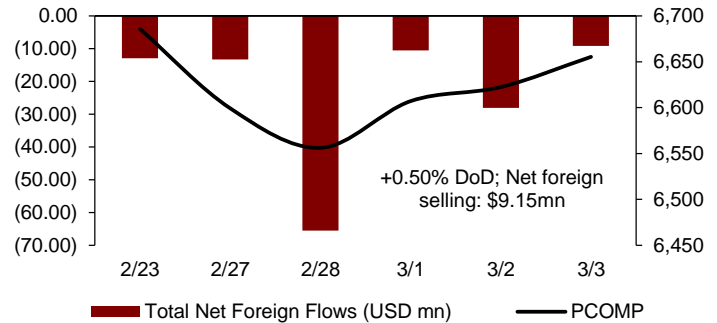
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0712	4.6170	5 years	+0.0326	6.0847
6 months	+0.0717	5.1764	7 years	+0.0323	6.2815
1 year	+0.0531	5.6089	10 years	+0.0562	6.4496
2 years	+0.0175	5.6673	20 years	+0.0531	6.7439
3 years	+0.0267	5.8025	30 years	+0.0580	6.7578
4 years	+0.0319	5.9454			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	55.010	54.820	EUR/USD	1.0597
				1.0635

PSEi Snapshot



Previous:	6,622.5	PSEi change:	0.50%
High:	6,694.4	Best:	MPI +7.40%
Low:	6,640.3	2nd best:	DMC +3.67%
Close:	6,655.4	2nd worst:	SMC -1.75%
Val. traded (mn):	4,347.6	Worst:	JGS -2.56%

Fixed Income

- ✓ **Local fixed income yields** rose further following recent remarks from BSP Governor Medalla that the central bank is considering a 50-bp rate hike if February inflation surges to 9%. The BSP forecasts the February inflation print to range from 8.5% to 9.3%. On average, yields went up by 4.58 bps, led by the long-end which increased by 5.58 bps.

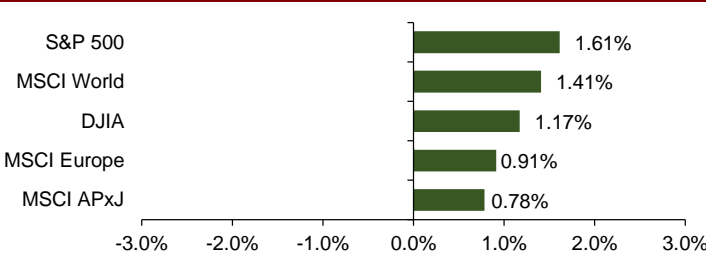
Philippine peso

- ✓ The **Philippine peso** strengthened as investors anticipate a possible larger rate hike in the next policy meeting following the BSP's higher inflation projection in February. Last Friday, the BSP Governor also hinted on a possible 50-bps rate hike if inflation rises above the 9% level. The USD/PHP pair closed at 54.82 (-0.35% DoD).

OVERSEAS MARKETS

Global equities rose, US Treasury yields fell, and the US Dollar weakened as investors continued to assess the US Fed's next policy moves and weighed economic data releases.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0019	4.8408	5 years	-0.0668	4.2457
6 months	-0.0155	5.1107	10 years	-0.1039	3.9517
2 years	-0.0285	4.8565	30 years	-0.1178	3.8757

- ✓ **US equities** rose after Treasury yields eased from recent highs and as investors assessed the US Fed's future policy moves following remarks from central bank officials. Investors also digested the recent ISM Services purchasing managers' index (PMI) data which came out higher-than-expected at 55.1 in February. The S&P 500 closed at 4,045.64 (+1.61% DoD) and the DJIA closed at 33,390.97 (+1.17% DoD).
- ✓ **Asian equities** climbed amid optimism over Chinese economic recovery and as investors digested the growth targets released by China in its parliamentary session. The MSCI APxJ closed at 523.44 (+0.78% DoD).
- ✓ **European equities** gained on hopes that the US Federal Reserve would take a more measured approach to rate hikes. Mining stocks also rose amid rising expectations of a Chinese demand recovery. The MSCI Europe closed at 155.69 (+0.91% DoD).
- ✓ **US Treasury yields** fell as investors continued to assess the economic outlook in the US and the prospects of further rate hikes from the Fed. On average, yields went down by 5.57 bps, with the 2Y closing at 4.86% (-2.85 bps) and the 10Y closing at 3.95% (-10.39 bps).
- ✓ The **US Dollar** weakened as traders stepped back to assess the path of the US Federal Reserve's monetary policy. The DXY closed at 104.52 (-0.48% DoD).

