

March 8, 2023

LOCAL MARKETS

Local equities gained, local fixed income yields fell, and the Philippine peso weakened as investors digested the local inflation print which eased in February.

Key Events

- ✓ The **Philippine Statistics Authority (PSA)** reported that local headline inflation eased for the first time in six months to 8.6% in February amid the slower pace of rise in transport and food prices. This was lower than the 8.7% print in January and the 8.9% consensus estimate. Meanwhile, core inflation, which excludes volatile food and energy items, further accelerated to a 22-year high of 7.8% in February from 7.4% in January.
- ✓ **Aboitiz Equity Ventures (PSE Ticker: AEV)** posted a 9.2% decline in net income to Php24.8 billion amid the lower contribution from its power business. **Aboitiz Power's (PSE Ticker: AP)** income contribution to AEV reached Php14.3 billion in 2022. This was lower by 10.6% year-on-year after the unit entered into a partnership with JERA Asia Private Ltd. which reduced AEV's ownership in AP to 52% from 77%.

Equities

- ✓ **Local equities** rose as investors digested the lower-than-expected February local inflation print which may lead the Bangko Sentral ng Pilipinas (BSP) to become less hawkish. The PSEi closed at 6,705.12 (+0.51% DoD).

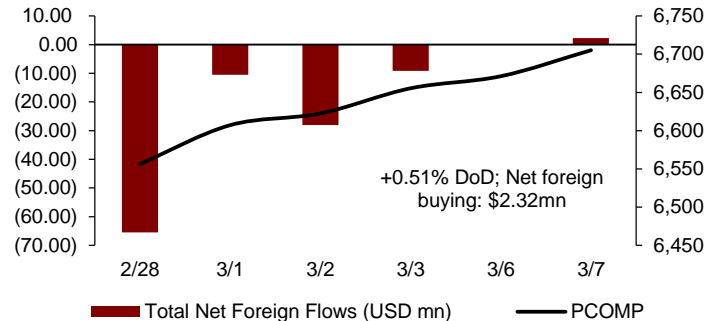
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0270	4.6320	5 years	-0.0297	6.0827
6 months	+0.0388	5.3160	7 years	-0.0341	6.2515
1 year	+0.0443	5.7011	10 years	-0.0712	6.3915
2 years	+0.0451	5.7738	20 years	-0.1357	6.6136
3 years	+0.0072	5.8650	30 years	-0.1622	6.5991
4 years	-0.0167	5.9733			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	54.880	55.000	EUR/USD	1.0681
				1.0549

PSEi Snapshot



Previous:	6,671.1	PSEi change:	0.51%
High:	6,739.5	Best:	URC +7.33%
Low:	6,705.1	2nd best:	BPI +2.55%
Close:	6,705.1	2nd worst:	SMC -2.33%
Val. traded (mn):	3,962.7	Worst:	MPI -2.88%

Fixed Income

- ✓ **Local fixed income yields** fell following the slight deceleration in the headline inflation print to 8.6% in February from 8.7% in January. On average, yields went down by 2.61 bps, led by the long-end which declined by 12.30 bps.

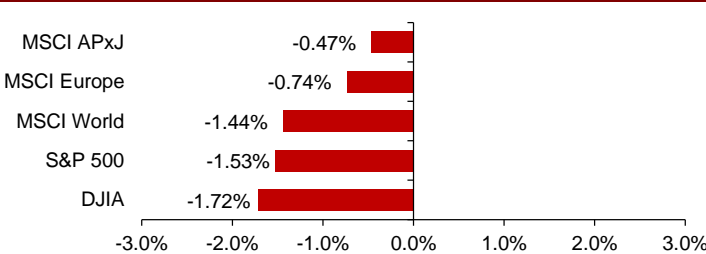
Philippine peso

- ✓ The **Philippine peso** weakened as investors expect a smaller rate hike following a lower-than-expected February inflation data. The USD/PHP pair closed at 55.00 (+0.22% DoD).

OVERSEAS MARKETS

Global equities declined, US Treasury yields rose, and the US Dollar strengthened amid the hawkish remarks from Fed Chairman Jerome Powell.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0688	4.9063	5 years	+0.0586	4.3114
6 months	+0.0406	5.1719	10 years	+0.0060	3.9637
2 years	+0.1223	5.0084	30 years	-0.0211	3.8721

- ✓ **US equities** dropped amid a broad selloff as investors digested US Federal Reserve Chair Jerome Powell's hawkish remarks which fueled fears of a potentially larger rate hike ahead. The S&P 500 closed at 3,986.37 (-1.53% DoD) and the DJIA closed at 32,856.46 (-1.72% DoD).
- ✓ **Asian equities** fell amid rate hike fears following the hawkish remarks from Fed Chair Powell. Market sentiment was also dampened by China's downbeat trade data. China's exports fell by 6.8% YoY, while imports fell 10.4% YoY. The MSCI APxJ closed at 523.56 (-0.47% DoD).
- ✓ **European equities** declined after US Federal Reserve Chair Jerome Powell warned that interest rates are likely to be higher than central bank policymakers previously expected during his congressional testimony. The MSCI Europe closed at 154.47 (-0.74% DoD).
- ✓ **US Treasury yields** rose as investors digested the remarks of Fed Chairman Jerome Powell before the Congress where he hinted that the Fed may need to increase the pace of rate hikes. On average, yields went up by 4.59 bps, with the 2Y closing at 5.01% (+12.23 bps) and the 10Y closing at 3.96% (+0.60 bps).
- ✓ The **US Dollar** strengthened after Federal Reserve Chair Jerome Powell said the US central bank is likely to raise rates more than previously expected. The DXY closed at 105.62 (+1.21% DoD).

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