

May 19, 2023

LOCAL MARKETS

Local equities fell, local fixed income yields declined, and the Philippine peso strengthened as investors focused on the BSP's Monetary Board Meeting.

Key Events

- ✓ The **Bangko Sentral ng Pilipinas (BSP)** kept its policy rate unchanged at 6.25% after 9 straight meetings of raising its policy rate. BSP Governor Medalla said the central bank may likely keep the policy rate unchanged over the next two to three meetings amid moderating inflation expectations, but the next policy decisions would still depend on inflation data and the US Federal Reserve's next policy moves.
- ✓ **ACEN Corp. (PSE Ticker: ACEN)** disclosed that it has approved the availing of credit facilities amounting to Php7.8 billion from two financial institutions. Php5 billion will come from China Banking Corp., while Php2.8 billion will be from the Japanese bank Mitsubishi UFJ Financial Group, Inc.

Equities

- ✓ **Local equities** fell as investors pocketed gains at the last minute ahead of the Bangko Sentral ng Pilipinas' (BSP) decision to hold rates steady. The PSEi closed at 6,628.64 (-0.10% DoD).

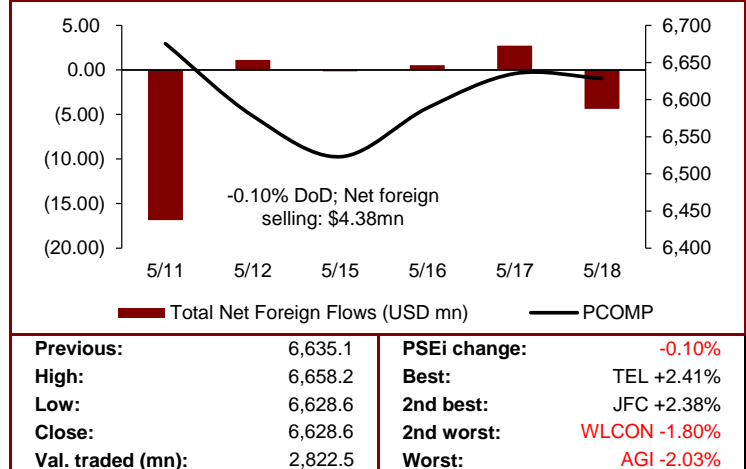
Bond Market Movement

Tenor	Change	Yield	Tenor	Change	Yield
3 months	-0.0386	5.6452	5 years	-0.0261	5.6727
6 months	-0.0033	5.8194	7 years	-0.0162	5.6423
1 year	-0.0296	5.9223	10 years	-0.0010	5.6547
2 years	-0.0104	5.9570	20 years	+0.0124	5.7326
3 years	-0.0340	5.7968	30 years	-0.0722	5.8208
4 years	-0.0337	5.7233			

Foreign Exchange

	Previous	Close		Previous	Close
PHP/USD*	56.200	55.870	EUR/USD	1.0840	1.0770

PSEi Snapshot



Fixed Income

- ✓ **Local fixed income yields** continued to fall as the BSP kept its policy rate unchanged. Softer inflation expectations as the BSP downgraded its full-year inflation forecasts also pushed yields lower. On average, yields fell by 2.30 bps, led by the long end of the curve which went down by 2.99 bps.

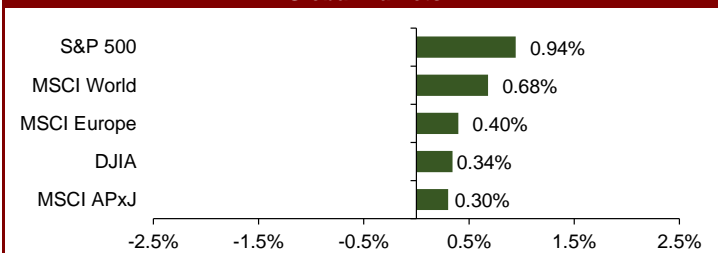
Philippine peso

- ✓ The **Philippine Peso** strengthened as investors digested developments on the US debt ceiling negotiations and focused on the BSP's Monetary Board meeting where the central bank revised down its inflation forecasts. The USD/PHP pair closed at 55.87 (-0.59% DoD).

OVERSEAS MARKETS

Global equities rose, US Treasury yields went up, and the US Dollar strengthened as investors focused on the US debt ceiling negotiations and weighed recent corporate earnings results.

Global Markets



US Treasuries

Tenor	Change	Yield	Tenor	Change	Yield
3 months	+0.0070	5.2450	5 years	+0.0990	3.6860
6 months	+0.0900	5.3560	10 years	+0.0810	3.6510
2 years	+0.0980	4.2580	30 years	+0.0480	3.9060

- ✓ **US equities** slightly gained as investors continued to monitor the US debt ceiling talks. A positive earnings result from Walmart also helped lift sentiment. The S&P 500 closed at 4,198.05 (+0.94% DoD) and the DJIA closed at 33,535.91 (+0.34% DoD).
- ✓ **Asian equities** rose as the progress of the US debt ceiling talks fueled optimism. The MSCI APxJ closed at 512.48 (+0.30% DoD).
- ✓ **European equities** rose, following Wall Street gains, amid progress on the US debt ceiling discussions. The MSCI Europe closed at 156.59 (+0.40% DoD).
- ✓ **US Treasury yields** rose further amid cautious optimism on the US debt ceiling resolution and the recent remark from Dallas Fed President Lorie Logan that a pause in rate hikes might not be warranted yet based on the current economic data. On average, yields went up by 7.37 bps, with the 2Y closing at 4.26% (+9.80 bps) and the 10Y closing at 3.65% (+8.10 bps).
- ✓ The **US Dollar** strengthened as investors weighed the lower-than-expected initial jobless claims data and developments on the US debt ceiling negotiations. The DXY closed at 103.58 (+0.68% DoD).

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