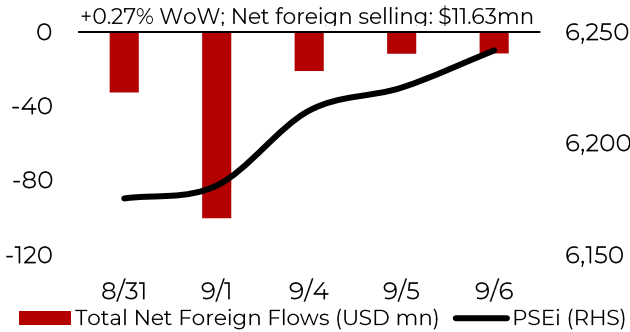


The Morning View

SEPTEMBER 7, 2023

Philippine Stock Exchange Index



	Level	DoD
PSEi	6,241.69	+0.27%
3-mo bond yield	5.63%	-0.41 bps
2-yr bond yield	6.23%	+2.92 bps
10-yr bond yield	6.50%	+5.33 bps
USDPHP	56.94	+0.25%
Oil (Brent, \$ / barrel)	90.6	+0.62%

The **Bangko Sentral ng Pilipinas** will switch to a variable auction rate for the reverse repurchase (RRP) facility on Sept. 8. The BSP's key policy rate will now be called the "Target RRP rate." The Target RRP rate will be set by the Monetary Board while the O/N rate will change based on market auctions. The central bank believes this switch will reduce the lagged effects of monetary policy.

Manila Electric Co. (Ticker: MER) said upward pressure on generation charge may push electricity rates higher in September. The anticipated increase was due to higher fuel prices in the global market during the supply month.

Local equities slightly rose on bargain hunting. Investors also weighed the recent uptick in global oil prices and awaited the release of key US economic data. The PSEi closed at 6,241.69 (+0.27% DoD).

Local fixed income yields increased as economists hiked their inflation forecasts. On average, yields rose by 2.56 bps, with the 2Y closing at 6.23% (+2.92 bps) and the 10Y closing at 6.5% (+5.33 bps).

The **Philippine peso** weakened to near 9-month high amid a stronger US dollar and higher global oil prices. The USD/PHP pair closed at 56.94 (+0.25% DoD).

The US ISM services PMI increased to 54.5 in August (July: 52.7), beating market expectations. New orders grew at a faster rate while businesses paid for higher input prices, showing potential signs of still-elevated inflationary pressures.

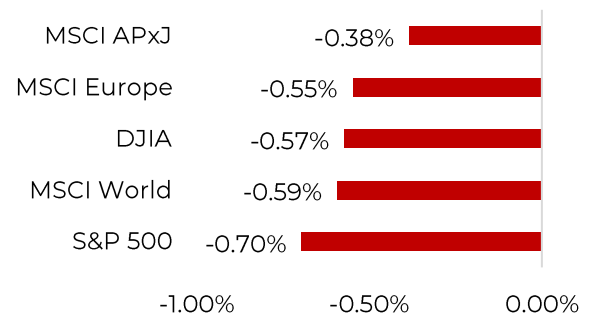
The Bank of Canada (BoC) kept its key overnight interest rate unchanged at 5.0% amid stalling economic growth but stays prepared to hike rates further should inflation persist.

US equities declined further as the higher-than-anticipated services data fanned concerns over the likelihood of more rate increases from the Fed. The S&P 500 closed at 4,465.48 (-0.70% DoD) and the DJIA closed at 34,443.19 (-0.57% DoD).

US Treasury yields went up as investors digested the higher-than-expected ISM services index, which signals the Fed that more rate hikes may be necessary. On average, yields gained 1.85 bps, with the 2Y closing at 5.02% (+6.00 bps) and the 10Y closing at 4.28% (+1.80 bps).

The **US dollar** strengthened as the strong ISM US services PMI report in August suggests persistent inflation pressures. The DXY closed at 104.86 (+0.05% DoD).

Global Stock Indices



	Level	DoD
S&P 500	4,465.48	-0.70%
DJIA	34,443.19	-0.57%
3-mo US Treasury yield	5.49%	+4.60 bps
2-yr US Treasury yield	5.02%	+6.00 bps
10-yr US Treasury yield	4.28%	+1.80 bps
DXY	104.86	+0.05%