

March 9, 2023

LOCAL MARKETS

Local equities gained as market sentiment improved following the lower-than-expected local inflation print in February. Local fixed income yields rose on rate hike bets. The Philippine peso weakened amid fears of tighter monetary policy from the US Fed.

Key Events

- ✓ The **Bangko Sentral ng Pilipinas (BSP)** reported that the country's Gross International Reserves (GIR) fell from \$100.67 billion in January to \$99.3 billion in February. This level was equivalent to 7.5 months' worth of import cover. The decline was attributed to the government's foreign currency withdrawals to settle foreign currency debt obligations and pay for various expenditures.
- ✓ **Metro Pacific Investments Corp. (PSE Ticker: MPI)** posted a 15% increase in its consolidated core net income to Php14.2 billion in 2022 as toll road traffic recovered and electricity consumption rose. Core net income of Metro Pacific Tollways Corp, the toll road business, went up by 46%. Meanwhile, core earnings of Manila Electric Co. (PSE Ticker: MER), the power business, gained by 10% due to higher volumes, pass-through generation charges, and energy sales.

Equities

- ✓ **Local equities** marginally rose on last-minute buying as overall sentiment improved after the lower-than-expected February inflation data reduced the odds of aggressive rate hikes from the BSP. However, gains were tempered as investors also digested US Federal Reserve Chair Jerome Powell's hawkish remarks. The PSEI closed at 6,711.49 (+0.10% DoD).

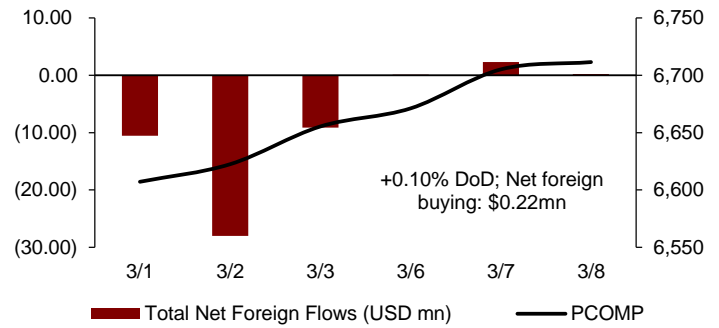
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0462	4.6782	5 years	+0.0253	6.1080
6 months	-0.0191	5.2969	7 years	+0.0021	6.2536
1 year	+0.0357	5.7368	10 years	+0.0032	6.3947
2 years	+0.0468	5.8206	20 years	-0.0047	6.6089
3 years	+0.0461	5.9111	30 years	+0.0002	6.5993
4 years	+0.0379	6.0112			

Foreign Exchange

	Previous	Close	Previous	Close
PHP/USD*	55.000	55.320	EUR/USD	1.0549
				1.0545

PSEI Snapshot



Fixed Income

- ✓ **Local fixed income yields** continued to climb on rate hike bets. The BSP previously said that it sees a 25-50 bp rate hike in its upcoming Monetary Board meeting as the most likely outcome. On average, yields went up by 2.00 bps, led by the belly which rose by 2.78 bps.

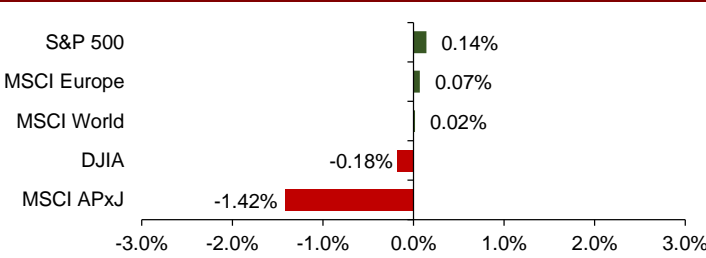
Philippine peso

- ✓ The **Philippine peso** weakened after the US Dollar gained following the hawkish remarks from US Federal Reserve Chair Jerome Powell. Powell cautioned that policy rates may need to be raised higher than expected as the latest economic data releases had been quite strong. The USD/PHP pair closed at 55.32 (+0.58% DoD).

OVERSEAS MARKETS

Global equities were mixed, US Treasury yields rose, and the US Dollar strengthened as investors digested the strong US labor data and hawkish comments from the Fed.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0695	4.9758	5 years	+0.0375	4.3489
6 months	+0.0797	5.2516	10 years	+0.0276	3.9913
2 years	+0.0617	5.0701	30 years	+0.0220	3.8941

- ✓ **US equities** were mixed as investors weighed US Fed Chair Jerome Powell's hawkish remarks. Powell noted that "no decision" has been made on the size of the Fed's upcoming interest-rate increase at its March policy meeting and the decision will still depend on upcoming labor and inflation data. The S&P 500 closed at 3,992.01 (+0.14% DoD) and the DJIA closed at 32,798.40 (-0.18% DoD).
- ✓ **Asian equities** slipped amid expectations of larger rate hikes following hawkish comments from Fed Chair Powell. Hong Kong shares led losses, while Asia technology stocks sharply declined. The MSCI APxJ closed at 516.13 (-1.42% DoD).
- ✓ **European equities** slightly rose as investors weighed US Fed Chair Jerome Powell's comments that interest rates may need to go higher for longer. The MSCI Europe closed at 154.58 (+0.07% DoD).
- ✓ **US Treasury yields** rose as investors digested the strong labor data and hawkish comments from the Fed. On average, yields went up by 4.97 bps, with the 2Y closing at 5.07% (+6.17 bps) and the 10Y closing at 3.99% (+2.76 bps).
- ✓ The **US Dollar** marginally strengthened after Federal Reserve Chairman Jerome Powell delivered no significant surprises during his second day of congressional testimony and as investors waited for the jobs report on Friday. The DXY closed at 105.66 (+0.04% DoD).